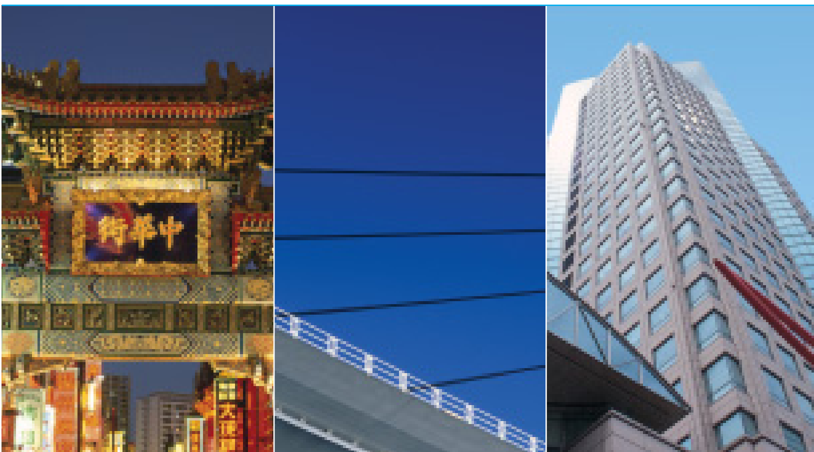
BANK OF YOKOHAMA

Annual Report 2006

Year Ended March 31, 2006



Sailing Ahead with Services and Efficiency

横浜銀行

Profile

The Bank of Yokohama, Ltd. (the Bank), was founded in 1920 to serve the needs of individuals and companies in Kanagawa Prefecture and southwestern Tokyo. With its main business focusing on its home region, the Bank has since grown to become one of Japan's leading regional banks, with consolidated total assets of ¥10,802.1 billion and deposits of ¥9,450.0 billion as of March 31, 2006. Under our medium-term management plan "Go Forward!", our goal is to become "The Best Regional Bank that is strongly supported by customers and that continues to evolve" by establishing long-term relationships with customers.

The "Three-Ships Spirit"

MANAGEMENT PHILOSOPHY

Reflecting Yokohama's heritage as a port city, the "Three Ships" represents eternal prosperity, with customers, shareholders and bank employees (the "Three Ships") growing hand in hand with harmony. The three ideas underlying the concept we are working to realize are as follows.

> We aim to become a bank that is trusted. We will do this by fully recognizing our traditional role in ensuring a stable supply of funds, and in providing the kind of financial services demanded by the community by conducting our business in as thorough a manner as possible.

> In each area of our market, we aim to become a community bank deeply rooted in its locality, with each branch working to be the "best bank," growing through contribution to the community and in concert with it.

> We aim to be a bank that serves all the community, and is a great place to work, by developing and training dynamic talents and fostering energetic culture.

Contents

Consolidated Financial Highlights

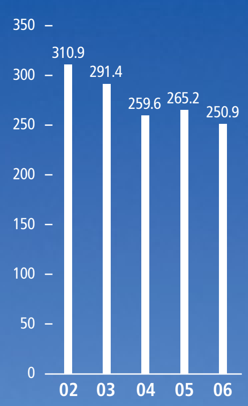
The Bank of Yokohama, Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of Yen* 2006	Millions of Yen* 2005	Thousands of U.S. Dollars** 2006
At Year-end:			
Total assets	**¥10,802,190**	¥10,690,128	**$91,957,011**
Cash and due from banks	**305,844**	566,483	**2,603,595**
Deposits	**9,450,040**	9,296,939	**80,446,416**
Loans and bills discounted	**8,125,307**	7,790,062	**69,169,210**
Securities	**1,363,469**	1,432,580	**11,606,956**
Total stockholders' equity	**680,342**	596,886	**5,791,629**
Capital stock	**215,179**	214,862	**1,831,780**
For the Year:			
Total income	**¥ 250,980**	¥ 265,289	**$ 2,136,551**
Total expenses	**143,832**	165,514	**1,224,415**
Net income	**60,852**	57,706	**518,029**

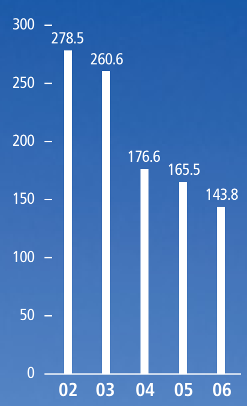
* Yen amounts have been round down to millions of yen.

** U.S. dollar amounts are translated, for reference only, at the rate of ¥117.47=$1 effective on March 31, 2006.

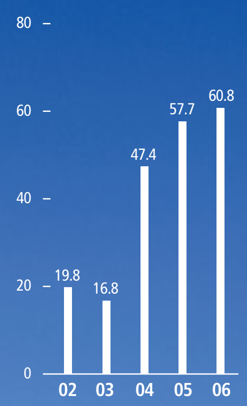
Total Income (¥ billion)



Total Expenses (¥ billion)



Net Income (¥ billion)



This report contains information that constitutes forward-looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the Bank or its officers with respect to the financial condition of the Bank. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors. The information contained in this report identified important factors that could cause such differences, including but not limited to, change in overall economic conditions.

We should like to begin by expressing our sincere appreciation to our customers and shareholders for their continuing support of the Bank of Yokohama.

Tadashi Ogawa
President

The Japanese economy has at last emerged from a prolonged and intensive adjustment period and is now showing clear signs of recovery. An improvement in corporate earnings has been paralleled by an increase in capital investment, while consumer spending has strengthened in response to improvement in the employment environment. Changes in government policy have included a pull-back in the Bank of Japan's quantitative easing policy in March 2006.

In the financial sector, deregulation has brought escalating competition across traditional industry boundaries. Key developments include a review of the role of government financial institutions and moves toward the privatization of the postal system, as well as the expansion of the bank agency system and over-the-counter insurance sales.

We have been following our medium-term management plan "Go Forward!" amid this environment since April 2005. We are approaching the mid-point of this three-year plan, which takes us toward a vision of the Bank as "The best regional bank that is strongly supported by customers and that continues to evolve." During the year under review, we implemented proactive policies designed to raise our presence with regional customers and shareholders.

We are also in the process of improving our branch network. We have opened a new "mini-branch" in Fujigaoka specializing in service for individual customers, which will further strengthen our ability to offer consultation services at the retail level. We have also opened four new branches specializing in loans to small and medium-sized enterprises (SMEs): the Shinagawa Branch, the Omori Branch, the Gotanda Station Branch and the Tamachi Branch. All four are located in the southwestern area of Tokyo, which borders Kanagawa Prefecture. To achieve broad coverage of our main markets, we have been opening new branches designed to reflect the needs of the local community and in response to the characteristics of our main market, Kanagawa Prefecture and southwestern Tokyo. These efforts will continue until the conclusion of our medium-term management plan in the year ending March 2008.

We carried on the extension of a variety of services to help our customers adapt in this time of dramatic social and economic change. In the year ended March 2006 we established a new specialist unit, the Asia Business Promotion Office, to assist customers in developing business operations in the growing economies of Asia. We have also signed a basic agreement with the Hokuhoku Financial Group covering the shared utilization of banking systems. This new agreement will allow us to provide superior services to our customers through the strategic and efficient utilization of IT.

In May 2005, we outlined our policy regarding shareholder returns, in which at least 30% of net income is to be returned to shareholders through dividends and share buy-back programs. Under this policy, we have introduced a structure that will allow us to provide returns linked to business results while adhering to the concept of stable dividends.

We have successfully weathered the difficult times, and we are now ready to move forward with a more aggressive business stance. In this sense, I believe that we are now confronted by exciting new challenges. Our goal is to maximize our marketing activities and earning potential through a range of strategies, including the dynamic development of our branches as effective focal points for interactions with customers, and the expansion of our lending business with SMEs and individuals in the local market. Of course, all of our activities will continue to be backed by appropriate risk management systems. Recruitment and development of human assets are crucial to our ability to implement these aggressive management policies, and our human asset strategy calls for careful planning focused on future growth.

As in the past, the entire Bank organization remains dedicated to improving customer satisfaction. In April 2006, we partially restructured our head office organization to strengthen our ability to meet customer needs. The result is an organizational structure that is better able to canvas the needs of customers and move quickly to implement business policies based on those needs. We aim to strengthen customer loyalty by further enhancing our brand image, and by building relationships which customers will want to maintain and expand their business with us for a longer period of time.

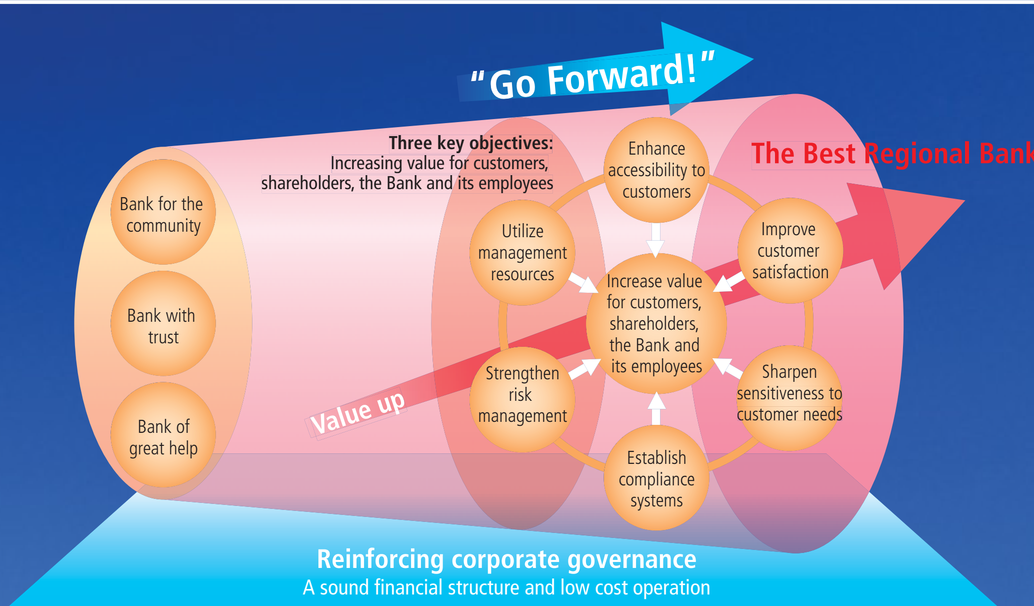
One of our most important initiatives in recent years has been the reinforcement of our compliance systems. To gain our customers' trust, we need to ensure that every employee is aware of our important public role as a bank. We must also work to develop and consolidate a corporate culture based on thorough compliance with all laws and regulations and other rules.

This is a milestone year in which we will commemorate the 50th anniversary of the renaming of the Bank of Yokohama, which previously operated under the name of Yokohama Koshin Bank. Though the business environment for the banking sector remains difficult, the Bank has a competitive advantage in the form of its strong relationships with the communities and people of its region. All of our officers and employees are determined to work persistently toward further growth and success in the future. We look forward to the continuing support from all of you.

August 2006

Tadashi Ogawa
President

Our Medium-Term Management Plan "Go Forward!"



Progress of the medium-term management plan

The final fiscal year of the medium-term management plan

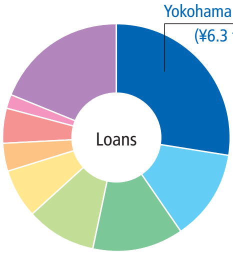
	FY 2004 (Results)	FY 2005 (Results)	FY 2007 (Target)
What we aim to be			
"Enhance corporate value"			
• Total market capitalization	¥0.92 trillion*1	¥1.35 trillion*6	¥1 trillion or more
"Improve credit ratings (outside agencies)"			
• Ratings (R&I, Moody's)	A+ and A3	A+ and A3	AA or above
Target index			
"Strengthen retail promotion"			
• Retail loans outstanding*2	¥6,198.2 billion	¥6,401.8 billion	¥6,900.0 billion or more (increase of 11% from FY2004 or an annual increase of 3.7%)
• Balance of non-deposit products*3	¥983.9 billion	¥1,152.4 billion	¥1,400.0 billion or more (increase by 42% from FY2004 or an annual increase by 14.1%)
"Improve profitability"			
• Net income (consolidated)	¥57.7 billion	¥60.8 billion	¥60.0 billion or more
"Improve management efficiency"			
• ROE *4 (consolidated)	10.0%	9.4%	Around 10%
• OHR *5 (non-consolidated)	42.2%	42.1%	Around 40%
"Financial stability"			
• Tier 1 ratio (consolidated)	8.39%	9.17%	9% or more

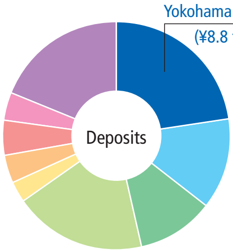
*1 As of March 31,2005
*2 Balance of loans to small and medium-sized companies plus the balance of loans to individual customers
*3 Balance outstanding, including public bonds
*4 Net income/shareholders' equity (average)
*5 Excluding gains on securitization of housing loans
*6 As of March 31, 2006

The Most Reliable Bank in the Region

"Go Forward!" These are the words chosen by the Bank to symbolize its current medium-term management plan. Under this plan, the Bank is working to strengthen customer support as "the best regional bank that is strongly supported by customers and that continues to evolve," to ensure thorough information disclosure that leads to the improvement of customer convenience and the facilitation of regional finance.

Market Share in Kanagawa Prefecture
(%)





	Loans	Deposits
Banking Group A	13%	13%
Banking Group B	13%	11%
Banking Group C	10%	19%
Banking Group D	7%	3%
Regional Banks	4%	4%
The 2nd Regional Banks	5%	5%
Trust Banks	2%	4%
Co-op Banks	19%	19%

Demographic and Economic Indicators for Kanagawa Prefecture

Total population (October 2005)	8,791,000 (ranked third among Japan's 47 prefectures after Tokyo and Osaka)
Number of businesses (June 2004)	285,000 (fourth after Tokyo, Osaka and Aichi)
Gross prefectural product	¥30.8 trillion (fourth after Tokyo, Osaka and Aichi)
Shipments of manufactured goods (2004)	¥18.5 trillion (second after Aichi)
Retail sales (2004)	¥8.5 trillion (third after Tokyo and Osaka)

Notes Population: Ministry of Internal Affairs and Communications (Population Census)
Number of businesses: Ministry of Internal Affairs and Communications (Establishment and Enterprise Census)
Gross prefectural product: Prefectural governments (prefectural economic statistics)
Shipments of manufactured goods: Ministry of Economy, Trade and Industry (Census of Manufactures)
Retail sales: Ministry of Economy, Trade and Industry (Census of Commerce)

Our Market

Regional Potential

The main market for the Bank is the whole of Kanagawa Prefecture and the southwestern part of Tokyo. In addition to its excellent residential environment, this region also offers easy commuting to Tokyo. Housing construction is buoyant, and the population continues to grow.

There are also advantages for businesses, including easy access to information, extensive road and railway networks, and excellent international port facilities. Local governments and other organizations in the region are working actively to promote industrial development. These factors are reflected in lively entrepreneurial activity and a high rate of a new business establishment. Kanagawa Prefecture's business establishment ratio is among the highest in Japan.

