

NONCONSOLIDATED FINANCIAL REVIEW

Income Analysis

Operating income for the period under review fell ¥84.7 billion to ¥823.3 billion, compared with the same period in 1999. Operating expenses decreased ¥133.4 billion to

¥683.9 billion. As a result, operating profit increased ¥48.7 billion to ¥139.4 billion and net income increased ¥6.9 billion to ¥48.4 billion.

Financial Summary

Six-month periods ended September 30, 2000 and 1999, and year ended March 31, 2000	Billions of Yen		
	Sept. 30, 2000	Sept. 30, 1999	Mar. 31, 2000
For the term			
Operating income	¥ 823.3	¥ 908.0	¥ 2,182.3
Core banking profit	331.5	200.2	350.6
Core banking profit (excluding transfer to general reserve)	203.6	205.0	389.4
Operating profit	139.4	90.7	176.5
Net income	48.4	41.4	48.8
Preferred stock	250.5	250.5	250.5
Common stock	502.3	502.3	502.3
Total number of preferred stocks issued (<i>Million Shares</i>)	167	167	167
Total number of common stocks issued (<i>Million Shares</i>)	3,141	3,141	3,141
At term end			
Total shareholders' equity	1,922.7	1,878.5	1,880.6
Total assets	53,896.4	52,431.9	51,089.3
Deposits (excluding negotiable certificates of deposit)	28,474.0	28,229.0	27,388.2
Loans and bills discounted	31,790.8	32,619.3	31,358.5
Securities	11,328.1	8,792.4	8,982.2
Per share data (Yen)			
Shareholders' equity	452.62	438.56	439.23
Dividend	3.00	3.00	6.00
Net income	14.83	12.65	14.41
Diluted net income	14.50	12.36	14.12
Number of employees	12,721	13,640	12,982

Note: Number of employees excludes transfer to subsidiaries, affiliates and other institutions and includes overseas local staff.

Core Banking Profit

Core banking profit (from deposits, loans, international operations and securities businesses, etc.), excluding transfer to general reserve, was ¥203.6 billion, which was almost as much as the previous year. This mainly reflected the ¥6.8 billion, or 1.8%, fall in gross banking profit, and a ¥5.4 billion, or 3.2%, decrease in expenses (excluding other operating loss).

Gross Banking Profit

Gross banking profit declined ¥6.8 billion, or 1.8%, to ¥363.2 billion. Net interest income was down ¥13.0 billion, or 4.1%, to ¥301.3 billion. Within this category, domestic net interest income decreased ¥11.7 billion, or 4.3%, reflecting lower interest income as a result of the redemption of

high-yield bonds. International net interest income declined ¥1.2 billion, or 2.6%.

Net fees and commissions increased ¥7.6 billion, or 24.8%, to ¥38.2 billion. This stemmed from a ¥3.9 billion, or 17.9%, rise in domestic fees and commissions, mainly from domestic remittances and sales of investment trusts. Internationally, gains on loan-related fees increased, and consequently, net fees and commissions increased ¥3.8 billion, or 43.1%.

Net trading profit increased ¥8.2 billion, or 48.8%, to ¥25.0 billion.

Net other operating loss was ¥1.3 billion, compared with net other operating income of ¥8.1 billion in the same period of the previous fiscal year. This was primarily due to a fall in profit on foreign exchange by international operations.

Core Banking Profit

Six-month periods ended September 30, 2000 and 1999, and year ended March 31, 2000	Billions of Yen			
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Mar. 31, 2000
Gross banking profit:				
Net interest income	¥301.3	¥(13.0)	¥314.3	¥604.7
Net fees and commissions	38.2	7.6	30.6	69.2
Net trading profit	25.0	8.2	16.8	33.2
Net other operating income (loss)	(1.3)	(9.4)	8.1	15.3
Net other operating income (excluding gains/losses on sale and redemption of bonds)	(0.5)	(10.3)	9.8	19.3
Total	<u>363.2</u>	<u>(6.8)</u>	<u>370.0</u>	<u>722.5</u>
Gross banking profit (excluding gains/losses on sale and redemption of bonds)	364.0	(7.6)	371.6	726.5
Expenses (excluding other operating loss)	(159.6)	5.4	(165.0)	(329.8)
Core banking profit (excluding transfer to general reserve)	<u>203.6</u>	<u>(1.4)</u>	<u>205.0</u>	<u>389.4</u>
Core banking profit (excluding transfer to general reserve, and gains/losses on sale and redemption of bonds)	<u>204.4</u>	<u>(2.3)</u>	<u>206.7</u>	<u>393.4</u>

