

FRONTIER BANKING

**HYAKUGO BANK**  
FRONTIER BANKING

Annual Report 2003

# PROFILE

Since its establishment in 1878, Hyakugo Bank has conducted sound business as a leading bank in its home region of Mie Prefecture. Hyakugo Bank's high asset quality is well recognized even among other Japanese banks.

As of March 31, 2003, on a consolidated basis, Hyakugo Bank had total assets of ¥3,664.5 billion, total deposits of ¥3,299.0 billion and loans and bills discounted of ¥2,021.9 billion.

Hyakugo Bank serves its customers through a network of 107 branches, 28 sub-branches and 2 overseas representative offices.

Mie Prefecture, the Bank's main region of business, is situated between Nagoya and Osaka, two of Japan's largest cities. The principal industries of the prefecture include the manufacture of automobiles, petrochemicals and electrical machinery, as well as pearl cultivation, fishing and tourism.

While maintaining close ties with the communities it serves, Hyakugo Bank seeks to enhance its business and profitability by providing financial products and services that contribute to the region's economic development.



## CORPORATE PHILOSOPHY

Hyakugo Bank's corporate philosophy reconfirms the basic points by which we have grown and earned the trust of customers, stockholders and society. The following standards apply to all future judgments and conduct of employees throughout Hyakugo Bank.

### ▶ **Mission**

We dedicate ourselves to helping develop a society that places the highest value on mutual trust, and conduct our business in ways to contribute toward building a better society where warmth and respect prevail.

### ▶ **Management**

We manage the Bank in a manner deemed fair and responsible against broader social standards. Hence, we attach the greatest importance to sound banking practices in harmony with the ethics and integrity of the public. We believe our independence and solid growth are sustained and valued only in pursuit of such managerial practices.

### ▶ **Behavior**

We try to always display our sincerity in both business and individual activities, guided by our conscience and common sense. We express our deep appreciation for the society by achieving excellence in what we do, while constantly striving to expand our knowledge and challenging the future.

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### FORWARD-LOOKING STATEMENTS

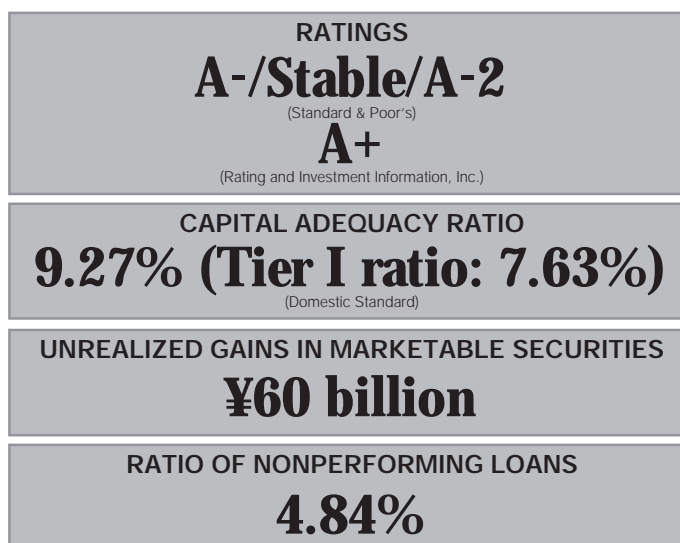
Statements in this annual report, other than those of historical fact, are forward-looking statements about the future performance of Hyakugo Bank that are based on management's assumptions and beliefs in light of information currently available, and involve both known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

# HYAKUGO BANK AT A GLANCE

## FINANCIAL HIGHLIGHTS (Consolidated)

	Millions of yen		Thousands of U.S. Dollars	2003/2002 % change
	2003	2002	2003	
<b>For the year:</b>				
Total income.....	¥ <b>85,136</b>	¥ 89,636	\$ <b>708,293</b>	(5.0)
Net income .....	<b>2,321</b>	2,863	<b>19,310</b>	(18.9)
Return on equity (%) .....	<b>1.24</b>	1.44	—	(0.2) point
<b>At year-end:</b>				
Deposits .....	<b>¥3,299,015</b>	¥3,293,349	<b>\$27,446,052</b>	0.2
Loans and bills discounted.....	<b>2,021,903</b>	1,999,393	<b>16,821,157</b>	1.1

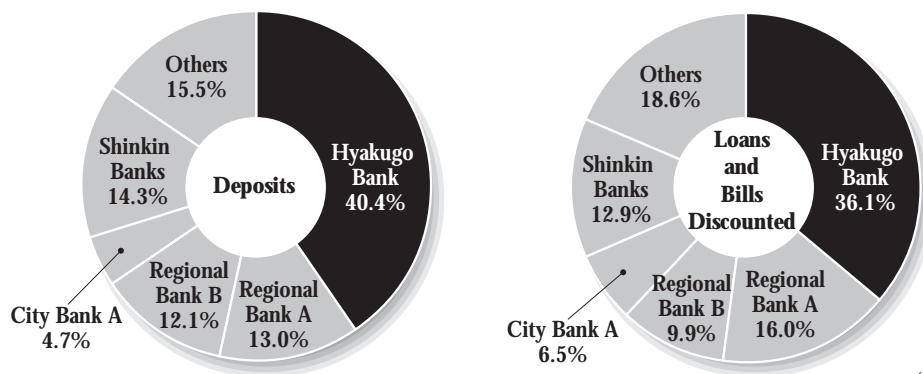
## ASSET SOUNDNESS



## STRONG CUSTOMER BASE

With a strong customer base in its core market of Mie Prefecture, Hyakugo Bank holds the region's top share of both deposits and loans at 40.4 percent and 36.1 percent, respectively.

### Share in Mie Prefecture



(As of March 31, 2003)

## MESSAGE FROM THE PRESIDENT



Hajimu Maeda  
President

### **Business Results**

During the year ended March 31, 2003, Hyakugo Bank took steps to strengthen its operations and reduce expenses. However, deterioration in funding costs and stock related losses, in addition to the effect of deferred tax accounting associated with the partial revision of the Local Tax Law, regrettably resulted in a ¥542 million decrease in net income to ¥2,321 million.

Given the weakness in the fundamental economic conditions, for the year ending March 2004, we adjusted our original target for non-consolidated net income in our medium-term management plan from ¥8 billion to ¥5 billion.

For net business profit, an indicator of the profitability of core businesses, we expect to achieve the target set in the medium-term management plan.

The introduction of the regional headquarters system in April 2002 brought the Bank closer to customers and enables us to develop and execute flexible business strategies that reflect customer feedback and regional characteristics. By doing so, we aim to provide even more detailed service than before.

With this stronger business structure, we are making steady sales of investment products designed for individual

customers. Examples include individual pension insurance we began marketing in October 2002, a new foreign currency time deposit with a foreign exchange contract that offers the potential for higher interest while reducing foreign exchange risk within a certain range, and Japanese government bonds.

We are also developing our business in new areas. For example, to incubate and assist regional businesses, we offer business loan products that feature a quick application decision to support Private Finance Initiative (PFI) projects. We have also created a research organization to support business in China and formed a tie-up with the Bank of China in Beijing for *renminbi* loans.

### **Adoption of a New Corporate Statement**

In April 2003, Hyakugo Bank adopted a new corporate statement, which we defined as “Frontier Banking.” By conveying our corporate statement, we express Hyakugo Bank’s aspirations and state our commitment to realizing them.

Frontier Banking means opening up new frontiers in the banking business. The environment facing the banking industry is changing rapidly, and customer needs are growing more diverse, sophisticated and specialized. In

# THE FIRST MANAGEMENT PLAN OF THE NEW CENTURY

(From April 2001 to March 2004)

## CORPORATE PHILOSOPHY

### BASIC POLICY

- A business can thrive only with the support of customers
- Speeding up business operations by decentralizing management through delegation of authority

### GUIDELINES FOR ACTION

- Participation of all employees in Marketing and Public Relations

## FIVE STRATEGIES

Management Reforms

Reforms Visible to Customers

Promoting Participation of All Employees in Marketing and Public Relations

Organizational Reforms

Personnel System Reforms

**Becoming the Most Reliable Bank for Customers**

## NUMERICAL TARGETS

	FY 2001	FY 2002	FY 2003 (projection)
Net income	¥2.7 billion	¥2.1 billion	¥5 billion
Return on equity	1.89%	1.45%	3.00%
Number of employees (clerical officers)	2,419	2,329	2,310

these circumstances, Frontier Banking expresses Hyakugo Bank's ambition to be a bank with plentiful creativity, and one that is able to meet customer expectations with a leading-edge business sense in order to maintain a valued presence in society into the future.

When Hyakugo Bank marks its 125th anniversary in November 2003, we will reiterate our statement both inside and outside the Bank. By doing so, we will aim to mobilize the collective strength of all our employees to become a bank with an even more valuable presence.

### Environmental Protection Efforts

Hyakugo Bank received ISO 14001 certification in 1999. In accordance with ISO 14001 guidelines, we are taking measures to reduce consumption of power and paper. We are also taking other environmental protection initiatives such as promotion of green purchasing.

### Strengthening Corporate Governance

In a dramatically changing business environment, we recognize the importance of strengthening corporate governance to respond quickly to changes in the environment and exercise our true competitive capabilities. Hyakugo Bank is therefore working to reinforce corporate governance through measures such as fortifying the

functions of the Board of Directors and Executive Meeting, electing outside auditors, establishing committees such as the Compliance Committee, and enhancing investor relations activities. These steps increase management efficiency, accelerate decision making and raise the transparency of management.

### For the People of the Mie Region

Hyakugo Bank will continue working to meet the expectations of our customers by maintaining our trustworthiness through sound management.

The economic conditions facing banks are more challenging than ever. Yet we believe it is precisely in times like these that we can make the most of the knowledge and experience gained through our 125-year history, and serve a valuable role. We are committed to practicing Frontier Banking to share in realizing the dreams of our customers and create new partnerships.



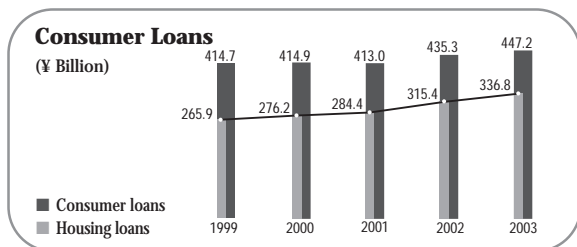
Hajimu Maeda  
President

# STRENGTHENING MARKETING AND PROFITABILITY

## EXPANDING TRANSACTIONS WITH INDIVIDUAL CUSTOMERS

### Housing Loans with Shorter Review Time

Previously Hyakugo Bank entrusted guarantees for housing loans to an outside guarantee company. Starting in September 2002, we began offering a housing loan with Hyakugo DC Card Company, Ltd., a member of the Hyakugo Bank Group, as the guarantee company, with the aim of shortening loan application review time and clarifying review criteria.

