JOYO BANK

Annual Report 2006

PROFILE

The Joyo Bank, Ltd., was established in 1935 out of the merger of the Tokiwa Bank and Goju Bank (both founded in 1878), and celebrating its 125th year in Business.

As a leading financial institution in Ibaraki Prefecture and surrounding regions, the Bank, with the philosophy of "Practicing sound management, creation of values, and partnership with the home region," is contributing to the growth of its home region by providing stable and comprehensive financial services.

Management Philosophy

"Sound management, creation of value, and partnership with the home region"

(1) Focusing on retail banking as our core business, Joyo Bank will pursue sound management and steady banking activities.

(2) Joyo Bank will create high-value business together with our customers, regional communities, and shareholders.

(3) By providing financial services in our base territory of Ibaraki Prefecture and adjacent areas, Joyo Bank will contribute to social and economic progress in the home region.

Action Guidelines

We will

— Provide the most appropriate products and services based on a keen understanding of our customers.

— Undertake steady banking activities and grow together with our customers.

— Seek to further improve our financial skills.

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FINANCIAL HIGHLIGHTS

Consolidated

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
Years Ended March 31	**2006**	2005	**2006**
For the Year Ended			
Total Income	**¥ 182,781**	¥ 173,271	**$ 1,555,985**
Total Expenses	**138,874**	127,712	**1,182,209**
Income before Income Taxes and Minority Interests	**43,907**	45,559	**373,776**
Net Income	**24,815**	26,198	**211,252**
At the Year End			
Total Assets	**¥7,352,922**	¥7,347,520	**$62,594,047**
Deposits	**6,166,008**	6,182,549	**52,490,072**
Loans and Bills Discounted	**4,391,666**	4,333,198	**37,385,429**
Securities	**2,489,550**	2,430,935	**21,193,074**
Shareholders' Equity	**488,809**	437,317	**4,161,140**
Capital Ratio	**12.01%**	11.75%	
For the Year Ended			
Net Cash (Used in) Provided by Operating Activities	**¥ (73,506)**	¥ 213,397	**$ (625,751)**
Net Cash Provided by (Used in) Investing Activities	**11,692**	(160,154)	**99,540**
Net Cash Used in Financing Activities	**(12,527)**	(5,969)	**(106,645)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(74,322)**	47,276	**(632,690)**
Cash and Cash Equivalents at End of Year	**117,694**	192,016	**1,001,910**

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥117.47 to US$1.00 on March 31, 2006.

Non-Consolidated

THE JOYO BANK, LTD.

	Millions of Yen		Thousands of U.S. Dollars
Years Ended March 31	**2006**	2005	**2006**
For the Year Ended			
Total Income	**¥ 160,079**	¥ 151,464	**$ 1,362,731**
Total Expenses	**118,093**	107,705	**1,005,310**
Income before Income Taxes	**41,986**	43,759	**357,420**
Net Income	**24,721**	26,123	**210,450**
At the Year End			
Total Assets	**¥7,340,658**	¥7,330,713	**$62,489,646**
Deposits	**6,181,063**	6,197,265	**52,618,234**
Loans and Bills Discounted	**4,433,701**	4,375,901	**37,743,268**
Securities	**2,489,359**	2,430,824	**21,191,450**
Shareholders' Equity	**488,207**	436,836	**4,156,017**

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥117.47 to US$1.00 on March 31, 2006.

MESSAGE FROM THE PRESIDENT

Our aim is to provide high-quality comprehensive financial services while doing our part to contribute to the development of our region.

The leap towards providing high-quality comprehensive financial services

Following the expansion of our industry following deregulation and the emergence of new players from outside the industry, the level of competition in the banking sector has intensified beyond mere regional rivalry.

Here at Joyo Bank, we have been able to take these changes in stride and strengthen our relationship with our customers, our neighbors and our shareholders alike. In order to make the leap towards providing high-quality comprehensive financial services, we are working hard to hit the targets that we set out in our ninth medium-term management plan (FY2005 to FY2007). The current medium-term management plan features three basic targets: strengthen profitability (increase gross profits), attain a higher level of management control, and improve organizational strength. In addition to maintaining a healthy financial structure and improving profitability, we are working to improve the security of financial transactions and ensure thorough compliance (complying with laws and regulations), because in the financial services industry, a bank's business is dependent on the level of trust it enjoys with its clients.

Moreover, to provide a sufficient level of financial services to customers in our region, we are following our relational banking program called the Regionally-Based Financing Promotion Program (FY2005 to FY2006), which calls on the Bank to contribute to the revitalization of the region in which it operates, provide a sufficient level of financing for small- and medium-sized businesses, and make the Bank more convenient for our customers.

Meeting a Variety of Needs: A Complete Range of Products and Services

The customer is at the heart of every service we provide. At Joyo Bank, our products and services are customer-focused. We have put in place various policies to ensure that we know our customers' needs and work to satisfy them.

For our corporate customers, this means that we make a positive effort to respond to their financial needs and provide a variety of financial products. We support all manner of financing methods, serving as an underwriter of private placement bonds and an organizer of syndicated loans. Moreover, we are able to offer assistance and solutions to issues involving public stock offerings, business succession, M&A, and others. We are strengthening our sales support and business matching activities through the Joyo Business Exchange Society, which works on manufacturing topics, and the agribusiness-related Shoku no Business Meeting. Moreover, we added a new service in October 2005: our online banking portal for business clients, known as JWEB OFFICE.

For our individual customers, we are expanding sales of mortgage loan products, such as our complete fixed-interest mortgage loan. We also make a positive effort to respond to customers' needs in every stage of their lives through other loan products, such as loans for car purchases and education. We have already opened 12 Loan Plazas where customers can come in and talk to us about their loan needs and submit applications. We opened our first Loan Plaza outside of Ibaraki Prefecture in the city of Oyama, in neighboring Tochigi Prefecture. We have also improved convenience for customers by opening for business on Sundays. Moreover, we have started issuing our JOYO CARD Plus credit card, along with a new credit provision service called Joyo Cash Pitstop, and are providing new services in the card sector.

We are also continuing to increase the range of products we offer to respond to the diverse asset management needs of our customers, from relatively low-risk investment trusts to variable pension insurance for individuals. In addition, we offer securities brokerage services at five offices in Ibaraki Prefecture.

In response to the threat of theft and unauthorized use of ATM cards, we have set up a new toll-free number — the Financial Crime Hotline — for customers to call when their cards are lost or stolen. We have also created an IC ATM card with a finger vein authentication function, the Joyo IC Ace Card.

In the future, we will continue to put all of our effort into providing a full range of information, products and services for increased customer satisfaction.

Kunio Onizawa
President

Robust, Cooperative Banking at One with the Community

Here at Joyo Bank, we aim to provide a wide range of efficient and competent financial services and functions in our region. We believe it is our duty as a regional financial institution to contribute to the society and economy in our region. Now and in the future, we are determined to realize this contribution by providing high-quality, comprehensive financial services, based on our management philosophy of robust, cooperative banking at one with the community.

In July 2005, Joyo Bank celebrated the 70th anniversary of its establishment. We would not have made it this far without the loyal support and continued patronage of all of those supporting us, and for this, we would like to offer our most sincere appreciation. As a regional financial organization, our business is based on the mutual harmony and prosperity of the region and community that we serve. As part of this community, we will continue to work together with our neighbors and make strides towards further growth in the future.

We look forward to meeting your future expectations: each and every employee at Joyo Bank is putting forth every effort to meet this challenge. I offer my sincere gratitude for your continued support.

Thank you,

Kunio Onizawa

Kunio Onizawa
President

70TH ANNIVERSARY COMMEMORATIVE EVENTS

輝く未来へ　あなたと共に

70

おかげさまで70周年

It has been 70 years last year since the Bank was founded on July 30, 1935, through a merger between Tokiwa Bank (based in Mito City) and Gojyu Bank (in Tsuchiura City). This great milestone is a manifestation of the support and patronage of our local customers and our shareholders all of us here at the Bank wish to thank you. We will set our 70th year as a new starting line from which we will spring forward into the future. And as a way to express our thanks to our customers, we held several commemorative events last year.

Major Commemorative Events

Emergency Medical Service Activities

As a part of our efforts to contribute to the local community, we sponsored an "emergency response seminar" for Bank employees so they can provide appropriate emergency care for the ill and injured in the event of a natural disaster or accident. We also are encouraging Bank employees to attend the "Emergency Medical Personnel Developmental Course" and acquire the "Emergency Medical Personnel Certification" offered by the Red Cross of Japan.

Crime-Preventing Personal Alarms

As part of our efforts to contribute to the creation of a local community where we can live safely, we donated crime preventing personal alarms to 1st year elementary school students in Ibaraki Prefecture and Iwaki City, Fukushima Prefecture. We plan to continue this project into the future.

"Joyo Loan Pass"

We initiated our new service, "Joyo Loan Pass" for individual customers. This pass contains the user's credit limit and is issued to certain mortgage loan customers that have met specific criteria.

"Financial Seminar for High School Students"

We sponsored seminars oriented towards local high school students. The objective of the seminars is to help the students learn before they go out on their own about "saving," "using," "borrowing" and other banking services, as well as the importance of a household budget and personal financial planning that focuses on their lives ahead.

Environmentally-Friendly Lending, "Joyo Eco Select Loans"

These are lending products with "the environment" as a theme that respond to a variety of financing needs and offer preferred interest rates as a way to support customers who conduct environmentally-conscious management.

Donations to the environmental preservation fund Eco Ibaraki, a public trust

The fund was established to support environmental protection work in Ibaraki Prefecture. Its purpose is to create a lush, green natural environment and pleasant living environment, and to contribute to the promotion and development of the regional community.

As part of our efforts to support the preservation of the natural environment, we have donated ¥15 million to the fund.

"Joyo Business Exchanges"

We sponsored "Joyo Business Exchanges," which have a manufacturing theme and are aimed at the further revitalization of the local economy.

Various companies involved in manufacturing participated in this event and it served as a place for information exchange, company PR, technical consulting, and the chance for interaction between many customers.

Joyo Corporate Internet Banking "JWEB OFFICE"

"JWEB OFFICE," a new service for our corporate and sole proprietorship customers, was initiated. This low-cost, highly convenient service allows customers to conduct balance inquiries, transfers, etc., via the internet.

Revenues and Earnings

Our business profits increased ¥6.2 billion (12.8%) from the previous year to ¥55.3 billion (US$471 million). This was due to steady interest income and income from fees and commissions, and increases in gains on bond transactions, mainly government bonds.

Furthermore, our core business profit*, which is an indicator of our base profitability, increased ¥1.0 billion (1.9%) to ¥53.7 billion (US$457 million).

Ordinary profit decreased ¥400 million (1.0%) from the previous year, to ¥41.0 billion (US$349 million). This was due to a decline in gains on stock trading and an increase in expenses for bad debt disposal.

Net income for the term decreased ¥1.4 billion (5.3%) from the previous year, to ¥24.7 billion (US$210 million), due to the application of the new accounting standards for the impairment of fixed assets.

*Core business profit is the amount derived by adding gains and losses made from government bond trading and the amounts transferred to reserves for possible loan losses to business profits.

Deposits, Loans and Securities

Deposits for the term increased by ¥6.6 billion to a term-end balance of ¥6,146.4 billion (US$52,323 million). Of this amount, time deposits decreased by ¥96.4 billion to a term-end total of ¥2,545.2 billion (US$21,667 million), but ordinary deposits increased by ¥166.3 billion for a term-end balance of ¥3,176.2 billion (US$27,038 million). As we look to respond aggressively to the diversifying asset management needs of our customers, we have increased our balance of assets in custody (investment trusts, public bonds, etc.).

Loans for the term increased by ¥57.7 billion to a term-end balance of ¥4,433.7 billion (US$37,743 million). Of this amount, individual loans, mainly mortgage loans, increased by ¥36.0 billion to ¥967.3 billion (US$8,234 million). On the other hand, loans to small and medium-sized businesses for the term decreased by ¥17.9 billion to a term-end balance of ¥1,909.6 billion (US$16,256 million).

Security holdings increased ¥58.5 billion during the year to stand at ¥2,489.3 billion (US$21,191 million). We have focused on investing in high-yield bonds. While government bonds decreased by ¥92.5 billion to ¥730.1 billion (US$6,215 million), local government and corporate bonds more than offset the decline. Thanks to a rise in the stock market, our equity holdings grew by ¥118 billion during the year, to end at ¥308.7 billion (US$2,628 million).

Assets in custody saw steady increases in investment trusts, government bonds designated for individual investors, and pension insurance. Total assets in custody increased year-on-year by ¥177.2 billion to ¥851.9 billion (US$7,252 million).

Mortgage loans continue to be strong and increased by ¥43.4 billion year-on-year to ¥816.0 billion (US$6,946 million). Consumer loans increased by ¥11.8 billion to ¥337.6 billion (US$2,874 million).

Capital Ratio

The capital ratio is one of the most important indicators in determining the health and stability of banking operations.

On a consolidated basis (including consolidated subsidiaries) the Bank's capital was 12.01%, and on a non-consolidated basis it was 11.84%, indicating that we continue to maintain a high level in this area.

It should be noted that the level required for banks complying to domestic standards is 4% or greater.

Consolidated Accounts

The Bank currently has ten consolidated subsidiaries.

Total income for the year increased by ¥10.2 billion to ¥180.0 billion (US$1,532 million). Total expenses increased by ¥10.8 billion to ¥137.2 billion (US$1,168 million). As a result of the above, gross business profit was ¥42.7 billion (US$363 million) and net income was ¥24.8 billion (US$211 million).

Cash and cash equivalents decreased by ¥74.3 billion during the term to ¥117.6 billion (US$1,001 million) at the term-end. This was a mixed result of a ¥73.5 billion decrease from operating activities, mainly due to decrease in call money and increase in loans and a ¥11.6 billion increase from investing activities in securities operations as well as a ¥12.5 billion decrease from financing activities due to the acquisition of own shares and dividend payments.

MANAGEMENT PHILOSOPHY, MANAGEMENT POLICY

—9th Medium-Term Management Plan, Regionally-Based Financing Promotion Program—

Management Philosophy

“Stability, Cooperation, Partnership with the Home Region”

As a community-based financial institution, we think and act based on what we can do for our customers and our community.

With a management philosophy of “Stability, Cooperation, Partnership with the Home Region,” we will continue to contribute to the development of the local society and economy by being diligent in our sales activities, conduct healthy, stable operations, and be consistent in providing our local customers with high-quality, comprehensive financial services. We believe that staying true to our primary business of offering financial services is the best way for us to contribute to the regional community.

In the idea of “putting the customer first,” by providing high-quality financial services that meet the needs of our customers, we hope to maintain a high level of customer satisfaction as well as improve our health, profitability, and enterprise value.

Management Policy

9th Medium-Term Management Plan “Leaping toward a new growth stage”

The competitive environment has become significantly more intense as a new financial framework is constructed, one which includes the introduction of new regulations for capital ratios, progress with deregulation has resulted in banks greatly expanding the scope of their business activities, resulting in the reorganization of financial institutions and the emergence of other industry businesses into the financial sector. In response, in April 2005 we drafted and initiated our 9th medium-term management plan which will help us improve the level of trust we receive from our customers and shareholders, as well as to create an even firmer business foundation.

Plan Duration

April 1, 2005 – March 31, 2008 (3 years)

Our Goal

To be a high-quality, comprehensive financial services provider

Through our 9th medium-term management plan, our goal is to be a comprehensive supplier of high-quality financial services to support the reality of regional and business development and bountiful household finances.

- Understanding of our customers’ needs and acting on these sensitively
  (Increasing customer satisfaction)
- Increasing profitability and stability and achieving increased shareholder value
  (Raising shareholder satisfaction)
- Working toward individual growth and improving organizational vitality
  (Raising employee satisfaction)

Basic Goals

In order to achieve sustained growth, improve enterprise value, and become a high-quality comprehensive financial services provider, we have set three fundamental goals: Improved profitability (by increasing gross profits); improved operations management; and increased organizational vitality.

Also, as a financial service with a foundation built on trust, we are working hard to improve security throughout all our financial operations and to consolidate our compliance capabilities.

Improved Profitability (Increased Gross Profits)

To ensure we provide a service that is trustworthy in the eyes of our customers and that we are able to live up to the expectations of our shareholders, we must maintain a stable and profitable financial position. We will work toward improving profitability (increasing gross profits) by focusing on local small to medium-sized businesses and individual customers as our targets for increased lending and asset deposit sales activities, and by expanding the scope of our business.

Improved Operations Management

As part of our efforts to increase our profitability, we will take on appropriate levels of risk and invest in promising sectors, and at the same time work toward "improving operations management" by efforts that include strengthening our risk management functions and cost management structures.

Furthermore, to gain an even greater level of trust from our customers, we are working to ensure thorough compliance and improving security throughout our financial products and services. We also are working to standardize our main systems and improve the efficiency of our system infrastructure.

Increased Organizational Vitality

It is a bank's personnel, and their unified actions as an organization, that supports the quality and competitiveness of financial services. In addition to focusing on personnel development and improving personnel expertise, we focus on placing personnel in their optimal posts as a way to establish a personnel structure that promotes business expansion. By increasing organizational vitality we will increase our ability to conduct sales activities.

