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 2002, the Bank's deposits totaled ¥3,604 billion (US$27,049 million) and it operated a domestic network of 130 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

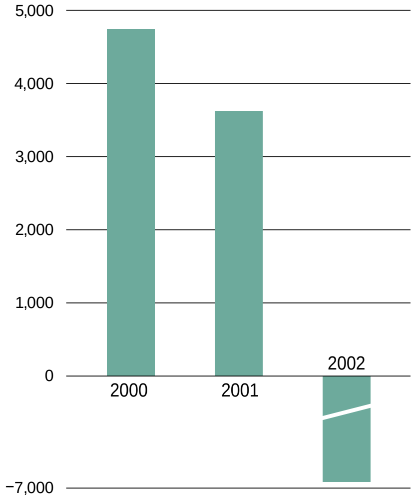
Contents

Financial Highlights

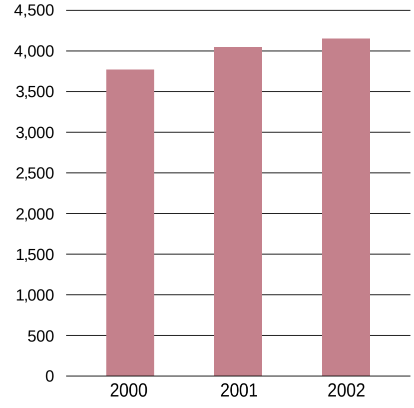
(For the Years ended March 31)	Millions of Yen 2000	2001	2002	Thousands of U.S. Dollars 2002
Income				
Interest on Loans and Discounts	¥ 55,385	¥ 49,897	¥ 47,824	$ 358,904
Interest and Dividends on Securities	26,624	21,386	21,744	163,183
Total Income	127,451	110,261	108,030	810,735
Expenses				
Interest on Deposits	7,331	6,123	3,883	29,146
General and Administrative Expenses	51,548	50,256	49,622	372,404
Total Expenses	118,895	103,739	120,009	900,635
Income (Loss) before Income Taxes and minority interests	8,555	6,522	(11,979)	(89,900)
Net Income (Loss)	4,753	3,296	(6,933)	(52,033)
Assets				
Loans and Bills Discounted	2,268,376	2,268,929	2,360,550	17,715,200
Securities	947,468	1,084,747	1,224,338	9,188,278
Foreign Exchanges	929	1,082	2,581	19,374
Total Assets	3,778,782	4,008,405	4,086,003	30,664,188
Liabilities				
Deposits	3,402,467	3,507,323	3,604,381	27,049,769
Foreign Exchanges	86	243	116	871
Total Liabilities	3,598,241	3,805,018	3,895,595	29,235,236
Stockholders' Equity				
Common Stock	32,776	32,776	32,776	245,981
Additional paid-in capital	18,635	18,635	18,635	139,855
Retained Earnings	112,938	111,130	102,751	771,121
Net unrealized gains on securities available for sale	—	24,774	20,260	152,045
Total Stockholders' Equity	174,739	196,895	183,508	1,377,173

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 ¥133.25=US$1.00, the rate prevailing on March 31,2002.

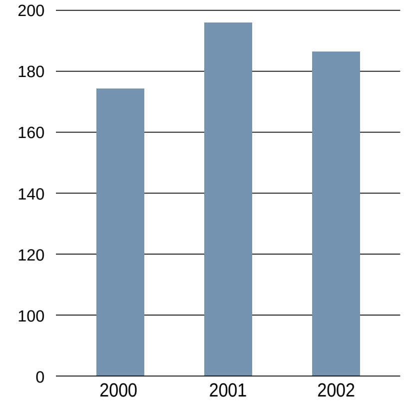
Net Income
(¥ Millions)



Total Assets
(¥ Billions)



Stockholders' Equity
(¥ Billions)



Japan's financial environment is changing rapidly through financial restructuring, liberalization of financial services and new partnerships with companies in other sectors. With these momentous events, financial operations grow more challenging with each passing year.

In addition, partial lifting of the ban on the payoff system in April and other developments have put financial institutions under a very watchful public eye. To regain customer goodwill, institutions are taking drastic measures to deal with bad loans and ensure transparent operations.

The nation's economy finally appears to have touched bottom, yet actual business conditions remain difficult. In Niigata Prefecture, the base of Daishi Bank's operations, the protracted downturn and painful financial restructuring have left extremely weak demand for funding in the private sector.

This fiscal year marks the third and final year of "TRY BEST 21," Daishi Bank's long-term management plan. Through this plan, the Bank is overhauling its actions and attitudes toward the changing business environment and the new economic challenges now emerging. The directors and employees of the Bank are taking concerted action to create a bank of the highest quality, providing satisfaction for all our stakeholders from customers and shareholders to the regional community.

Strengthening Earnings

To survive and prevail in an environment as intensely competitive as today's, the Bank must enforce an exacting level of profitability and efficiency.

Recognizing this, in the 2002 fiscal year Daishi Bank will seek to strengthen profitability in a two-step process. First, the Bank will answer customer demand for high-quality financial services that are fine-tuned to their needs. We will do this by enhancing our capability in problem-solving and consulting, emphasizing fee-based business through new financial features and services, offering loan products that are attractive to customers and fortify activities that support companies in their struggle to improve their management bases.

The second step will be to slash costs. By centralizing operations and outsourcing non-core operations, Daishi Bank will streamline operations to reduce personnel expenses. Through a series of far-reaching Sourcing administration project, the Bank will thoroughly reorganize its entire cost structure, with no sacred cows, to achieve dramatic reductions in overhead.

K. Iino

Katsuei Iino
President

Strong Management Foundation

One of the central items in the Bank's corporate philosophy is its determination to earn community trust and esteem. To gain the confidence of customers, Daishi Bank is moving not only to secure a solid management structure but also to reorganize the Bank and raise Director and employee awareness of critical issues. We are pressing forward to attain a sound and thorough financial footing.

(1) Sound Finance

In 2001 Daishi Bank topped up its reserves against bad loans, making a clear break with the problem of unrecoverable loans.

This measure represents the Bank's radical response to the lingering recession, protracted low-interest environment and bad-loan problem. To ensure stable profitability in the years to come, Daishi Bank is striving to build a sound financial framework.

(2) Strengthen compliance and risk management

Securing a robust management profile will not be possible unless management has an unwavering commitment to compliance. At Daishi Bank, 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 deep awareness and tireless effort from all our directors and employees to maintain management integrity.

The risks financial institutions must manage are growing increasingly diverse due to rapid advances in IT, globalization of the financial industry and deregulation. Daishi Bank is working to ensure sound management and consistent earnings growth by enhancing the range of risk management methods and building a structure capable of rapid, accurate and effective decision-making.

