77 BANK

ANNUAL REPORT 2003

THE 77 BANK, LTD.

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 largest in the Tohoku region, with its branch network covering this area in northern Honshu, Japan's largest island.

Based on its philosophy, The 77 Bank continues to strengthen its business foundation and enhance its management quality in order to be the "best regional bank," one that grows along with its customers and is committed to the sustainable development of the region. As of March 31, 2003, The 77 Bank had capital of ¥24.7 billion, 146 domestic branches and 2,975 employees.

Contents

Consolidated Financial Highlights

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

	Millions of Yen		Millions of U.S. Dollars
	2003	2002	2003
For the fiscal year			
Net interest income	¥ 80,834	¥ 87,354	$ 672
Net fees and commissions	11,480	11,446	96
Net other operating income (loss)	1,794	(905)	15
Net income	8,309	2,177	69
At the fiscal year-end			
Total assets	¥5,245,580	¥5,192,871	$43,640
Deposits	4,798,229	4,694,029	39,918
Loans and bills discounted	3,135,736	3,176,555	26,087
Trading account securities and investment securities	1,609,579	1,355,475	13,390
Stockholders' equity	295,952	300,468	2,462
Common stock	24,659	24,659	205

	Yen		U.S. Dollars
	2003	2002	2003
Per share of common stock			
Net income	¥ 21.62	¥ 5.68	$0.180
Diluted net income			
Stockholders' equity	776.92	784.94	6.464
Cash dividends applicable to the year	6.00	6.00	0.050
Capital adequacy ratio (%)			
BIS standard	[11.56]	[11.86]	
Domestic standard	10.05	10.08	

Note: Throughout this report, U.S. dollar amounts are translated, for convenience only, at the rate of ¥120.20 = US$1, the exchange rate prevailing on March 31, 2003. The capital adequacy ratios according to the BIS standard, in parentheses, are indicated for reference only.

The 77 Bank aims to be the "best regional bank," one that grows along with its customers and is committed to the sustainable development of the region.


Chugo Marumori, President

Paralleling uncertainty over the direction that world economies will take, the business environment in Japan remains challenging, characterized by rising unemployment and reduced disposable income that continue to exert downward pressure on personal spending trends. In Miyagi Prefecture, the primary base of operations for The 77 Bank, economic conditions are also sluggish.

Financial institutions in Japan are experiencing extreme conditions at the moment. One of the major issues facing banks has been investment obstacles, such as persistently low interest rates, lackluster demand for funds and faltering stock prices. The severity of this situation, however, appears to be easing.

Against this demanding business backdrop, The 77 Bank is promoting efforts to tackle the management subjects discussed below as quickly as possible. Our focus is on reinforcing business promotion activities, reducing costs and improving asset quality. Through our banking business, we also strive to provide greater value to stockholders, customers and the community.

Toward this end, in April 2003 we embarked on the "Two-Year Reform Program—the 77 ACTIVE Plan". "ACTIVE" is an acronym taken from the six elements vital to our success. These elements are:

Asset quality, Cost reduction, Trust, Innovation, Value and Enhanced profitability

Through this plan, we will build a stronger profit structure and motivate employees to uphold the high principles and strong work ethic that underpin our development as the best regional bank, one that grows along with its customers and is committed to the sustainable development of the region.

A close relationship with customers and stockholders will secure our position as one of the best financial service providers in the region. On behalf of everyone at The 77 Bank, I ask for your continued support of our efforts as we work to revitalize our business and our community.

Management Subjects to Overcome

The 77 Bank seeks to improve profitability while tackling three complementary themes:

– Reinforce business promotion activities.
– Reduce costs.
– Improve asset quality.

Management Strategies

Innovation: Build a Stronger Profit Structure

– Restructure business promotion format.
– Maximize profit opportunities.
– Establish new profit-management methods.
– Implement low-cost operating structure.

Innovation: Motivate Employees to Uphold High Principles and Strong Work Ethic

– Promote quick and appropriate responses to the needs of both customers and the region.
– Promote heightened awareness of costs and profits as they relate to our daily business.
– Improve employee productivity.
– Ensure that employees adhere to internal compliance policies and act as responsible citizens.

Two-Year Reform Program—the 77 ACTIVE Plan
April 2003 to March 2005

Primary Goals: The 77 Bank seeks to improve profitability by reducing costs and reinforcing lending operations, which will generate higher interest income. The Bank also aims to create a firmer financial foundation with a solid capital base and reduced credit costs.

Our efforts will be directed toward achieving four primary targets by March 31, 2005.

1. Indicator of Strong Operations

Balance of loans:	Above ¥3,140 billion
Balance of core loans: (excluding marketable loans)	Above ¥2,950 billion

2. Indicator of Profitability

Operating profit:	Above ¥31 billion

* A bank's profitability indicator used in Japan, based on profit after deduction of certain expenses and provisions.

3. Indicator of Efficiency

Overhead ratio:	Below 68%

4. Indicators of Financial Stability

Capital adequacy ratio: (Domestic basis)	Above 10%
Ratio of non-performing assets:	Improvement of at least 1% every fiscal year

Primary Measures

1. Concentrate on lending business and enhance profitability
– Direct efforts toward increasing core loans.
– Improve profitability of assets.

2. Increase non-interest income
– Reinforce fee business.

3. Restructure business promotion system
– Review branch functions and overall network.
– Review business promotion systems.
– Strengthen liaisons with individuals and corporate customers.

4. Improve asset quality
– Provide greater support to customers' restructuring efforts by demonstrating consultation expertise.
– Reinforce credit risk management.
– Promote disposal of non-performing assets.
– Encourage the sale or effective utilization of non-performing real estate.

5. Facilitate a low cost structure
– Reduce costs related to personnel as well as premises and equipment.
– Raise efficiency at the head office and branches.
– Make greater use of outsourcing to enhance efficiency within The 77 Bank Group.
– Encourage awareness of profitability through a deeper understanding of costs and profits.

6. Improve employee productivity
– Assign employees to posts based on the new personnel plan.
– Implement training programs.

7. Create integrated profit-management and risk-management systems
– Promote a full understanding of costs and cost management through the introduction of an activity-based costing system.
– Utilize quantified credit risk data.
– Fine-tune profit management according to certain categories, such as by client or division.
– Respond to system changes, including new accounting standards.

8. Reinforce internal controls
– Strengthen compliance structure, including responses to legislation.
– Establish internal auditing process.
– Improve operational risk management.

Chugo Marumori
President

Chugo Marumori

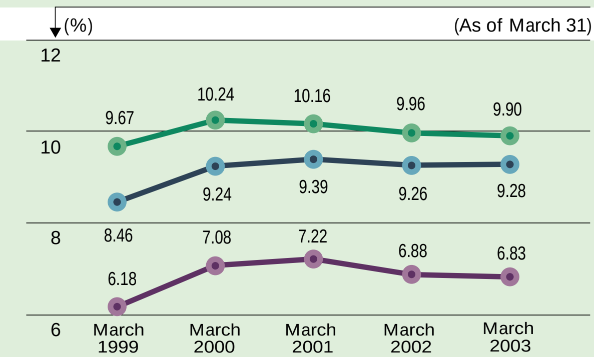
Tier 1 Capital Ratio

The Tier 1 capital ratio is based only on Tier 1 capital, comprised mainly of capital stock, capital surplus 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 9.28% on a non-consolidated basis, as at March 31, 2003, considerably higher than the average for the 54 regional banks that apply the domestic standard. This statistic places the Bank among the top performers in this sector of the banking industry.

