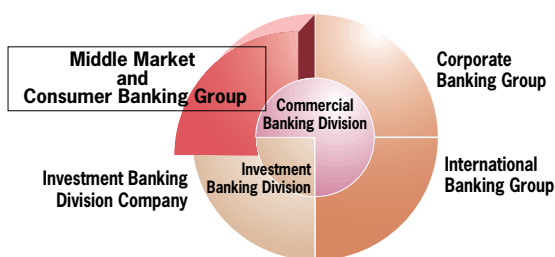


## Middle Market and Consumer Banking Group

—Serving Individuals, Small and Medium-Sized Businesses and the Middle Market—



**Customers in the individual, small and medium-sized business and middle market segments not only comprise our core operating base, they also contribute the most to our profitability. These segments are the focus of our current expansion plans. We will be concentrating resources on strategically important aspects of these operations to further expand our retail banking business.**

### Catering to Evolving Needs

Japan's Big Bang reforms have sparked demand in the retail market for a greater selection of more sophisticated investment products and services than ever before. Sakura Bank is steadily augmenting its product lineup to meet this demand. In the short period since December 1998, we have launched 28 funds, the most offerings from a Japanese bank. These funds cater to a wide variety of investment objectives. We also offer a series of foreign currency denominated products to allow consumers to benefit from higher interest rates outside Japan's low interest rate regime.

We are further attracting depositors with a series of innovative products and services that combine various elements of investment products, savings accounts, cash cards and loans. Customer convenience is the key word for services such as the Internet-based Browser Banking service that can be accessed from a PC or a mobile telephone. Our debit card service adds unprecedented ease to shopping.

Japan is experiencing a significant demographic shift as its society ages. In view of this, we are introducing new

products and services targeted at seniors, such as higher yielding deposit products and non-financial advisory services.

### A Leader in Consumer Loans

Although we already enjoy the largest share of the consumer loan market, we are looking to this segment to further increase our lending business.

#### Secured Loans

Housing loans are the mainstay of our secured consumer loans portfolio. To attract this business, we are designing new loan products with the customer's varying redemption abilities in mind. If a customer lacks sufficient collateral, they can select housing loans with built-in refinancing or buy-out schemes. We are also developing housing loan products that incorporate various types of insurance against job losses or financial difficulties. These products allow customers to feel secure about borrowing no matter what their stage of life.

#### Unsecured Loans

Card loans supporting a wide range of purchases for everyday life are the focus of our unsecured loans business. In October 1998, we introduced the Prime Card, a revolving credit facility that has proven to be extremely convenient for ordinary consumers. Convenience is the central theme of our loan application processes too. In addition to conventional branch applications, customers can apply by mail or telephone. Since July 1, 1999, customers have also had the option of applying through an ATM for loans up to ¥100,000.

Repayment is another aspect of loans that we are making more convenient. Monthly payments are withdrawn directly from customers' accounts, eliminating the logistical chores associated with making payments. Moreover, they

can pay via ATMs at any Sakura branch or affiliated financial institution nationwide, a reassuring feature for people on the go.

Our lineup includes additional purpose-specific cards as well. Customers can select from a wide range of cards to pay for everything from cars to school tuition and housing renovations.

