

# Profile

## Serving as a Bank for the Community

Fukui Bank was established in 1899 as a bank for local citizens aiming to cultivate local industry and develop their local community. And ever since our founding we have worked under the name of The Fukui Bank, Ltd. to maintain sound management as a financial institution and, first and foremost, to contribute to the development of the communities we serve. Today our success is the fruit of the generous support and guidance our customers, shareholders, and people in the community have bestowed upon us. For that we are truly grateful. Fukui Bank, with bases in three prefectures in the Hokuriku region, is an institution blessed with more than a century of service. In order to further strengthen the foundation of Fukui Bank management, for today and the future, we pledge our utmost effort, collectively and individually.

## Ensuring the “Triangular Balance”

According to the belief that future corporate management should adhere to global standards, in April 1999, we altered our management policy. Traditional management generally focused only on the “group affiliation, with the bank as its center” and “customers and the local community.” Since this was actually unsatisfactory for a company under the business corporation system, we chose to include “shareholders and institutional investors” within our focus. It is essential that the Bank be managed so that all of the three focus areas can grow in harmony.

Customer satisfaction, of course, leads to the progress of the Bank, whose stable management leads to the satisfaction of our shareholders (institutional investors). Furthermore, the satisfaction of shareholders encourages the stable management of the Bank, which can then gain more trust from its customers. Therefore, all three parties are interrelated. The progress of one benefits the progress of the others.

Through its emphasis on this dynamic relationship, Fukui Bank strives to achieve management based on the global standards by freeing itself from latent management. We are working to enhance our constitution via the dissolution of mutual shareholding relationships, and thus manage our operations with a focus on profitability.

## Consolidated Financial Highlights

The Fukui Bank, Ltd. and its consolidated subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S.dollars
	2001	2000	1999	2001
<b>For the Year:</b>				
Total income	¥ 68,915	¥ 64,178	¥ 61,136	\$ 556,217
Total expenses	113,949	56,467	55,671	919,689
Income before income taxes	(45,034)	7,710	5,465	(363,472)
Net income	(26,221)	4,001	2,744	(211,632)
Net income per share (yen and dollars)	(107.91)	16.21	10.17	(0.871)
<b>At Year-end:</b>				
Deposits	¥ 1,899,776	¥ 1,871,689	¥ 1,824,211	\$ 15,333,146
Loans and bills discounted	1,409,358	1,401,260	1,397,641	11,374,966
Trading account securities	3,558	2,412	1,387	28,720
Securities	440,943	399,710	482,791	3,558,866
Total assets	2,163,193	2,053,780	2,100,596	17,459,189
Shareholders' equity	92,032	114,665	115,334	742,798

Note : The U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥123.90 per U.S \$1.00 on March 31, 2001.



# Message from the President



## The Economic Environment

The Japanese economy continued its gradual recovery during the first half of the year in review, supported by the government's economic measures. In the second half, however, the country began seeing signs of contraction following a pause in public spending and due to the effects of a U.S. economic slowdown. Corporate results, which began the year with upward trends thanks to increased capital spending—mainly in the areas of information and communications equipment—hit the brakes in the fall, on the back of dwindling exports due to the rapidly decelerating U.S. economy. As a result, companies have yet to see their profits return to expected levels. Personal spending also remained sluggish due to dropping income and a high rate of unemployment. Overall, the Japanese economy shifted gears from a gradual recovery to a standstill, and the prospect for a self-directed, full-scale economic recovery backed by private demand is grim.

The nation's woes are forcing local industries to suffer as well, with not only industrial concerns but also companies finding themselves sharply divided into those that are doing well on the heels of the downturn and those that are lagging behind. The textile industry has held up fairly well, particularly in the non-clothing sector. However, clothing companies have been forced to cut production in order to compete with low-priced products imported from overseas. The machinery industry is also losing momentum. Although production levels remain high, weakness in technology and telecommunications in the U.S. and Europe is hurting the bottom line at companies throughout this sector. Machine tools are doing relatively well, but textile machinery is trending at low levels on the back of sluggish demand domestically and overseas. The eyeglass frame industry, which saw rising sales in the first half due to increasing exports, entered a correction phase in the second half, dragged down by a rapid fall in U.S. exports.

