

77 BANK
ANNUAL REPORT
2001

THE 77 BANK, LTD.

Profile

The 77 Bank, Ltd., was founded in 1878 as Japan's 77th national bank. Headquartered in Sendai—the capital of Miyagi Prefecture—the Bank is the Tohoku region's largest regional bank, with its branch network covering this area in northeastern Japan. Adhering to a corporate philosophy “to contribute to the region for its prosperity,” The 77 Bank continues to strengthen its business foundation and enhance its management quality in order to be a bank entrusted by the community and customers, and to consistently create new value. As of March 31, 2001, The 77 Bank had capital of ¥24.6 billion, 145 domestic branches and 3,090 employees.



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Consolidated Financial Highlights

THE 77 BANK, LTD. AND SUBSIDIARIES
As of March 31

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
For the fiscal year			
Net interest income	¥ 89,789	¥ 93,584	\$ 724
Net fees and commissions	11,274	11,182	90
Net other operating income (loss)	1,476	(54)	11
Net income	11,197	15,389	90
At the fiscal year-end			
Total assets	¥5,212,706	¥4,993,832	\$42,071
Deposits	4,582,584	4,503,575	36,986
Loans and bills discounted	3,163,042	3,124,637	25,528
Trading account securities and investment securities	1,273,006	1,027,733	10,274
Stockholders' equity	323,743	244,373	2,612
Common stock	24,658	24,658	199
		Yen	U.S. Dollars
	2001	2000	2001
Per share of common stock			
Net income	¥ 29.24	¥ 40.19	\$0.235
Diluted net income	28.02	38.46	0.226
Stockholders' equity	845.66	638.34	6.825
Cash dividends applicable to the year	6.00	6.00	0.048
Capital adequacy ratio (%)			
BIS standard	(12.36)	(12.55)	
Domestic standard	10.26	10.34	

Note: Throughout this report, U.S. dollar amounts are translated, for convenience only, at the rate of ¥123.90 = US\$1, the exchange rate prevailing on March 31, 2001. The capital adequacy ratios according to the BIS standard, in parentheses, are indicated for reference only.



Chugo Marumori, President

The 77 Bank strives to be a financial institution that warrants the trust of clients, the community and the market, and consistently creates new value.

Goals

Amid the challenging operating environment that currently prevails, The 77 Bank efficiently invests available financial and human resources where they will yield the greatest results. Prudent application of these assets creates added value that attracts potential employees, shareholders and clients to the Bank and invokes lasting loyalty.

Guided by a three-point perspective that hinges on employees, shareholders, and the community and the clients therein, we seek to be a bank that:

- accurately perceives and swiftly responds to the needs of clients and the community
- maintains sound assets and high profitability, and
- demonstrates creativity and a challenging spirit.

Medium-Term Management Plan

The 77 Bank embarked on New Age Plan “Challenge Seven,” a three-year management plan, in April 2000 to realize the aforementioned objectives.

We have always worked to be a sound financial institution—a bank that people can rely on. But to successfully weather today’s fiercely competitive climate and better meet the expectations of clients, the community and the market as a whole, we have established five basic goals.

Basic Goals

Net income	above ¥23 billion
Return on equity (ROE)	above 8%*
Return on assets (ROA)	above 0.8%
Overhead ratio (OHR)	under 60%
Capital adequacy ratio	above 10% (domestic standard)

* Excluding the effect of market value accounting

To achieve these results, we have highlighted four strategic elements:

1. A solid operating foundation—to reinforce profitability

A sluggish economy and low interest rates have severely eroded corporate profitability, and the environment shows little sign of improving soon. Against this backdrop, business conditions for financial institutions have become more challenging, especially with full-scale implementation of “Big Bang” financial reforms and the elimination of payoff rules. To secure the confidence and support of clients, the community and the market in general, The 77 Bank has prioritized improved profitability, which will arise from higher interest income achieved, for example, through the promotion of loans as well as enhanced fees and commissions.

2. Higher productivity—to enhance investment and cost-effectiveness

Rapid progress in information technology (IT) has helped to reshape the financial landscape and restructure the industry itself, while participation from outside traditional industry borders has exacerbated competition. To successfully deal with these developments, The 77 Bank is deploying available management resources in a prompt, accurate and efficient manner to elicit the best results possible. For example, the Bank utilizes its enhanced IT expertise to pursue strategic investment opportunities, while simultaneously implementing cost-cutting measures.

3. Better asset quality—to resolve problem assets

With a high rate of corporate bankruptcy and a downward trend in land prices in Japan, financial institutions are under considerable pressure to clear problem assets quickly and completely. The priority of this issue is noted in the government’s newest emergency measures to buoy business conditions. The Bank now has an established framework for assessing problem assets, recovering whatever can be recouped and writing off bad claims, but it is also earnestly seeking new means to alleviate the situation. The Bank understands the need to resolve the issue of problem assets as quickly as possible and will maximize its project team format to reinforce existing efforts.

4. Employee training—to redefine perspectives and upgrade skills

A personnel policy that hinges on the philosophy “small numbers, exceptional talent,” underscored by high morale among employees and solid expertise, is imperative to surmount the intense competition that is coming to characterize the new financial era. With this in mind, the Bank must widen its skills-and-results perspective and revise its personnel system to better support its philosophy. A revitalized perception of the organization, through dynamic reform of the personnel system, will be the cornerstone for future growth at The 77 Bank.



Chugo Marumori
President

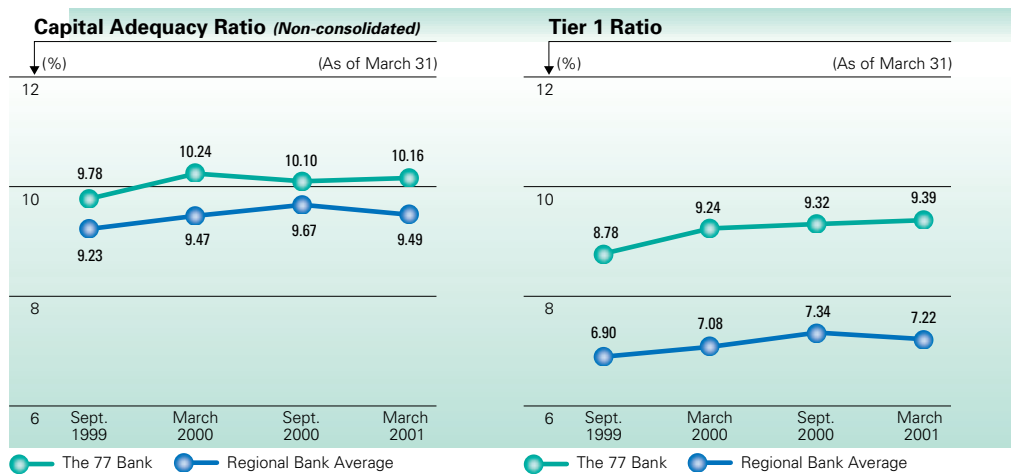
Maintaining a Sound Business Position

Representative indicators of sound operations are the Tier 1 capital ratio and ratings from respected third parties. The 77 Bank has secured commendable standings through concerted efforts to ensure its operational well-being.

Tier 1 Capital Ratio

The Tier 1 capital ratio is based only on Tier 1 capital, that is, capital stock, capital surplus, earned surplus reserves and retained earnings. It excludes supplementary items, such as subordinated loans, from the current components that are used to determine the capital adequacy ratio and therefore better represents the financial status of a bank, compared with the capital adequacy ratio, which includes supplementary items.

The Tier 1 capital ratio for The 77 Bank reached 9.39%, on a non-consolidated basis, as at March 31, 2001, considerably higher than the average for the 50 regional banks that apply the domestic standard. This statistic places the Bank among the top performers in this sector of the banking industry.



Note: The regional bank average is based on the ratios reported by the 50 banks that apply the domestic standard.
Source: Regional Banks Association of Japan

Ratings

Ratings are granted by rating agencies, which assume a third-party perspective in assessing the financial status of businesses. The results are disclosed to the market. Ratings include a long-term rating, which targets such instruments as deposits and bonds with maturity periods exceeding one year; a short-term rating, which targets such instruments as deposits and bonds with maturity periods under one year; and a financial position rating, which evaluates the fiscal status of a company.

The 77 Bank has acquired high ratings from two domestic rating agencies, and its ratings by international agencies are among the highest of any Japanese financial institution.

The 77 Bank's Ratings		Standards for Long-Term Rating	
(As of June 30, 2001)			
Rating Agency	Long-Term Rating	Rating	Description
Rating and Investment Information, Inc. (R&I)	AA	AAA	Solid debt-repayment capabilities
Japan Credit Rating Agency, Ltd. (JCR)	AA	AA	
Moody's Investors Service, Inc. (Moody's)	A1*	A	
Standard & Poor's Corp. (S&P)	Api*	BBB	Highly susceptible to default
		BB	
		B	
		CCC	
		CC	
		C	Default
		(D)*	

*Ratings granted by said agency, based on information disclosed by The 77 Bank.

*Some rating agencies do not use D.

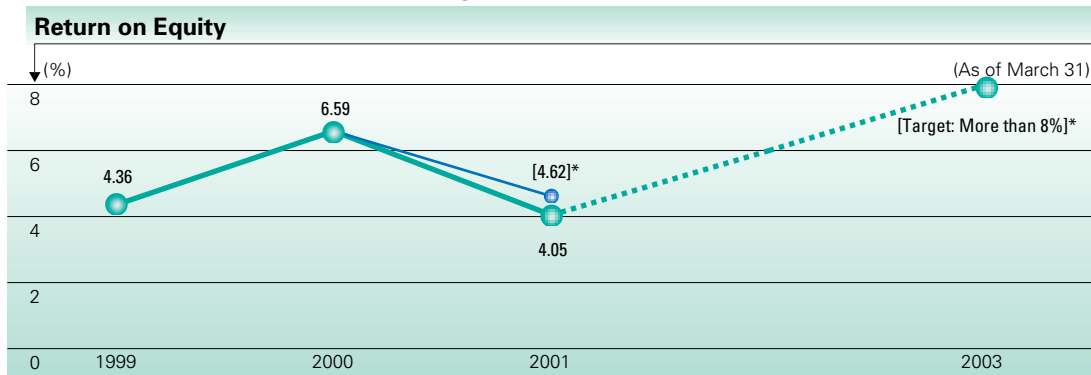
Business Indicators

ROE (Return on Equity)

$$\text{ROE} = \text{net income} / \text{capital account average} \times 100$$

ROE is the ratio of profitability to capital entrusted to the Bank by its shareholders.

In the fiscal year ended March 31, 2001, the capital account grew, following implementation of current-value accounting, and the ROE decreased.

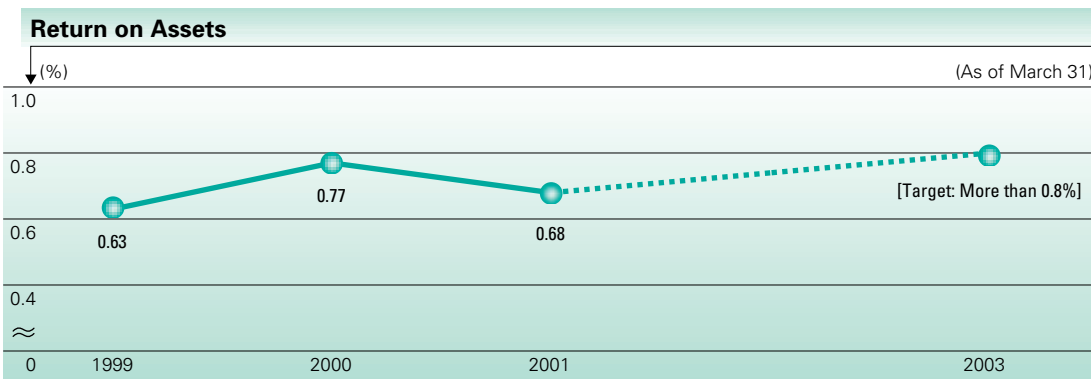


* Excluding the effect of market value accounting

ROA (Return on Assets)

$$\text{ROA} = \text{core business profit} / \text{average total assets (excluding acceptances and guarantees)} \times 100$$

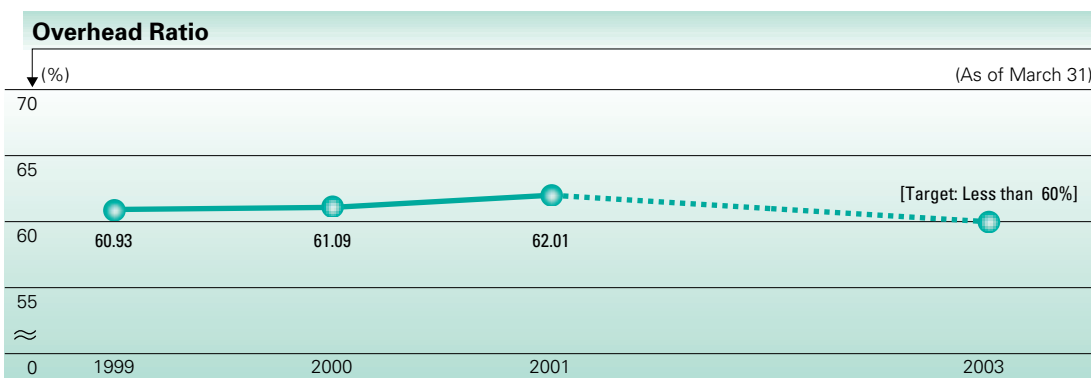
ROA is the ratio of profits to invested assets and represents the Bank's ability to effectively utilize assets. Expansion in profits must accompany growth in assets for this ratio to improve.



