

CONSOLIDATED BALANCE SHEETS

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Assets			
Cash and due from banks	¥ 321,813	¥ 131,761	\$ 2,415,113
Call loans and bills purchased	67,159	229,209	504,010
Commercial paper and other debt purchased	33,266	28,077	249,653
Trading account securities (Note 3)	1,723	2,024	12,932
Money held in trust (Note 3)	30,011	28,460	225,229
Investment securities (Notes 3 and 6)	1,087,417	1,047,005	8,160,729
Loans and bills discounted (Notes 4 and 6)	1,999,393	1,944,222	15,004,831
Foreign exchanges	707	666	5,312
Other assets	33,708	42,267	252,975
Premises and equipment (Note 5)	56,339	57,735	422,814
Deferred tax assets (Note 14)	447	423	3,355
Excess of cost of investments over equity in net assets acquired	123	155	925
Customers' liabilities for acceptances and guarantees (Note 10)	72,760	80,483	546,046
Reserve for possible loan losses	(42,485)	(39,316)	(318,843)
	¥3,662,386	¥3,553,174	\$27,485,081
Liabilities, Minority Interests and Stockholders' Equity			
Liabilities:			
Deposits (Note 7)	¥3,293,349	¥3,134,168	\$24,715,565
Call money and bills sold	9,940	11,274	74,600
Borrowed money (Note 8)	16,761	22,383	125,793
Foreign exchanges	51	44	386
Bonds payable (Note 8)	11,312	12,377	84,900
Other liabilities	45,869	52,878	344,239
Reserve for employee bonuses	743	—	5,582
Reserve for employee retirement benefits (Note 9)	6,227	6,879	46,737
Deferred tax liabilities (Note 14)	7,858	21,588	58,974
Deferred tax liabilities for revaluation (Note 5)	3,623	3,698	27,190
Acceptances and guarantees (Note 10)	72,760	80,483	546,046
Total liabilities	3,468,499	3,345,777	26,030,012
Minority interests in consolidated subsidiaries	3,046	2,701	22,862
Stockholders' equity (Notes 11 and 15):			
Common stock, no par value:			
Authorized: 398,000,000 shares;			
Issued: 263,225,000 shares in 2002 and 2001	20,000	20,000	150,094
Capital surplus	7,557	7,557	56,718
Revaluation increment on land (Note 5)	5,126	5,233	38,471
Retained earnings	115,262	113,650	865,012
Net unrealized gains on available-for-sale securities (Note 3)	43,333	58,362	325,201
Less, treasury stock, at cost - 973,152 shares in 2002 and 236,343 shares in 2001	(438)	(109)	(3,289)
Total stockholders' equity	190,841	204,695	1,432,207
	¥3,662,386	¥3,553,174	\$27,485,081

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Income:			
Interest income:			
Interest on loans and discounts	¥42,624	¥ 44,764	\$319,881
Interest and dividends on securities	21,196	23,501	159,074
Other interest income	360	208	2,705
Total interest income	64,181	68,475	481,660
Fees and commissions	8,080	7,787	60,643
Other operating income.....	12,760	13,487	95,765
Gain on transfer of investment securities to trusts for retirement benefit plan	—	16,033	—
Other income	4,613	6,390	34,626
Total income (Note 16)	89,636	112,172	672,694
Expenses:			
Interest expenses:			
Interest on deposits	3,976	6,892	29,839
Interest on borrowings and rediscounts.....	543	775	4,081
Other interest expenses.....	7,062	6,259	53,002
Total interest expenses	11,582	13,927	86,922
Fees and commissions	2,429	2,228	18,235
Other operating expenses	11,830	9,505	88,786
General and administrative expenses	45,368	44,944	340,475
Provision for possible loan losses.....	6,387	12,838	47,933
Transitional provision of adoption of new accounting standard for retirement benefits.....	—	19,310	—
Other expenses	6,875	2,622	51,600
Total expenses (Note 16)	84,474	105,377	633,951
Income before income taxes and minority interests ...	5,162	6,794	38,743
Income taxes (Note 14)	1,948	2,566	14,622
Minority interests in net income of consolidated subsidiaries.....	350	271	2,633
Net income.....	¥ 2,863	¥ 3,956	\$ 21,488
		Yen	U.S. dollars
Per share:			
Net income	¥ 10.90	¥ 15.04	\$ 0.08
Cash dividends	5.00	5.00	0.04

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries For the years ended March 31, 2002 and 2001

	Number of common shares issued	Common stock	Capital surplus	Revaluation increment on land	Retained earnings	Net unrealized gains on available-for-sale securities	Treasury stock
Millions of yen							
Balance at March 31, 2000	263,225,000	¥20,000	¥7,557	¥5,311	¥110,960	¥ —	¥(110)
Net income	—	—	—	—	3,956	—	—
Cash dividends	—	—	—	—	(1,314)	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	(30)	—	—
Reversal of revaluation increment on land.....	—	—	—	(78)	78	—	—
Net unrealized gains on available-for-sale securities, net of applicable income taxes of ¥41,266 million.....	—	—	—	—	—	58,362	—
Fractional shares sold, net	—	—	—	—	—	—	1
Balance at March 31, 2001	263,225,000	20,000	7,557	5,233	113,650	58,362	(109)
Net income	—	—	—	—	2,863	—	—
Cash dividends	—	—	—	—	(1,313)	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	(45)	—	—
Reversal of revaluation increment on land.....	—	—	—	(107)	107	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	—	(15,029)	—
Purchase of 714,000 shares of treasury stock under the stock option plan.....	—	—	—	—	—	—	(318)
Fractional shares acquired, net.....	—	—	—	—	—	—	(10)
Balance at March 31, 2002	263,225,000	¥20,000	¥7,557	¥5,126	¥115,262	¥43,333	¥(438)

	Common stock	Capital surplus	Revaluation increment on land	Retained earnings	Net unrealized gains on available-for-sale securities	Treasury stock
Thousands of U.S. dollars						
Balance at March 31, 2001	\$150,094	\$56,718	\$39,275	\$852,915	\$437,993	\$ (818)
Net income	—	—	—	21,488	—	—
Cash dividends	—	—	—	(9,857)	—	—
Bonuses to directors and corporate auditors.....	—	—	—	(338)	—	—
Reversal of revaluation increment on land	—	—	(804)	804	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	(112,792)	—
Purchase of 714,000 shares of treasury stock under the stock option plan	—	—	—	—	—	(2,393)
Fractional shares acquired, net.....	—	—	—	—	—	(78)
Balance at March 31, 2002	\$150,094	\$56,718	\$38,471	\$865,012	\$325,201	\$(3,289)

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥ 5,162	¥ 6,794	\$ 38,743
Adjustments for:			
Depreciation	10,850	10,975	81,429
Increase in reserve for possible loan losses.....	3,169	6,358	23,788
Interest income recognized on statement of income	(64,181)	(68,475)	(481,660)
Interest expenses recognized on statement of income	11,582	13,927	86,922
Net losses (gains) on sale or maturities of investment securities	2,077	(5,635)	15,590
Increase in loans and bills discounted	(55,171)	(34,275)	(414,047)
Increase in deposits	159,180	115,384	1,194,600
Decrease (increase) in call loans and bills purchased.....	156,867	(12,264)	1,177,243
(Decrease) increase in call money and bills sold	(1,334)	2,729	(10,015)
Interest income received	67,363	68,453	505,541
Interest expenses paid.....	(13,965)	(15,349)	(104,806)
Other, net	(22,330)	13,093	(167,593)
Subtotal	259,269	101,717	1,945,735
Income taxes paid.....	(8,660)	(4,484)	(64,995)
Net cash provided by operating activities.....	250,608	97,232	1,880,740
Cash flows from investing activities:			
Purchases of investment securities.....	(429,766)	(355,632)	(3,225,264)
Proceeds from sale or maturities of investment securities	365,956	289,658	2,746,390
Net change in money held in trust	(2,054)	(9,000)	(15,421)
Purchases of premises and equipment.....	(10,540)	(13,208)	(79,104)
Proceeds from sale of premises and equipment.....	646	458	4,850
Net cash used in investing activities.....	(75,759)	(87,723)	(568,549)
Cash flows from financing activities:			
Repayment of borrowed money	(3,000)	(3,000)	(22,514)
Dividends paid.....	(1,317)	(1,320)	(9,891)
Other, net	(329)	1	(2,472)
Net cash used in financing activities	(4,647)	(4,319)	(34,877)
Effect of exchange rate changes on cash and cash equivalents	19	32	145
Net increase in cash and cash equivalents.....	170,221	5,222	1,277,459
Cash and cash equivalents at beginning of year	131,188	125,965	984,526
Cash and cash equivalents at end of year.....	¥301,409	¥131,188	\$2,261,985

