Annual Report | 2001

THE DAIWA BANK, LIMITED

Superregional Bank

Daiwa Bank

Corporate PROFILE

Ranked among the largest domestic financial institutions and noted as the only city bank with a trust banking business operating alongside its main banking operations, The Daiwa Bank, Limited, commenced its pension trust business in 1962. A principal provider of loans to small and medium-sized businesses, the Bank also offers a broad range of sophisticated services, including pension trusts, securities, real estate, and private banking.

To secure its position as the leading retail bank in the Kansai region and a nationwide provider of trust banking services, especially the management and administration of pension funds and corporate trusts, Daiwa Bank is implementing measures to increase competitiveness, reduce costs, and deploy information technology (IT) solutions. Moreover, the Bank has developed a specialization strategy that is aimed at exploiting its key strengths in the trust banking business, particularly the management and administration of pension funds and corporate trusts, and retail operations in the Kansai region—Japan's second largest commercial center and Daiwa Bank's home base of operations.

Daiwa Bank is fully committed to providing quality financial services to its customers. Through its solid domestic presence comprising 189 offices as well as access to D-Net, a network of manned offices and ATMs in approximately 800 locations nationwide, the Bank offers its customers a wide range of convenient products and services.

Daiwa Bank is currently making the transition to a Superregional Bank with strong ties to the Kansai region. As we have moved into the 21st century, the guiding principle throughout the Bank's scope of operations will continue to be to retain the confidence and trust of its customers.

Contents

Consolidated FINANCIAL HIGHLIGHTS

The Daiwa Bank, Limited, and consolidated subsidiaries Years ended March 31, 2001 and 2000

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Total Income	**¥ 543,049**	¥ 787,040	**$ 4,382**
Total Expenses	**549,986**	740,672	**4,438**
Income (Loss) before Income Taxes	**(6,936)**	46,367	**(55)**
Net Income (Loss)	**(23,472)**	29,695	**(189)**
Total Funds	**¥26,218,313**	¥25,292,275	**$211,608**
Deposits and NCDs	**11,958,747**	11,580,094	**96,519**
Money Trusts	**7,897,183**	7,596,851	**63,738**
Pension Trusts	**6,359,275**	6,111,769	**51,325**
Asset Formation Benefit Trusts	**3,107**	3,559	**25**
Total Loans and Bills Discounted	**10,520,970**	10,478,189	**84,915**
Banking Account	**9,960,773**	9,723,089	**80,393**
Trust Account	**560,196**	755,099	**4,521**
Securities	**3,035,246**	2,463,939	**24,497**
Total Stockholders' Equity	**813,305**	852,885	**6,564**
Total Assets	**15,522,161**	15,354,825	**125,279**

	Yen		U.S. dollars
Per Share Data:			
Net Income (Loss) per Share	**¥ (12.56)**	¥ 12.58	**$(0.10)**
Cash Dividends			
Common Stock	**1.50**	3.00	**0.01**
Preferred Stock:			
Type A Preferred Share	**24.75**	24.75	**0.19**
Type B Preferred Share	**6.36**	6.36	**0.05**
Stockholders' Equity per Share	**192.10**	211.20	**1.55**

	%	
Capital Adequacy (Domestic Standard):		
Risk-Based Capital Ratio	**11.33%**	11.84%

Notes: 1. Yen amounts are rounded down to the nearest million yen, except for per share data, which is rounded down to the nearest one-hundredth yen. All dollar figures in this report refer to U.S. currency. Yen amounts have been translated into U.S. dollars for convenience only, at the exchange rate of ¥123.90 to U.S.$1.00, the rate prevailing at March 30, 2001. Since both yen and dollar amounts of less than one million have been omitted, total or subtotal amounts in yen and dollars appearing in the accompanying financial statements and the notes thereto do not necessarily agree with the sum of the individual account balances.

2. Total Funds is the sum of the total deposits and NCDs of the Banking Account, plus the totals for Money Trusts, Pension Trusts, and Asset Formation Benefit Trusts from the Trust Account.

3. Net Income (Loss) per Share is computed by subtracting the total amount of cash dividends paid on preferred stock from Net Income (Loss) and then dividing the remainder by the average number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding during the year.

4. Stockholders' Equity per Share is computed by subtracting the number of preferred stock outstanding times the issue price from net assets at the fiscal year-end and dividing the remainder by the number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding at fiscal year-end.

To Our STOCKHOLDERS

To Our Stockholders

TAKASHI KAIHO
Chairman

YASUHISA KATSUTA
President

The final stages of the "Big Bang" in the Japanese financial services industry are approaching, as mark-to-market accounting principles are being more widely applied and the implementation of limitations on government liability for bank deposits approaches. As a result of mergers and consolidations of major financial institutions and the entry of companies from other industries into the banking sector, competition transcending the traditional boundaries among industries has grown considerably more intense. Financial institutions are therefore confronted with the overriding need to fortify their operating and financial positions and expand the range of services they can offer. In addition, as stated in the basic policy issued by Japan's Council on Economic and Fiscal Policy, the prompt final disposal of nonperforming loans by the banking industry is also imperative.

Amid this environment, in June 2001 The Daiwa Bank, Limited, appointed Takashi Kaiho as Chairman and Yasuhisa Katsuta as President. All the management and staff are stepping up their efforts to strengthen the Bank's management systems with the objective of continuing to be the bank of choice for our customers and to grow and prosper with them.

Financial Results of Daiwa Bank (Non-Consolidated Basis)

During fiscal 2000, ended March 31, 2001, the Bank reported net business profit exceeding ¥100 billion and other steady gains in performance. These results were due to an expansion in loans to small and medium-sized businesses as well as individuals, increased margins, reductions in costs, and other factors, indicating that the Bank's profitability has undergone substantial improvement.

On the other hand, we also moved forward aggressively with the final disposal of nonperforming loans based on conservative assessments of asset quality that took account of the severe economic conditions expected in the days ahead. As a result of credit costs incurred in the final disposal of nonperforming loans, the imposition of a tax based on gross business profits by the prefectural government of Osaka, and losses associated with the application of Tokyo Mutual Life Insurance Company for protection under bankruptcy laws, the Bank reported an ordinary loss of ¥4.8 billion and a net loss of ¥10.9 billion. In view of this performance and the challenging economic environment, we have decided to place priority on strengthening our financial position and have suspended the Bank's dividend on common shares for the second half of the fiscal year. As a consequence, regrettably the dividend for the full year was equal to the dividend paid for the interim period ended in September 2000, or ¥1.5 per common share, ¥1.5 lower than for the previous fiscal year. The Bank's capital adequacy ratio at the end of fiscal 2000 (computed according to the Japanese domestic standard) was more than 10% on both a consolidated and non-consolidated basis and was therefore fully sufficient.

Progress on the Bank's Plan to Revitalize Management

The Plan to Revitalize Management (hereinafter, the Revitalization Plan), which the Bank submitted to the Financial Reconstruction Commission in March 1999, takes the Bank's specialization strategy several steps further and includes specific plans for the Bank's revitalization and development. In view of the fact that the Bank reported a net loss for the period ended March 31, 2001, the Revitalization Plan has been reviewed. The Bank is committed to the further rationalization of its operations and has raised its targets for non-consolidated net business profit for the year ending March 31, 2003, from ¥120 billion to ¥126 billion and set a target of ¥131 billion for the final year of the Revitalization Plan, ending March 31, 2005. Moreover, to reach the objectives of the Revitalization Plan, in April 2001 the Bank embarked on a new Medium-Term Management Plan covering the two-year period to follow.

Efforts to Bring Stability to the Kansai Financial Community

For the Bank to develop as a Superregional Bank, the economic development of the Kansai region, which is the Bank's home market, and the stability of the financial community supporting that region are essential. In February 1999, the Bank concluded strategic alliances with The Bank of Kinki, Ltd., and The Bank of Osaka, Ltd., and these two institutions merged in April 2000 to form The Kinki Osaka Bank, Limited. Then, in October 2000 The Nara Bank, Limited, became a member of the Daiwa Bank Group. In February 2001, Daiwa Bank and Kinki Osaka Bank took over the operations of The Namihaya Bank, Ltd., thus significantly expanding the network of the Daiwa Bank Group. As a result, in the relatively short period of two years, the Group has been able to establish a firm foothold as the top Superregional Bank Group in the Kansai region. Looking forward, the Group will respond accurately to the needs of a broad range of customers as it unites its efforts in developing its operations. Moreover, Daiwa Bank will expand and strengthen its alliances with Kinki Osaka Bank and Nara Bank and, to build a more efficient operating structure, plans to consolidate the operations of Group members under a financial holding company at an early date.

Strengthening Trust Business Divisions

Another core activity of Daiwa Bank is trust business operations, which are conducted nationwide in Japan and managed globally. Drawing on this business platform and the know-how that the Bank has built over many years as the only city bank in Japan conducting trust business along with commercial banking, the Bank has built a position as the leading bank in the pension trust business.

In the trust business, the needs of customers are becoming increasingly diverse and sophisticated because of the introduction of Japanese-style 401(k) pension plans scheduled for October 2001, the commencement of Japanese-style master trust services, and other developments. To respond to these emerging needs, improvements in the systems infrastructure that will be accompanied by large investments in IT and the development of a global network are essential. However, for the Bank to build this infrastructure and these systems alone would be an inefficient use of time and financial resources. For this reason, we are actively concluding alliances with strong partners in Japan and overseas and outsourcing certain activities.

For example, the Bank jointly established Japan Trustee Services Bank, Ltd. (JTSB), which specializes in the administration of trust assets, with The Sumitomo Trust & Banking Co., Ltd. The Bank and Sumitomo Trust completed the transfer of their trust assets to JTSB in June 2001, and the Bank has therefore been successful in commencing these asset administration operations ahead of other financial groups.

In April 1999, the Bank introduced the internal company concept into its trust business divisions and is considering going further and spinning off these operations as a separate company. In the future, when the Bank adopts a holding company form of organization, the trust company will play an important role in providing trust-related services and functions to the subsidiary banks. In addition, to further strengthen the capabilities of the trust business divisions, the Bank is considering the possibility of inviting other institutions to invest in the trust company when it becomes a separate company.

Focusing on Our Specialization Strategy

The Bank's strategy for withdrawing from overseas banking and other inefficient businesses and concentrating its management resources in its areas of strength is leading to steady improvement in its earnings power. The attainment of net business profit above the targeted level in the Revitalization Plan for fiscal 2000 indicates that our strategic direction is correct and has led to an understanding of our strategies among our stakeholders. In addition, over the past two years, we have been successful in increasing the number of business loan customers by 3,400 companies and expanded our loans to small and medium-sized companies.

Personnel Strategies and Policies for Affiliated Companies

To further improve profitability and as part of our initiatives to rationalize our activities, over the coming two years, we plan to reduce personnel by approximately 1,000 to bring the total number of employees to 6,000. Moreover, to maintain its operations as a Superregional Bank, the Bank requires a vast repository of expertise. Rather than building up a staff of dedicated experts, however, the Bank is seeking to cultivate such expertise among its present staff and management. To this end, we will continue to devote resources to training and are considering the introduction of personnel and compensation systems that emphasize compensation and benefits according to an employee's respective role and accomplishments.

In addition, to increase the competitiveness of the Group, including subsidiaries and affiliates, we will work toward the consolidation and merger of affiliates and strengthen our management and operating systems.

Issues to Be Addressed by Japanese Banks

The Japanese government has announced a policy of having Japanese banks directly write off and remove from their balance sheets those nonperforming assets that are outstanding to obligors classified lower than "Intensive Control," rather than deal with them indirectly through additions to reserves for possible loan losses. The objective of this policy is to simultaneously resolve the issue of nonperforming loans and the problem of excessive corporate borrowings. The Bank regards the resolution of the nonperforming loan issue as one of its most important management tasks and has devoted substantial corporate resources to this problem. However, the conditions of various borrowers differ, and, rather than pass the same judgment on all problem borrowers, the Bank is dealing with problem borrowers on a case-by-case basis. The Bank's activities include working to encourage such borrowers to undertake remedial action on their own initiative by giving advice to those that are seriously trying to correct their management problems, requiring that they restructure their operations, or helping them to arrange alliances. Also, looking forward, the Bank plans to move toward final resolution of the non-performing loan problem with a sense of urgency and enhance the soundness of its balance sheet.

In addition, since the risk of price fluctuations of securities held by banks may impair the soundness of their operations, consideration is being given to placing restrictions on bank stockholdings and the establishment of an institution to buy up stocks held by banks to avoid any adverse impact on equity markets as banks reduce their equity holdings. Implementation of this concept, along with the revisions in Japan's Commercial Code to allow corporations to hold treasury shares, would lead to reforms in the structure of equity holdings in Japan. To reduce its own risk and build a financial position that is not influenced by trends in the stock markets, the Bank reduced its equity portfolio approximately ¥170 billion during fiscal 1999 and approximately ¥100 billion during the year under review.

Regarding capital adequacy requirements for banks, consideration is now being given to making the transition from supervision and control by monetary authorities to a system that emphasizes internal control by banks themselves and market discipline as well as the introduction of systems that can measure the management risk of banks more accurately. Specific policies emerging from consideration of these issues are scheduled to be introduced in 2005, and the Bank will pay careful attention to the progress of these discussions.

In Conclusion

The course Daiwa Bank must take as a Superregional Bank is clear. We have a vision for the future of our business activities and the strategies to implement our vision. Moreover, each and every member of management and staff takes pride in their role as an integral part of Daiwa Bank and its endeavors. We are committed to devoting our fullest efforts to achieve our vision and look forward to meeting the expectations of our stockholders.

July 2001

Takashi Kaiho
Chairman

Yasuhisa Katsuta
President

Announcement with Regard to the Management Consolidation of the Daiwa Bank Group

On August 1, 2001, Daiwa Bank (President: Yasuhisa Katsuta), Kinki Osaka Bank (President: Yasuhiro Takatani), and Nara Bank (President: Masao Nomura) reached a basic agreement to consolidate the operations of the three banks under a holding company structure, contingent upon the approvals of stockholders and regulatory authorities.

Gist of the Management Consolidation

The three banks have concluded strategic tie-ups and implemented various measures as a group to strengthen their marketing capabilities and raise cost-competitiveness through Groupwide efforts to rationalize operations. In addition, the three banks have been giving consideration to forming a financial holding company, as was announced when the strategic tie-up between the three banks was concluded.

In the process, the three banks came to an agreement on the consolidation of their operations and business restructuring under a holding company. The three banks are committed to proceeding with the integration process in a speedy manner, establishing a management structure appropriate to a Superregional Bank and improving the quality of services to customers.

In addition to the existing framework comprising a group of three banks, the Daiwa Bank Group will actively work on forming alliances with other financial institutions and aims to be a consortium of regional financial institutions that offers high-quality financial services.

The Superregional Bank That the Daiwa Bank Group Aims to Become

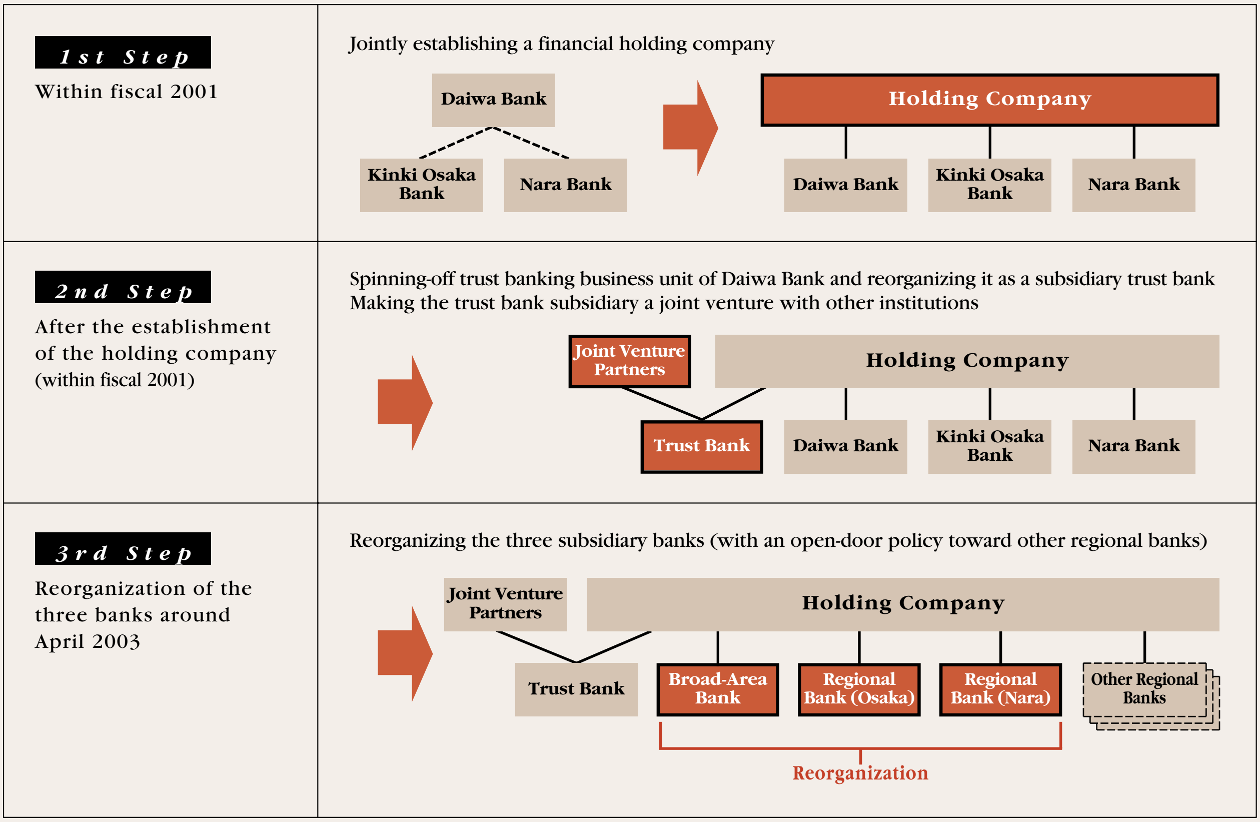
The Daiwa Bank Group aims to become a Superregional Bank, which will differentiate it from the so-called megabanks or regional banks by fusing high-value-added financial services equal in quality to those offered by city banks and face-to-face interaction with their customers, which is a particular strength of regional banks.

While formulating various common policies to follow, each of the member banks will maintain its style of operations based on the specifics of the regions in which it operates. The holding company and trust bank subsidiary will provide these banking business subsidiaries with sophisticated know-how and trust banking functions from a common base.

Under this management framework, each member will assume a specific role to play in the Group and is expected to accumulate know-how and expertise in specialized fields. By connecting these in an organic manner, the Daiwa Bank Group will offer its customers the highest quality financial services possible.

In addition, the Daiwa Bank Group has adopted an open-door policy vis-à-vis other regional financial institutions that hope to join the Group in the future in its aim to be a consortium of regional financial institutions.

Outline of Management Consolidation and Business Restructuring



Financial Targets of Daiwa Bank Group

	Actual Results for Fiscal 2000	Targets after Consolidation
Net Business Profit (Billions of yen)	**121.8**	To be raised to the level of ¥200 billion
Daiwa Bank	109.5	
Kinki Osaka Bank	11.7	
Nara Bank	0.6	
Consolidated Capital Adequacy Ratio	—	Approximately 10%
Daiwa Bank	11.33%	
Kinki Osaka Bank*	6.23%	
Nara Bank	8.43%	
ROE (Net Business Profit/Year-End Balance of Stockholders' Equity)	**11.9%**	Approximately 16%
Daiwa Bank	11.8%	
Kinki Osaka Bank	13.7%	
Nara Bank	6.7%	
Overhead Ratio (General & Administrative Expenses/ Gross Operating Profit)	**63.6%**	Approximately 50%
Daiwa Bank	58.5%	
Kinki Osaka Bank**	80.5%	
Nara Bank	76.2%	

* Following a capital increase in April 2001 with public funds, Kinki Osaka Bank's capital adequacy ratio rose to 8.59%.
** General & administrative expenses for fiscal 2000 includes a one-time expense related to the acquisition of operations from Namihaya Bank. The overhead ratio for the previous fiscal year was 72.9%.

Promises and ACHIEVEMENTS

In March 1999, we prepared the Plan to Revitalize Management with the aim of giving clear direction for our efforts to enhance the soundness of our operations and increase profitability. After two years...

Promise 1 *Efforts to Bring Stability to the Kansai Financial Community*

Further Expansion of the Daiwa Bank Group

In Daiwa Bank's Revitalization Plan, which was announced in March 1999, the first promise was to become the core of the realignment of the financial community in the Kansai region and stabilize its financial system.

Thereafter, the Bank formed alliances one after another with Kinki Osaka Bank and Nara Bank to form a financial group. The three banks, as the Daiwa Bank Group, created a Superregional Bank with the Kansai region as the base of its operations and undertook activities to contribute to the economy of the Kansai region and strengthen their operating bases. In Osaka Prefecture, which is the largest urban center in the Kansai region, the Group accounts for 20% of deposits and 16% of loans.

Moreover, in February 2001 the Bank and Kinki Osaka Bank took over the operations of Namihaya Bank, which had become insolvent. By taking over the sound assets of this bank, the Daiwa Bank Group substantially strengthened its operating base and network.

In parallel with these activities, the Bank has not only moved forward with measures related to its own operations but has also taken steps to consolidate the activities of associated companies. In the credit card area, for example, Daiwa Bank Card Co., Ltd., was merged with the credit card companies of Kinki Osaka Bank and Namihaya Bank, thereby forming the largest credit card company in the Kansai region, with more than a million cardholders.

Outline of the Assumption of the Operations of Namihaya Bank

	Daiwa Bank	Kinki Osaka Bank	Total
Deposits (Billions of yen)	¥141.0	¥548.5	¥689.6
Credit Assets (Billions of yen)	¥ 98.9	¥388.3	¥487.3
Number of branches taken over	7	61	68

(Date of Assumption: February 13, 2001)

Strategy of the Daiwa Bank Group

Daiwa Bank, Kinki Osaka Bank, and Nara Bank as a group are looking to integrate their operations by establishing a holding company and are working to strengthen capital ties and exchange personnel.

As the three banks are managing their activities to maintain close ties with their local communities, Daiwa Bank is implementing a full banking policy serving the transaction needs of large companies, medium-sized companies, and individuals while also offering trust banking services on a nationwide basis. The principal area of operations of Kinki Osaka Bank is Osaka Prefecture and that of the Nara Bank is Nara Prefecture, where they specialize in serving the banking needs of small and medium-sized companies and individuals. In this way, the three banks are differentiating their activities, building on their strengths, implementing a range of strategies in close coordination, and manifesting their unique characteristics in their respective regions.

For example, the Daiwa Bank Group's ATM network, D-Net, is open for use to customers of all three banks, and measures have been implemented to enhance convenience for customers, including the elimination of withdrawal fees. In addition, under the Daiwa Bank Group's block system, D-Block, the branches of the three banks in close proximity to each other are formed into a block, carry out activities together, and, while supplementing each other's capabilities, work closely with their local communities.

Other joint activities are also under consideration, including the offering of common financial products and the merging of associated companies and back-office operations, and these have been implemented step by step.

Activities of Daiwa Bank as a Superregional Bank

As a Superregional Bank, Daiwa Bank is implementing many policies to deliver higher-quality services suited to the needs of various customers efficiently.

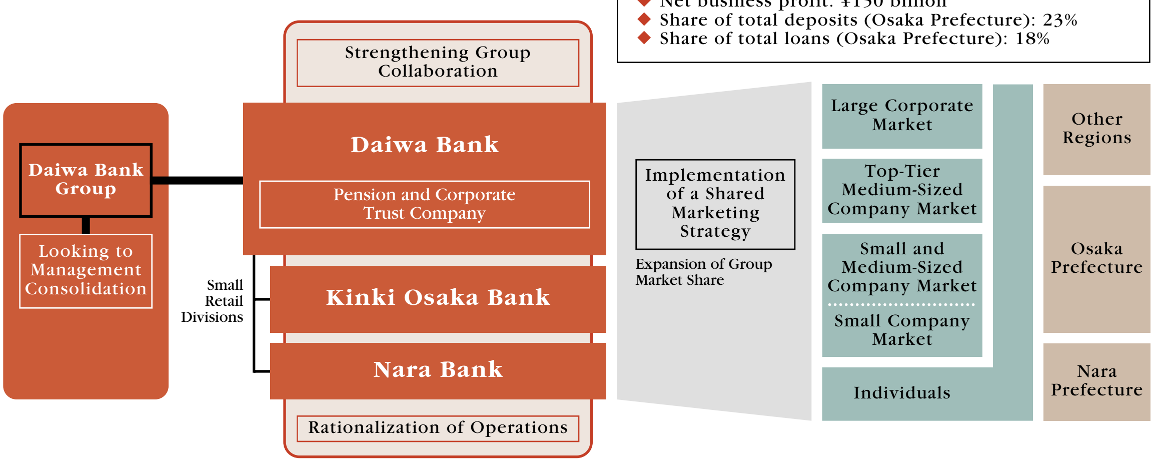
First, in the Kansai region, the Bank has grouped branches serving virtually the same market by area and introduced an Area Operations System that uniformly serves the special needs of individual areas. The objective of this system is to provide services suited to and closely linked with specific communities as well as increase the efficiency of the branch network. In the Tokyo metropolitan area, the Bank draws effectively on its various capabilities and functions to provide services to wholesale customers, especially in the trust banking field. To develop relationships with growth companies and new customers as well as serve the increasingly sophisticated needs of existing customers responsively, the Bank has introduced its Branch Internal Marketing System.