OHR (Overhead Ratio)

$$\text{OHR} = \text{Expenses} / \text{gross operating profit} \times 100$$

OHR is the ratio of expenses to gross operating profit. Improvement in the OHR—that is, a lower ratio—requires an increase in gross operating profit and a decrease in expenses.



Risk-Monitored Loans and Assessed Assets Based on the Financial Reconstruction Law

Risk-Monitored Loans

The 77 Bank discloses risk-monitored loans—loans to borrowers under bankruptcy, past due loans, accruing loans contractually past due three months or more and restructured loans—according to the Banking Law.

The Bank has set aside reserves against possible loan losses, based on a fundamental premise that management will not leave loan liabilities for future processing.

(As of March 31)

(Billions of Yen/%)

	2001		2000	
	Amount	Percentage of total	Amount	Percentage of total
Loans to borrowers under bankruptcy	¥ 20.8	0.65%	¥ 25.0	0.79%
Past due loans	46.1	1.45	31.9	1.01
Accruing loans contractually past due three months or more	4.4	0.14	5.7	0.18
Restructured loans	117.5	3.69	126.2	4.02
Total	189.0	5.94	189.0	6.02

Balance of total loans	¥3,179.0	100.00%	¥3,140.1	100.00%
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Note: Amounts less than ¥100 million are truncated.

Assessed Assets Based on the Financial Reconstruction Law

The 77 Bank assesses assets grouped by balance sheet account—securities loaned, loans and foreign exchange, interest receivable and suspense payments on other assets, and acceptances and guarantees on the balance sheet—according to the financial position and operating performance of each debtor, as stipulated by the Financial Reconstruction Law. The results of this assessment and coverage status are presented in the accompanying chart.

We have fully covered unrecoverable or valueless claims. In line with our financial assessment manual, effective from the fiscal year in review, we set aside reserves based on historical loan loss ratios for risk claims and achieved a coverage ratio of 89.2%. Similarly, through reserves based on historical loan loss ratios, we raised the coverage ratio on special attention claims to 61.2%. Our total coverage ratio thus stood at 79.8%, as of March 31, 2001.

(As of March 31, 2001)

(Billions of Yen/%)

	Amount (A)		Coverage (B)			Coverage ratio (B/A)
	Amount	Percentage of total (%)	Collateral guarantees	Reserve for possible loan losses	Percentage of total (%)	
Unrecoverable or valueless assets	¥ 51.5	1.57%	¥ 51.5	¥ 23.6	¥27.9	100.0%
Risk assets	63.6	1.93	56.7	36.2	20.5	89.2
Special attention assets	88.1	2.68	54.0	51.1	2.9	61.2
Subtotal assets	203.2	6.18	162.2	110.9	51.3	79.8
Non-classified assets	3,082.1	93.82				

Total of assessed assets	¥3,285.3	100.00%
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Note: Amounts less than ¥100 million are rounded.

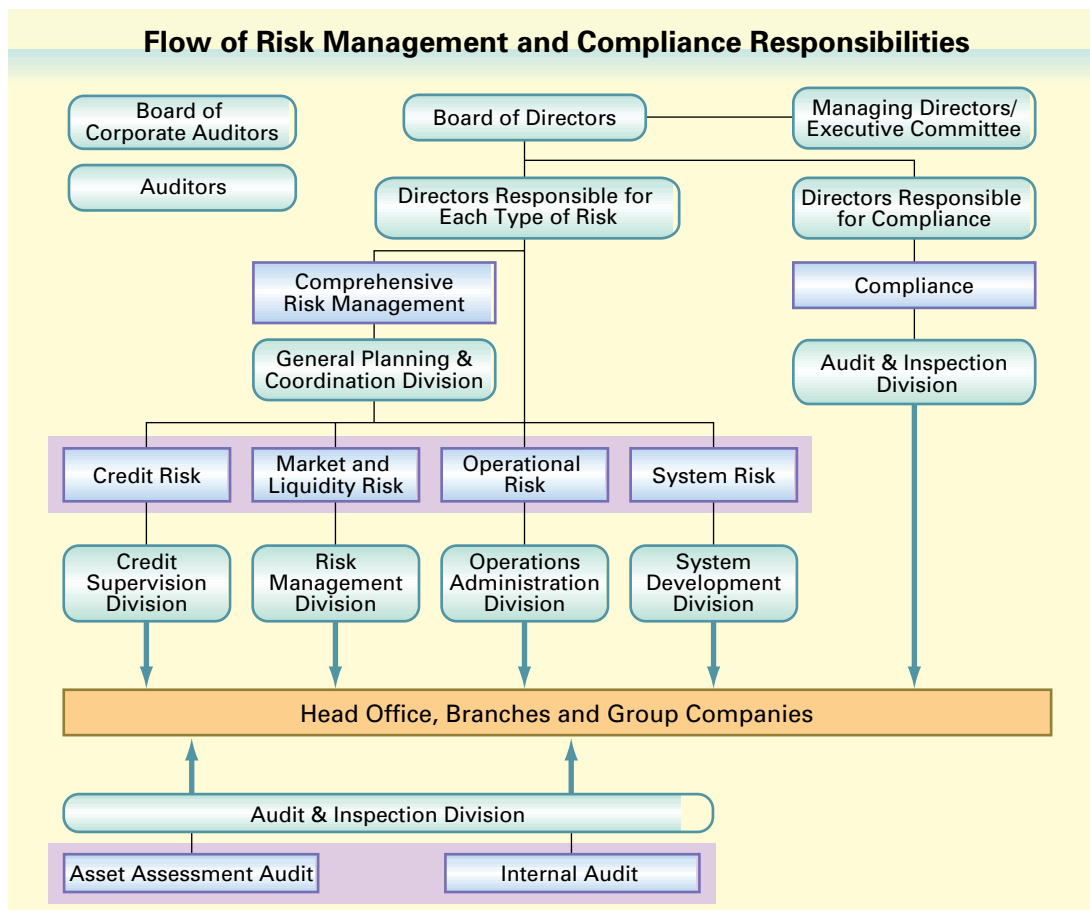
Risk-Management Structure

Stronger Overall Risk Management

Through progress in financial liberalization and globalization and the development of new financial techniques, the risk that surrounds financial institutions has become comparatively more complex than in the past. These conditions demand that financial institutions execute even more accurate identification and analysis of risks and take appropriate control of such risks.

The 77 Bank works to reinforce overall risk management with improved business health in mind. The Bank is also enhancing management processes through, for example, the introduction of more sophisticated risk-quantification techniques and feedback on each aspect of business.

In March 2000, the Bank drafted basic policy for comprehensive risk-management activities to serve as the foundation of a solid risk-management structure, with appropriate risk-hedging approaches that promote steady and lasting growth at The 77 Bank. This policy defines risk management, clarifies decision-making authority on risk-management issues and the role of the Board of Directors in this process, and outlines the structure and objectives of supervisory units that handle each type of risk.



Roles of the Bank's Risk-Management Units

The 77 Bank has classified risk into five categories—credit risk, market risk, liquidity risk, operational risk and system risk—and assigned supervisory units to each risk category. The General Planning & Coordination Division is responsible for overall risk management. However, each risk category is also watched by a separate division: the Credit Supervision Division for credit risk; the Risk Management Division for market risk and liquidity risk; the Operations Administration Division for operational risk; and the System Development Division for system risk.

In March 2000, the Bank established the Risk Management Division as a supervisory unit to track all measurable risk and monitor risk amounts. These efforts are augmented by the ALM Committee, which comprises division managers and directors responsible for operations in the assigned division. Every month, the committee discusses measures to hedge market and liquidity risk.

The Audit & Inspection Division is independent of each of Business Promotion Units and Risk Management Units and, as the evaluating unit for internal processes and asset status, assesses the business administration and management practises of each division and ascertains respective risk-management positions.

In February 2001, The 77 Bank began external audits, performed by outside auditors, to further consolidate the internal management structure.

Credit Risk Management

Credit risk is the potential for the Bank to incur losses should, for example, the worsening financial position of a borrower cause the value of collateral assets to fall or be eliminated altogether.

In extending loans to clients, The 77 Bank undertakes credit analysis based on strict assessment criteria. The Bank also strives to reinforce credit risk management through appropriate system development and rigid administrative procedures that ensure methodical risk control. In addition, the Bank endeavors to polish assessment capabilities through such means as specialized programs for employees engaged in lending operations and practical credit-control guidance extended through branch visits by members of the Credit Supervision Division.

To ensure the health of assets, we clarified our basic position on lending through the establishment of a credit risk management policy, which functions as a guide for credit risk management, as well as a credit policy, directing the course taken in loan assessments. In addition, to objectively identify credit risk and elevate credit risk management expertise, we apply a credit analysis structure to normal corporate borrowers.

Market Risk Management

Market risk is the possibility that the value of assets will be adversely affected by fluctuations in interest rates, foreign exchange rates, stock prices and other market-based factors, and lead to losses.

The 77 Bank reviews its direction for market-based transactions every fiscal year, reflecting such influences as the medium-term management plan. The Bank emphasizes the delivery of stable returns while assuming a stable level of risk through, for example, the establishment of a position that works investments within a safe range.

On the organizational front, the Risk Management Division undertakes blanket control of market risk. In the Securities Division, Capital Markets Division and International Division front offices, which execute market transactions, and back offices, which process the transactions, operate independently of each other to uphold the double-check

system for market transactions. We have also seconded a member of the Risk Management Division to each division involved in market transactions to monitor risk status.

While divisions engaging in market transactions advise assigned directors of risk status on a daily basis, the Risk Management Division also submits daily reports to directors. In addition, the Risk Management Division handles risk adjustments and provides overall risk updates on assets and liabilities, including market transactions, to the ALM Committee and the directors and division managers liaison meeting.

The Bank established a market risk management policy to facilitate control of market risk through such means as market risk-hedging standards.

Liquidity Risk Management

Liquidity risk carries the prospect of losses in the event that a poor financial position hampers the Bank's ability to secure the necessary capital for cash flow or in the event that the Bank must obtain capital at significantly higher rates than normal to maintain required levels of funding.

The 77 Bank has implemented a structure for liquidity risk that maximizes the double-check function afforded by the Capital Markets Division and the Risk Management Division. The Capital Markets Division is responsible for cash flow management and executes controls on a daily basis, while the Risk Management Division is responsible for liquidity risk management, supervising the activities of the Capital Markets Division and identifying the Bank's overall liquidity risk position.

The Capital Markets Division prepares daily and monthly outlooks for cash flow management, determines procurable amounts and asset liquidity, and confirms due date collection of large-lot funds. This division also tracks discrepancies between deposit and lending performances and capital gaps in fund-procurement. Details are provided to the ALM Committee and the directors and division managers liaison meeting.

The Bank maintains a basic policy for liquidity risk management as well as an assortment of responses that cover all possible scenarios. For example, we have liquidity risk-hedging standards to guide us in controlling applicable risk and contingency measures for emergency use.

Operational Risk Management

Operational risk is the possibility of losses caused by accidents, management errors or dishonest actions. To effectively deal with operational risk, The 77 Bank strives to enhance relevant controls and inspection systems. The Bank has established an operational risk management policy and undertakes appropriate measures to avert risk.

In regard to controls, we aim for faster and more accurate administrative processing with on-site direction from the Operations Administration Division at branches, as well as training sessions and guidance reports. Audits serve to prevent accidents by ascertaining levels of regulatory compliance and the management status of each type of risk.