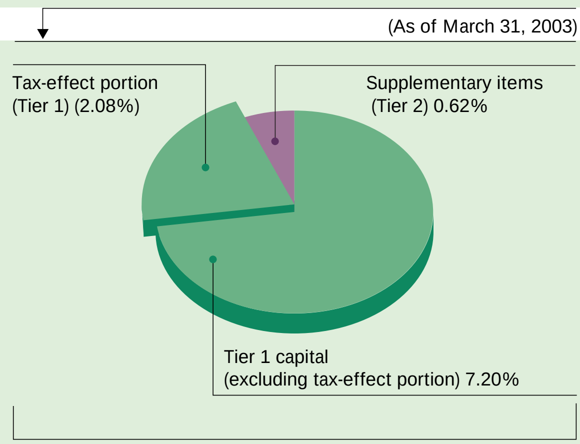
The Bank's non-consolidated capital adequacy ratio, excluding tax effects, reached 7.82%, and its Tier 1 ratio amounted to 7.20% at March 31, 2003. The composition of total capital indicates the Bank's continued financial stability.

Capital Adequacy Ratio ***(Non-consolidated)***
Tier 1 Ratio



Note: The regional bank average is based on the ratios reported by the 54 banks that apply the domestic standard.
Source: Regional Banks Association of Japan

Composition of Total Capital



Non-Consolidated Capital Adequacy Ratio 9.90%

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 debentures with maturity periods under one year; and a financial position rating, which evaluates the fiscal status of a bank.

The 77 Bank has acquired ratings from two domestic rating agencies that are among the highest of any Japanese financial institution.

The 77 Bank's Ratings

(As of June 30, 2003)

Solid debt-repayment capabilities

AAA
AA
A
BBB
BB
B
CCC
CC
C
D

Rating Agency	Long-Term Rating
Rating and Investment Information, Inc. (R&I)	AA-
Japan Credit Rating Agency, Ltd. (JCR)	AA
Moody's Investors Service, Inc. (Moody's)	A1*
Standard & Poor's Corp. (S&P)	BBBpi*

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

Notes: 1. Some rating agencies do not use D.
2. Ratings from level AA to level CCC (including level B by some agencies), are further qualified with the use of a + or - sign (or 1, 2 and 3 in the case of Moody's).

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.

At March 31, 2003, the Bank's risk-monitored loans amounted to ¥259 billion, and accounted for 8.21% of the Bank's lending balance. The Bank does not implement a partial write-off of its risk-monitored loans, but if the Bank did so, the amount after the write-off would have amounted to ¥222.4 billion, which would represent 7.13% of the Bank's lending balance.

(As of March 31) (Billions of Yen/%)

	2003	Percentage of total	2002	Percentage of total
Loans to borrowers in bankruptcy	¥ 28.3	0.89%	¥ 28.5	0.89%
Past due loans	127.9	4.05	126.7	3.96
Accruing loans contractually past due three months or more	0.5	0.01	0.6	0.01
Restructured loans	102.4	3.24	100.7	3.15
Total	259.1	8.21	256.5	8.03
Balance of total loans	¥3,152.6	100.00%	¥3,192.6	100.00%

Risk-Management Structure

Sophisticated Techniques Based on Sound Principles

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.

The Bank established the Basic Policy for Risk-Management 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 sustainable development. 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.

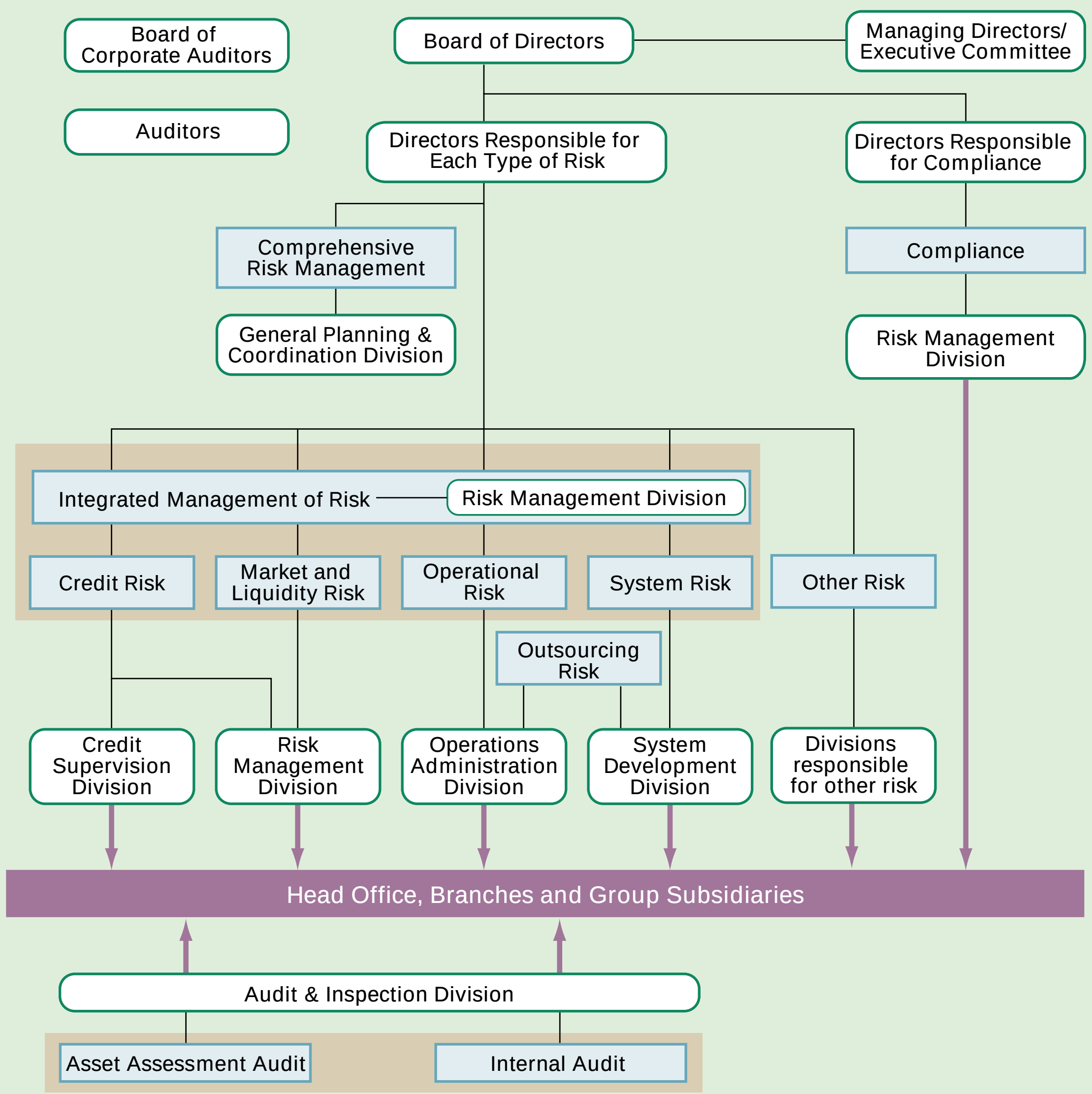
Roles of the Bank's Risk-Management Units

The 77 Bank has classified risk into seven categories—credit risk, market risk, liquidity risk, operational risk, system risk, outsourcing risk and other—and assigned supervisory units to each risk category. The General Planning & Coordination Division is responsible for the infrastructure of the risk management system. However, each risk category is also overseen by dedicated divisions: the Risk Management Division for market risk and liquidity risk; the Operations Administration Division for operational risk; the System Development Division for system risk; the Operations Administration Division and System Development Division together for outsourcing risk; and credit risk under the supervision of both the Risk Management Division and the Credit Supervision Division.

