

OGAKI KYORITSU



Paddington Bear™

PADDINGTON BEAR™
© Paddington and Company Ltd 2003
Licensed by ©Copyright Group



THE OGAKI KYORITSU BANK, LTD.

ANNUAL REPORT 2003

~Frontier21~ "Service Creator, It's Our Goal"



Profile

The Ogaki Kyoritsu Bank, founded in 1896, is a regional financial institution headquartered in Gifu Prefecture, close to the center of the Japanese archipelago. Since its establishment, the Bank has made a valuable contribution to the economic development of the Tokai region, which plays a pivotal role in the national economy.

The Bank's network embraces 150 branches in Japan and 3 overseas offices. While continuing to perform its traditional banking role, amidst the ongoing reform of Japan's financial system, the Ogaki Kyoritsu Bank Group continues to concentrate the strengths of all its members in providing a comprehensive range of financial services to meet the increasingly diverse and sophisticated needs of its customers.

As of March 31, 2003, the Bank's capitalization was ¥24,516 million (US\$203.9 million). Total assets amounted to ¥3,347.5 billion (US\$27,849.9 million), and total deposits were ¥2,994.1 billion (US\$24,909.3 million). The Bank's capital adequacy ratio according to domestic standards was 8.15%.

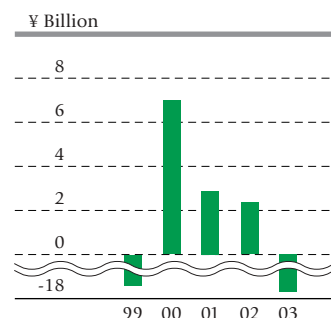


Financial Highlights

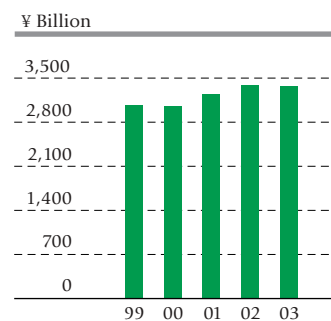
Years ended March 31	Consolidated		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
For the Year			
Total Income	¥ 103,812	¥ 111,356	\$ 863,660
Total Expenses	130,130	110,228	1,082,612
Income (Loss) before Income Taxes.....	(26,318)	1,128	(218,951)
Net Income (Loss)	(16,792)	2,188	(139,700)
At Year-End			
Deposits	¥2,994,105	¥2,994,794	\$24,909,359
Loans and Bills Discounted...	2,170,170	2,273,371	18,054,658
Securities.....	856,809	774,247	7,128,194
Total Assets	3,347,564	3,387,042	27,849,950
Stockholders' Equity	105,964	129,457	881,564
Common Stock	24,516	24,516	203,960

- Notes: 1. In this annual report, the Japanese yen in millions are indicated with fractions omitted.
2. Figures stated in U.S. dollars in this annual report are translated from Japanese yen, solely for convenience, at the rate of ¥120.20 per U.S.\$1.00, the rate prevailing at March 31, 2003.

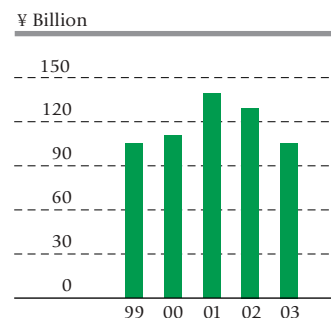
Net Income (Loss)



Total Assets



Stockholders' Equity



● A MESSAGE FROM THE PRESIDENT

Operating Environment

In the period under review, the Japanese economy remained at a low ebb, as weak domestic demand, falling stock prices, the unstable international situation and other negative factors combined to nip in the bud an incipient recovery based on rising production fueled by increased exports.

Personal spending was sluggish, reflecting a harsh employment and income environment, and housing investment continued to decrease.

Capital investment showed signs of recovery, chiefly reflecting improved corporate profitability, but the uncertainty of economic prospects curbed its momentum. Public-sector investment also remained stagnant, with both national and local governments facing severe financial pressures.

In the Tokai region, a moderate recovery in industrial activity was spurred by rising production, notably in exports in the mainstay automotive sector.

Against this backdrop, consolidated results of operations were as follows.

Performance

Despite strenuous efforts to streamline fund operation and procurement and rationalize operations across the Group, the Bank could not avoid an ordinary loss of ¥27.8 billion (US\$231 million) and a net loss of ¥16.7 billion (US\$139 million). The result reflects the increased cost of disposal of non-performing loans, a major provision to the reserve for possible loan losses after rigorous assessment of assets, and the posting of impairment losses following the fall in Japanese stock prices, all measures taken to further bolster financial soundness on a non-consolidated basis.

Likewise reflecting the poor state of the Japanese economy, the balance of loans and bills discounted decreased ¥103.2 billion to ¥2,170.1 billion (US\$18,054 million). Loans to individuals performed well, with housing loans, a priority business at the parent company, rising ¥41.7 billion to ¥419.7 billion.

The balance of deposits, including negotiable certificates of deposit, declined ¥0.6 billion to ¥2,994.1 billion (US\$24,909 million).

The balance of securities rose ¥82.5 billion to ¥856.8 billion (US\$7,128 million), reflecting efficient fund management despite continuing low interest rates.

At fiscal year end, the Bank's capital ratio on a consolidated basis was 8.15%, while the non-consolidated ratio was 8.19%. Domestic standards have been applied as of March 31, 2003, in light of our closure of overseas branches in line with an overhaul of overseas operations.

On a consolidated basis, the balance of loans under risk management according to the Banking Law ended at ¥184.9 billion or 8.5% of loans and bills discounted. Loans disclosed under Financial Revitalization Law standards amounted to ¥187.0 billion on a non-consolidated basis. These were covered by the reserve for possible loan losses and collateral or guarantees to the value of ¥174.4 billion, for a coverage ratio of 93.2%.

Dividend Policy

The Bank Group regards it as a public mission to maintain stable operations into the long term. Accordingly, we follow a basic policy of strengthening our financial base from internal reserves while promoting sound management, and of assuring a stable dividend for all shareholders. In the term under review, measures taken to underpin assets resulted in a net loss, but in line with the above-mentioned basic policy, we declared annual cash dividends of ¥5.00 (US\$0.04) per share, including a ¥2.50 (US\$0.02) interim dividend.

Final Year of the “Frontier 21” Medium-Term Management Plan

Building on the foundations created to date, Ogaki Kyoritsu Bank as a financial service provider to its area seeks to establish a robust management structure capable of commanding absolute customer trust.

To this end, we will maximize the Bank’s innovativeness, originality and transparency and relentlessly pursue the challenge of enhancing customer convenience. Meanwhile, we will establish a stable high-earnings structure conducive to the creation of new added value.

In this last year of the medium-term management plan, Frontier 21, we aim to achieve a V-shaped recovery in performance. We are steadily implementing clearly focused, far-reaching core strategies which address priority issues in both an offensive and defensive way, as well as specific measures for implementing such strategies.

New Medium-Term Management Plan

Frontier 21

SIGNIFICANT CHANGES IN FINANCIAL ENVIRONMENT

Ongoing Deregulation

- Entry of new players into banking business
- Rapid advance of IT

End to unlimited deposit guarantee

- Prolonged economic stagnation
- Adoption of new corporate accounting standards

Basic Philosophy

To be a bank that is loved and trusted by the local community



TOPICS

- In December 2002, a Shanghai representative office was established in the city's Pudong area to provide backup services to customers expanding their business in China.

