The Tokai Bank, Limited

STRATEGIC INITIATIVES FOR THE NEW MILLENNIUM

ANNUAL REPORT

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APRIL 1998 - MARCH 1999

Contents

Note: The English translations in this annual report of the names of and terms relating to the various laws promulgated by the Financial Reconstruction Commission (FRC) employ the provisional translations used by the FRC.

Financial Highlights

For the years ended March 31, 1999 and 1998

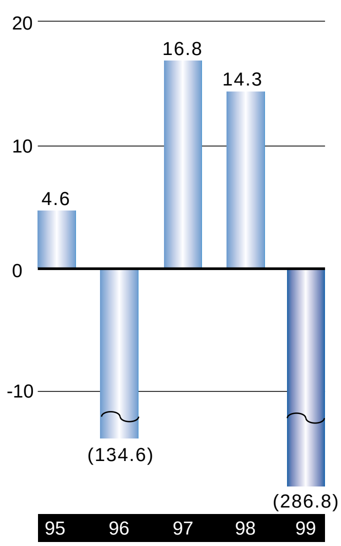
Selected Data for The Tokai Bank, Limited and Consolidated Subsidiaries

	Yen		U.S. Dollars
In millions, except per share data	**1999**	1998	**1999**
For the Fiscal Year			
(Loss) Income before Income Taxes and Minority Interest	**¥ (368,620)**	¥ 16,330	**$ (3,058)**
Net (Loss) Income	**(286,763)**	14,257	**(2,379)**
At Fiscal Year-end			
Total Assets	**¥31,839,710**	¥34,920,728	**$264,120**
Securities	**4,574,963**	4,279,644	**37,951**
Loans and Bills Discounted	**18,869,157**	20,504,164	**156,526**
Deposits	**20,842,935**	22,051,406	**172,899**
Stockholders' Equity	**1,564,430**	1,065,787	**12,977**
Per Share Data			
Net (Loss) Income	**¥ (143.01)**	¥ 5.33	**$ (1.186)**
Stockholders' Equity	**383.96**	475.98	**3.185**
Cash Dividends	**7.00**	8.50	**0.058**

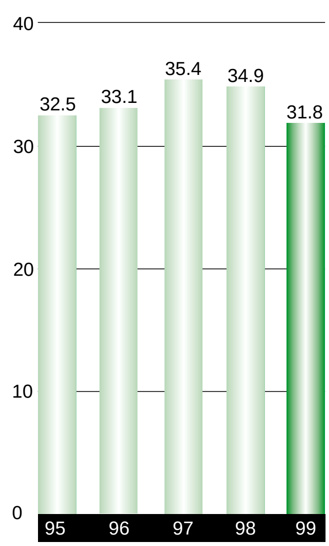
• Dollar amounts represent translation of yen at the rate of ¥120.55 to US$1 prevailing on March 31, 1999.

• Yen and U.S. dollar amounts are rounded to the nearest whole number or decimal.

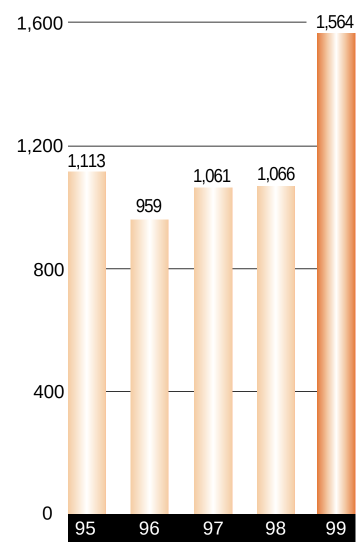
Net Income (Loss)
(¥ Billions)



Total Assets
(¥ Trillions)



Stockholders' Equity
(¥ Billions)



A Message from the Management

Japan's financial industry is facing a watershed in the form of unprecedented large-scale bankruptcies and ongoing speedy globalization. In October 1998, a framework for stabilizing Japan's financial system was established based on the Financial Reconstruction Law and the Financial Function Early Strengthening Law, which has since provided a measure of market calm.

Yet restoring trust in Japan's financial system remains a pressing task. Banks must first revitalize management by quickly restoring asset quality and then tackle the tasks of reconstructing business to remain in step with changing markets, thoroughly streamlining management, and raising efficiency.

Tokai Bank began its 11th Long-Term Management Plan in April 1998 for the three years ending March 2001 to create a dynamic management structure by focusing its resources on businesses in which the Bank can excel, reducing operating costs and creating a powerful earnings structure. In March 1999 we set the "Plan to Revitalize Management" as part of our application for public funds. This five-year plan complements the "new" 11th Long-Term Management Plan (extending to the fiscal year ending March 2003), and the steady implementation of its initiatives is a management priority.

Fiscal Year Ended March 1999 in Review

Net business profit, excluding addition to the general reserve, decreased by ¥15.8 billion year-on-year to ¥175.8 billion on a non-consolidated basis. Although bond-related profits declined by ¥32.9 billion, positive factors included an increase in interest income and a decrease in operating expenses.

Tokai Bank implemented thorough initiatives in areas such as expediting the final disposal of problem loans and taking preventive measures by setting aside reserves to cover the possibility of further asset

Hideo Ogasawara, President

deterioration given Japan's prolonged economic recession. These efforts were conducted in full compliance with "The Viewpoint on the Write-Offs and Allowances in Association with the Capital Injection" issued by the Financial Reconstruction Commission (FRC) and the Financial Supervisory Agency's Financial Inspection Manuals. As a result, credit-related charges totaled ¥577.6 billion, significantly exceeding the level in the previous fiscal year, and loss before income taxes totaled ¥313.8 billion. The Bank therefore reported a net loss of ¥185.7 billion.

However, as a result of our aggressive disposal of problem loans, the amount and ratio of problem loans under the new disclosure standards have declined sharply. At the same time, our coverage ratio has reached a sizable level. We therefore believe the worst is behind us and we are positioned to make a fresh start.

Capital Injection of Public Funds

With the aim of bolstering the capital ratio, which had declined as a result of the aggressive problem loan disposal in the fiscal year ended March 1999, and to ensure a sound financial base that will allow us to extend credit smoothly, so that we may continue to meet our social responsibility as a financial institution, Tokai Bank applied for a capital injection of public funds amounting to ¥600 billion in March 1999. Upon passing the FRC's rigorous scrutiny, the Bank received these public funds through the issue of convertible bond type preference shares. At the same time, we also raised ¥122.0 billion in common stock through the allocation of these new shares to third parties. As a result of these measures, we have achieved a capital ratio exceeding 12 percent.

Looking forward, Tokai Bank will make every effort to contribute to the stability of the financial system by bolstering loans to medium- and small-sized companies and to individuals. At the same time, in steadily implementing the strategies of our Plan to Revitalize Management, we will work to boost our earning capability and to steadily redeem the public funds received.

Strategies for the Future

The Plan to Revitalize Management we implemented when we applied for public funds will end only when the public funds are fully repaid. Our objectives under this plan, which we are totally committed to achieving, are net business profit of ¥230 billion, a Tier 1 ratio of at least 8 percent, a capital ratio of at least 12 percent, and a consolidated ROE of at least 10 percent. We will devote the next four years to completely reconstructing our business, drastically revamping our efficiency and reforming our asset composition over and above what we have done in the past, thereby building a stable earnings structure.

Reform of Asset Composition and Improved Earnings Structure

We are focusing management resources on our core customer segments of medium- and small-sized companies and individuals, while scaling back low-margin transactions overseas and with large corporate customers. By the end of the fiscal year ending March 2003, we plan to increase lendings to medium- and small-sized companies by ¥1.3 trillion and loans to individuals by ¥1.0 trillion, but to reduce lendings to large-sized companies by ¥700 billion. We also plan to sell ¥500 billion in cross-shareholdings and to reduce overseas assets by ¥1.0 trillion primarily by restraining transactions with non-Japanese-affiliated customers.

In addition, by the fiscal year ending March 2003, we plan to bolster earnings by significantly improving the spread on domestic lending, excluding loans to individuals and public entities.

Greater Efficiency

Tokai Bank is now moving ahead in restructuring and streamlining its marketing and support framework, executing a thorough program of raising personnel and branch efficiency. As a result, we expect a ¥26.4 billion decrease in operating expenses by the fiscal year ending March 2003.

To effectively execute these strategies, in May 1999 we refined our “company system” with a focus on domestic business divisions. We are implementing measures that incorporate our regional strengths, and have created a system conducive to expanding our earnings.

Strategic Alliance With Asahi Bank

Tokai Bank and Asahi Bank share a common business strategy of concentrating management resources on medium- and small-sized companies and individuals. Our strategic alliance has the goal of raising cost competitiveness and strengthening management capabilities beyond the levels each bank could achieve alone. Looking forward, we will create a financial holding company with overwhelming predominance in serving middle-market and retail customers. We aim to configure this financial holding company in the form of what we term a "Multi-Regional Bank," with participation open to other regional banks and other types of financial institutions. This alliance will proceed in two stages. In the first stage, we are setting forth policies to enhance convenience for our customers and raise efficiency. After each bank has completed the disposal of its respective problem loans, the second stage will take place between the fiscal years ending March 2002 and March 2003, creating a financial holding company. In the second stage, we will work toward a significant increase in efficiency, with the goal of reducing costs by ¥25 billion.

Looking Forward

Amid the turbulence within the financial industry, banks must reaffirm their origin. That is to say, they are financial institutions that extend credit based on the ability to determine the creditworthiness of potential borrowers. Step by step, we must successfully execute our Plan to Revitalize Management and fully repay the public funds received through the earnings generated, thereby restoring the confidence of shareholders, depositors and the public at large.

I personally pledge that Tokai Bank will successfully realize its Plan to Revitalize Management. All of us at Tokai Bank are committed to this end, and respectfully seek the continuing support of our customers and shareholders.

Hideo Ogasawara

Hideo Ogasawara
President
June 1999

Improved Earnings Structure

Core components of Tokai Bank's Plan to Revitalize Management are improving our ability to generate earnings and raising operational efficiency. Fundamental strategies for doing so are the reform of our asset composition and the building up of a new marketing and support framework.

REFORM OF ASSET COMPOSITION

The globalization of finance and Japan's Big Bang have resulted in rapid deregulation that has increased both the diversity of customer needs and banks' ability to meet them with a wider variety of products and higher level of service. These trends have created opportunities to generate increased earnings, but also have increased competition and pressured segment profitability as new non-financial participants have joined domestic and overseas financial institutions in the financial services marketplace.

In this environment, Tokai Bank is reviewing operations to scale back marginal businesses so that we can focus management resources on areas in which we command a competitive advantage. This is supporting our drive to further raise customer satisfaction and create a strong, stable earnings structure.

Moreover, despite our predominant business base in the Chubu region, our return on assets calculated using domestic net interest income on deposits and loans is not on a par with that of other city banks. We are therefore continuing to raise efficiency and reduce operating expenses through streamlining. In sum, by focusing our resources on strategic markets and raising our operating efficiency, Tokai Bank will build a stable earnings stream, and through the reform of our asset composition come out as a winner, capitalizing on the opportunities presented by the Big Bang.

CORE CUSTOMERS

In formulating the 11th Long-Term Management Plan, which began in April 1998, we examined our customer base comprehensively to determine areas in which we excelled and in which we had the greatest potential to win and retain business. We then adopted the policy of focusing management resources on these areas, so that we may become even more competitive in them.

Having thus defined our core customers, we will concentrate investment in business and product development on the core businesses in which we can meet their needs competitively, effectively and profitably. Thus will we achieve higher customer satisfaction and create a strong, stable earnings structure. Equipped with a clear customer focus as outlined below, Tokai Bank will be able to raise asset efficiency and strengthen its earnings capabilities.

- **Individual customers**
- **Medium- and small-sized companies**
  (including large-sized companies with net assets of ¥50 billion or less)

REFORM OF ASSET COMPOSITION UNDER THE PLAN TO REVITALIZE MANAGEMENT

The 11th Long-Term Management Plan, covering the three years ending March 2001, includes a focus on asset expansion in core customer groups through the expansion of loans to medium- and small-sized companies and individuals. On the other hand, we will reduce transactions overseas and with large-sized companies. This will result in a significant shift in our asset composition.

With the capital injection of public funds, we have extended the 11th Long-Term Management Plan by two years, to run from April 1998 to March 2003, concurrently implementing the Plan to Revitalize Management for additional strategic focus. This plan places sharper emphasis on our focus on reducing lower-margin transactions overseas and with large-sized companies while increasing lending to medium- and small-sized companies and individuals. As such, it makes an important contribution to our efforts to reform our asset composition and improve our earnings structure.

In addition, we plan to increase gross business profit by ¥13.0 billion as a result of the drive to reform our asset composition.

As of March 31, 1999, we had made the following progress toward our goals, as summarized in the charts to the right.

Weak economic conditions and corporate performance in Japan have restrained demand for capital among medium- and small-sized

Goals of the Plan to Revitalize Management
(compared with the fiscal year ended March 31, 1998)

Lending to medium- and small-sized companies	+¥1.3 trillion
Loans to individuals	+¥1 trillion
Cross-shareholdings	-¥500 billion
Lending to large-sized companies	-¥700 billion
Overseas transactions	-¥1 trillion

Earnings Gains Through Reform of Asset Composition
(compared with the fiscal year ended March 31, 1998)

Lending to medium- and small-sized companies	+¥10 billion
Loans to individuals	+¥8 billion
Lending to large-sized companies	-¥3 billion
Overseas transactions	-¥2 billion
Total	+¥13 billion

Progress in Achieving These Targets
(as of March 31, 1999)

Lending to medium- and small-sized companies (including large-sized companies with net assets of ¥50 billion or under)	+¥150 billion (11.5%)
Loans to individuals	+¥150 billion (15.0%)
Cross-shareholdings	-¥80 billion (16.0%)
Lending to large-sized companies	-¥60 billion (8.5%)
Overseas transactions	-¥630 billion (63.0%)

(Percentages represent progress toward total planned amounts) companies, so we have increased lending to this customer group, including large-sized companies with net assets of ¥50 billion or under, by only ¥150 billion. Loans to individuals, however, have increased by ¥150 billion, a record-high increase for a single year.

Sales of cross-shareholdings totaled ¥80 billion.

Lending to large-sized companies decreased by ¥60 billion. We plan to accelerate these reductions based on the policy decisions made for each relationship over and above targets.

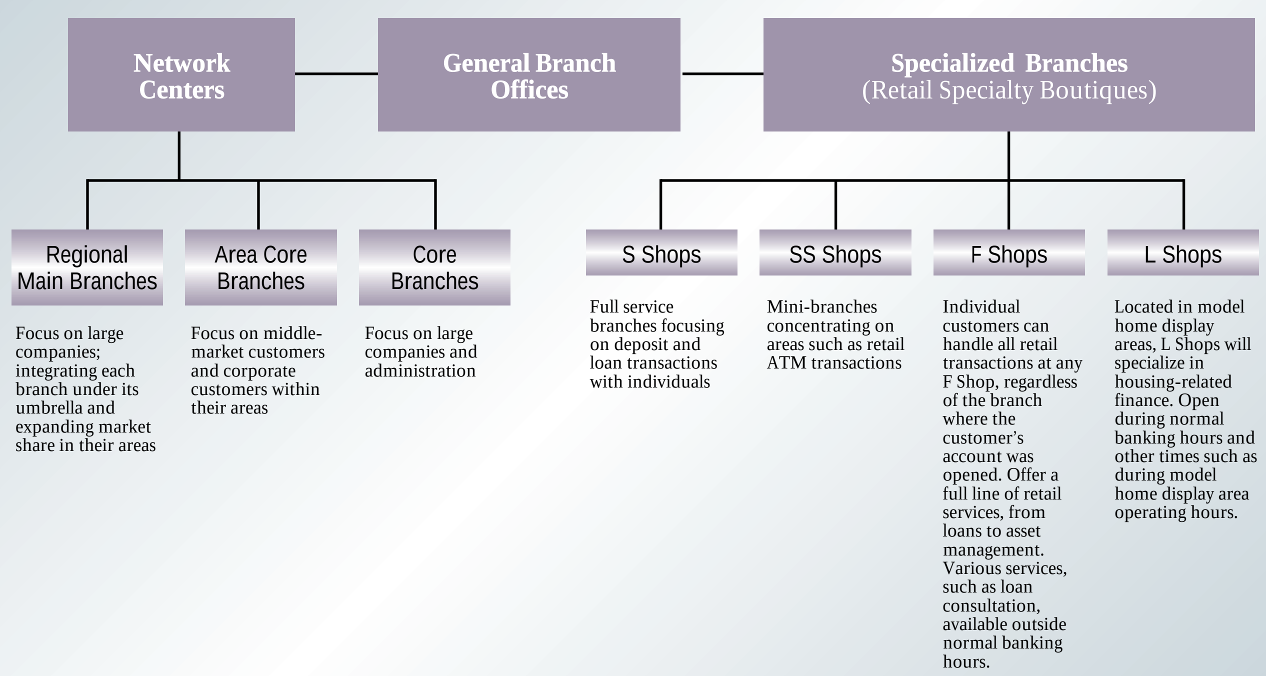
Reduction in overseas transactions, with a focus on transactions with non-Japanese-affiliated customers, has proceeded steadily, supported by consolidation of our overseas network of operating bases implemented ahead of schedule.

Our effort to improve earnings is generally proceeding as planned. Given the ongoing shift among large-sized companies toward financing through the capital markets, we must continue to build a strong, stable earnings structure based on increasing loan assets from transactions with core customers. This in turn will require the following moves to build up a new marketing and support framework that facilitates increased business with medium- and small-sized companies and individuals. In other words, strengthening our ability to develop business with core customers is essential to meeting the objectives of the Plan to Revitalize Management.

A NEW MARKETING & SUPPORT FRAMEWORK

This initiative has two core components. The first is focusing on core customer segments and delivering products and services

Domestic Branch Structure



that meet specific needs in each of those segments. The second is reducing personnel, lowering our cost structure and raising efficiency. To achieve these goals simultaneously, we are taking initiatives to completely revamp our marketing framework, and to build up a totally new branch network and structure for customer liaison and back-office administration.

Reorganization of Domestic Operating System

Under the 11th Long-Term Management Plan, we have begun reorganizing our domestic branch network into a “hub-and-spoke” system. This effort entails revising our prior approach of having each branch offer a complete line-up of products and services in favor of a system with three types of branches: network centers (at the hub of the regional branch network), traditional general branches, and specialized branches. These types of branches will be linked so that they can better offer the products and services customers require while contributing to a more efficient branch network.

Network centers anchor the main urban areas of Japan, forming the cornerstones of a network that can respond to the particular needs of each area. We have created three types of these regional main branches: a regional main branch in the Chubu region, area core branches in the city centers of Nagoya, Osaka, Tokyo and so on, and a core branch each in the cities of Tokyo, Osaka, Nagoya and Kyoto.

At present, 22 domestic branches are serving as network centers in the new “hub-and-spoke” system. Functioning as mini headquarters in their respective regions, these branches have specialists in areas such as business promotion, derivatives, M&A and capital market finance, and assign them to other branches within the network according to customer needs. As a result, our branch network has raised its flexibility, level of service, and precision in meeting customer needs, and is making good progress in expanding our presence in the target middle market.

Specialized branches, together with general branches, serve as the spokes of the network, with a particular focus on serving individual retail customers. Specialized branches will embrace the shop concept and develop tightly focused market segments, with four types according to function: S Shops, SS Shops, F Shops and L Shops. Reduced staffing at these branches is contributing to heightened efficiency.

As part of the restructuring of the branch network, headquarters is providing support to branches to further raise business development efficiency and productivity.

Retail loan centers exemplify the improved customer access and efficiency of our new branch organization. Directly accessible to customers, these centers handle the entire loan process for medium- and small-sized companies and individuals, providing loan advice and accepting loan applications, then undertaking credit inspection and post-loan account management. The direct access has enhanced customer convenience, and our introduction of an auto-scoring system for credit investigation has increased our responsiveness while lowering costs. We now have 24 tightly focused loan centers in operation directly serving such segments as housing loan customers, thereby increasing the speed and efficiency with which we serve market needs.

In addition, in May 1999 we established the Business Support Unit, comprising each division organized at the head office, to support each branch in specialist functions such as private banking.

Tokai Bank is aggressively developing low-cost, efficient operations that complement branch operations. At the same time, we are laying down a structure to support our drive to improve ATM capabilities in each region and to expand new direct access delivery channels, so as to provide customers with greater convenience and services that better meet their needs.

Improved Domestic Operating Structure

While promoting the reorganization of the domestic marketing and support framework, we are at the same time reforming and improving our administration structure such as the domestic branches and centralized administrative divisions. As a result, we will achieve greater efficiency and lower costs. Specifically, we have concentrated branch administrative functions at centralized locations to create a "backless" system in which branches are relieved of back-office operations. As a result, branches are better able to focus their time and resources on meeting customer needs, and we have been able to reduce administrative personnel through consolidation and efficiency gains.

Futhermore, we plan to consolidate regional operations centers to create a concentrated, highly focused operating system, which should result in significant efficiency gains. Moreover, we have begun outsourcing administrative functions such as evaluation and administration of real estate collateral, loan administration, and the international operations center, and this has allowed us to increase both efficiency and specialization.

Disposal of Problem Loans

Tokai Bank had dealt with problem loans adequately whenever the need arose, but in the fiscal year ended March 1999, the Bank deployed ¥577.6 billion in the resolution of this issue, leading to a significant loss for the fiscal year. The Bank took this extremely prudent approach as a safeguard against the unprecedented and prolonged recessionary conditions in Japan. The disposal of problem loans undertaken in the fiscal year ended March 1999 raised the reserve ratio for loans under risk monitor to 83.5 percent, before partial direct charge-offs, at the end of March 1999. Considering the portion of problem loans that is collateralized, Tokai Bank has essentially completed the disposal of problem loans and management expects net business profit to be sufficient to handle any additional problem loans that may emerge.

CONDITIONS OF PROBLEM LOAN DISPOSAL IN FISCAL YEAR ENDED MARCH 1999

Table 1 shows credit related charges in connection with the disposal of problem loans in the fiscal year ended March 1999. Addition to the general reserve totaling ¥12.7 billion included in credit charges under net business profit was made from a preventive standpoint. The Bank also deployed an additional ¥564.9 billion to respond proactively to continued weakness in the domestic economy and to prepare for the worst-case scenario assuming the emergence of new problem loans, as well as to guard against any further deterioration in credit risk overseas, particularly in Asia. This move was also aimed at speeding the final resolution of problem loans and removing them from the Bank's balance sheet.

POLICY FOR CHARGE-OFFS AND ADDITIONS TO RESERVES

Autonomy and aggressiveness are the cornerstones of Tokai Bank's policy for charge-offs and

(Yen in billions)

Table 1: Credit Related Charges (Disposal of Problem Loans)	Fiscal year ended March 31, 1999	Change from fiscal year ended March 1998	Fiscal year ended March 31, 1998
Credit charges under net business profit	12.7	-31.6%	18.5
Addition to general reserve	12.7	-31.6%	18.5
Credit charges under non-recurring profit/loss	564.9	51.5%	372.8
Charge-off (including specific provision)	307.4	-1.0%	310.8
Loss from sales of loans	59.8	211.4%	19.2
Loss from sales of loans to CCPC	27.1	197.5%	9.1
Loss from sales of loans reserved	32.7	926.4%	3.2
Loss from sales of overseas loans	0.0	-99.8%	6.9
Waiver of claims	179.4	345.5%	40.3
Addition to reserves for possible losses on loan sales	10.1	27.0%	7.9
Specific reserve for overseas loan losses	8.1	—	(5.4)
Credit charge under extraordinary profit/loss	—	-100.0%	21.1
Loss from devaluation of investment in subsidiary	—	-100.0%	21.1
Total	577.6	40.0%	412.4

Note: CCPC stands for Cooperative Credit Purchasing Company, Limited.

additions to reserves. Complying with the guidelines, "Practical guidance for evaluation of internal control over self valuation of assets, and audits of write-offs of bad loans and allowance for doubtful loans of banks and similar financial institutions," issued by the Japan Institute of Certified Public Accountants, and in accordance with the standards for charge-off and reserve policies set forth in the Financial Inspection Manuals issued by the Financial Supervisory Agency (FSA), we book reserves for expected credit losses as follows: The projected loss ratio is first calculated for each of the borrower categories, loan classification categories, conditions of coverage by collateral and guarantees, taking into consideration reserves and charge-offs previously made and the average remaining life of loans. Then, expected credit losses are calculated by multiplying the loan amounts for each category by the projected loss ratio. Table 7 shows specific policies for adding to reserves for asset inspection categories as per the New Disclosure Standards.

CONDITIONS OF PROBLEM LOANS AS OF MARCH 1999

Tokai Bank revised its accounting standards as from the fiscal year ended March 1999, and now employs partial direct charge-offs in accordance with the generally accepted accounting standards for the banking industry. Specifically, the Bank conducts partial direct charge-offs using the collateral or guarantee available for accounts in formal or de facto bankruptcy: Collateral or amount deemed recoverable under the guarantee is deducted from the total loan amount, and reserves are set aside for the remainder (in other words, the "Classification IV" portion). Then, partial direct charge-off is effected in an amount equal to such reserve, so that both the loan balance and the corresponding reserve balance will be reduced. Loans under risk monitor at the end of March 1999 decreased by ¥301.2 billion after partial direct charge-offs as compared to what they would have been using the previous method.

Table 2: Loans Under Risk Monitor (Before Partial Direct Charge-Offs)

(Yen in billions)

	As of March 31, 1999 before partial direct charge-offs	Annual Change	Annual Change (%)	As of March 31, 1998
Loans under risk monitor	777.2	-444.4	-36.4%	1,221.6
Ratio of loans under risk monitor	4.0%	-2.0%	—	6.0%
Reserves for possible loan losses	649.5	-146.2	-18.4%	795.7
Reserve ratio	83.5%	+18.4%	—	65.1%

Table 3: Loans Under Risk Monitor (After Partial Direct Charge-Offs)

(Yen in billions)

	As of March 31, 1999 after partial direct charge-offs
Loans to borrowers in legal bankruptcy	72.6
Overdue loans	248.4
Loans overdue for at least 3 months	63.9
Loans with concessions in terms	91.2
Total loans under risk monitor	476.0
Loans & bills discounted	18,676.8
Ratio to total loans & bills discounted	2.5%
Reserve ratio	55.4%
Reserve for possible loan losses	264.1
General reserve	92.1
Specific loan loss provision	163.9
Specific reserve for overseas loan losses	8.2

Table 3 shows loans under risk monitor. As of the end of March 1999, loans under risk monitor after partial direct charge-offs totaled ¥476.0 billion, accounting for 2.5 percent of loans outstanding, with a reserve ratio of 55.4 percent. While loans under risk monitor before application of the partial direct charge-off method totaled ¥777.2 billion, decreasing from the previous year by ¥444.4 billion, or 36.4 percent, the reserve ratio improved by 18.4 percentage points to 83.5 percent.

In addition to the disclosure on a consolidated basis as required under Article 21 of the revised Banking Law (in effect on December 1, 1998), Tokai Bank is now reporting exposure to Asia and emerging economies as part of disclosure of loans under risk monitor. As of the end of March 1999, overall loans in Asia under risk monitor totaled ¥29.0 billion, with a reserve ratio of 84.4 percent.

