

Financial Section

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(Consolidated)

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(Non-Consolidated)

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Consolidated Three-Year Selected Financial Data

| Years ended March 31 | Millions of yen | | |
|---|-----------------------|-----------------------|-----------------------|
| | 2002 | 2001 | 2000 |
| For the year: | | | |
| Income | | | |
| Interest on loans and bills discounted | ¥ 51,620 | ¥ 56,565 | ¥ 57,596 |
| Other income | 51,658 | 60,721 | 42,170 |
| Total income | <u>103,279</u> | <u>117,289</u> | <u>99,767</u> |
| Expenses | | | |
| Interest on deposits and negotiable certificates of deposit | 4,523 | 7,381 | 8,148 |
| Other expenses | 94,868 | 105,266 | 91,318 |
| Total expenses | <u>99,393</u> | <u>112,651</u> | <u>99,466</u> |
| Income before income taxes | 3,886 | 4,637 | 300 |
| Provision for income taxes | 1,898 | 8,749 | 5,097 |
| Deferred taxes | (206) | (7,013) | (6,020) |
| Minority interests | 116 | 175 | (155) |
| Net income | <u>¥ 2,077</u> | <u>¥ 2,725</u> | <u>¥ 1,380</u> |
| At year-end: | | | |
| Assets | | | |
| Cash and due from banks | ¥ 193,534 | ¥ 126,024 | ¥ 128,208 |
| Call loans and bills bought | 2,731 | 62,106 | 20,000 |
| Monetary claims bought | 4,921 | 3,978 | 1,027 |
| Securities and trading account securities | 702,974 | 667,234 | 583,257 |
| Money held in trust | 8,621 | 8,550 | 9,000 |
| Loans and bills discounted | 2,497,868 | 2,475,598 | 2,540,803 |
| Foreign exchange assets | 5,982 | 5,453 | 5,231 |
| Other assets | 21,475 | 21,619 | 13,301 |
| Premises and equipment | 76,248 | 78,248 | 82,788 |
| Deferred tax assets | 22,040 | 12,447 | 20,997 |
| Customers' liabilities for acceptances and guarantees | 35,523 | 38,082 | 39,821 |
| Reserve for possible loan losses | (29,720) | (30,215) | (47,814) |
| Total assets | <u>¥3,542,202</u> | <u>¥3,469,128</u> | <u>¥3,396,621</u> |
| Liabilities | | | |
| Deposits and negotiable certificates of deposit | ¥3,155,169 | ¥3,087,612 | ¥3,015,203 |
| Call money and bills sold | 51,854 | 23,057 | 34,494 |
| Borrowed money | 63,241 | 61,522 | 67,613 |
| Foreign exchange liabilities | 150 | 80 | 40 |
| Other liabilities | 34,691 | 41,917 | 39,925 |
| Reserves | 1,219 | 3,195 | 7,324 |
| Deferred tax liabilities | 38 | 39 | — |
| Deferred tax liability for land revaluation | 7,781 | 7,864 | 8,233 |
| Consolidation difference | 231 | 427 | 536 |
| Acceptances and guarantees | 35,523 | 38,082 | 39,821 |
| Total liabilities | <u>3,349,902</u> | <u>3,263,800</u> | <u>3,213,193</u> |
| Minority interests | 1,961 | 1,883 | 1,995 |
| Stockholders' equity | | | |
| Common stock | 37,322 | 37,322 | 37,322 |
| Capital reserve | 24,920 | 24,920 | 24,920 |
| Land revaluation reserve | 10,878 | 10,995 | 11,511 |
| Retained earnings | 109,926 | 109,726 | 108,479 |
| Valuation gains on securities available for sale | 8,136 | 21,279 | — |
| Treasury stock at cost | (49) | (2) | (2) |
| Parent company stock held by subsidiaries | (797) | (798) | (798) |
| Total stockholders' equity | <u>190,337</u> | <u>203,444</u> | <u>181,433</u> |
| Total liabilities, minority interests and stockholders' equity | <u>¥3,542,202</u> | <u>¥3,469,128</u> | <u>¥3,396,621</u> |

Financial Review

Deposits

During the term under review, deposits (excluding CDs) centered on individuals increased by ¥85 billion to a total of ¥3,032 billion (US\$22,757 million), and total deposits (including CDs) increased by ¥68 billion to a total of ¥3,155 billion (US\$23,678 million).

Breakdown of deposits (Millions of yen)

March 31, 2002

| | Domestic operations | International operations | Total |
|------------------------------------|---------------------|--------------------------|------------|
| Deposits | | | |
| Liquid deposits | ¥1,270,028 | ¥ — | ¥1,270,028 |
| Time deposits | 1,684,819 | — | 1,684,819 |
| Others | 32,652 | 44,971 | 77,623 |
| Subtotal | 2,987,499 | 44,971 | 3,032,471 |
| Negotiable certificates of deposit | 122,698 | — | 122,698 |
| Total | ¥3,110,198 | ¥44,971 | ¥3,155,169 |

Notes:

1. Liquid deposits = current deposits + ordinary deposits + savings deposits + deposits at notice
2. Time deposits = time deposits + installment savings
3. Domestic operations involve yen-denominated transactions, whereas international operations involve transactions denominated in foreign currencies. Yen-denominated transactions with non-residents and special international financial transactions are included in international operations.

Loans and Bills Discounted

The Bank made efforts to improve asset soundness by promoting the write-off of non-performing loans. Corporate demand for funds was slack, but as a result of active marketing efforts, the Bank's balance of loans increased by ¥22.2 billion during the term under review to a term-end total of ¥2,497 billion (US\$18,745 million).

Breakdowns of loans

1) Breakdown of loans by industry (Millions of yen)

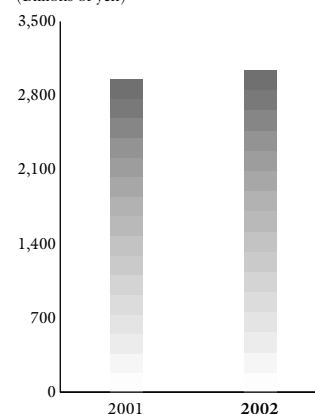
| Industry | March 31, 2002 | |
|--|----------------|-------------|
| | Loan balance | Composition |
| Domestic loans (excluding special international financial transactions) | ¥2,493,868 | 100.00% |
| Manufacturing | 485,551 | 19.47 |
| Agriculture | 10,834 | 0.44 |
| Forestry | 196 | 0.01 |
| Fishery | 3,213 | 0.13 |
| Mining | 6,401 | 0.26 |
| Construction | 146,446 | 5.87 |
| Utilities | 19,053 | 0.76 |
| Transportation and communications | 114,743 | 4.60 |
| Wholesale, retail, and food services | 497,725 | 19.96 |
| Finance and insurance | 122,058 | 4.89 |
| Real estate | 269,857 | 10.82 |
| Service | 282,416 | 11.32 |
| Local governments | 91,236 | 3.66 |
| Other | 444,127 | 17.81 |
| Special international financial transactions | — | —% |
| Governments | — | — |
| Financial institutions | — | — |
| Other | — | — |
| Total | ¥2,493,868 | |

Notes:

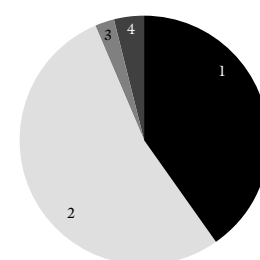
- The domestic loan category includes all international operations excluding special international financial transactions.
- Loans to the government of Japan (¥4 billion as of March 31, 2002) are excluded from the above domestic loans.

Deposits

(Billions of yen)

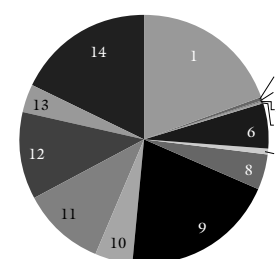


Breakdown of Deposits



| | |
|---------------------------------------|-------|
| 1. Liquid deposits | 40.2% |
| 2. Time deposits | 53.4% |
| 3. Others | 2.5% |
| 4. Negotiable certificates of deposit | 3.9% |

Breakdown of Loans by Industry



| | |
|---|--------|
| 1. Manufacturing | 19.47% |
| 2. Agriculture | 0.44% |
| 3. Forestry | 0.01% |
| 4. Fishery | 0.13% |
| 5. Mining | 0.26% |
| 6. Construction | 5.87% |
| 7. Utilities | 0.76% |
| 8. Transportation and communications | 4.60% |
| 9. Wholesale, retail, and food services | 19.96% |
| 10. Finance and insurance | 4.89% |
| 11. Real estate | 10.82% |
| 12. Service | 11.32% |
| 13. Local governments | 3.66% |
| 14. Other | 17.81% |

As of March 31, 2002, the balance of risk monitored loans subject to mandatory disclosure in accordance with the Banking Law totaled ¥100,778 million (US\$756 million), constituting 4.03% of the Bank's total loan balance. Of the total amount of loans subject to mandatory disclosure, loans secured by collateral and guarantees came to ¥63,874 million (US\$479 million), while reserves for possible loan losses amounted to ¥29,720 million (US\$223 million). Loans backed by collateral and reserves for possible loan losses together constitute 92.87% of risk-monitored loans. The breakdown of these loans is as follows: loans under legal bankruptcy came to ¥14,318 million (US\$107 million), while non-accrual loans totaled ¥47,984 million (US\$360 million), loans past due for three months or more totaled ¥1,138 million (US\$8 million), and restructured loans came to ¥37,336 million (US\$280 million).

