Profile

Based in Niigata Prefecture on the western coast of Japan's main island, Honshu, Daishi Bank is the oldest bank in Japan and the most influential institution in the prefecture. It was founded in 1873 as the Fourth National Bank of Japan.

As of March 2001, the Bank's deposits totaled ¥3,507 billion (US$28,307 million) and it operated a domestic network of 131 offices in Niigata Prefecture, Tokyo, and other prefectures.

Daishi Bank is committed to the further economic and social development and prosperity of Niigata Prefecture, while responding to changes in the business environment and diversifying needs of its customers.

Daishi Bank's head office

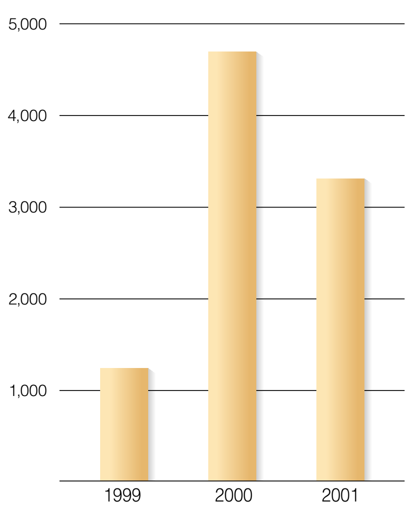
Contents

Three-Year Summary

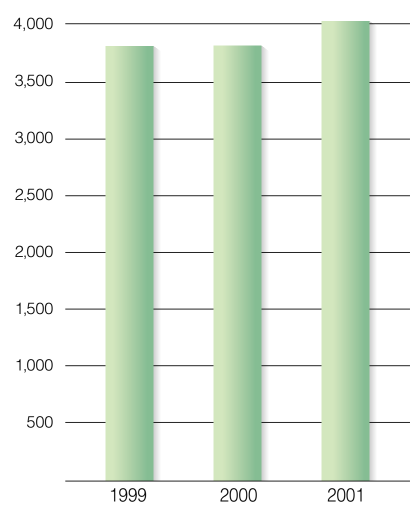
(For the Years ended March 31)	Millions of Yen 1999	Millions of Yen 2000	Millions of Yen 2001	Thousands of U.S. Dollars 2001
Income				
Interest on Loans and Discounts	¥ 59,268	¥ 55,385	¥ 49,897	$ 402,721
Interest and Dividends on Securities	30,106	26,624	21,386	172,613
Total Income	139,409	127,451	110,261	889,926
Expenses				
Interest on Deposits	12,861	7,331	6,123	49,426
General and Administrative Expenses	53,637	51,548	50,256	405,623
Total Expenses	133,375	118,895	103,739	837,282
Income before Income Taxes	6,034	8,555	6,522	52,643
Net Income	1,303	4,753	3,296	26,604
Assets				
Loans and Bills Discounted	2,444,071	2,268,376	2,268,929	18,312,584
Securities	823,539	947,468	1,084,747	8,755,027
Foreign Exchanges	1,422	929	1,082	8,740
Total Assets	3,779,400	3,778,782	4,008,405	32,351,937
Liabilities				
Deposits	3,299,935	3,402,467	3,507,323	28,307,693
Foreign Exchanges	72	86	243	1,963
Total Liabilities	3,599,201	3,598,241	3,805,018	30,710,396
Stockholders' Equity				
Common Stock	32,776	32,776	32,776	264,543
Additional paid-in capital	18,635	18,635	18,635	150,409
Retained Earnings	112,061	112,938	111,130	896,935
Net unrealized gains on securities available for sale	—	—	24,774	199,954
Total Stockholders' Equity	174,531	174,739	196,895	1,589,150

Notes: (1) In this annual report, Japanese yen in millions are indicated with fractions omitted.
(2) U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥123.90=US$1.00, the rate prevailing on March 31,2001.
(3) From 2000, provisions for bad debt and loss on investments have been deducted from the assets.

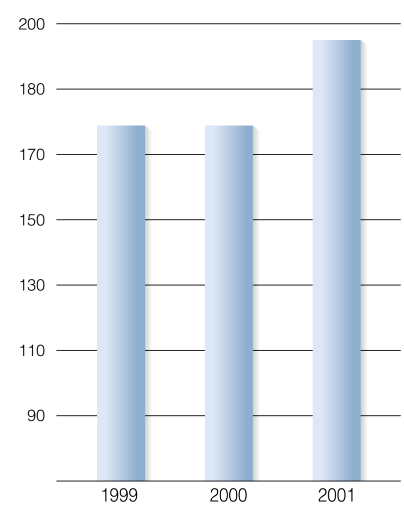
Net Income
(¥ Millions)



Total Assets
(¥ Billions)



Stockholders' Equity
(¥ Billions)



As the curtain rises on the 21st century, Japan's financial industry is in the midst of a far-reaching process of management consolidation and corporate mergers, as witnessed by the emergence of four major banking groups. The trend extends to many regional banks in the form of increasing collaboration in banking operations. At the same time, the dizzying advance of information technology is generating dynamic new business models, leading non-banking businesses to enter the realm of banking services for the first time. Japan is entering a new era of intense competition, far beyond anything seen in the financial sector before.

The country also confronts a number of issues crucial for getting on the track to recovery. One is final settlement of the nation's bad debt crisis. Another major issue is the reapplication of the so called' payoff system' by the Japanese government next year.

This fiscal year marks the second year of "Try Best 21", Daishi Bank's long-term management plan. Guided by this plan, the directors are working together, responding timely and accurately to ever more demanding targets. In so doing we aim to satisfy all our stakeholders from customers and shareholders to the regional community, and emerge as a bank of the highest quality.

Effective Compliance Management Program

In such an age of tumultuous change, reliability remains as always a bank's most valued asset. At Daishi Bank, we feel it our mission to be the best bank, trusted and close to the regional community. To achieve this goal, we aim not only for compliance with existing laws but to raise an uncompromising code of ethics and self-discipline. Our spirit of compliance rests on this depth of awareness and the tireless efforts of our all directors and employees to maintain management integrity.

Furthermore, as the risks financial institutions must manage become more complex and diverse, Daishi Bank is working to ensure sound management by maintaining and strengthening a comprehensive risk management system based on the principle of rigorous compliance.

Management Transparency and Shareholder Focused

Ensuring management transparency is essential in securing customer and investor trust. At Daishi Bank, we believe that legal obligations of disclosure are only the beginning. We are using the Internet to publish timely disclosures and investor-related (IR) announcements. To make our management situation as clear as possible, in the years ahead, we are committed to making public important data, including the status of bad debts and periodic figures for the settlement of accounts.

Also critical to the Bank's mission of delivering shareholder satisfaction is the formation of a management structure that is seen unmistakably to create value for shareholders. To build a structure where creating shareholder value permeates to the heart of all directors and employees, in 2000 Daishi Bank introduced a system of stock options and stock appreciation rights. The Bank is also continuing to divest itself treasury stock, returning bank earnings to shareholders.

Changing the Earnings Structure and Raising Awareness

Flourishing under harsh conditions depends on a management structure based on profitability, and tireless commitment to strengthening it. Only by maintaining solid profitability can we have a solid management system and develop high quality financial services.

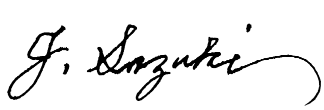
Another important task to boost profitability is to raise the Bank's organizational ability. Through the innovative ideas and actions of its all directors and employees, Daishi Bank is creating a management structure that allows each director and employee to reach his full potential. Building organizational strength will require a highly goal driven attitude, evaluation based on ability and results along with bringing untapped potential to life.

Responsibility as Niigata's Leading Bank

Daishi Bank is a native child of Niigata Prefecture, and has developed along side the prefecture, planting deep roots in the community in a longstanding, mutually nurturing relationship. Throughout its history, Daishi Bank has spared no effort toward the economic growth and stability of the prefecture.

The Bank took over partial operations of the Niigata Chuo Bank, which failed in October 1999. In May 2001, the transition process came to a smooth and successful conclusion.

Looking ahead, Daishi Bank will continue to support the financial health and stability of the region and contribute to its economic development. Through tireless effort, the Bank will ensure its own growth and success as well.