Regionally-Based Financing Promotion Program

The local economy is the founding element of a regional bank, and our mission is to contribute to the development of the local society and economy by providing the local community with smooth financial services. Based on this awareness, we have established our relationship banking program, the Regionally-Based Financing Promotion Program over FY2005 and FY2006, and will work on the following items in order to strengthen retail sales within our local community and contribute to the rejuvenation of the regional economy.

Revitalization of Local Businesses and Financing for Small and Medium-Sized Businesses

- Achieving a sufficient level of financing for small- and medium-sized businesses and expanding our transactions with them
- Strengthening our support of start-ups and new businesses
- Strengthening our management consulting functions
- Supporting our customers' management reform and business revitalization programs
- Strengthening the training of personnel in the field of corporate rehabilitation

Strengthening our Management Capability

- Strengthening of compliance measures
- Implementing risk management systems that are compliant with Basel II (the new capital adequacy regulatory framework)
- Implementing profit management systems, strategic use of IT
- Establishment of internal control system for financial reporting

Improving Convenience for Regional Customers

- Use our website to increase the disclosure of information
- Survey clients on the level of their customer satisfaction, and reflect the findings in our management policy (treatment of customers, service at branches and via automated equipment, products, etc.)
- Support regional revitalization

Asset Soundness

Results of Processing Non-Performing Loans in FY2005

We have calculated write-offs and reserve amounts for non-performing loans based on results from self-assessment and established rules on write-offs and provision of reserves. The total credit costs for non-performing loans processed in FY2005 totaled ¥16.1 billion (US$137 million).

In the following table, reversal of possible loan losses of ¥8.2 billion for the previous term was offset by provision for specific reserves. Therefore total credit cost for the previous term would amount to ¥18.4 billion prior to the offset processing. Compared with this amount, total credit cost for the reporting term is smaller by ¥2.3 billion.

	Millions of Yen		
March 31	**2006**	2005	Change
Write-off of claims	**8,182**	8,032	150
Net provision for specific reserves	**7,454**	—	7,454
Provision for specific foreign borrowers	**—**	—	—
Losses on bulk sale of loans	**226**	1,442	(1,215)
Provision for other contingent losses	**290**	225	64
Other	**0**	481	(481)
Total	**16,153**	10,181	5,971

Reserve for Possible Loan Losses

For debtors deemed to be in a state of bankruptcy and quasi-bankruptcy based on self-assessment, we deducted the value of collateral amounts from the loan amounts. After that, we provided reserves in an amount of 100% of the amount of claims thought to be unrecoverable. Furthermore, for debtors who are at risk, we took into consideration the percentage of debtors who went bankrupt and processed reserves to the value of 72.88% for claims at risk of being unrecoverable. As a result, compared to the ¥41.5 billion total of non-performing loans for which there is a risk of no recovery, we have provided reserves for bad debts totaling ¥30.2 billion (US$257 million), a reserve ratio of 72.96%.

Claims deemed to be unrecoverable or valueless (¥43.7 billion) based on self-assessment have been executed on a "partial direct write-offs" basis and have been deducted within the balance sheet.

For the general reserve for bad debts, we have conducted an appropriate reserve provision following the guidelines of the Financial Inspection Manual prepared by the Financial Services Agency. For debtors requiring attention, we have divided these into three categories to include debtors requiring management, and have provided reserves after consideration of the historical default ratio of each category.

Moving forward, we will continue to improve our credit risk management system, and conduct appropriate write-offs and provide reserves, and work toward improving the health and stability of our assets.

Reserve Based on Self-Assessment

	Billions of Yen			
March 31, 2006	Potentially bankrupt borrowers	Substantially bankrupt borrowers	Legally bankrupt borrowers	Total
Claims of balance (i)	121.7	11.9	4.8	138.5
Claims secured by collateral (ii)	80.3	11.9	4.8	97.1
Claims with uncertain collectibility (A)=(i)-(ii)	41.4	0	0	41.5
Specific reserve (B)	30.1	0	0	30.2
Reserve ratio (B)/(A)	72.88%	100.00%	100.00%	72.96%

Reserve for Possible Loan Losses

	Billions of Yen		
March 31	**2006**	2005	Change
General loan loss reserve	**20.9**	21.7	(0.8)
Specific reserve	**30.2**	34.5	(4.2)
Reserve for specific foreign borrowers	**—**	—	—
Reserve for possible loan losses	**51.2**	56.3	(0.5)
Reserve for assistance to specific borrowers	**—**	—	—
Reserve for possible losses on sale of loans	**—**	—	—
Reserve for other contingent losses	**0.4**	0.3	0

Enhanced Managerial and Financial Support for Businesses

To increase the quality of assets, not only must we aggressively proceed with the disposal of non-performing loans, but also strengthen our efforts to resolve problems on the debtor side such as declining performance resulting from changes in the economic climate or industrial structure and declining financial positions resulting from falling asset values. This is the vital role we are expected to fulfill in the revitalization and development of the local economy and it is something that the entire Bank is working toward.

Specifically, the "Company Management Support Office" (19 people) has closely cooperated with our branch staff to provide management analysis, advice on improvement strategies, support for the drafting of operational reform plans and, where necessary, support based on external partnerships such as the Small to Medium-Enterprise Rehabilitation Support Association. Through these activities, we are working toward supporting the corporate rehabilitation and operational improvement of our corporate customers.

As a result of strengthening our support activities since FY2005, based on the Regionally-Based Financing Promotion Program, we have seen improvements in the borrower classifications for 31 of our debtors (debtors' credit ratings based upon the financial positions of the companies in question). FY2006 is the final year of the Program and this phase of the plan calls for further improvements in the classification of our debtors, as well as for emphasis to be placed on local revitalization funds and financial support for small and medium-sized businesses. We aim to make our best efforts to energize the regional economy.

Disclosure of the Bank's Assets

We continue to view the improvement of asset quality as a major management issue and in addition to working toward the disposal of non-performing loans and increasing the health of our assets, we endeavor to provide disclosure of all information.

Risk-Monitored Claims Following the Banking Law

For risk-monitored claims subject to mandatory disclosure under the Banking Law, the Bank classified non-performing loans as "loans in bankruptcy and dishonored bills," "delinquent loans," "loans past due with respect to interest payments for more than three months," and "restructured loans," based on asset self-assessment.

Based on the Regionally-Based Financing Promotion Program, we have strengthened our stance on local business revitalization, and applied more strict standards for classification of our debtors. As a result, bad loans subject to mandatory disclosure under the Banking Law increased ¥25.0 billion year-on-year, to stand at ¥198.7 billion (US$1,691 million) at the term-end. Furthermore, we maintained a high coverage ratio of 76.87%.

Risk-Monitored Assets under the Banking Law

(Non-consolidated) Billions of Yen

March 31	**2006**	2005	Change
Loans in bankruptcy and dishonored bills	**4.8**	4.3	0.4
Delinquent loans	**133.4**	109.0	24.4
Loans past due with respect to interest payments for more than three months	**2.2**	1.6	0.5
Restructured loans	**58.1**	58.5	(0.3)
Total (a)	**198.7**	173.6	25.0
Loans and bills discounted (b)	**4,433.7**	4,375.9	57.7
Ratio of risk-monitored assets to loans outstanding (a)/(b)	**4.48%**	3.96%	0.51%
Portion covered by collateral and guarantees (c)	**152.8**	131.9	20.8
Coverage ratio (c)/(a)	**76.87%**	75.97%	0.89%

(Consolidated) Billions of Yen

March 31	**2006**	2005	Change
Loans in bankruptcy and dishonored bills	**4.9**	4.5	0.4
Delinquent loans	**134.9**	111.0	23.8
Loans past due with respect to interest payments for more than three months	**2.4**	1.9	0.4
Restructured loans	**58.5**	58.9	(0.3)
Total	**200.8**	176.5	24.3

Claims Disclosed in Accordance with the Financial Revitalization Law

Disclosure of the results of an asset assessments is required under the Financial Revitalization Law. The Bank regards non-performing loans determined through asset self-assessment to be loans in bankruptcy and quasi-bankruptcy as “bankrupt claims and the equivalent,” delinquent loans as “risk debt,” loans past due with respect to interest payments of more than three months and restructured loans as “claims requiring monitoring.”

In FY2005, we strengthened our support efforts for local business revitalization. At the same time, we applied stricter standards to the classification of our debtors. As a result, claims subject to mandatory disclosure under the Financial Revitalization Law increased ¥25 billion year-on-year, to ¥199.0 billion (US$1,694 million). The ratio of claims to total claims increased 0.50 percentage points to 4.43%. Furthermore, the ¥0.3 billion differential between the ¥199.0 billion in claims for disclosure, which excludes “normal” assets, and the ¥198.7 billion in claims for mandatory disclosure in accordance with Banking Law represents non-loan claims including customers’ liabilities for acceptances and guarantees, unearned interest, foreign exchange, and suspense payments.

Problem Assets under the Financial Revitalization Law

Billions of Yen

March 31	**2006**	2005	Change
Bankrupt and quasi-bankrupt assets (a)	**16.9**	16.3	0.5
Doubtful assets (b)	**121.7**	97.5	24.3
Substandard loans (c)	**60.5**	60.3	0.2
Problem assets (A)=(a)+(b)+(c)	**199.0**	174.0	25.0
Normal assets (d)	**4,289.9**	4,257.8	32.2
Total (B)=(A)+(d)	**4,489.0**	4,431.8	57.2
Ratio of problem assets (A)/(B)	**4.43%**	3.92%	0.50%

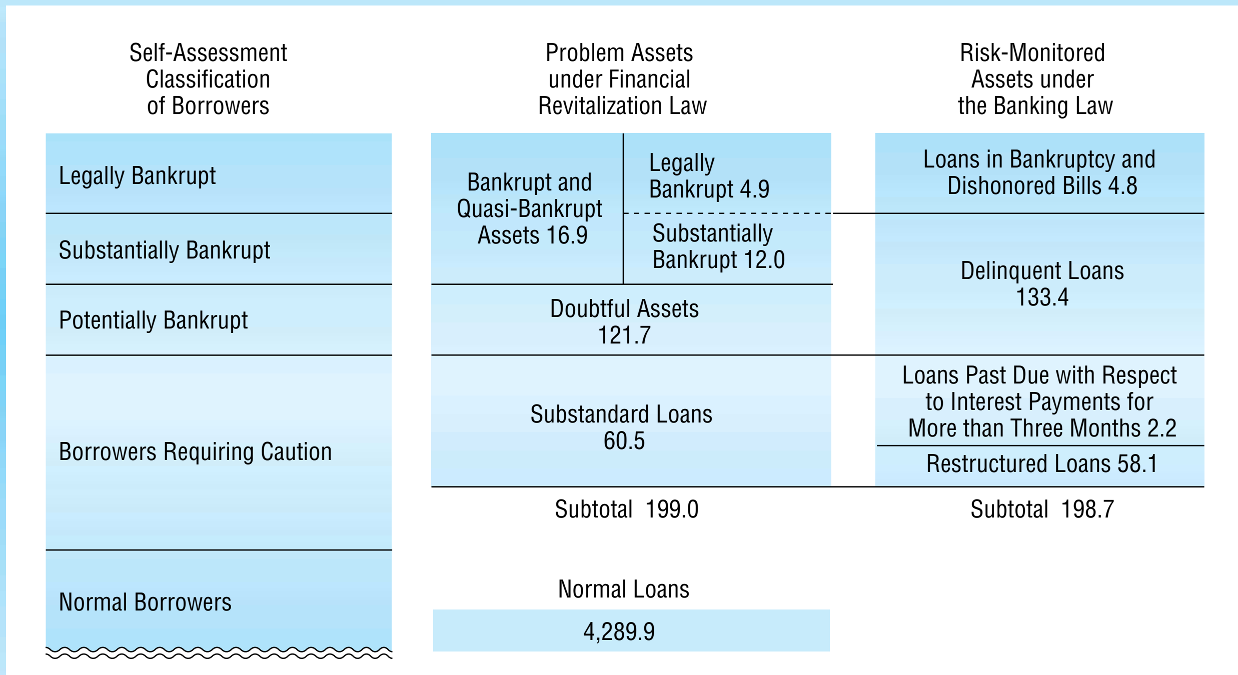
Coverage Status at Fiscal 2005 Year-End

Billions of Yen

March 31, 2006	Bankrupt and quasi-bankrupt assets	Doubtful assets	Substandard loans	Total
Problem assets (a)	16.9	121.7	60.5	199.0
Assets secured by collateral and guarantees (b)	16.8	80.3	16.6	113.7
Reserve for possible loan losses (c)	0	30.2	9.1	39.3
Coverage ratio {(b)+(c)}/(a)	100.00%	90.77%	42.52%	76.89%

The disclosure-based assets for each borrower classification of self-assessment are summarized below.

Self-Assessment: Classification of Borrowers and Disclosure-Based Assets (Billions of Yen)



Note: Assets covered by disclosure standards

Financial Revitalization Law:
Loans, securities lending, foreign exchange, interest receivable, suspense payments, and customers' liabilities for acceptance and guarantees

Banking Law:
Loans and bills discounted

Note: Categorization of Disclosure Standards

Financial Revitalization Law:
Categorized by borrower basis, in accordance with self-assessment results. (As an exception, Substandard Loans are categorized on individual loan basis.)

Banking Law:
Loans to Legally Bankrupt Borrowers, Substantially Bankrupt Borrowers, and Potentially Bankrupt Borrowers are categorized on an individual borrower basis, in accordance with self-assessment results. Loans to Borrowers Requiring Caution are disclosed on an individual loan basis.

Policies Regarding Capital

We are purchasing our own shares in the market with the aim of raising capital efficiency and improving shareholder return. As announced in November 2005, the Bank's policy on shareholder return for the time being sets the goal of returning an amount equivalent to at least 40% of net income on a non-consolidated basis for the year, in the form of cash dividends and acquisition cost of own shares combined. Of this, at least a 20% equivalent should be appropriated for dividends alone. In FY2005, in accordance with the Bank's policy, we purchased 9.95 million own shares at an acquisition cost of ¥7,223 million, including the purchase of shares less than the minimum trading unit. Moreover, in November 2005, in accordance with Article 212 of the Commercial Code, we retired 13 million shares in treasury at a total disposal cost of ¥4,549 million. As a result, the total number of issued shares at year-end was 852,230,000.

Addressing the Start of Deposit Insurance Caps

Deposit insurance caps were implemented in April 2005. "Deposit insurance caps" refers to a system where, in the event that a financial institution falls into a state of bankruptcy and becomes unable to refund deposits, the principal deposit and subsequent interest up to a value of ¥10 million will be returned to each depositor institution by way of the Deposit Insurance Corporation of Japan.

In addition to improving products and services as well as banking performance, we will continue to provide timely and appropriate disclosure of management related and other relevant information to ensure that our customers can feel secure when using our banking services.

Furthermore, we will begin offering "Settlement Accounts (non-interest bearing ordinary deposit accounts for payment settlements)"* beginning March 1, 2005.

* Settlement accounts are deposit accounts that meet the conditions of being "non-interest bearing, for payment on demand, and providing a settlement service." Deposit accounts that meet these conditions are insured for their full value. Settlement accounts include "checking accounts."

The Deposit Insurance System

What is the deposit insurance system and the Deposit Insurance Corporation of Japan?

The "deposit insurance system" is a system in which insurance premiums are collected in accordance with the Deposit Insurance Law from private financial institutions (financial institutions enrolled in the deposit insurance system) and these premiums are used as funds to protect depositors in the event of a bankruptcy at an enrolled financial institution where it becomes unable to refund deposits. Management of the deposit insurance system is conducted by the Deposit Insurance Corporation of Japan, which was established under joint capitalization by the government, the Bank of Japan, and private financial institutions.

What is the scope of protection offered by the deposit insurance system?

The Deposit Insurance System

Products eligible for deposit insurance	Settlement deposits (checking accounts, ordinary accounts that do not accrue interest)	Fully insured
	Interest-bearing ordinary deposits, time deposits, installment deposits, deposits at notice, savings deposits, monetary trusts with guaranteed principal recovery, financial debentures (debentures deposited in the Bank's custody only)	Up to ¥10 million of the principal deposit and subsequent interest will be returned to each depositor of each institution. (*)
Products not eligible for deposit insurance	Foreign deposits, negotiable certificates of deposit, monetary trusts without guaranteed principal recovery, financial debentures (other than those mentioned above)	Not eligible for insurance protection (Refunded based on the financial situation of the failed financial institution. In some cases, the amount may be partially reduced.)

(*) Principal amounts over ¥10 million and said interest refunded based on the financial situation of the failed financial institution. In some case, the amount may be partially reduced.

Risk Management

While the industry has grown due to deregulation and the advancement of financial technology, the risks carried by banks continue to diversify and become ever more complicated. In this environment, we are working to meet the highly advanced and various needs of our customers, and we also have placed emphasis on the subject of "risk management" to ensure the maintenance and improvement of healthy operations which is one of the most vital issues facing management.

The Risk Management System

In our fundamental rules regarding risk management we have outlined our fundamental thinking and management procedures including policies regarding risk management, organizational structure, and responsibilities.

