

## Financial Section

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## Selected Consolidated Financial Data

Years Ended March 31  
Millions of Yen

	1999	1998	Change
<b>Income Statement Data:</b>			
Interest Income	<b>¥1,629,912</b>	¥1,760,318	¥(130,406)
Interest Expenses	<b>1,027,406</b>	1,151,604	(124,198)
Net Interest Income	<b>602,505</b>	608,714	(6,209)
Provision for Possible Loan Losses	<b>469,486</b>	616,924	(147,438)
Net Interest Income (Loss) after Provision for Possible Loan Losses	<b>133,019</b>	(8,210)	141,229
Fees and Commissions, Net	<b>115,995</b>	77,574	38,421
Trading Revenue	<b>23,788</b>	14,346	9,442
Other Operating Income, Net	<b>63,778</b>	55,617	8,161
General and Administrative Expenses	<b>517,241</b>	494,105	23,136
Other Income	<b>267,656</b>	924,685	(657,029)
Other Expenses	<b>793,303</b>	692,473	100,830
Transfer from Other Reserves, Net	<b>48</b>	22,215	(22,167)
Loss before Income Taxes	<b>706,257</b>	100,349	605,908
Income Taxes	<b>(217,818)</b>	(11,552)	(206,266)
Minority Interests in Net Income (Loss) of Consolidated Subsidiaries	<b>(9,172)</b>	133	(9,305)
Equity in Earnings of Affiliates	<b>—</b>	629	(629)
Net Loss	<b>¥ 479,266</b>	¥ 88,301	¥ 390,965
Per Share (in Yen):			
Net Loss	<b>¥124.72</b>	¥ 25.51	¥ 99.21
Stockholders' Equity	<b>331.28</b>	446.47	(115.19)
Cash Dividends:			
Common Stock	<b>7.25</b>	8.50	(1.25)
Preferred Stock:			
Series I	<b>—</b>	22.50	(22.50)
Series II	<b>15.00</b>	15.00	—
Series III	<b>0.04</b>	—	0.04

## Financial Review

### Income Analysis

#### Net Interest Income

The Bank's net interest income on a consolidated basis fell ¥6.2 billion, or 1.0%, to ¥602.5 billion (US\$4,997 million) from the previous fiscal year. This drop was mainly due to

the reduction of overseas interest-earning assets in the International Banking Group.

#### Indicators of Net Interest Income (Consolidated)

Years Ended March 31  
Millions of Yen

	1999	1998	Change
<b>Interest Income</b>			
Interest on Loans and Discounts	¥ 909,981	¥1,034,903	¥(124,922)
Interest and Dividends on Securities	146,093	181,790	(35,697)
Other Interest Income	573,837	543,624	30,213
	<b>¥1,629,912</b>	<b>¥1,760,318</b>	<b>¥(130,406)</b>
<b>Interest Expenses</b>			
Interest on Deposits	¥ 352,968	¥ 546,239	¥(193,271)
Interest on Borrowings, Bonds and Rediscounts	128,404	175,671	(47,267)
Other Interest Expenses	546,034	429,693	116,341
	<b>¥1,027,406</b>	<b>¥1,151,604</b>	<b>¥(124,198)</b>
<b>Net Interest Income</b>	<b>¥ 602,505</b>	<b>¥ 608,714</b>	<b>¥ (6,209)</b>

#### Provision for Possible Loan Losses

On a consolidated basis, the Bank decreased its provision for possible loan losses ¥147.4 billion, from ¥616.9 billion in fiscal 1997, ended March 31, 1998, to ¥469.4 billion (US\$3,894 million) in fiscal 1998, ended March 31, 1999. On a non-consolidated basis, the Bank disposed of nonaccrual loans to strengthen its credibility and financial position and recognized ¥1,023.5 billion (US\$8,490 million) in loan losses. This total

included a provision and written-off claims of ¥647.1 billion (US\$5,367 million) based on the result of the Bank's self-assessment; losses of ¥331.9 billion (US\$2,753 million) arising from financial assistance provided to supported companies; and losses of ¥44.4 billion (US\$368 million) on sales of nonaccrual loans and others.

#### Fees and Commissions, Net

Fees and commissions (income) rose ¥60.1 billion, or 47.3%, to ¥187.3 billion (US\$1,553 million), as credit guarantee companies and a credit card company were newly consolidated in fiscal 1998. Fees and commissions (expenses) increased by ¥21.7 billion, or 43.8%, to ¥71.3 billion (US\$591 million).

Fees and commissions, net, therefore, rose ¥38.4 billion, or 49.5%, to ¥115.9 billion (US\$962 million). Other includes fees and commissions from deposit and loan operations and securities operations.

## Indicators of Fees and Commissions, Net (Consolidated)

Years Ended March 31  
Millions of Yen

	1999	1998	Change
<b>Fees and Commissions (Income)</b>			
Remittances and Transfers	¥ 52,658	¥ 55,307	¥ (2,649)
Other	134,652	71,877	62,775
	¥187,311	¥127,184	¥60,127
<b>Fees and Commissions (Expenses)</b>			
Remittances and Transfers	¥ 11,793	¥ 13,623	¥ (1,830)
Other	59,522	35,986	23,536
	¥ 71,316	¥ 49,609	¥21,707
<b>Fees and Commissions, Net</b>	<b>¥115,995</b>	<b>¥ 77,574</b>	<b>¥38,421</b>

## Trading Revenue (Consolidated)

Years Ended March 31  
Millions of Yen

	1999	1998	Change
Revenue from Trading Securities and Derivatives	¥13,778	¥ 4,715	¥ 9,063
Revenue from Securities and Derivatives Related to Trading Transactions	3,058	5,821	(2,763)
Revenue from Trading-related Financial Derivatives Transactions	4,051	2,382	1,669
Other Trading Revenue	2,900	1,426	1,474
<b>Total</b>	<b>¥23,788</b>	<b>¥14,346</b>	<b>¥ 9,442</b>

## Other Operating Income, Net

Other operating income on a consolidated basis increased ¥31.7 billion, or 43.6%, to ¥104.5 billion (US\$866 million). This increase reflected primarily gains on sales of bonds in the domestic market.

Other operating expenses increased ¥23.5 billion, or 137.4%, to ¥40.7 billion (US\$337 million), due mainly to an increase of ¥15.4 billion in losses on sales of bonds.

Thus, other operating income, net, on a consolidated basis increased ¥8.1 billion, or 14.7%, to ¥63.7 billion (US\$529 million).

## Indicators of Other Operating Income, Net (Consolidated)

Years Ended March 31  
Millions of Yen

	1999	1998	Change
<b>Other Operating Income</b>			
Gains on Foreign Exchange Transactions	¥ 18,753	¥10,294	¥ 8,459
Gains on Sales of Bonds	81,662	58,512	23,150
Gains on Redemption of Bonds	3,133	3,191	(58)
Other	954	776	178
<b>Total</b>	<b>¥104,503</b>	¥72,774	¥31,729
<b>Other Operating Expenses</b>			
Losses on Sales of Bonds	¥ 22,395	¥ 6,987	¥15,408
Losses on Redemption of Bonds	7,529	7,844	(315)
Losses on Devaluation of Bonds	3,920	1,701	2,219
Other	6,880	623	6,257
<b>Total</b>	<b>¥ 40,725</b>	¥17,157	¥23,568
<b>Other Operating Income, Net</b>	<b>¥ 63,778</b>	¥55,617	¥ 8,161

## General and Administrative Expenses

As a result of continuing measures to enhance efficiency, the Bank reduced its salaries and welfare expenses. In addition, taxes and public impositions were down ¥5.8 billion, or 15.6%, to ¥31.5 billion (US\$262 million), due to the decrease in securities transaction tax. However, the Bank's general and

administrative expenses increased ¥23.1 billion, to ¥517.2 billion (US\$4,290 million), mainly because of the increase of expenses associated with investments in information-related equipment and the addition of newly consolidated subsidiaries' general and administrative expenses.

## General and Administrative Expenses (Consolidated)

Years Ended March 31  
Millions of Yen

	1999	1998	Change
Salaries and Welfare Expenses	¥238,437	¥238,256	¥ 181
Retirement Benefits	21,651	22,342	(691)
Depreciation	37,528	33,262	4,266
Rent and Lease Expenses	43,750	42,732	1,018
Taxes and Public Impositions	31,597	37,416	(5,819)
Other	144,275	120,094	24,181
<b>Total</b>	<b>¥517,241</b>	¥494,105	¥23,136

## Other Income and Expenses

Other income on a consolidated basis was down ¥657.0 billion, or 71.1%, to ¥267.6 billion (US\$2,220 million), primarily because of a decrease of ¥464.1 billion in gains on sales of stocks and other securities.

Other expenses rose ¥100.8 billion, or 14.6%, to ¥793.3 billion (US\$6,580 million) due to an increase of ¥464.1 billion in written-off claims.

Other income (expenses), net, fell ¥757.8 billion from the previous year, to register net other expenses of ¥525.6 billion (US\$4,360 million).

## Other Income and Expenses (Consolidated)

Years Ended March 31  
Millions of Yen

	1999	1998	Change
<b>Other Income</b>			
Gains on Sales of Stocks and Other Securities	¥ 155,531	¥619,696	¥(464,165)
Gains on Money Held in Trust	2,013	3,265	(1,252)
Gains on Dispositions of Premises and Equipment	72,683	284,092	(211,409)
Recoveries of Written-off Claims	1,262	1,519	(257)
Other	36,165	16,111	20,054
<b>Total</b>	<b>¥ 267,656</b>	¥924,685	¥(657,029)
<b>Other Expenses</b>			
Written-off Claims	¥ 476,048	¥ 11,858	¥ 464,190
Losses on Sales of Stocks and Other Securities	52,189	77,782	(25,593)
Losses on Devaluation of Stocks and Other Securities	108,369	8,754	99,615
Losses on Money Held in Trust	5,903	1,037	4,866
Enterprise Taxes	—	(8,137)	8,137
Losses on Dispositions of Premises and Equipment	4,062	4,576	(514)
Losses Arising from Financial Assistance Provided to Supported Companies	—	305,738	(305,738)
Other	146,729	290,862	(144,133)
<b>Total</b>	<b>¥ 793,303</b>	¥692,473	¥ 100,830
<b>Other Income (Expenses), Net</b>	<b>¥(525,646)</b>	¥232,211	¥(757,857)

## Net Loss

Loss before income taxes on a consolidated basis increased by ¥605.9 billion, to ¥706.2 billion (US\$5,858 million), compared with ¥100.3 billion for the previous fiscal year. Net loss

increased by ¥390.9 billion, to ¥479.2 billion (US\$3,975 million).

## Balance Sheet Analysis

### Balance Sheet Data at Year-end (Consolidated)

March 31 Millions of Yen	1999	1998	Change
Total Assets	<b>¥49,015,005</b>	¥53,160,330	¥(4,145,325)
Loans and Bills Discounted	<b>32,962,873</b>	35,982,912	(3,020,039)
Securities	<b>6,264,893</b>	6,446,756	(181,863)
Total Liabilities	<b>46,536,936</b>	51,433,592	(4,896,656)
Deposits	<b>33,368,615</b>	36,894,352	(3,525,737)
Reserves	<b>824,393</b>	1,224,880	(400,487)
Total Stockholders' Equity	<b>2,174,486</b>	1,726,737	447,749

### Asset Portfolio

The Bank's total assets fell ¥4,145.3 billion, or 7.8%, to ¥49,015.0 billion (US\$406,594 million). This decrease was mainly due to declines in both loans and cash and due from banks.

### Loan Portfolio

Loans and bills discounted at the end of fiscal 1998 were ¥32,962.8 billion (US\$273,437 million), which constituted 67.3% of total assets. Loans and bills discounted decreased by ¥3,020.0 billion, or 8.4% from the previous fiscal year-end. This decrease was due primarily to the decrease of overseas loans and bills discounted, the direct deduction of the claims of "virtual bankruptcy" and "legal bankruptcy" exceeding the estimated value of those claims' collateral or guarantees and the disposition of nonaccrual loans.

The Bank's loans and bills discounted on a non-consolidated basis fell ¥2,792.5 billion, or 7.9%, to ¥32,291.2 billion (US\$267,866 million). The breakdown for outstanding loans and bills discounted on a non-consolidated basis included ¥28,706.3 billion (US\$238,127 million) for domestic lending and ¥3,584.9 billion (US\$29,738 million) for international lending.

### Securities Portfolio

To substantially increase the soundness of its assets, the Bank reviews its holdings of securities periodically, and, as a result, the Bank's securities portfolio on a consolidated basis fell

¥181.8 billion, or 2.8%, to ¥6,264.8 billion (US\$51,969 million).

### Funding

Total liabilities at the end of fiscal 1998 were ¥46,536.9 billion (US\$386,038 million), which represented a ¥4,896.6 billion, or 9.5%, decrease from the previous year-end due

primarily to a decrease in deposits of ¥3,525.7 billion, or 9.6%, from the previous fiscal year-end as the Bank engaged in efficient fund-raising.

## Reserves

The Bank makes provisions for possible loan losses, the reserve for retirement allowances, and other reserves in accordance with the Accounting Standards for Banks in Japan. Total reserves fell ¥400.4 billion, to ¥824.3 billion (US\$6,838 million), on a consolidated basis, reflecting, in particular, a decrease of ¥522.5 billion in the specific reserve.

In accordance with the Accounting Standards for Banks, the “Reserve for Possible Loan Losses” has been established based on the Bank’s internal rules for establishing a reserve for possible loan losses.

Customers are initially classified into 10 categories, in accordance with the Bank’s own credit rating system. All claims that the Bank extended to its customers are then classified into five categories, including “normal,” “caution,” “possible bankruptcy,” “virtual bankruptcy” and “legal bankruptcy,” as defined by the report of the Japanese Institute of Certified Public Accountants.

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories and the fair value of the collateral for collateral-secured loans and other factors of solvency for other self-assessment categories.

For foreign claims, there is a reserve for loans to restructuring countries which has been established based on losses estimated by considering political and economic situations in those countries.

All claims are being assessed by the branches and credit supervision divisions based on the Bank’s internal rules for the self-assessment of asset quality. The Asset Review and Inspection Division, which is independent from branches and credit supervision divisions, conducts audits of these assessments, and a reserve is established based on the audit results.

### Reserve for Possible Loan Losses (Consolidated)

March 31

Billions of Yen

	1999	1998
General Reserve	¥242.6	¥ 117.8
Specific Reserve	424.0	946.5
<b>Total</b>	<b>¥666.6</b>	<b>¥1,064.3</b>

Note: Specific reserve includes reserve for loans to restructuring countries.

## Capital Resources

Total stockholders’ equity rose ¥447.7 billion, or 25.9%, to ¥2,174.4 billion (US\$18,038 million), on a consolidated basis. The Bank declared cash dividends of ¥4.25 per common share for the first half and ¥3.00 for the second half of fiscal 1998, bringing the total annual dividend to ¥7.25 per share.

Cash dividends of ¥7.50 per Series II Preferred Stock were declared for the first and second halves of the fiscal year; thus, the total annual dividend per Series II Preferred Stock was ¥15.00 per share. Also, the annual cash dividend per Series III Preferred Stock (Type-2) was ¥0.04 per share.



## Capital Adequacy

The Bank's capital ratio on a consolidated basis, as of March 31, 1999, based on requirements established by the Bank for International Settlements, was 12.33%, 3.21 percentage points higher than at March 31, 1998. Risk-adjusted assets

fell ¥4,101.4 billion, to ¥33,399.2 billion (US\$277,057 million), at fiscal year-end as a result of the reduction in overseas interest-earning assets. Total capital increased by ¥697.8 billion, to ¥4,120.6 billion (US\$34,181 million).

## Capital Ratio (Consolidated, BIS Guidelines)

March 31

Millions of Yen, %

	1999	1998
<b>Tier I Capital</b>	<b>¥ 2,396,833</b>	¥ 1,711,390
<b>Tier II Capital</b>		
Unrealized Gains on Securities, after 55% Discount	—	—
Reserve for Unrealized Appreciation of Land, after 55% Discount	<b>53,249</b>	97,653
Reserve for Possible Loan Losses	<b>242,654</b>	117,831
Subordinated Term Debt (with Original Maturity of over Five Years)	<b>1,428,886</b>	1,570,316
Total	<b>1,724,789</b>	1,785,801
Tier II Capital Includable as Qualifying Capital	<b>1,724,789</b>	1,711,390
Short-term Subordinated Debt	—	—
Tier II Capital Includable as Qualifying Capital	—	—
Cross-holdings with Other Financial Institutions	<b>(999)</b>	—
<b>Total Qualifying Capital</b>	<b>¥ 4,120,623</b>	¥ 3,422,780
<b>Risk-Adjusted Assets</b>		
On-Balance-Sheet Items	<b>¥30,629,473</b>	¥34,146,558
Off-Balance-Sheet Items	<b>2,518,086</b>	3,030,584
Adjusted Risk-weighted Assets	<b>33,147,559</b>	37,177,142
Market Risk Equivalent Assets	<b>251,725</b>	323,590
Measure for Market Risk	<b>20,138</b>	25,887
Total	<b>¥33,399,284</b>	¥37,500,733
<b>Capital Ratio</b>		
Final Formula	<b>12.33%</b>	9.12%

Notes: 1. The above figures were calculated in accordance with guidelines established by the Ministry of Finance.

2. Reserve for possible loan losses excluded the specific reserve and reserve for loans to restructuring countries.

3. Following the introduction of BIS market risk regulations on January 1, 1998, an amount corresponding to the volume of market risk has been included as a supplementary item.

## Return on Equity and Assets (Non-Consolidated)

Years Ended March 31

Millions of Yen, %

	1999	1998
Net Loss	<b>¥ 375,315</b>	¥ 220,516
Average Total Assets	<b>50,262,481</b>	53,787,481
Average Total Assets, excluding Customers' Liabilities for Acceptances and Guarantees	<b>47,215,251</b>	50,375,675
Average Stockholders' Equity	<b>1,118,523</b>	1,520,222
Net Income as a Percentage of:		
Average Total Assets	—%	—%
Average Total Assets, excluding Customers' Liabilities for Acceptances and Guarantees (ROA)	—%	—%
Average Stockholders' Equity (ROE)	—%	—%

Note: Percentages related to Net Income were not calculated because the Bank posted losses in both fiscal 1998 and 1997.

## Derivative Financial Instruments and Foreign Exchange Forward Contracts

March 31 Billions of Yen	1999		1998	
	Contract Value or Notional Principal Amount	Credit Equivalent Amount	Contract Value or Notional Principal Amount	Credit Equivalent Amount
Interest Rate Swaps	¥ 85,027.2	¥1,457.8	¥ 72,845.9	¥ 1,315.9
Currency Swaps	4,498.6	425.7	5,397.4	572.2
Foreign Exchange Forward Contracts	9,371.8	336.7	21,947.9	1,006.9
Interest Rate Options (Buy)	2,668.9	52.4	2,957.1	43.8
Currency Options (Buy)	466.2	12.5	1,557.0	43.2
Other Derivative Instruments	6,669.7	64.9	3,213.7	71.8
Effects of Master Netting Agreements		(1,024.3)		(1,244.8)
<b>Total</b>	<b>¥108,702.5</b>	<b>¥ 1,325.8</b>	<b>¥107,919.2</b>	<b>¥ 1,809.2</b>

Notes: 1. Figures given above were computed according to capital adequacy guidelines set by the BIS. For the fiscal year under review, the current exposure method was used in computing the credit equivalent amounts.

2. Master netting agreements mitigate credit risk by permitting the offset of amounts due from and to individual counterparties in the even of counterparty default.

3. The amounts of transactions excluded from capital adequacy guidelines are transactions on public exchanges and foreign exchange related transactions for which the original contract has a duration of 14 days or less. The amounts of such transactions are shown below.

