

SURUGA
BANK
ANNUAL
REPORT
2003



Profile

Driven by the same spirit that led to the founding of Suruga Bank, in hopes of meeting our customers' expectations and earning their trust, we have made consistent efforts to maintain a sound business structure. We have proceeded with self-reliance and rugged independence with regard to capital, personnel, and sales policies. We readily recognize the public responsibilities we bear as a financial institution. We have worked to ensure the smooth flow of funds and the fostering of strong industrial enterprises.

We intend to continue fulfilling our mission to contribute to the public good. Focusing exclusively on sound banking operations, we aim to build a corporate structure that will endure through change. Moreover, we desire to provide good quality financial services, as we stay close to our community, and quickly learn of our customers' needs.

As of March 31, 2003, the Bank had total assets of ¥2,811 billion (US\$23,389 million), and a capital adequacy ratio according to domestic standards of 8.50%.

At term-end, the Bank's network comprised 120 offices, including a main office, 111 domestic branches, and 8 sub-branches.

Financial Highlights (Consolidated)

Suruga Bank Ltd. and consolidated subsidiaries

Years ended March 31,	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
For the year:				
Total income	¥ 91,469	¥ 91,828	¥ 120,680	\$ 760,979
Total expenses	75,826	130,357	104,736	630,834
Income (loss) before income taxes and minority interests	15,643	(38,528)	15,943	130,144
Net income (loss)	7,921	(23,641)	9,571	65,902
Per share of common stock (in yen and dollars):				
Net income (loss)	¥ 30.31	¥ (91.34)	¥ 38.03	\$ 0.252
At the year end:				
Deposits	¥2,672,629	¥2,664,068	¥2,720,425	\$22,234,852
Loans and bills discounted	2,026,918	2,001,081	1,938,745	16,862,878
Investment securities	430,074	489,694	381,319	3,577,988
Shareholders' equity	113,976	112,401	127,633	948,223
Total assets	2,826,918	2,831,386	2,914,972	23,518,457
Capital adequacy ratio (%)	8.32	8.10	8.86	

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

2. U.S. dollar amounts have been converted from Japanese yen, solely for convenience, at ¥120.20=US\$1.00, the approximate rate of exchange prevailing on March 31, 2003.

3. Net income (loss) per share is calculated on the basis of the average number of shares of common stock outstanding during each year.

4. The capital adequacy ratio has been computed based on domestic standards.

Forward-Looking Statements:

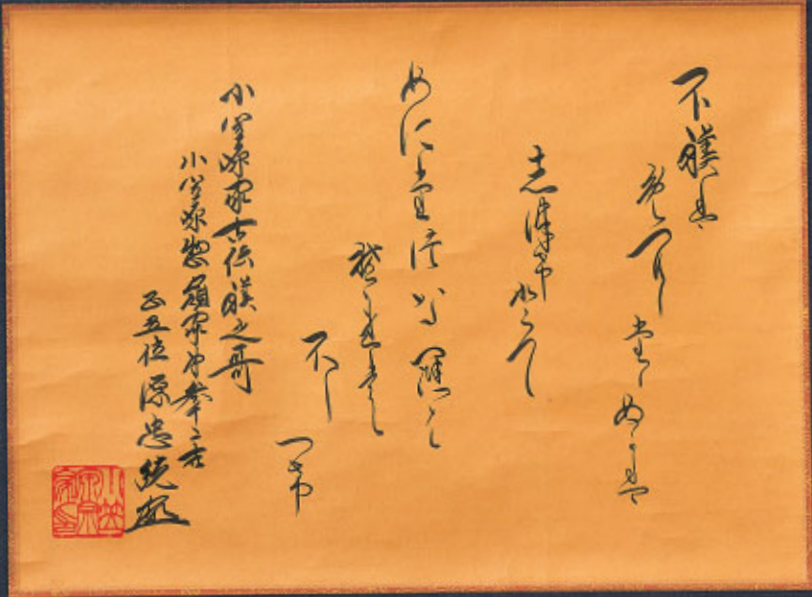
Statements contained in this report concerning plans, predictions, and strategies to improve future performance ("Forward-Looking Statements") are based information currently available to the Bank's management, and inevitably involve a certain element of risk and uncertainty.

礼に始まり、

“Courteous service from first to last.”

礼に終わる。

There is a school of manners in Japan, called the Ogasawara Ryu Reihou, which has developed from the traditional customs and manners of the samurai class since the Muromachi period. The teachings of this school have been handed down in an unbroken line from father to child over the past 700 years and have become a precious asset to those who wish to retain the beautiful refinements of the traditional Japanese culture. Keishousai Ogasawara is the current head of the family and of the Ogasawara school. Suruga Bank believes in these traditional virtues and hopes to epitomize these ideals. Having adopted a “concierge” approach to banking, we hope to provide our customers with service that demonstrates our reliability and consideration.

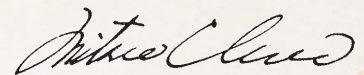


— Excerpt from the writings of Tadamune Ogasawara, who devoted his life to spreading the teachings of the Ogasawara school of manners.

時宜によるべし。気遣い肝要なり。

– Suruga Bank does everything possible to ensure that customers’ dreams come true.

Traditional writings on manners handed down from the Muromachi period repeatedly emphasize the importance of adapting to the requirements of the moment by basing decisions on time, place and circumstance. We at Suruga Bank believe in doing our utmost for every customer. We place great importance on becoming a financial partner for our customers, offering services tailored to their individual needs. By making the most of every transaction, we help customers choose the right time, place and occasion to make their dreams a reality at every life stage. By providing personalized, reliable “concierge services,” we enrich customers’ lives and support them in setting goals and drawing up concrete plans to achieve these ends. This is the Suruga way.



Mitsuyoshi Okano,
*President &
Chief Executive Officer*



水は方円の器に随うところなり。

– Concierge services begin with an understanding of customers’ needs.

The Ogasawara school of manners holds that one must be adaptable, just like water, which takes on the form of the vessel into which it is poured. As long as we retain the same deep concern for our customers, we must adapt our services to the times and the surroundings. Our customer relationship management (CRM) is based on the idea of always putting the customer first. We develop financial products and services on the basis of customers’ needs by placing priority on their perspective and glean information on their views from our branch offices, Access Center, and Internet banking. In 2002, the Japan Institute of Office Automation awarded Suruga Bank the title “Best Call Center of the Year.” To attain our vision of becoming a full-fledged “concierge bank,” we evaluate ourselves on the measures we take to make ourselves more accessible, more familiar and more dependable. We will maintain our enterprising stance and continue developing quality services that meet, or even exceed, customer expectations.



This simple knot, tied with a silken cord, symbolizes the mutually beneficial relationship we have with our customers.

足も手も皆身につけてつかうべし。

– Suruga is a retail bank that provides customers with the means to succeed.

When we deal with our customers, we do so without any pretensions or affectations.

Our day-to-day training shows itself in our actions. In aiming to become a leader in retail banking, Suruga Bank is always mindful that heartfelt service is best. To become a dependable partner and a familiar presence to individual customers as well as small and medium-sized businesses and sole proprietorships, we take special care to foster close ties with each and every customer, helping them to set up optimal business or life plans. With their specialist knowledge, experience, and qualifications as certified financial planners, our Personal Concierges are on hand, at the Concierge Desk in our Access Center, to help customers with their financial planning. Customers visiting our branch offices are greeted with a smile and can always expect the best in personalized service. At Suruga Bank, our actions are determined by the principle of unflagging courtesy, and we make sure that our gratitude about being a part of fulfilling our customers' dreams is reflected in our service.



The art of tying knots is a way of expressing the beauties of nature with the use of a single cord. The knots shown here are called (from left to right) the chrysanthemum blossom knot, the Chinese top knot and the plum blossom knot.

一篇にこりかたまりたる礼に非ず。

– Suruga Bank faces changing times and needs with superior adaptability.

