



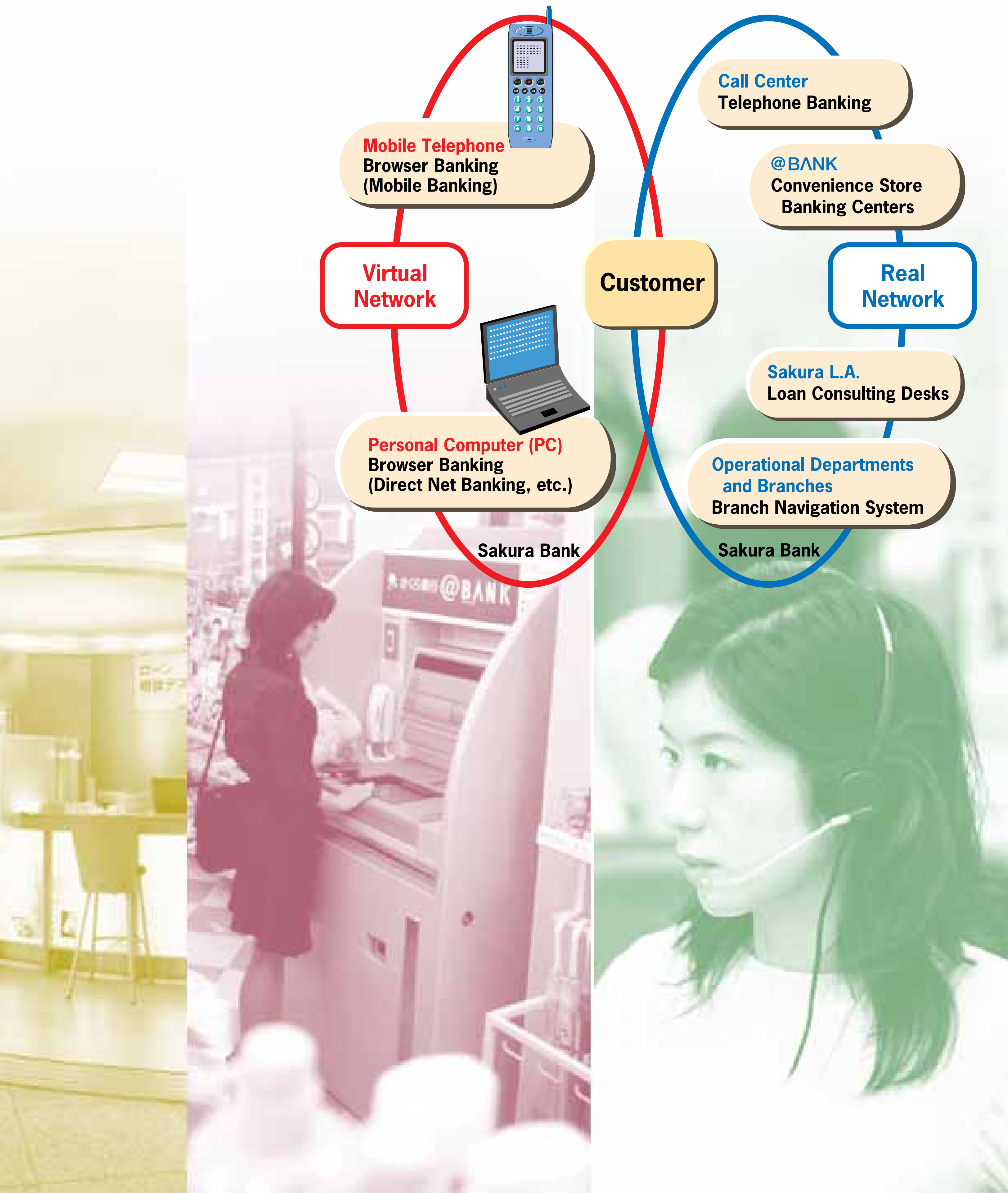
SAKURA BANK

Annual Report 1999

The Sakura Bank, Limited, is one of Japan's premier financial institutions, with more than 15 million individual customer accounts. This large customer base attests to the high level of customer confidence we enjoy, as well as to the vast range of customer needs we will be expected to meet to thrive in the 21st century. It also represents a significant competitive edge—one which we will continue to maximize to reinforce profitability and ensure our reputation as the most convenient choice for all of their banking needs.

We are also working toward our vision of a completely networked society in the 21st century. To this end, we are developing unique, next-generation service channels that match customer needs with bank services. In the past, our job began when a customer visited his or her branch; in the near future, however, service will be measured by our ability to respond promptly whenever we are needed and wherever the customer is. Our strategies thus focus on reorganizing our manned branch network and expanding virtual network services. We are confident these efforts will enable us to respond to customer needs with a wider range of choices and increased convenience, thereby ensuring a high level of customer satisfaction.

Multi-Channels at Sakura Bank



The Sakura Bank, Limited

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Network:

Total Domestic Offices:	455
Branches	404
Sub-branches	44
Agencies	7
Total Overseas Offices:	78
Branches	18
Sub-branches	2
Representative Offices	9
Subsidiaries	22
Subsidiaries' Branches	14
Affiliates and Associates	13

(As of June 30, 1999)

Number of Employees:	16,330
Male	11,639
Female	4,691

(As of March 31, 1999)

http://www.sakura.co.jp/bank/

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This annual report was printed on recycled and nonwood paper.

Financial Highlights

The Sakura Bank, Limited and Subsidiaries

					Millions of Yen
Years Ended March 31	1999	1998	1997	1996	1995
For the Year					
Total Income	¥ 2,213,222	¥ 2,921,528	¥ 2,561,157	¥ 2,516,597	¥ 2,592,411
Interest on Loans and Discounts	909,981	1,034,903	1,030,497	1,207,366	1,371,519
Total Expenses	2,919,480	3,021,878	2,510,976	2,839,066	2,527,983
Interest on Deposits	352,968	546,239	547,564	685,397	883,000
Income (Loss) before Income Taxes	(706,257)	(100,349)	50,180	(322,469)	64,428
Net Income (Loss)	(479,266)	(88,301)	17,746	(181,769)	22,417
At Year-End					
Total Assets	¥49,015,005	¥53,160,330	¥54,719,655	¥52,931,522	¥52,154,628
Loans and Bills Discounted	32,962,873	35,982,912	37,807,236	37,108,718	35,981,445
Trading Account Securities	—	—	569,176	382,069	257,846
Trading Assets	1,448,784	1,806,929	—	—	—
Securities	6,264,893	6,446,756	7,137,463	6,860,986	6,981,429
Total Liabilities	46,536,936	51,433,592	52,872,194	51,220,518	50,328,161
Deposits	33,368,615	36,894,352	38,687,303	38,857,276	37,299,590
Call Money	2,327,705	3,174,502	5,925,255	4,950,470	5,620,676
Trading Liabilities	381,077	531,811	—	—	—
Borrowed Money	1,677,674	2,386,679	2,685,007	2,602,513	2,722,086
Acceptances and Guarantees	1,970,640	1,976,602	2,275,211	2,124,342	2,165,125
Minority Interests in Consolidated Subsidiaries	303,581	—	—	—	—
Total Stockholders' Equity	2,174,486	1,726,737	1,847,460	1,711,003	1,826,466
Capital Stock	1,042,706	599,445	599,445	524,445	474,409
Per Share (in Yen)					
Net Income (Loss)	¥ (124.72)	¥ (25.51)	¥ 4.38	¥ (54.15)	¥ 6.08
Stockholders' Equity	331.28	446.47	467.28	471.23	520.72

Masahiro Takasaki, Chairman (Left), and Akishige Okada, President

The Business Environment for Financial Institutions

In reviewing the economy and business environment for financial institutions over the 12 months ended March 31, 1999, we note that several countries verged on economic crisis and were brought back through concerted international cooperation. Moreover, the Japanese economy finally seems to have stabilized.

Overseas, an acute global crisis was averted through coordinated international efforts, halting the financial crisis that started in Russia after summer and quickly spread to Latin America. In Asia, the instability that appeared after the financial and economic crises of the previous term appears to have subsided. Although conditions are still difficult, the region's economies have ceased their downward spiral and some are even beginning to inspire hopes for recovery. All through these developments, the U.S. economy remained robust while the European economies continued to slacken despite the successful launch of the Euro in January 1999.

In Japan, the progress achieved by companies adjusting their inventories, numerous government fiscal stimuli and measures for stabilizing the financial system appear to have succeeded in halting the recession. Confidence in the financial system began to recover gradually as an outcome of various schemes to restore stability, such as the injection of public capital into the major banks. Stock prices rallied as the recession appeared to ease and calm was restored to the markets. This served to improve the immediate outlook of most market participants. Nevertheless, pressure is mounting to adjust manufacturing capacity and employment levels, making it more difficult than ever to predict the timing of a domestic demand-led recovery.

Fiscal 1998 Developments

We describe the Bank's results for fiscal 1998, ended March 31, 1999, in the Financial Review later in this report. In this space, we would like to highlight the measures taken to deal with the operating environment described above. First and foremost, it is our strong belief that the restoration of confidence in the financial system is a critical part of our corporate mission. For this reason, we subscribed to the government program to use public funds to augment our capital base. We applied for and received an infusion of

¥800.0 billion. Prior to this, we raised ¥369.9 billion in equity from the private sector. We took advantage of this strengthened position to deal decisively with nonaccrual loans. During the period, we wrote off or set aside provisions for problem assets totaling ¥1,023.5 billion. This places us in a strong position to weather any downturn in the economy in the near future. Regrettably, it also caused the Bank to record a net loss of ¥375.3 billion for the period.

Faced with these results and a tough business environment, we sought to maintain our financial soundness by redoubling efforts to heighten efficiency and by reducing the year-end dividend by ¥1.25 per share, to ¥3.00 per share. Combined with the interim dividend of ¥4.25 per share, total cash dividends for the period amounted to ¥7.25.

Measures to Address Nonperforming Loans

This period we placed top priority on disposing of nonperforming loans to reduce the Bank's risk factors in an effort to strengthen our credibility and financial position to the extent required to implement our strategies in Japan's post Big Bang financial markets. In determining the appropriate transfers to reserves, we assumed further economic decline, transferring sufficient funds to cover even those loans that are not yet showing visible signs of distress. We improved our methodology, employing a greater degree of loan segmentation and raising the loan loss coverage ratio to values higher than the actual historical rate. We also sought to circumvent the risk of a decline in collateral value by selling nonaccrual loans. As a result, we disposed of nonperforming loans amounting to ¥1,023.5 billion as mentioned in the prior section.

We based written-off and reserve ratios on the rates specified in the audit manual produced by the Financial Supervisory Agency and the reserve guidelines released by the Financial Reconstruction Commission. Amounts equal to 15% of the unsecured portions of "special attention" loans were transferred to reserves. Other claims in the "caution" category, excluding "special attention loans," were classified into two categories according to their risk rating. Amounts equal to the estimated potential loss were transferred to reserves according to the probability of bankruptcy, which is correlated to the average remaining period to maturity for each category. A ratio of 100% was applied to the unsecured portions of claims in the "legal bankruptcy" and "virtual bankruptcy" categories. Similarly, a 70% rate was applied to claims in the "possible bankruptcy" category. We also increased the reserve for loans to restructuring countries to cover loans extended overseas.

We are extending additional support to Sakura Mortgage Co., Ltd., and three other non-bank affiliates to upgrade their financial positions. These affiliates are using the same "self-assessment" methodology as the parent bank and applying the same written-off and reserve ratios to their loan portfolios. Our support is being used to write down and make provisions for the nonaccrual loans remaining on their balance sheets. Currently, these non-bank affiliates are primarily engaged in the factoring and leasing businesses. We intend for them to play a strategic role in the future development of the Bank's retail strategy as specialists in supporting businesses. That is why we are assisting in their reorganization and integration.

Building a Vision for the 21st Century

As we fine-tune our future operating strategies, the key question will be how we achieve profitability in an era of increased competition to achieve the ultimate objective of increasing the value of the Bank on the behalf of shareholders. Our plan to raise profitability is to maintain a clear grasp of economic trends, the changing industrial structure and evolving market needs, and to use this information to stay ahead of the competition with business strategies that meet the approval of both customers and the financial markets.

In the "Plan toward Soundness of Management" submitted to the Financial Reconstruction Commission when we applied for public funds, we outlined our prime strategy of making commercial banking our core business. Our top share in the personal loan market demonstrates the lead we already enjoy in this segment. Drawing upon our large customer base, we will focus our management resources on the retail market to meet customer needs with products and services delivered via highly efficient, advanced processes.

We are also working toward our vision of a completely networked society in the 21st century. We are accelerating the development of unique, next-generation service channels, such as Convenience Store Banking (see page 12) and Browser Banking (see page 25). During the period under review, we formed a strategic alliance with am/pm Japan, Co., Ltd., operator of a large convenience store chain, to launch approximately 500 joint branches by the end of March 2000. This is one example of the ways in which we plan to secure solid profitability in the retail banking segment and to increase our brand recognition by becoming known to consumers as the most convenient choice for all of their banking needs.

Toward Performance-Based Incentives

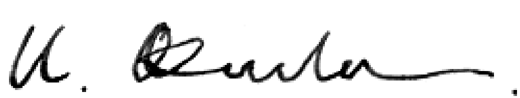
We are stepping up restructuring efforts to support implementation of these long-range visions. In addition to bolstering corporate governance to global standards, we are endeavoring to establish an invigorated corporate culture featuring faster decision-making and merit-based personnel systems. In June 1999, we introduced a performance-based promotion system, reduced the number of bank executives to 13 from 45 and launched a stock option plan and performance-based remuneration system for executives. In July 1999, we launched a new personnel system for regular employees that replaces the previous seniority system with one that clarifies expected results and responsibilities. Targets have been fixed for each job description and post in the Bank, and remuneration is tied to the extent to which each employee meets these targets. In this manner, we aim to achieve our goal of establishing highly competitive and effective operations.

Good Corporate Citizen

The programs we have outlined in the foregoing sections will revolutionize our operations and position us to thrive well into the 21st century. Management and staff at Sakura Bank are joining together in a sincere effort to create a bank that is committed to being a good corporate citizen and to managing its affairs in a transparent fashion. We reaffirm our pledge to meet the rising standard of disclosure asked of financial institutions and to provide timely information in an easily understood format. We look forward to your continued support and guidance as we strive toward these goals.

August 1999

Masahiro Takasaki
Chairman



Akishige Okada
President

Acceptance of Public Funds and the "Plan toward Soundness of Management"

In March 1999, Sakura Bank issued ¥800.0 billion of preferred shares in accordance with the Financial Function Early Strengthening Law, which was enacted in October 1998. We concurrently began implementing the "Plan toward Soundness of Management" that was submitted with our application for public funds. The objective of this plan is to restructure and rationalize our operations to raise our competitiveness and profitability.

Rationale for Accepting Public Funds

Sakura Bank accepted ¥800.0 billion in public funds on the rationale that it would strengthen its balance sheet to the point where it could secure the confidence of the domestic and international financial markets, lower its fund-raising costs and provide stable financing. We saw this as an effective way in which to achieve these goals and improve shareholder value. At the time, the capital injection was expected to raise our capital ratio to more than 12% as of March 31, 1999, and increase the absolute capital ratio, after deduction of unrealized losses on marketable securities, as at September 30, 1998, to above 10%.

"Plan toward Soundness of Management"

The plan targets an increase of approximately ¥100 billion in fiscal 1997 gross operating income by fiscal 2002, excluding gains/losses on bond dealing. This is to be achieved primarily by raising interest income in line with credit costs in domestic lending operations, expanding the portfolio of consumer loans, and launching sales of investment trusts and other new products.

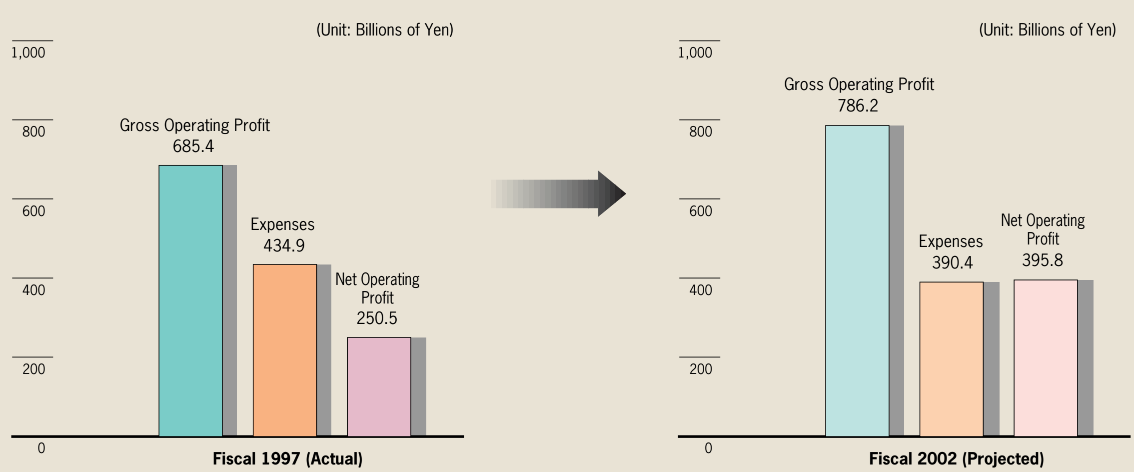
On the cost side, we plan to save about ¥45.0 billion in expenses, which will involve the restructuring of our human resources and branch networks. This will yield net operating profit *(gyomu juneki)* on the order of ¥400 billion.

The target for capital adequacy in this plan is a ratio of 10% or greater, which is to be obtained by maintaining and strengthening the Bank's financial position.

We are adapting the following basic policies to our efforts to concentrate resources on promising business segments.

- Thoroughly restructure and revise all operating procedures and processes.
- Concentrate on commercial banking as our core business. (Realize a low-cost retail operation by drawing on the strengths of our customer franchise, network and marketing might.)
- Create a comprehensive financial services group offering world-class services. This may involve alliances with leading domestic or foreign financial institutions.

Earning Targets

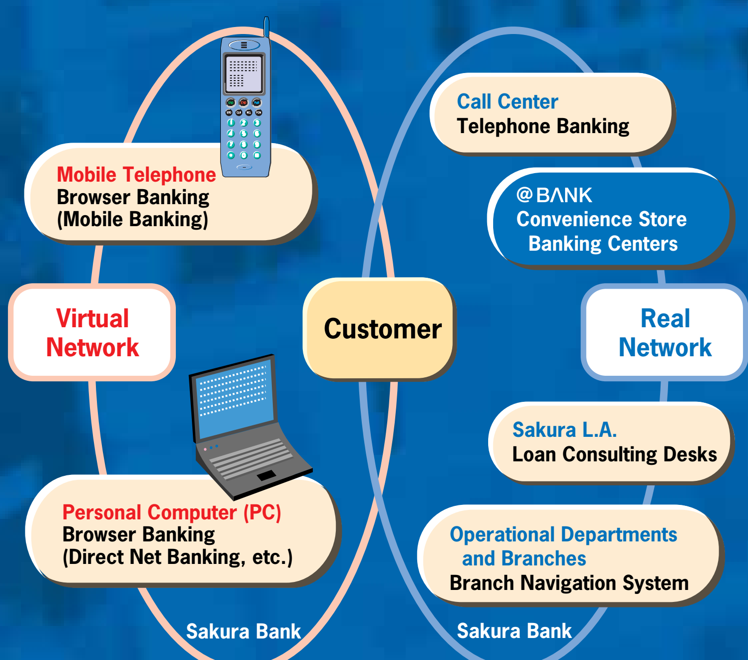


Note : Gross operating profit excludes gains/losses on bond related transactions.
Net operating profit excludes gains/losses on bond related transactions and reserve for possible loan loss.

A New Service Combining Banking and Convenience Store Functions

Convenience Store Banking

Convenience stores have become so ubiquitous that it's difficult to imagine life without them. In March 1999, we formed an alliance with am/pm Japan, operator of a major convenience store chain, to develop a network of branches in am/pm convenience stores—a move that adds new meaning to the term "convenience" store. As of June 1999, we offered services through eight convenience store branches, all in Tokyo-area am/pm stores.




さくら銀行 @BANK

Vision for the 21st Century—Bolstering Profitability

The current "Plan toward Soundness of Management" calls for us to raise net operating profit to the ¥400 billion level by the end of fiscal 2002, which will require an increase of approximately ¥100 billion over fiscal 1997 results, the base year for the calculation. We have assigned this top priority. As we work toward this target and implement additional measures to increase the value of the Bank, we are clarifying targets for each customer segment, initiating new operations, stimulating demand in both new and existing markets, and establishing new channels and products.

Reinforcing Commercial Banking Operations to Boost Profitability

Our primary strategy for attaining the plan's target is to reinforce our commercial banking operations and focus on the domestic retail banking market. The "Plan toward Soundness of Management" states: "Drawing on its significant competitive edge in the domestic market, the Bank will allocate to and concentrate resources on the retail market, lending primarily to consumers and small and medium-sized businesses. To raise gross operating profit, the Bank will improve its lending margins with rates appropriate to the credit risk, seek to increase consumer loans as a component of its portfolio, and launch sales of investment trusts and other new financial instruments. It will also continue in its quest to heighten customer convenience by reforming its service channels to establish an effective rapport with the public while cutting costs to establish itself as a low-cost retail banking operation." Stated differently, by making our core commercial banking business more profitable, we will build upon and further extend our established business base. To attain heightened profitability, we will continue to fulfill our social mission of both providing stable financing to small and medium-sized business customers while securing interest rates appropriate to the corresponding credit risks as well as increasing lending to individual consumers. At the same time, we will thoroughly restructure operations to create a robust bank capable of thriving in post-Big Bang Japan.

Securing Lending Margins Appropriate to the Credit Risk

To achieve the first goal of securing lending margins appropriate to the credit risk, we are pressing forward with pricing that better reflects credit costs. We believe that there is sufficient scope to achieve the lending margins forecast in our "Plan toward Soundness of Management" even when the growing momentum and narrowing price spread of the corporate debt markets are considered.

Having stated the above, it is important to acknowledge that getting customers to accept higher margins is not easy. It is necessary to offer highly personalized services tailored to each customer segment and to formulate separate strategies for each segment. The middle market offers the best prospects for higher lending margins weighted against the attendant credit risk. We are now strengthening our front line manpower in terms of both quantity and quality to bolster our ability to offer a "one-to-one" response. As we move in this direction, we expect that the structure of our lending portfolio will change, assuming a greater bias toward the middle market.

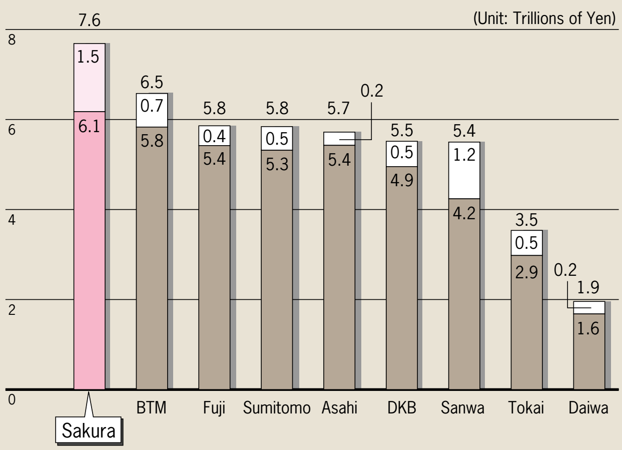
Nevertheless, we will continue to serve large corporate customers and to look to this segment to improve lending margins as well. We will also continue to offer comprehensive financial services, in addition to regular deposit-taking and lending services, as well as services for employees of these customers to improve overall profitability.

The Sakura CRM information system (see page18) will also contribute to higher lending margins. We will use the continuous monitoring of information gathered through interaction with customers to grasp and offer solutions to their current and latent needs. We are also using our IT systems to upgrade credit processes. The Sakura CRM is the gateway to access the portfolio database at each branch. With this system we can sort the data by credit ratings or industry, which provides us with a powerful management tool.

Increasing Lending to Consumers

Our second task is to expand our consumer loan business. Although this market is the most hotly contested among Japanese banks, we already enjoy the leading share and it is the market in which we have honed our skills to the

Consumer Loans Outstanding (As of March 31, 1999)



Source : Brief announcement of the most recent financial statement of each bank

Note: The difference between totals and breakdowns results from rounding of figures.

greatest extent. It is our intention to secure a dominant position in this market.

Our strength in the housing loan market, the primary consumer loan product, is due to our relationships with large numbers of real estate sales companies, as well as with the employees of these companies—the so-called "occupational route." These relationships constitute an extensive business base. Our network of 4,000 real estate sales client companies, which is covered by our 44 housing loan centers, is the largest in Japan. Twenty-three of the housing loan centers feature Sakura L.A. loan advisory desks, which remain open on weekends for customer convenience. Moreover, the current trend toward the outsourcing of corporate benefit and pension plans and the replacement of corporate in-house benefits with employee loan schemes in partnership with financial institutions is helping to create a large market. Based on the factors mentioned above, we believe that we are well-prepared to tap into this market and to steadily expand our portfolio of housing loans.

Cultivating Network Channels

Basic Strategies for Service Channels

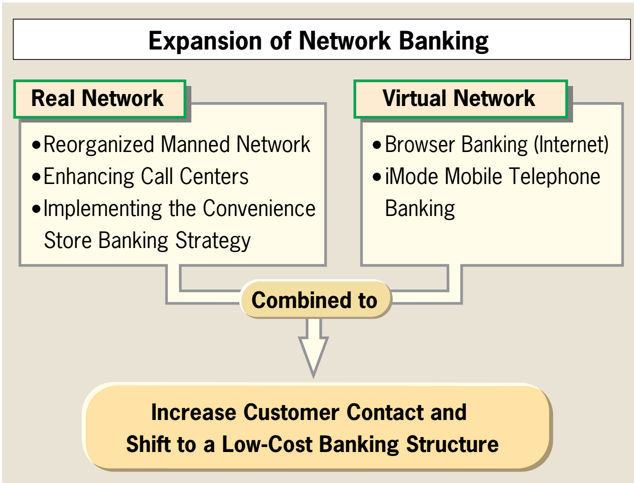
Reforming our service channels is key to two vital issues for thriving in the post-Big Bang market: increasing contact with customers and shifting to a low-cost banking structure. These issues are the driving force behind the development of our channel strategies.

We are approaching the development of service channels from two directions. The first involves equipping and enhancing our real network, including such measures as reorganizing our manned branch network, expanding our call centers and our strategic alliance with convenience store chain operator am/pm Japan to launch joint branches. The second involves enhancing our virtual network with services such as Browser Banking (Internet-based banking) and iMode mobile telephone banking. The combination of our real and virtual networks will strengthen our contact with customers while lowering the overall cost of our service channels and making us more competitive.

Equipping and Enhancing Our Real Network

Reorganization of Our Manned Network

As demand rose for more diverse and sophisticated services in recent years, it became increasingly difficult to accurately gauge individual customer needs and deliver solutions in a timely manner when all branches were expected to serve the entire range of clientele from individuals to corporations. Our new strategy, therefore, is to situate business offices staffed by experts in specific locations within each territory to serve customers requiring specialized services. In March 1999, we established three of these specialized business offices in the Tokyo area. To improve service to individual customers requiring



standardized transactions, we have expanded teller functions, notably with respect to loan consultation and investment products. To assist in this effort, we have introduced the Branch Navigation System, a new branch reception system, to a portion of our branches. This is one of the ways in which we plan to strengthen our branch systems.

We are also expanding opportunities for effective face-to-face contact with customers through our Sakura L.A. loan advisory desks and manned in-store branches in large supermarkets. At the same time, we will be rationalizing our traditional branches in areas where services overlap. We expect to reduce the number of traditional branches by 40% from the peak, thereby realizing significant cost savings and a competitive edge.

In this fashion, we intend to shift promptly from our traditional branch model to new, next-generation service channels that reflect customer needs while at the same time realizing a low-cost structure for our manned branches.

Expanding Our Call Centers

In January 1999, we proudly brought one of the largest call centers among the city banks on-line to serve our network. The center offers 24-hour service so that customers can access their account balances and transfer funds as well as obtain information about loan and investment products. Use of the center is increasing rapidly, and we plan to further enhance services as it develops into a major service channel. In July 1999, we opened a second call center, which is located in the Kansai region, bringing the total number of operator stations to 350, the total number of operators to 1,000 and the service call capacity to 400,000 per month.

@BΛNK Convenience Store Banking

In March 1999, we formed an alliance with am/pm Japan Co., Ltd., to launch joint branches in am/pm convenience stores. The name for the new network is @BΛNK, the first symbol signifying “convenience whenever, wherever you happen to be.” As a symbol associated with Internet addresses, it also suggests a futuristic image unconstrained by space or time.

We consider convenience store banking to be a key channel for reaching individual consumers. From the customers’ perspective, the Bank will offer a full range of service channels from manned branches, convenience store branches and card kiosks to call centers and Internet banking. Our plan is to start with 500 convenience store branches in the Tokyo region in fiscal 1999 to become known as “the most convenient bank” in Japan.

Convenience store branches can be operated at a lower cost than conventional card kiosks, providing them with substantial merit from the cost-savings perspective. According to a survey conducted by Nikkei Sangyo Consumer Research, 80% of convenience store patrons have favorable views of automated teller machines (ATMs) in convenience stores. Moreover, the convenience stores consider financial services to be an important means of differentiating their services. In short, convenience store banking will benefit all three parties, the customer, the convenience store operator and Sakura Bank.

Convenience store banking will not be limited to the cash deposit and withdrawal services of an ATM, but will combine banking functions with convenience store functions with the goal of creating a new, hybrid service. This will provide us with a quasi-manned channel that combines the services of a call center with virtually all of the functions of a financial institution, with the exception of tax and government related transactions.

Enhancing Our Virtual Network

Browser Banking

Viewed from the perspective of developing our retail business, it is imperative to rapidly upgrade our ability to meet the needs of consumers that have a strong need for convenience and fast service. In anticipation of a fully networked future society, we intend to create a range of high-quality transaction and payment services.

Since we launched the Browser Banking service in July 1998, our list of subscribers has already topped 22,000, which places us in the top class of Japanese banks. The service offers the functions of an ATM, except for deposits and withdrawals, and will be upgraded to 24-hour service by spring 2000. We believe that this channel will increase in importance over time and look forward to enhancing the services it offers.

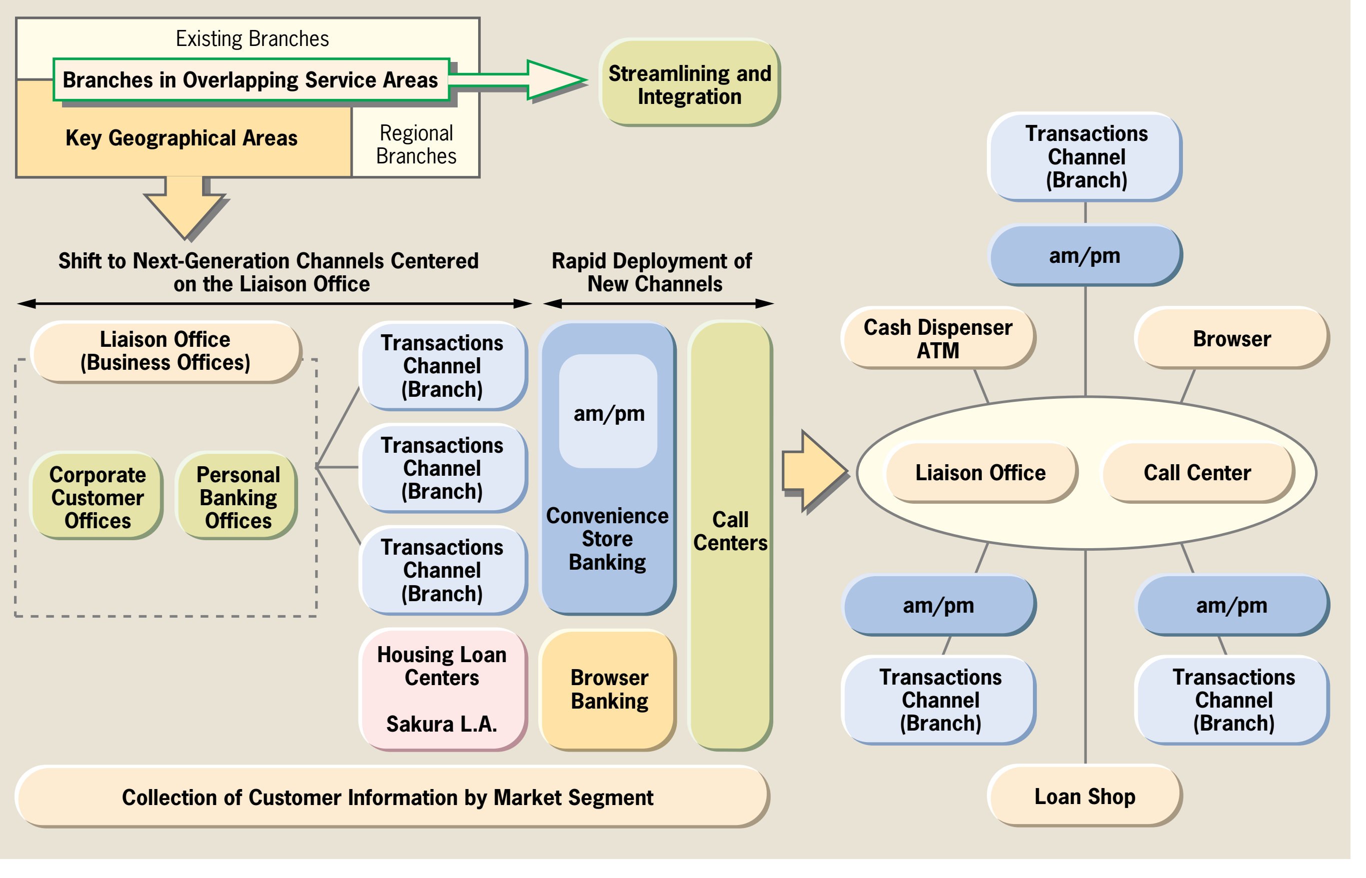
Launch of iMode Mobile Telephone Banking Services

In February 1999, it became possible to access the Browser Banking service via iMode mobile telephones offered by NTT Mobile Communications Network, Inc. (NTT DoCoMo). Later in June, we concluded an agreement with NTT DoCoMo to distribute Browser Banking contracts through their 1,000 outlets nationwide and to advertise the service jointly. The equipment operates as if it were an ATM, permitting consumers to verify account balances and transfer funds, advancing us closer to our goal of becoming "the most convenient bank" in Japan.

Toward the 21st Century

As mentioned in the preceding paragraphs, we are formulating the strategies that draw on the dual fields of commercial banking and advanced network banking. We are confident that these strategies will contribute significantly toward our fundamental goal of increasing profitability over the long term.

Overview of Our Service Channel Strategies



One of the Largest Call Centers in Japan

Call Centers

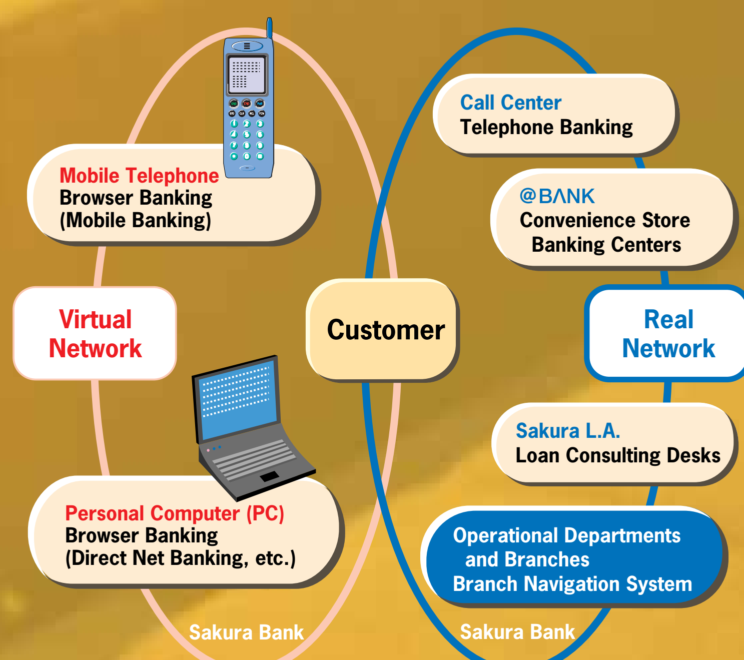
Technological advances and changing lifestyles are spurring demand for telephone banking services. Sakura Bank customers can obtain 24-hour access to account balance and product information simply by calling one of our call centers. In January 1999, we opened a state-of-the-art call center in Tokyo that is one of the largest such facilities among Japan's city banks. We plan to further enhance our call center services to improve convenience and responsiveness to customer needs.


本日のご用件をお選び

One-to-One Personalized Services

Branch Navigation System

More than simply an on-line branch service information system, our new Branch Navigation System enable customers to access personalized services simply by making the appropriate selections on the easy-to-use touch screen. Based on the customer's needs, tellers offer carefully tailored product information and advice. As of the end of June 1999, Branch Navigation System services were available at three branches, serving a total of 130,000 customers. We plan to introduce the system into other branches in the near future.



Basic Approach

As Sakura Bank streamlines its cost structures, information technology (IT) system expenditures too are coming under scrutiny as part of cost-cutting measures. However, we view investments in these technologies as a priority for the long-term profitability of the Bank, particularly with regard to retail banking, and are forging ahead with new investments in strategic areas.

Main System Investments

At the end of fiscal 1997, we completed the backbone of our systems infrastructure that will serve as the framework for our strategic systems over the next few years. Full-scale work on individual strategic systems was launched in March 1999. The chart below shows the main systems we are now introducing. Most of these systems fall into the category of strategic investments that will affect the future course of the Bank, such as systems that will be used to reform our service channels. We consider investment in these systems to be timely and a critical component of our drive for greater efficiency.

