

# BANK OF IKEDA

ANNUAL REPORT 2000

## Profile

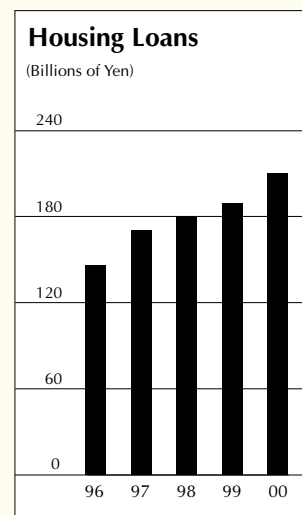
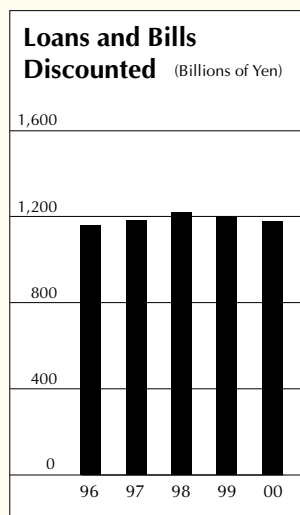
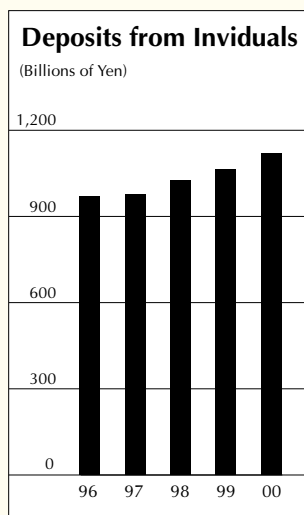
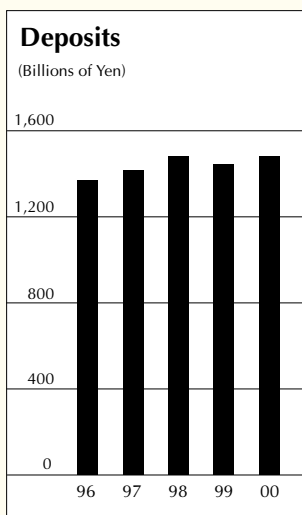
*A center of international culture (Osaka)*

*A fertile ground for future development (Kobe)*

*A history rich in tradition (Kyoto)*

*These three cities have all played a major role in shaping Japan's traditions and culture while developing in their own unique ways.*

*The Bank of Ikeda is based in these three important cities, which have an enormous impact on the country's economy and culture. It is an honor to have the opportunity to contribute to the development of this important region.*



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## *A Message from the President*



The 21st century will see the emergence of corporations with flexibility, creativity and a fast response to changing conditions. Together with energetic individuals, they will reinvigorate Japan. The Bank of Ikeda, which will commemorate the 50th anniversary of its founding in 2001, is undergoing great changes ahead of this occasion.

In March 2000, we conducted a ¥8 billion issue of unsecured convertible bonds. Furthermore, we set up a joint venture with Hankyu Corporation for the purpose of launching new financial services, as well as the TOYRO New Business Promotion Committee with our think tank, Shizensoken Co., Ltd., to forge new marketing and communication channels between a wide range of businesses. In addition to improving the soundness of our assets, we are steadily laying the groundwork for strong business operations in the 21st century.

While expressing our sincere thanks for the loyal support of our local customers, we hope to be of even greater service to the regional community we serve.

Stressing “Close Relations with and Gratitude to Customers” and never forgetting our initial slogan “Friendly Service from your New Bank,” myself and all the staff of the Bank will work to foster communication and balance in order to achieve its aim of being a truly high-quality bank. We ask for your continued support.

July 2000

A handwritten signature in black ink that reads "Kiyotaki". The signature is written in a cursive, flowing style.

Kazuya Kiyotaki  
*President*

### Group Performance

The Group endeavored to provide higher-quality products and services in every area to meet customers' increasingly diverse needs. We launched an investment trust product linked to monthly deductions, while improving consulting services with regard to asset management. In response to the spread of information technology, we now offer banking services over the Internet such as balance and transaction record inquiries. In addition, we initiated mobile banking, which enables customers to access banking services via cellular phones.

Through the TOYRO Club, which is managed by our affiliate Shizensoken Co., Ltd., we provided a forum for informational and cultural exchange, by, for example, holding lectures, exchange meetings for people from different industries, and classes for numerous hobbies, with the aim of enhancing the lifestyles and business activities of those in the region. To strengthen our capital ratio, and thereby reassure our customers of the soundness of our financial position, we issued ¥8,000 million (US\$75.4 million) in unsecured convertible bonds at the term-end.

To cope with the Y2K Problem, a top priority management issue, we exerted our utmost efforts to implement fail-safe compliance measures, such as those for in-house equipment and software programs, conducted joint tests with our business partners, and drew up a contingency plan. As a result, the Y2K Problem had no effect on the Bank's operations.

Under these circumstances, thanks to the support of its regional customers, the Bank and its 5 consolidated subsidiaries achieved the following results.

The term-end consolidated balance of deposits increased ¥37.3 billion to ¥1,468.7 billion (US\$13,836 million) thanks to the steady increase in deposits from individuals. The non-consolidated balance of deposits was up ¥36.9 billion at ¥1,471.7 billion (US\$13,865 million).

The term-end balance of loans and bills discounted fell ¥25.5 billion to ¥1,180.3 billion (US\$11,120 million) as a result of an across-the-board fall in demand for funds from enterprises, despite increases in loans to small and medium-sized companies guaranteed by credit guarantee associations and loans to individuals, such as housing loans. On a non-consolidated basis, the balance of loans and bills discounted was down ¥22.7 billion at ¥1,174.1 billion (US\$11,061 million). The term-end balance of securities rose ¥59.2 billion to ¥316.5 billion (US\$2,982 million), mainly in banking operations. On a non-consolidated basis, the balance of securities rose ¥62.5 billion to ¥316.0 billion (US\$2,977 million).

We strove to conduct efficient asset and liability management and to reduce expenses, while carrying out write-offs and making provisions to general reserves, as well as reserves for possible loan losses based on the results of asset self-assessment. As a result, consolidated net income for the term came to ¥1,033 million (US\$9.73 million). Non-consolidated net income was ¥1,009 million (US\$9.51 million).

### Issues Facing the Bank

Amid deregulation and advances in information technology, the operating environment is changing at an accelerated pace, as can be seen in the widespread reorganization of financial institutions and tie-ups across industry lines. Against this background, the Bank will strengthen its earnings structure by improving the soundness of its assets, tightening its risk management, reorganizing its operations, reducing costs, and introducing a marketing system that brings out the distinctive strengths of each branch.

The Bank will strive to meet diverse customer needs by pooling the strengths of the Bank of Ikeda group and forging tie-ups with major local businesses and other close business partners.

## *Aiming to be a Familiar, Convenient, and Well-Liked Bank that Responds Flexibly to the Expectations of its Customers*

### **Shizensoken Co., Ltd., the Bank's think tank, commemorates its 4th anniversary**

Shizensoken Co., Ltd. was established to make the Bank's operations more useful to the daily lives and business activities of people in the region. Thanks to your continued support, the think tank will commemorate its 4th anniversary in November 2000.

It will continue to assist the Bank in fulfilling its role as a regional bank by providing survey and research operations, consulting services, and managing the TOYRO Club, a membership society.

### **TOYRO New Business Promotion Committee Established**

The Bank of Ikeda, which aims to build close ties with small and medium-sized businesses, jointly established the TOYRO New Business Promotion Committee with Shizensoken Co., Ltd. to offer business intermediation services. In September 2000, we held the TOYRO Business-Matching Fair at My Dome Osaka. We served as a coordinator for this event and fostered new businesses through the meeting of a large number of people with a wide range of ambitions.

### **Investment Trusts Improved Further**

To respond to the wider range of asset management needs, we have launched various types of funds linked to Japanese stocks. We now offer a wide selection of high-quality products. We provide updates on each fund on our website, and customers with i-mode compatible phones can access quoted unit prices. Please feel free to contact us for dates of investment trust seminars, which are held regularly.

### **Mobile Banking Services Started**

We have launched mobile banking services, which can be accessed via NTT DoCoMo's i-mode service. Services include balance inquiries, transaction records, and guides to branches and ATMs, and information about new products and sales campaigns. Furthermore, Internet inquiry services and our home banking service, which allows customers to carry out transfers and remittances from their homes, may be accessed from cellular phones.