Jisuke Suzuki
Chairman

Katsuei Iino
President

The Daishi Bank Commitment

Corporate Principles

1. Render service to the region as the foremost bank earning community trust and esteem.
2. Be a strong and active bank ready to challenge the vagaries of economic life.
3. Evince a spirit of creativity and vitality.

Striving for Excellence

Daishi Bank aims to be a Bank that delivers true satisfaction to all stakeholders from customers and the regional community to shareholders and employees. That translates to earning satisfactory profits and returning them to stakeholders.

Second, we strive to be a Bank with high organizational ability. Through innovative ideas and actions Daishi Bank is making progress toward this goal.

Long-Term Corporate Strategy: "Try Best 21"

To stay on top in the 21st century, the Daishi Bank launched the "Try Best 21" long-term management plan in April 2000 (04/2000 to 03/2003). This plan outlines specific strategies to deliver total stakeholder satisfaction.

(1) Transforming the earnings structure

● **Sales strategies by market segment**

Dividing the market into corporate and individual clients, the Bank aims to strengthen its operations by clarifying operating strategies and sales promotion channels for each segment.

● **Strengthening investment in securities**

The Bank is diversifying operations while enhancing risk and profit management. At the same time we are training personnel for some tasks, outsourcing others, and strengthening investment in securities.

● **Management downsizing**

Through concentrating certain operations and outsourcing others, Daishi Bank aims advance operational efficiency. By March 31, 2003, the Bank plans to reduce clerical positions by 300 to 2,450 people for significant payroll savings.

To reduce capital expenses, we are controlling replacement investments and reviewing all fixed business costs. At the same time, the Bank is pressing forward with investments in IT with a view to creating a more profitable operating platform.

(2) Building awareness and taking action

Daishi Bank is creating a new management framework that elicits the best possible performance from each and every employee. Supported by personnel training, performance-based and high achievement oriented, the Bank is creating a formidable and dynamic operating structure.

Risk Management

(1) Credit risk

At Daishi Bank, our credit policy is to support the prosperity of the regional community while observing strict compliance with all laws governing financing operations. This policy is reflected in all phases and aspects of the Bank's operations.

In organizational terms, the Bank is securing a solid examination and control framework by completely separating the loan examination section from the business promotion section. This separation ensures that all prospects are reviewed carefully and comprehensively in terms of safety, liquidity and profitability. In Daishi Bank's self-assessment of outstanding loans and other assets, the Bank conducts a primary assessment at the branch, a secondary assessment within the loan examination section and a third assessment at the Assets Review & Audit Office in the Audit and Inspection Division. In this way the Bank verifies the soundness of each prospect.

By bolstering the tools used to assess credit risk, the Bank complements the activities of its individual assessment bodies with comprehensive portfolio management, generating a more exacting and prudent level of credit risk management.

(2) Market risk

Daishi Bank thoroughly manages market risk for both the investments and procurement of funds. To ensure stable and profitable operations well into the future, the Bank regularly convenes an Asset Liability Management (ALM) Committee, consisting of Bank directors and division managers. This body deliberates on and decides courses of action concerning vital issues of risk control.

Operations are systematically divided among the Market Administration (Financial and Securities Division I), Office Administration (Financial and Securities Division II) and Integrated Risk Management (Management Administration Division). Furthermore, an independent Audit and Inspection Division is set up to inspect operations related to market risk. Through these separate management structures, the Bank has set in place a system of checks and balances.

(3) Liquidity risk

Financial and Securities Division I is responsible for cash flow and investment. Using direct access to information about cash flow, the Management Administration Division constantly monitors the status of investment and procurement of funds and reports its findings to the monthly ALM Committee. If necessary, a variety of methods are at hand to ensure that funds remain secure.

(4) Operational risk

Vested with general responsibility for Operational risk, the Operation Administration Division handles deposits and exchange transactions while the Credit Supervision Division handles loan transactions and the Financial and Securities Division II manages foreign exchange transactions. To reduce administrative risk and ensure the accuracy and efficiency of administrative processing all applicable regulations thoroughly studied and executed, along with appropriate personnel training to develop an able and knowledgeable banking staff.

Another measure by which the Bank reduces administrative risk is to obtain regular, accurate checks of the quality of work. The Auditing Department inspects offices and Bank headquarters at least once a year, while offices are required to conduct self-reviews.

(5) System Risk

Systems operations pose a wide variety of risks, including disasters, computer failure and illegal access. To prevent these problems, Daishi Bank partnered with the Bank of Tokyo-Mitsubishi to establish a joint backup system at the latter bank's Tama Information Center, preparing for various types of possible trouble with a redundant backup system. This facility also develops data security measures, troubleshooting manuals and administrative procedures. A strict system of operator controls and machine operations checks for irregular or large volume transactions safeguards against unlawful activity.

Finally, analysis of systems risk is conducted by both internal and external auditors, with the aim of establishing a rigorous and effective system of checks and balances.

Compliance

For all banks, public trust is the greatest asset. Rigorous compliance enhances the soundness of the Bank's operations and builds roots of trust amid the communities it serves. Recognizing this vital truth, Daishi Bank established four basic policies in September 1999 to construct a comprehensive system of compliance.

● Four Guiding Principles to Compliance

1. The Bank will establish a compliance system supported by scrupulous corporate ethics and careful coverage of legal risk, and prepare an action plan to execute the new system.
2. All employees will have a thorough understanding of the letter and spirit of the Bank's Code of Ethics, a common beacon of light for all management. Bank all directors and employees will thoroughly understand the Code and put it into practice as their common guiding policy.
3. Through training and educational activities, the Bank will nurture and establish a deep ethical outlook and spirit of compliance. The Bank will also promote a system of checks and balances to prevent unlawful actions.
4. The Bank will regularly check, report on and evaluate the progress of implementation and compliance, identifying issues and tackling them at an early stage. The Bank will also establish effective measures for correcting problems and preventing any recurrence.

Daishi Bank is constructing step by step a comprehensive compliance system. Each department and branch manager is designated as a "Chief Legal Affairs Officer" and each assistant manager serves as a "Legal Check Officer". Through this rigorous system, the Bank expects to prevent compliance issues from arising and respond quickly and appropriately where problems occur, examining each case carefully and preparing a plan of action.

As a body for deliberation regarding crucial compliance issues, Daishi Bank is establishing a Compliance Committee. The secretariat for this committee is the Compliance Office of the Management Administration Division, which has general authority over compliance issues.

In addition, in September 1999 all directors and employees received the Bank's Compliance Handbook and complemented training workshops based on employment status and area of work. In these ways, Daishi Bank is ensuring that the principles of compliance permeate to the core of operations.

Looking back on 2000, the Japanese economy faced a steep path to recovery. Stiff employment conditions and depressed earnings continued to thwart consumer spending and investment in residential housing. Public sector investment also reached a low ebb. Some hopeful signs were seen in corporate earnings, which began to rebound, and capital investment in high growth sectors such as IT, which continued to rise. In the latter part of the year, however, the economies of markets in North America and Southeast Asia began to cool, forcing Japanese producers to scale back exports. And at the start of 2001, the industrial production took a turn down. Overall, the economy lacked any sustained surge forward.

In Niigata Prefecture investment in plants and equipment improved mildly, but private consumption and housing investment were stagnant, and public investment sluggish. As a whole, the road to recovery remained incomplete.

Major financial and monetary indices mirror this unfortunate trend. The Bank of Japan relaxed monetary policy, including a second decrease in the official discount rate to an all-time low of 0.25%. Meanwhile Japanese stock markets have continued to drift downward since the start of the year, with the Nikkei index falling below 13,000 points by the end of the fiscal year.

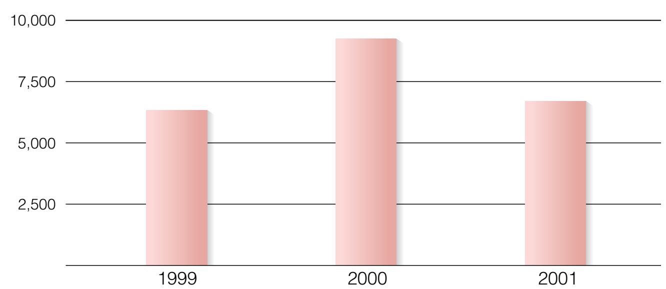
Prompted by this difficult financial and economic environment, in April 2000 Daishi Bank inaugurated its "Try Best 21" long-term management plan. The plan was launched to respond to the demands of the region and customers, enhance bank performance, and deliver more efficient and streamlined management. Below are Daishi Bank's results for the past fiscal year.