## Review of Operations for Fukui Bank (consolidated basis)

Fukui Bank and its eight consolidated subsidiaries have striven to improve business performance and operating efficiency during the year in review, and accordingly have achieved results as outlined in the following paragraphs:

As for our core operation, despite interest rates being at all-time low levels, deposits increased ¥28 billion to the term-end balance of ¥1,899 billion thanks to increased deposits from individuals. This was a result of the Group's effort to approach customers through a variety of means to provide added convenience. Loans and bills discounted were up ¥8 billion to ¥1,409 billion at term end, through a concerted effort to meet the funding demands of businesses and private account holders, which led to stronger performance in consumer loans, particularly residential loans. The term-end securities balance increased ¥41 billion to ¥440 billion, reflecting the Group's efforts to manage funds more effectively amid the tougher investing environment.

Regarding our results by business segment, core banking assets rose ¥107 billion to ¥2,161 billion, while assets from other business operations dropped ¥2 billion to ¥16 billion. These figures include the results of internal transactions involving various business segments.

Looking at earnings performance, although fund-management income decreased ¥6,628 million from the previous year's level due to lower interest rates, ordinary income increased ¥4,845 million to ¥68,889 million, thanks to an increase of ¥7,956 million in other business income boosted by higher proceeds from sales of securities and other factors. Ordinary expenses were up ¥47,239 million to ¥103,025 million, despite a ¥926 million reduction in fund-procurement expenses resulting from lower interest rates. This was due to an increase in other ordinary expenses by ¥45,859 million over the previous year's level, reflecting the Group's aggressive bad-debt write-offs based on internal assessment standards. One notable factor leading to the significantly higher write-offs for the consolidated fiscal year in review was a change in our conventional internal assessment standards, which offered a degree of flexibility essential to a regional financial institution like ours, by allowing the Bank to consider differences in the context of industry and company scale. Instead we have adopted a system of debtor classification through figure-based analysis, following strict reviews of our business improvement plan amid the uncertainty of economic trends and the introduction of mark-to-market accounting principles. All in all, we posted an ordinary loss of ¥34,136 million, as compared with the ordinary profit of ¥8,258 million recorded for the preceding year. We also recorded an increase in extraordinary loss by ¥10,242 million, given that we treated as an expense the full amount of one-time variance arising from the introduction of a new retirement benefit scheme during the consolidated fiscal year in review. Accordingly, we posted a net loss of ¥26,221 million, as compared with the net income of ¥4,001 million recorded for the preceding fiscal year.

Regarding our results by business segment, ordinary income and ordinary loss from core banking operations came to ¥63,520 million (up ¥4,992 million over the previous fiscal year) and ¥34,156 million (down ¥41,997 million), respectively. Ordinary income and ordinary profit from other business operations amounted to ¥7,468 million (up 288 million) and ¥20 million (up ¥163 million). These figures include the results of internal transactions involving various business segments.

## Issues Being Addressed by Fukui Bank

Given the expanding scope of operations among today's financial institutions, the various risks surrounding Fukui Bank are more numerous and diverse. Despite such difficult conditions, we at Fukui Bank are committed to providing our customers and shareholders with a greater sense of trust and security. To do this we are encouraging our employees and officers to maintain and enhance our administrative excellence through the implementation of a campaign known as "Accuracy & Reliability in Work," while stepping up the Bank's risk-management system and procedures of compliance.

Fukui Bank is striving to offer its customers the financial services they need, and to do so in a prompt, professional manner.

Last but not least, so that many customers can deepen their understanding of the operating conditions and business policies of Fukui Bank, we are moving forward in our efforts regarding information disclosure by presenting financial statements and using various other means to put forth the essential information.

