

THE JOYO BANK, LTD.

FINANCIAL HIGHLIGHTS

Consolidated

THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years Ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
For the Year Ended			
Total Income	¥ 208,422	¥ 262,710	\$ 1,963,466
Total Expenses	191,097	253,120	1,800,254
Income before Income Taxes and Minority Interests	17,324	9,590	163,203
Net Income	10,930	3,724	102,967
At the Year End			
Total Assets	¥6,769,081	¥6,738,197	\$63,769,015
Deposits	5,910,867	5,845,111	55,684,097
Loans and Bills Discounted	4,437,071	4,746,698	41,800,009
Securities	1,397,394	1,141,326	13,164,333
Shareholders' Equity	376,905	375,214	3,550,682
Capital Adequacy Ratio	11.38%	10.84%	

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.

2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥106.15 to US\$1.00 on March 31, 2000.


Non-Consolidated

THE JOYO BANK, LTD.

Years Ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
For the Year Ended			
Total Income	¥ 189,691	¥ 241,461	\$ 1,787,008
Total Expenses	170,587	229,370	1,607,037
Income before Income Taxes	19,103	12,090	179,962
Net Income	11,042	5,351	104,022
At the Year End			
Total Assets	¥6,730,441	¥6,688,828	\$63,405,002
Deposits	5,918,971	5,858,946	55,760,442
Loans and Bills Discounted	4,445,943	4,756,216	41,883,589
Securities	1,397,083	1,112,353	13,161,403
Shareholders' Equity	376,965	374,456	3,551,248

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.

2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥106.15 to US\$1.00 on March 31, 2000.

The Joyo Bank's symbol  succinctly suggests "lasting prosperity." The logo and its meaning derive from the two Chinese characters for "Joyo" which mean "always" and "sunny." The mark appropriately represents the Bank as a trustworthy financial institution serving the regional community.

MESSAGE FROM THE MANAGEMENT

We would first of all like to thank all the shareholders, customers, and business partners of Joyo Bank for their unfailing support.

This disclosure report - Annual Report 2000 - has been drawn up to facilitate a deeper understanding of the Bank on the part of our stakeholders. We have made efforts to present information on the Bank's business performance, the progress being made in addressing management issues, and a description of our marketing activities, in as clear a manner as possible, and we hope that the report will prove of real use to readers.

At Joyo Bank, we intend to pursue full disclosure, and by the rigorous application of the principles of "the customer comes first" and "putting policy into practice," we aim to firmly cement our position as the financial institution of first choice, enjoying the full trust of our customers, our shareholders, and regional society.

We ask for your continued understanding and support in the future.



Toranosuke Nishino
Chairman

Isao Shibuya
President

BUSINESS HIGHLIGHTS

Operating Environment

During the term ended March 31, 2000, the Bank strove to strengthen its earning capability, placing emphasis on expansion of loans to small and medium-sized companies and individuals, as well as revenues on fees and commissions. As a result, despite the severe business conditions, the Bank posted ordinary income of ¥18,942 million and net income of ¥11,042 million, surpassing the initial targets of ¥15,000 million and ¥10,000 million, respectively.

Net interest income

Net interest income declined ¥6,572 million from the previous term, which was mainly attributable to declining yields on securities investment and a decrease in the loan balance. Yields on securities fell due to redemption of bonds with relatively higher yield and the purchasing of short and medium-term bonds to hedge against the risk of higher interest rates. The loan balance temporarily contracted due to the Bank's policy of shifting the weighting of its loan portfolio from borrowers in Tokyo to customers in its home region.

The decline in net interest income included a decline of ¥1,154 million caused by the change of accounting method, under which accrued interest on loans to Potentially Bankrupt Borrowers, and Substantially and Legally Bankrupt Borrowers, was eliminated from the assets.

General reserves for possible loan losses

During the term, the Bank made a reversal of ¥6,882 million in general reserves for possible loan losses due to a decline in loans to Borrowers Requiring Caution, which resulted from the Bank's efforts to improve borrowers' financial positions, as well as a fall in the reserve ratio based on historical default ratios.

Profits on other operating activities

The Bank realized gains on sale of government bonds of more than ¥20 billion during the previous term. On the other hand, during the term ended March 2000, the Bank refrained from sale of government bonds, placing top priority on reconstruction of its government bond portfolio.

Operating expenses

Operating expenses decreased ¥1,358 million during the term to ¥76,754 million due to various efforts to raise efficiency including a reduction in the number of employees through the centralization of business operations, reductions in employees' bonuses, and cutbacks in various expenses. Compared with the amounts for fiscal 1995, these amounts were smaller by a substantial ¥11,940 million.

Disposal of non-performing assets

During the term, disposals of non-performing assets amounted to ¥45,679 million due to the deterioration of borrowers' business performances as a result of the prolonged sluggishness of the economy and increased provision of reserves for possible loan losses due to the decline in real estate collateral values. However, compared with the previous term, the total of write-offs and provisions to reserves decreased substantially, by ¥16,802 million. This figure has registered a record high in fiscal 1997, since when it has been gradually declining. In view of this, the Bank judges that loan losses and provisions for possible losses have peaked out.

Deposits, Loans and Securities

Deposits

Non-consolidated deposits rose ¥52.9 billion, or 0.9%, during the term to a balance of ¥5,904.6 billion as of March 31, 2000. Yen-denominated deposits increased ¥128.9 billion. While deposits from individuals increased ¥141.1 billion, those from corporations decreased in line with the Bank's policy of restraining large time deposits. Deposits from customers in Ibaraki Prefecture rose ¥161.1 billion thanks to our marketing efforts in our home region.

Loans and bills discounted

The balance of loans outstanding fell ¥310.2 billion, or 6.5%, during the term to ¥4,445.9 billion at term-end. The balance declined in line with a shift in the loan portfolio with increased emphasis on local and small and medium-sized corporations and individuals in our home region, as well as partial direct write-offs and bulk sale of non-performing assets. Partial direct write-offs refer to an accounting treatment in which the irrecoverable loan amount is eliminated from the balance sheet by offsetting it with reserves. The balance of loans to small and medium-sized corporations fell slightly, by 1.2%.

By area, loans to borrowers, mostly large corporations, located in the major metropolitan areas of Tokyo and Osaka declined ¥119.4 billion, or 11.1%, due to internal restraints imposed on low yield or high-risk loans. For markets in our home region, centered on Ibaraki Prefecture, loans declined 5.0%. This smaller decline was attributable to an increase in loans to individuals centered on mortgage loans, although demand for funds from corporations remained sluggish. Excluding such extraordinary factors as partial direct write-offs, the loan balance of the home region declined 2.4% during the term.

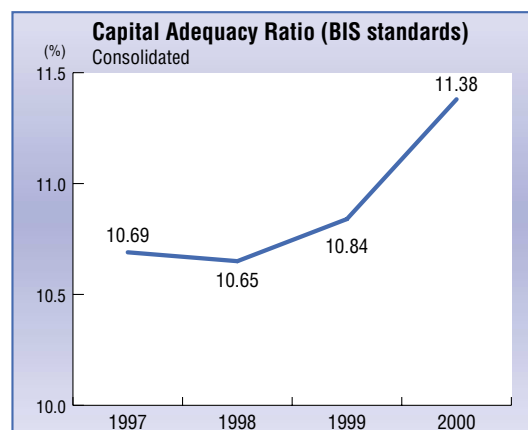
The Bank will make further efforts to strengthen its lending activities by expanding loans to retail customers and small and medium-sized corporations in its home region.

Securities

At the term-end, net unrealized gains on listed securities came to ¥131,910 million, with unrealized gains of ¥146,184 million and unrealized losses of ¥14,273 million.

Capital Ratio

The Bank's consolidated capital ratio amounted to 11.38% at the term-end, exceeding the prescribed minimum 8% capital requirement according to unified international standards by a substantial margin. Tier I capital remained at the high level of 8.97%.



Consolidated Accounts

On a consolidated basis, ordinary income decreased 20.9% to ¥207,433 million, while ordinary expenses decreased 24.8% to ¥190,279 million. As a result, ordinary profit amounted to ¥17,153 million, and net income came to ¥10,930 million. Consolidated net income was smaller than that on a non-consolidated basis by ¥112 million, which was mainly attributable to net losses registered by three subsidiaries - The Joyo Lease Co., Ltd., The Joyo Credit Guarantee Co., Ltd. and The Joyo Credit Co., Ltd.

Consolidated cash flows

Net cash provided by operating activities was ¥372,192 million due to an increase in deposits from individuals and a decrease in corporate loans both in Ibaraki Prefecture and in the Tokyo and Osaka areas. On the other hand, net cash used in investing activities came to ¥352,338 million due to the purchase of investment securities. Net cash used in financing activities came to ¥8,622 million due to such activities as stock buy-back operations. As a result, cash and cash equivalent increased ¥11,207 million to ¥108,141 million.

TACKLING MANAGEMENT TASKS

Creating a new marketing model and working to raise corporate value

The advance of information technology and the ongoing deregulation under Japan's Big Bang are producing major changes in the financial scene, including the entry of companies from other sectors into the banking business and the spreading of competition across industrial boundaries. Against this backdrop, the business situation in general is becoming increasingly difficult.

To cope with these changes in the business environment and build up a solid business foundation that will win the trust and support of our customers, Joyo Bank in April 1999 launched its "7th medium-term business plan" (April 1, 1999 to March 31, 2002) with the basic objective of enhancing corporate value. By rigorously applying the policy of "the customer comes first," we aim to evolve from a bank into a comprehensive financial services company.

Creating a New Marketing Model

To further strengthen our marketing base by improving our ability to meet an increasingly widening range of customer needs, we are actively promoting banking services targeted at retail customers and smaller businesses within our home base of Ibaraki Prefecture. To that end, we have reorganized our marketing and clerical work processing system with the needs of our customers uppermost in mind, and have initiated a quadripartite marketing system divided into separate groups for retail customers (individuals), corporate customers, the public sector (local governments and public sector enterprises), and market operations. Each group is responsible for the planning, detailed drafting, promotion, and supervision of its own strategies, and we are attempting to enhance marketing functions by introducing greater specialization on the part of staff members in charge. In addition, the responsibilities of each group for its own earnings are clearly spelled out.

The roles and responsibilities of each branch have likewise been clarified, and an area-based marketing system has been introduced. In place of the conventional system, in which each branch offered the full range of banking services at all customers, including individuals and corporations, different branches within

the same marketing area now specialize in clearly differentiated and defined aspects of banking. In fiscal 1999, we applied this new system to 9 marketing areas in Ibaraki Prefecture, and in fiscal 2000 we intend to steadily extend it to around 25 areas within the prefecture. By these means, we aim to strengthen our marketing power and improve our marketing efficiency.

Naturally, marketing methods used when branches conduct both retail and corporate banking differ from those used when branches specialize in the one or the other. We are therefore carrying out a rethinking of our traditional marketing methods by constructing new marketing models tailored to the differing needs of marketing to retail customers, corporate customers, and the public sector. We are redesigning our methods in the fields of marketing, product proposal, product and service creation, marketing support, and clerical operations with respect to each group.

Regional banks need to effectively manage their funds, and to address this task, we have set up an autonomous Market Operations Group to reinforce our fund management capabilities by developing a wide range of investment methods and enable us to respond promptly to changes in the market environment.

Revamping of Management Structure

In June 1999, the Bank revamped its management structure and instituted a new executive decision system to facilitate faster decision-making and employ the new quadripartite marketing group system to maximum effect.

Specifically, to enable the Board of Directors to function more effectively, the number of Board members was reduced and the criteria for inclusion of matters on the agenda of Board meetings were revised. In addition, a “Strategic Council” was established and authorized to make decisions and execute them on behalf of the Board of Directors, in particular to discuss the details of items agreed on by the Board of Directors and to decide business plans for the Bank’s groups. Furthermore, to speed up the execution of business operations, an executive officer system was introduced and an “Executive Officers Council” inaugurated to shoulder part of the burden of overseeing the day-to-day operations of the individual groups.

In July 2000, with the twin aims of achieving a smaller head office and decentralizing the implementation of corporate governance, the Bank partially reorganized its head office. To strengthen the operation of the groups, authority over certain matters was delegated to them and areas of responsibility were clearly delineated. We believe that bringing authority closer to the sales front-line will speed up the decision-making process.

In line with the change from non-consolidated to consolidated financial main statements, it has become increasingly important to exercise “group management” over the parent bank and the other group companies. To reinforce management of the group as a whole, we have set up a Group Management Council. Moreover, while each individual group company will continue to work for improved earnings, we will be striving to raise the overall power of the group through a clear definition of the role of each company and its position in the group as a means of facilitating closer liaison between the parent bank and its subsidiaries as well as more active exchange of staff.

Realizing Self-Motivated Reform

To adapt to the rapidly changing business environment, the Bank must be prepared to reinvent itself and pursue management innovation. In recognition of this, the management of Juyo Bank aims to constantly realize innovation and create a new corporate culture. For this purpose, it is essential that each and every member of the Bank’s staff understands the Bank’s vision and strategy and consciously accepts the need for innovation.

To lay the groundwork for the materialization of such innovation, from fiscal 2000 onwards, mindful of our social role as a financial services company, we are strictly applying the principles of “the customer comes first” and “putting policy into practice.” To this end, we have launched the “J-Innovation Campaign,” which aims to improve the way our employees approach their jobs by making them fully aware of the importance of offering our customers financial services with high added value. We are confident that, by improving the consulting capabilities of all our staff and translating this into substantial form at the point of sale, we will raise the Bank’s corporate value.

We are also embarking on a revision of our personnel system. To raise the skill level of our human resources and energize the Bank’s organization as a whole, the introduction of a performance-linked compensation system is absolutely essential. In addition, with effect from fiscal 2000, we are introducing a stock option system for eligible staff to more strongly motivate them to contribute to the improvement of the Bank’s business performance.

To raise our human resources skill level and ensure effective marketing by each group, we are reinforcing our staff training system by such means as setting out skill requirements for each group and implementing skill development programs.

Equity Capital

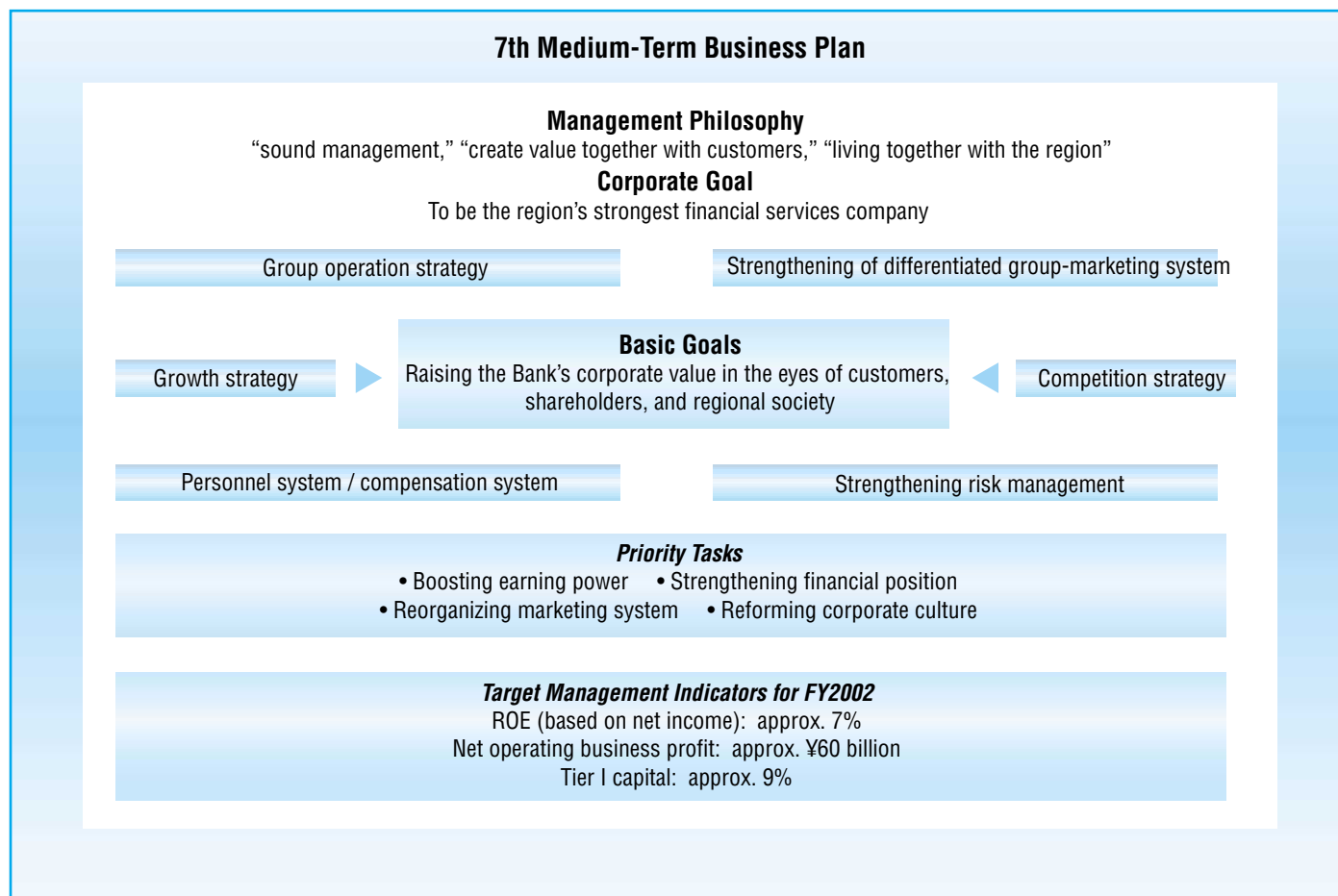
To raise the level of profit return to our shareholders and achieve more efficient capital utilization, as reflected in the ROE, the Bank established a reserve for the retirement of own stock in the amount of ¥5,000 million, and at the end of March 2000, 9,368 thousand shares were purchased and retired for a total of ¥4,177 million.

The retirement of own stock is a very valuable tool in clarifying the Bank's shareholder-focused management stance. From here onward, we intend to purchase and retire more own stock as and when appropriate in light of the Bank's earnings and capital ratio.

In February 2000, we implemented a secondary offering of 23 million shares for the purpose of broadening our shareholder base among both individuals and institutional investors.

Response to Differences Arising from Changes in Pension Plan Accounting

The mandatory adoption from the fiscal 200 business term of the new pension plan accounting standards will give rise to differences in the unfunded portion of past service liabilities. With regard to this, we plan to establish a pension plan trust and intend to amortize remaining costs within 5 years by the straight line method so as not to prejudice the Bank's financial position.



Reinforcing Marketing Power

With the goal of strengthening the Bank's marketing power and earning power, we introduced a new marketing system in June 1999 in which four new groups were set up to handle different marketing segments. Our marketing activities are now apportioned out among the Retail Banking Business Group, the Corporate Banking Business Group, the Public Business Group, and the Market Business Group. Each group is responsible for the planning, promotion, and supervision of its own strategies, both facilitating fast response and clearly placing responsibility for earnings on the groups themselves. Within each group, supervision organizations have been established to ensure that group management constantly maintains an accurate grasp of the state of earnings. The Bank's resources are actively directed into those groups showing high earnings on the basis of evaluation of profitability and efficiency.

The new marketing system also clarifies the role of each branch. All branches handle the retail banking business, while the Corporate Banking Business Group divides the region into marketing areas and offers financial services in close cooperation with the Public Business Group. We are also putting efforts into widening our range of marketing channels, including direct banking.

We believe that by using the most appropriate methods in each case to offer customers high-quality financial products and services that meet their needs, we will succeed in raising the level of customer satisfaction.

Retail Banking

Joyo Bank's Retail Banking Business Group offers financial services specially tailored to the needs of individuals. Joyo Bank's goal is to serve as a valuable financial "partner" to our customers. By the integrated use of all customers' communications channels - door-to-door marketing, branches, and direct banking - we aim to enhance our ability to respond to customers' requirements while strengthening our cost-competitiveness, allowing us to offer financial services that fully and accurately meet customer needs.

Providing Precise Financial Services

By deepening their understanding of the increasingly sophisticated and diverse range of customer requirements to be able to offer the financial products and services that most precisely meet customer needs and provide accurate advice on asset management our marketing staff must offer services that are closely matched to each customer's individual circumstances.

Joyo Bank's Life Plan Banking utilizes database marketing to select and offer the most appropriate financial services to each customer at every stage of their life.

In our Personal Banking service, the assignment of specific staff members to each customer allows the Bank to precisely grasp the financial needs of each customer, enabling us to offer integrated financial services that cover all the customer's requirements.

Our Business Support Banking service is targeted at sole proprietors, and in addition to the normal range of financial services, includes a wider range of business support services such as management and marketing information.