The Audit & Inspection Division conducts an annual check of branches, the head office and group companies. This division comprises members with business experience in each division of the Bank to expedite audits in all aspects of operations. We further refine inspection capabilities through specialized training for inspection staff to keep pace with business diversification.

System Risk Management

System risk is the possibility that losses may result from malfunction or inappropriate use of the systems used to execute banking business.

The 77 Bank prioritizes the stable operation of computer systems in the control of system risk. The establishment of a system risk management policy underscores the Bank's concerted efforts to maintain the security and reliability of its systems. The Izumi Center, for example, boasts innovative flooring that protects systems in the event of unexpected catastrophe, such as an earthquake. Our state-of-the-art security system is only a part of wider-ranging measures to prevent unauthorized external access.

We have implemented rules to protect the data in our systems and remind all employees on an ongoing basis that such information is to be strictly safeguarded. In addition, the Audit & Inspection Division undertakes regular inspections of systems to ensure security.

These activities underpin and further reinforce the reliability of our computer systems in terms of both hardware and software.

Compliance

The 77 Bank has always been aware of its social duties and public mission. To earn and preserve the trust of clients and the community at large, the Bank prioritizes thorough legal compliance and exemplary corporate ethics. This practise is in line with Japan's "Big Bang" reforms, which require financial institutions to ensure fair conduct and greater transparency in management practises, based on the principle of self-responsibility.

In September 1998, we set up the Legal Affairs Office to oversee legal compliance. In March 2000, the office was renamed the Legal Affairs Department and incorporated into the Inspection Division to consolidate in-house inspection systems, including legal compliance audits. More recently, in April 2001 the Inspection Division was renamed the Audit & Inspection Division, to symbolize the Bank's broader auditing perspective. With this change, the Legal Affairs Department within the Audit & Inspection Division became the supervisory unit for compliance.

The president is the director responsible for internal compliance, supported by the General Manager of the Audit & Inspection Division, who supervises inspections, and the head of the Legal Affairs Department, who acts as compliance officer. Inspections are performed by members of the Audit & Inspection Division. Compliance officers and liaison administrators, posted to each branch and office, undertake routine in-house inspections to ascertain compliance status. These efforts are underpinned by clear-cut measures to deal with violations of compliance rules and regulations.

To firmly entrench the concept of compliance in the corporate consciousness, the Board of Directors formulated "Basic Policies Concerning Compliance" and "Compliance Guidelines" in March 1999, and also revised relevant office regulations. The Guidelines set out the fundamental objectives of legal compliance and specify acceptable standards of ethical conduct.

In April 1999, The 77 Bank published the Compliance Manual and distributed it to all employees. We produced an amended version in line with our internal reorganization. To foster greater awareness of compliance issues and to facilitate a deeper understanding of pertinent laws by executives and employees, we send directors to external seminars, convene regular compliance training sessions at branches and arrange for outside lawyers or members of our own legal affairs section to give lectures.

The Board of Directors regularly reviews the Bank's compliance program, including the activities noted above, to further elevate levels of compliance.

Marketing principles formulated

In March 2001, The 77 Bank drafted marketing principles that define the basic attitude staff must maintain when promoting financial products and services to clients. These principles are displayed in the lobbies of our branches and in our cash service corners as well as on our homepage.

Deposit rules for offsets from depositors created

In regard to depositors' insurance, if risk arises—as provided under the Deposit Insurance Law, wherein a borrower is unable to repay a financial institution—the Bank allows the depositor to exercise an offset that applies credit for which payment has not become due to cancel the obligation to repay borrowings. In December 2000, The 77 Bank revised deposit rules for time deposits, deposits at notice, negotiable deposits and general accounts. In March 2001, the Bank changed deposit rules for ordinary deposits and savings deposits.

Consumer Loan Contract revised

In February 2001, based on amendments to the Banking Transaction Contract, The 77 Bank completely revised its Consumer Loan Contract, which is used when extending loans to individuals.

Internal structure geared to payoff (Removal of Full Deposit Insurance) system established

To forge a stronger operating foundation, The 77 Bank is working to achieve the basic objectives outlined in its medium-term management plan. The Bank stresses the importance of upholding an excellent financial position to maintain the trust of its valued clients.

The 77 Bank has designated the period from February 2001 through December 2002 as a priority response period during which the General Planning & Coordination Division will supervise the establishment of an internal structure appropriate to payoff system.

Along with the Community

Our mission, as a regional financial institution, is to contribute to regional socioeconomic development through the timely and accurate provision of financial services geared to the needs of the community. This concept permeates our operations and has helped us expand our share of deposits and loans. In a decade, our share of deposits has risen by 8.4 percentage points, and our share of loans by 9.8 percentage points.

Changes in Deposits and Loans Shares in Miyagi Prefecture (As of March 31)

	1991(A)	1996	2001 (B)	(B)–(A)
Deposits	44.8	49.5	53.2	+8.4
Loans	32.6	35.5	42.4	+9.8

Note: Postal savings and agricultural cooperatives are not included.

Sources: Bankers Association of Miyagi Prefecture, Sendai Branch of the Bank of Japan

Expanding Transaction Channels

Internet Banking

In September 2000, we launched full-scale operation of 77 Internet Banking, which enables clients with personal computers to execute transactions through the Internet. A broad menu grants individuals round-the-clock access to check balances and account activity, as well as transfer funds and create or close term deposits. The Bank's URL is <http://www.77bank.co.jp/>

Mobile Banking

From September 2000, the Bank's enhanced 77 Mobile Banking service allows users to execute fund transfer as well as check balances and deposit and withdrawal activities through iMode-equipped cellular phones from NTT DoCoMo, Inc. Coinciding with expanded services, we implemented 24-hour access for greater client convenience. In addition, as of June 2001 we have made 77 Mobile Banking available through cellular phones featuring EZweb from au Corp.

Telephone Banking

Individuals with a client card may take advantage of 77 Telephone Banking, which facilitates balance inquiries, updates on account activity and address changes. Clients who sign up for our membership service can track fund transfers, close accounts and set up or terminate time deposits.

Mail Service

We offer 77 Mail Service, which lets clients initiate banking transactions through the mail. This service facilitates such activities as the opening of accounts, installment deposits, address changes and application for many types of loans—all by mail. In October 2000, we began accepting mail-in applications for combined Telephone, Mobile and Internet Banking Service, and in February 2001, we started taking mail-in applications for Point Seven Mail Service, which allocates points for each mail-in transaction completed during a six-month period that can be redeemed for special privileges, such as favorable interest rates or reduced service fees, in the following six months.

Debit Card, Cash/Credit Card

Our debit card service gives clients the option of paying for purchases at participating stores and restaurants directly from their 77 Bank accounts. This service obviates the need to carry large amounts of cash while shopping or dining out and frees clients from making a special trip to a branch to withdraw funds.

We also handle the 77 Cash/Credit Card, a client card with credit-card capabilities that can be used for debit purchases as well. This extremely convenient card combines the merits of a regular client card, used for cash-related services, with those of a credit card, used for shopping and cash advances, and those of a debit card, used at participating retailers and restaurants.



Topics

77 Point Seven

In April 2001, The 77 Bank began 77 Point Seven, a service that accords points for designated transactions during a six-month period, and allows clients to redeem points for special privileges in the following six-month period. Privileges include lower interest rates on loans and reduced service fees on transactions executed at automated teller machines after regular business hours. Each client may decide how to use points, depending on their total available points, to maximize money-saving opportunities.

Our homepage features a convenient point-totalling simulation to help clients manage their points.

77 Foreign Currency Time Deposit with Currency Options

Seeking to meet the diversifying fund-application needs of clients, in October 2000 we launched 77 Foreign Currency Time Deposit with Currency Options, a time deposit denominated in U.S. dollars with currency options, that utilizes currency options to ameliorate exchange rate risk within a fixed range. This product offers clients a high yen-based return. However, exchange rate fluctuations could erode the principal.

Expanded Selection of Investment Trust Products

In July 2000, The 77 Bank doubled its selection of investment trusts, from six to 12 products, to better meet the fund-application needs of clients. The Bank expanded its line still further with the April 2001 debut of 77 Tsumitate Toshin, an installment-type investment trust that supports clients in pursuit of long-term asset formation. This easy-to-use product offers several advantages, such as small investment units, and facilitates stable procurement prices by staggering the investment periods.

The 77 Bank Offers Fire Insurance

Since April 2001, we have acted as a non-life insurance agent to provide long-term fire insurance to clients acquiring home loans. This type of insurance is, of course, essential in protecting a property investment, but the opportunity to apply for insurance along with a loan is a convenience that clients appreciate. To provide an assortment of products from which loan clients may choose, we have forged agency contracts with seven non-life insurance companies. Insurance counters are set up at all our branches in the Tohoku region.

Overseas Mission

The 77 Bank planned and led its seventh Northeast Asia Economic Affairs Business Mission in April 2001. Led by the Bank's Deputy President, representatives from 17 companies based in Miyagi Prefecture traveled to several areas, including Hong Kong, Kunming, Guangzhou and Seoul, visited Japanese-owned businesses, financial institutions and government organizations, and gained a better idea of local economic conditions and the investment environment. The mission also attended the Guangzhou Trade Fair, the largest business show in the People's Republic of China.



Lines of business

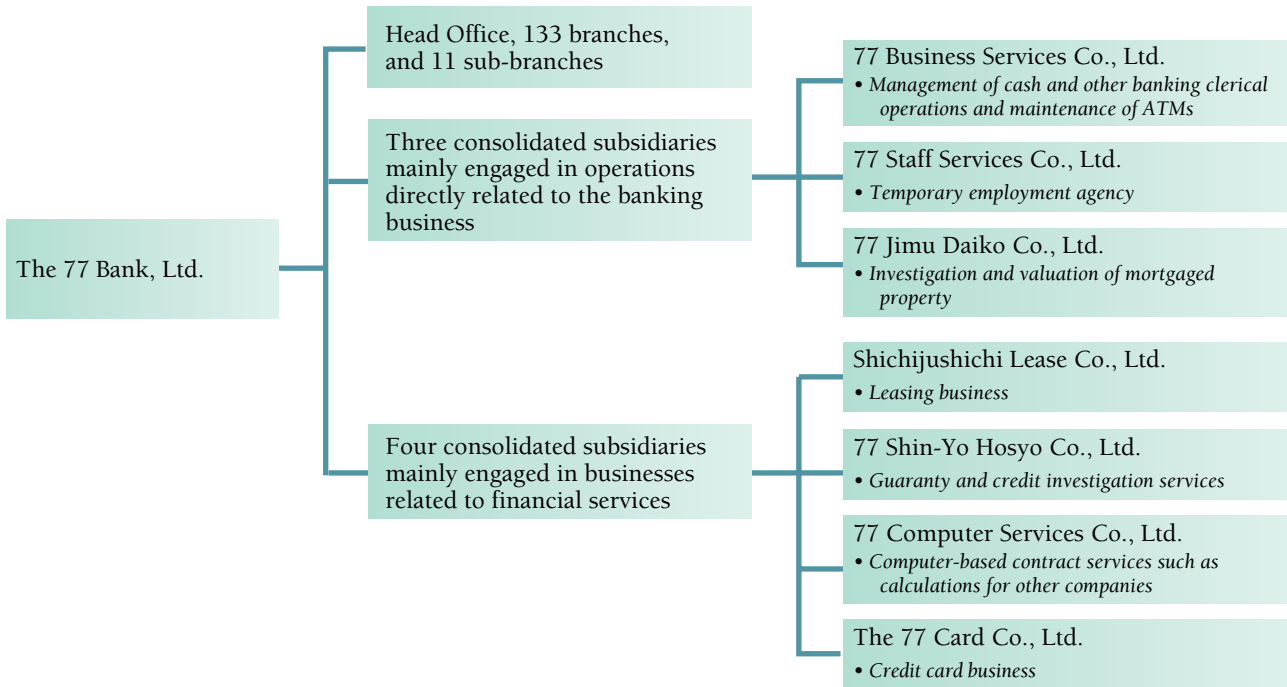
Deposits	Deposits	<i>Handling current deposits, ordinary deposits, savings deposits, deposits at notice, time deposits, miscellaneous deposits, deposits for tax payment, nonresident yen deposits and foreign currency deposits</i>
	Negotiable deposits	<i>Handling negotiable time certificates of deposit</i>
Loans	Lending	<i>Handling loans on bills, loans on deeds and overdrafts</i>
	Discounting of bills	<i>Discounting of bank acceptances, commercial bills and documentary bills</i>
Purchase and sale of trading securities	<i>Conducting wholesale transactions of government bonds and other public bonds</i>	
Securities investment	<i>Investing in government bonds, local government bonds, corporate bonds, corporate stocks and other certificates to prepare for payment of deposits and funds management</i>	
Domestic exchange	<i>Handling remittance bills, credits to current account and collections</i>	
Foreign exchange	<i>Handling various operations related to exports, imports, overseas money transfers and other foreign exchange transactions</i>	
Trust and registration of corporate bonds	<i>Handling operations related to trusted corporate bonds, flotation of public and corporate bonds and registration in accordance with the Secured Debenture Trust Law</i>	
Trusted dealings in futures	<i>Handling trusted dealings in futures and options, dealings in securities futures and options, and forward rate and forward exchange transactions</i>	
Auxiliary operations	Agency	<i>Agency of the Bank of Japan, revenue agency of the Bank of Japan and agency of government bonds</i>
		<i>Handling of public funds of local public entities</i>
		<i>Agency of the Workers' Retirement Benefit Mutual Aid Organization and others</i>
		<i>Agency acceptance of subscriptions to the capital, as well as agency payment of dividends and the principal and interest on public and corporate bonds</i>
		<i>Agency loans of the Small Business Finance Corporation and others</i>
		<i>Trust agency</i>
		<i>Agency of non-life insurance</i>
	<i>Safe custody and safe deposit</i>	
	<i>Securities loans</i>	
	<i>Guarantee of debts (bank's liabilities on accounts of guaranty)</i>	
<i>Purchase and sale of gold</i>		
<i>Underwriting of public bonds</i>		
<i>Over-the-counter sale of public bonds such as government bonds and securities investment trusts</i>		
<i>Bank card-related operations</i>		
<i>Handling of commercial paper</i>		