In showing courtesy, it is important to be adaptable to change. Suruga Bank is sensitive to the needs of the times and offers new products and services that meet these needs. We have developed a number of new products and services that reflect the progress being made in information technology, including the Web Concierge service, which allows customers to carry out transactions over the Internet, the Bankers' Club for staff of financial institutions, and services connected with our online branches accessible via Internet, mobile phone, and telephone such as the IT Support Loan and IT Mortgage Loan for IT engineers. We were the first bank in Japan to offer a mortgage loan with a group credit life insurance rider, under the brand name Super Group Credit Rider Mortgage Loan, for those who cannot get mortgage loans for health reasons. Suruga has also introduced the Suruga ATM Lottery Service, where customers can select numbers and purchase lottery tickets at bank ATMs and have their winnings automatically deposited into their bank account. We will maintain our flexible stance to changing customer needs and continue to pour our energies into developing exciting new products and services.



The art of paper folding is a way of taking time and care to show someone how much you care. The design on the left is referred to as the "plant root" envelope; the one on the right is used in Respect for the Aged Day celebrations.

己に克ち礼に復る。

– Our heritage is one of courtesy and harmonious customer relations.

The Ogasawara school of manners teaches that serving others should be our way of life. One time, a member of the Ogasawara family became the lord of Kakegawa Castle, one of the famous castles of the Tokai region, built by the feudal ruler of Suruga. Over time, the teachings of the Ogasawara school, which had their origin in the customs of the samurai, spread throughout the country as a means of promoting harmonious interpersonal relations. These teachings have also shown us how to offer the best service to all our customers. The spirit of these teachings is rooted in each and every employee representing the Suruga Bank. Offering the best service means taking account of ourselves and associating with our customers, investors, clients and all of our stakeholders in a courteous manner. We believe that, in this way, we will be able to enjoy sustained growth as a concierge bank.



Etiquette teaches us how to express our concern for others. Born of history, etiquette lives on today.

Board of Directors, Auditors and Executive Officers



Mitsuyoshi Okano



Kinosuke Okano



Seiji Inui



Hiroo Goto



Toshiki Hoshino



Atsushi Okamura



Yoshiro Uchiyama



Tatsuya Tamura



Tsuneo Yahagi



Makoto Naruke

**Chairman of the Board of Directors
President & Chief Executive Officer**
Mitsuyoshi Okano

**Chairman of the Board of Officers &
Chief Operating Officer**
Kinosuke Okano

**Senior Managing Director &
Chief Financial Officer**
Seiji Inui

**Managing Director &
Senior Executive Advisors**
Hiroo Goto
Toshiki Hoshino
Atsushi Okamura

Directors
Yoshiro Uchiyama
Tatsuya Tamura
Tsuneo Yahagi
Makoto Naruke

Standing Auditors
Masataka Oiwa
Yasushi Sakuramoto

Auditors
Yasumi Mochizuki
Takashi Mimura

Senior Executive Officers
Takehiro Katsumata
Ryozo Kinoshita

Executive Officers
Shinji Ihara
Sachio Takahata
Tetsu Ito
Kihachiro Nomura
Kiyokazu Masuda
Kazuya Mochizuki

Officers
Fumiaki Toyama
Osamu Kobayashi
Toru Fukada
Takashi Tsuchiya
Toshihisa Kubozono
Noboru Mori
Yoshihiro Okazaki
Takahiro Aoki
Takahiro Sawanishi
Haruo Asou

(As of June 24, 2003)

Review of Operations (Consolidated)

While building up our business with individual clients and small and medium-sized businesses, we are carrying out a range of policies aimed at enabling the Suruga Bank to offer concierge banking services, as an understanding, sympathetic and trusted partner of the customer.

Business Environment

In fiscal 2002 the Japanese economy remained at a low ebb, reflecting uncertainty in the world economy in the wake of the collapse of the IT bubble and corporate failures in the United States, the destabilizing impact of the Iraq war and the situation on the Korean peninsula, and, at home, deepening deflation and sluggish public and private sector investment. Personal spending was weak overall, although the slump showed signs of bottoming out. In addition, interest rates remained low, in response to the Bank of Japan's ongoing financial deregulation policies.

Business Performance

In this environment, Suruga Bank and its seven consolidated subsidiaries in fiscal 2002 strengthened operations by firming up their operating base and financial structure. Results were as follows.

Earnings

Operating expenses were reduced, thanks to a substantial decrease in losses on disposals of non-performing loans and strict budget management. Interest on deposits declined amid low interest-rate policies, although revenues from fund operations and securities trading also decreased. The Bank posted one-time gains on termination of

agency service for state-run employee pension funds and on a denial of reversal of the reserve for possible loan losses in excess of the maximum amount, while carrying out a reversal in deferred tax assets resulting from a decline in effective income tax rates under tax effect accounting prior to introduction of revenue-based taxation for enterprise tax purposes. As a result of the above, net income in the term under review totaled ¥7.9 billion (US\$65.9 million), compared with a net loss of ¥23.6 billion in the previous term.

Deposits

During the year, deposits increased ¥8.5 billion, due to a steady increase in deposits by individuals attracted mainly by products designed for on-line marketing channels. The balance of deposits stood at ¥2,672.6 billion (US\$22,234.8 million) at the year-end.

Loans and bills discounted

The balance of loans and bills discounted increased ¥25.8 billion at the year-end to ¥2,026.9 billion (US\$16,862.8 million), reflecting a steady increase in loans to individuals. The Bank focused on loan provision to individuals, with interest margins reflecting credit risk as closely as possible.

Securities

At the year-end, the balance of securities was ¥59.6 billion below the previous year-end at ¥430.0 billion (US\$3,577.9 million). Sales of Japanese government bonds accounted for most of the decline.

Capital ratio

On a consolidated basis, the Bank's capital ratio stood at 9.11% at the term-end, by international standards, and at 8.32% by domestic standards. On a non-consolidated basis, the ratio stood at 8.50% by domestic standards.

Cash flows

Net cash used in operating activities amounted to ¥46.8 billion (US\$389.6 million), as increases in loans and call loans exceeded the increase in deposits.

Net cash provided by investing activities came to ¥42.7 billion (US\$355.5 million), mainly reflecting sales and redemption of securities. Net cash used in financing activities amounted to ¥1.6 billion (US\$14.0 million) due to dividend payments and the Bank's acquisition of its own shares. As a result of the above, cash and cash equivalents decreased ¥5.8 billion to ¥76.5 billion (US\$637.1 million) at the year-end. The term "cash and cash equivalents" refers to cash deposits with the Bank of Japan.

Future Tasks

With the slowdown becoming protracted and rapid change sweeping over not only financial institutions but also the broader Japanese economy, customers' expectations of financial institutions are becoming more diverse and sophisticated.

The Bank is taking several approaches toward its ongoing goal of developing its retail business centered on individual customers, notably through development of attractive, winning products and expansion of business areas to

increase customer numbers. In addition, we plan to strengthen our lineup and marketing of investment trust products to cater better to the fund management needs of our customers after the ending of the remaining state deposit guarantees. Our casualty and life insurance operations—the latter having been launched in October 2002—will further increase customer convenience and add to service-based revenues.

We aim to cut operating costs through a rigorous administrative overhaul, improve earnings power and establish a firmer financial base. In addition, we are expanding our business areas in line with demand growth, as well as collaborating with companies in different sectors.

Based on our "Aim 15" long-term Group management vision, we are making steady progress toward our goal of becoming a "life and business concierge." By providing professional services in a understanding and reliable way, Suruga Bank is accomplishing its mission of giving shape to the aspirations of customers in their lifestyles and businesses, and helping provide a time frame for their realization. And by upgrading the consultation and communication skills of our employees, we are entering new services that demand wide-ranging expertise. Making full use of Customer Relationship Management (CRM) technology, automatic credit screening, our personnel appraisal system and other IT functions, we are raising the quality of our management and strengthening the unity of the Group.