### **Joint Venture with Hankyu Corporation to Provide New Financial Services**

We have established a joint venture with Hankyu Corporation through which we installed "Pat Sat" ATMs at all Hankyu-operated train stations, and started operations on September 19, 2000. This is the first joint venture between a railroad company and a bank to offer financial services. We are scheduled to successively install ATMs at 40 major Hankyu Railway stations beginning in the middle of September.

### **Completely Redesigned Website**

Our fully redesigned website features disclosure reports, updates on the Nikkei average, and on movements in the foreign exchange and other markets, as well as status reports on the management of investment trusts by type of fund, and investor information such as quoted unit prices. Furthermore, we have improved the contents of the site, as exemplified by a new asset management simulation function. We hope that you find our website useful.

The address of our site is

<http://www.ikedabank.co.jp>



### Risk Management System

- Basic Principles

Business opportunities are increasing in parallel with the advance of financial liberalization, globalization, and financial and communications technologies. The risks associated with these new opportunities are growing, and becoming increasingly diverse and sophisticated.

Under these conditions, the importance of managing risk has increased dramatically, from the perspective of maintaining the soundness of banking operations and securing stable earnings. To respond appropriately and quickly to various types of risk, including credit risk, market risk, liquidity risk, operational risk, and system risk, the Bank is tackling the task of strengthening risk management as a top priority management issue. We are working to improve relevant regulations and procedures, while bolstering our overall risk management system.

- Credit Risk Management

Credit risk refers to the likelihood that a customer will be unable to meet principal repayment or interest obligations on loans or marketable securities due to poor business performance or other reasons. To avoid overconcentration on any particular type of industry or group, the Bank takes a highly differentiated approach to evaluating the credit standing of borrowers. The Bank strives to maintain a clear understanding of the credit standing of each borrower at all times, giving due consideration to industry and regional characteristics, as well as scale of operations. We have taken specific steps towards strengthening our risk management organization, such as ensuring the separation between auditing and marketing sections, devoting efforts to intensive staff training, and establishing the SHA (“Sound, Hedge, and Aftercare”) Committee, comprised mainly of managerial level staff, to review proposals to improve the soundness of assets.

Furthermore, we established an Asset Inspection Office within the Inspection Division, a dedicated section responsible for monitoring the status of asset self-assessments, and are thereby working to improve the soundness of assets.

In addition, we are working to strengthen our credit screening system across the board through spot branch instruction sessions and staff training programs.

- Market Risk

Market risk refers to the likelihood of incurring losses due to changes in the financial and economic environment, such as a downturn in economic performance, as well as adverse interest and exchange fluctuations. The Bank has established a specialist ALM Office, called the “Fund Procurement and Asset Management Office,” within the General Planning Division. This office pools and manages risk information obtained from relevant divisions, and comprehensively manages assets and liabilities, with the aim of securing stable earnings through the appropriate control of risk.

Furthermore, the ALM Committee comprised mainly of managerial level staff, reviews status reports on risk and discusses their implications and prompt courses of appropriate action. The Bank thereby engages in strategic risk management.

- Liquidity Risk Management

Liquidity risk covers losses arising from the mismatch between the timing of fund procurement and management of funds, as well as unexpected flows of funds that interfere with funding operations.

The Bank draws up funding plans based on a firm understanding of the status of fund management and procurement operations, and the ALM Committee strives to form an accurate understanding of the Bank’s funding position, and thus manage it appropriately.

The Bank is striving to improve liquidity risk management to cope with any contingency by increasing the liquidity of its assets and diversifying sources of funding.

- **Operational Risk Management**

Operational risk covers losses due to errors in administration and operating procedures, intentional violations of set procedures, and mishaps. The Bank has drawn up detailed guidelines for operating procedures to prevent mishaps through accurate and prompt clerical processing, thereby ensuring the highest level of service for our customers.

The Inspection Division carries out internal checking. Through strict inspections of operating procedures and staff training aimed at preventing mishaps, the Bank is working to strengthen the clerical processing abilities of its staff and thereby carry out daily banking operations with speed and accuracy.

- **System Risk**

System risk covers losses arising from the disruption of computer systems due to natural disasters and breakdowns. In recognition of the fact that our banking operations are supported by a wide range of computer systems, we are doing our best to ensure their reliability and smooth operation, and have set up a backup system.

Further, we are improving operating procedures and controls with the aim of preventing the leakage of information and unauthorized access to our computer network.

### **Compliance System**

Compliance refers to conformity with laws and regulations in the performance of banking operations, and is a major benchmark of corporate ethics in the era of the Big Bang reforms. To establish a strong compliance system, we have set up a Compliance Committee chaired by the vice president. In addition, one staff member at each branch has been appointed as a compliance officer.

We have distributed copies of our compliance manual to all employees and directors, while conducting training sessions to promote awareness of the Bank's public mission and its social responsibility, thus ensuring strict levels of compliance.

### **Dividend Policy**

Keeping in mind the public nature of the banking industry, the Bank works to bolster its internal reserves to strengthen its corporate structure and allow expansion of its base of operations. At the same time, the Bank works to pay a stable dividend to shareholders.

During the term, the business environment was severe, and write-offs of nonperforming loans continued amid sluggish economic conditions. The Bank paid out an interim and term-end dividend in the amount of ¥20 per share (¥40 for the term).

While maintaining our fundamental dividend policy, we will work to step up rationalization efforts such as overhauling our operations and reducing expenses, while improving the soundness of assets, strengthening earnings structure, and improving performance.

### **Loan Management**

As a financial institution dedicated to serving the region, we have been working to provide a stable supply of funds to local businesses and individuals through our lending operations.

To help our customers in the planning of comfortable lives, we offer a variety of loans, including housing loans, educational loans, and automobile loans that meet the needs of every stage of life. In addition, for sole proprietors, as well as small and medium-sized companies, we offer loans that meet the funding plans of these businesses, in addition to a number of financing schemes backed by the national and regional governments that are tailored to the needs of corporate customers to help them achieve sound growth.

The Bank will continue its efforts to enhance its service and offer products of superior quality to meet the increasingly diverse and more sophisticated needs of its customers. We will continue to extend loans that contribute to the growth and development of the regional economy.

# Capital Ratio

## Consolidated Capital Ratio (Domestic Standard)

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Tier I capital			
Common stock	¥ 27,810	¥ 27,808	\$ 261,988
Non-cumulative permanent preferred shares	—	—	—
Paid-in new stocks	—	—	—
Capital surplus	24,522	24,522	231,016
Consolidated retained earnings	8,118	7,801	76,475
Minority interests of consolidated subsidiaries	896	909	8,442
Preferred shares issued by overseas special purpose companies	—	—	—
Goodwill	—	—	—
Consolidation adjustment	—	—	—
Total (A)	61,346	61,040	577,921
Tier II capital			
Reserve for unrealized gain on revaluation of land, after 55% discount	—	—	—
General reserve for possible loan losses	6,009	7,012	56,609
Subordinated debt	26,100	18,400	245,878
Total	32,109	25,412	302,487
Amount qualifying as capital (B)	32,109	25,412	302,487
Deduction			
Crossholdings with other financial institutions (C)	—	—	—
Total qualifying capital (A)+(B)-(C) (D)	93,455	86,452	880,408
Risk-adjusted assets			
On-balance-sheet assets	1,001,851	1,057,692	9,438,075
Off-balance-sheet assets	58,381	64,304	549,986
Total (E)	1,060,232	1,121,996	9,988,061
Consolidated capital ratio (domestic standard) = $\frac{D}{E} \times 100$	8.81%	7.70%	

## Non-Consolidated Capital Ratio (Domestic Standard)

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Tier I capital			
Common stock	¥ 27,810	¥ 27,808	\$ 261,988
Non-cumulative permanent preferred shares	—	—	—
Paid-in new stocks	—	—	—
Capital surplus	24,522	24,522	231,016
Legal reserve	3,180	3,040	29,959
Voluntary reserve	4,073	4,073	38,370
Earnings carried forward	794	626	7,478
Other	—	—	—
Goodwill	—	—	—
Total (A)	60,379	60,069	568,811
Tier II capital			
Reserve for unrealized gain on revaluation of land, after 55% discount	—	—	—
General reserve for possible loan losses	5,785	6,848	54,496
Subordinated debt	26,100	18,400	245,879
Total	31,885	25,248	300,375
Amount qualifying as capital (B)	31,885	25,248	300,375
Deduction			
Crossholdings with other financial institutions (C)	—	—	—
Total qualifying capital (A)+(B)-(C) (D)	92,264	85,317	869,186
Risk-adjusted assets			
On-balance-sheet assets	978,330	1,033,751	9,216,489
Off-balance-sheet assets	58,478	61,877	550,901
Total (E)	1,036,808	1,095,628	9,767,390
Non-Consolidated capital ratio (based on domestic standard) = $\frac{D}{E} \times 100$	8.89%	7.79%	

Note: Starting in the year ended March 31, 1999, calculations of the capital ratio is carried out on both consolidated and non-consolidated bases using a formula stipulated in a notification of the Ministry of Finance based on Clause 14, Provision 2 of the Japanese Banking Law. The amendment to Clause 14, Provision 2 of the Japanese Banking Law was made on December 1, 1998, following the enactment of a set of laws concerning the establishment of laws promoting financial system reforms.