Management Transparency and Shareholder-focused Management

To become the region's bank of choice, trusted and relied upon by customers and the community, Daishi Bank must observe an exacting level of disclosure. At Daishi Bank, in addition to legally required disclosure (business disclosure reports), we use the Internet and other media in a proactive program of disclosure and investor relations.

In the months and years to come, the Bank will continue to provide disclosure in ways that are not only transparent but easy to understand, with timely delivery of business information. Through efforts such as these, we will strive at all times to be the region's trusted bank of choice.

Equally, Daishi Bank's management approach is focused on shareholder value that will translate into total satisfaction. To build a management structure in which all directors and employees share a solid commitment to this task, in 2000 Daishi Bank introduced stock option and stock appreciation systems. The Bank is also continuing a Company Stock Buyback program begun in 1999 to retire stock, and return earnings to shareholders. The Bank will purchase company stock in the current fiscal year. Through efforts such as these, Daishi Bank is increasing shareholder value.

Responsibilities of a Leading Bank

Throughout its history, Daishi Bank has labored unflaggingly to support the stability and growth of the economy of Niigata Prefecture as a regional financial institution.

Going forward, as Niigata's leading bank, Daishi Bank will continue to listen to all concerned parties in the region in support of creating new value. The Bank is confident that its surest path to growth is to

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.

Management Targets

To survive and thrive in the 21st century, Daishi Bank launched the "TRY BEST 21" long-term management plan in April 2000 (covering the period April 2000 to March 2003). This plan outlines strategies to deliver total stakeholder satisfaction and boost profitability.

Targets for the final year of TRY BEST 21 (year ending March 31, 2003):

- **Tier I ROE: 5% or over**
- **Tier I ratio: 8% or over**
- **Capital adequacy ratio: 10% or over**
- **Overhead ratio: 68% or less**

Management Strategy: Strengthen Profitability

1. Restructure the management base

(1) Increase corporate business

The Bank aims to strengthen its relationships with corporate clients by enhancing its consulting functions and adopting a problem-solving style in sales activities.

● **Stimulating business in Niigata Prefecture**

In the Daishi Managers' Club, major corporate clients who do business through Daishi Bank form a network where they can interact, exchange information and create business opportunities.

To revitalize its corporate client base while building a sound asset profile, in February 2002 the Bank established a dedicated Corporate Support Office. The Office is charged with assessing the current state of its corporate customers, identifying problems and offering concrete proposals for improving their businesses. The Office also provides valuable information in diverse areas, including sales and production techniques.

Daishi Bank is convinced that the path to a prosperous future leads through the creation and nurturing of the new enterprises that will lead us in the next generation. With that perspective, the Bank is carefully studying the launch of a training and support system for venture companies in Niigata Prefecture.

● **Strengthen profitability of services**

The Bank is expanding sales of mutual funds, foreign deposits and public-sector bonds while adjusting its fees to reflect costs. Daishi Bank also offers services such as loan syndication, project financing and M&A consulting, bolstering earning power through the fees these services generate.

● **Pricing**

To establish interest rates that properly reflect credit risk, the Bank is moving to price its services accurately by developing policies on a company-by-company basis and sharing it with head offices and local branches.

(2) Improve personal banking operations

● **Increasing personal loans**

Each Daishi Bank loan center is staffed with dedicated personal loan officers, enhancing the Bank's image for customized, value-added services for home mortgages and other loans. From April 2002, infrastructure enhancements included the introduction of an automated examination system, accelerating and streamlining the loan examination process. Following consultation, collateral-free loans are in principle granted within one hour, while customers can expect an answer on collateralized loans on the next business day.

2. Reduce operating expenses

(1) Review of material expenses

In its bid to pare material expenses, in January 2002 the Bank embarked on a Sourcing administration project. Following a thorough, spare-no-sacred-cow review of procurement procedures, Daishi Bank is on course to achieve significant reductions in expenses in the 2002 fiscal year.

(2) Review of personnel expenses

The Bank is moving steadily to streamline operations through initiatives such as centralization of administrative work, outsourcing of non-core processes and introduction of an area management system. The result of these efforts will be a slimmer, more nimble operating framework.

Risk Management Structure

(1) Credit risk

To secure a solid management footing, the Bank has established a Credit Policy, which sets out basic stipulations for credit risk management.

Careful steps have been taken in organizational terms as well. The Credit Supervision Division, which is responsible for credit risk management, stipulates such items as rules for credit risk management and criteria for self-assessment of assets. In addition, examination and sales are separate divisions, ensuring impartial auditing from the perspectives of safety, liquidity and profitability.

In addition, Daishi aims to provide more advanced risk management by adding credit risk econometrics and portfolio management that will supplement screening case-by-case.

(2) Market risk

To adjust risk-taking to appropriate levels and secure stable earnings, Daishi Bank determines its management policy on asset liability management (ALM) every fiscal year, and convenes management committees to set risk-taking limits and loss limits for each market sector on a half-yearly basis. Moreover, the Bank regularly convenes an ALM Committee, consisting of Bank directors and division managers, to deliberate on and decide courses of action concerning vital issues of market risk control.

Operations are systematically divided among 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 inspects operations related to market risk. Through these separate management structures, the Bank has installed a system of highly effective checks and balances.

Finally, to enable it to analyze still more accurately the risks associated with ongoing changes in the financial markets, in the 2001 fiscal year Daishi Bank launched ALM system and daily VaR systems. With these moves, the Bank is fortifying its market risk management organization.

(3) Liquidity risk

At Daishi Bank, the Management Administration Division, which is in charge of risk management, monitors the financing management of the Financial and Securities Division I on a daily basis. Additionally, the Management Administration Division submits reports to the monthly ALM Committee. These arrangements provide an essential checking function.

Also, to supplement normal liquidity risk management, the Liquidity Risk Management Rules provide responses to urgent requirements. These stipulate specific response procedures and a wide variety of fundraising methods to provide adequate liquidity risk management.

(4) Administrative risk

For each type of business arrangement, the Bank has established a dedicated division with the specific expertise to oversee it. The Operation Administration Division handles deposits and money orders, the Credit Supervision Division oversees financial transactions and the Financial and Securities Division II handles foreign exchange transactions. This division of responsibilities secures a high level of administrative accuracy and efficiency. In each case exhaustive stipulations on administrative matters and a variety of research efforts raise clerical and administrative proficiency, sharply reducing administrative risk. Reinforcing this structure is a system by which each division provides direct guidance to each branch office within its jurisdiction, ensuring a uniformly advanced level of administrative excellence throughout the Bank's organization.

To provide a system of checks and balances, the Audit and Inspection Division performs an audit of each branch office and division at least once per year, while each branch office and division conducts its own self-audit once a month, providing a strict system of checks.