2) Risk monitored loans subject to mandatory disclosure under the Banking Law
(Millions of yen)

| | as of March 31, 2002 | as of March 31, 2001 |
|---|----------------------|----------------------|
| Loans under legal bankruptcy (a) | ¥ 14,318 | ¥ 13,284 |
| Non-accrual loans (b) | 47,984 | 47,507 |
| Loans past due for three months or more (c) | 1,138 | 1,724 |
| Restructured loans (d) | 37,336 | 21,798 |
| Total (A)= (a)+(b)+(c)+(d) | 100,778 | 84,314 |
| Loan balance (B) | 2,497,868 | 2,475,598 |
| Bad debt ratio (A/B) | 4.03% | 3.40% |
| Reserves for possible loan losses (C) | 29,720 | 30,215 |
| Reserve ratio (C/A) | 29.49% | 35.83% |
| Collateral and guarantee (D) | 63,874 | 53,753 |
| Reserves + Collateral and guarantee (E) = (C) + (D) | 93,595 | 83,968 |
| Coverage ratio (E/A) | 92.87% | 99.58% |

Notes:

Assets subject to mandatory disclosure are limited to loans.

a : Loans under legal bankruptcy

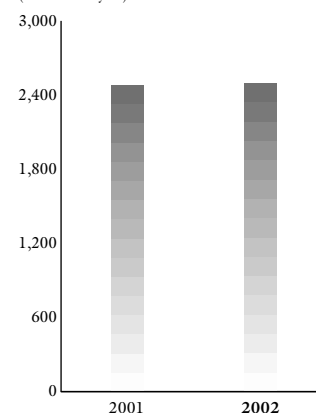
b : Non-accrual loans, including loans to virtually bankrupt and potentially bankrupt borrowers

c : Loans past due for three months or more, excluding loans to virtually bankrupt and potentially bankrupt borrowers

d : Restructured loans, including loans for financial assistance, loans for which the Bank has adjusted the terms in favor of borrowers

Loans and Bills Discounted

(Billions of yen)



Policy for bad debt write-offs and provision for possible losses

| Classification under the asset self-assessment | | Policies for write-offs and provision for possible losses |
|--|---------------------------------|---|
| Legally bankrupt borrowers | | Full asset amount not covered by collateral should be written off or should be provided as reserves. (Specific reserve for possible loan losses) |
| Substantially bankrupt borrowers | | |
| Potentially bankrupt borrowers | | Reserves should be provided in a required (appropriate) ratio of asset amounts not covered by collateral or guarantee. (Specific reserve for possible loan losses) (77.75% of reserve cover ratio for the term ended March 2002.) |
| Borrowers requiring caution | Borrowers requiring supervision | Estimated asset losses for the coming three years should be provided as reserve. (General reserves for possible loan losses) |
| | Other assets | Estimated asset losses for the coming three years should be provided as reserve. (General reserves for possible loan losses) |
| Normal borrowers | | Estimated asset losses for the coming one year should be provided as reserve. (General reserves for possible loan losses) |

Note: Asset classification under the asset self-assessment

Legally bankrupt borrowers refer to borrowers who have seen legal or formal business failure, due to such reasons as bankruptcy, liquidation, corporate rehabilitation, composition with their creditors, and the severing of business relations by clearing houses.

Substantially bankrupt borrowers refer to borrowers who are in serious business difficulties, although not presently in legal or formal business failure, and unlikely to achieve business recovery through reconstruction.

Potentially bankrupt borrowers refer to borrowers who are in business difficulties, although not presently in business failure, with a strong likelihood of bankruptcy in the future.

Borrowers requiring caution refer to borrowers with extraordinary loan conditions or interest payment records, or with poor or unstable business performance, or abnormal financial conditions.

Borrowers requiring supervision refer to "borrowers requiring caution" with debt service past due three months or more whose loan conditions have been eased.

Normal borrowers refer to borrowers with operations of sound financial conditions.

Securities and Trading Account Securities

The Bank carried out a ¥15 billion write-down of equity shares under impairment accounting for financial products. In addition, as a result of the effective operation of bond investments — mainly public bonds including national and local government bonds — total securities increased ¥32 billion over the term to a term-end balance of ¥698 billion (US\$5,239 million).

The Bank posted a net unrealized gain on available-for-sale securities of ¥13.9 billion (US\$104 million), down ¥22 billion from the previous term due to a decline in share prices. Trading account securities increased by ¥3 billion to ¥4 billion (US\$36 million).

Balance of securities (as of March 31, 2002) (Millions of yen)

| Category | Domestic operations | International operations | Total |
|----------------------------|---------------------|--------------------------|----------|
| Securities | | | |
| National government bonds | ¥185,423 | ¥ — | ¥185,423 |
| Local government bonds | 217,130 | — | 217,130 |
| Corporate bonds | 84,999 | — | 84,999 |
| Corporate stocks | 160,401 | — | 160,401 |
| Other securities | 8,326 | 41,835 | 50,161 |
| Subtotal | 656,282 | 41,835 | 698,117 |
| Trading account securities | | | |
| National government bonds | 4,857 | — | 4,857 |
| Subtotal | 4,857 | — | 4,857 |
| Total | ¥661,139 | ¥41,835 | ¥702,974 |

Notes:

- Domestic operations involve yen-denominated transactions, whereas international operations involve transactions denominated in foreign currencies. Yen-denominated transactions with non-residents and special international financial transactions are included in international operations.
- Other securities include foreign bonds and stocks.

Trust Agency Business

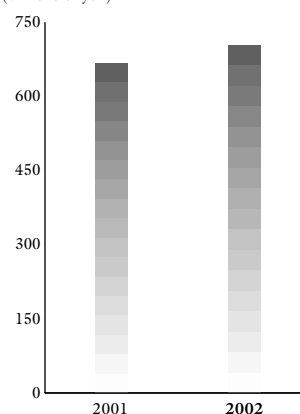
Total trust assets at the end of the term were ¥323 million (US\$2 million), down ¥10 million from the previous term.

Trust account (Millions of yen)

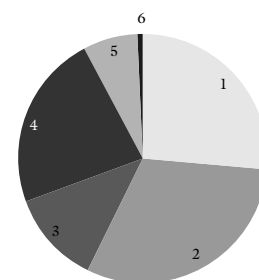
| March 31 | 2002 | |
|-------------------------------|-------------|------------------|
| Securities | ¥280 | (86.59%) |
| Beneficiary Right | 39 | (12.23%) |
| Cash and Due from Banks | 3 | (1.18%) |
| Total | <u>¥323</u> | <u>(100.00%)</u> |

Securities and Trading Account Securities

(Billions of yen)



Balance of Securities



- | | |
|--|-------|
| 1. National government bonds | 26.4% |
| 2. Local government bonds | 30.9% |
| 3. Corporate bonds | 12.1% |
| 4. Corporate stocks | 22.8% |
| 5. Other securities | 7.1% |
| 6. National government bonds (Trading account) | 0.7% |

Foreign Exchange Transactions

The volume of foreign exchange transactions amounted to US\$7,073 million, a drop of US\$872 million from the previous term.

Foreign exchange transactions (Millions of US\$)

| March 31 | 2002 | 2001 |
|--------------------------|----------------|-----------------|
| Remittance Transactions: | | |
| Bills Sold | \$3,141 | \$ 2,512 |
| Bills Bought | 2,229 | 1,575 |
| Collection Transactions: | | |
| Bills Payable | 1,462 | 1,874 |
| Bills Receivable | 239 | 239 |
| Total | <u>\$7,073</u> | <u>\$ 6,201</u> |

Capital Ratio

The Bank's capital ratio by domestic standards and on a consolidated basis rose 0.07 of a percentage point over the previous term-end, to 9.53%. The capital ratio on a non-consolidated basis was 9.48% at term-end.

Capital ratio (Domestic Standard) (Millions of yen)

| March 31 | 2002 | 2001 |
|---|-----------|-----------|
| Tier I | ¥ 172,323 | ¥ 172,061 |
| Tier II | 55,318 | 52,218 |
| Unrealized Gains on Securities, after 55% Discount | — | — |
| Land Revaluation Reserve, after 55% Discount ... | 8,397 | 8,486 |
| Reserve for Possible Loan Losses, Excluding Specific Reserve | 14,921 | 13,731 |
| Subordinated Borrowings | 32,000 | 30,000 |
| Total Risk-based Capital | 227,641 | 224,279 |
| Risk-weighted Assets | 2,353,930 | 2,368,698 |
| Capital Ratio | 9.53% | 9.46% |

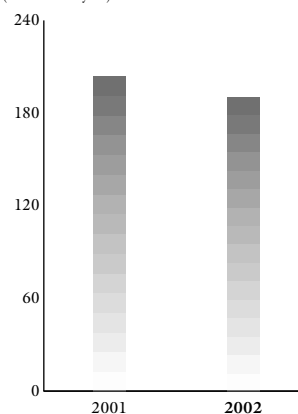
Notes:

1. The ratio of capital to risk-adjusted assets is based on the Ministry of Finance guidelines formulated in accordance with the Domestic Standard.
2. Capital ratios are calculated on a consolidated basis.

