



SAKURA BANK

Annual Report

2000

The Sakura Bank, Limited

Profile

(March 31, 2000)

Head Office:

3-1, Kudan Minami 1-chome,
Chiyoda-ku, Tokyo 100-8611, Japan
Tel: +81 3 3230-3111
Telex: J22378 MITK BK

Total Assets (Non-Consolidated) ¥46,559.4 billion

Cash and Certificate of Deposit
(Non-Consolidated) ¥33,342.6 billion

Loan and Bills Discounted
(Non-Consolidated) ¥31,939.9 billion

Network:

Domestic Offices:

Branches	376
Sub-branches	40
Agencies	4

Overseas Offices:

Branches	18
Sub-branches	2
Representative Offices	6

Number of Employees: 14,930

Long-Term Ratings: A3 (Moody's, issuer outlook: stable);
(As of June 30, 2000) BBB (S&P, outlook: positive);
A- (Fitch, Rating Alert positive);
AA- (R&I)

Short-Term Ratings: Prime-1 (Moody's); A-2 (S&P);
(As of June 30, 2000) F1 (Fitch); a-1+ (R&I)

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Investor Relations Department
Planning Division
Tel: +81 3 3230-3111

This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors. Important factors that might cause such a material difference include, but are not limited to, those economic conditions referred to in this material as assumptions.

In addition, the following items are among the factors that could cause actual results to differ materially from the forward looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology and evolving banking industry standards and similar matters.

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Dear Shareholders



Chairman
Masahiro Takasaki

President
Akishige Okada

The industrial and social structures of Japan are undergoing total changes on a historic scale. In the financial sector, Japan's "Big Bang" reforms are forging ahead, a large number of big scale restructuring and mergers are announced almost daily, and the boundaries between industries are disappearing as companies from other sectors and geographical areas enter the Japanese financial industry. In short, the nation's financial institutions face a paradigm shift characterized by intensifying competition no longer contained within established industry boundaries or borders. To thrive and achieve new growth in these circumstances, Sakura Bank is making full use of scientific

data analysis to build on its strengths in the commercial banking arena and to raise profitability.

The information technology (IT) revolution that is sweeping the world has also touched down in Japan, where the Internet is rapidly being embraced. The influence of the IT revolution has been particularly pervasive in the nation's financial industry, helping to shape its very substance in recent years. Viewing this as a fresh opportunity, Sakura Bank, with creativity and originality, has eagerly adopted a forward-looking, distinctive approach in tune with the modern pace of change that will help it create a new base for growth in the 21st century to

complement its current strengths.

As part of this bold new future, we have announced that Sakura Bank will merge with Sumitomo Bank, subject to regulatory approval, on April 1, 2001. Although the Bank will operate as a new entity, Sumitomo Mitsui Banking Corporation, it will continue to focus on earning the trust of all stakeholders and raising shareholder value by providing consistent value to customers.

We look forward to the continued support of all stakeholders as we transform our vision for the future into reality.

July 2000

Masahiro Takasaki
Chairman

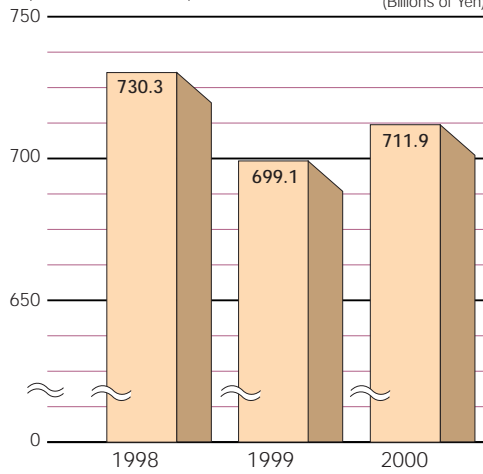
Akishige Okada
President

Financial Highlights

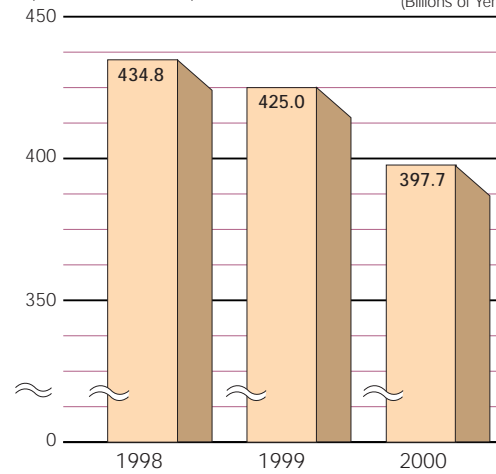
The Sakura Bank, Limited and Subsidiaries

Years Ended March 31	Millions of Yen				
	2000	1999	1998	1997	1996
For the Year					
Total Income	¥ 2,157,102	¥ 2,213,222	¥ 2,921,528	¥ 2,561,157	¥ 2,516,597
Interest on Loans and Discounts	767,063	909,981	1,034,903	1,030,497	1,207,366
Total Expenses	2,030,963	2,919,480	3,021,878	2,510,976	2,839,066
Interest on Deposits	170,171	352,968	546,239	547,564	685,397
Income (Loss) before Income Taxes and Minority Interest	126,139	(706,257)	(100,349)	50,180	(322,469)
Net Income (Loss)	62,581	(479,266)	(88,301)	17,746	(181,769)
At Year-End					
Total Assets	¥48,495,608	¥49,015,005	¥53,160,330	¥54,719,655	¥52,931,522
Loans and Bills Discounted	32,333,211	32,962,873	35,982,912	37,807,236	37,108,718
Trading Account Securities	—	—	—	569,176	382,069
Trading Assets	1,425,028	1,448,784	1,806,929	—	—
Securities	6,928,746	6,264,893	6,446,756	7,137,463	6,860,986
Total Liabilities	45,967,816	46,536,936	51,433,592	52,872,194	51,220,518
Deposits	33,738,616	33,368,615	36,894,352	38,687,303	38,857,276
Call Money	2,579,499	2,327,705	3,174,502	5,925,255	4,950,470
Trading Liabilities	360,706	381,077	531,811	—	—
Borrowed Money	1,508,783	1,677,674	2,386,679	2,685,007	2,602,513
Acceptances and Guarantees	1,492,628	1,970,640	1,976,602	2,275,211	2,124,342
Minority Interests in Consolidated Subsidiaries	319,237	303,581	—	—	—
Total Stockholders' Equity	2,208,554	2,174,486	1,726,737	1,847,460	1,711,003
Capital Stock	1,042,706	1,042,706	599,445	599,445	524,445
Per Share (in Yen)					
Net Income (Loss)	¥ 12.58	¥ (124.72)	¥ (25.51)	¥ 4.38	¥ (54.15)
Stockholders' Equity	340.98	331.28	446.47	467.28	471.23

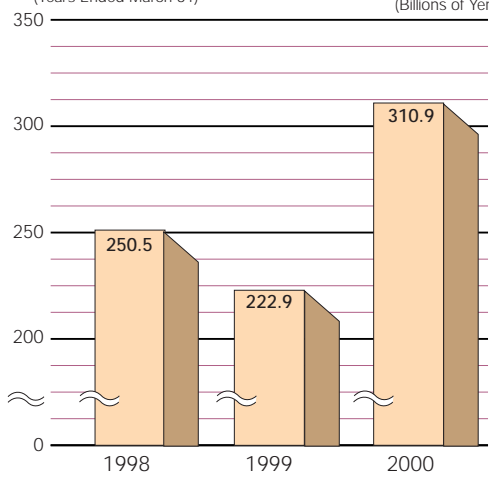
Gross Operating Profit [Non-Consolidated]
(Years Ended March 31) (Billions of Yen)



Expenses [Non-Consolidated]
(Years Ended March 31) (Billions of Yen)

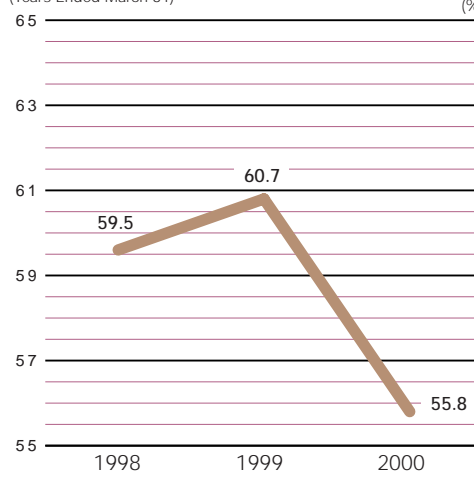


Core Net Operating Profit* [Non-Consolidated]
(Years Ended March 31) (Billions of Yen)

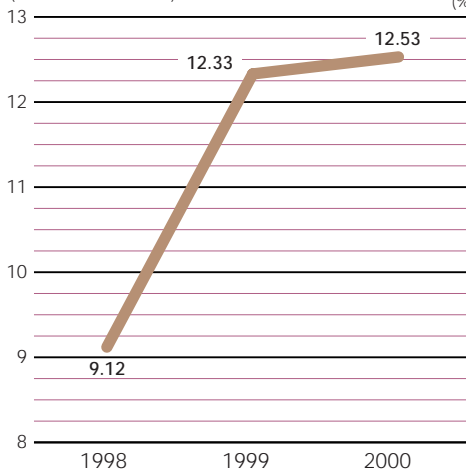


* Core Net Operating Profit is Net Operating Profit before Net Addition to General Reserve for Possible Loan Losses after the deduction of Gain and Losses on Bond Transactions.

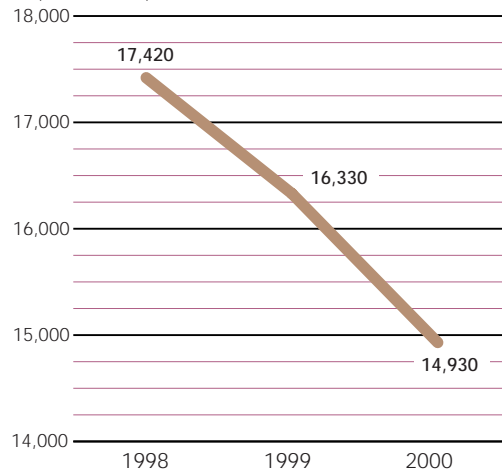
Expense Ratio [Non-Consolidated]
(Years Ended March 31) (%)



Capital Ratio [Consolidated, BIS Guidelines]
(Years Ended March 31) (%)



Number of Employees [Non-Consolidated]
(As of March 31)



Note: Please refer to the figures on page 34, 39 and 63.



Q Could you please summarize Sakura Bank's strengths and business strategies.

A Our primary strength clearly lies in the solid customer base we have built up over many years with a wide-ranging network and strong relationships built on trust and reliability. Our strategies revolve around the question of how we can utilize our strengths to achieve greater profitability. To provide answers, we have been scientifically analyzing the market and our current situation with the latest information technology (IT). This data has been the basis of our strategic business plan, under which the entire Bank tries to do its utmost and as a result, produced concrete results in the past period. We significantly augmented overall interest spread and made steady progress in housing loans, achieving top ranking among domestic major banks in both segments for the period ended March 2000. The interest-spread improvement is largely the outcome of our basic lending policy to try to secure sufficient corporate loan spread to cover the expected credit cost calculated statistically by thorough risk analyses. The gains we are making in the housing loans segment are attributable to the strategic use of database marketing to the mass consumer market.

In other market segments, we were one of the first movers among Japanese banks to really concentrate on the sale of investment trusts. Recognizing a trend in individual demand for greater diversity in asset management products, we decided to develop a new profit source by satisfying demands from our broad retail customer base for medium-to-long-term solutions. To determine specific strategies, we analyzed customer demand, implemented the required measures at the branch and head office to deliver products, and upgraded the overall skills of frontline staff to deliver full-fledged consulting. This enabled us to take the top rank among Japanese banks last fiscal period for the balance of investment trusts under management.

Our call centers have had a great impact on housing loans, investment trusts sales and other products targeted at individuals. To maximize the potential of our customer base, we are employing data mining techniques that involve a variety of marketing approaches, such as sending sales material for other products whenever customers open a new account or have a deposit instrument mature. The call centers are playing an active role in each of these marketing strategies.

Q What exactly is the new business model to which you referred? What is the background to its launch?

A I believe the rapid global advance of IT is nothing short of a revolution, making it possible to

To take advantage of further synergies with our core strategies, we will continue to explore potential profit sources.



communicate without time or distance constraints. It's also my belief that the IT revolution will make the 21st century known as the era of the consumer. Consumers will drive the marketplace more than at any time in history.

At Sakura, we are looking to apply the latest IT to the greatest possible extent to heighten our commercial banking profits. The IT revolution has a flip side, of course. There is a very real potential for financial institutions to be rendered obsolete if they don't fundamentally adapt their business methodologies, since financial information can generally and easily be managed in digital formats. On the other hand, if one can change perspectives and look a step or two ahead of current trends, it is possible to launch strategies in high-growth business areas based on completely new concepts that secure big advantages for early movers in short periods of time.

Based on this, we are concentrating resources on rapidly rolling out a business model unique to this bank. It involves linking up with leading partners in each new field to create a solid platform for further growth in the 21st century. Of course, there is no absolutely correct strategy in Internet-related fields. Although it is impossible to precisely predict our next movement in the rapidly changing world, we do know the first-mover advantage can't be obtained without forging ahead in the directions one reasonably believes are correct. As President, I am continually aware of the importance of "Moving ahead with foresight" and "Becoming resilient to changes."

At present, our core strategies for further growth in the 21st century are the Japan Net Bank, Sakura Loan Partner and @BANK initiatives. We intend to develop these three strategies in an integrated fashion to differentiate the Bank from competitors—both banks and other companies. At the same time, we will continue to explore other potential profit sources, primarily in Internet-related areas, to take advantage of further synergies with the above core strategies.

Q How is the merger with Sumitomo proceeding?

A We recently announced the joint decision with Sumitomo Bank to advance the merger by one year to April 1, 2001. Until the announcement, the plan had been for both banks to largely complete harmonization measures within fiscal 2000, to operate as "twin" banks from April 2001 and to finally merge in April 2002. There are two primary reasons for advancing the merger date. First, both banks appear to be well ahead of their problem loans and restructuring plans. Second, the merger preparations themselves are proceeding apace. Under these circumstances, we felt our chances of securing the top seeded position among Japanese banks would best be served by advancing the merger ahead one year. Moreover, we felt that moving the date forward would properly reflect the swift management style for which we are aiming.



We will also continue to implement strategies and business development to maximize corporate value.

The new bank has three core concepts as its missions. They are “to continuously create shareholder value through the achievement of sustainable business growth,” “to provide even greater value-added services and to achieve growth together with our customers,” and “to provide a challenging and professionally rewarding work environment for diligent and highly motivated employees.” Of course, the strategies and business development I mentioned earlier to maximize corporate value will continue to be implemented under the new bank structure without any change to the basic concepts.

Q Could you tell us your thoughts regarding the Bank's financial position?

A As a result of the entire Bank staff pulling together to improve profitability and implement our restructuring plan, we are pleased to report that fiscal 1999 core net operating profit leapt 40%, to a record high for the Bank. This enabled us to exceed the targets for our restructuring plan. On the revenue side, the main factor was the success of such basic strategies to increase our gross operating profit as improvement of corporate loan spreads, the promotion of housing loans, and steady progress in sales of new products including investment trusts. On the

expenditure side, we managed to surpass our targets for cost reductions. We plan to keep a firm grip on the reins to ensure this trend is further strengthened to form a solid foundation for business growth.

Under the agreement with Sumitomo Bank, we have agreed both banks are respectively responsible for dealing conclusively with the problem loans issue before the merger. Accordingly, in fiscal 1999, we flushed out risk factors, including both the immediately apparent ones and the latent ones, to significantly reduce our risk exposure in future years. This preventative measure has put us on a very sound footing.

Q What major management issues are facing Sakura Bank?

A On April 1 next year, Sakura Bank will become part of Sumitomo Mitsui Banking Corporation. Toward this objective, we must further heighten profitability, resolve the problem assets and accelerate our plans for financial soundness by implementing our staff reduction and branch restructuring plans. Moreover, the changing environment for financial institutions means it is more important than ever to develop and grow new businesses actively. I understand that it is vital for us to build shareholder value and corporate value by getting a good handle on trends and responding swiftly to increasingly diverse customer needs. Further, with enough accountability, we are definitely going to establish the new bank as strongly and firmly as expected by our shareholders and clients.

1999

April

We entered into a contract with am/pm Japan to promote joint convenience store banking operations. (See page 15.)

July

We reached a mutual agreement with Fujitsu to plan and establish operation of Japan's first Internet bank. (See page 13.) Afterwards, Nippon Life Insurance, Sumitomo Bank, Tokyo Electric Power, Mitsui & Co., NTT DoCoMo and NTT East decided on capital participation.

Sept.

We agreed on working jointly with Nippon Life Insurance to invest in promising businesses, including Internet businesses. (See page 17.)

We agreed on a plan to establish a consumer loan joint venture, based on a model distinct from existing banks, with am/pm Japan, SANYO SHINPAN FINANCE, and Nippon Life Insurance. (See page 14.) Afterwards, Sumitomo Bank decided on capital participation.

Our subsidiary, Sakura Securities, spearheaded a tie-up with Deutsche Securities Tokyo Branch in a bonds and equity underwriting business. (See page 24.)

Sakura Investment Management formed alliances with Alliance Capital Management L.P., State Street Bank and Trust, and Deutsche Asset Management to enhance its fund management services. (See page 24.)



We reached a contract with Yamatane Real Estate, Yamatomi International and Asahi Trust, which allowed them to transfer their shares of YAMATANE SECURITIES to us in October.

Oct.

We jointly announced the "Strategic Alliance and Integration of Sakura Bank and Sumitomo Bank," bringing the future merger within sight. (See pages 8 to 11.)

2000

April

YAMATANE SECURITIES and Shinyei Ishino Securities merged to form Sakura Friend Securities (See pages 24 and 26.)

We jointly announced a decision with Sumitomo Bank, bringing the date of our merger forward by one year, to April 1, 2001. (See pages 8 to 11.)

May

We contracted the Merger with Sumitomo Bank. The merger proposal was approved by shareholders at the respective shareholders' meetings in June 2000. (See pages 8 to 11.)

June

We established Sakura Loan Partner, to offer completely new consumer loan services. (See page 14.)



We announced our take over bid (TOB) of Minato Bank, to place Minato under the Sakura Group. (See page 21.)

We participated in a financial portal site, "Money park," which provides comprehensive solutions to personal financial needs. (See page 17.)

The Merger with Sumitomo Bank

On April 21, 2000, The Sakura Bank, Limited (“Sakura”) and The Sumitomo Bank, Limited (“Sumitomo”) reached an agreement to merge on April 1, 2001, one full year ahead of the original plan in the “Strategic Alliance and Integration of Sakura Bank and Sumitomo Bank” agreement announced on October 14, 1999. As the merger proposal was approved by shareholders at respective shareholders’ meetings in June 2000, both banks are ready to start operating as a new entity—Sumitomo Mitsui Banking Corporation—subject to the approval of regulatory authorities.

Fundamental Points of the Merger

Merger Date:	The official merger date will be April 1, 2001.
Corporate Name:	The new corporate name will be <i>Sumitomo Mitsui Banking Corporation</i> . The abbreviation to be used will be <i>SMBC</i> .
Top Management:	The Chairman of the Board of the new bank will be Akishige Okada (the current President of Sakura Bank), and the President & CEO will be Yoshifumi Nishikawa (the current President and CEO of Sumitomo Bank).
Merger Ratios:	One share of Sakura common stock will be exchanged for 0.6 shares of Sumitomo common stock.
Head Office:	Registered Head Office: 1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo

Our Mission and Guiding Principles

Our Mission and Guiding Principles of the new bank, for the most part, will be decided as follows:

Our Mission will be a universal set of values underlying the management of the new bank and expressing the relationship of the bank to its most important stakeholders—its customers, shareholders and employees.

Our Mission

1. To provide even greater value added services to our customers, and to achieve growth together with our customers.
2. To continuously create shareholder’s value through the achievement of sustainable business growth.
3. To provide a challenging and professionally rewarding work environment for diligent and highly motivated employees.

Based on Our Mission, the Guiding Principles will outline the standards for the conduct and behavior of all management and employees of the new bank.

Guiding Principles

1. Create value for shareholders while maintaining a sound working relationship with customers, employees, and other stakeholders. Value trust, observe all laws and regulations, hold high morals, and act with fairness and good faith.
2. Acquire and manage knowledge and skills on an ongoing basis. Based on this knowledge, strive to improve productivity and provide superior financial services at competitive prices.
3. Understand the specific needs of each individual customer. Meet these needs with value added services and develop a global brand trusted for quality and value.
4. Strategically differentiate through “selection and focus.” Become the top player in each of the strategically selected markets by focusing management resources.
5. Value creativity and innovation. Boldly take the initiative to always be in the leading position with first mover advantage.
6. Form a strong organization that emphasizes market principles and is open to diverse values. Delegate authority to facilitate quick decision making and execution, while maintaining strict risk management guidelines and control systems.

7. Aim for the mutual growth and development of both employees and business enterprise. Incorporate post linked and merit based human resource policies, utilizing objective measures of performance and capability.

Business Targets

In view of the next five years (up until fiscal 2004), the major business targets for the new bank are as follows:

Major Business Targets

1. Improving profitability in consumer banking through refined customer segmentation, increased sales of profitable products and services via an extensive network, and enhanced operational efficiency.
2. In the area of corporate finance, establishing business models with asset efficiency as a key driver.
3. Reinforcing international banking business based on selective regional focus and targeted strategies.
4. Aggressive investing in strategic IT areas such as database marketing and network platforms for medium and small corporate customers.
5. Displaying leadership in Internet-related financial businesses.

Key Points of the Operating Strategies

(1) Improving Profitability in Consumer Banking

- Strengthening the marketing power of investment products such as investment trusts
- Strengthening of home mortgage origination and promoting securitization
- Rationalizing of traditional branch network
- Achieving low-cost operations through higher efficiency of teller operations by utilizing IT
- Developing low-cost and extensive delivery channels through alliances with such partners as convenience stores
- Strengthening profitability of group companies (credit card, loan, consumer credit, Internet banking, etc.)

(2) Achieving Higher Asset Efficiency in Corporate Finance

- Increasing highly profitable assets by providing high quality financial solutions that meet the specific needs of clients
- Strengthening new market-driven financial intermediation businesses such as loan syndication, loan securitization, non-recourse loans, structured finance, project finance, etc.
- Increasing fee income and securing liquid deposits by providing clearance services and cash management services
- Developing such investment banking services as M&A, MBO finance, private equity and securitization, by leveraging the close relationships with clients

(3) Reinforcing International Banking Business

- Boosting the business in Asia by leveraging both geographic advantages and the combined customer base and branch network of both banks
- Providing progressive and advanced financial services that are not limited to traditional banking
- Developing new financial products that can seriously contend with foreign competitors
- Forming alliances with foreign partners
- Reallocating management resources freed up as a result of eliminating duplicating branches

(4) Strategic Investments in IT

- Enhancing the database marketing system for consumer banking
- Investing in network platforms for middle and small corporate customers
- Investing in financial content and infrastructure relating to e-business
- Investing in the enhancement of management information systems and risk management systems
- Strengthening the in-house information and communication network to improve productivity

(5) Leadership in Internet-Related Financial Businesses

- As a new financial services complex, the new bank will pursue alliances with various partners with expertise in the areas of IT, contents, networks, and client base, and will strive to be the leader in Internet businesses, such as Internet bank, Internet securities, and financial portal.

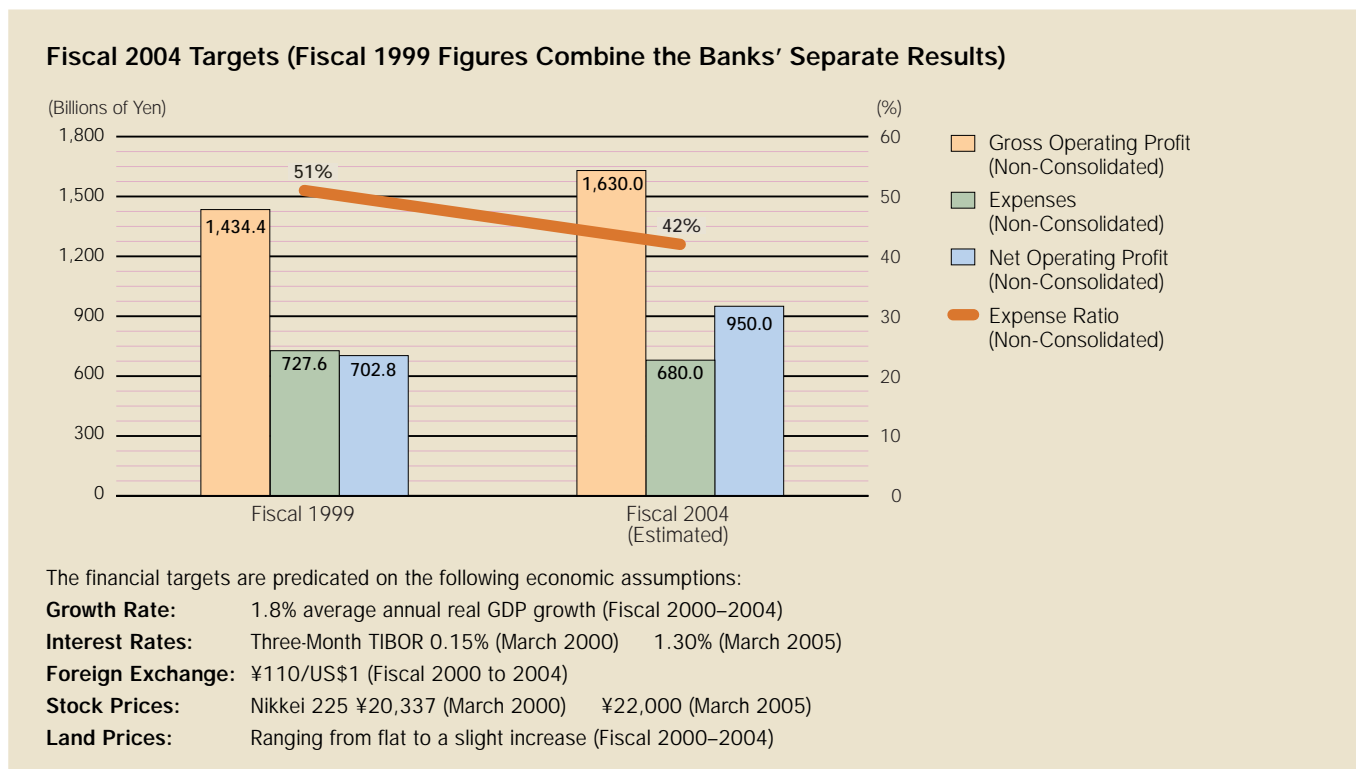
Financial Targets

Profitability will be strengthened in order to repay public funds as soon as possible and to achieve sustainable growth going forward.

Net operating profit (non-consolidated) of ¥950 billion is projected for fiscal 2004. The projected expense ratio (expense/gross profit) for fiscal 2004 is 42%. Consolidated net operating profit of more than ¥1,000 billion is projected for fiscal 2004. The consolidated ROE (fully diluted) target, to be achieved by fiscal 2004, is set at a level greater than

10%. The Tier I ratio of the new bank is projected to be above 7% (BIS capital ratio above 11%).

Both banks will fulfill each of their commitments to resolve their respective asset problem loans before the actual merger. With the resolution efforts of both banks in fiscal 1999, the annual credit cost projection for after the merger is to be within ¥200 billion. Existing assets will be sold or securitized and the amount of cross-shareholdings will be decreased. The new bank will strive to improve the quality of its capital structure by repaying the public funds. The aggregate amount of public funds currently injected into both banks is ¥1,501 billion (including subordinated debt). The new bank aims to accelerate the repayment of public funds and reduce this amount by half by fiscal 2004. By strengthening its financial base, the new bank aims to regain an internationally acknowledged credit rating of "AA" or above by the end of fiscal 2004.



Management Structure

In order to achieve the management objectives of the new bank, the following has been decided:

Corporate Governance

From the viewpoint of shareholder interest, the new bank will seek to separate the executive function from the strengthened supervisory function.

Management Supervisory Structure

- The Board of Directors will be structured so that it can more effectively supervise management execution.
- Several outside directors will be selected.
- The Chairman of the Board will not concurrently serve as a corporate executive officer, and will serve mainly as controller and supervisor of management execution.
- Human resources (HR), compensation and risk management committees will be established on the Board.

Business Execution Structure

Management committees will serve as the decision-making institution for business execution. The management committee will be led by the President and will consist of executive officers appointed by the President.

- Merit based and performance oriented HR and compensation system will be applied to executive officers.
- The stock option program will be expanded to better align the incentives of executive officers with shareholder value creation.

Organizational Structure and Management

The new bank will include: New Business Development Division, Corporate Staff/Service-Related Division, Audit and Compliance Check-Related Division, as well as six business divisions (Consumer Division, Middle-Market Division,

Corporate Finance Division, International Finance Division, Treasury Division, and Investment Banking Division). In designing the organizational structure, emphasis will be placed on making the organization as flat as possible in order to facilitate speedy decision making. The New Business Development Division will be set up to facilitate investment in the promising new fields, and professionals from outside the new bank will be recruited.

Management Control System

A management control system utilizing net-income adjusted for cost-of-risk-capital as the measure of performance will be incorporated to secure the continuous creation of shareholder value. Net-income adjusted for cost-of-risk-capital will be utilized to evaluate the performance of each business division and to appropriate resources among business divisions. The aim in using this measure of performance is to achieve growth with a balance between risk and profit.

Risk Management System

In order to proactively manage risk, the new banking Group's various risks (credit, market, liquidity, operational, etc.) will be managed in an integrated fashion.

Human Resource Management System

The human resource management system will be merit based and performance oriented. The compensation system will also be post linked. An open application system will be introduced so employees can freely apply for the post they desire. Substantial investments in training and education will be made to raise the capability of each employee. Stock options will be granted not only to directors and executive officers but also to employees of a certain post or above. This will better align employee incentives with the increasing of shareholder value.

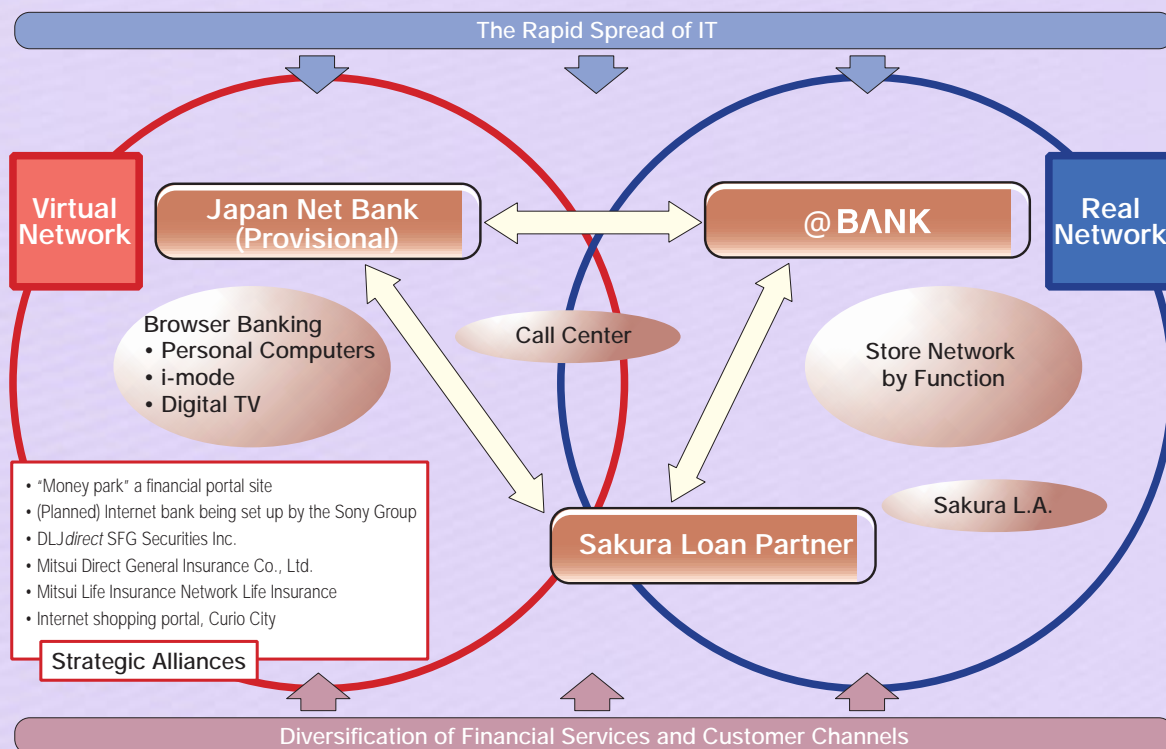
Building a New Business Model for the 21st Century

As the winds of the IT revolution sweep across the world, revealing the broad outlines of the emerging networked society, Japan's financial industry continues to experience profound changes in virtually every facet of its existence. The very rules of the game are changing. At Sakura Bank, we have achieved considerable success applying IT to strengthen our retail- and middle-market businesses. But to achieve significant growth in the dawning century, we know we must build an entirely new base separate from our existing commercial banking base. Accordingly, we have launched a bold strategy founded on a fresh business model for the 21st century.

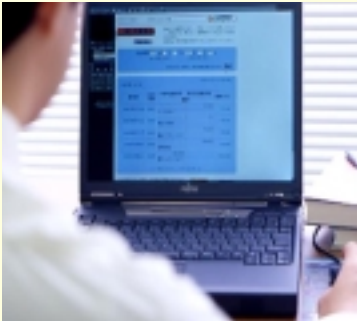
We are launching the new business model based on three related strategies, which are currently represented by the following three ventures. The first strategy is to build Japan's first bank operating exclusively in cyberspace. Japan Net Bank (provisional) will be launched within the first half of fiscal 2000. The second strategy is to create a completely new consumer loan service that delivers, above all, convenience and fast access to consumer finance. The Sakura Loan Partner, Limited, established in June 2000, started business on July 27, 2000. The third strategy is to provide essentially full banking services around the clock via a low-cost network. By summer 2000, we will have established 1,000 @BANK convenience store banking centers.

We intend to develop the three ventures in tandem so they can generate added value among them. Their operations will be linked and the emphasis will be placed on speed to assist in securing their profitability and growth potential. Since the difference between success and failure lies in effectively compensating for weaknesses while building on strengths, we have formed alliances for the respective strategies drawing on the key players in each field. Together, these strategies and the linchpin ventures constitute a fresh business model that will position Sakura Bank for maximum growth in the 21st century.

● New Business Model at Sakura Bank



Japan Net Bank



With the IT revolution, the Internet is rapidly gaining acceptance in Japan as a vital part of a social infrastructure that can foster creativity as well as

allow firms to economize. To capitalize fully on both creativity and economizing, we plan to establish and start operating Japan's first Internet bank in the first half of fiscal 2000. Japan Net Bank (JNB, provisional) will operate as an independent entity with a small staff to realize fast decision making and a low-cost structure. JNB will work in conjunction with our alliance partners to develop and market new products and services, thereby reaping first-mover advantages in the online banking field.

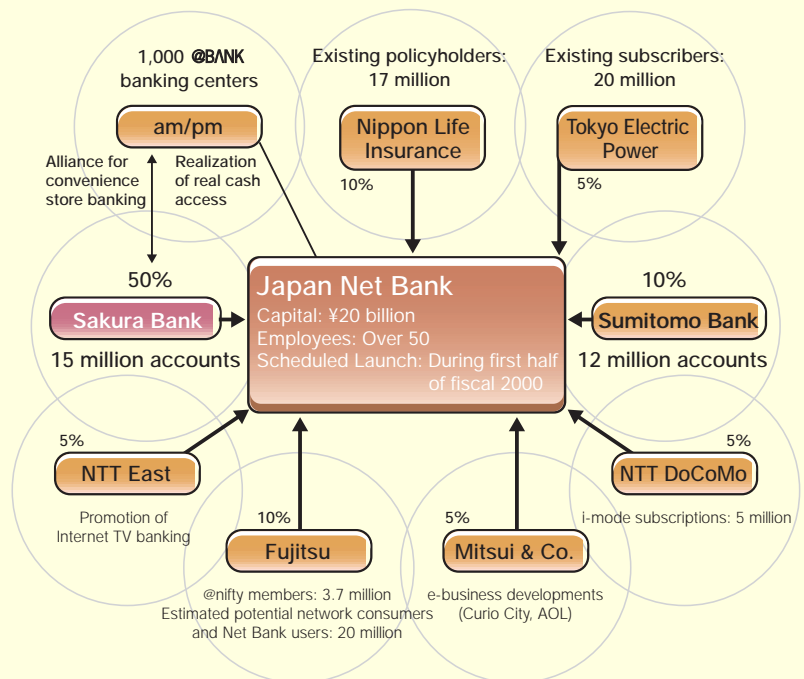
Specifically, JNB will target (1) convenient, low-cost net-based settlement services for transactions such as virtual mall shopping, (2) deposit products with attractive interest rates that reflect low operating costs, and (3) unsecured consumer loans to facilitate various purposes including Internet shopping (a tie-up with Sakura Loan Partner is planned). In addition to Internet access, these services will be offered over the Sakura Bank ATM network, including the



@BANK network, to combine the convenience of the Internet with the cash facilities of real economic activities. By following this strategy, we aim to

establish JNB as the first Internet brand in Japan and the de facto standard in a market expected to reach several million people over the next three to four years, based on subscription growth for existing online banking services. Within the first three years, we expect JNB to attract one million accounts, manage deposits totaling ¥1 trillion and be operating in the black.