(5) Systems risk

Daishi Bank realizes that IT systems need to be backed up to prevent loss from disasters, malfunction and illegal access. To provide safety measures against these possible threats, the Bank has installed duplicate sets of all computer equipment and circuits, and maintains a backup facility in the Kanto region. These provisions ensure that the Bank can respond decisively in the event of system failure. The Bank also carries out regular drills based on likely scenarios for system damage or failure. Trained to respond to specific types of threat, the Bank's systems sector is capable of responding to a wide range of urgent requirements.

Daishi Bank also submits to regular audits of system risk by both external auditors and the Audit and Inspection Division, enforcing a formidable checking and balancing apparatus.

Compliance

Trust is a bank's most valuable asset. Daishi Bank recognizes that compliance is a vital tool for accumulating this resource, as it plays a central role in enhancing management soundness and earning the trust of the community. Accordingly, compliance is one of the Bank's top management priorities. Every one of the directors of the Bank is kept thoroughly informed on compliance issues, instilling a resolute stance toward the most uncompromising standards.

● **Four basic principles of 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.

● **Compliance System**

The Compliance Committee, which is linked directly to senior management, generally meets once a month. The Committee deliberates on the status of compliance at Daishi Bank and important compliance-related issues. In addition to this Committee, the Bank has established a Compliance Office, which is the center of compliance management. The Office plans a wide range of compliance initiatives and offers support and guidance to departments and branch offices.

The 2001 fiscal year was a year of persistent challenges for the Japanese economy. Personal consumption showed weak signs of recovery, as the employment and income environments both deteriorated. Both housing investment and public-sector investment slowed against the previous year and remain in low gear. As exports slowed, production in the private sector came under pressure to adjust inventories and manufacturers showed little appetite for capital investment. From the beginning of the new calendar year, however, renewed overseas demand swelled exports. While some signs point to a bottom in Japan's protracted recession, overall economic performance continued to decline.

In Niigata Prefecture, the bedrock of Daishi Bank's operating base, the overall environment remained stubbornly downbeat. Private-sector production and capital investment declined while personal consumption stayed flat. Both housing and public-sector investment continued in a subdued mode.

This challenging economic climate was the impetus behind Try Best 21, Daishi Bank's long-term management plan. Backed by this plan, the Bank labored vigorously to serve the complex needs of its regional customers, lift business results and buttress and improve its management constitution. The results of these efforts are detailed below.

Summary of Consolidated Business Results for the 2001 Fiscal Year

Net Income

Amid a somber business environment, the Bank spared no effort to increase funds, invest efficiently, increase revenue from fees and slash expenses in a bid to strengthen its earnings capabilities. Ordinary revenue rose ¥360 million from the previous fiscal year to ¥107,457 million. Ordinary expenses, however, increased due to the Bank's early action to secure a sound asset base through proactive clearing-up of bad loans and in stepping up moves to resolve losses from declining share valuations. Operating expenses rose ¥20,534 million against the previous fiscal year to ¥119,330 million. The Bank turned in an ordinary loss of ¥11,872 million and a net loss of ¥6,933 million.

Deposits

Deposits increased because of a balance adjustment focused on personal deposits, rising ¥97,058 million over the previous fiscal year to ¥3,604,381 million.

Loans and bills discounted

Amid overall slack demand for funding among the prefecture's private sector, Daishi Bank made a concerted effort to offer loans to the region's public-sector institutions, in a bid to secure every possible improvement in the efficiency of investment of funds. Loans increased ¥91,621 million over the previous fiscal year to ¥2,360,550 million.

Securities

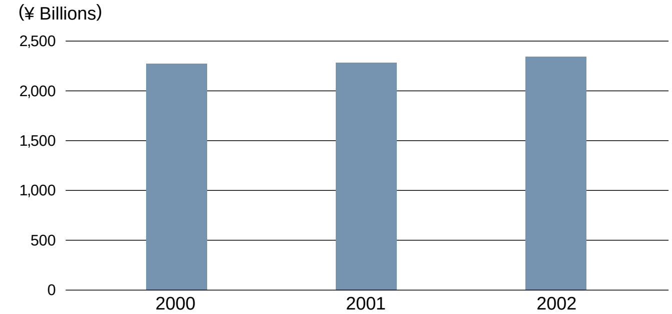
Securities gained ¥139,590 million over the previous fiscal year to reach a year-end balance of ¥1,224,338 million.

(As of March 31)

Income before Income Taxes
(¥ Millions)

Deposits
(¥ Billions)

Loans and bills discounted
(¥ Billions)



Consolidated Capital Adequacy Ratio

The capital adequacy ratio-the ratio of assets lent out ("risk assets") to paid-in capital ("net assets")-is the most important index in gauging the financial soundness and stability of a bank's management. Banks that possess overseas branches are required to adhere to the Bank of International Settlements (BIS) ratio of 8% or more, while banks with no overseas branches must support a capital adequacy ratio of 4% or more. Because it possesses no overseas branches, Daishi Bank is governed by the latter standard.

As of March 31, 2002, the Bank's capital adequacy ratio stood at 9.88%. If only Tier I assets (capital, legal reserves and surpluses) are used in calculation, the ratio is still 7.80%, easily clearing the domestic standard of 4%.

	Millions of Yen		Thousands of U.S. dollars
(As of March 31)	2001	2002	2002
Basic item (Tier I)	¥ 166,203	¥ 158,173	$ 1,187,042
Supplementary item (Tier II)	39,767	43,097	323,432
Excluded items	1,065	1,065	7,996
Net assets	¥ 204,905	¥ 200,205	$ 1,502,478
Risk assets	¥1,946,438	¥2,025,451	$15,200,384
Consolidated capital adequacy ratio	10.52%	9.88%	—
Tier I ratio	8.53%	7.80%	—

Bad Loans (consolidated)

● **Risk management loans**

As of March 31, 2002, the Bank's risk management loans were valued at ¥209,005 million. This figure represents a ¥1,514 million decrease from the figure as of March 31, 2001 and is equal to 8.72% of all loans.

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 16,068	¥ 19,181	$ 143,947
Loans past due six months or more	131,278	137,716	1,033,518
Total non-accrual loans	¥ 147,347	¥ 156,897	$ 1,177,465
Accrual loans past due over more than three months	¥ 134	¥ 295	$ 2,217
Restructured loans-adjusted terms in favor of borrowers for financial assistance	¥ 63,037	¥ 51,812	$ 388,838

In the fiscal year ending March 31, 2002, the Bank increased its reserves for possible loan losses in a bid to make a clear brake with the problem. As a result, Daishi Bank succeeded in clearing up ¥29,222 million of bad loans. These actions were taken in the expectation of further asset deterioration in the future, as business conditions worsen for the Bank's customers and the Bank presses forward with the final stages of resolution of the bad-loan problem. Due to Daishi Bank's current preventive action to resolve bad loans, the directors of the Bank forecast a sharp decline in the Bank's overhang of bad loans in the 2003 fiscal year.