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries

1. BASIS OF FINANCIAL STATEMENTS

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakugo Bank, Ltd. (the "Bank") and its consolidated subsidiaries (together with the Bank, the "Group") have been prepared in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from application and disclosure requirements of International Accounting Standards. Certain items presented in the original consolidated financial statements in Japanese submitted to the Director of Kanto Finance Bureau of Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The amounts shown in millions of Japanese yen in the accompanying consolidated financial statements are stated by omitting amounts less than one million yen in accordance with the Legal Provisions. Accordingly, the sum of each yen amount appearing in the accompanying consolidated financial statements and the notes thereto may not be equal to the sum of the individual account balances.

(b) U.S. dollar amounts

The Group maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese yen to U.S. dollars on a basis of ¥133.25 = \$1, the exchange rate at March 31, 2002. The inclusion of such dollar amounts is solely for the convenience of the readers and is not intended to imply that yen and assets and liabilities originated in yen have been or could be readily converted, realized or settled in dollars at ¥133.25 = \$1 or at any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements included the accounts of the Bank and all of its subsidiaries. The Bank had eight and seven subsidiaries primarily engaged in a wide range of financial services to customers and no affiliate at March 31, 2002 and 2001, respectively, based on the judgment of the Bank for subsidiaries as enterprises that are controlled by the Bank rather than owned with a majority voting interest. All intercompany transactions and accounts have been eliminated. The difference between the cost of investments in subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition is amortized over five years by the straight-line method.

(b) Cash and cash equivalents

For the purpose of consolidated statements of cash flows, cash and cash equivalents consisted of cash and demand deposits from the Bank of Japan as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and due from banks	¥321,813	¥131,761	\$2,415,113
Less, due from banks other than the Bank of Japan	(20,404)	(573)	(153,128)
Cash and cash equivalents	¥301,409	¥131,188	\$2,261,985

(c) Trading account securities

Trading account securities are stated at fair value at the fiscal year-end. Related gains or losses, both realized and unrealized, are included in current earnings. Accrued interest on trading account securities is included in other assets.

(d) Investment securities

Debt securities for which the Group has both positive intent and ability to hold to maturity are classified as held-to-maturity securities, and are stated at amortized cost. Marketable securities, other than those classified as trading or held-to-maturity securities, are carried at fair value as available-for-sale securities, with net unrealized gains or losses reported as a separate component of stockholders' equity, net of applicable income taxes. Nonmarketable securities among available-for-sale securities are stated at moving average cost or amortized cost. Carrying values of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairments in values. Gains and losses on disposition of investment securities are principally computed based on the moving average method.

Accrued interest on securities is included in other assets. Funds entrusted to trust banks for securities (included in "Money held in trust") of the Bank are stated at the same method as applied to investment securities mentioned above.

(e) Derivatives and hedge accounting

The Group uses swaps, forward and options contracts, and other types of derivative contracts. These derivative instruments are used to meet the financing needs of the customers for risk management, the Group's asset-liability management, and as a source of income.

Derivatives are carried at fair value, with unrealized and realized gains and losses recorded as current earnings. Derivatives used for hedge purposes are accounted for under a certain method of hedge accounting, referred to as "Macro hedge" in which the Bank manages interest risks arising from various assets and liabilities with derivatives transactions as a whole. Under the macro hedge accounting, the Bank records the outstanding derivative transactions at fair value on the consolidated balance sheets. However, the Bank defers unrealized gains and losses on hedging instruments not attributable to the related gains and losses on the hedged items and records them as other assets or liabilities on the accompanying consolidated balance sheets. The Bank applies a risk adjustment approach in accordance with the report "Tentative Treatments in Accounting and Audit for Banks on Application of Accounting Standard for Financial Instruments" issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Effectiveness of the macro hedge is reviewed for a reduction in interest rate risk exposure and for the actual risk amount of

derivatives within the permitted risk amount under the Bank's risk control policies. In addition to the macro hedge, the Group applies to certain assets and liabilities deferral hedge accounting, fair value hedge accounting or special treatments permitted for interest rate swaps.

The hedge accounting similar to the above-mentioned method is adopted by the consolidated subsidiaries. A certain consolidated subsidiary engaged in leasing operations uses an accounting method similar to the macro hedge of the Bank to manage exposure to fluctuations in interest rates between leasing income as determined by fixed rates and related borrowed money in accordance with special treatments for the leasing companies permitted by JICPA.

(f) Loans and bills discounted, and reserve for possible loan losses

Loans and bills discounted are stated at the amount of unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the contract terms of the loans or bills.

The reserve for possible loan losses of the Bank is established to cover future credit loss pursuant to the internal rules for the self-assessment for asset quality and providing the reserve for possible loan losses. Loans written off are charged to either reserve for possible loan losses or current income. Recoveries of loans written off are recorded as other income.

Such a provision is made based on the Bank's internal rules for establishing the reserve for possible loan losses. For claims to borrowers in legal bankruptcy and virtual bankruptcy, a reserve has been provided based on the amounts of the claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to borrowers having the possibility of bankruptcy, a reserve has been provided at the amounts considered necessary based on an overall solvency assessment performed for the amounts of the claims net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to borrowers except those mentioned above, a reserve has been provided based on the historical loan loss experience of the Bank for a certain past period. For foreign claims, the Bank establishes a reserve for loans to restructuring countries (including reserves for losses on overseas investments in accordance with the Special Tax Measures Law of Japan) based on the amount of expected losses due to the political and economic situation in their respective countries. All claims are assessed by the Bank's operating divisions based on the Bank's internal rules for the self-assessment of asset quality. The inspection division, which is independent from operating divisions, conducts audits of these assessments, and a reserve is provided based on the audit results.

The reserve of the consolidated subsidiaries has been provided at the amounts considered necessary based on a similar basis to the Bank.

(g) Premises and equipment, and depreciation

Premises and equipment are principally stated at cost, less accumulated depreciation computed by the declining-balance method, except for leased property, over the following estimated useful lives of the assets:

Buildings	15 years to 50 years
Equipment and furniture	4 years to 15 years

The Bank changed the estimated useful lives of computer devices from 6 years to 4 or 5 years from the year ended March 31, 2002. This change resulted in a decrease in income before income taxes and minority interests by ¥269 million (\$2,023 thousand) for the year ended March 31, 2002.

Premises and equipment of a certain consolidated subsidiary such as leased property as lessor have been depreciated by the straight-line method over the lease contract terms to the amount equal to the estimated disposal value at the time of the lease expiration.

(h) Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the Group accounts for such lease contracts as lessee or lessor by the accounting treatments similar to operating leases as permitted by the "Opinion Concerning Accounting Standards for Leases" issued by the Business Accounting Deliberation Council of Japan ("BADC") in June 1993.

(i) Costs of computer software developed or obtained for internal use

Costs of computer software developed or obtained for internal use are principally deferred and amortized by the straight-line method over the estimated useful lives of five years.

