

# JOYO BANK

Annual Report 2003

## PROFILE

The Joyo Bank, Ltd., was established in 1935 out of the merger of the Tokiwa Bank and Goju Bank (both founded in 1878), and celebrating its 125th year in Business.

As a leading financial institution in Ibaraki Prefecture and surrounding regions, the Bank, with the philosophy of “Practicing sound management, creation of values, and partnership with the home region,” is contributing to the growth of its home region by providing stable and comprehensive financial services.

### Management Philosophy

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#### “Sound management, creation of value, and partnership with the home region”

- (1) Focusing on retail banking as our core business, Joyo Bank will pursue sound management and steady banking activities.
- (2) Joyo Bank will create high-value business together with our customers, regional communities, and shareholders.
- (3) By providing financial services in our base territory of Ibaraki Prefecture and adjacent areas, Joyo Bank will contribute to social and economic progress in the home region.

### Action Guidelines

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We will

- Provide the most appropriate products and services based on a keen understanding of our customers.
- Undertake steady banking activities and grow together with our customers.
- Seek to further improve our financial skills.

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# FINANCIAL HIGHLIGHTS

## Consolidated

THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

Years Ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>For the Year Ended</b>			
Total Income	¥ 172,475	¥ 188,173	\$ 1,434,900
Total Expenses	152,459	244,815	1,268,377
Income (Loss) before Income Taxes and Minority Interests	20,016	(56,642)	166,522
Net Income (Loss)	8,305	(32,788)	69,093
<b>At the Year End</b>			
Total Assets	¥6,792,667	¥6,887,944	\$56,511,372
Deposits	6,081,317	6,114,415	50,593,319
Loans and Bills Discounted	4,232,580	4,251,941	35,212,811
Securities	2,070,219	2,039,313	17,223,119
Shareholders' Equity	360,082	367,319	2,995,690
Capital Ratio		11.83%	
<b>For the Year Ended</b>			
Net Cash Provided by Operating Activities	¥ 9,898	¥ 453,898	\$ 82,346
Net Cash Used in Investing Activities	(105,199)	(288,233)	(875,199)
Net Cash (Used in) Provided by Financing Activities	(14,478)	4,964	(120,449)
Net (Decrease) Increase in Cash and Cash Equivalents	(109,796)	170,642	(913,444)
Cash and Cash Equivalents at End of Year	172,035	281,831	1,431,239

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 ¥120.20 to US\$1.00 on March 31, 2003.

## Non-Consolidated

THE JOYO BANK, LTD.

Years Ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>For the Year Ended</b>			
Total Income	¥ 154,233	¥ 168,871	\$ 1,283,136
Total Expenses	136,010	223,915	1,131,530
Income (Loss) before Income Taxes	18,223	(55,044)	151,605
Net Income (Loss)	8,386	(32,109)	69,767
<b>At the Year End</b>			
Total Assets	¥6,780,242	¥6,867,816	\$56,408,003
Deposits	6,091,865	6,125,315	50,681,073
Loans and Bills Discounted	4,274,410	4,278,683	35,560,815
Securities	2,070,023	2,039,529	17,221,489
Shareholders' Equity	360,655	368,007	3,000,457

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 ¥120.20 to US\$1.00 on March 31, 2003.

## MESSAGE FROM THE PRESIDENT



Isao Shibuya  
*President*

As a regional financial institution, our most pressing concerns are identifying and meeting the needs of our customers and our home region.

### **Putting the customer first: Becoming a comprehensive supplier of high-quality financial services**

Under its 8th medium-term management plan (April 1, 2002 to March 31, 2005), Joyo Bank is transforming itself into a comprehensive financial provider capable of meeting the expectations of customers, shareholders and the regional community. As such, we will increase asset soundness and earnings power, and become a financial services provider of recognized growth potential.

Financial services begin with the customer. In all matters, we take the perspective of the customer, and are guided by the values of the customer in all our actions. By knowing our customers well, and listening closely to them, and by providing superior products and services that really meet their needs, we can achieve an unrivaled level of customer satisfaction. Through such efforts, we will win still firmer trust from our customers, shareholders and the

regional community as a whole. We will thereby increase asset soundness, earnings power and corporate value. In this way, I am convinced the Bank can meet the expectations of all stakeholders.

### **Responding to diversifying needs, and revitalizing the region**

An important role of regional financial institutions is stimulation of their local economy by assuring reliable financial services and helping corporate customers achieve growth. Our belief in the importance of this role underpins the measures we are taking to upgrade our products, services and marketing channels.

To meet local business funding needs, we began handling a new loan product using scoring-based credit screening in cooperation with the Ibaraki Prefecture Credit Guarantee Association in October 2002. We have made

loans to approximately 2,000 customers in six months. This addition to our popular existing range of products further enables us to respond quickly to a wide range of funding needs of regional small and medium-sized enterprises.

At the same time, our Customer Management Support Office, established to improve customers' business performance and financial position, is now operating on a full-fledged basis and is already achieving notable results. In the future, we will step up these measures, to assist local businesses in difficulty and reinvigorate the regional economy.

And we are now even better positioned to quickly meet customer's asset management and borrowing needs, having added new investment trust and foreign currency deposit products, individual pension insurance and pre-application housing loans to our range of services in October 2002. With these upgrades and newly launched products, the balance of loans to individuals and separately managed customer assets has increased steadily. In the future, we will position ourselves to serve the customer even more effectively.

We have made various changes to marketing channels to enhance customer convenience, including expansion of services in our Access J direct banking program and opening of a mortgage-finance site on our Internet website. In addition, in April 2003, we opened a business portal site for corporate customers, providing a forum for posting of information and for business negotiation as well as offering consultation services and other aids for resolving business issues and improving performance.

Other measures to increase customer convenience by upgrading marketing channels include steady expansion of our network of ATMs in convenience stores, in partnership with e-net Co., Ltd. and a business alliance with IY Bank Co., Ltd. launched in July 2003.

### **Sound management, creation of value, and partnership with the home region**

In March 2003, Japan's Financial Services Agency unveiled an action plan for regional banks, including recommendations for enhancing funding to small and medium-sized

enterprises and improving the banks' asset soundness and earnings power. The new framework was expected to supplement the Program for Financial Revival announced in October 2002 by the Agency for shoring up and supervising the Japanese financial system. As this shows, the role of regional financial institutions within their communities has become more important.

Under the corporate philosophy of sound management, creation of value, and partnership with the home region, we are determined to grow in partnership with our customers and regional stakeholders centered on retail banking, while assuring a sound asset portfolio and steady business development. By offering financial services that are truly appreciated by the customer, we can contribute meaningfully to the development of our regional economy and community.

Our operating environment is undergoing great change, but we remain steadfastly committed to our corporate philosophy. The very harshness of operating conditions has made us refocus on our roots in the region and identify and meet the needs of our customers and our home region.

Joyo Bank employees are united in their commitment to putting the customer first, winning customer trust and making Joyo a comprehensive supplier of high-quality financial services that is the bank of choice for the region. In this endeavor, I humbly ask all stakeholders for their continued support.



**Isao Shibuya**  
*President*

## BUSINESS HIGHLIGHTS

### Revenues and Earnings (Non-consolidated basis)

Business profits for the reporting term increased ¥12.1 billion or 30.1% year on year to ¥52.3 billion (US\$435.7 million), reflecting a stable performance in banking operations and a substantial decline in provisions to the general reserves for possible loan losses.

Provisions to the general reserves for possible loan losses declined by a hefty ¥14.0 billion year on year, reflecting a decrease in the balance of loans to borrowers requiring caution following our efforts to help turn around troubled local businesses. In addition, an increase in gains on collection of written-off claims, in line with procedures for final disposal of bad debt, helped yield a net income for the term of ¥8.3 billion (US\$69.7 million), compared with a net loss of ¥32.1 billion in the previous term.

### Deposits, Loans and Securities

Deposits (excluding CDs) stood at ¥5,990.8 billion (US\$49,841.0 million) at fiscal term-end, decreased by ¥29.0 billion from the previous term-end. Of this figure, other deposits increased by ¥187.8 billion to ¥3,161.0 billion at fiscal term-end, but time deposits down ¥216.8 billion to a term-end balance of ¥2,829.8 billion.

The balance of loans and bills discounted declined ¥4.2 billion during the term under review, to end the fiscal year at ¥4,274.4 billion (US\$35,560.8 million). Of this sum, loans to individuals increased ¥23.0 billion to ¥792.5 billion.

Meanwhile, despite active marketing of loans to small and medium-sized businesses, the balance decreased by ¥97.5 billion during the term to ¥1,932.8 billion at term-end, owing to slack demand for funds and the efforts of companies' managements to reduce interest-bearing liabilities to improve their financial positions.

The balance of securities at fiscal term-end was up ¥30.4 billion year on year, at ¥2,070.0 billion (US\$17,221.4 million).

To minimize its exposure to price fluctuation, the Bank reduced its portfolio of equities and increased its investment in local government and foreign bonds.

To effectively respond to customers' fund investment needs, we steadily increased assets under custody. Japanese government bonds and other public bonds rose ¥29.6 billion year-on-year to ¥107.7 billion, an increase of 38.0%, investment trusts grew ¥7.5 billion to ¥92.4 billion, up 8.9%, and foreign currency deposits were up by ¥38.0 billion, or 49.4%, at ¥114.9 billion.

We began handling pension insurance products in October 2002; the balance of contracts handled has increased steadily to ¥25.9 billion at term-end.

Consumer loans (other than mortgage loans) increased ¥25.5 billion to ¥282.5 billion, up 9.9% over the previous fiscal year. Mortgage loans rose 5.0% or ¥28.9 billion, to ¥606.5 billion.

### Capital Ratio

In the first period of the reporting term ended September 30, 2002, the Bank switched from BIS standards to domestic standards for measuring its capital ratio.

On a consolidated basis, including our nine subsidiaries, our capital ratio was 11.33%, and even on a non-consolidated basis, the ratio was a high 11.32%. The minimum capital ratio under domestic standards is 4% for banks without overseas operations.

### Consolidated Accounts

Ordinary profit for the year decreased ¥20.3 billion to ¥165.6 billion (US\$1,378.3 million). Ordinary expenses decreased ¥92.1 billion to ¥151.5 billion (US\$1,260.7 million). Ordinary income was ¥14.1 billion (US\$117.6 million), and net income was ¥8.3 billion (US\$69.0 million).

Net cash provided by operating activities amounted to ¥9.8 billion (US\$82.3 million), chiefly reflecting a rise in income before income taxes. Net cash used in investing activities amounted to ¥105.1 billion (US\$875.1 million), reflecting losses on securities transactions. Net cash used in financing activities came to ¥14.4 billion (US\$120.4 million), reflecting acquisition of Company shares and dividend payments. As a result of the above, cash and cash equivalents at term-end amounted to ¥172.0 billion, a decrease of ¥109.7 billion from the previous term-end.

## Improving Asset Quality

### Achievements in Fiscal 2002

In line with the results of self-assessment of loan assets and based on in-house rules for write-offs and provisions (total credit costs), expenses for write-offs of non-performing loans and provisions to reserves for possible loan losses amounted to a combined ¥25.7 billion for fiscal 2002.

We made ample additions to reserves for possible loan losses resulting from problems at customers badly affected by the protracted slowdown and from falls in value of real estate collateral due to land price depreciation. At the same time, we vigorously supported corporate restructuring at certain customers, enabling some to improve their borrower categorization, so that total credit costs decreased substantially year on year.

March 31	Millions of Yen		
	2003	2002	Change
Write Off of Claims	17,100	43,176	(26,076)
Net Provision for Specific Reserve	3,763	35,915	(32,152)
Provision for Specific Foreign Borrowers	—	—	—
Losses on Sale of Loans to the Cooperative Credit Purchasing Co., Ltd.	1,398	494	904
Losses on Bulk Sale of Loans	2,534	4,444	(1,909)
Provision for Possible Losses on Sale of Loans	354	2,808	(2,454)
Provision for Other Contingent Losses	81	1,480	(1,398)
Other	563	0	563
<b>Total</b>	<b>25,795</b>	<b>88,319</b>	<b>(62,524)</b>

### Reserve for Possible Loan Losses

We have provided reserves covering 100% of loans to borrowers deemed legally or substantially bankrupt and therefore uncollectible (after deduction of the portion covered by collateral or guarantees), under our asset self-assessment. Regarding loans to borrowers threatened with bankruptcy, on the basis of historical default rates, we have provided specific reserves covering 70.23% of the loans of which the collectibility is deemed to be at risk. We have thus provided specific reserves of ¥37.8 billion against ¥53.7 billion in loans of which the collectibility is deemed to be at risk. Our reserve ratio was 70.37%.

