THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2003 and 2002

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and the Enforcement Regulation for the Japanese Banking Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications and rearrangements have been made in the 2002 financial statement to conform to the classifications and presentation used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to U.S.$1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its subsidiaries (together, the "Companies").

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profits and losses resulting from transactions within the Companies is eliminated.

b. Cash and Cash Equivalents—For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and amounts due from The Bank of Japan.

c. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Bank's intent, as follows:

(1) trading account securities which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,
(2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and
(3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are reported at cost or amortized cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for by the same method as above.

Effective April 1, 2001, *gensaki* transactions (securities purchased under resale agreements and securities sold under repurchase agreements) that are not for trading purpose are accounted for as financing transactions and not as purchases and sales. This change was required based on the Accounting Standard for Financial Instruments issued by the Business Accounting Deliberation Council in January 1999.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of stockholders' equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

d. Lease Assets—Lease assets included in other assets are stated at cost less accumulated depreciation. Depreciation of lease assets is mainly computed by the straight-line method over lease periods.

e. Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of premises and equipment is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings, and from 5 to 20 years for equipment.

f. Software—Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of five years.

g. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at the year end are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

In the current fiscal year, the Bank has adopted the transitional applications described in the Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing

Concerning Accounting for Foreign Currency Transactions in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants (the "JICPA") on July 29, 2002.

The report requires banks to apply fair value accounting for fund swap, which have been accounted for on an accrual basis in accordance with previous guidelines issued by the JICPA for the banking industry.

As a one-year transaction period for the current fiscal year, the Banks elected to apply the previous accounting method.

For fund swap transactions of the Bank, the amounts on the balance sheet are net yen conversions of the principal equivalents of assets and liabilities using the fiscal-year-end exchange rate. Differences between spot and forward rates in fund swap transactions are recorded in interest income or expense on an accrual basis for the period from the settlement date of spot foreign exchange to the settlement date of forward foreign exchange. Therefore, accrued interest income or expenses are recognized at 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 a different currency.

Fund swap transactions are used to convert the principal equivalent amount into spot foreign exchange bought or sold with regard to the corresponding funds borrowing or lending. Also, such transactions convert the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange either bought or sold.

***h. Reserve for Loan Losses*—**The Bank determines the amount of the reserve for loan losses by means of management's judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The Bank implemented the self-assessment system for its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The reserve for loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including value of future cash flows for other self-assessment categories.

The subsidiaries determine the reserve for loan losses by a similar self-assessment system to that of the Bank.

***i. Employees' Retirement and Pension Plans*—**The Bank and certain subsidiaries have contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 75% and 25%, respectively, of their benefits. Other subsidiaries have unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided for the payment of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related pension assets. Net actuarial gain (loss) is amortized using the straight-line method over ten years commencing from the next fiscal year of incurrence.

***j. Leases*—**All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements.

***k. Income Taxes*—**The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

***l. Appropriations of Retained Earnings*—**Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon stockholders' approval.

***m. Derivatives and Hedging Activities*—**It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into interest rate swaps, foreign exchange forward contracts and currency options to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients. Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives except for fund swaps are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income. Derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" issued by the JICPA on February 13, 2002 requires a change from the deferral method for interest related derivatives accounted for as a "macro hedge" to fair value accounting.

Under a macro hedge, banks have managed interest rate risks as a whole arising from various financial assets and liabilities with derivatives, including interest rate swaps and futures.

Although there is a one-year transaction period for the current fiscal year where banks can elect to apply the previous accounting method under Industry Audit Committee Report No. 24, the Bank has no transaction to adopt the macro hedge accounting at March 31, 2003.

n. Per Share Information—Effective April 1, 2002, the Bank adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common stockholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock is not disclosed because it is anti-dilutive.

Basic net income per share for the years ended March 31, 2003 and 2002 are computed in accordance with the new standard. The basic net income available to common stockholders and weighted-average number of common shares used in the computation were ¥7,837 million ($65,200 thousand) and 382,093,835 shares, respectively, for 2003, and ¥2,177 million and 382,814,939 shares, respectively, for 2002.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Trading Account Securities and Investment Securities

Trading account securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
National government bonds	¥6,671	¥4,020	$55,502
Local government bonds	68	206	565
Total	¥6,739	¥4,226	$56,067

Investment securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
National government bonds	¥ 875,981	¥ 677,132	$ 7,287,693
Local government bonds	164,931	165,973	1,372,138
Corporate bonds	317,225	276,260	2,639,141
Equity securities	90,106	114,766	749,638
Other securities	154,597	117,118	1,286,165
Total	¥1,602,840	¥1,351,249	$13,334,775