Besides the loans under risk monitor, Tokai Bank now discloses the results of asset quality reviews based on the Law concerning Emergency Measures for the Reconstruction of the Function of the Financial System—the so-called New Disclosure Standards. As per the New Disclosure Standards, Tokai Bank divides loans according to four borrower categories based on self-assessment: bankrupt and quasi-bankrupt claims, doubtful claims, substandard claims, and normal claims. Whereas the problem loan disclosure for loans under risk monitor is based on individual loans, the disclosure under the New Disclosure Standards differs in that it is the Bank's assessment

Table 4: Exposure to Asia and Emerging Economies (Before Partial Direct Charge-Offs)

(Yen in billions)

	As of March 31, 1999							As of March 31, 1998
		Annual change	Japanese	Non-Japanese	Corporate	Loans under risk monitor	Problem loan ratio	
Indonesia	55.4	(19.6)	16.8	38.6	13.6	11.6	20.9%	75.0
Thailand	99.0	(81.0)	45.2	53.8	24.9	7.9	8.0%	179.9
Malaysia	61.3	(22.5)	2.2	59.1	25.8	1.3	2.1%	83.8
Korea	38.6	(16.1)	0.3	38.4	14.2	0.3	0.8%	54.7
China	56.9	(16.2)	17.1	39.8	17.1	3.6	6.3%	73.1
Taiwan	57.4	(14.1)	14.7	42.7	20.8	0.0	0.0%	71.5
Asia	636.3	(209.1)	206.1	430.2	213.4	29.0	4.6%	845.4
Latin America	25.9	(5.8)	3.6	22.3	6.2	0.0	0.0%	31.6
Africa	5.9	(5.9)	0.0	5.9	1.2	0.0	0.0%	11.8
Eastern Europe	12.6	(5.4)	4.8	7.8	3.0	0.0	0.0%	18.0
Russia	0.0	(0.0)	0.0	0.0	0.0	0.0	—%	0.0
Emerging mkts. (excl. Asia)	44.3	(17.1)	8.3	36.0	10.4	0.0	0.0%	61.4
Total	680.6	(226.2)	214.4	466.2	223.8	29.0	4.3%	906.8

Credit amounts by country on a final risk basis.

Table 5: Reserve Ratio for Loans to Asia (as of March 31, 1999)

(Yen in billions)

Amount under risk monitor	Reserve	Specific reserve for overseas loan losses	Reserve ratio
29.0	24.5	8.2	84.4%

Loans under risk monitor (after partial direct charge-offs): ¥26.1 billion
The New Disclosure Standards (before partial direct charge-offs): ¥32.0 billion
The New Disclosure Standards (after partial direct charge-offs): ¥29.2 billion

Table 6: Claims Assessment Categories

Bankrupt and quasi-bankrupt claims	Borrower is subject to bankruptcy, corporate reorganization or composition, or borrower has debts corresponding to these conditions
Doubtful claims	Borrower is a going concern, and its financial affairs or results are deteriorating with a strong probability that principal and interest payments will be suspended
Substandard claims	Claims more than 3 months in arrears or loans with concessions in terms that do not fall under the above categories

Table 7: Assets as per the New Disclosure Standards

(Yen in billions)

After partial direct charge-offs	As of March 31, 1999				
	Assessed amount	Ratio to total lending	Coverage	Coverage ratio	
Bankrupt & quasi-bankrupt claims	215.5	1.0%	215.5	100.0%	100% coverage through collateral, guarantees and reserves
Doubtful claims	426.8	2.1%	368.4	86.3%	Excluding portion covered by collateral and guarantees, we set aside reserves for about 70%.
Substandard claims	111.0	0.5%	54.4	49.0%	Excluding portion covered by collateral and guarantees, we set aside reserves for about 15%.
Subtotal (1+2+3)	753.2	3.6%	638.3	84.7%	
Normal	19,964.8	96.4%	—	—	Regarding “loans to borrowers under watch” within “normal loans,” we set aside reserves for about 3.5% based on the percentage of actual credit losses as calculated using the average loan maturity.
Total	20,718.1	100.0%	—	—	

of its assets (total claims). Table 6 above explains the assessment categories, and Table 7 shows amounts and coverage ratios determined by self-assessment based on the New Disclosure Standards: the percentage of problem claims to total credit extended is low at 3.6 percent, and the coverage ratio is at an adequate level of 84.7 percent.

The Credit Review Division plans and manages self-assessments of assets, which are carried out twice during a fiscal year, for each term end (with base dates set at the end of June and December).

The Credit Review Division independently verifies the credit ratings that serve as the premise for credit self-assessment and the self-assessment process itself and in addition checks the charge-offs based on the self-assessment. To bolster the review system, Tokai Bank increased the number of specialist inspection officers in December 1998, and, during the reorganization that took place in May 1999, strengthened the system by instituting the Credit Review Division, which is now independent of the Credit Planning Division, where it was attached formerly as the Credit Review Department.

ACTION FOR FINAL DISPOSAL OF PROBLEM LOANS

Even if reserves and charge-offs are fully made on an accounting level, the disposal of problem loans can be truly completed only when they have been removed from the balance sheet. We are therefore moving ahead toward such final disposal through efforts including actively recovering problem loans and moving them off the balance sheet. In the fiscal year ended March 1999, in addition to the actual recovery of some problem loans, we conducted bulk sales of ¥290.4 billion, and sold ¥58.9 billion in problem loans to the

Cooperative Credit Purchasing Company, Ltd. With the addition of waiver of claims, direct charge-offs and so on, the cumulative total of problem loans removed from the balance sheet as of March 31, 1999 was ¥1.2 trillion, and we will continue to be aggressive in improving our balance sheet through such problem loan shifts.

To ensure that the Bank continues to make progress toward the final disposal of problem loans, we concentrated responsibility for the resolution of such loans at seven Credit Management Centers, thus strengthening our system of managing and recovering problem loans. These Centers are currently staffed by about 100 employees dedicated solely to recovering nonperforming loan assets and thereby shortening the time required for final disposal.

POLICIES FOR PREVENTING PROBLEM LOAN OCCURRENCE

In order to prevent the future occurrence of problem loans as much as possible, Tokai Bank has tightened risk management for individual credits, returning to the basic lending principles and utilizing the lessons learned from the misjudgments of the asset bubble era. At the same time, the Bank is rigorously implementing internal procedures and credit monitor and controls based on its credit rating system.

In an effort to improve the lending capabilities of Bank personnel, we now provide training programs by class and industry to cover different levels of employee experience, in addition to training programs designed according to the class and industry of customers.

Rebuilding Capital Structure

Banks operating internationally are obliged to ensure sound financial management by maintaining the Bank for International Settlements (BIS) capital ratio requirement of 8.0 percent, and the introduction of Prompt Corrective Action from April 1999 clarified the steps to be taken for failing to meet it. Tokai Bank serves its core Japanese corporate customers expanding internationally, and international operations are critical to serve such clients' needs and central to our effort to incorporate high-level financial technologies in products that respond to diversifying customer needs. The continued ability to operate internationally is therefore crucial. One objective of our Plan to Revitalize Management is to secure a capital ratio exceeding 12.0 percent and a Tier I capital ratio exceeding 8.0 percent by the fiscal year ending March 2003, the final year of the plan.

CAPITAL RATIO

Tokai Bank has consistently maintained its capital ratio above 8.0 percent since the fiscal year ended March 1993, the year in which the BIS standard was introduced.

In the fiscal year ended March 1996, Tokai Bank disposed of ¥801.9 billion in problem loans, which resulted in a net loss of ¥346.2 billion for the fiscal year. This required the use of internal reserves, leading to a drop in the capital ratio to 8.46 percent. In April 1996, the Bank issued its first preference shares amounting to ¥100 billion to strengthen its capital base, raising the capital ratio to 9.09 percent at the end of March 1997.

At the end of March 1998, the adoption of the acquisition cost method for valuing securities, which meant unrealized gains on securities could not be included in the Bank's capital, exerted downward pressure on the capital ratio. Tokai Bank raised the capital ratio, however, to 10.25 percent as a result of bolstering its equity capital by means of issuing US$1 billion in perpetual non-cumulative preferred securities and receiving public funds through ¥100 billion in subordinated loans on the one hand, and reducing risk-weighted assets through the securitization of loans on the other.

During the fiscal year ended March 1999, Tokai Bank disposed of ¥577.6 billion in problem loans and reported a net loss of ¥185.7 billion. In March 1999, the Bank received a capital injection of public funds through the issuance of ¥600 billion in convertible bond type preference shares, and raised an additional ¥122.0 billion in common stocks through the allocation of these shares to third parties. As a result, Tier I capital

Table 8: BIS Equity Ratios

(Yen in billions)

	As of March 31, 1999	Change from March 31, 1998	As of March 31, 1998	As of March 31, 1997	As of March 31, 1996
BIS capital ratio	12.60%	—	10.25%	9.09%	8.46%
Tier 1	1,598	419	1,179	1,053	956
Tier 2	1,003	-52	1,055	1,053	956
Risk-weighted assets	20,633	-1,150	21,783	23,163	22,576

increased more than ¥400 billion, and the removal of problem loans from the balance sheet and other actions reduced risk-weighted assets by ¥1.15 trillion. The capital ratio therefore surged to 12.60 percent at March 31, 1999.

CAPITAL INJECTION OF PUBLIC FUNDS

Financial institutions have an important obligation to meet customers' healthy demand for capital and to contribute to the stability and growth of Japan's economy. Yet, in reality, bankruptcies and rating downgrades among financial institutions have shaken the credibility of Japan's financial system both domestically and overseas. The Law concerning Emergency Measures for the Revitalization of the Functions of the Financial System was therefore promulgated to restore the soundness of healthy Japanese banks by strengthening their capital.

As the only major city bank headquartered in Nagoya, Tokai Bank has a predominant presence in the Chubu region of central Japan, the nation's industrial heartland. In order to contribute to the stability of the overall financial system and of the regional economy, the Bank has aimed to boost its capital base through the capital injection of public funds, considering the obligation to maintain a financial structure that is conducive to the stable and smooth extension of credit by absorbing risks that surface in the future, such as increased credit risk from economic fluctuations and expanded unrealized losses on securities holdings from stagnant stock prices. Based on this philosophy, we issued convertible bond type preference shares amounting to ¥600 billion in March 1999, which were totally subscribed by The Resolution and Collection Bank, Limited (now renamed The Resolution and Collection Corporation). Further, an outline of the second preference shares and third preference shares which were issued is shown in Table 9.

Table 9: Outline of Second and Third Preference Share Issues

	Second preference shares	Third preference shares
Preference share type	Convertible bond type	Convertible bond type
Preference share issue price	¥2,000	¥2,000
Total amount issued	¥300 billion	¥300 billion
Number of shares issued	150 million	150 million
Dividends per preference share (yield)	¥18.60 0.93%	¥19.40 0.97%
Initial conversion price	¥563	¥563
Conversion period	For 7 years after 3rd year	For 6 years after 4th year

Redemption and Amortization

Taking a number of factors including projected future earnings into account, repayment of the public funds will be deferred four years. The Bank plans to repay ¥60 billion annually from the fiscal year ending March 2004 to the fiscal year ending March 2008, and ¥300 billion in the fiscal year ending March 2009. Naturally, depending on the progress in reaching our profit targets, we may repay ahead of schedule. The deferral period will give the Bank time to build its internal reserves.

The disposal of a significant amount of problem loans resulted in a net loss for the fiscal year ended March 1999, but paves the way for a return to profitability in the fiscal year ending March 2000. Moreover, the steady execution of our Plan to Revitalize Management will create a solid base for earnings growth. Management therefore believes the Bank will be fully able to redeem and amortize the preference shares as scheduled. Measures such as additions to a reserve fund to cover the costs for cancellation of stocks and accumulation of internal reserves will enable the large redemption and amortization scheduled in the repayment plan for the fiscal year ending March 2009.

Dilution

Tokai Bank is taking several measures to deal with dilution. First and foremost, successful execution of the Plan to Revitalize Management, which would increase the Bank's share price, is an important factor in preventing dilution. Furthermore, the Extraordinary General Meeting of Shareholders in March 1999 newly established an article for approving the cancellation of shares not exceeding 200 million.

Improved Efficiency

Under the Plan to Revitalize Management, we aim to raise our efficiency by building a new marketing and support framework, and promoting the reform and improvement of the administrative structure. Specifically, by enhancing personnel productivity and efficiency of branches, we are targeting a reduction in expenses of ¥34 billion by the fiscal year ending March 2003, reaping a net efficiency gain of ¥26.4 billion even after taking into account the ¥7.6 billion increase in expenses incurred to strengthen our focus on core customers. In the fiscal year ended March 1999, we focused on reducing personnel expenses, achieving gross cost reductions of ¥12.8 billion and net cost reductions of ¥9.7 billion.

PERSONNEL EXPENSES

Personnel Reductions

We plan to reduce the total number of Bank employees (excluding those on a contract basis and local staff at overseas offices) by approximately 1,700 over five years from the 11,407 in the fiscal year ended March 1998. This will entail the reduction by approximately 650 with the building of a "backless" branch system (branches without a back office administration function), 850 through the consolidation and change in status of domestic branches, 100 through the closure of and withdrawal from overseas bases, and 100 through streamlining of other functions at headquarters. In the first year of our Plan to Revitalize Management, the fiscal year ended March 1999, we achieved a staff reduction of 313.

Table 10: Details of Cost Reduction Targets
(Year ending March 2003 (projected) compared to year ended March 1998)

(Yen in billions)

Consolidation and change in status of domestic branches, streamlining of account representatives	-¥6.5 billion
Reform and improvement in administration structure ("backless" operation of back office administration for each branch)	-¥5.5 billion
Consolidation and streamlining of overseas offices	-¥4.5 billion
Revision of procurement practices (more appropriate purchase prices)	-¥5.5 billion
Streamlining based on alliance with Asahi Bank	-¥3.0 billion
Revision of personnel management system, welfare facilities	-¥7.0 billion
Other	-¥2.0 billion
Gross effects from restructuring	-¥34.0 billion
(Increased costs coincident with bolstering business with core customers, etc.)	+¥7.6 billion
Net reduction in expenses	-¥26.4 billion

Table 11: Planned Efficiency Gains

(Yen in billions)

	Year ended March 1998 (A)	Year ended March 1999 (B)	Change (B-A)	Year ending March 2003 (C)	Change (C-A)
Personnel expenses	117.4	110.5	(6.8)	92.7	(24.9)
Supplies	115.6	114.1	(1.4)	116.6	1.0
Taxes	16.3	14.8	(1.4)	13.8	(2.5)
Total	249.4	239.6	(9.7)	223.0	(26.4)

Personnel Expenses Reductions

As a result of initiatives including personnel reductions, review of employee welfare facilities and outsourcing to wholly owned administrative subsidiaries (booking of personnel expenses under supplies expenses), we project net cost reductions of ¥24.9 billion under the Plan to Revitalize Management. During the fiscal year ended March 1999, we achieved net cost reductions of ¥6.8 billion.

From winter of 1998, Tokai Bank reduced employee bonuses by 20 percent. Directors' compensation was reduced by 15 to 25 percent for the fiscal year ended March 1999 because of the net loss reported and reduction of cash dividends.

Supplies Expenses

Total supplies expenses are projected to increase by ¥1.0 billion under the Plan to Revitalize Management due to increased supplies expenses from outsourcing to wholly owned administration subsidiaries (booking of personnel expenses under supplies expenses) and increased depreciation expenses. Supplies expenses will be reduced on a real basis through rationalization measures such as consolidation and change of status of branches, reduction of overseas bases, and review of procurement practices.

Consolidation and Status Change of Domestic Branches

The consolidation of the domestic branch network under the 11th Long-Term Management Plan which began in April 1998 was to cover 33 branches, or 18 branches and 15 agencies, and to change the status of 75 branches. These figures have been increased to 42 branches, or 27 branches and 15 agencies, as a result of the strategic alliance with Asahi Bank initiated in September 1998. We expect to have this process completed by March 2001. We also plan to designate approximately 10 branches for mutual transfer with Asahi Bank.

As of the end of March 1999, we consolidated 9 branches, or 4 branches and 5 agencies, and changed the status of 18 “general” branches into “shops.” Including agencies that have been changed to specialized branches, we consolidated and changed the status of 64 branches, thus proceeding according to the plan.

Raising Efficiency of Overseas Operating Bases

In line with our focus on supporting Japanese-affiliated companies, differentiating Tokai Bank from competitors and adding greater value to our services, we plan to maintain major U.S. and European offices and an appropriate network in Asia to continue providing support to Japanese companies. At the same time, we will eliminate unprofitable offices and those that have become strategically less important. Specifically, we plan to reduce overseas bases by approximately half, from 66 at the end of March 1998 to 36 by the end of March 2001. During the fiscal year ended March 1999, we closed or withdrew from nine overseas bases.

By the end of March 2001, we plan to reduce employees associated with overseas operations by 1,300 from the level at the end of March 1998. This figure includes 100 employees dispatched overseas from Japan.

Outsourcing

We are actively proceeding with outsourcing, with the aim of lowering operating costs through enforcement and centralization of specialized functions. A significant portion of headquarters and branch administration functions

Closure of or Withdrawal from 30 Overseas Bases

	As of March 31, 1998	As of March 31, 2001	Planned reduction
Overseas branches	16	9	-7
Overseas subsidiaries and affiliates	30	12	-18
Representative offices, loan production offices	20	15	-5
Total	66	36	-30

has already been outsourced to our wholly owned administration subsidiaries, and in April 1999, after consolidating these subsidiaries, the Bank newly outsourced the foreign exchange administration functions of the former International Operations Center. In April 1998, the major functions relating to development and operation of the systems were collectively outsourced to Central Systems, Inc.

Closure and Sale of Real Estate and Others

The Bank is going ahead with the sale of sports facilities, the sites of closed branches and recreational facilities, as well as the discontinuation and sale of dormitories for single employees and family housing. In order to implement its efficiency measures to a full extent, Tokai Bank also abolished its American football team.

Subsidiaries and Affiliates

Tokai Bank is reviewing its subsidiaries and affiliates in terms of their role and function within the overall Group. We are studying their necessity and clarifying their strategic direction. Domestically, we are conducting reviews in light of earnings trends and contribution to improving services to our core customers, namely the middle and retail market. Overseas, the Bank will eliminate operating bases whose functions can be assumed by other bases and those that do not have strong ties with Japanese-affiliated companies in Japan and overseas.

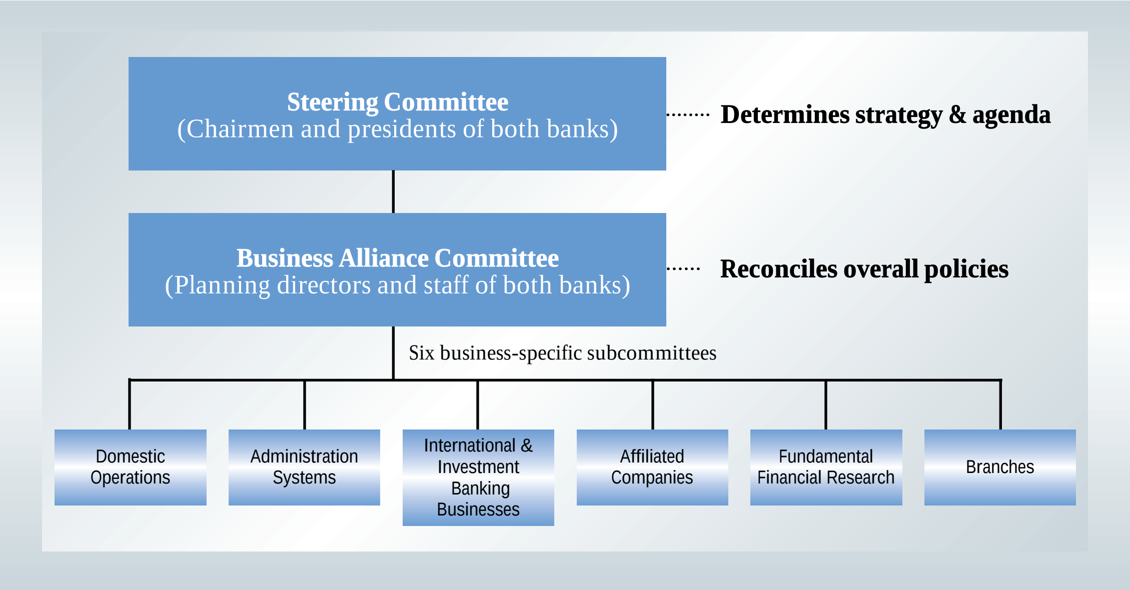
Strategic Alliance with Asahi Bank

Having agreed to enter into a strategic alliance with Asahi Bank in September 1998, Tokai Bank is now moving forward with specific plans to realize the benefits the alliance presents.

AIMS OF THE ALLIANCE

Geographically, Tokai Bank has a strong presence in the Chubu area while Asahi Bank has a strong presence in the Tokyo region. Both institutions share a strategic focus on serving medium- and small-sized companies and individuals. The alliance will therefore strengthen the management conditions and cost competitiveness of both banks, enabling them to provide a higher quality of service to their customers.

Looking forward, the two banks are conducting joint research to form a financial holding company sometime between the fiscal years ending March 2002 and March 2003. The resulting financial group would be a "multi-regional bank" strengthened by the participation of other leading regional banks and other types of financial institutions, with the objective of forming one of the world's foremost middle-retail banks.



TRANSITIONAL STAGES

The alliance is progressing using a two-stage approach. The first stage addresses issues for immediate action or consultation. The second stage encompasses issues to be determined based on the results of the first stage and developments in the system reform concerning financial holding companies.

First Stage

- Improving customer convenience
- Capital alliance
- Raising efficiency
- Concentration of business resources
- Strategies to win under Japan's "Big Bang"

The first stage will focus on studying concrete measures for the five issues listed above. In tandem with these, each bank will complete its respective disposal of problem loans and promote management efficiency through streamlining to prepare for the shift to the second stage.

Second Stage

Both banks will evaluate the effect of the first stage and, on the condition that the establishment and provision of various systems relating to financial holding companies are complete, the banks will then conduct full-scale considerations of establishing the financial holding company, with a target date set in the period

The six subcommittees will deal with the following 46 issues:

Subcommittee for Domestic Operations (19 Items)	• Development of new electronic banking products; mutual use of existing products • Development of new consumer loan products • Investigation of new products related to administrative deregulation and the revision of laws, etc. • Joint development of Internet banking • Development and mutual use of investment trust products • Joint research and development of private banking businesses • Cooperation in work relating to the Housing Loan Corporation, a government organization • Mutual consignment and joint operation of loan-related tasks • Development of joint advertisements, unification and joint purchasing of gifts to customers • Mutual utilization of business information • Exchange of information regarding customer relations methods for the middle and retail market segments and the training of account representatives • Research on branch profitability management and evaluation system, and management indicators • Joint management of telephone banking call center • Joint development of venture enterprise supporting business • Joint provision of overseas information and market trends, etc., to customers • Joint holding of study and training classes for bank employees, etc. • Joint purchasing and spot lending of foreign currency cash and travelers' checks • Development of ATMs for foreign currency deposit accounts • Standardization of foreign exchange related fees
Subcommittee for Administration Systems (5 Items)	• Joint development of systems; investigation and research of joint management of administration systems • Integration of cash collection and delivery related companies • Year 2000 compliance • Consideration of payment with cards using ATMs by customers of both banks • Joint studies for consolidation of foreign exchange operations
Subcommittee for International & Investment Banking Businesses (8 Items)	• Collaboration in asset management • Mutual cooperation in development of financial products, etc. • Cooperation in foreign exchange services for customers, derivatives, funds acquisition, etc. • Collaboration of securities subsidiaries • Joint development and sharing of various systems • Centralization of domestic and overseas back-office operations • Sharing of information from overseas economists, etc. • Collaboration of overseas bases
Subcommittee for Affiliated Companies (4 Items)	• Collaboration in personnel dispatch • Collaboration in physical inspection of real estate collateral • Collaboration of think tanks • Collaboration of real estate companies
Subcommittee for Fundamental Financial Research (4 Items)	• Profitability analysis of individual customers • Individual customer loan related research • Joint research on prepayment risks • Joint research on credit risks
Subcommittee for Branches (1 Item)	• Mutual transfer of domestic branches
Others (5 Items)	• Studies and research concerning financial holding company • Joint promotion of fixed contribution pension business • Consideration of joint purchasing of furnishings, fixtures, equipment, etc. • Studies on establishment of servicer company • Consolidation of branches by each bank independently in anticipation of the alliance

(as of May 31, 1999)

between the fiscal years ending March 2002 and March 2003. With this financial holding company at the core, the banks will move forward to establish a new financial group (a multi-regional bank) with the participation of other regional banks and other types of financial institutions.

The financial group will be open to the participation of other financial institutions, as long as they meet the prerequisites of having completed restructuring efforts and the disposal of their problem loans at an early date.

The two banks will cooperate in developing business in the field of fixed contribution pensions, and will consign the record keeping to a company established primarily by the Industrial Bank of Japan and Nomura Securities.

STATUS OF PROGRESS AT FIRST STAGE

Progress to date is as follows:

• Cross-shareholdings (actual as of March 1999) • Tokai's holding of Asahi shares: purchase an additional 10,207 shares for a total of 25,379 shares • Asahi's holding of Tokai shares: purchase an additional 10,751 shares for a total of 26,074 shares	From October 1998
• Elimination of fees on mutual use of ATMs for cash withdrawal (actual for March 1999, compared with March 1998) • Asahi Bank customers increased use of Tokai Bank ATMs by 70% • Tokai Bank customers increased use of Asahi Bank ATMs by 97%	December 1998
• Elimination of fees charged for transferring funds between the two banks using ATMs (actual for March 1999, compared with March 1998) • Asahi Bank customers increased use of Tokai Bank ATMs by 37% • Tokai Bank customers increased use of Asahi Bank ATMs by 39%	December 1998
• Mutual utilization of M&A information	December 1998
• Mutual consignment of management of ATMs outside of branches	February 1999
• Joint establishment of ATM maintenance company	February 1999
• Launch of joint projects in fundamental financial research fields	March 1999
• Mutual marketing of investment trust products	April 1999
• Establishment of joint homepage	April 1999
• Mutual consignment of clearing of bills	From May 1999
• Co-handling of internal mail	From May 1999
• Joint marketing of foreign currency deposit accounts with currency options attached	June 1999
• Joint holding of seminars on overseas information	June 1999
• Mutual cooperation in international factoring business	June 1999
• Mutual consignment of collection of taxes and other public money	November 1999 (projected)
• Development of joint advertising	Ongoing

STATUS OF PREPARATION FOR SECOND STAGE

As mentioned above, entry into the second stage will depend on the results of the first stage and the establishment and provision of various systems relating to financial holding companies. At present, the two banks are conducting joint research of legal and tax systems, among others, as well as case studies of U.S. and European financial institutions, to establish the financial holding company between the fiscal years ending March 2002 and March 2003.

