During fiscal 1999, we accelerated the disposal of problem loans to meet the precondition for the merger with Sumitomo Bank that specifies both banks' problem loan issues be completely resolved before integration. We disposed of ¥449.9 billion, ¥349.9 billion more than the ¥100 billion originally proposed for the period.

This treatment encompassed loans with latent risk factors as well as evident ones. The principle risk factors included potential deterioration of large borrowers owing to effects from the implementation of the Civil Rehabilitation Law and new accounting practices; the risk of devaluation in real estate collateral; second potential losses from receding collateral values for loans sold to the Cooperative Credit Purchasing Company (CCPC); and risks associated with the assistance of affiliated companies. The following table compares the amounts processed during the fiscal period with the corresponding amounts the prior year.

Based on self-assessments of asset quality, a total of ¥293.4 billion was used in direct write-offs, the net additions to specific reserves and to general reserve for possible loan losses (the net sum of items 2, 3 and 10), up from the ¥208.4 billion scheduled in the Plan toward Soundness of Management. This increase was undertaken for two reasons. First, provisions were made for large borrowers with degraded financial conditions owing to bankruptcy or failed restructuring plans. Second, precautionary provisions were made for the potentially adverse effects of the Civil Rehabilitation Law from fiscal 1999 onward and for downtrends in individual industries. Under these assumptions, borrowers whose main banks were scaling back or who were at risk for a potential decline in financial condition were reclassified in a higher risk category and appropriate provisions were set aside.

During the period, we realized losses amounting to ¥35.2 billion on financial assistance provided to affiliated companies. Although all reserves covering funds extended to assisted companies for the duration of their restructuring periods had already been transferred in fiscal 1998, the problem loans held by our non-bank and lease affiliates were sold in bulk sales to advance the culmination of their restructuring plans from the March 2003 fiscal period to this period, in preparation for the merger with Sumitomo Bank one year ahead of schedule.

The net addition to reserve for possible losses from loans sold to CCPC and other remaining categories (items 4,5,6,8 and 9) amounted to ¥121.2 billion, up from the ¥106.2 billion called for in the Plan toward Soundness of Management. This increase chiefly reflects provisions made to offset the heightened risk of falling collateral values for loans sold to CCPC and losses realized from the accelerated sale of loans in preparation for the merger. As a result, the outstanding balance financing CCPC to purchase loans (back finance) fell to ¥244.1 billion, a ¥140.0 billion decrease from ¥385.8 billion a year earlier. Similarly, the ratio of reserve to back finance climbed to 39%, nine percentage points over fiscal 1998.

Write-Offs and Provisions

Billions of Yen

Years Ended March 31		**2000**	1999	Change
Total Loan Losses (A)	①	**¥464.5**	¥ 922.3	¥(457.8)
Direct Write-Offs	②	**113.3**	149.3	(36.0)
Net Addition to Specific Reserves	③	**194.7**	304.4	(109.7)
Losses on Bulk Sales	④	**14.1**	5.9	8.2
Losses on Sales of Loans to CCPC	⑤	**37.1**	24.1	13.0
Net Addition to Reserve for Possible Losses from Loans Sold to CCPC	⑥	**55.4**	10.2	45.2
Losses on Financial Assistance Provided to Affiliated Companies	⑦	**35.2**	331.9	(296.7)
Net Addition to Reserve for Loans to Restructuring Countries	⑧	**(2.6)**	8.3	(10.9)
Others	⑨	**17.1**	87.9	(70.8)
Net Addition to General Reserve for Possible Loan Losses (B)	⑩	**(14.6)**	101.1	(115.7)
Total (A) + (B)		**¥449.9**	¥1,023.5	¥(573.6)

With the loans held by the parent bank, the loans sold to CCPC and the loans held by non-bank affiliates, total loans with a nominal value of ¥800 billion were disposed of during the period.

Disclosure Based on the Financial Revitalization Law

The Bank discloses the results of its asset audits in compliance with Article 3.2 of the Financial Revitalization Law. Under the disclosure standards specified therein, the grand total of the “Bankruptcy, etc.,” “In Danger of Bankruptcy,” and “Special Attention” categories came to ¥1,723.5 billion, a ¥76.5 billion decrease from a year earlier. Despite the reclassification of many borrowers into higher risk categories, this number decreased because of direct write-offs and sales of assets held by the parent bank and the fact that debt extended to non-bank affiliates for restructuring is no longer subject to this classification since restructuring support has ceased.