Main System Investments

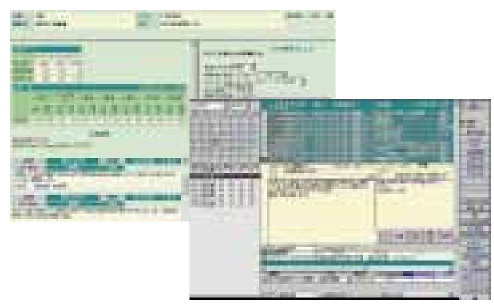
System	Purpose
Transaction Channels and Marketing Related Systems	Reform service channels, upgrade telephone banking services, launch iMode mobile telephone banking, introduce convenience store banking ATMs, upgrade Browser Banking, introduce Sakura CRM, introduce Sakura Intranet, upgrade database marketing, introduce new information gathering systems
New Product Development and Customer Service Systems	Process 401K forms, assist with insurance sales, upgrade ATMs, reduce customer waiting times
Risk Management Systems	Strengthen risk management functions, introduce new electronic credit application and approval process systems, introduce new transaction and accounting systems

Using IT Systems to Upgrade Processes

The Bank is rolling out a program of strategic investments that place priority on systems for transaction processing and marketing activities. We plan to apply information technology to all the essential operating processes in the Bank so that information can be shared and managed. We started building a personal computer network (Sakura PC Network) in 1995. This network now encompasses more than 11,000 PCs and 500 servers throughout the Bank, adding up to a 1:1 ratio of machines to front-line staff members. We will use the Sakura PC Network to efficiently mine the information collected in our databases and use this information to leverage the growth of our operations.

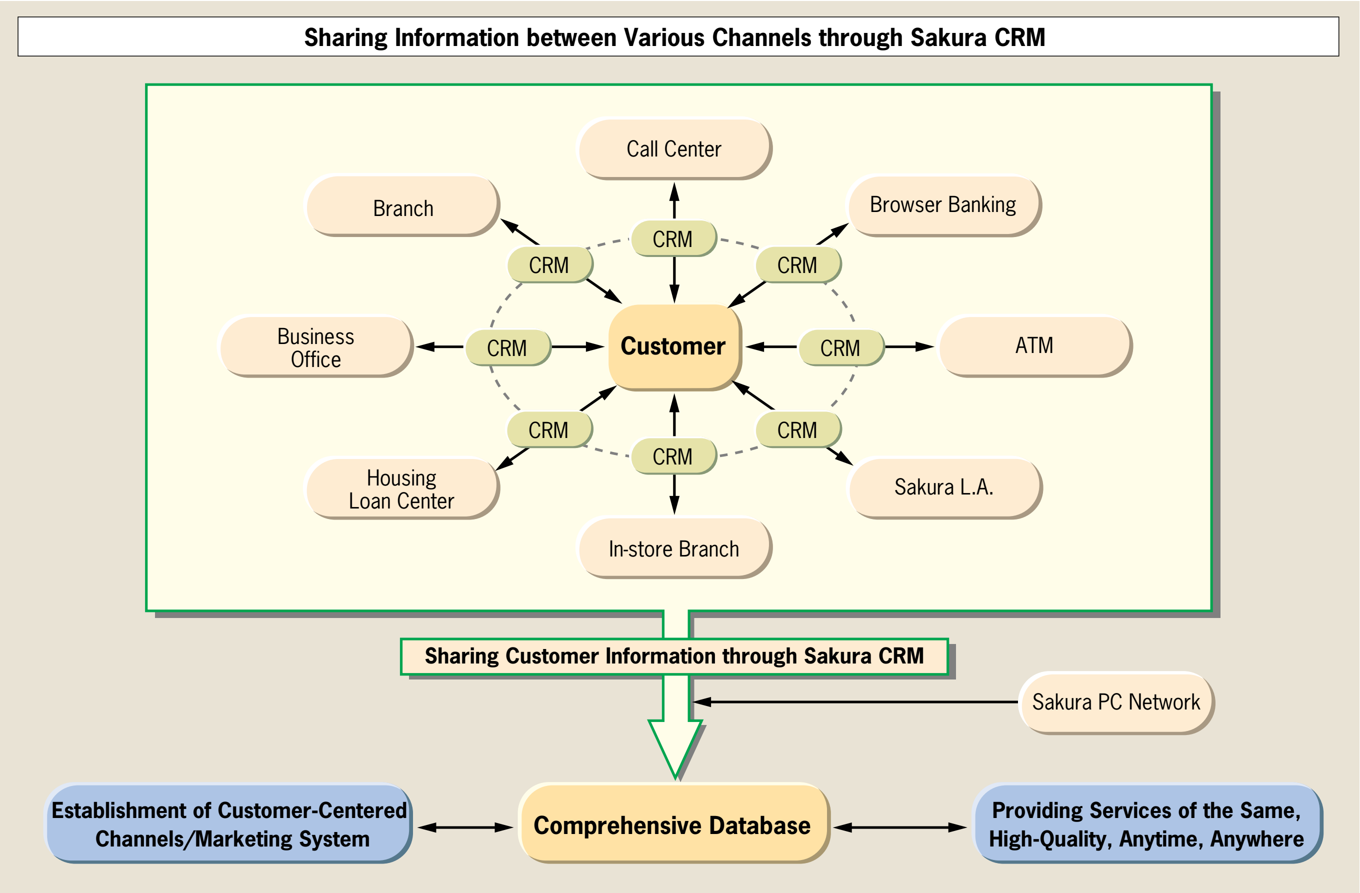
Information Strategies

The Sakura CRM system, an electronic system for credit application and approval processes and the Sakura Intranet, which is used for business process reengineering, are the current focus of our information strategies.



The acronym portion of Sakura CRM stands for "continuous relationship marketing," referring to the ongoing, systematic collection and use of customer information. We are using the Sakura CRM system to reengineer and standardize the business processes used in our front-line operations. Information collected at the branch level is used within the branch and simultaneously shared with the head office for the purposes of developing new business opportunities.

We have taken the credit application and approval process system past the trial stages and are now entering an expansion phase. When it is fully operational, this system will use the various types of information collected in databases to assist with self-assessment analyses, portfolio management and credit monitoring to flesh out our risk management systems, making it possible to manage risk with a greater degree of sophistication. (Please see page 37 for a description of risk management procedures.)



The Sakura Intranet was started in 1998 as a means to disseminate information throughout the Bank and to form part of the infrastructure for each business unit. This system has allowed us to share product and marketing information more readily between different departments and to reengineer the processes for our internal administration. It will also function as an effective means of presenting and sharing information between the various channels that are being developed in our service channel strategy.

In step with our channel development strategy, our information strategy for the various channels, such as the call centers, Sakura L.A., housing loan centers or convenience store banking centers, is to collect and integrate information separately within each channel. This data will then be integrated at an organization level to provide us with the ability to swiftly analyze and respond to customer needs throughout the Bank.

IT Systems as a Source of Competitive Advantage

We regard information technology as a major competitive advantage because it will furnish us with the ability to pursue a market-driven “pull” approach instead of a producer-driven “push” approach. We will be stepping up efforts to apply these technologies to our operations. Specifically, we will:

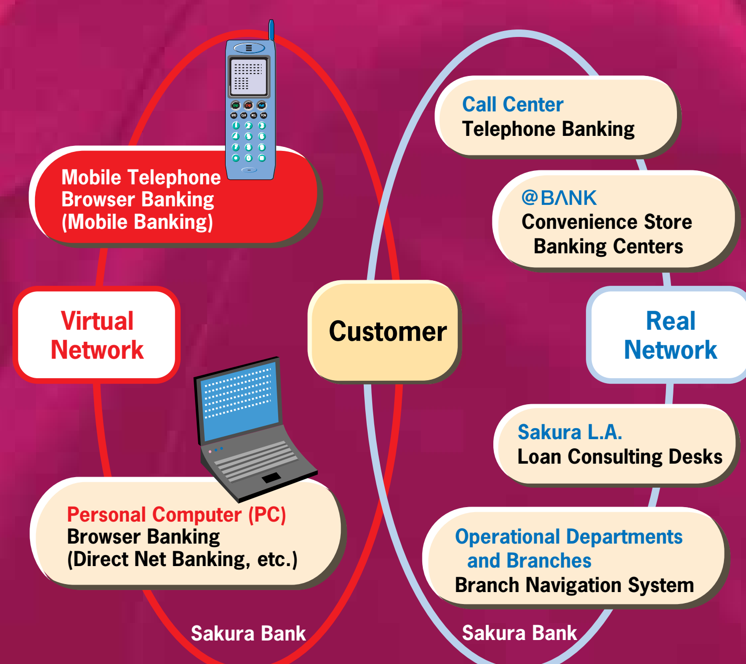
- Be able to improve individual employee performance and achieve higher standards of excellence by sharing information and knowledge,
- Be able to create systems that collect and employ information obtained from interaction with customers through various channels,
- Be able to provide each and every employee with the ability to use the information, and
- Be able to integrate separate management, financial and marketing strategies in a single unified strategy.

Another component of our IT strategy concerns security. We aim to be a “secure company” so that our information assets are appropriately safeguarded. To this end, we are instituting information security processes and will continue to heighten security as we go along.

An ATM in Your Palm

NTT DoCoMo iMode Mobile Telephone Banking Services

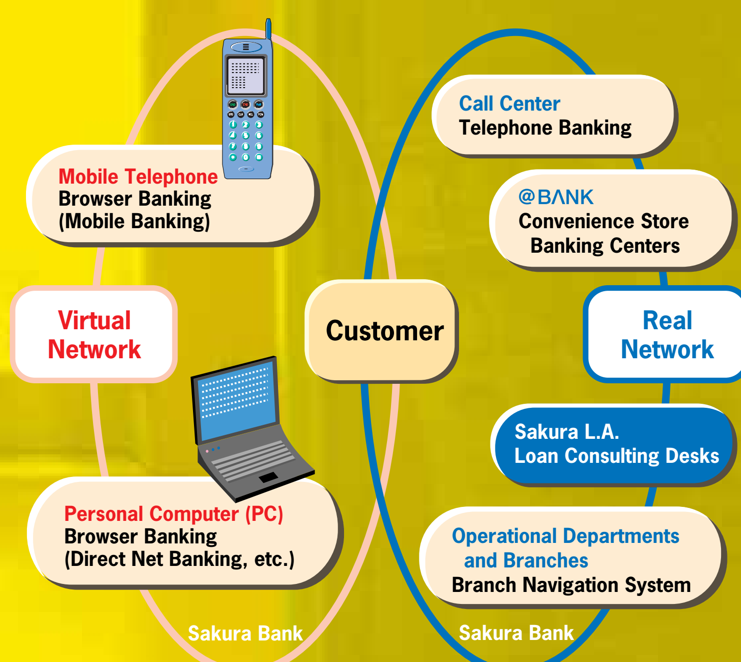
A boon for busy individuals, our new mobile telephone banking service enables customers to check their account balance or make bank transfers around the clock, from wherever they are, using an NTT DoCoMo iMode mobile telephone. With network-based banking taking on increasing importance, we will continue to respond to the diverse needs of customers by expanding our selection of convenient, high-quality network services.



The New Look of Our Manned Branch Channels

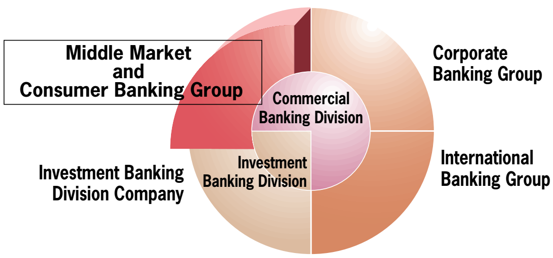
Sakura L.A. Loan Consultation Desks

To better serve customers in an era when their personal lives are becoming more fragmented, we are revamping the settings for face-to-face encounters with customers. Many customers are busy during regular business hours and are only free in the evenings or on their days off. These are the perfect times to reach out to these busy people with financial advice. This is the underlying concept of our Sakura L.A. loan consultation desks, which provide week-end, after-hours and holiday advice on housing mortgages, educational loans other borrowing needs.



Middle Market and Consumer Banking Group

—Serving Individuals, Small and Medium-Sized Businesses and the Middle Market—



Customers in the individual, small and medium-sized business and middle market segments not only comprise our core operating base, they also contribute the most to our profitability. These segments are the focus of our current expansion plans. We will be concentrating resources on strategically important aspects of these operations to further expand our retail banking business.

Catering to Evolving Needs

Japan's Big Bang reforms have sparked demand in the retail market for a greater selection of more sophisticated investment products and services than ever before. Sakura Bank is steadily augmenting its product lineup to meet this demand. In the short period since December 1998, we have launched 28 funds, the most offerings from a Japanese bank. These funds cater to a wide variety of investment objectives. We also offer a series of foreign currency denominated products to allow consumers to benefit from higher interest rates outside Japan's low interest rate regime.

We are further attracting depositors with a series of innovative products and services that combine various elements of investment products, savings accounts, cash cards and loans. Customer convenience is the key word for services such as the Internet-based Browser Banking service that can be accessed from a PC or a mobile telephone. Our debit card service adds unprecedented ease to shopping.

Japan is experiencing a significant demographic shift as its society ages. In view of this, we are introducing new products and services targeted at seniors, such as higher yielding deposit products and non-financial advisory services.

A Leader in Consumer Loans

Although we already enjoy the largest share of the consumer loan market, we are looking to this segment to further increase our lending business.

Secured Loans

Housing loans are the mainstay of our secured consumer loans portfolio. To attract this business, we are designing new loan products with the customer's varying redemption abilities in mind. If a customer lacks sufficient collateral, they can select housing loans with built-in refinancing or buy-out schemes. We are also developing housing loan products that incorporate various types of insurance against job losses or financial difficulties. These products allow customers to feel secure about borrowing no matter what their stage of life.

Unsecured Loans

Card loans supporting a wide range of purchases for everyday life are the focus of our unsecured loans business. In October 1998, we introduced the Prime Card, a revolving credit facility that has proven to be extremely convenient for ordinary consumers. Convenience is the central theme of our loan application processes too. In addition to conventional branch applications, customers can apply by mail or telephone. Since July 1, 1999, customers have also had the option of applying through an ATM for loans up to ¥100,000.

Repayment is another aspect of loans that we are making more convenient. Monthly payments are withdrawn directly from customers' accounts, eliminating the logistical chores associated with making payments. Moreover, they can pay via ATMs at any Sakura branch or affiliated financial institution nationwide, a reassuring feature for people on the go.

Our lineup includes additional purpose-specific cards as well. Customers can select from a wide range of cards to pay for everything from cars to school tuition and housing renovations.

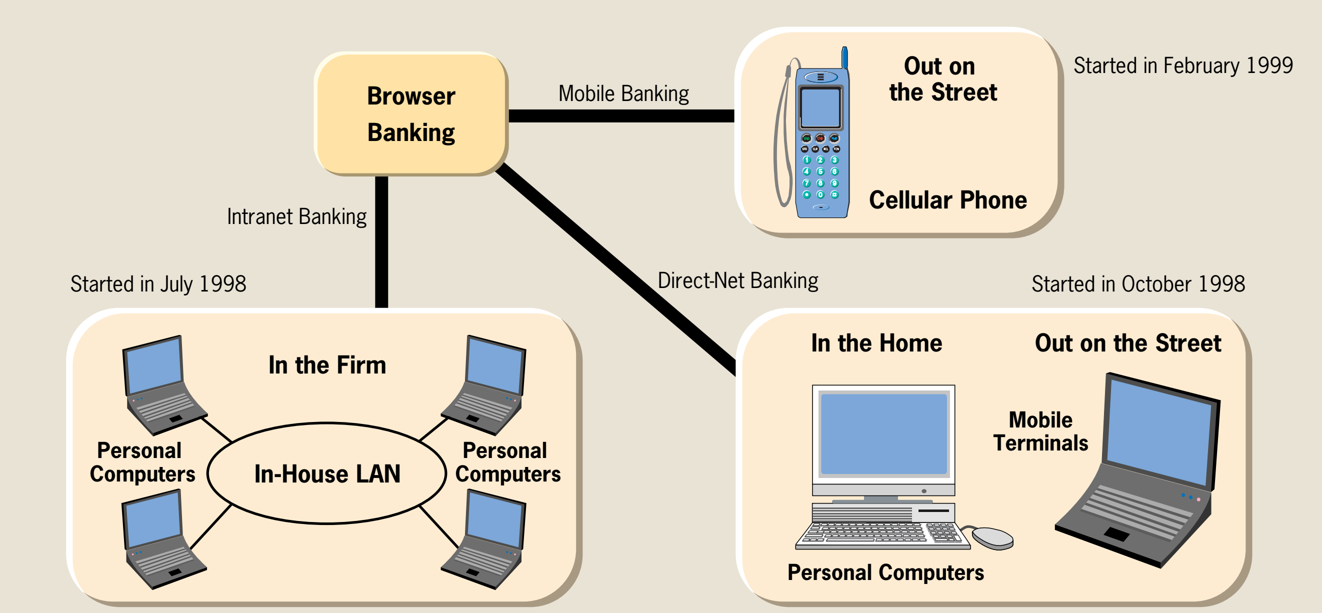
Browser Banking

In July 1998, we started the Sakura Browser Banking service in response to the public's enthusiastic embrace of recent technological changes. This service allows individual customers to do their banking from a PC or mobile telephone. It is extremely convenient and cost effective since a standard Internet browser program and a modem is all that is required. Customers do not have to purchase special software or even maintain an account with an Internet service provider to access the Bank. They can check account balances, transfer funds to others, request product information, update their address information, submit loan applications, and use various simulations from a PC at home or work. The account balance feature allows them to see detailed statements of their debits and credits, and the fund transfer feature permits them to send funds to other accounts without those accounts being pre-registered. As other banks do not currently offer these features, users of the service have singled us out for praise.

We first started this service using dedicated telecommunication lines connected to the intranets of select client companies. It proved so popular we expanded it to dial-up services on the Internet so that customers can use it from any PC with Internet capabilities. In February 1999, we opened a new channel with the introduction of the iMode mobile telephone banking service. Our customers can now effortlessly do their banking anytime, from literally anywhere, using, for example, their mobile phone.

In the process of taking this service from a concept to reality, we formulated three key objectives. The first was to provide the ability to use various media and to limit any constraints on time or place. The second was to keep the service free of any complex procedures required by customers. The third was to use secure networks and

Sakura's Browser Banking Services



systems with which all customers would be comfortable. By keeping these three objectives at the forefront of design considerations, we were able to rapidly expand the opportunities to use the service (the new iMode mobile telephones service, for example), offer an easy-to-use service and provide customers with a connection method that does not require an Internet account.

We will continue to augment this service with new technologies and network applications as they become available. We will also continue to extend service hours, add new products, diversify the access media and build the infrastructure for increased customer interaction.

Private Banking

Our main strategies in the retail market also include stepping up efforts to attract high net worth individuals to our Private Banking division. The highly skilled financial advisors staffing this division are well versed in issues related to wealth preservation, such as business succession and real estate issues, and can offer investment advice backed by advanced portfolio simulation software.

We are adding to the convenience of our private banking customers. In August 1998, we set up private banking reception rooms in our domestic branches. This was followed in September by the establishment of the International PB Center at our Manufacturers Bank subsidiary in the United States. Japanese customers can call upon the Bank to open and access accounts in the U.S. for foreign remittances or asset management purposes, thereby assisting with their international diversification strategies.

To further assist these customers with asset management, we have more than 1,000 financial planners on staff to provide advice throughout our branch network. We plan to increase the appeal of these services on an ongoing basis by quickly grasping and acting on customer needs.

Joint Finance Centers Opened
We opened a joint finance center with Mitsui Marine and Fire Insurance Co., Ltd., in February 1999. The industry's first multi-sector venture, this center will heighten customer convenience and keep up with demand for more diverse products. We will use this collaboration as a model for consumer-oriented joint ventures with other sections of the industry.

Services for Small and Medium-Sized Businesses and the Middle Market

Staying in Touch with Customer Needs

Small and medium-sized businesses are the lifeblood and source of innovation in most economies. We are evolving our services in this segment to keep abreast of demand for increasingly diverse fund-raising methods. Our total factoring system, for example, converts the high-quality receivables of a business into instant cash flow, streamlines balance sheets and removes the burden of collecting and administering payments. We are also seeking to make bank finance more convenient with such developments as the Sakura Business Loan Office concept. Our first such office opened in the Kobe area in May 1999 to provide local businesses with personalized financial consultation.

In March 1999, we started the Sakura Venture Promotion fund under the auspices of Sakura Trust & Banking Co., Ltd., to provide an investment vehicle to customers and a source of financing for promising start-up companies. At the time of writing, this fund had invested a total of ¥34 million in 10 new ventures. Moreover, we operate several venture capital investment partnerships that are contributing to the growth of dynamic young companies.

Business Support Services

Initial public offerings (IPOs) offer the Bank an excellent opportunity to provide smaller businesses with a range of products and services distinct from those offered by securities companies. Our IPO consultants start by advising customers on the merits and demerits of public offerings, guiding them through the entire process with advice, referrals and direct assistance. We can also draw upon Sakura Capital Co., Ltd., and the Sakura Institute of Research as required to provide a full slate of services. Further support is supplied by our newsletters chronicling the experiences of companies that have just listed or floated new issues and by periodic seminars on the topic of public offerings.

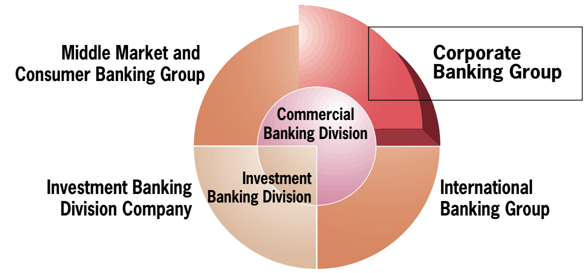
With the substantial changes sweeping through Japan's equity markets, investor relations (IR) have assumed increasing importance to listed companies. We are responding to these needs with an array of products and services. Most recently, we joined with the Sakura Institute of Research in starting an IR consultancy to help client companies communicate with the investment community and enhance corporate value.

International Trade Services

The Bank offers a range of trade facilitation and foreign exchange services for smaller domestic companies operating abroad. In addition to making transactions effortless, we furnish customers with seasoned advice about their overseas activities. We provide detailed advice for companies newly entering the United States, for example, which is enjoying a sustained economic boom, or Asia, which is recovering from major financial crises, and for those that are adding to existing investments or restructuring operations. Customers can obtain the latest information through the regular seminars we offer on topics such as foreign exchange markets, Asia and other timely issues.

Corporate Banking Group

—Serving Large Corporations—



The liberalization of financial regulations and the new accounting standards for corporate disclosure taking effect from April 2000 are changing the way companies manage themselves and their consolidated subsidiaries. We are using our long-standing expertise with major organizations and our cutting-edge financial engineering abilities to provide clients with proactive, tailored services suited to the new operating paradigm.

Helping Customers Adapt to Change

Changes in regulations and markets are occurring so fast that companies have to look outside their own organizations for expert advice. We seek to attract these companies as clients by offering new services to meet their changing needs. At present, we are cultivating staff with specialized knowledge, building proactive marketing systems and supporting both with advanced information networks and computer systems to enlarge our fee-based business. We follow a team approach in which a "relationship manager" works with various staff experts to provide truly customized solutions. We can help them achieve greater transaction processing efficiency; prepare information reporting and operating infrastructures to heighten their capital management, investment and fund-raising activities; and develop new financing schemes. We also provide services to assist parent companies coordinate financial planning and reporting with their constituent group companies.

Advanced Services for Evolving Needs

Pension Liability/Severance Allowance Actuary Services

In September 1998, we started actuary services to help corporations comply with new accounting standards for pension liabilities and severance allowances. We are the only city bank to offer this service. In fiscal 1998, we had 11 major corporations on contract for this service.

Real Estate Project Finance

The introduction of new accounting rules, particularly with regard to consolidation, has sparked a growing need among large corporations to take existing real estate holdings off their balance sheets to remove the distorting effects of unrealized gains or losses on their results. In November 1998, we were the first in the industry to offer Domestic Real Estate Project Finance services. Contrary to conventional financing, these schemes are based on a non-recourse model that basically lays claim to the real collateral assets and their cash flow. The success of our initial contract for this service has prompted us to expand the resources, including staff, assigned to this service.

Corporate Value Enhancement Packages

We now offer a service package that gauges the cumulative effects on a company's future consolidated balance sheets of new accounting rules for pension liabilities and securitization of domestic real estate holdings. The service calculates the estimated total effect on the company's ratings for debt issues, its stock price, etc. This service allows customers to run through various scenarios to select the one most likely to maximize their corporate value.

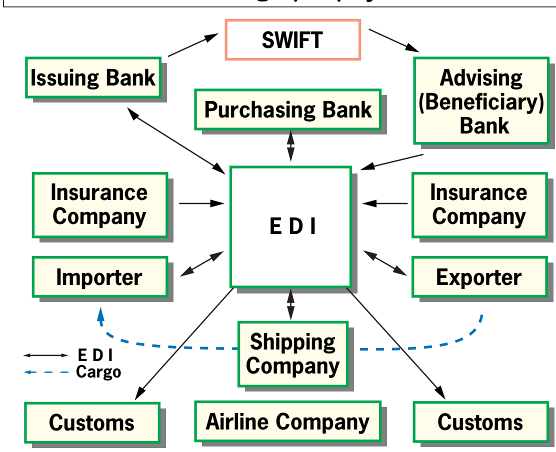
Group Cash Management

We can offer group cash management systems and advice on setting up financial subsidiaries to help companies maximize the efficiency of their inter-group cash flows. We help them to obtain better investment and fund-raising results, reduce the financial accounting costs and save further costs through the centralization of finance and accounting functions.

Response to the Shift to Electronic Settlements

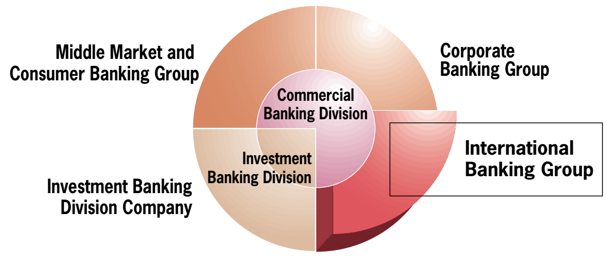
The Bank is participating in the worldwide trial operation of the Bolero trade finance electronic data interchange system as a means of readying its operations for this type of system. We are also participating in the trial phase of another international trade related electronic settlements system promoted by the Ministry of International Trade and Industry. These trials are helping us to establish the work flows, standard formats and rules required to operate such systems. When they are fully implemented, these systems will greatly enhance the Bank's ability to process international trade transactions.

Typical Trade Finance Electronic Data Interchange (EDI) System



Raising Efficiency with Straight Through Processing

To assist companies in attaining greater efficiency, we are currently upgrading our support systems for real-time Straight Through Processing. This provides major corporations with greater control over their financial functions and speed up administrative processes. To allow the full customization of these services, we are also beefing up our technical support and systems advisory capabilities, providing one more reason for customers to select Sakura as their main bank.



Japan's financial Big Bang, advances in information technologies and the rapid globalization of financial markets are providing the impetus for internationally active companies to step up their global activities. Sakura Bank is revamping its international business organization to meet the needs for increasingly sophisticated and specialized financial services. Our goal is to build a potent, highly efficient network ready for the challenges of the 21st century.

International Strategies–Offering High Value-Added

Services at Home and Abroad

Many of our clients are internationally active, creating demand for high value-added financial services both within Japan and abroad. Sakura Bank has established a solid business base, international expertise and full slate of financial services over its many years of overseas business operation. The Bank's new international strategies are predicated on the use of this business base and knowledge to satisfy the diverse needs of customers, particularly the Japanese-affiliated companies that form our core clientele and target market.

Offering Efficient Cash Management Services

The revision of the Foreign Exchange Law in 1998 has stimulated demand for a greater diversity of services to facilitate flows of funds between members of international corporate groups and to assist with cross-border investing and fund-raising. To meet this demand, we offer a generic global electronic banking (EB) service as well as customized services for individual needs.

Pursuing International Alliances

We have established powerful relationships over many years with leading Japanese and international financial institutions to support companies raising capital offshore. We are particularly strong in Asia, providing backup support to companies entering the area and helping to rebuild the region's economies with the arrangement of syndicated finance.

Capitalizing on Leading-Edge Financial Expertise

We are proud of the high concentration of extremely advanced, expert staff manning the offices in our international network, including the New York branch. This in-house expertise allows us to offer cutting-edge financial services as part of our regular services. Whether it is risk sharing to facilitate a client's international business development, corporate restructuring, balance sheet improvement strategies or any other requirement for complex cross-border services, we have a variety of leading financial know-how to get the job done accurately.

Activities in Each Region

Asia and Oceania

In Asia, we are making extensive use of our network, one of the largest Japanese presences in the region, to provide timely and precise services in this area, which has been severely hit by the recent currency crises. As international financial institutions grapple with rebuilding the Asian economies, Sakura Bank used its broad base in Thailand to arrange a US$1 billion co-financing with the Asian Development Bank for the Export-Import Bank of Thailand in April 1998. This was followed in April 1999 by a ¥60 billion untied, two-step loan to the Siam Commercial Bank Co., Ltd., for which we served as the advisory bank to the Export-Import Bank of Japan. These deals demonstrate the widespread recognition of our leading role in the area.

We are also playing a major role in forming syndicates to refinance the debt of major local companies and sovereign entities in other countries in the region, which is generating additional leads for our fee-based business from both the public and private sectors.

To help Japanese customers to navigate Asia's rapidly changing economic conditions, we provide a steady flow of timely information on the region, punctuated by periodic investment seminars on recent developments. We are also continuing to strengthen our presence with equity positions in local financial institutions, which is greatly bolstering our cash management and settlement capabilities. In April 1998, we took a stake in Bangkok Bank PLC, Thailand's largest commercial bank. The following July, we signed master agreements for international cash management services with the Far East Bank and Trust Company in the Philippines and RHB Bank in Malaysia, the leading commercial banks in those countries. A similar agreement was inked in February I999 with Bank Negra Indonesia, a national bank in Indonesia. We plan to use this network of alliances with locally based financial institutions to further heighten our services to Japanese affiliates who have invested in the region.

The Americas

The U.S. economy is enjoying an unprecedented period of economic activity and the Latin American economies offer the promise of future development as emerging economies. To respond to the increasingly diverse and sophisticated needs of customers in these dynamic areas, we are forging ahead with developments in both the commercial and investment banking sectors.

For our Japanese-affiliated clientele, we offer a full range of advisory services for direct investment in the region as well as traditional fund-raising services. We also provide these customers with cutting-edge financial engineering in such areas as securitization and derivatives, mergers and acquisitions, and project finance. In fiscal 1998, Sakura Business Finance, Inc., began offering lease financing services, arranging large-scale equipment tax leases to assist companies in slimming their balance sheets and to raise funds. This business is particularly attractive because it expands our fee-based income.

For local companies, our extensive Asian network provides an attractive source of up-to-date information and an introduction to leading-edge financing schemes. In September 1998, for example, we served as the primary arranger of the equity portion of a Japanese-style leveraged lease to finance the purchase of telephone switching equipment for the affiliate of a major U.S. telecommunications firm. Following on the heels of the leveraged lease arranged by the Bank for a major semiconductor manufacturer last period, the above-mentioned deal demonstrates that this type of financing can be successfully applied to a wide variety of equipment outside the boundaries of aircraft finance.

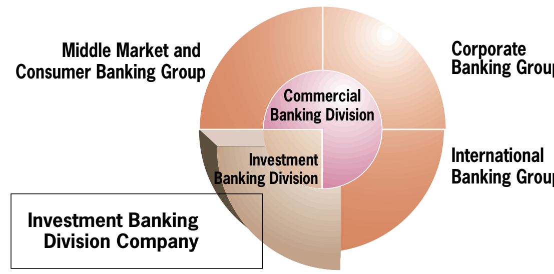
Europe and the Middle East

In January 1999, major members of the European Community (EC) joined together to launch a single currency, the Euro, marking the culmination of a long period of market and currency integration. On its current path, the EC is expected to continue to grow in scope and to foster the further economic and policy convergence of its member states. To keep up with the needs of clients in these major changes, we are positioning our London branch as the central base from which to most efficiently serve the region with top-quality services. From this base branch, we are able to offer strategic information to clients in Japan that are pursuing investments in the region. We also host periodic in-depth seminars on relevant topics, which enables us to offer information pertinent to the needs of individual clients regarding the Euro's impact on organizations, distribution systems, transaction settlement systems, financial markets and local companies.

Toward Greater Efficiency

To increase efficiency, we are conducting a major overhaul of our international offices. The following changes have already been implemented:

June 1998	Rio de Janeiro based investment bank Banco Bozano, Simonsen S.A. in Brazil added to list of affiliates
September	Sakura Bank (Deutschland) GmbH closed Beijing Representative Office opened
January 1999	Madrid Branch and Ho Chi Minh City Representative Office closed
March	Paris Branch and Houston Agency closed
May	Mexico Representative Office closed
June	Budapest and Jakarta representative offices closed



The Investment Banking Division Company operates in two major fields: corporate finance and trading, including foreign exchange, money markets and securities dealing. In October 1997, these operations were established as a separate internal company, the Investment Banking Division Company, to enhance the Bank's ability to offer high value-added financial services.

A Dynamic Organization

The Investment Banking Division Company comprises seven major departments including the merger and acquisition (M&A) expert team, and the Derivatives and Fixed Income Division, which is staffed by a team of cutting-edge financial engineers. The division company structure allows us to set the independent decision-making structures, personnel practices and budgeting procedures with the requisite flexibility for investment banking. For example, the division heads are endowed with decision-making authority on a presidential level to facilitate swift strategy execution. This applies equally to the realm of personnel management, where we have introduced results-oriented remuneration for employees in the expert and professional categories. The personnel rotation system is also primarily applied within the division company, allowing us to build up a formidable array of expertise and specialization within this organization.

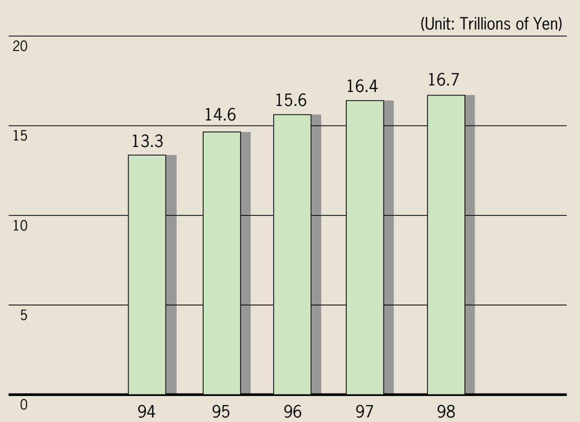
It is no exaggeration to say that the ability to respond to the increasingly complex field of market risk is the deciding factor in the success of trading operations. At Sakura Bank, we have formulated a proprietary risk management system and organization that lets us contain and manage our own risk exposure and provide a full range of risk management advisory services to customers.

Subsidiary Sakura Securities Co., Ltd., a top ranking underwriter among the Japanese securities houses, is the linchpin of our corporate finance business, collaborating with each division of the Investment Banking Division Company and our other subsidiaries and affiliates worldwide. In October 1999, restrictions preventing the securities subsidiaries of banks from dealing in equities will be lifted, providing more opportunities for the Bank's professionals to offer high value-added services.

Top Class as a Commissioned Bank

Sakura Bank is consistently in the top ranks of corporate bond issue operations in Japan. We offer a full range of services, from planning through to redemption, to assist the issue and processing of corporate bonds by domestic or foreign companies seeking to raise funds directly from investors. We also offer services as a commissioned company to the bondholders. It takes a diverse range of know-how to ensure that an issue is executed flawlessly. As a leading commissioned bank for many years, we have earned the confidence of issuers.

Corporate Bond Issues (Including Fiscal Agency Amounts) (Fiscal years ended March 31)



Fund-raising operations are increasing in volume and the corporate bond market continues to grow as Japan's financial Big Bang progresses. We plan to capitalize on our deep expertise in order to act as a leading bank in this field. During fiscal 1998, the low interest rate regime greatly stimulated the bond issuing market. We served as lead commissioned bank and fiscal agent for 88 issues amounting to ¥2,092 billion, making us the second largest Japanese commissioned bank by volume. We also secured the second position in Japan's private placement market, acting as lead commissioned bank for 246 issues.

Mergers and Acquisitions

M&A activities are gaining increased relevance as a tool for implementing key business strategies in today's rapidly evolving economic environment. These activities are being used more and more to expand and reorganize businesses. The Bank's M&A teams in our Tokyo, Kobe, Osaka, New York and London offices comprise over 40 experienced staff specialists, who provide expert assistance to more than 400 M&A desks in our worldwide organization. This organization is used to advise customers in the arrangement and conclusion of M&A deals. In fact, since Sakura Bank was formed as a result of a merger in 1990, we have advised on more than 200 deals, putting us in the top tier of Japanese M&A. This field is continuing to grow as large corporations call upon us to advise on reorganizations, withdrawals from business fields and expansions of core businesses. In particular, clients are coming to us for advice on the use of share exchanges, which are being newly allowed, as well as on the implications of corporate reorganizations on consolidated financial accounting and taxation matters. Most recently, we have established an equity stake in and master service agreement with a Korean M&A boutique to tap the growing interest in M&A activities between that country and Japan.

Direct Sales of Investment Trusts

In December 1998, the restrictions preventing banks from selling investment trust products in Japan were lifted, opening the route for Sakura Bank to handle them at its branches. To promote their sale, we are educating Japanese investors about their merits and the need for diversification strategies and long-term investing. We presently offer the largest selection of funds among the Japanese banks, handling 28 funds from 21 companies. To increase investor appeal, especially to first-time investors, we are working with the fund managers to provide marketing materials with a unified look to assist customers in selecting from among the numerous categories.

We now have specialized desks for investment products at 97 branches. Elsewhere, more than 1,000 graduates of our in-house financial planner courses provide specialized assistance. As of June 1999, this team had attracted more than ¥100 billion, making it one of the top sales forces among the Japanese banks.

New Product Development

The Bank, continually looking for new ways to satisfy customer financing needs, has been offering domestic syndicated loans and commitment lines of credit as new and stable sources for its customers. Through the promotion of syndicated loans, it is possible to aid customers as the lead arranger to raise capital more effectively than through a bond issue. Similarly, commitment lines of credit help clients by improving short-term cash flows and by strengthening balance sheets. We are also actively arranging, as new fee-based business, syndicated loans that include commitment lines of credit that go beyond the conventional customer/bank relationship.