Also, to increase the efficiency of branch clerical operations, the Bank began to introduce a new branch operating system in June 2001 with the aim of responding more flexibly to changes in the financial environment. In addition, the Bank is also aggressively embarking on new initiatives in its retail banking operations, including setting up branches inside retail establishments and strengthening its direct banking activities, and has concluded an ATM alliance with Japan's postal savings system.

Moreover, to facilitate lending operations focusing on finance for small and medium-sized companies and individuals, the Bank is working to help revitalize local economies. The Bank has established its Special Fund for Small and Medium-Sized Companies, formed a New Corporate Business Development Unit, and adopted a number of other measures. As a result, loans to small and medium-sized enterprises increased ¥215.3 billion during the year under review.

Consolidating the Strengths of the Superregional Bank Group

Group Management Objectives (For the year ending March 2003)
- Net business profit: ¥150 billion
- Share of total deposits (Osaka Prefecture): 23%
- Share of total loans (Osaka Prefecture): 18%



New Management Framework for the Pension and Corporate Trust Company

Daiwa Bank is the only city bank in Japan that engages in both commercial banking and trust banking operations. Accordingly, the second promise in the Revitalization Plan was to strengthen the Bank's trust business divisions.

Therefore, to ensure that the Pension and Corporate Trust Company, which was set up in April 1999 as an internal company, has a high degree of authority and accountability to make its operations self-contained, the Bank introduced profit management by division and a new personnel evaluation and compensation system for highly specialized professional staff members. In addition, looking forward, the Bank is considering spinning off this internal company as a trust banking subsidiary and, thereafter, inviting other institutions to invest to further strengthen its capabilities.

Alliances to Enhance Asset Management Capabilities

In September 1999, the Bank concluded tie-ups with four foreign investment advisory companies for the management of its portfolios of U.S. and European stocks and bonds. In addition, in July 2000 the Bank concluded a tie-up with a leading U.S. investment advisory company for the management of investments in emerging economies, thereby further expanding the reach of its global investment network. Moreover, for alternative investments—such as "funds of hedge funds" and other similar investments and currency overlays to centralize the management of currency-hedging operations for foreign currency assets—the Bank concluded tie-ups with specialized institutions in Japan and overseas to further expand the lineup of products and services it can offer.

Tie-ups in the Field of Trust Fund Management

Fields	Partners
Foreign Equity	U.S. Equity: Fiduciary Trust Company International European Equity: American Express Asset Management International, Inc. Emerging Market Equity: Nicholas-Applegate Capital Management
Foreign Fixed Income	U.S. Bond: Brown Brothers Harriman & Co. European Bond: Delaware International Advisers Ltd.
Currency Overlay	United Asset Management Corporation
Evaluation of Investment Advisers	William M. Mercer, Inc.
Joint Research on Quants Analysis	Nomura Securities Co., Ltd., Financial Research Center

Joint Establishment of Japan Trustee Services Bank

In June 2000, the Bank and The Sumitomo Trust & Banking Co., Ltd., jointly established Japan Trustee Services Bank, Ltd. (JTSB), to specialize in the administration of securities and other assets, and it began full-scale operations in October 2000. As the Bank and Sumitomo Trust transfer their assets in trust to JTSB, it is scheduled to become the largest asset administration company in Japan. With the know-how provided by the Bank, JTSB will have the most sophisticated infrastructure in this area in Japan and will be able to respond accurately and quickly to diversifying customer needs, setting the standard for other asset administration companies to meet.

New Activities in the Pension Trust Business

Japanese-style 401(k) pension plans, or defined contribution pension plans, are scheduled to be introduced in October 2001 and will offer a new alternative for corporate pension plans. To prepare for the introduction of these plans, the Bank established the Defined Contribution Pension Plan Division within the internal Pension and Corporate Trust Company in November 2000. In addition, the Bank invested in Japan Investor Solutions & Technologies Co., Ltd., which will administer record-keeping operations, a key element in these types of pension plans, and is working closely with that company.

Also, in the development of Japanese-style master trust operations, which will make possible the amalgamation of pension assets and related information, the Bank is making use of its relationship with JTSB to take a leading position in this area. To respond to the increasingly diverse needs for the provision of information, the Bank has already forged on alliance with Sumitomo Trust and The Chuo Mitsui Trust & Banking Co., Ltd., in this area and began to offer master trust record-keeping services from April 2001.

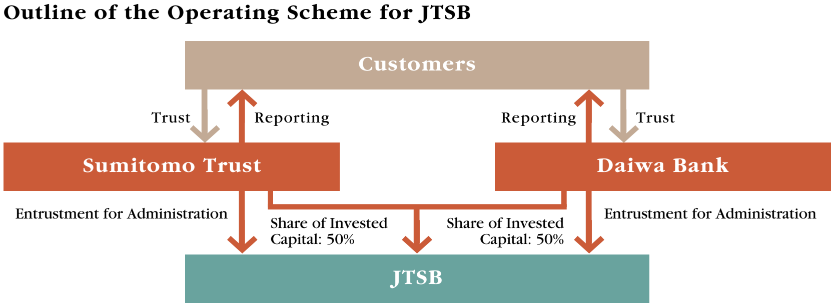
The introduction of new accounting principles for employees' retirement benefits for the year ended March 31, 2001, has provided an impetus for reviewing corporate pension plans from a financial perspective. The Bank is providing comprehensive support to its customers related to pension plans and accounting, including the computation of retirement benefit liabilities and proposals for the early amortization of unfunded liabilities, through its retirement benefit liability and cost computation service and retirement benefit trusts.

Synergies between Banking and Trust Business Activities

The Bank gathers information on the asset positions and related needs of its customers by offering testamentary trusts and consulting services. Based on this information, the Bank provides private banking services that include making proposals for business succession, real estate, asset management, and other matters, thereby adding to its overall income.

Especially regarding pension-related activities, the Bank has particular strengths in comparison to trust banks because of its branch network and a broad client base comprised principally of small and medium-sized companies. As a consequence, the Bank stands in the leading position in the management of corporate pension plans.

Outline of the Operating Scheme for JTSB



Notes:
(1) Contact with customers (reporting and other customer interface activities) is still carried out by Daiwa Bank and Sumitomo Trust.
(2) Assets, including pension trusts and individually operated designated money trusts *(Shitei-tan)*, entrusted to Daiwa Bank and Sumitomo Trust are reentrusted to JTSB for administration.

Restructuring Domestic Banking Activities

The Bank's third strategy under its Revitalization Plan announced two years ago was to withdraw from overseas operations and focus its corporate resources on retail banking in the Kansai region with the aim of increasing the efficiency of its activities.

The Bank completed its withdrawal from overseas operations in March 2000. Moreover, as mentioned previously, the Daiwa Bank Group is the primary focus of retail banking activities in the Kansai region.

Pursuing Further Improvements in Operating Efficiency

To strengthen its cost-competitiveness and make the transition to a strong operating position, under its Revitalization Plan, the Bank has undertaken bold measures to rationalize and increase the efficiency of its activities as well as restructure its operations. In addition, in view of the Bank's performance for the year ended March 31, 2001, and the challenges in the operating environment, the Bank issued its Further Restructuring Plan in April 2001. Under these policies, the Bank will structure personnel systems that raise its cost-competitiveness to a level appropriate for a Superregional Bank and will implement further thoroughgoing management rationalization measures with a sense of urgency, including strengthening the competitiveness of the Daiwa Bank Group.

Outline of the Bank's Further Restructuring Plan (Non-Consolidated)

The Bank has added the following objectives for further reductions by March 2003 to its Revitalization Plan.

- Reduction of target for number of personnel: from 6,300 to 6,000
- Reduction of target for restructuring of branch network: from 150 to 146 (including 7 branches assumed from Namihaya Bank)
- Reduction of target for the number of directors: from 20 to 12
- Reduction of target for nonpersonnel expenses: ¥2 billion

Impact on profit

- Net business profit target: from ¥120 billion to ¥126 billion

Results of Activities to Improve Operating Efficiency (Non-Consolidated)

	March 31, 2000 (Actual Results)	**March 31, 2001 (Actual Results)**	Year-on-Year Change	March 31, 2001 (Revitalization Plan Targets)	Actual Results vs Revitalization Plan Targets
General & Administrative Expenses (Billions of yen)	¥168.7	**¥161.7**	¥ (7.0)	¥167.7	¥(6.0)
Personnel Expenses*	57.5	**59.0**	1.4	57.0	2.0
Nonpersonnel Expenses	104.3	**96.7**	(7.6)	103.1	(6.4)
Number of Directors**	28	**17**	(11)	25	(8)
Number of Personnel	7,315	**6,982**	(333)	7,100	(118)
Domestic Branches	167	**160**	(7)	159	1
Overseas Branches	0	**0**	0	0	0

*Personnel expenses were above the Revitalization Plan figure because of the change in accounting standards for employees' retirement benefits.

**This figure includes directors and auditors (but excludes executive officers).

Joint Sponsorship of Venture 2000 KANSAI

Venture 2000 KANSAI was held in September 2000 with the aim of renewing and revitalizing the economy of the Kansai region. For this event, international organizations that encourage and support venture businesses as well as the industrial and academic communities of the Kansai region joined together with the objective of giving greater momentum to the movement toward the establishment of venture businesses.

Daiwa Bank was the sole banking institution participating, sponsored an exhibition booth, and presented the new business model of the “toto” sports advancement lottery. The Daiwa Business Investment Co., Ltd., the Bank’s venture capital company, also provided consultation for venture businesses at the event.

Activities of the *Dairinkai*

The Bank is a member of the *Dairinkai,* which was founded in 1987 as an association for promoting the development and vitality of the Kansai region by strengthening teamwork across conventional group boundaries among companies that began their operations in the region. As of May 2001, the *Dairinkai* had 56 corporations as members.

Other recent activities of the Bank have included joint sponsorship of the Lectures to Promote Understanding of Japanese Culture in November 2000. These lectures are held on a regular basis for foreign students in Japan, principally those from other countries in Asia, with the Osaka International Exchange Foundation as the main sponsor. Also in November 2000, the Bank dispatched volunteers from its staff to the *Nenrinpic* 2000 Osaka, the thirteenth annual National Health and Welfare Festival in Osaka and the East Asia Competition 2001 OSAKA, a high-level international sports competition held in May 2001.

Besides these activities, the Bank sponsored the seventh Daiwa Bank Card Sunday Painting and Photography Exhibition, made contributions to the Daiwa Bank Asia-Oceania Foundation, provided a special Daiwa Bank Group Cup for the junior soccer league championship sponsored by the Osaka Soccer Association, sponsored a lecture by Nasdaq Japan, Inc., and supported many other corporate citizenship activities.

Financial SECTION

Contents

Note Concerning Forward-Looking Statements

This material contains forward-looking statements pertaining to the businesses and prospects of the Bank. Such statements are based on our current expectations and are subject to the risks and uncertainties that may affect our businesses, which could cause actual results to differ materially from those currently anticipated.

CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

The Daiwa Bank, Limited, and consolidated subsidiaries Years ended March 31

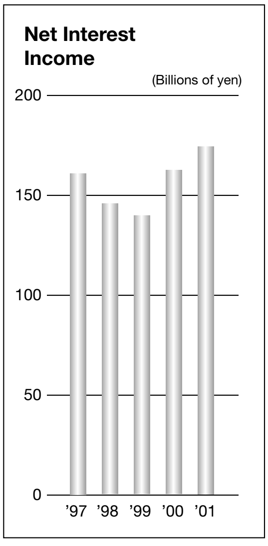
	Millions of yen					Millions of U.S. dollars
	2001	2000	1999	1998	1997	**2001**
INCOME STATEMENT DATA						
Income						
Interest Income	**¥ 254,242**	¥ 262,831	¥ 321,042	¥ 362,348	¥ 444,485	**$ 2,051**
Trust Fees	**54,833**	55,378	56,669	65,248	66,739	**442**
Fund-Related Income from J.O.M.T. Account	**17,005**	18,284	22,012	26,215	27,105	**137**
Fees for Administration of Trust Assets	**37,828**	37,094	34,657	39,033	39,633	**305**
Fees and Commissions	**71,804**	81,353	67,032	57,523	60,701	**579**
Trading Income	**2,795**	7,808	4,651	7,936	/	**22**
Other Operating Income	**80,391**	66,855	127,152	51,813	51,506	**648**
Other Income	**78,982**	312,812	117,858	265,992	181,811	**637**
Total Income	**¥ 543,049**	¥ 787,040	¥ 694,407	¥ 810,862	¥ 805,244	**$ 4,382**
Expenses						
Interest Expenses	**¥ 79,944**	¥ 100,234	¥ 181,037	¥ 216,388	¥ 283,584	**$ 645**
Fees and Commissions	**13,953**	10,132	10,679	13,984	15,410	**112**
Trading Expenses	**5**	/	/	59	/	**0**
Other Operating Expenses	**21,643**	32,455	28,630	14,296	8,038	**174**
General and Administrative Expenses	**227,918**	232,341	243,830	217,397	225,506	**1,839**
Other Expenses	**206,520**	365,507	442,149	391,461	265,551	**1,666**
Total Expenses	**¥ 549,986**	¥ 740,672	¥ 906,327	¥ 853,587	¥ 798,091	**$ 4,438**
(Loss) Income before Income Taxes	**¥ (6,936)**	¥ 46,367	¥ (211,920)	¥ (42,725)	¥ 7,152	**$ (55)**
Net (Loss) Income	**(23,472)**	29,695	(174,859)	12,654	(29,486)	**(189)**
BALANCE SHEET DATA						
Total Assets	**¥15,522,161**	¥15,354,825	¥15,459,603	¥16,744,046	¥16,240,610	**$125,279**
Total Liabilities	**14,686,181**	14,477,716	14,605,271	16,141,371	15,649,265	**118,532**
Minority Interests in Consolidated Subsidiaries	**22,674**	24,223	21,574	18,215	21,385	**183**
Total Stockholders' Equity	**813,305**	852,885	832,757	584,459	569,959	**6,564**
Deposits and NCDs	**11,958,747**	11,580,094	11,165,673	11,513,037	12,269,946	**96,519**
Loans and Bills Discounted	**9,960,773**	9,723,089	9,372,127	10,319,540	10,720,622	**80,393**
Securities	**3,035,246**	2,463,939	2,736,038	2,819,592	2,847,493	**24,497**

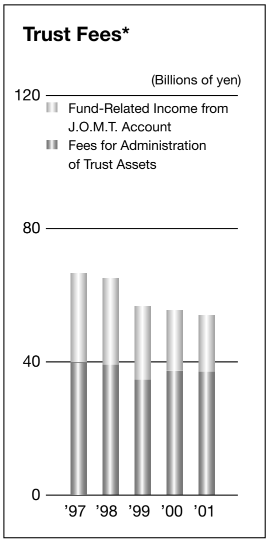
	Yen					U.S. dollars
PER SHARE DATA						
Primary Net (Loss) Income per Share	**¥ (12.56)**	¥ 12.58	¥(108.22)	¥ 7.10	¥ (19.95)	**$(0.10)**
Fully Diluted Net Income per Share	**—**	7.10	—	7.07	—	**—**
Stockholders' Equity per Share	**192.10**	211.20	196.68	331.22	327.12	**1.55**
Declared Dividend on Common Stock	**1.50**	3.00	3.00	6.00	6.00	**0.01**
Declared Dividend on Preferred Stock:						
Type A Preferred Share	**24.75**	24.75	24.75	24.75	24.75	**0.19**
Type B Preferred Share	**6.36**	6.36	0.02	/	/	**0.05**

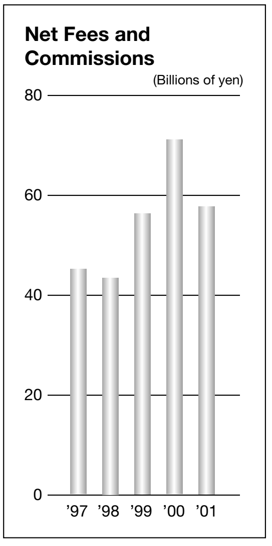
Notes: 1. J.O.M.T. represents Jointly Operated Designated Money in Trust.
2. Primary Net (Loss) Income per Share is computed by subtracting the total amount of cash dividends paid on preferred stock from Net (Loss) Income and then dividing the remainder by the average number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding during the year.
3. Stockholders' Equity per Share is computed by subtracting the number of preferred stock outstanding times the issue price from net assets at the fiscal year-end and dividing the remainder by the number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding at fiscal year-end.
4. No recognition has been given to Fully Diluted Net Income per Share for the years ended March 31, 2001, 1999 and 1997, owing to the Net Loss posted during those fiscal years.

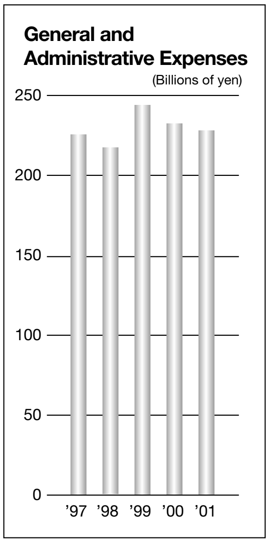
CONSOLIDATED INCOME ANALYSIS

Summary of Income	2001	2000	Increase (Decrease)	% Increase (Decrease)
	Billions of yen			%
Net Interest Income	**¥174.2**	¥162.5	¥ 11.7	7.2%
Trust Fees	**54.8**	55.3	(0.5)	(1.0)
Fund-Related Income from J.O.M.T. Account	**17.0**	18.2	(1.2)	(7.0)
Fees for Administration of Trust Assets	**37.8**	37.0	0.7	2.0
Net Fees and Commissions	**57.8**	71.2	(13.3)	(18.8)
Net Trading Income	**2.7**	7.8	(5.0)	(64.3)
Net Other Operating Income	**58.7**	34.4	24.3	70.8
General and Administrative Expenses	**227.9**	232.3	(4.4)	(1.9)
Other Income	**78.9**	312.8	(233.8)	(74.8)
Other Expenses	**206.5**	365.5	(158.9)	(43.5)
Income (Loss) before Income Taxes	**(6.9)**	46.3	(53.3)	(115.0)
Net Income (Loss)	**(23.4)**	29.6	(53.1)	(179.0)





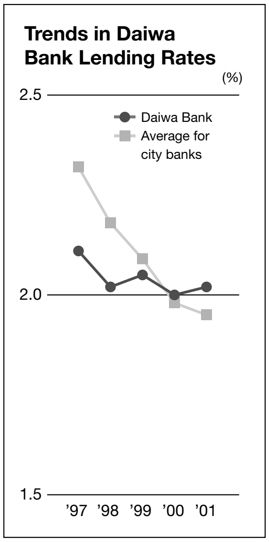


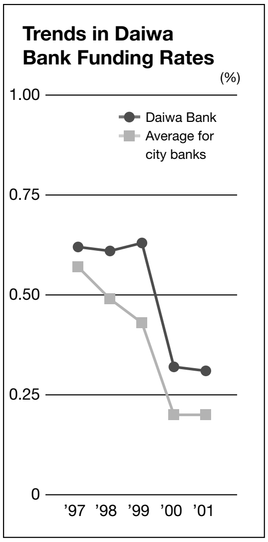


* Accounting treatment of pension fund administration commissions (employees' welfare pension fund trust) was changed in fiscal 1998 (ended March 31, 1999). These commissions were previously recognized as "trust fees" but thereafter have been accounted for as "fees and commissions" of the banking account.
If this were adjusted, fees for administration of trust assets for the years ended March 31, 1999, 2000 and 2001 would have been ¥4.9 billion, ¥4.1 billion and ¥4.4 billion higher than the figures presented, respectively.

Net Interest Income

Net Interest Income for fiscal 2000, ended March 31, 2001, rose 7.2%, to ¥174.2 billion ($1,406 million). Two main factors accounted for this increase. The first was an increase in the volume of loans outstanding, as the Bank worked to expand its lending to small and medium-sized companies. The second factor was an improvement in loan deposit spreads. Spreads improved because the Bank applied its credit spread system of loan pricing more widely, basing spreads on credit risk, as measured by the Bank's internal customer credit-rating system. Although the average interest rate charged on loans by other Japanese city banks declined, the Bank was able to report an improvement of 2 basis points. In addition, the Bank's average interest rate paid on deposits declined 1 basis point, bringing an improvement in the spread between deposit costs and lending rates of 3 basis points during the year under review. As a result of these measures, loan deposit spreads improved by 29 basis points during the two-year period to March 31, 2001, which was the largest such improvement among Japanese city banks.





Trust Fees

Trust Fees declined 1.0%, to ¥54.8 billion ($442 million). The primary cause of this decline was a drop in income from earning assets of approximately ¥1.2 billion accompanying a drop in loans made from Jointly Operated Designated Money in Trust (J.O.M.T.). (These are after accounting for the cost of disposing of nonperforming loans made from the trust account. These costs were approximately ¥2.7 billion in fiscal 2000 and ¥2.5 billion in fiscal 1999.) Fees for Administration of Trust Assets, including pension-related fees received, showed an increase over the previous fiscal year.

Net Fees and Commissions

Net Fees and Commissions were down 18.8% from the previous fiscal year and amounted to ¥57.8 billion ($466 million). Factors contributing to this decline were a drop of approximately ¥12.4 billion in Fees and Commissions Received by consolidated subsidiary Cosmo Securities Co., Ltd. (reflecting a substantial increase in the previous fiscal year), and the payment of approximately ¥1.4 billion in reentrustment fees to Japan Trustee Services Bank, Ltd. (the portion accounted for by the Bank).

Net Other Operating Income

The Bank's Net Other Operating Income expanded a substantial 70.8%, to ¥58.7 billion ($474 million). This was due in part to capital gains of approximately ¥4.7 billion realized as the decline in interest rates brought an increase in latent gains on Japanese Government Bonds.

General and Administrative Expenses

General and Administrative Expenses declined 1.9%, to ¥227.9 billion ($1,839 million). This was accounted for by a thoroughgoing cost reduction program that led to a reduction of approximately ¥4.4 billion in such expenses. Cost reductions included a ¥400 million decline in Personnel Expenses, a ¥2.7 billion cutback in Non-personnel Expenses, and a decline in Miscellaneous Taxes of ¥1.2 billion.

Other Income

Other Income fell 74.8%, to ¥78.9 billion ($637 million). This was primarily the result of a decline in Gains on Sales of Stocks and Other Securities. This figure includes Gains on Sales of Premises and Equipment (approximately ¥5.0 billion) as well as Recoveries of Written-Off Claims (approximately ¥6.1 billion).

Other Expenses

Other Expenses fell 43.5%, to ¥206.5 billion ($1,666 million). This decline was primarily due to lower Losses on Sales of Stocks and Other Securities, which were ¥115.7 billion lower than for the previous fiscal year. Losses on Devaluation of Stocks and Other Securities amounted to ¥14.4 billion. This was related to the realization of latent losses on securities that had fallen more than 50% in value, based on judgments regarding the possibility of a recovery in the prices of these securities. On the other hand, bad loan disposal expenses increased ¥13.6 billion from the previous period and amounted to ¥149.8 billion. Factors accounting for this increase included the disposal of exposure to Tokyo Mutual Life Insurance Company, which applied for protection under bankruptcy laws, and further additions to reserves to provide for a broad range of problem loans that the Bank intends to dispose of finally by removing them from its balance sheet.

BALANCE SHEET ANALYSIS

Total Assets

The Bank's Total Assets increased 1.1%, to ¥15,522.1 billion ($125,279 million).

Total Stockholders' Equity

Total Stockholders' Equity fell 4.6% year on year, to ¥813.3 billion ($6,564 million). This decline was due to the combination of a Net Loss of ¥23.4 billion and the reversal of Deferred Tax Assets accompanying the change in the tax basis for the Enterprise Tax to gross operating profits by the prefectural government of Osaka.

Capital Adequacy Ratio

The Capital Adequacy Ratio was 11.33%, down 51 basis points from the previous fiscal year-end.

Securities

Securities amounted to ¥3,035.2 billion ($24,497 million) and were 23.2% higher than at the end of the previous fiscal year. This increase occurred, as the Bank expanded its holdings of Japanese Government Bonds in preparation for the introduction of the Real-Time Gross Settlement (RTGS) system.

Loans and Bills Discounted

The balance of Loans and Bills Discounted rose ¥237.6 billion, to ¥9,960.7 billion ($80,393 million). This increase was accounted for by the Bank's active policy of providing finance for small and medium-sized enterprises.

