

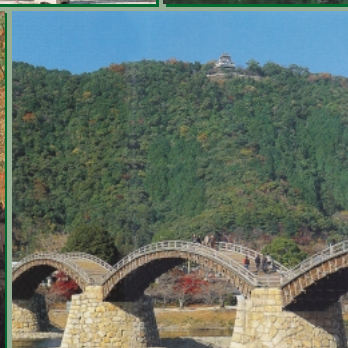


**YAMAGUCHI BANK**

**2002**  
**Annual Report**  
Year ended March 31

**Profile**

Yamaguchi Bank's origin dates back to the founding of its predecessor, the Hyakuju (110th) National Bank, in 1878. Following a merger with four other banks amid official efforts to install one leading institution per prefecture, the Bank adopted its present name in 1944. Since our foundation, we have expanded our business by endorsing a management policy consisting of "sound and enterprising spirit, frugality and strength, and a focus on the Bank's primary mission." Yamaguchi Bank is a major regional bank, with 163 branches and offices in Japan, principally in Yamaguchi Prefecture, and 6 business bases overseas.



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**Cover**

The photo on the cover page is of a bas-relief sculpture on display in the main lobby at Yamaguchi Bank's head office.

## Financial Highlights

### Consolidated Financial Highlights

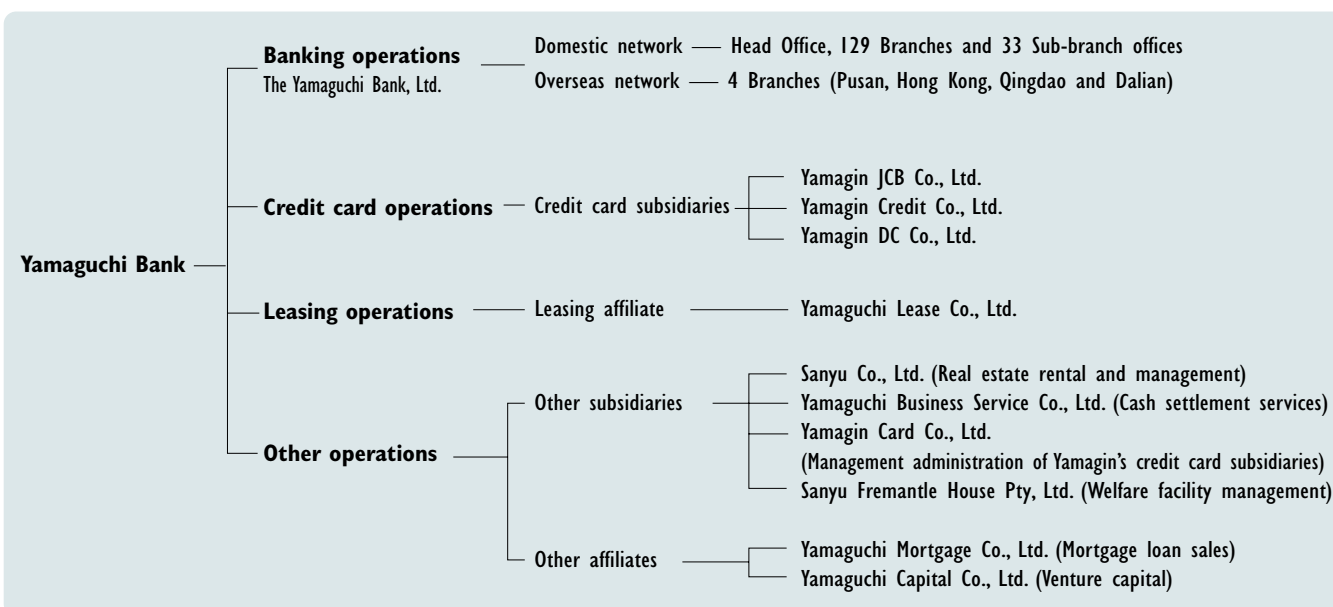
| (Years ended March 31)                      | Millions of yen |           | Thousands of U.S. dollars* |
|---|-----------------|-----------|----------------------------|
|   | 2002            | 2001      | 2002                       |
| <b>For the Year:</b>                        |                 |           |                            |
| Total Income .....                          | ¥ 103,268       | ¥ 117,310 | \$ 774,994                 |
| Total Expenses .....                        | 98,679          | 106,188   | 740,555                    |
| Income Before Income Taxes.....             | 4,589           | 11,122    | 34,439                     |
| Net Income.....                             | 2,355           | 6,792     | 17,674                     |
| <b>At Year-End:</b>                         |                 |           |                            |
| Total Assets .....                          | 4,533,490       | 4,525,797 | 34,022,439                 |
| Deposits .....                              | 4,059,953       | 4,024,282 | 30,468,690                 |
| Loans and Bills Discounted.....             | 3,010,533       | 2,968,344 | 22,593,118                 |
| Securities .....                            | 943,286         | 898,483   | 7,079,069                  |
| Stockholders' Equity .....                  | 301,000         | 304,489   | 2,258,912                  |
| Capital Adequacy Ratio.....                 | 11.81%          | 11.77%    |                            |
| <b>Per Share (in Yen and U.S. Dollars):</b> |                 |           |                            |
| Net Income .....                            | 11.77           | 33.96     | 0.09                       |
| Dividends .....                             | 6.50            | 6.50      | 0.05                       |

\* U.S. dollar amounts have been translated, for convenience only, at the rate of ¥133.25=US\$1.00 as of March 31, 2002.

### Yamaguchi Bank Group

The Yamaguchi Bank's group consists of the parent bank, 7 subsidiaries, and 3 affiliated companies.

Centered on the banking business, the group caters to the whole range of financial and transaction-related needs of the regional community, including credit card and leasing operations. By pooling its resources, the group is able to offer its customers a truly comprehensive financial service.







Kazuaki Katsuhara  
*Chairman*

Tetsunosuke Tabaru  
*President*

## **O**perating Environment

During the term under review, amid growing deflationary pressure, Japan's economy was in recession for the most part, while the economy of Yamaguchi Prefecture continued to labor under similar difficulties. Although the Yamaguchi Kirara Expo appeared to boost the prefectural economy, changes in the local economic environment, including a decline in public works, as well as the prolonged deflation, had an extensive influence, resulting in a high number of corporate bankruptcies and the continuation of severe employment conditions. At the same time, amid growing social demand for a more stable financial system, partially due to the termination of unlimited guarantees on bank deposits starting in April 2002, the disposal of non-performing loans is still a major management issue, particularly for the money center banks.

## **C**onsolidated Performance

Amid this business environment, we were able to achieve the following consolidated results in the year ended March 31, 2002.

Total assets stood at ¥4,533.5 billion (US\$34,022 million) at the end of the term, representing an increase of ¥7.7 billion over the previous year, but stockholders' equity declined ¥3.5 billion from the previous term, to ¥301.0 billion (US\$2,259 million).

Total income (recurring income plus extraordinary income) fell by ¥14,042 million to ¥103,268 million (US\$775 million), income before income taxes decreased by ¥6,533 million from the previous year, reaching ¥4,589 million (US\$34 million), and net income also dropped by ¥4,437 million from the previous year, to ¥2,355 million (US\$18 million).

Net cash provided by operating activities amounted to ¥68.2 billion, net cash used in

investment activities came to ¥67.2 billion, and net cash used in financing activities came to ¥1.3 billion. In consequence, the term-end balance of cash and cash equivalents amounted to ¥67.8 billion (US\$509 million).

The Bank's consolidated capital ratio measured by uniform international (BIS) standards rose by 0.04 of a percentage point over the previous year, to 11.81%, and by 0.09 of a percentage point on a non-consolidated basis.

The Bank's performance regarding deposits and loans was as follows. Despite low interest rates throughout the term under review, the Bank expanded its community-based marketing activities and worked for a steady increase in deposit accounts, primarily those of individual customers. As a result, total deposits rose ¥35.7 billion to a term-end balance of ¥4,060.0 billion (US\$30,469 million).

Despite continually sluggish demand for funds, we responded actively, as only a regional financial institution can, to the funding needs of local companies. Consequently, the total balance of loans outstanding rose by ¥42.2 billion over the previous term, to ¥3,010.5 billion (US\$22,593 million) at term-end.

Securities holdings rose ¥44.8 billion, to a year-end balance of ¥943.3 billion (US\$7,079 million), due primarily to an increase in holdings of national government bonds.

## 9th 3-Year Plan Making Good Progress

In our 2nd Long-Term Vision, which was in effect until March 2011, the Bank outlined its ideal position as a "comprehensive financial services provider, providing optimal services based on an accurate understanding of customers' needs." Stated in another way, the Bank aims to be a "one-stop shop" catering to the life stages of each and every individual customer.

The Bank has been working with the 9th 3-Year Plan since April 2001 in order to achieve this vision. The Plan itself outlines the Bank's objectives to 1) function as a comprehensive financial services provider; 2) achieve growth in step with the region; and 3) build customer relationships of strong trust and high reliability. This shifts the focus to the customer for all standard business policies of the Bank.

To earn a high degree of trust from our customers, we are studying methods of risk control so as to create a system capable of properly controlling risk. In addition, the Bank has been enthusiastically addressing issues including cost reductions and the optimal distribution of management resources.

The business environment becomes more severe as economic stagnation becomes more prolonged. However, in order to build up and maintain a high earnings structure, we have clarified the Bank's

### Important Business Indicators and Short-Term Target Levels (Non-Consolidated Basis)

| Business Indicator  | Target Level        | FY2001 Result |
|---|---------------------|---------------|
| Net income  | ¥10 billion or more | ¥2.2 billion  |
| Business profit from core operations*                     | ¥30 billion or more | ¥25 billion   |
| Bad debt ratio (risk-managed loans under the Banking Law) | 4.00–4.99%          | 5.49%         |
| OHR (expenses/operating gross business profit)            | 50.00–59.99%        | 62.11%        |
| Capital ratio (Tier I)                                    | 10.00–10.99%        | 9.10%         |

\* Refers to business profit deducted from income/loss related to national government and other bonds and transfers of general reserves for possible loan losses.

important business indicators and short-term target levels, as follows.

## **T**ermination of Unlimited Deposit Guarantees

With effect from April 2002, the public Deposit Insurance Corporation of Japan (DICJ) covers all liquid deposits, which include current deposits, ordinary deposits and deposits-at-notice only up to a maximum principal of ¥10 million plus interest. Although individual deposit accounts are currently undergoing intense change nationwide, we remain confident of the firm trust placed in us by our customers. We possess the overwhelming share of the market in our local region of Yamaguchi Prefecture, and not only do we have an extremely stable business base, we have also received the full trust and support of our customers.

We will continue to put our energy into maintaining and developing sound management, and will publish even more information both online and in disclosure statements.

## **O**utlook for Fiscal 2002

Despite a difficult earnings environment, exacerbated by ongoing low-level short and long-term interest rates, we project an increase in net income in fiscal 2002 due to a decline in losses on marketable securities under an impairment accounting system. For our consolidated results for the fiscal 2002, we are projecting net income of ¥8.3 billion, which would represent an increase of ¥5.9 billion from the

reporting term. For the term as a whole, we are planning to pay a total dividend per share on a non-consolidated basis of ¥6.5.

## **M**essage to All Stockholders and Investors

In order to further enhance corporate value, we implemented our 9th 3-Year Plan to bolster our business and management foundations. At the same time, convinced that achieving co-prosperity with the regional society and making a contribution to the local economy is our true mission and the source of our development, we will build upon the fund of trust we enjoy among our customers to develop stronger roots in the local community.

In spite of the severe business environment, we will maintain our efforts to harness the combined strengths of the Group and win the support and goodwill of our stockholders and all our stakeholders. We will devote our efforts to that end, and we hope that you will continue to honor us with your support.



Kazuaki Katsuhara  
Chairman



Tetsunosuke Tabaru  
President

July 2002

As the core financial institution for the region, Yamaguchi Bank operates a network of 163 offices, principally within Yamaguchi Prefecture and the cities of Hiroshima and Kitakyushu lying to its east and west, through which it provides highly diverse, premier-quality financial services. The Bank has also established regional headquarters in Tokyo, Hiroshima, and Kitakyushu, three metropolises closely connected with the local economy, and these offices assist the Bank in developing and promoting operations over a more extensive area. Overseas, we have three branches in China, in Qingdao, Dalian, and Hong Kong; one in South Korea, in Pusan; and representative offices in Bangkok and Jakarta. These overseas bases assist corporate customers in the Bank's home region with the development of their operations overseas.

Public finance business is one of Yamaguchi Bank's core business activities, in which it acts as the designated financial institution for the Yamaguchi prefectural government and for 44 of the prefecture's 56 municipalities. In parallel with this the Bank plays a key role in the funding of regional government institutions, in particular by means of underwriting bonds issued by regional governments.

During the year under review the Bank gave its full support to a major project designed to stimulate the economy of Yamaguchi Prefecture: Yamaguchi Kirara Expo, which was held in the town of Ajisu from July 14 to September 30, 2001. The Bank had its own pavilion called the Karakuri Dream Theater, which covered an area of a thousand square meters. The pavilion was awarded the Japan Expo Grand Prize by the Ministry of Economy, Trade and Industry, and also made a significant contribution to the overall success of the exposition.

Yamaguchi Bank engages in a range of activities designed to make a contribution to society by helping to ensure the balanced development of the local economy and community. The following are its principal activities.

- The Yamaguchi Economic Research Institute was established in 1974 to commemorate the 30th anniversary of the Bank's foundation. Since then the Institute's activities have included carrying out studies on the prefectural economy and industry trends, holding lecture meetings, and implementing research commissioned by various external organizations.
- The Bank's 40th anniversary, in 1984, was marked by the establishment of the Yamagin Regional Enterprise Support Foundation, whose objective is to help nurture the growth of small and medium-sized companies and contribute to the sound development of the regional economy. Every year the foundation presents awards and commendations to companies, and provides them with assistance.
- In 1996 the Bank established Yamaguchi Capital Co., Ltd., jointly with other locally based financial institutions within Yamaguchi Prefecture. It was the prefecture's first venture capital company, and in that capacity has been helping to meet the needs of local companies for funds during their start-up periods.
- The Yamaguchi Venture Forum was established in 1997 by the Bank in cooperation with the Yamaguchi Prefectural Government and Yamaguchi University. Its organization is structured to combine representatives of industry, government, and academia for the purpose of facilitating exchanges of ideas among them, and has been active in helping to strengthen the business foundations of local companies and to nurture venture businesses. In addition, the Bank assigns officers to the Yamaguchi Technology Licensing Organization, established by Yamaguchi University in 1999, and cooperates with it in other ways, including helping it to recruit members.