Earnings Performance

Amid low market interest rates, the Bank posted a net operating profit, the principal indicator in banking, of ¥19,749 million as a result of efforts to reduce expenses and procure and operate funds effectively. We also registered income before income taxes of ¥3,886 million (US\$29 million) and a net income for the term of ¥2,077 million (US\$15 million), as a result of the inclusion of expenses for the amortization of an unrealized loss on shares held, and the disposal of non-performing loans.

Stockholders' Equity (Billions of yen)



Earnings performance
(Millions of yen)

| Years ended March 31 | 2002 | 2001 |
|---|-----------------|----------|
| Ordinary income | ¥101,893 | ¥106,896 |
| Ordinary profit | 3,678 | 8,129 |
| Net income | 2,077 | 2,725 |
| Net income per share (Yen) | ¥6.47 | ¥8.49 |
| Return on stockholders' equity | 1.1% | 1.4% |
| Ratio of ordinary profit to total capital | 0.1% | 0.2% |
| Ratio of ordinary profit to ordinary income | 3.6% | 7.6% |

ROE (Non-consolidated)
(%)

| Years ended March 31 | 2002 | 2001 |
|---|--------------|-------|
| Net operating income (before provisions to general reserves) | 12.16 | 11.50 |
| Net operating income | 10.04 | 9.91 |
| Net income | 0.83 | 1.24 |

Business results by operational segment were as follows:

1) Banking operations

In banking operations, ordinary income decreased ¥4,067 million over the previous term to ¥90,377 million (US\$678 million) mainly due to a decrease in profit margins from loans and securities investments, and ordinary profit also decreased ¥4,860 million to ¥1,991 million (US\$14 million) on a consolidated basis.

2) Leasing operations

In leasing operations, ordinary income decreased ¥747 million from the previous term to ¥10,684 million (US\$80 million) due to decrease in revenues from leasing operations. Ordinary profit, however, increased ¥189 million to ¥1,041 million (US\$7 million), mainly due to a decrease in reserve for bad debt.

3) Other operations

In other operations, ordinary income increased ¥388 million over the previous term to ¥5,289 million (US\$39 million), and ordinary profit decreased ¥15 million to ¥298 million (US\$2 million).

Breakdown of performance by type of operation

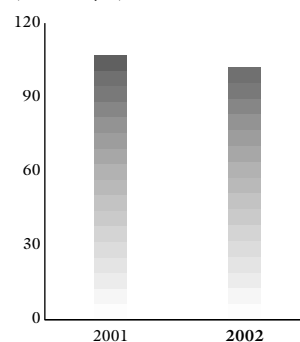
Consolidated basis (as of March 31, 2002)
(Millions of yen)

| Operations | Banking | Leasing | Other | Total | Elimination or overhead | Consolidated |
|--|------------|---------|---------|------------|-------------------------|--------------|
| Ordinary income | | | | | | |
| External | ¥ 89,870 | ¥ 9,883 | ¥ 2,139 | ¥ 101,893 | ¥ — | ¥ 101,893 |
| Inter-segment | 507 | 800 | 3,149 | 4,457 | (4,457) | — |
| Total | 90,377 | 10,684 | 5,289 | 106,351 | (4,457) | 101,893 |
| Ordinary expenses | 88,385 | 9,642 | 4,991 | 103,019 | (4,804) | 98,215 |
| Ordinary profit | ¥ 1,991 | ¥ 1,041 | ¥ 298 | ¥ 3,331 | ¥ 346 | ¥ 3,678 |
| Assets, depreciation and capital expenditures | | | | | | |
| Assets | ¥3,528,502 | ¥30,427 | ¥12,906 | ¥3,571,835 | ¥(29,633) | ¥3,542,202 |
| Depreciation | 3,225 | 8,125 | 232 | 11,583 | (0) | 11,583 |
| Capital expenditures | 3,159 | 8,396 | 104 | 11,660 | — | 11,660 |

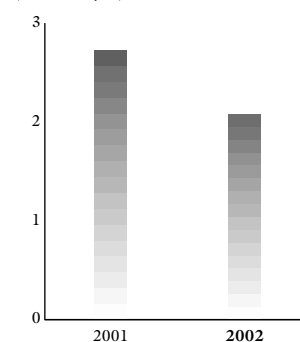
Note:

Segments are defined by type of operation conducted by the Bank and its consolidated subsidiaries. Other operations include credit card and credit guarantee operations.

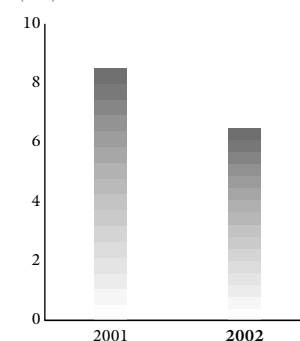
Ordinary Income
(Billions of yen)



Net Income
(Billions of yen)



Net Income per Share
(Yen)



Consolidated Balance Sheets

| As of March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-------------------|-------------------|--|
| | 2002 | 2001 | 2002 |
| Assets | | | |
| Cash and due from banks | ¥ 193,534 | ¥ 126,024 | \$ 1,452,412 |
| Call loans and bills bought | 2,731 | 62,106 | 20,500 |
| Monetary claims bought | 4,921 | 3,978 | 36,931 |
| Trading account securities (Note 4) | 4,857 | 1,455 | 36,455 |
| Money held in trust | 8,621 | 8,550 | 64,701 |
| Securities (Notes 4 and 6) | 698,117 | 665,779 | 5,239,157 |
| Loans and bills discounted (Note 5) | 2,497,868 | 2,475,598 | 18,745,731 |
| Foreign exchange assets | 5,982 | 5,453 | 44,893 |
| Other assets | 21,475 | 21,619 | 161,169 |
| Premises and equipment (Note 8) | 76,248 | 78,248 | 572,219 |
| Deferred tax assets (Note 7) | 22,040 | 12,447 | 165,405 |
| Customers' liabilities for acceptances and guarantees | 35,523 | 38,082 | 266,594 |
| Reserve for possible loan losses | (29,720) | (30,215) | (223,043) |
| Reserve for losses on investments | — | (1) | — |
| Total assets | <u>¥3,542,202</u> | <u>¥3,469,128</u> | <u>\$26,583,130</u> |
| Liabilities, minority interests and stockholders' equity | | | |
| Liabilities | | | |
| Deposits (Note 6) | ¥3,032,471 | ¥2,947,012 | \$22,757,760 |
| Negotiable certificates of deposit | 122,698 | 140,600 | 920,811 |
| Call money and bills sold | 51,854 | 23,057 | 389,154 |
| Borrowed money (Note 9) | 63,241 | 61,522 | 474,604 |
| Foreign exchange liabilities | 150 | 80 | 1,125 |
| Other liabilities | 34,691 | 41,917 | 260,351 |
| Accrued retirement benefits (Note 13) | 1,219 | 3,073 | 9,154 |
| Other reserves | — | 122 | — |
| Deferred tax liabilities (Note 7) | 38 | 39 | 289 |
| Deferred tax liability for land revaluation (Note 11) | 7,781 | 7,864 | 58,395 |
| Consolidation difference | 231 | 427 | 1,737 |
| Acceptances and guarantees | 35,523 | 38,082 | 266,594 |
| Total liabilities | <u>3,349,902</u> | <u>3,263,800</u> | <u>25,139,981</u> |
| Minority interests | 1,961 | 1,883 | 14,722 |
| Stockholders' equity | | | |
| Common stock (Note 15) | 37,322 | 37,322 | 280,094 |
| Capital reserve | 24,920 | 24,920 | 187,020 |
| Land revaluation reserve (Note 11) | 10,878 | 10,995 | 81,642 |
| Retained earnings | 109,926 | 109,726 | 824,964 |
| Valuation gains on securities available for sale | 8,136 | 21,279 | 61,062 |
| Treasury stock at cost | (49) | (2) | (370) |
| Parent company stock held by subsidiaries | (797) | (798) | (5,987) |
| Total stockholders' equity | <u>190,337</u> | <u>203,444</u> | <u>1,428,426</u> |
| Total liabilities, minority interests and stockholders' equity | <u>¥3,542,202</u> | <u>¥3,469,128</u> | <u>\$26,583,130</u> |

| As of March 31 | Yen | | U.S. dollars (Note 1) |
|----------------------------|---------|---------|--------------------------|
| | 2002 | 2001 | 2002 |
| Per share | | | |
| Stockholders' equity | ¥593.31 | ¥634.03 | \$4.452 |

See notes to consolidated financial statements.