Japan Net Bank (Percentage of (Planned) Holdings)



Sakura Loan Partner



Banks are currently expected to provide money at reasonable interest rates to satisfy borrowers'

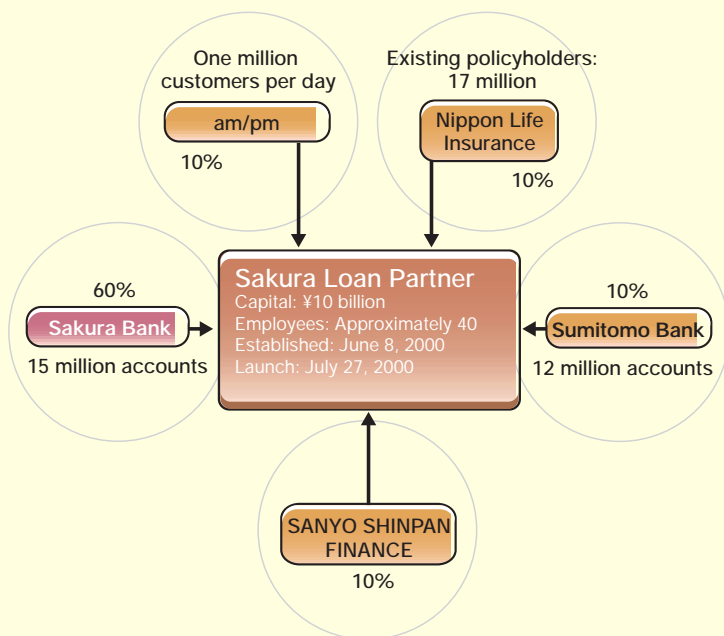
changing lifestyles in a manner suited to convenience and fast pace. To tap this growing demand, we established The Sakura Loan Partner, Limited, on June 8, 2000, as a consumer loan joint venture based on a model distinct from existing banks.

Sakura Loan Partner offers small-sum and unsecured loans to individuals. With the support of our strategic alliance partners listed below, we plan to run Sakura Loan Partner as an extremely low-cost operation. The venture can achieve unprecedented efficiency by using the am/pm convenience store network to maximum effect, IT-based reception and screening systems, highly efficient administrative

systems and, as a rule, no manned branches. Loan applications will be accepted over a network of highly functional loan consultation terminals, branded @Loan Box, located in am/pm convenience stores. They will also be accepted over the Internet, by telephone or facsimile, or through the mail. The loan cards used to borrow money are issued by the @Loan Box terminal in the am/pm convenience store and can be used immediately to withdraw or repay a loan at the @BANK terminal located on the same premises or at any Sakura Bank ATM.

At the present time, we expect Sakura Loan Partner to deploy approximately 1,000 @Loan Box terminals. By fiscal 2004, we expect the company to attract close to 1.8 million customers, have a loan balance of approximately ¥600 billion, and record operating profits of approximately ¥40 billion.

Sakura Loan Partner





We have teamed up with am/pm Japan to develop an award-winning* nationwide network of convenience store banking centers under the @BANK brand.

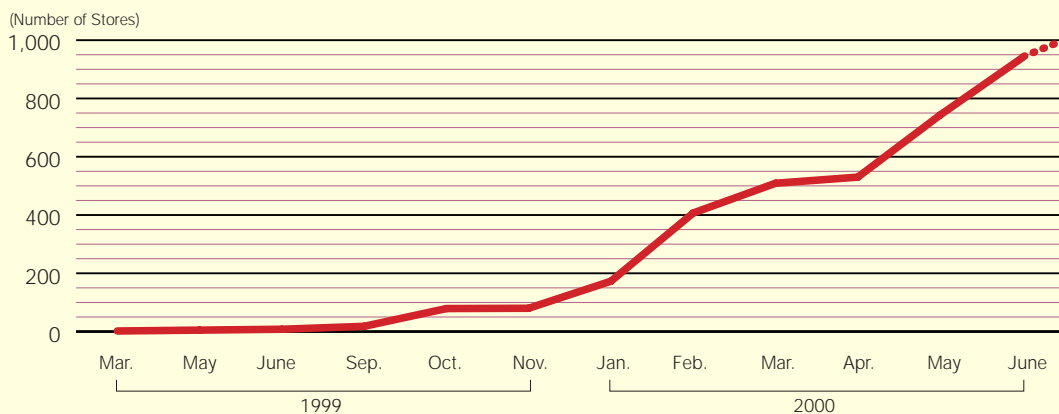
Each am/pm store in the network is equipped with a slim new-style ATM that helps us reach a broad clientele with services essentially comparable to full banking services. @BANK is the first venture in Japan to attempt to operate almost fully functional ATMs as the proprietary channel for a single financial institution on a 24-hour basis in a convenience store chain. By the summer of 2000, the network will boast of 1,000 branches distributed among Japan's major urban centers, especially in Metropolitan Tokyo and the Kanto region. Since April 2000, the ATMs have been switched to 24-hour operation and can be used to make deposits, transfers and withdrawals at any

time of the day or night, providing a high level of convenience to customers. The number of transactions in the @BANK network is steadily rising. Initial startup costs for the @BANK network were one-quarter or one-fifth of the costs of a conventional ATM network, while running costs are approximately one-third.

Although @BANK has been promoted as the proprietary channel for Sakura Bank to date, it will serve an additional key role in the new business model, functioning as an access point for Sakura Loan Partner customers to withdraw loans or make repayments, and as an access point for JNB customers to perform cash transactions at a brick and mortar branch. Under the new business model, it is more than a means for Sakura Bank to vastly increase the convenience of its ATM network and reduce costs. It is the strategic infrastructure for future consumer banking services that will provide additional synergies and profit potential.

* @BANK received a Nikkei Financial Daily "Award for Excellence" in 1999.

● Increase in @BANK am/pm Banking Centers



Browser Banking



In July 1998 we launched our Browser Banking service, which lets customers do their banking from personal computers (PCs). In

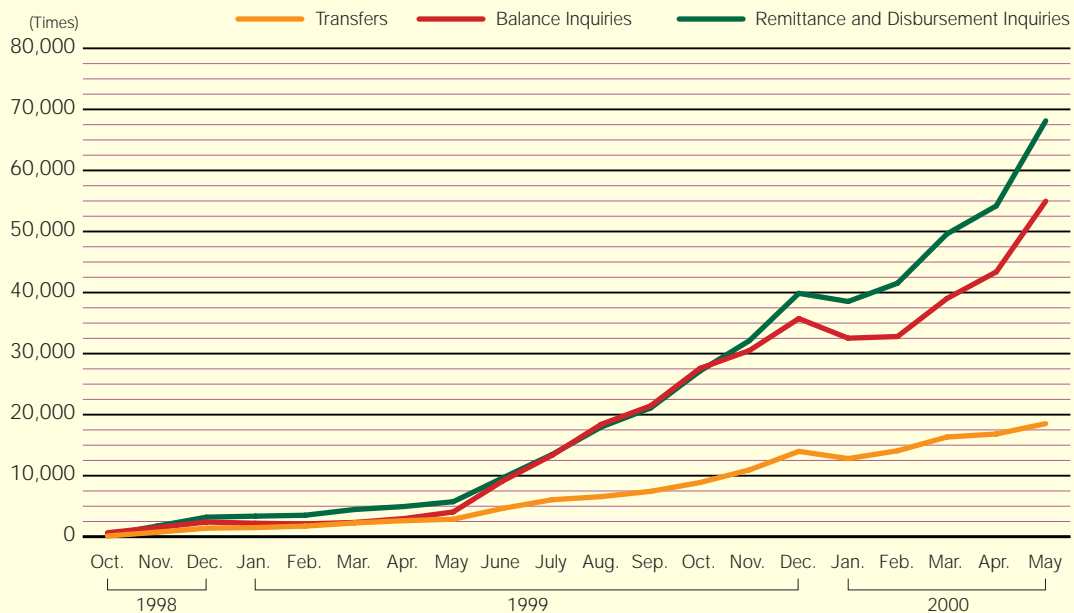
October 1999 we also began cash management services, allowing customers to open savings accounts and deposit money via PCs.

Since February 1999, when it became possible to access our service via "i-mode" mobile telephones offered by NTT DoCoMo, Inc., Browser Banking subscriptions have surpassed the 125,000 mark and the number of queries and transactions have exceeded 140,000 per month (as of the end of May 2000). The i-mode phone literally becomes a

handheld ATM, allowing customers to do their banking without effort from anywhere and at anytime. From November 1999, it also became possible to receive information about @BANK branch locations and other data on the i-mode phones, a service available to all i-mode clientele.

The spread of home digital electronic appliances and digital game machines is an indication that networking will be a daily part of life for Japan's consumers in the future. Furthermore, with broadcast satellite (BS) digital television scheduled to begin in December 2000, we are predicting the advent of an age when customers will have secure, safe and easy access to banks through television. To be ready for this, we are making full use of our accumulated know-how to be the first in the market and build the strongest virtual networks.

● Browser Banking Usage



Additional Strategic Opportunities

At Sakura Bank, we stand ready to step beyond the confines of conventional bank industry thinking to invest in strategic new opportunities that will build a stronger base for our operations in the 21st century. We invested ¥6 billion, for example, in a 16% stake in the Internet bank being set up by the Sony Group as a strategic investment in the online banking sector. This venture will target existing Sony customers, a different target than that of JNB. We plan to maximize the synergy between ventures such as this and JNB and to continue to participate in a wide range of new businesses. We have taken stakes, for instance, in Mitsui Group companies, such as Mitsui Direct General Insurance Co., Ltd., and Mitsui Life Insurance Network Life Insurance (provisional, scheduled to open in the latter part of

fiscal 2000), as well as in the online securities firm DLJdirect SFG Securities Inc. with Sumitomo Bank. In the business-to-consumer (B2C) segment, we have invested in the Internet shopping portal, Curio City, which will use settlement services offered by JNB. We also plan to participate in a financial portal site, "Money park," along with the Nomura Securities Co., Ltd., Nippon Life Insurance Company, Mitsui Marine and Fire Insurance Co., Ltd., the Chuo Mitsui Trust and Banking Co., Ltd. and Mitsui & Co., Ltd., to provide a comprehensive solution to personal financial needs via the Internet. These are just a few of the ways in which we are applying our new business model to secure new growth in the upcoming century.

Financial Portal Site "Money park"



Establishment of a Patent Department

We are taking a progressive approach to expand new business bases and apply operational reforms through the use of IT. Examples in the retail banking field include the establishment of JNB and Sakura Loan Partner. Overseas, mainly in the United States, patent registrations for new business models in financial fields, including financial business techniques, have been increasing rapidly.

In order to ensure our freedom to conduct business activities in top-shelf fields and avoid such unexpected occurrences as infringement on patent rights, we established a patent department in the Legal Division on April 3, 2000.

By the end of June, we had registered or applied for a total of 28 patents, most of which were related to business models. Currently we have a number of new financial business models under development, and we aim to apply for their patents as rapidly as possible.

- **The Commercial Banking Division Company caters primarily to individuals, small and medium corporations and middle market firms. The largest contributor to the bottom line, this division constitutes our core operation. Sakura Bank has an unassailable lead in this field, which includes such key products as mortgages and investment trusts.**

Focusing on the Individual



As financial planning needs become more diverse and sophisticated, we are expanding our lineup with new products and services targeted at individuals.

In our hot-selling investment trust sales area, the number of the products exceeds 30, and we have started convenient services for automated monthly transfers to investment accounts. In the mainstay housing loan segment, we are addressing the uncertainties faced by borrowers with a hybrid loan-insurance product that protects against bankruptcy-induced unemployment. We also introduced a housing loan product with a special redemption schedule that allows borrowers to lower the total interest burden, as well as a product that allows funds to be borrowed in stages to accommodate the deposits required to purchase or construct a new house.

For our "New Total Account," which provides four important functions—savings, receiving transfers, payments and overdrafts—we introduced an additional function that adds foreign term deposits as potential overdraft collateral in addition to domestic instruments.

To further bolster our online Browser Banking service, which offers access from personal computers (PCs) or

mobile phones, we set up a fund management service oriented to PC users, which allows them to make deposits and open savings accounts via PC. We are also setting up a range of new services, accessible through our call centers, to expand access to investment trust and deposit products.

A Trustworthy Approach—Sales of Investment Trusts

Since we started sales of investment trusts in December 1998, we have moved rapidly to satisfy expanding investor needs with one of the broadest offerings of major funds in Japan. Through a 32-fund lineup managed by 23 companies, as of April 2000, we have secured top ranking among Japanese banks for funds under management, which amounted to ¥616.8 billion at year-end.

To promote sales, we are staffing each branch with Bank-certified financial planners and have set up "investment corners" in 100 branches manned by specialized investment advisers. The staff at investment corners are taught to approach sales as if they were selling trust itself, rather than a mere investment product, and make recommendations as if they were selling to their own parents. This allows them to thoroughly communicate the various merits and characteristics of each fund as well as the importance of risk diversification and a long-term investing horizon. Our approach has met with considerable success, verified by our first-place rating for two years in a row by an independent survey of sales of investment trusts.



Its Lonely at the Top—Consumer Loans

Although we currently dominate the Japanese consumer loans market, we plan to gain additional leverage in this lucrative segment. We are fortifying our sales organization for secured loans, particularly mortgages, the most profitable of these operations. Our housing loan centers work directly with realtors, a major source of referrals. In fiscal 1999, we added 10 housing loan centers, raising the total to 53, and continued to increase staffing levels. We are also extending the evening and holiday operating hours of some centers to heighten customer convenience.

In the unsecured loans segment, we offer a full range of card loans and other special purpose loans that support our customers' varied lifestyles and life stages, including loans for education, car purchases and home renovations. "Convenience" and "multi-channels" are our marketing keywords. We offer the Sakura L.A. (Loan Advisor) loan consultation desks, which are accessible evenings and weekends, and are using our call centers to obtain new customers.



Only a Call Away—Call Center Expansion

At Sakura Bank we consider our call centers to be an extremely vital strategic channel for collecting detailed information on customers and their needs in the personal banking market. In Tokyo in January 1999, we opened one of the largest call centers among Japanese banks, which features the latest technology. Later that year in July, we opened the doors to our new call center in the Kansai region. Together, the two centers have 350 operator stations, 1,000 operators and can handle up to 800,000 calls per month. With this organization, we managed to log 1.2 million outbound calls over six months to promote additional

services to customers that opened new accounts and to follow up on loan leads in conjunction with our regular branches and the Sakura L.A. loan consultation desks. We are happy to report that expanding the range of investment trust products handled by the call centers in the latter half of fiscal 1999 was directly linked to increased sales to new customers. Over the six-month period, investment trusts under management expanded approximately sixfold.

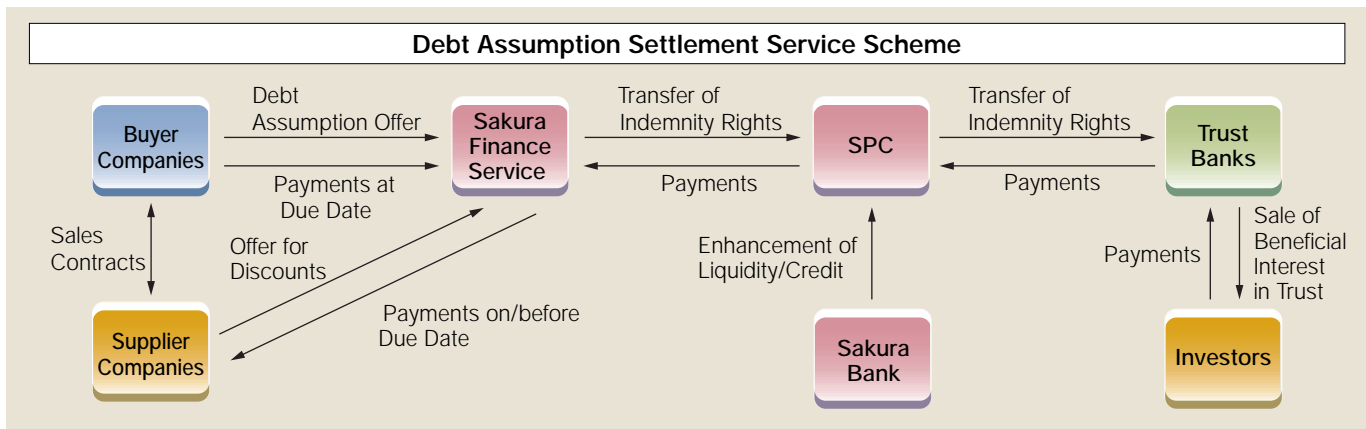
Private Banking

High net worth individuals requiring fund management advice, assistance with asset inheritance and help diversifying their portfolios internationally are the prime targets for our specialized private banking departments. The regional financial managers and more than 1,000 financial planners in the branches join our private bankers, well versed in domestic and international banking issues, to provide rewarding and personalized services.

Serving Small- and Medium-Sized Businesses and the Middle Market

At Sakura Bank, we focus on providing business solutions to small- and medium-sized businesses and middle-market firms as their needs evolve. We offer a complete range of financing tools from the simple to the sophisticated, such as syndicated loans and commitment lines. Our repertoire includes management buyout schemes that assist in corporate succession strategies. To minimize servicer risk, we have set up liquidated receivables pools, which include novel payment systems now in the process of being patented, and factoring systems.

We recently developed a settlement service that helps to underwrite the payables of large corporations, clearing their balance sheets while offering creditors faster payment and lower administrative costs—much like a discount system. Combined with traditional factoring services, these schemes are helping to raise the efficiency of both purchasers and creditors.



Another liquidation scheme is targeted at the growing medical industry in Japan. We are helping to diversify non-interest bearing funding options for medical institutions and health care businesses by providing liquidity for their receivables.

A Good Head Start—IPOs and Venture Capital

We believe public offerings are a critical point in an enterprise's growth cycle and are building up a complete spectrum of support services. Our IPO experts start by advising customers on the merits and demerits of listing, provide referrals to related services and advise on capital acquisition strategies and listing preparations. Working with the Sakura Institute of Research, we cover the entire process, including investor relations (IR) support before and after the share offering.

Venture capital is increasingly in demand in Japan as the new economy gains momentum. We work with our affiliate, Sakura Capital Co., Ltd., to support this burgeoning business. By fiscal 2000 year-end, we expect to launch our latest venture capital fund, a ¥3 billion investment partnership aimed at high-growth e-commerce and biotech start-ups. Since its inauguration in fiscal 1998, the Sakura Venture Promotion fund, an open-ended fund managed by Sakura Trust & Banking Co., Ltd., has extended a cumulative ¥68 million to 20 companies, providing customers with an effective investment vehicle while supporting promising start-ups with seed capital.

Taking Stock—Effective Investment Management Advice

Sakura Bank helps small- and medium-sized businesses navigate the oft-confusing world of investments by formulating investment proposals tailored to their particular investment stance and risk aversion. Starting with the largest number of investment trust funds among the Japanese banks and extending to a range of investment instruments such as JGB, foreign currency deposits and time deposits with derivatives, we can provide the right mix for a company of any size to make the most of its investments.

Settling Down to Real Business—Online Clearing Services

To cut down on our customers' transaction costs, we are applying our electronic banking expertise to clearance services. In addition to "Nice Catch" (please see page 22), we launched a debit card service "J-Debit Card Service" in April 1999, which allows the end-customer to pay for purchases directly from their accounts with their cash cards right in the store, providing cash-based businesses with the ability to expand sales opportunities while reducing their cash-handling burden.

Complementing these new services, our existing electronic banking service, Sakura network service, our cash management affiliate and our convenience store cash payment services provide small- and medium-sized businesses comprehensive solutions to their clearance needs.

Something Good Just Got Better—New Electronic Banking Centers

We offer corporate customers direct access to their account information with Windows®-compatible PC software. With PC Navi and the Sakura Banking Manager programs, customers can transfer funds between accounts and get detailed transaction information using a PC over a network. In April 2000, we opened new Electronic Banking Centers in Tokyo and Kobe to bring together our electronic banking support services, including on-site service staff and telephone support staff. This will help provide an even faster response to customers, permit us to upgrade services and enhance the efficiency of administrative procedures in our branches.

Good Advice—International Trade Services

Middle-market customers and small- and medium-sized businesses are venturing abroad as never before. The Bank supports them with a host of trade facilitation services and consultation for their overseas operations. Noteworthy among them, we provide a full assortment of currency hedging instruments, such as long-term currency futures contracts employing currency options, as well as “Range” contracts and “Step 1” contracts.

To lower the credit risks for exporters, we also offer international factoring services, which we are cross selling with Sumitomo Bank. The online dealing system we are currently developing will help customers rationalize their trade administration, complementing our existing foreign exchange electronic banking service. Specialists in the Overseas Consulting Department of the Sakura Institute of Research augment the Bank’s support and information gathering capabilities, providing our customers with in-depth advice and analyses.

Sakura Bank Places Minato Bank under Its Group

The Sakura Bank, Limited decided a take over bid (TOB) of the Minato Bank, Limited, at the board meeting on June 9, 2000, and started to purchase Minato’s shares from June 13, 2000. The overview, purpose and results of the TOB, which ended on July 24, 2000, are as follows:

1. Overview of the TOB (announced on June 9, 2000)

- (1) Name of company for TOB: The Minato Bank, Limited
- (2) Type of shares proposed for TOB:
Common shares with a face value of ¥50
- (3) Purchase period:
From June 13, 2000 (Tues.) to July 24, 2000 (Mon.) (42 days)
- (4) Bidding price: ¥240 per share

2. Purpose of the TOB

In order to make retail banking, Sakura’s core business, stronger and more efficient, Sakura is eager to manage branch restructuring efficiently and quickly with consideration of customer convenience in Hyogo Prefecture, one of the main economic areas in Kansai region and an important retail market base for Sakura. This could be achieved by putting Minato under the Sakura Group.

To realize this purpose, Sakura will transfer 20 branches in Hyogo Prefecture to Minato, subject to the approval of regulatory authorities, and both banks will open ATMs mutually and carry out comprehensive business collaborations to achieve common high-level financial skills and services. Additionally, Sakura will transfer staff to Minato on both a temporary and permanent basis.

3. Results of the TOB

- (1) Subscription status:
Planned total number of shares for the TOB (upper limit): 142,000,000
(a) Planned number of shares for the TOB (lower limit): 53,000,000
(b) Number of shares for the TOB beyond (a): 89,000,000
Total number of shares subscribed: 141,657,000
Total number of shares purchased: 141,657,000
- (2) The results of the TOB
Total number of shareholders subscribed: 124
Total number of shares subscribed: 141,657,000
Total number of shares purchased: 141,657,000
Total number of shares returned: 0
The total number of shares subscribed exceeded the planned shares for the TOB (lower limit) and did not exceed the planned total number of shares for the TOB (upper limit). We therefore purchased all the subscribed shares as we announced in a public notice on June 13, 2000.
- (3) Number of shares and percentage held by Sakura after the TOB
Number of shares held by Sakura before the TOB: 14,791,000 (holding percentage 3.89%)
Number of shares held by Sakura after the TOB: 156,448,500 (holding percentage 41.13%)
- (4) Total amount of money paid to purchase all the subscribed shares: ¥33,998 million

As a result, Minato has become a consolidated subsidiary of Sakura. No amendment needs to be made to Sakura’s prospective business forecast on a consolidated basis for the current fiscal year.

- **In October 1999, the Bank's Corporate Banking and International Banking groups were merged to create the International & Corporate Banking Division Company. The two groups were brought together to marry one group's strong relationship with large corporations and product development abilities with the global operating base and leading-edge financial know-how of the other. The Bank, therefore, can offer commercial banking financial services on a global basis and respond to the highly sophisticated customers' needs.**

At Your Service—The World Over

The core thrust of the Bank's International & Corporate Banking Division Company is to offer products and services on a global basis to each customer. We have the reach, for example, to serve each member of large international corporate groups with trade support, corporate finance and investment management services wherever they operate. We are focusing on the sales of our cash management services in particular. To this end, we are forming alliances and creating new cash management services with leading local financial institutions, especially in Asia. Moreover, we post highly specialized staff in our offices in major financial centers to provide expert assistance with fund-raising, risk sharing and business restructuring.

High-Value-Added—Solutions for Corporate Management

There has been a growing emphasis on building shareholder value in the corporate governance of large international companies in recent years. This has had the effect of boosting demand for ways of streamlining balance sheets and restructuring businesses. It has also heightened the role of financial institutions, prompting them to change from simple deposit takers and lenders to solution providers for the issues corporate management is confronting. Cresting this wave, Sakura is endeavoring to meet corporate demand with a full complement of leading-edge financial services that add value at every level of operations.

Responding to the demand for trimmer balance sheets, we have devised services aimed at removing real estate holdings and improving return on investment. Sakura was also at the forefront of introducing non-recourse real estate loans. In January 2000 we set up a domestic real estate

finance group with several specialists. In the brief period that it has been active, this group has managed to secure six non-recourse loan projects amounting to approximately ¥50 billion.

We also see the risk-sharing requirements of corporations continuing to grow. To satisfy this demand, we are building up project finance teams domestically and abroad, capitalizing on our risk-analysis capabilities in addition to our financing know-how to deliver highly rated advisory services. We offer high-value-added fund-raising schemes, like asset securitization, which improves companies' financial conditions, and lease finance, which enables off-balance sheet fund-raising. To support clients' businesses in restructuring, we provide top-class advice on business evaluations, sales of non-strategic divisions and acquisitions, by collaborating with the Mergers & Acquisitions Division of the Investment Banking Division Company.

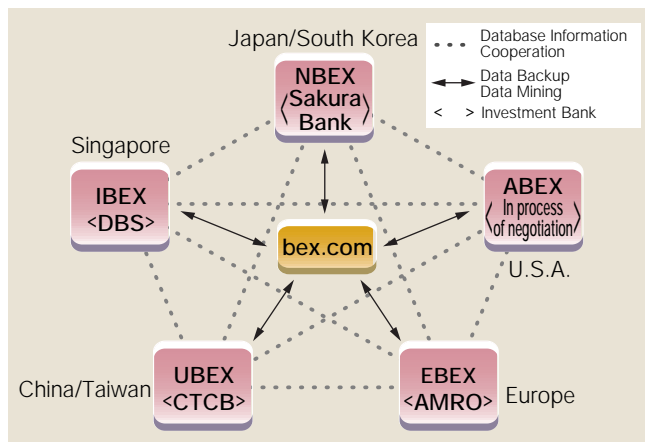
Rising to the Challenge—Accelerating Customer Cash Flows

For corporate clients looking to improve the efficiency of cash management throughout their group, we offer the Group Cash Management System. As well, "Nice Catch", a new money transfer-related service for speeding up the administrative process of receivables, was begun in October 1999. In keeping with the movement worldwide to enhance trade administrative efficiency with digital documentation delivery, we agreed in December 1999 to participate in the establishment of the Japan branch of Bolero.net, an international business-to-business (B2B) e-commerce system that enables all parties in the trade chain to exchange documents and data electronically. We also plan to participate in the TEDI pilot project, a Ministry of International

Trade and Industry's electronic data interchange for facilitating international trade.

The IT Revolution—Joining the Wired World

The breathtaking development of IT-related business continues to engulf Japan and stimulate its growth as a “wired” society. At Sakura Bank, we are taking full advantage of all forms of strategic information systems. In January 2000, we announced our participation in a new B2B e-commerce service company in Japan, managed mainly by bex.com, which started in Singapore and is rapidly developing a global electronic B2B trading network around the world.



Focused Regional Strategies—Growing Abroad

To enhance our international business, we have clearly defined regionally differentiated strategies drawing on global network and innovative financial engineering capabilities. Within this framework, we will continue to deepen our business with Japanese corporations abroad and seek new business development in Asia, North America and Europe.

Asia and Oceania

In Asia, we are following a multifaceted approach, capitalizing on our regional network presence, as one of the largest in the area among Japanese banks, to provide detailed financial services to Japanese companies venturing into the area and promote long-term ties to leading local businesses that patronize our fee-based services.

The up-trend in Asian economies in the wake of the currency crises of recent years is generating demand for various restructuring assistance. During fiscal 1999, Sakura Merchant Bank (Singapore) Ltd. won the financial advisory role for the financial restructuring of three major corporate groups in the area. One of these earned us the “Asian Restructuring Deal of the Year” award from International Financial Review (IFR) magazine, demonstrating the high regard our activities in this region continue to earn.

Our role as the arranger of project finance for a large-scale natural gas field development by a Japanese-affiliated company in Malaysia, in cooperation with Japan Bank of International Cooperation (JBIC), has also contributed to our high profile in the region.

The Americas

Our strategies revolve around both the commercial and investment banking businesses in the Americas to meet the demand for a diverse range of sophisticated services. In addition to the more conventional advisory services and local fund-raising assistance provided to Japanese affiliates, we are active in a wide spectrum of financial services, ranging from securitization schemes using leading-edge financial techniques to sales of innovative derivatives, M&A introductory services, and project finance arrangement. In the lease financing field, we launched a service through Sakura Business Finance, Inc., in 1998, which arranges large-scale equipment tax leases to trim balance sheets and provide new fund-raising sources.

Europe and the Middle East

The European Union (EU) has embarked on the path of increasing economic and political integration with the launch of the euro in January 1999, and its plans for enlargement into Eastern Europe. In July 1999, we managed, as arranger, a ¥30 billion untied two-step loan to the Export Credit Bank of Turkey extended by the Export-Import Bank of Japan (now JBIC).

We plan to work more closely with Japanese and international multilateral financial institutions and export credit agencies in this fashion to gain future business in this market.

● This divisional company operates in two main fields, corporate finance and trading, including foreign exchange, money market and securities dealing. Sakura was an early adopter of the division company structure with its Investment Banking Division Company, formulated for speed, flexibility and specialization in these fast-moving fields.

Strategic Alliances

With the winds of liberalization permitting us to enter more aspects of corporate finance beyond the traditional banking boundaries, the Sakura Group is forming strategic alliances with leading firms in complementary fields and regions. In our wholesale business in September 1999, for example, subsidiary Sakura Securities Co., Ltd., spearheaded a tie-up with Deutsche Securities Limited, the investment banking subsidiary of Deutsche Bank Group in Japan, in a bonds and equity underwriting business. On the domestic retail side, YAMATANE SECURITIES CO., LTD., and The Shinyei Ishino Securities Co., Ltd., merged in April 2000 to form Sakura Friend Securities CO., LTD., under the wing of the Sakura Group. In the fund management area, where various demands are expected to expand in line with the aging trend in Japanese society and the forthcoming introduction of defined contribution plan as a pension scheme in 2001, Sakura Investment Management Co., Ltd., formed alliances with three foreign companies in September 1999 to enhance its services.

Adding to Investor Choices—A Growing Derivatives Menu

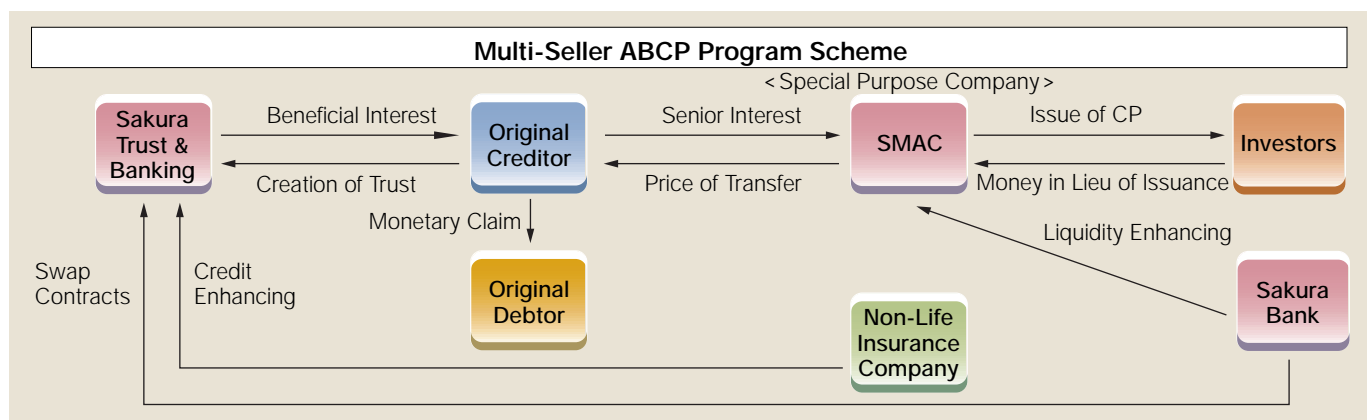
Sakura is building up its derivative offerings to furnish investors with additional choices. We were the first Japanese bank to offer foreign currency denominated term deposits

with options to the retail market. Marketed under the name of “Hybrid”, sales of these products have been brisk since their introduction in August 1998. In June 1999, we launched two new products to satisfy evolving needs. “High Coupon” proffers higher-than-usual interest rates in exchange for limiting the potential foreign exchange gain if the yen depreciates against the U.S. dollar. Similarly, “High Unit” offers the potential of higher-than-usual foreign exchange gain in exchange for lower interest rates.

Permission from the regulatory authorities was granted in November 1999 to handle equity derivatives, with individual stocks, stock baskets and stock indices as underlying assets. These products anticipate changes in Japan's accounting regulations, which will require companies to evaluate cross-holding equities at market prices from April 2001. Equity derivatives will provide a flexible way for customers to hedge against price movement risks in their long-term equities portfolios.

Attractive Packaging—Forging Boldly Ahead with Securitization

We are leveraging our expertise with securitization to diversify the financing options available to corporate customers. By securitizing their real estate and equipment assets, we can offer additional sources of finance and improve their



balance sheets. Understanding the investment preferences of a broad spectrum of investors, we are able to propose optimal combinations of bonds (senior status) and equity (subordinated status) portions for appropriate fund-raising.

In September 1999, we completed the first multi-seller asset-backed commercial paper (ABCP) program under the Law Concerning Securitization by a Special Purpose Company, which earned Prime-1, the highest rating from Moody's Investors Service. The program securitizes medium- to long-term assets such as leasing assets and installment assets, offering the customer medium- to long-term financing with low interest rates and an enhanced balance sheet. The program has attracted the interest of a large clientele because it offers fewer administrative processes and lower cost burdens than straight asset-backed securities (ABS) with a similar economic effect. Nonetheless, ABS deals continue to be an important product for us and in March 2000 we were commissioned to the first Japanese real estate ABS for a condominium development.

Top-Class Results—A Leading Commissioned Company

Sakura Bank has the distinction of consistently ranking as one of Japan's leading commissioned companies for public bond issues and private placements. During the period, we were lead commissioned bank and fiscal agent for 47 issues amounting to ¥1,053 billion, ranking us second by total amount among Japanese banks in the public issue. We also placed near the top of the list for private placements in the Japanese banking community.

Forward Thinking—M&A for the New Economy

Mergers and acquisitions have truly arrived in Japan as a means of adjusting to fiercely changing economic conditions. More and more companies are resorting to M&A strategies to expand, restructure or pass on parts or all of their business. With the establishment of the Civil Rehabilitation Act in April 2000, a growing number of companies are likely to use M&A deals as a fast means of restructuring. As a serious contender in the M&A advisory field, we employ approximately 40 experienced M&A specialists in our Tokyo, Kobe, Osaka, New York, London and

Singapore offices, as well as more than 400 M&A desks in our global network.

Structuring M&A deals calls for a high degree of specialization. We are proud of our track record in this field, which includes more than 300 deals over a 15-year period. Our advisory business has grown in leaps and bounds in recent years, particularly in major restructurings and bankruptcy divestitures for large corporations as well as acquisitions for core business expansion. We are also receiving a growing number of clients looking for M&A advice in response to changes in legislation and financial accounting standards.

Major Fiscal 1999 M&A Deals

1999

- Apr.** Transfer of Toshiba Corp's automated teller machine operations to Oki Electric Industry Co., Ltd.
- July** Sale of a U.S. subsidiary of Mitsui Mining & Smelting Co., Ltd. (employee buyout)
- Aug.** Transfer of Recruit Cosmos Co., Ltd.'s hotel division to Karakami Kankou
Transfer of lease properties from Kokugin Lease to Inter Lease Corporation
- Sept.** Sale of Fujita Corporation's Miramar Sheraton Hotel in Santa Monica to Maritz Wolff & Co.
Stock transfer between Hamanaka Chain MFG. Co., Ltd. and Himeji Kisho
Transfer of Hotel Nikko Kume Island to a local public/private company
Acquisition of a competitor's stock by a packing material company
Acquisition of a competitor's stock by a manufacturer of agricultural fertilizers
- Dec.** Acquisition of New Chemi Industries Ltd. (India)'s stock by Sumitomo Chemical Co., Ltd.
Sale of Itoham Foods Inc.'s U.S. subsidiary, PLI, to Bachem AG (Switzerland)

2000

- Jan.** Transfer of stock from Mitsui & Co., Ltd. to Japan Advanced Card Systems Co., Ltd.
Acquisition of Hitachi Engineering Co., Ltd.'s Shares by Teikei
- Mar.** Acquisition of Heidi stocks by Form I Inc.
Capital and operations tie-up between two industrial control manufacturers
Sale of Mitsui Pharmaceuticals, Inc stocks to Nihon Schering K.K. by Mitsui Chemicals, Inc.
Transfer of Wadakan Food Corporation's operations to Izmic

Principal Domestic Subsidiaries

Sakura Securities Co., Ltd.

Sakura Securities applies a consistently high standard of service to fulfill the requirements of customers accessing capital markets to raise or invest funds. A seasoned provider, the subsidiary underwrites the entire gamut of financial products, from straight bonds through to complex balance sheet improvement tools, including asset-backed securities. In March 2000, it pioneered the first ABS based on a real estate property under development. In the wake of regulatory relaxation, it has also made solid inroads into the equity business, with equity underwritings, initial public offerings and convertible bonds.

To meet the variety of objectives on the investment side, it offers such standard products as government bonds, corporate bonds, and equities, as well as investment trusts and financially engineered products incorporating derivatives.

The current management focus at Sakura Securities is to respond proactively to evolving demand for increasingly sophisticated and diverse products and services while instituting a sufficiently robust compliance regime throughout its operations.

Its balance sheets demonstrate that the subsidiary is operating from a solid financial base. At year-end, the capital adequacy ratio was 759.3%.

Sakura Friend Securities CO., LTD.

On April 1, 2000, YAMATANE SECURITIES CO., LTD., and The Shinyei Ishino Securities Company Limited, merged to form Sakura Friend Securities CO., LTD., a consolidated subsidiary of Sakura Bank. Although Sakura Friend Securities, Sakura Group's only listed total securities company, is a full-service company with a broad product line, the strategic fit of the subsidiary in the Group will be to aggressively pursue the retail and middle markets, allowing the Bank's other securities company, Sakura Securities, to focus on the wholesale business. Its retail business, as a part of Sakura Group's securities business, is conducted through the 47-branch network to provide total financial services for customers.