Diversifying Customer Access Channels

The key point for customers when deciding which bank to deal with is “which one is the most pleasant to deal with”? Up to now, in addition to our branches, we have put efforts into bolstering direct channels, including financial advisory services conducted directly from our head office. Now, we are enhancing our ability to offer financial products and services via the channel most suited to each customer by clarifying each customer’s needs and financial situation.

In May 2000, we opened the Hitachi-Naka Investment Trust Plaza, a specialist outlet for the sale of investment trusts. Then, in July, we began offering the “Access J” direct banking service allowing customers to conduct financial transactions over fixed-line telephones, via the Internet using PCs, and via i-mode enabled cellular phones. This is the first such service offered in Ibaraki Prefecture.

From the spring of 2001, we plan to begin providing a deposit and withdrawal service through ATMs at convenience stores.

Strengthening Competitiveness by Developing Superior Products

The ability of a bank to offer financial products that meet customer needs is the key to increasing its competitiveness, and in this light, we are devoting greater effort to enhancing our capabilities in the field of product planning to keep abreast of changing customer requirements.

In February 2000, we effected a major revision of the terms and conditions of our mortgage loan products. For customers with refinancing needs, we eased the conditions on our Refinancing Plan mortgage loans, allowing customers to borrow up to ¥10 million without additional collateral. Moreover, to respond to the demand for fixed-amount, long-term loans amid the very low zero interest climate, we have introduced a lineup of mortgage loan products that allows the customer to select the loan product whose interest conditions most closely suit his or her needs.

In the field of non-mortgage long-term loans, too, we have launched products in response to growing demand.

Turning to fund investment services, in addition to deposit products with enhanced customer convenience features, we also intend bolstering our lineup of investment products such as investment trusts and foreign

currency deposits. To allow us to design investment trust products that suit a wide range of customer investment goals, we have widened our product lineup extensively. In foreign currency deposits, we now offer more attractive products with superior interest rate conditions.

Nurturing Capable Human Resources

It is impossible to offer customers financial products and services that meet their needs without truly understanding those needs, and without possessing the skills required to match products and services with the customers to whom they are best suited. It is thus essential for a successful bank to train and retain staff with the requisite skills. At Joyo Bank, we devote considerable effort to the training of financial advisors and other specialists so as to foster staff with both a wide fund of knowledge and finely honed consulting abilities.

Corporate Financial Services

To provide all-round support for the development and growth of corporate customers’ businesses, Joyo Bank offers the Comprehensive Financial Service, which makes maximum use of all the Bank’s capabilities. Apart from such basic matters as providing advice and the financial products best suited to customers’ needs - based on a thorough knowledge of each customer’s business and financial position - this service enables us to respond promptly and effectively to the increasingly sophisticated and diverse needs of our customers via a wide variety of marketing channels. Moreover, in view of the overriding importance of credit risk management, we are working to enhance our capabilities in this respect.

Joyo Bank’s Comprehensive Financial Service - providing management and growth support for corporate clients

We offer a comprehensive financial service, incorporating the Bank’s wide range of products and expertise, to meet the manifold funding needs of our corporate clients and provide the financial support required for startups and ventures into new business fields.

< Marketing Channels for Corporate Clients >

- **Area-Based Marketing System**

We have divided up our branch network into small areas, and in areas where many branches are located, the corporate banking business - formerly conducted by

each branch individually - has been concentrated in the hands of the newly established local corporate business sections. This allows us to offer our corporate clients a more sophisticated service.

- **Direct Marketing from Head Office**

Business with corporate clients whose operations range over a wide geographical area beyond the scope of any of the Bank's individual marketing areas, as well as in fields of operation requiring a high degree of specialist knowledge, such as capital market operations, are handled swiftly and efficiently by teams of specialists at our head office.

- **Marshaling Group Strength to Offer Comprehensive Financial Services**

Member companies of the Bank's group provide customer support in such areas as the collection and analysis of management and industry data, leasing, and computer system development aimed at raising the efficiency of financing operations and clerical work processing.

Active marketing to cultivate loans to local small-scale corporate customers

We believe that the prime strength of our highly competitive Corporate Business Group lies in business with small and medium-sized enterprises. Moreover, the Bank is most competitive in its local market, and we are plan to focus our efforts on expanding transactions with smaller corporate customers in the local region by offering comprehensive financial services over our entire marketing region.

Furthermore, to ensure the profitability of our loan business while maintaining a sound financial position, we have overhauled our credit screening system and revised our standards for the setting of interest rates on loans.

Providing Financing for the Region

We have begun offering our "Fund 2000" as a way of providing support to smaller enterprises in our home region. To assist the development of smaller businesses, including sole proprietors, in the region, and thereby revitalize the regional economy, we have set aside a total of ¥200 billion for loans to such customers. The "Fund 2000" service currently includes such financial products as loans for corporate clients with interest rate payment options, a new type of quick business loan, and the "Joyo Small Loan." Within the period of the

Bank's current medium-term management plan, we expect to extend loans worth a total of ¥200 billion.

Revamping of Loan Status Monitoring System

The Loan Status Monitoring Division at the Bank's head office specializes in monitoring the repayment status of large-lot loans, and provides borrowers showing poor business performance with extra management support. By delegating authority to the staff of local corporate business sections and extending the scope of application of the Bank's automated credit screening system, we are able to speed up the screening process and more adequately manage credit risk while at the same time lowering monitoring costs.

Revision of standards for setting interest rates on loans

From April 2000, we have been applying revised standards for the setting of interest rates on loans which take into account more precisely the estimated credit risk and costs involved.

Promoting Business with the Public Sector — Contributing to the development of the region —

As Joyo Bank is a regional bank and has thus sunk deep roots into the local community, we aim not only to serve the needs of local customers and society in our home region, but also to help raise the region's living standards by improving its infrastructure. By providing opportunities for local enterprises to improve their earnings through the funding of public contracts, we contribute to the fostering of fledgling industries and to the development of the region as a whole by giving local companies and public sector enterprises the chance to share in our know-how.

Joyo Bank's Market Business Group Enhances its Fund Management Capabilities

Together with other Bank groups involved in domestic marketing, the Market Business Group is one of Joyo Bank's profit centers, and the maintenance and, if possible, expansion, of the group's earnings is an issue of top management priority. In the field of ALM (asset-liability management), too, we are striving to improve cooperation among different sections of the Bank to maintain a stable income level. To improve the efficiency of our fund management, we have introduced new investment methods and are enhancing the ability of our staff in

marketing operations. In this way, we aim to our asset portfolio and thereby reinforce our earning power.

Moreover, to attain greater competitiveness in retail banking, the Market Business Group offers marketable products as well as providing market information. The Market Business Group supports the Retail Banking Business Group in the settlement and administration of investment trusts, bonds, stocks, and other types of securities, as well as foreign exchange transactions.

IT Strategy

The Bank's policy is to approach its information technology strategy in close linkage with its overall management strategy. To this end, we have set up project teams to examine three focal tasks - radically reforming the Bank's cost structure, strengthening the Bank's marketing power and brand power, and developing the online banking business.

Radical reform of branch cost structure

During the reorganization of the Bank's branch system (scheduled for FY2001-FY2002), we plan to introduce image processing technology that, by making possible the authentication of a customer's seal (used in Japan as personal identification in the same way as signatures in the West), will allow us to centralize branch back office operations. This will enable us to streamlining back office work and thus reduce clerical staff, producing a leaner branch system with a more efficient cost structure. At the same time, we aim to transform our branches into "consulting centers" that focus on marketing and consulting services.

Strengthening marketing power and brand power

We plan to transform the focus of our marketing system from the sale of financial products to the provision of a comprehensive service that answers customers' needs. For this purpose, we must be able to analyze each customer's requirements and propose products and services that precisely match these needs in a timely manner. In turn, to be make this possible, we must demonstrate a comprehensive range of capabilities by raising the level of sophistication of our marketing, improving staff sales skills, enhancing direct marketing channels, and ensuring close liaison between different channels.

Online banking

On the field of online banking, it is vital to move fast and to offer products or services that are distinct from those of our rivals. Joyo Bank is currently studying various proposals for an online banking service with a view to determining the most profitable type of customer channel.

Enforcing a Stricter Profit Management System at the Group Level

To raise the efficiency of the management of each of the Bank's four groups, it is essential for us to draw up a group strategy and establish a new marketing system, while simultaneously monitoring the profitability of each group and achieving the optimal allocation of capital and management resources.

The return on investment cannot be divorced from the risk involved. Risks, such as credit risk and interest risk, vary by nature and the timing of their occurrence, and in order to evaluate and manage, at the same level, the performance of our operational groups - all of which are subject to risk - it is essential to obtain an accurate picture of expected earnings after allowance for credit risk (i.e., after deduction of average projected losses from credit risk), and to quantify systemic risk (the materialization of risk exceeding the average). By doing so, we are able to compare the risk-adjusted profitability of each operational group using the same criteria.

The Bank's earnings management policy formerly focused on maximizing net business profit, but we are now carrying out earnings management on the basis of a clearly defined method of weighing risk and against return.

Rationalization Efforts

The establishment of an effective marketing system is indispensable to successful retail banking operations. The Bank has carried out the following measures to achieve a cost-efficient operating structure. By the end of fiscal 1999, operating costs were reduced by ¥11.9 billion from their peak level in fiscal 1995. This figure represents the difference between the maximum and minimum level of operating costs incurred in recent years.

Overhaul of the Bank's Branch Network

We are working hard to set up new marketing channels, such as direct banking and ATMs at convenience stores. We are closing and merging the operations of existing staffed branches, while converting some to unstaffed outlets.

By the end of fiscal 2002, 25 branches will have been streamlined. In fiscal 1999, we closed one branch and transferred the operations of a branch to an upper-level floor. As a result, as of the term-end, the Bank operated 185 branches.

We are scheduled to close the London Branch during the term ending March 31, 2001. Consequently, our overseas bases will comprise the New York Branch and the Shanghai Representative Office.

Rationalization of Operations

We are carrying out a complete overhaul of our clerical processing system, with a view to centrally executing all back office work. Trial runs commenced in fiscal 1999, leading to full-scale implementation in fiscal 2000.

Furthermore, we are setting up a new cash delivery system and expanding the scope of outsourced clerical work.

We expect to reduce the number of our employees by 470 by March 2003. In fiscal 1999, we reduced our staff by 115.

Reducing Personnel Expenses

In fiscal 1999, the Bank continued to hold down bonus payments to employees. As a result, personnel expenses fell ¥1.2 billion from the previous term. The Bank will bring its bonus payment system in line with its new marketing structure, while shifting over to a performance-linked compensation system.

As a result of improved operating efficiency, we reduced operating expenses by ¥1.3 billion to a total of ¥76.7 billion in fiscal 1999. This marks a sharp reduction of ¥11.9 billion since fiscal 1995, when operating expenses were at their highest level in recent years. We will continue to strive for higher efficiency according to plan, and to reduce operating expenses associated with existing operations. However, operating expenses are expected to remain unchanged in the near future, as we are scheduled to step up investment in information technology.

Strengthening Compliance System

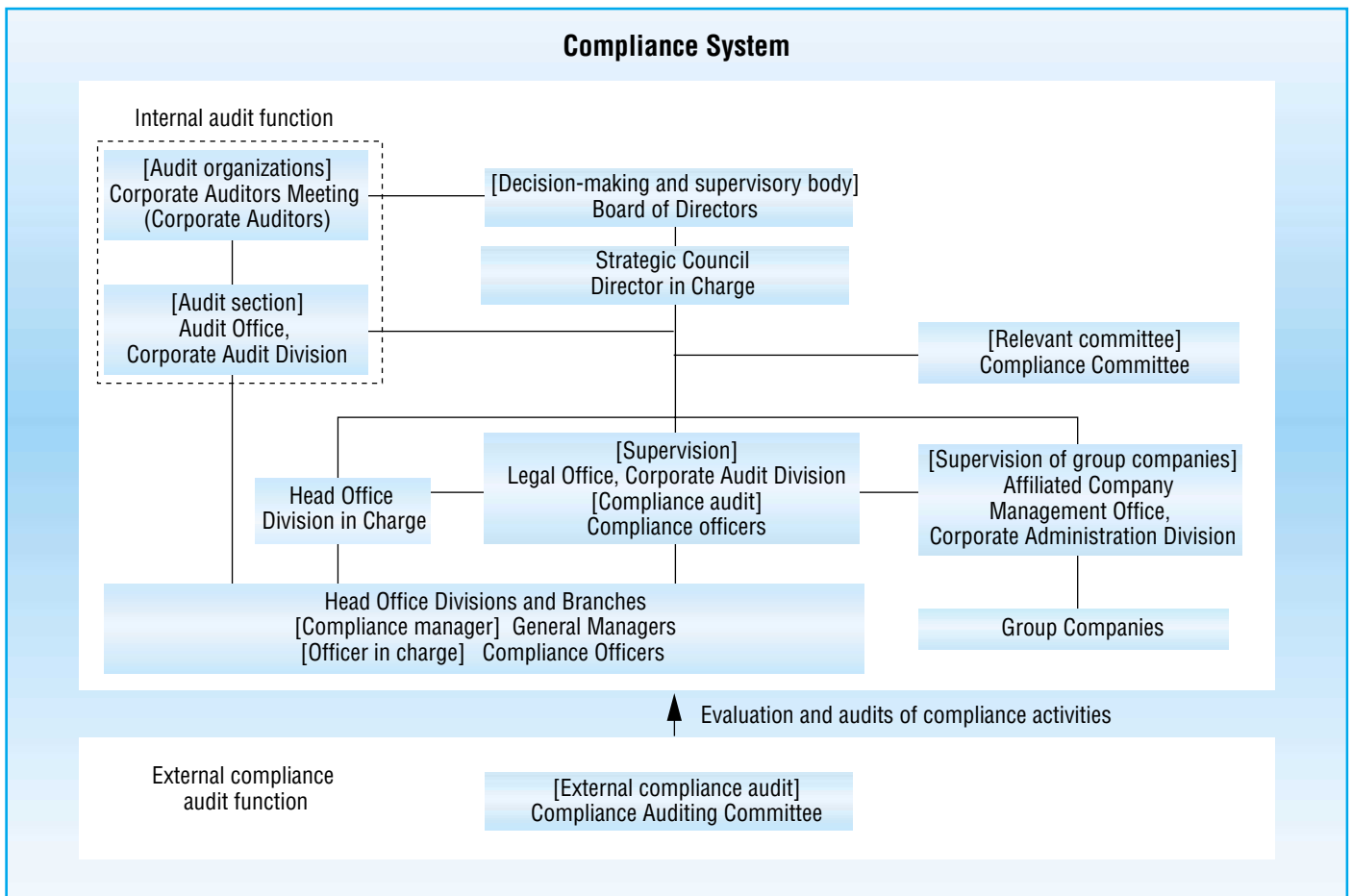
The Bank places a high priority on strengthening its compliance system to ensure sound banking operations, fulfill its social responsibility and public mission, and maintain the trust of customers, shareholders and other stakeholders.

- To raise employees' professional ethical awareness, the Bank compiled a compliance manual as a practical guideline.
- The Bank drew up a compliance action program, based on which efforts are being made to strengthen individual compliance activities.
- The Bank has assigned a specialist compliance officer to every business group: these officers are responsible for legal affairs in their groups.

- The Bank set up a Compliance Auditing Committee, consisting of outside professionals including a lawyer and a CPA. The committee fairly evaluates and audits the Bank's compliance activities. Internal compliance activities should be supplemented by outside audits to inject the required professional knowledge and objectivity. The Bank is striving to further strengthen and improve its compliance activities.

The Bank's Definition of Compliance Activities

- Faithfully following not only laws and ordinances, but also internal rules and regulations, as well as social norms.



Risk Management

Organizational Frameworks for Risk Management

- In addition to improving its compliance system, the Bank also strives to upgrade its internal risk management system. The Bank is building a structure in which the responsibilities of each section are clarified and checks and balances among organizational units function properly. In October 1998, the Bank established a comprehensive risk management section, called the Management Administration Department, and in July 2000 this was reorganized into the Corporate Audit Division to strengthen its internal auditing function.

- For loan lending activities, as the Bank has clearly separated credit-screening sections from business promotion sections to implement rigorous credit screening, loan assets are placed under adequate management during the whole lending period. While the Corporate Audit Division verifies the soundness of loan assets based on self-assessment of assets, the Corporate Planning Division quantifies credit risks and makes efforts to improve the Bank's corporate ratings system, which contributes to raising the sophistication of credit risk management.

- For market transactions, the Bank has clearly separated front offices and back offices, and established middle offices, to assure a proper system of checks and balances for market operations.

Risk Management Process

With regard to risk management, it is essential to timely carry out the following processes without omission.

Risk recognition and identification process

A process to recognize and identify risks

Measurement of Risk

A process for measuring the size and the degree of risk for specific transactions as well as the asset portfolio as a whole

Risk control

A process to establish authority and limitations, and investigate and carry out other risk control methods

Continuous monitoring of risk

Recognition and report to management of the degree of risks and risk management systems by management sections independent of business promotion sections

Comprehensive Risk Management

Risks are divided into two categories - quantifiable risks and unquantifiable risks.

Quantifiable risks

Quantifiable risks refer to measurable risks into which credit and market risks fall. These risks require risk management as a counterpart of expected returns.

Unquantifiable risks

Such risks as legal, clerical and EDP risks are not measurable. Risk-prevention and minimization measures are required for these risks.

- Our comprehensive risk management system is currently under construction. Under its methodology, credit and market risks will be statistically estimated utilizing a method of Value at Risk. In fiscal 2000, the Bank will begin operation as soon as the system's infrastructure and operating regulations are made available.

Credit Risk Management

Credit risks refer to one of the most important risks the Banks must face, by which principal and interest may become uncollectable due to deterioration in the financial conditions of borrowers.

The Bank is making its utmost efforts to vigorously manage credit risks in order to prevent the emergence of new problem loans and to improve the quality of its loan portfolio.

Upgrading credit-screening system

The Bank has established a system of checks and balances for credit screening, clearly separating credit screening sections and business promotion sections. To adequately meet the fund requirements of corporate customers, the Bank in fiscal 1999 introduced a marketing system called "Area Marketing" where extended corporate banking services are provided by the Area Corporate Business Division for corporate customers concentrated in the same areas. While the Bank is steadily expanding areas to which the "Area Marketing"

Quantification using statistical methods
Calculate the maximum potential loss in the future based on historical data

Quantification of Credit Risk
Estimate maximum potential loss based on historical default ratio

Potential loss + expected fluctuation in loss = Maximum Potential Loss

Quantification of Market Risk
Estimate maximum potential loss based on historical fluctuation of the markets

VaR : Expected Maximum Loss based on Market Price

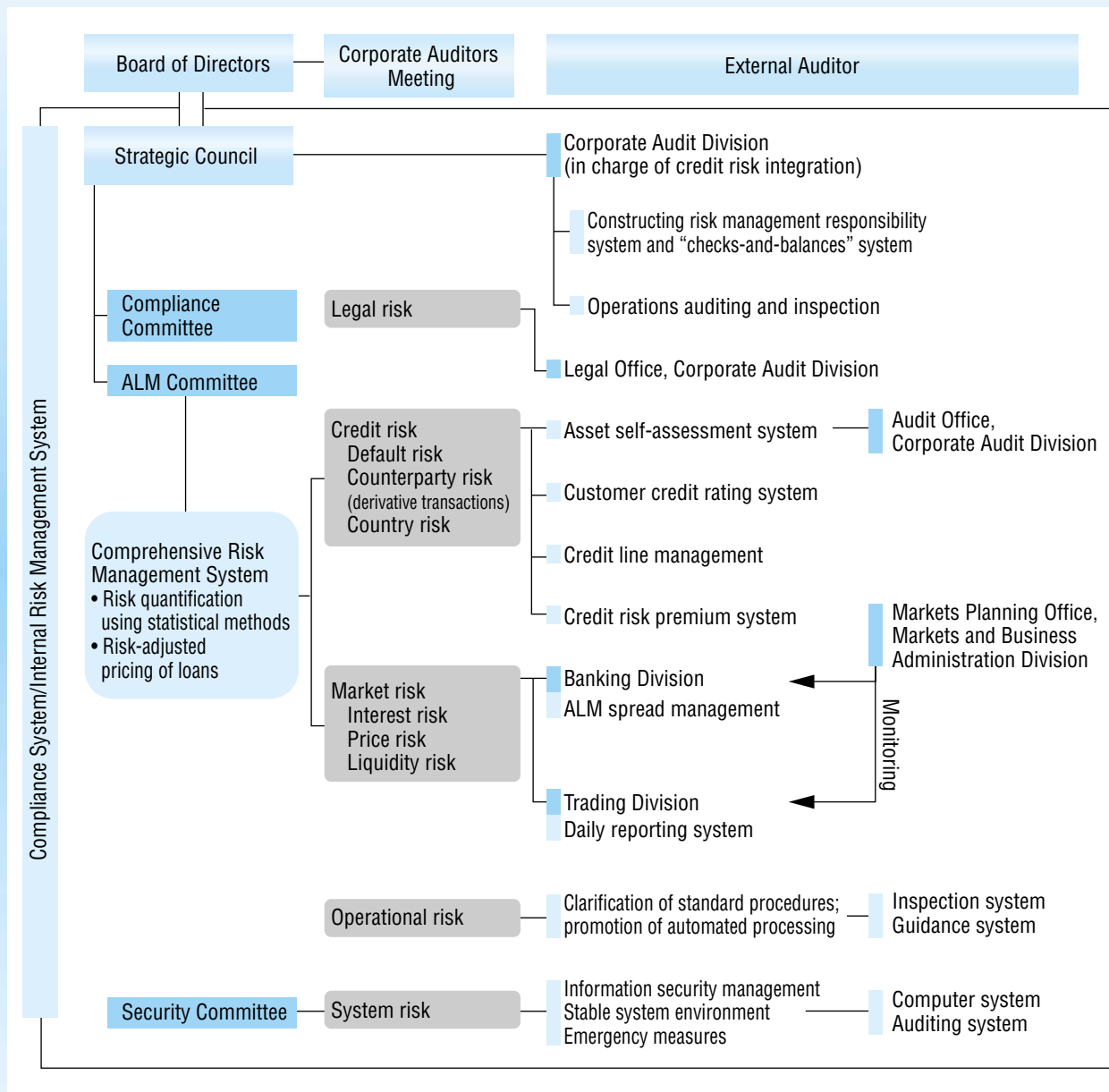
EaR : Expected Maximum Loss (P/L during a certain period of time)

Can be Added Up (Same Principle)
= Integrated risk management against Credit Risk and Market Risk

VaR
Statistically inferred amount of Deterioration of the Present Value (maximum potential loss) of the assets and liabilities currently held , based on interest rate scenarios drawn up by using statistical simulation method.