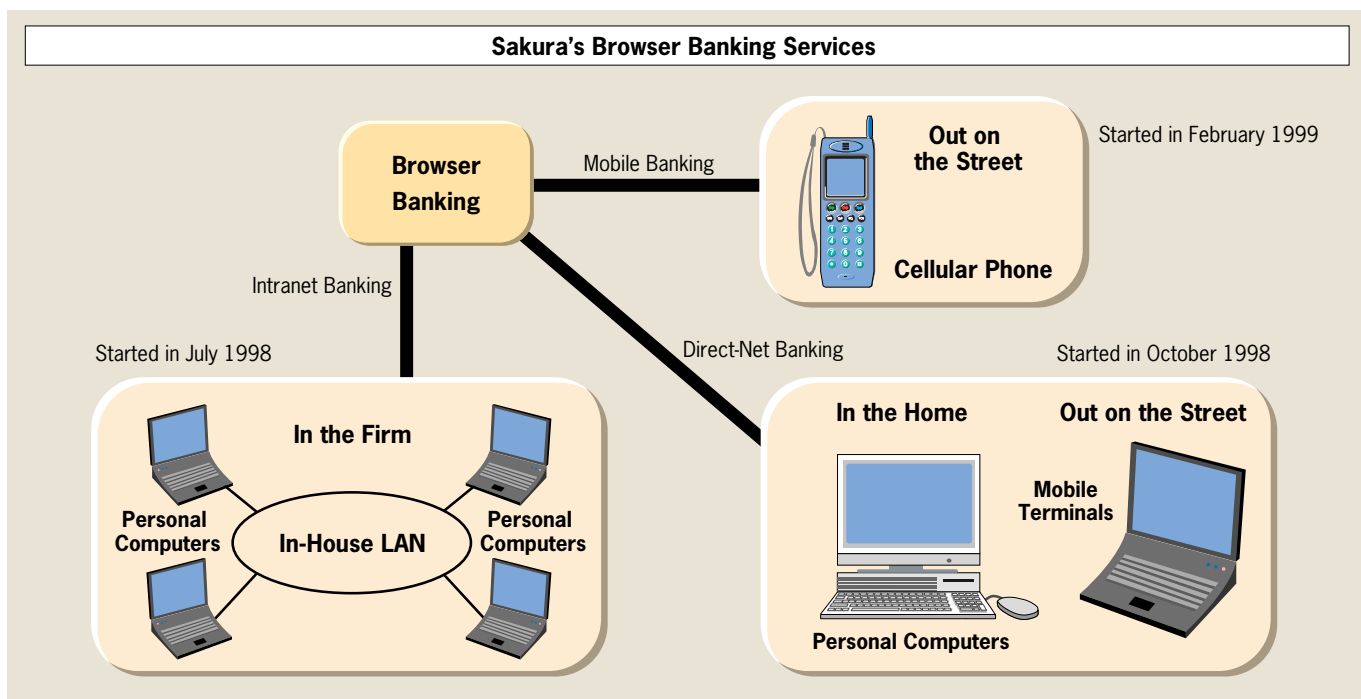
### Browser Banking

In July 1998, we started the Sakura Browser Banking service in response to the public's enthusiastic embrace of recent technological changes. This service allows individual customers to do their banking from a PC or mobile telephone. It is extremely convenient and cost effective since a standard Internet browser program and a modem is all that is required. Customers do not have to purchase special software or even maintain an account with an Internet service provider to access the Bank. They can check account balances, transfer funds to others, request product information, update their address information, submit loan applications, and use various simulations from a PC at home or

work. The account balance feature allows them to see detailed statements of their debits and credits, and the fund transfer feature permits them to send funds to other accounts without those accounts being pre-registered. As other banks do not currently offer these features, users of the service have singled us out for praise.

We first started this service using dedicated telecommunication lines connected to the intranets of select client companies. It proved so popular we expanded it to dial-up services on the Internet so that customers can use it from any PC with Internet capabilities. In February 1999, we opened a new channel with the introduction of the iMode mobile telephone banking service. Our customers can now effortlessly do their banking anytime, from literally anywhere, using, for example, their mobile phone.

In the process of taking this service from a concept to reality, we formulated three key objectives. The first was to provide the ability to use various media and to limit any constraints on time or place. The second was to keep the service free of any complex procedures required by customers. The third was to use secure networks and



systems with which all customers would be comfortable. By keeping these three objectives at the forefront of design considerations, we were able to rapidly expand the opportunities to use the service (the new iMode mobile telephones service, for example), offer an easy-to-use service and provide customers with a connection method that does not require an Internet account.

We will continue to augment this service with new technologies and network applications as they become available. We will also continue to extend service hours, add new products, diversify the access media and build the infrastructure for increased customer interaction.

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### **Private Banking**

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Our main strategies in the retail market also include stepping up efforts to attract high net worth individuals to our Private Banking division. The highly skilled financial advisors staffing this division are well versed in issues related to wealth preservation, such as business succession and real estate issues, and can offer investment advice backed by advanced portfolio simulation software.

We are adding to the convenience of our private banking customers. In August 1998, we set up private banking reception rooms in our domestic branches. This was followed in September by the establishment of the International PB Center at our Manufacturers Bank subsidiary in the United States. Japanese customers can call upon the Bank to open and access accounts in the U.S. for foreign remittances or asset management purposes, thereby assisting with their international diversification strategies.