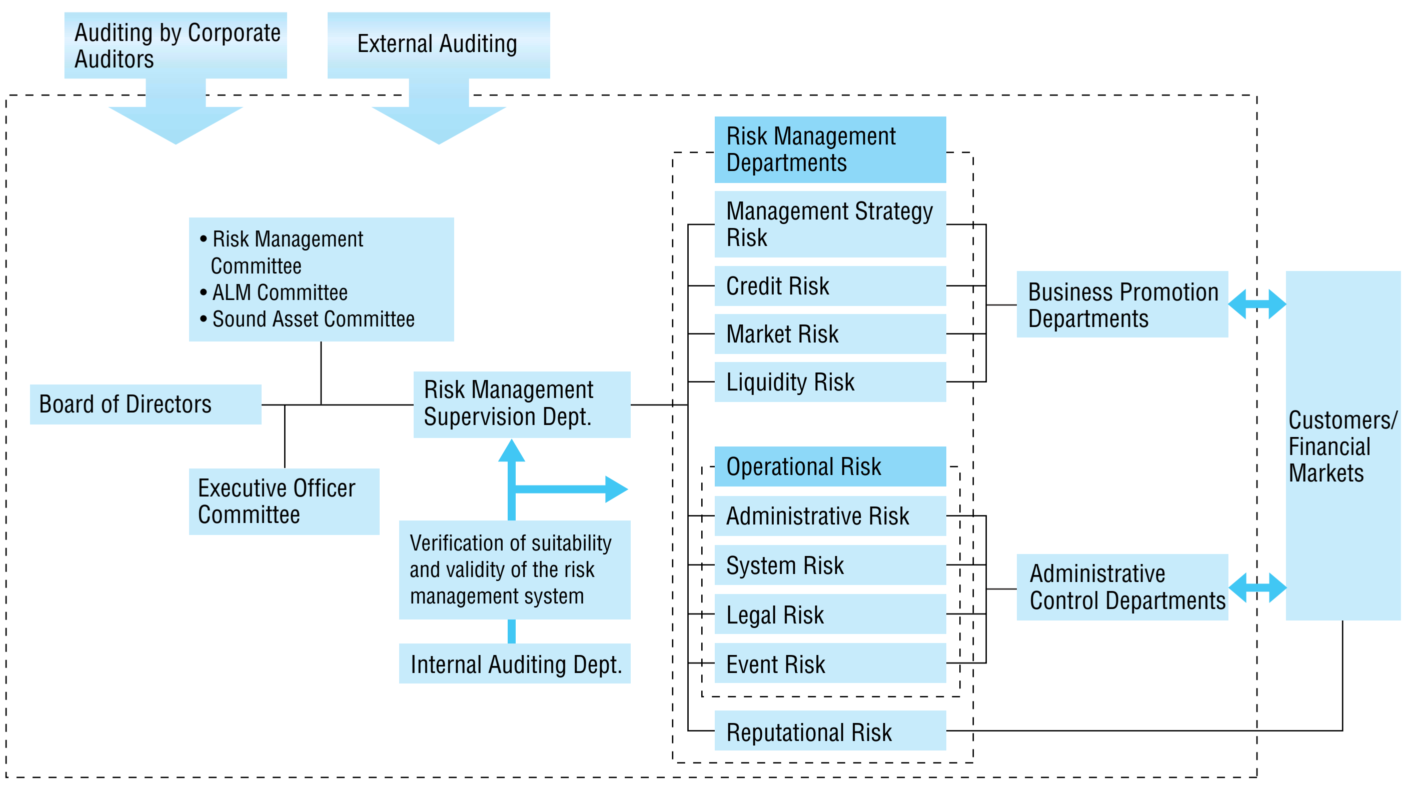
In business management, the departments that carry risks when conducting transactions (marketing departments) and the departments that internally manage the results of transactions (business administration departments) are separated, thus creating an organizational structure that allows for mutual checks and balances. The various risks that are incurred during banking operations are managed by specific risk management departments depending on the type of risk.

We also have established a risk management supervision department, which supervises the management systems for all risks, and is responsible for holding meetings of the Risk Management Committee, which is an organ for the examination of Bank-wide solutions to risks. The department also provides regular reports on the overall status of risks to the Board of Directors.

Additionally, internal auditing staff verify that risk management is functioning appropriately and effectively in Risk Management Supervision Department and each risk management related department, thereby increasing the effectiveness of the system.

Furthermore, during risk control, we operate a system in which we first draft a plan, which is then tested. We check the results of the test, and incorporate new findings in the system before full-scale implementation. (This system conforms to the conception of the Deming Cycle.)

Risk Management System



Consolidated Risk Management

Not only do we individually manage the various diversifying and increasingly complicated risks that must be assumed by a bank, we also statistically quantify the varying risks and manage them as consolidated risks to determine whether or not the burden is too large for our operational capacity.

Furthermore, every six months, we review our allocation of risk capital (the allowable amount of funds subject to the various categories of risk) to the extent allowed on the basis of the Bank's owned capital. This allows us to ensure healthy operations while allowing us to work toward improving profitability and the efficient utilization of capital.

Credit Risk Management

Credit risk is the risk of not receiving principal or loan payments as promised on loans due to a decline in the credit situation of the debtor. This is seen as one of the most serious risks undertaken within banking operations.

In order to prevent the occurrence of non-performing loans and increase the health of our assets, we pour all our efforts into credit risk management.

- **Credit Risk Management System**

  We have separated inspection departments from marketing departments, and constantly work toward making inspections stricter while also focusing on credit management before due date to prevent the status of a claim from deteriorating.

  During self-assessments, which evaluate the health of our loans, we employ a system where we conduct an initial assessment at branch level. The head office department in charge of credit screening (Department of Inspections) checks this (the secondary assessment) and then the asset auditing department (Corporate Audit Division) audits the results. Based on these results, the Bank provides appropriate reserves and writes down problem loans based on the assessments.

  The Bank has adopted a basic credit screening procedure to speed up the process of the decision making and to ensure implementation of risk management. At the same time, we are building an asset self-assessment system capable of responding effectively to each change in the borrower's business performance or in the fair-market value of the collateral.

  The Bank has also adopted an automated scoring system for small loans to unify credit screening standards and improve efficiency.

- **Quantification of Credit Risk Management**

  We quantify credit risk on the basis of individual borrowers' corporate rating, which represents the financial conditions and quantitative evaluation. The size of the credit risk is recognized in terms of the normal credit risk based on the average default ratio in the past and additional credit risk caused by external factors such as a substantial deterioration in Japan's economy as a whole.

- **Loan Portfolio Management**

  We approach the entire loan assets as a portfolio and conduct credit risk management from a macro perspective. Based on quantitative data, we regularly monitor credit risk exposure to avoid over-concentration on specific industries or corporations. By diversifying our credit provisions, we strive to reduce the amount of credit risk, which allows us to improve our profitability and risk-taking capabilities.

Market Risk Management

Market risk refers to fluctuation in revenues caused by interest rate changes, foreign exchange rate fluctuations, changes in the demand for funds, etc. within the financial industry. Assets such as loans and securities and liabilities such as deposits are constantly influenced by such changes.

We manage all assets and liabilities (deposits, loans, securities, and others) comprehensively based on ALM: asset and liability management, to manage market risks.

- **Market Risk Management System**
  The Market Business Group has separated front and back office departments, and established middle-office risk management sections to create a system of mutual checks and balances.
- **Market Risk Control**
  The scale of risks involved in assets and liabilities (deposits, loans, securities) go through a multifaceted analysis — gap analysis, basis point value (BPV), simulation of interest fluctuation, and Value at Risk (VaR) — in order to clarify the state of risks and conduct asset allocation effectively and implement risk control measures.

  The Bank engages in financial derivative transactions to meet the diverse needs of its customers and hedge its own risks arising from interest fluctuations. For the risks associated with financial derivatives, in addition to conducting daily market price management and BPV analyses to accurately grasp the size and nature of the risk, we also manage risk appropriately by establishing limits according to objectives.

Operational Risk Management

Operational risk is the risk of damages due improper administration resulting in accidents or improprieties.

To avoid problems with customers, we provide guidance and training for quick and accurate clerical processing and also work to prevent accidents by reinforcing internal audits.

System Risk Management

The Bank's computer systems store customer transaction and other information and the realization of system risk could result in causing great harm to banking customers.

We have implemented measures for basic guidelines regarding information security and to promote tight security and protection.

- **Management of Customer Information**
  In view of the importance of retained information, we drafted our "Rules Regarding the Management of Vital Information," which clarifies our fundamental policies regarding our information management system, conduct standards, roles, and responsibilities.

  Furthermore, in conjunction with the full implementation of the "Law Concerning the Protection of Private Information," we have enhanced our information management system and improved security for building access and building management in order to control access by external parties. In addition, we have varied the access privileges to customers depending on the type of information and limited access to the locations where information is stored.

  Fundamentally we have banned the removal of information from the premises and have enforced transmission of faxes by internal lines and data encryption in order to create a system that prevents information from being leaked externally due to inappropriate actions or administrative errors. We plan to evaluate these measures as necessary.
- **Backup Systems**
  In addition to establishing a remote backup center to ensure that customers feel at ease when conducting transactions, even during emergency situations, such as a large-scale earthquake, we have drawn up detailed contingency plans that specify emergency contact information and other business procedures.

Corporate Governance

Fundamental Approach

In order to gain a greater level of trust from our customers, the local region, and our shareholders, we believe it is vital that we conduct efficient sound management that is transparent and based on the ideal of strict compliance. Always aware of the importance of the corporate philosophy, we have established eight fundamental principles and are working for the continuous strengthening and improvement of corporate governance.

Corporate Governance System of Joyo Bank

Joyo Bank employs the conventional Japanese statutory auditor system for corporate governance. The Bank appoints directors, statutory auditors and accounting auditors. Our corporate governance bodies are as follows: General Meetings of Shareholders, Board of Directors, and Board of Corporate Auditors (made up by statutory auditors). There are 11 members on the Board of Directors. The two senior executives responsible for guiding the Bank are the Bank President, who acts as the Chairman of the Board, and the Managing Director, who is in charge of all internal bank matters (such as internal audits and risk management). The other nine members of the Board are regular executive directors of the Bank. No external directors have been appointed to the Board. The Bank has five statutory auditors (beginning with June 29, 2006). Three of the five are external auditors who meet the legal requirements.

With respect to the functions of decision-making and supervision by the management, the Bank's Board of Directors meets twice a month. The Executive Officer Committee meets at least once a month to deliberate and decide on important operational matters.

To determine the major themes for management audits, special committees (Compliance Committee, General Budget Committee, ALM Committee, Risk Management Committee, Sound Asset Committee, and Joint Systems Promotion Committee) are established and decisions are made by these committees. The auditor attends important meetings such as Board of Directors' meetings and Executive Officer Committee meetings and carry out business and asset status inspections, which are based on the auditing policies and plans outlined at Board of Corporate Auditors meetings (in principle, meeting once a month), to fulfill the audit duties by directors.

The Joyo Bank Corporate Philosophy

The Bank's Corporate Social Responsibly (CSR) and Public Mission

Always keep in mind the Bank's CSR and public mission, and establish greater trust through sound and open business management.

Compliance

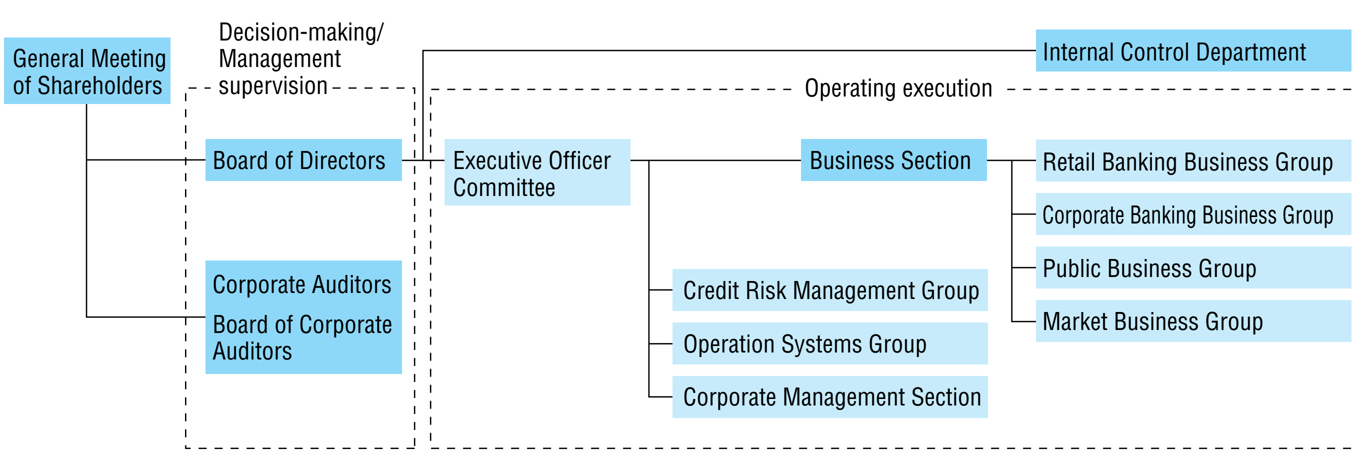
Comply with the legal and social code and execute honest and open business activities.

Fight Against Crime

Ensure that the Bank has no relationship with organized crime.

Provide Valuable Financial Services

We will contribute to the development of the region in which we operate by responding to our customers' needs and providing valuable financial services, taking security issues into due consideration.



Relationship with the Local Community

We will communicate openly and freely with the community where we do our business, raising our transparency through active disclosure of corporate information.

Respecting the Individual Rights of our Employees

We will provide a work environment that respects individuality and protects the rights of all employees.

Initiatives on Environmental Issues

We will work to reduce the burden on the environment generated by our business activities, and will contribute to environmental preservation efforts by the local community through our core banking operations.

Involvement in Activities that Contribute to the Region

Our efforts to be a good corporate citizen mean that we are making a positive effort, involving ourselves in activities that contribute to the region.

Our Internal Control System

Compliance System

- Based upon our management philosophy of robust, cooperative banking at one with the community, we are giving the utmost precedence to compliance in our management approach. We have established codes of corporate ethics and business behavior. Moreover, we have established a new set of guidelines to ensure that every director and employee complies with the law and with the Bank's Articles of Incorporation. Every company within Joyo Bank Group follows the same strict guidelines. We have put standards into place to establish a compliance system across the Group as a whole.
- To ensure the best standards in terms of compliance, we have established a Compliance Office that oversees the compliance program as defined by the Board of Directors. The Office makes regular reports to the Board. Moreover, we have established a whistleblower hotline for the entire Group, called the Compliance Hotline.
- In addition to the Compliance Committee, we have appointed outside experts to form Compliance Monitoring Committees, which monitor compliance issues on a regular basis.
- To ensure that our internal controls perform their intended functions, our Corporate Audit Division, which is independent from business execution departments, carries out internal audits across the Group.

Risk Management Standards and other Controls

- In addition to establishing risk management standards pertaining to all categories of risk, it is our aim to build an internal risk management structure to ensure ourselves of a sound financial position and stable earnings in the future. Moreover, we also have business contingency plans in place should any event disrupt our core systems, such as natural disasters or a systems failure.
- The management of risk is the responsibility of various risk management departments, as set down in the in-house regulations. Comprehensive risk management is carried out by one department that oversees risk management for the entire Bank. The Board of Directors has appointed one high-ranking officer to oversee the risk management program.
- We have established a Risk Management Committee to measure the extent of various risks and make decisions on risk management policies. This committee will meet regularly to ensure an accurate grasp of the situation regarding risk management issues across the Bank. The officer in charge of risk management will make regular reports to the Board of Directors on the current state of risk management and the countermeasures that the Bank is taking against risks.

System to Ensure the Effective Execution of their Duties by the Directors of Joyo Bank

- We have put in place a business plan to clarify our operational targets, as well as an overall budget every year, to define specific policies.
- We have determined the scope of decision-making responsibilities for each director, to achieve efficient operations.
- The Bank has also set up an Executive Officer Committee to discuss important management issues of the Bank. This committee is made up of executive directors and non-board member executive officers. Moreover, when required by the project at hand, special sub-committees are convened, made up of the above-mentioned executive directors and non-board member executive officers, as well as managers of headquarters divisions.

Effective Auditing System

- One experienced and competent staff member is assigned to assist the corporate auditors.
- To ensure the independence of this assistant from the influence of the business execution departments, the executive director in charge of all personnel transfers should inform the corporate auditors of the decision. The corporate auditors are entitled to express their opinions and advice regarding the transfer of the staff member who has been being selected for the duties.
- The corporate auditors attend meetings of the Executive Officer Committee and offer their opinions on the audit process and all related matters.
- The directors and employees of the Bank offer any and all information the corporate auditors deem necessary to complete the audit.
- In order to improve the efficiency of the audit system, the corporate auditors maintain open communication channels with all headquarters departments other than the Internal Audit Department.
- The Chairman of the Board, President, and accounting auditors meet regularly with corporate auditors and exchange opinions on the complete range of issues related to the audits.

Compliance System

The Bank places a high priority on strengthening its compliance system to ensure sound banking operations, fulfill its social responsibility and public mission, and maintain the trust of customers, shareholders and other stakeholders.

We will push ahead with efforts to improve our compliance system, by means of the measures laid out below.

- Draft a compliance program each year and ensure that executives are fulfilling their roles in compliance.
- Create a compliance system whose ultimate supervisory organ is the Board of Directors and place dedicated compliance officers in each major division to undertake wide-ranging inspections to address how division are addressing legal issues.
- Internal compliance activities should be supplemented by outside audits to inject the required professional knowledge and objectivity. Accordingly, the Bank will set up a Compliance Audit Committee, consisting of outside professionals including a lawyer and a CPA. The Committee evaluates and audits the Bank's compliance activities. The Bank is striving to further strengthen and improve its compliance activities.