(j) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-ends. Revenues and expenses are translated at the exchange rates at transaction dates. Gains or losses resulting from transactions are included in the determination of net income.

In prior years, the Bank applied "New Foreign Accounting Standards," in accordance with the "Tentative Auditing Treatment for the continuing adoption of 'New Foreign Accounting Standards' in Banking Industries" issued by JICPA in April 2000. Effective the current fiscal year ended March 31, 2002, the Bank applied the accounting prescribed in "Opinion Concerning the Revision of Accounting Standards for Foreign Currency Translation" issued by BADC in October 1999, excluding the accounting applied based on the Industry Audit Committee Report No. 20 "Tentative Accounting and Auditing Treatment relating to Adoption of 'Accounting for Foreign Currency Translation for Banks'" issued by JICPA. This change resulted in no material effect on the consolidated financial statements for the year ended March 31, 2002.

Pursuant to JICPA Industry Audit Committee No. 20, the amounts for fund swap transactions on the balance sheet are net yen-conversions of the principal equivalents of assets and liabilities using the exchange rate at the fiscal year-end. Differences between spot and forward rates in fund swap transactions are booked in the interest income or expense account on an accrual basis for the period from the settlement of spot foreign exchange to the settlement date of forward foreign exchange. Therefore, accrued interest income or expenses are recognized at the fiscal year end.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange either bought or sold and forward foreign exchange either sold or bought. Such transactions are contracted for the purpose of funds lending or borrowing in different currencies. Fund swap transactions are used to convert the principal equivalent amount into spot foreign exchange bought or sold with regard to the corresponding borrowed or loaned funds. Also, such transactions convert the corresponding principal equivalents and foreign currency

equivalents payable and receivable, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange either bought or sold.

For currency swap transactions which are for the purpose of funds borrowing/lending in different currencies and for which spot/forward are flat type, which means that paying or receiving amounts at the time of currency swap contracts are equal to receiving or paying amounts at the currency swap maturity dates and the swap rate applied to principal and interest is the current market rate (including the currency swap transactions which are that the principal amount of the counterparty is revised in order to reflect each exchange rate at the interest payment dates and are judged as spot/forward flat type for each interest payment date), the amounts on the balance sheet are net positions of financial asset and liability equivalents translated by using the fiscal year-end exchange rate. The equivalent amounts of interest to exchange are booked in interest income and expense accounts on an accrual basis for the corresponding contract period. Therefore, accrued interest income or expenses are recognized at the fiscal year end.

(k) Employee retirement benefits

Employees who terminate their service with the Group are entitled to retirement benefits generally determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs. The Bank has a lump-sum retirement benefit plan, and has also established defined benefit pension plans, which cover substantially all of its employees. Some of the principal consolidated subsidiaries have also adopted the pension plans.

The Group adopted the new accounting standard for employee retirement benefits from the year ended March 31, 2001. Until the year ended March 31, 2000, the contribution to the pension plan was charged to income when paid, and the Group provided for a reserve for employees' retirement allowances at the full amount that would be payable assuming that all employees voluntarily terminated their employment at the balance sheet date. In accordance with the new accounting standard, the Group has principally recognized the retirement benefits including pension cost and related liability based on the actuarial present value of the projected benefit obligation using an actuarial appraisal approach and the pension plan assets available for benefits at the respective fiscal year-ends. A transitional provision for adoption of this new accounting standard of ¥19,310 million was charged to income in a single fiscal year ended March 31, 2001, through the establishment of a trust foundation for transfer of investment securities with a recorded gain of ¥16,033 million. Unrecognized prior service cost is amortized using the straight-line method over three years from the year in which they occur. Unrecognized actuarial differences such as changes in the projected benefit obligation or pension plan assets resulting from the experience different from assumptions and from changes in assumptions are amortized on a straight-line basis over ten years as a certain period within the remaining years of service of employees from the next year after they arise.

(l) Reserve for employee bonuses

Reserve for employee bonuses is provided for the payment of bonuses to employees based on the estimated amounts of future payments attributable to the current year. Such reserve at March 31, 2002 is separately disclosed on the accompanying consolidated balance sheets in accordance with the amended disclosure requirements, while a corresponding amount of ¥711 million at March 31, 2001 was included as other liabilities.

(m) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforward. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(n) Bond discounts and bond issuance costs

Bond discounts and bond issuance costs are deferred as other assets and amortized by the straight-line method over the life of related bonds and three years, respectively.

(o) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or stockholders.

(p) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the respective years. No diluted net income per share was presented, as the dilutive effect of stock option was not applicable for the year ended March 31, 2002.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

3. TRADING ACCOUNT SECURITIES, MONEY HELD IN TRUST AND INVESTMENT SECURITIES

At March 31, 2002 and 2001, trading account securities consisted of national government bonds only.

At March 31, 2002 and 2001, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
National government bonds	¥ 300,559	¥ 282,743	\$2,255,603
Local government bonds	210,020	210,710	1,576,139
Bonds and debentures	226,236	228,428	1,697,838
Equity securities	106,215	129,336	797,115
Other securities	244,385	195,786	1,834,034
	¥1,087,417	¥1,047,005	\$8,160,729

Trading account securities, money held in trust and investment securities in the accompanying consolidated balance sheets included marketable securities trading on the stock exchanges or the over-the-counter markets.

Investment securities are classified as trading, held-to-maturity or available-for-sale, whose classification determines the respective accounting method as stipulated by the accounting standard. At March 31, 2002 and 2001, carrying values of trading account securities, money held in trust for trading purposes and related net unrealized gains or losses included in the current earnings were as follows:

	Carrying	Unrealized	Carrying	Unrealized	Carrying	Unrealized
	value	gains/ (losses)	value	gains/ (losses)	value	gains/ (losses)
	Millions of yen				Thousands of U.S. dollars	
	2002		2001		2002	
Trading account securities.....	¥1,723	¥ 4	¥2,024	¥ 7	\$12,932	\$ 37
Money held in trust.....	3,986	(13)	4,011	11	29,918	(101)

At March 31, 2002 and 2001, gross unrealized gains and losses for marketable securities held-to-maturity and available-for-sale are summarized as follows:

	Carrying	Gross	Gross	Fair value
	value	unrealized	unrealized	
	Millions of yen			
Held-to-maturity debt securities with fair value at March 31, 2002:				
National government bonds ..	¥ 3	¥ 0	¥ (0)	¥ 3
Local government bonds ...	2,989	199	—	3,188
Bonds and debentures.....	—	—	—	—
Others	18,000	13	(49)	17,964
	<u>¥20,992</u>	<u>¥213</u>	<u>¥(49)</u>	<u>¥21,156</u>

Held-to-maturity debt securities with fair value at March 31, 2001:

National government bonds...	¥ 3	¥ 0	¥ —	¥ 4
Local government bonds ...	3,980	320	—	4,301
Bonds and debentures.....	—	—	—	—
Others	12,000	10	(19)	11,991
	<u>¥15,984</u>	<u>¥330</u>	<u>¥(19)</u>	<u>¥16,296</u>

Thousands of U.S. dollars

Held-to-maturity debt securities with fair value at March 31, 2002:

National government bonds ...	\$ 24	\$ 2	\$ (0)	\$ 26
Local government bonds ...	22,433	1,495	—	23,928
Bonds and debentures.....	—	—	—	—
Others	135,084	102	(370)	134,816
	<u>\$157,541</u>	<u>\$1,599</u>	<u>\$(370)</u>	<u>\$158,770</u>

