Announcement of Financial Results for the Fiscal 2001

I would like to explain our financial results for the fiscal year 2001 using the *Consolidated Financial Results for the Fiscal 2001 ended March 31, 2002, Nonconsolidated Financial Results for the Fiscal 2001 ended March 31, 2002, Financial Results: Fiscal 2001 Supplementary Information.*

Let us look at the report entitled *Financial Results: Fiscal 2001 Supplementary Information*, which summarizes the financial results.

Before looking in detail, I would first like to mention that figures for fiscal year 2000 are the combined figures of former Sakura Bank and Sumitomo Bank, unless otherwise stated.

Please look at the "Financial Result" on page 1. This is an overview of our non-consolidated financial results. Line 21, Banking Profit (excluding transfer to general reserve for possible loan losses), was 1,183.4 billion yen, a significant year-over-year rise of 380.3 billion yen. 350.3 billion yen of this increase in profit came from higher Gross Banking Profit, while the remaining 30.0 billion yen came from reductions in Expenses. Of the 350.3 billion yen rise in Gross Banking Profit, 353.1 billion yen came from an increase in Gross International Profit, while Gross Domestic Profit decreased by 2.8 billion yen.

The main factor for the 2.8 billion yen decline in Gross Domestic Profit shown in Line 3 was the 29.8 billion yen decrease in Net Interest Income, which was caused by the decrease in loan volume from weak corporate loan demand, while Gains and Losses on Bonds increased by 47.0 billion yen.

Meanwhile, the biggest factor contributing to the large rise in Gross International Profit shown in Line 10 was a 353.1 billion yen rise in Net Interest Income. This was primarily because of the good performance in foreign currency treasury profits as a result of a decline in U.S. dollar based interest rates, and dividends from overseas subsidiaries. There was also a 34.1 billion yen increase in Net Trading Income and the increased profits from foreign currency bonds.

Let us look at Line 17, Expenses. Expenses fell year-over-year by 30.0 billion yen, despite the 16.6 billion yen rise in systems integration expenses due to the merger. In more detail, Personnel Expenses decreased by 22.2 billion yen, largely due to a reduction in employees. Integration of branches both within Japan and overseas and a revision in purchasing practices enabled a 4.0 billion yen decrease in Non-personnel Expenses. The remainder of the decrease in Expenses was due to a 3.8 billion yen fall in Taxes.

Let us move on to Non-Recurring Gains and Losses. In Line 27, Total Credit Cost was 1,543.1 billion yen, large year-over-year rise of 724.0 billion yen. The credit cost consisted of 283.9 billion yen in Write-off of Loans, 663.2 billion yen in Transfer to Specific Reserve, 37.0 billion yen in Transfer to Reserve for Losses on Loans Sold, 8.4 billion yen in Losses on Loans Sold to the CCPC, 50.6 billion yen in Losses on Sale of Delinquent Loans, and 504.5 billion yen Transfer to the General Reserve for Possible Loan Losses. But, there was a 4.5 billion yen reverse Transfer from the Loan Loss Reserve for Specific Overseas Countries.

Now looking at Line 35, Gains and Losses on Stocks, there were net losses of 130.7 billion yen. This reflects Gains on Sale of Stocks of 54.2 billion yen, Losses on Sale of Stocks of 54.3 billion yen, making a net loss of 0.1 billion yen, in addition to 130.6 billion yen in Losses on Devaluation of Stocks which were based on the self-assessment of the stock portfolio.

Additionally, the Enterprise Taxes by Local Governments in Line 39 was 30.0 billion yen.

All of the above items added up to an Operating Loss of 522.1 billion yen, as shown in Line 41.

Moving on to Extraordinary Gains and Losses, a net loss of 14.2 billion yen was reported as shown on Line 43, for Gains and Losses on Disposition of Premises and Equipment. This was largely due to restructuring measures: in particular, losses on sales of branches closed and employee housing abolished, and losses related to their restoration or disposition.

Otherwise, a 20.2 billion yen extraordinary loss was reported for the Amortization of Net Transition Obligation from the Initial Application of the New Accounting Standard for Employee Retirement Benefits.

As shown on Line 47, Income before Income Taxes was a loss of 536.6 billion yen. This was an 809.7 billion yen decrease compared with the previous year.

As indicated on Line 48, Current Income Taxes were 32.7 billion yen. And on Line 49, Deferred Income Taxes resulting from the adjustment of deferred tax accounting, was 246.5 billion yen.

Looking at the bottom line, Line 51, we see Net Loss of 322.8 billion yen, a 460.6 billion yen decrease compared with the previous year.

Let us now look at the consolidated financial results on page 2. As shown at the bottom of the page, we had 144 consolidated subsidiaries and 38 affiliated companies accounted for by the equity method.

As shown on Line 15, Consolidated Operating Profit decreased by 1,075.2 billion yen from the previous year, to a loss of 580.6 billion yen, mainly due to the decrease of non-consolidated profit from increased credit costs. Consolidated Net Income also decreased by 596.3 billion yen to a loss of 463.9 billion yen as shown on Line 21.

I would now like to make some comments on some other supplementary figures.
Let us look at page 4 for an explanation of Unrealized Gains and Losses on Securities.

Changes in the accounting standards for financial instruments took effect in fiscal 2001. The new rules require that net unrealized gains and losses of “Other Securities”, calculated by the mark-to-market method, be directly charged to capital. Evaluation methods applied to each category for trading purpose are shown at the top of the page.

The two charts at the middle and bottom of the page show non-consolidated and consolidated Unrealized Gains and Losses. On a non-consolidated basis, the sum of Unrealized Gains and Losses of “Other securities”(net losses of 481.7 billion yen) and “Other Money Held in Trust”(net losses of 3.8 billion yen) showed net losses of 485.5 billion yen, a 682.3 billion yen decrease compared with the figure after adjustment for merger accounting as of April 1, 2001 at the time of our merger.