Because of the progress in information technology, which has enabled investment operations that once had to be handled overseas to be dealt with in Japan, our branch offices in New York and Hong Kong were downgraded to representative offices, and Ogaki Kyoritsu Bank (Europe) S.A. was closed down.

- Our Management Reform Support Team offers specialist management advice to corporate customers.
- To deliver services that always put the customers first, offering them greater freedom and convenience, we are creating partnerships of a new kind that take us beyond banking into other types and levels of business.
- In 1994 the Bank became the first financial institution in Japan to offer ATM services 365 days a year (unmanned). In 1998, we again pioneered the industry in Japan, becoming the first bank to provide year-round manned over-the-counter services.
- Our "Gold Sogo Account" is a proprietary product offered for an annual fee of ¥2,100 with various features such as zero charges for after-hours transactions using the Bank's ATMs. It has become a hit in the market, with over 110,000 accounts opened, many by new Bank customers.
- This year is the 7th anniversary of the establishment of the Committee for Promoting Social Contribution by employees of the Bank and affiliated companies. The committee is involved in social contributions and volunteer activities including protection of the environment.

Ogaki Kyoritsu Bank is committed to meeting customer expectations as a financial service provider

We are determined to establish a reputation of unwavering trust by earning high praise from customers, shareholders and markets. The Bank's employees will unite to continue to meet the challenge of creating a new framework untrammelled by outworn concepts to assure our further evolution as a financial services provider. In this endeavor I humbly request the continued support of all our customers.



Takashi Tsuchiya
President



CONSOLIDATED BALANCE SHEETS

March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
ASSETS			
Cash and Due from Banks (Note 7)	¥ 119,461	¥ 129,103	\$ 993,851
Call Loans and Bills Bought	47,553	39,176	395,615
Monetary Claims Bought	1,871	1,525	15,565
Trading Account Securities (Note 4)	7,737	9,424	64,367
Securities (Notes 4 and 7)	856,809	774,247	7,128,194
Loans and Bills Discounted (Notes 5, 6, 7 and 8)	2,170,170	2,273,371	18,054,658
Foreign Exchanges	4,450	4,442	37,021
Other Assets	36,922	38,496	307,171
Premises and Equipment (Note 10)	90,543	93,002	753,269
Deferred Tax Assets (Note 11)	42,179	26,436	350,906
Customers' Liabilities for Acceptances and Guarantees (Note 14)	64,141	70,186	533,618
Less Reserve for Possible Loan Losses	(94,097)	(72,370)	(782,836)
Less Reserve for Possible Investment Losses	(180)	—	(1,497)
Total Assets	¥3,347,564	¥3,387,042	\$27,849,950
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits (Note 7)	¥2,994,105	¥2,994,794	\$24,909,359
Call Money and Bills Sold (Note 7)	6,317	26,027	52,554
Payables for Securities Lending Transactions (Notes 3 and 7)	41,577	13,246	345,898
Borrowed Money (Notes 7 and 12)	90,826	90,387	755,623
Foreign Exchanges	373	253	3,103
Other Liabilities	31,927	48,885	265,615
Accrued Employees' Bonuses	762	1,750	6,339
Employees' Severance and Retirement Benefits (Note 13)	4,915	4,999	40,890
Deferred Tax Liabilities (Note 11)	38	—	316
Deferred Taxes on Revaluation Excess (Note 9)	2,775	2,943	23,086
Consolidation Difference	246	386	2,046
Acceptances and Guarantees (Notes 7 and 14)	64,141	70,186	533,618
Total Liabilities	3,238,008	3,253,861	26,938,502
Minority Interests	3,591	3,723	29,875
STOCKHOLDERS' EQUITY			
Common Stock			
Authorized—400,000,000 shares			
Issued —291,268,975 shares	24,516	24,516	203,960
Capital Surplus	13,789	13,789	114,717
Retained Earnings	53,522	71,693	445,274
Land Revaluation Reserve (Note 9)	4,215	4,236	35,066
Net Unrealized Holding Gains on Securities (Note 4)	10,149	16,496	84,434
Foreign Currency Translation Adjustments	—	(779)	—
Less Treasury Stock			
—438,217 shares in 2003	(228)	(493)	(1,896)
Total Stockholders' Equity	105,964	129,457	881,564
Total Liabilities, Minority Interests and Stockholders' Equity	¥3,347,564	¥3,387,042	\$27,849,950

See Notes to Consolidated Financial Statements.

● CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
INCOME			
Interest and Dividends on:			
Loans and Bills Discounted	¥ 44,441	¥ 46,336	\$ 369,725
Securities	12,935	16,673	107,612
Other	554	484	4,608
Fees and Commissions	10,125	8,992	84,234
Other Operating Income	3,297	3,576	27,429
Other Income	32,459	35,293	270,041
Total Income	103,812	111,356	863,660
EXPENSES			
Interest on:			
Deposits	2,477	5,354	20,607
Borrowings and Rediscounts	2,016	3,374	16,772
Other	3,661	3,737	30,457
Fees and Commissions	2,635	2,497	21,921
Other Operating Expenses	2,219	881	18,460
General and Administrative Expenses.....	38,801	43,350	322,803
Other Expenses (Note 15)	78,319	51,031	651,572
Total Expenses	130,130	110,228	1,082,612
Income (Loss) before Income Taxes	(26,318)	1,128	(218,951)
Income Taxes –Current	1,230	4,366	10,232
–Deferred.....	(10,989)	(4,143)	(91,422)
Minority Interest	233	(1,282)	1,938
Net Income (Loss)	¥(16,792)	¥ 2,188	\$ (139,700)
Per Share of Common Stock (in Yen and U.S. Dollars):			
Net Income (Loss).....	¥(57.71)	¥ 7.53	\$(0.48)
Dividends	5.00	5.00	0.04
Stockholders' Equity	364.35	445.92	3.03

● CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Years Ended March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Retained Earnings:			
Balance at the Beginning of the Year	¥71,693	¥70,986	\$596,447
Net Income (Loss).....	(16,792)	2,188	(139,700)
Land Revaluation	111	9	923
Appropriations:			
Cash Dividends.....	(1,455)	(1,456)	(12,104)
Bonuses to Directors and Statutory Auditors.....	(34)	(34)	(282)
Balance at End of Year	¥53,522	¥71,693	\$445,274