The company's core concept is "Development with the Customers," through which it tries to satisfy all its customers. This is actualized in a sales philosophy that assists customers manage their assets. The company is instituting a sufficiently robust compliance regime throughout its operations to gain market credibility and to develop the Sakura Group.

Operating Results		
Years Ended March 31	Millions of Yen	
	2000	1999
Operating Revenue	¥ 7,415	¥ 13,424
Operating Income	760	4,102
Net Income	394	3,904
Paid-in Capital	25,000	25,000
Total Shareholders' Equity	40,190	39,718
Total Assets	2,305,889	1,860,517
Number of Employees	212	187
Capital Adequacy Ratio (%)	759.3%	565.0%

Operating Results		
Year Ended March 31, 2000	Millions of Yen	
	Yamatane	Shinyei Ishino
Operating Revenue	¥ 25,989	¥ 11,114
Operating Income	10,910	4,455
Net Income	3,675	(819)
Paid-in Capital	19,752	6,387
Total Shareholders' Equity	34,922	7,434
Total Assets	134,877	107,180
Number of Employees	970	440
Capital Adequacy Ratio (%)	468.0%	225.6%

Sakura Trust & Banking Co., Ltd.

Sakura Trust & Banking is rising to the occasion of major changes in Japan's financial accounting regulations to provide a diverse range of trust products designed to strengthen the financial management options of its customers. Its money trust products, for example, are attractive to investors while augmenting the financing options and improving the balance sheets of companies that elect to securitize their receivables, such as accounts receivable, trade notes receivable, lease receivables, credit receivables and loans receivable. In fiscal 1999, the subsidiary sold new financial products, such as a liquidation scheme of pooled notes credits, and organized beneficiary rights with pass through redemption. The company keeps developing new products to satisfy the customer's sense of convenience.

In addition to handling the standard administration of trust portfolios, the subsidiary has built up a far-reaching business with innovative products, such as income earning third-party securities trusts, money trusts, real estate trusts, money trusts (*tokkin*), securities investment trusts and charitable trusts.

Fiscal 1999 was the fourth consecutive year of positive earning for Sakura Trust & Banking, which recorded net income of ¥226 million, largely owing to continued growth in fees from money trusts.

Operating Results

Years Ended March 31	Millions of Yen	
	2000	1999
Operating Income	¥ 1,791	¥ 1,561
Net Operating Income	381	234
Net Income	226	125
Paid-in Capital	10,000	10,000
Total Shareholders' Equity	10,297	10,026
Total Assets	39,883	37,092
Trust Assets under Management	1,112,576	1,363,537
Number of Employees	42	44

Sakura Investment Management Co., Ltd.

Sakura Investment Management serves a full range of customers, from individual to institutional investors, with investment advisory and management services based on a proven track record with asset allocation, information gathering and analysis through Sakura Group's broad business network and firsthand data obtained from company visits. It manages products such as pension funds, money trusts (*tokkin*) and investment trusts.

In January 2000, the subsidiary restructured its operations structure from a customer-asset based model to an investment-asset based model, restructured its operating procedures to bolster its accountability to customers and upgraded its compliance procedures to provide a more arms-length relationship with order generating divisions. These measures will greatly enhance its ability to provide high-value-added fund management services.

Among noteworthy achievements for individual investment trust products, the net asset size of "Synapse" exceeded ¥100 billion in its first half year, while the "Sakura Japan Equity Open" fund was awarded the "Fund of the Year 1999 Morningstar Award." These products represent the quality of Sakura's fund management products, which are contributing to our rapid growth in this field.

In fiscal 1999, the subsidiary achieved profit because of the rise in operating revenues resulting from the increased net assets of investment trusts and cost reductions, excluding fees for investment trusts.

Operating Results

Years Ended March 31	Millions of Yen	
	2000	1999
Operating Revenue	¥3,415	¥2,441
Operating Profit	387	(304)
Net Operating Income	390	(302)
Net Income	210	(416)
Paid-in Capital	1,280	1,280
Total Shareholders' Equity	2,060	1,594
Number of Employees	101	108
Assets under Management (Billions of Yen)	7,423	7,235
[Pension-Related Funds]	[3,137]	[2,679]
[Net Investment Trust Assets]	[2,362]	[941]

Resolving Problem Loans

During fiscal 1999, we accelerated the disposal of problem loans to meet the precondition for the merger with Sumitomo Bank that specifies both banks' problem loan issues be completely resolved before integration. We disposed of ¥449.9 billion, ¥349.9 billion more than the ¥100 billion originally proposed for the period.

This treatment encompassed loans with latent risk factors as well as evident ones. The principle risk factors included potential deterioration of large borrowers owing to effects from the implementation of the Civil Rehabilitation Law and new accounting practices; the risk of devaluation in real estate collateral; second potential losses from receding collateral values for loans sold to the Cooperative Credit Purchasing Company (CCPC); and risks associated with the assistance of affiliated companies. The following table compares the amounts processed during the fiscal period with the corresponding amounts the prior year.

Based on self-assessments of asset quality, a total of ¥293.4 billion was used in direct write-offs, the net additions to specific reserves and to general reserve for

possible loan losses (the net sum of items 2, 3 and 10), up from the ¥208.4 billion scheduled in the Plan toward Soundness of Management. This increase was undertaken for two reasons. First, provisions were made for large borrowers with degraded financial conditions owing to bankruptcy or failed restructuring plans. Second, precautionary provisions were made for the potentially adverse effects of the Civil Rehabilitation Law from fiscal 1999 onward and for downtrends in individual industries. Under these assumptions, borrowers whose main banks were scaling back or who were at risk for a potential decline in financial condition were reclassified in a higher risk category and appropriate provisions were set aside.

During the period, we realized losses amounting to ¥35.2 billion on financial assistance provided to affiliated companies. Although all reserves covering funds extended to assisted companies for the duration of their restructuring periods had already been transferred in fiscal 1998, the problem loans held by our non-bank and lease affiliates were sold in bulk sales to advance the culmination of their restructuring plans from the March 2003 fiscal period to this period, in preparation for the merger with Sumitomo Bank one year ahead of schedule.

The net addition to reserve for possible losses from loans sold to CCPC and other remaining categories (items 4,5,6,8 and 9) amounted to ¥121.2 billion, up from the ¥106.2 billion called for in the Plan toward Soundness of Management. This increase chiefly reflects provisions made to offset the heightened risk of falling collateral values for loans sold to CCPC and losses realized from the accelerated sale of loans in preparation for the merger. As a result, the outstanding balance financing CCPC to purchase loans (back finance) fell to ¥244.1 billion, a ¥140.0 billion decrease from ¥385.8 billion a year earlier. Similarly, the ratio of reserve to back finance climbed to 39%, nine percentage points over fiscal 1998.

Write-Offs and Provisions			
Billions of Yen			
Years Ended March 31	2000	1999	Change
Total Loan Losses (A)	¥464.5	¥ 922.3	¥(457.8)
Direct Write-Offs	113.3	149.3	(36.0)
Net Addition to Specific Reserves	194.7	304.4	(109.7)
Losses on Bulk Sales	14.1	5.9	8.2
Losses on Sales of Loans to CCPC	37.1	24.1	13.0
Net Addition to Reserve for Possible Losses from Loans Sold to CCPC	55.4	10.2	45.2
Losses on Financial Assistance Provided to Affiliated Companies	35.2	331.9	(296.7)
Net Addition to Reserve for Loans to Restructuring Countries	(2.6)	8.3	(10.9)
Others	17.1	87.9	(70.8)
Net Addition to General Reserve for Possible Loan Losses (B)	(14.6)	101.1	(115.7)
Total (A) + (B)	¥449.9	¥1,023.5	¥(573.6)

With the loans held by the parent bank, the loans sold to CCPC and the loans held by non-bank affiliates, total loans with a nominal value of ¥800 billion were disposed of during the period.

Disclosure Based on the Financial Revitalization Law

The Bank discloses the results of its asset audits in compliance with Article 3.2 of the Financial Revitalization Law.

Under the disclosure standards specified therein, the grand

total of the “Bankruptcy, etc.,” “In Danger of Bankruptcy,” and “Special Attention” categories came to ¥1,723.5 billion, a ¥76.5 billion decrease from a year earlier. Despite the reclassification of many borrowers into higher risk categories, this number decreased because of direct write-offs and sales of assets held by the parent bank and the fact that debt extended to non-bank affiliates for restructuring is no longer subject to this classification since restructuring support has ceased.

Disclosure Based on the Financial Revitalization Law

Years Ended March 31

Billions of Yen

	Disclosure Based Assets			Secured Amount (B)		
	2000	1999	Change	2000	1999	Change
Bankruptcy, etc.	¥ 394.7	¥ 390.2	¥ 4.5	¥ 394.7	¥ 390.2	¥ 4.5
In Danger of Bankruptcy	880.8	809.2	71.6	720.5	642.0	78.5
Special Attention	448.0	600.6	(152.6)	178.5	280.1	(101.6)
[Excluding Non-Bank Affiliates]	[199.7]	[282.5]	[(82.8)]	[74.7]	[137.7]	[(63.0)]
Total	¥1,723.5	¥1,800.0	¥ (76.5)	¥1,293.8	¥1,312.5	¥ (18.7)
[Excluding Non-Bank Affiliates]	[1,475.2]	[1,482.0]	[(6.8)]	[1,190.0]	[1,170.1]	[19.9]

Coverage According to Financial Revitalization Law Provision Standards

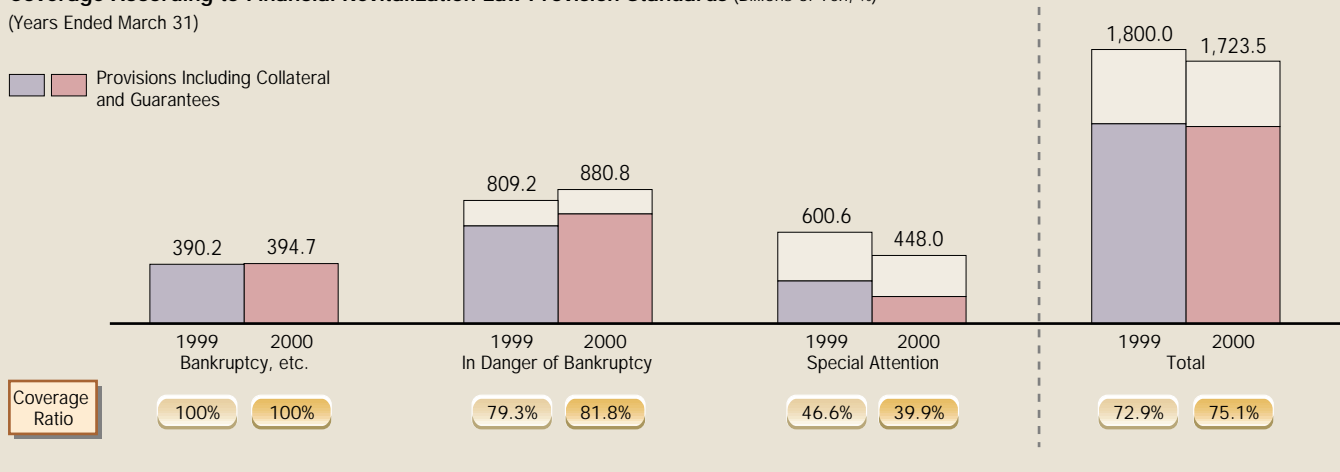
The total coverage ratio by provisions (excluding the portion for normal loans) including collateral and guarantees, accurately indicates the state of preparedness for problem loans. At fiscal year-end, the aggregate coverage ratio

(including non-bank affiliates) was 75.1%, up approximately two percentage points over a year earlier. The ratio excluding non-bank affiliates was 80.7%, up approximately two percentage points from a year earlier. This indicates that adequate measures have been taken against any potential losses and that the Bank's financial condition is sound.

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

(Years Ended March 31)

Provisions Including Collateral and Guarantees



Self-Assessment Standard and Policy for Write-Offs and Reserves (Non-Consolidated)

Billions of Yen

Self-Assessment	Disclosure Based on the Revitalization Law	Classification Based on Self-Assessment				Reserve for Possible Loan Losses	Reserve Ratio (* 2)
		Unclassified	Class II	Class III	Class IV		
Legal Bankruptcy	Bankruptcy, etc. 394.7	Claims Secured by Collateral and Guarantees 370.8		100% for Specific Reserve 23.8	Directly Written-off (* 1)	23.8	100%
Virtual Bankruptcy							
Possible Bankruptcy	In Danger of Bankruptcy 880.8	Claims Secured by Collateral and Guarantees 343.0		Necessary Amount for Specific Reserve 537.7		377.4	70.2%
Caution	Special Attention 448.0	Claims Secured by Collateral and Guarantees 117.8				247.7	18.4%
	Normal Loans 33,184.8	"Caution" Category Excluding "Special Attention"					5.0%
Normal			Normal Loans				0.15%

Total 34,908.4	A: Total Amounts 1,723.5	B: Claims Secured by Collateral and Guarantees 831.8	Unsecured Claims Excluding B 891.7	C: Reserve for Claims by Revitalization Law 462.0	Coverage Ratio $\frac{B+C}{A}$ After Partially Written-off 75.1% (80.7%) Before Partially Written-off 83.0% (87.5%) (*3)
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Notes: (*1) ¥807.8 billion for direct deduction is included.

(*2) Reserve Ratio is calculated based on the reserve amount to the claims for "Normal" category and on the reserve amount to the claim excluding the amount secured by collateral, etc., for other categories.

(*3) The figures in () represent the coverage ratio excluding non-bank affiliates.

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 (now the Financial Service Agency). The classification and categorization of borrowers is strictly and rigorously administered. *Please see page 43 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.
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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.

Disclosure Based on Financial Revitalization Law by Industry (Non-Consolidated)

Year Ended March 31	2000	Coverage Amount	Billions of Yen, %
			Coverage Ratio
Domestic Offices (*)	¥1,659.6	¥1,247.0	75.1%
Manufacturing	88.0	84.6	96.2
Agriculture	3.0	3.0	99.9
Forestry	0.9	0.7	82.3
Fisheries	—	—	—
Mining	4.6	4.6	100.0
Construction	159.3	106.3	66.7
Public Enterprises	0	0	100.0
Transportation, Communications	13.7	9.1	66.1
Wholesaling and Retailing	271.3	235.8	86.9
Financing and Insurance [Excluding Non-Bank Affiliates]	274.9 [26.6]	128.0 [24.1]	46.6 [90.5]
Real Estate	342.9	295.1	86.1
Services	401.9	282.3	70.3
Local Governments	—	—	—
Others	98.6	97.0	98.4

* The special account for international financial transactions is excluded.

Disclosure Based on Financial Revitalization Law by Area (Non-Consolidated)

Year Ended March 31	2000	Coverage Amount	Billions of Yen, %
			Coverage Ratio
Overseas	¥63.9	¥46.8	73.2%
Asia	49.8	37.6	75.5
Indonesia	20.8	15.0	71.9
Hong Kong	9.3	8.4	90.4
India	5.4	4.1	74.7
China	5.2	3.6	70.1
Others	8.7	6.3	72.2
North America	8.1	6.5	81.2
West Europe	5.9	2.5	43.0
East Europe	0.1	0	70.0

Risk-Monitored Loans

Years Ended March 31	Non-Consolidated			Consolidated		
	2000	1999	Change	2000	1999	Change
Loans to Borrowers in Legal Bankruptcy	¥ 156.6	¥ 165.1	¥ (8.5)	¥ 176.3	¥ 169.3	¥ 7.0
Past Due Loans	1,067.7	994.8	72.9	1,274.6	1,276.1	(1.5)
Past Due Loans (3 Months or More)	35.2	58.9	(23.7)	39.7	84.3	(44.6)
Restructured Loans	412.7	541.6	(128.9)	170.7	237.1	(66.4)
[Non-Bank Affiliates]	[248.3]	[318.0]	[(69.7)]	[—]	[—]	[—]
Total	¥1,672.3	¥1,760.5	¥ (88.2)	¥1,661.4	¥1,766.8	¥(105.4)
Ratio to Total Loans (%)	5.2	5.5	(0.3)	5.1	5.4	(0.3)

- 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 and forbearance 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)."

Risk-Monitored Loans by Industry (Non-Consolidated)

Years Ended March 31	2000	1999	Change
Domestic Offices*	¥1,614.4	¥1,672.8	¥(58.4)
Manufacturing	85.2	105.1	(19.9)
Agriculture	3.0	4.6	(1.6)
Forestry	0.9	0.9	0.0
Fisheries	—	0.1	(0.1)
Mining	2.4	3.9	(1.5)
Construction	157.9	89.3	68.6
Public Enterprises	0.0	0.0	0.0
Transportation, Communications	13.7	13.8	(0.1)
Wholesaling and Retailing	261.9	242.2	19.7
Financing and Insurance	270.6	366.4	(95.8)
[Excluding Non-Bank Affiliates]	[22.3]	[48.4]	[(26.1)]
Real Estate	338.2	342.0	(3.8)
Services	399.4	369.9	29.5
Local Governments	—	—	—
Others	80.6	134.0	(53.4)

* The special account for international financial transactions is excluded.

Loans by Restructuring Countries (Non-Consolidated)

Years Ended March 31	2000	1999	1998
Indonesia	¥116.2	¥178.2	¥ —
Russia	0.1	0.1	1.6
Others	5.9	6.8	1.7
Total	¥122.3	¥185.2	¥3.4
Percentage of Total Assets (%)	0.26	0.39	0.01
Number of Countries	10	10	8

Loans and Bills Discounted and Risk-Monitored Loans by Area (Non-Consolidated)

Loans and Bills Discounted to Asia

			Billions of Yen
Years Ended March 31	2000	1999	Change
Indonesia	¥118.3	¥163.2	¥ (44.9)
[Risk-Monitored Loans]	[18.5]	[32.2]	[(13.7)]
Thailand	124.4	172.6	(48.2)
[Risk-Monitored Loans]	[5.0]	[15.7]	[(10.7)]
Korea	68.4	115.7	(47.3)
[Risk-Monitored Loans]	[—]	[2.2]	[(2.2)]
Hong Kong	161.9	188.7	(26.8)
[Risk-Monitored Loans]	[9.3]	[8.2]	[1.1]
China	55.9	83.2	(27.3)
[Risk-Monitored Loans]	[5.0]	[8.8]	[(3.8)]
Singapore	65.8	60.0	5.8
[Risk-Monitored Loans]	[0.2]	[0.2]	[0.0]
India	25.7	37.9	(12.2)
[Risk-Monitored Loans]	[2.8]	[1.1]	[1.7]
Malaysia	27.0	31.4	(4.4)
[Risk-Monitored Loans]	[2.1]	[2.5]	[(0.4)]
Pakistan	1.7	2.0	(0.3)
[Risk-Monitored Loans]	[0.5]	[—]	[0.5]
Others	3.5	8.3	(4.8)
[Risk-Monitored Loans]	[—]	[—]	[—]
Total	¥653.2	¥863.4	¥(210.2)
[Risk-Monitored Loans]	[43.8]	[71.2]	[(27.4)]

Loans and Bills Discounted to Latin America

			Billions of Yen
Years Ended March 31	2000	1999	Change
Chile	¥ 9.3	¥10.5	¥(1.2)
[Risk-Monitored Loans]	[—]	[—]	[—]
Columbia	8.0	10.4	(2.4)
[Risk-Monitored Loans]	[—]	[—]	[—]
Mexico	5.1	2.0	3.1
[Risk-Monitored Loans]	[—]	[—]	[—]
Argentina	0.0	0.0	0.0
[Risk-Monitored Loans]	[—]	[—]	[—]
Brazil	0.2	0.3	(0.1)
[Risk-Monitored Loans]	[—]	[—]	[—]
Venezuela	1.3	1.6	(0.3)
[Risk-Monitored Loans]	[—]	[—]	[—]
Total	¥24.1	¥25.1	¥(1.0)
[Risk-Monitored Loans]	[—]	[—]	[—]

Loans and Bills Discounted to Russia

			Billions of Yen
Years Ended March 31	2000	1999	Change
Russia	¥0.1	¥0.1	¥(0.0)
[Risk-Monitored Loans]	[0.1]	[0.0]	[0.1]

Non-Consolidated Business Performance and Plan toward Soundness of Management

Non-Consolidated Business Performance

Years Ended March 31	Billions of Yen		
	2000	1999	Change
Gross Operating Profit	¥711.9	¥ 699.1	¥ 12.8
(Excluding Gains and Losses on Bond Transactions)	709.4	648.0	61.4
Domestic Gross Operating Profit	665.5	627.2	38.3
International Gross Operating Profit	46.3	71.9	(25.6)
Expenses: (Excluding Extraordinary Items)	397.7	425.0	(27.3)
Personnel	161.7	178.1	(16.4)
Non-personnel	216.1	223.0	(6.9)
Tax	19.8	23.8	(4.0)
Bond Issuing Expenses	0.6	—	0.6
Net Operating Profit (before Net Addition to General Reserve for Possible Loan Losses)	313.4	274.1	39.3
Net Addition to General Reserve for Possible Loan Losses	(14.6)	101.1	(115.7)
Net Operating Profit	328.0	172.9	155.1
(Gains and Losses on Bond Transactions)	2.4	51.1	(48.7)
Core Net Operating Profit	310.9	222.9	88.0
Extraordinary Profit (Loss)	(168.1)	(927.1)	759.0
Gains and Losses on Stock and Other Securities	341.7	12.5	329.2
Gains on Sales of Stocks and Other Securities	406.3	150.9	255.4
Losses on Sales of Stocks and Other Securities	29.9	40.9	(11.0)
Losses on Devaluation of Stocks and Other Securities	34.6	97.4	(62.8)
Loan Losses	464.5	922.3	(457.8)
Direct Write-Offs	113.3	149.3	(36.0)
Net Addition to Special Reserves	194.7	304.4	(109.7)
Losses on Bulk Sales	14.1	5.9	8.2
Losses on Sales of Loans to Cooperative Credit Purchase Corporation (CCPC)	37.1	24.1	13.0
Net Addition to Reserve for Possible Losses from Loans Sold to CCPC	55.4	10.2	45.2
Losses on Financial Assistance Provided to Affiliated Companies	35.2	331.9	(296.7)
Net Addition to Reserve for Loans to Restructuring Countries	(2.6)	8.3	(10.9)
Others	17.1	87.9	(70.8)
Operating Profit (Loss)	159.9	(754.1)	914.0
Extraordinary Profit (Loss), Net	(5.8)	105.4	(111.2)
Gains and Losses on Disposal of Premises	(6.1)	105.4	(111.5)
Net Income (Loss) before Income Taxes	154.0	(648.6)	802.6
Income Taxes (Current)	3.9	6.5	(2.6)
Income Taxes (Deferred)	92.9	(279.9)	372.8
Net Income (Loss)	¥ 57.1	¥(375.3)	¥432.4

- Note: 1. Gross Operating Profit = (Net interest income + Corresponding expense for money in trust) + Fees and commissions, net + Trading Revenue, Net + Other Operating Income, Net
2. Net Operating Profit = Gross Operating Profit – Expense (excluding extraordinary items) – Net Addition to General Reserve for Possible Loan Losses
3. Corresponding expense for money in trust is the cost of procuring funds related to money trusts. Gains and losses on money trusts are recorded under Extraordinary Profit (Loss) and are deducted from operating expenses.
4. Extraordinary Profit (Loss) is the amount of Other Operating Profit and Expense recorded in the Statements of Operations, less Net Addition to General Reserve for Possible Loan Losses + Retirement Allowances for directors, which is recorded as an extraordinary expense item.
5. Gains and Losses on Bond Transactions = Gains on Bond Transactions + Gains on Bond Redemption – Losses on Bond Transactions – Losses on Bond Redemption
6. Gains and Losses on Stocks and Other Securities = Gains on Sales of Stocks and Other Securities – Losses on Sales of Stocks and Other Securities – Losses on Devaluation of Stocks and Other Securities
7. Core Net Operating Profit is Net Operating Profit before Net Addition to General Reserve for Possible Loan Losses after the deduction of Gains and Losses on Bond Transactions.

Financial Review

Income Analysis

In fiscal 1999, we bolstered gross operating profit through a variety of measures, including improving our lending margin and increasing individual loans. We also made significant progress in reducing expenses following restructuring. As a consequence, net operating profit before net addition to general reserve for possible loan losses climbed 14.3% or ¥39.3 billion, to ¥313.4 billion. Core net operating profit (see note 7 on page 34) rose nearly 40% or ¥88.0 billion, to ¥310.9 billion, the largest figure in our history.

We disposed of ¥449.9 billion in problem loans, including provisions made for possible loan losses. This was done to alleviate potential risk.

Due to an increase in net operating profit and a decrease in disposal of problem loans, our operating profit for the period was ¥159.9 billion, compared with an operating loss of ¥754.1 billion in the previous term. Reflecting these factors, net income was ¥57.1 billion, a recovery over the previous term's net loss of ¥375.3 billion.

Gross Operating Profit

Gross operating profit inched up 1.8% or ¥12.8 billion, to ¥711.9 billion. Gross operating profit excluding gains and losses on bond transactions also improved 9.5% or ¥61.4 billion, to ¥709.4 billion. Domestic gross operating profit rose ¥38.3 billion owing to a spread increase in domestic corporate loans and an increase in individual loan balance. International gross operating profit fell ¥25.6 billion to ¥46.3 billion, hurt by the yen's appreciation against the dollar and a decrease in the amount of assets.

Domestically, improvement in net interest income, a key indicator of a bank's profitability for assets and liabilities management, was evidenced by its rise of 37 basis points from a year earlier, and 29 basis points for interest rate

spread on loans and deposits. (Refer to page 106 for more information on spreads and yield.)

Expenses

Personnel expenses declined ¥16.4 billion due to reductions in staff and bonuses. Non-personnel expenses fell ¥6.9 billion, to ¥216.1 billion following drastic reduction of purchasing expenses. Reflecting these factors, expenses for the period declined ¥27.3 billion, to ¥397.7 billion, falling below the ¥400 billion level.

Net Operating Profit

Net operating profit before net addition to general reserve for possible loan losses edged up ¥39.3 billion, to ¥313.4 billion. In fiscal 1998, we provided net addition to general reserve for possible loan losses of ¥101.1 billion. However, during fiscal 1999, our allocations for such reserves changed to the reversal of ¥14.6 billion. Reflecting this, operating profit after net addition to general reserve for possible loan losses was ¥328.0 billion, ¥155.1 billion higher than a year earlier.

Extraordinary Profit and Loss

We posted a ¥341.7 billion gain on sales of stocks and other securities in extraordinary profit. In addition, loan losses reached ¥464.5 billion. As part of this, we disposed of ¥449.9 billion in problem loans. (See page 28 for details.) As a consequence, we recorded extraordinary losses of ¥168.1 billion.

Operating Profit and Net Income

Operating profit for the period was ¥159.9 billion. Calculating our extraordinary profit and loss, net, along with income taxes, our net income for fiscal 1999 totaled ¥57.1 billion.

Non-Consolidated Balance Sheets

As of March 31	Billions of Yen		
	2000	1999	Change
Assets			
Cash and Due from Banks	¥ 2,095.2	¥ 1,413.6	¥ 681.6
Call Loans	197.4	84.9	112.5
Commercial Paper and Other Debt Purchased	0.6	2.1	(1.5)
Trading Assets	1,104.1	1,091.2	12.9
Money Held in Trust	72.3	151.4	(79.1)
Securities	6,911.6	6,217.5	694.1
Loans and Bills Discounted	31,939.9	32,291.2	(351.3)
Foreign Exchanges	316.1	320.9	(4.8)
Other Assets	1,156.7	1,654.0	(497.3)
Premises and Equipment	317.7	346.8	(29.1)
Deferred Income Taxes	583.5	677.7	(94.2)
Customers' Liabilities for Acceptances and Guarantees	2,524.3	2,956.7	(432.4)
Reserve For Possible Loan Losses	(660.4)	—	(660.4)
Total Assets	¥46,559.4	¥47,208.7	¥(649.3)
Liabilities and Stockholders' Equity			
Liabilities			
Deposits	¥33,342.6	¥32,965.6	¥ 377.0
Call Money	2,558.9	2,335.5	223.4
Commercial Paper	451.0	567.0	(116.0)
Trading Liabilities	161.2	194.1	(32.9)
Borrowed Money	1,953.5	1,960.7	(7.2)
Foreign Exchanges	30.2	35.1	(4.9)
Bonds	270.0	100.0	170.0
Convertible Bonds	0	2.2	(2.2)
Other Liabilities	2,856.1	2,946.0	(89.9)
Reserve for Possible Loan Losses	—	735.5	(735.5)
Reserve for Retirement Allowances	32.0	36.4	(4.4)
Reserve for Possible Losses from Loans Sold to CCPC	94.8	114.8	(20.0)
Other Reserves	0	0	0
Deferred Income Tax Liabilities for Land Revaluation	32.0	35.1	(3.1)
Acceptances and Guarantees	2,524.3	2,956.7	(432.4)
Total Liabilities	44,307.1	44,985.1	(678.0)
Stockholders' Equity			
Capital Stock:			
Common Stock	639.9	631.3	8.6
Preferred Stock	402.7	411.3	(8.6)
Capital Surplus	899.5	899.5	0
Legal Reserve	124.1	118.0	6.1
Land Revaluation Excess	48.9	48.9	0
Earned Surplus	137.0	114.2	22.8
Total Stockholders' Equity	2,252.2	2,223.5	28.7
Total Liabilities and Stockholders' Equity	¥46,559.4	¥47,208.7	¥(649.3)

Asset Portfolio

Loans and bills discounted declined by ¥351.3 billion, to ¥31.9 trillion, reflecting the yen's appreciation against the U.S. dollar and curtailment of international operations. Securities grew ¥694.1 billion, to ¥6.9 trillion, mainly owing to an increase in bonds including government bonds. In addition, due to change of accounting method, we made a revision to our balance sheets. Reserve for possible loan losses is not reported on the liability side but presented on the last line of the asset side of the balance sheet.

Liabilities

Deposits excluding certificates of deposits declined ¥307.0 billion from March 31, 1999, owing to a decrease in time deposit accounts as corporations and individuals opt to diversify funds and lower market interest rates. We also issued straight bonds during the period to ensure a stable source of funding, pushing up bonds by ¥170.0 billion, to ¥270.0 billion.

Capital Adequacy Ratio

Years Ended March 31	Consolidated			Non-Consolidated		
	2000	1999	Change	2000	1999	Change
Tier I	¥ 2,440.6	¥ 2,396.8	¥ 43.8	¥ 2,470.9	¥ 2,448.4	¥ 22.5
Tier II	1,661.2	1,724.7	(63.5)	1,522.0	1,584.4	(62.4)
Total Qualifying Capital	4,100.8	4,120.6	(19.8)	3,992.0	4,031.9	(39.9)
Risk-adjusted Assets	32,721.5	33,399.2	(677.7)	31,917.3	32,560.7	(643.4)
Capital Ratio	12.53%	12.33%	0.20%	12.50%	12.38%	0.12%

Capital Adequacy (BIS Guidelines)

The Bank's capital ratio on a consolidated basis, as of March 31, 2000, based on Bank of International Settlements, was 12.53%, 0.20 percentage point higher than a year earlier. This reflected a number of factors. Our Tier I capital increased by ¥43.8 billion while Tier II capital fell ¥63.5 billion, due to reductions in foreign currency-denominated subordinated bonds and loans resulting from appreciation of the yen. Total qualifying capital was ¥4.1 trillion, ¥19.8 billion less than the previous fiscal year. Risk-adjusted assets also declined ¥677.7 billion to ¥32.7 trillion, affected by the yen's appreciation. On a non-consolidated basis, our capital ratio was 12.50%, 0.12 percentage point higher than a year earlier.

Dividend Policy

We authorized a ¥3.00 cash dividend per share for the year-end. This was in addition to an interim dividend payout of ¥3.00. As for preferred stock, our Board of Directors sanctioned a ¥7.50 cash dividend for Series II preferred shares for the first and second halves of the fiscal year, and a ¥6.85 cash dividend for Series III (Type-2) preferred shares for the first and second halves.

Plan toward Soundness of Management

Results as of March 31, 2000

This plan was submitted with our application for public funds and is in accordance with Article 5 of the Financial Function Early Strengthening Law.

Profit

Year Ended March 31, 2000	Billions of Yen		
	Projection	Result	Difference
Gross Operating Profit	¥720.6	¥711.9	¥ (8.7)
Expenses	416.1	397.7	(18.4)
Personnel Expenses	164.9	161.7	(3.2)
Non-Personnel Expenses	227.4	216.1	(11.3)
Taxes	23.8	19.9	(3.9)
Net Addition to General Reserve for Possible Loan Losses	(5.0)	(14.6)	(9.6)
Net Operating Profit	309.5	328.0	18.5
Before Net Addition to General Reserve for Possible Loan Losses	304.5	313.4	8.9
Disposal of Problem Loans (Including Net Addition to General Reserve for Possible Loan Losses)	100.0	449.9	349.9
Gains/(Losses) on Stocks and Other Securities	(50.0)	341.7	391.7
Operating Profit	123.3	159.9	36.6
Net Income	¥ 75.7	¥ 57.1	¥ (18.6)

Gross operating profit fell ¥8.7 billion below projection to ¥711.9 billion, mainly due to appreciation of the yen, to ¥106.15 compared to the assumption in the plan (US\$1=¥135.35) and higher U.S. dollar interest rates than forecast.

This achievement resulted from the implementation of the improvement in lending margin and the expansion of consumer loan portfolio. Compared to the target of increase by 30bp loan margin to fiscal 2002, we had already achieved 25bp increase by the end of fiscal 1999. We increased the balance of housing loans by ¥439.6 billion to ¥6.6 trillion. This is continuously the highest amount among all Japanese financial institutions in terms of growth during the period and the actual outstanding balance.

Meanwhile, we reduced our expenses to ¥397.7 billion, ¥18.4 billion less than targeted, through an additional review and tightening in a drastic effort to reduce purchasing expense, because of the reduction of non-personnel expenses by ¥11.3 billion more than the plan. As a

consequence, we recorded net operating profit before net addition to general reserve for possible loan losses of ¥313.4 billion, ¥8.9 billion higher than outlined in the plan.

Before the merger with the Sumitomo Bank, we alleviated potential future risks, resulting in the disposal of problem loans by ¥449.9 billion, which included precautionary provisions for potential credit cost factors, and disposal amount exceeded the plan by ¥349.9 billion. We posted a ¥341.7 billion gain on stocks and other securities, ¥391.7 billion more than the plan. Following this, operating profit was ¥159.9 billion, exceeding our target by ¥36.6 billion. However, after extraordinary items and corporate and other income taxes, net income for the period was ¥57.1 billion, ¥18.6 billion less than planned. The main deterrent was a ¥35.7 billion new tax. This is the Tokyo Metropolitan Government's ordinance concerning the special treatment for the standard of enterprise taxes to banking industries. Without this tax, net income for the period would have exceeded our fiscal 1999 target by ¥17.1 billion.

Progress on Main Objectives in Increase of Gross Operating Profit

Years Ended March 31

				Billions of Yen	
1999		2000		Contribution to Gross	
	Result	Projection	Difference	Operating Profit Growth	
Spread Increase (Interest Rate) in Domestic Loans				+15 bp	+33.0
Increase in Individual Loans				+400.0	+7.2
Balance of Housing Loans	6,173.1	6,612.7	+439.6		
Increase in New Products Sales					+4.8
Balance of Investment Trust	51.4	616.8	+565.4		+3.1
Balance of Foreign Currency Individual Deposits	56.1	162.6	+106.5		+1.7

Restructuring

We reduced the number of employees to 14,930 employees as of March 31, 2000, a reduction of 470 more than planned. This was accomplished through the reform of banking channels, consolidation and closure of offices, restructuring of our foreign branches and offices, and implementing an early retirement system.

The total number of directors and auditors was reduced to 19 from 51 as of March 1999, exceeding initial targets. We trimmed our board members from 45 to 13 by reducing the number of directors and implementing an executive officer system in June 1999.

Years Ended March 31	1999		2000		Difference from the Plan
	Result	Projection	Result	Year-on-Year Change	
Number of Directors	51	21	19	(32)	(2)
Number of Employees	16,330	15,400	14,930	(1,400)	(470)

Note: Directors, as used here, includes directors and auditors.

Loans to Small- and Medium-Sized Companies

One of our chief main priorities is the smooth extension of loans to small companies. In fiscal 1999, we launched a variety of new products and implemented multifaceted measures to expand our clientele in this area. We aim to meet our clients' diverse funding needs and provide them with funds in a timely fashion, while at the same time keeping a close eye on the soundness of our assets. New products include "Sakura Customer's Loan," a fund specializing in small- and medium-sized companies. In addition, based

on an econometric model for credit risk, we launched "Sakura Business Loan," a small-lot unsecured business loan with a set standard level for screening criteria.

By our efforts, loans to small- and medium-sized companies grew ¥224.2 billion, exceeding plans by ¥24.2 billion. As a consequence, as of March 31, 2000, the balance of loans extended to small- and medium-sized companies was ¥14.7 trillion, ¥15.8 billion higher than our projected target of ¥14.7 trillion.

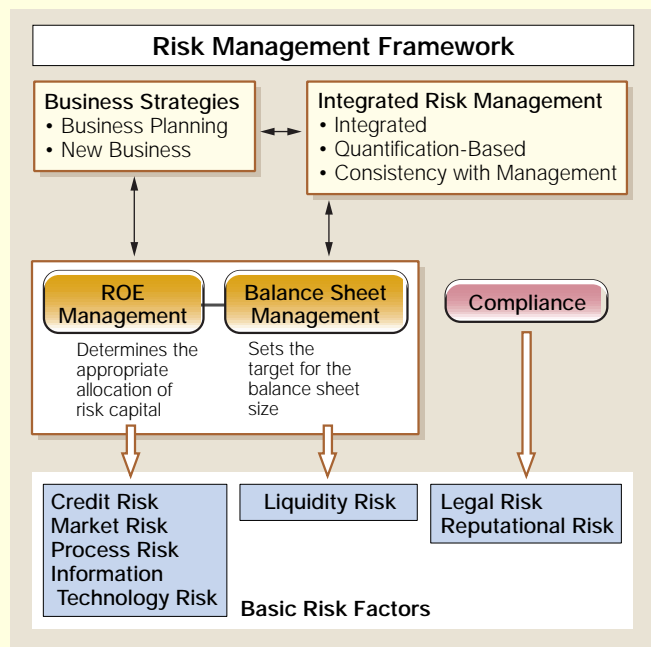
Balance of Loans to Small- and Medium-Sized Companies in Fiscal 1999

Years Ended March 31	1999		2000		Difference from the Plan
	Result	Projection	Result	Change	
Balance	¥14,521.5	¥14,729.9	¥14,745.7	¥224.2	¥15.8

Note: Loans, as used here, refers to domestic, yen-denominated loans after deduction of special factors such as direct write offs of problem loans. Euroyen and foreign currency-denominated loans are not included.