To strengthen support for companies who want to improve their management, in February 2002 Daishi Bank established a dedicated Corporate Support Office within the Loan Examination Division. Establishing a sound asset base is one of the Bank's most urgent management issues, and Daishi Bank is fully committed to a continuing series of vigorous and proactive efforts to improve the management base of its valued customers.

Consolidated Balance Sheets

As of March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
ASSETS			
Cash and due from banks	¥ 188,877	¥ 117,821	$ 884,210
Call loans and bills purchased	172,088	50,000	375,234
Commercial paper and other dept purchased	17,766	13,776	103,390
Trading account securities	4,522	19,476	146,161
Money held in trust	74,712	147,532	1,107,185
Securities	1,084,747	1,224,338	9,188,278
Loans and bills discounted	2,268,929	2,360,550	17,715,200
Foreign exchanges	1,082	2,581	19,374
Other assets	72,526	37,251	279,564
Premises and equipment, net	97,843	93,645	702,782
Deferred tax assets	14,488	27,295	204,845
Customers' liabilities for acceptances and guarantees	57,706	52,193	391,697
Allowance for loan losses	(46,755)	(60,329)	(452,755)
Allowance for investment losses	(132)	(131)	(983)
Total Assets	¥ 4,008,405	¥ 4,086,003	$ 30,664,188
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits	¥ 3,507,323	¥ 3,604,381	$ 27,049,769
Call money and bills sold	88,289	105,801	794,008
Payables under repurchase agreements	—	100	750
Borrowed money	61,613	46,092	345,912
Foreign exchanges	243	116	871
Bonds	12,390	13,325	100,000
Other liabilities	54,827	51,031	382,976
Reserve for employee retirement benefits	14,209	13,564	101,800
Reserve for contingent liabilities	—	1,000	7,504
Deferred tax liabilities	38	21	160
Deferred tax liabilities for land revaluation reserve	8,156	7,819	58,683
Difference between the acquisition cost and underlying net equity of investments	220	146	1,101
Acceptances and guarantees	57,706	52,193	391,697
Total Liabilities	¥ 3,805,018	¥ 3,895,595	$ 29,235,236
Minority interests	6,491	6,899	51,777
Stockholders' equity:			
Common stock Authorized-592,754 thousand shares in 2001, 583,799 thousand shares in 2002 Issued-381,479 thousand shares	32,776	32,776	$ 245,981
Additional paid-in capital	18,635	18,635	139,855
Land revaluation reserve, net of tax	11,404	10,932	82,043
Retained earnings	111,130	102,751	771,121
Net unrealized gains on securities available for sale	24,774	20,260	152,045
Treasury stock	(492)	(515)	(3,867)
The Bank's common stock owned by subsidiaries	(1,333)	(1,333)	(10,006)
Total Stockholders' equity	196,895	183,508	1,377,173
Total Liabilities, Minority interests and Stockholders' equity	¥ 4,008,405	¥ 4,086,003	$ 30,664,188

See accompanying notes.

Consolidated Statements of Income

For the Years ended March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Income			
Interest on loans and discounts	¥ 49,897	¥ 47,824	$ 358,904
Interest and dividends on securities	21,386	21,744	163,183
Other interest income	861	972	7,300
Fees and commissions	11,076	11,183	83,930
Other operating income	2,221	679	5,098
Other income	24,818	25,626	192,318
Total Income	¥ 110,261	¥ 108,030	$ 810,735
Expenses			
Interest on deposits	¥ 6,123	¥ 3,883	$ 29,146
Interest on borrowings and rediscounts	2,272	1,374	10,312
Other interest expenses	2,082	3,125	23,452
Fees and commissions	2,051	2,155	16,173
Other operating expenses	732	948	7,120
General and administrative expenses	50,256	49,622	372,404
Other expenses	40,219	58,900	442,026
Total Expenses	¥ 103,739	¥ 120,009	$ 900,635
Income (Loss) before income taxes and minority interests	6,522	(11,979)	(89,900)
Provision for income taxes:			
Current	5,404	4,590	34,452
Deferred	(2,933)	(9,984)	(74,933)
Net income (loss) before minority interests	4,051	(6,585)	(49,420)
Minority interests	754	348	2,613
Net Income (Loss)	¥ 3,296	¥ (6,933)	$ (52,033)

	Yen		U.S. Dollars
Amounts per share of common stock:			
Basic net income	¥ 8.58	¥ (18.39)	$ (0.13)
Cash dividends	5.00	5.00	0.03

See accompanying notes.

Consolidated Statements of Stockholders' Equity

For the Years ended March 31, 2001 and 2002

	Millions of Yen							
	Shares of common stock (Thousands)	Common stock	Additional paid-in capital	Land revaluation reserve, net of tax	Retained earnings	Net unrealized gains on securities available for sale	Treasury stock	The Bank's common stock owned by subsidiaries
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)	—
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)
Net loss	—	—	—	—	(6,933)	—	—	—
Land revaluation reserve, net of tax	—	—	—	(471)	471	—	—	—
Net unrealized gains on securities available for sale	—	—	—	—	—	(4,514)	—	—
Treasury stock	—	—	—	—	—	—	(23)	—
Cash dividends	—	—	—	—	(1,884)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(32)	—	—	—
Balance at March 31, 2002	381,479	¥ 32,776	¥ 18,635	¥ 10,932	¥ 102,751	¥ 20,260	¥ (515)	¥ (1,333)

	Thousands of U.S. Dollars						
	Common stock	Additional paid-in capital	Land revaluation reserve, net of tax	Retained earnings	Net unrealized gains on securities available for sale	Treasury stock	The Bank's common stock owned by subsidiaries
Balance at March 31, 2001	$ 245,981	$ 139,855	$ 85,583	$ 833,998	$185,924	$ (3,694)	$(10,006)
Net loss	—	—	—	(52,033)	—	—	—
Land revaluation reserve, net of tax	—	—	(3,540)	3,540	—	—	—
Net unrealized gains on securities available for sale	—	—	—	—	(33,878)	—	—
Treasury stock	—	—	—	—	—	(173)	—
Cash dividends	—	—	—	(14,142)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(240)	—	—	—
Balance at March 31, 2002	$ 245,981	$ 139,855	$ 82,043	$ 771,121	$152,045	$ (3,867)	$(10,006)

See accompanying notes.

