

THE DAISHI BANK, LTD.

ANNUAL REPORT  
**2003**

Year ended March 31, 2003

DAISHI BANK

## 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 2003, the Bank's deposits totaled ¥3,576 billion (US\$29,758 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*

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# Financial Highlights

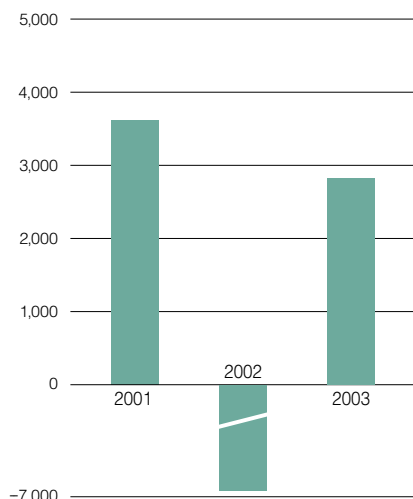
(For the Years ended March 31)	Millions of Yen			Thousands of U.S. Dollars
	2001	2002	2003	2003
<b>Income</b>				
Interest on Loans and Discounts.....	¥ 49,897	¥ 47,824	¥ 44,738	\$ 372,199
Interest and Dividends on Securities.....	21,386	21,744	21,444	178,409
Total Income.....	110,261	108,030	105,605	878,583
<b>Expenses</b>				
Interest on Deposits.....	6,123	3,883	1,672	13,915
General and Administrative Expenses.....	50,256	49,622	48,447	403,061
Total Expenses.....	103,739	120,009	98,946	823,179
Income (Loss) before Income Taxes and minority interests.....	6,522	(11,979)	6,659	55,403
Net Income (Loss).....	3,296	(6,933)	2,876	23,931
<b>Assets</b>				
Loans and Bills Discounted.....	2,268,929	2,360,550	2,377,628	19,780,601
Securities.....	1,084,747	1,224,338	1,247,133	10,375,488
Foreign Exchanges.....	1,082	2,581	3,382	28,142
Total Assets.....	4,008,405	4,086,003	4,081,858	33,958,888
<b>Liabilities</b>				
Deposits.....	3,507,323	3,604,381	3,576,973	29,758,514
Foreign Exchanges.....	243	116	127	1,063
Total Liabilities.....	3,805,018	3,895,595	3,894,300	32,398,507
<b>Stockholders' Equity</b>				
Common Stock.....	32,776	32,776	32,776	272,687
Capital surplus.....	18,635	18,635	18,635	155,039
Retained Earnings.....	111,130	102,751	104,106	866,112
Net unrealized holding gains on securities available for sale.....	24,774	20,260	16,932	140,866
Total Stockholders' Equity.....	196,895	183,508	181,693	1,511,597

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 ¥120.20=US\$1.00, the rate prevailing on March 31, 2003.

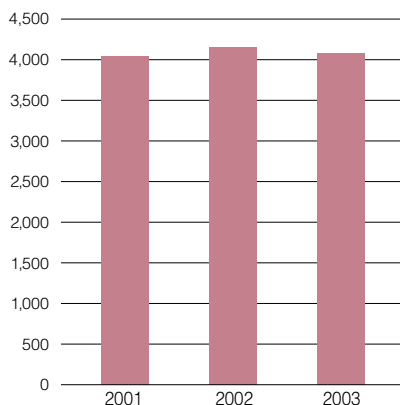
## Net Income

(¥ Millions)



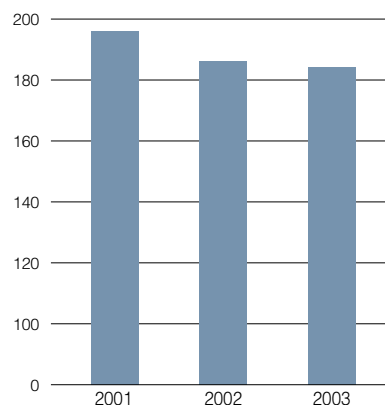
## Total Assets

(¥ Billions)



## Stockholders' Equity

(¥ Billions)



## To Flourish together with the Regional Community.

### Daishi Bank's 130<sup>th</sup> Anniversary

The Daishi Bank, Ltd. has some of the deepest historical roots of any bank in Japan. In November 2003 the Bank celebrates the 130<sup>th</sup> anniversary of its foundation.

Daishi Bank was established in 1873 as "Fourth National Bank" under the National Bank Law. Based primarily in Niigata Prefecture, the Bank grew and prospered in together with the regional community. Since its inception, Daishi Bank has enjoyed the warm support of the people of Niigata Prefecture and surrounding areas. We are always grateful for that encouragement and strive constantly to remain worthy of the community's trust.

### Management Environment

The outlook for the Japanese economy is showing an improving trend in some areas, with some enterprises posting rising earnings. Against these bright spots, however, domestic demand is at its lowest ebb in recent years. Overseas, uncertainties persist

about prospects in North America and Europe. For the time being, the world's economies remain in slow-growth mode.

Focusing on the economy of Niigata Prefecture, deflation is advancing unchecked, creating an exceptionally tough business environment in virtually all sectors. In an effort to kick-start recovery, the Niigata Industrial Creation Organization was established in April 2003. The new agency is tasked with revitalizing the regional economy by bringing industry, government and academia together to support the creation of new businesses and industries.

In March 2003, an "action program to strengthen relationship banking" of prefectural banks was officially announced. This program calls for support for new businesses and operations; management consulting for corporate clients; rapid revitalization of business; and new avenues of financing for small and medium-sized enterprises. At Daishi Bank, we recognize our responsibility to pursue all of these goals as a regional financial institution, and are tackling all of these issues along with the continuing problem of bad loans.



A handwritten signature in black ink, which appears to read "K. Iino". The signature is written in a cursive, flowing style.

*Katsuei Iino*  
President

## Long-term Management Plan: *NextStage 130*

In the 2003 fiscal year, Daishi Bank launched a new long-term management plan called *NextStage 130*. The primary aim of this plan is to transform Daishi Bank into a “relationship bank together with the region.” The new Daishi Bank will continue to provide unwavering support for the regional economy and society, while offering full satisfaction for the increasingly diversified needs of customers. This transformation consists of several initiatives. The Bank is determined to strengthen its role as a problem-solver and offer support activities for the revitalization of regional small and medium-sized enterprises. High-quality banking services will be provided quickly and accurately. At the same time, Daishi Bank will press ahead with building a solid platform for future operations, including across-the-board streamlining and rationalization to boost profitability.

## Establishing a Sound Management Platform

**Establishing a Sound Management Platform**  
To flourish together with the regional community, the Bank must strengthen its earnings capability and erect a sound financial constitution. At Daishi Bank, we recognize that the public’s trust is the single greatest asset any bank can have. That is why, to establish a management framework firmly based on compliance, we demand that all of the Bank’s directors not only comply fully with all applicable laws, but also maintain the highest standards of ethics and an abiding spirit of independence. These requirements are supported by a thorough training and education regimen.

Moreover, all of the Bank’s operations are scrutinized through internal audits and safeguard by a series of risk-management techniques. Daishi Bank is painstakingly putting together a risk-management structure that is prudent, responsive and accurate.

## Shareholder-focused Management

Daishi Bank is dedicated to transparent management and intent on broadening its base of stable, long-term shareholders. Toward those ends, in addition to the disclosure required by law, the Bank holds frequent investor-relations meetings and seminars in Niigata with regional investors. To ensure shareholder satisfaction, the Bank is actively pursuing greater capital adequacy through measures such as repurchase of Bank shares and creating greater value for shareholders.

## Conclusion

By coinciding our 130<sup>th</sup> anniversary with the launch of these sweeping changes, each of the directors of Daishi Bank feels more keenly than ever a sense of mission and purpose. We are reinforcing our management capabilities and raising the combined strength of the Daishi Bank Group so that we can contribute fully to the development of the regional economy. In pursuing these goals, we ask for the continued understanding, support and encouragement of shareholders and the regional community.