77 Bank Group

(As of June 30, 2001)

Main Business and Organization of the Bank and Subsidiaries

The 77 Bank group is engaged in leasing, credit card and other financial businesses in addition to the banking business. The group consists of the following:



CONSOLIDATED SUBSIDIARIES

77 BUSINESS SERVICES CO., LTD.

- (a) January 1980
- (b) ¥20 million
- (c) 100.00%
- (d) —

SHICHIJUSHICHI LEASE CO., LTD.

- (a) November 1974
- (b) ¥100 million
- (c) 5.00%
- (d) 60.00%

THE 77 CARD CO., LTD.

- (a) February 1983
- (b) ¥64 million
- (c) 4.68%
- (d) 44.53%

77 STAFF SERVICES CO., LTD.

- (a) March 1987
- (b) ¥30 million
- (c) 100.00%
- (d) —

77 SHIN-YO HOSYO CO., LTD.

- (a) October 1978
- (b) ¥30 million
- (c) 5.00%
- (d) 45.90%

- (a) Established
- (b) Paid-in capital
- (c) Percentage of parent company's ownership
- (d) Percentage of ownership by subsidiaries and affiliated companies excluding The 77 Bank, Ltd.

77 JIMU DAIKO CO., LTD.

- (a) October 1988
- (b) ¥30 million
- (c) 100.00%
- (d) —

77 COMPUTER SERVICES CO., LTD.

- (a) January 1982
- (b) ¥20 million
- (c) 5.00%
- (d) 45.00%

Note: 77 Computer Services Co., Ltd., and The 77 Card Co., Ltd., are regarded as consolidated subsidiaries because institutions which have a close relationship with the Bank have 45.00% and 35.15% of capital, respectively.

Board of Directors and Corporate Auditors

(As of June 30, 2001)



Yasuyuki Katsumata



Chugo Marumori



Hiroshi Kamata



Teruhiko Ujiie



Yoshinobu Takahashi



Osamu Ichijo



Masayuki Aoki



Isamu Sato

Chairman

Yasuyuki Katsumata

President

Chugo Marumori

Senior Managing Director

Hiroshi Kamata

Managing Directors

Teruhiko Ujiie
Yoshinobu Takahashi
Osamu Ichijo
Masayuki Aoki
Isamu Sato

Directors

Seikichi Watanabe
Yoshiaki Nagayama
Yoshinori Doi
Tomokazu Sato
Naoki Takahashi
Yoshimasa Kohama
Toshikazu Nakamata
Nobuhiro Chiba

Standing Corporate Auditors

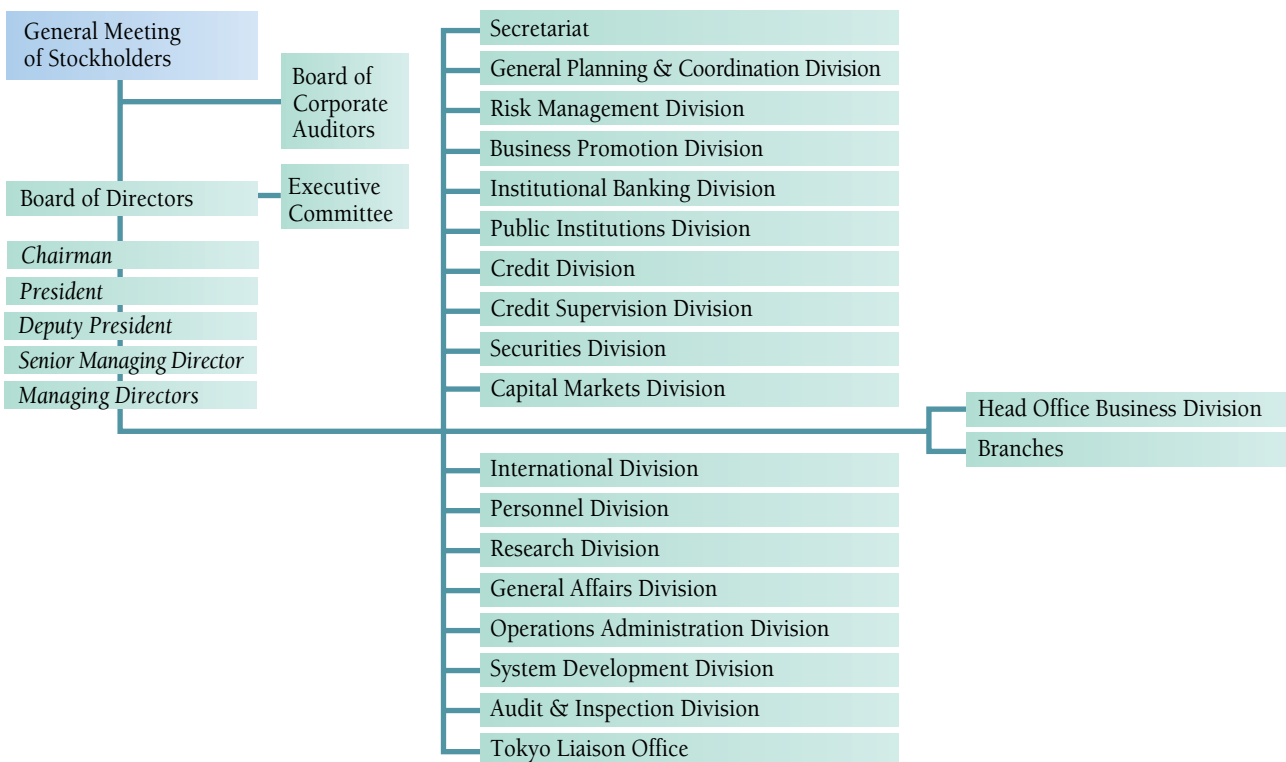
Hideaki Sasaki
Naoto Kobayashi

Corporate Auditors

Yoh Makino
Hiroo Onodera

Organization

(As of June 30, 2001)



Consolidated Five-Year Summary

THE 77 BANK, LTD. AND SUBSIDIARIES
As of March 31

	Millions of Yen				
	2001	2000	1999	1998	1997
For the fiscal year					
Net interest income	¥ 89,789	¥ 93,584	¥ 92,474	¥—	¥—
Net fees and commissions	11,274	11,182	10,372	—	—
Net other operating income (loss)	1,476	(54)	1,673	—	—
Net income	11,197	15,389	9,653	—	—
At the fiscal year-end					
Total assets	¥5,212,706	¥4,993,832	¥4,902,016	¥—	¥—
Deposits	4,582,584	4,503,575	4,350,306	—	—
Loans and bills discounted	3,163,042	3,124,637	3,128,095	—	—
Trading account securities and investment securities	1,273,006	1,027,733	1,036,647	—	—
Stockholders' equity	323,743	244,373	231,317	—	—
Common stock	24,658	24,658	24,658	—	—

	Yen				
	2001	2000	1999	1998	1997
Per share of common stock					
Net income	¥ 29.24	¥ 40.19	¥ 25.21	¥—	¥—
Diluted net income	28.02	38.46	23.93	—	—
Stockholders' equity	845.66	638.34	604.23	—	—
Cash dividends	6.00	6.00	6.00	—	—
Capital adequacy ratio (%)					
BIS standard	(12.36)	(12.55)	(11.41)	9.94	10.64
Domestic standard	10.26	10.34	9.77	—	—

Note: The Bank's capital adequacy ratio is calculated using the method set forth by the Ministry of Finance as specified in Article 14, Paragraph 2, of the Banking Law of Japan. Until the year ended March 31, 1998, the BIS standard was applicable to the ratio, which was calculated on a non-consolidated basis because the Bank did not employ the consolidated figures. At the year ended March 31, 1999, the Bank adopted the domestic standard calculation method in line with the abolition of overseas offices as of March 1999. The Bank's capital adequacy ratio on domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform. The capital adequacy ratios according to the BIS standard, in parentheses, are indicated for reference only.

Consolidated Performance for Fiscal 2001

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

Financial and Economic Conditions

The domestic economic environment during fiscal 2001, ended March 31, 2001, was divided between a positive first half and a lackluster second half. The first half manifested signs of gradual improvement over the performance of the previous fiscal year, thanks to stronger corporate earnings and higher capital investment, but second half was marred by increasingly slow business conditions in the United States just as 2001 started, as well as by falling stock prices at home and abroad. These conditions prompted various adjustments in the marketplace, particularly production adjustments by manufacturers. Meanwhile, a high unemployment rate dampened expectations of recovery in Japan and kept consumer spending depressed. The economic climate in Miyagi Prefecture, The 77 Bank's primary base of operations, acquired a bearish aspect, owing to such developments as a shifting away from asset expansion activities near the end of the term.

Under these trying circumstances, the Bank of Japan executed two reductions in the official discount rate and held short- and long-term interest rates down. Stock prices were sluggish throughout the year, while the yen remained weak in foreign exchange markets.

Business Results

The Bank's consolidated performance for the fiscal year ended March 31, 2001, is presented below.

Deposits, including negotiable deposits, rose 1.7%, to ¥4,582.5 billion, primarily due to an increase in deposits from individuals. Loans and bills discounted edged up 1.2%, to ¥3,163.0 billion, largely owing to growth in demand for funds from local small and medium-sized businesses and an increase in consumer loans for individuals. In the Bank's investment portfolio, marketable securities jumped 23.8%, to ¥1,270.9 billion. Total assets as of March 31, 2001, stood at ¥5,212.7 billion, up 4.3%, from a year earlier.

In terms of income and expenses, the Bank marked a 27.2% reduction in net income, to ¥11.1 billion, as persistently low interest rates during the

term outweighed efforts to cut costs and boost the efficiency of fundraising and fund application. Net income per share was ¥29.24. The Bank's capital adequacy ratio dipped 0.08 percentage point, to 10.26%, as calculated to the domestic standard.

In the analysis of cash flow for fiscal 2001, net cash provided by operating activities soared more than sevenfold, to ¥109.1 billion, the increase in deposits being considerably higher than the increase in loans and bills discounted. Net cash used in investing activities amounted to ¥122.0 billion, almost six times more than in fiscal 2000, owing to such activities as the purchase of investment securities. Net cash used in financing activities came to ¥2.3 billion, nearly on a par with the previous year, with dividends paid comprising the largest component of this category. As a result, cash and cash equivalents as at March 31, 2001, settled at ¥84.1 billion, down 15.3%, reflecting greater efficiency in the Bank's application of funds.

A breakdown of the Bank's performance by segment shows that banking operations contributed ¥123.7 billion to total income, 5.5% less than in the previous fiscal year. Although the Bank endeavored to enhance the efficiency of its fund application activities and thereby buoy profitability in banking operations, these efforts were only partially successful because persistently low interest rates eroded interest income potential. Ordinary income from banking operations fell 28.1%, to ¥18.7 billion, owing to an increase in the transfer to reserve for possible loan losses.