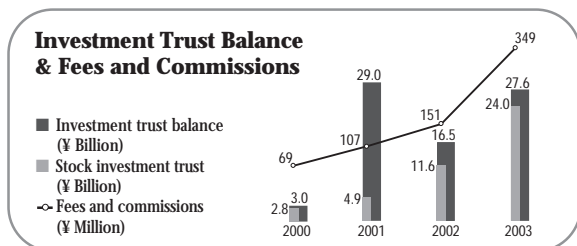


### Expansion of Unsecured Loans

In October 2002, Hyakugo Bank began handling unsecured consumer loans. For these loans, customers can easily apply and complete the loan contract by phone, fax or mail without making a trip to the bank. In March 2003, we also enhanced the content of our student loans to broadly meet customers' education-related financing needs.

### Meeting Asset Management Needs

In October 2002, Hyakugo Bank began over-the-counter sales of individual pension insurance. Combined with defined contribution pensions, this product helps customers to prepare



financially for retirement. In addition, we are actively meeting the broad asset management needs of our customers through initiatives such as development of a new foreign-currency time deposit with a foreign exchange contract, as well as the addition of a new fund for investing in major listed companies of the three prefectures in the Tokai region and an investment trust product that provides monthly dividends. With the further advance of deregulation, we will continue working to offer our customers comprehensive financial services.

## EXPANDING TRANSACTIONS WITH CORPORATIONS

### Mergers and Acquisitions

With the changing operating environment, the attitude of managers toward the perpetuation and development of their business is also changing dramatically. To maintain and revitalize management resources, mergers and acquisitions are increasingly seen as an effective option in corporate strategy, both for large corporations and small and medium-sized businesses. For the development of local communities as well, a critical issue is how to smoothly realize the continuation and growth of businesses without harming business entities.

In this environment, Hyakugo Bank is actively providing M&A support to increase the strength of companies in the region and thereby contribute to ensuring the development of local communities.

### Support for Fund Raising and Fund Management

One mission of a regional bank is to provide funding for the cultivation and support of small and medium-sized businesses in the region. The bank invests and owns stock in businesses with fast-growing sales and profits as well as in companies that have a strong desire to expand their operations with new businesses that have good potential.

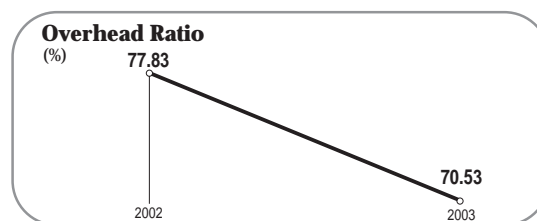
To respond to diversification in companies' funding needs, in October 2002, Hyakugo Bank began handling bank-guaranteed private placement bonds. In addition to the existing industry association-guaranteed private placement bonds and secured private placement bonds, this adds to the corporate bond options we offer to meet the bond issuing needs of our corporate clients.

# ESTABLISHMENT OF A LOW COST SYSTEM

In October 2002, Hyakugo Bank began outsourcing work such as storage and management of loan documents and processing of paperwork related to loan operations to affiliated company Hyakugo Property Research Company Ltd. By reducing the amount of paperwork, outsourcing allows staff at bank branches to focus more strongly on building business. In this way, we are promoting the establishment of a system that enables branch employees to promptly provide services tailored to customer needs.

In addition, in March 2003, we began outsourcing ATM monitoring to ATM Japan, Ltd. This reduces our operating

costs and enhances our ability to respond to customer inquiries quickly and clearly, and did not require any equipment expansion costs.



# RISK MANAGEMENT AND COMPLIANCE SYSTEM

## FUNDAMENTAL RISK MANAGEMENT POLICIES AND ADMINISTRATIVE SYSTEMS

The number of risks to which banks are directly exposed has increased steadily, which has heightened the importance of managing each type of risk. Hyakugo Bank has established its Risk Management Policy as the basis for integrated risk management and administration. The Risk Management Committee meets once a month to gauge and respond appropriately to each type of risk in order to maintain management soundness. In addition, the Audit Division is independent from business divisions, and conducts audits of business operations and examines the appropriateness and effectiveness of management within each of the Bank's divisions.

### Credit Risk Management

Hyakugo Bank has always clearly separated its sales promotion and credit investigation functions to carry out rigorous assessment and control of credit risk. Moreover, the Bank has established a credit policy that controls the concentration of credit in any single company or corporate group. It also supports the Bank's efforts to understand borrower conditions according to parameters including industry and region, and diversify its credit portfolio. In addition, Hyakugo Bank has implemented a 12-point internal credit rating system to assess borrower creditworthiness and quantify credit risk.

### Market Risk and Liquidity Risk Management

The influence of changes in interest rates, foreign currency exchange rates, stock prices and other market movements on bank earnings has increased steadily. Consequently, Hyakugo Bank has strengthened its asset and liability management (ALM)

capabilities with the objective of securing stable earnings. Specifically, the ALM Committee meets monthly to analyze the composition of assets such as loans and securities and liabilities such as deposits. The Bank also has policies for using swaps and other techniques to hedge risk based on interest rate projections.

### Administrative and Systems Risk

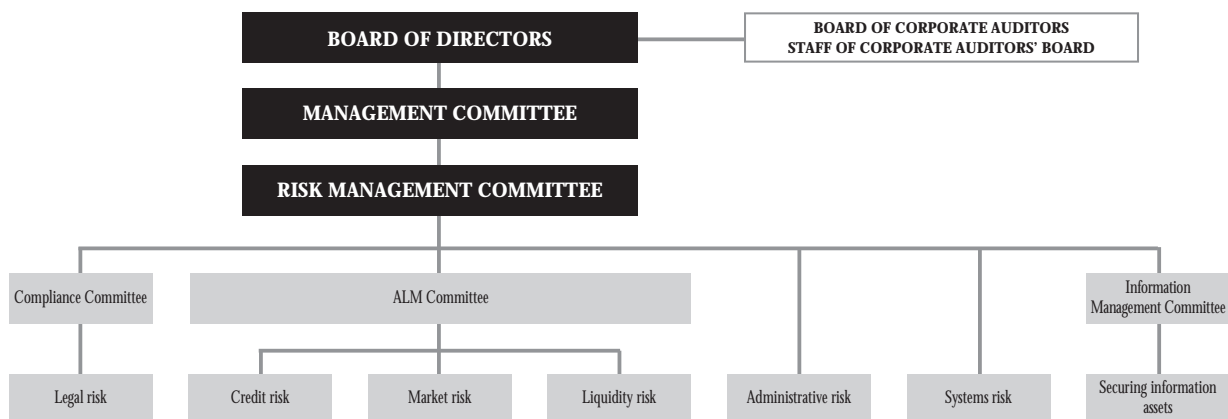
While promoting rigorous and systematic administration, Hyakugo Bank has enhanced training and administrative guidance within the Bank to increase control and guidance capabilities.

Hyakugo Bank has prepared for natural disasters and problems with hardware, software, and information and communication systems by establishing a thorough back-up system. The Bank has also moved forward with emergency preparedness through measures such as strengthening building safety. Based on the Security Policy covering all information assets, the Bank has established the Information Management Committee as another means of appropriately managing and preserving information assets.

## COMPLIANCE

Compliance is one of Hyakugo Bank's most important management priorities. In addition to issuing a business guidebook that provides fundamental guidelines for compliance inside the Bank, we have created a Compliance Committee chaired by the president, and assigned compliance officers to all head office departments, regional headquarters and branches. Moreover, the Bank formulates a compliance program every year as a concrete action plan to further promote compliance with laws and regulations and mitigate legal risk.

## HYAKUGO BANK'S RISK MANAGEMENT SYSTEM



# CURRENT STATUS OF NONPERFORMING LOANS

## DISPOSAL OF NONPERFORMING LOANS

Hyakugo Bank makes appropriate write-offs and provisions to reserves according to the possibility of recovery or the risk of impairment of loan assets, as determined by the Bank's self-assessment of credits. In addition, the Bank aggressively works to recover nonperforming loans by methods such as collection from borrowers and liquidation of collateral through auctions. Hyakugo Bank is also working toward the final disposal of nonperforming loans through sales and other means. As a result, the amount of disposal of nonperforming loans on a consolidated basis as of March 31, 2003 totaled ¥7,968 million, an increase of ¥1,040 million compared to the previous fiscal year-end.

## CREDIT EXPOSURE UNDER THE FINANCIAL RECONSTRUCTION LAW AND RISK-MONITORED LOANS

Loans disclosed under the Financial Reconstruction Law totaled ¥102,265 million as of March 31, 2003, an increase of

¥4,074 million compared to a year earlier. Nonperforming loans as percentage of total credit outstanding increased 16 basis points from a year earlier to 4.87 percent, which is a comparatively low ratio. For reference, this ratio on a nonconsolidated basis was 4.84 percent, and the average for all regional banks in Japan was 7.63 percent. In addition, the coverage for nonperforming loans was 86.35 percent, and the Bank maintains appropriate reserves to cover future risks and improve asset quality.

Risk-monitored loans on a consolidated basis totaled ¥100,723 million as of March 31, 2003, an increase of ¥4,112 million from a year earlier, and represented 4.96 percent of total loans outstanding. Hyakugo Bank is recovering loans by means including disposal of collateral, and is working to move nonperforming loans off of its balance sheet. The extended period of unfavorable economic conditions in Japan caused loans to borrowers in legal bankruptcy to increase ¥1,102 million and past due loans to increase ¥2,841 million during the past fiscal year.

