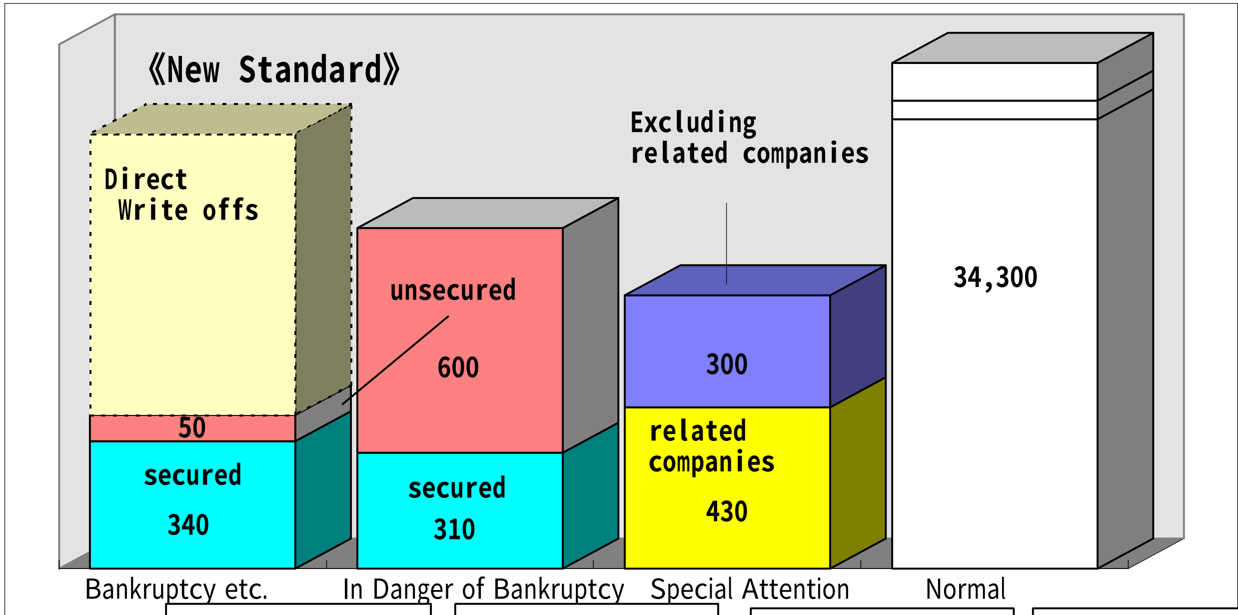
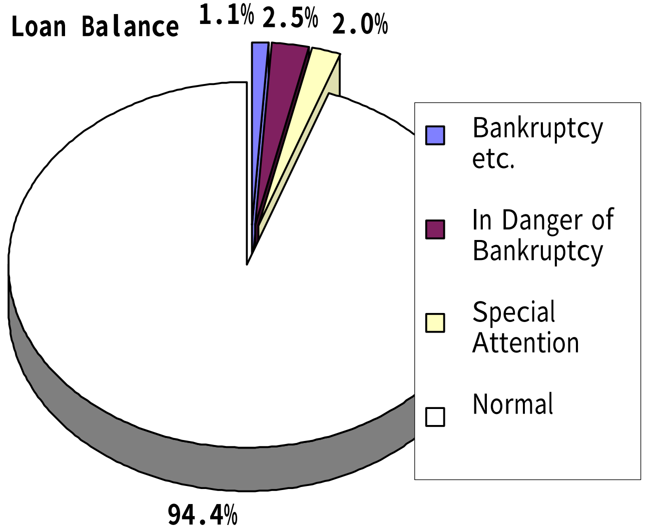
1. Maintenance of Soundness

(1) Disposition of Problem Loans(Forecast for Fiscal 1998)

(Billions of yen)





390 | 910 | 730 | 34,300

Total 2,030

(*)Forgiveness to related companies is set aside necessary in the next fiscal term and after, in addition to those in FY1998.