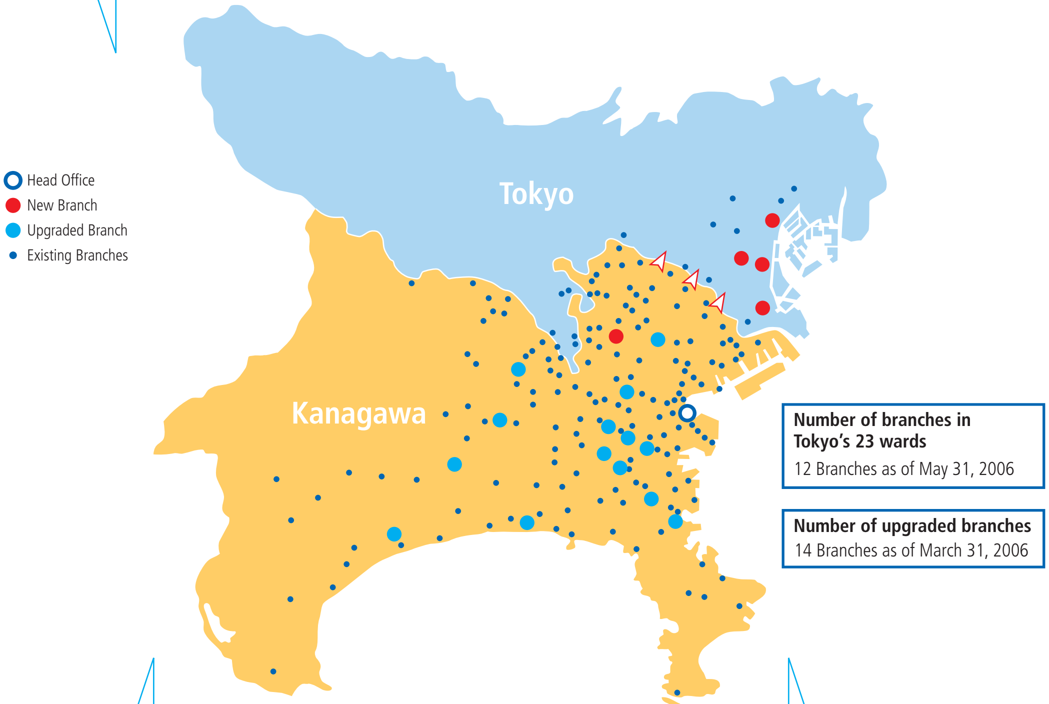
Market Shares in Kanagawa Prefecture

We have worked actively to expand financial transactions in our home market, in line with our strategy of specializing in regional retail banking. This approach has enabled us to maintain our shares of both lending and deposits in Kanagawa Prefecture at favorable levels.

Marketing Strategy

New Branches in Southwestern Tokyo

We have stepped up our efforts to expand our lending activities in southwestern Tokyo by opening the Shinagawa Branch and Omori Branch in September 2005, the Gotanda Station Branch in March 2006, and the Tamachi Branch in May 2006. The Ebisu Branch is scheduled to open in autumn 2006. We plan to open a total of 10 branches in Tokyo by March 2008. We have already organized 29 "Areas" in Kanagawa Prefecture, and the Area System has also been introduced in southwestern Tokyo as a framework for increased regionally focused marketing.



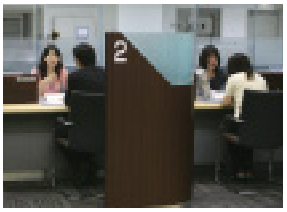
Specializing in Individual Customers–Establishment of Mini-Branches and Upgrading Sub-Branches to Full Branch Status

We have a number of outlets specializing in specific functions, such as sales of investment trusts, annuity insurance and other investment products. These include "mini-branches," which are small outlets with areas of about 100 square meters and 4-6 staff members. By September 2005, we had opened 11 mini-branches, and we plan to increase the number to 20 by March 2008.

In March 2006, we upgraded 14 sub-branches to full branch status and started providing improved advisory services. We also increased staffing levels in some branches to improve our sales capacity for investment products.

CS Model Branches Refurbished

In fiscal 2005 we selected nine outlets as CS model branches*, and in February 2006 we completed refurbishment of these branches. The aim of this project was to improve customer service and create a calming ambience in which to provide advisory services.



*Model branches to explore new measures to increase customer satisfaction (CS).

Enhancing Services for Individual Customers

We are continually working to achieve customer satisfaction by enhancing our range of products and services relating to business with individual customers. For example, we have expanded our range of investment and housing loan products to meet customer needs, and we have reviewed and enhanced our card business, preferential services and internet banking services. We are also working to respond promptly to customer needs in such areas as securities broking.

Expansion of Loan Products

Housing Loan

The Bank offers housing loan products to meet a wide spectrum of customer needs, including the purchase or rebuilding of houses, and the refinancing of loans provided by other financial institutions. We are continually improving these products through such initiatives as enhanced interest rate campaigns, and the introduction of new products including "Flat 35" 35-year fixed-rate housing loans, and housing loans with supplemental cancer insurance coverage.

Our Housing Loan Centers accept loan inquiries and applications seven days a week, served by specialist staff. Currently there are 30 of these centers, including Direct Housing Loan Centers, which offer extremely convenient services, such as the acceptance of preliminary screening applications over the Internet.

Card Loans

Applications for our card loan product, "QYQY" ("Quicky") can be made through direct channels, including telephone, fax, mail, mobile telephone and the Internet, and we provide a same-day response. This product combines both convenience and speed.

Reinforcement of Investment Services

Investment Consultation

The Bank strategically deploys highly skilled and experienced staff to non-deposit products, such as investment trusts and annuity insurance, to meet specific customer needs. Our head office also supports branches in ways to provide top-level investment advice and service for our customers.

Annuity Insurance

The Bank began to sell annuity insurance at all branches in October 2002. The balance of annuity insurance, especially variable annuities, has risen steadily since then. We will continue to introduce new products to meet diversifying customer needs, and currently (as of March 31, 2006) we offer three types of fixed annuity insurance, including one foreign currency-denominated product, and six types of variable annuity insurance products. As part of our efforts to provide information to help customers build assets, we run investment seminars with expert lecturers.

Investment Trusts

We have expanded our range of products to meet the investment needs of our customers. We currently (as of March 31, 2006) offer 39 types (56 trusts) at our 189 branches. In October 2005, we began to sell some investment trusts exclusively through direct channels, such as Internet banking. In April 2006, we added an emerging market stock fund and a South Korea stock fund to the product line up.

Securities Broking

The Bank began to provide this service in June 2005 in alliance with Nikko Cordial Securities Inc. We mainly handle foreign bonds. The number of branches providing this service has been progressively increased, reaching 39 as of June 30, 2006.

Enhancing Customer Convenience

Yokohama Bank Card

The Yokohama Bank Card is a multifunction product. This single card functions as a cash card, an international credit card, an overseas cash card and a loan card. By working in partnership with the Bank Card Services operated by 64 regional banks and Sumitomo Mitsui Card Co., Ltd., we have been able to expand the benefits available to cardholders, including ancillary services and point services. In April 2006 we abolished annual fees. In addition, we are planning to bring out a new Gold Card with a full range of optional services and a new Yokohama Bank Card combined with the "Suica" e-money services of East Japan Railway Company (JR East).

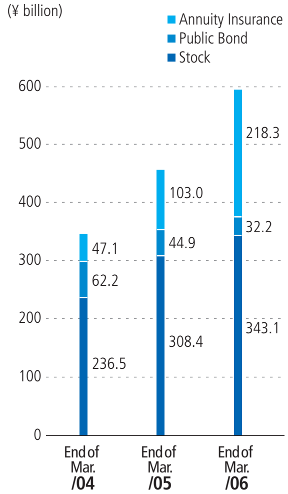
"Hamagin My Points" Program

In July 2006, we introduced a point-based program with special customer benefits. Customers who join this program, which is free of annual fees, accumulate points for their transactions with us each month. Once a year, these points are automatically converted to cash and transferred to their accounts. Depending on the level of their transactions, members are also eligible for discounted charges for remittances and ATM transactions.

Internet Banking

We have further enhanced the "Hamagin My Direct" service, which allows customers to make transactions using telephones, mobile telephones and computers. Improvements include the removal of usage fees.

Investment Trust and Annuity Insurance for Individual Customers



Supporting Local Corporate Customers

We are expanding our business with corporate customers by actively expanding our branch network into southwestern Tokyo. At the same time, we are working to expand customer contact points by strategically reallocating our staff. We are also reinforcing our head office organization to facilitate prompt proposal and provision of solution-oriented services to the diversifying needs of our customers.

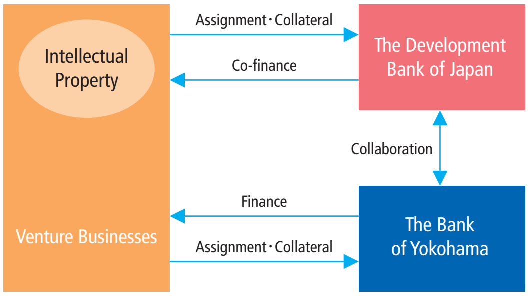
Support for New Businesses

Venture Investment and Lending

In the venture segment, we are working to facilitate access to funds for newly established businesses. Our investment and lending services in this area include investment through the "Yume Fund," which has funds totaling ¥20 billion, and the "Yume Fund Investment Partnerships." Between April 1, 2003 and March 31, 2006, we handled 962 investments totaling ¥8.4 billion through the Yume Fund. We have established four Yume Fund Investment Partnerships with funds totaling ¥2.5 billion. By March 31, 2006, we had invested in a cumulative total of 74 companies, mostly venture companies with strong links to Kanagawa Prefecture. Seven of these companies have gone on to launch IPOs.

Collaboration on Venture Business Lending and Investment

Since March 2004, the Bank has arranged loans secured by intellectual property in collaboration with the Development Bank of Japan. By March 2006, we had arranged four co-financing deals.



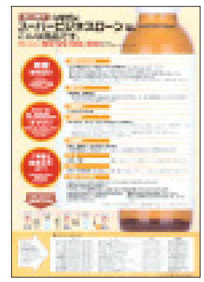
Support for Customers in the Growth and Maturation Phases

Business Loan Centers

The Business Loan Centers specialize in services for small and medium-sized companies, especially "Hamagin Super Business Loans" and loans guaranteed by credit guarantee associations. They work closely with the Area Business Departments and other units to develop business with a wide assortment of small and medium-sized companies. In September 2005, we opened two new centers, bringing the total to 10.

"Hamagin Super Business Loans"

Normally no collateral or third-party guarantor is required for these loans, which are provided under our own scoring model. The maximum amount is ¥50 million, and the maximum term is five years.



Support for Overseas Expansion

We established the Asia office in February 2006 as a specialist unit providing advice and other services to customers who have expanded or plan to expand their business operations into Asia. We also launched the "Yokohama Asia Club" as an organization for these customers. By the end of June 2006, around 590 companies had joined. Specific benefits for members include access to information through a members-only website, invitations to seminars and overseas business fairs, and individualized advice.

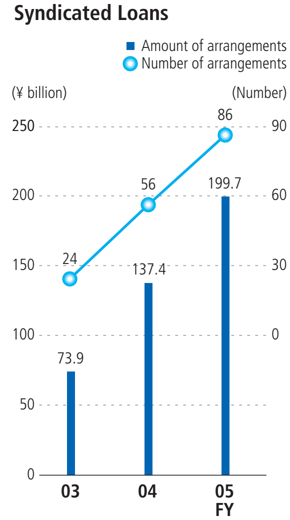
Accommodating New Financing Methods

The Bank is strengthening its ability to support the diversified financing methods used by corporate customers. These include non-recourse loans based on real estate liquidation schemes, and PFI schemes. In fiscal 2005 we arranged eight non-recourse loans and project finance schemes.

Syndicated Loans and Private Placement Bonds

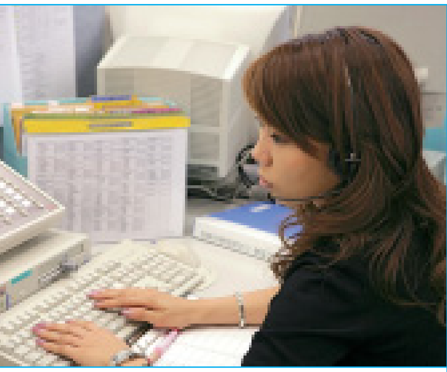
We will continue to arrange syndicated loans to meet the increasingly diverse financing needs of middle-ranked companies and small and medium-sized companies in our region. Another area in which the Bank is active is direct finance through private placement bonds , which has become a common financing method for businesses in our region.

Syndicated Loans



Information and Public Relations Activities

The Bank has appointed "Information Meisters," who are employees with responsibility for customer-related information in each area. They form a structure that allows integrated monitoring of regional information. We are continually using the various functions of our head office and affiliated companies to enhance our group-level information networks.



Serving Advanced Needs in the Financial Markets

The Bank responds to the diverse needs of its customers in various financial markets, including funds, currency, bonds and derivatives. We also use investment products to maximize our earnings and provide appropriate hedging against interest rate risk, price fluctuation risk, exchange rate risk, and liquidity risk, as part of our asset and liability management (ALM).

Offering Derivative Products, Etc.

The Bank supplies a range of derivatives, including interest caps and currency options. Customers use these products to hedge against various risks in their business environments, such as interest rate risk or exchange rate risk.

We also handle municipal bonds and mini public placement bonds for municipalities, such as Kanagawa Prefecture, Yokohama City and Kawasaki City. We also offer a variety of investment products to meet the needs of our customers, including public bonds and deposit products with derivatives.

Investment Products Linked to Higher Earnings

We are working to expand our earnings through flexible investment in corporate bonds, securitization products and foreign bonds, as part of our adaptation to changes in our investment and financing structure.

Alliance Strategy

Alliance with JR East in Card Business

By the second half of fiscal 2007, the Bank plans to issue Yokohama Bank Card with e-money functions , the "Suica" developed by JR East. From the spring of 2007, customers of the Bank and JR East will be able to mutually use the Bank ATMs and "VIEW ALTTE" ATM corners in JR East stations.

Business Alliance with Hokuhoku Financial Group

In March 2006, the Bank signed basic agreements with the Hokuriku Bank, Ltd. and the Hokkaido Bank, Ltd., which are both members of the Hokuhoku Financial Group, on shared utilization of next-generation banking systems. The three banks will assess their collaboration in preparation for the launch of the Bank of Yokohama's next-generation banking system in January 2010. This cooperation is seen as a way of providing customers with beneficial services quickly through the strategic and efficient use of information technology.

In July 2006, the three banks abolished the charges that were previously levied when customers used other banks' ATMs to make cash withdrawals. We are also implementing measures to improve services for customers in our respective regions, including the provision of domestic business information as well as support services for customers' business operations in Asia.

Profit Distribution Policy and Information for Shareholders

Dividend Policy

(1) Basic Policy on Dividends

The Bank considers the return of profits to shareholders as an important management priority. In the year ended March 31, 2005, it introduced a performance-based dividend policy, while adhering to the concept of a stable dividend. Specifically, the Bank will pay an ordinary dividend as a stable and sustainable shareholder return. In addition, it will pay a special dividend that is coupled with business results after a certain level of profitability has been reached.

1. Ordinary Dividend

   The ordinary dividend is paid, irrespective of business performance. Judging from the improvement in its profitability, and based on its policy of emphasizing on improvement in shareholder value, the Bank increased the ordinary dividend from ¥5 per share to ¥7 per share, effective from the year ended March 31, 2005.