We are also a leader in the field of securitization. The ¥200 billion securitized commercial paper program we arranged was rated Prime-1 by Moody's Investor Service, the top rating for a short-term trust product. This top rating for the program reflected its innovative structure, which made the issue independent of the institutions holding the securitized loans. By these means, the Bank plans to improve its capital adequacy ratio and to strengthen its lending business.

A Solid Response to Globalization

With the lifting of restrictions on foreign exchange, the cross-border flow of personal and corporate financial assets is picking up briskly. We were quick to capitalize on this trend, drawing on our round-the-clock network of currency desks under the direct control of our head office at our London, New York, Singapore and Hong Kong offices. A company investing in the United States or Europe, for example, can call upon us to raise or invest funds in US dollars or Euros, and to provide the necessary background information on which to base its decisions. With our strong Asian presence, we can just as readily advise clients on current trends and provide the direct investment and trade-related services required to set up operations in that region.

To reduce the risks inherent in operating overseas, we offer a full slate of derivative-enhanced investment products, such as our hybrid foreign currency denominated deposit product with options. We also offer advisory services to minimize the foreign-currency risks to which customers are exposed. These initiatives will ensure that we grow with our customers as they capitalize on the opportunities of globalization.

Sakura Securities Co., Ltd.

Sakura Securities serves customers investing in and raising funds directly from the capital markets. In the procurement wing, it handles everything from standard debt instruments, such as straight bonds and convertible bonds, to complex derivative-enhanced products designed to streamline balance sheets, such as asset-backed securities. On the investment side, it ranges in scope from government and corporate bonds to engineered financial products incorporating derivatives.

The revision of the Securities and Exchange Law, in December 1998, enabled us to enter such new fields as over-the-counter derivatives for marketable securities. We will continue to upgrade our services to fulfill the diversified needs of our clients.

In fiscal 1998, its fifth period of operation, Sakura Securities earned revenue of ¥13.4 billion, while operating income topped ¥4.1 billion. We also achieved another significant performance in the underwriting field. It ranked fifth by volume as the lead arranger of straight bonds among all the domestic securities houses and second among the bank-affiliated ones. As of March 31, 1999, its capital adequacy ratio stood at 565%, underlining its robust financial position.

Operating Results

(Units: Millions of Yen, %)	Fiscal 1998	Fiscal 1997
Operating Revenue	¥ 13,424	¥ 5,330
Operating Income	4,102	(2,427)
Net Income	3,904	(2,448)
Paid-in Capital	25,000	25,000
Total Capital	39,718	35,813
Total Assets	¥1,860,517	¥1,346,790
Number of Employees	187	175
Capital Adequacy Ratio	565.0%	406.4%

Sakura Trust & Banking Co., Ltd.

Sakura Trust & Banking offers a wide range of innovative trust products incorporating financial management features to meet the increasingly sophisticated demands of the investment community. Recognizing that long-term customer relationships are the foundation of the trust business, the subsidiary is striving to reinforce its specialized knowledge base and to create services that stand out from the pack. It offers investment and custody services for balance sheet items as well as various advanced off-balance sheet capital procurement products. Its money trust products, for example, help companies to lower the cost of capital and trim their balance sheets by securitizing their accounts receivable, trade notes receivable, lease receivables, credit receivables and loans receivable, while offering investors a lucrative investment vehicle. The subsidiary also offers a complete range of securities trusts, which present income-generating opportunities by lending these securities to third parties in the form of securities trusts, money trusts, real estate trusts, money trusts *(tokkin)*, securities investment trusts and charitable trusts.

Although Sakura Trust & Banking operated in the red its first year because of set-up costs, it has posted solid returns ever since fiscal 1996. In fiscal 1998, it recorded after-tax income of ¥125 million, enabling its long-standing deferred losses to be completely written off. Assets under management continue to increase steadily each year. Moreover, the balance of money trusts under management increased ¥300 billion during the term to break through the ¥1 trillion mark. Total assets under management now exceed ¥1.3 trillion.

Operating Results

(Unit: Millions of Yen)	Fiscal 1998	Fiscal 1997
Operating Income	¥ 1,561	¥ 1,603
Net Operating Income	234	255
Net Income	125	33
Paid-in Capital	10,000	10,000
Total Capital	10,026	9,900
Total Assets	37,092	26,859
Trust Assets under Management	¥1,363,537	¥1,192,632
Number of Employees	38	35

Sakura Investment Management Co., Ltd.

Sakura Investment Management serves the complete spectrum of customers from individual to institutional investors with asset management services. Drawing upon the resources of the group network to provide information and analyses, this subsidiary conducts company visits to assist in selecting stocks and debt issues for its portfolios.

Since December 1998, when the parent bank was permitted to sell investment trusts through its branch network, this subsidiary has provided a number of diverse managed funds. *The Sakura Nihon Kabu Open*, for example, is continually ranked as the top fund by the Investment Trusts Association, Japan, and receives favorable ratings from all the agencies.

Operating Results

(Unit: Millions of Yen)	Fiscal 1998	Fiscal 1997
Operating Revenues	¥ 2,441	¥ 1,926
Operating Profit	(304)	38
Net Operating Income	(302)	37
Net Income	(416)	21
Paid-in Capital	1,280	1,280
Total Capital	1,594	2,025
Assets under Management (Billions of Yen)	7,243	8,813
[Pension related funds]	¥[2,675]	¥[2,791]
Number of Employees	108	117

The Bank recognizes the creation of a strong management structure and enhanced management efficiency as key management tasks to ensure prosperity in post-Big Bang Japan. Capitalizing on the success of ongoing efforts to streamline management since the merger of its two predecessors in 1990, the Bank will shift its focus to a comprehensive restructuring aimed at reinforcing competitiveness and enhancing corporate value.

Background

The Bank believes that restructuring efforts must not be limited simply to reducing its payroll and streamlining its branch network to reduce personnel and non-personnel expenses, but must also contribute to the creation of a highly profitable and financially sound management structure. The Bank has expanded its new career selection system, which assists employees who retire voluntarily to reestablish themselves in new careers, and introduced an Executive Officer system. At the same time, the Bank has bolstered cost competitiveness through service-channel reform, aimed at creating highly cost-competitive new channels, and upgraded its information technology capabilities to facilitate the early introduction of a highly efficient and highly profitable new operating structure.

Accomplishments in Fiscal 1998

In fiscal 1998, the Bank's payroll was reduced by approximately 1,000 people. Over the past nine years, the Bank has achieved an overall reduction of nearly 30%, or 6,870 employees, from 23,200 as of the merger in 1990. A total of 24 manned branches were closed down during the period, contributing to a total reduction of 149 branches since the merger, at which time there were 618. The Bank also accelerated restructuring efforts overseas, rationalizing a total of eight operating bases, four of which were closed down. Personnel reductions and a review of base salaries enabled a total reduction in personnel expenses of ¥17.6 billion in fiscal 1999. To enhance the competitiveness and vitality of its human resources and improve the efficiency of personnel expenses, in July 1999 the Bank introduced a new performance-based personnel management system.

Looking Ahead

The Bank will proceed with efforts to restructure its domestic and overseas networks with the aim of reducing its payroll to 13,200 by the end of March 2003. This represents a reduction of approximately 10,000 employees, or 50%, from the total at the time of the merger.

By closing down inefficient operating units and promoting the establishment of next-generation manned service channels, the Bank will endeavor to reduce its domestic network of manned operating units by the end of March 2003 by 30% from the fiscal 1997 year-end level, or 40% from the merger level. The Bank will also expand its network of ATMs through its alliance with am/pm Japan, as well as expand new channels, such as call centers and its Browser Banking service, to create a more efficient channel cost structure.

Overseas, the Bank will narrow its focus to services for Japanese companies. By the end of March 2003, the Bank intends to scale back its overseas network to five core and 19 satellite operating bases, 14 of which will result from the integration of existing branches, representative offices and agenies. This represents a reduction of 21 operating bases from the end of March 1998 level, or 70% from the peak.

As a result of these efforts, as well as reforms to its employee welfare system and further revisions to its system of remunerations and bonuses for directors, the Bank expects to achieve significant reductions in personnel and non-personnel expenses, enabling it to lower expenses by about ¥45.0 billion from the fiscal 1997 level by fiscal 2003.

Executive and Personnel Management System Reforms: Achievements and Targets

	Fiscal 1997	**Fiscal 1998**		Fiscal 2003	
			Difference (Compared with Fiscal 1997)		Difference (Compared with Fiscal 1997)
Number of Employees at Fiscal Year-End	17,420	**16,330**	**(1,090)**	13,200	(4,220)
Number of Domestic Operating Bases	493	**469**	**(24)**	352	(141)
Domestic Branches	430	**412**	**(18)**	319	(111)
Number of Overseas Operating Bases	40	**32**	**(8)**	19	(21)
Overseas Branches	23	**18**	**(5)**	13	(10)
Expenses (Billions of Yen)	¥434.9	**¥425.0**	**¥ (9.9)**	¥390.4	¥(44.5)
Personnel Expenses	195.7	**178.1**	**(17.6)**	152.1	(43.6)
Non-personnel Expenses, Taxes	239.2	**246.9**	**7.7**	238.3	(0.9)

Executive and Personnel Management System Reforms

Executive Officer System and Performance-Based Remuneration System for Directors and Executive Officers

In the interest of better corporate governance and more efficient management, in June 1999 the Bank introduced an executive officer system and reduced the size of its Board of Directors to 13, from 45, a move that has expedited decision-making by the Board of Directors and reinforced internal auditing functions.

In another important move, the Bank replaced its fixed remuneration and retirement allowance system for directors with a performance-based system, whereby amounts are calculated based on the performance of the Bank and the individual. As an added incentive for directors and executive officers, the Bank also introduced a stock option scheme.

New Employee Remuneration System

In July 1999, the Bank implemented a drastic reorganization of its employee remuneration system with a flexible system linking employee remuneration to individual contribution, thus providing an additional incentive and improving employee morale. Under the new system, base salaries are linked directly to individual contribution, while the degree of achievement of clear corporate objectives determines bonus calculations and is also reflected in total salary calculations.

In another move aimed at facilitating the strategic reallocation of highly capable human resources, the Bank created a competence model to enable more accurate evaluation of performance. At the same time, the Bank eliminated its traditional system of promotions, which was based on length of service, thereby paving the way for motivated, skilled young employees to rise to positions of responsibility in areas to which they have exhibited a particular aptitude and/or achievement. To ensure individual preferences are also considered in determining personnel assignments, the number and variety of positions open to application has been greatly increased to include general manager, assistant general manager of branches and all other lower- and middle-management positions.

Environmental Management

ISO 14001 Certification

In line with its commitment to being a good corporate citizen and to conducting its business in harmony with the communities it serves, the Bank places a high priority on environmental protection at the branch and departmental level. In November 1996, the Bank concluded an environmental preservation agreement with the city of Kobe. Pursuant to this agreement, the Bank implemented a waste paper recycling system at its branches in Hyogo and Osaka prefectures. In March 1997, the Bank introduced an award-winning centralized waste recycling system to recycle waste paper generated by its operations in Tokyo into ordinary, recyclable paper.

In September 1998, the Bank obtained ISO 14001 certification, the International Organization for Standardization's global benchmark for environmental management systems, for the Sakura EMS (environmental management system), becoming the first Japanese bank to be so endorsed. This system, which promotes responses to environmental problems as an integral component of the Bank's activities, was launched in April 1998 to unify the Bank's various environmental management activities.

Environmental Management Activities

The Bank classifies its environmental management activities into two categories: those through which it can contribute directly to environmental protection, through its own actions, and those whereby it can do so indirectly, through its business relationships. The former encompasses efforts to reduce waste paper output, increase energy efficiency, and reduce resource consumption by promoting the use of recycled paper. The latter involves providing information and advice through seminars for clients endeavoring to improve environmental management and introducing clients seeking ISO 14001 certification to consultants in the field.

Risk management is evolving into a more diverse and complex field as financial markets are liberalized and internationalized. Banks, forced to encounter risks in the normal course of operations, must face these risks to generate revenues. Accordingly, rigorous risk management to sustain financial soundness is of utmost importance to banks.

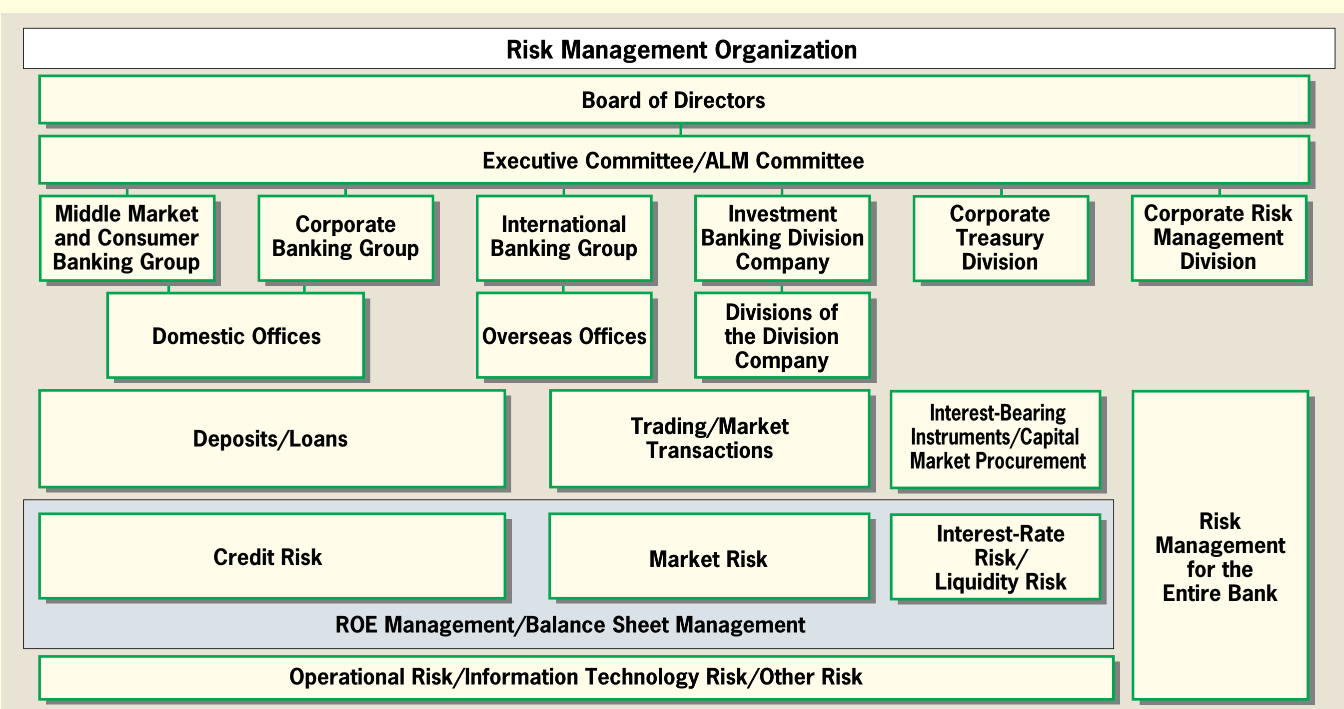
At Sakura Bank, risk management is a top-priority managerial issue and an area in which we continue to enhance our capabilities on an ongoing basis. We manage credit, market and liquidity risk comprehensively within the greater frameworks of “ROE management” and “balance sheet management.” Our operating plans accommodate considerations for risk management both at the planning and implementation stages. We also consider it important to manage operational, information technology, legal and other types of risks, and are taking steps to strengthen our systems and staffing in these areas as well.

Credit Risk

Credit risk is the possibility that deterioration in a borrower’s financial condition will lead to default. In our lending operations, we aim to manage credit risk at appropriate levels. We seek to match the returns to the risks with the objective of contributing to the growth of the client company or individual consumer, and ultimately to benefit industry, the local community and the general public.

In our lending practices, we use a range of quantitative and qualitative analyses to discern the borrower’s true repayment and growth prospects. Where applicable, we conduct cash flow and other financial analyses, assessments of industry trends, evaluations of research and development capabilities, analyses of competitiveness and product positioning, and assessments of management competence and capabilities. We start by verifying and confirming the use of the funds and collateral, and plan a repayment schedule. Then we examine the potential loan in terms of its fit to our credit policy, the customer’s cash flow to meet the repayment schedule, the trade-off between the risk and the returns, and other strict criteria. As a rule, all borrowers are subject to a quantitative credit risk analysis that culminates in the assignment of a credit rating, which allows us to quantify the overall risk of our loan portfolio.

To maintain financial soundness and profitability as well as to seek higher yields, we give careful consideration to diversification of our loan portfolio. Risks are spread over different clientele types to avoid a concentration in any one customer, country, region or industry group. We also attempt to select those loans that produce the highest profit for the least risk.



We are reorganizing and improving our lending operations in step with the implementation of the company/group structure. As part of this, we are introducing new loan products individually tailored to specific needs. At the same time, we are redesigning credit application and approval processes to both speed up our customer response and strengthen our credit controls. We have introduced electronic credit application and approval processes, branch-specific portfolio databases and other sophisticated information technologies that reinforce and streamline auditing and compliance processes. These changes ensure that strict credit controls are implemented even as we provide a more personalized, market-driven response.

Credit Rating System

Credit ratings are assigned to a borrower or security to indicate the degree of default risk presented by that entity relative to other entities. The credit rating system used at Sakura Bank, summarized in the accompanying chart, is applied to both domestic and foreign borrowers. The system incorporates both statistical and qualitative analyses of the borrower's finances and operations, providing 10 possible rankings. The higher the ratings number, the lower the assessed quality of the borrower. This system also corresponds to the classification systems used in the self-assessment of assets and to the long-term ratings assessed by external rating agencies. The Bank uses this rating system to manage credit risk, to determine

Credit Rating	Degree of Credit Risk		Self-Assessment/ Borrower Categories
1	Essentially No Risk	Low Credit Risk	Normal
2	Very Limited Risk		
3	Limited Risk		
4	Better than Average		
5	Average		
6	Permissible		
7	Worse than Average		
8	Preventative Management Required		Caution
9	Careful Management Required		Possible Bankruptcy
10		More Credit Risk	Virtual Bankruptcy/ Legal Bankruptcy

appropriate loan pricing and to sustain and improve the creditworthiness of the Bank's portfolio.

Market Risk

The potential for fluctuations in interest rates, exchange rates and other market factors to impact the price of financial instruments and cause losses is termed the market risk. We manage market risk by establishing a basic risk control policy that is revised semiannually by the Executive Committee. The policy determines risk-taking authority, sets risk limits and specifies procedures for the market risk management process and the assumption of responsibility for it. Specifically, it sets out (1) limits for positions, risks and losses, (2) monitoring frequency and stress tests, and (3) warning lines.

The Bank manages its global exposure on an integrated basis, measuring the cumulative risk of its trading account and the market risk and interest rate risk borne by all the assets and liabilities of the banking account. A department that is independent of revenue-generating sections calculates and reports position, and risk, profit and loss levels, providing a good measure of internal checks and balances. In October 1996, we were the first among Japan's city banks to establish a Corporate Risk Management Division specializing in bank-wide risk management that reports directly to management and is independent of revenue generating divisions. This division manages the market risk exposure of the entire bank, including overseas operations, on a daily basis and reports to the ALM Committee regularly.

To assess market risk, we utilize sophisticated statistical techniques based on the value at risk (VaR) model recommended by the Bank for International Settlements (BIS). These calculations determine in advance the maximum risk exposure and the required risk capital to maintain market risk within well-defined limits. The VaR analysis includes Monte Carlo simulations and is calculated on the basis of one year of market data with the assumptions of a two-week holding period and a 99% confidence interval, as stipulated by BIS standards. In fiscal 1998, the VaR of the Bank's trading account, calculated with the internal model, ranged from a maximum of ¥6.3 billion to a minimum of ¥1.9 billion. The average was ¥3.7 billion.

We continue to enhance the rigorousness of these models by analyzing the relationship of the VaR with the actual profit and loss using a statistical procedure known as back testing.

In addition to managing market risk globally, we quantify credit risk on a comparable basis. As a further measure, we quantify our combined exposure to market risk and credit risk. This allows us to control our exposure within the scope of our capital and to work to enhance returns on equity through ROE management. See pages 53 to 54 for a discussion of ROE management.

Trading Account

The trading account is the account used by the Bank for operations intended to create profits from short-term arbitrage trading in interest-bearing instruments, currencies and marketable securities. The trading account securities are stated at market value, which is the arms-length, fair-market value. Listed securities are stated at the last posted price on the exchange. Non-listed securities are stated at the market prices posted by brokers or other vendors or at prices calculated using the theoretical pricing method.

To provide an objective method of determining the value of each product, the manual used in the Bank requires disclosure of the (1) basic data and source, (2) time of data acquisition, (3) method used to calculate the yield curve from the basic data, (4) procedures used to modify basic data, and (5) valuation method (current discount method, option pricing models, etcetera). These valuation methods are also authenticated for fairness and appropriateness by the risk management section. As a further precaution, basic data is retained for a set period of time to permit verifications of the valuations.

ALM System

The Bank has established a comprehensive asset-liability management (ALM) system with the objective of centralizing the control of the interest rate and liquidity risks inherent in its own deposit taking and lending operations. The strategic management of positions* using interest rate forecasting has successfully contributed to a stable increase in profitability. To respond quickly to changes in market conditions, ALM decision-making is conducted by the directors in charge, who report to the ALM Committee, which is chaired by the president of the Bank. In monthly meetings, the ALM Committee receives reports and inquires about trends in markets, deposit taking, lending and the funding gap. It is part of a risk management system directly linked to top management. The Corporate Treasury Division implements the daily ALM functions, centrally managing deposit and loan interest rate and liquidity risks. As necessary, it oversees the raising of funds from the markets or the placement of funds in yen-denominated securities as well as the use of derivatives, such as interest rate swaps, to adjust the Bank's exposure to the interest rate risk of the foregoing instruments. It draws on a full range of sophisticated and multifaceted analytical tools and indicators, including VaR analyses, market interest rate sensitivity analyses (delta values), gap analyses, earnings at risk (EaR) analyses and profit and loss simulations.

**Position in this context refers to the status of assets and liabilities viewed from the perspective of interest rate and liquidity risk.*

Liquidity Risk

Sakura Bank manages its balance sheets so that it does not have to rely too heavily upon market based procurement using such instruments as the call money and negotiable certificates of deposit provided by institutional investors. Its task is made somewhat easier by its formidable yen fund-raising ability, underpinned by one of the largest branch networks and customer bases in Japan. Specifically, we have established a system for comprehensively managing foreign currency and yen denominated liquidity risks. As part of this system, the ALM Committee sets objectives for yen and foreign currency balance sheet management based on (1) an accurate grasp of fund-raising capabilities; (2) the formulation of appropriate lending targets that takes this into account; and (3) the carrying out of business in accordance with plans.

The Corporate Risk Management Division, Foreign Exchange and International Treasury Division, International Banking Division and other operating divisions conduct a variety of precautionary operations while they gather and analyze market information used as the basis for ALM Committee decisions. They also implement the various measures and policies. These may include liquidity management according to trends in funding premiums, the adjustment of asset and liability durations, and measures to enhance the efficiency of currency denominated fund raising.

In daily risk management, we avoid cumulative increases in liquidity risk by setting limits on the funding gap arising from unsecured fund-raising. In addition, we are prepared for contingencies with bank-wide action plans that can be swiftly implemented. Our preparations include the establishment of rules for changes in limits in accordance with the Bank's creditworthiness, as indicated by ratings, and a control structure for emergency situations.

We are also well prepared to manage foreign currency liquidity risk. We maintain sizable holdings of highly liquid marketable securities, such as U.S. treasuries, and have pre-arranged emergency borrowing facilities so that we are able to cope with turbulent market conditions.

Market Risk of Long-Term Securities Portfolio

A portion of the securities held by the Bank is held on a long-term basis as strategic investments to promote customer relations. Market risk is defined as fluctuations of value in the portfolio. Since these securities are not held for trading, we believe that the cost method, which is currently employed, of valuing these securities is appropriate and best reflects the long-term intent of the portfolio. As of the balance sheet date, this portfolio stood at approximately ¥3,300 billion. The Bank recognizes the impact of the fluctuation on the balance sheet and is working on methods to manage this impact.

Currently, the securities held as long-term strategic investments are treated as a portfolio and the market risk of the securities is measured with the VaR model. A portion of capital is allocated to cover the value at risk as part of the ROE management process, and the portfolio is managed within the set limits. These figures are included as part of the Bank's entire risk exposure amount, along with the market and credit risk of the other components, so that total risk exposure can be maintained at levels appropriate to capital holdings.

As a measure to boost our risk management capabilities for these securities, we established the Equity Management Department in June 1999. This office is focusing exclusively on managing our portfolio of long-term securities.

We anticipate that the valuation method for these securities will be switched to the market value method at some point in the future and are preparing for a smooth transition by augmenting our risk management capabilities.

Country Risk

Country risk is the risk that political, social or economic changes in a country or region will result in defaults. Although country risk is most closely identified with the fallout of the South American debt crisis of the 1980s, the recent Asian currency crisis that began in Thailand in July 1997 and the August 1998 Russian economic crisis are further examples.

At Sakura Bank, we manage country risk in an integrated manner, restraining total exposure to a set proportion of capital. We pursue a balanced portfolio to avoid over-concentration of credit in any one country or region, and have set individual country lending guidelines that account for the risk of each country to minimize the effect of unforeseen circumstances on the Bank.

Measures to prevent risks from escalating are growing in importance as economic globalization accelerates the pace at which countries are thrown into crisis and distress spreads to other countries. As a result, we have formed a section charged with the task of tracking country risk on an ongoing basis. It analyzes the information and records it in databases. Based on this information, we set strict credit limit guidelines for countries with worsening risk conditions and downgrade or freeze credit for countries with pronounced difficulties. We have also established a variety of proactive systems and procedures to recoup the credit extended to these countries, which form part of our total efforts to prevent losses due to country risk before they can occur.

Operational Risk

In April 1999, Japan's Financial Supervisory Agency published a financial auditing manual that calls for "a system emphasizing self management and risk management based on the principle of self-regulation." Sakura Bank has already put in place a range of measures to control operational risk, such as "Measures to Maintain and Upgrade Operating Standards," "Preventative Measures for Operational Incidents," and "Preservation of the Public Confidence," as well as our "Guidelines for Appropriate Business Conduct." In accord with this emphasis, our domestic credit departments send inspectors on "head office audits" throughout the branch network two or more times each year, and we are expanding this to two or more times annually for overseas branches, subsidiaries and affiliates. In addition to this, each department and branch manager is charged with conducting monthly department or branch inspections. There are also department or branch inspections when managers are changed. On top of these inspections, special inspections are carried out as warranted, providing the finishing touches to a system with ample restraint features.

We are further reinforcing and expanding our audit system for traditional business lines as well as for new service areas, such as investment trust products, and for new delivery channels, such as the Internet-based Sakura Browser Banking service. This involves securing experienced staff and building up the inspection departments to sufficient size to provide a proactive and effective response to the oversight function.

The audits encompass office processes and management systems, placing emphasis on such aspects as risk management, operational control, compliance and asset quality, or on the ROCA approach to determining how well risks inherent in these operations are being managed. In addition to the standard categories applied across the organization from the head office to the branches, we also inspect items that are specific to each department or branch or that arise in the course of conducting the "head office audit." This makes for a flexible, timely auditing system that is complete in both quantitative and qualitative respects.

Our intention is to continue to build up our auditing system so that it embraces the "best practices" for the industry in addition to covering the minimum standards suggested in the financial auditing manual.

Information Technology Risk

The potential impact of computerized system failure is growing as services become more diverse and complex and the number and scope of transactions utilizing computer networks expand. We believe that awareness and countermeasures to prevent system breakdowns, malfunctions, and anomalies arising from defects, as well as improper use of the system, should be pursued at every level of our organization. Accordingly, we conduct periodic independent internal audits that encompass all aspects of information technology from planning through to development, management and application by end-users.

We have taken thorough measures to ensure the stable operation of our system. As a precaution against large-scale disasters, we have built a back-up system center in the Kansai area in addition to our main center in the Kanto region. This system allows us to continue operating without interruption if our main system center is ever incapacitated. Both centers feature various safety features, including independent power-generating systems and multiple, redundant telecommunications lines.

Compliance

Background

With the aim of instilling a high standard of corporate ethics and self-discipline, thereby earning and maintaining the trust of its customers, in December 1996 the Bank published a Code of Conduct that outlines its principles of conduct and standards of conduct for Bank employees. This code forms the basis of the Bank's Compliance Code, which was established in April 1999 and currently governs the Bank's responses to compliance issues.

Compliance System

To reinforce awareness of its current internal regulatory framework, in April 1999 the Board of Directors of the Bank formulated a concrete Compliance Program. Under this program, compliance activities are supervised by the Ethics Committee, which was established in November 1996 and its overseen by the Legal Division. The Legal Division's responsibilities include (1) ensuring the legality of management decisions by examining items before the Board of Directors or the Executive Committee in advance, (2) offering advisory services and guidance to ensure the legality of divisional and branch marketing activities and (3) ensuring the legality of new financial products in consideration of customers.

The Bank has also assigned compliance officers to all of its major branches and offices and has contracted highly reputed external lawyers in each area of its operations to serve in an advisory capacity, with the aim of preventing the occurrence and/or ensuring the early resolution of compliance-related problems.

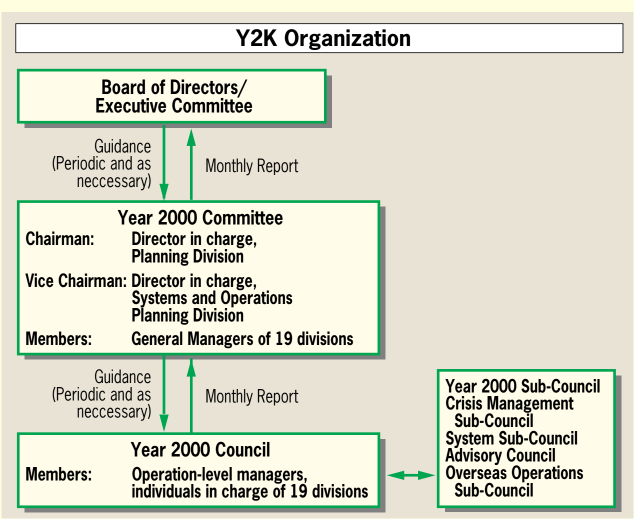
The Bank's Board of Auditors, which operates independently of the Board of Directors, audits the business activities of the directors, considering the compliance enforcement efforts.

Measures for Dealing with the Year 2000 Issue

The Year 2000 (Y2K) issue refers to the danger that computer systems may improperly process computations involving calendar dates after the beginning of the year 2000 because the programs they employ recognize years using only the last two digits instead of the full four digits, resulting in system errors.

The Bank regards Y2K compliance as a priority management concern and began to implement measures to cope with the issue in July 1996, focusing on the modification of core systems and steps to prevent predictable problems, as well as on the formulation of contingency plans to minimize risk in the event of unforseeable difficulties.

Responsibility for the Bank's overall Y2K compliance effort resides with the Year 2000 Committee. The directors of the Board responsible to the Planning Division and Systems and Operations Planning Division serve as chairman and vice-chairman, respectively, with membership comprising general managers of relevant divisions. The Committee formulates specific measures for dealing with the Y2K issue and monitors implementation. It has also been granted the authority to accelerate responses as necessary. The Committee reports to the Board of Directors monthly on the Bank's Y2K compliance efforts. The Bank has also formed the Year 2000 Council, which falls under the authority of the Year 2000 Committee and is responsible for actual day-to-day initiation and implementation of measures. Of particular importance, the Council is responsible for formulating and advancing contingency plans. To this end, it has also appointed a general manager within the Planning Division to be in charge of crisis management on a full-time basis.



The Bank completed testing and modification of banking systems for deposits, remittances loans and other core banking operations, non-core systems and internal computer networks as of in June 1999. Tests were also conducted to confirm problem-free operation using certain dates expected to cause Y2K problems. Successful final tests to confirm the effectiveness of modifications, involving most core and noncore systems, were subsequently conducted using actual system parameters from Golden Week 1998—a period of approximately one week, beginning April 29, within which fall several national holidays—and the January 1999 New Year's holiday. Tests involving the systems of overseas subsidiaries, affiliates and offices were also completed in June 1999.

The Bank estimates the total cost of its Y2K compliance program at approximately ¥7.8 billion, of which ¥6.0 billion has already been allocated. This is the total amount estimated for modification and testing of the majority of the computer systems of the Bank and its subsidiaries and affiliates around the world; specifically, it covers expenditures related to the replacement of older equipment as part of Y2K compliance efforts, the modification of operating systems and other externally sourced software and programs developed by the Bank itself, and tests conducted to ensure the effectiveness of Y2K measures. This amount also includes costs associated with measures implemented to ensure equipment, telecommunications systems and other devices and systems employing microchips, as well as for measures to ensure Y2K compliance for the Bank's various electronic banking services. The Bank will prioritize additional funds and personnel resources on an as-needed basis.

The Bank is aware that the risks associated with the Y2K issue are not limited to its own computer systems, but also involve the potential impact on the Bank of problems in other sectors, including the social infrastructure, financial networks, the systems of its customers and a host of other external factors. Accordingly, the Bank has formulated a contingency plan to minimize the impact of problems caused by such external factors, should they occur. Specifically, the plan involves implementing a series of tests of customers' electronic banking service links with the Bank using the Bank's internal systems and tests related to the transmission and reception of data using magnetic tape and other media. The plan also encompasses the preparation of a manual designed to ensure uninterrupted services and/or restore services should an unexpected problem develop in a crucial area of the Bank's operations. The first draft of the contingency plan was submitted in March 1999 and the final version completed in June 1999. The Bank will continue to rehearse responses outlined in the plan and take steps to further minimize external risks, ensuring preparedness for the arrival of the year 2000.

This document describes that the Bank is using its best efforts to minimize risks in respect of the Y2K issue. Please note, however, that this document does not give any warranty as to the countermeasures taken or being taken by the Bank.

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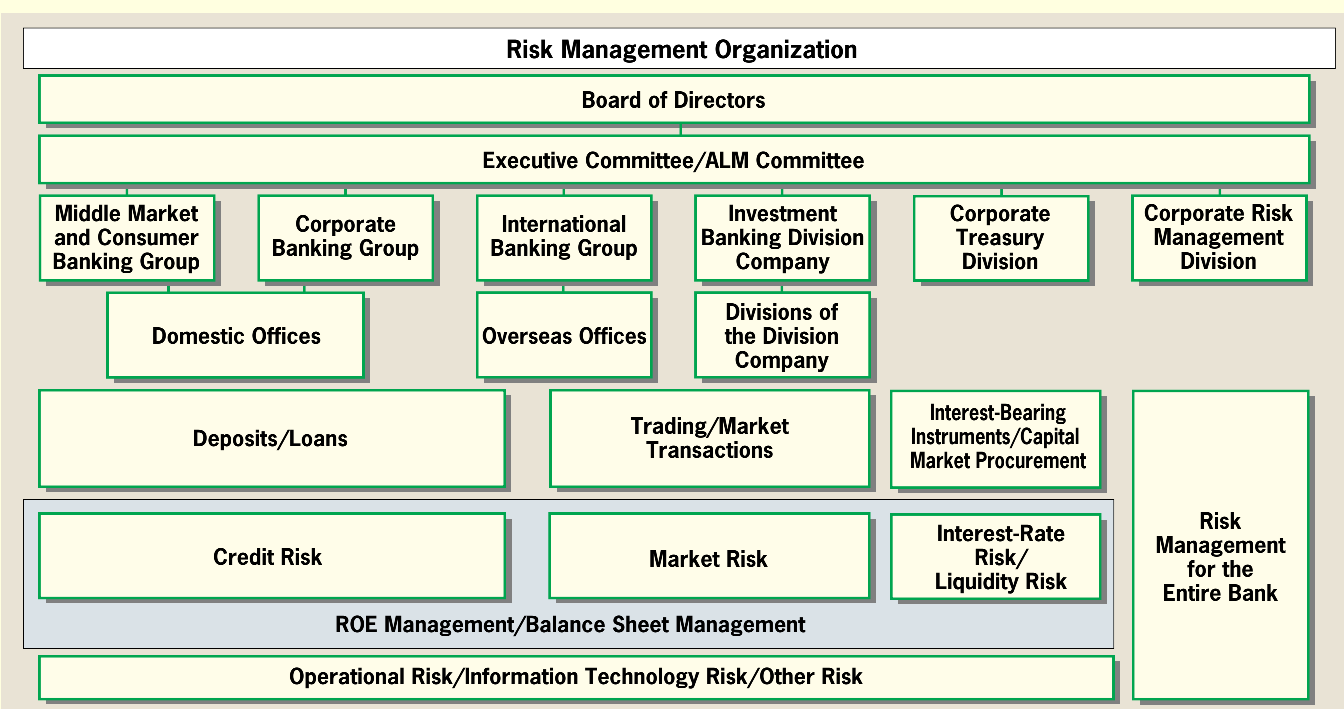
To maintain financial soundness and profitability as well as to seek higher yields, we give careful consideration to diversification of our loan portfolio. Risks are spread over different clientele types to avoid a concentration in any one customer, country, region or industry group. We also attempt to select those loans that produce the highest profit for the least risk.



We are reorganizing and improving our lending operations in step with the implementation of the company/group structure. As part of this, we are introducing new loan products individually tailored to specific needs. At the same time, we are redesigning credit application and approval processes to both speed up our customer response and strengthen our credit controls. We have introduced electronic credit application and approval processes, branch-specific portfolio databases and other sophisticated information technologies that reinforce and streamline auditing and compliance processes. These changes ensure that strict credit controls are implemented even as we provide a more personalized, market-driven response.

Credit Rating System

Credit ratings are assigned to a borrower or security to indicate the degree of default risk presented by that entity relative to other entities. The credit rating system used at Sakura Bank, summarized in the accompanying chart, is applied to both domestic and foreign borrowers. The system incorporates both statistical and qualitative analyses of the borrower's finances and operations, providing 10 possible rankings. The higher the ratings number, the lower the assessed quality of the borrower. This system also corresponds to the classification systems used in the self-assessment of assets and to the long-term ratings assessed by external rating agencies. The Bank uses this rating system to manage credit risk, to determine appropriate loan pricing and to sustain and improve the creditworthiness of the Bank's portfolio.