# Consolidated Balance Sheets

The Bank of Ikeda, Ltd. and consolidated subsidiaries  
At March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	2000
<b>ASSETS</b>			
Cash and Due from Banks (Note 22)	¥ 55,355	¥ 60,637	\$ 521,481
Call Loans and Bills Purchased	7,137	52,175	67,235
Other Debt Purchased	35	2,021	331
Trading Account Securities	13,515	2,032	127,318
Money Held in Trust (Note 4)	26,500	12,000	249,647
Securities (Note 5)	316,572	257,292	2,982,311
Loans and Bills Discounted (Note 6)	1,180,391	1,205,901	11,120,031
Foreign Exchanges	1,895	2,832	17,851
Other Assets (Note 7)	30,462	28,841	286,970
Premises and Equipment (Note 8)	27,250	27,039	256,708
Deferred Tax Assets (Note 9)	15,151	15,597	142,737
Customers' Liabilities			
for Acceptances and Guarantees (Note 13)	61,058	67,502	575,206
Reserve for Possible Loan Losses (Note 10)	(38,013)	—	(358,110)
<b>Total Assets</b>	<b>¥1,697,308</b>	<b>¥1,733,869</b>	<b>\$15,989,716</b>
<b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Deposits (Note 11)	¥1,468,734	¥1,445,666	\$13,836,397
Call Money and Bills Sold	19	20,257	175
Borrowed Money	57,339	73,326	540,168
Foreign Exchanges	36	26	341
Convertible Bonds	8,000	—	75,365
Other Liabilities (Note 12)	32,783	23,351	308,842
Reserve for Possible Loan Losses (Note 10)	—	35,220	—
Reserve for Retirement Allowances	2,807	3,160	26,443
Reserve for Possible Losses on Sales of Loans	4,767	3,869	44,910
Other Reserves	—	46	—
Consolidation Adjustment	44	46	411
Acceptances and Guarantees (Note 13)	61,058	67,502	575,206
<b>Total Liabilities</b>	<b>1,635,587</b>	<b>1,672,469</b>	<b>15,408,258</b>
<b>Minority Interests</b>	<b>896</b>	<b>909</b>	<b>8,442</b>
<b>Shareholders' Equity (Notes 14, 15 and 23)</b>			
Common Stock	27,811	27,811	261,996
Capital Surplus	24,522	24,522	231,016
Retained Earnings	8,493	8,160	80,011
	<b>60,826</b>	<b>60,493</b>	<b>573,023</b>
Less: Treasury Stock, at Cost	(1)	(2)	(7)
<b>Total Shareholders' Equity</b>	<b>60,825</b>	<b>60,491</b>	<b>573,016</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>¥1,697,308</b>	<b>¥1,733,869</b>	<b>\$15,989,716</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Operations and Retained Earnings

The Bank of Ikeda, Ltd. and consolidated subsidiaries  
For the years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	2000
<b>Income</b>			
Interest Income:			
Interest on Loans and Bills Discounted	¥31,078	¥32,855	\$292,776
Interest and Dividends on Securities	6,934	8,762	65,323
Other	628	1,707	5,912
Fees and Commissions	4,764	4,591	44,883
Other Operating Income (Note 16)	3,505	6,864	33,018
Other Income (Note 16)	9,597	6,497	90,414
<b>Total Income</b>	<b>56,506</b>	<b>61,276</b>	<b>532,326</b>
<b>Expenses</b>			
Interest Expense:			
Interest on Deposits	5,832	8,855	54,939
Interest on Borrowings and Rediscounts	2,261	3,362	21,304
Other	3,734	3,343	35,179
Fees and Commissions	2,467	2,279	23,236
Other Operating Expenses (Note 17)	3,352	3,780	31,581
General and Administrative Expenses	22,300	23,994	210,082
Other Expenses	14,791	31,325	139,339
<b>Total Expenses</b>	<b>54,737</b>	<b>76,938</b>	<b>515,660</b>
<b>Income (Loss) before Income Taxes and Minority Interests</b>	<b>1,769</b>	<b>(15,662)</b>	<b>16,666</b>
<b>Income Taxes (Note 18):</b>			
Current	299	251	2,814
Deferred	446	(4,159)	4,199
<b>Minority Interests</b>	<b>(9)</b>	<b>35</b>	<b>(83)</b>
<b>Net Income (Loss)</b>	<b>1,033</b>	<b>(11,789)</b>	<b>9,736</b>
<b>Retained Earnings</b>			
Balance at Beginning of Year	8,160	20,514	76,877
Appropriation:			
Cash Dividends (Note 15)	(700)	(565)	(6,602)
<b>Balance at End of Year</b>	<b>¥ 8,493</b>	<b>¥ 8,160</b>	<b>\$ 80,011</b>

	Yen		U.S. Dollars (Note 2)
	2000	1999	2000
<b>Amounts per Share (Note 20)</b>			
Net Income (Loss):			
Primary	¥ 58.99	¥ (834.54)	\$ 0.556
Fully Diluted	58.97	—	0.556
Cash Dividends Applicable to the Year (Note 15)	40.00	40.00	0.377
Net Assets	3,471.79	3,452.76	32.706

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

The Bank of Ikeda, Ltd. and consolidated subsidiaries  
For the year ended March 31, 2000

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 2) 2000
<b>Cash Flows from Operating Activities:</b>		
Income before Income Taxes and Minority Interests	¥ 1,769	\$ 16,666
Depreciation	1,542	14,525
Amortization of Consolidation Adjustment	(3)	(27)
Increase in Reserve for Possible Loan Losses	2,794	26,319
Increase in Reserve for Possible Losses on Sales of Loans	899	8,465
Decrease in Reserve for Retirement Allowances	(354)	(3,331)
Interest on Loans and Discounts Received	(38,640)	(364,011)
Interest on Deposits	11,828	111,422
Income on Securities Transaction	(658)	(6,201)
Income on Money Trust	(405)	(3,821)
Foreign Exchange Loss	14,229	134,050
Gain on Sales of Properties	(597)	(5,622)
Net Decrease in Loans and Bills Discounted	25,485	240,085
Net Increase in Deposits	35,795	337,212
Net Decrease in Negotiable Certificates of Deposits	(14,300)	(134,715)
Net Increase in Trading Account Securities	(11,483)	(108,174)
Net Decrease in Call Loans and Bills Purchased	46,983	442,612
Net Decrease in Call Money and Bills Sold	(31,726)	(298,880)
Net Increase in Cash Collateral on Securities Lending	10,321	97,226
Net Decrease in Due from Banks (Other than the Bank of Japan)	35,114	330,792
Net Decrease in Foreign Exchange Assets	2,611	24,597
Net Increase in Foreign Exchange Liabilities	9	89
Revenues from Fund Operations	37,603	354,248
Expenditures on Fund Procurement	(12,611)	(118,800)
Other	(1,242)	(11,704)
Sub Total	114,963	1,083,022
Refund of Income Taxes	273	2,572
Net Cash Provided by Operating Activities	115,236	1,085,594
<b>Cash Flows from Investing Activities:</b>		
Purchase of Securities	(408,155)	(3,845,076)
Sales of Securities	276,636	2,606,085
Redemption of Securities	58,676	552,765
Increase in Money Held in Trust	(14,500)	(136,599)
Sales of Premises and Equipment	1,260	11,867
Purchase of Premises and Equipment	(1,980)	(18,652)
Net Cash Used in Investing Activities	(88,063)	(829,610)
<b>Cash Flows from Financing Activities:</b>		
Decrease in Subordinated Loans	(4,500)	(42,393)
Sales of Convertible Bonds	8,000	75,365
Payment of Cash Dividends	(701)	(6,602)
Payment of Cash Dividends to Minority Interests	(4)	(37)
Net Cash Provided by Financing Activities	2,795	26,333
Translation Adjustment of Cash and Cash Equivalents	(5)	(50)
Net Increase in Cash and Cash Equivalents	29,963	282,267
Cash and Cash Equivalents at Beginning of the Year	20,732	195,308
Cash and Cash Equivalents at End of the Year (Note 22)	¥ 50,695	\$ 477,575

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

The Bank of Ikeda, Ltd. and consolidated subsidiaries  
At March 31, 2000

## 1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Bank of Ikeda, Ltd. (the "Bank") and its consolidated subsidiaries in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity 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.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In accordance with the "Standards for the Preparation of Consolidated Cash Flow Statements, and so forth" published by the Business Accounting Deliberation Council on March 13, 1998, effective the year ended March 31, 2000, the Bank is required to prepare consolidated cash flow statements.