### Coverage for Credit Exposure under Financial Reconstruction Law Disclosure Standards (Consolidated)

	Millions of yen		
	2003	2002	Increase (decrease)
Loans disclosed according to the Financial Reconstruction Law (normal loans excluded).....	¥102,265	¥98,190	¥4,074
Reserve for possible loan losses.....	38,052	35,052	2,999
Collateral, etc.....	50,253	50,015	237
Coverage amount.....	¥ 88,305	¥85,068	¥3,237
Coverage ratio.....	86.35%	86.63%	(0.28) point

### Loans under the Financial Reconstruction Law (Consolidated)

	Millions of yen		
	2003	2002	Increase (decrease)
Bankrupt and quasi-bankrupt assets.....	¥ 32,785	¥ 29,082	¥3,703
Doubtful assets.....	40,520	40,313	207
Substandard loans.....	28,958	28,795	163
Total of problem assets.....	¥ 102,265	¥ 98,190	¥4,074
Normal assets.....	¥1,993,974	¥1,984,921	¥9,052
Ratio of the problem assets to loans.....	4.87%	4.71%	(0.16) point

### Risk-Monitored Loans (Consolidated)

	Millions of yen		
	2003	2002	Increase (decrease)
Loans to borrowers in legal bankruptcy.....	¥ 13,799	¥12,697	¥1,102
Past due loans.....	57,972	55,131	2,841
Past due three months or more.....	620	465	154
Restructured loans.....	28,330	28,315	14
Total.....	¥100,723	¥96,610	¥4,112

### Nonperforming Loans under Internal-Assessment Standard (Non-Consolidated)

March 31, 2003			(Billions of yen)			
Failure	Substantial failure	Possible failure	Loans under Close Observation		Pass	Total
			Substandard	Others		
14.1	18.4	39.9	43.5	127.5	1,850.7	2,094.4

# SIX-YEAR SUMMARY

## (Consolidated)

The Hyakugo Bank, Ltd. and Consolidated Subsidiaries Years ended March 31

	Millions of yen					
	2003	2002	2001	2000	1999	1998
<b>For the year:</b>						
Total income.....	¥ 85,136	¥ 89,636	¥ 112,172	¥ 98,291	¥ 109,825	—
Total expenses .....	79,731	84,474	105,377	93,649	102,095	—
Income before income taxes and minority interests.....	5,405	5,162	6,794	4,641	7,729	—
Net income .....	2,321	2,863	3,956	2,658	3,712	—
<b>At year-end:</b>						
Total assets .....	¥3,664,538	¥3,662,386	¥3,553,174	¥3,349,334	¥3,325,832	—
Deposits .....	3,299,015	3,293,349	3,134,168	3,018,784	2,975,937	—
Loans and bills discounted.....	2,021,903	1,999,393	1,944,222	1,909,946	2,018,500	—
Investment securities .....	1,192,271	1,087,417	1,047,005	872,748	790,329	—
Total stockholders' equity .....	183,049	190,841	204,695	143,719	143,539	—
Common stock .....	20,000	20,000	20,000	20,000	20,000	—
<b>Per share data:</b>						
Net income per share (in full yen) .....	¥ 8.76	¥ 10.90	¥ 15.04	¥ 10.06	¥ 14.01	—
Stockholders' equity per share (in full yen) .....	703.23	727.70	778.34	546.49	541.68	—
<b>Valuation indicators:</b>						
Capital adequacy ratio (%) .....	9.37	8.81	8.94	8.98	8.76	—
Tier I ratio (%) .....	7.75	7.98	8.10	8.08	7.81	—
Return on equity (%) .....	1.24	1.44	2.27	1.85	—	—
Price/earnings ratio (times) .....	52.51	38.80	29.32	45.72	—	—
<b>Cash flow:</b>						
Net cash provided by operating activities .....	¥ 50,837	¥ 250,608	¥ 97,232	¥ 158,772	—	—
Net cash used in investing activities.....	(120,530)	(75,759)	(87,723)	(77,150)	—	—
Net cash used in financing activities .....	12,715	(4,647)	(4,319)	(2,443)	—	—

Note: Figures for the years ended March 31, 1998 are not included because the Bank did not prepare consolidated financial statements.

## (Non-Consolidated)

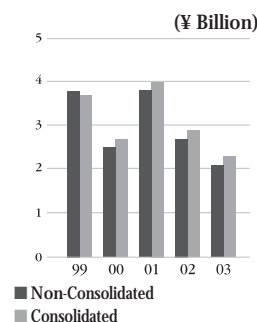
The Hyakugo Bank, Ltd. Years ended March 31

	Millions of yen					
	2003	2002	2001	2000	1999	1998
<b>For the year:</b>						
Total income.....	¥ 73,340	¥ 78,015	¥ 100,479	¥ 86,611	¥ 97,956	¥ 109,315
Total expenses .....	68,911	73,725	94,412	82,780	90,841	99,953
Income before income taxes.....	4,428	4,289	6,067	3,831	7,114	9,362
Net income .....	2,124	2,745	3,820	2,516	3,753	2,458
<b>At year-end:</b>						
Total assets .....	¥3,641,486	¥3,639,822	¥3,530,322	¥3,326,648	¥3,302,326	¥3,303,839
Deposits .....	3,300,143	3,294,503	3,135,768	3,019,969	2,977,062	2,946,402
Loans and bills discounted.....	2,027,957	2,005,883	1,950,311	1,915,247	2,023,408	2,013,853
Investment securities .....	1,192,709	1,087,785	1,047,268	873,117	790,727	790,987
Total stockholders' equity .....	182,144	190,190	204,164	143,334	143,302	124,428
<b>Per share data:</b>						
Net income per share (in full yen) .....	¥ 8.00	¥ 10.30	¥ 14.51	¥ 9.51	¥ 14.15	¥ 9.26
Cash dividends per share (in full yen) .....	5.00	5.00	5.00	5.00	6.00	5.00
Stockholders' equity per share (in full yen).....	699.48	724.57	775.62	544.53	540.30	469.14
<b>Valuation indicators:</b>						
Capital adequacy ratio (%) .....	9.27	8.72	8.88	8.92	8.72	9.97*
Tier I ratio (%) .....	7.63	7.88	8.03	8.02	7.77	7.27
Return on equity (%) .....	1.14	1.39	2.19	1.75	—	—
Return on assets (%) .....	0.06	0.08	0.11	0.07	0.11	0.07
Price/earnings ratio (times) .....	57.50	40.47	30.39	48.37	—	—

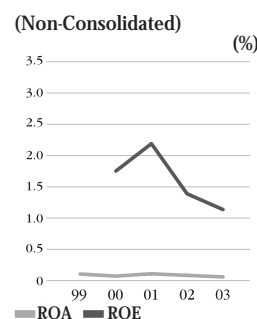
\*BIS standard

# FINANCIAL REVIEW

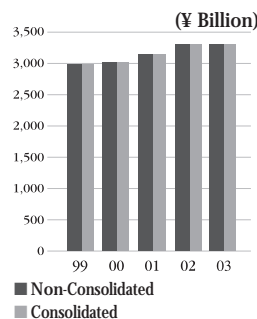
## Net Income



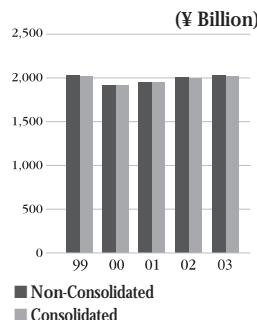
## Return on Assets/ Return on Equity



## Deposits



## Loans and Bills Discounted



## Income

For the year ended March 31, 2003 consolidated total income decreased ¥4,499 million (5.0 percent) year-on-year to ¥85,136 million, due to factors including a decrease in fund management income due to lower investment yields. Total expenses, however, decreased ¥4,742 million (5.6 percent) year-on-year to ¥79,731 million, because of factors including a decrease in funding costs resulting from lower deposit yields and a reduction in operating expenses. Net income decreased ¥542 million (18.9 percent) year-on-year to ¥2,321 million, due to tax effect accounting of partial revisions to the Local Tax Law and other factors.

## Net Interest Margin (Non-Consolidated)

	Millions of yen		
	2003	2002	Increase (decrease)
Interest income .....	¥ 60,201	¥ 64,179	¥ (3,978)
Average interest-earning assets .....	3,380,589	3,270,831	109,758
Average interest rate of interest-earning assets (%) .....	1.78	1.96	(0.18)
Interest expense .....	5,853	11,215	(5,362)
Average interest-bearing liabilities .....	3,268,619	3,156,679	111,939
Average interest rate of interest-bearing liabilities (%) .....	0.17	0.35	(0.18)
Net interest income .....	54,348	52,964	1,383
Funding cost (%) .....	1.46	1.76	(0.30)
Net interest margin (%) .....	0.32	0.20	0.12

Note: Figures for average interest-bearing liabilities are presented after deducting the average outstanding balance of money held in trust and interests.

## Deposits

As of March 31, 2003, total deposits, including negotiable deposits, increased ¥5,666 million (0.2 percent) from a year earlier to ¥3,299,015 million. Steady growth in individual deposits was the primary factor supporting the increase.

## Deposits by Depositor (Non-Consolidated)

	Millions of yen		
	2003	2002	Increase (decrease)
Individuals .....	¥2,520,332	¥2,468,207	¥ 52,125
Corporations .....	579,175	568,560	10,614
Local governments .....	172,308	226,054	(53,746)
Financial institutions .....	28,326	31,680	(3,354)
Total .....	¥3,300,143	¥3,294,503	¥ 5,639

## Loans

Reflecting an increase in loans to individuals, mainly housing loans, the balance of loans and bills discounted at the end of the fiscal year increased ¥22,509 million (1.1 percent) from a year earlier to ¥2,021,903 million.

## Consumer Loans (Non-Consolidated)

	Millions of yen		
	2003	2002	Increase (decrease)
Housing loans .....	¥336,844	¥315,473	¥21,370
Other .....	110,416	119,827	(9,410)
Total .....	¥447,261	¥435,300	¥11,960

## Loans to Small and Medium-sized Companies (Non-Consolidated)

	Millions of yen		
	2003	2002	Increase (decrease)
Total .....	¥1,451,605	¥1,455,761	¥(4,155)

- Notes: 1. The above amounts do not include loans from Japan offshore market accounts.  
2. Small and medium-sized companies are classified as those having capital of ¥300 million or less (¥100 million or less in the wholesale industry; ¥50 million or less in the retail and service industries) or those having 300 or fewer employees (100 or fewer in the wholesale industry; 50 or fewer in the retail industry and 100 or fewer in the service industry) and include businesses run by individuals.

## Loans by Industrial Category (Non-Consolidated)

	Millions of yen 2003
Manufacturing.....	¥ 359,468
Wholesale & retail .....	304,958
Service .....	241,478
Construction.....	119,832
Real estate .....	123,942
Banking & insurance.....	67,347
Other .....	810,930
<b>Total.....</b>	<b>¥2,027,957</b>

Note: The above table does not include loans from Japan offshore market accounts.

## Investment Securities

The balance of investment securities increased ¥104,854 million (9.6 percent) from a year earlier to ¥1,192,271 million.

## Capital Adequacy Ratio

Hyakugo Bank applies domestic standards for determining capital adequacy. As of March 31, 2003, the Bank's capital adequacy ratio based on domestic standards was 9.37 percent, and the Tier I capital ratio 7.75 percent. Calculated using BIS standards, the capital adequacy ratio was 10.60 percent. On a non-consolidated basis, the capital adequacy ratio based on domestic standards was 9.27 percent, and the Tier I ratio was 7.63 percent. Using BIS standards, the non-consolidated capital adequacy ratio was 10.51 percent.