Account Overview for Fiscal Year 2000

Net Income

Ordinary income during the period under review fell ¥6,298 million from the previous fiscal year to ¥8,301 million, while net income declined ¥1,457 million to ¥3,296 million. Key factors in these results were an increase in expenses arising from elimination of bad debts and a lump processing of payments for retirement benefits.

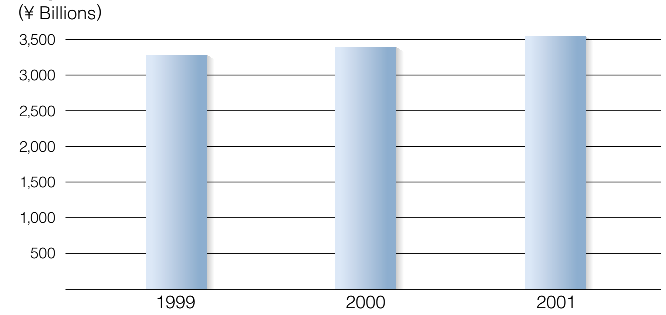
Income before Income Taxes
(¥ Millions)



Deposits

With the steady growth of deposits in the prefecture, balance at the end of the fiscal year totaled ¥3,507,323 million, marking a 3.08% rise over the previous fiscal year.
Deposits in Niigata Prefecture increased ¥119,267 million over the previous fiscal year to ¥3,385,205 million.

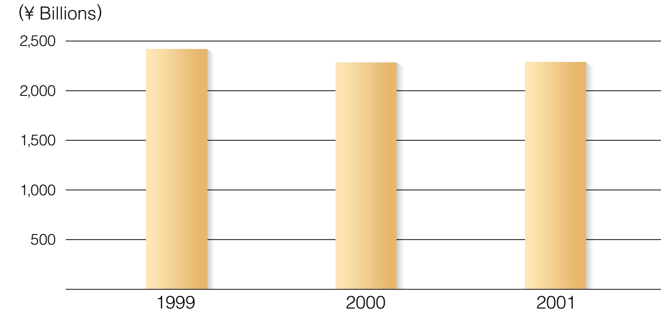
Deposits
(¥ Billions)



Loans

Corporate credit declined due to the continuing economic slowdown and financial restructuring at many enterprises, resulting in a bare increase in the consdidated balance of loans of just 0.02% over the previous fiscal year to ¥2,268,929 million.
Loans within Niigata Prefecture slipped ¥8,212 million against the previous fiscal term to ¥1,892,396 million.

Loans and Bills Discounted
(¥ Billions)



Securities

The consdidated balance of securities rose ¥137,279 million over the previous year to ¥1,084,747 million at fiscal year end.

Improvement in the Capital Adequacy Ratio

The capital adequacy ratio is a key benchmark of a bank's management security and financial soundness. This index describes the ratio of equity (net assets) to risk assets such as loans. Banks that operate branches overseas are required to satisfy the Bank for International Settlements (BIS) criterion of 8% or higher capital adequacy ratio. Other banks that only operate domestically are required to have a capital adequacy ratio of at least 4% based on Japanese standards.

In the year ending March 31, 2001, Daishi Bank's capital adequacy ratio was 10.52%, easily surpassing the BIS standard. In addition, the basic (Tier I) ratio, which excludes general provisions and loan-loss reserves and unrealized gains from land sales, stood at 8.53%, itself well above the domestic standard of 4%.

	Millions of Yen		Thousands of U.S. dollars
(As of March 31)	2000	**2001**	**2001**
Basic item (Tier I)	¥ 167,782	**¥ 166,203**	**$ 1,341,428**
Supplementary item (Tier II)	27,129	**39,767**	**320,965**
Excluded items	—	**1,065**	**8,600**
Net assets	¥ 194,911	**¥ 204,905**	**$ 1,653,794**
Risk assets	¥1,996,711	**¥1,946,438**	**$15,709,751**
Consolidated capital adequacy ratio	9.76%	**10.52%**	—
Tier I ratio	8.40%	**8.53%**	—

Bad debts

● Bad loan management

Daishi Bank is committed to sound financial management. Guided by the Financial Inspection Manual, the Bank conducts self-assessments to eliminate bad debts through appropriate measures such as write-offs and allowance for loan losses.

In the fiscal year ending March 31, 2001, the Bank implemented a stricter asset assessment policy to enhance the soundness of financial management. This wider definition of bad debt increased the Bank's bad loan balance to a level higher than originally forecast.

In the years ahead, Daishi Bank will continue to implement thoroughgoing credit risk management to prevent the occurrence of future bad debts and eliminate existing insolvent loans quickly and effectively, thus maintaining financial affairs on a sound footing.

● Disclosure of assets

Non-accrual loans, accrual loans past due over more than three months and restructured loans as of March 31, 2001 increased ¥40,656 million over the level of March 31, 2000 to ¥210,519 million (comprising 9.27% of total loans).

Non-accrual loans, accrual loans past due over more than three months and restructured loans

	Millions of Yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 15,661	**¥ 16,068**	**$ 129,692**
Loans past due six months or more	96,180	**131,278**	**1,059,555**
Total non-accrual loans	¥ 111,841	**¥ 147,347**	**$ 1,189,247**
Accrual loans past due over more than three months	¥ 693	**¥ 134**	**$ 1,087**
Restructured loans-adjusted the terms in favor of borrowers for financial assistance	¥ 57,327	**¥ 63,037**	**$ 508,775**

Consolidated Balance Sheets

As of March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
ASSETS			
Cash and due from banks	¥ 224,280	¥ 188,877	$ 1,524,436
Call loans and bills purchased	89,905	172,088	1,388,928
Commercial paper and other dept purchased	27,557	17,766	143,392
Trading account securities	758	4,522	36,503
Money held in trust	54,867	74,712	603,009
Securities	947,468	1,084,747	8,755,027
Loans and bills discounted	2,268,376	2,268,929	18,312,584
Foreign exchanges	929	1,082	8,740
Other assets	27,096	72,526	585,362
Premises and equipment, net	100,693	97,843	789,700
Deferred tax assets	29,473	14,488	116,937
Customers' liabilities for acceptances and guarantees	62,597	57,706	465,746
Allowance for loan losses	(55,097)	(46,755)	(377,362)
Allowance for investment losses	(123)	(132)	(1,070)
Total Assets	¥ 3,778,782	¥ 4,008,405	$ 32,351,937

	2000	2001	2001
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits	¥ 3,402,467	¥ 3,507,323	$ 28,307,693
Call money and bills sold	15,300	88,289	712,589
Borrowed money	57,905	61,613	497,283
Foreign exchanges	86	243	1,963
Bonds	—	12,390	100,000
Other liabilities	35,148	54,827	442,510
Liability for employees' retirement benefits	14,648	14,209	114,687
Allowance for losses on sales of loans	1,406	—	—
Deferred tax liabilities	—	38	308
Deferred tax liabilities for land revaluation reserve	8,386	8,156	65,834
Difference between the acquired cost and underlying net equity of investments	293	220	1,777
Acceptances and guarantees	62,597	57,706	465,746
Total Liabilities	¥ 3,598,241	¥ 3,805,018	$ 30,710,396
Minority interests	5,801	6,491	52,390
Stockholders' equity:			
Common stock, par value ¥50 per share Authorized-600,000 thousand shares in 2000, 592,754 thousand shares in 2001 Issued-390,434 thousand shares in 2000, 381,479 thousand shares in 2001	32,776	32,776	$ 264,543
Additional paid-in capital	18,635	18,635	150,409
Land revaluation reserve, net of tax	11,724	11,404	92,042
Retained earnings	112,938	111,130	896,935
Net unrealized gains on securities available for sale	—	24,774	199,954
Treasury stock	(3)	(492)	(3,973)
The Bank's common stock owned by subsidiaries	(1,333)	(1,333)	(10,761)
Total Stockholders' equity	174,739	196,895	1,589,150
Total Liabilities, Minority interests and Stockholders' equity	¥ 3,778,782	¥ 4,008,405	$ 32,351,937

See accompanying notes.