Risk Management

Financial liberalization and advances in financial techniques are helping to increase the diversity and complexity of risks facing financial institutions. Risk management is a key issue at Sakura Bank. We are making concerted efforts to strengthen and flesh out our risk management capabilities and systems.



Policies for Integrated Risk Management

Risk management policies at Sakura Bank are predicated on three concepts. First, the various types of risk are managed on an integrated basis rather than in isolation. Second, where possible, risks are measured and captured on a quantitative

basis. Third, risk management is integrated with business operations to achieve a tightly bonded response throughout the organization. These three concepts allow us to mount an effective response to the risks we must face to generate revenues.

The process of integrated risk management starts with classification of the various risk types by their characteristics. We consider the basic risk factors to include credit risk, market risk, liquidity risk, process risk, information technology risk, legal risk and reputational risk. Credit and market risks are quantified and covered by the allocation of our risk capital as part of our ROE management process. Operational and information technology risks are also quantified and covered by the allocation of risk capital. Liquidity risk is managed within the context of the balance sheet management process.

ROE management and balance sheet management are part of both the risk management and business planning functions. If exposure to credit risk is undertaken to increase profits, matching capital is allocated to cover it as part of the ROE management process, while the necessary funds to cover the consequent liquidity risk are raised as part of the balance sheet management process. Legal risk is managed as part of the Bank's compliance regime (see Corporate Governance and Compliance on page 51).

Specific Business Risks							
Type of Business	Commercial Banking	International & Corporate Banking	Investment Banking	Corporate Treasury	Other	Type of Risks	
Credit/Quasi-Credit	[Shaded]					Credit Risks	Liquidity Risks • Information Technology Risks • Process Risk ↓ Operational Risks • Legal Risks • Reputational Risks
Market			[Shaded]		Market Risks		
Strategic Equity Investment	[Shaded]				Equity Price Risks		
Deposits/Money Market Funding	[Shaded]			[Shaded]			
Fee Business, Etc.	[Shaded]						

The Dynamic Relationship between Integrated Risk Management and Planning

Within the framework of ROE management and balance sheet management, the Strategic Planning Group formulates the Bank's management strategies and plans based on its grasp of the risk limits and profit targets set for each department and the amount of capital out of the total that must be allocated to cover the relevant risks. In a parallel process, the Credit Policy and Risk Management Group assess the plans for appropriateness. This provides us with a system of checks and balances at the management level.

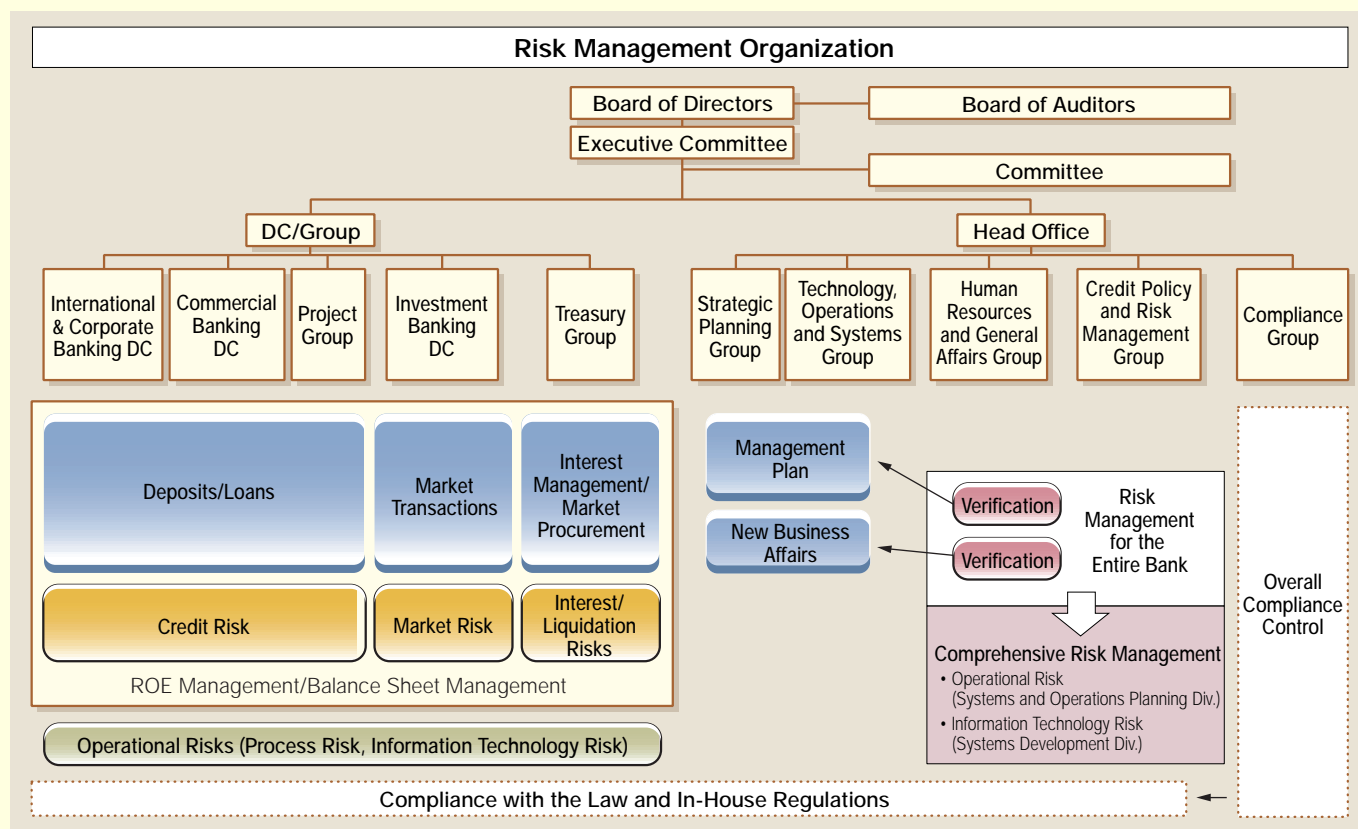
New businesses are also examined within the context of the integrated risk management system to get a complete handle on the risks posed. By determining the risk limits and the return structure in advance, we can determine the feasibility of entering a new business. These assessments are also carried out after we have entered a new business segment.

Risk Management Organization

The first line of our risk management organization is the managers in each department charged with day-to-day supervision. Then there is the Corporate Risk Management Division, which is completely independent of the Strategic Planning Group and specializes in Bank-wide risk management. This division sets risk management policies and reviews operating strategies for the risks involved. At the Executive Committee level, it carries out required changes to risk management policies and monitors risk levels in the ALM and Credit Risk Management committees.

ROE Management

ROE management is a tool for allocating capital to business segments with high returns on equity to maintain sound and profitable operations. Within Sakura Bank, it is a key instrument for achieving the objectives of our "selection and focus" strategy as well as for conducting risk management. In the



ROE management process, the profitability of each division company and group is assessed against the risks incurred and is then allocated risk capital. Each business unit has to limit its risk exposure within the bounds of its allocated capital. This enables the Bank as a whole to maintain financial soundness by limiting its exposure to a level that can be safely covered by its capital.

Each business unit is charged with pricing its services in line with the risks incurred to heighten profitability while maintaining capital integrity. Business unit performance is judged with the risk-adjusted return on equity, a measure we call "integrated ROE." Integrated ROE is calculated by subtracting both expenses and credit costs from gross operating profit and dividing the result by the allocated capital. Within this measure, credit costs are calculated as the average future expected losses based on historical data. The maximum loss, which is measured along with the expected loss, refers to the worst case statistically predicted. Since the amount of loss exceeding the expected loss should be covered by capital, "Credit Risk Capital" is defined as "Maximum Loss – Expected Loss."

Integrated ROE is used extensively in the planning process. The process starts with an initial allocation of capital to each business unit. Individual business units then attempt to maximize their integrated ROE. The results are evaluated and capital is reallocated with a bias toward better perform-

ers so that, over time, capital is assigned to the most efficient businesses. As a result, the Bank is able to build up its profitability and financial soundness.

(See our Web site: http://www.sakura.co.jp/bank/roe/frame_risk.htm)

Balance Sheet Management

Balance sheet management is the framework under which liquidity risk is managed in constantly moving financial markets. While ROE management is used to maintain quality, in terms of the balance between safety and profitability, balance sheet management is a tool for adjusting magnitude, in terms of funding and lending volumes.

There are three key features of balance sheet management. First, the Bank must correctly estimate the amount of funds it can raise over a period of time. Second, it must set lending targets based on that amount. Third, it must fine-tune the two during the period to operate according to the management plan. At Sakura Bank, the ALM Committee sets the balance sheet targets and strategies. Based on these targets, the business units gather and analyze market information to implement the various strategies to control in a gradual manner the liquidity on hand and the maturity structures of the assets and liabilities. These preventative measures, including the efficient funding in foreign currencies, are part of the daily risk management procedures that maintain the Bank on a solid footing.

Profit by Segment and Integrated ROE

Segment	Fiscal 1999				Fiscal 1998			
	Gross Operating Profit	Expenses	Profit after Deducted Expenses	Integrated ROE	Gross Operating Profit	Expenses	Profit after Deducted Expenses	Integrated ROE
Domestic	¥578.2	¥318.1	¥260.1	12.5%	¥527.8	¥333.5	¥194.3	0.1%
Overseas	27.2	19.4	7.8	2.0	26.1	28.1	(2.0)	(6.9)
Investment Banking	25.8	17.4	8.4	1.4	50.1	20.4	29.7	5.7
Treasury	115.7	2.4	113.3	15.9	141.8	2.2	139.6	20.9
Other	(35.7)	40.5	(76.2)	(9.7)	(46.7)	40.8	(87.5)	(12.7)
Total	¥711.2	¥397.8	¥313.4	5.6%	¥699.1	¥425.0	¥274.1	1.9%

Note: ¥0.6 billion is subtracted from gross operating profit for fiscal 1999 as the amortization of bonds.

Credit Rating	Degree of Credit Risk		Self-Assessment/ Borrower Categories	Grading of Rating Agencies	Write-Offs and Allowances
1	Essentially No Risk	Low Credit Risk ↑	Normal	(AAA · AA)	Amounts are recorded as general reserves in proportion to the expected losses over the next 12 months.
2	Very Limited Risk			(A)	
3	Limited Risk			(BBB)	
4	Better than Average				
5	Average				
6	Permissible				
7	Worse than Average				
8	A	Preventative Management Required	Caution A		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.
	B		Caution B		
	Z		Special Attention		
9	Careful Management Required		Possible Bankruptcy		As a rule, amounts corresponding to 70% or more of the unsecured portions of individual assets are set aside as specific reserves.
10		High Credit Risk ↓	Virtual Bankruptcy		As a rule, 100% of Class and assets are written or set aside as specific reserves. (see page 30)
			Legal Bankruptcy		

Credit Risk

As the primary risk in banking, it is the risk where a credit event, such as deterioration in the financial condition of the borrower, will cause the asset (including off-balance sheet assets) to lose value or become valueless, resulting in a loss to the bank.

Sakura Bank is striving to enhance its credit risk management with the following framework, which is based on the concept that credit risk should be controlled in an integrated, quantitative basis.

Credit Policy—A Systematic Guide

In July 1999, we replaced the various regulations and systems previously in effect at the Bank with the issue of our "Credit Policy," the guidelines for universal application to credit management throughout the Bank. This document

clarifies the underlying concepts, thinking and objectives of the credit business as well as valuation standards, the scope of action and credit analysis standards. It also systematically lays out the credit management organization and systems, the definitions of credit limits, the credit risk evaluation methods and credit granting processes.

Credit Risk Models—Quantifying Risk

Sakura Bank is developing and refining credit risk modeling that complies with Bank for International Settlements (BIS) recommended standards and ranks at the top of the techniques employed by the industry in Japan. Borrowers, both domestic and offshore, are assessed with the finely calibrated rating system depicted in the table above. It is integrated with evaluations that combine statistical analyses of financial statements with qualitative assessments of business health. We also categorize borrowers according to

the “self-assessment” criteria and review their long-term credit ratings from external credit rating institutions. Borrowers are rated on a scale of 1 to 10 with lower numbers indicating better ratings.

After a credit application has been individually evaluated on the basis of our rating system for the potential redemption rate of each loan, including collateral and guarantees, the credit risk is quantified using various parameters, including the borrower’s ratings history, relationships with other industries and other companies, and the expected recovery rate from the collateral. At a practical level, we attempt to compute the probable distributions of losses for the entire portfolio, calculating credit costs as the average predicted losses and capital subject to credit risk as the maximum possible loss beyond credit costs at a confidence interval of 99%. In addition, we analyze the marginal risk of each credit rating using the Credit Risk Delta method. A characteristic of our credit risk quantification system is that we integrate the results of such quantification techniques as Monte Carlo simulations to reveal portfolio risk distribution effects and concentration risks, so that they can be applied to the complete range, from overall risk management to individual borrowers.

Lending Business Models—Raising Efficiency to a Higher Plane

At Sakura Bank, we are using credit risk models and information technology to create and refine lending business models for each market. These help to control risks at a low cost while providing returns commensurate with the risks. This is being accomplished in part through the use of the Internet and other channels that heighten customer convenience and raise our lending efficiency.

Portfolio Management—Sustaining Diversification

In addition to focusing on individual credit, we manage

credit at the portfolio level. Our portfolio is assessed at regular intervals and fine-tuned. Using the individual branch portfolio database system developed at the Bank, we can quickly grasp the status of a branch’s portfolio, formulate strategies in response and follow up on the results to manage the portfolio on a daily basis. This allows us to adjust the credit structure and calculate the profit margins and appropriate interest rates for individual clients.

Credit Risk Organization—A System of Checks and Balances

Under the Bank’s division company system, the Credit Planning Division within the Credit Policy and Risk Management Group at the head office is charged with grasping credit risk exposure, formulating plans to optimize the overall loan portfolio and focusing on risk management. The same department is responsible for credit rating systems, for developing and revising models for the quantification of credit risk, for determining credit limits, for loan approval systems, and for loan monitoring systems. In addition, it maintains a credit supervision division in each division company. These divisions audit individual loans and the portfolios under their jurisdiction, helping to clarify the responsibility for profits and risks in each division company and accelerating the speed of audit processes. Each division is managed independently of its host division company’s operating divisions, to provide adequate checks and balances and preserve the independence of the audit process.

Country Risk

As one of the most critical risks encountered in overseas lending, it is the risk that an adverse change in the political, social or economic condition of a country or region will result in default.

Credit Rating	Degree of Credit Risk	Credit Agency's Rating
S rank	Little or No Risk	(AAA)
A rank	Very Low Risk	(AA)
B rank	Low Risk	(A)
C rank	Average Risk	(BBB)
D rank	Relatively High Risk	(BB)
E rank	High Risk	(B)
F rank	Extremely High Risk	(CCC)
G rank	Bankruptcy	

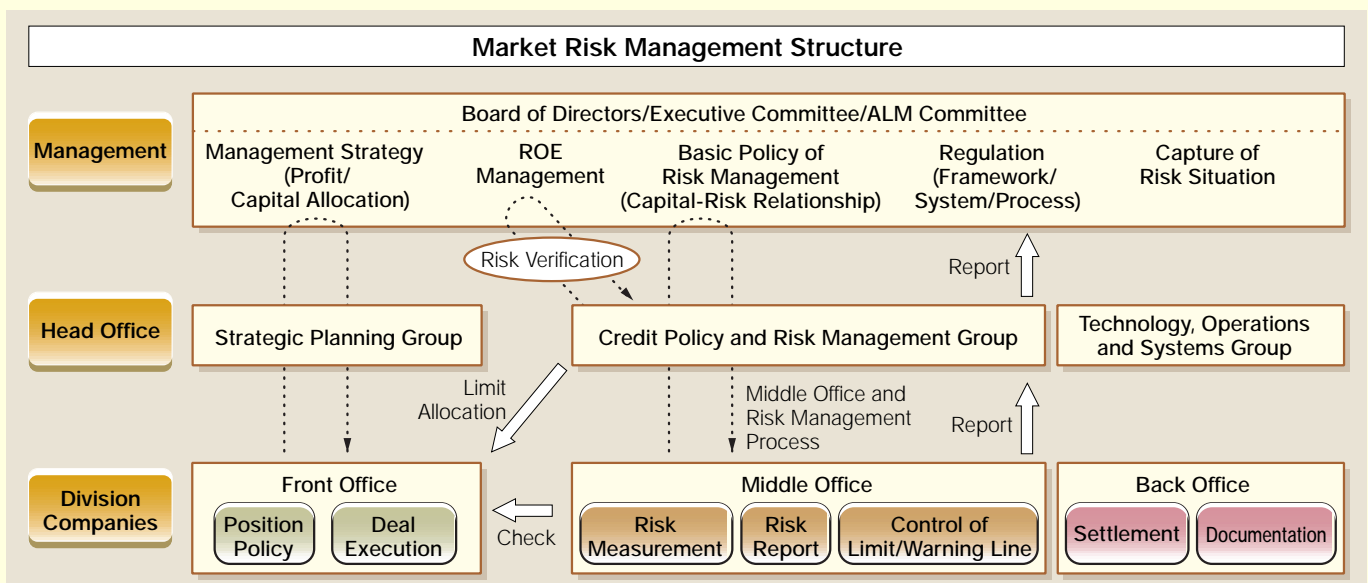
Our basic policy is to set individual country lending limits according to the risks posed and to keep our loan portfolio geographically diversified to avoid over-concentration in any one country or region. To help us stay within these guidelines, we have established a specialized section within the Credit Planning Department that is charged with gathering information on each country and evaluating it for risk, setting lending limits and managing exposure. Using the analytical techniques developed at the Bank and the credit ratings provided by rating agencies, we rate each country according to a eight-rank scale.

We have established numerous preventative systems to avoid defaults, monitoring each country closely and downgrading their ratings or freezing credit as required by their changing political, social and economic conditions. For high-risk countries, we also set aside provisions in the special reserve that reflect the average losses per risk category.

Market Risk

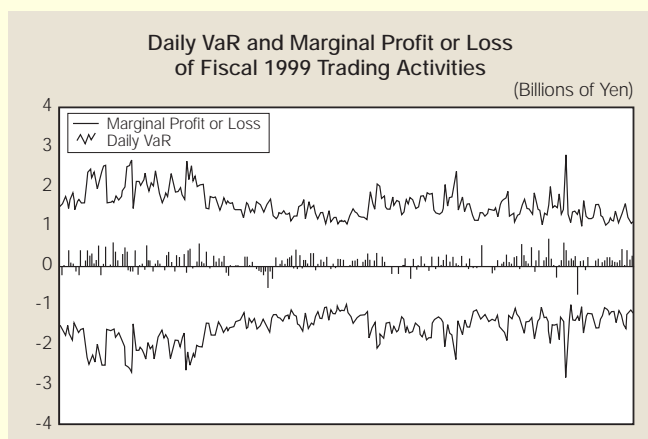
The risk of losses arising from changes in the prices of financial products owing to fluctuations in interest rates, foreign currency exchange rates and so forth.

At the Bank, market risk management policies, which determine the market risk management process and responsibilities, are set every six months by the Executive Committee and we allocate risk capital based on risk quantification, part of the ROE management process. The market risk management process is applied to the entire consolidated group, including overseas offices, local subsidiaries and affiliates. In addition to the daily management activities, the results are reported at regular intervals to the ALM Committee.



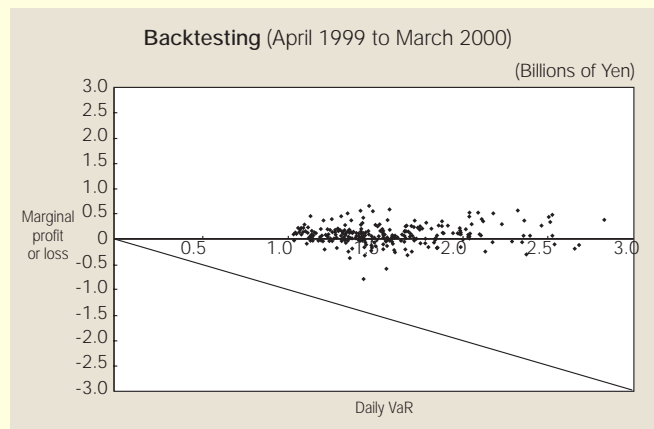
The market risk management organization consists of the front, middle and back offices. The monitoring and reporting of positions, risk and profits and losses in the various division companies and groups are performed by the middle office, which is managed autonomously from the operating division managers (front office) and the administrative managers (back office). The functions of the front, middle and back offices are clearly separated, and the three provide checks and balances on each other.

To assess market risk, we utilize internal models based on the value at risk (VaR) model recognized for market risk measurement under the BIS regulation. Once the maximum loss amount has been determined, we can set the limits within which market risk must be contained and the required risk capital to cover it. In line with the specifications of the BIS regulation, our modeling techniques make extensive use of Monte Carlo simulations for a two-week holding period at a 99% confidence interval based on one year of market data. As shown in Diagram 1, the VaR of the Bank's consolidated trading account in fiscal 1999 ranged between a peak of ¥8.9 billion and a low of ¥3.1 billion, with the mean reaching ¥5.0 billion.



Our internal models have been evaluated by external auditors and determined to be accurate. We are continuing to refine them with back testing, which compares the calculated VaR with the actual profit and loss data after the fact.

The chart below shows the back testing data for fiscal 1999. We also conduct periodic stress testings, which pose scenarios that exceed normal market conditions to calculate potential losses. This allows us to control risk exposure within the scope of our capital.



Asset and Liability Management

Asset and liability management (ALM), used to control the interest rate and liquidity risks inherent in the Bank's own deposit taking and lending operations, has proven to be highly effective at Sakura Bank. By using interest rate forecasting to manage assets and liabilities with respect to interest rate and liquidity risk, we have been able to stabilize and raise medium-to long-term profitability.

To remain abreast of the fast pace of change in market climates, we entrust asset and liability management to managing directors with decision-making authority. The results and decisions are then reviewed monthly by the ALM Committee, which is chaired by the Bank president. This provides a risk management system that is directly linked to top management.

The Corporate Treasury Division handles daily ALM transactions, centrally managing the interest rate and liquidity risks derived from deposit and lending activities. It also manages fund procurement in the markets, yen-denominated bond investments, and derivatives dealing, including interest rate swaps.

To assist in ALM operations, we use a variety of sophisticated and multifaceted risk analysis tools and indicators, including funding gap analyses employing maturity ladder models, market interest rate sensitivity analyses (delta values), VaR modeling, earnings at risk (EaR) modeling and period profit and loss simulations.

As part of asset and liability management, we employ a range of swaps, interest rate futures and other derivatives. These transactions are entered into for the purpose of hedging the interest rate risks arising from our banking activities.

Liquidity Risk

A risk used when normal funding is hindered and a bank is forced to raise funds at extremely high interest rates to fulfill its obligations.

Backed by solid yen-denominated funding capabilities, the Bank manages its balance sheets so that it does not have to rely too heavily upon market based funding, such as call money and negotiable certificates of deposit. The ALM Committee oversees our balance sheet management, setting the policies and measures used to comprehensively manage both foreign currency and yen denominated liquidity risk.

The Corporate Treasury Division, the Global Portfolio Management Division and the overseas offices gather and analyze information on the market environment to carry out the risk management objectives of the ALM Committee. They engage in a variety of preventative measures such as management of cash liquidity in a gradual manner, control of the maturity structures of assets and liabilities and efficient funding in foreign currencies.

In daily risk management operations, we prevent liquidity risk from reaching extreme levels by limiting the maturity gap in unsecured funding. We have also prepared for contingencies with a predefined control structure so that the

Bank-wide action plans can be swiftly executed in a market crisis. In case market disruptions prevent orderly trading, we maintain reserves of highly liquid assets, such as U.S. treasuries, and pre-arranged emergent borrowing facilities to ensure the fulfillment of our funding needs in foreign currencies.

Market Risk of Strategic Equity Investment

A subset of market risk, the risk that stock market fluctuations will cause the market value of strategically invested equities to fluctuate.

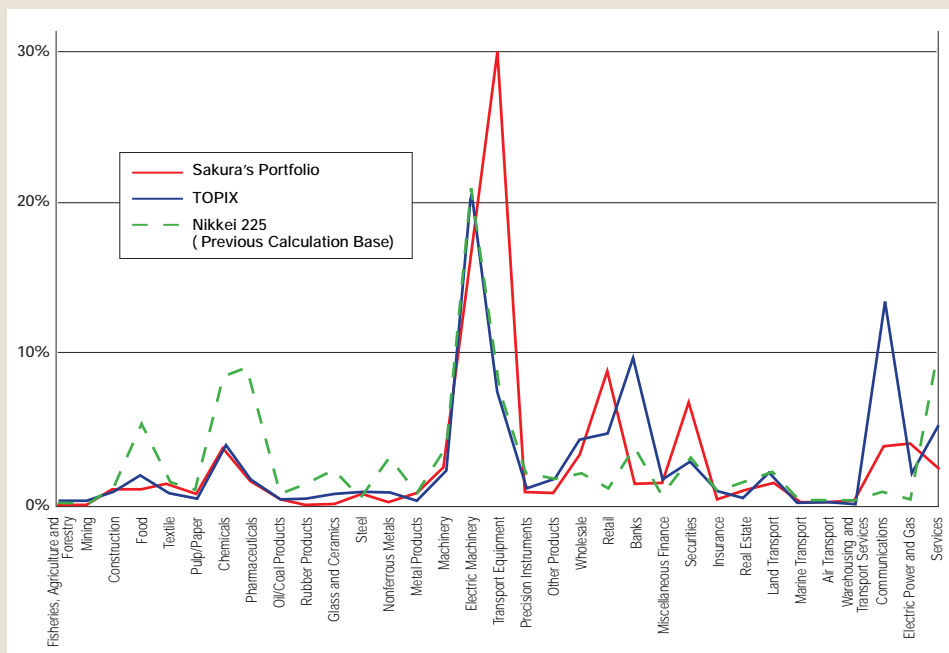
The Bank holds a portion of its equities on a long-term basis as strategic investments in corporate customers to promote long-term relationships. We presently value these equities with the cost method, a method we consider appropriate since they are long-term holdings and not trading products. At year-end, the value of this portfolio at cost was approximately ¥3,500 billion. The large scale of these holdings means that price fluctuations and the required shift to the market cost method of accounting will have a potentially large impact on our balance sheets. We are working on methods to manage this impact.

One of the methods we are using to manage this situation is to treat these holdings as a portfolio, quantify the risk using VaR analysis to measure expected maximum losses, allocate capital to cover the value at risk, and maintain the portfolio within set limits in the ROE management process. Accordingly, the risk exposure attributable to these holdings can be managed along with other market and credit risk as part of the Bank's total risk exposure, which is maintained at levels appropriate to capital resources.

We also periodically evaluate the average value of the estimated losses arising from this portfolio as part of our transition to the market cost method of accounting. As an indicator, estimated losses allow a grasp of the current

Equity Portfolio—Composite Weight of Each Industry

Market Value Basis/ As of March 31, 2000



1999, we strengthened our process risk management capabilities with the establishment of a specialized group within the head office's Systems and Operations Planning Division. At the same time, we revised the administrative systems and released the "Basic Administrative Regulations Guide," which clarifies administrative systems and identifies the roles of each department. For the purposes of managing process risk, this guide divides responsibilities among five categories: the systems and

situation as well as a glimpse at potential futures through portfolio simulations, which can be used to manage the portfolio.

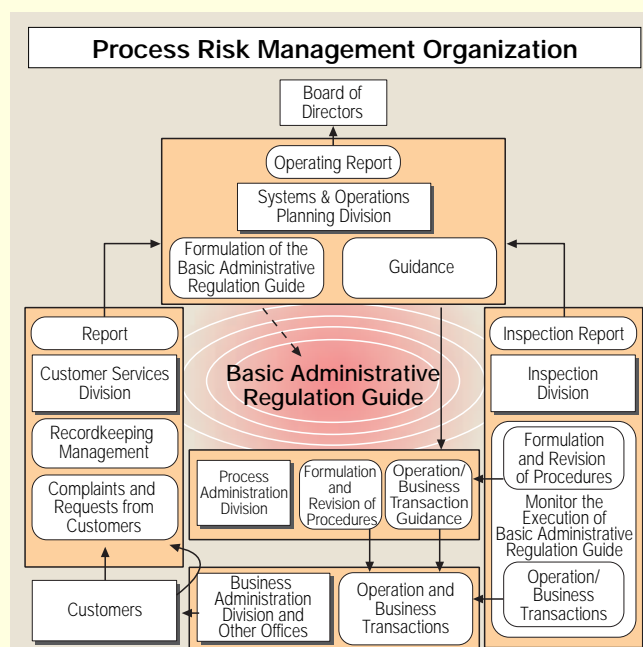
In our reorganization in October 1999, we upgraded the Equity Management Office to the Equity Management Division, giving it independent status to manage the price fluctuation risk of long-term securities and to manage the portfolio itself.

Process Risk

The risk of losses arising from officers or employees neglecting stipulated procedures, or from accidents and improper conduct.

We are fine-tuning our systems both to make it easier to gauge process risk and administrative costs, and to improve customer service through enhanced administrative efficiency. In parallel with the major reorganization of the operating divisions into division companies in October

operations planning division, process administration divisions, business administration divisions (branches), inspection divisions and customer service divisions. Their various roles, operating mandates and management responsibilities are set out in the guide.



Recognizing that process risk is not limited to operating divisions, we are applying measures to manage it throughout the organization, including domestic and overseas offices and consolidated subsidiaries and affiliates.

Our general risk management policy is to quantify, monitor and control risk wherever possible. In the process risk arena, we are devising ways of analyzing and quantifying the potential scope and probabilities of loss-causing events from operational sources. The results of the quantitative analyses are used to revise business processes and enhance risk-reduction strategies. As of the latter half of fiscal 2000, we shall also be allocating risk capital to cover process risks in a bid to further elevate our financial soundness.

Information Technology Risk

The risk of losses due to information system breakdowns, malfunctions or inadequacies, and the risk of losses due to unauthorized information system use.

From a long-standing recognition of the importance of controlling information technology risk, the Board of Directors has formulated risk control policies and updated them from time to time. These policies set out the means for detecting and understanding the scope of risks inherent in the system configuration and all aspects of its operation, from design and development through to administration and daily func-

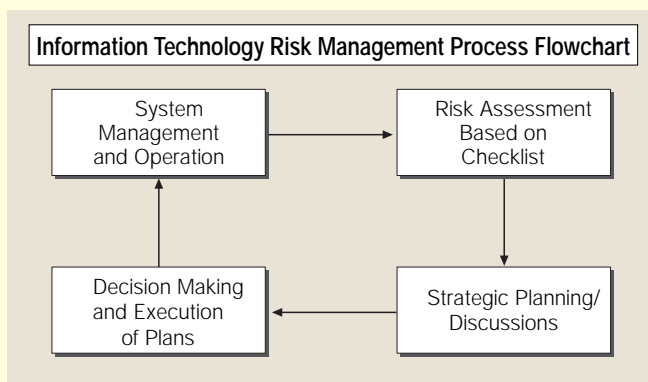
tioning. It also suggests how to respond to those risks and implement countermeasures.

We established the System Risk Management Planning Department to manage system risk throughout the entire Sakura Group and supervise the various information system departments in the organization. As part of our risk control procedures, we conduct regular internal audits using our own independent inspectors as well as periodic audits run by external accounting firms.

To evaluate risks, we use a checklist based on the security standards espoused by the Financial Supervisory Agency's (now the Financial Service Agency) financial auditing manual, the FISC and the FFIEC. This checklist is applied to each sub-system and the results are used to beef up security measures where required. As a further measure, we are also working on ways to reliably quantify information technology risk.

Since any failure of our computer systems can have a large negative impact on society, we have taken thorough measures to ensure their stable operation. As a precaution against large-scale disasters, we back up our main system center in the Kanto region with our system center in the Kansai region. Both are equipped with various disaster countermeasures and independent power sources, and all infrastructures are duplicated and supplied with redundant equipment and networks. We also conduct emergency training to ensure that staff is familiar with damage control procedures.

We were pleased to note that the Bank did not experience any problems arising from the year 2000 problem. Our computer systems, telecommunications equipment and building continued to operate without incident. We do recognize, however, that sources of system risk are becoming more diverse and pervasive as the IT revolution progresses, networks and the Internet are widely adopted and personal computers come into greater use. We will remain vigilant



and continue to introduce fresh countermeasures as new technologies are introduced and used in new configurations.

Settlement Risk

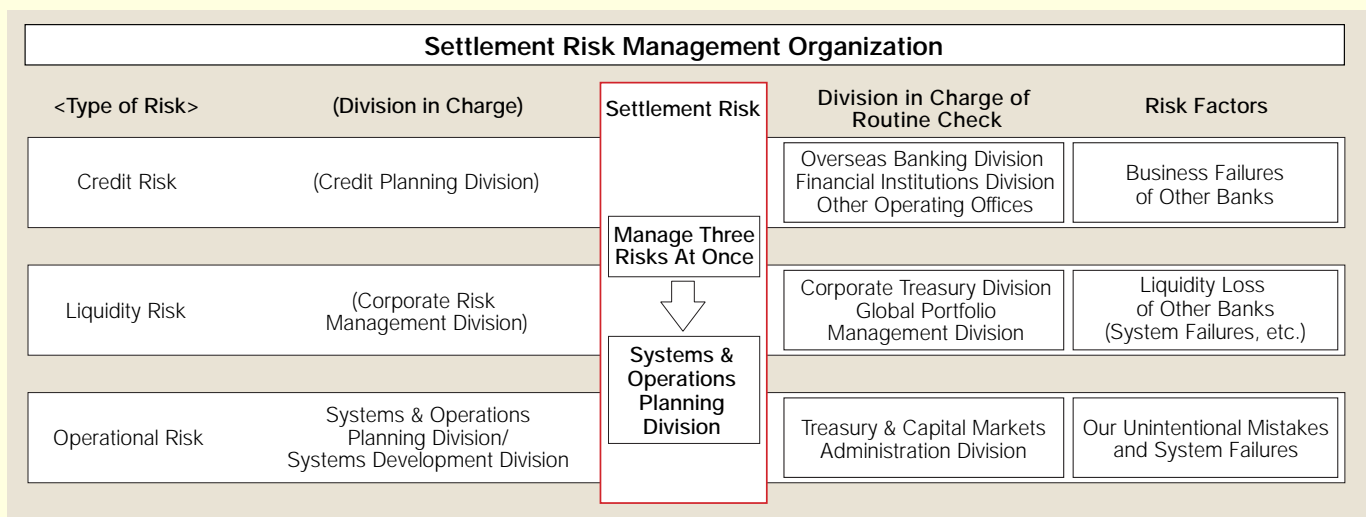
The risk that transactions with a participant in a settlement system (Bank of Japan Financial Network System (BOJ-NET), Zengin System, Bank Clearing System) or a customer (payroll transfers, overdrafts, correspondent account money market operations and others) do not clear as expected.

Settlement risk comprises (1) the risk that the Bank will incur losses because of the bankruptcy or failure of a party to a transaction or a member of the clearance system; (2) the risk that the inability of a party to a transaction or a member of the clearance system to clear funds will advance the requirements for funding (liquidity risk); and (3) the risk of losses originating from the Bank's own administration or information technology system (operational risk). Although settlement risk is derived from many types of risk, we believe that it is also essential to manage settlement risk as a unified set of risks incurred in the attempt to complete transactions. With this in mind, we created a centralized

system for controlling the three types of risk mentioned above and defined the Systems and Operations Planning Division as a Settlement Risk Management Section.

Divisions in charge of managing credit, liquidity and operational risk (including information technology risk) set the policies and procedures for coping with settlement risk. The Systems and Operations Planning Division also monitors compliance with the policies and revises them from time to time.

Settlement operations are divided into two categories for the purposes of risk management: direct customer transactions and settlement system transactions. To manage and reduce risk arising from direct customer transactions, individual customers are evaluated for settlement risk, settlement limits are imposed upon them, and netting procedures are followed. To manage the risk involved with settlement systems, we follow the provisions contained in the settlement rules for each system, such as loss share rules and DVP, and work at managing and reducing losses in each individual system. The head office also periodically assesses settlement risk in terms of credit risk and liquidity risk, ensuring appropriate measures are in place to control any exposure incurred by the Bank.



Corporate Governance and Compliance

We are strengthening our systems for corporate governance and compliance as part of our overall measures to maximize shareholder and corporate value. The corporate governance system monitors the Bank's activities from the perspectives of the shareholders and stakeholders, while the compliance system ensures conformity with laws and ethics.

Incentives to Perform—Fine-Tuning Corporate Governance

We are improving our corporate governance measures to make our decision-making processes more transparent, to render management more accountable and to place the institution on a sounder footing. In June 1999, we introduced a performance-based remuneration system and cut the number of board members from 45 to 13 to streamline decision making. In June 2000, the supervisory function of the Board of Directors was further strengthened by appointing two directors from outside the Bank.

According to the performance-based remuneration system introduced last year, executive pay and retirement bonuses have been linked to the Bank's results and fluctuate on an annual basis. Moreover, we have instituted a stock option system that only pays when the Bank's share price rises. These measures have created a stronger link among executive incentives, bank earnings and share value.

After the merger with Sumitomo, the Board of the new bank will have several subcommittees that will further improve corporate governance. A Human Resource Committee will judge the selection, dismissal and promotion of board members, a Compensation Committee will be charged with evaluating the achievements and salaries of board members and executive officers, and a Risk Management Committee will set risk management policy.

