

- **The Commercial Banking Division Company caters primarily to individuals, small and medium corporations and middle market firms. The largest contributor to the bottom line, this division constitutes our core operation. Sakura Bank has an unassailable lead in this field, which includes such key products as mortgages and investment trusts.**

Focusing on the Individual



As financial planning needs become more diverse and sophisticated, we are expanding our lineup with new products and services targeted at individuals.

In our hot-selling investment trust sales area, the number of the products exceeds 30, and we have started convenient services for automated monthly transfers to investment accounts. In the mainstay housing loan segment, we are addressing the uncertainties faced by borrowers with a hybrid loan-insurance product that protects against bankruptcy-induced unemployment. We also introduced a housing loan product with a special redemption schedule that allows borrowers to lower the total interest burden, as well as a product that allows funds to be borrowed in stages to accommodate the deposits required to purchase or construct a new house.

For our “New Total Account,” which provides four important functions—savings, receiving transfers, payments and overdrafts—we introduced an additional function that adds foreign term deposits as potential overdraft collateral in addition to domestic instruments.

To further bolster our online Browser Banking service, which offers access from personal computers (PCs) or

mobile phones, we set up a fund management service oriented to PC users, which allows them to make deposits and open savings accounts via PC. We are also setting up a range of new services, accessible through our call centers, to expand access to investment trust and deposit products.

A Trustworthy Approach—Sales of Investment Trusts

Since we started sales of investment trusts in December 1998, we have moved rapidly to satisfy expanding investor needs with one of the broadest offerings of major funds in Japan. Through a 32-fund lineup managed by 23 companies, as of April 2000, we have secured top ranking among Japanese banks for funds under management, which amounted to ¥616.8 billion at year-end.

To promote sales, we are staffing each branch with Bank-certified financial planners and have set up “investment corners” in 100 branches manned by specialized investment advisers. The staff at investment corners are taught to approach sales as if they were selling trust itself, rather than a mere investment product, and make recommendations as if they were selling to their own parents. This allows them to thoroughly communicate the various merits and characteristics of each fund as well as the importance of risk diversification and a long-term investing horizon. Our approach has met with considerable success, verified by our first-place rating for two years in a row by an independent survey of sales of investment trusts.



Its Lonely at the Top—Consumer Loans

Although we currently dominate the Japanese consumer loans market, we plan to gain additional leverage in this lucrative segment. We are fortifying our sales organization for secured loans, particularly mortgages, the most profitable of these operations. Our housing loan centers work directly with realtors, a major source of referrals. In fiscal 1999, we added 10 housing loan centers, raising the total to 53, and continued to increase staffing levels. We are also extending the evening and holiday operating hours of some centers to heighten customer convenience.

In the unsecured loans segment, we offer a full range of card loans and other special purpose loans that support our customers' varied lifestyles and life stages, including loans for education, car purchases and home renovations. "Convenience" and "multi-channels" are our marketing keywords. We offer the Sakura L.A. (Loan Advisor) loan consultation desks, which are accessible evenings and weekends, and are using our call centers to obtain new customers.



Only a Call Away—Call Center Expansion

At Sakura Bank we consider our call centers to be an extremely vital strategic channel for collecting detailed information on customers and their needs in the personal banking market. In Tokyo in January 1999, we opened one of the largest call centers among Japanese banks, which features the latest technology. Later that year in July, we opened the doors to our new call center in the Kansai region. Together, the two centers have 350 operator stations, 1,000 operators and can handle up to 800,000 calls per month. With this organization, we managed to log 1.2 million outbound calls over six months to promote additional

services to customers that opened new accounts and to follow up on loan leads in conjunction with our regular branches and the Sakura L.A. loan consultation desks. We are happy to report that expanding the range of investment trust products handled by the call centers in the latter half of fiscal 1999 was directly linked to increased sales to new customers. Over the six-month period, investment trusts under management expanded approximately sixfold.