Disclosure Based on the Financial Revitalization Law

Years Ended March 31 — Billions of Yen

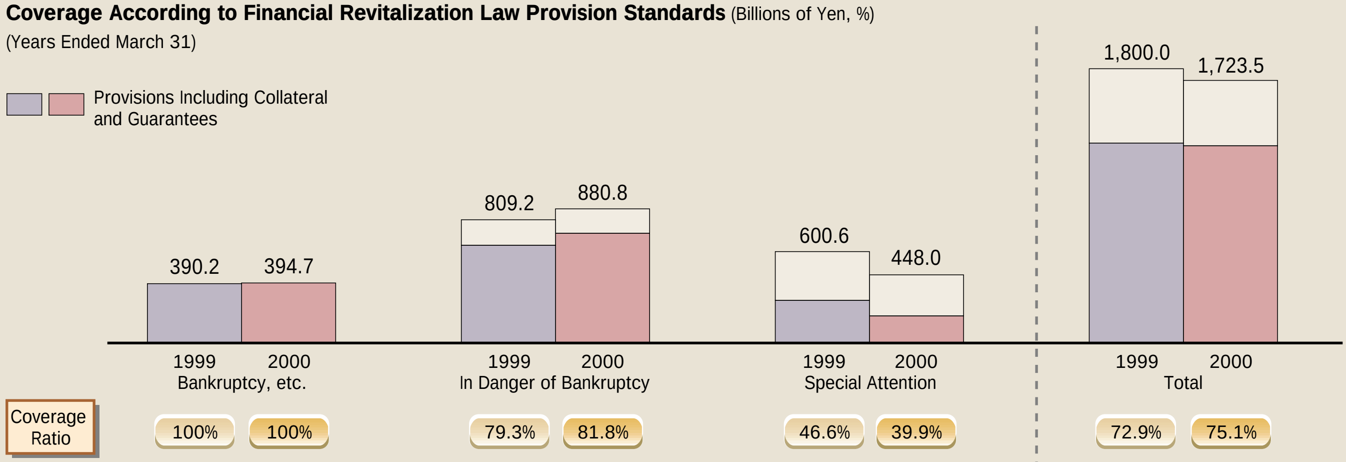
	Disclosure Based Assets			Secured Amount (B)		
	2000	1999	Change	**2000**	1999	Change
Bankruptcy, etc.	**¥ 394.7**	¥ 390.2	¥ 4.5	**¥ 394.7**	¥ 390.2	¥ 4.5
In Danger of Bankruptcy	**880.8**	809.2	71.6	**720.5**	642.0	78.5
Special Attention	**448.0**	600.6	(152.6)	**178.5**	280.1	(101.6)
[Excluding Non-Bank Affiliates]	**[199.7]**	[282.5]	[(82.8)]	**[74.7]**	[137.7]	[(63.0)]
Total	**¥1,723.5**	¥1,800.0	¥ (76.5)	**¥1,293.8**	¥1,312.5	¥ (18.7)
[Excluding Non-Bank Affiliates]	**[1,475.2]**	[1,482.0]	[(6.8)]	**[1,190.0]**	[1,170.1]	[19.9]