Deposits and NCDs

Deposits and NCDs rose ¥378.6 billion, to ¥11,958.7 billion ($96,519 million). Although the balance of deposits fell ¥538.5 billion, owing to the interest rate sensitivity of corporations, NCDs increased ¥917.2 billion.

ASSET QUALITY

Self-Assessment of Assets and Write-Offs/Reserves

• Criteria for Self-Assessments and Write-Offs/Reserves

The Bank has prepared internal standards, and these are set forth in the manuals *Criteria for Self-Assessment of Assets* and *Criteria for Write-Offs and Reserves.* These manuals follow the principles contained in the *Financial Inspection Manuals* of the Financial Services Agency and the *Operational Guidelines* issued by the Japan Association of Certified Public Accountants. These criteria are applied to conduct strict self-assessments of asset quality, and, based on these assessments, the Bank makes appropriate write-offs and reserves for possible loan losses.

• Results of Self-Assessments (Disclosure under the Financial Reconstruction Law)

Under procedures set forth by the Bank, branches conduct assessments of loans and other credit-related assets, private notes, and stocks. The business units responsible assess the quality of other assets. Based on the results of these assessments, the Bank makes write-offs and additions to reserves as provided for under its criteria and guidelines. The Asset Auditing Department, which is responsible for internal inspection and auditing, then monitors these results. In addition, to ensure valid cross-checking, an independent public accounting firm also audits these results.

Procedures followed for the self-assessment of loans and other credit-related assets (claims) are as follows. The Bank classifies obligors into the following categories based on consideration of their ability to repay their obligations as judged by an examination of their financial conditions, cash flow positions, profitability, and other factors: normal obligors, watch obligors, intensive control obligors, and bankrupt and quasi-bankrupt obligors. In addition, among watch obligors, certain of these are classified and monitored as special attention obligors (namely those with Loans Past Due for Three Months or More and Loans with Altered Lending Conditions). Taking this borrower classification into account, the Bank considers the use of the loans outstanding and other factors, including collateral and guarantees and, depending on the probability of recovery and possible impairment of the loan, classifies the loans accordingly. The results of this self-assessment procedure are then disclosed under the classification of claims contained in the Financial Reconstruction Law (Law Concerning Emergency Measures for the Reconstruction of Financial Functions).

The Bank's Classified Exposures Total on a non-consolidated basis disclosed under the Financial Reconstruction Law (including loans from the Trust Account for which the Bank guarantees the principal) was ¥813.7 billion as of March 31, 2001. By type of exposures, Exposures to Bankrupt and Quasi-Bankrupt Obligors amounted to ¥174.2 billion, representing a decline of ¥23.3 billion from the previous fiscal year-end; Exposures Containing Collection Risks were ¥352.1 billion, ¥84.8 billion lower than at the previous fiscal year-end; and Special Attention Loans amounted to ¥287.3 billion, ¥113.2 billion lower than at March 31, 2000.

The reasons for the substantial declines in Disclosed Claims under the Financial Reconstruction Law were the Bank's aggressive measures to remove this problem exposure from its balance sheet, including direct write-offs and renunciations of claims, and an improvement in the condition of certain obligors due to recoveries in their business results.

The Coverage Ratio of disclosed exposures, taking account of loan loss reserves, collateral, and guarantees, was 73.54%. In addition, partial direct write-offs of Exposures to Bankrupt and Quasi-Bankrupt Obligors, on a cumulative basis, amounted to ¥300.2 billion. If adjustment is made for this account, the Coverage Ratio would rise to 80.67%.

The total amount of disclosed exposure on a consolidated basis was ¥673.9 billion.

Obligor Classification under Self-Assessments	Summary of Policies for Write-Offs and Reserves (Banking Account)
Normal Obligors	The amount equivalent to the expected loss over the coming one-year period is added to the General Reserve for Possible Loan Losses. The expected loss is computed by using expected loan loss ratios that take account of the average maturities of the loans, actual loan loss experience, and other factors, including adjustments deemed necessary for future prospects.
Watch Obligors	
Special Attention Obligors	The amount equivalent to the expected loss over the coming three-year period is added to the General Reserve for Possible Loan Losses. The expected loss is computed by using expected loan loss ratios that take account of the average maturities of the loans, actual loan loss experience, and other factors, including adjustments deemed necessary for future prospects.
Intensive Control Obligors	In principle, an amount equivalent to the outstanding value of the loan minus the portion that can be recovered from the obligor's cash flow is added to reserves on an obligor-by-obligor basis. For other obligors, an amount equivalent to expected loss is added to reserves.
Quasi-Bankrupt Obligors	The amount remaining after subtraction of the expected recoveries from collateral and guarantees from the value of the exposures is either written off or an equivalent amount is added to the Specific Reserve for Possible Loan Losses on a loan-by-loan basis.
Bankrupt Obligors	

Obligor Classification under Self-Assessments	Classification of Exposures under the Financial Reconstruction Law	Explanation of Classified Exposures
Normal Obligors	Normal Exposure	Exposures to Normal Obligors and Watch Obligors excluding Special Attention Loans
Watch Obligors		
Special Attention Obligors	Special Attention Loans	Loans Past Due for Three Months or More and Loans with Altered Lending Conditions classified among exposures to Watch Obligors
Intensive Control Obligors	Exposures Containing Collection Risks	Exposures to Intensive Control Obligors
Quasi-Bankrupt Obligors	Exposures to Bankrupt and Quasi-Bankrupt Obligors	Exposures to Bankrupt and Quasi-Bankrupt Obligors
Bankrupt Obligors		

• Disclosure Based on the Financial Reconstruction Law

(Non-Consolidated)

	Billions of yen					
	2001			2000		
	Total Exposures	Banking Account	Trust Account	Total Exposures	Banking Account	Trust Account
Classified Exposures Total	**¥813.7**	**¥795.5**	**¥18.2**	¥1,035.3	¥1,006.7	¥28.5
Exposures to Bankrupt and Quasi-Bankrupt Obligors	**174.2**	**167.2**	**7.0**	197.6	190.5	7.0
Exposures Containing Collection Risks	**352.1**	**345.8**	**6.3**	437.0	429.0	8.0
Special Attention Loans	**287.3**	**282.4**	**4.8**	400.6	387.1	13.4

Notes: 1. Trust Account refers to Jointly Operated Designated Money in Trust, for which the Bank guarantees the principal.
2. Figures are after partial direct write-offs. Amounts of such write-offs were ¥300.2 billion (cumulative amount) and ¥352.4 billion for the years ended March 31, 2001 and 2000, respectively.

(Consolidated)

	Billions of yen					
	2001			2000		
	Total Exposures	Banking Account	Trust Account	Total Exposures	Banking Account	Trust Account
Classified Exposures Total	**¥673.9**	**¥655.7**	**¥18.2**	¥937.8	¥909.2	¥28.5
Exposures to Bankrupt and Quasi-Bankrupt Obligors	**203.1**	**196.0**	**7.0**	209.8	202.8	7.0
Exposures Containing Collection Risks	**192.5**	**186.2**	**6.3**	309.0	301.0	8.0
Special Attention Loans	**278.3**	**273.4**	**4.8**	418.8	405.3	13.4

Notes: 1. Trust Account refers to Jointly Operated Designated Money in Trust, for which the Bank guarantees the principal.
2. Figures are after partial direct write-offs. Amounts of such write-offs were ¥477.0 billion (cumulative amount) and ¥560.5 billion for the years ended March 31, 2001 and 2000, respectively.

Policy on Write-Offs and Additions to Reserves Based on Self-Assessments of Asset Quality and Coverage Ratios (Non-Consolidated)

(Billions of yen)

Self-Assessment of Asset Quality

Obligor Classification \ Exposure Categories		Normal Exposures	Category II Exposures	Category III Exposures	Category IV Exposures
Bankrupt and Quasi-Bankrupt Obligors ¥174.2		Banking: ¥72.9 Trust: 0.6 Total: ¥73.5	Banking: ¥ 94.3 Trust: 6.4 Total: ¥100.7	Reserve Ratio 100%	Direct Write-Offs
Intensive Control Obligors ¥352.1		Banking: ¥162.8 Trust: 0.6 Total: ¥163.4	Banking: ¥145.5 Trust: 5.6 Total: ¥151.1	¥37.5 →	Banking: ¥37.5 Trust: — Total: ¥37.5
Intensive Control Obligors (Excluding Subsidiaries and Affiliates) ¥154.0		Banking: ¥79.6 Trust: 0.6 Total: ¥80.2	Banking: ¥42.3 Trust: 5.6 Total: ¥47.9	Reserve Ratio 71.0%	Excluding Subsidiaries and Affiliates Banking: ¥25.8 Trust: — Total: ¥25.8
Watch Obligors	Special Attention Obligors ¥363.9	Banking: ¥37.6 Trust; 0.2 Total: ¥37.8	Banking: ¥320.9 Trust: 5.1 Total: ¥326.0		
Watch Obligors	Other Watch Obligors		Banking: ¥1,009.5 Trust: 57.4 Total: ¥1,066.9		
Normal Obligors					
Total Exposures ¥11,339.5		Normal ¥9,657.0	Category II ¥1,644.8	Category III ¥37.5	Category IV ¥—

Coverage	Disclosed Claims under Financial Reconstruction Law Criteria and Coverage Ratios		Risk-Monitored Loans
Reserves ¥48.3 Collateral/Guarantees ¥125.9	Exposures to Bankrupt and Quasi-Bankrupt Obligors ¥174.2 Coverage Ratio 100%	Total Exposures ¥813.7 Coverage Ratio against Total Exposures 73.54% Before Direct Write-Offs 80.67%	Loans to Borrowers under Bankruptcy Proceedings ¥97.7
Reserves ¥121.6 Collateral/Guarantees ¥192.9	Exposures Containing Collection Risks ¥352.1 Coverage Ratio 89.3%		Non-Accrual Past Due Loans ¥408.8 ¥19.8* (Note 3)
Reserves ¥24.3 Collateral/Guarantees ¥85.2	Special Attention Loans ¥287.3 Coverage Ratio 38.1%		Loans Past Due for Three Months or More ¥21.8 Loans with Altered Lending Conditions ¥265.4
Total Reserves ¥194.3 Collateral and Guarantees Total ¥404.1			

Notes: 1. For those obligors classified as Bankrupt, Quasi-Bankrupt, and Intensive Control, real estate collateral values are based on the appraisals within the past six months.
2. Disposable values of real estate collateral are estimated based on the following criteria:

Valuation by authorized real estate appraisers	100% of appraisal value
Upset price announced by court	100% of such upset price
Valuation by Daiwagin Sogo Kanri (subsidiary)	70% of appraisal value
Valuation by road rating	70% of announced price

3. Claims other than Loans and Bills Discounted are covered in the disclosure based on Financial Reconstruction Law criteria. (Risk-Monitored Loans cover only Loans and Bills Discounted.)

Measures to Dispose of Nonperforming Loans in Fiscal 2000

In accordance with the previously described strict self-assessment standards and criteria for write-offs and reserves, the Bank took measures to deal with a broad range of its Nonperforming Loans, and, as a result, the Bank incurred ¥145.0 billion in losses in relation to the disposal of such loans.

The above credit costs could be broken down into the following: Written-Off Claims, ¥77.5 billion; Transfer to Specific Reserve, ¥51.0 billion; Losses Related to Loans Sold to Cooperative Credit Purchasing Company, Limited (CCPC), ¥14.3 billion; and Other Losses Related to Loans Sold, including bulk sales, ¥2.6 billion. Furthermore, the Bank abandoned claims of ¥30.4 billion during the fiscal year, but this was fully covered by reserves already set aside and did not result in credit costs.

Total costs of measures to deal with Nonperforming Loans in the broadest sense, including such loans in the Banking Account and the Trust Account as well as additions to the General Reserve for Possible Loan Losses, amounted to ¥153.1 billion for the fiscal year under review.

The Bank's consolidated subsidiaries, in principle, apply the same self-assessment criteria as the Bank and make appropriate write-offs and additions to reserves.

• Risk-Monitored Loans

On a non-consolidated basis, the total amount of Risk-Monitored Loans, including those made from the Trust Account and for which the Bank guarantees the principal, amounted to ¥793.8 billion at March 31, 2001, ¥192.9 billion lower than at the previous fiscal year-end.

The total of Non-Accrual Loans to Borrowers under Bankruptcy Proceedings and Non-Accrual Past Due Loans amounted to ¥506.5 billion at fiscal year-end, down ¥79.6 billion from the previous fiscal year-end. These declines were due to aggressive measures to make final disposal of these claims, the completion of final renunciation of loans to a borrower for which the Bank acted as main bank, and the improvement in the condition of certain affiliated companies resulting in the removal of their loans from the Non-Accrual Past Due Loans category. Please note that the figures cited above are before any adjustments for possible recoveries through repayment or disposal of collateral to offset these loans and before any adjustments for reserves already set aside to cover possible losses from such loans. Accordingly, these figures are not equivalent to the credit losses the Bank will finally incur.

Loans Past Due for Three Months or More increased ¥2.5 billion from the previous fiscal year-end, to ¥21.8 billion.

Loans with Altered Lending Conditions declined ¥115.8 billion, to ¥265.4 billion. The principal cause of this decline was an improvement in the performances of such borrowers and the removal of their loans from this category. Loans in this category are those for which the Bank has eased a portion of the lending conditions because of weak economic conditions and deterioration in the cash flow positions of the borrowers. Therefore, not all of these loans will become nonperforming.

On a consolidated basis, including loans from the Trust Account for which the Bank guarantees the principal, total of Non-Accrual Loans to Borrowers under Bankruptcy Proceedings and Non-Accrual Past Due Loans amounted to ¥349.5 billion. Loans Past Due for Three Months or More were ¥25.6 billion, and Loans with Altered Lending Conditions amounted to ¥252.6 billion. The total amount of Risk-Monitored Loans was ¥627.8 billion.

Expenses Related to Disposal of Problem Loans (Non-Consolidated, Banking Account)	Billions of yen	
	2001	2000
Written-Off Claims	**¥ 77.5**	¥ 53.8
Transfer to Specific Reserve	**51.0**	72.4
Transfer to Reserve for the Specific Borrowers under Support	**—**	6.2
Losses Related to Loans Sold to CCPC	**14.3**	17.8
Renunciation of Claims	**—**	—
Other Losses Related to Loans Sold	**2.6**	0.9
Transfer to Reserve for Loans to Restructuring Countries	**(0.5)**	(2.0)
Total Disposal Expenses	**¥145.0**	¥149.3

• **Reserves Provided**

	Billions of yen			
	Non-Consolidated		Consolidated	
	2001	2000	**2001**	2000
Reserve for Possible Loan Losses	**¥212.7**	¥188.8	**¥192.3**	¥187.4
General Reserve	**66.6**	61.2	**73.4**	69.7
Specific Reserve*	**144.0**	124.8	**117.5**	115.8
Reserve for Loans to Restructuring Countries	**2.1**	2.6	**1.3**	1.8
Reserve for the Specific Borrowers under Support	**24.6**	55.0	**—**	30.4
Reserve Provided in Preparation for Write-Offs in Trust Account	**1.6**	1.9	**1.6**	1.9
Total Reserves	**¥239.0**	¥245.7	**¥193.9**	¥219.7

*Figures are after partial direct write-offs.

Risk-Monitored Loans (Banking and Trust Accounts)

	Billions of yen			
	Non-Consolidated		Consolidated	
	2001	2000	**2001**	2000
Non-Accrual Status Loans	**¥506.5**	¥586.1	**¥349.5**	¥477.5
Loans to Borrowers under Bankruptcy Proceedings	**97.7**	103.3	**99.4**	86.8
Past Due Loans	**408.8**	482.8	**250.0**	390.7
Loans Past Due for Three Months or More	**21.8**	19.3	**25.6**	28.5
Loans with Altered Lending Conditions	**265.4**	381.3	**252.6**	390.2
Risk-Monitored Loans Total	**¥793.8**	¥986.7	**¥627.8**	¥896.4

Notes: 1. Trust Account refers to Jointly Operated Designated Money in Trust, for which the Bank guarantees the principal. (See Note 2 to the Statements of Trust Assets and Liabilities on page 52 for further information.)
2. Figures are after partial direct write-offs. On a non-consolidated basis, amounts of such write-offs were ¥300.2 billion (cumulative amount) and ¥352.4 billion for the years ended March 31, 2001 and 2000, respectively. On a consolidated basis, the amounts were ¥477.0 billion (cumulative amount) and ¥560.5 billion for the years ended March 31, 2001 and 2000, respectively.

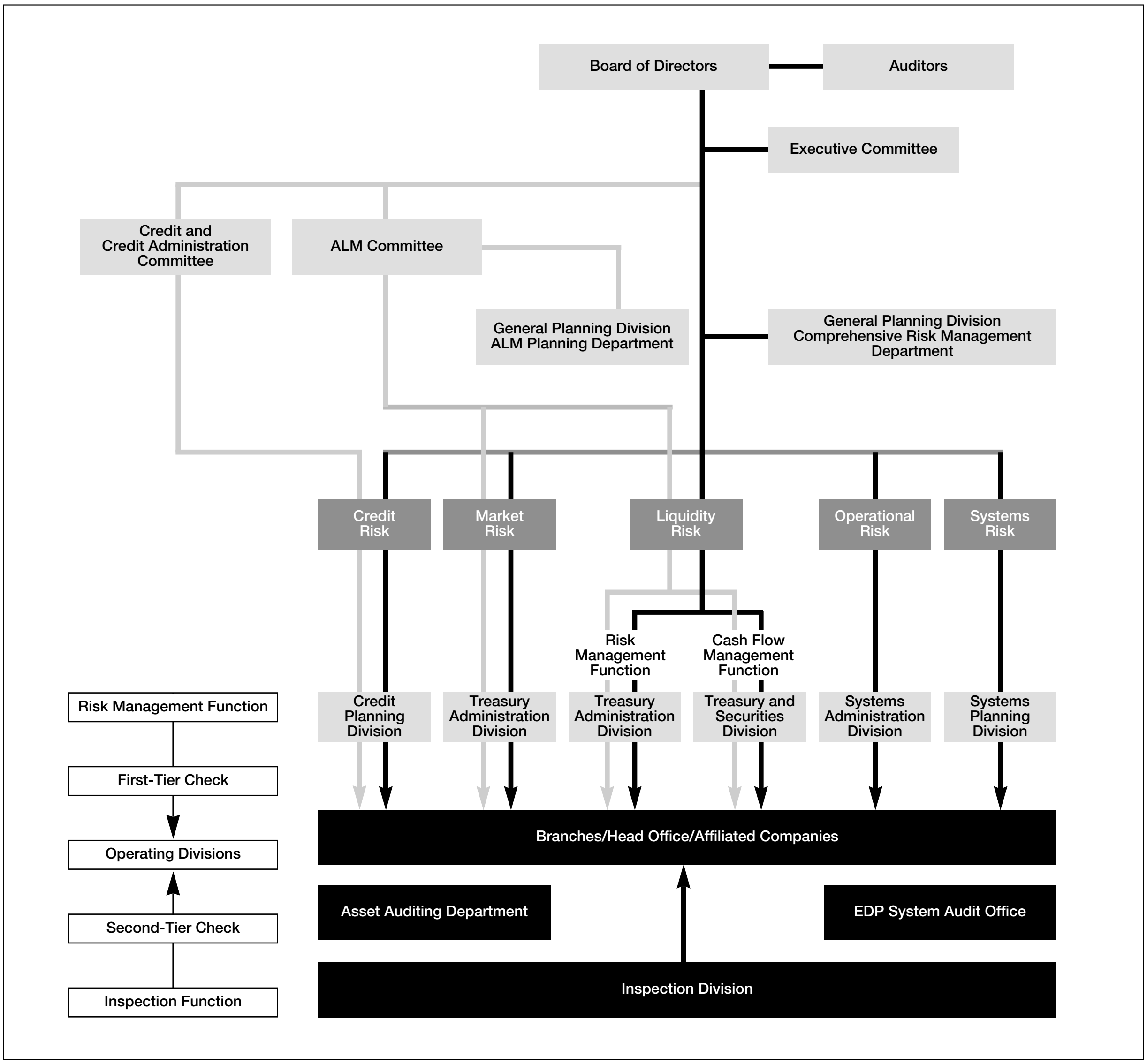
RISK MANAGEMENT POLICY

Daiwa Bank has made the establishment of strong internal supervisory systems a key management objective in order to ensure the soundness of management, obtain income appropriate to the risks the Bank takes, and secure its position as a financial institution that is highly valued for the services it provides. Accordingly, the Bank is working to continually upgrade its risk management systems with the active participation of senior management.

For each category of risk, the Bank has established units responsible for managing risk that operate independently of business promotion units. Under the Bank's risk management system, these units analyze and evaluate the Bank's risk positions and report regularly to the Board of Directors and various committees, thereby enabling senior management to participate in the risk management process. Moreover, the Bank's Inspection Division, which is independent of both the business promotion units and the risk management units, is responsible for carrying out internal inspections, including confirming compliance with rules and procedures and inspecting the effectiveness of risk management systems.

CREDIT RISK MANAGEMENT

To ensure the soundness of its asset portfolio, the Bank has created a credit analysis system that operates independently of business promotion units, allows for accurate appraisal of credit risk through an objective credit-rating process, and continues to work to increase the sophistication of its credit risk management. These policies for credit risk management are contained in the Bank's



Credit Policy. The Bank makes all staff members aware of risk management policies and systems and enhances the level of credit risk management.

Credit-Rating System

The Bank makes use of a credit-rating system that classifies borrowers into 14 categories. This system enables the Bank to make comprehensive evaluations of credit risk based on analyses of customers' financial statements; the quality of customer assets, including unrealized gains and losses; and other qualitative factors that may influence borrowers' ability to meet future obligations. Based on this credit-rating system, the Bank monitors its loan portfolio and endeavors to structure a balanced portfolio without excessive concentrations of risk in particular industries or geographic regions.

Quantification of Credit Risk

The quantification of credit risk requires the preparation of forecasts of the potential impact on the Bank's cash flow arising from defaults on the payment of principal or interest on loans and other claims. The Bank estimates the volume of credit risk by analyzing historical default and loan recovery ratios for each credit-rating classification. These analyses are then used to build a more balanced loan portfolio, set appropriate lending rates, and secure proper levels of profitability.

Management and Recovery of Problem Loans

To facilitate the recovery of problem loans, the Bank has established a loan recovery support team within its Head Office that focuses on the management of such loans. These teams work closely with the personnel in charge of problem loans stationed at the Bank's branches to effectively and efficiently manage such exposure.

In accord with its established policies, the Bank is also making intensive efforts to dispose of problem loans as quickly as possible through the sale of real estate collateral pledged against such loans or through bulk sales and securitization.

MARKET RISK MANAGEMENT

The Treasury Administration Division, which operates independently of both front and back offices, measures the Bank's market risk position and profit or loss position on a daily basis. The division then reports to the members of the Board of Directors responsible and prepares monthly reports to present to the Board and the Asset Liability Management (ALM) Committee. Upper limits on market risk are reviewed and reset, as appropriate, every six months by the ALM Committee based on consideration of the market environment, the Bank's profit or loss position, and other factors.

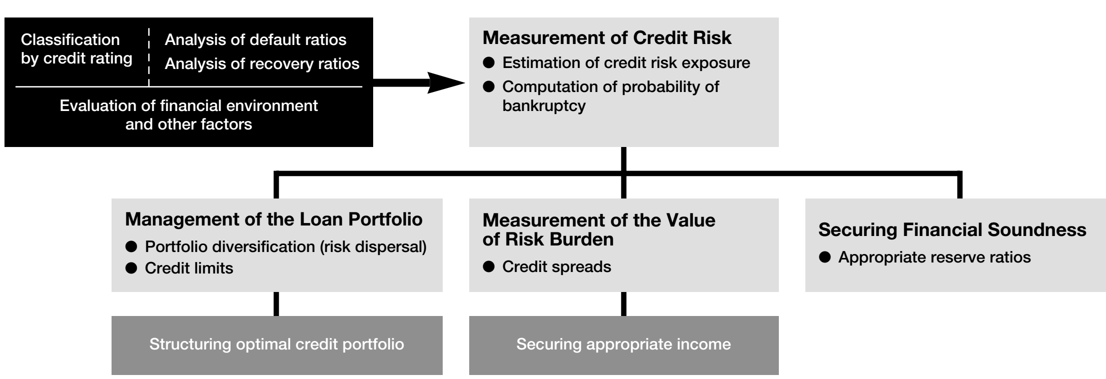
Risk Management in Market Trading Activities

The Bank makes use of the Value-at-Risk (VaR) method, which employs statistical techniques to calculate the volume of market risk, to measure the overall level of market risk in trading activities. VaR is computed on a daily basis assuming a holding period of 10 days and a confidence level of 99%. Moreover, to prepare for unusual market movements, the Bank calculates the maximum unexpected losses that may be incurred based on historical data and worst-case scenarios. This information is then used to set upper limits on market risk.