Reserve Ratio

<Legal bankruptcy Virtual bankruptcy>
100%

<Possible Bankruptcy>
70%

<Special Attention>
15% (*)

<"Caution"Category excluding "Special Attention">
Appropriate provisioning ratio based on historical loss calculated on the average remaining maturity
<Normal>
Loan loss ratio estimated in one year

Secured Ratio

85% | 70%

Loan Losses 990

Spesific Reserves etc.
570

General Reserves
100

Sales Loss etc.
320

(2) Strengthening Capital

○ Calculation of Amount Applied for Public Funds

Amount Applied for Public Funds
８００Billion Yen

→

Description of Amount

☆To secure the substancial capital ratio over 10%, after deducting unrealized losses on securities

Calculation Basis of Amount Applied for Public Funds

(Billions of Yen)

Disposal of Problem Loans	Unrealised Loss on Securities	Total
990.0	475.3 (September 30, 1998)	1,465.3

⇩

Profit	Strengthening Equity Capital		Total
Net Operating Profit 260.0 Profit on Sale of Real Estate 100.0	*Third Party Allocation* *345.0*	*Public Funds* *800.0*	1,505.0 (＋３９.７)

(2) Strengthening of Capital

Capital Ratio
(March 31, 1998)
- Capital Ratio 9.12%
- TIER 1 Ratio 4.56%

Strengthening of Capital
☆ Third Party Allocation 345 Billion Yen
☆ Public Funds 800 Billion Yen

Capital Ratio -estimated
(March 31, 1999)
- Capital Ratio 12.14%
- TIER 1 Ratio 6.95%

◎Capital

(Billions of Yen、%)

	March 31 1998	Third Party Allocation	Public Funds	Estimated Change in FY1998	March 31 1999	Unrealized Loss on Security	Adjusted Capital Ratio
Tier 1	1,711.3	345.0	800.0	(491.8)	2,364.5	(475.3)	1,889.2
Tier 2	1,785.8	-	-	(20.2)	1,765.6	-	1,765.6
Capital	3,422.7	345.0	800.0	(437.6)	4,130.1	-	3,654.8
Risk-Adjusted Asset	37,500.7	-	-	(3,500.7)	34,000.0	-	34,000.0
Capital Ratio	9.12%	-	-	-	12.14%	-	10.74%
Tier 1Ratio	4.56%	-	-	-	6.95%	-	5.55%

(*) Unrealized losses on securities are as of the end of September 1998

◎Estimated Capital Ratio at the end of FY (After introducing public Funds)

	FY1998	FY1999	FY2000	FY2001	FY2002
Capital	4,130.1	4,165.7	4,197.8	4,040.3	4,155.7
Risk-Adjusted Asset	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
Capital Ratio	12.14%	12.25%	12.34%	11.88%	12.22%
Tier 1Ratio	6.95%	7.08%	7.31%	6.90%	7.25%
Evaluation method of Listed Stocks	At Cost	At Cost	At Cost	Market Value	Market Value

☆Accounted for evaluation losses due to Mark to Market Accounting on stocks to be introduced from FY2001

(3) Risk Management

○ROE Management

Secure Safety

Secure Profitability

→ Selectivity and Concentration

Control risks within a certain range

Maximize profits against risks

Minimize expenses /credit costs

$$\text{Integrated ROE} = \frac{\text{Gross Operating Profit} - \text{Expenses} + \text{Credit Costs}}{\text{Allocated Capital}}$$

- Credit Costs (Expected Loss Amounts)
  —Losses expected to averagely occur based on the past data

- Allocated Capital
  —Capital to meet the maximum losses in each company/ group within the limit of the overall Bank's capital

○Balance Sheet Management

①Grasp accurately our funds raising capability
②Plan appropriate asset scales
③Deliberate business management

↓

Preventive Measures for Liquidity Risks

↓ 「Concrete Management」

●Reflect on the management plan and manage on monthly basis
●Establish the system which enables to respond to the changes in external environment such as rating, etc. and to perform preventive measures.

2.Expansions of Priority Business

（1） Current Situation and Basic Policies

Current Situation

○Existence of Unprofitable Businesses
○Business System which does not enable us to utilize our strength
○Diversification of customer needs
○Removal of restriction on business along with “ Big Bang “

Basic Policies

●Thorough restructuring and process reforms
●Concentration on our core business (commercial banking business) make “low cost retail banking ” our core business by fully utilizing our strength
●Establish a group with domestic/international leading financial institutions, aiming at becoming a comprehensive financial group, which can offer the world-top level services.