As a supervisory unit, the Risk Management Division tracks all risk and monitors risk quantity. These efforts are augmented by the ALM Committee, which comprises division general managers and directors responsible for operations in the assigned division. Every month, the committee discusses measures to hedge market and liquidity risk. Other contingency risks, such as settlement risk and natural disasters, are managed appropriately by the assigned division as each risk is identified.

The Audit & Inspection Division is independent of the business promotion units and risk-management units and, as the evaluating unit for internal processes and asset status, assesses the risk-management positions of each division and branch as well as those of group companies more than once a year. The 77 Bank undergoes external audits, performed by outside auditors, to further consolidate the internal management structure. In April 2003, the Bank introduced a new audit system to strengthen the internal auditing process. The Bank also separated the nature of its audits into two categories: a comprehensive audit for internal management systems, including compliance, governance and management systems for operational, credit and system risk; and inspection of cash and cash equivalents for the prevention of illegality.

Flow of Risk Management and Compliance Responsibilities



Compliance

In 1999, The 77 Bank formulated Basic Policies Concerning Compliance to function as principles for clarifying responsibilities for compliance and ensuring appropriate actions to compliance issues. The Bank also established Compliance Guidelines, a publication that provides executives and employees with concrete procedures for dealing with laws and other compliance-related issues and outlines acceptable standards of ethical conduct.

Basic Policies Concerning Compliance

1. Fundamental Concepts

i. The Board of Directors recognizes that full adherence to laws and other compliance issues is a vital requirement of business. The Board therefore put together a set of corporate ethics that underscores the Bank's social responsibility and public duty, and does its best to ensure that all members of the Bank uphold these standards of conduct.

ii. The Board reviews compliance programs annually and implements new measures, based on progress achieved in the previous year.

iii. If behavior contrary to stated compliance measures should occur, the Bank will take appropriate steps, based on laws or in-house rules, such as the Work Regulations, and will swiftly adopt the countermeasures required to safeguard the health of the Bank's business.

2. Establishing a Solid Compliance Structure

i. The Bank ensures a smooth response to compliance issues through the timely and suitable introduction of organizational systems and in-house rules.

ii. The Bank gathers the necessary legal information, such as amendments to laws, concerning compliance and adjusts in-house rules accordingly.

Compliance Guidelines

Basic Direction

i. Ensure sound management and pay the utmost attention to sustaining the Bank's credibility and its ability to extend smooth financing.

ii. Comply with laws and rules for corporate conduct, and maintain fair and honest practices.

iii. Apply considered principles to issues that threaten social order or public peace.

iv. Provide financial services that customers and the community trust, and develop sustainably together.

v. Foster an open office atmosphere and promote a healthy workplace environment.

Compliance Structure

Thorough compliance to laws and rules for corporate conduct is essential for a financial institution if it is to uphold its social responsibility and public duty, and maintain the trust of clients and the region in which it operates.

From this perspective, The 77 Bank established the Legal Affairs Office in 1998 to monitor legal compliance. Following subsequent organizational reforms, the authority of the Legal Affairs Office was supplanted by the Legal Affairs Section of the Risk Management Division, which now tracks the status of legal compliance. The president is the director ultimately responsible for legal compliance. He is supported by the general manager of the Risk Management Division, who supervises inspections, and the head of the Legal Affairs Section, who acts as a compliance officer. Each division and branch is assigned a compliance officer and other oversight personnel, who undertake regular inspections to ascertain compliance status.

The 77 Bank also advocates measures to preclude inappropriate behavior or legal errors. The Bank encourages greater awareness of laws and other compliance issues among executives and employees, and strives to foster a deeper understanding of pertinent laws.

The State of Miyagi Prefecture Economy

Miyagi Prefecture, the primary base of operations for The 77 Bank, is located in the southeast corner of the Tohoku region. The prefecture is an important crossroads linking Tohoku to Tokyo, the nation's capital.

In 1989, Sendai, the prefectural capital, became the 11th city in Japan specially designated by ordinance. The higher profile encouraged major national businesses and organizations, including government agencies, to set up branches and offices in Sendai, thereby turning the city into an urban hub of the Tohoku region.

In terms of major economic indicators, such as population, gross prefectural product and retail trade amount, Miyagi Prefecture is ranked around 15 out of Japan's 47 prefectures. The prefecture contributes slightly less than 2% to national totals.

Miyagi Prefecture is working steadily to establish an industrial infrastructure, such as an improved transportation network to connect the region better to other prefectures as well as to places abroad.

Composition of Gross Domestic Product by Industry (Nominal)

(%)

	Miyagi Prefecture	Japan
Agriculture, forestry and fishery	2.2	1.3
Manufacturing	16.5	21.5
Construction	8.0	7.3
Utilities	2.9	2.9
Wholesale and retail	14.7	14.1
Financial institutions	4.5	6.3
Real estate	14.1	12.4
Transportation and communications	8.7	6.7
Services	19.7	20.9
Municipalities and others	8.7	6.6
Total	100.0	100.0

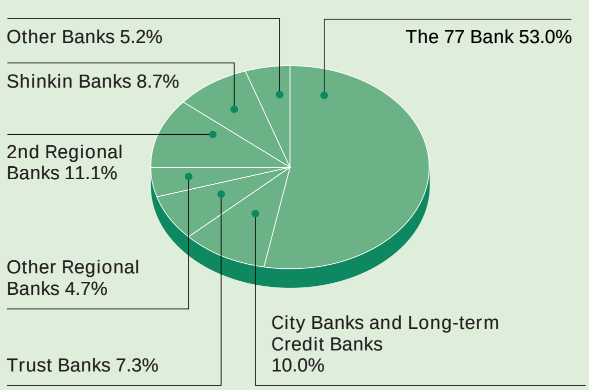
Along with the Community

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. Our efforts have earned us the support of customers, boosting our regional share of deposits and loans to the highest level among Japanese regional banks.

Deposit and Loan Shares in Miyagi Prefecture

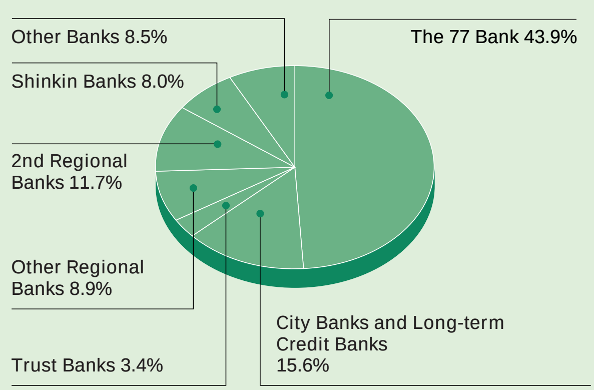
Deposits

(As of March 31, 2003)



Loans

(As of March 31, 2003)



77 Bank Group

(As of June 30, 2003)

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:

- The 77 Bank, Ltd.
  - Head Office, 134 branches, and 11 sub-branches
  - Three consolidated subsidiaries mainly engaged in operations directly related to the banking business
    - 77 Business Services Co., Ltd.
      - *Management of cash and other banking clerical operations and maintenance of ATMs*
    - 77 Staff Services Co., Ltd.
      - *Temporary employment agency*
    - 77 Jimu Daiko Co., Ltd.
      - *Investigation and valuation of mortgaged property and custody of credit documents*
  - Four consolidated subsidiaries engaged mainly in businesses related to financial services
    - Shichijushichi Lease Co., Ltd.
      - *Leasing business*
    - 77 Shin-Yo Hosyo Co., Ltd.
      - *Guaranty and credit investigation services*
    - 77 Computer Services Co., Ltd.
      - *Computer-based contract services such as calculations for other companies*
    - The 77 Card Co., Ltd.
      - *Credit card business*

Consolidated Subsidiaries

	Established		Paid-in capital	Percentage of parent company's voting stock	Percentage of consolidated company's voting stock
77 Business Services Co., Ltd.	January	1980	¥20 million	100.00%	—
77 Staff Services Co., Ltd.	March	1987	¥30 million	100.00%	—
77 Jimu Daiko Co., Ltd.	October	1988	¥30 million	100.00%	—
Shichijushichi Lease Co., Ltd.	November	1974	¥100 million	5.88%	52.94%
77 Shin-Yo Hosyo Co., Ltd.	October	1978	¥30 million	5.00%	45.90%
77 Computer Services Co., Ltd.	January	1982	¥20 million	5.00%	45.00%
The 77 Card Co., Ltd.	February	1983	¥64 million	6.06%	28.28%

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 hold 45.00% and 45.45% of voting stock, respectively.