Company System & Non-Board Member Executive Director System

CURRENT STATUS OF THE COMPANY SYSTEM

In May 1998, Tokai Bank introduced a decentralized business management system called a “company system” as part of the 11th Long-Term Management Plan. In view of several factors that have since taken place, including the strategic alliance with Asahi Bank, the capital injection of public funds and the Plan to Revitalize Management, and reflecting on the achievements and lessons learned in the past year, the system underwent a progressive reorganization in May 1999 with an emphasis on domestic banking operations, and Tokai Bank is again moving full speed ahead with the new system.

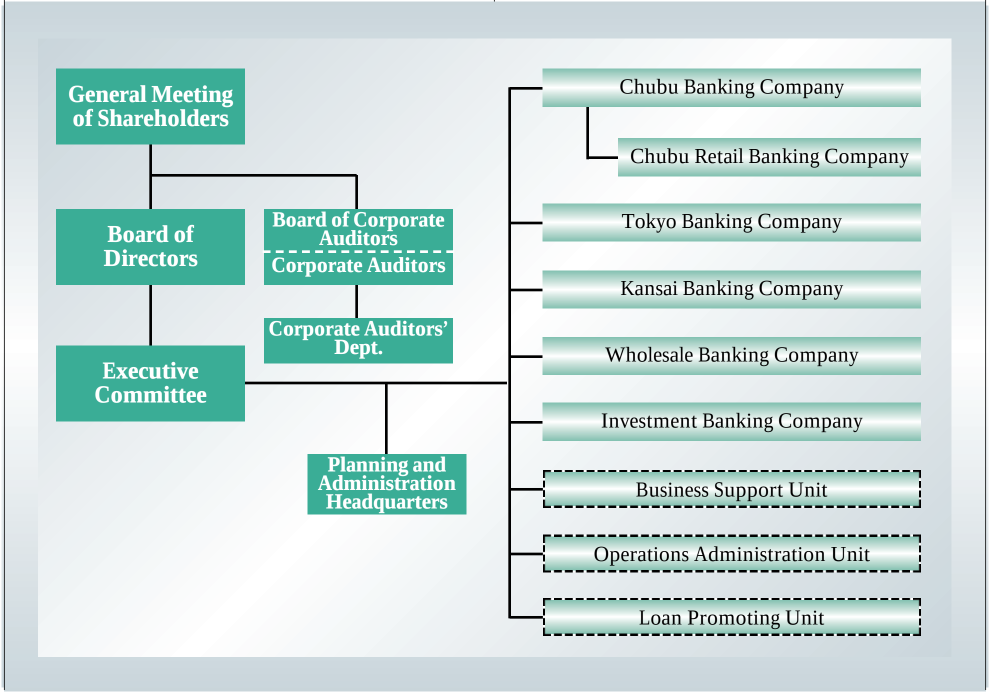
As a result, we are building a more powerful system for the execution of our strategies and policies outlined in the Plan, with due consideration of our regional strengths within the customer segments served and the branch network.

Recent moves have entailed reorganizing the Middle & Retail Banking Company and the Retail Banking Company, and establishing Banking Companies responsible for business in the Chubu, Tokyo and Kansai regions. We have also clarified the role of the Banking Companies as profit centers whose mission is to maximize earnings, and removed from them the divisions providing support, as well as the functions of business planning and new product development. As a result, we have clearly defined responsibility for the planning section and that for the business promotion section within domestic banking operations, thereby clarifying tasks and accountability for achieving various goals set in implementing the Plan to Revitalize Management.

Outline of Company System

In the company system, the Bank’s operations are divided into quasi-autonomous entities, each managing its business using its own capital. This move is aimed at making the companies more agile in responding to changes in their operating environments and strengthening their commitment to enhancing efficiency and service as profit centers, thus contributing to the Bank’s objective of improving earnings.

There are in all five companies in this system. Companies created for domestic banking operations are the three regional companies, namely, the Chubu Banking Company, the Tokyo Banking



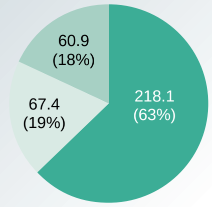
Company and the Kansai Banking Company, and comprising the Wholesale Banking Company, the Head Office, the Tokyo Main Office and the Osaka Branch. The Investment Banking Company was created to focus on investment banking and transactions with non-Japanese entities. The Chubu Retail Banking Company, which is part of the Chubu Banking Company, concentrates on developing retail business with individual customers in the Chubu region, relying heavily on specialized branches. Planning and administration headquarters, comprising the divisions responsible for overall planning and administration, provide control for the company system, coordinating and allocating resources to the various companies, and handling audits and credit evaluation.

Since the mission of each company is to realize maximum profit, the divisions that support domestic banking operations have been separated from the companies to form a Business Support Unit whose responsibility is to promote various measures.

Moreover, other divisions that differ from the profit centers in their purpose have also been separated from the companies. The task of dealing with and recovering problem loans has been assigned to a Loan Promoting Unit, and administration, systems development and management have been assigned to an Operations Administration Unit.

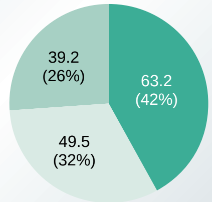
Gross business profit by company for the year ended March 31, 1999

(Yen in billions)



Net business profit by company for the year ended March 31, 1999

(Yen in billions)



Middle & Retail Banking Company
Wholesale Banking Company
Investment Banking Company

Note : The above charts are presented on an internal budget management basis.

Vision of a Financial Holding Company in the Future

As part of the strategic alliance between Tokai Bank and Asahi Bank, the two institutions are working toward the future formation of a financial holding company. Assuming the provision of legal systems such as for taxation, the implementation of the company system is an initial step toward the formation of the financial holding company envisaged. In order that the improved results of each company contribute to the greater performance of the Tokai Group as a whole, each company's performance is gauged through means using the rate of return on the company's equity, for example, and transfer pricing is implemented for adjustment and allocation of earnings and costs among companies.

NEW APPROACHES TO CORPORATE GOVERNANCE

As Japan's financial institutions enter into full-fledged mega-competition, banks are expected to make appropriate management decisions faster than ever, and to strengthen compliance.

Aligning corporate governance with global standards, in June 1998 Tokai Bank reformed the Board of Directors and introduced the Non-Board Member Executive Director system. Concurrent with the above-mentioned reform, the corporate audit function was reinforced to bolster the function of checking the performance of management.

System Overview

The new system affords the Bank's top policy-making body, the Board of Directors, the ability to make management decisions speedily and to supervise business execution appropriately. The functions and responsibilities of directors have been revised, and directors have been classified as board members as per the Commercial Code and non-board members who focus on business execution. Their respective functions are outlined below.

Members of the Board of Directors

Members of the Board of Directors are elected at the General Meeting of Shareholders and become part of the Board of Directors, which sets and oversees fundamental strategies and operating policies for Tokai Bank and its group of companies. The number of directors was reviewed, and a system was implemented that will contribute to speedier, more effective decision making.

In April 1999, the retirement age for directors was revised, and as a result, the chairman will now retire at the age of 70, and the president and advisors at the ages of 65 and 75, respectively.

Non-Board Member Executive Directors

Non-Board member executive directors are elected by the Board of Directors. They are given the authority for execution from the representative director concerned, and focus on the task of implementing the decisions of the Board. At Tokai Bank, the President of each company is a non-Board member executive director, reflecting the system with clearly defined roles for directors (i.e., non-Board member directors are in charge of business execution) and they are, in turn, supervised by the members of the Board of Directors.

Strengthening the Corporate Auditors' Function

The Corporate Auditors are expected to cover an increasingly wide range of areas as part of independently auditing the performance of the Board members and strengthening the bankwide compliance function. Against this background, in June 1998 the number of corporate auditors was increased from 4 to 5 at Tokai Bank, while in June 1999 the Corporate Auditors' Department was newly established with the aim of bolstering the support role provided to auditors by the staff positioned there.

Year 2000 Readiness Disclosure

WHAT IS THE YEAR 2000 PROBLEM?

The "Year 2000 problem" arises from the inability of some computer hardware or software systems to correctly process dates after the year 2000. Generally, computers recognize the year using the last two digits of the year. During the initial days of the year 2000, the year would be displayed on the computer as "00" (year); however, an unamended system may erroneously recognize this as 1900. Moreover, since 2000 is also a special leap year (an event that occurs once in 400 years), there is an additional possibility that the system might stop or cause incorrect operations if the program was developed without due regard to this special leap year.

Computers are an integral part of modern life and industry. Especially at financial institutions, computers play a vital role in various operations, including interest calculation and maturity control. Therefore, full compliance is required in order to avoid an impact on customers and a disruption in the economy.

FULL ATTENTION AND COMMITMENT OF MANAGEMENT

The management of Tokai Bank places a high priority on dealing with the Year 2000 problem, as inadequate preparation and compliance could have far-reaching consequences, not only to computer systems, but also to office equipment, office facilities, networks, and various services which the Bank provides, including interfaces with customers and with affiliated companies. We also fully recognize the need to address a wide range of issues, such as assessment for mitigation of other risks arising from possible Year 2000 noncompliance (e.g., credit risk, liquidity risk) that the Bank could be exposed to, as well as the necessity of establishing an organizational framework based on the Bank's contingency plan. We view the Year 2000 problem as a critical mission with very high priority, and are therefore carrying out the measures required to achieve full Year 2000 compliance.

BANKWIDE ORGANIZATIONAL STRUCTURE

The Bank started an assessment of the scope of the potential impact of the Year 2000 problem in 1996. Because of the importance of the issue, the Year 2000 Committee (hereafter, the "Committee") was established by a resolution of the Board of Directors in September 1997 as a controlling and coordinating body. The Committee's purpose is to create and monitor the progress of the action plans and schedule for Year 2000 compliance. Since the establishment of the Committee, the domestic and overseas sections and branches of the Bank have been proceeding in their work for Year 2000 compliance, based on the policies and schedule decided by the Committee.

The Committee is currently made up of 19 divisions including the Corporate Planning Division, Operations Planning Division, Systems Division and Investment Banking Planning Division, with each Division head as a member. The chairman of the Committee is a Senior Managing Director and Board member appointed by the Board of Directors. The Committee is directed by a Managing Director who is also a Board member. Progress made in addressing Year 2000 compliance issues is closely monitored by the

Committee and its summary is reported monthly to the Board of Directors and non-Board Member Executive Directors' Committee, while the details of progress are reported to the Executive Committee approximately every three months.

This process ensures management's active involvement in the matter, including close monitoring of the progress and additional instructions for pending matters.

SCOPE OF ASSESSMENT AND GENERAL POLICY FOR COMPLIANCE AND PROGRESS TO DATE

Based on the procedures developed by the Committee, assessment was made of computer hardware and software, communication hardware, buildings, facilities, external operating hardware and services at headquarters and all domestic and overseas branches and offices, and Year 2000 compliance measures for these systems, machinery and facilities have been implemented accordingly.

Systems

Renovation and validation of all the Bank's critical systems are complete. In addition, we have completed interface tests with external settlement systems providers, including the systems offered by financial industry associations such as the Japanese Bankers Association System, BOJ Net, BANCS and SWIFT, and have confirmed that data interface will be carried out without any problem. Compliance measures for other systems have also been completed.

Facilities and Machinery

Year 2000 compliance checks were completed on facilities and machinery used by the Bank, such as safes, elevators and machinery-security systems, following receipt of written confirmation from vendors and manufacturers. Additionally, we have carried out internal confirmation tests for systems whose failure would have a critical impact on operations. Moreover, confirmation for Year 2000 compliance is carried out whenever new systems, hardware and/or facilities are introduced.

Affiliates

Compliance measures have been implemented for the systems, machinery and facilities used by the Bank's domestic and overseas subsidiaries and affiliates, and have been completed for the most part.

ESTIMATED COST FOR YEAR 2000 COMPLIANCE

At the end of March 1999, the Bank's Year 2000 compliance-related cost was estimated at approximately ¥4.2 billion on a non-consolidated basis, and approximately ¥6.1 billion for the Tokai Bank Group as a whole, including domestic and overseas subsidiaries and affiliates. These estimates include costs of hardware and software investments, manpower and implementation of contingency plans, as well as the cost of carrying out connection tests with the Bank's electronic banking customers. However, these estimates do not include the costs of systems renovations in which Year 2000 compliance was achieved as part of the overall functional enhancement of such systems, as they cannot be identified separately.

Reference

We introduced a renovated system for the Bank's accounting system in Japan (the Third Generation On-line System) between 1984 and 1990, and completely renewed the software for the critical systems and the relevant hardware in each office. During this renovation, systems were developed to support new types of transactions, while others were renovated to reduce operation time. At that time, under the standardization of development methods for date processing, the Century Code was added, thereby taking care of a substantial part of Year 2000 compliance efforts.

We completely renewed the Bank's overseas accounting system between 1993 and 1996. Year 2000 compliance was substantially achieved at that time, again applying the standardization of development method for date processing by adding the Century Code.

For renovation of the Third Generation On-line System, approximately ¥45 billion was spent for software development (approximately ¥15 billion) and hardware changes (approximately ¥30 billion). Approximately ¥5.8 billion was spent for renewal of the new overseas system.

CONTINGENCY PLAN

We have identified potential risks that could be caused by the Year 2000 problem on a bankwide basis and developed a contingency plan to prepare for the worst-case scenario, in view of the possible disruption caused not only by systems, machines and equipment, but also by external factors and breakdowns of the social infrastructure.

Based on this contingency plan, the Bank will be conducting various drills that assume on-line and other troubles, and will have extra measures in place for the crucial period covering the year-end and the beginning of the year, such as creating back-up files for transaction data, confirming the proper operation of systems and machinery, and having adequate manpower on stand-by.

TO THE CUSTOMERS

The Bank has been carrying out confirmation testing for customers who have contracted for electronic banking services, such as information provided through PCs and data transmission using magnetic tape or floppy disks. However, there are cases where confirmation testing takes time due to the customer's circumstances, and the Bank will continue working with these customers.

From the viewpoint of each customer's system, achieving Year 2000 compliance is critical to avoid any disruption. In this regard, we have already started our inquiry on the compliance status of our customers, and we request your understanding and cooperation when similar inquiries are made.

OTHER

The Bank's internal audit function is integrally involved in the Year 2000 compliance program. In addition, in order to deal with potential legal liabilities arising from the Year 2000 problem, the Bank's Compliance Division has been put in charge of coordinating legal matters, and a system of checks is now in place. We will continue to provide the Bank's Year 2000 compliance status for your reference.

While the Bank is making every effort to achieve compliance and to assess the potential impact and risk arising from Year 2000 issues, we would like to make it clear that the Bank does not make any representation, nor offer any guarantee in this regard, and the Bank shall not be held liable as a result of this statement nor be considered to have waived any of its rights. (Information provided is as of June 30, 1999.)

INVESTMENT TRUSTS

As part of Japan's financial Big Bang, banks were allowed to begin selling investment trusts in December 1998. In the current low-interest-rate environment, customers are looking for new ways to manage their financial assets. Tokai Bank has responded to the greater diversity in asset management needs by initiating sales of securities investment trusts at all domestic branches.

Products include the *S-Fund* and the *U-Fund*, both developed and managed by a Tokai group company, Tokai Asset Management Co., Ltd. The *S-Fund* invests in domestic government bonds to generate stable returns. The *U-Fund* is an umbrella scheme fund, a package of 10 different funds among which customers may freely switch their investments. Moreover, as part of our strategic alliance with Asahi Bank, in April 1999 we began selling the *Asahi Tokyo U.S. Bond Open*.

Comprehensive information on investment trusts for retail customers supports our entry into this business.

Investment Trust Products

S-Fund	A (Jan/April/July/Oct) B (Feb/May/Aug/Nov) C (Mar/June/Sep/Dec)	Invests in domestic fixed income securities to generate stable returns
U-Fund	Japan Bond Index	Indexed fund on domestic bond market
	Japan Stock	Indexed fund on Nikkei 225 stock average
	Global Stock A	Actively managed. Invests in overseas stocks. Uses currency hedging.
	Global Stock B	Actively managed. Invests in overseas stocks. No currency hedging.
	U.S. Stock A	Actively managed. Invests in U.S. stocks. Uses currency hedging.
	U.S. Stock B	Actively managed. Invests in U.S. stocks. No currency hedging.
	Emerging Bond A	Invests in emerging market bonds. No currency hedging.
	Emerging Bond B	Invests in emerging market bonds. Uses currency hedging.
	Foreign Bond	Actively managed. Invests in overseas bonds and currencies.
	Money Market	Invests in domestic short-term instruments. Managed to generate stable returns while maintaining net asset value.
Asahi Tokyo U.S. Bond Open		Invests in short-term U.S. dollar fixed income securities. Uses currency hedging.

Tokai Bank's funds are no-load funds — in other words, they carry no front- or back-end sales charges. This feature affords investors greater freedom to manage their assets based on their own judgment. Customers may also switch investments among the *U-Fund*'s offerings by telephone. We intend to further improve customer service by system integration and an extended lineup of various attractive funds.

IN-STORE BRANCHES

In October 1998, Tokai Bank opened its first in-store branch, the Miyoshigaoka Branch—SS Shop Miyoshigaoka, at a shopping center in Miyoshi, Aichi Prefecture. The Miyoshigaoka Branch is open during the same hours as the shopping center, including Saturdays and Sundays. Locating branches in high-traffic shopping centers facilitates customer access to Tokai Bank and contributes to efficient use of resources and a low-cost branch network.

PROJECT AND STRUCTURED FINANCE

Since the inception of the Project and Structured Finance (P&SF) team in early 1997, the P&SF team has, by early 1999, already established itself as a respected and consistent player in the Asian project finance market. Based on its focus as a purveyor of quality advice and arranging services to project developers,

The Meizhou Wan Power transaction, one of several high-profile deals Tokai Bank arranged, was selected as both IFR Deal of the Year and PFI Deal of the Year for 1998.

Tokai Bank's P&SF team has proven its ability to create value in the most demanding conditions. Tokai Bank's abilities — now proven over a range of transactions encompassing the Meizhou Wan power project in the PRC, the Nong Khae power project (first Small Power Producer financing in Thailand since the start of the Asian financial crisis), and the Nakayama Kyodo Hatsuden power project (first project financing in Japan) — have been specifically recognized by the market as reflected in the selection of the Meizhou Wan Power transaction as both the International Financing Review Deal of the Year and the Project Finance International Deal of the Year for 1998. Tokai Bank acted as Arranger and PRC Documentation Bank in the Meizhou Wan Power transaction.

These achievements have been particularly noteworthy given the very difficult market conditions prevalent in 1998, and are, in fact, a testament to Tokai Bank's unique capabilities in the project finance field. Relying on its experienced team of professionals, Tokai Bank was able to focus on transactions that had solid fundamentals, strong ownership and viable commercial and financial arrangements. Above all, Tokai Bank demonstrated its ability to apply well-proven structuring principles in turbulent times, while relying on the experience of team members, consistency of approach and its commitment to clients, to seamlessly execute these transactions.

Tokai Bank believes this past year's turbulence proved to be an excellent testing ground for our skills which will equip us well to continue creating value for our valued clients. In fact, our ability to master this difficult period has provided us with additional confidence for the years to come as we seek to serve our clients' continued interest in Asian infrastructure development. Tokai Bank will continue to look for opportunities to arrange financings for projects and Private Finance Initiatives in Japan and Asia, an activity which has, since the inception of the team in early 1997, received and continues to receive a strong strategic emphasis within Tokai Bank.

JAPANESE LEVERAGED LEASES

Using innovative schemes in structured lease financing, Tokai Bank has secured mandates in a cross-section of industries as well as in the traditional aircraft finance market. In April 1998, we arranged the equity portion of a Japanese Leveraged Lease (JLL) scheme to finance PCS telecommunications equipment for Sprint Corporation in the United States. After the Japanese corporate tax reform of limitations on cross-border JLLs became effective on October 1, 1998, the Bank has been pursuing the opportunity to arrange a JLL for a domestic customer. In March 1999, the Bank successfully received a mandate from IDO Corporation of Japan to arrange both the debt and equity portion of JLL financing of its new digital telecommunications equipment by applying cross-border lease arrangement techniques to our core domestic customer in the telecommunications industry.

STRUCTURED TRADE FINANCE

The Structured Trade Finance Group completed its first year of operation in early 1999. In accordance with our original objectives, the Group focused upon the provision and arranging of financing, risk mitigation and advisory services to our global customers involved in the execution of cross-border trade flows mainly for essential commodities and priority capital goods. In this relatively short time, the Group has assisted in arranging the pre-financing of aerospace projects from South Korea to the U.S.A.; structured and financed a medium-term receivables financing facility covering the export of telecommunications infrastructure equipment from North America to Japan; provided a syndicated guarantee facility for the export of container vessels from South Korea to Germany; and arranged and financed a number of bilateral import and post-export financing facilities for our correspondent bank customers in Northeast and Southeast Asia.

With the apparent easing of the financial crisis in Asia, it is expected that more banks will resume their commercial lending and trade finance activities in the region, which may result in downward pressure on margins across the markets. Notwithstanding the increased competitive activity, we remain confident that the Group will continue to show steady growth in its origination activity and profitability. In addition, throughout this year, we intend to deploy more resources throughout our branch network in Japan to allow us to succesfully deliver a greater structured trade product capability to our domestic customer base. By relying on the Group members, proven expertise in combining a mix of traditional trade finance capabilities with more complex structured trade financing and risk mitigation techniques, we remain able to provide a high degree of flexibility and speed in responding to our customers' specific requirements in an increasingly demanding and competitive environment.

DERIVATIVE PRODUCTS

To further improve and differentiate the financial services it offers to its core customer groups of middle-market and retail clients, Tokai Bank is actively developing its derivatives business. This will expand both our business base and sources of income. During the fiscal year ended March 1999, we increased the number of headquarters personnel assigned to each region, dispatched derivatives specialists to core branches, including the three main offices, and trained and supported branch staff, bolstering our drive to further strengthen the services we offer bankwide.

Given the continuing low yen interest rates during the fiscal year ended March 1999, customers expressed strong interest in products that offer better returns. In response, we developed three types of U.S. dollar time deposits that incorporate currency options and aggressively marketed them to both corporate clients and affluent individuals. Sales were strong, exceeding 1,500 contracts during the year. We also introduced new products that matched the fund-raising needs of core customers, including swap and interest rate option products indexed to the prime rate, as well as loans incorporating derivatives.

We are devoting particular attention to developing products that respond to diversifying customer needs. Areas of focus include continuing to develop deposit and loan products incorporating derivatives, as well as preparing to provide equity and credit derivative products that we are now permitted to directly handle as a result of revisions to banking regulations. One of the first such products to be introduced is a deposit linked to stock price movements, which we plan to begin offering to core customers at all branches in the first quarter of the fiscal year ending March 2000.

We have also begun marketing jointly with our strategic alliance partner Asahi Bank a U.S. dollar time deposit incorporating currency options. In addition, the two banks are conducting joint research into methods for controlling prepayment risk and credit risk.

CENTRAL JAPAN INTERNATIONAL AIRPORT PROJECT

Japan's industrial heartland, the Chubu region has a population exceeding 20 million. Construction of the new international airport to serve the region's transportation needs in the twenty-first century has begun, with opening of the airport scheduled for 2005. The new airport will operate 24 hours a day and serve as an international transportation hub, giving Chubu a direct link to the rest of the world that will support the region's industrial and cultural development.

Central Japan International Airport Co., Ltd. was established in May 1998 to move the project forward. As a key player in the Chubu economy, Tokai Bank is playing an important role in the realization of this long-term project. We assigned personnel to Central Japan International Airport Co., Ltd., and are the largest private shareholder in the project. In addition, we provide advice and propose methods for financing the airport's construction, and support related regional projects by deploying our financial expertise and providing information and proposals.

With a total project budget, including the airport and ancillary infrastructure, of ¥3 trillion, the new airport is projected to generate over ¥2.7 trillion in economic knock-on effects for the Chubu region and ¥5.5 trillion nationwide. As the leading bank in Chubu, Tokai Bank will continue to actively support the new airport project, thus contributing to the region's further development.

The Central Japan International Airport will contribute to a stronger economy in Chubu, where the Bank is based.

2005 WORLD EXPOSITION

With "Nature's Wisdom" as the central theme, the World Exposition will be held in Aichi Prefecture in March 2005. In contrast to past expositions, which had focused on showing the material aspects of human progress, the 2005 Expo will emphasize the coexistence of people with the Earth's

Tokai Bank is actively involved in working to make the 2005 World Exposition in Aichi Prefecture a success.

environment and resources. By looking at the spiritual aspects of human life in a new light and uncovering nature's hidden wisdom, it is hoped that the exposition will point the way to a sustainable path for continued human progress. Based on these themes, ideas are being gathered from around the world and concrete proposals are being studied. We will continue holding discussions and building enthusiasm for the event.

Tokai Bank has assigned three staff members to the Japan Association for the 2005 World Exposition. Through our participation in various committees and project teams, we are also playing a leading role in planning event sites and creating concepts for the exposition.

Risk Management

Tokai Bank has created an effective system for evaluating, selecting and controlling all types of modern banking and financial risks. This system was designed to involve senior management in the process of managing risk while disseminating risk control techniques throughout the Bank's operations.

TOKAI BANK'S RISK MANAGEMENT PHILOSOPHY

Banks face a variety of risks in the course of their business operations, including market risk, credit risk, liquidity risk, operational risk and legal risk. The impact of these risks upon bank management has become increasingly significant as the diversity and complexity of the financial industry have grown.

Risks have different characteristics. Some are measurable, some are not; some are potential sources of profit, others are profit-neutral. Accurately understanding and analyzing risk positions and reporting that information to management are critical to maintaining sound management and stable earnings. Tokai Bank has therefore built a risk management organization through means such as establishing an independent division in charge of risk management and creating a framework for the integrated management of different types of risk.