Financial Section

Consolidated Balance Sheets	12
Consolidated Statements of Operations	13
Consolidated Statements of Shareholders' Equity	13
Consolidated Statements of Cash Flows	14
Notes to Consolidated Financial Statements	15
Independent Auditors' Report	23
Non-Consolidated Balance Sheets	24
Non-Consolidated Statements of Operations	25
Non-Consolidated Statements of Shareholders' Equity	26
Notes to Non-Consolidated Financial Statements	27
Independent Auditors' Report	28

Consolidated Balance Sheets

Suruga Bank Ltd. and consolidated subsidiaries

As of March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Assets			
Cash and cash equivalents	¥ 76,584	¥ 82,387	\$ 637,141
Due from banks	7,663	4,570	63,753
Call loans, commercial paper and other debt purchased	190,286	160,886	1,583,086
Trading account securities	489	329	4,069
Money trusts	990	2,002	8,239
Investment securities	430,074	489,694	3,577,988
Loans and bills discounted (Note 3)	2,026,918	2,001,081	16,862,878
Foreign exchange	759	556	6,317
Other assets	23,770	23,376	197,758
Premises and equipment (Note 4)	52,423	55,187	436,139
Deferred tax assets (Note 11)	50,320	54,129	418,637
Customers' liabilities for acceptances and guarantees	11,370	15,866	94,592
Less reserve for possible loan losses	(44,731)	(58,681)	(372,145)
Total assets	¥2,826,918	¥2,831,386	\$23,518,457
Liabilities, minority interests and shareholders' equity			
Liabilities			
Deposits	¥2,672,629	¥2,664,068	\$22,234,852
Call money	—	666	—
Borrowed money	10,858	14,259	90,336
Foreign exchange	7	15	66
Other liabilities	16,622	21,178	138,287
Reserve for employees' bonuses	619	727	5,154
Accrued pension and severance costs (Note 7)	227	1,032	1,891
Reserve for possible losses on sales of loans	220	262	1,830
Acceptances and guarantees	11,370	15,866	94,592
Total liabilities	2,712,554	2,718,077	22,567,011
Minority interests	387	907	3,222
Shareholders' equity			
Common stock	30,043	30,043	249,943
Capital surplus	18,585	18,585	154,624
Retained earnings	75,867	69,245	631,176
Net unrealized losses on securities, net of taxes	(6,134)	(1,141)	(51,038)
Less treasury stock, at cost	(4,385)	(4,331)	(36,482)
Total shareholders' equity	113,976	112,401	948,223
Total liabilities, minority interests and shareholders' equity	¥2,826,918	¥2,831,386	\$23,518,457

See notes to consolidated financial statements.

Consolidated Statements of Operations

Suruga Bank Ltd. and consolidated subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Income			
Interest income (Note 9)	¥65,663	¥ 67,268	\$546,282
Fees and commissions	9,512	8,188	79,136
Other operating income	7,759	9,373	64,558
Other income (Note 10)	8,534	6,998	71,001
Total income	91,469	91,828	760,979
Expenses			
Interest expense (Note 9)	6,592	11,640	54,846
Fees and commissions	5,513	5,049	45,865
Other operating expenses	8,890	7,147	73,961
General and administrative expenses	38,012	40,682	316,245
Other expenses (Note 10)	16,817	65,836	139,915
Total expenses	75,826	130,357	630,834
Income (loss) before income taxes and minority interests	15,643	(38,528)	130,144
Income taxes (Note 11)			
Current	330	595	2,747
Deferred (credit)	7,119	(15,667)	59,232
	7,449	(15,072)	61,979
Minority interests in earnings of consolidated subsidiaries	271	184	2,262
Net income (loss)	¥ 7,921	¥(23,641)	\$ 65,902

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Suruga Bank Ltd. and consolidated subsidiaries

Years ended March 31,	Thousand	Millions of yen				
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized losses on securities, net of taxes	Treasury stock, at cost
Balance at March 31, 2001	264,939	¥30,043	¥18,585	¥94,188	¥(1,931)	¥(13,251)
Net loss for the year ended March 31, 2002				(23,641)		
Cash dividends paid				(1,302)		
Net change during the year					790	8,920
Balance at March 31, 2002	264,939	30,043	18,585	69,245	(1,141)	(4,331)
Net income for the year ended March 31, 2003				7,921		
Cash dividends paid				(1,299)		
Net change during the year					(4,993)	(53)
Balance at March 31, 2003	264,939	¥30,043	¥18,585	¥75,867	¥(6,134)	¥ (4,385)

Thousands of U.S. dollars (Note 2)						
Balance at March 31, 2002		\$249,943	\$154,624	\$576,084	\$ (9,495)	\$(36,037)
Net income for the year ended March 31, 2003				65,902		
Cash dividends paid				(10,811)		
Net change during the year					(41,542)	(444)
Balance at March 31, 2003		\$249,943	\$154,624	\$631,176	\$(51,038)	\$(36,482)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Suruga Bank Ltd. and consolidated subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ 15,643	¥ (38,528)	\$ 130,144
Depreciation and amortization	8,366	8,617	69,607
Change in reserve for possible loan losses	(13,949)	25,889	(116,055)
Decrease in reserve for possible losses on sales of loans	(42)	(34)	(349)
Decrease in reserve for employees' bonuses	(107)	(32)	(895)
Increase in accrued pension and severance costs	1,062	1,861	8,842
Gain on contribution of securities to employees' retirement benefit trust	(727)	(2,636)	(6,054)
Gain on return of the substitutional portion of Welfare Pension Fund plan	(3,503)	—	(29,144)
Interest income	(65,663)	(67,268)	(546,282)
Interest expense	6,592	11,640	54,846
Loss on investment securities, net	1,895	19,046	15,770
Loss (gain) on money trust investments, net	11	(1)	94
Loss on sales of premises and equipment, net	290	1,038	2,419
Changes in operating assets and liabilities:			
Trading securities	(159)	19,668	(1,326)
Loans	(25,836)	(52,857)	(214,948)
Deposits	8,560	(56,357)	71,219
Borrowings excluding subordinated debt	(3,400)	(478)	(28,292)
Due from banks other than BOJ	(3,093)	84,602	(25,732)
Call loans	(29,400)	155,674	(244,595)
Call money	(666)	(3,546)	(5,542)
Foreign exchange assets	(202)	77	(1,685)
Foreign exchange liabilities	(8)	1	(66)
Interest received	67,437	66,463	561,045
Interest paid	(7,141)	(12,899)	(59,417)
Other, net	(2,118)	(2,783)	(17,625)
Subtotal	(46,159)	157,160	(384,024)
Income taxes paid	(681)	(1,498)	(5,670)
Net cash (used in) provided by operating activities	(46,841)	155,661	(389,694)
Cash flows from investing activities			
Purchases of investment securities	(738,155)	(603,796)	(6,141,058)
Proceeds from sales of investment securities	210,215	177,467	1,748,885
Proceeds from redemption of bonds	575,570	297,552	4,788,441
Increase in money trusts	(4)	(41)	(37)
Decrease in money trusts	1,004	834	8,360
Purchases of premises and equipment	(6,174)	(7,388)	(51,371)
Proceeds from sales of premises and equipment	280	533	2,337
Net cash provided by (used in) investing activities	42,737	(134,837)	355,557
Cash flows from financing activities			
Dividends paid	(1,299)	(1,302)	(10,811)
Purchases of treasury stock	(384)	(689)	(3,195)
Proceeds from sales of treasury stock	—	28	—
Net cash used in financing activities	(1,683)	(1,962)	(14,007)
Effect of exchange rate changes on cash and cash equivalents	(15)	11	(130)
Net (decrease) increase in cash and cash equivalents	(5,802)	18,872	(48,275)
Cash and cash equivalents at beginning of year	82,387	63,514	685,416
Cash and cash equivalents at end of year	¥ 76,584	¥ 82,387	\$ 637,141

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Suruga Bank Ltd. and consolidated subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of Suruga Bank Ltd. (the “Bank”) and its subsidiaries have been prepared on the basis of accounting principles and practices generally accepted and applied in Japan and have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Banking Law of Japan and 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. 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.

For the convenience of readers outside Japan, certain items presented in the original statements have been reclassified and rearranged.