The carrying amounts and aggregate fair values of securities at March 31, 2003 and 2002 were as follows:

Securities below include trading account securities, investment securities and commercial paper within "Commercial paper and other debt purchased":

	Millions of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 40,738
Available-for-sale:				
Equity securities	¥ 60,938	¥29,781	¥3,789	86,930
Debt securities	1,312,625	38,543	687	1,350,481
Other securities	188,298	1,160	1,063	188,395
Held-to-maturity	3,706	18		3,724

	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 22,225
Available-for-sale:				
Equity securities	¥ 67,506	¥45,197	¥1,468	111,235
Debt securities	1,078,494	39,682	651	1,117,525
Other securities	146,072	807	1,872	145,007
Held-to-maturity	501	1		502

	Thousands of U.S. Dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 338,918
Available-for-sale:				
Equity securities	$ 506,968	$247,763	$31,521	723,210
Debt securities	10,920,340	320,658	5,713	11,235,285
Other securities	1,566,538	9,650	8,842	1,567,346
Held-to-maturity	30,828	150		30,978

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	¥ 3,176	¥3,530	$ 26,428
Debt securities	3,950	1,448	32,860
Held-to-maturity	26,688		222,026
Total	¥33,814	¥4,978	$281,314

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥104,415 million ($868,680 thousand) and ¥25,275 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥1,788 million ($14,875 thousand) and ¥132 million ($1,094 thousand), respectively, for the year ended March 31, 2003 and ¥10,228 million and ¥3,592 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 402,221	¥26,688	$ 3,346,268	$222,026
Due after one year through five years	838,875	3,705	6,978,991	30,828
Due after five years through 10 years	235,849		1,962,136	
Due after 10 years	55,230		459,486	
Total	¥1,532,175	¥30,393	$12,746,881	$252,854

Unrealized gains on available-for-sale securities for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Valuation differences:			
Available-for-sale securities	¥63,946	¥ 81,696	$531,996
Available-for-sale held in trust	(1,210)	(470)	(10,071)
Deferred tax liabilities	(25,283)	(33,790)	(210,338)
Minority interests	(9)	(14)	(72)
Unrealized gain on available-for-sale securities	¥37,444	¥ 47,422	$311,515

4. Money Held in Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2003 and 2002, were as follows:

	Millions of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥15,341
Available-for-sale	¥16,635		¥1,210	15,425

	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥73,731
Available-for-sale	¥15,807		¥470	15,337

	Thousands of U.S. Dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				$127,631
Available-for-sale	$138,398		$10,071	128,327

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Bills discounted	¥ 41,551	¥ 54,658	$ 345,682
Loans on bills	398,698	517,405	3,316,950
Loans on deeds	2,066,964	1,966,863	17,196,039
Overdraft	628,523	637,629	5,228,979
Total	¥3,135,736	¥3,176,555	$26,087,650

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted is ¥41,563 million ($345,779 thousand) at March 31, 2003.

Loans and bills discounted at March 31, 2003 and 2002 included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Loans to borrowers in bankruptcy	¥ 28,871	¥ 28,859	$ 240,190
Past due loans	130,089	128,801	1,082,273
Past due loans (three months or more)	501	570	4,169
Restructured loans	102,409	100,707	851,987
Total	¥261,870	¥258,937	$2,178,619

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) in respect of which the Bank discontinues the accruing of interest income when substantial doubt is deemed to exist as to the ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons, such that the loans classified as "possible bankruptcy" and "virtual bankruptcy" under the Bank's self-assessment guidelines.

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law. Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy".

In addition to past due loans as defined, certain other loans classified as "caution" under the Bank's self-assesment guidelines include past due loans (three months or more).

Past due loans (three months or more) consist of loans for which the principal and/or interest is three months or more past due but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

6. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Assets			
Foreign exchange bills bought	¥ 19	¥ 72	$ 157
Foreign exchange bills receivable	237	123	1,973
Due from foreign correspondent accounts	1,092	335	9,084
Total	¥1,348	¥530	$11,214

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Liabilities			
Foreign exchange bills sold	¥52	¥ 97	$436
Foreign exchange bills payable	38	18	311
Total	¥90	¥115	$747

7. Other Assets

Other assets at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Accrued income	¥ 7,995	¥10,244	$ 66,516
Prepaid expenses	40	45	331
Premises and equipment for lease—net	28,915	28,957	240,559
Other	14,589	16,549	121,372
Total	¥51,539	¥55,795	$428,778

8. Premises and Equipment

The accumulated depreciation of premises and equipment at March 31, 2003 and 2002 amounted to ¥74,070 million ($616,220 thousand) and ¥72,570 million, respectively.

9. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as assets, representing the Bank's right to receive indemnity from the applicants.

10. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Assets pledged as collateral:			
Trading account securities	¥ 1,000	¥ 1,500	$ 8,319
Investment securities	112,910	141,092	939,352
Relevant liabilities to above assets:			
Deposits	52,445	30,551	436,312
Payable under repurchase agreement	1,000	1,500	8,319

Additionally, investment securities amounting to ¥111,734 million ($929,570 thousand) and ¥112,248 million are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others at March 31, 2003 and 2002, respectively.

Other than the items shown above, rights under finance leases amounting to ¥3,984 million ($33,146 thousand) and ¥4,881 million are pledged for borrowed money amounting to ¥2,757 million ($22,937 thousand) and ¥3,577 million at March 31, 2003 and 2002, respectively.

Leased deposits for premises and equipment is amounted to ¥1,069 million ($8,897 thousand) and ¥1,070 million at March 31, 2003 and 2002, respectively.

11. 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' application of loan as long as there is no violation of any condition in the contracts. The unused amount within these limits totals ¥1,272,392 million ($10,585,623 thousand) relating to these contracts.

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 Companies can refuse customers' application of loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Companies obtain real estate, securities, etc. as collateral if considered to be necessary. Subsequently the Companies perform periodic review of the customers' business results based on internal rules, and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

12. Deposits

Deposits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current deposits	¥ 157,453	¥ 162,639	$ 1,309,930
Ordinary deposits	1,894,195	1,774,704	15,758,691
Deposits at notice	23,552	26,017	195,937
Time deposits	2,318,821	2,455,764	19,291,353
Negotiable certificates of deposit	118,310	6,380	984,276
Other deposits	285,898	268,525	2,378,520
Total	¥4,798,229	¥4,694,029	$39,918,707

13. Borrowed Money

Borrowed money included subordinated borrowings of ¥10,000 million ($83,195 thousand) and ¥10,000 million at March 31, 2003 and 2002, respectively.

14. Other Liabilities

Other liabilities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Domestic exchange settlement account credit	¥ 119	¥ 221	$ 994
Accrued expenses	7,512	8,681	62,498
Unearned income	8,850	7,436	73,628
Income taxes payable	2,583	2,429	21,485
Other	12,595	20,604	104,785
Total	¥31,659	¥39,371	$263,390

15. Liability for Employees' Retirement Benefits

The Companies have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Companies and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability (asset) for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥ 89,614	¥ 80,921	$ 745,541
Fair value of plan assets	(30,451)	(33,903)	(253,334)
Unrecognized net actuarial loss	(21,124)	(10,758)	(175,741)
Net liability	¥ 38,039	¥ 36,260	$ 316,466

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 2,183	¥ 2,210	$18,159
Interest cost	2,418	2,255	20,115
Expected return on plan assets	(1,187)	(1,227)	(9,872)
Amortization of prior service cost		(25)	
Recognized acturial loss	1,129	536	9,397
Net periodic benefit costs	¥ 4,543	¥ 3,749	$37,799

Assumptions used for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	3.5%	3.5%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	10 years	10 years

16. Stockholders' Equity

Japanese banks are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001, and to the Japanese Banking Law (the "Banking Law") also to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital (included in capital surplus). Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Banking Law provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 100% of the stated capital. Effective October 1, 2001, the revised Banking Law allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 100% of stated capital can be transferred to retained earnings by resolution of the stockholders, and may be available for dividends. The Bank's legal reserve amount, which is included in retained earnings, totals ¥24,659 million ($205,147 thousand) and ¥24,659 million as of March 31, 2003 and 2002, respectively.

Under the Code, companies may issue new common shares to existing stockholders without consideration as a stock split pursuant to resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the stockholders.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Bank's book. At March 31, 2003, retained earnings recorded on the Bank's book were ¥201,754 million ($1,678,490 thousand) which is available for future dividends subject to the approval of the stockholders.

17. Treasury Stock

Prior to April 1, 2002, the parent bank's stock held by subsidiaries were presented in stockholders' equity. Effective April 1, 2002, the minority interest portion of such stock is deducted from minority interests in accordance with the new disclosure requirement for treasury stock.