Consolidated Statements of Income

For the Years ended March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Income			
Interest on loans and discounts	¥ 55,385	¥ 49,897	$ 402,721
Interest and dividends on securities	26,624	21,386	172,613
Other interest income	1,011	861	6,953
Fees and commissions	11,065	11,076	89,396
Other operating income	691	2,221	17,927
Other income	32,674	24,818	200,314
Total Income	¥ 127,451	¥ 110,261	$ 889,926
Expenses			
Interest on deposits	¥ 7,331	¥ 6,123	$ 49,426
Interest on borrowings and rediscounts	2,135	2,272	18,345
Other interest expenses	6,519	2,082	16,806
Fees and commissions	2,100	2,051	16,558
Other operating expenses	5,235	732	5,910
General and administrative expenses	51,548	50,256	405,623
Other expenses	44,024	40,219	324,612
Total Expenses	¥ 118,895	¥ 103,739	$ 837,282
Income before income taxes and minority interests	8,555	6,522	52,643
Income taxes:			
Current	6,353	5,404	43,622
Deferred	(2,888)	(2,933)	(23,675)
Net income before minority interests	5,090	4,051	32,697
Minority interests	337	754	6,092
Net Income	¥ 4,753	¥ 3,296	$ 26,604

	Yen		U.S. Dollars
Amounts per share of common stock:			
Basic net income	¥ 12.18	¥ 8.58	$ 0.06
Cash dividends	5.00	5.00	0.04

See accompanying notes.

Consolidated Statements of Stockholders' Equity

For the Years ended March 31, 2000 and 2001

	Millions of Yen							
	Shares of common stock (Thousands)	Common stock	Additional paid-in capital	Land revaluation reserve, net of tax	Retained earnings	Net unrealized holding gains on securities available for sale	Treasury stock	The bank's-common stock owned by subsidiaries
Balance at March 31, 1999	396,818	¥ 32,776	¥ 18,635	¥ 12,449	¥ 112,061	¥ —	¥ (4)	¥ (1,388)
Net income	—	—	—	—	4,753	—	—	—
Land revaluation reserve, net of tax	—	—	—	(725)	725	—	—	—
Treasury stock	—	—	—	—	—	—	1	—
The bank's common stock owned by subsidiaries	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	(1,955)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(35)	—	—	—
Retirement of common stock purchased	(6,383)	—	—	—	(2,604)	—	—	—
Liquidation of a consolidated subsidiary	—	—	—	—	(5)	—	—	—
Adjustment due to change in number of consolida-ed subsidiaries	—	—	—	—	(1)	—	—	—
Balance at March 31, 2000	390,434	¥ 32,776	¥ 18,635	¥ 11,724	¥ 112,938	¥ —	¥ (3)	¥ (1,333)
Net income	—	—	—	—	3,296	—	—	—
Land revaluation reserve, net of tax	—	—	—	(320)	320	—	—	—
Adoption of new accounting standard for financial instruments	—	—	—	—	—	24,774	—	—
Treasury stock	—	—	—	—	—	—	(489)	—
The bank's common stock owned by subsidiaries	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	(1,932)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(32)	—	—	—
Retirement of common stock purchased	(8,955)	—	—	—	(3,447)	—	—	—
Decrease resulting from decrease in the number of affiliated companies on equity method	—	—	—	—	(12)	—	—	—
Balance at March 31, 2001	381,479	¥ 32,776	¥ 18,635	¥ 11,404	¥ 111,130	¥ 24,774	¥ (492)	¥ (1,333)

	Thousands of U.S. Dollars						
	Common stock	Additional paid-in capital	Land revaluation reserve, net of tax	Retained earnings	Net unrealized holding gains on securities available for sale	Treasury stock	The bank's-common stock owned by subsidiaries
Balance at March 31, 2000	$ 264,543	$ 150,409	$ 94,629	$ 911,528	$ —	$ (26)	$(10,761)
Net income	—	—	—	26,604	—	—	—
Land revaluation reserve, net of tax	—	—	(2,587)	2,587	—	—	—
Adoption of new accounting standard for financial instruments	—	—	—	—	199,954	—	—
Treasury stock	—	—	—	—	—	(3,946)	—
The bank's common stock owned by subsidiaries	—	—	—	—	—	—	—
Cash dividends	—	—	—	(15,596)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(258)	—	—	—
Retirement of common stock purchased	—	—	—	(27,826)	—	—	—
Decrease resulting from decrease in the number of affiliated companies on equity method	—	—	—	(104)	—	—	—
Balance at March 31, 2001	$ 264,543	$ 150,409	$ 92,042	$ 896,935	$199,954	$ (3,973)	$(10,761)

See accompanying notes.

Consolidated Statements of Cash Flows

For the Years ended March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2000	2001	2001
Cash flows from operating activities:			
Income before provision for income taxes and minority interests	¥ 8,555	¥ 6,522	$ 52,643
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	15,047	14,614	117,957
Net change in allowance for loan losses	(2,392)	(8,342)	(67,332)
Net change in liability for employees' retirement benefits	3,914	(438)	(3,542)
Interest and dividend income	(83,021)	(72,145)	(582,288)
Interest expenses	15,986	10,479	84,577
Net gain on sales and maturities of securities	(3,407)	(1,437)	(11,602)
Net change in translation adjustment	2,867	(2,344)	(18,926)
Losses on sales of premises and equipment	529	447	3,611
Net change in:			
Trading account securities	110	(3,764)	(30,383)
Loans and bills discounted	175,695	(553)	(4,464)
Deposits	103,562	104,475	843,223
Negotiable certificate deposits	(1,030)	380	3,066
Borrowed money (excluding subordinated borrowings)	(9,774)	(1,291)	(10,427)
Due from banks except for THE BANK OF JAPAN	(82,104)	(37,471)	(302,429)
Call loans and bills purchased	35,550	(72,391)	(584,275)
Receivables under securities borrowing transactions	—	(10,030)	(80,958)
Call money and bills sold	6,808	72,989	589,096
Payables under securities lending transactions	(29,836)	—	—
Issuance and maturity of bonds	—	10,800	87,167
Interest received	84,160	75,607	610,232
Interest paid	(17,841)	(12,757)	(102,965)
Other - net	4,362	(16,407)	(132,425)
sub-total	227,742	56,939	459,556
Income taxes paid	(16,695)	(5,852)	(47,238)
Total adjustments	202,491	44,563	359,674
Net cash provided by operating activities	¥ 211,046	¥ 51,086	$ 412,318
Cash flows from investing activities:			
Purchases of securities	(474,972)	(797,198)	(6,434,205)
Proceeds from sales of securities	95,069	346,055	2,793,018
Proceeds from maturity of securities	253,915	360,170	2,906,946
Purchases of money held in trust	(54,867)	(19,845)	(160,172)
Purchases of premises and equipment	(13,242)	(14,081)	(113,655)
Proceeds from sales of premises and equipment	3,090	1,869	15,087
Payment due to changes in number of consolidated subsidiaries	(132)	(45)	(369)
Net cash used in investing activities	¥ (191,139)	¥ (123,076)	$ (993,350)
Cash flows from financing activities:			
Proceeds from subordinated loans	—	18,000	145,278
Repayment of subordinated loans	—	(13,000)	(104,923)
Dividends paid	(1,955)	(1,932)	(15,596)
Dividends paid to minority stockholders	(17)	(13)	(109)
Purchases of treasury stock	(2,663)	(3,977)	(32,103)
Proceeds from sales of treasury stock	—	40	330
Net cash used in financing activities	¥ (4,637)	¥ (882)	$ (7,123)
Net change in cash and cash equivalents	15,270	(72,873)	(588,163)
Cash and cash equivalents at beginning of the year	118,052	133,322	1,076,051
Cash and cash equivalents at the end of the year	¥ 133,322	¥ 60,449	$ 487,888

See accompanying notes.