Credit Rating	Degree of Credit Risk		Self-Assessment/ Borrower Categories
1	Essentially No Risk	Low Credit Risk	Normal
2	Very Limited Risk		
3	Limited Risk		
4	Better than Average		
5	Average		
6	Permissible		
7	Worse than Average		
8	Preventative Management Required		Caution
9	Careful Management Required		Possible Bankruptcy
10		More Credit Risk	Virtual Bankruptcy/ Legal Bankruptcy

Market Risk

The potential for fluctuations in interest rates, exchange rates and other market factors to impact the price of financial instruments and cause losses is termed the market risk. We manage market risk by establishing a basic risk control policy that is revised semiannually by the Executive Committee. The policy determines risk-taking authority, sets risk limits and specifies procedures for the market risk management process and the assumption of responsibility for it. Specifically, it sets out (1) limits for positions, risks and losses, (2) monitoring frequency and stress tests, and (3) warning lines.

The Bank manages its global exposure on an integrated basis, measuring the cumulative risk of its trading account and the market risk and interest rate risk borne by all the assets and liabilities of the banking account. A department that is independent of revenue-generating sections calculates and reports position, and risk, profit and loss levels, providing a good measure of internal checks and balances. In October 1996, we were the first among Japan's city banks to establish a Corporate Risk Management Division specializing in bank-wide risk management that reports directly to management and is independent of revenue generating divisions. This division manages the market risk exposure of the entire bank, including overseas operations, on a daily basis and reports to the ALM Committee regularly.

To assess market risk, we utilize sophisticated statistical techniques based on the value at risk (VaR) model recommended by the Bank for International Settlements (BIS). These calculations determine in advance the maximum risk exposure and the required risk capital to maintain market risk within well-defined limits. The VaR analysis includes Monte Carlo simulations and is calculated on the basis of one year of market data with the assumptions of a two-week holding period and a 99% confidence interval, as stipulated by BIS standards. In fiscal 1998, the VaR of the Bank's trading account, calculated with the internal model, ranged from a maximum of ¥6.3 billion to a minimum of ¥1.9 billion. The average was ¥3.7 billion.

We continue to enhance the rigorousness of these models by analyzing the relationship of the VaR with the actual profit and loss using a statistical procedure known as back testing.

In addition to managing market risk globally, we quantify credit risk on a comparable basis. As a further measure, we quantify our combined exposure to market risk and credit risk. This allows us to control our exposure within the scope of our capital and to work to enhance returns on equity through ROE management. See pages 53 to 54 for a discussion of ROE management.

Trading Account

The trading account is the account used by the Bank for operations intended to create profits from short-term arbitrage trading in interest-bearing instruments, currencies and marketable securities. The trading account securities are stated at market value, which is the arms-length, fair-market value. Listed securities are stated at the last posted price on the exchange. Non-listed securities are stated at the market prices posted by brokers or other vendors or at prices calculated using the theoretical pricing method.

To provide an objective method of determining the value of each product, the manual used in the Bank requires disclosure of the (1) basic data and source, (2) time of data acquisition, (3) method used to calculate the yield curve from the basic data, (4) procedures used to modify basic data, and (5) valuation method (current discount method, option pricing models, etcetera). These valuation methods are also authenticated for fairness and appropriateness by the risk management section. As a further precaution, basic data is retained for a set period of time to permit verifications of the valuations.

ALM System

The Bank has established a comprehensive asset-liability management (ALM) system with the objective of centralizing the control of the interest rate and liquidity risks inherent in its own deposit taking and lending operations. The strategic management of positions* using interest rate forecasting has successfully contributed to a stable increase in profitability. To respond quickly to changes in market conditions, ALM decision-making is conducted by the directors in charge, who report to the ALM Committee, which is chaired by the president of the Bank. In monthly meetings, the ALM Committee receives reports and inquires about trends in markets, deposit taking, lending and the funding gap. It is part of a risk management system directly linked to top management. The Corporate Treasury Division implements the daily ALM functions, centrally managing deposit and loan interest rate and liquidity risks. As necessary, it oversees the raising of funds from the markets or the placement of funds in yen-denominated securities as well as the use of derivatives, such as interest rate swaps, to adjust the Bank's exposure to the interest rate risk of the foregoing instruments. It draws on a full range of sophisticated and multifaceted analytical tools and indicators, including VaR analyses, market interest rate sensitivity analyses (delta values), gap analyses, earnings at risk (EaR) analyses and profit and loss simulations.

**Position in this context refers to the status of assets and liabilities viewed from the perspective of interest rate and liquidity risk.*

Liquidity Risk

Sakura Bank manages its balance sheets so that it does not have to rely too heavily upon market based procurement using such instruments as the call money and negotiable certificates of deposit provided by institutional investors. Its task is made somewhat easier by its formidable yen fund-raising ability, underpinned by one of the largest branch networks and customer bases in Japan. Specifically, we have established a system for comprehensively managing foreign currency and yen denominated liquidity risks. As part of this system, the ALM Committee sets objectives for yen and foreign currency balance sheet management based on (1) an accurate grasp of fund-raising capabilities; (2) the formulation of appropriate lending targets that takes this into account; and (3) the carrying out of business in accordance with plans.

The Corporate Risk Management Division, Foreign Exchange and International Treasury Division, International Banking Division and other operating divisions conduct a variety of precautionary operations while they gather and analyze market information used as the basis for ALM Committee decisions. They also implement the various measures and policies. These may include liquidity management according to trends in funding premiums, the adjustment of asset and liability durations, and measures to enhance the efficiency of currency denominated fund raising.

In daily risk management, we avoid cumulative increases in liquidity risk by setting limits on the funding gap arising from unsecured fund-raising. In addition, we are prepared for contingencies with bank-wide action plans that can be swiftly implemented. Our preparations include the establishment of rules for changes in limits in accordance with the Bank's creditworthiness, as indicated by ratings, and a control structure for emergency situations.

We are also well prepared to manage foreign currency liquidity risk. We maintain sizable holdings of highly liquid marketable securities, such as U.S. treasuries, and have pre-arranged emergency borrowing facilities so that we are able to cope with turbulent market conditions.

Market Risk of Long-Term Securities Portfolio

A portion of the securities held by the Bank is held on a long-term basis as strategic investments to promote customer relations. Market risk is defined as fluctuations of value in the portfolio. Since these securities are not held for trading, we believe that the cost method, which is currently employed, of valuing these securities is appropriate and best reflects the long-term intent of the portfolio. As of the balance sheet date, this portfolio stood at approximately ¥3,300 billion. The Bank recognizes the impact of the fluctuation on the balance sheet and is working on methods to manage this impact.

Currently, the securities held as long-term strategic investments are treated as a portfolio and the market risk of the securities is measured with the VaR model. A portion of capital is allocated to cover the value at risk as part of the ROE management process, and the portfolio is managed within the set limits. These figures are included as part of the Bank's entire risk exposure amount, along with the market and credit risk of the other components, so that total risk exposure can be maintained at levels appropriate to capital holdings.

As a measure to boost our risk management capabilities for these securities, we established the Equity Management Department in June 1999. This office is focusing exclusively on managing our portfolio of long-term securities.

We anticipate that the valuation method for these securities will be switched to the market value method at some point in the future and are preparing for a smooth transition by augmenting our risk management capabilities.

Country Risk

Country risk is the risk that political, social or economic changes in a country or region will result in defaults. Although country risk is most closely identified with the fallout of the South American debt crisis of the 1980s, the recent Asian currency crisis that began in Thailand in July 1997 and the August 1998 Russian economic crisis are further examples.

At Sakura Bank, we manage country risk in an integrated manner, restraining total exposure to a set proportion of capital. We pursue a balanced portfolio to avoid over-concentration of credit in any one country or region, and have set individual country lending guidelines that account for the risk of each country to minimize the effect of unforeseen circumstances on the Bank.

Measures to prevent risks from escalating are growing in importance as economic globalization accelerates the pace at which countries are thrown into crisis and distress spreads to other countries. As a result, we have formed a section charged with the task of tracking country risk on an ongoing basis. It analyzes the information and records it in databases. Based on this information, we set strict credit limit guidelines for countries with worsening risk conditions and downgrade or freeze credit for countries with pronounced difficulties. We have also established a variety of proactive systems and procedures to recoup the credit extended to these countries, which form part of our total efforts to prevent losses due to country risk before they can occur.

Operational Risk

In April 1999, Japan's Financial Supervisory Agency published a financial auditing manual that calls for "a system emphasizing self management and risk management based on the principle of self-regulation." Sakura Bank has already put in place a range of measures to control operational risk, such as "Measures to Maintain and Upgrade Operating Standards," "Preventative Measures for Operational Incidents," and "Preservation of the Public Confidence," as well as our "Guidelines for Appropriate Business Conduct." In accord with this emphasis, our domestic credit departments send inspectors on "head office audits" throughout the branch network two or more times each year, and we are expanding this to two or more times annually for overseas branches, subsidiaries and affiliates. In addition to this, each department and branch manager is charged with conducting monthly department or branch inspections. There are also department or branch inspections when managers are changed. On top of these inspections, special inspections are carried out as warranted, providing the finishing touches to a system with ample restraint features.

We are further reinforcing and expanding our audit system for traditional business lines as well as for new service areas, such as investment trust products, and for new delivery channels, such as the Internet-based Sakura Browser Banking service. This involves securing experienced staff and building up the inspection departments to sufficient size to provide a proactive and effective response to the oversight function.

The audits encompass office processes and management systems, placing emphasis on such aspects as risk management, operational control, compliance and asset quality, or on the ROCA approach to determining how well risks inherent in these operations are being managed. In addition to the standard categories applied across the organization from the head office to the branches, we also inspect items that are specific to each department or branch or that arise in the course of conducting the "head office audit." This makes for a flexible, timely auditing system that is complete in both quantitative and qualitative respects.

Our intention is to continue to build up our auditing system so that it embraces the "best practices" for the industry in addition to covering the minimum standards suggested in the financial auditing manual.

Information Technology Risk

The potential impact of computerized system failure is growing as services become more diverse and complex and the number and scope of transactions utilizing computer networks expand. We believe that awareness and countermeasures to prevent system breakdowns, malfunctions, and anomalies arising from defects, as well as improper use of the system, should be pursued at every level of our organization. Accordingly, we conduct periodic independent internal audits that encompass all aspects of information technology from planning through to development, management and application by end-users.

We have taken thorough measures to ensure the stable operation of our system. As a precaution against large-scale disasters, we have built a back-up system center in the Kansai area in addition to our main center in the Kanto region. This system allows us to continue operating without interruption if our main system center is ever incapacitated. Both centers feature various safety features, including independent power-generating systems and multiple, redundant telecommunications lines.

Compliance

Background

With the aim of instilling a high standard of corporate ethics and self-discipline, thereby earning and maintaining the trust of its customers, in December 1996 the Bank published a Code of Conduct that outlines its principles of conduct and standards of conduct for Bank employees. This code forms the basis of the Bank's Compliance Code, which was established in April 1999 and currently governs the Bank's responses to compliance issues.

Compliance System

To reinforce awareness of its current internal regulatory framework, in April 1999 the Board of Directors of the Bank formulated a concrete Compliance Program. Under this program, compliance activities are supervised by the Ethics Committee, which was established in November 1996 and its overseen by the Legal Division. The Legal Division's responsibilities include (1) ensuring the legality of management decisions by examining items before the Board of Directors or the Executive Committee in advance, (2) offering advisory services and guidance to ensure the legality of divisional and branch marketing activities and (3) ensuring the legality of new financial products in consideration of customers.

The Bank has also assigned compliance officers to all of its major branches and offices and has contracted highly reputed external lawyers in each area of its operations to serve in an advisory capacity, with the aim of preventing the occurrence and/or ensuring the early resolution of compliance-related problems.

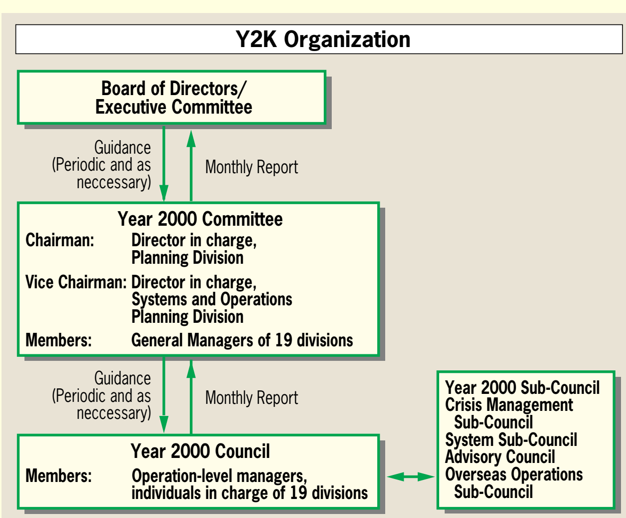
The Bank's Board of Auditors, which operates independently of the Board of Directors, audits the business activities of the directors, considering the compliance enforcement efforts.

Measures for Dealing with the Year 2000 Issue

The Year 2000 (Y2K) issue refers to the danger that computer systems may improperly process computations involving calendar dates after the beginning of the year 2000 because the programs they employ recognize years using only the last two digits instead of the full four digits, resulting in system errors.

The Bank regards Y2K compliance as a priority management concern and began to implement measures to cope with the issue in July 1996, focusing on the modification of core systems and steps to prevent predictable problems, as well as on the formulation of contingency plans to minimize risk in the event of unforseeable difficulties.

Responsibility for the Bank's overall Y2K compliance effort resides with the Year 2000 Committee. The directors of the Board responsible to the Planning Division and Systems and Operations Planning Division serve as chairman and vice-chairman, respectively, with membership comprising general managers of relevant divisions. The Committee formulates specific measures for dealing with the Y2K issue and monitors implementation. It has also been granted the authority to accelerate responses as necessary. The Committee reports to the Board of Directors monthly on the Bank's Y2K compliance efforts. The Bank has also formed the Year 2000 Council, which falls under the authority of the Year 2000 Committee and is responsible for actual day-to-day initiation and implementation of measures. Of particular importance, the Council is responsible for formulating and advancing contingency plans. To this end, it has also appointed a general manager within the Planning Division to be in charge of crisis management on a full-time basis.



The Bank completed testing and modification of banking systems for deposits, remittances loans and other core banking operations, non-core systems and internal computer networks as of in June 1999. Tests were also conducted to confirm problem-free operation using certain dates expected to cause Y2K problems. Successful final tests to confirm the effectiveness of modifications, involving most core and noncore systems, were subsequently conducted using actual system parameters from Golden Week 1998—a period of approximately one week, beginning April 29, within which fall several national holidays—and the January 1999 New Year's holiday. Tests involving the systems of overseas subsidiaries, affiliates and offices were also completed in June 1999.

The Bank estimates the total cost of its Y2K compliance program at approximately ¥7.8 billion, of which ¥6.0 billion has already been allocated. This is the total amount estimated for modification and testing of the majority of the computer systems of the Bank and its subsidiaries and affiliates around the world; specifically, it covers expenditures related to the replacement of older equipment as part of Y2K compliance efforts, the modification of operating systems and other externally sourced software and programs developed by the Bank itself, and tests conducted to ensure the effectiveness of Y2K measures. This amount also includes costs associated with measures implemented to ensure equipment, telecommunications systems and other devices and systems employing microchips, as well as for measures to ensure Y2K compliance for the Bank's various electronic banking services. The Bank will prioritize additional funds and personnel resources on an as-needed basis.

The Bank is aware that the risks associated with the Y2K issue are not limited to its own computer systems, but also involve the potential impact on the Bank of problems in other sectors, including the social infrastructure, financial networks, the systems of its customers and a host of other external factors. Accordingly, the Bank has formulated a contingency plan to minimize the impact of problems caused by such external factors, should they occur. Specifically, the plan involves implementing a series of tests of customers' electronic banking service links with the Bank using the Bank's internal systems and tests related to the transmission and reception of data using magnetic tape and other media. The plan also encompasses the preparation of a manual designed to ensure uninterrupted services and/or restore services should an unexpected problem develop in a crucial area of the Bank's operations. The first draft of the contingency plan was submitted in March 1999 and the final version completed in June 1999. The Bank will continue to rehearse responses outlined in the plan and take steps to further minimize external risks, ensuring preparedness for the arrival of the year 2000.

This document describes that the Bank is using its best efforts to minimize risks in respect of the Y2K issue. Please note, however, that this document does not give any warranty as to the countermeasures taken or being taken by the Bank.

Financial Section

Contents

Selected Consolidated Financial Data

Years Ended March 31 Millions of Yen	1999	1998	Change
Income Statement Data:			
Interest Income	**¥1,629,912**	¥1,760,318	¥(130,406)
Interest Expenses	**1,027,406**	1,151,604	(124,198)
Net Interest Income	**602,505**	608,714	(6,209)
Provision for Possible Loan Losses	**469,486**	616,924	(147,438)
Net Interest Income (Loss) after Provision for Possible Loan Losses	**133,019**	(8,210)	141,229
Fees and Commissions, Net	**115,995**	77,574	38,421
Trading Revenue	**23,788**	14,346	9,442
Other Operating Income, Net	**63,778**	55,617	8,161
General and Administrative Expenses	**517,241**	494,105	23,136
Other Income	**267,656**	924,685	(657,029)
Other Expenses	**793,303**	692,473	100,830
Transfer from Other Reserves, Net	**48**	22,215	(22,167)
Loss before Income Taxes	**706,257**	100,349	605,908
Income Taxes	**(217,818)**	(11,552)	(206,266)
Minority Interests in Net Income (Loss) of Consolidated Subsidiaries	**(9,172)**	133	(9,305)
Equity in Earnings of Affiliates	**—**	629	(629)
Net Loss	**¥ 479,266**	¥ 88,301	¥ 390,965

Per Share (in Yen):			
Net Loss	**¥124.72**	¥ 25.51	¥ 99.21
Stockholders' Equity	**331.28**	446.47	(115.19)
Cash Dividends:			
Common Stock	**7.25**	8.50	(1.25)
Preferred Stock:			
Series I	**—**	22.50	(22.50)
Series II	**15.00**	15.00	—
Series III	**0.04**	—	0.04

Income Analysis

Net Interest Income

The Bank's net interest income on a consolidated basis fell ¥6.2 billion, or 1.0%, to ¥602.5 billion (US$4,997 million) from the previous fiscal year. This drop was mainly due to the reduction of overseas interest-earning assets in the International Banking Group.

Indicators of Net Interest Income (Consolidated)

Years Ended March 31 Millions of Yen	1999	1998	Change
Interest Income			
Interest on Loans and Discounts	**¥ 909,981**	¥1,034,903	¥(124,922)
Interest and Dividends on Securities	**146,093**	181,790	(35,697)
Other Interest Income	**573,837**	543,624	30,213
	¥1,629,912	¥1,760,318	¥(130,406)
Interest Expenses			
Interest on Deposits	**¥ 352,968**	¥ 546,239	¥(193,271)
Interest on Borrowings, Bonds and Rediscounts	**128,404**	175,671	(47,267)
Other Interest Expenses	**546,034**	429,693	116,341
	¥1,027,406	¥1,151,604	¥(124,198)
Net Interest Income	**¥ 602,505**	¥ 608,714	¥ (6,209)

Provision for Possible Loan Losses

On a consolidated basis, the Bank decreased its provision for possible loan losses ¥147.4 billion, from ¥616.9 billion in fiscal 1997, ended March 31, 1998, to ¥469.4 billion (US$3,894 million) in fiscal 1998, ended March 31, 1999. On a non-consolidated basis, the Bank disposed of nonaccrual loans to strengthen its credibility and financial position and recognized ¥1,023.5 billion (US$8,490 million) in loan losses. This total included a provision and written-off claims of ¥647.1 billion (US$5,367 million) based on the result of the Bank's self-assessment; losses of ¥331.9 billion (US$2,753 million) arising from financial assistance provided to supported companies; and losses of ¥44.4 billion (US$368 million) on sales of nonaccrual loans and others.

Fees and Commissions, Net

Fees and commissions (income) rose ¥60.1 billion, or 47.3%, to ¥187.3 billion (US$1,553 million), as credit guarantee companies and a credit card company were newly consolidated in fiscal 1998. Fees and commissions (expenses) increased by ¥21.7 billion, or 43.8%, to ¥71.3 billion (US$591 million). Fees and commissions, net, therefore, rose ¥38.4 billion, or 49.5%, to ¥115.9 billion (US$962 million). Other includes fees and commissions from deposit and loan operations and securities operations.

Indicators of Fees and Commissions, Net (Consolidated)

Years Ended March 31 Millions of Yen	1999	1998	Change
Fees and Commissions (Income)			
Remittances and Transfers	¥ 52,658	¥ 55,307	¥ (2,649)
Other	134,652	71,877	62,775
	¥187,311	¥127,184	¥60,127
Fees and Commissions (Expenses)			
Remittances and Transfers	¥ 11,793	¥ 13,623	¥ (1,830)
Other	59,522	35,986	23,536
	¥ 71,316	¥ 49,609	¥21,707
Fees and Commissions, Net	¥115,995	¥ 77,574	¥38,421

Trading Revenue (Consolidated)

Years Ended March 31 Millions of Yen	1999	1998	Change
Revenue from Trading Securities and Derivatives	¥13,778	¥ 4,715	¥ 9,063
Revenue from Securities and Derivatives Related to Trading Transactions	3,058	5,821	(2,763)
Revenue from Trading-related Financial Derivatives Transactions	4,051	2,382	1,669
Other Trading Revenue	2,900	1,426	1,474
Total	¥23,788	¥14,346	¥ 9,442

Other Operating Income, Net

Other operating income on a consolidated basis increased ¥31.7 billion, or 43.6%, to ¥104.5 billion (US$866 million). This increase reflected primarily gains on sales of bonds in the domestic market.

Other operating expenses increased ¥23.5 billion, or 137.4%, to ¥40.7 billion (US$337 million), due mainly to an increase of ¥15.4 billion in losses on sales of bonds.

Thus, other operating income, net, on a consolidated basis increased ¥8.1 billion, or 14.7%, to ¥63.7 billion (US$529 million).

Indicators of Other Operating Income, Net (Consolidated)

Years Ended March 31
Millions of Yen

	1999	1998	Change
Other Operating Income			
Gains on Foreign Exchange Transactions	¥ 18,753	¥10,294	¥ 8,459
Gains on Sales of Bonds	81,662	58,512	23,150
Gains on Redemption of Bonds	3,133	3,191	(58)
Other	954	776	178
Total	¥104,503	¥72,774	¥31,729
Other Operating Expenses			
Losses on Sales of Bonds	¥ 22,395	¥ 6,987	¥15,408
Losses on Redemption of Bonds	7,529	7,844	(315)
Losses on Devaluation of Bonds	3,920	1,701	2,219
Other	6,880	623	6,257
Total	¥ 40,725	¥17,157	¥23,568
Other Operating Income, Net	¥ 63,778	¥55,617	¥ 8,161

General and Administrative Expenses

As a result of continuing measures to enhance efficiency, the Bank reduced its salaries and welfare expenses. In addition, taxes and public impositions were down ¥5.8 billion, or 15.6%, to ¥31.5 billion (US$262 million), due to the decrease in securities transaction tax. However, the Bank's general and administrative expenses increased ¥23.1 billion, to ¥517.2 billion (US$4,290 million), mainly because of the increase of expenses associated with investments in information-related equipment and the addition of newly consolidated subsidiaries' general and administrative expenses.

General and Administrative Expenses (Consolidated)

Years Ended March 31
Millions of Yen

	1999	1998	Change
Salaries and Welfare Expenses	¥238,437	¥238,256	¥ 181
Retirement Benefits	21,651	22,342	(691)
Depreciation	37,528	33,262	4,266
Rent and Lease Expenses	43,750	42,732	1,018
Taxes and Public Impositions	31,597	37,416	(5,819)
Other	144,275	120,094	24,181
Total	¥517,241	¥494,105	¥23,136

Other Income and Expenses

Other income on a consolidated basis was down ¥657.0 billion, or 71.1%, to ¥267.6 billion (US$2,220 million), primarily because of a decrease of ¥464.1 billion in gains on sales of stocks and other securities.

Other expenses rose ¥100.8 billion, or 14.6%, to ¥793.3 billion (US$6,580 million) due to an increase of ¥464.1 billion in written-off claims.

Other income (expenses), net, fell ¥757.8 billion from the previous year, to register net other expenses of ¥525.6 billion (US$4,360 million).

Other Income and Expenses (Consolidated)

Years Ended March 31 Millions of Yen	1999	1998	Change
Other Income			
Gains on Sales of Stocks and Other Securities	**¥ 155,531**	¥619,696	¥(464,165)
Gains on Money Held in Trust	**2,013**	3,265	(1,252)
Gains on Dispositions of Premises and Equipment	**72,683**	284,092	(211,409)
Recoveries of Written-off Claims	**1,262**	1,519	(257)
Other	**36,165**	16,111	20,054
Total	**¥ 267,656**	¥924,685	¥(657,029)
Other Expenses			
Written-off Claims	**¥ 476,048**	¥ 11,858	¥ 464,190
Losses on Sales of Stocks and Other Securities	**52,189**	77,782	(25,593)
Losses on Devaluation of Stocks and Other Securities	**108,369**	8,754	99,615
Losses on Money Held in Trust	**5,903**	1,037	4,866
Enterprise Taxes	**—**	(8,137)	8,137
Losses on Dispositions of Premises and Equipment	**4,062**	4,576	(514)
Losses Arising from Financial Assistance Provided to Supported Companies	**—**	305,738	(305,738)
Other	**146,729**	290,862	(144,133)
Total	**¥ 793,303**	¥692,473	¥ 100,830
Other Income (Expenses), Net	**¥(525,646)**	¥232,211	¥(757,857)

Net Loss

Loss before income taxes on a consolidated basis increased by ¥605.9 billion, to ¥706.2 billion (US$5,858 million), compared with ¥100.3 billion for the previous fiscal year. Net loss increased by ¥390.9 billion, to ¥479.2 billion (US$3,975 million).

Balance Sheet Analysis

Balance Sheet Data at Year-end (Consolidated)

March 31 Millions of Yen	1999	1998	Change
Total Assets	**¥49,015,005**	¥53,160,330	¥(4,145,325)
Loans and Bills Discounted	**32,962,873**	35,982,912	(3,020,039)
Securities	**6,264,893**	6,446,756	(181,863)
Total Liabilities	**46,536,936**	51,433,592	(4,896,656)
Deposits	**33,368,615**	36,894,352	(3,525,737)
Reserves	**824,393**	1,224,880	(400,487)
Total Stockholders' Equity	**2,174,486**	1,726,737	447,749

Asset Portfolio

The Bank's total assets fell ¥4,145.3 billion, or 7.8%, to ¥49,015.0 billion (US$406,594 million). This decrease was mainly due to declines in both loans and cash and due from banks.

Loan Portfolio

Loans and bills discounted at the end of fiscal 1998 were ¥32,962.8 billion (US$273,437 million), which constituted 67.3% of total assets. Loans and bills discounted decreased by ¥3,020.0 billion, or 8.4% from the previous fiscal year-end. This decrease was due primarily to the decrease of overseas loans and bills discounted, the direct deduction of the claims of "virtual bankruptcy" and "legal bankruptcy" exceeding the estimated value of those claims' collateral or guarantees and the disposition of nonaccrual loans.

The Bank's loans and bills discounted on a non-consolidated basis fell ¥2,792.5 billion, or 7.9%, to ¥32,291.2 billion (US$267,866 million). The breakdown for outstanding loans and bills discounted on a non-consolidated basis included ¥28,706.3 billion (US$238,127 million) for domestic lending and ¥3,584.9 billion (US$29,738 million) for international lending.

Securities Portfolio

To substantially increase the soundness of its assets, the Bank reviews its holdings of securities periodically, and, as a result, the Bank's securities portfolio on a consolidated basis fell ¥181.8 billion, or 2.8%, to ¥6,264.8 billion (US$51,969 million).

Funding

Total liabilities at the end of fiscal 1998 were ¥46,536.9 billion (US$386,038 million), which represented a ¥4,896.6 billion, or 9.5%, decrease from the previous year-end due primarily to a decrease in deposits of ¥3,525.7 billion, or 9.6%, from the previous fiscal year-end as the Bank engaged in efficient fund-raising.

Reserves

The Bank makes provisions for possible loan losses, the reserve for retirement allowances, and other reserves in accordance with the Accounting Standards for Banks in Japan. Total reserves fell ¥400.4 billion, to ¥824.3 billion (US$6,838 million), on a consolidated basis, reflecting, in particular, a decrease of ¥522.5 billion in the specific reserve.

In accordance with the Accounting Standards for Banks, the "Reserve for Possible Loan Losses" has been established based on the Bank's internal rules for establishing a reserve for possible loan losses.

Customers are initially classified into 10 categories, in accordance with the Bank's own credit rating system. All claims that the Bank extended to its customers are then classified into five categories, including "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy," as defined by the report of the Japanese Institute of Certified Public Accountants.

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories and the fair value of the collateral for collateral-secured loans and other factors of solvency for other self-assessment categories.

For foreign claims, there is a reserve for loans to restructuring countries which has been established based on losses estimated by considering political and economic situations in those countries.

All claims are being assessed by the branches and credit supervision divisions based on the Bank's internal rules for the self-assessment of asset quality. The Asset Review and Inspection Division, which is independent from branches and credit supervision divisions, conducts audits of these assessments, and a reserve is established based on the audit results.

Reserve for Possible Loan Losses (Consolidated)

March 31 Billions of Yen	1999	1998
General Reserve	¥242.6	¥ 117.8
Specific Reserve	424.0	946.5
Total	¥666.6	¥1,064.3

Note: Specific reserve includes reserve for loans to restructuring countries.

Capital Resources

Total stockholders' equity rose ¥447.7 billion, or 25.9%, to ¥2,174.4 billion (US$18,038 million), on a consolidated basis. The Bank declared cash dividends of ¥4.25 per common share for the first half and ¥3.00 for the second half of fiscal 1998, bringing the total annual dividend to ¥7.25 per share.

Cash dividends of ¥7.50 per Series II Preferred Stock were declared for the first and second halves of the fiscal year; thus, the total annual dividend per Series II Preferred Stock was ¥15.00 per share. Also, the annual cash dividend per Series III Preferred Stock (Type-2) was ¥0.04 per share.

Capital Adequacy

The Bank's capital ratio on a consolidated basis, as of March 31, 1999, based on requirements established by the Bank for International Settlements, was 12.33%, 3.21 percentage points higher than at March 31, 1998. Risk-adjusted assets fell ¥4,101.4 billion, to ¥33,399.2 billion (US$277,057 million), at fiscal year-end as a result of the reduction in overseas interest-earning assets. Total capital increased by ¥697.8 billion, to ¥4,120.6 billion (US$34,181 million).

Capital Ratio (Consolidated, BIS Guidelines)

March 31 Millions of Yen, %	1999	1998
Tier I Capital	**¥ 2,396,833**	¥ 1,711,390
Tier II Capital		
Unrealized Gains on Securities, after 55% Discount	**—**	—
Reserve for Unrealized Appreciation of Land, after 55% Discount	**53,249**	97,653
Reserve for Possible Loan Losses	**242,654**	117,831
Subordinated Term Debt (with Original Maturity of over Five Years)	**1,428,886**	1,570,316
Total	**1,724,789**	1,785,801
Tier II Capital Includable as Qualifying Capital	**1,724,789**	1,711,390
Short-term Subordinated Debt	**—**	—
Tier II Capital Includable as Qualifying Capital	**—**	—
Cross-holdings with Other Financial Institutions	**(999)**	—
Total Qualifying Capital	**¥ 4,120,623**	¥ 3,422,780
Risk-Adjusted Assets		
On-Balance-Sheet Items	**¥30,629,473**	¥34,146,558
Off-Balance-Sheet Items	**2,518,086**	3,030,584
Adjusted Risk-weighted Assets	**33,147,559**	37,177,142
Market Risk Equivalent Assets	**251,725**	323,590
Measure for Market Risk	**20,138**	25,887
Total	**¥33,399,284**	¥37,500,733
Capital Ratio		
Final Formula	**12.33%**	9.12%

Notes: 1. The above figures were calculated in accordance with guidelines established by the Ministry of Finance.
2. Reserve for possible loan losses excluded the specific reserve and reserve for loans to restructuring countries.
3. Following the introduction of BIS market risk regulations on January 1, 1998, an amount corresponding to the volume of market risk has been included as a supplementary item.

Return on Equity and Assets (Non-Consolidated)

Years Ended March 31 Millions of Yen, %	1999	1998
Net Loss	**¥ 375,315**	¥ 220,516
Average Total Assets	**50,262,481**	53,787,481
Average Total Assets, excluding Customers' Liabilities for Acceptances and Guarantees	**47,215,251**	50,375,675
Average Stockholders' Equity	**1,118,523**	1,520,222
Net Income as a Percentage of:		
Average Total Assets	**—%**	—%
Average Total Assets, excluding Customers' Liabilities for Acceptances and Guarantees (ROA)	**—%**	—%
Average Stockholders' Equity (ROE)	**—%**	—%

Note: Percentages related to Net Income were not calculated because the Bank posted losses in both fiscal 1998 and 1997.

Derivative Financial Instruments and Foreign Exchange Forward Contracts

March 31 Billions of Yen	1999 Contract Value or Notional Principal Amount	1999 Credit Equivalent Amount	1998 Contract Value or Notional Principal Amount	1998 Credit Equivalent Amount
Interest Rate Swaps	**¥ 85,027.2**	**¥1,457.8**	¥ 72,845.9	¥ 1,315.9
Currency Swaps	**4,498.6**	**425.7**	5,397.4	572.2
Foreign Exchange Forward Contracts	**9,371.8**	**336.7**	21,947.9	1,006.9
Interest Rate Options (Buy)	**2,668.9**	**52.4**	2,957.1	43.8
Currency Options (Buy)	**466.2**	**12.5**	1,557.0	43.2
Other Derivative Instruments	**6,669.7**	**64.9**	3,213.7	71.8
Effects of Master Netting Agreements		**(1,024.3)**		(1,244.8)
Total	**¥108,702.5**	**¥ 1,325.8**	¥107,919.2	¥ 1,809.2

Notes: 1. Figures given above were computed according to capital adequacy guidelines set by the BIS. For the fiscal year under review, the current exposure method was used in computing the credit equivalent amounts.

2. Master netting agreements mitigate credit risk by permitting the offset of amounts due from and to individual counterparties in the even of counterparty default.

3. The amounts of transactions excluded from capital adequacy guidelines are transactions on public exchanges and foreign exchange related transactions for which the original contract has a duration of 14 days or less. The amounts of such transactions are shown below.

March 31 Billions of Yen	1999 Contract Value or Notional Principal Amount	1998 Contract Value or Notional Principal Amount
Foreign Exchange Forward Contracts	**¥ 2,477.0**	¥ 2,857.6
Interest Rate Options (Sell)	**15,302.3**	3,145.6
Interest Rate Options (Buy)	**7,005.2**	16,053.2
Currency Options (Sell)	**472.2**	1,726.6
Currency Options (Buy)	**7.2**	1.3
Interest Rate Futures Transactions	**38,028.5**	47,287.1
Other	**1.1**	—
Total	**¥63,293.8**	¥71,071.7

Credit-Related Transactions

March 31 Billions of Yen	1999 Contract Value	1998 Contract Value
Commitments	**¥6,699.5**	¥ 8,529.5
Guarantees	**1,968.1**	1,974.9
Other Credit-Related Transactions	**1,186.4**	740.7
Total	**¥9,854.0**	¥11,245.2

ROE management is used in essential aspects of the Bank's administration. First, it is a tool used to allocate capital to businesses with higher returns on equity to meet the objectives of the Bank's "Selectivity and Concentration" strategy. Second, it is one of the underlying concepts of the Bank's "Plan toward Soundness of Management." Finally, it is the most effective means of working toward two major operating objectives: to respond to customer needs while maintaining safety and to furnish shareholders and investors with profitable investment opportunities.

The Bank divided its operations into business units with the introduction of the in-house company and group system a few years back. These business units are used to allocate management resources, which, in the case of ROE management, primarily translates to the allocation of capital. The Bank's capital is allocated to each company or group and the performance of each business unit is evaluated against its allotment. The performance evaluation is then used to reallocate resources to the most profitable businesses to enhance "Selectivity and Concentration." To maintain safety, risk is controlled within the limits of a business unit's allocated capital so that the aggregate risk exposure of the Bank remains at prudent levels.

To improve profitability while maintaining capital integrity, each business unit is charged with pricing its services in line with the risks incurred. This produces what we call "integrated ROE," namely, the risk-adjusted return on equity. It provides a standard performance indicator that can be applied to all sections of the Bank regardless of the business type. The accompanying chart shows the formula for calculating integrated ROE. In addition to the usual practice of subtracting expenses from gross operating profit, we also deduct the credit costs. Credit costs are calculated as the average future expected losses based on historical data. The result is an income figure that takes risk into consideration.

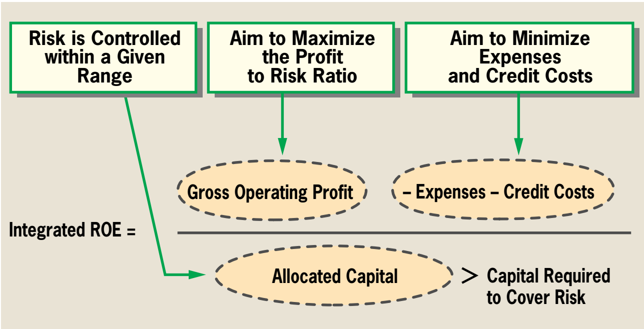
The Management Plan

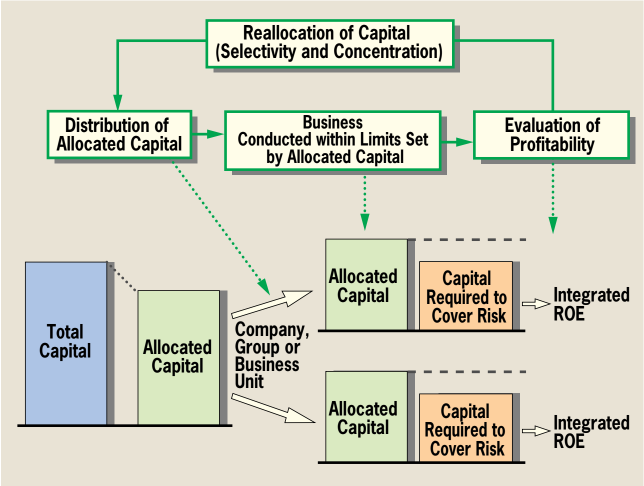
The chart below shows the process for establishing the management plan. Capital is allocated to each business unit, each unit seeks to maximize profits with its allotted capital, performances are evaluated and capital is reallocated with a bias toward units demonstrating higher risk-adjusted returns over the long term.