To further assist these customers with asset management, we have more than 1,000 financial planners on staff to provide advice throughout our branch network. We plan

to increase the appeal of these services on an ongoing basis by quickly grasping and acting on customer needs.

#### **Joint Finance Centers Opened**

We opened a joint finance center with Mitsui Marine and Fire Insurance Co., Ltd., in February 1999. The industry's first multi-sector venture, this center will heighten customer convenience and keep up with demand for more diverse products. We will use this collaboration as a model for consumer-oriented joint ventures with other sections of the industry.

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### **Services for Small and Medium-Sized Businesses and the Middle Market**

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#### **Staying in Touch with Customer Needs**

Small and medium-sized businesses are the lifeblood and source of innovation in most economies. We are evolving our services in this segment to keep abreast of demand for increasingly diverse fund-raising methods. Our total factoring system, for example, converts the high-quality receivables of a business into instant cash flow, streamlines balance sheets and removes the burden of collecting and administering payments. We are also seeking to make bank finance more convenient with such developments as the Sakura Business Loan Office concept. Our first such office opened in the Kobe area in May 1999 to provide local businesses with personalized financial consultation.

In March 1999, we started the Sakura Venture Promotion fund under the auspices of Sakura Trust & Banking Co., Ltd., to provide an investment vehicle to customers and a source of financing for promising start-up companies. At the time of writing, this fund had invested a total of ¥34 million in 10 new ventures. Moreover, we operate several venture capital investment partnerships that are contributing to the growth of dynamic young companies.

## Corporate Banking Group

—Serving Large Corporations—

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### Business Support Services

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Initial public offerings (IPOs) offer the Bank an excellent opportunity to provide smaller businesses with a range of products and services distinct from those offered by securities companies. Our IPO consultants start by advising customers on the merits and demerits of public offerings, guiding them through the entire process with advice, referrals and direct assistance. We can also draw upon Sakura Capital Co., Ltd., and the Sakura Institute of Research as required to provide a full slate of services. Further support is supplied by our newsletters chronicling the experiences of companies that have just listed or floated new issues and by periodic seminars on the topic of public offerings.

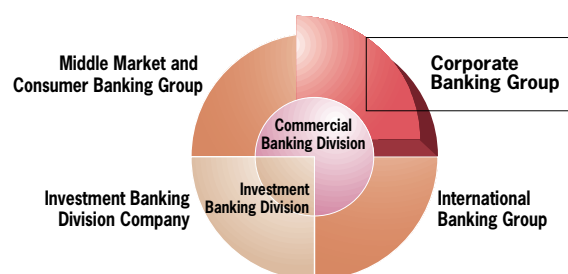
With the substantial changes sweeping through Japan's equity markets, investor relations (IR) have assumed increasing importance to listed companies. We are responding to these needs with an array of products and services. Most recently, we joined with the Sakura Institute of Research in starting an IR consultancy to help client companies communicate with the investment community and enhance corporate value.

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### International Trade Services

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The Bank offers a range of trade facilitation and foreign exchange services for smaller domestic companies operating abroad. In addition to making transactions effortless, we furnish customers with seasoned advice about their overseas activities. We provide detailed advice for companies newly entering the United States, for example, which is enjoying a sustained economic boom, or Asia, which is recovering from major financial crises, and for those that are adding to existing investments or restructuring operations. Customers can obtain the latest information through the regular seminars we offer on topics such as foreign exchange markets, Asia and other timely issues.



***The liberalization of financial regulations and the new accounting standards for corporate disclosure taking effect from April 2000 are changing the way companies manage themselves and their consolidated subsidiaries. We are using our long-standing expertise with major organizations and our cutting-edge financial engineering abilities to provide clients with proactive, tailored services suited to the new operating paradigm.***

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### Helping Customers Adapt to Change

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Changes in regulations and markets are occurring so fast that companies have to look outside their own organizations for expert advice. We seek to attract these companies as clients by offering new services to meet their changing needs. At present, we are cultivating staff with specialized knowledge, building proactive marketing systems and supporting both with advanced information networks and computer systems to enlarge our fee-based business. We follow a team approach in which a “relationship manager” works with various staff experts to provide truly customized solutions. We can help them achieve greater transaction processing efficiency; prepare information reporting and operating infrastructures to heighten their capital management, investment and fund-raising activities; and develop new financing schemes. We also provide services to assist parent companies coordinate financial planning and reporting with their constituent group companies.