	Cost	Gross	Gross	Fair and
		unrealized	unrealized	carrying
	Millions of yen			
Available-for-sale securities with fair value at March 31, 2002:				
Equity securities	¥ 53,783	¥51,034	¥(1,224)	¥ 103,593
Bonds:				
National government bonds ...	289,911	10,739	(94)	300,555
Local government bonds...	198,284	8,753	(7)	207,031
Bonds and debentures ...	217,957	5,620	(86)	223,491
Others	221,605	1,591	(1,741)	221,456
	<u>¥981,542</u>	<u>¥77,739</u>	<u>¥(3,154)</u>	<u>¥1,056,127</u>
Money held in trust	¥ 26,609	¥ 15	¥ (599)	¥ 26,025

Available-for-sale securities with fair value at March 31, 2001:

Equity securities	¥ 59,512	¥ 69,245	¥(1,991)	¥ 126,766
Bonds:				
National government bonds ...	269,021	13,758	(40)	282,739
Local government bonds ...	196,151	10,578	—	206,729
Bonds and debentures ...	218,499	7,525	(13)	226,010
Others	176,965	2,098	(954)	178,109
	<u>¥920,150</u>	<u>¥103,205</u>	<u>¥(3,000)</u>	<u>¥1,020,355</u>

Money held in trust

	¥ 25,000	¥ 485	¥(1,036)	¥ 24,448
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Thousands of U.S. dollars

Available-for-sale securities with fair value at March 31, 2002:

Equity securities.....	\$ 403,628	\$383,001	\$(9,192)	\$ 777,437
Bonds:				
National government bonds ..	2,175,695	80,596	(712)	2,255,579
Local government bonds..	1,488,067	65,693	(54)	1,553,706
Bonds and debentures..	1,635,704	42,178	(651)	1,677,231
Others.....	1,663,081	11,944	(13,067)	1,661,958
	<u>\$7,366,175</u>	<u>\$583,412</u>	<u>\$(23,676)</u>	<u>\$7,925,911</u>
Money held in trust	\$ 199,699	\$ 114	\$(4,502)	\$ 195,311

At March 31, 2002 and 2001, net unrealized gains of available-for-sale securities, net of applicable income taxes and minority interests, recorded in a separate component of stockholders' equity on the accompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Unrealized gains (losses)	¥ 74,000	¥ 99,653	\$ 555,348
Less, applicable income taxes	(30,643)	(41,266)	(229,968)
Less, minority interests portion ..	(23)	(24)	(179)
Net unrealized gains in stockholders' equity	¥ 43,333	¥ 58,362	\$ 325,201

During the years ended March 31, 2002 and 2001, the Group sold available-for-sale securities and recorded gains of ¥4,374 million (\$32,831 thousand) and ¥6,040 million, respectively, and losses of ¥889 million (\$6,675 thousand) and ¥94 million, respectively, excluding a gain on transfer to trusts for retirement benefit plan in the year 2001, on the accompanying consolidated statements of income.

Expected maturities of debt securities held-to-maturity and available-for-sale at March 31, 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due in one year or less	¥144,938		\$1,087,720
Due after one year through five years ..	487,123		3,655,708
Due after five years through ten years ..	313,459		2,352,420
Due after ten years	19,792		148,536
	¥965,314		\$7,244,384

4. LOANS AND BILLS DISCOUNTED

At March 31, 2002 and 2001, loans and bills discounted consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Bills discounted	¥ 48,028	¥ 56,611	\$ 360,440
Loans on notes	329,989	385,282	2,476,468
Loans on deeds	1,278,224	1,134,214	9,592,680
Overdrafts	343,151	368,112	2,575,243
	¥1,999,393	¥1,944,222	\$15,004,831

At March 31, 2002 and 2001, nonaccrual outstanding of loans and bills discounted, on which interest revenue accruals have been suspended when loans are classified as claims to borrowers in bankruptcy and past due loans, aggregated ¥67,828 million (\$509,035 thousand) and ¥52,193 million, respectively. Loans are generally placed on nonaccrual status when substantial doubt is judged to exist as to ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons. Claims to borrowers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to borrowers who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law of Japan. Past due loans are nonaccrual loans other than

claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

At March 31, 2002 and 2001, accruing loans for which the payment of the principal and/or interest is contractually past due three months or more, excluding nonaccrual loans, amounted to ¥465 million (\$3,496 thousand) and ¥3,760 million, respectively.

At March 31, 2002 and 2001, restructured loans for which the Bank has relaxed lending conditions to borrowers in financial difficulties through measures such as reduction of the original interest rate, forbearance of interest and/or principal payments, and extension of maturity date in order to support the borrowers in their financial recovery or restructuring, excluding nonaccrual loans and accruing loans contractually past due three months or more disclosed above, amounted to ¥28,315 million (\$212,500 thousand) and ¥18,857 million, respectively.

Total nonperforming assets net of charge-offs, which consisted of nonaccrual loans, accruing loans contractually past due three months or more and restructured loans, aggregated ¥96,610 million (\$725,031 thousand) and ¥74,811 million at March 31, 2002 and 2001, respectively.

5. PREMISES AND EQUIPMENT

At March 31, 2002 and 2001, a major classification of premises and equipment was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Land	¥ 19,360	¥ 18,752	\$ 145,292
Buildings and structures	30,203	30,176	226,669
Equipment	78,529	78,726	589,342
Construction in progress	456	335	3,429
	128,550	127,992	964,732
Less, accumulated depreciation ..	(73,249)	(71,334)	(549,716)
	55,300	56,657	415,016
Lease deposits and intangible assets	1,039	1,077	7,798
	¥ 56,339	¥ 57,735	\$ 422,814

The Bank elected the one-time revaluation to restate the cost of land used for the banking business at values rationally reassessed, reflecting appropriate adjustments for land shape and other factors, based on the appraisal values issued by the Japanese National Tax Agency effective on March 31, 1998 under the Law Concerning Revaluation of Land. According to the Law, the amount equivalent to the tax effect on the excess of sound reassessed values over the original book values is recorded in the liabilities as deferred tax liabilities for revaluation account, and the rest of such excess, net of the tax effect, is recorded in stockholders' equity as revaluation increment on land account in the accompanying consolidated balance sheets. At March 31, 2002 and 2001, the difference of the carrying values of land used for the banking business after reassessment over the current market value of such land at the respective fiscal year-ends amounted to ¥4,448 million (\$33,383 thousand) and ¥3,672 million, respectively.

6. PLEDGED ASSETS

At March 31, 2002 and 2001, the following assets were pledged as collateral for liabilities such as certain deposits and borrowed money:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Investment securities	¥90,646	¥46,344	\$680,274
Loans and bills discounted	—	78	—

In addition, investment securities totaling ¥58,830 million (\$441,502 thousand) and ¥116,510 million at March 31, 2002 and 2001, respectively, were pledged as collateral for the settlement of exchange, derivative and other transactions.

7. DEPOSITS

At March 31, 2002 and 2001, deposits consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Demand deposits	¥1,336,613	¥1,052,719	\$10,030,870
Time deposits	1,836,375	1,949,644	13,781,430
Other deposits	46,408	42,525	348,279
Subtotal	3,219,397	3,044,889	24,160,579
Negotiable deposits	73,951	89,279	554,986
	¥3,293,349	¥3,134,168	\$24,715,565

8. BORROWED MONEY AND BONDS PAYABLE

Borrowed money consisted of the borrowings from financial institutions with an average interest rate of 1.49% at March 31, 2002 due through May 2007. Borrowed money included subordinated debt of ¥3,000 million at March 31, 2001.

The annual maturities of borrowed money at March 31, 2002 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 8,693	\$ 65,242
2004	3,370	25,292
2005	2,718	20,401
2006	1,725	12,949
2007	244	1,833
2008 and thereafter	10	76
	¥16,761	\$125,793

At March 31, 2002 and 2001, bonds payable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Unsecured 6.9% US\$ 84,900,000 notes, due in February 2005	¥11,312	¥12,377	\$84,900

9. EMPLOYEE RETIREMENT BENEFITS

The Group has defined benefit pension plans and lump-sum retirement benefit plans, which substantially cover all employees.