18. Other Operating Income

Other operating income for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Gains on sales and redemption of bonds and other securities	¥ 262	¥ 106	$ 2,180
Lease receipt	12,513	12,880	104,100
Other	3,355	3,420	27,916
Total	¥16,130	¥16,406	$134,196

19. Other Income

Other income for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Gains on sales of stocks and other securities	¥1,526	¥10,122	$12,694
Gains on sales of money held in trust	546	361	4,546
Gains on sales of premises and equipment	226	778	1,878
Other	1,072	1,307	8,922
Total	¥3,370	¥12,568	$28,040

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Losses on sales, redemption and devaluation of bonds and other securities	¥ 851	¥ 1,770	$ 7,080
Lease cost	11,634	12,093	96,788
Other	1,851	3,448	15,398
Total	¥14,336	¥17,311	$119,266

21. Other Expenses

Other expenses for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Losses on sales of stocks and other securities	¥ 36	¥ 3,519	$ 303
Losses on devaluation of stocks and other securities	6,573	4,428	54,679
Bad debt losses	1,235	1,891	10,276
Losses on dispositions of money held in trust	3,543	1,350	29,477
Losses on sales of loans	2,833	419	23,570
Other	127	958	1,052
Total	¥14,347	¥12,565	$119,357

22. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 41.6% for the years ended March 31, 2003 and 2002.

The tax effects of significant temporary differences which resulted in 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 loan losses	¥33,681	¥36,002	$280,208
Liability for employees' retirement benefits	14,520	13,751	120,799
Premises and equipment (depreciation)	5,012	5,090	41,695
Accrued enterprise tax	241	229	2,009
Losses on devaluation of stocks and other securities	4,120	2,144	34,272
Unrealized loss on available-for-sale securities	2,719	1,855	22,617
Other	3,009	3,129	25,033
Less valuation allowance	(238)		(1,979)
Total	63,064	62,200	524,654
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	28,001	35,645	232,954
Premises and equipment (deferral gain on sales and replacement)	403	349	3,352
Other	11		90
Total	28,415	35,994	236,396
Net deferred tax assets	¥34,649	¥26,206	$288,258

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

	2003	2002
Normal effective statutory tax rate	41.6%	41.6%
Expenses not deductible for income tax purposes	0.7	5.7
Non-taxable dividend income	(1.9)	(14.0)
Inhabitants taxes	0.4	1.8
Valuation allowance	1.5	
Effect of the enterprise tax rate's change	8.8	
Other—net	(0.6)	(0.2)
Actual effective tax rate	50.5%	34.9%

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 41.6% to 40.3%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets—non-current by ¥691 million ($5,745 thousand), increase income taxes—deferred by ¥1,506 million ($12,529 thousand), and increase unrealized gain on available-for-sale securities by ¥815 million ($6,783 thousand) in the consolidated financial statements for the year ended March 31, 2003.

23. Leases

Lessor

A subsidiary leases certain equipment and other assets to various customers.

Total lease receipts under finance leases for the years ended March 31, 2003 and 2002 were ¥12,233 million ($101,770 thousand) and ¥12,579 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, rights under finance leases, depreciation expense, interest income of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2003	2002	2003
Acquisition cost	¥ 70,916	¥ 70,293	$ 589,981
Accumulated depreciation	(41,982)	(41,321)	(349,266)
Net leased property	¥ 28,934	¥ 28,972	$ 240,715

Future lease payments receivable under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Receivables:			
Due within one year	¥ 9,680	¥ 9,447	$ 80,533
Due after one year	19,536	19,482	162,531
Total	¥29,216	¥28,929	$243,064

Depreciation expense and interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥10,671	¥11,022	$88,773
Interest income	1,487	1,571	12,374

The imputed interest income portion which is computed using the interest method is excluded from the above rights under finance leases.

24. Derivatives

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities.

The Bank also enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its part of a contract.

The Bank sets limits to credit risk by limiting the counterparties to those derivatives to major financial institutions and securities companies, and establishing maximum risk exposures to the counterparties.

In accordance with the Banking Law requirements of the capital adequacy ratio, credit risk equivalent which was measured using the current exposure method amounted to ¥2,655 million ($22,092 thousand) and ¥2,553 million at March 31, 2003 and 2002, respectively.

The Bank has established a standard of risk management including management approaches to each type of risks. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated, and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal check system is effectively secured.