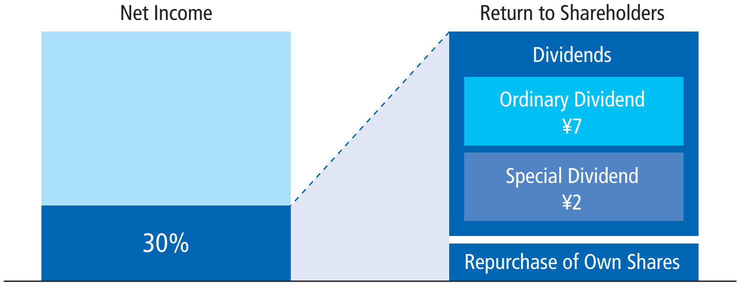
2. Special Dividend

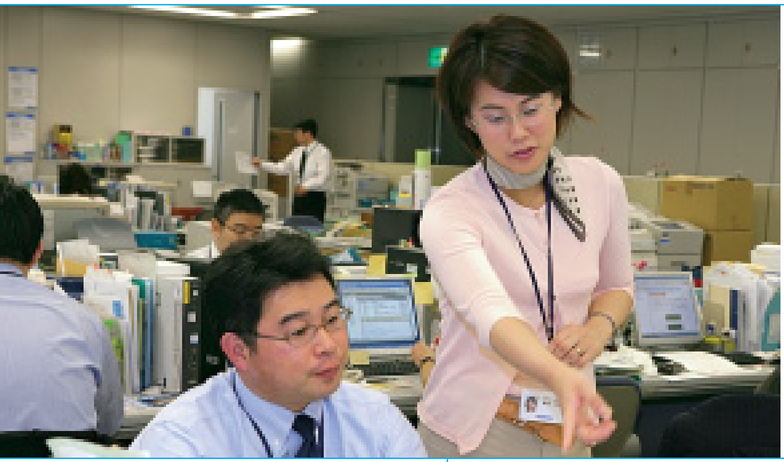
   The Bank's policy with regard to the performance-based portion of the dividend is that a special dividend will be paid in any year in which net income exceeds ¥50 billion, and that the amount allocated for this portion will be equivalent to approximately 30% of the amount exceeding ¥50 billion in net income.

   In the year ended March 31, 2006, the special dividend was increased from ¥1.5 per share in the previous year to ¥2.0 per share to reflect an increase in net income.

(2) Returning Profits to Shareholders

In the year ended March 31, 2006, the Bank repurchased its own shares (common shares) worth approximately ¥6 billion from the market. It plans to implement share buy-back programs flexibly in the future, with the aim of returning at least 30% of net income to shareholders through dividends and repurchase of own shares.





Human Resource Strategies

The Bank fosters a wholesome and supportive corporate culture that encourages initiative and promotes personal growth amid a fluidly changing marketplace.

Our Human Resource Philosophy

We regard our human resources as a key asset for our efforts to improve our corporate value under our current medium-term management plan ("Go Forward!"). In October 2005, we established the Human Asset Value-up Promotion Department as the unit responsible for the implementation of our human resource strategies, including measures to enhance the value and motivation of our human assets, and the strategic allocation of personnel.

Specifically, this new unit will review personnel systems, salary structures, recruitment, training and other aspects of human resource management. The aim is to strengthen our marketing capabilities and profitability by building competitive human resource structures.

Recruitment Policy

In addition to new graduates, the Bank actively recruits mid-career employees in line with its commitment to aggressive management based on the strategic allocation of personnel. Another system designed to make optimal use of the skills of highly motivated workers is the "Job Return System," which was introduced in January 2006 to provide re-employment opportunities for former employees who retired to marry or have children.

We have also introduced the "Senior Pro Cast System," a re-employment system for retirees. This system was developed in response to changes in Law for the Stabilization of Employment of the Aged .

Active Promotion of Younger Employees

The Bank aims to link advancement to ability and achievement through flexible human resource management, including early promotion and training for future leaders. We are actively promoting younger employees and strengthening executive training systems. Examples of changes in these areas include the appointment of younger employees in their mid-thirties as branch managers, and the expansion of the range of positions for which vacancies are announced in-house.

Regional Citizenship

The Bank is working to fulfill its responsibilities as a good corporate citizen through a wide range of social contribution activities.

Helping to Build Prosperous and Pleasant Communities

The Bank contributes financial, human and management resources to regional development projects in its area, especially Kanagawa Prefecture. A number of major urban development and station precinct development projects are currently in progress, including the "Yokohama Minato Mirai 21 (MM21)" Project, and the "Keihin Waterfront Area Redevelopment" Project. By actively participating in these projects, the Bank is helping to build prosperous regional communities as a regional financial institution.

Also, the branches actively support work-experience programs, and employees participate in local events. Activities such as these are strengthening our close communication with local communities and helping to improve regional development.

Voluntary Activities

The Bank collects used stamps and telephone cards for donation to the Japan Committee for UNICEF. Funds raised through these activities are used to protect the lives and health of mothers and children in developing countries.

Participation in Welfare Support Activities

The Bank is involved in a wide variety of welfare support activities, including charity marathon races and voluntary programs in cooperation with businesses in Kanagawa Prefecture. We organize an annual charity marathon race, and in 2005 around 40 employees participated. Participation fees will be used to assist children with disabilities. In cooperation with local businesses and other organizations, we invite children from local nursing care facilities to visit amusement parks and watch the charity marathon each year.

Endowment of Chairs in Local Universities

As part of our contribution to regional communities, we have endowed chairs at local universities. Bank of Yokohama Group executives and employees act as lecturers for practical courses on such topics as the role and management of financial institutions.

Status of Corporate Governance

Basic Approach

In accordance with the Bank's recognition of corporate governance as a critical management issue, the Board of Directors and Board of Corporate Auditors supervises and monitors the execution of the duties of directors while placing great emphasis on compliance with the Corporation Law and other laws and ordinances.

The Bank has introduced an executive officer system, within which executive officers are responsible for the operation of their departments, together with directors. In addition, the term of office of directors has been limited to one year in order to invigorate the Board of Directors and to facilitate quick response to changes in the business environment.

Progress of Implementation of Corporate Governance

As the highest internal authority, the Board of Directors promotes strict enforcement of internal regulations under the Bank's structure that assures an appropriate delegation of authority to facilitate quick decision making. The Board of Directors, which meets monthly in principle, makes decisions on critical business items, policies and the execution of duties. In addition, at Board of Directors meetings, directors report regularly on the status of compliance, risk management and audit results for their areas of supervision.

The Bank has adopted a Board of Corporate Auditors system. All Corporate Auditors monitor the performance of directors based on audit programs and policies stipulated by the Board of Corporate Auditors.

The Management Advisory Committee, which is composed largely of experts from outside the Bank and acts as a consultative organ to the Board of Directors, meets in principle once every three months to provide advice and make proposals on the business as a whole. The Board of Directors is assisted in making quick decisions by the advice and consultation given by this committee.

Improvement of Internal Control Systems

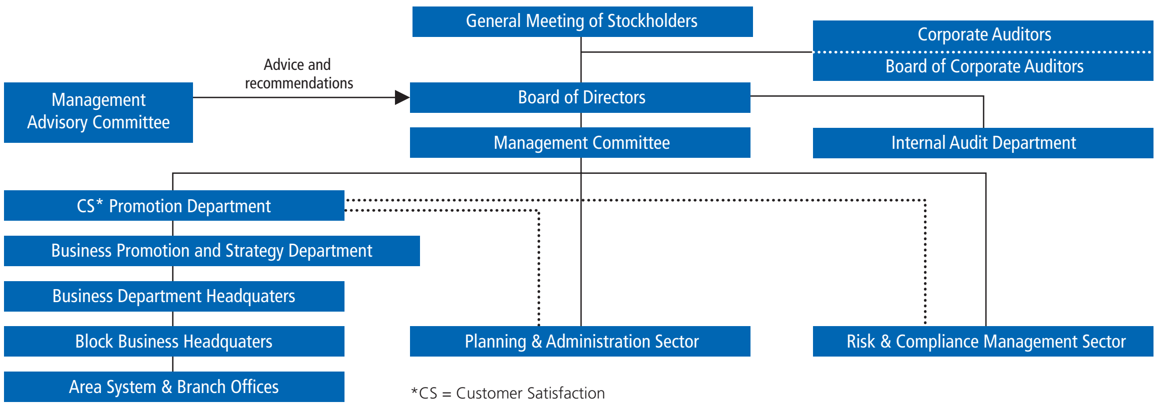
Based on its management philosophy, the Bank seeks unfettered growth through the forging of close partnerships in a spirit of harmony with stakeholders. Consequently, the Bank is putting in place a framework to ensure its operations are always appropriate.

A. A framework to ensure that the execution of duties of directors and employees is in accordance with the Articles of Incorporation as well as other laws and ordinances.

B. A framework for storing and managing information related to the execution of duties of directors.

C. Regulations and other frameworks related to control of loss-related risk

Corporate Governance Structure



*CS = Customer Satisfaction

D. A framework to ensure the execution of duties of the directors is being performed efficiently

E. A framework to ensure the appropriateness of operations within the Bank's group, comprising its subsidiaries as well as the Bank itself

F. A framework concerning employees involved when Corporate Auditors request that the employees be assigned to assist them in their necessary duties, as well as provisions regarding the independence of those employees from the directors

G. A framework enabling directors and employees to report to the Board of Corporate Auditors and a framework covering other reports to the Board of Corporate Auditors

H. Other frameworks to ensure that audits by the Corporate Auditors are to be performed effectively

(As of the end of June 2006)

Approach to Compliance

The Bank will continue to make every effort to fully comply with laws and ordinances and maintain its compliance system in view of its public mission and social responsibility as a financial institution that is deeply rooted in its community. That mission is to contribute to the sound development of the local and regional economies and the community.

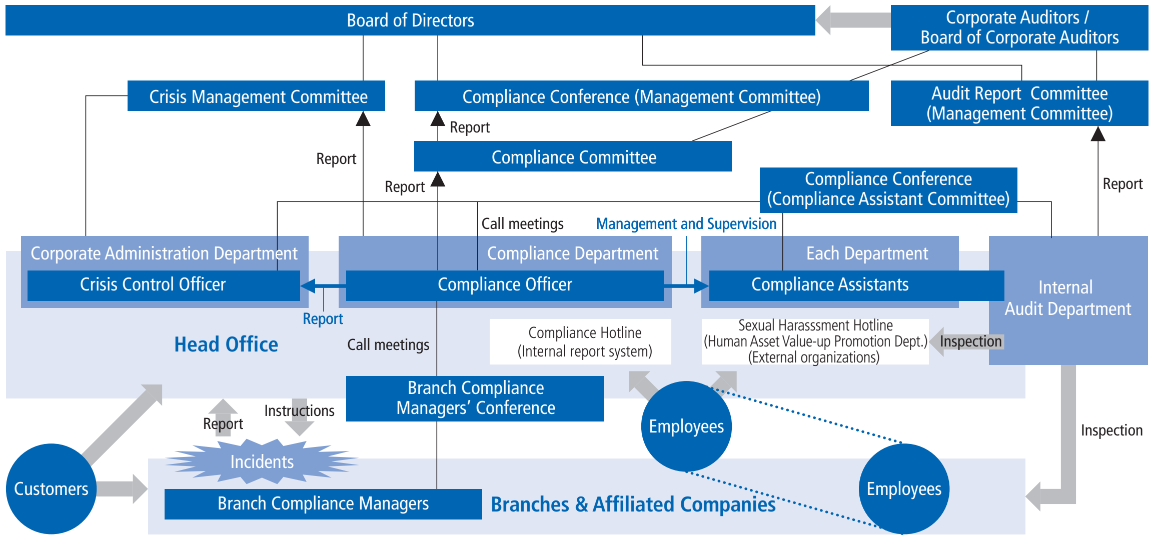
Basic Compliance Policy

The Bank's basic compliance policy has been formulated in the Compliance Regulations. Every fiscal year the Board of Directors determines the Compliance Program of specific compliance measures, which form the basis for actual compliance implementation.

Compliance Framework

The Bank set up the Compliance Department with overall responsibility for compliance with laws and ordinances. The general manager of the Compliance Department is directly appointed by the Board of Directors to oversee all compliance operations, as the Compliance Officer independent from the marketing sections. In addition, Compliance Assistants are assigned to each office and department of the Head Office, and Branch Compliance Managers are assigned to monitor all operations in branch offices.

Compliance Structure



The Compliance Committee was established in June 2006 as an organization to deliberate on important compliance-related matters. In addition, the Compliance Conference, which is convened every three months by the President, was established. These organizations make compliance-related decisions for the entire Bank.

Approach to Customer Protection and Other Control Systems

In an effort to strengthen customer protection and other control systems, the Compliance Department has oversight, planning and management functions related to customer protection and other controls. The Customer Services Office was established within the Compliance Department, creating a framework for accommodating customer comments and complaints. The Bank has also created an implementation framework that can improve the quality of a wide range of measures through incident resolution, data acquisition and trend analysis.

Protection of Personal Information

The Bank makes every effort to handle customers' personal information appropriately. In keeping with the Personal Information Protection Law, which took full effect on April 1, 2005 and industry guidelines, the Bank clarified the purposes of its use of customers' personal information. The Bank also makes every effort to handle customers' personal information in an appropriate manner by thoroughly acquainting its officers and employees with various applicable rules and regulations, and by taking every opportunity to provide regular training and guidance concerning the protection of personal information.

The Bank works consistently to maintain systems for the appropriate protection of customers' personal information, centered on the Personal Data Protection Office of the Compliance Department. In addition, the entire Bank is engaged in efforts to improve security concerning the handling of personal information through the Level-up Committee for Personal Data Protection, which features cross-organizational participation by all offices and departments within the Head Office.

Risk Management

Approach to Risk Management

The risks confronting banks are becoming increasingly diverse and complex in step with the progress of financial deregulation, globalization and securitization as well as the development of derivatives and other financial engineering and IT, along with the growing sophistication of customer needs. Given this situation, the Bank positions risk management as a critical management issue from the standpoint of maintaining and improving the soundness of its business, and constantly works to refine its approach in this direction.

Consequently, the Bank comprehensively manages a wide range of risks by conducting dynamic risk control. At the same time, the Bank has constructed a strict monitoring framework to cope with the various risks such as credit risk, market risk and liquidity risk. Under this framework, risk controlling departments and risk-taking departments are organizationally separated.

Based on this framework, the Bank takes the characteristics of the various risks into consideration to draw a sharp line between "risks that should be taken" and "risks that should be avoided." The Bank actively deals with those risks that should be taken by applying appropriate control systems. In this manner, the Bank conducts sound and highly profitable business as the leader of the financial system in its region.

Basic Policies on Risk Management

Based on the Basic Risk Management Principles approved by the Board of Directors, the Bank conducts risk management in keeping with the basic policies stated below.

・The Bank distinguishes, evaluates, monitors and controls the risks it faces to ensure sound business operations, and allocates its management resources in an appropriate manner to ensure stable returns commensurate with the risks it takes.

- The Bank undertakes appropriate measures to fully acquaint all employees with its policies by clearly formulating risk management policies in keeping with its strategic targets. These policies are reviewed once a year or as needed, such as when changes in strategic targets take place.
- The various risks confronted by the Bank are distinguished and controlled as much as possible in an integrated manner because they are either cross-organizational, ranging across various operations, or are closely related to one another.
- The Bank distinguishes and controls risks on a comprehensive and consolidated basis in principle.
- In addition to the basic policies described above, the Bank is working to improve the precision of its credit risk control methods through an internal ratings-based approach and to refine its operational risk control system in the run-up to the new International Convergence of Capital Measurement and Capital Standards (Basel II) that are set to take effect at the end of March 2007.