Claims in the amount of ¥117.8 billion that were judged, through asset self-assessment, to be uncollectible or valueless, have been written down in the balance sheets through partial direct charge-offs.

The Bank's reserve for possible loan losses (excluding specific reserves) has been provided in line with the recommendations of the Financial Inspection Manual issued by the Financial Services Agency. Borrowers requiring caution have been subdivided into three categories including "borrowers requiring supervision." In each case, reserves have been provided based on past loan repayment default rates.

We will continue to develop our credit risk management systems, and bolster our loan portfolio by writing off, and providing reserves against, bad debt.



## Reserve Based on Self-Assessment

March 31, 2003	Billions of Yen			Total
	Potentially Bankrupt Borrowers	Substantially Bankrupt Borrowers	Legally Bankrupt Borrowers	
Claims of balance (i)	104.1	24.4	17.4	146.0
Claims Secured by Collateral (ii)	50.6	24.3	17.3	92.3
Claims with Uncertain Collectibility (A) = (i)-(ii)	53.4	0.1	0.1	53.7
Specific Reserve (B)	37.5	0.1	0.1	37.8
Reserve Ratio (B)/(A)	70.23%	100.00%	100.00%	70.37%

## Reserve for Possible Loan Losses

March 31	Billions of Yen		
	2003	2002	Change
General Loan Loss Reserve	29.2	33.5	(4.3)
Specific Reserve	37.8	56.7	(18.9)
Reserve for Specific Foreign Borrowers	—	—	—
Reserve for Possible Loan Losses	67.0	90.3	(23.2)
Reserve for Assistance to Specific Borrowers	—	—	—
Reserve for Possible Losses on Sale of Loans	—	6.4	(6.4)
Reserve for Other Contingent Losses	0.1	4.1	(4.0)

## Helping Local Companies Rebuild Their Performance and Financial Position

To assure the soundness of our loan portfolio, it is necessary to not only aggressively tackle bad debt, but at the same time work from the customers' side to resolve their problems and help them deal with poor performance due to structural change and a hostile operating environment, as well as financial weakness from falling land and other asset values. In this sense, the Bank feels it is expected to play an important role in the reinvigoration and development of the regional economy.

Based on this awareness, we set up the Customer Management Support Office in the Credit Examination Division in November 2001. It had 23 members as of March 31, 2003. As its main task, the Customer Management Support Office helps turn around local small and medium-sized enterprises and other customers struggling to cope with current operating conditions. The Office offers prompt, specialized assistance tailored to customers' situations.

Specifically, our specialists support corporate recovery and management reform through business analysis, advising on measures for improvement and supporting the compilation of business restructuring plans. As a result of such activities to date, we have improved the borrower status (a creditworthiness rating based on financial position and similar factors) of approximately 190 customers, of whom approximately 60 were upgraded to "normal" borrowers (borrowers without problems loans). In this way, the Customer Management Support Office is building up a track record of success. The Bank is committed to deepening this support for local business and the region.

## Risk-Monitored Loans Subject to Mandatory Disclosure under the Banking Law

Regarding loans subject to mandatory disclosure under the Banking Law, the Bank classified non-performing loans into the four categories of "loans in bankruptcy and dishonored bills," "delinquent loans," "loans past due with respect to interest payments for more than 3 months," and "restructured loans," based on asset self-assessment. Loans to legally bankrupt borrowers fall into the first category, and those to substantially bankrupt borrowers and to potentially bankrupt borrowers fall into the second category.

Sales and collection of bad debt as well as partial charge-offs and improved performance at customers have enabled us to greatly reduce our risk-managed loan balance by ¥57.6 billion. At 76.40% our coverage ratio is also high.



### Risk-Monitored Assets under the Banking Law

(Non-consolidated)	Billions of Yen		
March 31	2003	2002	Change
Loans in Bankruptcy and Dishonored Bills	17.3	12.7	4.5
Delinquent Loans	128.1	166.7	(38.6)
Loans Past Due with Respect to Interest Payments for More than Three Months	2.1	3.2	(1.1)
Restructured Loans	115.6	138.0	(22.4)
Total (a)	263.2	320.8	(57.6)
Loans and Bills Discounted (b)	4,274.4	4,278.6	(4.2)
Ratio of Risk-Monitored Assets to Loans Outstanding (a)/(b)	6.15%	7.49%	(1.34%)
Portion Covered by Collateral and Guarantees (c)	201.1	254.7	(53.6)
Coverage Ratio (c)/(a)	76.40%	79.39%	(2.98%)

(Consolidated)	Billions of Yen		
March 31	2003	2002	Change
Loans in Bankruptcy and Dishonored Bills	11.4	12.9	(1.4)
Delinquent Loans	131.7	172.7	(40.9)
Loans Past Due with Respect to Interest Payments for More than Three Months	2.5	3.6	(1.1)
Restructured Loans	117.4	140.2	(22.7)
Total	263.2	329.5	(66.2)

### Mandatory Asset Disclosure under the Financial Revitalization Law

Financial institutions are obligated under the stipulations of the Financial Revitalization Law to disclose the results of their asset self-assessment.

Based on asset self-assessment, the Bank classified assets subject to mandatory disclosure into the three categories of (a) “bankrupt and quasi-bankrupt assets,” (b) “doubtful assets,” and (c) “substandard loans.”

The claims on legally or substantially bankrupt borrowers fall into category (a); those to potentially bankrupt borrowers fall into category (b); and loans past due with respect to interest payments for a period of more than three months, as well as restructured loans, fall into category (c).

In fiscal 2002, we reduced assets subject to mandatory disclosure by ¥58.0 billion, reflecting category upgrading of some borrowers through support of corporate management as well as removal of bad debt from the balance sheet. This brings the ratio of assets subject to mandatory disclosure to total assets down to 6.08%, a decrease of 1.3 percentage point.

Claims meeting disclosure requirements (i.e. other than claims on normal obligors) for the business term ended March 2003 (a + b + c) amounted to ¥263.8 billion. The difference of ¥0.6 billion from the amount required to be disclosed under the Banking Law consists of claims on customers’ liabilities for acceptances and guarantees, accrued interest, foreign exchange, and suspense payments.

### Problem Assets under the Financial Revitalization Law

	Billions of Yen		
March 31	2003	2002	Change
Bankrupt and Quasi-Bankrupt Assets (a)	41.9	44.3	(2.4)
Doubtful Assets (b)	104.2	136.1	(32.0)
Substandard Loans (c)	117.7	141.3	(23.6)
Problem Assets (A) = (a) + (b) + (c)	263.8	321.7	(58.0)
Normal Assets (d)	4,074.1	4,036.6	37.5
Total (B) = (A) + (d)	4,337.9	4,358.4	(20.5)
Ratio of Problem Assets (A)/(B)	6.08%	7.38%	(1.30%)

### Coverage Status at Fiscal 2002 Year-End

	Billions of Yen			
March 31, 2003	Bankrupt and Quasi-Bankrupt Assets	Doubtful Assets	Substandard Loans	Total
Problem Assets (a)	41.9	104.2	117.7	263.8
Assets Secured by Collateral and Guarantees (b)	41.7	50.7	54.8	147.1
Reserve for Possible Loan Losses (c)	0.3	37.6	16.8	54.6
Coverage Ratio {(b) + (c)}/(a)	100.00%	84.72%	60.76%	76.45%

The disclosure-based assets for each borrower classification of self-assessment are summarized below.

<b>Self-Assessment: Classification of Borrowers and Disclosure-Based Assets</b> (Billions of Yen)			
Self-Assessment Classification of Borrowers	Problem Assets under Financial Revitalization Law		Risk-Monitored Assets under the Banking Law
Legally Bankrupt	Bankrupt and Quasi-Bankrupt Assets 41.9	Legally Bankrupt 17.4	Loans in Bankruptcy and Dishonored Bills 17.3
Substantially Bankrupt		Substantially Bankrupt 24.5	Delinquent Loans 128.1
Potentially Bankrupt	Doubtful Assets 104.2		
Borrowers Requiring Caution	Substandard Loans 117.7		Loans Past Due with Respect to Interest Payments for More than Three Months 2.1
			Restructured loans 115.6
Normal Borrowers	Total 263.8		Total 263.2

Note: Assets covered by disclosure standards

**Financial Revitalization Law:**

Loans, securities lending, foreign exchange, interest receivable, suspense payments, and customers' liabilities for acceptance and guarantees

**Banking Law:**

Loans and bills discounted

Note: Categorization of Disclosure Standards

**Financial Revitalization Law:**

Categorized by borrower basis, in accordance with self-assessment results. (As an exception, Substandard Loans are categorized on individual loan basis.)

**Banking Law:**

Loans to Legally Bankrupt Borrowers, Substantially Bankrupt Borrowers, and Potentially Bankrupt Borrowers are categorized on an individual borrower basis, in accordance with self-assessment results. Loans to Borrowers Requiring Caution are disclosed on an individual loan basis.

## Consolidated Balance Sheets

### THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2003	2002	2003	2002
<b>Assets</b>				
Cash and Due from Banks (Note 4)	¥ 204,796	¥ 312,668	\$ 1,703,793	\$ 2,601,231
Call Loans and Bills Purchased	—	3,264	—	27,154
Commercial Paper and Other Debt Purchased	10,042	10,018	83,544	83,344
Trading Assets (Note 6)	11,431	10,580	95,099	88,019
Securities (Notes 7, 9 and 24)	2,070,219	2,039,313	17,223,119	16,965,998
Loans and Bills Discounted (Notes 8, 10 and 12)	4,232,580	4,251,941	35,212,811	35,373,885
Foreign Exchange	2,706	2,134	22,512	17,753
Other Assets	52,804	60,832	439,301	506,089
Premises and Equipment (Notes 3 and 21)	129,161	125,695	1,074,550	1,045,715
Deferred Tax Assets (Note 14)	92,640	95,239	770,715	792,337
Customers' Liabilities for Acceptances and Guarantees	57,700	71,167	480,033	592,071
Reserve for Possible Loan Losses	(71,125)	(94,604)	(591,722)	(787,054)
Reserve for Devaluation of Investment Securities	(290)	(307)	(2,412)	(2,554)
<b>Total Assets</b>	<b>¥6,792,667</b>	<b>¥6,887,944</b>	<b>\$56,511,372</b>	<b>\$57,304,026</b>
<b>Liabilities, Minority Interests and Shareholders' Equity</b>				
<b>Liabilities:</b>				
Deposits (Notes 9 and 15)	¥6,081,317	¥6,114,415	\$50,593,319	\$50,868,677
Call Money and Bills Sold (Note 9)	29,788	29,935	247,820	249,043
Receivables under Securities Borrowing Transactions	81,661	—	679,376	—
Trading Liabilities (Note 16)	1	50	8	415
Borrowed Money (Note 11)	93,317	111,964	776,347	931,480
Foreign Exchange	252	189	2,096	1,572
Corporate Bonds	15,000	15,000	124,792	124,792
Due to Trust Account	30	14	249	116
Other Liabilities	51,672	135,013	429,883	1,123,236
Reserve for Employees' Retirement Benefits (Note 13)	8,584	19,527	71,414	162,454
Reserve for Possible Losses on Sales of Loans	—	6,492	—	54,009
Reserve for Other Contingent Losses	117	4,188	973	34,841
Deferred Tax Liabilities for Land Revaluation (Notes 3 and 14)	10,295	11,363	85,648	94,534
Acceptances and Guarantees	57,700	71,167	480,033	592,071
<b>Total Liabilities</b>	<b>6,429,739</b>	<b>6,519,324</b>	<b>53,492,004</b>	<b>54,237,304</b>
<b>Minority Interests</b>	<b>2,844</b>	<b>1,300</b>	<b>23,660</b>	<b>10,815</b>
<b>Shareholders' Equity (Note 17):</b>				
Common Stock:				
Authorized — 2,180,515 thousand shares				
Issued — 865,231 thousand shares	85,113	85,113	708,094	708,094
Capital Surplus	58,574	58,574	487,304	487,304
Retained Earnings	185,514	180,390	1,543,377	1,500,748
Land Revaluation Reserve, Net of Taxes (Notes 3 and 14)	15,245	16,118	126,830	134,093
Unrealized Gain on Available-for-Sale Securities	18,066	27,559	150,299	229,276
Less, Treasury Stock at cost	(2,430)	(204)	(20,216)	(1,697)
Less, The Bank's Stock Held by Subsidiaries at cost	—	(231)	—	(1,921)
<b>Total Shareholders' Equity</b>	<b>360,082</b>	<b>367,319</b>	<b>2,995,690</b>	<b>3,055,898</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>¥6,792,667</b>	<b>¥6,887,944</b>	<b>\$56,511,372</b>	<b>\$57,304,026</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Operation 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)	
	2003	2002	2003	2002
<b>Income</b>				
Interest Income:				
Interest on Loans and Discounts	¥ 88,296	¥ 94,243	\$ 734,575	\$ 784,051
Interest and Dividends on Securities	29,835	34,214	248,211	284,642
Other Interest Income	510	4,563	4,242	37,961
Fees and Commissions	18,896	18,054	157,204	150,199
Trading Revenue (Note 18)	210	72	1,747	599
Other Operating Income	7,607	9,522	63,286	79,217
Other Income	27,118	27,500	225,607	228,785
Total Income	172,475	188,173	1,434,900	1,565,499
<b>Expenses</b>				
Interest Expenses:				
Interest on Deposits	3,817	11,973	31,755	99,608
Interest on Borrowings and Rediscounts (Note 19)	3,412	4,442	28,386	36,955
Other Interest Expenses	7,076	10,455	58,868	86,980
Fees and Commissions	4,640	4,548	38,602	37,836
Trading Expenses (Note 20)	—	1	—	8
Other Operating Expenses	1,695	1,742	14,101	14,492
General and Administrative Expenses	75,307	75,700	626,514	629,783
Other Expenses (Note 21)	56,509	135,950	470,124	1,131,031
Total Expenses	152,459	244,815	1,268,377	2,036,730
<b>Income (Loss) before Income Taxes and Minority Interests</b>	<b>20,016</b>	<b>(56,642)</b>	<b>166,522</b>	<b>(471,231)</b>
<b>Income Taxes:</b>				
Current	1,878	446	15,623	3,710
Deferred (Note 14)	9,118	(23,343)	75,856	(194,201)
<b>Minority Interests in Net Income (Loss) of Consolidated Subsidiaries</b>	<b>713</b>	<b>(956)</b>	<b>5,931</b>	<b>(7,953)</b>
<b>Net Income (Loss)</b>	<b>8,305</b>	<b>(32,788)</b>	<b>69,093</b>	<b>(272,778)</b>
<b>Retained Earnings</b>				
Balance at Beginning of Year	180,390	218,007	1,500,748	1,813,702
Reversal of Land Revaluation Reserve	1,138	72	9,467	599
Appropriations:				
Cash Dividends	(4,320)	(4,325)	(35,940)	(35,981)
Retirement of Treasury Stock	—	(575)	—	(4,783)
Balance at End of Year	¥185,514	¥180,390	\$1,543,377	\$1,500,748
		Yen	U.S. Dollars (Note 2)	
<b>Per Share</b>				
Net Income (Loss)	¥9.62	¥(37.90)	\$0.08	\$(0.31)