The following table reconciles the benefit liability and net periodic retirement benefit expense as at or for the years ended March 31, 2002 and 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Reconciliation of benefit liability:			
Projected benefit obligation	¥ 65,263	¥ 58,785	\$ 489,780
Less, fair value of pension plan assets at end of year	(46,796)	(49,080)	(351,193)
Projected benefit obligation in excess of pension plan assets	18,466	9,705	138,587
Less, unrecognized actuarial differences (loss)	(13,473)	(4,735)	(101,116)
Unrecognized prior service cost of retroactive benefits granted by the pension plan amendment	1,234	1,910	9,266
Net amounts of reserve for employee retirement benefits recognized on the consolidated balance sheets	¥ 6,227	¥ 6,879	\$ 46,737

Notes 1. The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.

2. Prior service cost resulted from the plan amendments such as changes of benefit formula or the deferral of commencing age of annuity payments to employees in relation to the portion subject to the revised Japanese Welfare Pension Insurance Law in the year ended March 31, 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Components of net periodic retirement benefit expense:			
Service cost	¥ 1,803	¥ 1,942	\$13,532
Interest cost	1,761	1,755	13,219
Expected return of pension plan assets	(1,232)	(1,305)	(9,252)
Amortization of prior service cost	(675)	(116)	(5,071)
Amortization of actuarial differences	473	—	3,554
Initial transitional provision ...	—	19,310	—
Net periodic retirement benefit expense	¥ 2,129	¥21,586	\$15,982

Major assumptions used in the calculation of the above information for the years ended March 31, 2002 and 2001 were as follows:

	2002	2001
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.5%	3.0%
Expected rate of return on pension plan assets	4.0%	4.0%
Amortization of prior service cost	3 years	3 years
Amortization of actuarial differences	10 years	10 years
Amortization of initial transitional provision	—	1 year

10. ACCEPTANCES AND GUARANTEES

The Bank provides guarantees for liabilities of its customers for the payments of loans or other liabilities from other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as assets on the accompanying consolidated balance sheets, indicating the Bank's right of indemnity from customers.

11. STOCKHOLDERS' EQUITY

The authorized number of shares of common stock, with a par value of ¥50 per share, is 398 million at March 31, 2002, subject to reduction due to a cancellation of treasury stock acquired.

Pursuant to the Commercial Code of Japan and the resolution by stockholders at the annual general meeting on June 27, 2002, the Company can purchase the treasury stock of the Company up to 10 million shares in maximum consideration for ¥6,000 million (\$45,028 thousand) for the period through the date of its next annual shareholders' general meeting.

On June 28, 2001, the Company implemented a stock option plan approved by stockholders at the annual general meeting. During the year ended March 31, 2002, the Bank purchased 714,000 shares of the common stock of the Bank in consideration of ¥318 million (\$2,393 thousand), pursuant to the resolution approved by stockholders at the annual general meeting on June 28, 2001 for the future transfer of common shares to Board members and selected executive employees. Under the stock option plan, stock options were granted to 13 members of the Board of Directors and 292 executive employees as of June 28, 2001, and each stock option is exercisable from June 29, 2003 to March 31, 2006.

At March 31, 2002 and 2001, retained earnings included legal reserve of the Bank in the amounts of ¥17,377 million (\$130,414 thousand) and ¥16,777 million, respectively. The Banking Law of Japan provides that an amount equivalent to at least 20% of the cash payments as an appropriation of retained earnings shall be appropriated as the legal reserve until the total amount of capital surplus and such reserve equals 100% of common stock. The legal reserve is not available for distributions as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or stockholders.

12. COMMITMENTS

(a) Loan commitments

Contracts of overdraft facilities and loan commitment limits are the contracts that the Bank lends to customers up to the prescribed limits in response to customers' applications for loans as long as there is no violation of any condition in the contracts. At March 31, 2002 and 2001,

the unused amount within the limits relating to these contracts aggregated ¥933,706 million (\$7,007,179 thousand) and ¥872,158 million, respectively. Such outstanding contract amounts included the contracts which expire within one year or are revocable for the Bank at any time without any conditions in the aggregate amounts of ¥916,220 million (\$6,875,952 thousand) and ¥859,777 million, respectively.

Since many of these commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank can refuse customers' applications for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Bank obtains real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank performs periodic reviews of the customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

(b) Lease commitments

The Group leases certain office space and equipment under long-term noncancelable lease agreements as lessee. As disclosed in Note 2(h), the leased property of the Group as lessee is not capitalized and relating rental and lease expenses are charged to income as incurred. At March 31, 2002 and 2001, aggregate future minimum lease commitments to be paid for such noncancelable agreements, including the imputed interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Financing leases as lessee:			
Due within one year	¥ 4	¥ 3	\$ 33
Due after one year	7	7	58
	¥ 12	¥ 10	\$ 91
Operating leases as lessee:			
Due within one year	¥ 530	¥ 626	\$3,978
Due after one year	635	1,157	4,767
	¥1,165	¥1,784	\$8,745

In addition, a certain consolidated subsidiary engaged in leasing operations entered into various long-term noncancelable lease agreements with third parties as lessor, which were categorized as financing leases. At March 31, 2002 and 2001, aggregate future minimum lease commitments to be received for such noncancelable agreements, excluding the imputed interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Financing leases as lessor:			
Due within one year	¥ 6,916	¥ 7,028	\$ 51,909
Due after one year	13,184	12,930	98,946
	¥20,101	¥19,958	\$150,855

As for financing leases as lessor, if such financing leases had been accounted for as sales transactions of the leased property, at March 31, 2002 and 2001, receivables that are equal to future minimum lease commitments to be received of ¥20,101 million (\$150,855 thousand) and ¥19,958 million, respectively, would have been recorded instead of a decrease of the leased property currently recorded as premises and equipment of ¥18,568 million (\$139,351 thousand) and ¥18,285 million, respectively. Additionally, finance income of ¥888 million (\$6,666 thousand) to be calculated based on the interest method would have been recorded for the year ended March 31, 2002, while leasing income and related depreciation expenses recognized on the accompanying consolidated statements of income amounted to ¥7,921 million (\$59,445 thousand) and ¥6,696 million (\$50,257 thousand), respectively. For the year ended March 31, 2001, finance income of ¥937 million to be calculated based on the interest method would have been recorded, while leasing income and related depreciation expenses recognized on the accompanying consolidated statements of income amounted to ¥8,140 million and ¥6,845 million, respectively.

13. DERIVATIVE INSTRUMENTS

The Group has entered into various transactions involving derivative instruments in the normal course of business to meet the financing needs of its customers for risk management, the Group's asset-liability management, and as a source of income. These derivative instruments involve, in varying degrees, elements of credit and market risk. The Group is exposed to credit loss in the event of nonperformance by the other parties. However, the Group does not expect nonperformance by the counterparties.

The Bank adopted the accounting standard for financial instruments. At March 31, 2002 and 2001, derivative instruments, other than those to which hedge accounting is applied, which are stated at fair value and recognized for valuation gains and losses as current earnings were summarized as follows:

	Notional principal or contract amounts	Fair value	Valuation gains/(losses)
Millions of yen			
At March 31, 2002:			
Interest rate contracts-swaps....	¥1,614	¥7	¥7
Foreign exchange contracts-currency swaps.....	1,267	1	1
Credit derivative contracts- credit default options.....	3,000	(3)	(3)
At March 31, 2001:			
Interest rate contracts-swaps....	1,350	5	5
Thousands of U.S. dollars			
At March 31, 2002:			
Interest rate contracts-swaps....	\$12,113	\$58	\$58
Foreign exchange contracts-currency swaps.....	9,512	8	8
Credit derivative contracts- credit default options.....	22,514	(29)	(29)

Notes 1. Fair values are based on the discounted cash flow or option pricing calculation model.