Certain reclassifications of the prior year’s consolidated financial statements and the related footnote amounts have been made to conform with the presentation in the current year.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries and certain associated companies, which are as follows:

Suruga Business Service Co., Ltd.
Suruga Staff Service Co., Ltd.
A.P.I. Co., Ltd.
Suruga Capital Co., Ltd. (previously Suruga General Lease Co., Ltd.)
Suruga Computer Service Co., Ltd.
Suruga Card Co., Ltd.
Suruga Credit Service Co., Ltd.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Trading account securities

Trading account securities are stated at their market value as of the fiscal year end.

(d) Investment securities

Debt securities being held to maturity are stated at amortized cost computed by the moving-average method.

Other securities (available-for-sale securities) whose current value can be estimated are stated at their market value as of the fiscal year end and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method.

Unrealized gain or loss on securities available-for-sale are included in shareholders’ equity, net of income taxes.

(e) Securities in money trusts

Securities included in money trusts are stated by the same method as those described in (c) and (d) above.

(f) Derivatives

Derivatives positions are stated at their market value as of the fiscal year-end.

(g) Premises and equipment

Depreciation of premises and equipment of the Bank is computed by the declining-balance method at rates principally based on the following estimated useful lives:

Buildings	15 years to 50 years
Equipment and furniture	4 years to 20 years

Costs of software developed or obtained for internal use are amortized by the straight-line method over an estimated useful life of 5 years.

Certain subsidiaries apply the straight-line method for the depreciation of premises and equipment.

(h) Foreign currency items

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 March 31, 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 JICPA in November 2000. Since the current fiscal year the Bank has adopted the Industry Audit Committee Report No. 25 issued by JICPA in July 2002.

For funding-related swaps, the Bank applies the temporary treatment in the Industry Audit Committee Report No. 25, which is the same as ever. The net amount of yen exchange difference relating to forward foreign exchange transactions etc. is recorded on the consolidated balance sheet.

(i) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided in accordance with the policies regarding write-offs and reserve standards stipulated in “Auditing of Write-offs and Loan Loss Provisions” issued as part of the “Fourth Report by the Auditing Subcommittee for Banks and Other Financial Institutions” by the Japanese Institute of Certified Public Accountants. The reserve for loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the formal legal sense is provided based on the amount remaining after deduction of the

amount of their collateral considered to be disposable and of the amount recoverable under guarantees.

In addition, a reserve is provided for loans to borrowers who, although not actually bankrupt in the legal sense, are experiencing serious management difficulties and whose failure is imminent. In such cases, a portion of the reserve is provided based on the amount remaining after deduction of the amount of their collateral considered to be disposed and of the amount recoverable under guarantees, and the balance of this reserve is provided after giving full consideration to the amount the borrower is capable of repaying. In the case of all other loans, the reserve is based on the percentage of actual defaults over a fixed period.

For claims of “substantial bankruptcy” and “legal bankruptcy,” an amount exceeding the estimated value of the collateral or of the guarantees deemed uncollectible is deducted directly from those claims. For the years ended March 31, 2003 and 2002, the amounts deducted were ¥12,620 million (US\$104,999 thousand) and ¥10,882 million, respectively.

Provisions for possible loan losses at the consolidated subsidiaries have been made as deemed necessary with reference to the historical loan loss experience of these companies.

(j) Reserve for employees’ bonuses

The reserve for employees’ bonuses is provided for the payment of bonuses to employees, an estimate of which is determined as of the balance sheet date.

(k) Reserve for possible losses on sales of loans

The reserve for possible losses on sales of loans provides for contingent losses arising from any decline in the market value of the collateral posted on corporate mortgage loans sold to the Cooperative Credit Purchasing Company, Ltd.

(l) Pension and severance costs

Accrued pension and severance costs is provided for the future payment of employees’ retirement benefits based on estimated amounts of the actuarially calculated retirement benefit obligation and the pension plan assets. Prior service cost is amortized by the straight-line method over 5 years. Net actuarial gain (loss) is amortized by the declining-balance method over 13 years commencing the year following the year in which the gain or loss is incurred. The unrecognized net retirement benefit obligation at April 1, 2000, the date on which the new accounting standard was adopted is being amortized by the straight-line method over a period of 5 years.

(m) Equipment held under finance leases

Equipment held under finance leases at the Bank and its domestic consolidated subsidiaries is accounted for as equipment leased under operating leases, except for those leases which transfer the ownership of the leased equipment to the lessee, in which case the equipment is capitalized.

(n) Hedge accounting

The Bank has adopted “macro hedge” accounting under which the Bank manages its interest rate risk arising from various assets and liabilities with derivatives. The Bank applies the risk adjustment approach based on a report issued by the JICPA entitled “Temporary Treatment for Accounting and Auditing Application of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 15). This method is applied on the basis of the transitional method stipulated in “Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24).

The effectiveness of each macro hedge is reviewed for a reduction in interest rate risk exposure and for the actual risk on derivatives within the permitted risk limits established under the Bank’s risk control policies.

In addition to macro hedge accounting, the Bank and its consolidated subsidiaries have adopted deferral hedge accounting or certain exceptional treatments permitted under interest rate swaps for a portion of their assets and liabilities.

(o) Consumption tax

Consumption tax and local consumption tax of the Bank and its domestic consolidated subsidiaries are excluded from the transaction amounts presented. The portions of consumption tax and local consumption tax paid on the purchases of premises and equipment which are not deductible as tax credits have been included in other assets and are being amortized over a five-year period.

(p) Amounts per share

Effective April 1, 2002, the Bank and its subsidiaries had adopted a new accounting standard for earnings per share. 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.

(q) Treasury stock and reduction of legal reserves

Effective April 1, 2002, the Bank and its subsidiaries had adopted a new accounting standard for treasury stock and reduction of legal reserves. As a result, both treasury stock and minority interests decreased by ¥330 million (US\$2,750 thousand) at March 31, 2003.

2. Japanese Yen and U.S. Dollar Amounts

The Japanese yen amounts in the accompanying consolidated financial statements are presented in millions, with fractions omitted.

Amounts stated in U.S. dollars are translated from Japanese yen amounts, solely for convenience, at ¥120.20 = U.S.\$1.00, the exchange rate prevailing on March 31, 2003. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at the above or any other rate.

3. Loans and Bills Discounted

(1) Loans and bills discounted at March 31, 2003 and 2002 included the following:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars 2003
Loans to companies under bankruptcy procedures	¥ 5,731	¥ 5,512	\$ 47,678
Delinquent loans	91,550	110,402	761,647
Loans past due 3 months or more	1,048	943	8,718
Restructured loans	77,628	70,414	645,823
Total	¥175,957	¥187,271	\$1,463,868

Loans to companies under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (the balance does not include any written-down portion of the loan). These loans hereafter are referred to as “non-accrual loans.” This category also includes the loans cited in Article 96-1-3 and 1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are defined as loans which are past due and not accruing interest, but which are categorized neither as “Loans to companies under bankruptcy procedures” nor as “Restructured loans” as defined below.

Loans past due for 3 months or more are classified as such when 3 months or more have elapsed since the due date without the payment of principal or interest. Loans to companies under bankruptcy procedures and delinquent loans are not included in this category.

Restructured loans include loans whose repayment conditions have been renegotiated, (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.) to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring the recovery of the loans. Excluded from this category are loans to companies under bankruptcy procedures, delinquent loans and loans past due for 3 months or more.

(2) Bills discounted is accounted for as financial transactions on the basis of “Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24). As a result, the Bank has rights to sell or pledge certain commercial bills and foreign exchange bills discounted. The principal amount of these bills amounted to ¥9,502 million (US\$79,058 thousand).

4. Accumulated Depreciation

Accumulated depreciation on premises and equipment at March 31, 2003 and 2002 totaled ¥54,801 million (US\$455,923 thousand) and ¥54,496 million, respectively.