Integrated Risk Management

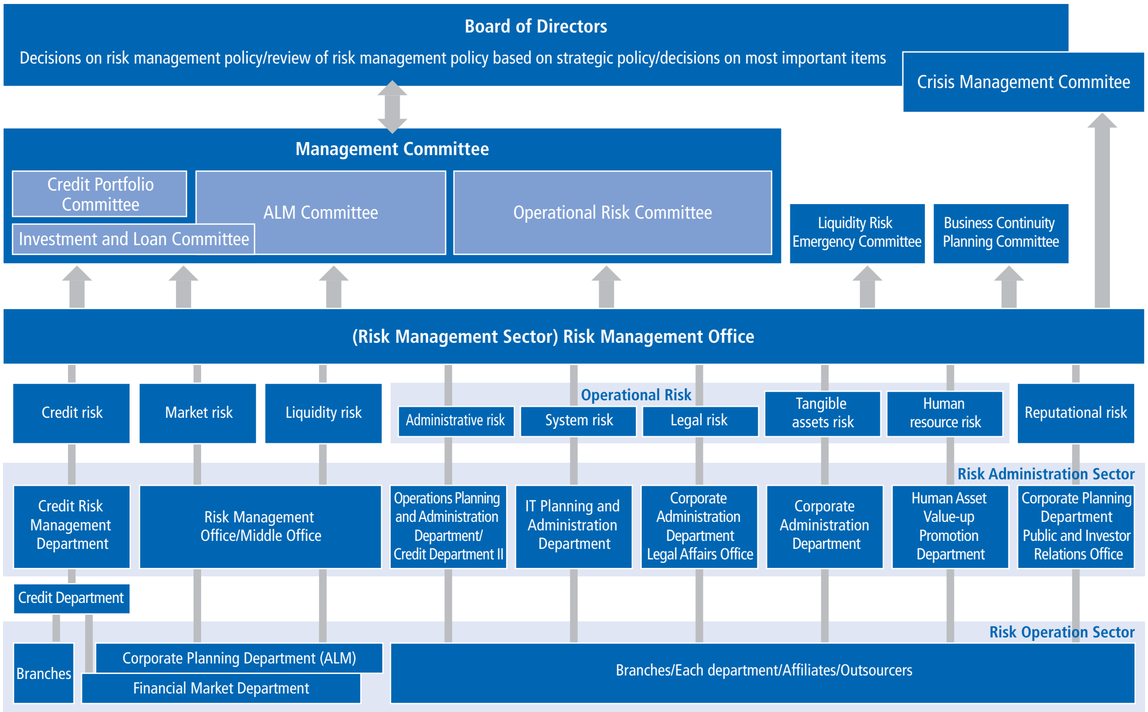
One of the Bank's basic policies of risk management is to "manage risks in an integrated manner as much as possible." To accomplish this goal, the Bank formulates Integrated Risk Management Guidelines and seeks to understand each risk quantitatively in an integrated manner while conducting its business in pursuit of two aspects: to ensure the soundness of its management and to improve its profitability and efficiency.

Method of Risk Management

In keeping with the following basic rules, the Bank endeavors to refine its risk management practices and make them even stricter.

- Certain risks can be quantified, understood and thereby managed. After quantifying such risks by means of risk analysis using VaR (Value at Risk), BPV (basis point value), gap analysis and simulations, the Bank controls those risks in keeping with the expected returns and management strengths.

Risk Management Structure



・Applying back testing and stress tests, the Bank checks its quantification techniques and the validity and effectiveness of its management methods to ensure the effectiveness of risk management while also working to refine its quantification techniques and make them more precise.

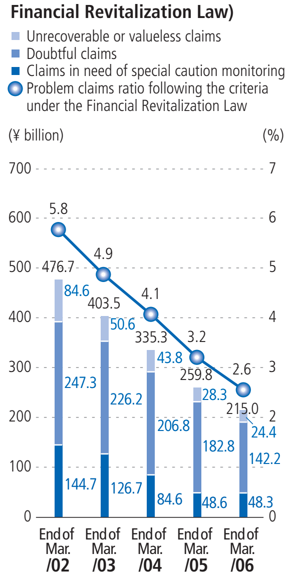
・The Bank seeks to prevent the emergence of reputational risks and other risks that should be avoided or constrained. If such risks do emerge, however, the Bank seeks to deal with them immediately.

・When products and/or services are developed, provided, and/or modified, the Bank clarifies and defines methods of controlling the risks and a framework to report to management after identifying and evaluating any newly ensuing risks.

・When certain business operations are being outsourced, the Bank conducts appropriate risk management from the standpoints of protecting customers and ensuring sound management.

・The Bank prepares regulations to manage a wide range of risks in order to ensure the maintenance of risk management systems and their effectiveness.

Problem Claims as a Percentage of Total Claims (in accordance with the Financial Revitalization Law)



Approaches to Restoring a Sound Financial Standing

The Problem Claims Ratio Declined to 2.6%

In the term under review, as a result of improvements in borrower categories and progress in debt collection, through removal of bad assets from the balance sheet and support for business improvement, Problem Claims (following the criteria set out in the Financial Revitalization Law) declined ¥44.8 billion compared with the previous term-end to ¥215.0 billion. The Problem Claims ratio declined 0.6 points, to 2.6%.

Moving forward, we will not only continue to diversify credit risks, but also improve the quality of the credit portfolio by providing support for corporate reconstruction, so as to lower the level of credit costs.

Coverage of Credit Information (March 31, 2006)

(Unit: ¥billion, %)

		Unrecoverable or valueless claims	Doubtful claims	Subtotal	In need of special caution (borrower category)	Total
Outstanding claims	(A)	24.4	142.2	166.6	112.4	279.1
Sum covered by collateral, etc.	(B)	20.8	77.6	98.4	26.5	125.0
Sum of possible uncollectible loans	(C=A-B)	3.6	64.5	68.2	85.8	154.0
Specific allowance for possible loan losses	(D)	3.6	35.8	39.4	5.7	45.1
Allowance coverage ratio	(D/C)	100.00	55.45	57.82	6.67	29.32
Total coverage ratio	(B+D) /A	100.00	79.77	82.73	28.73	60.98

Consolidated Balance Sheets

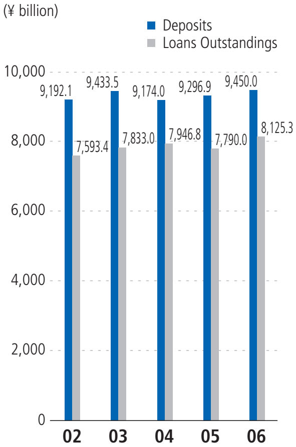
As of March 31,	2006	2005	2004	2003	2002
	Millions of Yen				
ASSETS:					
Cash and due from banks	¥ 305,844	¥ 566,483	¥ 556,767	¥ 493,925	¥ 1,109,666
Call loans and bills purchased	19,900	86,959	28,002	19,436	61,900
Other debt purchased	304,277	200,976	149,257	62,341	20,658
Trading assets	28,386	50,925	121,130	72,529	52,310
Securities	1,363,469	1,432,580	1,298,771	1,492,241	953,716
Loans and bills discounted	8,125,307	7,790,062	7,946,846	7,833,029	7,593,463
Foreign exchange assets	5,324	6,261	8,080	7,582	10,294
Other assets	172,023	90,100	109,851	133,562	258,074
Premises and equipment	139,400	141,617	145,114	206,014	230,935
Deferred tax assets	5,597	48,787	73,686	139,518	147,824
Goodwill	822	1,056			156
Customers' liabilities for acceptances and guarantees	394,032	349,167	307,039	303,666	436,138
Allowance for possible loan losses	(62,194)	(74,850)	(84,297)	(91,051)	(110,256)
TOTAL	¥10,802,190	¥10,690,128	¥10,660,252	¥10,672,796	¥10,764,882
LIABILITIES:					
Deposits	¥ 9,450,040	¥ 9,296,939	¥ 9,174,001	¥ 9,433,594	¥ 9,192,155
Call money and bills sold	293	168,186	908	276	1,773
Trading liabilities	5,124	2,165	2,617	4,167	4,687
Borrowed money	17,359	33,439	114,004	221,987	241,210
Foreign exchange liabilities	99	60	105	151	82
Bonds and notes	65,000	86,000	85,999	45,999	55,997
Convertible bonds			53,176	60,000	60,000
Other liabilities	115,037	130,878	339,829	113,721	267,688
Liability for employees' retirement benefits	88	74	62	68	71
Reserve for possible losses on collateralized real estate loans sold				1,815	14,295
Reserve for contingent liabilities					4,200
Deferred tax liabilities	7,478				484
Deferred tax liabilities for land revaluation surplus	22,736	22,773	23,011	22,536	23,369
Negative goodwill			49	1,450	
Acceptances and guarantees	394,032	349,167	307,039	303,666	436,138
Total liabilities	10,077,290	10,089,684	10,100,805	10,209,435	10,302,156
MINORITY INTERESTS	44,557	3,557	4,520	6,135	11,458
STOCKHOLDERS' EQUITY:					
Capital stock	215,179	214,862	188,223	184,803	184,799
Surplus, reserves and other	465,163	382,024	366,703	272,422	266,467
Total stockholders' equity	680,342	596,886	554,926	457,225	451,267
TOTAL	¥10,802,190	¥10,690,128	¥10,660,252	¥10,672,796	¥10,764,882

Consolidated Statements of Income

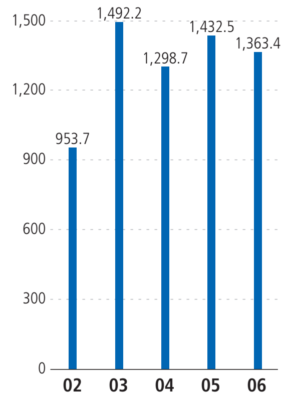
Years ended March 31,	2006	2005	2004	2003	2002
	Millions of Yen				
INCOME:					
Interest on loans and discounts	¥ 151,761	¥ 155,389	¥ 159,933	¥ 157,135	¥ 165,882
Other	99,219	109,900	99,740	134,353	145,022
Total income	250,980	265,289	259,674	291,488	310,904
EXPENSES:					
Interest on deposits	4,241	2,386	2,600	4,183	14,471
Other	139,590	163,128	174,032	256,422	264,045
Total expenses	143,832	165,514	176,633	260,605	278,516
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	107,148	99,775	83,040	30,883	32,387
TOTAL INCOME TAXES	45,386	41,699	34,794	13,478	12,834
MINORITY INTERESTS IN NET INCOME	(909)	(368)	(800)	(508)	299
NET INCOME	¥ 60,852	¥ 57,706	¥ 47,445	¥ 16,896	¥ 19,852

* *Yen amounts have been rounded down to millions of yen.

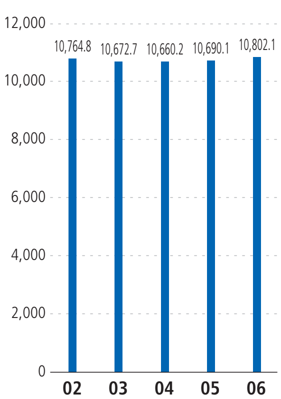
Deposits and Loans Outstanding
(¥ billion)



Securities
(¥ billion)



Total Assets
(¥ billion)



We chose the words "Go Forward!" to symbolize our shift to a more aggressive management stance under our current medium-term management plan. Our goals under this plan, which covers the three-year period from April 2005, is to earn strong customer support as the best regional bank. The efforts of management and staff to strengthen our financial structure and optimize business performance under this plan are reflected in our consolidated results for the current fiscal year (April 1, 2005-March 31, 2006), as described below.

Deposits and Loans

Deposits

With low interest rates continuing, the Bank undertook great efforts to expand business by encouraging general account banking transactions and maintain personal deposits by increasing points of contact with retail customers. As a result, deposits rose by ¥153.1billion, or 1.6%, over the fiscal year to stand at ¥9,450.0 billion at the end of the fiscal year. Within this figure, individual deposits increased by ¥231.2 billion, or 3.3%, over the fiscal year to stand at ¥7,110.2 billion at the end of the fiscal year.

Loans and bills discounted

Besides our focus in regional retail operations on loans and bills discounted, housing-related loans to private individuals increased steadily and loans to small and medium-sized enterprises rose favorably. As a result, loans and bills discounted increased by ¥335.3 billion, or 4.3%, to stand at ¥8,125.3 billion at the end of the fiscal year.

Securities

Securities decreased by ¥69.1 billion during the year under review. The balance at the fiscal year-end was ¥1,363.4 billion, down 4.8% year on year.

Financial Position

Total Assets

Total assets increased by ¥112.0 billion during the year under review, reflecting an increase in loans and bills discounted. The year-end balance amounted to ¥10,802.1 billion.

Stockholders' equity rose by ¥83.5 billion during the year under review to stand at ¥680.3 billion at year-end.

As for the capital adequacy ratio, the Bank's risk assets rose due to an increase in loans and bills discounted. However, the Tier 1 ratio increased by 0.78 points over its level at the end of previous term (which was 9.17%) due to the Bank's steady accumulation of profits and the issuance of preferred subscription certificates. As a result, the capital adequacy ratio reached 11.00%.

Income and profit

Turning to profit and loss, although revenues from fees and commissions increased, reflecting our focus on actively encouraging sales of investment trusts and involvement in composing syndicated loans, profits from sales of securities declined substantially as our stock holdings declined and revenues from funds management also declined due to low interest rates. Total income declined by ¥14.3 billion, or 5.3%, from the level of the previous fiscal year to stand at ¥250.9 billion. Although fund procurement costs and operating expenses rose slightly, provisions for the reserve for doubtful accounts decreased greatly. Consequently, total expenses dropped by ¥21.7 billion, or 13.0%, to stand at ¥143.8 billion.

As a result of the above factors, income before income taxes and minority interests for the year under review increased by ¥7.4 billion, or 7.3%, to amount to ¥107.1 billion. Net income, after adjustments for income tax and minority interests in net income, increased by ¥3.1 billion, or 5.4%, over the previous fiscal year to amount to ¥60.8 billion.

Net income per share amounted to ¥43.18, up by ¥0.96 over the level of the previous fiscal year.

Cash Flows

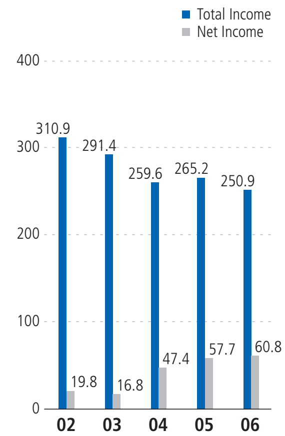
Net cash from operating activities experienced an outflow of ¥329.5 billion (in contrast to an income of ¥258.7 billion in the previous fiscal year) due to a substantial rise in loans and bills discounted.

Net cash used in investment activities posted an income of ¥55.6 billion (in contrast to an outflow of ¥147.5 billion in the previous fiscal year) reflecting the redemption / sale of securities.

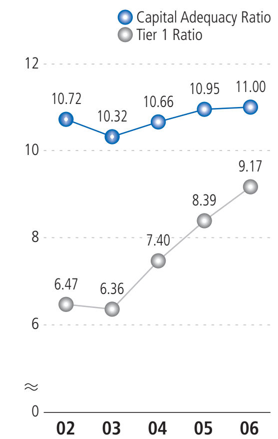
Net cash used in financing activities experienced an outflow of ¥13.5 billion (compared to an outflow of ¥114.2 billion in the previous fiscal year) due to the redemption of subordinated debentures and the repayment of subordinated loans.

As a result, the balance of cash and cash equivalents at the end of the consolidated fiscal year under review decreased by ¥287.5 billion year on year to stand at ¥256.4 billion.