## Advanced Services for Evolving Needs

### Pension Liability/Severance Allowance Actuary Services

In September 1998, we started actuary services to help corporations comply with new accounting standards for pension liabilities and severance allowances. We are the only city bank to offer this service. In fiscal 1998, we had 11 major corporations on contract for this service.

### Real Estate Project Finance

The introduction of new accounting rules, particularly with regard to consolidation, has sparked a growing need among large corporations to take existing real estate holdings off their balance sheets to remove the distorting effects of unrealized gains or losses on their results. In November 1998, we were the first in the industry to offer Domestic Real Estate Project Finance services. Contrary to conventional financing, these schemes are based on a non-recourse model that basically lays claim to the real collateral assets and their cash flow. The success of our initial contract for this service has prompted us to expand the resources, including staff, assigned to this service.

### Corporate Value Enhancement Packages

We now offer a service package that gauges the cumulative effects on a company's future consolidated balance sheets of new accounting rules for pension liabilities and securitization of domestic real estate holdings. The service calculates the estimated total effect on the company's ratings for debt issues, its stock price, etc. This service allows customers to run through various scenarios to select the one most likely to maximize their corporate value.

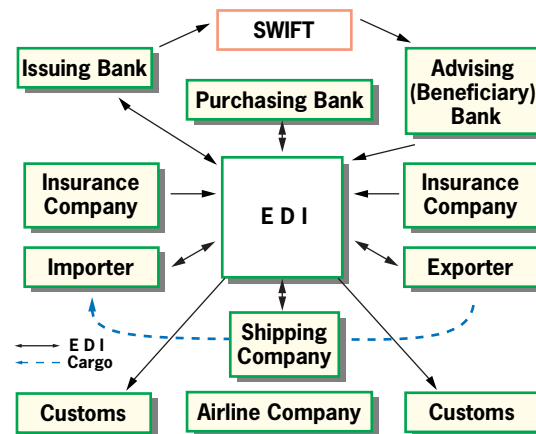
## Group Cash Management

We can offer group cash management systems and advice on setting up financial subsidiaries to help companies maximize the efficiency of their inter-group cash flows. We help them to obtain better investment and fund-raising results, reduce the financial accounting costs and save further costs through the centralization of finance and accounting functions.

### Response to the Shift to Electronic Settlements

The Bank is participating in the worldwide trial operation of the Bolero trade finance electronic data interchange system as a means of readying its operations for this type of system. We are also participating in the trial phase of another international trade related electronic settlements system promoted by the Ministry of International Trade and Industry. These trials are helping us to establish the work flows, standard formats and rules required to operate such systems. When they are fully implemented, these systems will greatly enhance the Bank's ability to process international trade transactions.

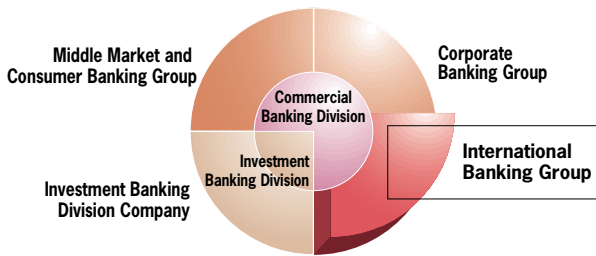
### Typical Trade Finance Electronic Data Interchange (EDI) System



### Raising Efficiency with Straight Through Processing

To assist companies in attaining greater efficiency, we are currently upgrading our support systems for real-time Straight Through Processing. This provides major corporations with greater control over their financial functions and speed up administrative processes. To allow the full customization of these services, we are also beefing up our technical support and systems advisory capabilities, providing one more reason for customers to select Sakura as their main bank.

# International Banking Group



***Japan's financial Big Bang, advances in information technologies and the rapid globalization of financial markets are providing the impetus for internationally active companies to step up their global activities. Sakura Bank is revamping its international business organization to meet the needs for increasingly sophisticated and specialized financial services. Our goal is to build a potent, highly efficient network ready for the challenges of the 21st century.***

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## **International Strategies—Offering High Value-Added**

### **Services at Home and Abroad**

Many of our clients are internationally active, creating demand for high value-added financial services both within Japan and abroad. Sakura Bank has established a solid business base, international expertise and full slate of financial services over its many years of overseas business operation. The Bank's new international strategies are predicated on the use of this business base and knowledge to satisfy the diverse needs of customers, particularly the Japanese-affiliated companies that form our core clientele and target market.