【 Reflection on our Business Strategies 】

Utilize our strength

Top rank among Japanese city banks in most of retail banking business

Retail Banking Base Data		Rank	Retail Banking Base Data		Rank
Ordinary Account	15 million	2	Credit Card Customer	4 million	1
Salary payment Account	2 million	1	Individual Loans	7.3 trillion yen	1
Pension Payment Account	550 thousand	1	Mid/Small sized Corporate Borrower	120 thousand	1

Unprofitable Business

Selectivity and Concentration

Priority Business

Select services by customer segment and reform the providing process

By tie-ups, promote efficiency, enhance business quality and share customers

Reducing/Withdrawing Areas

（2） Priority Business in Retail Banking

[Segment]

Affluent Segment
Individual customers who own large asset

Pension Age Segment
Retired customers

Household Segment
Married Couple in 30's and40's

Individual Segment
Individual customers who mainly use cash management service

[Priority Business]

Private Banking
1,000 FPs advise on asset management and asset utilization

Asset management
Offering various financial products to invest retirement allowance and utilize asset

Individual Loan
Offering housing loans or other individual loans through specialized channels

Settlement
Offering various cash management products & card loans through cost efficient channels

[Tie-ups]

Compound Products through tie-ups with Insurance Company

『Insurance for Unemployment』

We tie up with the Mitsui Marine & Fire Insurance Co. and offer to our housing loan customers insurance to cover for 6 months when they are unemployed due to bankruptcy/ discharge or reemployed at lower pays.

New In-Store (Convenience Store) Branches

『Sakura Bank Am/Pm Network』

This is a new typed in-store branch, where we tie up with Am/Pm Japan Co.Lit. and establish ATMs within the CVS .
We will open 500 of such branches in Kanto area for the time being, and plan to expand them all over Japan in the future.
It aims at sharing customers with a different type of enterprises.

（3）Priority Business in Corporate Banking

[Segment]

Upper Mid-sized Corporation

Mid-sized Corporation

Small sized Corporation

[Priority Business]

Core Middle Business

Allocate corporate FPs in Marketing office to respond to diversified needs

Middle Business

Offering traditional commercial banking services through loan officers In Marketing Office

Mass Corporate Business

Offering loan products with high availability through cost efficient channels

Strategic utilization of the Bank's affiliated non-banks

（4）Large Corporate clients and Investment Banking Business

[Segment]

Large Corporation producing certain profit in commercial banking business

Large Corporation Not producing certain profit in commercial banking business and non-Japanese Corporate clients

[Priority Business]

Core Large Corporate Business

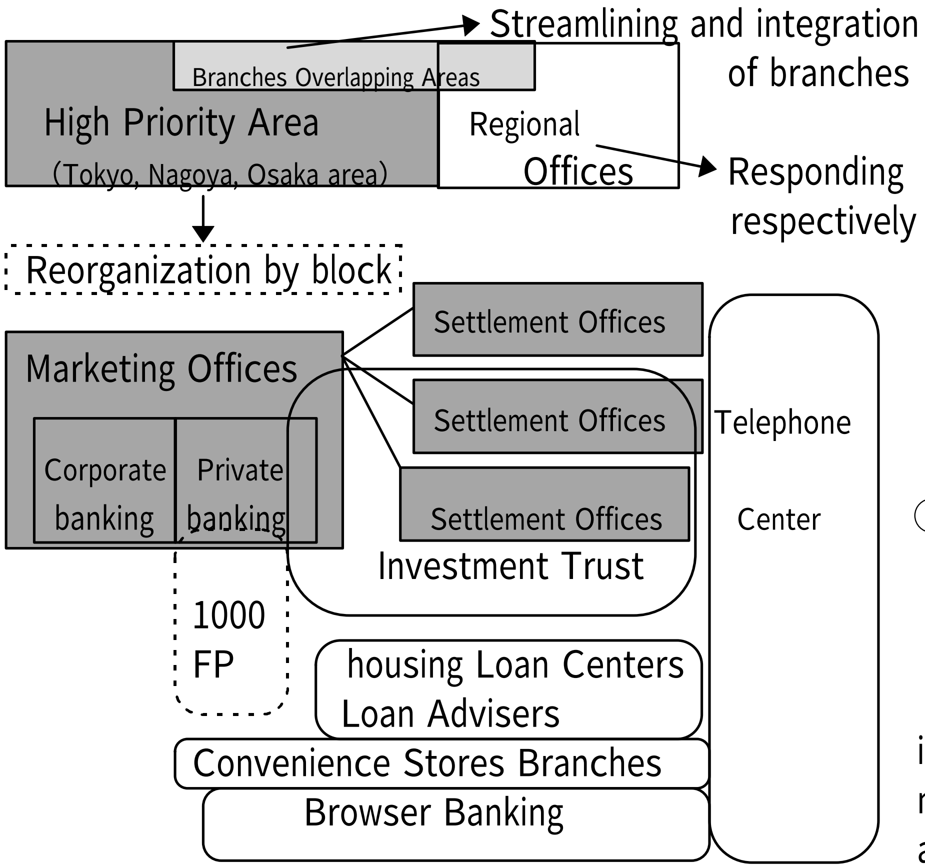
Relationship Managers and Investment Bankers respond to solve complicated financial problems