RISK MANAGEMENT STRUCTURE

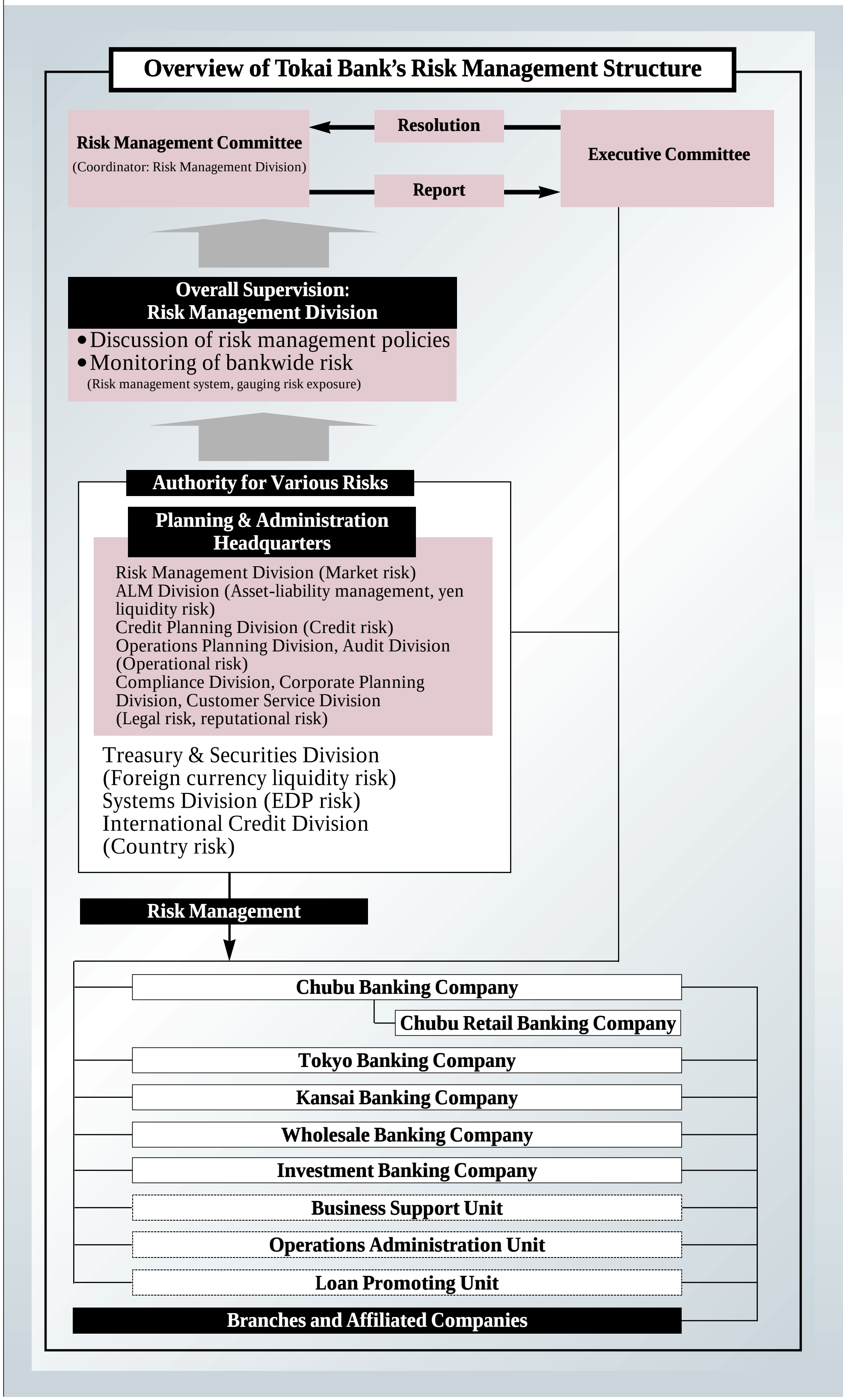
Concurrent with the introduction of the "company system" in May 1998, Tokai Bank formed a planning and administration headquarters for monitoring and managing risk throughout the Bank, comprising in the main, the Risk Management Division, ALM Division, Credit Planning Division, Operations Planning Division and Compliance Division.

In May 1998, we newly established the Risk Management Division as the Bank's risk management section to monitor market risk and credit risk from a bankwide perspective. This division reports directly to top management, and in the future will be responsible for unifying the management of the broad array of risks we face, including operational risk and other management risks. The Division serves as the coordinator for the Risk Management Committee (see note) and oversees all related divisions. In addition, it reports risk-related information directly to top management on a daily and monthly basis and as needed (for example, in an emergency) and implements measures to control risks in cooperation with the relevant divisions.

Note: Risk Management Committee
The Risk Management Committee was created when the "company system" was implemented to integrate and strengthen bankwide market and credit risk management. While monitoring risk positions and reporting to management, the committee performs the following functions:
1) Develops forecasts and scenarios for interest and market rates.
2) Determines fundamental policies for managing market, credit and liquidity risk.
3) Conducts risk/return analyses using RAROC.

Credit approval and credit reviews to manage traditional credit risk, as well as front-, middle- and back-office functions in increasingly complex market operations, are clearly separated and their responsibilities are duly distinguished from one another, thus creating a system of mutual checks between divisions.

The bankwide revenue and risk profile is reported to the Non-Board Member Executive Directors' Committee each month to foster broad awareness and



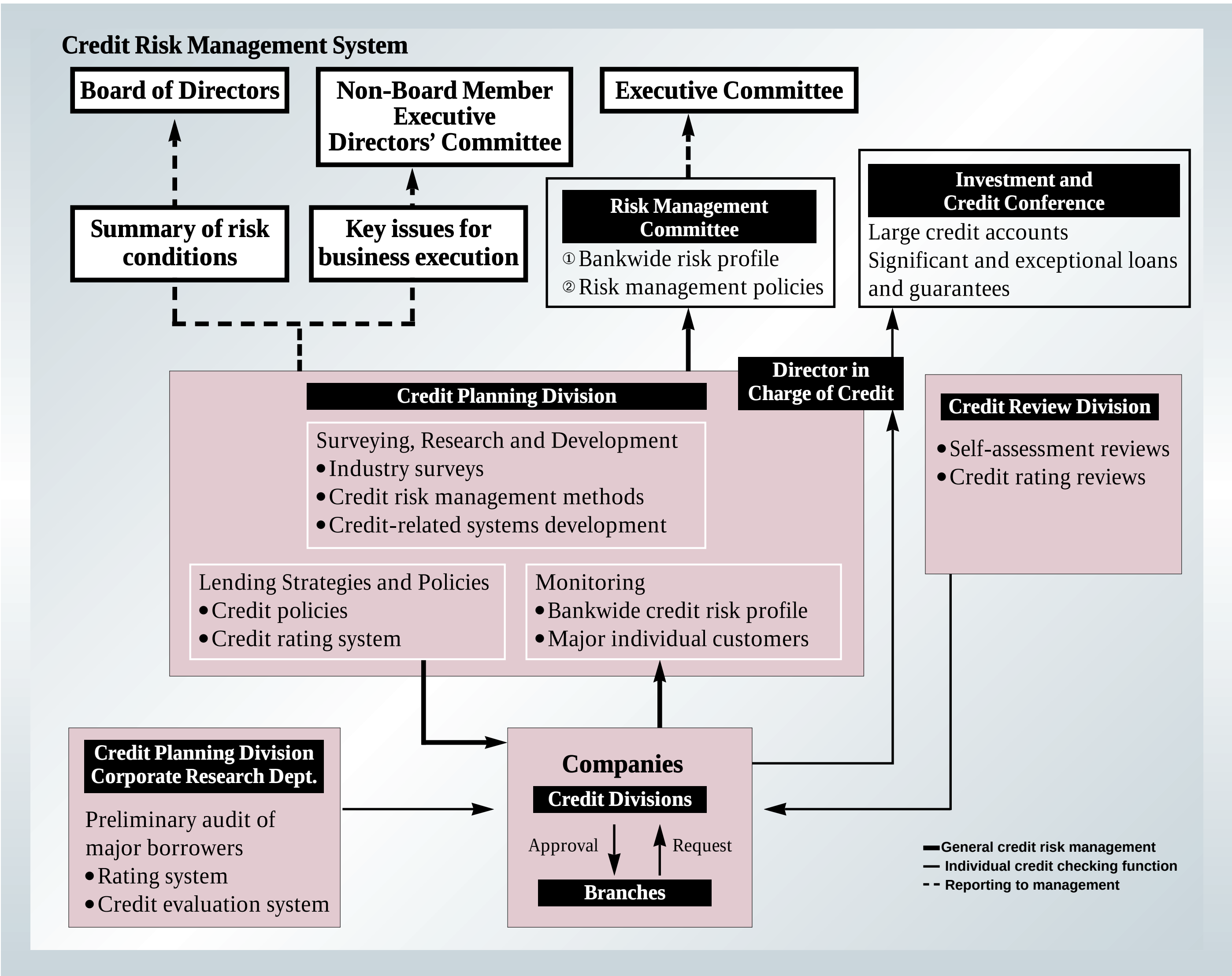
management of risks by the Bank's management at large.

Staffed with personnel who have broad knowledge and experience, the Audit Division performs comprehensive internal audits. The division reports the results of audits directly to top management.

CREDIT RISK

Credit risk is the possibility of a loss occurring as a loan becomes unrecoverable due to the bankruptcy or deterioration in credit quality of a borrower. As this type of risk is inherent in our core lending business, managing credit risk entails controlling the total amount of credit risk to remain at a reasonable level in the light of the Bank's capital, as well as taking on risks while securing an appropriate level of coverage and profitability.

Tokai Bank has established a credit risk management system to manage our entire organization in line with this fundamental philosophy. In addition, we have formed a credit policy to provide guidelines to all staff involved in lending; implemented a credit rating system to establish standards for credit risk management; built a management system based on credit metrics to secure stable earnings while controlling risks;



and developed credit risk management procedures and credit-related systems to provide infrastructural support for all of these systems and procedures.

Credit Risk Management System

Control of Credit Risk Management System

To control bankwide credit risk, we have established a Credit Planning Division that is independent of the activities of each company. The Credit Planning Division establishes fundamental credit-related strategies and rules, including credit policies and the credit rating system. In addition, the division monitors the Bank's overall credit profile, and develops appropriate measures to respond to issues. In monitoring risks, the division develops credit metrics to effectively manage the Bank's credit portfolio.

The Credit Planning Division also studies credit risk management methodologies and develops credit-related systems. The division has a Corporate Research Department that is responsible for developing rating models and conducting surveys of industries as well as trends among major companies. This department also provides opinions from a professional perspective in conection with credit approval and ratings for customers who are important in terms of credit management.

Reporting to Management

The Credit Planning Division compiles and analyzes information on Tokai Bank's overall credit risk profile, and the results are reported to the Executive Committee on a monthly basis after the reviews by the Risk Management Committee. In addition, a summary is given to the Board of Directors, while key issues for business execution are reported to the Non-Board Member Executive Directors' Committee.

Authority for Credit Extension at Companies

For approval of specific credits, Tokai Bank conducts specialized and timely reviews through the credit divisions established within each company (Credit Divisions I-IV and the International Credit Division), in order to accurately meet the needs of each customer.

To ensure effective credit risk management, credit extension limits are set for each credit rating. Decisions to extend large amounts of credit that exceed the scope of authority of credit divisions require the approval of the director in charge of lending and the Investment and Credit Conference.

Credit Reviews

Tokai Bank's internal credit rating system, including decision making concerning credit limits, is critical to our credit risk management system. Moreover, accurate execution of the self-assessment system is essential to our ability to maintain a sound financial position through additions to the reserve for possible loan losses that reflect the degree of deterioration in the quality of loan assets. We have therefore established a Credit Review Division that is independent of the activities of each company. This division assigns credit ratings for each customer and conducts an accurate self-assessment of assets, and also examines the effectiveness of systems for these functions.

Credit Policy

Our credit policy determines the strategies and rules that form the core of credit risk management at Tokai Bank. In addition to delineating basic lending principles and the laws and regulations with which we must comply, our credit policy incorporates global standards in areas such as portfolio management and setting credit limits that control the concentration of credit with specific borrowers.

Gist of Credit Policy

- Basic lending principles
- Compliance with applicable laws and regulations
- Matters to be considered in lending
- Authority and independence of credit approval
- Credit rating system and rating reviews
- Credit limit system
- Profitability standards and policies governing relationships
- Portfolio management

Credit Rating System

To ensure objectivity and consistency in the management of credit risk, Tokai Bank assigns credit ratings to all borrowers other than those in the public sector and individual loan clients.

We focus on quantitative evaluation to maintain objectivity in rating procedures. For the

Fields of Application

Self-assessments	Implemented based on credit ratings
Credit limits	Set permissible amounts for each credit rating
Problem loan administration	Use credit ratings for automatic screening and elimination of special watch borrowers
Collateral evaluation cycle	Implement short-cycle evaluations for very low ratings
Coverage standard guidelines	Set coverage ratio standards for each rating
Credit limit system	Set credit limits for corporate and group borrowers at each credit rating

Credit Ratings

<table>
<tr><th colspan="2" rowspan="2">Rating</th><th colspan="5">Self-assessment</th></tr>
<tr><th>Borrower category</th><th colspan="4">Classification</th></tr>
<tr><td>1</td><td>Prime A</td><td rowspan="8">Normal</td><td colspan="4" rowspan="8">I (nonclassified)</td></tr>
<tr><td>2</td><td>Prime B</td></tr>
<tr><td>3</td><td>Prime C</td></tr>
<tr><td>4</td><td>Good</td></tr>
<tr><td>5</td><td>Satisfactory</td></tr>
<tr><td>6</td><td>Fair</td></tr>
<tr><td>7</td><td>Acceptable</td></tr>
<tr><td>8</td><td>Borderline watch</td></tr>
<tr><td>9</td><td>Watch A</td><td rowspan="3">Watch</td><td rowspan="6">I</td><td rowspan="6">II</td><td colspan="2" rowspan="3"></td></tr>
<tr><td>10A</td><td>Watch B</td></tr>
<tr><td>10B</td><td>Special watch</td></tr>
<tr><td>11</td><td>Bankruptcy risk</td><td>Bankruptcy risk</td><td rowspan="3">III</td><td></td></tr>
<tr><td>12A</td><td>De facto bankruptcy</td><td>De facto bankruptcy</td><td rowspan="2">IV</td></tr>
<tr><td>12B</td><td>Formal bankruptcy</td><td>Formal bankruptcy</td></tr>
</table>

corporate borrowers that constitute a majority of our domestic lending business, we use a highly reliable statistical rating model based on insolvency data of the Bank's customers.

Credit ratings are used in credit extension decisions and in individual credit administration activities such as those below. They also serve as the basis for a management system based on credit metrics.

Measurement of Credit Risk

Centered on credit ratings, credit-related data are quantified and analyzed by our credit risk management system and deployed in management administration from the perspective of portfolio management.

Credit Risk Management Procedures and Credit-Related Systems

Tokai Bank is developing sophisticated risk management procedures and computer support for lending decisions. These systems are important not only for improving the Bank's risk management and strengthening profitability, but also for boosting the Bank's competitiveness through improved service to customers. In addition to rating models for domestic corporations, recent development themes are outlined in the chart on page 41.

COUNTRY RISK

Country risk includes political risk and cross-border risk as well as the risk of economic downturns in specific countries. Political risk refers to the possibility that the Bank may be unable to recover loans due to the nationalization of borrowers or because of the effects of war, rioting, civil disturbances or other incidents. Cross-border risk refers to the possibility that borrowers will be unable to convert local currency into the loan currency on the maturity date (convertibility risk), and the possibility that the borrower may be unable to transfer funds to the payment location in the loan currency on the maturity date due to factors such as government restrictions on fund transfers (transfer risk).

		Administrative Framework					Purpose
Total Risk	→	Equity capital	≒	Operating capital	≧	Capital-at-risk (Credit + Market)	Keep bankwide capital-at-risk within the scope of equity capital
Risk Concentration	→	Credit line basis	→	Credit limit system			Set maximum amount for credit concentration
	→	Capital-at-risk basis	→	Concentration by industry	+	Loan concentration by business group	Monitor credit risk concentration on calculated risk basis
Profitability	→	RAROC	=	Risk-adjusted earnings	÷	Operating capital (Capital-at-risk)	Evaluate risk-adjusted return on equity
	→	Economic Value Added	=	Risk-adjusted earnings	—	Cost of capital	Evaluate surplus profit after deducting cost of capital
Optimization	→	Profitability standards	+	Fundamental transaction policy			Reallocate assets toward credit structure with the optimal risk/return ratio
Scenario Analysis	→	Compilation of data on diverse preconditions and Monte Carlo simulations					Analyze the effects of irregular occurrences and past trends

Auto-Scoring Model	Evaluation of low-volume business loans is computer supported to speed the decision process. This helps Tokai Bank meet the fund needs of customers such as medium- and small-sized businesses and sole proprietors.
Credit Risk Management System	This system is designed to measure bankwide credit risk exposure, based on a data warehouse for all credit-related data, including domestic and overseas, on- and off-balance sheet, and lending and market transactions. Basic functions came on-line in April 1998, and all other functions were in operation by January 1999. The system can perform both Monte Carlo simulations and analytic evaluations to estimate the expected loss and maximum possible loss in the Bank's credit portfolio. It can also calculate the marginal increase in expected losses on the overall portfolio of loans to individual customers. Moreover, it can perform simulations of changes in risk factors based on hypothetical conditions.
Electronic Data Exchange and Approval Systems	Tokai Bank has developed and given all branches access to an electronic data exchange and approval system for use in credit consultation. This system enables relevant parties to share and use customer-related data to improve the speed and efficiency of the credit approval process.

Glossary of Terms

Credit risk	The possibility that the Bank will incur a loss due to a counterparty's inability to meet the original contracted interest and principal payments because of bankruptcy, etc.
Expected loss	The predictable loss on uncollectible loans based on bankruptcy statistics. Statistical benchmarks are used to gauge the appropriate level for the general reserve for possible loan losses.
Unexpected loss	Losses on uncollectible loans exceeding the predictable amount. Measured by standard deviation of the possibility of actual losses deviating from forecast losses.
Maximum loss	The maximum expected loss/The 'worst case scenario' was a 99% probability (the possibility of losses exceeding maximum expected losses is 1%).
Risk-adjusted earnings	Gross loan profit minus loan expenses minus expected loss. Equivalent to loan profit after elimination of loan loss reserve cost.
Capital-at-risk	Maximum expected loss minus expected loss. This represents the amount of capital that would be set aside in the worst-case scenario to cover the portion of loan losses not covered by the general loan loss reserve. Latent loss, namely the concept of 'risk' itself, is used to determine the existence and scale of risk.
Operating capital	The amount of capital allocated to each company, and the maximum limit on risk-based capital that can be used by each company.
Cost of capital	The level of profit necessary to achieve the Bank's ROE target.
RAROC	Risk-Adjusted Return on Capital (risk-adjusted earnings/capital-at-risk)
Economic Value Added	A measure of the added value generated by the Bank's lending business, defined as surplus after deducting cost of capital.
Profitability standards	The profit level set according to the Bank's lending strategy, using the standard of loan costs + loan loss reserve costs (expected loss) + cost of capital.
Fundamental transaction policy	The lending policy set by the Bank, taking into account not only borrower credit ratings and profit criteria but also the borrower's overall business relationship with the Bank.

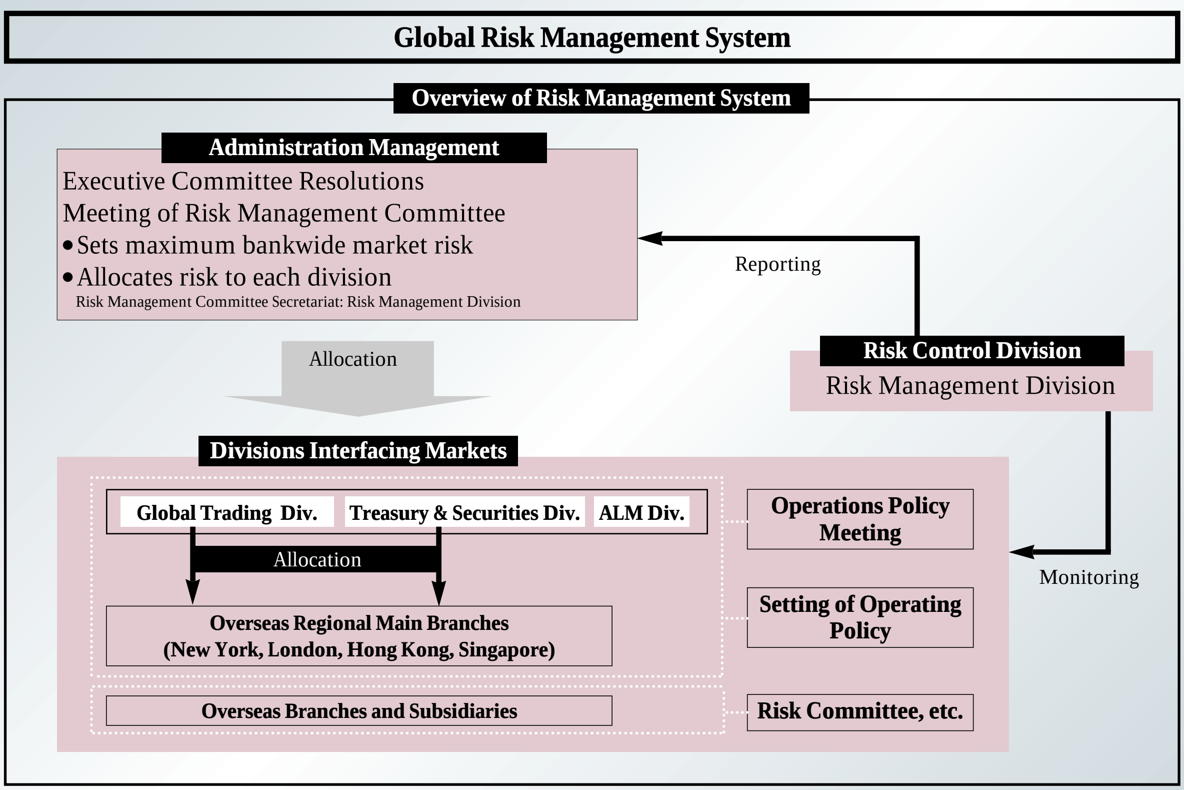
To avoid the deterioration of overseas loan assets in cases where country risk becomes material, Tokai Bank has implemented the measures outlined below.

We conduct quantitative and qualitative analyses for each country to assign national ratings, using both proprietary information collected at overseas offices and information from other institutions. Based on the risk ratio corresponding to the national rating and on the size of each country's economy, we calculate a fixed ratio applicable to each country, and multiply the Bank's capital by this ratio to determine the limits for extension of credit to each country; the higher the rating and the larger the economy, the higher the credit limit. Within the scope of the credit limit, we also set country limits, and the amount of individual loans is kept within this country limit.

In emerging countries, we continue to regularly monitor key economic indicators after extending credit. We have created a system for taking prompt measures in the event signs of economic deterioriation appear.

Furthermore, if country risk deteriorates below a certain level and causes concerns about recoverability under the original lending terms, we provide a reserve for specific overseas loan losses to

Market Risk Management



1. The Executive Committee approves maximum bankwide risk and allocates to each division.
2. Information on market risk and profit/loss is followed daily by the Risk Management Division, which is independent of the divisions interfacing the markets and reports directly to top management.

make appropriate preparations in the event country risk materializes. Countries covered by this reserve at the end of March 1999 were Indonesia, Pakistan, Algeria and Ecuador.

At the end of March 1999, the balance of loans to Asian countries stood at ¥636.3 billion. This total included loans of ¥193.0 billion to countries receiving IMF support — Thailand, Korea and Indonesia. Loans under risk monitor in Asian countries are ¥29.0 billion.

MARKET RISK

Market risk is the possibility of losses arising as a result of changes in market factors such as interest rates, prices of marketable securities and foreign exchange rates, resulting in changes in the value of the Bank's assets, including off-balance-sheet assets.

In addition to the growing complexity and diversity of market operations, the financial environment both in Japan and overseas has become increasingly uncertain. Recent indications of this include turmoil in the economies of the emerging markets, failures among major U.S. hedge funds, and the spike in long-term interest rates in Japan. Factors such as these have further raised the importance of effective control of market risk in maintaining stable earnings.

Market Risk Management System

Tokai Bank calculates maximum risk exposure in market transactions by taking into account the Bank's capital and the risk/return standards shown by RAROC. The amount is approved by the Executive Committee and allocated to each division. Furthermore, the Risk Management Division, an independent risk management section, keeps a daily watch on the profit or loss situation and conditions that affect market risk bankwide, both for the Bank itself and local subsidiaries. The division reports directly to top management.

Market Risk Management Procedures

Tokai Bank employs rigorous market risk management techniques based on advanced know-how from the United States and Europe in setting limits for risk exposure, managing loss limits and measuring risk using Value at Risk (VAR) analysis. VAR estimates the maximum possible loss due to market changes using statistical means.

VAR Standards for Tokai Bank

Calculation method:	Historical simulation
Confidence interval:	99%
Holding period:	One day and ten days
Observation period:	Two years

Risk Management Profile for Fiscal Year Ended March 1999

VAR and Profit and Loss

Tokai Bank's VAR profile in trading operations for the fiscal year ended March 1999 is shown in the table on the next page.

As shown in the pie chart on the next page, interest rate risk was the largest component of overall risk.

VAR is an estimate of the maximum expected loss that would occur at a statistical probability of 1 percent if, for example, an equity or foreign

The Historical Simulation Method

The historical simulation method was developed through joint research by Tokai Bank Europe and the London Business School. Its main features are as follows:

- Since VAR uses simulations based on data from actual past market changes, it provides a better estimate of current market trends than the variance/covariance method used by many other financial institutions, which assumes a normal distribution for changes in market risk factors.
- Profit and loss simulations based on various market change data are carried out in the process of calculating VAR. This allows concrete determination of the market scenarios that would have a major impact on the Bank's current portfolio.
- The use of simulations employing a market valuation model for options enables a better estimate of the nonlinear risks associated with options transactions.

exchange instrument were held continuously for one day and the interest rate or market conditions turned unfavorable. The VAR amount does not necessarily represent the loss that would actually occur.

VAR for the fiscal year ended March 1999, as shown in the line graph in Chart 1, fluctuated within a range of ¥500 million to ¥3.4 billion. The bar graph in the same chart shows that actual day-to-day market valuation gains and losses moved within a range of ¥0 to ¥3.0 billion.

(¥ billion/Confidence interval: 99%)

	Holding period: 1 day	Holding period: 10 days
Maximum VAR	3.4	6.8
Minimum VAR	0.5	1.0
Average VAR	1.3	2.8

Trading Operations by Risk Factor (As of March 31, 1999)

Total: ¥747 million (Holding period 1 day; consolidated basis)

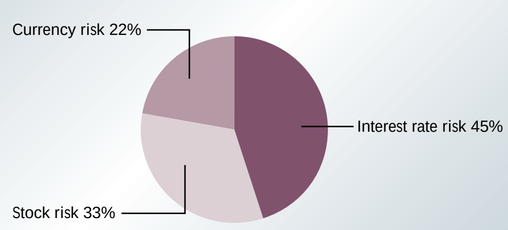


Chart 1: Daily Value at Risk for the Fiscal Year Ended March 31, 1999

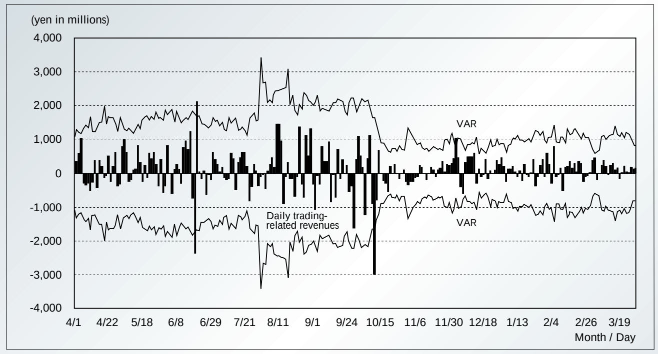
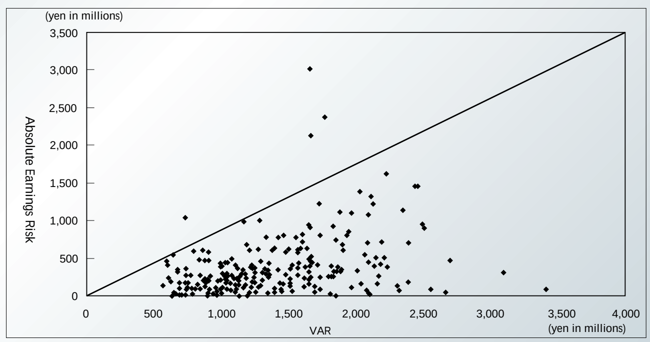


Chart 2: Back Testing



Back Testing

Back testing is the model used to evaluate the accuracy of risk calculations by comparing the VAR with actual gains and losses. The dots shown in Chart 2 show daily value at risk and the fluctuations in market valuation gains and losses. Dots above the diagonal median line signify gains or losses that exceeded projected VAR, a situation that occurred four times during the fiscal year.