EaR
Statistically inferred amount of Minimum Profit or Maximum Loss during a certain period of time in the future which is derived from the expected asset and liability structure in the future, based on interest rate scenarios drawn up by using statistical simulation method

The Bank's Internal Risk Management System



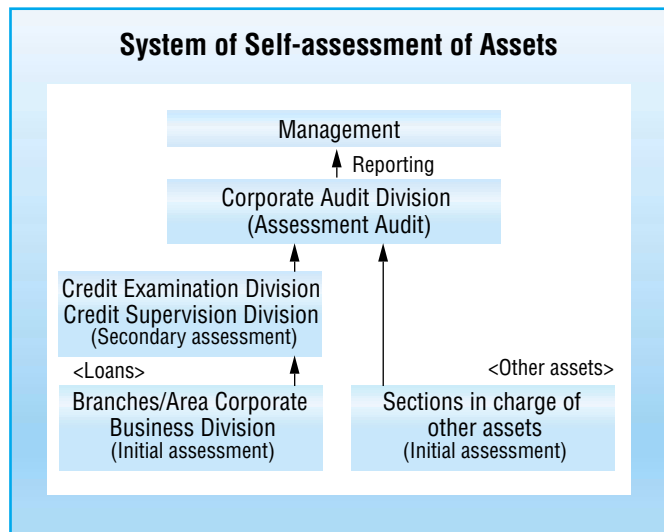
system is applied, unified credit screening standards are applied to ensure strict credit screening based on our Credit Policy.

The Bank strives to prevent deterioration of its loan portfolio by means of rigorous self-assessment of assets and by means of frequent reviews of corporate ratings. The self-assessment of loans is carried out at first by each branch (initial assessment), and then verified by the head office division in charge of credit screening (secondary assessment). Finally, results are audited by the Corporate Audit Department. The Bank provides adequate reserves for possible loan losses and writes down relevant problem loans based on the assessment. In order to maintain a sound asset portfolio, the Bank assigns a dedicated team to borrowers with deteriorated financial conditions and borrowers whose loans are falling into the category of bad debt.

In addition, the Bank has introduced a credit scoring system for small-amount loans, unifying credit screening standards and improving efficiency.

During the term ending March 2001, the Bank intends to upgrade efficiency in screenings and operations of loans by such measures as sharing and upgrading credit-related information through a PC network.

Furthermore, we place great emphasis on nurturing and training staff. The Bank strives to improve its employees' credit screening and management skills through on-the-job training at the Credit Examination Division and on-site audits.



Quantification of credit risk amounts

The Bank calculates the quantity of individual credit risk based on borrowers' corporate ratings, which are assigned based on the quantitative and qualitative analysis of the financial conditions of each borrower, as well as the degree of coverage by collateral or guarantees. Credit risk amounts are recognized in terms of average credit risk amounts, which is based on the average default ratios in the past, and excessive credit risk amounts caused by external factors such as substantial economic fluctuation.

The quantification of credit risk enables the Bank to recognize the magnitude of the credit risk involved, and therefore, enable the Bank to recognize the risk-return ratio as well as the degree of concentration of credit risk. The Bank is using the quantitative data of credit risk to improve the management of its loan portfolio by such measures as applying the data to secure a sufficient risk-return ratio. The Bank strives to improve the accuracy of the quantification and continues to accumulate data for further improvement in the asset allocation, which adequately reflects the size of the risk.

Loan asset portfolio

The Bank carries out credit risk management regarding the entire loan assets as the loan asset portfolio. Based on the quantitative data, the Bank regularly monitors its overall credit risk exposure to avoid overconcentration of the credit risk on specific industries or corporations. We will strive to improve our profitability and risk-taking capabilities by reducing the amount of credit risk through appropriate diversification of credit risk.

In addition, we are making further efforts to directly control the quantity of credit risks by such measures as liquidation of loan assets.

Market Risk Management

Market risk refers to fluctuations in revenue caused by changes in interest rates, foreign exchange rates, and supply-demand conditions of funds, which always affect such assets and liabilities as loans, securities, and deposits.

Asset and liability management (ALM) system

The Bank utilizes the latest ALM method to control market risk exposure facing the Bank. The Bank is carrying out various analyses with regard to the risks involved in assets and liabilities, such as simulation of interest rate fluctuations, Value at Risk (VaR), and Earning at Risk (EaR) to make adequate decisions for the efficient allocation of assets and effective risk management.

Derivative Transactions

The Bank engages in derivative transactions to meet customers' diversified needs and to hedge the Bank's own risk.

In order to understand the risk, the Bank is carrying out such measures as daily revaluation, sensitivity analysis, and calculation of Value at Risk. At the same time, the Bank is setting various risk management rules such as credit limits, position limits, and stop-loss rules.

Computer Security Measures

The Growing Need for Computer Security

The use of information technology has been increasing dramatically in recent years. In particular, in the financial services industry, Internet banking and online trading of stocks utilizing PCs and mobile phones has become widespread. Furthermore, it will be possible to provide a highly differentiated range of products and services that meet all conceivable customer requirements in the near future.

Although these services contribute significantly to customer convenience, strict computer security is essential if customers are to feel comfortable availing themselves of these new services. Specific threats to computer systems include the theft, leakage, unauthorized alteration, and destruction of private information, as well as fraud (conducting transactions under an assumed identity). Other threats include the destruction and unauthorized alteration of websites, including the large-volume transmission of data causing interruption of services, and the spreading of computer viruses.

Strengthening of Computer Security

The Bank is taking the following measures to reinforce its computer security system.

Security Policy

We have drawn up a Security Policy that lays down basic guidelines regarding computer security. These guidelines clearly identify priority information requiring protection, prescribe standards of conduct that promote tight security, and provide an implementation plan, while identifying staff roles and responsibilities. Furthermore, we are also drafting detailed, official regulations - comprising roughly 270 items - that address equipment, operating procedures, and technical standards related to information technology and security standards.

Security Administration System

The Bank maintains a Comprehensive Security Management Department that is headed by the Executive Director in Charge of Security and aided by the Security Deliberation Committee. Additionally, data asset administrators and data security officers have been appointed for all work places, while data handling is regulated by explicit guidelines. This security system provides protection against external threats and prevents unauthorized actions by employees. Moreover, data asset protection is further assured by assigning system administrators, data administrators, and network administrators to each system.

Internet Banking

The Bank commenced its Internet banking service in July 2000 under the name of Joyo Direct Banking "Access J."

This service employs the latest encryption technology for transmitting information between our customers and the Bank, providing assurance against data theft. Additionally, the Internet Banking System is protected against unauthorized access, and its stable operation safeguarded by a back-up system. Technical staff, who check access logs on a continuing basis as a precautionary measure against unauthorized access, monitor server operations 24 hours a day, thus enabling prompt responses in emergencies and ensuring the reliability and safety of Internet banking for our customers.

Countermeasures Against Non-Performing Loans

Write-offs and provisions to reserves for possible loan losses based on self-assessment of assets

Financial institutions have been obligated to carry out self-assessment of assets since April 1998 when the Prompt Corrective Action measures were introduced. Self-assessment refers to the classification of owned assets by the financial institution itself. The financial institution classifies borrowers into 5 borrower categories — Normal Borrowers, Borrowers Requiring Caution, Borrowers Threatened with Bankruptcy, Potentially Bankrupt Borrowers, Substantially Bankrupt Borrowers — and classifies loan assets into 4 categories in accordance with the degree of risk on collectibility or damage to asset value. Financial institutions are required to provide reserves for possible loan losses and write off bad debt based on their self-assessment of assets.

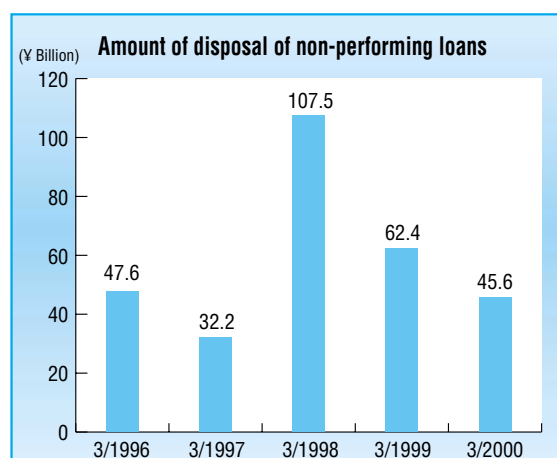
At the end of every half-term, the Bank carries out self-assessment based on its own self-assessment standards and manuals in accordance with the “Financial Institutions Inspection Manual” issued by the FSA (Financial Services Agency) and the Japan Institute of Certified Public Accountants’ “Practical Guidelines.” Based on these self-assessment results, and in line with reserve provision standards, the Bank carries out write-offs and provides reserves to a sufficient degree and in a proper manner.

Bad Debt Disposal during the Term

During the term, the Bank made disposals of ¥45.6 billion in bad debts based on self-assessment. The breakdown was as follows.

	Millions of Yen		
	March 2000	March 1999	Change
Write Off of Claims	¥10,907	¥ 96	¥ 10,810
Net Provision for Specific Reserves	28,160	55,657	(27,496)
Provision of Specific Foreign Borrowers	(393)	369	(762)
Losses on Sales of Loans to the Cooperative Credit Purchasing Co., Ltd.	144	78	65
Losses on Bulk Sale of Loans	1,355	1,409	(53)
Provision for Possible Losses on Sales of Loans	2,658	1,105	1,552
Provision for Other Contingent Losses	2,675	1,182	1,492
Other	170	2,583	(2,412)
Total	¥45,679	¥62,482	¥(16,802)

The Bank sold ¥25.9 billion in bad debts, of which ¥24.7 billion were sold by bulk sale. For the current five years the Bank registered its largest disposal amount of ¥107.5 billion in the term ended March 1998, and the amount has been declining since then.



Provision of Reserves for Possible Loan Losses

We provided reserves for possible loan losses equivalent to 100% of possible loan loss amounts after deduction of secured amounts covered by collateral and guarantees for Legally Bankrupt Borrowers and Substantially Bankrupt Borrowers. We also provided reserves equivalent to 74.38% of possible loan loss amounts after deduction of secured amounts covered by collateral and guarantees for Potentially Bankrupt Borrowers, on the basis of historical default ratios in the past. As a result, the balance of specified reserves for possible loan losses amounted to ¥68.6 billion at the term-end, making the reserve ratio of 75.46%. Beginning with the term under review, the Bank implemented Partial Direct Write-Off accounting methods in which the irrecoverable loan amount classified as Category IV (Legally Bankrupt Borrowers ¥20.7 billion and Substantially Bankrupt Borrowers ¥49.9 billion) under self-assessment is eliminated from the balance sheet. In addition, the Bank provided a ¥3.4 billion as the Reserve for Other Contingent Losses based on the estimated future losses on real estate mortgages associated with loans sold upon liquidation of assets.

The Bank provided a general reserve for possible loan losses in line with the FSA’s Financial Institutions Inspection Manual. The Bank divided borrowers requiring caution into three sub-categories including Substandard Borrowers, and provided reserves for

possible loan losses based on historical default ratios for each sub-category.

We will strengthen credit risk management and adequately write off claims to maintain the soundness of our assets.

Reserves Based on Self-Assessment

	Billions of Yen			
	Potentially Bankrupt Borrowers	Substantially Bankrupt Borrowers	Legally Bankrupt Borrowers	Total
Claims after Partial Write Off (i)	181.4	51.3	19.8	252.6
(Partial Write Off)	—	(49.9)	(20.7)	(70.7)
Claims Secured by Collateral (ii)	94.3	48.3	18.9	161.6
Claims with uncertain Collectibility (A) = (i)-(ii)	87.0	3.0	0.8	90.9
Specific Reserve (B)	64.7	3.0	0.8	68.6
Reserve Ratio (B)/(A)	74.38%	100.00%	100.00%	75.46%

Reserves for Possible Loan Losses

	Billions of Yen		
	March 2000	March 1999	Change
General Loan Loss Reserves	27.1	33.9	(6.8)
Specific reserves	68.6	125.9	(57.2)
Reserves for Specific Foreign Borrowers	0.0	0.3	(0.3)
Reserves for Possible Loan Losses	95.7	160.2	(64.5)
Reserves for Assistance to Specific Borrowers	—	—	—
Reserves for Possible Losses on Sales of Loans	5.8	3.2	2.5
Reserves for Other Contingent Losses	3.4	1.1	2.3

Disclosure on Asset Portfolio

The Bank has placed top-priority on disposal of non-performing assets to secure soundness of assets, and actively disclosed its financial position.

Disclosure of Risk-Monitored Assets under the Banking Law

Beginning with the term under review, the Bank adopted a new asset disclosure standard based on the results of self-assessment of assets. The Bank previously disclosed the loan assets whose accrued interests were not posted in balance sheet items as a part of “Loans in Bankruptcy and Dishonored Bills” or “Delinquent Loans” in accordance with regulations stipulated in the Corporate Tax Law. Effective with the term ended March 2000, the Bank disclosed loans to “Legally Bankrupt Borrowers” under the newly defined “Loans in Bankruptcy and Dishonored Bills” and loans to “Substantially Bankrupt Borrowers” and “Potentially Bankrupt Borrowers” under the newly defined

“Delinquent Loans.” The definition change caused “Delinquent Loans” to increase by ¥185.3 billion, among which ¥8 billion would fall into the category of “Loans Past due with Respect to Interest Payment for a Period of More than Three Months,” and ¥127.9 billion into the category of “Restructured Loans,” respectively according to the previous classification. The remaining increase of ¥49.3 billion consists of recovered loans repaid in line with the terms and conditions but included in “Delinquent Loans” since the same borrower has other loans classified as “Delinquent Loans.”

Risk-Monitored Assets under the Banking Law

< Non-consolidated >	Billions of Yen			Change attributable to change in loan categories
	March 2000	March 1999	Change	
Loans in Bankruptcy and Dishonored Bills	19.5	32.2	(12.6)	0
Delinquent Loans	231.7	59.5	172.2	185.3
Loans Past Due with Respect to Interest Payments for a Period of More than Three Months	2.7	16.6	(13.9)	(8.0)
Restructured Loans	42.0	143.6	(101.5)	(127.9)
Total (a)	296.1	252.0	44.0	49.3
Loans and Bills Discounted (b)	4,445.9	4,756.2	(310.3)	—
Ratio of Risk-Monitored Assets to Loans Outstanding (a)/(b)	6.66%	5.29%	+ 1.37%	

< Consolidated >	Billions of Yen			Change attributable to change in loan categories
	March 2000	March 1999	Change	
Loans in Bankruptcy and Dishonored Bills	20.0	32.8	(12.8)	0.0
Delinquent Loans	241.5	65.1	176.4	192.2
Loans Past Due with Respect to Interest Payments for a Period of More than Three Months	2.9	17.0	(14.1)	(13.6)
Restructured Loans	42.1	146.1	(104.0)	(129.0)
Total (a)	306.6	261.2	45.4	49.5
Loans and Bills Discounted (b)	4,437.0	4,746.6	(309.6)	—
Ratio of Risk-Monitored Assets to Loans Outstanding (a) / (b)	6.91%	5.50%	+ 1.41%	

Disclosed Assets under the Financial Revitalization Law

Financial Revitalization Law requires banks to disclose the results of self-assessment since the interim term ended September 1999, while the Bank disclosed the results since the term ended March 1999. The Bank disclosed loans to “Legally Bankrupt Borrowers” and “Substantially Bankrupt Borrowers” as “Bankrupt and Quasi-Bankrupt Assets,” “Loans to Potentially Bankrupt Borrowers” as “Doubtful Assets,” and “Loans Past due with Respect to Interest Payment for a Period of more than Three Months” and “Restructured Loans” under the category of “Risk-Monitored assets” as “Substandard Loans.” At the end of the term under review, bad debt according to the definition in the Financial Revitalization Law amounted to ¥297.4 billion. On the other hand, relevant amounts came to ¥296.1 billion according to the definition in the Banking Law. The difference of ¥1.3 billion was attributable to assets other than Loans and Bills Discounted such as Liabilities for Acceptance and Guarantees, Foreign Exchange, and Suspense Payments.

Disclosed Assets under the Financial Revitalization Law

	Billions of Yen		
	March 2000	March 1999	Change
Bankrupt and Quasi-Bankrupt Assets (a)	71.2	121.5	(50.3)
Doubtful Assets (b)	181.4	191.1	(9.7)
Substandard Loans (c)	44.8	8.0	36.8
Problem Assets (A) = (a) + (b) + (c)	297.4	320.6	(23.2)
Normal Assets (d)	4,259.8	4,493.1	(233.3)
Total (B) = (A) + (d)	4,557.2	4,813.7	(256.5)
Ratio of Problem Assets (A)/(B)	6.52%	6.66%	(0.13%)

Self-Assessment: Classification of Borrowers, Disclosed Assets, and Reserves (Billions of Yen)

Self-Assessment Classification of Borrowers (Loans and other assets)	Disclosed Assets under Financial Revitalization Law (Loans and other assets)	Risk-Monitored Assets under the Banking Law (Loans)	Other Assets
Legally Bankrupt Borrowers Reserve Ratio: 100%	Bankrupt and Quasi-Bankrupt Assets 71.2	Loans in Bankruptcy and Dishonored Bills 19.5	
Substantially Bankrupt Borrowers		Delinquent Loans 231.7	
Potentially Bankrupt Borrowers Reserve Ratio: 74.38%	Doubtful Assets 181.4	Loans Past Due with Respect to Interest Payments for More than Three Months 2.7	
Borrowers Requiring Caution (Substandard Borrowers) Reserve Ratio: 19.00%	Substandard Loans 44.8	Restructured loans 42.0	
Borrowers requiring caution (Other than Substandard Borrowers) Reserve Ratio: 2.82%	Normal Assets 4,259.8	Normal Loans (Undisclosed) 4,149.8	
Normal Borrowers Reserve Ratio: 0.11%			
	Total disclosed amounts 297.4	Total disclosed amounts 296.1	= 1.3

Strategic Tie-up

Status of Kanto Regional Banks' Business Research Council

In May 1999, the Joyo Bank, together with The Gunma Bank, Ltd., The Yamanashi Chuo Bank, Ltd., and The Hachijuni Bank, Ltd., set up the Kanto Regional Banks' Business Research Council. The aim of the Council is to conduct collaborative research related to potential rationalization measures and new business initiatives for each of the four participating banks. The fundamental policy guiding its research is to "improve efficiency and reinforce negotiating power and competitiveness." Main research goals are to reduce duplicative investments and other costs, initiate a new strategic IT investments, and develop plans for joint business, product development, and purchasing activities.