In addition to these activities, Yamaguchi Bank contributes to the development of its home region by extending its cooperation and assistance in support of a variety of regional events and development projects.

*Since its establishment, Yamaguchi Bank has always paid great attention to the need to maintain harmony between profitability and the public interest. In line with this, it has built a stable operating base over the years, and avoided dancing to the tune of the so-called bubble economy, the scars of which still remain. In the future, the Bank will continue its efforts to assure even greater asset soundness and to further strengthen its earnings structure.*

### Lending Policy

The Bank's fundamental approach to lending operations entails serving the people of the region, and contributing to the advancement of society as a whole, by providing a stable and prompt supply of funds as required by the region's citizens. To this end, the Bank will maintain a business structure that enables personalized and quick responses to applications for operating funds and a variety of other funding needs.

### Improving Asset Soundness

Against the backdrop of Japan's prolonged recession, the Bank recorded a balance of assets at the end of fiscal 2001, disclosed under the Financial Reconstruction Law, of ¥174,933 million (US\$1,313 million). This amount comprises loans to borrowers in bankruptcy under the Corporate Rehabilitation Law and loans in similar conditions of ¥41,662 million (US\$313 million) loans to borrowers threatened with bankruptcy in the amount of

¥81,072 million (US\$608 million), and loans to borrowers requiring supervision in the amount of ¥52,199 million (US\$392 million).

The Bank has been attaching great importance to the impact of bad debt disposal on the standing of financial institutions, and for this reason has practiced a policy of prevention and speedy disposal to ensure the soundness of its asset portfolio. Write-offs and provisions to reserves for possible loan losses based on asset self-assessment started at the Bank as early as March 1998, ahead of the introduction of the Prompt Corrective Action measures introduced in April 1998. At the same time, the Bank established a system for the periodic appraisal review of real estate collateral values under application of objective standards. It was due to these measures that the Bank received top marks among Japanese banks from ratings institutions.

We have provided sufficient reserves for future possible loan losses, and we will continue to increase the soundness of our assets and strengthen our earnings structure.

### Capital Ratio

The Bank's capital ratio for fiscal 2001 on a consolidated basis and according to international (BIS) standards rose 0.04 of a percentage point from the previous term, to 11.81%. The Bank's capital ratio on a non-consolidated basis remained the same





as the previous term, at 11.72%. Both ratios easily cleared the minimum standard ratio of 8%. The Bank's Tier I ratio rose 0.29 of a percentage point over the previous term, to 9.20%. We will continue to strive for stable earnings and an increase in retained earnings.

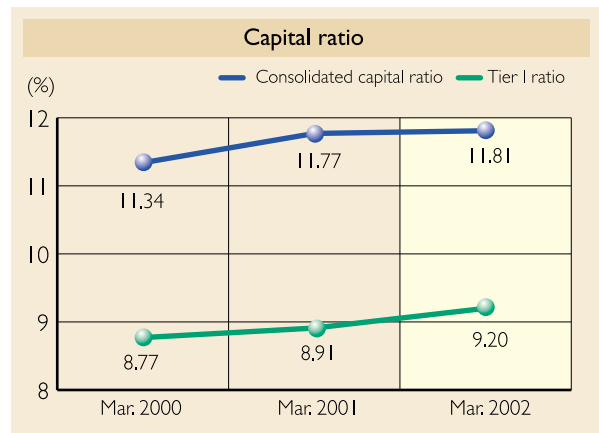
### Enhancing Operating Efficiency

We are improving our automation systems and conducting reviews on the handling of clerical work and branch functions in order to enhance our management and operational efficiency.

Operating efficiency as measured by the overhead ratio (OHR), which describes the ratio of operating expenses (including the cost of staff and premises) to gross business profit, is the principal benchmark in managing the Bank's operations. The overhead ratio stood at 62.11% at term-end. Although the Bank's low-cost operational structure has received high ratings from outside observers even at its current level, efforts to realize further cost advantages will continue, without sacrificing additional service improvements for the Bank's clients and investments for future development.

### Compliance

It is essential for banks to establish and maintain relationships of trust through sound administrative operations, and they must put into practice not only legal compliance but also the high moral standards expected of corporate citizens. Fully cognizant of its social responsibility as a bank, and of the importance of its public-service mission, Yamaguchi Bank continues to take steps to further strengthen its compliance structure, based upon raising the awareness of professional ethics of its employees, with the aim of minimizing non-compliance.



The "Ethics Rules" laid down by the Japanese Bankers' Association in 1997 have been adopted within the Yamaguchi Bank as basic behavioral guidelines for the Bank's employees. In addition, we have established a Corporate Ethics Committee. As part of its activities, the committee has produced the Ethics Wall Calendar, compiled from mottoes collected within the Bank, and distributed it to all departments and offices.

In order to ensure full compliance, compliance officers have been assigned to all divisions and branches to conduct inspections on a day-to-day basis.



*In the course of its operations, the Bank is exposed to various risks including credit, market and liquidity risks. The deregulation and globalization of financial markets in conjunction with the advances made in financial engineering have made these risks more diverse and complex.*

*Given this situation, and being acutely aware of the importance of being able to accurately identify and analyze the location and extent of risk and to manage it appropriately, the Bank is taking steps to refine and improve its risk management systems and risk management capability, and in doing so, to ensure sound management and stable earnings.*

### Comprehensive Risk Management

The Bank has classified risks into the six categories of credit, market, liquidity, operational, legal and reputation risks and stipulated the definitions and management policies of each risk in the Regulations for Comprehensive Risk Management.

Divisions bearing primary authority and responsibility for the management of each risk take charge through a series of procedures involving risk identification, qualitative and quantitative measurement, and monitoring in line with these Regulations.

Within the Corporate Planning Department, the Bank has established the Comprehensive Risk Management Group, which is in charge of all types of quantitative risk throughout the Bank. The Group obtains a general understanding of quantifiable risk and optimally allocates risk-weighted capital to cover possible losses, securing a sufficient level of earnings corresponding to risk amounts. We have upgraded the Bank's risk management system for more compatibility with our computer systems.

### Credit Risk Management

In credit risk management, the Bank applies a clearly-defined policy with regard to credit risk assessment and employs rigorous assessment and administration systems that regulate the scope of authority to judge credit decisions corresponding to borrowers' credit-worthiness. At the same time, employees' credit assessment and analysis skills are the subject of

training programs provided by the Bank.

We have upgraded our corporate credit rating system, and self-assessments are held regularly by the branches and head office sections with regard to the assets over which they have jurisdiction. By these means, we remain constantly aware of the precise nature of the Bank's assets. By carrying out write-offs (including direct deduction) and provisions to reserves corresponding to the degree of credit risk carried, we are working to maintain a healthy financial position.

### Market Risk Management

Regarding market risk, the Bank has established a system to identify areas of market risk and carries out quantitative measurement of risks. An asset-liability management system has been introduced for the purpose of accurately controlling market risk, and as part of this, the ALM Committee convenes regularly to respond appropriately to individual market conditions.

In addition, the Bank analyzes and evaluates market conditions both regularly and temporarily to obtain an accurate grasp of the risk carried by the Bank, based on which the Bank verifies the effectiveness of its market risk control method.

### Liquidity Risk Management

Amid changes in the financial environment and forecasted trends, market conditions are in a situation of constant fluctuation. The majority of the

Bank's funding is conducted by means of deposit-taking accounts, and the funding gap is managed through a stable funding base along with detailed forecasting. The fund position is established primarily through control of fund investments in the inter-bank market, and provision against unforeseen circumstances is conducted by such means as holding highly liquid securities.

### **Operational Risk Management**

The Bank has divided operational risk into the two categories of clerical risk and systems risk and established dedicated regulations for each risk. While clerical risk control methods and systems are clearly defined in the regulations, on-site instructions are given at regular intervals at the branch level by certain sections at the head office responsible for providing guidance to reduce clerical risk.

Regarding systems risk, the Bank has also established a detailed on-site manual that stipulates measures for handling systems risk, treating information assets and data processing, in addition to computer operations, which obliges the Bank's employees to handle information assets properly and prevent the leakage and falsification.

### **Legal Risk Management**

Banks are exposed to various legal risks due to business diversification or changes in laws against the backdrop of the rapidly changing business environment. The Bank focuses on the development of risk prevention measures to minimize this type of risk. More specifically, the Bank has established regulations for legal risks involved in management and organizational structure with the aim of providing employees with concrete criteria for examining the legal aspects of individual transactions. We have also strengthened ties with lawyers and other professionals and upgraded employee training.

### **Reputation Risk Management**

The Bank has established a system that allows the Bank to obtain accurate information on the Bank's reputation at an early stage. To minimize reputation risk, the Bank has compiled manuals stipulating measures for rumor prevention or countermeasures for emerging reputation risk.

### **Auditing and Inspection Systems**

The Bank's auditing and inspection systems are handled by the Inspection Group, the Asset Audit Group, and the Operations Audit Group established within the Audit and Inspection Department. The Bank is devoting its full efforts to ensuring that banking operations are conducted efficiently and that all reasonable steps are taken to avoid human error.

With respect to the compliance system, the Operations Audit Group audits the risk management carried out by the Corporate Administration Department, a supervisory unit, as well as compliance of all head office units. In addition, the Inspection Group and the Operations Audit Group conduct regular on-site inspections of all business offices.

To assess the status of assets accurately, the Asset Audit Group undertakes checks of the soundness and appropriateness of self-assessment and makes write-offs and provisions based on these self-assessments.

With regard to the Bank's administrative systems, self-inspections by branch offices serve to complement on-site inspections carried out by the Inspection Group. Self-inspections on balances and transactions are carried out on a monthly basis and on-site inspections at least once a year.

Regular on-site inspections conducted at overseas offices and some affiliates also help to maintain the high level of trustworthiness of the Bank's business operations.

## Banking Operations

### Deposit-Taking Business

During the year under review, we once again endeavored to develop a variety of financial products and provide services tailored to meet the diverse investment objectives of our customers. Among these new products was a floating-rate time deposit, which was first offered to customers in December 2001 and has since then been received enthusiastically. If depositors purchase a stock investment trust for over a certain amount when making a time deposit for a fixed period, they are assured of an additional interest rate above the deposit interest rate. This product has subsequently been improved to make it more accessible, including by lowering the minimum amount of the floating-rate time deposit in April 2002.

As a result of these activities, the balance of deposits from retail customers totaled ¥2,532.6 billion (US\$19,006 million) at March 31, 2002, and the balance of deposits from corporate customers stood at ¥949.4 billion (US\$7,125 million).

In the field of investment trusts we took further steps to enhance our structure and better position ourselves to cater to customers' diverse investment requirements. These included increasing the number of branches handling investment trust products to cover our entire branch network, and installing

dedicated personal computers for investment consultations.

With respect to defined contribution pensions, in November 2001 the Bank inaugurated corporate pensions, and in February 2002 these were followed by pensions for individuals.

### Lending Operations

In the field of personal lending, in July 2001 we began offering a loan facility under which borrowers can borrow as many times as they like within their credit limit. Applications for this loan are accepted via toll-free number at any time between 7 a.m. and 11 p.m., including weekends and public holidays. Another highlight of the year was the inauguration, in October 2001, of a car loan exclusively for refinancing.

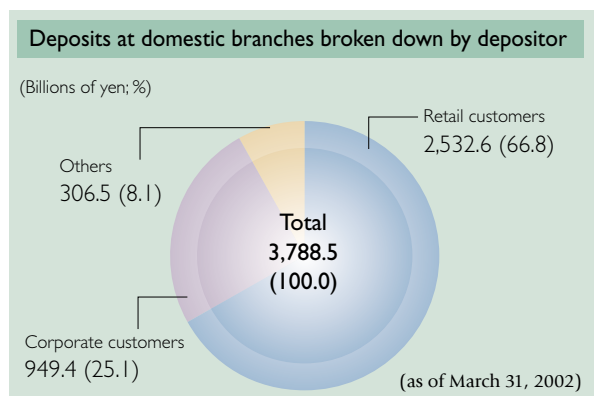
New products for corporate customers included a business auto loan for financing the purchase of vehicles for business use, which was launched in November 2001, a business loan to enable small and medium-sized businesses to meet their needs for operating funds swiftly. The latter was launched in January 2002 under a tie-up with the Yamaguchi Prefecture Credit Guarantee Corporation.

Yamaguchi Bank is committed to further improving its loan products to individuals and businesses and assuring them of a smooth supply of funds, thereby supporting the development of the local economy.

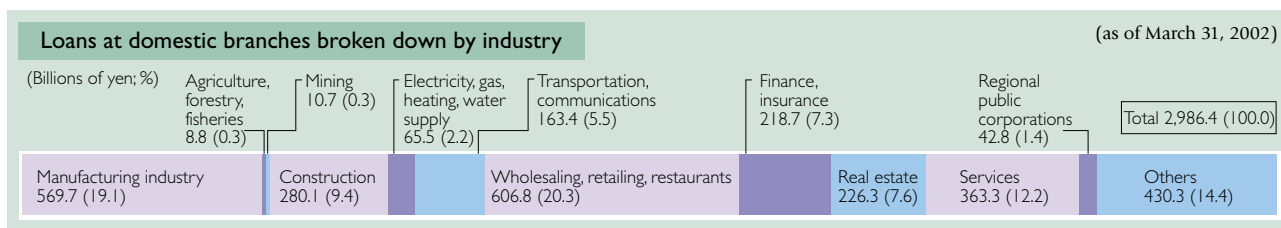
### Other Services

In June 2001 the Bank began handling a weather derivative intermediary business, designed to help customers avoid such risks as declines in sales or increases in costs as a result of unusual climatic conditions or unseasonable weather.

A new statement service for public utilities







charges, launched in July 2001, enables businesses to streamline their accounting operations substantially.

In order to satisfy the demands of the current advanced information society, we have also increased services accessible from fixed-line and mobile phones and through the Internet.

Against the backdrop of the remarkable progress being made in networking throughout society, we will continue to monitor technological trends very closely, and work vigorously to improve our systems in a manner designed to enhance the convenience of our customers.

### International Business

Yamaguchi Bank has an overseas network in place to help it meet the wide-ranging needs of its customers in such areas as trading transactions and overseas investment. As of the end of March 2002 this network comprised four branches—Pusan, Hong Kong, Qingdao, and Dalian—and two representative offices—in Bangkok and Jakarta—giving the Bank a structure that enables it to cater to the increasingly international orientation of its home region. The range of services provided by these overseas units includes financial services such as trade financing for Japanese and Japan-affiliated companies operating in the overseas localities, and the collation and dissemination of trade and investment information for the Bank's domestic corporate customers.