5. Assets Pledged

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

	Millions of yen		Thousands of
	2003	2002	U.S. dollars 2003
Investment securities	¥8,090	¥ 3,042	\$67,308
Due from banks	—	—	—
Treasury stock (common stock held by subsidiaries)	1,788	1,788	14,875
Customers' notes and others	8,959	12,396	74,540

Liabilities related to the above pledged assets were as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars 2003
Borrowed money	¥8,981	¥11,260	\$74,717
Deposits	—	2,398	—

In addition, investment securities totaling ¥141,326 million (US\$1,175,765 thousand) and ¥154,451 million at March 31, 2003 and 2002, respectively, were pledged as collateral for the settlement of exchange and short-selling transactions or as margin.

6. Loan Commitments

Contracts for overdraft facilities and loan commitments refer to contracts under which the Bank and its consolidated subsidiaries lend to their customers funds up to certain prescribed limits in response to their customers' loan applications as long as there is no violation of any of the conditions stipulated in the contracts. The unused portion within the set limits of such contracts totaled ¥870,209 million (US\$7,239,676 thousand) and ¥840,440 million at March 31, 2003 and 2002, respectively.

Since many of these commitments expire without the available line of credit being fully utilized, the unused amount does not necessarily represent a future commitment. Most of these contracts specify terms and conditions permitting the Bank and its consolidated subsidiaries to refuse customers' loan applications or decrease their credit limits for appropriate reasons (e.g., a change in their financial situation, a deterioration in their creditworthiness, etc.). At the inception of the contracts, the Bank and its consolidated subsidiaries obtain real estate and securities, etc. as collateral if deemed necessary. Subsequently, the Bank and its consolidated subsidiaries perform periodic reviews of the customers' business results based on their internal rules, and take the necessary measures to reconsider the conditions stipulated in the contracts and/or require additional collateral and guarantees.

7. Employees' Retirement Benefits

The funded status and amounts recognized in the consolidated balance sheets as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
			2003
Projected benefit obligation	¥(17,511)	¥(39,958)	\$(145,689)
Fair value of plan assets	12,909	27,009	107,401
Projected benefit obligation in excess of plan assets	(4,602)	(12,949)	(38,288)
Unrecognized net obligation at transition	1,679	3,732	13,968
Unrecognized net actuarial loss	5,688	8,831	47,321
Unrecognized prior service cost	—	(647)	—
Net liability recognized	2,764	(1,032)	23,002
Prepaid pension cost	2,992	—	24,893
Accrued pension and severance costs	¥ (227)	¥ (1,032)	\$ (1,891)

On April 26, 2002, the Bank was given an approval to resign as agent for the employees' pension plan portion from Ministry of Health, Labour & Welfare, due to the enforcement of the Defined-Benefit Enterprise Pension Plan Law. And the Bank recognized the extinction of the entrusted portion of the retirement benefit obligations amount of approximately ¥21,587 million (US\$179,599 thousand) on the date of the approval in accordance with Statement No. 13 "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (issued by the Accounting Committee of the JICPA). The required capital for the substitute payment (minimum liability reserve) which is estimated approximately ¥12,035 million (US\$100,126 thousand) should be returned to government, and the Bank recorded the extraordinary profit of approximately ¥3,503 million (US\$29,144 thousand) in the fiscal year ended March 31, 2003. The pension plan assets calculated to be returned as of March 31, 2003 amounted to ¥11,795 million (US\$98,129 thousand).

8. Amounts per Share

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each year, less treasury stock.

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at each balance sheet date, less treasury stock and shares of common stock of the Bank held by the subsidiaries.

March 31	Yen		U.S. dollars
	2003	2002	2003
Net income (loss)	¥ 30.31	¥ (91.34)	\$0.252
Net assets	438.31	432.00	3.646

9. Interest Income and Expense

Interest income and expense for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
			2003
Interest income:			
Interest on loans and discounts	¥63,374	¥63,263	\$527,238
Interest and dividends on securities	2,236	3,685	18,604
Interest on deposited money	1	36	12
Other	51	282	426
Total	¥65,663	¥67,268	\$546,282
Interest expense:			
Interest on deposits	¥2,364	¥ 4,293	\$19,672
Interest on borrowings and other	266	348	2,214
Other	3,961	6,999	32,959
Total	¥6,592	¥11,640	\$54,846

10. Other Income and Expenses

Other income and expenses for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
			2003
Other income:			
Gain on sales of stocks and other securities	¥ 312	¥ 2,416	\$ 2,600
Gain on disposition of premises and equipment	52	32	438
Gain on securities contributed to employees' retirement benefit trust	727	2,636	6,054
Gain on sales of investments in a consolidated subsidiary	464	120	3,866
Gain on return of the substitutional portion of Welfare Pension Fund plan	3,503	—	29,144
Collection of claims written-off	294	764	2,449
Reversal for possible loan losses	2,071	—	17,233
Other	1,107	1,028	9,214
Total	¥ 8,534	¥ 6,998	\$ 71,001
Other expenses:			
Provision for possible loan losses	¥ —	¥31,381	\$ —
Loss on devaluation of stocks and other securities	255	1,903	2,127
Write-offs of loans	12,968	8,715	107,890
Loss on sales of corporate mortgage loans	1,532	627	12,745
Loss on disposition of premises and equipment	343	1,071	2,857
Loss on sales of stocks and other securities	0	2,207	0
Loss on redemption of beneficiary certificates of securities investment trust	—	17,723	—
Loss on sales of investments in consolidated subsidiaries	—	420	—
Cost of amortization of differences resulting from changes in accounting standards	873	1,244	7,266
Other	844	541	7,028
Total	¥16,817	¥65,836	\$139,915

11. Income Taxes

(1) The tax effects of significant temporary differences and loss carry-forwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of
	2003	2002	U.S. dollars
Deferred tax assets:			2003
Reserve for possible loan losses	¥35,534	¥43,446	\$295,628
Accrued enterprise tax	9	8	78
Depreciation	608	678	5,060
Accrued pension and severance costs and other	3,699	4,492	30,781
Loss on write-offs of securities	2,043	887	17,002
Net unrealized losses on securities	4,122	812	34,299
Tax loss carryforwards	6,056	—	50,382
Other	1,356	4,233	11,286
Deferred tax assets	53,431	54,560	444,520
Less: valuation allowance	(413)	(430)	(3,437)
Deferred tax liabilities:			
Gain on Establishment of Retirement Benefit Trusts	2,698	—	22,445
Net deferred tax assets	¥50,320	¥54,129	\$418,637

(2) Income taxes applicable to the Bank comprises corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 41.6% for the years ended March 31, 2003 and 2002. Analysis of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2002 is not disclosed because of the loss before income taxes. The difference between the statutory tax rate and the effective tax rates for the year ended March 31, 2003 was as follows:

	March 31, 2003
Statutory tax rate	41.6%
Adjustments:	
Non-deductible expenses	0.2
Non-taxable dividend income	(0.7)
Adjustment of deferred tax assets due to tax rate change	7.5
Inhabitants' per capital taxes	0.5
Other	(1.5)
Effective tax rate	47.6%

(3) Adjustment of deferred tax assets due to the change in tax rate.

Due to the change in local tax law during the year ended March 31, 2003, the effective tax rate used in the calculation of deferred tax assets and liabilities is reduced to 40.2% for the current fiscal year from 41.6% for the prior fiscal year. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥1,317 million (US\$10,963 thousand) as of March 31, 2003 and income taxes-deferred increased by ¥1,174 million (US\$9,768 thousand) for the year ended March 31, 2003.