Consolidated Statements of Income and Retained Earnings

| For the years ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------------|--|
| | 2002 | 2001 | 2002 |
| Income | | | |
| Interest on loans and bills discounted | ¥ 51,620 | ¥ 56,565 | \$387,397 |
| Interest and dividends on securities | 14,142 | 14,778 | 106,134 |
| Other interest income | 808 | 810 | 6,070 |
| Fees and commissions | 8,996 | 8,705 | 67,514 |
| Other operating income | 1,906 | 1,395 | 14,308 |
| Income from establishing retirement benefits fund | 1,058 | 10,106 | 7,946 |
| Other income | 24,746 | 24,927 | 185,712 |
| Total income | <u>103,279</u> | <u>117,289</u> | <u>775,084</u> |
| Expenses | | | |
| Interest on deposits and negotiable certificates of deposit | 4,523 | 7,381 | 33,948 |
| Interest on call money and bills sold | 871 | 1,800 | 6,537 |
| Interest on borrowed money | 774 | 1,024 | 5,810 |
| Other interest expenses | 3,087 | 3,958 | 23,174 |
| Fees and commissions | 2,009 | 1,906 | 15,082 |
| Other operating expenses | 111 | 275 | 835 |
| General and administrative expenses | 50,142 | 53,044 | 376,301 |
| Loss on change of retirement benefits accounting | — | 12,654 | — |
| Other expenses | 37,873 | 30,605 | 284,228 |
| Total expenses | <u>99,393</u> | <u>112,651</u> | <u>745,917</u> |
| Income before income taxes | 3,886 | 4,637 | 29,166 |
| Provision for income taxes | 1,898 | 8,749 | 14,244 |
| Deferred taxes | (206) | (7,013) | (1,548) |
| Minority interests | 116 | 175 | 875 |
| Net income | ¥ 2,077 | ¥ 2,725 | \$ 15,594 |

| For the years ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-----------------|--|
| | 2002 | 2001 | 2002 |
| Balance at beginning of year | ¥109,726 | ¥108,479 | \$823,462 |
| Increase in retained earnings: | | | |
| Reversal of land revaluation reserve | 47 | 515 | 355 |
| Appropriations: | | | |
| Cash dividends | (1,925) | (1,925) | (14,448) |
| Bonuses to directors and corporate auditors | — | (69) | — |
| Net income | 2,077 | 2,725 | 15,594 |
| Balance at end of year | <u>¥109,926</u> | <u>¥109,726</u> | <u>\$824,964</u> |

| For the years ended March 31 | Yen | | U.S. dollars (Note 1) |
|------------------------------|-------|-------|--------------------------|
| | 2002 | 2001 | 2002 |
| Per share | | | |
| Net income | ¥6.47 | ¥8.49 | \$0.048 |

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

| For the years ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------|---------------------------------------|
| | 2002 | 2001 | 2002 |
| Cash flows from operating activities | | | |
| Income before income taxes | ¥ 3,886 | ¥ 4,637 | \$ 29,166 |
| Depreciation | 11,583 | 12,431 | 86,926 |
| Amortization of consolidation difference | (196) | (196) | (1,473) |
| Net change in reserve for possible loan losses | (494) | (17,599) | (3,711) |
| Net change in reserve for possible losses on sales of loans | (122) | 24 | (921) |
| Net change in reserve for retirement allowances | — | (7,225) | — |
| Net change in reserve for retirement benefits | (1,853) | 3,073 | (13,907) |
| Interest income | (66,572) | (72,154) | (499,602) |
| Interest expenses | 9,256 | 14,165 | 69,469 |
| Net (gain) loss related to securities transactions | 2,428 | (10,383) | 18,221 |
| Net (gain) loss related to money held in trust | (116) | 28 | (871) |
| Net (gain) related to foreign exchange | (2,336) | (2,354) | (17,535) |
| Net loss related to disposal of properties | 1,171 | 1,183 | 8,789 |
| Net change in trading account securities | (4,884) | 2,740 | (36,654) |
| Net change in loans and bills discounted | (22,270) | 65,205 | (167,133) |
| Net change in deposits | 85,459 | 8,808 | 641,347 |
| Net change in negotiable certificates of deposits | (17,901) | 63,600 | (134,347) |
| Net change in due from banks other than The Bank of Japan | 33,446 | (32,539) | 251,006 |
| Net change in call loans | 58,432 | (45,056) | 438,521 |
| Net change in call money | 28,796 | (11,436) | 216,111 |
| Net change in borrowed money | (281) | (6,091) | (2,112) |
| Net change in foreign exchange assets | (528) | (221) | (3,966) |
| Net change in foreign exchange liabilities | 69 | 39 | 522 |
| Revenues from fund operations | 66,603 | 70,877 | 499,840 |
| Expenditures on fund procurement | (11,268) | (16,785) | (84,569) |
| Other | 1,494 | (3,114) | 11,213 |
| Subtotal | 173,801 | 21,654 | 1,304,329 |
| Payment of income taxes | (6,548) | (4,325) | (49,145) |
| Net cash provided by operating activities | 167,253 | 17,329 | 1,255,184 |
| Cash flows from investing activities | | | |
| Purchase of securities | (311,478) | (208,049) | (2,337,550) |
| Sale of securities | 98,226 | 99,691 | 737,162 |
| Redemption of securities | 157,749 | 66,804 | 1,183,858 |
| Purchase of premises and equipment | (11,660) | (10,281) | (87,509) |
| Sale of premises and equipment | 839 | 1,700 | 6,298 |
| Net cash used in investing activities | (66,323) | (50,134) | (497,740) |
| Cash flows from financing activities | | | |
| Increase in subordinated borrowings | 2,000 | — | 15,009 |
| Purchase of treasury stock | (284) | (79) | (2,137) |
| Sale of treasury stock | 238 | 79 | 1,787 |
| Dividends paid | (1,925) | (1,925) | (14,448) |
| Dividends paid to minority interests | (9) | (11) | (67) |
| Net cash provided by (used in) financing activities | 18 | (1,935) | 142 |
| Effect of exchange rate changes on cash and cash equivalents | 8 | 16 | 61 |
| Net change in cash and cash equivalents | 100,956 | (34,723) | 757,647 |
| Cash and cash equivalents at beginning of year | 66,179 | 100,903 | 496,659 |
| Cash and cash equivalents at end of year | ¥167,136 | ¥ 66,179 | \$1,254,306 |

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. (the "Bank") and its consolidated subsidiaries have been compiled from those prepared by the Bank and its consolidated subsidiaries as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Japanese yen figures in the financial statements are in millions, with fractions omitted.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Financial terms

In accordance with the Japanese Banking Law, the Bank closes accounts on March 31.

3. Significant accounting policies

(1) Consolidation

The consolidated financial statements include the accounts of the Bank and its all 12 subsidiaries. There are no non-consolidated subsidiaries and affiliated companies to which the equity method of accounting is applied.

All significant intercompany balance and transaction have been eliminated in consolidation.

(2) Trading account securities

Under the Accounting Standard for Financial Instruments, trading account securities are stated at fair market value.

(3) Securities

Under the Accounting Standard for Financial Instruments, held-to-maturity debt securities are stated at amortized cost using the straight-line method.

"Available-for-sale securities" defined by the standards are stated at fair market value when they have available market prices and are stated at moving-average cost or amortized cost when no market prices are available. Valuation gains or losses, net of the applicable income taxes, are stated as a separate component of stockholders' equity in the consolidated balance sheet. Cost of securities sold is computed by the moving-average method.

Marketable securities included in money held in trust and treated as trust assets are stated at market value.

(4) Derivatives and hedge accounting

Under the Accounting Standard for Financial Instruments, derivatives are stated at fair value unless derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains or losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized.

The Bank applies the Macro Hedge Approach for hedge accounting, which manages interest risk incurred from various financial assets and liabilities collectively by using derivatives.

The derivative transactions are executed and managed in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(5) Depreciation

Depreciation of premises and equipment is calculated principally using the declining-balance method. Useful lives of premises and equipment are as follows:

| | |
|-----------|----------------|
| Buildings | 10 to 50 years |
| Equipment | 5 to 15 years |

Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

(6) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for legally or substantially bankrupt borrowers is provided based on the amount after deducting collectible portion based on fair value of any underlying collateral or guarantees, except for a portion written-off as explained below.

Reserve for possible loan losses for borrowers not currently legally bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting collectible portion based on fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided based on loan loss experience as calculated using the actual default rates during certain periods in the past.

In the case of loans to the borrowers who are legally or substantially bankrupt, the amount remaining after deductions of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set-off from the original outstanding loan balance. The amount of such write-off totaled ¥47,299 million for the year ended March 31, 2002.

(7) Accrued retirement benefits

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the Accounting Standard for Employees' retirement Benefits. Under the standard, reserve for retirement benefits is provided to state the retirement benefit obligations less the fair value of the pension assets. The excess of benefit obligations over fair value of the pension assets as of April 1, 2000 was charged to income for the year ended March 31, 2001.

Prior service costs are charged to income at the time of occurrence.

Actuarial differences of the plans are to be amortized from the succeeding fiscal year over a period of 10 years within the average remaining service period of the employees at the time of occurrence.

(8) Finance leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases.

(9) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates.

(10) Income taxes

Income taxes comprise corporation, enterprise, and residents' taxes, which in the aggregate result in a statutory tax rate of approximately 41.7%.

Deferred tax assets are recorded based on the temporary differences between the financial and tax bases of assets and liabilities.

(11) Statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand and deposits with The Bank of Japan.

4. Securities and trading account securities

(1) Trading account securities

Trading account securities as of March 31, 2002 were stated at fair market value of ¥4,857 million and valuation gain recognized for the year ended March 31, 2002 was ¥6 million.

(2) Held-to-maturity debt securities

Held-to-maturity debt securities with fair market value consisted of local government bonds. Book value and market value of the securities amounted to ¥36,276 million and ¥38,579 million as of March 31, 2002, respectively.