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Cash Flows from Operating Activities:			
Income (Loss) before Income Taxes	¥ (26,318)	¥ 1,128	\$ (218,951)
Depreciation	19,862	23,443	165,241
Amortization of Consolidated Difference.....	(140)	(153)	(1,164)
Increase in Reserve for Possible Loan Losses	21,727	1,390	180,757
Increase in Reserve for Investment Losses	180	—	1,497
Increase (Decrease) in Accrued Employees' Bonuses	(987)	1,750	(8,211)
Increase (Decrease) in Employees' Severance and Retirement Benefits	(84)	29	(698)
Interest and Dividend Income	(57,931)	(63,494)	(481,955)
Interest Expense	8,155	12,466	67,845
Securities Losses (Gains), net	4,811	(663)	40,024
Money in Trust Losses, net	—	177	—
Losses on Sale of Premises and Equipment, net	362	155	3,011
Net Changes in Trading Account Securities	1,686	(4,705)	14,026
Net Changes in Loans and Bills Discounted.....	103,200	(84,791)	858,569
Net Changes in Deposits	(1,097)	86,230	(9,126)
Net Changes in Borrowed Money	(1,560)	4,028	(12,978)
Net Changes in Deposits with Banks	27,040	78,094	224,958
Net Changes in Call Loans.....	(8,723)	(40,570)	(72,570)
Net Changes in Call Money.....	(19,709)	(22,023)	(163,968)
Net Changes in Payables for Securities Lending Transactions	28,330	(2,550)	235,690
Net Changes in Foreign Exchange Assets	(7)	(433)	(58)
Net Changes in Foreign Exchange Liabilities	119	17	990
Interest Income Received	64,966	66,152	540,482
Interest Expense Paid	(9,246)	(15,023)	(76,921)
Net Changes in Lease Assets	(17,025)	(16,608)	(141,638)
Other	3,943	(5,384)	32,803
Sub-Total	141,555	18,662	1,177,662
Income Taxes Paid.....	314	(13,335)	2,612
Net Cash Provided by Operating Activities	141,870	5,326	1,180,282
Cash Flows from Investing Activities:			
Purchases of Securities	(816,793)	(525,807)	(6,795,282)
Proceeds from Sales of Securities.....	452,683	225,267	3,766,081
Proceeds from Maturities of Securities	239,989	287,290	1,996,580
Decrease in Money Held in Trust	—	7,806	—
Purchases of Premises and Equipment	(815)	(2,154)	(6,780)
Proceeds from Sales of Premises and Equipment.....	9	136	74
Net Cash Used in Investing Activities	(124,926)	(7,461)	(1,039,317)
Cash Flows from Financing Activities:			
Increase in Subordinated Loans.....	2,000	7,000	16,638
Decrease in Subordinated Loans	—	(6,000)	—
Proceeds from Issuance of Capital Stock to Minority Interests	35	—	291
Cash Dividends Paid	(1,455)	(1,456)	(12,104)
Cash Dividends Paid to Minority Interests	(1)	(8)	(8)
Purchases of Treasury Stock	(111)	(65)	(923)
Proceeds from Sales of Treasury Stock	—	35	—
Net Cash Provided by (Used in) Financing Activities	467	(494)	3,885
Effect of Foreign Exchange Rate Changes	(18)	10	(149)
Net Increase in Cash and Cash Equivalents	17,391	(2,619)	144,683
Cash and Cash Equivalents at Beginning of Year	77,942	80,562	648,435
Cash and Cash Equivalents at End of Year (Note 16)	¥ 95,334	¥ 77,942	\$ 793,128

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended March 31, 2003 and 2002

1. Basis of Presenting Consolidated Financial Statements

The Ogaki Kyoritsu Bank, Ltd. (the "Bank") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen, and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of an overseas subsidiary, liquidated in the current year, are based on its accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the country of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2003, which was ¥120.20 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

The Japanese yen amounts are presented in millions of yen and are rounded down to the nearest million. The U.S. dollar amounts are presented in thousands and are rounded down to the nearest thousand. Accordingly, columns may not add up to column totals.

2. Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and 9 (10 in 2002) significant subsidiaries. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiaries. In March, 2003, The Ogaki Kyoritsu Bank (Europe) S.A. was liquidated.

The Bank amortizes consolidation difference, the difference between the cost of investments and equity in their net assets at date of acquisition of consolidated companies, using the straight-line method over five years.

In 2002 one consolidated subsidiary's year-end was December 31. Necessary adjustments have been made for significant transactions between the subsidiary's year-end and March 31.

(b) Cash Flow Statement

In preparing the consolidated statements of cash flows, cash on hand, and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(c) Appropriations of Retained Earnings

Appropriations of retained earnings approved by the stockholders after the end of the year are recorded in the consolidated financial statements in the year approved.

(d) Trading Account Securities

Trading account securities of the Bank are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains and losses in the period of the change.

(e) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries that are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost based on carrying value on April 1, 2000 or cost at later date of purchase. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

Securities that are held as trust assets in individually managed money trusts with the principal objective of securities portfolio management are stated at fair market value.

At March 31, 2003 and 2002, securities loaned with transfer of legal title, amounting to ¥43,511 million (\$361,988 thousand) and ¥13,186 million, respectively, are included in Securities. At March 31, 2003 and 2002, securities loaned with rental contract, amounting to ¥233 million (\$1,938 thousand) and ¥292 million, respectively, are included in Securities.

(f) Premises and Equipment

Premises and equipment are generally stated at cost less accumulated depreciation and deferred gains on sale of real estate.

Depreciation of premises and equipment is computed primarily using the declining-balance method.

The estimated useful lives are as follows:

Buildings 3 ~ 60 years

Equipment 2 ~ 20 years

Depreciation of lease assets of the consolidated subsidiaries is computed using the straight-line method based on the lease commitments.

The consolidated subsidiaries changed the residual value of leased assets. The effect of this change for the fiscal year ended March 31, 2002 was to increase the depreciation recorded in general and administrative expenses by ¥2,254 million and increase the write off recorded in other expenses by ¥2,207 million decrease income before income taxes for the fiscal year ended March 31, 2002 by ¥4,462 million.

(g) Software Costs

The Group includes internal use software costs in expenses in accordance with the revised "Accounting Standard for Research and Development Costs."

(h) Foreign Currency Translation

Foreign currency assets and liabilities of the Group are translated into yen at the current rates prevailing at the consolidated balance sheet date.

Formerly, the Bank applied the accounting standards for "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 20).

From this fiscal year, the Bank applies the revised accounting standard, "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

Pursuant to the revised accounting standard:

- (1) Initial exchange cash flows are assumed as principal of claim and debt and are reported on the balance sheet at the exchange rate prevailing at the balance sheet date in the net amount.
- (2) The difference of the initial and final exchange cash flows by currency, which is the reflection of the difference in the yield between the currency, is assumed as interest and is accounted for on an accrual basis on the balance sheet and the statement of operations.

Financial swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold. The spot foreign exchange bought or sold is the swap transaction for borrowing or lending the principal equivalent of the fund. The forward foreign exchange bought or sold is the swap transaction of the foreign currency equivalent including the principal and corresponding interest to be paid or received, the amount and due date of which are predetermined.

(i) Reserve for Possible Investment Losses

The Bank makes provisions for possible investment losses based on evaluations of investments.

(j) Reserve for Possible Loan Losses

The reserve for possible loan losses was provided according to the following write-off/reserve standards. For loans to normal borrowers and borrowers requiring special attention as stipulated in the "Practical Guidelines for the Verification of Compliance with Internal Regulations Governing Asset Self-Assessment by Banks and Other Financial Institutions and for Audits of Bad Loan Write-offs and Bad Loan Reserves" (Report No. 4 of the Special Committee for Audits of Banks and Other Financial Institutions by the Japanese Institute of Certified Public Accountants), a reserve was provided based on the loan loss ratio, which is calculated for each category of loan using the actual loan losses during a specified period in the past. For loans to borrowers threatened with bankruptcy, after deducting the portion deemed recoverable through the disposal of collateral and the enforcement of guarantees, a reserve was provided for the remainder to the amount deemed necessary. For loans to legally and essentially bankrupt borrowers, after deducting the portion deemed recoverable through the disposal of collateral and the enforcement of guarantees, a reserve was provided to cover the remainder. In 2002 for specified overseas loans, a reserve was provided in the form of a reserve for specific foreign loans (including the reserve for loss from overseas investment as provided for in Article 55, Paragraph 2, of the Special Taxation Measures Law) to the amount deemed irrecoverable as a result of political and economic conditions in the countries in question.