Under BIS rules, risk calculation models in which such a situation occurs four times or less are considered acceptable. This confirms that Tokai Bank's risk calculation model is a reasonably accurate measure of market risk.

Stress Testing

As described above, VAR is the maximum expected loss estimated at a statistical probability of 1 percent. However, this is an estimated value and we cannot dismiss the possibility that sudden,

Stress test profile (Domestic trading; holding period 10 days)

VAR	¥0.8 billion	
Stress value	¥7.1 billion	Assumes reverse market movements (interest rates and stock price appreciation) on the magnitude of Black Monday

abnormal movements in market factors could lead to significant losses that are not predictable by VAR calculations. Tokai Bank therefore supplements VAR with stress testing. Stress testing uses market data from the past 10 years and hypothetical scenarios to measure potential losses in the event of extreme market movements.

The use of both VAR and stress testing allows Tokai Bank to ensure that losses under any conditions stay within the scope of the Bank's equity capital. These methods thus serve as constant safety checks.

Asset-Liability Management (ALM)

Tokai Bank has concentrated interest rate risks associated with areas such as deposits and loans in the ALM Division since April 1996. Using a centrally managed spread banking system, we have successfully achieved effective and efficient control of interest rate risk.

ALM aims to maintain an appropriate balance between bank-wide assets and liabilities such as deposits, market funding and loans using interest rate projections and assure that stable earnings are supported. To ensure optimal management of increasingly complex market risk, we are further raising the efficiency and effectiveness of our ALM techniques.

Cross-Shareholdings

Besides market and credit risk, there is the risk of price changes in crossheld shares (see note), which is also quantifiable. Because of the large balance of our cross-shareholdings, we cannot overlook the risk of changes of their prices. With the planned shift to mark-to-market accounting of cross-shareholdings, the task of managing this risk is becoming more important. Tokai Bank is therefore using VAR to calculate the risk amount for crossheld shares as well, and sets maximum limits for risk exposure.

Note: "Cross-shareholdings" refers to stock held in companies with which the Bank has close business relations. These shares are typically held for the long term and are treated separately from shares held for trading and investment purposes.

COMPREHENSIVE RISK MANAGEMENT

The use of VAR to manage market, credit and cross-shareholding risk provides a common measure for gauging the risks in these different areas of business. Starting from the fiscal year ending March 2000, Tokai Bank is implementing comprehensive management of these risks. By controlling the total volume of these risks within the scope of the Bank's equity capital, we aim to strengthen risk management and enhance sound and stable management.

CREDIT RISK MANAGEMENT IN OFF-BALANCE-SHEET TRANSACTIONS

Off-balance-sheet transactions, including derivatives transactions, are an integral part of the banking business. As such transactions increase, precise measurement of the risks in each transaction and rigorous management of these risks as a collective whole present an important theme in management of a bank.

Derivative Products and Forward Foreign Exchange Transactions

As is the case with stocks and bonds, derivative products and forward foreign exchange transactions carry the risk of unrealized losses arising from changes in interest rates, stock prices or foreign exchange rates (market risk). In addition to these, there is also the credit risk that assets might become unrecoverable due to the bankruptcy of counterparties.

In the event of a counterparty's bankruptcy, unlike in the case of lending, the loss is linked not to the contracted amount (the notional amount) itself, but is equivalent to the replacement cost — in other words, the amount of capital required to replace the same transaction with another counterparty.

As in lending operations, credit risk for an individual transaction counterparty is managed by the division in charge of credit decision, which sets limits on transaction amounts for each counterparty and ensures that each type of transaction does not exceed the limit. The overall replacement cost (credit amount equivalent) is gauged periodically and incorporated in the management of credit risk.

Credit-Related Transactions

Off-balance-sheet transactions also include credit commitments and guarantees. In these transactions, unlike derivatives and forward foreign exchange transactions, in the event that the credit risk of the counterparty becomes prominent, the maximum amount at risk is the contract amount. As with loans, we control credit risk by setting limits for the transaction amount for each counterparty.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of tightening in the bank's fund management due to difficulty in procuring funds through markets as a result of an erosion in the credibility of banks, including Tokai Bank.

Tokai Bank has always emphasized stable fund procurement as a basic policy. The Risk Management Division leads the coordinated efforts among related divisions to ensure proper management of funding operations. As a result, smooth and efficient operations have been maintained in procuring the necessary funds in yen and foreign currencies, even amid the uncertainties in the financial system that have prevailed over the past two years.

Risk Management System

The ALM Division is responsible for raising funds in yen currency, while the Treasury & Securities Division is in charge of funding in foreign currencies. As such, these divisions shoulder responsibility for liquidity risk, with the Risk Management Division supervising the entire operation.

Action plans are also prepared according to the prevailing market environment so that marketable assets can be readied for immediate conversion to cash. These and other measures ensure that the Bank is prepared to cope with sudden changes in the environment.

Risk Management Procedures

By calculating the necessary funding requirements, relevant divisions and the Risk Management Division monitor on a daily basis the condition of funds and status of compliance with rules relating to funds (specifying the upper limit for necessary funds).

Liquidity risk is also monitored on a regular basis by the Risk Management Committee. The committee deliberates on problem countermeasures and updates management.

SYSTEM RISK

Computer systems are indispensable for financial institutions, and the effect on society due to system failures is ever increasing. For this reason, Tokai Bank devotes its fullest efforts to developing various measures to ensure the safe, stable operation of systems.

Dual Computer and Backup System

A dual system has been adopted for computers, networks and other key equipment, providing a backup system which ensures normal operation by activating the standby equipment when system failures occur.

Should the computer system in the online center fail due to an earthquake or other disaster, the system can be switched to the computer system installed in backup online centers to maintain uninterrupted operation.

On the other hand, contingency plans are also in place to handle emergencies arising from system failures and for restoration of failed equipment. Training sessions are held regularly for employees to keep them prepared to handle emergencies.

Assurance of Data Safety

To harness the increasing risk of unauthorized access through networks, we have implemented measures to isolate the Bank's internal networks from external networks such as the Internet. Important data are encoded for storage, for example, to assure the highest level of security.

Improved System of Internal Auditing

The internal auditing of system divisions is undertaken by the Audit Division, which is an independent organization within the Bank, and the Systems Administration Department. The operational control of computer systems and the reliability and confidentiality of systems are checked and audited on a regular basis to eliminate system risk.

LEGAL RISK

In the Tokai Bank Charter on Ethics and Code of Conduct, instituted in September 1998, the Bank clarified compliance with laws, regulations and rules as a fundamental management policy, setting forth the principle that the Bank complies with the laws and regulations of society, conducting its business fairly and in good faith, and shall not be found lacking in its ethical and compliance standards.

Laws and regulations provide the minimum rules for banks in conducting their business, and compliance thereto is a prerequisite for gaining the confidence of customers as well as society. Furthermore, conducting our business in accordance with the relevant laws and regulations helps prevent unnecessary losses which the Bank might otherwise suffer. Proper management of legal risks serves as the foundation for Tokai Bank to manage its business soundly, and to fulfill the social mission with which it has been entrusted.

To that end, we have created a system that permits the execution of banking operations without violating laws or regulations. In preparing in-house procedures, the Bank ensures that the applicable laws and regulations are reflected. As for various rules that accompany banking operations, as well as regulations on insider transactions, we have published manuals and distributed them to all Tokai Bank employees to ensure compliance.

The Bank has reorganized its legal division into a specialized department for managing legal risk, establishing the Legal Department within the Compliance Division in April 1999. To preserve its specialization and objectivity, the Legal Department maintains close contact with legal advisors in respect to its activities. The Legal Department verifies legal risks upon request for legal consultations by respective divisions and branches, and advises them on concrete measures to address the issues. The department also checks new products for marketability, as well as important agreements the Bank intends to bind. Furthermore, a system is in place for the Legal Department to check important matters to be resolved by the Board of Directors in advance for the presence of legal problems. While coping with problems that have materialized such as lawsuits is also a task of the Legal Department, the Bank believes that taking proactive measures to prevent problems is of the utmost importance.

OPERATIONAL RISK

The changing financial environment, surge in volume of administrative processes and diversification of banking products have led to increased operational risk. To raise the efficiency of administrative processes and prevent irregularities, we have assigned operational supervisors to each branch, renovated systems and fortified administrative guidelines and the training structure.

Each branch manager is responsible for carrying out internal audits whenever necessary. In addition, the Audit Division performs comprehensive audits at each branch. This system enables us to proactively prevent irregularities and deal swiftly with any problems that do arise.

With the aim of delegating more flexible administrative management to each branch, from April 1998 we have been placing information on banking operations, including administrative procedures, on an internal online database. Employees can thus access the most up-to-date information whenever they need it. Moreover, we are relieving each branch of overall internal back-office administration by centralizing it at a specialist administration section through a “backless” operation. Through the above measures, we are raising the efficiency of internal administrative procedures at each branch and enhancing the mutual verification system, thereby building a framework that can respond more swiftly to changes in the operating environment.

Audit System

As a precautionary measure against irregularities and in order to encourage balanced management within branches, the Audit Division visits each branch, including those overseas, and each division at headquarters at least once a year. During these visits, the Audit Division carries out an audit of cash instruments, such as cash and marketable securities, checks for discrepancies in the various accounts, and inspects each type of custodial and contract matter. In addition, the Audit Division carries out multifaceted checks on the condition of branch management in various areas such as compliance procedures and provides guidance.

We are also strengthening the Branch Administration Center, which conducts audits of small branches and spot audits of new branches.

In our overseas-related operations, we are taking countermeasures against various risks by conducting spot checks through our Overseas Audit Department and by bolstering our internal auditing functions. In the systems related area, we are making every effort to strengthen our audit functions by conducting audits concerning the Bank's measures for the Year 2000 Problem and the outsourcing of work in the Systems Division.

Compliance System

Because of the sizable problem loans incurred during the asset bubble economy, as well as a series of scandals, banks in Japan have come under harsh public criticism. Amid these conditions, banks must reaffirm their civic value and social responsibility and work to regain the trust of society, customers and stockholders.

Meanwhile, the Big Bang reforms are revolutionizing Japan's financial markets, making them more open, transparent and international. In this environment, banks will need to go beyond fulfilling their traditional civic role and social responsibility in becoming law-abiding corporate citizens following the highest ethical standards.

Tokai Bank has a Compliance Committee, chaired by the president, to deal with issues such as building internal compliance systems and setting basic guidelines to ensure the compliance of all employees with relevant laws and regulations. The Committee has implemented the following series of measures:

- Instituted a system for verifying in advance legal risks regarding the overall decision making of management and any major measures taken by the head office and each division, contracts with clients, marketing policies for new businesses and new products, as well as other issues
- Compiled and distributed a Guide to Customer Relations Rules containing the appropriate mind-set, basic knowledge and checkpoints for business promotion methods of account representatives
- Worked to ensure compliance with regulations utilizing every opportunity such as training
- The Audit Division checks legal compliance conditions at each branch during internal audits
- Clarified prohibited activities and penalties in effect following revisions to the employee reward and penalty system
- Assigned individuals responsible for compliance at overseas bases and internal auditors in the Audit Division to strengthen post-audit checks
- Instituted a business audit system using outside auditors to recheck internal inspections and audits at overseas branches
- Implemented audits by outside auditors to check the appropriateness of our self-assessments, an important factor in determining credit risk.

In September 1998, to further instill compliance in the corporate culture, the Compliance Committee prepared the Tokai Bank Charter on Ethics and Code of Conduct, and distributed it to all employees. The Bank's philosophy — "Earning the trust of our customers, we aim to foster growth and prosperity in partnership with the communities we serve" — is supported by four basic principles: a customer-first philosophy, people-oriented management, transparent and fair management, and innovative management. The Charter on Ethics and Code of Conduct is an extension of the principle of transparent and fair management, and is intended to raise awareness among all employees of the Bank's civic role, social mission and ethics. In accordance with these tenets, the committee also established rules concerning relationships with customers.

Reflecting the increasing importance of compliance for the Bank's management, in April 1999 we reorganized the Legal Division into the Compliance Division to further strengthen compliance functions. This division is in charge of proposing policies and providing guidance and supervision for compliance-related issues.

FINANCIAL SECTION

SIX-YEAR FINANCIAL SUMMARY

The Tokai Bank, Limited and Consolidated Subsidiaries

Years ended March 31 — (yen millions except per share data)

STATEMENTS OF OPERATIONS DATA FOR THE FISCAL YEAR	1999	1998	1997	1996	1995	1994
Total Income	¥ 1,343,238	¥ 1,563,184	¥ 1,786,743	¥ 1,968,388	¥ 1,523,370	¥ 1,950,694
Interest Income	959,239	1,021,732	1,366,362	1,390,235	1,309,492	1,443,141
Fees and Commissions	65,476	64,187	62,977	60,045	55,688	55,884
Trading Profits	18,560	90,719	—	—	—	—
Other Operating Income	130,603	116,085	153,675	195,854	79,465	120,296
Other Income	169,360	270,461	203,729	322,253	78,726	331,373
Total Expenses	¥ 1,711,858	¥ 1,546,854	¥ 1,745,572	¥ 2,215,623	¥ 1,499,551	¥ 1,901,957
Interest Expenses	637,447	707,180	1,049,498	1,021,346	984,343	1,104,237
Fees and Commissions	11,214	19,875	10,800	16,601	17,064	15,540
Trading Losses	4,042	72,047	—	—	—	—
Other Operating Expenses	74,755	30,079	87,498	127,451	57,129	53,136
General and Administrative Expenses	273,287	288,858	285,550	264,882	251,326	263,011
Provision for Possible Loan Losses	150,668	306,542	39,553	533,029	46,703	26,986
Other Expenses	560,445	122,273	272,673	252,314	142,985	439,047
Income (Loss) before Income Taxes and Minority Interest	(368,620)	16,330	41,171	(247,235)	23,819	48,737
Net Income (Loss)	¥ (286,763)	¥ 14,257	¥ 16,800	¥ (134,605)	¥ 4,624	¥ 33,894

BALANCE SHEET DATA AT FISCAL YEAR-END	1999	1998	1997	1996	1995	1994
Total Assets	¥31,839,710	¥34,920,728	¥35,400,298	¥33,134,884	¥32,465,785	¥33,657,389
Call Loans	622,698	371,531	98,641	195,295	329,998	115,627
Trading Assets	1,252,664	1,943,701	—	—	—	—
Trading Account Securities	—	—	1,555,970	1,033,837	956,037	1,153,200
Securities	4,574,963	4,279,644	4,629,023	4,282,067	3,848,231	4,007,567
Loans and Bills Discounted	18,869,157	20,504,164	20,635,319	20,137,064	19,796,083	20,166,715
Total Liabilities	¥30,141,150	¥33,720,916	¥34,338,942	¥32,175,421	¥31,352,544	¥32,532,782
Deposits	20,842,935	22,051,406	22,791,499	22,417,533	22,268,179	23,015,908
Trading Liabilities	637,564	1,131,428	—	—	—	—
Reserve for Possible Loan Losses	315,611	804,298	731,186	789,704	315,976	296,370
Minority Interests	¥ 134,130	¥ 134,025	¥ —	¥ —	¥ —	¥ —
Total Stockholders' Equity	¥ 1,564,430	¥ 1,065,787	¥ 1,061,356	¥ 959,463	¥ 1,113,241	¥ 1,124,607
Capital Stock	722,969	361,972	361,972	311,972	311,931	311,931

PER SHARE DATA FOR THE FISCAL YEAR	1999	1998	1997	1996	1995	1994
Net Income (Loss)	¥ (143.01)	¥ 5.33	¥ 6.59	¥ (66.34)	¥ 2.28	¥ 16.70
Stockholders' Equity	383.96	475.98	473.80	472.86	548.67	554.27

FINANCIAL REVIEW

Expanded Scope of Consolidation

As per changes in the regulations governing the scope of consolidation of subsidiaries and affiliates, the results of an additional 17 subsidiaries and 12 affiliates are included.

Major companies coming under the expanded scope of consolidation are Central Systems Co., Ltd., The Million Credit Co., Ltd. and Bangkok First Tokai Company Ltd.

Analysis of Consolidated Statements of Operations

Consolidated total income for the fiscal year ended March 1999 decreased 14.0 percent to ¥1,343.2 billion (US$11,143 million). Total expenses increased 10.7 percent to ¥1,711.9 billion (US$14,200 million). As a result, Tokai Bank recorded a loss before income taxes and minority interest of ¥368.6 billion (US$3,058 million).

Income Summary

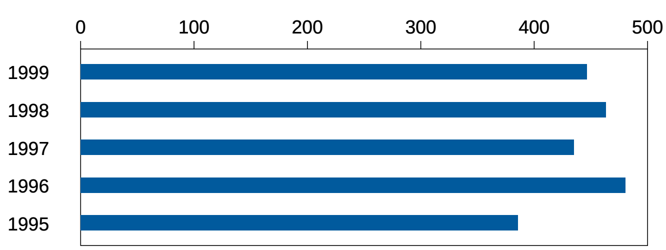
Years ended March 31	(yen billions)		(U.S. dollars millions)
	1999	1998	**1999**
Net interest income	**¥321.8**	¥314.6	**$2,669**
Net fees & commissions	**54.3**	44.3	**450**
Net trading profits	**14.5**	18.7	**120**
Net other operating income	**55.8**	86.0	**463**
Subtotal (income from business activities)	**446.4**	463.5	**3,703**
General and administrative expenses	**273.3**	288.9	**2,267**
Provision for possible loan losses	**150.7**	306.5	**1,250**
Net other (expenses) income	**(391.1)**	147.5	**(3,244)**
Loss from sales of problem loans to CCPC*	**27.1**	9.1	**225**
Loss from sales of loans reserved and overseas loans*	**32.7**	10.1	**271**
Loan charge-offs*	**211.7**	19.6	**1,756**
Waiver of claims*	**179.4**	40.3	**1,488**
Net (loss) income	**(286.8)**	14.3	**(2,379)**

* Figure for parent company only

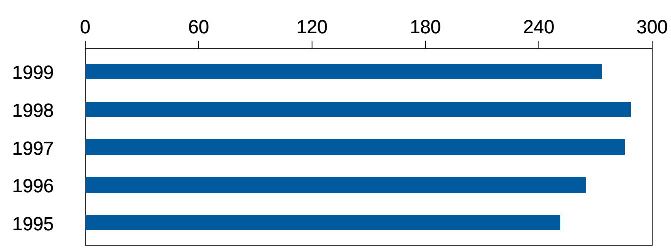
Net interest income increased 2.3 percent to ¥321.8 billion (US$2,669 million). Net fees and commissions increased 22.5 percent to ¥54.3 billion (US$450 million). Net trading profits decreased 22.2 percent to ¥14.5 billion (US$120 million). Net other operating income decreased 35.1 percent to ¥55.8 billion (US$463 million), due primarily to reduced profit on sales of bonds.

Income from business activities for the fiscal year ended March 1999 decreased 3.7 percent to ¥446.4 billion (US$3,703 million). General and administrative expenses decreased 5.4 percent to ¥273.3 billion (US$2,267 million) due to the Bank's continued efforts to reduce these expenses.

Income from Business Activities (yen billions)



General and Administrative Expenses (yen billions)



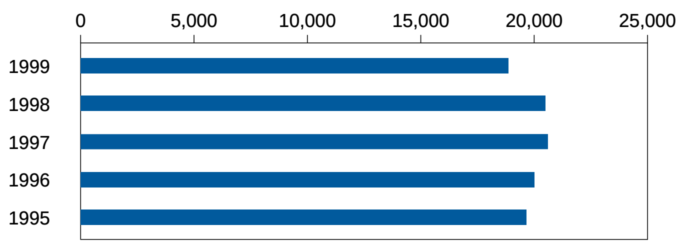
Moreover, the Bank set aside reserves as a measure to cope with the possible future deterioration of asset quality resulting from the prolonged economic recession. In addition, the final disposal of problem loans was rigorously implemented. Also, stock related profits of the parent company decreased 58.2 percent to 64.8 billion (US$537 million). Net loss totaled ¥286.8 billion (US$2,379 million), and net loss per share totaled ¥143.01.

Analysis of Consolidated Balance Sheets

Assets

Total assets at March 31, 1999 decreased 8.8 percent to ¥31,839.7 billion (US$264,120 million) due to decreases in loans and bills discounted and other assets. The balance of loans and bills discounted stood at ¥18,869.2 billion (US$156,526 million), down 8.0 percent from a year earlier because of sales of problem loans, such as through sales of loans reserved, and the contraction in loans overseas with low profitability as part of the Bank's overall asset allocation policy.

Loans and Bills Discounted (yen billions)



Liabilities

Total liabilities at March 31, 1999 decreased 11.0 percent to ¥30,141.2 billion (US$250,030 million) due mainly to a decrease in deposits. The balance of deposits decreased 5.5 percent to ¥20,842.9 billion (US$172,899 million), with reasons for the drop including a reduction in accepting overseas deposits concurrent with reduction in overseas assets. The reserve for possible loan losses decreased 60.8 percent to ¥315.6 billion (US$2,618 million), for reasons including the use of partial direct charge-offs beginning in the past fiscal year as per revised accounting standards for the banking industry. Minority interests of ¥134.1 billion (US$1,113 million), formerly included in "Other liabilities," are now reported separately in the consolidated financial statements as per newly adopted accounting standards.

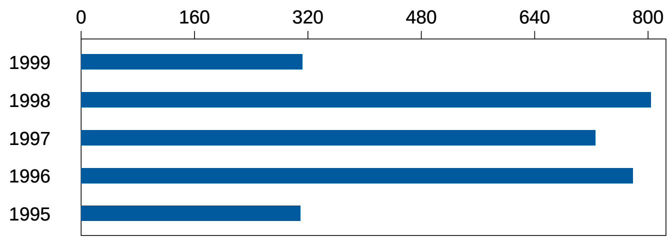
Problem Loans and Reserves

The scope of consolidation has been revised from the standard based on the ownership concept used hereto to one based on the control concept or impact concept, in order to reflect more appropriately the actual situation of the corporate group in the consolidated financial statements.

Charge-Offs and Reserves

The Bank applies the "The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection" issued by the FSA to its consolidated financial statements.

Reserve for Possible Loan Losses (yen billions)



The reserve for possible loan losses in the fiscal year ended March 1999 decreased as a result of the implementation of partial direct charge-offs. Beginning from the fiscal year ended March 1999, a specific reserve is provided for loans categorized as Classification IV under the Bank's self-assessment, even in cases not qualified as losses under tax laws. For these loans, the Bank implements partial direct charge-offs, thereby reducing both the loan balance and corresponding reserve amounts.

Problem Loans

Whereas problem loan disclosure for loans under risk monitor is based on individual loans, such as the situation for payment in arrears of interest and principal, disclosure under the new standards differs in that it is the Bank's assessment of its loan assets (total claims) corresponding to each borrower category.

Loans Under Risk Monitor (After Partial Direct Charge-Offs)

As of March 31	(yen billions)
	1999
Loans to borrowers in legal bankruptcy	¥ 76.6
Overdue loans	257.1
Loans overdue for at least 3 months	64.5
Loans with concessions in terms	93.8
Total	¥492.0

Problem Loans (After Partial Direct Charge-Offs) Under New Disclosure Standards (Financial Reconstruction Law, Article 7)

As of March 31	(yen billions)
	1999
Bankrupt and quasi-bankrupt claims	¥ 284.6
Doubtful claims	411.0
Substandard claims	142.5
Normal	20,187.5
Total	¥21,025.6

The proportion of problem loans within total claims under the new standards is 3.99 percent, which the Bank's management considers a level much closer to the norm.

Total Stockholders' Equity and Capital Adequacy

Stockholders' equity increased 46.8 percent to ¥1,564.4 billion (US$12,977 million) because of the injection of public funds through the issue of preference shares and the increase in capital resulting from allocation of common stocks to third parties. Stockholders' equity per share was ¥383.96, compared to ¥475.98 at March 31, 1998.

Tokai Bank's capital ratio at March 31, 1999 rose to 12.60 percent from 10.25 percent a year earlier due to the increase in stockholders' equity and containment in risk-weighted assets. Risk-weighted assets decreased 5.3 percent to ¥20,632.9 billion (US$171,156 million), mainly because of the reduction in loans and bills discounted, as discussed under "Assets".

As of March 31			(yen billions)		
	1999	1998	1997	1996	1995
Tier I					
Total	**¥ 1,598**	¥ 1,179	¥ 1,053	¥ 956	¥ 1,106
Tier II					
45% of unrealized gains on securities	**¥ —**	¥ —	¥ 256	¥ 334	¥ 214
45% of difference from land revaluation	**71**	65	—	—	—
Reserve for loan losses (excluding specific reserve)	**97**	90	72	70	68
Other applicable items	**834**	900	782	689	698
Amount not included in Tier II	**—**	—	(57)	(137)	—
Total	**¥ 1,003**	¥ 1,055	¥ 1,053	¥ 956	¥ 980
Tier III					
Total	**—**	—	—	—	—
Total capital	**¥ 2,602**	¥ 2,234	¥ 2,106	¥ 1,912	¥ 2,085
Risk-weighted assets					
Balance sheet amount	**¥19,558**	¥20,377	¥21,382	¥20,896	¥21,387
Off-balance-sheet amount	**948**	1,158	1,781	1,680	1,716
Risk-weighted assets compiled for credit risk	**20,506**	21,535	23,163	22,576	23,103
Risk-weighted assets compiled for market risk	**127**	248	—	—	—
(Reference) Market risk amount	**10**	20	—	—	—
Total	**¥20,633**	¥21,783	¥23,163	¥22,576	¥23,103
Capital Ratio	**12.60%**	10.25%	9.09%	8.46%	9.02%

Per Share Information

Years ended March 31			(yen)		
	1999	1998	1997	1996	1995
Net assets per share at year-end	**¥383.96**	¥475.98	¥473.80	¥472.86	¥548.67
Net income (loss) per share	**(143.01)**	5.33	6.59	(66.34)	2.28

Notes: 1) Net assets per share is calculated by deducting (number of preference shares at fiscal year end x issue price) from net asset amount at fiscal year end, divided by number of common stocks at fiscal year end (excluding treasury stock).

2) Net income (loss) per share is calculated using net income (loss) after deducting cash dividends for preference shares from net income (loss), divided by the average number of common stocks for the fiscal year.

Off-Balance-Sheet Transactions

Derivative Financial Instruments and Forward Foreign Exchange Contracts

Years ended March 31	(yen billions)			
	Contract/Notional Amounts		Credit Risk Amount	
	1999	1998	1999	1998
Interest rate swaps	¥61,142	¥50,175	¥822	¥671
Currency swaps	1,137	980	87	124
Forward foreign exchange contracts	7,074	13,907	249	566
Interest rate options (call)	3,071	2,759	19	27
Currency options (call)	415	3,142	16	96
Other derivative financial instruments	4,987	6,756	26	18
Effect of netting	—	—	(691)	(687)
Total	¥77,826	¥77,718	¥527	¥815

Notes: 1) The amounts stated above are based on the risk-adjusted capital ratio (international standard). The current exposure method is generally employed to calculate the credit risk amount.