Total Income and Net Income
(¥ billion)



Capital Adequacy Ratio
(%)



CONSOLIDATED BALANCE SHEETS

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
ASSETS:			
Cash and due from banks (Note 3)	¥ 305,844	¥ 566,483	$ 2,603,595
Call loans and bills purchased	19,900	86,959	169,405
Other debt purchased	304,277	200,976	2,590,256
Trading assets (Note 4)	28,386	50,925	241,651
Securities (Notes 5 and 11)	1,363,469	1,432,580	11,606,956
Loans and bills discounted (Notes 6 and 11)	8,125,307	7,790,062	69,169,210
Foreign exchange assets (Notes 6 and 7)	5,324	6,261	45,326
Other assets (Notes 8 and 11)	172,023	90,100	1,464,402
Premises and equipment (Note 9)	139,400	141,617	1,186,690
Deferred tax assets (Note 23)	5,597	48,787	47,652
Goodwill	822	1,056	6,998
Customers' liabilities for acceptances and guarantees (Note 10)	394,032	349,167	3,354,321
Allowance for possible loan losses	(62,194)	(74,850)	(529,451)
TOTAL	¥ 10,802,190	¥ 10,690,128	$ 91,957,011
LIABILITIES:			
Deposits (Notes 11 and 12)	¥ 9,450,040	¥ 9,296,939	$ 80,446,416
Call money and bills sold	293	168,186	2,500
Trading liabilities (Note 4)	5,124	2,165	43,623
Borrowed money (Note 13)	17,359	33,439	147,776
Foreign exchange liabilities (Note 7)	99	60	843
Bonds and notes (Note 14)	65,000	86,000	553,332
Other liabilities (Note 15)	115,037	130,878	979,297
Liability for employees' retirement benefits (Note 16)	88	74	755
Deferred tax liabilities (Note 23)	7,478		63,661
Deferred tax liabilities for land revaluation surplus	22,736	22,773	193,550
Acceptances and guarantees (Note 10)	394,032	349,167	3,354,321
Total liabilities	10,077,290	10,089,684	85,786,074
MINORITY INTERESTS	44,557	3,557	379,308
STOCKHOLDERS' EQUITY (Notes 17 and 28):			
Capital stock—common stock—authorized, 2,584,000 thousand shares in 2006 and 2,600,000 thousand shares in 2005; issued, 1,405,303 thousand shares in 2006 and 1,419,977 thousand shares in 2005; preferred stock—authorized, 200,000 thousand shares in 2006 and 230,000 thousand shares in 2005; issued, 30,000 thousand shares in 2005	215,179	214,862	1,831,780
Capital surplus	176,798	176,482	1,505,054
Retained earnings	189,923	170,107	1,616,782
Land revaluation surplus	32,516	32,048	276,803
Net unrealized gain on available-for-sale securities	66,396	26,202	565,224
Treasury stock—common stock—at cost, 522 thousand shares in 2006 and 8,854 thousand shares in 2005; preferred stock—at cost, 30,000 thousand shares in 2005	(471)	(22,815)	(4,014)
Total stockholders' equity	680,342	596,886	5,791,629
TOTAL	¥ 10,802,190	¥ 10,690,128	$ 91,957,011

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
INCOME:			
Interest income:			
Interest on loans and discounts	**¥ 151,761**	¥ 155,389	**$ 1,291,917**
Interest and dividends on securities	**16,024**	16,324	**136,414**
Other interest income	**5,538**	2,672	**47,151**
Fees and commissions	**51,398**	46,359	**437,542**
Trading profits	**385**	924	**3,279**
Other operating income (Note 19)	**15,257**	20,096	**129,880**
Other income (Note 20)	**10,615**	23,524	**90,368**
Total income	**250,980**	265,289	**2,136,551**
EXPENSES:			
Interest expenses:			
Interest on deposits	**4,241**	2,386	**36,111**
Interest on borrowings and rediscounts	**647**	1,332	**5,515**
Other interest expenses	**1,976**	2,222	**16,822**
Fees and commissions	**7,672**	8,588	**65,311**
Trading losses		143	
Other operating expenses (Note 21)	**9,709**	12,396	**82,655**
General and administrative expenses	**90,791**	87,290	**772,892**
Provision for possible loan losses	**2,947**	20,524	**25,089**
Other expenses (Note 22)	**25,845**	30,629	**220,020**
Total expenses	**143,832**	165,514	**1,224,415**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**107,148**	99,775	**912,136**
INCOME TAXES (Note 23):			
Current	**22,246**	13,863	**189,379**
Deferred	**23,140**	27,835	**196,989**
Total income taxes	**45,386**	41,699	**386,368**
MINORITY INTERESTS IN NET INCOME	**(909)**	(368)	**(7,739)**
NET INCOME	**¥ 60,852**	¥ 57,706	**$ 518,029**

	Yen		U.S. Dollars
	2006	2005	**2006**
PER SHARE INFORMATION (Notes 2.q and 18):			
Basic net income per share	**¥ 43.18**	¥ 42.22	**$ 0.37**
Diluted net income per share	**43.08**	39.64	**0.37**
Dividend on common stock	**9.00**	8.50	**0.08**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Thousands		Millions of Yen					
	Outstanding Number of Shares							
	Common Stock	Preferred Stock	Capital Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2004	1,154,089	200,000	¥188,223	¥149,839	¥154,132	¥32,289	¥30,838	¥(396)
Net income					57,706			
Cash dividends, ¥5.00 per share for common stock, ¥5.66 per share for first series preferred stock and ¥9.46 per share for second series preferred stock					(7,130)			
Reversal of land revaluation surplus					241	(241)		
Conversion of first series preferred stock into common stock	138,225	(110,000)						
Retirement of second series preferred stock		(60,000)			(34,842)			
Net increase in treasury stock (8,015,038 shares of common stock and 30,000,000 shares of first series preferred stock)	(8,015)	(30,000)		2				(22,419)
Exercise of warrants	325		74	74				
Conversion of convertible bonds	126,497		26,564	26,564				
Net decrease in unrealized gain on available-for-sale securities							(4,635)	
BALANCE, MARCH 31, 2005	1,411,122		214,862	176,482	170,107	32,048	26,202	(22,815)
Net income					60,852			
Cash dividends, ¥8.50 per share for common stock					(11,994)			
Bonus to directors and corporate auditors					(49)			
Reversal of land revaluation surplus					(467)	467		
Retirement of treasury stock (16,000,000 shares of common stock and 30,000,000 shares of first series preferred stock)					(28,525)			28,525
Net increase in treasury stock (7,668,783 shares of common stock)	(7,668)							(6,181)
Exercise of warrants	1,326		316	316				
Net increase in unrealized gain on available-for-sale securities							40,194	
BALANCE, MARCH 31, 2006	**1,404,780**		**¥215,179**	**¥176,798**	**¥189,923**	**¥32,516**	**¥66,396**	**¥(471)**

	Thousands of U.S. Dollars (Note 1)					
	Capital Stock	Capital Surplus	Retained Earnings	Land Revaluation Surplus	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2005	$1,829,084	$1,502,359	$1,448,094	$272,822	$223,057	$(194,228)
Net income			518,029			
Cash dividends, $0.07 per share for common stock			(102,107)			
Bonus to directors and corporate auditors			(418)			
Reversal of land revaluation surplus			(3,981)	3,981		
Retirement of treasury stock (16,000,000 shares of common stock and 30,000,000 shares of first series preferred stock)			(242,835)			242,835
Net increase in treasury stock (7,668,783 shares of common stock)		3				(52,621)
Exercise of warrants	2,696	2,692				
Net increase in unrealized gain on available-for-sale securities					342,167	
BALANCE, MARCH 31, 2006	**$1,831,780**	**$1,505,054**	**$1,616,782**	**$276,803**	**$565,224**	**$(4,014)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 107,148**	¥ 99,775	**$ 912,136**
Adjustments to reconcile income before income taxes and minority interests to net cash (used in) provided by operating activities:			
Depreciation	**8,745**	8,708	**74,445**
Loss on impairment of long-lived assets	**105**		**895**
Amortization of goodwill	**234**	110	**1,998**
Equity in earnings of associated companies	**(548)**	(491)	**(4,669)**
Decrease in allowance for possible loan losses	**(12,618)**	(9,446)	**(107,416)**
Increase in liability for employees' retirement benefits	**14**	12	**122**
Interest income	**(173,324)**	(174,385)	**(1,475,482)**
Interest expenses	**6,865**	5,941	**58,448**
Losses (gains) on sales, write-down and redemption of securities—net	**7,098**	(7,420)	**60,427**
Foreign exchange gains—net	**(3,404)**	(1,361)	**(28,982)**
Losses on disposal of premises and equipment—net	**398**	1,215	**3,391**
Net decrease in trading assets	**22,538**	70,205	**191,869**
Net increase (decrease) in trading liabilities	**2,958**	(452)	**25,188**
Net (increase) decrease in loans	**(335,244)**	156,784	**(2,853,877)**
Net increase in deposits	**153,101**	122,937	**1,303,323**
Net decrease in other borrowings	**(1,079)**	(30,565)	**(9,192)**
Net increase in due from banks	**(26,858)**	(12,827)	**(228,642)**
Net increase in call loans and others	**(39,958)**	(109,981)	**(340,160)**
Net (decrease) increase in call money and others	**(167,892)**	167,278	**(1,429,241)**
Net decrease in foreign exchange (assets)	**937**	1,818	**7,981**
Net increase (decrease) in foreign exchange (liabilities)	**39**	(45)	**332**
Interest and dividends received	**175,141**	184,224	**1,490,950**
Interest paid	**(7,448)**	(5,592)	**(63,404)**
Other—net	**(27,959)**	(201,233)	**(238,013)**
Subtotal	**(311,010)**	265,207	**(2,647,573)**
Income tax paid	**(18,579)**	(6,448)	**(158,167)**
Net cash (used in) provided by operating activities—(Forward)	**¥ (329,590)**	¥ 258,759	**$ (2,805,740)**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
Net cash (used in) provided by operating activities—(Forward)	**¥ (329,590)**	¥ 258,759	**$ (2,805,740)**
INVESTING ACTIVITIES:			
Purchases of securities	**(1,140,998)**	(1,334,471)	**(9,713,109)**
Proceeds from sales of securities	**504,857**	878,877	**4,297,755**
Proceeds from maturities of securities	**694,997**	310,919	**5,916,386**
Expenditures for premises and equipment	**(4,864)**	(4,638)	**(41,413)**
Proceeds from sales of premises and equipment	**1,684**	1,740	**14,336**
Net cash provided by (used in) investing activities	**55,675**	(147,572)	**473,955**
FINANCING ACTIVITIES:			
Repayments of subordinated loans	**(15,000)**	(50,000)	**(127,692)**
Repayments of subordinated bonds and convertible bonds	**(21,000)**	(47)	**(178,769)**
Issuance of common stock	**632**	149	**5,388**
Issuance of subsidiary's securities to minority interests stockholders	**40,000**		**340,512**
Dividends paid	**(11,994)**	(7,130)	**(102,107)**
Dividends paid to minority interests stockholders	**(5)**	(4)	**(45)**
Purchase of treasury stock	**(6,189)**	(57,273)	**(52,690)**
Proceeds from sales of treasury stock	**8**	15	**72**
Net cash used in financing activities	**(13,547)**	(114,290)	**(115,331)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(34)**	(8)	**(298)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(287,497)**	(3,111)	**(2,447,414)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**543,900**	547,011	**4,630,118**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥ 256,402**	¥ 543,900	**$ 2,182,704**
NONCASH FINANCING ACTIVITIES:			
Convertible bonds converted into common stock		¥ 26,564	
Convertible bonds converted into capital surplus		26,564	

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of The Bank of Yokohama, Ltd. (the "Bank") and consolidated subsidiaries (the "Group") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulation and the Enforcement Regulation for the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Securities and Exchange Law of Japan, amounts less than one million yen have been omitted. As a result, the totals do not necessarily agree with the sum of the individual amounts. Yen amounts, other than per share amounts, have been rounded down to millions of yen. Yen amounts of per share amounts have been rounded down to two decimal places.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117.47 to U.S.$1, the rate of exchange at March 31, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation—The consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2006 and 2005 was 11 and 10, respectively. Yokohama Preferred Capital Cayman, Ltd. became a consolidated subsidiary in 2006.

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated, and those companies over which the Bank, directly or indirectly, has the ability to exercise significant influence are accounted for by the equity method.

Of the consolidated subsidiaries, 9 in 2006 and 8 in 2005 have a fiscal year ending on March 31, which is the same as the fiscal year of the Bank.

Two consolidated subsidiaries have a fiscal year ending on December 31, which differs from the Bank's fiscal year. The consolidated financial statements include the financial statements of these subsidiaries for their respective fiscal years after making appropriate adjustments for significant transactions during the periods from their respective year-ends to the date of the consolidated financial statements.

The consolidated financial statements do not include the accounts of one subsidiary because the total assets, total income, net income and retained earnings of this entity would not have had material effects on the consolidated financial statements.

Investment in one associated company was accounted for by the equity method. Investments in the unconsolidated subsidiary and the remaining associated company were stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances, transactions and unrealized profits included in assets are eliminated in consolidation.

Goodwill represents the differences between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is amortized using the straight-line method over five years.

b. Trading Purpose Transactions—"Transactions for trading purposes" (the purpose of 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 opportunities) are included in "Trading assets" and "Trading liabilities" on a trade date basis. Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at fair value and trading-related financial derivatives are stated at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profit and losses on transactions for trading purposes are shown as "Trading profits" or "Trading losses" on a trade date basis.

c. Securities—Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are stated at amortized cost computed by the straight-line method and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average cost method.

For other than temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

d. Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment owned by the Bank is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is from 2 to 60 years for buildings and from 2 to 20 years for equipment.

Depreciation of premises and equipment owned by consolidated subsidiaries is computed principally using the declining-balance method over the estimated useful lives of the assets.

e. Long-lived Assets—In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥105 million ($895 thousand).

f. Software—Cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of 5 years.

g. Land Revaluation—Under the "Law of Land Revaluation," promulgated on March 31, 1998 (and revised on March 31, 1999 and 2001), the Bank elected a one-time revaluation of its own-use land to a value based on a real estate appraisal as of March 31, 1998.

The resulting land revaluation surplus represents unrealized appreciation of land and is stated, net of income taxes, as a component of stockholders' equity. There is no effect on the consolidated statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and deferred tax liabilities. The details of the one-time revaluation as of March 31, 1998 were as follows:

	Millions of Yen
	1998
Land before revaluation	¥26,419
Land after revaluation	85,623
Land revaluation surplus	¥59,204

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥42,335 million ($360,390 thousand) and ¥40,810 million as of March 31, 2006 and 2005, respectively.

h. Stock Issuance Costs—Stock issuance costs are charged to income when paid.

i. Allowance for Possible Loan Losses—The Bank and certain consolidated finance companies provide allowance for possible loan losses which is determined based on management's judgment and assessment of future losses based on their self-assessment systems. These systems reflect past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, value of collateral or guarantees and other pertinent indicators.

The Bank has implemented a self-assessment system to determine its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division in accordance with the Bank's policy and guidelines for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The allowance for possible loan losses is calculated based on the actual historical loss ratio for normal and in need of caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including future cash flows for other categories. For claims to borrowers who are classified as possible bankruptcy or under restructured lending conditions, for which future cash flows could be reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and carrying value of the claims.

For collateralized or guaranteed claims to borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible, directly from those claims. As of March 31, 2006 and 2005, the deducted amounts were ¥85,297 million ($726,118 thousand) and ¥127,540 million, respectively.

Other consolidated subsidiaries maintain allowances for possible loan losses which are provided as deemed necessary to cover expected losses based on their own experience.

j. **Liability for Employees' Retirement Benefits**—The Bank and domestic consolidated subsidiaries have lump-sum retirement benefit plans. The Bank has a contributory funded defined benefit pension plan and a domestic consolidated subsidiary has a non-contributory funded pension plan covering substantially all of its employees. The Bank and domestic consolidated subsidiaries account for the liability for employees' retirement benefits based on projected benefit obligation and plan assets at the balance sheet date. Prior service cost is amortized using the straight-line method over 2 years. Net actuarial gain (loss) is amortized using the straight-line method over 15 years commencing from the next fiscal year of incurrence.

k. **Leases**—All leases of the Bank and the consolidated domestic subsidiaries are accounted for as operating leases. Under the Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

l. **Derivatives and Hedging Activities**—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives except those entered into for trading purposes will be recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the statements of income, and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

The Bank applies deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24, for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole. Under these rules, the effectiveness of a fair value hedge is each assessed by an identified group of hedge deposits, loans and similar instruments and by corresponding a group of hedging instruments such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedge is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

Prior to April 1, 2003, the Bank applied a "macro-hedge" accounting which was permitted for Japanese banks pursuant to the transitional treatment of the JICPA Industry Audit Committee Report No. 24, for such interest rate derivatives. Macro-hedge accounting permitted interest rate swaps which qualify for hedge accounting and meet specific matching criteria not to be remeasured at market value but for the differential paid or received under the swap agreements to be recognized and included in interest expenses or income.