Consolidated Statements of Cash Flows

For the Years ended March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Cash flows from operating activities:			
Income (Loss) before income taxes and minority interests	¥ 6,522	¥ (11,979)	$ (89,900)
Adjustments to reconcile income (loss) before provision for income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	14,614	13,963	104,790
Net change in allowance for loan losses	(8,342)	13,574	101,872
Net change in accrued retirement benefits	(14,648)	—	—
Net change in liability for employee retirement benefit	14,209	(644)	(4,839)
Interest and dividend income	(72,145)	(70,540)	(529,388)
Interest expenses	10,479	8,382	62,911
Net (gain) loss on sales and maturities of securities	(1,437)	11,429	85,772
Net change in translation adjustment	(2,344)	(2,905)	(21,803)
Losses on sales of premises and equipment	447	557	4,183
Net change in:			
Trading account securities	(3,764)	(14,953)	(112,219)
Loans and bills discounted	(553)	(91,621)	(687,589)
Deposits	104,475	93,018	698,075
Negotiable certificate deposits	380	4,040	30,318
Borrowed money (excluding subordinated loans)	(1,291)	(4,520)	(33,925)
Due from banks except for THE BANK OF JAPAN	(37,471)	117,624	882,733
Call loans and bills purchased	(72,391)	126,077	946,174
Receivables under securities borrowing transactions	(10,030)	10,030	75,277
Call money and bills sold	72,989	17,611	132,171
Issuance and maturity of bonds	10,800	—	—
Interest received	75,607	75,911	569,690
Interest paid	(12,757)	(10,193)	(76,496)
Other - net	(16,407)	19,478	146,180
sub-total	56,939	304,341	2,283,988
Income taxes paid	(5,852)	(5,393)	(40,473)
Total adjustments	44,563	310,927	2,333,415
Net cash provided by operating activities	¥ 51,086	¥ 298,948	$ 2,243,515
Cash flows from investing activities:			
Purchases of securities	(797,198)	(659,128)	(4,946,557)
Proceeds from sales of securities	346,055	173,449	1,301,687
Proceeds from maturity of securities	360,170	329,386	2,471,943
Purchases of money held in trust	(19,845)	(72,887)	(547,000)
Purchases of premises and equipment	(14,081)	(12,196)	(91,532)
Proceeds from sales of premises and equipment	1,869	1,916	14,386
Payment due to changes in number of consolidated subsidiaries	(45)	—	—
Net cash used in investing activities	¥ (123,076)	¥ (239,460)	$(1,797,074)
Cash flows from financing activities:			
Proceeds from subordinated loans	18,000	4,000	30,018
Repayment for subordinated loans	(13,000)	(15,000)	(112,570)
Dividends paid	(1,932)	(1,884)	(14,142)
Dividends paid to minority stockholders	(13)	(13)	(102)
Purchases of treasury stock	(3,977)	(41)	(308)
Proceeds from sales of treasury stock	40	18	135
Net cash used in financing activities	¥ (882)	¥ (12,921)	$ (96,968)
Net change in cash and cash equivalents	(72,873)	46,567	349,475
Cash and cash equivalents at beginning of the year	133,322	60,449	453,653
Cash and cash equivalents at the end of the year	¥ 60,449	¥ 107,017	$ 803,129

See accompanying notes.

March 31, 2001 and 2002

1. Basis of presenting consolidated financial statements

The Daishi Bank, Ltd., (the "Bank") and its consolidated domestic subsidiaries principally maintain their official accounting records in Japanese yen 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"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of statements of stockholders' equity from the audited consolidated financial statements of the Bank which were prepared in accordance with accounting principles and practices generally accepted in Japan 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. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

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, 2002, which was ¥133.25 to U.S. $1.00. The 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, which are majority-owned. 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.

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

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

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, the Bank and its consolidated subsidiaries 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, or (d) for 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.

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.

(5) Derivatives and hedge accounting

All companies are required 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 as follows:

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

(7) Software cost

Software for internal use is amortized on a straight-line basis 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 the year ended March 31, 2001, in accordance with the audit treatment of new foreign currency transactions for banking industry issued by JICPA as of April 10, 2000, the Bank continued to account for foreign currency translation in the same manner as previous years. Also, effective from April 1, 2000, pursuant to the revised accounting rules for consolidated financial statements, the Bank reports foreign currency translation adjustments in the stockholders' equity. The prior year's amount, which is included in assets, has not been reclassified.

Effective for the year ended March 31, 2002, the Bank has applied the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999, except for certain transactions which are subject to "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" ("Report No. 20"), issued by Industry Audit Committee of JICPA. There were no effects of applying the revised accounting standard.

Pursuant to Report No. 20, for fund swap transactions, 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 booked in the interest income or expenses on an accrual basis for the period from the settlement of spot foreign exchange to the settlement date of forward foreign exchange. Therefore, accrued interest income or expenses are recognized at the 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.

For currency swap transactions which are for the purpose of funds borrowing/lending in different currencies and for which spot/forward are flat type, which means that paying or receiving amounts at the time of the currency swap contract are equal to receiving or paying amounts at the currency swap maturity dates and the swap rate applied to principal and interest is the current market rate (including the currency swap transactions which are that the principal amount of one counterparty is revised in order to reflect each exchange rate at the interest payment dates and are judged as spot/forward flat type for each interest payment date), the amounts on the balance sheet are net positions of financial asset and liability equivalents translated by using the fiscal-year-end exchange rate. The equivalent amounts of interest to exchange are booked in interest income and expense accounts on an accrual basis for the corresponding contract period. Therefore, accrued interest income or expenses are recognized at fiscal year end.

Pursuant to the revised accounting rules for consolidated financial statements, the Bank reports foreign currency translation adjustments in the stockholders' equity. The prior year's amount, which is included in assets, has not been reclassified.

(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 sections 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 sections, 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.

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 and ¥22,421 million ($168,269 thousand) at March 31, 2001 and 2002, respectively.

(10) Reserve for employee retirement benefits

The Bank and its consolidated subsidiaries provided reserve for employees' severance and retirement benefits at March 31, 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial gains and losses recognized in expenses consists of the following:

Actuarial gains and losses are recognized in expenses using the straight-line method over 10 years commencing with the following period.

(11) Allowance for investment losses

Allowance for investment losses is provided for the estimated losses on investments based on the evaluation of the financial conditions of the investees.

(12) Reserve for contingent liabilities

Reserve for contingent liabilities is provided at the amount deemed necessary to cover possible losses based on the estimation of certain contingency, except those provided by the other allowances and liabilities.

(13) Accounting for certain lease transactions

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

(14) 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, 2001 and 2002, there were no dilutive common shares. Accordingly, the Bank's diluted 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.