2) Contract and notional amounts for exchange-traded contracts to which international standards do not apply, and foreign exchange-related contracts with original contract terms of 14 days or less, were as follows:

Years ended March 31	(yen billions)	
	Contract/Notional Amounts	
	1999	1998
Interest rate swaps	¥ 0	¥ 0
Currency swaps	0	0
Forward foreign exchange contracts	1,005	1,771
Interest rate options (call)	5,086	5,633
Interest rate options (put)	5,879	5,191
Currency options (call)	31	17
Currency options (put)	21	25
Other derivative financial instruments	9,054	13,750
Total	¥21,075	¥26,387

Credit-Related Transactions

Years ended March 31	(yen billions)	
	Contract Amount	
	1999	1998
Commitments to extend credit	¥7,715	¥ 8,409
Guarantee contracts	1,166	1,370
Others	255	593
Total	¥9,135	¥10,373

CONSOLIDATED BALANCE SHEETS

The Tokai Bank, Limited and Consolidated Subsidiaries
March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	**1999**
ASSETS			
Cash and Due from Banks (Note 3)	**¥ 1,320,426**	¥ 1,789,428	**$ 10,953,347**
Call Loans	**622,698**	371,531	**5,165,475**
Commercial Paper and Other Debt Purchased	**185,964**	4,592	**1,542,630**
Trading Assets (Note 4)	**1,252,664**	1,943,701	**10,391,240**
Money Held in Trust (Note 5)	**254,512**	288,529	**2,111,257**
Securities (Note 6)	**4,574,963**	4,279,644	**37,950,751**
Loans and Bills Discounted (Note 7)	**18,869,157**	20,504,164	**156,525,566**
Foreign Exchanges (Note 8)	**366,782**	372,039	**3,042,571**
Other Assets (Note 9)	**2,476,536**	3,328,107	**20,543,642**
Premises and Equipment (Note 10)	**363,696**	333,608	**3,016,972**
Customers' Liabilities for Acceptances and Guarantees (Note 11)	**1,171,592**	1,417,776	**9,718,722**
Deferred Tax Assets (Note 14)	**380,720**	287,609	**3,158,192**
Total	**¥31,839,710**	¥34,920,728	**$264,120,365**
LIABILITIES			
Deposits (Note 12)	**¥20,842,935**	¥22,051,406	**$172,898,673**
Call Money	**2,222,484**	1,666,282	**18,436,201**
Trading Liabilities (Note 4)	**637,564**	1,131,428	**5,288,792**
Borrowed Money (Note 13)	**757,751**	1,506,152	**6,285,782**
Foreign Exchanges (Note 8)	**119,599**	115,661	**992,111**
Other Liabilities (Note 15)	**3,446,876**	4,374,295	**28,592,916**
Reserve for Possible Loan Losses	**315,611**	804,298	**2,618,092**
Reserve for Possible Losses on Collateralized Real Estate Loans Sold	**70,186**	74,722	**582,215**
Reserve for Retirement Allowances	**36,296**	34,431	**301,087**
Other Reserves	**9**	4	**75**
Bonds and Notes (Note 16)	**452,313**	397,615	**3,752,078**
Convertible Debt (Note 17)	**1,799**	1,799	**14,923**
Acceptances and Guarantees (Note 11)	**1,171,592**	1,417,776	**9,718,723**
Land Revaluation Excess (Note 2e)	**—**	145,047	**—**
Deferred Tax Liabilities (Note 14)	**282**	—	**2,339**
Deferred Tax Liabilities Relating to Land Revaluation (Note 2e)	**65,853**	—	**546,271**
Total Liabilities	**30,141,150**	33,720,916	**250,030,278**
MINORITY INTERESTS	**134,130**	134,025	**1,112,650**
STOCKHOLDERS' EQUITY			
Capital Stock (Note 18):			
Common Stock	**372,969**	311,972	**3,093,894**
Preferred Stock	**350,000**	50,000	**2,903,360**
Capital Surplus (Note 18)	**649,032**	288,035	**5,383,924**
Land Revaluation Excess	**92,372**	—	**766,255**
Earned Surplus (Notes 19 and 24)	**100,306**	415,790	**832,070**
Treasury Stock	**(249)**	(10)	**(2,066)**
Total Stockholders' Equity	**1,564,430**	1,065,787	**12,977,437**
Total	**¥31,839,710**	¥34,920,728	**$264,120,365**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

The Tokai Bank, Limited and Consolidated Subsidiaries
Years Ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
INCOME			
Interest on:			
Loans and Discounts	¥ 482,738	¥ 519,549	$ 4,004,463
Securities	105,443	132,202	874,683
Other	371,058	369,981	3,078,042
Fees and Commissions	65,476	64,187	543,144
Trading Profits	18,560	90,719	153,961
Other Operating Income	130,603	116,085	1,083,393
Other Income (Note 21)	169,360	270,461	1,404,894
Total Income	1,343,238	1,563,184	11,142,580
EXPENSES			
Interest on:			
Deposits	233,110	313,279	1,933,720
Borrowings and Rediscounts	58,268	71,053	483,351
Other	346,069	322,848	2,870,751
Fees and Commissions	11,214	19,875	93,024
Trading Losses	4,042	72,047	33,530
Other Operating Expenses	74,755	30,079	620,116
General and Administrative Expenses	273,287	288,858	2,267,001
Provision for Possible Loan Losses	150,668	306,542	1,249,838
Other Expenses (Note 22)	560,445	122,273	4,649,067
Total Expenses	1,711,858	1,546,854	14,200,398
(Loss) Income before Income Taxes and Minority Interest (Note 20)	(368,620)	16,330	(3,057,818)
Income Taxes (Note 14):			
Current	6,111	1,115	50,693
Deferred	(85,776)	869	(711,539)
Total Income Taxes	(79,665)	1,984	(660,846)
Minority Interest in Net Income (Loss)	2,192	(89)	18,183
Net (Loss) Income	¥ (286,763)	¥ 14,257	$ (2,378,789)

	Yen		U.S. Dollars
Per Share of Common Stock:			
Net (Loss) Income per Share	¥(143.01)	¥5.33	$(1.19)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNED SURPLUS

The Tokai Bank, Limited and Consolidated Subsidiaries
Years Ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
Balance, Beginning of Year	¥415,790	¥411,358	$3,449,108
INCREASE IN EARNED SURPLUS:			
Exclusion of an affiliated company previously included in consolidated accounts	—	517	—
Adjustment for newly consolidated subsidiaries	172	—	1,427
Increase in affiliated companies previously not included in consolidated accounts	741	—	6,147
Adjustment for deferred income taxes due to increase of consolidated subsidiaries	331	—	2,746
Exclusion of subsidiaries previously included in consolidated accounts	149	—	1,236
Merger with Tosho Co., Ltd.	912	—	7,565
Dividends — Paid	(31,026)	(10,342)	(257,370)
Net (Loss) Income	(286,763)	14,257	(2,378,789)
Balance, End of Year	¥100,306	¥415,790	$ 832,070

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Tokai Bank, Limited and Consolidated Subsidiaries Years Ended March 31, 1999 and 1998	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
OPERATING ACTIVITIES:			
Net (Loss) Income	¥ (286,763)	¥ 14,257	$ (2,378,789)
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	18,422	17,260	152,816
Provision for Reserve for Possible Loan Losses	150,668	306,542	1,249,838
Provision for Reserve for Possible Losses on Collateralized Real Estate Loans Sold	10,089	1,385	83,691
Provision for (Reversal of) Reserve for Retirement Allowances	1,865	(549)	15,471
Provision for (Reversal of) Other Reserves	6	(17,257)	50
Net Loss on Revaluation of Trading Assets and Liabilities	10,338	7,455	85,757
(Benefit) Provision for Deferred Income Taxes	(92,829)	869	(770,046)
Net Gain on Sales and Maturities of Securities	(99,830)	(222,417)	(828,121)
Loss on Sales and Exchange of Loans	451,407	59,315	3,744,562
Net Gain on Dispositions of Premises and Equipment	(303)	(54,162)	(2,513)
Decrease (Increase) in Trading Assets	1,266,664	(1,581,973)	10,507,375
Decrease in Trading Account Securities	—	1,555,970	—
Decrease (Increase) in Other Assets	856,828	(307,556)	7,107,657
(Decrease) Increase in Trading Liabilities	(1,079,829)	762,245	(8,957,520)
(Decrease) Increase in Other Liabilities	(921,702)	286,009	(7,645,806)
Increase in Minority Interests	106	132,169	879
Other — Net	5,163	(232,914)	42,829
Total Adjustments	577,063	712,391	4,786,919
Net Cash Provided by Operating Activities	290,300	726,648	2,408,130
INVESTING ACTIVITIES:			
Purchases of Securities	(5,016,899)	(5,333,843)	(41,616,748)
Proceeds from Sales and Maturities of Securities	4,821,410	5,905,639	39,995,106
Increase in Call Loans	(251,167)	(272,890)	(2,083,509)
Decrease (Increase) in Commercial Paper and Other Debt Purchased	(181,372)	7,688	(1,504,538)
(Increase) Decrease in Money Held in Trust	34,017	(78,865)	282,182
Decrease in Loans and Bills Discounted	527,840	71,840	4,378,598
Decrease (Increase) in Premises and Equipment	(35,029)	41,899	(290,577)
Net Cash (Used in) Provided by Investing Activities	(101,200)	341,468	(839,486)
FINANCING ACTIVITIES:			
Issuance of Stock	718,896	—	5,963,467
Decrease in Deposits	(1,208,471)	(740,093)	(10,024,645)
Increase (Decrease) in Call Money	556,202	(1,611,951)	4,613,870
Proceeds from Subordinated Debt	43,000	164,174	356,698
Repayments of Subordinated Debt	(59,462)	(26,433)	(493,256)
Issuance of Commercial Paper	58,000	—	481,128
Issuance of Bonds and Notes	12,160	30,818	100,871
(Decrease) Increase in Other Borrowed Money	(747,401)	49,183	(6,199,925)
Redemption of Convertible Debt	—	(17,620)	—
Dividends Paid	(31,026)	(10,342)	(257,370)
Net Cash Used in Financing Activities	(658,102)	(2,162,264)	(5,459,162)
Net Decrease in Cash and Due from Banks	(469,002)	(1,094,148)	(3,890,518)
Cash and Due from Banks, Beginning of Year	1,789,428	2,883,576	14,843,865
Cash and Due from Banks, End of Year	¥1,320,426	¥1,789,428	$10,953,347
ADDITIONAL CASH FLOW INFORMATION:			
Interest Paid	¥ 557,760	¥ 795,222	$ 4,626,794
Income Taxes Paid	6,438	5,058	53,405

See notes to consolidated financial statements.

1. BASIS OF PRESENTING THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Tokai Bank, Limited (the "Bank" or the "Parent Company") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Securities and Exchange Law of Japan and its related accounting regulation and the Accounting Standards for Banks issued by the Japanese Bankers Association and in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form more familiar to readers outside Japan. In addition, the consolidated statements of cash flows are presented herein as additional information.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.55 to $1, the rate of exchange in effect at March 31, 1999. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and consolidated subsidiaries, including Tokai Bank of California (a U.S. corporation), Tokai Bank Europe plc (a U.K. corporation), Tokai Bank Nederland N.V. (a Dutch corporation), Tokai Asia Limited (a Grand Cayman corporation) and 40 other subsidiaries in 1999 (23 other subsidiaies in 1998). All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

Certain of the consolidated subsidiaries use a fiscal year ending on December 31 which is different from the Bank's fiscal year. The consolidated financial statements include the financial statements of these subsidiaries for their respective fiscal years after making appropriate adjustments for significant intercompany transactions during the periods from their respective fiscal year ends to the date of the consolidated financial statements.

Sixteen (four in 1998) affiliated companies, including Hanil Leasing Company Limited (a Korean corporation), are accounted for by the equity method of accounting.

The consolidated financial statements do not include the accounts of CS Networks Computer (Singapore) (a Singapore corporation) and 2 other subsidiaries in 1999 (11 other subsidiaries in 1998), because the combined total assets, total income, net income and earned surplus would not have had a material effect on the consolidated financial statements. Investments in these 3 unconsolidated subsidiaries and 7 other affiliates are stated at cost.

Effective April 1, 1998 the Bank and its subsidiaries changed their consolidation scope from the application of the ownership concept to the control concept. Under the control concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are to be fully consolidated.

The consolidated financial statements for the year ended March 31, 1998, are not retroactively adjusted. The change of earned surplus arising from the change in the consolidation scope is recognized as "Adjustment for Newly Consolidated Subsidiaries" in the consolidated statements of earned surplus for the year ended March 31,1999.

(b) Trading Purpose Transactions

Transactions for trading purposes (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 trading-related financial derivatives are at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profit and losses on transactions for trading purposes are shown as "Trading Profits" or "Trading Losses" on a trade date basis.

(C) Securities

Securities are valued principally at average cost.

Shares of stock, debentures and other securities included in money held in trust of the Bank listed on stock exchanges are valued at the lower of cost or market, and unlisted other securities included in money held in trust of the Bank are valued at amortized cost.

(d) Premises and Equipment

Premises and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

The Bank changed the useful lives of buildings. The effect of the change was to increase depreciation expense and to increase loss before income taxes by ¥319 million ($2,646 thousand).

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

(e) Land Revaluation

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

The resulting land revaluation excess representing unrealized appreciation of land is stated net of income taxes as a separate component of stockholders' equity in 1999, while it was stated as a liability in 1998. There is no effect on the statement of operations. Continuous readjustment is not permitted unless the value of the land has subsequently significant declines such that the amount of the decline in value should be removed from the land revaluation excess account and deferred tax liabilities. The details of the effect of revaluation as of March 31, 1999 and 1998, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Land before revaluation	**¥ 71,792**	¥ 54,516	**$ 595,537**
Land after revaluation	**230,617**	199,563	**1,908,063**
Land revaluation excess	**158,225**	145,047	**1,312,526**
(Net of income taxes)	**(92,372)**	—	**(766,255)**

(f) Deferred Charges

Stock issuance costs are charged to income as incurred.

(g) Reserve for Possible Loan Losses

The amount of the provision for reserve for possible loan losses is determined based on management's judgment and assessment of future losses.

The Bank has implemented the self-assessment system for its asset quality. The quality of all loans is assessed by branches and business units with a subsequent audit by the credit review department in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which customers are classified into five categories. All loans are classified for self assessment purposes in the following categories "formal bankruptcy," "de facto bankruptcy," "bankruptcy risk," "watch" and "normal."

The Bank provided for reserve for possible loan losses at an amount deemed necessary to cover possible losses. The reserve is estimated based on the fair value of collateral and guarantee for the formal bankruptcy and the de facto bankruptcy category loans, the fair value of collateral as well as other factors of solvency including borrower's future cash flows for the bankruptcy risk category and the actual past loss experience for the watch and the normal category loans.

Provision for possible loan losses relating to restructuring countries is made to cover possible losses caused by political and economic difficulties of respective countries.

With respect to loans with collateral and/or guarantees extended to borrowers in formal bankruptcy, or borrowers in de facto bankruptcy, the unrecoverable amount is estimated by deducting from the loan amount the realizable value of collateral or the amount likely to be recovered based on guarantees. The outstanding amount thus determined is then directly written off from the loan amount as the amount that is not likely to be recovered, which is ¥385,376 million in 1999.

Each of the consolidated subsidiaries maintains a reserve for possible loan losses which is provided at amounts deemed necessary to cover such losses, based on their own experience in the past and their own estimate of future recoverability. Each of the domestic consolidated subsidiaries maintains a reserve for possible loan losses which is provided by the same manner as the Bank.

(h) Reserve for Possible Losses on Collateralized Real Estate Loans Sold

The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company, Limited ("CCPC") is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of real estate. In accordance with the terms of the loans collateralized by real estate sales contracts, the Bank is required to cover certain portions of losses incurred as defined in the contract, when CCPC disposes of real estate in satisfaction of debt.

(i) Reserve for Retirement Allowances and Pension Plans

Under most circumstances, employees of the Bank terminating their employment are entitled to lump-sum payments determined by reference to the basic rate of pay at the time of termination, length of service and other conditions under which the termination occurs. If the termination is involuntary, employees are usually entitled to greater payment than in the case of voluntary termination. In accordance with the Accounting Standards for Banks issued by the Japanese Bankers Association, the reserve for retirement allowances represents the amount which would be required if all employees terminated their employment under voluntary conditions at each balance sheet date. The accrued provisions are not funded.

In addition, the Bank has a contributory pension plan covering substantially all employees. The policy for the plan is to fund and charge to income normal costs as accrued, on the basis of an accepted actuarial method.

Substantially all of the foreign consolidated subsidiaries have funded pension plans for employees.

(j) Other Reserves

Other reserves of the Bank include the reserve for contingent liabilities from brokering of futures transactions and the reserve for securities transaction liabilities.

The reserve for contingent liabilities from brokering of futures transactions is required to be provided under the Financial Futures Transaction Law of Japan. The reserve for securities transaction liabilities is required to be provided under the Securities and Exchange Law of Japan.

Amendments of the Accounting Standards for Banks eliminated the requirements for provision for the reserve for price fluctuations of national government bonds and the reserve for possible losses on sales of trading account securities and the Bank ceased providing these reserves and reversed these reserves charged to income for the year ended March 31, 1998.

(k) Lease Transactions

All leases of the Bank are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

(l) Income Taxes

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes and loss carryforwards. These deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

(m) Foreign Currency Items

The income statement items of foreign consolidated subsidiaries and affiliates are translated into Japanese yen at average exchange rates of the respective year. The balance sheet items of foreign consolidated subsidiaries and affiliates are translated into Japanese yen at exchange rates as of each balance sheet date, except for the common stock and capital surplus of certain consolidated subsidiaries, which are translated at historical rates. The differences resulting from applying different exchange rates to the stockholders' equity accounts are included in "Other Assets" in the consolidated balance sheets.

Assets and liabilities denominated in foreign currencies held by the Bank at the year end are translated into Japanese yen at exchange rates prevailing at the end of each fiscal year except that certain special accounts are translated at historical rates. Accounts of the Bank's overseas branches are combined with those of the head office after translation into Japanese yen at exchange rates prevailing at the end of each fiscal year.

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

(n) Amortization of Goodwill

The excess of the cost of the Bank's investments in consolidated subsidiaries and affiliated companies accounted for by the equity method, over its equity in the net assets at the respective dates of acquisition, is charged to income as incurred.

(o) Dividends

Dividends are generally paid semiannually. Interim and year-end dividends are authorized subsequent to the end of the period to which they are related, and are reflected in the consolidated statements of earned surplus when duly declared and authorized.

(p) Per Share Information

Net income per share of common stock is based on the average number of common shares outstanding in the respective fiscal year. Diluted net income per share is not disclosed because the net loss is stated in 1999 and it is anti-dilutive in 1998.

3. CASH AND DUE FROM BANKS

Cash and due from banks consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Cash on hand	¥ 443,566	¥ 445,413	$ 3,679,519
Due from banks	876,860	1,344,015	7,273,828
Total	¥1,320,426	¥1,789,428	$10,953,347

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities at March 31, 1999 and 1998, consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Trading assets:			
Trading securities	¥ 69,659	¥ 174,305	$ 577,843
Derivatives associated with trading account securities	37	3,713	307
Securities held for trading purposes	297,234	945,047	2,465,649
Derivatives associated with securities held for trading purposes	187	491	1,551
Derivative financial instruments	460,270	361,189	3,818,084
Other trading assets	425,277	458,956	3,527,806
Total	¥1,252,664	¥1,943,701	$10,391,240
Trading liabilities:			
Trading securities sold for short sales	¥ 25,316	¥ 8,509	$ 210,004
Derivatives associated with trading account securities	187	5	1,551
Securities sold for trading purposes	115,912	440,720	961,526
Derivatives associated with securities held for trading purposes	13	318,616	108
Derivative financial instruments	471,134	363,578	3,908,204
Other trading liabilities	25,002		207,399
Total	¥ 637,564	¥1,131,428	$ 5,288,792

5. MONEY HELD IN TRUST

The carrying values and aggregate market values of the money held in trust held by the Bank, which are based on the prices listed on stock exchanges or over-the-counter markets, at March 31, 1999 and 1998 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Money held in trust:			
Carrying value	¥ 248,860	¥ 278,529	$2,064,372
Aggregate market value	245,535	279,764	2,036,790

6. SECURITIES

Securities consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
National government bonds	¥ 771,154	¥1,013,818	$ 6,396,964
Local government bonds	307,492	233,625	2,550,742
Debentures	341,712	162,277	2,834,608
Shares of stock	2,425,733	2,221,181	20,122,215
Other securities	728,872	648,743	6,046,222
Total	¥4,574,963	¥4,279,644	$37,950,751

The carrying values and aggregate market values of the securities held by the Bank, which are listed on stock exchanges or over-the-counter markets, at March 31, 1999 and 1998, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Securities:			
Carrying value	¥3,784,827	¥3,353,027	$31,396,325
Aggregate market value	3,988,623	3,607,119	33,086,877

Securities excluded from above are principally unlisted securities.

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Securities	¥893,011	¥1,062,529	$7,407,806

7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Bills discounted	¥ 401,639	¥ 514,676	$ 3,331,721
Loans on notes	3,872,336	3,894,232	32,122,240
Loans on deeds	11,619,574	12,451,334	96,388,005
Overdrafts	2,975,608	3,643,922	24,683,600
Total	¥18,869,157	¥20,504,164	$156,525,566

Loans to borrowers in legal bankruptcy of the Bank amounted to ¥72,564 million ($601,941 thousand) and ¥310,478 million at March 31, 1999 and 1998, respectively. The Bank has not accrued interest on such loans, because the collection or repayment of principal or interest is not expected for reasons such as, nonpayment of principal or interest which continued for a considerable length of time (excluding the portions being directly charged off) (hereinafter referred to as 'loans for which accrued interest has not been accounted'), those loans for which exists a situation as provided under the Corporate Tax Law Article 96-1-3 items (i) to (v) (Ordinance 97 of 1965), or as prescribed in

Article 96-1-4.

Overdue loans of the Bank amounted to ¥248,384 million ($2,060,423 thousand) and ¥526,945 million at March 31, 1999 and 1998, for which interest has not been accrued, excluding the loans to borrowers in legal bankruptcy, and the loans for which interest payment has been temporarily suspended with the consent of the lender for the purpose of restructuring the business of, or supporting, the borrower. Furthermore, as a result of directly writing off the estimated unrecoverable amount mentioned above, loans to borrowers in legal bankruptcy and overdue loans decreased by ¥124,664 million ($1,034,127 thousand) and ¥161,187 million ($1,337,097 thousand), respectively, compared to the figures based on the previously used method.

Loans overdue for at least three months of the Bank amounted to ¥63,887 million ($529,963 thousand) at March 31, 1999 for which payment of principal or interest is overdue for at least three months from the day following the contractual payment date, and excludes loans to borrowers in legal bankruptcy or overdue loans as above.

Loans with concessions in terms of the Bank amounted to ¥91,162 million ($756,217 thousand) at March 31,1999 for which the Bank has made some concessions in terms beneficial to the borrower, such as, reduction or forgiveness of interest rate, suspension of interest payment or of principal payment, waiver of claims, for the purpose of restructuring the business of, or supporting the borrower, except for those falling under overdue loans and loans overdue for at least three months.

Loans overdue for at least three months and loans with concessions in terms were not required to be disclosed in 1998.

The total of loans to borrowers in legal bankruptcy, overdue loans, loans overdue for at least three months and loans with concessions in terms of the Bank amounted to ¥475,997 million ($3,948,544 thousand) at March 31, 1999.

Effective April 1998, loans to borrowers in legal bankruptcy, overdue loans, loans overdue for at least three months and loans with concessions in terms of the Bank and consolidated subsidiaries are required to be disclosed. Loans to borrowers in legal bankruptcy amounted to ¥76,595 million ($635,380 thousand) at March 31, 1999. Overdue loans amounted to ¥257,111 million ($2,132,816 thousand) at March 31, 1999. Loans overdue for at least three months amounted to ¥64,469 million ($534,791 thousand) at March 31, 1999. Loans with concessions in terms amounted to ¥93,791 million ($778,026 thousand) at March 31, 1999. The total of loans to borrowers in legal bankruptcy, overdue loans, loans overdue for at least three months and loans with concessions in terms of the Bank and consolidated subsidiaries amounted to ¥491,966 million ($4,081,012 thousand) at March 31, 1999.

8. FOREIGN EXCHANGES

Foreign exchanges consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Assets:			
Due from foreign correspondents	**¥ 76,682**	¥ 14,082	**$ 636,101**
Foreign bills of exchange bought	**210,925**	252,301	**1,749,689**
Foreign bills of exchange receivable	**79,175**	105,656	**656,781**
Total	**¥366,782**	¥372,039	**$3,042,571**
Liabilities:			
Due to foreign correspondents	**¥117,894**	¥112,858	**$ 977,968**
Foreign bills of exchange sold	**628**	856	**5,209**
Foreign bills of exchange payable	**1,077**	1,947	**8,934**
Total	**¥119,599**	¥115,661	**$ 992,111**

9. OTHER ASSETS

Other assets consist primarily of prepaid expenses, accrued income and securities for custody.

10. PREMISES AND EQUIPMENT

Accumulated depreciation amounted to ¥205,210 million ($1,702,281 thousand) and ¥187,597 million at March 31, 1999 and 1998, respectively.

11. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown as assets representing the Bank's right of indemnity from customers.

12. DEPOSITS

Deposits consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Current deposits	**¥ 463,053**	¥ 474,346	**$ 3,841,170**
Ordinary deposits	**5,078,072**	4,615,375	**42,124,197**
Deposits at notice	**516,233**	520,173	**4,282,314**
Time deposits	**11,124,030**	12,543,080	**92,277,312**
Negotiable certificates of deposit	**2,298,897**	1,993,610	**19,070,071**
Other deposits	**1,362,650**	1,904,822	**11,303,609**
Total	**¥20,842,935**	¥22,051,406	**$172,898,673**

13. BORROWED MONEY

Borrowed money includes subordinated borrowings of the Bank, which amounted to ¥577,000 million ($4,786,396 thousand) and ¥636,000 million at March 31, 1999 and 1998, respectively.

14. INCOME TAXES

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 47% and 51% for the years ended March 31, 1999 and 1998, respectively. On March 31, 1999, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 47% to 42% effective for years beginning April 1, 1999.

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

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Tax loss carryforwards	¥188,686	$1,565,209
Loss on devaluation of securities	15,135	125,550
Reserve for possible losses on collateralized real estate loans sold	28,471	236,176
Difference between book and tax bases of reserve for possible loan losses	123,275	1,022,605
Other	25,153	208,652
Total	¥380,720	$3,158,192
Deferred tax liabilities	¥ 282	$ 2,339
Net deferred tax assets	¥380,438	$3,155,853

The amounts of tax effects at March 31, 1998 were not required to be disclosed.