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

### THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

For the Years Ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2003	2002	2003	2002
<b>Cash Flows from Operating Activities:</b>				
Income (Loss) before Income Taxes and Minority Interests	¥ 20,016	¥ (56,642)	\$ 166,522	\$ (471,231)
Depreciation	15,461	15,510	128,627	129,034
Amortization of Goodwill	18	—	149	—
Net (Decrease) Increase in Reserve for Possible Loan Losses	(23,478)	19,052	(195,324)	158,502
Net Decrease in Reserve for Devaluation of Investment Securities	(26)	(11)	(216)	(91)
Net Decrease in Reserve for Possible Losses on Sales of Loans	(6,492)	(55)	(54,009)	(457)
Net Decrease in Reserve for Other Contingent Losses	(4,070)	(339)	(33,860)	(2,820)
Net Decrease in Reserve for Employees' Retirement Benefits	(11,003)	(276)	(91,539)	(2,296)
Interest and Dividend Income	(124,246)	(136,321)	(1,033,660)	(1,134,118)
Interest Expenses	14,306	26,872	119,018	223,560
Net Gains (Losses) Related to Securities Transactions	15,456	(7,410)	128,585	(61,647)
Foreign Exchange Losses (Gains), Net	14,377	(24,680)	119,608	(205,324)
Losses on Disposal of Premises and Equipment	159	1,041	1,322	8,660
Net (Increase) Decrease in Trading Assets	(851)	4,406	(7,079)	36,655
Net Decrease in Trading Liabilities	(49)	(146)	(407)	(1,214)
Net Decrease in Loans and Bills Discounted	19,361	191,642	161,073	1,594,359
Net Increase in Deposits	(27,617)	(58,136)	(229,758)	(483,660)
Net (Decrease) Increase in Negotiable Certificates of Deposit	(5,480)	18,975	(45,590)	157,861
Net Decrease in Borrowed Money Excluding Subordinated Borrowings	(10,646)	(9,053)	(88,569)	(75,316)
Net (Increase) Decrease in Due from Banks Excluding Cash Equivalents	(1,924)	357,568	(16,006)	2,974,775
Net Decrease in Call Loans and Others	3,240	112,759	26,955	938,094
Net Decrease in Call Money and Bills Sold	(147)	(148,199)	(1,222)	(1,232,936)
Net Increase in Cash for Collateral on Securities Lending	—	43,274	—	360,016
Net Increase in Receivables under Securities Borrowing Transactions	8,623	—	71,738	—
Net (Increase) Decrease in Foreign Exchange (Assets)	(572)	886	(4,758)	7,371
Net Increase in Foreign Exchange (Liabilities)	62	54	515	449
Net Increase (Decrease) in Due to Trust Account	16	(3)	133	(24)
Interest and Dividends Received	128,640	141,702	1,070,216	1,178,885
Interest Paid	(16,393)	(34,638)	(136,381)	(288,169)
Other, Net	1,553	8,168	12,920	67,953
Subtotal	8,293	466,000	68,993	3,876,871
Income Taxes Paid (Refunded)	1,604	(12,102)	13,344	(100,682)
Net Cash Provided by Operating Activities	9,898	453,898	82,346	3,776,189
<b>Cash Flows from Investing Activities:</b>				
Purchases of Securities	(920,157)	(1,224,821)	(7,655,216)	(10,189,858)
Proceeds from Sales of Securities	607,524	812,273	5,054,276	6,757,678
Proceeds from Redemption of Securities	221,810	137,421	1,845,341	1,143,269
Purchases of Premises and Equipment	(17,509)	(14,234)	(145,665)	(118,419)
Proceeds from Sales of Premises and Equipment	3,063	1,127	25,482	9,376
Proceeds from Sales of Consolidated Subsidiary	69	—	574	—
Net Cash Used in Investing Activities	(105,199)	(288,233)	(875,199)	(2,397,945)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from issuance of subordinated debt	7,000	30,000	58,236	249,584
Repayment of subordinated debt	(15,000)	(20,000)	(124,792)	(166,389)
Cash Dividends Paid	(4,317)	(4,325)	(35,915)	(35,981)
Cash Dividends Paid to Minority Interests	(2)	—	(16)	—
Purchases for Retirement of Treasury Stock	(2,157)	(733)	(17,945)	(6,098)
Proceeds from Sales of Treasury Stock	—	23	—	191
Net Cash (Used in) Provided by Financing Activities	(14,478)	4,964	(120,449)	41,297
Translation Adjustment for Cash and Cash Equivalents	(16)	13	(133)	108
Net (Decrease) Increase in Cash and Cash Equivalents	(109,796)	170,642	(913,444)	1,419,650
Cash and Cash Equivalents at Beginning of Year	281,831	111,188	2,344,683	925,024
Net Increase in Cash and Cash Equivalents	—	—	—	—
Due to Increase of Consolidated Subsidiary	0	—	0	—
Net Decrease in Cash and Cash Equivalents	—	—	—	—
Due to Decrease of Consolidated Subsidiary	(0)	—	(0)	—
Cash and Cash Equivalents at End of Year (Note 4)	¥172,035	¥ 281,831	\$ 1,431,239	\$ 2,344,683

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### THE JOYO BANK, LTD. AND CONSOLIDATED SUBSIDIARIES

#### 1. Basis of Presentation of Consolidated Financial Statements

The Joyo Bank, Ltd. (the "Bank") maintains its accounting records and prepares its consolidated financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, the Commercial Code of Japan and the Banking Law of Japan. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Securities and Exchange Law of Japan. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan.

For the convenience of readers outside Japan, certain items presented in the original consolidated financial statements have been reclassified and rearranged to conform to the current year's presentation.

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.

#### 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 the Japanese yen amounts at ¥120.20 = US\$1.00, the exchange rate prevailing on March 31, 2003.

#### 3. Land Revaluation Reserve

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

#### 4. Significant Accounting Policies

##### (a) Consolidation

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

In addition, The Joyo Equipment Management Co., Ltd. has excepted from consolidation by having sold off the stocks which the Bank held. Moreover, The Joyo Equipment Management Co., Ltd. which merged with The Joyo Real Estate Co., Ltd. and The Joyo Shoji Co., Ltd. was included in the range of consolidation after that.

The equity method has not been applied to investments in the Bank's two affiliated companies because they are immaterial. Investments in unconsolidated subsidiaries and affiliates are stated at cost.

All significant intercompany transactions have been eliminated in consolidation. The difference between the cost of investments and the equity in their net assets has been 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. No foreign currency-denominated assets and liabilities were held by the consolidated subsidiaries.

##### (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 have been included in trading assets and trading liabilities on a trading-date basis. Gain or loss on such trading transactions are reflected as trading revenue or trading expenses in the consolidated balance sheets.

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 have engaged in trading activities or other transactions in order to generate profit from short-term price fluctuations.

##### (d) Securities

Securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Stocks in non-consolidated subsidiaries are stated at cost by the moving-average cost method. Other available-for-sale securities for which market prices are available are stated at fair value based on the market prices, etc. at the fiscal year end, whereas, those for which fair value is not available, are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) have been reported as a component of shareholders' equity.

##### (e) Derivatives

Derivatives positions held by the Bank and consolidated subsidiaries (not including transactions for trading purposes) are stated at fair value.

##### (f) Depreciation of premises and equipment

Depreciation of premises and equipment held by the Bank is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 on which depreciation is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years

Equipment: 3~20 years



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Depreciation of premises and equipment held by the consolidated subsidiaries is calculated principally by the declining-balance method, based on the respective estimated useful lives of the assets.

Depreciation of the leased assets of a consolidated subsidiary is calculated by the straight-line method over the lease terms.

**(g) 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 (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of 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 by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss experience.

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

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥120,119 million and ¥149,315 million as of March 31, 2003 and 2002, respectively.

**(h) Reserve for devaluation of investment securities**

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank and its consolidated subsidiaries may incur in the future.

**(i) Reserve for employees' retirement benefits**

Reserve for Employees' Retirement Benefits of the Bank and its subsidiaries is provided for the amount deemed necessary, based on estimated pension benefits obligations and pension plan assets at the fiscal year end, to cover required retirement benefits for eligible employees.

Prior service cost are deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

**(j) Reserve for other contingent losses**

Although the prior year had drawn the frame which takes into consideration collateral values, such as a claim with a real estate security sold off by structured finance, estimates the loss which may be generated in the future, and is accepted to be required, it estimated the loss which may draw for other reserve funds this year, and may be generated to contingencies other than the target phenomenon in the future, and has added up the frame accepted to be required.

**(k) Foreign currency translation**

Foreign-currency-denominated assets and liabilities are translated into yen equivalents at the exchange rates prevailing at the balance sheet date. Until the year ended 31st March, 2002, the Bank had adopted the revised "Accounting Standard for Foreign Currency Transactions," except for the application of the Industry Audit Committee Report No. 20 "Temporary Treatment for Accounting and Auditing Concerning the Accounting for Foreign Currency Transactions in the Banking Industry" issued by Japanese Institute of Certified Public Accountants ("JICPA") in November 2000. Since the current fiscal year the Bank has adopted the Industry Audit Committee Report No. 25 "Treatment for Accounting and Auditing Concerning the Accounting for Foreign Currency Transactions in the Banking Industry" issued by JICPA in July 2002.

For funding-related swaps, cross currency swaps, and internal contract and transaction among the consolidated companies, the Bank applies the temporary treatment in the Industry Audit Committee Report No. 25, which is the same as ever.

For funds-related swap transactions contracted in connection with funding and lending, the amounts on the balance sheet are net yen-conversions of the principal equivalents of assets and liabilities using the exchange rate prevailing at the balance sheet date. Differences between spot and forward rates in the funds-related swap transactions are recorded in interest income or expense on an accrual basis for the period from the settlement date of spot foreign exchange to the settlement date of forward foreign exchange. Therefore, accrued interest income or expenses are recognized at the fiscal year end. Funding-related swaps are foreign exchange swaps executed for the purpose of raising and investing funds in different currencies. The Bank records the notional principal amounts of the funds as spot exchange purchased or spot exchange sold, with the notional principal amounts plus the interest income or interest expense as of the maturity dates being recorded as forward foreign exchange purchased or forward foreign exchange sold.