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, 2002:

(i) Trading securities

Book value	¥19,476 Millions	($146,161 thousand)
Amount of net unrealized gains or losses Included in the income statement	¥74 Millions	($556 thousand)

(ii) Held-to-maturity debt securities

Book value	¥88,106 Millions	($661,211 thousand)
Fair value	¥93,277 Millions	($700,018 thousand)
Difference	¥5,171 Millions	($38,806 thousand)

(iii) Available-for-sale securities

	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 84,283	¥ 96,406	¥ 12,123
Bonds	806,281	827,654	21,372
Other than equity securities and bonds	201,322	202,878	1,556
Total	¥1,091,887	¥1,126,939	¥ 35,051

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	$ 632,520	$ 723,501	$ 90,981
Bonds	6,050,893	6,211,288	160,394
Other than equity securities and bonds	1,510,861	1,522,539	11,677
Total	$8,194,275	$8,457,329	$ 263,054

(2) The following tables summarize book values of securities with no available fair values as of March 31, 2001 and 2002:

	Millions of yen		Thousands of U.S. dollars
	Book value		
	2001	**2002**	**2002**
Held-to-maturity debt securities: Un-listed corporate bonds	¥ —	**¥ 5,838**	**$ 43,815**
Available-for-sale securities: Un-listed equity securities	¥ 3,405	**¥ 4,420**	**$ 33,177**

(3) Available-for-sale securities with maturities and held-to-maturity debt securities are as of March 31,2001 and 2002:

	Millions of yen			
	2001			
Type	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

	Millions of yen			
	2002			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Japanese Government bonds	¥ 58,504	¥ 154,973	¥ 81,454	¥ 142,292
Jananese local Government bonds	4,807	109,774	140,038	—
Corporate bonds	28,256	168,265	33,227	—
Others	31,494	156,579	7,740	—
Total	¥ 123,063	¥ 589,592	¥ 262,462	¥ 142,292

	Thousands of U.S. dollars			
	2002			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Japanese Government bonds	$ 439,060	$1,163,027	$ 611,292	$1,067,857
Jananese local Government bonds	36,075	823,822	1,050,947	—
Corporate bonds	212,059	1,262,779	249,364	—
Others	236,354	1,175,077	58,091	—
Total	$ 923,550	$4,424,707	$1,969,696	$1,067,857

(4) Held-to-maturity debt securities sold in the year ended March 31, 2001 and 2002:

	Millions of yen		Thousands of U.S. dollars
	Book value		
	2001	**2002**	**2002**
Sales amount	¥ 661	**¥ —**	**$ —**
Cost of sales	646	**¥ —**	**$ —**
Gain on sales	¥ 14	**¥ —**	**$ —**

(5) Net Unrealized gains on available-for-sale securities at March 31, 2001 and 2002.

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Unrealized gains on available-for-sale securities	¥ 42,495	¥ 34,878	$ 261,750
Deferred tax liability	(17,720)	(14,544)	(109,149)
sub-total	24,774	20,334	152,600
Minority Interests	(0)	(73)	(554)
Net unrealized gains on available-for-sale securities	¥ 24,774	¥ 20,260	$ 152,045

(6) Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥168,236 million and the related gains and losses amounted to ¥3,623 million and ¥278 million, and those in the year ended March 31, 2002 amounted to ¥91,840 million ($689,237 thousand) and the related gains and losses amounted to ¥797 million ($5,985 thousand) and ¥1,227 million ($9,209 thousand), respectively.

4. Loans and bills discounted

Loans and bills discounted at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Loans on notes	¥ 344,927	¥ 373,250	$ 2,801,129
Loans on deeds	1,393,140	1,425,185	10,695,579
Bills discounted	111,080	87,210	654,484
Overdrafts	414,166	468,995	3,519,664
Other	5,615	5,908	44,342
Total	¥ 2,268,929	¥ 2,360,550	$ 17,715,200

Non-accrual loans, accrual loans past due over more than three months and restructured loans at March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 16,068	¥ 19,181	$ 143,947
Loans past due six months or more	131,278	137,716	1,033,518
Total non-accrual loans	¥ 147,347	¥ 156,897	$ 1,177,465
Accrual loans past due over more than three months	¥ 134	¥ 295	$ 2,217
Restructured loans-adjusted the terms in favor of borrowers for financial assistance	¥ 63,037	¥ 51,812	$ 388,838

As discussed in Note 2, allowance for doubtful accounts for non-accrual loans are directly deducted from such loans. As a result, loans to borrower under bankruptcy proceedings and loans past due six months or more were decreased by ¥12,114 million ($90,917 thousand) and ¥10,307 million ($77,352 thousand), respectively, at March 31, 2002.

5. Pledged Assets

At March 31, 2001 and 2002, 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
	2001	2002	2002
Trading account securities	¥ 508	¥ 621	$ 4,664
Securities	332,282	356,116	2,672,547
Total	¥ 332,790	¥ 356,738	$ 2,677,211

Guaranty money deposited was included in premises and equipment, and amounted to ¥614 million ($4,612 thousand) at March 31, 2002.

6. Deposits

Deposits at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Current deposits	¥ 158,941	¥ 159,194	$ 1,194,704
Ordinary deposits	999,661	1,293,806	9,709,618
Negotiable certificates of deposits	2,010	6,050	45,403
Savings deposits	54,094	49,615	372,346
Deposits at notice	47,088	31,908	239,460
Time deposits	2,065,402	1,913,504	14,360,258
Other deposits	180,122	150,302	1,127,976
Total	¥ 3,507,323	¥ 3,604,381	$27,049,769

7. Borrowed money

Borrowed money included subordinated loans totaling ¥37,000 million and ¥26,000 million ($195,121 thousand) at March 31, 2001 and 2002, respectively.

8. Land revaluation reserve, net of tax

Pursuant to the Law concerning Revaluation of Land (the "Law"), land used 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, 2001 and 2002. 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, 2002 was ¥10,989 million ($82,473 thousand).

9. Other income

Other income for the years ended March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Gain on sale of shares and other securities	¥ 2,066	¥ 443	$ 3,325
Gain on sale of premises and equipment	60	122	917
Gain on securities contributed to employee retirement benefit trust	3,010	—	—
Other	19,680	25,061	188,075
Total	¥ 24,818	¥ 25,626	$ 192,318

10. Other expenses

Other expenses for the years ended March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Write-off of claim	¥ 4,389	¥ 14,676	$ 110,141
Provision for loan losses	12,121	13,330	100,039
Losses on sales of premises and equipment	508	679	5,101
Amortization of shares and other securities	506	10,351	77,683
Amortization of entire net transition obligation	4,435	—	—
Other	18,258	19,862	149,060
Total	¥ 40,219	¥ 58,900	$ 442,026

11. Income taxes

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
Inhabitant tax	0.9
Other	(0.1)
Effective tax rate	37.9%

As the Bank incurred net loss in the year ended March 31, 2002, such summary is not disclosed.