An Ethical Approach—Tightening Compliance

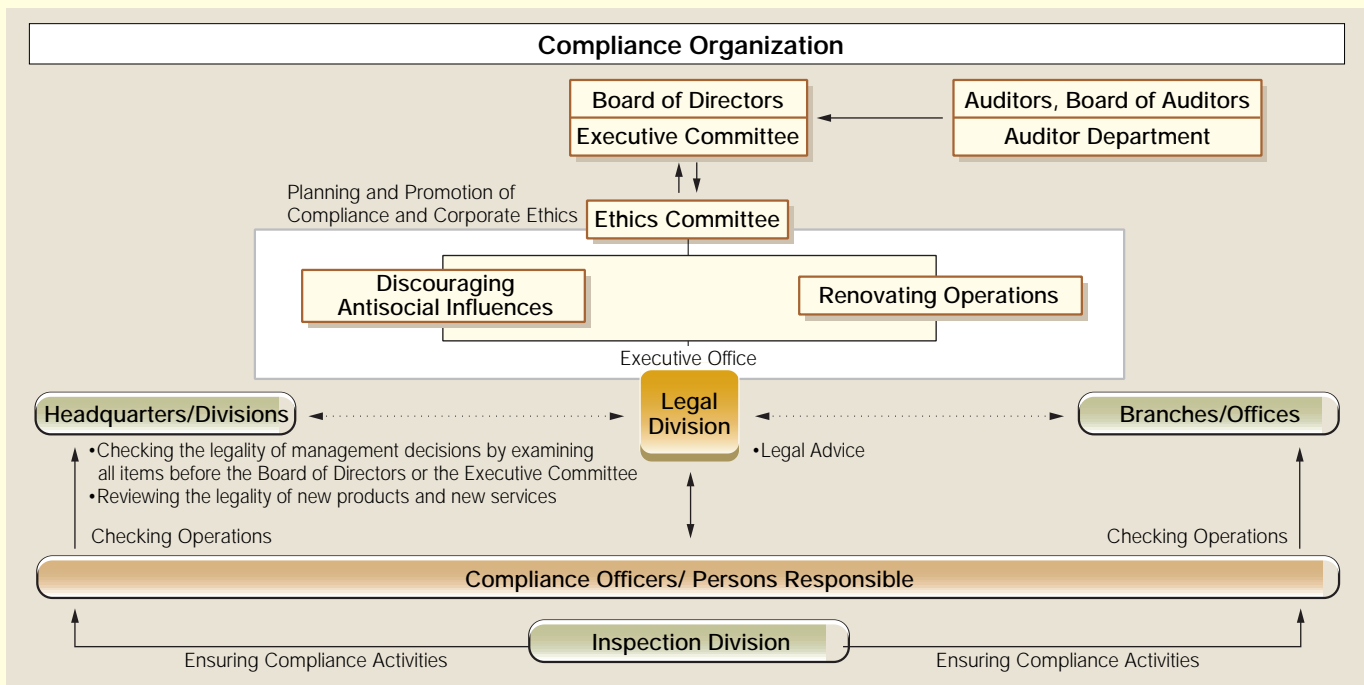
At Sakura Bank, we are taking a proactive stance toward compliance because we recognize that observing societal

standards and laws contributes to the growth of our own business, raises the value of our services to customers and helps us create lasting value for our shareholders. It is also essential to maintain order and stability, the preconditions for a prosperous society.

In November 1996, we established the Ethics Committee, which is chaired by the director of the Compliance Group, to plan and design compliance measures. This committee reports to the Board of Directors, which bears the final decision-making authority. In December 1996, we produced a Code of Conduct, which sets out the principles of conduct by the Bank and standards of comportment for employees. This was followed in April 1999 by the Compliance Code, a detailed explanation of the laws and ordinances with which the Bank must comply, as well as the methods to cope with illegal behavior. Most recently, we issued a Compliance Manual in March 2000, which combines the contents of the above two precursors in one document. In April 1999, we launched a compliance program to instruct Bank employees in compliance issues, which was further revised in March 2000 based on our experience with its implementation and target achievement.

On an organizational level, the Legal Division, which functions as the administrative wing of the Ethics Committee, is charged with ensuring compliance with various laws, regulations and Bank policies. Its specific roles include checking management proposals prior to the Board of Directors and the Executive Committee, providing advice and guidelines to each Bank department and branch, reviewing the legality of new products from the customer's perspective, and supervising the creation of the Investment Compliance Manual for investment trust products. We have also designated a compliance officer in each major branch and individuals charged with oversight in each department, supported by the Legal Division.

To assure our risk management organization is effective, our Inspection Division is completely independent of operating divisions. It is responsible for inspecting each



operation for compliance. The Auditors and Board of Auditors, independent of the Board of Directors, maintain the autonomy of the auditing functions with the support of the Auditor Department. This allows them to audit operations with an appropriate emphasis on compliance. In addition, we have retained highly renowned external lawyers in each field to serve in advisory capacities with the aim of preventing and ensuring the early resolution of compliance issues.

In March 2000, we settled by agreement a dispute involving introductions of housing loans to the former housing loan companies in the civil conciliation proceedings, wherein we recognized that there would have been excessive financial practices during the “bubble economy” period and reaffirmed to retain our commitment of our current management policy to conduct our business recognizing our public responsibilities and role.

A Concentrated Focus—Reorganizing Audit Practices

In July 1999, the Financial Supervision Authority (now the Financial Service Agency) released the Financial Inspection Manual. In response, we completely revamped our inspection practices. Past inspections were uniform and inclusive

across all head office and branch operations. With the new approach, we analyze the risks incurred by the target operation in advance so the main effort can be placed on high-risk fields. Moreover, we vary the frequency, duration and scope of the inspections according to the scale and business segment of the target department or branch, allowing for more effective audits. Instead of merely pointing out problems and inadequacies and suggesting remedies, an attempt is made to find the underlying causes of the issues and to seek fundamental resolutions.

Along with the change in procedures, we are placing greater emphasis on verifying internal processes to confirm their adequacy. The five-item verification checklist includes inspections of the control environment, the recognition and evaluation of risk, control procedures, information reporting and monitoring. While section managers are expected to understand the special characteristics of the risks involved in their own organization based on the principles of self-responsibility, a top-down check is conducted to ensure compliance procedures are appropriate for the organization, with special emphasis placed on the control environment. The object of the inspection is to verify the target

organization's policies and conduct, organizational structure, personnel management, and compliance measures constitute an adequate control environment.

The inspection system can be divided into two main parts. One involves comprehensive inspections by the Inspection Division to check the various departments and branches for internal control systems and compliance with regulations, as well as spot checks of specific documents and key data. The other involves internal checks by each department and branch, consisting of monthly audits and special succession audits when branch managers are rotated on routine transfers.

The Inspection Division comprises a branch inspection group, an international inspection group, a head office & subsidiaries inspection group, a market risk inspection group, a systems inspection group and other specialized groups. In the United States, Americas Audit Department in New York is also charged with inspecting operations in North America.

Due Diligence—Asset Review and Inspection

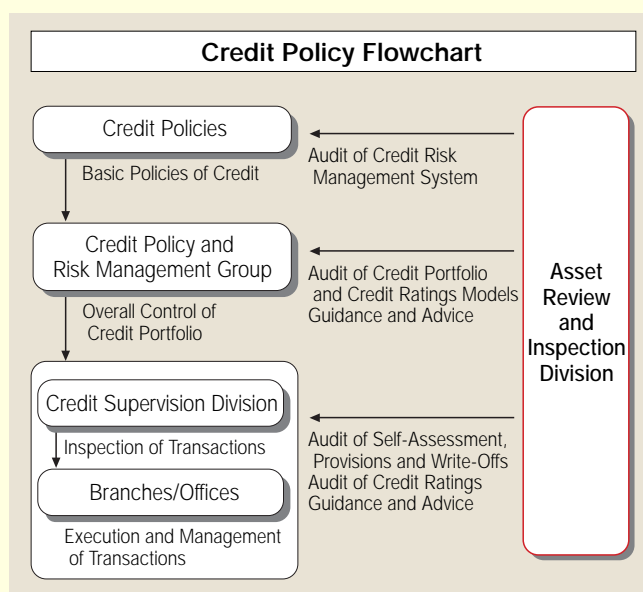
As a widely held incorporated entity, the Bank has a responsibility to increase shareholder value. On the other hand, the Bank also has a quasi-public role to provide a safe place for depositors to place their savings and to serve as a stable source of credit to help foster economic development. To fulfill this latter responsibility, financial institutions must set up adequate organizations to maintain sound financial conditions and operate in a highly transparent, prudent manner.

Sakura Bank was at the forefront of the domestic banking industry in April 1997 when it established an Asset Review and Inspection Division independent of the credit supervision and operating divisions to inspect assets for the attendant credit risks. The primary role of the Asset Review and Inspection Division is to test self-assessments and reserve allocations for appropriateness. Self-assessments are the process of classifying loans and

other assets according to the degree of potential loss based on an early prevention system. The reserve allocations and write-offs are based on the self-assessments and are a means of making assets more sound.

In October 1999, we established a Credit Research Department within the Asset Review and Inspection Division to strengthen our credit auditing functions. In addition to augmenting our ability to check the appropriateness of borrower credit ratings, it provides us with the means to check the status of our credit portfolio and the credit rating models upon which the self-assessments are based. This has realized the best practice-credit monitoring system as required in the Financial Inspection Manual. It also audits credit policies, operating divisions, administrative procedures and other aspects of the credit risk management system. And it advises the operating divisions and affiliates how to improve credit risk management systems and asset portfolios as part of its audit feedback and follow-up procedures.

These are all part of a well-integrated set of checks and balances employed by the Bank to ensure its mission and objectives are attained in the most efficient and ethical manner.



Environmental Management

We continue to pledge our commitment to protecting the environment. Environmental activities not only lend to improving the trust society has in Sakura but also exhibits the Bank's dedication to being a good corporate citizen. Sakura has elected one of its directors to head the Bank's Environmental Committee and to carry out related policies.

In September 1998, we became the first bank to receive ISO 14001 certification. The Sakura EMS (environmental management system) guides the entire Bank's environmental activities through planning, implementation, evaluation and review stages to achieve set targets and to realize the continual improvement of environmental efforts. Under this system, the Bank urges all its employees to participate in creating a sustainable environment.

Recycling is another area in which the Bank is actively involved. During fiscal 1999, the Bank recycled 593 tons of paper, as well as 1,175 tons of other waste. A Business Process Re-engineering (BPR) program was also implemented to achieve a paperless work environment, through such measures as the use of e-mail to replace inter-bank memos. In addition, the Bank utilizes recycled paper for printers and copiers, and recyclable toner cartridges for computer printers.

In March 2000, in conjunction with Sakura Institute of Research, we held the "Sakura Environmental Seminar" to get our corporate clients involved in the fight to preserve the environment. During the seminar, clients who expressed interest in ISO-level certification were introduced to consultants in the field.

Philanthropic Activities

In another step toward being a good corporate citizen, we host a wide range of philanthropic activities. Through these activities, we are able to keep in close touch with the community. In Japan, these encompass a wide list of projects, including the establishment of ATMs that accommodate the blind and physically challenged, educational scholarships and funding for the arts. The Bank's employees and their families, for example, produced Braille books that were

contributed to the Japan Braille Library. As of April 2000, we had donated a total of 644 Braille books and 3,089 tapes to the library.



In March 2000, the Sakura Fund made a donation to an organization in China to help reconstruct an elementary school.

During fiscal 1999, the Sakura Fund made donations to five organizations in four countries. The monies will be used to rebuild an elementary school in Thailand and purchase school supplies; reconstruct an elementary school demolished by flood in China; purchase computers for a public middle school in Malaysia; and aid operations at an orphanage in Indonesia. Bank employees raised the money with the Bank contributing an equal amount. The fund was first established in January 1998 with the aim of aiding children in Asia.

The Philanthropy News, a newsletter published by the Bank, informs employees of the wide range of volunteer activities available. For employees willing to donate their time and efforts, we provide a holiday program for volunteer work. We intend to promote the implementation of more volunteer activities and provide full-fledged support in a variety of areas.

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Selected Consolidated Financial Data

Years Ended March 31
Millions of Yen

	2000	1999	Change
Statements of Operations Data:			
Interest Income	¥1,398,941	¥1,629,912	¥(230,971)
Interest Expenses	745,550	1,027,406	(281,856)
Net Interest Income	653,390	602,505	50,885
Provision for Possible Loan Losses	224,003	469,486	(245,483)
Net Interest Income after Provision for Possible Loan Losses	429,387	133,019	296,368
Fees and Commissions, Net	119,799	115,995	3,804
Trading Revenue	17,484	23,788	(6,304)
Trading Expenses	994	—	994
Other Operating Income, Net	31,378	63,778	(32,400)
General and Administrative Expenses	487,472	517,241	(29,769)
Other Income	455,196	267,656	187,540
Other Expenses	438,643	793,303	(354,660)
Transfer from Other Reserves, Net	3	48	(45)
Income (Loss) before Income Taxes and Minority Interests	126,139	(706,257)	832,396
Income Taxes	82,079	(217,818)	299,897
Minority Interests in Net Loss of Consolidated Subsidiaries	18,521	9,172	9,349
Net Income (Loss)	¥ 62,581	¥ (479,266)	¥ 541,847
Per Share (in Yen):			
Net Income (Loss)	¥ 12.58	¥(124.72)	¥137.30
Stockholders' Equity	340.98	331.28	9.70
Cash Dividends:			
Common Stock	6.00	7.25	(1.25)
Preferred Stock:			
Series II	15.00	15.00	0
Series III	13.70	0.04	13.66

Financial Review

Income Analysis

Net Interest Income

The Bank's net interest income on a consolidated basis increased ¥50.8 billion, or 8.4%, to ¥653.3 billion (US\$6,155 million) from the previous fiscal year. This increase was mainly

due to the decrease of interest expenses, reflecting the reduction of deposits in the International Banking Group.

Indicators of Net Interest Income (Consolidated)

Years Ended March 31

Millions of Yen

	2000	1999	Change
Interest Income			
Interest on Loans and Discounts	¥ 767,063	¥ 909,981	¥(142,918)
Interest and Dividends on Securities	117,759	146,093	(28,334)
Other Interest Income	514,118	573,837	(59,719)
	¥1,398,941	¥1,629,912	¥(230,971)
Interest Expenses			
Interest on Deposits	¥ 170,171	¥ 352,968	¥(182,797)
Interest on Borrowings, Bonds and Rediscounts	84,923	128,404	(43,481)
Other Interest Expenses	490,455	546,034	(55,579)
	¥ 745,550	¥1,027,406	¥(281,856)
Net Interest Income	¥ 653,390	¥ 602,505	¥ 50,885

Provision for Possible Loan Losses

On a consolidated basis, the Bank decreased its provision for possible loan losses ¥245.4 billion, from ¥469.4 billion in fiscal 1998, ended March 31, 1999, to ¥224.0 billion (US\$2,110 million) in fiscal 1999, ended March 31, 2000. On a non-consolidated basis, the Bank disposed of nonaccrual loans to strengthen its credibility and financial position and recognized ¥449.9 billion (US\$4,238 million) in loan losses. This total in-

cluded a provision and written-off claims of ¥293.4 billion (US\$2,764 million) based on the result of the Bank's self-assessment; losses of ¥35.2 billion (US\$331 million) arising from financial assistance provided to supported companies; and losses of ¥121.2 billion (US\$1,141 million) on sales of nonaccrual loans and others.

Fees and Commissions, Net

Fees and commissions (income) decreased ¥1.0 billion, or 0.6%, to ¥186.2 billion (US\$1,754 million), because of a reduction in the fees and commissions in the International Banking Group. Fees and commissions (expenses) decreased by ¥4.9 billion, or 6.9%, to ¥66.4 billion (US\$625 million).

Fees and commissions, net, therefore, rose ¥3.8 billion, or 3.3%, to ¥119.7 billion (US\$1,128 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

	2000	1999	Change
Fees and Commissions (Income)			
Remittances and Transfers	¥ 50,816	¥ 52,658	¥(1,842)
Other	135,397	134,652	745
	¥186,213	¥187,311	¥(1,098)
Fees and Commissions (Expenses)			
Remittances and Transfers	¥ 10,311	¥ 11,793	¥(1,482)
Other	56,103	59,522	(3,419)
	¥ 66,414	¥ 71,316	¥(4,902)
Fees and Commissions, Net	¥119,799	¥115,995	¥3,804

Trading Revenue, Net (Consolidated)

Years Ended March 31
Millions of Yen

	2000	1999	Change
Trading Revenue			
Revenue from Trading Securities and Derivatives	¥ 3,650	¥13,778	¥(10,128)
Revenue from Securities and Derivatives Related to Trading Transactions	—	3,058	(3,058)
Revenue from Trading-related Financial Derivatives Transactions	12,246	4,051	8,195
Other Trading Revenue	1,588	2,900	(1,312)
Total	¥17,484	¥23,788	¥ (6,304)
Trading Expenses			
Expense for Securities and Derivatives Related to Trading Transactions	¥ 994	¥ —	¥ 994
Total	¥ 994	¥ —	¥ 994
Trading Revenue, Net	¥16,490	¥23,788	¥ (7,298)

Other Operating Income, Net

Other operating income on a consolidated basis decreased ¥5.2 billion, or 5.0%, to ¥99.2 billion (US\$935 million). This decrease reflected primarily decreases in gains on sales of bonds in the domestic market.

Other operating expenses increased ¥27.1 billion, or 66.7%, to ¥67.8 billion (US\$639 million), due mainly to the leasing subsidiary's cost.

Thus, other operating income, net, on a consolidated basis decreased ¥32.3 billion, or 50.8%, to ¥31.3 billion (US\$295 million).

Indicators of Other Operating Income, Net (Consolidated)

Years Ended March 31

Millions of Yen	2000	1999	Change
Other Operating Income			
Gains on Foreign Exchange Transactions	¥31,714	¥ 18,753	¥ 12,961
Gains on Sales of Bonds	22,206	81,662	(59,456)
Gains on Redemption of Bonds	3,690	3,133	557
Other	41,650	954	40,696
Total	¥99,261	¥104,503	¥ (5,242)
Other Operating Expenses			
Losses on Sales of Bonds	¥15,510	¥ 22,395	¥ (6,885)
Losses on Redemption of Bonds	6,262	7,529	(1,267)
Losses on Devaluation of Bonds	475	3,920	(3,445)
Other	45,635	6,880	38,755
Total	¥67,883	¥ 40,725	¥ 27,158
Other Operating Income, Net	¥31,378	¥ 63,778	¥(32,400)

General and Administrative Expenses

As a result of continuing measures to enhance efficiency, the Bank and its subsidiaries' salaries and welfare expenses were down ¥17.1 billion, or 7.2%, to ¥221.3 billion (US\$2,084

million). General and administrative expenses decreased ¥29.7 billion, to ¥487.4 billion (US\$4,592 million).

General and Administrative Expenses (Consolidated)

Years Ended March 31

Millions of Yen	2000	1999	Change
Salaries and Welfare Expenses	¥221,317	¥238,437	¥(17,120)
Retirement Benefits	5,069	21,651	(16,582)
Depreciation	35,029	37,528	(2,499)
Rent and Lease Expenses	44,793	43,750	1,043
Taxes and Public Impositions	25,430	31,597	(6,167)
Other	155,830	144,275	11,555
Total	¥487,472	¥517,241	¥(29,769)

Other Income and Expenses

Other income on a consolidated basis was up ¥187.5 billion, or 70.1%, to ¥455.1 billion (US\$4,288 million), primarily because of an increase of ¥271.5 billion in gains on sales of stocks and other securities.

Other expenses decreased ¥354.6 billion, or 44.7%, to ¥438.6 billion (US\$4,132 million) due to a decrease of ¥329.6 billion in written-off claims.

Other income (expenses), net, rose ¥542.1 billion from the previous year, to register net other of ¥16.5 billion (US\$155 million).

Other Income and Expenses (Consolidated)

Years Ended March 31

Millions of Yen

	2000	1999	Change
Other Income			
Gains on Sales of Stocks and Other Securities	¥427,122	¥ 155,531	¥ 271,591
Gains on Money Held in Trust	471	2,013	(1,542)
Gains on Dispositions of Premises and Equipment	7,754	72,683	(64,929)
Recoveries of Written-off Claims	1,848	1,262	586
Other	17,998	36,165	(18,167)
Total	¥455,196	¥ 267,656	¥ 187,540
Other Expenses			
Written-off Claims	¥146,374	¥ 476,048	¥(329,674)
Losses on Sales of Stocks and Other Securities	50,925	52,189	(1,264)
Losses on Devaluation of Stocks and Other Securities	33,255	108,369	(75,114)
Losses on Money Held in Trust	1,097	5,903	(4,806)
Losses on Dispositions of Premises and Equipment	19,964	4,062	15,902
Other	187,026	146,729	40,297
Total	¥438,643	¥ 793,303	¥(354,660)
Other Income (Expenses), Net	¥ 16,552	¥(525,646)	¥ 542,198

Net Income

Income before income taxes and minority interests on a consolidated basis recorded ¥126.1 billion (US\$1,188 million), compared with a ¥706.2 billion loss for the previous fiscal

year. Net income recorded ¥62.5 billion (US\$589 million), compared with a ¥479.2 billion loss in the previous fiscal year.

Balance Sheet Analysis

Balance Sheet Data at Year-End (Consolidated)

March 31 Millions of Yen	2000	1999	Change
Total Assets	¥48,495,608	¥49,015,005	¥(519,397)
Loans and Bills Discounted	32,333,211	32,962,873	(629,662)
Securities	6,928,746	6,264,893	663,853
Total Liabilities	45,967,816	46,536,936	(569,120)
Deposits	33,738,616	33,368,615	370,001
Reserves	137,872	824,393	(686,521)
Total Stockholders' Equity	2,208,554	2,174,486	34,068

Asset Portfolio

The Bank's total assets fell ¥519.3 billion, or 1.1%, to ¥48,495.6 billion (US\$456,859 million). This decrease was mainly due to the transfer of the reserve for possible loan losses from liabilities to the assets side as a deduction item.

Loan Portfolio

Loans and bills discounted at the end of fiscal 1999 were ¥32,333.2 billion (US\$304,599 million), which constituted 66.7% of total assets. Loans and bills discounted decreased by ¥629.6 billion, or 1.9% from the previous fiscal year-end. This decrease was due primarily to the decrease of overseas loans and bills discounted, the appreciation of the Japanese yen, 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 ¥351.3 billion, or 1.1%, to ¥31,939.9 billion (US\$300,894 million). The breakdown for outstanding loans and bills discounted on a non-consolidated basis included ¥28,836.3 billion (US\$271,656 million) for domestic lending and ¥3,103.5 billion (US\$29,236 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

increased ¥663.8 billion, or 10.6%, to ¥6,928.7 billion (US\$65,273 million).

Funding

Total liabilities at the end of fiscal 1999 were ¥45,967.8 billion (US\$433,045 million), which represented a ¥569.1 billion, or 1.2%, decrease from the previous year-end due

primarily to a decrease in time deposits of ¥2,401.5 billion, or 15.5%, from the previous fiscal year-end because of low domestic interest rates.

Reserves

Reserve for possible loan losses was reported on the liabilities side in the previous period. Beginning this period, reserve for possible loan losses is presented on the last line of assets side of the balance sheet in a lump sum as a deduction item. Total reserves fell ¥686.5 billion, to ¥137.8 billion (US\$1,298 million), on a consolidated basis, reflecting, in particular, a decrease of ¥682.1 billion (US\$6,425 million) in the liabilities by the change of the method.

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

	2000	1999	Change
General Reserve	¥227.3	¥242.6	¥(15.3)
Specific Reserve	454.8	424.0	30.8
Total	¥682.1	¥666.6	¥ 15.5

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

Capital Resources

Total stockholders' equity rose ¥34.0 billion, or 1.6%, to ¥2,208.5 billion (US\$20,805 million), on a consolidated basis. The Bank declared cash dividends of ¥3.00 per common share for the first half and ¥3.00 for the second half of fiscal 1999, bringing the total annual dividend to ¥6.00 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, cash dividends of ¥6.85 per Series III Preferred Stock (Type-2) were declared for the first and second halves of the fiscal year; thus, the total annual dividend per Series III Preferred Stock (Type-2) was ¥13.70 per share.

Capital Adequacy

The Bank's capital ratio on a consolidated basis, as of March 31, 2000, based on requirements established by the Bank for International Settlements, was 12.53%, 0.2 percentage point higher than at March 31, 1999. Risk-adjusted assets fell ¥677.6 billion, to ¥32,721.5 billion (US\$308,258 million),

at the fiscal year-end as a result of the reduction in overseas interest-earning assets caused by appreciation of the yen. Total qualifying capital decreased by ¥19.7 billion, to ¥4,100.8 billion (US\$38,632 million).

Capital Ratio (Consolidated, BIS Guidelines)

March 31

Millions of Yen, %

	2000	1999
Tier I Capital	¥ 2,440,605	¥ 2,396,833
Tier II Capital		
Unrealized Gains on Securities, after 55% Discount	—	—
Reserve for Unrealized Appreciation of Land, after 55% Discount	51,672	53,249
Reserve for Possible Loan Losses	227,338	242,654
Subordinated Term Debt (with Original Maturity of over Five Years)	1,382,246	1,428,886
Total	1,661,257	1,724,789
Tier II Capital Includable as Qualifying Capital	1,661,257	1,724,789
Short-term Subordinated Debt	—	—
Tier II Capital Includable as Qualifying Capital	—	—
Cross-holdings with Other Financial Institutions	(999)	(999)
Total Qualifying Capital	¥ 4,100,864	¥ 4,120,623
Risk-Adjusted Assets		
On-Balance-Sheet Items	¥30,676,736	¥30,629,473
Off-Balance-Sheet Items	1,824,204	2,518,086
Adjusted Risk-weighted Assets	32,500,941	33,147,559
Market Risk Equivalent Assets	220,657	251,725
Measure for Market Risk	17,652	20,138
Total	¥32,721,599	¥33,399,284
Capital Ratio		
Final Formula	12.53%	12.33%

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.

Capital Ratio (Non-Consolidated, BIS Guidelines)

March 31

Millions of Yen, %

	2000	1999
Tier I Capital	¥ 2,448,482	¥ 2,470,975
Tier II Capital		
Unrealized Gains on Securities, after 55% Discount	—	—
Reserve for Unrealized Appreciation of Land, after 55% Discount	37,831	36,450
Reserve for Possible Loan Losses	213,427	198,802
Subordinated Term Debt (with Original Maturity of over Five Years)	1,333,175	1,286,823
Total	1,584,433	1,522,076
Tier II Capital Includable as Qualifying Capital	1,584,433	1,522,076
Short-term Subordinated Debt	—	—
Tier II Capital Includable as Qualifying Capital	—	—
Cross-holdings with Other Financial Institutions	(999)	(999)
Total Qualifying Capital	¥ 4,031,916	¥ 3,992,051
Risk-Adjusted Assets		
On-Balance-Sheet Items	¥29,586,367	¥29,627,511
Off-Balance-Sheet Items	2,817,420	2,151,879
Adjusted Risk-weighted Assets	32,403,787	31,779,391
Market Risk Equivalent Assets	156,966	137,925
Measure for Market Risk	12,557	11,034
Total	¥32,560,754	¥31,917,316
Capital Ratio		
Final Formula	12.38%	12.50%

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.

Derivative Financial Instruments and Foreign Exchange Forward Contracts

March 31 Billions of Yen	2000		1999	
	Contract Value or Notional Principal Amount	Credit Equivalent Amount	Contract Value or Notional Principal Amount	Credit Equivalent Amount
Interest Rate Swaps	¥76,181.3	¥1,047.0	¥ 85,027.2	¥1,457.8
Currency Swaps	3,641.9	434.9	4,498.6	425.7
Foreign Exchange Forward Contracts	6,193.4	133.0	9,371.8	336.7
Interest Rate Options (Buy)	2,696.5	45.8	2,668.9	52.4
Currency Options (Buy)	330.6	8.6	466.2	12.5
Other Derivative Instruments	2,919.3	60.5	6,669.7	64.9
Effects of Master Netting Agreements		(574.4)		(1,024.3)
Total	¥91,963.2	¥1,155.7	¥108,702.5	¥ 1,325.8

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	2000	1999
	Contract Value or Notional Principal Amount	Contract Value or Notional Principal Amount
Foreign Exchange Forward Contracts	¥ 1,108.1	¥ 2,477.0
Interest Rate Options (Sell)	26,690.8	15,302.3
Interest Rate Options (Buy)	11,418.2	7,005.2
Currency Options (Sell)	357.9	472.2
Currency Options (Buy)	4.2	7.2
Interest Rate Futures Transactions	38,932.8	38,028.5
Other	44.3	1.1
Total	¥78,556.5	¥63,293.8

Credit-Related Transactions

March 31 Billions of Yen	2000	1999
	Contract Value	Contract Value
Commitments	¥5,809.2	¥6,699.5
Guarantees	1,491.6	1,968.1
Other Credit-Related Transactions	613.3	1,186.4
Total	¥7,914.2	¥9,854.0

Consolidated Balance Sheets

The Sakura Bank, Limited and Subsidiaries

March 31, 2000 and 1999	Millions of Yen		Millions of
	2000	1999	U.S. Dollars (Note 1)
			2000
Assets			
Cash and Due from Banks	¥ 2,168,836	¥ 1,415,978	\$ 20,431
Call Loans	182,712	69,974	1,721
Commercial Paper and Other Debt Purchased	42,256	3,292	398
Trading Assets (Notes 2, 33)	1,425,028	1,448,784	13,424
Money Held in Trust (Note 32)	72,581	156,474	683
Securities (Notes 3, 9, 32)	6,928,746	6,264,893	65,273
Loans and Bills Discounted (Notes 4, 9)	32,333,211	32,962,873	304,599
Foreign Exchanges (Note 5)	316,395	309,438	2,980
Other Assets (Notes 6, 9)	2,747,979	2,967,669	25,887
Premises and Equipment (Notes 7, 9)	855,726	755,966	8,061
Deferred Income Taxes (Note 30)	611,694	689,017	5,762
Customers' Liabilities for Acceptances and Guarantees (Note 18)	1,492,628	1,970,640	14,061
Reserve for Possible Loan Losses (Note 8)	(682,188)	—	(6,426)
Total Assets	¥48,495,608	¥49,015,005	\$456,859
Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity			
Liabilities			
Deposits (Notes 9, 10)	¥33,738,616	¥33,368,615	\$317,839
Call Money (Notes 9, 11)	2,579,499	2,327,705	24,300
Commercial Paper	467,268	567,000	4,401
Trading Liabilities (Notes 12, 33)	360,706	381,077	3,398
Borrowed Money (Notes 9, 13)	1,508,783	1,677,674	14,213
Foreign Exchanges (Note 5)	29,346	22,378	276
Bonds (Note 14)	1,053,354	912,397	9,923
Convertible Bonds (Note 15)	95	2,208	0
Other Liabilities (Notes 9, 16)	4,553,878	4,433,381	42,900
Reserve for Possible Loan Losses (Note 8)	—	666,692	—
Reserve for Retirement Allowances	41,366	42,156	389
Reserve for Possible Losses from Loans Sold to CCPC	95,992	115,532	904
Other Reserves (Note 17)	513	12	4
Deferred Income Tax Liabilities (Note 30)	271	—	2
Deferred Income Tax Liabilities for Land Revaluation	45,494	49,462	428
Acceptances and Guarantees (Note 18)	1,492,628	1,970,640	14,061
Total Liabilities	45,967,816	46,536,936	433,045
Minority Interests in Consolidated Subsidiaries	319,237	303,581	3,007
Stockholders' Equity			
Capital Stock (Note 19):			
Common Stock	639,934	631,399	6,028
Preferred Stock			
Series II	2,772	11,307	26
Series III	400,000	400,000	3,768
Capital Surplus (Note 19)	899,521	899,521	8,474
Land Revaluation Excess	69,333	68,868	653
Earned Surplus (Note 20)	198,161	164,329	1,866
Treasury Stock	(1,167)	(938)	(11)
Total Stockholders' Equity	2,208,554	2,174,486	20,805
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity	¥48,495,608	¥49,015,005	\$456,859

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

The Sakura Bank, Limited and Subsidiaries

Years Ended March 31, 2000 and 1999	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	1999	2000
Income			
Interest Income:			
Interest on Loans and Discounts	¥ 767,063	¥ 909,981	\$ 7,226
Interest and Dividends on Securities	117,759	146,093	1,109
Other Interest Income (Note 21)	514,118	573,837	4,843
Fees and Commissions	186,213	187,311	1,754
Trading Revenue	17,484	23,788	164
Other Operating Income (Note 22)	99,261	104,503	935
Other Income (Note 23)	455,196	267,656	4,288
Transfer from Other Reserves (Note 24)	3	49	0
Total Income	2,157,102	2,213,222	20,321
Expenses			
Interest Expenses:			
Interest on Deposits	170,171	352,968	1,603
Interest on Borrowings, Bonds and Rediscounts	84,923	128,404	800
Other Interest Expenses (Note 25)	490,455	546,034	4,620
Fees and Commissions	66,414	71,316	625
Trading Expenses	994	—	9
Other Operating Expenses (Note 26)	67,883	40,725	639
General and Administrative Expenses (Note 27)	487,472	517,241	4,592
Provision for Possible Loan Losses	224,003	469,486	2,110
Other Expenses (Note 28)	438,643	793,303	4,132
Transfer to Other Reserves (Note 29)	0	0	0
Total Expenses	2,030,963	2,919,480	19,132
Income (Loss) before Income Taxes and Minority Interests	126,139	(706,257)	1,188
Income Taxes (Note 30):			
Current	7,831	10,582	73
Deferred	74,247	(228,401)	699
Minority Interests in Net Loss of Consolidated Subsidiaries	18,521	9,172	174
Net Income (Loss)	¥ 62,581	¥ (479,266)	\$ 589
		Yen	U.S. Dollars
Per Share of Common Stock:			
Net Income (Loss)	¥12.58	¥(124.72)	\$0.11
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, 2000 and 1999	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	1999	2000
Balance at Beginning of Year	¥164,329	¥ 670,761	\$1,548
Earned Surplus	—	559,131	—
Legal Reserve (Note 20)	—	111,630	—
Increase:			
Adjustment of Earned Surplus Due to the Change of Scope of Consolidated Subsidiaries	—	3,275	—
Adjustment of Earned Surplus Due to the Change of Scope of Companies Accounted for Using the Equity Method	—	1,827	—
Transfer from Land Revaluation Excess	2,115	—	19
Decrease:			
Dividends Paid	30,182	32,269	284
Decrease of Earned Surplus Due to Consolidation of Additional Subsidiaries	682	—	6
Net Income (Loss)	62,581	(479,266)	589
Balance at End of Year (Note 20)	¥198,161	¥ 164,329	\$1,866

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Sakura Bank, Limited and Subsidiaries

Year Ended March 31, 2000	Millions of	
	Millions of Yen	U.S. Dollars (Note 1)
	2000	2000
Cash Flows from Operating Activities		
Income before Income Taxes and Minority Interests	¥ 126,139	\$ 1,188
Depreciation	35,029	329
Amortization of Consolidation Difference	5,330	50
Equity in Losses of Affiliates	1,487	14
Increase in Reserve for Possible Loan Losses	11,419	107
Increase in Reserve for Possible Losses from Loans Sold to CCPC	(19,539)	(184)
Increase in Reserve for Retirement Allowances	(3,614)	(34)
Interest Income	(1,398,941)	(13,178)
Interest Expenses	745,550	7,023
Net Losses on Sales, Redemption, and Devaluation of Securities	(346,591)	(3,265)
Net Losses on Money Held in Trust	625	5
Net Exchange Losses	145,561	1,371
Net Losses on Dispositions of Premises and Equipment	12,209	115
Net Increase in Trading Assets	(542)	(5)
Net Decrease in Trading Liabilities	(194)	(1)
Net Increase in Trading Account Payable	408,834	3,851
Net Decrease in Loans and Bills Discounted	503,351	4,741
Net Increase in Deposits	415,842	3,917
Net Decrease in Borrowed Money (Except Subordinated Debt)	(214,107)	(2,017)
Net Increase in Due from Banks (Except for Demand Deposits with the Bank of Japan)	(247,833)	(2,334)
Net Increase in Call Loans, Commercial Paper and Other Debt Purchased	(162,311)	(1,529)
Net Increase in Collateral under Securities Borrowing Transactions	(335,705)	(3,162)
Net Increase in Call Money	253,678	2,389
Net Decrease in Commercial Paper	(99,731)	(939)
Net Decrease in Collateral under Securities Lending Transactions	(34,993)	(329)
Net Increase in Foreign Exchanges (Assets)	(7,101)	(66)
Net Increase in Foreign Exchanges (Liabilities)	6,994	65
Proceeds from Issuance of Straight Bonds (Except for Subordinated Bonds)	155,486	1,464
Interest Received	1,625,911	15,317
Interest Paid	(1,005,204)	(9,469)
Others, Net	325,421	3,065
Subtotal	902,462	8,501
Income Taxes Paid	(13,719)	(129)
Net Cash Provided by Operating Activities	888,743	8,372
Cash Flows from Investing Activities		
Purchase of Securities	(7,671,286)	(72,268)
Proceeds from Sales of Securities	5,672,199	53,435
Proceeds from Redemption of Securities	1,535,603	14,466
Investment in Money Held in Trust	(31,319)	(295)
Proceeds from Money Held in Trust	113,981	1,073
Purchase of Premises and Equipment	(54,707)	(515)
Proceeds from Sales of Premises and Equipment	67,918	639
Net Cash Used in Investing Activities	(367,609)	(3,463)
Cash Flows from Financing Activities		
Repayments for Subordinated Debt	(15,000)	(141)
Proceeds from Issuance of Subordinated Bonds	136,088	1,282
Payments for Redemption of Subordinated Bonds and Convertible Bonds	(103,257)	(972)
Dividends Paid	(30,182)	(284)
Dividends Paid to the Minority Shareholders	(9,767)	(92)
Purchase of Treasury Stock	(25)	(0)
Proceeds from Sales of Treasury Stocks	18	0
Net Cash Used in Financing Activities	(22,124)	(208)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	3,614	34
Net Increase in Cash and Cash Equivalents	502,623	4,735
Cash and Cash Equivalents at Beginning of Year	905,496	8,530
Net Increase in Cash and Cash Equivalents Due to the Inclusion of Subsidiaries in Consolidation	83	0
Net Decrease in Cash and Cash Equivalents Due to the Exclusion of Subsidiaries from Consolidation	(57)	(0)
Cash and Cash Equivalents at End of Year	¥1,408,146	\$13,265

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Sakura Bank, Limited and Subsidiaries

	Millions of Yen
Year Ended March 31, 1999	1999
Cash Flows from Operating Activities	
Net Loss	¥ (479,266)
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:	
Depreciation	37,528
Provision for Possible Loan Losses	469,486
Net Gains on Sales of Stocks and Other Securities	(103,342)
Net Gains on Dispositions of Premises and Equipment	(68,620)
Written-off Claims	476,048
Losses on Devaluation of Stock and Other Securities	108,369
Provision for Retirement Allowances	(1,104)
Deferred Income Taxes	(228,401)
Other, Net (Note 3, below)	35,333
Net Decrease in Due from Banks	627,395
Net Increase in Trading Assets	(271,700)
Net Decrease in Loans and Bills Discounted	1,581,643
Net Decrease in Bonds and Call Loans	310,884
Net Decrease in Commercial Paper and Debt Purchased	8,366
Net Decrease in Deposits	(3,521,887)
Net Decrease in Call Money	(846,796)
Net Increase (Decrease) in Borrowed Money (Note 2, below)	(647,731)
Net Increase in Commercial Paper	565,019
Net Change in Foreign Exchanges	160,546
Net Change in Accrual, Prepaid, and Unearned	192,283
Other, Net	(88,359)
Net Cash Used in Operating Activities	<u>(1,684,304)</u>
Cash Flows from Investing Activities:	
Proceeds from Settlement of Money Held in Trust	91,907
Proceeds from Sales of Stocks and Other Securities	1,109,025
Proceeds from Sales of Premises and Equipment	101,448
Investment in Money Held in Trust	—
Purchase of Stocks and Other Securities	(1,042,346)
Purchase of Premises and Equipment	(20,312)
Other, Net	(935)
Net Cash Provided by Investing Activities	<u>238,787</u>
Cash Flows from Financing Activities:	
Issuance of Common Stock	86,247
Issuance of Preferred Stock	800,000
Increase in Minority Interests Related to a Subsidiary's Preferred Stock	283,750
Increase (Decrease) in Subordinated Debt and Bonds	(113,317)
Redemption of Convertible Bonds	(3,156)
Dividends Paid	(32,269)
Net Cash Provided by Financing Activities	<u>1,021,254</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,329,759</u>
Cash and Cash Equivalents at End of Year	<u>¥ 905,496</u>
Supplemental Disclosure of Cash Flow Information	
Cash Paid during the Year for Income Taxes	¥ 111,034
Non-Cash Investing and Financing Activities	
Conversion of Preferred Stock to Common Stock	<u>15,576</u>

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.