Lease operations accounted for ¥17.5 billion of total income, down 0.4%, and ¥768 million of ordinary income, down 0.1%.

Other operations, including credit card operations, represented ¥4.5 billion of total income, slightly higher than a year earlier, but consumed ¥82 million of ordinary income.

Consequently, total income after elimination of intersegment transactions for fiscal 2001 slipped 4.6%, to ¥141.1 billion, while ordinary income after elimination of intersegment transactions dropped 27.9%, to ¥19.4 billion.

Consolidated Balance Sheets

THE 77 BANK, LTD. AND SUBSIDIARIES
March 31, 2001 and 2000

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		2001
	2001	2000	
Assets:			
Cash and due from banks	¥ 85,698	¥ 102,044	\$ 691,678
Call loans and bills purchased	416,887	445,609	3,364,711
Commercial paper and other debt purchased (Note 3)	60,939	37,206	491,847
Trading account securities (Note 3)	2,087	1,503	16,846
Money held in trust (Note 4)	79,660	74,773	642,939
Investment securities (Notes 3 and 10)	1,270,919	1,026,230	10,257,623
Loans and bills discounted (Note 5)	3,163,042	3,124,637	25,528,992
Foreign exchange assets (Note 6)	459	432	3,708
Other assets (Note 7)	58,837	54,624	474,882
Premises and equipment—net (Notes 8 and 10)	58,772	62,070	474,352
Deferred tax assets (Note 22)	1,548	29,549	12,499
Customers' liabilities for acceptances and guarantees (Note 9)	92,978	99,824	750,434
Allowance for possible loan losses	(79,124)	(64,673)	(638,615)
Allowance for losses on investment securities	(1)		(12)
Total	¥5,212,706	¥4,993,832	\$42,071,884
Liabilities:			
Deposits (Notes 10 and 12)	¥4,582,584	¥4,503,575	\$36,986,152
Call money	37,838	15,168	305,398
Borrowed money (Notes 10 and 13)	49,002	53,270	395,498
Foreign exchange liabilities (Note 6)	125	110	1,011
Convertible bonds (Note 14)	19,334	19,334	156,045
Other liabilities (Note 15)	64,055	41,553	516,991
Liability for employees' retirement benefits (Note 16)	34,891	11,442	281,608
Deferred tax liabilities (Note 22)	2,641		21,316
Acceptances and guarantees (Note 9)	92,978	99,824	750,434
Total liabilities	4,883,450	4,744,278	39,414,454
Minority interests	5,511	5,180	44,487
Stockholders' equity (Note 17):			
Common stock, ¥50 par value authorized—1,344,000,000 shares; issued—383,278,734 shares	24,658	24,658	199,020
Additional paid-in capital	7,835	7,835	63,238
Retained earnings	221,066	212,209	1,784,230
Net unrealized gain on available-for-sale securities (Note 3)	70,512		569,111
Total	324,072	244,703	2,615,600
Treasury stock	(329)	(329)	(2,657)
Total stockholders' equity	323,743	244,373	2,612,943
Total	¥5,212,706	¥4,993,832	\$42,071,884

See notes to consolidated financial statements.

Consolidated Statements of Income

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
Income:			
Interest:			
Loans and discounts	¥ 71,955	¥ 74,278	\$ 580,755
Trading account and investment securities	32,929	36,622	265,773
Other	227	452	1,833
Fees and commissions	14,488	14,208	116,935
Other operating income (Note 18)	17,047	17,860	137,588
Other income (Note 19)	29,009	5,087	234,137
Total income	165,656	148,511	1,337,021
Expenses:			
Interest:			
Deposits	9,810	11,166	79,182
Borrowings and rediscounts	2,787	2,767	22,501
Other	2,724	3,835	21,988
Fees and commissions	3,213	3,025	25,939
Other operating expenses (Note 20)	15,571	17,915	125,674
General and administrative expenses	62,764	63,293	506,573
Provision for possible loan losses	22,900	14,585	184,833
Other expenses (Note 21)	26,520	5,237	214,046
Total expenses	146,293	121,827	1,180,736
Income before income taxes and minority interests	19,363	26,683	156,285
Income taxes (Note 22):			
Current	27,414	15,668	221,267
Deferred	(19,595)	(4,843)	(158,154)
Total income taxes	7,819	10,824	63,113
Minority interests in net income	(346)	(470)	(2,797)
Net income	¥ 11,197	¥ 15,389	\$ 90,375
Per share of common stock:			
Net income	¥29.24	¥40.19	\$0.235
Diluted net income	28.02	38.46	0.226
Cash dividends applicable to the year	6.00	6.00	0.048

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2001 and 2000

	Thousands		Millions of Yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for- sale Securities	Treasury Stock
Balance, April 1, 1999	383,278	¥24,658	¥7,835	¥199,161		¥(338)
Net income				15,389		
Cash dividends (Note 25):						
Year end for prior year, ¥3.00 per share				(1,148)		
Interim for current year, ¥3.00 per share				(1,148)		
Bonuses to directors and corporate auditors				(44)		
Purchases of treasury stock						(169)
Sales of treasury stock						177
Balance, March 31, 2000	383,278	24,658	7,835	212,209		(329)
Net income				11,197		
Cash dividends (Note 25):						
Year end for prior year, ¥3.00 per share				(1,148)		
Interim for current year, ¥3.00 per share				(1,148)		
Bonuses to directors and corporate auditors				(43)		
Purchases of treasury stock						(42)
Sales of treasury stock						43
Adjustment for the adoption of a new accounting standard for financial instruments					¥70,512	
Balance, March 31, 2001	383,278	¥24,658	¥7,835	¥221,066	¥70,512	¥(329)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for- sale Securities	Treasury Stock
Balance, March 31, 2000	\$199,020	\$63,238	\$1,712,749		\$(2,659)
Net income			90,375		
Cash dividends (Note 25):					
Year end for prior year, ¥0.24 per share			(9,269)		
Interim for current year, ¥0.24 per share			(9,269)		
Bonuses to directors and corporate auditors			(355)		
Purchases of treasury stocks					(346)
Sales of treasury stocks					349
Adjustment for the adoption of a new accounting standard for financial instruments				\$569,111	
Balance, March 31, 2001	\$199,020	\$63,238	\$1,784,230	\$569,111	\$(2,657)

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
Operating activities:			
Income before income taxes and minority interests	¥ 19,363	¥ 26,683	\$ 156,285
Adjustments for:			
Income tax paid	(15,239)	(20,629)	(123,001)
Depreciation and amortization	17,697	18,012	142,840
Increase in allowance for possible loan losses	14,450	11,064	116,633
Increase in allowance for losses on investment securities	1		12
Increase in liability for employees' retirement allowances	23,448	309	189,257
Interest income	(105,111)	(111,354)	(848,361)
Interest expenses	15,322	17,770	123,671
Investment securities losses (gains)—net	(2,672)	3,592	(21,569)
Losses (gains) on money held in trust—net	397	(629)	3,210
Foreign exchange losses (gains)—net	(9,106)	7,763	(73,499)
Losses on disposal of premises and equipment—net	132	320	1,073
Net decrease (increase) in loans and bills discounted	(38,404)	3,457	(309,964)
Net increase in deposits	79,009	153,268	637,684
Net increase (decrease) in other borrowings	(4,268)	623	(34,448)
Net decrease in due from banks	1,111	497	8,974
Net decrease (increase) in call loans and bills purchased	28,721	(93,723)	231,814
Net decrease (increase) in commercial paper and other debt purchased	(23,733)	(20,199)	(191,555)
Net increase (decrease) in call money	22,669	(61,780)	182,970
Net increase in trading account securities	(584)	(343)	(4,715)
Net increase in foreign exchange assets	(17)	(33)	(144)
Net increase (decrease) in foreign exchange liabilities	7,953	(1,097)	64,190
Interest received	103,164	111,920	832,642
Interest paid	(16,993)	(19,617)	(137,158)
Other—net	(8,209)	(10,522)	(66,259)
Total adjustments	89,740	(11,329)	724,298
Net cash provided by operating activities	109,104	15,354	880,583
Investing activities:			
Purchases of investment securities	(394,626)	(308,588)	(3,185,041)
Proceeds from sales of investment securities	117,650	182,405	949,560
Proceeds from maturity of investment securities	164,616	124,147	1,328,622
Increase in money held in trust	(6,000)	(20,000)	(48,426)
Decrease in money held in trust		5,482	
Purchases of premises and equipment	(4,137)	(4,998)	(33,391)
Proceeds from sales of premises and equipment	407	631	3,289
Net cash used in investing activities	(122,089)	(20,919)	(985,388)
Financing activities:			
Dividends paid	(2,297)	(2,297)	(18,541)
Dividends paid to minority interests stockholders	(8)	(7)	(65)
Purchases of treasury stock	(42)	(169)	(346)
Proceeds from sales of treasury stock	42	166	346
Proceeds from issuance of common stock to minority interests stockholders		4	
Net cash used in financing activities	(2,305)	(2,303)	(18,606)
Foreign currency translation adjustments on cash and cash equivalents	56	(51)	456
Net decrease in cash and cash equivalents	(15,234)	(7,920)	(122,955)
Cash and cash equivalents, beginning of year	99,430	107,350	802,504
Cash and cash equivalents, end of year	¥ 84,196	¥ 99,430	\$ 679,549

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2001 and 2000

1. Basis of Presenting Consolidated Financial Statements

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

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

Certain reclassifications have been made in the 2000 consolidated balance sheet and cash flow statement to conform to the classifications used in 2001.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may in fact not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the "Bank") is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥123.90 to U.S.\$1, the approximate rate of exchange at March 31, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its seven majority-owned subsidiaries (together, the "Companies"). An investments in one associated companies are stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

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

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

c. Trading Account Securities—Prior to April 1, 2000, listed trading account securities were stated at the lower of cost or market value. Other trading account securities were stated at cost. Cost was determined by the moving-average method. Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments. Under this standard, all trading account securities are stated at market value at the fiscal year end. The cost of trading account securities sold is determined by the moving-average method.

d. Investment Securities and Money Held in Trust—Prior to April 1, 2000, convertible bonds, bonds with warrants and corporate stocks listed on stock exchanges were stated at the lower of cost or market value. Other securities are stated at cost. Cost is determined by the moving-average method. Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments, including investment securities.

The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:

- (1) trading securities which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,
- (2) held-to-maturity debt securities which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost,
- (3) investments in associated companies are reported on the cost basis, and

(4) available-for-sale securities, which are not classified as either of the aforementioned securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity. The cost of available-for-sale securities sold is determined based on the moving-average method.

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

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

The effect of adopting the new standard was to increase income before income taxes and minority interests by ¥2,752 million (\$22,218 thousand) for the year ended March 31, 2001.

e. Property and Equipment for Lease—Property and equipment for lease included in other assets are stated at cost less accumulated depreciation. Depreciation of property and equipment for lease is mainly computed by the straight-line method over lease periods.

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

g. Software—Cost of computer software obtained for internal use is principally amortized using the straight-line method over the estimated useful lives of five years.

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

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

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

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

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

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

j. Allowance for Losses on Investment Securities—The allowance for losses on investment securities is stated in amounts based on the estimated losses on non-marketable investment securities.

k. Employees' Retirement and Pension Plans—Under most circumstances, employees terminating their employment are entitled to certain severance payments based on the rate of pay at the time of termination, years of service and certain other factors. If the termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination. Prior to April 1, 2000, the liability for employees' retirement benefits was calculated to state the estimated liability at the amount which would be required if all employees eligible for severance payments should voluntarily terminate their employment at each balance sheet date. The accrued provision is not funded. In addition, the Bank has a funded contributory pension plan which covers most employees. The funds for the annuity payments are entrusted to an outside trustee.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥24,278 million (\$195,950 thousand) at the beginning of the year is charged to income and presented as other expenses in the statement of income. As a result, net periodic benefit costs as compared with the prior method, increased by ¥23,183 million (\$187,114 thousand) and income before income taxes and minority interests decreased by ¥23,183 million (\$187,114 thousand).