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



corresponding contract period. Therefore, accrued interest income or expenses are recognized at fiscal year end.

The consolidated subsidiaries do not have foreign currency-denominated assets and liabilities at March 31, 2003.

#### (l) 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.

#### (m) Hedging

The Bank continued to adopt a macro-hedging for accounting for the hedge transactions which it manages on a gross basis, and to cover interest rate risk arising from numerous financial assets and liabilities, such as loans and deposits. Macro-hedging is a risk management tool allowed under the risk management approach stipulated in "Temporary Treatment for Accounting and Auditing in the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA's Industry Audit Committee Report No. 15). The Bank applies deferred hedge accounting under accounting and auditing guidance. The Bank assesses hedge effectiveness by testing whether the risk on derivatives (the hedging instrument(s)) stays within the permissible risk level predetermined under the Bank's risk management policy, and whether the interest rate risk on the hedged items has been reduced.

The Bank has adopted deferred hedge accounting and a special rule for interest rate swaps with respect to certain assets and liabilities.

One of the consolidated subsidiaries has applied a special rule for interest rate swaps with respect to certain of its liabilities.

#### (n) Consumption tax and regional consumption tax

With respect to the Bank and the domestic consolidated subsidiaries, all amounts in the accompanying consolidated balance sheets are recorded exclusive of consumption tax and regional consumption tax, except for consumption tax incurred on the purchases of certain fixed assets which are required to be expensed.

#### (o) Income taxes

Income taxes comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates at March 31, 2003 and March 31, 2002 of approximately 41.3%.

The provision for income taxes is based on income recorded for consolidated financial statement purposes. Temporary differences in the recognition of income and expense items for financial statement and income tax purposes are presented as deferred income taxes.

#### (p) Net income (loss) per share

The computation of net income (loss) per share of common stock is based on the weighted average number of shares outstanding during each year.

#### (q) Statements of cash flows

Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan as well as the time deposits of certain consolidated subsidiaries.

March 31,	Millions of Yen	
	2003	2002
Cash and Due from Banks	¥204,796	¥312,668
Deposits with Banks Other than the Bank of Japan	(32,691)	(30,717)
Time Deposits of the Consolidated Subsidiaries	(70)	(120)
Cash and Cash Equivalents	¥172,035	¥281,831

## 5. Additional Information

### (a) Accounting standard for treasury stock and reversal of statutory reserves

Effective April 1, 2002, the Bank adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002). As a result of this change, Treasury Stock increased by ¥1,062 million and Minority Interests decreased by the same amount compared with what would have been recorded under the previous accounting policy.

### (b) Net income per share

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

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year.

### (c) Financial installments

Conventionally, as a securities borrowing transactions which considers cash as security, the securities borrowing transactions with cash security is processed with "debenture debt-credit transaction acceptance security money" as fund transactions which consider negotiable securities as security based on "the Business Indicator about Financial Product Accounts" (Japanese Institute of Certified Public Accountants accounting system committee report No. 14) from this connection fiscal year, although security money was processed with debenture loan transactions security money among "in addition to this being a debt." As a result of this change, compared with the case where it is based on the conventional method, Other Liabilities decreased by ¥81,661 million and Receivables under Securities Borrowing Transactions increased by the same amount.

## 6. Trading Assets

March 31,	Millions of Yen	
	2003	2002
Trading Securities	¥ 2,925	¥ 540
Trading-Related Financial Derivatives	7	40
Other Trading Assets	8,499	9,998
Total	¥11,431	¥10,580

## 7. Securities

March 31,	Millions of Yen	
	2003	2002
Japanese Government Bonds	¥ 663,045	¥ 713,844
Japanese Local Government Bonds	284,950	243,207
Corporate Bonds	275,707	213,510
Corporate Stocks	127,086	181,163
Other Securities	719,428	687,587
Total	¥2,070,219	¥2,039,313

Notes: 1. Securities include investments in unconsolidated subsidiaries as of March 31, 2003 and 2002, of ¥122 million and ¥98 million, respectively.  
2. Loaned securities as of March 31, 2002, of ¥73,337 million for which the borrowers have rights of sale, have been included in securities.

## 8. Bills Discounted

The face amounts of commercial bills etc. acquired through the discounting of bills as of March 31, 2003 and 2002, totaled ¥65,916 million and ¥87,096 million, respectively.

## 9. Pledged Assets

Assets pledged as collateral at March 31, 2003 and 2002 were as follows:

March 31,	Millions of Yen	
	2003	2002
Pledged Assets:		
Securities	¥221,965	¥146,319
Liabilities Covered by Pledged Assets:		
Deposits	¥ 43,120	¥ 41,268
Receivables under Securities		
Borrowing Transactions	81,661	—

In addition to the above, securities amounting to ¥57,976 million and ¥58,134 million at book value were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2003 and 2002, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥5,436 million and ¥10,670 million as collateral for borrowed money of ¥4,196 million and ¥8,570 million as of March 31, 2003 and 2002, respectively.

Lease deposits as of March 31, 2003 and 2002 of ¥5,063 million and ¥5,511 million, respectively, have been included in premises and equipment.

## 10. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements which, subject to compliance with the contractual conditions, pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥1,185,160 million and ¥1,166,117 million at March 31, 2003 and 2002, respectively. Of this amount, facilities/contracts with a period of one year or less until expiration or which are unconditionally cancelable at any time, totaled ¥1,141,403 million and ¥1,125,946 million at March 31, 2003 and 2002, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the nonexecuted financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its consolidated subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

## 11. Borrowed Money

Borrowed money at March 31, 2003 and 2002 included subordinated borrowings of ¥57,000 million and ¥65,000 million, respectively.

## 12. Non-Performing Loans

In accordance with the 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, 2003 and 2002 included the following non-performing loans:

March 31,	Millions of Yen	
	2003	2002
(a) Loans in Bankruptcy and Dishonored Bills	¥ 11,492	¥ 12,961
(b) Delinquent Loans	131,763	172,729
(c) Loans Past Due with Respect to Interest		
Payments for More than Three Months	2,500	3,603
(d) Restructured Loans	117,490	140,228
Total	¥263,246	¥329,523

Note: The above amounts are stated before the deduction of the reserve for possible loan losses.

### 13. Employees' Retirement Benefits

#### (a) Outline of current retirement benefit system

The Bank and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits. In addition, extra benefits may be paid on a case-by-case basis. The Bank has established a employees' retirement benefit trust. As of the end of the year under audit, the Bank and nine consolidated subsidiaries had adopted a lump-sum retirement benefit system. In addition, a union pension fund for the above-mentioned employees' welfare pension system was established by the Bank and its consolidated subsidiaries.

(b) The following tables set forth the changes in the net retirement benefit obligation, the plan assets and the funded status of the Bank and its consolidated subsidiaries at March 31, 2003 and 2002:

	Millions of Yen	
	2003	2002
Retirement Benefit Obligation	¥(93,461)	¥(86,352)
Fair Value of Plan Assets	53,521	49,241
Unfunded Retirement Benefit Obligation	(39,939)	(37,110)
Unrecognized Net Retirement Benefit Obligation at Transition	—	—
Unrealized Actuarial Loss	33,161	19,592
Unrecognized Prior Service Cost	(1,806)	(2,008)
Net Retirement Benefit Obligation	(8,584)	(19,527)
Prepaid Pension Cost	—	—
Reserve for Employees' Retirement Benefits	¥ (8,584)	¥(19,527)

- Notes: 1. The government-sponsored portion of the benefits under the welfare pension plans has been included in the amounts shown in the above table.
2. Effective this fiscal year, a bylaw of the government-sponsored portion of the benefits under the welfare pension plans has revised to raise the receivable age, prior service cost (deduction of obligation) was generated during the year.
3. The above amounts do not include any extra benefits.
4. The consolidated subsidiaries have adopted a simplified method for the calculation of their retirement benefit obligation.

(c) Expenses for retirement benefits of the Bank and its consolidated subsidiaries included the following components for the years ended March 31, 2003 and 2002:

	Millions of Yen	
	2003	2002
Service Cost	¥2,552	¥2,381
Interest Cost	1,923	2,162
Expected Return on Plan Assets	(1,439)	(1,477)
Amortization:		
Amortization of Prior Service Cost	(202)	(16)
Amortization of Unrealized Actuarial Loss	2,063	1,039
Total	¥4,896	¥4,087

Note: Retirement benefit expenses of consolidated subsidiaries which are calculated by simplified method have been included in "service cost" referred to above.

(d) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2003 and 2002 were as follows:

	2003	2002
Discount Rate	2.5%	2.5%
Expected Rate of Return on Plan Assets	4.5%	4.5%
Periodical Allocation of Estimated Retirement Amount	Straight-Line Method	
Amortization Period of Prior Service Cost	10 years	10 years
Amortization Period of Actuarial Difference	10 years	10 years

### 14. Deferred Tax Assets

March 31,	Millions of Yen	
	2003	2002
Deferred Tax Assets:		
Reserve for Possible Loan Losses	¥ 62,963	¥ 84,548
Reserve for Employees' Retirement Benefits	11,341	10,948
Devaluation of Securities	12,613	7,863
Net Operating Loss Carry Forwards	14,624	3,227
Other	15,790	15,526
Valuation Allowance	(2,167)	(1,543)
Total	¥115,165	¥120,569
Deferred Tax Liabilities:		
Unrealized Gain on Available-for-Sale Securities	¥ (12,197)	¥ (19,427)
Retirement Benefit Trust	(9,493)	(4,962)
Reversal of Reserve for Possible Loan Losses after Elimination of Debt and Credit	(28)	(23)
Other	(806)	(916)
Total	(22,525)	(25,330)
Net Deferred Tax Assets	¥ 92,640	¥ 95,239

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

	2003	2002
Statutory Tax Rates	41.35%	—
Adjustment for Year-End Deferred Tax Assets Due to Tax Rate Revision	10.37%	—
Increase in Valuation Allowance	3.11%	—
Other	0.09%	—
Effective Tax Rates	54.93%	—

The aggregate statutory income tax rate will be reduced for the years commencing on April 1, 2004 or later due to the revised local tax law. At March 31, 2003, the Bank and consolidated subsidiaries applied the reduced aggregate statutory income tax rate of 40.31% for calculating deferred tax assets and liabilities that are expected to be recovered or settled in the years commencing on April 1, 2004 or later. As a result, Deferred Tax Assets decreased by ¥2,076 million and Deferred Income Taxes increased by the same amount, Deferred Tax Liabilities for Land Revaluation decreased ¥265 million and Land Revaluation Reserve, Net of Taxes decreased by the same amount, Unrealized Gain on Available-for-Sale Securities increased by ¥314 million, compared with what would be reported using currently applicable tax rate of 41.35%.

## 15. Deposits

March 31,	Millions of Yen	
	2003	2002
Current Deposits	¥2,924,635	¥2,787,814
Time Deposits	2,824,600	3,041,322
Negotiable Certificates of Deposit	98,395	103,875
Other	233,687	181,403
Total	¥6,081,317	¥6,114,416

## 16. Trading Liabilities

March 31,	Millions of Yen	
	2003	2002
Trading-Related Financial Derivatives	¥1	¥50

## 17. Shareholders' Equity

In accordance with the Banking Law of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Law of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Code provides that neither additional paid-in capital nor the legal reserve had been available for dividends, but both might be used

to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 100% of the common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Bank's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Bank's shares had a par value of ¥50.

There were no changes in the common stock and capital surplus accounts for the two years ended March 31, 2003 and 2002.

## 18. Trading Revenue

March 31,	Millions of Yen	
	2003	2002
Revenue from Trading Securities	¥173	¥60
Revenue from Trading-Related Financial Derivatives	9	—
Other Trading Revenue	27	12
Total	¥210	¥72

## 19. Interest on Borrowings and Rediscounts

March 31,	Millions of Yen	
	2003	2002
Call Money and Bills Sold	¥ 569	¥2,880
Securities Lending Transactions	1,240	—
Borrowings	1,603	1,562
Total	¥3,412	¥4,442

## 20. Trading Expenses

March 31,	Millions of Yen	
	2003	2002
Expenses on Trading-Related Financial Derivatives Transactions	¥—	¥1

## 21. Other Expenses

March 31,	Millions of Yen	
	2003	2002
Provision for Possible Loan Losses	¥ 337	¥ 48,026
Losses on Disposal of Premises and Equipment	601	1,112
Other	55,570	86,811
Total	¥56,509	¥135,950

Note: For the year ended March 31, 2003 and 2002, "Other Expenses – Other" included write off claims of ¥16,707 million and ¥45,399 million, and write off stocks of ¥13,035 million and ¥13,479 million, respectively.