In case we cannnot ensure certain profits from customers, we will in principle withdraw from those business.

Investment Banking Services

(5) Reform of Business Infrastructure

① Channel Reforms



[Points]

- ●Streamlining of existing branches
- ●Reorganization of high priority areas by block
  - Concentration on business promotion offices and downsizing of settlement channels
- ●Expansion of new channels and acceleration in streamlining the existing channels
  - 70 corners exclusively for investment trust
  - 42 housing loan centers and 22 Sakura L.A.
  - 500 multi-purpose ATMs installed in CVS
  - 3 telephone centers (350 booths)

② Expansion of Compay／Group System

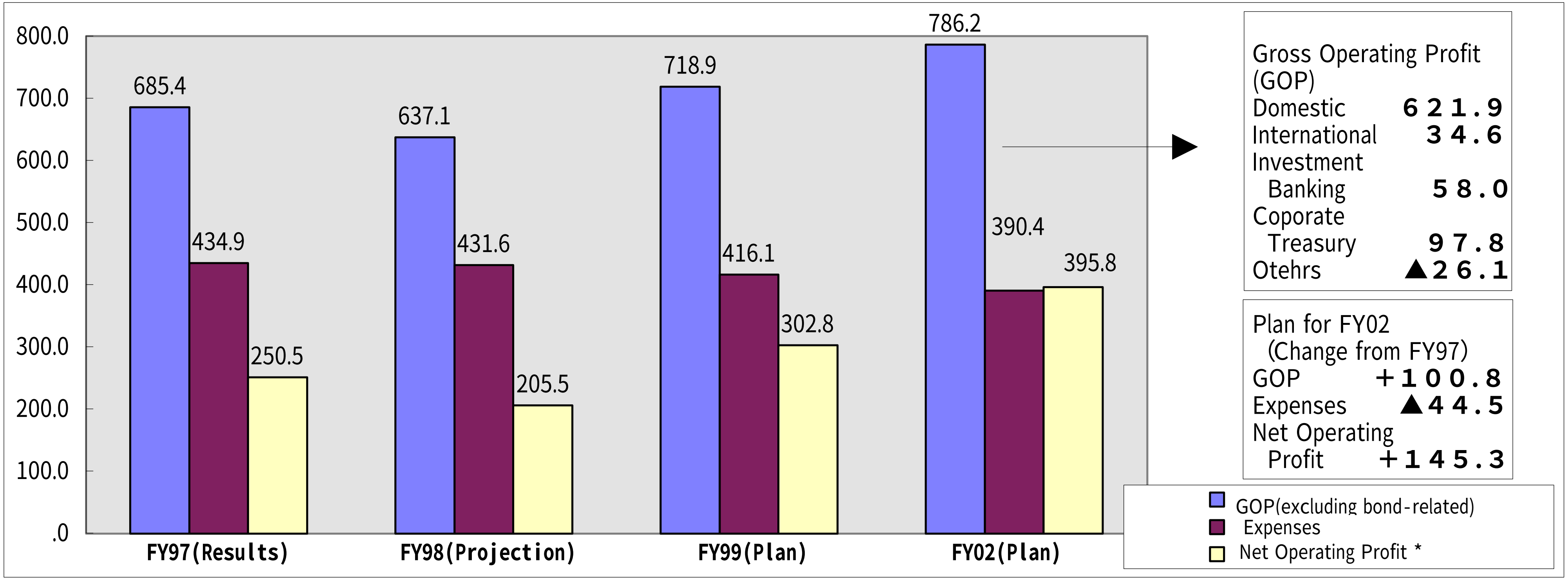
・October, 1997　Introduction of the system
　— the first attempt among Japanese city banks