1. Basis of presenting consolidated financial statements

The Daishi Bank, Ltd., (the "Bank") and its consolidated subsidiaries principally maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code, the Bank Law of Japan, and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different from the accounting and disclosure requirements of International Accounting Standards.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Bank which were prepared in accordance with Japanese GAAP from the accounts and records maintained by the Bank and its consolidated subsidiaries and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of stockholders' equity have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2001, which was ¥123.90 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(1) Consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries. All significant intercompany balances and transactions have been eliminated. According to Japanese GAAP, all companies and banks are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions.

Investment in an affiliated company in which the Bank has significant influence, but less than a controlling interest, is accounted for using the equity method.

The differences between acquisition cost and underlying net equity at the time of acquisition are generally being amortized on the straight-line basis over five years.

(2) Cash and cash equivalents

In preparing the consolidated statement of cash flows, cash and due from THE BANK OF JAPAN are considered to be cash and cash equivalents.

(3) Trading account securities

Prior to April 1, 2000, listed trading account securities of the Bank were stated at the lower of market value or moving-average costs and the recoveries of write-downs were recognized. Other trading account securities were stated at moving-average cost. Effective April 1, 2000, the Bank adopted the new Japanese accounting standard for financial instruments ('Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999), and the Bank's trading account securities are stated at fair market value, and unrealized gain or losses are recognized in the consolidated statement of income. Realized gains or losses on sale of such securities are computed using primarily the moving-average cost.

(4) Securities

Prior to April 1, 2000, convertible bonds, bonds with warrants and corporate stocks are stated at the lower of moving-average cost or market if they are listed. Other securities are stated at moving-average cost.

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments " issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

Securities managed as trust assets in a money trust independently managed mainly for the purpose of securities investment are stated of fair market value. If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of the adoption of the new accounting standard for financial instruments, in the year ended March 31, 2001, income before income taxes and minority interests increased by ¥9,484 million ($ 76,545 thousand) compared with what would have been recorded under the previous accounting standard.

(5) Derivatives and hedge accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Bank defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(6) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation except for certain revalued land used for business operations as explained in Note 8. Depreciation of premises and equipment is computed using the declining-balance method at rates based on the estimated useful lives. Estimated useful lives are as follows:

Buildings; 10 - 50 years
Others; 2 - 20 years

(7) Software cost

Software for internal use is amortized using the straight-line method over its estimated useful life (principally 5 years).

(8) Foreign currency translation

The consolidated financial statements of the Bank are maintained in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates.

In accordance with the audit treatment of foreign currency transactions for banking industry issued by JICPA as of April 10, 2000, the Bank accounts for foreign currency translations in the same manner as previous years.

(9) Allowance for loan losses

For loans to insolvent customers who are undergoing bankruptcy or other collection proceeding or in a similar financial condition, allowance for loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to available security interests or guarantees.

For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for which there is a high probability of so becoming, the allowance for loan losses is provided for estimated unrecoverable amounts determined after evaluating the customer's overall financial conditions. For other loans, allowance for loan losses are provided based on the rate of the Bank's actual loan losses in the past.

All branches and other business related section evaluate all loans in accordance with the self-assessment rule, and their evaluations are audited by the asset audit section, which is independent from branches and other business related section, and the evaluations are revised as required based on the audits.

Also, consolidated subsidiaries provide for allowance for loan losses. It consists of the estimated uncollectible amount with respect to identified doubtful accounts and an amount calculated using mainly the rate of actual loan losses in the past.

Effective April 1, 2001, loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial condition are stated net of estimated uncollectible amount equal to the full amount of such loans less the portion that is estimated to be recoverable due to available security interests or guarantees. Such estimated uncollectible amount directly deducted from receivables amounted to ¥14,139 million ($114,120 thousand) at March 31, 2001.

(10) Retirement benefits and pension plans

The Bank and certain consolidated subsidiaries have unfunded lump sum benefit and funded pension plans for substantially all employees. The amounts of pension payments and retirement benefits are generally determined on the basis of length of service and basic salary at the time of termination of service.

Prior to April 1, 2000, retirement benefits of the Bank's consolidated subsidiaries were stated at the amount that would have been required to be paid if all eligible employees had voluntarily terminated their employment at the balance sheet date.

The Bank previously accounted for its employee's retirement benefits using the same method adopted by its consolidated subsidiaries. Effective April 1, 1999, the Bank adopted a new accounting policy and recognized the retirement benefit costs based upon the present value of benefit obligations. Accordingly, the Bank recognized its liability for employee's retirement benefits based on the present value of the estimated amount of lump sum benefits to be paid upon termination of employment in the future. The cumulative effect of adopting the new accounting policy was ¥3,789 million ($35,694 thousand), which is included in the "Other expenses". The current year portion of retirement benefits amounting to ¥1,030 million ($9,703 thousand) was expensed as "General and administrative expenses".

Also, effective April 1, 1999, the Bank changed the accounting policy for prior service cost for the governmental welfare pension plan and charged all balance of such cost amounting to ¥1,829 million ($17,230 thousand) in the "Other expenses". The change was made in order to strengthen the financial position following the result of assessment of the under-funded status of the governmental welfare pension plan.

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥4,435 million ($ 35,799 thousand), of which ¥4,415 million ($35,638 thousand) was recognized as an expense as a result of the contribution of securities worth ¥4,415 million ($ 35,638 thousand) to the employee retirement benefit trust in September, 2001. The remaining net transition obligation amounting to ¥19 million ($160 thousand) was recognized entirely as expenses in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over 10 year connecting with the succeeding period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, income before income taxes decreased by ¥2,098 million ($ 16,938thousand) compared with what would have been recorded under the previous accounting standard.

(11) Accounting for certain lease transactions

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

(12) Amounts per share

Computation of basic net income per share is based on the weighted-average number of common shares outstanding during each fiscal year.

Diluted net income per share is similar to basic net income per share except that the weighted-average of common shares outstanding is increased by the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. For the years ended March 31, 2000 and 2001, there were no dilutive common shares. Accordingly, the Bank's dilutive net income per share is the same as the basic net income per share for the periods presented.

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

(13) Reclassification

Certain prior year amounts have been reclassified to conform to the 2001 presentation. These changes had no impact on previously reported results of operations or stockholders' equity.

3. Securities

(1) The following tables summarize acquisition costs, book values, fair value and other information of securities with available fair values as of March 31, 2001:

(i) Trading securities

Book value	¥9,321 Millions	($ 75,238 thousand)
Amount of net unrealized gains or losses included in the income statement	¥40 Millions	($328 thousand)

(ii) Held-to-maturity debt securities

Book value	¥92,132 Millions	($ 743,603 thousand)
Fair value	¥97,537 Millions	($ 787,224 thousand)
Difference	¥5,404 Millions	($ 43,621 thousand)

(iii) Available-for-sale securities

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 91,593	¥ 103,833	¥ 12,239
Bonds	708,201	736,444	28,242
Other than equity securities and bonds	147,410	149,573	2,163
Total	¥ 947,205	¥ 989,851	¥ 42,646

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	$ 739,255	$ 838,043	$ 98,788
Bonds	5,715,912	5,943,860	227,948
Other than equity securities and bonds	1,189,753	1,207,215	17,461
Total	$ 7,644,920	$ 7,989,119	$ 344,198

(2) The following tables summarize book values of securities with no available fair values as of March 31, 2001:

Available-for-sale securities :

	Millions of yen	Thousands of U.S. dollars
	Book value	
Non-listed equity securities	¥ 3,405	$ 27,482

(3) Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Japanese Government bonds	¥ 114,861	¥ 150,772	¥ 71,987	¥ 10,000
Jananese local Government bonds	9,426	82,860	139,510	—
Corporate bonds	50,957	167,868	30,339	—
Others	9,516	89,928	22,456	—
Total	¥ 184,761	¥ 491,428	¥ 264,295	¥ 10,000

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Japanese Government bonds	$ 927,052	$1,216,886	$ 581,015	$ 80,710
Jananese local Government bonds	76,077	668,765	1,125,996	—
Corporate bonds	411,278	1,354,868	244,874	—
Others	76,809	725,811	181,246	—
Total	$1,491,217	$3,966,333	$2,133,133	$ 80,710

(4) Held-to-maturity debt securities sold in the year ended March 31, 2001:

Sales amount	¥661 million	($ 5,335 thousand)
Cost of sales	¥646 million	($ 5,220 thousand)
Gain on sales	¥14 million	($ 114 thousand)

(5) Net Unrealized Holding gains on available-for-sale securities.