Self-assessment of assets was conducted for all loans by the Bank's divisions in charge of self-assessment in cooperation with the relevant business divisions on the basis of the Bank's asset self-assessment standards, and the loans were classified in the accounts according to the results of this asset assessment.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have high probability of becoming bankrupt are estimated and the reserve for possible loan losses is provided based on the estimation.

(k) Accrued Employees' Bonuses

Accrued employees' bonuses is provided for the payment of employees' bonuses based on estimated amounts of the future payments attributed to the current fiscal year.

(l) Employees' Severance and Retirement Benefits

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

The liability and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank and domestic consolidated subsidiaries provided for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000, the date of adopting a new accounting standard, and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥11,919 million, of which ¥6,182 million was recognized as an expense as a result of contribution of investment securities, which were valued at ¥6,182 million to the employees' retirement benefit trust on April 1, 2000. The remaining net transition obligation amounting to ¥5,736 million is being recognized in expenses in equal amounts primarily over 5 years commencing with the year ended March 31, 2001. Prior service costs are recognized in expenses using the straight-line method over 5 years, and actuarial differences are recognized as expense using the straight-line method, within the estimated average remaining service life, over 15 years commencing from the following period.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Bank decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on January 17, 2003 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme.

The Company and its domestic consolidated subsidiaries applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)," and the effect of transferring the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As the result, in the year ended March 31, 2003, the Bank recorded losses on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥3,375 million (\$28,078 thousand).

(m) Accounting for Leases

Finance leases that do not transfer ownership are accounted for in the same manner as operating leases under Japanese GAAP.

(n) Derivatives and Hedge Accounting

The Group states derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

The Group utilizes a macro-hedging strategy, using derivatives to manage the overall interest rate risk arising from various financial assets and liabilities, such as loans and deposits. This macro-hedging strategy is a risk management method described in the "Temporary Treatment for Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 15) as "the Risk Adjusted Approach" under which the deferral method of hedge accounting is used.

Hedge effectiveness is assessed by monitoring (i) that the total market risk amount of derivative instruments used for hedging purposes is within established risk limits as set out in the risk management policies, and (ii) that the total interest rate risk amount from the hedged items has been mitigated.

For certain assets and liabilities, the Group makes use of market value hedging and special treatment of interest rate swaps.

The Group uses derivative transactions for hedging interest rate risk. The Group defers recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized. Also, in accordance with established policies for derivative and hedging transactions, derivative risks were within limits on risk amounts.

(o) Shareholders' Equity

The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank in accordance with the Commercial Code of Japan.

(p) Net Income per Share

The computations of net income per share of common stock are based on the weighted average numbers of shares outstanding during each period.

Effective April 1, 2002, the Bank 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).

Earnings per share for the year ended March 31, 2002 would have been reported as follows, if this new accounting standard were applied:

	For the year ended March 31, 2002
Net income per share (in Yen)	
—Basic.....	¥7.39

(b) Held-to-maturity debt securities

	Millions of Yen				
	2003				
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds	¥ 500	¥ 504	¥ 4	¥ 4	¥—
Municipal Bonds	1,819	2,003	184	184	—
Corporate Bonds	8,235	8,553	317	320	2
Total	<u>¥10,555</u>	<u>¥11,061</u>	<u>¥505</u>	<u>¥508</u>	<u>¥ 2</u>

	Thousands of U.S. Dollars (Note 1)				
	2003				
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds	\$ 4,159	\$ 4,193	\$ 33	\$ 33	\$—
Municipal Bonds	15,133	16,663	1,530	1,530	—
Corporate Bonds	68,510	71,156	2,637	2,662	16
Total	<u>\$87,811</u>	<u>\$92,021</u>	<u>\$4,201</u>	<u>\$4,226</u>	<u>\$16</u>

	Millions of Yen				
	2002				
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds	¥ 500	¥ 500	¥ 0	¥ 0	¥—
Municipal Bonds	2,279	2,556	277	277	—
Corporate Bonds	3,098	3,072	(25)	13	38
Total	<u>¥5,877</u>	<u>¥6,129</u>	<u>¥251</u>	<u>¥290</u>	<u>¥38</u>

(q) 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 Reduction of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002).

As a result of this change, stockholders' equity at March 31, 2003 increased by ¥377 million (\$3,136 thousand) and minority interest decreased by the same amount compared with what would have been recorded under the previous accounting policy.

3. Additional Information

In accordance with the amendment of the Consolidated Financial Statement Regulations and Banking Law ordinances, the changes in financial statement presentation are as follows:

"Payables for securities lending transactions" that was formerly included in "Other Liabilities" is separately reported, effective April 1, 2002. Consequently, "Other Liabilities" decreased by ¥41,577 million (\$345,898 thousand) and "Payables for Securities Lending Transactions" increased by the same amount as compared with the former manner.

4. Market Value Information for Securities

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2003 and 2002:

(a) Trading securities

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Book Value (Fair Value)	¥7,737	¥9,424	\$64,367
Amount of Net Unrealized Gains or Losses Included in the Statement of Operations	9	14	74

(c) Available-for-sale securities:

	Millions of Yen				
	2003				
	Acquisition Cost	Book Value (Fair Value)	Difference	Gains	Losses
Equity Securities	¥ 69,079	¥ 72,329	¥ 3,249	¥ 9,397	¥6,147
Bonds					
Japanese Government Bonds	404,935	412,236	7,300	7,322	21
Municipal Bonds	119,822	122,511	2,688	2,691	2
Corporate Bonds	87,982	89,723	1,741	1,770	28
Other	116,391	118,474	2,082	2,261	178
Total	¥798,211	¥815,274	¥17,063	¥23,442	¥6,379

	Thousands of U.S. Dollars (Note 1)				
	2003				
	Acquisition Cost	Book Value (Fair Value)	Difference	Gains	Losses
Equity Securities	\$ 574,700	\$ 601,738	\$ 27,029	\$ 78,178	\$51,139
Bonds					
Japanese Government Bonds	3,368,843	3,429,584	60,732	60,915	174
Municipal Bonds	996,855	1,019,226	22,362	22,387	16
Corporate Bonds	731,963	746,447	14,484	14,725	232
Other	968,311	985,640	17,321	18,810	1,480
Total	\$6,640,690	\$6,782,645	\$141,955	\$195,024	\$53,069

	Millions of Yen				
	2002				
	Acquisition Cost	Book Value (Fair Value)	Difference	Gains	Losses
Equity Securities	¥ 74,268	¥ 91,823	¥17,554	¥19,486	¥1,931
Bonds					
Japanese Government Bonds	284,043	290,529	6,486	6,512	25
Municipal Bonds	111,312	113,631	2,319	2,377	58
Corporate Bonds	99,149	100,896	1,747	1,833	86
Other	134,089	134,206	116	1,125	1,008
Total	¥702,863	¥731,088	¥28,224	¥31,334	¥3,109

B. The following table summarizes book values of securities with no available fair values as of March 31, 2003 and 2002.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
	Held-to-Maturity Debt Securities		
Corporate Bonds	¥22,170	¥21,159	\$184,442
Non-Listed Municipal Bonds	3,853	10,260	32,054
Available-for-Sale Securities			
Non-Listed Equity Securities	¥ 4,750	¥ 4,638	\$ 39,517
Other	205	1,223	1,705

C. Available-for-sale securities with maturities and held-to-maturity debt securities mature as follows:

	Millions of Yen			
	2003			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
Bonds				
Japanese Government Bonds	¥58,456	¥261,894	¥ 89,403	¥ 2,981
Municipal Bonds	6,214	97,287	20,828	—
Corporate Bonds	27,215	80,217	16,550	—
Other	2,469	51,262	11,501	50,155
Total	¥94,356	¥490,661	¥138,284	¥53,137

	Thousands of U.S. Dollars (Note 1)			
	2003			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
Bonds				
Japanese Government Bonds	\$486,322	\$2,178,818	\$ 743,785	\$ 24,800
Municipal Bonds	51,697	809,376	173,277	—
Corporate Bonds	226,414	667,362	137,687	—
Other	20,540	426,472	95,682	417,262
Total	\$784,991	\$4,082,038	\$1,150,449	\$442,071

Millions of Yen

	2002			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
Bonds				
Japanese Government Bonds	¥42,196	¥193,216	¥52,599	¥ 3,016
Municipal Bonds	21,192	80,748	13,970	—
Corporate Bonds	21,573	91,248	12,337	—
Other	6,702	46,716	16,377	74,862
Total	¥91,665	¥411,929	¥95,284	¥77,878

D. Total sales of held-to-maturity debt securities in the year ended March 31, 2003 amounted to ¥70 million (\$582 thousand) and the related gains amounted to ¥0 million (\$7 thousand).