March 31 Billions of Yen	1999	1998
	Contract Value or Notional Principal Amount	Contract Value or Notional Principal Amount
Foreign Exchange Forward Contracts	¥ 2,477.0	¥ 2,857.6
Interest Rate Options (Sell)	15,302.3	3,145.6
Interest Rate Options (Buy)	7,005.2	16,053.2
Currency Options (Sell)	472.2	1,726.6
Currency Options (Buy)	7.2	1.3
Interest Rate Futures Transactions	38,028.5	47,287.1
Other	1.1	—
<b>Total</b>	<b>¥63,293.8</b>	<b>¥71,071.7</b>

## Credit-Related Transactions

March 31 Billions of Yen	1999	1998
	Contract Value	Contract Value
Commitments	¥6,699.5	¥ 8,529.5
Guarantees	1,968.1	1,974.9
Other Credit-Related Transactions	1,186.4	740.7
<b>Total</b>	<b>¥9,854.0</b>	<b>¥11,245.2</b>

# ROE Management

ROE management is used in essential aspects of the Bank's administration. First, it is a tool used to allocate capital to businesses with higher returns on equity to meet the objectives of the Bank's "Selectivity and Concentration" strategy. Second, it is one of the underlying concepts of the Bank's "Plan toward Soundness of Management." Finally, it is the most effective means of working toward two major operating objectives: to respond to customer needs while maintaining safety and to furnish shareholders and investors with profitable investment opportunities.

The Bank divided its operations into business units with the introduction of the in-house company and group system a few years back. These business units are used to allocate management resources, which, in the case of ROE management, primarily translates to the allocation of capital. The Bank's capital is allocated to each company or group and the performance of each business unit is evaluated against its allotment. The performance evaluation is then used to reallocate resources to the most profitable businesses to enhance "Selectivity and Concentration." To maintain safety, risk is controlled within the limits of a business unit's allocated capital so that the aggregate risk exposure of the Bank remains at prudent levels.

To improve profitability while maintaining capital integrity, each business unit is charged with pricing its services in line with the risks incurred. This produces what we call "integrated ROE," namely, the risk-adjusted return on equity. It provides a standard performance indicator that can be applied to all sections of the Bank regardless of the business type. The accompanying chart shows the formula for calculating integrated ROE. In addition to the usual practice of subtracting expenses

from gross operating profit, we also deduct the credit costs. Credit costs are calculated as the average future expected losses based on historical data. The result is an income figure that takes risk into consideration.

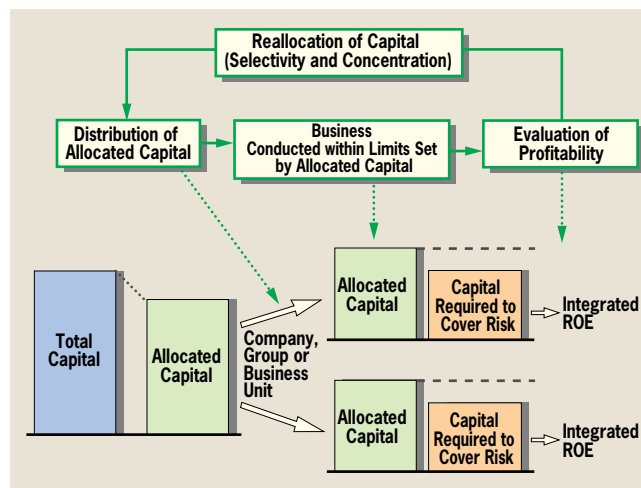
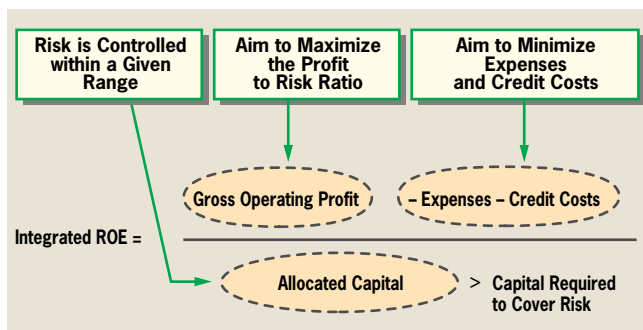
## The Management Plan

The chart below shows the process for establishing the management plan. Capital is allocated to each business unit, each unit seeks to maximize profits with its allotted capital, performances are evaluated and capital is reallocated with a bias toward units demonstrating higher risk-adjusted returns over the long term.

In the initial capital allocation, total capital is partially divided among the various companies or groups as "allocated capital." A certain measure of capital is held in reserve to permit the Bank to launch new businesses as opportunities arise. Next, each company or group measures the actual capital required to cover risk against the allocated capital and tries to maximize returns while keeping the risk at appropriate levels. The integrated ROE is used to judge the results.

The integrated ROE figure is not the only information on which to base long-term management planning, but over time the redirection of capital to business units with higher ROE or future growth potential will result in the most effective and efficient allocation of resources. Ultimately, this will contribute to the Bank's stability and profitability.

ROE management can be used to evaluate both the lending business, which is managed primarily by controlling credit risk and interest rate spreads, and the investment banking business, which is managed chiefly by controlling market risk.



## Profit by Segment and Integrated ROE

### Profit by Segment

In fiscal 1998, the domestic divisions of the Bank, particularly the retail banking segment in which we have secured the largest market share, accounted for more than 70% of income. Although overseas divisions generated a deficit because of one-time restructuring charges and the rapid contraction of assets, we anticipate their return to profitability in subsequent periods.

The Corporate Treasury Division and other divisions recorded a net operating profit of ¥52.1 billion, owing to increased bond trading profits arising from the low-interest rate regime, which more than offset yen-denominated ALM, trading and capital costs. We do not anticipate that this favorable trend will be sustained over the long term.

### Integrated ROE by Segment

In fiscal 1998, we added integrated ROE to the traditional performance indicators used to track and manage the Bank's business units. The integrated ROE for the entire Bank was 1.9%. A breakdown of this average shows that the integrated ROE was 0.1% for the domestic divisions and negative 6.9%

for the overseas divisions, while the Investment Banking Division Company achieved an integrated ROE of 5.7% and the Corporate Treasury and other divisions attained 3.8%. Although these figures indicate that the capital markets business outperformed the lending business during the period under review, the lending business incurred extraordinary credit costs that will not be sustained at the same level in the future. Thus, the integrated ROE of these operations should improve dramatically. The same applies to the international divisions, which incurred heavy one-time charges during the period, and which will thus likely see a sharp recovery in integrated ROE in subsequent years.

By fiscal 2002, we plan to raise the Bank's average integrated ROE to 9.1%. This will be achieved primarily by raising the integrated ROE of the domestic divisions to the 18% level. We will pare credit costs, raise revenues by rebuilding the loan portfolio with loans earning returns commensurate with the risk, and cut expenses by reforming service delivery channels and downsizing. In the overseas divisions, we will continue to restructure by withdrawing from lending to non-Japanese affiliated businesses and concentrating on Japanese affiliates to improve the integrated ROE to the 7% level.

## Income by Segment

Segment	Units: Billions of Yen, %					
	Fiscal 1997	Fiscal 1998			Fiscal 2002	
	Net Operating Income	Gross Operating Income	Expenses	Net Operating Income	Integrated ROE	Projected Integrated ROE
Domestic Divisions	¥209.2	¥527.8	¥333.5	¥194.3	0.1%	18.1%
Overseas Divisions	14.1	26.1	28.1	(2.0)	(6.9)	6.9
Investment Banking Division Company	40.9	50.1	20.4	29.7	5.7	7.7
Corporate Treasury and Other Divisions	31.2	95.1	43.0	52.1	3.8	1.9
Total	¥295.4	¥699.1	¥425.0	¥274.1	1.9%	9.1%

## Overview of Measures to Deal with Nonperforming Loans (Non-Consolidated)

In fiscal 1998, the Bank disposed of nonperforming loans of ¥1,023.5 billion to strengthen its balance sheet in accordance with the Financial Reconstruction Commission's reserve guidelines and the Financial Supervisory Agency's inspection manual. Of this amount, ¥647.1 billion was set up for reserve of loan loss provision based on self-assessment, ¥331.9 billion was recorded as losses on financial assistance provided to supported companies and ¥44.4 billion was recorded as a loss from the sale of nonperforming loans.

The large increase in provisions and written-off claims was made as a precautionary measure for two purposes. First, it remains unclear when the Japanese economy will recover sufficiently to prevent further bankruptcies. Second, we set aside provisions well in excess of actual default rates to help restore confidence in the Japanese financial system and wipe out any lingering causes of uncertainty.

Specifically, we set aside provisions amounting to 70% of all claims in the "possible bankruptcy" category. We also increased provisions for claims in the "caution" and "normal" categories as a preventative measure in the event of asset deterioration in the near future. The reserve for possible loan losses was thereby substantially augmented.

Support was extended to subsidiaries and affiliated companies that will play important roles in our retail banking strategies, including companies in the mortgage securitization, collection agency, leasing, factoring and loan guarantee businesses. The additional investment in these companies was extended on the rationale that they offer services integral to our retail strategies, that it was necessary to shore up their capital, and that they would restructure within a short time-frame. The funds were used to write-off outstanding debt owed to the parent bank and to set aside provisions to cover the entire amount of support required for the restructuring period after fiscal 1999, thereby eliminating any further need for write-offs of financial assistance.

In compliance with the Financial Revitalization Law, the Bank has begun from fiscal 1998 to disclose the amounts of

loans classified by the Bank's self-assessment into the "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy" and "caution" categories where the loan is past due by three months or more. The total outstanding balance of these loans amounted to ¥1.8 trillion. More than 70% of this outstanding balance is covered by reserves or collateral, which we believe is a sufficient level for nonaccrual criteria. We further believe that the written-off claims and provisions undertaken in the period under review have strengthened our balance sheets with regard to nonperforming loans to an extent sufficient enough to significantly reduce credit risk exposure in subsequent years.

Furthermore, we intend to sell off more of the nonperforming portion of our loan portfolio and remove more nonperforming loans off our books by stepping up recovery through Sakura Servicing Co., Ltd., a subsidiary established in March 1999.

We are improving our credit processing systems with the introduction of a computerized credit monitoring system and an electronic loan approval system, which will standardize and raise the administrative efficiency of our credit system. In addition, our credit management systems are being reinforced, notably through extensive use of credit ratings and the quantification of credit risk. The combination of these various measures will assist us in optimizing our portfolio for profitability and soundness.

	Unit: Billions of Yen		
	Fiscal 1998	Fiscal 1997	Difference
Total Loan Losses	<b>¥1,023.5</b>	¥1,181.0	-¥157.5
General Reserve for Possible Loan Losses	<b>101.1</b>	1.7	99.4
Net Addition to Specific Reserves and Written-off, etc.	<b>546.0</b>	612.1	-66.1
Losses on Financial Assistance Provided to Supported Companies	<b>331.9</b>	305.7	26.2
Losses on Sales of Nonperforming Loans, etc.	<b>44.4</b>	261.4	-217.0

### Overview of Risk-Monitored Loans

Starting from fiscal 1998, the disclosure standards for risk-monitored loans have been changed, bringing them in line with the standards for the self-assessment process. According to the previous standards based on the Corporate Tax Law, the loans on which the Bank discontinued the accrual for interest income for accounting purposes are disclosed as "loans to borrowers in legal bankruptcy/past due loans." To clarify the relationship between the amounts of loans disclosed under the

self-assessment and the risk-monitored loan system, loans classified in the self-assessment category of "legal bankruptcy" are made to correspond to the "loans to borrowers in legal bankruptcy" category for disclosure purposes. Similarly, the combined total of the "virtual bankruptcy" and "possible bankruptcy" categories corresponds to the "past due loans" category for disclosure.

The balance of loans that were 3 months or more past due increased ¥119.7 billion, while the balance of restructured loans decreased ¥56.7 billion and the balance of “loans to borrowers in legal bankruptcy/past due loans” rose ¥721.1 billion, for a cumulative increase of ¥544.7 billion from the figures that would be calculated according to the prior standard. This increase is due to the inclusion of loans to borrowers included because of their financial conditions, not because their payments are in arrears or their loans have been restructured.

The additional support extended to the non-bank subsidiaries and affiliates was disclosed to the appropriate authorities as part of risk-monitored loans.

Starting from fiscal 1998, Category IV loans are directly written down. Category IV loans have been deducted from the

balance sheets, instead of their previous treatment as part of provision. As a result, the risk-monitored loan total decreased ¥780.0 billion and the reserve for specific loans decreased ¥789.4 billion.

Accordingly, the risk-monitored loan balance at March 31, 1999, amounted to ¥1,760.5 billion, up ¥285.1 billion. The amount after excluding support to affiliated non-bank companies was ¥1,442.5 billion, ¥32.9 billion lower than the previous year.

As of the end of fiscal 1998, we are also disclosing risk-monitored loans on a consolidated basis. These amounted to ¥1,766.8 billion, which is ¥6.3 billion higher than the figure for the parent bank, reflecting the addition of risk-monitored loans extended by affiliated non-bank companies after considering the ¥318.0 billion elimination by the parent bank.

## Self-Assessment and Risk-Monitored Loan Disclosure Reconciliation

	Fiscal 1997			Fiscal 1998			Difference from Parent Bank Figures
	Prior Standard	Difference Due to Accounting Change	New Standard	Consolidated	Difference		
Unit: Billions of Yen							
Loans to Borrowers in							
Legal Bankruptcy	¥ 402.8	¥ 146.8	¥ 18.2	¥ 165.1	¥237.7	¥ 169.3	¥ 4.2
Past Due Loans	592.4	291.9	702.9	994.8	402.4	1,276.1	281.3
Subtotal	995.3	438.7	721.1	1,159.9	164.5	1,445.4	285.6
Past Due Loans							
(3 Months or More)	216.7	178.7	-119.7	58.9	-157.8	84.3	25.4
Restructured Loans	263.3	598.3	-56.7	541.6	278.3	237.1	-304.5
[Amount to Non-Bank Affiliates]	[0]	[318.0]	[0]	[318.0]	[318.0]	[—]	[—]
Subtotal	1,475.4	1,215.8	544.7	1,760.5	285.1	1,766.8	6.3
[Excluding Amounts to Non-Bank Affiliates]	[1,475.4]	[897.8]	[544.7]	[1,442.5]	[-32.9]	[—]	[—]
Ratio to Total Loans	4.2%	—	—	5.5%	1.3%	5.4%	-0.1%
Reserve for Possible Loan Losses	1,044.0	—	—	735.5	-308.5	666.6	-68.9

Notes: 1. “Loans to borrowers in legal bankruptcy” is defined as loans outstanding to borrowers that have begun bankruptcy proceedings under one or more of the laws pertaining to bankruptcy, including the Corporate Reorganization Law, the Bankruptcy Law and the Commission Law, in Japan, or have had their transactions with the promissory note clearinghouse suspended.

2. “Past due loans” are defined as loans for which interest is not accrued but exclude “loans to borrowers in legal bankruptcy.”

3. “Past due loans (3 months or more)” are defined as loans for which principal and/or interest is three months or more past due but exclude “loans to borrowers in legal bankruptcy” and “past due loans.”

4. “Restructured loans” are defined as loans in respect of which the Bank is relaxing lending conditions, such as reduction of the original interest rate forbearance of interest payments to support the borrowers’ reorganization, but exclude “loans to borrowers in bankruptcy,” “past due loans” or “past due loans (3 months or more).”

## Financial Revitalization Law Disclosure and Risk-Monitored Loans

### Disclosure Based on the Financial Revitalization Law

Beginning from fiscal 1998, the Bank is disclosing the results of its asset audits in compliance with the Financial

Revitalization Law. Under this disclosure method, loans classified under the self-assessment method as loans to customers in “legal bankruptcy” and in “virtual bankruptcy” are disclosed

Self-Assessment of Asset Quality (Loans Included and Total Credit )	Disclosure Based on the Financial Revitalization Law (Subject Debts and Total Credit )	Risk-Monitored Loans (Loans Included and Loan Amounts)
Legal Bankruptcy/ Virtual Bankruptcy	Directly Written-off (786.9)	Directly Written-off (780.0)
	Bankruptcy, Etc. 390.2	Loans to Borrowers in Legal Bankruptcy/Past Due Loans 1,159.9
Possible Bankruptcy	In Danger of Bankruptcy 809.2	
Caution	Special Attention 600.6	Past Due Loans (3 Months or More) 58.9
		Restructured Loans 541.6 (Amount to Non-Bank Affiliates 318.0)
Normal	Normal Loans 33,896.7	
Total (Excluding Normal)	1,800.0	1,760.5
	Non-Loan Amount 39.5	

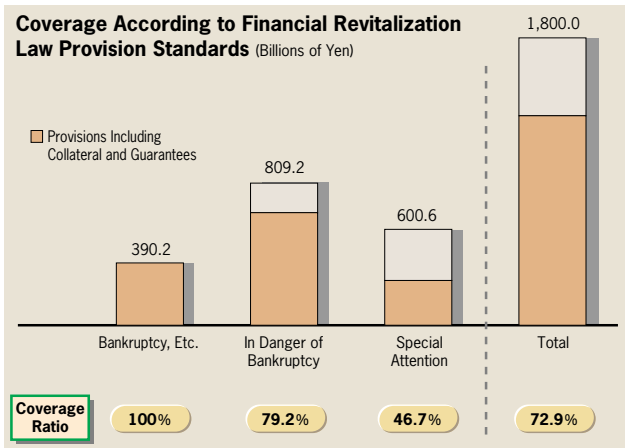
- Notes: 1. "Bankruptcy, Etc." are claims extended to borrowers who are in a state of bankruptcy, company financial reorganization under bankruptcy proceedings, or who have lapsed into a state of operational bankruptcy because of creditor claims, as well as corresponding debts arising from these loans. This category corresponds to the "legal bankruptcy" and "virtual bankruptcy" categories of the self-assessment disclosure standards.
2. "In Danger of Bankruptcy" are loans extended to borrowers who, although not in a state of operational bankruptcy, have an unsound financial position or weakened earnings, and bear a high risk of not being capable of repaying the principle or interest according to the repayment schedule. This category corresponds to the "possibly bankrupt customers" category of the self-assessment disclosure standards.
3. "Special Attention" are loans that are three or more months past due or have been restructured. These loans correspond to a portion of the "customers requiring caution" category of the self-assessment disclosure standards.
4. "Normal Loans" are loans to borrowers with no particular impairment to their financial condition or earnings and include all loans not included in items 1 to 3 above. These loans correspond to the portion of the "caution" category that is not potentially bankrupt and to the full "normal customers" categories of the self-assessment disclosure standards.
5. The amount disclosed according to the Financial Revitalization Law for the "Bankruptcy, Etc." and "In Danger of Bankruptcy" categories include debts other than loans while the risk-monitored loans items include loans only.

as "Bankruptcy, Etc. (claims to borrowers in bankruptcy or reorganization and corresponding debts)." The "possible bankruptcy" category is disclosed as "In Danger of Bankruptcy." And of the loans in the "caution" category, "Past Due Loans (3 months or more)" and "Restructured Loans" are disclosed as "Special Attention."

At March 31, 1999, "Bankruptcy, Etc." amounted to ¥390.2 billion, "In Danger of Bankruptcy" was ¥809.2 billion and "Special Attention" came to ¥600.6 billion, for a grand total of ¥1,800.0 billion. The ¥39.5 billion difference between this total and that for risk-monitored loans is attributable to liabilities external to the loans themselves, such as foreign currency related amounts and advances.

### Financial Revitalization Law Provision Standards

The Financial Revitalization Law requires the disclosure of the total coverage ratio for provisions (excluding the portion for normal loans) including collateral and guarantees in order to accurately show the state of preparation for problem loans. By category, the ratio is 100% for "Bankruptcy, Etc.," 80% for "In Danger of Bankruptcy" and slightly less than 50% for "Special Attention." This amounts to an aggregate coverage ratio of 73% against disclosure-basis claims, indicating that adequate provisions have been taken against any potential future losses.





## Self-Assessment Procedures

The self-assessment of assets, that is to judge the soundness of assets by assessing our bank's individual assets and classifying them according to the degree of risk of collectibility or value impairment, plays an important role in preparation of calculations of appropriate loan-loss write-offs and reserves and should be dealt with strictly. It is also utilized as an important measure to control and administer credit risks of the Bank's portfolio. To perform these assessments, the Bank makes use of the self-assessment procedure, which is linked to a credit rating system\* and credit risk quantification. The Bank's policy for the self-assessment of assets is based on the Credit Risk Management Manual released by the Financial Supervisory Agency. The classification and categorization of borrowers is strictly and rigorously administered.

\*Please see page 38 for an explanation of the credit rating system.