15. OTHER LIABILITIES

Other liabilities consist primarily of accrued expenses, unearned income, borrowed securities, deposits received for repurchase agreements and accounts payable for trading transactions.

16. BONDS AND NOTES

Bonds and notes include subordinated bonds and notes, which amounted to ¥424,022 million ($3,517,395 thousand) and ¥381,484 million at March 31, 1999 and 1998, respectively.

17. CONVERTIBLE DEBT

Convertible debt consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
2-3/8% U.S. dollar convertible bonds due 2001	¥1,799	¥1,799	$14,923

The 2-3/8% U.S. dollar convertible bonds due 2001 are convertible into common stock at a conversion price of ¥992.20 per share at March 31, 1999, subject to adjustment in certain circumstances including the authorization of a stock split, with a fixed rate of exchange applicable upon conversion of U.S. $1=¥155.50.

18. CAPITAL STOCK AND CAPITAL SURPLUS

The authorized numbers of shares at March 31, 1999 and 1998, were 4,750 million and 4,360 million shares of common stock with a par value of ¥50 per share, respectively, and were 650 million and 100 million shares of non-voting, non-cumulative preferred stock without par value, respectively.

Under the Commercial Code of Japan (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.

The Bank may transfer portions of capital surplus and legal reserve to stated capital by resolution of the Board of Directors. The Bank may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the stockholders.

Under the Code, the Bank may issue new common shares to existing stockholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Bank may make such a stock split to the extent that the aggregate par value of the shares outstanding after the issuance does not exceed the stated capital. However, 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.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Bank’s books. At March 31, 1999, retained earnings recorded on the Bank’s books were ¥78,805 million ($653,712 thousand) which is available for future dividends subject to the approval of stockholders and legal reserve requirements (see Note 24).

On March 31, 1999, the Bank issued 222,617,000 shares of common stock with a par value of ¥50 per share at the issue price of ¥548 per share.

Under the Law concerning Emergency Measures for the Revitalization of the Functions of the Financial

System, the Bank has aimed to boost its capital base through the capital injection of public funds. On March 31, 1999, the Bank issued 300,000,000 shares convertible bonds type non-voting and non-cumulative preferred stock without par value convertible to 3.552 shares of common stock at the issue price of ¥2,000 per share, which were totally subscribed by Resolution and Collection Bank, Limited (renamed the Resolution and Collection Corporation).

Changes in common stock, preferred stock and capital surplus are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Common stock:			
Balance, beginning of year . . .	¥311,972	¥311,972	$2,587,905
Issuance of common stock . .	60,997	—	505,989
Balance, end of year	¥372,969	¥311,972	$3,093,894
(Shares issued and outstanding, end of year)	(2,251,676 thousand shares)	(2,029,059 thousand shares)	
Preferred stock:			
Balance, beginning of year . . .	¥ 50,000	¥ 50,000	$ 414,766
Issuance of preferred stock	300,000	—	2,488,594
Balance, end of year	¥350,000	¥ 50,000	$2,903,360
(Shares issued and outstanding, end of year)	(350,000 thousand shares)	(50,000 thousand shares)	
Capital surplus:			
Balance, beginning of year	¥288,035	¥288,035	$2,389,341
Add:			
Issuance of common stock . .	60,997	—	505,989
Issuance of preferred stock	300,000	—	2,488,594
Balance, end of year	¥649,032	¥288,035	$5,383,924

19. EARNED SURPLUS

Under the Bank Law of Japan, an amount equivalent to at least 20% of cash dividends and bonuses to directors and statutory auditors must be appropriated as a legal reserve, until the reserve equals 100% of the Bank's stated capital. This reserve amount, which is included in earned surplus, totals ¥67,969 million ($563,824 thousand) and ¥61,675 million as of March 31, 1999 and 1998, respectively, and is not available for dividends, but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors.

20. SEGMENT INFORMATION

The Bank and its consolidated subsidiaries operate predominantly in the banking business and certain subsidiaries operate in securities, trust and leasing industries, although those comprise a minor share of the Bank's total business.

The operations of the Bank and consolidated subsidiaries for the years ended March 31, 1999 and 1998, are summarized by geographic area as follows:

Year Ended March 31, 1999	Millions of Yen					
	Japan	America	Europe	Others	Eliminations	Consolidated
Ordinary income:						
Outside customers	¥ 1,004,259	¥ 101,574	¥ 97,172	¥ 105,022	¥ —	¥ 1,308,027
Interarea transfer	134,161	43,005	19,119	111,665	(307,950)	—
	1,138,420	144,579	116,291	216,687	(307,950)	1,308,027
Ordinary expenses	1,524,763	130,243	131,974	222,793	(303,258)	1,706,515
	¥ (386,343)	¥ 14,336	¥ (15,683)	¥ (6,106)	¥ (4,692)	(398,488)
Other income–net						29,868
Income before income taxes and minority interest						¥ (368,620)
Assets	¥28,973,857	¥1,957,303	¥1,319,711	¥2,312,899	¥(2,724,060)	¥31,839,710

Year Ended March 31, 1998	Millions of Yen					
	Japan	America	Europe	Others	Eliminations	Consolidated
Ordinary income:						
Outside customers	¥ 1,019,693	¥ 123,406	¥ 235,262	¥ 107,427	¥ —	¥ 1,485,788
Interarea transfer	157,607	28,162	23,927	134,565	(344,261)	—
	1,177,300	151,568	259,189	241,992	(344,261)	1,485,788
Ordinary expenses	1,230,237	140,173	268,241	238,695	(340,482)	1,536,864
	¥ (52,937)	¥ 11,395	¥ (9,052)	¥ 3,297	¥ (3,779)	(51,076)
Other income–net						67,406
Income before income taxes and minority interest						¥ 16,330
Assets	¥31,260,914	¥2,123,488	¥2,863,388	¥2,944,278	¥(4,271,340)	¥34,920,728

Year Ended March 31, 1999	Thousands of U.S. Dollars					
	Japan	America	Europe	Others	Eliminations	Consolidated
Ordinary income:						
Outside customers	$ 8,330,643	$ 842,588	$ 806,072	$ 871,190	$ —	$ 10,850,493
Interarea transfer	1,112,908	356,740	158,598	926,296	(2,554,542)	—
	9,443,551	1,199,328	964,670	1,797,486	(2,554,542)	10,850,493
Ordinary expenses	12,648,387	1,080,407	1,094,766	1,848,138	(2,515,620)	14,156,078
	$ (3,204,836)	$ 118,921	$ (130,096)	$ (50,652)	$ (38,922)	(3,305,585)
Other income–net						247,767
Income before income taxes and minority interest						$ (3,057,818)
Assets	$240,347,217	$16,236,441	$10,947,416	$19,186,222	$(22,596,931)	$264,120,365

"Others" consist principally of People's Republic of China and Singapore.

"Ordinary income" is total income less certain special income included in other income in the accompanying consolidated statements of operations.

Ordinary income is summarized by geographic area based on the countries where branches or subsidiaries are located.

Ordinary income arising from international operations which are produced both in and outside Japan was ¥558,918 million ($4,636,400 thousand) and ¥698,496 million, or 42.7% and 47.0% of total ordinary income for the years ended March 31, 1999 and 1998, respectively.

21. OTHER INCOME

Other income for the years ended March 31, 1999 and 1998, consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Gain on sales of stocks and other securities	**¥115,681**	¥172,536	**$ 959,610**
Gain on money held in trust	**7,280**	4,140	**60,390**
Gain on dispositions of premises and equipment	**3,894**	59,451	**32,302**
Recoveries of claims written off	**57**	29	**473**
Reversal of price fluctuations of national government bonds	**—**	7,367	**—**
Reversal of possible losses on sales of trading account securities	**—**	9,844	**—**
Other	**42,448**	17,094	**352,119**
Total	**¥169,360**	¥270,461	**$1,404,894**

22. OTHER EXPENSES

Other expenses for the years ended March 31, 1999 and 1998, consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Write-off of claims	¥223,734	¥ 19,619	$1,855,944
Loss on sales of stocks and other securities	34,620	11,398	287,184
Loss on devaluation of stocks and other securities	20,601	6,022	170,892
Loss on money held in trust	2,245	1,086	18,623
Enterprise tax	—	50	—
Loss on dispositions of premises and equipment	3,591	5,290	29,788
Other	275,654	78,808	2,286,636
Total	¥560,445	¥122,273	$4,649,067

Loss on sales of loans of the Bank collateralized by real estate to the Cooperative Credit Purchasing Company, Limited which amounted to ¥27,112 million ($224,903 thousand) and ¥9,111 million in 1999 and 1998, respectively, and losses from financial assistance provided to customers by the Bank which amounted to ¥179,387 million ($1,488,071 thousand) and ¥40,263 million in 1999 and 1998 are included in “Other.”

23. LEASE TRANSACTIONS

Lessee

The Bank and consolidated subsidiaries lease certain equipment and other assets.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 1999 and 1998, was as follows:

For the year ended March 31, 1999

	Millions of Yen			Thousands of U.S. Dollars		
	Equipment	Other	Total	Equipment	Other	Total
Acquisition cost	¥27,097	¥324	¥27,421	$224,778	$2,688	$227,466
Accumulated depreciation	17,080	38	17,118	141,684	315	141,999
Net leased property	¥10,017	¥286	¥10,303	$ 83,094	$2,373	$ 85,467

Obligations under finance leases:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 3,895	$32,310
Due after one year	7,133	59,171
Total	¥11,028	$91,481

For the year ended March 31, 1998

	Millions of Yen
Due within one year	¥ 2,900
Due after one year	6,044
Total	¥ 8,944

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, computed by the straight-line method and the interest method were ¥4,151 million ($34,434 thousand) and ¥722 million ($5,989 thousand),respectively, for the year ended March 31, 1999.

The minimum rental commitments under non-cancelable operating leases as of March 31, 1999 and 1998, were as follows:

As of March 31, 1999

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥174	$1,443
Due after one year	574	4,762
Total	¥748	$6,205

As of March 31, 1998

	Millions of Yen
Due within one year	¥ 204
Due after one year	801
Total	¥1,005

Lessor

The consolidated subsidiaries lease certain equipment and other assets.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, rights under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 1999 and 1998, was as follows:

For the year ended March 31, 1999

Equipment	Millions of Yen	Thousands of U.S. Dollars
Acquisition cost	¥640	$5,309
Accumulated depreciation	480	3,982
Net leased property	¥160	$1,327

Rights under finance leases:

For the year ended March 31, 1999

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥101	$ 838
Due after one year	75	622
Total	¥176	$1,460

For the year ended March 31, 1998

	Millions of Yen
Due within one year	¥104
Due after one year	79
Total	¥183

The imputed interest income portion which is computed using the interest method is excluded from the above rights under finance leases.

Depreciation expense and interest income, which are not reflected in the accompanying consolidated statements of operations, computed by the straight-line method and the interest method were ¥99 million ($821 thousand) and ¥9 million ($75 thousand), respectively, for the year ended March 31, 1999.

The minimum rental commitments under noncancelable operating leases as of March 31, 1999 and 1998, were as follows:

As of March 31, 1999

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥1	$8
Due after one year	0	0
Total	¥1	$8

As of March 31, 1998

	Millions of Yen
Due within one year	¥ 1
Due after one year	2
Total	¥ 3

24. APPROPRIATION OF EARNED SURPLUS

The following plan of the Bank for the appropriation of unappropriated profit was approved at the ordinary stockholders meeting held on June 29, 1999.

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Legal reserve	¥1,600	$13,272
Year-end dividends:		
The first preferred, ¥34.375 ($0.2852) per share	1,719	14,259
The second preferred, ¥0.06 ($0.0005) per share	9	75
The third preferred, ¥0.06 ($0.0005) per share	9	75
Common, ¥2.75 ($0.02281) per share	6,192	51,365
Total	¥9,529	$79,046

25. FINANCIAL INFORMATION OF THE PARENT COMPANY

Non-Consolidated Balance Sheets Information

The Tokai Bank, Limited
March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
ASSETS			
Cash and Due from Banks	¥ 1,307,554	¥ 1,757,060	$ 10,846,570
Call Loans	616,986	363,268	5,118,092
Commercial Paper and Other Debt Purchased	175,728	1,523	1,457,719
Trading Assets	791,655	847,954	6,567,026
Money Held in Trust	248,860	278,529	2,064,372
Securities	4,677,838	4,415,556	38,804,131
Loans and Bills Discounted	18,676,833	20,310,200	154,930,178
Foreign Exchanges	364,484	369,511	3,023,509
Other Assets	1,182,003	1,381,300	9,805,085
Premises and Equipment	346,025	325,547	2,870,386
Customers' Liabilities for Acceptances and Guarantees	1,604,825	1,893,119	13,312,526
Deferred Tax Assets	370,405	—	3,072,625
Total	¥30,363,196	¥31,943,567	$251,872,219
LIABILITIES			
Deposits	¥20,771,122	¥21,843,726	$172,302,962
Call Money	2,164,371	1,606,364	17,954,135
Trading Liabilities	395,869	371,130	3,283,857
Borrowed Money	1,256,856	1,984,560	10,426,014
Foreign Exchanges	120,903	115,903	1,002,928
Other Liabilities	2,003,214	2,298,679	16,617,288
Reserve for Possible Loan Losses	264,137	795,688	2,191,099
Reserve for Possible Losses on Collateralized Real Estate Loans Sold	68,406	74,722	567,449
Reserve for Retirement Allowances	34,691	34,392	287,773
Other Reserves	3	3	25
Convertible Debt	1,799	1,799	14,923
Acceptances and Guarantees	1,604,825	1,893,119	13,312,526
Land Revaluation Reserve	—	145,047	—
Deferred Tax Liabilities Relating to Land Revaluation	65,853	—	546,271
Total Liabilities	28,752,049	31,165,132	238,507,250
STOCKHOLDERS' EQUITY			
Capital Stock:			
Common Stock	372,969	311,972	3,093,894
Preferred Stock	350,000	50,000	2,903,360
Capital Surplus	649,032	288,035	5,383,924
Legal Reserve	67,969	61,675	563,824
Land Revaluation Reserve	92,372	—	766,255
Earned Surplus	78,805	66,753	653,712
Total Stockholders' Equity	1,611,147	778,435	13,364,969
Total	¥30,363,196	¥31,943,567	$251,872,219

Non-Consolidated Statements of Operations Information

The Tokai Bank, Limited
Years Ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
INCOME			
Interest on:			
Loans and Discounts	¥ 468,181	¥ 513,137	$ 3,883,708
Securities	85,686	110,757	710,792
Other	327,696	300,865	2,718,341
Fees and Commissions	58,287	60,111	483,509
Trading Income	12,208	9,262	101,269
Other Operating Income	121,154	113,354	1,005,010
Other Income	164,068	265,858	1,360,996
Total Income	1,237,280	1,373,344	10,263,625
EXPENSES			
Interest on:			
Deposits	232,158	326,720	1,925,823
Borrowings and Rediscounts	58,970	50,422	489,174
Other	286,516	244,206	2,376,740
Fees and Commissions	17,602	17,675	146,014
Trading Expenses	—	2,319	—
Other Operating Expenses	68,617	29,879	569,200
General and Administrative Expenses	244,774	253,433	2,030,477
Provision for Possible Loan Losses	116,604	304,323	967,267
Other Expenses	525,809	138,474	4,361,750
Total Expenses	1,551,050	1,367,451	12,866,445
(Loss) Income before Income Taxes	(313,770)	5,893	(2,602,820)
Income Taxes	(128,048)	215	(1,062,198)
Net (Loss) Income	¥ (185,722)	¥ 5,678	$ (1,540,622)
	Yen		U.S. Dollars
Per Share of Common Stock:			
Net (Loss) Income per Share	¥(93.21)	¥1.10	$(0.77)

Non-Consolidated Earned Surplus Information

The Tokai Bank, Limited
Years Ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
Balance, Beginning of Year	¥ 66,753	¥73,517	$ 553,737
Adjustment of Retained Earnings for Newly Applied Accounting for Tax Allocation	234,181	—	1,942,604
Margin with Tosho Co., Ltd.	887	—	7,358
Transfer to Legal Reserve	(6,268)	(2,100)	(51,995)
Dividends — Paid	(31,026)	(10,342)	(257,370)
Net (Loss) Income	(185,722)	5,678	(1,540,622)
Balance, End of Year	¥ 78,805	¥66,753	$ 653,712

Non-Consolidated Cash Flows Information

The Tokai Bank, Limited
Years Ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	**1999**
OPERATING ACTIVITIES:			
Net (Loss) Income	**¥ (185,722)**	¥ 5,678	**$ (1,540,622)**
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:			
Depreciation	**15,734**	15,299	**130,518**
Provision for Reserve for Possible Loan Losses	**116,604**	304,323	**967,267**
Provision for Reserve for Possible Losses on Collateralized Real Estate Loans Sold	**10,089**	1,385	**83,691**
Provision for (Reversal of) Reserve for Retirement Allowances	**299**	(562)	**2,480**
Reversal of Other Reserves	**—**	(17,215)	**—**
Net Loss on Revaluation of Trading Assets and Liabilities	**10,338**	7,455	**85,757**
Benefit for Deferred Income Taxes	**(370,405)**	—	**(3,072,625)**
Net Gain on Sales and Maturities of Securities	**(103,652)**	(205,832)	**(859,826)**
Loss on Sales and Exchange of Loans	**451,407**	59,315	**3,744,562**
Net Gain on Sales Dispositions of Premises and Equipment	**(357)**	(54,161)	**(2,961)**
Decrease in Trading Account Securities	**—**	46,813	**—**
Decrease (Increase) in Trading Assets	**631,926**	(486,226)	**5,242,024**
(Increase) Decrease in Other Assets	**204,324**	(399,203)	**1,694,932**
Decrease (Increase) in Trading Liabilities	**(561,226)**	1,947	**(4,655,545)**
(Decrease) Increase in Other Liabilities	**(290,465)**	1,495,826	**(2,409,498)**
Other — Net	**238,192**	(230,505)	**1,975,877**
Total Adjustments	**352,808**	538,659	**2,926,653**
Net Cash Provided by Operating Activities	**167,086**	544,337	**1,386,031**
INVESTING ACTIVITIES:			
Purchases of Securities	**(4,837,886)**	(5,274,847)	**(40,131,779)**
Proceeds from Sales and Maturities of Securities	**4,679,256**	5,822,282	**38,815,894**
Increase in Call Loans	**(253,718)**	(271,331)	**(2,104,670)**
(Increase) Decrease in Commercial Paper and Other Debt Purchased	**(174,205)**	8,997	**(1,445,085)**
(Increase) Decrease in Money Held in Trust	**29,669**	(69,837)	**246,113**
Decrease in Loans and Bills Discounted	**517,400**	52,566	**4,291,995**
Decrease (Increase) in Premises and Equipment	**(22,677)**	46,870	**(188,113)**
Net Cash (Used in) Provided by Investing Activities	**(62,161)**	314,700	**(515,645)**
FINANCING ACTIVITIES:			
Issuance of Stock	**718,896**	—	**5,963,467**
Decrease in Deposits	**(1,072,604)**	(706,387)	**(8,897,586)**
Increase (Decrease) in Call Money	**558,007**	(1,594,045)	**4,628,843**
Proceeds from Subordinated Borrowed Money	**43,000**	332,054	**356,698**
Repayments of Subordinated Borrowed Money	**(72,455)**	(24,820)	**(601,037)**
(Decrease) Increase in Other Borrowed Money	**(756,249)**	88,120	**(6,273,322)**
Increase in Commercial Paper	**58,000**	—	**481,128**
Redemption of Convertible Debt	**—**	(17,620)	**—**
Dividends Paid	**(31,026)**	(10,342)	**(257,370)**
Net Cash Used in Financing Activities	**(554,431)**	(1,933,040)	**(4,599,179)**
Net Decrease in Cash and Due from Banks	**(449,506)**	(1,074,003)	**(3,728,793)**
Cash and Due from Banks, Beginning of Year	**1,757,060**	2,831,063	**14,575,363**
Cash and Due from Banks, End of Year	**¥1,307,554**	¥1,757,060	**$10,846,570**
ADDITIONAL CASH FLOW INFORMATION:			
Interest Paid	**¥ 497,330**	¥ 718,591	**$ 4,125,508**
Income Taxes Paid	**2,187**	966	**18,142**

26. DERIVATIVE INFORMATION OF THE PARENT COMPANY

The Parent Company uses various derivative financial instruments. As a result of adoption of mark-to-market accounting for trading purpose transactions from April 1, 1997, the purposes are clearly separated into two types as follows:

Banking Purpose Transactions

These transactions are entered into to adjust portfolio of assets and liabilities and to hedge and reduce the exposure to fluctuation in market rates.

Trading Purpose Transactions

These transactions are entered into to meet the financing needs of the Parent Company's customers and to seek to capture gains from short-term changes in market rate and other market related indices or from gaps among markets within the proper risk limits.

Derivatives are subject to credit risk and market risk. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of contract. Market risk is the exposure created by potential fluctuations in market conditions, including interest rate, equity price or forward exchange rate.

The amounts of credit risk exposure of the Parent Company and certain subsidiaries, at March 31, 1999 and 1998, are estimated as follows:

	Billions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Interest rate swap	¥822	¥671	$6,819
Currency swap	87	124	722
Foreign exchange forward contract	249	566	2,066
Interest rate option purchased	19	27	158
Currency option purchased	16	96	133
Other derivative instruments	25	18	206
Netting effect	(691)	(687)	(5,732)
Total	¥527	¥815	$4,372

To manage market risk, the Parent Company uses a Value at Risk ("VaR") analysis. VaR is a means of statistically analyzing past market conditions and trends to estimate the maximum amount of capital at risk at a particular time. VaR of the Parent Company and certain subsidiaries for the years ended March 31, 1999 and 1998, was estimated as follows:

	Billions of Yen		Millions of U.S. Dollars
	1999	1998	1999
Maximum	¥6.8	¥8.7	$56
Minimum	1.0	2.8	8
Average	2.8	5.1	23

The VaR is measured in accordance with guidelines of Bank for International Settlements (BIS), which call for a holding period of ten business days and a 99% confidence interval for both 1999 and 1998.

Credit risk of each individual counterparty is measured through the credit line approved by the credit division. The Parent Company also periodically oversees the overall costs, which would be necessary to contract the transactions on the same conditions if a counterparty defaults.

For monitoring market risk, risk limits of the Parent Company are approved by the executive committee. Derivative transactions entered into by the Parent Company have been made in accordance with internal policies which regulate the authorization. The procedures to control and monitor market risk also include daily review of both risk positions for compliance with policy limits or regulations and profit, which is conducted by the Risk Management Division which is independent from the divisions interfacing markets.

The Parent Company has the following derivatives contracts, which are quoted on listed exchanges, outstanding at March 31, 1999 and 1998:

	Millions of Yen				Thousands of U.S. Dollars	
	1999		1998		1999	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Banking Transactions						
Interest rate contracts:						
Futures written	¥4,514,164	¥4,520,124	¥ 5,181,899	¥ 5,195,591	$37,446,404	$37,495,844
Futures purchased	3,056,337	3,059,704	5,124,356	5,136,418	25,353,273	25,381,203
Options written	—	—	250,236	68	—	—
Options purchased	241,100	157	84,021	—	2,000,000	1,302
Bonds contracts:						
Futures written	953,309	948,842	313,769	313,487	7,907,997	7,870,942
Futures purchased	827,837	820,748	424,821	422,638	6,867,167	6,808,362
Equity contracts:						
Futures written	—	—	11,402	11,736	—	—
Futures purchased	—	—	2,917	2,934	—	—
Trading Transactions						
Interest rate contracts:						
Futures written	4,616,209	4,619,053	13,660,234	13,677,233	38,292,899	38,316,491
Futures purchased	4,578,895	4,581,936	13,301,493	13,320,212	37,983,368	38,008,594
Options written	2,217,731	1,039	3,172,040	342	18,396,773	8,619
Options purchased	3,744,590	1,521	3,545,623	683	31,062,547	12,617
Bonds contracts:						
Futures written	93,456	93,346	148,247	148,169	775,247	774,334
Futures purchased	105,619	105,683	114,545	114,364	876,143	876,674
Futures options written	18,235	9	33,792	105	151,265	75
Futures options purchased	24,235	23	37,510	128	201,037	191
Foreign Exchange—Futures Purchased	292	—	—	—	2,422	—

The Parent Company has the following derivatives contracts, which are not quoted on listed exchanges, outstanding at March 31, 1999 and 1998:

	Millions of Yen				Thousands of U.S. Dollars	
	1999		1998		1999	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Banking Transactions						
Interest rate contracts:						
Forward rate agreements written	¥ 2,500	¥ (0)	¥ 155,000	¥ 557	$ 20,738	$ (0)
Forward rate agreements purchased	24,110	(5)	62,178	(186)	200,000	(41)
Interest rate swaps	42,643,918	13,616	30,116,037	(20,766)	353,744,654	112,949
Cap written	1,307,030	(4,947)	149,130	(184)	10,842,223	(41,037)
Cap purchased	12,376	(12)	6,577	(16)	102,663	(100)
Floor written	412,085	(1,658)	63,071	(80)	3,418,374	(13,754)
Floor purchased	36,165	123	2,000	47	300,000	1,020
Other written	321,029	(1,211)	300,688	(678)	2,663,036	(10,046)
Bonds Contracts:						
OTC options written	100,000	4,321	—	—	829,531	35,844
OTC options purchased	100,000	—	—	—	829,531	—
Foreign exchange:						
Currency swaps	2,609,003	(1,625)	785,208	794	21,642,497	(13,480)
Trading Transactions						
Interest rate contracts:						
Forward rate agreements written	2,647,383	3,116	3,095,264	1,205	21,960,871	25,848
Forward rate agreements purchased	2,223,069	(2,693)	3,452,536	(2,533)	18,441,054	(22,339)
Interest rate swaps	42,910,543	(6,662)	40,684,077	(3,828)	355,956,392	(55,263)
Cap written	1,673,279	(2,818)	1,513,428	(2,273)	13,880,373	(23,376)
Cap purchased	2,142,498	1,868	1,725,338	2,514	17,772,692	15,496
Floor written	988,432	(7,329)	1,078,866	(1,750)	8,199,353	(60,796)
Floor purchased	995,637	9,863	484,328	3,228	8,259,121	81,817
Other written	177,076	(3,366)	91,881	(3,001)	1,468,901	(27,922)
Other purchased	125,100	756	22,006	424	1,037,744	6,271
Foreign exchange:						
Forward exchange contracts written	3,337,616	—	4,737,309	—	27,686,570	—
Forward exchange contracts purchased	4,431,129	—	10,436,066	—	36,757,603	—
Currency swaps	836,012	(3,795)	830,264	(3,444)	6,934,981	(31,481)
Options written	369,238	—	3,535,942	—	3,062,645	—
Options purchased	336,047	—	3,220,091	—	2,787,615	—

The contracts or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Parent Company's exposure to credit or market risk.