・During FY 1999　The company system will be introduced in all the groups - aiming at autonomous management by assigning authority over personnel and budgets.

3. Performance Projection

(1) Net Operating Profit

(Billions of yen)



*: excluding bond-related and Loan Loss Provision

(2) Projection for increasing gross Operating Profit

(Billions of Yen)

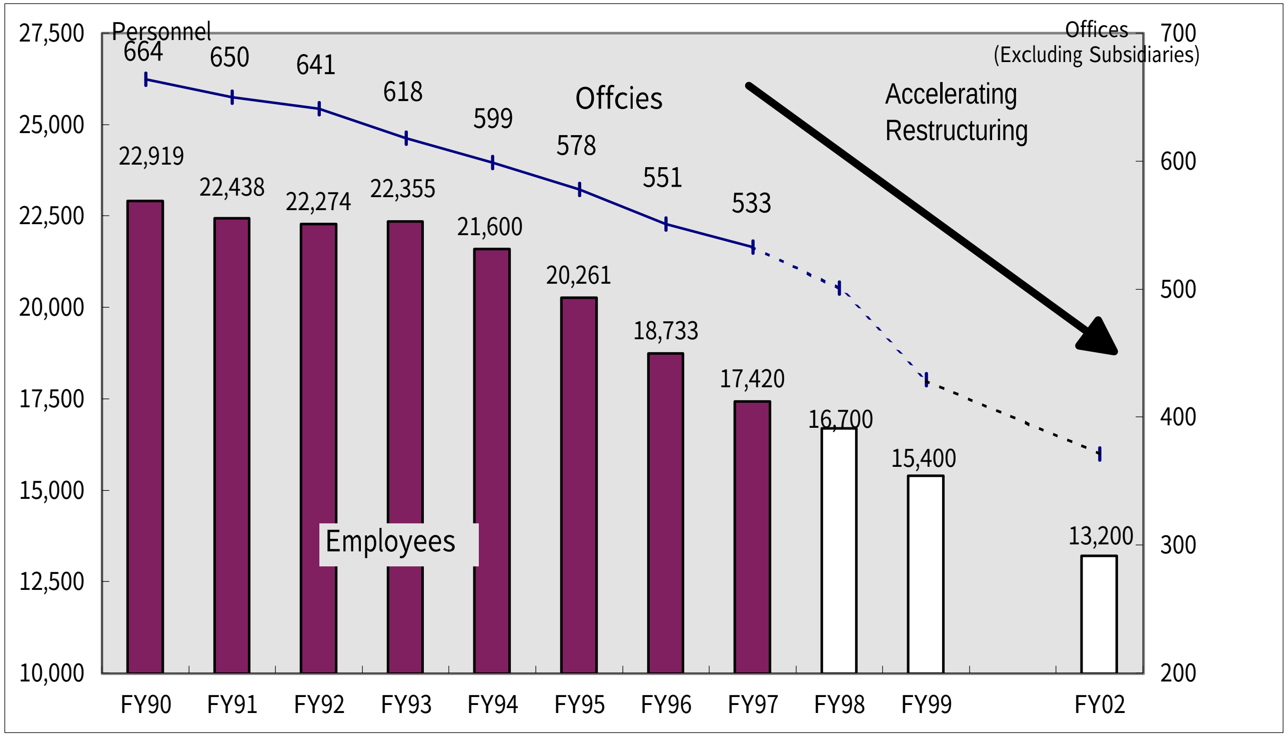
Measures	Plan for FY 2002 (compared with FY 1997) — Summary	Effect
A. Improvements in profit from domestic loans	Average loan balance for 22 trillion yen×30BP	66.0
B. Increase in individual loans	Increase in average balance for 3.2trillion yen ×180BP	57.0
C. Sales of new products etc.	Investment trusts, foreign currency deposits multi-purpose ATMs in CVS, etc.	10.0
D. Reduction in risk adjusted assets etc	risk adjusted assets (3.5trillion yen) etc.	(32.2)
Total (Excluding bond-related)		100.8