### **Offering Efficient Cash Management Services**

The revision of the Foreign Exchange Law in 1998 has stimulated demand for a greater diversity of services to facilitate flows of funds between members of international corporate groups and to assist with cross-border investing and fund-raising. To meet this demand, we offer a

generic global electronic banking (EB) service as well as customized services for individual needs.

### **Pursuing International Alliances**

We have established powerful relationships over many years with leading Japanese and international financial institutions to support companies raising capital offshore. We are particularly strong in Asia, providing backup support to companies entering the area and helping to rebuild the region's economies with the arrangement of syndicated finance.

### **Capitalizing on Leading-Edge Financial Expertise**

We are proud of the high concentration of extremely advanced, expert staff manning the offices in our international network, including the New York branch. This in-house expertise allows us to offer cutting-edge financial services as part of our regular services. Whether it is risk sharing to facilitate a client's international business development, corporate restructuring, balance sheet improvement strategies or any other requirement for complex cross-border services, we have a variety of leading financial know-how to get the job done accurately.

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## **Activities in Each Region**

### **Asia and Oceania**

In Asia, we are making extensive use of our network, one of the largest Japanese presences in the region, to provide timely and precise services in this area, which has been severely hit by the recent currency crises. As international financial institutions grapple with rebuilding the Asian economies, Sakura Bank used its broad base in Thailand to

arrange a US\$1 billion co-financing with the Asian Development Bank for the Export-Import Bank of Thailand in April 1998. This was followed in April 1999 by a ¥60 billion untied, two-step loan to the Siam Commercial Bank Co., Ltd., for which we served as the advisory bank to the Export-Import Bank of Japan. These deals demonstrate the widespread recognition of our leading role in the area.

We are also playing a major role in forming syndicates to refinance the debt of major local companies and sovereign entities in other countries in the region, which is generating additional leads for our fee-based business from both the public and private sectors.

To help Japanese customers to navigate Asia's rapidly changing economic conditions, we provide a steady flow of timely information on the region, punctuated by periodic investment seminars on recent developments. We are also continuing to strengthen our presence with equity positions in local financial institutions, which is greatly bolstering our cash management and settlement capabilities. In April 1998, we took a stake in Bangkok Bank PLC, Thailand's largest commercial bank. The following July, we signed master agreements for international cash management services with the Far East Bank and Trust Company in the Philippines and RHB Bank in Malaysia, the leading commercial banks in those countries. A similar agreement was inked in February 1999 with Bank Negara Indonesia, a national bank in Indonesia. We plan to use this network of alliances with locally based financial institutions to further heighten our services to Japanese affiliates who have invested in the region.

## The Americas

The U.S. economy is enjoying an unprecedented period of economic activity and the Latin American economies offer the promise of future development as emerging economies. To respond to the increasingly diverse and sophisticated needs of customers in these dynamic areas, we are forging ahead with developments in both the commercial and investment banking sectors.

For our Japanese-affiliated clientele, we offer a full range of advisory services for direct investment in the region as well as traditional fund-raising services. We also provide these customers with cutting-edge financial engineering in such areas as securitization and derivatives, mergers and acquisitions, and project finance. In fiscal 1998, Sakura Business Finance, Inc., began offering lease financing services, arranging large-scale equipment tax leases to assist companies in slimming their balance sheets and to raise funds. This business is particularly attractive because it expands our fee-based income.

For local companies, our extensive Asian network provides an attractive source of up-to-date information and an introduction to leading-edge financing schemes. In September 1998, for example, we served as the primary arranger of the equity portion of a Japanese-style leveraged lease to finance the purchase of telephone switching equipment for the affiliate of a major U.S. telecommunications firm. Following on the heels of the leveraged lease arranged by the Bank for a major semiconductor manufacturer last period, the above-mentioned deal demonstrates that this type of financing can be successfully applied to a wide variety of equipment outside the boundaries of aircraft finance.