Our Conduct Guidelines

We will

- get to know our customers and offer optimal products and services
- expand business scale and grow with our customers
- increase our financial expertise

Policy Regarding Solicitations for Financial Products

In accordance with Article 8 of the Law Concerning the Sale of Financial Products, our solicitations for products are based on the following policies.

1. Our appropriate solicitations for financial products are conducted by matching the products with the knowledge, experience, and financial status of the customer.
2. To ensure that our customers make choices based on their own judgment and at their own liability, we will provide easy-to-understand explanations so that the customer has sufficient understanding of financial products and the risks attached.
3. We assure that sales are never based on the provision of misleading or false statements or information, nor do we act in a manner leading to any misunderstanding by our customers.
4. Our solicitations will not be conducted at times or in locations that cause inconvenience.
5. We are setting up a training system within the Bank to ensure proper solicitation to our customers.

Protection of Confidential Private Information

As our policy to address the Law Concerning the Protection of Private Information, which was fully enacted on April 1, 2005, we have drafted and published a privacy policy. Under this policy, we will designate an administrator to assume the responsibility of handling information appropriately as well as create a system for the protection and management of private information, including the drafting of rules and measures to ensure secure management.

Furthermore, we will establish a customer service desk to receive enquiries from customers regarding private information, to ensure we offer an appropriate response without delay.

Privacy Policy

We are working to build on the mutual trust we have with our customers, the region, and our shareholders, stress the importance of our social responsibility, and offer high-quality financial services. For the handling of personal data, we have established the following policy based on our respect for all individuals, and will put all our efforts into the protection of private information.

Financial Crime Prevention

We are putting every effort into preventing crimes involving accounts held at our banks, and to protect the financial assets of our customers. We require identification when a new account is set up or for a large-amount transaction. In addition to working to prevent inappropriate transactions, when an account is used, we will cancel transactions when considered necessary and will work hard toward crime prevention. We also have implemented measures to prevent the use of forged ATM cards.

Measures to Prevent Forged ATM Cards

We are taking the following steps to address the problem of forged ATM cards.

- Single day maximum limit reduced to ¥2 million
- Creation of a financial crime hotline (toll free)
- Passwords to be changed at ATMs
- Contact customers in the event of an abnormal transaction involving an ATM
- ATM slips will no longer have account numbers printed on them.
- Issue of biometric IC ATM cards

Thus far we have implemented measures such as front and back mirrors near the ATM/CD, covered the CD with a panel design to constrict viewing from other angles, and other measures to ensure security.

As additional measures, we will take steps to protect customer assets from criminals and improve overall security.

Contributions to the Home Region

With a management philosophy of “Stability, Cooperation, Partnership with the Home Region,” we will continue to contribute to the development of the local society and economy through our marketing activities, conducting healthy, stable operations, and comprehensively providing our local customers with high-quality, comprehensive financial services.

We believe staying true to offering financial services is the best way for us to contribute to the local region, and we are actively displaying various information related to our contributions to the region.

* 1. “Region” refers to Ibaraki Prefecture and adjacent areas. This area has the highest number of branches. We also have branches in Fukushima, Tochigi, Saitama, Chiba, and Miyagi.
2. Lending to customers outside the local region is mainly limited to individual lending to customers in Tokyo or Osaka who have factories or offices in the area and who have a deep relationship with local business.

Lending to Local Customers

Regional Lending and SME Lending

Regional loans total ¥3,513.5 billion (US$29,910 million), representing over 80% of all loans.

Loans to SMEs reached ¥1,909.7 billion (US$16,257 million), which was 43% of all loans. Moreover, approximately half of the money that we loan out to companies in the region goes to support small and medium-sized businesses operating in our region.

Furthermore, the total number of SME borrowers is 33,272, 98.5% of those are local SMEs.

Individual Loans

Loans to individual customers remained buoyant in part due to steady mortgage loans, increasing to ¥967.3 billion. 99.7% of this was lending to local individuals, which accounted for ¥964.6 billion. The percentage of individual loans to total loans was 21.8%, but the percentage of loans to local individuals out of all locally provided loans was 27.4%.

Provision of Optimal Financial Services to Local Customers

Ibaraki Prefecture continued to hold more than a 40% share of deposit and loan transactions.

Furthermore, 97.9% of deposits are deposits from local customers, or a total of ¥6,022.7 billion (US$51,270 million), and 99.6% of assets in custody are from local customers. Investment trusts, government bonds for indivisuals, and pension insurance premiums showed all steady increase.

Revitalization of the Local Region

Corporate Development Efforts

Bank Funding

We provide financial support to companies developing new business areas and customers working to start a new business via the "Ibaraki Venture Business Development Partnership" and the "Nikko Region-Based Industry, Education, and Government-Partnered Investment Partnership."

Dealing with Agri-Business

Ibaraki Prefecture is an agricultural region, and there are many developments taking place in the farming business. As such, we are contributing to this regional industry and the local economy by developing and supporting individuals and corporations who work in the agricultural field.

Tie-Ups with External Institutions

While working toward partnerships with industry, universities and local governments such as at university and industry research centers, the Foundation for the Promotion of Small and Medium Enterprises, the Development Bank of Japan, the Shoko Chukin Bank, the Norinchukin Bank, and the Japan Finance Corporation for Small Businesses, we work to develop and support new business.

Local Area Contributions through Regional Public Bodies

Joyo Bank is the designated financial institution for Ibaraki Prefectural Government and 42 municipalities of the Prefecture, two municipalities in Tochigi Prefecture, and one municipality in Fukushima Prefecture (as of March 31, 2006). Joyo Bank has helped to develop and energize the region in many ways, such as by handling public funds and undertaking municipal bonds.

Environmental Preservation

"Eco Ibaraki" Charitable Trust Environmental Conservation Fund

In October 1992, along with Nippon Fire and Marine (currently NIPPONKOA Insurance) and others we jointly invested ¥100 million to establish the Charitable Trust "Eco Ibaraki," an environmental conservation fund. This fund is used to support environmental conservation projects in Ibaraki Prefecture. Its purpose is to assist in building a lifestyle that is in harmony with nature, and to contribute to the expansion and development of the local society.

After the establishment of the fund, we received many contributions from companies and individuals who support the fund's purpose of helping protect the environment. The balance of the fund as of March 2006 had reached ¥182 million (US$1.5 million). In FY2005, the fund donated ¥2.5 million in grants to 21 recipients. The fund has donated ¥35.91 million for the aggregate of 263 requests from universities and organizations.

Products Related to the Environment

To contribute to the preservation of the environment, we have introduced environmental products (such as the Joyo Eco Select Loan and the Eco Preferred-Rate Mortgage Loan) and have implemented a financing system for environmental needs (funding for pollution control facilities and a fund to remove asbestos from residential facilities, among others). We are also investing in the stock of companies that have excellent environmental records through our Eco Fund, an investment trust.

Moreover, in June 2006, Joyo Bank received an award from the Ibaraki Prefectural Government in the "Environmental Project Division" for being a "Company that is Kind to the Earth."

Consolidated Balance Sheets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
March 31,	2006	2005	2006
Assets			
Cash and due from banks (Note 3)	¥ 154,597	¥ 247,082	$ 1,316,060
Call loans and bills purchased	11,998	582	102,140
Receivables under securities borrowing transactions	—	25,959	—
Commercial paper and other debt purchased	95,197	57,427	810,398
Trading assets (Note 4)	29,342	15,762	249,786
Money held in trust	2,725	1,012	23,206
Securities (Notes 5, 7 and 22)	2,489,550	2,430,935	21,193,074
Loans and bills discounted (Notes 6, 8 and 10)	4,391,666	4,333,198	37,385,429
Foreign exchanges	1,084	1,112	9,231
Other assets	55,413	87,361	471,728
Premises and equipment (Notes 3 and 19)	124,628	127,182	1,060,936
Deferred tax assets (Note 12)	—	27,879	—
Customers' liabilities for acceptances and guarantees	51,602	52,185	439,285
Reserve for possible loan losses	(54,811)	(60,022)	(466,599)
Reserve for devaluation of investment securities	(73)	(140)	(626)
Total assets	¥7,352,922	¥7,347,520	$62,594,047
Liabilities, minority interests and shareholders' equity			
Liabilities:			
Deposits (Notes 7 and 13)	¥6,166,008	¥6,182,549	$52,490,072
Call money and bills sold (Note 7)	157,118	292,968	1,337,524
Payables under securities lending transactions	280,759	162,303	2,390,054
Trading liabilities (Note 14)	117	97	1,001
Borrowed money (Note 9)	87,340	93,562	743,509
Foreign exchanges	2,536	134	21,590
Bonds	15,000	15,000	127,692
Due to trust account	17	17	146
Other liabilities	57,983	89,422	493,602
Reserve for employees' retirement benefits (Note 11)	6,640	7,044	56,532
Reserve for other contingent losses	412	342	3,515
Deferred tax liabilities (Note 12)	18,647	—	158,739
Deferred tax liabilities for land revaluation (Notes 3 and 12)	14,227	9,853	121,118
Acceptances and guarantees	51,602	52,185	439,285
Total liabilities	6,858,412	6,905,481	58,384,379
Minority interests	5,700	4,722	48,529
Shareholders' equity (Note 15):			
Common stock:			
Authorized — 2,167,515 thousand shares			
Issued — 852,231 thousand shares	85,113	85,113	724,552
Capital surplus	58,581	58,577	498,693
Retained earnings	242,080	227,756	2,060,787
Land revaluation reserve, net of taxes (Notes 3 and 12)	11,000	14,585	93,641
Unrealized gain on available-for-sale securities	107,086	63,726	911,610
Less, treasury stock at cost	(15,052)	(12,441)	(128,143)
Total shareholders' equity	488,809	437,317	4,161,140
Total liabilities, minority interests and shareholders' equity	¥7,352,922	¥7,347,520	$62,594,047

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	2006	2005	2006
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 80,963	¥ 83,877	$ 689,228
Interest and dividends on securities	43,619	34,180	371,323
Other interest income	1,144	1,072	9,743
Fees and commissions	25,013	23,471	212,931
Trading income (Note 16)	429	496	3,656
Other operating income	4,474	3,276	38,089
Other income (Note 18)	27,137	26,896	231,014
Total income	182,781	173,271	1,555,985
Expenses:			
Interest expenses:			
Interest on deposits	3,608	2,745	30,721
Interest on borrowings and rediscounts (Note 17)	5,765	4,005	49,079
Other interest expenses	9,767	5,985	83,153
Fees and commissions	6,452	6,305	54,930
Other operating expenses	2,467	5,432	21,002
General and administrative expenses	71,125	70,138	605,482
Other expenses (Note 19)	39,686	33,099	337,842
Total expenses	138,874	127,712	1,182,209
Income before income taxes and minority interests	43,907	45,559	373,776
Income taxes:			
Current	702	577	5,979
Deferred (Note 12)	17,462	17,886	148,658
Minority interests in net income of consolidated subsidiaries	926	897	7,887
Net income	¥ 24,815	¥ 26,198	$ 211,252
Net income per share (in yen and dollars)	¥ 29.92	¥ 31.45	$ 0.255

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Capital Surplus and Retained Earnings

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	2006	2005	2006
Capital surplus:			
Balance at beginning of year	¥ 58,577	¥ 58,574	$ 498,658
Gains on disposal of treasury stock	4	3	35
Balance at end of year	¥ 58,581	¥ 58,577	$ 498,693
Retained earnings:			
Balance at beginning of year	¥227,756	¥205,464	$1,938,846
Net income	24,815	26,198	211,252
Reversal of land revaluation reserve	—	235	—
Appropriation:			
Cash dividends	(5,370)	(4,142)	(45,717)
Cancellation of shares in treasury	(4,549)	—	(38,730)
Reversal of land revaluation reserve	(521)	—	(4,440)
Bonuses to directors	(50)	—	(426)
Balance at end of year	¥242,080	¥227,756	$2,060,787

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	**2006**	2005	**2006**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 43,907**	¥ 45,559	**$ 373,776**
Depreciation	**16,281**	16,560	**138,597**
Amortization of goodwill	**1,194**	—	**10,165**
Net decrease in reserve for possible loan losses	**(5,211)**	(6,398)	**(44,362)**
Net decrease in reserve for devaluation of investment securities	**(66)**	(126)	**(568)**
Net increase in reserve for other contingent losses	**70**	198	**603**
Net (decrease) increase in reserve for employees' retirement benefits	**(403)**	80	**(3,439)**
Interest and dividend income	**(132,578)**	(126,451)	**(1,128,618)**
Interest expenses	**19,142**	12,736	**162,953**
Net losses related to securities transactions	**5,736**	8,647	**48,831**
Net gains on money held in trust	**(153)**	(0)	**(1,303)**
Foreign exchange (gains), net	**(31,783)**	(14,295)	**(270,571)**
Losses on disposal of premises and equipment	**383**	1,083	**3,263**
Net increase in trading assets	**(13,579)**	(1,047)	**(115,603)**
Net increase in trading liabilities	**19**	94	**167**
Net increase in loans and bills discounted	**(58,467)**	(12,694)	**(497,724)**
Net increase in deposits	**5,847**	68,258	**49,780**
Net decrease in negotiable certificates of deposit	**(22,387)**	(45,964)	**(190,584)**
Net decrease in borrowed money excluding subordinated debt	**(6,222)**	(39)	**(52,967)**
Net decrease (increase) in due from banks excluding cash equivalents	**18,162**	(15,254)	**154,614**
Net increase in call loans and others	**(49,185)**	(6,033)	**(418,708)**
Net decrease (increase) in receivables under securities borrowing transactions	**25,959**	(25,959)	**220,988**
Net (decrease) increase in call money and bills sold	**(135,849)**	185,173	**(1,156,460)**
Net increase in payables under securities lending transactions	**118,456**	8,921	**1,008,396**
Net decrease in foreign exchange (assets)	**28**	448	**241**
Net increase (decrease) in foreign exchange (liabilities)	**2,401**	(62)	**20,445**
Net increase in due to trust account	**—**	2	**—**
Interest and dividends received	**131,211**	126,689	**1,116,978**
Interest paid	**(19,416)**	(12,563)	**(165,286)**
Others, net	**13,664**	6,335	**116,321**
Subtotal	**(72,840)**	213,900	**(620,076)**
Income taxes paid	**(666)**	(503)	**(5,674)**
Net cash (used in) provided by operating activities	**(73,506)**	213,397	**(625,751)**
Cash flows from investing activities			
Purchases of securities	**(865,873)**	(884,315)	**(7,371,022)**
Proceeds from sales of securities	**551,278**	437,013	**4,692,929**
Proceeds from redemption of securities	**341,870**	304,228	**2,910,279**
Increase in money held in trust	**(1,000)**	(1,000)	**(8,513)**
Purchases of premises and equipment	**(14,653)**	(16,179)	**(124,747)**
Proceeds from sales of premises and equipment	**72**	98	**614**
Net cash (used in) provided by investing activities	**11,692**	(160,154)	**99,540**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**15,000**	—	**127,692**
Repayment of subordinated debt	**(15,000)**	—	**(127,692)**
Cash dividends paid	**(5,370)**	(4,142)	**(45,717)**
Cash dividends paid to minority shareholders	**(0)**	(0)	**(1)**
Purchases of treasury stock	**(7,223)**	(1,859)	**(61,492)**
Proceeds from sales of treasury stock	**66**	31	**565**
Net cash used in financing activities	**(12,527)**	(5,969)	**(106,645)**
Translation adjustment for cash and cash equivalents	**19**	3	**166**
Net (decrease) increase in cash and cash equivalents	**(74,322)**	47,276	**(632,690)**
Cash and cash equivalents at beginning of year	**192,016**	144,739	**1,634,600**
Cash and cash equivalents at end of year (Note 3)	**¥117,694**	¥192,016	**$1,001,910**

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

THE JOYO BANK, LTD. and Consolidated Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The Joyo Bank, Ltd. (the "Bank") maintains its accounting records and prepares its consolidated financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, the Commercial Code of Japan (the "Code") and the Banking Law of Japan, which are different in material respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Securities and Exchange Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original consolidated financial statements have been reclassified and rearranged.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of the Japanese yen amounts at ¥117.47 = US$1.00, the exchange rate prevailing on March 31, 2006.

3. Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and 10 significant subsidiaries.

Nonconsolidated subsidiary: 1

Joyo No.1 Investment Limited Partnership was excluded from the scope of consolidation because its assets, ordinary income, net income and retained earnings have no material impact on the Bank's financial position and results of operations.

All significant intercompany transactions have been eliminated in consolidation. The difference between the cost of investments and the equity in their net assets has been fully charged to income in the year of acquisition.

(b) Translation of foreign currencies

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the rates prevailing at the balance sheet date.

No foreign currency-denominated assets and liabilities were held by the consolidated subsidiaries.

(c) Transactions for trading purposes

Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the consolidated statements of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

No consolidated subsidiaries have engaged in trading activities or other transactions in order to generate profit from short-term price fluctuations.

(d) Securities

Securities other than trading securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Other available-for-sale securities of which market prices are available are stated at fair value based on the market prices, etc. at the fiscal year end, whereas those of which fair value is not available are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of shareholders' equity.

Investments in securities held in money trusts whose investment is operated solely by the Bank on behalf of the trustors, are stated at fair value.

(e) Derivatives

Derivatives positions held by the Bank (not including transactions for trading purposes) are stated at fair value.