For the convenience of readers outside Japan, certain items presented in the original statements have been reclassified and rearranged.

## 2. U.S. Dollar Amounts

U.S. dollar amounts are included solely for the convenience of readers outside Japan at the rate of ¥106.15=US\$1.00, the rate prevailing on March 31, 2000. The translation should not be construed as a representation that yen could be converted into U.S. dollars at the above on any other rate.

## 3. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared on the basis of the same accounting policies as those discussed in Note 3 to the non-consolidated financial statements except for the following policy:

### (a) Consolidation policy

The Bank had 13 majority-owned subsidiaries as of March 31, 2000. The accompanying consolidated financial statements include the accounts of the Bank and the 5 significant subsidiaries.

The investments in the remaining 8 subsidiaries and one affiliated company of the Bank are stated at cost.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Assets and liabilities of consolidated subsidiaries are revalued at fair value at the respective dates of acquisition. The difference between the cost of investments in subsidiaries and equity in their net assets at the date of acquisition is amortized over a period of five years on a straight-line basis.

### (b) Trading account securities

Listed trading account securities are stated at the lower of cost or market, cost being determined by the moving average method.

Other trading account securities are stated at cost determined by the moving average method.

### (c) Securities

Marketable securities held by the Bank are stated at cost being determined by the moving average method.

As for securities held by the Bank as trust assets in specified money trusts (of which purpose is mainly investment in securities), listed convertible bonds and listed stocks are stated at the lower of cost or market, cost being determined by the moving average method, and other securities are stated at cost determined by the moving average method.

Securities held by consolidated subsidiaries are principally stated at cost determined by the moving average method.

### (d) Premises and equipment

Depreciation of premises and movable property is principally determined by the straight-line method at the standard rate of depreciation as stipulated in the Corporation Tax Law of Japan.

Depreciation of other equipment is principally determined by the method stipulated in the Corporation Tax Law of Japan.

### (e) Costs of computer software

Costs of computer software developed or obtained for internal use within the Bank and consolidated subsidiaries are deferred and amortized by the straight-line method over their estimated useful life of 5 years.

### (f) Foreign currency accounts

The Bank maintains its accounting records in yen; foreign currency accounts are translated into yen at the exchange rates prevailing at the balance sheet date.

### (g) Reserve for possible loan losses

The reserve for possible loan losses of the Bank and the major consolidated subsidiaries is provided is calculated in the following way, in line with standards for write-offs and the provision of reserves. For loans to borrowers essentially bankrupt, in composition with their creditors, or legally bankrupt, or for loans to borrowers in similar circumstances, after the amount deemed recoverable from the disposal of collateral and the amount deemed collectable through the enforcement of guarantees are deducted from the loan amount, an amount corresponding to the balance is posted in the reserve. For loans to borrowers who are not in a state of business failure but are deemed to have a strong possibility of falling into bankruptcy in the future, after the amount deemed recoverable from the disposal of collateral and the amount deemed collectable through the enforcement of guarantees are deducted from the loan amount, a portion of the balance is posted in the reserve based on a comprehensive assessment of the borrower's ability to repay. For loans to other

borrowers, an amount is posted in the reserve based on a loan repayment performance ratio calculated from repayment performance during a fixed period in the past.

For all loans, asset assessment is conducted by the Bank's operating office based on standards for asset self-assessment, and the result of this assessment is inspected by an asset inspection division independent of the relevant operating division. The above-mentioned reserve is calculated based on the result of this assessment.

Until the end of the previous fiscal year, the reserve for possible loan losses was included in liabilities. However, with the recent amendment to the Banking Law, effective the current fiscal year, the reserve for possible loan losses has been presented as the final item in assets as a lump-sum deduction. The effect of this change resulted in a decrease in assets and liabilities of ¥38,013 million (US\$358,110 thousand).

(h) Reserve for retirement allowances and pension plan  
The Bank and the consolidated subsidiaries have retirement benefit plans for their employees. Retirement allowances are determined on the basis of length of service and salary level at the time of retirement. The amount which would have been required to be paid under the plan if all eligible employees had voluntarily terminated their employment as of the year end has been fully provided.

As part of the retirement plan for its employees, the Bank established a contributory funded pension plan pursuant to the Welfare Pension Insurance Law of Japan and a non-contributory funded pension plan in 1972 and 1986, respectively. The cost of these pension plans are determined actuarially and the amortization of prior service cost is charged to income. Under the contributory funded pension plan, the prior service cost and the remaining amortization period were ¥319 million (US\$3,005 thousand) and 2 years, respectively, at March 31, 1999. Under the non-contributory funded pension plan, the prior service cost and the remaining amortization period were ¥2,204 million (US\$20,766 thousand) and one year and 4 months, respectively, at September 1, 1999.

(i) Reserve for possible losses on sales of loans  
Reserve for possible losses on sales of loans is provided for future losses on sales of loans with real estate mortgage to the Cooperative Credit Purchasing Co., Ltd. based on the estimation.

(j) Finance leases  
Finance lease transactions, except leases for objects for which the transfer of the property title to the borrower is recognized, are subject to the accounting procedures applicable to operating leases transactions.

(k) Cash and cash equivalents  
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits with the Bank of Japan.

#### 4. Money Held in Trust

Money held in trust represents money entrusted to trust companies under trust agreements under which the Bank is the beneficial owner of the assets in the trust for the purpose of investing principally in securities. This account includes primarily (i) investments being managed under specific instructions directed by the trustor, where settlement upon liquidation of the investments is made to cash, and (ii) investments being managed at the discretion of the trustee, where settlement upon liquidation of the investments is made by transferring the assets existing in the trust to the beneficial owner.

The book value and related aggregate market value of money held in trust as of March 31, 2000 were as follows:

	Millions of Yen				
	Book Value	Estimated Market Value	Total	Unrealized Profit / Loss	
Unrealized Profit				Unrealized Loss	
March 31, 2000					
Money Held in Trust	¥26,500	¥26,756	¥256	¥269	¥(13)

	Thousands of U.S. Dollars				
	Book Value	Estimated Market Value	Total	Unrealized Profit / Loss	
Unrealized Profit				Unrealized Loss	
March 31, 2000					
Money Held in Trust	\$249,647	\$252,061	\$2,415	\$2,539	\$(124)

The estimated market value of money held in trust has been calculated as follows:

The estimated market value of listed securities is based primarily on their closing prices on the Tokyo Stock Exchange or the prices calculated using the indicated prices announced by the Japan Securities Dealers Association.

The estimated market value of over-the-counter stock is based on the prices announced by the Japan Securities Dealers Association.

## 5. Securities

Securities held as of March 31, 2000 consisted of the following:

March 31, 2000	Millions of Yen		Thousands of U.S. Dollars
National Government Bonds	¥ 95,772		\$ 902,236
Local Government Bonds	24,283		228,763
Corporate Bonds	49,522		466,533
Corporate Stock	67,871		639,390
Other Securities	79,124		745,389
<b>Total</b>	<b>¥316,572</b>		<b>\$2,982,311</b>
Listed Securities	¥115,226		\$1,085,510
Unlisted Securities	201,346		1,896,801
	<b>¥316,572</b>		<b>\$2,982,311</b>
Valuation Gain or Loss on Marketable Securities Included in these Securities were as Follows:			
Valuation Profit / (Loss)			
Listed Securities	¥ (5,256)		\$ (49,518)
Unlisted Securities	813		7,665
<b>Net</b>	<b>¥ (4,443)</b>		<b>\$ (41,853)</b>

## 6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Bills Discounted	¥ 52,504	¥ 54,568	\$ 494,625
Loans on Bills	191,846	193,172	1,807,308
Loans on Deeds	799,424	804,645	7,531,075
Overdrafts	136,617	153,516	1,287,023
<b>Total</b>	<b>¥1,180,391</b>	<b>¥1,205,901</b>	<b>\$11,120,031</b>

Loans and bills discounted at March 31, 2000 included the following items:

- (1) Balance of loans to companies under bankruptcy procedures: ¥14,702 million (US\$138,505 thousand).  
Balance of delinquent loans: ¥62,910 million (US\$592,654 thousand).