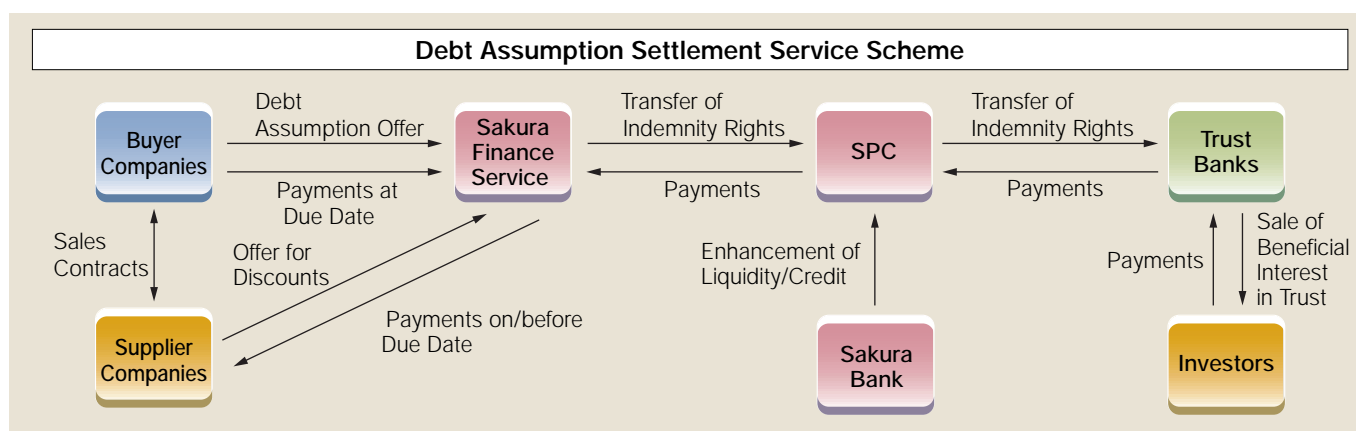
Private Banking

High net worth individuals requiring fund management advice, assistance with asset inheritance and help diversifying their portfolios internationally are the prime targets for our specialized private banking departments. The regional financial managers and more than 1,000 financial planners in the branches join our private bankers, well versed in domestic and international banking issues, to provide rewarding and personalized services.

Serving Small- and Medium-Sized Businesses and the Middle Market

At Sakura Bank, we focus on providing business solutions to small- and medium-sized businesses and middle-market firms as their needs evolve. We offer a complete range of financing tools from the simple to the sophisticated, such as syndicated loans and commitment lines. Our repertoire includes management buyout schemes that assist in corporate succession strategies. To minimize servicer risk, we have set up liquidated receivables pools, which include novel payment systems now in the process of being patented, and factoring systems.

We recently developed a settlement service that helps to underwrite the payables of large corporations, clearing their balance sheets while offering creditors faster payment and lower administrative costs—much like a discount system. Combined with traditional factoring services, these schemes are helping to raise the efficiency of both purchasers and creditors.



Another liquidation scheme is targeted at the growing medical industry in Japan. We are helping to diversify non-interest bearing funding options for medical institutions and health care businesses by providing liquidity for their receivables.

A Good Head Start—IPOs and Venture Capital

We believe public offerings are a critical point in an enterprise's growth cycle and are building up a complete spectrum of support services. Our IPO experts start by advising customers on the merits and demerits of listing, provide referrals to related services and advise on capital acquisition strategies and listing preparations. Working with the Sakura Institute of Research, we cover the entire process, including investor relations (IR) support before and after the share offering.

Venture capital is increasingly in demand in Japan as the new economy gains momentum. We work with our affiliate, Sakura Capital Co., Ltd., to support this burgeoning business. By fiscal 2000 year-end, we expect to launch our latest venture capital fund, a ¥3 billion investment partnership aimed at high-growth e-commerce and biotech start-ups. Since its inauguration in fiscal 1998, the Sakura Venture Promotion fund, an open-ended fund managed by Sakura Trust & Banking Co., Ltd., has extended a cumulative ¥68 million to 20 companies, providing customers with an effective investment vehicle while supporting promising start-ups with seed capital.

Taking Stock—Effective Investment Management Advice

Sakura Bank helps small- and medium-sized businesses navigate the oft-confusing world of investments by formulating investment proposals tailored to their particular investment stance and risk aversion. Starting with the largest number of investment trust funds among the Japanese banks and extending to a range of investment instruments such as JGB, foreign currency deposits and time deposits with derivatives, we can provide the right mix for a company of any size to make the most of its investments.