	Millions of yen	Thousands of U.S. dollars
Unrealized gains on available-for-sale securities	¥ 42,495	$ 342,981
Deferred tax liability	(17,720)	(143,023)
sub-total	24,774	199,957
Minority Interests	(0)	(3)
Net unrealized holding gains on available-for-sale securities	¥ 24,774	$ 199,954

(6) Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥ 168,236 million ($ 1,357,844 thousand) and the related gains and losses amounted to ¥ 3,623 million ($ 29,245 thousand) and ¥ 278 million ($ 2,249 thousand), respectively.

In April 2000, the Bank contributed, receiving no cash, certain securities to its employee retirement benefit trust as explained in Note 2. The market value of the contributed securities at the time of contribution was ¥4,415 million ($ 35,638 thousand). Upon contribution of these securities, a "gain on securities contributed to employee retirement benefit trust" amounting to ¥3,010 million ($ 24,297 thousand) was recognized.

Book value and fair value of trading account securities, money held in trust and securities at March 31, 2000 were as follows:

	Millions of yen		
	Book value	Fair value	Unrealized gain
Trading account securities-debt securities	¥ 624	¥ 652	¥ 27
Money held in trust	54,867	54,879	11
Securities-			
Marketable debt securities	353,875	370,017	16,141
Marketable equity securities	90,259	116,850	26,591
Other securities	148,767	148,900	133
Total securities	¥ 648,394	¥ 691,299	¥ 42,904

The following is not included in the above tables as their fair value information was not assessable. Trading account securities, debt securities, equity securities and other securities were stated at cost at March 31, 2000 in the amounts of ¥133 million, ¥324,271 million, ¥3,421 million, and ¥30,113 million, respectively.

4. Loans and bills discounted

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

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Loans on notes	¥ 352,656	¥ 344,927	$ 2,783,914
Loans on deeds	1,374,574	1,393,140	11,244,067
Bills discounted	103,180	111,080	896,529
Overdrafts	433,310	414,166	3,342,746
Other	4,653	5,615	45,325
Total	¥ 2,268,376	¥ 2,268,929	$ 18,312,584

Non-accrual loans, accrual loans past due for more than three months and restructured loans at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 15,661	¥ 16,068	$ 129,692
Loans past due six months or more	96,180	131,278	1,059,555
Total non-accrual loans	¥ 111,841	¥ 147,347	$ 1,189,247
Accrual loans past due for more than three months	¥ 693	¥ 134	$ 1,087
Restructured loans-adjusted the terms in favor of borrowers for financial assistance	¥ 57,327	¥ 63,037	$ 508,775

As discussed in Note 2, allowance for doubtful accounts for non-accrual loans are directly deducted from such loans at March 31, 2001. As a result, loans to borrower under bankruptcy proceedings and loans past due six months or more were decreased by ¥8,378 million ($67,625 thousand) and ¥5,760 million ($46,495 thousand), respectively, at March 31, 2001 compared with what would have been reported under the previous method.

5. Pledged Assets

At March 31, 2000 and 2001, the following assets were pledged as collateral for settlement of exchange, short-term financial transaction, and forward exchange contracts.

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Trading account securities	¥ 533	¥ 508	$ 4,100
Securities	136,765	332,282	2,681,856
Total	¥ 137,298	¥ 332,790	$ 2,685,956

Guaranty money deposited was included in premises and equipment amounted to ¥584 million ($4,716 thousand).

Receivables under securities borrowing transactions included in other assets amounted to ¥10,030 million ($80,952 thousand).

6. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Current deposits	¥ 125,137	¥ 158,941	$ 1,282,822
Ordinary deposits	866,796	999,661	8,068,296
Negotiable certificates of deposits	1,630	2,010	16,222
Savings deposits	56,844	54,094	436,599
Deposits at notice	42,380	47,088	380,056
Time deposits	2,118,493	2,065,402	16,669,918
Other deposits	191,185	180,122	1,453,776
Total	¥ 3,402,467	¥ 3,507,323	$ 28,307,693

7. Borrowed money

Borrowed money included subordinated loans totaling ¥37,000 million ($298,627 thousand) at March 31, 2001.

8. Land revaluation reserve, net of tax

Pursuant to the Law concerning Revaluation of Land (the "Law"), certain land for business operations was revalued at fair value at March 31, 1998. Due to the revaluation, land was appreciated by ¥21,889 million to ¥41,412 million at March 31, 1998. Net unrealized gain was classified in a separate component of stockholders' equity net of applicable income taxes as "Land revaluation reserve, net of tax" and in liabilities as "Deferred tax liabilities for land revaluation reserve" in the accompanying consolidated balance sheets at March 31, 2000 and 2001. Under the Law, once after the Bank revalued the land, it is not permitted to revalue the land. Such unrealized revaluation loss at March 31, 2001 was ¥9,037 million ($72,937 thousand).

9. Other income

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

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Gain on sale of shares and other securities	¥ 13,021	¥ 2,066	$ 16,682
Gain on sale of premises and equipment	213	60	492
Gain on securities contributed to Employee retirement benefit trust	—	3,010	24,297
Other	19,438	19,680	158,842
Total	¥ 32,674	¥ 24,818	$ 200,314

10. Other expenses

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

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Write-off of claim	¥ 467	¥ 4,389	$ 35,426
Provision for loan losses	13,743	12,121	97,832
Losses on sales of premises and equipment	743	508	4,103
Cumulative effect of adopting new accounting policy for retirement benefits	3,789	—	—
Prior service cost adjust ments for governmental pension plan	1,829	—	—
Amortization of entire net transition obligation	—	4,435	35,799
Other	23,451	18,764	151,450
Total	¥ 44,024	¥ 40,219	$ 324,612

11. Income taxes

Income taxes applicable to the Bank and its consolidated subsidiaries consist of corporation tax, inhabitant's taxes and enterprise tax, which, in the aggregate, indicate statutory rates in Japan of 41.70% for the years ended March 31, 2001, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the year ended March 31, 2001:

	2001
Statutory tax rate	41.7%
Non-taxable income (dividend income etc)	(6.2)
Non-deductible expenses	1.6
Per capita inhabitant tax	0.9
Other	(0.1)
Effective tax rate	37.9%

For the year ended March 31, 2000, there was no significant difference between the statutory tax rate and the Bank's, effctive tax rate.

Significant components of deferred tax assets and liabilities at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Deferred tax assets:			
Allowance for loan losses and write-off claim.	¥ 19,346	¥ 22,191	$ 179,109
Retirement benefits	4,607	6,727	54,300
Depreciation of premise and equipment	2,282	2,046	16,513
Other	3,515	2,706	21,844
Total deferred income tax assets	¥ 29,751	¥ 33,671	$ 271,767
Deferred tax liabilities:			
Net unrealized gains on securities available for sale	—	(17,720)	(143,023)
Other	(278)	(1,501)	(12,114)
Total deferred income tax liabilities	(278)	(19,221)	(155,138)
Net deferred tax assets	¥ 29,473	¥ 14,450	$ 116,629

12. Cash flows statement

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows for 2000 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Cash and due from banks	¥ 224,280	¥ 188,877	$1,524,436
Negotiable certificate of deposit in other banks	(530)	—	—
Saving deposits in other banks	(90,360)	(128,365)	(1,036,037)
Other	(66)	(63)	(510)
Cash and cash equivalents	¥ 133,322	¥ 60,449	$ 487,888

13. Derivative financial instruments

The Bank engages in derivative transactions to mitigate interest rate risk and liquidity risk of foreign currencies in the normal course of asset-liability management (ALM), and to meet customers' needs. The Bank established the ALM committee and Risk Control Team to assess derivative transactions and market risks surrounding these transactions according to the Bank's policy regarding derivative transactions. The Risk Control Team analyzes risks related to derivative transactions and reports to the ALM committee for review every month.

The Bank's consolidated subsidiaries did not engage in any derivative transactions for the year ended March 31, 2001.