Shichiro Ichihashi  
President

# Consolidated Balance Sheets

The Fukui Bank, Ltd. and its consolidated subsidiaries

March 31,	Millions of yen 2001	Millions of yen 2000	Thousands of U.S.dollars 2001
<b>Assets</b>			
Cash and due from banks .....	¥ 58,557	¥ 73,790	\$ 472,617
Call loans and bills purchased .....	125,708	62,353	1,014,600
Commercial paper and other debt purchased .....	10,669	21,557	86,113
Trading account securities .....	3,558	2,412	28,720
Money held in trust .....	4,623	6,000	37,314
Securities .....	440,943	399,710	3,558,866
Loans and bills discounted .....	1,409,358	1,401,260	11,374,966
Foreign exchange .....	2,100	2,224	16,950
Other assets .....	70,992	19,607	572,984
Premises and equipment .....	39,234	41,683	316,661
Deferred tax assets .....	31,567	10,888	254,785
Customers' liabilities for acceptances and guarantees .....	32,387	33,878	261,402
Reserve for possible loan losses .....	(66,508)	(21,585)	(536,789)
Total assets .....	<u>¥ 2,163,193</u>	<u>¥ 2,053,780</u>	<u>\$ 17,459,189</u>
<b>Liabilities, Minority Interests, and Shareholders' Equity</b>			
<b>Liabilities:</b>			
Deposits .....	¥ 1,899,776	¥ 1,871,689	\$ 15,333,146
Call money .....	655	—	5,295
Borrowed money .....	27,500	8,500	221,953
Foreign exchange .....	64	133	521
Other liabilities .....	90,721	13,461	732,218
Reserve for retirement allowances .....	—	4,129	—
Employees' severance and retirement benefits .....	13,536	—	109,254
Deferred tax liabilities for land revaluation .....	5,725	6,375	46,210
Consolidated difference .....	183	275	1,482
Acceptances and guarantees .....	32,387	33,878	261,402
Total liabilities .....	<u>¥ 2,070,552</u>	<u>¥ 1,938,443</u>	<u>\$ 16,711,481</u>
<b>Minority Interests:</b>			
Minority interests .....	<u>608</u>	<u>671</u>	<u>4,910</u>
<b>Shareholders' equity:</b>			
Common stock .....	17,965	17,965	145,000
Capital surplus .....	2,614	2,614	21,100
Excess of land revaluation .....	7,991	8,899	64,500
Retained earnings .....	58,625	85,320	473,164
Net unrealized holding gains on securities .....	4,968	—	40,104
Less: Common stock in treasury .....	(1)	(2)	(13)
Less: Parent company stocks held by subsidiaries .....	(130)	(130)	(1,057)
Total shareholders' equity .....	<u>92,032</u>	<u>114,665</u>	<u>742,798</u>
Total liabilities, minority interests and shareholders' equity .....	<u>¥ 2,163,193</u>	<u>¥ 2,053,780</u>	<u>\$ 17,459,189</u>