Settling Down to Real Business—Online Clearing Services

To cut down on our customers' transaction costs, we are applying our electronic banking expertise to clearance services. In addition to "Nice Catch" (please see page 22), we launched a debit card service "J-Debit Card Service" in April 1999, which allows the end-customer to pay for purchases directly from their accounts with their cash cards right in the store, providing cash-based businesses with the ability to expand sales opportunities while reducing their cash-handling burden.

Complementing these new services, our existing electronic banking service, Sakura network service, our cash management affiliate and our convenience store cash payment services provide small- and medium-sized businesses comprehensive solutions to their clearance needs.

Something Good Just Got Better—New Electronic Banking Centers

We offer corporate customers direct access to their account information with Windows®-compatible PC software. With PC Navi and the Sakura Banking Manager programs, customers can transfer funds between accounts and get detailed transaction information using a PC over a network. In April 2000, we opened new Electronic Banking Centers in Tokyo and Kobe to bring together our electronic banking support services, including on-site service staff and telephone support staff. This will help provide an even faster response to customers, permit us to upgrade services and enhance the efficiency of administrative procedures in our branches.

Good Advice—International Trade Services

Middle-market customers and small- and medium-sized businesses are venturing abroad as never before. The Bank supports them with a host of trade facilitation services and consultation for their overseas operations. Noteworthy among them, we provide a full assortment of currency hedging instruments, such as long-term currency futures contracts employing currency options, as well as “Range” contracts and “Step 1” contracts.

To lower the credit risks for exporters, we also offer international factoring services, which we are cross selling with Sumitomo Bank. The online dealing system we are currently developing will help customers rationalize their trade administration, complementing our existing foreign exchange electronic banking service. Specialists in the Overseas Consulting Department of the Sakura Institute of Research augment the Bank’s support and information gathering capabilities, providing our customers with in-depth advice and analyses.

Sakura Bank Places Minato Bank under Its Group

The Sakura Bank, Limited decided a take over bid (TOB) of the Minato Bank, Limited, at the board meeting on June 9, 2000, and started to purchase Minato’s shares from June 13, 2000. The overview, purpose and results of the TOB, which ended on July 24, 2000, are as follows:

1. Overview of the TOB (announced on June 9, 2000)

- (1) Name of company for TOB: The Minato Bank, Limited
- (2) Type of shares proposed for TOB:
Common shares with a face value of ¥50
- (3) Purchase period:
From June 13, 2000 (Tues.) to July 24, 2000 (Mon.) (42 days)
- (4) Bidding price: ¥240 per share

2. Purpose of the TOB

In order to make retail banking, Sakura’s core business, stronger and more efficient, Sakura is eager to manage branch restructuring efficiently and quickly with consideration of customer convenience in Hyogo Prefecture, one of the main economic areas in Kansai region and an important retail market base for Sakura. This could be achieved by putting Minato under the Sakura Group.

To realize this purpose, Sakura will transfer 20 branches in Hyogo Prefecture to Minato, subject to the approval of regulatory authorities, and both banks will open ATMs mutually and carry out comprehensive business collaborations to achieve common high-level financial skills and services. Additionally, Sakura will transfer staff to Minato on both a temporary and permanent basis.

3. Results of the TOB

- (1) Subscription status:

Planned total number of shares for the TOB (upper limit):	142,000,000
(a) Planned number of shares for the TOB (lower limit):	53,000,000
(b) Number of shares for the TOB beyond (a):	89,000,000
Total number of shares subscribed:	141,657,000
Total number of shares purchased:	141,657,000
- (2) The results of the TOB

Total number of shareholders subscribed:	124
Total number of shares subscribed:	141,657,000
Total number of shares purchased:	141,657,000
Total number of shares returned:	0

The total number of shares subscribed exceeded the planned shares for the TOB (lower limit) and did not exceed the planned total number of shares for the TOB (upper limit). We therefore purchased all the subscribed shares as we announced in a public notice on June 13, 2000.
- (3) Number of shares and percentage held by Sakura after the TOB

Number of shares held by Sakura before the TOB:	14,791,000
(holding percentage 3.89%)	
Number of shares held by Sakura after the TOB:	156,448,500
(holding percentage 41.13%)	
- (4) Total amount of money paid to purchase all the subscribed shares:
¥33,998 million

As a result, Minato has become a consolidated subsidiary of Sakura. No amendment needs to be made to Sakura’s prospective business forecast on a consolidated basis for the current fiscal year.