Board of Directors and Corporate Auditors

(As of June 30, 2003)

From left: Chugo Marumori, President; Yasuyuki Katsumata, Chairman; and Hiroshi Kamata, Deputy President

Chairman
Yasuyuki Katsumata

President
Chugo Marumori

Deputy President
Hiroshi Kamata

Senior Managing Director
Teruhiko Ujiie

Managing Directors
Osamu Ichijo
Masayuki Aoki
Seikichi Watanabe
Yoshiaki Nagayama

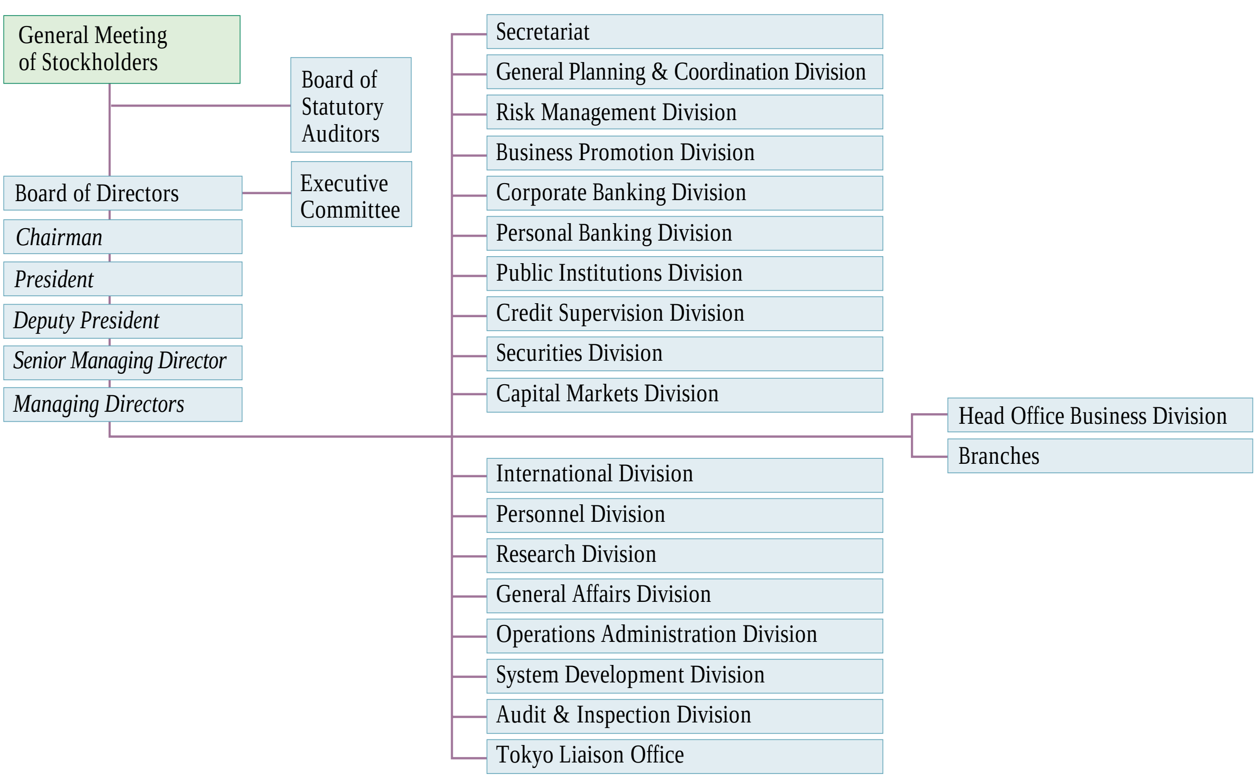
Directors
Tomokazu Sato
Naoki Takahashi
Yoshimasa Kohama
Toshikazu Nakamata
Nobuhiro Chiba
Shigenori Hottai
Reiichi Sato
Katsumi Owada

Standing Statutory Auditors
Hideaki Sasaki
Naoto Kobayashi

Statutory Auditors
Hiroo Onodera
Toshihiro Moriya
Yuzuru Aoki

Organization

(As of June 30, 2003)



Consolidated Five-Year Summary

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

	Millions of Yen				
	2003	2002	2001	2000	1999
For the fiscal year					
Net interest income	**¥ 80,834**	¥ 87,354	¥ 89,789	¥ 93,584	¥ 92,475
Net fees and commissions	**11,480**	11,446	11,274	11,183	10,372
Net other operating income (loss)	**1,794**	(905)	1,476	(54)	1,674
Net income	**8,309**	2,177	11,197	15,389	9,653
At the fiscal year-end					
Total assets	**¥5,245,580**	¥5,192,871	¥5,212,706	¥4,993,833	¥4,902,017
Deposits	**4,798,229**	4,694,029	4,582,584	4,503,575	4,350,307
Loans and bills discounted	**3,135,736**	3,176,555	3,163,042	3,124,638	3,128,096
Trading account securities and investment securities	**1,609,579**	1,355,475	1,273,007	1,027,733	1,036,647
Stockholders' equity	**295,952**	300,468	323,744	244,374	231,317
Common stock	**24,659**	24,659	24,659	24,659	24,659

	Yen				
	2003	2002	2001	2000	1999
Per share of common stock					
Net income	**¥ 21.62**	¥ 5.68	¥ 29.24	¥ 40.19	¥ 25.21
Diluted net income			28.02	38.46	23.93
Stockholders' equity	**776.92**	784.94	845.66	638.34	604.23
Cash dividends	**6.00**	6.00	6.00	6.00	6.00
Capital adequacy ratio (%)					
BIS standard	**[11.56]**	[11.86]	[12.36]	[12.55]	[11.41]
Domestic standard	**10.05**	10.08	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 consolidated figures. For the year ended March 31, 1999, the Bank adopted the domestic standard calculation method in line with the closure of overseas offices as of March 1999. The Bank's capital adequacy ratio on the 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 2003

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

Financial and Economic Conditions

In Japan, fiscal 2003, ended March 31, 2003, was characterized by a gradual rise in export activity. But this improvement was overshadowed by still-sluggish demand at home, leading to a challenging business situation overall. Personal spending remained weak against a tough employment environment and reduced incomes.

A sluggish tone also colored economic conditions in Miyagi Prefecture, The 77 Bank's primary base of operations, where, most notably, production levels seemed caught at a standstill.

Under these inclement business skies, long and short-term interest rates remained at extremely low levels, reflecting the continued application of an easing policy by the Bank of Japan. Stock prices plied an unsteady route on a sea of heightened anxiety over the direction of international politics and uncertainty over domestic business conditions. The fiscal year ended without any rally in stock prices, a situation substantiated by the Nikkei Stock Average falling through the 8,000 mark. Exchange rates followed a similarly rocky path.