Coverage According to Financial Revitalization Law Provision Standards

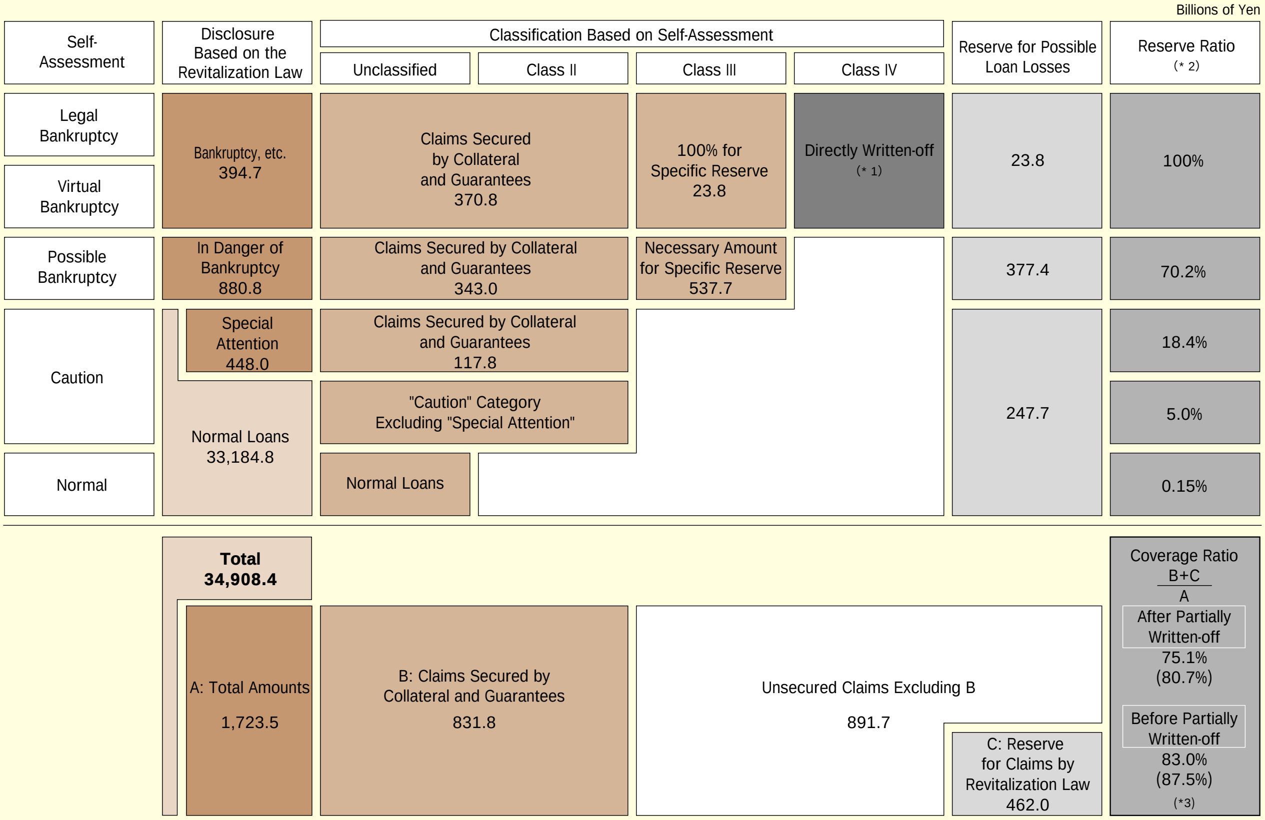
The total coverage ratio by provisions (excluding the portion for normal loans) including collateral and guarantees, accurately indicates the state of preparedness for problem loans. At fiscal year-end, the aggregate coverage ratio (including non-bank affiliates) was 75.1%, up approximately two percentage points over a year earlier. The ratio excluding non-bank affiliates was 80.7%, up approximately two percentage points from a year earlier. This indicates that adequate measures have been taken against any potential losses and that the Bank’s financial condition is sound.

Coverage According to Financial Revitalization Law Provision Standards (Billions of Yen, %)

(Years Ended March 31)



Self-Assessment Standard and Policy for Write-Offs and Reserves (Non-Consolidated)



Notes: (*1) ¥807.8 billion for direct deduction is included.
(*2) Reserve Ratio is calculated based on the reserve amount to the claims for "Normal" category and on the reserve amount to the claim excluding the amount secured by collateral, etc., for other categories.
(*3) The figures in ( ) represent the coverage ratio excluding non-bank affiliates.

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 (now the Financial Service Agency). The classification and categorization of borrowers is strictly and rigorously administered.

*Please see page 43 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.

Normal	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.
Caution	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.
Possible Bankruptcy	As a rule, amounts corresponding to 70% or more of the unsecured portions of individual assets are set aside as specific reserve.
Virtual Bankruptcy/ Legal Bankruptcy	As a rule, 100% of Class III and IV assets are written off or set aside as specific reserve.

Disclosure Based on Financial Revitalization Law by Industry (Non-Consolidated)

Billions of Yen, %

Year Ended March 31	2000	Coverage Amount	Coverage Ratio
Domestic Offices (*)	**¥1,659.6**	¥1,247.0	75.1%
Manufacturing	**88.0**	84.6	96.2
Agriculture	**3.0**	3.0	99.9
Forestry	**0.9**	0.7	82.3
Fisheries	**—**	—	—
Mining	**4.6**	4.6	100.0
Construction	**159.3**	106.3	66.7
Public Enterprises	**0**	0	100.0
Transportation, Communications	**13.7**	9.1	66.1
Wholesaling and Retailing	**271.3**	235.8	86.9
Financing and Insurance	**274.9**	128.0	46.6
[Excluding Non-Bank Affiliates]	**[26.6]**	[24.1]	[90.5]
Real Estate	**342.9**	295.1	86.1
Services	**401.9**	282.3	70.3
Local Governments	**—**	—	—
Others	**98.6**	97.0	98.4

* The special account for international financial transactions is excluded.

Disclosure Based on Financial Revitalization Law by Area (Non-Consolidated)

Billions of Yen, %

Year Ended March 31	2000	Coverage Amount	Coverage Ratio
Overseas	**¥63.9**	¥46.8	73.2%
Asia	**49.8**	37.6	75.5
Indonesia	**20.8**	15.0	71.9
Hong Kong	**9.3**	8.4	90.4
India	**5.4**	4.1	74.7
China	**5.2**	3.6	70.1
Others	**8.7**	6.3	72.2
North America	**8.1**	6.5	81.2
West Europe	**5.9**	2.5	43.0
East Europe	**0.1**	0	70.0