Total sales of held-to-maturity debt securities in the year ended March 31, 2002 amounted to ¥180 million and the related gains amounted to ¥0 million.

E. Total sales of available-for-sale securities in the year ended March 31, 2003 amounted to ¥444,086 million (\$3,694,559 thousand) and the related gains and losses amounted to ¥3,896 million (\$32,412 thousand) and ¥2,876 million (\$23,926 thousand), respectively.

Total sales of available-for-sale securities sold in the year ended March 31, 2002 amounted to ¥229,040 million and the related gains and losses amounted to ¥9,326 million and ¥1,197 million, respectively.

F. Net Unrealized Holding Gains on Securities

Net unrealized holding gains on securities that have been stated at market value were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Available-for-Sale Securities.....	¥17,063	¥28,224	\$ 141,955
Deferred Tax Liabilities	(6,777)	(11,571)	(56,381)
Net Unrealized Holding Gains on Securities (before Adjustment for Minority Interests).....	10,285	16,653	85,565
Minority Interests	(135)	(157)	(1,123)
Net Unrealized Holding Gains on Securities.....	¥10,149	¥16,496	\$ 84,434

5. Loans under Risk-Management Review

Loans under risk-management review at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Loans to Companies			
Legally Bankrupt.....	¥ 8,775	¥ 12,926	\$ 73,003
Loans Past Due Over 6 Months.....	122,183	111,157	1,016,497
Loans Past Due Over 3 Months.....	1,709	1,887	14,217
Restructured Loans	52,321	47,658	435,282
Total.....	¥184,990	¥173,630	\$1,539,018

Notes:

- Loans to Companies Legally Bankrupt:
The term "Loans to Companies Legally Bankrupt" refers to loans (excluding those written off as bad debts) for which interest is not being accrued, owing to the fact that there is no hope of repayment of the principal, nor collection of interest, because said repayment or collection has been overdue for a considerable period of time or for any other valid reason.
- Loans Past Due Over 6 Months:
Loans Past Due Over 6 Months are loans for which interest is not being accrued. This category excludes Restructured Loans described below, as well as Loans to Companies Legally Bankrupt.
- Loans Past Due Over 3 Months:
Loans Past Due Over 3 Months are loans for which the payment of principal or interest is delayed 3 months or more from the day following the date agreed as the payment date (excludes Loans to Companies Legally Bankrupt and Loans Past Due Over 6 Months).
- Restructured Loans:
Restructured Loans are loans provided to facilitate loan recovery by making certain concessions to borrowers (reduced or waived interest, payment of interest suspended, repayment of principal delayed, etc.) to allow borrowers to implement business reconstruction or provide them with support. This category excludes loans in the three categories above.

6. Commercial Bills

The total face value of commercial bills and documentary bills of exchange obtained as a result of discounting was ¥60,769 million (\$505,565 thousand) and ¥81,128 million at March 31, 2003 and 2002, respectively.

7. Assets Pledged

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Securities	¥47,927	¥89,310	\$398,727
Lease Receivables and Installment Receivables	46,135	50,657	383,818
Due from Banks.....	172	300	1,430
Loans and Bills Discounted.....	45,000	—	374,376

The above pledged assets secure the following liabilities.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Deposits.....	¥61,118	¥61,380	\$508,469
Borrowed Money	42,340	48,083	352,246
Call Money.....	—	23,972	—
Payables for Securities Lending Transaction	41,577	13,246	345,898
Acceptances and Guarantees	153	—	1,272

In addition, at March 31, 2003, certain investment securities, aggregating ¥54,576 million (\$454,043 thousand) and trading securities of ¥103 million (\$856 thousand) were pledged as collateral for settlement of exchange at the Bank of Japan, as a substitute for margin payments, and for other purposes. Premises and Equipment includes guarantees of ¥1,833 million (\$15,249 thousand). Other Assets includes margin payments of ¥26 million (\$216 thousand).

At March 31, 2002, certain investment securities, aggregating ¥55,478 million and trading securities of ¥103 million were pledged as collateral for settlement of exchange at the Bank of Japan, as a substitute for margin payments, and for other purposes. Premises and Equipment included guarantees of ¥1,810 million. Other Assets included margin payments of ¥32 million.

8. Commitment Lines

Loan agreements and commitment line agreements relating to loans are agreements, which oblige the Group to lend funds up to a certain limit, agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements at March 31, 2003 and 2002 amounted to ¥930,424 million (\$7,740,632 thousand) and ¥819,567 million, respectively. Of these amounts, ¥929,224 million (\$7,730,648 thousand) and ¥818,367 million, respectively, relates to loans where the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flow. Conditions are included in certain loan agreements which allow

the Group either to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial condition, or when it is necessary to do so in order to protect the Group's credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Group in the form of real estate, securities etc. on signing the loan agreement, or in accordance with the Group's established internal procedures confirming the obligor's financial condition etc. at regular intervals.

9. Land Revaluation Reserve

Land for commercial use was revalued in accordance with the Land Revaluation Law in the year ended March 31, 1998. The Bank recorded the difference in value before and after revaluation, net of taxes, as "Land Revaluation Reserve" shown in stockholders' equity, and recorded in liabilities an amount equivalent to accrued taxes in relation to the revaluation difference as "Deferred Tax Liability for Land Revaluation."

At March 31, 2003 and 2002 the total market price of land for commercial use, which was revalued in accordance with the above law, was below the book value after revaluation by ¥8,132 million (\$67,653 thousand) and ¥6,877 million, respectively.

10. Premises and Equipment

Accumulated depreciation amounted to ¥118,568 million (\$986,422 thousand) and ¥115,304 million as of March 31, 2003 and 2002, respectively.

11. Deferred Tax Assets and Liabilities

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Bank's effective income tax rate for financial statement purposes for the year ended March 31, 2002:

	2002
Statutory Income Tax Rate	41.0%
Expenses not Deductible for Income Tax Purposes	7.6
Non-Taxable Dividend Income	(29.0)
Per Capita Inhabitant Tax	5.9
Tax Benefits not Recognized on	
Operating Losses of Subsidiaries	(7.0)
Other	1.3
Effective Tax Rate	<u>19.8%</u>

The Bank does not disclose the above reconciliation for the year ended March 31, 2003 because of net loss before income taxes.