### Definitions of Borrowers' Categories

Normal:	Borrower with good business performance and in sound financial condition.
Caution:	Borrower which needs attention due to (1) restructured payment terms, such as interest reduced or interest deferred, (2) problems with repayment, such as virtual delinquency in repayment of principal or interest, and (3) sluggish or unstable business performance or poor financial conditions, etc.
Possible Bankruptcy:	Borrower with a high possibility of failure in the future, which is in difficulty but not in failure at present, and whose restructuring plans have been slow and unsatisfactory in progress.
Virtual Bankruptcy:	Borrower virtually in the state of business failure with no legal or formal announcement of failure, but in serious financial difficulty without any prospect of recovery.
Legal Bankruptcy:	Borrower which is legally and formally bankrupt.

### Definitions of Classifications

Class I (Unclassified):	Assets not classified into Class II, III or IV. These assets have no problem regarding their collectibility or are in no danger of value impairment.
Class II:	Assets whose collection is deemed to have greater-than-normal risk because their conditions for the securing of credits are inadequate, or they have weakness in their credits, etc.
Class III:	Assets with serious concern over ultimate collection or final value and thus are highly likely to incur losses, but difficulties exist with rational estimation of the final loss amount.
Class IV:	Assets judged to be uncollectible or valueless.

## Write-offs and Provisions

For write-offs and provisions, the credit rating system, which is consistent with categorizations of borrowers, has been established. Expected losses calculated from the migration matrix of the credit rating system, etc., are incorporated into the policy for write-offs and provisions.

The Bank's own credit rating system initially classifies customers into 10 ratings categories, then categorizes them, according to self-assessment procedures, into "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy" categories. The policy for write-offs or provisions is determined for each category.

<b>Normal</b>	Amounts are recorded as general reserves in proportion to the expected losses over the next 12 months based on the actual default rate for the past five years for each ratings category.
<b>Caution</b>	These assets are divided into the "special attention" required and "other" subcategories. Provisions amounting to 15% of the unsecured portions of the "special attention" borrower are set aside. Others are further divided into two subcategories. Provisions corresponding to the expected losses are transferred to general reserve according to the risk of default correlated to the average length of time to maturity for the respective subcategories.
<b>Possible Bankruptcy</b>	As a rule, amounts corresponding to 70% or more of the unsecured portions of individual assets are set aside as specific reserve.
<b>Virtual Bankruptcy/ Legal Bankruptcy</b>	As a rule, 100% of Class III and IV assets are written off or set aside as specific reserve.



# Consolidated Balance Sheets

The Sakura Bank, Limited and Subsidiaries

March 31, 1999 and 1998	Millions of Yen		Millions of U.S. Dollars (Note 1)
	1999	1998	1999
<b>Assets</b>			
Cash and Due from Banks	¥ 1,415,978	¥ 2,467,636	\$ 11,745
Call Loans	69,974	219,096	580
Commercial Paper and Other Debt Purchased	3,292	11,658	27
Trading Assets (Note 2)	1,448,784	1,806,929	12,018
Money Held in Trust	156,474	247,415	1,298
Securities (Note 3)	6,264,893	6,446,756	51,969
Loans and Bills Discounted (Note 4)	32,962,873	35,982,912	273,437
Foreign Exchanges (Note 5)	309,438	489,484	2,566
Other Assets (Note 6)	2,967,669	2,548,127	24,617
Premises and Equipment (Note 7)	755,966	503,140	6,270
Deferred Income Taxes (Note 29)	689,017	460,569	5,715
Customers' Liabilities for Acceptances and Guarantees (Note 17)	1,970,640	1,976,602	16,347
<b>Total Assets</b>	<b>¥49,015,005</b>	<b>¥53,160,330</b>	<b>\$406,594</b>
<b>Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity</b>			
<b>Liabilities</b>			
Deposits (Note 8)	¥33,368,615	¥36,894,352	\$276,803
Call Money (Note 9)	2,327,705	3,174,502	19,309
Commercial Paper	567,000	—	4,703
Trading Liabilities (Note 10)	381,077	531,811	3,161
Borrowed Money (Note 11)	1,677,674	2,386,679	13,916
Foreign Exchanges (Note 5)	22,378	41,878	185
Bonds (Note 12)	912,397	966,422	7,568
Convertible Bonds (Note 13)	2,208	5,365	18
Other Liabilities (Note 14)	4,433,381	4,013,311	36,776
Reserve for Possible Loan Losses (Note 15)	666,692	1,064,355	5,530
Reserve for Retirement Allowances	42,156	43,261	349
Reserve for Possible Losses from Loans Sold to CCPC	115,532	117,201	958
Other Reserves (Note 16)	12	61	0
Minority Interests in Consolidated Subsidiaries	—	779	—
Deferred Income Tax Liabilities for Land Revaluation	49,462	—	410
Acceptances and Guarantees (Note 17)	1,970,640	1,976,602	16,347
Reserve for Unrealized Appreciation of Land	—	217,007	—
<b>Total Liabilities</b>	<b>46,536,936</b>	<b>51,433,592</b>	<b>386,038</b>
<b>Minority Interests in Consolidated Subsidiaries</b>	<b>303,581</b>	<b>—</b>	<b>2,518</b>
<b>Stockholders' Equity</b>			
Capital Stock (Note 18):			
Common Stock	631,399	572,562	5,237
Preferred Stock			
Series II	11,307	26,883	93
Series III	400,000	—	3,318
Capital Surplus (Note 18)	899,521	456,534	7,461
Land Revaluation Excess	68,868	—	571
Legal Reserve (Note 19)	—	111,630	—
Earned Surplus (Note 19)	164,329	559,131	1,363
Treasury Stock	(938)	(3)	(7)
<b>Total Stockholders' Equity</b>	<b>2,174,486</b>	<b>1,726,737</b>	<b>18,038</b>
<b>Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity</b>	<b>¥49,015,005</b>	<b>¥53,160,330</b>	<b>\$406,594</b>

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Earned Surplus

The Sakura Bank, Limited and Subsidiaries

Years Ended March 31, 1999 and 1998	Millions of Yen		Millions of U.S. Dollars (Note 1)
	1999	1998	1999
Balance at Beginning of Year	<b>¥670,761</b>	¥686,339	<b>\$5,564</b>
Earned Surplus	<b>559,131</b>	686,339	<b>4,638</b>
Legal Reserve (Note 19)	<b>111,630</b>	—	<b>926</b>
Adjustments:			
Adjustment of Earned Surplus Due to the Change of Scope of Consolidated Subsidiaries	<b>3,275</b>	—	<b>27</b>
Adjustment of Earned Surplus Due to the Change of Scope of Companies Accounted for Using the Equity Method	<b>1,827</b>	—	<b>15</b>
Deductions:			
Transfer to Legal Reserve (Note 19)	—	6,484	—
Dividends Paid	<b>32,269</b>	32,422	<b>267</b>
Net Loss	<b>479,266</b>	88,301	<b>3,975</b>
<b>Balance at End of Year (Note 19)</b>	<b>¥164,329</b>	¥559,131	<b>\$1,363</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

The Sakura Bank, Limited and Subsidiaries

Years Ended March 31, 1999 and 1998	Millions of Yen		Millions of U.S. Dollars (Note 1)
	1999	1998	1999
<b>Cash Flows from Operating Activities</b>			
Net Loss	¥ (479,266)	¥ (88,301)	\$ (3,975)
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:			
Depreciation	37,528	33,262	311
Provision for Possible Loan Losses	469,486	616,924	3,894
Net Gains on Sales of Stocks and Other Securities	(103,342)	(541,913)	(857)
Net Gains on Dispositions of Premises and Equipment	(68,620)	(279,515)	(569)
Written-off Claims	476,048	11,858	3,948
Losses on Devaluation of Stock and Other Securities	108,369	8,754	898
Provision for Retirement Allowances	(1,104)	(1,447)	(9)
Deferred Income Taxes	(228,401)	(118,247)	(1,894)
Other, Net (Note 3, below)	35,333	655,443	293
Net Decrease in Due from Banks	627,395	875,719	5,204
Net Increase in Trading Assets	(271,700)	(22,500)	(2,253)
Net Decrease in Loans and Bills Discounted	1,581,643	1,102,306	13,120
Net Decrease in Bonds and Call Loans	310,884	448,705	2,578
Net Decrease in Commercial Paper and Debt Purchased	8,366	36,163	69
Net Decrease in Deposits	(3,521,887)	(1,791,209)	(29,215)
Net Decrease in Call Money	(846,796)	(2,750,753)	(7,024)
Net Increase (Decrease) in Borrowed Money (Note 2, below)	(647,731)	498,864	(5,373)
Net Increase in Commercial Paper	565,019	—	4,687
Net Change in Foreign Exchanges	160,546	18,560	1,331
Net Change in Accrual, Prepaid, and Unearned	192,283	(273,816)	1,595
Other, Net	(88,359)	301,664	(732)
<b>Net Cash Used in Operating Activities</b>	<b>(1,684,304)</b>	<b>(1,259,476)</b>	<b>(13,971)</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Settlement of Money Held in Trust	91,907	37,924	762
Proceeds from Sales of Stocks and Other Securities	1,109,025	3,819,470	9,199
Proceeds from Sales of Premises and Equipment	101,448	311,507	841
Investment in Money Held in Trust	—	(45,678)	—
Purchase of Stocks and Other Securities	(1,042,346)	(2,937,679)	(8,646)
Purchase of Premises and Equipment	(20,312)	(33,528)	(168)
Other, Net	(935)	(535)	(7)
<b>Net Cash Provided by Investing Activities</b>	<b>238,787</b>	<b>1,151,481</b>	<b>1,980</b>
<b>Cash Flows from Financing Activities:</b>			
Issuance of Common Stock	86,247	—	715
Issuance of Preferred Stock	800,000	—	6,636
Increase in Minority Interests Related to a Subsidiary's Preferred Stock	283,750	—	2,353
Increase (Decrease) in Subordinated Debt and Bonds	(113,317)	169,229	(940)
Redemption of Convertible Bonds	(3,156)	(13,370)	(26)
Dividends Paid	(32,269)	(32,422)	(267)
<b>Net Cash Provided by Financing Activities</b>	<b>1,021,254</b>	<b>123,437</b>	<b>8,471</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,329,759</b>	<b>1,314,316</b>	<b>11,030</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥ 905,496</b>	<b>¥ 1,329,759</b>	<b>\$ 7,511</b>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash Paid during the Year for Income Taxes	¥ 111,034	¥ 27,565	\$ 921
Non-Cash Investing and Financing Activities			
Conversion of Preferred Stock to Common Stock	15,576	96,827	129

Notes: 1. For the purpose of reporting cash flows, cash and cash equivalents consist of cash and demand deposits with the Bank of Japan.

2. Borrowed money includes bonds other than subordinated bonds.

3. "Other, Net" includes provision for possible losses from loans sold to CCPC of ¥78,338 million and losses on sales of loans collateralized by real estate to CCPC of ¥99,985 million for the year ended March 31, 1998.

# Notes to Consolidated Financial Statements

The Sakura Bank, Limited and Subsidiaries

## 1. Basis of Consolidated Financial Statements and Summary of Significant Accounting Policies

### (a) Basis of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared on the basis of accounting principles and practices generally accepted in Japan and in conformity with the "Consolidated Financial Statements Regulation" and the "Accounting Standards for Banks" (issued by the Bankers Association of Japan) and are compiled from the consolidated financial statements as required by the Securities and Exchange Law of Japan.

Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain reclassifications and rearrangements have been made to present the accompanying consolidated financial statements in a form which is familiar to readers outside Japan. In addition, the accompanying notes include information which is not required under accounting principles and practices generally accepted in Japan, but is presented herein as additional information.

References to fiscal 1998 and fiscal 1997 are to the Bank's fiscal years ended March 31, 1999 and 1998, respectively.

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.

The Consolidated Statements of Cash Flows are not required under the above law and regulations but are presented for the convenience of readers outside Japan.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating original Japanese yen amounts of respective account balances to U.S. dollars on a basis of ¥120.55 to US\$1, the exchange rate effective at the latest balance sheet date of March 31, 1999. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could have been converted, realized or settled in dollars at that or at any other rate.

### (b) Principles of Consolidation

The consolidated financial statements of The Sakura Bank, Limited (the "Bank") include accounts of the Bank and its significant subsidiaries. Major consolidated subsidiaries for fiscal 1998 are listed below:

Name	Location	Percentage Ownership
Sakura Securities Co., Ltd.	Tokyo	100%
Manufacturers Bank	Los Angeles	100%
Sakura Finance International Limited	London	100%
Sakura Finance Australia Limited	Sydney	100%

Effective April 1, 1998, the Bank changed its consolidation scope from the application of the ownership concept to the control and influence concept. Under the control and 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 in which the Bank, directly or indirectly, is able to exercise significant influence over operation are to be accounted for by the equity method.

This change of consolidation scope resulted in an increase in the number of consolidated subsidiaries and affiliates for fiscal 1998 compared with fiscal 1997 as shown below.

The consolidated financial statements for fiscal 1997 are not retroactively adjusted.

The change of earned surplus arising from the change in the consolidation scope is recognized as "Adjustment of Earned Surplus Due to the Change of Scope of Consolidated Subsidiaries" and "Adjustment of Earned Surplus Due to the Change of Scope of Companies Accounted for Using the Equity Method" in the Consolidated Statements of Earned Surplus for the year ended March 31, 1999.

The number of consolidated subsidiaries and affiliates as of March 31, 1999 and 1998, was as follows:

	1999	1998
Consolidated Subsidiaries	53	41
Subsidiaries and Affiliates accounted for equity method	39	8

All significant intercompany transactions, account balances and unrealized profits and losses have been eliminated in consolidation.

As for those unrealized profits and losses arising from transactions among the Bank and the subsidiaries and affiliates which have been newly consolidated from fiscal 1998 under the control and influence concept, those that arose from the transactions held in or after fiscal 1998 have been eliminated in consolidation.

The financial statements of consolidated subsidiaries, whose fiscal year-ends are principally December 31, are included in the consolidated financial statements on the basis of 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.

Any difference between the cost of an investment in a subsidiary and the Bank's share of the underlying equity in the net assets of the subsidiary is charged or credited to income, as the case may be, in the year incurred.

#### **(c) Translation of Foreign Currency Financial Statements**

- (i) The financial statements of foreign consolidated subsidiaries and affiliates 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. Differences arising from such translation are shown as "Other Assets" in the accompanying Consolidated Balance Sheets.
- (ii) (a) Foreign currency denominated assets and liabilities and the accounts of overseas branches are translated into yen at the exchange rates prevailing at the balance sheet date, except that certain assets and liabilities as prescribed in the Accounting Standards for Banks issued by the Bankers Association of Japan, are translated at the relevant historical exchange rates.  
 (b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at the respective year-end exchange rates.

#### **(d) Valuation of Trading Account Activities**

Trading account positions representing earnings or losses derived from trades made for 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 gaps among markets 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 market value and financial derivatives related to trading transactions are at the amounts that would be settled if they were terminated at the end of the fiscal year.

Trading revenue and trading expenses include interest received and paid, the amount of increase/decreases in evaluation gains/losses on the balance sheet date for securities and monetary claims, and amounts of increases/decreases of evaluation gains/losses incurred from the estimated settlement price assuming settlement in cash on the balance sheet date for derivatives, compared with that at the end of the previous term.

**(e) Valuation of Securities**

Securities held by the Bank and its domestic banking subsidiaries are carried at cost determined by the moving average method. Values of securities held in individually managed money trusts for asset management purposes are determined by the same method.

Securities held by other consolidated subsidiaries are principally carried at cost, determined primarily by the moving average method.

**(f) Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of premises and equipment owned by the Bank and its domestic banking subsidiaries is computed by the declining-balance method over the estimated useful lives of the relevant assets while the straight-line method is applied to buildings acquired on or after April 1, 1998. The effect of this change to the straight-line method was to decrease depreciation expense and loss before income taxes by ¥54 million.

Also, as the estimated useful lives of buildings were shortened from fiscal 1998, the effect of this change was to increase depreciation expense and loss before income taxes by ¥368 million.

Depreciation of premises and equipment owned by other consolidated subsidiaries is principally computed by the straight-line method over the estimated useful lives of the relevant assets.

**(g) Accounting for Leases**

All leases have been accounted for as operating leases in the Bank's non-consolidated financial statements. Under Japanese accounting standards for leases, finance leases where the ownership of the property is deemed to transfer to the lessee are capitalized, while other finance leases can be accounted for as operating leases if necessary information is disclosed in the notes to the lessee's consolidated financial statements. The disclosure requirements for these standards for consolidation purposes have been applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1996, with full implementation for fiscal years starting on or after April 1, 1998.

**(h) Reserve for Possible Loan Losses**

The reserve for possible loan losses of the Bank has been established based on the Bank's internal rules for establishing a reserve for possible loan losses, in accordance with the Accounting Standards for Banks.

Customers are initially classified into ten categories, in accordance with the Bank's own credit rating system. All claims that the Bank extended to its customers are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy," as defined by the report of the Japanese Institute of Certified Public Accountants.

For the year ended March 31, 1998, the reserve for possible loan losses was calculated based on the specific actual past loss ratio for normal and caution categories as a general reserve, and the fair value of the collateral for collateral-dependent loans and other factors of solvency for other self-assessment categories for a specific reserve.

For the year ended March 31, 1999, the reserve for possible loan losses was calculated based on the specific actual past loss ratio for normal and caution categories as a general reserve, and the fair value of the collateral for collateral-dependent loans and other factors of solvency for other self-assessment categories for a specific reserve. For collateral or guaranteed claims of "virtual bankruptcy" and "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees was deducted, as deemed uncollectible, directly from those claims. The deducted amount was ¥1,457,662 million.

For foreign claims, there is a reserve for loans to restructuring countries which has been established based on losses estimated by considering political and economic situations in those countries.

All claims are being assessed by the branches and credit supervision divisions based on the Bank's internal rules for the self-assessment of asset quality. The Assets Review and Inspection Division, which is independent from branches and credit supervision divisions, conducts audits of these assessments.

The consolidated subsidiaries provide reserves for possible loan losses at the amounts considered reasonable in accordance with local accounting standards and also based on prior experience with loan losses.

#### **(i) Reserve for Retirement Allowances and Pension Plans**

Under most circumstances, employees of the Bank terminating their employment are entitled to certain severance payments based on the rate of pay at the time of termination, years of service and certain other factors. If the termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination. The accrued provision for retirement allowances of the Bank is calculated to state the estimated liability at the amount which would be required if all employees eligible for retirement allowances were to voluntarily terminate their employment at the balance sheet date.

In addition, the Bank has a contributory pension plan for eligible employees. The unamortized balance of prior service costs at March 31, 1998 (based on the latest available accounts of the pension plan), was ¥57,840 million. Prior service costs are being amortized and the remaining amortization period is 17 years and 11 months.

Consolidated subsidiaries principally have funded pension plans for employees.

#### **(j) Reserve for Possible Losses from Loans Sold to CCPC**

The reserve for possible losses from loans sold to Cooperative Credit Purchasing Company, Limited (CCPC), is made to provisions in amounts which it views to be necessary based on estimates of possible losses it may sustain in the future on loans sold to the CCPC, taking account of the value of real estate collateral securing these loans.

#### **(k) Land Revaluation Excess**

Under the "Law of Land Revaluation," promulgated and revised on March 31, 1998 and 1999, respectively, the Bank elected for fiscal 1997 the one-time revaluation of its own-use land to current value based on real estate appraisal information.

Continuous readjustment is not permitted unless the value of the land subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess (or the reserve for unrealized application of land) account and deferred income tax liabilities.

The revision of the Law on March 31, 1999, requires reclassification of the land revaluation excess (or the reserve for unrealized application of land) account in stockholders' equity rather than in liabilities with the related deferred tax portion remaining in liability on or after fiscal 1998. The effect of this reclassification was to decrease total liabilities and to increase total stockholders' equity by ¥68,868 million, respectively.

The details of the one-time revaluation in fiscal 1998 were as follows:

The date of reassessment: March 31, 1998

The difference between book value and current value as of March 31, 1999: ¥12,265 million (loss)



### (l) Income Taxes

Deferred taxes relating to temporary differences between financial and tax reporting have been recognized.

Until fiscal 1997, enterprise tax was included in "Other Operating Expenses." From fiscal 1998, it is included in "Income Taxes."