(3) Restructuring Plan

○Expenses (Billions of Yen)

	FY97	FY98 Projection	FY99 Projection	FY02 Projection	Change from FY97
Expenses	434.9	431.6	416.1	390.4	(44.5)
Personnel	195.7	179.9	164.9	152.1	(43.6)
Non-Personnel	204.4	227.0	227.4	214.4	10.0
Tax	34.8	24.7	23.8	23.9	(10.9)

○Number of Employees and Offices



1. Increase Effciency of Human Resource and Branch Network

①Reduction of the number of branches through Channel Reform

②Restructuring of the number of offices in Americas and Europe

③Reduction of Head Office Personnel through BPR Promotion

●Reduction of 4,200 employees

(Reduce over 10,000, nealy 50% reduction compared from the peak in 1990)

●Domestic branch network : reduce almost 140 branch (40% reduction compared with its peak)

●Overseas : Restructuring to 19 offices

Substancially 14 offices comprising 5 core branches and function -specific offices

(70% reduction compared with its peak)

2. Other measures

①Reform of wage structure

- Introduction of a new personnel system with emphasis on employees' performance achievement (July, 1999)
- Reduction of per head costs through reviewing the level of employee's bonuses (to be reduced by about 30%)
- Salaries for directors, Bonus structure, Number of directors, Intruduction of Executive Officers

②Enhanced"New Career" Selection / Support System (Oct., 1995)

③Review of Welfare Facilities / Systems

- Closure of clubs, rest homes and so on for employees directly controlled by the bank (Mar., 1998)
- Abolition of systems of deposits and housing loans for employees (Mar., 1999)

④Increase Efficieacy

- Drastic reduction through the revision of expenses
- Consentrated investments in strategic systems for the enhancement of customer services

Performance Projection (Billions of Yen)

	FY97	FY98	FY99	FY00	FY01	FY02	Change from FY97
Gross Operating Profit	730.3	689.9	720.6	747.1	769.7	790.1	59.8
Expenses	434.9	431.6	416.1	387.6	387.1	390.4	(44.5)
④Effect of Restructuring	0.0	8.8	34.0	53.9	52.5	50.0	50.0
Reserves for possible Loan Losses-(A)	1.7	98.9	(5.0)	(3.5)	(3.5)	(3.5)	(5.2)
①Net Operating Profit	293.7	159.4	309.5	363.0	386.1	403.2	109.5
Before addition to (A)	295.4	258.3	304.5	359.5	382.6	399.7	104.3
②Operating Profit	(417.2)	(731.8)	123.3	183.0	220.1	237.2	654.5
③Net Income	(220.5)	(372.6)	75.7	110.9	147.6	139.9	360.5
⑤Dividends	32.3	28.5	35.8	35.8	35.8	35.8	3.5
⑥Overall Net Average Rate on Earning Assets	0.26%	0.13%	0.30%	0.41%	0.45%	0.48%	0.22%
⑦Capital Ratio	9.12%	12.14%	12.25%	12.34%	11.88%	12.22%	3.10%
⑧Number of Employees	17,420	16,700	15,400	14,400	13,800	13,200	(4,220)
⑨Directors + Auditors	56	51	About 21	About 21	About 21	About 21	(35)
⑩Number of Offces including subsidiaries overseas	556	523	448	427	407	390	(166)

(Billions of Yen)