Loans to companies under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (not including the written-down portion of the loan).

Delinquent loans are non-accrual loans provided to support the restructuring of companies under bankruptcy procedures. Such loans do not, however, extend a grace period to the borrower for the related interest payments.

- (2) Balance of loans past due for 3 months or more: ¥2,456 million (US\$23,138 thousand).

Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest.

- (3) Balance of restructured loans: ¥7,485 million (US\$70,513 thousand).

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.).

- (4) The total balance of loans to companies under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans: ¥87,553 million (US\$824,810 thousand).

## 7. Other Assets

Other assets as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Accrued Income	¥ 5,996	¥ 5,067	\$ 56,482
Prepaid Expenses	140	175	1,319
Other	24,326	23,599	229,169
<b>Total</b>	<b>¥30,462</b>	<b>¥28,841</b>	<b>\$286,970</b>

## 8. Premises and Equipment

Premises and equipment as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Less Accumulated Depreciation	¥16,400	¥15,697	\$154,505

## 9. Assets Pledged

At March 31, 2000, securities of ¥12,113 million (US\$114,119 thousand) were pledged as collateral for deposits of ¥10,982 million (US\$103,463 thousand). In addition, at March 31, 2000, securities of ¥21,482 million (US\$202,381 thousand) were pledged as collateral for the settlement of foreign exchanges, derivatives and others or as a substitute for margin payments of futures transactions.

## 10. Reserve for Possible Loan Losses

Reserve for possible loan losses as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
General Reserve	¥ 6,009	¥ 7,837	\$ 56,609
Specific Loan Loss Reserves	32,004	27,383	301,501
<b>Total</b>	<b>¥38,013</b>	<b>¥35,220</b>	<b>\$358,110</b>

In conformity with a revise of the enforcement regulations of the Banking Law, with effect from the year ended March 31, 2000, the reserve, formerly shown in the liabilities, is presented as deduction from assets on the balance sheets.

## 11. Deposits

Deposits as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current Deposits	¥ 38,895	¥ 41,445	\$ 366,420
Ordinary Deposits	332,958	295,782	3,136,679
Savings Deposits	44,021	46,585	414,708
Deposits at Notice	14,087	12,682	132,704
Time Deposits	985,150	975,059	9,280,735
Negotiable Certificates of Deposit	0	14,300	0
Other Deposits	53,623	59,813	505,151
<b>Total</b>	<b>¥1,468,734</b>	<b>¥1,445,666</b>	<b>\$13,836,397</b>

## 12. Other Liabilities

Other liabilities as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Domestic Exchange Settlement			
Account—Credits	¥ 107	¥ 998	\$ 1,014
Accrued Income Taxes	219	244	2,060
Accrued Expenses	5,833	6,876	54,954
Unearned Income	1,579	4,227	14,874
Employees' Deposits	812	998	7,647
Collateral Money for			
Bond Lending	15,003	4,683	141,339
Other	9,230	5,325	86,954
<b>Total</b>	<b>¥32,783</b>	<b>¥23,351</b>	<b>\$308,842</b>

## 13. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in "Acceptances and Guarantees." A contra account, "Customers' Liabilities for Acceptances and Guarantees," which represents the Bank's right of indemnity from applicants, is shown on the assets side of the balance sheets.

## 14. Common Stock

Information with respect to common stock of the Bank as of March 31, 2000 and 1999 is summarized as follows:

- (a) Par value: ¥500 per share
- (b) Authorized number of shares of common stock: 36,000 thousand shares
- (c) Number of shares issued and outstanding: 17,520 thousand shares as of March 31, 2000 and 1999

Under the Commercial Code of Japan at least 50% of the issue price of new shares is designated as stated capital.

## 15. Dividends and Interim Dividends

The Bank pays dividends twice a year. Annual dividends are paid to shareholders of record as of March 31 and are reflected in the Statements of Operations and Retained Earnings when duly approved and paid. Also the Bank pays interim dividends to shareholders of record as of September 30.

## 16. Other Operating Income and Other Income

Other operating income and other income mainly represent gains arising from foreign exchange and securities transactions.

## 17. Other Operating Expenses

Other operating expenses mainly represent losses on the revaluation of securities and securities transactions.

## 18. Income Taxes

Income taxes comprise corporation, inhabitants' and enterprise taxes, which in the aggregate resulted in statutory tax rates of approximately 42.0%.

Income taxes were provided for amounts currently payable for the year ended March 31, 1998. Effective April 1, 1998, the Bank adopted the deferred tax accounting in conformity with the revised accounting standards in Japan. As required, deferred tax assets are recorded based on the temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes. The effect of this initial application was to increase retained earnings as of April 1, 1998 by ¥11,418 million.

The significant components of the Bank's deferred tax—assets at March 31, 2000 and 1999 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Reserve for Possible Loan Losses	¥10,168	¥ 8,821	\$ 95,790
Reserve for Possible Losses on Sales of Loans	2,002	1,625	18,862
Depreciation	937	965	8,823
Reserve for Retirement Allowances	777	865	7,319
Accrued Bonuses	151	119	1,425
Tax Loss Carryforward	2,964	3,150	27,926
Other	619	52	5,832
Sub Total	17,618	15,597	165,977
Valuation Allowance	(2,467)	—	(23,243)
Total	¥15,151	¥15,597	\$142,734

## 19. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased equipment as of March 31, 2000 and 1999 which would have been reflected in the balance sheets if finance leases (under which the Bank and its consolidated subsidiaries are lessees) other than those which transfer the ownership of leased property to lessees were capitalized:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Acquisition Costs	¥227	¥181	\$2,146
Accumulated Depreciation	109	59	1,028
Net Book Value	¥118	¥122	\$1,118

Future minimum payments (including the interest portion thereon) subsequent to March 31, 2000 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 50	\$ 473
2002 and thereafter	68	645
Total	¥118	\$1,118

The related lease payments and depreciation equivalent for the years ended March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Lease Payments	¥49	¥36	\$469
Depreciation Equivalent	49	36	469

Depreciation equivalent is computed by the straight-line method over the respective lease terms.

The following amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2000 and 1999 under the finance lease transactions under which the Bank's consolidated subsidiary is the lessor and currently accounted for as operating leases:

	Millions of Yen		
	Equipment	Others	Total
March 31, 2000			
Acquisition Costs	¥26,459	¥2,338	¥28,797
Accumulated Depreciation	15,857	1,163	17,020
Net Book Value	¥10,602	¥1,175	¥11,777

	Millions of Yen		
	Equipment	Others	Total
March 31, 1999			
Acquisition Costs	¥25,805	¥2,711	¥28,516
Accumulated Depreciation	15,538	1,606	17,144
Net Book Value	¥10,267	¥1,105	¥11,372

March 31, 2000	Thousands of U.S. Dollars		
	Equipment	Others	Total
Acquisition Costs	\$249,261	\$22,034	\$271,295
Accumulated Depreciation	149,384	10,957	160,341
Net Book Value	\$ 99,877	\$11,077	\$110,954

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2000 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 3,365	\$ 31,702
2002 and thereafter	7,531	70,953
Total	¥10,896	\$102,655

The related lease receipts, depreciation expense and interest income equivalent for the years ended March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Lease Receipts	¥4,420	¥4,362	\$41,645
Depreciation Expense	3,337	3,158	31,442
Interest Income Equivalent	705	309	6,642

## 20. Amounts per Share

Net income (loss) and net assets per share are computed based on the weighted average number of shares of common stock outstanding during each year and on the number of shares of common stock outstanding at each balance sheet date, respectively.