Joint development and operation of systems

The Council has cited two objectives in assessing the adoption of a joint system by the four banks: (1) The need to build a system with high strategic value in the areas of management strategy and sales promotion; and (2) The need to build a low-cost systems development and operation framework. To strengthen momentum toward adoption of a joint system, in November 1999 the Council initiated the System Unification Project, and has since studied the implications of various scenarios. An operational core system for the four banks would be able to perform basic functions 24 hours a day, 365 days a year, and it could be used for the next six to 10 years. By contrast, adoption of a decentralized system would result in ballooning investments to keep abreast of IT progress. If each bank undertakes independent development, a decentralized system would account for around 30% of each bank's total system-related expenses 10 years from now.

1st step in unification:

Joint development of a decentralized system for a new IT and other investments

Seeking to significantly reduce development costs, the Council will place top priority on joint development of a decentralized system, and on connecting the system with each bank's operational core system using the access hub method.

2nd step in unification:

Joint development and application of an operational core system

Since there will be little need to upgrade the system in the near future, the Council will consider joint development and operation of a core system while closely monitoring the life cycles of each bank's system.

Specific items under consideration

Joint initiatives in defined contribution pension plans

The Council is pursuing joint research in such areas as system design, administrative process flows, and product development. Seeking to link up with a record-keeping company, the Council worked with IBM to develop a connection method using a common center. This resulted in the adoption of the common connection system of Japan Record-Keeping Network Co., Ltd.

It is currently predicted that the number of participating banks will exceed the initial forecast of 20.

Other areas under consideration

The Council is studying a variety of other initiatives, including unification of securities systems, development of a consolidated accounting system and Notes-applications, preferential treatment for various commissions, marketing strategies for individual customers, sales channel and card-related strategies, and joint development and adoption of financial products.

Construction and reinforcement of operating systems

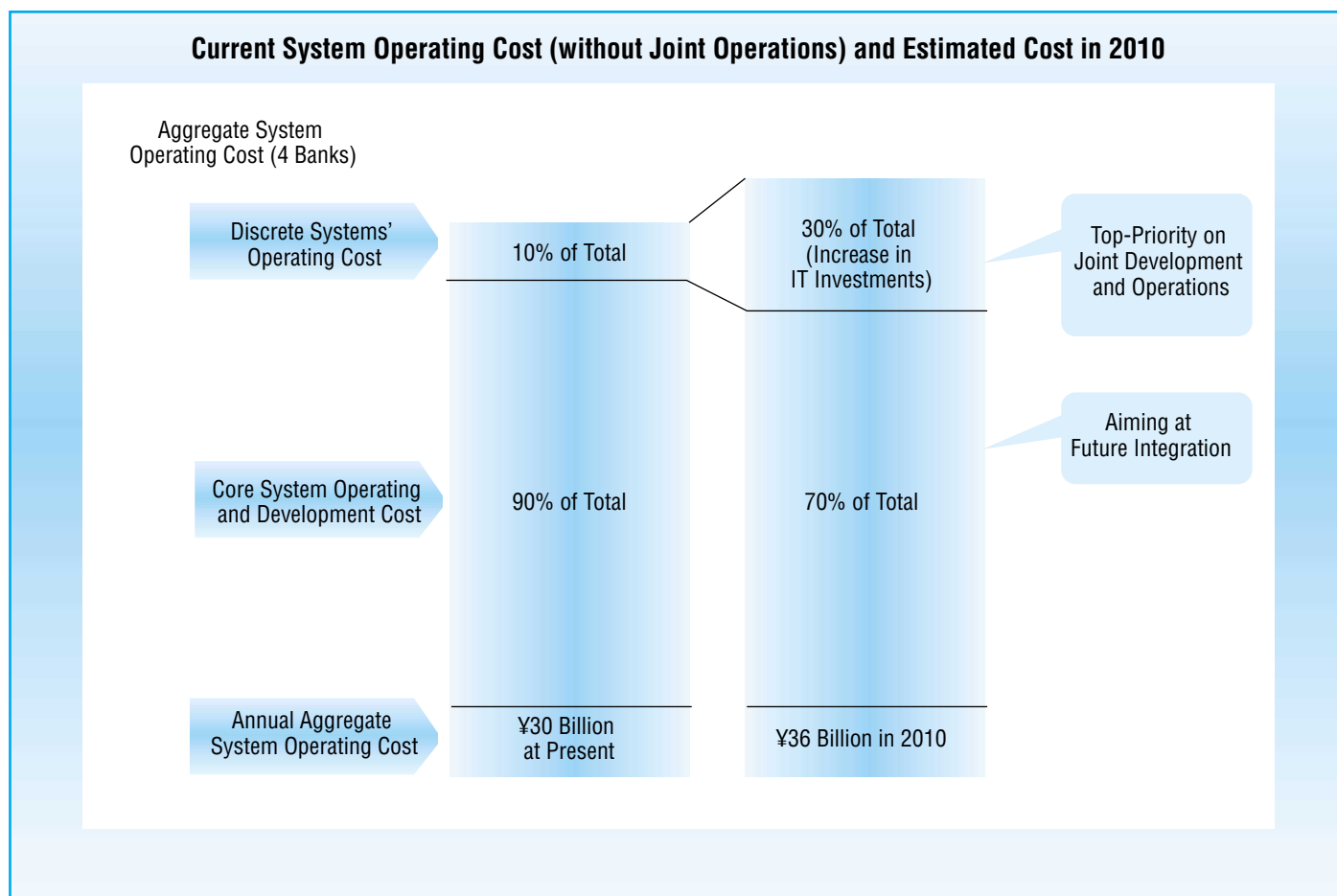
In order to strengthen the functions of the "Kanto Regional Banks' Business Research Council" and further reinforce the Council's promotional capabilities, the four banks jointly set up the Promotional Office in Tokyo. The Office reports to the Council's Committee.

Strategy for the Insurance Business

In April 2001, banks are scheduled to begin over-the-counter sales of insurance products. Life insurance firms have already started sharing business, even with insurance agencies that have close relationships with banks. Such deregulation in the field of insurance sales will present major business opportunities for banks.

Joyo Bank is aggressively pursuing such opportunities as a matter of policy. We will build new alliances with insurance companies and set up a framework for selling insurance products.

In the past, agencies with close links to banks have tended to form dedicated alliances with single insurance firms. Recently, however, they have started sharing business with large life insurance firms in order to meet the diversifying and sophisticated needs of customers.



Bank Data File

THE JOYO BANK, LTD.

Breakdown of Depositors

March 31	Billions of Yen		Percentage against the Total	
	2000	1999	2000	1999
Domestic Offices:				
Individuals	¥4,250	¥4,105	73.17%	71.45%
Corporations	994	1,043	17.12	18.16
Other	564	597	9.71	10.39
Total	5,808	5,746	100.00	100.00%
Foreign Offices:				
Total	95	105	—	—
Total	¥5,904	¥5,851		

Deposits exclude negotiable certificates of deposit.

Lendings / Deposits Ratio

March 31	Billions of Yen				
	2000	1999	1998	1997	1996
	75.1	81.17	83.28	78.63	78.53

Deposits per Branch and per Employee

March 31	Millions of Yen and U.S. Dollars	
	Deposit Balance per Branch	Deposit Balance per Employee
2000	¥37,461 US\$353	¥1,419 US\$13
1999	37,081	1,359
1998	37,632	1,331
1997	39,950	1,359
1996	40,781	1,309

US\$1=¥106.15

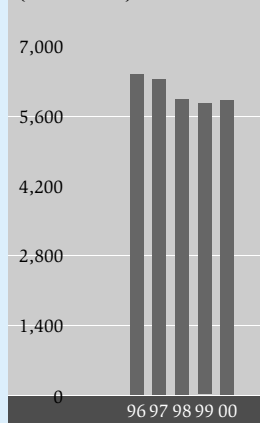
Composition of Time Deposits by Type and Maturity

March 31, 2000	Billions of Yen						Total
	Less than 3 Months	3 Months to Less than 6 Months	6 Months to Less than 1 Year	1 Year to Less than 2 Years	2 Years to Less than 3 Years	3 Years and Over	
Time Deposits with							
Deregulated Interest Rate (Fixed)	¥1,078.8	¥587.8	¥1,165.3	¥350.7	¥364.4	¥74.2	¥3,621.5
Time Deposits with							
Deregulated Interest Rate (Floating)	0.2	0.2	0.6	0.7	0.8	—	2.7
Other	85.7	10.6	0	1.0	0	0	97.4
Total	¥1,164.8	¥598.7	¥1,166.0	¥352.5	¥365.3	¥74.2	¥3,721.7

Note: Installment time deposits are not included.

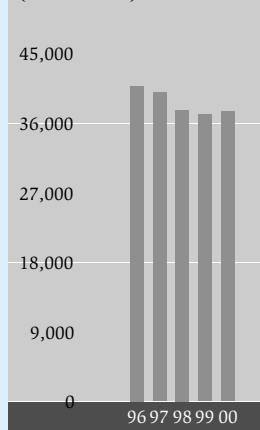
Deposits

(Billions of Yen)



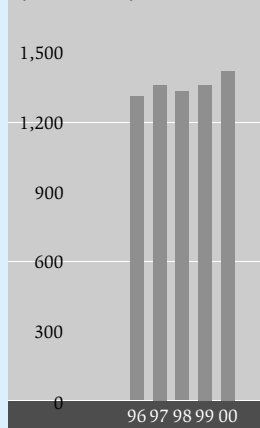
Deposits per Branch

(Millions of Yen)



Deposits per Employee

(Millions of Yen)



Breakdown of Borrowers

March 31	Millions of Yen			
	2000	Component Ratio	1999	Component Ratio
Manufacturing	¥ 708,628	15.96%	¥ 772,828	16.29%
Agriculture	15,188	0.34	18,965	0.40
Forestry	414	0.01	384	0.01
Fishery	10,144	0.23	10,621	0.22
Mining	17,789	0.40	16,162	0.34
Construction	337,681	7.60	390,817	8.24
Wholesale and Retailing	796,005	17.92	898,122	18.93
Banking and Insurance	242,593	5.46	287,746	6.06
Real Estate	585,532	13.18	639,080	13.47
Transportation and Communication	108,534	2.44	105,663	2.23
Utilities (Electricity, Gas, Water Supplies)	17,985	0.41	21,798	0.46
Services	534,724	12.04	587,336	12.38
Municipalities	380,008	8.56	328,057	6.91
Others	685,923	15.45	667,061	14.06
Total	¥4,441,156	100.00%	¥4,744,640	100.00%

Overdrafts and loans through foreign branches are not included.

Analysis of Loans by Application

March 31	Capital Investments (%)	Operating Funds (%)	Total (%)
2000	38.7	61.3	100.0
1999	36.5	63.5	100.0
1998	34.0	66.0	100.0
1997	32.3	67.7	100.0
1996	30.1	69.9	100.0

Secured and Guaranteed Loans

March 31	(%)				
	2000	1999	1998	1997	1996
Secured Loans	25.2	28.2	29.0	30.1	30.5
Guaranteed Loans	44.8	41.6	38.0	37.2	33.8
Credit Loans	30.0	30.2	33.0	32.7	35.7
Total	100.0	100.0	100.0	100.0	100.0

Lendings per Branch and per Employee

March 31	Millions of Yen and U.S. Dollars		Millions of Yen and U.S. Dollars	
	Lendings Balance per Branch		Lendings Balance per Employee	
2000	¥28,138 US\$265		¥1,066 US\$10	
1999	30,102		1,103	
1998	31,340		1,109	
1997	31,413		1,069	
1996	32,027		1,028	

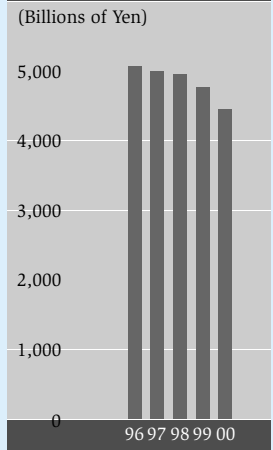
US\$1=¥106.15

Loans to Small- and Medium-sized Enterprises

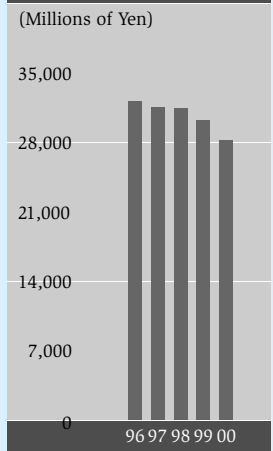
March 31	Billions of Yen		Percentage against the Total	
	2000	1999	2000	1999
Small- and Medium-sized Enterprises	¥3,042	¥3,079	68.50%	64.90%
Other	1,399	1,665	31.50	35.10
Total	4,441	¥4,744	100.00%	100.00%

Note: The figures represent those before in-house transit accounts are reconciled, and no overdrafts and no special international financial transaction accounts at the overseas and domestic offices are included.

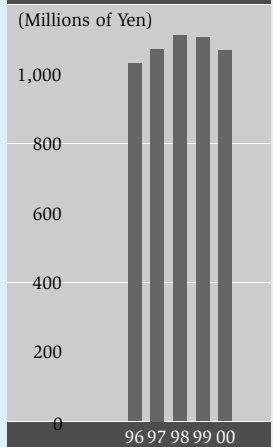
Loans and Bills Discounted



Lendings per Branch



Lendings per Employee



Consumer / Housing Loans

March 31	Billions of Yen	
	2000	1999
Consumer Loans	¥220	¥218
Housing Loans	487	462
Total	¥707	¥681

Composition of Loans Type and Maturity

March 31, 2000	Billions of Yen						Total
	Less than 1 Year	More than 1 Year to 3 Years	More than 3 Year to 5 Years	More than 5 Year to 7 Years	Over 7 Years	Unspecified Over	
Floating Interest Rate	¥ —	¥475.5	¥293.0	¥162.2	¥383.4	¥183.9	¥ —
Fixed Interest Rate	—	201.4	170.2	113.8	498.6	134.5	—
Total	¥1,828.9	¥676.9	¥463.2	¥276.1	¥882.0	¥318.4	¥4,445.9

Analysis of Reserve for Possible Loan Losses

March 31	Millions of Yen	
	2000	1999
General Reserve	¥27,103	¥ 33,985
Specific Reserve	68,674	125,904
Country Risk Reserve	0	393
Total	¥95,778	¥160,283

Non-Performing Loans

Risk-Monitored Assets under The Banking Law

Non-Consolidated March 31	Millions of Yen	
	2000	1999
Loans in bankruptcy and Dishonored Bills	¥ 19,597	¥ 32,208
Delinquent Loans	231,752	59,549
Loans Past Due with Respect to Interest Payments for a Period of More than Three Months	2,707	16,683
Restructured Loans	42,086	143,614
Total	¥296,144	¥252,055
Ratio of Risk Management Assets to Loans outstanding	6.66%	5.29%

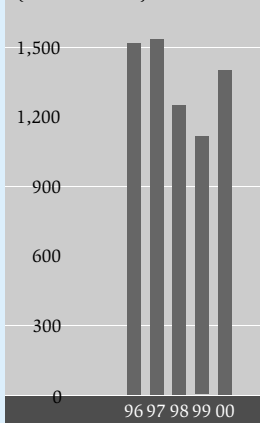
Consolidated March 31	Millions of Yen	
	2000	1999
Loans in bankruptcy and Dishonored Bills	¥ 20,048	¥ 32,851
Delinquent Loans	241,525	65,135
Loans Past Due with Respect to Interest Payments for a Period of More than Three Months	2,909	17,085
Restructured Loans	42,130	146,151
Total	¥306,613	¥261,223
Ratio of Risk Management Assets to Loans outstanding	6.91%	5.50%

Disclose Assets under the Financial Revitalization Law

Non-Consolidated March 31	Millions of Yen	
	2000	1999
Bankrupt and Quasi-Bankrupt Assets	¥ 71,221	¥ 121,467
Doubtful Assets	181,400	191,053
Substandard Loans	44,795	8,032
Normal Assets	4,259,780	4,493,108
Total	¥4,557,198	¥4,813,660
Ratio of Problem Assets	6.52%	6.66%

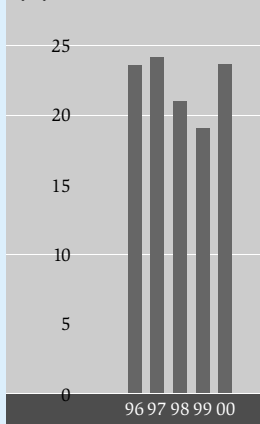
Securities

(Billions of Yen)



Securities/ Deposits Ratio

(%)



Securities / Deposits Ratio

March 31	(%)				
	2000	1999	1998	1997	1996
Securities / Deposits Ratio	23.60	18.98	20.96	24.1	23.5

Deposits include negotiable certificates of deposit.

Composition of Securities Holdings by Type and Maturity

March 31, 2000	Billions of Yen							Total
	Less than 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years to 7 Years	More than 7 Years to 10 Years	Over 10 Years	Unspecified Over	
Government Bonds	¥ —	¥106.1	¥190.2	¥82.0	¥12.9	¥ —	¥ —	¥391.4
Local Government Bonds	0.4	6.0	16.3	66.5	187.7	6.0	—	283.1
Corporate Bonds	4.0	24.6	63.8	16.3	8.4	—	—	117.4
Corporate Stocks	—	—	—	—	—	—	201.4	201.4
Others	26.3	108.6	98.4	28.6	43.1	96.6	1.6	403.6
Foreign Corporate Bonds	24.3	78.6	97.4	26.5	43.0	96.6	—	366.6
Foreign Corporate Stocks	—	—	—	—	—	—	0	0
Securities Lent	—	—	—	0	—	—	—	0

Note: Corporate Bonds including treasury stocks.

International Business Assets

March 31	Billions of Yen				
	2000	1999	1998	1997	1996
	¥617	¥623	¥762	¥1,211	¥1,330

Shareholders' Equity

March 31	Millions of Yen and U.S. Dollars			Shareholders' Equity / Deposits Ratio
	Common Stock	Surplus & Reserves	Shareholders' Equity	
2000	¥85,113	¥291,852	¥376,965 US\$3,551	6.3%
1999	85,113	289,343	374,456	6.3
1998	85,113	213,676	298,790	5.0
1997	85,113	275,292	360,405	5.7
1996	68,858	256,857	325,715	5.1

US\$1=¥106.15

Earnings

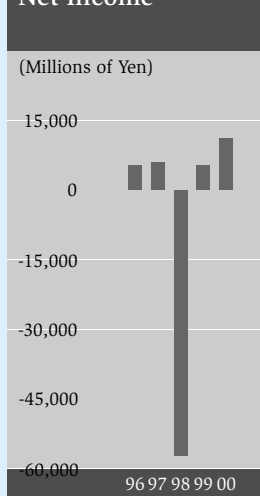
Years Ended March 31	Millions of Yen and U.S. Dollars			
	Total Income	Total Expenses	Income (Loss) before Income Taxes	Net Income (Loss)
2000	¥189,691	¥170,587	¥19,103	¥11,042 US\$104
1999	241,461	229,370	12,090	5,351
1998	263,414	306,765	(43,352)	(57,215)
1997	246,748	240,565	6,183	6,029
1996	319,319	281,371	37,948	5,240
1995	302,683	281,922	20,761	8,659

US\$1=¥106.15

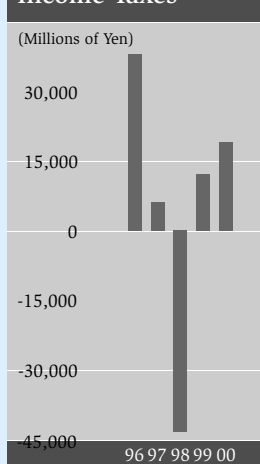
Per Share of Common Stock

Years Ended March 31	Yen				
	2000	1999	1998	1997	1996
Per Share Earnings	¥12.52	¥6.04	¥(64.67)	¥7.26	¥6.51
Per Share Dividends	5.00	5.00	5.00	5.00	5.50
Dividend Propensity (%)	39.8	82.7	—	68.8	84.4

Net Income



Income before Income Taxes



Average Balances, Interest and Average Interest Rates

	Millions of Yen					
	2000			1999		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest Earning Assets:						
Domestic Operations	¥6,041,879	¥126,358	2.09%	¥6,093,319	¥139,380	2.28%
	344,776*	1,041*		228,954*	952*	
International Operations	597,924	27,111	4.53%	586,084	34,017	5.80%
Total	¥6,295,027	¥152,428	2.42%	¥6,450,449	¥172,445	2.67%
Interest Bearing Liabilities:						
Domestic Operations	¥5,783,108	¥18,202	0.31%	¥5,903,244	¥24,085	0.40%
International Operations	612,738	24,497	3.99%	575,137	31,969	5.55%
	344,777*	1,041*		228,954*	952*	
Total	¥6,051,069	¥41,658	0.68%	¥6,249,427	¥55,102	0.88%

*: Internal transaction between domestic sector and international sector.