## Capital Adequacy Ratio

March 31	Millions of yen			
	Consolidated		Non-Consolidated	
	2003	2002	2003	2002
<b>Tier I:</b>				
Common stockholders' equity.....	¥ 145,064	¥ 144,531	¥ 141,081	¥ 141,043
Total Tier I capital.....	145,064	144,531	141,081	141,043
<b>Tier II:</b>				
Premises revaluation account, after 55% discount .....	3,802	3,937	3,802	3,937
Reserve for possible loan losses .....	11,692	11,293	11,549	11,068
Total Tier II capital .....	30,495	15,230	30,352	15,005
Deduction from capital .....	101	101	101	101
Total capital .....	175,458	159,661	171,332	155,948
Total risk-adjusted assets .....	1,870,841	1,810,248	1,847,947	1,787,966
Capital adequacy ratio (%) .....	9.37	8.81	9.27	8.72

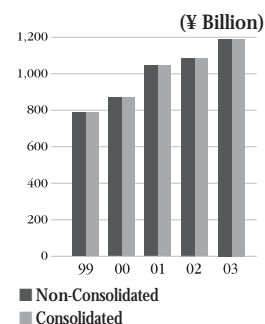
## Total Stockholders' Equity

Total stockholders' equity at March 31, 2003 decreased ¥7,791 million (4.1 percent) from a year earlier to ¥183,049 million. Unrealized gain on available-for-sale securities decreased ¥8,011 million from a year earlier to ¥35,321 million, reflecting the inclusion in stockholders' equity of deferred tax liabilities excluded from unrealized gain on investment and other securities.

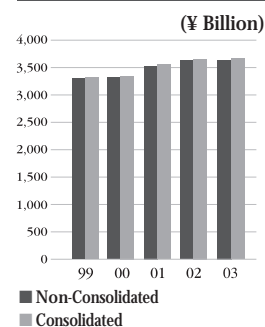
## Cash Flows

Net cash provided by operating activities totaled ¥50,837 million, reflecting an increase in deposits and other factors. Net cash used in investing activities totaled ¥120,530 million, mainly due to purchases of investment securities. Net cash provided by financing activities totaled ¥12,715 million due to proceeds from subordinated loans. As a result, cash and cash equivalents at the end of the year decreased ¥56,996 million from a year earlier to ¥244,412 million.

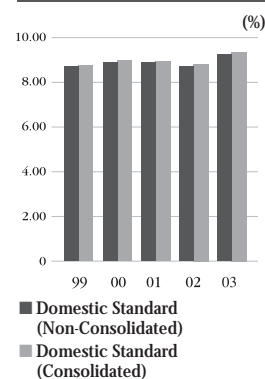
## Investment Securities



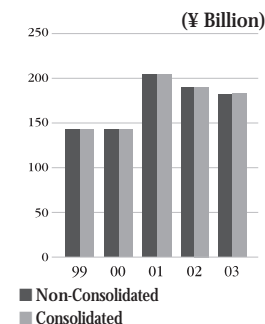
## Total Assets



## Capital Adequacy Ratio



## Total Stockholders' Equity



# CONSOLIDATED BALANCE SHEETS

The Hyakugo Bank, Ltd. and Subsidiaries March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Assets</b>			
Cash and due from banks .....	¥ 244,983	¥ 321,813	\$ 2,038,129
Call loans and bills purchased .....	12,723	67,159	105,850
Commercial paper and other debt purchased .....	69,935	33,266	581,826
Trading account securities (Note 3) .....	1,676	1,723	13,950
Money held in trust (Note 3) .....	5,801	30,011	48,265
Investment securities (Notes 3 and 6) .....	1,192,271	1,087,417	9,919,065
Loans and bills discounted (Notes 4 and 6) .....	2,021,903	1,999,393	16,821,157
Foreign exchanges .....	3,383	707	28,152
Other assets .....	36,931	33,708	307,249
Premises and equipment (Note 5) .....	54,998	56,339	457,561
Deferred tax assets (Note 14) .....	1,043	447	8,682
Excess of cost of investments over equity in net assets acquired .....	91	123	761
Customers' liabilities for acceptances and guarantees (Note 10) .....	63,867	72,760	531,340
Reserve for possible loan losses .....	(45,072)	(42,485)	(374,978)
	<b>¥3,664,538</b>	<b>¥3,662,386</b>	<b>\$30,487,009</b>
<b>Liabilities, Minority Interests and Stockholders' Equity</b>			
<b>Liabilities:</b>			
Deposits (Note 7) .....	¥3,299,015	¥3,293,349	\$27,446,052
Call money and bills sold .....	2,721	9,940	22,641
Borrowed money (Note 8) .....	30,421	16,761	253,092
Foreign exchanges .....	30	51	250
Bonds payable (Note 8) .....	10,204	11,312	84,900
Other liabilities .....	61,533	45,869	511,924
Reserve for employee bonuses .....	662	743	5,510
Reserve for employee retirement benefits (Notes 9 and 15) ....	6,359	6,227	52,909
Deferred tax liabilities (Note 14) .....	—	7,858	—
Deferred tax liabilities for revaluation (Note 5) .....	3,388	3,623	28,191
Acceptances and guarantees (Note 10) .....	63,867	72,760	531,340
Total liabilities .....	<b>3,478,204</b>	<b>3,468,499</b>	<b>28,936,809</b>
<b>Minority interests in subsidiaries</b> .....	<b>3,284</b>	<b>3,046</b>	<b>27,326</b>
<b>Stockholders' equity (Notes 11 and 15):</b>			
Common stock, no par value:			
Authorized: 398,000,000 shares;			
Issued: 261,225,000 shares in 2003 and 263,225,000 shares in 2002 .....	20,000	20,000	166,389
Capital surplus .....	7,557	7,557	62,875
Retained earnings .....	115,539	115,262	961,228
Revaluation increment on land (Note 5) .....	5,061	5,126	42,111
Net unrealized gains on available-for-sale securities (Note 3) .....	35,321	43,333	293,855
Less, treasury stock, at cost – 1,202,812 shares in 2003 and 973,152 shares in 2002 .....	(430)	(438)	(3,584)
Total stockholders' equity .....	<b>183,049</b>	<b>190,841</b>	<b>1,522,874</b>
	<b>¥3,664,538</b>	<b>¥3,662,386</b>	<b>\$30,487,009</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF INCOME

The Hyakugo Bank, Ltd. and Subsidiaries For the years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Income:</b>			
Interest income:			
Interest on loans and discounts .....	<b>¥40,120</b>	¥42,624	<b>\$333,785</b>
Interest and dividends on securities .....	<b>19,793</b>	21,196	<b>164,669</b>
Other interest income .....	<b>320</b>	360	<b>2,665</b>
Total interest income .....	<b>60,234</b>	64,181	<b>501,119</b>
Fees and commissions .....	<b>8,823</b>	8,080	<b>73,407</b>
Other operating income.....	<b>13,655</b>	12,760	<b>113,605</b>
Other income .....	<b>2,423</b>	4,613	<b>20,162</b>
Total income (Note 16) .....	<b>85,136</b>	89,636	<b>708,293</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits .....	<b>1,862</b>	3,976	<b>15,497</b>
Interest on borrowings and rediscounts.....	<b>327</b>	543	<b>2,726</b>
Other interest expenses.....	<b>3,958</b>	7,062	<b>32,936</b>
Total interest expenses.....	<b>6,149</b>	11,582	<b>51,159</b>
Fees and commissions .....	<b>2,725</b>	2,429	<b>22,675</b>
Other operating expenses .....	<b>12,160</b>	11,830	<b>101,166</b>
General and administrative expenses .....	<b>43,342</b>	45,368	<b>360,587</b>
Provision for possible loan losses.....	<b>7,323</b>	6,387	<b>60,926</b>
Other expenses .....	<b>8,030</b>	6,875	<b>66,811</b>
Total expenses (Note 16) .....	<b>79,731</b>	84,474	<b>663,324</b>
Income before income taxes and minority interests....	<b>5,405</b>	5,162	<b>44,969</b>
<b>Income taxes</b> (Note 14) .....	<b>2,718</b>	1,948	<b>22,616</b>
<b>Less, minority interests in net income of subsidiaries.....</b>	<b>365</b>	350	<b>3,043</b>
Net income.....	<b>¥ 2,321</b>	¥ 2,863	<b>\$ 19,310</b>
		Yen	U.S. Dollars
<b>Per share:</b>			
Net income .....	<b>¥ 8.76</b>	¥ 10.75	<b>\$ 0.07</b>
Cash dividends .....	<b>5.00</b>	5.00	<b>0.04</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

The Hyakugo Bank, Ltd. and Subsidiaries For the years ended March 31, 2003 and 2002

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Revaluation increment on land	Net unrealized gains on available-for-sale securities	Treasury stock
<b>Balance at March 31, 2001</b> .....	263,225,000	¥20,000	¥7,557	¥113,650	¥5,233	¥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)
<b>Balance at March 31, 2002</b> .....	263,225,000	20,000	7,557	115,262	5,126	43,333	(438)
Net income .....	—	—	—	<b>2,321</b>	—	—	—
Cash dividends .....	—	—	—	<b>(1,310)</b>	—	—	—
Bonuses to directors and corporate auditors.....	—	—	—	<b>(38)</b>	—	—	—
Reversal of revaluation increment on land .....	—	—	—	<b>175</b>	<b>(175)</b>	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes.....	—	—	—	—	—	<b>(8,784)</b>	—
Adjustment for applicable income taxes.....	—	—	—	—	<b>110</b>	<b>772</b>	—
Purchase of treasury stock and fractional shares....	—	—	—	—	—	—	<b>(863)</b>
Extinguishment of treasury stock.....	<b>(2,000,000)</b>	—	—	<b>(870)</b>	—	—	<b>870</b>
<b>Balance at March 31, 2003</b> .....	<b>261,225,000</b>	<b>¥20,000</b>	<b>¥7,557</b>	<b>¥115,539</b>	<b>¥5,061</b>	<b>¥35,321</b>	<b>¥(430)</b>

	Common stock	Capital surplus	Retained earnings	Revaluation increment on land	Net unrealized gains on available-for-sale securities	Treasury stock
<b>Balance at March 31, 2002</b> .....	\$166,389	\$62,875	\$958,926	\$42,648	\$360,508	\$(3,646)
Net income .....	—	—	<b>19,310</b>	—	—	—
Cash dividends .....	—	—	<b>(10,906)</b>	—	—	—
Bonuses to directors and corporate auditors.....	—	—	<b>(316)</b>	—	—	—
Reversal of revaluation increment on land .....	—	—	<b>1,458</b>	<b>(1,458)</b>	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes.....	—	—	—	—	<b>(73,079)</b>	—
Adjustment for applicable income taxes.....	—	—	—	<b>921</b>	<b>6,426</b>	—
Purchase of treasury stock and fractional shares.....	—	—	—	—	—	<b>(7,182)</b>
Extinguishment of treasury stock .....	—	—	<b>(7,244)</b>	—	—	<b>7,244</b>
<b>Balance at March 31, 2003</b> .....	<b>\$166,389</b>	<b>\$62,875</b>	<b>\$961,228</b>	<b>\$42,111</b>	<b>\$293,855</b>	<b>\$(3,584)</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