Notes to Consolidated Financial Statements

Years Ended March 31, 2000 and 1999
The Sakura Bank, Limited and Subsidiaries

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" which may differ to some degree from accounting principles and practices generally accepted in countries and jurisdictions other than Japan and are compiled from the consolidated financial statements as required by the Securities and Exchange Law of 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 1999 and fiscal 1998 are to the Bank's fiscal years ended March 31, 2000 and 1999, 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 were not required as part of the basic financial statements in Japan until fiscal 1998 but were presented as additional information for the convenience of readers outside Japan for fiscal 1998. Effective April 1, 1999, the Bank adopted the new accounting standards for cash flows, which differ from those applied prior to fiscal 1999; the consolidated statement of cash flows for fiscal 1998 is not restated to be in conformity with the new standards.

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 ¥106.15 to US\$1, the exchange rate effective at the latest balance sheet date of March 31, 2000. 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 1999 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%

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.

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, 2000 and 1999, was as follows:

	2000	1999
Consolidated Subsidiaries	51	53
Subsidiaries and Affiliates accounted for using the equity method	32	39

The net decrease in the number of consolidated subsidiaries and equity method subsidiaries and affiliates listed above is mainly due to stock sales or mergers whereby consolidation or equity method accounting for certain subsidiaries or affiliates was no longer required. The decrease was partially offset by the establishment of new subsidiaries, the purchase of additional stock or the injection of capital that required their consolidation or the equity method of accounting.

All significant intercompany transactions, account balances and unrealized profits and losses 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 consolidated subsidiary and the Bank's share of the underlying equity in the net assets fair value of the consolidated 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 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 stated 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) Depreciation Method

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.

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.

Capitalized software for internal use is depreciated by the straight-line method based on the Bank and its subsidiaries' estimated useful lives (mainly five years). Capitalized software for internal use was included in other assets.

(g) Accounting for Leases

All leases by the Bank and its domestic consolidated subsidiaries have been accounted for as operating leases. Under Japanese accounting standards for leases, if 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.

(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.

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.

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 ¥1,125,967 million and ¥1,457,662 million for fiscal 1999 and 1998, respectively.

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, 1999 (based on the latest available accounts of the pension plan), was ¥60,758 million. Prior service costs are being amortized and the remaining amortization period is 15 years.

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, 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. 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 amount equivalent to the tax on the revaluation is provided as deferred tax liability for land revaluation, and the remaining amount after the deferred tax liability is included in stockholders' equity as land revaluation excess.

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

The date of land revaluation: March 31, 1998

The revaluation of land used for banking business was rationally made, reflecting appropriate adjustments for land shape, timing of the appraisal, etc., based on the appraisal reports for real estate issued by real estate appraisers under Law of Land Revaluation.

The excess of book value over current value was ¥29,181 million as of March 31, 2000 and ¥12,265 million as of March 31, 1999.

(l) Income Taxes

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

(m) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits with the Bank of Japan.

(n) Appropriation of Earned Surplus

Cash dividends 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.

(o) 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, however, this calculation of dilution is not applicable due to a net loss. For fiscal 1999, diluted net income per common share is not applicable because it is anti-dilutive.

(p) 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, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Trading Securities	¥ 507,191	¥ 487,708	\$ 4,778
Trading-Related Financial Derivatives	112,498	222,816	1,059
Other Trading Assets	805,338	738,259	7,586
Total	¥1,425,028	¥1,448,784	\$13,424

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

3. Securities

Securities as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Japanese Government Bonds	¥1,870,908	¥1,436,408	\$17,625
Japanese Local Government Bonds	137,619	123,369	1,296
Corporate Bonds	448,294	428,361	4,223
Corporate Stocks	3,515,820	3,282,088	33,121
Other	956,102	994,665	9,007
Total	¥6,928,746	¥6,264,893	\$65,273

Corporate stocks and other include investments in unconsolidated subsidiaries and affiliates totaling ¥27,425 million (US\$258 million) and ¥29,130 million as of March 31, 2000 and 1999, respectively.

4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Bills Discounted	¥ 585,254	¥ 448,138	\$ 5,513
Loans on Bills	3,469,320	3,627,844	32,683
Loans on Deeds	21,817,990	22,816,758	205,539
Overdrafts	6,440,517	6,058,077	60,673
Financing Receivables, Including Leasing	20,127	12,055	189
Total	¥32,333,211	¥32,962,873	\$304,599

"Past due loans" includes loans classified as "possible bankruptcy" and "virtual bankruptcy" under the Bank's self-assessment guidelines. Accrual interest receivable for these categories is not recognized as accrual for accounting purposes.

The loans and bills discounted include loans held by the Bank and its consolidated subsidiaries to borrowers in bankruptcy totaling ¥176,313 million (US\$1,660 million) and ¥169,347 million as of March 31, 2000 and 1999, respectively, as well as past due loans held by the Bank and its consolidated subsidiaries totaling ¥1,274,607 million (US\$12,007 million) and ¥1,276,109 million as of March 31, 2000 and 1999, respectively.

In addition to "Past due loans" as defined, certain other loans classified as "caution" under the Bank's self-assessment guidelines include "Past due loans (3 months or more)."

"Past due loans (3 months or more)" are 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 balances of past due loans (3 months or more) as of March 31, 2000 and 1999, were ¥39,777 million (US\$374 million) and ¥84,304 million, respectively.

“Restructured loans” are loans in respect of which the Bank and its subsidiaries are 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 balances of restructured loans as of March 31, 2000 and 1999, were ¥170,741 million (US\$1,608 million) and ¥237,105 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 as of March 31, 1999.

5. Foreign Exchanges

Foreign exchange assets and foreign exchange liabilities as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
			2000
Assets:			
Due from Foreign Banks	¥ 14,786	¥ 16,068	\$ 139
Foreign Bills of Exchange Bought	217,114	179,570	2,045
Foreign Bills of Exchange Receivables	84,493	113,799	795
Total	¥316,395	¥309,438	\$2,980
Liabilities:			
Due to Foreign Banks	¥ 17,321	¥ 13,700	\$ 163
Foreign Bills of Exchange Sold	3,066	2,951	28
Foreign Bills of Exchange Payables	8,958	5,726	84
Total	¥ 29,346	¥ 22,378	\$ 276

6. Other Assets

Other assets as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of
	2000	1999	U.S. Dollars
			2000
Prepaid Expenses	¥ 68,333	¥ 41,176	\$ 643
Accrued Income	557,122	659,555	5,248
Other	2,122,524	2,266,937	19,995
Total	¥2,747,979	¥2,967,669	\$25,887

7. Premises and Equipment

Premises and equipment as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Land	¥ 495,244	¥ 477,958	\$ 4,665
Buildings	268,480	231,722	2,529
Equipment	212,059	213,753	1,997
Other	301,508	130,666	2,840
Total	1,277,293	1,054,100	12,032
Accumulated Depreciation	421,566	298,133	3,971
Net Book Value	¥ 855,726	¥ 755,966	\$ 8,061

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 were ¥114,827 million (US\$1,081 million) and ¥118,331 million as of March 31, 2000 and 1999, respectively.

8. Reserve for Possible Loan Losses

Reserve for possible loan losses as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
General Reserve	¥227,338	¥242,654	\$2,141
Specific Reserve	454,849	424,038	4,284
Total	¥682,188	¥666,692	\$6,426

The specific reserve includes reserve for loans to restructuring countries.

The reserve for possible loan losses of the Bank was reported on the liabilities side of the balance sheet in fiscal 1998. Beginning fiscal 1999, all reserves for possible loan losses are presented on the last line of the asset side of the balance sheet in a lump sum as a deduction from the accounts subject to the reserve, because of the amendment of the Banking Law Ministerial Ordinance. This change in method decreased the asset and liability amounts by ¥682,188 million (US\$6,426 million).

9. Assets Pledged as Collateral

Assets pledged as collateral and debts collateralized as of March 31, 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	2000	2000
Assets Pledged as Collateral			
Securities	¥ 654,854		\$ 6,169
Loans and Bills Discounted	1,122,063		10,570
Other Assets	39,308		370
Premises and Equipment	1,414		13
Debts Collateralized			
Deposits	78,711		741
Call Money	945,700		8,909
Borrowed Money	96,754		911
Other Liabilities	72,706		684

In addition, securities with a balance of ¥1,107,597 million (US\$10,434 million), loans of ¥9,627 million (US\$90 million) and other assets of ¥97,638 million (US\$919 million) were collateral for exchange settlement and replacement of margin for future tradings and so on.

10. Deposits

Deposits as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Current Deposits	¥ 1,947,618	¥ 1,814,069	\$ 18,347
Ordinary Deposits	8,902,508	7,181,470	83,867
Deposits at Notice	3,981,865	3,552,245	37,511
Time Deposits	13,137,772	15,539,304	123,766
Negotiable Certificates of Deposits	3,512,634	2,735,842	33,091
Other	2,256,217	2,545,682	21,254
Total	¥33,738,616	¥33,368,615	\$317,839

11. Call Money

Call money as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Call Money	¥2,283,799	¥2,195,205	\$21,514
Bills Sold	295,700	132,500	2,785
Total	¥2,579,499	¥2,327,705	\$24,300

12. Trading Liabilities

Trading liabilities as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Trading Securities	¥146,536	¥141,242	\$1,380
Trading-Related Financial Derivatives	214,169	239,835	2,017
Total	¥360,706	¥381,077	\$3,398

13. Borrowed Money

Borrowed money as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Bills Rediscounted	¥ 23,053	¥ 9,334	\$ 217
Borrowings from The Bank of Japan and Other Financial Institutions	559,519	403,532	5,271
Subordinated Debt	716,237	729,589	6,747
Other	209,972	535,218	1,978
Total	¥1,508,783	¥1,677,674	\$14,213

14. Bonds

Bonds as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Subordinated Bonds	¥ 877,767	¥889,616	\$8,269
Other	175,586	22,780	1,654
Total	¥1,053,354	¥912,397	\$9,923

15. Convertible Bonds

Convertible bonds as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
2.625% U.S. Dollar Convertible Bonds Due 2003	¥95	¥ 95	\$ 0
1.750% U.S. Dollar Convertible Bonds Due 2002	—	2,113	—
Total	¥95	¥2,208	\$ 0

The above 1.750% U.S. dollar convertible bonds due 2002 were redeemed at October 25, 1999. The balance at redemption was ¥2,113 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 price per share is as follows:

	Conversion Price Per Share March 31, 2000	Fixed Exchange Rate
2.625% U.S. Dollar Convertible Bonds Due 2003	¥2,332.60	¥131.40=US\$1

16. Other Liabilities

Other liabilities as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Accrued Expenses	¥ 202,906	¥ 434,465	\$ 1,911
Unearned Income	97,681	97,250	920
Reserves for Taxes	8,325	14,082	78
Trading Account Payable	988,801	580,633	9,315
Collateral under Securities Lending Transactions	1,081,122	1,116,115	10,184
Other	2,175,041	2,190,834	20,490
Total	¥4,553,878	¥4,433,381	\$42,900

17. Other Reserves

Other reserves as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Reserve for Contingent Liabilities from Brokering of Financial Futures Transactions	¥ 9	¥ 9	\$ 0
Reserve for Contingent Liabilities from Brokering of Securities Transactions	503	2	4
Total	¥513	¥12	\$4

18. Acceptances and Guarantees

Acceptances and guarantees as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Acceptances	¥ 31,909	¥ 10,849	\$ 300
Letters of Credit	178,131	224,104	1,678
Guarantees	1,282,586	1,735,687	12,082
Total	¥1,492,628	¥1,970,640	\$14,061

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 and its subsidiaries' right of indemnity from customers.

19. Capital Stock and Capital Surplus

The authorized number of shares of capital stock (common stock and preferred stock) as of March 31, 2000, 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) 1,027,772 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, 2000 and 1999, were as follows:

	Common Stock		Preferred Stock		Capital Surplus
	Shares (thousands)	Stated Value	Shares (thousands)	Stated Value	Stated Value
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
Conversion of Preferred Stocks	34,175	8,535	(8,535)	(8,535)	—
March 31, 2000	4,117,297	¥639,934	802,772	¥402,772	¥899,521
Millions of U.S. Dollars	—	\$6,028	—	\$3,794	\$8,474

Under the Japanese Commercial Code (the "Code"), at least 50% 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.

Holders of Series II preferred shares issued on October 1, 1996, are entitled, to priority as to the payment of dividends and as to distributions on liquidation of the Bank to common stock of the Bank, to receive noncumulative dividends of ¥15 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, to priority as to the payment of dividends and as to distributions on liquidation of the Bank, ranking equally with Series II Preferred Stocks, 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.

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 is ¥674 per share.

20. Earned Surplus

Legal reserve as of March 31, 2000 and 1999, is included in earned surplus. The changes for the years ended March 31, 2000 and 1999, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Balance at Beginning of Year	¥118,084	¥111,630	\$1,112
Appropriation of Earned Surplus	6,036	6,453	56
Balance at End of Year	¥124,120	¥118,084	\$1,169

Under the Banking Law of Japan, an amount equivalent to at least 20% of any distribution of profits must be appropriated as a legal reserve until such reserve equals 100% 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.

21. Other Interest Income

The composition of other interest income for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Deposits with Banks	¥ 25,884	¥ 52,260	\$ 243
Interest Swaps	371,105	407,157	3,496
Other	117,128	114,419	1,103
Total	¥514,118	¥573,837	\$4,843

22. Other Operating Income

The composition of other operating income for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Gains on Foreign Exchange Transactions	¥31,714	¥ 18,753	\$298
Gains on Sales of Bonds	22,206	81,662	209
Gains on Redemption of Bonds	3,690	3,133	34
Other	41,650	954	392
Total	¥99,261	¥104,503	\$935

23. Other Income

The composition of other income for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Gains on Sales of Stocks and Other Securities	¥427,122	¥155,531	\$4,023
Gains on Money Held in Trust	471	2,013	4
Gains on Dispositions of Premises and Equipment	7,754	72,683	73
Recoveries of Written-off Claims	1,848	1,262	17
Equity in Earnings of Affiliates	—	655	—
Other	17,998	35,509	169
Total	¥455,196	¥267,656	\$4,288

24. Transfer from Other Reserves

The composition of transfer from other reserves for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Reserve for Possible Losses from Trading			
Account Securities Transactions	¥—	¥49	\$—
Reserve for Contingent Liabilities from Brokering of Securities Transactions	3	0	0
Total	¥ 3	¥49	\$ 0

25. Other Interest Expenses

The composition of other interest expenses for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Convertible Bonds	¥ 17	¥ 92	\$ 0
Interest Swaps	370,907	392,421	3,494
Other	119,530	153,519	1,126
Total	¥490,455	¥546,034	\$4,620

26. Other Operating Expenses

The composition of other operating expenses for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Losses on Sales of Bonds	¥15,510	¥22,395	\$146
Losses on Redemption of Bonds	6,262	7,529	58
Losses on Devaluation of Bonds	475	3,920	4
Other	45,635	6,880	429
Total	¥67,883	¥40,725	\$639

27. General and Administrative Expenses

The composition of general and administrative expenses for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Salaries and Welfare Expenses	¥221,317	¥238,437	\$2,084
Retirement Benefits	32,611	21,651	307
Depreciation	35,029	37,528	329
Rent and Lease Expenses	44,793	43,750	421
Taxes and Public Impositions	25,430	31,597	239
Other	128,289	144,275	1,208
Total	¥487,472	¥517,241	\$4,592

Other includes the cost of research and development of ¥225 million (US\$2 million) for fiscal 1999.

28. Other Expenses

The composition of other expenses for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Written-off Claims	¥146,374	¥476,048	\$1,378
Losses on Sales of Stocks and Other Securities	50,925	52,189	479
Losses on Devaluation of Stocks and Other Securities	33,255	108,369	313
Losses on Money Held in Trust	1,097	5,903	10
Losses on Dispositions of Premises and Equipment	19,964	4,062	188
Other	187,026	146,729	1,761
Total	¥438,643	¥793,303	\$4,132

Other includes provisions for possible losses from loans sold to CCPC of ¥55,905 million (US\$526 million) and equity in losses of affiliates of ¥1,487 million (US\$14 million) for fiscal 1999.

29. Transfer to Other Reserves

The composition of transfer to other reserves for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Reserve for Contingent Liabilities from Broking of Financial Futures Transactions	¥0	¥0	\$0
Total	¥0	¥0	\$0

30. 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 42.05% for fiscal 1999, and 46.4% for fiscal 1998.

The actual effective tax rates for fiscal 1999 and 1998, 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) the new establishment of Tokyo Metropolitan Government's ordinance concerning the special treatment for the standard of enterprise taxes to banking industries, (3) different tax rates for the subsidiaries outside Japan, (4) valuation allowance for deferred income tax assets, and (5) dividend excluded from taxable income in fiscal 1999.

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Income Taxes (Corporation, Inhabitants and Enterprise) (a)	¥ 82,079	¥(217,818)	\$ 773
Income (Loss) before Income Taxes and Minority Interests (b)	¥126,139	¥(706,257)	\$1,188
Actual Effective Tax Rates ((a)/(b))	65.0%	30.8%	65.0%

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred income taxes (assets and liabilities) at March 31, 2000 and 1999, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Deferred Income Taxes (Assets):			
Non-Deductible Portion of Reserve for			
Possible Loan Losses	¥440,289	¥456,342	\$4,147
Tax Loss Carryforwards	90,826	124,697	855
Other	88,352	107,998	832
Subtotal	¥619,467	¥689,038	\$5,835
Valuation Allowance	(7,749)	—	(73)
Total	¥611,718	¥689,038	\$5,762
Deferred Income Taxes (Liabilities):			
Reserve for Losses on Overseas Investment	¥ (24)	¥ (21)	\$ (0)
Other	(271)	—	(2)
Total	(295)	(21)	(2)
Net Deferred Income Taxes	¥611,423	¥689,017	\$5,759

Due to the establishment of the Tokyo Metropolitan Government's ordinance concerning the special treatment for the standard of enterprise taxes to banking industries on March 31, 2000, the normal statutory tax rate for the computation of deferred income tax assets and liabilities decreased from 42.05% to 39.62%. This change decreased the amount of deferred income tax assets by ¥35,791 million and increased deferred income tax in fiscal 1999 by the same amount. The amount of deferred income tax liabilities for land revaluation decreased by ¥1,968 million as a result of the revaluation and increased the land revaluation excess by the same amount.

Due to the establishment of the Osaka Prefectural Government's ordinance concerning the special treatment for the standard of enterprise taxes to banking industries on June 9, 2000, the normal statutory tax rate for the computation of deferred tax assets and liabilities will decrease from 39.62% to 39.20%. This change will decrease the amount of deferred income tax assets and deferred income tax liabilities for land revaluation by ¥6,186 million and ¥340 million, respectively. The actual figure may differ from the above because of the calculation considering the temporary difference at the end of next period.

31. Leases

Finance leases where the ownership of the property is not deemed to transfer to the lessee as of March 31, 2000 and 1999, consisted of the following:

(i) As Lessee

Acquisition cost, accumulated depreciation and net balance of the leased property as of March 31, 2000 and 1999, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Acquisition Cost	¥7,078	¥38,039	\$66
Accumulated Depreciation	5,324	18,922	50
Net Balance	¥1,754	¥19,117	\$16

The acquisition cost amount includes the imputed interest expense portion, because of its immateriality. Obligations as of March 31, 2000 and 1999, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Due within One Year	¥1,060	¥ 5,177	\$ 9
Due after One Year	693	13,939	6
Total	¥1,754	¥19,117	\$16

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

Total lease payments were ¥1,847 million (US\$17 million) and ¥6,436 million, and depreciation were ¥1,847 million (US\$17 million) and ¥6,436 million for the year ended March 31, 2000 and 1999, respectively. 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, 2000 and 1999, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Acquisition Cost	¥143,665	¥33,487	\$1,353
Accumulated Depreciation	74,077	15,251	697
Net Balance	¥ 69,587	¥18,235	\$ 655

Future lease payment receivables as of March 31, 2000 and 1999, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Due within One Year	¥31,004	¥ 6,355	\$292
Due after One Year	63,428	23,002	597
Total	¥94,432	¥29,357	\$889

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

Total lease revenues were ¥23,585 million (US\$222 million) and ¥7,608 million, and depreciation were ¥14,642 million (US\$137 million) and ¥3,188 million for the year ended March 31, 2000 and 1999, respectively.

Operating leases as of March 31, 2000 and 1999, consisted of the following:

(i) As Lessee

The minimum rental commitments under noncancellable operating leases as of March 31, 2000 and 1999, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	1999	2000
Due within One Year	¥ 1,344	¥ 1,819	\$12
Due after One Year	8,693	10,364	81
Total	¥10,038	¥12,183	\$94

(ii) As Lessor

There were no minimum rental commitments receivable under noncancelable operating leases as of March 31, 2000 and 1999, respectively.

32. Market Value of Marketable Securities

The market value of marketable securities as of March 31, 2000, was as follows:

Securities

	Millions of Yen				
March 31, 2000	Book Value	Market Value	Net Unrealized Gain (Loss)	Unrealized Gain	Unrealized Loss
Bonds	¥ 485,177	¥ 460,384	¥ (24,793)	¥ 3,490	¥ 28,284
Stocks	3,361,262	3,977,851	616,588	1,011,530	394,941
Others	461,115	461,187	72	14,540	14,468
Total	¥4,307,555	¥4,899,422	¥591,866	¥1,029,561	¥437,694

- Notes: 1. Figures in the above table are for marketable securities listed on Securities Exchanges. The fair market value of listed bonds is calculated mainly using the closing prices on the Tokyo Stock Exchange at the consolidated balance sheet date or the prices calculated under the yield published on the Japan Securities Dealers Association's Indication Chart in most cases. Other listed securities are calculated primarily using the closing price on the Tokyo Stock Exchange at the balance sheet date. "Others" are mainly foreign bonds.
2. Listed below are figures calculated to correspond to the fair market value of unlisted securities if it is possible to calculate.

	Millions of Yen				
March 31, 2000	Book Value	Market Value	Net Unrealized Gain (Loss)	Unrealized Gain	Unrealized Loss
Bonds	¥1,571,230	¥1,569,330	¥ (1,900)	¥ 5,331	¥ 7,231
Stocks	37,807	101,720	63,913	71,806	7,893
Others	100,291	101,176	884	2,756	1,872
Total	¥1,709,330	¥1,772,226	¥62,896	¥79,894	¥16,998

Values of non-listed securities are calculated using the Japan Securities Dealers Association's figures for securities traded over the counter, using the prices calculated under the yield published on the Japan Securities Dealers Association's Indication Chart for public bonds, and using standard prices for the beneficiary certificate of securities investment trusts. "Others" are mainly beneficiary certificates of securities investment trusts.

3. Securities excluded from the above information on values of the consolidated balance sheet are principally as follows:

	Millions of Yen
March 31, 2000	Book Value
Bonds	¥400,413
Stocks	116,750
Others	394,696

4. Figures on Trading Account Securities and Securities Related to Trading Transactions are omitted from the above tables because those securities are valued at market prices and evaluation gains (losses) are stated in the consolidated statement of operations.

Money Held in Trust

	Millions of Yen				
March 31, 2000	Book Value	Market Value	Net Unrealized Gain (Loss)	Unrealized Gain	Unrealized Loss
Money Held in Trust	¥72,581	¥72,887	¥305	¥542	¥237

Note: The market value represents the prices that the fiduciaries of money held in trust calculated in accordance with the following methods:

- The fair market value of listed securities is calculated mainly using the closing prices on the Tokyo Stock Exchange at the consolidated balance sheet date.
- Values of non-listed stocks are calculated using the Japan Securities Dealers Association's figures for securities traded over the counter.

33. Derivatives Transactions

Purpose of Derivatives Transactions

The Bank and its subsidiaries actively use 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, the Bank and its subsidiaries use advanced value at risk (VaR) modeling to quantify the maximum total exposure worldwide. In the 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 accordance with BIS guidelines. According to this model, the maximum VaR due to general market risk in the Bank's trading account, including derivatives, was ¥8.9 billion in fiscal 1999, the minimum was ¥3.1 billion and the average was ¥5.0 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, 2000, as calculated according to the current-exposure method specified in BIS guidelines, came to ¥1,155.7 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 receipts 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 gains or losses 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 necessarily 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.

Derivative Financial Instruments Transactions

Outstanding derivative financial instruments as of March 31, 2000, were as follows:

Interest Rate Related Transactions

March 31 Millions of Yen	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)
	Total	Over One Year		
Listed Transactions:				
Futures Contracts:				
Sell	¥ 9,784,429	¥ 670,310	¥9,765,752	¥ 18,677
Buy	5,657,962	249,452	5,651,207	(6,754)
Options:				
Sell				
Call	13,776,338	—		
Option Premiums	3,441		556	2,884
Put	12,329,538	—		
Option Premiums	2,609		1,786	822
Buy				
Call	6,025,776	—		
Option Premiums	1,059		407	(652)
Put	5,323,445	—		
Option Premiums	1,720		1,581	(139)
Unlisted Transactions:				
Swaps:				
Receive Fixed Rate				
Pay Floating Rate	34,478,328	15,236,759	573,908	573,908
Receive Floating Rate				
Pay Fixed Rate	24,638,127	8,588,126	(267,975)	(267,975)
Receive Floating Rate				
Pay Floating Rate, etc.	25,024	17,796	(135)	(135)
Others:				
Sell	609,287	599,271		
Option Premiums	2,688		1,148	1,539
Buy	123,982	113,966		
Option Premiums	1,429		827	(603)
Total	¥	/ ¥	/ ¥	/ ¥321,572

Notes: 1. Market values

The market values listed represent the closing prices on the Tokyo International Financial Futures Exchange and other exchanges at the consolidated balance sheet date.

The market values of unlisted 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 consolidated balance sheet.

3. "Others" consists of cap, floor and swaption transactions.

4. The market value and unrealized gain/(loss) on interest swap transaction at March 31, 2000, include ¥343,651 million of accrued swap interest that was stated in the consolidated statements of operations.

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

March 31 Millions of Yen				2000
	One Year or Less	More than One Year to Three Years	Over Three Years	Total
Receive Fixed Rate				
Pay Floating Rate	¥19,241,568	¥12,494,950	¥2,741,809	¥34,478,328
Receive Floating Rate				
Pay Fixed Rate	16,050,001	5,586,090	3,002,035	24,638,127
Receive Floating Rate				
Pay Floating Rate, etc.	7,227	4,350	13,446	25,024

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 consolidated statements of operations.

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

March 31 Millions of Yen			2000
	Contract Values or Notional Principal Amounts	Market Values	
Listed Transactions			
Futures Contracts:			
Sell	¥ 422,513	¥ 422,244	
Buy	585,857	583,533	
Options:			
Sell			
Call	1,891,590		
Option Premiums	260	23	
Put	2,560,186		
Option Premiums	446	231	
Buy			
Call	736,133		
Option Premiums	173	27	
Put	1,332,250		
Option Premiums	279	126	
Unlisted Transactions			
Forward Rate Agreements:			
Sell	678,521	678,458	
Buy	1,324,902	1,325,226	
Swaps:			
Receive Fixed Rate/Pay Floating Rate	34,706,694	385,949	
Receive Floating Rate/Pay Fixed Rate	32,590,848	(506,149)	
Receive Floating Rate/Pay Floating Rate, etc.	1,636,745	(13,467)	
Others:			
Sell	3,411,883		
Option Premiums	9,329	21,935	
Buy	3,077,923		
Option Premiums	4,886	58,646	

Currency and Foreign Exchange Related Transactions

March 31 Millions of Yen	Contract Values or Notional Principal Amounts		Market Values	Unrealized Loss
	2000			
	Total	Over One Year		
Unlisted Transactions:				
Currency Swaps:	¥2,779,199	¥1,179,058	¥(54,273)	¥54,273
U.S. Dollar	1,866,061	935,342	(43,375)	43,375
Others	913,137	243,715	(10,897)	10,897

Notes: 1. Market values

The market values are calculated by using discounted present value.

2. The market value or unrealized loss for currency swap transaction at March 31, 2000, includes ¥6,647 million (loss) of accrued swap interest that was stated in the consolidated 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 consolidated statements of operations.

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

March 31 Millions of Yen	Contract Values or Notional Principal Amounts		Market Values
	2000		
Unlisted Transactions			
Currency Swaps:	¥3,887,543	¥	(5,539)
U.S. Dollar	2,599,267		(15,018)
German Mark	554,556		(2,833)
Others	733,720		12,312

4. Forward foreign exchange contracts, currency options and other currency-related derivative financial instruments are not shown here because they were revalued at the consolidated balance sheet date and their gain/(loss) were included in the consolidated statements of operations, or because they are reflected on the consolidated balance sheets as foreign currency denominated monetary assets and liabilities.

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

March 31 Millions of Yen	Contract Values or Notional Principal Amounts	
	2000	
Listed Transactions		
Currency Futures:		¥
Sell		356
Buy		20
Unlisted Transactions		
Forward Foreign Exchange Contracts:		¥
Sell		2,185,551
Buy		3,697,674
Currency Options:		
Sell		
Call		188,930
Option Premiums		4,105
Put		170,453
Option Premiums		3,600
Buy		
Call		156,601
Option Premiums		2,368
Put		178,950
Option Premiums		4,473

Equity-Related Transactions

2000

March 31 Millions of Yen	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain/(Loss)
	Total	Over One Year		
Unlisted Transactions:				
Options:				
Sell				
Call	¥ 198	¥—		
Option Premiums	1		¥ 0	¥ 1
Put	—	—		
Option Premiums			—	—
Buy				
Call	198	—		
Option Premiums	1		0	(0)
Put	—	—		
Option Premiums			—	—
Equity-Related Swaps	897,438	—	(18,554)	(18,554)
Total	¥ /	¥ /	¥ /	¥(18,554)

Notes: 1. Market values

The market values is calculated by using the pricing method, based on the closing prices on the Tokyo Stock Exchange at the consolidated balance sheet date.

- Option premiums shown in this table are accounted for on the consolidated balance sheet.
- Derivative financial products transactions that are included in trading account are not shown here because those transactions were valued at their fair market prices and evaluation gain/(loss) was included in the consolidated statements of operations.

Contract values included in trading account are as follows:

2000

March 31 Millions of Yen	Contract Values or Notional Principal Amounts		Market Values
Listed Transactions			
Stock Index Futures Contracts:			
Sell	¥ 1,536		¥1,530
Buy	101		101
Stock Index Options:			
Sell			
Call	11,740		
Option Premiums	36		37
Put	21,880		
Option Premiums	26		31
Buy			
Call	4,578		
Option Premiums	53		97
Put	1,902		
Option Premiums	53		30

Bond-Related Transactions

March 31 Millions of Yen	Contract Values or Notional Principal Amounts		Market Values	Unrealized Loss
	Total	Over One Year		
	2000			
Listed Transactions:				
Futures Contracts:				
Sell	¥74,904	¥—	¥76,182	¥1,277
Buy	—	—	—	—
Total	¥ /	¥ /	¥ /	¥1,277

Notes: 1. The market values listed represent the closing prices on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date.

2. 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 consolidated statements of operations.

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

March 31 Millions of Yen	Contract Values or Notional Principal Amounts		Market Values
	2000		
Listed Transactions			
Futures Contracts:			
Sell		¥28,726	¥28,818
Buy		35,094	35,147
Futures Options:			
Sell			
Call		838	
Option Premiums		5	2
Put		8,580	
Option Premiums		11	7
Buy			
Call		4,477	
Option Premiums		16	11
Put		37,370	
Option Premiums		90	14
Unlisted Transactions			
Options:			
Sell			
Call		—	
Option Premiums		—	—
Put		21,670	
Option Premiums		251	118
Buy			
Call		29,272	
Option Premiums		167	106
Put		7,837	
Option Premiums		51	14

34. 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

Year Ended March 31, 2000								Millions of Yen	
	Domestic	Americas	Europe	Asia and Oceania	Interarea Elimination	Subtotal	Reclassi- fication	Consolidated Total	
Ordinary Income/									
Total Income									
Customers	¥ 1,808,407	¥ 129,272	¥ 90,029	¥ 119,786	¥ —	¥ 2,147,495	¥ 9,606	¥ 2,157,102	
Intersegment	77,421	23,014	21,863	15,752	(138,052)	—	—	—	
Total	1,885,829	152,286	111,893	135,539	(138,052)	2,147,495	9,606	2,157,102	
Ordinary Expenses/									
Total Expenses									
	1,772,018	143,625	109,852	122,775	(137,274)	2,010,998	19,964	2,030,963	
Ordinary Profit (Loss)/									
Income (Loss) before									
Income Taxes	¥ 113,810	¥ 8,661	¥ 2,040	¥ 12,764	¥ (778)	¥ 136,497	¥(10,357)	¥ 126,139	
Millions of U.S. Dollars	\$ 1,072	\$ 81	\$ 19	\$ 120	\$ (7)	\$ 1,285	\$ (97)	\$ 1,188	
Assets									
Millions of U.S. Dollars	\$ 44,745,840	\$ 2,319,292	\$ 1,062,201	\$ 3,070,871	\$ (2,702,596)	\$ 48,495,608	\$ —	\$ 48,495,608	
	\$ 421,534	\$ 21,849	\$ 10,006	\$ 28,929	\$ (25,460)	\$ 456,859	\$ —	\$ 456,859	

Year Ended March 31, 1999								Millions of Yen	
	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	4,063	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)	
Assets	¥45,516,552	¥2,577,289	¥1,070,154	¥2,887,072	¥(3,036,064)	¥49,015,005	¥ —	¥49,015,005	

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, 2000 and 1999, 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.

(c) Foreign Operating Income

	Millions of Yen	Millions of U.S. Dollars
	2000	2000
(i) Foreign Operations	¥ 339,087	\$ 3,194
(ii) Consolidated Total Income	2,147,495	20,230
(i) / (ii)	15.7%	15.7%

From fiscal 1999, foreign operating income is listed in place of ordinary income from international operations to express foreign trading activities more correctly. Foreign operating income comprises 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.

Ordinary income from international operations for fiscal 1998 was ¥839,959 million.

35. Subsequent Events

- (a) The following appropriation of earned surplus of the Bank for the year ended March 31, 2000, was approved at the stockholders' meeting held on June 29, 2000.

	Millions of Yen	Millions of U.S. Dollars
Transfer to Legal Reserve	¥ 3,570	\$ 33
Dividends:		
Series II Preferred (¥7.50 per Share)	20	0
Series III Preferred (¥6.85 per Share)	5,480	51
Common (¥3.00 per Share)	12,351	116
Total	¥21,423	\$201

- (b) At the general stockholders' meeting held on June 29, 2000, 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 291 thousand shares of the Bank's common stock in the period from June 30, 2002 to June 29, 2010. 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.

- (c) Contract of Merger between Sakura Bank and Sumitomo Bank

The Bank and the Sumitomo Bank, Limited, have signed a contract of merger on May 22, 2000 and the terms of the merger were approved at the ordinary meeting of shareholders and shareholders' meetings of a particular class of shares held on June 29, 2000, and June 28, 2000, respectively.

Pursuant to the terms of the merger, the Bank will merge with the Sumitomo Bank on April 1, 2001, and the Sumitomo Bank will be the surviving entity of the merger legally. Concurrently, the Sumitomo Bank will change its corporate name to "Sumitomo Mitsui Banking Corporation".

Each share of the Bank's common stock, par value ¥50 per share, will be exchanged for 0.6 shares of a common stock of the surviving entity "Sumitomo Mitsui Banking Corporation".