## 21. Derivatives

Market value information on derivative transactions at March 31, 2000 and 1999 is summarized as following:

### Interest Rate Transactions

March 31, 2000	Millions of Yen			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Interest Rate Swap:				
Receive Fixed Pay Floating	¥ 2,500	¥ 2,500	¥ 254	¥ 254
Pay Fixed Receive Floating	82,382	76,382	(5,541)	(5,541)
Total				¥(5,287)

March 31, 1999	Millions of Yen			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Interest Rate Swap:				
Receive Fixed Pay Floating	¥ 2,500	¥ 2,500	¥ 315	¥ 315
Pay Fixed Receive Floating	89,658	83,922	(7,750)	(7,750)
Total				¥(7,435)

March 31, 2000	Thousands of U.S. Dollars			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Interest Rate Swap:				
Receive Fixed Pay Floating	\$ 23,552	\$ 23,552	\$ 2,395	\$ 2,395
Pay Fixed Receive Floating	776,098	719,574	(52,208)	(52,208)
Total				\$(49,813)

Notes: 1. The market value of over the counter transactions are calculated using discounted cash flow method and option valuation model, etc.  
2. Details of interest rate swap notional amounts and average rates according to when due are as follows:

March 31, 2000	Millions of Yen		
	One Year or Less	More than One Year to Three Years	Over Three Years
Receive Fixed Pay Floating:			
Notional Amount	—	—	¥ 2,500
Average Receive Rate	—	—	3.40
Average Pay Rate	—	—	0.15
Receive Floating Pay Fixed:			
Notional Amount	¥6,000	¥28,531	¥47,851
Average Receive Rate	2.71	2.57	3.11
Average Pay Rate	0.15	0.19	0.25

March 31, 1999	Millions of Yen		
	One Year or Less	More than One Year to Three Years	Over Three Years
Receive Fixed Pay Floating:			
Notional Amount	—	—	¥ 2,500
Average Receive Rate	—	—	3.40
Average Pay Rate	—	—	0.34
Receive Floating Pay Fixed:			
Notional Amount	¥5,736	¥8,584	¥75,338
Average Receive Rate	1.64	3.08	2.93
Average Pay Rate	1.06	0.69	0.43

March 31, 2000	Thousands of U.S. Dollars		
	One Year or Less	More than One Year to Three Years	Over Three Years
Receive Fixed Pay Floating:			
Notional Amount	—	—	\$ 23,552
Receive Floating Pay Fixed:			
Notional Amount	\$56,524	\$268,786	\$450,788

## Currency Transactions

March 31, 2000	Millions of Yen			
	Contract Value		Market Value	Unrealized Gain (Loss)
	Total	Term Over One Year		
Over the Counter				
Currency Swap:				
U.S. Dollars	¥10,310	¥6,433	¥(586)	¥(586)
Euro	6,124	—	(11)	(11)
Total	¥16,434	¥6,433	¥(597)	¥(597)

March 31, 1999	Millions of Yen			
	Contract Value		Market Value	Unrealized Gain (Loss)
	Total	Term Over One Year		
Over the Counter				
Currency Swap:				
U.S. Dollars	¥19,959	¥7,306	¥(400)	¥(400)

March 31, 2000	Thousands of U.S. Dollars			
	Contract Value		Market Value	Unrealized Gain (Loss)
	Total	Term Over One Year		
Over the Counter				
Currency Swap:				
U.S. Dollars	\$ 97,136	\$60,606	\$(5,523)	\$(5,523)
Euro	57,688	—	(107)	(107)
Total	\$ 154,824	\$60,606	\$(5,630)	\$(5,630)

- Notes: 1. The market value of over the counter transactions are calculated using discounted cash flow method.
2. Foreign exchange contracts, currency options, etc. are revalued at the end of the fiscal year. The profit and loss calculated are included in the statements of operations.
3. The table below indicates the contract value of derivative transactions relating to currency transactions which are revalued.

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Over the Counter			
Foreign Exchange Contract:			
Sell	¥2,091	¥2,185	\$19,705
Buy	2,185	2,246	20,592

## 22. Cash and Cash Equivalent

The balance of cash and due from banks reflected in the consolidated balance sheet as of March 31, 2000 is reconciled to the balance of cash and cash equivalents at end of the year, which is presented in the consolidated statement of cash flows for the year then ended, as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and Due from Banks	¥55,355	\$521,481
Due from Banks in Foreign Currencies	(3,715)	(35,000)
Other Due from Banks	(945)	(8,906)
	¥50,695	\$477,575

## 23. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying financial statements for the year ended March 31, 2000, were approved at the shareholders' meeting held on June 29, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Transfer to Legal Reserve	¥ 70	\$ 659
Cash Dividends (¥20 = US\$0.188 per share)	350	3,297

# ***Independent Auditors' Report***

The Board of Directors and Shareholders  
The Bank of Ikeda, Ltd.

We have audited the accompanying consolidated balance sheets of The Bank of Ikeda, Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations and retained earnings for the years then ended, and the related consolidated statement of cash flows for the year ended March 31, 2000 all expressed in 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 yen present fairly the financial position of The Bank of Ikeda, Ltd. and consolidated subsidiaries at March 31, 2000 and 1999, and the results of their operations for the years then ended and the results of their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 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 2 to the consolidated financial statements.

Osaka, Japan  
June 29, 2000

*Century Ota Showa & Co.*

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

# Non-Consolidated Balance Sheets

The Bank of Ikeda, Ltd.  
At March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	2000
<b>ASSETS</b>			
Cash and Due from Banks	¥ 55,043	¥ 59,477	\$ 518,539
Call Loans	6,037	47,475	56,872
Commercial Paper and Other Debt Purchased	1,135	6,720	10,694
Trading Account Securities	13,515	2,032	127,318
Money Held in Trust	26,500	12,000	249,647
Securities (Note 4)	316,036	253,453	2,977,262
Loans and Bills Discounted (Note 5)	1,174,182	1,196,888	11,061,538
Foreign Exchanges	1,895	2,832	17,851
Other Assets	10,830	11,453	102,024
Premises and Equipment	25,391	25,515	239,197
Deferred Tax Assets (Note 6)	14,743	15,615	138,888
Customers' Liabilities for Acceptances and Guarantees	61,074	65,075	575,357
Reserve for Possible Loan Losses	(32,433)	—	(305,544)
<b>Total Assets</b>	<b>¥1,673,948</b>	<b>¥1,698,535</b>	<b>\$15,769,643</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Deposits	¥1,471,781	¥1,449,144	\$13,865,109
Call Money	19	20,257	175
Borrowed Money	38,595	48,262	363,593
Foreign Exchanges	36	26	341
Convertible Bonds	8,000	—	75,365
Other Liabilities	26,140	18,370	246,244
Reserve for Possible Loan Losses	—	29,951	—
Reserve for Retirement Allowances	2,805	3,159	26,429
Reserve for Possible Losses on Sales of Loans	4,767	3,869	44,910
Acceptances and Guarantees	61,074	65,075	575,357
<b>Total Liabilities</b>	<b>1,613,217</b>	<b>1,638,113</b>	<b>15,197,523</b>
<b>Shareholders' Equity</b>			
Common Stock	27,811	27,811	261,996
Capital Surplus	24,522	24,522	231,016
Legal Reserve	3,110	2,970	29,298
Retained Earnings	5,288	5,119	49,810
<b>Total Shareholders' Equity</b>	<b>60,731</b>	<b>60,422</b>	<b>572,120</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>¥1,673,948</b>	<b>¥1,698,535</b>	<b>\$15,769,643</b>

See accompanying Notes to Non-Consolidated Financial Statements.



# Notes to Non-Consolidated Financial Statements

The Bank of Ikeda, Ltd.  
At March 31, 2000 and 1999

## 1. Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Bank of Ikeda, Ltd. (the "Bank") in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity 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.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

## 2. U.S. Dollar Amounts

U.S. dollar amounts are included solely for the convenience of readers outside Japan at the rate of ¥106.15=US\$1.00, the rate prevailing on March 31, 2000. The translation should not be construed as a representation that yen could be converted into U.S. dollars at the above on any other rate.

## 3. Summary of Significant Accounting Policies

Refer to Notes to Consolidated Financial Statements.

## 4. Securities

Securities held as of March 31, 1999 consisted of the following:

March 31, 1999	Millions of Yen
National Government Bonds	¥ 73,814
Local Government Bonds	25,626
Corporate Bonds	50,066
Corporate Stock	62,705
Other Securities	41,242
<b>Total</b>	<b>¥253,453</b>
Listed Securities	¥ 94,206
Unlisted Securities	159,247
	<b>¥253,453</b>
Valuation Gain or Loss on Marketable Securities	
Included in these Securities were as Follows:	
Valuation Profit / (Loss)	
Listed Securities	¥ (6,515)
Unlisted Securities	1,147
<b>Net</b>	<b>¥ (5,368)</b>

## 5. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Bills Discounted	¥ 52,504	¥ 54,568	\$ 494,625
Loans on Bills	191,846	193,171	1,807,308
Loans on Deeds	773,376	782,373	7,285,694
Overdrafts	156,456	166,776	1,473,911
<b>Total</b>	<b>¥1,174,182</b>	<b>¥1,196,888</b>	<b>\$11,061,538</b>

Loans and bills discounted at March 31, 2000 included the following items:

(1) Balance of loans to companies under bankruptcy procedures: ¥12,218 million (US\$115,098 thousand).