Significant components of deferred tax assets and liabilities at March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Deferred tax assets:			
Allowance for loan losses and write-off claims.	¥ 22,191	¥ 30,801	$ 231,154
Retirement benefits	6,727	6,547	49,136
Depreciation of premise and equipment	2,046	1,863	13,986
Other	2,706	4,055	30,434
Total deferred income tax assets	¥ 33,671	¥ 43,267	$ 324,711
Total deferred income tax liabilities	(19,221)	(15,993)	(120,027)
Net deferred tax assets	¥ 14,450	¥ 27,274	$ 204,684

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 2001 and 2002, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Cash and due from banks	¥ 188,877	¥ 117,821	$ 884,210
Saving deposits in other banks	(128,365)	(10,370)	(77,823)
Other	(63)	(434)	(3,257)
Cash and cash equivalents	¥ 60,449	¥ 107,017	$ 803,129

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 and 2002.

The following tables summarized the underlying notional principal amounts and fair values for outstanding derivative financial instruments by risk category and instrument type at March 31, 2001 and 2002:

	Millions of yen	
	2001	
	Notional principal amount	Fair value
Interest rate swap:		
Receive fixed-pay variable rate	¥ 110	¥ 1
Receive variable-pay fixed rate	7,968	(348)
Currency swap	¥ 90,500	¥ 367

	Millions of yen		Thousands of U.S. dollars	
	2002			
	Notional principal amount	Fair value	Notional principal amount	Fair value
Interest rate swap:				
Receive fixed-pay variable rate	¥ 70	¥ 0	$ 525	$ 5
Receive variable-pay fixed rate	5,200	(343)	39,030	(2,578)
Currency swap	¥ 74,860	¥ (241)	$ 561,801	$ (1,812)

Certain information for interest rate swap contracts at March 31, 2001 and 2002 are follows:

	Millions of yen	
	Within one year	Over one year
	2001	
Notional principal amount	¥ —	¥ 110
Notional principal amount	¥ 3,725	¥ 4,243

	Millions of yen		Thousands of U.S. dollars	
	Within one year	Over one year	Within one year	Over one year
	2002			
Notional principal amount	¥ 70	¥ —	$ 525	$ —
Notional principal amount	¥ 736	¥ 4,464	$ 5,525	$ 33,504

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

Market value information as of March 31, 2002 of 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, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Equivalent amount:			
Acquisition cost	¥ 169	¥ 169	$ 1,270
Accumulated depreciation	(67)	(101)	(761)
Estimated net book value	¥ 101	¥ 67	$ 508

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Lease payments	¥ 34	¥ 36	$ 274
Equivalent of depreciation expense	¥ 34	¥ 34	$ 256
Equivalent of interest expense	¥ 2	¥ 1	$ 12

Equivalent of depreciation expense is computed using the straight-line method over the lease term assuming no residual value. Equivalent of interest expense is computed using interest rate method over the lease term 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, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥ 29	$ 219
2003 and thereafter	42	320
Total minimum lease payments	¥ 71	$ 540

Lessor:

Certain equipment of the Bank and its consolidated subsidiaries are leased under finance leases. For the years ended March 31, 2001and 2002 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
	2001	2002	2002
Acquisition cost	¥ 80,414	¥ 78,872	$ 591,913
Accumulated depreciation	(47,835)	(48,025)	(360,413)
Net book value	¥ 32,579	¥ 30,847	$ 231,499

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Lease income	¥ 12,315	¥ 11,966	$ 89,801
Depreciation expense	10,411	10,259	76,996
Estimated interest income	¥ 1,306	¥ 1,157	$ 8,686

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, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥ 9,680	$ 72,651
2003 and thereafter	19,154	143,746
Total future minimum lease receipts	¥ 28,835	$ 216,397

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 is required to be designated 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 the total amount of additional paid-in capital and such reserve equals 100% of the issued capital. Prior to the revision in the Banking Law of Japan effective October 1, 2001, such appropriations as a legal reserve were required until the amount of legal reserve equaled 100% of common stock.

- Neither additional paid-in capital nor legal reserve is available for cash dividends, but either 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.

Also, the stockholders of the Bank approved the adoption of a stock option plan in June 2000 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 27, 2002, the stockholders approved a cash dividend totaling ¥950 million ($7,132 thousand) or ¥2.50 ($0.018) per share.

17. Segment information

Segment information for the years ended March 31, 2001 and 2002 is shown in the tables below:

(a) Business segment information

	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

	Millions of Yen					
	2002					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Adjusted operating income:						
Unaffiliated customers	¥ 86,935	¥ 17,648	¥ 2,873	¥ 107,457	¥ —	¥ 107,457
Intersegment	677	1,135	3,314	5,127	(5,127)	—
Total	87,612	18,784	6,188	112,585	(5,127)	107,457
Adjusted operating expenses	100,029	18,670	5,784	124,484	(5,154)	119,330
Adjusted operating profit (loss)	(12,417)	114	403	(11,898)	26	(11,872)
Assets	4,053,465	51,325	13,238	4,118,028	(32,025)	4,086,003
Depreciation and amortization	2,721	11,232	8	13,963	—	13,963
Capital expenditures	2,600	10,163	22	12,786	—	12,786

	Thousands of U.S. Dollars					
	2002					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Adjusted operating income:						
Unaffiliated customers	$ 652,420	$ 132,449	$ 21,568	$ 806,437	$ —	$ 806,437
Intersegment	5,082	8,525	24,872	38,479	(38,479)	—
Total	657,503	140,974	46,440	844,917	(38,479)	806,437
Adjusted operating expenses	750,690	140,116	43,408	934,214	(38,680)	895,534
Adjusted operating profit (loss)	(93,186)	857	3,031	(89,297)	200	(89,097)
Assets	30,420,001	385,179	99,349	30,904,530	(240,342)	30,664,188
Depreciation and amortization	20,426	84,297	66	104,790	—	104,790
Capital expenditures	19,519	76,271	166	95,957	—	95,957

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 year ended March 31,2001. Adjusted operating profit of "Banking" for that year was reduced by ¥673 million, owing to the change in the accounting method.
(5) Also as specified in the notes to consolidated financial statements, the new accounting method for financial instruments was introduced effective from the year ended March 31,2001. Adjusted operating income of "banking", "Leasing" and "Others" segments for that year increased by ¥9,447 million, ¥24 million and 11 million, 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 those of all segments combined, segment information by location for the years ended March 31, 2001 and 2002 are not disclosed.

(c) International operating Income

Since international operating income is less than 10% of the total operating income for the years ended March 31, 2001 and 2002, such information is not disclosed.