Risk-Monitored Loans

Billions of Yen, %

Years Ended March 31	Non-Consolidated 2000	1999	Change	Consolidated 2000	1999	Change
Loans to Borrowers in Legal Bankruptcy	**¥ 156.6**	¥ 165.1	¥ (8.5)	**¥ 176.3**	¥ 169.3	¥ 7.0
Past Due Loans	**1,067.7**	994.8	72.9	**1,274.6**	1,276.1	(1.5)
Past Due Loans (3 Months or More)	**35.2**	58.9	(23.7)	**39.7**	84.3	(44.6)
Restructured Loans	**412.7**	541.6	(128.9)	**170.7**	237.1	(66.4)
[Non-Bank Affiliates]	**[248.3]**	[318.0]	[(69.7)]	**[—]**	[—]	[—]
Total	**¥1,672.3**	¥1,760.5	¥ (88.2)	**¥1,661.4**	¥1,766.8	¥(105.4)
Ratio to Total Loans (%)	**5.2**	5.5	(0.3)	**5.1**	5.4	(0.3)

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 and forebearance 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)."

Risk-Monitored Loans by Industry (Non-Consolidated)

Billions of Yen

Years Ended March 31	2000	1999	Change
Domestic Offices*	**¥1,614.4**	¥1,672.8	¥(58.4)
Manufacturing	**85.2**	105.1	(19.9)
Agriculture	**3.0**	4.6	(1.6)
Forestry	**0.9**	0.9	0.0
Fisheries	**—**	0.1	(0.1)
Mining	**2.4**	3.9	(1.5)
Construction	**157.9**	89.3	68.6
Public Enterprises	**0.0**	0.0	0.0
Transportation, Communications	**13.7**	13.8	(0.1)
Wholesaling and Retailing	**261.9**	242.2	19.7
Financing and Insurance	**270.6**	366.4	(95.8)
[Excluding Non-Bank Affiliates]	**[22.3]**	[48.4]	[(26.1)]
Real Estate	**338.2**	342.0	(3.8)
Services	**399.4**	369.9	29.5
Local Governments	**—**	—	—
Others	**80.6**	134.0	(53.4)

* The special account for international financial transactions is excluded.

Loans by Restructuring Countries (Non-Consolidated)

Billions of Yen, %

Years Ended March 31	2000	1999	1998
Indonesia	**¥116.2**	¥178.2	¥ —
Russia	**0.1**	0.1	1.6
Others	**5.9**	6.8	1.7
Total	**¥122.3**	¥185.2	¥3.4
Percentage of Total Assets (%)	**0.26**	0.39	0.01
Number of Countries	**10**	10	8

Loans and Bills Discounted and Risk-Monitored Loans by Area (Non-Consolidated)

Loans and Bills Discounted to Asia

Billions of Yen

Years Ended March 31	2000	1999	Change
Indonesia	**¥118.3**	¥163.2	¥ (44.9)
[Risk-Monitored Loans]	**[18.5]**	[32.2]	[(13.7)]
Thailand	**124.4**	172.6	(48.2)
[Risk-Monitored Loans]	**[5.0]**	[15.7]	[(10.7)]
Korea	**68.4**	115.7	(47.3)
[Risk-Monitored Loans]	**[—]**	[2.2]	[(2.2)]
Hong Kong	**161.9**	188.7	(26.8)
[Risk-Monitored Loans]	**[9.3]**	[8.2]	[1.1]
China	**55.9**	83.2	(27.3)
[Risk-Monitored Loans]	**[5.0]**	[8.8]	[(3.8)]
Singapore	**65.8**	60.0	5.8
[Risk-Monitored Loans]	**[0.2]**	[0.2]	[0.0]
India	**25.7**	37.9	(12.2)
[Risk-Monitored Loans]	**[2.8]**	[1.1]	[1.7]
Malaysia	**27.0**	31.4	(4.4)
[Risk-Monitored Loans]	**[2.1]**	[2.5]	[(0.4)]
Pakistan	**1.7**	2.0	(0.3)
[Risk-Monitored Loans]	**[0.5]**	[—]	[0.5]
Others	**3.5**	8.3	(4.8)
[Risk-Monitored Loans]	**[—]**	[—]	[—]
Total	**¥653.2**	¥863.4	¥(210.2)
[Risk-Monitored Loans]	**[43.8]**	[71.2]	[(27.4)]

Loans and Bills Discounted to Latin America

Billions of Yen

Years Ended March 31	2000	1999	Change
Chile	**¥ 9.3**	¥10.5	¥(1.2)
[Risk-Monitored Loans]	**[—]**	[—]	[—]
Columbia	**8.0**	10.4	(2.4)
[Risk-Monitored Loans]	**[—]**	[—]	[—]
Mexico	**5.1**	2.0	3.1
[Risk-Monitored Loans]	**[—]**	[—]	[—]
Argentina	**0.0**	0.0	0.0
[Risk-Monitored Loans]	**[—]**	[—]	[—]
Brazil	**0.2**	0.3	(0.1)
[Risk-Monitored Loans]	**[—]**	[—]	[—]
Venezuela	**1.3**	1.6	(0.3)
[Risk-Monitored Loans]	**[—]**	[—]	[—]
Total	**¥24.1**	¥25.1	¥(1.0)
[Risk-Monitored Loans]	**[—]**	[—]	[—]