(f) Depreciation of premises and equipment

Depreciation of premises and equipment held by the Bank is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 of which depreciation is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years
Equipment: 3~20 years

Depreciation of premises and equipment held by the consolidated subsidiaries is calculated principally by the declining-balance method, based on the respective estimated useful lives of the assets.

Depreciation of the leased assets of a consolidated subsidiary is calculated by the straight-line method over the lease terms.

(g) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss experience.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a reserve is provided based on the audit results.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥48,367 million and ¥50,720 million as of March 31, 2006 and 2005, respectively.

(h) Reserve for devaluation of investment securities

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank and its consolidated subsidiaries may incur in the future.

(i) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits of the Bank and its subsidiaries is provided for the amount deemed necessary, based on estimated pension benefits obligations and pension plan assets at the fiscal year end, to cover required retirement benefits for eligible employees.

Prior service cost is deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

Effective from the reporting term, the Bank has credited to expenses the amount posted under "unrecognized plan assets" resulting from changes in actuarial assumptions on retirement benefit obligations pursuant to stipulations in the "Guidelines on Implementation of Amendments to Accounting Standards for Retirement Benefits" (Guidelines on Implementation of Business Accounting Standard No.7, issued on March 16, 2005). The term "unrecognized plan assets" refers to the excess portion of pension plan assets over retirement benefit obligations held by the company in question, which resulted from changes in actuarial assumptions on plan assets or recognition of prior service obligations. Previously the Bank did not credit the amount posted under unrecognized plan assets to expenses. This change has no effect on the Bank's results of operations on a consolidated basis.

(j) Reserve for other contingent losses

The Bank provides reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

(k) Land revaluation reserve

In accordance with the Law concerning the Revaluation of Land, the Bank revalued the land held for its operations on March 31, 1998. The net unrealized gain is presented in shareholders' equity net of the applicable income taxes as land revaluation reserve, net of taxes.

(l) Leases

Finance leases other than those which transfer the ownership of the leased property to the Bank and its consolidated subsidiaries are accounted for as operating leases.

(m) Hedging

Hedging against interest rate changes

The deferred method of hedge accounting is applied to transactions to hedge against the interest rate risks associated with monetary claims and debt in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedges in offsetting movement of the fair value with the changes in interest rates, by classifying the hedged items (loans) and the hedging instruments (interest swaps) by their maturity. As to cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

In addition, a portion of deferred hedge losses and gains, which was previously under the "macro hedge," i.e., the management of interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets, and interest-bearing liabilities as a whole using derivatives, in accordance with the regulations set out in the "Accounting and Auditing Treatment of Preliminary Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 15) is no longer subject to hedge accounting effective the year ended March 31, 2005. The deferred hedge losses and gains related to hedge instruments to which the Bank discontinued the application of hedge accounting, or applied fair value hedge accounting as a result of the change mentioned above, are periodically charged to interest expenses or interest income effective fiscal 2003 by maturity and notional principal of each hedging instrument.

Deferred hedge losses under macro hedge stood at ¥3,632 million and ¥4,975 million at March 31, 2006 and 2005, respectively.

Hedging against foreign exchange fluctuation risk

The deferred method of hedge accounting is applied to transactions to hedge against the foreign exchange fluctuation risks associated with monetary claims and liabilities denominated in foreign currencies, in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

To minimize foreign exchange fluctuation risk on monetary claims and liabilities, the Bank engages in currency swaps, foreign exchange swaps, and similar transactions. The effectiveness of these transactions in the hedging of the foreign exchange risks of monetary claims and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary claims and liabilities, with that of the hedging instruments.

(n) Consumption tax
Consumption tax is excluded from transactions reported by the Bank and its consolidated subsidiaries. However, non-deductible consumption tax on premises and equipment is charged to income as incurred.

(o) Earnings per share
The computation of earnings per share of common stock is based on the weighted average number of shares outstanding during each year.

(p) Statements of cash flows
Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan as well as the time deposits of certain consolidated subsidiaries.

	Millions of yen	
March 31,	**2006**	2005
Cash and due from banks	**¥154,597**	¥247,082
Deposits with banks other than the Bank of Japan	**(36,853)**	(55,015)
Time deposits of the consolidated subsidiaries	**(50)**	(50)
Cash and cash equivalents	**¥117,694**	¥192,016

(q) Application of newly established accounting standard for impairment of fixed assets
Effective April 1, 2005, Joyo Bank has applied the "Accounting Standards for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets," issued by the Business Accounting Council on August 9, 2002) and the "Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets" (Guidelines on Implementation of Business Accounting Standard No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). As a result, income before income taxes and minority interests decreased by ¥1,194 million on a consolidated basis.
Regarding banking operations, fixed assets are stated at cost less accumulated depreciation, pursuant to the Enforcement Ordinance of the Banking Law, and the accumulated impairment loss is also deducted from the book value of each asset.

4. Trading Assets

	Millions of yen	
March 31,	**2006**	2005
Trading securities	**¥ 2,033**	¥ 2,536
Trading securities-related financial derivatives	**5**	—
Trading-related financial derivatives	**304**	227
Other trading assets	**26,998**	12,998
Total	**¥29,342**	¥15,762

5. Securities

	Millions of yen	
March 31,	**2006**	2005
Japanese government bonds	**¥ 730,151**	¥ 822,681
Japanese local government bonds	**317,583**	282,789
Corporate bonds	**341,167**	330,631
Corporate stocks	**308,979**	190,815
Other securities	**791,668**	804,016
Total	**¥2,489,550**	¥2,430,935

Note: 2005: Securities held by the Bank under cash-collateralized securities loan transactions that the Bank has the right to freely dispose of through sell-offs or re-collateralization, amounted to ¥26,016 million as of the year-end.
2006: Securities include ¥66 million of investments in nonconsolidated subsidiaries.

6. Bills Discounted
Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has the rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at March 31, 2006 and 2005 totaled ¥48,468 million and ¥52,729 million, respectively.

7. Pledged Assets
Assets pledged as collateral at March 31, 2006 and 2005 were as follows:

	Millions of yen	
March 31,	**2006**	2005
Pledged assets:		
Securities	**¥422,069**	¥447,698
Loans	**52,044**	—
Liabilities covered by pledged assets:		
Deposits	**30,293**	26,581
Call money	**50,000**	107,000
Payables under securities lending transactions	**280,759**	162,303

In addition to the above, securities amounting to ¥56,550 million and ¥59,661 million at book value were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2006 and 2005, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥4,652 million and ¥5,375 million as collateral for borrowed money of ¥3,390 million and ¥4,062 million as of March 31, 2006 and 2005, respectively.

Lease deposits as of March 31, 2006 and 2005 of ¥4,079 million and ¥4,161 million, respectively, have been included in premises and equipment. Initial margins on futures transactions as of March 31, 2006 and 2005 of ¥160 million and ¥160 million, respectively, have been included in other assets.

8. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥1,381,900 million and ¥1,327,114 million at March 31, 2006 and 2005, respectively. Of this amount, facilities/contracts which expires within one year or which are unconditionally cancelable at any time, totaled ¥1,289,385 million and ¥1,250,064 million at March 31, 2006 and 2005, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the nonexecuted financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its consolidated subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

9. Borrowed Money

Borrowed money at March 31, 2006 and 2005 included subordinated debt of ¥57,000 million and ¥57,000 million, respectively.

10. Non-Performing Loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the balance of loans and bills discounted at March 31, 2006 and 2005 included the following non-performing loans:

	Millions of yen	
March 31,	**2006**	2005
Loans in bankruptcy and dishonored bills	**¥ 4,993**	¥ 4,568
Delinquent loans	**134,921**	111,080
Loans past due with respect to interest payments for more than 3 months	**2,436**	1,975
Restructured loans	**58,512**	58,901
Total	**¥200,863**	¥176,527

Notes: 1. Loans in bankruptcy and dishonored bills refers to loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Law (1965 Enforcement Regulation No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes as no repayment of principal or payment of interest have been made for a considerable period.
Delinquent loans refers to loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans.
Loans past due with respect to interest payments for more than 3 months refers to loans with respect to which repayment of principal or payment of interest are past due three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans.
Restructured loans refers to loans to borrowers to whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.

2. The above amounts are stated before the deduction of the reserve for possible loan losses.

11. Employees' Retirement Benefits

(a) Outline of current retirement benefit system

The Bank and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits. In addition, extra benefits may be paid on a case-by-case basis. The Bank has established a employees' retirement benefit trust. As of the end of the year under review, the Bank and 10 consolidated subsidiaries have lump-sum severance payment systems for employees. The Bank and its consolidated subsidiaries have jointly established a fund under a defined benefit pension plan.

(b) The following tables set forth the changes in the net retirement benefit obligation, the plan assets and the funded status of the Bank and its consolidated subsidiaries at March 31, 2006 and 2005:

	Millions of yen	
March 31,	**2006**	2005
Retirement benefit obligation	**¥(59,333)**	¥(58,653)
Fair value of plan assets	**64,519**	44,406
Unfunded retirement benefit obligation	**5,185**	(14,247)
Unrecognized net retirement benefit obligation at transition	**—**	—
Unrecognized actuarial loss	**(8,957)**	9,537
Unrecognized prior service cost	**860**	959
Net retirement benefit obligation	**(2,911)**	(3,750)
Prepaid pension cost	**3,728**	3,294
Reserve for employees' retirement benefits	**¥ (6,640)**	¥ (7,044)

Notes: 1. The above amounts do not include any extra benefits.
2. The consolidated subsidiaries have adopted a simplified method for the calculation of their retirement benefit obligation.

(c) Cost for retirement benefits of the Bank and its consolidated subsidiaries included the following components for the years ended March 31, 2006 and 2005:

	Millions of yen	
Years ended March 31,	**2006**	2005
Service cost	**¥1,917**	¥2,088
Interest cost	**1,000**	989
Expected return on plan assets	**(561)**	(549)
Amortization:		
Amortization of prior service cost	**98**	24
Amortization of unrecognized actuarial loss	**1,388**	1,101
Total retirement benefit cost	**3,843**	3,654
Gains resulting from adoption of new accounting standards for the new accounting system for enterprise pension funds	**—**	(74)
Total	**¥3,843**	¥3,579

Note: Retirement benefit cost of consolidated subsidiaries which is calculated by simplified method has been included in "service cost" referred to above.

(d) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2006 and 2005 were as follows:

Years ended March 31,	2006	2005
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.5%**	3.5%
Periodical allocation of estimated retirement benefits	Straight-line method	
Amortization period of prior service cost	**10 years**	10 years
Amortization period of actuarial gain/loss	**10 years**	10 years

12. Deferred Tax Assets

	Millions of yen	
March 31,	2006	2005
Deferred tax assets:		
Reserve for possible loan losses	**¥33,621**	¥33,922
Reserve for employees' retirement benefits	**10,592**	10,534
Devaluation of securities	**4,898**	5,258
Net operating loss carry forwards	**323**	16,184
Others	**15,883**	15,967
Valuation allowance	**(1,990)**	(1,361)
Total	**¥63,328**	¥80,505
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	**¥(72,424)**	¥(43,093)
Retirement benefit trust	**(9,495)**	(9,495)
Reversal of reserve for possible loan losses after elimination of intercompany balances	**(21)**	(24)
Others	**(33)**	(12)
Total	**(81,975)**	(52,625)
Net deferred tax (liabilities) assets	**¥(18,647)**	¥27,879

Note: Description is omitted as the difference between the statutory tax rate and the effective tax rate under tax-effect accounting is smaller than one-twentieth of the statutory tax rate.

13. Deposits

	Millions of yen	
March 31,	2006	2005
Current deposits	**¥3,420,281**	¥3,260,011
Time deposits	**2,539,831**	2,634,939
Negotiable certificates of deposit	**29,949**	52,336
Others	**175,946**	235,261
Total	**¥6,166,008**	¥6,182,549

14. Trading Liabilities

	Millions of yen	
March 31,	2006	2005
Trading securities-related financial derivatives	**¥ —**	¥ 3
Trading-related financial derivatives	**117**	94
Total	**¥117**	¥97

15. Shareholders' Equity

In accordance with the Banking Law of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Law of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Code provides that neither additional paid-in capital nor the legal reserve had been available for dividends, but both might be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 100% of the common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Bank's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Bank's shares had a par value of ¥50.

16. Trading Income

	Millions of yen	
Years ended March 31,	2006	2005
Revenue from trading securities	**¥302**	¥351
Revenue from trading-related financial derivatives	**104**	133
Other trading revenue	**21**	11
Total	**¥429**	¥496

17. Interest on Borrowings and Rediscounts

	Millions of yen	
Years ended March 31,	2006	2005
Call money and bills sold	**¥2,838**	¥1,139
Securities lending transactions	**1,668**	1,458
Borrowings	**1,257**	1,408
Total	**¥5,765**	¥4,005

18. Other Income

	Millions of yen	
Years ended March 31,	2006	2005
Other ordinary income	**¥24,414**	¥23,454
Gain on disposal of premises and equipment	**—**	5
Gains on collection of loan assets	**2,722**	2,617
Reversal of reserve for possible loan losses	**—**	744
Gains on liquidation of the employees' welfare pension fund resulting from the establishment of a defined benefit pension plan	**—**	74
Total	**¥27,137**	¥26,896

19. Other Expenses

	Millions of yen	
Years ended March 31,	2006	2005
Losses on disposal of premises and equipment	**¥ 383**	¥ 1,089
Losses on impairment	**1,194**	—
Write-offs of claims	**9,881**	9,787
Write down of equity shares	**135**	281
Losses on sale of claims	**226**	1,448
Others	**27,867**	20,492
Total	**¥39,686**	¥33,099

Effective from the current year, the Bank and its consolidated subsidiaries have adopted the standard for impairment of fixed assets.

Impairment losses were recorded in an aggregate amount deemed irrecoverable on idle assets, primarily located in Ibaraki Prefecture.

The impairment losses consisted of ¥1,056 million classified under land, ¥135 million classified under buildings and ¥2 million classified under equipment. Concerning facilities for business, every branch is, in principle, designated by the Bank as the smallest unit for recognition and measurement of impairment loss, taking into consideration cash flows in the region in question. In the case of idle assets, individual assets are assessed as measurement units. Regarding head office buildings, operation centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as they generate no cash flows.

The recoverable amounts used for the measurement of such impairment losses are net sales prices, which are calculated on the basis of appraisal values after deduction of the estimated cost of disposal. In the case of calculation of the recoverable amounts using future cash flows, the present value of the discounted cash flows is employed. The annualized discount rate is currently 4.3%.

20. Accumulated Depreciation of Premises and Equipment

Accumulated depreciation of premises and equipment at March 31, 2006 and 2005 amounted to ¥141,531 million and ¥138,658 million, respectively.

Accumulated advanced depreciation on premises and equipment amounted to ¥5,835 million.(No advanced depreciation was recorded for the current year.)

21. Segment Information

(a) Business segment information

Segment information by type of business for the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of yen					
Year ended March 31, **2006**	Banking operations	Leasing	Other	Total	Eliminations	Consolidated
Ordinary income:						
Ordinary income from external customers	**¥ 157,044**	**¥17,317**	**¥ 5,696**	**¥ 180,058**	**¥ —**	**¥ 180,058**
Ordinary income from internal transactions	**623**	**2,234**	**5,608**	**8,466**	**(8,466)**	**—**
Total	**157,668**	**19,551**	**11,305**	**188,525**	**(8,466)**	**180,058**
Ordinary expenses	**116,593**	**18,535**	**10,894**	**146,022**	**(8,725)**	**137,296**
Ordinary income (loss), net	**¥ 41,074**	**¥ 1,016**	**¥ 411**	**¥ 42,502**	**¥ (259)**	**¥ 42,761**
Assets	**¥7,343,485**	**¥48,823**	**¥31,360**	**¥7,423,669**	**¥(70,746)**	**¥7,352,922**
Depreciation	**2,760**	**13,380**	**141**	**16,281**	**(0)**	**16,281**
Losses on impairment	**1,194**	**—**	**—**	**1,194**	**—**	**1,194**
Capital expenditures	**2,581**	**12,256**	**657**	**15,496**	**—**	**15,496**

	Millions of yen					
Year ended March 31, 2005	Banking operations	Leasing	Other	Total	Eliminations	Consolidated
Ordinary income:						
Ordinary income from external customers	¥ 147,482	¥17,055	¥ 5,292	¥ 169,830	¥ —	¥ 169,830
Ordinary income from internal transactions	626	2,331	5,551	8,510	(8,510)	—
Total	148,109	19,387	10,843	178,340	(8,510)	169,830
Ordinary expenses	106,596	18,557	9,870	135,025	(8,534)	126,491
Ordinary income (loss), net	¥ 41,512	¥ 829	¥ 972	¥ 43,314	¥ (23)	¥ 43,338
Assets	¥7,333,540	¥51,987	¥31,208	¥7,416,736	¥(69,216)	¥7,347,520
Depreciation	2,936	13,507	116	16,560	(0)	16,560
Capital expenditures	2,994	13,603	513	17,111	—	17,111

Notes: 1. Classification is made according to nature of businesses of consolidated subsidiaries. In addition; "other" is guarantee business etc.
2. Instead of the net sales and the operating income of a non-financial company, ordinary income and ordinary expenses are indicated, respectively.