## Daishi Bank launches new long-term management plan: *NextStage 130*

### Objectives

In April 2003, Daishi Bank launched a new long-term management plan. *NextStage 130* covers the period from April 2003 through March 2006. The plan outlines a bold new business model that will strengthen the Bank's harmonious coexistence with the regional community, boost earnings, and overhaul the Bank's business and organizational structures.

### Action Policies to Achieve Goals within Three Years

#### (1) Restructure customer relationships

Bolster the relationship of trust with customers by responding closely to their true needs and enhancing the quality of its services.

#### (2) Secure a healthy structure

Maintain a solid earnings base and healthy financial structure then engage in renewed risk-taking operations that will support the expansion of the regional economy.

#### (3) Improve problem-solving capability

Build up specialized knowledge resources to bring the fullest capabilities to bear on solving the problems, concerns and issues of the regional community.

### NextStage Fiscal Year Targets

**Tier I ROE: 3% or more**

**Tier I ratio: 8% or more**

**Capital adequacy ratio: 10% or more**

**Core gross operating income overhead ratio [OHR]:  
67% or less**

**Core net operating income: ¥20 billion or more**

### Strengthening the Corporate Banking Business

#### (1) Relationship Business

For corporate clients, Daishi Bank will continue to provide high value-added services through an intensive, face-to-face business style. As the region's main bank, Daishi Bank is committed to supporting long-term, mutually satisfactory business relationships and offering a full range of financial services. As customer needs grow increasingly varied and complex, Daishi Bank will always stand ready with the resources to meet those needs.

#### Office operation system (area and regional block systems)

To enhance operational capability, Daishi Bank is revising the functions of its branch network. The Bank aims to implement a new system that will take full advantage of its regional network capability.

#### Head office system

The Bank is increasing head office staff involved in direct operations with customers. Our goal is to offer more services backed by specialized knowledge and to strengthen new financial services.

#### Personnel training

The Bank is training corporate operations professionals who can provide customers both specialized expertise and broad practical help.

#### (2) Problem-solving Approach

In its bid to become a true relationship bank, Daishi Bank will offer its corporate clients measures and solutions that fit their needs, carefully considered from a variety of perspectives and executed with thoroughness and precision.

#### The Daishi Managers Club

The Daishi Managers Club is a network that fosters open and wide-ranging communication among leading corporate customers, providing a wealth of business information and opportunities.

#### Corporate support activities

To stimulate the growth of our corporate customers and ensure the soundness of the Bank's asset base, the head office and branches are working together, guided by the Corporate Support Office, to deliver effective corporate support activities.

#### Support for business startups and launch of new business

In January 2003, the Bank invested ¥300 million in a fund called " NIIGATA INDUSTRIAL CREATION FUND NO.1 VC INVESTMENT LTD. PARTNERSHIP ". Through this fund, the Bank is working vigorously to develop and nurture venture capital operations throughout Niigata Prefecture.

### Strengthening the Personal Banking Business

Individual customers have a wide range of banking needs. Daishi Bank is responding with enhanced support from the center and more specialized staff in areas that need them, ensuring that customers have access to an extensive lineup of products and high-quality services.

### **Building a stronger and more responsive Loan Center**

At Daishi Bank, each region has its own Loan Center that is in charge of the Bank's consumer loan operations. The Bank plans to increase staff at these centers and offer faster, more value-added services.

### **Daishi Loan Square, Daishi Holiday and Nighttime Loan Consultation**

Now Daishi Bank customers can obtain loan consultations even outside normal bank operating hours. At Daishi Bank we are constantly looking for new ways to make our services more convenient.

### **Personal financial planners**

The Bank is presently committing resources to the training of personal financial planners who have specialized knowledge in investment.

### **Direct banking**

The Bank is responding to a wide range of customer needs by bolstering its direct banking channels.

## **Raising Management Efficiency**

Daishi Bank has reformed what was once a high-cost business model, streamlining operations, outsourcing some tasks and radically overhauling its non-personnel costs. To build an even more resilient management base, Daishi Bank is pressing forward with further measures to raise the efficiency of its operations.

### **(1) Personnel Planning and Efficiency**

During the period covered by *NextStage 130*, the Bank will reduce its clerical staff by 220 positions.

Daishi Bank will also streamline and rationalize its operations by centralizing clerical functions and overhauling IT-based clerical processes. Moreover, personnel allocation to each department will be weighted according to the importance of each department's operations and the size of the market it serves.

### **(2) Non-personnel Expenses**

The Bank has succeeded in dramatically reducing its non-personnel expenses, thanks to a series of far-reaching Sourcing administration project initiated in January 2002. Going forward, Daishi Bank will apply the cost-cutting expertise it acquired through this project to reap similar cost savings throughout the Bank's operations. The Bank will also conduct a thoroughgoing review of recurring costs it had previously deemed too entrenched to reduce or eliminate.

## **Reorganizing for Greater Business Strength**

Daishi Bank is overhauling its system infrastructure and enhancing its management framework.

### **A new revenue management system**

Daishi Bank is pressing forward with the formation of more effective operating strategies and sophisticated risk management systems. Included in these efforts are clear and transparent policies on measures tailored to customers and strengthened moves toward appropriate pricing.

### **Credit support system**

By compiling a database of credit information, the Bank is raising the efficiency of its credit operations and strengthening credit-risk management.

## **Corporate Governance**

The Bank has adopted a system of auditors in which four auditors (including two outside auditors) provide constant inspection of management conditions and directors' fulfillment of their obligations. The full-time auditors hold hearings with each of the Bank's departments and sit on key management committees, including Board of Corporate Auditors, to ensure that auditors' perspectives are taken into account on important management and operational matters. Board of Corporate Auditors normally meets once a month to share information and to sharpen members' effectiveness and independence as auditors.

From time to time, the Bank also seeks the counsel of legal advisors, who provide advice on legal issues from a neutral, third-party perspective. In addition, external auditing firms serve as accounts auditors, regularly providing proposals for improving operations.

## Risk Management Structure

Maintaining a sound management base has always been a central guiding principle at Daishi Bank. With the accurate analysis, assessment and control of risk as central themes in the Bank's management, the Bank is bolstering its risk management structure.

Daishi Bank's risk management structure is guided by three committees. The Risk Management Committee oversees Bank-wide risk management and overhauls the Bank's risk-management framework. The ALM (asset liability management) Committee measures and analyzes a variety of risk and works to minimize the occurrence of each, with the aim of sustaining a stable earnings base for the Bank. The third is the Compliance Committee, which examines operations to ensure strict compliance with all applicable laws and regulations. Through this three-committee structure, the Bank undertakes to solve problems and improve all aspects of its business.

Another way we respond to risk is to promote appropriate risk management for each risk item, as stipulated by the appropriate department. Daishi Bank also conducts rigorous, Bank-wide audits to examine the appropriateness of all internal management structures.

Going forward, Daishi Bank will continue to raise its standards for risk management, and support a solid management platform that earns the trust of its valued customers.

### 1. Credit risk

Credit risk is the risk that a company or individual to whom a bank has lent money may fail to repay some or all of the principal and interest owed to the bank, usually due to bankruptcy or other deterioration of financial circumstances, resulting in a loss incurred by the bank.

At Daishi Bank, we manage credit risk based on our Credit Policy. This policy was drafted according to the basic principles of strict adherence to the law and contributing to the prosperity of the regional community.

Tasked with general supervision of credit risk is the Credit Supervision Division, which sets the bank's rules for credit risk management and criteria for autonomous assessment of assets.

Daishi Bank has gone to great lengths to ensure appropriate handling of credit issues. A key feature of the Bank's credit risk management framework is the complete separation of the functions of credit examination and loan sales, ensuring prudent credit examination. We have also established a Corporate Support Office to improve asset base through management improvements in corporate support. In June 2003, the Loan Administration Office was made wholly separate from the Loan Examination Division, strengthening the Bank's credit examination capabilities still further.

To foster strict and accurate credit examination, autonomous assessment of lending is carried out at two levels, with local branches and the Loan Examination Division each conducting

separate investigations. The Loan Examination Division then gives the results of these examinations a final review to ensure the accuracy and appropriateness of the autonomous assessment.

The Bank is currently working to strengthen and enhance its credit risk management functions by quantifying credit risk and introducing more precise systems for grading risk.