## 22. Accumulated Depreciation of Premises and Equipment

Accumulated depreciation of premises and equipment at March 31, 2003 and 2002 amounted to ¥143,439 million and ¥145,653 million, respectively.

## 23. Segment Information

### (a) Segment information by type of business

Segment information by type of business for the years ended March 31, 2003 and 2002 are summarized as follows:

March 31, 2003	Millions of Yen					Consolidated
	Banking Operations	Leasing	Other	Total	Eliminations	
Ordinary Income:						
Ordinary Income from External						
Customers	¥ 146,381	¥15,914	¥ 3,384	¥ 165,681	¥ —	¥ 165,681
Ordinary Income from Internal						
Transactions	699	2,202	4,217	7,118	(7,118)	—
Total	147,080	18,117	7,602	172,800	(7,118)	165,681
Ordinary Expenses	135,092	17,168	8,748	161,010	(9,468)	151,541
Ordinary Income (Loss), Net						
	¥ 11,987	¥ 948	¥(1,146)	¥ 11,789	¥ (2,349)	¥ 14,139
Assets						
	¥6,784,263	¥49,897	¥31,937	¥6,866,098	¥(73,431)	¥6,792,667
Depreciation	2,776	12,680	5	15,462	(0)	15,461
Capital Expenditures	2,623	15,788	1	18,412	—	18,412

March 31, 2002	Millions of Yen				Consolidated
	Banking Operations	Other	Total	Eliminations	
Ordinary Income:					
Ordinary Income from External					
Customers	¥ 166,065	¥19,916	¥ 185,981	¥ —	¥ 185,981
Ordinary Income from Internal					
Transactions	805	6,506	7,311	(7,311)	—
Total	166,870	26,422	193,292	(7,311)	185,981
Ordinary Expenses	222,803	28,264	251,067	(7,364)	243,703
Ordinary Income (Loss), Net					
	¥ (55,933)	¥(1,841)	¥ (57,774)	¥ (52)	¥ (57,721)
Assets					
	¥6,870,766	¥76,935	¥6,947,701	¥(59,756)	¥6,887,944
Depreciation	2,788	12,722	15,511	(0)	15,510
Capital Expenditures	1,726	13,574	15,300	—	15,300

Notes: 1. Since the ordinary income in leasing business turned into 10% or more of the ordinary income of all segments from this fiscal year, "Leasing" is classified and displayed from "Other." In a previous fiscal year, the ordinary income of leasing business at the time of being based on the operating classification of this fiscal year in addition, ¥18,175 million, ordinary expenses ¥18,667 million, ordinary loss ¥491 million, Property serves as ¥48,386 million and, as for a depreciation, ¥12,715 million and capital expenditure serve as ¥13,573 million.

2. Operating classification is classified according to the contents of an enterprise of consolidated subsidiaries. In addition; "other" is guarantee business etc.

3. It replaced with the net sales and the operating income of a non-financial company, and ordinary income and ordinary expenses are indicated, respectively.

### (b) Geographic segment information

Segment information by geographic area has not been disclosed since over 90% of the total consolidated assets of the Bank and consolidated subsidiaries are in Japan.

### (c) Ordinary income from foreign operations

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

## 24. Leases

### (a) Finance leases

Finance leases, as lessee, at March 31, 2003 and 2002 are summarized as follows:

March 31,	Millions of Yen	
	2003	2002
Equipment	¥20	¥32
Accumulated Depreciation	(12)	(18)
Total	¥ 7	¥13
Lease Payments Receivable for Finance Leases:		
Within One Year	¥ 3	¥ 5
Over One Year	4	7
Total	¥ 7	¥13

Total lease payments received and depreciation under finance leases for the year ended March 31, 2003 were ¥5 million and ¥5 million, respectively.

Finance leases, as lessor, at March 31, 2003 and 2002 are summarized as follows:

March 31,	Millions of Yen	
	2003	2002
Equipment	¥60,823	¥57,173
Other	5,222	5,241
Accumulated Depreciation	(30,646)	(30,168)
Total	¥35,399	¥32,245
Lease Payments Receivable for Finance Leases:		
Within One Year	¥12,270	¥11,761
Over One Year	29,110	26,274
Total	¥41,381	¥38,035

Total lease payments received and depreciation under finance leases for the year ended March 31, 2003 were ¥13,186 million and ¥11,209 million, respectively.

### (b) Operating leases

Future minimum lease payments for operating leases at March 31, 2003 were ¥182 million, of which ¥44 million was due within one year.



## 25. Securities Information

The information includes trading account securities and commercial paper in trading assets; trust beneficiary rights in commercial paper and other debt purchased and investments in other assets in addition to securities.

### (a) Securities held for trading purposes

	Millions of Yen	
	2003	2002
Carrying Value	¥11,424	¥10,539
Holding Gains Charged to Income	¥ 8	¥ 3

### (b) Marketable debt securities being held to maturity

March 31, 2003	Millions of Yen				
	Book Value	Market Value	Unrealized Gain (Net)	Unrealized Gain (Gross)	Unrealized Loss (Gross)
National Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Municipal Bonds	18,489	20,756	2,267	2,267	—
Corporate Bonds	8,418	8,471	53	112	59
Other	27,149	28,145	995	995	—
<b>Total</b>	<b>¥54,057</b>	<b>¥57,373</b>	<b>¥3,316</b>	<b>¥3,375</b>	<b>¥59</b>

March 31, 2002	Millions of Yen				
	Book Value	Market Value	Unrealized Gain (Net)	Unrealized Gain (Gross)	Unrealized Loss (Gross)
National Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Municipal Bonds	27,104	30,651	3,546	3,546	—
Corporate Bonds	5,507	5,442	(65)	56	122
Other	34,882	35,676	794	794	—
<b>Total</b>	<b>¥67,494</b>	<b>¥71,770</b>	<b>¥4,275</b>	<b>¥4,398</b>	<b>¥122</b>

### (c) Marketable available-for-sale securities

March 31, 2003	Millions of Yen				
	Cost	Book Value	Unrealized Gain (Net)	Unrealized Gain (Gross)	Unrealized Loss (Gross)
Equity Securities	¥ 122,824	¥ 122,389	¥ (434)	¥15,590	¥16,024
Debt Securities:					
Government Bonds	658,996	663,045	4,049	7,344	3,295
Municipal Bonds	251,202	266,461	15,258	15,258	—
Corporate Bonds	262,924	267,288	4,364	4,430	66
Other	685,457	692,478	7,021	9,810	2,789
<b>Total</b>	<b>¥1,981,405</b>	<b>¥2,011,663</b>	<b>¥30,258</b>	<b>¥52,434</b>	<b>¥22,176</b>

March 31, 2002	Millions of Yen				
	Cost	Book Value	Unrealized Gain (Net)	Unrealized Gain (Gross)	Unrealized Loss (Gross)
Equity Securities	¥ 146,870	¥ 176,576	¥29,705	¥44,662	¥14,957
Debt Securities:					
Government Bonds	709,312	713,844	4,532	5,738	1,206
Municipal Bonds	202,049	216,102	14,053	14,055	2
Corporate Bonds	205,437	208,002	2,564	2,663	98
Other	651,287	647,414	(3,872)	2,454	6,327
<b>Total</b>	<b>¥1,914,958</b>	<b>¥1,961,940</b>	<b>¥46,982</b>	<b>¥69,575</b>	<b>¥22,592</b>

Notes: 1. Market value is based on the market prices at the fiscal year end.

2. Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14, amended on July 3, 2001), the Bank consider that the market price of the securities at the fiscal year end, decline 30% or lower than original cost a significant decline, considering the recoverability, devalue the securities and recognize the loss. As of March 31, 2003 and 2002, the bank devaluated the available-for-sale securities which have market price, recognized as a loss of ¥12,817 million and ¥13,330 million, respectively.

### (d) Total sales of marketable available-for-sale securities

	Millions of Yen	
	2003	2002
Total Marketable Available-for-Sale Securities Sold	¥566,389	¥726,872
Gains	7,861	12,133
Losses	2,350	2,324

### (e) Major components and balance sheet amounts of non-marketable securities

March 31,	Millions of Yen	
	2003	2002
Marketable Debt Securities Being Held to Maturity:		
Trust Beneficiary Rights	¥10,000	¥10,001
Marketable Available-for-Sale Securities:		
Unlisted Equity Securities	4,574	4,488
Unlisted Foreign Securities	—	5,552

### (f) Projected redemption amounts of marketable available-for-sale securities with maturity dates and marketable debt securities being held to maturity

March 31, 2003	Millions of Yen			
	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Debt Securities:				
Government Bonds	¥ 78,446	¥298,091	¥135,373	¥151,135
Municipal Bonds	839	128,826	155,285	—
Corporate Bonds	33,316	160,109	62,143	20,138
Others	96,589	367,873	118,537	114,501
<b>Total</b>	<b>¥209,190</b>	<b>¥954,900</b>	<b>¥471,339</b>	<b>¥285,774</b>

March 31, 2002	Millions of Yen			
	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Debt Securities:				
Government Bonds	¥ 81,109	¥ 422,182	¥116,398	¥ 94,153
Municipal Bonds	1,376	78,840	162,820	170
Corporate Bonds	10,672	182,757	20,080	—
Others	111,070	453,413	46,511	57,117
<b>Total</b>	<b>¥204,228</b>	<b>¥1,137,193</b>	<b>¥345,811</b>	<b>¥151,441</b>

### (g) Unrealized gain on available-for-sale securities

March 31,	Millions of Yen	
	2003	2002
Unrealized Gain:		
Available-for-Sale Securities	¥30,258	¥46,982
Other Money Held in Trust	—	—
Deferred Tax Liabilities	12,197	19,427
Net Unrealized Gains on Available-for-Sale Securities	18,061	27,555
Minority Interests	(4)	(3)
<b>Unrealized Gains on Available-for-Sale Securities</b>	<b>¥18,066</b>	<b>¥27,559</b>

## 26. Derivatives

### (1) Transactions

- [1] Transactions include interest rate futures, options, swaps, and interest-related forward delivery, currency swaps, options, as well as forward foreign exchange contracts, and bond futures and options.
- [2] Policies: The Bank enters into derivative transactions mainly for hedging purposes to avoid the risk of interest-rate fluctuations in the context of managing its overall assets and liabilities. The transactions are also used for trading purposes to increase earnings over a short-term period within certain predetermined position limits and cumulative loss limits.

The consolidated subsidiaries engage in derivative transactions under similar policies to those of the Bank.

- [3] Purposes: The Bank has carried out its derivatives transactions in accordance with the above-mentioned policies. The Bank has partially adopted hedge accounting for its derivatives position.
  - a. Methods of hedge accounting  
The Bank has adopted ordinary treatment for deferred hedges and extraordinary treatment for interest-rate swaps. Currency swaps are subject to periodic calculation of gain (loss) as these transactions are similar in nature to transactions which qualify under hedge accounting.
  - b. Policies and implementation of hedging transactions  
The Bank uses hedging transactions to minimize its risk exposure on interest rates, foreign exchange rates, stock price fluctuation and credit fluctuation in accordance with its internal rules (Rules on Transactions under Hedge Accounting) based on the Practical Guidelines on Hedge Accounting (Interim Report).  
Hedge accounting has been applied to the following financial instruments and assets and liabilities being hedged:  
Hedging instruments: Interest-rate swaps and bond futures  
Assets and liabilities being hedged:  
(Yen-denominated) Loans and bills discounted, securities; deposits, corporate bonds, and borrowed money  
(Foreign-currency denominated) Loans and bills discounted, securities; deposits

### c. Assessment of hedging effectiveness

The effectiveness of hedging was assessed in accordance with the Regulations on Hedge Accounting. The Bank adopted the so-called macro-hedging methodology, a risk management method categorized as a "Risk Adjusted Approach" in "Tentative Accounting and Auditing Treatment relating to the Adoption of Accounting for Financial Instruments for Banks (Japanese Institute of Certified Public Accountants; Industry Audit Committee Report No. 15). The Bank confirmed that the total at risk in relation to derivatives used as hedging instruments was within the established risk limits, utilizing the mark-to-fair-value method for hedge accounting and the deferral method on a quarterly basis. The Bank also confirmed that individually hedged instruments met the required criteria, utilizing the mark-to-fair-value method for hedge accounting and the deferral method on a quarterly basis. In addition, the Bank confirmed that its hedging methods for its extraordinary treatment of interest-rate swaps met the required criteria, utilizing the deferral method in question.