- **In October 1999, the Bank's Corporate Banking and International Banking groups were merged to create the International & Corporate Banking Division Company. The two groups were brought together to marry one group's strong relationship with large corporations and product development abilities with the global operating base and leading-edge financial know-how of the other. The Bank, therefore, can offer commercial banking financial services on a global basis and respond to the highly sophisticated customers' needs.**

At Your Service—The World Over

The core thrust of the Bank's International & Corporate Banking Division Company is to offer products and services on a global basis to each customer. We have the reach, for example, to serve each member of large international corporate groups with trade support, corporate finance and investment management services wherever they operate. We are focusing on the sales of our cash management services in particular. To this end, we are forming alliances and creating new cash management services with leading local financial institutions, especially in Asia. Moreover, we post highly specialized staff in our offices in major financial centers to provide expert assistance with fund-raising, risk sharing and business restructuring.

High-Value-Added—Solutions for Corporate Management

There has been a growing emphasis on building shareholder value in the corporate governance of large international companies in recent years. This has had the effect of boosting demand for ways of streamlining balance sheets and restructuring businesses. It has also heightened the role of financial institutions, prompting them to change from simple deposit takers and lenders to solution providers for the issues corporate management is confronting. Cresting this wave, Sakura is endeavoring to meet corporate demand with a full complement of leading-edge financial services that add value at every level of operations.

Responding to the demand for trimmer balance sheets, we have devised services aimed at removing real estate holdings and improving return on investment. Sakura was also at the forefront of introducing non-recourse real estate loans. In January 2000 we set up a domestic real estate

finance group with several specialists. In the brief period that it has been active, this group has managed to secure six non-recourse loan projects amounting to approximately ¥50 billion.

We also see the risk-sharing requirements of corporations continuing to grow. To satisfy this demand, we are building up project finance teams domestically and abroad, capitalizing on our risk-analysis capabilities in addition to our financing know-how to deliver highly rated advisory services. We offer high-value-added fund-raising schemes, like asset securitization, which improves companies' financial conditions, and lease finance, which enables off-balance sheet fund-raising. To support clients' businesses in restructuring, we provide top-class advice on business evaluations, sales of non-strategic divisions and acquisitions, by collaborating with the Mergers & Acquisitions Division of the Investment Banking Division Company.

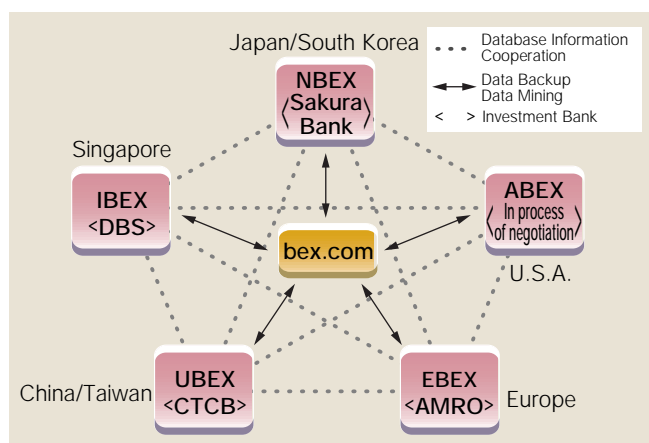
Rising to the Challenge—Accelerating Customer Cash Flows

For corporate clients looking to improve the efficiency of cash management throughout their group, we offer the Group Cash Management System. As well, "Nice Catch", a new money transfer-related service for speeding up the administrative process of receivables, was begun in October 1999. In keeping with the movement worldwide to enhance trade administrative efficiency with digital documentation delivery, we agreed in December 1999 to participate in the establishment of the Japan branch of Bolero.net, an international business-to-business (B2B) e-commerce system that enables all parties in the trade chain to exchange documents and data electronically. We also plan to participate in the TEDI pilot project, a Ministry of International

Trade and Industry's electronic data interchange for facilitating international trade.