Information received from the overseas network is released locally in the form of "Yamagin Asian News" in the monthly newsletter *Yamaguchi Economic*

*Monthly* published by the Yamaguchi Research Institute of Economics and through the Bank's website. In addition, in October 2001 the Bank held its first briefing session by the heads of all of the overseas units, who returned temporarily to the Bank's head office to give customers the most up-to-date local information and to report on the local investment environments.

We have established an Asian Trade & Investment Advisory Office within our International Department. This forms part of our overall structure to assist corporate customers with their overseas activities through our trade and investment advisory service and our service as an intermediary for companies setting up or operating overseas.

To meet our customers' growing needs for foreign currency, in July 2001 Yamaguchi Bank began acting as an intermediary between the Bank of China and customers seeking financing denominated in renminbi. To meet demand arising from events such as the holding of the soccer World Cup in Japan and Korea, in April 2002 the Bank commenced the buying and selling of Korean won notes.

### Other Business

In addition to its core banking business, Yamaguchi Bank provides a comprehensive range of financial services in collaboration with other members of its corporate group. These include credit card business, leasing business, mortgage securities business, and venture capital business.

**Board of Directors and Corporate Auditors**



*Chairman*  
**Kazuaki Katsuhara**



*President*  
**Tetsunosuke Tabaru**



*Senior Managing Director*  
**Hideo Hirota**



*Senior Managing Director*  
**Takeshi Kuwabara**



*Managing Director*  
**Kaoru Suehiro**



*Managing Director*  
**Katsuhiko Nishihara**



*Managing Director*  
**Hiroshi Takimoto**

**Chairman**

Kazuaki Katsuhara

**President**

Tetsunosuke Tabaru

**Senior Managing Directors**

Hideo Hirota

Takeshi Kuwabara

**Managing Directors**

Kaoru Suehiro

Katsuhiko Nishihara

Hiroshi Takimoto

**Directors**

Shinjiro Okamoto

Hideaki Fujii

Yuji Hamasaki

Tetsuro Aono

Toshio Kato

Hidenori Inoue

Tetsuhiko Takahashi

Koichi Fukuda

**Corporate Auditors**

Akifumi Ogawa

Yutaka Uetani

Ryotaro Kaneko

(As of June 26, 2002)

## FINANCIAL REVIEW (Consolidated Basis)

### Business Environment

During fiscal 2001, mounting deflationary pressure compelled both the Japanese economy and the economy of Yamaguchi Prefecture to linger in their recessionary phase. Although the Yamaguchi Kirara Expo appeared to boost the prefectural economy, changes in the local economic environment, including a decline in public works, as well as the prolonged deflation, had an extensive influence, resulting in a high number of corporate bankruptcies and the continuation of severe employment conditions. In the financial industry, meanwhile, the April 2002 termination of unlimited deposit insurance coverage has led to strong demands for banks to reinforce their strength, in particular by disposing of their bad debts.

### Performance

Faced with this operating environment, we stepped up our efforts to improve our performance and to enhance our operating strength. These efforts enabled us to achieve the results outlined below in the year ended March 31, 2002.

On a consolidated basis, total assets rose by ¥7.7 billion from the previous year, to ¥4,533.5 billion (US\$34,022 million). Total stockholders' equity fell by ¥3.5 billion, to ¥301.0 billion (US\$2,259 million), primarily as a result of a decline in unrealized gains on securities holdings, net of tax.

Total income fell by ¥14.0 billion year-on-year, to ¥103.3 billion (US\$775 million), net income before income taxes declined by ¥6.5 billion, to ¥4.6 billion (US\$34 million), and net income slipped by ¥4.4 billion, to ¥2.4 billion (US\$18 million).

The following is an outline of the status of deposits and loans.

Interest rates remained very low throughout the fiscal year, but by means of solid marketing activity closely attuned to the local region, we endeavored to achieve a steady increase in deposits, particularly personal deposits. As a result we were able to post an increase in deposits of ¥35.7 billion, to a year-end total of ¥4,060.0 billion (US\$30,469 million).

Demand for funds remained low during the year under review, but as a local financial institution, we worked vigorously to meet the need for funds of our customers, particularly locally based businesses. In consequence our loan balance rose by ¥42.2 billion year-on-year, to ¥3,010.5 billion (US\$22,593 million) at the end of the term.

The balance of securities holdings increased by ¥44.8 billion during the term, to a year-end total of ¥943.3 billion (US\$7,079 million). This rise was attributable primarily to an increase in holdings of government bonds.

With respect to cash flow, net cash provided by operating activities was ¥68.2 billion, net cash used in investing activities was ¥67.2 billion, and net cash used in financing activities stood at ¥1.3 billion. As a result, the balance of cash and cash equivalents declined by ¥300 million from the preceding term, to ¥67.8 billion (US\$509 million).

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## CONSOLIDATED BALANCE SHEETS

March 31, 2002 and 2001

| ASSETS  | Millions of yen   |                   | Thousands of          |
|---|-------------------|-------------------|-----------------------|
|   | 2002              | 2001              | U.S. dollars (Note 1) |
| <b>Assets:</b>  |                   |                   | <b>2002</b>           |
| Cash and due from banks (Note 3)  | ¥ 73,894          | ¥ 152,526         | \$ 554,552            |
| Call loans  | 366,571           | 349,147           | 2,751,002             |
| Commercial paper and other debt purchased                                   | 2,972             | 30,994            | 22,304                |
| Trading assets  | 2,931             | 4,216             | 21,996                |
| Money held in trust   | 33,391            | 26,658            | 250,589               |
| Securities (Notes 4, 5 and 7)   | 943,286           | 898,483           | 7,079,069             |
| Loans and bills discounted (Note 6)   | 3,010,533         | 2,968,344         | 22,593,118            |
| Foreign exchange assets   | 4,289             | 4,344             | 32,188                |
| Other assets  | 26,671            | 27,236            | 200,158               |
| Property and equipment  | 78,718            | 79,608            | 590,754               |
| Deferred tax assets (Note 14)   | 12,039            | 10,680            | 90,349                |
| Customers' liabilities for acceptances and guarantees (Note 12)             | 57,665            | 64,096            | 432,758               |
| Reserve for possible loan losses  | (79,470)          | (90,535)          | (596,398)             |
| Total assets  | <u>¥4,533,490</u> | <u>¥4,525,797</u> | <u>\$34,022,439</u>   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                 |                   |                   |                       |
| <b>Liabilities:</b>   |                   |                   |                       |
| Deposits (Note 7)   | ¥4,059,953        | ¥4,024,282        | \$30,468,690          |
| Call money (Note 7)   | 41,707            | 26,886            | 312,998               |
| Trading liabilities   | —                 | 25                | —                     |
| Borrowed money (Note 8)   | 15,892            | 15,368            | 119,265               |
| Foreign exchange liabilities  | 204               | 28                | 1,531                 |
| Other liabilities   | 32,762            | 66,234            | 245,868               |
| Employees' severance and retirement benefits (Note 9)                       | 3,717             | 3,770             | 27,895                |
| Deferred tax liabilities for revaluation reserve for land (Notes 10 and 14) | 19,360            | 20,619            | 145,291               |
| Acceptances and guarantees (Note 12)  | 57,665            | 64,096            | 432,758               |
| Total liabilities   | <u>4,231,260</u>  | <u>4,221,308</u>  | <u>31,754,296</u>     |
| Minority interests  | 1,230             | —                 | 9,231                 |
| <b>Stockholders' equity (Notes 11 and 16):</b>                              |                   |                   |                       |
| Common stock:   |                   |                   |                       |
| Authorized – 600,000 thousand shares  |                   |                   |                       |
| Issued – 200,000 thousand shares  | 10,006            | 10,006            | 75,092                |
| Additional paid-in capital  | 376               | 376               | 2,822                 |
| Revaluation reserve for land, net of tax (Note 10)                          | 27,022            | 28,780            | 202,792               |
| Retained earnings   | 235,247           | 232,484           | 1,765,456             |
| Unrealized holding gains on securities, net of tax                          | 28,394            | 32,844            | 213,088               |
| Common stock in treasury, at cost   | (45)              | (1)               | (338)                 |
| Total stockholders' equity  | <u>301,000</u>    | <u>304,489</u>    | <u>2,258,912</u>      |
| Total liabilities and stockholders' equity                                  | <u>¥4,533,490</u> | <u>¥4,525,797</u> | <u>\$34,022,439</u>   |

See accompanying notes.



## CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended March 31, 2002 and 2001

|   | Millions of yen |                 | Thousands of<br>U.S. dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
|   | 2002            | 2001            | 2002                                  |
| <b>Income:</b>  |                 |                 |                                       |
| Interest on loans and discounts   | ¥ 62,098        | ¥ 67,623        | \$ 466,026                            |
| Interest and dividends on securities  | 17,934          | 22,028          | 134,589                               |
| Other interest  | 1,983           | 2,860           | 14,882                                |
| Fees and commissions  | 9,896           | 8,952           | 74,266                                |
| Trading income  | 12              | 19              | 90                                    |
| Other operating income  | 5,135           | 3,551           | 38,537                                |
| Other income  | 6,210           | 12,277          | 46,604                                |
| Total income  | <u>103,268</u>  | <u>117,310</u>  | <u>774,994</u>                        |
| <b>Expenses:</b>  |                 |                 |                                       |
| Interest on deposits  | 8,208           | 13,394          | 61,598                                |
| Interest on borrowings and rediscounts  | 1,774           | 2,055           | 13,313                                |
| Other interest  | 6,492           | 9,391           | 48,720                                |
| Fees and commissions  | 3,374           | 3,220           | 25,321                                |
| Trading expenses  | 1               | —               | 8                                     |
| Other operating expenses  | 1,286           | 575             | 9,651                                 |
| General and administrative expenses   | 47,451          | 45,793          | 356,105                               |
| Other expenses  | 30,093          | 31,760          | 225,839                               |
| Total expenses  | <u>98,679</u>   | <u>106,188</u>  | <u>740,555</u>                        |
| Income before income taxes and minority interests in net income of subsidiaries | 4,589           | 11,122          | 34,439                                |
| <b>Income taxes (Note 14):</b>  |                 |                 |                                       |
| Current   | 1,202           | 1,515           | 9,020                                 |
| Deferred  | 634             | 2,815           | 4,758                                 |
| Minority interests in net income of subsidiaries                                | <u>398</u>      | <u>—</u>        | <u>2,987</u>                          |
| Net income  | 2,355           | 6,792           | 17,674                                |
| Retained earnings at beginning of year  | 232,484         | 226,910         | 1,744,720                             |
| Reversal of revaluation reserve for land  | 1,758           | 132             | 13,193                                |
| Cash dividends paid   | (1,300)         | (1,300)         | (9,756)                               |
| Bonuses to directors and corporate auditors                                     | (50)            | (50)            | (375)                                 |
| Retained earnings at end of year  | <u>¥235,247</u> | <u>¥232,484</u> | <u>\$1,765,456</u>                    |
|   |                 | Yen             | U.S. dollars (Note 1)                 |
| <b>Amounts per share of common stock:</b>                                       |                 |                 |                                       |
| Net income  | ¥11.77          | ¥33.96          | \$0.09                                |
| Cash dividends applicable to the year   | 6.50            | 6.50            | 0.05                                  |

See accompanying notes.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2002 and 2001

|   | Millions of yen |           | Thousands of          |
|---|-----------------|-----------|-----------------------|
|   | 2002            | 2001      | U.S. dollars (Note 1) |
|   |                 |           | 2002                  |
| <b>Cash flows from operating activities:</b>  |                 |           |                       |
| Income before income taxes  | ¥ 4,589         | ¥ 11,122  | \$ 34,439             |
| Depreciation  | 2,443           | 2,340     | 18,333                |
| Amortization of consolidation goodwill  | (668)           | —         | (5,013)               |
| Equity in earnings of affiliates  | (45)            | (32)      | (338)                 |
| Net change in reserve for possible loan losses  | (11,348)        | (10,703)  | (85,163)              |
| Net change in reserve for retirement allowances   | —               | (5,128)   | —                     |
| Net change in employees' severance and retirement benefits  | (53)            | 3,770     | (398)                 |
| Interest income   | (82,015)        | (92,511)  | (615,497)             |
| Interest expenses   | 16,473          | 24,840    | 123,625               |
| Net loss (gain) related to securities transactions  | 6,940           | (10,691)  | 52,083                |
| Net loss from money held in trust   | 229             | 169       | 1,719                 |
| Net exchange gain   | (5,847)         | (9,014)   | (43,880)              |
| Net loss from disposition of property and equipment   | 2,204           | 236       | 16,540                |
| Net change in trading assets  | 1,285           | (1,335)   | 9,644                 |
| Net change in trading liabilities   | (25)            | (52)      | (188)                 |
| Net change in loans   | (42,264)        | 104,457   | (317,178)             |
| Net change in deposits  | (202,349)       | (236,345) | (1,518,567)           |
| Net change in negotiable certificates deposits  | 239,200         | (240)     | 1,795,122             |
| Net change in borrowed money excluding subordinated loans   | (90)            | (6,161)   | (675)                 |
| Net change in call loans  | 10,593          | (31,790)  | 79,497                |
| Net change in call money  | 14,821          | 10,605    | 111,227               |
| Net change in deposits with bank  | 78,474          | 20,832    | 588,923               |
| Net change in foreign exchanges (asset account)   | 55              | 1,408     | 413                   |
| Net change in foreign exchanges (liability account)   | 176             | (3)       | 1,321                 |
| Interest received   | 86,428          | 93,273    | 648,615               |
| Interest paid   | (18,841)        | (26,973)  | (141,396)             |
| Bonuses to directors and corporate auditors   | (50)            | (50)      | (375)                 |
| Other, net  | (35,313)        | (23,839)  | (265,013)             |
| Subtotal  | 65,002          | (181,815) | 487,820               |
| Income taxes paid   | 3,204           | (10,974)  | 24,045                |
| Net cash provided by (used in) operating activities   | 68,206          | (192,789) | 511,865               |
| <b>Cash flows from investing activities:</b>  |                 |           |                       |
| Purchases of securities   | (490,102)       | (437,027) | (3,678,064)           |
| Payment for acquisition of shares of subsidiaries   | (10)            | —         | (75)                  |
| Proceeds from sale of securities  | 143,094         | 289,355   | 1,073,876             |
| Proceeds from maturity of securities  | 290,428         | 219,194   | 2,179,572             |
| Net change in money held in trust   | (6,370)         | (22,763)  | (47,805)              |
| Purchases of property and equipment   | (5,296)         | (3,055)   | (39,745)              |
| Proceeds from sales of property and equipment   | 1,602           | 160       | 12,023                |
| Payment for acquisition of shares of subsidiaries resulted in a change in the number of consolidated subsidiaries | (524)           | —         | (3,932)               |
| Net cash (used in) provided by investing activities   | (67,178)        | 45,864    | (504,150)             |
| <b>Cash flows from financing activities:</b>  |                 |           |                       |
| Proceeds from sale of treasury stock  | (8)             | (1)       | (60)                  |
| Dividends paid  | (1,300)         | (1,300)   | (9,756)               |
| Dividends paid to minority stockholders   | (2)             | —         | (15)                  |
| Net cash used in financing activities   | (1,310)         | (1,301)   | (9,831)               |
| Foreign currency translation adjustments  | (16)            | (31)      | (120)                 |
| Net change in cash and cash equivalents   | (298)           | (148,257) | (2,236)               |
| Cash and cash equivalents at beginning of year  | 68,113          | 216,370   | 511,167               |
| Cash and cash equivalents at end of year (Note 3)   | ¥ 67,815        | ¥ 68,113  | \$ 508,931            |

See accompanying notes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2002 and 2001

### 1. BASIS OF FINANCIAL STATEMENTS

The Yamaguchi Bank, Ltd. (the "Bank") and its consolidated domestic subsidiaries principally maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries 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 financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Bank which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Stockholders' equity have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 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 accompanying consolidated financial statements and notes should be read in conjunction with the non-consolidated financial statements and notes thereto. In preparing the notes to consolidated financial statements, certain notes found in the non-consolidated financial statements have been omitted.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Consolidation

The consolidated financial statements include the accounts of the Bank and its significant subsidiaries, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. All seven subsidiaries in 2002 and three significant subsidiaries in 2001 are included in the consolidated financial statements. All significant intercompany transactions and balances have been eliminated.