In addition, to prevent losses incurred from having a major impact on its performance, the Bank sets sensitivity and loss position limits.

The maximum VaR in market trading activities of the Bank and Cosmo Securities (for a 10-day holding period with a confidence level of 99%) in fiscal 2000 was ¥505 million. The minimum VaR was ¥90 million, and the average for the year was ¥234 million.

Measurement of Credit Risk



Risk Management of Derivative Transactions

To manage the market risk of derivative transactions in trading activities precisely, the Bank sets an upper limit on VaR in such transactions and manages exposure centrally. The Bank also sets sensitivity and loss position limits for each department conducting such transactions and for individual types of derivative products. In addition, to manage credit risk from derivatives, the Bank sets limits on exposure to counterparties on an individual basis.

ALM

At the monthly meetings of the ALM Committee, members review market trends and take account of market risk, arising principally from interest rate risk, and liquidity risk. Then, the committee seeks to maintain a proper balance of assets and liabilities for the Bank as a whole and secure profits.

The committee makes use of a range of analytic techniques, including maturity ladders (indicating interest rate sensitivity), simulations, and VaR, to make comprehensive appraisals of risk and control interest rate risk.

MARKET LIQUIDITY RISK MANAGEMENT

To ensure the stable conduct of its operations, the Bank works to strengthen its liquidity risk management systems by diversifying sources of funding and maintaining a sufficient volume of highly liquid assets.

To monitor cash flow risk, the Bank has selected various indicators to monitor conditions and supervises its yen and foreign currency cash positions on a unified basis daily. In preparation for unforeseen changes in market conditions owing to developments in the political and economic environments, the Bank has readied plans for dealing with these contingencies.

To manage market risk effectively, the Bank considers the market liquidity of individual financial products when it sets position limits and allocates an appropriate portion of these limits to highly liquid financial instruments.

OPERATIONAL AND SYSTEMS RISK MANAGEMENT

With the objective of reducing operational and systems risk, the Bank continues to review its systems for the supervision of operations by convening discussion meetings of representatives of administrative divisions and other means. Along with this, the Bank pursues an active program of measures to maintain accuracy in clerical processing, prevent errors, and centralize processing operations.

Similarly, in accord with its *Security Policy,* the Bank is working to tighten the supervision of information management and systems risk management. Backup systems are in place for possible natural disasters and to enable the Bank to continue its operations smoothly.

COMPLIANCE

Daiwa Bank is acutely conscious of the social and public responsibilities that the banking industry bears. To gain the increased understanding and trust of society, the Bank stated in June 1996 its *Corporate Ideals* and *Standards of Conduct.* In addition, in May 1998 the Bank issued and distributed to all staff a handbook titled *Code of Conduct for Daiwa Bank Personnel* containing specific guidelines for behavior.

Compliance Programs

Each fiscal year, the Bank implements a compliance program, which is approved by the Board of Directors. The Bank is systematically strengthening its compliance structure by making periodic reports on the development of the programs to the Board of Directors.

Based on these programs, the Bank constantly reviews and updates internal rules and procedures, including the *Compliance Manual,* and aims to increase the awareness of compliance among directors and other staff members. In addition, compliance training programs are conducted for employees, and the Bank's policy is to have all employees understand the basic principle that "compliance is the foundation of all the Bank's activities and is a basic assumption behind the management and conduct of operations."

Solicitation Policy

Under the Law Concerning the Sale of Financial Products (the Financial Product Sales Law), which became effective in April 2001, the Bank is required to prepare and publish its solicitation policy regarding the sale of such products. Daiwa Bank adopted, along with Kinki Osaka Bank and Nara Bank, a Groupwide policy, under the name *Offering Our Customers the Appropriate Products and Services,* and makes the policy available at the Bank's business locations.

In preparing the policy, the Bank did not confine the range of comments to the financial products and rules to be observed under the Financial Product Sales Law but also included the relevant concept under the Consumer Contracts Law, thereby setting forth clearly the regulations that must be observed in all aspects of the Bank's transactions with its customers.

In addition, the Bank prepared a *Solicitation Policy Manual* for all employees and is holding all staff members accountable for complying with the policy.

CONSOLIDATED BALANCE SHEETS

The Daiwa Bank, Limited, and Consolidated Subsidiaries March 31, 2001 and 2000

Banking Account

Assets	Millions of yen 2001	Millions of yen 2000	Millions of U.S. dollars (Note 1) 2001
Cash and Due from Banks (Note 28)	**¥ 554,798**	¥ 783,376	**$ 4,477**
Call Loans and Bills Bought (Note 6)	**310,696**	223,895	**2,507**
Monetary Claims Bought	**20**	20	**0**
Trading Assets (Notes 7 and 14)	**140,065**	169,766	**1,130**
Money Held in Trust	**34,720**	194,076	**280**
Securities (Notes 8 and 14)	**3,035,246**	2,463,939	**24,497**
Loans and Bills Discounted (Notes 9, 14 and 15)	**9,960,773**	9,723,089	**80,393**
Foreign Exchanges (Note 10)	**71,227**	93,306	**574**
Other Assets (Notes 11 and 14)	**476,284**	790,363	**3,844**
Premises and Equipment (Notes 12 and 14)	**379,879**	384,091	**3,066**
Deferred Taxes (Note 13)	**181,943**	191,794	**1,468**
Customers' Liabilities for Acceptances and Guarantees	**568,907**	525,664	**4,591**
Reserve for Possible Loan Losses	**(192,336)**	(187,458)	**(1,552)**
Reserve for Possible Losses on Securities	**(65)**	(1,100)	**(0)**
Total Assets	**¥15,522,161**	¥15,354,825	**$125,279**

Liabilities, Minority Interests and Stockholders' Equity	Millions of yen 2001	Millions of yen 2000	Millions of U.S. dollars (Note 1) 2001
Deposits and NCDs (Note 16)	**¥11,958,747**	¥11,580,094	**$ 96,519**
Call Money and Bills Sold (Notes 6 and 14)	**343,535**	139,803	**2,772**
Commercial Paper	**—**	10,000	**—**
Trading Liabilities (Note 7)	**32,163**	45,248	**259**
Borrowed Money (Notes 14 and 17)	**408,041**	394,985	**3,293**
Foreign Exchanges (Note 10)	**8,788**	15,148	**70**
Corporate Bonds (Note 17)	**205,476**	204,674	**1,658**
Due to Trust Account	**452,941**	776,478	**3,655**
Other Liabilities (Note 18)	**666,166**	700,860	**5,376**
Accrued Retirement Benefits (Note 19)	**17,417**	/	**140**
Reserve for Retirement Allowances	**/**	16,183	**/**
Reserve for Possible Losses Related to Loans Sold	**23,149**	37,033	**186**
Reserve for Specific Borrowers under Support	**—**	30,434	**—**
Other Reserves	**40**	45	**0**
Consolidation-Adjusting Account	**805**	1,061	**6**
Acceptances and Guarantees	**568,907**	525,664	**4,591**
Total Liabilities	**14,686,181**	14,477,716	**118,532**
Minority Interests in Consolidated Subsidiaries	**22,674**	24,223	**183**
Capital:	**465,158**	465,158	**3,754**
Common Stock	**255,673**	254,718	**2,063**
Preferred Stock	**209,485**	210,440	**1,690**
Capital Surplus	**405,419**	405,419	**3,272**
Consolidated Retained Earnings (Deficit)	**(51,668)**	(17,428)	**(417)**
Foreign Currency Translation Adjustments	**(5,532)**	/	**(44)**
Treasury Stock	**(1)**	(1)	**(0)**
Parent Company's Stock Owned by Subsidiaries	**(70)**	(262)	**(0)**
Total Stockholders' Equity	**813,305**	852,885	**6,564**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥15,522,161**	¥15,354,825	**$125,279**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

The Daiwa Bank, Limited, and Consolidated Subsidiaries Years ended March 31, 2001 and 2000

Banking Account

	Millions of yen		Millions of U.S. dollars (Note 1)
	2001	2000	**2001**
Income			
Interest Income	**¥254,242**	¥262,831	**$2,051**
Interest on Loans and Discounts	**207,733**	207,744	**1,676**
Interest and Dividends on Securities	**31,950**	35,297	**257**
Other Interest Income (Note 20)	**14,558**	19,789	**117**
Trust Fees	**54,833**	55,378	**442**
Fees and Commissions	**71,804**	81,353	**579**
Trading Income (Note 21)	**2,795**	7,808	**22**
Other Operating Income (Note 22)	**80,391**	66,855	**648**
Other Income (Note 23)	**78,982**	312,812	**637**
Total Income	**543,049**	787,040	**4,382**
Expenses			
Interest Expenses	**79,944**	100,234	**645**
Interest on Deposits and NCDs	**49,063**	47,311	**395**
Interest on Borrowings and Rediscounts	**10,163**	14,247	**82**
Other Interest Expenses (Note 24)	**20,718**	38,675	**167**
Fees and Commissions	**13,953**	10,132	**112**
Trading Expenses	**5**	—	**0**
Other Operating Expenses (Note 25)	**21,643**	32,455	**174**
General and Administrative Expenses	**227,918**	232,341	**1,839**
Other Expenses (Note 26)	**206,520**	365,507	**1,666**
Total Expenses	**549,986**	740,672	**4,438**
(Loss) Income before Income Taxes and Minority Interests	**(6,936)**	46,367	**(55)**
Income Taxes—Current	**5,438**	4,790	**43**
Income Taxes—Deferred	**9,864**	13,344	**79**
Minority Interest in Net Income (Loss) of Consolidated Subsidiaries	**1,232**	(1,462)	**9**
Net (Loss) Income	**¥ (23,472)**	¥ 29,695	**$ (189)**

	Yen		U.S. dollars (Note 1)
Per Share			
Primary Net (Loss) Income (Note 32)	**¥(12.56)**	¥12.58	**$(0.10)**
Fully Diluted Net Income (Note 33)	**—**	7.10	—

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS-DEFICIT

The Daiwa Bank, Limited, and Consolidated Subsidiaries Years ended March 31, 2001 and 2000

Banking Account

	Millions of yen		Millions of U.S. dollars (Note 1)
	2001	2000	**2001**
Balance at the Beginning of the Year	**¥(17,428)**	¥(37,351)	**$(140)**
Addition	**0**	0	**0**
Increase due to Exclusion of Consolidated Subsidiaries	**0**	0	**0**
Deductions	**10,767**	9,772	**86**
Decrease due to Exclusion of Consolidated Subsidiaries	**—**	673	**—**
Dividends	**10,767**	9,098	**86**
Bonuses to Directors and Corporate Auditors	**0**	0	**0**
Net (Loss) Income	**(23,472)**	29,695	**(189)**
Balance at the End of the Year	**¥(51,668)**	¥(17,428)	**$(417)**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Daiwa Bank, Limited, and Consolidated Subsidiaries Years ended March 31, 2001 and 2000

	Millions of yen		Millions of U.S. dollars (Note 1)
	2001	2000	**2001**
I. Cash Flows from Operating Activities			
(Loss) Income before Income Taxes and Minority Interests	**¥ (6,936)**	¥ 46,367	**$ (55)**
Depreciation of Premises and Equipment	**33,166**	33,866	**267**
Amortization of Consolidation-Adjusting Account	**(218)**	(262)	**(1)**
Equity in Earnings from Investments in Affiliated Companies	**12,028**	7,999	**97**
Increase in Reserve for Possible Loan Losses	**5,885**	(715)	**47**
Increase in Reserve for Possible Losses on Securities	**(1,035)**	1,100	**(8)**
Increase in Reserve for Possible Losses on Loans Sold	**(13,884)**	8,002	**(112)**
Increase in Reserve for Specific Borrowers under Support	**(30,434)**	(39,596)	**(245)**
Increase in Reserve for Retirement Allowances	**(16,183)**	707	**(130)**
Increase in Accrued Retirement Benefits	**17,470**	/	**141**
Interest Income	**(254,242)**	(262,831)	**(2,051)**
Interest Expenses	**79,944**	100,234	**645**
Net (Gains) Losses on Investment Securities	**(31,386)**	(103,738)	**(253)**
Net (Gains) Losses on Money Held in Trust	**3,788**	(29,398)	**30**
Net Foreign Exchange (Gains) Losses	**2,871**	1,901	**23**
Net (Gains) Losses on Sales of Premises and Equipment	**(2,758)**	18,870	**(22)**
Net (Increase) Decrease in Trading Account Assets	**29,701**	216,004	**239**
Net Increase (Decrease) in Trading Account Liabilities	**(75,601)**	15,933	**(610)**
Net (Increase) Decrease in Loans and Bills Discounted	**(161,246)**	(327,783)	**(1,301)**
Net Increase (Decrease) in Deposits	**(677,675)**	57,333	**(5,469)**
Net Increase (Decrease) in NCDs	**917,208**	349,132	**7,402**
Net Increase (Decrease) in Borrowed Money (excluding subordinated borrowed money)	**10,112**	(99,847)	**81**
Net (Increase) Decrease in Due from Banks (excluding that deposited with the BOJ)	**109,339**	148,814	**882**
Net (Increase) Decrease in Call Loans and Others	**(88,105)**	(211,872)	**(711)**
Net (Increase) Decrease in Cash Collateral for Bonds Borrowed	**130,979**	(126,807)	**1,057**
Net Increase (Decrease) in Call Money and Others	**203,731**	(59,573)	**1,644**
Net Increase (Decrease) in Commercial Paper	**(10,000)**	—	**(80)**
Net Increase (Decrease) in Cash Collateral for Bonds Loaned	**37,555**	(165,364)	**303**
Net (Increase) Decrease in Foreign Exchange Assets	**21,178**	43,502	**170**
Net Increase (Decrease) in Foreign Exchange Liabilities	**(6,355)**	(1,984)	**(51)**
Net Increase (Decrease) in Due to Trust Account	**(323,537)**	169,343	**(2,611)**
Interest Receipts	**268,150**	268,576	**2,164**
Interest Payments	**(84,833)**	(110,129)	**(684)**
Directors' Bonuses	**(3)**	(5)	**(0)**
Others	**77,632**	6,501	**626**
Subtotal	**176,311**	(45,717)	**1,423**
Income Taxes Paid	**(5,056)**	(3,661)	**(40)**
Net Cash Provided by (Used in) Operating Activities	**¥ 171,254**	¥ (49,379)	**$ 1,382**

(continued on the following page)

(continued from page 30)

	Millions of yen		Millions of U.S. dollars (Note 1)
	2001	2000	**2001**
II. Cash Flows from Investing Activities			
Purchases of Securities	**¥(2,530,892)**	¥(2,204,957)	**$(20,426)**
Proceeds from Sales of Securities	**1,906,199**	2,475,069	**15,384**
Proceeds from Matured Securities	**72,316**	77,959	**583**
Payments Associated with Increase in Money Held in Trust	**(12,061)**	(124,696)	**(97)**
Proceeds from Decrease in Money Held in Trust	**188,574**	11,457	**1,521**
Purchases of Premises and Equipment	**(46,245)**	(75,122)	**(373)**
Proceeds from Sales of Premises and Equipment	**7,876**	4,129	**63**
Proceeds from Sales of Equity Investments in a Subsidiary	**350**	7,488	**2**
Proceeds from Acquisition of Operations	**137,328**	—	**1,108**
Net Cash (Used in) Provided by Investing Activities	**(276,551)**	171,327	**(2,232)**
III. Cash Flows from Financing Activities			
Proceeds from Subordinated Borrowed Money	**7,500**	—	**60**
Repayment of Subordinated Borrowed Money	**(5,500)**	(28,000)	**(44)**
Proceeds from Issuance of Subordinated Bonds	**23,000**	28,800	**185**
Repayment of Subordinated Bonds	**(27,895)**	(59,000)	**(225)**
Proceeds from Issuance of Stocks	**55**	3,517	**0**
Dividends Paid	**(10,767)**	(9,098)	**(86)**
Dividends Paid to Minority Shareholders in Consolidated Subsidiaries	**(49)**	(160)	**(0)**
Payments Related to Acquisition of Treasury Stocks	**(39)**	(61)	**(0)**
Proceeds from Sales of Treasury Stocks	**39**	142	**0**
Net Cash Used in Financing Activities	**(13,656)**	(63,859)	**(110)**
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	**517**	489	**4**
V. (Decrease) Increase in Cash and Cash Equivalents	**(118,436)**	58,577	**(955)**
VI. Cash and Cash Equivalents at the Beginning of the Year	**469,975**	411,398	**3,793**
VII. Decrease in Cash and Cash Equivalents due to Exclusion of Subsidiaries from Consolidation	**(0)**	(0)	**(0)**
VIII. Cash and Cash Equivalents at the End of the Year	**¥ 351,539**	¥ 469,975	**$ 2,837**

See accompanying Notes to Consolidated Financial Statements.

Note 1. Basis of Preparation

The Daiwa Bank, Limited (the "Parent Company"), and its domestic subsidiaries maintain their books of accounts in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of accounts in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and are compiled from the consolidated financial statements prepared by the Parent Company as required by the Securities and Exchange Law of Japan.

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

Amounts in U.S. dollars are included solely for the convenience of the reader. The exchange rate of ¥123.90 to U.S.$1.00, the rate prevailing at March 30, 2001, has been used. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

Yen amounts are reported in millions of yen and are rounded down to the nearest million yen. Accordingly, certain subtotals and totals may not represent the sums of figures presented.

Note 2. Principles of Consolidation

The accompanying consolidated financial statements for the year ended March 31, 2001, include the accounts of the Parent Company and its 45 consolidated subsidiaries, including Cosmo Securities Co., Ltd., and Daiwa Bank (Capital Management) Plc (a U.K. corporation). Cosmo Sangyo Co., Ltd., and 6 other subsidiaries were either sold or liquidated during the fiscal period under review and are thus excluded from consolidation.

The accompanying consolidated financial statements do not include the accounts of Cosmo Securities (Europe) Ltd., since its assets, gross revenue, net income and earned surplus are not significant and would not have a material impact on the consolidated financial statements.

As required by an amendment to the Securities and Exchange Law of Japan, effective April 1, 1999, all assets and liabilities of subsidiaries are revalued on acquisition, if applicable.

The difference between the cost of investments in subsidiaries and equity in their net assets at the date of acquisition is amortized over a period of five years on a straight-line basis. The unamortized balance of this difference is reflected in the Consolidated Balance Sheets as "Consolidation-Adjusting Account."

Note 3. Application of Equity Method

For the year ended March 31, 2001, the equity method is applied to 9 affiliates, including the Kinki Osaka Bank, Limited, and the Nara Bank, Limited.

Investment in Cosmo Securities (Europe) Ltd. is carried at cost, since the equity in retained earnings and net income of the company would not be material.

Note 4. Fiscal Year-Ends of Consolidated Subsidiaries

Fiscal year-ends of the consolidated subsidiaries are as follows:

July 31	1 consolidated subsidiary
December 31	16 consolidated subsidiaries
March 31	28 consolidated subsidiaries

The accounts of the consolidated subsidiary with a fiscal year-end in July are consolidated based on accounts adjusted to March 31, 2001. The accounts of all other subsidiaries are consolidated as at their respective fiscal year-ends.

Appropriate adjustments are made for significant transactions during the period from the respective year-ends of the above subsidiaries to the date of the Parent Company's fiscal year-end.

Note 5. Summary of Significant Accounting Policies

(1) Trading Assets and Liabilities

Transactions for trading purposes represent transactions seeking to capture gains arising from short-term changes or from differences between markets, in interest rates, currency exchange rates or market prices of securities and other market-related indices. These transactions are included in "Trading Assets" or "Trading Liabilities" in the Consolidated Balance Sheets on a trade date basis. Profits/losses on these transactions are included in "Trading Income" or "Trading Expenses" in the Consolidated Statements of Operations.

Securities and monetary receivables, etc., are carried at their market values at fiscal year-end, and financial derivatives such as swaps, futures and options are carried at price based on the assumption that the transactions were settled at the fiscal year-end.

"Trading Income/Expenses" include interest received/paid during the year. Profits or losses arising from the revaluation of securities, monetary receivables, etc., are credited or charged to "Trading Income" or "Trading Expenses," respectively. Revaluation profits or losses for financial derivatives are also credited or charged to "Trading Income" or "Trading Expenses," respectively, assuming that these transactions were settled at the end of the fiscal year.

Consolidated domestic subsidiaries which engage in securities business carry trading securities and other trading assets including derivative instruments in the trading account at their market values in compliance with the relevant ordinances. In most cases, other consolidated subsidiaries apply the same valuation methods as the Parent Company with respect to transactions for trading purposes and other similar transactions.

(2) Valuation of Securities (Fiscal 2000)

Until the year ended March 31, 2001, securities were principally stated at cost determined by the moving average method, except for marketable securities held by the Parent Company in individually managed money trusts for asset management purposes and those held by subsidiaries carrying security brokerage business, which were valued at the lower of cost or market, cost being determined by the moving average method.

A new accounting standard for financial instruments, which became effective from April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or non-trading securities available for sale. The Parent Company and consolidated subsidiaries had already carried trading securities included in trading assets at fair value with changes in unrealized gain or loss credited or charged to operations prior to April 1, 2000. Under the new standard, the Parent Company and consolidated subsidiaries carry held-to-maturity securities at amortized cost determined by the moving average method. The new standard requires marketable securities classified as non-trading securities available for sale be carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in stockholders' equity. However, the Parent Company and consolidated subsidiaries postponed such accounting treatment to the year ending March 31, 2002 as allowed under the standard. Marketable securities held by the Parent Company and consolidated subsidiaries in individually managed money trusts for asset management purposes are valued at fair value.

(3) Valuation of Derivative Financial Instruments (Fiscal 2000)

In accordance with the new accounting standard for financial instruments, which became effective from April 1, 2000, derivative transactions excluding those in the trading account are stated at fair value.

(4) Depreciation of Premises and Equipment (Fiscal 2000)

Premises and equipment owned by the Parent Company are stated at cost, less accumulated depreciation. Depreciation is calculated based on the following methods:

Buildings	Computed by the straight-line method (Useful lives are primarily 2 to 50 years.)
Equipment	Computed by the declining balance method (Useful lives are primarily 2 to 20 years.)

Consolidated subsidiaries principally apply the straight-line method for depreciation of premises and equipment based on the estimated useful lives of the respective assets.

Capitalized software for internal use is depreciated using the straight-line method over the estimated useful lives of the software assets (mainly five years) at the Parent Company and its consolidated subsidiaries.

(5) Reserve for Possible Loan Losses

The Reserve for Possible Loan Losses of the Parent Company is provided as follows, based on the predetermined rules for write-offs and provisioning.

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
General Reserve	**¥ 73,460**	¥ 69,743	**$ 592**
Specific Reserve	**117,503**	115,824	**948**
Reserve for Loans to Restructuring Countries	**1,372**	1,890	**11**
Total	**¥192,336**	¥187,458	**$1,552**

The reserve for possible loan losses for legally/substantially bankrupt borrowers is provided based on the amount after deductions of the expected collectable amount through the disposal of collateral or through the execution of guarantees.

The reserve for possible loan losses for borrowers, who are not currently legally bankrupt but are likely to become bankrupt, is provided based on the amount considered to be necessary, based on the overall solvency assessment of the amounts after deductions of the expected collectable amount through the disposal of collateral or through the execution of guarantees.

The reserve for possible loan losses on loans to other than the above is provided based on the actual loan loss rates observed in a certain period in the past.

Also, a reserve for possible losses on loans to restructuring countries is set aside with an estimated amount, based on such factors as political and economic risks.

All loans are assessed by branches and business departments based on internal rules for the self-assessment of assets. The Asset Auditing Department, independent of branches and business departments, audits the results of the self-assessment of assets, and the reserve is provided based on the results of the audit. Consolidated subsidiaries provide a reserve for possible loan losses with the amounts considered necessary, based on the results of the self-assessment of asset quality conducted under criteria similar to those of the Parent Company.

In the cases of loans extended by the Parent Company and some of its consolidated subsidiaries to borrowers who are classified as legally/substantially bankrupt, the amount remaining after deductions of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥477,057 million ($3,850 million) and ¥560,514 million in the years ended March 31, 2001 and 2000, respectively.

(6) Retirement Benefits

The Parent Company and its domestic consolidated subsidiaries have non-contributory defined benefit pension plans and retirement allowances plans.

Through March 31, 2000, the Reserve for Retirement Allowances was stated at 100 percent of the liability which would be required to be paid if all employees voluntarily terminated their employment at the balance sheet date.

Effective April 1, 2000, the Parent Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Retirement Benefits," which was issued by the Business Accounting Deliberation Council of Japan. In accordance with the new standard, Accrued Retirement Benefits have been provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the annual period. The Net Retirement Benefit Obligation at Transition of ¥84,790 million ($684 million) is to be amortized by the straight-line method over 10 years, 15 years and 1 to 10 years at the Parent Company, Cosmo Securities Co., Ltd., and the other domestic consolidated subsidiaries, respectively.

Prior service cost is charged or credited to income as incurred. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the employees.