### (m) Appropriation of Earned Surplus

Cash dividends and transfer to legal reserve are recorded in the financial year that the relevant proposed appropriation of earned surplus is approved by the Board of Directors and/or at the General Meeting of Stockholders.

### (n) Net Income Per Share

Net income per share calculations represent net income less dividends on preferred shares, divided by the weighted average number of outstanding shares of common stock during the respective year.

The calculation considers the dilutive effect of common stock equivalents which includes preferred shares and certain convertible bonds, assuming that all convertible bonds and preferred shares were converted into common stock. Diluted net income per common share is to be appropriately adjusted for free distributions of common stock. For fiscal 1998 and 1997, however, this calculation of dilution is not applicable due to a net loss.

### (o) Differences between the Accounting Principles and Practices Adopted in the Accompanying Consolidated Financial Statements and International Accounting Standards

The accompanying consolidated financial statements conform with accounting principles and practices generally accepted in Japan. Such principles and practices differ from International Accounting Standards in several respects, such as methods for valuation of securities, accounting for leases and accounting for pension plans, among others.

## 2. Trading Assets

Trading assets as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Trading Securities	¥ 448,295	¥ 472,240	\$ 3,718
Trading-related Financial Derivatives	221,120	344,107	1,834
Other Trading Assets	779,368	990,581	6,465
Total	¥1,448,784	¥1,806,929	\$12,018

Other trading assets includes commercial paper and other debt purchased related to trading transactions.

### 3. Securities

Securities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Japanese Government Bonds	<b>¥1,436,408</b>	¥1,245,849	<b>\$11,915</b>
Japanese Local Government Bonds	<b>123,369</b>	177,354	<b>1,023</b>
Corporate Bonds	<b>428,361</b>	490,699	<b>3,553</b>
Corporate Stocks	<b>3,282,088</b>	3,320,362	<b>27,225</b>
Other	<b>994,665</b>	1,212,489	<b>8,251</b>
Total	<b>¥6,264,893</b>	¥6,446,756	<b>\$51,969</b>

Corporate stocks and other include investments in unconsolidated subsidiaries and affiliates totaling ¥29,130 million (US\$241 million) and ¥25,355 million as of March 31, 1999 and 1998, respectively.

### 4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Bills Discounted	<b>¥ 448,138</b>	¥ 772,606	<b>\$ 3,717</b>
Loans on Bills	<b>3,627,844</b>	3,946,426	<b>30,094</b>
Loans on Deeds	<b>22,816,758</b>	23,760,201	<b>189,272</b>
Overdrafts	<b>6,058,077</b>	7,400,578	<b>50,253</b>
Financing Receivables, Including Leasing	<b>12,055</b>	103,099	<b>100</b>
Total	<b>¥32,962,873</b>	¥35,982,912	<b>\$273,437</b>

Until fiscal 1997, the Bank applied nonaccrual criteria, by which the Bank discontinues the accrual for interest income for accounting purposes, on loans in legal bankruptcy or loans past due more than six months based on the Corporate Tax Law criteria. From fiscal 1998, the Bank applied new criteria for nonaccrual judgment based on self-assessment results, where the nonaccrual loans' scope is expanded to the loans in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy.

In accordance with the Accounting Standards for Banks issued by the Bankers Association of Japan, the loans and bills discounted include loans held by the Bank to borrowers in bankruptcy totaling ¥165,105 million (US\$1,369 million) and ¥402,878 million as of March 31, 1999 and 1998, respectively, as well as past due loans held by the Bank totaling ¥994,862 million (US\$8,252 million) and ¥592,489 million as of March 31, 1999 and 1998, respectively.

"Past due loans (3 months or more)" consisted of loans for which the principal and/or interest is three months or more past due but exclude "loans to borrowers in bankruptcy" and "past due loans." The balance of past due loans (3 months or more) as of March 31, 1999 and 1998, was ¥58,962 million (US\$489 million) and ¥216,713 million, respectively.

“Restructured loans” are loans in respect of which the Bank is relaxing lending conditions, such as reduction of the original interest rate, forbearance of interests payments or principal repayments to support the borrowers’ reorganization, but exclude “loans to borrowers in bankruptcy,” “past due loans” or “past due loans (3 months or more).” The outstanding balance of restructured loans as of March 31, 1999 and 1998, was ¥541,634 million (US\$4,493 million) and ¥263,321 million, respectively.

For fiscal 1998, due to the directly deducted claims mentioned in Note 1 (h), loans to borrowers in bankruptcy and past due loans have decreased by ¥389,384 million and ¥390,658 million, respectively.

The Bank’s total principal balance of loans transferred to the participating entities under loan participation agreements, which are accounted for as sold due to their non-recourse nature, was ¥578,900 million (US\$4,802 million) and ¥535,418 million as of March 31, 1999 and 1998, respectively.

The loans and bills discounted include loans held by the Bank and its subsidiaries to borrowers in bankruptcy totaling ¥169,347 million (US\$1,404 million) as of March 31, 1999, and past due loans held by the Bank and its subsidiaries totaling ¥1,276,109 million (US\$10,585 million). The balance of past due loans (3 months or more) as of March 31, 1999, was ¥84,304 million (US\$699 million), and the outstanding balance of restructured loans as of March 31, 1999, was ¥237,105 million (US\$1,966 million). Due to the directly deducted claims mentioned above, loans to borrowers in bankruptcy and past due loans have decreased by ¥568,716 million and ¥786,984 million, respectively.

## 5. Foreign Exchanges

Foreign exchange assets and foreign exchange liabilities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
<b>Assets:</b>			
Due from Foreign Banks	¥ 16,068	¥ 58,321	\$ 133
Foreign Bills of Exchange Bought	179,570	279,063	1,489
Foreign Bills of Exchange Receivables	113,799	152,100	944
Total	¥309,438	¥489,484	\$2,566
<b>Liabilities:</b>			
Due to Foreign Banks	¥ 13,700	¥ 18,804	\$ 113
Foreign Bills of Exchange Sold	2,951	16,192	24
Foreign Bills of Exchange Payables	5,726	6,881	47
Total	¥ 22,378	¥ 41,878	\$ 185

## 6. Other Assets

Other assets as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Prepaid Expenses	¥ 41,176	¥ 15,612	\$ 341
Accrued Income	659,555	647,197	5,471
Other	2,266,937	1,885,318	18,804
Total	¥2,967,669	¥2,548,127	\$24,617

## 7. Premises and Equipment

Premises and equipment as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Land	¥ 477,958	¥273,189	\$3,964
Buildings	231,722	194,195	1,922
Equipment	213,753	197,944	1,773
Other	130,666	99,496	1,083
Total	1,054,100	764,825	8,744
Accumulated Depreciation	298,133	261,685	2,473
Net Book Value	¥ 755,966	¥503,140	\$6,270

Under the "Law of Land Revaluation," effective on March 31, 1998, the Bank elected the one-time revaluation for its own-use land to current value based on real estate appraisal information as of March 31, 1998.

The amount of unrealized appreciation of land related to the one-time revaluation as of March 31, 1999, was ¥118,331 million (US\$981 million).

## 8. Deposits

Deposits as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Current Deposits	¥ 1,814,069	¥ 1,782,372	\$ 15,048
Ordinary Deposits	7,181,470	6,605,959	59,572
Deposits at Notice	3,552,245	6,766,345	29,466
Time Deposits	15,539,304	15,359,827	128,903
Negotiable Certificates of Deposits	2,735,842	3,493,721	22,694
Other	2,545,682	2,886,125	21,117
Total	¥33,368,615	¥36,894,352	\$276,803

## 9. Call Money

Call money as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Call Money	¥2,195,205	¥2,784,202	\$18,209
Bills Sold	132,500	390,300	1,099
Total	¥2,327,705	¥3,174,502	\$19,309

## 10. Trading Liabilities

Trading liabilities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Trading Securities Sold for Short Sales	<b>¥137,455</b>	¥156,704	<b>\$1,140</b>
Derivatives of Trading Securities	<b>906</b>	466	<b>7</b>
Securities Related to Trading Transactions			
Sold for Short Sales	<b>3,786</b>	—	<b>31</b>
Derivatives of Securities Related to Trading Transactions	<b>3</b>	—	<b>0</b>
Trading-related Financial Derivatives	<b>238,925</b>	374,640	<b>1,981</b>
Total	<b>¥381,077</b>	¥531,811	<b>\$3,161</b>

## 11. Borrowed Money

Borrowed money as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Bills Rediscounted	<b>¥ 9,334</b>	¥ 73,368	<b>\$ 77</b>
Borrowings from The Bank of Japan and Other Financial Institutions	<b>403,532</b>	933,720	<b>3,347</b>
Commercial Paper	<b>—</b>	1,980	<b>—</b>
Subordinated Debt	<b>729,589</b>	816,824	<b>6,052</b>
Other	<b>535,218</b>	560,785	<b>4,439</b>
Total	<b>¥1,677,674</b>	¥2,386,679	<b>\$13,916</b>

Commercial paper, which was classified as borrowed money in fiscal 1997, is separated and presented as an independent item in fiscal 1998.

## 12. Bonds

Bonds as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Subordinated Bonds	<b>¥889,616</b>	¥915,699	<b>\$7,379</b>
Other	<b>22,780</b>	50,723	<b>188</b>
Total	<b>¥912,397</b>	¥966,422	<b>\$7,568</b>

## 13. Convertible Bonds

Convertible bonds as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
2.625% U.S. Dollar Convertible Bonds Due 2001	<b>¥ —</b>	¥3,156	<b>\$—</b>
2.625% U.S. Dollar Convertible Bonds Due 2003	<b>95</b>	95	<b>0</b>
1.750% U.S. Dollar Convertible Bonds Due 2002	<b>2,113</b>	2,113	<b>17</b>
Total	<b>¥2,208</b>	¥5,365	<b>\$18</b>

The above 2.625% U.S. dollar convertible bonds due 2001 were redeemed at March 25, 1999. The balance at redemption was ¥3,156 million (US\$26 million).

The aforementioned bonds are convertible into common stock of the Bank at the conversion prices (set forth below), subject to adjustment under certain circumstances.

The conversion prices per share are as follows:

	Conversion Price Per Share March 31, 1999	Fixed Exchange Rate
2.625% U.S. Dollar Convertible Bonds Due 2003	¥2,332.60	¥131.40=US\$1
1.750% U.S. Dollar Convertible Bonds Due 2002	¥1,992.90	¥142.80=US\$1

#### 14. Other Liabilities

Other liabilities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Accrued Expenses	¥ 434,465	¥ 271,481	\$ 3,604
Unearned Income	97,250	30,027	806
Reserves for Taxes	14,082	113,859	116
Employees' Deposits	892	70,004	7
Other	3,886,691	3,527,938	32,241
Total	¥4,433,381	¥4,013,311	\$36,776

#### 15. Reserve for Possible Loan Losses

Reserve for possible loan losses as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
General Reserve	¥242,654	¥ 117,831	\$2,012
Specific Reserve	424,038	946,523	3,517
Total	¥666,692	¥1,064,355	\$5,530

The specific reserve includes reserve for loans to restructuring countries.

#### 16. Other Reserves

Other reserves as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Reserve for Possible Losses from Trading			
Account Securities Transactions	¥ —	¥49	\$—
Reserve for Contingent Liabilities from Broking of			
Financial Futures Transactions	9	8	0
Reserve for Contingent Liabilities from Broking of			
Securities Transactions	2	3	0
Total	¥12	¥61	\$0

## 17. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Acceptances	¥ 10,849	¥ 17,021	\$ 89
Letters of Credit	224,104	339,788	1,859
Guarantees	1,735,687	1,619,792	14,398
Total	¥1,970,640	¥1,976,602	\$16,347

All contingent liabilities arising in connection with customers' foreign trade and other transactions are classified under "Acceptances and Guarantees." A contra account, "Customers' Liabilities for Acceptances and Guarantees," is classified as an asset representing the Bank's right of indemnity from customers.

## 18. Capital Stock and Capital Surplus

The authorized number of shares of capital stock (common stock and preferred stock) as of March 31, 1999, was as follows:

- (i) 10,000,000 thousand common shares, voting and ranking equally with any other class of shares except preferred shares with respect to payment of dividends and distributions on liquidation or winding-up of the Bank.
- (ii) 1,036,307 thousand preferred shares, non-voting and ranking prior to common shares with respect to payment of dividends and distributions on liquidation or winding-up of the Bank. The dividend rate, redemption and conversion rights, if any, are to be determined prior to issuance by the Board of Directors of the Bank.

The Bank is authorized to repurchase, at management's discretion, up to 350 million shares of the Bank's stock for the purpose of canceling shares by crediting them against retained earnings.

The changes in the capital stock and capital surplus accounts for the years ended March 31, 1999 and 1998, were as follows:

	Common Stock		Preferred Stock		Capital Surplus
	Shares (thousands)	Stated Value	Shares (thousands)	Stated Value	Stated Value
March 31, 1997	3,424,163	¥ 475,735	123,710	¥ 123,710	¥ 456,534
Conversion of Preferred Stocks	322,971	96,827	(96,827)	(96,827)	—
March 31, 1998	3,747,134	572,562	26,883	26,883	456,534
Issuance of New Stocks	273,802	43,260	800,000	400,000	442,986
Conversion of Preferred Stocks	62,184	15,576	(15,576)	(15,576)	—
March 31, 1999	4,083,121	¥631,399	811,307	¥411,307	¥899,521
Millions of U.S. Dollars	—	\$5,237	—	\$3,411	\$7,461

Under the Japanese Commercial Code (the "Code"), at least 50 percent of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital have been credited to capital surplus.

Under the Code,

- (i) the Bank may, by resolution of the stockholders, transfer a portion of earned surplus available for dividends to the capital stock account, and
- (ii) the Bank may, by resolution of the Board of Directors, issue new shares of common stock to the existing stockholders without consideration to the extent that the amount calculated by multiplying the number of outstanding shares after the issuance by par value per share does not exceed the stated capital, or that the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the issuance shall not be less than ¥50. These issuances of the new shares are treated as stock splits.

Series I preferred shares issued on March 31, 1994, were convertible on or after July 1, 1994, and up to and including September 30, 1997, at the option of the stockholders, into fully paid shares of common stock of the Bank. On October 1, 1997, all Series I preferred shares that were not previously converted at the option of Series I preferred stockholders were mandatorily exchanged for fully paid shares of common stock of the Bank.

The Bank received on September 30, 1996, the proceeds from the offering of 75,000 thousand Series II preferred shares issued on October 1, 1996, at a price of ¥2,000 per share for gross proceeds of ¥150,000 million, of which ¥75,000 million was transferred to the capital surplus account in accordance with the Code. The issue costs were expensed when paid. The Series II preferred stockholders are entitled, with priority over any payment of dividends and ranking equally with Series I Preferred Stocks as to distributions on liquidation of the Bank to common stock of the Bank, to receive noncumulative dividends of ¥7.50 and a distribution of ¥2,000 per preferred share.

Series II preferred shares are convertible on or after October 1, 1997, and up to and including September 30, 2001, at the option of the stockholders, into fully paid shares of common stock of the Bank at an initial exchange price of ¥1,122.

Unless previously converted at the option of Series II preferred stockholders, all outstanding Series II preferred shares will be mandatorily exchanged for fully paid shares of common stock of the Bank on October 1, 2001, at the number of common shares calculated by dividing ¥2,000 by the average market price per share during a certain period immediately preceding October 1, 2001.

The Bank received on December 24, 1998, the proceeds from the offering of 273,802 thousand common shares issued on December 25, 1998, at a price of ¥315 per share for gross proceeds of ¥86,247 million, of which ¥43,260 million was transferred to the capital surplus account in accordance with the Code. The issue costs were expensed when paid.

The Bank received on March 30, 1999, the proceeds from the offering of 800,000 thousand Series III preferred shares issued on March 31, 1999, in accordance with the Financial Function Early Strengthening Law, at a price of ¥1,000 per share for gross proceeds of ¥800,000 million, of which ¥400,000 million was transferred to the capital surplus account in accordance with the Code. The issue costs were expensed when paid. The Series III preferred stockholders are entitled, with priority over any payment of dividends and ranking equally with Series II Preferred Stocks as to distributions on liquidation of the Bank to common stock of the Bank, to receive noncumulative dividends of ¥13.70 and a distribution of ¥1,000 per preferred share. Series III preferred shares are convertible on or after October 1, 2002, and up to and including September 30, 2009, at the option of stockholders, into fully paid shares of common stock of the Bank.



## 19. Legal Reserve

Legal reserve as of March 31, 1999, is included in earned surplus due to the change of consolidated financial statement regulations. The changes for the years ended March 31, 1999 and 1998, were as follows:

	Millions of Yen		Millions of
	1999	1998	U.S. Dollars
Balance at Beginning of Year	<b>¥111,630</b>	¥105,145	<b>\$926</b>
Appropriation of Earned Surplus	<b>6,453</b>	6,484	<b>53</b>
Balance at End of Year	<b>¥118,084</b>	¥111,630	<b>\$979</b>

Under the Banking Law of Japan, an amount equivalent to at least 20 percent of any distribution of profits must be appropriated as a legal reserve until such reserve equals 100 percent of stated capital. This reserve is not available for dividends, but may be used to reduce a deficit by resolution of the stockholders or may be transferred to the capital stock account by resolution of the Board of Directors.

## 20. Other Interest Income

The composition of other interest income for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of
	1999	1998	U.S. Dollars
Deposits with Banks	<b>¥ 52,260</b>	¥103,902	<b>\$ 433</b>
Interest Swaps	<b>407,157</b>	360,527	<b>3,377</b>
Other	<b>114,419</b>	79,193	<b>949</b>
Total	<b>¥573,837</b>	¥543,624	<b>\$4,760</b>

## 21. Other Operating Income

The composition of other operating income for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of
	1999	1998	U.S. Dollars
Gains on Foreign Exchange Transactions	<b>¥ 18,753</b>	¥10,294	<b>\$155</b>
Gains on Sales of Bonds	<b>81,662</b>	58,512	<b>677</b>
Gains on Redemption of Bonds	<b>3,133</b>	3,191	<b>25</b>
Other	<b>954</b>	776	<b>7</b>
Total	<b>¥104,503</b>	¥72,774	<b>\$866</b>

## 22. Other Income

The composition of other income for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of
	1999	1998	U.S. Dollars
Gains on Sales of Stocks and Other Securities	<b>¥155,531</b>	¥619,696	<b>\$1,290</b>
Gains on Money Held in Trust	<b>2,013</b>	3,265	<b>16</b>
Gains on Dispositions of Premises and Equipment	<b>72,683</b>	284,092	<b>602</b>
Recoveries of Written-off Claims	<b>1,262</b>	1,519	<b>10</b>
Equity in Earnings of Affiliates	<b>655</b>	—	<b>5</b>
Other	<b>35,509</b>	16,111	<b>294</b>
Total	<b>¥267,656</b>	¥924,685	<b>\$2,220</b>

Equity in earnings of affiliates, which was separated and presented as an independent item in fiscal 1997, is classified as other income in fiscal 1998.