# Consolidated Statements of Income

The Fukui Bank, Ltd. and its consolidated subsidiaries

For the years ended March 31,	Millions of yen	Millions of yen	Thousands of U.S.dollars
	2001	2000	2001
<b>Income:</b>			
Interest on loans and bills discounted.....	¥ 31,880	¥ 32,670	\$ 257,307
Interest and dividends on securities.....	8,520	14,694	68,767
Other interest income.....	761	426	6,150
Other operating income.....	17,195	9,239	138,784
Fees and commissions.....	5,381	5,124	43,433
Other income.....	5,176	2,023	41,776
Total income.....	<u>¥ 68,915</u>	<u>¥ 64,178</u>	<u>\$ 556,217</u>
<b>Expenses:</b>			
Interest on deposits.....	¥ 5,073	¥ 5,403	\$ 40,948
Interest on borrowings and rediscounts.....	414	441	3,348
Other interest expenses.....	537	1,106	4,336
Fees and commissions.....	1,063	971	8,583
Other operating expenses.....	11,081	10,310	89,436
General and administrative expenses.....	33,030	31,587	266,593
Other expenses.....	62,748	6,646	506,445
Total expenses.....	<u>¥ 113,949</u>	<u>¥ 56,467</u>	<u>\$ 919,689</u>
<b>Income before income taxes and minority interests.....</b>	<b>(45,034)</b>	7,710	<b>(363,472)</b>
Income taxes—current.....	6,111	1,907	49,324
Income taxes—deferred.....	(24,890)	1,673	(200,888)
Minority interests.....	(34)	126	(276)
<b>Net income.....</b>	<u><b>¥ (26,221)</b></u>	<u>¥ 4,001</u>	<u><b>\$ (211,632)</b></u>
	Yen	Yen	U.S.dollars
<b>Net income per share.....</b>	<u><b>¥ (107.91)</b></u>	<u>¥ 16.21</u>	<u><b>\$ (0.871)</b></u>

Note:

The Fukui Bank, Ltd. and its consolidated subsidiaries maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the translating yen to dollars on a basis of ¥123.90 to U.S.\$1, the effective exchange rate on March 31, 2001. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at this or any other exchange rate.

## Current Conditions of Credit Risk Management

### Result of Internal Assessment

(Unit : Millions of yen)

Year Ended March 31, 2001	Intensive control obligors	Substantially bankrupt obligors	Bankrupt obligors	Total
Total credit balance (A).....	100,365	23,697	2,041	126,104
Amount secured by collateral, etc. (B).....	49,471	7,821	960	58,253
Amount at risk of being unrecoverable (C) = (A) - (B).....	50,894	15,875	1,080	67,850
Individual allowance for doubtful accounts (D).....	34,467	15,875	1,080	51,423
Reserve ratio (D) / (C).....	67.72%	100.00%	100.00%	75.78%
Rate at which total credit balance is covered [(B) + (D)] / (A).....	83.63%	100.00%	100.00%	86.97%

Note : The individual allowance for doubtful accounts is reserved in proportion to the amount at risk of being unrecoverable based on the Fukui Bank's standard.