Expenses

Expenses, excluding other operating loss, decreased ¥5.4 billion, or 3.2%, to ¥159.6 billion. Personnel expenses dropped ¥2.2 billion, or 3.0%, to ¥70.2 billion. General expenses were down ¥2.1 billion, or 2.5%, to ¥81.7 billion, mainly because of lower office equipment costs and reduced rental costs owing to branch closures. Taxes, other than income taxes, fell ¥1.1 billion, or 12.5%, to ¥7.7 billion.

Operating Profit

Operating profit was ¥139.4 billion. This included ¥203.6 billion in core banking profit, excluding transfer to general reserve, and a ¥127.9 billion transfer from general reserve for possible loan losses, minus other operating loss of ¥192.1 billion.

Other Operating Profit/Loss

Other operating loss rose ¥82.6 billion to ¥192.1 billion. This included ¥3.7 billion in enterprise tax payments in accordance with the Tokyo Metropolitan Government's external taxation standard. Gains on sale of stocks totaled ¥139.5 billion. Total credit cost climbed ¥17.0 billion to ¥199.3 billion, including a ¥127.9 billion transfer from general reserve for possible loan losses.

Extraordinary Profit/Loss

The Bank recorded an extraordinary loss of ¥16.1 billion, down ¥8.9 billion. This followed ¥6.3 billion in losses on sales of properties and employee housing after branch closures as part of restructuring efforts. In addition, the Bank amortized ¥10.1 billion of transitional liability from the initial application of the new accounting standard for employees' retirement benefits.

Net Income

Current income taxes were ¥20.4 billion. Deferred income taxes were ¥54.5 billion. Of this amount, ¥26.6 billion reflected the reduction of deferred assets due to the introduction of an external taxation standard for enterprise tax by the Osaka Prefectural Government. Consequently, net income grew ¥7.0 billion, or 16.9%, to ¥48.4 billion.

Net Interest Income

Six-month periods ended September 30, 2000 and 1999	Billions of Yen						Percent		
	Average Balance			Interest			Earnings Yield		
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999
Domestic operations	/	/	/	¥256.9	¥(11.7)	¥268.6	[1.38]%	(0.17)%	[1.55]%
Interest income	¥37,057.0	¥2,484.9	¥34,572.1	301.6	(93.4)	395.0	1.62	(0.65)	2.27
Loans	27,028.7	(950.1)	27,978.8	257.0	(13.9)	270.9	1.89	(0.04)	1.93
Dividends on securities	9,780.1	3,258.4	6,521.7	43.9	(7.2)	51.1	0.89	(0.67)	1.56
Due from banks and others	9.8	6.6	3.2	0.0	(0.0)	0.0	0.40	(0.83)	1.23
Interest expenses	34,723.3	2,870.5	31,852.8	44.7	(81.6)	126.3	0.25	(0.54)	0.79
Deposits	22,391.6	836.6	21,555.0	19.0	(4.7)	23.7	0.16	(0.06)	0.22
Negotiable certificates of deposit	4,791.2	(711.6)	5,502.8	3.3	(0.1)	3.4	0.13	0.01	0.12
Borrowed money	4,543.9	347.1	4,196.8	12.3	(2.3)	14.6	0.53	(0.16)	0.69
International operations	/	/	/	44.4	(1.2)	45.6	[1.02]	(0.01)	[1.03]
Interest income	8,635.8	(174.2)	8,810.0	266.8	(34.3)	301.1	6.16	(0.65)	6.81
Loans	4,084.4	(1,281.9)	5,366.3	110.4	(5.0)	115.4	5.38	1.10	4.28
Dividends on securities	1,144.0	(90.1)	1,234.1	51.0	32.2	18.8	8.89	5.85	3.04
Due from banks and others	2,764.4	1,251.4	1,513.0	85.2	53.5	31.7	6.14	1.96	4.18
Interest expenses	8,141.0	(606.8)	8,747.8	222.4	(33.0)	255.4	5.44	(0.38)	5.82
Deposits	6,455.5	(164.8)	6,620.3	139.8	37.6	102.2	4.31	1.24	3.07
Negotiable certificates of deposit	111.1	(71.1)	182.2	3.2	(1.2)	4.4	5.65	0.73	4.92
Borrowed money	1,262.5	(522.8)	1,785.3	41.5	2.6	38.9	6.56	2.21	4.35
Total	¥ /	¥ /	¥ /	¥301.3	¥(13.0)	¥314.3	[1.31]%	(0.13)%	[1.44]%

Notes: 1. Due from banks and others includes call loans.