18. Employee's severance and pension benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2001 and 2002 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Projected benefit obligation	¥ 61,136	¥ 72,843	$ 546,668
Pension assets	(41,855)	(41,307)	(309,997)
Unrecognized actuarial differences	(5,071)	(17,971)	(134,870)
Liability for severance and retirement benefits	¥ 14,209	¥ 13,564	$ 101,800

Included in the consolidated statements of income for the years ended March 31, 2001 and 2002 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Service costs - benefits earned during the year	¥ 1,498	¥ 1,408	$ 10,568
Interest cost on projected benefit obligation	2,115	2,127	15,966
Expected return on plan assets	(1,395)	(1,336)	(10,030)
Amortization of actuarial differences	—	507	3,805
Amortization of net transition obligation	4,435	—	—
Other	558	379	2,846
Severance and retirement benefit expenses	¥ 7,211	¥ 3,085	$ 23,157

The discount rate and the rate of expected return on plan assets at March 31, 2002 used by the Company are 2.5% 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

One of the Bank's corporate auditors holds the position of president of The Niigata Nippo Press, which owns 0.02% of the Bank's shares. The Bank has loans receivable from The Niigata Nippo Press as follows.

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Financing during the year	¥ 52	¥ 1,073	$ 8,054
Balances at March 31	¥ 50	¥ 1,400	$ 10,506

Notes: The terms of the loan are the same as general transaction. Financing transactions in 2001 and 2002, represent average balances during the respective year.

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 sheets of THE DAISHI BANK, LTD. (a Japanese corporation) and subsidiaries as of March 31, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, expressed in Japanese yen. Our audits 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, 2002, 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 (Note1) applied on a consistent basis during the periods.

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. Koushi Audit Co.

Niigata, Japan June 27, 2002

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 operations, 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

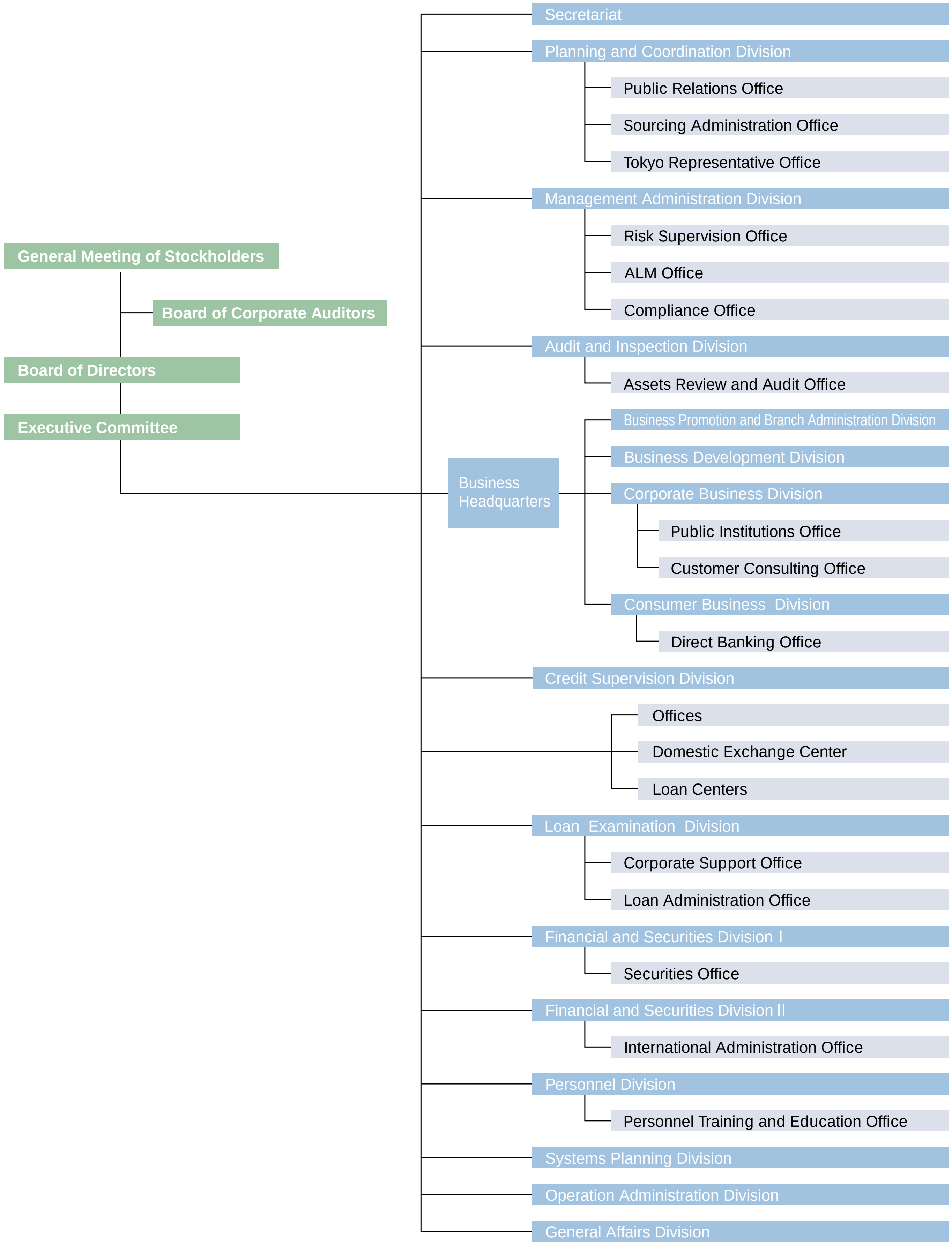
Niigata, Japan June 28, 2001

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.

Corporate Organization Directory Chart

(As of July 1, 2002)



Board of Directors

President
Katsuei Iino

Senior Managing Director
Kunito Kojima

Managing Directors
Kenzo Kaneko
Takashi Onishi
Takahide Matsushima
Yoshiaki Ono

Directors
Haruki Kobayashi
Masayuki Obara
Kenichi Yazawa
Masatoshi Komiya
Kenichi Ito
Hisao Sasagawa
Shigeru Watanabe

Standing Corporate Auditors
Toshiichi Nakashizu
Yukio Ogasawara

Corporate Auditors
Sachio Igarashi
Kiichi Sakai

Financial and Securities Division II (International Division) General Manager
Jun Utashiro

(As of July 1, 2002)

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/

Financial and Securities Division II (International Division) Headquarters
Address: same as above.
Telephone: (025) 222-4111
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, 2002)

Major stockholders (10 largest)

As of March 31, 2002	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	9,722	2.54
5. NIPPONKOA Insurance Co., Ltd.	9,464	2.48
6. The Bank of Tokyo-Mitsubishi, Ltd.	9,386	2.46
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 UFJ 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%