The Bank's positions, gain-and-loss, risk amount and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts, which are not quoted on listed exchanges, outstanding at March 31, 2003 and 2002:

	Millions of Yen				Thousands of U.S. Dollars	
	2003		2002		2003	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Interest rate swaps:						
Fixed rate receipt, floating rate payment			¥ 1,000	¥ 4		
Floating rate receipt, fixed rate payment	¥15,340	¥(247)	16,222	(291)	$127,621	$(2,054)
Credit default swap—						
Selling	1,000	998	1,000	994	8,320	8,302

Valuation gains (losses) for the years ended March 31, 2003 and 2002 were recognized in the consolidated statements of income.

Derivatives which qualify for hedge accounting for the years ended March 31, 2002 and 2001, were not included the above table.

The contracts or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

Foreign exchange forward contracts and currency options were excluded from the above table, because they were revalued at the end of the fiscal year and their related profits or losses were reflected in the consolidated statements of income.

The contract amounts of the revalued currency derivatives at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Contract Amount		Contract Amount
	2003	2002	2003
Foreign exchange forward contracts:			
Selling	¥84,883	¥135,739	$706,183
Buying	13,720	10,525	114,142
Currency options:			
Selling	592	191	4,925
Buying	592	191	4,925

25. Subsequent Events

At the Bank's general stockholders meeting held on June 27, 2003, the Bank's stockholders approved the following:

a. Appropriations of retained earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.00 ($0.025) per share	¥1,144	$9,517
Bonuses to directors and corporate auditors	29	241

b. Purchase of treasury stock for the related reduction of retained earnings

The Bank is authorized to repurchase, at management's discretion, up to 10,000 thousand shares of the Bank's common stock.

26. Segment Information

(1) Business Segment Information

Information about operations in different business segments of the Companies for the years ended March 31, 2003 and 2002 was as follows:

a. Ordinary income

	Millions of Yen					
	2003					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥102,108	¥14,262	¥3,378	¥119,748		¥119,748
Intersegment income	526	1,844	1,450	3,820	¥(3,820)	
Total income	102,634	16,106	4,828	123,568	(3,820)	119,748
Ordinary expenses	86,022	15,768	4,816	106,606	(3,841)	102,765
Ordinary income	¥ 16,612	¥ 338	¥ 12	¥ 16,962	¥ 21	¥ 16,983

b. Assets, depreciation and capital expenditures

	Millions of Yen					
	2003					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,220,008	¥37,021	¥20,031	¥5,277,060	¥(31,480)	¥5,245,580
Depreciation	4,587	12,251	39	16,877		16,877
Capital expenditures	4,943	12,140	4	17,087	(56)	17,031

a. Ordinary income

	Thousands of U.S. Dollars					
	2003					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	$849,483	$118,654	$28,105	$ 996,242		$996,242
Intersegment income	4,373	15,343	12,066	31,782	$(31,782)	
Total income	853,856	133,997	40,171	1,028,024	(31,782)	996,242
Ordinary expenses	715,657	131,181	40,071	886,909	(31,955)	854,954
Ordinary income	$138,199	$ 2,816	$ 100	$ 141,115	$ 173	$141,288

b. Assets, depreciation and capital expenditures

	Thousands of U.S. Dollars					
	2003					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	$43,427,686	$307,994	$166,648	$43,902,328	$(261,897)	$43,640,431
Depreciation	38,161	101,926	323	140,410		140,410
Capital expenditures	41,124	100,998	29	142,151	(462)	141,689

a. Ordinary income

	Millions of Yen					
	2002					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥124,626	¥14,822	¥3,134	¥142,582		¥142,582
Intersegment income	561	2,321	1,547	4,429	¥(4,429)	
Total income	125,187	17,143	4,681	147,011	(4,429)	142,582
Ordinary expenses	122,471	17,034	4,189	143,694	(4,383)	139,311
Ordinary income	¥ 2,716	¥ 109	¥ 492	¥ 3,317	¥ (46)	¥ 3,271

b. Assets, depreciation and capital expenditures

	Millions of Yen					
	2002					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,169,643	¥36,352	¥18,876	¥5,224,871	¥(32,000)	¥5,192,871
Depreciation	4,588	12,878	44	17,510		17,510
Capital expenditures	3,122	10,265	11	13,398	(132)	13,266

Notes: 1. Other operations consist of credit card transactions and others.
2. Ordinary income represents total income less certain special income included in other income in the accompanying consolidated statements of income.
3. Ordinary expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

(2) Geographic Segment Information

As the operating income and total assets of foreign operations were not significant compared to the consolidated income and assets, the geographic segment information has been omitted.

(3) Operating Income from International Operations

As the operating income from international operations was not significant compared to the consolidated income, the information about the operating income from international operations has been omitted.