The Bank accounts for investments in affiliated companies (all 20% to 50% owned and certain others 15% to 20% owned) by the equity method.

#### Trading assets, trading liabilities and transactions for trading purposes

The valuation method of "Trading assets" and "Trading liabilities" held by the Bank is as follows:

Balances incurred by transactions which purpose is to earn a profit by taking advantage of short-term fluctuations in a market or discrepancies in different markets of interest rates, currency exchange rates, share prices or other indices (hereinafter referred to as "trading purposes") are included in "Trading assets" or "Trading liabilities" on the consolidated balance sheets as of the date on which the transactions have been contracted.

Trading assets and trading liabilities are valued, in the case of securities and commercial paper, at the market value as of the date of the balance sheet and, in the case of derivatives, including swaps, futures and options, at the amount due if the transactions were to be settled as of the date of the balance sheet. "Trading income" and "Trading expenses" include interest income and interest expense, respectively, and gains and losses, respectively, resulted from the valuation of securities, commercial paper, derivatives, etc. which are included in "Trading assets" or "Trading liabilities."

#### Securities

Prior to April 1, 2000, debentures, shares and certain other securities, including securities in money held in trust account, were stated at the lower of moving-average cost or market value if such securities were listed. The other securities including those in money held in trust were stated at moving-average cost. The Bank recorded recoveries of write-downs of securities.

Effective April 1, 2000, the Bank adopted the new Japanese accounting standard for financial instruments.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which 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.

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.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments, income before income taxes for the year ended March 31, 2001 increased by ¥4,719 million.

#### **Derivatives**

Derivatives other than those for specific trading purpose or hedging purpose are stated at market value.

#### **Method of hedge accounting**

Effective April 1, 2000, The Bank adopted a method of hedge accounting called "Macro Hedge," under which the Bank manages interest rate risks arising from various assets and liabilities with derivatives transactions as a whole. The Bank applies a risk adjustment approach based on the report "Tentative Treatments in Accounting and Audit for Banks on Application of Accounting Standard for Financial Instruments" issued by Japanese Institute of Certified Public Accountants.

The effectiveness of the macro hedge is reviewed for a reduction in interest rate risk exposure and for the actual risk amount of derivatives within the permitted risk amount under the Bank's risk control policies. In addition to macro hedge accounting, the Bank applies to certain assets and liabilities deferral hedge accounting, fair value hedge accounting or exceptional treatments permitted for interest rate swaps.

There was no effect of adopting hedge accounting on net income for the year ended March 31, 2001.

#### **Reserve for possible loan losses**

The Bank provides reserves for possible loan losses according to the following write-off and reserve standards:

For loans to borrowers who are legally bankrupt (due to bankruptcy, composition, suspension of transactions with banks by the rules of clearinghouses, etc.) or virtually bankrupt, a reserve is provided based on the amount of loans net of amounts expected to be collected through disposition of collateral or through execution of guarantees.

For loans to borrowers threatened with bankruptcy, a reserve is provided in the amount of loans net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and as considered to be necessary based on a solvency assessment.

Loans to normal borrowers and borrowers requiring caution are classified into certain groups, and a reserve is provided for each group using the rate of loan losses experienced for the group during certain reference periods in the past.

A reserve for loans to borrowers in certain foreign countries is provided based on the amount of estimated losses resulting from the political and economic situations of the countries.

All branches and the credit supervision department evaluate all loans in accordance with the self-assessment rule, and their evaluations are audited by the asset audit section, which is independent from branches and credit supervision department, and the evaluations are revised as required based on the audits.

In 2002, consolidated subsidiaries provided such reserve for an amount calculated using the rate of collection losses in the past for loans of normal borrowers in addition to amounts estimated based on collectibility analysis for borrowers threatened with bankruptcy and certain other borrowers. No reserve for possible loan losses was provided by consolidated subsidiaries in 2001.

#### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation, except for certain revalued land.

Depreciation of property and equipment is computed using the declining-balance method except for buildings acquired after March 31, 1998, which are depreciated using the straight-line method.

The estimated useful lives of the assets are primarily as follows:

|           |               |
|-----------|---------------|
| Property  | 7 to 50 years |
| Equipment | 3 to 15 years |

As explained in Note 10, pursuant to the Law concerning Revaluation of Land, certain land used for business operations was revalued at fair value on March 31, 1998.

#### **Software costs**

Software costs for internal uses are amortized over the estimated useful life (5 years).

#### **Accounting for certain lease transactions**

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

#### **Income taxes**

Income taxes comprise corporate, enterprise and inhabitant taxes. The Bank recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.



### **Foreign currency translation**

Assets and liabilities denominated in foreign currencies and all accounts of the overseas branches are translated into Japanese yen at the exchange rate prevailing at the end of the year. Assets and liabilities of consolidated subsidiaries are translated at the exchange rate prevailing at the balance sheet date. Stockholders' equity is translated at historical exchange rates and revenue and expenses are translated at the average exchange rates during the year. Differences resulting from translation of the financial statements of foreign consolidated subsidiaries are debited or credited to foreign currency translation adjustments and included in other assets on the consolidated balance sheets.

In 2001, in accordance with the audit treatment of new accounting standard for foreign currency transactions for banking industry dated April 10, 2000 issued by JICPA, the Bank continued to accounts for foreign currency translation in the same manner as in 2000.

Effective from the year ended March 31, 2001, domestic consolidated subsidiaries of the Bank have adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999. There were no effects of adopting the revised accounting standard on net income for the year ended March 31, 2001.

Effective from the year ended March 31, 2002, the Bank has applied the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999, except for certain transactions which are subject to the rules especially referred to in "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (the "Report No. 20"), issued by the Industry Audit Committee of JICPA. There were no effects of applying the revised accounting standard.

Pursuant to the Report No. 20, for fund swap transactions, the amounts on the balance sheet are net yen-conversions of the principal equivalents of assets and liabilities using the fiscal-year-end exchange rate. Differences between spot and forward rates in fund swap transactions are booked in the interest income or expense account on an accrual basis for the period from the settlement of spot foreign exchange to the settlement date of forward foreign exchange. Therefore, accrued interest income or expenses are recognized at the fiscal year end.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange either bought or sold and forward foreign exchange either sold or bought. Such transactions are contracted for the purpose of funds lending or borrowing in a different currency. Fund swap transactions are used to convert the principal equivalent amount into spot foreign exchange bought or sold with regard to the corresponding funds borrowing or lending. Also, such transactions convert the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange either bought or sold.

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

### **Employees' severance and retirement benefits**

The Bank provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, 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.

In addition, the Bank has a contributory funded pension plan covering substantially all employees. The past service costs were fully amortized as of March 31, 2000. The Bank also introduced a tax qualified pension plan on April 1, 1995, and its past service costs were amortized over 7 years.

At March 31, 2000, the Bank accrued liabilities for lump-sum severance and retirement payments equal to 100% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Bank recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Bank adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank provided allowance for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥7,778 million, all of which was recognized as an expense in the year ended March 31, 2001 as a result of the contribution of investment securities worth ¥7,778 million to the employees' retirement benefit trust. Actuarial gains and losses are recognized in expenses using the declining-balance method over the average of the estimated remaining service lives of 10 years commencing with the succeeding period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥303 million, and income before income taxes decreased by ¥7,475 million compared with what would have been recorded under the previous accounting standard.

#### Amounts per share of common stock

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

The diluted net income per share is not presented, since the Bank has never issued any securities with dilutive effect.

Cash dividends per share represent the cash dividends declared as applicable to each year.

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS AND CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, the Bank and its consolidated subsidiaries consider cash and due from THE BANK OF JAPAN to be cash and cash equivalents.

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2002 and 2001 were as follows:

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2002            | 2001     | 2002                      |
| Cash and due from banks                          | ¥73,894         | ¥152,526 | \$554,552                 |
| Time deposits in other banks                     | (4,993)         | (82,289) | (37,471)                  |
| Negotiable certificate of deposit in other banks | —               | (1,181)  | —                         |
| Other  | (1,086)         | (943)    | (8,150)                   |
| Cash and cash equivalents                        | ¥67,815         | ¥ 68,113 | \$508,931                 |

### 4. SECURITIES

Securities held by the Bank at March 31, 2002 and 2001 include shares of unconsolidated subsidiaries and affiliated companies amounting to ¥261 million (\$1,959 thousand) and ¥208 million, respectively.

### 5. MARKET VALUE INFORMATION OF SECURITIES, AND DERIVATIVES

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

(a) Trading securities

Book value — ¥2,930 million (\$21,989 thousand)

Amount of net unrealized losses included in the income statement — ¥3 million (\$23 thousand)

(b) Held-to-maturity debt securities:

|                          | Millions of yen | Thousands of U.S. dollars |
|--------------------------|-----------------|---------------------------|
| <b>Bonds:</b>            |                 |                           |
| Book value               | ¥ 7,726         | \$57,981                  |
| Fair value               | 7,955           | 59,700                    |
| Difference               | ¥ 229           | \$ 1,719                  |
| <b>Other securities:</b> |                 |                           |
| Book value               | ¥10,219         | \$76,690                  |
| Fair value               | 10,647          | 79,902                    |
| Difference               | ¥ 428           | \$ 3,212                  |

(c) Available-for-sale securities:

| Type                      | Millions of yen  |            |            |
|---------------------------|------------------|------------|------------|
|                           | Acquisition cost | Book value | Difference |
| Shares                    | ¥ 56,822         | ¥ 88,778   | ¥31,956    |
| National government bonds | 431,433          | 438,565    | 7,132      |
| Local government bonds    | 180,987          | 187,993    | 7,006      |
| Debentures                | 106,362          | 109,743    | 3,381      |
| Other securities          | 95,234           | 94,839     | (395)      |
| Total                     | ¥870,838         | ¥919,918   | ¥49,080    |

| Type                      | Thousands of U.S. dollars |             |            |
|---------------------------|---------------------------|-------------|------------|
|                           | Acquisition cost          | Book value  | Difference |
| Shares                    | \$ 426,432                | \$ 666,251  | \$239,820  |
| National government bonds | 3,237,771                 | 3,291,295   | 53,523     |
| Local government bonds    | 1,358,251                 | 1,410,829   | 52,578     |
| Debentures                | 798,214                   | 823,587     | 25,373     |
| Other securities          | 714,702                   | 711,738     | (2,964)    |
| Total                     | \$6,535,370               | \$6,903,700 | \$368,330  |

The following tables summarize book values of securities with no available fair values as of March 31, 2002:

## (a) Held-to-maturity debt securities:

| Type             | Millions of yen<br>Book value | Thousands of<br>U.S. dollars<br>Book value |
|------------------|-------------------------------|--|
| Non-listed bonds | ¥4,492                        | \$33,711                                   |

## (b) Available-for-sale securities:

| Type   | Millions of yen<br>Book value | Thousands of<br>U.S. dollars<br>Book value |
|--|-------------------------------|--|
| Non-listed equity securities<br>(not including those traded over<br>the counter) | ¥2,526                        | \$18,957                                   |

Maturities of available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

| Type                         | Millions of yen    |   |  |                   |
|------------------------------|--------------------|---|--|-------------------|
|                              | Within<br>one year | Over one year<br>but within<br>five years | Over five years<br>but within<br>ten years | Over<br>ten years |
| National government<br>bonds | ¥44,664            | ¥303,002                                  | ¥ 90,898                                   | ¥ —               |
| Local government<br>bonds    | 3,455              | 57,646                                    | 124,266                                    | 2,625             |
| Debentures                   | 12,487             | 83,809                                    | 22,132                                     | —                 |
| Other securities             | 9,924              | 71,983                                    | 21,259                                     | —                 |
| Total                        | ¥70,530            | ¥516,440                                  | ¥258,555                                   | ¥2,625            |

| Type                         | Thousands of U.S. dollars |   |  |                   |
|------------------------------|---------------------------|---|--|-------------------|
|                              | Within<br>one year        | Over one year<br>but within<br>five years | Over five years<br>but within<br>ten years | Over<br>ten years |
| National government<br>bonds | \$335,189                 | \$2,273,936                               | \$ 682,161                                 | \$ —              |
| Local government<br>bonds    | 25,929                    | 432,615                                   | 932,578                                    | 19,700            |
| Debentures                   | 93,711                    | 628,961                                   | 166,094                                    | —                 |
| Other securities             | 74,477                    | 540,210                                   | 159,542                                    | —                 |
| Total                        | \$529,306                 | \$3,875,722                               | \$1,940,375                                | \$19,700          |

There were no sales of held-to-maturity debt securities in the year ended March 31, 2002.

Total sales of available-for-sale securities sold in the year ended March 31, 2002 amounted to ¥139,787 million (\$1,049,058 thousand) and the related gains and losses amounted to ¥4,802 million (\$36,038 thousand) and ¥733 million (\$5,501 thousand), respectively.

B. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2001:

## (a) Trading securities

Book value — ¥4,191 million

Amount of net unrealized gains included in the income statement — ¥7 million

## (b) Held-to-maturity debt securities:

|                   | Millions of yen |
|-------------------|-----------------|
| Bonds:            |                 |
| Book value        | ¥13,953         |
| Fair value        | 14,495          |
| Difference        | ¥ 542           |
| Other securities: |                 |
| Book value        | ¥12,394         |
| Fair value        | 12,761          |
| Difference        | ¥ 367           |

## (c) Available-for-sale securities:

| Type                      | Millions of yen  |            |            |
|---------------------------|------------------|------------|------------|
|                           | Acquisition cost | Book value | Difference |
| Shares                    | ¥ 64,086         | ¥ 95,532   | ¥31,446    |
| National government bonds | 349,906          | 360,268    | 10,362     |
| Local government bonds    | 183,943          | 192,716    | 8,773      |
| Debentures                | 107,739          | 113,760    | 6,021      |
| Other securities          | 101,926          | 102,634    | 708        |
| Total                     | ¥807,600         | ¥864,910   | ¥57,310    |

The following tables summarize book values of securities with no available fair values as of March 31, 2001:

## (a) Held-to-maturity debt securities:

| Type             | Millions of yen<br>Book value |
|------------------|-------------------------------|
| Non-listed bonds | ¥5,049                        |

## (b) Available-for-sale securities:

| Type   | Millions of yen<br>Book value |
|--|-------------------------------|
| Non-listed equity securities<br>(not including those traded<br>over the counter) | ¥2,531                        |

Maturities of available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

| Type                         | Millions of yen    |   |  |                   |
|------------------------------|--------------------|---|--|-------------------|
|                              | Within<br>one year | Over one year<br>but within<br>five years | Over five years<br>but within<br>ten years | Over<br>ten years |
| National<br>government bonds | ¥ 44,770           | ¥275,085                                  | ¥ 40,413                                   | ¥ —               |
| Local government<br>bonds    | 26,130             | 110,306                                   | 55,724                                     | 555               |
| Debentures                   | 26,093             | 80,961                                    | 21,669                                     | —                 |
| Other securities             | 15,669             | 36,963                                    | 30,270                                     | —                 |
| Total                        | ¥112,662           | ¥503,315                                  | ¥148,076                                   | ¥555              |

There were no sales of held-to-maturity debt securities in the year ended March 31, 2001.

Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥268,733 million and the related gains and losses amounted to ¥3,402 million and ¥597 million, respectively.

The Bank enters into financial derivative transactions such as forward exchange contracts, currency swaps, interest rate swaps, and bond futures to hedge its assets or liabilities against interest rate risk and foreign exchange risk, as well as to meet customer needs.

The principal risks inherent in derivative transactions are market risk such as foreign exchange and interest rate fluctuations, and credit risk. At March 31, 2002 and 2001 the quantified amount of credit risk equivalents, which is calculated by the current exposure method in accordance with international standards for capital ratio computations were ¥8,803 million (\$66,064 thousand) and ¥13,208 million, respectively. To cope with these risks, the Bank places emphasis on establishing internal control structures which perform position control and asset-liability management in accordance with its guideline.

As to financial derivatives traded over the counter, the notional principal amounts of the Bank at March 31, 2002 and 2001 were as follows:

|                     | Millions of yen |         | Thousands of |
|---------------------|-----------------|---------|--------------|
|                     | 2002            | 2001    | U.S. dollars |
| Interest rate swaps | ¥ —             | ¥ 4,400 | \$ —         |
| Currency swaps      | 140,539         | 307,670 | 1,054,702    |
| Forward exchange    | 43,163          | 54,667  | 323,925      |

The forward exchange contracts shown above were marked to market and their unrealized gains or losses were reflected in current earnings.

## 6. LOANS AND BILLS DISCOUNTED

Loans at March 31, 2002 and 2001 include "Risk-Managed Loan Amounts" such as (1) loans to borrowers in bankruptcy amounting to ¥28,211 million (\$211,715 thousand) and ¥39,610 million, respectively, (2) other delinquent loans amounting to ¥88,461 million (\$663,872 thousand) and ¥80,950 million, respectively, (3) loans past due for three months or more amounting to ¥168 million (\$1,261 thousand) and ¥180 million, respectively and (4) restructured loans amounting to ¥52,021 million (\$390,402 thousand) and ¥39,788 million, respectively.

- (1) Loans to borrowers in bankruptcy denote loans to borrowers subject to corporate reorganization proceedings, composition, bankruptcy, special liquidation proceedings or similar proceedings, on which the Bank has stopped accruing interest under the Japanese tax law.
- (2) Other delinquent loans denote loans on which the Bank has stopped accruing interest under the Japanese tax law.
- (3) Loans past due for three months or more denote loans where payment of interest or principal is delayed for three months or more.

- (4) Restructured loans denote loans to borrowers for which the repayment terms have been modified to more favorable terms including reduction of interest rate, provision of grace periods and debt forgiveness with the objective of promoting recovery of borrowers in economic difficulty.

## 7. PLEDGED ASSETS

At March 31, 2002 and 2001, the following assets were pledged as collateral for certain liabilities of the Bank.

|            | Millions of yen |          | Thousands of |
|------------|-----------------|----------|--------------|
|            | 2002            | 2001     | U.S. dollars |
| Securities | ¥185,739        | ¥205,012 | \$1,393,914  |

The collateral was pledged to secure the following:

|            | Millions of yen |         | Thousands of |
|------------|-----------------|---------|--------------|
|            | 2002            | 2001    | U.S. dollars |
| Deposits   | ¥20,513         | ¥14,105 | \$153,944    |
| Call money | 8,661           | 26,886  | 64,998       |

In addition, securities not included in the above schedules were pledged as collateral for operating transactions, such as, foreign exchange contracts and forward exchange contracts. These securities amounted to ¥117,301 million (\$880,308 thousand) at March 31, 2002, and ¥118,551 million at March 31, 2001.

## 8. BORROWED MONEY

Borrowed money at March 31, 2002 and 2001 were as follows:

|                  | Millions of yen |         | Thousands of |
|------------------|-----------------|---------|--------------|
|                  | 2002            | 2001    | U.S. dollars |
| Loans from banks | ¥15,892         | ¥15,368 | \$119,265    |

## 9. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Bank adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2002 and 2001 consists of the following:

|   | Millions of yen |          | Thousands of |
|---|-----------------|----------|--------------|
|   | 2002            | 2001     | U.S. dollars |
| Projected benefit obligation                    | ¥47,068         | ¥45,648  | \$353,231    |
| Less fair value of pension assets               | (35,960)        | (37,293) | (269,869)    |
| Unrecognized actuarial differences              | (10,429)        | (7,342)  | (78,266)     |
| Prepaid pension costs                           | 3,038           | 2,757    | 22,799       |
| Liability for severance and retirement benefits | ¥ 3,717         | ¥ 3,770  | \$ 27,895    |

Included in the consolidated statement of income for the years ended March 31, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

|   | Millions of yen |               | Thousands of    |
|---|-----------------|---------------|-----------------|
|   | 2002            | 2001          | U.S. dollars    |
|   |                 |               | 2002            |
| Service costs — benefits earned during the year | ¥1,140          | ¥1,122        | \$ 8,555        |
| Interest cost on projected benefit obligation   | 1,367           | 1,321         | 10,259          |
| Expected return on plan assets                  | (1,365)         | (1,522)       | (10,244)        |
| Amortization of net transition obligation       | —               | 7,778         | —               |
| Amortization of actuarial differences           | 734             | —             | 5,508           |
| Other   | 84              | 63            | 631             |
| Severance and retirement benefit expenses       | <u>¥1,960</u>   | <u>¥8,762</u> | <u>\$14,709</u> |

The discount rate used by the Bank was 3.0% and the rates of expected return on plan assets were 5.5% for the welfare pension plan and 3.0% for the tax-qualified pension plan. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains/losses are recognized in income statement using the straight-line method over 10 years commencing with the year immediately after the year in which the gains or losses arose.

#### 10. REVALUATION RESERVE FOR LAND

Pursuant to the Law concerning Revaluation of Land (the "Law") effective March 31, 1998, the Bank revalued certain land used for business operations at fair value of ¥60,264 million (the original book value was ¥9,897 million) as of March 31, 1998, and the related net unrealized gain of ¥50,367 million was reported in liabilities as "Revaluation reserve for land." Effective March 31, 1999, the Law has been revised for presentation of the unrealized gain. In accordance with the revised Law, net unrealized gain reported in liabilities was reclassified in a separate component of stockholders' equity net of applicable income taxes as "Revaluation reserve for land (¥29,115 million), net of tax (¥20,859 million)" as of March 31, 1999. Such amounts in the consolidated balance sheet as of March 31, 2000, are decreased due to sale of a part of the revalued land in the year then ended. According to the revised Law, the Bank is not permitted to revalue the land at any time even in case that the fair value of the land declines. Such unrecorded revaluation loss amounted to ¥12,942 million (\$97,126 thousand) and ¥10,722 million at March 31, 2002 and 2001, respectively.

#### 11. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares is required to be credited to common stock. The portion which is to be credited to common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts credited to common stock are credited to additional paid-in capital.

The Banking Law of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 100% of common stock. Prior to the revision in the Banking Law of Japan effective October 1, 2001, such appropriations as a legal reserve were required until the amount of legal reserve equaled 100% of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of stockholders' meeting. The legal reserve is included in the retained earnings.

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

#### 12. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

All contingent liabilities including letters of credit, acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown on the asset side, which represent the Bank's right of indemnity from customers.



### 13. INFORMATION FOR CERTAIN LEASE TRANSACTIONS

The Bank and its consolidated subsidiaries lease certain equipment under the noncancellable finance and operating leases. Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the years ended March 31, 2002 and 2001 was as follows:

|                          | Millions of yen |         | Thousands of |
|--------------------------|-----------------|---------|--------------|
|                          | 2002            | 2001    | U.S. dollars |
| Equivalent amount:       |                 |         | 2002         |
| Acquisition cost         | ¥6,472          | ¥6,396  | \$48,570     |
| Accumulated depreciation | (3,140)         | (2,990) | (23,565)     |
| Estimated net book value | ¥3,332          | ¥3,406  | \$25,005     |

|                                    | Millions of yen |        | Thousands of |
|------------------------------------|-----------------|--------|--------------|
|                                    | 2002            | 2001   | U.S. dollars |
| Lease payments                     | ¥1,687          | ¥1,526 | \$12,660     |
| Equivalent of depreciation expense | 1,636           | 1,403  | 12,278       |
| Equivalent of interest expense     | 112             | 127    | 841          |

Equivalent of depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.

Equivalent of interest expense is computed using interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

Future minimum lease payments under the non-cancelable finance and operating leases having remaining terms in excess of one year at March 31, 2002 are as follows:

|                              | Millions of yen | Thousands of |
|------------------------------|-----------------|--------------|
| 2003                         | ¥1,264          | \$ 9,486     |
| 2004 and thereafter          | 2,203           | 16,533       |
| Total minimum lease payments | ¥3,467          | \$26,019     |

### 14. INCOME TAXES

The following table summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the year ended March 31, 2001. Reconciliation of the statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2002 was not required due to small difference.

|   | 2001  |
|---|-------|
| Statutory tax rate                                    | 41.7% |
| Non-deductible expenses (entertainment expense, etc.) | 2.9   |
| Non-taxable income (dividend income, etc.)            | (7.6) |
| Par capita inhabitant taxes                           | 0.6   |
| Other   | 1.3   |
| Effective tax rate                                    | 38.9% |

Significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

|   | Millions of yen |         | Thousands of |
|---|-----------------|---------|--------------|
|   | 2002            | 2001    | U.S. dollars |
| Deferred tax assets:  |                 |         | 2002         |
| Reserve for possible loan losses                                    | ¥27,660         | ¥29,697 | \$207,580    |
| Accrued bonuses   | 757             | 584     | 5,681        |
| Retirement benefits   | 5,233           | 5,301   | 39,272       |
| Depreciation  | 1,087           | 1,210   | 8,158        |
| Other   | 1,984           | 1,723   | 14,889       |
| Total deferred tax assets   | ¥36,721         | ¥38,515 | \$275,580    |
| Deferred tax liabilities:   |                 |         |              |
| Unrealized holding gains on securities, net of tax                  | ¥20,343         | ¥23,530 | \$152,668    |
| Gain on securities contributed to employee retirement benefit trust | 3,885           | 3,885   | 29,156       |
| Deferred gain on property and equipment                             | 454             | 32      | 3,407        |
| Other   | —               | 388     | —            |
| Total deferred tax liabilities                                      | ¥24,682         | ¥27,835 | \$185,231    |
| Net deferred tax assets   | ¥12,039         | ¥10,680 | \$ 90,349    |
| Deferred tax liabilities for revaluation reserve for land           | ¥19,360         | ¥20,619 | \$145,291    |

### 15. SEGMENT INFORMATION

Business segment information is not shown, due to the Bank and the subsidiary operating in one segment.

Geographic segment information is not shown, due to domestic net sales of the Bank and the subsidiary and the consolidated assets being located substantially in Japan represent more than 90% of consolidated net sales and assets, respectively.

Overseas sales information is not shown, due to overseas sales being less than 10% of consolidated net sales.