Consolidated Business Results

Deposits, including negotiable deposits, grew 2.2%, to ¥4,798.2 billion, supported once again by more deposits from individuals. Although the Bank emphasized measures to promote loans locally, especially to small and medium-sized businesses and to individuals, the persistent economic slump eroded demand for funds and caused a 1.3% decrease in loans and bills discounted, to ¥3,135.7 billion. In the Bank's investment portfolio, investment securities increased 18.6%, to ¥1,602.8 billion. Total assets as of March 31, 2003, stood at ¥5,245.6 billion, up 1.0%.

On the profit and loss front, efforts to cut expenses and enhance fundraising and fund application were eclipsed by the challenges of the operating environment. Total income fell 16.3%, to ¥120.0 billion mirroring a drop in proceeds from sales of investment securities and persistently low interest rates. Total expenses tumbled 26.3%, to ¥102.9 billion, largely due to a reduced level of loan write-offs.

Consequently, net income nearly quadrupled, to ¥8.3 billion. Net income per share rose to ¥21.62.

The Bank's capital adequacy ratio slipped 0.03 percentage point, to 10.05%, as calculated to the domestic standard.

In a breakdown of performance by business segment, banking operations provided total income of ¥102.6 billion, down 18.0%, primarily owing to lower gains on the sale of investment securities. Ordinary income skyrocketed more than six times, to ¥16.6 billion, thanks to a reduction in loan write-offs.

Lease operations contributed total income of ¥16.1 billion, down 6.1%, and ordinary income of ¥338 million, up more than three times.

Other operations, including credit card operations, generated total income of ¥4.8 billion, up 3.1%, and ordinary income of ¥12 million, down 97.8%.

In regard to cash flow, cash provided by operating activities was held to a 15.1% expansion, to ¥252.1 billion, because sluggish demand for funds tempered an increase in deposits, including negotiable deposits. Net cash used in investing activities jumped 79.0%, to ¥231.5 billion, paralleling new purchases of investment securities. Net cash used in financing activities dropped 92.4%, to ¥3.2 billion, largely reflecting reductions in both repayment of subordinated loans with special conditions and redemption of convertible bonds.

Consequently, cash and cash equivalents as at March 31, 2003, amounted to ¥149.7 billion, up 13.2%.

Consolidated Balance Sheets

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Assets:			
Cash and due from banks	¥ 151,687	¥ 134,007	$ 1,261,953
Call loans and bills purchased	75,643	259,801	629,314
Commercial paper and other debt purchased (Note 3)	155,405	60,557	1,292,883
Trading account securities (Notes 3 and 10)	6,739	4,226	56,067
Money held in trust (Note 4)	30,766	89,068	255,958
Investment securities (Notes 3 and 10)	1,602,840	1,351,249	13,334,775
Loans and bills discounted (Note 5)	3,135,736	3,176,555	26,087,650
Foreign exchange assets (Note 6)	1,348	530	11,214
Premises and equipment—net (Notes 8 and 10)	54,879	55,386	456,567
Deferred tax assets (Note 22)	34,649	26,206	288,258
Customers' liabilities for acceptances and guarantees (Note 9)	42,408	80,488	352,812
Other assets (Note 7)	51,539	55,795	428,778
Reserve for loan losses	(98,059)	(100,997)	(815,798)
Total	¥5,245,580	¥5,192,871	$43,640,431
Liabilities:			
Deposits (Notes 10 and 12)	¥4,798,229	¥4,694,029	$39,918,707
Call money	8,020	8,650	66,724
Payable under repurchase agreements (Note 10)	1,000	1,500	8,319
Borrowed money (Notes 10 and 13)	24,520	26,193	203,995
Foreign exchange liabilities (Note 6)	90	115	747
Liability for employees' retirement benefits (Note 15)	38,039	36,260	316,466
Acceptances and guarantees (Note 9)	42,408	80,488	352,812
Other liabilities (Note 14)	31,659	39,371	263,390
Total liabilities	4,943,965	4,886,606	41,131,160
Minority interests	5,663	5,797	47,112
Stockholders' equity (Notes 16 and 25):			
Common stock, authorized—1,344,000,000 shares in 2003 and 2002; issued—383,278,734 shares in 2003 and 2002	24,659	24,659	205,147
Capital surplus	7,835	7,835	65,185
Retained earnings	226,914	220,902	1,887,802
Unrealized gain on available-for-sale securities (Note 3)	37,444	47,422	311,515
Less: treasury stock—at cost, 2,006,428 shares in 2003 and 489,732 shares in 2002 (Note 17)	(900)	(350)	(7,490)
Total stockholders' equity	295,952	300,468	2,462,159
Total	¥5,245,580	¥5,192,871	$43,640,431

See notes to consolidated financial statements.

Consolidated Statements of Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Income:			
Interest on:			
Loans and discounts	¥ 61,645	¥ 69,814	$512,850
Trading account and investment securities	23,838	29,790	198,316
Other	117	102	970
Fees and commissions	14,918	14,723	124,113
Other operating income (Note 18)	16,130	16,406	134,196
Other income (Note 19)	3,370	12,568	28,040
Total income	120,018	143,403	998,485
Expenses:			
Interest on:			
Deposits	2,577	5,137	21,438
Borrowings and rediscounts	553	1,372	4,601
Other	1,636	5,843	13,614
Fees and commissions	3,438	3,277	28,604
Other operating expenses (Note 20)	14,336	17,311	119,266
General and administrative expenses	61,070	62,713	508,068
Provision for loan losses	4,910	31,364	40,852
Other expenses (Note 21)	14,347	12,565	119,357
Total expenses	102,867	139,582	855,800
Income before income taxes and minority interests	17,151	3,821	142,685
Income taxes (Note 22):			
Current	8,593	12,186	71,490
Deferred	65	(10,851)	538
Total income taxes	8,658	1,335	72,028
Minority interests in net income	(184)	(309)	(1,531)
Net income	¥ 8,309	¥ 2,177	$ 69,126

	Yen		U.S. Dollars
Per share of common stock:			
Basic net income	¥21.62	¥5.68	$0.180
Cash dividends applicable to the year	6.00	6.00	0.050