### 2. Market risk

Market risk is the risk that assets held by a bank may fall in value due to fluctuations in market factors, causing the bank to incur a loss. Such market factors include domestic and foreign interest rates, valuations on securities and foreign exchange rates.

Each year Daishi Bank establishes an ALM (asset liability management) policy, to establish the quantitative level of risk judged acceptable and to ensure stable earnings. Following this policy, we set risk-taking limits and loss limits. In addition, an ALM Committee meets once a month to discuss important issues in market risk management. If a serious incident occurs, this framework ensures that the details must be reported to management immediately.

The handling of market transactions is separated between the sections of Market Administration (Treasury and Capital Markets Division), Office Administration (Securities and International Division) and Integrated Risk Administration (Management Administration Division). We are also constructing a framework of checks and balances, including regular auditing of the Inspection Division.

We are constantly working to strengthen and enhance our management of market risk. For example, the Bank conducts daily VaR measurements to ensure quick and accurate assessment and analysis of risk associated with financial-market fluctuations.

### 3. Liquidity risk

Liquidity risk is the risk of cash shortfall caused by mismatches in the timing of cash procurement and investment, unforeseen expenditures, or market congestion that prevents the prompt processing of market transactions.

At Daishi Bank, we take every precaution to ensure a sound management base, knowing full well that the most important factor in reducing liquidity risk is to earn the goodwill of customers and financial markets. The Securities and International Division, which handles cash-flow issues for the Bank, carefully manages cash positions and liquidity preparations, while the Management Administration Division, the Bank's risk management arm, conducts daily monitoring of cash flow. Through this organization, Daishi Bank works to maintain a smooth cash flow. In addition, the Bank stipulates a set of Liquidity Risk Management Rules to provide for contingencies and buttress the Bank's ability to maintain a stable cash flow.



## **4. Administrative risk**

Administrative risk is the risk of loss to a bank due to incidents arising from errors or illegal acts in the course of administering bank processes such as deposit-taking, money orders and credit services.

For each type of transaction, the Bank has established a dedicated division to ensure that clerical processing is handled correctly and efficiently. The Operation Administration Division handles deposits and money orders; the Credit Supervision Division oversees lending activity; and the Securities and International Division handles foreign exchange transactions. By overhauling the various regulations concerned with clerical and administrative work and conducting a variety of training programs, the Bank is taking measured steps to raise the quality of its clerical and administrative processes and thereby reduce the attendant risk.

Daishi Bank employs a rigorous system of checks and balances. The Audit and Inspection Division audits each branch office, division and Bank affiliate at least once a year. In addition, each branch office conducts its own examination on a monthly basis.

## **5. System risk**

System risk is the risk that a bank will incur a financial loss caused by an accident or failure in its computer system, which causes or requires the system to shut down due to computer error or unlawful use of the computer system.

As a safety measure against accidents or illegal access to computer systems, the Bank is implementing duplication of computer devices and circuits and establishing backup systems in locations outside Niigata Prefecture. Daishi Bank is confident that these measures will enable it to mount a rapid and effective response in the event of fire or other accidents.

The Bank also conducts regular bank-wide drills to prepare for a disaster and system failure. Each division runs repeated drills to prepare for emergencies and conducts training to back-up the system.

To protect the integrity of information assets, the Bank has adopted a set of Information Security Management Rules. These rules provide for the construction of a strict management and operation framework to prevent the disclosure of confidential information.

The Audit and Inspection Division conducts regular proving tests of the Bank's risk management structures through each division and branch office. In areas where specialized knowledge is required, Daishi Bank obtains the services of external auditors.

## **Compliance**

Daishi Bank clearly recognizes that trust is the most valuable asset a bank can have, and that solid rules for compliance are the bedrock of sound management and earning the goodwill of the community. We position compliance as a management issue of the utmost importance. To establish a management structure that is firmly founded on a spirit of strict compliance, every one of the Bank's directors takes an active role in ensuring that the following four basic principles of compliance are scrupulously observed in all aspects of Bank operations.

### **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**

### **(1) Divisions**

The Compliance Committee, whose activities are linked closely with everyday operations, meets in principle once a month to discuss the status of compliance and to examine important compliance issues. Complementing the work of the Compliance Committee is the Compliance Office, which is the Bank's nerve center for compliance management. The Compliance Office plans compliance measures, provides valuable support to each division and offers guidance on compliance issues to each branch.

### **(2) Branches**

Every branch manager serves as that branch's compliance officer, and each branch's assistant manager is responsible for checking on legal issues. Moreover, each branch has its own Compliance Committee, which examines conditions and implements measures to prevent compliance problems from arising, discover any problems at an early stage, and prevent any problems from recurring.

### **(3) Training and Education**

The Compliance Manual is a set of standards distributed to all of the Bank's executives. This manual forms the basis for a wide range of education and training activities to extend and deepen awareness of compliance issues throughout the Bank. Some of the efforts conducted toward this end include joint training exercises and compliance seminars at each branch.

Indices for the Japanese economy in fiscal 2002 were a disappointment across the board. Held back by a poor employment picture and a difficult personal-income environment, personal consumption remained slack. Both residential-housing investment and public-sector investment declined against the previous year. Although private-sector producers managed to recoup earlier reverses due to increased exports and inventory adjustment, since the end of the 2002 calendar year growth has been stymied as exports flattened. Similarly, with enterprises seeing no end to their difficult economic straits, private-sector capital investment continued to dwindle. As war in Iraq broke out

in March, the business outlook grew still more opaque.

In Niigata Prefecture, Daishi Bank's base of operations, personal consumption, has not recovered and both residential-housing and public-sector investment remain soft. A persistent downturn still pervades the region.

In this prevailing economic and financial environment, Daishi Bank has made positive steps in responding to diverse customer and regional needs, working diligently to strengthen and improve business performance and management quality, and thus achieving the following operating results.

## Overview of Fiscal 2002 Consolidated Business Results

### Net Income

Amid a harsh business environment, Daishi Bank intensified its efforts to strengthen its loans, expand fee revenues and slash expenses to boost the Bank's earnings profile. Unfortunately revenues from adjusted operating profits declined, causing recurring income to fall ¥3,230 million from the previous fiscal year to ¥104,227 million. Recurring expenses changed little from the previous year, but funds used to clear up bad loans decreased significantly by ¥21,210 million to 98,119 million. As a result, the Bank posted recurring income of ¥6,108 million and net income in the period of ¥2,876 million.

### Deposits

Deposits declined by ¥70,768 million from the previous fiscal year to ¥3,527,563 million. Reasons for this included that the final day in the previous fiscal year was a holiday and that corporate deposits declined (personal deposits were firm).

### Loans

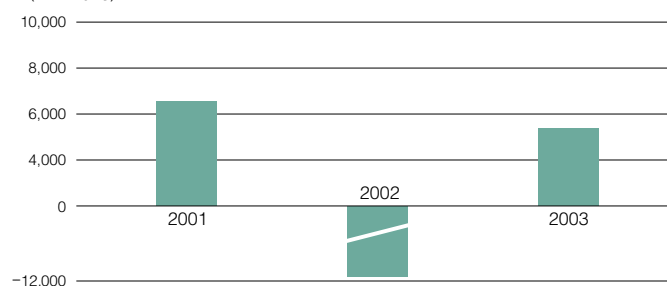
Although private-sector demand for funds was sluggish in Niigata Prefecture during the period under review, the Bank worked hard to attract interest from public agencies and individuals. Daishi Bank's total loans to lenders expanded by ¥17,077 million from the previous fiscal year to ¥2,377,628 million at fiscal year-end.

### Securities

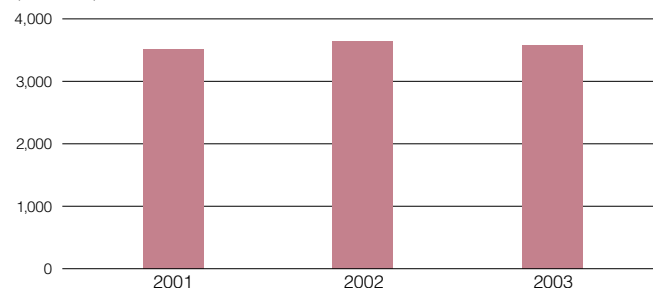
Bank securities at term-end increased by ¥22,795 million from the previous term to ¥1,247,133 million at term end.