As stated in the Notes 3 and 19, effective April 1, 2005, Joyo Bank has applied the "Accounting Standards for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets," issued by the Business Accounting Council on August 9, 2002) and the "Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets" (Guidelines on Implementation of Business Accounting Standard No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). As a result, income before income taxes and minority interests decreased by ¥1,194 million on a consolidated basis.

(b) Geographic segment information

Segment information by geographic area has not been disclosed since over 90% of the total consolidated ordinary income and assets of the Bank and consolidated subsidiaries reside in Japan.

(c) Ordinary income from foreign operations

Segment information related to the Bank's foreign operations for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen	
Years ended March 31,	**2006**	2005
Ordinary income from foreign operations (A)	**¥ 26,188**	¥ 21,126
Ordinary income (B)	**180,058**	169,830
(A)/(B)	**14.54%**	12.43%

Note: Ordinary income arising from foreign operations refers to ordinary income from foreign currency-denominated transactions and yen-denominated transactions with non-residents in Japan, as well as offshore transactions (excluding inter-segment transactions).

22. Leases

(a) Finance leases

Finance leases, as lessee, at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen	
March 31,	**2006**	2005
Equipment	**¥50**	¥25
Accumulated depreciation	**(19)**	(8)
Total	**¥30**	¥16
Lease payments for finance leases:		
Within one year	**¥14**	¥ 6
Over one year	**16**	10
Total	**¥30**	¥16

Note: Acquisition cost and minimum lease payment presented above include interest amounts calculated under the interest method, as the balances of acquisition cost and minimum lease payment are small as a percentage of the book value of total tangible fixed assets.

Total lease payments under finance leases for the year ended March 31, 2006 and 2005 were ¥11 million and ¥3 million, respectively. Depreciation which would have been recorded under finance leases for the year ended March 31, 2006 and 2005 were ¥11 million and ¥3 million, respectively.

Finance leases, as lessor, at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen	
March 31,	**2006**	2005
Equipment	**¥63,501**	¥63,302
Others	**4,212**	4,534
Accumulated depreciation	**(32,941)**	(31,958)
Total	**¥34,773**	¥35,877
Lease payments receivable for finance leases:		
Within one year	**¥12,476**	¥12,659
Over one year	**27,929**	29,016
Total	**¥40,406**	¥41,676

Note: Minimum lease payment receivable presented above includes interest amounts, as the total balance at minimum lease payment receivable and residual value of leased assets is small as a percentage of the book value of receivables.

Total lease payments received under finance leases for the year ended March 31, 2006 and 2005 were ¥13,586 million and ¥13,761 million, respectively. Depreciation under finance leases for the year ended March 31, 2006 and 2005 were ¥11,697 million and ¥11,812 million, respectively.

(b) Operating leases

Future minimum lease payments for operating leases at March 31, 2006 and 2005 were ¥573 million and ¥4 million, of which ¥37 million and ¥3 million were due within one year.

No impairment losses have been recognized on leased assets.

23. Securities Information

The information includes trading account securities and commercial paper in trading assets and trust beneficiary rights in commercial paper and other debt purchased in addition to securities.

(a) Securities held for trading purposes

	Millions of yen	
March 31,	**2006**	2005
Carrying value	**¥29,031**	¥15,535
Holding gains charged to income	**2**	10

(b) Marketable debt securities held to maturity

	Millions of yen				
March 31, **2006**	Book value	Market value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Japanese government bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Japanese local government bonds	**5,325**	**5,652**	**326**	**326**	**—**
Corporate bonds	**22,819**	**22,275**	**(544)**	**31**	**576**
Others	**23,091**	**23,148**	**57**	**82**	**25**
Total	**¥51,237**	**¥51,076**	**¥(160)**	**¥ 440**	**¥601**

	Millions of yen				
March 31, 2005	Book value	Market value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Japanese government bonds	¥ —	¥ —	¥ —	¥ —	¥—
Japanese local government bonds	8,006	8,760	753	753	—
Corporate bonds	15,449	15,720	270	271	1
Others	33,480	33,693	213	213	0
Total	¥56,936	¥58,174	¥1,237	¥1,239	¥ 1

Note: Market value is based on the market prices at the fiscal year end.

(c) Marketable available-for-sale securities

	Millions of yen				
March 31, **2006**	Cost	Book value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Equity securities	**¥ 117,940**	**¥ 304,847**	**¥186,907**	**¥186,945**	**¥ 38**
Debt securities:					
Japanese government bonds	**748,031**	**730,151**	**(17,879)**	**292**	**18,171**
Japanese local government bonds	**313,699**	**312,257**	**(1,441)**	**2,926**	**4,368**
Corporate bonds	**320,966**	**318,347**	**(2,618)**	**780**	**3,399**
Others	**823,945**	**838,024**	**14,079**	**20,196**	**6,117**
Total	**¥2,324,582**	**¥2,503,629**	**¥179,047**	**¥211,141**	**¥32,094**

	Millions of yen				
March 31, 2005	Cost	Book value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Equity securities	¥ 112,719	¥ 186,761	¥ 74,041	¥ 75,582	¥1,541
Debt securities:					
Japanese government bonds	816,092	822,681	6,589	6,964	375
Japanese local government bonds	266,102	274,782	8,679	8,716	36
Corporate bonds	311,418	315,181	3,763	3,783	20
Others	806,396	820,187	13,791	15,397	1,606
Total	¥2,312,730	¥2,419,595	¥106,865	¥110,445	¥3,580

Notes: 1. Book value is based on the market prices at the fiscal year end.
2. Pursuant to “Practical Guidelines for Accounting for Financial Instruments” (JICPA Accounting Committee Report No. 14, amended on July 3, 2001), the Bank recognized the impairment losses on listed equity shares whose market price at the balance sheet date declined 30% or more compared with acquisition cost, taking into consideration the recoverability. As of March 31, 2006 and 2005, the Bank devaluated the marketable available-for-sale securities and recognized as a loss of ¥22 million and ¥9 million, respectively.

(d) Marketable available-for-sale securities sold

Years ended March 31,	Millions of yen 2006	2005
Proceeds from sales of marketable available-for-sale securities	**¥504,941**	¥448,879
Gains	**4,294**	4,729
Losses	**2,596**	5,511

(e) Major components and balance sheet amounts of non-marketable securities

	Millions of yen	
	Book value	
March 31,	2006	2005
Non-marketable debt securities held to maturity:		
Trust beneficiary rights	**¥13,713**	¥2,524
Non-marketable available-for-sale securities:		
Unlisted equity securities	**4,131**	4,053
Investments in investment partnerships	**1,245**	1,316

(f) Schedule of redemption of available-for-sale securities with maturity dates and debt securities being held to maturity

March 31, **2006**	Millions of yen One year or less	One to five years	Five to ten years	Over ten years
Debt securities:				
Japanese government bonds	**¥ 92,883**	**¥201,432**	**¥320,333**	**¥115,501**
Japanese local government bonds	**27,071**	**153,633**	**136,878**	**—**
Corporate bonds	**53,328**	**175,705**	**85,042**	**27,092**
Others	**90,373**	**309,792**	**199,963**	**217,387**
Total	**¥263,656**	**¥840,564**	**¥742,217**	**¥359,981**

March 31, 2005	Millions of yen One year or less	One to five years	Five to ten years	Over ten years
Debt securities:				
Japanese government bonds	¥111,798	¥ 314,950	¥209,180	¥186,752
Japanese local government bonds	27,631	195,243	59,914	—
Corporate bonds	62,301	157,373	94,523	16,433
Others	102,190	367,593	166,527	171,057
Total	¥303,921	¥1,035,160	¥530,146	¥374,244

(g) Money held in trust classified as available-for-sale securities

March 31,	Millions of yen 2006	2005
Cost	**¥2,152**	¥ 999
Book value	**2,725**	1,012
Unrealized gain (net)	**573**	12
Unrealized gain (gross)	**573**	12
Unrealized loss (gross)	**—**	—

Note: Book value is based on the market prices at the fiscal year end.

(h) Unrealized gain on available-for-sale securities

March 31,	Millions of yen 2006	2005
Unrealized gain:		
Available-for-sale securities	**¥179,047**	¥106,865
Other money held in trust	**573**	12
Deferred tax liabilities	**(72,424)**	(43,093)
Net unrealized gains on available-for-sale securities	**107,196**	63,783
Minority interests	**(109)**	(57)
Unrealized gains on available-for-sale securities	**¥107,086**	¥ 63,726

24. Derivatives

(a) Transactions

(1) The Bank conducts derivative transactions related to fluctuations in interest rates, currency exchanges and bond prices, which are classified into hedging and non-hedging purposes.

One of the Bank's consolidated subsidiaries engages in interest-related derivative transactions for hedging purposes.

(2) Policies: The Bank enters into derivative transactions to: (1) meet customer needs for hedging of risks involved in fluctuations in foreign exchanges and interest rates; (2) mitigate risks involved in the Bank's operations in the context of efficiently managing its overall assets and liabilities, and; (3) hedge individual transactions of the Bank. For trading in derivatives for the purpose of increasing earnings over a short-term period, the Bank has set certain position limits and loss-cut rules.

The above-mentioned consolidated subsidiary follows trading policies similar to those of the Bank.

(3) Purposes: The Bank conducts derivatives transactions in accordance with the above-mentioned policies. The Bank employs hedge accounting in some of its derivatives transactions.

a. Methods of hedge accounting

The Bank has adopted ordinary treatment for deferred hedges and special treatment for interest-rate swaps.

b. Policies and implementation of hedging transactions

The Bank uses hedging transactions to mitigate its exposure to interest rate risk, risk involving fluctuations in foreign exchange rates and stock prices, and credit risk, in accordance with its internal rules (Rules on Transactions under Hedge Accounting) based on the Practical Guidelines on Accounting for Financial Instruments.

During the prior and current years, hedge accounting has been applied to the following financial instruments and assets and liabilities hedged:

Hedging instruments: Interest-rate swaps, currency swaps and foreign exchange swaps

Assets and liabilities hedged:

(Yen-denominated) Loans and bills discounted, deposits, and borrowed money

(Foreign-currency denominated) Bonds and deposits

c. Assessment of hedging effectiveness

The effectiveness of hedging was assessed in accordance with Rules on Transactions under Hedge Accounting. As for hedging against interest rate changes by means of offsetting fluctuations in fair value arising from changes in interest rates, the Bank assesses the hedge effectiveness by correlating a group of hedged items (i.e. loans) with hedging instruments (such as interest rate swaps) classified by remaining maturity bucket. As for cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and hedging instruments. As for hedging foreign exchange fluctuations, the Bank assesses the effectiveness of utilizing currency and exchange swap transactions as hedging instruments through confirmation of the fact that there exists a sufficient balance of hedging instruments in the form of foreign exchanges, corresponding to the hedged items in the form of monetary claims and obligations denominated in foreign currencies.

In addition, the Bank confirmed that its hedging methods for its special treatment of interest-rate swaps met the required criteria.

(4) Nature of Risks: Derivative transactions involve market risk and credit risk. Market risk refers to the risk of losses from fluctuations in interest rates and currency exchanges, etc. Credit risk is the risk that a position cannot be settled according to the original contract terms due to the bankruptcy or insolvency of the counterparty.

(5) Risk Management System: The Board of Directors (the “Board”) is responsible for determining policies on the basis of in-house regulations on risk management, taking due account of the maximum transaction volumes, the maximum allowable loss amounts, and loss-cutting rules on derivative transactions, which are reported to the Board on a regular basis. For credit risk management, the current exposure method is applied for risk control, by setting credit lines by counterparty.

Regarding the organizational structure, the Bank clearly segregates back-office work from front-office work. Furthermore, the Bank has established middle-office sections to ensure that the system of checks and balances works effectively.

(6) Supplementary Explanation of Quantitative Information: The contract amounts presented are the notional contract amounts or the principal for calculation purpose. Accordingly, they do not represent the actual market risk exposure relating to all derivative positions.

(b) Interest-rate derivatives

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, **2006**	Total	Over 1 year	value	gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bought	**—**	**—**	**—**	**—**
Interest-rate options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Forward rate agreements:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Interest-rate swaps:				
Receivable fixed/ payable floating	**30,350**	**17,437**	**11**	**11**
Receivable floating/ payable fixed	**30,350**	**17,437**	**175**	**175**
Receivable floating/ payable floating	**—**	**—**	**—**	**—**
Interest-rate options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Caps:				
Sold	**3,174**	**3,058**	**(52)**	**23**
Bought	**3,174**	**3,058**	**52**	**5**
Swaption:				
Sold	**17,130**	**5,320**	**(378)**	**(172)**
Bought	**17,130**	**5,320**	**378**	**378**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥ —**	**¥186**	**¥421**

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, 2005	Total	Over 1 year	value	gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed/ payable floating	7,065	6,747	223	223
Receivable floating/ payable fixed	7,065	6,747	(90)	(90)
Receivable floating/ payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	1,185	1,101	(3)	19
Bought	1,185	1,101	3	(11)
Total	¥ —	¥ —	¥132	¥140

Notes: 1. The above derivatives are valued at market and unrealized gain (loss) is accounted for in the consolidated statements of income. Derivatives to which hedge accounting is applied have not been included in the above table.

2. Calculation of market value
The market value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Futures Exchange, etc. The market value of over-the-counter transactions has been calculated at their discounted current value or by utilizing calculation models for options prices.

(c) Currency Derivatives

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, **2006**	Total	Over 1 year	value	gain (loss)
Listed:				
Currency futures:				
Sold	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bought	**—**	**—**	**—**	**—**
Currency options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Currency swaps	**334,268**	**324,375**	**909**	**909**
Forward foreign exchange contracts:				
Sold	**4,093**	**332**	**(108)**	**(108)**
Bought	**3,223**	**228**	**82**	**82**
Currency options:				
Sold	**26,560**	**—**	**(318)**	**(24)**
Bought	**26,560**	**—**	**320**	**4**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥ —**	**¥885**	**¥863**

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, 2005	Total	Over 1 year	value	gain (loss)
Listed:				
Currency futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	164,526	164,526	635	635
Forward foreign exchange contracts:				
Sold	847	—	(7)	(7)
Bought	686	—	6	6
Currency options:				
Sold	39,238	—	(610)	(93)
Bought	39,238	—	612	124
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥635	¥665

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income. Derivatives which qualify as hedges have been excluded from this table.

2. Calculation of market value
Market value is calculated at discount present value, etc.

(d) Stock Derivatives

Not applicable as of March 31, 2006 and 2005.

(e) Bond Derivatives

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, **2006**	Total	Over 1 year	value	gain (loss)
Listed:				
Bond futures:				
Sold	**¥539**	**¥—**	**¥ 5**	**¥ 5**
Bought	**—**	**—**	**—**	**—**
Bond future options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Bond options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥—**	**¥ 5**	**¥ 5**

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, 2005	Total	Over 1 year	value	gain (loss)
Listed:				
Bond futures:				
Sold	¥200	¥—	¥ (3)	¥ (3)
Bought	—	—	—	—
Bond future options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Bond options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥—	¥ (3)	¥ (3)

Notes: 1. The transactions described above are marked to market, and the unrealized gains and losses are charged to income. Derivatives under hedge accounting are excluded from the above tables.

2. Calculation of fair market value
Financial derivatives listed on securities exchanges are stated using the closing prices on the Tokyo Stock Exchange as of the balance-sheet date, and those traded over the counter are stated using discounted present value or option price calculation models.

(f) Commodity Derivatives

Not applicable as of March 31, 2006 and 2005.

(g) Credit Derivatives

Not applicable as of March 31, 2006 and 2005.

(h) Related-Party Transactions

For the year ended March 31, 2006, material transactions with major individual shareholders are as follows:

Relationship with the Bank	Name	Location	Paid-in capital (Millions of yen)	Business line	Voting rights ownership (%)	Nature of relationship: Directors and statutory auditors	Nature of relationship: Business tie-ups	Details of transaction	Transaction amount (Millions of yen)	Accounting title	Year-end balance (Millions of yen)
A company in which majority voting rights are held by relatives of a director of the Bank	Usui Setsubi Kogyo Co. Ltd.	Hitachi-Omiya, Ibaraki Pref.	10	Hygiene facility installation for water supply and waste water treatment	—	Not applicable	Not applicable	Lending of money	2	Loans receivable	9

Policies on and terms and conditions of the transaction

Interest is reasonably determined in a manner similar to ordinary transactions, taking into account the prevailing market interest rates. The loan period shall not exceed 5 years. Repayment of principal shall be made on a straight-line basis every month or in lump-sum on the due date. However, repayment before the due date shall be allowed.

Relationship with the Bank	Name	Location	Paid-in capital (Millions of yen)	Business line	Voting rights ownership (%)	Nature of relationship: Directors and statutory auditors	Nature of relationship: Business tie-ups	Details of transaction	Transaction amount (Millions of yen)	Accounting title	Year-end balance (Millions of yen)
A company in which majority voting rights are held by relatives of a director of the Bank	Rarara Ltd.	Mito, Ibaraki Pref.	3	Beauty salon	—	Not applicable	Not applicable	Lending of money	10	Loans receivable	8

Policies regarding, and terms and conditions of, the transaction

Interest is reasonably determined in a manner similar to ordinary transactions, taking into account the prevailing market interest rates. The loan period is 5 years. Repayment of principal shall be made on a straight-line basis every month.

Note: For the year ended March 31, 2006 the Bank has made no related-party transactions with parties falling into categories of parent, subsidiary and sister companies, and major corporate shareholders. For the previous year ended March 31, 2005 the Bank engaged in no related-party transactions.