### 23. Transfer from Other Reserves

The composition of transfer from other reserves for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Reserve for Price Fluctuations of Japanese Government Bonds	¥ —	¥10,439	\$—
Reserve for Possible Losses from Trading Account Securities Transactions	49	11,774	0
Reserve for Contingent Liabilities from Brokering of Trading Account Securities	0	4	0
Total	¥49	¥22,218	\$ 0

### 24. Other Interest Expenses

The composition of other interest expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Convertible Bonds	¥ 92	¥ 193	\$ 0
Interest Swaps	392,421	336,127	3,255
Other	153,519	93,372	1,273
Total	¥546,034	¥429,693	\$4,529

### 25. Other Operating Expenses

The composition of other operating expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Losses on Sales of Bonds	¥22,395	¥ 6,987	\$185
Losses on Redemption of Bonds	7,529	7,844	62
Losses on Devaluation of Bonds	3,920	1,701	32
Other	6,880	623	57
Total	¥40,725	¥17,157	\$337

### 26. General and Administrative Expenses

The composition of general and administrative expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Salaries and Welfare Expenses	¥238,437	¥238,256	\$1,977
Retirement Benefits	21,651	22,342	179
Depreciation	37,528	33,262	311
Rent and Lease Expenses	43,750	42,732	362
Taxes and Public Impositions	31,597	37,416	262
Other	144,275	120,094	1,196
Total	¥517,241	¥494,105	\$4,290

## 27. Other Expenses

The composition of other expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Written-off Claims	<b>¥476,048</b>	¥ 11,858	<b>\$3,948</b>
Losses on Sales of Stocks and Other Securities	<b>52,189</b>	77,782	<b>432</b>
Losses on Devaluation of Stocks and Other Securities	<b>108,369</b>	8,754	<b>898</b>
Losses on Money Held in Trust	<b>5,903</b>	1,037	<b>48</b>
Losses on Securities Investment Trust	—	22,705	—
Enterprise Taxes	—	(8,137)	—
Losses on Dispositions of Premises and Equipment	<b>4,062</b>	4,576	<b>33</b>
Losses on Arising from Financial Assistance Provided to Supported Companies	—	305,738	—
Other	<b>146,729</b>	268,158	<b>1,217</b>
Total	<b>¥793,303</b>	¥692,473	<b>\$6,580</b>

In fiscal 1998, in accordance with Accounting Standards for Banks in Japan, enterprise taxes are presented in "Income Taxes." Other includes provisions for possible losses from loans sold to CCPC of ¥78,338 million and losses on sales of loans collateralized by real estate to CCPC of ¥99,985 million for fiscal 1997.

## 28. Transfer to Other Reserves

The composition of transfer to other reserves for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Reserve for Contingent Liabilities from Broking of Financial Futures Transactions	<b>¥0</b>	¥3	<b>\$0</b>
Total	<b>¥0</b>	¥3	<b>\$0</b>

## 29. Income Taxes

The Bank is subject to a number of taxes based on income such as corporation tax, inhabitants tax, and enterprise tax which, in the aggregate, resulted in a normal Japanese statutory tax rate of approximately 46.4% for fiscal 1998 and 51.3% for fiscal 1997.

In accordance with the Accounting Standards for Banks in Japan, enterprise taxes in fiscal 1997 were presented in "Other Expenses" rather than in "Income Taxes" in the accompanying Consolidated Statements of Operations since such taxes are deductible from taxable income for the purpose of corporation and inhabitants taxes.

In fiscal 1998, in accordance with the Accounting Standards for Banks in Japan, enterprise taxes are presented in "Income Taxes" in the accompanying Consolidated Statements of Operations.

The actual effective tax rates for fiscal 1998 and 1997, as shown below, differed from the normal Japanese statutory rate due to a number of factors, including, among others, (1) certain expenses permanently not deductible for tax purposes, (2) different tax rates for the subsidiaries outside Japan, (3) additional taxation of per capita levy for inhabitants tax and other taxes, and (4) reduction of corporate tax rates in fiscal 1999.

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Income Taxes (Corporation, Inhabitants and Enterprise) (a)	<b>¥217,818</b>	¥ 19,689	<b>\$1,806</b>
Loss before Income Taxes and Enterprise Taxes (b)	<b>¥706,257</b>	¥108,487	<b>\$5,858</b>
Actual Effective Tax Rates ((a)/(b))	<b>30.8%</b>	18.1%	<b>30.8%</b>

On March 31, 1999, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 46.4% to 40.8%, effective for the year beginning April 1, 1999. The effect of the tax rate change on deferred taxes in the Consolidated Statements of Operations for the year ended March 31, 1999, is approximately ¥98,350 million.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred income taxes (assets and liabilities) at March 31, 1999, are as follows:

	Millions of Yen	Millions of U.S. Dollars
	<b>1999</b>	<b>1999</b>
<b>Deferred Income Taxes (Assets):</b>		
Non-Deductible Portion of Reserve for Possible Loan Losses	<b>¥456,342</b>	<b>\$3,785</b>
Tax Loss Carryforwards	<b>124,697</b>	<b>1,034</b>
Other	<b>107,998</b>	<b>895</b>
Total	<b>¥689,038</b>	<b>\$5,715</b>
<b>Deferred Income Taxes (Liabilities):</b>		
Reserve for Losses on Overseas Investment	<b>¥ (21)</b>	<b>\$ (0)</b>
Total	<b>(21)</b>	<b>(0)</b>
Net Deferred Income Taxes	<b>¥689,017</b>	<b>\$5,715</b>

### 30. Leases

Finance leases where the ownership of the property is not deemed to transfer to the lessee consisted of the following:

#### (a) For the year ended March 31, 1999

##### (i) As Lessee

Acquisition cost, accumulated depreciation and net balance of the leased property as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	<b>1999</b>	<b>1999</b>
Acquisition Cost	<b>¥38,039</b>	<b>\$315</b>
Accumulated Depreciation	<b>18,922</b>	<b>156</b>
Net Balance	<b>¥19,117</b>	<b>\$158</b>

The acquisition cost amount includes the imputed interest expense portion, because of its immateriality.

Obligations as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	<b>1999</b>	<b>1999</b>
Due within One Year	<b>¥ 5,177</b>	<b>\$ 42</b>
Due after One Year	<b>13,939</b>	<b>115</b>
Total	<b>¥19,117</b>	<b>\$158</b>

The amount of the obligations includes the imputed interest expenses portion, because of its immateriality.

For the year ended March 31, 1999, total lease payments were ¥6,436 million (US\$53 million) and depreciation was ¥6,436 million (US\$53 million). Depreciation was calculated based on the straight-line method with zero residual value.

(ii) As Lessor

Acquisition cost, accumulated depreciation and net balance of the leased property as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Acquisition Cost	¥33,487	\$277
Accumulated Depreciation	15,251	126
Net Balance	¥18,235	\$151

Future lease payment receivables as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Due within One Year	¥ 6,355	\$ 52
Due after One Year	23,002	190
Total	¥29,357	\$243

The amount of the future lease payment receivables includes the imputed interest income portion, because of its immateriality.

For the year ended March 31, 1999, total lease revenues were ¥7,608 million (US\$63 million) and depreciation was ¥3,188 million (US\$26 million).

**(b) For the year ended March 31, 1998**

Obligations as of March 31, 1998, were as follows:

	Millions of Yen
	1998
Due within One Year	¥ 8,447
Due after One Year	17,976
Total	¥26,424

Total lease payments were ¥7,042 million. The amount of obligations includes the imputed interest expense portion, because of its immateriality.

Operating leases consisted of the following:

**(a) For the year ended March 31, 1999**

(i) As Lessee

The minimum rental commitments under noncancellable operating leases as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Due within One Year	¥ 1,819	\$ 15
Due after One Year	10,364	85
Total	¥12,183	\$101

(ii) As Lessor

There were no minimum rental commitments receivable under noncancelable operating leases.

**(b) For the year ended March 31, 1998**

The minimum rental commitments under noncancelable operating lease as of March 31, 1998, were as follows:

	Millions of Yen 1998
Due within One Year	¥1,803
Due after One Year	6,791
Total	<u>¥8,595</u>

**31. Segment Information****(a) Business Segment Information**

Some of the consolidated subsidiaries are engaged in securities, trust, leasing and other businesses in addition to the commercial banking business. As those activities are not deemed material, business segment information has not been disclosed.

**(b) Geographic Segment Information**

Year Ended								Millions of Yen
March 31, 1999	Domestic	Americas	Europe	Asia and Oceania	Interarea Elimination	Subtotal	Reclassi- fication	Consolidated Total
Ordinary Income/ Total Income								
Customers	¥ 1,602,689	¥ 188,936	¥ 168,259	¥ 179,341	¥ —	¥ 2,139,226	¥ 73,996	¥ 2,213,222
Intersegment	172,340	101,640	1,951	2,325	(278,257)	—	—	—
Total	<u>1,775,029</u>	<u>290,576</u>	<u>170,210</u>	<u>181,666</u>	<u>(278,257)</u>	<u>2,139,226</u>	<u>73,996</u>	<u>2,213,222</u>
Ordinary Expenses/ Total Expenses	<u>2,555,086</u>	<u>292,774</u>	<u>176,029</u>	<u>169,107</u>	<u>(277,580)</u>	<u>2,915,416</u>	<u>4,064</u>	<u>2,919,480</u>
Ordinary Profit (Loss)/ Income (Loss) before Income Taxes	¥ (780,057)	¥ (2,198)	¥ (5,819)	¥ 12,558	¥ (676)	¥ (776,190)	¥ (69,933)	¥ (706,257)
Millions of U.S. Dollars	\$ (6,470)	\$ (18)	\$ (48)	\$ 104	\$ (5)	\$ (6,438)	\$ (580)	\$ (5,858)
Assets	¥45,516,552	¥2,577,289	¥1,070,154	¥2,887,072	¥(3,036,064)	¥49,015,005	¥ —	¥49,015,005
Millions of U.S. Dollars	\$ 377,574	\$ 21,379	\$ 8,877	\$ 23,949	\$ (25,185)	\$ 406,594	\$ —	\$ 406,594

Year Ended								Millions of Yen
March 31, 1998	Domestic	Americas	Europe	Asia and Oceania	Interarea Elimination	Subtotal	Reclassi- fication	Consolidated Total
Ordinary Income/ Total Income								
Customers	¥ 2,131,277	¥ 94,646	¥ 135,070	¥ 252,703	¥ —	¥ 2,613,698	¥307,830	¥ 2,921,528
Intersegment	229,443	150,975	44,388	9,489	(434,297)	—	—	—
Total	<u>2,360,720</u>	<u>245,622</u>	<u>179,459</u>	<u>262,192</u>	<u>(434,297)</u>	<u>2,613,698</u>	<u>307,830</u>	<u>2,921,528</u>
Ordinary Expenses/ Total Expenses	<u>2,787,703</u>	<u>236,174</u>	<u>176,829</u>	<u>249,415</u>	<u>(432,823)</u>	<u>3,017,298</u>	<u>4,580</u>	<u>3,021,878</u>
Ordinary Profit (Loss)/ Income (Loss) before Income Taxes	¥ (426,982)	¥ 9,447	¥ 2,630	¥ 12,777	¥ (1,473)	¥ (403,600)	¥303,250	¥ (100,349)
Millions of U.S. Dollars	\$ (3,232)	\$ 71	\$ 19	\$ 96	\$ (11)	\$ (3,055)	\$ 2,295	\$ (759)
Assets	¥45,723,010	¥3,290,017	¥2,062,609	¥4,931,856	¥(2,847,164)	¥53,160,330	¥ —	¥53,160,330
Millions of U.S. Dollars	\$ 346,124	\$ 24,905	\$ 15,613	\$ 37,334	\$ (21,553)	\$ 402,424	\$ —	\$ 402,424

Ordinary income or expenses represent total income or expenses excluding Gains or Losses on Dispositions of Premises and Equipment, Recoveries of Written-off Claims, and Transfer to (from) Other Reserves.

For the years ended March 31, 1999 and 1998, the Bank reported ordinary income and ordinary profit (loss) which correspond to sales and operating profit for other types of enterprises for its Head

Office and consolidated subsidiaries according to the classification domestic and country or region, in view of the geographical proximity, similarities in economic activities, and interrelationships among these activities.

Countries or economies in the regions shown include, but are not limited to, the following: Americas: the United States and Canada; Europe: the United Kingdom and Germany; and Asia and Oceania: Singapore, Hong Kong, and Australia.

As described in Note 1 (f), due to the changes in the depreciation method of buildings acquired on or after April 1, 1998, and shortening of the estimated useful lives of buildings from fiscal 1998, "Domestic" assets decreased by ¥314 million, and both ordinary expenses and loss before income taxes increased by ¥314 million.

Also, as described in Note 22 and Note 27, due to the reclassification of "Equity in Earnings of Affiliates" and "Enterprise Taxes," "Domestic" ordinary income increased by ¥877 million, ordinary expenses decreased by ¥283 million and loss before income taxes decreased by ¥1,160 million, for "Asia and Oceania" ordinary income decreased by ¥221 million and loss before income taxes increased by ¥221 million for fiscal 1998.

### (c) Ordinary Income from International Operations

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
(i) Ordinary Income from International Operations	¥ 839,959	¥ 975,889	\$ 6,967
(ii) Ordinary Income	2,139,226	2,613,698	17,745
(i) / (ii)	39.3%	37.3%	39.3%

Ordinary income from international operations comprises transactions denominated in foreign currencies, trade bill transactions denominated in yen, and offshore account transactions in Japan; transactions at the Bank's overseas branches; and income from overseas consolidated subsidiaries. The composition of this substantial volume of transactions is not broken down by counterparty, and, therefore, data by region and country have not been included.

## 32. Subsequent Event

- (i) The following appropriation of earned surplus of the Bank for the year ended March 31, 1999, was approved at the stockholders' meeting held on June 29, 1999.

	Millions of Yen	Millions of U.S. Dollars
Transfer to Legal Reserve	¥ 2,473	\$ 20
Dividends:		
Series II Preferred (¥7.50 per Share)	84	0
Series III Preferred (¥0.04 per Share)	32	0
Common (¥3.00 per Share)	12,249	101
Total	¥14,839	\$123

- (ii) At the general stockholders' meeting held on June 29, 1999, the Bank's stockholders approved the following stock option plan for the Bank's directors and certain employees:

#### Stock option plan

The plan provides for granting options to directors and certain employees to purchase up to 279 thousand shares of the Bank's common stock in the period from June 30, 2001 to June 29, 2009. The issue price of the stock equals 105% of the average of the closing prices of the Bank's common stock on the Tokyo Stock Exchange ("TSE") on each day (excluding a day or days on which no closing price is available) during the month immediately prior to the month in which stock option rights will be granted (amounts below one yen will be rounded up to the nearest one yen), but if such average is lower than the closing price of the Bank's common stock on the TSE on the date of grant of stock option rights, the issue price shall be equal to that day's closing price.

# Independent Certified Public Accountants' Report



To the Board of Directors of  
The Sakura Bank, Limited

We have examined the consolidated balance sheets of The Sakura Bank, Limited and subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of operations, earned surplus and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Sakura Bank, Limited and subsidiaries as of March 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations 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. (a). Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Showa Ota & Co.*

Showa Ota & Co.

*Tohmatsu & Co.*

Tohmatsu & Co.

Tokyo, Japan  
June 29, 1999



## Non-Consolidated Financial Highlights

Years Ended March 31

Millions of Yen	1999	1998	1997	1996	1995
<b>For the Year</b>					
Total Income	¥ 2,045,139	¥ 2,833,166	¥ 2,538,645	¥ 2,502,086	¥ 2,620,794
Total Expenses	2,693,827	2,948,431	2,480,239	2,882,511	2,560,791
Income (Loss) before Income Taxes	(648,688)	(115,265)	58,406	(380,425)	60,003
Net Income (Loss)	(375,315)	(220,516)	51,042	(426,830)	24,451
<b>At Year-End</b>					
Total Assets	¥47,208,716	¥51,650,386	¥53,131,014	¥52,824,386	¥52,465,934
Loans and Bills Discounted	32,291,263	35,083,771	36,833,937	36,713,909	35,795,837
Securities	6,217,570	6,449,372	7,062,157	6,893,715	6,879,818
Total Liabilities	44,985,195	50,352,273	51,579,961	51,443,079	50,726,884
Deposits	32,965,621	36,380,770	38,270,539	38,808,092	37,233,867
Total Stockholders' Equity	2,223,521	1,298,113	1,551,052	1,381,306	1,739,049
Common Stock	631,399	572,562	475,735	475,735	424,409
Preferred Stock	411,307	26,883	123,710	48,710	50,000

## Business Performance

Years Ended March 31

Millions of Yen (Except per share data, %)	1999	1998	1997	1996	1995
Gross Operating Profit:	¥ 699,181	¥ 730,391	¥ 720,834	¥ 768,448	¥ 605,847
Loan Loss Provision	101,176	1,716	357	2,340	(1,786)
Expenses:	425,057	434,895	438,732	432,929	447,464
Personnel	178,163	195,696	206,375	216,718	224,412
Non-personnel	223,065	204,374	203,238	187,022	192,001
Tax	23,827	34,824	29,117	29,187	31,050
Net Operating Profit	172,947	293,778	281,745	333,179	160,168
Gains and Losses on Money Held in Trust	(2,895)	(2,876)	(3,315)	(12,113)	5,277
Extraordinary Profit (Loss), Net	(924,239)	(708,126)	(219,451)	(703,336)	(99,446)
Operating Profit (Loss)	(754,187)	(417,223)	58,978	(382,270)	66,000
Net Income (Loss)	(375,315)	(220,516)	51,042	(426,830)	24,451
Total Assets (Average Balance)	¥47,215,251	¥50,375,675	¥49,589,697	¥49,493,373	¥48,325,847
<b>Per Share (Yen):</b>					
Dividends Paid	¥ 7.25	¥ 8.50	¥ 8.50	¥ 8.50	¥ 8.50
Stockholders' Equity	343.09	332.07	380.72	374.94	494.35
Dividend Payout Ratio (%)	—%	—%	60.27%	—%	126.93%
ROA (Net Income) (%)	—%	—%	0.103%	—%	0.051%
ROA (Net Operating Profit) (%)	0.366%	0.583%	0.568%	0.673%	0.331%
% of Expenses to Gross Operating Profit	60.8%	59.5%	60.9%	56.3%	73.9%

Notes: 1. Total assets (average balance) exclude customers' liabilities for acceptances and guarantees.

2. Stockholders' equity per share is calculated by subtracting the product of the number of preferred shares outstanding at the end of the fiscal year and the issue price per share of preferred shares from stockholders' equity at the end of the fiscal year, then dividing this amount by the number of common shares outstanding at the end of the fiscal year.

# Non-Consolidated Balance Sheets

(Supplemental Information)  
The Sakura Bank, Limited

March 31, 1999 and 1998	Millions of Yen		Millions of U.S. Dollars (Note 1)
	1999	1998	1999
<b>Assets</b>			
Cash and Due from Banks	¥ 1,413,680	¥ 2,537,620	\$ 11,726
Call Loans	84,978	256,761	704
Commercial Paper and Other Debt Purchased	2,182	6,152	18
Trading Assets	1,091,216	1,303,734	9,051
Money Held in Trust	151,470	239,983	1,256
Securities	6,217,570	6,449,372	51,576
Loans and Bills Discounted	32,291,263	35,083,771	267,866
Foreign Exchanges	320,981	490,679	2,662
Other Assets	1,654,079	1,484,502	13,721
Premises and Equipment	346,840	490,062	2,877
Deferred Income Taxes	677,740	—	5,622
Customers' Liabilities for Acceptances and Guarantees	2,956,710	3,307,744	24,526
<b>Total Assets</b>	<b>¥47,208,716</b>	<b>¥51,650,386</b>	<b>\$391,611</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Deposits	¥32,965,621	¥36,380,770	\$273,460
Call Money	2,335,541	3,127,221	19,374
Commercial Paper	567,000	—	4,703
Trading Liabilities	194,133	298,134	1,610
Borrowed Money	1,960,790	2,760,699	16,265
Foreign Exchanges	35,170	44,061	291
Bonds	100,000	100,000	829
Convertible Bonds	2,208	5,365	18
Other Liabilities	2,946,007	2,910,651	24,438
Reserve for Possible Loan Losses	735,562	1,044,082	6,101
Reserve for Retirement Allowances	36,484	40,053	302
Reserve for Possible Losses from Loans Sold to CCPC	114,812	116,472	952
Other Reserves	9	8	0
Deferred Income Tax Liabilities for Land Revaluation	35,140	—	291
Acceptances and Guarantees	2,956,710	3,307,744	24,526
Reserve for Unrealized Appreciation of Land	—	217,007	—
<b>Total Liabilities</b>	<b>44,985,195</b>	<b>50,352,273</b>	<b>373,166</b>
<b>Stockholders' Equity</b>			
Capital Stock:			
Common Stock	631,399	572,562	5,237
Preferred Stock	411,307	26,883	3,411
Capital Surplus	899,521	456,534	7,461
Legal Reserve	118,084	111,630	979
Land Revaluation Excess	48,928	—	405
Earned Surplus	114,281	130,503	947
<b>Total Stockholders' Equity</b>	<b>2,223,521</b>	<b>1,298,113</b>	<b>18,444</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>¥47,208,716</b>	<b>¥51,650,386</b>	<b>\$391,611</b>

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥120.55 to US\$1, the effective exchange rate at March 31, 1999.