(As of March 31)

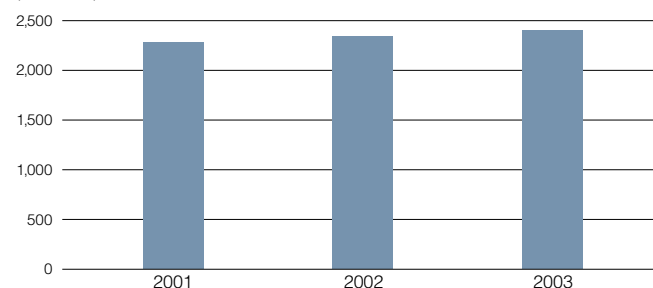
### Income before Income Taxes (¥ Millions)



### Deposits (¥ Billions)



### Loans and bills discounted (¥ Billions)



## Consolidated Capital Adequacy Ratio

The capital adequacy ratio is the ratio of assets lent out (“risk assets”) to paid-in capital (“net assets”). It is one of the most important indicators of financial stability used in the banking industry today. For banks that possess overseas branches, a Bank of International Settlements (BIS) ratio of 8% or more is required, while banks with no overseas branches are required to maintain a capital adequacy ratio of at least 4%. Daishi Bank is governed by the latter standard, as it has no overseas branches.

Daishi Bank’s capital adequacy as of March 31, 2003 was 10.08%. If only Tier I assets (capital, legal reserves and surpluses) are included in the calculation, the ratio is 7.99%. In either case, the Bank’s capital adequacy ratio remains comfortably above the domestic standard of 4%.

(As of March 31)	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Basic item (Tier I)	¥ 158,173	¥ 158,791	\$ 1,321,058
Supplementary item (Tier II)	43,097	42,572	354,181
Excluded items	1,065	1,065	8,865
Net assets	¥ 200,205	¥ 200,298	\$ 1,666,375
Risk assets	¥2,025,451	¥1,986,226	\$16,524,347
Consolidated capital adequacy ratio	9.88%	10.08%	—
Tier I ratio	7.80%	7.99%	—

## Bad Loans (consolidated)

### Risk management loans

As of March 31, 2003, the Bank held risk management loans of ¥201,527 million, down by ¥7,478 million from the figure for the previous fiscal year. The new figure for risk management loans represents 8.47% of all loans.

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 19,181	¥ 14,196	\$ 118,110
Loans past due six months or more	137,716	138,751	1,154,335
Total non-accrual loans	¥ 156,897	¥ 152,948	\$ 1,272,445
Accrual loans past due over more than three months	¥ 295	¥ 29	\$ 246
Restructured loans-adjusted the terms in favor of borrowers for financial assistance	¥ 51,812	¥ 48,550	\$ 403,911

We therefore predict that further efforts to clear up bad loans will be necessary throughout the fiscal year ending March 31, 2004. Led by the Corporate Support Office, the Bank will continue to work vigorously to revitalize its corporate customers, fortify the soundness of its own asset base and support business recovery everywhere in Niigata Prefecture, drawing on the resources of each and every Bank branch, office and department.

# Consolidated Balance Sheets

As of March 31, 2002 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
<b>ASSETS</b>			
Cash and due from banks (Note 3)	¥ 117,821	¥ 156,598	\$ 1,302,819
Call loans and bills purchased	50,000	15,000	124,792
Commercial paper and other debt purchased	13,776	12,553	104,437
Trading account securities (Note 10)	19,476	14,583	121,329
Money held in trust	147,532	135,683	1,128,816
Securities (Notes 4 and 10)	1,224,338	1,247,133	10,375,488
Loans and bills discounted (Notes 7 and 10)	2,360,550	2,377,628	19,780,601
Foreign exchanges	2,581	3,382	28,142
Other assets	37,251	33,889	281,945
Premises and equipment, net (Notes 10,13 and 14)	93,645	90,237	750,726
Deferred tax assets (Note 12)	27,295	28,247	235,004
Customers' liabilities for acceptances and guarantees	52,193	26,638	221,615
Allowance for loan losses	(60,329)	(59,588)	(495,748)
Allowance for investment losses	(131)	(130)	(1,083)
<b>Total Assets</b>	¥ 4,086,003	¥ 4,081,858	\$ 33,958,888
<b>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
Deposits (Note 8)	¥ 3,604,381	¥ 3,576,973	\$ 29,758,514
Call money and bills sold	105,801	185,604	1,544,128
Payables under repurchase agreements	100	—	—
Borrowed money (Note 9)	46,092	31,896	265,363
Foreign exchanges	116	127	1,063
Bonds	13,325	12,020	100,000
Other liabilities	51,031	39,262	326,641
Reserve for employees' retirement benefits (Note 11)	13,564	14,360	119,467
Reserve for contingent liabilities	1,000	—	—
Deferred tax liabilities (Note 12)	21	19	163
Deferred tax liabilities for land revaluation reserve (Note 13)	7,819	7,324	60,937
Difference between the acquisition cost and underlying net equity of investments	146	73	610
Acceptances and guarantees	52,193	26,638	221,615
<b>Total Liabilities</b>	¥ 3,895,595	¥ 3,894,300	\$ 32,398,507
<b>Minority interests</b>	6,899	5,863	48,783
<b>Stockholders' equity (Note 15):</b>			
Common stock	¥ 32,776	¥ 32,776	\$ 272,687
Authorized-583,799 thousand shares, Issued-381,479 thousand shares			
Capital surplus	18,635	18,635	155,039
Retained earnings	102,751	104,106	866,112
Land revaluation reserve, net of tax (Note 13)	10,932	10,805	89,898
Net unrealized holding gains on securities available for sale	20,260	16,932	140,866
Treasury stock	(1,848)	(1,563)	(13,006)
<b>Total Stockholders' equity</b>	183,508	181,693	1,511,597
<b>Total Liabilities, Minority interests and Stockholders' equity</b>	¥ 4,086,003	¥ 4,081,858	\$ 33,958,888

See accompanying notes.

# Consolidated Statements of Operations

Years ended March 31, 2002 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
<b>Income</b>			
Interest on loans and discounts	¥ 47,824	¥ 44,738	\$ 372,199
Interest and dividends on securities	21,744	21,444	178,409
Other interest income	972	326	2,715
Fees and commissions	11,183	11,766	97,888
Other operating income	679	2,778	23,114
Other income (Note 17)	25,626	24,551	204,256
<b>Total Income</b>	¥ 108,030	¥ 105,605	\$ 878,583
<b>Expenses</b>			
Interest on deposits	¥ 3,883	¥ 1,672	\$ 13,915
Interest on borrowings and rediscounts	1,374	929	7,736
Other interest expenses	3,125	2,647	22,023
Fees and commissions	2,155	2,167	18,028
Other operating expenses	948	463	3,856
General and administrative expenses	49,622	48,447	403,061
Provision for loan losses	13,330	5,885	48,966
Other expenses (Note 18)	45,569	36,732	305,590
<b>Total Expenses</b>	¥ 120,009	¥ 98,946	\$ 823,179
Income (Loss) before income taxes and minority interests	(11,979)	6,659	55,403
Provision for income taxes:			
Current	4,590	1,616	13,447
Deferred	(9,984)	1,831	15,238
Net income (loss) before minority interests	(6,585)	3,211	26,717
Minority interests	348	334	2,786
<b>Net Income (Loss)</b>	¥ (6,933)	¥ 2,876	\$ 23,931
	Yen		U.S. Dollars
Amounts per share of common stock:			
Net income (loss)	¥ (18.39)	¥ 7.50	\$ 0.06
Cash dividends	5.00	5.00	0.04

See accompanying notes.