(i) Per-share Data

March 31,	Yen 2006	2005
Net assets per share	**¥527.11**	¥596.22
Earnings per share-basic	**31.45**	29.92
Earnings per share-diluted	**31.43**	29.91

Note: Bases for calculation of earnings per share (basic and diluted) are as follows:

March 31,	Millions of yen 2006	2005
Earnings per share		
Net income	**¥ 26,198**	¥ 24,815
Earnings not available to common shareholders	**50**	50
Of which, bonuses for directors and auditors	**50**	50
Net income after deduction of the portion described above	**26,148**	24,765
Weighted average number of common shares for the fiscal year (in thousands)	**831,341**	827,618
Diluted earnings per share		
Adjustment to net income	**—**	—
Increase in common shares (in thousands)	**411**	353
Of which, acquisition of own shares under stock option pursuant to provisions in Article 210-2, Paragraph 2 of the Commercial Code (in thousands)	**411**	353
Share warrants that have no dilutive effects on earnings per share	**—**	—

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Report of Independent Auditors

The Board of Directors
The Joyo Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Joyo Bank, Ltd. and consolidated subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income, capital surplus and retained earnings, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Joyo Bank, Ltd. and consolidated subsidiaries at March 31, 2005 and 2006, 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, 2006 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 2.

Additional Information
As described in Note 3 (q), The Joyo Bank, Ltd. and consolidated subsidiaries adopted accounting standards for impairment of fixed assets in the year ended March 31, 2006.

Ernst & Young ShinNihon.

October 10, 2006

Non-Consolidated Balance Sheets

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars (Note 2)
March 31,	**2006**	2005	**2006**
Assets			
Cash and due from banks	**¥ 154,302**	¥ 246,741	**$ 1,313,549**
Call loans and bills purchased	**11,998**	582	**102,140**
Receivables under securities borrowing transactions	**—**	25,959	**—**
Commercial paper and other debt purchased	**95,197**	57,427	**810,398**
Trading assets (Note 4)	**29,342**	15,762	**249,786**
Money held in trust	**2,725**	1,012	**23,206**
Securities (Notes 5 and 6)	**2,489,359**	2,430,824	**21,191,450**
Loans and bills discounted (Notes 7, 8 and 9)	**4,433,701**	4,375,901	**37,743,268**
Foreign exchanges (Note 10)	**1,084**	1,112	**9,231**
Other assets (Note 11)	**39,929**	71,217	**339,916**
Premises and equipment (Note 12)	**82,702**	84,428	**704,030**
Deferred tax assets (Note 13)	**—**	23,957	**—**
Customers' liabilities for acceptances and guarantees	**51,602**	52,185	**439,285**
Reserve for possible loan losses	**(51,236)**	(56,302)	**(436,166)**
Reserve for devaluation of investment securities	**(52)**	(98)	**(447)**
Total assets	**¥7,340,658**	¥7,330,713	**$62,489,646**
Liabilities and shareholders' equity			
Liabilities:			
Deposits (Note 14)	**¥6,181,063**	¥6,197,265	**$52,618,234**
Call money and bills sold	**157,118**	292,968	**1,337,524**
Payables under securities lending transactions	**280,759**	162,303	**2,390,054**
Trading liabilities (Note 15)	**117**	97	**1,001**
Borrowed money	**80,000**	86,000	**681,025**
Foreign exchanges (Note 10)	**2,536**	134	**21,590**
Bonds	**15,000**	15,000	**127,692**
Due to trust account	**17**	17	**146**
Other liabilities (Note 16)	**42,219**	72,106	**359,409**
Reserve for employees' retirement benefits	**6,331**	6,742	**53,901**
Reserve for other contingent losses	**412**	342	**3,515**
Deferred tax liabilities (Note 13)	**22,182**	—	**188,837**
Deferred tax liabilities for land revaluation (Note 13)	**13,088**	8,714	**111,416**
Acceptances and guarantees	**51,602**	52,185	**439,285**
Total liabilities	**6,852,451**	6,893,877	**58,333,628**
Shareholders' equity:			
Common stock (Note 26):			
Authorized — 2,167,515 thousand shares			
Issued — 852,231 thousand shares	**85,113**	85,113	**724,552**
Capital surplus	**58,581**	58,577	**498,693**
Legal reserve	**55,317**	55,317	**470,904**
Voluntary reserve	**163,432**	143,432	**1,391,266**
Retained earnings	**24,349**	30,142	**207,287**
Land revaluation reserve, net of taxes	**9,313**	12,898	**79,281**
Unrealized gain on available-for-sale securities	**107,079**	63,722	**911,543**
Less, treasury stock at cost	**(14,978)**	(12,366)	**(127,509)**
Total shareholders' equity	**488,207**	436,836	**4,156,017**
Total liabilities and shareholders' equity	**¥7,340,658**	¥7,330,713	**$62,489,646**

See accompanying notes to the non-consolidated financial statements.

Non-Consolidated Statements of Income

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	**2006**	2005	**2006**
Income:			
Interest income:			
Interest on loans and discounts	**¥ 81,040**	¥ 83,940	**$ 689,885**
Interest and dividends on securities	**43,592**	34,163	**371,096**
Other interest income	**1,183**	1,113	**10,079**
Fees and commissions (Note 17)	**21,932**	20,446	**186,711**
Trading income (Note 18)	**429**	496	**3,656**
Other operating income (Note 19)	**4,474**	3,276	**38,089**
Other income (Note 20)	**7,425**	8,027	**63,215**
Total income	**160,079**	151,464	**1,362,731**
Expenses:			
Interest expenses:			
Interest on deposits	**3,612**	2,748	**30,751**
Interest on borrowings and rediscounts (Note 21)	**5,765**	4,005	**49,079**
Other interest expenses	**9,659**	5,868	**82,233**
Fees and commissions (Note 22)	**7,200**	7,085	**61,296**
Other operating expenses (Note 23)	**2,467**	5,432	**21,002**
General and administrative expenses	**71,327**	70,515	**607,197**
Other expenses (Note 25)	**18,061**	12,049	**153,752**
Total expenses	**118,093**	107,705	**1,005,310**
Income before income taxes	**41,986**	43,759	**357,420**
Income taxes:			
Current	**149**	99	**1,273**
Deferred (Note 13)	**17,115**	17,536	**145,697**
Net income	**¥ 24,721**	¥ 26,123	**$ 210,450**
Per share (in yen and dollars)**:**			
Net income	**¥29.80**	¥31.35	**$0.254**
Cash dividends applicable to the year	**6.00**	6.00	**0.051**

See accompanying notes to the non-consolidated financial statements.

Non-Consolidated Statements of Retained Earnings

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	**2006**	2005	**2006**
Retained earnings:			
Balance at beginning of year	**¥30,142**	¥28,018	**$256,599**
Net income	**24,721**	26,123	**210,450**
Reversal of land revaluation reserve	**(521)**	160	**(4,440)**
Appropriations:			
Cancellation of shares in treasury	**(4,549)**	—	**(38,730)**
Cash dividends (Note 27)	**(5,393)**	(4,159)	**(45,911)**
Bonuses to directors	**(50)**	—	**(426)**
Transfer to voluntary reserve	**(20,000)**	(20,000)	**(170,256)**
Balance at end of year	**¥24,349**	¥30,142	**$207,287**

See accompanying notes to the non-consolidated financial statements.

Notes to the Non-Consolidated Financial Statements

THE JOYO BANK, LTD.

1. Basis of Presentation

The Joyo Bank Ltd. (the "Bank") maintains its accounting records and prepares its non-consolidated financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, the Commercial Code of Japan (the "Code"), the Banking Law of Japan and the Rules for Bank Accounting issued by the Ministry of Finance, which are different in material respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the Prime Minister as required by the Banking Law and the Securities and Exchange Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original non-consolidated financial statements have been reclassified.

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of Japanese yen amounts at ¥117.47 = US$1.00, the exchange rate prevailing on March 31, 2006.

3. Significant Accounting Policies

(a) Transactions for trading purposes

Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the statements of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

(b) Securities

Securities other than trading securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Stocks in subsidiaries are stated at cost by the moving-average cost method.

Other available-for-sale securities of which market prices are available are stated at fair value based on their market prices, etc. at the fiscal year-end, whereas those of which fair value is not available are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of shareholders' equity.

Investments in securities held in money trusts whose investment is operated solely by the Bank on behalf of the trustors, are stated at fair value.

(c) Derivatives

Derivatives positions held by the Bank (not including transactions for trading purposes) are stated at fair value.

(d) Depreciation of premises and equipment

Depreciation of premises and equipment held by the Bank is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 of which depreciation is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years
Equipment: 3~20 years

(e) Translation of foreign currencies

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the rates prevailing at the balance sheet date.

(f) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss experience.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a reserve is provided based on the audit results.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥43,740 million and ¥46,610 million as of March 31, 2006 and 2005, respectively.

(g) Reserve for devaluation of investment securities

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank may incur in the future.

(h) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits of the Bank is provided for the amount deemed necessary, based on estimated pension benefits obligations and pension plan assets at the fiscal year end, to cover required retirement benefits for eligible employees.

Prior service cost is deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

Effective from the current year, the Bank has credited to expenses the amount posted under "unrecognized plan assets" resulting from changes in actuarial assumptions on retirement benefit obligations pursuant to stipulations in the "Guidelines on Implementation of Amendments to Accounting Standards for Retirement Benefits" (Guidelines on Implementation of Business Accounting Standard No.7, issued on March 16, 2005). The term "unrecognized plan assets" refers to the excess portion of pension plan assets over retirement benefit obligations held by the company in question, which resulted from changes in actuarial assumptions on plan assets or recognition of prior service obligations. Previously the Bank did not credit the amount posted under unrecognized plan assets to expenses. This change has no effect on the Bank's results of operations on a non-consolidated basis.

(i) Reserve for other contingent losses

The Bank provides reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

(j) Leases

Finance leases other than those which transfer the ownership of the leased property to the Bank are accounted for as operating leases.

(k) Hedging

Hedging against interest rate changes

The deferred method of hedge accounting is applied to transactions to hedge against the interest rate risks associated with monetary claims and debt in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedges in offsetting movement of the fair value with the changes in interest rates, by classifying the hedged items (loans) and the hedging instruments (interest swaps) by their maturity. As to cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

In addition, a portion of deferred hedge losses and gains, which was previously under the "macro hedge," i.e., the management of interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets, and interest-bearing liabilities as a whole using derivatives, in accordance with the regulations set out in the "Accounting and Auditing Treatment of Preliminary Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 15) is no longer subject to hedge accounting effective the year ended March 31, 2005. The deferred hedge losses and gains related to hedge instruments to which the Bank discontinued the application of hedge accounting, or applied fair value hedge accounting as a result of the change mentioned above, are periodically charged to interest expenses or interest income effective fiscal 2003 by maturity and notional principal of each hedging instrument.

Deferred hedge losses under macro hedge stood at ¥3,632 million and ¥4,975 million at March 31, 2006 and 2005, respectively.

Hedging against foreign exchange fluctuation risk

The deferred method of hedge accounting is applied to transactions to hedge against the foreign exchange fluctuation risks associated with monetary claims and liabilities denominated in foreign currencies, in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

To minimize foreign exchange fluctuation risk on monetary claims and liabilities, the Bank engages in currency swaps, foreign exchange swaps, and similar transactions. The effectiveness of these transactions in the hedging of the foreign exchange risks of monetary claims and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary claims and liabilities with that of the hedging instruments.

(l) Consumption tax

Consumption tax is excluded from transactions reported by the Bank. However, non-deductible consumption tax on premises and equipment is charged to income as incurred.

(m) Application of newly established accounting standard for impairment of fixed assets

Effective April 1, 2005, Joyo Bank has applied the "Accounting Standards for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets," issued by the Business Accounting Council on August 9, 2002) and the "Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets" (Guidelines on Implementation of Business Accounting Standard No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). As a result, income before income taxes decreased by ¥1,194 million. Regarding banking operations, fixed assets are stated at cost less accumulated depreciation, pursuant to the Enforcement Ordinance of the Banking Law, and the accumulated impairment loss is also deducted from the book value of each asset.

4. Trading Assets

	Millions of yen	
March 31,	**2006**	2005
Trading securities	**¥ 2,033**	¥2,536
Trading securities-related financial derivatives	**5**	—
Trading-related financial derivatives	**304**	227
Other trading assets	**26,998**	12,998
Total	**¥29,342**	¥15,762

5. Securities

	Millions of yen	
March 31,	**2006**	2005
Japanese government bonds	**¥ 730,151**	¥ 822,681
Japanese local government bonds	**317,583**	282,789
Corporate bonds	**341,167**	330,631
Corporate stocks	**308,788**	190,719
Other securities	**791,668**	804,002
Total	**¥2,489,359**	¥2,430,824

6. Pledged Assets

Assets pledged as collateral at March 31, 2006 and 2005 were as follows:

	Millions of yen	
March 31,	**2006**	2005
Pledged assets:		
Securities	**¥422,069**	¥447,698
Loans	**52,044**	—
Liabilities covered by pledged assets:		
Deposits	**30,293**	26,581
Call money	**50,000**	107,000
Payables under securities lending transactions	**280,759**	162,303

In addition to the above, securities amounting to ¥56,550 million and ¥59,661 million at book value were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2006 and 2005, respectively.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank pledges to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank.

The unused amount related to such facilities/contracts stood at ¥1,329,850 million and ¥1,271,094 million at March 31, 2006 and 2005, respectively. Of this amount, facilities/contracts which expires within one year or which are unconditionally cancelable at any time totaled ¥1,278,316 million and ¥1,242,327 million at March 31, 2006 and 2005, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the nonexecuted financing will not necessarily impact on the Bank's future cash flows. Most of these facilities/contracts contain a clause which allows the Bank to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank may demand collateral such as real estate or marketable securities at the date an agreement is entered into. In addition, after facilities/contracts are set forth, the Bank will regularly assess the business status of the clients based on predetermined internal procedures and, when prudent, will revise the agreements and reformulate new policies to maintain creditworthiness.

8. Loans and Bills Discounted

	Millions of yen	
March 31,	**2006**	2005
Loans on notes	**¥ 514,149**	¥ 574,851
Loans on deeds	**3,329,251**	3,227,824
Overdrafts	**541,750**	520,388
Bills discounted	**48,550**	52,837
Total	**¥4,433,701**	¥4,375,901

9. Non-Performing Loans

In accordance with the disclosure requirements under the rules for Bank Accounting in Japan, the balance of loans and bills discounted at March 31, 2006 and 2005 included the following non-performing loans:

	Millions of yen	
March 31,	**2006**	2005
Loans in bankruptcy and dishonored bills	**¥ 4,825**	¥ 4,351
Delinquent loans	**133,495**	109,089
Loans past due with respect to interest payments for more than three months	**2,278**	1,680
Restructured loans	**58,191**	58,578
Total	**¥198,791**	¥173,699

Notes: 1. Loans in bankruptcy and dishonored bills refers to loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Law (1965 Enforcement Regulation No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes as no repayment of principal or payment of interest have been made for a considerable period.
Delinquent loans refers to loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans.
Loans past due with respect to interest payments for more than 3 months refers to loans with respect to which repayment of principal or payment of interest are past due three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans.
Restructured loans refers to loans to borrowers to whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.