Deferred hedge gains or losses recorded at March 31, 2003, under the macro-hedge are amortized as income or expenses over remaining maturities of up to 5 years of the respective hedging instruments. The unamortized balance of deferred hedge gains and losses under macro-hedge were ¥106 million ($911 thousand) and ¥421 million ($3,587 thousand), respectively, for the year ended March 31, 2006 and ¥1,037 million and ¥1,549 million, respectively, for the year ended March 31, 2005.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, for the currency swaps and funding swaps for the purpose of currency exchange.

m. **Translation of Foreign Currencies**—The financial statements of foreign consolidated subsidiaries are translated into Japanese yen at exchange rates as of the balance sheet date, except for stockholders' equity which is translated at the historical exchange rate.

Assets and liabilities denominated in foreign currencies held by the Bank have been translated at exchange rates prevailing as of the balance sheet date.

Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiaries at the respective year-end exchange rates.

n. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets if it is considered more likely than not that they will not be realized.

o. Cash and Cash Equivalents—For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

p. Cash Dividends—Cash dividends charged to retained earnings are actually paid during the year and represent year-end dividends for the preceding year and interim dividends for the current year.

q. Per Share Information—Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

r. New Accounting Pronouncements

Business combination and business separation

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

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

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

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

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

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

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

Stock options

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

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

Bonuses to directors and corporate auditors

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

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

3. CASH AND CASH EQUIVALENTS

The reconciliations of "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheets as of March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Cash and due from banks	**¥ 305,844**	¥ 566,483	**$ 2,603,595**
Interest-bearing deposits included in due from banks (other than deposits with the Bank of Japan)	**(49,442)**	(22,583)	**(420,891)**
Cash and cash equivalents	**¥ 256,402**	¥ 543,900	**$ 2,182,704**

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Trading assets:			
Trading securities	**¥ 23,295**	¥ 49,143	**$ 198,309**
Trading-related financial derivatives	**5,091**	1,782	**43,342**
Total	**¥ 28,386**	¥ 50,925	**$ 241,651**
Trading liabilities—Trading-related financial derivatives	**¥ 5,124**	¥ 2,165	**$ 43,623**

5. SECURITIES

Securities as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Japanese national government bonds	**¥ 538,374**	¥ 553,969	**$ 4,583,082**
Japanese local government bonds	**79,127**	162,260	**673,595**
Japanese corporate bonds	**376,115**	472,889	**3,201,799**
Japanese corporate stocks	**293,269**	198,827	**2,496,550**
Other securities	**76,582**	44,632	**651,930**
Total	**¥ 1,363,469**	¥ 1,432,580	**$ 11,606,956**

The carrying amounts and aggregate fair value of securities as of March 31, 2006 and 2005, were as follows:

	Millions of Yen							
	2006				2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:								
Available-for-sale:								
Equity securities	**¥152,065**	**¥127,327**	**¥3,969**	**¥275,422**	¥138,225	¥50,305	¥7,562	¥180,968
Debt securities	**701,700**	**186**	**8,787**	**693,099**	934,218	1,803	407	935,613
Other securities	**321,866**	**1,487**	**4,521**	**318,832**	200,546	669	740	200,476
Held-to-maturity	**59,939**	**28**	**1,138**	**58,829**	36,536	290	49	36,776

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$1,294,501**	**$1,083,917**	**$33,794**	**$2,344,624**
Debt securities	**5,973,441**	**1,589**	**74,803**	**5,900,227**
Other securities	**2,739,986**	**12,665**	**38,489**	**2,714,162**
Held-to-maturity	**510,250**	**245**	**9,691**	**500,804**

Principal items of securities whose fair value were not readily determinable as of March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale	**¥ 203,521**	¥ 141,518	**$ 1,732,544**
Held-to-maturity	**104,639**	128,959	**890,774**

Proceeds from sales by early redemption of held-to-maturity debt securities for the years ended March 31, 2006 and 2005 were ¥399 million ($3,404 thousand) and ¥783 million, respectively. Net realized gains on these sales, computed on the amortized cost basis, were ¥0 million ($6 thousand) and ¥15 million for the years ended March 31, 2006 and 2005, respectively. Transfer of held-to-maturity debt securities to available-for-sale securities due to deterioration of issuers' creditworthiness amounts to ¥50 million ($426 thousand) and ¥60 million for the years ended March 31, 2006 and 2005, respectively.

Proceeds from sales of available-for-sale securities and gross realized gains and losses on these sales, computed on the moving average cost basis for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Proceeds from sales of available-for-sale securities	**¥ 544,783**	¥ 876,845	**$ 4,637,638**
Gross realized gains	**3,036**	17,911	**25,849**
Gross realized losses	**5,704**	6,478	**48,560**

The carrying values of debt securities with specific maturities by contractual maturities for securities classified as available-for-sale and held-to-maturity as of March 31, 2006, were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2006				2006			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Bonds	**¥337,887**	**¥413,230**	**¥147,103**	**¥ 95,395**	**$2,876,372**	**$3,517,751**	**$1,252,266**	**$ 812,087**
Other	**13,425**	**55,588**	**590**	**304,571**	**114,291**	**473,216**	**5,030**	**2,592,760**
Total	**¥351,313**	**¥468,818**	**¥147,694**	**¥399,967**	**$2,990,663**	**$3,990,967**	**$1,257,296**	**$3,404,847**

Securities also include corporate stocks in unconsolidated subsidiaries and associated companies, which totaled ¥2,157 million ($18,370 thousand) and ¥1,488 million as of March 31, 2006 and 2005, respectively.

6. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Bills discounted	**¥ 72,138**	¥ 77,973	**$ 614,098**
Loans on bills	**534,615**	529,656	**4,551,083**
Loans on deeds	**6,416,766**	6,128,135	**54,624,724**
Overdrafts	**1,101,786**	1,054,296	**9,379,305**
Total	**¥ 8,125,307**	¥ 7,790,062	**$ 69,169,210**

"Past due loans" include loans classified as "possible bankruptcy" and "virtual bankruptcy" under the Bank's self-assessment guidelines. Accrued interest receivables for these categories are not recognized as accruals for accounting purposes. The loans and bills discounted include "loans to borrowers in bankruptcy" totaling ¥3,625 million ($30,863 thousand) and ¥7,394 million as of March 31, 2006 and 2005, respectively, as well as "past due loans" totaling ¥158,544 million ($1,349,662 thousand) and ¥193,675 million as of March 31, 2006 and 2005, respectively.

In addition to "past due loans" as defined, certain other loans classified as "in need of caution" under the Bank's self-assessment guidelines include "accruing loans contractually past due for three months or more." "Accruing loans contractually past due for three months or more" are loans on which the principal and/or interest is three months or more past due but exclude "loans to borrowers in bankruptcy" or "past due loans." The balances of "accruing loans contractually past due for three months or more" as of March 31, 2006 and 2005, were ¥4,377 million ($37,268 thousand) and ¥7,404 million, respectively.

"Restructured loans" are loans of which the Bank and its subsidiaries have restructured lending conditions, such as by a reduction of the original interest rate, forbearance of interest payments, principal repayments or renunciation of claims to support the borrowers' reorganization, but exclude "loans to borrowers in bankruptcy," "past due loans" or "accruing loans contractually past due for three months or more." The outstanding balances of "restructured loans" as of March 31, 2006 and 2005, were ¥44,809 million ($381,454 thousand) and ¥45,492 million, respectively.

The allowance for possible loan losses is not deducted from the amounts of loans shown in the above three paragraphs.

Contracts of overdraft facilities and loan commitment limits are the contracts under which the Bank lends to customers up to the prescribed limits in response to customers' application for loans as long as there is no violation of any condition in the contracts. As of March 31, 2006 and 2005, the amounts of unused commitments were ¥1,788,740 million ($15,227,209 thousand) and ¥1,543,642 million, respectively. As of March 31, 2006 and 2005, the amounts of unused commitments whose remaining terms of contract were within one year were ¥1,254,159 million ($10,676,424 thousand) and ¥1,097,062 million, respectively.

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

Discounting bills are treated as secured lending transactions. As of March 31, 2006 and 2005, the Bank has right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥73,429 million ($625,089 thousand) and ¥80,637 million, respectively.

7. FOREIGN EXCHANGES

Foreign exchange assets and liabilities as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Assets			
Foreign exchange bills bought	**¥ 1,291**	¥ 2,664	**$ 10,991**
Foreign exchange bills receivable	**2,507**	2,563	**21,349**
Due from foreign correspondent accounts	**1,525**	1,034	**12,986**
Total	**¥ 5,324**	¥ 6,261	**$ 45,326**
Liabilities			
Foreign exchange bills sold	**¥ 58**	¥ 28	**$ 500**
Foreign exchange bills payable	**29**	30	**253**
Due to foreign correspondent accounts	**10**	1	**90**
Total	**¥ 99**	¥ 60	**$ 843**

8. OTHER ASSETS

Other assets as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Accrued income	**¥ 12,688**	¥ 12,839	**$ 108,014**
Prepaid expenses	**29,923**	30,276	**254,731**
Financial derivatives	**20,919**	16,207	**178,080**
Deferred hedge losses	**301**	454	**2,570**
Other	**108,190**	30,322	**921,007**
Total	**¥ 172,023**	¥ 90,100	**$ 1,464,402**

9. PREMISES AND EQUIPMENT

The accumulated depreciation of premises and equipment as of March 31, 2006 and 2005 amounted to ¥103,406 million ($880,279 thousand) and ¥101,248 million, respectively.

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2006 and, as a result, recognized an impairment loss of ¥105 million ($895 thousand) as other expense for certain unused premises due to a decline in its net selling price at disposition. The carrying amount of the premises was written down to the recoverable amount. The recoverable amount of that premises was measured at its net selling price evaluated by a real-estate appraisal.

Premises and equipment included security deposits amounting to ¥7,071 million ($60,199 thousand) and ¥8,518 million as of March 31, 2006 and 2005, respectively.

10. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's and certain consolidated subsidiaries' rights of indemnity from the applicants.

11. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Assets pledged as collateral:			
Securities	**¥ 467,356**	¥ 562,429	**$ 3,978,517**
Loans and bills discounted	**353,958**	9,420	**3,013,184**
Relevant liabilities to above assets—Deposits	**43,312**	44,058	**368,711**

Additionally, securities amounting to ¥121,436 million ($1,033,765 thousand) and ¥143,441 million as of March 31, 2006 and 2005, respectively, were pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for initial margin on futures transactions and others.

Other assets included initial margin on futures transactions amounting to ¥10 million as of March 31, 2005.

12. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Current deposits	**¥ 416,332**	¥ 409,670	**$ 3,544,162**
Ordinary deposits	**5,419,737**	5,149,919	**46,137,207**
Savings deposits	**289,366**	299,866	**2,463,324**
Deposits at notice	**65,329**	54,312	**556,141**
Time deposits	**3,020,777**	3,109,687	**25,715,312**
Negotiable certificates of deposit	**41,661**	39,861	**354,653**
Other deposits	**196,834**	233,621	**1,675,617**
Total	**¥ 9,450,040**	¥ 9,296,939	**$ 80,446,416**

13. BORROWED MONEY

As of March 31, 2006 and 2005, the weighted average annual interest rates applicable to borrowed money were 2.0% and 1.8%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. In addition, as of March 31, 2006 and 2005, borrowed money included subordinated debt totaling ¥14,000 million ($119,179 thousand) and ¥29,000 million, respectively.

Annual maturities of borrowed money as of March 31, 2006, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 2,744	$ 23,362
2008	99	844
2009	133	1,136
2010	182	1,552
2011	200	1,703
2012 and thereafter	14,000	119,179
Total	¥ 17,359	$ 147,776

14. BONDS AND NOTES

Bonds and notes as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due April 2010, 2.25% interest until April 2005		¥ 10,000	
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due September 2010, 2.0% interest until September 2005		10,000	
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due May 2011, 1.53% interest until May 2006	**¥ 10,000**	10,000	**$ 85,128**
Unsecured floating subordinated bonds, payable in Japanese yen, due May 2011, interest of 1.08% in 2006 and 1.06% in 2005	**5,000**	5,000	**42,564**
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due June 2011, 1.5% interest until June 2006	**5,000**	5,000	**42,564**
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due September 2011, 1.55% interest until September 2006	**5,000**	5,000	**42,564**
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due August 2013, 1.23% interest until August 2008	**20,000**	20,000	**170,256**
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due February 2014, 1.35% interest until February 2009	**20,000**	20,000	**170,256**
Unsecured floating subordinated notes, payable in Japanese yen, due November 2010, interest of 0.76% in 2005		1,000	
Total	**¥ 65,000**	¥ 86,000	**$ 553,332**

Annual maturities of bonds and notes as of March 31, 2006, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012 and thereafter	¥ 65,000	$ 553,332

Subsequently, on May 24, 2006, the fixed and floating subordinated bonds, due May 2011, 1.53% interest until May 2006 amounting to ¥10,000 million ($85,128 thousand), the floating subordinated bonds, due May 2011, interest of 1.08% in 2006 amounting ¥5,000 million ($42,564 thousand), and on June 27, 2006, the fixed and floating subordinated bonds, due June 2011, 1.5% interest until June 2006 amounting to ¥5,000 million ($42,564 thousand), as of March 31, 2006, were redeemed prior to maturity.

15. OTHER LIABILITIES

Other liabilities as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Domestic exchange settlement account credit (see below)	**¥ 2,393**	¥ 3,200	**$ 20,379**
Accrued expenses	**7,067**	7,880	**60,161**
Unearned income	**27,452**	27,837	**233,698**
Accrued income taxes	**15,836**	12,494	**134,815**
Financial derivatives	**17,973**	14,372	**153,008**
Other	**44,313**	65,092	**377,236**
Total	**¥ 115,037**	¥ 130,878	**$ 979,297**

The domestic exchange settlement account consists of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks which have not been settled.

16. EMPLOYEES' RETIREMENT BENEFITS

Under the unfunded lump-sum retirement benefit plans, the employees of the Bank and its domestic consolidated subsidiaries terminating their employment are, under most circumstances, entitled to lump-sum payments determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

In addition, under the pension plan of the Bank, employees terminating their employment after more than 15 years of participation are entitled to pension benefits.

The Bank's contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Bank on behalf of the government and a corporate portion established at the discretion of the Bank. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Bank applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Bank obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on March 1, 2003.

As a result of this exemption, the Bank recognized a gain on exemption from future pension obligations of the governmental program in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003. In the prior year, the Bank applied for transfer of substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare on September 1, 2004, and actual transfer of the pension obligations and related assets to the government took place in March 2005.

The Bank implemented a cash balance pension plan and pension point system in July 2003 by which the former qualified defined benefit pensions plan and the severance lump-sum payment plan were revised. In connection with this change, prior service cost was recorded as a reduction of projected benefit obligations for the year ended March 31, 2004.

