summary of significant differences between japanese gaap and u.s. gaap

The consolidated financial statements of the Bank and its consolidated subsidiaries presented in this annual report conform with Japanese Generally Accepted Accounting Principles (GAAP). Such principles vary from U.S. GAAP in the following significant respects.

japanese gaap	u.s. gaap
Consolidated subsidiaries	
Pursuant to the new accounting standard effective April 1, 1998, the consolidated financial statements include all enterprises that are controlled by the parent, irrespective of the percentage of the voting shares owned.	Statements of Financial Accounting Standards ("SFAS") No. 94 requires, with a few exceptions, a parent company to consolidate all of its majority-owned subsidiaries with more than 50% of outstanding voting shares.
Accounting for sales of loans with recourse	
Under Japanese GAAP, certain loan participations which meet specified criteria are allowed to be recorded as sales.	SFAS No. 125 specifies that sale of assets such as loans refers to an outright sale with legal title passing to the purchaser. A transfer of assets qualifying as a sale with recourse under SFAS No. 125 would result in the recording of an estimated liability.
Accounting for derivatives	
Derivative instruments are recorded in trading account and banking account. Generally, derivative instruments used for hedging purposes are classified in the banking category and recorded on an accrual basis. Certain macro hedges such as ALM may not be qualified as a hedging activity under U.S. GAAP.	Derivative instruments are currently classified into trading and hedging instruments. Derivative instruments for a trading purpose and a hedging purpose are recorded at fair value and on an accrual basis, respectively.
Securities	
All investments including equity securities can be carried at cost under Japanese GAAP. An adjustment for accretion of discount is not permitted. Trading securities are carried at market value with gains and losses included in the current period income,	Under SFAS No. 115, debt securities intended to be held to maturity are carried at amortized cost. Equity securities and debt securities available for sale are carried at fair values with unrealized gains and losses reported as comprehensive income in the stockholders' equity section. Trading securities are carried at market value with gains and losses included in the current period income.
Unearned discount on loans	
Unearned discount is included in other liabilities.	Unearned discount is netted against the loan principal balance.
Loan fees	
Loan origination fees are recognized when income is received.	Loan origination fees are deferred and recognized over the life of the loan.
Accrued interest on non-performing loans	
Effective April 1, 1998, the Bank placed into the nonaccrual status the loans which management assessed as "Bankrupt and Quasi-Bankrupt" and "Doubtful".	Loans are generally placed on nonaccrual status when they become 90 days past due or when they are deemed uncollectible based on management's assessment.

Restructured loans

Discounted present value is not used to measure impairment of a loan. Reserve for restructured loans is computed based on historical loss experience.

SFAS No. 114 requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Reserve for retirement allowances

For unfunded retirement allowances, an accrual is established for the amount payable if all employees voluntarily terminated their employment at the balance sheet date. For pension plans, pension expense is provided based on actuarial determinations and expensed when paid.

Pursuant to SFAS No. 87 and No. 132, employee retirement liability is recorded in an amount equal to an actuarial computation of the present value of benefits due to an employee based on such employee's credited years of service.

Legal and voluntary reserves

An amount equivalent to at least 20% of cash disbursements such as dividend distribution must be appropriated as legal reserve in the retained earnings.

Legal and voluntary reserves are not provided under U.S. GAAP.

Leases

Unless transfer of the ownership occurs, financing leases may be accounted for as operating leases accompanied with sufficient footnote disclosure,

Leases are classified as capital or operating, based on specified criteria. A lease which transfers substantially all of the benefits and risks of ownership to the lessee is reported as capital lease.
Other leases are accounted for as operating leases.

Revaluation reserve for land

Land which had been recorded at cost was revalued at the fair value. The resulted gains were recorded in "Revaluation reserve for land, net of tax" in the shareholders' equity section.

Such revaluation reserve for land is not permissible.

Guarantees

Guarantees, including standby letters of credit, and the related reimbursement obligations of customers are included on the face of the financial statements and assets of equal amounts.

Such guarantees and reimbursement obligations are disclosed in the footnotes and not included in the balance sheet.

Directors' bonuses

Directors' bonuses are charged directly to earned surplus.

Directors' compensation is generally expensed on an accrual basis.

Comprehensive income

Reporting of "Other comprehensive income" not included in net income is not required.

SFAS No. 130 requires the reporting of the revenues, expenses, gains, and losses that are not included in net income as comprehensive income.

Segment information

Segment information by business and geographic location is disclosed.

SFAS No. 131 requires public enterprises to report segment information.