In the initial capital allocation, total capital is partially divided among the various companies or groups as "allocated capital." A certain measure of capital is held in reserve to permit the Bank to launch new businesses as opportunities arise. Next, each company or group measures the actual capital required to cover risk against the allocated capital and tries to maximize returns while keeping the risk at appropriate levels. The integrated ROE is used to judge the results.

The integrated ROE figure is not the only information on which to base long-term management planning, but over time the redirection of capital to business units with higher ROE or future growth potential will result in the most effective and efficient allocation of resources. Ultimately, this will contribute to the Bank's stability and profitability.

ROE management can be used to evaluate both the lending business, which is managed primarily by controlling credit risk and interest rate spreads, and the investment banking business, which is managed chiefly by controlling market risk.





Profit by Segment and Integrated ROE

Profit by Segment

In fiscal 1998, the domestic divisions of the Bank, particularly the retail banking segment in which we have secured the largest market share, accounted for more than 70% of income. Although overseas divisions generated a deficit because of one-time restructuring charges and the rapid contraction of assets, we anticipate their return to profitability in subsequent periods.

The Corporate Treasury Division and other divisions recorded a net operating profit of ¥52.1 billion, owing to increased bond trading profits arising from the low-interest rate regime, which more than offset yen-denominated ALM, trading and capital costs. We do not anticipate that this favorable trend will be sustained over the long term.

Integrated ROE by Segment

In fiscal 1998, we added integrated ROE to the traditional performance indicators used to track and manage the Bank's business units. The integrated ROE for the entire Bank was 1.9%. A breakdown of this average shows that the integrated ROE was 0.1% for the domestic divisions and negative 6.9% for the overseas divisions, while the Investment Banking Division Company achieved an integrated ROE of 5.7% and the Corporate Treasury and other divisions attained 3.8%. Although these figures indicate that the capital markets business outperformed the lending business during the period under review, the lending business incurred extraordinary credit costs that will not be sustained at the same level in the future. Thus, the integrated ROE of these operations should improve dramatically. The same applies to the international divisions, which incurred heavy one-time charges during the period, and which will thus likely see a sharp recovery in integrated ROE in subsequent years.

By fiscal 2002, we plan to raise the Bank's average integrated ROE to 9.1%. This will be achieved primarily by raising the integrated ROE of the domestic divisions to the 18% level. We will pare credit costs, raise revenues by rebuilding the loan portfolio with loans earning returns commensurate with the risk, and cut expenses by reforming service delivery channels and downsizing. In the overseas divisions, we will continue to restructure by withdrawing from lending to non-Japanese affiliated businesses and concentrating on Japanese affiliates to improve the integrated ROE to the 7% level.

Income by Segment

Units: Billions of Yen, %

	Fiscal 1997	Fiscal 1998				Fiscal 2002
Segment	Net Operating Income	Gross Operating Income	Expenses	Net Operating Income	Integrated ROE	Projected Integrated ROE
Domestic Divisions	¥209.2	**¥527.8**	**¥333.5**	**¥194.3**	**0.1%**	18.1%
Overseas Divisions	14.1	**26.1**	**28.1**	**(2.0)**	**(6.9)**	6.9
Investment Banking Division Company	40.9	**50.1**	**20.4**	**29.7**	**5.7**	7.7
Corporate Treasury and Other Divisions	31.2	**95.1**	**43.0**	**52.1**	**3.8**	1.9
Total	¥295.4	**¥699.1**	**¥425.0**	**¥274.1**	**1.9%**	9.1%

Overview of Measures to Deal with Nonperforming Loans (Non-Consolidated)

In fiscal 1998, the Bank disposed of nonperforming loans of ¥1,023.5 billion to strengthen its balance sheet in accordance with the Financial Reconstruction Commission's reserve guidelines and the Financial Supervisory Agency's inspection manual. Of this amount, ¥647.1 billion was set up for reserve of loan loss provision based on self-assessment, ¥331.9 billion was recorded as losses on financial assistance provided to supported companies and ¥44.4 billion was recorded as a loss from the sale of nonperforming loans.

The large increase in provisions and written-off claims was made as a precautionary measure for two purposes. First, it remains unclear when the Japanese economy will recover sufficiently to prevent further bankruptcies. Second, we set aside provisions well in excess of actual default rates to help restore confidence in the Japanese financial system and wipe out any lingering causes of uncertainty.

Specifically, we set aside provisions amounting to 70% of all claims in the "possible bankruptcy" category. We also increased provisions for claims in the "caution" and "normal" categories as a preventative measure in the event of asset deterioration in the near future. The reserve for possible loan losses was thereby substantially augmented.

Support was extended to subsidiaries and affiliated companies that will play important roles in our retail banking strategies, including companies in the mortgage securitization, collection agency, leasing, factoring and loan guarantee businesses. The additional investment in these companies was extended on the rationale that they offer services integral to our retail strategies, that it was necessary to shore up their capital, and that they would restructure within a short timeframe. The funds were used to write-off outstanding debt owed to the parent bank and to set aside provisions to cover the entire amount of support required for the restructuring period after fiscal 1999, thereby eliminating any further need for write-offs of financial assistance.

In compliance with the Financial Revitalization Law, the Bank has begun from fiscal 1998 to disclose the amounts of loans classified by the Bank's self-assessment into the "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy" and "caution" categories where the loan is past due by three months or more. The total outstanding balance of these loans amounted to ¥1.8 trillion. More than 70% of this outstanding balance is covered by reserves or collateral, which we believe is a sufficient level for nonaccrual criteria. We further believe that the written-off claims and provisions undertaken in the period under review have strengthened our balance sheets with regard to nonperforming loans to an extent sufficient enough to significantly reduce credit risk exposure in subsequent years.

Furthermore, we intend to sell off more of the nonperforming portion of our loan portfolio and remove more nonperforming loans off our books by stepping up recovery through Sakura Servicing Co., Ltd., a subsidiary established in March 1999.

We are improving our credit processing systems with the introduction of a computerized credit monitoring system and an electronic loan approval system, which will standardize and raise the administrative efficiency of our credit system. In addition, our credit management systems are being reinforced, notably through extensive use of credit ratings and the quantification of credit risk. The combination of these various measures will assist us in optimizing our portfolio for profitability and soundness.

Unit: Billions of Yen

	Fiscal 1998	Fiscal 1997	Difference
Total Loan Losses	**¥1,023.5**	¥1,181.0	–¥157.5
General Reserve for Possible Loan Losses	**101.1**	1.7	99.4
Net Addition to Specific Reserves and Written-off, etc.	**546.0**	612.1	–66.1
Losses on Financial Assistance Provided to Supported Companies	**331.9**	305.7	26.2
Losses on Sales of Nonperforming Loans, etc.	**44.4**	261.4	–217.0

Overview of Risk-Monitored Loans

Starting from fiscal 1998, the disclosure standards for risk-monitored loans have been changed, bringing them in line with the standards for the self-assessment process. According to the previous standards based on the Corporate Tax Law, the loans on which the Bank discontinued the accrual for interest income for accounting purposes are disclosed as "loans to borrowers in legal bankruptcy/past due loans." To clarify the relationship between the amounts of loans disclosed under the self-assessment and the risk-monitored loan system, loans classified in the self-assessment category of "legal bankruptcy" are made to correspond to the "loans to borrowers in legal bankruptcy" category for disclosure purposes. Similarly, the combined total of the "virtual bankruptcy" and "possible bankruptcy" categories corresponds to the "past due loans" category for disclosure.

The balance of loans that were 3 months or more past due increased ¥119.7 billion, while the balance of restructured loans decreased ¥56.7 billion and the balance of "loans to borrowers in legal bankruptcy/past due loans" rose ¥721.1 billion, for a cumulative increase of ¥544.7 billion from the figures that would be calculated according to the prior standard. This increase is due to the inclusion of loans to borrowers included because of their financial conditions, not because their payments are in arrears or their loans have been restructured.

The additional support extended to the non-bank subsidiaries and affiliates was disclosed to the appropriate authorities as part of risk-monitored loans.

Starting from fiscal 1998, Category IV loans are directly written down. Category IV loans have been deducted from the balance sheets, instead of their previous treatment as part of provision. As a result, the risk-monitored loan total decreased ¥780.0 billion and the reserve for specific loans decreased ¥789.4 billion.

Accordingly, the risk-monitored loan balance at March 31, 1999, amounted to ¥1,760.5 billion, up ¥285.1 billion. The amount after excluding support to affiliated non-bank companies was ¥1,442.5 billion, ¥32.9 billion lower than the previous year.

As of the end of fiscal 1998, we are also disclosing risk-monitored loans on a consolidated basis. These amounted to ¥1,766.8 billion, which is ¥6.3 billion higher than the figure for the parent bank, reflecting the addition of risk-monitored loans extended by affiliated non-bank companies after considering the ¥318.0 billion elimination by the parent bank.

Self-Assessment and Risk-Monitored Loan Disclosure Reconciliation

	Fiscal 1997	**Fiscal 1998**					
		Prior Standard	Difference Due to Accounting Change	New Standard		Consolidated	
Unit: Billions of Yen					Difference		Difference from Parent Bank Figures
Loans to Borrowers in Legal Bankruptcy	¥ 402.8	**¥ 146.8**	**¥ 18.2**	**¥ 165.1**	**–¥237.7**	**¥ 169.3**	**¥ 4.2**
Past Due Loans	592.4	**291.9**	**702.9**	**994.8**	**402.4**	**1,276.1**	**281.3**
Subtotal	995.3	**438.7**	**721.1**	**1,159.9**	**164.5**	**1,445.4**	**285.6**
Past Due Loans (3 Months or More)	216.7	**178.7**	**–119.7**	**58.9**	**–157.8**	**84.3**	**25.4**
Restructured Loans	263.3	**598.3**	**–56.7**	**541.6**	**278.3**	**237.1**	**–304.5**
[Amount to Non-Bank Affiliates]	[0]	**[318.0]**	**[0]**	**[318.0]**	**[318.0]**	**[—]**	**[—]**
Subtotal	1,475.4	**1,215.8**	**544.7**	**1,760.5**	**285.1**	**1,766.8**	**6.3**
[Excluding Amounts to Non-Bank Affiliates]	[1,475.4]	**[897.8]**	**[544.7]**	**[1,442.5]**	**[–32.9]**	**[—]**	**[—]**
Ratio to Total Loans	4.2%	**—**	**—**	**5.5%**	**1.3%**	**5.4%**	**–0.1%**
Reserve for Possible Loan Losses	1,044.0	**—**	**—**	**735.5**	**–308.5**	**666.6**	**–68.9**

Notes: 1. "Loans to borrowers in legal bankruptcy" is defined as loans outstanding to borrowers that have begun bankruptcy proceedings under one or more of the laws pertaining to bankruptcy, including the Corporate Reorganization Law, the Bankruptcy Law and the Commission Law, in Japan, or have had their transactions with the promissory note clearinghouse suspended.

2. "Past due loans" are defined as loans for which interest is not accrued but exclude "loans to borrowers in legal bankruptcy."

3. "Past due loans (3 months or more)" are defined as loans for which principal and/or interest is three months or more past due but exclude "loans to borrowers in legal bankruptcy" and "past due loans."

4. "Restructured loans" are defined as loans in respect of which the Bank is relaxing lending conditions, such as reduction of the original interest rate forebearance of interest payments to support the borrowers' reorganization, but exclude "loans to borrowers in bankruptcy," "past due loans" or "past due loans (3 months or more).".

Financial Revitalization Law Disclosure and Risk-Monitored Loans

Disclosure Based on the Financial Revitalization Law

Beginning from fiscal 1998, the Bank is disclosing the results of its asset audits in compliance with the Financial Revitalization Law. Under this disclosure method, loans classified under the self-assessment method as loans to customers in "legal bankruptcy" and in "virtual bankruptcy" are disclosed

Unit: Billions of Yen

<table>
<tr><th>Self-Assessment of Asset Quality
(Loans Included and Total Credit)</th><th>Disclosure Based on the Financial Revitalization Law
(Subject Debts and Total Credit)</th><th>Risk-Monitored Loans
(Loans Included and Loan Amounts)</th></tr>
<tr><td rowspan="2">Legal Bankruptcy/
Virtual Bankruptcy</td><td>Directly Written-off
(786.9)</td><td>Directly Written-off
(780.0)</td></tr>
<tr><td>Bankruptcy, Etc.
390.2</td><td rowspan="2">Loans to Borrowers in Legal
Bankruptcy/Past Due Loans
1,159.9</td></tr>
<tr><td rowspan="2">Possible Bankruptcy</td><td rowspan="2">In Danger of Bankruptcy
809.2</td></tr>
<tr><td>Non-Loan Amount
39.5</td></tr>
<tr><td rowspan="3">Caution</td><td rowspan="2">Special Attention
600.6</td><td>Past Due Loans (3 Months or More)
58.9</td></tr>
<tr><td>Restructured Loans 541.6
(Amount to Non-Bank Affiliates 318.0)</td></tr>
<tr><td rowspan="2">Normal Loans
33,896.7</td><td rowspan="2"></td></tr>
<tr><td>Normal</td></tr>
<tr><td rowspan="2">Total (Excluding Normal)</td><td>1,800.0</td><td>1,760.5</td></tr>
<tr><td>Non-Loan Amount
39.5</td><td></td></tr>
</table>

Notes: 1. "Bankruptcy, Etc." are claims extended to borrowers who are in a state of bankruptcy, company financial reorganization under bankruptcy proceedings, or who have lapsed into a state of operational bankruptcy because of creditor claims, as well as corresponding debts arising from these loans. This category corresponds to the "legal bankruptcy" and "virtual bankruptcy" categories of the self-assessment disclosure standards.
2. "In Danger of Bankruptcy" are loans extended to borrowers who, although not in a state of operational bankruptcy, have an unsound financial position or weakened earnings, and bear a high risk of not being capable of repaying the principle or interest according to the repayment schedule. This category corresponds to the "possibly bankrupt customers" category of the self-assessment disclosure standards.
3. "Special Attention" are loans that are three or more months past due or have been restructured. These loans correspond to a portion of the "customers requiring caution" category of the self-assessment disclosure standards.
4. "Normal Loans" are loans to borrowers with no particular impairment to their financial condition or earnings and include all loans not included in items 1 to 3 above. These loans correspond to the portion of the "caution" category that is not potentially bankrupt and to the full "normal customers" categories of the self-assessment disclosure standards.
5. The amount disclosed according to the Financial Revitalization Law for the "Bankruptcy, Etc." and "In Danger of Bankruptcy" categories include debts other than loans while the risk-monitored loans items include loans only.

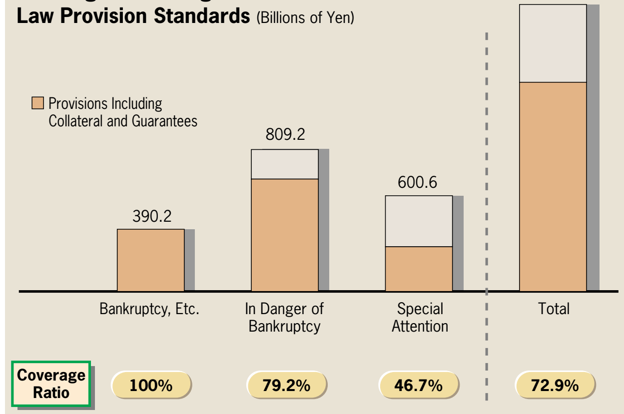
as "Bankruptcy, Etc. (claims to borrowers in bankruptcy or reorganization and corresponding debts)." The "possible bankruptcy" category is disclosed as "In Danger of Bankruptcy." And of the loans in the "caution" category, "Past Due Loans (3 months or more)" and "Restructured Loans" are disclosed as "Special Attention."

At March 31, 1999, "Bankruptcy, Etc." amounted to ¥390.2 billion, "In Danger of Bankruptcy" was ¥809.2 billion and "Special Attention" came to ¥600.6 billion, for a grand total of ¥1,800.0 billion. The ¥39.5 billion difference between this total and that for risk-monitored loans is attributable to liabilities external to the loans themselves, such as foreign currency related amounts and advances.

Financial Revitalization Law Provision Standards

The Financial Revitalization Law requires the disclosure of the total coverage ratio for provisions (excluding the portion for normal loans) including collateral and guarantees in order to accurately show the state of preparation for problem loans. By category, the ratio is 100% for "Bankruptcy, Etc.," 80% for "In Danger of Bankruptcy" and slightly less than 50% for "Special Attention." This amounts to an aggregate coverage ratio of 73% against disclosure-basis claims, indicating that adequate provisions have been taken against any potential future losses.

Coverage According to Financial Revitalization Law Provision Standards (Billions of Yen)



Self-Assessment Procedures

The self-assessment of assets, that is to judge the soundness of assets by assessing our bank's individual assets and classifying them according to the degree of risk of collectibility or value impairment, plays an important role in preparation of calculations of appropriate loan-loss write-offs and reserves and should be dealt with strictly. It is also utilized as an important measure to control and administer credit risks of the Bank's portfolio. To perform these assessments, the Bank makes use of the self-assessment procedure, which is linked to a credit rating system* and credit risk quantification. The Bank's policy for the self-assessment of assets is based on the Credit Risk Management Manual released by the Financial Supervisory Agency. The classification and categorization of borrowers is strictly and rigorously administered.

*Please see page 38 for an explanation of the credit rating system.

Definitions of Borrowers' Categories

Normal:	Borrower with good business performance and in sound financial condition.
Caution:	Borrower which needs attention due to (1) restructured payment terms, such as interest reduced or interest deferred, (2) problems with repayment, such as virtual delinquency in repayment of principal or interest, and (3) sluggish or unstable business performance or poor financial conditions, etc.
Possible Bankruptcy:	Borrower with a high possibility of failure in the future, which is in difficulty but not in failure at present, and whose restructuring plans have been slow and unsatisfactory in progress.
Virtual Bankruptcy:	Borrower virtually in the state of business failure with no legal or formal announcement of failure, but in serious financial difficulty without any prospect of recovery.
Legal Bankruptcy:	Borrower which is legally and formally bankrupt.

Definitions of Classifications

Class I (Unclassified):	Assets not classified into Class II, III or IV. These assets have no problem regarding their collectibility or are in no danger of value impairment.
Class II:	Assets whose collection is deemed to have greater-than-normal risk because their conditions for the securing of credits are inadequate, or they have weakness in their credits, etc.
Class III:	Assets with serious concern over ultimate collection or final value and thus are highly likely to incur losses, but difficulties exist with rational estimation of the final loss amount.
Class IV:	Assets judged to be uncollectible or valueless.

Write-offs and Provisions

For write-offs and provisions, the credit rating system, which is consistent with categorizations of borrowers, has been established. Expected losses calculated from the migration matrix of the credit rating system, etc., are incorporated into the policy for write-offs and provisions.

The Bank's own credit rating system initially classifies customers into 10 ratings categories, then categorizes them, according to self-assessment procedures, into "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy" categories. The policy for write-offs or provisions is determined for each category.

Normal	Amounts are recorded as general reserves in proportion to the expected losses over the next 12 months based on the actual default rate for the past five years for each ratings category.
Caution	These assets are divided into the "special attention" required and "other" subcategories. Provisions amounting to 15% of the unsecured portions of the "special attention" borrower are set aside. Others are further divided into two subcategories. Provisions corresponding to the expected losses are transferred to general reserve according to the risk of default correlated to the average length of time to maturity for the respective subcategories.
Possible Bankruptcy	As a rule, amounts corresponding to 70% or more of the unsecured portions of individual assets are set aside as specific reserve.
Virtual Bankruptcy/ Legal Bankruptcy	As a rule, 100% of Class III and IV assets are written off or set aside as specific reserve.

Consolidated Balance Sheets

The Sakura Bank, Limited and Subsidiaries

March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Millions of U.S. Dollars (Note 1) 1999
Assets			
Cash and Due from Banks	¥ 1,415,978	¥ 2,467,636	$ 11,745
Call Loans	69,974	219,096	580
Commercial Paper and Other Debt Purchased	3,292	11,658	27
Trading Assets (Note 2)	1,448,784	1,806,929	12,018
Money Held in Trust	156,474	247,415	1,298
Securities (Note 3)	6,264,893	6,446,756	51,969
Loans and Bills Discounted (Note 4)	32,962,873	35,982,912	273,437
Foreign Exchanges (Note 5)	309,438	489,484	2,566
Other Assets (Note 6)	2,967,669	2,548,127	24,617
Premises and Equipment (Note 7)	755,966	503,140	6,270
Deferred Income Taxes (Note 29)	689,017	460,569	5,715
Customers' Liabilities for Acceptances and Guarantees (Note 17)	1,970,640	1,976,602	16,347
Total Assets	¥49,015,005	¥53,160,330	$406,594
Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity			
Liabilities			
Deposits (Note 8)	¥33,368,615	¥36,894,352	$276,803
Call Money (Note 9)	2,327,705	3,174,502	19,309
Commercial Paper	567,000	—	4,703
Trading Liabilities (Note 10)	381,077	531,811	3,161
Borrowed Money (Note 11)	1,677,674	2,386,679	13,916
Foreign Exchanges (Note 5)	22,378	41,878	185
Bonds (Note 12)	912,397	966,422	7,568
Convertible Bonds (Note 13)	2,208	5,365	18
Other Liabilities (Note 14)	4,433,381	4,013,311	36,776
Reserve for Possible Loan Losses (Note 15)	666,692	1,064,355	5,530
Reserve for Retirement Allowances	42,156	43,261	349
Reserve for Possible Losses from Loans Sold to CCPC	115,532	117,201	958
Other Reserves (Note 16)	12	61	0
Minority Interests in Consolidated Subsidiaries	—	779	—
Deferred Income Tax Liabilities for Land Revaluation	49,462	—	410
Acceptances and Guarantees (Note 17)	1,970,640	1,976,602	16,347
Reserve for Unrealized Appreciation of Land	—	217,007	—
Total Liabilities	46,536,936	51,433,592	386,038
Minority Interests in Consolidated Subsidiaries	303,581	—	2,518
Stockholders' Equity			
Capital Stock (Note 18):			
Common Stock	631,399	572,562	5,237
Preferred Stock			
Series II	11,307	26,883	93
Series III	400,000	—	3,318
Capital Surplus (Note 18)	899,521	456,534	7,461
Land Revaluation Excess	68,868	—	571
Legal Reserve (Note 19)	—	111,630	—
Earned Surplus (Note 19)	164,329	559,131	1,363
Treasury Stock	(938)	(3)	(7)
Total Stockholders' Equity	2,174,486	1,726,737	18,038
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity	¥49,015,005	¥53,160,330	$406,594

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

The Sakura Bank, Limited and Subsidiaries

Years Ended March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Millions of U.S. Dollars (Note 1) 1999
Income			
Interest Income:			
Interest on Loans and Discounts	¥ 909,981	¥1,034,903	$ 7,548
Interest and Dividends on Securities	146,093	181,790	1,211
Other Interest Income (Note 20)	573,837	543,624	4,760
Fees and Commissions	187,311	127,184	1,553
Trading Revenue	23,788	14,346	197
Other Operating Income (Note 21)	104,503	72,774	866
Other Income (Note 22)	267,656	924,685	2,220
Transfer from Other Reserves (Note 23)	49	22,218	0
Total Income	2,213,222	2,921,528	18,359
Expenses			
Interest Expenses:			
Interest on Deposits	352,968	546,239	2,927
Interest on Borrowings, Bonds and Rediscounts	128,404	175,671	1,065
Other Interest Expenses (Note 24)	546,034	429,693	4,529
Fees and Commissions	71,316	49,609	591
Other Operating Expenses (Note 25)	40,725	17,157	337
General and Administrative Expenses (Note 26)	517,241	494,105	4,290
Provision for Possible Loan Losses	469,486	616,924	3,894
Other Expenses (Note 27)	793,303	692,473	6,580
Transfer to Other Reserves (Note 28)	0	3	0
Total Expenses	2,919,480	3,021,878	24,218
Loss before Income Taxes	706,257	100,349	5,858
Income Taxes (Note 29):			
Current	10,582	106,695	87
Deferred	(228,401)	(118,247)	(1,894)
Minority Interests in Net Income (Loss) of Consolidated Subsidiaries	(9,172)	133	(76)
Equity in Earnings of Affiliates (Note 22)	—	629	—
Net Loss	¥ 479,266	¥ 88,301	$ 3,975

	Yen 1999	Yen 1998	U.S. Dollars 1999
Per Share of Common Stock:			
Net Loss	¥124.72	¥25.51	$1.03
Fully Diluted Net Income	—	—	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earned Surplus

The Sakura Bank, Limited and Subsidiaries

Years Ended March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Millions of U.S. Dollars (Note 1) 1999
Balance at Beginning of Year	**¥670,761**	¥686,339	**$5,564**
Earned Surplus	**559,131**	686,339	**4,638**
Legal Reserve (Note 19)	**111,630**	—	**926**
Adjustments:			
Adjustment of Earned Surplus Due to the Change of Scope of Consolidated Subsidiaries	**3,275**	—	**27**
Adjustment of Earned Surplus Due to the Change of Scope of Companies Accounted for Using the Equity Method	**1,827**	—	**15**
Deductions:			
Transfer to Legal Reserve (Note 19)	**—**	6,484	**—**
Dividends Paid	**32,269**	32,422	**267**
Net Loss	**479,266**	88,301	**3,975**
Balance at End of Year (Note 19)	**¥164,329**	¥559,131	**$1,363**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Sakura Bank, Limited and Subsidiaries

Years Ended March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Millions of U.S. Dollars (Note 1) 1999
Cash Flows from Operating Activities			
Net Loss	¥ (479,266)	¥ (88,301)	$ (3,975)
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:			
Depreciation	37,528	33,262	311
Provision for Possible Loan Losses	469,486	616,924	3,894
Net Gains on Sales of Stocks and Other Securities	(103,342)	(541,913)	(857)
Net Gains on Dispositions of Premises and Equipment	(68,620)	(279,515)	(569)
Written-off Claims	476,048	11,858	3,948
Losses on Devaluation of Stock and Other Securities	108,369	8,754	898
Provision for Retirement Allowances	(1,104)	(1,447)	(9)
Deferred Income Taxes	(228,401)	(118,247)	(1,894)
Other, Net (Note 3, below)	35,333	655,443	293
Net Decrease in Due from Banks	627,395	875,719	5,204
Net Increase in Trading Assets	(271,700)	(22,500)	(2,253)
Net Decrease in Loans and Bills Discounted	1,581,643	1,102,306	13,120
Net Decrease in Bonds and Call Loans	310,884	448,705	2,578
Net Decrease in Commercial Paper and Debt Purchased	8,366	36,163	69
Net Decrease in Deposits	(3,521,887)	(1,791,209)	(29,215)
Net Decrease in Call Money	(846,796)	(2,750,753)	(7,024)
Net Increase (Decrease) in Borrowed Money (Note 2, below)	(647,731)	498,864	(5,373)
Net Increase in Commercial Paper	565,019	—	4,687
Net Change in Foreign Exchanges	160,546	18,560	1,331
Net Change in Accrual, Prepaid, and Unearned	192,283	(273,816)	1,595
Other, Net	(88,359)	301,664	(732)
Net Cash Used in Operating Activities	(1,684,304)	(1,259,476)	(13,971)
Cash Flows from Investing Activities:			
Proceeds from Settlement of Money Held in Trust	91,907	37,924	762
Proceeds from Sales of Stocks and Other Securities	1,109,025	3,819,470	9,199
Proceeds from Sales of Premises and Equipment	101,448	311,507	841
Investment in Money Held in Trust	—	(45,678)	—
Purchase of Stocks and Other Securities	(1,042,346)	(2,937,679)	(8,646)
Purchase of Premises and Equipment	(20,312)	(33,528)	(168)
Other, Net	(935)	(535)	(7)
Net Cash Provided by Investing Activities	238,787	1,151,481	1,980
Cash Flows from Financing Activities:			
Issuance of Common Stock	86,247	—	715
Issuance of Preferred Stock	800,000	—	6,636
Increase in Minority Interests Related to a Subsidiary's Preferred Stock	283,750	—	2,353
Increase (Decrease) in Subordinated Debt and Bonds	(113,317)	169,229	(940)
Redemption of Convertible Bonds	(3,156)	(13,370)	(26)
Dividends Paid	(32,269)	(32,422)	(267)
Net Cash Provided by Financing Activities	1,021,254	123,437	8,471
Cash and Cash Equivalents at Beginning of Year	1,329,759	1,314,316	11,030
Cash and Cash Equivalents at End of Year	¥ 905,496	¥ 1,329,759	$ 7,511
Supplemental Disclosure of Cash Flow Information			
Cash Paid during the Year for Income Taxes	¥ 111,034	¥ 27,565	$ 921
Non-Cash Investing and Financing Activities			
Conversion of Preferred Stock to Common Stock	15,576	96,827	129

Notes: 1. For the purpose of reporting cash flows, cash and cash equivalents consist of cash and demand deposits with the Bank of Japan.
2. Borrowed money includes bonds other than subordinated bonds.
3. "Other, Net" includes provision for possible losses from loans sold to CCPC of ¥78,338 million and losses on sales of loans collateralized by real estate to CCPC of ¥99,985 million for the year ended March 31, 1998.

1. Basis of Consolidated Financial Statements and Summary of Significant Accounting Policies

(a) Basis of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared on the basis of accounting principles and practices generally accepted in Japan and in conformity with the "Consolidated Financial Statements Regulation" and the "Accounting Standards for Banks" (issued by the Bankers Association of Japan) and are compiled from the consolidated financial statements as required by the Securities and Exchange Law of Japan.

Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain reclassifications and rearrangements have been made to present the accompanying consolidated financial statements in a form which is familiar to readers outside Japan. In addition, the accompanying notes include information which is not required under accounting principles and practices generally accepted in Japan, but is presented herein as additional information.

References to fiscal 1998 and fiscal 1997 are to the Bank's fiscal years ended March 31, 1999 and 1998, respectively.

As permitted by the Securities and Exchange Law of Japan, amounts less than one million yen have been omitted. As a result, the totals do not necessarily agree with the sum of the individual amounts.

The Consolidated Statements of Cash Flows are not required under the above law and regulations but are presented for the convenience of readers outside Japan.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating original Japanese yen amounts of respective account balances to U.S. dollars on a basis of ¥120.55 to US$1, the exchange rate effective at the latest balance sheet date of March 31, 1999. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could have been converted, realized or settled in dollars at that or at any other rate.

(b) Principles of Consolidation

The consolidated financial statements of The Sakura Bank, Limited (the "Bank") include accounts of the Bank and its significant subsidiaries. Major consolidated subsidiaries for fiscal 1998 are listed below:

Name	Location	Percentage Ownership
Sakura Securities Co., Ltd.	Tokyo	100%
Manufacturers Bank	Los Angeles	100%
Sakura Finance International Limited	London	100%
Sakura Finance Australia Limited	Sydney	100%

Effective April 1, 1998, the Bank changed its consolidation scope from the application of the ownership concept to the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operation are to be accounted for by the equity method.

This change of consolidation scope resulted in an increase in the number of consolidated subsidiaries and affiliates for fiscal 1998 compared with fiscal 1997 as shown below.

The consolidated financial statements for fiscal 1997 are not retroactively adjusted.

The change of earned surplus arising from the change in the consolidation scope is recognized as "Adjustment of Earned Surplus Due to the Change of Scope of Consolidated Subsidiaries" and "Adjustment of Earned Surplus Due to the Change of Scope of Companies Accounted for Using the Equity Method" in the Consolidated Statements of Earned Surplus for the year ended March 31, 1999.

The number of consolidated subsidiaries and affiliates as of March 31, 1999 and 1998, was as follows:

	1999	1998
Consolidated Subsidiaries	**53**	41
Subsidiaries and Affiliates accounted for equity method	**39**	8

All significant intercompany transactions, account balances and unrealized profits and losses have been eliminated in consolidation.

As for those unrealized profits and losses arising from transactions among the Bank and the subsidiaries and affiliates which have been newly consolidated from fiscal 1998 under the control and influence concept, those that arose from the transactions held in or after fiscal 1998 have been eliminated in consolidation.

The financial statements of consolidated subsidiaries, whose fiscal year-ends are principally December 31, are included in the consolidated financial statements on the basis of their respective fiscal years after making appropriate adjustments for significant transactions during the periods from their respective year-ends to the date of the consolidated financial statements.

Any difference between the cost of an investment in a subsidiary and the Bank's share of the underlying equity in the net assets of the subsidiary is charged or credited to income, as the case may be, in the year incurred.

(c) Translation of Foreign Currency Financial Statements

(i) The financial statements of foreign consolidated subsidiaries and affiliates are translated into Japanese yen at exchange rates as of the balance sheet date, except for stockholders' equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Other Assets" in the accompanying Consolidated Balance Sheets.

(ii) (a) Foreign currency denominated assets and liabilities and the accounts of overseas branches are translated into yen at the exchange rates prevailing at the balance sheet date, except that certain assets and liabilities as prescribed in the Accounting Standards for Banks issued by the Bankers Association of Japan, are translated at the relevant historical exchange rates.

(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at the respective year-end exchange rates.

(d) Valuation of Trading Account Activities

Trading account positions representing earnings or losses derived from trades made for the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from gaps among markets are included in trading assets and trading liabilities on a trade date basis.

Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value and financial derivatives related to trading transactions are at the amounts that would be settled if they were terminated at the end of the fiscal year.

Trading revenue and trading expenses include interest received and paid, the amount of increase/decreases in evaluation gains/losses on the balance sheet date for securities and monetary claims, and amounts of increases/decreases of evaluation gains/losses incurred from the estimated settlement price assuming settlement in cash on the balance sheet date for derivatives, compared with that at the end of the previous term.

(e) Valuation of Securities

Securities held by the Bank and its domestic banking subsidiaries are carried at cost determined by the moving average method. Values of securities held in individually managed money trusts for asset management purposes are determined by the same method.

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

(f) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of premises and equipment owned by the Bank and its domestic banking subsidiaries is computed by the declining-balance method over the estimated useful lives of the relevant assets while the straight-line method is applied to buildings acquired on or after April 1, 1998. The effect of this change to the straight-line method was to decrease depreciation expense and loss before income taxes by ¥54 million.

Also, as the estimated useful lives of buildings were shortened from fiscal 1998, the effect of this change was to increase depreciation expense and loss before income taxes by ¥368 million.

Depreciation of premises and equipment owned by other consolidated subsidiaries is principally computed by the straight-line method over the estimated useful lives of the relevant assets.

(g) Accounting for Leases

All leases have been accounted for as operating leases in the Bank's non-consolidated financial statements. Under Japanese accounting standards for leases, finance leases where the ownership of the property is deemed to transfer to the lessee are capitalized, while other finance leases can be accounted for as operating leases if necessary information is disclosed in the notes to the lessee's consolidated financial statements. The disclosure requirements for these standards for consolidation purposes have been applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1996, with full implementation for fiscal years starting on or after April 1, 1998.

(h) Reserve for Possible Loan Losses

The reserve for possible loan losses of the Bank has been established based on the Bank's internal rules for establishing a reserve for possible loan losses, in accordance with the Accounting Standards for Banks.

Customers are initially classified into ten categories, in accordance with the Bank's own credit rating system. All claims that the Bank extended to its customers are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy," as defined by the report of the Japanese Institute of Certified Public Accountants.

For the year ended March 31, 1998, the reserve for possible loan losses was calculated based on the specific actual past loss ratio for normal and caution categories as a general reserve, and the fair value of the collateral for collateral-dependent loans and other factors of solvency for other self-assessment categories for a specific reserve.

For the year ended March 31, 1999, the reserve for possible loan losses was calculated based on the specific actual past loss ratio for normal and caution categories as a general reserve, and the fair value of the collateral for collateral-dependent loans and other factors of solvency for other self-assessment categories for a specific reserve. For collateral or guaranteed claims of "virtual bankruptcy" and "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees was deducted, as deemed uncollectible, directly from those claims. The deducted amount was ¥1,457,662 million.

For foreign claims, there is a reserve for loans to restructuring countries which has been established based on losses estimated by considering political and economic situations in those countries.

All claims are being assessed by the branches and credit supervision divisions based on the Bank's internal rules for the self-assessment of asset quality. The Assets Review and Inspection Division, which is independent from branches and credit supervision divisions, conducts audits of these assessments.

The consolidated subsidiaries provide reserves for possible loan losses at the amounts considered reasonable in accordance with local accounting standards and also based on prior experience with loan losses.

(i) Reserve for Retirement Allowances and Pension Plans

Under most circumstances, employees of the Bank terminating their employment are entitled to certain severance payments based on the rate of pay at the time of termination, years of service and certain other factors. If the termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination. The accrued provision for retirement allowances of the Bank is calculated to state the estimated liability at the amount which would be required if all employees eligible for retirement allowances were to voluntarily terminate their employment at the balance sheet date.

In addition, the Bank has a contributory pension plan for eligible employees. The unamortized balance of prior service costs at March 31, 1998 (based on the latest available accounts of the pension plan), was ¥57,840 million. Prior service costs are being amortized and the remaining amortization period is 17 years and 11 months.

Consolidated subsidiaries principally have funded pension plans for employees.

(j) Reserve for Possible Losses from Loans Sold to CCPC

The reserve for possible losses from loans sold to Cooperative Credit Purchasing Company, Limited (CCPC), is made to provisions in amounts which it views to be necessary based on estimates of possible losses it may sustain in the future on loans sold to the CCPC, taking account of the value of real estate collateral securing these loans.

(k) Land Revaluation Excess

Under the "Law of Land Revaluation," promulgated and revised on March 31, 1998 and 1999, respectively, the Bank elected for fiscal 1997 the one-time revaluation of its own-use land to current value based on real estate appraisal information.

Continuous readjustment is not permitted unless the value of the land subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess (or the reserve for unrealized application of land) account and deferred income tax liabilities.