# Consolidated Statements of Stockholders' Equity

Years ended March 31, 2002 and 2003

	Millions of Yen						
	Shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Land revaluation reserve, net of tax	Net unreal- ized holding gains on securities available for sale	Treasury stock
Balance at March 31, 2001	381,479	¥ 32,776	¥ 18,635	¥ 111,130	¥ 11,404	¥ 24,774	¥ (1,825)
Net loss	—	—	—	(6,933)	—	—	—
Land revaluation reserve, net of tax	—	—	—	471	(471)	—	—
Net unrealized holding 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	¥ 102,751	¥ 10,932	¥ 20,260	¥ (1,848)
Net income	—	—	—	2,876	—	—	—
Land revaluation reserve, net of tax	—	—	—	362	(126)	—	—
Net unrealized holding gains on securities available for sale	—	—	—	—	—	(3,327)	—
Treasury stock	—	—	—	—	—	—	285
Cash dividends	—	—	—	(1,884)	—	—	—
<b>Balance at March 31, 2003</b>	381,479	¥ 32,776	¥ 18,635	¥ 104,106	¥ 10,805	¥ 16,932	¥ (1,563)

	Thousands of U.S. Dollars					
	Common stock	Capital surplus	Retained earnings	Land revaluation reserve, net of tax	Net unreal- ized holding gains on securities available for sale	Treasury stock
Balance at March 31, 2002	\$ 272,687	\$ 155,039	\$ 854,841	\$ 90,951	\$ 168,553	\$ (15,380)
Net income	—	—	23,931	—	—	—
Land revaluation reserve, net of tax	—	—	3,013	(1,052)	—	—
Net unrealized holding gains on securities available for sale	—	—	—	—	(27,686)	—
Treasury stock	—	—	—	—	—	2,374
Cash dividends	—	—	(15,674)	—	—	—
<b>Balance at March 31, 2003</b>	\$ 272,687	\$ 155,039	\$ 866,112	\$ 89,898	\$ 140,866	\$ (13,006)

See accompanying notes.

# Consolidated Statements of Cash Flows

Years ended March 31, 2002 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Cash flows from operating activities:			
Income (Loss) before income taxes and minority interests	¥ (11,979)	¥ 6,659	\$ 55,403
Adjustments to reconcile income (loss) before provision for income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	13,963	13,591	113,076
Net change in allowance for loan losses	13,574	(740)	(6,161)
Net change in liability for employees' retirement benefits	(644)	795	6,615
Interest and dividend income	(70,540)	(66,509)	(553,323)
Interest expenses	8,382	5,249	43,676
Net loss on sales and maturities of securities	11,429	7,336	61,032
Net change in foreign exchange (assets and liabilities)	(2,905)	(941)	(7,830)
Losses on sales of premises and equipment	557	815	6,785
Net change in:			
Trading account securities	(14,953)	4,892	40,700
Loans and bills discounted	(91,621)	(17,077)	(142,078)
Deposits	93,018	(70,768)	(588,754)
Negotiable certificate deposits	4,040	43,360	360,732
Borrowed money (excluding subordinated loans)	(4,520)	(10,196)	(84,826)
Due from banks except for THE BANK OF JAPAN	117,624	9,914	82,485
Call loans and bills purchased	126,077	36,223	301,359
Receivables under securities borrowing transactions	10,030	—	—
Call money and bills sold	17,611	79,702	663,083
Interest received	75,911	71,849	597,747
Interest paid	(10,193)	(6,088)	(50,652)
Other - net	19,478	(4,888)	(40,667)
sub-total	304,341	103,180	858,402
Income taxes paid	(5,393)	(2,953)	(24,570)
<b>Total adjustments</b>	310,927	93,567	778,428
<b>Net cash provided by operating activities</b>	¥ 298,948	¥ 100,226	\$ 833,831
Cash flows from investing activities:			
Purchases of securities	(659,128)	(419,561)	(3,490,528)
Proceeds from sales of securities	173,449	189,505	1,576,586
Proceeds from maturity of securities	329,386	183,817	1,529,259
Purchases of money held in trust	(72,887)	—	—
Proceeds from sales of money held in trust	—	12,494	103,945
Purchases of premises and equipment	(12,196)	(12,071)	(100,432)
Proceeds from sales of premises and equipment	1,916	1,208	10,054
<b>Net cash used in investing activities</b>	¥ (239,460)	¥ (44,607)	\$ (371,114)
Cash flows from financing activities:			
Proceeds from subordinated loans	4,000	—	—
Repayments for subordinated loans	(15,000)	(4,000)	(33,277)
Dividends paid	(1,884)	(1,884)	(15,674)
Dividends paid to minority stockholders	(13)	(10)	(86)
Purchases of treasury stock	(41)	(1,032)	(8,585)
Proceeds from sales of treasury stock	18	—	—
<b>Net cash used in financing activities</b>	¥ (12,921)	¥ (6,926)	\$ (57,623)
Net change in cash and cash equivalents	46,567	48,692	405,096
Cash and cash equivalents at beginning of the year	60,449	107,017	890,324
<b>Cash and cash equivalents at the end of the year</b>	¥ 107,017	¥ 155,709	\$ 1,295,421

See accompanying notes.

# Notes to Consolidated Financial Statements

March 31, 2002 and 2003

## **1. Basis of presenting consolidated financial statements**

The Daishi Bank, Ltd., (the "Bank") and its consolidated domestic subsidiaries 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 consolidated 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 consolidated statements of stockholders' equity from the consolidated financial statements of the Bank which were prepared in accordance with Japan GAAP and 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 consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

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, 2003, which was ¥120.20 to U.S. \$1. 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.

Certain reclassifications have been made in the 2002 consolidated financial statements to conform to the presentation for 2003.

## **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.

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

### **(2) Cash and cash equivalents**

In preparing the consolidated statements 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 statements of income. Realized gains or losses on sale of such securities are computed using primarily the moving-average cost.

### **(4) Securities**

According to the Japanese Accounting Standards for Financial Instruments, securities are classified as follows based on their intention of holdings: (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) 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 stockholders' 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 mar-



ket 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.

Securities included in money held in trust account are stated in the same manner for securities mentioned above.

### **(5) Derivatives and hedge accounting**

Derivative financial instruments are stated at fair value and changes in the fair value are recognized 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, 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 is 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 13.

Depreciation of premises and equipment is computed using the declining-balance method at rates based on the estimated useful lives of respective assets. The estimated useful lives of major items are 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**

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Prior to April 1, 2002, the Bank applied the "Temporary

Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (the "Report No.20") issued by Industry Audit Committee of JICPA as of November 14, 2001. Effective April 1, 2002, the Bank has applied the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (the "Report No.25") issued by Industry Audit Committee of JICPA as of July 29, 2002.

Pursuant to the Report No.25, for fund swap transactions and currency swap transactions, the Bank continued to account for foreign currency translation in the same manner as previous years. For yen-conversion differences in forward foreign exchange transactions are booked at net amounts.

Pursuant to the Report No.25, 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 expense 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.

ed 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.

## **(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.

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 ¥22,421 million and ¥19,584 million (\$162,932 thousand) at March 31, 2002 and 2003, respectively.

## **(10) Reserve for employees' retirement benefits**

The Bank and its consolidated subsidiaries provide two types of post-employment benefit plans, funded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Bank contributed certain marketable equity securities to an employee retirement benefit trust.

Liabilities and expenses for employees' retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Bank and its consolidated subsidiaries provide reserve for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation at the balance sheet date and the fair value of the plan assets at that date.

Prior service cost are recognized in profit and loss using the straight-line method over 10 years commencing with the year incurred.

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) Accounting for certain lease transactions**

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

## **(13) Amounts per share**

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

Effective April 1, 2002, the Company adopted the new accounting standard for net income per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002). There was no effect of adopting the new standard.

Diluted net income per share is not presented, since the Bank had no diluted common shares as of March 31, 2002, and has no diluted common shares and the potential dilution as of March 31, 2003, for the exercise price of the stock option plan exceeds the market price of treasury stock then.