2. Currency swaps, which are accounted for on an accrual basis, are not included in the table above. Notional principal amounts, fair value and valuation gains or losses of currency swaps on an accrual basis are as follows:

	Notional principal or contract amounts	Fair value	Valuation gains/(losses)
Millions of yen			
Currency swaps – at March 31, 2002.....	¥ 54,713	¥(2,008)	¥(2,008)
Currency swaps – at March 31, 2001.....	101,404	(5,139)	(5,139)
Thousands of U.S. dollars			

Currency swaps – at March 31, 2002.....	\$410,606	\$15,076	\$15,076
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3. Foreign exchange related-transactions such as forward exchange contracts, currency options are not included in the table above, since they are revalued at the fiscal year-end and their valuation gains (losses) are recognized in the accompanying consolidated statements of income. Notional principal amounts of such foreign exchange related-transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Notional principal amounts – Foreign exchange forward contracts.....	¥69,568	¥7,374	\$522,088

14. INCOME TAXES

Income taxes for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Income taxes:			
Current.....	¥5,155	¥7,308	\$38,688
Deferred.....	(3,206)	(4,741)	(24,066)
	¥1,948	¥2,566	\$14,622

At March 31, 2002 and 2001, income taxes (including enterprise taxes) payable in the amounts of ¥1,593 million (\$11,959 thousand) and ¥5,098 million, respectively, were included in other liabilities in the accompanying consolidated balance sheets.

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Deferred tax assets:			2002
Reserve for possible loan losses...	¥ 14,890	¥ 13,330	\$ 111,747
Reserve for employee retirement benefits	3,258	3,395	24,452
Investment securities	2,484	—	18,644
Depreciation.....	1,007	1,087	7,559
Other.....	1,592	2,287	11,948
Subtotal.....	23,232	20,100	174,350
Net of deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(30,643)	(41,266)	(229,969)
Net deferred tax (liabilities) assets	¥ (7,411)	¥(21,165)	\$ (55,619)

At March 31, 2002 and 2001, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Deferred tax assets.....	¥ 447	¥ 423	\$ 3,355
Deferred tax liabilities	7,858	21,588	58,974

In assessing the realizability of deferred tax assets, management of the Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2002 and 2001, no valuation allowance was provided to reduce the deferred tax assets since management believes that the amount of the deferred tax assets is expected to be fully realizable.

A reconciliation of the differences between the Japanese statutory tax rate and the effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2002 and 2001 was as follows:

	Percentage of pretax income	
	2002	2001
Japanese statutory tax rate.....	41.41%	41.41%
Increase (decrease) due to:		
Permanently nondeductible expenses	1.58	1.19
Tax exempt income	(6.92)	(5.67)
Local taxes-per capita levy	1.05	0.79
Other.....	0.62	0.05
Effective income tax rate	37.74%	37.77%

15. SUBSEQUENT EVENT

The stockholders of the Bank approved the following appropriation of retained earnings at the annual general meeting on June 27, 2002:

	Millions of yen	Thousands of
		U.S. dollars
Cash dividends	¥656	\$4,925
Bonuses to directors and corporate auditors	38	285

16. SEGMENT INFORMATION

A summary of information classified by lines of business of the Group for the years ended March 31, 2002 and 2001 was as follows:

	Bank	Leasing	Other	Total	Elimination	Consolidated
Millions of yen						
For the year 2002:						
Ordinary income:						
Outside customers	¥ 77,556	¥10,079	¥1,939	¥ 89,575	¥ —	¥ 89,575
Inter-segment	322	548	914	1,785	(1,785)	—
	<u>77,878</u>	<u>10,628</u>	<u>2,853</u>	<u>91,360</u>	<u>(1,785)</u>	<u>89,575</u>
Ordinary expenses	73,247	10,086	2,438	85,772	(1,779)	83,992
Ordinary profit	¥ 4,631	¥ 541	¥ 415	¥ 5,587	¥ (5)	5,582
Other income (expenses), net						(419)
Income before income taxes and minority interests						¥ 5,162
Identifiable assets	¥3,639,776	¥26,710	¥6,221	¥3,672,708	¥(10,321)	¥3,662,386
Depreciation	3,375	7,441	33	10,850	—	10,850
Capital expenditures	2,695	7,816	28	10,540	—	10,540
For the year 2001:						
Ordinary income:						
Outside customers	¥ 84,063	¥10,194	¥1,860	¥ 96,118	¥ —	¥ 96,118
Inter-segment	317	497	900	1,715	(1,715)	—
	<u>84,380</u>	<u>10,691</u>	<u>2,760</u>	<u>97,833</u>	<u>(1,715)</u>	<u>96,118</u>
Ordinary expenses	74,585	10,144	2,516	87,246	(1,714)	85,532
Ordinary profit	¥ 9,795	¥ 547	¥ 243	¥ 10,586	¥ (0)	10,585
Other income (expenses), net						(3,790)
Income before income taxes and minority interests						¥ 6,794
Identifiable assets	¥3,530,271	¥27,335	¥6,011	¥3,563,618	¥(10,444)	¥3,553,174
Depreciation	3,484	7,451	40	10,975	—	10,975
Capital expenditures	5,066	8,130	10	13,208	—	13,208
Thousands of U.S. dollars						
For the year 2002:						
Ordinary income:						
Outside customers	\$ 582,036	\$ 75,644	\$14,556	\$ 672,236	\$ —	\$ 672,236
Inter-segment	2,421	4,117	6,860	13,398	(13,398)	—
	<u>584,457</u>	<u>79,761</u>	<u>21,416</u>	<u>685,634</u>	<u>(13,398)</u>	<u>672,236</u>
Ordinary expenses	549,700	75,699	18,299	643,698	(13,357)	630,341
Ordinary profit	\$ 34,757	\$ 4,062	\$ 3,117	\$ 41,936	\$ (41)	41,895
Other income (expenses), net						(3,152)
Income before income taxes and minority interests						\$ 38,743
Identifiable assets	\$27,315,394	\$200,454	\$46,689	\$27,562,537	\$(77,456)	\$27,485,081
Depreciation	25,331	55,846	252	81,429	—	81,429
Capital expenditures	20,232	58,661	211	79,104	—	79,104

Notes 1. "Ordinary income" represents total income less certain special income included in other income and gain on transfer of investment securities to trusts for retirement benefit plan on the accompanying consolidated statements of income. "Ordinary expenses" represents total expenses less certain special expenses included in other expenses and transitional provision of adoption of the accounting standard for retirement benefits on the accompanying consolidated statements of income. "Ordinary profit" represents ordinary income less ordinary expenses. "Other" business segment includes credit card operations.

2. As disclosed in Note (g), the Bank changed the estimated useful lives of computer devices from 6 years to 4 or 5 years from the year ended March 31, 2002. As a result, as compared with the previous accounting method, ordinary profit only for banking business segment decreased by ¥269 million (\$2,025 thousand) for the year ended March 31, 2002.

Ordinary income from foreign operations of the Group for the years ended March 31, 2002 and 2001 amounted to ¥9,355 million (\$70,213 thousand), 10.4% of total income, and ¥7,722 million, 8.0% of total income, respectively, though information on geographic segments is not shown as the Bank has no overseas consolidated subsidiaries or foreign branches.

17. FINANCIAL INFORMATION OF THE HYAKUGO BANK, LTD. (PARENT)

Presented below are the non-consolidated balance sheets, non-consolidated statements of income and stockholders' equity of the Bank, the parent company.