The effect of the adoption of the new standard for retirement benefits was to decrease loss before income taxes for the year ended March 31, 2001 by ¥849 million ($6 million) over the amount which would have been recorded under the method applied in the previous year.

(7) Reserve for Possible Losses Related to Loans Sold

The Reserve for Possible Losses Related to Loans Sold is set aside based on the estimated amount of losses to be incurred from the decline in value of the real estate pledged as collateral for loans sold to the Cooperative Credit Purchasing Company, Limited.

(8) Reserve for Possible Losses on Securities

The Reserve for Possible Losses on Securities is provided based on the rationally estimated amount of losses that might be incurred from securities.

(9) Other Reserves

Other Reserves, as of March 31, 2001, represent the Reserve for Contingent Liabilities from Brokerage of Financial Futures Transactions in the amount of ¥0 million ($0 million) for compensation losses arising from potential future claims related to financial futures transactions. This reserve is provided based on the amount calculated in accordance with the regulations stipulated in the Financial Futures Transactions Law. Other Reserves also represent the Reserve for Contingent Liabilities from Brokerage of Securities Transactions in the amount of ¥40 million ($0 million) for compensation losses arising from potential future claims related to securities futures transactions. This reserve is provided by the Parent Company and its domestic consolidated subsidiaries engaged in securities business, based on the amount calculated in accordance with the Securities Exchange Law and regulations for securities operations for banks, etc.

(10) Foreign Currency Translation of Assets and Liabilities

The Parent Company's assets and liabilities are translated into yen at the market exchange rates prevailing at the end of each accounting period, except that certain accounts, as approved by the Japanese regulatory authorities, are translated at historical rates.

Consolidated subsidiaries' foreign currency denominated assets and liabilities are translated into yen at the market exchange rates prevailing at their respective fiscal year-ends.

Effective April 1, 2000, the domestic consolidated subsidiaries adopted the revised "Accounting Standard for Foreign Currency Translations," which was issued by the Business Accounting Deliberation Council of Japan. Under the new method, all monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

The effect of the adoption of this standard on the consolidated financial statements for the year ended March 31, 2001 was immaterial.

Due to a change effective April 1, 2000 in the regulations relating to the presentation of translation adjustments, the Parent Company has presented translation adjustments as a component of stockholders' equity and minority interests in consolidated subsidiaries in its consolidated financial statements for the year ended March 31, 2001. Up to the year ended March 31, 2000, translation adjustments were presented as a component of assets or liabilities.

(11) Accounting Method for Hedge Transactions (Fiscal 2000)

The Parent Company applies a macro-hedge in its accounting method for hedge transactions. This method tries to control the interest rate risks arising from numerous assets and liabilities, such as loans and deposits, in the aggregate using derivative transactions. This deferred hedge accounting method adopts the risk adjustment approach, which was set forth in Industry Audit Committee Report No. 15, titled "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry." The Parent Company evaluates the effectiveness of a hedge by monitoring whether or nor the risk amount from the derivative transactions (used as a risk adjustment vehicle) is kept within the parameters established in risk management policies and whether or not the interest rate risks from hedged assets and liabilities are actually reduced. Specific hedges are applied to certain assets and liabilities held by the Parent Company and some of its consolidated subsidiaries.

The net deferred hedge loss or revaluation differences from hedge instruments are reflected on the Consolidated Balance Sheet as other assets. The gross hedge gains or losses before netting are ¥93 million ($0 million) and ¥6,766 million ($54 million), respectively.

(12) Accounting Method for Financial Instruments

Effective April 1, 2000, the Parent Company and its consolidated subsidiaries adopted "Accounting Standard for Financial Instruments," which was issued by the Business Accounting Deliberation Council of Japan. In accordance with the new standard, valuation methods for securities and derivative transactions and the accounting method for hedge transactions were changed. The effect of the adoption of the new standard was to increase loss before income taxes for the year ended March 31, 2001, by ¥3,837 million ($30 million) over the amount which would have been recorded under the method applied in the previous year.

(13) Tokyo Metropolitan Government Enterprise Tax

On April 1, 2000, "Municipal Ordinance Concerning Special Treatment of Tax Base, etc., for Enterprise Tax on Banking Business, etc., in Tokyo Metropolis" (Tokyo Metropolitan Government Ordinance No. 145) was enacted. Enterprise tax levied by the Tokyo Metropolitan Government used to be included in income taxes—current as one component of income taxes. However, due to the change in the treatment of the tax base, effective the year ended March 31, 2001, the Tokyo Metropolitan Government enterprise tax was included in other expenses. Other expenses for the year ended March 31, 2001 include ¥1,901 million ($15 million) of such enterprise tax.

Note 6. Call Loans and Bills Bought/ Call Money and Bills Sold

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Call Loans	¥260,696	¥175,495	$2,104
Bills Bought	50,000	48,400	403
Total	¥310,696	¥223,895	$2,507
Call Money	¥253,535	¥ 81,103	$2,046
Bills Sold	90,000	58,700	726
Total	¥343,535	¥139,803	$2,772

Note 7. Trading Assets and Trading Liabilities

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Trading Assets			
Trading Securities	¥ 22,283	¥ 49,007	$ 179
Derivatives of Trading Securities	11	21	0
Derivatives of Securities Related to Trading Transactions	—	1	—
Trading-Related Financial Derivatives	28,385	30,985	229
Other Trading Assets	89,384	89,751	721
Total	¥140,065	¥169,766	$1,130
Trading Liabilities			
Trading Securities Sold for Short Sales	¥ 7,221	¥ 19,356	$ 58
Derivatives of Trading Securities	9	15	0
Derivatives of Securities Related to Trading Transactions	1	—	0
Trading-Related Financial Derivatives	24,905	25,876	201
Other Trading Liabilities	25	—	0
Total	¥ 32,163	¥ 45,248	$ 259

Note 8. Securities

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
National Government Bonds	¥1,418,172	¥ 747,051	$11,446
Local Government Bonds	46,865	38,877	378
Corporate Bonds and Financial Debentures	169,730	187,824	1,369
Corporate Equity Stocks	1,364,672	1,399,130	11,014
Other Securities	35,805	65,652	288
Securities Loaned	/	25,402	/
Total	¥3,035,246	¥2,463,939	$24,497

Corporate Equity Stocks include investments in affiliated companies of ¥57,088 million ($460 million) and ¥41,931 million for the years ended March 31, 2001 and 2000, respectively.

Securities loaned under loan for use or lease agreements, which were previously recorded as securities loaned, have been included in other items, such as government bonds and corporate bonds, effective from the fiscal year under review. Such securities loaned were ¥25,469 million ($205 million) as of the end of the current fiscal year.

Note 9. Loans and Bills Discounted

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Bills Discounted	¥ 359,987	¥ 294,799	$ 2,905
Loans on Notes	1,696,721	1,848,159	13,694
Loans on Deeds	5,789,056	5,760,733	46,723
Overdrafts	2,115,007	1,819,396	17,070
Total	¥9,960,773	¥9,723,089	$80,393

Risk-Monitored Loans

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Non-Accrual Loans to Borrowers under Bankruptcy Proceedings	¥ 97,813	¥ 84,146	$ 789
Non-Accrual Past Due Loans	238,387	378,360	1,924
Loans Past Due for Three Months or More	23,920	26,189	193
Loans with Altered Lending Conditions	249,525	379,194	2,013
Risk-Monitored Loans Total	¥609,646	¥867,890	$4,920

Non-Accrual Loans to Borrowers under Bankruptcy Proceedings are defined as loans in which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan, as cited in Article 96-1-3 or 4 of the Enforcement Ordinance No. 97 of the Corporate Tax Law of Japan.

Non-Accrual Past Due Loans refer to those loans which are past due and not accruing interest but are classified neither as Non-Accrual Loans to Borrowers under Bankruptcy Proceedings nor as Loans with Altered Lending Conditions, whose definition is given below.

For Non-Accrual Loans to Borrowers under Bankruptcy Proceedings and Non-Accrual Past Due Loans, the amounts remaining after deductions of estimated disposable values of collateral and the amounts recoverable under guarantees are directly written off from the original credit amounts. The amounts of such write-offs were ¥477,057 million ($3,850 million) and ¥560,514 million as of March 31, 2001 and 2000, respectively.

Loans Past Due for Three Months or More refer to those loans for which three months or more have elapsed without payment of principal or interest since the payment was due. The balances of Non-Accrual Loans to Borrowers under Bankruptcy Proceedings and Non-Accrual Past Due Loans are not included in this category.

Loans with Altered Lending Conditions include loans restructured to assist or facilitate the restructuring of certain borrowers in financial difficulties by providing easier payment terms for the borrower (e.g., the reduction of or exemption from stated interest, the deferral of interest payments, the extension of maturity dates, the renunciation of claims, etc.). Balances of Non-Accrual Loans to Borrowers under Bankruptcy Proceedings, Non-Accrual Past Due Loans and Loans Past Due for Three Months or More are not included in this category. The amount of risk-monitored loans reported above is before netting of loan loss reserves.

Note 10. Foreign Exchanges

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Assets			
Due from Foreign Banks	¥10,930	¥22,691	$ 88
Foreign Bills of Exchange Bought	21,391	27,494	172
Foreign Bills of Exchange Receivable	38,906	43,120	314
Total	¥71,227	¥93,306	$574
Liabilities			
Due to Foreign Banks	¥ 1,496	¥ 588	$ 12
Foreign Bills of Exchange Sold	7,052	14,312	56
Foreign Bills of Exchange Payable	239	247	1
Total	¥ 8,788	¥15,148	$ 70

Note 11. Other Assets

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Prepaid Expenses	¥ 4,854	¥ 1,522	$ 39
Accrued Income	54,719	75,039	441
Securities in Custody	66,122	204,396	533
Suspense Payment	82,230	80,766	663
Cash Collateral on Bonds Borrowed	13,901	144,880	112
Others	254,455	283,756	2,053
Total	¥476,284	¥790,363	$3,844

Note 12. Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation of ¥186,904 million ($1,508 million) and ¥181,222 million as of March 31, 2001 and 2000, respectively.

Note 13. Deferred Taxes

Deferred income taxes resulting from timing differences in recognizing revenues and expenses between financial statements and tax returns are recognized in the consolidated financial statements. The tax effects of the items comprising the net deferred tax assets (shown in the Consolidated Balance Sheets as "Deferred Taxes") of the Parent Company and its consolidated subsidiaries at March 31, 2001 and 2000 were as follows:

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Deferred Tax Assets			
Reserve for Possible Loan Losses (including written-off claims)	¥133,948	¥106,875	$1,081
Tax Loss Carryforwards	30,005	41,841	242
Devaluation of Securities	11,274	7,436	90
Reserve for Possible Losses Related to Loans Sold	8,727	15,031	70
Reserve for Specific Borrowers under Support	—	12,353	—
Losses on Revaluation of Real Estate	8,353	14,398	67
Accrued Retirement Benefits	4,807	/	38
Reserve for Retirement Allowances	/	4,534	/
Others	9,698	6,032	78
Subtotal	206,815	208,503	1,669
Valuation Allowance	(22,308)	(16,640)	(180)
Deferred Tax Assets Total	184,506	191,863	1,489
Deferred Tax Liabilities			
Dividends Receivable	(2,561)	—	(20)
Allowance for Compressed Entry of Fixed Assets	—	(67)	—
Reserve for Possible Losses on Overseas Investments	(1)	(1)	(0)
Net Deferred Tax Assets	¥181,943	¥191,794	$1,468

On June 9, 2000, the Osaka Prefectural Government promulgated the "Municipal Ordinance Concerning Special Treatment of Tax Base, etc., for Enterprise Tax on Banking Business, etc., in Osaka Prefecture" (Osaka Prefectural Government Ordinance No. 131). The tax base of enterprise tax levied by the Osaka Prefectural Government is to be changed to gross profit, effective the fiscal year starting on April 1, 2001, and thus such enterprise tax will not be included in current income taxes. Therefore, the effective income tax rate, which is applied for computing deferred tax assets and liabilities, was reduced from 40.59% to 37.70%. As a result, net deferred tax assets were reduced by ¥13,539 million ($109 million) and income taxes—deferred for the year then ended increased by the same amount.

Note 14. Assets Pledged as Collateral

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Assets Pledged as Collateral			
Trading Assets	¥ 16,078	¥ —	$ 129
Securities	708,613	51,154	5,719
Loans	369,861	177,715	2,985
Other Assets	39,094	38,171	315
Relevant Liabilities			
Call Money and Bills Sold	¥191,800	¥ 59,700	$1,548
Borrowed Money	60,961	61,727	492

Other than the previous, securities, the following loans and other assets were pledged as collateral or as substitutes for cash deposits for exchange clearing transactions, futures transactions, derivative transactions and others. Their balances at the end of fiscal 2000 and 1999 were as follows:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Securities	**¥669,703**	¥790,341	**$5,405**
Loans and Bills Discounted	**48,846**	344,157	**394**
Other Assets	**5,658**	4,413	**45**

In addition, securities which were worth ¥5,231 million ($42 million) were pledged as collateral for its affiliates' borrowed money as of March 31, 2001.

Premises and equipment stated include a guarantee deposit of ¥101,227 million ($817 million). Other assets stated include deposits for futures transactions in the amount of ¥476 million ($3 million) and deposits for bonds borrowed in the amount of ¥13,901 million ($112 million) as of March 31, 2001.

Note 15. Overdraft Facilities and Commitment Lines

Overdraft facilities and commitment lines are binding agreements to lend to customers as long as there is no violation of any conditions established in the contracts. Out of the total commitment amounts, ¥3,737,437 million ($30,164 million) remained undrawn as of March 31, 2001. Of this undrawn portion, the amount of commitments expiring in one year or less and commitments revocable unconditionally at any time is ¥3,529,107 million ($28,483 million). As many of these commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Note 16. Deposits and NCDs

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Current Deposits	**¥ 819,077**	¥ 651,755	**$ 6,610**
Ordinary Deposits	**2,365,472**	2,246,626	**19,091**
Savings Deposits	**411,954**	444,270	**3,324**
Deposits at Notice	**246,851**	319,335	**1,992**
Time Deposits	**5,324,754**	5,841,100	**42,976**
NCDs	**2,503,626**	1,586,417	**20,206**
Others	**287,010**	490,589	**2,316**
Total	**¥11,958,747**	¥11,580,094	**$96,519**

Note 17. Borrowed Money and Corporate Bonds

Borrowed money and corporate bonds included subordinated liabilities as follows:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Subordinated Borrowed Money	**¥255,500**	¥253,500	**$2,062**
Subordinated Corporate Bonds	**205,476**	204,674	**1,658**
Total	**¥460,976**	¥458,174	**$3,720**

Note 18. Other Liabilities

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Accrued Expenses	**¥ 41,928**	¥ 42,342	**$ 338**
Income in Advance	**31,864**	32,192	**257**
Trading Securities Borrowed	**7,408**	27,000	**59**
Securities Borrowed	**25,103**	118,600	**202**
Cash Collateral on Bonds Loaned	**208,915**	171,359	**1,686**
Others	**350,945**	309,366	**2,832**
Total	**¥666,166**	¥700,860	**$5,376**

Note 19. Accrued Retirement Benefits

The following table sets forth the changes in the retirement benefit obligation, plan assets and funded status of the Parent Company and its consolidated subsidiaries at March 31, 2001:

	Millions of yen	Millions of U.S. dollars
Retirement Benefit Obligation	¥(278,602)	$(2,248)
Fair Value of Plan Assets	162,302	1,309
Benefit Obligation in Excess of Plan Assets	(116,300)	(938)
Unrecognized Obligation at Transition	76,538	617
Unrecognized Actuarial Loss	24,241	195
Unrecognized Prior Service Costs	—	—
Net Retirement Benefit Obligation	(15,520)	(125)
Prepaid Pension Costs	1,897	15
Accrued Retirement Benefits	¥ (17,417)	$ (140)

Notes: 1. The above table includes a portion of retirement benefits entrusted to the Parent Company by the governmental welfare pension program.
2. Prior service costs (decrease in liability) were incurred due to the revision of the agreements concerning the starting age for receiving the above entrusted portion of retirement benefits of employees of the Parent Company and certain consolidated subsidiaries during the year under review. This revision was to make said starting age older in connection with the revision to the Japanese Welfare Pension Insurance Law effective March 31, 2000.
3. Certain consolidated subsidiaries adopted simplified calculation methods.

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

	Millions of yen	Millions of U.S. dollars
Service Costs	¥ 6,108	$ 49
Interest Costs	9,572	77
Estimated Return on Plan Assets	(7,953)	(64)
Amortization of Prior Service Costs	(3,551)	(28)
Amortization of Actuarial Loss or Gain	—	—
Amortization of Net Retirement Benefit Obligation at Translation	8,252	66
Total Retirement Benefit Expenses	¥12,428	$100

Notes: 1. Employees' contributions to the contributory funded pension plan are not included in Service Costs.
2. Amortization of Prior Service Costs is the current portion of amortization with respect to prior service cost.
3. Retirement benefit expenses other than the amortization of transition obligation of those consolidated subsidiaries using simplified calculation methods are included in "Service Costs."

The assumptions used in accounting for the defined benefit plans for the year ended March 31, 2001 were as follows:

Discount Rate	3.5%
Expected Return on Plan Assets	4.5%

Note 20. Other Interest Income

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Interest on Due from Banks	¥ 7,359	¥ 5,001	$ 59
Interest on Interest Rate Swaps	—	7,995	—
Interest on Foreign Exchanges	4,322	4,578	34
Other Interest Income	2,876	2,213	23
Total	¥14,558	¥19,789	$117

Note 21. Trading Income

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Income from Trading Securities	¥2,258	¥5,832	$18
Income from Derivatives of Trading Securities	0	9	0
Income from Trading-Related Financial Derivatives	28	1,175	0
Other Trading Income	509	790	4
Total	¥2,795	¥7,808	$22

Note 22. Other Operating Income

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Gains on Foreign Exchange Transactions	¥ 9,916	¥ —	$ 80
Gains on Sales of Bonds, etc.	11,569	11,574	93
Gains on Redemption of Bonds, etc.	55	835	0
Others	58,849	54,446	474
Total	¥80,391	¥66,855	$648

Note 23. Other Income

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Gains on Sales of Stocks and Other Securities	¥50,232	¥269,940	$405
Gains on Sales of Premises and Equipment	5,084	1,609	41
Recoveries of Written-Off Claims	6,120	5,942	49
Others	17,544	35,320	141
Total	¥78,982	¥312,812	$637

Note 24. Other Interest Expenses

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Interest on Commercial Paper	¥ 30	¥ 35	$ 0
Interest on Corporate Bonds	7,453	9,430	60
Interest on Interest Rate Swaps	5,965	17,933	48
Other Interest Expenses	7,269	11,275	58
Total	¥20,718	¥38,675	$167

Note 25. Other Operating Expenses

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Losses on Foreign Exchange Transactions	¥ —	¥ 4,011	$ —
Losses on Sales of Bonds, etc.	4,327	9,364	34
Losses on Redemption of Bonds, etc.	271	1,464	2
Losses on Devaluation of Bonds, etc.	727	—	5
Others	16,316	17,615	131
Total	¥21,643	¥32,455	$174

Note 26. Other Expenses

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Write-Off of Loans	¥ 86,766	¥ 51,654	$ 700
Net Addition to Reserve for Possible Loan Losses	46,150	69,781	372
Net Addition to Reserve for Possible Losses Related to Loans Sold	11,612	14,493	93
Net Addition to Reserve for Specific Borrowers under Support	—	(4,062)	—
Losses Incurred from Sales of Loans	4,558	4,316	36
Losses on Sales of Stocks and Other Securities	8,259	123,987	66
Losses on Devaluation of Stocks and Other Securities	14,403	43,636	116
Losses on Disposition of Premises and Equipment	2,238	4,152	18
Others	32,531	57,548	262
Total	¥206,520	¥365,507	$1,666

Note 27. Lease Transactions

(1) Finance Lease Transactions

Finance lease transactions, other than those for which the ownership of the leased equipment is recognized to be transferred to lessees, were as follows.

(Lessee Side)

Estimated amounts of acquisition costs, accumulated depreciation and balance at the end of the year:

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Estimated Acquisition Costs	¥12,454	¥17,013	$100
Estimated Accumulated Depreciation	9,225	11,682	74
Estimated Term-End Balance	¥ 3,228	¥ 5,331	$ 26

	Millions of yen	Millions of U.S. dollars
Future Minimum Lease Payments at March 31, 2001:		
Within 1 year	¥1,974	$15
After 1 year	1,720	13
Total	¥3,694	$29

Lease fees paid, estimated depreciation and interest expenses during the years ended March 31, 2001 and 2000:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Lease Fees Paid	**¥2,210**	¥4,746	**$17**
Depreciation	**2,144**	3,485	**17**
Interest Expenses	**154**	285	**1**

Basis of calculation of estimated depreciation:
Lease periods are used as useful lives, and the straight-line method is applied with no residual value.

Basis of calculation of estimated interest expenses:
Estimated interest payment is calculated based on the difference between the total lease payment and the estimated acquisition costs, which are allocated over the lease period by the interest method.

(Lessor Side)
Amounts of acquisition costs, accumulated depreciation and balance at March 31, 2001 and 2000:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Acquisition Costs	**¥127,827**	¥120,392	**$1,031**
Accumulated Depreciation	**66,244**	62,948	**534**
Balance at the End of the Year	**¥ 61,583**	¥ 57,443	**$ 497**

	Millions of yen	Millions of U.S. dollars
Future Minimum Lease Receipts at March 31, 2001:		
Within 1 year	¥21,121	$170
After 1 year	43,659	352
Total	¥64,781	$522

Lease fees received, depreciation cost and estimated interest income during the years ended March 31, 2001 and 2000:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Lease Fees Received	**¥25,289**	¥24,704	**$204**
Depreciation	**22,295**	21,647	**179**
Interest Income	**2,741**	2,892	**22**

Basis of calculation of estimated interest income:
Estimated interest income is calculated based on the difference between the total lease receipts and the estimated acquisition costs, which are allocated over the lease period by the interest method.

(2) Operating Lease Transactions
(Lessee Side)

	Millions of yen	Millions of U.S. dollars
Future Minimum Lease Payments at March 31, 2001:		
Within 1 year	¥ 4	$0
After 1 year	9	0
Total	¥13	$0

Note 28. Scope of Cash and Cash Equivalents
"Cash and Cash Equivalents" in the Consolidated Statements of Cash Flows consist of cash on hand and deposits with the Bank of Japan, both of which are included in "Cash and Due from Banks" stated in the Consolidated Balance Sheets. The relationship between the term-end balance of "Cash and Cash Equivalents" in the Consolidated Statements of Cash Flows and items in the Consolidated Balance Sheets is shown below:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Cash and Due from Banks	**¥554,798**	¥783,376	**$4,477**
Time Deposits Held at Other Banks	**(188,988)**	(240,396)	**(1,525)**
Other Deposits Held at Other Banks	**(14,270)**	(73,004)	**(115)**
Cash and Cash Equivalents	**¥351,539**	¥469,975	**$2,837**

During the year ended March 31, 2001, two subsidiaries were excluded from consolidation because the Parent Company sold the stocks of these subsidiaries. Also, for the same reason, four subsidiaries were excluded from consolidation during the fiscal year ended March 31, 2000. Principal assets and liabilities of these subsidiaries and the relationship between net proceeds from sales of the subsidiaries' stocks and the amounts for which their stocks were sold are shown below:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Cash and Due from Banks	**¥ 901**	¥ 3,147	**$ 7**
Securities	**2,569**	3,552	**20**
Loans and Bills Discounted	**5,711**	—	**46**
Premises and Equipment	**7,668**	21,295	**61**
Borrowed Money	**(14,530)**	(24,992)	**(117)**
Other Assets and Liabilities—Net	**(979)**	184	**(7)**
Minority Interests	**(828)**	(293)	**(6)**
Others	**(12)**	(66)	**(0)**
Subtotal	**500**	2,827	**4**
Net (Loss) Gain on Sales of Subsidiaries' Stocks	**(148)**	4,661	**(1)**
Amount for Which Subsidiaries' Stocks Were Sold	**352**	7,489	**2**
Cash and Cash Equivalents of Subsidiaries	**(1)**	(0)	**(0)**
Net Proceeds from Sales of Subsidiaries' Stocks	**¥ 350**	¥ 7,488	**$ 2**

The Parent Company acquired the operations of the Namihaya Bank, Limited.

The increase of assets and liabilities related to the acquisition of Namihaya Bank as of March 31, 2001 is summarized as follows:

	Millions of yen	Millions of U.S. dollars
Major Assets		
Loans and Bills Discounted	¥ 71,397	$ 576
Major Liabilities		
Deposits	141,044	1,138
Other Liabilities	65,844	531

Note 29. Market Values of Securities

(Fiscal Year Ended March 31, 2001)

Market values of securities and other related information are provided as follows. Other than "Securities" stated on the Consolidated Balance Sheet, trading securities and commercial paper in the trading account and NCDs included in "Cash and Due from Banks" are also covered in the market value information provided below.