The IT Revolution—Joining the Wired World

The breathtaking development of IT-related business continues to engulf Japan and stimulate its growth as a “wired” society. At Sakura Bank, we are taking full advantage of all forms of strategic information systems. In January 2000, we announced our participation in a new B2B e-commerce service company in Japan, managed mainly by bex.com, which started in Singapore and is rapidly developing a global electronic B2B trading network around the world.



Focused Regional Strategies—Growing Abroad

To enhance our international business, we have clearly defined regionally differentiated strategies drawing on global network and innovative financial engineering capabilities. Within this framework, we will continue to deepen our business with Japanese corporations abroad and seek new business development in Asia, North America and Europe.

Asia and Oceania

In Asia, we are following a multifaceted approach, capitalizing on our regional network presence, as one of the largest in the area among Japanese banks, to provide detailed financial services to Japanese companies venturing into the area and promote long-term ties to leading local businesses that patronize our fee-based services.

The up-trend in Asian economies in the wake of the currency crises of recent years is generating demand for various restructuring assistance. During fiscal 1999, Sakura Merchant Bank (Singapore) Ltd. won the financial advisory role for the financial restructuring of three major corporate groups in the area. One of these earned us the “Asian Restructuring Deal of the Year” award from International Financial Review (IFR) magazine, demonstrating the high regard our activities in this region continue to earn.

Our role as the arranger of project finance for a large-scale natural gas field development by a Japanese-affiliated company in Malaysia, in cooperation with Japan Bank of International Cooperation (JBIC), has also contributed to our high profile in the region.

The Americas

Our strategies revolve around both the commercial and investment banking businesses in the Americas to meet the demand for a diverse range of sophisticated services. In addition to the more conventional advisory services and local fund-raising assistance provided to Japanese affiliates, we are active in a wide spectrum of financial services, ranging from securitization schemes using leading-edge financial techniques to sales of innovative derivatives, M&A introductory services, and project finance arrangement. In the lease financing field, we launched a service through Sakura Business Finance, Inc., in 1998, which arranges large-scale equipment tax leases to trim balance sheets and provide new fund-raising sources.

Europe and the Middle East

The European Union (EU) has embarked on the path of increasing economic and political integration with the launch of the euro in January 1999, and its plans for enlargement into Eastern Europe. In July 1999, we managed, as arranger, a ¥30 billion untied two-step loan to the Export Credit Bank of Turkey extended by the Export-Import Bank of Japan (now JBIC).

We plan to work more closely with Japanese and international multilateral financial institutions and export credit agencies in this fashion to gain future business in this market.

- This divisional company operates in two main fields, corporate finance and trading, including foreign exchange, money market and securities dealing. Sakura was an early adopter of the division company structure with its Investment Banking Division Company, formulated for speed, flexibility and specialization in these fast-moving fields.

Strategic Alliances

With the winds of liberalization permitting us to enter more aspects of corporate finance beyond the traditional banking boundaries, the Sakura Group is forming strategic alliances with leading firms in complementary fields and regions. In our wholesale business in September 1999, for example, subsidiary Sakura Securities Co., Ltd., spearheaded a tie-up with Deutsche Securities Limited, the investment banking subsidiary of Deutsche Bank Group in Japan, in a bonds and equity underwriting business. On the domestic retail side, YAMATANE SECURITIES CO., LTD., and The Shinyei Ishino Securities Co., Ltd., merged in April 2000 to form Sakura Friend Securities CO., LTD., under the wing of the Sakura Group. In the fund management area, where various demands are expected to expand in line with the aging trend in Japanese society and the forthcoming introduction of defined contribution plan as a pension scheme in 2001, Sakura Investment Management Co., Ltd., formed alliances with three foreign companies in September 1999 to enhance its services.