2. Borrowed money includes call money and bills bought.

3. [] indicates income ratio (= net interest / average balance of interest income)

Net Fees and Commissions

Six-month periods ended September 30, 2000 and 1999, and year ended March 31, 2000	Billions of Yen			
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Mar. 31, 2000
Domestic operations	¥25.6	¥ 3.9	¥21.7	¥48.1
Income	40.5	4.3	36.2	75.8
Remittance and transfers	18.9	1.6	17.3	35.3
Securities related business	2.7	(0.4)	3.1	6.1
Investment trusts business	1.6	0.5	1.1	3.7
Expenses	14.9	0.5	14.4	27.7
Remittance and transfers	4.0	0.3	3.7	7.6
International operations	12.6	3.8	8.8	21.1
Income	16.8	1.4	15.4	30.7
Remittance and transfers	5.8	(0.0)	5.8	11.4
Deposits and loans	8.7	1.3	7.4	15.0
Expenses	4.2	(2.3)	6.5	9.6
Remittance and transfers	1.7	(0.4)	2.1	4.1
Total	¥38.2	¥ 7.6	¥30.6	¥69.2

Note: Investment trusts business in domestic operations excludes investment trust fees from foreign securities investment trusts.

Net Trading Profit

Six-month periods ended September 30, 2000 and 1999, and year ended March 31, 2000	Billions of Yen			
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Mar. 31, 2000
Domestic operations	¥ 0.7	¥(0.6)	¥ 1.3	¥ 4.1
Trading securities	0.3	(0.3)	0.6	2.7
Other income	0.4	(0.3)	0.7	1.3
International operations	24.3	8.9	15.4	29.1
Securities	0.2	1.9	(1.7)	(0.9)
Trading related financial derivatives	24.1	7.0	17.1	30.0
Total	¥25.0	¥ 8.2	¥16.8	¥33.2

Other Operating Income (Loss)

Six-month periods ended September 30, 2000 and 1999, and for the year ended March 31, 2000	Billions of Yen			
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Mar. 31, 2000
Domestic operations	¥ 2.2	¥ 4.8	¥ (2.6)	¥ (2.3)
Gains (losses) on sale of bonds	2.7	5.6	(2.9)	(2.9)
International operations	(3.5)	(14.3)	10.8	17.7
Gains (losses) on foreign exchange transactions	(0.2)	(9.9)	9.7	18.9
Gains (losses) on sale of bonds	(3.6)	(4.8)	1.2	(1.1)
Total	¥(1.3)	¥ (9.4)	¥ 8.1	¥15.3

General and Administrative Expenses

Six-month periods ended September 30, 2000 and 1999, and year ended March 31, 2000	Billions of Yen			
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Mar. 31, 2000
Personnel expenses	¥ 70.2	¥(2.2)	¥ 72.4	¥142.0
General expenses	81.7	(2.1)	83.8	170.2
Taxes, other than income taxes	7.7	(1.1)	8.8	17.6
Total	¥159.6	¥(5.4)	¥165.0	¥329.8

Balance Sheet Analysis

Total assets at the end of the first half of fiscal 2000 were ¥53,896.4 billion, up ¥1,464.5 billion, or 2.7%, from the end of fiscal 1999. This increase mainly reflected the adoption of new accounting standards for financial instruments, such as changes in accounting for securities and assessing derivative transactions, with an impact of ¥2,928.7 billion. Securities increased ¥2,535.7 billion, or 28.8%, to ¥11,328.1 billion. Among that, ¥2,290.1 billion was added by the adoption of the new accounting standards for financial instruments, under which the Bank recategorized resale and repurchase transactions of securities as financing activities, not as purchasing or selling activities, and altered its standards for recognizing trades of securities from a delivery date basis to a contract date basis. The Bank also introduced fair value accounting and hedge accounting for derivative

transactions, which increased other assets by ¥579.1 billion. On the other hand, loans and bills discounted were down ¥828.5 billion, or 2.5%, to ¥31,790.8 billion. This was partly because the presentation of loans and bills discounted was changed so as to deduct the balance by the amount of specific reserve, and partly because corporate demand for loans was actually softened.