(3) Securities available for sale

Acquisition cost, book value and net valuation gains of "securities available for sale" with fair market value as of March 31, 2002 were as follows:

| | Millions of yen | | |
|---------------------|------------------|-----------------|---------------------------|
| | Acquisition cost | Book value | Net valuation gain (loss) |
| Equity stocks | ¥156,809 | ¥155,798 | ¥(1,011) |
| Bonds: | | | |
| National | 180,375 | 185,423 | 5,048 |
| Local | 170,051 | 180,854 | 10,802 |
| Corporate | 78,226 | 79,921 | 1,694 |
| | <u>428,653</u> | <u>446,198</u> | <u>17,545</u> |
| Other | 51,587 | 48,991 | (2,595) |
| Total | <u>¥637,050</u> | <u>¥650,989</u> | <u>¥13,938</u> |

During the year ended March 31, 2002 revenues from sales of "securities available for sale" and aggregate capital gains and losses amounted to ¥98,247 million, ¥13,180 million and ¥145 million, respectively.

(4) Securities without fair market value

Securities without fair market value as of March 31, 2002 are summarized below:

| | Millions of yen |
|--|-----------------|
| Securities available for sale: | |
| Straight bond (private placement) | ¥5,078 |
| Unlisted equity stock (excluding the OTC stock) | 4,603 |

(5) Maturity of securities

Maturity schedules of "securities available for sale" with due date and held-to-maturity securities as of March 31, 2002 are summarized below:

| | Millions of yen | | | |
|-----------------|-----------------|-----------------|-----------------|----------------|
| | within 1 year | 2 to 5 years | 6 to 10 years | Over 10 years |
| Bonds: | | | | |
| National | ¥21,260 | ¥118,366 | ¥ 31,792 | ¥14,005 |
| Local | 30,895 | 102,215 | 84,017 | 2 |
| Corporate | 8,499 | 55,446 | 21,052 | — |
| | <u>60,655</u> | <u>276,028</u> | <u>136,862</u> | <u>14,007</u> |
| Other | 3,868 | 31,323 | 10,396 | — |
| Total | <u>¥64,524</u> | <u>¥307,352</u> | <u>¥147,258</u> | <u>¥14,007</u> |

5. Loans and bills discounted

Loans and bills discounted as of March 31, 2002 and 2001 included the following non-performing amounts:

| | Millions of yen | |
|-----------------------------------|-----------------|----------------|
| | 2002 | 2001 |
| Loans under bankruptcy | ¥ 14,318 | ¥13,284 |
| Non-accrual loans..... | 47,984 | 47,507 |
| Loans past due over 3 months | 1,138 | 1,724 |
| Restructured loans..... | 37,336 | 21,798 |
| Total | <u>¥100,778</u> | <u>¥84,314</u> |

6. Assets pledged as collateral

As of March 31, 2002 securities with book value of ¥107,636 million were pledged as collateral for deposits amounting to ¥25,625 million.

In addition securities with book value of ¥123,421 million were pledged as collateral for exchange clearance transactions and futures contracts.

7. Deferred tax assets

Major components of deferred tax assets as of March 31, 2002 and 2001 were as follows:

| | Millions of yen | |
|--|-----------------|-----------------|
| | 2002 | 2001 |
| Excess reserve for possible loan losses | ¥22,938 | ¥21,636 |
| Valuation gain on securities available for sale..... | 7,578 | 8,544 |
| Excess reserve for employees' retirement benefits..... | 1,924 | 2,832 |
| Excess depreciation..... | 1,471 | 1,345 |
| Other | 1,687 | 2,035 |
| Deferred tax assets | <u>35,601</u> | <u>36,396</u> |
| Deferred tax liabilities | <u>(13,599)</u> | <u>(23,988)</u> |
| Net deferred tax assets | <u>¥22,001</u> | <u>¥12,407</u> |

8. Accumulated depreciation

Accumulated depreciation of premises and equipment as of March 31, 2002 and 2001 amounted to ¥70,637 million and ¥70,913 million, respectively.

9. Borrowed money

Borrowed money consists of loans from other financial institutions. As of March 31, 2002 and 2001 subordinated borrowings in the amount of ¥32,000 million and ¥30,000 million were included in borrowed money, respectively.

10. Stockholders' equity

The Banking Law of Japan provides that an amount equal to at least 20 percent of the amount to be disbursed as distribution of earnings should be appropriated to the legal reserve until the sum of the legal reserve and capital reserve equals 25 percent of the common stock account. In accordance with the Banking Law, the Bank has provided a legal

reserve which is included in retained earnings. This reserve amounted to ¥9,751 million and ¥9,364 million as of March 31, 2002 and 2001, respectively. Valuation gains on securities available for sale are not available for dividends.

11. Land revaluation reserve

Based on the Law on the Revaluation of Land, land used for business activities was revalued on March 31, 1999. The amounts equivalent to deferred tax on the land revaluation were recorded as Deferred Tax Liabilities for Land Revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as Land Revaluation Reserve in Stockholders' Equity.

As of March 31, 2002, the difference between the carrying amount and the fair value of the land revalued was ¥7,341 million.

12. Finance leases

Information on finance leases of equipment and other assets without transfer of ownership as lessee and as lessor as of March 31, 2002 and 2001 was as follows:

| | Millions of yen | |
|--|-----------------|----------------|
| | 2002 | 2001 |
| As lessee | | |
| Pro forma capitalization: | | |
| Acquisition cost equivalent | ¥ 49 | ¥ 583 |
| Accumulated depreciation equivalent..... | (41) | (563) |
| Book value equivalent..... | <u>¥ 8</u> | <u>¥ 20</u> |
| Minimum future lease payments: | | |
| Due within one year | ¥ 7 | ¥ 11 |
| Due over one year | 0 | 9 |
| Total | <u>¥ 8</u> | <u>¥ 20</u> |
| As lessor | | |
| Capitalization: | | |
| Acquisition | ¥54,265 | ¥61,248 |
| Accumulated depreciation | (32,239) | (38,634) |
| Book value | <u>¥22,025</u> | <u>¥22,613</u> |
| Minimum future lease income: | | |
| Due within one year | ¥ 7,614 | ¥ 7,929 |
| Due over one year | 15,731 | 16,545 |
| Total | <u>¥23,346</u> | <u>¥24,474</u> |

13. Accrued retirement benefits

(1) Retirement benefits plan

The Bank and its consolidated subsidiaries adopt a lump-sum payment plan, a welfare pension plan and a tax-qualified pension plan.

(2) Accrued retirement benefits

Accrued retirement benefits as of March 31, 2002 was calculated as below:

| | Millions of yen |
|---|------------------|
| Retirement benefits obligation | ¥(52,626) |
| Fair value of pension assets | 43,577 |
| Benefit obligation excess of pension assets | (9,049) |
| Unrecognized actuarial loss | 9,914 |
| Net retirement benefit obligation | 865 |
| Prepaid pension costs | 2,085 |
| Accrued retirement benefits | <u>¥ (1,219)</u> |

(3) Retirement benefits expenses

Retirement benefits expenses for the year ended March 31, 2002 consisted of the following:

| | Millions of yen |
|--|-----------------|
| Service costs | ¥1,234 |
| Interest costs | 1,665 |
| Estimated return on pension assets | (562) |
| Amortization of prior service costs | (973) |
| Amortization of actuarial difference | 356 |
| Total retirement benefits expenses | <u>¥1,720</u> |

(4) Basis of computation

The above computation was based on the following assumptions:

| | |
|--|------|
| Discount rate | 2.8% |
| Expected rate of return on pension assets | 2.0% |

14. Derivative transactions

(1) Area of transactions

The Bank and its consolidated subsidiaries undertake the following derivatives transactions: in interest-rate related transactions we handle interest-rate futures, interest-rate options, and interest-rate swaps; in currency-related transactions, we handle forward exchange contracts, currency options, and currency swaps; and in securities-related transactions, we handle bond futures, and bond options.

(2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuation regarding the Bank's assets and liabilities.

Market prices of interest-rate swap transactions as of March 31, 2002 were as follows:

| | Millions of yen | | | |
|---|------------------|-------------|--------------|-------------------------|
| | Contracted value | | Market price | Appraised profit/(loss) |
| | Total | Over 1 year | | |
| Over the counter (Interest-rate swaps): | | | | |
| Fixed rate receivable/ variable rate payable | ¥2,886 | ¥2,886 | ¥130 | ¥130 |
| Variable rate receivable/ fixed rate payable | 5,538 | 5,538 | (70) | (70) |
| Total | | | <u>¥ 60</u> | <u>¥ 60</u> |

Note: The market price valuation for over the counter transactions is based on the discounted present value.

15. Common stock

The Bank has authorized 1 billion shares of common stock of which 320,803,825 shares were issued as of March 31, 2002.

Report of Independent Certified Public Accountants

The Board of Directors and Stockholders
The Hyakujushi Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Hyakujushi Bank, Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in Japanese yen, present fairly the consolidated financial position of The Hyakujushi Bank, Ltd. and its consolidated subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 3 to the consolidated financial statements, The Hyakujushi Bank, Ltd. and its consolidated subsidiaries adopted new accounting standards for employees' retirement benefits and financial instruments in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 27, 2002

Shin Nihon & Co.
Shin Nihon & Co.

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of The Hyakujushi Bank, Ltd. under Japanese accounting principles and practices.