The Hyakugo Bank, Ltd. and Subsidiaries For the years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests.....	¥ 5,405	¥ 5,162	\$ 44,969
Adjustments for:			
Depreciation .....	9,901	10,850	82,376
Increase in reserve for possible loan losses.....	2,586	3,169	21,519
Interest income recognized on statement of income .....	(60,234)	(64,181)	(501,119)
Interest expenses recognized on statement of income .....	6,149	11,582	51,159
Net losses on sale or maturities of investment securities...	2,726	2,077	22,682
Increase in loans and bills discounted .....	(22,509)	(55,171)	(187,266)
Increase in deposits .....	5,666	159,180	47,142
Decrease in call loans and bills purchased .....	17,764	156,867	147,795
Decrease in call money and bills sold.....	(7,219)	(1,334)	(60,058)
Interest income received .....	63,093	67,363	524,907
Interest expenses paid.....	(7,313)	(13,965)	(60,842)
Other, net .....	38,807	(22,330)	322,860
Subtotal .....	54,826	259,269	456,124
Income taxes paid.....	(3,988)	(8,660)	(33,181)
Net cash provided by operating activities.....	50,837	250,608	422,943
<b>Cash flows from investing activities:</b>			
Purchases of investment securities.....	(472,509)	(429,766)	(3,931,024)
Proceeds from sale or maturities of investment securities .....	337,971	365,956	2,811,739
Net change in money held in trust .....	23,006	(2,054)	191,400
Purchases of premises and equipment.....	(9,634)	(10,540)	(80,155)
Proceeds from sale of premises and equipment.....	635	646	5,288
Net cash used in investing activities.....	(120,530)	(75,759)	(1,002,752)
<b>Cash flows from financing activities:</b>			
Increase in borrowed money .....	15,000	—	124,792
Repayment of borrowed money .....	—	(3,000)	—
Dividends paid.....	(1,316)	(1,317)	(10,951)
Other, net .....	(968)	(329)	(8,058)
Net cash provided by (used in) financing activities .....	12,715	(4,647)	105,783
Effect of exchange rate changes on cash and cash equivalents .....	(18)	19	(155)
Net (decrease) increase in cash and cash equivalents ....	(56,996)	170,221	(474,181)
Cash and cash equivalents at beginning of year .....	301,409	131,188	2,507,567
Cash and cash equivalents at end of year.....	¥244,412	¥301,409	\$2,033,386

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Hyakugo Bank, Ltd. and 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 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 ¥120.20=\$1, the exchange rate at March 31, 2003. 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 ¥120.20=\$1 or at any other rate.

### (c) Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 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 subsidiaries primarily engaged in a wide range of financial services to customers and no affiliate at March 31, 2003 and 2002, 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
	2003	2002	2003
Cash and due from banks.....	¥244,983	¥321,813	\$2,038,129
Less, due from banks other than the Bank of Japan .....	(570)	(20,404)	(4,743)
Cash and cash equivalents .....	¥244,412	¥301,409	\$2,033,386

### (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 in conformity with the transitional treatment described in the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Under the macro hedge accounting, the Bank records such 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 Industry Audit Committee Report No. 15, "Temporary Treatment in Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" issued by 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 exceptional treatments permitted for interest rate swaps.

The hedge accounting similar to the above-mentioned method is adopted by the subsidiaries. A certain 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 exceptional 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 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

Premises and equipment of a certain 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 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 the previous year, the Bank adopted the Industry Audit Committee Report No. 20, "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" issued by JICPA. Effective the current year, the Bank has adopted the Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" issued by JICPA.

In the current year, as the Bank has adopted the transitional treatments described in JICPA Industry Audit Committee Report No. 25, "fund swap transactions", "currency swap transactions" and "treatment of internal contract method and intercompany transactions" are accounted for by the same method as before. The translation difference of forward exchange transactions and other relevant transactions are presented with the net balance of the related asset or liability.

Pursuant to the transitional treatment of JICPA Industry Audit Committee Report No. 25, 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 subsidiaries have also adopted the pension plans.

In accordance with the accounting standard for employee retirement benefits, 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. 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.

#### (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 costs and bond issuance costs

Bond discounts costs 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 computed by dividing income available to common stockholders by 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 years ended March 31, 2003 and 2002. The Group adopted the new accounting standard for earnings per share from the current fiscal year. Prior-period per share data has been restated to conform to the current computation.

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, 2003 and 2002, trading account securities consisted of national government bonds only.

At March 31, 2003 and 2002, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
National government bonds .....	¥ 277,878	¥ 300,559	\$2,311,802
Local government bonds .....	208,923	210,020	1,738,129
Bonds and debentures .....	266,569	226,236	2,217,712
Equity securities.....	80,458	106,215	669,369
Other securities.....	358,442	244,385	2,982,053
	<b>¥1,192,271</b>	<b>¥1,087,417</b>	<b>\$9,919,065</b>

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 for financial instruments 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 for financial instruments. At March 31, 2003 and 2002, 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 value	Unrealized gains/(losses)	Carrying value	Unrealized gains/(losses)	Carrying value	Unrealized gains/(losses)
	Millions of Yen				Thousands of U.S. Dollars	
	2003		2002		2003	
Trading account securities.....	<b>¥1,676</b>	<b>¥ 5</b>	¥1,723	¥ 4	<b>\$13,950</b>	<b>\$ 48</b>
Money held in trust.....	<b>1,937</b>	<b>(9)</b>	3,986	(13)	<b>16,121</b>	<b>(82)</b>

At March 31, 2003 and 2002, gross unrealized gains and losses for marketable securities held-to-maturity and available-for-sale are summarized as follows:

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
	Millions of Yen			
Held-to-maturity debt securities with fair value at March 31, 2003:				
National government bonds...	¥ 3	¥ 0	¥ —	¥ 3
Local government bonds ...	<b>1,995</b>	<b>95</b>	—	<b>2,090</b>
Others .....	<b>62,552</b>	<b>51</b>	<b>(35)</b>	<b>62,568</b>
	<b>¥64,550</b>	<b>¥147</b>	<b>¥(35)</b>	<b>¥64,662</b>

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
	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
Others .....	18,000	13	(49)	17,964
	<b>¥20,992</b>	<b>¥213</b>	<b>¥(49)</b>	<b>¥21,156</b>

Thousands of U.S. Dollars

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
	Thousands of U.S. Dollars			
Held-to-maturity debt securities with fair value at March 31, 2003:				
National government bonds ...	\$ 26	\$ 1	\$ —	\$ 27
Local government bonds ...	<b>16,599</b>	<b>795</b>	—	<b>17,394</b>
Others .....	<b>520,402</b>	<b>430</b>	<b>(297)</b>	<b>520,535</b>
	<b>\$537,027</b>	<b>\$1,226</b>	<b>\$(297)</b>	<b>\$537,956</b>

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of Yen			
Available-for-sale securities with fair value at March 31, 2003:				
Equity securities.....	¥ 47,347	¥32,048	¥(1,523)	¥ 77,872
Bonds:				
National government bonds ...	<b>266,106</b>	<b>12,193</b>	<b>(425)</b>	<b>277,875</b>
Local government bonds...	<b>198,406</b>	<b>8,521</b>	—	<b>206,927</b>
Bonds and debentures.....	<b>244,572</b>	<b>5,926</b>	<b>(5)</b>	<b>250,494</b>
Others.....	<b>355,581</b>	<b>4,524</b>	<b>(1,309)</b>	<b>358,796</b>
	<b>¥1,112,015</b>	<b>¥63,213</b>	<b>¥(3,263)</b>	<b>¥1,171,966</b>
Money held in trust .....	¥ 4,835	¥ —	¥ (971)	¥ 3,863

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. Dollars			
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
	¥981,542	¥77,739	¥(3,154)	¥1,056,127
Money held in trust .....	¥ 26,609	¥ 15	¥ (599)	¥ 26,025

Thousands of U.S. Dollars

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. Dollars			
Available-for-sale securities with fair value at March 31, 2003:				
Equity securities.....	\$ 393,904	\$266,625	\$(12,672)	\$ 647,857
Bonds:				
National government bonds...	<b>2,213,868</b>	<b>101,445</b>	<b>(3,537)</b>	<b>2,311,776</b>
Local government bonds..	<b>1,650,639</b>	<b>70,891</b>	—	<b>1,721,530</b>
Bonds and debentures....	<b>2,034,717</b>	<b>49,302</b>	<b>(42)</b>	<b>2,083,977</b>
Others.....	<b>2,958,250</b>	<b>37,641</b>	<b>(10,898)</b>	<b>2,984,993</b>
	<b>\$9,251,378</b>	<b>\$525,904</b>	<b>\$(27,149)</b>	<b>\$9,750,133</b>
Money held in trust .....	\$ 40,225	\$ —	\$ (8,081)	\$ 32,144

At March 31, 2003 and 2002, 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
	2003	2002	U.S. Dollars
Unrealized gains .....	<b>¥ 58,979</b>	¥ 74,000	<b>\$ 490,675</b>
Less, applicable income taxes ....	<b>(23,650)</b>	(30,643)	<b>(196,762)</b>
Less, minority interests portion ..	<b>(6)</b>	(23)	<b>(58)</b>
Net unrealized gains in stockholders' equity .....	<b>¥ 35,321</b>	¥ 43,333	<b>\$ 293,855</b>

During the years ended March 31, 2003 and 2002, the Group sold available-for-sale securities and recorded gains of ¥3,697 million (\$30,763 thousand) and ¥4,374 million, respectively, and losses of ¥308 million (\$2,570 thousand) and ¥889 million, respectively, on the accompanying consolidated statements of income.

Expected maturities of debt securities held-to-maturity and available-for-sale at March 31, 2003 were as follows:

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Due in one year or less .....	<b>¥ 178,396</b>		<b>\$ 1,484,164</b>
Due after one year through five years....	<b>631,161</b>		<b>5,250,930</b>
Due after five years through ten years....	<b>295,238</b>		<b>2,456,231</b>
Due after ten years .....	<b>40,190</b>		<b>334,363</b>
	<b>¥1,144,987</b>		<b>\$9,525,688</b>

#### 4. LOANS AND BILLS DISCOUNTED

At March 31, 2003 and 2002, loans and bills discounted consisted of the following:

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Bills discounted .....	<b>¥ 37,142</b>	¥ 48,028	<b>\$ 309,003</b>
Loans on notes .....	<b>284,066</b>	329,989	<b>2,363,283</b>
Loans on deeds .....	<b>1,321,865</b>	1,278,224	<b>10,997,221</b>
Overdrafts .....	<b>378,828</b>	343,151	<b>3,151,650</b>
	<b>¥2,021,903</b>	¥1,999,393	<b>\$16,821,157</b>

At March 31, 2003 and 2002, 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 ¥71,772 million (\$597,110 thousand) and ¥67,828 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, 2003 and 2002, 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 ¥620 million (\$5,161 thousand) and ¥465 million, respectively.