The revision of the Law on March 31, 1999, requires reclassification of the land revaluation excess (or the reserve for unrealized application of land) account in stockholders' equity rather than in liabilities with the related deferred tax portion remaining in liability on or after fiscal 1998. The effect of this reclassification was to decrease total liabilities and to increase total stockholders' equity by ¥68,868 million, respectively.

The details of the one-time revaluation in fiscal 1998 were as follows:

The date of reassessment: March 31, 1998

The difference between book value and current value as of March 31, 1999: ¥12,265 million (loss)

(l) Income Taxes

Deferred taxes relating to temporary differences between financial and tax reporting have been recognized.

Until fiscal 1997, enterprise tax was included in "Other Operating Expenses." From fiscal 1998, it is included in "Income Taxes."

(m) Appropriation of Earned Surplus

Cash dividends and transfer to legal reserve are recorded in the financial year that the relevant proposed appropriation of earned surplus is approved by the Board of Directors and/or at the General Meeting of Stockholders.

(n) Net Income Per Share

Net income per share calculations represent net income less dividends on preferred shares, divided by the weighted average number of outstanding shares of common stock during the respective year.

The calculation considers the dilutive effect of common stock equivalents which includes preferred shares and certain convertible bonds, assuming that all convertible bonds and preferred shares were converted into common stock. Diluted net income per common share is to be appropriately adjusted for free distributions of common stock. For fiscal 1998 and 1997, however, this calculation of dilution is not applicable due to a net loss.

(o) Differences between the Accounting Principles and Practices Adopted in the Accompanying Consolidated Financial Statements and International Accounting Standards

The accompanying consolidated financial statements conform with accounting principles and practices generally accepted in Japan. Such principles and practices differ from International Accounting Standards in several respects, such as methods for valuation of securities, accounting for leases and accounting for pension plans, among others.

2. Trading Assets

Trading assets as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Trading Securities	**¥ 448,295**	¥ 472,240	**$ 3,718**
Trading-related Financial Derivatives	**221,120**	344,107	**1,834**
Other Trading Assets	**779,368**	990,581	**6,465**
Total	**¥1,448,784**	¥1,806,929	**$12,018**

Other trading assets includes commercial paper and other debt purchased related to trading transactions.

3. Securities

Securities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Japanese Government Bonds	¥1,436,408	¥1,245,849	$11,915
Japanese Local Government Bonds	123,369	177,354	1,023
Corporate Bonds	428,361	490,699	3,553
Corporate Stocks	3,282,088	3,320,362	27,225
Other	994,665	1,212,489	8,251
Total	¥6,264,893	¥6,446,756	$51,969

Corporate stocks and other include investments in unconsolidated subsidiaries and affiliates totaling ¥29,130 million (US$241 million) and ¥25,355 million as of March 31, 1999 and 1998, respectively.

4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Bills Discounted	¥ 448,138	¥ 772,606	$ 3,717
Loans on Bills	3,627,844	3,946,426	30,094
Loans on Deeds	22,816,758	23,760,201	189,272
Overdrafts	6,058,077	7,400,578	50,253
Financing Receivables, Including Leasing	12,055	103,099	100
Total	¥32,962,873	¥35,982,912	$273,437

Until fiscal 1997, the Bank applied nonaccrual criteria, by which the Bank discontinues the accrual for interest income for accounting purposes, on loans in legal bankruptcy or loans past due more than six months based on the Corporate Tax Law criteria. From fiscal 1998, the Bank applied new criteria for nonaccrual judgment based on self-assessment results, where the nonaccrual loans' scope is expanded to the loans in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy.

In accordance with the Accounting Standards for Banks issued by the Bankers Association of Japan, the loans and bills discounted include loans held by the Bank to borrowers in bankruptcy totaling ¥165,105 million (US$1,369 million) and ¥402,878 million as of March 31, 1999 and 1998, respectively, as well as past due loans held by the Bank totaling ¥994,862 million (US$8,252 million) and ¥592,489 million as of March 31, 1999 and 1998, respectively.

"Past due loans (3 months or more)" consisted of loans for which the principal and/or interest is three months or more past due but exclude "loans to borrowers in bankruptcy" and "past due loans." The balance of past due loans (3 months or more) as of March 31, 1999 and 1998, was ¥58,962 million (US$489 million) and ¥216,713 million, respectively.

"Restructured loans" are loans in respect of which the Bank is relaxing lending conditions, such as reduction of the original interest rate, forbearance of interests payments or principal repayments to support the borrowers' reorganization, but exclude "loans to borrowers in bankruptcy," "past due loans" or "past due loans (3 months or more)." The outstanding balance of restructured loans as of March 31, 1999 and 1998, was ¥541,634 million (US$4,493 million) and ¥263,321 million, respectively.

For fiscal 1998, due to the directly deducted claims mentioned in Note 1 (h), loans to borrowers in bankruptcy and past due loans have decreased by ¥389,384 million and ¥390,658 million, respectively.

The Bank's total principal balance of loans transferred to the participating entities under loan participation agreements, which are accounted for as sold due to their non-recourse nature, was ¥578,900 million (US$4,802 million) and ¥535,418 million as of March 31, 1999 and 1998, respectively.

The loans and bills discounted include loans held by the Bank and its subsidiaries to borrowers in bankruptcy totaling ¥169,347 million (US$1,404 million) as of March 31, 1999, and past due loans held by the Bank and its subsidiaries totaling ¥1,276,109 million (US$10,585 million). The balance of past due loans (3 months or more) as of March 31, 1999, was ¥84,304 million (US$699 million), and the outstanding balance of restructured loans as of March 31, 1999, was ¥237,105 million (US$1,966 million). Due to the directly deducted claims mentioned above, loans to borrowers in bankruptcy and past due loans have decreased by ¥568,716 million and ¥786,984 million, respectively.

5. Foreign Exchanges

Foreign exchange assets and foreign exchange liabilities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Assets:			
Due from Foreign Banks	**¥ 16,068**	¥ 58,321	**$ 133**
Foreign Bills of Exchange Bought	**179,570**	279,063	**1,489**
Foreign Bills of Exchange Receivables	**113,799**	152,100	**944**
Total	**¥309,438**	¥489,484	**$2,566**
Liabilities:			
Due to Foreign Banks	**¥ 13,700**	¥ 18,804	**$ 113**
Foreign Bills of Exchange Sold	**2,951**	16,192	**24**
Foreign Bills of Exchange Payables	**5,726**	6,881	**47**
Total	**¥ 22,378**	¥ 41,878	**$ 185**

6. Other Assets

Other assets as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Prepaid Expenses	**¥ 41,176**	¥ 15,612	**$ 341**
Accrued Income	**659,555**	647,197	**5,471**
Other	**2,266,937**	1,885,318	**18,804**
Total	**¥2,967,669**	¥2,548,127	**$24,617**

7. Premises and Equipment

Premises and equipment as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Land	**¥ 477,958**	¥273,189	**$3,964**
Buildings	**231,722**	194,195	**1,922**
Equipment	**213,753**	197,944	**1,773**
Other	**130,666**	99,496	**1,083**
Total	**1,054,100**	764,825	**8,744**
Accumulated Depreciation	**298,133**	261,685	**2,473**
Net Book Value	**¥ 755,966**	¥503,140	**$6,270**

Under the "Law of Land Revaluation," effective on March 31, 1998, the Bank elected the one-time revaluation for its own-use land to current value based on real estate appraisal information as of March 31, 1998.

The amount of unrealized appreciation of land related to the one-time revaluation as of March 31, 1999, was ¥118,331 million (US$981 million).

8. Deposits

Deposits as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Current Deposits	**¥ 1,814,069**	¥ 1,782,372	**$ 15,048**
Ordinary Deposits	**7,181,470**	6,605,959	**59,572**
Deposits at Notice	**3,552,245**	6,766,345	**29,466**
Time Deposits	**15,539,304**	15,359,827	**128,903**
Negotiable Certificates of Deposits	**2,735,842**	3,493,721	**22,694**
Other	**2,545,682**	2,886,125	**21,117**
Total	**¥33,368,615**	¥36,894,352	**$276,803**

9. Call Money

Call money as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Call Money	**¥2,195,205**	¥2,784,202	**$18,209**
Bills Sold	**132,500**	390,300	**1,099**
Total	**¥2,327,705**	¥3,174,502	**$19,309**

10. Trading Liabilities

Trading liabilities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Trading Securities Sold for Short Sales	**¥137,455**	¥156,704	**$1,140**
Derivatives of Trading Securities	**906**	466	**7**
Securities Related to Trading Transactions Sold for Short Sales	**3,786**	—	**31**
Derivatives of Securities Related to Trading Transactions	**3**	—	**0**
Trading-related Financial Derivatives	**238,925**	374,640	**1,981**
Total	**¥381,077**	¥531,811	**$3,161**

11. Borrowed Money

Borrowed money as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Bills Rediscounted	**¥ 9,334**	¥ 73,368	**$ 77**
Borrowings from The Bank of Japan and Other Financial Institutions	**403,532**	933,720	**3,347**
Commercial Paper	**—**	1,980	**—**
Subordinated Debt	**729,589**	816,824	**6,052**
Other	**535,218**	560,785	**4,439**
Total	**¥1,677,674**	¥2,386,679	**$13,916**

Commercial paper, which was classified as borrowed money in fiscal 1997, is separated and presented as an independent item in fiscal 1998.

12. Bonds

Bonds as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Subordinated Bonds	**¥889,616**	¥915,699	**$7,379**
Other	**22,780**	50,723	**188**
Total	**¥912,397**	¥966,422	**$7,568**

13. Convertible Bonds

Convertible bonds as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
2.625% U.S. Dollar Convertible Bonds Due 2001	**¥ —**	¥3,156	**$—**
2.625% U.S. Dollar Convertible Bonds Due 2003	**95**	95	**0**
1.750% U.S. Dollar Convertible Bonds Due 2002	**2,113**	2,113	**17**
Total	**¥2,208**	¥5,365	**$18**

The above 2.625% U.S. dollar convertible bonds due 2001 were redeemed at March 25, 1999. The balance at redemption was ¥3,156 million (US$26 million).

The aforementioned bonds are convertible into common stock of the Bank at the conversion prices (set forth below), subject to adjustment under certain circumstances.

The conversion prices per share are as follows:

	Conversion Price Per Share March 31, 1999	Fixed Exchange Rate
2.625% U.S. Dollar Convertible Bonds Due 2003	¥2,332.60	¥131.40=US$1
1.750% U.S. Dollar Convertible Bonds Due 2002	¥1,992.90	¥142.80=US$1

14. Other Liabilities

Other liabilities as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Accrued Expenses	**¥ 434,465**	¥ 271,481	**$ 3,604**
Unearned Income	**97,250**	30,027	**806**
Reserves for Taxes	**14,082**	113,859	**116**
Employees' Deposits	**892**	70,004	**7**
Other	**3,886,691**	3,527,938	**32,241**
Total	**¥4,433,381**	¥4,013,311	**$36,776**

15. Reserve for Possible Loan Losses

Reserve for possible loan losses as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
General Reserve	**¥242,654**	¥ 117,831	**$2,012**
Specific Reserve	**424,038**	946,523	**3,517**
Total	**¥666,692**	¥1,064,355	**$5,530**

The specific reserve includes reserve for loans to restructuring countries.

16. Other Reserves

Other reserves as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Reserve for Possible Losses from Trading Account Securities Transactions	**¥ —**	¥49	**$—**
Reserve for Contingent Liabilities from Broking of Financial Futures Transactions	**9**	8	**0**
Reserve for Contingent Liabilities from Broking of Securities Transactions	**2**	3	**0**
Total	**¥12**	¥61	**$ 0**

17. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 1999 and 1998, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Acceptances	¥ 10,849	¥ 17,021	$ 89
Letters of Credit	224,104	339,788	1,859
Guarantees	1,735,687	1,619,792	14,398
Total	¥1,970,640	¥1,976,602	$16,347

All contingent liabilities arising in connection with customers' foreign trade and other transactions are classified under "Acceptances and Guarantees." A contra account, "Customers' Liabilities for Acceptances and Guarantees," is classified as an asset representing the Bank's right of indemnity from customers.

18. Capital Stock and Capital Surplus

The authorized number of shares of capital stock (common stock and preferred stock) as of March 31, 1999, was as follows:

(i) 10,000,000 thousand common shares, voting and ranking equally with any other class of shares except preferred shares with respect to payment of dividends and distributions on liquidation or winding-up of the Bank.

(ii) 1,036,307 thousand preferred shares, non-voting and ranking prior to common shares with respect to payment of dividends and distributions on liquidation or winding-up of the Bank. The dividend rate, redemption and conversion rights, if any, are to be determined prior to issuance by the Board of Directors of the Bank.

The Bank is authorized to repurchase, at management's discretion, up to 350 million shares of the Bank's stock for the purpose of canceling shares by crediting them against retained earnings.

The changes in the capital stock and capital surplus accounts for the years ended March 31, 1999 and 1998, were as follows:

	Millions of Yen				
	Common Stock		Preferred Stock		Capital Surplus
	Shares (thousands)	Stated Value	Shares (thousands)	Stated Value	Stated Value
March 31, 1997	3,424,163	¥ 475,735	123,710	¥ 123,710	¥ 456,534
Conversion of Preferred Stocks	322,971	96,827	(96,827)	(96,827)	—
March 31, 1998	3,747,134	572,562	26,883	26,883	456,534
Issuance of New Stocks	273,802	43,260	800,000	400,000	442,986
Conversion of Preferred Stocks	62,184	15,576	(15,576)	(15,576)	—
March 31, 1999	4,083,121	¥631,399	811,307	¥411,307	¥899,521
Millions of U.S. Dollars	—	$5,237	—	$3,411	$7,461

Under the Japanese Commercial Code (the "Code"), at least 50 percent of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital have been credited to capital surplus.

Under the Code,

(i) the Bank may, by resolution of the stockholders, transfer a portion of earned surplus available for dividends to the capital stock account, and

(ii) the Bank may, by resolution of the Board of Directors, issue new shares of common stock to the existing stockholders without consideration to the extent that the amount calculated by multiplying the number of outstanding shares after the issuance by par value per share does not exceed the stated capital, or that the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the issuance shall not be less than ¥50. These issuances of the new shares are treated as stock splits.

Series I preferred shares issued on March 31, 1994, were convertible on or after July 1, 1994, and up to and including September 30, 1997, at the option of the stockholders, into fully paid shares of common stock of the Bank. On October 1, 1997, all Series I preferred shares that were not previously converted at the option of Series I preferred stockholders were mandatorily exchanged for fully paid shares of common stock of the Bank.

The Bank received on September 30, 1996, the proceeds from the offering of 75,000 thousand Series II preferred shares issued on October 1, 1996, at a price of ¥2,000 per share for gross proceeds of ¥150,000 million, of which ¥75,000 million was transferred to the capital surplus account in accordance with the Code. The issue costs were expensed when paid. The Series II preferred stockholders are entitled, with priority over any payment of dividends and ranking equally with Series I Preferred Stocks as to distributions on liquidation of the Bank to common stock of the Bank, to receive noncumulative dividends of ¥7.50 and a distribution of ¥2,000 per preferred share.

Series II preferred shares are convertible on or after October 1, 1997, and up to and including September 30, 2001, at the option of the stockholders, into fully paid shares of common stock of the Bank at an initial exchange price of ¥1,122.

Unless previously converted at the option of Series II preferred stockholders, all outstanding Series II preferred shares will be mandatorily exchanged for fully paid shares of common stock of the Bank on October 1, 2001, at the number of common shares calculated by dividing ¥2,000 by the average market price per share during a certain period immediately preceding October 1, 2001.

The Bank received on December 24, 1998, the proceeds from the offering of 273,802 thousand common shares issued on December 25, 1998, at a price of ¥315 per share for gross proceeds of ¥86,247 million, of which ¥43,260 million was transferred to the capital surplus account in accordance with the Code. The issue costs were expensed when paid.

The Bank received on March 30, 1999, the proceeds from the offering of 800,000 thousand Series III preferred shares issued on March 31,1999, in accordance with the Financial Function Early Strengthening Law, at a price of ¥1,000 per share for gross proceeds of ¥800,000 million, of which ¥400,000 million was transferred to the capital surplus account in accordance with the Code. The issue costs were expensed when paid. The Series III preferred stockholders are entitled, with priority over any payment of dividends and ranking equally with Series II Preferred Stocks as to distributions on liquidation of the Bank to common stock of the Bank, to receive noncumulative dividends of ¥13.70 and a distribution of ¥1,000 per preferred share. Series III preferred shares are convertible on or after October 1, 2002, and up to and including September 30, 2009, at the option of stockholders, into fully paid shares of common stock of the Bank.

19. Legal Reserve

Legal reserve as of March 31, 1999, is included in earned surplus due to the change of consolidated financial statement regulations. The changes for the years ended March 31, 1999 and 1998, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Balance at Beginning of Year	**¥111,630**	¥105,145	**$926**
Appropriation of Earned Surplus	**6,453**	6,484	**53**
Balance at End of Year	**¥118,084**	¥111,630	**$979**

Under the Banking Law of Japan, an amount equivalent to at least 20 percent of any distribution of profits must be appropriated as a legal reserve until such reserve equals 100 percent of stated capital. This reserve is not available for dividends, but may be used to reduce a deficit by resolution of the stockholders or may be transferred to the capital stock account by resolution of the Board of Directors.

20. Other Interest Income

The composition of other interest income for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Deposits with Banks	**¥ 52,260**	¥103,902	**$ 433**
Interest Swaps	**407,157**	360,527	**3,377**
Other	**114,419**	79,193	**949**
Total	**¥573,837**	¥543,624	**$4,760**

21. Other Operating Income

The composition of other operating income for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Gains on Foreign Exchange Transactions	**¥ 18,753**	¥10,294	**$155**
Gains on Sales of Bonds	**81,662**	58,512	**677**
Gains on Redemption of Bonds	**3,133**	3,191	**25**
Other	**954**	776	**7**
Total	**¥104,503**	¥72,774	**$866**

22. Other Income

The composition of other income for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Gains on Sales of Stocks and Other Securities	**¥155,531**	¥619,696	**$1,290**
Gains on Money Held in Trust	**2,013**	3,265	**16**
Gains on Dispositions of Premises and Equipment	**72,683**	284,092	**602**
Recoveries of Written-off Claims	**1,262**	1,519	**10**
Equity in Earnings of Affiliates	**655**	—	**5**
Other	**35,509**	16,111	**294**
Total	**¥267,656**	¥924,685	**$2,220**

Equity in earnings of affiliates, which was separated and presented as an independent item in fiscal 1997, is classified as other income in fiscal 1998.

23. Transfer from Other Reserves

The composition of transfer from other reserves for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Reserve for Price Fluctuations of Japanese Government Bonds	**¥ —**	¥10,439	**$—**
Reserve for Possible Losses from Trading Account Securities Transactions	**49**	11,774	**0**
Reserve for Contingent Liabilities from Brokering of Trading Account Securities	**0**	4	**0**
Total	**¥49**	¥22,218	**$ 0**

24. Other Interest Expenses

The composition of other interest expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Convertible Bonds	**¥ 92**	¥ 193	**$ 0**
Interest Swaps	**392,421**	336,127	**3,255**
Other	**153,519**	93,372	**1,273**
Total	**¥546,034**	¥429,693	**$4,529**

25. Other Operating Expenses

The composition of other operating expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Losses on Sales of Bonds	**¥22,395**	¥ 6,987	**$185**
Losses on Redemption of Bonds	**7,529**	7,844	**62**
Losses on Devaluation of Bonds	**3,920**	1,701	**32**
Other	**6,880**	623	**57**
Total	**¥40,725**	¥17,157	**$337**

26. General and Administrative Expenses

The composition of general and administrative expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
Salaries and Welfare Expenses	**¥238,437**	¥238,256	**$1,977**
Retirement Benefits	**21,651**	22,342	**179**
Depreciation	**37,528**	33,262	**311**
Rent and Lease Expenses	**43,750**	42,732	**362**
Taxes and Public Impositions	**31,597**	37,416	**262**
Other	**144,275**	120,094	**1,196**
Total	**¥517,241**	¥494,105	**$4,290**

27. Other Expenses

The composition of other expenses for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Written-off Claims	¥476,048	¥ 11,858	$3,948
Losses on Sales of Stocks and Other Securities	52,189	77,782	432
Losses on Devaluation of Stocks and Other Securities	108,369	8,754	898
Losses on Money Held in Trust	5,903	1,037	48
Losses on Securities Investment Trust	—	22,705	—
Enterprise Taxes	—	(8,137)	—
Losses on Dispositions of Premises and Equipment	4,062	4,576	33
Losses on Arising from Financial Assistance Provided to Supported Companies	—	305,738	—
Other	146,729	268,158	1,217
Total	¥793,303	¥692,473	$6,580

In fiscal 1998, in accordance with Accounting Standards for Banks in Japan, enterprise taxes are presented in “Income Taxes.” Other includes provisions for possible losses from loans sold to CCPC of ¥78,338 million and losses on sales of loans collateralized by real estate to CCPC of ¥99,985 million for fiscal 1997.

28. Transfer to Other Reserves

The composition of transfer to other reserves for the years ended March 31, 1999 and 1998, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Reserve for Contingent Liabilities from Broking of Financial Futures Transactions	¥0	¥3	$0
Total	¥0	¥3	$0

29. Income Taxes

The Bank is subject to a number of taxes based on income such as corporation tax, inhabitants tax, and enterprise tax which, in the aggregate, resulted in a normal Japanese statutory tax rate of approximately 46.4% for fiscal 1998 and 51.3% for fiscal 1997.

In accordance with the Accounting Standards for Banks in Japan, enterprise taxes in fiscal 1997 were presented in “Other Expenses” rather than in “Income Taxes” in the accompanying Consolidated Statements of Operations since such taxes are deductible from taxable income for the purpose of corporation and inhabitants taxes.

In fiscal 1998, in accordance with the Accounting Standards for Banks in Japan, enterprise taxes are presented in “Income Taxes” in the accompanying Consolidated Statements of Operations.

The actual effective tax rates for fiscal 1998 and 1997, as shown below, differed from the normal Japanese statutory rate due to a number of factors, including, among others, (1) certain expenses permanently not deductible for tax purposes, (2) different tax rates for the subsidiaries outside Japan, (3) additional taxation of per capita levy for inhabitants tax and other taxes, and (4) reduction of corporate tax rates in fiscal 1999.

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Income Taxes (Corporation, Inhabitants and Enterprise) (a)	¥217,818	¥ 19,689	$1,806
Loss before Income Taxes and Enterprise Taxes (b)	¥706,257	¥108,487	$5,858
Actual Effective Tax Rates ((a)/(b))	30.8%	18.1%	30.8%

On March 31, 1999, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 46.4% to 40.8%, effective for the year beginning April 1, 1999. The effect of the tax rate change on deferred taxes in the Consolidated Statements of Operations for the year ended March 31, 1999, is approximately ¥98,350 million.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred income taxes (assets and liabilities) at March 31, 1999, are as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Deferred Income Taxes (Assets):		
Non-Deductible Portion of Reserve for Possible Loan Losses	¥456,342	$3,785
Tax Loss Carryforwards	124,697	1,034
Other	107,998	895
Total	¥689,038	$5,715
Deferred Income Taxes (Liabilities):		
Reserve for Losses on Overseas Investment	¥ (21)	$ (0)
Total	(21)	(0)
Net Deferred Income Taxes	¥689,017	$5,715

30. Leases

Finance leases where the ownership of the property is not deemed to transfer to the lessee consisted of the following:

(a) For the year ended March 31, 1999

(i) As Lessee

Acquisition cost, accumulated depreciation and net balance of the leased property as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Acquisition Cost	¥38,039	$315
Accumulated Depreciation	18,922	156
Net Balance	¥19,117	$158

The acquisition cost amount includes the imputed interest expense portion, because of its immateriality.

Obligations as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Due within One Year	¥ 5,177	$ 42
Due after One Year	13,939	115
Total	¥19,117	$158

The amount of the obligations includes the imputed interest expenses portion, because of its immateriality.

For the year ended March 31, 1999, total lease payments were ¥6,436 million (US$53 million) and depreciation was ¥6,436 million (US$53 million). Depreciation was calculated based on the straight-line method with zero residual value.

(ii) As Lessor

Acquisition cost, accumulated depreciation and net balance of the leased property as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Acquisition Cost	**¥33,487**	**$277**
Accumulated Depreciation	**15,251**	**126**
Net Balance	**¥18,235**	**$151**

Future lease payment receivables as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Due within One Year	**¥ 6,355**	**$ 52**
Due after One Year	**23,002**	**190**
Total	**¥29,357**	**$243**

The amount of the future lease payment receivables includes the imputed interest income portion, because of its immateriality.

For the year ended March 31, 1999, total lease revenues were ¥7,608 million (US$63 million) and depreciation was ¥3,188 million (US$26 million).

(b) For the year ended March 31, 1998

Obligations as of March 31, 1998, were as follows:

	Millions of Yen
	1998
Due within One Year	¥ 8,447
Due after One Year	17,976
Total	¥26,424

Total lease payments were ¥7,042 million. The amount of obligations includes the imputed interest expense portion, because of its immateriality.

Operating leases consisted of the following:

(a) For the year ended March 31, 1999

(i) As Lessee

The minimum rental commitments under noncancellable operating leases as of March 31, 1999, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	1999	1999
Due within One Year	**¥ 1,819**	**$ 15**
Due after One Year	**10,364**	**85**
Total	**¥12,183**	**$101**

(ii) As Lessor

There were no minimum rental commitments receivable under noncancelable operating leases.

(b) For the year ended March 31, 1998

The minimum rental commitments under noncancelable operating lease as of March 31, 1998, were as follows:

	Millions of Yen
	1998
Due within One Year	¥1,803
Due after One Year	6,791
Total	¥8,595

31. Segment Information

(a) Business Segment Information

Some of the consolidated subsidiaries are engaged in securities, trust, leasing and other businesses in addition to the commercial banking business. As those activities are not deemed material, business segment information has not been disclosed.

(b) Geographic Segment Information

Millions of Yen

Year Ended March 31, 1999	Domestic	Americas	Europe	Asia and Oceania	Interarea Elimination	Subtotal	Reclassi-fication	Consolidated Total
Ordinary Income/ Total Income								
Customers	¥ 1,602,689	¥ 188,936	¥ 168,259	¥ 179,341	¥ —	¥ 2,139,226	¥ 73,996	¥ 2,213,222
Intersegment	172,340	101,640	1,951	2,325	(278,257)	—	—	—
Total	1,775,029	290,576	170,210	181,666	(278,257)	2,139,226	73,996	2,213,222
Ordinary Expenses/ Total Expenses	2,555,086	292,774	176,029	169,107	(277,580)	2,915,416	4,064	2,919,480
Ordinary Profit (Loss)/ Income (Loss) before Income Taxes	¥ (780,057)	¥ (2,198)	¥ (5,819)	¥ 12,558	¥ (676)	¥ (776,190)	¥(69,933)	¥ (706,257)
Millions of U.S. Dollars	$ (6,470)	$ (18)	$ (48)	$ 104	$ (5)	$ (6,438)	$ (580)	$ (5,858)
Assets	¥45,516,552	¥2,577,289	¥1,070,154	¥2,887,072	¥(3,036,064)	¥49,015,005	¥ —	¥49,015,005
Millions of U.S. Dollars	$ 377,574	$ 21,379	$ 8,877	$ 23,949	$ (25,185)	$ 406,594	$ —	$ 406,594

Millions of Yen

Year Ended March 31, 1998	Domestic	Americas	Europe	Asia and Oceania	Interarea Elimination	Subtotal	Reclassi-fication	Consolidated Total
Ordinary Income/ Total Income								
Customers	¥ 2,131,277	¥ 94,646	¥ 135,070	¥ 252,703	¥ —	¥ 2,613,698	¥307,830	¥ 2,921,528
Intersegment	229,443	150,975	44,388	9,489	(434,297)	—	—	—
Total	2,360,720	245,622	179,459	262,192	(434,297)	2,613,698	307,830	2,921,528
Ordinary Expenses/ Total Expenses	2,787,703	236,174	176,829	249,415	(432,823)	3,017,298	4,580	3,021,878
Ordinary Profit (Loss)/ Income (Loss) before Income Taxes	¥ (426,982)	¥ 9,447	¥ 2,630	¥ 12,777	¥ (1,473)	¥ (403,600)	¥303,250	¥ (100,349)
Millions of U.S. Dollars	$ (3,232)	$ 71	$ 19	$ 96	$ (11)	$ (3,055)	$ 2,295	$ (759)
Assets	¥45,723,010	¥3,290,017	¥2,062,609	¥4,931,856	¥(2,847,164)	¥53,160,330	¥ —	¥53,160,330
Millions of U.S. Dollars	$ 346,124	$ 24,905	$ 15,613	$ 37,334	$ (21,553)	$ 402,424	$ —	$ 402,424

Ordinary income or expenses represent total income or expenses excluding Gains or Losses on Dispositions of Premises and Equipment, Recoveries of Written-off Claims, and Transfer to (from) Other Reserves.

For the years ended March 31, 1999 and 1998, the Bank reported ordinary income and ordinary profit (loss) which correspond to sales and operating profit for other types of enterprises for its Head

Office and consolidated subsidiaries according to the classification domestic and country or region, in view of the geographical proximity, similarities in economic activities, and interrelationships among these activities.

Countries or economies in the regions shown include, but are not limited to, the following: Americas: the United States and Canada; Europe: the United Kingdom and Germany; and Asia and Oceania: Singapore, Hong Kong, and Australia.

As described in Note 1 (f), due to the changes in the depreciation method of buildings acquired on or after April 1, 1998, and shortening of the estimated useful lives of buildings from fiscal 1998, "Domestic" assets decreased by ¥314 million, and both ordinary expenses and loss before income taxes increased by ¥314 million.

Also, as described in Note 22 and Note 27, due to the reclassification of "Equity in Earnings of Affiliates" and "Enterprise Taxes," "Domestic" ordinary income increased by ¥877 million, ordinary expenses decreased by ¥283 million and loss before income taxes decreased by ¥1,160 million, for "Asia and Oceania" ordinary income decreased by ¥221 million and loss before income taxes increased by ¥221 million for fiscal 1998.

(c) Ordinary Income from International Operations

	Millions of Yen		Millions of U.S. Dollars
	1999	1998	**1999**
(i) Ordinary Income from International Operations	**¥ 839,959**	¥ 975,889	**$ 6,967**
(ii) Ordinary Income	**2,139,226**	2,613,698	**17,745**
(i) / (ii)	**39.3%**	37.3%	**39.3%**

Ordinary income from international operations comprises transactions denominated in foreign currencies, trade bill transactions denominated in yen, and offshore account transactions in Japan; transactions at the Bank's overseas branches; and income from overseas consolidated subsidiaries. The composition of this substantial volume of transactions is not broken down by counterparty, and, therefore, data by region and country have not been included.

32. Subsequent Event

(i) The following appropriation of earned surplus of the Bank for the year ended March 31, 1999, was approved at the stockholders' meeting held on June 29, 1999.

	Millions of Yen	Millions of U.S. Dollars
Transfer to Legal Reserve	**¥ 2,473**	**$ 20**
Dividends:		
Series II Preferred (¥7.50 per Share)	**84**	**0**
Series III Preferred (¥0.04 per Share)	**32**	**0**
Common (¥3.00 per Share)	**12,249**	**101**
Total	**¥14,839**	**$123**

(ii) At the general stockholders' meeting held on June 29, 1999, the Bank's stockholders approved the following stock option plan for the Bank's directors and certain employees:

Stock option plan

The plan provides for granting options to directors and certain employees to purchase up to 279 thousand shares of the Bank's common stock in the period from June 30, 2001 to June 29, 2009. The issue price of the stock equals 105% of the average of the closing prices of the Bank's common stock on the Tokyo Stock Exchange ("TSE") on each day (excluding a day or days on which no closing price is available) during the month immediately prior to the month in which stock option rights will be granted (amounts below one yen will be rounded up to the nearest one yen), but if such average is lower than the closing price of the Bank's common stock on the TSE on the date of grant of stock option rights, the issue price shall be equal to that day's closing price.

Independent Certified Public Accountants' Report

Showa Ota & Co.
Ernst & Young International

Tohmatsu & Co

To the Board of Directors of
The Sakura Bank, Limited

We have examined the consolidated balance sheets of The Sakura Bank, Limited and subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of operations, earned surplus and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Sakura Bank, Limited and subsidiaries as of March 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. (a). Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Showa Ota & Co.

Showa Ota & Co.

Tohmatsu & Co.

Tohmatsu & Co.

Tokyo, Japan
June 29, 1999

Non-Consolidated Financial Highlights

Years Ended March 31 Millions of Yen	1999	1998	1997	1996	1995
For the Year					
Total Income	**¥ 2,045,139**	¥ 2,833,166	¥ 2,538,645	¥ 2,502,086	¥ 2,620,794
Total Expenses	**2,693,827**	2,948,431	2,480,239	2,882,511	2,560,791
Income (Loss) before Income Taxes	**(648,688)**	(115,265)	58,406	(380,425)	60,003
Net Income (Loss)	**(375,315)**	(220,516)	51,042	(426,830)	24,451
At Year-End					
Total Assets	**¥47,208,716**	¥51,650,386	¥53,131,014	¥52,824,386	¥52,465,934
Loans and Bills Discounted	**32,291,263**	35,083,771	36,833,937	36,713,909	35,795,837
Securities	**6,217,570**	6,449,372	7,062,157	6,893,715	6,879,818
Total Liabilities	**44,985,195**	50,352,273	51,579,961	51,443,079	50,726,884
Deposits	**32,965,621**	36,380,770	38,270,539	38,808,092	37,233,867
Total Stockholders' Equity	**2,223,521**	1,298,113	1,551,052	1,381,306	1,739,049
Common Stock	**631,399**	572,562	475,735	475,735	424,409
Preferred Stock	**411,307**	26,883	123,710	48,710	50,000

Business Performance

Years Ended March 31 Millions of Yen (Except per share data, %)	1999	1998	1997	1996	1995
Gross Operating Profit:	**¥ 699,181**	¥ 730,391	¥ 720,834	¥ 768,448	¥ 605,847
Loan Loss Provision	**101,176**	1,716	357	2,340	(1,786)
Expenses:	**425,057**	434,895	438,732	432,929	447,464
Personnel	**178,163**	195,696	206,375	216,718	224,412
Non-personnel	**223,065**	204,374	203,238	187,022	192,001
Tax	**23,827**	34,824	29,117	29,187	31,050
Net Operating Profit	**172,947**	293,778	281,745	333,179	160,168
Gains and Losses on Money Held in Trust	**(2,895)**	(2,876)	(3,315)	(12,113)	5,277
Extraordinary Profit (Loss), Net	**(924,239)**	(708,126)	(219,451)	(703,336)	(99,446)
Operating Profit (Loss)	**(754,187)**	(417,223)	58,978	(382,270)	66,000
Net Income (Loss)	**(375,315)**	(220,516)	51,042	(426,830)	24,451
Total Assets (Average Balance)	**¥47,215,251**	¥50,375,675	¥49,589,697	¥49,493,373	¥48,325,847
Per Share (Yen):					
Dividends Paid	**¥ 7.25**	¥ 8.50	¥ 8.50	¥ 8.50	¥ 8.50
Stockholders' Equity	**343.09**	332.07	380.72	374.94	494.35
Dividend Payout Ratio (%)	**—%**	—%	60.27%	—%	126.93%
ROA (Net Income) (%)	**—%**	—%	0.103%	—%	0.051%
ROA (Net Operating Profit) (%)	**0.366%**	0.583%	0.568%	0.673%	0.331%
% of Expenses to Gross Operating Profit	**60.8%**	59.5%	60.9%	56.3%	73.9%

Notes: 1. Total assets (average balance) exclude customers' liabilities for acceptances and guarantees.
2. Stockholders' equity per share is calculated by subtracting the product of the number of preferred shares outstanding at the end of the fiscal year and the issue price per share of preferred shares from stockholders' equity at the end of the fiscal year, then dividing this amount by the number of common shares outstanding at the end of the fiscal year.

Non-Consolidated Balance Sheets

(Supplemental Information)
The Sakura Bank, Limited

March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Millions of U.S. Dollars (Note 1) 1999
Assets			
Cash and Due from Banks	**¥ 1,413,680**	¥ 2,537,620	**$ 11,726**
Call Loans	**84,978**	256,761	**704**
Commercial Paper and Other Debt Purchased	**2,182**	6,152	**18**
Trading Assets	**1,091,216**	1,303,734	**9,051**
Money Held in Trust	**151,470**	239,983	**1,256**
Securities	**6,217,570**	6,449,372	**51,576**
Loans and Bills Discounted	**32,291,263**	35,083,771	**267,866**
Foreign Exchanges	**320,981**	490,679	**2,662**
Other Assets	**1,654,079**	1,484,502	**13,721**
Premises and Equipment	**346,840**	490,062	**2,877**
Deferred Income Taxes	**677,740**	—	**5,622**
Customers' Liabilities for Acceptances and Guarantees	**2,956,710**	3,307,744	**24,526**
Total Assets	**¥47,208,716**	¥51,650,386	**$391,611**
Liabilities and Stockholders' Equity			
Liabilities			
Deposits	**¥32,965,621**	¥36,380,770	**$273,460**
Call Money	**2,335,541**	3,127,221	**19,374**
Commercial Paper	**567,000**	—	**4,703**
Trading Liabilities	**194,133**	298,134	**1,610**
Borrowed Money	**1,960,790**	2,760,699	**16,265**
Foreign Exchanges	**35,170**	44,061	**291**
Bonds	**100,000**	100,000	**829**
Convertible Bonds	**2,208**	5,365	**18**
Other Liabilities	**2,946,007**	2,910,651	**24,438**
Reserve for Possible Loan Losses	**735,562**	1,044,082	**6,101**
Reserve for Retirement Allowances	**36,484**	40,053	**302**
Reserve for Possible Losses from Loans Sold to CCPC	**114,812**	116,472	**952**
Other Reserves	**9**	8	**0**
Deferred Income Tax Liabilities for Land Revaluation	**35,140**	—	**291**
Acceptances and Guarantees	**2,956,710**	3,307,744	**24,526**
Reserve for Unrealized Appreciation of Land	**—**	217,007	**—**
Total Liabilities	**44,985,195**	50,352,273	**373,166**
Stockholders' Equity			
Capital Stock:			
Common Stock	**631,399**	572,562	**5,237**
Preferred Stock	**411,307**	26,883	**3,411**
Capital Surplus	**899,521**	456,534	**7,461**
Legal Reserve	**118,084**	111,630	**979**
Land Revaluation Excess	**48,928**	—	**405**
Earned Surplus	**114,281**	130,503	**947**
Total Stockholders' Equity	**2,223,521**	1,298,113	**18,444**
Total Liabilities and Stockholders' Equity	**¥47,208,716**	¥51,650,386	**$391,611**

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥120.55 to US$1, the effective exchange rate at March 31, 1999.
2. Amounts less than one million have been omitted.