(1) Trading securities

	Millions of yen
Book Value	¥111,667
Revaluation Gains Credited to Income	127

(2) Marketable bonds being held to maturity

	Millions of yen				
	Book Value	Market Value	Unrealized Gain	Gain	Loss
National Gov. Bonds	¥141	¥143	¥2	¥2	¥—
Total	¥141	¥143	¥2	¥2	¥—

(3) Non-trading marketable securities available for sale

The application of mark-to-market accounting to marketable securities was postponed to the year ending March 31, 2002 as allowed under the new accounting standard for financial instruments adopted by the Parent Company and its consolidated subsidiaries effective April 1, 2000. Book value of non-trading marketable securities available for sale and other related information are provided as follows in accordance with the Supplementary Regulation 3 to the Ministry of Finance Ordinance No. 9.

	Millions of yen				
	Book Value	Market Value	Unrealized Gain (Loss)	Gain	Loss
Stocks	¥1,265,952	¥1,149,798	¥(116,153)	¥66,847	¥183,000
Bonds	1,633,133	1,648,240	15,107	16,089	982
National Gov. Bonds	1,418,031	1,428,316	10,285	11,157	872
Local Gov. Bonds	46,865	47,894	1,028	1,028	—
Corporate Bonds	168,235	172,029	3,793	3,903	109
Others	33,597	31,134	(2,462)	2,687	5,150
Total	¥2,932,682	¥2,829,174	¥(103,508)	¥85,624	¥189,132

(4) Amount of non-trading securities available for sale sold during the year ended March 31, 2001

Millions of yen		
Amount Sold	Gain on Sale	Loss on Sale
¥7,800,545	¥61,636	¥12,586

(5) Major items comprising non-marketable securities

	Millions of yen
	2001
	Book Value
Bonds Being Held to Maturity:	
NCDs	¥ 4,017
Non-Trading Securities Available for Sale:	
Unlisted Stocks (excluding over-the-counter stocks)	¥41,631
Unlisted Foreign Stocks	800
Unlisted Industrial Bonds	1,469

(6) Non-trading securities available for sale with maturity and bonds being held to maturity

	Millions of yen			
	2001			
	Amount to Be Redeemed			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds:				
National Gov. Bonds	¥360,260	¥746,670	¥311,241	¥ —
Local Gov. Bonds	172	43,122	3,570	—
Corporate Bonds	21,646	110,654	37,429	—
Others	6,161	7,381	6,819	1,721
Total	¥388,240	¥907,829	¥359,061	¥1,721

(7) Money held in trust

	Millions of yen
Money Held in Trust for Fund Management Purposes:	
Book Value	¥34,691
Revaluation Gain Credited to Income	125

Other than the above, non-marketable money held in trust worth ¥28 million as of March 31, 2001 was carried at cost.

(8) Net valuation difference on non-trading securities available for sale, net of taxes

If the mark-to-market valuation method had been applied to non-trading securities available for sale, net valuation difference on these securities, net of taxes, would have been as follows:

	Millions of yen
	2001
Non-Trading Securities Available for Sale:	
Book Value	¥2,932,682
Market Value	2,829,174
Net Valuation Difference on Non-Trading Securities Available for Sale	(103,508)
[+] Amount Equivalent to Deferred Tax Assets	39,088
Net Valuation Difference on Non-Trading Securities Available for Sale, Net of Taxes (before adjustment for minority interests)	(64,420)
Net Valuation Difference on Non-Trading Securities Available for Sale, Net of Taxes	(64,063)

(9) Marketable stock of a subsidiary and an affiliate at year-end

	Millions of yen		
	2001		
	Book Value	Market Value	Unrealized Loss
Stock of a Subsidiary	¥ 81,635	¥39,169	¥(42,465)
Stock of an Affiliate	47,790	42,824	(4,966)
Total	¥129,425	¥81,994	¥(47,431)

(Fiscal Year Ended March 31, 2000)

(1) Market prices of securities

	Millions of yen				
	Book Value	Market Value	Net Unrealized Gain (Loss)	Gain	Loss
Securities					
Bonds	¥ 239,298	¥ 232,259	¥ (7,039)	¥ 682	¥ 7,721
Stocks	1,321,432	1,426,293	104,860	256,213	151,352
Others	40,644	45,631	4,986	7,660	2,673
Total	¥1,601,376	¥1,704,184	¥102,808	¥264,555	¥161,747

Notes: 1. Securities mentioned above cover only listed securities. Bonds include Japanese national government bonds, Japanese local government bonds and Japanese corporate bonds. Market prices of listed bonds are principally determined by the closing prices on the Tokyo Stock Exchange or prices calculated using the indicated yield announced by the Japan Securities Dealers Association. Market prices of securities other than those referred to above are principally based on the closing prices on the Tokyo Stock Exchange.

2. The table below covers unlisted securities for which it is possible to estimate a market value.

	Millions of yen				
	Book Value	Market Value	Net Revaluation Gain (Loss)	Gain	Loss
Securities					
Bonds	¥549,980	¥547,079	¥ (2,901)	¥ 1,741	¥4,643
Stocks	28,539	41,457	12,918	14,843	1,925
Others	27,622	28,412	790	806	15
Total	¥606,142	¥616,949	¥10,807	¥17,391	¥6,584

The market value of unlisted securities is determined as follows: Transaction prices announced by the Japan Securities Dealers Association in the case of securities traded over the counter, prices calculated using the indicated yield announced by the Japan Securities Dealers Association in the case of publicly offered bonds and market prices announced by the authorized fund management companies in the case of securities investment trusts.

3. Book value of securities not included in the market value information provided as just mentioned were primarily as follows:

	Millions of yen
Securities	
Bonds	¥184,475
Stocks	49,158
Others	22,786

4. The market value of securities related to trading transactions, included in trading assets, are revalued at market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statements of Operations. Therefore, such revaluation gains and losses are not reported here.

(2) Market prices of money held in trust

	Millions of yen				
	Book Value	Market Value	Net Revaluation Gain	Gain	Loss
Money Held in Trust	¥194,076	¥198,702	¥4,626	¥5,750	¥1,124

Note: The market value of Money Held in Trust is based on the prices rationally estimated by trustees based on the following methods:
1. The market prices of listed securities are principally determined by using the closing prices on the Tokyo Stock Exchange or prices calculated using the indicated yield announced by the Japan Securities Dealers Association in the case of public bonds.
2. Transaction prices are announced by the Japan Securities Dealers Association in the case of securities traded over the counter.

Note 30. Contract Values, Market Values and Valuation Gains or Losses of Derivatives Transactions

(Fiscal Year Ended March 31, 2001)

(1) Interest-Rate-Related Transactions

	Millions of yen			
	Contract Value			
		After 1 Year	Market Value	Revaluation Gain (Loss)
Listed on Exchange				
Interest Rate Futures:				
Sell	¥ 3,113	¥ —	¥ (22)	¥ (22)
Buy	19,814	1,636	22	22
Over-the-Counter				
Interest Rate Swaps:				
Receive Fix/Pay Float	1,010,060	650,744	27,742	27,742
Receive Float/Pay Fix	1,143,527	639,058	(23,164)	(23,164)
Receive Float/Pay Float	146,029	119,888	384	384
Cap:				
Sell	249,674	188,528	393	4,770
Buy	186,133	133,188	379	(3,783)
Floor:				
Sell	10,000	10,000	466	(339)
Buy	14,372	14,372	616	403
Swaption:				
Sell	3,000	—	2	32
Buy	—	—	—	—
Total	/	/	¥ 5,096	¥ 6,045

Notes: 1. Derivatives transactions shown above are revalued at their market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statement of Operations. Derivatives transactions to which hedge accounting was applied are not covered in the above table.
2. Market values of transactions listed on exchanges are based on the closing prices quoted on the Tokyo International Financial Futures Exchange and others. Market values of over-the-counter transactions are calculated based on such methods as discounted present value or option-pricing models.

(2) Currency-Related Transactions

	Millions of yen			
	Contract Value			
		After 1 Year	Market Value	Revaluation Loss
Over-the-Counter				
Currency Swaps	¥197,949	¥166,356	¥(2,289)	¥2,289

Notes: 1. Derivatives transactions shown above are revalued at their market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statement of Operations. Derivatives transactions shown in the following note 2 are not included in the above table. There were no transactions to which hedge accounting was applied.

2. Currency swap transactions for which net receipts from or payments to counterparties are recognized as income or expenses for the period in accordance with the guideline prepared by the Japanese Institute of Certified Public Accountants are not covered in the above table. Currency swap transactions whose net receipts or payments are reflected in the Consolidated Statement of Operations were as follows:

	Millions of yen		
	Contract Value	Market Value	Revaluation Loss
Currency Swaps	¥42,200	¥(1,609)	¥1,609

Forward foreign exchange transactions, currency options transactions and other currency-related derivatives transactions, 1) which are revalued at each fiscal year-end with gains and losses from such revaluation being reflected in the Consolidated Statement of Operations, 2) whose underlying foreign-currency-denominated monetary claims or liabilities are stated in the Consolidated Balance Sheet and 3) whose underlying foreign-currency-denominated monetary claims or liabilities are canceled out in the consolidation process, are not reported in the above table.

Contract values of currency related derivatives transactions revalued at March 31, 2001, were as follows:

	Millions of yen
	2001
	Contract Value
Over-the-Counter	
Forward Foreign Exchange:	
Sell	¥296,461
Buy	286,970
Currency Options:	
Sell	¥580,972
Buy	621,723

There were no transactions listed on exchange at March 31, 2001.

(3) Stock-Related Transactions

	Millions of yen			
	Contract Value			
		After 1 Year	Market Value	Revaluation Loss
Listed on Exchange				
Stock Index Futures:				
Sell	¥126	¥—	¥ (3)	¥3
Buy	—	—	—	—
Total	/	/	¥ (3)	¥3

Notes: 1. There were no over-the-counter transactions at March 31, 2001.
2. Derivatives transactions shown above are revalued at their market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statement of Operations. There were no derivatives transactions to which hedge accounting was applied.
3. Market values are based on the closing prices quoted on the Tokyo Stock Exchange and others.

(4) Bond-Related Transactions

	Millions of yen			
	Contract Value			
		After 1 Year	Market Value	Revaluation Gain (Loss)
Listed on Exchange				
Bond Futures:				
Sell	¥8,486	¥—	¥6	¥6
Buy	1,392	—	(2)	(2)
Total	/	/	¥4	¥4

Notes: 1. There were no over-the-counter transactions at March 31, 2001.
2. Derivatives transactions shown above are revalued at their market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statement of Operations. There were no derivatives transactions to which hedge accounting was applied.
3. Market values are based on the closing prices quoted on the Tokyo Stock Exchange and others.

(5) Commodity-Related Transactions

There was no outstanding position at March 31, 2001.

(6) Credit Derivatives Transactions

There was no outstanding position at March 31, 2001.

(Fiscal Year Ended March 31, 2000)

(1) Interest-Rate-Related Transactions

	Millions of yen			
	Contract Value			
		After 1 Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter				
Interest Rate Swaps:				
Receive Fix/ Pay Float	¥131,620	¥ 86,120	¥ 9,069	¥ 9,069
Receive Float/ Pay Fix	553,717	394,234	(13,248)	(13,248)
Receive Float/ Pay Float	34,342	32,902	(31)	(31)
Cap:				
Sell	25,337	23,368		
	[146]		70	76
Buy	35,312	18,105		
	[423]		153	(270)
Total	/	/	/	¥ (4,404)

Notes: 1. Estimation of Market Value: For transactions traded over the counter, market values are calculated based on such methods as discounted present value or option pricing models.
2. Figures in brackets indicate the option premiums recorded in the Consolidated Balance Sheet.
3. There were no transactions traded on exchanges and no forward rate agreements and interest rate options traded over the counter at March 31, 2000.
4. The market value of trading account derivative transactions are revalued at market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statement of Operations. Therefore, such revaluation gains and losses are not reported here. Contract values of trading account derivatives transactions were as follows:

	Millions of yen	
	Contract Value	Market Value
Listed on Exchange		
Interest Rate Futures:		
Sell	¥ 5,912	¥ 5,909
Buy	1,517	1,515
Over-the-Counter		
Interest Rate Swaps:		
Receive Fix/Pay Float	1,165,220	28,790
Receive Float/Pay Fix	1,260,662	(24,260)
Receive Float/Pay Float	125,930	(181)
Cap:		
Sell	282,666	
	[6,344]	1,366
Buy	233,737	
	[5,264]	1,257
Floor:		
Sell	—	
	[—]	—
Buy	3,089	
	[62]	71
Swaption:		
Sell	8,300	
	[58]	33
Buy	—	
	[—]	—

Notes: 1. Figures in brackets indicate the initial option premiums recorded for contract value.
2. There were no interest rate option transactions traded on exchange or over the counter and no forward rate agreements traded over the counter at March 31, 2000.

(2) Currency-Related Transactions

	Millions of yen			
	Contract Value			
		Over 1 Year	Market Value	Unrealized Loss
Over-the-Counter				
Currency Swaps	¥134,181	¥12,500	¥(1,613)	¥1,613
U.S. Dollar	95,377	12,500	(1,555)	1,555
H.K. Dollar	38,804	—	(57)	57

Notes: 1. Market values of transactions are calculated using such methods as discounted present value.
2. The market value of trading account derivatives transactions are revalued at market prices, and the gains and losses from such revaluation are recorded in the Consolidated Statement of Operations. Therefore, such revaluation gains and losses are not reported here. Contract values of trading account derivatives transactions were as follows:

	Millions of yen	
	Contract Value	Market Value
Over-the-Counter		
Currency Swaps	¥75,618	¥ 136
U.S. Dollar	66,215	(218)
Deutsche Mark	713	108
Swiss Franc	8,156	246
Thai Baht	533	0
Forward Foreign Exchange Contract:		
Sell	26	26
Buy	—	—

3. Forward foreign exchange transactions, currency options transactions and other currency-related derivatives transactions, 1) which are revalued at each fiscal year-end with the gains and losses from such revaluation being reflected in the Consolidated Statement of Operations, 2) whose underlying foreign-currency-denominated monetary claims or liabilities are stated in the Consolidated Balance Sheet and 3) whose underlying foreign-currency-denominated monetary claims or liabilities are canceled out in the consolidation process, are not reported in the above table.
Contract values of currency-related derivatives transactions revalued at each fiscal year-end were as follows:

		Millions of yen
		Contract Value
Over-the-Counter		
Forward Foreign Exchange:		
Sell		¥595,499
Buy		610,647
Currency Options:		
Sell	Call	407,835
		[3,363]
	Put	400,643
		[6,807]
Buy	Call	407,449
		[4,185]
	Put	422,739
		[10,770]

Notes: 1. Figures in brackets indicate option premiums recorded in the Consolidated Balance Sheet.
2. There was no outstanding position traded on exchanges at March 31, 2000.

(3) Stock-Related Transactions

There was no outstanding position at March 31, 2000.

Trading account derivatives transactions are revalued at their market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statement of Operations.

Contract values of trading account derivatives transactions were as follows:

		Millions of yen	
		Contract Value	Market Value
Listed on Exchange			
Stock Index Futures:			
Sell		¥519	¥510
Buy		—	—
Stock Index Options:			
Sell	Call	205	
		[3]	2
	Put	—	
		[—]	—
Buy	Call	—	
		[—]	—
	Put	400	
		[2]	3

Note: There was no outstanding position traded over the counter at March 31, 2000.

(4) Bond-Related Transactions

There was no outstanding position at March 31, 2000.

Trading account derivatives transactions are revalued at their market prices, and the gains and losses from such revaluation are reflected in the Consolidated Statement of Operations.

Contract values of trading account derivatives transactions were as follows:

		Millions of yen	
		Contract Value	Market Value
Listed on Exchange			
Futures of Bonds:			
Sell		¥19,896	¥19,942
Buy		18,721	18,762
Options of Bond Futures:			
Sell	Call	—	
		[—]	—
	Put	—	
		[—]	—
Buy	Call	—	
		[—]	—
	Put	1,270	
		[2]	1

Notes: 1. Figures in brackets indicate initial option premiums for contracted values.
2. There was no outstanding position traded over the counter at March 31, 2000.

(5) Commodity-Related Transactions

There was no outstanding position at March 31, 2000.

(6) Credit Derivatives Transactions

There was no outstanding position at March 31, 2000.

Note 31. Segment Information

(1) Segment Information by Type of Business

(Fiscal year ended March 31, 2001)

	Millions of yen						
	Banking and Trust Banking	Securities	Other Financial Services	Others	Total	Elimination and General Corporate Assets	Consolidated
I. Operating Income and Ordinary (Loss) Profit							
Operating Income							
(1) Operating Income from Customers	¥ 440,044	¥ 23,288	¥ 52,397	¥ 16,110	¥ 531,840	¥ —	¥ 531,840
(2) Intersegment Operating Income	7,075	129	13,512	405	21,122	[21,122]	—
Total	447,120	23,417	65,909	16,516	552,963	[21,122]	531,840
Operating Expenses	460,499	19,721	91,440	17,420	589,081	[43,433]	545,648
Ordinary (Loss) Profit	¥ (13,379)	¥ 3,696	¥ (25,530)	¥ (904)	¥ (36,118)	¥ [(22,310)]	¥ (13,807)
II. Assets, Depreciation and Capital Expenditure							
Assets	¥15,511,119	¥167,745	¥2,050,215	¥190,330	¥17,919,410	¥[2,397,249]	¥15,522,161
Depreciation	6,809	199	24,009	2,147	33,166	—	33,166
Capital Expenditure	7,220	1,432	28,034	13,638	50,325	—	50,325

	Millions of U.S. dollars						
	Banking and Trust Banking	Securities	Other Financial Services	Others	Total	Elimination and General Corporate Assets	Consolidated
I. Operating Income and Ordinary (Loss) Profit							
Operating Income							
(1) Operating Income from Customers	$ 3,551	$ 187	$ 422	$ 130	$ 4,292	$ —	$ 4,292
(2) Intersegment Operating Income	57	1	109	3	170	[170]	—
Total	3,608	188	531	133	4,462	[170]	4,292
Operating Expenses	3,716	159	738	140	4,754	[350]	4,403
Ordinary (Loss) Profit	$ (107)	$ 29	$ (206)	$ (7)	$ (291)	$ [(180)]	$ (111)
II. Assets, Depreciation and Capital Expenditure							
Assets	$125,190	$1,353	$16,547	$1,536	$144,628	$[19,348]	$125,279
Depreciation	54	1	193	17	267	—	267
Capital Expenditure	58	11	226	110	406	—	406

(Fiscal year ended March 31, 2000)

	Millions of yen						
	Banking and Trust Banking	Securities	Other Financial Services	Others	Total	Elimination and General Corporate Assets	Consolidated
I. Operating Income and Ordinary Profit (Loss)							
Operating Income							
(1) Operating Income from Customers	¥ 671,207	¥ 41,811	¥ 51,897	¥ 14,572	¥ 779,488	¥ —	¥ 779,488
(2) Intersegment Operating Income	4,118	269	16,174	1,234	21,797	[21,797]	—
Total	675,326	42,080	68,072	15,807	801,286	[21,797]	779,488
Operating Expenses	644,024	21,745	83,254	31,120	780,145	[63,235]	716,909
Ordinary Profit (Loss)	¥ 31,302	¥ 20,334	¥ (15,182)	¥ (15,313)	¥ 21,140	¥ [(41,437)]	¥ 62,578
II. Assets, Depreciation and Capital Expenditure							
Assets	¥15,314,816	¥245,969	¥2,085,406	¥211,801	¥17,857,994	¥[2,503,169]	¥15,354,825
Depreciation	7,401	174	24,082	2,206	33,866	—	33,866
Capital Expenditure	5,573	789	20,742	52,171	79,276	—	79,276

Notes: 1. Yen amounts are rounded down to the nearest million yen.
2. Operating Income represents Total Income stated in the Consolidated Statements of Operations, less such extraordinary items as gains on sales of premises and equipment, recoveries of written-off claims and others.
3. Businesses are classified by the nature of principal businesses of the consolidated subsidiaries. "Others" represent insurance agency business, real estate property leasing business, etc.
4. Operating Income and Ordinary Profit are shown in lieu of Sales and Operating Profit, which would be reported in the cases of non-financial services companies.
5. Capital Expenditure includes the investments related to computer systems and other related equipment.

6. As specified previously in the Notes to the Consolidated Financial Statements, the new accounting method for retirement benefits was introduced effective from the fiscal year ended March 31, 2001. Ordinary Losses of the "Banking and Trust Banking" and "Securities" segments were reduced by ¥1,370 million ($11 million) and ¥421 million ($3 million), respectively, compared to the results computed based on the former accounting method. Ordinary Losses of the "Other Financial Services" and "Others" segments were increased by ¥88 million ($0 million) and ¥10 million ($0 million), respectively, owing to the change in the accounting treatment.
7. As specified previously in the Notes to the Consolidated Financial Statements, the new accounting method for financial instruments was applied effective from the fiscal year ended March 31, 2001. Due to the change in the accounting method, Ordinary Losses of the "Banking and Trust Banking," "Other Financial Services" and "Others" segments increased by ¥3,026 million ($24 million), ¥840 million ($6 million) and ¥49 million ($0 million), respectively. The "Securities" segment was unaffected by the change in accounting method.
8. As specified previously in the Notes to the Consolidated Financial Statements, the enterprise tax levied by the Tokyo Metropolitan Government was treated as operating expenses, effective from the fiscal year ended March 31, 2001. (It used to be treated as one component of income taxes.) Operating Expenses of the "Banking and Trust Banking" segment include ¥1,901 million ($15 million) of such enterprise tax.

(2) Segment Information by Location

As the operating income and employed assets of the "Japan" segment exceeded 90% of other segments combined, segment information by location for the years ended March 31, 2001 and 2000 is not shown here.

(3) International Operating Income

As international operating income was less than 10% of the total, international operating income for the years ended March 31, 2001 and 2000 is not shown here.

Note 32. Primary Net (Loss) Income per Share

Primary net (loss) income per share calculations represent net (loss) income, less dividends on preferred stock, divided by the weighted average number of outstanding shares of common stock during the year.

Note 33. Fully Diluted Net Income per Share

No recognition has been given to fully diluted net income per share for the year ended March 31, 2001, owing to the net loss posted for the year.

Note 34. Subsequent Events

Refer to Note 6 to Non-Consolidated Financial Statements.

Century Ota Showa & Co.

Certified Public Accountants

OSAKA OFFICE
OSAKA KOKUSAI BLDG.
2-3-13 AZUCHIMACHI,
CHUO-KU, OSAKA 〒541-0052
JAPAN
TEL 06-6264-1341
FAX 06-6264-5090

The Board of Directors and Shareholders
The Daiwa Bank, Limited

We have audited the consolidated balance sheets of The Daiwa Bank, Limited and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, retained earnings-deficit and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of The Daiwa Bank, Limited and consolidated subsidiaries at March 31, 2001 and 2000, 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 consistently applied during the period.

As described in Note 5 to the consolidated financial statements, The Daiwa Bank, Limited and consolidated subsidiaries have adopted new accounting standards for financial instruments and employees' retirement benefits effective April 1, 2000 and for consolidation effective April 1, 1999, and consolidated subsidiaries have adopted new accounting standards for foreign currency translation effective April 1, 2000 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Century Ota Showa & Co.

Osaka, Japan
June 28, 2001

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

NON-CONSOLIDATED BALANCE SHEETS

The Daiwa Bank, Limited March 31, 2001 and 2000

Banking Account

Assets	Millions of yen 2001	Millions of yen 2000	Millions of U.S. dollars (Note 1) 2001
Cash and Due from Banks	¥ 524,060	¥ 762,293	$ 4,229
Call Loans and Bills Bought	303,868	216,332	2,452
Monetary Claims Bought	20	20	0
Trading Assets	128,704	149,008	1,038
Money Held in Trust	34,585	191,229	279
Securities	3,142,138	2,535,038	25,360
Loans and Bills Discounted	10,205,796	9,979,683	82,371
Foreign Exchanges	70,134	89,027	566
Other Assets	260,371	511,956	2,101
Premises and Equipment	147,290	146,366	1,188
Deferred Taxes	178,422	190,041	1,440
Customers' Liabilities for Acceptances and Guarantees	735,977	737,958	5,940
Reserve for Possible Loan Losses	(212,774)	(188,801)	(1,717)
Reserve for Possible Losses on Securities	—	(943)	—
Total Assets	**¥15,518,596**	¥15,319,209	**$125,250**

Liabilities and Stockholders' Equity	Millions of yen 2001	Millions of yen 2000	Millions of U.S. dollars (Note 1) 2001
Deposits	¥11,972,403	¥11,584,626	$ 96,629
Call Money and Bills Sold	343,535	139,803	2,772
Commercial Paper	—	10,000	—
Trading Liabilities	28,125	43,009	226
Borrowed Money	428,217	451,424	3,456
Foreign Exchanges	9,053	16,092	73
Corporate Bonds	51,800	28,800	418
Due to Trust Account	452,941	776,478	3,655
Other Liabilities	506,144	476,058	4,085
Accrued Retirement Benefits	16,001	/	129
Reserve for Retirement Allowances	/	15,573	/
Reserve for Possible Losses Related to Loans Sold	23,149	37,033	186
Reserve for the Specific Borrowers under Support	24,662	55,096	199
Other Reserves	1	2	0
Acceptances and Guarantees	735,977	737,958	5,940
Total Liabilities	**14,592,012**	14,371,959	**117,772**
Capital:	465,158	465,158	3,754
Common Stock	255,673	254,718	2,063
Preferred Stock	209,485	210,440	1,690
Capital Surplus	405,419	405,419	3,272
Legal Reserve	47,394	45,239	382
Retained Earnings	8,611	31,433	69
Total Stockholders' Equity	926,584	947,250	7,478
Total Liabilities and Stockholders' Equity	**¥15,518,596**	¥15,319,209	**$125,250**

See accompanying Notes to Non-Consolidated Financial Statements.