- (d) TOB (Take Over Bid) to the Minato Bank

The Bank carried out a TOB (take over bid) to the shareholders of the Minato Bank with the upper limit of 142 million shares and lower limit of 53 million shares to consolidate the Minato Bank in the accounting.

The bidding price was ¥240 per share and the purchase period was from June 13, 2000 to July 24, 2000.



To the Board of Directors of
The Sakura Bank, Limited

We have examined the consolidated balance sheets of The Sakura Bank, Limited, and consolidated subsidiaries as of March 31, 2000 and 1999, 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 consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, The Sakura Bank, Limited and consolidated subsidiaries have adopted new accounting standards for the statements of cash flows in the preparation of their consolidated financial statements for the year ended March 31, 2000.

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. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

As described in Note 35 to the consolidated financial statements, The Sakura Bank, Limited, and The Sumitomo Bank, Limited, have signed a contract of merger on May 22, 2000 and the terms of the merger were approved at the ordinary meeting of shareholders and shareholders' meetings of a particular class of shares held on June 29, 2000, and June 28, 2000, respectively.

Tohmatsu & Co.

Century Ota Showa & Co.

Tokyo, Japan
June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of The Sakura Bank, Limited and consolidated subsidiaries under Japanese accounting principles and practices.

Non-Consolidated Financial Highlights

Years Ended March 31

Millions of Yen	2000	1999	1998	1997	1996
For the Year					
Total Income	¥ 1,930,928	¥ 2,045,139	¥ 2,833,166	¥ 2,538,645	¥ 2,502,086
Total Expenses	1,776,858	2,693,827	2,948,431	2,480,239	2,882,511
Income (Loss) before Income Taxes	154,069	(648,688)	(115,265)	58,406	(380,425)
Net Income (Loss)	57,117	(375,315)	(220,516)	51,042	(426,830)
At Year-End					
Total Assets	¥46,559,485	¥47,208,716	¥51,650,386	¥53,131,014	¥52,824,386
Loans and Bills Discounted	31,939,952	32,291,263	35,083,771	36,833,937	36,713,909
Securities	6,911,602	6,217,570	6,449,372	7,062,157	6,893,715
Total Liabilities	44,307,196	44,985,195	50,352,273	51,579,961	51,443,079
Deposits	33,342,655	32,965,621	36,380,770	38,270,539	38,808,092
Total Stockholders' Equity	2,252,289	2,223,521	1,298,113	1,551,052	1,381,306
Common Stock	639,934	631,399	572,562	475,735	475,735
Preferred Stock	402,772	411,307	26,883	123,710	48,710

Business Performance

Years Ended March 31

Millions of Yen (Except per share data, %)	2000	1999	1998	1997	1996
Gross Operating Profit:	¥ 711,915	¥ 699,181	¥ 730,391	¥ 720,834	¥ 768,448
Loan Loss Provision (Reversal)	(14,625)	101,176	1,716	357	2,340
Expenses:	397,771	425,057	434,895	438,732	432,929
Personnel	161,738	178,163	195,696	206,375	216,718
Non-personnel	216,133	223,065	204,374	203,238	187,022
Tax	19,899	23,827	34,824	29,117	29,187
Net Operating Profit	328,084	172,947	293,778	281,745	333,179
Gains and Losses on Money Held in Trust	(1,971)	(2,895)	(2,876)	(3,315)	(12,113)
Extraordinary Loss, Net	166,181	924,239	708,126	219,451	703,336
Operating Profit (Loss)	159,932	(754,187)	(417,223)	58,978	(382,270)
Net Income (Loss)	57,117	(375,315)	(220,516)	51,042	(426,830)
Total Assets (Average Balance)	¥46,559,485	¥47,215,251	¥50,375,675	¥49,589,697	¥49,493,373
Per Share (Yen):					
Dividends Paid	¥ 6.00	¥ 7.25	¥ 8.50	¥ 8.50	¥ 8.50
Stockholders' Equity	351.38	343.09	332.07	380.72	374.94
Dividend Payout Ratio (%)	53.42%	—%	—%	60.27%	—%
ROA (Net Income) (%)	0.122%	—%	—%	0.103%	—%
ROA (Net Operating Profit) (%)	0.705%	0.366%	0.583%	0.568%	0.673%
% of Expenses to Gross Operating Profit	55.9%	60.8%	59.5%	60.9%	56.3%
Number of Employees	14,930	16,330	17,420	18,733	20,261

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, 2000 and 1999	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	1999	2000
Assets			
Cash and Due from Banks	¥ 2,095,204	¥ 1,413,680	\$ 19,738
Call Loans	197,492	84,978	1,860
Commercial Paper and Other Debt Purchased	640	2,182	6
Trading Assets	1,104,111	1,091,216	10,401
Money Held in Trust	72,381	151,470	681
Securities	6,911,602	6,217,570	65,111
Loans and Bills Discounted	31,939,952	32,291,263	300,894
Foreign Exchanges	316,149	320,981	2,978
Other Assets	1,156,771	1,654,079	10,897
Premises and Equipment	317,774	346,840	2,993
Deferred Income Taxes	583,559	677,740	5,497
Customers' Liabilities for Acceptances and Guarantees	2,524,300	2,956,710	23,780
Reserve For Possible Loan Losses	(660,454)	—	(6,221)
Total Assets	¥46,559,485	¥47,208,716	\$438,619
Liabilities and Stockholders' Equity			
Liabilities			
Deposits	¥33,342,655	¥32,965,621	\$314,108
Call Money	2,558,919	2,335,541	24,106
Commercial Paper	451,000	567,000	4,248
Trading Liabilities	161,238	194,133	1,518
Borrowed Money	1,953,529	1,960,790	18,403
Foreign Exchanges	30,218	35,170	284
Bonds	270,000	100,000	2,543
Convertible Bonds	95	2,208	0
Other Liabilities	2,856,182	2,946,007	26,907
Reserve for Possible Loan Losses	—	735,562	—
Reserve for Retirement Allowances	32,099	36,484	302
Reserve for Possible Losses from Loans Sold to CCPC	94,853	114,812	893
Other Reserves	9	9	0
Deferred Income Tax Liabilities for Land Revaluation	32,092	35,140	302
Acceptances and Guarantees	2,524,300	2,956,710	23,780
Total Liabilities	44,307,196	44,985,195	417,401
Stockholders' Equity			
Capital Stock:			
Common Stock	639,934	631,399	6,028
Preferred Stock	402,772	411,307	3,794
Capital Surplus	899,521	899,521	8,474
Legal Reserve	124,120	118,084	1,169
Land Revaluation Excess	48,908	48,928	460
Earned Surplus	137,032	114,281	1,290
Total Stockholders' Equity	2,252,289	2,223,521	21,217
Total Liabilities and Stockholders' Equity	¥46,559,485	¥47,208,716	\$438,619

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥106.15 to US\$1, the effective exchange rate at March 31, 2000.

2. Amounts less than one million have been omitted.

Non-Consolidated Statements of Operations

(Supplemental Information)
The Sakura Bank, Limited

Years Ended March 31, 2000 and 1999	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	1999	2000
Income			
Interest Income:			
Interest on Loans and Discounts	¥ 729,354	¥ 865,176	\$ 6,870
Interest and Dividends on Securities	111,654	132,213	1,051
Other Interest Income	497,809	545,322	4,689
Fees and Commissions	102,556	103,679	966
Trading Revenue	8,498	10,824	80
Other Operating Income	57,954	104,365	545
Other Income	423,100	283,557	3,985
Total Income	1,930,928	2,045,139	18,190
Expenses			
Interest Expenses:			
Interest on Deposits	166,591	345,942	1,569
Interest on Borrowings, Bonds and Rediscounts	81,685	107,046	769
Other Interest Expenses	482,863	526,229	4,548
Fees and Commissions	42,441	50,173	399
Trading Expenses	412	—	3
Other Operating Expenses	24,231	37,082	228
General and Administrative Expenses	430,417	446,473	4,054
Provision for Possible Loan Losses	155,208	558,880	1,462
Other Expenses	393,004	621,997	3,702
Transfer to Other Reserves	0	0	0
Total Expenses	1,776,858	2,693,827	16,739
Income (Loss) before Income Taxes	154,069	(648,688)	1,451
Income Taxes			
Current	3,986	6,550	37
Deferred	92,965	(279,923)	875
Net Income (Loss)	¥ 57,117	¥ (375,315)	\$ 538
		Yen	U.S. Dollars
Per Share of Common Stock:			
Net Income (Loss)	¥11.24	¥(97.62)	\$0.10
Fully Diluted Net Income	—	—	—

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥106.15 to US\$1, the effective exchange rate at March 31, 2000.

2. Amounts less than one million have been omitted.

Non-Consolidated Statements of Earned Surplus

(Supplemental Information)

The Sakura Bank, Limited

	Millions of Yen		Millions of U.S. Dollars (Note 1)
Years Ended March 31, 2000 and 1999	2000	1999	2000
Balance at Beginning of Year	¥114,281	¥ 130,503	\$1,076
Appropriations:			
Transfer to Legal Reserve	6,036	6,453	56
Dividends Paid	30,182	32,269	284
Transfer from Land Revaluation Excess	1,852	—	17
Cumulative Effect of Adopting Tax Effect Accounting Beginning Fiscal 1998	—	397,816	—
Net Income (Loss)	57,117	(375,315)	538
Balance at End of Year	¥137,032	¥ 114,281	\$1,290

Notes: 1. Translation into U.S. dollars has been made on the basis of ¥106.15 to US\$1, the effective exchange rate at March 31, 2000.

2. Amounts less than one million have been omitted.

Supplemental Data Indicators of Income

Years Ended March 31

Millions of Yen

	2000	1999	1998	1997	1996
Domestic Operations:					
Net Interest Income					
Interest Income	¥832,456	¥838,850	¥857,023	¥889,782	¥1,044,839
Interest Expenses	220,375	319,254	333,653	353,222	477,505
	¥612,081	¥519,595	¥523,370	¥536,560	¥ 567,334
Fees and Commissions, Net					
Fees and Commissions (Income)	¥ 87,163	¥ 84,677	¥ 87,919	¥ 82,326	¥ 77,889
Fees and Commissions (Expenses)	35,163	34,239	34,446	32,201	30,594
	¥ 52,000	¥ 50,438	¥ 53,472	¥ 50,124	¥ 47,294
Trading Revenue, Net					
Trading Income	¥ 1,167	¥ 5,794	¥ 2,765	¥ —	¥ —
Trading Expenses	382	—	—	—	—
	¥ 785	¥ 5,794	¥ 2,765	¥ —	¥ —
Other Operating Income, Net					
Other Operating Income	¥ 17,214	¥ 66,717	¥ 44,599	¥ 40,538	¥ 116,424
Other Operating Expenses	16,491	15,277	8,748	19,406	42,338
	¥ 723	¥ 51,440	¥ 35,850	¥ 21,132	¥ 74,086
Gross Operating Profit	¥665,589	¥627,268	¥615,458	¥607,817	¥ 688,714
International Operations:					
Net Interest Income					
Interest Income	¥506,823	¥706,083	¥837,290	¥931,489	¥ 927,518
Interest Expenses	509,596	658,111	766,562	831,853	868,523
	¥ (2,772)	¥ 47,972	¥ 70,727	¥ 99,635	¥ 58,995
Fees and Commissions, Net					
Fees and Commissions (Income)	¥ 15,392	¥ 19,001	¥ 26,041	¥ 25,314	¥ 22,776
Fees and Commissions (Expenses)	7,278	15,934	11,764	10,839	9,468
	¥ 8,114	¥ 3,067	¥ 14,276	¥ 14,474	¥ 13,308
Trading Revenue, Net					
Trading Income	¥ 7,330	¥ 5,030	¥ 6,532	¥ —	¥ —
Trading Expenses	30	—	—	¥ —	¥ —
	¥ 7,300	¥ 5,030	¥ 6,532	¥ —	¥ —
Other Operating Income (Loss), Net					
Other Operating Income	¥ 40,739	¥ 37,648	¥ 28,772	¥ 10,179	¥ 16,780
Other Operating Expenses	7,056	21,805	5,375	11,271	9,350
	¥ 33,683	¥ 15,842	¥ 23,397	¥ (1,092)	¥ 7,429
Gross Operating Profit	¥ 46,325	¥ 71,912	¥114,933	¥113,017	¥ 79,734

(Continued on page 103)

(Continued from page 102)

Years Ended March 31

Millions of Yen

	2000	1999	1998	1997	1996
Total Operations:					
Net Interest Income					
Interest Income	¥1,338,818	¥1,542,712	¥1,692,779	¥1,815,881	¥1,958,262
Interest Expenses	729,509	975,143	1,098,681	1,179,685	1,331,932
	¥ 609,308	¥ 567,568	¥ 594,097	¥ 636,195	¥ 626,330
Fees and Commissions, Net					
Fees and Commissions (Income)	¥ 102,556	¥ 103,679	¥ 113,960	¥ 107,641	¥ 100,666
Fees and Commissions (Expenses)	42,441	50,173	46,211	43,041	40,063
	¥ 60,114	¥ 53,505	¥ 67,748	¥ 64,599	¥ 60,603
Trading Revenue, Net					
Trading Income	¥ 8,498	¥ 10,824	¥ 9,297	¥ —	¥ —
Trading Expenses	412	—	—	¥ —	¥ —
	¥ 8,085	¥ 10,824	¥ 9,297	¥ —	¥ —
Other Operating Income, Net					
Other Operating Income	¥ 57,954	¥ 104,365	¥ 73,371	¥ 50,718	¥ 133,204
Other Operating Expenses	23,547	37,082	14,123	30,678	51,689
	¥ 34,406	¥ 67,282	¥ 59,247	¥ 20,039	¥ 81,515
Gross Operating Profit	¥ 711,915	¥ 699,181	¥ 730,391	¥ 720,834	¥ 768,448

Notes: 1. Interest expenses exclude those expenses incurred in connection with the management of money held in trust, which were as follows: March 1996, ¥6,812 million; March 1997, ¥5,046 million; March 1998, ¥5,105 million; March 1999, ¥4,075 million, and March 2000, ¥1,631 million.

2. Interest income and expenses do not include interest incurred in connection with lending or borrowing between domestic operations and international operations.

3. Other Operating Expenses exclude Bond Issuing Expenses, which was ¥684 million for fiscal 1999.

Analysis of Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31 Millions of Yen, %	2000			1999			1998		
	Average Balance	Interest	Average Rate*	Average Balance	Interest	Average Rate*	Average Balance	Interest	Average Rate*
Interest-Earning Assets									
Domestic	¥34,852,646	¥ 832,456	2.38%	¥35,887,893	¥ 838,850	2.33%	¥35,843,523	¥ 857,023	2.39%
International	5,360,655	506,823	9.45	7,474,974	706,083	9.44	11,443,084	837,290	7.31
Total	¥40,029,393	¥1,338,818	3.34%	¥42,975,475	¥1,542,712	3.58%	¥47,036,673	¥1,692,779	3.59%
Loans and Bills Discounted:									
Domestic	¥28,855,023	¥ 592,848	2.05%	¥29,759,388	¥ 624,114	2.09%	¥29,626,422	¥ 630,161	2.12%
International	3,443,140	133,934	3.88	5,161,622	236,642	4.58	7,448,762	342,534	4.59
Total	¥32,298,163	¥ 726,783	2.25%	¥34,921,011	¥ 860,757	2.46%	¥37,075,184	¥ 972,696	2.62%
Securities:									
Domestic	¥ 5,882,989	¥ 71,373	1.21%	¥ 5,623,374	¥ 85,567	1.52%	¥ 5,873,981	¥ 105,381	1.79%
International	855,816	40,280	4.70	945,845	46,645	4.93	1,101,427	60,096	5.45
Total	¥ 6,738,805	¥ 111,654	1.65%	¥ 6,569,219	¥ 132,213	2.01%	¥ 6,975,408	¥ 165,477	2.37%
Interest-Bearing Liabilities									
Domestic	¥33,884,278	¥ 220,375	0.65%	¥33,858,117	¥ 319,254	0.94%	¥34,679,428	¥ 333,653	0.96%
International	4,722,198	509,596	10.79	7,198,178	658,111	9.14	11,382,544	766,562	6.73
Total	¥38,422,568	¥ 729,509	1.89%	¥40,668,903	¥ 975,143	2.39%	¥45,812,038	¥1,098,681	2.39%

* Average Rate=Interest/Average Balance

Analysis of Net Interest Income

Years Ended March 31 Millions of Yen	2000			1999		
	Due to Increase (Decrease) in Volume	Due to Changes in Rate	Net Change	Due to Increase (Decrease) in Volume	Due to Changes in Rate	Net Change
Interest Income						
Domestic	¥ (24,198)	¥ 17,805	¥ (6,393)	¥ 1,060	¥ (19,233)	¥ (18,173)
International	(199,717)	457	(199,260)	(290,346)	159,140	(131,206)
Total	¥(105,756)	¥ (98,137)	¥(203,893)	¥(146,156)	¥ (3,911)	¥(150,067)
Loans and Bills Discounted:						
Domestic	¥ (18,966)	¥ (12,300)	¥ (31,266)	¥ 2,828	¥ (8,874)	¥ (6,046)
International	(78,786)	(23,921)	(102,707)	(105,175)	(717)	(105,892)
Total	¥ (64,649)	¥ (69,325)	¥(133,974)	¥ (56,516)	¥ (55,423)	¥(111,939)
Securities:						
Domestic	¥ 3,950	¥ (18,143)	¥ (14,193)	¥ (4,495)	¥ (15,318)	¥ (19,813)
International	(4,439)	(1,925)	(6,364)	(8,488)	(4,962)	(13,450)
Total	¥ 3,413	¥ (23,971)	¥ (20,558)	¥ (9,636)	¥ (23,628)	¥ (33,264)
Interest Expenses						
Domestic	¥ 246	¥ (99,125)	¥ (98,879)	¥ (7,901)	¥ (6,498)	¥ (14,399)
International	(226,372)	77,858	(148,514)	(281,798)	(173,347)	(108,451)
Total	¥ (53,861)	¥(191,773)	¥(245,634)	¥(123,344)	¥ (194)	¥(123,538)
Deposits:						
Domestic	¥ 7,150	¥ (69,621)	¥ (62,471)	¥ (1,789)	¥ (13,989)	¥ (15,778)
International	(90,086)	(26,794)	(116,880)	(158,633)	(16,601)	(175,234)
Total	¥ (4,597)	¥(174,754)	¥(179,351)	¥ (56,578)	¥(134,435)	¥(191,013)

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

%

	2000	1999	1998	1997	1996
Average Rate on Earning Assets (A)					
Domestic	2.38%	2.33%	2.39%	2.44%	2.82%
International	9.45	9.44	7.31	7.70	7.86
Total	3.34%	3.58%	3.59%	3.80%	4.11%

Overall Cost of Funds (B)

Domestic	1.67%	1.99%	2.01%	2.06%	2.38%
International	11.75	10.01	7.30	7.47	7.80
Total	2.92%	3.43%	3.33%	3.48%	3.79%

Overall Net Average Rate on Earning Assets ((A)-(B))

Domestic	0.71%	0.34%	0.38%	0.38%	0.44%
International	(2.30)	(0.57)	0.01	0.23	0.06
Total	0.42%	0.15%	0.26%	0.32%	0.32%

Return on Equity (Non-Consolidated)

March 31

%

	2000	1999
% to Average Stockholders' Equity:		
Net Operating Profit		
(before Net Addition to General Reserve for Possible Loan Losses)	21.23%	20.70%
Net Operating Profit	22.26	13.05
Core Net Operating Profit*	21.06	16.83
Net Income	3.23	(28.39)

Note: Core Net Operating Profit is Net Operating Profit before Net Addition to General Reserve for Possible Loan Losses after the deduction of Gains and Losses on Bond Transactions.

Fees and Commissions

Years Ended March 31

Millions of Yen

	2000	1999	1998	1997	1996
Fees and Commissions (Income)					
Domestic	¥ 87,163	¥ 84,677	¥ 87,919	¥ 82,326	¥ 77,889
International	15,392	19,001	26,041	25,314	22,776
Total	¥102,556	¥103,679	¥113,960	¥107,641	¥100,666
Deposits and Loans:					
Domestic	¥ 8,968	¥ 8,654	¥ 8,400	¥ 8,012	¥ 7,431
International	2,489	3,726	7,625	6,484	4,161
Total	¥ 11,457	¥ 12,380	¥ 16,025	¥ 14,496	¥ 11,592
Remittances and Transfers:					
Domestic	¥ 41,197	¥ 41,400	¥ 42,119	¥ 41,740	¥ 40,129
International	9,159	10,498	12,499	12,579	12,088
Total	¥ 50,356	¥ 51,898	¥ 54,619	¥ 54,320	¥ 52,217
Securities:					
Domestic	¥ 9,146	¥ 9,920	¥ 10,084	¥ 9,211	¥ 9,905
International	5	22	32	72	72
Total	¥ 9,151	¥ 9,942	¥ 10,116	¥ 9,283	¥ 9,977
Fees and Commissions (Expenses)					
Domestic	¥ 35,163	¥ 34,239	¥ 34,446	¥ 32,201	¥ 30,594
International	7,278	15,934	11,764	10,839	9,468
Total	¥ 42,441	¥ 50,173	¥ 46,211	¥ 43,041	¥ 40,063
Remittances and Transfers:					
Domestic	¥ 7,166	¥ 7,258	¥ 7,366	¥ 7,224	¥ 6,973
International	2,952	4,418	6,026	6,398	6,264
Total	¥ 10,118	¥ 11,677	¥ 13,393	¥ 13,622	¥ 13,238
Fees and Commissions, Net					
Domestic	¥ 52,000	¥ 50,438	¥ 53,472	¥ 50,124	¥ 47,294
International	8,114	3,067	14,276	14,474	13,308
Total	¥ 60,114	¥ 53,505	¥ 67,748	¥ 64,599	¥ 60,603

Domestic Exchange Transactions

Years Ended March 31

Trillions of Yen

	2000	1999	1998	1997	1996
Total	¥905.4	¥1,165.0	¥1,191.9	¥1,113.9	¥1,061.4

Foreign Exchange Transactions

Years Ended March 31

Billions of U.S. Dollars

	2000	1999	1998	1997	1996
Total	\$1,051.9	\$976.7	\$1,159.7	\$1,142.6	\$1,239.6

Other Operating Income (Loss)

Years Ended March 31

Millions of Yen

	2000	1999	1998	1997	1996
Other Operating Income					
Domestic	¥ 17,214	¥ 66,717	¥44,599	¥40,538	¥116,424
International	40,739	37,648	28,772	10,179	16,780
Total	¥ 57,954	¥104,365	¥73,371	¥50,718	¥133,204
Gains on Foreign Exchange Transactions:					
Domestic	¥ —	¥ —	¥ —	¥ —	¥ —
International	31,963	22,129	14,067	—	2,620
Total	¥ 31,963	¥ 22,129	¥14,067	¥ —	¥ 2,620
Gains on Sales of Bonds:					
Domestic	¥ 14,561	¥ 64,486	¥41,997	¥31,109	¥111,305
International	7,356	13,860	13,392	7,876	12,284
Total	¥ 21,918	¥ 78,346	¥55,389	¥38,985	¥123,590
Gains on Redemption of Bonds:					
Domestic	¥ 1,706	¥ 1,362	¥ 1,764	¥ 1,219	¥ 728
International	1,419	1,648	1,308	2,303	1,874
Total	¥ 3,126	¥ 3,011	¥ 3,072	¥ 3,522	¥ 2,603
Other Operating Expenses					
Domestic	¥ 16,491	¥ 15,277	¥ 8,748	¥19,406	¥ 42,338
International	7,056	21,805	5,375	11,271	9,350
Total	¥ 23,547	¥ 37,082	¥14,123	¥30,678	¥ 51,689
Losses on Foreign Exchange Transactions:					
Domestic	¥ —	¥ —	¥ —	¥ —	¥ —
International	—	—	—	3,688	—
Total	¥ —	¥ —	¥ —	¥ 3,688	¥ —
Losses on Sales of Bonds:					
Domestic	¥ 11,732	¥ 9,719	¥ 672	¥ 9,738	¥ 31,036
International	4,559	11,370	4,232	5,904	7,116
Total	¥ 16,292	¥ 21,090	¥ 4,905	¥15,642	¥ 38,153
Losses on Redemption of Bonds:					
Domestic	¥ 3,816	¥ 4,326	¥ 6,960	¥ 9,636	¥ 10,841
International	2,260	2,927	664	678	2,106
Total	¥ 6,076	¥ 7,253	¥ 7,625	¥10,314	¥ 12,947
Losses on Devaluation of Bonds:					
Domestic	¥ 41	¥ 154	¥ 975	¥ —	¥ 453
International	138	1,719	—	1,000	127
Total	¥ 180	¥ 1,873	¥ 975	¥ 1,000	¥ 580
Other Operating Income (Loss), Net					
Domestic	¥ 723	¥ 51,440	¥35,850	¥21,132	¥ 74,086
International	33,683	15,842	23,397	(1,092)	7,429
Total	¥ 34,406	¥ 67,282	¥59,247	¥20,039	¥ 81,515

General and Administrative Expenses

March 31

Millions of Yen

	2000	1999	1998	1997	1996
Salaries and Related Expenses	¥135,833	¥149,571	¥166,392	¥174,845	¥185,334
Retirement Benefits	26,944	16,510	16,785	18,345	13,533
Transfer to Reserve for Retirement Allowance	3,813	4,190	5,142	5,976	5,620
Welfare Expenses	32,415	33,978	34,880	36,143	39,215
Depreciation	28,562	31,163	31,176	33,386	32,344
Rent and Lease Expenses	62,089	59,531	38,528	38,457	37,768
Building and Maintenance Expenses	1,268	1,548	2,922	2,166	2,063
Supplies Expenses	5,333	6,347	6,513	6,630	6,654
Water, Lighting and Heating Expenses	4,392	4,655	4,773	4,908	5,158
Traveling Expenses	1,659	1,930	2,195	2,207	2,149
Communication Expenses	5,055	5,256	5,446	5,046	5,008
Publicity and Advertising Expenses	4,074	5,498	4,572	4,328	4,735
Taxes, Other than Income Taxes	19,899	23,827	34,824	29,117	29,187
Other	99,073	102,462	102,619	100,771	83,061
Total	¥430,417	¥446,473	¥456,774	¥462,330	¥451,872

Assets and Liabilities

Loans and Bills Discounted by Collateral

March 31	2000	1999	1998	1997	1996
Billions of Yen					
Securities	¥ 466.0	¥ 474.6	¥ 512.0	¥ 604.1	¥ 708.4
Claims	726.2	771.6	886.8	1,259.1	1,265.1
Commodities	5.8	11.0	8.0	14.7	7.4
Real Estate	5,969.0	6,558.9	7,446.4	7,848.2	8,525.6
Others	363.9	244.0	218.7	166.6	233.0
Total Secured Loans	7,531.0	8,060.2	9,072.1	9,892.8	10,739.8
Guarantees	14,575.1	14,444.2	14,868.8	14,541.6	13,746.6
Unsecured	9,833.7	9,786.7	11,142.7	12,399.4	12,227.4
Total	¥31,939.9	¥32,291.2	¥35,083.7	¥36,833.9	¥36,713.9

Loans and Bills Discounted by Use of Funds

March 31	2000	1999	1998	1997	1996
Billions of Yen					
Funds for Capital Investments	¥13,014.9	¥12,904.5	¥13,291.4	¥12,833.1	¥12,472.9
Funds for Working Capital	18,925.0	19,386.7	21,792.3	24,000.7	24,240.9
Total	¥31,939.9	¥32,291.2	¥35,083.7	¥36,833.9	¥36,713.9

Loans and Bills Discounted by Industry

March 31	2000	1999	1998	1997	1996
Billions of Yen					
Domestic Offices					
Manufacturing	¥ 3,915.3	¥ 3,738.5	¥ 3,889.2	¥ 4,080.2	¥ 4,522.5
Agriculture, Forestry, Fisheries and Mining	208.7	226.7	230.4	251.9	277.7
Construction	1,554.5	1,530.7	1,589.6	1,689.1	1,736.8
Wholesaling and Retailing	4,342.4	4,451.6	4,787.8	5,231.6	5,496.4
Financing and Insurance	2,533.8	2,624.3	2,727.4	3,076.5	3,250.1
Real Estate	4,397.1	4,426.7	4,633.3	4,453.1	4,314.4
Transportation, Communications and Other Public Enterprises	1,635.0	1,355.0	1,253.6	1,480.4	1,437.6
Services	3,026.5	3,383.0	3,386.5	3,697.2	3,867.4
Local Governments	332.3	307.1	240.1	219.5	277.7
Others	7,298.4	7,134.2	6,564.7	6,351.0	6,130.9
Total	¥29,244.6	¥29,178.1	¥29,303.1	¥30,531.0	¥31,312.0
Overseas Offices					
Public Sector	¥ 48.4	¥ 77.9	¥ 186.8	¥ 174.8	¥ 269.3
Financial Institutions	144.3	215.0	385.2	607.4	436.0
Commerce and Industry	2,432.4	2,450.4	4,733.4	5,370.3	4,451.2
Others	69.9	369.5	475.0	150.1	245.3
Total	¥ 2,695.3	¥ 3,113.0	¥ 5,780.6	¥ 6,302.8	¥ 5,401.8
Total	¥31,939.9	¥32,291.2	¥35,083.7	¥36,833.9	¥36,713.9

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

Loans to Individuals (Domestic Offices)

March 31	2000	1999	1998	1997	1996
Billions of Yen					
Housing Loans	¥6,612.7	¥6,173.1	¥5,676.9	¥5,304.8	¥5,020.6
Other Loans	1,361.9	1,514.6	1,602.5	1,693.7	1,810.5
Total	¥7,974.6	¥7,687.7	¥7,279.5	¥6,998.5	¥6,831.2

Loans and Bills Discounted by Maturity and Interest Rate

March 31, 2000	Maturity						Total
	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	
Billions of Yen							
Floating Interest Rate		¥2,218.4	¥2,107.5	¥ 842.2	¥8,390.9	¥7,004.9	
Fixed Interest Rate		2,202.6	969.3	611.3	1,003.9	0.7	
Total		¥6,587.7	¥4,421.1	¥3,076.9	¥1,453.5	¥9,394.8	¥7,005.6

March 31, 1999	Maturity						Total
	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	
Billions of Yen							
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

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

Reserve for Possible Loan Losses

March 31	2000	1999	1998	1997	1996
Billions of Yen					
General Reserve	¥198.8	¥213.4	¥ 112.2	¥110.5	¥ 110.1
Specific Reserve:	454.0	511.8	929.9	718.3	910.1
Additions to Specific Reserve	454.0	511.8	682.0	234.3	657.7
Charges to Specific Reserve	511.8	929.9	470.5	426.1	118.3
Reserve for Loans to Restructuring Countries	7.6	10.2	1.9	6.1	6.9
Total	¥660.4	¥735.5	¥1,044.0	¥835.0	¥1,027.2

Securities

Years Ended March 31

Billions of Yen

	2000	1999	1998	1997	1996
Japanese Government Bonds					
Domestic	¥1,844.4	¥1,404.5	¥1,193.2	¥1,322.1	¥1,398.0
International	—	—	—	—	—
Total	¥1,844.4	¥1,404.5	¥1,193.2	¥1,322.1	¥1,398.0
Japanese Local Government Bonds					
Domestic	¥ 134.6	¥ 121.4	¥ 175.3	¥ 188.7	¥ 154.9
International	—	—	—	—	—
Total	¥ 134.6	¥ 121.4	¥ 175.3	¥ 188.7	¥ 154.9
Corporate Bonds					
Domestic	¥ 414.9	¥ 381.0	¥ 462.7	¥ 573.1	¥ 743.1
International	—	—	—	—	—
Total	¥ 414.9	¥ 381.0	¥ 462.7	¥ 573.1	¥ 743.1
Corporate Stocks					
Domestic	¥3,546.3	¥3,291.0	¥3,395.0	¥3,761.0	¥3,615.4
International	—	—	—	—	—
Total	¥3,546.3	¥3,291.0	¥3,395.0	¥3,761.0	¥3,615.4
Others					
Domestic	¥ 123.1	¥ 162.3	¥ 221.1	¥ 187.3	¥ 165.9
International	832.3	838.7	984.5	1,014.1	756.5
Total	¥ 955.4	¥1,001.0	¥1,205.6	¥1,201.5	¥ 922.5
Securities Lent					
Domestic	¥ 15.7	¥ 18.2	¥ 17.2	¥ 15.4	¥ 59.5
International	—	—	—	—	—
Total	¥ 15.7	¥ 18.2	¥ 17.2	¥ 15.4	¥ 59.5
Total Securities					
Domestic	¥6,079.2	¥5,378.8	¥5,464.8	¥6,047.9	¥6,137.1
International	832.3	838.7	984.5	1,014.1	756.5
Total	¥6,911.6	¥6,217.5	¥6,449.3	¥7,062.1	¥6,893.7

Securities by Type and Maturity

March 31, 2000 Billions of Yen	Maturity							Total
	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 10 Years	Over 10 Years	Unspecified Term	
Japanese Government Bonds	¥441.8	¥200.8	¥581.5	¥172.4	¥447.7	¥ —	¥ —	¥1,844.4
Japanese Local Government Bonds	0.2	2.2	0.0	2.9	129.0	—	—	134.6
Corporate Bonds	57.7	65.6	148.3	74.4	59.7	9.0	—	414.9
Corporate Stocks	—	—	—	—	—	—	3,546.3	3,546.3
Others:	197.2	209.1	55.9	41.2	103.0	181.0	167.8	955.4
Foreign Corporate Bonds	183.5	181.7	33.6	14.3	75.8	175.2	—	664.4
Foreign Corporate Stocks	—	—	—	—	—	—	167.8	167.8
Securities Lent	0.6	0.9	0.6	—	—	—	13.4	15.7

March 31, 1999 Billions of Yen	Maturity							Total
	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 10 Years	Over 10 Years	Unspecified Term	
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

Note: Treasury stocks are included in corporate stocks.

Value of Securities Quoted on Exchanges

March 31 Billions of Yen	2000			1999			1998		
	Book Value	Market Value	Unrealized Gains (Losses)	Book Value	Market Value	Unrealized Gains (Losses)	Book Value	Market Value	Unrealized Gains
Securities									
Bonds	¥ 465.5	¥ 440.5	¥ (25.0)	¥ 816.3	¥ 774.4	¥ (41.8)	¥ 339.4	¥ 351.4	¥ 11.9
Stocks	3,310.4	3,932.9	622.4	3,050.8	2,940.0	(110.8)	3,128.9	3,091.0	(37.9)
Others	438.2	444.5	6.3	512.3	509.0	(3.2)	333.6	318.9	(14.6)
Total	¥4,214.3	¥4,818.0	¥603.6	¥4,379.5	¥4,223.5	¥(156.0)	¥3,802.0	¥3,761.4	¥(40.6)

Deposits

March 31

Billions of Yen

	2000	1999	1998	1997	1996
Liquid Deposits					
Domestic	¥13,047.4	¥11,357.6	¥10,952.3	¥10,836.5	¥10,260.3
International	2,310.9	1,651.5	4,817.7	5,889.9	5,145.0
Total	¥15,358.4	¥13,009.1	¥15,770.1	¥16,726.4	¥15,405.4
Time Deposits					
Domestic	¥12,575.3	¥14,910.8	¥14,483.3	¥13,732.3	¥15,190.7
International	179.0	176.0	407.2	844.0	669.9
Total	¥12,754.4	¥15,086.9	¥14,890.5	¥14,576.3	¥15,860.7
Negotiable Certificates of Deposits					
Domestic	¥ 3,505.6	¥ 2,783.3	¥ 3,128.2	¥ 3,303.3	¥ 3,734.6
International	33.2	71.5	426.8	402.7	316.9
Total	¥ 3,538.9	¥ 2,854.9	¥ 3,555.0	¥ 3,706.0	¥ 4,051.6
Others					
Domestic	¥ 734.5	¥ 730.8	¥ 674.2	¥ 1,000.5	¥ 887.8
International	956.3	1,283.8	1,490.7	2,261.0	2,602.4
Total	¥ 1,690.8	¥ 2,014.6	¥ 2,164.9	¥ 3,261.6	¥ 3,490.2
Total Deposits					
Domestic	¥29,863.0	¥29,782.6	¥29,238.1	¥28,872.7	¥30,073.6
International	3,479.6	3,182.9	7,142.6	9,397.8	8,734.4
Total	¥33,342.6	¥32,965.6	¥36,380.7	¥38,270.5	¥38,808.0

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

Time Deposits by Type and Maturity

March 31, 2000 Billions of Yen	Maturity						Total
	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	
Time Deposits with Deregulated Interest Rates (Fixed)	¥6,651.0	¥1,839.7	¥2,565.8	¥724.3	¥680.6	¥ 92.8	¥12,554.5
Time Deposits with Deregulated Interest Rates (Floating)	0.4	0.2	2.1	0.5	0.9	0.1	4.4
Total	¥6,821.1	¥1,849.7	¥2,572.8	¥725.1	¥681.6	¥103.8	¥12,754.3

March 31, 1999 Billions of Yen	Maturity						Total
	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	
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

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

Deposits by Type of Depositor (Domestic Offices)

March 31 Billions of Yen	2000	1999	1998	1997	1996
Individuals	¥15,071.2	¥15,352.7	¥15,317.4	¥15,056.6	¥14,682.0
Corporations	12,014.4	12,018.0	11,357.2	11,420.1	12,538.4
Total	¥27,085.7	¥27,370.7	¥26,674.7	¥26,476.7	¥27,220.5

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.

Investment Trusts

March 31 Billions of Yen	2000	1999	1998	1997	1996
Total	¥616.8	¥51.4	¥—	¥—	¥—

Note: The balance of investment trusts sold is as of the end of March 31, 2000 and 1999, respectively.