Balance of delinquent loans: ¥53,903 million (US\$507,800 thousand).

Loans to companies under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (not including the written-down portion of the loan).

Delinquent loans are non-accrual loans provided to support the restructuring of companies under bankruptcy procedures. Such loans do not, however, extend a grace period to the borrower for the related interest payments.

(2) Balance of loans past due for 3 months or more: ¥2,410 million (US\$22,703 thousand).

Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest.

(3) Balance of restructured loans: ¥7,372 million (US\$69,454 thousand).

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.).

(4) The total balance of loans to companies under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans: ¥75,903 million (US\$715,055 thousand).

## 6. Income Taxes

Income taxes comprise corporation, inhabitants' and enterprise taxes, which in the aggregate resulted in statutory tax rates of approximately 42.0%.

Income taxes were provided for amounts currently payable for the year ended March 31, 1998. Effective April 1, 1998, the Bank adopted the deferred tax accounting in conformity with the revised accounting standards in Japan. As required, deferred tax assets are recorded based on the temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes. The effect of this initial application was to increase retained earnings as of April 1, 1998 by ¥11,418 million.

The significant components of the Bank's deferred tax—assets at March 31, 2000 and 1999 are summarized as follows:

March 31,	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Reserve for Possible Loan Losses	¥ 9,859	¥ 8,839	\$ 92,880
Reserve for Possible Losses on Sales of Loans	2,002	1,625	18,862
Depreciation	937	965	8,823
Reserve for Retirement Allowances	777	865	7,319
Accrued Bonuses	147	118	1,381
Tax Loss Carryforward	2,930	3,150	27,611
Other	557	52	5,252
Sub Total	17,209	15,614	162,128
Valuation Allowance	(2,466)	—	(23,240)
Total	¥14,743	¥15,614	\$138,888

## 7. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2000 and 1999, which would have been reflected in the balance sheets if finance leases other than those which transfer the ownership of leased property to the Bank (which are currently accounted for as operating leases) were capitalized:

March 31, 2000	Millions of Yen		
	Equipment	Others	Total
Acquisition Costs	¥2,611	¥158	¥2,769
Accumulated Depreciation	1,536	92	1,628
Net Book Value	¥1,075	¥ 66	¥1,141

March 31, 1999	Millions of Yen		
	Equipment	Others	Total
Acquisition Costs	¥2,383	¥179	¥2,562
Accumulated Depreciation	1,749	101	1,850
Net Book Value	¥ 634	¥ 78	¥ 712

March 31, 2000	Thousands of U.S. Dollars		
	Equipment	Others	Total
Acquisition Costs	\$24,600	\$1,488	\$26,088
Accumulated Depreciation	14,467	871	15,338
Net Book Value	\$10,133	\$ 617	\$10,750

Future minimum payments (including the interest portion thereon) subsequent to March 31, 2000 under finance leases other than those which transfer the ownership of the leased property to the Bank are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 344	\$ 3,241
2002 and thereafter	797	7,509
Total	¥1,141	\$10,750

The related lease payments and depreciation expense equivalent for the years ended March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Lease Payments	¥591	¥710	\$5,572
Depreciation Expense	591	710	5,572

Depreciation expense equivalent is computed by the straight-line method over the respective lease terms.

## 8. Derivatives

Market value information on derivative transactions at March 31, 2000 and 1999 is summarized as following:

### Interest Rate Transactions

March 31, 2000	Millions of Yen			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter Interest Rate Swap:				
Receive Fixed Pay Floating	¥ 2,500	¥ 2,500	¥ 254	¥ 254
Pay Fixed Receive Floating	82,382	76,382	(5,541)	(5,541)
Total				¥(5,287)

March 31, 1999	Millions of Yen			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Interest Rate Swap:				
Receive Fixed Pay Floating	¥ 2,500	¥ 2,500	¥ 315	¥ 315
Pay Fixed Receive Floating	89,658	83,922	(7,750)	(7,750)
Total				¥(7,435)

March 31, 2000	Thousands of U.S. Dollars			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Interest Rate Swap:				
Receive Fixed Pay Floating	\$ 23,552	\$ 23,552	\$ 2,395	\$ 2,395
Pay Fixed Receive Floating	776,098	719,574	(52,208)	(52,208)
Total				\$(49,813)

- Notes: 1. The market value of over the counter transactions are calculated using discounted cash flow method and option valuation model, etc.  
2. Details of interest rate swap notional amounts and average rates according to when due are as follows:

March 31, 2000	Millions of Yen		
	One Year or Less	More than One Year to Three Years	Over Three Years
Receive Fixed Pay Floating:			
Notional Amount	—	—	¥ 2,500
Average Receive Rate	—	—	3.40
Average Pay Rate	—	—	0.15
Receive Floating Pay Fixed:			
Notional Amount	¥6,000	¥28,531	¥47,851
Average Receive Rate	2.71	2.57	3.11
Average Pay Rate	0.15	0.19	0.25

March 31, 1999	Millions of Yen		
	One Year or Less	More than One Year to Three Years	Over Three Years
Receive Fixed Pay Floating:			
Notional Amount	—	—	¥ 2,500
Average Receive Rate	—	—	3.40
Average Pay Rate	—	—	0.34
Receive Floating Pay Fixed:			
Notional Amount	¥5,736	¥8,584	¥75,338
Average Receive Rate	1.64	3.08	2.93
Average Pay Rate	1.06	0.69	0.43

March 31, 2000	Thousands of U.S. Dollars		
	One Year or Less	More than One Year to Three Years	Over Three Years
Receive Fixed Pay Floating:			
Notional Amount	—	—	\$ 23,552
Receive Floating Pay Fixed:			
Notional Amount	\$56,524	\$268,786	\$450,788

## Currency Transactions

March 31, 2000	Millions of Yen			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Currency Swap:				
U.S. Dollars	¥10,310	¥6,433	¥(586)	¥(586)
Euro	6,124	—	(11)	(11)
Total	¥16,434	¥6,433	¥(597)	¥(597)

March 31, 1999	Millions of Yen			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Currency Swap:				
U.S. Dollars	¥19,959	¥7,306	¥(400)	¥(400)

March 31, 2000	Thousands of U.S. Dollars			
	Total	Term Over One Year	Market Value	Unrealized Gain (Loss)
Over the Counter				
Currency Swap:				
U.S. Dollars	\$ 97,136	\$60,606	\$(5,523)	\$(5,523)
Euro	57,688	—	(107)	(107)
Total	\$154,824	\$60,606	\$(5,630)	\$(5,630)

- Notes: 1. The market value of over the counter transactions are calculated using discounted cash flow method.  
2. Foreign exchange contracts, currency options, etc. are revalued at the end of the fiscal year. The profit and loss calculated are included in the statements of operations.  
3. The table below indicates the contract value of derivative transactions relating to currency transactions which are revalued.

Over the Counter	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Foreign Exchange Contract:			
Sell	¥2,091	¥2,185	\$19,705
Buy	2,185	2,246	20,592

# ***Independent Auditors' Report***

The Board of Directors and Shareholders  
The Bank of Ikeda, Ltd.

We have audited the non-consolidated balance sheets of The Bank of Ikeda, Ltd. as of March 31, 2000 and 1999 and the related non-consolidated statements of operations and retained earnings for the years then ended, all expressed in 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 yen, present fairly the financial position of The Bank of Ikeda, Ltd. at March 31, 2000 and 1999, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2000 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 2 to the non-consolidated financial statements.