Adding to Investor Choices—A Growing Derivatives Menu

Sakura is building up its derivative offerings to furnish investors with additional choices. We were the first Japanese bank to offer foreign currency denominated term deposits

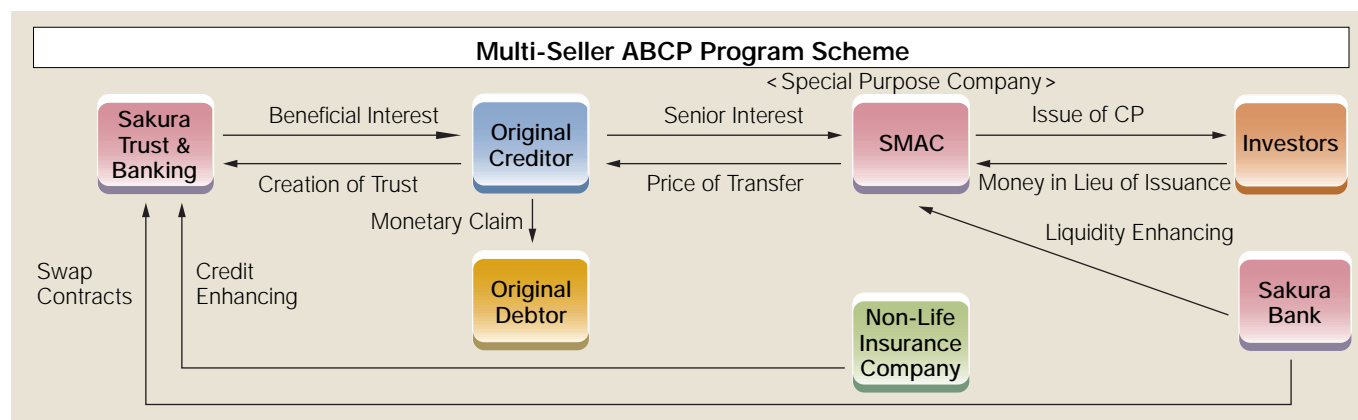
with options to the retail market. Marketed under the name of “Hybrid”, sales of these products have been brisk since their introduction in August 1998. In June 1999, we launched two new products to satisfy evolving needs.

“High Coupon” proffers higher-than-usual interest rates in exchange for limiting the potential foreign exchange gain if the yen depreciates against the U.S. dollar. Similarly, “High Unit” offers the potential of higher-than-usual foreign exchange gain in exchange for lower interest rates.

Permission from the regulatory authorities was granted in November 1999 to handle equity derivatives, with individual stocks, stock baskets and stock indices as underlying assets. These products anticipate changes in Japan's accounting regulations, which will require companies to evaluate cross-holding equities at market prices from April 2001. Equity derivatives will provide a flexible way for customers to hedge against price movement risks in their long-term equities portfolios.

Attractive Packaging—Forging Boldly Ahead with Securitization

We are leveraging our expertise with securitization to diversify the financing options available to corporate customers. By securitizing their real estate and equipment assets, we can offer additional sources of finance and improve their



balance sheets. Understanding the investment preferences of a broad spectrum of investors, we are able to propose optimal combinations of bonds (senior status) and equity (subordinated status) portions for appropriate fund-raising.

In September 1999, we completed the first multi-seller asset-backed commercial paper (ABCP) program under the Law Concerning Securitization by a Special Purpose Company, which earned Prime-1, the highest rating from Moody's Investors Service. The program securitizes medium- to long-term assets such as leasing assets and installment assets, offering the customer medium- to long-term financing with low interest rates and an enhanced balance sheet. The program has attracted the interest of a large clientele because it offers fewer administrative processes and lower cost burdens than straight asset-backed securities (ABS) with a similar economic effect. Nonetheless, ABS deals continue to be an important product for us and in March 2000 we were commissioned to the first Japanese real estate ABS for a condominium development.

Top-Class Results—A Leading Commissioned Company

Sakura Bank has the distinction of consistently ranking as one of Japan's leading commissioned companies for public bond issues and private placements. During the period, we were lead commissioned bank and fiscal agent for 47 issues amounting to ¥1,053 billion, ranking us second by total amount among Japanese banks in the public issue. We also placed near the top of the list for private placements in the Japanese banking community.