Loans and Bills Discounted to Russia

Billions of Yen

Years Ended March 31	2000	1999	Change
Russia	**¥0.1**	¥0.1	¥(0.0)
[Risk-Monitored Loans]	**[0.1]**	[0.0]	[0.1]

Non-Consolidated Business Performance

Billions of Yen

Years Ended March 31	2000	1999	Change
Gross Operating Profit	¥711.9	¥ 699.1	¥ 12.8
(Excluding Gains and Losses on Bond Transactions)	709.4	648.0	61.4
Domestic Gross Operating Profit	665.5	627.2	38.3
International Gross Operating Profit	46.3	71.9	(25.6)
Expenses: (Excluding Extraordinary Items)	397.7	425.0	(27.3)
Personnel	161.7	178.1	(16.4)
Non-personnel	216.1	223.0	(6.9)
Tax	19.8	23.8	(4.0)
Bond Issuing Expenses	0.6	—	0.6
Net Operating Profit (before Net Addition to General Reserve for Possible Loan Losses)	313.4	274.1	39.3
Net Addition to General Reserve for Possible Loan Losses	(14.6)	101.1	(115.7)
Net Operating Profit	328.0	172.9	155.1
(Gains and Losses on Bond Transactions)	2.4	51.1	(48.7)
Core Net Operating Profit	310.9	222.9	88.0
Extraordinary Profit (Loss)	(168.1)	(927.1)	759.0
Gains and Losses on Stock and Other Securities	341.7	12.5	329.2
Gains on Sales of Stocks and Other Securities	406.3	150.9	255.4
Losses on Sales of Stocks and Other Securities	29.9	40.9	(11.0)
Losses on Devaluation of Stocks and Other Securities	34.6	97.4	(62.8)
Loan Losses	464.5	922.3	(457.8)
Direct Write-Offs	113.3	149.3	(36.0)
Net Addition to Special Reserves	194.7	304.4	(109.7)
Losses on Bulk Sales	14.1	5.9	8.2
Losses on Sales of Loans to Cooperative Credit Purchase Corporation (CCPC)	37.1	24.1	13.0
Net Addition to Reserve for Possible Losses from Loans Sold to CCPC	55.4	10.2	45.2
Losses on Financial Assistance Provided to Affiliated Companies	35.2	331.9	(296.7)
Net Addition to Reserve for Loans to Restructuring Countries	(2.6)	8.3	(10.9)
Others	17.1	87.9	(70.8)
Operating Profit (Loss)	159.9	(754.1)	914.0
Extraordinary Profit (Loss), Net	(5.8)	105.4	(111.2)
Gains and Losses on Disposal of Premises	(6.1)	105.4	(111.5)
Net Income (Loss) before Income Taxes	154.0	(648.6)	802.6
Income Taxes (Current)	3.9	6.5	(2.6)
Income Taxes (Deferred)	92.9	(279.9)	372.8
Net Income (Loss)	¥ 57.1	¥(375.3)	¥432.4

Note: 1. Gross Operating Profit = (Net interest income + Corresponding expense for money in trust) + Fees and commissions, net + Trading Revenue, Net + Other Operating Income, Net
2. Net Operating Profit = Gross Operating Profit – Expense (excluding extraordinary items) – Net Addition to General Reserve for Possible Loan Losses
3. Corresponding expense for money in trust is the cost of procuring funds related to money trusts. Gains and losses on money trusts are recorded under Extraordinary Profit (Loss) and are deducted from operating expenses.
4. Extraordinary Profit (Loss) is the amount of Other Operating Profit and Expense recorded in the Statements of Operations, less Net Addition to General Reserve for Possible Loan Losses + Retirement Allowances for directors, which is recorded as an extraordinary expense item.
5. Gains and Losses on Bond Transactions = Gains on Bond Transactions + Gains on Bond Redemption – Losses on Bond Transactions – Losses on Bond Redemption
6. Gains and Losses on Stocks and Other Securities = Gains on Sales of Stocks and Other Securities – Losses on Sales of Stocks and Other Securities – Losses on Devaluation of Stocks and Other Securities
7. Core Net Operating Profit is Net Operating Profit before Net Addition to General Reserve for Possible Loan Losses after the deduction of Gains and Losses on Bond Transactions.