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

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

	Thousands	Millions of Yen				
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Treasury Stock
Balance, April 1, 2001	383,279	¥24,659	¥7,835	¥221,066	¥70,513	¥(329)
Net income				2,177		
Cash dividends:						
Year-end for prior year, ¥3.00 per share				(1,149)		
Interim for current year, ¥3.00 per share				(1,149)		
Bonuses to directors and corporate auditors				(43)		
Purchases of treasury stock (70 thousand shares)						(43)
Sales of treasury stock (33 thousand shares)						22
Net decrease in unrealized gain on available-for-sale securities					(23,091)	
Balance, March 31, 2002	383,279	24,659	7,835	220,902	47,422	(350)
Net income				8,309		
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				(1)		
Purchases of treasury stock (1,925 thousand shares) (Note 17)						(846)
Transfer to minority interests (Note 17)						296
Net decrease in unrealized gain on available-for-sale securities					(9,978)	
Balance, March 31, 2003	383,279	¥24,659	¥7,835	¥226,914	¥37,444	¥(900)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Treasury Stock
Balance, March 31, 2002	$205,147	$65,185	$1,837,790	$394,523	$(2,916)
Net income			69,126		
Cash dividends (Note 25):					
Year-end for prior year, $0.025 per share			(9,553)		
Interim for current year, $0.025 per share			(9,553)		
Bonuses to directors and corporate auditors			(8)		
Purchases of treasury stock (1,925 thousand shares) (Note 17)					(7,043)
Transfer to minority interests (Note 17)					2,469
Net decrease in unrealized gain on available-for-sale securities				(83,008)	
Balance, March 31, 2003	$205,147	$65,185	$1,887,802	$311,515	$(7,490)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Operating activities:			
Income before income taxes and minority interests	¥ 17,151	¥ 3,821	$ 142,685
Adjustments for:			
Income taxes—paid	(8,440)	(29,208)	(70,214)
Depreciation and amortization	16,877	17,510	140,410
Change in reserve for loan losses	(2,938)	21,873	(24,441)
Change in reserve for losses on investment securities		(1)	
Change in liability for employees' retirement benefits	1,779	1,369	14,799
Interest income	(85,599)	(99,706)	(712,137)
Interest expenses	4,766	12,352	39,653
Investment securities losses (gains)—net	5,672	(510)	47,189
Losses on money held in trust—net	2,997	989	24,931
Foreign exchange losses (gains)—net	4,862	(4,264)	40,449
Gains on disposal of premises and equipment—net	(124)	(507)	(1,032)
Net change in loans and bills discounted	40,820	(13,513)	339,599
Net change in deposits	104,200	111,445	866,888
Net change in other borrowings	(1,672)	(2,810)	(13,912)
Net change in due from banks	(278)	(235)	(2,317)
Net change in call loans and bills purchased	184,157	157,087	1,532,087
Net change in commercial paper and other debt purchased	(94,847)	383	(789,075)
Net change in call money and others	(1,130)	(27,689)	(9,402)
Net change in trading account securities	(2,513)	(2,139)	(20,910)
Net change in foreign exchange assets	(1,357)	(71)	(11,286)
Net change in foreign exchange liabilities	(2,567)	(5,407)	(21,356)
Interest received	89,195	102,587	742,057
Interest paid	(6,064)	(16,030)	(50,447)
Other—net	(12,855)	(8,309)	(106,950)
Total adjustments	234,941	215,196	1,954,583
Net cash provided by operating activities	252,092	219,017	2,097,268
Investing activities:			
Purchases of investment securities	(661,873)	(338,672)	(5,506,430)
Proceeds from sales of investment securities	104,415	25,275	868,679
Proceeds from maturity of investment securities	276,782	197,530	2,302,679
Invest in money held in trust	(180,000)	(40,000)	(1,497,504)
Proceeds from disposition of money held in trust	234,565	28,979	1,951,456
Purchases of premises and equipment	(5,838)	(3,805)	(48,570)
Proceeds from sales of premises and equipment	449	1,377	3,731
Net cash used in investing activities	(231,500)	(129,316)	(1,925,959)
Financing activities:			
Repayments of borrowed money		(20,000)	
Repayments of convertible bond		(19,334)	
Dividends paid	(2,296)	(2,297)	(19,101)
Dividends paid to minority interests stockholders	(8)	(8)	(67)
Purchases of treasury stock	(847)	(43)	(7,043)
Proceeds from sales of treasury stock		22	
Net cash used in financing activities	(3,151)	(41,660)	(26,211)
Foreign currency translation adjustments on cash and cash equivalents	(39)	31	(326)
Net increase in cash and cash equivalents	17,402	48,072	144,772
Cash and cash equivalents, beginning of year	132,268	84,196	1,100,403
Cash and cash equivalents, end of year	¥149,670	¥ 132,268	$1,245,175

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

(1) trading account securities which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,

(2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and

(3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders’ equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange either bought or sold and forward foreign exchange either sold or bought. Such transactions are contracted for the purpose of funds lending or borrowing in a different currency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Trading Account Securities and Investment Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Money Held in Trust

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

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

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

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

5. Loans and Bills Discounted

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

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

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

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

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

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

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

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

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

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

6. Foreign Exchanges

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

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

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

7. Other Assets

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

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

8. Premises and Equipment

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

9. Customers' Liabilities for Acceptances and Guarantees

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

10. Assets Pledged

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

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

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

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

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

11. Loan Commitments

Contracts of overdraft facilities and loan commitment limits are the contracts that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount within these limits totals ¥1,272,392 million ($10,585,623 thousand) relating to these contracts.

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

12. Deposits

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

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

13. Borrowed Money

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

14. Other Liabilities

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

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

15. Liability for Employees' Retirement Benefits

The Companies have severance payment plans for employees.

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

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

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

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

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

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

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

16. Stockholders' Equity

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

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

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

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

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

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

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

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

17. Treasury Stock

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

18. Other Operating Income

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

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

19. Other Income

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

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

20. Other Operating Expenses

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

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

21. Other Expenses

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

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

22. Income Taxes

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

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Reserve for loan losses	¥33,681	¥36,002	$280,208
Liability for employees' retirement benefits	14,520	13,751	120,799
Premises and equipment (depreciation)	5,012	5,090	41,695
Accrued enterprise tax	241	229	2,009
Losses on devaluation of stocks and other securities	4,120	2,144	34,272
Unrealized loss on available-for-sale securities	2,719	1,855	22,617
Other	3,009	3,129	25,033
Less valuation allowance	(238)		(1,979)
Total	63,064	62,200	524,654
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	28,001	35,645	232,954
Premises and equipment (deferral gain on sales and replacement)	403	349	3,352
Other	11		90
Total	28,415	35,994	236,396
Net deferred tax assets	¥34,649	¥26,206	$288,258

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

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

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

23. Leases

Lessor

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

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

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

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

Future lease payments receivable under finance leases:

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

Depreciation expense and interest income under finance leases:

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

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

24. Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25. Subsequent Events

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

a. Appropriations of retained earnings

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

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

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

26. Segment Information

(1) Business Segment Information

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

a. Ordinary income

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

b. Assets, depreciation and capital expenditures

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

a. Ordinary income

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

b. Assets, depreciation and capital expenditures

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

a. Ordinary income

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

b. Assets, depreciation and capital expenditures

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

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

(2) Geographic Segment Information

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

(3) Operating Income from International Operations

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

Independent Auditors' Report

Tohmatsu & Co.
MS Shibaura Building
13-23, Shibaura 4-chome,
Minato-ku, Tokyo 108-8530, Japan

Tel: +81-3-3457-7321
Fax: +81-3-3457-1694
www.tohmatsu.co.jp

Deloitte Touche Tohmatsu

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

We have audited the accompanying consolidated balance sheets of The 77 Bank, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The 77 Bank, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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.

Deloitte Touche Tohmatsu

June 27, 2003

Consolidated Capital Adequacy Ratio

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

Domestic standard

		Millions of Yen		Millions of U.S. Dollars
		2003	2002	2003
Tier I capital:	Common stock	¥ 24,659	¥ 24,659	$ 205
	Capital surplus	7,835	7,835	65
	Retained earnings	225,714	219,736	1,878
	Minority interests	5,654	5,784	47
	Treasury stock	(900)	(351)	(7)
	Subtotal (A)	262,962	257,663	2,188
Tier II capital:	General reserve for possible loan losses	35,333	36,129	294
	Debt funding instruments and others		2,000	
	Subtotal	35,333	38,129	294
	Position included in stockholders' equity (B)	17,437	19,150	145
Deductions:	Cross-holdings with other financial institutions (C)			
Total capital:	(A) + (B) − (C) = (D)	280,399	276,813	2,333
Risk-adjusted assets:	On–balance-sheet	2,751,275	2,665,103	22,889
	Off–balance-sheet	38,739	78,838	322
	Subtotal (E)	2,790,014	2,743,941	23,211
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		10.05	10.08	

Non-Consolidated Five-Year Summary

THE 77 BANK, LTD.
As of March 31

	Millions of Yen				
	2003	2002	2001	2000	1999
For the fiscal year					
Net interest income	**¥ 80,149**	¥ 86,810	¥ 89,400	¥ 93,450	¥ 92,891
Net fees and commissions	**10,206**	10,242	10,080	10,031	9,330
Net other operating income (loss)	**(1,015)**	(2,682)	(899)	(2,935)	(1,824)
Net income	**7,866**	2,308	11,506	15,674	9,540
At the fiscal year-end					
Total assets	**¥5,219,834**	¥5,169,481	¥5,185,664	¥4,964,710	¥4,873,731
Deposits	**4,804,219**	4,701,812	4,589,992	4,511,553	4,358,296
Loans and bills discounted	**3,152,618**	3,192,561	3,179,012	3,140,109	3,145,708
Trading account securities and investment securities	**1,605,845**	1,354,933	1,272,489	1,027,216	1,036,126
Stockholders' equity	**295,480**	300,738	323,884	244,209	230,877
Common stock	**24,659**	24,659	24,659	24,659	24,659