### [4] Nature of Risks:

Derivative 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 a position cannot be settled according to the original contract terms due to the bankruptcy or insolvency of the counterparty.

Basically, the Bank believes that it has incurred no market risk, as transactions for the purpose of hedging are carried out on the basis of assets and liabilities which are 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 the Bank's 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 are reported to the Management Administration Division which is independently responsible for overall risk management, and are then submitted to the Bank's executives.

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



[6] Supplementary Explanation of Quantitative Information:

Most interest-rate swaps are mainly for the purpose of hedging fixed-rate loans. Accordingly, the contract amounts presented do not represent the actual market risk exposure relating to all derivatives positions.

(2) Interest-Rate Derivatives

At March 31, 2003	Millions of Yen			
	Contract Amounts		Market Value	Unrealized Gain (Loss)
	Total	Over 1 Year		
Transactions Listed on Exchanges:				
Interest-Rate Futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Interest-Rate Options:				
Sold Calls	—	—	—	—
Puts	—	—	—	—
Bought Calls	—	—	—	—
Puts	—	—	—	—
Over-the-Counter Transactions:				
Forward Rate Agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-Rate Swaps:				
Receivable Fixed/ Payable Floating	300	300	7	7
Receivable Floating/ Payable Fixed	300	300	(1)	(1)
Receivable Floating/ Payable Floating	—	—	—	—
Interest-Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Other:				
Sold	170	—	(0)	(0)
Bought	—	—	—	—
Total			¥ 5	¥ 5

At March 31, 2002	Millions of Yen			
	Contract Amounts		Market Value	Unrealized Gain (Loss)
	Total	Over 1 Year		
Transactions Listed on Exchanges:				
Interest-Rate Futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Interest-Rate Options:				
Sold Calls	—	—	—	—
Puts	—	—	—	—
Bought Calls	—	—	—	—
Puts	—	—	—	—
Over-the-Counter Transactions:				
Forward Rate Agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-Rate Swaps:				
Receivable Fixed/ Payable Floating	1,332	—	40	40
Receivable Floating/ Payable Fixed	1,332	—	(50)	(50)
Receivable Floating/ Payable Floating	—	—	—	—
Interest-Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Other:				
Sold	502	502	(2)	(2)
Bought	—	—	—	—
Total			¥(12)	¥(12)

Notes: 1. The above derivatives are valued at market and unrealized gain (loss) is accounted for in the consolidated statements of income. Derivatives to which hedge accounting is applied have not been included in the above table.

2. Calculation of market value

The market value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Futures Exchange, etc. The market value of over-the-counter transactions has been calculated at their discounted current value or by utilizing calculation models for options prices.

### (3) Currency Derivatives

At March 31, 2003	Millions of Yen		
	Contract Amounts	Market Value	Unrealized Gain (Loss)
Over-the-Counter Transactions:			
Currency Swaps	¥—	¥—	¥—
Forward Foreign Exchange Contracts	—	—	—
Currency Options	—	—	—
Others	—	—	—
<b>Total</b>		<b>¥—</b>	<b>¥—</b>

At March 31, 2002	Millions of Yen		
	Contract Amounts	Market Value	Unrealized Gain (Loss)
Over-the-Counter Transactions:			
Currency Swaps	¥—	¥—	¥—
Forward Foreign Exchange Contracts	—	—	—
Currency Options	—	—	—
Others	—	—	—
<b>Total</b>		<b>¥—</b>	<b>¥—</b>

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and have been accounted for in the consolidated statements of income. Derivatives which qualify as hedges have been excluded from this table.

2. Calculation of market value

Market value is calculated at their discount current value, etc.

3. Based on the notification (issued on April 10, 2000 by the Japanese Institute of Certified Public Accountants) entitled "Provisional Accounting Procedures for Banks Continuing to Apply the New Foreign Currency Accounting Standards," currency swaps accounted for on an accrual basis have been excluded from this table. The contract amounts of the currency swaps accounted for on an accrued basis are presented as follows:

At March 31, 2003	Millions of Yen		
	Contract Amounts	Market Value	Unrealized Gain (Loss)
Currency Swaps	<b>¥197,081</b>	<b>¥337</b>	<b>¥337</b>

At March 31, 2002	Millions of Yen		
	Contract Amounts	Market Value	Unrealized Gain (Loss)
Currency Swaps	¥162,733	¥446	¥446

Similarly, the above schedule excludes those transactions related to foreign currencies, such as forward foreign exchange contracts and currency options, which have been revalued at the market rates prevailing at the closing date of the year, and for which gain (loss) after revaluation has been credited (or debited) to income in the consolidated statements of income.

The schedule also excludes transactions pertaining to those foreign currency monetary assets and liabilities reflected in the consolidated balance sheets and certain assets and liabilities which have been eliminated in consolidation.

The contract value or notional principal amounts of foreign currency-related derivatives which have been revalued are presented as follows:

March 31,	Millions of Yen	
	Contract Amounts 2003	2002
Listed:		
Currency Futures	¥ —	¥ —
Currency Options	—	—
Unlisted:		
Forward Foreign Exchange Contracts:		
Sold	<b>1,544</b>	6,640
Bought	<b>1,473</b>	4,744
Currency Options:		
Sold	<b>68,436</b>	119,390
Bought	<b>68,436</b>	119,390
Others	—	—

### (4) Stock Derivatives

Not applicable as of March 31, 2003 and 2002.

### (5) Bond Derivatives

Not applicable as of March 31, 2003 and 2002.

### (6) Commodity Derivatives

Not applicable as of March 31, 2003 and 2002.

### (7) Credit Derivatives

Not applicable as of March 31, 2003 and 2002.

## 27. Subsequent Event

The Bank acquired the treasury stock of 10,000 thousand stocks of common stocks ¥3,380 million on April 23, 2003 on April 17, 2003 based on the resolution of the board of directors of holding.

# Report of Independent Certified Public Accountants



**Certified Public Accountants**  
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## Report of Independent Auditors

The Board of Directors  
The Joyo Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Joyo Bank, Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operation and retained earnings, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Joyo Bank, Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 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 .

*Shin Nihon & Co.*

June 27, 2003

*See Note 1 which explains the basis of preparation of the consolidated financial statements of The Joyo Bank, Ltd. and consolidated subsidiaries 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)	
	2003	2002	2003	2002
<b>Assets</b>				
Cash and Due from Banks	¥ 204,327	¥ 311,512	\$ 1,699,891	\$ 2,591,613
Call Loans and Bills Purchased	—	3,264	—	27,154
Commercial Paper and Other Debt Purchased	10,042	10,018	83,544	83,344
Trading Assets (Note 5)	11,431	10,580	95,099	88,019
Securities (Notes 6 and 7)	2,070,023	2,039,529	17,221,489	16,967,795
Loans and Bills Discounted (Notes 8, 9 and 10)	4,274,410	4,278,683	35,560,815	35,596,364
Foreign Exchange (Note 11)	2,706	2,134	22,512	17,753
Other Assets (Note 12)	40,083	49,637	333,469	412,953
Premises and Equipment (Note 13)	87,807	91,138	730,507	758,219
Deferred Tax Assets (Note 14)	88,992	90,728	740,366	754,808
Customers' Liabilities for Acceptances and Guarantees	57,700	71,167	480,033	592,071
Reserve for Possible Loan Losses	(67,077)	(90,346)	(558,044)	(751,630)
Reserve for Devaluation of Investment Securities	(205)	(233)	(1,705)	(1,938)
Total Assets	<b>¥6,780,242</b>	¥6,867,816	<b>\$56,408,003</b>	\$57,136,572
<b>Liabilities and Shareholders' Equity</b>				
<b>Liabilities:</b>				
Deposits (Note 15)	¥6,091,865	¥6,125,315	\$50,681,073	\$50,959,359
Call Money and Bills Sold	29,788	29,935	247,820	249,043
Receivables under Securities Borrowing Transactions	81,661	—	679,376	—
Trading Liabilities (Note 16)	1	50	8	415
Borrowed Money	86,051	96,314	715,898	801,281
Foreign Exchange (Note 11)	252	189	2,096	1,572
Corporate Bonds	15,000	15,000	124,792	124,792
Due to Trust Account	30	14	249	116
Other Liabilities (Note 17)	39,591	121,565	329,376	1,011,356
Reserve for Employees' Retirement Benefits	8,421	19,429	70,058	161,638
Reserve for Possible Losses on Sales of Loans	—	6,492	—	54,009
Reserve for Other Contingent Losses	117	4,188	973	34,841
Deferred Tax Liabilities for Land Revaluation (Note 14)	9,105	10,143	75,748	84,384
Acceptances and Guarantees	57,700	71,167	480,033	592,071
Total Liabilities	<b>6,419,587</b>	6,499,808	<b>53,407,545</b>	54,074,941
<b>Shareholders' Equity:</b>				
Common Stock (Note 28):				
Authorized — 2,180,515 thousand shares				
Issued — 865,231 thousand shares	85,113	85,113	708,094	708,094
Capital Surplus	58,574	58,574	487,304	487,304
Legal Reserve	55,317	55,317	460,207	460,207
Land Revaluation Reserve, Net of Taxes	13,483	14,386	112,171	119,683
Voluntary Reserve	120,432	155,071	1,001,930	1,290,108
Retained Earnings (Deficit)	12,031	(27,809)	100,091	(231,356)
Unrealized Gain on Available-for-Sale Securities	18,066	27,559	150,299	229,276
Less, Treasury Stock at Cost	(2,361)	(204)	(19,642)	(1,697)
Total Shareholders' Equity	<b>360,655</b>	368,007	<b>3,000,457</b>	3,061,622
Total Liabilities and Shareholders' Equity	<b>¥6,780,242</b>	¥6,867,816	<b>\$56,408,003</b>	\$57,136,572

See accompanying notes to non-consolidated financial statements.

## Non-Consolidated Statements of Operation and Retained Earnings

THE JOYO BANK, LTD.

For the Years Ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 2)	
	2003	2002	2003	2002
<b>Income</b>				
Interest Income:				
Interest on Loans and Discounts	¥ 88,330	¥ 94,254	\$ 734,858	\$ 784,143
Interest and Dividends on Securities	29,815	34,207	248,044	284,584
Other Interest Income	541	4,609	4,500	38,344
Fees and Commissions (Note 18)	16,463	15,565	136,963	129,492
Trading Revenue (Note 19)	210	72	1,747	599
Other Operating Income (Note 20)	7,607	9,522	63,286	79,217
Other Income (Note 21)	11,264	10,637	93,710	88,494
<b>Total Income</b>	<b>154,234</b>	<b>168,871</b>	<b>1,283,144</b>	<b>1,404,916</b>
<b>Expenses</b>				
Interest Expenses:				
Interest on Deposits	3,819	11,980	31,772	99,667
Interest on Borrowings and Rediscounts (Note 22)	3,412	4,442	28,386	36,955
Other Interest Expenses	6,874	10,107	57,188	84,084
Fees and Commissions (Note 23)	5,312	5,170	44,193	43,011
Trading Expenses (Note 24)	—	1	—	8
Other Operating Expenses (Note 25)	1,695	1,740	14,101	14,475
General and Administrative Expenses	75,139	75,554	625,116	628,569
Other Expenses (Note 27)	39,755	114,915	330,740	956,031
<b>Total Expenses</b>	<b>136,010</b>	<b>223,915</b>	<b>1,131,530</b>	<b>1,862,853</b>
<b>Income (Loss) before Income Taxes</b>	<b>18,223</b>	<b>(55,044)</b>	<b>151,605</b>	<b>(457,936)</b>
<b>Income Taxes:</b>				
Current	1,673	119	13,918	990
Deferred (Note 14)	8,163	(23,054)	67,911	(191,797)
<b>Net Income (Loss)</b>	<b>8,386</b>	<b>(32,109)</b>	<b>69,767</b>	<b>(267,129)</b>
<b>Retained Earnings</b>				
Balance at Beginning of Year	(27,809)	12,332	(231,356)	102,595
Reversal of Reserve for Losses by the Calamity	40	—	332	—
Reversal of Reserve for Employees' Retirement Bonuses	175	—	1,455	—
Reversal of Reserve for Retirement of Treasury Stock	4,424	2,298	36,805	19,118
Reversal of Land Revaluation Reserve	1,138	72	9,467	599
Retirement of Treasury Stock	—	(575)	—	(4,783)
Reversal of Voluntary Reserve	30,000	—	249,584	—
Appropriations:				
Transfer to Legal Reserve	—	(500)	—	(4,159)
Cash Dividends (Note 29)	(4,322)	(4,327)	(35,956)	(35,998)
Bonuses to Directors and Corporate Auditors	—	—	—	—
Transfer to Voluntary Reserve	—	(5,000)	—	(41,597)
<b>Balance at End of Year</b>	<b>¥ 12,031</b>	<b>¥ (27,809)</b>	<b>\$ 100,091</b>	<b>\$ (231,356)</b>

	Yen		U.S. Dollars (Note 2)	
<b>Per Share</b>				
Net Income (Loss)	¥9.71	¥(37.09)	\$0.08	\$(0.30)
Cash Dividends Applicable to the Year	5.00	5.00	0.04	0.04

See accompanying notes to non-consolidated financial statements.