### 16. SUBSEQUENT EVENTS

On June 26, 2002, the stockholders of the Bank authorized the following appropriations of retained earnings at March 31, 2002:

|   | Millions of yen | Thousands of |
|---|-----------------|--------------|
| Cash dividends, ¥3.25 (\$0.03) per share    | ¥650            | \$4,878      |
| Bonuses to directors and corporate auditors | 48              | 360          |

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors of THE YAMAGUCHI BANK, LTD.:

We have audited the accompanying consolidated balance sheets of THE YAMAGUCHI BANK, LTD. (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of THE YAMAGUCHI BANK, LTD. and subsidiaries as of March 31, 2002 and 2001, 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 (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, effective April 1, 2001, THE YAMAGUCHI BANK, LTD. prospectively adopted the revised Japanese accounting standard for foreign currency translation. Also, as explained in Note 2, effective April 1, 2000, THE YAMAGUCHI BANK, LTD. and subsidiaries prospectively adopted new Japanese accounting standards for financial instruments and employees' severance and retirement benefits.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

*Asahi + Co.*

Tokyo, Japan  
June 27, 2002

**NON-CONSOLIDATED BALANCE SHEETS**

March 31, 2002 and 2001

| <b>ASSETS</b>   | Millions of yen   |                   | Thousands of<br>U.S. dollars (Note 1) |
|---|-------------------|-------------------|---------------------------------------|
|   | 2002              | 2001              | 2002                                  |
| <b>Assets:</b>  |                   |                   |                                       |
| Cash and due from banks   | ¥ 73,755          | ¥ 152,526         | \$ 553,508                            |
| Call loans  | 366,571           | 349,147           | 2,751,002                             |
| Commercial paper and other debt purchased                                   | 2,972             | 30,994            | 22,304                                |
| Trading assets (Note 3)   | 2,931             | 4,216             | 21,996                                |
| Money held in trust   | 33,391            | 26,658            | 250,589                               |
| Securities (Notes 4 and 9)  | 943,188           | 898,381           | 7,078,334                             |
| Loans and bills discounted (Note 5)   | 3,011,772         | 2,969,451         | 22,602,417                            |
| Foreign exchange assets (Note 6)  | 4,289             | 4,344             | 32,188                                |
| Other assets (Note 7)   | 23,129            | 27,219            | 173,576                               |
| Property and equipment (Notes 8 and 13)                                     | 76,255            | 77,459            | 572,270                               |
| Deferred tax assets (Note 22)   | 11,960            | 10,680            | 89,756                                |
| Customers' liabilities for acceptances and guarantees (Note 15)             | 57,665            | 64,096            | 432,758                               |
| Reserve for possible loan losses  | (79,226)          | (90,874)          | (594,567)                             |
| Total assets  | <u>¥4,528,652</u> | <u>¥4,524,297</u> | <u>\$33,986,131</u>                   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                 |                   |                   |                                       |
| <b>Liabilities:</b>   |                   |                   |                                       |
| Deposits (Notes 9 and 10)   | ¥4,061,113        | ¥4,024,584        | \$30,477,396                          |
| Call money (Note 9)   | 41,707            | 26,886            | 312,998                               |
| Trading liabilities   | —                 | 25                | —                                     |
| Borrowed money (Note 11)  | 15,403            | 15,368            | 115,595                               |
| Foreign exchange liabilities (Note 6)                                       | 204               | 28                | 1,531                                 |
| Other liabilities (Note 12)   | 30,265            | 66,168            | 227,129                               |
| Employees' severance and retirement benefits                                | 3,717             | 3,770             | 27,895                                |
| Deferred tax liabilities for revaluation reserve for land (Notes 13 and 22) | 19,360            | 20,619            | 145,291                               |
| Acceptances and guarantees (Note 15)  | 57,665            | 64,096            | 432,758                               |
| Total liabilities   | <u>4,229,434</u>  | <u>4,221,544</u>  | <u>31,740,593</u>                     |
| <b>Stockholders' equity (Notes 14 and 23):</b>                              |                   |                   |                                       |
| Common stock:   |                   |                   |                                       |
| Authorized – 600,000 thousand shares  |                   |                   |                                       |
| Issued – 200,000 thousand shares  | 10,006            | 10,006            | 75,092                                |
| Additional paid-in capital  | 376               | 376               | 2,821                                 |
| Legal reserve   | 10,006            | 10,006            | 75,092                                |
| Revaluation reserve for land, net of tax (Note 13)                          | 27,022            | 28,780            | 202,792                               |
| Retained earnings   | 223,425           | 220,743           | 1,676,735                             |
| Unrealized holding gains on securities, net of tax                          | 28,393            | 32,843            | 213,081                               |
| Common stock in treasury, at cost   | (10)              | (1)               | (75)                                  |
| Total stockholders' equity  | <u>299,218</u>    | <u>302,753</u>    | <u>2,245,538</u>                      |
| Total liabilities and stockholders' equity                                  | <u>¥4,528,652</u> | <u>¥4,524,297</u> | <u>\$33,986,131</u>                   |

See accompanying notes.

## NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended March 31, 2002 and 2001

|   | Millions of yen |                 | Thousands of<br>U.S. dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
|   | 2002            | 2001            | 2002                                  |
| <b>Income:</b>                                |                 |                 |                                       |
| Interest on loans and discounts               | ¥ 61,936        | ¥ 67,640        | \$ 464,810                            |
| Interest and dividends on securities          | 17,936          | 22,034          | 134,604                               |
| Other interest                                | 1,980           | 2,860           | 14,859                                |
| Fees and commissions                          | 9,326           | 8,947           | 69,989                                |
| Trading income                                | 12              | 19              | 90                                    |
| Other operating income (Note 17)              | 5,135           | 3,551           | 38,537                                |
| Other income (Note 18)                        | 5,450           | 12,248          | 40,901                                |
| Total income                                  | <u>101,775</u>  | <u>117,299</u>  | <u>763,790</u>                        |
| <b>Expenses:</b>                              |                 |                 |                                       |
| Interest on deposits                          | 8,208           | 13,394          | 61,598                                |
| Interest on borrowings and rediscounts        | 1,770           | 2,055           | 13,283                                |
| Other interest                                | 6,491           | 9,391           | 48,713                                |
| Fees and commissions                          | 3,374           | 3,220           | 25,321                                |
| Trading expenses                              | 1               | —               | 8                                     |
| Other operating expenses (Note 19)            | 1,286           | 575             | 9,651                                 |
| General and administrative expenses (Note 20) | 46,911          | 45,819          | 352,053                               |
| Other expenses (Note 21)                      | 29,687          | 31,746          | 222,792                               |
| Total expenses                                | <u>97,728</u>   | <u>106,200</u>  | <u>733,419</u>                        |
| Income before income taxes                    | 4,047           | 11,099          | 30,371                                |
| <b>Income taxes (Note 22):</b>                |                 |                 |                                       |
| Current                                       | 1,124           | 1,509           | 8,435                                 |
| Deferred                                      | 649             | 2,815           | 4,871                                 |
| Net income                                    | <u>2,274</u>    | <u>6,775</u>    | <u>17,065</u>                         |
| Retained earnings at beginning of year        | 220,743         | 215,186         | 1,656,608                             |
| Reversal of revaluation reserve for land      | 1,758           | 132             | 13,193                                |
| Cash dividends paid                           | (1,300)         | (1,300)         | (9,756)                               |
| Bonuses to directors and corporate auditors   | (50)            | (50)            | (375)                                 |
| Retained earnings at end of year              | <u>¥223,425</u> | <u>¥220,743</u> | <u>\$1,676,735</u>                    |
|   |                 | Yen             | U.S. dollars (Note 1)                 |
| <b>Amounts per share of common stock:</b>     |                 |                 |                                       |
| Net income                                    | ¥11.37          | ¥33.87          | \$0.09                                |
| Cash dividends applicable to the year         | 6.50            | 6.50            | 0.05                                  |

See accompanying notes.

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2002 and 2001

### 1. BASIS OF FINANCIAL STATEMENTS

The Yamaguchi Bank, Ltd. (the "Bank") maintains its records and prepares its financial statements in Japanese yen.

The Bank prepares financial statements in accordance with accounting principles and prevailing practices generally accepted in the banking industry in Japan, which are different from the accounting and disclosure requirements of the International Accounting Standards. 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 financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying non-consolidated financial statements have been translated from the non-consolidated financial statements that are prepared for Japanese domestic purposes, in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the appropriate Local Finance Bureau of the Ministry of Finance and stock exchanges in Japan. Certain modifications have been made in the accompanying non-consolidated financial statements to facilitate understanding by readers outside Japan.

The non-consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Reporting entity

The non-consolidated financial statements report only the accounts of the Bank. The accounts of its subsidiaries are not consolidated. Investments in subsidiaries and affiliated companies are stated at cost.

#### Trading assets, trading liabilities and transactions for trading purposes

The valuation method of "Trading assets" and "Trading liabilities" held by the Bank is as follows:

Balances incurred by transactions which purpose is to earn a profit by taking advantage of short-term fluctuations in a market or discrepancies in different markets of interest rates, currency exchange rates, share prices or other indices (hereinafter referred to as "trading purposes") are included in "Trading assets" or "Trading liabilities" on the non-consolidated balance sheets as of the date on which the transactions have been contracted.

Trading assets and trading liabilities are valued, in the case of securities and commercial paper, at the market value as of the date of the balance sheet and, in the case of derivatives, including swaps, futures and options, at the amount due if the transactions were to be settled as of the date of the balance sheet.

"Trading income" and "Trading expenses" include interest income and interest expense, respectively, and gains and losses, respectively, resulted from the valuation of securities, commercial paper, derivatives, etc. which are included in "Trading assets" or "Trading liabilities."

#### Securities

Prior to April 1, 2000, debentures, shares and certain other securities, including securities in money held in trust account, were stated at the lower of moving-average cost or market value if such securities were listed. The other securities including those in money held in trust were stated at moving-average cost. The Bank recorded recoveries of write-downs of securities.

Effective April 1, 2000, the Bank adopted the new Japanese accounting standard for financial instruments.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies 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.

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.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments, income before income taxes for the year ended March 31, 2001 increased by ¥4,719 million.

#### Derivatives

Derivatives other than those for specific trading purpose or hedging purpose are stated at market value.



### Method of hedge accounting

Effective April 1, 2000, the Bank adopted a method of hedge accounting called "Macro Hedge," under which the Bank manages interest rate risks arising from various assets and liabilities with derivatives transactions as a whole. The Bank applies a risk adjustment approach based on the report "Tentative Treatments in Accounting and Audit for Banks on Application of Accounting Standard for Financial Instruments" issued by Japanese Institute of Certified Public Accountants.

The effectiveness of the macro hedge is reviewed for a reduction in interest rate risk exposure and for the actual risk amount of derivatives within the permitted risk amount under the Bank's risk control policies. In addition to macro hedge accounting, the Bank applies to certain assets and liabilities deferral hedge accounting, fair value hedge accounting or exceptional treatments permitted for interest rate swaps.

There was no effect of adopting hedge accounting on net income for the year ended March 31, 2001.

### Reserve for possible loan losses

The Bank provides reserve for possible loan losses according to the following write-off and reserve standards.

For loans to borrowers who are legally bankrupt (due to bankruptcy, composition, suspension of transactions with banks by the rules of clearinghouses, etc.) or virtually bankrupt, a reserve is provided based on the amount of loans net of amounts expected to be collected through disposition of collateral or through execution of guarantees.

For loans to borrowers threatened with bankruptcy, a reserve is provided in the amount of loans net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and as considered to be necessary based on a solvency assessment.

Loans to normal borrowers and borrowers requiring caution are classified into certain groups, and a reserve is provided for each group using the rate of loan losses experienced for the group during certain reference periods in the past.

A reserve for loans to borrowers in certain foreign countries is provided based on the amount of estimated losses resulting from the political and economic situations of the countries.

All branches and the credit supervision department evaluate all loans in accordance with the self-assessment rule, and their evaluations are audited by the asset audit section, which is independent from branches and credit supervision department, and the evaluations are revised as required based on the audits.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation, except for certain revalued land.

Depreciation of property and equipment is computed using the declining-balance method except for buildings acquired after March 31, 1998, which are depreciated using the straight-line method.

The estimated useful lives of the assets are primarily as follows:

|           |               |
|-----------|---------------|
| Property  | 7 to 50 years |
| Equipment | 3 to 15 years |

As explained in Note 13, pursuant to the Law concerning Revaluation of Land, certain land used for business operations was revalued at fair value on March 31, 1998.

### Software costs

Software costs for internal uses are amortized over the estimated useful life (5 years).

### Accounting for certain lease transactions

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

### Income taxes

Income taxes comprise corporate, enterprise and inhabitant taxes. The Bank recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

### Foreign currency translation

Assets and liabilities denominated in foreign currencies and all accounts of the overseas branches are translated into Japanese yen at the exchange rate prevailing at the end of each fiscal year.

In 2001, in accordance with the audit treatment of new accounting standard for foreign currency transactions for the banking industry dated April 10, 2000 issued by JICPA, the Bank continued to account for foreign currency translation in the same manner as in 2000.

Effective for the year ended March 31, 2002, the Bank has applied the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation," issued by the Business Accounting Deliberation Council on October 22, 1999, except for certain transactions which are subject to the rules especially referred to in "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (the "Report No. 20"), issued by the Industry Audit Committee of JICPA. There were no effects of applying the revised accounting standard.

Pursuant to the Report No. 20, for fund swap transactions, the amounts on the balance sheet are net yen-conversions of the principal equivalents of assets and liabilities using the fiscal-year-end exchange rate. Differences between spot and forward rates in fund swap transactions are booked in the interest income or expense account on an accrual basis for the period from the settlement of spot foreign exchange to the settlement date of forward foreign exchange. Therefore, accrued interest income or expenses are recognized at the fiscal year end.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange either bought or sold and forward foreign exchange either sold or bought. Such transactions are contracted for the purpose of funds lending or borrowing in a different currency. Fund swap transactions are used to convert the principal equivalent amount into spot foreign exchange bought or sold with regard to the corresponding funds borrowing or lending. Also, such transactions convert the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange either bought or sold.

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

#### Employees' severance and retirement benefits

The Bank provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, 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.

In addition, the Bank has a contributory funded pension plan covering substantially all employees. The past service costs were fully amortized as of March 31, 2000. The Bank also introduced a tax qualified pension plan on April 1, 1995, and its past service costs were amortized over 7 years.

At March 31, 2000, the Bank accrued liabilities for lump-sum severance and retirement payments equal to 100% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Bank recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Bank adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank provided allowance for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥7,778 million, all of which was recognized as an expense in the year ended March 31, 2001 as a result of the contribution of investment securities worth ¥7,778 million to the employee retirement benefit trust. Actuarial gains and losses are recognized in expenses using the declining-balance method over the average of the estimated remaining service lives of 10 years commencing with the succeeding period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥303 million, and income before income taxes decreased by ¥7,475 million compared with what would have been recorded under the previous accounting standard.

#### Amounts per share of common stock

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

The diluted net income per share is not presented, since the Bank has never issued any securities with dilutive effect.

Cash dividends per share represent the cash dividends declared as applicable to each year.