## Investment Banking Division Company

—Leading-Edge Financial Services and Trading—

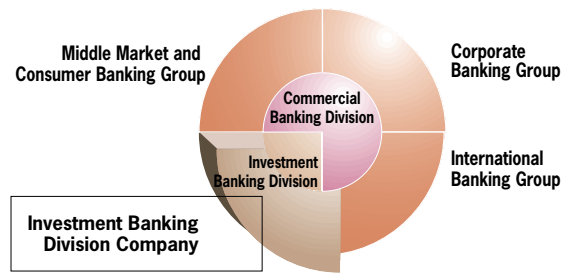
### Europe and the Middle East

In January 1999, major members of the European Community (EC) joined together to launch a single currency, the Euro, marking the culmination of a long period of market and currency integration. On its current path, the EC is expected to continue to grow in scope and to foster the further economic and policy convergence of its member states. To keep up with the needs of clients in these major changes, we are positioning our London branch as the central base from which to most efficiently serve the region with top-quality services. From this base branch, we are able to offer strategic information to clients in Japan that are pursuing investments in the region. We also host periodic in-depth seminars on relevant topics, which enables us to offer information pertinent to the needs of individual clients regarding the Euro's impact on organizations, distribution systems, transaction settlement systems, financial markets and local companies.

#### **Toward Greater Efficiency**

To increase efficiency, we are conducting a major overhaul of our international offices. The following changes have already been implemented:

<b>June 1998</b>	Rio de Janeiro based investment bank Banco Bozano, Simonsen S.A. in Brazil added to list of affiliates
<b>September</b>	Sakura Bank (Deutschland) GmbH closed Beijing Representative Office opened
<b>January 1999</b>	Madrid Branch and Ho Chi Minh City Representative Office closed
<b>March</b>	Paris Branch and Houston Agency closed
<b>May</b>	Mexico Representative Office closed
<b>June</b>	Budapest and Jakarta representative offices closed



**The Investment Banking Division Company operates in two major fields: corporate finance and trading, including foreign exchange, money markets and securities dealing. In October 1997, these operations were established as a separate internal company, the Investment Banking Division Company, to enhance the Bank's ability to offer high value-added financial services.**

### A Dynamic Organization

The Investment Banking Division Company comprises seven major departments including the merger and acquisition (M&A) expert team, and the Derivatives and Fixed Income Division, which is staffed by a team of cutting-edge financial engineers. The division company structure allows us to set the independent decision-making structures, personnel practices and budgeting procedures with the requisite flexibility for investment banking. For example, the division heads are endowed with decision-making authority on a presidential level to facilitate swift strategy execution. This applies equally to the realm of personnel management, where we have introduced results-oriented remuneration for employees in the expert and professional categories. The personnel rotation system is also primarily applied within the division company, allowing us to build up a formidable array of expertise and specialization within this organization.

It is no exaggeration to say that the ability to respond to the increasingly complex field of market risk is the deciding factor in the success of trading operations. At Sakura Bank, we have formulated a proprietary risk management system and organization that lets us contain and manage

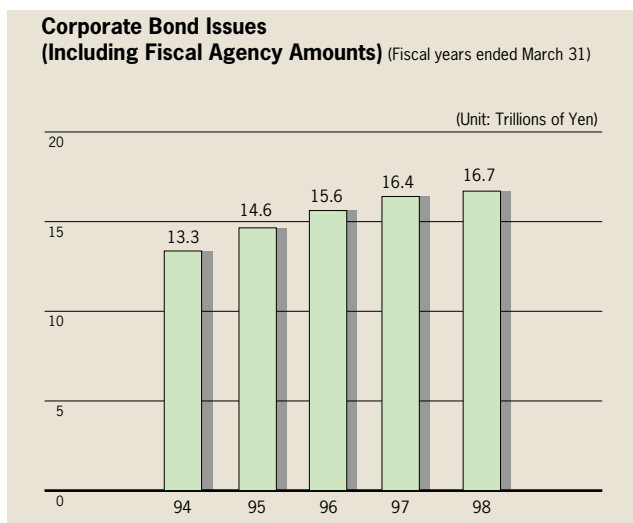


our own risk exposure and provide a full range of risk management advisory services to customers.

Subsidiary Sakura Securities Co., Ltd., a top ranking underwriter among the Japanese securities houses, is the linchpin of our corporate finance business, collaborating with each division of the Investment Banking Division Company and our other subsidiaries and affiliates worldwide. In October 1999, restrictions preventing the securities subsidiaries of banks from dealing in equities will be lifted, providing more opportunities for the Bank's professionals to offer high value-added services.