Non-Consolidated Balance Sheets

The Hyakugo Bank, Ltd. (Parent) March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Assets			
Cash and due from banks	¥ 321,526	¥ 131,437	\$ 2,412,954
Call loans and bills purchased	67,159	229,209	504,010
Commercial paper and other debt purchased.....	33,266	28,077	249,653
Trading account securities.....	1,723	2,024	12,932
Money held in trust	30,011	28,460	225,229
Investment securities	1,087,785	1,047,268	8,163,493
Loans and bills discounted	2,005,883	1,950,311	15,053,538
Foreign exchanges	707	666	5,312
Other assets.....	25,441	34,224	190,932
Premises and equipment	35,263	36,705	264,639
Customers' liabilities for acceptances and guarantees.....	72,760	80,483	546,046
Reserve for possible loan losses	(41,707)	(38,545)	(312,998)
	¥3,639,822	¥3,530,322	\$27,315,740
Liabilities and Stockholders' Equity			
Liabilities:			
Deposits	¥3,294,503	¥3,135,768	\$24,724,228
Call money and bills sold.....	9,940	11,274	74,600
Borrowed money	1,171	5,522	8,791
Foreign exchanges	51	44	386
Bonds payable	11,326	12,390	85,000
Other liabilities	41,682	48,551	312,814
Reserve for employee bonuses.....	540	—	4,059
Reserve for employee retirement benefits.....	6,151	6,815	46,165
Deferred tax liabilities.....	7,880	21,608	59,141
Deferred tax liabilities for revaluation	3,623	3,698	27,191
Acceptances and guarantees	72,760	80,483	546,046
Total liabilities.....	3,449,632	3,326,158	25,888,421
Stockholders' equity:			
Common stock	20,000	20,000	150,094
Capital surplus.....	7,557	7,557	56,718
Legal reserve	17,377	16,777	130,414
Revaluation increment on land.....	5,126	5,233	38,471
Voluntary reserves	92,914	91,114	697,291
Unappropriated retained earnings.....	4,219	5,125	31,665
Net unrealized gains on available-for-sale securities.....	43,325	58,355	325,148
Less, treasury stock, at cost.....	(330)	—	(2,482)
Total stockholders' equity	190,190	204,164	1,427,319
	¥3,639,822	¥3,530,322	\$27,315,740

Non-Consolidated Statements of Income

The Hyakugo Bank, Ltd. (Parent) For the years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Income:			
Interest income:			
Interest on loans and discounts	¥42,558	¥ 44,735	\$319,386
Interest and dividends on securities	21,261	23,529	159,559
Other interest income	360	208	2,705
Total interest income	64,179	68,474	481,650
Fees and commissions	8,296	7,991	62,260
Other operating income.....	952	1,690	7,144
Gain on transfer of investment securities to trusts for retirement benefit plan.....	—	16,033	—
Other income	4,587	6,290	34,425
Total income.....	78,015	100,479	585,479
Expenses:			
Interest expenses:			
Interest on deposits.....	3,976	6,893	29,841
Interest on borrowings and rediscounts	303	452	2,279
Other interest expenses	7,005	6,217	52,574
Total interest expenses	11,285	13,562	84,694
Fees and commissions	2,632	2,457	19,758
Other operating expenses	2,403	239	18,039
General and administrative expenses	44,654	44,149	335,119
Provision for possible loan losses	6,268	12,502	47,046
Transitional provision of adoption of new accounting standard for retirement benefits	—	19,306	—
Other expenses	6,480	2,193	48,633
Total expenses	73,725	94,412	553,289
Income before income taxes	4,289	6,067	32,190
Income taxes:			
Current	4,725	6,912	35,459
Deferred	(3,181)	(4,664)	(23,876)
Total income taxes	1,543	2,247	11,583
Net income	¥ 2,745	¥ 3,820	\$ 20,607
		Yen	U.S. dollars
Per share:			
Net income.....	¥ 10.45	¥ 14.51	\$ 0.08

Non-Consolidated Statements of Stockholders' Equity

The Hyakugo Bank, Ltd. (Parent) For the years ended March 31, 2002 and 2001

	Common stock	Capital surplus	Legal reserve	Revaluation increment on land	Voluntary reserves	Unappropriated retained earnings	Net unrealized gains on available-for-sale securities	Treasury stock
Millions of yen								
Balance at March 31, 2000	¥ 20,000	¥ 7,557	¥ 16,446	¥ 5,311	¥ 90,114	¥ 3,904	¥ —	¥ —
Net income.....	—	—	—	—	—	3,820	—	—
Appropriations:								
Cash dividends.....	—	—	—	—	—	(1,316)	—	—
Transfer to legal reserve.....	—	—	331	—	—	(331)	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	—	(30)	—	—
Transfer to voluntary reserves.....	—	—	—	—	1,000	(1,000)	—	—
Reversal of revaluation increment on land.....	—	—	—	(78)	—	78	—	—
Net unrealized gains on available-for-sale securities, net of applicable income taxes of ¥41,244 million.....	—	—	—	—	—	—	58,355	—
Balance at March 31, 2001	20,000	7,557	16,777	5,233	91,114	5,125	58,355	—
Net income.....	—	—	—	—	—	2,745	—	—
Appropriations:								
Cash dividends.....	—	—	—	—	—	(1,314)	—	—
Transfer to legal reserve.....	—	—	600	—	—	(600)	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	—	(45)	—	—
Transfer to voluntary reserves.....	—	—	—	—	1,800	(1,800)	—	—
Reversal of revaluation increment on land.....	—	—	—	(107)	—	107	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes.....	—	—	—	—	—	—	(15,029)	—
Purchase of 714,000 shares of treasury stock under the stock option plan.....	—	—	—	—	—	—	—	(318)
Fractional shares acquired.....	—	—	—	—	—	—	—	(11)
Balance at March 31, 2002	¥20,000	¥7,557	¥17,377	¥5,126	¥92,914	¥ 4,219	¥ 43,325	¥(330)

	Common stock	Capital surplus	Legal reserve	Revaluation increment on land	Voluntary reserves	Unappropriated retained earnings	Net unrealized gains on available-for-sale securities	Treasury stock
Thousands of U.S. dollars								
Balance at March 31, 2001	\$150,094	\$56,718	\$125,911	\$39,275	\$683,782	\$ 38,469	\$ 437,940	\$ —
Net income.....	—	—	—	—	—	20,607	—	—
Appropriations:								
Cash dividends.....	—	—	—	—	—	(9,865)	—	—
Transfer to legal reserve.....	—	—	4,503	—	—	(4,503)	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	—	(338)	—	—
Transfer to voluntary reserves.....	—	—	—	—	13,509	(13,509)	—	—
Reversal of revaluation increment on land.....	—	—	—	(804)	—	804	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes.....	—	—	—	—	—	—	(112,792)	—
Purchase of 714,000 shares of treasury stock under the stock option plan.....	—	—	—	—	—	—	—	(2,393)
Fractional shares acquired.....	—	—	—	—	—	—	—	(89)
Balance at March 31, 2002	\$150,094	\$56,718	\$130,414	\$38,471	\$697,291	\$ 31,665	\$ 325,148	\$(2,482)

Note. Treasury stock at March 31, 2002 is presented as a deduction from capital accounts in the stockholders' equity section in the Non-consolidated Balance Sheets in accordance with the amended disclosure requirement, while such treasury stock was included in investment securities in the Non-consolidated Balance Sheets at March 31, 2001.