Significant components of the Group's deferred tax assets and liabilities as of March 31, 2003 and 2002 are as follows:

	Thousands of		
	Millions of Yen	U.S. Dollars	
	2003	2002	(Note 1) 2003
Deferred Tax Assets			
Excess Reserve for			
Possible Loan Losses	¥35,565	¥ 26,661	\$295,881
Unrealized Losses of			
Unlisted Securities	4,661	3,946	38,777
Excess Depreciation	3,291	3,081	27,379
Loss Carry Forward	2,482	—	20,648
Excess Employees' Severance			
and Retirement Benefits	1,518	2,707	12,628
Excess Reserve for			
Employees' Bonuses	—	490	—
Excess Amortization			
of Deferred Assets	—	406	—
Other	1,725	899	14,351
Valuation Reserve	(310)	(143)	(2,579)
Total Deferred Tax Assets	<u>48,933</u>	<u>38,048</u>	<u>407,096</u>
Deferred Tax Liabilities			
Net Unrealized Holding			
Gains on Securities	(6,759)	(11,571)	(56,231)
Other	(32)	(40)	(266)
Total Deferred Tax Liabilities	<u>(6,791)</u>	<u>(11,612)</u>	<u>(56,497)</u>
Net Deferred Tax Assets	<u>¥42,141</u>	<u>¥ 26,436</u>	<u>\$350,590</u>

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 41.0% for the year ended March 31, 2002. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Bank and consolidated domestic subsidiaries used the aggregate statutory income tax rates of 41.0% and 39.7% for current items and non-current items, respectively, at March 31, 2003.

As a result of the change in the aggregate statutory income tax rates, deferred income tax assets decreased by ¥643 million (\$5,349 thousand) and provision for deferred income taxes increased by ¥861 million (\$7,163 thousand) compared with what would have been recorded under the previous local tax law. Deferred tax on land revaluation excess decreased by ¥90 million (\$748 thousand) and land revaluation excess increased by the same amount compared with what would have been recorded under the previous local tax law. In addition, net unrealized holding gains on securities increased by ¥218 million (\$1,813 thousand).

12. Borrowed Money

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

	Millions of Yen		Average	Thousands of
	2003	2002	Rate	U.S. Dollars
			2003	(Note 1) 2003
Borrowings from Banks,				
Life Insurance				
Companies and Others	¥90,826	¥90,387	1.56%	\$755,623

At March 31, 2003 and 2002 borrowed money includes ¥40,500 million (\$336,938 thousand) and ¥36,500 million, respectively, in subordinated loans, whose subordinated status is expressly stated in the underlying loan agreements.

The aggregate annual maturities of borrowed money outstanding at March 31, 2003 is as follows:

Year ending March 31	Thousands of	
	Millions of Yen	U.S. Dollars
		(Note 1)
2004	¥20,448	\$170,116
2005	13,733	114,251
2006	15,072	125,391
2007	8,875	73,835
2008	8,068	67,121
2009 and thereafter	24,627	204,883
Total	<u>¥90,826</u>	<u>\$755,623</u>

13. Severance and Retirement Benefits

The following table sets forth the changes in benefit obligations, plan assets and funded status of the Group's severance and retirement benefit plans at March 31, 2003 and 2002.

	Thousands of		
	Millions of Yen		U.S. Dollars
	2003	2002	(Note 1) 2003
Benefit Obligation at End of Year	¥(29,841)	¥(50,196)	\$(248,261)
Fair Value of Plan Assets at End of Year			
(Including Employees'			
Retirement Benefit Trust)	18,566	31,596	154,459
Funded Status:			
Benefit Obligation			
in Excess of Plan Assets	(11,274)	(18,599)	(93,793)
Less Unamortized			
Net Transition Obligation	1,181	3,442	9,825
Unrecognized Actuarial			
Differences	8,460	11,170	70,382
Unrecognized Prior Service Costs	—	(913)	—
Accrued Retirement Benefits	(1,632)	(4,900)	(13,577)
Prepaid Expense	3,283	99	27,312
Employees' Severance and			
Retirement Benefits in the			
Consolidated Balance Sheets	<u>¥ (4,915)</u>	<u>¥ (4,999)</u>	<u>\$ (40,890)</u>

Note: Some consolidated subsidiaries have adopted on allowed alternative treatment of the accounting standards for retirement benefits for small business entities.

Expenses for severance and retirement benefits of the Group include the following components for the years ended March 31, 2003 and 2002.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Service Cost	¥1,461	¥1,423	\$12,154
Interest Cost	1,120	1,332	9,317
Expected Return on Plan Assets	(968)	(1,070)	(8,053)
Amortization:			
Amortization of Prior Service Costs ...	(191)	(254)	(1,589)
Amortization of Actuarial Differences...	678	334	5,640
Amortization of Net			
Transition Obligation	1,008	1,147	8,386
Other	9	—	74
Losses on the Release from the Substitutional Portion of the Government's Welfare Pension Insurance Scheme	(3,375)	—	(28,078)
Severance and Retirement Benefits expense	¥ (256)	¥2,912	\$ (2,129)

Note: Contributions of employees to the funded contributory pension plan are not included in service cost.

Assumptions used in the accounting for the severance and retirement plans for the years ended March 31, 2003 and 2002, are as follows:

	2003	2002
Discount Rate	2.50%	2.50%
Long-Term Rates of Return on Fund Assets		
A Funded Contributory Pension Plan	4.00%	4.00%
Employees' Retirement Benefit Trust	4.00%	4.00%
Method of Attributing Benefits	Straight-Line	Straight-Line
to Periods of Service	Basis	Basis
Amortization Period for Prior Service Cost ...	5 years	5 years
Amortization Period for		
Actuarial Differences	15 years	15 years
Amortization Period for Transition Obligation at Date of Adoption of New Accounting Standard	5 years	5 years

14. Acceptances and Guarantees

All commitments and contingent liabilities arising in compliance with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the asset side, representing the Bank's right of indemnity from customers.

15. Other Expenses

At March 31, 2003 other expenses include losses on write-down of equity securities of ¥4,596 million (\$38,236 thousand) and losses on sale of Loans Past of ¥6,254 million (\$52,029 thousand).

At March 31, 2002 other expenses include losses on write-down of equity securities of ¥7,238 million and losses on charge offs of bad debts of ¥733 million.

16. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Cash and Due from Banks			
in Consolidated Balance Sheets	¥119,461	¥129,103	\$993,851
Due from Banks except Deposits with the Bank of Japan	(24,126)	(51,160)	(200,715)
Cash and Cash Equivalents in the Statements of Cash Flows	¥ 95,334	¥ 77,942	\$793,128

17. Leases

(a) Finance Leases

(1) As Lessee

Non-capitalized finance leases at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Equipment, Cost if Capitalized.....	¥128	¥102	\$1,064
Other, Cost if Capitalized	29	60	241
Less: Accumulated Depreciation	(108)	(98)	(898)
Total	¥ 49	¥ 64	\$ 407
Lease Commitments:			
Due within One Year.....	¥ 28	¥ 27	\$ 232
Due after One Year	23	39	191
Total	¥ 51	¥ 67	\$ 424
For the Years Ended			
March 31, 2003 and 2002:			
Lease Expense.....	¥ 37	¥ 34	\$ 307
Depreciation Expense, if Capitalized...	33	30	274
Interest Expense, if Capitalized.....	2	3	16

The above "as if capitalized" depreciation is calculated on the straight-line method over lease terms.