Financial Review

Income Analysis

In fiscal 1999, we bolstered gross operating profit through a variety of measures, including improving our lending margin and increasing individual loans. We also made significant progress in reducing expenses following restructuring. As a consequence, net operating profit before net addition to general reserve for possible loan losses climbed 14.3% or ¥39.3 billion, to ¥313.4 billion. Core net operating profit (see note 7 on page 34) rose nearly 40% or ¥88.0 billion, to ¥310.9 billion, the largest figure in our history.

We disposed of ¥449.9 billion in problem loans, including provisions made for possible loan losses. This was done to alleviate potential risk.

Due to an increase in net operating profit and a decrease in disposal of problem loans, our operating profit for the period was ¥159.9 billion, compared with an operating loss of ¥754.1 billion in the previous term. Reflecting these factors, net income was ¥57.1 billion, a recovery over the previous term's net loss of ¥375.3 billion.

Gross Operating Profit

Gross operating profit inched up 1.8% or ¥12.8 billion, to ¥711.9 billion. Gross operating profit excluding gains and losses on bond transactions also improved 9.5% or ¥61.4 billion, to ¥709.4 billion. Domestic gross operating profit rose ¥38.3 billion owing to a spread increase in domestic corporate loans and an increase in individual loan balance. International gross operating profit fell ¥25.6 billion to ¥46.3 billion, hurt by the yen's appreciation against the dollar and a decrease in the amount of assets.

Domestically, improvement in net interest income, a key indicator of a bank's profitability for assets and liabilities management, was evidenced by its rise of 37 basis points from a year earlier, and 29 basis points for interest rate spread on loans and deposits. (Refer to page 106 for more information on spreads and yield.)

Expenses

Personnel expenses declined ¥16.4 billion due to reductions in staff and bonuses. Non-personnel expenses fell ¥6.9 billion, to ¥216.1 billion following drastic reduction of purchasing expenses. Reflecting these factors, expenses for the period declined ¥27.3 billion, to ¥397.7 billion, falling below the ¥400 billion level.

Net Operating Profit

Net operating profit before net addition to general reserve for possible loan losses edged up ¥39.3 billion, to ¥313.4 billion. In fiscal 1998, we provided net addition to general reserve for possible loan losses of ¥101.1 billion. However, during fiscal 1999, our allocations for such reserves changed to the reversal of ¥14.6 billion. Reflecting this, operating profit after net addition to general reserve for possible loan losses was ¥328.0 billion, ¥155.1 billion higher than a year earlier.

Extraordinary Profit and Loss

We posted a ¥341.7 billion gain on sales of stocks and other securities in extraordinary profit. In addition, loan losses reached ¥464.5 billion. As part of this, we disposed of ¥449.9 billion in problem loans. (See page 28 for details.) As a consequence, we recorded extraordinary losses of ¥168.1 billion.

Operating Profit and Net Income

Operating profit for the period was ¥159.9 billion. Calculating our extraordinary profit and loss, net, along with income taxes, our net income for fiscal 1999 totaled ¥57.1 billion.

Non-Consolidated Balance Sheets

As of March 31	2000	1999	Change
			Billions of Yen
Assets			
Cash and Due from Banks	**¥ 2,095.2**	¥ 1,413.6	¥ 681.6
Call Loans	**197.4**	84.9	112.5
Commercial Paper and Other Debt Purchased	**0.6**	2.1	(1.5)
Trading Assets	**1,104.1**	1,091.2	12.9
Money Held in Trust	**72.3**	151.4	(79.1)
Securities	**6,911.6**	6,217.5	694.1
Loans and Bills Discounted	**31,939.9**	32,291.2	(351.3)
Foreign Exchanges	**316.1**	320.9	(4.8)
Other Assets	**1,156.7**	1,654.0	(497.3)
Premises and Equipment	**317.7**	346.8	(29.1)
Deferred Income Taxes	**583.5**	677.7	(94.2)
Customers' Liabilities for Acceptances and Guarantees	**2,524.3**	2,956.7	(432.4)
Reserve For Possible Loan Losses	**(660.4)**	—	(660.4)
Total Assets	**¥46,559.4**	¥47,208.7	¥(649.3)
Liabilities and Stockholders' Equity			
Liabilities			
Deposits	**¥33,342.6**	¥32,965.6	¥ 377.0
Call Money	**2,558.9**	2,335.5	223.4
Commercial Paper	**451.0**	567.0	(116.0)
Trading Liabilities	**161.2**	194.1	(32.9)
Borrowed Money	**1,953.5**	1,960.7	(7.2)
Foreign Exchanges	**30.2**	35.1	(4.9)
Bonds	**270.0**	100.0	170.0
Convertible Bonds	**0**	2.2	(2.2)
Other Liabilities	**2,856.1**	2,946.0	(89.9)
Reserve for Possible Loan Losses	**—**	735.5	(735.5)
Reserve for Retirement Allowances	**32.0**	36.4	(4.4)
Reserve for Possible Losses from Loans Sold to CCPC	**94.8**	114.8	(20.0)
Other Reserves	**0**	0	0
Deferred Income Tax Liabilities for Land Revaluation	**32.0**	35.1	(3.1)
Acceptances and Guarantees	**2,524.3**	2,956.7	(432.4)
Total Liabilities	**44,307.1**	44,985.1	(678.0)
Stockholders' Equity			
Capital Stock:			
Common Stock	**639.9**	631.3	8.6
Preferred Stock	**402.7**	411.3	(8.6)
Capital Surplus	**899.5**	899.5	0
Legal Reserve	**124.1**	118.0	6.1
Land Revaluation Excess	**48.9**	48.9	0
Earned Surplus	**137.0**	114.2	22.8
Total Stockholders' Equity	**2,252.2**	2,223.5	28.7
Total Liabilities and Stockholders' Equity	**¥46,559.4**	¥47,208.7	¥(649.3)