12. Leases

The pro forma information such as acquisition costs, accumulated depreciation and obligations on property leased under finance leases which do not transfer the ownership of leased property to the lessee on an "as if capitalized" basis is summarized as follows:

March 31	Millions of yen		Thousands of
	2003	2002	U.S. dollars
			2003
Equipment:			
Acquisition costs	¥35,581	¥38,114	\$296,018
Less accumulated depreciation	24,125	25,501	200,712
Leased property, net	¥11,455	¥12,613	\$ 95,305
Obligations under finance leases:			
Due within one year	¥ 4,787	¥ 5,816	\$ 39,831
Due after one year	8,839	8,757	73,543
Total	¥13,627	¥14,574	\$113,374
Lease revenue	¥ 5,232	¥ 5,789	\$ 43,532
Depreciation expense	4,215	4,674	35,068

13. Segment Information

Information regarding the business segments and total income of the Bank and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 is summarized as follows:

(a) Business segment information

Year ended March 31, 2003	Millions of yen				
	Banking operations	Other operations	Total	Eliminations	Consolidated
Total income and income before income taxes:					
Total income from outside customers	¥ 81,110	¥10,359	¥ 91,469	¥ —	¥ 91,469
Total income from intersegment transactions	336	2,874	3,211	(3,211)	—
Total	81,447	13,234	94,681	(3,211)	91,469
Total expenses	66,995	12,604	79,599	(3,773)	75,826
Income before income taxes	¥ 14,451	¥ 629	¥ 15,081	¥ 561	¥ 15,643
Total assets	¥2,801,922	¥37,481	¥2,839,404	¥(12,485)	¥2,826,918
Depreciation and amortization	3,277	5,089	8,366	—	8,366
Capital expenditures	2,117	4,057	6,174	—	6,174

Year ended March 31, 2002	Millions of yen				
	Banking operations	Other operations	Total	Eliminations	Consolidated
Total income and income before income taxes:					
Total income from outside customers	¥ 81,679	¥10,149	¥ 91,828	¥ —	¥ 91,828
Total income from intersegment transactions	177	3,726	3,903	(3,903)	—
Total	81,856	13,875	95,731	(3,903)	91,828
Total expenses	120,452	13,677	134,129	(3,772)	130,357
(Loss) income before income taxes	¥ (38,596)	¥ 198	¥ (38,397)	¥ (130)	¥ (38,528)
Total assets	¥2,804,332	¥37,195	¥2,841,528	¥(10,141)	¥2,831,386
Depreciation and amortization	3,531	5,086	8,617	—	8,617
Capital expenditures	3,034	4,354	7,388	—	7,388

Year ended March 31, 2003	Thousands of U.S. dollars				
	Banking operations	Other operations	Total	Eliminations	Consolidated
Total income and income before income taxes:					
Total income from outside customers	\$ 674,793	\$ 86,185	\$ 760,979	\$ —	\$ 760,979
Total income from intersegment transactions	2,802	23,917	26,719	(26,719)	—
Total	677,595	110,103	787,699	(21,719)	760,979
Total expenses	557,363	104,863	662,227	(31,392)	630,834
Income before income taxes	\$ 120,232	\$ 5,239	\$ 125,472	\$ 4,672	\$ 130,144
Total assets	\$23,310,500	\$311,829	\$23,622,330	\$ (103,873)	\$23,518,457
Depreciation and amortization	27,264	42,343	69,607	—	69,607
Capital expenditures	17,613	33,757	51,371	—	51,371

(b) Income from international operations

Income from international operations for the year ended March 31, 2003 have not been prepared or disclosed, since income from international operations are not significant in relation to total consolidated income less than 10 percent.

Years ended March 31,	Millions of yen
2002	
Income from international operations	¥10,250
Total consolidated income	91,828
Income from international operations as a percentage of total consolidated income	11.2%

14. Market Value of Securities

(a) The market value of, and the valuation difference on, available-for-sale marketable securities at March 31, 2003 and 2002 are summarized as follows:

March 31, 2003	Millions of yen				
	Cost	Corresponding amount in the balance sheet	Valuation difference	Gain	Loss
Stocks	¥ 38,118	¥ 34,423	¥ (3,695)	¥2,072	¥ 5,768
Bonds:	330,855	327,488	(3,367)	417	3,785
Government bonds	318,106	314,512	(3,593)	190	3,784
Municipal bonds	3,731	3,768	36	37	0
Corporate bonds	9,018	9,208	189	189	—
Other	60,684	57,490	(3,194)	498	3,692
Total	¥429,659	¥419,402	¥(10,257)	¥2,989	¥13,246

March 31, 2003	Thousands of U.S. dollars				
	Cost	Corresponding amount in the balance sheet	Valuation difference	Gain	Loss
Stocks	\$ 317,129	\$ 286,382	\$(30,746)	\$17,244	\$ 47,991
Bonds:	2,752,544	2,724,528	(28,016)	3,475	31,491
Government bonds	2,646,473	2,616,573	(29,899)	1,587	31,487
Municipal bonds	31,044	31,348	304	308	4
Corporate bonds	75,027	76,606	1,579	1,579	—
Other	504,864	478,290	(26,573)	4,149	30,723
Total	\$3,574,539	\$3,489,202	\$(85,336)	\$24,869	\$110,206

The valuation difference, net of ¥4,124 million (US\$34,314 thousand) of related tax assets, resulted in a loss of ¥6,132 million (US\$51,022 thousand). The net valuation difference excluding minority interests resulted in a loss of ¥6,134 million (US\$51,038 thousand), which has been included in “Net unrealized losses on securities available-for-sale.”

March 31, 2002	Millions of yen				
	Cost	Corresponding amount in the balance sheet	Valuation difference	Gain	Loss
Stocks	¥ 39,219	¥ 40,107	¥ 888	¥3,218	¥2,329
Bonds:	388,604	389,057	453	814	360
Government bonds	352,117	352,300	182	419	237
Municipal bonds	14,911	14,929	17	74	56
Corporate bonds	21,575	21,828	253	320	67
Other	52,729	49,431	(3,298)	264	3,562
Total	¥480,553	¥478,596	¥(1,956)	¥4,296	¥6,252

The valuation difference, net of ¥813 million of related tax assets, resulted in a loss of ¥1,142 million. The net valuation difference excluding minority interests resulted in a loss of ¥1,141 million, which has been included in “Net unrealized losses on securities available-for-sale.”

(b) Available-for-sale securities sold during the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Proceeds from sales	¥210,215	¥177,467	\$1,748,885
Gain	1,218	4,367	10,137
Loss	253	3,148	2,112

15. Repayment Schedule for Bonds Held to Maturity

The repayment schedule for bonds classified as available-for-sale securities which are being held to maturity is summarized as follows:

March 31, 2003	Millions of yen			
	Due within 1 year or less	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds	¥127,595	¥46,020	¥4,826	¥156,227
Government bonds	125,027	32,324	933	156,227
Municipal bonds	—	3,730	37	—
Corporate bonds	2,568	9,965	3,855	—
Other	1,299	25,885	4,201	19,890
Total	¥128,895	¥71,906	¥9,027	¥176,117

March 31, 2003	Thousands of U.S. dollars			
	Due within 1 year or less	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds	\$1,061,528	\$382,869	\$40,150	\$1,299,725
Government bonds	1,040,162	268,922	7,762	1,299,725
Municipal bonds	—	31,035	312	—
Corporate bonds	21,366	82,911	32,074	—
Other	10,810	215,356	34,952	165,481
Total	\$1,072,338	\$598,226	\$75,102	\$1,465,206

16. Money Trusts

A classification of money trusts by purpose at March 31, 2003 and 2002 is summarized as follows:

March 31, 2003	Millions of yen		Thousands of U.S. dollars	
	Amount in the balance sheet	Valuation difference	Amount in the balance sheet	Valuation difference
Money trusts for trading purposes	¥990	¥(9)	\$8,239	\$(80)

March 31, 2002	Millions of yen	
	Amount in the balance sheet	Valuation difference
Money trusts for trading purposes	¥1,001	¥ 1
Other money trusts	1,001	—

The net valuation loss on money trusts for trading purposes has been included in “Income before income taxes and other.”

17. Derivatives

The contract or notional amount and the market value of derivatives at March 31, 2003 and 2002 were as follows:

March 31, 2003	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Market value	Unrealized gain (loss)	Contract or notional amount	Market value	Unrealized gain (loss)
Listed	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Over the counter:						
Interest rate swaps	—	—	—	—	—	—
Currency swaps	228,068	(1,525)	(1,525)	1,897,411	(12,694)	(12,694)

March 31, 2002	Millions of yen		
	Contract or notional amount	Market value	Unrealized gain (loss)
Listed	¥ —	¥ —	¥ —
Over the counter:			
Interest rate swaps	666	(18)	(18)
Currency swaps	287,070	(2,359)	(2,359)

Derivatives to which hedge accounting has been applied are excluded from the above tables.