2. Amounts less than one million have been omitted.



## Non-Consolidated Statements of Earned Surplus

(Supplemental Information)  
The Sakura Bank, Limited

Years Ended March 31, 1999 and 1998	Millions of Yen		Millions of U.S. Dollars (Note 1)
	1999	1998	1999
Balance at Beginning of Year	<b>¥130,503</b>	¥389,927	<b>\$1,082</b>
Appropriations:			
Transfer to Legal Reserve	<b>6,453</b>	6,484	<b>53</b>
Dividends Paid	<b>32,269</b>	32,422	<b>267</b>
Cumulative Effect of Adopting Tax Effect Accounting Beginning Fiscal 1998	<b>397,816</b>	—	<b>3,300</b>
Net Loss	<b>375,315</b>	220,516	<b>3,113</b>
<b>Balance at End of Year</b>	<b>¥114,281</b>	¥130,503	<b>\$ 947</b>

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥120.55 to US\$1, the effective exchange rate at March 31, 1999.

2. Amounts less than one million have been omitted.

## Indicators of Income

Years Ended March 31  
Millions of Yen

	1999	1998	1997	1996	1995
<b>Domestic Operations:</b>					
<b>Net Interest Income</b>					
Interest Income	¥838,850	¥857,023	¥889,782	¥1,044,839	¥1,312,953
Interest Expenses	319,254	333,653	353,222	477,505	816,126
	¥519,595	¥523,370	¥536,560	¥ 567,334	¥ 496,827
<b>Fees and Commissions, Net</b>					
Fees and Commissions (Income)	¥ 84,677	¥ 87,919	¥ 82,326	¥ 77,889	¥ 77,836
Fees and Commissions (Expenses)	34,239	34,446	32,201	30,594	29,845
	¥ 50,438	¥ 53,472	¥ 50,124	¥ 47,294	¥ 47,991
<b>Trading Revenue</b>	¥ 5,794	¥ 2,765	¥ —	¥ —	¥ —
<b>Other Operating Income, Net</b>					
Other Operating Income	¥ 66,717	¥ 44,599	¥ 40,538	¥ 116,424	¥ 34,902
Other Operating Expenses	15,277	8,748	19,406	42,338	30,437
	¥ 51,440	¥ 35,850	¥ 21,132	¥ 74,086	¥ 4,465
<b>Gross Operating Profit</b>	¥627,268	¥615,458	¥607,817	¥ 688,714	¥ 549,283
<b>International Operations:</b>					
<b>Net Interest Income</b>					
Interest Income	¥706,083	¥837,290	¥931,489	¥ 927,518	¥ 779,508
Interest Expenses	658,111	766,562	831,853	868,523	759,158
	¥ 47,972	¥ 70,727	¥ 99,635	¥ 58,995	¥ 20,350
<b>Fees and Commissions, Net</b>					
Fees and Commissions (Income)	¥ 19,001	¥ 26,041	¥ 25,314	¥ 22,776	¥ 21,525
Fees and Commissions (Expenses)	15,934	11,764	10,839	9,468	11,447
	¥ 3,067	¥ 14,276	¥ 14,474	¥ 13,308	¥ 10,078
<b>Trading Revenue</b>	¥ 5,030	¥ 6,532	¥ —	¥ —	¥ —
<b>Other Operating Income (Loss), Net</b>					
Other Operating Income	¥ 37,648	¥ 28,772	¥ 10,179	¥ 16,780	¥ 34,661
Other Operating Expenses	21,805	5,375	11,271	9,350	8,525
	¥ 15,842	¥ 23,397	¥ (1,092)	¥ 7,429	¥ 26,135
<b>Gross Operating Profit</b>	¥ 71,912	¥114,933	¥113,017	¥ 79,734	¥ 56,563

(Continued on page 88)

(Continued from page 87)

Years Ended March 31  
Millions of Yen

	1999	1998	1997	1996	1995
<b>Total Operations:</b>					
<b>Net Interest Income</b>					
Interest Income	¥1,542,712	¥1,692,779	¥1,815,881	¥1,958,262	¥2,051,489
Interest Expenses	975,143	1,098,681	1,179,685	1,331,932	1,534,311
	¥ 567,568	¥ 594,097	¥ 636,195	¥ 626,330	¥ 517,177
<b>Fees and Commissions, Net</b>					
Fees and Commissions (Income)	¥ 103,679	¥ 113,960	¥ 107,641	¥ 100,666	¥ 99,362
Fees and Commissions (Expenses)	50,173	46,211	43,041	40,063	41,293
	¥ 53,505	¥ 67,748	¥ 64,599	¥ 60,603	¥ 58,069
<b>Trading Revenue</b>	¥ 10,824	¥ 9,297	¥ —	¥ —	¥ —
<b>Other Operating Income, Net</b>					
Other Operating Income	¥ 104,365	¥ 73,371	¥ 50,718	¥ 133,204	¥ 69,563
Other Operating Expenses	37,082	14,123	30,678	51,689	38,963
	¥ 67,282	¥ 59,247	¥ 20,039	¥ 81,515	¥ 30,600
<b>Gross Operating Profit</b>	¥ 699,181	¥ 730,391	¥ 720,834	¥ 768,448	¥ 605,847

Notes: 1. Expenses related to net income from earning assets exclude those expenses incurred in connection with the management of money held in trust, which were as follows: March 1995, ¥5,799 million; March 1996, ¥6,812 million; March 1997, ¥5,046 million; March 1998, ¥5,105 million, and March 1999, ¥4,075 million.

2. The totals for income from earning assets and expenses related to earning assets do not include interest incurred in connection with lending or borrowing between domestic operations and international operations.

## Analysis of Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31 Millions of Yen, %	1999			1998			1997		
	Average Balance	Average Interest	Average Rate*	Average Balance	Average Interest	Average Rate*	Average Balance	Average Interest	Average Rate*
<b>Interest-Earning Assets</b>									
Domestic	¥35,887,893	¥ 838,850	2.33%	¥35,843,523	¥ 857,023	2.39%	¥36,414,444	¥ 889,782	2.44%
International	7,474,974	706,083	9.44	11,443,084	837,290	7.31	12,085,630	931,489	7.70
<b>Total</b>	<b>¥42,975,475</b>	<b>¥1,542,712</b>	<b>3.58%</b>	<b>¥47,036,673</b>	<b>¥1,692,779</b>	<b>3.59%</b>	<b>¥47,691,329</b>	<b>¥1,815,881</b>	<b>3.80%</b>
Loans and Bills Discounted:									
Domestic	¥29,759,388	¥ 624,114	2.09%	¥29,626,422	¥ 630,161	2.12%	¥30,097,075	¥ 677,898	2.25%
International	5,161,622	236,642	4.58	7,448,762	342,534	4.59	6,871,401	301,019	4.38
<b>Total</b>	<b>¥34,921,011</b>	<b>¥ 860,757</b>	<b>2.46%</b>	<b>¥37,075,184</b>	<b>¥ 972,696</b>	<b>2.62%</b>	<b>¥36,968,477</b>	<b>¥ 978,917</b>	<b>2.64%</b>
Trading Account Securities:									
Domestic	¥ —	¥ —	—%	¥ —	¥ —	—%	¥ 69,362	¥ 1,397	2.01%
International	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>—%</b>	<b>¥ —</b>	<b>¥ —</b>	<b>—%</b>	<b>¥ 69,362</b>	<b>¥ 1,397</b>	<b>2.01%</b>
Securities:									
Domestic	¥ 5,623,374	¥ 85,567	1.52%	¥ 5,873,981	¥ 105,381	1.79%	¥ 6,128,162	¥ 123,040	2.00%
International	945,845	46,645	4.93	1,101,427	60,096	5.45	842,391	53,566	6.35
<b>Total</b>	<b>¥ 6,569,219</b>	<b>¥ 132,213</b>	<b>2.01%</b>	<b>¥ 6,975,408</b>	<b>¥ 165,477</b>	<b>2.37%</b>	<b>¥ 6,970,553</b>	<b>¥ 176,606</b>	<b>2.53%</b>
Call Loans:									
Domestic	¥ 45,329	¥ 273	0.60%	¥ 30,983	¥ 184	0.59%	¥ 17,316	¥ 95	0.54%
International	65,080	4,136	6.35	345,819	25,477	7.36	228,927	13,142	5.74
<b>Total</b>	<b>¥ 110,410</b>	<b>¥ 4,410</b>	<b>3.99%</b>	<b>¥ 376,802</b>	<b>¥ 25,661</b>	<b>6.81%</b>	<b>¥ 246,244</b>	<b>¥ 13,237</b>	<b>5.37%</b>
<b>Interest-Bearing Liabilities</b>									
Domestic	¥33,858,117	¥ 319,254	0.94%	¥34,679,428	¥ 333,653	0.96%	¥35,239,208	¥ 353,222	1.00%
International	7,198,178	658,111	9.14	11,382,544	766,562	6.73	11,975,864	831,853	6.94
<b>Total</b>	<b>¥40,668,903</b>	<b>¥ 975,143</b>	<b>2.39%</b>	<b>¥45,812,038</b>	<b>¥1,098,681</b>	<b>2.39%</b>	<b>¥46,406,326</b>	<b>¥1,179,685</b>	<b>2.54%</b>
Deposits:									
Domestic	¥28,589,865	¥ 116,079	0.40%	¥28,983,249	¥ 131,858	0.45%	¥27,839,148	¥ 146,394	0.52%
International	5,655,285	229,863	4.06	9,295,228	405,098	4.35	9,985,539	389,997	3.90
<b>Total</b>	<b>¥34,245,151</b>	<b>¥ 345,942</b>	<b>1.01%</b>	<b>¥38,278,477</b>	<b>¥ 536,956</b>	<b>1.40%</b>	<b>¥37,824,688</b>	<b>¥ 536,392</b>	<b>1.41%</b>
Call Money:									
Domestic	¥ 4,001,061	¥ 24,182	0.60%	¥ 4,387,039	¥ 25,585	0.58%	¥ 5,397,597	¥ 26,581	0.49%
International	164,490	10,176	6.18	844,820	50,646	5.99	1,012,072	53,530	5.28
<b>Total</b>	<b>¥ 4,165,551</b>	<b>¥ 34,359</b>	<b>0.82%</b>	<b>¥ 5,231,859</b>	<b>¥ 76,231</b>	<b>1.45%</b>	<b>¥ 6,409,669</b>	<b>¥ 80,112</b>	<b>1.24%</b>
Commercial Papers:									
Domestic	¥ 379,381	¥ 2,760	0.72%	¥ —	¥ —	—%	¥ —	¥ —	—%
International	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥ 379,381</b>	<b>¥ 2,760</b>	<b>0.72%</b>	<b>¥ —</b>	<b>¥ —</b>	<b>—%</b>	<b>¥ —</b>	<b>¥ —</b>	<b>—%</b>
Borrowed Money:									
Domestic	¥ 876,544	¥ 24,349	2.77%	¥ 1,406,316	¥ 31,940	2.27%	¥ 1,093,768	¥ 31,332	2.86%
International	983,686	43,752	4.44	932,082	44,944	4.82	818,738	35,089	4.28
<b>Total</b>	<b>¥ 1,860,231</b>	<b>¥ 68,101</b>	<b>3.66%</b>	<b>¥ 2,338,398</b>	<b>¥ 76,884</b>	<b>3.28%</b>	<b>¥ 1,912,507</b>	<b>¥ 66,422</b>	<b>3.47%</b>

\* Average Rate=Interest/Average Balance

## Analysis of Net Interest Income

Years Ended March 31 Millions of Yen	1999			1998		
	Due to Increase (Decrease) in Volume	Due to Changes in Rate	Net Change	Due to Increase (Decrease) in Volume	Due to Changes in Rate	Net Change
<b>Interest Income</b>						
Domestic	¥ 1,060	¥ (19,233)	¥ (18,173)	¥(13,950)	¥(18,808)	¥ (32,758)
International	(290,346)	159,140	(131,206)	(49,523)	(44,676)	(94,199)
<b>Total</b>	<b>¥(146,156)</b>	<b>¥ (3,911)</b>	<b>¥(150,067)</b>	<b>¥(24,926)</b>	<b>¥(98,175)</b>	<b>¥(123,101)</b>
Loans and Bills Discounted:						
Domestic	¥ 2,828	¥ (8,874)	¥ (6,046)	¥(10,600)	¥(37,136)	¥ (47,736)
International	(105,175)	(717)	(105,892)	25,292	16,223	41,515
<b>Total</b>	<b>¥ (56,516)</b>	<b>¥ (55,423)</b>	<b>¥(111,939)</b>	<b>¥ 2,825</b>	<b>¥ (9,046)</b>	<b>¥ (6,221)</b>
Securities:						
Domestic	¥ (4,495)	¥ (15,318)	¥ (19,813)	¥ (5,103)	¥(12,556)	¥ (17,659)
International	(8,488)	(4,962)	(13,450)	16,471	(9,942)	6,529
<b>Total</b>	<b>¥ (9,636)</b>	<b>¥ (23,628)</b>	<b>¥ (33,264)</b>	<b>¥ 123</b>	<b>¥(11,252)</b>	<b>¥ (11,129)</b>
Call Loans:						
Domestic	¥ 85	¥ 3	¥ 88	¥ 75	¥ 14	¥ 89
International	(20,682)	(658)	(21,340)	6,710	5,625	12,335
<b>Total</b>	<b>¥ (18,142)</b>	<b>¥ (3,109)</b>	<b>¥ (21,251)</b>	<b>¥ 7,018</b>	<b>¥ 5,406</b>	<b>¥ 12,424</b>
<b>Interest Expenses</b>						
Domestic	¥ (7,901)	¥ (6,498)	¥ (14,399)	¥ (5,610)	¥(13,958)	¥ (19,568)
International	(281,798)	(173,347)	(108,451)	(41,212)	(24,079)	(65,291)
<b>Total</b>	<b>¥(123,344)</b>	<b>¥ (194)</b>	<b>¥(123,538)</b>	<b>¥(15,107)</b>	<b>¥(65,896)</b>	<b>¥ (81,003)</b>
Deposits:						
Domestic	¥ (1,789)	¥ (13,989)	¥ (15,778)	¥ 6,016	¥(20,551)	¥ (14,535)
International	(158,633)	(16,601)	(175,234)	(26,960)	42,060	15,100
<b>Total</b>	<b>¥ (56,578)</b>	<b>¥(134,435)</b>	<b>¥(191,013)</b>	<b>¥ 6,435</b>	<b>¥ (5,871)</b>	<b>¥ 564</b>
Call Money:						
Domestic	¥ (2,251)	¥ 849	¥ (1,402)	¥ (4,976)	¥ 3,980	¥ (996)
International	(40,785)	315	(40,470)	(8,846)	5,962	(2,884)
<b>Total</b>	<b>¥ (15,536)</b>	<b>¥ (26,336)</b>	<b>¥ (41,872)</b>	<b>¥(14,721)</b>	<b>¥ 10,841</b>	<b>¥ (3,880)</b>
Commercial Papers:						
Domestic	¥ 2,760	¥ —	¥ 2,760	¥ —	¥ —	¥ —
International	—	—	—	—	—	—
<b>Total</b>	<b>¥ 2,760</b>	<b>¥ —</b>	<b>¥ 2,760</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>
Borrowed Money:						
Domestic	¥ (12,032)	¥ 4,441	¥ (7,591)	¥ 8,953	¥ (8,345)	¥ 608
International	2,488	(3,679)	(1,191)	4,857	4,997	9,854
<b>Total</b>	<b>¥ (15,721)</b>	<b>¥ 6,938</b>	<b>¥ (8,783)</b>	<b>¥ 14,791</b>	<b>¥ (4,329)</b>	<b>¥ 10,462</b>

Note: When net changes are due to changes in both volume and rate factors, these have been included in rate factors.



## Overall Net Average Rate on Earning Assets

Years Ended March 31

%	1999	1998	1997	1996	1995
<b>Average Rate on Earning Assets (A)</b>					
Domestic	<b>2.33%</b>	2.39%	2.44%	2.82%	3.50%
International	<b>9.44</b>	7.31	7.70	7.86	7.10
<b>Total</b>	<b>3.58%</b>	3.59%	3.80%	4.11%	4.40%
<b>Overall Cost of Funds (B)</b>					
Domestic	<b>1.99%</b>	2.01%	2.06%	2.38%	3.32%
International	<b>10.01</b>	7.30	7.47	7.80	7.50
<b>Total</b>	<b>3.43%</b>	3.33%	3.48%	3.79%	4.37%
<b>Overall Net Average Rate on Earning Assets ((A)-(B))</b>					
Domestic	<b>0.34%</b>	0.38%	0.38%	0.44%	0.18%
International	<b>(0.57)</b>	0.01	0.23	0.06	(0.40)
<b>Total</b>	<b>0.15%</b>	0.26%	0.32%	0.32%	0.03%

## Fees and Commissions

Years Ended March 31  
Millions of Yen

	1999	1998	1997	1996	1995
<b>Fees and Commissions (Income)</b>					
Domestic	¥ 84,677	¥ 87,919	¥ 82,326	¥ 77,889	¥77,836
International	19,001	26,041	25,314	22,776	21,525
<b>Total</b>	<b>¥103,679</b>	<b>¥113,960</b>	<b>¥107,641</b>	<b>¥100,666</b>	<b>¥99,362</b>
Deposits and Loans:					
Domestic	¥ 8,654	¥ 8,400	¥ 8,012	¥ 7,431	¥ 6,985
International	3,726	7,625	6,484	4,161	3,366
<b>Total</b>	<b>¥ 12,380</b>	<b>¥ 16,025</b>	<b>¥ 14,496</b>	<b>¥ 11,592</b>	<b>¥10,351</b>
Remittances and Transfers:					
Domestic	¥ 41,400	¥ 42,119	¥ 41,740	¥ 40,129	¥38,654
International	10,498	12,499	12,579	12,088	12,464
<b>Total</b>	<b>¥ 51,898</b>	<b>¥ 54,619</b>	<b>¥ 54,320</b>	<b>¥ 52,217</b>	<b>¥51,118</b>
Securities:					
Domestic	¥ 9,920	¥ 10,084	¥ 9,211	¥ 9,905	¥11,519
International	22	32	72	72	79
<b>Total</b>	<b>¥ 9,942</b>	<b>¥ 10,116</b>	<b>¥ 9,283</b>	<b>¥ 9,977</b>	<b>¥11,598</b>
<b>Fees and Commissions (Expenses)</b>					
Domestic	¥ 34,239	¥ 34,446	¥ 32,201	¥ 30,594	¥29,845
International	15,934	11,764	10,839	9,468	11,447
<b>Total</b>	<b>¥ 50,173</b>	<b>¥ 46,211</b>	<b>¥ 43,041</b>	<b>¥ 40,063</b>	<b>¥41,293</b>
Remittances and Transfers:					
Domestic	¥ 7,258	¥ 7,366	¥ 7,224	¥ 6,973	¥ 6,672
International	4,418	6,026	6,398	6,264	9,081
<b>Total</b>	<b>¥ 11,677</b>	<b>¥ 13,393</b>	<b>¥ 13,622</b>	<b>¥ 13,238</b>	<b>¥15,753</b>
<b>Fees and Commissions, Net</b>					
Domestic	¥ 50,438	¥ 53,472	¥ 50,124	¥ 47,294	¥47,991
International	3,067	14,276	14,474	13,308	10,078
<b>Total</b>	<b>¥ 53,505</b>	<b>¥ 67,748</b>	<b>¥ 64,599</b>	<b>¥ 60,603</b>	<b>¥58,069</b>