# Consolidated Statements of Cash Flows

The Fukui Bank, Ltd. and its consolidated subsidiaries

For the years ended March 31,	Millions of yen	Millions of yen	Thousands of U.S.dollars
	2001	2000	2001
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ (45,034)	¥ 7,710	\$ (363,472)
Depreciation .....	2,502	2,374	20,196
Amortization of consolidated conciliation account .....	(105)	(34)	(855)
Increase in reserve for possible losses .....	48,919	1,388	394,829
Decrease in reserve for retirement allowances .....	(4,129)	(240)	(33,329)
Increase in employees' severance and retirement benefits .....	13,536	—	109,254
Interest and dividends income .....	(41,162)	(47,791)	(332,224)
Interest expenses .....	6,025	6,951	48,632
Loss (gain) on securities .....	(11,310)	1,307	(91,284)
Loss (gain) on money held in trust .....	472	(89)	3,812
Foreign exchange loss (gain) .....	(208)	1,239	(1,679)
Loss (gain) on sale of premises and equipment .....	948	(550)	7,657
Unrealized loss (gain) on derivative financial instruments .....	4,774	—	38,536
Net change in loans and bills discounted .....	(13,259)	(16,253)	(107,014)
Net change in deposits .....	26,293	47,854	212,212
Net change in due from banks (except deposits with the Bank of Japan) .....	(7,206)	(5,455)	(58,164)
Net change in call loans and bills purchased .....	(51,521)	(12,937)	(415,829)
Net change in call money .....	641	(12,937)	5,174
Net change in trading account securities .....	757	—	6,118
Net change in cash collateral for bond loan transaction .....	(524)	(45,449)	(4,235)
Net change in foreign exchange (assets) .....	72	996	582
Net change in foreign exchange (liabilities) .....	(69)	95	(562)
Interest and dividends received .....	41,895	48,589	338,139
Interest paid .....	(6,592)	(7,757)	(53,205)
Other .....	3,813	3,234	30,782
Subtotal .....	¥ (30,470)	¥ (27,754)	\$ (245,929)
Income taxes paid .....	(1,692)	(2,390)	(13,658)
Net cash used in operating activities .....	¥ (32,162)	¥ (30,144)	\$ (259,587)
<b>Cash flows from investing activities:</b>			
Payments from purchases of securities .....	(1,128,119)	(484,054)	(9,105,083)
Proceeds from sales of securities .....	1,085,244	485,385	8,759,034
Proceeds from redemptions of securities .....	34,951	79,011	282,096
Payments from increase in money held in trust .....	(8,000)	(6,000)	(64,568)
Proceeds from decrease in money held in trust .....	8000	—	64,568
Proceeds from fund operation in investing activities .....	904	89	7,300
Payments from purchases of premises and equipment .....	(3,034)	(3,642)	(24,489)
Proceeds from sales of premises and equipment .....	1,192	2,664	9,621
Net cash provided by (used in) investing activities .....	¥ (8,861)	¥ 73,453	\$ (71,521)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of subordinated debt .....	19,000	—	153,350
Cash dividends paid .....	(1,336)	(1,372)	(10,786)
Cash dividends paid to minority interests .....	(2)	(3)	(23)
Payments from retirement of treasury stock .....	—	(3,186)	—
Payments from purchase of treasury stock .....	—	(87)	—
Proceeds from sales of treasury stock .....	0	—	7
Net cash provided by (used in) financing activities .....	¥ 17,661	¥ (4,649)	\$ 142,548
Effect of exchange rate changes on cash and cash equivalents .....	24	6	197
Net change in cash and cash equivalents .....	(23,338)	38,665	(188,363)
Cash and cash equivalents at beginning of year .....	66,931	28,265	540,205
Cash and cash equivalents at end of year .....	¥ 43,593	¥ 66,931	\$ 351,842

# Board of Directors and Corporate Auditors

## President

Shichiro Ichihashi

## Senior Managing Director

Toshinori Mouri

## Managing Director

Yukio Funaki

## Directors

Tsuruo Matsubara

Kazuyoshi Sato

Junichi Mori

Tadaaki Ito

Mamoru Mikami

## Standing Corporate Auditor

Takashi Nagai

## Corporate Auditors

Kitaro Kumazawa

Yasushi Nakamura

Hiroshi Murata

(As of June 24, 2001)

## CORPORATE DATA

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Date of Establishment  
December 19, 1899

Paid-in Capital  
¥17,965 million

Authorized Shares  
565,647 thousand shares

Number of Employees  
1,521

Number of Shares Issued  
and Outstanding  
243,446 thousand shares

(As of March 31, 2001)

## SERVICE NETWORK

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### Head Office

1-1 Junka 1-chome,  
Fukui 910-8660, Japan  
Telephone: 0776-24-2030

### Number of Domestic Offices (As of March 31, 2001)

Fukui Prefecture .....	95
Ishikawa Prefecture .....	13
Toyama Prefecture .....	4
Shiga Prefecture .....	1
Tokyo .....	1
Nagoya .....	1
Kyoto .....	2
Osaka .....	2
Total .....	119

### Capital Market Division (Fukui)

1-1 Junka 1-chome,  
Fukui 910-8660, Japan  
Telephone: 0776-26-9841  
Telex: J24307FUKUIB  
SWIFT: FKUIJPJT

### Capital Market Division (Tokyo)

1-2 Kyobashi 2-chome, Chuo-ku,  
Tokyo 104-0031, Japan  
Telephone: 03-3281-8861

### Correspondent Banking Network

49 countries  
175 cities  
247 banks