### 3. TRADING ASSETS

Trading assets at March 31, 2002 and 2001 were as follows:

|                                  | Millions of yen |               | Thousands of    |
|----------------------------------|-----------------|---------------|-----------------|
|                                  | 2002            | 2001          | U.S. dollars    |
| Trading account securities       | ¥ 931           | ¥2,191        | \$ 6,987        |
| Derivative financial instruments | —               | 25            | —               |
| Other trading assets             | 2,000           | 2,000         | 15,009          |
|                                  | <u>¥2,931</u>   | <u>¥4,216</u> | <u>\$21,996</u> |

### 4. SECURITIES

Securities held by the Bank at March 31, 2002 and 2001 were as follows:

|                           | Millions of yen |                 | Thousands of       |
|---------------------------|-----------------|-----------------|--------------------|
|                           | 2002            | 2001            | U.S. dollars       |
| National government bonds | ¥438,565        | ¥360,269        | \$3,291,295        |
| Local government bonds    | 187,994         | 192,717         | 1,410,837          |
| Debentures                | 118,430         | 128,724         | 888,780            |
| Shares                    | 91,403          | 98,171          | 685,951            |
| Other securities          | 106,796         | 118,500         | 801,471            |
|                           | <u>¥943,188</u> | <u>¥898,381</u> | <u>\$7,078,334</u> |

## 5. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2002 and 2001 were as follows:

|                  | Millions of yen   |                   | Thousands of         |
|------------------|-------------------|-------------------|----------------------|
|                  | 2002              | 2001              | U.S. dollars<br>2002 |
| Bills discounted | ¥ 121,258         | ¥ 148,897         | \$ 910,004           |
| Loans on notes   | 510,832           | 501,121           | 3,833,636            |
| Loans on deeds   | 1,632,357         | 1,588,792         | 12,250,334           |
| Overdrafts       | 747,325           | 730,641           | 5,608,443            |
|                  | <u>¥3,011,772</u> | <u>¥2,969,451</u> | <u>\$22,602,417</u>  |

Loans at March 31, 2002 and 2001 include "Risk-Managed Loan Amounts" such as (1) loans to borrowers in bankruptcy amounting to ¥28,189 million (\$211,550 thousand) and ¥39,610 million, respectively, (2) other delinquent loans amounting to ¥88,373 million (\$663,212 thousand) and ¥80,950 million, respectively, (3) loans past due for three months or more amounting to ¥168 million (\$1,261 thousand) and ¥180 million, respectively and (4) restructured loans amounting to ¥52,021 million (\$390,402 thousand) and ¥39,788 million, respectively.

- (1) Loans to borrowers in bankruptcy denote loans to borrowers subject to corporate reorganization proceedings, composition, bankruptcy, special liquidation proceedings or similar proceedings, on which the Bank has stopped accruing interest under the Japanese tax law.
- (2) Other delinquent loans denote loans on which the Bank has stopped accruing interest under the Japanese tax law.
- (3) Loans past due for three months or more denote loans where payment of interest or principal is delayed for three months or more.
- (4) Restructured loans denote loans to borrowers for which the repayment terms have been modified to more favorable terms including reduction of interest rate, provision of grace periods and debt forgiveness with the objective of promoting recovery of borrowers in economic difficulty.

## 6. FOREIGN EXCHANGE ASSETS AND LIABILITIES

Foreign exchange assets and liabilities at March 31, 2002 and 2001 were as follows:

|                                      | Millions of yen |               | Thousands of         |
|--------------------------------------|-----------------|---------------|----------------------|
|                                      | 2002            | 2001          | U.S. dollars<br>2002 |
| Foreign exchange assets:             |                 |               |                      |
| Due from foreign banks               | ¥2,198          | ¥1,652        | \$ 16,495            |
| Foreign bills of exchange bought     | 1,038           | 1,216         | 7,790                |
| Foreign bills of exchange receivable | 1,053           | 1,476         | 7,903                |
|                                      | <u>¥4,289</u>   | <u>¥4,344</u> | <u>\$32,188</u>      |

|                                   | Millions of yen |            | Thousands of         |
|-----------------------------------|-----------------|------------|----------------------|
|                                   | 2002            | 2001       | U.S. dollars<br>2002 |
| Foreign exchange liabilities:     |                 |            |                      |
| Due to foreign banks              | ¥ —             | ¥ 1        | \$ —                 |
| Foreign bills of exchange sold    | 203             | 27         | 1,523                |
| Foreign bills of exchange payable | 1               | —          | 8                    |
|                                   | <u>¥204</u>     | <u>¥28</u> | <u>\$1,531</u>       |

## 7. OTHER ASSETS

Other assets at March 31, 2002 and 2001 were as follows:

|   | Millions of yen |                | Thousands of         |
|---|-----------------|----------------|----------------------|
|   | 2002            | 2001           | U.S. dollars<br>2002 |
| Domestic exchange settlement account, debit | ¥ 19            | ¥ 15           | \$ 143               |
| Prepaid expenses                            | 13              | 4              | 98                   |
| Accrued income                              | 6,912           | 8,569          | 51,872               |
| Allowance for losses on sale of securities  | —               | (32)           | —                    |
| Deferred losses on hedging derivative       | 4,014           | 5,532          | 30,124               |
| Other                                       | 12,171          | 13,131         | 91,339               |
|   | <u>¥23,129</u>  | <u>¥27,219</u> | <u>\$173,576</u>     |

## 8. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2002 and 2001 were as follows:

|                               | Millions of yen |                 | Thousands of         |
|-------------------------------|-----------------|-----------------|----------------------|
|                               | 2002            | 2001            | U.S. dollars<br>2002 |
| Land                          | ¥ 57,992        | ¥ 60,388        | \$435,212            |
| Buildings                     | 41,252          | 40,161          | 309,583              |
| Equipment                     | 18,891          | 18,966          | 141,771              |
| Construction in progress      | 227             | 180             | 1,704                |
|                               | <u>118,362</u>  | <u>119,695</u>  | <u>888,270</u>       |
| Less accumulated depreciation | 42,935          | 43,053          | 322,214              |
|                               | <u>75,427</u>   | <u>76,642</u>   | <u>566,056</u>       |
| Lease deposits                | 828             | 817             | 6,214                |
|                               | <u>¥ 76,255</u> | <u>¥ 77,459</u> | <u>\$572,270</u>     |

## 9. PLEDGED ASSETS

At March 31, 2002 and 2001, the following assets were pledged as collateral for certain liabilities of the Bank.

|            | Millions of yen |          | Thousands of         |
|------------|-----------------|----------|----------------------|
|            | 2002            | 2001     | U.S. dollars<br>2002 |
| Securities | ¥185,739        | ¥205,012 | \$1,393,914          |

The collateral was pledged to secure the following:

|            | Millions of yen |         | Thousands of<br>U.S. dollars |
|------------|-----------------|---------|------------------------------|
|            | 2002            | 2001    | 2002                         |
| Deposits   | ¥20,513         | ¥14,105 | \$153,944                    |
| Call money | 8,661           | 26,886  | 64,998                       |

In addition, securities not included in the above schedules were pledged as collateral for operating transactions, such as, foreign exchange contracts and forward exchange contracts. These securities amounted to ¥117,301 million (\$880,308 thousand) at March 31, 2002, and ¥118,551 million at March 31, 2001.

#### 10. DEPOSITS

Deposits at March 31, 2002 and 2001 were as follows:

|                         | Millions of yen   |                   | Thousands of<br>U.S. dollars |
|-------------------------|-------------------|-------------------|------------------------------|
|                         | 2002              | 2001              | 2002                         |
| Current deposits        | ¥ 170,850         | ¥ 180,567         | \$ 1,282,177                 |
| Ordinary deposits       | 1,421,560         | 1,069,263         | 10,668,368                   |
| Deposits-at-notice      | 29,206            | 44,100            | 219,182                      |
| Time deposits           | 2,027,097         | 2,507,841         | 15,212,735                   |
| Other deposits          | 172,550           | 222,163           | 1,294,934                    |
| Certificates of deposit | 239,850           | 650               | 1,800,000                    |
|                         | <u>¥4,061,113</u> | <u>¥4,024,584</u> | <u>\$30,477,396</u>          |

#### 11. BORROWED MONEY

Borrowed money at March 31, 2002 and 2001 were as follows:

|                  | Millions of yen |         | Thousands of<br>U.S. dollars |
|------------------|-----------------|---------|------------------------------|
|                  | 2002            | 2001    | 2002                         |
| Loans from banks | ¥15,403         | ¥15,368 | \$115,595                    |

#### 12. OTHER LIABILITIES

Other liabilities at March 31, 2002 and 2001 were as follows:

|  | Millions of yen |                | Thousands of<br>U.S. dollars |
|--|-----------------|----------------|------------------------------|
|  | 2002            | 2001           | 2002                         |
| Domestic exchange settlement account, credit | ¥ 306           | ¥ 340          | \$ 2,296                     |
| Income taxes                                 | 34              | 318            | 255                          |
| Accrued expenses                             | 7,665           | 10,038         | 57,523                       |
| Unearned income                              | 2,842           | 3,167          | 21,328                       |
| Employees' deposits                          | 1,472           | 1,408          | 11,047                       |
| Derivative instruments                       | 4,014           | 5,532          | 30,124                       |
| Other  | 13,932          | 45,365         | 104,556                      |
|  | <u>¥30,265</u>  | <u>¥66,168</u> | <u>\$227,129</u>             |

#### 13. REVALUATION RESERVE FOR LAND

Pursuant to the Law concerning Revaluation of Land (the "Law") effective March 31, 1998, the Bank revalued certain land used for business operations at fair value of ¥60,264 million (the original book value was ¥9,897 million) as of March 31, 1998, and the related net unrealized gain of ¥50,367 million was reported in liabilities as "Revaluation reserve for land." Effective March 31, 1999, the Law has been revised for presentation of the unrealized gain. In accordance with the revised Law, net unrealized gain reported in liabilities was reclassified in a separate component of stockholders' equity net of applicable income taxes as "Revaluation reserve for land (¥29,115 million), net of tax (¥20,859 million)" as of March 31, 1999. Such amounts in the non-consolidated balance sheet as of March 31, 2000, are decreased due to sale of a part of the revalued land in the year then ended. According to the revised Law, the Bank is not permitted to revalue the land at any time even in case that the fair value of the land declines. Such unrecorded revaluation loss amounted to ¥12,942 million (\$97,126 thousand) and March 31, 2001 was ¥10,722 million at March 31, 2002 and 2001, respectively.

#### 14. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares is required to be credited to common stock. The portion which is to be credited to common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts credited to common stock are credited to additional paid-in capital.

The Banking Law of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 100% of common stock. Prior to the revision in the Banking Law of Japan effective October 1, 2001, such appropriations as a legal reserve were required until the amount of legal reserve equaled 100% of common stock. The reserve is not available for dividends, but may be used to reduce a capital deficit by resolution of the stockholders' meeting or capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distributions or certain other purposes by the resolution of stockholders' meeting.

#### 15. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

All contingent liabilities including letters of credit, acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown on the asset side, which represent the Bank's right of indemnity from customers.

## 16. INFORMATION FOR CERTAIN LEASE TRANSACTIONS

The Bank lease certain equipment under the noncancellable finance and operating leases. Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the years ended March 31, 2002 and 2001 was as follows:

|                          | Millions of yen |               | Thousands of    |
|--------------------------|-----------------|---------------|-----------------|
|                          | 2002            | 2001          | U.S. dollars    |
| Equivalent amount:       |                 |               | 2002            |
| Acquisition cost         | ¥6,247          | ¥6,210        | \$46,882        |
| Accumulated depreciation | (3,014)         | (2,889)       | (22,619)        |
| Estimated net book value | <u>¥3,233</u>   | <u>¥3,321</u> | <u>\$24,263</u> |

|                                    | Millions of yen |        | Thousands of |
|------------------------------------|-----------------|--------|--------------|
|                                    | 2002            | 2001   | U.S. dollars |
| Lease payments                     | ¥1,637          | ¥1,486 | \$12,285     |
| Equivalent of depreciation expense | 1,596           | 1,373  | 11,977       |
| Equivalent of interest expense     | 102             | 118    | 765          |

Equivalent of depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.

Equivalent of interest expense is computed using interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

Future minimum lease payments under the non-cancelable finance and operating leases having remaining terms in excess of one year at March 31, 2002 are as follows:

|                              | Millions of yen | Thousands of    |
|------------------------------|-----------------|-----------------|
| 2003                         | ¥1,223          | \$ 9,178        |
| 2004 and thereafter          | <u>2,146</u>    | <u>16,105</u>   |
| Total minimum lease payments | <u>¥3,369</u>   | <u>\$25,283</u> |

## 17. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2002 and 2001 were as follows:

|                                       | Millions of yen |               | Thousands of    |
|---------------------------------------|-----------------|---------------|-----------------|
|                                       | 2002            | 2001          | U.S. dollars    |
| Gain on foreign exchange transactions | ¥ 386           | ¥ 306         | \$ 2,897        |
| Gain on sale of bonds                 | 4,748           | 3,245         | 35,632          |
| Other                                 | <u>1</u>        | <u>—</u>      | <u>8</u>        |
|                                       | <u>¥5,135</u>   | <u>¥3,551</u> | <u>\$38,537</u> |

## 18. OTHER INCOME

Other income for the years ended March 31, 2002 and 2001 were as follows:

|   | Millions of yen |                | Thousands of    |
|---|-----------------|----------------|-----------------|
|   | 2002            | 2001           | U.S. dollars    |
| Gain on sale of shares and other securities                         | ¥ 75            | ¥ 157          | \$ 562          |
| Gain on money held in trust   | 95              | 103            | 713             |
| Gain on disposal of property and equipment                          | 17              | 14             | 128             |
| Recoveries of written-off claims                                    | 1               | 3              | 8               |
| Gain on securities contributed to employee retirement benefit trust | —               | 9,310          | —               |
| Other   | <u>5,262</u>    | <u>2,661</u>   | <u>39,490</u>   |
|   | <u>¥5,450</u>   | <u>¥12,248</u> | <u>\$40,901</u> |

## 19. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2002 and 2001 were as follows:

|                                | Millions of yen |             | Thousands of   |
|--------------------------------|-----------------|-------------|----------------|
|                                | 2002            | 2001        | U.S. dollars   |
| Losses on sale of bonds        | ¥ 713           | ¥575        | \$5,351        |
| Losses on devaluation of bonds | <u>573</u>      | <u>—</u>    | <u>4,300</u>   |
|                                | <u>¥1,286</u>   | <u>¥575</u> | <u>\$9,651</u> |

## 20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2002 and 2001 were as follows:

|                       | Millions of yen |                | Thousands of     |
|-----------------------|-----------------|----------------|------------------|
|                       | 2002            | 2001           | U.S. dollars     |
| Employee compensation | ¥22,083         | ¥21,968        | \$165,726        |
| Depreciation          | 2,396           | 2,403          | 17,981           |
| Rental expense        | 3,177           | 3,003          | 23,842           |
| Communications        | 1,337           | 1,367          | 10,034           |
| Supplies              | 958             | 932            | 7,190            |
| Taxes                 | 2,348           | 2,271          | 17,621           |
| Other                 | <u>14,612</u>   | <u>13,875</u>  | <u>109,659</u>   |
|                       | <u>¥46,911</u>  | <u>¥45,819</u> | <u>\$352,053</u> |



## 21. OTHER EXPENSES

Other expenses for the years ended March 31, 2002 and 2001 were as follows:

|  | Millions of yen |                | Thousands of     |
|--|-----------------|----------------|------------------|
|  | 2002            | 2001           | U.S. dollars     |
|  |                 |                | 2002             |
| Provision for reserve for possible loan losses       | ¥10,407         | ¥17,393        | \$ 78,101        |
| Written-off claims                                   | 43              | 111            | 323              |
| Losses on sale of stocks and other securities        | 24              | 22             | 180              |
| Losses on devaluation of shares and other securities | 10,176          | 1,424          | 76,368           |
| Losses on money held in trust                        | 828             | 705            | 6,214            |
| Losses on disposal of property and equipment         | 2,250           | 248            | 16,886           |
| Amortization of entire net transition obligation     | —               | 7,779          | —                |
| Other  | 5,959           | 4,064          | 44,720           |
|  | <u>¥29,687</u>  | <u>¥31,746</u> | <u>\$222,792</u> |

## 22. INCOME TAXES

The Bank is subject to a number of income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 41.7% for the year ended March 31, 2002 and 2001.