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

The Daiwa Bank, Limited Years ended March 31, 2001 and 2000

Banking Account

	Millions of yen		Millions of U.S. dollars (Note 1)
	2001	2000	**2001**
Income			
Interest Income	**¥250,088**	¥255,908	**$2,018**
Interest on Loans and Discounts	**205,203**	202,751	**1,656**
Interest and Dividends on Securities	**32,415**	34,933	**261**
Other Interest Income	**12,469**	18,222	**100**
Trust Fees	**54,833**	55,378	**442**
Fees and Commissions	**44,518**	41,985	**359**
Trading Income	**1,047**	2,745	**8**
Other Operating Income	**23,466**	17,769	**189**
Other Income	**72,038**	301,548	**581**
Total Income	**445,993**	675,335	**3,599**
Expenses			
Interest Expenses	**76,492**	94,359	**617**
Interest on Deposits	**48,643**	46,783	**392**
Interest on Borrowings and Rediscounts	**14,018**	18,825	**113**
Other Interest Expenses	**13,830**	28,750	**111**
Fees and Commissions	**15,863**	12,788	**128**
Trading Expenses	**5**	/	**0**
Other Operating Expenses	**5,331**	10,946	**43**
General and Administrative Expenses	**167,596**	170,438	**1,352**
Other Expenses	**176,353**	344,573	**1,423**
Total Expenses	**441,641**	633,105	**3,564**
Income before Income Taxes	**4,351**	42,229	**35**
Income Taxes—Current	**3,721**	2,942	**30**
Income Taxes—Deferred	**11,619**	21,148	**93**
Net (Loss) Income	**¥ (10,989)**	¥ 18,139	**$ (88)**

	Yen		U.S. dollars (Note 1)
Per Share			
Primary Net (Loss) Income (Note 3)	**¥(7.60)**	¥6.68	**$(0.06)**
Fully Diluted Net Income (Note 4)	**—**	4.27	**—**

NON-CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

The Daiwa Bank, Limited Years ended March 31, 2001 and 2000

Banking Account

	Millions of yen		Millions of U.S. dollars (Note 1)
	2001	2000	**2001**
Balance at the Beginning of the Year	**¥31,433**	¥24,214	**$253**
Additions:			
Increase in Retained Earnings Resulting from Merger of a Subsidiary	**1,090**	/	**8**
Deductions:			
Transfer to Legal Reserve	**2,155**	1,821	**17**
Dividends	**10,767**	9,099	**86**
Net (Loss) Income	**(10,989)**	18,139	**(88)**
Balance at the End of the Year	**¥ 8,611**	¥31,433	**$ 69**

See accompanying Notes to Non-Consolidated Financial Statements.

Note 1. Basis of Preparation
The Daiwa Bank, Limited (the "Bank"), maintains its books of accounts in conformity with the financial accounting standards of Japan. The accompanying non-consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of the reader. The exchange rate of ¥123.90 to U.S $1.00, the rate prevailing at March 30, 2001 has been used. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

Yen amounts are reported in millions of yen, unless otherwise specified, and are rounded down to the nearest million yen. Accordingly, certain subtotals and totals may not represent the sums of figures presented.

Note 2. Significant Accounting Policies
Refer to Notes to Consolidated Financial Statements.

Note 3. Primary Net (Loss) Income per Share
Primary net (loss) income per share is computed by subtracting the total amount of cash dividends paid on preferred stock from net (loss) income and then dividing the remainder by the average number of common stock shares outstanding during the fiscal year.

Note 4. Fully Diluted Net Income per Share
No recognition has been given to fully diluted net income per share for the year ended March 31, 2001, owing to the net loss posted for the year.

Note 5. Dividends
Dividends are generally paid semiannually. Interim and year-end dividends are authorized subsequent to each period-end to which they are related and are reflected in the Non-Consolidated Statements of Retained Earnings when duly declared and authorized.

Note 6. Subsequent Events
At the general stockholders' meeting of the Bank held on June 28, 2001, year-end dividends for the year ended March 31, 2001, Type A preferred stock of ¥12.375 per share and Type B preferred stock of ¥3.18 per share were approved. In accordance with Japanese accounting practices, the dividends were not accrued in the non-consolidated financial statements for the year ended March 31, 2001.

The following appropriations of retained earnings were approved at the general stockholders' meeting.

	Millions of yen	Millions of U.S. dollars
Unappropriated Retained Earnings (Deficit) at the End of the Year	¥ (7,260)	$ (58)
Reversal from Voluntary Reserve	15,870	128
Total	15,870	69
Profit Appropriations Total	2,758	22
Transfer to Legal Reserve*	460	3
Dividends on Type A Preferred Stock	135	1
Dividends on Type B Preferred Stock	2,162	17
Dividends on Common Stock	—	—
Transfer to Voluntary Reserve	0	0
Retained Earnings Carried Forward to the Next Year	¥ 5,851	$ 47

* Under the Banking Law of Japan, an amount equivalent to not less than 20% of cash dividends and other cash appropriations of retained earnings must be appropriated to a legal reserve until such reserve equals 100% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to the common stock account.

Century Ota Showa & Co.

Certified Public Accountants

OSAKA OFFICE
OSAKA KOKUSAI BLDG.
2-3-13 AZUCHIMACHI,
CHUO-KU, OSAKA 〒541-0052
JAPAN
TEL 06-6264-1341
FAX 06-6264-5090

The Board of Directors and Shareholders
The Daiwa Bank, Limited

We have audited the non-consolidated balance sheets of The Daiwa Bank, Limited as of March 31, 2001 and 2000, and the related non-consolidated statements of operations and retained earnings for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the non-consolidated financial position of The Daiwa Bank, Limited at March 31, 2001 and 2000, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period.

As described in Note 2 to the non-consolidated financial statements, The Daiwa Bank, Limited has adopted new accounting standards for financial instruments and employees' retirement benefits effective April 1, 2000 in the preparation of its non-consolidated financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

Century Ota Showa & Co.

Osaka, Japan
June 28, 2001

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

Statements of Trust Assets and Liabilities

	Millions of yen		Millions of U.S. dollars
Assets	**2001**	2000	**2001**
Loans and Bills Discounted	**¥ 560,196**	¥ 755,099	**$ 4,521**
Securities	**1,305,361**	12,265,101	**10,535**
Securities Held for Investment Trusts	**4,347,292**	3,692,922	**35,087**
Foreign Investments Held for Investment Trusts	**461,562**	354,207	**3,725**
Beneficiary Rights	**12,777,902**	26,045	**103,130**
Securities in Custody Accounts	**1,262**	82,297	**10**
Securities Loaned	**968**	257,780	**7**
Monetary Claims	**821,335**	260,002	**6,629**
Premises and Equipment	**201,139**	220,360	**1,623**
Land Lease Rights	**748**	748	**6**
Other Claims	**318,793**	51,163	**2,572**
Bills Bought	**—**	41,600	**—**
Call Loans	**958,110**	1,063,763	**7,732**
Due from Banking Account	**452,941**	776,478	**3,655**
Cash and Due from Banks	**79,780**	614,400	**643**
Total Assets	**¥22,287,395**	¥20,461,970	**$179,882**

	Millions of yen		Millions of U.S. dollars
Liabilities	**2001**	2000	**2001**
Money Trusts	**¥ 7,897,183**	¥ 7,596,851	**$ 63,738**
Pension Trusts	**6,359,275**	6,111,769	**51,325**
Asset Formation Benefit Trusts	**3,107**	3,559	**25**
Securities Investment Trusts	**6,876,379**	5,693,647	**55,499**
Pecuniary Trusts Other Than Money Trusts	**295,857**	423,542	**2,387**
Securities Trusts	**399,983**	354,885	**3,228**
Money Claims Trusts	**49,327**	48,709	**398**
Land and Fixtures Trusts	**189,373**	189,586	**1,528**
Land Lease Trusts	**4,929**	4,932	**39**
Composite Trusts	**211,979**	34,486	**1,710**
Total Liabilities	**¥22,287,395**	¥20,461,970	**$179,882**

See accompanying Notes to Statements of Trust Assets and Liabilities.

Notes to Statements of Trust Assets and Liabilities

Note 1. Basis of Presentation

These statements are prepared in accordance with the Trust Business Law of Japan and in conformity with generally accepted accounting principles of the trust and banking industry in Japan.

The Trust Account is treated separately from the Banking Account in accordance with the Japanese Trust Business Law, which requires the trustee to administer the trust accounts separately from other accounts.

Amounts in U.S. dollars are included solely for the convenience of the reader. The exchange rate of ¥123.90 to U.S. $1.00, the rate prevailing at March 30, 2001, has been used. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

Note 2. Jointly Operated Designated Money in Trust

A certain portion of trust accounts is invested in Jointly Operated Designated Money in Trust and the principal is guaranteed by the Bank, and, as the accompanying table indicates, a reserve for possible loan losses is set aside. As of March 31, 2001 and 2000, the assets and liabilities of the Jointly Operated Designated Money in Trust comprised:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Assets			
Loans and Bills Discounted	**¥525,513**	¥ 628,554	**$4,241**
Securities	**206,926**	269,559	**1,670**
Others	**266,815**	531,691	**2,153**
Total	**¥999,255**	¥1,429,805	**$8,065**

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Liabilities			
Principal	**¥996,785**	¥1,426,508	**$8,045**
Reserve for Possible Loan Losses	**1,614**	1,900	**13**
Others	**856**	1,397	**6**
Total	**¥999,255**	¥1,429,805	**$8,065**

As of March 31, 2001 and 2000, Loans and Bills Discounted in Jointly Operated Designated Money in Trust included Risk-Monitored Loans as specified below:

	Millions of yen		Millions of U.S. dollars
	2001	2000	**2001**
Non-Accrual Loans to Borrowers under Bankruptcy Proceedings	**¥ 1,679**	¥ 2,691	**$ 13**
Non-Accrual Past Due Loans	**11,672**	12,381	**94**
Loans Past Due for Three Months or More	**1,759**	2,399	**14**
Loans with Altered Lending Conditions	**3,095**	11,091	**24**
Risk-Monitored Loans Total	**¥18,207**	¥28,563	**$146**

Note 3. Due from Banking Account

When surplus funds have been generated through the management of trust assets, they are loaned to the Banking Account and entered there as loans from the Trust Account. In the Banking Account, this is called “Due to Trust Account.”

Additional Financial Data

1. Operating Profit Classified by Domestic and International Operations (Consolidated)

	Millions of yen			
	2001			
	Domestic Operations	International Operations	(Offset or Elimination)	Total
Net Interest Income	**¥173,974**	**¥ 2,639**	**¥(1,938)**	**¥174,675**
Interest Income	**252,908**	**10,853**	**(9,520)**	**254,242**
Interest Expenses	**78,934**	**8,213**	**(7,581)**	**79,566**
Trust Fees	**54,833**	**—**	**—**	**54,833**
Fees and Commissions, Net	**57,579**	**490**	**(219)**	**57,851**
Fees and Commissions (Income)	**71,559**	**601**	**(355)**	**71,804**
Fees and Commissions (Expenses)	**13,979**	**110**	**(136)**	**13,953**
Net Trading Income	**2,790**	**—**	**—**	**2,790**
Trading Income	**2,795**	**—**	**—**	**2,795**
Trading Expenses	**5**	**—**	**—**	**5**
Other Operating Income, Net	**54,554**	**4,205**	**(12)**	**58,747**
Other Operating Income	**76,161**	**4,241**	**(12)**	**80,391**
Other Operating Expenses	**21,607**	**36**	**—**	**21,643**

	Millions of yen			
	2000			
	Domestic Operations	International Operations	(Offset or Elimination)	Total
Net Interest Income	¥161,162	¥ 2,562	¥ (538)	¥163,186
Interest Income	254,938	14,925	(7,032)	262,831
Interest Expenses	93,775	12,363	(6,494)	99,645
Trust Fees	55,378	—	—	55,378
Fees and Commissions, Net	71,018	245	(43)	71.220
Fees and Commissions (Income)	81,003	475	(125)	81,353
Fees and Commissions (Expenses)	9,985	229	(81)	10,132
Net Trading Income	7,808	—	—	7,808
Trading Income	7,808	—	—	7,808
Trading Expenses	—	—	—	—
Other Operating Income, Net	42,012	(7,409)	(201)	34,400
Other Operating Income	64,423	2,634	(201)	66,855
Other Operating Expenses	22,411	10,044	—	32,455

Notes: 1. Domestic Operations refer to operations of the Bank (excluding overseas offices) and domestic consolidated subsidiaries.
International Operations refer to operations of the Bank's overseas offices and overseas consolidated subsidiaries.
2. Offset or Elimination refers to transactions between consolidated subsidiaries or other consolidation adjustments.

2. The Average Balance of Interest-Earning Assets and Interest-Bearing Liabilities, Interest and Yields (Consolidated)

	Billions of yen					
	2001			2000		
	Average Balance	Simple Interest	Yield/Interest Rate	Average Balance	Simple Iinterest	Yield/Interest Rate
Domestic Operations						
Interest-Earning Assets	**¥13,177.8**	**¥252.9**	**1.91%**	¥12,727.1	¥254.9	2.00%
Loans and Bills Discounted	**9,807.7**	**205.3**	**2.09**	9,535.4	202.1	2.11
Securities	**2,882.8**	**32.9**	**1.14**	2,698.9	35.6	1.31
Call Loans and Bills Bought	**145.4**	**0.4**	**0.29**	60.9	0.1	0.22
Due from Banks	**269.3**	**7.1**	**2.63**	337.9	4.6	1.36
Interest-Bearing Liabilities	**12,763.4**	**78.9**	**0.61**	12,575.8	93.7	0.74
Deposits	**10,629.0**	**46.4**	**0.43**	10,528.4	44.9	0.42
NCDs	**784.7**	**2.1**	**0.27**	592.5	0.9	0.16
Call Money and Bills Sold	**202.5**	**0.6**	**0.34**	211.9	1.2	0.59
Commercial Paper	**12.4**	**0.0**	**0.24**	23.2	0.0	0.15
Borrowed Money	**562.1**	**15.7**	**2.80**	604.0	18.2	3.02
International Operations						
Interest-Earning Assets	**215.1**	**10.8**	**5.04**	265.9	14.9	5.61
Loans and Bills Discounted	**198.3**	**9.3**	**4.69**	184.4	10.3	5.60
Securities	**1.7**	**0.0**	**5.48**	5.0	0.2	4.21
Call Loans and Bills Bought	**8.1**	**0.9**	**11.14**	7.7	1.4	18.81
Due from Banks	**5.4**	**0.3**	**5.57**	8.3	0.4	5.03
Interest-Bearing Liabilities	**251.5**	**8.2**	**3.26**	294.7	12.3	4.19
Deposits	**15.0**	**0.5**	**3.35**	32.9	1.3	4.16
NCDs	**—**	**—**	**—**	—	—	—
Call Money and Bills Sold	**—**	**—**	**—**	0.0	0.0	10.70
Commercial Paper	**—**	**—**	**—**	—	—	—
Borrowed Money	**63.1**	**1.0**	**1.69**	62.3	1.0	1.68
Total of Domestic and International Operations						
Interest-Earning Assets	**13,127.9**	**254.2**	**1.93**	12,730.4	262.8	2.06
Loans and Bills Discounted	**9,770.4**	**206.4**	**2.11**	9,545.4	206.1	2.16
Securities	**2,857.2**	**31.9**	**1.11**	2,671.0	35.2	1.32
Call Loans and Bills Bought	**153.0**	**1.3**	**0.85**	68.3	1.5	2.28
Due from Banks	**273.8**	**7.3**	**2.68**	345.3	5.0	1.44
Interest-Bearing Liabilities	**12,780.4**	**79.5**	**0.62**	12,640.5	99.6	0.78
Deposits	**10,643.1**	**46.9**	**0.44**	10,560.5	46.3	0.43
NCDs	**784.7**	**2.1**	**0.27**	592.5	0.9	0.16
Call Money and Bills Sold	**201.9**	**0.6**	**0.32**	211.6	1.2	0.57
Commercial Paper	**12.4**	**0.0**	**0.24**	23.2	0.0	0.15
Borrowed Money	**392.3**	**9.5**	**2.42**	491.5	13.0	2.64

Notes: 1. Figures in Interest-Earning Assets are shown after the deduction of non-interest-bearing deposit average balances. Figures in Interest-Bearing Liabilities are shown after deduction of an amount equivalent to the sum of the average balance of money held in trust and its interest.
2. The sum of figures in Domestic and International Operations does not agree with the figures shown in Total of Domestic and International Operations because the total figures are shown after deductions of the amounts related to intersegment transactions between the Domestic and International Operations segments.

3. Gross Interest Margin (Domestic Operations, Non-Consolidated)

	2001 (A)	2000 (B)	Change (A) - (B)
Return on Earning Assets	**1.77%**	1.80%	(0.03)
Loans and Bills Discounted	**2.02**	2.00	0.01
Securities	**1.03**	1.18	0.14
Cost of Funds	**0.44**	0.51	(0.07)
Deposits & NCDs	**0.31**	0.32	0.00
Other External Liabilities	**1.65**	1.72	(0.06)
Gross Interest Margin	**1.33%**	1.29%	0.03

Notes: 1. Domestic Operations refer to yen-denominated transactions by domestic offices.
2. External Liabilities include Call Money, Bills Sold and Borrowed Money.

4. Fees and Commissions (Consolidated)

	Millions of yen			
	2001			
	Domestic Operations	International Operations	(Offset or Elimination)	Total
Fees and Commissions (Income)	**¥71,559**	**¥601**	**¥(355)**	**¥71,804**
Deposits and Loans	**11,878**	**1**	**—**	**11,879**
Remittances and Transfers	**15,470**	**266**	**(53)**	**15,682**
Trust-Related Operations	**10,183**	**—**	**—**	**10,183**
Securities	**19,985**	**—**	**—**	**19,985**
Agency	**3,153**	**0**	**—**	**3,153**
Safe Deposits	**1,123**	**—**	**—**	**1,123**
Guarantees	**3,231**	**11**	**(2)**	**3,240**
Fees and Commissions (Expenses)	**13,979**	**110**	**(136)**	**13,953**
Remittances and Transfers	**3,767**	**58**	**(50)**	**3,775**
Fees and Commissions, Net	**¥57,579**	**¥490**	**¥(219)**	**¥57,851**

	Millions of yen			
	2000			
	Domestic Operations	International Operations	(Offset or Elimination)	Total
Fees and Commissions (Income)	¥81,003	¥475	¥(125)	¥81,353
Deposits and Loans	10,926	43	—	10,969
Remittances and Transfers	14,212	323	—	14,535
Trust-Related Operations	10,488	—	—	10,488
Securities	31,685	—	—	31,685
Agency	3,166	0	—	3,166
Safe Deposits	880	3	—	883
Guarantees	3,515	18	—	3,533
Fees and Commissions (Expenses)	9,985	229	(81)	10,132
Remittances and Transfers	3,794	119	(11)	3,901
Fees and Commissions, Net	¥71,018	¥245	¥ (43)	¥71,220

Notes: 1. Domestic Operations refer to operations of the Bank (excluding overseas offices) and domestic consolidated subsidiaries.
International Operations refer to operations of the Bank's overseas offices and overseas consolidated subsidiaries.
2. Offset or Elimination refers to transactions between consolidated subsidiaries or other consolidation adjustments.

5. Risk-Adjusted Capital Ratio

(1) Consolidated Capital Ratio (Domestic Standard)

			Billions of yen	
			2001	2000
Tier I Capital	Capital		**¥ 465.0**	¥ 464.8
	Non-Cumulative Perpetual Preferred Stock		**209.4**	210.4
	Capital Surplus		**405.4**	405.4
	Consolidated Retained Surplus		**(53.9)**	(22.8)
	Minority Interests in Consolidated Subsidiaries		**22.6**	24.2
	Consolidation-Adjusting Account		**—**	(14.6)
	Foreign Currency Translation Adjustments, Net of Taxes		**(5.5)**	—
	Total Qualifying Tier I Capital	(A)	**833.6**	856.9
Tier II Capital	General Reserve for Possible Loan Losses		**69.5**	68.7
	Qualifying Subordinated Debt		**420.9**	426.9
	Subtotal	(B)	**490.5**	495.6
Amount to Be Deducted	Certain Stocks and Other Debt Instruments Issued by Other Financial Institutions	(C)	**62.1**	50.0
Total Qualifying Capital	(A)+(B)–(C)	(D)	**1,262.1**	1,302.6
Risk-Adjusted Assets	On-Balance-Sheet Items		**10,200.1**	10,049.1
	Off-Balance-Sheet Items		**929.7**	944.9
Total Risk-Adjusted Assets		(E)	**¥11,129.9**	¥10,994.1
Risk-Adjusted Capital Ratio	(D)/(E)x100%		**11.33%**	11.84%

(2) Non-Consolidated Capital Ratio (Domestic Standard)

			Billions of yen	
			2001	2000
Tier I Capital	Capital		**¥ 465.1**	¥ 465.1
	Non-Cumulative Perpetual Preferred Stock		**209.4**	210.4
	Capital Surplus		**405.4**	405.4
	Legal Reserve		**47.8**	46.3
	Voluntary Reserve		**0.0**	15.0
	Earned Surplus Carried Forward to the Next Year		**6.0**	10.1
	Total Qualifying Tier I Capital	(A)	**924.4**	942.0
Tier II Capital	General Reserve for Possible Loan Losses		**66.3**	60.9
	Qualifying Subordinated Debt		**420.9**	426.9
	Subtotal	(B)	**487.3**	487.9
Amount to Be Deducted	Certain Stocks and Other Debt Instruments Issued by Other Financial Institutions	(C)	**96.8**	50.0
Total Qualifying Capital	(A)+(B)–(C)	(D)	**1,315.0**	1,380.0
Risk-Adjusted Assets	On-Balance-Sheet Items		**9,993.2**	9,904.1
	Off-Balance-Sheet Items		**961.1**	954.1
Total Risk-Adjusted Assets		(E)	**¥10,954.3**	¥10,858.3
Risk-Adjusted Capital Ratio	(D)/(E)x100%		**12.00%**	12.70%

Note: In conformity with the guidelines established by the Ministry of Finance of Japan based on Article 14-2 of the Banking Law of Japan, both consolidated and non-consolidated capital adequacy ratios are calculated.