Asset Portfolio

Loans and bills discounted declined by ¥351.3 billion, to ¥31.9 trillion, reflecting the yen's appreciation against the U.S. dollar and curtailment of international operations. Securities grew ¥694.1 billion, to ¥6.9 trillion, mainly owing to an increase in bonds including government bonds. In addition, due to change of accounting method, we made a revision to our balance sheets. Reserve for possible loan losses is not reported on the liability side but presented on the last line of the asset side of the balance sheet.

Liabilities

Deposits excluding certificates of deposits declined ¥307.0 billion from March 31, 1999, owing to a decrease in time deposit accounts as corporations and individuals opt to diversify funds and lower market interest rates. We also issued straight bonds during the period to ensure a stable source of funding, pushing up bonds by ¥170.0 billion, to ¥270.0 billion.

Capital Adequacy Ratio

Billions of Yen/%

	Consolidated			Non-Consolidated		
Years Ended March 31	**2000**	1999	Change	**2000**	1999	Change
Tier I	**¥ 2,440.6**	¥ 2,396.8	¥ 43.8	**¥ 2,470.9**	¥ 2,448.4	¥ 22.5
Tier II	**1,661.2**	1,724.7	(63.5)	**1,522.0**	1,584.4	(62.4)
Total Qualifying Capital	**4,100.8**	4,120.6	(19.8)	**3,992.0**	4,031.9	(39.9)
Risk-adjusted Assets	**32,721.5**	33,399.2	(677.7)	**31,917.3**	32,560.7	(643.4)
Capital Ratio	**12.53%**	12.33%	0.20%	**12.50%**	12.38%	0.12%

Capital Adequacy (BIS Guidelines)

The Bank's capital ratio on a consolidated basis, as of March 31, 2000, based on Bank of International Settlements, was 12.53%, 0.20 percentage point higher than a year earlier. This reflected a number of factors. Our Tier I capital increased by ¥43.8 billion while Tier II capital fell ¥63.5 billion, due to reductions in foreign currency-denominated subordinated bonds and loans resulting from appreciation of the yen. Total qualifying capital was ¥4.1 trillion, ¥19.8 billion less than the previous fiscal year. Risk-adjusted assets also declined ¥677.7 billion to ¥32.7 trillion, affected by the yen's appreciation. On a non-consolidated basis, our capital ratio was 12.50%, 0.12 percentage point higher than a year earlier.

Dividend Policy

We authorized a ¥3.00 cash dividend per share for the year-end. This was in addition to an interim dividend payout of ¥3.00. As for preferred stock, our Board of Directors sanctioned a ¥7.50 cash dividend for Series II preferred shares for the first and second halves of the fiscal year, and a ¥6.85 cash dividend for Series III (Type-2) preferred shares for the first and second halves.

Plan toward Soundness of Management

Results as of March 31, 2000

This plan was submitted with our application for public funds and is in accordance with Article 5 of the Financial Function Early Strengthening Law.

Profit

Year Ended March 31, 2000	Projection	Result	Difference
			Billions of Yen
Gross Operating Profit	¥720.6	**¥711.9**	¥ (8.7)
Expenses	416.1	**397.7**	(18.4)
Personnel Expenses	164.9	**161.7**	(3.2)
Non-Personnel Expenses	227.4	**216.1**	(11.3)
Taxes	23.8	**19.9**	(3.9)
Net Addition to General Reserve for Possible Loan Losses	(5.0)	**(14.6)**	(9.6)
Net Operating Profit	309.5	**328.0**	18.5
Before Net Addition to General Reserve for Possible Loan Losses	304.5	**313.4**	8.9
Disposal of Problem Loans (including Net Addition to General Reserve for Possible Loan Losses)	100.0	**449.9**	349.9
Gains/(Losses) on Stocks and Other Securities	(50.0)	**341.7**	391.7
Operating Profit	123.3	**159.9**	36.6
Net Income	¥ 75.7	**¥ 57.1**	¥ (18.6)

Gross operating profit fell ¥8.7 billion below projection to ¥711.9 billion, mainly due to appreciation of the yen, to ¥106.15 compared to the assumption in the plan (US$1=¥135.35) and higher U.S. dollar interest rates than forecast.