The following table summarized the underlying notional principal amounts and fair values for outstanding derivative financial instruments by risk category and instrument type at March 31, 2001:

	Millions of yen		Thousands of U.S. dollars	
	Notional principal amount	Fair value	Notional principal amount	Fair value
Interest rate swap:				
Receive fixed-pay variable rate	¥ 110	¥ 1	$ 887	$ 8
Receive variable-pay fixed rate	7,968	(348)	64,309	(2,808)
Currency swap	¥ 90,500	¥ 367	$ 730,427	$ 2,962

Certain information for interest rate swap contracts at March 31, 2001is follows:

	Within one year	Over one year
Notional principal amount	¥ —	¥ 110
Notional principal amount	¥ 3,725	¥ 4,243

Fair values of interest rate and currency swap contracts are estimated based on discounted cash flow method.

Market value information included in the above table was for derivative transaction for which hedge accounting has not been applied.

14. Information for certain lease transactions

Lessee:

The Bank and its consolidated subsidiaries lease certain equipment under noncancellable finance and operating leases. Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the years ended March 31, 2000 and 2001 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Equivalent amount:			
Acquisition cost	¥ 169	¥ 169	$ 1,366
Accumulated depreciation	(24)	(67)	(543)
Estimated net book value	¥ 145	¥ 101	$ 822

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Lease payments	¥ 15	¥ 34	$ 280
Equivalent of depreciation expense	¥ 18	¥ 34	$ 275
Equivalent of interest expense	¥ 0	¥ 2	$ 16

Equivalent of depreciation expense is computed using the straight-line method over the lease terms assuming no residual value. Equivalent of interest expense is computed using interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

Future minimum lease payments under the non-cancelable finance and operating leases having remaining terms in excess of one year at March 31, 2001 are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥ 34	$ 281
2003 and thereafter	71	580
Total minimum lease payments	¥ 106	$ 862

Lessor:

Certain equipment of the Bank and its consolidated subsidiaries are leased under finance leases. For the years ended March 31, 2000 and 2001, the amounts of equipment for leased assets, lease income, depreciation expense and estimated interest income were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Acquisition cost	¥ 81,558	¥ 80,414	$ 649,029
Accumulated depreciation	(48,281)	(47,835)	(386,080)
Net book value	¥ 33,277	¥ 32,579	$ 262,948

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Lease income	¥ 13,747	¥ 12,315	$ 99,401
Depreciation expense	10,624	10,411	84,029
Estimated interest income	¥ 1,982	¥ 1,306	$ 10,545

Estimated interest income is computed using interest rate method over the lease terms for the difference between acquisition cost and total lease receipts. Future minimum lease receipts under these non-cancelable finance and operating lease arrangements at March 31, 2001 are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥ 10,107	$ 81,577
2003 and thereafter	20,386	164,540
Total future minimum lease receipts	¥ 30,494	$ 246,118

15. Stockholders' equity

Under the Commercial Code of Japan and the Banking Law of Japan, the followings are provided:

- The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank.
- At least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to designate as common stock. The portion that is to be designated as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are credited to additional paid-in capital.
- Certain amount of retained earnings equivalent to at least 20% of cash dividends paid and other cash outlays resulting from appropriation of retained earnings is appropriated to a legal reserve until such reserve equals 100% of the issued capital.
- Neither additional paid-in capital nor legal reserve is available for cash dividends, but they may be used to reduce a capital deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors.
- Dividends are approved by the stockholders' meeting held subsequent to the statutory fiscal period to which the dividends are payable to stockholders of record at the end of each such fiscal period.
- Semi-annual dividends are approved by the Board of Directors after the end of each first six-month period to which the dividends are payable to stockholders of record at the end of interim six-month period.
  For the years ended March 31, 2000 and 2001, the Bank repurchased and retired 6,383,633 and 8,955,000 shares of the Bank's common stock for a total cost of ¥2,604 million and ¥3,447 million ($27,826 thousand), respectively. Such costs were charged entirely to retained earnings. The repurchases were made in the open market.
- At the general meeting held on June 29, 2000, the stockholders approved that the Bank adopted a stock option plan to attract, retain and motivate officers and employees, and to compensate them for their contributions to the growth and profits of the Bank. The Bank granted stock options to key officers and employees for 1,235,000 common shares. The options vested immediately at the date of grant and are exercisable from June 2002 to June 2005.

16. Subsequent events

At the general meeting held on June 28, 2001, the stockholders approved a cash dividend totaling ¥950 million ($7,667 thousand) or ¥2.50 ($0.020) per share and a related appropriation totaling ¥196 million ($1,581 thousand) as a transfer of retained earnings to legal reserve. Also, the bonus of ¥32 million ($ 258 thousand) for directors and corporate auditors was approved at the stockholders' meeting. In accordance with the Commercial Code of Japan, the declaration of this dividend and bonus for directors and corporate auditors and the related transfer of retained earnings to legal reserve have not been reflected in the accompanying consolidated financial statements at March 31, 2001.

17. Segment information

Segment information for the years ended March 31, 2000 and 2001 is shown in the tables below:

(a) Business segment information

	Millions of Yen					
	2000					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Adjusted operating income:						
Unaffiliated customers	¥ 106,362	¥ 17,834	¥ 2,769	¥ 126,965	¥ —	¥ 126,965
Intersegment	758	1,740	3,488	5,987	(5,987)	—
Total	107,120	19,574	6,257	132,953	(5,987)	126,965
Adjusted operating expenses	93,461	19,243	5,674	118,379	(6,012)	112,366
Adjusted operating profit	13,658	331	583	14,574	25	14,599
Assets	3,745,359	55,969	12,531	3,813,860	(35,078)	3,778,782
Depreciation and amortization	2,945	12,098	4	15,047	—	15,047
Capital expenditures	2,950	10,287	4	13,242	—	13,242

	Millions of Yen					
	2001					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Adjusted operating income:						
Unaffiliated customers	**¥ 86,807**	**¥ 17,467**	**¥ 2,822**	**¥ 107,096**	**¥ —**	**¥ 107,096**
Intersegment	**704**	**1,582**	**3,048**	**5,335**	**(5,335)**	**—**
Total	**87,511**	**19,049**	**5,870**	**112,432**	**(5,335)**	**107,096**
Adjusted operating expenses	**80,534**	**18,374**	**5,318**	**104,227**	**(5,431)**	**98,795**
Adjusted operating profit	**6,977**	**675**	**552**	**8,205**	**96**	**8,301**
Assets	**3,975,388**	**56,868**	**13,051**	**4,045,309**	**(36,904)**	**4,008,405**
Depreciation and amortization	**2,824**	**11,786**	**4**	**14,614**	**—**	**14,614**
Capital expenditures	**2,659**	**11,417**	**4**	**14,081**	**—**	**14,081**

	Thousands of U.S. Dollars					
	2001					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Adjusted operating income:						
Unaffiliated customers	**$ 700,624**	**$ 140,977**	**$ 22,779**	**$ 864,381**	**$ —**	**$ 864,381**
Intersegment	**5,685**	**12,774**	**24,604**	**43,063**	**(43,063)**	**—**
Total	**706,309**	**153,751**	**47,384**	**907,445**	**(43,063)**	**864,381**
Adjusted operating expenses	**649,997**	**148,299**	**42,922**	**841,218**	**(43,838)**	**797,379**
Adjusted operating profit	**56,312**	**5,452**	**4,461**	**66,226**	**775**	**67,001**
Assets	**32,085,463**	**458,990**	**105,340**	**32,649,794**	**(297,856)**	**32,351,937**
Depreciation and amortization	**22,799**	**95,125**	**32**	**117,957**	**—**	**117,957**
Capital expenditures	**21,467**	**92,152**	**35**	**113,655**	**—**	**113,655**

Notes: (1) Yen amounts are rounded down to the nearest million yen.
(2) Adjusted operating income and adjusted operating profit are shown in place of sales and operating profit which would be reported in case of general companies.
(3) Segmentation is based on each consolidated company's line of business. "Others" represents non-banking business, credit card business and so forth.
(4) As specified in the notes to consolidated financial statements, the new accounting method for employees' severance and pension benefits was introduced effective from the current fiscal year. Adjusted operating profit of "Banking" was reduced by ¥673 million ($5,436 thousand), owing to the change in the accounting treatment.
(5) Also as specified in the notes to consolidated financial statements, the new accounting method for financial instruments was introduced effective from the current fiscal year. Adjusted operating income of "Banking", "Leasing" and "Others" segments increased by ¥9,447 million ($76,252 thousand), ¥24 million ($198 thousand) and ¥11 million ($95 thousand), respectively, owing to the change in the accounting treatment.