6. Loans and Bills Discounted by Industry (Consolidated)

Billions of yen

	2001			2000		
	Banking Account	Trust Account	Total	Banking Account	Trust Account	Total
Domestic						
Manufacturing	**¥1,637.2**	**¥ 12.0**	**¥ 1,649.3**	¥1,498.2	¥ 22.6	¥ 1,520.9
Agriculture	**10.5**	**1.6**	**12.2**	10.6	1.7	12.4
Forestry, Fishery & Mining	**6.9**	**0.1**	**7.0**	6.5	0.0	6.6
Construction	**671.1**	**5.7**	**676.9**	693.4	11.6	705.1
Utilities	**68.0**	**0.0**	**68.0**	28.9	8.9	37.8
Transportation & Communication	**327.3**	**2.0**	**329.4**	339.5	5.2	344.7
Wholesale & Retail	**1,758.6**	**19.3**	**1,778.0**	1,664.7	36.3	1,701.1
Finance & Insurance	**680.8**	**70.8**	**751.6**	714.1	101.6	815.7
Real Estate	**1,897.1**	**110.1**	**2,007.2**	1,878.6	154.6	2,033.3
Services	**977.6**	**18.9**	**996.5**	916.4	46.6	963.1
Local Government	**238.8**	**—**	**238.8**	241.7	—	241.7
Others	**1,619.8**	**319.2**	**1,939.0**	1,662.8	365.4	2,028.3
Subtotal	**9,894.2**	**560.1**	**10,454.4**	9,656.0	755.0	10,411.1
Overseas and Japan Offshore Banking Account						
Government	**7.3**	**/**	**7.3**	7.9	/	7.9
Financial Institutions	**4.2**	**/**	**4.2**	3.9	/	3.9
Others	**54.9**	**/**	**54.9**	55.0	/	55.0
Subtotal	**66.5**	**/**	**66.5**	67.0	/	67.0
Total	**¥9,960.7**	**¥560.1**	**¥10,520.9**	¥9,723.0	¥755.0	¥10,478.1

7. Loans and Bills Discounted to Small and Medium-Sized Companies (Non-Consolidated)

Billions of yen

		2001			2000		
		Banking Account	Trust Account	Total	Banking Account	Trust Account	Total
Total Loans and Bills Discounted							
(Excluding Japan Offshore Banking Account)	(A)	**¥10,156.0**	**¥560.1**	**¥10,716.2**	¥9,926.8	¥755.0	¥10,681.9
Loans to Small and							
Medium-Sized Companies	(B)	**7,367.6**	**479.3**	**7,846.9**	7,231.9	604.2	7,836.1
% Share (B)/(A)x100%		**72.54%**	**85.56%**	**73.22%**	72.85%	80.01%	73.35%
Number of Companies (Thousands)	(C)	**304.6**	**25.8**	**330.5**	299.1	30.1	329.2
Small & Medium-Sized							
Companies (Thousands)	(D)	**303.1**	**25.7**	**328.8**	297.5	29.9	327.5
% Share (D)/(C)x100%		**99.48%**	**99.54%**	**99.48%**	99.45%	99.52%	99.46%

Note: Small and Medium-Sized Companies are defined as those companies with capital stock not exceeding ¥300 million and not more than 300 employees, with exceptional treatments given to the following business categories:
Wholesale: capital stock not exceeding ¥100 million and not more than 100 regular employees
Retail: capital stock not exceeding ¥50 million and not more than 50 regular employees
Services: capital stock not exceeding ¥50 million and not more than 100 regular employees
Loans to individuals are included in Loans to Small and Medium-Sized Companies.

8. Consumer Loans (Non-Consolidated)

Billions of yen

	2001			2000		
	Banking Account	Trust Account	Total	Banking Account	Trust Account	Total
Housing Loans	**¥1,467.3**	**¥331.0**	**¥1,798.4**	¥1,479.8	¥372.1	¥1,851.9
Other Consumer Loans	**191.9**	**44.7**	**236.7**	199.3	51.6	250.9
Consumer Loans Total	**¥1,659.3**	**¥375.7**	**¥2,035.1**	¥1,679.1	¥423.7	¥2,102.9

9. Capital and Stock

(1) Stock Issuances

	Registered or Bearer and Par Value or Non-Par Value	Type	Number of Shares Issued (March 31, 2001)	Exchange and Section
Stock Issued	Registered Par Value Shares (Par Value ¥50)	Common Stock*	2,052,867,887	Osaka Securities Exchange (1st Section) Tokyo Stock Exchange (1st Section) Kyoto Stock Exchange Fukuoka Stock Exchange
	Registered Non-Par Value Shares	First Issue of Type A Preferred Stock First Issue of Type B Preferred Stock	10,970,000 680,000,000	
	Total		2,743,837,887	

*Carries voting rights

(2) Common Stockholders by Type

Stock Information (1 Unit=1,000 shares)

	National and Local Government Bodies	Financial Institutions	Securities Companies	Other Corporate Entitites	Foreign Shareholders [Individuals]	Individuals and Other	Total	Shares Totaling Less Than One Unit
Number of Stockholders	8	183	87	4,627	265 [2]	73,295	78,465	—
Shares Held (Units)	12,003	440,286	89,335	1,031,969	100,697 [5]	372,195	2,046,485	6,382,887
Percentage of Total	0.59%	21.51%	4.36%	50.43%	4.92% [0.00%]	18.19%	100.00%	—

Note: A total of 21 units and 136 shares of treasury stock are included in "Individuals and Other" and "Shares Totaling Less Than One Unit," respectively. The columns "Other Corporate Entities" and "Shares Totaling Less Than One Unit" include 955 units and 1,197 shares, respectively, of shares held in a custodian's name.

DIRECTORY

(As of August 1, 2001)

EUROPE

Daiwa Bank (Capital Management) Plc
Level 18, City Tower,
40 Basinghall Street,
London EC2V 5DE,
United Kingdom
Tel: (020) 7256-5661
Telex: 8956907
Fax: (020) 7256-5662

London Representative Office
Level 18, City Tower,
40 Basinghall Street,
London EC2V 5DE,
United Kingdom
Tel: (020) 7256-5002
Fax: (020) 7256-5005

ASIA

Hong Kong Representative Office
Floor 11, United Centre, 95 Queensway,
Hong Kong, S.A.R.,
People's Republic of China
Tel: 2521-6433
Fax: 2522-5378

Singapore Representative Office
3 Temasek Avenue,
#20-06 Centennial Tower,
Singapore 039190,
Republic of Singapore
Tel: 836-0300
Fax: 836-0400

Seoul Representative Office
8th Floor, Shinhan Bank Building, 120,
2-ka, Taepyung-ro, Chung-ku, Seoul,
Republic of Korea
Tel: (02) 752-0831
Fax: (02) 756-2830

Shanghai Representative Office
Room No. 2709,
Shanghai International Trade Centre,
2201 Yan An Xi Lu, Shanghai,
People's Republic of China
Tel: (021) 6275-5198
Fax: (021) 6275-5229

Bangkok Representative Office
13th Floor, Regent House Building,
183 Rajdamri Road, Pathumwan,
Bangkok 10330, Thailand
Tel: (02) 254-7555
Fax: (02) 254-7557

P.T. Bank Daiwa Perdania
(Head Office)
JL. Jend. Sudirman Kav. 40-41,
Jakarta, Indonesia
Tel: (021) 5701958
Telex: 65658
Fax: (021) 5701936
Cable: JOINT BANK, JAKARTA
SWIFT: BPIAIDJA

Kota Sub-Branch
JL. Raya Mangga Besar No. 7,
Jakarta, Indonesia
Tel: (021) 6260408
Telex: 41120
Fax: (021) 6592164

Thamrin Cash Office
1st Floor, Skyline Building,
JL. M.H. Thamrin No. 9,
Jakarta, Indonesia
Tel: (021) 327309
Telex: 44532
Fax: (021) 323308

Surabaya Branch
JL. Raya Darmo No. 31,
Surabaya, East Java, Indonesia
Tel: (031) 5674326
Telex: 32145
Fax: (031) 5674840

Bandung Branch
JL. Wastukencana No. 87,
Bandung, West Java, Indonesia
Tel: (022) 4241742
Telex: 28018
Fax: (022) 4241207

Cikarang Sub-Branch
JL. Jababeka Raya Block B No. 14-15,
Cikarang Industrial Estate,
Bekasi, West Java, Indonesia
Tel: (021) 8934347
Fax: (021) 8934346

Makassar Branch
4th Floor, BII Building,
JL. Kajaolalido No. 6, Makassar,
South Sulawesi, Indonesia
Tel: (0411) 330570
Telex: 71161
Fax: (0411) 330574

P.T. Daiwa Lippo Finance
5th Floor, Bank Daiwa Perdania Building,
JL. Jend. Sudirman Kav. 40-41,
Jakarta, Indonesia
Tel: (021) 5701956
Fax: (021) 5701961

JAPAN

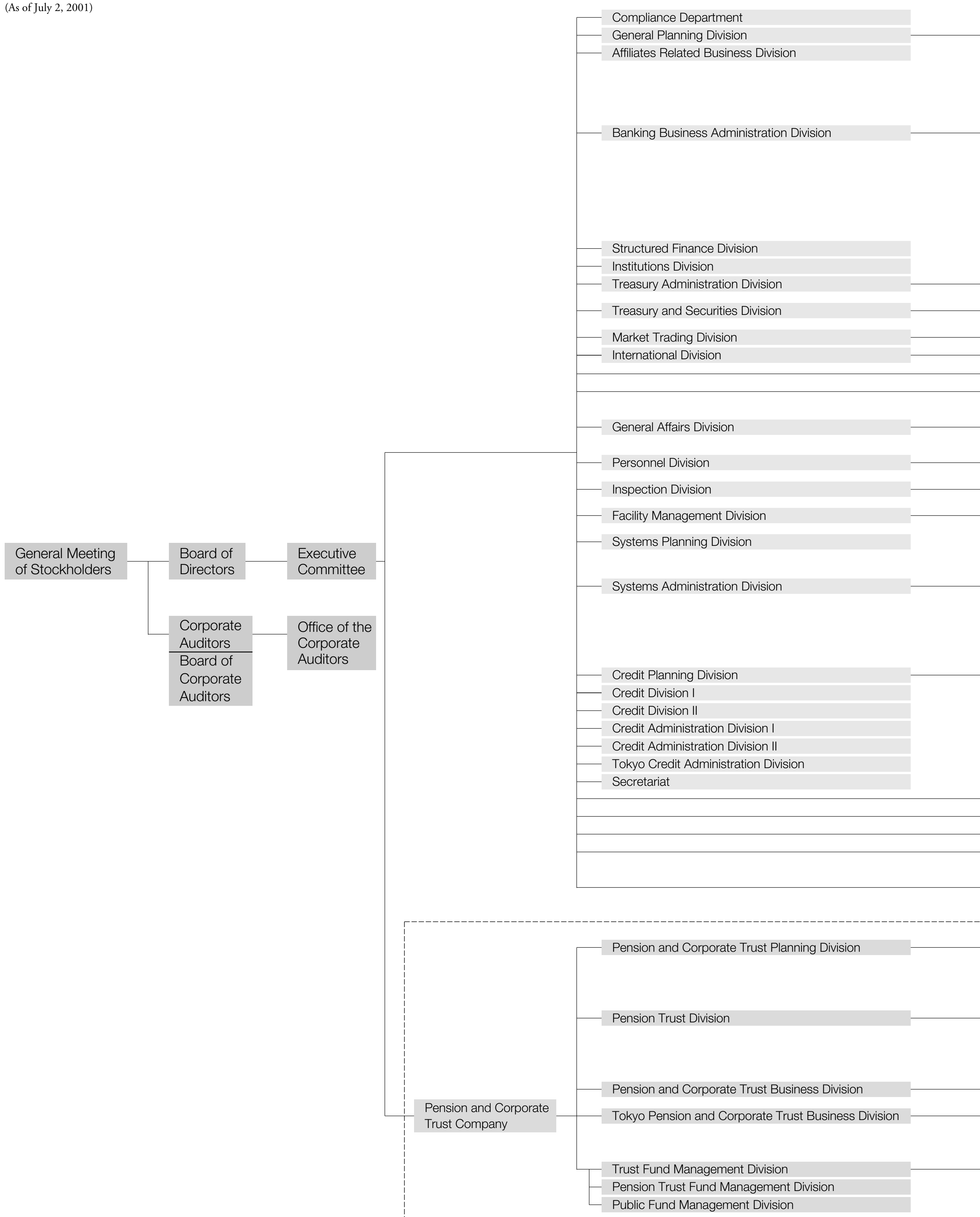
Head Office
2-1, Bingomachi 2-chome,
Chuo-ku, Osaka 540-8610, Japan
Tel: (06) 6271-1221
Telex: J63284, J63457, J63977
Cable: DAIBANK
SWIFT: DIWAJPJS

Tokyo Office
1-1, Otemachi 2-chome,
Chiyoda-ku, Tokyo 100-8110, Japan
Tel: (03) 3231-1231
Telex: J22428
Cable: DAIBANK
SWIFT: DIWAJPJT

Internet Address
http://www.daiwabank.co.jp/

ORGANIZATION CHART

(As of July 2, 2001)



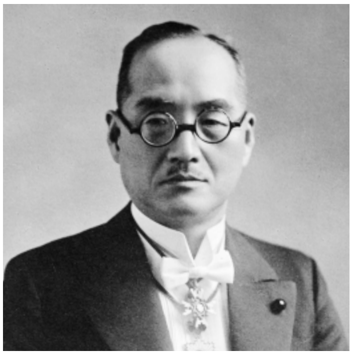
- Planning Division
  - Group Strategic Planning Department
  - Comprehensive Risk Management Department
  - ALM Planning Department
  - Corporate Communications Department
- Finance and Accounting Division

- Branch Business Division I
- Branch Business Division II
- Branch Business Division III
- Personal Banking Division
  - Private Banking Department
  - Real Estate Appraisal Department
- Loan Division
  - Loan Planning Department
  - Loan Promotion Department
  - Tokyo Loan Promotion Department
- Corporate Banking Division
  - Corporate Consulting Department
- CS Promotion Department
- Retail Trust Department
- Sports-Support Lottery Department

- Treasury Operations Center
- Tokyo Treasury Operations Center
  - Securities Operations Department
- Securities Investment Department
- Investment Administration Department
- Securities Trading Department
- International Marketing Department
- Head Office Real Estate Department
  - Urban Development Department
- Tokyo Main Office Real Estate Department
  - Urban Development Department
- Customer Relations Center
- Tokyo Customer Relations Center
- Legal Department
- Employee Health Development Office
- EDP System Audit Office
- Asset Auditing Department
- Money Museum Department
- Systems Administration Planning Department
- ATM Operations Center
- Operations Center
- Tokyo Operations Center
- International Operations Center
- Tokyo International Operations Center
- Loan Operations Center
- Tokyo Loan Operations Center
- Corporate Research Department

- Head Office Business Department
- Tokyo Main Office Business Department
- Head Office Public Institutions Business Department
- Tokyo Main Office Public Institutions Business Department
- Branches
  - Sub-Branches
- Representative Offices

- Defined Contribution Pension Plan Division
- Trust Administration Department
- Pension Planning Department
- Tokyo Pension Planning Department
- Pension Actuary Department
- Tokyo Pension Actuary Department
- Pension Consulting Department
- Trust Operations Department
- Pension Promotion Division
- Pension Business Division
- Corporate Trust Promotion Division
- Tokyo Pension Promotion Division
- Tokyo Pension Business Division
- Passive Management Department



Tokushichi Nomura, Founder

1918 Founded as The Osaka Nomura Bank
1926 Securities Department separated and established as a securities company (currently known as The Nomura Securities Co., Ltd.)
1927 Changed name to The Nomura Bank, Ltd.
1929 Designated as the Osaka Prefectural Government's sole authorized banking agency
1944 Merged with The Nomura Trust Co., Ltd., to become the first integrated banking organization in Japan engaged in trust banking operations
1948 Changed name to The Daiwa Bank, Limited
1949 Designated as authorized foreign exchange bank
1958 P.T. Perdania Bank began operations as an affiliate of the Bank in Indonesia. (Name changed to P.T. Bank Daiwa Perdania in 1994)
1962 Initiated pension trust business services
1987 Established the *Dairinkai*
1989 Established the Daiwa Bank Asia-Oceania Foundation
1993 Acquired third-party allotment share of Cosmo Securities Co., Ltd., making it a subsidiary of Daiwa Bank
1995 Disclosed losses incurred by a locally hired contract employee at the New York Branch
1996 Discontinued all business operations in the United States
1998 Established D&I Information Systems Inc., a joint venture with IBM Japan, Limited
Five-Point Specialization Strategy announced
1999 Strategic alliances announced with the Bank of Kinki and the Bank of Osaka
Preferred shares issued in relation to the injection of public funds
Pension and Corporate Trust Company established
Daiwa Bank appointed as Trustee Bank for Sports Advancement Voting Activities (the "Soccer Lottery")
In the Bank's asset management and administration activities, alliances were concluded with four leading U.S. and European investment advisory companies and with a consulting company engaged in investment management performance evaluation.
2000 The Kinki Osaka Bank begins operations.
Establishment of a new trust bank, Japan Trustee Services Bank, Ltd., with Sumitomo Trust to specialize in providing asset administration services
Strategic alliances announced with Kinki Osaka Bank and Nara Bank
2001 Assumed the operations of Namihaya Bank
Acquired third-party allotment share of Nara Bank
Members of the Daiwa Bank Group prepared a business solicitation policy entitled *Offering Our Customers the Appropriate Products and Services.*
Began nationwide sales of the "toto" sports advancement lottery

Foundation

The Osaka Nomura Bank, the forerunner of The Daiwa Bank, Limited, was founded by Tokushichi Nomura in 1918 and began operations in Osaka, a bustling center of commerce, in August of the same year. The name was later changed to The Nomura Bank, Ltd., in 1927.

At that time, although Tokushichi Nomura was engaged in the securities business in Osaka, he noticed that many banks were primarily dealing with large companies in major industrial fields. Nomura recognized the necessity of providing support for small and medium-sized enterprises. As a result, he decided to establish a bank that would "supply funds to these small and medium-sized enterprises."

Sovereign Independence

Based on its management philosophy, Daiwa Bank concentrated on supplying funds to small and medium-sized enterprises in addition to promoting securities operations. In 1926, the steadily expanding Securities Department was separated and established as a securities company (currently known as The Nomura Securities Co., Ltd.). This separation, in turn, resolved the issues associated with the concurrent operation of different businesses.

Immediately following the Wall Street financial crash in 1929, the Bank was designated as the Osaka Prefectural Government's sole authorized banking agency. In that the administration of such operations required numerous complex procedures, many banks were unwilling to assume such a heavy responsibility. In contrast, Daiwa Bank valued the public aspects of managing the main depository, which would in turn promote its credibility.

In 1944, following a merger with The Nomura Trust Co., Ltd., the Bank became the first financial institution in Japan to undertake both ordinary banking and trust businesses.

Such development of a diverse scope of operations depicts the spirit of sovereign independence as set forth by the Bank's founder, Tokushichi Nomura. "Sovereign independence" represents the principle of "self-responsibility," defined by the undertaking of individual plans and actions and the acceptance of full responsibility for the outcome. Daiwa Bank has been faithfully committed to this original precept throughout its unique history—a mainstay throughout the changes of time.

Initiation of Operations as Daiwa Bank

Following the dissolution of the *zaibatsu,* or large financial conglomerates, in the postwar period, the Bank changed its name to The Daiwa Bank, Limited, in October 1948.

In 1949, the Bank was designated as an authorized foreign exchange bank and began operating as a comprehensive financial institution engaged in commercial banking and trust businesses as well as foreign exchange business.

Issues Related to Separation of Trust Business

In 1965, the separation of trust business from concurrently operating banks was promoted under the viewpoint that trust business should be managed only by banks specialized in this field. However, Takeo Terao, the president of Daiwa Bank during this period, felt that the concurrent operation of ordinary banking and trust businesses correlated with the needs of the times by not only facilitating the popularization of banks but also by allowing institutions to offer a comprehensive range of products and services to customers. He also felt that the expansion of the trust business could be accomplished only when operated by banks with stable income sources and, thus, most effectively managed by banks on a concurrent basis. Backed by rising support mainly from financial circles in the Kansai region, Terao held firmly to this belief and continued to maintain the concurrent operation of banking and trust businesses.

Launch of Pension Trust Business

In the postwar period, as the Japanese economy began to regain its stability, there was a growing awareness of the need for provisions to ensure the quality of life for Japan's aging population. Under such circumstances, Daiwa Bank launched its pension trust business in 1962. The Bank concentrated its efforts on developing its pension trust business in this field and subsequently became a leading bank in the corporate pension sector with pension assets under management of ¥6.8 trillion as of March 31, 2001.

Responding to Deregulation of the Financial Sector

In 1993, Daiwa Bank acquired a stake in one of the leading securities companies in Japan, Cosmo Securities Co., Ltd.—a company sharing the same founder as Daiwa Bank—making the firm a subsidiary. Furthermore, in response to financial deregulation, in 1994 the Bank created a new accounts system, NEWTON, which was followed by a new information system, DARWIN, brought into operation in 1996. In a joint venture with IBM Japan in March 1998, D&I Information Systems Inc. was established, enabling the strategic outsourcing of the information systems division.

The Future for Daiwa Bank

In 1996, as a result of losses at its New York Branch resulting from the actions of a locally hired contract employee, Daiwa Bank discontinued all business in the United States. The Bank took this as an opportunity to implement a specialization strategy of enhancing capabilities in its strongest areas and withdrawing or scaling down weaker operations. To accelerate the pace and degree of implementation of this strategy, the Five-Point Specialization Strategy was announced in October 1998, including such restructuring operations as the withdrawal from overseas banking operations.

To make further progress in specific implementation of the Bank's specialization strategy, in March 1999 the Bank prepared the Plan to Revitalize Management containing three basic objectives. These were to "contribute to the stability of the Kansai region," "strengthen our pension and corporate trust management operations," and "step up efforts to implement the Five-Point Specialization Strategy," which we introduced in October 1998. As specific strategies, Kinki Osaka Bank began operations in April 2000, and, in October 2000, the Bank, Kinki Osaka Bank, and Nara Bank announced strategic alliances. Moreover, in February 2001 the Bank and Kinki Osaka Bank, as the Daiwa Bank Group, assumed the operations of Namihaya Bank. As a result, substantial progress was made toward establishing a Superregional Bank Group in the Kansai region. In addition, the Bank is working to concentrate and enhance the efficiency of its operations in the Tokyo metropolitan area by creating larger-scale offices providing full banking services, including highly sophisticated banking functions for corporate clients.

In the trust business divisions, the Bank introduced an internal company style of organization in 1999 and, in 2000, established a new trust company to specialize in asset administration jointly with Sumitomo Trust. The asset administration operations of both banks have now been transferred to the new company, and it has received high credit ratings from agencies in Japan and overseas.

In addition, Daiwa Bank is also engaged in certain activities, which include acting as the sole financial institution entrusted with the operations of the "toto" sports advancement lottery. The Bank began nationwide sales of lottery tickets in March 2001, and its operations include the administration, supervision, and management of funds.

BOARD OF DIRECTORS

(As of July 2, 2001)

Chairman
Takashi Kaiho

President
Yasuhisa Katsuta

Deputy President
Atsumu Kuroishi

Senior Managing Director
Ryo Aoyagi

Managing Directors
Isao Yamamoto
Sadao Tanaka
Akiyoshi Otani
Takao Maruyama
Tetsuo Morishige
Kunitsugu Hara
Jyunji Kondo

Standing Corporate Auditors
Isao Kimura
Shinichi Nakagawa

Corporate Auditors
Masafumi Ohnishi
Masataka Ide

EXECUTIVE OFFICERS

(As of July 2, 2001)

Senior Executive Officers
Kiyonori Watanabe
Nobuhiko Arai

Executive Officers
Noriaki Yoshimoto
Yoshiaki Kawakami
Seiichi Hazama
Muneo Harada
Norihiko Hatasa
Toshimitsu Minami
Osamu Shioda
Yoshio Murakami
Masaaki Nomura
Kazunori Mochizuki
Kenichi Kanzaki

INTERNATIONAL STAFF

(As of August 1, 2001)

General Manager of International Division
Akihiro Miyamoto

HEAD OFFICE
International Division
Senior Deputy General Manager and General Manager of International Marketing Department
Sumio Hayashi

Systems Administration Division, International Operations Center
General Manager
Miki Yoshikawa

TOKYO OFFICE
Systems Administration Division, Tokyo International Operations Center
General Manager
Kenji Kuboyama

CORPORATE DATA

(As of March 31, 2001)

Head Office
2-1, Bingomachi 2-chome,
Chuo-ku, Osaka 540-8610, Japan
Tel: (06) 6271-1221
Telex: J63284, J63457, J63977
Cable: DAIBANK
SWIFT: DIWAJPJS

Tokyo Office
1-1, Otemachi 2-chome,
Chiyoda-ku, Tokyo 100-8110, Japan
Tel: (03) 3231-1231
Telex: J22428
Cable: DAIBANK
SWIFT: DIWAJPJT

Internet Address
http://www.daiwabank.co.jp/

Domestic Network (As of August 1, 2001)
189 Offices

Overseas Network (As of August 1, 2001)
6 Representative Offices
3 Major Subsidiaries

Number of Employees
6,982

Date of Founding
June 25, 1918

Paid-in Capital
¥465,158 million

Authorized Number of Shares

	7,610,970,000
Common	6,900,000,000
Preferred	710,970,000

Number of Shares Issued and Outstanding

	2,743,837,887
Common	2,052,867,887
Type A Preferred	10,970,000
Type B Preferred	680,000,000

Number of Stockholders

	78,468
Common	78,465
Type A Preferred	2
Type B Preferred	1

10 Largest Common Stockholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Nomura Securities Co., Ltd.	66,916	3.25%
Tokyo Mutual Life Insurance Company	61,643	3.00
The Fuji Fire & Marine Insurance Co., Ltd.	53,325	2.59
Osaka Gas Co., Ltd.	50,815	2.47
Japan Trustee Services Bank, Ltd.	44,273	2.15
Nichido Fire & Marine Insurance Co., Ltd.	37,515	1.82
Kubota Corp.	26,143	1.27
The Kinki Osaka Bank, Ltd.	25,487	1.24
OKUMURA CORPORATION	21,391	1.04
SHINSEI BANK, LTD.	21,320	1.03
Total of 10 Largest Stockholders	408,832	19.91%

http://www.daiwabank.co.jp/

The Daiwa Bank, Limited

Printed in Japan on recycled paper