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Facsimile 81-52-551-3005

Report of Independent Accountants

To the Board of Directors of
The Hyakugo Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Hyakugo Bank, Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, 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 consolidated financial statements referred to above present fairly the consolidated financial position of The Hyakugo Bank, Ltd. and its consolidated subsidiaries as of 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 (see Note 1) applied on a consistent basis.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Nagoya, Japan
June 27, 2002

BOARD OF DIRECTORS & CORPORATE AUDITORS



Sadahisa Kawakita
Chairman



Hajimu Maeda*
President



Kikuji Iwasaki*
Senior Managing Director



Shunji Iida
Managing Director



Hisashi Isomura
Managing Director



Masataka Tanaka
Managing Director



Jun Kumoi
Managing Director

Directors
Kuninao Ezaki
Osamu Hiramatsu
Takashi Yasuoka
Yoichi Hashimoto
Manabu Hashimoto
Hisashi Mukai

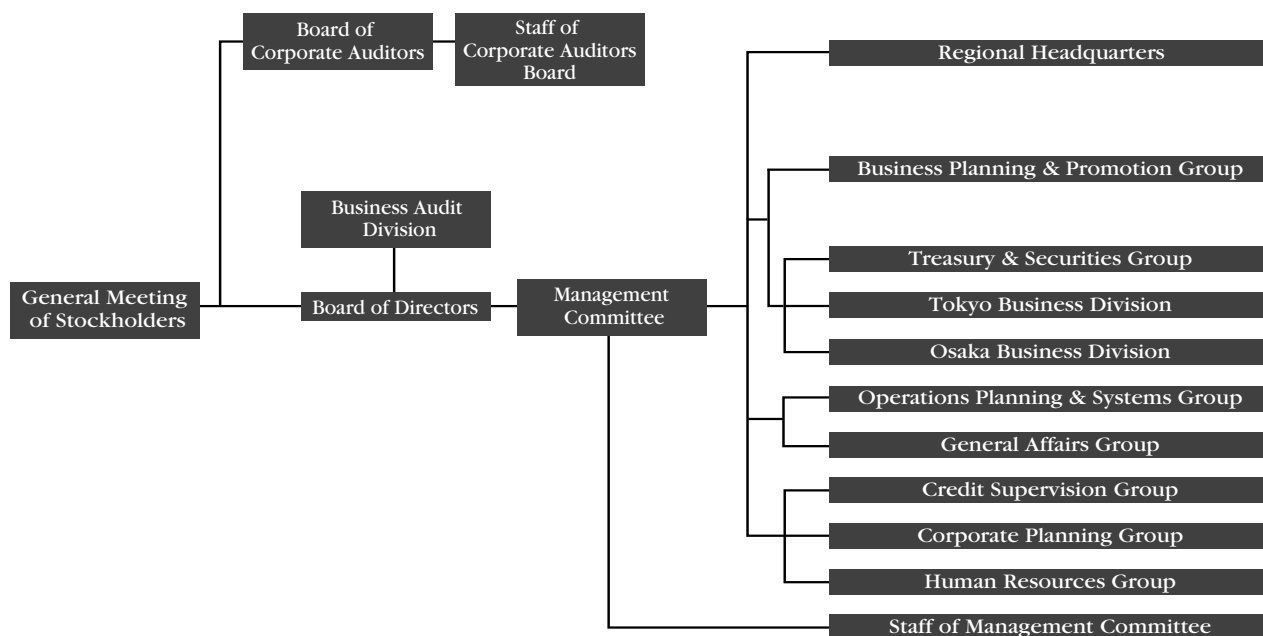
Standing Corporate Auditors
Corporate Auditors

Yoshifumi Kimura
Masaya Kihara
Hachirobe Doi
Yasuo Takemura

*Representative Director

(As of June 27, 2002)

ORGANIZATION



(As of April 1, 2002)

CORPORATE DATA & MAJOR STOCKHOLDERS DIRECTORY

Corporate Data

Head Office

21-27, Iwata, Tsu, Mie
 Telephone: 059-227-2151
 Telex: J32424
 Fax: 059-228-2010

International Banking Facilities

21-27, Iwata, Tsu, Mie
 Telephone: 059-223-2323
 Telex: J32424
 Fax: 059-228-2010
 SWIFT: HYKG JP JT

New York Representative Office

400 Madison Avenue, Suite 10B,
 New York, N.Y. 10017 U.S.A.
 Telephone: 212-888-5778
 Fax: 212-888-5635

Singapore Representative Office

20 Collyer Quay, #10-01, Tung Centre,
 Singapore 049319, Republic of Singapore
 Telephone: 6227-6500
 Fax: 6227-6588

Established: November 1878

Paid-in Capital: ¥20,000 million

Authorized

Number of Shares: 398 million

Shares of Common Stock Issued:

263,225 thousand

Number of Stockholders: 11,580

Ticker Code: 8368

Domestic Network: 136 Offices

Overseas Network: 2 Representative Offices

Number of Employees: 2,607

Foreign Exchange Offices: 16

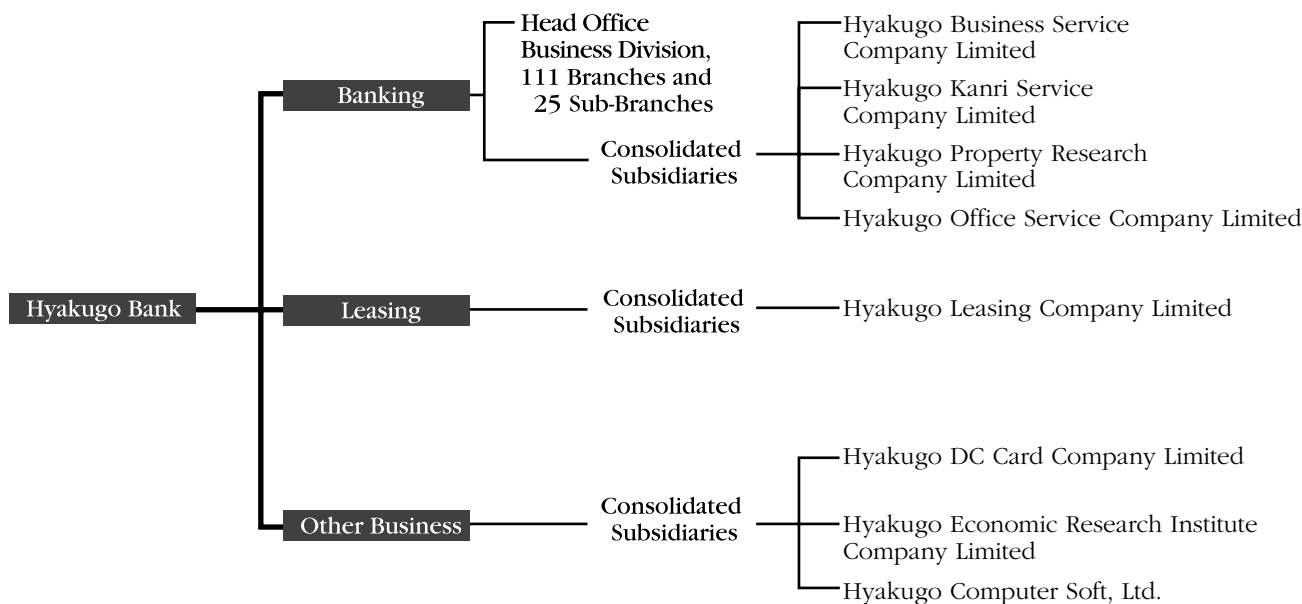
Foreign Currency Exchange Offices: 95

(As of March 31, 2002)

Major Stockholders (Number of shares in thousands):

The Bank of Tokyo-Mitsubishi, Limited	13,161 (5.00%)	Hyakugo Bank Employees' Shareholding Association	4,571 (1.73%)
UFJ Bank, Limited	13,161 (5.00%)	Nippon Life Insurance Company	4,300 (1.63%)
NIPPONKOA Insurance Company, Limited	7,230 (2.74%)	UFJ Trust Bank Limited, Toyota Motor Account	3,986 (1.51%)
The Meiji Mutual Life Insurance Company	6,893 (2.61%)	Shimizu Corporation	3,929 (1.49%)
The Industrial Bank of Japan, Limited	4,955 (1.88%)	Kinki Nippon Railway Co., Ltd.	2,946 (1.11%)

Hyakugo Bank Group



THE HYAKUGO BANK, LTD.

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