(b) Segment information by location

Since the adjusted operating income and assets of "Japan" segment is more than 90% of other segments combined, segment information by location for the years ended March 31, 2000 and 2001 are not shown here.

(c) International operating Income

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

18. Employee's retirement benefits

As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2001 consists of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 19,281	$ 155,617
Unrecognized actuarial differences	(5,071)	(40,930)
Liability for employees' retirement benefits	¥ 14,209	$ 114,687

Included in the consolidated statement of income for the year ended March 31, 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen	Thousands of U.S. dollars
Service costs - benefits earned during the year	¥ 1,498	$ 12,093
Interest cost on projected benefit obligation	2,115	17,074
Expected return on plan assets	(1,395)	(11,266)
Amortization of net transition obligation	4,435	35,799
Other	558	4,505
Severance and retirement benefit expenses	¥ 7,211	$ 58,206

The discount rate and the rate of expected return on plan assets used by the Company are 3.5 % and 0 % to 3.5%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in income statement using the straight-line method over 10 years.

19. Related party transactions

A corporate auditor of the Bank has a position of a company, with which the Bank has transactions as shown below.

(1) Name of corprate auditor — Sachio Igarashi
(2) Position held — President ; The Niigata Nippo Press
(3) Percentage of the Bank's shares owned — 0.02%
(4) Loans receivable

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Transactions			
Financing	¥ 174	**¥ 52**	**$ 419**
Balances of loans receivable	¥ 83	**¥ 50**	**$ 403**

Notes: The transactions were consummated at arm's length.
As there was no additional loan provided to the Niigata Nippo Press, the loan balances represent the average balance during the period.

Report of Independent Public Accountants

To the Stockholders and the Board of Directors of THE DAISHI BANK, LTD.:

We have audited the accompanying consolidated balance sheet of THE DAISHI BANK, LTD. (a Japan corporation) and subsidiaries as of March 31, 2001, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, expressed in Japanese yen. Our audit was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of THE DAISHI BANK, LTD. and subsidiaries as of March 31, 2001, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan applied on a basis consistent with that of the preceding year, except as noted in the following paragraph.

As explained in Note 2, effective April 1, 2000, THE DAISHI BANK, LTD. and subsidiaries adopted new Japanese accounting standards for financial instruments and employees' severance and retirement benefits.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.   K Yamaguchi   S Wada

Niigata, Japan June 28, 2001

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying consolidated financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

To the Stockholders and the Board of Directors of THE DAISHI BANK, LTD.:

We have audited the accompanying consolidated balance sheet of THE DAISHI BANK, LTD. and subsidiaries as of March 31, 2000, the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, expressed in Japanese yen. Our audit was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of THE DAISHI BANK, LTD. and subsidiaries as of March 31, 2000, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan applied on a basis consistent with that of the preceding year, except for the changes made as of April 1, 1999 in the methods of accounting for retirement benefits and prior service costs referred to in Note 2, with which we concur.

K Yamaguchi   S Wada

Niigata, Japan June 29, 2000

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying consolidated financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Organization Chart

(As of July 1, 2001)

- **General Meeting of Stockholders**
  - **Board of Corporate Auditors**
- **Board of Directors**
- **Executive Committee**
  - Secretariat
  - Planning and Coordination Division
    - Public Relations Office
    - Tokyo Representative Office
  - Management Administration Division
    - Risk Supervision Office
    - ALM Office
    - Compliance Office
  - Audit and Inspection Division
    - Assets Review & Audit Office
  - Business Headquarters
    - Business Promotion and Branch Administration Division
    - Business Development Division
    - Corporate Business Division
      - Public Institutions Office
      - Customer Consulting Office
    - Consumer Business Division
      - Direct Banking Office
  - Credit Supervision Division
  - Offices
  - Operation Center
  - Domestic Exchange Center
  - Loan Centers
  - Loan Examination Division
    - Loan Administration Office
  - Financial and Securities Division I
    - Securities Office
  - Financial and Securities Division II
    - International Administration Office
  - Personnel Division
    - Personnel Training and Education Office
  - Systems Planning Division
  - Operation Administration Division
  - General Affairs Division

Corporate Directory

Board of Directors

Chairman
Jisuke Suzuki

President
Katsuei Iino

Senior Managing Director
Kunito Kojima

Managing Directors
Masayuki Ito
Kenzo Kaneko
Takashi Onishi

Directors
Yukio Ogasawara
Takahide Matsushima
Yoshiaki Ono
Haruki Kobayashi
Masayuki Obara
Kenichi Yazawa
Masatoshi Komiya
Kenichi Ito

Standing Corporate Auditors
Toshio Marugame
Toshiichi Nakashizu

Corporate Auditors
Sachio Igarashi
Kiichi Sakai

International Division General Manager
Jun Utashiro

(As of July 1, 2001)

Service Network

Head Office
1071-1, Higashiborimae-dori
7-bancho, Niigata 950-8746
Telephone: (025) 222-4111
Internet Home Page:
http://www.daishi-bank.co.jp/

International Division Headquarters
Address: same as above.
Telephone: (025) 222-4111
Telex: 3122655 DAIS BK J
Fax: (025) 225-2331
SWIFT: DAIS JPJT

Number of Offices by Area

Niigata District	121
Tokyo District	2
Other Districts	7
Total	130

(As of July 1, 2001)

Major stockholders (10 largest)

As of March 31, 2001	Number of Shares (Thousand)	Percent
1. Nippon Life Insurance Company	20,000	5.24
2. Industrial Bank of Japan, Ltd.	11,747	3.07
3. Meiji Mutual Life Insurance Company	10,000	2.62
4. Employees' stockholdings	9,689	2.53
5. The Bank of Tokyo-Mitsubishi, Ltd.	8,978	2.35
6. Nippon Fire and Marine Insurance Company	7,344	1.92
7. The Dai-ichi Mutual Life Insurance Company	7,140	1.87
8.The Tokio Marine and Fire Insurance Co., Ltd.	6,120	1.60
9. Tohoku Electric Power Co., Ltd.	6,029	1.58
10. The Sanwa Bank, Ltd.	6,000	1.57

Subsidiaries

Company	Major business	Incorporation	Capital	Ratio of shareholder voting rights held by the Daishi Bank
The Daishi Business Service Co., Ltd. 1-20, Horinouchi Minami 3-chome, Niigata 950-0982	Assessment of secured property	May 26, 1978	10 million yen	100%
The Daishi Staff Service Co., Ltd. 892-1, Nishibori-dori 6-bancho, Niigata 951-8061	Supply of temporary staff	Oct. 28, 1988	20 million yen	100%
The Daishi Cash Business Co., Ltd. 1-20, Horinouchi Minami 3-chome, Niigata 950-0982	Cash settlements and processing services	Sept. 11, 1996	10 million yen	100%
The Daishi Jimu Shuchu Co., Ltd. 1-17, Abumi 1-chome, Niigata 950-0913	Consignment of clerical services	Mar. 15, 2000	10 million yen	100%
The Daishi Lease Co., Ltd. 2-10, Akashi 2-chome, Niigata 950-0084	General leasing business	Nov. 11, 1974	100 million yen	5%
The Daishi Computer Service Co., Ltd. 1-17, Abumi 1-chome, Niigata 950-0913	Computer-related services	May 10, 1976	15 million yen	5%
The Daishi Guaranty Co., Ltd. 892-1, Nishibori-dori 6-bancho, Niigata 951-8061	Credit guarantee business	Oct. 26, 1978	50 million yen	5%
The Daishi JCB Card Co., Ltd. 1-18, Higashi-odori 2-chome, Niigata 950-0087	Credit card and credit guaranty businesses	Nov. 12, 1982	30 million yen	5%
The Daishi Associated Finance Co., Ltd. 1-18, Higashi-odori 2-chome, Niigata 950-0087	Venture capital	June 8, 1984	20 million yen	5%
The Daishi DC Card Co., Ltd. 1-18, Higashi-odori 2-chome, Niigata 950-0087	Credit card business	March 1, 1990	30 million yen	5%