## Notes to Non-Consolidated Financial Statements

### THE JOYO BANK, LTD.

The accompanying non-consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and the notes thereto. In preparing the notes to the non-consolidated financial statements, certain notes found in the consolidated financial statements have been omitted.

#### 1. Basis of Presentation

The Joyo Bank Ltd. (the "Bank") maintains its accounting records and prepares its non-consolidated financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, the Commercial Code of Japan and the Banking Law of Japan and the Rules for Bank Accounting issued by the Ministry of Finance. The accompanying non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the Prime Minister as required by the Banking Law and the Securities and Exchange Law of Japan. Accordingly, the accompanying financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan.

For the convenience of readers outside Japan, certain items presented in the original non-consolidated financial statements have been reclassified and rearranged to conform to the current year's presentation.

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

#### 3. Significant Accounting Policies

##### (a) Securities

Securities have been accounted for by the following methods:

Marketable debt securities being held to maturity are stated at amortized cost by the moving-average cost method. Stocks in subsidiaries are stated at cost by the moving-average cost method.

Other available-for-sale securities for which market prices are available are stated at fair value based on their market prices, etc. at the fiscal year-end, whereas those for which fair value is not available are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) have been reported as a component of shareholders' equity.

##### (b) 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 (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of 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 by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss experience.

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

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥117,888 million and ¥142,806 million as of March 31, 2003 and 2002, respectively.

#### 4. Additional Information

##### Treasury stock

Effective April 1, 2001, the Bank applied the revised accounting standard for the treasury stock, which is to present treasury stock as a separate component of stockholders' equity, which has been changed by the Banking Law Enforcement regulation.

#### 5. Trading Assets

March 31,	Millions of Yen	
	2003	2002
Trading Securities	¥ 2,925	¥ 540
Trading-Related Financial Derivatives	7	40
Other Trading Assets	8,499	9,998
Total	¥11,431	¥10,580

## 6. Securities

March 31,	Millions of Yen	
	2003	2002
Japanese Government Bonds	¥ 663,045	¥ 713,844
Japanese Local Government Bonds	284,950	243,207
Corporate Bonds	275,707	213,510
Corporate Stocks	126,891	181,379
Other Securities	719,428	687,587
<b>Total</b>	<b>¥2,070,023</b>	<b>¥2,039,529</b>

## 7. Pledged Assets

Assets pledged as collateral at March 31, 2003 and 2002 were as follows:

March 31,	Millions of Yen	
	2003	2002
Pledged Assets:		
Securities	¥221,965	¥146,319
Liabilities Covered by Pledged Assets:		
Deposits	¥ 43,120	¥ 41,268
Receivables under Securities		
Borrowing Transactions	81,661	—

In addition to the above, securities amounting to ¥57,976 million and ¥58,134 million at book value were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2003 and 2002, respectively.

## 8. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements which, subject to compliance with the contractual conditions, pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank.

The unused amount related to such facilities/contracts stood at ¥1,139,170 million and ¥1,122,434 million at March 31, 2003 and 2002, respectively. Of this amount, facilities/contracts with a period of one year or less remaining until expiration or which are unconditionally cancelable at any time totaled ¥1,135,082 million and ¥1,118,768 million at March 31, 2003 and 2002, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the nonexecuted financing will not necessarily impact on the Bank's future cash flows. Most of these facilities/contracts contain a clause which allows the Bank to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank may demand collateral such as real estate or marketable securities at the date an agreement is entered into. In addition, after facilities/contracts are set forth, the Bank will regularly assess the business status of the clients based on predetermined internal procedures and, when prudent, will revise the agreements and reformulate new policies to maintain creditworthiness.

## 9. Loans and Bills Discounted

March 31,	Millions of Yen	
	2003	2002
Loans on Notes	¥ 673,395	¥ 736,472
Loans on Deeds	2,992,908	2,944,371
Overdrafts	541,872	510,086
Bills Discounted	66,233	87,753
<b>Total</b>	<b>¥4,274,410</b>	<b>¥4,278,683</b>

## 10. Non-Performing Loans

In accordance with the 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, 2003 and 2002 included the following non-performing loans:

March 31,	Millions of Yen	
	2003	2002
(a) Loans in Bankruptcy and Dishonored Bills	¥ 17,318	¥ 12,736
(b) Delinquent Loans	128,184	166,788
(c) Loans Past Due with Respect to Interest Payments for More than Three Months	2,110	3,277
(d) Restructured Loans	115,616	138,064
<b>Total</b>	<b>¥263,230</b>	<b>¥320,866</b>

Note: The above amounts are stated before the deduction of the reserve for possible loan losses.

## 11. Foreign Exchange

March 31,	Millions of Yen	
	2003	2002
Assets:		
Due from Foreign Banks	¥ 808	¥ 660
Foreign Exchange Bills Bought	186	239
Foreign Exchange Bills Receivable	1,711	1,233
<b>Total</b>	<b>¥2,706</b>	<b>¥2,134</b>
Liabilities:		
Foreign Exchange Bills Sold	¥ 252	¥ 173
Foreign Exchange Bills Payable	—	16
<b>Total</b>	<b>¥ 252</b>	<b>¥ 189</b>

## 12. Other Assets

March 31,	Millions of Yen	
	2003	2002
Domestic Exchange Settlement		
Account—Debit	¥ 2,522	¥ 2,000
Prepaid Expenses	236	414
Accrued Income	12,051	15,419
Connection with Future Transactions	150	—
Derivatives	4	148
Loss on Deferred Hedge Accounting	7,787	7,292
Other	17,331	24,361
<b>Total</b>	<b>¥40,083</b>	<b>¥49,637</b>



### 13. Premises and Equipment

March 31,	Millions of Yen	
	2003	2002
Land, Buildings and Equipment	¥158,034	¥161,159
Construction in Progress	1,153	361
Leasehold Guarantees and Deposits	6,800	6,987
Total	165,987	168,507
Less Accumulated Depreciation	78,180	77,369
Net Book Value	¥ 87,807	¥ 91,138

Note: Advanced depreciation: ¥5,723 million

### 14. Deferred Tax Assets

March 31,	Millions of Yen	
	2003	2002
Deferred Tax Assets:		
Excess Reserve for Possible Loss on Loans	¥ 60,914	¥ 82,297
Accumulated Deficit	12,824	—
Reserve for Employees' Retirement Benefits	11,292	10,922
Devaluation of Securities	12,544	7,832
Transfer to Reserve for Possible Losses on Sales of Loans	—	2,684
Other	13,894	12,306
Total	¥111,470	¥116,043
Deferred Tax Liabilities:		
Unrealized Gain on Available-for-Sale Securities	¥ (12,200)	¥ (19,430)
Retirement Benefit Trust	(9,493)	(4,962)
Other	(784)	(921)
Total	(22,478)	(25,314)
Net Deferred Tax Assets	¥ 88,992	¥ 90,728

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

	2003	2002
Statutory Tax Rates	41.35%	—
Adjustment for Year-End Deferred Tax Assets Due to Tax Rate Revision	11.39%	—
Other	1.23%	—
Effective Tax Rates	53.97%	—

On June 9, 2000, the "Ordinance regarding the imposition of enterprise tax through external standards taxation on banks in Osaka" was promulgated. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2001. The enterprise tax is to be levied on gross profit rather than income. This means that enterprise tax will not be included in the tax calculations for deferred tax accounting.

Therefore, the tax rate applied when calculating the Bank's deferred tax assets and deferred tax liabilities was 41.35% for the year ended March 31, 2001, as opposed to 41.38% for the previous year. The effect of this change resulted in a decrease in deferred tax assets of ¥54 million, and an increase in income tax expenses—deferred and booked for the year ended March 31, 2001 of ¥54 million. There was also a decrease in the deferred tax liability for land revaluation of ¥8 million, and an increase in the land revaluation account of ¥7 million at March 31, 2001.

### 15. Deposits

March 31,	Millions of Yen	
	2003	2002
Current Deposits	¥ 124,257	¥ 137,747
Ordinary Deposits	2,700,969	2,483,666
Savings Deposits	76,990	83,115
Deposits at Notice	25,126	87,295
Time Deposits	2,829,835	3,046,694
Installment Savings	24	37
Negotiable Certificates of Deposit	100,975	105,355
Other	233,687	181,403
Total	¥6,091,865	¥6,125,315

### 16. Trading Liabilities

March 31,	Millions of Yen	
	2003	2002
Trading-Related Financial Derivatives	¥1	¥50

### 17. Other Liabilities

March 31,	Millions of Yen	
	2003	2002
Domestic Exchange Settlement		
Account—Credit	¥ 616	¥ 1,517
Accrued Taxes	1,787	62
Accrued Expenses	7,718	9,682
Unearned Income	3,810	2,970
Employees' Deposits	1,654	1,847
Derivatives	13,292	19,125
Deferred Hedge Accounting Liabilities	—	75
Deposits on Bonds Loaned	—	73,038
Other	10,710	13,244
Total	¥39,591	¥121,565

### 18. Fees and Commissions (Income)

March 31,	Millions of Yen	
	2003	2002
Exchange Settlement	¥ 7,744	¥ 7,829
Other Fees and Commissions	8,688	7,714
Trust Fees	31	22
Total	¥16,463	¥15,565

### 19. Trading Revenue

March 31,	Millions of Yen	
	2003	2002
Revenue from Trading Securities	¥173	¥60
Revenue from Trading-Related Financial Derivatives	9	—
Other Trading Revenue	27	12
Total	¥210	¥72

### 20. Other Operating Income

March 31,	Millions of Yen	
	2003	2002
Gain on Foreign Exchange Transactions	¥1,419	¥1,230
Gain on Sales of Bonds	6,185	8,288
Other	2	2
Total	¥7,607	¥9,522

### 21. Other Income

March 31,	Millions of Yen	
	2003	2002
Gain on Sales of Stocks and Other Securities	¥ 1,680	¥ 3,804
Gain on Money Held in Trust	—	0
Other Current Revenues	2,430	4,831
Other	7,154	2,001
Total	¥11,264	¥10,637

### 22. Interest on Borrowings and Rediscounts

March 31,	Millions of Yen	
	2003	2002
Call Money	¥ 569	¥2,872
Bills Sold	—	8
Borrowings	1,603	1,562
Total	¥2,172	¥4,442

### 23. Fees and Commissions (Expenses)

March 31,	Millions of Yen	
	2003	2002
Exchange Settlement	¥1,555	¥1,549
Other Fees and Commissions	3,756	3,621
Total	¥5,312	¥5,170

### 24. Trading Expenses

March 31,	Millions of Yen	
	2003	2002
Expenses on Trading-Related Financial Derivatives Transactions	¥—	¥1

### 25. Other Operating Expenses

March 31,	Millions of Yen	
	2003	2002
Loss on Sales of Bonds	¥1,666	¥1,740
Amortization Bond Issuance Expenses	28	—
Total	¥1,695	¥1,740

### 26. Leases

#### (a) Finance Leases

Finance leases at March 31, 2003 and 2002 were as follows:

March 31,	Millions of Yen	
	2003	2002
Equipment	¥6,391	¥6,822
Other	1,124	1,330
Accumulated Depreciation	(3,859)	(3,898)
Total	¥3,656	¥4,254
Lease Payments Receivable for Finance Leases:		
Within One Year	¥1,371	¥1,442
Over One Year	2,285	2,812
Total	¥3,656	¥4,254

Total lease payments received and depreciation under finance leases for the year ended March 31, 2003 were ¥1,538 million and ¥1,538 million, respectively.

#### (b) Operating Leases

Future minimum lease payments for operating leases at March 31, 2003 were ¥182 million, of which ¥44 million was due within one year.

## 27. Other Expenses

March 31,	Millions of Yen	
	2003	2002
Provision for Possible Loss on Loans	¥ —	¥ 46,175
Provision for Loss on Sales of Loans and Other	435	4,307
Write-offs of Claims	17,100	43,176
Loss on Devaluation of Stocks and Other Securities	13,027	13,422
Loss on Sales of Stocks	754	715
Loss on Disposal of Premises and Equipment	601	1,112
Other	7,837	6,004
Total	¥39,755	¥114,915

## 28. Shareholders' Equity

In accordance with the Banking Law of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Law of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Code provides that neither additional paid-in capital nor the legal reserve had been available for dividends, but both might be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 100% of the common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Bank's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Bank's shares had a par value of ¥50.