18. Subsequent Events

Appropriations of retained earnings

At a shareholders' meeting held on June 24, 2003, the Bank's shareholders duly approved the following year-end appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2003:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥2.5 = US\$0.020 per share)	¥ 656	\$ 5,463
Bonuses to directors and corporate auditors	30	249
Transfer to voluntary reserve	5,500	45,757



Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

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

Independent Auditors' Report

The Board of Directors
Suruga Bank Ltd.

We have audited the accompanying consolidated balance sheets of Suruga Bank Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, 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 Suruga 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 to the consolidated financial statements.

Shin Nihon & Co.

June 24, 2003

A handwritten signature in cursive script that reads "Shin nihon & Co." with a period at the end.

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

Non-Consolidated Balance Sheets

Suruga Bank Ltd.

As of March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Assets			
Cash and cash equivalents	¥ 76,582	¥ 82,384	\$ 637,125
Due from banks	6,560	3,435	54,581
Call loans	190,274	160,879	1,582,978
Commercial paper and other debt purchased	12	7	107
Trading account securities	489	329	4,069
Money trusts	990	2,002	8,239
Investment securities (Note 3)	428,728	488,215	3,566,792
Loans and bills discounted (Note 4)	2,034,104	2,004,953	16,922,664
Foreign exchange	759	556	6,317
Other assets	16,100	15,699	133,945
Premises and equipment (Note 5)	39,269	40,747	326,703
Deferred tax assets	49,819	53,630	414,470
Customers' liabilities for acceptances and guarantees	11,376	15,876	94,647
Less reserve for possible loan losses	(43,590)	(56,619)	(362,645)
Total assets	¥2,811,477	¥2,812,099	\$23,389,997
Liabilities and shareholders' equity			
Liabilities			
Deposits (Note 6)	¥2,673,317	¥2,664,870	\$22,240,576
Call money	—	666	—
Borrowed money	17	29	144
Foreign exchange	7	15	66
Other liabilities	9,926	13,573	82,579
Reserve for employees' bonuses	572	679	4,759
Accrued pension and severance costs	112	940	936
Reserve for possible losses on sales of loans	220	262	1,830
Acceptances and guarantees	11,376	15,876	94,647
Total liabilities	2,695,549	2,696,914	22,425,539
Shareholders' equity			
Common stock (Note 8)	30,043	30,043	249,943
Capital surplus	18,585	18,585	154,624
Legal reserve	30,043	30,043	249,943
Voluntary reserve	38,172	58,172	317,572
Retained earnings (deficit)	7,487	(18,634)	62,290
Net unrealized losses on securities, net of taxes	(6,136)	(1,141)	(51,053)
Less treasury stock, at cost	(2,267)	(1,883)	(18,863)
Total shareholders' equity	115,927	115,185	964,457
Total liabilities and shareholders' equity	¥2,811,477	¥2,812,099	\$23,389,997

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Operations

Suruga Bank Ltd.

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2002	2003
Income			
Interest income:			
Interest on loans and discounts	¥62,260	¥ 62,939	\$517,977
Interest and dividends on securities	2,254	3,662	18,756
Other	50	317	420
Fees and commissions	8,877	7,662	73,855
Other operating income (Note 11)	1,069	2,094	8,896
Other income	8,664	6,675	72,084
Total income	83,177	83,353	691,991
Expenses			
Interest expense:			
Interest on deposits	2,364	4,293	19,672
Interest on borrowings and rediscounts	9	82	76
Other	4,030	7,346	33,528
Fees and commissions	6,239	5,135	51,910
Other operating expenses (Note 11)	3,340	1,288	27,789
General and administrative expenses (Note 12)	36,784	39,676	306,024
Other expenses	15,772	64,029	131,221
Total expenses	68,540	121,852	570,223
Income (loss) before income taxes	14,636	(38,499)	121,767
Income taxes:			
Current	75	76	627
Deferred	7,124	(15,698)	59,267
	7,199	(15,621)	59,895
Net income (loss)	¥ 7,436	¥(22,878)	\$ 61,871

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Suruga Bank Ltd.

Years ended March 31,	Thousand	Millions of yen						
	Number of shares	Common stock	Capital surplus	Legal reserve	Voluntary reserve	Retained earnings (deficit)	Net unrealized losses on securities, net of taxes	Treasury stock, at cost
Balance at March 31, 2001	264,939	¥30,043	¥18,585	¥30,043	¥50,172	¥ 13,561	¥(1,925)	¥ —
Net loss for the year ended March 31, 2002						(22,878)		
Cash dividends paid						(1,318)		
Transfer to voluntary reserve					8,000	(8,000)		
Net change during the year							784	(1,883)
Balance at March 31, 2002	264,939	30,043	18,585	30,043	58,172	(18,634)	(1,141)	(1,883)
Net income for the year ended March 31, 2003						7,436		
Cash dividends paid						(1,315)		
Reversal of voluntary reserve					(20,000)	20,000		
Net change during the year							(4,995)	(384)
Balance at March 31, 2003	264,939	¥30,043	¥18,585	¥30,043	¥38,172	¥ 7,487	¥(6,136)	¥(2,267)

	Thousands of U.S. dollars (Note 2)							
	Common stock	Capital surplus	Legal reserve	Voluntary reserve	Retained earnings (deficit)	Net unrealized losses on securities, net of taxes	Treasury stock, at cost	
Balance at March 31, 2002	\$249,943	\$154,624	\$249,943	\$483,961	\$(155,028)	\$ (9,494)	\$(15,667)	
Net income for the year ended March 31, 2003					61,871			
Cash dividends paid					(10,941)			
Reversal of voluntary reserve				(166,389)	166,389			
Net change during the year						(41,559)	(3,195)	
Balance at March 31, 2003	\$249,943	\$154,624	\$249,943	\$317,572	\$ 62,290	\$(51,053)	\$(18,863)	

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Suruga Bank Ltd.

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

Suruga Bank Ltd. (the "Bank") maintains its accounting records and prepares its 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 non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the Financial Services Agency as required by the Banking Law of Japan and the Securities and Exchange Law of Japan. Accordingly, the accompanying non-consolidated 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. In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The non-consolidated financial statements have been prepared on the same basis as the accounting policies discussed in Note 1 to the consolidated financial statements except that the accompanying financial statements relate to the Bank only, with investments in subsidiaries and affiliates being substantially stated at cost.

Certain reclassifications of the prior year's non-consolidated financial statements and the related footnote amounts have been made to conform with the presentation in the current year.

2. Japanese Yen and U.S. Dollar Amounts

The Japanese yen amounts in the accompanying non-consolidated financial statements are presented in millions, with fractions omitted.

Amounts stated in U.S. dollars are translated from Japanese yen amounts, solely for convenience, at ¥120.20 = U.S.\$1.00, the exchange rate prevailing on March 31, 2003. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at the above or any other rate.