Forward Thinking—M&A for the New Economy

Mergers and acquisitions have truly arrived in Japan as a means of adjusting to fiercely changing economic conditions. More and more companies are resorting to M&A strategies to expand, restructure or pass on parts or all of their business. With the establishment of the Civil Rehabilitation Act in April 2000, a growing number of companies are likely to use M&A deals as a fast means of restructuring. As a serious contender in the M&A advisory field, we employ approximately 40 experienced M&A specialists in our Tokyo, Kobe, Osaka, New York, London and

Singapore offices, as well as more than 400 M&A desks in our global network.

Structuring M&A deals calls for a high degree of specialization. We are proud of our track record in this field, which includes more than 300 deals over a 15-year period. Our advisory business has grown in leaps and bounds in recent years, particularly in major restructurings and bankruptcy divestitures for large corporations as well as acquisitions for core business expansion. We are also receiving a growing number of clients looking for M&A advice in response to changes in legislation and financial accounting standards.

Major Fiscal 1999 M&A Deals

1999

- Apr.** Transfer of Toshiba Corp's automated teller machine operations to Oki Electric Industry Co., Ltd.
- July** Sale of a U.S. subsidiary of Mitsui Mining & Smelting Co., Ltd. (employee buyout)
- Aug.** Transfer of Recruit Cosmos Co., Ltd.'s hotel division to Karakami Kankou
Transfer of lease properties from Kokugin Lease to Inter Lease Corporation
- Sept.** Sale of Fujita Corporation's Miramar Sheraton Hotel in Santa Monica to Maritz Wolff & Co.
Stock transfer between Hamanaka Chain MFG. Co., Ltd. and Himeji Kisho
Transfer of Hotel Nikko Kume Island to a local public/private company
Acquisition of a competitor's stock by a packing material company
Acquisition of a competitor's stock by a manufacturer of agricultural fertilizers
- Dec.** Acquisition of New Chemi Industries Ltd. (India)'s stock by Sumitomo Chemical Co., Ltd.
Sale of Itoham Foods Inc.'s U.S. subsidiary, PLI, to Bachem AG (Switzerland)

2000

- Jan.** Transfer of stock from Mitsui & Co., Ltd. to Japan Advanced Card Systems Co., Ltd.
Acquisition of Hitachi Engineering Co., Ltd.'s Shares by Teikei
- Mar.** Acquisition of Heidi stocks by Form I Inc.
Capital and operations tie-up between two industrial control manufacturers
Sale of Mitsui Pharmaceuticals, Inc stocks to Nihon Schering K.K. by Mitsui Chemicals, Inc.
Transfer of Wadakan Food Corporation's operations to Izmic

Principal Domestic Subsidiaries

Sakura Securities Co., Ltd.

Sakura Securities applies a consistently high standard of service to fulfill the requirements of customers accessing capital markets to raise or invest funds. A seasoned provider, the subsidiary underwrites the entire gamut of financial products, from straight bonds through to complex balance sheet improvement tools, including asset-backed securities. In March 2000, it pioneered the first ABS based on a real estate property under development. In the wake of regulatory relaxation, it has also made solid inroads into the equity business, with equity underwritings, initial public offerings and convertible bonds.

To meet the variety of objectives on the investment side, it offers such standard products as government bonds, corporate bonds, and equities, as well as investment trusts and financially engineered products incorporating derivatives.

The current management focus at Sakura Securities is to respond proactively to evolving demand for increasingly sophisticated and diverse products and services while instituting a sufficiently robust compliance regime throughout its operations.

Its balance sheets demonstrate that the subsidiary is operating from a solid financial base. At year-end, the capital adequacy ratio was 759.3%.

Sakura Friend Securities CO., LTD.

On April 1, 2000, YAMATANE SECURITIES CO., LTD., and The Shinyei Ishino Securities Company Limited, merged to form Sakura Friend Securities CO., LTD., a consolidated subsidiary of Sakura Bank. Although Sakura Friend Securities, Sakura Group's only listed total securities company, is a full-service company with a broad product line, the strategic fit of the subsidiary in the Group will be to aggressively pursue the retail and middle markets, allowing the Bank's other securities company, Sakura Securities, to focus on the wholesale business. Its retail business, as a part of Sakura Group's securities business, is conducted through the 47-branch network to provide total financial services for customers.