This achievement resulted from the implementation of the improvement in lending margin and the expansion of consumer loan portfolio. Compared to the target of increase by 30bp loan margin to fiscal 2002, we had already achieved 25bp increase by the end of fiscal 1999. We increased the balance of housing loans by ¥439.6 billion to ¥6.6 trillion. This is continuously the highest amount among all Japanese financial institutions in terms of growth during the period and the actual outstanding balance.

Meanwhile, we reduced our expenses to ¥397.7 billion, ¥18.4 billion less than targeted, through an additional review and tightening in a drastic effort to reduce purchasing expense, because of the reduction of non-personnel expenses by ¥11.3 billion more than the plan. As a consequence, we recorded net operating profit before net addition to general reserve for possible loan losses of ¥313.4 billion, ¥8.9 billion higher than outlined in the plan.

Before the merger with the Sumitomo Bank, we alleviated potential future risks, resulting in the disposal of problem loans by ¥449.9 billion, which included precautionary provisions for potential credit cost factors, and disposal amount exceeded the plan by ¥349.9 billion. We posted a ¥341.7 billion gain on stocks and other securities, ¥391.7 billion more than the plan. Following this, operating profit was ¥159.9 billion, exceeding our target by ¥36.6 billion. However, after extraordinary items and corporate and other income taxes, net income for the period was ¥57.1 billion, ¥18.6 billion less than planned. The main deterrent was a ¥35.7 billion new tax. This is the Tokyo Metropolitan Government's ordinance concerning the special treatment for the standard of enterprise taxes to banking industries. Without this tax, net income for the period would have exceeded our fiscal 1999 target by ¥17.1 billion.

Progress on Main Objectives in Increase of Gross Operating Profit

Years Ended March 31

Billions of Yen

	1999 Result	2000 Projection	2000 Difference	Contribution to Gross Operating Profit Growth
Spread Increase (Interest Rate) in Domestic Loans			**+15 bp**	**+33.0**
Increase in Individual Loans			**+400.0**	**+7.2**
Balance of Housing Loans	6,173.1	6,612.7	+439.6	
Increase in New Products Sales				**+4.8**
Balance of Investment Trust	51.4	616.8	+565.4	+3.1
Balance of Foreign Currency Individual Deposits	56.1	162.6	+106.5	+1.7

Restructuring

We reduced the number of employees to 14,930 employees as of March 31, 2000, a reduction of 470 more than planned. This was accomplished through the reform of banking channels, consolidation and closure of offices, restructuring of our foreign branches and offices, and implementing an early retirement system.

The total number of directors and auditors was reduced to 19 from 51 as of March 1999, exceeding initial targets. We trimmed our board members from 45 to 13 by reducing the number of directors and implementing an executive officer system in June 1999.

Years Ended March 31	1999 Result	2000 Projection	2000 Result	2000 Year-on-Year Change	2000 Difference from the Plan
Number of Directors	51	21	**19**	(32)	(2)
Number of Employees	16,330	15,400	**14,930**	(1,400)	(470)

Note: Directors, as used here, includes directors and auditors.

Loans to Small- and Medium-Sized Companies

One of our chief main priorities is the smooth extension of loans to small companies. In fiscal 1999, we launched a variety of new products and implemented multifaceted measures to expand our clientele in this area. We aim to meet our clients' diverse funding needs and provide them with funds in a timely fashion, while at the same time keeping a close eye on the soundness of our assets. New products include "Sakura Customer's Loan," a fund specializing in small- and medium-sized companies. In addition, based on an econometric model for credit risk, we launched "Sakura Business Loan," a small-lot unsecured business loan with a set standard level for screening criteria.

By our efforts, loans to small- and medium-sized companies grew ¥224.2 billion, exceeding plans by ¥24.2 billion. As a consequence, as of March 31, 2000, the balance of loans extended to small- and medium-sized companies was ¥14.7 trillion, ¥15.8 billion higher than our projected target of ¥14.7 trillion.

Balance of Loans to Small- and Medium-Sized Companies in Fiscal 1999

Billions of Yen

Years Ended March 31	1999 Result	2000 Projection	2000 Result	2000 Change	2000 Difference from the Plan
Balance	¥14,521.5	¥14,729.9	**¥14,745.7**	¥224.2	¥15.8

Note: Loans, as used here, refers to domestic, yen-denominated loans after deduction of special factors such as direct write offs of problem loans. Euroyen and foreign currency-denominated loans are not included.