Non-Consolidated Five-Year Selected Financial Data

| Years ended or as of March 31 | Millions of yen | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2002 | 2001 | 2000 | 1999 | 1998 |
| For the year: | | | | | |
| Income | | | | | |
| Interest on loans and bills discounted | ¥ 51,771 | ¥ 56,705 | ¥ 57,614 | ¥ 60,772 | ¥ 61,718 |
| Other income | 39,979 | 47,892 | 29,238 | 36,189 | 55,832 |
| Total income | <u>91,751</u> | <u>104,597</u> | <u>86,852</u> | <u>96,961</u> | <u>117,550</u> |
| Expenses | | | | | |
| Interest on deposits and negotiable certificates of deposit..... | 4,529 | 7,389 | 8,158 | 15,751 | 21,633 |
| Other expenses..... | 84,232 | 93,383 | 78,634 | 72,907 | 86,345 |
| Total expenses | <u>88,762</u> | <u>100,772</u> | <u>86,793</u> | <u>88,659</u> | <u>107,979</u> |
| Income before income taxes..... | 2,988 | 3,824 | 59 | 8,302 | 9,571 |
| Provision for income taxes..... | 1,438 | 8,395 | 4,858 | 6,369 | 6,987 |
| Deferred taxes | (100) | (6,959) | (5,821) | (2,118) | — |
| Net income | <u>¥ 1,650</u> | <u>¥ 2,388</u> | <u>¥ 1,023</u> | <u>¥ 4,051</u> | <u>¥ 2,584</u> |
| At year-end: | | | | | |
| Assets | | | | | |
| Cash and due from banks | ¥ 193,035 | ¥ 125,732 | ¥ 127,978 | ¥ 85,250 | ¥ 101,813 |
| Call loans and bills bought | 2,731 | 62,106 | 20,000 | 51,363 | 83,865 |
| Monetary claims bought..... | 4,921 | 3,978 | 1,027 | 470 | 481 |
| Securities and trading account securities | 702,676 | 666,903 | 583,173 | 549,872 | 629,426 |
| Money held in trust..... | 8,621 | 8,550 | 9,000 | 5,010 | 5,011 |
| Loans and bills discounted..... | 2,511,730 | 2,489,360 | 2,550,063 | 2,579,184 | 2,533,836 |
| Foreign exchange assets..... | 5,982 | 5,453 | 5,231 | 4,904 | 6,191 |
| Other assets..... | 20,496 | 20,420 | 12,931 | 13,738 | 14,987 |
| Premises and equipment..... | 49,408 | 50,049 | 52,526 | 53,832 | 30,640 |
| Deferred tax assets..... | 20,772 | 11,320 | 19,941 | 14,322 | — |
| Customers' liabilities for acceptances and guarantees | 35,523 | 38,082 | 39,821 | 45,739 | 51,312 |
| Reserve for possible loan losses | (27,399) | (28,348) | (44,377) | — | — |
| Reserve for losses on investments..... | — | (1) | — | — | — |
| Total assets..... | <u>¥3,528,500</u> | <u>¥3,453,607</u> | <u>¥3,377,317</u> | <u>¥3,403,690</u> | <u>¥3,457,567</u> |
| Liabilities | | | | | |
| Deposits and negotiable certificates of deposit | ¥3,161,596 | ¥3,092,304 | ¥3,020,559 | ¥2,954,299 | ¥3,005,049 |
| Call money and bills sold | 51,854 | 23,057 | 34,494 | 34,959 | 63,245 |
| Borrowed money..... | 51,981 | 49,638 | 51,024 | 60,319 | 57,474 |
| Foreign exchange liabilities..... | 150 | 80 | 40 | 36 | 28 |
| Other liabilities..... | 28,628 | 36,201 | 34,304 | 69,217 | 79,240 |
| Reserves | 1,096 | 3,084 | 7,240 | 48,068 | 44,706 |
| Deferred tax liability for land revaluation | 7,830 | 7,864 | 8,233 | 8,455 | — |
| Acceptances and guarantees | 35,523 | 38,082 | 39,821 | 45,739 | 51,312 |
| Total liabilities | <u>3,338,662</u> | <u>3,250,314</u> | <u>3,195,718</u> | <u>3,221,095</u> | <u>3,301,058</u> |
| Stockholders' equity | | | | | |
| Common stock | 37,322 | 37,322 | 37,322 | 37,322 | 37,322 |
| Land revaluation reserve | 10,948 | 10,995 | 11,511 | 11,822 | — |
| Reserves and retained earnings | 141,567 | 154,974 | 132,765 | 133,450 | 119,186 |
| Total stockholders' equity | <u>189,838</u> | <u>203,292</u> | <u>181,599</u> | <u>182,594</u> | <u>156,509</u> |
| Total liabilities and stockholders' equity | <u>¥3,528,500</u> | <u>¥3,453,607</u> | <u>¥3,377,317</u> | <u>¥3,403,690</u> | <u>¥3,457,567</u> |
| Number of offices | 123 | 127 | 128 | 129 | 132 |
| Number of employees | 2,358 | 2,450 | 2,479 | 2,490 | 2,583 |

Non-Consolidated Balance Sheets

| As of March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-------------------|-------------------|--|
| | 2002 | 2001 | 2002 |
| Assets | | | |
| Cash and due from banks | ¥ 193,035 | ¥ 125,732 | \$ 1,448,671 |
| Call loans and bills bought | 2,731 | 62,106 | 20,500 |
| Monetary claims bought | 4,921 | 3,978 | 36,931 |
| Trading account securities | 4,857 | 1,455 | 36,455 |
| Money held in trust | 8,621 | 8,550 | 64,701 |
| Securities (Notes 4 and 10) | 697,818 | 665,448 | 5,236,915 |
| Loans and bills discounted (Note 5) | 2,511,730 | 2,489,360 | 18,849,756 |
| Foreign exchange assets (Note 6) | 5,982 | 5,453 | 44,893 |
| Other assets (Note 7) | 20,496 | 20,420 | 153,816 |
| Premises and equipment (Note 8) | 49,408 | 50,049 | 370,796 |
| Deferred tax assets (Note 9) | 20,772 | 11,320 | 155,894 |
| Customers' liabilities for acceptances and guarantees | 35,523 | 38,082 | 266,594 |
| Reserve for possible loan losses | (27,399) | (28,348) | (205,622) |
| Reserve for losses on investments | — | (1) | — |
| Total assets | <u>¥3,528,500</u> | <u>¥3,453,607</u> | <u>\$26,480,305</u> |
| Liabilities and stockholders' equity | | | |
| Liabilities | | | |
| Deposits (Notes 10 and 11) | ¥3,038,898 | ¥2,951,704 | \$22,805,989 |
| Negotiable certificates of deposit | 122,698 | 140,600 | 920,811 |
| Call money and bills sold | 51,854 | 23,057 | 389,154 |
| Borrowed money (Note 12) | 51,981 | 49,638 | 390,101 |
| Foreign exchange liabilities (Note 6) | 150 | 80 | 1,125 |
| Other liabilities (Note 14) | 28,628 | 36,201 | 214,848 |
| Accrued retirement benefits | 1,096 | 2,961 | 8,232 |
| Other reserves | — | 122 | — |
| Deferred tax liability for land revaluation (Note 18) | 7,830 | 7,864 | 58,767 |
| Acceptances and guarantees | 35,523 | 38,082 | 266,594 |
| Total liabilities | <u>3,338,662</u> | <u>3,250,314</u> | <u>25,055,625</u> |
| Stockholders' equity (Note 13) | | | |
| Common stock (Note 16) | 37,322 | 37,322 | 280,094 |
| Capital reserve | 24,920 | 24,920 | 187,020 |
| Legal reserves (Note 17) | 9,751 | 9,364 | 73,185 |
| Land revaluation reserve (Note 18) | 10,948 | 10,995 | 82,161 |
| Voluntary reserves | 96,890 | 95,661 | 727,131 |
| Retained earnings (Notes 19 and 20) | 1,911 | 3,762 | 14,342 |
| Valuation gains on securities available for sale | 8,143 | 21,266 | 61,114 |
| Treasury stock | (49) | — | (370) |
| Total stockholders' equity | <u>189,838</u> | <u>203,292</u> | <u>1,424,679</u> |
| Total liabilities and stockholders' equity | <u>¥3,528,500</u> | <u>¥3,453,607</u> | <u>\$26,480,305</u> |

| As of March 31 | Yen | | U.S. dollars (Note 1) |
|----------------------------|---------|---------|--------------------------|
| | 2002 | 2001 | 2002 |
| Per share | | | |
| Stockholders' equity | ¥589.55 | ¥631.19 | \$4.424 |