	Yen				
	2003	2002	2001	2000	1999
Per share data					
Net income	**¥ 20.48**	¥ 6.02	¥ 30.01	¥ 40.89	¥ 24.89
Diluted net income			28.75	39.12	23.63
Stockholders' equity	**774.82**	784.72	845.04	637.16	602.37
Cash dividends	**6.00**	6.00	6.00	6.00	6.00
Capital adequacy ratio (%)					
BIS standard	**[11.40]**	[11.75]	[12.26]	[12.45]	[11.31]
Domestic standard	**9.90**	9.96	10.16	10.24	9.67

Non-Consolidated Balance Sheets (Parent Company)

THE 77 BANK, LTD.
March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Assets:			
Cash and due from banks	¥ 151,510	¥ 133,779	$ 1,260,484
Call loans and bills purchased	75,643	259,801	629,314
Commercial paper and other debt purchased	155,405	60,557	1,292,883
Trading account securities	6,739	4,226	56,067
Money held in trust	30,766	89,068	255,958
Investment securities	1,599,106	1,350,707	13,303,712
Loans and bills discounted	3,152,618	3,192,561	26,228,107
Foreign exchanges	1,348	530	11,214
Premises and equipment	51,294	50,965	426,734
Deferred tax assets	32,259	24,102	268,373
Customers' liabilities for acceptances and guarantees	42,408	80,488	352,812
Other assets	14,051	20,135	116,899
Allowance for possible loan losses	(93,313)	(97,438)	(776,318)
Total	¥5,219,834	¥5,169,481	$43,426,239
Liabilities:			
Deposits	¥4,804,219	¥4,701,812	$39,968,542
Call money	8,020	8,650	66,724
Payable under repurchase agreements	1,000	1,500	8,319
Borrowed money	10,224	10,287	85,060
Foreign exchanges	90	115	747
Liability for employees' retirement benefits	37,667	35,935	313,366
Acceptances and guarantees	42,408	80,488	352,812
Other liabilities	20,726	29,956	172,429
Total liabilities	4,924,354	4,868,743	40,967,999
Stockholders' equity:			
Common stock	24,659	24,659	205,147
Capital surplus:			
Additional paid-in capital	7,835	7,835	65,185
Retained earnings:			
Legal reserve	24,659	24,659	205,147
Unappropriated	201,754	196,188	1,678,489
Net unrealized gain on available-for-sale securities	37,443	47,420	311,507
Treasury stock	(870)	(23)	(7,235)
Total stockholders' equity	295,480	300,738	2,458,240
Total	¥5,219,834	¥5,169,481	$43,426,239

Non-Consolidated Statements of Income (Parent Company)

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Income:			
Interest on:			
Loans and discounts	¥ 60,786	¥ 69,036	$ 505,710
Trading account and investment securities	23,827	29,785	198,231
Other	118	102	976
Fees and commissions	14,199	14,066	118,130
Other operating income	320	149	2,664
Other income	3,517	12,703	29,256
Total income	102,767	125,841	854,967
Expenses:			
Interest on:			
Deposits	2,579	5,143	21,451
Borrowings and rediscounts	390	1,128	3,248
Other	1,613	5,842	13,420
Fees and commissions	3,994	3,824	33,224
Other operating expenses	1,336	2,831	11,112
General and administrative expenses	59,269	61,159	493,085
Provision for possible loan losses	3,219	30,461	26,784
Other expenses	14,037	11,956	116,784
Total expenses	86,437	122,344	719,108
Income before income taxes	16,330	3,497	135,859
Income taxes:			
Current	8,117	11,477	67,532
Deferred	347	(10,288)	2,888
Total income taxes	8,464	1,189	70,420
Net income	¥ 7,866	¥ 2,308	$ 65,439
	Yen		U.S. Dollars
Per share of common stock:			
Net income	¥20.48	¥6.02	$0.170
Diluted net income			
Cash dividends applicable to the year	6.00	6.00	0.050

Non-Consolidated Statements of Retained Earnings (Parent Company)

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

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Balance, beginning of year	¥220,847	¥220,881	$1,837,326
Net income	7,866	2,308	65,439
Dividends paid, ¥6.00 ($0.050) per share in 2003 and ¥6.00 per share in 2002	(2,300)	(2,300)	(19,129)
Bonuses to directors and corporate auditors		(42)	
Balance, end of year	¥226,413	¥220,847	$1,883,636

Loan Portfolio by Industry

	Billions of Yen/%		Millions of U.S. Dollars
	2003		2003
Domestic offices *(Excluding Japan offshore banking accounts)*	¥3,153	100.0%	$26,228
Manufacturing	327	10.4	2,720
Agriculture	9	0.3	75
Forestry	1	0.0	4
Fishery	18	0.6	150
Mining	3	0.1	23
Construction companies	214	6.8	1,779
Utilities	95	3.0	792
Information and communications	32	1.0	270
Transportation	54	1.7	447
Wholesale and retail	412	13.1	3,425
Financial institutions	253	8.0	2,108
Real estate companies	373	11.8	3,106
Services	367	11.6	3,048
Municipalities	311	9.9	2,590
Other	684	21.7	5,691
Japan's offshore banking accounts			
Financial institutions			
Total	¥3,153		$26,228

Note: Due to the revision of Japan's standard industrial categories in 2002, only 2003 data are given in the above chart.

Loans by Collateral

	Billions of Yen		Millions of U.S. Dollars
	2003	2002	2003
Securities	¥ 3	¥ 3	$ 28
Commercial claims	72	79	599
Commercial goods	0	0	0
Real estate	841	879	6,991
Subtotal	916	961	7,618
Guaranteed	1,195	1,229	9,942
Unsecured	1,042	1,003	8,668
Total [Subordinated loans]	¥3,153 [6]	¥3,193 [10]	$26,228 [50]

Reserve for Possible Loan Losses

	Billions of Yen		Millions of U.S. Dollars
	2003	2002	2003
General reserve for possible loan losses	¥34	¥35	$283
Specific reserve for estimated loan losses on certain doubtful loans	59	62	493
For non-resident loans			
Reserve for possible losses on specific overseas countries			
Total	¥93	¥97	$776

Write-off of Loans

	Billions of Yen		Millions of U.S. Dollars
	2003	2002	2003
Write-off of loans	¥1	¥2	$7

Investment Securities
(Average Balance)

	2003 Domestic	2003 International	2003 Total	2003 Percentage	2002 Domestic	2002 International	2002 Total	2002 Percentage
	Billions of Yen/%							
National government bonds	¥ 646	¥	¥ 646	[50.2]%	¥ 608	¥	¥ 608	[50.6]%
Local government bonds	153		153	[11.9]	148		148	[12.3]
Corporate bonds	285		285	[22.1]	243		243	[20.2]
Stocks	71		71	[5.5]	81		81	[6.8]
Other securities	27	106	133	[10.3]	28	93	121	[10.1]
Foreign bonds	/	106	106	[8.1]	/	93	93	[7.7]
Foreign stocks	/				/			
Total	¥1,182	¥106	¥1,288	[100.0]%	¥1,108	¥93	¥1,201	[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 2003	Billions of Yen 2002	Millions of U.S. Dollars 2003
National government bonds	¥18	¥29	$150
Local government bonds and government-guaranteed bonds	32	30	269
Total	¥50	¥59	$419