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

### 3. Cash and cash equivalents

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 2002 and 2003, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Cash and due from banks	¥ 117,821	¥ 156,598	\$ 1,302,819
Saving deposits in other banks	(10,370)	(370)	(3,078)
Other	(434)	(519)	(4,320)
Cash and cash equivalents	¥ 107,017	¥ 155,709	\$ 1,295,421

### 4. 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 and 2003:

#### (i) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Book value	¥ 19,476	¥ 14,583	\$ 121,329
Amount of net unrealized gains Included in the income statement	74	36	301

#### (ii) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Book value	¥ 88,106	¥ 83,022	\$ 690,702
Fair value	93,277	88,481	736,119
Difference	5,171	5,459	45,416

#### (iii) Available-for-sale securities

	Millions of yen		
	2002		
	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

	Millions of yen		
	2003		
	Acquisition cost	Book value	Difference
Equity securities	¥ 75,698	¥ 77,192	¥ 1,493
Bonds	800,179	820,899	20,719
Other than equity securities and bonds	251,065	257,295	6,229
Total	¥ 1,126,943	¥ 1,155,386	¥ 28,443

	Thousands of U.S. dollars		
	2003		
	Acquisition cost	Book value	Difference
Equity securities	\$ 629,771	\$ 642,198	\$ 12,427
Bonds	6,657,068	6,829,445	172,376
Other than equity securities and bonds	2,088,732	2,140,560	51,828
Total	\$ 9,375,572	\$ 9,612,204	\$ 236,631

(2) The following tables summarize book values of securities with no available fair values as of March 31, 2002 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Held-to-maturity debt securities:			
Non-listed corporate bonds	¥ 5,838	¥ 6,071	\$ 50,511
Available-for-sale securities:			
Non-listed equity securities	¥ 4,420	¥ 3,532	\$ 29,384
Non-listed corporate bonds	—	700	5,823

(3) Available-for-sale securities with maturities and held-to-maturity debt securities are as of March 31, 2002 and 2003:

	Millions of yen			
	2002			
	Within one year	One to five years	Five to ten years	Over ten years
Japanese				
Government bonds	¥ 58,504	¥ 154,973	¥ 81,454	¥ 142,292
Japanese 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

	Millions of yen			
	2003			
	Within one year	One to five years	Five to ten years	Over ten years
Japanese				
Government bonds	¥ 31,220	¥ 158,436	¥ 117,948	¥ 138,010
Japanese local				
Government bonds	32,153	94,257	125,958	—
Corporate bonds	61,406	111,686	39,615	—
Others	24,881	184,945	28,493	—
Total	¥ 149,661	¥ 549,325	¥ 312,016	¥ 138,010

	Thousands of U.S. dollars			
	2003			
	Within one year	One to five years	Five to ten years	Over ten years
Japanese				
Government bonds	\$ 259,737	\$ 1,318,103	\$ 981,270	\$ 1,148,176
Japanese local				
Government bonds	267,503	784,168	1,047,906	—
Corporate bonds	510,867	929,172	329,576	—
Others	206,998	1,538,649	237,053	—
Total	\$ 1,245,106	\$ 4,570,093	\$ 2,595,807	\$ 1,148,176

# Notes to Consolidated Financial Statements

March 31, 2002 and 2003

**(4) Held-to-maturity debt securities sold in the year ended March 31, 2003 were ¥ 988million (\$8,221 thousand) and the related gain was ¥ 80million(\$667 thousand). There was no such sales in 2002.**

**(5) Net unrealized holding gains on available-for-sale securities at March 31, 2002 and 2003 were as follows:**

	Millions of yen		Thousands of
	2002	2003	U.S. dollars
Unrealized holding gains on available-for-sale securities	¥ 34,878	¥ 28,463	<b>\$ 236,798</b>
Deferred tax liability	(14,544)	(11,499)	<b>(95,672)</b>
sub-total	20,334	16,963	<b>141,125</b>
Minority Interests	(73)	(31)	<b>(259)</b>
Net unrealized holding gains on available-for-sale securities	¥ 20,260	¥ 16,932	<b>\$ 140,866</b>

**(6) Total sales of available-for-sale securities sold in the year ended March 31, 2002 amounted to ¥ 91,840 million and the related gains and losses amounted to ¥ 797 million and ¥ 1,227 million, respectively, and those in the year ended March 31, 2003 amounted to ¥ 168,771 million (\$ 1,404,088 thousand) and the related gains and losses amounted to ¥ 3,253 million (\$ 27,068 thousand) and ¥ 588 million (\$ 4,893 thousand), respectively.**

## 5. 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 years ended March 31, 2002 and 2003.

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, 2002 and 2003:

	Millions of yen	
	2002	
	Notional principal amount	Fair value
Interest rate swap:		
Receive fixed-pay variable rate	¥ 70	¥ 0
Receive variable-pay fixed rate	5,200	(343)
Currency swap	¥ 74,860	¥ (241)

	Millions of yen		Thousands of U.S. dollars	
	2003			
	Notional principal amount	Fair value	Notional principal amount	Fair value
Interest rate swap:				
Receive variable-pay fixed rate	¥ 4,125	¥ (254)	\$ 34,319	\$(2,116)
Currency swap	¥ 108,420	¥ (1,047)	\$ 902,003	\$(8,711)

Certain information for interest rate swap contracts at March 31, 2002 and 2003 are follows:

	Millions of yen	
	2002	
	Within one year	Over one year
Receive fixed-pay variable rate	¥ 70	¥ —
Receive variable-pay fixed rate	¥ 736	¥ 4,464

	Millions of yen		Thousands of U.S. dollars	
	2003			
	Within one year	Over one year	Within one year	Over one year
Receive variable-pay fixed rate	¥ 1,923	¥ 2,202	\$ 16,000	\$ 18,319

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

Derivative transactions for which hedge accounting is applied are excluded from the table above.

## 6. Information for certain lease transactions

Lessee:

The Bank and its consolidated subsidiaries lease certain equipment under noncancelable 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, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Equivalent amount:			
Acquisition cost	¥ 169	¥ 102	\$ 848
Accumulated depreciation	(101)	(62)	(520)
Estimated net book value	¥ 67	¥ 39	\$ 327

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Lease payments	¥ 36	¥ 30	\$ 253
Equivalent of depreciation expense	34	28	236
Equivalent of interest expense	1	1	9

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, 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003		
Due within one year	¥ 20		\$ 169
Due after one year	22		185
Total minimum lease payments	¥ 42		\$ 354

Lessor:

Certain equipment of the Bank and its consolidated subsidiaries are leased under finance leases. For the years ended March 31, 2002 and 2003 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
	2002	2003	2003
Acquisition cost	¥ 78,872	¥ 78,257	\$ 651,060
Accumulated depreciation	(48,025)	(48,043)	(399,692)
Net book value	¥ 30,847	¥ 30,214	\$ 251,367

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Lease income	¥ 11,966	¥ 11,642	\$ 96,861
Depreciation expense	10,259	10,125	84,236
Estimated interest income	¥ 1,157	¥ 1,071	\$ 8,911

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, 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003		
Due within one year	¥ 9,440		\$ 78,535
Due after one year	18,721		155,755
Total future minimum lease receipts	¥ 28,161		\$ 234,291

## 7. Loans and bills discounted

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

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Loans on notes	¥ 373,250	¥ 265,677	\$ 2,210,294
Loans on deeds	1,425,185	1,568,713	13,050,864
Bills discounted	87,210	66,443	552,776
Overdrafts	468,995	470,471	3,914,075
Other	5,908	6,321	52,589
Total	¥ 2,360,550	¥ 2,377,628	\$ 19,780,601

Non-accrual loans, accrual loans past due over more than three months and restructured loans at March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 19,181	¥ 14,196	\$ 118,110
Loans past due six months or more	137,716	138,751	1,154,335
Total non-accrual loans	¥ 156,897	¥ 152,948	\$ 1,272,445
Accrual loans past due over more than three months	¥ 295	¥ 29	\$ 246
Restructured loans-adjusted the terms in favor of borrowers for financial assistance	¥ 51,812	¥ 48,550	\$ 403,911

# Notes to Consolidated Financial Statements

March 31, 2002 and 2003

## 8. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Current deposits	¥ 159,194	¥ 135,301	\$ 1,125,635
Ordinary deposits	1,293,806	1,387,672	11,544,698
Negotiable certificates of deposits	6,050	49,410	411,064
Savings deposits	49,615	46,753	388,965
Deposits at notice	31,908	21,839	181,689
Time deposits	1,913,504	1,747,474	14,538,057
Other deposits	150,302	188,521	1,568,402
Total	¥ 3,604,381	¥ 3,576,973	\$ 29,758,514

## 9. Borrowed money

Borrowed money included subordinated loans totaling ¥26,000 million and ¥22,000 million (\$183,028 thousand) at March 31, 2002 and 2003, respectively.