## Domestic Exchange Transactions

Years Ended March 31  
Trillions of Yen

	1999	1998	1997	1996	1995
Total	¥1,165.0	¥1,191.9	¥1,113.9	¥1,061.4	¥963.2

## Foreign Exchange Transactions

Years Ended March 31  
Billions of U.S. Dollars

	1999	1998	1997	1996	1995
Total	\$976.7	\$1,159.7	\$1,142.6	\$1,239.6	\$1,026.9

## Other Operating Income (Loss)

Years Ended March 31  
Millions of Yen

	1999	1998	1997	1996	1995
<b>Other Operating Income</b>					
Domestic	¥ 66,717	¥44,599	¥40,538	¥116,424	¥34,902
International	37,648	28,772	10,179	16,780	34,661
<b>Total</b>	<b>¥104,365</b>	¥73,371	¥50,718	¥133,204	¥69,563
Gains on Foreign Exchange Transactions:					
Domestic	¥ —	¥ —	¥ —	¥ —	¥ —
International	22,129	14,067	—	2,620	24,664
<b>Total</b>	<b>¥ 22,129</b>	¥14,067	¥ —	¥ 2,620	¥24,664
Gains on Trading Account Securities:					
Domestic	¥ —	¥ —	¥ 7,093	¥ 4,184	¥ 5,177
International	—	—	—	—	—
<b>Total</b>	<b>¥ —</b>	¥ —	¥ 7,093	¥ 4,184	¥ 5,177
Gains on Sales of Bonds:					
Domestic	¥ 64,486	¥41,997	¥31,109	¥111,305	¥28,981
International	13,860	13,392	7,876	12,284	4,987
<b>Total</b>	<b>¥ 78,346</b>	¥55,389	¥38,985	¥123,590	¥33,969
Gains on Redemption of Bonds:					
Domestic	¥ 1,362	¥ 1,764	¥ 1,219	¥ 728	¥ 578
International	1,648	1,308	2,303	1,874	5,009
<b>Total</b>	<b>¥ 3,011</b>	¥ 3,072	¥ 3,522	¥ 2,603	¥ 5,587
<b>Other Operating Expenses</b>					
Domestic	¥ 15,277	¥ 8,748	¥19,406	¥ 42,338	¥30,437
International	21,805	5,375	11,271	9,350	8,525
<b>Total</b>	<b>¥ 37,082</b>	¥14,123	¥30,678	¥ 51,689	¥38,963
Losses on Foreign Exchange Transactions:					
Domestic	¥ —	¥ —	¥ —	¥ —	¥ —
International	—	—	3,688	—	—
<b>Total</b>	<b>¥ —</b>	¥ —	¥ 3,688	¥ —	¥ —
Losses on Sales of Bonds:					
Domestic	¥ 9,719	¥ 672	¥ 9,738	¥ 31,036	¥18,626
International	11,370	4,232	5,904	7,116	7,980
<b>Total</b>	<b>¥ 21,090</b>	¥ 4,905	¥15,642	¥ 38,153	¥26,606
Losses on Redemption of Bonds:					
Domestic	¥ 4,326	¥ 6,960	¥ 9,636	¥ 10,841	¥11,723
International	2,927	664	678	2,106	424
<b>Total</b>	<b>¥ 7,253</b>	¥ 7,625	¥10,314	¥ 12,947	¥12,147
Losses on Devaluation of Bonds:					
Domestic	¥ 154	¥ 975	¥ —	¥ 453	¥ —
International	1,719	—	1,000	127	121
<b>Total</b>	<b>¥ 1,873</b>	¥ 975	¥ 1,000	¥ 580	¥ 121
<b>Other Operating Income (Loss), Net</b>					
Domestic	¥ 51,440	¥35,850	¥21,132	¥ 74,086	¥ 4,465
International	15,842	23,397	(1,092)	7,429	26,135
<b>Total</b>	<b>¥ 67,282</b>	¥59,247	¥20,039	¥ 81,515	¥30,600

## Extraordinary Profit (Loss)

Years Ended March 31

Millions of Yen

	1999	1998	1997	1996	1995
Stock-related Profit:					
Gains on Sales of Stocks and Other Securities	¥ 150,916	¥ 620,610	¥ 543,928	¥ 285,323	¥ 372,763
Losses on Sales of Stocks and Other Securities	40,941	77,363	10,431	11,708	175
Losses on Devaluation of Stocks and Other Securities	97,415	10,207	206,995	9,058	70,131
Written-off Claims and Provision for Possible Loan Losses	604,293	612,131	138,735	602,855	129,603
Enterprise Tax	—	25,002	—	9,688	9,155
Other Profit (Loss):	(332,506)	(604,032)	(407,217)	(355,348)	(263,144)
Losses on Financial Assistance to Supported Companies	142,100	305,738	229,045	238,359	144,306
<b>Total</b>	<b>¥(924,239)</b>	<b>¥(708,126)</b>	<b>¥(219,451)</b>	<b>¥(703,336)</b>	<b>¥ (99,446)</b>

Note: The breakdown of written-off claims and provision for possible loan losses is shown below.

## Written-off Claims and Provision for Possible Loan Losses

March 31

Millions of Yen

	1999	1998	1997	1996	1995
Written-off Claims	¥149,326	¥ 11,845	¥ 10,734	¥ 14,471	¥ 8,356
Provision for Specific Reserve	446,593	604,653	129,476	589,349	143,409
Provision for Loans to Restructuring Countries	8,373	(4,367)	(1,474)	(965)	(22,162)
<b>Total</b>	<b>¥604,293</b>	<b>¥612,131</b>	<b>¥138,735</b>	<b>¥602,855</b>	<b>¥129,603</b>

## Assets and Liabilities

### Loans and Bills Discounted by Collateral

March 31

Billions of Yen

	1999	1998	1997	1996	1995
Securities	¥ 474.6	¥ 512.0	¥ 604.1	¥ 708.4	¥ 672.6
Claims	771.6	886.8	1,259.1	1,265.1	1,173.7
Commodities	11.0	8.0	14.7	7.4	6.5
Real Estate	6,558.9	7,446.4	7,848.2	8,525.6	9,497.3
Others	244.0	218.7	166.6	233.0	263.8
Total Secured Loans	8,060.2	9,072.1	9,892.8	10,739.8	11,614.1
Guarantees	14,444.2	14,868.8	14,541.6	13,746.6	11,966.3
Unsecured	9,786.7	11,142.7	12,399.4	12,227.4	12,215.2
<b>Total</b>	<b>¥32,291.2</b>	<b>¥35,083.7</b>	<b>¥36,833.9</b>	<b>¥36,713.9</b>	<b>¥35,795.8</b>

## Loans and Bills Discounted by Use of Funds

March 31					
Billions of Yen	1999	1998	1997	1996	1995
Funds for Capital Investments	<b>¥12,904.5</b>	¥13,291.4	¥12,833.1	¥12,472.9	¥11,899.5
Funds for Working Capital	<b>19,386.7</b>	21,792.3	24,000.7	24,240.9	23,896.2
<b>Total</b>	<b>¥32,291.2</b>	¥35,083.7	¥36,833.9	¥36,713.9	¥35,795.8

## Loans and Bills Discounted by Industry

March 31					
Billions of Yen	1999	1998	1997	1996	1995
<b>Domestic Offices</b>					
Manufacturing	<b>¥ 3,738.5</b>	¥ 3,889.2	¥ 4,080.2	¥ 4,522.5	¥ 4,867.5
Agriculture, Forestry, Fisheries and Mining	<b>226.7</b>	230.4	251.9	277.7	285.5
Construction	<b>1,530.7</b>	1,589.6	1,689.1	1,736.8	1,807.7
Wholesaling and Retailing	<b>4,451.6</b>	4,787.8	5,231.6	5,496.4	5,737.5
Financing and Insurance	<b>2,624.3</b>	2,727.4	3,076.5	3,250.1	3,351.2
Real Estate	<b>4,426.7</b>	4,633.3	4,453.1	4,314.4	4,313.8
Transportation, Communications and Other Public Enterprises	<b>1,355.0</b>	1,253.6	1,480.4	1,437.6	1,415.6
Services	<b>3,383.0</b>	3,386.5	3,697.2	3,867.4	3,895.5
Local Governments	<b>307.1</b>	240.1	219.5	277.7	181.1
Others	<b>7,134.2</b>	6,564.7	6,351.0	6,130.9	5,682.6
<b>Total</b>	<b>¥29,178.1</b>	¥29,303.1	¥30,531.0	¥31,312.0	¥31,538.5
<b>Overseas Offices</b>					
Public Sector	<b>¥ 77.9</b>	¥ 186.8	¥ 174.8	¥ 269.3	¥ 253.5
Financial Institutions	<b>215.0</b>	385.2	607.4	436.0	531.1
Commerce and Industry	<b>2,450.4</b>	4,733.4	5,370.3	4,451.2	3,304.9
Others	<b>369.5</b>	475.0	150.1	245.3	167.6
<b>Total</b>	<b>¥ 3,113.0</b>	¥ 5,780.6	¥ 6,302.8	¥ 5,401.8	¥ 4,257.3
<b>Total</b>	<b>¥32,291.2</b>	¥35,083.7	¥36,833.9	¥36,713.9	¥35,795.8

Note: The special account for international financial transactions is included in figures for overseas offices.

## Loans and Bills Discounted by Size of Borrower (Domestic Offices)

March 31					
Billions of Yen	1999	1998	1997	1996	1995
Large Corporations	<b>¥ 8,810.9</b>	¥ 8,623.2	¥ 9,189.6	¥ 9,705.5	¥10,360.3
Individuals and Small and Medium-sized Enterprises	<b>20,367.2</b>	20,679.8	21,341.4	21,606.4	21,178.1
<b>Total</b>	<b>¥29,178.1</b>	¥29,303.1	¥30,531.0	¥31,312.0	¥31,538.5

## Loans to Individuals (Domestic Offices)

March 31 Billions of Yen	1999	1998	1997	1996	1995
Housing Loans	<b>¥6,173.1</b>	¥5,676.9	¥5,304.8	¥5,020.6	¥4,376.4
Other Loans	<b>1,514.6</b>	1,602.5	1,693.7	1,810.5	1,981.2
<b>Total</b>	<b>¥7,687.7</b>	¥7,279.5	¥6,998.5	¥6,831.2	¥6,357.6

## Loans and Bills Discounted by Maturity and Interest Rate

March 31, 1999 Billions of Yen	Maturity						Total
	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	Over Seven Years	Unspecified Term	
Floating Interest Rate		<b>¥2,705.5</b>	<b>¥2,232.8</b>	<b>¥ 932.1</b>	<b>¥8,189.8</b>	<b>¥6,889.6</b>	
Fixed Interest Rate		<b>2,024.7</b>	<b>1,073.6</b>	<b>563.5</b>	<b>1,149.7</b>	<b>1.0</b>	
<b>Total</b>		<b>¥6,528.4</b>	<b>¥4,730.3</b>	<b>¥1,495.6</b>	<b>¥9,339.5</b>	<b>¥6,890.6</b>	<b>¥32,291.2</b>

March 31, 1998 Billions of Yen	Maturity						Total
	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	Over Seven Years	Unspecified Term	
Floating Interest Rate		¥4,665.1	¥2,583.8	¥1,395.5	¥4,304.8	¥7,327.9	
Fixed Interest Rate		1,517.3	911.2	426.0	1,788.3	1.0	
<b>Total</b>		<b>¥10,162.5</b>	<b>¥6,182.4</b>	<b>¥3,495.1</b>	<b>¥1,821.5</b>	<b>¥7,328.9</b>	<b>¥35,083.7</b>

Note: Loans and bills discounted with maturities of one year or less are not categorized by type of interest rate.

## Loans to Restructuring Countries

March 31 Billions of Yen	1999	1998	1997	1996	1995
Indonesia	<b>¥178.2</b>	¥ —	¥ —	¥ —	¥ —
Brazil	<b>0.3</b>	0.2	0.2	0.2	0.3
Russia	<b>0.1</b>	1.6	0.1	1.9	3.4
Bulgaria	<b>0.0</b>	0.1	0.1	0.1	0.1
Algeria	<b>0.1</b>	0.2	13.5	12.0	11.0
Others	<b>6.2</b>	1.2	3.4	5.3	5.3
<b>Total</b>	<b>¥185.2</b>	¥3.4	¥17.4	¥19.7	¥20.4
Percentage of Total Assets (%)	<b>0.39%</b>	0.01%	0.03%	0.03%	0.03%
Number of Countries	<b>10</b>	8	10	11	12

## Reserve for Possible Loan Losses

March 31 Billions of Yen	1999	1998	1997	1996	1995
General Reserve	<b>¥213.4</b>	¥ 112.2	¥110.5	¥ 110.1	¥107.8
Specific Reserve:	<b>511.8</b>	929.9	718.3	910.1	370.7
Additions to Specific Reserve	<b>511.8</b>	682.0	234.3	657.7	179.4
Charges to Specific Reserve	<b>929.9</b>	470.5	426.1	118.3	54.7
Reserve for Loans to Restructuring Countries	<b>10.2</b>	1.9	6.1	6.9	7.1
<b>Total</b>	<b>¥735.5</b>	¥1,044.0	¥835.0	¥1,027.2	¥485.7

## Trading Account Securities

March 31					
Billions of Yen	1999	1998	1997	1996	1995
Japanese Government Bonds	¥—	¥—	¥95.3	¥43.2	¥83.5
Japanese Government Guaranteed Bonds	—	—	0.1	0.1	0.3
Japanese Local Government Bonds	—	—	0.2	0.1	0.5
<b>Total</b>	<b>¥—</b>	<b>¥—</b>	<b>¥95.7</b>	<b>¥43.6</b>	<b>¥84.4</b>

## Securities

Years Ended March 31					
Billions of Yen	1999	1998	1997	1996	1995
Japanese Government Bonds					
Domestic	¥1,404.5	¥1,193.2	¥1,322.1	¥1,398.0	¥1,425.8
International	—	—	—	—	—
<b>Total</b>	<b>¥1,404.5</b>	<b>¥1,193.2</b>	<b>¥1,322.1</b>	<b>¥1,398.0</b>	<b>¥1,425.8</b>
Japanese Local Government Bonds					
Domestic	¥ 121.4	¥ 175.3	¥ 188.7	¥ 154.9	¥ 269.1
International	—	—	—	—	—
<b>Total</b>	<b>¥ 121.4</b>	<b>¥ 175.3</b>	<b>¥ 188.7</b>	<b>¥ 154.9</b>	<b>¥ 269.1</b>
Corporate Bonds					
Domestic	¥ 381.0	¥ 462.7	¥ 573.1	¥ 743.1	¥ 698.7
International	—	—	—	—	—
<b>Total</b>	<b>¥ 381.0</b>	<b>¥ 462.7</b>	<b>¥ 573.1</b>	<b>¥ 743.1</b>	<b>¥ 698.7</b>
Corporate Stocks					
Domestic	¥3,291.0	¥3,395.0	¥3,761.0	¥3,615.4	¥3,361.5
International	—	—	—	—	—
<b>Total</b>	<b>¥3,291.0</b>	<b>¥3,395.0</b>	<b>¥3,761.0</b>	<b>¥3,615.4</b>	<b>¥3,361.5</b>
Others					
Domestic	¥ 162.3	¥ 221.1	¥ 187.3	¥ 165.9	¥ 143.1
International	838.7	984.5	1,014.1	756.5	927.3
<b>Total</b>	<b>¥1,001.0</b>	<b>¥1,205.6</b>	<b>¥1,201.5</b>	<b>¥ 922.5</b>	<b>¥1,070.5</b>
Securities Lent					
Domestic	¥ 18.2	¥ 17.2	¥ 15.4	¥ 59.5	¥ 54.0
International	—	—	—	—	—
<b>Total</b>	<b>¥ 18.2</b>	<b>¥ 17.2</b>	<b>¥ 15.4</b>	<b>¥ 59.5</b>	<b>¥ 54.0</b>
<b>Total Securities</b>					
Domestic	¥5,378.8	¥5,464.8	¥6,047.9	¥6,137.1	¥5,952.4
International	838.7	984.5	1,014.1	756.5	927.3
<b>Total</b>	<b>¥6,217.5</b>	<b>¥6,449.3</b>	<b>¥7,062.1</b>	<b>¥6,893.7</b>	<b>¥6,879.8</b>

## Securities by Type and Maturity

March 31, 1999 Billions of Yen								Maturity	
	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	More than Seven Years to Ten Years	Over Ten Years	Unspecified Term	Total	
Japanese Government Bonds	¥ 76.8	¥172.8	¥279.7	¥78.0	¥797.0	¥ —	¥ —	¥1,404.5	
Japanese Local Government Bonds	0.4	2.7	—	0.0	118.2	—	—	121.4	
Corporate Bonds	81.4	89.4	78.7	74.2	48.0	9.0	—	381.0	
Corporate Stocks							3,291.0	3,291.0	
Others:	252.3	259.8	73.5	52.5	134.2	45.8	182.6	1,001.0	
Foreign Corporate Bonds	212.2	235.2	41.9	18.6	103.5	44.3	—	656.0	
Foreign Corporate Stocks							182.6	182.6	
Securities Lent	0.0	2.2	3.1	0.7	—	—	12.2	18.2	

March 31, 1998 Billions of Yen								Maturity	
	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	More than Seven Years to Ten Years	Over Ten Years	Unspecified Term	Total	
Japanese Government Bonds	¥ 51.7	¥199.7	¥472.6	¥158.7	¥310.3	¥ —	¥ —	¥1,193.2	
Japanese Local Government Bonds	0.1	0.7	2.5	8.5	163.3	—	—	175.3	
Corporate Bonds	67.8	161.4	83.6	76.8	56.2	16.6	—	462.7	
Corporate Stocks							3,395.0	3,395.0	
Others:	357.7	203.5	59.7	53.0	92.0	221.2	218.2	1,205.6	
Foreign Corporate Bonds	262.9	175.5	33.4	20.3	52.9	221.0	6.1	772.4	
Foreign Corporate Stocks							212.0	212.0	
Securities Lent	2.0	0.6	0.3	0.6	1.4	—	12.1	17.2	

Note: Treasury stocks are included in corporate stocks.

## Value of Securities Quoted on Exchanges

March 31 Billions of Yen	1999			1998			1997		
	Book Value	Market Value	Unrealized Gains (Losses)	Book Value	Market Value	Unrealized Gains (Losses)	Book Value	Market Value	Unrealized Gains
<b>Trading Account</b>									
<b>Securities</b>									
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 4.3	¥ 4.4	¥ 0.0
<b>Securities</b>									
Bonds	816.3	774.4	(41.8)	339.4	351.4	11.9	441.1	461.5	20.4
Stocks	3,050.8	2,940.0	(110.8)	3,128.9	3,091.0	(37.9)	3,496.1	4,174.2	678.1
Others	512.3	509.0	(3.2)	333.6	318.9	(14.6)	350.2	416.4	66.1
<b>Total</b>	<b>4,379.5</b>	<b>4,223.5</b>	<b>(156.0)</b>	3,802.0	3,761.4	(40.6)	4,287.5	5,052.1	764.6
<b>Total</b>	<b>¥4,379.5</b>	<b>¥4,223.5</b>	<b>¥(156.0)</b>	¥3,802.0	¥3,761.4	¥(40.6)	¥4,291.9	¥5,056.6	¥764.7



## Foreign Currency Assets

March 31		1999	1998	1997	1996	1995
Billions of U.S. Dollars						
Domestic Offices		<b>¥15.6</b>	¥17.2	¥18.8	¥16.9	¥18.5
Overseas Offices		<b>35.2</b>	57.8	69.9	76.2	79.7
<b>Total</b>		<b>¥50.9</b>	¥75.1	¥88.8	¥93.1	¥98.3

Note: The yen currency portion of the special account for international financial transactions is included in figures for overseas offices.

## Deposits

March 31		1999	1998	1997	1996	1995
Billions of Yen						
<b>Liquid Deposits</b>						
Domestic		<b>¥11,357.6</b>	¥10,952.3	¥10,836.5	¥10,260.3	¥ 8,354.4
International		<b>1,651.5</b>	4,817.7	5,889.9	5,145.0	5,778.8
<b>Total</b>		<b>¥13,009.1</b>	¥15,770.1	¥16,726.4	¥15,405.4	¥14,133.2
<b>Time Deposits</b>						
Domestic		<b>¥14,910.8</b>	¥14,483.3	¥13,732.3	¥15,190.7	¥17,986.3
International		<b>176.0</b>	407.2	844.0	669.9	413.8
<b>Total</b>		<b>¥15,086.9</b>	¥14,890.5	¥14,576.3	¥15,860.7	¥18,400.1
<b>Negotiable Certificates of Deposits</b>						
Domestic		<b>¥ 2,783.3</b>	¥ 3,128.2	¥ 3,303.3	¥ 3,734.6	¥ 2,203.7
International		<b>71.5</b>	426.8	402.7	316.9	288.2
<b>Total</b>		<b>¥ 2,854.9</b>	¥ 3,555.0	¥ 3,706.0	¥ 4,051.6	¥ 2,491.9
<b>Others</b>						
Domestic		<b>¥ 730.8</b>	¥ 674.2	¥ 1,000.5	¥ 887.8	¥ 807.1
International		<b>1,283.8</b>	1,490.7	2,261.0	2,602.4	1,401.2
<b>Total</b>		<b>¥ 2,014.6</b>	¥ 2,164.9	¥ 3,261.6	¥ 3,490.2	¥ 2,208.4
<b>Total Deposits</b>						
Domestic		<b>¥29,782.6</b>	¥29,238.1	¥28,872.7	¥30,073.6	¥29,351.6
International		<b>3,182.9</b>	7,142.6	9,397.8	8,734.4	7,882.2
<b>Total</b>		<b>¥32,965.6</b>	¥36,380.7	¥38,270.5	¥38,808.0	¥37,233.8

Note: Liquid deposits comprise current deposits, ordinary deposits, savings deposits, and deposits at notice.