Osaka, Japan  
June 29, 2000

*Century Ota Showa & Co.*

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

# Board of Directors

## President

Kazuya Kiyotaki

## Deputy President

Moritaka Hattori

## Senior Managing Directors

Katsutoshi Horii  
Shoichi Ogawa  
Noboru Komiya

## Managing Directors

Hiromi Nakao  
Masayuki Fujinami  
Toru Moriwaki  
Atsushi Kudo  
Sadayoshi Soematsu  
Toshiyuki Matsushima

## Directors

Mitsuhiro Hara  
Kazuhiro Masao

## Corporate Auditors

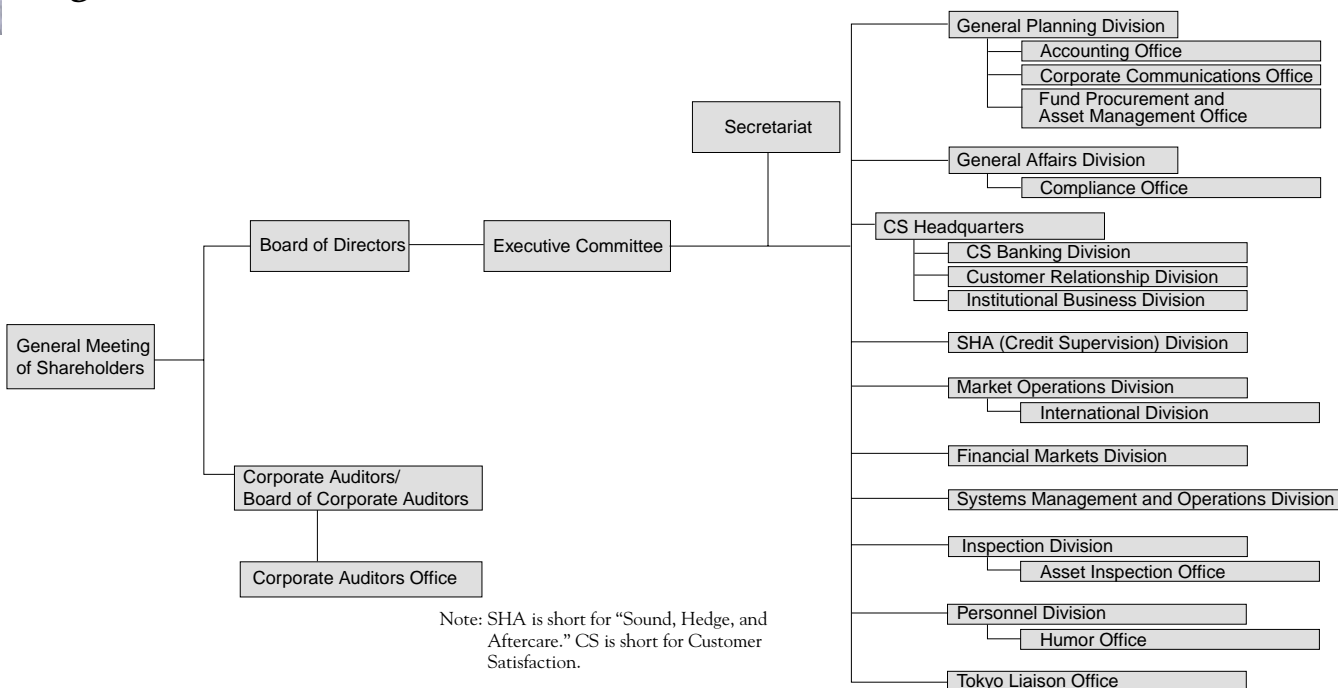
Motohiro Sugai  
Hidenobu Hiraoka  
Yoshikuni Hidaka (Full-time)  
Kiminobu Sugitani (Full-time)  
Masaya Kiyotaki

## Associate Directors

Kan Tanaka  
Yutaka Himeno  
Kenji Matsuura  
Masato Yamagiwa  
Kojiro Nigoro  
Yukio Ueda  
Etsuji Umehara  
Yoshio Matsumura  
Toshiki Mitani  
Sigeru Aoyagi  
Hirohisa Fujita

(As of June 29, 2000)

# Organization



(As of August 1, 2000)

# Banking Network

## Head Office

1-11, Jonan 2-chome, Ikeda,  
Osaka 563-0025, Japan  
Phone: 0727-51-3521  
Facsimile: 0727-51-2716

## Market Operations Division, International Division

6-1, Bakuro-Machi 3-chome,  
Chuo-ku, Osaka 541-0059,  
Japan  
Phone: 06-6251-3175  
Facsimile: 06-6251-3421  
Cable Address: IKEBANK  
Telex No.: 5242102  
AAB: 5242102 IKEBK J  
SWIFT: BIKEJPJS

## Financial Markets Division

6-1, Bakuro-Machi 3-chome,  
Chuo-ku, Osaka 541-0059,  
Japan  
Phone: 06-6251-2661  
Facsimile: 06-6251-3227

## Tokyo Office

19-1, Kanda Nishikicho  
1-chome,  
Chiyoda-ku, Tokyo  
101-0054, Japan  
Phone: 03-5281-1013  
Facsimile: 03-5281-1023

## Offices Handling

### International Banking Business

#### Head Office

1-11, Jonan 2-chome, Ikeda,  
Osaka 563-0025, Japan  
Phone: 0727-53-3737

## Osaka Branch

6-1, Bakuro-Machi 3-chome,  
Chuo-ku, Osaka 541-0059,  
Japan  
Phone: 06-6251-0791

## Nakanoshima Branch

2-18, Nakanoshima  
3-chome, Kita-ku, Osaka  
530-0005, Japan  
Phone: 06-6443-8841

## Esaka Branch

9-1, Toyotsucho, Suita,  
Osaka 564-0051, Japan  
Phone: 06-6386-6301

## Kobe Branch

3-15, Sannomiya-cho  
1-chome, Chuo-ku, Kobe  
650-0021, Japan  
Phone: 078-321-4391

## Tokyo Branch

19-1, Kanda Nishikicho  
1-chome, Chiyoda-ku,  
Tokyo 101-0054, Japan  
Phone: 03-5281-1010

## Kawanishi Branch

20-1, Sakaemachi,  
Kawanishi, Hyogo  
666-0033, Japan  
Phone: 0727-59-4761

## Umeda Sky-Lobby Branch

1-4, Shibata 1-chome,  
Kita-ku, Osaka 530-0012,  
Japan  
Phone: 06-6376-1781

## Shin-Osaka Branch

5-24, Miyahara 3-chome,  
Yodogawa-ku, Osaka  
532-0003, Japan  
Phone: 06-6396-5351

## Senri-Chuo Branch

5-3, Shinsenri-higashimachi  
1-chome, Toyonaka,  
Osaka 560-0082, Japan  
Phone: 06-6871-9981

## Ishibashi Branch

17-13, Ishibashi 2-chome,  
Ikeda, Osaka 563-0032,  
Japan  
Phone: 0727-61-8281

## Higashi-Osaka Branch

177, Nagata Naka 4-chome,  
Higashi-Osaka, Osaka  
577-0013, Japan  
Phone: 06-6745-6855

## Dojima Main Office

6-8, Nishitenma 2-chome,  
Kita-ku, Osaka, 530-0047,  
Japan  
Phone: 06-6362-5051

## Mukonosu Branch

5-4, Mukonosu 1-chome,  
Amagasaki, Hyogo  
661-0035, Japan  
Phone: 06-6436-4715

## Awaji Branch

18-6, Higashiawaji 4-chome,  
Higashiyodogawa-ku,  
Osaka 533-0023, Japan  
Phone: 06-6322-9240

## Money Exchange Offices

Umeda Branch  
Toyonaka Branch

Hattori Branch  
Kita-senri Branch  
Omiyacho Branch  
Takarazuka Branch  
Nigawa Branch  
Nishinomiya-kitaguchi  
Branch  
Itami Branch  
Rokko Branch  
Ikeda-ekimae Branch  
Ryokuchikoen Branch  
Mino-ekimae Branch  
Minami-senri Branch  
Kamishinjo Branch  
Mino Branch  
Onohara Branch  
Shonai Branch  
Kurakuen Branch  
Tada Branch  
Nissei-chuo Branch  
Yamamoto Branch  
Hotarugaike Branch  
Momoyamadai Branch  
Sone Branch  
Toyosato Branch  
Higashi-toyonaka Branch  
Nakayamadai Branch  
Tada-green-heights Branch  
Uneno Branch  
Takayasu Branch  
Nose Branch  
Mefu Branch  
Suita Branch  
Sanda Branch  
Ikeda-higashi Branch  
Kita-toyonaka Branch  
Tokiwadai Branch  
Asahigaoka Branch  
Tonda Branch  
Inano Branch  
Kyoto Branch  
Najio Branch  
Kawanishi-seiwadai Branch  
Yamashita Branch  
Sanda-woody-town Branch  
Takarazuka-ekimae Branch