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

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

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

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

Effective April 1, 2000, the Companies adopted a new accounting standard for derivative financial instruments. This standard requires that (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The method of hedge accounting is a “Macro Hedge” in which the Bank manages interest rate risks arising from various assets and liabilities with derivatives transactions as a whole. The Bank applies a risk adjustment approach based on the report issued by Japanese Institute of Certified Public Accountants “Tentative Treatment in Accounting and Audit for Banks on Application Standard for Financial Instruments”. The effectiveness of the macro hedge is reviewed for a reduction in interest rate risk exposure and for the actual risk amount of derivatives within the permitted risk amount under the Bank's risk control policies.

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

The effect of adopting the new accounting standard for derivative financial instruments is described in Note 2. d.

p. Per Share Information—The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in computation was 382,826 thousand shares and 382,823 thousand shares for fiscal 2001 and 2000, respectively.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax.

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

3. Trading Account Securities and Investment Securities

Trading account securities at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
National government bonds	¥1,835	¥1,373	\$14,811
Local government bonds	252	129	2,036
Total	¥2,087	¥1,503	\$16,846

Investment securities at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
National government bonds	¥ 639,652	¥ 547,420	\$ 5,162,653
Local government bonds	154,771	169,589	1,249,168
Corporate bonds	219,661	151,672	1,772,891
Stocks	149,477	93,505	1,206,437
Other securities	107,355	64,042	866,473
Total	¥1,270,919	¥1,026,230	\$10,257,623

The carrying amounts and aggregate fair values of securities at March 31, 2001 were as follows:

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

	Millions of Yen			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 32,682
Available-for-sale:				
Equity securities	¥ 78,417	¥69,344	¥2,213	145,548
Debt securities	958,521	54,242	107	1,012,656
Other securities	124,498	1,106	1,763	123,840
Held-to-maturity	480	59		539
	Thousands of U.S. Dollars			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				\$ 263,777
Available-for-sale:				
Equity securities	\$ 632,909	\$559,683	\$17,868	1,174,724
Debt securities	7,736,250	437,793	869	8,173,174
Other securities	1,004,829	8,929	14,237	999,521
Held-to-maturity	3,876	479		4,355

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001 were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale:		
Equity securities	¥3,919	\$31,633
Debt securities	1,360	10,984
Total	¥5,280	\$42,618

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001 were ¥114,130 million (\$921,149 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥26,421 million (\$213,251 thousand) and ¥802 million (\$6,479 thousand), respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 182,282	¥180	\$1,471,210	\$1,453
Due after one year through five years	729,606	300	5,888,669	2,423
Due after five years through ten years	215,517		1,739,448	
Due after ten years	5,000		40,355	
Total	¥1,132,406	¥480	\$9,139,682	\$3,876

Net unrealized gain on available-for-sale securities for the year ended March 31, 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Valuation differences		
Available-for-sale securities	¥120,608	\$973,431
Available-for-sale held in trust	153	1,240
Deferred tax liabilities	(50,236)	(405,463)
Minority interests	(11)	(96)
Net unrealized gain on available-for-sale securities	¥ 70,512	\$569,111

The carrying amounts and aggregate market values of marketable securities included in trading account securities and investment securities at March 31, 2000 were as follows:

	Millions of Yen		
	2000		
	Carrying Amount	Aggregate Market Value	Unrealized Gain
Trading account securities (Listed)	¥ 46	¥ 47	
Trading account securities (Unlisted)	292	294	¥ 2
Total	339	341	2
Investment securities (Listed)	387,146	531,255	144,109
Investment securities (Unlisted)	362,250	373,518	11,267
Total	749,396	904,774	155,377
Total	¥749,735	¥905,116	¥155,380

The difference between the above carrying amounts and the amounts shown in the accompanying consolidated balance sheets principally consists of non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

4. Money Held in Trust

The carrying amount and aggregate fair values of money held in trust at March 31, 2001, were as follows:

	Millions of Yen		
	2001		
	Cost	Unrealized Gains	Fair Value
Money held in trust classified as:			
Trading			¥73,505
Available-for-sale:	¥ 6,000	¥153	6,154

	Thousands of U.S. Dollars		
	2001		
	Cost	Unrealized Gains	Fair Value
Money held in trust classified as:			
Trading			\$593,268
Available-for-sale:	\$48,431	\$1,240	49,671

The carrying amount and aggregate market value of money held in trust at March 31, 2000, were as follows:

	Millions of Yen		
	2000		
	Carrying Amount	Aggregate Market Value	Unrealized Gain (Net)
Money held in trust	¥74,773	¥75,002	¥229

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Bills discounted	¥ 67,448	¥ 67,710	\$ 544,376
Loans on bills	556,164	561,248	4,488,817
Loans on deeds	1,961,155	1,926,607	15,828,535
Overdrafts	578,273	569,070	4,667,263
Total	¥3,163,042	¥3,124,637	\$25,528,992

The total of the face value of commercial bills discounted by the Bank is ¥67,448 million (\$544,376 thousand) for the year ended March 31, 2001.

Loans and bills discounted at March 31, 2001 and 2000, included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Loans to borrowers in bankruptcy	¥ 20,989	¥ 25,854	\$ 169,404
Past due loans	48,351	34,838	390,250
Accruing loans contractually past due three months or more	4,479	5,792	36,151
Restructured loans	117,586	126,313	949,040
Total	¥191,406	¥192,799	\$1,544,845

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) in respect of which the Bank discontinues the accruing of interest income when substantial doubt is deemed to exist as to the ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons.

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans of which interest payment is deferred in order to assist in the financial recovery of the debtor.

Accruing loans contractually past due three months or more are loans in which the principal or interest is three months or more past due.

Restructured loans, designed to assist in the recovery of the financial health of debtors, are loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount).

6. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Assets:			
Foreign exchange bills bought	¥ 85	¥140	\$ 687
Foreign exchange bills receivable	169	71	1,368
Due from foreign correspondent accounts	204	220	1,653
Total	¥459	¥432	\$3,708
Liabilities:			
Foreign exchange bills sold	¥ 83	¥ 77	\$ 671
Foreign exchange bills payable	41	33	338
Due to foreign correspondent accounts			2
Total	¥125	¥110	\$1,011

7. Other Assets

Other assets at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Accrued income	¥12,073	¥10,960	\$ 97,447
Prepaid expenses	91	85	741
Premises and equipment for lease—net	31,726	32,378	256,062
Other	14,946	11,200	120,633
Total	¥58,837	¥54,624	\$474,882

8. Premises and Equipment

The accumulated depreciation of premises and equipment at March 31, 2001 and 2000, amounted to ¥69,896 million (\$564,133 thousand) and ¥65,157 million, respectively.

Gains deferred on the sale and replacement of certain assets of ¥8,008 million (\$64,641 thousand) and ¥8,008 million were deducted from the related premises and equipment at March 31, 2001 and 2000, respectively.

9. Customers' Liabilities for Acceptances and Guarantees

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

10. Assets Pledged

Assets pledged as collateral and their related liabilities at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Assets pledged as collateral:			
Investment securities	¥127,818	¥73,134	\$1,031,625
Related liabilities to above assets:			
Deposits	31,163	50,890	251,523

Additionally, investment securities amounting to ¥114,225 million (\$921,914 thousand) and ¥71,289 million are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others at March 31, 2001 and 2000, respectively.

Other than the items shown above, rights under finance leases amounting to ¥5,415 million (\$43,711 thousand) and ¥7,217 million are pledged for borrowed money amounting to ¥4,020 million (\$32,446 thousand) and ¥5,262 million at March 31, 2001 and 2000, respectively.

Leased deposits amounting to ¥1,083 million (\$8,747 thousand) are included in "Premises and equipment" at March 31, 2001.

11. Loan Commitments

Contracts of overdraft facilities and loan commitment limits are the contracts that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount within these limits total ¥1,302,364 million (\$10,511,414 thousand) relating to these contracts.

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

12. Deposits

Deposits at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current deposits	¥ 146,566	¥ 123,502	\$ 1,182,943
Ordinary deposits	1,469,125	1,313,282	11,857,350
Deposits at notice	42,368	33,988	341,956
Time deposits	2,627,303	2,690,514	21,205,028
Negotiable certificates of deposit	810	22,570	6,538
Other deposits	296,410	319,717	2,392,337
Total	¥4,582,584	¥4,503,575	\$36,986,152

13. Borrowed Money

Borrowed money included subordinated borrowings of ¥30,000 million (\$242,131 thousand) and ¥30,000 million at March 31, 2001 and 2000, respectively.

14. Convertible Bonds

Convertible bonds at March 31, 2001 and 2000, consisted of 0.45% convertible bonds due 2002.

The conversion price of the above convertible bonds was ¥1,036 per share at March 31, 2001, and the conversion price is subject to adjustments in certain circumstances.

The bonds outstanding at March 31, 2001, were convertible into 18,662 thousand shares of the Bank's common stock.

15. Other Liabilities

Other liabilities at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Domestic exchange settlement account credit	¥ 169	¥ 138	\$ 1,370
Accrued expenses	12,150	12,564	98,070
Unearned income	7,682	3,776	62,008
Income taxes payable	19,450	7,297	156,987
Other	24,601	17,776	198,557
Total	¥64,055	¥41,553	\$516,991

16. Liability for Employees' Retirement Benefits

Employees whose service with the Companies is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Projected benefit obligation	¥75,318	\$607,898
Fair value of plan assets	(35,059)	(282,970)
Unrecognized net actuarial loss	(5,367)	(43,321)
Net liability	¥34,891	\$281,608

The components of net periodic benefit costs for the year ended March 31, 2001, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Service cost	¥ 2,293	\$ 18,512
Interest cost	2,214	17,875
Expected return on plan assets	(1,348)	(10,882)
Amortization of prior service cost	(1,648)	(13,302)
Amortization of transitional obligation	24,278	195,950
Net periodic benefit costs	¥25,790	\$208,153

Assumptions used for the year ended March 31, 2001 were set forth as follows:

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

17. Stockholders' Equity The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Banking Law of Japan provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until the reserve equals 100% of the bank's stated capital. The Bank's legal reserve amount, which is included in retained earnings, totals ¥24,658 million (\$199,020 thousand) and ¥24,658 million as of March 31, 2001 and 2000, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the stockholders.

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

Under the Code, the Bank may issue new common shares to existing stockholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Bank may make such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the stock split cannot be less than ¥50.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Bank's books. At March 31, 2001, retained earnings recorded on the Bank's books were ¥197,092 million (\$1,590,742 thousand) which is available for future dividends subject to the approval of the stockholders.

18. Other Operating Income

Other operating income for the years ended March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Gains on sales and redemption of bonds and other securities	¥ 503	¥ 1,442	\$ 4,065
Lease receipt	13,224	13,139	106,738
Other	3,318	3,279	26,785
Total	¥17,047	¥17,860	\$137,588

19. Other Income

Other income for the years ended March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Gains on sales of stocks and other securities	¥ 3,288	¥3,172	\$ 26,543
Gains on money held in trust	436	725	3,520
Gains on sales of stocks contributed to employees' retirement benefits	22,629		182,647
Amortization period of prior service cost	1,648		13,302
Other	1,006	1,189	8,125
Total	¥29,009	¥5,087	\$234,137

20. Other Operating Expenses

Other operating expenses for the years ended March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Losses on sales and redemption of bonds and other securities	¥ 916	¥ 4,579	\$ 7,395
Lease cost	11,892	11,796	95,982
Other	2,762	1,539	22,297
Total	¥15,571	¥17,915	\$125,674

21. Other Expenses

Other expenses for the years ended March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Losses on sales of stocks and other securities	¥ 14	¥2,098	\$ 118
Losses on devaluation of stocks and other securities	189	1,529	1,526
Change for full amount of transitional obligation for employees' retirement benefits	24,278		195,950
Other	2,038	1,610	16,452
Total	¥26,520	¥5,237	\$214,046

22. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41.6% for the years ended March 31, 2001 and 2000.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Deferred tax assets:			
Allowance for possible loan losses	¥26,165	¥18,409	\$211,183
Liability for employees' retirement benefits	13,051	3,200	105,340
Premises and equipment	3,496	3,362	28,220
Accrued enterprise tax	1,734	666	14,002
Other	4,833	4,012	39,012
Total deferred tax assets	49,282	29,652	397,757
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	50,236		405,463
Premises and equipment	137	102	1,110
Total deferred tax liabilities	50,374	102	406,573
Net of deferred tax assets (liabilities)	¥ (1,092)	¥29,549	\$ (8,816)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2001	2000
Normal effective statutory tax rate	41.6%	41.6%
Expenses not deductible for income tax purposes	0.8	0.6
Income not taxable for income tax purposes	(3.3)	(2.1)
Inhabitants taxes	0.4	0.2
Other—net	0.8	0.2
Actual effective tax rate	40.3%	40.5%

23. Leases

Lessor

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

Total lease receipts under finance leases for the years ended March 31, 2001 and 2000, were ¥12,917 million (\$104,257 thousand) and ¥12,959 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, rights under finance lease, depreciation expense, interest income of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2001 and 2000, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets	Equipment and Other Assets	Equipment and Other Assets
	2001	2000	2001
Acquisition cost	¥73,050	¥74,301	\$589,592
Accumulated depreciation	(41,334)	(41,923)	(333,613)
Net leased property	¥31,715	¥32,378	\$255,979

Rights under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥10,128	¥10,276	\$ 81,750
Due after one year	20,954	21,564	169,123
Total	¥31,083	¥31,840	\$250,873

Depreciation expense and interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Depreciation expense	¥10,777	¥11,045	\$86,989
Interest income	1,653	1,791	13,345

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

24. Derivatives

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

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

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

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

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

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

In accordance with the Banking Law of Japan requirements of the capital adequacy ratio, credit risk equivalent which was measured using the current exposure method amounted to ¥3,758 million at March 31, 2001.