The company's core concept is "Development with the Customers," through which it tries to satisfy all its customers. This is actualized in a sales philosophy that assists customers manage their assets. The company is instituting a sufficiently robust compliance regime throughout its operations to gain market credibility and to develop the Sakura Group.

Operating Results

Years Ended March 31	Millions of Yen	
	2000	1999
Operating Revenue	¥ 7,415	¥ 13,424
Operating Income	760	4,102
Net Income	394	3,904
Paid-in Capital	25,000	25,000
Total Shareholders' Equity	40,190	39,718
Total Assets	2,305,889	1,860,517
Number of Employees	212	187
Capital Adequacy Ratio (%)	759.3%	565.0%

Operating Results

Year Ended March 31, 2000	Millions of Yen	
	Yamatane	Shinyei Ishino
Operating Revenue	¥ 25,989	¥ 11,114
Operating Income	10,910	4,455
Net Income	3,675	(819)
Paid-in Capital	19,752	6,387
Total Shareholders' Equity	34,922	7,434
Total Assets	134,877	107,180
Number of Employees	970	440
Capital Adequacy Ratio (%)	468.0%	225.6%

Sakura Trust & Banking Co., Ltd.

Sakura Trust & Banking is rising to the occasion of major changes in Japan's financial accounting regulations to provide a diverse range of trust products designed to strengthen the financial management options of its customers. Its money trust products, for example, are attractive to investors while augmenting the financing options and improving the balance sheets of companies that elect to securitize their receivables, such as accounts receivable, trade notes receivable, lease receivables, credit receivables and loans receivable. In fiscal 1999, the subsidiary sold new financial products, such as a liquidation scheme of pooled notes credits, and organized beneficiary rights with pass through redemption. The company keeps developing new products to satisfy the customer's sense of convenience.

In addition to handling the standard administration of trust portfolios, the subsidiary has built up a far-reaching business with innovative products, such as income earning third-party securities trusts, money trusts, real estate trusts, money trusts (*tokkin*), securities investment trusts and charitable trusts.

Fiscal 1999 was the fourth consecutive year of positive earning for Sakura Trust & Banking, which recorded net income of ¥226 million, largely owing to continued growth in fees from money trusts.

Operating Results

Years Ended March 31	Millions of Yen	
	2000	1999
Operating Income	¥ 1,791	¥ 1,561
Net Operating Income	381	234
Net Income	226	125
Paid-in Capital	10,000	10,000
Total Shareholders' Equity	10,297	10,026
Total Assets	39,883	37,092
Trust Assets under Management	1,112,576	1,363,537
Number of Employees	42	44

Sakura Investment Management Co., Ltd.

Sakura Investment Management serves a full range of customers, from individual to institutional investors, with investment advisory and management services based on a proven track record with asset allocation, information gathering and analysis through Sakura Group's broad business network and firsthand data obtained from company visits. It manages products such as pension funds, money trusts (*tokkin*) and investment trusts.

In January 2000, the subsidiary restructured its operations structure from a customer-asset based model to an investment-asset based model, restructured its operating procedures to bolster its accountability to customers and upgraded its compliance procedures to provide a more arms-length relationship with order generating divisions. These measures will greatly enhance its ability to provide high-value-added fund management services.

Among noteworthy achievements for individual investment trust products, the net asset size of "Synapse" exceeded ¥100 billion in its first half year, while the "Sakura Japan Equity Open" fund was awarded the "Fund of the Year 1999 Morningstar Award." These products represent the quality of Sakura's fund management products, which are contributing to our rapid growth in this field.

In fiscal 1999, the subsidiary achieved profit because of the rise in operating revenues resulting from the increased net assets of investment trusts and cost reductions, excluding fees for investment trusts.

Operating Results

Years Ended March 31	Millions of Yen	
	2000	1999
Operating Revenue	¥3,415	¥2,441
Operating Profit	387	(304)
Net Operating Income	390	(302)
Net Income	210	(416)
Paid-in Capital	1,280	1,280
Total Shareholders' Equity	2,060	1,594
Number of Employees	101	108
Assets under Management (Billions of Yen)	7,423	7,235
[Pension-Related Funds]	[3,137]	[2,679]
[Net Investment Trust Assets]	[2,362]	[941]