Margin on Funds

March 31	%	
	2000	1999
Yield on Funds		
Domestic Operations	2.09	2.28
International Operations	4.53	5.80
Total	2.42	2.67
Cost of Funds		
Domestic Operations	1.59	1.68
International Operations	4.37	6.00
Total	1.95	2.12
Overall Margin on Funds		
Domestic Operations	0.50	0.60
International Operations	0.16	(0.20)
Total	0.47	0.55

Capital Structure

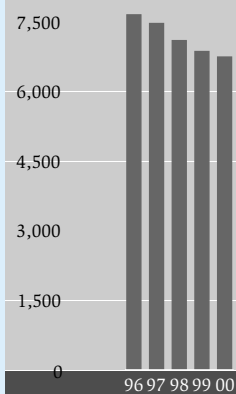
Consolidated	Billions of Yen	
	2000	1999
Tier I		
Common Shareholders' Equity	¥ 359.6	¥ 359.0
Tier II Capital Included as Tier I	—	—
Total Adjusted Tier I Capital	359.6	359.0
Tier II		
Land Revaluation Excess, after 55% Discount	13.1	14.0
Reserve for Possible Loan Losses, Excluding Specific Reserve	28.4	35.8
Other	55.0	55.0
Tier II Capital Included as Tier I	—	—
Total Adjusted Tier II Capital	96.6	104.9
Tier II Capital Included as Qualifying Capital	96.6	104.9
Total Capital	456.2	463.9
Total Risk-adjusted Assets	4,006.4	4,278.1
Capital Adequacy Ratio	11.38%	10.84%

Notes: 1. The ratio of capital to risk-adjusted assets is based on the Ministry of Finance guidelines formulated in accordance with the BIS agreement.

2. Capital adequacy ratios are calculated on a consolidated basis.

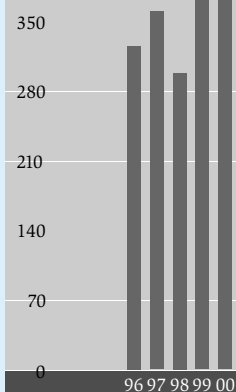
Total Assets

(Billions of Yen)



Shareholders' Equity

(Billions of Yen)



Off-Balance Sheet Transactions

Derivative Financial Instruments Transactions and Forward Foreign Exchange Contracts

March 31	Billions of Yen			
	2000		1999	
	Contract Amounts and Notional Principal Amounts	Credit Risk Equivalent Amounts	Contract Amounts and Notional Principal Amounts	Credit Risk Equivalent Amounts
Interest-Rate and Currency Swaps	¥534.0	¥17.4	¥656.2	¥23.1
Forward Foreign Exchange Contracts	45.5	1.1	132.3	2.2
Interest-Rate and Currency Options	—	—	—	—
Other Derivative Financial Instruments (Including Cap Transactions)	0	0	0.3	0
Total	¥579.6	¥18.5	¥788.9	¥25.3

Notes: 1. The above figures are computed according to capital adequacy guidelines set by the BIS. To compute the credit risk equivalent amounts, the current-exposure method was applied.

2. The contract and notional amounts of transactions that are excluded in the capital adequacy guidelines set by the BIS, and foreign exchange related transactions for which the original contracts have a duration of 14 days or less are shown below.

March 31	Billions of Yen	
	2000	1999
	Contract Amounts and Notional Principal Amounts	Contract Amounts and Notional Principal Amounts
Interest-Rate and Currency Swaps	¥ —	¥ —
Forward Foreign Exchange Contracts	1.2	22.0
Interest-Rate and Currency Options	—	8.8
Other Derivative Financial Instruments	13.2	27.7
Total	¥14.5	¥58.9

Credit-Related Transactions

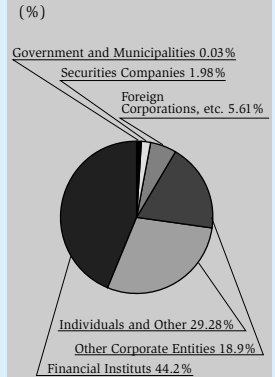
March 31	Billions of Yen	
	2000	1999
	Contract Amounts	Contract Amounts
Commitments to Extend Credit	¥ 898.3	¥1,005.4
Guarantee Contracts	88.7	100.7
Others	—	—
Total	¥ 987.0	¥1,106.2

Note: The above figures are computed according to capital adequacy guidelines set by the BIS. To compute the credit risk equivalent amounts, the current-exposure method was applied.

Stock Quotations

Months	Number of Shares Transacted (in thousands)	Yen	
		High Quotation	Lowest Quotation
March 2000	11949	419	370
February 2000	14020	440	370
January 2000	6016	483	430

Breakdown of Shareholders



Time Series Summary of Financial Data

THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated	Millions of Yen	
	2000	1999
Balance Sheets		
(As of March 31)		
Securities*	¥1,397,394	¥1,141,326
Loans and Bills Discounted	4,437,071	4,746,698
Foreign Exchange	4,362	3,866
Other Assets	1,028,964	1,012,226
Reserve for Possible Loan Losses**	(98,710)	(165,919)
Total Assets	6,769,081	6,738,197
Deposits	5,910,867	5,845,111
Foreign Exchange	131	215
Other Liabilities	479,119	513,327
Total Liabilities	6,390,117	6,358,653
Minority Interests	2,058	4,329
Common Stock	85,113	85,113
Reserves and Retained Earnings***	291,793	290,102
Total Liabilities, Minority Interests and Shareholders' Equity	¥6,769,081	¥6,738,197
Statements of Income		
(For the Years Ended March 31)		
Total Income	¥ 208,422	¥ 262,710
Total Expenses	191,097	253,120
Income before Income Taxes and Minority Interests	17,324	9,590
Income Taxes	8,640	5,685
Minority Interests in Net (Loss) Income of Consolidated Subsidiaries	(2,245)	181
Net Income	¥ 10,930	¥ 3,724

THE JOYO BANK, LTD.

Non-Consolidated	Millions of Yen				
	2000	1999	1998	1997	1996
Balance Sheets					
(As of March 31)					
Securities*	¥1,397,083	¥1,112,353	¥1,246,637	¥1,533,627	¥1,515,879
Loans and Bills Discounted	4,445,943	4,756,216	4,951,788	4,994,740	5,060,291
Foreign Exchange	4,362	3,871	4,556	4,858	4,421
Other Assets	978,831	976,671	881,664	920,310	1,059,299
Reserve for Possible Loan Losses**	(95,778)	(160,283)	(156,400)	(64,227)	(65,365)
Total Assets	6,730,441	6,688,828	6,928,245	7,389,308	7,574,525
Deposits	5,918,971	5,858,946	5,945,868	6,352,170	6,443,409
Foreign Exchange	131	220	441	336	377
Other Liabilities	434,374	455,206	683,145	676,397	805,025
Total Liabilities	6,353,476	6,314,372	6,629,454	7,028,903	7,248,811
Common Stock	85,113	85,113	85,113	85,113	68,857
Reserves and Retained Earnings***	291,852	289,343	213,676	275,292	256,857
Total Liabilities and Shareholders' Equity	¥6,730,441	¥6,688,828	¥6,928,245	¥7,389,308	¥7,574,525
Statements of Income					
(For the Years Ended March 31)					
Total Income	¥ 189,691	¥ 241,461	¥ 263,414	¥ 246,748	¥ 319,319
Total Expenses	170,587	229,370	306,765	240,565	281,371
Income (Loss) before Income Taxes	19,103	12,090	(43,352)	6,182	37,948
Income Taxes	8,060	6,739	13,863	153	32,708
Net Income (Loss)	¥ 11,042	¥ 5,351	¥ (57,215)	¥ 6,029	¥ 5,240

* Includes Securities Lent.

** In conformity with a revision of the enforcement regulations of the Banking Law, with effect from the year ended March 31, 2000, the Reserve for possible Loan Losses formerly shown in the liabilities, is presented as deduction from assets on the Balance Sheets.

*** Includes capital surplus, reserves, and retained earnings which are classified under Shareholders' Equity on the Balance Sheets.

Consolidated Balance Sheets

THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2000	1999	2000	1999
Assets				
Cash and Due from Banks (Note 4)	¥ 308,372	¥ 287,857	\$ 2,905,058	\$ 2,711,794
Call Loans and Bills Purchased	156,007	188,593	1,469,684	1,776,665
Commercial Paper and Other Debt Purchased	66,149	38,903	623,165	366,490
Trading Assets (Note 5)	101,446	98,042	955,685	923,617
Money Held in Trust (Note 19)	40,000	32,000	376,825	301,460
Securities (Notes 6, 7 and 19)	1,397,394	1,141,326	13,164,333	10,752,011
Reserve for Devaluation of Investment Securities	(2)	—	(19)	—
Loans and Bills Discounted (Note 8)	4,437,071	4,746,698	41,800,009	44,716,891
Foreign Exchange	4,362	3,866	41,092	36,420
Other Assets	56,051	53,854	528,035	507,338
Premises and Equipment (Notes 3 and 16)	133,547	139,092	1,258,097	1,310,334
Deferred Tax Assets (Note 9)	78,683	72,501	741,243	683,005
Customers' Liabilities for Acceptances and Guarantees	88,707	101,379	835,675	955,054
Reserve for Possible Loan Losses	(98,710)	(165,919)	(929,911)	(1,563,061)
Total Assets	¥6,769,081	¥6,738,197	\$63,769,015	\$63,478,068
Liabilities, Minority Interests and Shareholders' Equity				
Liabilities				
Deposits (Notes 7 and 10)	¥5,910,867	¥5,845,111	\$55,684,097	\$55,064,634
Call Money and Bills Sold	129,363	125,887	1,218,681	1,185,934
Trading Liabilities (Note 11)	745	1,446	7,018	13,622
Borrowed Money (Note 7)	95,947	119,713	903,881	1,127,772
Foreign Exchange	131	215	1,234	2,025
Other Liabilities	124,131	128,610	1,169,392	1,211,587
Reserve for Retirement Allowances	18,810	18,819	177,202	177,286
Reserve for Possible Losses on Sales of Loans	5,850	3,279	55,110	30,890
Reserve for Other Contingent Losses	3,485	1,182	32,830	11,135
Deferred Tax Liabilities for Land Revaluation (Notes 3 and 9)	12,077	13,006	113,772	122,524
Acceptances and Guarantees	88,707	101,379	835,675	955,054
Total Liabilities	6,390,117	6,358,653	60,198,935	59,902,524
Minority Interests	2,058	4,329	19,387	40,781
Shareholders' Equity				
Common Stock	85,113	85,113	801,818	801,818
Capital Surplus	58,574	58,574	551,804	551,804
Land Revaluation Reserve, Net of Tax (Notes 3 and 9)	17,108	18,259	161,168	172,011
Retained Earnings	216,342	213,548	2,038,078	2,011,756
Treasury Stock	(1)	(0)	(9)	(0)
Parent Company's Stock Held by Subsidiaries	(231)	(280)	(2,176)	(2,638)
Total Shareholders' Equity	376,905	375,214	3,550,682	3,534,752
Total Liabilities, Minority Interests and Shareholders' Equity	¥6,769,081	¥6,738,197	\$63,769,015	\$63,478,068

See notes to consolidated financial statements.

Consolidated Statements of Income and Retained Earnings

THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

For the Years Ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 2)					
	2000	1999	2000	1999				
Income								
Interest Income:								
Interest on Loans and Discounts	¥109,372	¥119,325	\$1,030,353	\$1,124,116				
Interest and Dividends on Securities	34,453	42,466	324,569	400,056				
Other Interest Income	8,483	14,197	79,915	133,744				
Fees and Commissions	16,602	16,010	156,401	150,824				
Trading Revenue (Note 12)	111	862	1,045	8,120				
Other Operating Income	3,000	23,238	28,261	218,916				
Other Income	36,397	46,606	342,882	439,057				
Total Income	208,422	262,710	1,963,466	2,474,894				
Expenses								
Interest Expenses:								
Interest on Deposits	19,080	31,061	179,745	292,614				
Interest on Borrowings and Rediscounts (Note 13)	6,528	8,580	61,497	80,829				
Other Interest Expenses	16,762	19,589	157,908	184,540				
Fees and Commissions	4,261	4,393	40,141	41,384				
Trading Expenses (Note 14)	45	185	423	1,742				
Other Operating Expenses	4,982	4,532	46,933	42,694				
General and Administrative Expenses	77,567	79,658	730,730	750,428				
Other Expenses (Note 15)	61,868	105,117	582,835	990,268				
Total Expenses	191,097	253,120	1,800,254	2,384,550				
Income before Income Taxes and Minority Interests	17,324	9,590	163,203	90,343				
Income Taxes:								
Current	15,686	18,695	147,772	176,118				
Deferred (Note 9)	(7,046)	(13,010)	(66,378)	(122,563)				
Minority Interests in Net (Loss)Income of Consolidated Subsidiaries	(2,245)	181	(21,149)	1,705				
Net Income	10,930	3,724	102,967	35,082				
Retained Earnings								
Balance at Beginning of Year	213,548	155,968	2,011,756	1,469,317				
Reversal of Land Revaluation Reserve	1,214	—	11,436	—				
Cumulative Effect on Prior Years of Adopting Deferred Tax Accounting	—	58,276	—	548,996				
Appropriations:								
Cash Dividends	(4,411)	(4,420)	(41,555)	(41,640)				
Decrease Due to Exclusion of a Subsidiary	(762)	—	(7,179)	—				
Retirement of Treasury Stock	(4,177)	—	(39,350)	—				
Balance at End of Year	¥216,342	¥213,548	\$2,038,078	\$2,011,756				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: center; border-top: 1px solid black;">Yen</td> <td style="width: 25%;"></td> <td style="width: 25%; text-align: center; border-top: 1px solid black;">U.S. Dollars (Note 2)</td> </tr> </table>						Yen		U.S. Dollars (Note 2)
	Yen		U.S. Dollars (Note 2)					
Per Share								
Net Income	¥12.40	¥4.21	\$0.117	\$0.040				

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

For the Year Ended March 31, 2000	Millions of Yen	Thousands of U.S. Dollars (Note 2)
Cash Flows from Operating Activities:		
Income before Income Taxes and Minority Interests	¥ 17,324	\$ 163,203
Depreciation	16,094	151,615
Amortization of Consolidation Differences	4	37
Net Decrease in Reserve for Possible Loan Losses	(67,208)	(633,141)
Net Increase in Reserve for Devaluation of Investment Securities	2	19
Net Increase in Reserve for Possible Losses on Sales of Loans	2,570	24,211
Net Increase in Reserve for Other Contingent Losses	2,303	21,695
Net Decrease in Reserve for Retirement Allowances	(8)	(75)
Interest and Dividend Income	(152,309)	(1,434,846)
Interest Expenses	42,372	399,170
Net Gains Related to Securities Transactions	(11,431)	(107,687)
Net Gains on Money Held in Trust	(599)	(5,642)
Foreign Exchange Losses, Net	57,897	545,426
Losses on Disposal of Premises and Equipment	670	6,311
Net Increase in Trading Assets	(3,404)	(32,067)
Net Decrease in Trading Liabilities	(701)	(6,603)
Net Decrease in Loans and Bills Discounted	309,624	2,916,853
Net Increase in Deposits	65,426	616,354
Net Increase in Negotiable Certificates of Deposit	7,066	66,566
Net Decrease in Borrowed Money Excluding Subordinated Borrowings	(5,489)	(51,709)
Net Increase in Due from Banks Excluding Cash Equivalents	(12,924)	(121,752)
Net Decrease in Call Loans and Others	5,339	50,296
Net Increase in Call Money and Bills Sold	3,476	32,746
Net Decrease in Cash for Collateral on Securities Lending	(3,414)	(32,162)
Net Increase in Foreign Exchange (Assets)	(495)	(4,663)
Net Decrease in Foreign Exchange (Liabilities)	(83)	(781)
Net Decrease in Due to Trust Account	(16)	(150)
Interest and Dividend Received	151,800	1,430,051
Interest Paid	(45,167)	(425,501)
Others, Net	19,052	179,481
Subtotal	397,771	3,747,253
Income Taxes Paid	(25,578)	(240,960)
Net Cash Provided by Operating Activities	372,192	3,506,283
Cash Flows from Investing Activities:		
Purchases of Securities	(758,293)	(7,143,598)
Proceeds from Sales of Securities	314,703	2,964,700
Proceeds from Redemption of Securities	109,815	1,034,526
Increase in Money Held in Trust	(9,000)	(84,785)
Decrease in Money Held in Trust	1,000	9,420
Purchases of Premises and Equipment	(13,645)	(128,544)
Proceeds from Sales of Premises and Equipment	3,080	29,015
Net Cash Used in Investing Activities	(352,338)	(3,319,246)
Cash Flows from Financing Activities:		
Payment of Cash Dividends	(4,411)	(41,554)
Payment of Cash Dividends to Minority Interests	(10)	(94)
Purchases for Retirement of Treasury Stock	(4,296)	(40,471)
Proceeds from Sales of Treasury Stock	95	894
Net Cash Used in Financing Activities	(8,622)	(81,224)
Translation Adjustment for Cash and Cash Equivalents	(24)	(226)
Net Increase in Cash and Cash Equivalents	11,207	105,577
Cash and Cash Equivalents at Beginning of Year	96,934	913,179
Effect of Decrease in Scope of Consolidated Subsidiaries, Net of Cash and Cash Equivalents	(0)	(0)
Cash and Cash Equivalents at End of Year (Note 4)	¥108,141	\$1,018,756

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

The Joyo Bank, Ltd. (the "Bank") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan.

The accompanying consolidated financial statements have been compiled from the audited consolidated financial statements of the Bank which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Bank and its consolidated subsidiaries and were filed with the Minister of Finance as required by the Securities and Exchange Law. Accordingly, the accompanying consolidated financial statements may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In accordance with the "Standards for the Preparation of Consolidated Cash Flow Statements, and so forth" (the "New Standards"), effective the year ended March 31, 2000, the Bank is required to prepare consolidated cash flow statements.

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of Japanese yen amounts at ¥106.15 = US\$1.00, the exchange rate prevailing on March 31, 2000.

3. Land Revaluation Reserve

In accordance with the Law concerning the Revaluation of Land, the Bank revalued land held for its operations on March 31, 1998. The net unrealized gain is stated in shareholders' equity net of the applicable income taxes as "Land Revaluation Reserve, Net of Tax."

4. Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and 8 significant subsidiaries. Six subsidiaries have not been consolidated because they are immaterial.

The equity method has not been applied to investments in its six affiliated companies because they are immaterial. Investments in unconsolidated subsidiaries and affiliates are stated at cost.

All significant inter-company transactions have been eliminated. The difference between the cost of investments and the equity in their net assets is fully charged to income in the year of acquisition.

(b) Translation of foreign currencies

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the rates prevailing at the balance-sheet date.

(c) Transactions for trading purposes

Transactions for "Trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and included in "Trading Assets" and "Trading Liabilities" on a trade-date basis. Profits and losses on trading transactions are shown as "Trading Revenue" or "Trading Expenses."

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date.

Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

No consolidated subsidiaries were engaged in trading activities or other transactions in order to generate profit from short-term price fluctuations.

(d) Securities

Securities are carried at cost determined by the moving-average method.

Securities invested in certain trust funds and included in "Money Held in Trust" are also carried at cost determined by the moving-average method.

Securities held by the consolidated subsidiaries are carried principally at cost determined by the moving-average method.

(e) Depreciation of premises and equipment

Depreciation of buildings held by the Bank is computed by the declining-balance method, based on the rates prescribed by the Corporation Tax Law, except for buildings acquired on and after April 1, 1998 on which depreciation is computed by the straight-line method, based on the rates prescribed by the Corporation Tax Law. Depreciation of equipment is computed by the declining-balance method, based on the rates prescribed by the Corporation Tax Law.

Depreciation of premises and equipment held by the consolidated subsidiaries is computed mainly by the declining-balance method.

(f) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (due to bankruptcy, composition, etc.) or substantially bankrupt, a reserve is provided based on the amount of the claims net of the amounts expected to be collected through the disposal of collateral or through the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected through the disposal of collateral or through the execution of guarantees.

For other claims, a reserve is provided based on historical loan-loss experience. A reserve for loans to specific foreign borrowers (including the reserve for losses on overseas investments provided pursuant to Article 55-2 of the Special Taxation Measures Law) is provided based on the amount of losses expected due to the political and economic situation in those countries.