### Top Class as a Commissioned Bank

Sakura Bank is consistently in the top ranks of corporate bond issue operations in Japan. We offer a full range of services, from planning through to redemption, to assist the issue and processing of corporate bonds by domestic or foreign companies seeking to raise funds directly from investors. We also offer services as a commissioned company to the bondholders. It takes a diverse range of know-how to ensure that an issue is executed flawlessly. As a leading commissioned bank for many years, we have earned the confidence of issuers.



Fund-raising operations are increasing in volume and the corporate bond market continues to grow as Japan's financial Big Bang progresses. We plan to capitalize on our deep expertise in order to act as a leading bank in this field. During fiscal 1998, the low interest rate regime greatly stimulated the bond issuing market. We served as lead commissioned bank and fiscal agent for 88 issues amounting to ¥2,092 billion, making us the second largest Japanese commissioned bank by volume. We also secured the second position in Japan's private placement market, acting as lead commissioned bank for 246 issues.

### Mergers and Acquisitions

M&A activities are gaining increased relevance as a tool for implementing key business strategies in today's rapidly evolving economic environment. These activities are being used more and more to expand and reorganize businesses. The Bank's M&A teams in our Tokyo, Kobe, Osaka, New York and London offices comprise over 40 experienced staff specialists, who provide expert assistance to more than 400 M&A desks in our worldwide organization. This organization is used to advise customers in the arrangement and conclusion of M&A deals. In fact, since Sakura Bank was formed as a result of a merger in 1990, we have advised on more than 200 deals, putting us in the top tier of Japanese M&A. This field is continuing to grow as large corporations call upon us to advise on reorganizations, withdrawals from business fields and expansions of core businesses. In particular, clients are coming to us for advice on the use of share exchanges, which are being newly allowed, as well as on the implications of corporate reorganizations on consolidated financial accounting and taxation matters. Most recently, we have established an equity stake in and master service agreement with a Korean M&A boutique to tap the growing interest in M&A activities between that country and Japan.

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### **Direct Sales of Investment Trusts**

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In December 1998, the restrictions preventing banks from selling investment trust products in Japan were lifted, opening the route for Sakura Bank to handle them at its branches. To promote their sale, we are educating Japanese investors about their merits and the need for diversification strategies and long-term investing. We presently offer the largest selection of funds among the Japanese banks, handling 28 funds from 21 companies. To increase investor appeal, especially to first-time investors, we are working with the fund managers to provide marketing materials with a unified look to assist customers in selecting from among the numerous categories.

We now have specialized desks for investment products at 97 branches. Elsewhere, more than 1,000 graduates of our in-house financial planner courses provide specialized assistance. As of June 1999, this team had attracted more than ¥100 billion, making it one of the top sales forces among the Japanese banks.

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### **New Product Development**

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The Bank, continually looking for new ways to satisfy customer financing needs, has been offering domestic syndicated loans and commitment lines of credit as new and stable sources for its customers. Through the promotion of syndicated loans, it is possible to aid customers as the lead arranger to raise capital more effectively than through a bond issue. Similarly, commitment lines of credit help clients by improving short-term cash flows and by strengthening balance sheets. We are also actively arranging, as new fee-based business, syndicated loans that include commitment lines of credit that go beyond the conventional customer/bank relationship.

We are also a leader in the field of securitization. The ¥200 billion securitized commercial paper program we arranged was rated Prime-1 by Moody's Investor Service, the top rating for a short-term trust product. This top rating for the program reflected its innovative structure, which made the issue independent of the institutions holding the securitized loans. By these means, the Bank plans to improve its capital adequacy ratio and to strengthen its lending business.

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### **A Solid Response to Globalization**

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With the lifting of restrictions on foreign exchange, the cross-border flow of personal and corporate financial assets is picking up briskly. We were quick to capitalize on this trend, drawing on our round-the-clock network of currency desks under the direct control of our head office at our London, New York, Singapore and Hong Kong offices. A company investing in the United States or Europe, for example, can call upon us to raise or invest funds in US dollars or Euros, and to provide the necessary background information on which to base its decisions. With our strong Asian presence, we can just as readily advise clients on current trends and provide the direct investment and trade-related services required to set up operations in that region.

To reduce the risks inherent in operating overseas, we offer a full slate of derivative-enhanced investment products, such as our hybrid foreign currency denominated deposit product with options. We also offer advisory services to minimize the foreign-currency risks to which customers are exposed. These initiatives will ensure that we grow with our customers as they capitalize on the opportunities of globalization.