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ (74,417)	¥ (73,056)	$ (633,499)
Fair value of plan assets	79,248	64,008	674,629
Unfunded projected benefit obligation	4,831	(9,047)	41,130
Unrecognized prior service cost		(766)	
Unrecognized actuarial loss	23,624	38,611	201,114
Net liability recognized	28,456	28,796	242,244
Prepaid pension cost	28,545	28,871	242,999
Liability for employees' retirement benefits	¥ (88)	¥ (74)	$ (755)

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 1,164	¥ 1,217	$ 9,910
Interest cost	1,458	1,693	12,413
Expected return on plan assets	(1,871)	(1,760)	(15,928)
Amortization of prior service cost	(766)	(3,067)	(6,528)
Recognized actuarial loss	3,194	2,846	27,194
Other retirement costs (non-actuarial basis cost)	416	454	3,542
Net periodic retirements benefit costs	¥ 3,594	¥ 1,385	$ 30,603

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

	2006	2005
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	3.50%	3.50%
Amortization period of prior service cost	2 years	2 years
Recognition period of actuarial gain/loss	15 years	15 years

17. STOCKHOLDERS' EQUITY

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

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The Banking Law provides that an amount of 20% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of capital stock. The amount of total legal reserve and additional paid-in capital that exceeds 100% of the capital stock may be available for dividends by resolution of the stockholders after transferring such excess in accordance with the Code. The Bank's legal reserve amounts, which were included in retained earnings, totaled ¥38,383 million ($326,750 thousand) and ¥37,364 million as of March 31, 2006 and 2005, respectively. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the capital stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of stockholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥147,851 million ($1,258,632 thousand) as of March 31, 2006, based on the amount recorded in the Bank's general books of account.

Dividends are approved by the stockholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

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

a. Dividends

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

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

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

b. Increases/Decreases and Transfer of Capital Stock, Reserve and Surplus

The revised Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 100% of capital stock. Under the Banking Law, the aggregate amount of additional paid-in capital and legal reserve that exceeds 100% of capital stock may be made available for dividends by resolution of the stockholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

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

On March 31, 1999, the Bank issued 200,000 thousand shares of non-voting, non-cumulative preferred stock to the Resolution and Collection Corporation (the "RCC") at ¥500 per share (140,000 thousand shares of first series preferred stock and 60,000 thousand shares of second series preferred stock), which were convertible into shares of common stock at a conversion price of ¥397.90 per share as of March 31, 2004. The conversion price to the common stock is to be modified on July 31 annually from 1999 to 2008. The preferred stockholder shall be entitled, in priority to any payment of dividends on or in respect of any other class of shares, to an annual dividend of ¥5.66 (first series preferred stock) and ¥9.46 (second series preferred stock) per share. Preferred stockholders receive liquidation preference of ¥500 per share and do not have the right to participate in any further liquidation distribution.

In July 2004, 110,000 thousand shares of first series preferred stock were converted into 138,225 thousand shares of common stock at conversion price of ¥397.90 per share and sold in the market. In August 2004, the Bank repurchased the remaining 30,000 thousand shares of the first series preferred stock at a price of ¥575.30 per share for an aggregate amount of ¥17,259 million from the RCC. In May 2005, the Bank retired these shares held as treasury stock.

In July 2004, the Bank repurchased all 60,000 thousand shares of its issued and the second series preferred stock at a price of ¥580.70 per share for an aggregate amount of ¥34,842 million from the RCC and retired such shares.

18. PER SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006 and 2005, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2006	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common stockholders	**¥ 60,804**	**1,408,079**	**¥ 43.18**	**$ 0.37**
Effect of dilutive warrants		**3,149**		
Diluted EPS—Net income for computation	**¥ 60,804**	**1,411,229**	**¥ 43.08**	**$ 0.37**
Year Ended March 31, 2005				
Basic EPS—Net income available to common stockholders	¥ 57,657	1,365,527	¥ 42.22	
Effect of dilutive securities:				
Warrants		1,350		
Convertible bonds		7,636		
Preferred stocks		79,768		
Diluted EPS—Net income for computation	¥ 57,657	1,454,281	¥ 39.64	

19. OTHER OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Gain on foreign exchange transactions—net	¥ 1,565	¥ 1,616	$ 13,328
Gain on sales and redemption of bonds and other securities	1,517	2,058	12,916
Gain on derivatives	6,544	6,895	55,708
Other	5,630	9,525	47,928
Total	¥ 15,257	¥ 20,096	$ 129,880

20. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Gain on sales of stocks and other securities	¥ 1,536	¥ 15,877	$ 13,083
Gain on sales of premises and equipment	54	182	464
Recovery of claims previously charged-off	4,882	4,291	41,565
Other	4,141	3,173	35,256
Total	¥ 10,615	¥ 23,524	$ 90,368

21. OTHER OPERATING EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Losses on sales and redemption of bonds and other securities	¥ 8,845	¥ 12,132	$ 75,299
Losses on write-down of bonds and other securities	138	199	1,183
Other	725	65	6,173
Total	¥ 9,709	¥ 12,396	$ 82,655

22. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Loss on sales of stocks and other securities	¥ 342	¥ 146	$ 2,920
Loss on write-down of stocks and other securities	825	575	7,024
Loss on disposal of premises and equipment	452	1,397	3,855
Loss on impairment of long-lived assets	105		895
Direct charge-off of loans	20,394	19,548	173,614
Other	3,725	8,960	31,712
Total	¥ 25,845	¥ 30,629	$ 220,020

23. INCOME TAXES

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2006 and 2005.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities as of March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Deferred tax assets:			
Allowance for possible loan losses	**¥ 43,737**	¥ 63,263	**$ 372,333**
Write-down of securities	**5,426**	5,368	**46,197**
Other	**12,554**	12,087	**106,877**
Less valuation allowance	**(7,620)**	(3,292)	**(64,873)**
Total deferred tax assets	**54,098**	77,426	**460,534**
Deferred tax liabilities:			
Gain on contribution of the employees' retirement benefit trust	**7,433**	7,126	**63,283**
Net unrealized gain on available-for-sale securities	**45,397**	17,906	**386,457**
Others	**3,148**	3,606	**26,803**
Total deferred tax liabilities	**55,979**	28,638	**476,543**
Net deferred tax (liabilities) assets	**¥ (1,880)**	¥ 48,787	**$ (16,009)**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2006 and 2005 and the actual effective tax rate reflected in the accompanying consolidated statements of income was not required under Japanese accounting standards due to immaterial differences of tax rates.

24. LEASES

The Bank and its consolidated subsidiaries lease certain equipment and other assets.

Lease payments under finance leases for the years ended March 31, 2006 and 2005, amounted to ¥74 million ($632 thousand) and ¥115 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2006			**2006**		
	Equipment	Other Assets	Total	Equipment	Other Assets	Total
Acquisition cost	**¥ 296**	**¥ 76**	**¥ 372**	**$ 2,522**	**$ 648**	**$ 3,170**
Accumulated depreciation	**184**	**52**	**237**	**1,571**	**448**	**2,019**
Net leased property	**¥ 111**	**¥ 23**	**¥ 135**	**$ 951**	**$ 200**	**$ 1,151**

	Millions of Yen		
	2005		
	Equipment	Other Assets	Total
Acquisition cost	¥ 399	¥ 80	¥ 479
Accumulated depreciation	270	42	313
Net leased property	¥ 128	¥ 37	¥ 165

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Due within one year	**¥ 47**	¥ 61	**$ 405**
Due after one year	**88**	107	**750**
Total	**¥ 135**	¥ 169	**$ 1,155**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Depreciation expense	**¥ 65**	¥ 101	**$ 556**
Interest expense	**8**	13	**74**
Total	**¥ 74**	¥ 114	**$ 630**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases as of March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Due within one year	**¥ 21**	¥ 6	**$ 179**
Due after one year	**48**	8	**416**
Total	**¥ 69**	¥ 14	**$ 595**

25. SEGMENT INFORMATION

a. Business Segment Information

The Group is engaged in the business of banking and other related activities such as credit guarantee, venture capital and other. Ordinary income, ordinary profit and total assets as of and for the years ended March 31, 2006 and 2005 were primarily concentrated in the business of banking. Accordingly, the presentation of segment information by business segment is not required under the related regulations for these fiscal years.

Note: Ordinary profit means ordinary income less ordinary expenses. Ordinary income and expenses mean total income and expenses less certain special income and expenses included in other income and expenses in the accompanying consolidated statements of income.

b. Segment Information by Geographic Area

Ordinary income and total assets as of and for the years ended March 31, 2006 and 2005 were primarily concentrated in Japan. Accordingly, the presentation of segment information by geographic area is not required under the related regulations for these fiscal years.

c. Ordinary Income from International Operations

Ordinary income arising from international operations both in and outside Japan was minor in relation to the total ordinary income for the years ended March 31, 2006 and 2005. Accordingly, the presentation of ordinary income from international operations is not required under the related regulations for these fiscal years.

26. DERIVATIVE INFORMATION

The Bank uses swap, futures, forward and option contracts, and other similar types of contracts based on either interest rates, foreign exchange rates or securities prices. These financial instruments are used in trading activities to generate trading revenues and fee income and are also used in Asset and Liability Management ("ALM") activities to control exposure to fluctuations in such market rates or prices.

The Bank uses derivatives to provide customers with risk hedging methods, to complement their ALM activities, to hedge market risks, and to strengthen earnings. The Bank carefully studies the risks involved with derivatives transactions and maintains a policy of limiting the volume of the risks within a range which they are capable of controlling based on their financial strength.

Derivatives used for hedging purposes are recorded on the basis of hedge accounting in accordance with the Japanese accounting standard for financial instruments. Such derivatives are currency swaps, forward exchange contracts, interest rate swaps and others, which are utilized to control the risks from foreign-currency monetary claims and debt, borrowed money and other financial instruments. The Bank reviews the effectiveness of hedging activities by the methods permitted under the accounting standard.

Similar to other market transactions, derivatives transactions are subject to a variety of risks, including market, credit, liquidity, operational and legal risks. Among those risks, the Bank emphasizes establishing the risk management structure to comprehend and manage market risk and credit risk. As of March 31, 2006 and 2005, the estimated amount of derivative-related credit risk exposure of the Bank was ¥66.2 billion ($564 million) and ¥48.1 billion, respectively.

The Bank has adopted an integrated management approach in developing a comprehensive risk management system that is based on global standards. The Bank has established the Corporate Administration Department ("CAD") to perform the integrated management of all market, credit and operational risks. With their middle office function, teams from CAD are monitoring the transaction execution department ("front office") of the Treasury and Capital Markets Department on a daily basis.

The volume of risk associated with interest rate, currency, securities and other transactions is gathered and managed on an integrated basis. The ultimate decision on market risk position limits is made by the Executive Committee. Based on this limit, each department establishes loss-cutting rules and maximum risk exposures for each type of derivative transaction and product. The middle office ensures that risk exposure limits and other rules are observed while using value-at-risk (VaR), basis points value, and other methods to calculate quantitative measures of risk volume. The CAD reports the total volume of the Bank's market risk to the ALM Committee. Credit risk associated with derivatives transactions is managed in conjunction with other off-balance-sheet as well as on-balance-sheet transactions. The ultimate decision on credit risk is made by a credit department and definitely separated from the front office. The middle office calculates and monitors the estimated amount of derivative-related credit risk daily or monthly. The CAD calculates the Bank's total credit exposure and reports this amount to the Credit Portfolio Committee.

The Bank had the following derivatives contracts that were quoted on listed exchanges, outstanding as of March 31, 2006 and 2005:

	Millions of Yen			Thousands of U.S. Dollars		
	2006			**2006**		
	Contract or Notional Amount	Fair Value (Loss)	Valuation Gain (Loss)	Contract or Notional Amount	Fair Value (Loss)	Valuation Gain (Loss)
Interest rate contracts—Futures written	**¥ 2,489**	**¥ 1**	**¥ 1**	**$ 21,195**	**$ 15**	**$ 15**
Bond contracts—Futures:						
Written	**12,665**	**(2)**	**(2)**	**107,820**	**(20)**	**(20)**
Purchased	**4,012**	**(8)**	**(8)**	**34,154**	**(70)**	**(70)**

	Millions of Yen		
	2005		
	Contract or Notional Amount	Fair Value (Loss)	Valuation Gain (Loss)
Interest rate contracts—Futures:			
Written	¥63,933	¥ (43)	¥ (43)
Purchased	9,014	(33)	(33)
Bond contracts—Futures:			
Written	11,055	(97)	(97)
Purchased	694	2	2

The Bank had the following derivatives contracts that were not quoted on listed exchanges, outstanding as of March 31, 2006 and 2005:

	Millions of Yen			Thousands of U.S. Dollars		
	2006			**2006**		
	Contract or Notional Amount	Fair Value (Loss)	Valuation Gain (Loss)	Contract or Notional Amount	Fair Value (Loss)	Valuation Gain (Loss)
Interest rate contracts:						
Interest rate swaps:						
Receive fixed and pay floating	**¥2,049,135**	**¥(14,508)**	**¥(15,546)**	**$17,443,902**	**$(123,511)**	**$(132,342)**
Receive floating and pay fixed	**1,891,662**	**18,474**	**20,023**	**16,103,370**	**157,266**	**170,452**
Receive floating and pay floating	**100**	**1**	**1**	**851**	**14**	**14**
Caps and others written	**117,363**	**(1,034)**	**1,170**	**999,092**	**(8,807)**	**9,961**
Caps and others purchased	**4,520**	**21**	**21**	**38,478**	**184**	**184**
Foreign exchange:						
Currency swaps	**383,895**	**820**	**820**	**3,268,029**	**6,986**	**6,986**
Forward exchange contracts written	**43,323**	**(234)**	**(234)**	**368,802**	**(1,999)**	**(1,999)**
Forward exchange contracts purchased	**43,675**	**218**	**218**	**371,805**	**1,862**	**1,862**
Options written	**20,764**	**(299)**	**238**	**176,768**	**(2,552)**	**2,029**
Options purchased	**19,568**	**299**	**(127)**	**166,581**	**2,546**	**(1,087)**

	Millions of Yen		
	2005		
	Contract or Notional Amount	Fair Value (Loss)	Valuation Gain (Loss)
Interest rate contracts:			
Interest rate swaps:			
Receive fixed and pay floating	¥1,422,199	¥13,092	¥10,250
Receive floating and pay fixed	1,381,132	(10,860)	(6,483)
Receive floating and pay floating	100	2	2
Caps written	109,321	(225)	1,565
Caps purchased	4,720		(52)
Foreign exchange:			
Currency swaps	272,487	396	396
Forward exchange contracts written	14,187	(304)	(304)
Forward exchange contracts purchased	12,221	266	266
Options written	10,041	(91)	28
Options purchased	11,223	110	14

Notes: 1. Derivatives which qualify for hedge accounting are excluded in the above table.
2. The difference between fair value (loss) and valuation gain (loss) in interest rate swaps as of March 31, 2006 and 2005 is the unamortized balance of deferred gains or losses attributable to macro-hedge accounting.