All claims are assessed by the Business Section (branches and related head office divisions) based on the internal rules for self-assessment of asset quality. The Corporate Audit Department, which is independent from the Business Section, subsequently conducts audits of their assessments, and a reserve is provided based on the audit results.

The reserves of the consolidated subsidiaries are provided based on their historical loan-loss experience.

For collateralized or guaranteed claims to debtors who are legally bankrupt or substantially bankrupt, the amount of the claims exceeding the estimated value of the collateral or guarantees which is deemed uncollectible was written off in the aggregate amount of ¥75,150 million.

In conformity with a revision to the enforcement regulations of the Banking Law, which became effective the year ended March 31, 2000, the reserve, formerly shown in liabilities, is presented as a deduction from assets in the balance sheets. Due to this change, total assets and total liabilities fell by ¥98,710 million and by ¥98,710 million, respectively, from the amounts which would have been recorded under the previous method of accounting.

(g) Reserve for retirement allowances

Under the terms of the retirement plan of the Bank and its consolidated subsidiaries, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement benefits is, in general, based on the length of service, basic salary at the time of retirement and reason for retirement. The reserve for retirement allowances is provided, at 100% of the amount which would be required to be paid if all eligible employees retired voluntarily at the balance sheet date.

In addition, the Bank has a contributory pension plan for its own eligible employees.

(h) Reserve for possible losses on sales of loans

The reserve for possible losses on sales of loans is provided for future losses on sales of loans with real estate mortgages to the Cooperative Credit Purchasing Co., Ltd. based on the estimated fair value of each respective mortgage.

(i) Reserve for other contingent losses

The reserve for other contingent losses is provided based on the estimated future losses on real estate mortgages associated with the loans sold upon liquidation of the assets.

(j) Reserve for devaluation of investment securities

This reserve is provided to cover any future potential losses on investments. Consideration is given to the financial situation of the relevant companies in determining the amount to be accounted for under the above reserve.

(k) Gains and losses resulting from revaluation of foreign currency accounts

In accordance with the administrative notice entitled "Accounting Procedures Related to Foreign Exchange Banks' Transactions

in Foreign Currency-Denominated Assets and Currency Options Contracts," currency options transactions are valued at market values prevailing at the balance sheet date (profits and losses derived from forward foreign exchange contracts with more than one year remaining before maturity are calculated based on the market value of the contracts at the balance sheet date, discounted at the long-term interest rate). Profits and losses derived from the portion of spot exchange assets and liabilities and forward contracts constituting funding-related swaps and currency-related swaps made as an integral part of the funding transactions are recognized on an accrual basis in accordance with the above-mentioned administrative notice. Currency futures transactions and currency options transactions are revalued at market values at the balance sheet date in accordance with the above-mentioned administrative notice.

(l) Income taxes

Income taxes comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 41.6%.

Effective the year ended March 31, 1999, the Bank adopted deferred tax accounting in conformity with the revised accounting standards in Japan. As required, deferred tax assets and liabilities are recorded based on the temporary differences between the financial statements and the tax bases of the assets and liabilities.

(m) Net income per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

(n) Leases

Finance leases other than those which transfer the ownership of the leased property to the Bank and its consolidated subsidiaries are accounted for as operating leases.

(o) Statement of cash flows

Effective the year ended March 31, 2000, the Bank and its subsidiaries are required to present consolidated statement of cash flows in conformity with a revision to the Securities and Exchange Law. Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the balance sheets, excluding deposits with banks other than The Bank of Japan, of the Bank and time deposits of the consolidated subsidiaries.

March 31, 2000	Millions of Yen
Cash and Due from Banks	¥308,372
Deposits with Banks Other than The Bank of Japan of the Bank	(200,071)
Time Deposits of the Consolidated Subsidiaries	(160)
Cash and Cash Equivalents	¥108,141

5. Trading Assets

March 31, 2000	Millions of Yen
Trading Securities	¥ 1,151
Trading-Related Financial Derivatives	558
Other Trading Assets	99,737
Total	¥101,446

6. Securities

March 31, 2000	Millions of Yen	
Japanese Government Bonds	¥	391,442
Japanese Local Government Bonds		283,156
Corporate Bonds		117,626
Corporate Stocks		201,504
Other Securities		403,663
Total		¥1,397,394

Securities include a ¥146 million investment in shares of an affiliated company.

7. Pledged assets

Securities, amounting to ¥16,208 million at book value, were pledged as collateral for deposits of ¥59,185 million as of March 31, 2000.

In addition to the above, securities, amounting to ¥65,249 million at book value, were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2000.

A consolidated subsidiary pledged its lease receivables amounting to ¥19,055 million as collateral for borrowed money of ¥15,334 million as of March 31, 2000.

8. Non-Performing Loans

In accordance with disclosure requirements under the Rules for Bank Accounting in Japan, which became effective April 1, 1995, the balance of Loans and Bills Discounted at March 31, 2000 and 1999 included the following non-performing loans:

March 31,	Millions of Yen	
	2000	1999
(a) Loans in Bankruptcy and Dishonored Bills	¥ 20,048	¥ 32,851
(b) Delinquent Loans	241,525	65,135
(c) Loans Past Due with Respect to Interest Payments for a Period of More than Three Months	2,909	17,085
(d) Restructured Loans	42,130	146,151

Effective the year ended March 31, 2000, the Bank began to eliminate uncollectible amounts directly from loans (See Note 4(f)). The effect of this change was to reduce “loans in bankruptcy” and “delinquent loans” as of March 31, 2000 by ¥21,354 million and ¥54,075 million, respectively.

Accrued interest had been recognized in conformity with the tax law. Effective the year ended March 31, 2000, the Bank did not recognize accrued interest on loans in bankruptcy, or substantially or suspiciously in bankruptcy as a result of the Bank’s self-assessment. The effect of this change was to reduce accrued interest on “loans past due more than three months,” “restructured loans” and “delinquent loans” as of March 31, 2000 by ¥13,667 million, ¥129,094 million and ¥192,277 million, respectively.

9. Deferred Tax Assets

March 31,	Millions of Yen	
	2000	1999
Deferred Tax Assets:		
Excess Reserve for Possible Loan Losses	¥60,621	¥55,034
Excess Reserve for Retirement Allowances	5,212	4,922
Excess Depreciation	4,468	3,827
Transfer to Reserve for Possible Losses on Sales of Loans	2,420	1,856
Other	7,285	6,897
Valuation Allowance	(1,311)	—
Total	78,697	72,538
Deferred Tax Liabilities:		
Reversal of Reserve for Possible Loan Losses after Elimination of Debt and Credits	(14)	(36)
Net Deferred Tax Assets	¥78,683	¥72,501

The major reasons for the significant differences between the statutory tax rate and the effective tax rate including the corporate income tax rate and other tax rates after the adoption of tax-effect accounting are summarized as follows:

Statutory Tax Rate	41.6%
Items Not Permanently Included in Income, such as Dividends Received	-3.4%
Adjustment for Term-End Deferred Tax Assets Due to Tax Rate Revision	2.3%
Increase in Valuation Allowance	7.5%
Others	1.8%
Effective Tax Rate	49.8%

On March 30, 2000 the “Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Tokyo” was passed by the Tokyo Municipal Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2000. For the year ended March 31, 2000, income was subject to enterprise tax, but for the future years the enterprise tax will be levied on gross profits. This means that the enterprise tax will not be included in the tax calculations for deferred tax accounting. Therefore the tax rate applying when calculating the Bank’s Deferred Tax Assets and Deferred Tax Liabilities is 41.3% for the year ended March 31, 2000, as against 41.6% in the previous year. The effect of this change results in a decrease in Deferred Tax Assets of ¥367 million, and an increase in Income Tax Expenses—Deferred booked for the year ended March 31, 2000 of ¥367 million. There is also a decrease in Deferred Tax Liability for Land Revaluation of ¥64 million, and an increase in the Land Revaluation Account of ¥64 million at March 31, 2000.

On June 9, 2000 the “Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka” was passed by the Osaka Municipal Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2001. But the influence of the tax rate applying when calculating the Bank’s Deferred Tax Assets and Deferred Tax Liabilities will be not important. The effect of this change results

in a decrease in Deferred Tax Assets of ¥ 54 million, and Deferred Tax Liability for Land Revaluation of ¥ 8 million, respectively. The actual effect of the change in tax rates will be clarified when the amount is calculated based on the differences prevalent on March 31, 2001. Therefore the amounts given above are subject to revision.

10. Deposits

March 31, 2000	Millions of Yen
Current Deposits	¥2,023,048
Time Deposits	3,719,481
Negotiable Certificates of Deposit	14,299
Other	154,037
Total	¥5,910,867

11. Trading Liabilities

March 31, 2000	Millions of Yen
Trading-Related Financial Derivatives	¥745

12. Trading Revenue

March 31, 2000	Millions of Yen
Revenue from Trading Securities	¥ 55
Other Trading Revenue	55
Total	¥111

13. Interest on Borrowings and Rediscounts

March 31, 2000	Millions of Yen
Call Money and Bills Sold	¥4,802
Borrowings	1,726
Total	¥6,528

14. Trading Expenses

March 31, 2000	Millions of Yen
Expenses on Trading-Related Financial Derivatives Transactions	¥45

15. Other Expenses

March 31, 2000	Millions of Yen
Provision for Possible Loan Losses	¥22,955
Losses on Disposal of Premises and Equipment	818
Other	38,095
Total	¥61,868

For the years ended March 31, 2000, "other expenses—other" included losses on sales of loans with real estate mortgages to the Cooperative Credit Purchasing Co., Ltd. of ¥144 million and other institutions of ¥1,526 million, respectively.

16. Accumulated Depreciation of Premises and Equipment

Accumulated depreciation of premises and equipment at March 31, 2000, was ¥156,689 million.

17. Segment Information

(a) Segment Information by type of business

Segment information by type of business for the year ended March 31, 2000 is as follows:

	Millions of Yen				
	Banking Operations	Other	Total	Eliminations	Consolidated
Ordinary Income:					
Ordinary Income with External Customers	¥ 187,924	¥19,509	¥ 207,433	¥ —	¥ 207,433
Ordinary Income from Internal Transactions	788	6,462	7,251	(7,251)	—
Total	188,712	25,971	214,684	(7,251)	207,433
Ordinary Expenses	169,769	27,685	197,454	(7,175)	190,279
Ordinary Income (Loss), Net	¥ 18,942	¥(1,713)	¥ 17,229	¥ (75)	¥ 17,153
Assets	¥6,733,392	¥78,229	¥6,811,621	¥(42,540)	¥6,769,081
Depreciation	3,208	12,886	16,094	(0)	16,094
Capital Expenditures	5,656	12,250	17,907	—	17,907

Notes: 1. Ordinary income represents total income excluding gains on disposal of premises and equipment and collection of claims written-off. Ordinary expenses represent total expenses excluding losses on disposal of premises and equipment.

2. As described in Note 4, "Significant Accounting Policies," the reserve for possible loan losses is disclosed as the asset portion by a method under which a lump-sum amount is deducted from the target assets. Due to this change, assets of Banking Operations and of Other fell by ¥95,778 million and ¥2,967 million, respectively, from the corresponding amounts which would have been recorded under the previous method.

(b) Geographic Segment Information

Segment information by geographic area is not disclosed since over 90% of the total consolidated assets are held within Japan.

(c) Ordinary Income from Foreign Operations

Segment information related foreign operations is not disclosed since the income generated from foreign operations is considered immaterial to the Bank's total consolidated income.

18. Leases

(a) Finance leases

Finance leases, as lessee, at March 31, 2000 were as follows:

	Millions of Yen
Equipment	¥371
Other	—
Accumulated Depreciation	(334)
Total	¥ 36

Future minimum lease payments receivable for finance leases at March 31, 2000 were ¥36 million, of which ¥25 million was due within one year.

Total lease payments and depreciation under finance leases for the year ended March 31, 2000 were ¥74 million and ¥74 million, respectively.

Finance leases, as lessor, at March 31, 2000 were as follows:

	Millions of Yen
Equipment	¥59,217
Other	4,866
Accumulated Depreciation	(31,533)
Total	¥32,550

Future minimum lease payments receivable for finance leases at March 31, 2000 were ¥38,925 million, of which ¥12,348 million was due within one year.

Total lease payments received and depreciation under finance leases for the year ended March 31, 2000 were ¥13,830 million and ¥11,559 million, respectively.

(b) Operating Leases

Future minimum lease payments for operating leases at March 31, 2000 were ¥1,071 million, of which ¥88 million was due within one year.

19 Market value information of marketable securities

	Millions of Yen		
At March 31, 2000	Contract Amounts	Market Value	Unrealized Gain/(Loss)
Listed Securities:			
Bonds	¥ 17,435	¥ 18,091	¥ 656
Stocks	194,448	331,222	136,773
Other	186,915	181,513	(5,402)
Total	¥398,799	¥530,827	¥132,028

Notes: 1. The securities in the above table (including Japanese government bonds, Japanese local bonds and Japanese corporate bonds) are all listed. The market value of listed securities is determined mainly by the closing price at the term-end on the Tokyo Stock Exchange, or prices calculated using the indicated yields announced by the Japan Securities Dealers Association. The market value of others is determined mainly by the closing price at term-end on the Tokyo Stock Exchange.

2. The table below covers unlisted securities for which it is possible to estimate a market value.

	Millions of Yen		
At March 31, 2000	Contract Amounts	Market Value	Unrealized Gain/(Loss)
Unlisted Securities:			
Bonds	¥484,091	¥486,878	¥ 2,787
Stocks	2,025	5,171	3,145
Other	1,862	1,864	2
Total	¥487,978	¥493,914	¥ 5,935

The market values of unlisted securities are determined as follows:
 Securities traded over the counter : transaction prices announced by the Japan Securities Dealers Association
 Publicly offered bond : prices calculated using the indicated yield announced by the Japan Securities Dealers Association
 Securities of investment trust : market prices announced by authorized fund management companies

3. The book value of securities not included in the market-value information provided above were as follows:

March 31, 2000	Millions of yen
Bonds.....	¥290,699
Stocks.....	5,045
Others.....	214,871

4. Trading securities and trading account securities are evaluated according to the market prices, and the resulting profit or loss is included in the Consolidated Statement of Income and therefore the profit and loss information is omitted from the above table.

Market value information of money held in trust

	Millions of Yen		
At March 31, 2000	Contract Amounts	Market Value	Unrealized Gain/(Loss)
Money Held in Trust	¥40,000	¥40,045	¥45

20 Derivative Financial Instruments Transactions

(1) Transactions

- [1] Transactions include interest rate futures, options, swaps, and interest-related forward delivery; currency swaps, options, and forward foreign exchange contracts; and bond futures and options.
- [2] Policies: The Bank enters into derivatives transactions mainly for hedging purposes to avoid the risk of interest-rate fluctuations in the context of overall assets and liabilities. The transactions are also used for trading purposes to increase earnings over the short term.
- [3] Purpose: The interest rate swaps are used to avoid the future risk of a rise in interest rates on long-term fixed-rate assets (such as fixed-rate housing loans). Interest rate options (Interest rate caps) are used for hedging against any rise over the upper limit interest rate on "long-term variable interest-rate loans with upper interest rate limits."

Interest rate and currency swaps are used to avoid the growing risk of interest rate and exchange rate fluctuations in foreign-currency dominated in investment securities. Forward foreign exchange and currency options are used to avoid the risk of exchange rate fluctuations arising from transactions with customers.

The bond futures and options are used to avoid the risk of price fluctuations, and earn profit in investment securities.

In addition, within certain transaction limits, interest rate and bond futures trading is conducted to earn profit.

- [4] Nature of Risks: Derivatives transactions involve market risk and credit risk. Market risk means the risk of losses from fluctuations in the interest rate/currency exchange market, etc. Credit risk is the risk that positions cannot be settled according to the original contract terms due to the bankruptcy or insolvency of the counterparty.

Basically there is no market risk, as transactions for the purpose of hedging are carried out on the basis of assets and liabilities equivalent to the transaction values. Market risk is limited to short-term trading transactions which are aimed at increasing earnings.

As for credit risk, a credit limit is established for each customer in an effort to avoid a concentration of risk within a limited number of customers.

The above transactions pose few substantial risks, as our transactions were with highly trustworthy financial institutions and corporations.

- [5] Risk Management System: Balances at risk, unrealized gain/loss, etc. on derivative transactions are managed on a daily basis by the division in charge, and reported to the Management Administration Division, which is independently responsible for overall risk management, and then submitted to the executives.

For trading transactions for the purpose of increasing short-term earnings, transaction risk is managed within a certain limit established in an attempt to avoid excessive exposure.

[6] Supplementary Explanations on Quantitative Information:

- ① Most interest rate swap transactions are mainly for the purpose of hedging against fixed-rate loans. Accordingly, the contract amount presented does not represent the actual market exposure relating to each derivative transaction.
- ② Unrealized loss amounts correspond to unrealized gain amounts of the hedged assets (fixed-rate loans, etc.).
- ③ Market values and unrealized gain and loss related to the interest rate swaps do not represent the actual amounts which will be received or paid in the future.

(2) Interest-Rate Derivatives

At March 31, 2000	Millions of Yen			
	Contract Amounts	Market Value	Unrealized Gain/(Loss)	
Transactions Listed on Exchanges:				
Interest-Rate Futures:				
Sold	¥—	¥—*2	¥—	¥—
Bought	—	—	—	—
Interest-Rate Options:				
Sold Call	—*1	—	—	—
Put	—*1	—	—	—
Bought Call	—*1	—	—	—
Put	—*1	—	—	—
Over-the-Counter Transactions:				
Forward Rate Agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-Rate Swaps:				
Receivable Fixed Rate/ Payable Floating Rate	188,152	131,000	1,850	1,850
Receivable Floating Rate/ Payable Fixed Rate	185,977	139,729	(5,293)	(5,293)
Receivable Floating Rate/ Payable Floating Rate	2,536	—	3	3
Interest-Rate Options:				
Sold Call	—*1	—	—	—
Put	—*1	—	—	—
Bought Call	—*1	—	—	—
Put	—*1	—	—	—
Other:				
Sold	—*1	*2	—	—
Bought	54 0*1	44*2	0	(0)
Total				(3,438)

*1 Option premiums recorded in the "Consolidated Balance Sheets"

*2 Over 1 year until settlement

Notes: 1. Determination of Market Value:

Market values for contracts listed on exchanges are the closing prices on the Tokyo International Financial Futures Exchange or on other exchanges.

2. The Contract Amount Columns list the notional value of the swaps and the contract value of futures, options and other derivatives.

3. Trading-related financial derivatives are not included in these amounts because the gains (losses) are realized at year-end and recorded in the statements of income.

The following table reflects the contract amounts and market value of the Bank's trading portfolio:

At March 31, 2000	Millions of Yen	
	Contract Amounts	Market Value
Transactions Listed on Exchanges:		
Interest-Rate Futures:		
Sold	¥ — —*	¥ —
Bought	— —*	—
Interest-Rate Options:		
Sold Call	— —*	—
Put	— —*	—
Bought Call	— —*	—
Put	— —*	—
Over-the-Counter Transactions:		
Forward Rate Agreements:		
Sold	—	—
Bought	—	—
Interest-Rate Swaps:		
Receivable Fixed Rate/ Payable Floating Rate	21,369	492
Receivable Floating Rate/ Payable Fixed Rate	21,369	(635)
Receivable Floating Rate/ Payable Floating Rate	16,000	(43)
Interest-Rate Options:		
Sold Call	— —*	—
Put	— —*	—
Bought Call	— —*	—
Put	— —*	—
Other:		
Sold	— —*	—
Bought	— —*	—

* Original option premiums received or paid.

4. Details of Interest Rate Swaps

The period remaining with respect to the contract amounts (notional principal), etc. is as follows:

At March 31, 2000	Millions of Yen		
	Period Remaining		
	Within 1 Year	1-3 Years	Over 3 Years
Period Remaining:			
Receivable Fixed Rate/ Payable Floating Rate			
Swaps Notional Amount	¥ 67,460	¥ 142,061	¥ —
Average Fixed Rate Receivable	4.27%	0.94%	—%
Average Floating Rate Payable	3.87%	0.21%	—%
Receivable Floating Rate/ Payable Fixed Rate			
Swaps Notional Amount	¥ 56,555	¥ 35,740	¥ 115,050
Average Floating Rate Receivable	1.93%	0.83%	0.32%
Average Fixed Rate Payable	3.11%	2.94%	2.27%
Receivable Floating Rate/ Payable Floating Rate			
Swaps Notional Amount	¥ 2,536	¥ 16,000	¥ —
Average Floating Rate Receivable	6.82%	1.20%	—%
Average Floating Rate Payable	6.61%	1.33%	—%
Total	¥ 126,552	¥ 193,802	¥ 115,050

(3) Currency Derivatives

At March 31, 2000	Millions of Yen			
	Contract Amounts	Market Value	Unrealized Gain/(Loss)	
Over-the-Counter Transactions:				
Currency Swaps:				
U.S. Dollars	¥ 89,561	¥32,598* ¹	¥ 68	¥ 68
Switz. Francs	2,284	—* ¹	(206)	(206)
Euro	49,191	—* ¹	(291)	(291)
Other Currencies	11	—* ¹	(0)	(0)
Total	¥141,048	¥32,598*¹	¥(428)	¥(428)

*¹ Over 1 year until settlement

Notes: 1. The Contract Amounts represent list the notional value of the swaps.