Non-Consolidated Statements of Operations

(Supplemental Information)

The Sakura Bank, Limited

Years Ended March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Millions of U.S. Dollars (Note 1) 1999
Income			
Interest Income:			
Interest on Loans and Discounts	¥ 865,176	¥ 998,442	$ 7,176
Interest and Dividends on Securities	132,213	165,477	1,096
Other Interest Income	545,322	528,860	4,523
Fees and Commissions	103,679	113,960	860
Trading Revenue	10,824	9,297	89
Other Operating Income	104,365	73,371	865
Other Income	283,557	922,049	2,352
Transfer from Other Reserves	—	21,707	—
Total Income	2,045,139	2,833,166	16,965
Expenses			
Interest Expenses:			
Interest on Deposits	345,942	536,956	2,869
Interest on Borrowings, Bonds and Rediscounts	105,221	153,116	872
Other Interest Expenses	528,055	413,713	4,380
Fees and Commissions	50,173	46,211	416
Other Operating Expenses	37,082	14,123	307
General and Administrative Expenses	446,473	456,774	3,703
Provision for Possible Loan Losses	558,880	603,003	4,636
Other Expenses	621,997	724,528	5,159
Transfer to Other Reserves	0	3	0
Total Expenses	2,693,827	2,948,431	22,346
Loss before Income Taxes	648,688	115,265	5,381
Income Taxes			
Current	6,550	105,251	54
Deferred	(279,923)	—	(2,322)
Net Loss	¥ 375,315	¥ 220,516	$ 3,113
	Yen	Yen	U.S. Dollars
Per Share of Common Stock:			
Net Loss	¥97.62	¥62.92	$0.80
Fully Diluted Net Income	—	—	—

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥120.55 to US$1, the effective exchange rate at March 31, 1999.
2. Amounts less than one million have been omitted.

Non-Consolidated Statements of Earned Surplus

(Supplemental Information)
The Sakura Bank, Limited

Years Ended March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Millions of U.S. Dollars (Note 1) 1999
Balance at Beginning of Year	**¥130,503**	¥389,927	**$1,082**
Appropriations:			
Transfer to Legal Reserve	**6,453**	6,484	**53**
Dividends Paid	**32,269**	32,422	**267**
Cumulative Effect of Adopting Tax Effect Accounting Beginning Fiscal 1998	**397,816**	—	**3,300**
Net Loss	**375,315**	220,516	**3,113**
Balance at End of Year	**¥114,281**	¥130,503	**$ 947**

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥120.55 to US$1, the effective exchange rate at March 31, 1999.
2. Amounts less than one million have been omitted.

Indicators of Income

Years Ended March 31 Millions of Yen	1999	1998	1997	1996	1995
Domestic Operations:					
Net Interest Income					
Interest Income	**¥838,850**	¥857,023	¥889,782	¥1,044,839	¥1,312,953
Interest Expenses	**319,254**	333,653	353,222	477,505	816,126
	¥519,595	¥523,370	¥536,560	¥ 567,334	¥ 496,827
Fees and Commissions, Net					
Fees and Commissions (Income)	**¥ 84,677**	¥ 87,919	¥ 82,326	¥ 77,889	¥ 77,836
Fees and Commissions (Expenses)	**34,239**	34,446	32,201	30,594	29,845
	¥ 50,438	¥ 53,472	¥ 50,124	¥ 47,294	¥ 47,991
Trading Revenue	**¥ 5,794**	¥ 2,765	¥ —	¥ —	¥ —
Other Operating Income, Net					
Other Operating Income	**¥ 66,717**	¥ 44,599	¥ 40,538	¥ 116,424	¥ 34,902
Other Operating Expenses	**15,277**	8,748	19,406	42,338	30,437
	¥ 51,440	¥ 35,850	¥ 21,132	¥ 74,086	¥ 4,465
Gross Operating Profit	**¥627,268**	¥615,458	¥607,817	¥ 688,714	¥ 549,283
International Operations:					
Net Interest Income					
Interest Income	**¥706,083**	¥837,290	¥931,489	¥ 927,518	¥ 779,508
Interest Expenses	**658,111**	766,562	831,853	868,523	759,158
	¥ 47,972	¥ 70,727	¥ 99,635	¥ 58,995	¥ 20,350
Fees and Commissions, Net					
Fees and Commissions (Income)	**¥ 19,001**	¥ 26,041	¥ 25,314	¥ 22,776	¥ 21,525
Fees and Commissions (Expenses)	**15,934**	11,764	10,839	9,468	11,447
	¥ 3,067	¥ 14,276	¥ 14,474	¥ 13,308	¥ 10,078
Trading Revenue	**¥ 5,030**	¥ 6,532	¥ —	¥ —	¥ —
Other Operating Income (Loss), Net					
Other Operating Income	**¥ 37,648**	¥ 28,772	¥ 10,179	¥ 16,780	¥ 34,661
Other Operating Expenses	**21,805**	5,375	11,271	9,350	8,525
	¥ 15,842	¥ 23,397	¥ (1,092)	¥ 7,429	¥ 26,135
Gross Operating Profit	**¥ 71,912**	¥114,933	¥113,017	¥ 79,734	¥ 56,563

(Continued on page 88)

(Continued from page 87)

Years Ended March 31 Millions of Yen	1999	1998	1997	1996	1995
Total Operations:					
Net Interest Income					
Interest Income	**¥1,542,712**	¥1,692,779	¥1,815,881	¥1,958,262	¥2,051,489
Interest Expenses	**975,143**	1,098,681	1,179,685	1,331,932	1,534,311
	¥ 567,568	¥ 594,097	¥ 636,195	¥ 626,330	¥ 517,177
Fees and Commissions, Net					
Fees and Commissions (Income)	**¥ 103,679**	¥ 113,960	¥ 107,641	¥ 100,666	¥ 99,362
Fees and Commissions (Expenses)	**50,173**	46,211	43,041	40,063	41,293
	¥ 53,505	¥ 67,748	¥ 64,599	¥ 60,603	¥ 58,069
Trading Revenue	**¥ 10,824**	¥ 9,297	¥ —	¥ —	¥ —
Other Operating Income, Net					
Other Operating Income	**¥ 104,365**	¥ 73,371	¥ 50,718	¥ 133,204	¥ 69,563
Other Operating Expenses	**37,082**	14,123	30,678	51,689	38,963
	¥ 67,282	¥ 59,247	¥ 20,039	¥ 81,515	¥ 30,600
Gross Operating Profit	**¥ 699,181**	¥ 730,391	¥ 720,834	¥ 768,448	¥ 605,847

Notes: 1. Expenses related to net income from earning assets exclude those expenses incurred in connection with the management of money held in trust, which were as follows: March 1995, ¥5,799 million; March 1996, ¥6,812 million; March 1997, ¥5,046 million; March 1998, ¥5,105 million, and March 1999, ¥4,075 million.

2. The totals for income from earning assets and expenses related to earning assets do not include interest incurred in connection with lending or borrowing between domestic operations and international operations.

Analysis of Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31 Millions of Yen, %	1999 Average Balance	1999 Interest	1999 Average Rate*	1998 Average Balance	1998 Interest	1998 Average Rate*	1997 Average Balance	1997 Interest	1997 Average Rate*
Interest-Earning Assets									
Domestic	¥35,887,893	¥ 838,850	2.33%	¥35,843,523	¥ 857,023	2.39%	¥36,414,444	¥ 889,782	2.44%
International	7,474,974	706,083	9.44	11,443,084	837,290	7.31	12,085,630	931,489	7.70
Total	¥42,975,475	¥1,542,712	3.58%	¥47,036,673	¥1,692,779	3.59%	¥47,691,329	¥1,815,881	3.80%
Loans and Bills Discounted:									
Domestic	¥29,759,388	¥ 624,114	2.09%	¥29,626,422	¥ 630,161	2.12%	¥30,097,075	¥ 677,898	2.25%
International	5,161,622	236,642	4.58	7,448,762	342,534	4.59	6,871,401	301,019	4.38
Total	¥34,921,011	¥ 860,757	2.46%	¥37,075,184	¥ 972,696	2.62%	¥36,968,477	¥ 978,917	2.64%
Trading Account Securities:									
Domestic	¥ —	¥ —	—%	¥ —	¥ —	—%	¥ 69,362	¥ 1,397	2.01%
International	—	—	—	—	—	—	—	—	—
Total	¥ —	¥ —	—%	¥ —	¥ —	—%	¥ 69,362	¥ 1,397	2.01%
Securities:									
Domestic	¥ 5,623,374	¥ 85,567	1.52%	¥ 5,873,981	¥ 105,381	1.79%	¥ 6,128,162	¥ 123,040	2.00%
International	945,845	46,645	4.93	1,101,427	60,096	5.45	842,391	53,566	6.35
Total	¥ 6,569,219	¥ 132,213	2.01%	¥ 6,975,408	¥ 165,477	2.37%	¥ 6,970,553	¥ 176,606	2.53%
Call Loans:									
Domestic	¥ 45,329	¥ 273	0.60%	¥ 30,983	¥ 184	0.59%	¥ 17,316	¥ 95	0.54%
International	65,080	4,136	6.35	345,819	25,477	7.36	228,927	13,142	5.74
Total	¥ 110,410	¥ 4,410	3.99%	¥ 376,802	¥ 25,661	6.81%	¥ 246,244	¥ 13,237	5.37%
Interest-Bearing Liabilities									
Domestic	¥33,858,117	¥ 319,254	0.94%	¥34,679,428	¥ 333,653	0.96%	¥35,239,208	¥ 353,222	1.00%
International	7,198,178	658,111	9.14	11,382,544	766,562	6.73	11,975,864	831,853	6.94
Total	¥40,668,903	¥ 975,143	2.39%	¥45,812,038	¥1,098,681	2.39%	¥46,406,326	¥1,179,685	2.54%
Deposits:									
Domestic	¥28,589,865	¥ 116,079	0.40%	¥28,983,249	¥ 131,858	0.45%	¥27,839,148	¥ 146,394	0.52%
International	5,655,285	229,863	4.06	9,295,228	405,098	4.35	9,985,539	389,997	3.90
Total	¥34,245,151	¥ 345,942	1.01%	¥38,278,477	¥ 536,956	1.40%	¥37,824,688	¥ 536,392	1.41%
Call Money:									
Domestic	¥ 4,001,061	¥ 24,182	0.60%	¥ 4,387,039	¥ 25,585	0.58%	¥ 5,397,597	¥ 26,581	0.49%
International	164,490	10,176	6.18	844,820	50,646	5.99	1,012,072	53,530	5.28
Total	¥ 4,165,551	¥ 34,359	0.82%	¥ 5,231,859	¥ 76,231	1.45%	¥ 6,409,669	¥ 80,112	1.24%
Commercial Papers:									
Domestic	¥ 379,381	¥ 2,760	0.72%	¥ —	¥ —	—%	¥ —	¥ —	—%
International	—	—	—	—	—	—	—	—	—
Total	¥ 379,381	¥ 2,760	0.72%	¥ —	¥ —	—%	¥ —	¥ —	—%
Borrowed Money:									
Domestic	¥ 876,544	¥ 24,349	2.77%	¥ 1,406,316	¥ 31,940	2.27%	¥ 1,093,768	¥ 31,332	2.86%
International	983,686	43,752	4.44	932,082	44,944	4.82	818,738	35,089	4.28
Total	¥ 1,860,231	¥ 68,101	3.66%	¥ 2,338,398	¥ 76,884	3.28%	¥ 1,912,507	¥ 66,422	3.47%

* Average Rate=Interest/Average Balance

Analysis of Net Interest Income

Years Ended March 31 Millions of Yen	1999 Due to Increase (Decrease) in Volume	1999 Due to Changes in Rate	1999 Net Change	1998 Due to Increase (Decrease) in Volume	1998 Due to Changes in Rate	1998 Net Change
Interest Income						
Domestic	¥ 1,060	¥ (19,233)	¥ (18,173)	¥(13,950)	¥(18,808)	¥ (32,758)
International	(290,346)	159,140	(131,206)	(49,523)	(44,676)	(94,199)
Total	¥(146,156)	¥ (3,911)	¥(150,067)	¥(24,926)	¥(98,175)	¥(123,101)
Loans and Bills Discounted:						
Domestic	¥ 2,828	¥ (8,874)	¥ (6,046)	¥(10,600)	¥(37,136)	¥ (47,736)
International	(105,175)	(717)	(105,892)	25,292	16,223	41,515
Total	¥ (56,516)	¥ (55,423)	¥(111,939)	¥ 2,825	¥ (9,046)	¥ (6,221)
Securities:						
Domestic	¥ (4,495)	¥ (15,318)	¥ (19,813)	¥ (5,103)	¥(12,556)	¥ (17,659)
International	(8,488)	(4,962)	(13,450)	16,471	(9,942)	6,529
Total	¥ (9,636)	¥ (23,628)	¥ (33,264)	¥ 123	¥(11,252)	¥ (11,129)
Call Loans:						
Domestic	¥ 85	¥ 3	¥ 88	¥ 75	¥ 14	¥ 89
International	(20,682)	(658)	(21,340)	6,710	5,625	12,335
Total	¥ (18,142)	¥ (3,109)	¥ (21,251)	¥ 7,018	¥ 5,406	¥ 12,424
Interest Expenses						
Domestic	¥ (7,901)	¥ (6,498)	¥ (14,399)	¥ (5,610)	¥(13,958)	¥ (19,568)
International	(281,798)	(173,347)	(108,451)	(41,212)	(24,079)	(65,291)
Total	¥(123,344)	¥ (194)	¥(123,538)	¥(15,107)	¥(65,896)	¥ (81,003)
Deposits:						
Domestic	¥ (1,789)	¥ (13,989)	¥ (15,778)	¥ 6,016	¥(20,551)	¥ (14,535)
International	(158,633)	(16,601)	(175,234)	(26,960)	42,060	15,100
Total	¥ (56,578)	¥(134,435)	¥(191,013)	¥ 6,435	¥ (5,871)	¥ 564
Call Money:						
Domestic	¥ (2,251)	¥ 849	¥ (1,402)	¥ (4,976)	¥ 3,980	¥ (996)
International	(40,785)	315	(40,470)	(8,846)	5,962	(2,884)
Total	¥ (15,536)	¥ (26,336)	¥ (41,872)	¥(14,721)	¥ 10,841	¥ (3,880)
Commercial Papers:						
Domestic	¥ 2,760	¥ —	¥ 2,760	¥ —	¥ —	¥ —
International	—	—	—	—	—	—
Total	¥ 2,760	¥ —	¥ 2,760	¥ —	¥ —	¥ —
Borrowed Money:						
Domestic	¥ (12,032)	¥ 4,441	¥ (7,591)	¥ 8,953	¥ (8,345)	¥ 608
International	2,488	(3,679)	(1,191)	4,857	4,997	9,854
Total	¥ (15,721)	¥ 6,938	¥ (8,783)	¥ 14,791	¥ (4,329)	¥ 10,462

Note: When net changes are due to changes in both volume and rate factors, these have been included in rate factors.

Overall Net Average Rate on Earning Assets

Years Ended March 31 %	1999	1998	1997	1996	1995
Average Rate on Earning Assets (A)					
Domestic	**2.33%**	2.39%	2.44%	2.82%	3.50%
International	**9.44**	7.31	7.70	7.86	7.10
Total	**3.58%**	3.59%	3.80%	4.11%	4.40%
Overall Cost of Funds (B)					
Domestic	**1.99%**	2.01%	2.06%	2.38%	3.32%
International	**10.01**	7.30	7.47	7.80	7.50
Total	**3.43%**	3.33%	3.48%	3.79%	4.37%
Overall Net Average Rate on Earning Assets ((A)–(B))					
Domestic	**0.34%**	0.38%	0.38%	0.44%	0.18%
International	**(0.57)**	0.01	0.23	0.06	(0.40)
Total	**0.15%**	0.26%	0.32%	0.32%	0.03%

Fees and Commissions

Years Ended March 31 Millions of Yen	1999	1998	1997	1996	1995
Fees and Commissions (Income)					
Domestic	**¥ 84,677**	¥ 87,919	¥ 82,326	¥ 77,889	¥77,836
International	**19,001**	26,041	25,314	22,776	21,525
Total	**¥103,679**	¥113,960	¥107,641	¥100,666	¥99,362
Deposits and Loans:					
Domestic	**¥ 8,654**	¥ 8,400	¥ 8,012	¥ 7,431	¥ 6,985
International	**3,726**	7,625	6,484	4,161	3,366
Total	**¥ 12,380**	¥ 16,025	¥ 14,496	¥ 11,592	¥10,351
Remittances and Transfers:					
Domestic	**¥ 41,400**	¥ 42,119	¥ 41,740	¥ 40,129	¥38,654
International	**10,498**	12,499	12,579	12,088	12,464
Total	**¥ 51,898**	¥ 54,619	¥ 54,320	¥ 52,217	¥51,118
Securities:					
Domestic	**¥ 9,920**	¥ 10,084	¥ 9,211	¥ 9,905	¥11,519
International	**22**	32	72	72	79
Total	**¥ 9,942**	¥ 10,116	¥ 9,283	¥ 9,977	¥11,598
Fees and Commissions (Expenses)					
Domestic	**¥ 34,239**	¥ 34,446	¥ 32,201	¥ 30,594	¥29,845
International	**15,934**	11,764	10,839	9,468	11,447
Total	**¥ 50,173**	¥ 46,211	¥ 43,041	¥ 40,063	¥41,293
Remittances and Transfers:					
Domestic	**¥ 7,258**	¥ 7,366	¥ 7,224	¥ 6,973	¥ 6,672
International	**4,418**	6,026	6,398	6,264	9,081
Total	**¥ 11,677**	¥ 13,393	¥ 13,622	¥ 13,238	¥15,753
Fees and Commissions, Net					
Domestic	**¥ 50,438**	¥ 53,472	¥ 50,124	¥ 47,294	¥47,991
International	**3,067**	14,276	14,474	13,308	10,078
Total	**¥ 53,505**	¥ 67,748	¥ 64,599	¥ 60,603	¥58,069

Domestic Exchange Transactions

Years Ended March 31 Trillions of Yen	1999	1998	1997	1996	1995
Total	**¥1,165.0**	¥1,191.9	¥1,113.9	¥1,061.4	¥963.2

Foreign Exchange Transactions

Years Ended March 31 Billions of U.S. Dollars	1999	1998	1997	1996	1995
Total	**$976.7**	$1,159.7	$1,142.6	$1,239.6	$1,026.9

Other Operating Income (Loss)

Years Ended March 31 Millions of Yen	1999	1998	1997	1996	1995
Other Operating Income					
Domestic	¥ 66,717	¥44,599	¥40,538	¥116,424	¥34,902
International	37,648	28,772	10,179	16,780	34,661
Total	¥104,365	¥73,371	¥50,718	¥133,204	¥69,563
Gains on Foreign Exchange Transactions:					
Domestic	¥ —	¥ —	¥ —	¥ —	¥ —
International	22,129	14,067	—	2,620	24,664
Total	¥ 22,129	¥14,067	¥ —	¥ 2,620	¥24,664
Gains on Trading Account Securities:					
Domestic	¥ —	¥ —	¥ 7,093	¥ 4,184	¥ 5,177
International	—	—	—	—	—
Total	¥ —	¥ —	¥ 7,093	¥ 4,184	¥ 5,177
Gains on Sales of Bonds:					
Domestic	¥ 64,486	¥41,997	¥31,109	¥111,305	¥28,981
International	13,860	13,392	7,876	12,284	4,987
Total	¥ 78,346	¥55,389	¥38,985	¥123,590	¥33,969
Gains on Redemption of Bonds:					
Domestic	¥ 1,362	¥ 1,764	¥ 1,219	¥ 728	¥ 578
International	1,648	1,308	2,303	1,874	5,009
Total	¥ 3,011	¥ 3,072	¥ 3,522	¥ 2,603	¥ 5,587
Other Operating Expenses					
Domestic	¥ 15,277	¥ 8,748	¥19,406	¥ 42,338	¥30,437
International	21,805	5,375	11,271	9,350	8,525
Total	¥ 37,082	¥14,123	¥30,678	¥ 51,689	¥38,963
Losses on Foreign Exchange Transactions:					
Domestic	¥ —	¥ —	¥ —	¥ —	¥ —
International	—	—	3,688	—	—
Total	¥ —	¥ —	¥ 3,688	¥ —	¥ —
Losses on Sales of Bonds:					
Domestic	¥ 9,719	¥ 672	¥ 9,738	¥ 31,036	¥18,626
International	11,370	4,232	5,904	7,116	7,980
Total	¥ 21,090	¥ 4,905	¥15,642	¥ 38,153	¥26,606
Losses on Redemption of Bonds:					
Domestic	¥ 4,326	¥ 6,960	¥ 9,636	¥ 10,841	¥11,723
International	2,927	664	678	2,106	424
Total	¥ 7,253	¥ 7,625	¥10,314	¥ 12,947	¥12,147
Losses on Devaluation of Bonds:					
Domestic	¥ 154	¥ 975	¥ —	¥ 453	¥ —
International	1,719	—	1,000	127	121
Total	¥ 1,873	¥ 975	¥ 1,000	¥ 580	¥ 121
Other Operating Income (Loss), Net					
Domestic	¥ 51,440	¥35,850	¥21,132	¥ 74,086	¥ 4,465
International	15,842	23,397	(1,092)	7,429	26,135
Total	¥ 67,282	¥59,247	¥20,039	¥ 81,515	¥30,600

Extraordinary Profit (Loss)

Years Ended March 31 Millions of Yen	1999	1998	1997	1996	1995
Stock-related Profit:					
Gains on Sales of Stocks and Other Securities	**¥ 150,916**	¥ 620,610	¥ 543,928	¥ 285,323	¥ 372,763
Losses on Sales of Stocks and Other Securities	**40,941**	77,363	10,431	11,708	175
Losses on Devaluation of Stocks and Other Securities	**97,415**	10,207	206,995	9,058	70,131
Written-off Claims and Provision for Possible Loan Losses	**604,293**	612,131	138,735	602,855	129,603
Enterprise Tax	**—**	25,002	—	9,688	9,155
Other Profit (Loss):	**(332,506)**	(604,032)	(407,217)	(355,348)	(263,144)
Losses on Financial Assistance to Supported Companies	**142,100**	305,738	229,045	238,359	144,306
Total	**¥(924,239)**	¥(708,126)	¥(219,451)	¥(703,336)	¥ (99,446)

Note: The breakdown of written-off claims and provision for possible loan losses is shown below.

Written-off Claims and Provision for Possible Loan Losses

March 31 Millions of Yen	1999	1998	1997	1996	1995
Written-off Claims	**¥149,326**	¥ 11,845	¥ 10,734	¥ 14,471	¥ 8,356
Provision for Specific Reserve	**446,593**	604,653	129,476	589,349	143,409
Provision for Loans to Restructuring Countries	**8,373**	(4,367)	(1,474)	(965)	(22,162)
Total	**¥604,293**	¥612,131	¥138,735	¥602,855	¥129,603

Assets and Liabilities

Loans and Bills Discounted by Collateral

March 31 Billions of Yen	1999	1998	1997	1996	1995
Securities	**¥ 474.6**	¥ 512.0	¥ 604.1	¥ 708.4	¥ 672.6
Claims	**771.6**	886.8	1,259.1	1,265.1	1,173.7
Commodities	**11.0**	8.0	14.7	7.4	6.5
Real Estate	**6,558.9**	7,446.4	7,848.2	8,525.6	9,497.3
Others	**244.0**	218.7	166.6	233.0	263.8
Total Secured Loans	**8,060.2**	9,072.1	9,892.8	10,739.8	11,614.1
Guarantees	**14,444.2**	14,868.8	14,541.6	13,746.6	11,966.3
Unsecured	**9,786.7**	11,142.7	12,399.4	12,227.4	12,215.2
Total	**¥32,291.2**	¥35,083.7	¥36,833.9	¥36,713.9	¥35,795.8

Loans and Bills Discounted by Use of Funds

March 31 Billions of Yen	1999	1998	1997	1996	1995
Funds for Capital Investments	**¥12,904.5**	¥13,291.4	¥12,833.1	¥12,472.9	¥11,899.5
Funds for Working Capital	**19,386.7**	21,792.3	24,000.7	24,240.9	23,896.2
Total	**¥32,291.2**	¥35,083.7	¥36,833.9	¥36,713.9	¥35,795.8

Loans and Bills Discounted by Industry

March 31 Billions of Yen	1999	1998	1997	1996	1995
Domestic Offices					
Manufacturing	**¥ 3,738.5**	¥ 3,889.2	¥ 4,080.2	¥ 4,522.5	¥ 4,867.5
Agriculture, Forestry, Fisheries and Mining	**226.7**	230.4	251.9	277.7	285.5
Construction	**1,530.7**	1,589.6	1,689.1	1,736.8	1,807.7
Wholesaling and Retailing	**4,451.6**	4,787.8	5,231.6	5,496.4	5,737.5
Financing and Insurance	**2,624.3**	2,727.4	3,076.5	3,250.1	3,351.2
Real Estate	**4,426.7**	4,633.3	4,453.1	4,314.4	4,313.8
Transportation, Communications and Other Public Enterprises	**1,355.0**	1,253.6	1,480.4	1,437.6	1,415.6
Services	**3,383.0**	3,386.5	3,697.2	3,867.4	3,895.5
Local Governments	**307.1**	240.1	219.5	277.7	181.1
Others	**7,134.2**	6,564.7	6,351.0	6,130.9	5,682.6
Total	**¥29,178.1**	¥29,303.1	¥30,531.0	¥31,312.0	¥31,538.5
Overseas Offices					
Public Sector	**¥ 77.9**	¥ 186.8	¥ 174.8	¥ 269.3	¥ 253.5
Financial Institutions	**215.0**	385.2	607.4	436.0	531.1
Commerce and Industry	**2,450.4**	4,733.4	5,370.3	4,451.2	3,304.9
Others	**369.5**	475.0	150.1	245.3	167.6
Total	**¥ 3,113.0**	¥ 5,780.6	¥ 6,302.8	¥ 5,401.8	¥ 4,257.3
Total	**¥32,291.2**	¥35,083.7	¥36,833.9	¥36,713.9	¥35,795.8

Note: The special account for international financial transactions is included in figures for overseas offices.

Loans and Bills Discounted by Size of Borrower (Domestic Offices)

March 31 Billions of Yen	1999	1998	1997	1996	1995
Large Corporations	**¥ 8,810.9**	¥ 8,623.2	¥ 9,189.6	¥ 9,705.5	¥10,360.3
Individuals and Small and Medium-sized Enterprises	**20,367.2**	20,679.8	21,341.4	21,606.4	21,178.1
Total	**¥29,178.1**	¥29,303.1	¥30,531.0	¥31,312.0	¥31,538.5

Loans to Individuals (Domestic Offices)

March 31 Billions of Yen	**1999**	1998	1997	1996	1995
Housing Loans	**¥6,173.1**	¥5,676.9	¥5,304.8	¥5,020.6	¥4,376.4
Other Loans	**1,514.6**	1,602.5	1,693.7	1,810.5	1,981.2
Total	**¥7,687.7**	¥7,279.5	¥6,998.5	¥6,831.2	¥6,357.6

Loans and Bills Discounted by Maturity and Interest Rate

							Maturity
March 31, 1999 Billions of Yen	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	Over Seven Years	Unspecified Term	Total
Floating Interest Rate		**¥2,705.5**	**¥2,232.8**	**¥ 932.1**	**¥8,189.8**	**¥6,889.6**	
Fixed Interest Rate		**2,024.7**	**1,073.6**	**563.5**	**1,149.7**	**1.0**	
Total	**¥6,528.4**	**¥4,730.3**	**¥3,306.5**	**¥1,495.6**	**¥9,339.5**	**¥6,890.6**	**¥32,291.2**

							Maturity
March 31, 1998 Billions of Yen	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	Over Seven Years	Unspecified Term	Total
Floating Interest Rate		¥4,665.1	¥2,583.8	¥1,395.5	¥4,304.8	¥7,327.9	
Fixed Interest Rate		1,517.3	911.2	426.0	1,788.3	1.0	
Total	¥10,162.5	¥6,182.4	¥3,495.1	¥1,821.5	¥6,093.1	¥7,328.9	¥35,083.7

Note: Loans and bills discounted with maturities of one year or less are not categorized by type of interest rate.

Loans to Restructuring Countries

March 31 Billions of Yen	**1999**	1998	1997	1996	1995
Indonesia	**¥178.2**	¥ —	¥ —	¥ —	¥ —
Brazil	**0.3**	0.2	0.2	0.2	0.3
Russia	**0.1**	1.6	0.1	1.9	3.4
Bulgaria	**0.0**	0.1	0.1	0.1	0.1
Algeria	**0.1**	0.2	13.5	12.0	11.0
Others	**6.2**	1.2	3.4	5.3	5.3
Total	**¥185.2**	¥3.4	¥17.4	¥19.7	¥20.4
Percentage of Total Assets (%)	**0.39%**	0.01%	0.03%	0.03%	0.03%
Number of Countries	**10**	8	10	11	12

Reserve for Possible Loan Losses

March 31 Billions of Yen	**1999**	1998	1997	1996	1995
General Reserve	**¥213.4**	¥ 112.2	¥110.5	¥ 110.1	¥107.8
Specific Reserve:	**511.8**	929.9	718.3	910.1	370.7
Additions to Specific Reserve	**511.8**	682.0	234.3	657.7	179.4
Charges to Specific Reserve	**929.9**	470.5	426.1	118.3	54.7
Reserve for Loans to Restructuring Countries	**10.2**	1.9	6.1	6.9	7.1
Total	**¥735.5**	¥1,044.0	¥835.0	¥1,027.2	¥485.7

Trading Account Securities

March 31 Billions of Yen	1999	1998	1997	1996	1995
Japanese Government Bonds	¥—	¥—	¥95.3	¥43.2	¥83.5
Japanese Government Guaranteed Bonds	—	—	0.1	0.1	0.3
Japanese Local Government Bonds	—	—	0.2	0.1	0.5
Total	¥—	¥—	¥95.7	¥43.6	¥84.4

Securities

Years Ended March 31 Billions of Yen	1999	1998	1997	1996	1995
Japanese Government Bonds					
Domestic	¥1,404.5	¥1,193.2	¥1,322.1	¥1,398.0	¥1,425.8
International	—	—	—	—	—
Total	¥1,404.5	¥1,193.2	¥1,322.1	¥1,398.0	¥1,425.8
Japanese Local Government Bonds					
Domestic	¥ 121.4	¥ 175.3	¥ 188.7	¥ 154.9	¥ 269.1
International	—	—	—	—	—
Total	¥ 121.4	¥ 175.3	¥ 188.7	¥ 154.9	¥ 269.1
Corporate Bonds					
Domestic	¥ 381.0	¥ 462.7	¥ 573.1	¥ 743.1	¥ 698.7
International	—	—	—	—	—
Total	¥ 381.0	¥ 462.7	¥ 573.1	¥ 743.1	¥ 698.7
Corporate Stocks					
Domestic	¥3,291.0	¥3,395.0	¥3,761.0	¥3,615.4	¥3,361.5
International	—	—	—	—	—
Total	¥3,291.0	¥3,395.0	¥3,761.0	¥3,615.4	¥3,361.5
Others					
Domestic	¥ 162.3	¥ 221.1	¥ 187.3	¥ 165.9	¥ 143.1
International	838.7	984.5	1,014.1	756.5	927.3
Total	¥1,001.0	¥1,205.6	¥1,201.5	¥ 922.5	¥1,070.5
Securities Lent					
Domestic	¥ 18.2	¥ 17.2	¥ 15.4	¥ 59.5	¥ 54.0
International	—	—	—	—	—
Total	¥ 18.2	¥ 17.2	¥ 15.4	¥ 59.5	¥ 54.0
Total Securities					
Domestic	¥5,378.8	¥5,464.8	¥6,047.9	¥6,137.1	¥5,952.4
International	838.7	984.5	1,014.1	756.5	927.3
Total	¥6,217.5	¥6,449.3	¥7,062.1	¥6,893.7	¥6,879.8

Securities by Type and Maturity

March 31, 1999 Billions of Yen	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	More than Seven Years to Ten Years	Over Ten Years	Unspecified Term	Total
								Maturity
Japanese Government Bonds	¥ 76.8	¥172.8	¥279.7	¥78.0	¥797.0	¥ —	¥ —	¥1,404.5
Japanese Local Government Bonds	0.4	2.7	—	0.0	118.2	—	—	121.4
Corporate Bonds	81.4	89.4	78.7	74.2	48.0	9.0	—	381.0
Corporate Stocks							3,291.0	3,291.0
Others:	252.3	259.8	73.5	52.5	134.2	45.8	182.6	1,001.0
Foreign Corporate Bonds	212.2	235.2	41.9	18.6	103.5	44.3	—	656.0
Foreign Corporate Stocks							182.6	182.6
Securities Lent	0.0	2.2	3.1	0.7	—	—	12.2	18.2

March 31, 1998 Billions of Yen	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Seven Years	More than Seven Years to Ten Years	Over Ten Years	Unspecified Term	Total
								Maturity
Japanese Government Bonds	¥ 51.7	¥199.7	¥472.6	¥158.7	¥310.3	¥ —	¥ —	¥1,193.2
Japanese Local Government Bonds	0.1	0.7	2.5	8.5	163.3	—	—	175.3
Corporate Bonds	67.8	161.4	83.6	76.8	56.2	16.6	—	462.7
Corporate Stocks							3,395.0	3,395.0
Others:	357.7	203.5	59.7	53.0	92.0	221.2	218.2	1,205.6
Foreign Corporate Bonds	262.9	175.5	33.4	20.3	52.9	221.0	6.1	772.4
Foreign Corporate Stocks							212.0	212.0
Securities Lent	2.0	0.6	0.3	0.6	1.4	—	12.1	17.2

Note: Treasury stocks are included in corporate stocks.

Value of Securities Quoted on Exchanges

March 31 Billions of Yen			1999			1998			1997
	Book Value	Market Value	Unrealized Gains (Losses)	Book Value	Market Value	Unrealized Gains (Losses)	Book Value	Market Value	Unrealized Gains
Trading Account Securities									
Bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 4.3	¥ 4.4	¥ 0.0
Securities									
Bonds	816.3	774.4	(41.8)	339.4	351.4	11.9	441.1	461.5	20.4
Stocks	3,050.8	2,940.0	(110.8)	3,128.9	3,091.0	(37.9)	3,496.1	4,174.2	678.1
Others	512.3	509.0	(3.2)	333.6	318.9	(14.6)	350.2	416.4	66.1
Total	4,379.5	4,223.5	(156.0)	3,802.0	3,761.4	(40.6)	4,287.5	5,052.1	764.6
Total	¥4,379.5	¥4,223.5	¥(156.0)	¥3,802.0	¥3,761.4	¥(40.6)	¥4,291.9	¥5,056.6	¥764.7

Foreign Currency Assets

March 31 Billions of U.S. Dollars	1999	1998	1997	1996	1995
Domestic Offices	¥15.6	¥17.2	¥18.8	¥16.9	¥18.5
Overseas Offices	35.2	57.8	69.9	76.2	79.7
Total	¥50.9	¥75.1	¥88.8	¥93.1	¥98.3

Note: The yen currency portion of the special account for international financial transactions is included in figures for overseas offices.

Deposits

March 31 Billions of Yen	1999	1998	1997	1996	1995
Liquid Deposits					
Domestic	¥11,357.6	¥10,952.3	¥10,836.5	¥10,260.3	¥ 8,354.4
International	1,651.5	4,817.7	5,889.9	5,145.0	5,778.8
Total	¥13,009.1	¥15,770.1	¥16,726.4	¥15,405.4	¥14,133.2
Time Deposits					
Domestic	¥14,910.8	¥14,483.3	¥13,732.3	¥15,190.7	¥17,986.3
International	176.0	407.2	844.0	669.9	413.8
Total	¥15,086.9	¥14,890.5	¥14,576.3	¥15,860.7	¥18,400.1
Negotiable Certificates of Deposits					
Domestic	¥ 2,783.3	¥ 3,128.2	¥ 3,303.3	¥ 3,734.6	¥ 2,203.7
International	71.5	426.8	402.7	316.9	288.2
Total	¥ 2,854.9	¥ 3,555.0	¥ 3,706.0	¥ 4,051.6	¥ 2,491.9
Others					
Domestic	¥ 730.8	¥ 674.2	¥ 1,000.5	¥ 887.8	¥ 807.1
International	1,283.8	1,490.7	2,261.0	2,602.4	1,401.2
Total	¥ 2,014.6	¥ 2,164.9	¥ 3,261.6	¥ 3,490.2	¥ 2,208.4
Total Deposits					
Domestic	¥29,782.6	¥29,238.1	¥28,872.7	¥30,073.6	¥29,351.6
International	3,182.9	7,142.6	9,397.8	8,734.4	7,882.2
Total	¥32,965.6	¥36,380.7	¥38,270.5	¥38,808.0	¥37,233.8

Note: Liquid deposits comprise current deposits, ordinary deposits, savings deposits, and deposits at notice.