3. Investment Securities

Investment securities at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Japanese government bonds	¥314,512	¥352,300	\$2,616,573
Local government bonds	10,330	14,929	85,940
Corporate bonds	9,768	22,437	81,265
Corporate stock	37,151	42,573	309,081
Other securities	56,966	55,975	473,931
Total	¥428,728	¥488,215	\$3,566,792
Shares of subsidiaries included in corporate stock	¥ 297	¥ 90	\$ 2,472

4. Loans and Bills Discounted

(a) Loans and bills discounted at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Bills discounted	¥ 9,458	¥ 11,340	\$ 78,691
Loans on bills	244,488	262,321	2,034,017
Loans on deeds	1,603,007	1,547,066	13,336,167
Overdrafts	177,149	184,225	1,473,787
Total	¥2,034,104	¥2,004,953	\$16,922,664

(b) Loans and bills discounted at March 31, 2003 and 2002 included the following items:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Loans to companies under bankruptcy procedures	¥ 5,403	¥ 5,186	\$ 44,950
Delinquent loans	90,220	107,794	750,582
Loans past due 3 months or more	960	889	7,986
Restructured loans	77,628	70,414	645,823
Total	¥174,211	¥184,283	\$1,449,342

5. Premises and Equipment

Premises and equipment at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Land	¥14,211	¥14,006	\$118,229
Buildings	23,036	23,028	191,650
Furniture and equipment	22,864	22,483	190,222
Guarantee money, net	5,693	5,442	47,362
Software, net	3,162	4,105	26,310
	68,967	69,065	573,775
Less: accumulated depreciation	(29,697)	(28,318)	(247,071)
Premises and equipment, net	¥39,269	¥40,747	\$326,703

6. Deposits

Deposits at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Current deposits	¥ 51,625	¥ 65,353	\$ 429,498
Ordinary deposits	975,300	895,522	8,113,978
Deposits at notice	25,390	34,551	211,239
Time deposits	1,490,247	1,496,854	12,398,065
Other deposits	130,752	172,589	1,087,793
Subtotal	2,673,317	2,664,870	22,240,576
Negotiable certificates of deposit	—	—	—
Total	¥2,673,317	¥2,664,870	\$22,240,576

7. Acceptances and Guarantees

The Bank provides guarantees for the liabilities of its customers for the payment of loans from other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" is presented on the assets side of the balance sheet, indicating the Bank's right of indemnity from the customers.

8. Common Stock

Common stock was as follows:

- (1) Authorized: 396,029,983 shares no par value at March 31, 2003 and 2002
- (2) Issued and outstanding: 264,939,248 shares at March 31, 2003 and 2002
- (3) Treasury stock: 2,267,920 shares at March 31, 2003

9. Capital Surplus and Legal Reserve

Under the Banking Law of Japan, an amount equivalent to at least 20 percent of cash dividends paid and other cash outflows from retained earnings must be appropriated to the legal reserve until such reserve and the capital surplus account equal 100 percent of the Bank's stated capital.

In the case that the sum of the capital surplus account and the legal reserve exceed 100 percent of the common stock account, then the amount of the excess is available for appropriation by resolution of the shareholders.

10. Amounts per Share

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

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at each balance sheet date, less treasury stock.

March 31	Yen		U.S. dollars
	2003	2002	2003
Net income (loss)	¥ 28.17	¥ (86.82)	\$0.234
Net assets	441.22	437.44	3.670

11. Other Operating Income and Expenses

Other operating income and expenses for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Other operating income:			
Gain on foreign exchange transactions	¥ 131	¥ 120	\$1,090
Gain on trading account securities	31	13	260
Gain on sales of bonds	905	1,951	7,537
Gain on redemption of bonds	—	9	—
Other	1	—	9
Total	¥1,069	¥2,094	\$8,896
Other operating expenses:			
Loss on sales of bonds	¥ 253	¥ 941	\$ 2,112
Loss on redemption of bonds	374	328	3,116
Loss on devaluation of bonds	2,711	—	22,560
Other	—	18	—
Total	¥3,340	¥1,288	\$27,789

12. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Salaries and allowances	¥14,215	¥15,764	\$118,268
Depreciation	3,278	3,530	27,273
Taxes	1,778	1,923	14,798
Other	17,511	18,457	145,685
Total	¥36,784	¥39,676	\$306,024



Shin Nihon & Co.

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

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

Independent Auditors' Report

The Board of Directors
Suruga Bank Ltd.

We have audited the accompanying non-consolidated balance sheets of Suruga Bank Ltd. as of March 31, 2003 and 2002, and the related non-consolidated statements of operations and shareholders' equity 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 Suruga Bank Ltd. at March 31, 2003 and 2002, and the non-consolidated results of its 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 to the non-consolidated financial statements.

Shin Nihon & Co.

June 24, 2003

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

Shin Nihon & Co.

Corporate Directory

(as of April 1, 2003)

Reference

Head Office

23, Tohriyoko-cho, Numazu, Shizuoka, Japan

Phone: (055) 962-0080

Fax: (055) 963-4458

Capital Markets Division

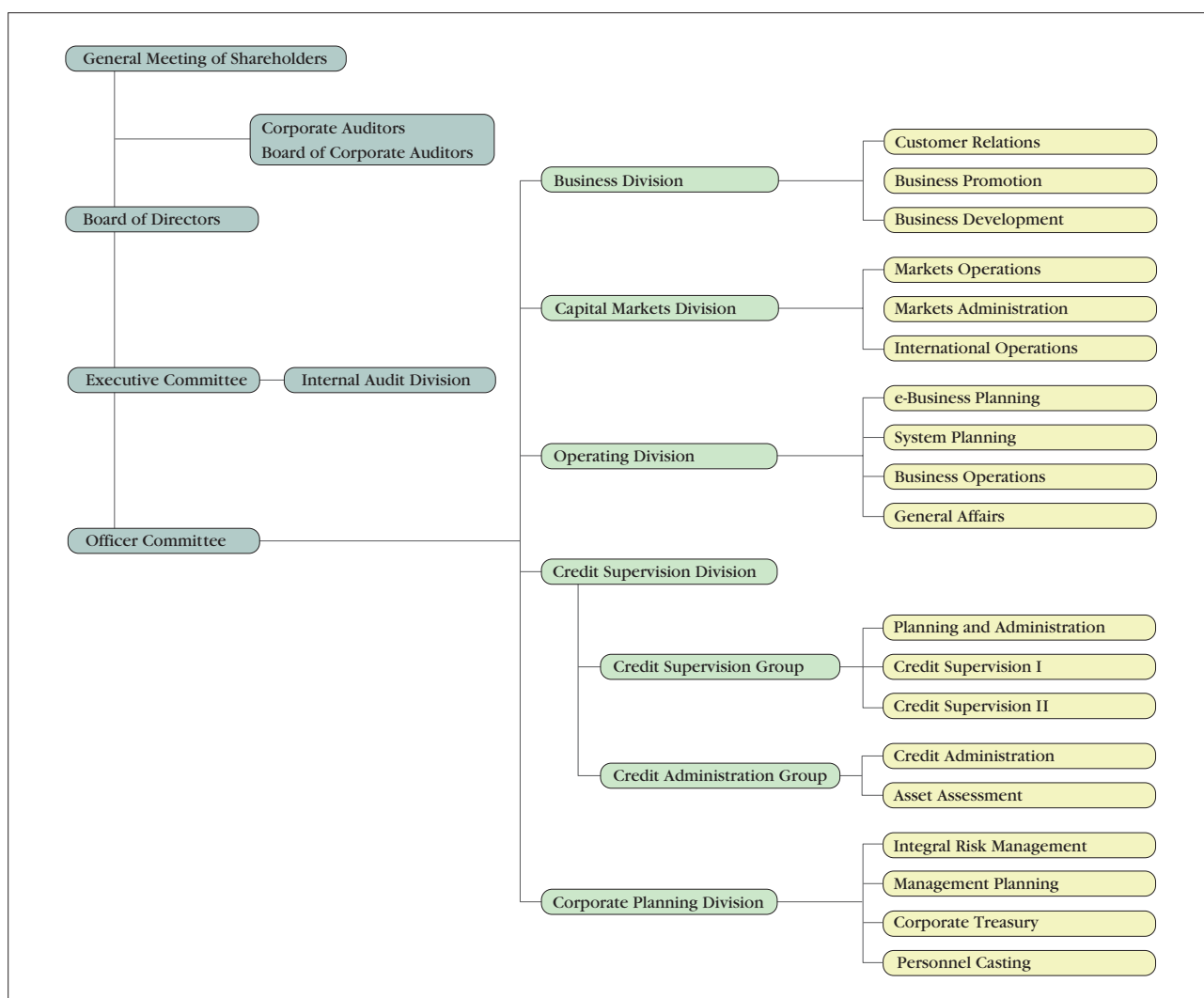
7-1, Nihombashi-Muromachi 1-chome, Chuo-ku, Tokyo

Phone: (03) 3279-5533

Fax: (03) 3242-3284

SWIFT Address: SRFX JP JT

Organization





A familiar, sympathetic, and completely
reliable life and business partner

CONCIERGE
ri

CONCIERGE BANK