Moving on now to the consolidated Unrealized Gains and Losses at the bottom of the page, we can see there are net losses of 498.5 billion yen.

Let us now look at the Derivatives Transactions applying the hedging accounts, described on page 5. In order to expand the scope of our disclosure, we have voluntarily disclosed the derivatives transactions, applying the hedging accounts since the last interim results. And we showed deferred gains of 93.0 billion yen at the end of March 2002.

Next, I would like to discuss the figures for Employee Retirement Benefit, which can be found in the tables on page 6. Balance of the Retirement Benefit Liability and Cost for Employee Retirement Benefit are shown on both a non-consolidated and consolidated basis. The discount rate is 3.0%, a 0.5% reduction compared with the previous year.

Now, the Consolidated Capital Ratio on page 7. As you can see, the preliminary estimate of the Consolidated Capital Ratio as of March 31 of this year is 10.45%. As for the figures of the previous year, we have given them in the columns for the former Sakura Bank and Sumitomo Bank respectively.
Let us now move on to page 8, which sums up the asset quality of the Bank. Please look at the “Classification under Self-Assessment, Disclosure of Problem Assets and Write-Offs/Reserves”. The table shows the Classification of Borrowers under Self-Assessment, and for each classification, the amount of assets disclosed based on the Financial Reconstruction Law, the amounts of assets categorized to each classification, and the balance of the Reserve for Possible Loan Losses.

I would now like to give a brief summary. 100% reserves were provided for the unsecured portion of Bankrupt and Quasi-Bankrupt Assets, 75.9% reserves were provided for the 1,398.1 billion yen unsecured portion of Doubtful Assets, 21.8% reserves were provided for the unsecured portion of Substandard Borrowers, and as for Normal Assets, the reserve ratio for total claims of Borrowers Requiring Caution excluding Substandard Borrowers was 5.1%, and the reserve ratio for total claims of Normal Borrowers was 0.2%.
And 12.9% reserves were provided for the claims excluding portions secured by collateral or guarantees, etc., of Borrowers Requiring Caution including Substandard Borrowers.

For your reference, the subsequent couple of pages have information about non-consolidated and consolidated Risk-Monitored Loans, the Loan Portfolio Classified by Industry, and Overseas Loans.

Please look at page 11. As you can see in the table on the top of the page, problem assets based on the Financial Reconstruction Law amounted to 5,900.0 billion yen as of March 31, 2002, a 3,077.5 billion yen increase compared with March 31, 2001.
Details were as follows:

- Bankrupt and quasi-bankrupt assets decreased by 96.4 billion yen to 493.5billion yen.
- Doubtful assets increased by 1,027.1 billion yen to 2,970.2 billion yen.
- Substandard loans increased by 2,146.9 billion yen to 2,436.3 billion yen.

As we had reviewed the part of our assessment standards applying to substandard loans for September 30, 2001, problem assets as of March 31, 2002 increased by 2,573.1 billion yen compared with September 30, 2001. Of this increase, both doubtful assets and substandard loans increased approximately 1,300.0 billion yen respectively.
This large increase in problem assets occurred in fiscal 2001 mainly for the following reasons.

- We took necessary actions toward borrowers with large exposure considering the progress of their restructuring plans.
- We re-categorized borrowers that will take some time to recover their financial conditions to Potentially Bankrupt Borrowers in order to accelerate the decrease in our problem assets.
- As for the substandard borrowers, we have broadened the scope of restructured loans, checking the actual status of every loan, not just the formal terms of each loan.

Naturally, we have taken the necessary actions for each asset category, thereby ensuring credit costs will not increase significantly hereafter. Also we plan to reduce steadily the problem assets outstanding through final off-balancing in accordance with government policy, or through restructuring of large-scale borrowers.

Now let us look at our Progress of Removal of Problem Assets from the Balance Sheet as shown on page 12 and 13, which we disclosed from last fiscal year.

We show the Bankrupt and Quasi-Bankrupt Assets and Doubtful Assets existing prior to and classified during the first half of fiscal 2000, classified during the second half of fiscal 2000, and classified during the first half of fiscal 2001 respectively. And the results of the progress in off-balancing problem assets for each term during the second half of the fiscal 2001 are shown on (B), (D) and (F). Thus, the total amount off-balanced was 584.5 billion yen ((B)+(D)+(F)).

To continue, 1,828.5 billion yen of assets were newly classified as Bankrupt and Quasi-Bankrupt Assets or Doubtful Assets during the second half of fiscal 2001(G). Bankrupt and Quasi-Bankrupt Assets and Doubtful Assets at March 31, 2002 amounted to 3,463.7 billion yen, a 1,244.0 billion yen increase compared with September 30, 2001.

Next, the number of directors and employees, and the number of offices at the fiscal year-end are shown on page 18.

The number of employees stood at 25,027, a reduction of 2,115 compared to last fiscal year (a reduction of 1,173 more than that of the Plan for Strengthening the Financial Base of the Bank).
And the number of domestic branches decreased by 14 branches to 564 compared to the last fiscal year.

Lastly, I will touch upon our projections for earnings in the fiscal year 2002, which you can see on page 19.

On a non-consolidated basis, we project 850.0 billion yen in Banking Profit (excluding transfer to general reserve for possible loan losses), 230.0 billion yen in Operating Profit, and 80.0 billion yen in Net Income.

On a consolidated basis, we project 320.0 billion yen in Operating Profit and 100.0 billion yen in Net Income.

Also, we project that the Total Credit Cost of fiscal year 2002, on a non-consolidated basis, will be 500.0 billion yen.