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income and Retained Earnings

| For the years ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------------|-----------------------|--|
| | 2002 | 2001 | 2002 |
| Income | | | |
| Interest on loans and bills discounted | ¥51,771 | ¥ 56,705 | \$388,531 |
| Interest and dividends on securities | 14,143 | 14,770 | 106,138 |
| Other interest income | 802 | 805 | 6,021 |
| Fees and commissions | 7,602 | 7,365 | 57,054 |
| Other operating income | 1,924 | 1,396 | 14,441 |
| Income from establishing retirement benefits fund | 1,058 | 10,106 | 7,946 |
| Other income | 14,448 | 13,447 | 108,431 |
| Total income | <u>91,751</u> | <u>104,597</u> | <u>688,565</u> |
| Expenses | | | |
| Interest on deposits and negotiable certificates of deposit | 4,529 | 7,389 | 33,993 |
| Interest on call money and bills sold | 871 | 1,800 | 6,537 |
| Interest on borrowed money | 681 | 840 | 5,112 |
| Other interest expenses | 3,082 | 3,954 | 23,133 |
| Fees and commissions | 2,711 | 2,428 | 20,350 |
| Other operating expenses | 101 | 162 | 763 |
| General and administrative expenses | 40,902 | 42,784 | 306,960 |
| Loss on change of retirement benefits accounting | — | 12,637 | — |
| Other expenses | 35,882 | 28,774 | 269,283 |
| Total expenses | <u>88,762</u> | <u>100,772</u> | <u>666,135</u> |
| Income before income taxes | 2,988 | 3,824 | 22,430 |
| Provision for income taxes | 1,438 | 8,395 | 10,798 |
| Deferred tax | (100) | (6,959) | (752) |
| Net income | <u>¥ 1,650</u> | <u>¥ 2,388</u> | <u>\$ 12,383</u> |

| For the years ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|---------------|--|
| | 2002 | 2001 | 2002 |
| Balance at beginning of year | ¥3,762 | ¥3,211 | \$28,237 |
| Increase in retained earnings | | | |
| Reversal of land revaluation reserve | 47 | 515 | 355 |
| Appropriations | | | |
| Transfer to legal reserve | (387) | (392) | (2,906) |
| Cash dividends | (1,932) | (1,932) | (14,506) |
| Bonuses to directors and corporate auditors | — | (28) | — |
| Transfer to voluntary reserves | (1,229) | — | (9,224) |
| Net income | <u>1,650</u> | <u>2,388</u> | <u>12,383</u> |
| Balance at end of year | <u>¥1,911</u> | <u>¥3,762</u> | <u>\$14,342</u> |

| For the years ended March 31 | Yen | | U.S. dollars (Note 1) |
|------------------------------|-------|-------|--------------------------|
| | 2002 | 2001 | 2002 |
| Per share | | | |
| Net income | ¥5.12 | ¥7.41 | \$0.038 |

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

1. Basis of presenting financial statements

The accompanying non-consolidated financial statements of The Hyakujushi Bank, Ltd. (the "Bank") have been compiled from those prepared by the Bank as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Japanese yen figures in the non-consolidated financial statements are in millions, with fractions omitted.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Financial terms

In accordance with the Japanese Banking Law, the Bank closes accounts on March 31.

3. Significant accounting policies

(1) Trading account securities

Under the Accounting Standard for Financial Instruments, trading account securities are stated at fair market value.

(2) Securities

Under the Accounting Standard for Financial Instruments, held-to-maturity debt securities are stated at amortized cost using the straight-line method.

"Available-for-sale securities" defined by the standards are stated at fair market value when they have available market prices and are stated at moving-average cost or amortized cost when no market prices are available. Valuation gains or losses, net of the applicable income taxes, are stated as a separate component of stockholders' equity in the balance sheet. Cost of securities sold is computed by the moving-average method.

Marketable securities included in money held in trust and treated as trust assets are stated at market value.

(3) Derivatives and hedge accounting

Under the Accounting Standard for Financial Instruments, derivatives are stated at fair value unless derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains or losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized.

The Bank applies the Macro Hedge Approach for hedge accounting, which manages interest risk incurred from various financial assets and liabilities collectively by using derivatives.

The derivative transactions are executed and managed in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(4) Depreciation

Depreciation of premises and equipment is calculated principally using the declining-balance method. Useful lives of premises and equipment are as follows:

| | |
|-----------|----------------|
| Buildings | 10 to 50 years |
| Equipment | 5 to 15 years |

Depreciation of software for internal use is calculated using the straight-line method over their useful lives (principally 5 years).

(5) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for legally or substantially bankrupt borrowers is provided based on the amount after deducting collectible portion based on fair value of any underlying collateral or guarantees, except for a portion written-off as explained below.

Reserve for possible loan losses for borrowers, not currently legally bankrupt but likely to go bankrupt, is provided considering the overall solvency assessment after deducting the collectible portion based on fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided based on loan loss experience as calculated using the actual default rates during certain periods in the past.

In the case of loans to the borrowers who are legally or substantially bankrupt, the amount remaining after deductions of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set-off from the original outstanding loan balance. The amount of such write-off totaled ¥47,299 million as of March 31, 2002.

(6) Accrued retirement benefits

Effective April 1, 2000, the Bank adopted the Accounting Standards for Employees' Retirement Benefits. Under the standards, reserve for retirement benefits is provided to state the retirement benefit obligations less the fair value of the pension assets. The excess of benefit obligations over fair value of the pension assets as of April 1, 2000 was charged to income for the year ended March 31, 2001.

Prior service costs are charged to income at the time of occurrence.

Actuarial differences of the plans are to be amortized from the succeeding fiscal year over a period of 10 years within the average remaining service period of the employees at the time of occurrence.

(7) Finance leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases.

(8) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates.

(9) Income taxes

Income taxes comprise corporation, enterprise, and residents' taxes, which in the aggregate result in a statutory tax rate of approximately 41.7%.

Deferred tax assets are recorded based on the temporary differences between the financial and tax bases of assets and liabilities.

4. Securities

Securities as of March 31, 2002 and 2001, were comprised of the following:

| | Millions of yen | |
|---------------------------------|-----------------|-----------------|
| | 2002 | 2001 |
| National government bonds | <u>¥185,423</u> | ¥119,336 |
| Local government bonds | <u>217,130</u> | 244,403 |
| Corporate bonds | <u>84,739</u> | 61,857 |
| Corporate stocks | <u>160,477</u> | 178,267 |
| Treasury stock..... | — | 2 |
| Other securities | <u>50,047</u> | 61,580 |
| Total | <u>¥697,818</u> | <u>¥665,448</u> |

Securities include investments in subsidiaries amounting to ¥482 million as of March 31, 2002 and 2001.

5. Loans and bills discounted

Loans and bills discounted as of March 31, 2002 and 2001 comprise of following:

| | Millions of yen | |
|-----------------------|-------------------|-------------------|
| | 2002 | 2001 |
| Bills discounted..... | ¥ 96,525 | ¥ 108,945 |
| Loans on bills | <u>451,031</u> | 466,551 |
| Loans on deeds | <u>1,495,927</u> | 1,453,148 |
| Overdrafts..... | <u>468,245</u> | 460,715 |
| Total | <u>¥2,511,730</u> | <u>¥2,489,360</u> |

Loans and bills discounted as of March 31, 2002 and 2001 included the following non-performing amounts:

| | Millions of yen | |
|----------------------------------|-----------------|----------------|
| | 2002 | 2001 |
| Loans under bankruptcy | <u>¥13,746</u> | ¥12,704 |
| Non-accrual loans | <u>46,457</u> | 46,210 |
| Loans past due over 3 months ... | <u>1,138</u> | 1,724 |
| Restructured loans | <u>37,336</u> | 21,798 |
| Total..... | <u>¥98,678</u> | <u>¥82,437</u> |

6. Foreign exchange assets and liabilities

Foreign exchange assets and liabilities as of March 31, 2002 and 2001 comprise of the following:

| | Millions of yen | |
|---|-----------------|---------------|
| | 2002 | 2001 |
| Assets: | | |
| Due from foreign correspondents | | |
| a/c..... | <u>¥1,278</u> | ¥1,018 |
| Foreign exchange bills bought | <u>624</u> | 823 |
| Foreign exchange bills receivable | <u>4,079</u> | 3,611 |
| Total..... | <u>¥5,982</u> | <u>¥5,453</u> |
| Liabilities: | | |
| Due to foreign correspondents | | |
| a/c..... | ¥ 10 | ¥ 16 |
| Foreign exchange bills sold | 100 | 59 |
| Foreign exchange bills payable | 38 | 3 |
| Total..... | <u>¥ 150</u> | <u>¥ 80</u> |

7. Other assets

Other assets as of March 31, 2002 and 2001 comprise of the following:

| | Millions of yen | |
|------------------------------|-----------------|----------------|
| | 2002 | 2001 |
| Domestic exchange settlement | | |
| a/c | ¥ 12 | ¥ 4 |
| Prepaid expenses | 161 | 118 |
| Accrued income | 5,362 | 5,738 |
| Deferred hedge loss..... | 5,099 | 6,352 |
| Others | 9,860 | 8,204 |
| Total | <u>¥20,496</u> | <u>¥20,420</u> |

8. Premises and equipment

Net book value of premises and equipment as of March 31, 2002 and 2001 comprise of the following:

| | Millions of yen | |
|--------------------------------|-----------------|----------------|
| | 2002 | 2001 |
| Land | ¥ 34,004 | ¥33,851 |
| Buildings..... | 9,148 | 9,168 |
| Furniture and equipment..... | 3,925 | 4,700 |
| Construction in progress | 127 | 36 |
| Guarantee money | 2,201 | 2,291 |
| Total | <u>¥49,408</u> | <u>¥50,049</u> |
| Accumulated depreciation | ¥29,442 | ¥28,330 |
| Advanced depreciation | 2,737 | 2,740 |

9. Deferred tax assets

Major components of deferred tax assets as of March 31, 2002 and 2001 were as follows:

| | Millions of yen | |
|--|-----------------|-----------------|
| | 2002 | 2001 |
| Excess reserve for possible loan losses | ¥ 22,244 | ¥21,120 |
| Valuation gain on securities available for sale..... | 7,552 | 8,533 |
| Excess reserve for employees' retirement benefits..... | 1,885 | 2,797 |
| Excess depreciation..... | 1,283 | 1,157 |
| Other | 1,346 | 1,619 |
| Deferred tax assets | <u>34,313</u> | <u>35,228</u> |
| Deferred tax liabilities..... | <u>(13,540)</u> | <u>(23,908)</u> |
| Net deferred tax assets | <u>¥20,772</u> | <u>¥11,320</u> |

10. Assets pledged as collateral

As of March 31, 2002, securities with a book value of ¥107,636 million were pledged as collateral for deposits amounting to ¥25,625 million.