At March 31, 2003 and 2002, 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 ¥28,330 million (\$235,692 thousand) and ¥28,315 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 ¥100,723 million (\$837,963 thousand) and ¥96,610 million at March 31, 2003 and 2002, respectively.

#### 5. PREMISES AND EQUIPMENT

At March 31, 2003 and 2002, a major classification of premises and equipment was as follows:

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Land .....	<b>¥ 18,966</b>	¥ 19,360	<b>\$ 157,792</b>
Buildings and structures .....	<b>29,583</b>	30,203	<b>246,115</b>
Equipment .....	<b>78,454</b>	78,529	<b>652,698</b>
Construction in progress.....	<b>1,782</b>	456	<b>14,833</b>
	<b>128,786</b>	128,550	<b>1,071,438</b>
Less, accumulated depreciation..	<b>(74,762)</b>	(73,249)	<b>(621,987)</b>
	<b>54,023</b>	55,300	<b>449,451</b>
Lease deposits and intangible assets .....	<b>974</b>	1,039	<b>8,110</b>
	<b>¥ 54,998</b>	¥ 56,339	<b>\$ 457,561</b>

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 (the "Law"). 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, 2003 and 2002, the difference of the carrying values of land used for the banking business after revaluation over the current market value of such land at the respective fiscal year-ends amounted to ¥5,509 million (\$45,838 thousand) and ¥4,448 million, respectively.

## 6. PLEDGED ASSETS

At March 31, 2003 and 2002, the following assets were pledged as collateral for liabilities such as certain deposits and borrowed money:

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Investment securities .....	<b>¥87,184</b>	¥90,646	<b>\$725,325</b>

In addition, investment securities totaling ¥61,362 million (\$510,507 thousand) and ¥58,830 million at March 31, 2003 and 2002, respectively, were pledged as collateral for the settlement of exchange, derivative and other transactions.

## 7. DEPOSITS

At March 31, 2003 and 2002, deposits consisted of the following:

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Demand deposits .....	<b>¥1,417,841</b>	¥1,336,613	<b>\$11,795,688</b>
Time deposits .....	<b>1,737,540</b>	1,836,375	<b>14,455,415</b>
Other deposits .....	<b>71,426</b>	46,408	<b>594,229</b>
Subtotal .....	<b>3,226,808</b>	3,219,397	<b>26,845,332</b>
Negotiable deposits .....	<b>72,206</b>	73,951	<b>600,720</b>
	<b>¥3,299,015</b>	¥3,293,349	<b>\$27,446,052</b>

## 8. BORROWED MONEY AND BONDS PAYABLE

Borrowed money consisted of the borrowings from financial institutions with an average interest rate of 1.38% per annum at March 31, 2003 due through May 2013. Borrowed money included subordinated debt of ¥15,000 million (\$124,792 thousand) at March 31, 2003.

The annual maturities of borrowed money at March 31, 2003 were as follows:

Years ending March 31	Millions of Yen	Thousands of
		U.S. Dollars
2004 .....	<b>¥ 7,672</b>	<b>\$ 63,829</b>
2005 .....	<b>3,636</b>	<b>30,257</b>
2006 .....	<b>2,644</b>	<b>21,997</b>
2007 .....	<b>1,046</b>	<b>8,706</b>
2008 .....	<b>422</b>	<b>3,511</b>
2009 and thereafter .....	<b>15,000</b>	<b>124,792</b>
	<b>¥30,421</b>	<b>\$253,092</b>

At March 31, 2003 and 2002, bonds payable consisted of the following:

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Unsecured 6.9% US\$84,900,000 notes, due in February 2005 .....	<b>¥10,204</b>	¥11,312	<b>\$84,900</b>

## 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, 2003 and 2002.

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Reconciliation of benefit liability:			
Projected benefit obligation ....	<b>¥ 62,144</b>	¥ 65,263	<b>\$ 517,007</b>
Less, fair value of pension plan assets at end of year ....	<b>(41,535)</b>	(46,796)	<b>(345,556)</b>
Projected benefit obligation in excess of pension plan assets .....	<b>20,608</b>	18,466	<b>171,451</b>
Less, unrecognized actuarial differences (loss) .....	<b>(21,914)</b>	(13,473)	<b>(182,315)</b>
Unrecognized prior service cost of retroactive benefits granted by the pension plan amendment .....	<b>6,998</b>	1,234	<b>58,219</b>
	<b>5,692</b>	6,227	<b>47,355</b>
Prepaid pension cost .....	<b>667</b>	—	<b>5,554</b>
Net amounts of reserve for employee retirement benefits recognized on the consolidated balance sheets ...	<b>¥ 6,359</b>	¥ 6,227	<b>\$ 52,909</b>

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

2. Projected benefit obligation of subsidiaries was calculated using simplified calculation method as permitted by the accounting standard for employee retirement benefits.

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Components of net periodic retirement benefit expense:			
Service cost .....	<b>¥ 1,989</b>	¥ 1,803	<b>\$16,548</b>
Interest cost .....	<b>1,618</b>	1,761	<b>13,468</b>
Expected return on pension plan assets .....	<b>(1,068)</b>	(1,232)	<b>(8,892)</b>
Amortization of prior service cost .....	<b>(859)</b>	(675)	<b>(7,152)</b>
Amortization of actuarial differences .....	<b>1,394</b>	473	<b>11,603</b>
Net periodic retirement benefit expense .....	<b>¥ 3,074</b>	¥ 2,129	<b>\$25,575</b>

Major assumptions used in the calculation of the above information for the years ended March 31, 2003 and 2002 were as follows:

	2003	2002
Method attributing the projected benefits to periods of services .....	Straight-line method	Straight-line method
Discount rate .....	<b>2.5%</b>	2.5%
Expected rate of return on pension plan assets ....	<b>3.5%</b>	4.0%
Amortization of prior service cost .....	<b>3 years</b>	3 years
Amortization of actuarial differences .....	<b>10 years</b>	10 years

## 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, without par value, is 398 million at March 31, 2003, subject to reduction due to an extinguishment of treasury stock acquired.

Pursuant to the Commercial Code of Japan and the resolution by stockholders at the annual general meeting on June 27, 2003, the Bank can purchase the treasury stock of the Bank up to 10 million shares in maximum consideration for ¥6,000 million (\$49,917 thousand) for the period through the date of its next stockholders' annual general meeting.

On June 28, 2001, the Bank implemented a stock option plan approved by stockholders at the annual general meeting. Under the stock option plan, stock options were granted to 13 members of the Board of Directors and 277 executive employees as of June 28, 2001, and each stock option is exercisable from June 29, 2003 to March 31, 2006. Up to 684,000 shares of the common stock would be issuable for exercise of this option at the exercise price of ¥483, which is subject to adjustment in certain circumstances including a stock split.

At March 31, 2003 and 2002, capital surplus consisted of additional paid-in capital, respectively. Retained earnings included legal reserve of the Bank in the amount of ¥17,377 million (\$144,573 thousand) at March 31, 2003 and 2002, 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 additional paid-in capital 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, 2003 and 2002, the unused amounts within the limits relating to these contracts aggregated ¥886,780 million (\$7,377,541 thousand) and ¥933,706

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 ¥881,280 million (\$7,331,784 thousand) and ¥916,220 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, 2003 and 2002, 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
	2003	2002	2003
Financing leases as lessee:			
Due within one year .....	<b>¥3</b>	¥ 4	<b>\$26</b>
Due after one year .....	<b>4</b>	7	<b>38</b>
	<b>¥7</b>	¥12	<b>\$64</b>
Operating leases as lessee:			
Due within one year .....	<b>¥ 46</b>	¥ 530	<b>\$ 385</b>
Due after one year .....	<b>76</b>	635	<b>633</b>
	<b>¥122</b>	¥1,165	<b>\$1,018</b>

In addition, a certain 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
	2003	2002	2003
Financing leases as lessor:			
Due within one year .....	<b>¥ 6,765</b>	¥ 6,916	<b>\$ 56,285</b>
Due after one year .....	<b>13,142</b>	13,184	<b>109,341</b>
	<b>¥19,908</b>	¥20,101	<b>\$165,626</b>

As for financing leases as lessor, if such financing leases had been accounted for as sales transactions of the leased property, at March 31, 2003 and 2002, receivables that are equal to future minimum lease commitments to be received of ¥19,908 million (\$165,626 thousand) and ¥20,101 million, respectively, would have been recorded instead of a decrease of the leased property currently recorded as premises and equipment of ¥18,567 million (\$154,475 thousand) and ¥18,568 million, respectively. Additionally, finance income of ¥859 million (\$7,152 thousand) to be calculated based on the interest method would have been recorded for the year ended March 31, 2003, while leasing income and related depreciation expenses recognized on the accompanying consolidated statements of income amounted to ¥7,716 million (\$64,198 thousand) and ¥6,529 million (\$54,321 thousand), respectively. For the year ended March 31, 2002, finance income of ¥888 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 ¥7,921 million and ¥6,696 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, 2003 and 2002, 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			
<b>At March 31, 2003:</b>			
Interest rate contracts-swaps...	¥ 1,317	¥ (9)	¥ (9)
Foreign exchange contracts-currency swaps.....	21,906	73	73
Credit derivative contracts- credit default options.....	8,000	5	5
<b>At March 31, 2002:</b>			
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)
Thousands of U.S. Dollars			
<b>At March 31, 2003:</b>			
Interest rate contracts-swaps...	\$ 10,963	\$ (83)	\$ (83)
Foreign exchange contracts-currency swaps.....	182,248	612	612
Credit derivative contracts- credit default options.....	66,556	42	42

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			
<b>Currency swaps –</b>			
at March 31, 2003 .....	¥ 6,624	¥ (363)	¥ (363)
<b>Currency swaps –</b>			
at March 31, 2002 .....	54,713	(2,008)	(2,008)
Thousands of U.S. Dollars			
<b>Currency swaps –</b>			
at March 31, 2003 .....	\$55,111	\$ (3,020)	\$ (3,020)

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
	2003	2002	2003
<b>Notional principal amounts –</b>			
Foreign exchange forward contracts.....	¥181,688	¥69,568	\$1,511,554
Currency options.....	22,188	—	184,594

### 14. INCOME TAXES

Income taxes for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Income taxes:</b>			
Current .....	¥ 4,304	¥ 5,155	\$ 35,811
Deferred.....	(1,586)	(3,206)	(13,195)
	¥ 2,718	¥ 1,948	\$ 22,616

At March 31, 2003 and 2002, income taxes (including enterprise taxes) payable in the amounts of ¥1,909 million (\$15,887 thousand) and ¥1,593 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, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Reserve for possible loan losses...	¥ 15,057	¥ 14,890	\$ 125,272
Reserve for employee retirement benefits.....	3,256	3,258	27,091
Investment securities .....	4,084	2,484	33,977
Depreciation.....	890	1,007	7,412
Other.....	1,529	1,592	12,722
Subtotal.....	24,818	23,232	206,474
Less, valuation allowance.....	(123)	—	(1,030)
Deferred tax assets total .....	24,694	23,232	205,444
Net of deferred tax liabilities:			
Unrealized gains on available-for-sale securities .....	(23,650)	(30,643)	(196,762)
Net deferred tax assets (liabilities) .....	¥ 1,043	¥ (7,411)	\$ 8,682

At March 31, 2003 and 2002, deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets.....	¥1,043	¥ 447	\$8,682
Deferred tax liabilities .....	—	7,858	—

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, 2003, a valuation allowance was provided to reduce the deferred tax assets to the extent that the management believes that the amount of the deferred tax assets is expected to be realizable, although no valuation allowance was provided at March 31, 2002.

A reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2003 and 2002 was as follows:

	Percentage of pretax income	
	2003	2002
Japanese statutory effective tax rate.....	41.41%	41.41%
Increase (decrease) due to:		
Permanently nondeductible expenses .....	2.42	1.58
Tax exempt income .....	(4.69)	(6.92)
Local taxes-per capita levy .....	1.00	1.05
Adjustments due to a change in tax rate .....	9.87	—
Other.....	0.28	0.62
Actual effective income tax rate .....	50.29%	37.74%

With the implementation of the "Revision of the Local Tax Law" on March 31, 2003, the statutory effective tax rate used in the calculation of deferred tax assets or liabilities effective from the fiscal year beginning on April 1, 2004 has been changed from 41.41% to 40.10%. As a result, at March 31, 2003, deferred tax assets decreased by ¥533 million (\$4,442 thousand). In addition, deferred income tax expenses increased by ¥533 million (\$4,442 thousand) for the year ended March 31, 2003.

## 15. SUBSEQUENT EVENTS

- (a) The stockholders of the Bank approved the following appropriation of retained earnings at the annual general meeting on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends .....	¥650	\$5,415
Bonuses to directors and corporate auditors .....	30	250

- (b) In conjunction with the enforcement of the Defined Benefit Enterprise Pension Plan Law, the Bank received approval from the Minister of Health, Labor and Welfare for exemption from the obligation of the employee pension plan funds relating to the substituted portion subject to the Japanese Welfare Pension Insurance Law on April 1, 2003. The Bank has applied the transitional treatment specified on paragraph 47-2 of the Accounting Committee Report No.13, "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" issued by JICPA, and has recognized an extinguishment of the retirement benefit obligation with respect to such substituted portion as of the date of the approval. As a result, the Bank expects to record this effect of approximately ¥2,100 million (\$17,471 thousand) as other income in the consolidated statements of income for the year ending March 31, 2004.

## 16. SEGMENT INFORMATION

A summary of information classified by lines of business of the Group for the years ended March 31, 2003 and 2002 was as follows:

	Bank	Leasing	Other	Total	Elimination	Consolidated
Millions of Yen						
<b>For the year 2003:</b>						
Ordinary income:						
Outside customers .....	¥ 73,075	¥10,061	¥1,943	¥ 85,080	¥ —	¥ 85,080
Inter-segment .....	154	553	746	1,455	(1,455)	—
	<b>73,230</b>	<b>10,615</b>	<b>2,690</b>	<b>86,536</b>	<b>(1,455)</b>	<b>85,080</b>
Ordinary expenses.....	<b>68,361</b>	<b>10,107</b>	<b>2,287</b>	<b>80,757</b>	<b>(1,495)</b>	<b>79,261</b>
Ordinary profit.....	¥ 4,868	¥ 507	¥ 402	¥ 5,778	¥ 40	5,819
Special gains (losses), net .....						(413)
Income before income taxes and minority interests .....						¥ 5,405
Identifiable assets.....	¥3,641,448	¥26,498	¥6,346	¥3,674,292	¥(9,754)	¥3,664,538
Depreciation.....	2,554	7,319	27	9,901	—	9,901
Capital expenditures.....	2,089	7,539	6	9,634	—	9,634
<b>For the year 2002:</b>						
Ordinary income:						
Outside customers .....	¥ 77,556	¥10,079	¥1,939	¥ 89,575	¥ —	¥ 89,575
Inter-segment .....	322	548	914	1,785	(1,785)	—
	77,878	10,628	2,853	91,360	(1,785)	89,575
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
Special gains (losses), 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

	Bank	Leasing	Other	Total	Elimination	Consolidated
Thousands of U.S. Dollars						
<b>For the year 2003:</b>						
Ordinary income:						
Outside customers .....	\$ 607,953	\$ 83,705	\$16,169	\$ 707,827	\$ —	\$ 707,827
Inter-segment .....	1,287	4,608	6,212	12,107	(12,107)	—
	<b>609,240</b>	<b>88,313</b>	<b>22,381</b>	<b>719,934</b>	<b>(12,107)</b>	<b>707,827</b>
Ordinary expenses.....	<b>568,735</b>	<b>84,091</b>	<b>19,033</b>	<b>671,859</b>	<b>(12,443)</b>	<b>659,416</b>
Ordinary profit.....	\$ 40,505	\$ 4,222	\$ 3,348	\$ 48,075	\$ 336	48,411
Special gains (losses), net .....						(3,442)
Income before income taxes and minority interests .....						\$ 44,969
Identifiable assets.....	\$30,294,911	\$220,451	\$52,796	\$30,568,158	\$(81,149)	\$30,487,009
Depreciation.....	21,249	60,898	229	82,376	—	82,376
Capital expenditures.....	17,384	62,721	50	80,155	—	80,155

Note: "Ordinary income" represents total income less certain special gains included in other income. "Ordinary expenses" represents total expenses less certain special losses included in other expenses. "Ordinary profit" represents ordinary income less ordinary expenses. "Other" business segment includes credit card operations.

Ordinary income from foreign operations of the Group for the year ended March 31, 2003 was not disclosed as such income was less than 10% of total income, while ordinary income from foreign operations for the year ended March 31, 2002 amounted to ¥9,355 million, 10.4% of total income. Information on geographic segments is not shown as the Bank has no overseas 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, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Assets</b>			
Cash and due from banks .....	¥ 244,730	¥ 321,526	\$ 2,036,029
Call loans and bills purchased .....	12,723	67,159	105,850
Commercial paper and other debt purchased.....	69,935	33,266	581,826
Trading account securities.....	1,676	1,723	13,950
Money held in trust .....	5,801	30,011	48,265
Investment securities .....	1,192,709	1,087,785	9,922,711
Loans and bills discounted .....	2,027,957	2,005,883	16,871,528
Foreign exchanges .....	3,383	707	28,152
Other assets.....	28,315	25,441	235,572
Premises and equipment.....	34,084	35,263	283,568
Deferred tax assets.....	484	—	4,028
Customers' liabilities for acceptances and guarantees.....	63,867	72,760	531,340
Reserve for possible loan losses .....	(44,184)	(41,707)	(367,588)
	<b>¥3,641,486</b>	<b>¥3,639,822</b>	<b>\$30,295,231</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities:</b>			
Deposits .....	¥3,300,143	¥3,294,503	\$27,455,434
Call money and bills sold.....	2,721	9,940	22,641
Borrowed money.....	16,144	1,171	134,310
Foreign exchanges .....	30	51	250
Bonds payable .....	10,217	11,326	85,000
Other liabilities .....	56,088	41,682	466,623
Reserve for employee bonuses.....	470	540	3,912
Reserve for employee retirement benefit .....	6,272	6,151	52,186
Deferred tax liabilities.....	—	7,880	—
Deferred tax liabilities for revaluation.....	3,388	3,623	28,191
Acceptances and guarantees.....	63,867	72,760	531,340
Total liabilities.....	<b>3,459,342</b>	<b>3,449,632</b>	<b>28,779,887</b>
<b>Stockholders' equity:</b>			
Common stock .....	20,000	20,000	166,389
Capital surplus.....	7,557	7,557	62,875
Retained earnings			
Legal reserve .....	17,377	17,377	144,573
Voluntary reserves .....	94,414	92,914	785,474
Unappropriated retained earnings.....	2,797	4,219	23,276
Total retained earnings.....	<b>114,589</b>	<b>114,511</b>	<b>953,323</b>
Revaluation increment on land.....	5,061	5,126	42,111
Net unrealized gains on available-for-sale securities.....	35,320	43,325	293,844
Less, treasury stock, at cost.....	(384)	(330)	(3,198)
Total stockholders' equity .....	<b>182,144</b>	<b>190,190</b>	<b>1,515,344</b>
	<b>¥3,641,486</b>	<b>¥3,639,822</b>	<b>\$30,295,231</b>

## Non-Consolidated Statements of Income

The Hyakugo Bank, Ltd. (Parent) For the years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Income:</b>			
Interest income:			
Interest on loans and discounts .....	<b>¥40,031</b>	¥42,558	<b>\$333,039</b>
Interest and dividends on securities .....	<b>19,849</b>	21,261	<b>165,139</b>
Other interest income .....	<b>320</b>	360	<b>2,665</b>
Total interest income .....	<b>60,201</b>	64,179	<b>500,843</b>
Fees and commissions .....	<b>8,868</b>	8,296	<b>73,784</b>
Other operating income.....	<b>1,873</b>	952	<b>15,590</b>
Other income .....	<b>2,396</b>	4,587	<b>19,933</b>
Total income.....	<b>73,340</b>	78,015	<b>610,150</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits.....	<b>1,862</b>	3,976	<b>15,497</b>
Interest on borrowings and rediscounts .....	<b>121</b>	303	<b>1,013</b>
Other interest expenses .....	<b>3,910</b>	7,005	<b>32,533</b>
Total interest expenses .....	<b>5,894</b>	11,285	<b>49,043</b>
Fees and commissions .....	<b>2,942</b>	2,632	<b>24,484</b>
Other operating expenses .....	<b>2,734</b>	2,403	<b>22,753</b>
General and administrative expenses .....	<b>42,468</b>	44,654	<b>353,315</b>
Provision for possible loan losses .....	<b>7,160</b>	6,268	<b>59,568</b>
Other expenses .....	<b>7,710</b>	6,480	<b>64,147</b>
Total expenses .....	<b>68,911</b>	73,725	<b>573,310</b>
Income before income taxes .....	<b>4,428</b>	4,289	<b>36,840</b>
<b>Income taxes:</b>			
Current .....	<b>3,816</b>	4,725	<b>31,747</b>
Deferred .....	<b>(1,511)</b>	(3,181)	<b>(12,578)</b>
Total income taxes.....	<b>2,304</b>	1,543	<b>19,169</b>
Net income .....	<b>¥ 2,124</b>	¥ 2,745	<b>\$ 17,671</b>
		Yen	U.S. Dollars
<b>Per share:</b>			
Net income.....	<b>¥ 8.00</b>	¥ 10.30	<b>\$ 0.07</b>