## Principal Domestic Subsidiaries

### Sakura Securities Co., Ltd.

Sakura Securities serves customers investing in and raising funds directly from the capital markets. In the procurement wing, it handles everything from standard debt instruments, such as straight bonds and convertible bonds, to complex derivative-enhanced products designed to streamline balance sheets, such as asset-backed securities. On the investment side, it ranges in scope from government and corporate bonds to engineered financial products incorporating derivatives.

The revision of the Securities and Exchange Law, in December 1998, enabled us to enter such new fields as over-the-counter derivatives for marketable securities. We will continue to upgrade our services to fulfill the diversified needs of our clients.

In fiscal 1998, its fifth period of operation, Sakura Securities earned revenue of ¥13.4 billion, while operating income topped ¥4.1 billion. We also achieved another significant performance in the underwriting field. It ranked fifth by volume as the lead arranger of straight bonds among all the domestic securities houses and second among the bank-affiliated ones. As of March 31, 1999, its capital adequacy ratio stood at 565%, underlining its robust financial position.

#### Operating Results

(Units: Millions of Yen, %)	Fiscal 1998	Fiscal 1997
Operating Revenue	¥ 13,424	¥ 5,330
Operating Income	4,102	(2,427)
Net Income	3,904	(2,448)
Paid-in Capital	25,000	25,000
Total Capital	39,718	35,813
Total Assets	¥1,860,517	¥1,346,790
Number of Employees	187	175
Capital Adequacy Ratio	565.0%	406.4%

### Sakura Trust & Banking Co., Ltd.

Sakura Trust & Banking offers a wide range of innovative trust products incorporating financial management features to meet the increasingly sophisticated demands of the investment community. Recognizing that long-term customer relationships are the foundation of the trust business, the subsidiary is striving to reinforce its specialized knowledge base and to create services that stand out from the pack. It offers investment and custody services for balance sheet items as well as various advanced off-balance sheet capital procurement products. Its money trust products, for example, help companies to lower the cost of capital and trim their balance sheets by securitizing their accounts receivable, trade notes receivable, lease receivables, credit receivables and loans receivable, while offering investors a lucrative investment vehicle. The

subsidiary also offers a complete range of securities trusts, which present income-generating opportunities by lending these securities to third parties in the form of securities trusts, money trusts, real estate trusts, money trusts (*tokkin*), securities investment trusts and charitable trusts.

Although Sakura Trust & Banking operated in the red its first year because of set-up costs, it has posted solid returns ever since fiscal 1996. In fiscal 1998, it recorded after-tax income of ¥125 million, enabling its long-standing deferred losses to be completely written off. Assets under management continue to increase steadily each year. Moreover, the balance of money trusts under management increased ¥300 billion during the term to break through the ¥1 trillion mark. Total assets under management now exceed ¥1.3 trillion.

#### Operating Results

(Unit: Millions of Yen)	Fiscal 1998	Fiscal 1997
Operating Income	¥ 1,561	¥ 1,603
Net Operating Income	234	255
Net Income	125	33
Paid-in Capital	10,000	10,000
Total Capital	10,026	9,900
Total Assets	37,092	26,859
Trust Assets under Management	¥1,363,537	¥1,192,632
Number of Employees	38	35

### Sakura Investment Management Co., Ltd.

Sakura Investment Management serves the complete spectrum of customers from individual to institutional investors with asset management services. Drawing upon the resources of the group network to provide information and analyses, this subsidiary conducts company visits to assist in selecting stocks and debt issues for its portfolios.

Since December 1998, when the parent bank was permitted to sell investment trusts through its branch network, this subsidiary has provided a number of diverse managed funds. *The Sakura Nihon Kabu Open*, for example, is continually ranked as the top fund by the Investment Trusts Association, Japan, and receives favorable ratings from all the agencies.

#### Operating Results

(Unit: Millions of Yen)	Fiscal 1998	Fiscal 1997
Operating Revenues	¥ 2,441	¥ 1,926
Operating Profit	(304)	38
Net Operating Income	(302)	37
Net Income	(416)	21
Paid-in Capital	1,280	1,280
Total Capital	1,594	2,025
Assets under Management (Billions of Yen)	7,243	8,813
[Pension related funds]	¥[2,675]	¥[2,791]
Number of Employees	108	117