The following table summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the year ended March 31, 2001. Reconciliation of the statutory tax rate and the Bank's effective tax rate for the year ended March 31, 2002 was not required due to small difference.

|   | 2001         |
|---|--------------|
| Statutory tax rate                                    | 41.7%        |
| Non-deductible expenses (entertainment expense, etc.) | 2.9          |
| Non-taxable income (dividend income, etc.)            | (7.6)        |
| Par capita inhabitant taxes                           | 0.6          |
| Other   | 1.3          |
| Effective tax rate                                    | <u>38.9%</u> |

Significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

|   | Millions of yen |                | Thousands of     |
|---|-----------------|----------------|------------------|
|   | 2002            | 2001           | U.S. dollars     |
|   |                 |                | 2002             |
| Deferred tax assets:  |                 |                |                  |
| Reserve for possible loan losses                                    | ¥27,597         | ¥29,697        | \$207,107        |
| Accrued bonuses   | 756             | 584            | 5,674            |
| Retirement benefits   | 5,233           | 5,301          | 39,272           |
| Depreciation  | 1,087           | 1,210          | 8,158            |
| Other   | 1,969           | 1,723          | 14,776           |
| Total deferred tax assets   | <u>¥36,642</u>  | <u>¥38,515</u> | <u>\$274,987</u> |
| Deferred tax liabilities:   |                 |                |                  |
| Unrealized holding gains on securities, net of tax                  | ¥20,343         | ¥23,530        | \$152,668        |
| Gain on securities contributed to employee retirement benefit trust | 3,885           | 3,885          | 29,156           |
| Deferred gain on property and equipment                             | 454             | 32             | 3,407            |
| Other   | —               | 388            | —                |
| Total deferred tax liabilities                                      | <u>¥24,682</u>  | <u>¥27,835</u> | <u>\$185,231</u> |
| Net deferred tax assets   | <u>¥11,960</u>  | <u>¥10,680</u> | <u>\$ 89,756</u> |
| Deferred tax liabilities for revaluation reserve for land           | <u>¥19,360</u>  | <u>¥20,619</u> | <u>\$145,291</u> |

## 23. SUBSEQUENT EVENTS

On June 26, 2002, the stockholders of the Bank authorized the following appropriations of retained earnings at March 31, 2002:

|   | Millions of yen | Thousands of |
|---|-----------------|--------------|
|   |                 | U.S. dollars |
| Cash dividends, ¥3.25 (\$0.03) per share    | ¥650            | \$4,878      |
| Bonuses to directors and corporate auditors | 48              | 360          |

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors of THE YAMAGUCHI BANK, LTD.:

We have audited the accompanying non-consolidated balance sheets of THE YAMAGUCHI BANK, LTD. (a Japanese corporation) as of March 31, 2002 and 2001, and the related non-consolidated statements of income and retained earnings for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of THE YAMAGUCHI BANK, LTD. as of March 31, 2002 and 2001, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, effective April 1, 2001, THE YAMAGUCHI BANK, LTD. prospectively adopted the revised Japanese accounting standard for foreign currency translation. Also, as explained in Note 2, effective April 1, 2000, THE YAMAGUCHI BANK, LTD. prospectively adopted new Japanese accounting standards for financial instruments and employees' severance and retirement benefits.

Also, in our opinion, the U.S. dollar amounts in the accompanying non-consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.



Tokyo, Japan  
June 27, 2002

## Organization Chart and Corporate Information



### International Department

2-36, 4-chome Takezaki-cho,  
Shimonoseki, P.O. Box 24 Shimonoseki  
750-8603, Japan  
Cable: YAMAGUCHIBANK SHIMONOSEKI  
Telex: 22807 (YBKSMS)  
SWIFT Address: YMBKJPJT

### Overseas Offices

**IPUSAN BRANCH**  
Kukje Building 3rd Floor, 69, 6 Ga,  
Jungang-Dong Jung-Gu, Pusan 600,  
Republic of Korea  
Telex: K52561 K52562 (YMBKPPUS)

**IHONG KONG BRANCH**  
403-404, Far East Finance Centre,  
16 Harcourt Road, Hong Kong  
Telex: 80806 (YBKHKHX)

**IQINGDAO BRANCH**  
Room No. 651, Haitian Hotel, 50 Hong  
Kong West Road, Qingdao, Shandong  
Province, The People's Republic of China  
Telex: 321166 (YBKQD)

**IDALIAN BRANCH**  
Room No. 915, Furama Hotel Dalian, 60  
Renmin Road, Dalian, Liaoning Province,  
The People's Republic of China  
Telex: 86482 (YBKDLN)

**IBANGKOK REPRESENTATIVE OFFICE**  
15th Floor B.B. Building, 54 Asoke Road,  
Sukhumvit 21 Bangkok 10110, Thailand  
Fax: 2-260-7118

**IJAKARTA REPRESENTATIVE OFFICE**  
14th Floor, Wisma Nugra Santana  
Jl. Jend. Sudirman Kav.  
7-8, Jakarta 10220, Indonesia  
Fax: 21-5704984

### Offices Handling Foreign Exchange Business

|                            |  |
|----------------------------|--|
| Head Office<br>Shimonoseki | 2-36, 4-chome,<br>Takezaki-cho,<br>Shimonoseki,<br>Yamaguchi Pref. |
| Tokyo Branch               | 3-5, 3-chome,<br>Nihonbashi Hongoku-<br>cho, Chuo-ku, Tokyo        |
| Osaka Branch               | 6-14, 1-chome,<br>Edobori, Nishi-ku,<br>Osaka                      |
| Oshima Branch              | 278-4, Komatsu,<br>Oshima-cho, Oshima-<br>gun, Yamaguchi Pref.     |
| Tabuse Branch              | 332-6, Hano, Tabuse-<br>cho, Kumage-gun,<br>Yamaguchi Pref.        |
| Iwakuni Branch             | 8-4, 2-chome Marifu-<br>cho, Iwakuni,<br>Yamaguchi Pref.           |
| Tokuyama Branch            | 1, 1-chome Sakuraba-<br>dori, Tokuyama,<br>Yamaguchi Pref.         |
| Moji Branch                | 3-4, 2-chome Kiyotaki,<br>Moji-ku, Kitakyushu                      |
| Ube Branch                 | 1-1, 1-chome<br>Shinten-cho, Ube,<br>Yamaguchi Pref.               |
| Kobe Branch                | 5-9, 2-chome Shimo-<br>Yamatedori, Chuo-ku,<br>Kobe                |
| Hiroshima Branch           | 5-25, Fukuro-machi,<br>Naka-ku, Hiroshima                          |
| Nagoya Branch              | 11-11, 1-chome Sakae,<br>Naka-ku, Nagoya                           |
| Fukuoka Branch             | 8-27, Tenya-machi,<br>Hakata-ku, Fukuoka                           |

|                   |  |                          |   |
|-------------------|--|--------------------------|---|
| Kitakyushu Branch | 1-10, 1-chome Sakai-machi, Kokurakita-ku, Kitakyushu | Karato Branch            | 23-1, Nabe-cho, Shimonoseki, Yamaguchi Pref.            |
| Fukuyama Branch   | 8-18, Nobuhiro-cho, Fukuyama, Hiroshima Pref.        | Hikari Branch            | 25-5, 2-chome Shimata, Hikari, Yamaguchi Pref.          |
| Yamaguchi Branch  | 5-8, Nakaichi-machi, Yamaguchi, Yamaguchi Pref.      | Kurume Branch            | 6-10, Higashi-machi, Kurume, Fukuoka Pref.              |
| Onoda Branch      | 4-5, 2-chome Chuo, Onoda, Yamaguchi Pref.            | Tobata Branch            | 8-23, Saiwai-cho, Tobata-ku, Kitakyushu                 |
| Hagi Branch       | 16-1, Higashi-Tamachi, Hagi, Yamaguchi Pref.         | Matsuyama Branch         | 8-2, 3-chome Sanban-cho, Matsuyama, Ehime Pref.         |
| Kure Branch       | 5-8, 2-chome Nakadori, Kure, Hiroshima Pref.         | Hakataeki Higashi Branch | 2-13, 1-chome Hakataeki Minami, Hakata-ku, Fukuoka      |
| Yahata Branch     | 4-1, 1-chome Kurosaki, Yahatanishi-ku, Kitakyushu    | Oita Branch              | 8-13, 3-chome Otemachi, Oita, Oita Pref.                |
| Hofu Branch       | 10-1, Ekiminami-machi, Hofu, Yamaguchi Pref.         | Yanai Branch             | 9-14, 2-chome Chuo, Yanai, Yamaguchi Pref.              |
| Nagasaki Branch   | 2-3, Motofuna-machi, Nagasaki, Nagasaki Pref.        | Akasakamon Branch        | 2-8, 2-chome Maizuru, Chuo-ku, Fukuoka                  |
| Kumamoto Branch   | 1-4, 4-chome, Ooe, Kumamoto, Kumamoto Pref.          | Chofu Branch             | 7-6, Doinouchi-cho, Chofu, Shimonoseki, Yamaguchi Pref. |
|                   |  | Wakamatsu Branch         | 1-8, Nakagawa-machi, Wakamatsu-ku, kitakyushu           |

## Subsidiaries and Affiliates

### • Subsidiaries

SANYU CO., LTD.

Rental and maintenance of land and buildings

YAMAGUCHI BUSINESS SERVICE CO., LTD.

Cash management and settlement service

YAMAGIN CARD CO., LTD.

Management administration of Yamagin's credit card subsidiaries

YAMAGIN JCB CO., LTD.

Credit card services

YAMAGIN CREDIT CO., LTD.

Credit card services

YAMAGIN DC CO., LTD.

Credit card services

SANYU FREMANTLE HOUSE. PTY, LTD.

Welfare facility management

### • Affiliated Companies

YAMAGUCHI LEASE CO., LTD.

Leasing

YAMAGUCHI MORTGAGE CO., LTD.

Mortgage loan sales

YAMAGUCHI CAPITAL CO., LTD.

Venture Capital

### • Other Organizations

YAMAGUCHI ECONOMIC RESEARCH INSTITUTE

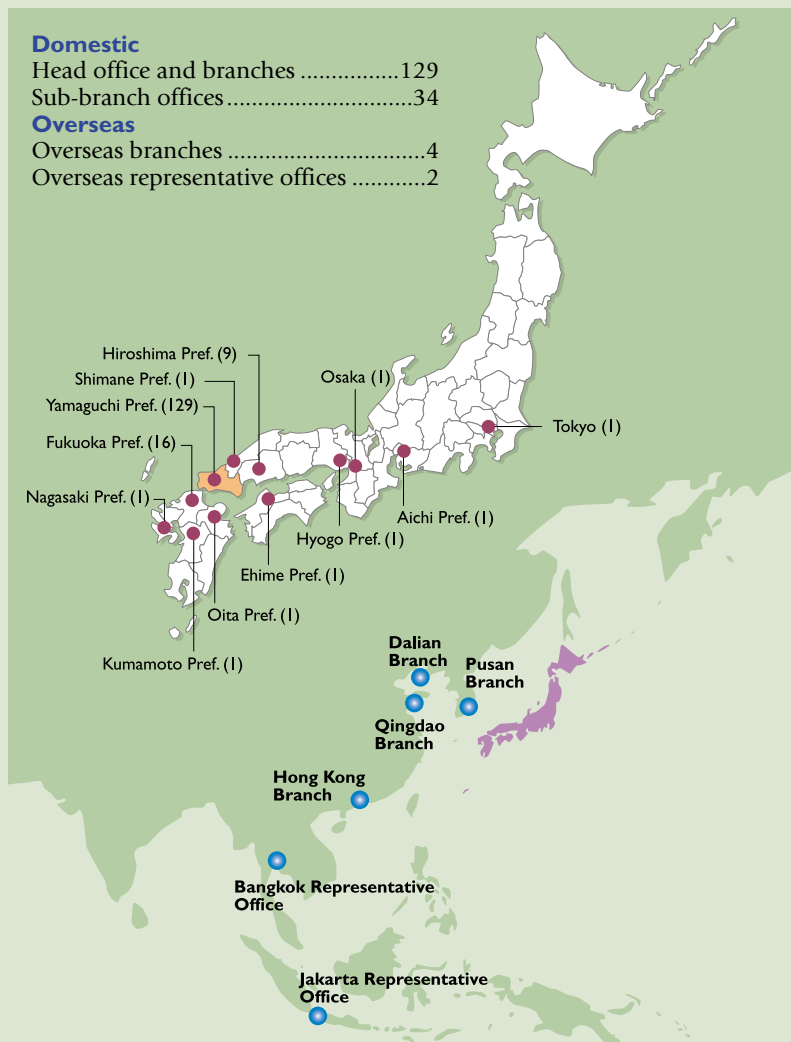
Regional economic trend analysis

YAMAGIN REGIONAL ENTERPRISE

SUPPORT FOUNDATION

Assistance for local companies

(As of June 30, 2002)



## The Yamaguchi Bank, Ltd.

### Corporate Planning Dept.

### Public Relations Office

2-36, 4-chome Takezaki-cho,

Shimonoseki 750-8603, Japan

Tel: +81 832-234477

Fax: +81 832-335850

Internet: <http://www.yamaguchibank.co.jp/>