## Non-Consolidated Statements of Stockholders' Equity

The Hyakugo Bank, Ltd. (Parent) For the years ended March 31, 2003 and 2002

	Common stock	Capital surplus	Legal reserve	Voluntary reserves	Unappropriated retained earnings	Revaluation increment on land	Net unrealized gains on available-for-sale securities	Treasury stock
Millions of Yen								
<b>Balance at March 31, 2001</b> .....	¥ 20,000	¥ 7,557	¥ 16,777	¥ 91,114	¥ 5,125	¥ 5,233	¥ 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)
<b>Balance at March 31, 2002</b> .....	20,000	7,557	17,377	92,914	4,219	5,126	43,325	(330)
Net income.....	—	—	—	—	2,124	—	—	—
Appropriations:								
Cash dividends.....	—	—	—	—	(1,312)	—	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	(38)	—	—	—
Transfer to voluntary reserves.....	—	—	—	1,500	(1,500)	—	—	—
Reversal of revaluation increment on land.....	—	—	—	—	175	(175)	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes.....	—	—	—	—	—	—	(8,778)	—
Adjustment for applicable income taxes.....	—	—	—	—	—	110	772	—
Purchase of treasury stock and fractional shares.....	—	—	—	—	—	—	—	(924)
Extinguishment of treasury stock.....	—	—	—	—	(870)	—	—	870
<b>Balance at March 31, 2003</b> .....	<b>¥20,000</b>	<b>¥7,557</b>	<b>¥17,377</b>	<b>¥94,414</b>	<b>¥ 2,797</b>	<b>¥5,061</b>	<b>¥35,320</b>	<b>¥(384)</b>

	Common stock	Capital surplus	Legal reserve	Voluntary reserves	Unappropriated retained earnings	Revaluation increment on land	Net unrealized gains on available-for-sale securities	Treasury stock
Thousands of U.S. Dollars								
<b>Balance at March 31, 2002</b> .....	\$166,389	\$62,875	\$144,573	\$772,995	\$ 35,103	\$42,648	\$360,449	\$(2,750)
Net income.....	—	—	—	—	17,671	—	—	—
Appropriations:								
Cash dividends.....	—	—	—	—	(10,917)	—	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	(316)	—	—	—
Transfer to voluntary reserves.....	—	—	—	12,479	(12,479)	—	—	—
Reversal of revaluation increment on land.....	—	—	—	—	1,458	(1,458)	—	—
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes.....	—	—	—	—	—	—	(73,031)	—
Adjustment for applicable income taxes.....	—	—	—	—	—	921	6,426	—
Purchase of treasury stock and fractional shares.....	—	—	—	—	—	—	—	(7,692)
Extinguishment of treasury stock.....	—	—	—	—	(7,244)	—	—	7,244
<b>Balance at March 31, 2003</b> .....	<b>\$166,389</b>	<b>\$62,875</b>	<b>\$144,573</b>	<b>\$785,474</b>	<b>\$ 23,276</b>	<b>\$42,111</b>	<b>\$293,844</b>	<b>\$(3,198)</b>

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3-28-12, Meieki, Nakamura-ku  
Nagoya, 450-8565 Japan  
Telephone 81-52-551-3001  
Facsimile 81-52-551-3005

**Report of Independent Auditors**

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

We have audited the accompanying consolidated balance sheets of The Hyakugo Bank, Ltd. and its subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Hyakugo Bank, Ltd. and its subsidiaries as of March 31, 2003 and 2002, 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).

As described in Note 15, The Hyakugo Bank, Ltd. received an approval from the Minister of Health, Labor and Welfare for exemption from the obligation of the employee pension plan funds relating to the substituted portion subject to the Japanese Welfare Pension Insurance Law on April 1, 2003.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, 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, 2003

# BOARD OF DIRECTORS & CORPORATE AUDITORS



**Sadahisa Kawakita**  
Chairman



**Hajimu Maeda\***  
President



**Shunji Iida\***  
Senior Managing Director



**Masataka Tanaka**  
Managing Director



**Jun Kumoi**  
Managing Director



**Osamu Hiramatsu**  
Managing Director

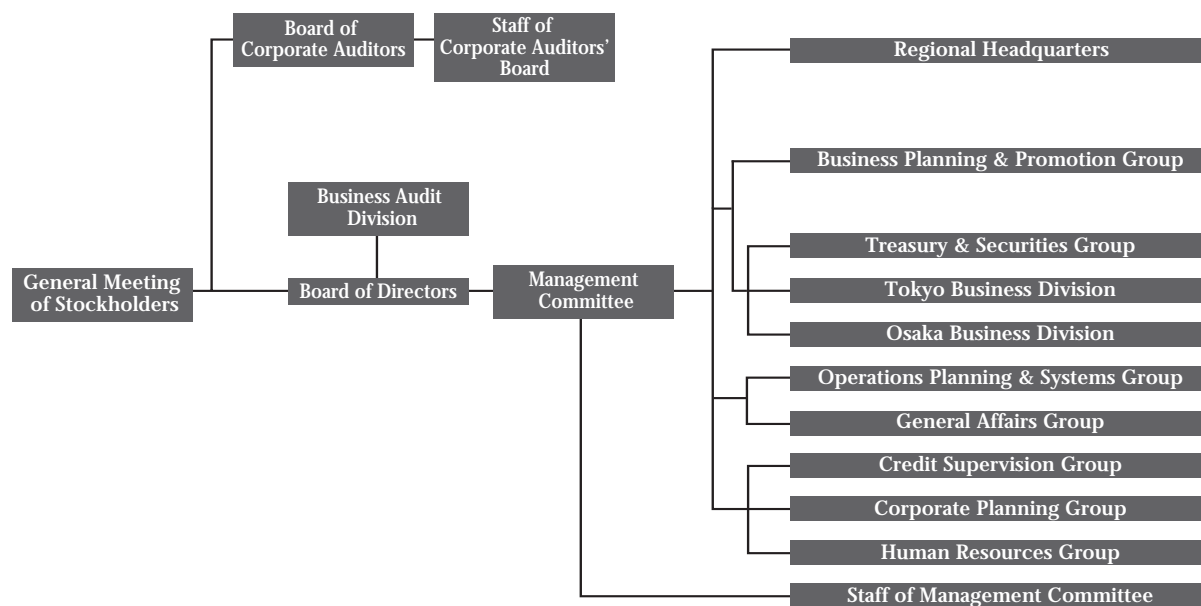
Directors  
Kuninao Ezaki  
Takashi Yasuoka  
Yoichi Hashimoto  
Manabu Hashimoto  
Hisashi Mukai  
Shinichi Hiraishi  
Tsuyoshi Ueda

Standing Corporate Auditors  
Yoshifumi Kimura  
Masaya Kihara  
Hachirobe Doi  
Yasuo Takemura

\*Representative Director

(As of June 27, 2003)

## ORGANIZATION



(As of March 31, 2003)

# CORPORATE DATA & MAJOR STOCKHOLDERS DIRECTORY

## Corporate Data

### Head Office

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

### International Banking Facilities

21-27, Iwata, Tsu, Mie, Japan  
 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:**  
 396 million

**Shares of Common Stock Issued:**  
 261,225 thousand

**Number of Stockholders:** 11,152

**Ticker Code:** 8368

**Domestic Network:** 135 Offices

**Overseas Network:** 2 Representative Offices

**Number of Employees:** 2,508

**Foreign Exchange Offices:** 16

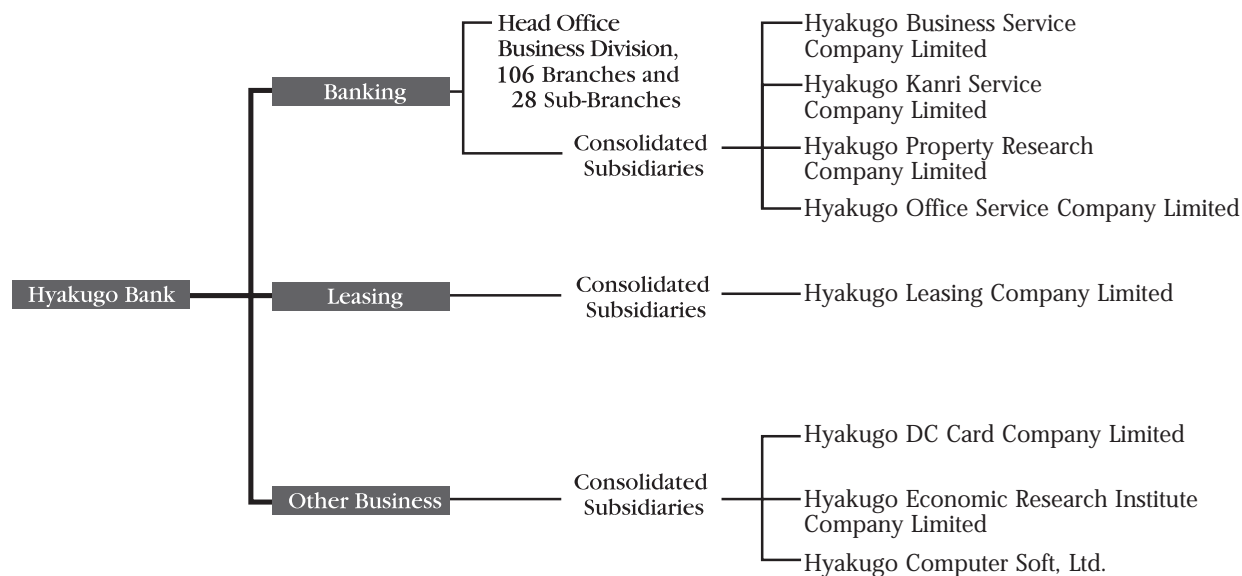
**Foreign Currency Exchange Offices:** 90

(As of March 31, 2003)

## Major Stockholders (Number of shares in thousands):

The Bank of Tokyo-Mitsubishi, Limited	12,661 (4.84%)	Hyakugo Bank Employees' Shareholding Association	4,477 (1.71%)
UFJ Bank, Limited	12,661 (4.84%)	Mizuho Corporate Bank Co., Ltd.	4,045 (1.54%)
The Meiji Mutual Life Insurance Company	7,893 (3.02%)	Nippon Life Insurance Company	3,995 (1.52%)
NIPPONKOA Insurance Company, Limited	7,230 (2.76%)	The Master Trust Bank of Japan, Toyota Motor Account	3,986 (1.52%)
The Master Trust Bank of Japan, Trust Accounts	5,094 (1.95%)	Shimizu Corporation	3,929 (1.50%)

## Hyakugo Bank Group



# FRONTIER BANKING

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