There were no changes in the common stock and capital surplus accounts for the two years ended March 31, 2003 and 2002.

## 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 operations 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 Event

### Appropriation of Retained Earnings

The following appropriations of retained earnings were approved at a general shareholders' meeting held on June 27, 2003:

	Millions of Yen
Retained Earnings at March 31, 2003	¥12,031
Appropriations:	
Cash Dividends	2,145
Transfer to Voluntary Reserves	3,000
Retained Earnings Carried Forward	¥ 6,886

# Report of Independent Certified Public Accountants



**Certified Public Accountants**  
Hibiya Kokusai Bldg.  
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Chiyoda-ku, Tokyo 100-0011  
C.P.O. Box 1196, Tokyo 100-8641

Phone: 03 3503-1100  
Fax: 03 3503-1197

## Report of Independent Auditors

The Board of Directors  
The Joyo Bank, Ltd.

We have audited the accompanying non-consolidated balance sheets of The Joyo Bank, Ltd. as of March 31, 2003 and 2002, and the non-consolidated statements of operation, and retained earnings for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of The Joyo Bank, Ltd. at March 31, 2003 and 2002, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2003 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.

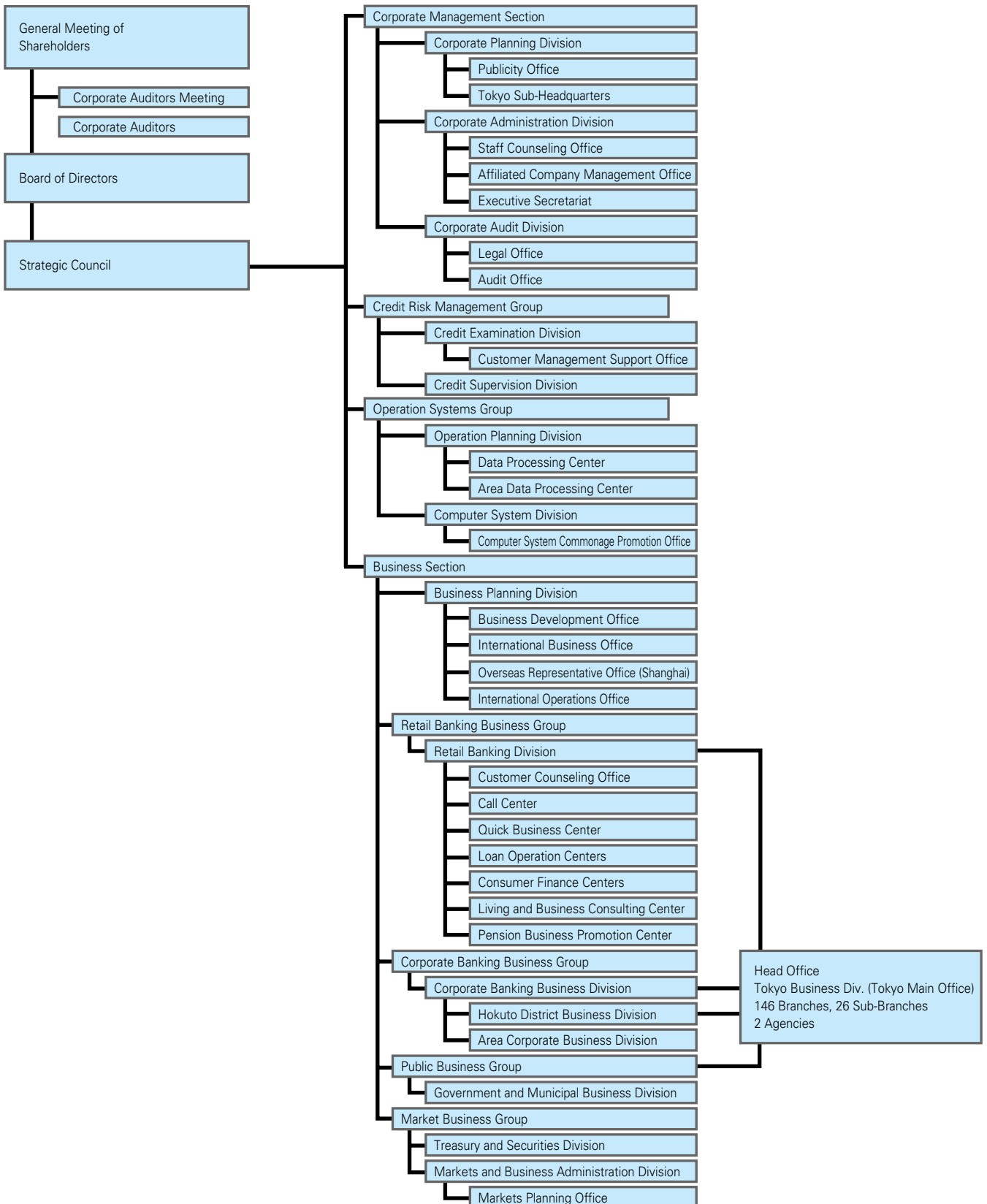
*Shin Nihon & Co.*

June 27, 2003

*See Note 1 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.



As of June 27, 2003

## Board of Directors and Corporate Auditors

**Chairman**  
Toranosuke Nishino

**Vice Chairman**  
Shinichi Yamada

**President**  
Isao Shibuya

**Deputy President**  
Kunio Onizawa

**Senior Managing Director**  
Yuto Kawahara

**Managing Directors**  
Noboru Ehashi  
Shinichi Inaba  
Kunio Kurosaki  
Itsuo Koibuchi  
Tsutomu Toyama  
Takenori Hotate

**Standing Corporate Auditors**  
Takashi Iwakami  
Kozo Suzuki

**Corporate Auditors**  
Tadao Kanazawa  
Masamitsu Tsurumi  
Toru Yasu

As of June 27, 2003

## Market Business Group and Overseas Office

### ■ Head Office

5-5, Minami-machi 2-chome, Mito,  
Ibaraki 310-0021, Japan  
Phone: 029-231-2151

### ■ Market Business Group

**Managing Director**  
Shinichi Inaba

### ■ Markets and Business Administration Division

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Telefax: 03-3242-3726

**General Manager**  
Sotaro Yamada

#### • Operations Group (Tokyo)

**Senior Manager**  
Osato Aizawa

#### • Operations Group (Mito)

**Senior Manager**  
Hideo Kashimura

### ● Markets Planning Office

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**General Manager**  
Hirohiko Sato

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Telefax: 029-255-6522  
Telex: J23278 JOYOBANK  
3632105 JOYOBK

Swift: JOYQJPT

**General Manager**  
Hideo Kosaka

### ■ Treasury and Securities Division

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Telefax: 03-3273-2480

**General Manager**  
Kazuo Komuro

**Deputy General Manager**  
Osamu Midorikawa

#### • Investment Group

**Senior Manager**  
Hirofumi Watanabe

#### • Business Promotion Group

**Senior Manager**  
Hironori Inoue

### ■ Shanghai Representative Office (Business Planning Division)

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Telefax: 86-21-6209-0508

#### **Chief Representative**

Tetsuya Kuroha

#### **Deputy Chief Representative**

Kenji Kikuchi

As of June 27, 2003

## Service Network

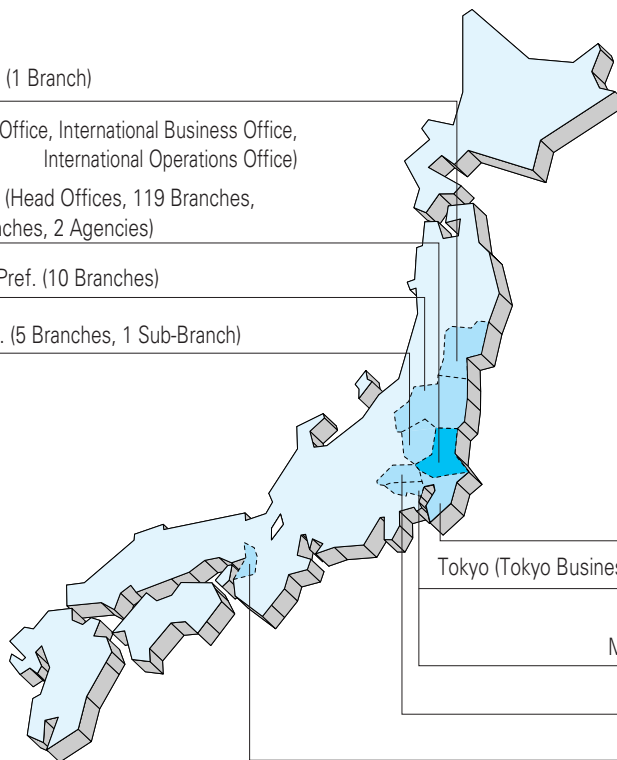
Miyagi Pref. (1 Branch)

**Mito** (Head Office, International Business Office,  
International Operations Office)

Ibaraki Pref. (Head Offices, 119 Branches,  
25 Sub-Branches, 2 Agencies)

Fukushima Pref. (10 Branches)

Tochigi Pref. (5 Branches, 1 Sub-Branch)



Chiba Pref. (5 Branches)

Tokyo (Tokyo Business Div. (Tokyo Main Office), 3 Branches)

Treasury and Securities Div.  
Markets and Business Administration Div.

Saitama Pref. (2 Branches)

Osaka Pref. (1 Branch)

### Overseas:

Shanghai Representative Office

As of March 31, 2003

## Affiliated Companies

### ■ The Joyo Lease Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki  
Established 1974, Capital Stock: ¥100 million  
Share of Voting Rights: 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  
Share of Voting Rights: 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  
Share of Voting Rights: 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  
Share of Voting Rights: 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  
Share of Voting Rights: 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  
Share of Voting Rights: 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  
Share of Voting Rights: 5%  
This company is engaged in maintenance and management of operational properties and equipment of the Bank.

### ■ The Joyo Cash Service Co., Ltd.

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

### ■ The Joyo Total Maintenance Co., Ltd.

3-23, Minami-machi 1-chome, Mito, Ibaraki  
Established 2000, Capital Stock: ¥200 million  
Share of Voting Rights: 100%  
This company is engaged in liquidation of real estate collateralized in relation to the loans made by the Joyo Bank.

As of March 31, 2003



■ <b>Date of Establishment</b>	July 30, 1935
■ <b>Head Office</b>	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan Phone: 029-231-2151 Telefax: 029-231-2193 URL: <a href="http://www.joyobank.co.jp/">http://www.joyobank.co.jp/</a> <a href="http://www.joyobank.co.jp/joyobank/eng/">http://www.joyobank.co.jp/joyobank/eng/</a> (English Page)
■ <b>Domestic Network</b>	Head Office, Tokyo Business Division (Tokyo Main Office), and 146 Branches, 26 Sub-branches, and 2 Agencies
■ <b>Overseas Network</b>	1 Representative Office: Shanghai
■ <b>Number of Employees</b>	3,766
■ <b>Stock Exchange Listing</b>	Tokyo Stock Exchange
■ <b>Paid-in Capital</b>	¥85,113 million
■ <b>Number of Share Trading Units</b> (as of March 31, 2003)	Authorized 2,180,515 thousand Issued and Outstanding 865,231 thousand
■ <b>Number of Shareholders</b> (1 trading unit = 1,000 shares)	26,604
■ <b>Principal Shareholders</b>	The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2003 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Bank of Tokyo-Mitsubishi, Ltd. ....	40,992	4.73 %
NIPPONKOA Insurance Company, Limited .....	40,973	4.73
Nippon Life Insurance Company .....	28,529	3.29
Sumitomo Mitsui Banking Corporation .....	28,490	3.29
Japan Trustee Services Bank, Ltd. (Trust Account).....	22,667	2.61
The Master Trust Bank of Japan, Ltd. (Trust Account) .....	20,068	2.31
The Dai-ichi Mutual Life Insurance Company .....	17,049	1.97
Sumitomo Life Insurance Company .....	16,448	1.90
J.P. Morgan Trust Bank Ltd. ....	15,645	1.80
Meiji Life Insurance Company .....	11,722	1.35
Total .....	242,585	28.03 %

As of March 31, 2003

For further information,  
please write to:  
Markets and Business  
Administration Division,  
The Joyo Bank, Ltd.  
7-2, Yaesu 2-chome,  
Chuo-ku, Tokyo  
104-0028, Japan