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

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

The Bank has the following derivatives contracts, which are not quoted on listed exchanges, outstanding at March 31, 2001 and 2000:

	Millions of Yen			
	2001		2000	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Interest rate swaps:				
Fixed rate receipt, floating rate payment	¥ 1,000	¥ 11	¥ 2,000	¥ 5
Floating rate receipt, fixed rate payment	19,081	(378)	307,482	(4,372)
Floating rate receipt, floating rate payment			3,010	(88)
Interest rate caps:				
Buying			200	
(Option premiums which are included in other assets on the consolidated balance sheets)				(2)

Valuation gains (losses) for the year ended March 31, 2001 were recognized in the consolidated statements of income.

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

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

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

The contract amounts of the revalued currency derivatives at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Contract Amount		Contract Amount
	2001	2000	2001
Foreign exchange forward contracts:			
Selling	¥181,841	¥19,973	\$1,467,646
Buying	14,390	7,648	116,145
Currency options:			
Selling	362		2,927
Buying	362		2,927

25. Subsequent Events

At the Bank's general stockholders meeting held on June 28, 2001, the Bank's stockholders approved the followings:

a. Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.00 (\$0.024) per share	¥1,149	\$9,280
Bonuses to directors and corporate auditors	42	339

Year-end dividends are paid after approval at the General Stockholders Meeting held subsequent to the year end, while interim dividends may be paid after the end of the semi-annual period, by resolution of the Board of Directors.

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

The Bank is authorized to repurchase, at management's discretion, up to 38,000 thousand shares of the Bank's stock for the purpose of canceling the shares and charging such amounts to retained earnings.

26. Segment Information

(1) Business Segment Information

Information about operations in different business segments of the Companies for the years ended March 31, 2001 and 2000, was as follows:

a. Ordinary income

	Millions of Yen					
	2001					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥123,131	¥14,929	¥3,136	¥141,196		¥141,196
Intersegment income	609	2,624	1,459	4,693	¥(4,693)	
Total income	123,740	17,553	4,595	145,889	(4,693)	141,196
Ordinary expenses	104,949	16,784	4,678	126,413	(4,653)	121,759
Ordinary income (loss)	¥ 18,790	¥ 768	¥ (82)	¥ 19,476	¥ (39)	¥ 19,437

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2001					
	Banking Operations	Lease Operations	Other Operations	Total	Corporate	Consolidated
Assets	¥5,185,719	¥39,840	¥18,411	¥5,243,970	¥(31,264)	¥5,212,706
Depreciation	4,876	12,773	48	17,697		17,697
Capital expenditures	3,572	12,079	21	15,672	(73)	15,598

a. Ordinary income

	Thousands of U.S. Dollars					
	2001					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	\$993,793	\$120,496	\$25,313	\$1,139,603		\$1,139,603
Intersegment income	4,917	21,180	11,781	37,878	\$(37,878)	
Total income	998,710	141,676	37,094	1,177,481	(37,878)	1,139,603
Ordinary expenses	847,054	135,471	37,760	1,020,285	(37,562)	982,723
Ordinary income (loss)	\$151,657	\$ 6,205	\$ (666)	\$ 157,196	\$ (316)	\$ 156,880

b. Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars					
	2001					
	Banking Operations	Lease Operations	Other Operations	Total	Corporate	Consolidated
Assets	\$41,854,068	\$321,551	\$148,599	\$42,324,218	\$(252,334)	\$42,071,884
Depreciation	39,357	103,094	388	142,840		142,840
Capital expenditures	28,831	97,491	174	126,495	(597)	125,898

a. Ordinary income

	Millions of Yen					
	2000					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥130,266	¥14,788	¥3,077	¥148,132		¥148,132
Intersegment income	680	2,838	1,516	5,036	¥(5,036)	
Total income	130,946	17,626	4,594	153,168	(5,036)	148,132
Ordinary expenses	104,777	16,857	4,495	126,130	(4,968)	121,161
Ordinary income	¥ 26,168	¥ 769	¥ 99	¥ 27,038	¥ (67)	¥ 26,970

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2000					
	Banking Operations	Lease Operations	Other Operations	Total	Corporate	Consolidated
Assets	¥4,970,162	¥37,659	¥18,874	¥5,026,696	¥(32,864)	¥4,993,832
Depreciation	5,449	12,511	56	18,017	(4)	18,012
Capital expenditures	9,038	12,169	326	21,534	(114)	21,419

Notes: 1. Other operations consists of credit card transactions and others.

2. Ordinary income represents total income less certain special income included in other income in the accompanying consolidated statements of income.

3. Ordinary expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

4. The effect of the adoption of the new accounting standard for employees' retirement benefits described in Note 2. k was to decrease ordinary income of banking operations for the year ended March 31, 2001 by ¥553 million (\$4,467 thousand) from such segment in the prior year.

5. The effect of the adoption of the new accounting standard for financial instruments described in Note 2. d was to increase ordinary income of banking operations by ¥2,796 million (\$22,570 thousand) and to decrease operating income of other operations by ¥43 million (\$352 thousand) for the year ended March 31, 2001 from such segments in the prior year.

(2) Geographic Segment Information

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

(3) Operating Income from International Operations

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

Independent Auditors' Report

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The logo for Deloitte Touche Tohatsu, featuring the company name in a bold, sans-serif font stacked vertically.

To the Board of Directors and Stockholders of
The 77 Bank, Ltd.:

We have examined the consolidated balance sheets of The 77 Bank, Ltd. and subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The 77 Bank, Ltd. and subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

A handwritten signature in cursive script that reads "Deloitte Touche Tohatsu".

June 28, 2001

Consolidated Capital Adequacy Ratio

THE 77 BANK, LTD.
Years ended March 31

		Millions of Yen		Millions of U.S. Dollars
		2001	2000	2001
Domestic standard				
Tier I capital:	Common stock	¥ 24,329	¥ 24,329	\$ 196
	Capital surplus	7,835	7,835	63
	Retained earnings	219,848	210,989	1,774
	Minority interests	5,500	5,180	44
	Subtotal (A)	257,513	248,334	2,078
Tier II capital:	General reserve for possible loan losses	28,412	23,935	229
	Debt funding instruments and others	4,000	10,000	32
	Subtotal	32,412	33,935	262
	Position included in stockholders' equity (B)	20,954	26,608	169
Deductions:	Cross-holdings with other financial institutions (C)	—	—	—
Total capital:	(A) + (B) - (C) = (D)	278,467	274,942	2,248
Risk-adjusted assets:	On-balance-sheet	2,620,845	2,558,524	21,153
	Off-balance-sheet	91,835	98,804	741
	Subtotal (E)	2,712,680	2,657,328	21,894
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		10.26	10.34	

Non-Consolidated Five-Year Summary

THE 77 BANK, LTD.
As of March 31

	Millions of Yen				
	2001	2000	1999	1998	1997
For the fiscal year					
Net interest income	¥ 89,399	¥ 93,450	¥ 92,891	¥ 89,647	¥ 86,513
Net fees and commissions	10,079	10,030	9,330	9,303	9,113
Net other operating income (loss)	(899)	(2,935)	(1,823)	(1,816)	2,228
Net income	11,505	15,673	9,540	12,110	17,739
At the fiscal year-end					
Total assets	¥5,185,666	¥4,964,711	¥4,873,733	¥4,721,728	¥4,605,498
Deposits	4,589,992	4,511,552	4,358,295	4,195,367	4,076,476
Loans and bills discounted	3,179,012	3,140,108	3,145,708	3,099,249	2,911,976
Trading account securities and investment securities	1,272,490	1,027,218	1,036,128	972,824	1,014,497
Stockholders' equity	323,886	244,210	230,878	205,849	195,440
Common stock	24,658	24,658	24,658	24,653	24,325
	Yen				
	2001	2000	1999	1998	1997
Per share data					
Net income	¥ 30.01	¥ 40.89	¥ 24.89	¥ 31.62	¥ 46.36
Diluted net income	28.75	39.12	23.63	29.76	43.92
Stockholders' equity	845.04	637.16	602.37	537.08	510.77
Cash dividends	6.00	6.00	6.00	6.00	6.00
Capital adequacy ratio (%)					
BIS standard	(12.26)	(12.45)	(11.31)	9.94	10.64
Domestic standard	10.16	10.24	9.67	—	—

Non-Consolidated Balance Sheets of the Bank (Parent Company)

THE 77 BANK, LTD.
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Assets:			
Cash and due from banks	¥ 85,572	¥ 101,048	\$ 690,655
Call loans and bills purchased	416,887	445,609	3,364,711
Commercial paper and other debt purchased	60,939	37,206	491,847
Trading account securities	2,087	1,503	16,846
Money held in trust	79,660	74,773	642,939
Investment securities	1,270,403	1,025,715	10,253,459
Loans and bills discounted	3,179,012	3,140,108	25,657,886
Foreign exchanges	459	432	3,708
Other assets	20,488	15,898	165,364
Premises and equipment	53,134	55,312	428,853
Deferred tax assets	—	28,543	—
Customers' liabilities for acceptances and guarantees	92,978	99,824	750,434
Allowance for possible loan losses	(75,956)	(61,264)	(613,048)
Allowance for losses on investment securities	(1)	—	(12)
Total	¥5,185,666	¥4,964,711	\$41,853,644
Liabilities:			
Deposits	¥4,589,992	¥4,511,552	\$37,045,943
Call money	37,838	15,168	305,398
Borrowed money	30,277	30,418	244,372
Foreign exchanges	125	110	1,011
Convertible bonds	19,334	19,334	156,045
Other liabilities	54,004	32,972	435,874
Liability for employees' retirement benefits	34,594	11,119	279,216
Deferred tax liabilities	2,633	—	21,257
Acceptances and guarantees	92,978	99,824	750,434
Total liabilities	4,861,780	4,720,501	39,239,551
Stockholders' equity:			
Common stock	24,658	24,658	199,020
Capital surplus	7,835	7,835	63,238
Legal reserve	24,658	24,658	199,020
Retained earnings	196,222	187,058	1,583,714
Net unrealized gain on available-for-sale securities	70,511	—	569,100
Total stockholders' equity	323,886	244,210	2,614,092
Total	¥5,185,666	¥4,964,711	\$41,853,644

Non-Consolidated Statements of Income of the Bank (Parent Company)

THE 77 BANK, LTD.
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Income:			
Interest on:			
Loans and discounts	¥ 71,259	¥ 73,799	\$ 575,139
Trading account and investment securities	32,917	36,601	265,679
Other	226	450	1,828
Fees and commissions	13,848	13,612	111,772
Other operating income	644	1,644	5,199
Other income	29,104	5,230	234,901
Total income	148,000	131,339	1,194,519
Expenses:			
Interest on:			
Deposits	9,821	11,174	79,266
Borrowings and rediscounts	2,458	2,391	19,846
Other	2,724	3,835	21,988
Fees and commissions	3,768	3,582	30,417
Other operating expenses	1,543	4,579	12,458
General and administrative expenses	61,307	61,780	494,811
Provision for possible loan losses	21,710	13,074	175,229
Other expenses	25,664	4,602	207,143
Total expenses	128,999	105,021	1,041,157
Income before income taxes	19,001	26,318	153,362
Income taxes:			
Current	26,545	15,014	214,252
Deferred	(19,049)	(4,369)	(153,753)
Total income taxes	7,495	10,644	60,499
Net income	¥ 11,505	¥ 15,673	\$ 92,862
		Yen	U.S. Dollars
Per share of common stock:			
Net income	¥30.01	¥40.89	\$0.242
Diluted net income	28.75	39.12	0.232
Cash dividends applicable to the year	6.00	6.00	0.048