Shareholders' Equity

As of September 30, 2000, total shareholders' equity was ¥1,922.7 billion, up ¥42.1 billion, or 2.2% compared with March 31, 2000. The Bank had 3,141 million shares of common stock issued and outstanding and 167 million shares of preferred stock—unchanged from the end of March 2000. Shareholders' equity per share, excluding preferred stock, was ¥452.62, up ¥13.39 from March 31, 2000.

Core Banking Profit, Net Income and Unappropriated Retained Earnings

Six-month periods ended September 30, 2000 and 1999, and year ended March 31, 2000	Billions of Yen			
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Mar. 31, 2000
Core banking profit (excluding transfer to general reserve)	¥ 203.6	¥ (1.4)	¥ 205.0	¥ 389.4
Transfer to general reserve for possible loan losses	127.9	132.6	(4.7)	(38.8)
Other operating loss	(192.1)	(82.6)	(109.5)	(174.1)
Credit cost for specific problem loans	(327.9)	(149.3)	(178.6)	(645.0)
Transfer to specific reserve	(266.5)	(131.6)	(134.9)	(253.0)
Write-off of loans	(54.5)	(15.9)	(38.6)	(347.4)
Transfer to reserve for loss on loans sold	0.6	0.5	0.1	(17.3)
Losses on problem loans sold	(3.2)	1.1	(4.3)	(19.6)
Losses on sale of loans to the Cooperative Credit Purchasing Co., Ltd.	(4.3)	(3.5)	(0.8)	(7.7)
Loan loss reserve for specific overseas countries	0.7	(0.3)	1.0	3.1
Total credit cost (Note 1)	(199.3)	(17.0)	(182.3)	(680.7)
Gains on sale of stocks	139.5	53.2	86.3	486.7
Gains on sale of stocks	157.3	53.2	104.1	551.2
Losses on sale of stocks	(7.2)	0.9	(8.1)	(35.1)
Losses on devaluation of stocks	(10.6)	(1.1)	(9.5)	(29.4)
Enterprise tax of Tokyo Metropolitan Government	(3.7)	(3.7)	—	—
Operating profit	139.4	48.7	90.7	176.5
Extraordinary loss	(16.1)	8.9	(25.0)	(28.0)
Losses on sales of properties and employee housing	(6.3)	(2.6)	(3.7)	(6.9)
Transitional liability under new accounting standard for employees' retirement benefits	(10.1)	(10.1)	—	—
Additional contribution to pension plans	—	21.5	(21.5)	(21.5)
Income taxes				
Current	¥ (20.4)	¥ (15.8)	¥ (4.6)	¥ (6.6)
Deferred	(54.5)	(35.0)	(19.5)	(93.1)
Net income	¥ 48.4	¥ 7.0	¥ 41.4	¥ 48.8
Unappropriated retained earnings brought forward	35.0	5.1	29.9	29.9
Transfer from revaluation reserve for land	1.7	(0.8)	2.5	3.1
Declared interim dividends	—	—	—	(11.2)
Transfer to legal reserve	—	—	—	(2.2)
Unappropriated retained earnings	¥ 85.1	¥ 11.2	¥ 73.9	¥ 68.4

Note: Total credit cost = Transfer to general reserve for possible loan losses + Credit cost for specific problem loans + Loan loss reserve for specific overseas countries.

Total Assets

As of September 30, 2000 and 1999, and March 31, 2000	Billions of Yen			
	Sept. 30, 2000	Increase/ Decrease	Sept. 30, 1999	Mar. 31, 2000
Total assets	¥53,896.4	¥1,464.5	¥52,431.9	¥51,089.3
Loans and bills discounted	31,790.8	(828.5)	32,619.3	31,358.5
Securities	11,328.1	2,535.7	8,792.4	8,982.2
Total liabilities	51,973.7	1,420.4	50,553.3	49,208.7
Deposits (excluding negotiable certificates of deposit)	28,474.0	245.0	28,229.0	27,388.2