Sales Volume of Public Bonds and Investment Trusts

	Billions of Yen 2003	Billions of Yen 2002	Millions of U.S. Dollars 2003
National government bonds	¥ 5	¥1	$ 39
Local government bonds and government-guaranteed bonds	7	4	63
Total	12	5	$102
Investment trusts	¥ 2	¥1	$ 16

Public Bonds Dealings (Trading Account Securities)
Trading volume during the term

	Billions of Yen 2003	Billions of Yen 2002	Millions of U.S. Dollars 2003
National government bonds	¥255	¥135	$2,122
Local government bonds	1	0	11
Total	¥256	¥135	$2,133

Average Balances of Trading Account Securities

	Billions of Yen 2003	Billions of Yen 2002	Millions of U.S. Dollars 2003
National government bonds	¥6	¥ 4	$50
Local government bonds	0	0	2
Total	¥6	¥ 4	$52

Derivatives and Foreign Exchange Forward Contracts

	Billions of Yen			
	Notional Amount/ Contract Value		Credit Risk/ Equivalent Amount	
	2003	2002	**2003**	2002
Interest rate swaps	**¥131**	¥272	**¥1**	¥ 1
Forward foreign exchange transactions	**99**	146	**2**	2
Other derivatives				
(caps)		0		
(currency option)	**0**	0	**0**	0
Total	**¥230**	¥418	**¥3**	¥ 3

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	
	2003	2002
Foreign exchange forward contracts	**¥ 2**	¥ 0

Credit-Related Financial Instruments

	Billions of Yen	
	Contract Value	
	2003	2002
Commitments	**¥1,182**	**¥1,170**
Guarantees	**39**	**79**
Total	**¥1,221**	**¥1,249**

International Operations

Foreign Exchange Transactions

	Millions of U.S. Dollars	
	2003	2002
Foreign exchange transactions	**$3,275**	$4,542

Foreign Currency Assets

	Millions of U.S. Dollars	
	2003	2002
Domestic offices	**$828**	$1,114

Specific Overseas Loans

There are no applicable amounts.

Non-Consolidated Capital Adequacy Ratio

THE 77 BANK, LTD.
March 31, 2003 and 2002

Domestic standard		Millions of Yen 2003	Millions of Yen 2002	Millions of U.S. Dollars 2003
Tier I capital:	Common stock	¥ 24,659	¥ 24,659	$ 205
	Capital surplus	7,835	7,835	65
	Legal reserve	24,659	24,659	205
	Voluntary reserve	198,201	192,996	1,649
	Retained earnings	2,380	2,042	20
	Treasury stock	(870)	(23)	(7)
	Subtotal (A)	256,864	252,168	2,137
Tier II capital:	General reserve for possible loan losses	34,091	35,018	284
	Debt funding instruments and others		2,000	
	Subtotal	34,091	37,018	284
	Position included in stockholders' equity (B)	17,295	19,002	144
Deductions:	Cross-holdings with other financial institutions (C)			
Total capital:	(A) + (B) − (C) = (D)	274,159	271,170	2,281
Risk-adjusted assets:	On–balance-sheet	2,728,409	2,641,508	22,699
	Off–balance-sheet	38,739	78,838	322
	Subtotal (E)	2,767,148	2,720,346	23,021
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		9.90	9.96	

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.

Bank Data

THE 77 BANK, LTD.
As of March 31, 2003

Head Office
3-20, Chuo 3-chome, Aoba-ku,
Sendai, Miyagi 980-8777, Japan
Phone: 022-267-1111
Facsimile: 022-266-7673
http://www.77bank.co.jp/

Founded
December 1878

Number of Branches
146

Number of Employees
2,975

International Division
Planning & Business Department (Sendai)
3-20, Chuo 3-chome, Aoba-ku,
Sendai, Miyagi 980-8777, Japan
Phone: 022-211-9914
Telex: J22860
Facsimile: 022-211-9916
SWIFT Address: BOSSJPJT

Paid-in Capital
¥24,659 million (US$205 million)

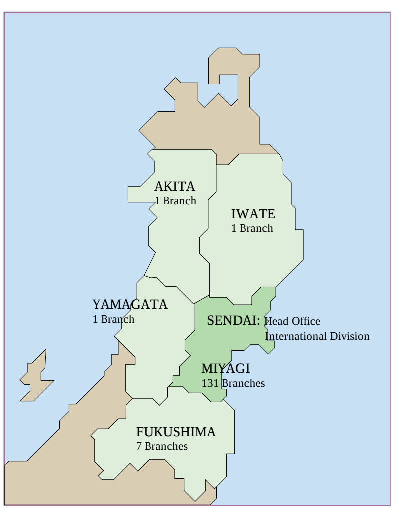
Number of Stockholders
10,796

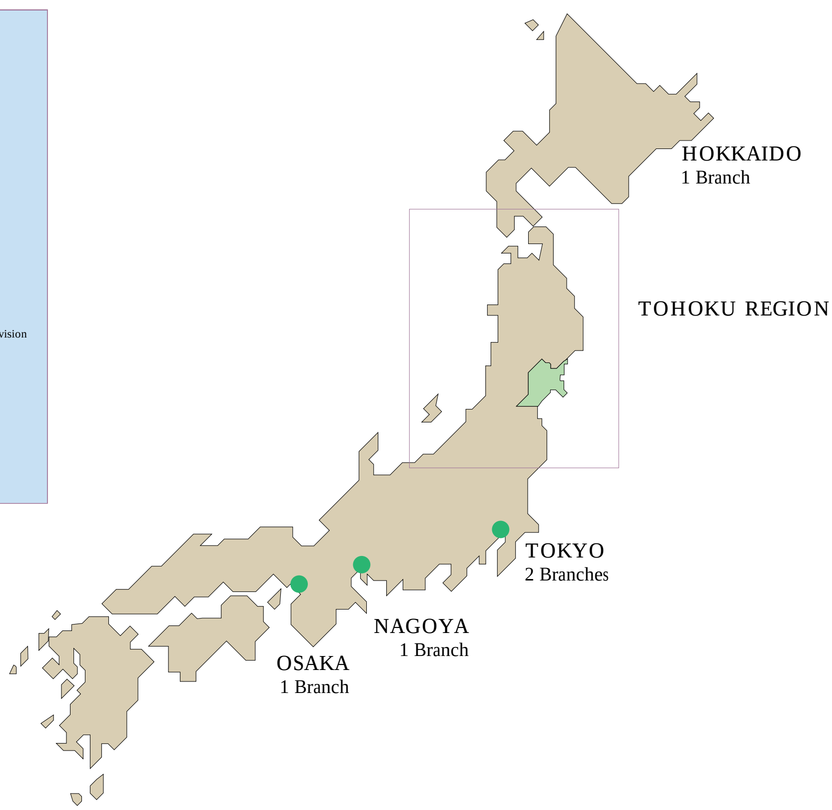
Shares Outstanding
383,279 thousand

Major Stockholders

	Number of Shares (Thousands)	%
The Meiji Mutual Life Company	17,628	4.66
Nippon Life Insurance Company	15,431	4.08
Sumitomo Life Insurance Company	15,412	4.07
The Dai-ichi Mutual Life Insurance Company	12,275	3.24
The Bank of Tokyo–Mitsubishi, Ltd.	11,803	3.12
The Master Trust Bank of Japan, Limited (Trust Account)	11,326	2.99
UFJ Bank Limited	8,971	2.37
Japan Trustee Services Bank, Limited (Trust Account)	7,919	2.09
Mizuho Corporate Bank, Limited	7,421	1.96
Employee Stock Ownership	6,438	1.70

Service Network





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