Facilities

Number of Offices

March 31	2000	1999	1998	1997	1996
Total Domestic Offices	420	469	493	507	532
Branches	376	412	430	437	442
Sub-branches	40	50	56	61	80
Agencies	4	7	7	9	10
Total Overseas Offices	26	32	40	44	46
Branches	18	18	23	24	27
Sub-branches	2	2	2	3	2
Representative Offices	6	12	15	17	17
Total	446	501	533	551	578

Derivative Financial Instruments Transactions (Non-Consolidated)

Interest Rate Related Transactions

March 31 Millions of Yen	2000				1999			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)
	Total	Over One Year			Total	Over One Year		
Listed Transactions								
Futures Contracts	¥15,442,391	¥ 919,763	¥15,416,959	¥ 11,922	¥15,370,756	¥ 2,132,205	¥15,403,360	¥ (18,677)
Options	37,455,098	—	3,340	2,915	34,927,138	194,510	8,051	279
Unlisted Transactions								
Swaps	59,187,352	23,897,540	305,074	305,074	77,153,057	21,465,217	202,379	202,379
Others	733,269	713,237	1,976	936	1,644,676	1,544,254	3,024	86
Total	¥	/ ¥	/ ¥	/ ¥320,849	¥	/ ¥	/ ¥	/ ¥184,068

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 unlisted transactions are calculated by using mainly the discounted present value or option pricing model.

2. "Others" consists of cap, floor and swaption transactions.

3. The market value and unrealized gain (loss) of interest swap transactions included ¥343,195 million and ¥202,692 million as of March 31, 2000 and 1999, respectively, of accrued swap interest that was stated on the statement of operations.

4. 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	2000		1999	
	Contract Values or Notional Principal Amounts	Market Values	Contract Values or Notional Principal Amounts	Market Values
Listed Transactions				
Futures Contracts	¥ 641,556	¥ 641,475	¥ 2,463,756	¥2,471,050
Options	6,350,214	109	2,663,203	297
Unlisted Transactions				
Forward Rate Agreements	1,045,494	1,045,706	1,061,996	1,061,507
Swaps	44,239,415	(73,062)	23,655,959	(14,740)
Others	2,884,887	9,487	4,519,704	14,774

Currency and Foreign Exchange Related Transactions

March 31 Millions of Yen	2000				1999			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Loss	Contract Values or Notional Principal Amounts		Market Values	Unrealized Loss
	Total	Over One Year			Total	Over One Year		
Unlisted Transactions								
Currency Swaps	¥2,741,972	¥1,160,267	¥(54,286)	¥54,286	¥3,753,307	¥1,622,651	¥(68,415)	¥68,415

Notes: 1. Market values

The market values are calculated by using discounted present value.

2. The market value or unrealized loss for currency swaps includes ¥6,611 million (loss) and ¥2,511 million as of March 31, 2000 and 1999, 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	2000		1999	
	Contract Values or Notional Principal Amounts	Market Values	Contract Values or Notional Principal Amounts	Market Values
Unlisted Transactions				
Currency Swaps	¥2,883,727	¥12,475	¥3,196,023	¥(19,096)

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	2000		1999	
	Contract Values or Notional Principal Amounts	Contract Values or Notional Principal Amounts	Contract Values or Notional Principal Amounts	Contract Values or Notional Principal Amounts
Unlisted Transactions				
Forward Foreign Exchange Contracts	¥5,965,345		¥9,489,326	
Currency Options	691,457		937,247	

Equity-Related Transactions

March 31 Millions of Yen	2000						1999			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)		
	Total	Over One Year			Total	Over One Year				
Listed Transactions										
Stock Price Index Futures	¥ —	—	¥ —	—	¥ —	—	¥ 18,540	—	¥18,112	¥ 428
Unlisted Transactions										
Security Options	397	—	1	0	—	—	—	—	—	—
Equity-Related Swaps	897,438	—	(18,554)	(18,554)	684,340	—	(1,434)	(1,434)		
Total	¥ /	¥ /	¥ /	¥(18,554)	¥ /	¥ /	¥ /	¥ /	¥ /	¥(1,005)

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	2000				1999			
	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)	Contract Values or Notional Principal Amounts		Market Values	Unrealized Gain (Loss)
	Total	Over One Year			Total	Over One Year		
Listed Transactions								
Futures Contracts	¥74,904	¥—	¥76,182	¥(1,277)	¥161,861	¥—	¥158,833	¥3,029
Unlisted Transactions								
Options	—	—	—	—	5,000	—	73	(33)
Total	¥ /	¥ /	¥ /	¥(1,277)	¥ /	¥ /	¥ /	¥2,995

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 unlisted transactions are calculated by using mainly the option pricing model.

2. 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	2000		1999	
	Contract Values or Notional Principal Amounts	Market Values	Contract Values or Notional Principal Amounts	Market Values
Listed Transactions				
Futures Contracts	¥16,704	¥16,700	¥21,901	¥21,995
Futures Options	39,500	5,500	35,200	102

Contents

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Directors, Executive Officers and Auditors

(As of June 30, 2000)



Chairman
Masahiro Takasaki



President
Akishige Okada



Deputy President
Hirokazu Ishikawa



Senior Managing Director
Tsutomu Sakuma



Senior Managing Director
Hidemitsu Nakao



Senior Managing Director
Hidenori Hiramatsu



Senior Managing Director
Hideharu Kadowaki

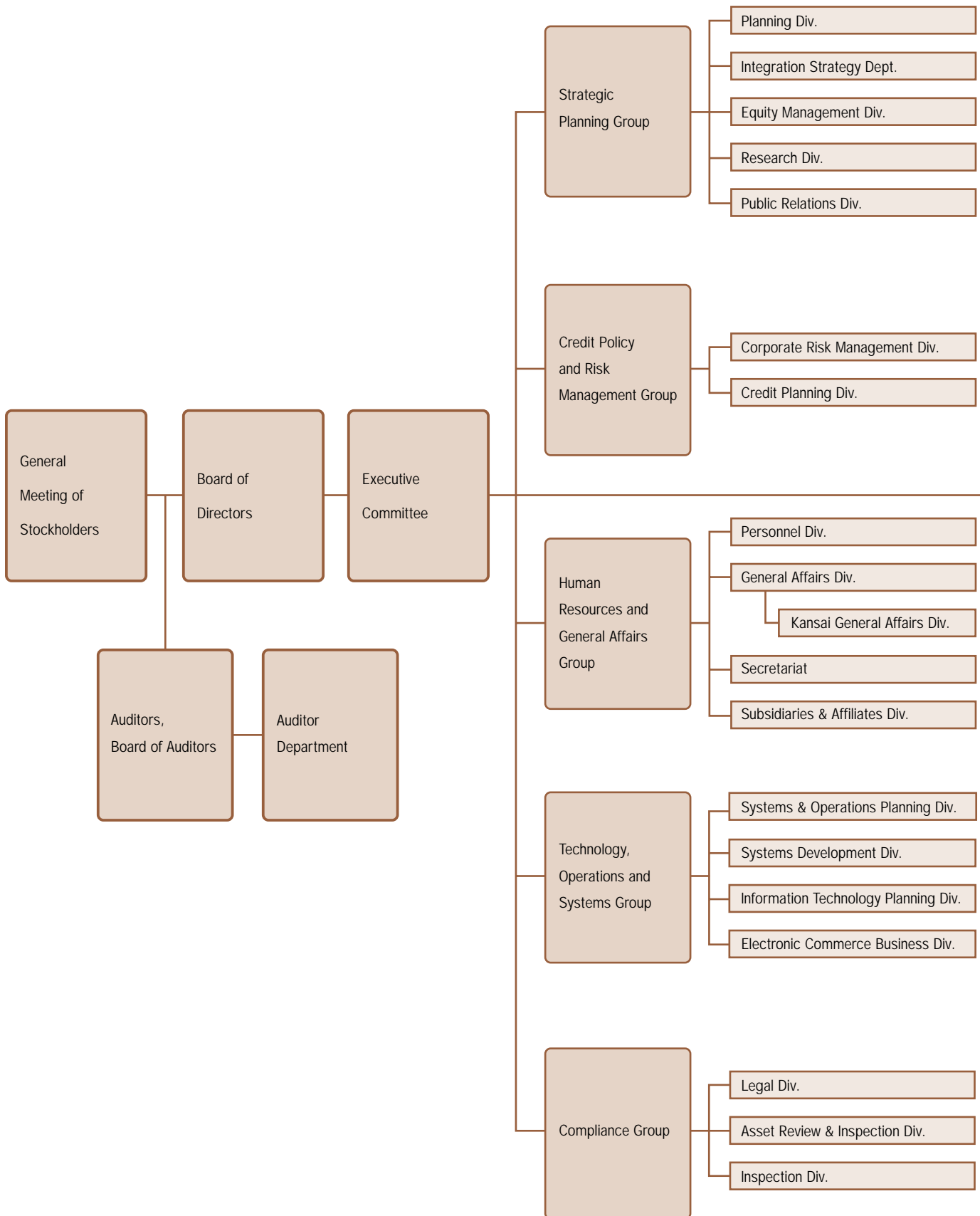
Directors with * are also executive officers.

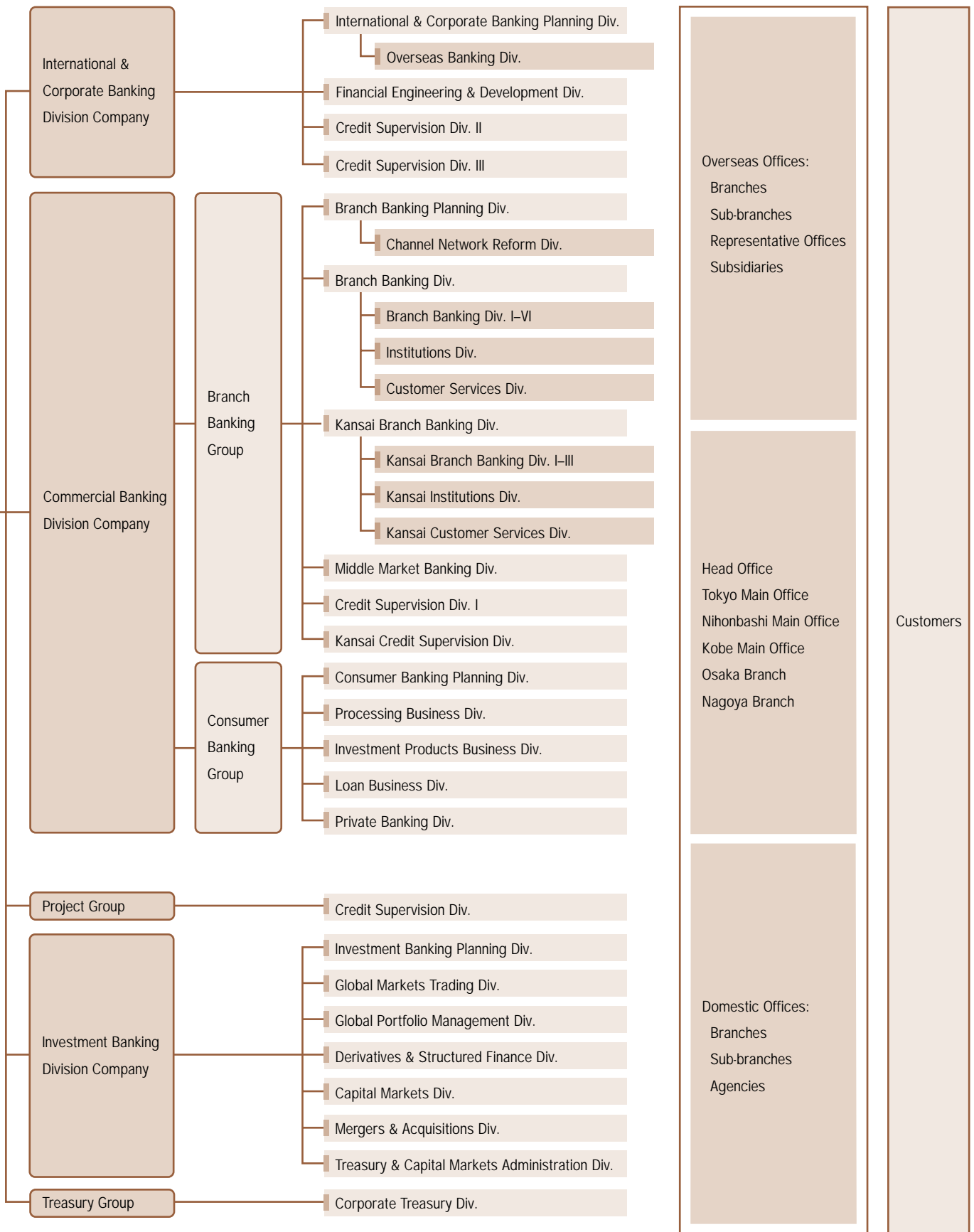
Chairman	Masahiro Takasaki*	
President	Akishige Okada*	
Deputy President	Hirokazu Ishikawa*	Head of Strategic Planning Group
Senior Managing Directors	Tsutomu Sakuma*	Head of Human Resources and General Affairs Group
	Hidemitsu Nakao*	Head of Commercial Banking Division Company
	Hidenori Hiramatsu*	International & Corporate Banking Division Company Executive Vice President (Credit Supervision Division II in charge of Kansai region); Deputy Head of Branch Banking Group, Commercial Banking Division Company (Kansai Credit Supervision Division); Deputy Head of Project Group (Kansai Credit Supervision Department, Credit Supervision Division)
Managing Directors	Hideharu Kadowaki*	International & Corporate Banking Division Company President
	Keizo Ogawa*	Deputy Head of Strategic Planning Group (Equity Management Division, Research Division); Deputy Head of Branch Banking Group, Commercial Banking Division Company (Credit Supervision Division I); Head of Project Group
	Takemasa Tsukamoto*	Head of Technology, Operations and Systems Group
	Masahiro Oba*	Head of Compliance Group
	Teisuke Kitayama*	General Manager of Planning Division; Secretary General of Integration Strategy Committee
	Toichiro Mizushima*	Deputy Head of Branch Banking Group, Commercial Banking Division Company; General Manager of Branch Banking Planning Division
	Shigetada Takahashi*	Head of Credit Policy and Risk Management Group; General Manager of Credit Planning Division
Directors	Shoichiro Toyoda	(Honorary Chairman and Member of the Board of Toyota Motor Corporation)
	Naohiko Kumagai	(Senior Adviser to the Board of Mitsui & Co., Ltd.)

Standing Auditors	Taro Sumitani Toyokazu Sato Hiroshi Kii Tomoyuki Watanabe	Auditors	Gaishi Hiraiwa Yasutaka Okamura
Senior Executive Officers	Nobuhiro Yabumoto Kakuei Miyagi Toshikatsu Sano Takashi Fujishima Taisuke Ota Ryoji Miura Kouichi Yanagimura Akira Sato Morio Kusunoki	Regional Manager for Osaka Area General Manager of Tokyo Chuo Branch General Manager of Nagoya Branch Head of Investor Relations Department, Planning Division; International & Corporate Banking Division Company Executive Vice President International & Corporate Banking Division Company Executive Vice President (Credit Supervision Division II and III) General Manager of Head Office and Tokyo Main Office General Manager of Personnel Division Investment Banking Division Company President; Head of Treasury Group Deputy Head of Branch Banking Group, Commercial Banking Division Company (Kansai region)	
Executive Officers	Jumpei Ishii Takao Umino Masayuki Yamazaki Mitsuaki Yahagi Hitoshi Yoshimatsu Hideaki Shigi Hideo Kamiyama Shinji Miyagi Sumio Saito Kuniaki Tsuyada Shigeru Nishiyama Shuji Yoshikawa Jun Suzuki Sadao Kobayashi Hitoshi Inuga Osamu Endo Yusaku Omori	Head of Head Office and Tokyo Main Office Regional Manager for the Americas; General Manager of New York and Cayman Branches General Manager of Akasaka Branch and Akasaka Business Office Division I Investment Banking Division Company Executive Vice President; General Manager of Investment Banking Planning Division General Manager of Singapore Branch Deputy Head of Consumer Banking Group, Commercial Banking Division Company; General Manager of Consumer Banking Planning Division General Manager of Himeji Branch General Manager of Credit Supervision Division, Project Group General Manager of Tokyo Main Office Division II General Manager of Osaka Branch General Manager of Credit Supervision Division III, International & Corporate Banking Division Company General Manager of Credit Supervision Division I, Branch Banking Group, Commercial Banking Division Company General Manager of Secretariat General Manager of Financial Engineering & Development Division, International & Corporate Banking Division Company General Manager of Kobe Main Office General Manager of Nihonbashi Main Office General Manager of Asset Review & Inspection Division	

Organization

(As of June 30, 2000)





Subsidiaries, Affiliates and Associates

(As of June 30, 2000)

JAPAN

Subsidiaries

Company Name	Main Business	Established	Issued Capital (Millions)	Percentage of Parent Company's Ownership*
Sakura Securities Co., Ltd.	Securities business	Oct. 1994	¥25,000	100 (0)%
The Sakura Trust & Banking Co., Ltd.	Trust and banking business	Dec. 1995	10,000	100 (0)
Sakura Center Service Co., Ltd.	Banking clerical work	Oct. 1995	50	100 (0)
Sakura Business Service Co., Ltd.	Banking clerical work	Sept. 1976	10	100 (0)
Sakura Staff Service Co., Ltd.	Temporary manpower service	Nov. 1972	30	100 (0)
Sakura Office Service Co., Ltd.	Temporary manpower service	Jan. 1985	30	100 (0)
Sakura International Operations Co., Ltd.	Banking clerical work	Dec. 1994	10	100 (0)
Sakura Loan Adviser Co., Ltd.	Consulting and agency services for consumer loans	Apr. 1998	10	100 (0)
Sakura Human Resources Development Center Co., Ltd.	Business training	May 1998	10	100 (0)
Sakura Total Maintenance Co., Ltd.	Disposal of real estate collateral	Oct. 1994	300	100 (0)
Sakura Servicing Co., Ltd.	Servicer	Mar. 1999	500	100 (0)
The Wakashio Bank, Ltd.	Commercial banking	June 1996	40,000	100 (0)
Wakashio Total Maintenance Co., Ltd.	Disposal of real estate collateral	Nov. 1994	100	0 (100)
Wakashio Business Service Co., Ltd.	Banking clerical work agent	Apr. 1997	10	0 (100)
Wakashio Guarantee Co., Ltd.	Credit guarantee operations	Sept. 1999	10	0 (100)
Sakura Guarantee Co., Ltd.	Credit guarantee operations	July 1976	220	5 (89.6)
Sakura Finance Service Co., Ltd.	Collecting agent, factoring	July 1979	200	5 (49)
Mitsui Finance Service Co., Ltd.	Collecting agent, factoring	Dec. 1979	1,100	5 (69.5)
Sakura Card Co., Ltd.	Credit card services	Feb. 1983	7,438	68 (31.5)
Sakura Mortgage Co., Ltd.	Mortgage certificate operations	Oct. 1983	1,211	2.1 (74.6)
Sakura K.C.S. Corporation	Computations, data processing	Mar. 1969	2,054	4.5 (45.1)
Sakura Information Systems Co., Ltd.	Computations, data processing	Nov. 1972	600	5 (84.7)
Sakura Leasing Co., Ltd.	Leasing	Mar. 1988	208	5 (95)
S.G. Kanri Co., Ltd.	Rental properties management	Jan. 1998	12	0 (100)
Sakura Friend Securities CO., LTD.	Securities business	Apr. 1932	26,139	37.5 (6)
Sakura Friend Research Center Ltd.	Research, investment advisory	Sept. 1966	20	0 (41.1)
The Sakura Loan Partner, Ltd.	Consumer Loan	June 2000	10,000	60 (0)

Main Affiliates and Associates

Sakura Investment Management Co., Ltd.	Investment advisory, investment trust management	Sept. 1993	1,280	10.8 (17.3)
Sakura Institute of Research Inc.	Research, consulting	May 1981	1,000	5 (95)
Sakura Capital Co., Ltd.	Venture capital investment and related services	Mar. 1992	500	0 (100)

*() indicates the percentage of ownership by subsidiaries and affiliated companies excluding the parent company.

THE AMERICAS

Subsidiaries

Company Name	Country	Main Business	Established	Issued Capital (Millions)	Percentage of Parent Company's Ownership*	
Manufacturers Bank	U.S.A.	Commercial banking	June 1962	US\$80.8	100	(0) %
Sakura Business Finance, Inc.	U.S.A.	Lease, financing	Nov. 1997	US\$0.00001	100	(0)
Sakura Global Capital, Inc.	U.S.A.	Swaps, options market making	Dec. 1990	US\$0.00010	100	(0)
Sakura Trust Company	U.S.A.	Trustee business, investment management	Oct. 1988	US\$5	100	(0)
SDI Capital Markets, Inc.	U.S.A.	Securities	Nov. 1988	US\$3	0	(100)
Sakura Dellsher, Inc.	U.S.A.	Futures commission merchant	May 1970	US\$12.4	60	(0)
Sakura Bank (Canada)	Canada	Commercial banking	Apr. 1990	C\$70.3	100	(0)
Sakura Capital Funding (Cayman) Limited	Grand Cayman Islands	Medium- and long-term finance	July 1992	US\$0.1	100	(0)
Sakura Finance (Cayman) Limited	Grand Cayman Islands	Medium- and long-term finance	Feb. 1991	US\$0.1	100	(0)
Sakura Preferred Capital (Cayman), Limited	Grand Cayman Islands	Medium- and long-term finance	Nov. 1998	¥10	100	(0)

Main Associates

CB Bancshares, Inc. (City Bank)	U.S.A.	Commercial banking	Jan. 1959	US\$3.6	4.9	(0)
Banco Bozano, Simonsen S.A.	Brazil	Banking	Nov. 1963	R\$248	0.25	(0)
CIA Bozano, Simonsen	Brazil	Holding company	Dec. 1961	R\$516	0.27	(0)

EUROPE

Subsidiaries

Company Name	Country	Main Business	Established	Issued Capital (Millions)	Percentage of Parent Company's Ownership*	
Sakura Finance International Limited	United Kingdom	Securities, finance	Sept. 1973	£100	100	(0) %
Sakura Trust International Limited	United Kingdom	Trustee business, fiscal agency business	May 1984	£0.25	100	(0)
Sakura Global Capital Limited	United Kingdom	Finance	Apr. 1991	US\$3	0	(100)
Sakura Finanz (Deutschland) GmbH	Germany	Leasing	June 1985	DM0.05	100	(0)
Sakura Bank (Luxembourg) S.A.	Luxembourg	Banking, securities	Nov. 1978	US\$24.6	100	(0)

*() indicates the percentage of ownership by subsidiaries and affiliated companies excluding the parent company.

ASIA AND OCEANIA

Subsidiaries

Company Name	Country	Main Business	Established	Issued Capital (Millions)	Percentage of Parent Company's Ownership*	
Sakura Finance Australia Limited	Australia	Commercial banking	Mar. 1986	A\$54	100	(0)%
Sakura Finance Asia Limited	Hong Kong	Finance	Oct. 1977	US\$65.5	100	(0)
Sakura Finance Hong Kong Limited	Hong Kong	Finance	July 1990	US\$0.021	100	(0)
Sakura Global Capital Asia Ltd.	Hong Kong	Finance	Apr. 1994	HK\$35	0	(100)
Sakura DellsHer (Hong Kong) Limited	Hong Kong	Operations in financial futures markets	June 1997	HK\$0.01	0	(100)
P.T. Bank Sakura Swadharma	Indonesia	Commercial banking	Nov. 1989	Rp225,000	96.7	(0)
Sakura Financial Futures (Singapore) Pte. Limited	Singapore	Operations in financial futures markets	Aug. 1985	S\$0.6	100	(0)
Sakura Merchant Bank (Singapore) Limited	Singapore	Merchant banking	Apr. 1990	S\$4	100	(0)
Sakura Capital India Limited	India	Leasing	Oct. 1995	Rs230	75	(0)
Thai Sakura Finance Co., Ltd.	Thailand	Finance	Jan. 1972	B150	10	(28.8)

Main Affiliates

China United International Leasing Co., Ltd.	China	Leasing	Sept. 1985	US\$5	25	(0)
P.T. Perjahl Leasing Indonesia	Indonesia	Leasing	Aug. 1975	Rp25,001	25	(0)
Bangkok Sakura Leasing Co., Limited	Thailand	Leasing	July 1987	B60	10	(40)
Bangkok Sakura Software Service Co., Limited	Thailand	Software services	Jan. 1991	B20	10	(36)
SBCS Co., Limited	Thailand	Consulting	Mar. 1989	B5	10	(90)
Sakura Management Services Co., Limited	Thailand	Consulting	Nov. 1996	B1	10	(90)

Main Associates

Hua Tong International Leasing Co., Ltd.	China	Leasing	Nov. 1988	US\$5	10	(0)
RHB Capital Berhad	Malaysia	Holding company	Aug. 1994	M\$1,767	5.2	(0)
Bangkok Bank Public Company Limited	Thailand	Banking	Dec. 1944	B14,665	2.05	(0)
Bank of The Philippine Islands	Philippines	Banking	Aug. 1851	P12,219	8.1	(0)

*() indicates the percentage of ownership by subsidiaries and affiliated companies excluding the parent company.

Directory

(As of June 30, 2000)

International Banking

Senior Managing Director:

Hideharu Kadowaki

Senior Executive Officer:

Takashi Fujishima

ASIA AND OCEANIA

BRANCHES AND REPRESENTATIVE OFFICES

Shanghai Branch

41st Floor,
Shanghai Senmao International Building,
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Telex: 33540 MITKBKSH CN
Fax: 86 (21) 6841-0650, 6841-4113

General Manager:

Shigeru Moriguchi

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People's Republic of China
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Telex: 23248 MTK TJ CN
Fax: 86 (22) 2331-3834

General Manager:

Kenji Kato

General Representative Office in China

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Beijing, People's Republic of China
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*General Representative in China and
Chief Representative:*

Tsuneo Kondo

Hong Kong Branch

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General Manager:

Nario Mizuno

Mumbai Branch

2-B, Mittal Court 224, Nariman Point,
Mumbai 400021, India
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Fax: 91 (22) 204-6754

General Manager:

Akira Furuta

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Dr. Gopal Das Bhawan, Ground Floor,
28 Barakhamba Road,
New Delhi 110001, India
Tel: 91 (11) 373-7637~41
Telex: (31) 65527 MITK
Fax: 91 (11) 373-7642

General Manager:

Kazuo Hashimoto

Labuan Branch

Level 15 A (1), Main Office Tower,
Financial Park Labuan, Jalan Merdeka,
87000 Labuan, F.T., Malaysia
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Telex: MA85022 MITKBK
Fax: 60 (87) 419455

General Manager:

Katsumi Nakato

Kuala Lumpur Marketing Office

Letter Box No. 25,
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50250 Kuala Lumpur, Malaysia
Tel: 60 (3) 206-8392
Fax: 60 (3) 206-8395

General Manager:

Katsumi Nakato

Kuala Lumpur Representative Office

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29th Floor, UBN Tower,
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50250 Kuala Lumpur, Malaysia

Singapore Branch

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Hong Leong Building,
Singapore 048581,
Republic of Singapore
Tel: 65-2209761
Telex: RS21319 MITKBK
Fax: 65-2250962

Executive Officer and General Manager:

Hitoshi Yoshimatsu

Bangkok Branch

Boon-Mitr Building, 138 Silom Road,
Bangkok 10500, Thailand
Tel: 66 (2) 234-3841~8
Telex: TH82828
Fax: 66 (2) 236-8920

*General Representative in Thailand and
General Manager:*

Yoshihiro Yoshimura

Ayudhya Branch

3rd Floor, Bank of Asia Building,
5-255, Pailing, Ayudhya District,
Ayudhya Province, Thailand
Tel: 66 (35) 245842
Fax: 66 (35) 212547

General Manager:

Tadatoshi Ota

Chonburi Branch

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98, Sukhumvit Road, Sriracha District,
Chonburi Province, Thailand
Tel: 66 (38) 770584~7
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General Manager:

Tadatoshi Ota

Manila Representative Office

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Paseo de Roxas, Makati City, Philippines
Tel: 63 (2) 816-9883
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Chief Representative:

Haruo Kawamoto

SUBSIDIARIES

Sakura Finance Australia Limited

Level 10, AMP Centre, 50 Bridge Street,
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Tel: 61 (2) 9221-5000
Telex: 73033 MTKA
Fax: 61 (2) 9231-2151

Managing Director:

Hachiro Sato

Sakura Finance Asia Limited

Level 24, One Pacific Place,
88 Queensway, Central, Hong Kong,
People's Republic of China
Tel: 852-2864-9300
Telex: 65119, 83413 MTKAL HX
Fax: 852-2861-2316

Managing Director:

Nario Mizuno

Sakura Capital India Limited

21 Mittal Chambers, 228 Nariman Point,
Mumbai 400021, India
Tel: 91 (22) 288-4361
Fax: 91 (22) 288-4367

Chairman:

C.H. Mirani

Managing Director:

Toshiaki Kobayashi

P.T. Bank Sakura Swadharna

19th Floor, BNI Building, Jl. Jendral
Sudirman Kav. 1, Jakarta 10001,
Indonesia
Tel: 62 (21) 570-1401
Telex: 65179 SAKURA IA
Fax: 62 (21) 570-1398

President:

Shunji Sakurai

**Sakura Financial Futures (Singapore)
Pte. Limited**

16, Raffles Quay No. 35-01,
Hong Leong Building, Singapore 048581,
Republic of Singapore
Tel: 65-3217250
Telex: RS21319 MITKKB
Fax: 65-2250962

Managing Director:

Isao Aramaki

**Sakura Merchant Bank (Singapore)
Limited**

16, Raffles Quay #02-06,
Hong Leong Building, Singapore 048581,
Republic of Singapore
Tel: 65-2253787
Telex: RS42916 MITKKB
Fax: 65-2247372

Managing Director:

Hajime Kadota

AFFILIATES AND ASSOCIATES**China United International Leasing
Co., Ltd.**

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CITIC Plaza, 233 Tianhe North Road,
Guangzhou, People's Republic of China
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Fax: 86 (20) 87520397

**Hua Tong International Leasing
Co., Ltd.**

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P.T. Perjahl Leasing Indonesia

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Jakarta 10220, Indonesia
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Telex: 65397 PERLI IA
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RHB Capital Berhad

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Executive Director:

Akira Miyama

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Kuala Lumpur, Malaysia
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**RHB Sakura Merchant Bankers Berhad
(Subsidiary of RHB Capital Berhad)**

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Bank of The Philippine Islands

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**Bangkok Sakura Software Service
Co., Limited**

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Thailand
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Co., Limited**

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THE AMERICAS

BRANCHES, AGENCIES AND
REPRESENTATIVE OFFICES

New York Branch

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421242 MITKKB NY
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*Executive Officer, the Regional Manager
for the Americas and General Manager:*
Takao Umino

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282159 MITKKB BCGO
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General Manager:

Yoshinori Takahashi

Los Angeles Agency

515 South Figueroa Street,
Los Angeles, CA 90071, U.S.A.

Tel: 1 (213) 680-2900
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4720063 MITKBK

Fax: 1 (213) 622-9359

General Manager:

Hidekazu Akimoto

Cayman Branch

CIBC Building, Edward Street,
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Cayman Islands

Executive Officer and General Manager:

Takao Umino

São Paulo Representative Office

Avenida Paulista, 1274-12^o Andar,
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São Paulo S.P., Brazil CEP 01310

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Chief Representative:

Tatsuo Usami

SUBSIDIARIES

Manufacturers Bank

Corporate Headquarters

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Fax: 1 (213) 489-6254

Chairman, President, and

Chief Executive Officer:

Hidekazu Akimoto

Headquarters Office

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City of Industry Office

18645 E. Gale Ave., #233,
City of Industry, CA 91748, U.S.A.

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Fax: 1 (626) 839-5834

Encino Office

16255 Ventura Boulevard,
Encino, CA 91436, U.S.A.

Tel: 1 (818) 380-0900

Fax: 1 (818) 380-0968

Little Tokyo Office

200 South San Pedro Street,
Los Angeles, CA 90012, U.S.A.

Tel: 1 (213) 489-6400

Fax: 1 (213) 489-6471

Newport Beach Office

1 Newport Place,
Newport Beach, CA 92660, U.S.A.

Tel: 1 (949) 253-5600

Fax: 1 (949) 253-5603

Ninth and Los Angeles Office

135 East 9th Street,
Los Angeles, CA 90015, U.S.A.

Tel: 1 (213) 489-8500

Fax: 1 (213) 489-6259

San Diego Office

701 "B" Street, Suite 100,
San Diego, CA 92101, U.S.A.

Tel: 1 (619) 544-3000

Fax: 1 (619) 544-3018

San Francisco Office

One California Street, Suite 1500,
San Francisco, CA 94111, U.S.A.

Tel: 1 (415) 765-0800

Telex: WU 34331

Fax: 1 (415) 765-0809

San Jose Office

10 Almaden Boulevard,
San Jose, CA 95113, U.S.A.

Tel: 1 (408) 975-3800

Fax: 1 (408) 975-3842

Warner Center Office

21550 Oxnard Street,
Woodland Hills, CA 91367, U.S.A.

Tel: 1 (818) 227-4500

Fax: 1 (818) 227-4581

Sakura Business Finance, Inc.

101 Park Ave., 15th Floor,
New York, NY 10178, U.S.A.

Tel: 1 (212) 909-4880

Fax: 1 (212) 909-4899

President:

Mario Morrone

Sakura Global Capital, Inc.

65 East 55th Street,
Park Avenue Tower,
New York, NY 10022, U.S.A.

Tel: 1 (212) 486-8282

Telex: 6790884 SGCNY

Fax: 1 (212) 355-4271

President, and Chief Executive Officer:

Takashi Ueno

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Telex: 0255945 STC UI

Fax: 1 (212) 909-7550

President:

Hajime Tada

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Fax: 1 (312) 715-6262

Chairman and Chief Executive Officer:

Leo Melamed

President:

Hideki Miyamoto

New York Office

411 West Putnam Avenue,
Suite 320, Greenwich,
Connecticut 06830-6214, U.S.A.

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Fax: 1 (203) 862-0936

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Sakura Bank (Canada)

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Telex: 623400 MITKBK TOR
Fax: 1 (416) 369-0268

President and Chief Executive Officer:
Masaji Hosoda

Sakura Capital Funding (Cayman) Limited

Maples and Calder, P.O. Box 309,
Ugland House, South Church Street,
Grand Cayman, Cayman Islands,
British West Indies

Director:
Teisuke Kitayama

Sakura Finance (Cayman) Limited

Maples and Calder, P.O. Box 309,
Ugland House, South Church Street,
Grand Cayman, Cayman Islands,
British West Indies

Director:
Teisuke Kitayama

Sakura Preferred Capital (Cayman) Limited

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Director:
Teisuke Kitayama

AFFILIATES AND ASSOCIATES

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Honolulu, HI 96813, U.S.A.
Tel: 1 (808) 535-2836, 2833
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EUROPE AND MIDDLE EAST

BRANCHES AND REPRESENTATIVE OFFICES

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Fax: 32 (2) 644-9006

General Manager:
Kuniaki Sugawara

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General Manager:
Yoshiharu Nakamura

Representative Office for the Middle East, Bahrain

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Chief Representative:
Yasuhiro Kanehira

Tashkent Representative Office

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Managing Director and Chief Executive:
Hirotaka Nagai

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Managing Director and Chief Executive:
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Managing Director:
Yoshiharu Nakamura

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Fax: 352-462439, 475781

Managing Director:
Koji Irisawa

Information for Investors

(As of March 31, 2000)

Paid-in Capital: ¥1,042,706 million

Number of Shares Authorized: 11,027,772 thousand
 Common 10,000,000 thousand
 Preferred 1,027,772 thousand

Number of Shares Issued: 4,920,069 thousand
 Common 4,117,297 thousand
 Preferred Series II 2,772 thousand
 Preferred Series III (Type-2) 800,000 thousand

Number of Stockholders:
 Common 118,674
 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 Chuo Mitsui Trust and Banking Company, Limited

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

Stock Price Range:

By Fiscal Year	Price per Share (Yen)		Nikkei Stock Average (Yen)		TOPIX	
	High	Low	High	Low	High	Low
1995	1,350	878	21,406.85	14,485.41	1,636.88	1,193.16
1996	1,250	600	22,666.80	17,303.65	1,722.13	1,326.60
1997	975	325	20,681.07	14,664.44	1,560.28	1,120.61
1998	404	165	16,731.92	12,879.97	1,280.73	980.11
1999	1,045	358	20,706.65	15,972.68	1,754.78	1,292.07

By Month		Price per Share (Yen)		Nikkei Stock Average (Yen)		TOPIX		
		High	Low	High	Low	High	Low	
1999	April	470	358	16,957.27	16,290.19	1,350.42	1,300.44	
	May	521	392	17,300.61	15,972.68	1,381.12	1,292.07	
	June	475	390	17,782.79	16,227.50	1,425.64	1,316.53	
	July	492	438	18,532.58	17,462.72	1,516.00	1,434.11	
	August	674	448	18,233.55	17,084.24	1,518.72	1,420.64	
	September	838	595	17,932.79	16,821.06	1,535.23	1,429.38	
	October	1,045	765	18,136.55	17,254.17	1,563.89	1,460.23	
	November	905	707	18,914.50	17,991.96	1,686.20	1,562.49	
	December	800	575	18,934.34	18,080.38	1,722.20	1,601.93	
	2000	January	685	520	19,539.70	18,168.27	1,717.47	1,599.01
		February	690	521	20,007.77	19,367.83	1,754.78	1,644.59
		March	799	614	20,706.65	19,078.60	1,732.84	1,558.15

Note: Stock prices are those quoted on the First Section of the Tokyo Stock Exchange.

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

Auditors:
 Tohmatsu & Co.
 Showa Ota & Co.

Major Stockholders:

	Number of Shares (Thousands)	Percentage
Common		
The Taiyo Mutual Life Insurance Company	147,752	3.58
Nippon Life Insurance Company	147,752	3.58
Mitsui Mutual Life Insurance Company	147,752	3.58
The Chase Manhattan Bank, N.A. London	127,765	3.10
State Street Bank and Trust Company	120,890	2.93
Toyota Motor Corporation	89,588	2.17
The Mitsui Trust and Banking Co., Ltd.	81,709	1.98
The Dai-ichi Mutual Life Insurance Company	65,860	1.59
The Toyo Trust and Banking Co., Ltd.	61,614	1.49
Mitsui Fudosan Co., Ltd.	56,557	1.37
Preferred Series II		
Sakura Finance (Bermuda) Trust	2,772	100.00
Preferred Series III (Type-2)		
The Resolution and Collection Bank Limited	800,000	100.00