27. STOCK OPTION PLAN

The Bank's stock option plans provided for granting options to directors and others to purchase certain shares of the Bank's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

The Bank's stock option plans as of March 31, 2006 are as follows:

		Thousands of Shares		Yen
	Exercise Period	Number of Shares Subject to Options	Number of Shares Subject to Options Not Exercised as of March 31, 2006	Exercise Price
Stock option plan for directors and executive officers, approved at the stockholders meeting held on June 25, 1999	June 26, 2001 to June 25, 2009	310	68	¥ 369
Stock option plan for directors, executive officers and managers, approved at the stockholders meeting held on June 28, 2000	June 29, 2002 to June 28, 2010	1,504	879	498
Stock option plan for directors, executive officers and managers, approved at the stockholders meeting held on June 27, 2001	June 28, 2003 to June 27, 2011	1,489	1,192	502
Stock option plan for directors and employees, approved at the stockholders meeting held on June 26, 2002	June 27, 2004 to June 26, 2012	1,473	1,253	520
Stock option plan for directors and employees, approved at the stockholders meeting held on June 26, 2003	June 27, 2005 to June 26, 2013	1,407	1,083	437
Stock option plan for directors and employees, approved at the stockholders meeting held on June 25, 2004	June 26, 2006 to June 25, 2014	2,186	2,186	624
Stock option plan for directors and employees, approved at the stockholders meeting held on June 28, 2005	June 29, 2007 to June 28, 2015	4,379	4,379	648

28. SUBSEQUENT EVENTS

At the general stockholders meeting held on June 28, 2006, the Bank's stockholders approved the following appropriations of retained earnings and change of the authorized number of shares:

a. Appropriations of Retained Earnings as of March 31, 2006

	Millions of Yen	Thousands of U.S. Dollars
Transfer to legal reserve		$ 4
Dividends—Common stock (¥9.00—$0.08 per share)	¥ 12,643	107,628
Bonuses:		
Directors	37	315
Corporate auditors	11	101

b. Change of the Authorized Number of Shares

The Bank resolved to change the authorized number of shares from 2,584,000 thousand shares of common stock and 200,000 thousand shares of preferred stock to 3,000,000 thousand shares of common stock.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Bank of Yokohama, Ltd.:

We have audited the accompanying consolidated balance sheets of The Bank of Yokohama, Ltd. (the "Bank") and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bank of Yokohama, Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 28, 2006

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Bank of Yokohama, Ltd.
March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
ASSETS:			
Cash and due from banks	**¥ 305,842**	¥ 566,482	**$ 2,603,582**
Call loans and bills purchased	**19,900**	86,959	**169,405**
Other debt purchased	**304,277**	200,976	**2,590,256**
Trading assets	**28,386**	50,925	**241,651**
Securities	**1,362,042**	1,431,209	**11,594,816**
Loans and bills discounted	**8,124,729**	7,792,435	**69,164,290**
Foreign exchange assets	**5,324**	6,261	**45,326**
Other assets	**171,488**	89,293	**1,459,850**
Premises and equipment	**142,401**	144,620	**1,212,240**
Deferred tax assets		42,507	
Customers' liabilities for acceptances and guarantees	**126,502**	138,809	**1,076,889**
Allowance for possible loan losses	**(54,686)**	(66,872)	**(465,539)**
TOTAL	**¥ 10,536,209**	¥ 10,483,610	**$ 89,692,766**
LIABILITIES:			
Deposits	**¥ 9,477,264**	¥ 9,326,373	**$ 80,678,167**
Call money and bills sold	**293**	168,186	**2,500**
Trading liabilities	**5,124**	2,165	**43,623**
Borrowed money	**58,359**	34,439	**496,802**
Foreign exchange liabilities	**99**	60	**843**
Bonds and notes	**65,000**	85,000	**553,332**
Other liabilities	**92,807**	107,927	**790,050**
Deferred tax liabilities	**7,478**		**63,661**
Deferred tax liabilities for land revaluation surplus	**22,736**	22,773	**193,550**
Acceptances and guarantees	**126,502**	138,809	**1,076,889**
Total liabilities	**9,855,664**	9,885,735	**83,899,417**
STOCKHOLDERS' EQUITY:			
Capital stock—common stock—authorized, 2,584,000 thousand shares in 2006 and 2,600,000 thousand shares in 2005; issued, 1,405,303 thousand shares in 2006 and 1,419,977 thousand shares in 2005; preferred stock—authorized, 200,000 thousand shares in 2006 and 230,000 thousand shares in 2005; issued, 30,000 thousand shares in 2005	**215,179**	214,862	**1,831,780**
Capital surplus:			
Additional paid-in capital	**176,795**	176,479	**1,505,026**
Other capital surplus	**3**	2	**28**
Retained earnings:			
Legal reserve	**38,383**	37,364	**326,750**
Unappropriated	**152,108**	133,909	**1,294,873**
Land revaluation surplus	**32,516**	32,048	**276,803**
Net unrealized gain on available-for-sale securities	**66,030**	26,024	**562,103**
Treasury stock—common stock—at cost, 522 thousand shares in 2006 and 8,854 thousand shares in 2005; preferred stock—at cost, 30,000 thousand shares in 2005	**(471)**	(22,815)	**(4,014)**
Total stockholders' equity	**680,544**	597,875	**5,793,349**
TOTAL	**¥ 10,536,209**	¥ 10,483,610	**$ 89,692,766**

NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Bank of Yokohama, Ltd.
Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 151,610	¥ 155,175	$ 1,290,634
Interest and dividends on securities	15,981	16,272	136,046
Other interest income	5,538	2,672	47,151
Fees and commissions	48,447	43,495	412,424
Trading profits	385	924	3,279
Other operating income	13,742	19,039	116,991
Other income	8,281	19,655	70,496
Total income	243,987	257,234	2,077,021
EXPENSES:			
Interest expenses:			
Interest on deposits	4,243	2,388	36,125
Interest on borrowings and rediscounts	662	1,340	5,642
Other interest expenses	1,969	2,214	16,765
Fees and commissions	11,128	11,870	94,731
Trading losses		143	
Other operating expenses	8,924	12,331	75,974
General and administrative expenses	89,068	85,638	758,225
Provision for possible loan losses	1,869	18,684	15,913
Other expenses	21,716	24,359	184,870
Total expenses	139,583	158,970	1,188,245
INCOME BEFORE INCOME TAXES	104,404	98,263	888,776
INCOME TAXES:			
Current	21,578	12,503	183,693
Deferred	22,570	28,224	192,140
Total income taxes	44,149	40,727	375,833
NET INCOME	¥ 60,255	¥ 57,536	$ 512,943

	Yen		U.S. Dollars
	2006	2005	2006
PER SHARE INFORMATION			
Basic net income per share	¥ 42.75	¥ 42.09	$ 0.36
Diluted net income per share	42.66	39.52	0.36

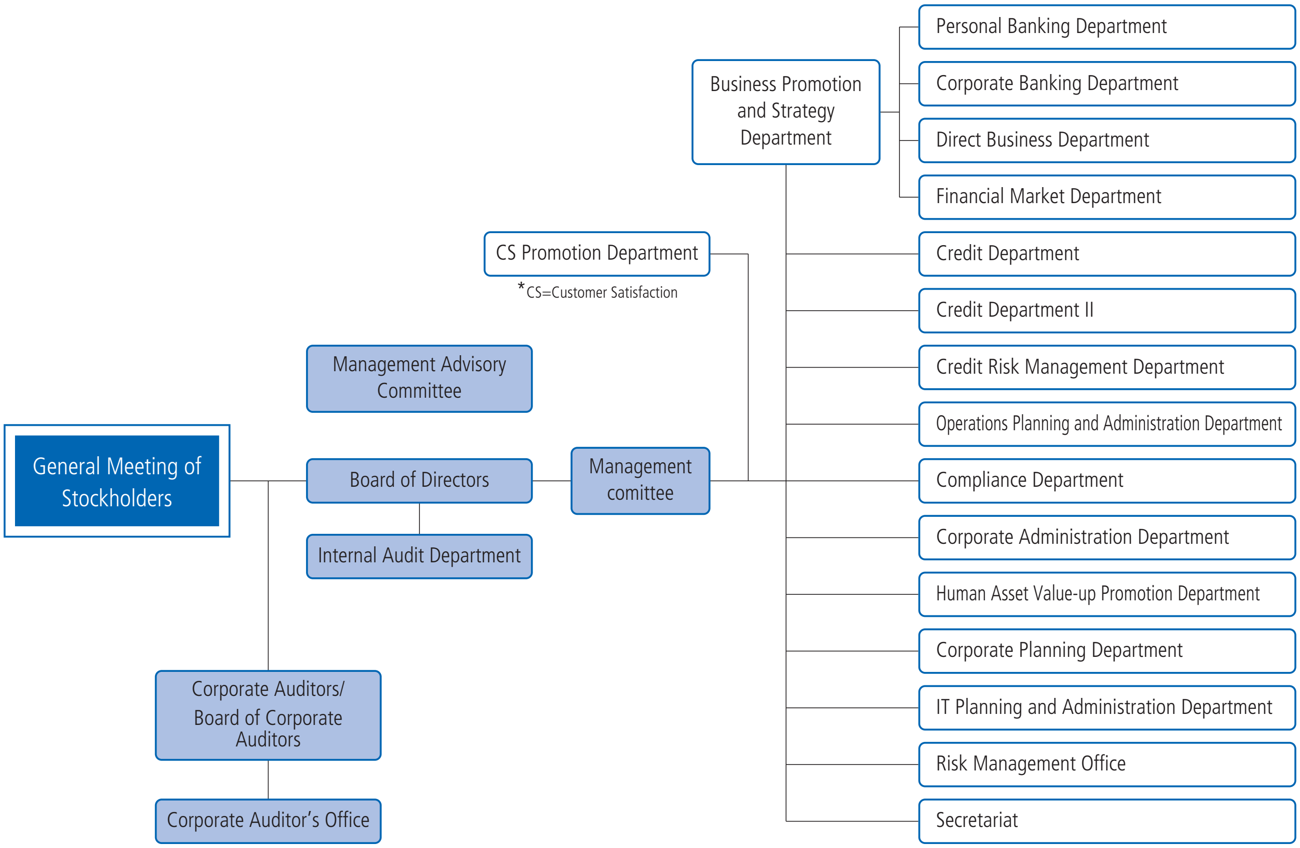
NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

The Bank of Yokohama, Ltd.
Years Ended March 31, 2006 and 2005

	Thousands		Millions of Yen							
	Outstanding Number of Shares			Capital Surplus		Retained Earnings				
	Common Stock	Preferred Stock	Capital Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Un-appropriated	Land Revaluation Surplus	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2004	1,154,089	200,000	¥188,223	¥149,839		¥35,934	¥119,534	¥32,289	¥30,806	¥(396)
Net income							57,536			
Cash dividends, ¥5.00 per share for common stock, ¥5.66 per share for first series preferred stock and ¥9.46 per share for second series preferred stock							(7,130)			
Transfer to legal reserve						1,430	(1,430)			
Reversal of land revaluation surplus							241	(241)		
Conversion of first series preferred stock into common stock	138,225	(110,000)								
Retirement of second series preferred stock		(60,000)					(34,842)			
Net increase in treasury stock (8,015,038 shares of common stock and 30,000,000 shares of first series preferred stock)	(8,015)	(30,000)			¥ 2					(22,419)
Exercise of warrants	325		74	74						
Conversion of convertible bonds	126,497		26,564	26,564						
Net decrease in unrealized gain on available-for-sale securities									(4,781)	
BALANCE, MARCH 31, 2005	1,411,122		214,862	176,479	2	37,364	133,909	32,048	26,024	(22,815)
Net income							60,255			
Cash dividends, ¥8.50 per share for common stock							(11,994)			
Bonus to directors and corporate auditors							(49)			
Transfer to legal reserve						1,018	(1,018)			
Reversal of land revaluation surplus							(467)	467		
Retirement of treasury stock (16,000,000 shares of common stock and 30,000,000 shares of first series preferred stock)							(28,525)			28,525
Net increase in treasury stock (7,668,783 shares of common stock)	(7,668)									(6,181)
Exercise of warrants	1,326		316	316						
Net increase in unrealized gain on available-for-sale securities									40,005	
BALANCE, MARCH 31, 2006	**1,404,780**		**¥215,179**	**¥176,795**	**¥ 3**	**¥38,383**	**¥152,108**	**¥32,516**	**¥66,030**	**¥(471)**

	Thousands of U.S. Dollars							
		Capital Surplus		Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Un-appropriated	Land Revaluation Surplus	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2005	$1,829,084	$1,502,334	$ 25	$318,078	$1,139,943	$272,822	$221,545	$(194,228)
Net income					512,943			
Cash dividends, $0.07 per share for common stock					(102,107)			
Bonus to directors and corporate auditors					(418)			
Transfer to legal reserve				8,672	(8,672)			
Reversal of land revaluation surplus					(3,981)	3,981		
Retirement of treasury stock (16,000,000 shares of common stock and 30,000,000 shares of first series preferred stock)					(242,835)			242,835
Net increase in treasury stock (7,668,783 shares of common stock)			3					(52,621)
Exercise of warrants	2,696	2,692						
Net increase in unrealized gain on available-for-sale securities							340,558	
BALANCE, MARCH 31, 2006	**$1,831,780**	**$1,505,026**	**$ 28**	**$326,750**	**$1,294,873**	**$276,803**	**$562,103**	**$(4,014)**

Organization As of June 1, 2006



International Network As of June 30, 2006

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Takeshi Watanabe

Board Members As of June 28, 2006

CHAIRMAN
Sadaaki Hirasawa

PRESIDENT
Tadashi Ogawa

DEPUTY PRESIDENT (REPRESENTATIVE DIRECTOR)
Hiroshi Hayakawa

Management Section

REPRESENTATIVE DIRECTOR
Yoshio Ota

DIRECTOR AND EXECUTIVE OFFICER
Masaki Ito

EXECUTIVE OFFICER
Seiichi Yoneda

Marketing Section

REPRESENTATIVE DIRECTOR
(HEAD OF BUSINESS PROMOTION)
Chiyuki Okubo

DIRECTOR AND MANAGING
EXECUTIVE OFFICER
Toshiyuki Mimura

MANAGING EXECUTIVE OFFICERS
Soichi Ushijima
Yasuhiko Teramura

EXECUTIVE OFFICERS
Tetsunobu Ikeda
Ryuichi Kaneko
Masayuki Ishii
Takashi Yoshikawa
Hideya Shimoyama
Toshio Aoi
Takashi Noguchi
Takashi Matsuda

Corporate Auditors

Kazutaka Tsumura
Jun Okura
Shinsuke Kobayashi
Masahiro Hoshino

Corporate Data As of March 31, 2006

DATE OF ESTABLISHMENT
December 16, 1920

NUMBER OF BRANCHES AND OFFICES
197
Domestic: 193
Overseas: 4

NUMBER OF EMPLOYEES
3,418

AUTHORIZED STOCKS*
2,784,000 thousand
Common stock: 2,584,000 thousand
Preferred stock: 200,000 thousand

OUTSTANDING STOCKS
1,405,303 thousand

PAID-IN CAPITAL
¥215,179 million

CAPITAL ADEQUACY RATIO (Consolidated):
11.00%

NUMBER OF STOCKHOLDERS
31,760
(Incomplete stock units are not included)

STOCK LISTING
First Section of the Tokyo Stock Exchange

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*After the close of the fiscal year under review, the Articles of Incorporation were amended by a resolution of the ordinary general meeting of shareholders held on June 28, 2006. The Japanese phrase meaning "the aggregated number of shares authorized to be issued" was changed to a phrase meaning "the aggregated number of shares issuable," and the provisions concerning preferred shares were deleted. The aggregated number of common shares issuable was defined as 3,000 million. The provision stating that "If any common shares are retired, the number of shares so retired shall be subtracted from the total number of shares to be issued." was deleted.

Major Stockholders (Common Stocks)	Number of stocks held (thousand)	Voting rights (%)
Japan Trustee Services Bank, Ltd.	68,890	4.90
The Master Trust Bank of Japan, Ltd.	59,263	4.21
State Street Bank and Trust Company	46,620	3.31
Meiji Yasuda Life Insurance Company	36,494	2.59
The Dai-ichi Mutual Life Insurance Company	36,494	2.59
Trust & Custody Services Bank, Ltd. (Meiji Yasuda Life Insurance Company Retirement Benefit trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	36,494	2.59
State Street Bank and Trust Company 505103	32,098	2.28
Nippon Life Insurance Company	26,710	1.90
The Chase Manhattan Bank, N.A. London SL Omnibus Account	23,193	1.65
Morgan Stanley & Co. International Limited	15,357	1.09

Classification of Stockholders by Area (Common Stocks)	Number of stockholders	Number of stocks held (thousand)	%
Kanagawa	17,755	234,606	16.76
Tokyo	3,962	625,536	44.69
Osaka	722	13,767	0.98
Other areas	8,828	41,701	2.97
Overseas	493	483,996	34.58
Total	31,760	1,399,606	100.00

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