Non-Consolidated Statements of Retained Earnings of the Bank (Parent Company)

THE 77 BANK, LTD.
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Balance, beginning of year	¥187,058	¥173,726	\$1,509,751
Net income	11,505	15,673	92,862
Dividends paid, ¥6.00 (\$0.048) per share in 2001 and ¥6.00 per share in 2000	(2,299)	(2,299)	(18,561)
Bonuses to directors and corporate auditors	(42)	(42)	(339)
Balance, end of year	¥196,222	¥187,058	\$1,583,714

Loan Portfolio

Loan Portfolio by Industry	Billions of Yen/%				Millions of
	2001		2000		U.S. Dollars
					2001
Domestic offices (Excluding Japan offshore banking accounts)	¥3,176	100.0%	¥3,137	100.0%	\$25,641
Manufacturing	311	9.8	313	10.0	2,513
Agriculture	6	0.2	7	0.2	53
Forestry	0	0.0	0	0.0	5
Fishery	22	0.7	23	0.8	182
Mining	3	0.1	4	0.1	28
Construction companies	245	7.7	243	7.8	1,980
Utilities	40	1.3	26	0.8	324
Transportation and communications	81	2.6	77	2.5	661
Wholesale, retail and restaurants	498	15.7	518	16.5	4,022
Financial institutions	247	7.8	245	7.8	2,000
Real estate companies	369	11.6	361	11.5	2,984
Services	364	11.5	370	11.8	2,945
Municipalities	335	10.6	319	10.2	2,711
Other	648	20.4	627	20.0	5,234
Japan's offshore banking accounts	2	100.0	2	100.0	17
Financial institutions	2	100.0	2	100.0	17
Commerce and industry	—	—	—	—	—
Total	¥3,179	/	¥3,140	/	\$25,658

Loans by Purpose	Billions of Yen/%				Millions of
	2001		2000		U.S. Dollars
					2001
Funds for capital investment	¥1,541	48.5%	¥1,508	48.0%	\$12,443
Funds for working capital	1,637	51.5	1,631	52.0	13,215
Total	¥3,179	100.0	¥3,140	100.0	\$25,658

Loans by Collateral	Billions of Yen			Millions of
	2001	2000		U.S. Dollars
				2001
Securities	¥ 4	¥ 5		\$ 39
Commercial claims	86	93		700
Commercial goods	0	0		2
Real estate	909	926		7,338
Other	—	—		—
Subtotal	1,001	1,026		8,080
Guaranteed	1,240	1,198		10,011
Unsecured	937	915		7,567
Total [Subordinated loans]	¥3,179 [10]	¥3,140 [10]		\$25,658 [81]

Loans to Small and Medium-Sized Companies	Billions of Yen/%		Millions of
	2001	2000	U.S. Dollars
			2001
Loans to small and medium-sized companies	¥2,083	¥2,111	\$16,817
Percentage of total loans	65.5%	67.2%	

Notes: 1. The figures above do not include Japan offshore banking accounts.

2. Small and medium-sized companies are defined as businesses having paid-in capital of not more than ¥300 million (but ¥100 million for wholesalers, and ¥50 million for retailers, restaurants and service providers), or companies and individuals with not more than 300 full-time employees (100 for wholesalers, and 50 for retailers and restaurants).

	Billions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Reserve for Possible Loan Losses			
General reserve for possible loan losses	¥27	¥23	\$222
Specific reserve for estimated loan losses on certain doubtful loans	48	38	391
For non-resident loans	—	—	—
Reserve for possible losses on specific overseas countries	—	—	—
Total	¥75	¥61	\$613

	Billions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Write-off of Loans			
Write-off of loans	¥0	¥0	\$0

	Billions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Risk-Monitored Loans (Non-Consolidated)			
Loans to borrowers in bankruptcy	¥ 20	¥ 25	\$ 168
Past due loans	46	31	373
Accruing loans contractually past due three months or more	4	5	36
Restructured loans	117	126	949
Total	¥189	¥189	\$1,526

Securities Portfolio

Investment Securities

1. Fiscal Year-End Balance

	Billions of Yen/%							
	2001				2000			
	Domestic	International	Total	Percentage	Domestic	International	Total	Percentage
National government bonds	¥ 639	¥—	¥ 639	(50.3)%	¥546	¥—	¥ 546	(53.3)%
Local government bonds	154	—	154	(12.2)	169	—	169	(16.5)
Corporate bonds	219	—	219	(17.3)	151	—	151	(14.8)
Stocks	149	—	149	(11.8)	93	—	93	(9.1)
Other securities	24	82	107	(8.4)	9	54	64	(6.3)
Foreign bonds	/	82	82	(6.5)	/	54	54	(5.3)
Foreign stocks	/	—	—	(—)	/	—	—	(—)
Investment securities loaned	—	—	—	(—)	0	—	0	(0.0)
Total	¥1,187	¥82	¥1,270	(100.0)%	¥970	¥54	¥1,025	(100.0)%

2. Average Balance

	Billions of Yen/%							
	2001				2000			
	Domestic	International	Total	Percentage	Domestic	International	Total	Percentage
National government bonds	¥ 600	¥—	¥ 600	(54.5)%	¥513	¥—	¥ 513	(49.6)%
Local government bonds	147	—	147	(13.3)	199	—	199	(19.2)
Corporate bonds	176	—	176	(16.0)	163	—	163	(15.8)
Stocks	89	—	89	(8.1)	97	—	97	(9.4)
Other securities	16	72	89	(8.1)	5	55	61	(6.0)
Foreign bonds	/	72	72	(6.6)	/	55	55	(5.4)
Foreign stocks	/	—	—	(—)	/	—	—	(—)
Total	¥1,029	¥72	¥1,102	(100.0)%	¥979	¥55	¥1,035	(100.0)%

Notes: 1. Investment securities loaned are categorized into each item.

2. Average balances of foreign currency transactions by domestic branches, which are included in international operations, are calculated based on the daily current method.

Public Bonds Underwritten	Billions of Yen		Millions of U.S. Dollars
	2001	2000	2001
National government bonds	¥27	¥ 22	\$225
Local government bonds and government-guaranteed bonds	38	121	314
Total	¥66	¥143	\$539

Sales Volume of Public Bonds and Investment Trusts	Billions of Yen		Millions of U.S. Dollars
	2001	2000	2001
National government bonds	¥0	¥0	\$ 6
Local government bonds and government-guaranteed bonds	0	1	7
Total	¥1	¥2	\$13
Investment trusts	¥0	¥0	\$ 5

Public Bonds Dealings (Trading Account Securities)	Billions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Trading volume during the term			
National government bonds	¥163	¥128	\$1,321
Local government bonds	1	0	10
Government-guaranteed bonds	—	—	—
Total	¥164	¥128	\$1,330

Average Balances of Trading Account Securities	Billions of Yen		Millions of U.S. Dollars
	2001	2000	2001
National government bonds	¥ 4	¥ 3	\$35
Local government bonds	0	0	1
Government-guaranteed bonds	—	—	—
Trading account securities loaned	—	—	—
Total	¥ 4	¥ 4	\$35

Off-Balance-Sheet Transactions

THE 77 BANK, LTD.
Years ended March 31

Derivatives and Foreign Exchange Forward Contracts

	Billions of Yen			
	Notional Amount/ Contract Value		Credit Risk/ Equivalent Amount	
	2001	2000	2001	2000
Interest rate swaps	¥308	¥312	¥1	¥1
Forward foreign exchange transactions	196	27	2	0
Other derivatives				
(caps)	0	0	0	0
(currency option)	0	—	0	—
Total	¥505	¥340	¥3	¥2

Notes: 1. The above figures are based on the Bank's capital adequacy ratio in compliance with domestic standards. The credit risk equivalent amounts were calculated using the current exposure method.

2. Netting is not applied in calculating the credit risk equivalent amount.

3. The contract value of Forward foreign exchange transactions with a maturity of 14 days or less, which has been subtracted from the credit risk equivalent amount under the aforementioned guidelines, is as follows:

	Billions of Yen	
	Contract Value	
	2001	2000
Foreign exchange forward contracts	¥ 5	¥0

Credit-Related Financial Instruments

	Billions of Yen	
	Contract Value	
	2001	2000
Commitments	¥1,239	¥1,190
Guarantees	92	99
Total	¥1,331	¥1,290

International Operations

Foreign Exchange Transactions	Millions of U.S. Dollars	
	2001	2000
Foreign exchange transactions	\$3,086	\$1,662

Foreign Currency Assets	Millions of U.S. Dollars	
	2001	2000
Domestic offices	\$1,803	\$567

Specific Overseas Loans

There are no applicable amounts.

Non-Consolidated Capital Adequacy Ratio

THE 77 BANK, LTD.
Years ended March 31

		Millions of Yen		Millions of U.S. Dollars
		2001	2000	2001
Domestic standard				
Tier I capital:	Common stock	¥ 24,656	¥ 24,656	\$ 199
	Capital surplus	7,835	7,835	63
	Legal reserve	24,658	24,658	199
	Voluntary reserve	192,698	183,549	1,555
	Retained earnings	2,332	2,316	19
	Subtotal (A)	252,181	243,016	2,035
Tier II capital:	General reserve for possible loan losses	27,485	23,187	222
	Debt funding instruments and others	4,000	10,000	32
	Subtotal	31,485	33,187	254
	Position included in stockholders' equity (B)	20,784	26,430	168
Deductions:	Cross-holdings with other financial institutions (C)	—	—	—
Total capital:	(A) + (B) - (C) = (D)	272,965	269,447	2,203
Risk-adjusted assets:	On-balance-sheet	2,593,639	2,530,079	20,933
	Off-balance-sheet	91,835	98,804	741
	Subtotal (E)	2,685,475	2,628,884	21,675
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		10.16	10.24	

Note: The above chart is calculated using the method set forth by the Ministry of Finance as specified in Article 14, Paragraph 2, of the Banking Law of Japan.

Stock Information

THE 77 BANK, LTD.
As of March 31, 2001

Paid-in Capital	¥24,658 million (US\$199 million)
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Number of Stockholders	10,292
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Shares Outstanding	383,278 thousand
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Major Stockholders

	Number of Shares (Thousands)	Percentage
The Meiji Mutual Life Company	17,628	4.59%
Sumitomo Life Insurance Company	15,412	4.02
Nippon Life Insurance Company	14,575	3.80
The Bank of Tokyo–Mitsubishi, Ltd.	12,393	3.23
The Dai-ichi Mutual Life Insurance Company	12,275	3.20
The Sanwa Bank, Limited	8,971	2.34
The Industrial Bank of Japan, Limited	7,968	2.07
The Mitsubishi Trust and Banking Corporation (Trust Account)	7,614	1.98
Asahi Mutual Life Insurance Company	7,444	1.94
The Sendai Bank Ltd.	6,278	1.63

Bank Data

THE 77 BANK, LTD.
As of March 31, 2001

FOREIGN EXCHANGE BRANCHES

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Founded

December 1878

Paid-in Capital

¥24,658 million (US\$199 million)

Number of Branches

145

Number of Employees

3,090

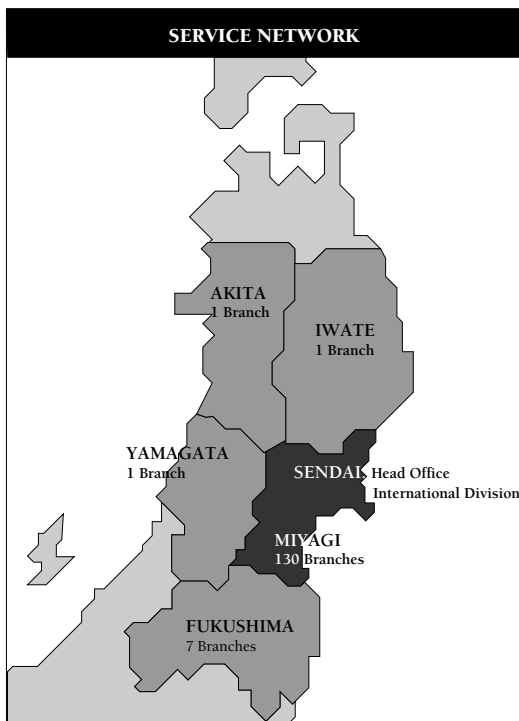
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