## 10. Pledged Assets

At March 31, 2003, 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
	2002	2003	2003
Trading account securities	¥ 521	¥ 521	\$ 4,340
Securities	331,656	331,656	2,759,204
Loans	120,600	120,600	1,003,327
Total	¥ 452,778	¥ 452,778	\$ 3,776,873

In addition to the above, future lease payments to be received were pledged as collateral for borrowed money in the amount of ¥6,260 million (\$52,079 thousand) at March 31, 2003.

Guaranty money deposited was included in premises and equipment, and amounted to ¥ 591 million (\$ 4,922 thousand) at March 31, 2003.

## 11. Employees' 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, 2002 and 2003 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Projected benefit obligation	¥ 72,843	¥ 70,124	\$ 583,402
Pension assets	(41,307)	(36,757)	(305,804)
Unrecognized actuarial differences	(17,971)	(23,263)	(193,542)
Unrecognized prior service cost	—	4,256	35,412
Liability for severance and retirement benefits	¥ 13,564	¥ 14,360	\$ 119,467

Included in the consolidated statements of operations for the years ended March 31, 2002 and 2003 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Service costs - benefits earned during the year	¥ 1,408	¥ 1,727	\$ 14,368
Interest cost on projected benefit obligation	2,127	1,765	14,689
Expected return on plan assets	(1,336)	(1,318)	(10,968)
Amortization of prior service cost	—	(186)	(1,550)
Amortization of actuarial differences	507	1,847	15,373
Other	379	179	1,489
Severance and retirement benefit expenses	¥ 3,085	¥ 4,014	\$ 33,401

The discount rate and the rate of expected return on plan assets at March 31, 2003 used by the Company were 2.5 % and 0 % to 3.5%, respectively. The same rates were used at March 31, 2002.

## 12. Income taxes

The Bank is subject to a number of taxes levied on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 41.7 % for the years ended March 31, 2002 and 2003.

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, 2003:

	2003
Statutory tax rate	41.7%
Effect of tax rate reduction	11.9
Non-taxable income (Dividend income etc)	(3.9)
Non-deductible expenses	1.0
Inhabitants tax	0.9
Other	(0.1)
Effective tax rate	51.7%

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

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 41.7% for the year ended March 31, 2002. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the used the aggregate statutory income tax rates of 40.4% at March 31, 2003.

As a result of the change in the aggregate statutory income tax rates, deferred income tax assets decreased by ¥423million (\$3,519 thousand), provision for deferred income taxes increased by ¥792million (\$6,589 thousand), net unrealized holding gains on securities available for sale increased by ¥369million (\$3,069 thousand), deferred tax liabilities for land revaluation reserve decreased by ¥235million (\$1,955thousand) and land revaluation reserve, net of tax increased by the same amount compared with what would have been recorded under the previous local tax law.

Significant components of deferred tax assets and liabilities at March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of
	2002	2003	U.S. dollars
<b>Deferred tax assets:</b>			
Allowance for loan losses and write-off claims	¥ 30,801	¥ 28,364	\$ 235,981
Retirement benefits	6,547	6,880	57,245
Depreciation of premise and equipment	1,863	2,062	17,157
Other	4,055	3,964	32,980
Less valuation allowance	—	(74)	621
<b>Total deferred income tax assets</b>	<b>43,267</b>	<b>41,197</b>	<b>342,743</b>
<b>Deferred tax liabilities:</b>			
Unrealized gains on securities available for sale	(14,544)	(11,499)	(95,672)
Gain on contribution of securities to employee retirement benefit trust	(1,224)	(1,154)	(9,605)
Other	(225)	(315)	(2,624)
<b>Total deferred income tax liabilities</b>	<b>(15,993)</b>	<b>(12,969)</b>	<b>(107,903)</b>
<b>Net deferred tax assets</b>	<b>¥ 27,274</b>	<b>¥ 28,227</b>	<b>\$ 234,840</b>

## 13. 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. 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, 2003 was ¥13,759 million (\$114,475 thousand).

## 14. Accumulated depreciation of Premises and equipment

Accumulated depreciation of premises and equipment were ¥103,605 million as of March 31, 2002 and ¥104,496 million (\$869,357 thousand) as of March 31, 2003.

## 15. Stockholders' equity

Under the Commercial Code of Japan (the "Code") and the Banking law of Japan, the followings are provided:

Under the Code, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Code and Banking Law provide that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Code.

The stockholders' meeting in June 2000 approved a stock option plan. The Bank granted stock options to key officers and employees for 1,235,000 common shares. The stock purchase rights are to be exercised at a price of ¥399 per share in the period from June 30, 2002 to June 30, 2005.



## 16. Segment information

Segment information for the years ended March 31, 2002 and 2003 is shown in the tables below:

### (a) Business segment information

	Millions of Yen					
	2002					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Operating income:						
External 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
Operating expenses	100,029	18,670	5,784	124,484	(5,154)	119,330
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

	Millions of Yen					
	2003					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Operating income:						
External customers	¥ 83,913	¥ 17,429	¥ 2,884	¥ 104,227	¥ —	¥ 104,227
Intersegment	704	885	3,408	4,998	(4,998)	—
Total	84,618	18,314	6,292	109,226	(4,998)	104,227
Operating expenses	79,244	18,126	5,987	103,358	(5,239)	98,119
Operating profit	¥ 5,373	¥ 188	¥ 305	¥ 5,867	¥ 240	¥ 6,108
Assets	¥ 4,058,997	¥ 48,543	¥ 13,239	¥ 4,120,780	¥ (38,922)	¥ 4,081,858
Depreciation and amortization	2,666	10,928	4	13,599	(7)	13,591
Capital expenditures	1,268	10,882	1	12,152	—	12,152

	Thousands of U.S. Dollars					
	2003					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Operating income:						
External customers	\$ 698,118	\$ 145,002	\$ 23,995	\$ 867,116	\$ —	\$ 867,116
Intersegment	5,863	7,367	28,355	41,587	(41,587)	—
Total	703,982	152,370	52,351	908,704	(41,587)	867,116
Operating expenses	659,274	150,802	49,810	859,887	(43,586)	816,301
Operating profit	\$ 44,707	\$ 1,567	\$ 2,541	\$ 48,816	\$ 1,999	\$ (50,815)
Assets	\$ 33,768,697	\$ 403,857	\$ 110,147	\$ 34,282,702	\$ (323,813)	\$ 33,958,888
Depreciation and amortization	22,184	90,920	34	113,139	62	113,076
Capital expenditures	10,556	90,536	10	101,104	—	101,104

Notes:

1. Yen amounts are rounded down to the nearest million yen.
2. The business segmentation is determined based on the Bank's internal administrative purposes.
3. Operating income represents total income excluding gains on sale of shares and other securities, collection of bad debt recovered, gains on sales of premises and equipment and other extraordinary income. Operating expenses represent total expenses excluding write-off claims, losses on sales of premises and equipment, losses on devaluation of shares and other securities and other extraordinary expense.
4. Segmentation is based on each consolidated company's line of business. "Others" represents non-banking business, credit card business and so forth.

### (b) Segment information by location

Since the adjusted operating income and assets is only "Japan" segment, segment information by location for the years ended March 31, 2002 and 2003 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, 2002 and 2003, such information is not disclosed.

# Notes to Consolidated Financial Statements

March 31, 2002 and 2003

## 17. Other income

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

	Millions of yen		Thousands of
	2002	2003	U.S. dollars
Gain on sale of shares and other securities	¥ 443	¥ 907	\$ 7,547
Bad debt recovered	448	569	4,739
Gain on sale of premises and equipment	122	8	71
Other	24,612	23,066	191,897
Total	¥ 25,626	¥ 24,551	\$ 204,256

## 18. Other expenses

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

	Millions of yen		Thousands of
	2002	2003	U.S. dollars
Write-off of claim	¥ 14,676	¥ 7,338	\$ 61,056
Losses on sales of premises and equipment	679	625	5,202
Losses on devaluation of shares and other securities	10,351	10,096	83,998
Other	19,862	18,670	155,332
Total	¥ 45,569	¥ 36,732	\$ 305,590

## 19. Subsequent events

At the general meeting held on June 27, 2003, the stockholders approved a cash dividend totaling ¥943 million (\$7,852 thousand) or ¥2.50 (\$0.020) per share.