## Time Deposits by Type and Maturity

March 31, 1999 Billions of Yen	Maturity						Total
	Less than Three Months	Three Months to Less than Six Months	Six Months to Less than One Year	One Year to Less than Two Years	Two Years to Less than Three Years	Three Years and Over	
Time Deposits with Deregulated Interest Rates (Fixed)	¥7,571.6	¥2,146.7	¥2,984.0	¥1,276.0	¥771.3	¥135.0	¥14,884.9
Time Deposits with Deregulated Interest Rates (Floating)	0.3	0.1	3.6	0.6	0.4	0.1	5.3
<b>Total</b>	<b>¥7,744.5</b>	<b>¥2,154.9</b>	<b>¥2,990.6</b>	<b>¥1,277.7</b>	<b>¥771.7</b>	<b>¥147.2</b>	<b>¥15,086.8</b>

March 31, 1998 Billions of Yen	Maturity						Total
	Less than Three Months	Three Months to Less than Six Months	Six Months to Less than One Year	One Year to Less than Two Years	Two Years to Less than Three Years	Three Years and Over	
Time Deposits with Deregulated Interest Rates (Fixed)	¥6,626.4	¥2,196.3	¥3,245.1	¥1,020.1	¥1,199.2	¥163.1	¥14,450.5
Time Deposits with Deregulated Interest Rates (Floating)	0.4	0.2	3.2	1.4	0.5	—	6.0
<b>Total</b>	<b>¥6,927.8</b>	<b>¥2,308.4</b>	<b>¥3,258.2</b>	<b>¥1,028.6</b>	<b>¥1,200.8</b>	<b>¥166.4</b>	<b>¥14,890.5</b>

Note: Time deposits outstanding do not include installment time deposits.

## Deposits by Type of Depositor (Domestic Offices)

March 31 Billions of Yen	1999	1998	1997	1996	1995
Individuals	¥15,352.7	¥15,317.4	¥15,057.1	¥14,682.0	¥14,144.4
Corporations	12,018.0	11,357.2	11,420.1	12,538.4	13,680.3
<b>Total</b>	<b>¥27,370.7</b>	<b>¥26,674.7</b>	<b>¥26,476.7</b>	<b>¥27,220.5</b>	<b>¥27,824.8</b>

Notes: 1. Figures have not been adjusted for deposits in transit between the Head Office and branches.  
2. Negotiable certificates of deposit have been excluded.

## Facilities and Personnel

### Number of Offices

March 31	1999	1998	1997	1996	1995
<b>Total Domestic Offices</b>	<b>469</b>	493	507	532	553
Branches	412	430	437	442	448
Sub-branches	50	56	61	80	93
Agencies	7	7	9	10	12
<b>Total Overseas Offices</b>	<b>32</b>	40	44	46	46
Branches	18	23	24	27	26
Sub-branches	2	2	3	2	2
Representative Offices	12	15	17	17	18
<b>Total</b>	<b>501</b>	533	551	578	599

### Number of Employees

March 31	1999	1998	1997	1996	1995
<b>Total</b>	<b>16,330</b>	17,420	18,733	20,261	21,600

## Derivatives Transactions

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### Purpose of Derivatives Transactions

The Bank actively uses derivative financial instruments to hedge risks for customers, to manage the potential risks in its own portfolio of assets and liabilities, to earn trading profits through market fluctuations and to stabilize earnings over the medium- to long-term.

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### Risk Exposure

Derivatives transactions may be subject to complex risk factors, including market risk from changes in prices or interest rates and credit risk from counterparty default. Sophisticated risk management is required to deal with these transactions, which may create exposures disproportionate to the funds initially committed. To manage market risk, Sakura Bank uses advanced value at risk (VaR) modeling to quantify its maximum total exposure worldwide. In our internal model, we measure the VaR using Monte Carlo simulations based on one year of historical data and the assumptions of a two-week holding period and a 99% confidence interval, which are in accord with BIS guidelines. According to this model, the maximum VaR due to general market risk in the Bank's trading account, including derivatives, was ¥6.3 billion in fiscal 1998, the minimum was ¥1.9 billion and the average was ¥3.7 billion. To manage credit risk, we quantify the credit-equivalent amount that would arise if the counterparties defaulted. The consolidated credit-equivalent amount at March 31, 1999, as calculated according to the current-exposure method specified in BIS guidelines, came to ¥1,325.8 billion.

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### Risk Management System

Enhancing the risk management system is an ongoing policy priority at all levels of management to help secure a sound financial position and stable profits. All transactions involving exposure to market risk, including derivatives transactions, are governed within the Bank by a set of rules specifying approval authority, risk limits and operating procedures. These regulations and limits are reviewed semiannually by the Executive Committee. Risk management for the trading account is conducted according to regulations established for each type of transaction.

Credit risk is quantified in a manner consistent with that for market risk and the two risk factors are captured on an integrated basis to set risk limits within the scope of the Bank's capital resources. This is in line with our current management challenge to ensure that the returns are commensurate with the risks undertaken.

The Corporate Risk Management Division, which is independent of the revenue-generating divisions, is responsible for risk management for the entire Bank, including overseas business units. This division controls the risk measures on a daily basis and reports to the directors in charge on a weekly basis and also to the monthly ALM Committee chaired by the president of the Bank.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not

necessarily reflect the volume of actual transactions or risk. Moreover, the unrealized gain or loss arising from derivatives transactions used to hedge interest rate and currency risks associated with the Bank's assets and liabilities—including loans, securities and deposits—are offset by the unrealized gains and losses of such assets or liabilities. Accordingly, the unrealized gains and losses of derivatives transactions noted in this report do not have an impact on the balance sheets. Moreover, with the adoption of the Trading Account, both the notional amounts and market value of these derivatives transactions included in this account are shown in a separate column from other derivatives transactions.

## **Policies**

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### **Hedging for Clients**

Sakura Bank deals in derivatives in part to satisfy the ever-changing diverse financial hedging requirements of its customers. We have established presentation and simulation procedures in place to ensure that customers are fully aware of the risks and commitments of these instruments. Our wide range of derivative products, such as interest rate, equity and credit derivatives, are used to mitigate client risk exposure

and raise returns. We also furnish periodic reports to the client throughout the life of a derivatives contract and even thereafter to keep them informed and to secure additional marketing opportunities.

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### **Derivatives Trading**

The Bank engages in derivatives trading on its own account to manage the risks inherent in its on-balance sheet assets and liabilities, to smooth cash flows and to earn trading profits. Trading involves taking a position of risk based on one's perception of market trends, to create the potential returns. Derivatives are used extensively in the Bank's trading business.

The Bank has built up a reliable system of checks and balances for managing trading operations. Trading account transactions are accounted for at "market value," which means that income and losses are immediately reflected in the Bank's earnings. Another key aspect is the existence of the completely independent middle office and the back office, which is responsible for the accounting and settlements functions. Both offices act as a check and balance for the front office, which actually manages the trading operation.

# Derivative Financial Instruments Transactions (Non-Consolidated)

## Interest Rate Related Transactions

March 31 Millions of Yen	1999				1998			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)
	Total	Over 1 Year			Total	Over 1 Year		
<b>Listed Transactions:</b>								
Futures Contracts:								
Sell	¥ 9,570,800	¥ 1,964,110	¥9,596,440	¥ (25,640)	¥ 8,986,898	¥ 1,064,381	¥9,011,395	¥ (24,496)
Buy	5,799,956	168,095	5,806,920	6,963	5,591,773	258,424	5,598,225	6,451
Options:								
Sell								
Call	14,864,734	97,255			4,369,988	132,100		
Option Premiums	5,020		3,379	1,641	2,090		1,726	364
Put	8,698,421	97,255			2,934,551	—		
Option Premiums	2,632		2,065	566	1,014		651	363
Buy								
Call	6,353,113	—			7,350,499	—		
Option Premiums	2,753		1,574	(1,179)	1,132		955	(176)
Put	5,010,869	—			1,374,871	—		
Option Premiums	1,781		1,031	(749)	141		143	1
<b>Unlisted Transactions:</b>								
Forward Rate Agreements:								
Sell	—	—	—	—	—	—	—	—
Buy	—	—	—	—	—	—	—	—
Swaps:								
Receive Fixed Rate								
Pay Floating Rate	38,179,785	12,548,881	913,074	913,074	30,571,972	20,466,371	718,839	718,839
Receive Floating Rate								
Pay Fixed Rate	38,864,522	8,895,243	(711,558)	(711,558)	37,545,601	13,852,413	(436,983)	(436,983)
Receive Floating Rate								
Pay Floating Rate, etc.	108,749	21,092	864	864	120,880	85,688	(292)	(292)
Others:								
Sell	1,525,001	1,474,893			222,562	218,007		
Option Premiums	2,995		2,518	477	1,618		889	728
Buy	119,674	69,361			136,295	132,240		
Option Premiums	897		506	(390)	1,124		492	(631)
<b>Total</b>	<b>¥ / ¥</b>	<b>/ ¥</b>	<b>/ ¥</b>	<b>¥ 184,068</b>	<b>¥ / ¥</b>	<b>/ ¥</b>	<b>/ ¥</b>	<b>¥ 264,167</b>

### Notes: 1. Market values

The market values listed represent the closing prices on the Tokyo International Financial Futures Exchange and other exchanges at the balance sheet date.

The market values of non-listed transactions are calculated by using mainly the discounted present value or option pricing model.

2. Option premiums shown in this table are accounted for on the balance sheet.

3. "Others" consists of cap, floor and swaption transactions.

4. Market values and unrealized gain (loss) of interest swap transactions at March 31, 1999, included ¥202,692 million of accrued swap interest that was stated on the statement of operations.

5. Details of interest rate swap notional amounts and average rates according to time to maturity are as follows:

March 31 Millions of Yen	1999			Total
	One Year or Less	More than One Year to Three Years	Over Three Years	
<b>Receive Fixed Rate Pay Floating Rate:</b>				
Notional Amount	¥25,630,904	¥8,075,654	¥4,473,226	¥38,179,785
Average Receive Rate	4.75%	2.67%	2.57%	3.49%
Average Pay Rate	4.09%	1.79%	1.18%	2.56%
<b>Receive Floating Rate Pay Fixed Rate:</b>				
Notional Amount	¥29,969,279	¥5,424,299	¥3,470,943	¥38,864,522
Average Receive Rate	2.97%	1.07%	1.33%	1.82%
Average Pay Rate	3.70%	2.54%	2.62%	2.83%
<b>Receive Floating Rate Pay Floating Rate, etc.:</b>				
Notional Amount	¥ 87,657	¥ 15,078	¥ 6,013	¥ 108,749
Average Receive Rate	6.46%	3.26%	0.51%	2.81%
Average Pay Rate	6.13%	3.44%	0.35%	2.12%

6. Derivative financial products transactions that are included in the trading account are not shown above because those transactions were valued at their fair market prices and evaluation gain (loss) was included in the statements of operations.

Contract values or notional principal amounts included in the trading account are as follows:

March 31 Millions of Yen	1999		1998	
	Contract Values or Notional Principal Amounts	Market Values	Contract Values or Notional Principal Amounts	Market Values
<b>Listed Transactions</b>				
<b>Futures Contracts:</b>				
Sell	¥ 1,231,764	¥1,235,372	¥ 1,453,061	¥1,453,041
Buy	1,231,991	1,235,677	1,338,286	1,338,589
<b>Options:</b>				
<b>Sell</b>				
Call	627,971		194,352	
Option Premiums	91	66	64	83
Put	602,178		52,840	
Option Premiums	76	36	9	32
<b>Buy</b>				
Call	248,448		849,851	
Option Premiums	86	70	174	146
Put	1,184,604		513,032	
Option Premiums	171	123	7	0
<b>Unlisted Transactions</b>				
<b>Forward Rate Agreements:</b>				
Sell	419,110	418,871	167,975	167,970
Buy	642,886	642,636	391,007	390,665
<b>Swaps:</b>				
Receive Fixed Rate/Pay Floating Rate	12,010,668	376,544	12,460,909	367,905
Receive Floating Rate/Pay Fixed Rate	11,516,559	(389,420)	11,187,856	(368,362)
Receive Floating Rate/Pay Floating Rate, etc.	128,732	(1,865)	153,451	(540)
<b>Others:</b>				
Sell	2,304,806		824,109	
Option Premiums	11,357	6,199	10,095	3,121
Buy	2,214,898		812,546	
Option Premiums	9,941	8,574	9,265	4,973

## Currency and Foreign Exchange Related Transactions

March 31 Millions of Yen	1999				1998			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Loss	Contract Values or Notional Principal Amounts		Market Values	Unrealized Loss
	Total	Over One Year			Total	Over One Year		
<b>Unlisted Transactions:</b>								
Currency Swaps:	<b>¥3,753,307</b>	<b>¥1,622,651</b>	<b>¥(68,415)</b>	<b>¥68,415</b>	¥4,628,437	¥2,391,751	¥(70,509)	¥70,509
U.S. Dollar	<b>3,131,000</b>	<b>1,258,694</b>	<b>(24,020)</b>	<b>24,020</b>	3,389,325	1,899,438	(12,815)	12,815
Others	<b>622,307</b>	<b>363,956</b>	<b>(44,394)</b>	<b>44,394</b>	1,239,111	492,312	(57,694)	57,694

Notes: 1. Market values

The market values are calculated by using discounted present value.

- The market value or unrealized loss for currency swaps at March 31, 1999, includes ¥2,511 million of accrued interest, which has been accounted for in the statements of operations.
- Derivative financial products transactions that are included in the trading account are not shown above because those transactions were valued at their fair market prices and evaluation gain (loss) was included in the statements of operations.

Contract values or notional principal amounts included in the trading account are as follows:

March 31 Millions of Yen	1999		1998	
	Contract Values or Notional Principal Amounts	Market Values	Contract Values or Notional Principal Amounts	Market Values
<b>Unlisted Transactions</b>				
Currency Swaps:	<b>¥3,196,023</b>	<b>¥(19,096)</b>	¥4,082,900	¥(40,608)
U.S. Dollar	<b>2,465,992</b>	<b>(12,813)</b>	3,065,207	(36,681)
German Mark	<b>361,289</b>	<b>(1,282)</b>	601,660	(593)
Others	<b>368,741</b>	<b>(4,999)</b>	416,033	(3,332)

- Forward foreign exchange contracts, currency options and other currency-related derivative financial instruments are not shown above because those were revalued at the balance sheet date and their gains (losses) were included in the statements of operations.

Contract values or notional principal amounts of currency and foreign exchange related derivative financial instruments revalued at the balance sheet date are as follows:

March 31 Millions of Yen	1999		1998	
	Contract Values or Notional Principal Amounts		Contract Values or Notional Principal Amounts	
<b>Listed Transactions</b>				
Currency Options:				
Sell				
Call	¥	—	¥	—
Option Premiums		—		—
Put		—		—
Option Premiums		—		—
Buy				
Call		—		—
Option Premiums		—		—
Put		—		3,249
Option Premiums		—		10
<b>Unlisted Transactions</b>				
Forward Foreign Exchange Contracts:				
Sell		¥3,635,842		¥ 9,640,721
Buy		5,853,484		14,788,951
Currency Options:				
Sell				
Call		261,599		847,137
Option Premiums		3,923		36,214
Put		210,810		881,915
Option Premiums		5,404		7,611
Buy				
Call		245,400		779,030
Option Premiums		3,032		41,916
Put		219,436		751,310
Option Premiums		5,568		9,760

## Equity-Related Transactions

March 31 Millions of Yen	1999				1998			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain
	Total	Over One Year		Total	Over One Year			
<b>Listed Transactions:</b>								
Stock Price Index Futures								
Sell	¥ 18,540	¥—	¥18,112	¥ 428	¥ —	¥—	¥ —	¥ —
Buy	¥ —	¥—	¥ —	¥ —	¥ —	¥—	¥ —	¥ —
<b>Unlisted Transactions:</b>								
Equity-Related Swaps	¥684,340	¥—	¥ (1,434)	¥(1,434)	¥718,721	¥—	¥642	¥642
<b>Total</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥(1,005)</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥642</b>

Notes: 1. The market values listed represent the closing prices on the Tokyo Stock Exchange.

2. The market values of unlisted transactions are calculated by using the pricing model, based on the closing prices on the Tokyo Stock Exchange.



## Bond-Related Transactions

March 31 Millions of Yen	1999				1998			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)
	Total	Over One Year			Total	Over One Year		
<b>Listed Transactions:</b>								
Futures Contracts:								
Sell	<b>¥160,433</b>	<b>¥—</b>	<b>¥157,404</b>	<b>¥3,028</b>	¥108,527	¥—	¥107,403	¥1,123
Buy	<b>1,427</b>	<b>—</b>	<b>1,428</b>	<b>0</b>	4,596	—	4,603	6
Options:								
Sell								
Call	—	—	—	—	—	—	—	—
Option Premiums	—	—	—	—	—	—	—	—
Put	—	—	—	—	—	—	—	—
Option Premiums	—	—	—	—	—	—	—	—
Buy								
Call	—	—	—	—	—	—	—	—
Option Premiums	—	—	—	—	—	—	—	—
Put	—	—	—	—	—	—	—	—
Option Premiums	—	—	—	—	—	—	—	—
<b>Unlisted Transactions:</b>								
Options:								
Sell								
Call	<b>5,000</b>	—	—	—	10,000	—	—	—
Option Premiums	<b>40</b>	—	<b>73</b>	<b>(33)</b>	28	—	4	23
Put	—	—	—	—	40,000	—	—	—
Option Premiums	—	—	—	—	110	—	162	(52)
Buy								
Call	—	—	—	—	—	—	—	—
Option Premiums	—	—	—	—	—	—	—	—
Put	—	—	—	—	—	—	—	—
Option Premiums	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥2,995</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥ /</b>	<b>¥1,102</b>

Notes: 1. The market values listed represent the closing prices on the Tokyo Stock Exchange and other exchanges at the balance sheet date. The market values of non-listed transactions are calculated by using mainly the option pricing model.  
2. Option premiums shown in this table are accounted for on the balance sheet.

3. Derivative financial products transactions that are included in the trading account are not shown above because those transactions were valued at their fair market prices and evaluation gain (loss) was included in the statements of operations.

Contract values or notional principal amounts included in the trading account are as follows:

March 31 Millions of Yen	1999		1998	
	Contract Values or Notional Principal Amounts	Market Values	Contract Values or Notional Principal Amounts	Market Values
<b>Listed Transactions</b>				
Futures Contracts:				
Sell	¥ 2,610	¥ 2,650	¥ 644	¥ 650
Buy	19,290	19,345	2,598	2,603
Futures Options:				
Sell				
Call	17,500		—	—
Option Premiums	74	82	—	—
Put	500		—	—
Option Premiums	1	1	—	—
Buy				
Call	1,500		—	—
Option Premiums	4	4	—	—
Put	15,700		—	—
Option Premiums	98	14	—	—
<b>Unlisted Transactions</b>				
Options:				
Sell				
Call	—	—	—	—
Option Premiums	—	—	—	—
Put	—	—	—	—
Option Premiums	—	—	—	—
Buy				
Call	—	—	—	—
Option Premiums	—	—	—	—
Put	—	—	—	—
Option Premiums	—	—	—	—

(For reference)

Market values and unrealized gain (loss) of interest and currency swap transactions not related to trading transactions on March 31, 1998, included ¥349,085 million of accrued swap interest that was stated in the statements of operations.