(2) As Lessor

Premises and equipment include the following leased assets at March 31, 2003 and 2002.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Equipment.....	¥98,927	¥99,128	\$823,019
Other	11,486	11,323	95,557
Less: Accumulated Depreciation	(63,081)	(63,907)	(524,800)
Total	¥47,332	¥46,543	\$393,777
Future Lease Payments:			
Due within One Year.....	¥15,576	¥15,502	\$129,584
Due after One Year	33,778	33,167	281,014
Total	¥49,354	¥48,670	\$410,599
For the Years Ended			
March 31, 2003 and 2002:			
Lease Income.....	¥19,274	¥19,509	\$160,349
Depreciation Expense	17,002	17,133	141,447
Interest Income included in Other Income	2,196	2,316	18,269

(b) Operating Leases

(1) As Lessee

Future minimum lease payments payable for operating leases at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Future Minimum Lease Payments			
Due within One Year.....	¥3	¥—	\$24
Due after One Year	2	—	16
Total	¥5	¥—	\$41

(2) As Lessor

Future minimum lease payments receivable for operating leases at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Future Minimum Lease Payments			
Due within One Year.....	¥ 60	¥ 68	\$ 499
Due after One Year	154	208	1,281
Total	¥215	¥276	\$1,788

18. Derivative Transactions

The Group enters into various contracts, including swaps, options, forwards and futures covering interest rates, foreign currencies and stocks in order to meet customers' needs and manage risk of market fluctuations related to the assets, liabilities and

interest rates of the Group. The Group has established procedures and controls to minimize market and credit risk including limits on transaction levels, hedging exposed positions, daily reporting to management, and outside review of trading department activities. Outstanding derivatives were as follows:

(1) Interest rate related transactions

	Millions of Yen				Thousands of U.S. Dollars (Note 1)
	2003				2003
	Contract Amount	Portion Maturing over One Year	Market Value	Recognized Gain (Loss)	Recognized Gain (Loss)
Over-the-Counter Transactions:					
Interest Cap (Sell)	¥46	¥0	¥0	¥ 0	\$ 0
Interest Cap (Buy)	46	0	0	(0)	(0)
	Millions of Yen				
	2002				
	Contract Amount	Portion Maturing over One Year	Market Value	Recognized Gain (Loss)	
Over-the-Counter Transactions:					
Interest Cap (Sell)	¥159	¥112	¥0	¥0	
Interest Cap (Buy)	159	112	0	(0)	

The above transactions were listed at market values and recognized gains (losses) were included in the consolidated statements of operations.

The derivative transactions for which hedge accounting has been applied were excluded from the above transactions.

Market values for over-the-counter transactions are calculated at discounted present values and formulas for option prices.

(2) Currency and foreign exchange transactions

	Millions of Yen				Thousands of U.S. Dollars (Note 1)
	2003				2003
	Contract Amount	Portion Maturing over One Year	Market Value	Recognized Gain (Loss)	Recognized Gain (Loss)
Over-the-Counter Transactions:					
Currency Swaps	¥25,470	¥25,470	¥18	¥18	\$149
	Millions of Yen				
	2002				
	Contract Amount	Portion Maturing over One Year	Market Value	Recognized Gain (Loss)	
Over-the-Counter Transactions:					
Currency Swaps	¥12,170	¥12,170	¥9	¥9	

The following currency swaps were revalued at the balance sheet date and the gains (losses) are allocated each year to in the consolidated statements of operations:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2003			2003
	Contract Amount	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions:				
Currency Swaps	¥31,917	¥656	¥656	\$5,457
	Millions of Yen			
	2002			
	Contract Amount	Market Value	Unrealized Gain (Loss)	
Over-the-Counter Transactions:				
Currency Swaps	¥31,903	¥(2,875)	¥(2,875)	

Certain forward foreign exchange contracts, currency options and other currency related derivative financial instruments are not disclosed above because they were revalued at the balance sheet date and their gains (losses) were included in the consolidated statements of operations.

At March 31, 2003, the Group had contracts to purchase foreign currencies of ¥3,522 million (\$29,301 thousand) and to sell foreign currencies of ¥4,597 million (\$38,244 thousand). And the Group had contracts to purchase currency options of ¥913 million (\$7,595 thousand) and to sell currency options of ¥933 million (\$7,762 thousand).

At March 31, 2002, the Group had contracts to purchase foreign currencies of ¥4,456 million and to sell foreign currencies of ¥5,839 million. And the Group had contracts to purchase currency options of ¥612 million and to sell currency options of ¥612 million.

19. Segment Information

1. Segment Information by Type of Business

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

Millions of Yen						
2003						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income with External Customers	¥ 70,208	¥25,562	¥ 4,636	¥ 100,408	¥ —	¥ 100,408
Ordinary Income from Internal Transactions	592	382	3,917	4,892	(4,892)	—
Total	70,801	25,945	8,553	105,300	(4,892)	100,408
Ordinary Expenses	98,905	25,452	8,670	133,028	(4,811)	128,216
Ordinary Income (Loss)	¥ (28,103)	¥ 492	¥ (117)	¥ (27,727)	¥ (80)	¥ (27,808)
Assets	¥3,286,524	¥65,896	¥18,181	¥3,370,603	¥(23,038)	¥3,347,564
Depreciation	2,264	17,542	109	19,916	(54)	19,862
Capital Expenditure	944	18,022	34	19,001	(502)	18,498

Thousands of U.S. Dollars (Note 1)						
2003						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income with External Customers	\$ 584,093	\$212,662	\$ 38,569	\$ 835,341	\$ —	\$ 835,341
Ordinary Income from Internal Transactions	4,925	3,178	32,587	40,698	(40,698)	—
Total	589,026	215,848	71,156	876,039	(40,698)	835,341
Ordinary Expenses	822,836	211,747	72,129	1,106,722	(40,024)	1,066,688
Ordinary Income (Loss)	\$ (233,801)	\$ 4,093	\$ (973)	\$ (230,673)	\$ (665)	\$ (231,347)
Assets	\$27,342,129	\$548,219	\$151,256	\$28,041,622	\$(191,663)	\$27,849,950
Depreciation	18,835	145,940	906	165,690	(449)	165,241
Capital Expenditure	7,853	149,933	282	158,078	(4,176)	153,893

Millions of Yen						
2002						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income with External Customers	¥ 80,349	¥26,188	¥ 4,780	¥ 111,317	¥ —	¥ 111,317
Ordinary Income from Internal Transactions	601	442	3,376	4,421	(4,421)	—
Total	80,950	26,631	8,156	115,739	(4,421)	111,317
Ordinary Expenses	75,670	27,134	8,270	111,075	(4,366)	106,708
Ordinary Income (Loss)	¥ 5,280	¥ (502)	¥ (113)	¥ 4,664	¥ (54)	¥ 4,609
Assets	¥3,327,874	¥70,132	¥17,636	¥3,415,643	¥(28,601)	¥3,387,042
Depreciation	2,618	20,748	116	23,483	(40)	23,443
Capital Expenditure	2,041	18,027	111	20,179	(473)	19,706

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

2. Segment Information by Location

As Japan accounts for over 90% of total ordinary income for all segments and total assets for all segments, information by location has been omitted.

3. Ordinary Income from International Operations

As ordinary income from international operations is under 10% of total ordinary income, for the years ended March 31, 2003 and 2002, the information of ordinary income from international operations has been omitted.

20. Transactions with Related Parties

There are no significant transactions with related parties.

Independent Auditors' Report

To the Board of Directors and the Stockholders of The Ogaki Kyoritsu Bank, Ltd.