2. The above amounts are stated before the deduction of the reserve for possible loan losses.

10. Foreign Exchanges

	Millions of yen	
March 31,	**2006**	2005
Assets:		
Due from foreign banks	**¥ 576**	¥ 656
Foreign exchange bills bought	**73**	41
Foreign exchange bills receivable	**434**	414
Total	**¥1,084**	¥1,112
Liabilities:		
Foreign exchange bills sold	**¥2,536**	¥ 127
Foreign exchange bills payable	**—**	7
Total	**¥2,536**	¥ 134

11. Other Assets

	Millions of yen	
March 31,	**2006**	2005
Domestic exchange settlement account—debit	**¥ 65**	¥ 117
Prepaid expenses	**1,247**	1,245
Accrued income	**13,094**	12,079
Initial margins on future transactions	**160**	160
Variation margins on future transactions	**—**	3
Derivatives	**2,744**	7,507
Losses deferred under hedge accounting	**3,716**	5,042
Others	**18,902**	45,061
Total	**¥39,929**	¥71,217

12. Premises and Equipment

March 31,	Millions of yen 2006	2005
Land, buildings and equipment	**¥147,818**	¥148,570
Construction in progress	**324**	0
Leasehold guarantees and deposits	**5,765**	5,827
Total	**153,908**	154,397
Accumulated depreciation	**(71,205)**	(69,969)
Net book value	**¥ 82,702**	¥ 84,428

13. Deferred Tax Assets

March 31,	Millions of yen 2006	2005
Deferred tax assets:		
Reserve for possible loss on loans	**¥ 30,891**	¥31,314
Net operating loss carry forwards	**10,493**	15,712
Reserve for employees' retirement benefits	**4,828**	10,440
Devaluation of securities	**274**	5,188
Others	**14,039**	14,145
Valuation allowance	**(838)**	(284)
Total	**¥ 59,689**	¥76,516
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	**¥(72,342)**	¥(43,051)
Retirement benefit trust	**(9,495)**	(9,495)
Others	**(33)**	(12)
Total	**(81,871)**	(52,559)
Net deferred tax (liabilities) assets	**¥(22,182)**	¥23,957

14. Deposits

March 31,	Millions of yen 2006	2005
Current deposits	**¥ 130,537**	¥ 127,974
Ordinary deposits	**3,176,257**	3,009,953
Savings deposits	**60,942**	66,783
Deposits at notice	**57,589**	58,177
Time deposits	**2,545,211**	2,641,637
Installment savings	**—**	11
Negotiable certificates of deposit	**34,579**	57,466
Others	**175,946**	235,261
Total	**¥6,181,063**	¥6,197,265

15. Trading Liabilities

March 31,	Millions of yen 2006	2005
Trading securities-related financial derivatives	**¥ —**	¥ 3
Trading-related financial derivatives	**117**	94
Total	**¥117**	¥97

16. Other Liabilities

March 31,	Millions of yen 2006	2005
Domestic exchange settlement account—credit	**¥ 193**	¥ 1,090
Accrued income taxes	**421**	596
Accrued expenses	**7,142**	7,701
Unearned income	**3,246**	3,568
Employees' deposits	**1,529**	1,670
Allowance for supplement to benefits	**—**	0
Initial margins on futures transactions	**6**	—
Derivatives	**18,797**	9,778
Gains deferred under hedge accounting	**1,567**	581
Others	**9,314**	47,118
Total	**¥42,219**	¥72,106

17. Fees and Commissions (Income)

Years ended March 31,	Millions of yen 2006	2005
Exchange settlement	**¥ 7,243**	¥ 7,364
Other fees and commissions	**14,666**	13,050
Trust fees	**23**	31
Total	**¥21,932**	¥20,446

18. Trading Income

Years ended March 31,	Millions of yen 2006	2005
Income from trading securities	**¥302**	¥351
Income from trading-related financial derivatives	**104**	133
Other trading income	**21**	11
Total	**¥429**	¥496

19. Other Operating Income

Years ended March 31,	Millions of yen 2006	2005
Gain on foreign exchange transactions	**¥ 563**	¥ 813
Gain on sales of bonds	**3,325**	1,831
Gain on financial derivatives	**583**	630
Others	**1**	1
Total	**¥4,474**	¥3,276

20. Other Income

Years ended March 31,	Millions of yen 2006	2005
Gain on sales of stocks and other securities	**¥ 968**	¥2,897
Gain on trust fund operations	**153**	0
Other ordinary income	**3,892**	1,774
Others	**2,411**	3,355
Total	**¥7,425**	¥8,027

21. Interest on Borrowings and Rediscounts

	Millions of yen	
Years ended March 31,	**2006**	2005
Call money and bills sold	**¥2,838**	¥1,139
Securities lending transactions	**1,668**	1,458
Borrowings	**1,257**	1,408
Total	**¥5,765**	¥4,005

22. Fees and Commissions (Expenses)

	Millions of yen	
Years ended March 31,	**2006**	2005
Exchange settlement	**¥1,413**	¥1,427
Other fees and commissions	**5,786**	5,658
Total	**¥7,200**	¥7,085

23. Other Operating Expenses

	Millions of yen	
Years ended March 31,	**2006**	2005
Loss on sales of bonds	**¥2,467**	¥5,426
Loss on financial derivatives	**—**	6
Total	**¥2,467**	¥5,432

24. Leases

(a) Finance leases

Finance leases at March 31, 2006 and 2005 were as follows:

	Millions of yen	
March 31,	**2006**	2005
Equipment	**¥6,634**	¥7,070
Others	**517**	667
Accumulated depreciation	**(4,004)**	(3,847)
Total	**¥3,146**	¥3,890
Lease payments for finance leases:		
Within one year	**¥1,384**	¥1,573
Over one year	**1,762**	2,316
Total	**¥3,146**	¥3,890

Total lease payments under finance leases for the year ended March 31, 2006 and 2005 were ¥1,642 million and ¥1,741 million, respectively. Depreciation which would have been recorded under finance leases for the year ended March 31, 2006 and 2005 were ¥1,642 million and ¥1,741 million, respectively.

(b) Operating leases

Future minimum lease payments for operating leases at March 31, 2006 and 2005 were ¥573 million and ¥4 million, of which ¥37 million and ¥3 million was due within one year.

No impairment losses have been recognized on leased assets.

25. Other Expenses

	Millions of yen	
Years ended March 31,	**2006**	2005
Provision for possible loan losses	**¥ 6,635**	¥ —
Reserve for other contingent losses	**290**	225
Write-offs of claims	**8,182**	8,032
Loss on devaluation of stocks and other securities	**135**	274
Loss on sales of stocks	**129**	85
Loss on disposal of premises and equipment	**306**	976
Impairment loss	**1,194**	—
Others	**1,187**	2,453
Total	**¥18,061**	¥12,049

26. Shareholders' Equity

In accordance with the Banking Law of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Law of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Code provides that neither additional paid-in capital nor the legal reserve had been available for dividends, but both might be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 100% of the common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Bank's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Bank's shares had a par value of ¥50.

There were no change in the common stock account for the two years ended March 31, 2006 and 2005. Capital surplus amounted to ¥58,581 million and ¥58,577 million as of March 31, 2006 and 2005, respectively.

27. Dividends and Interim Dividends

The Bank may pay dividends twice a year. Annual dividends may be paid to shareholders of record as of March 31 and are reflected in the non-consolidated statements of retained earnings when duly approved and paid. In addition, the Bank may pay interim dividends to shareholders of record as of September 30.

28. Subsequent Event

Appropriation of Retained Earnings

The following appropriations of retained earnings were approved at a general shareholders' meeting held on June 29, 2006:

	Millions of yen
Retained earnings at March 31, 2006	**¥24,349**
Appropriations:	
Cash dividends	**2,459**
Transfer to voluntary reserves	**10,000**
Bonuses to directors and corporate auditors	**50**
Retained earnings carried forward	**¥11,840**

Report of Independent Certified Public Accountants

ERNST & YOUNG SHINNIHON

■ Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

■ Tel : 03 3503 1100
Fax : 03 3503 1197

Report of Independent Auditors

The Board of Directors
The Joyo Bank, Ltd.

We have audited the accompanying non-consolidated balance sheets of The Joyo Bank, Ltd. as of March 31, 2005 and 2006, and the non-consolidated statements of income and retained earnings for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of The Joyo Bank, Ltd. at March 31, 2005 and 2006, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2006 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 2.

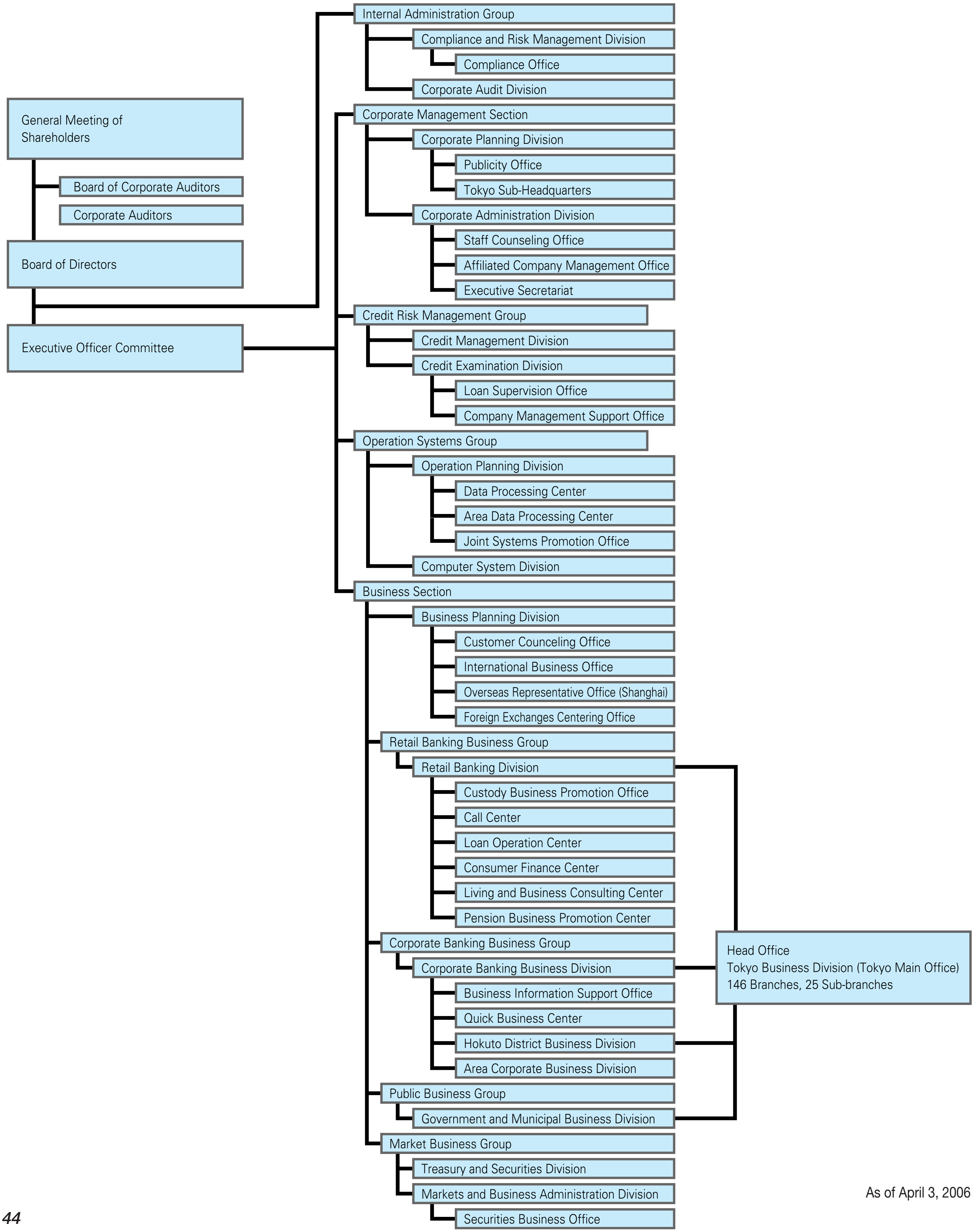
Additional Information
As described in Note 3 (m), The Joyo Bank, Ltd. adopted accounting standards for impairment of fixed assets in the year ended March 31, 2006.

Ernst & Young ShinNihon

October 10, 2006

Organization

THE JOYO BANK, LTD.



As of April 3, 2006

Board of Directors and Corporate Auditors

Chairman
Isao Shibuya

President
Kunio Onizawa

Deputy President
Yuto Kawahara

Senior Managing Director
Noboru Ehashi

Managing Directors
Kunio Kurosaki
Tsutomu Tohyama
Takenori Hotate
Kazuo Kuroko
Yoshiyuki Miyanaga
Mitsuo Uchida
Kazuyoshi Terakado

Corporate Auditors
Takashi Iwakami (standing)
Kyohei Tomita (standing)
Akira Yasu
Toshihiko Kawamura
Sanenori Hitomi

As of June 29, 2006

Market Business Group and Overseas Office

■ Head Office
5-5, Minami-machi 2-chome, Mito,
Ibaraki 310-0021, Japan
Phone: 029-231-2151

■ Market Business Group
Managing Director
Tsutomu Tohyama

■ Markets and Business Administration Division
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General Manager
Shigeki Morita
Deputy General Manager
Hirohiko Sato

• Operations Group (Tokyo)
Senior Manager
Osato Aizawa

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Telex: J23278 JOYOBANK
3632105 JOYOBK
Swift: JOYOJPJT
General Manager
Hideo Kosaka

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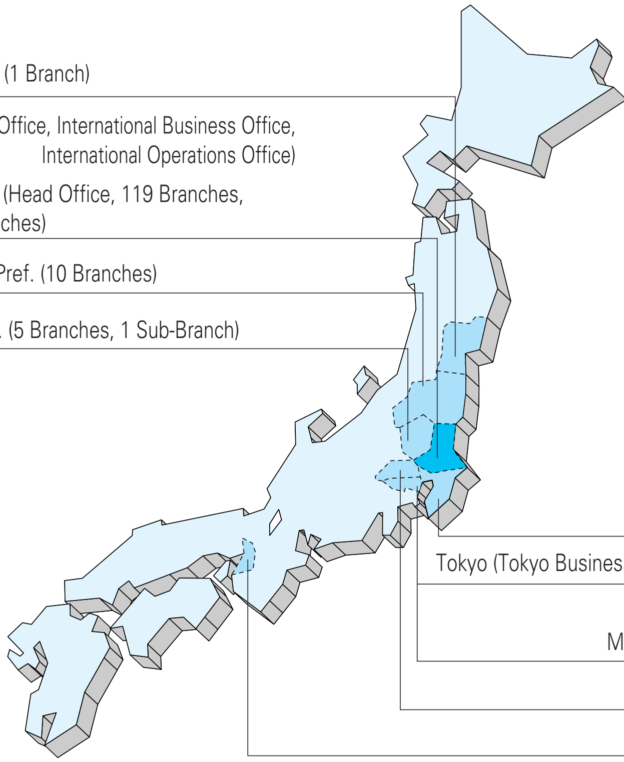
General Manager
Kazuo Komuro
Deputy General Manager
Osamu Midorikawa

• Investment Group
Senior Manager
Masahide Takauchi

• Business Promotion Group
Manager
Hiroshi Komatsuzaki

■ Shanghai Representative Office (Business Planning Division)
Room 1901, Shanghai International Trade
Centre, 2201 Yan An Road (West),
Shanghai 200335 P.R. of China
Phone: 86-21-6209-0258
Chief Representative
Katsunori Suzuki
Deputy Chief Representative
Kenji Kikuchi

Service Network



Overseas:
Shanghai Representative Office

As of March 31, 2006

Affiliated Companies

The Joyo Computer Service Co., Ltd.
16-25, Nishihara 2-chome, Mito, Ibaraki
Established 1973, Capital Stock: ¥47.5 million
Share of Voting Rights: 5%
Sale of software and contract of calculation businesses

The Joyo Lease Co., Ltd.
4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1974, Capital Stock: ¥100 million
Share of Voting Rights: 5%
Leasing of machinery and equipment, claim acquisition

The Joyo Credit Guarantee Co., Ltd.
4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1978, Capital Stock: ¥30 million
Share of Voting Rights: 5%
Credit guarantee of housing loans from the Bank

The Joyo Credit Co., Ltd.
4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1982, Capital Stock: ¥100 million
Share of Voting Rights: 5%
Credit card services

The Joyo Business Service Co., Ltd.
8-1, Sasano-machi 1-chome, Hitachinaka, Ibaraki
Established 1984, Capital Stock: ¥100 million
Share of Voting Rights: 100%
Agent in charge of administrative work for the Bank

The Joyo Staff Service Co., Ltd.
4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1991, Capital Stock: ¥30 million
Share of Voting Rights: 100%
Temporary staffing business for the Bank

The Joyo Industrial Research Institute, Ltd.
5-18, Sannomaru 1-chome, Mito, Ibaraki
Established 1995, Capital Stock: ¥100 million
Share of Voting Rights: 5%
Consulting, investigation and research

The Joyo Equipment Management Co., Ltd.
5-5, Minami-machi 2-chome, Mito, Ibaraki
Established 1999, Capital Stock: ¥100 million
Share of Voting Rights: 5%
Maintenance and management of operational properties and equipment of the Bank

The Joyo Cash Service Co., Ltd.
3-3, Jonan 1-chome, Mito, Ibaraki
Established 1999, Capital Stock: 50 million
Share of Voting Rights: 100%
Management and maintenance of ATMs and CDs

The Joyo Total Maintenance Co., Ltd.
5-5, Minami-machi 2-chome, Mito, Ibaraki
Established 2000, Capital Stock: ¥200 million
Share of Voting Rights: 100%
Liquidation of real estate collateralized in relation to the loans made by the Bank

As of March 31, 2006

Corporate Data

■ **Date of Establishment**	July 30, 1935
■ **Head Office**	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan Phone: 029-231-2151 URL: http://www.joyobank.co.jp/ http://www.joyobank.co.jp/joyobank/eng/ (English Page)
■ **Domestic Network**	Head Office, Tokyo Business Division (Tokyo Main Office), and 146 Branches, 25 Sub-branches
■ **Overseas Network**	1 Representative Office: Shanghai
■ **Number of Employees**	3,475
■ **Stock Exchange Listing**	Tokyo Stock Exchange
■ **Paid-in Capital**	¥85,113 million
■ **Number of Shares** (as of March 31, 2006)	Authorized 2,167,515 thousand Issued and Outstanding 852,231 thousand
■ **Number of Shareholders** (1 trading unit = 1,000 shares)	23,252
■ **Principal Shareholders**	The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2006 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
NIPPONKOA Insurance Company, Ltd.	40,973	4.80 %
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	39,992	4.69
Japan Trustee Services Bank, Ltd. (Trust Account)	32,787	3.84
Nippon Life Insurance Company	28,003	3.28
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,446	2.75
Northern Trust Company (AVFC) Sub Account American Client	18,740	2.19
The Dai-ichi Mutual Life Insurance Company	17,049	2.00
Sumitomo Life Insurance Company	16,448	1.92
The Gunma Bank, Ltd.	10,465	1.22
Meiji Yasuda Life Insurance Company	9,722	1.14
Total	237,627	27.88 %

As of March 31, 2006

For further information,
please write to:
Markets and Business
Administration Division,
The Joyo Bank, Ltd.
7-2, Yaesu 2-chome,
Chuo-ku, Tokyo
104-0028, Japan