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, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

ment presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THE DAISHI BANK, LTD. and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

*Asahi & Co.*

*Koushi Audit Co.*

Niigata, Japan June 27, 2003

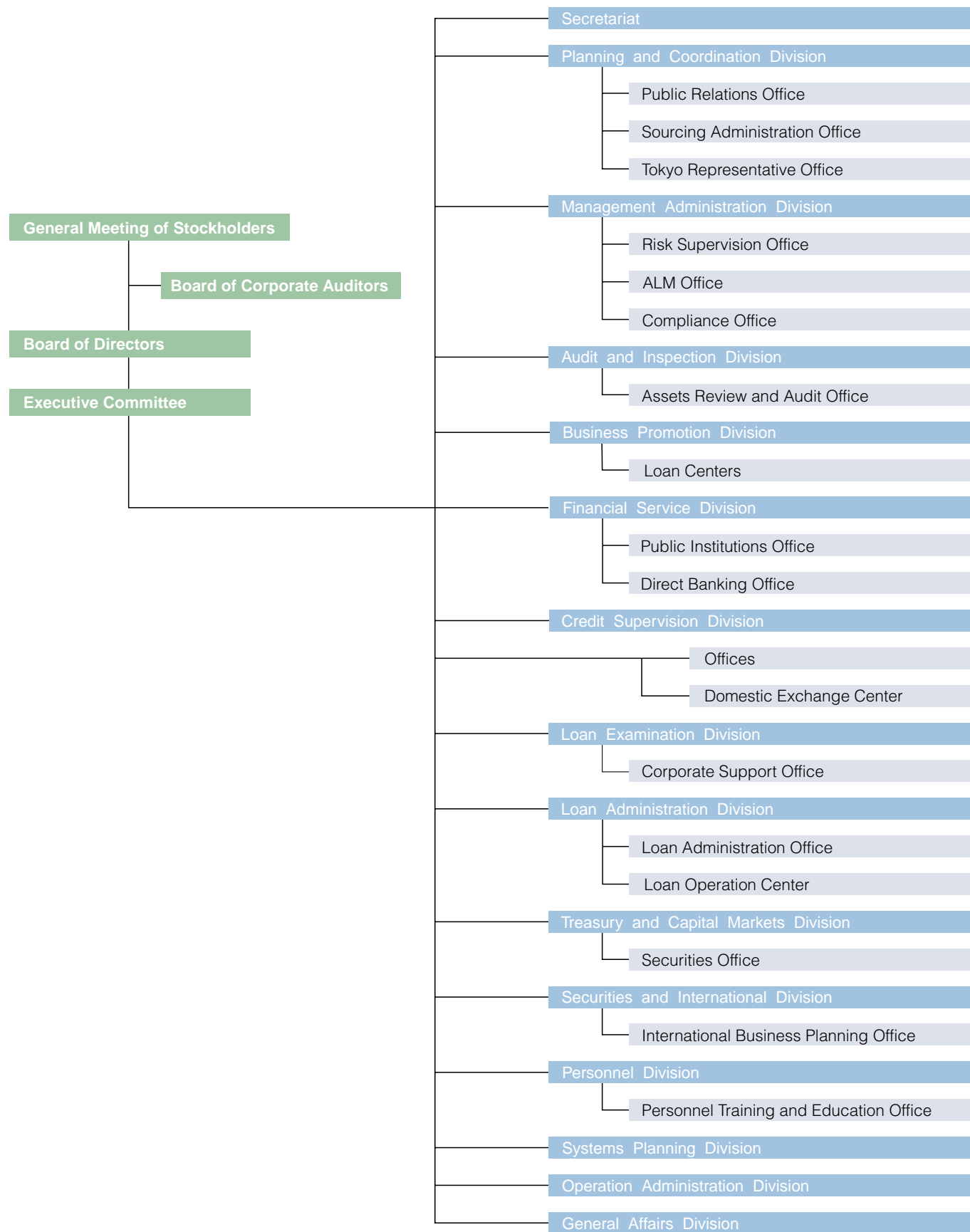
## Statement on Accounting Principles and Auditing Standards

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, 2003)



## Board of Directors

### President

Katsuei Iino

### Senior Managing Directors

Kunito Kojima

Kenzo Kaneko

### Managing Directors

Takashi Onishi

Yoshiaki Ono

### Directors

Haruki Kobayashi

Masayuki Obara

Kenichi Yazawa

Masatoshi Komiya

Kenichi Ito

Hisao Sasagawa

Shigeru Watanabe

Setsuo Uchiyama

### Standing Corporate Auditors

Yukio Ogasawara

Eiichi Takahashi

### Corporate Auditors

Gen Hoshino

Tadashi Maruyama

### Securities and International Division (International Division)

#### General Manager

Tetsuro Takeuchi

(As of July 1, 2003)

## 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/>

### Securities and International Division (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
<b>Total</b>	<b>130</b>

(As of July 1, 2003)

## Major stockholders (10 largest)

As of March 31, 2003	Number of Shares (Thousand)	Percent
1. Nippon Life Insurance Company	19,558	5.12
2. Mizuho Corporate Bank, Ltd.	10,399	2.72
3. Employees' stockholdings	9,879	2.58
4. NIPPONKOA Insurance Co., Ltd.	9,464	2.48
5. The Bank of Tokyo-Mitsubishi, Ltd.	9,386	2.46
6. Meiji Mutual Life Insurance Company	8,000	2.09
7. The Dai-ichi Mutual Life Insurance Company	7,140	1.87
8. The Master Trust Bank of Japan, Ltd. (Trust Account)	6,668	1.74
9. The Tokio Marine and Fire Insurance Co., Ltd.	6,120	1.60
10. Tohoku Electric Power Co., Ltd.	6,029	1.58

## Subsidiaries

Company	Major business	Incorporation	Capital	Ratio of shareholder voting rights held by the Daishi Bank
<b>The Daishi Business Service Co., Ltd.</b> 1-20, Horinouchi Minami 3-chome, Niigata 950-0982	Assessment of secured property	May 26, 1978	10 million yen	100%
<b>The Daishi Staff Service Co., Ltd.</b> 224-1, Honcho-dori 5-bancho, Niigata 951-8067	Supply of temporary staff	Oct. 28, 1988	20 million yen	100%
<b>The Daishi Cash Business Co., Ltd.</b> 1-20, Horinouchi Minami 3-chome, Niigata 950-0982	Cash settlements and processing services	Sept. 11, 1996	10 million yen	100%
<b>The Daishi Jimu Shuchu Co., Ltd.</b> 1-17, Abumi 1-chome, Niigata 950-0913	Consignment of clerical services	Mar. 15, 2000	10 million yen	100%
<b>The Daishi Lease Co., Ltd.</b> 2-10, Akashi 2-chome, Niigata 950-0084	General leasing business	Nov. 11, 1974	100 million yen	5%
<b>The Daishi Computer Service Co., Ltd.</b> 1-17, Abumi 1-chome, Niigata 950-0913	Computer-related services	May 10, 1976	15 million yen	5%
<b>The Daishi Guaranty Co., Ltd.</b> 224-1, Honcho-dori 5-bancho, Niigata 951-8067	Credit guarantee business	Oct. 26, 1978	50 million yen	5%
<b>The Daishi JCB Card Co., Ltd.</b> 1-18, Higashi-odori 2-chome, Niigata 950-0087	Credit card and credit guaranty businesses	Nov. 12, 1982	30 million yen	5%
<b>The Daishi Associated Finance Co., Ltd.</b> 1-18, Higashi-odori 2-chome, Niigata 950-0087	Venture capital	June 8, 1984	20 million yen	5%
<b>The Daishi DC Card Co., Ltd.</b> 1-18, Higashi-odori 2-chome, Niigata 950-0087	Credit card business	March 1, 1990	30 million yen	5%