⑪ Estimated Loan Losses for FY 1998

	Original Projection (Nov. 1998)	Projection	Change
Loan Losses	910.0	990.0	80.0
Write-offs & Provisions	600.0	670.0	70.0
Transfer to Reserve for Possible Loan Losses	125.0	100.0	(25.0)
Specific Reserves etc.	475.0	570.0	95.0
Losses on financial assistance to supported companies	290.0	290.0	0.0
Losses on sales etc.	20.0	30.0	10.0

⑬ Reserve Ratio

	Reserve Ratio
Legal Bankruptcy	100%
Virtual Bankruptcy	100%
Possible Bankruptcy	70%
Special Attention	15%

⑫ Projection for Reserves

	Sep. 1998	* Mar. 1999 Projection	Change
Problem Loans	1,591.5	1,280.0	(311.5)
Reserves	1,085.4	890.0	(195.4)
% to Reserve for Possible Loan Losses	68.2%	69.5%	1.3%

* After direct write offs of Category IV (Before the write-offs 81.3%)

⑭ Deferred Taxes after Tax Allocation applied

	FY1998 (Estimated)
Deferred Taxes	650.0

⑮Forecast of Write-offs of Preference Shares to be Bought by Public Funds

In case of making a trial calculation without write-offs

		FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Net Income	A		75.7	110.9	147.6	139.9	146.9	154.2	162.0	170.0	178.6	187.5	196.9
Dividends Paid	B＝C＋D		30.3	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8	35.8
Common Shares	C (*1)		24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8
Preference Shares(public Funds)	D (*2)		5.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Legal Reserve	E＝B×２０%		6.1	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Amount into Earned Surplus	F＝A－B－E		39.4	68.0	104.7	97.0	104.0	111.3	119.0	127.1	135.6	144.6	153.9
Effect from change of accounting	G				(255.4)	11.8							
Balance of Earned Surplus	H	109.9	149.2	217.2	66.3	175.2	279.3	390.6	509.7	636.8	772.4	917.0	1,071.0
Balance of D at the end of the term	I	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	0.0
Write-offs of D during the term	J	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ＲＯＥ	K		3.5%	4.9%	6.7%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%

(*1)　6 Yen×Number of Shares　(*2)　Balance at the end of former FY ×1.37%

In case of making a trial calculation with write-offs

		FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Net Income	A		75.7	110.9	147.6	139.9	146.9	154.2	162.0	170.0	178.6	187.5	196.9
Dividends Paid	B＝C＋D		30.3	35.8	35.8	35.8	34.8	33.3	31.8	30.1	28.2	26.3	24.8
Common Shares	C (*1)		24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8
Preference Shares(Public Funds)	D (*2)		5.5	11.0	11.0	11.0	10.0	8.5	7.0	5.3	3.4	1.5	0.0
Legal Reserve	E＝B×２０%		6.1	7.2	7.2	7.2	7.0	6.7	6.4	6.0	5.6	5.3	5.0
Amount into Earned Surplus	F＝A－B－E		39.4	68.0	104.7	97.0	105.1	114.3	123.8	133.9	144.7	155.9	167.1
Effect from change of accounting	G				(255.4)	11.8							
Balance of Earned Surplus	H	109.9	149.2	217.2	66.3	105.2	100.3	104.6	108.4	102.3	107.0	152.9	320.0
Balance of D at the end of the term	I	800.0	800.0	800.0	800.0	730.0	620.0	510.0	390.0	250.0	110.0	0.0	0.0
Write-offs of D during the term	J	0.0	0.0	0.0	0.0	70.0	110.0	110.0	120.0	140.0	140.0	110.0	0.0
ＲＯＥ	K		3.5%	4.9%	6.7%	6.4%	6.7%	7.0%	7.3%	7.7%	8.0%	8.3%	8.3%

(*1)　6 Yen×Number of Shares　(*2)　Balance at the end of former FY ×1.37%

(Note) The above calculation is made under the following assumptions:;

Net Income after FY 2003 is to grow 5% p.a.

Outflow of Income is to include only dividends. Dividends on common shares are supposed to be 6 yen per stock and those on preference shares to be bought by public funds are assumed to be 1.37% p.a.

The amount of write-offs of Public Funds is calculated to maintain balance of earned surplus over 100 billion yen.