Time Deposits by Type and Maturity

March 31, 1999 Billions of Yen	Less than Three Months	Three Months to Less than Six Months	Six Months to Less than One Year	One Year to Less than Two Years	Two Years to Less than Three Years	Three Years and Over	Total
							Maturity
Time Deposits with Deregulated Interest Rates (Fixed)	**¥7,571.6**	**¥2,146.7**	**¥2,984.0**	**¥1,276.0**	**¥771.3**	**¥135.0**	**¥14,884.9**
Time Deposits with Deregulated Interest Rates (Floating)	**0.3**	**0.1**	**3.6**	**0.6**	**0.4**	**0.1**	**5.3**
Total	**¥7,744.5**	**¥2,154.9**	**¥2,990.6**	**¥1,277.7**	**¥771.7**	**¥147.2**	**¥15,086.8**

March 31, 1998 Billions of Yen	Less than Three Months	Three Months to Less than Six Months	Six Months to Less than One Year	One Year to Less than Two Years	Two Years to Less than Three Years	Three Years and Over	Total
							Maturity
Time Deposits with Deregulated Interest Rates (Fixed)	¥6,626.4	¥2,196.3	¥3,245.1	¥1,020.1	¥1,199.2	¥163.1	¥14,450.5
Time Deposits with Deregulated Interest Rates (Floating)	0.4	0.2	3.2	1.4	0.5	—	6.0
Total	¥6,927.8	¥2,308.4	¥3,258.2	¥1,028.6	¥1,200.8	¥166.4	¥14,890.5

Note: Time deposits outstanding do not include installment time deposits.

Deposits by Type of Depositor (Domestic Offices)

March 31 Billions of Yen	**1999**	1998	1997	1996	1995
Individuals	**¥15,352.7**	¥15,317.4	¥15,057.1	¥14,682.0	¥14,144.4
Corporations	**12,018.0**	11,357.2	11,420.1	12,538.4	13,680.3
Total	**¥27,370.7**	¥26,674.7	¥26,476.7	¥27,220.5	¥27,824.8

Notes: 1. Figures have not been adjusted for deposits in transit between the Head Office and branches.
2. Negotiable certificates of deposit have been excluded.

Facilities and Personnel

Number of Offices

March 31	**1999**	1998	1997	1996	1995
Total Domestic Offices	**469**	493	507	532	553
Branches	**412**	430	437	442	448
Sub-branches	**50**	56	61	80	93
Agencies	**7**	7	9	10	12
Total Overseas Offices	**32**	40	44	46	46
Branches	**18**	23	24	27	26
Sub-branches	**2**	2	3	2	2
Representative Offices	**12**	15	17	17	18
Total	**501**	533	551	578	599

Number of Employees

March 31	**1999**	1998	1997	1996	1995
Total	**16,330**	17,420	18,733	20,261	21,600

Purpose of Derivatives Transactions

The Bank actively uses derivative financial instruments to hedge risks for customers, to manage the potential risks in its own portfolio of assets and liabilities, to earn trading profits through market fluctuations and to stabilize earnings over the medium- to long-term.

Risk Exposure

Derivatives transactions may be subject to complex risk factors, including market risk from changes in prices or interest rates and credit risk from counterparty default. Sophisticated risk management is required to deal with these transactions, which may create exposures disproportionate to the funds initially committed. To manage market risk, Sakura Bank uses advanced value at risk (VaR) modeling to quantify its maximum total exposure worldwide. In our internal model, we measure the VaR using Monte Carlo simulations based on one year of historical data and the assumptions of a two-week holding period and a 99% confidence interval, which are in accord with BIS guidelines. According to this model, the maximum VaR due to general market risk in the Bank's trading account, including derivatives, was ¥6.3 billion in fiscal 1998, the minimum was ¥1.9 billion and the average was ¥3.7 billion. To manage credit risk, we quantify the credit-equivalent amount that would arise if the counterparties defaulted. The consolidated credit-equivalent amount at March 31, 1999, as calculated according to the current-exposure method specified in BIS guidelines, came to ¥1,325.8 billion.

Risk Management System

Enhancing the risk management system is an ongoing policy priority at all levels of management to help secure a sound financial position and stable profits. All transactions involving exposure to market risk, including derivatives transactions, are governed within the Bank by a set of rules specifying approval authority, risk limits and operating procedures. These regulations and limits are reviewed semiannually by the Executive Committee. Risk management for the trading account is conducted according to regulations established for each type of transaction.

Credit risk is quantified in a manner consistent with that for market risk and the two risk factors are captured on an integrated basis to set risk limits within the scope of the Bank's capital resources. This is in line with our current management challenge to ensure that the returns are commensurate with the risks undertaken.

The Corporate Risk Management Division, which is independent of the revenue-generating divisions, is responsible for risk management for the entire Bank, including overseas business units. This division controls the risk measures on a daily basis and reports to the directors in charge on a weekly basis and also to the monthly ALM Committee chaired by the president of the Bank.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of reciepts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect the volume of actual transactions or risk. Moreover, the unrealized gain or loss arising from derivatives transactions used to hedge interest rate and currency risks associated with the Bank's assets and liabilities—including loans, securities and deposits—are offset by the unrealized gains and losses of such assets or liabilities. Accordingly, the unrealized gains and losses of derivatives transactions noted in this report do not have an impact on the balance sheets. Moreover, with the adoption of the Trading Account, both the notional amounts and market value of these derivatives transactions included in this account are shown in a separate column from other derivatives transactions.

Policies

Hedging for Clients

Sakura Bank deals in derivatives in part to satisfy the ever-changing diverse financial hedging requirements of its customers. We have established presentation and simulation procedures in place to ensure that customers are fully aware of the risks and commitments of these instruments. Our wide range of derivative products, such as interest rate, equity and credit derivatives, are used to mitigate client risk exposure and raise returns. We also furnish periodic reports to the client throughout the life of a derivatives contract and even thereafter to keep them informed and to secure additional marketing opportunities.

Derivatives Trading

The Bank engages in derivatives trading on its own account to manage the risks inherent in its on-balance sheet assets and liabilities, to smooth cash flows and to earn trading profits. Trading involves taking a position of risk based on one's perception of market trends, to create the potential returns. Derivatives are used extensively in the Bank's trading business.

The Bank has built up a reliable system of checks and balances for managing trading operations. Trading account transactions are accounted for at "market value," which means that income and losses are immediately reflected in the Bank's earnings. Another key aspect is the existence of the completely independent middle office and the back office, which is responsible for the accounting and settlements functions. Both offices act as a check and balance for the front office, which actually manages the trading operation.

Derivative Financial Instruments Transactions (Non-Consolidated)

Interest Rate Related Transactions

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts Total	1999 Over 1 Year	1999 Market Values	1999 Unrealized Gain (Loss)	1998 Contract Values or Notional Principal Amounts Total	1998 Over 1 Year	1998 Market Values	1998 Unrealized Gain (Loss)
Listed Transactions:								
Futures Contracts:								
Sell	¥ 9,570,800	¥ 1,964,110	¥9,596,440	¥ (25,640)	¥ 8,986,898	¥ 1,064,381	¥9,011,395	¥ (24,496)
Buy	5,799,956	168,095	5,806,920	6,963	5,591,773	258,424	5,598,225	6,451
Options:								
Sell								
Call	14,864,734	97,255			4,369,988	132,100		
Option Premiums	*5,020*		3,379	1,641	*2,090*		1,726	364
Put	8,698,421	97,255			2,934,551	—		
Option Premiums	*2,632*		2,065	566	*1,014*		651	363
Buy								
Call	6,353,113	—			7,350,499	—		
Option Premiums	*2,753*		1,574	(1,179)	*1,132*		955	(176)
Put	5,010,869	—			1,374,871	—		
Option Premiums	*1,781*		1,031	(749)	*141*		143	1
Unlisted Transactions:								
Forward Rate Agreements:								
Sell	—	—	—	—	—	—	—	—
Buy	—	—	—	—	—	—	—	—
Swaps:								
Receive Fixed Rate								
Pay Floating Rate	38,179,785	12,548,881	913,074	913,074	30,571,972	20,466,371	718,839	718,839
Receive Floating Rate								
Pay Fixed Rate	38,864,522	8,895,243	(711,558)	(711,558)	37,545,601	13,852,413	(436,983)	(436,983)
Receive Floating Rate								
Pay Floating Rate, etc.	108,749	21,092	864	864	120,880	85,688	(292)	(292)
Others:								
Sell	1,525,001	1,474,893			222,562	218,007		
Option Premiums	*2,995*		2,518	477	*1,618*		889	728
Buy	119,674	69,361			136,295	132,240		
Option Premiums	*897*		506	(390)	*1,124*		492	(631)
Total	¥ /	¥ /	¥ /	¥ 184,068	¥ /	¥ /	¥ /	¥ 264,167

Notes: 1. Market values
The market values listed represent the closing prices on the Tokyo International Financial Futures Exchange and other exchanges at the balance sheet date. The market values of non-listed transactions are calculated by using mainly the discounted present value or option pricing model.
2. Option premiums shown in this table are accounted for on the balance sheet.
3. “Others” consists of cap, floor and swaption transactions.
4. Market values and unrealized gain (loss) of interest swap transactions at March 31, 1999, included ¥202,692 million of accrued swap interest that was stated on the statement of operations.

5. Details of interest rate swap notional amounts and average rates according to time to maturity are as follows:

March 31 Millions of Yen	1999 One Year or Less	More than One Year to Three Years	Over Three Years	Total
Receive Fixed Rate Pay Floating Rate:				
Notional Amount	**¥25,630,904**	**¥8,075,654**	**¥4,473,226**	**¥38,179,785**
Average Receive Rate	**4.75%**	**2.67%**	**2.57%**	**3.49%**
Average Pay Rate	**4.09%**	**1.79%**	**1.18%**	**2.56%**
Receive Floating Rate Pay Fixed Rate:				
Notional Amount	**¥29,969,279**	**¥5,424,299**	**¥3,470,943**	**¥38,864,522**
Average Receive Rate	**2.97%**	**1.07%**	**1.33%**	**1.82%**
Average Pay Rate	**3.70%**	**2.54%**	**2.62%**	**2.83%**
Receive Floating Rate Pay Floating Rate, etc.:				
Notional Amount	**¥ 87,657**	**¥ 15,078**	**¥ 6,013**	**¥ 108,749**
Average Receive Rate	**6.46%**	**3.26%**	**0.51%**	**2.81%**
Average Pay Rate	**6.13%**	**3.44%**	**0.35%**	**2.12%**

6. Derivative financial products transactions that are included in the trading account are not shown above because those transactions were valued at their fair market prices and evaluation gain (loss) was included in the statements of operations.

Contract values or notional principal amounts included in the trading account are as follows:

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts	1999 Market Values	1998 Contract Values or Notional Principal Amounts	1998 Market Values
Listed Transactions				
Futures Contracts:				
Sell	**¥ 1,231,764**	**¥1,235,372**	¥ 1,453,061	¥1,453,041
Buy	**1,231,991**	**1,235,677**	1,338,286	1,338,589
Options:				
Sell				
Call	**627,971**		194,352	
Option Premiums	***91***	***66***	*64*	*83*
Put	**602,178**		52,840	
Option Premiums	***76***	***36***	*9*	*32*
Buy				
Call	**248,448**		849,851	
Option Premiums	***86***	***70***	*174*	*146*
Put	**1,184,604**		513,032	
Option Premiums	***171***	***123***	*7*	*0*
Unlisted Transactions				
Forward Rate Agreements:				
Sell	**419,110**	**418,871**	167,975	167,970
Buy	**642,886**	**642,636**	391,007	390,665
Swaps:				
Receive Fixed Rate/Pay Floating Rate	**12,010,668**	**376,544**	12,460,909	367,905
Receive Floating Rate/Pay Fixed Rate	**11,516,559**	**(389,420)**	11,187,856	(368,362)
Receive Floating Rate/Pay Floating Rate, etc.	**128,732**	**(1,865)**	153,451	(540)
Others:				
Sell	**2,304,806**		824,109	
Option Premiums	***11,357***	***6,199***	*10,095*	*3,121*
Buy	**2,214,898**		812,546	
Option Premiums	**9,941**	**8,574**	9,265	4,973

Currency and Foreign Exchange Related Transactions

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts Total	Over One Year	Market Values	Unrealized Loss	1998 Contract Values or Notional Principal Amounts Total	Over One Year	Market Values	Unrealized Loss
Unlisted Transactions:								
Currency Swaps:	**¥3,753,307**	**¥1,622,651**	**¥(68,415)**	**¥68,415**	¥4,628,437	¥2,391,751	¥(70,509)	¥70,509
U.S. Dollar	**3,131,000**	**1,258,694**	**(24,020)**	**24,020**	3,389,325	1,899,438	(12,815)	12,815
Others	**622,307**	**363,956**	**(44,394)**	**44,394**	1,239,111	492,312	(57,694)	57,694

Notes: 1. Market values

The market values are calculated by using discounted present value.

2. The market value or unrealized loss for currency swaps at March 31, 1999, includes ¥2,511 million of accrued interest, which has been accounted for in the statements of operations.
3. Derivative financial products transactions that are included in the trading account are not shown above because those transactions were valued at their fair market prices and evaluation gain (loss) was included in the statements of operations.

Contract values or notional principal amounts included in the trading account are as follows:

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts	Market Values	1998 Contract Values or Notional Principal Amounts	Market Values
Unlisted Transactions				
Currency Swaps:	**¥3,196,023**	**¥(19,096)**	¥4,082,900	¥(40,608)
U.S. Dollar	**2,465,992**	**(12,813)**	3,065,207	(36,681)
German Mark	**361,289**	**(1,282)**	601,660	(593)
Others	**368,741**	**(4,999)**	416,033	(3,332)

4. Forward foreign exchange contracts, currency options and other currency-related derivative financial instruments are not shown above because those were revalued at the balance sheet date and their gains (losses) were included in the statements of operations.

Contract values or notional principal amounts of currency and foreign exchange related derivative financial instruments revalued at the balance sheet date are as follows:

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts	1998 Contract Values or Notional Principal Amounts
Listed Transactions		
Currency Options:		
Sell		
Call	¥ —	¥ —
Option Premiums	—	—
Put	—	—
Option Premiums	—	—
Buy		
Call	—	—
Option Premiums	—	—
Put	—	3,249
Option Premiums	—	*10*
Unlisted Transactions		
Forward Foreign Exchange Contracts:		
Sell	¥3,635,842	¥ 9,640,721
Buy	5,853,484	14,788,951
Currency Options:		
Sell		
Call	261,599	847,137
Option Premiums	*3,923*	*36,214*
Put	210,810	881,915
Option Premiums	*5,404*	*7,611*
Buy		
Call	245,400	779,030
Option Premiums	*3,032*	*41,916*
Put	219,436	751,310
Option Premiums	*5,568*	*9,760*

Equity-Related Transactions

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts Total	1999 Over One Year	1999 Market Values	1999 Unrealized Gain (Loss)	1998 Contract Values or Notional Principal Amounts Total	1998 Over One Year	1998 Market Values	1998 Unrealized Gain
Listed Transactions:								
Stock Price Index Futures								
Sell	¥ 18,540	¥—	¥18,112	¥ 428	¥ —	¥—	¥ —	¥ —
Buy	¥ —	¥—	¥ —	¥ —	¥ —	¥—	¥ —	¥ —
Unlisted Transactions:								
Equity-Related Swaps	¥684,340	¥—	¥ (1,434)	¥(1,434)	¥718,721	¥—	¥642	¥642
Total	¥ /	¥ /	¥ /	¥(1,005)	¥ /	¥ /	¥ /	¥642

Notes: 1. The market values listed represent the closing prices on the Tokyo Stock Exchange.
2. The market values of unlisted transactions are calculated by using the pricing model, based on the closing prices on the Tokyo Stock Exchange.

Bond-Related Transactions

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts Total	1999 Contract Values or Notional Principal Amounts Over One Year	1999 Market Values	1999 Unrealized Gain (Loss)	1998 Contract Values or Notional Principal Amounts Total	1998 Contract Values or Notional Principal Amounts Over One Year	1998 Market Values	1998 Unrealized Gain (Loss)
Listed Transactions:								
Futures Contracts:								
Sell	¥160,433	¥—	¥157,404	¥3,028	¥108,527	¥—	¥107,403	¥1,123
Buy	1,427	—	1,428	0	4,596	—	4,603	6
Options:								
Sell								
Call	—	—	—	—	—	—		
Option Premiums	—				—	—	—	—
Put	—	—	—	—	—	—		
Option Premiums	—				—		—	—
Buy								
Call	—	—	—	—	—	—		
Option Premiums	—				—		—	—
Put	—	—	—	—	—	—		
Option Premiums	—				—		—	—
Unlisted Transactions:								
Options:								
Sell								
Call	5,000	—			10,000	—		
Option Premiums	40		73	(33)	*28*		4	23
Put	—	—	—	—	40,000	—		
Option Premiums	—				*110*		*162*	*(52)*
Buy								
Call	—	—	—	—	—	—		
Option Premiums	—				—		—	—
Put	—	—	—	—	—	—		
Option Premiums	—				—		—	—
Total	¥ /	¥ /	¥ /	¥2,995	¥ /	¥ /	¥ /	¥1,102

Notes: 1. The market values listed represent the closing prices on the Tokyo Stock Exchange and other exchanges at the balance sheet date. The market values of non-listed transactions are calculated by using mainly the option pricing model.
2. Option premiums shown in this table are accounted for on the balance sheet.

3. Derivative financial products transactions that are included in the trading account are not shown above because those transactions were valued at their fair market prices and evaluation gain (loss) was included in the statements of operations.

Contract values or notional principal amounts included in the trading account are as follows:

March 31 Millions of Yen	1999 Contract Values or Notional Principal Amounts	1999 Market Values	1998 Contract Values or Notional Principal Amounts	1998 Market Values
Listed Transactions				
Futures Contracts:				
Sell	**¥ 2,610**	**¥ 2,650**	¥ 644	¥ 650
Buy	**19,290**	**19,345**	2,598	2,603
Futures Options:				
Sell				
Call	**17,500**		—	—
Option Premiums	***74***	**82**	—	
Put	**500**		—	—
Option Premiums	***1***	**1**	—	
Buy				
Call	**1,500**		—	—
Option Premiums	***4***	**4**	—	
Put	**15,700**		—	—
Option Premiums	***98***	**14**	—	
Unlisted Transactions				
Options:				
Sell				
Call	**—**	**—**	—	—
Option Premiums	**—**		—	
Put	**—**	**—**	—	—
Option Premiums	**—**		—	
Buy				
Call	**—**	**—**	—	—
Option Premiums	**—**		—	
Put	**—**	**—**	—	—
Option Premiums	**—**		—	

(For reference)
Market values and unrealized gain (loss) of interest and currency swap transactions not related to trading transactions on March 31, 1998, included ¥349,085 million of accrued swap interest that was stated in the statements of operations.

Corporate Data

Contents

Directors, Executive Officers and Auditors

(As of June 29, 1999)

Chairman
Masahiro Takasaki

President
Akishige Okada

Deputy President
Yasuhiro Uehara

Deputy President
Tadayoshi Nishimura

Senior Managing Director
Kouichi Nishina

Senior Managing Director
Eiichi Takizawa

**The following 13 directors are also executive officers.*

Chairman	**Masahiro Takasaki**	
President	**Akishige Okada**	
Deputy Presidents	**Yasuhiro Uehara**	Head of Institutions Division, Kansai Institutions Division, Financial Institutions Division, Kansai Project Development Division, Corporate Banking Group, International Banking Group
	Tadayoshi Nishimura	Head of Secretariat, Corporate Treasury Division, Personnel Division, Subsidiaries and Affiliates Division
Senior Managing Directors	**Kouichi Nishina**	Head of Credit Supervision Division, Credit Supervision Division I and II, International Credit Supervision Division
	Eiichi Takizawa	General Manager of Head Office and Tokyo Main Office; Head of Head Office and Tokyo Main Office
Managing Directors	**Tsutomu Sakuma**	Head of General Affairs Division, Kansai General Affairs Division, Inspection Division, Asset Review and Inspection Division, Legal Division
	Hirokazu Ishikawa	Head of Planning Division, Public Relations Division, Research Division
	Tsuyoshi Kuriyama	Investment Banking Division Company President
	Hidemitsu Nakao	Head of Middle Market and Consumer Banking Group
	Yoshihiro Takizawa	Head of Information Technology Planning Division, Systems and Operations Planning Division, Systems Development Division, Electronic Network Business Division
	Hidenori Hiramatsu	Head of Kansai Credit Supervision Division; Deputy Head of Credit Supervision Division
	Hideharu Kadowaki	Head of Corporate Risk Management Division, Credit Planning Division; Deputy Head of Credit Supervision Division, Credit Supervision Division I and II, International Credit Supervision Division

Standing Auditors

Masaharu Kamoshita
Takehisa Hiraiwa
Taro Sumitani
Toyokazu Sato

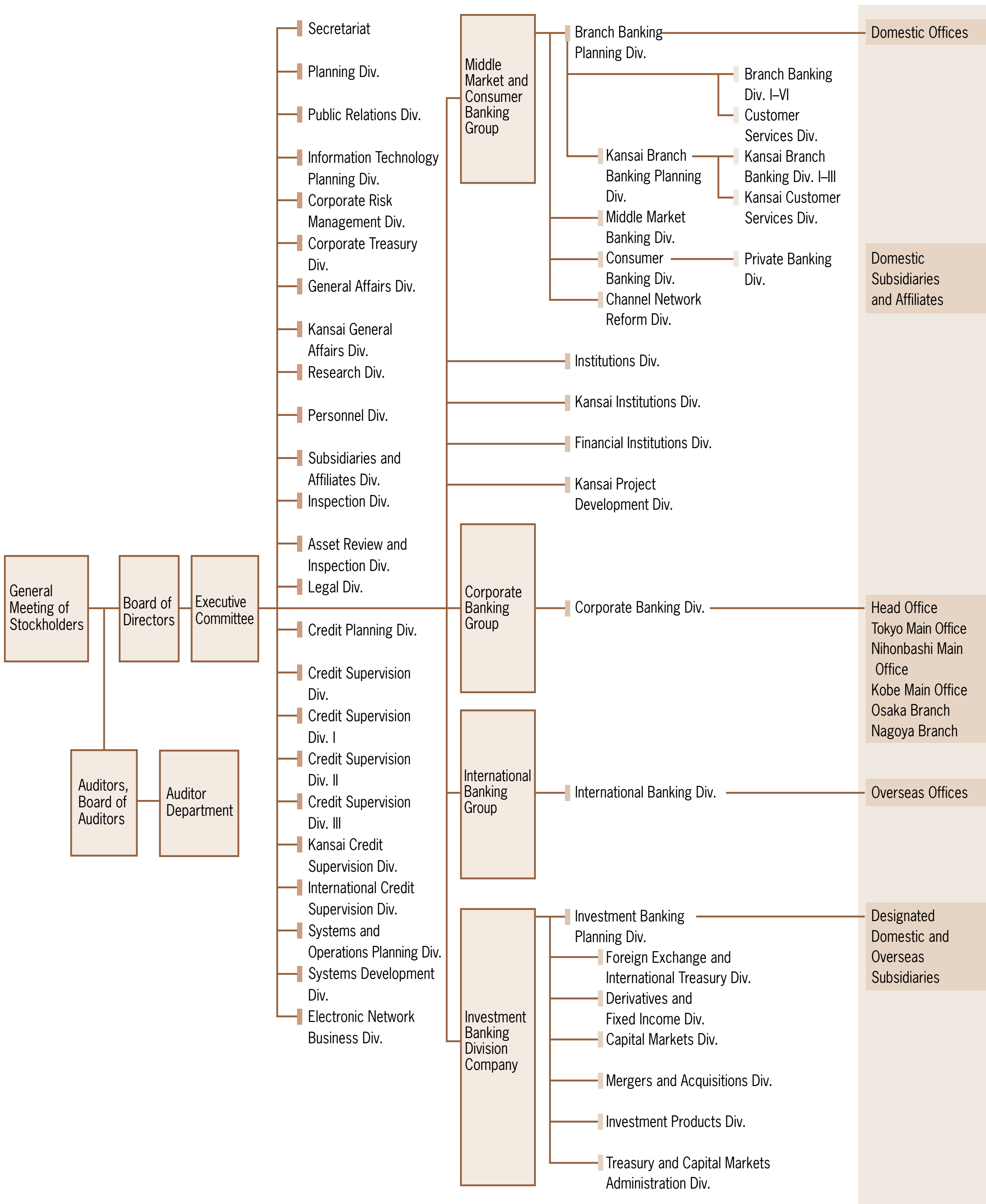
Auditors

Gaishi Hiraiwa
Yasutaka Okamura

First Senior Executive Officer	**Mitsuhiro Masumi**	Head of Credit Supervision Division III
Senior Executive Officers	**Toshiro Ishii**	Head of Head Office and Tokyo Main Office
	Keizo Ogawa	General Manager of Osaka Branch; Deputy Head of Kansai Credit Supervision Division
	Takemasa Tsukamoto	General Manager of Systems Development Division
Executive Officers	**Masahiro Oba**	General Manager of Systems and Operations Planning Division
	Nobuo Iijima	General Manager of Middle Market Banking Division
	Nobuhiro Yabumoto	Deputy Head of Middle Market and Consumer Banking Group
	Kakuei Miyagi	General Manager of Tokyo Chuo Branch
	Toshikatsu Sano	General Manager of Nagoya Branch
	Takashi Fujishima	Head of Investor Relations Department, Planning Division; Deputy Head of International Banking Group
	Taisuke Ota	General Manager of Nihonbashi Main Office
	Teisuke Kitayama	General Manager of Planning Division
	Ryoji Miura	General Manager of Tokyo Main Office Division II
	Kouichi Yanagimura	General Manager of Personnel Division
	Toichiro Mizushima	General Manager of Branch Banking Planning Division
	Shigetada Takahashi	General Manager of Credit Planning Division
	Akira Sato	General Manager of Corporate Treasury Division
	Hiroshi Kii	General Manager of Kobe Main Office
	Shuichi Fujimori	Investment Banking Division Company Executive Vice President
	Morio Kusunoki	Deputy Head of Kansai General Affairs Division, Kansai Institutions Division, Financial Institutions Division; Kansai Project Development Division, Middle Market and Consumer Banking Group (Kansai)
	Jumpei Ishii	General Manager of London Branch
	Takao Umino	Regional Manager for the Americas; General Manager of New York and Cayman Branches
	Masayuki Yamazaki	General Manager of Akasaka Business Office and Akasaka Business Office Division I
	Mitsuaki Yahagi	General Manager of Investment Banking Planning Division, Investment Banking Division Company
	Hitoshi Yoshimatsu	General Representative in Thailand; General Manager of Bangkok Branch
	Hideaki Shigi	General Manager of Himeji Branch

Organization

(As of July 1, 1999)



Subsidiaries, Affiliates and Associates

(As of July 1, 1999)

JAPAN

Subsidiaries

Company Name	Main Business	Established	Issued Capital (Millions)	Equity Held by Bank	Equity Held by Subsidiaries and Affilites
Sakura Securities Co., Ltd.	Securities business	Oct. 1994	¥25,000	100%	—%
The Sakura Trust & Banking Co., Ltd.	Trust and banking business	Dec. 1995	10,000	100	—
Sakura Center Service Co., Ltd.	Banking clerical work	Oct. 1995	50	100	—
Sakura Business Service Co., Ltd.	Banking clerical work	Sept. 1976	10	100	—
Sakura Staff Service Co., Ltd.	Temporary manpower service	Nov. 1972	30	100	—
Sakura Office Service Co., Ltd.	Temporary manpower service	Jan. 1985	30	100	—
Sakura International Operations Co., Ltd.	Banking clerical work	Dec. 1994	10	100	—
Sakura Loan Adviser Co., Ltd.	Consulting and agency services for consumer loans	Apr. 1998	10	100	—
Sakura Human Resources Development Center Co., Ltd.	Business training	May 1998	10	100	—
Sakura Total Maintenance Co., Ltd.	Disposal of real estate collateral	Oct. 1994	300	100	—
Sakura Servicing Co., Ltd.	Servicer	Mar. 1999	500	100	—
Sakura Shingu Agent Co., Ltd.	Agency	Mar. 1986	10	100	—
The Wakashio Bank, Ltd.	Commercial banking	June 1996	40,000	100	—
Wakashio Total Maintenance Co., Ltd.	Disposal of real estate collateral	Nov. 1994	100	100	—
Wakashio Business Service Co., Ltd.	Banking clerical work agent	Apr. 1997	10	100	—
Sakura Guarantee Co., Ltd.	Credit guarantee operations	July 1976	220	31.5	63.1
Sakura Finance Service Co., Ltd.	Loans, collecting agent, factoring	July 1979	200	25.9	28.1
Mitsui Finance Service Co., Ltd.	Loans, collecting agent, factoring	Dec. 1979	1,100	39.6	35.0
Sakura Card Co., Ltd.	Credit card services	Feb. 1983	4,938	79.5	19.8
Sakura Mortgage Co., Ltd.	Mortgage loans, mortgage certificate operations	Oct. 1983	1,150	46.2	28.3
Sakura K.C.S. Corporation	Computations, data processing	Mar. 1969	1,620	20.1	35.4
Sakura Information Systems Co., Ltd.	Computations, data processing	Nov. 1972	600	25.2	64.5
Sakura Leasing Co., Ltd.	Loans, leasing	Mar. 1988	208	44.4	55.6
S.G. Kanri Co., Ltd.	Rental properties management	Jan. 1998	12	100	—

Main Affiliates and Associates

Company Name	Main Business	Established	Issued Capital (Millions)	Equity Held by Bank	Equity Held by Subsidiaries and Affilites
Sakura Investment Management Co., Ltd.	Investment advisory, investment trust management	Sept. 1993	1,280	17.6	8.2
Sakura Institute of Research Inc.	Research, consulting	May 1981	1,000	67.5	32.5
Sakura Capital Co., Ltd.	Venture capital investment and related services	Mar. 1992	500	100	—

THE AMERICAS

Subsidiaries

Company Name	Country	Main Business	Established	Issued Capital (Millions)	Equity Held by Bank	Equity Held by Subsidiaries and Affilites
Manufacturers Bank	U.S.A.	Commercial banking	June 1962	US$80.8	100%	—%
Sakura Business Finance, Inc.	U.S.A.	Lease, financing	Nov. 1997	US$0.00001	100	—
Sakura Global Capital, Inc.	U.S.A.	Swaps, options market making	Dec. 1990	US$0.00010	100	—
Sakura Trust Company	U.S.A.	Trustee business, investment management	Oct. 1988	US$5	100	—
SDI Capital Markets, Inc.	U.S.A.	Securities	Nov. 1988	US$0.5	100	—
Sakura Dellsher, Inc.	U.S.A.	Futures commission merchant	May 1970	US$12.4	60	—
Sakura Bank (Canada)	Canada	Commercial banking	Apr. 1990	C$70.3	100	—
Sakura Capital Funding (Cayman) Limited	Cayman Islands	Medium- and long-term finance	July 1992	US$0.1	100	—
Sakura Finance (Cayman) Limited	Cayman Islands	Medium- and long-term finance	Feb. 1991	US$0.1	100	—
Sakura Preferred Capital (Cayman), Limited	Cayman Islands	Medium- and long-term finance	Nov. 1998	¥10	100	—

Main Associates

Company Name	Country	Main Business	Established	Issued Capital (Millions)	Equity Held by Bank	Equity Held by Subsidiaries and Affilites
CB Bancshares, Inc. (City Bank)	U.S.A.	Commercial banking	Jan. 1959	US$3.6	4.9	—
Banco Bozano, Simonsen S.A.	Brazil	Banking	Nov. 1963	R$248	0.25	—
CIA Bozano, Simonsen	Brazil	Holding company	Dec. 1961	R$516	0.27	—

EUROPE AND MIDDLE EAST

Subsidiaries

Company Name	Country	Main Business	Established	Issued Capital (Millions)	Equity Held by Bank	Equity Held by Subsidiaries and Affilites
Sakura Finance International Limited	United Kingdom	Securities, finance	Sept. 1973	£100	100%	—%
Sakura Trust International Limited	United Kingdom	Trustee business, fiscal agency business	May 1984	£0.25	100	—
Sakura Global Capital Limited	United Kingdom	Finance	Apr. 1991	US$36.5	100	—
Sakura Finanz (Deutschland) GmbH	Germany	Leasing	June 1985	DM0.05	100	—
Sakura Bank (Luxembourg) S.A.	Luxembourg	Banking, securities	Nov. 1978	US$24.6	100	—
Sakura Bank (Schweiz) AG	Switzerland	Securities, banking	Dec. 1982	SFr65	100	—
Turk Sakura Bank A.S.	Turkey	Banking, securities	Aug. 1985	Lt124,500	96.5	—

ASIA AND OCEANIA

Subsidiaries

Company Name	Country	Main Business	Established	Issued Capital (Millions)	Equity Held by Bank	Equity Held by Subsidiaries and Affilites
Sakura Finance Australia Limited	Australia	Commercial banking	Mar. 1986	A$54	100%	—%
Sakura Finance Asia Limited	Hong Kong	Finance	Oct. 1977	US$65.5	100	—
Sakura Bank Hong Kong Trustee Limited	Hong Kong	Trustee business	July 1990	HK$3	100	—
Sakura Finance Hong Kong Limited	Hong Kong	Finance	July 1990	US$4	100	—
Sakura Global Capital Asia Ltd.	Hong Kong	Finance	Apr. 1994	HK$35	100	—
Sakura Dellsher (Hong Kong) Limited	Hong Kong	Operations in financial futures markets	June 1997	HK$0.01	100	—
P.T. Bank Sakura Swadharma	Indonesia	Commercial banking	Nov. 1989	Rp50,000	85	—
Sakura Financial Futures (Singapore) Pte. Limited	Singapore	Operations in financial futures markets	Aug. 1985	S$0.6	100	—
Sakura Merchant Bank (Singapore) Limited	Singapore	Merchant banking	Apr. 1990	S$4	100	—
Sakura Capital India, Limited	India	Leasing	Oct. 1995	Rs230	75	—
Main Affiliates						
China United International Leasing Co., Ltd.	China	Leasing	Sept. 1985	US$5	25	—
P.T. Perjahl Leasing Indonesia	Indonesia	Leasing	Aug. 1975	Rp25,001	25	—
Far East Bank and Trust Company	Philippines	Banking, securities, trust business	Apr. 1960	P5.400	24.7	—
Bangkok Sakura Leasing Co., Limited	Thailand	Leasing	July 1987	B60	35	5
Bangkok Sakura Software Service Co., Limited	Thailand	Software services	Jan. 1991	B20	44	2
SBCS Co., Limited	Thailand	Consulting	Mar. 1989	B5	60	40
Sakura Management Services Co., Limited	Thailand	Consulting	Nov 1996	B1	65	35
Thai Sakura Finance and Securities Co., Limited	Thailand	Finance, securities	Jan. 1972	B150	38.8	—
Main Associates						
Hua Tong International Leasing Co., Ltd.	China	Leasing	Nov. 1988	US$5	10	—
RHB Capital Berhad	Malaysia	Holding company	Aug. 1994	M$1,767	5.3	—
Bangkok Bank Public Company, Limited	Thailand	Banking	Dec. 1944	B14,665	1.95	—

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Managing Director:
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Information for Investors

(As of March 31, 1999)

Paid-in Capital: ¥1,042,706 million

Number of Shares Authorized:	11,036,307 thousand
Common	10,000,000 thousand
Preferred	1,036,307 thousand

Number of Shares Issued:	4,894,428 thousand
Common	4,083,121 thousand
Preferred Series II	11,307 thousand
Preferred Series III (Type-2)	800,000 thousand

Number of Stockholders:	
Common	142,853
Preferred Series II	1
Preferred Series III (Type-2)	1

Stock Exchange Listings:

Common	Tokyo, Osaka, Kyoto, Sapporo, Frankfurt, Paris, Zürich, London
Preferred Series II	—
Preferred Series III (Type-2)	—

Transfer Agent and Registrar:
The Sakura Bank, Limited

Common Stockholders' Meeting:
The Ordinary General Meeting of Stockholders is held in Tokyo in June.

Contact:
Investor Relations Department
Planning Division
Tel: +81 3 3230-3111
Telex: J22378 MITKBK

Auditors:
Showa Ota & Co.
Tohmatsu & Co.

Major Stockholders:

	Number of Shares (Thousands)	Percentage
Common		
Mitsui Mutual Life Insurance Company	147,752	3.61
The Taiyo Mutual Life Insurance Company	147,752	3.61
Nippon Life Insurance Company	147,752	3.61
Toyota Motor Corporation	89,588	2.19
The Chase Manhattan Bank, N.A. London	84,166	2.06
The Dai-ichi Mutual Life Insurance Company	80,682	1.97
The Mitsui Trust & Banking Co., Ltd.	80,483	1.97
Toshiba Corporation	64,961	1.59
Mitsui Fudosan Co., Ltd.	56,557	1.38
Mitsui & Co., Ltd.	53,277	1.30
Preferred Series II		
Sakura Finance (Bermuda) Trust	11,307	100.00
Preferred Series III (Type-2)		
The Resolution and Collection Bank Limited	800,000	100.00

Stock Price Range:

By Calendar Year	Price per Share		Nikkei Stock Average		TOPIX	
Yen	High	Low	High	Low	High	Low
1995	1,500	991	21,552.81	15,749.77	1,712.73	1,239.67
1996	1,350	878	21,406.85	14,485.41	1,636.88	1,193.16
1997	1,250	600	22,666.80	17,303.65	1,722.13	1,326.60
1998	975	325	20,681.07	14,664.44	1,560.28	1,120.61
1999	404	165	16,731.92	12,879.97	1,280.73	980.11

By Month		Price per Share		Nikkei Stock Average		TOPIX	
Yen		High	Low	High	Low	High	Low
1998	April	487	394	16,536.66	15,395.43	1,254.74	1,183.90
	May	462	403	15,884.82	15,143.03	1,232.29	1,188.18
	June	441	327	15,830.27	14,715.38	1,230.38	1,156.47
	July	413	322	16,731.92	15,944.36	1,280.73	1,233.98
	August	334	218	16,165.08	13,915.63	1,245.24	1,086.99
	September	292	200	14,913.49	13,406.39	1,132.65	1,043.57
	October	330	165	14,295.56	12,879.97	1,074.29	980.11
	November	361	293	15,207.77	13,952.75	1,164.59	1,065.84
	December	341 (295)	280 (251)	14,986.62	13,706.73	1,147.15	1,074.18
1999	January	295	232	14,499.25	13,232.74	1,125.26	1,048.33
	February	286	240	14,500.65	13,898.08	1,124.13	1,083.09
	March	404	246	16,378.78	13,921.06	1,269.76	1,092.08

Notes: 1. Stock prices are those quoted on the First Section of the Tokyo Stock Exchange.
2. Figures in parentheses are stock prices of ex-rights.

SAKURA BANK

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