2. Trading-related financial derivatives are not included in these amounts because the gains (losses) are realized at the year-end and accounted for in the statements of income. But not applicable.

3. The table includes exchange swap transactions for the purpose of fund raising and investment in various currencies, amounting to ¥42,382 million in contract value, ¥(509) million in market value, ¥(509) million in unrealized loss. Revaluated currency derivatives contract amounts are as follows:

At March 31, 2000	Millions of Yen	
	Contract Amounts	Market Value
Transactions Listed on Exchanges:		
Currency Futures:		
Sold	¥ —	—
Bought	—	—
Currency Options:		
Sold Call	—(—)	—(—)
Put	—(—)	—(—)
Bought Call	—(—)	—(—)
Put	—(—)	—(—)
Over-the-Counter Transactions:		
Forward Foreign Exchange Contracts:		
Sold	1,734	—
Bought	2,690	—
Currency Options:		
Sold Call	—(—)	—(—)
Put	—(—)	—(—)
Bought Call	—(—)	—(—)
Put	—(—)	—(—)
Other:		
Sold	—	—
Bought	—	—

Note: Option premiums recorded in the "Consolidated Balance Sheets."

(4) Stock Derivatives

Not applicable as of March 31, 2000.

(5) Bond Derivatives

At March 31, 2000	Millions of Yen			
	Contract Amounts	Market Value	Unrealized Gain/(Loss)	
Transactions Listed on Exchanges:				
Bond Futures:				
Sold	¥13,570	—* ²	¥13,929	¥(359)
Bought	—	—* ²	—	—
Bond Futures Options:				
Sold Call	—* ¹	—* ²	—	—
Put	—* ¹	—* ²	—	—
Bought Call	—* ¹	—* ²	—	—
Put	—* ¹	—* ²	—	—
Over-the-Counter Transactions:				
Bond Options:				
Sold Call	—* ¹	—* ²	—	—
Put	—* ¹	—* ²	—	—
Bought Call	—* ¹	—* ²	—	—
Put	—* ¹	—* ²	—	—
Other:				
Sold	—	—* ²	—	—
Bought	—	—* ²	—	—
Total				(359)

*¹ Option premiums recorded in the "Consolidated Balance Sheets."

*² Over 1 year until settlement

Note: Trading-related financial derivatives are not included in these amounts because the gains (losses) are realized at the year-end and accounted for in the statements of income. But not applicable.

(6) Commodity Derivatives

Not applicable as of March 31, 2000.

21. Subsequent Events

(1) The Board of Directors of the Bank, at a meeting held on April 28, 2000, approved the first and the second issues of unsecured bonds on May 24, 2000 in amounts of ¥10,000 million and ¥5,000 million, respectively.

(2) On May 31, 2000 Daihyaku Mutual Life Insurance Company ("Daihyaku") received an order for the partial suspension of business from the Financial Supervisory Agency under the Insurance Business Law. The Bank had loans to Daihyaku totaling ¥11,000 million as of May 31, 2000, and the collectibility is uncertain as of the date of this report.

Report of Independent Certified Public Accountants

The Board of Directors
The Joyo Bank, Ltd.

We have audited the consolidated balance sheets of The Joyo Bank, Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and retained earnings for the two years then ended, and the related consolidated statement of cash flows for the year ended March 31, 2000, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of The Joyo Bank, Ltd. and consolidated subsidiaries at March 31, 2000 and 1999, and the consolidated results of their operations for the two years then ended and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Century Ota Showa & Co.

Tokyo, Japan
June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of The Joyo Bank, Ltd. under Japanese accounting principles and practices.

Non-Consolidated Balance Sheets

THE JOYO BANK, LTD.

March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2000	1999	2000	1999
Assets				
Cash and Due from Banks	¥ 307,106	¥ 296,081	\$ 2,893,132	\$ 2,789,269
Call Loans and Bills Purchased	156,007	188,593	1,469,684	1,776,665
Commercial Paper and Other Debt Purchased	66,129	38,843	622,976	365,925
Trading Assets (Note 5)	101,446	98,042	955,685	923,617
Money Held in Trust	40,000	32,000	376,825	301,460
Securities (Notes 6 and 7)	1,397,083	1,112,353	13,161,403	10,479,067
Reserve for Devaluation of Investment Securities	(2)	—	(19)	—
Loans and Bills Discounted (Notes 8 and 9)	4,445,943	4,756,216	41,883,589	44,806,556
Foreign Exchange (Note 10)	4,362	3,871	41,092	36,467
Other Assets (Note 11)	44,765	41,138	421,714	387,545
Premises and Equipment (Notes 3 and 12)	99,058	103,147	933,188	971,709
Deferred Tax Assets (Note 13)	75,611	69,443	712,303	654,196
Customers' Liabilities for Acceptances and Guarantees	88,707	109,379	835,675	1,030,419
Reserve for Possible Loan Losses	(95,778)	(160,283)	(902,289)	(1,509,967)
Total Assets	¥6,730,441	¥6,688,828	\$63,405,002	\$63,012,981
Liabilities and Shareholders' Equity				
Liabilities				
Deposits (Notes 7 and 14)	¥5,918,971	¥5,858,946	\$55,760,442	\$55,194,969
Call Money and Bills Sold	129,363	125,887	1,218,681	1,185,935
Trading Liabilities (Note 15)	745	1,446	7,018	13,622
Borrowed Money	66,683	71,968	628,195	677,983
Foreign Exchange (Note 10)	131	220	1,234	2,072
Other Liabilities (Note 16)	109,959	111,528	1,035,883	1,050,664
Reserve for Retirement Allowances	18,722	18,754	176,373	176,674
Reserve for Possible Losses on Sales of Loans	5,850	3,279	55,110	30,890
Reserve for Other Contingent Losses	3,485	1,182	32,830	11,135
Deferred Tax Liabilities for Land Revaluation (Notes 3 and 13)	10,855	11,778	102,260	110,956
Acceptances and Guarantees	88,707	109,379	835,675	1,030,419
Total Liabilities	6,353,476	6,314,372	59,853,754	59,485,369
Shareholders' Equity (Notes 27 and 29)				
Common Stock	85,113	85,113	801,818	801,818
Capital Surplus	58,574	58,574	551,804	551,804
Legal Reserve (Note 28)	52,381	49,940	493,462	470,466
Land Revaluation Reserve, Net of Tax (Notes 3 and 13)	15,378	16,535	144,870	155,770
Voluntary Reserves	151,469	100,647	1,426,933	948,158
Retained Earnings	14,048	63,646	132,341	599,585
Total Shareholders' Equity	376,965	374,456	3,551,248	3,527,611
Total Liabilities and Shareholders' Equity	¥6,730,441	¥6,688,828	\$63,405,002	\$63,012,981

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income and Retained Earnings

THE JOYO BANK, LTD.

For the Years Ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2000	1999	2000	1999
Income				
Interest Income:				
Interest on Loans and Discounts	¥109,456	¥119,531	\$1,031,144	\$1,126,057
Interest and Dividends on Securities	34,439	40,885	324,437	385,162
Other Interest Income	8,532	12,025	80,376	113,283
Fees and Commissions (Note 17)	14,479	14,068	136,401	132,529
Trading Revenue (Note 18)	111	862	1,045	8,120
Other Operating Income (Note 19)	3,000	22,690	28,261	213,754
Other Income (Note 20)	19,670	31,392	185,303	295,732
Total Income	189,691	241,461	1,787,008	2,274,715
Expenses				
Interest Expenses:				
Interest on Deposits	19,099	30,790	179,924	290,061
Interest on Borrowings and Rediscounts (Note 21)	6,528	7,698	61,497	72,520
Other Interest Expenses	16,134	16,743	151,992	157,729
Fees and Commissions (Note 22)	4,738	4,755	44,634	44,795
Trading Expenses (Note 23)	45	185	423	1,742
Other Operating Expenses (Note 24)	4,982	4,111	46,933	38,728
General and Administrative Expenses (Note 25)	77,268	79,122	727,913	745,379
Other Expenses (Note 26)	41,788	85,961	393,669	809,806
Total Expenses	170,587	229,370	1,607,037	2,160,810
Income before Income Taxes	19,103	12,090	179,962	113,895
Income Taxes:				
Current	15,093	17,979	142,185	169,373
Deferred (Note 13)	(7,033)	(11,240)	(66,256)	(105,888)
Net Income	11,042	5,351	104,022	50,409
Retained Earnings				
Balance at Beginning of Year	63,646	(55,542)	599,585	(523,241)
Reversal of Voluntary Reserves	4,177	61,000	39,349	574,658
Reversal of Land Revaluation Reserve (Note 3)	1,214	—	11,436	—
Retirement of Treasury Stock	(4,177)	—	(39,349)	—
Cumulative Effect on Prior Years of Adopting Deferred Tax Accounting	—	58,203	—	548,308
Appropriations:				
Transfer to Legal Reserve	(2,440)	(942)	(22,986)	(8,874)
Cash Dividends (Note 29)	(4,413)	(4,422)	(41,573)	(41,658)
Transfer to Voluntary Reserves	(55,000)	—	(518,134)	—
Balance at End of Year (Note 30)	¥ 14,048	¥ 63,646	\$ 132,341	\$ 599,585

	Yen	U.S. Dollars (Note 2)
Per Share		
Net Income	¥12.52	\$0.118
Cash Dividends Applicable to the Year (Note 29)	5.00	0.047

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

THE JOYO BANK, LTD.

1. Basis of Presentation

The accompanying financial statements of The Joyo Bank, Ltd. (the 'Bank') do not include the accounts of its subsidiary companies.

The Bank's accounting procedures and principles are conformity with accounting principles generally accepted in Japan and with the Commercial Code of Japan, the Banking Law of Japan, and the Uniform Rules for Bank Accounting issued by the Japanese Ministry of Finance. Accordingly, the accompanying non-consolidated financial statements may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In the preparation of these financial statements, certain reclassifications and rearrangements have been made to the original Japanese-language statements, and additional notes have been included, in order to present them in a form that is familiar to readers outside Japan.

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying non-consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of Japanese yen amounts at ¥106.15 = US\$1.00, the exchange rate prevailing on March 31, 2000.

3. Land Revaluation Reserve

In accordance with the Law concerning the Revaluation of Land, the Bank revalued land held for its operations on March 31, 1998. The net unrealized gain is stated in shareholders' equity net of the applicable income taxes as "Land Revaluation Reserve, Net of Tax."

4. Significant Accounting Policies

(a) Translation of foreign currencies

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the rates prevailing at the balance sheet date.

(b) Transactions for trading purposes

Transactions for "Trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and included in "Trading Assets" and "Trading Liabilities" on a trade-date basis. Profits and losses on trading transactions are shown as "Trading Revenue" or "Trading Expenses."

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

(c) Securities

Securities are carried at cost determined by the moving average method.

Securities invested in the form of certain trust funds and included in "Money Held in Trust" are also carried at cost determined by the moving average method.

(d) Depreciation of premises and equipment

Depreciation of buildings held by the Bank is computed by the declining-balance method, based on the rates prescribed by the Corporation Tax Law, except for buildings acquired on and after April 1, 1998 on which depreciation is computed by the straight-line method, based on the rates prescribed by the Corporation Tax Law. Depreciation of equipment is computed by the declining-balance method, based on the rates prescribed by the Corporation Tax Law.

(e) Reserve for possible loan losses

The reserve for possible loan losses is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (due to bankruptcy, composition, etc.) or substantially bankrupt, a reserve is provided based on the amount of the claims net of the amounts expected to be collected through the disposal of collateral or through the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment, of the amount of claims net of the amounts expected to be collected through the disposal of collateral or through the execution of guarantees.

For other claims, a reserve is provided based on historical loan-loss experience. A reserve for loans to specific foreign borrowers (including the reserve for losses on overseas investments provided pursuant to Article 55-2 of the Special Taxation Measures Law) is provided based on the amount of losses expected due to the political and economic situation in those countries.

All claims are assessed by the Business Section (branches and related head office divisions) based on the internal rules for self-assessment of asset quality. The Corporate Audit Department, which is independent from the Business Section, subsequently conducts audits of their assessments, and a reserve is provided based on the audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or substantially bankrupt, the amount of the claims exceeding the estimated value of the collateral or guarantees which is deemed uncollectible was written off in the aggregate amount of ¥70,974 million.

In conformity with a revision to the enforcement regulations of the Banking Law, which became effective the year ended March 31, 2000, the reserve, formerly shown in liabilities, is presented as a deduction from assets in the balance sheets. Due to this change, both total assets and total liabilities fell by ¥95,778 million, from the amounts which would have been recorded under the previous method of accounting.

(f) Reserve for retirement allowances and pension plan

Under the terms of the Bank's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement benefits is, in general, based on the length of service, basic salary at the time of retirement and reason for retirement. The reserve for retirement allowances is provided at 100% of the amount which would be required to be paid if all eligible employees retired voluntarily at the balance sheet date.

In addition, the Bank has a contributory pension plan for eligible employees. The balance of prior service cost under the contributory pension plan was ¥1,274 million (including ¥845 million of valuation loss on the plan's assets) as of March 31, 1999, which is being amortized by the straight-line method over 20 years by the accelerated method at 50% of the valuation loss.

(g) Reserve for possible losses on sales of loans

The reserve for possible losses on sales of loans is provided for future losses on sales of loans with real estate mortgages to the Cooperative Credit Purchasing Co., Ltd. based on the estimated fair value of each respective mortgage.

(h) Reserve for other contingent losses

The reserve for other contingent losses is provided based on the estimated future losses on real estate mortgages associated with the loans sold upon liquidation of the assets.

(i) Reserve for devaluation of investment securities

This reserve is provided to cover any future potential losses on investments. Consideration is given to the financial situation of the relevant companies in determining the amount to be accounted for under the above reserve.

(j) Gains and losses resulting from revaluation of foreign currency accounts

In accordance with the administrative notice entitled "Accounting Procedures Related to Foreign Exchange Banks' Transactions in Foreign Currency-Denominated Assets and Currency Options Contracts," currency options transactions are valued at market values prevailing at the balance sheet date (profits and losses derived from forward foreign exchange contracts with more than one year remaining before maturity are calculated based on the market value of the contracts at the balance sheet date, discounted at the long-term interest rate). Profits and losses derived from the portion of spot exchange assets and liabilities and forward contracts constituting funding-related swaps and currency-related swaps made as an integral part of the funding transactions are recognized on an accrual basis in accordance with the above-mentioned administrative notice. Currency futures transactions and currency options transactions are revalued at market values at the balance sheet date in accordance with the above-mentioned administrative notice.

(k) Income taxes

Income taxes comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 41.6%.

Effective the year ended March 31, 1999, the Bank adopted deferred tax accounting in conformity with the revised accounting standards in Japan. As required, deferred tax assets and liabilities are recorded based on the temporary differences between the financial statements and the tax bases of the assets and liabilities.

(l) Net income per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

(m) Leases

Finance leases other than those which transfer the ownership of the leased property to the Bank are accounted for as operating leases.

5. Trading Assets

March 31,	Millions of Yen	
	2000	1999
Trading Securities	¥ 1,151	¥ 1,791
Trading-Related Financial Derivatives	558	1,271
Other Trading Assets	99,737	94,979
Total	¥101,446	¥98,042

6. Securities

March 31,	Millions of Yen	
	2000	1999
Japanese Government Bonds	¥ 391,440	¥ 225,482
Japanese Local Government Bonds	283,156	252,757
Corporate Bonds	117,409	104,369
Corporate Stocks	201,425	203,035
Other Securities	403,648	326,703
Securities Lent	2	4
Total	¥1,397,083	¥1,112,353

7. Pledged assets

Securities, amounting to ¥16,208 million at book value, were pledged as collateral for deposits of ¥59,185 million as of March 31, 2000.

In addition to the above, securities amounting to ¥65,247 million at book value, were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2000.

8. Loans and Bills Discounted

March 31,	Millions of Yen	
	2000	1999
Bills Discounted	¥ 94,146	¥ 118,278
Loans on Notes	889,933	946,517
Loans on Deeds	2,832,911	2,938,238
Overdrafts	628,951	753,181
Total	¥4,445,943	¥4,756,216

9. Non-Performing Loans

In accordance with disclosure requirements under the Rules for Bank Accounting in Japan, which became effective April 1, 1995, the balance of Loans and Bills Discounted at March 31, 2000 and 1999 included the following non-performing loans:

March 31,	Millions of Yen	
	2000	1999
(a) Loans in Bankruptcy and Dishonored Bills	¥ 19,597	¥ 32,208
(b) Delinquent Loans	231,752	59,549
(c) Loans Past Due with Respect to Interest Payments for a Period of More than Three Months	2,707	16,683
(d) Restructured Loans	42,086	143,614

Effective the year ended March 31, 2000, the Bank began to eliminate uncollectible amounts directly from loans (See Note 4(e)). The effect of this change was to reduce “loans in bankruptcy” and “delinquent loans” as of March 31, 2000 by ¥20,785 million and ¥49,969 million, respectively.

Accrued interest had been recognized in conformity with the tax law. Effective the year ended March 31, 2000, the Bank did not recognize accrued interest on loans in bankruptcy, or substantially or suspiciously in bankruptcy as a result of the Bank’s self-assessment. The effect of this change was to reduce accrued interest on “loans past due more than three months,” “restructured loans” and “delinquent loans” for the year ended March 31, 2000 by ¥8,047 million, ¥127,951 million and ¥185,344 million, respectively.

10. Foreign Exchange

March 31,	Millions of Yen	
	2000	1999
Assets:		
Due from Foreign Banks	¥ 413	¥ 399
Foreign Exchange Bills Bought	577	776
Foreign Exchange Bills Receivable	3,370	2,695
Total	¥4,362	¥3,871
Liabilities:		
Due to Foreign Banks	¥ 6	¥ 66
Foreign Exchange Bills Sold	99	137
Foreign Exchange Bills Payable	25	16
Total	¥ 131	¥ 220

11. Other Assets

March 31,	Millions of Yen	
	2000	1999
Domestic Exchange Settlement A/C, Dr.	¥ 532	¥ 503
Prepaid Expenses	538	679
Accrued Income	15,787	15,373
Other	27,907	24,581
Total	¥44,765	¥41,138

12. Premises and Equipment

March 31,	Millions of Yen	
	2000	1999
Land, Buildings and Equipment	¥176,753	¥176,391
Construction in Progress	150	3,194
Leasehold Guarantees and Deposits	7,921	8,046
Total	184,824	187,631
Less Accumulated Depreciation	85,766	84,484
Net Book Value	¥ 99,058	¥103,147

13. Deferred Tax Assets

March 31,	Millions of Yen	
	2000	1999
Deferred Tax Assets:		
Excess Reserve for Possible Loan Losses	¥58,122	¥53,953
Excess Reserve for Retirement Allowances	5,190	4,915
Excess Depreciation	3,326	3,737
Transfer to Reserve for Possible Losses on Sales of Loans	2,420	1,856
Other	6,550	4,980
Total	¥75,611	¥69,443

The major reasons for the significant differences between the statutory tax rate and the effective tax rate including the corporate income tax rate and other tax rates after the adoption of tax-effect accounting are summarized as follows:

	2000	1999
Statutory Tax Rate	41.6%	47.2%
Items Not Permanently Included in Income, such as Dividends Received	-3.1%	-6.4%
Adjustment for Term-End Deferred Tax Assets Due to Tax Rate Revision	2.1%	12.5%
Others	1.6%	2.4%
Effective Tax Rate	42.2%	55.7%

On March 30, 2000 the “Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Tokyo” was passed by the Tokyo Municipal Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2000. For the year ended March 31, 2000, income was subject to enterprise tax, but for the future years the enterprise tax will be levied on gross profits. This means that the enterprise tax will not be included in the tax calculations for deferred tax accounting. Therefore the tax rate applying when calculating the Bank’s Deferred Tax Assets and Deferred Tax Liabilities is 41.3% for the year ended March 31, 2000, as against 41.6% in the previous year. The effect of this change results in a decrease in Deferred Tax Assets of ¥367 million, and an increase in Income Tax Expenses—Deferred booked for the year ended March 31, 2000 of ¥367 million. There is also a decrease in Deferred Tax Liability for Land Revaluation of ¥57 million, and an increase in the Land Revaluation Account of ¥57 million at March 31, 2000.