In addition, securities with a book value of ¥123,421 million were pledged as collateral for exchange clearance transactions and futures contract.

11. Deposits

Deposits as of March 31, 2002 and 2001 was comprised of the following:

| | Millions of yen | |
|---------------------------|-------------------|-------------------|
| | 2002 | 2001 |
| Current deposits | ¥ 139,458 | ¥ 152,620 |
| Ordinary deposits | 986,467 | 740,899 |
| Savings deposits | 114,018 | 118,799 |
| Deposits at notice | 33,140 | 41,722 |
| Time deposits | 1,688,170 | 1,839,905 |
| Installment savings | 18 | 22 |
| Other deposits | 77,623 | 57,734 |
| Total | <u>¥3,038,898</u> | <u>¥2,951,704</u> |

12. Borrowed money

Borrowed money consists of loans from other financial institutions. As of March 31, 2002 and 2001 subordinated borrowings in the amount of ¥32,000 million and ¥30,000 million were included in borrowed money, respectively.

13. Stockholders' equity

The Banking Law of Japan provides that an amount equal to at least 20 percent of the amount to be disbursed as distribution of earnings should be appropriated to the legal reserve until the sum of the legal reserve and capital reserve equals 25 percent of the common stock account. In accordance with the Banking Law, the Bank has provided a legal reserve which is included in retained earnings. This reserve amounted to ¥9,751 million and ¥9,364 million as of March 31, 2002 and 2001, respectively. Valuation gains on securities available for sale are not available for dividends.

14. Other liabilities

Other liabilities as of March 31, 2002 and 2001 was comprised of the following:

| | Millions of yen | |
|--|-----------------|----------------|
| | 2002 | 2001 |
| Domestic exchange settlement a/c | ¥ 19 | ¥ 159 |
| Income taxes | 1,030 | 5,806 |
| Accrued expenses | 5,761 | 7,897 |
| Unearned income | 2,164 | 2,491 |
| Employees' savings deposits | 3,640 | 3,728 |
| Derivatives | 5,099 | 6,354 |
| Others | 10,913 | 9,764 |
| Total | <u>¥28,628</u> | <u>¥36,201</u> |

15. Finance leases

Information on finance leases of equipment and other assets without transfer of ownership as lessee as of March 31, 2002 and 2001 was as follows:

| | Millions of yen | |
|--|-----------------|----------------|
| | 2002 | 2001 |
| Pro forma capitalization: | | |
| Acquisition cost equivalent | ¥3,764 | ¥4,469 |
| Accumulated depreciation equivalent..... | <u>(2,467)</u> | <u>(2,997)</u> |
| Book value equivalent..... | <u>¥1,297</u> | <u>¥1,471</u> |
| Minimum future lease payments: | | |
| Due within one year | ¥ 459 | ¥ 559 |
| Due over one year | 839 | 916 |
| Total..... | <u>¥1,299</u> | <u>¥1,475</u> |

16. Common stock

The Bank has authorized 1 billion shares of common stock, of which 322,076,069 shares were issued as of March 31, 2002.

17. Legal reserves

Under the Japanese Banking Law, an amount equivalent to at least 20 percent of cash dividends must be appropriated to the legal reserves from earned surplus until total of such reserve and capital reserve equals 100 percent of paid-in capital. This reserve is, in principle, not available for dividends but may be used to reduce a deficit or may be transferred to paid-in capital.

18. Land revaluation reserve

Based on the Law on the Revaluation of Land, land used for business activities was revalued at March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as Deferred Tax Liabilities for Land Revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as Land Revaluation Reserve in Stockholders' Equity.

As of March 31, 2002, the difference between the carrying amount and the fair value of the land revalued was ¥7,341 million.

21. Non-performing assets

(1) Risk-monitored loans subject to mandatory disclosure under the Banking Law

| | (Millions of yen) | |
|---|-------------------|----------------|
| | March 31, 2002 | March 31, 2001 |
| Loans under legal bankruptcy (a) | ¥ 13,746 | ¥ 12,704 |
| Non-accrual loans (b) | 46,457 | 46,210 |
| Loans past due for three months or more (c) | 1,138 | 1,724 |
| Restructured loans (d) | 37,336 | 21,798 |
| Total (A) = (a) + (b) + (c) + (d) | 98,678 | 82,437 |
| Loan balance (B) | 2,511,730 | 2,489,360 |
| Bad debt ratio (A/B) | 3.92% | 3.31% |
| Reserves for possible loan losses (C) | 27,399 | 28,348 |
| Reserve ratio (C/A) | 27.76% | 34.38% |
| Collateral and guarantee (D) | 64,860 | 54,150 |
| Reserves + Collateral and guarantee (E) = (C) + (D) | 92,259 | 82,498 |
| Coverage ratio (E/A) | 93.49% | 100.07% |

Notes:

Assets subject to mandatory disclosure are limited to loans.

a: Loans under legal bankruptcy

b: Non-accrual loans, including loans to virtually bankrupt and potentially bankrupt borrowers

c: Loans past due for three months or more, excluding loans to virtually bankrupt and potentially bankrupt borrowers

d: Restructured loans, including loans for financial assistance, loans for which the Bank has adjusted the terms in favor of borrowers

19. Dividends and interim dividends

The Bank pays dividends twice a year. Annual dividends are paid to stockholders of record as of March 31 and are reflected in the Non-Consolidated Statements of Income and Retained Earnings when duly approved and paid.

Also the Bank pays interim dividends to stockholders of record as of September 30.

20. Subsequent events

The meeting of the stockholders, which was held on June 27, 2002, approved the following appropriation of retained earnings.

| | Millions of yen |
|--|-----------------|
| Retained earnings at the end of the year | ¥ 1,911 |
| Reversal of voluntary reserve | 68 |
| Appropriations: | |
| Transfer to legal reserve | 194 |
| Cash dividends (¥3.00 per share) | 966 |
| Transfer to voluntary reserve | 68 |
| Retained earnings carried forward | <u>¥ 751</u> |

(2) Loans subject to mandatory disclosure under the Financial Reconstruction Law

(Millions of yen)

| | March 31, 2002 | March 31, 2001 |
|---|----------------|----------------|
| Bankrupt and quasi-bankrupt assets (a) | ¥ 26,635 | ¥ 23,656 |
| Doubtful assets (b) | 33,755 | 35,402 |
| Substandard (c) | 38,475 | 23,522 |
| Total of problem assets (A) = (a) + (b) + (c) | 98,866 | 82,581 |
| Normal assets (d) | 2,455,240 | 2,451,679 |
| Total (B) = (A) + (d) | 2,554,107 | 2,534,261 |
| Bad debt ratio (A/B) | 3.87% | 3.25% |
| Reserves for possible loan losses (e) (C) | 27,399 | 258,348 |
| Reserve ratio (C/A) | 27.71% | 34.32% |
| Collateral and guarantee (D) | 65,032 | 54,282 |
| Reserves + Collateral and guarantee (E) = (C) + (D) | 92,431 | 82,630 |
| Coverage ratio (E/A) | 93.49% | 100.05% |

Notes:

a: Bankrupt and quasi-bankrupt assets comprises loans and other claims against borrowers in bankruptcy, liquidation, reorganization, composition, or borrowers whose drafts are barred by clearing houses, or who are otherwise in conditions of legal or virtual default.

b: Doubtful assets comprises loans and other claims against borrowers with continuing operations under conditions of financial distress not amounting to default but indicative of a high probability of future bankruptcy.

c: Substandard comprises loans and other claims labeled “loans past due 3 months or more” and “restructured loans” in the risk-monitored loan categories.

d: Normal assets comprises loans and other claims other than described above under “Bankrupt and quasi-bankrupt assets,” “Doubtful assets,” and “Substandard loans.”

e: Stated reserves for possible loan losses include specific reserves, and reserves for loans to borrowers in specified countries.

(3) Difference between risk-monitored loans and assets subject to mandatory disclosure under the Financial Reconstruction Law

| | Risk-monitored loans | Assets subject to mandatory disclosure under the Financial Reconstruction Law |
|-------------------------------|----------------------------|--|
| Assets subject to disclosure | Loans and bills discounted | Loans and bills discounted classified as “Substandard,” foreign exchange, customers’ liabilities for acceptances and guarantees, accrued interests and temporary payment |
| Calculation unit for reserves | Loans and bills discounted | Borrowers |

Report of Independent Certified Public Accountants

The Board of Directors and Stockholders
The Hyakujushi Bank, Ltd.

We have audited the accompanying non-consolidated balance sheets of The Hyakujushi Bank, Ltd. as of March 31, 2002 and 2001, and the related non-consolidated statements of income and retained earnings for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in Japanese yen, present fairly the non-consolidated financial position of The Hyakujushi Bank, Ltd. at March 31, 2002 and 2001, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 3 to the non-consolidated financial statements, The Hyakujushi Bank, Ltd. adopted new accounting standards for employees' retirement benefits and financial instruments in the preparation of its non-consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

Tokyo, Japan
June 27, 2002

Shin Nihon & Co.
Shin Nihon & Co.

See Note 1 to the non-consolidated financial statements which explains the basis of preparation of the non-consolidated financial statements of The Hyakujushi Bank, Ltd. under Japanese accounting principles and practices.