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

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

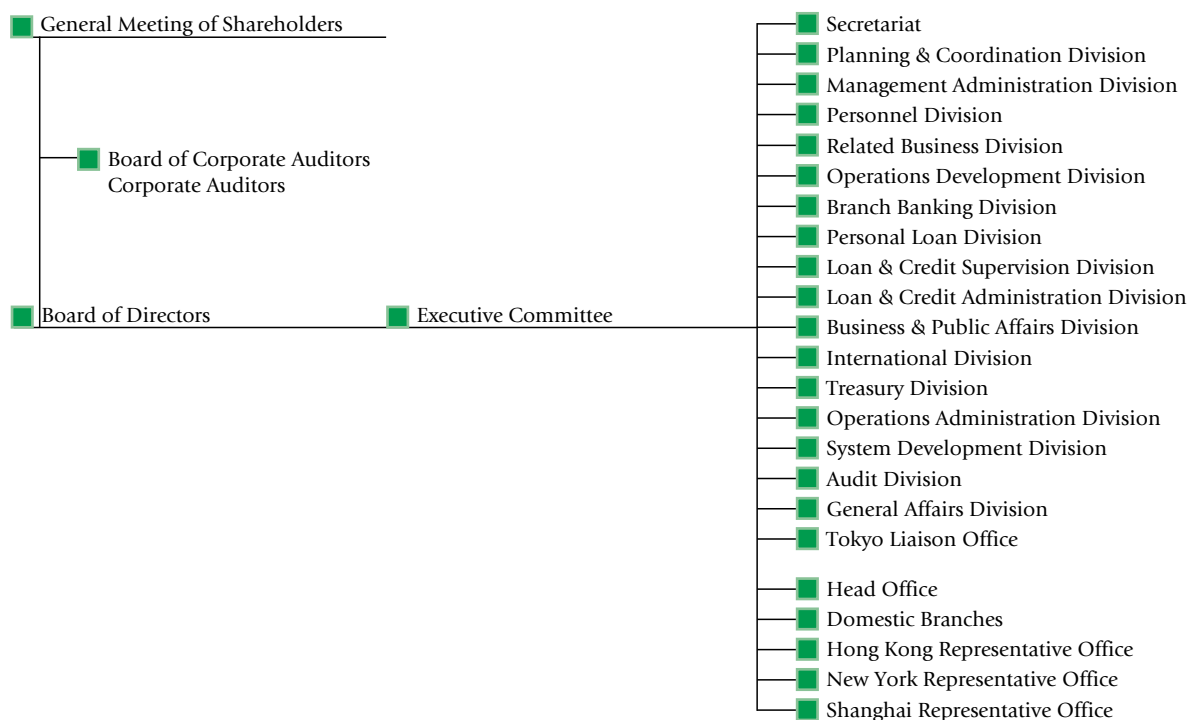
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Ogaki Kyoritsu Bank, Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and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

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

Gifu, Japan
June 25, 2003

Asahi & Co.

● Organization Chart



(as of July 1, 2003)

Subsidiaries and Affiliates

(as of March 31, 2003)

Company Name	Business Lines	Established	Capital (Millions of Yen)	Equity (%)	Equity stake of the Bank's subsidiaries (%)
Kyoyu Lease Co., Ltd.	Leasing	July 14, 1964	120	5.0	80.2
Kyoritsu Business Service Co., Ltd.	Close examination and adjustment of cash accounts, maintenance of CDs, clerical operations for the Bank, centralized processing	December 15, 1979	20	100.0	—
Kyoritsu Computer Service Co., Ltd.	Computing service and software development	December 3, 1980	45	5.0	75.7
Kyoritsu Guarantee Co., Ltd.	Credit guarantee and investigation	July 1, 1982	90	5.0	65.1
Kyoritsu Credit Co., Ltd.	Credit card business	July 15, 1983	30	5.0	71.6
Kyoritsu Bunsho Daiko Co., Ltd.	Forms order control, receiving and forwarding, preparation and printing of documents	April 3, 1984	10	100.0	—
Kyoritsu Capital Co., Ltd.	Securities investment	October 1, 1984	80	5.0	65.0
Kyoritsu Research Institute Co., Ltd.	Research on economy, industry, information processing technology, and culture	July 22, 1996	50	5.0	80.5
Kyoritsu Fudosan Chosa Co., Ltd.	Appraisal of real estate collateral	June 20, 2000	10	100.0	—

Service Network

HEAD OFFICE

98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111
WEB: <http://www.okb.co.jp/>

INTERNATIONAL DIVISION

98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111
Telex: 4793677 OGAKIB J
SWIFT Address: OGAK JPJT

TREASURY DIVISION

98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111
Telex: 4793640 OGAKIB J
SWIFT Address: OGAK JPJT

OVERSEAS OFFICES

Hong Kong Representative Office
Suite 1005, One Pacific Place, 88 Queensway, Hong Kong S. A. R. The People's Republic of China
Phone: 2523-2058

New York Representative Office
One Liberty Plaza, 47th Floor, 165 Broadway, New York, New York 10006, U.S.A.
Phone: (212) 962-5800

Shanghai Representative Office
Room 4406A, 44th Floor, Jin Mao Tower, 88 Century Boulevard, Pudong New Area, Shanghai, The People's Republic of China
Phone: (21) 5047-2700

FOREIGN EXCHANGE OFFICES

Head Office Business Division
98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111

Gifu Branch
1-1, Kandamachi 5-chome, Gifu
Phone: (058) 265-2271

Nagoya Branch
14-7, Sakae 3-chome, Naka-ku, Nagoya
Phone: (052) 263-2111

Seki Branch
20, Honmachi 6-chome, Seki, Gifu
Phone: (0575) 22-2031

Osaka Branch
3-7, Awajimachi 3-chome, Chuo-ku, Osaka
Phone: (06) 6202-4461

Tokyo Branch
6-1, Hatchobori 2-chome, Chuo-ku, Tokyo
Phone: (03) 3552-5151

Tajimi Branch
6-1, Shinmachi 2-chome, Tajimi, Gifu
Phone: (0572) 22-6101

Ozone Branch
2-4, Ozone 2-chome, Kita-ku, Nagoya
Phone: (052) 911-7521

Kikuicho Branch
10-17, Nagono 2-chome, Nishi-ku, Nagoya
Phone: (052) 571-3571

Arimatsu Branch

8-1, Arimatsuura, Narumi-cho, Midori-ku, Nagoya
Phone: (052) 624-1211

Kakamigahara Branch
16, Higashi-nakamachi, Naka, Kakamigahara, Gifu
Phone: (0583) 82-1221

Kuwana Branch
39, Misakidori, Kuwana, Mie
Phone: (0594) 22-3321

Gifu-ekimae Branch
7, Koganemachi 7-chome, Gifu
Phone: (058) 265-5171

Konan Branch
24, Oyado, Akadoji-cho, Konan, Aichi
Phone: (0587) 55-6111

Hashima Branch
102-1, Takehana-cho, Hashima, Gifu
Phone: (058) 392-5511

Akasaka Branch
265-2, Akasaka-cho, Ogaki, Gifu
Phone: (0584) 71-1151

Nagahama Branch
4-2, Takada-cho, Nagahama, Shiga
Phone: (0749) 62-1800

Bisai Branch
51, Gouminami, Konobunakashima, Bisai, Aichi
Phone: (0586) 62-5181

Takayama Branch
33-3, Hanasatomachi 3-chome, Takayama, Gifu
Phone: (0577) 35-3331

THE OGAKI KYORITSU BANK, LTD.

98, Kuruwamachi 3-chome, Ogaki, Gifu, Japan

Phone: (0584) 74-2111

WEB: <http://www.okb.co.jp/>