On June 9, 2000 the “Ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Osaka” was passed by the Osaka Municipal Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2001. But the influence of the tax rate applying when calculating the Bank’s Deferred Tax Assets and Deferred Tax Liabilities will be not important. The effect of this change results in a decrease in Deferred Tax Assets of ¥ 54 million, and Deferred Tax Liability for Land Revaluation of ¥ 7 million, respectively. The actual effect of the change in tax rates will be clarified when the amount is calculated based on the differences prevalent on March 31, 2001. Therefore the amounts given above are subject to revision.

14. Deposits

March 31,	Millions of Yen	
	2000	1999
Current Deposits	¥ 111,462	¥ 128,319
Ordinary Deposits	1,720,190	1,576,355
Savings Deposits	102,362	117,514
Deposits at Notice	91,894	66,609
Time Deposits	3,721,703	3,777,028
Installment Savings	2,977	12,090
Negotiable Certificates of Deposit	14,299	7,233
Other	154,081	173,796
Total	¥5,918,971	¥5,858,946

15. Trading Liabilities

March 31,	Millions of Yen	
	2000	1999
Trading-Related Financial Derivatives	¥745	¥1,446

16. Other Liabilities

March 31,	Millions of Yen	
	2000	1999
Domestic Exchange Settlement A/C, Cr.	¥ 1,278	¥ 3,994
Accrued Taxes	6,882	16,856
Accrued Expenses	21,316	24,601
Unearned Income	4,985	5,703
Employees’ Deposits	1,776	10,717
Deposits on Bonds Loaned	31,421	34,836
Other	42,298	14,816
Total	¥109,959	¥111,528

17. Fees and Commissions (Income)

March 31,	Millions of Yen	
	2000	1999
Exchange Settlement	¥ 7,764	¥ 7,815
Other Fees and Commissions	6,715	6,253
Total	¥14,479	¥14,068

18. Trading Revenue

March 31,	Millions of Yen	
	2000	1999
Revenue from Trading Securities	¥ 55	¥ 27
Other Trading Revenue	55	835
Total	¥111	¥862

19. Other Operating Income

March 31,	Millions of Yen	
	2000	1999
Gains on Foreign Exchange Transactions	¥ 644	¥ 440
Gains on Sales of Bonds	2,304	22,181
Other	51	68
Total	¥3,000	¥22,690

20. Other Income

March 31,	Millions of Yen	
	2000	1999
Gains on Sales of Stocks and Other Securities	¥15,995	¥25,738
Gains on Money Held in Trust	599	674
Other Current Revenues	2,096	1,436
Other	979	3,544
Total	¥19,670	¥31,392

21. Interest on Borrowings and Rediscounts

March 31,	Millions of Yen	
	2000	1999
Call Money	¥4,796	¥5,794
Bills Sold	5	34
Borrowings	1,726	1,870
Total	¥6,528	¥7,698

22. Fees and Commissions (Expenses)

March 31,	Millions of Yen	
	2000	1999
Exchange Settlement	¥1,518	¥1,549
Other Fees and Commissions	3,219	3,205
Total	¥4,738	¥4,755

23. Trading Expenses

March 31,	Millions of Yen	
	2000	1999
Expenses on Trading-Related Financial Derivatives Transactions	¥45	¥185

24. Other Operating Expenses

March 31,	Millions of Yen	
	2000	1999
Losses on Sales of Bonds	¥2,908	¥2,810
Losses on Redemption and Write-offs of Bonds	2,074	1,300
Total	¥4,982	¥4,111

25. General and Administrative Expenses

March 31,	Millions of Yen	
	2000	1999
Salaries and Allowances	¥40,383	¥41,659
Retirement Benefits	514	1,010
Welfare Expenses	309	411
Depreciation	3,208	3,971
Rent and Lease Expenses	4,847	4,790
Taxes and Public Impositions	3,687	3,677
Other	24,320	23,604
Total	¥77,268	¥79,122

Payments related to finance leases other than those which transfer the ownership of the leased property to the Bank amounted to ¥1,406 million and ¥1,453 million and were charged to income for the years ended March 31, 2000 and 1999, respectively.

Future lease payments under such finance and operating leases at March 31, 2000 are summarized as follows:

March 31, 2000	Millions of Yen	
	Finance Leases	Operating Leases
Due Within One Year	¥1,259	¥ 88
Due After One Year	2,474	982
Total	¥3,734	¥1,071

26. Other Expenses

March 31,	Millions of Yen	
	2000	1999
Provision for Possible Loan Losses	¥20,885	¥74,043
Provision for Losses on Sales of Loans and Other	5,336	2,287
Write-offs of Claims	10,907	96
Losses on Devaluation of Stocks and Other Securities	1,490	3,224
Losses on Sales of Stocks	498	1,923
Losses on Disposal of Premises and Equipment	818	193
Other	1,851	4,192
Total	¥41,788	¥85,961

For the years ended March 31, 2000 and 1999, "other expenses—other" included losses on sales of loans with real estate mortgages to the Cooperative Credit Purchasing Co., Ltd. and other institutions of ¥1,670 million and ¥4,070 million, respectively.

27. Shareholders' Equity

As of June 29, 2000, 2,190,632 thousand shares of common stock of the Bank, with a par value of ¥50 per share, were authorized and 875,348 thousand shares were issued. Under the Commercial Code of Japan, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be credited to stated capital is determined by resolution of the Board of Directors. Accordingly, the aggregate amount of the par value of the issued shares does not equal the stated capital of the Bank.

28. Legal Reserve

Under the Banking Law, an amount equal to at least 20% of cash dividends paid and bonuses to directors and statutory auditors must be appropriated to the legal reserve from retained earnings until such reserve equals 100% of common stock. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to common stock.

29. Dividends and Interim Dividends

The Bank pays dividends twice a year. Annual dividends are paid to shareholders of record as of March 31 and are reflected in the non-consolidated statements of income and retained earnings when duly approved and paid. In addition, the Bank pays interim dividends to shareholders of record as of September 30.

30. Subsequent Events

(1) The Board of Directors of the Bank, at a meeting held on April 28, 2000, approved the first and the second issues of unsecured bonds on May 24, 2000 in amounts of ¥10,000 million and ¥5,000 million, respectively.

(2) On May 31, 2000 Daihyaku Mutual Life Insurance Company ("Daihyaku") received an order for the partial suspension of business from the Financial Supervisory Agency under the Insurance Business Law. The Bank had loans to Daihyaku totaling ¥11,000 million as of May 31, 2000, and the collectibility is uncertain as of the date of this report.

(3) Appropriation of Retained Earnings
The following appropriations of retained earnings were approved at a general shareholders' meeting held on June 29, 2000:

	Millions of Yen
Retained Earnings at March 31, 2000	¥14,048
Reversal of Voluntary Reserves	822
Appropriations:	
Transfer to Legal Reserve	2,000
Cash Dividends	2,188
Bonuses to Directors and Corporate Auditors	30
Transfer to Voluntary Reserves	5,000
Retained Earnings Carried Forward	¥ 5,653

Report of Independent Certified Public Accountants

The Board of Directors
The Joyo Bank, Ltd.

We have audited the non-consolidated balance sheets of The Joyo Bank, Ltd. as of March 31, 2000 and 1999, and the related non-consolidated statements of income and retained earnings for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the non-consolidated financial position of The Joyo Bank, Ltd. at March 31, 2000 and 1999, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

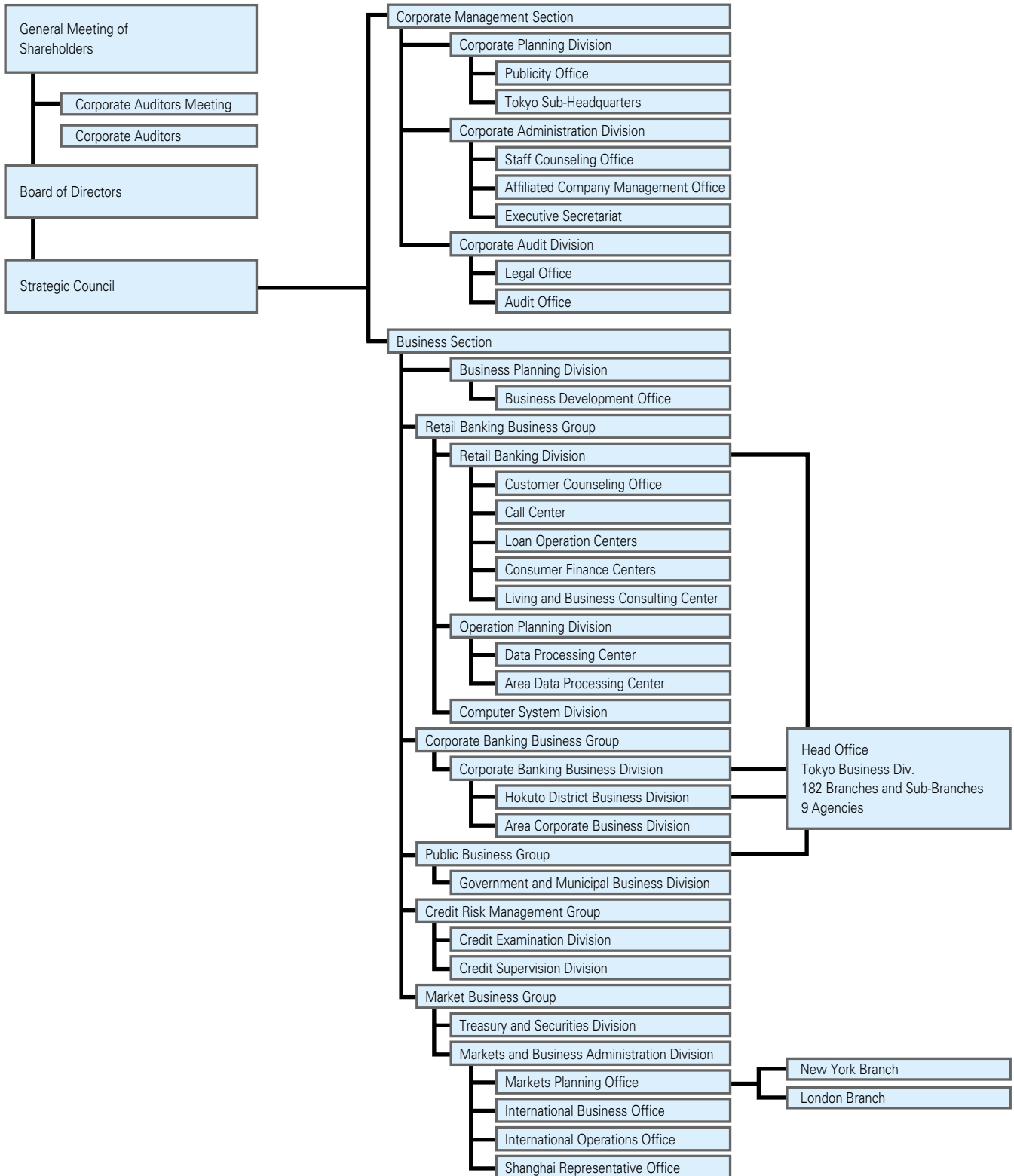
Century Ota Showa & Co.

Tokyo, Japan
June 29, 2000

See Note 1 to the non-consolidated financial statements which explains the basis of preparation of the non-consolidated financial statements of The Joyo Bank, Ltd. under Japanese accounting principles and practices.

Organization

THE JOYO BANK, LTD.



Board of Directors and Corporate Auditors

Chairman

Toranosuke Nishino

President

Isao Shibuya

Senior Managing Directors

Shigeru Otaka

Shinichi Yamada

Managing Directors

Takashi Iwakami

Yuto Kawahara

Noboru Ehashi

Atsushi Yanagawa

Kunio Onizawa

Director

Itaru Ishikawa

Director and Executive Officer

Makoto Tateno

Standing Corporate Auditors

Hideo Kobayashi

Kozo Suzuki

Corporate Auditors

Suguru Kurosawa

Tadao Kanazawa

Kazumitsu Tsurumi

As of March 31, 2000

Market Business Group

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Phone: 029-231-2151

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Telefax: 03-3242-3726

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Deputy General Manager

Noriaki Suzuki

Councilor

Kuniharu Harashima

• Operations Group (Tokyo)

Senior Manager

Osato Aizawa

• Operations Group (Mito)

Senior Manager

Keno Ochiai

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Akira Uchida

Joint General Manager

Kaoru Miyata

Deputy General Manager

Shigeki Morita

• Investment Group

Senior Manager

Akira Iwato

• Business Promotion Group

Manager

Masahide Takauchi

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Telex: 4976129 JOYONY
Telefax: 1-212-752-6900

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Deputy General Manager

Hideto Kashimura

Managers

Sentarou Iimura

Norihisa Nakamura

Yasuhiro Katada

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General Manager

Sotaro Yamada

Deputy General Manager

Makoto Honya

Managers

Takeaki Sato

Yoichi Kurosawa

Noboru Araki

Toshio Nakane

Jeffrey Cheah

■ Shanghai Representative Office

Room 1901, Shanghai International Trade
Centre, 2201 Yan An Road (West),
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Phone: 86-21-6209-0258
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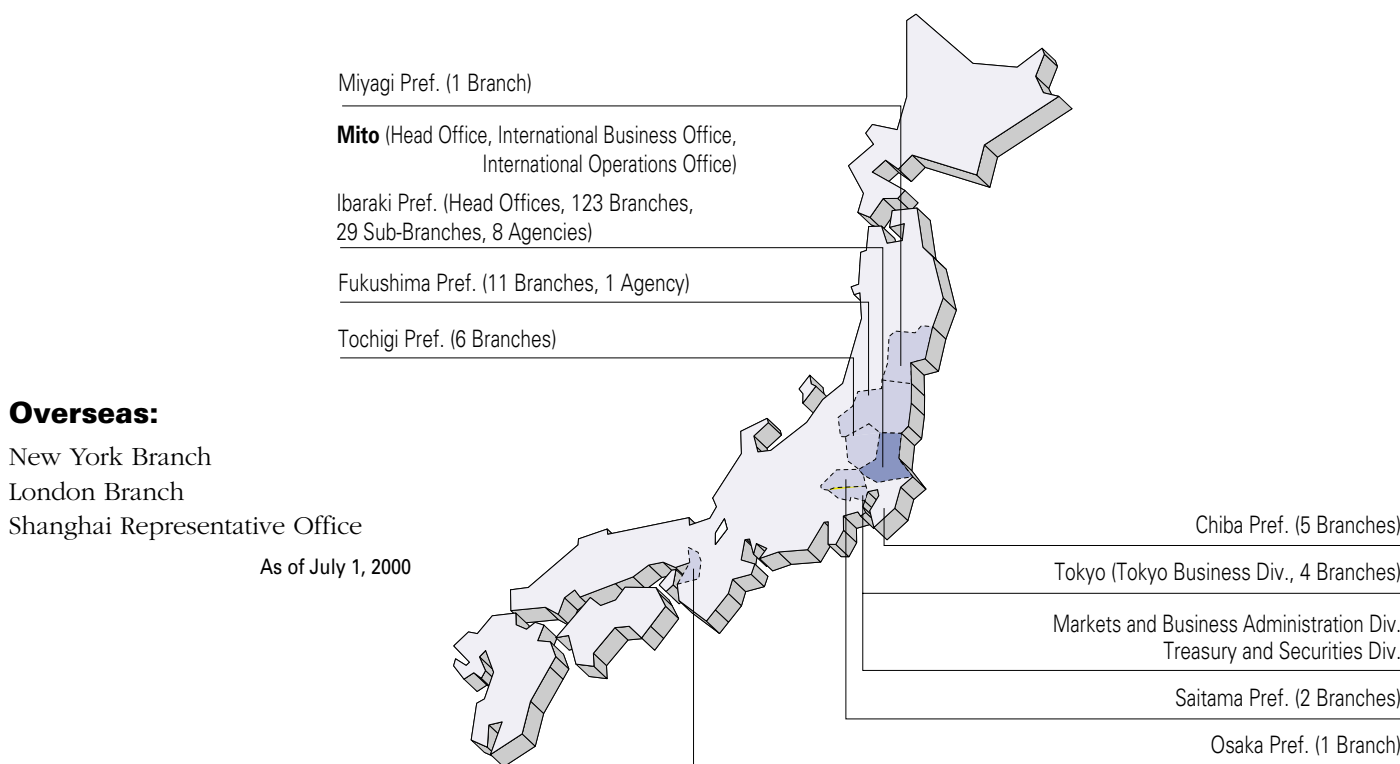
Chief Representative

Michihiro Ono

Deputy Chief Representative

Michio Kato

Service Network



Affiliated Companies

■ The Joyo Lease Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1974, Capital Stock: ¥100 million
Joyo's Equity Share: 5%
This company rapidly and flexibly accommodates diversifying customer needs by supplying a wide range of financial services, centering on leasing of machinery and equipment for any business field.

■ The Joyo Credit Guarantee Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1978, Capital Stock: ¥30 million
Joyo's Equity Share: 5%
This company is mainly in charge of guarantee business for customers requesting loans from the Bank such as housing loans. The separate and dedicated operations for loan guarantees allow customers to use the service through a simple and quick procedure.

■ The Joyo Credit Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1982, Capital Stock: ¥100 million
Joyo's Equity Share: 5%
This credit company was founded as a franchise of the DC Card system. The "DC Master Card" and the "DC VISA Card" meet diversified customers' needs and serve to establish the reputation of DC as an international brand.

■ The Joyo Business Service Co., Ltd.

8-1, Sasano-machi 1-chome, Hitachinaka, Ibaraki
Established 1984, Capital Stock: ¥100 million
Joyo's Equity Share: 100%
This company is an agent mainly in charge of administrative work for Joyo Bank such as maintenance of CDs and ATMs. It contributes to improving convenience for customers, as well as improving the Bank's operations by establishing an efficient operation processing support system.

■ The Joyo Staff Service Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1991, Capital Stock: ¥30 million
Joyo's Equity Share: 100%
This company is dedicated to human resource development and personnel dispatch services. It contributes to upgrading the efficiency and services of the Bank by securing and quickly supplying good human resources and providing profession training.

■ The Joyo Financial Service Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1991, Capital Stock: ¥100 million
Joyo's Equity Share: 5%
This company is actively engaged in meeting diversified customer demands, including the need for products such as mortgage-backed securities, and offers consulting services for corporations going public.

■ The Joyo Equipment Management Co., Ltd.

5-5, Minami-machi 2-chome, Mito, Ibaraki
Established 1999, Capital Stock: ¥100 million
Joyo's Equity Share: 100%
This company is engaged in maintenance and management of operational properties and equipments of the Bank.

■ The Joyo Cash Service Co., Ltd.

3-1, Jonan 1-chome, Mito, Ibaraki
Established 1999, Capital Stock: 50 million
Joyo's Equity Share: 100%
This company is engaged in management and maintenance of ATMs and CDs.

As of March 31, 2000

■ Date of Establishment	July 30, 1935
■ Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan Phone: 029-231-2151 Telefax: 029-231-2193 URL: http://www.joyobank.co.jp/ http://www.joyobank.co.jp/joyobank/eng/ (English Page)
■ Markets and Business Administration Division	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan Phone: 03-3273-1741 Telefax: 03-3242-3726 Telex: J23278 "JOYOBANK", 3632105 "JOYOBK" Swift: JOYOJPTT
■ Domestic Network (as of June 30, 2000)	Head Office, Tokyo Business Div., and 182 Branches (including 29 Sub-Branches) and 9 Agencies
■ Overseas Network	2 Branches (New York, London) 1 Representative Office (Shanghai)
■ Number of Employees	4,330
■ Stock Exchange Listing	Tokyo Stock Exchange
■ Paid-in Capital	¥85,113 million
■ Number of Shares of Common Stock (as of June 29, 2000)	Authorized 2,190,632 thousand Issued and Outstanding 875,348 thousand
■ Number of Shareholders	38,278
■ Principal Shareholders	The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2000 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Bank of Tokyo-Mitsubishi, Ltd.	42,295	4.83 %
The Nippon Fire and Marine Insurance Company, Limited	40,973	4.68
The Sumitomo Bank, Limited	30,429	3.47
Daihyaku Mutual Life Insurance Company	30,083	3.43
The Sumitomo Trust and Banking Company, Limited	17,626	2.01
Sumitomo Life Insurance Company	16,448	1.87
The Industrial Bank of Japan, Limited	16,358	1.86
The Dai-ichi Mutual Life Insurance Company	15,050	1.71
Nippon Life Insurance Company	14,449	1.65
Meiji Life Insurance Company	13,000	1.48
Total.....	236,714	27.04 %

As of March 31, 2000

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Chuo-ku, Tokyo
104-0028, Japan

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