Derivative transactions for trading purposes are stated at market value in the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

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To the Board of Directors and Stockholders of
The Tokai Bank, Limited:

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

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

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

Deloitte Touche Tohmatsu

June 29, 1999

ADDITIONAL NON-CONSOLIDATED FINANCIAL INFORMATION

Gross Business Profit

Gross business profit decreased ¥25.5 billion to ¥415.4 billion. In domestic operations, the domestic gross interest margin improved 0.03 percentage points to 0.23 percent, supporting a ¥7.4 billion increase in interest income. However, other operating income decreased ¥34.4 billion due to a decline in bond related profit. Earnings from domestic operations declined ¥23.8 billion as a result. In international operations, other operating income increased by ¥3.5 billion, but a ¥5.5 billion decrease in interest income led to a decrease of ¥1.7 billion in earnings from international operations. Excluding the ¥32.9 billion decrease in bond related profit to ¥38.9 billion, gross business profit would have increased by ¥7.4 billion.

Operating Expenses

Expenses (except non-recurring expenses) decreased ¥9.8 billion to ¥239.6 billion. Main reasons included a ¥6.9 billion reduction in personnel expenses because of personnel reductions, a freeze on base salaries and cuts in bonuses. Moreover, supplies expenses were reduced ¥1.4 billion through means such as revising procurement practices.

Net Business Profit

With the drop in bond related profit, the gain in interest income and the decrease in expenses, net business profit, excluding addition to the general reserve, was ¥175.8 billion, down ¥15.8 billion year-on-year.

Non-Recurring Profit/Loss

Stock related profit decreased ¥90.3 billion to ¥64.8 billion. Of this total, profit from sales of stocks decreased ¥55.5 billion to ¥117.0 billion. This is because, in the first half there was a profit of ¥111.8 billion, mainly due to a realized profit of ¥109.9 billion from sales of stock holdings. Loss from sales of stocks increased by ¥23.1 billion, primarily because of losses booked in connection with the unwinding of cross-shareholdings. Loss on devaluation of stocks increased by ¥11.7 billion, mainly because of lower share prices.

Composition of Profit/Loss

Years ended March 31	1999	1998	Change
	(yen billions)		
Gross business profit	¥415.4	¥440.9	¥ (25.5)
Earnings from domestic operations	345.4	369.2	(23.8)
Interest income	285.3	277.8	7.4
[Gross interest margin]	[0.23]	[0.20]	[0.03]
Fees and commissions	37.0	36.4	0.6
Trading income	1.6	(1.0)	2.6
Other operating income	21.6	56.0	(34.4)
Earnings from international operations	70.0	71.7	(1.7)
Interest income	24.7	30.2	(5.5)
Fees and commissions	3.7	6.1	(2.3)
Trading income	10.7	8.0	2.7
Other operating income	31.0	27.5	3.5
Expenses (except non-recurring expenses)	239.6	249.4	(9.8)
Personnel expenses	110.6	117.4	(6.9)
Supplies expenses	114.2	115.6	(1.4)
Net business profit (excluding addition to general reserve)	175.8	191.5	(15.8)
Credit related charges (addition to general reserve)	12.7	18.5	(5.9)
Net business profit	163.1	173.0	(9.9)
Non-recurring profit/loss	(496.3)	(212.8)	(283.5)
Stock related profit/loss	64.8	155.1	(90.3)
Credit related charges	564.9	372.8	192.1
Income before income taxes and others	(339.3)	(44.4)	(294.8)
Extraordinary profit/loss	25.5	50.3	(24.8)
Credit related charges	—	21.1	(21.1)
Profit/loss from disposal of real estate	0.4	54.2	(53.8)
Income/loss before income taxes	(313.8)	5.9	(319.7)
Provision for corporate, inhabitants' and business tax	2.9	0.2	2.7
Income taxes deferred	(130.9)	—	—
Net income	(185.7)	5.7	191.4
Cash dividends per share of common stock (annual)(yen)	7.0	8.5	(1.5)

Bond & Stock Related Profit/Loss

Years ended March 31	1999	1998	Change
	(yen billions)		
Bond related profit/loss	¥ 38.9	¥ 71.8	¥(32.9)
Stock related profit/loss	64.8	155.1	(90.3)
Profit from sales of stocks	117.0	172.5	(55.5)
Loss from sales of stocks	34.5	11.4	23.1
Loss on devaluation of stocks	17.7	6.0	11.7

Credit Related Charges

Credit related charges exceeded the level of the fiscal year ended March 31, 1998 in totaling ¥577.6 billion, with ¥12.7 billion under net business profit and ¥564.9 billion under non-recurring profit/loss. During the fiscal year ended March 31, 1999, amid the continuing weak economic conditions in Japan, the Bank moved to protect future asset quality and implemented measures for the final disposal of problem loans in line with The Viewpoint on the Write-Offs and Allowances in Association with the Capital Injection promulgated by the Financial Reconstruction Commission and assessments in accordance with the Financial Inspection Manuals. Separately, we also implemented a rigorous self-assessment.

Credit Charges Under Net Business Profit

Credit charges under net business profit of ¥12.7 billion consisted of addition to the general reserve.

For sub-standard loans, the Bank sets aside approximately 15 percent for the portion not covered by collateral or guarantees. Given the extended economic weakness of the past two to three years and the resulting deterioration of the Bank's loan portfolio, Tokai Bank employed highly conservative values for expected credit loss ratios in moving to protect future asset quality.

For other loans to borrowers under watch, and for normal loans, the bank sets aside reserves based on an appropriate percentage of actual credit losses using the average loan maturity for each internal credit rating category.

Credit Charges Under Non-Recurring Profit/Loss

In the fiscal year ended March 31, 1999, disposal of problem loans under non-recurring profit/loss totaled ¥564.9 billion. The extended economic malaise both domestically and overseas had caused further deterioration of the Bank's domestic loan portfolio and increased credit risk overseas, primarily in Asia. Moreover, the Bank is actively working to complete the disposal of problem loans and remove them from the balance sheet.

For bankrupt and quasi-bankrupt claims, the Bank set aside 100 percent coverage through collateral, guarantees and reserves. For doubtful claims, the Bank set aside reserves for about 70 percent, excluding the portion which is covered by collateral and guarantees.

Charge-off of loans, including specific provision, totaled ¥307.4 billion, due mainly to large-scale bankruptcies. Loss from sales of loans totaled ¥59.8 billion, reflecting the Bank's efforts to move problem loans off the balance sheet. Of this total, ¥27.1 billion was loss from sales of loans to the Cooperative Credit Purchasing Company, Ltd., with the remaining ¥32.7 billion coming from moves such as bulk sales of loans (loss from sales of loans reserved). The principal sold to the Cooperative Credit Purchasing Company was ¥58.9 billion, and bulk sales totaled ¥290.4 billion. In addition, waiver of claims related to Fujita Corporation, Towa Real Estate and others totaled ¥179.4 billion. With the worsening economic environment in many Asian countries contributing to increased country risk, the Bank added ¥8.1 billion to the specific reserve for overseas losses, mostly for the credits outstanding in Indonesia, following revisions to policies for setting aside reserves for selected countries in June 1998. In the fiscal year ending March 31, 2000, the Bank will continue disposing of problem loans through means such as bulk sales.

Problem Loans

Loans under risk monitor at March 31, 1999 totaled ¥476.0 billion after partial direct charge-offs, and accounted for 2.5 percent of total loans. The reserve ratio for problem loans stood at 55.4 percent. Before partial direct charge-offs, loans under risk monitor represented 4.0 percent of loans and bills discounted, and the reserve ratio stood at 83.5 percent, representing a significant improvement from September 30, 1998 achieved through recovery of claims and sales of loans.

Disclosed according to Article 7 of the Law concerning Emergency Measures for the Reconstruction of the Function of the Financial System, problem loans after partial direct charge-offs totaled ¥753.2 billion and represented 3.6 percent of total credit extended. The coverage ratio has improved significantly to 84.7 percent from September 30, 1998.

Credit Related Charges (Disposal of Problem Loans)

Years ended March 31	(yen billions)		
	1999	1998	Change
Credit charges under net business profit	**¥ 12.7**	¥ 18.5	¥ (5.9)
Addition to general reserve	**12.7**	18.5	(5.9)
Credit charges under non-recurring profit/loss	**564.9**	372.8	192.1
Charge-off (including specific provision)	**307.4**	310.8	(3.3)
Loss from sales of loans	**59.8**	19.2	40.6
Loss from sales of loans to CCPC	**27.1**	9.1	18.0
Loss from sales of loans reserved	**32.7**	3.2	29.5
Loss from sales of overseas loans	**0**	6.9	(6.9)
Waiver of claims	**179.4**	40.3	139.1
Addition to reserves for possible losses on loan sales	**10.1**	7.9	2.2
Specific reserve for overseas loan losses	**8.1**	(5.4)	13.5
Credit charges under extraordinary profit/loss	**—**	21.1	(21.1)
Loss from devaluation of investment in subsidiary	**—**	21.1	(21.1)
Total	**¥577.6**	¥412.4	¥165.2

Sale of Problem Loans

Year ended March 31, 1999	(yen billions)	
	Principal sold	Loss from sales
Sales to CCPC	¥ 58.9	¥27.1
Sale of loans reserved and overseas loans	290.4	32.7

Loans Under Risk Monitor

For the fiscal year ended March 1999, loans to borrowers in legal bankruptcy and overdue loans decreased by ¥124.7 billion and ¥161.2 billion, respectively, after partial direct charge-offs, compared with the method used previously.

As of March 31	(yen billions)	
	1999	1998
Loans to borrowers in legal bankruptcy	**¥ 72.6**	¥ 310.5
Overdue loans	**248.4**	526.9
Subtotal	**320.9**	837.4
(Percentage of total loans)	**(1.7%)**	(4.1%)
Loans overdue for at least 3 months	**63.9**	150.8
Loans with concessions in terms	**91.2**	233.4
Total	**¥ 476.0**	¥ 1,221.6
(Percentage of total loans)	**(2.5%)**	(6.0%)
Loans outstanding	**¥18,676.8**	¥20,310.2

Notes:
1. As stipulated by corporate tax regulations, among loans for which unpaid interest is permitted to be omitted from income, loans to borrowers in legal bankruptcy represent the loan principal amount for borrowers to which any of the following apply:
   a) Borrowers who have declared commencement of reorganization procedures in accordance with the provisions of the Company Reorganization Law
   b) Borrowers who have declared commencement of composition in accordance with the provisions of the Composition Act
   c) Borrowers who have declared bankruptcy in accordance with the provisions of the Bankruptcy Law
   d) Borrowers who have declared commencement of adjustments or special liquidations in accordance with the provisions of the Commercial Code
   e) Borrowers whose clearinghouse transactions have been terminated (including banking syndicates that carry out clearinghouse operations in regions where there are no clearinghouses)
   f) Borrowers who are foreign governments, central banks or regional government bodies with loans whose value has decreased markedly as a result of payment arrears over a long period of time, and whose repayment is deemed extremely difficult

2. Overdue loans
   Loans for which accrued interest has not been accounted for, excluding the loans to borrowers in legal bankruptcy, and the loans for which interest payment has been temporarily suspended with the consent of the lender for the purpose of restructuring the business of, or supporting, the borrower
3. Loans overdue at least three (3) months are loans for which payment of interest or principal has not been received for at least three (3) months from the day after the contractual payment date, other than loans to customers in legal bankruptcy or overdue loans.
4. Loans with concessions in terms are loans for which the Bank has made some concessions in terms beneficial to the borrower, such as reduction or forgiveness of interest rate, suspension of interest payment or of principal payment, or waiver of claims, for the purpose of restructuring the business of or supporting the borrower, except for those falling under the definitions for overdue loans and loans overdue for at least three (3) months.

Problem Loans (After Partial Direct Charge-Offs) Under New Disclosure Standards (Financial Reconstruction Law, Article 7)

As of March 31, 1999

	Amount (yen billions)	Percentage of total claims (%)	Coverage ratio (%)
Bankrupt and quasi-bankrupt claims	¥ 215.5	1.0	100.0
Doubtful claims	426.8	2.1	86.3
Substandard claims	111.0	0.5	49.0
Total	¥ 753.2	3.6	84.7
Normal	19,964.8	96.4	—
Total claims	¥20,718.1	100.0	—

Note: Implementation of Partial Direct Charge-Offs
Beginning from the fiscal year ended March 31, 1999, a specific reserve is provided for loans categorized as Classification IV under the Bank's self-assessment, even in cases not covered by tax laws. For these loans, the Bank implements partial direct charge-offs, which amounted to ¥385.4 billion, equivalent to the expected irrecoverable amount, in the fiscal year ended March 31, 1999.

Income Before Income Taxes and Net Income

Tokai Bank recorded a loss before income taxes and others of ¥339.2 billion, and a loss before income taxes of ¥313.8 billion. The application of tax effect accounting beginning in the fiscal year ended March 31, 1999 resulted in a total of ¥130.9 billion in income taxes deferred for the year. Consequently, net loss totaled ¥185.7 billion. Cash dividends per share of common stock decreased ¥1.50 to ¥7.00 because of the net loss.

Dividend Policy

Tokai Bank has adopted the policy of maintaining a stable dividend, while given its mandate to serve the general public and economy, being also mindful of the need for an adequate level of internal reserves to ensure sound management and long-term growth.

During the fiscal year ended March 31, 1999, however, the Bank's results were negatively impacted, and so a substantial loss was reported.

To contain the depletion of internal reserves, the Bank reduced the interim dividend per share of common stock to ¥2.75 from ¥4.25, and declared a cash dividend per share for the year of ¥7.00. For preference shares, the Bank paid dividends of ¥68.75 for each first preference share and ¥0.06, representing the dividend for March 31, 1999 only, for each second and third preference share issued for the year.

Hereafter, the directors and employees of the Bank will make a concerted effort to achieve overall progress and recovery, and by promptly achieving a recovery in the profit level and building up internal reserves, we aim to achieve a stable dividend payout.

Assets and Liabilities

Total assets decreased ¥1,580.4 billion from a year earlier to ¥30,363.2 billion. The main reasons for this decline were a decrease in loans and bills discounted, which resulted from sales of loans to the Cooperative Credit Purchasing Company amounting to ¥58.9 billion, bulk sales of loans amounting to ¥290.4 billion, actual recovery of some loans, waiver of claims, direct charge-offs and the removal of nearly ¥1.2 trillion in problem loans from the balance sheet, and the Bank's reduction of overseas assets not associated with Japanese customers. However, due to the application of tax effect accounting beginning the fiscal year ended March 31, 1999, assets (deferred tax assets) have increased by ¥370.4 billion compared to the figure based on the method used in the past.

Total liabilities decreased ¥2,413.1 billion to ¥28,752.0 billion. A primary factor was the reduction in overseas deposits as part of the Bank's efforts to control assets and liabilities overseas.

Assets & Liabilities

As of March 31 (yen trillions)	1999	1998	Change
Total assets	¥30.4	¥31.9	¥(1.6)
Loans and bills discounted	18.7	20.3	(1.6)
Domestic	15.9	16.7	(0.9)
Overseas	2.8	3.6	(0.8)
Liabilities	28.8	31.2	(2.4)
Deposits	18.5	19.9	(1.4)
Domestic	15.9	15.5	0.3
Overseas	2.6	4.3	(1.7)

Unrealized Profit/Loss on Listed Securities Held

As of March 31, 1999, unrealized profit on listed securities held totaled ¥195.4 billion. This total represented a ¥57.2 billion decrease from a year earlier, mainly due to lower stock prices, but was a significant turnaround from the ¥117.4 billion unrealized loss on listed securities held as of September 30, 1998.

Years ended March 31 (yen billions)	1999	1998	Change
Unrealized profit/loss on listed securities held	¥ 195.4	¥ 252.6	¥(57.2)
Unrealized profit on listed securities held	432.9	472.1	(39.2)
Unrealized loss on listed securities held	237.6	219.5	18.1
Nikkei stock average (yen)	15,836	16,527	(691)

(For reference) Unrealized profit/loss on listed securities held for the interim period ended September 30, 1998, was ¥117.4 billion (Nikkei stock average: ¥13,406).

Prices of Marketable Securities

As of March 31 (yen billions)

	1999		1998	
	Book Value	Market Value	Book Value	Market Value
Securities:				
Bonds	**¥ 659.4**	**¥ 631.8**	¥ 491.7	¥ 498.5
Stocks	**2,336.8**	**2,571.6**	2,304.7	2,554.7
Others	**365.0**	**353.3**	125.7	121.5
Total	**¥3,361.3**	**¥3,556.7**	¥2,922.1	¥3,174.7

Notes:

1. The above table covers only listed trading securities (bonds include government bonds, regional government bonds and corporate bonds). In most cases, the market prices of listed securities are determined by using the closing prices on the Tokyo Stock Exchange. Additionally, market prices of bonds as of March 31, 1999, may be calculated from yields announced by the Securities Association of Japan.
2. The table below covers unlisted securities for which it is possible to estimate a market value.

As of March 31 (yen billions)

	1999		1998	
	Book Value	Market Value	Book Value	Market Value
Securities:				
Bonds	**¥331.5**	**¥333.8**	¥362.4	¥367.1
Stocks	**25.1**	**31.9**	27.9	27.9
Others	**66.9**	**66.3**	40.7	37.4
Total	**¥423.5**	**¥431.9**	¥430.9	¥432.4

The market values of unlisted securities are determined as follows: transaction prices announced by the Securities Association of Japan in the case of securities traded over-the-counter; prices calculated from yields announced by the Securities Association of Japan in the case of bonds sold through public offering; market prices announced by authorized fund management companies in the case of beneficiary securities and in the case of securities investment trusts; and, transaction prices on the NASDAQ of the National Association of Securities Dealers of the USA for securities traded over-the-counter in the USA.

3. 'Bonds', 'stocks' and 'others' in this table and Note 2 above correspond to the categories in the balance sheets.
4. The table below shows the book values on the balance sheets for unlisted securities, which are not subject to market price valuation disclosure as above.

As of March 31 (yen billions)

	1999	1998
Securities		
Unlisted bonds excluding public offerings	**¥427.0**	¥355.7
Unlisted public bonds redeemable within one year	**5.4**	195.9
Unlisted overseas bonds	**209.0**	230.6
Unlisted stocks for related companies	**41.5**	40.6
Unlisted overseas stocks for related companies	**125.2**	156.7
Beneficiary securities held in closed investment trusts	**13.9**	10.9

5. Trading securities and trading transaction securities, which are accounted in the trading accounts, are revaluated at market prices, and the relevant profit or loss evaluations are reflected in the income statement. This description is therefore omitted here.

Market Prices of Money Held in Trust

As of March 31 (yen billions)

	1999		1998	
	Book Value	Market Value	Book Value	Market Value
Money held in trust	**¥248.9**	**¥245.5**	¥278.5	¥279.8

Notes:
Market values are determined using the prices reasonably calculated by the fiduciary of the investment trusts as follows:

1. in most cases, the market values of listed securities are determined by using the closing prices on the Tokyo Stock Exchange, or prices calculated from yields announced by the Securities Association of Japan in the case of bonds sold through public offering.
2. For stocks registered on the over-the-counter market, market values are based on the transaction price as announced by the Securities Association of Japan.

INCOME AND EXPENSES

(Non-Consolidated Basis)

Domestic and International Operating Income by Division

Years ended March 31 (yen billions)

Category	Domestic operations 1999	1998	1997	International operations 1999	1998	1997	Total 1999	1998	1997
Interest income	**¥483.0**	¥484.6	¥584.7	**¥403.3**	¥447.8	¥732.3	**¥881.6**	¥924.8	¥1,312.4
							4.7	7.6	4.6
Interest expenses	**197.7**	206.8	300.3	**378.6**	417.6	689.8	**571.6**	616.7	985.6
							4.7	7.6	4.6
Net interest income	**285.3**	277.8	284.4	**24.7**	30.2	42.4	**309.9**	308.0	326.8
Fee and commission income	**46.3**	46.0	45.5	**12.0**	14.1	14.3	**58.3**	60.1	59.7
Fee and commission expenses	**9.3**	9.6	9.0	**8.3**	8.0	6.9	**17.6**	17.7	15.9
Net fees and commissions	**37.0**	36.4	36.4	**3.7**	6.1	7.4	**40.7**	42.4	43.8
Trading income	**3.6**	0.8		**10.7**	9.2		**12.2**	9.3	
Trading expenses	**2.1**	1.8		**0**	1.3		**—**	2.3	
Net trading income	**1.6**	(1.0)		**10.7**	8.0		**12.2**	6.9	
Other operating income	**75.4**	73.6	72.2	**45.8**	39.7	46.3	**121.2**	113.4	118.5
Other operating expenses	**53.8**	17.6	41.7	**14.8**	12.3	33.1	**68.6**	29.9	74.8
Other operating income, net	**21.6**	56.0	30.5	**31.0**	27.5	13.2	**52.5**	83.5	43.7
Gross business profit	**345.4**	369.2	351.3	**70.0**	71.7	63.0	**415.4**	440.9	414.4
Gross business profit margin	**1.56%**	1.68%	1.61%	**1.33%**	1.02%	0.86%	**1.56%**	1.58%	1.45%

Notes:
1. Domestic operations include yen-denominated transactions at domestic branches. International operations include foreign-currency transactions at domestic branches and transactions at overseas branches. International operations also include yen-denominated transactions for non-residents and transactions in Tokyo special offshore accounts (International Banking Facility (IBF)).
2. "Interest expenses" are shown after deduction of an amount equivalent to interest expenses on money held in trust (1997: ¥5.0 billion, 1998: ¥4.6 billion, 1999: ¥6.0 billion).
3. The figures in the lower row under 'Total' for 'Interest Income' and 'Interest expenses' indicate the interest from lending and borrowing between domestic operations and international operations.
4. For 'Trading income' and 'Trading expenses', the net figures are shown for each of the categories 'Income (Expenses) from trading-related financial derivatives transactions' and 'Other trading income (expenses)' under 'Domestic operations', 'International operations' and 'Total' columns.
5. Gross business profit margin = (Gross business profit/Average balance of interest-earning assets) × 100

Interest-Earnings Assets and Liabilities, Interest Rate and Yield

Domestic Operations

Year ended March 31 (yen billions)

Categories	1999 Average balance	1999 Simple interest	1999 Yield (%)	1998 Average balance	1998 Simple interest	1998 Yield (%)	1997 Average balance	1997 Simple interest	1997 Yield (%)
Interest-earning assets	**¥22,112.1**	**¥483.0**	**2.18**	¥21,951.7	¥484.6	2.20	¥21,786.7	¥584.7	2.68
	(819.4)	**(4.7)**		(1,197.7)	(7.6)		(657.0)	(4.6)	
Loans and bills discounted	**17,111.5**	**329.8**	**1.92**	16,748.8	334.0	1.99	16,626.1	350.2	2.10
Trading account securities							37.4	1.3	3.60
Securities	**3,877.0**	**56.8**	**1.46**	3,830.0	73.5	1.91	3,850.4	88.6	2.30
Call loans	**10.8**	**0,1**	**0.54**	18.2	0.2	0.86	84.0	0.5	0.60
Bills purchased	**129.7**	**0.5**	**0.40**	5.7	0.1	0.99	1.0	0	0.49
Due from banks	**158.7**	**1.5**	**0.94**	149.7	1.2	0.83	433.2	2.8	0.64
Interest-bearing liabilities	**20,482.0**	**197.7**	**0.96**	20,714.4	206.8	0.99	21,055.2	300.3	1.42
Deposits	**15,256.1**	**61.7**	**0.40**	14,883.1	72.7	0.48	14,479.5	84.5	0.58
Negotiable certificates of deposit	**2,419.0**	**14.5**	**0.60**	2,320.6	14.8	0.63	2,244.7	12.3	0.54
Call money	**2,016.5**	**11.5**	**0.57**	2,089.3	10.7	0.51	2,811.0	13.8	0.48
Bills sold	**226.7**	**1.1**	**0.47**	309.7	1.9	0.62	449.4	2.2	0.49
Commercial paper	**74.7**	**0.4**	**0.49**						
Borrowed money	**651.1**	**18.8**	**2.88**	1,276.8	23.3	1.82	1,141.6	23.3	2.03

Notes:
1. "Interest-earning assets" are shown after deduction of the average balance of non-interest-earnings due from banks (1997: ¥184.8 billion, 1998: ¥191.5 billion, 1999: ¥196.5 billion). "Interest-bearing liabilities" are shown after deduction of an amount equivalent to the average balance of money held in trust (1997: ¥189.5 billion, 1998: ¥221.1 billion, 1999: ¥209.9 billion) and interest (1997: ¥2.7 billion, 1998: ¥2.2 billion, 1999: ¥2.0 billion).
2. Figures in parentheses indicate the average balances of lending and borrowings or interest payments made between domestic and international operations.

International Operations

Years ended March 31	(yen billions)								
Categories	1999			1998			1997		
	Average balance	Simple interest	Yield (%)	Average balance	Simple interest	Yield (%)	Average balance	Simple interest	Yield (%)
Interest-earning assets	**¥5,256.9**	**¥403.3**	**7.67**	¥6,987.3	¥447.8	6.40	¥7,257.8	¥732.3	10.08
Loans and bills discounted	**3,151.6**	**136.2**	**4.32**	4,060.1	174.7	4.30	3,897.1	159.3	4.08
Trading account securities							—	—	—
Securities	**756.7**	**28.9**	**3.81**	789.2	37.2	4.71	719.5	36.6	5.08
Call loans	**42.1**	**2.1**	**4.97**	75.7	4.2	5.55	95.9	5.3	5.49
Bills purchased	**—**	**—**	**—**	—	—	—	—	—	—
Due from banks	**914.5**	**33.0**	**3.60**	1,659.8	52.3	3.14	2,093.2	63.0	3.00
Interest-bearing liabilities	**5,197.7**	**378.6**	**7.28**	7,002.2	417.6	5.96	7,262.3	689.8	9.49
	(819.4)	**(4.7)**		(1,197.7)	(7.6)		(657.0)	(4.6)	
Deposits	**3,574.9**	**149.1**	**4.17**	4,922.8	221.3	4.49	5,780.8	222.8	3.85
Negotiable certificates of deposit	**102.8**	**6.9**	**6.66**	280.4	18.0	6.41	249.1	14.6	5.84
Call money	**104.2**	**5.5**	**5.23**	120.2	6.1	5.10	126.7	6.3	4.99
Bills sold	**—**	**—**	**—**	—	—	—	—	—	—
Commercial paper	**—**	**—**	**—**						
Borrowed money	**549.9**	**21.7**	**3.95**	384.0	8.3	2.17	299.7	7.6	2.52

Notes:
1. "Interest-earning assets" are shown after deduction of the average balance of non-interest earnings due from banks (1997: ¥8.0 billion, 1998: ¥7.8 billion, 1999: ¥7.1 billion). "Interest-bearing liabilities" are shown after deduction of an amount equivalent to the average balance of money held in trust (1997: ¥23.8 billion, 1998: ¥40.5 billion, 1999: ¥54.8 billion) and interest (1997: ¥2.3 billion, 1998: ¥2.4 billion, 1999: ¥4.0 billion).
2. Figures in parentheses indicate the average balances of lending and borrowings or interest payments made between domestic and international operations.
3. The average balance of foreign-currency-denominated transactions at domestic branches included in international operations are calculated using the current month method (the telegraphic transfer rate at the end of the prior month is applied to non-exchange transactions).

Total

Years ended March 31	(yen billions)								
Categories	1999			1998			1997		
	Average balance	Simple interest	Yield (%)	Average balance	Simple interest	Yield (%)	Average balance	Simple interest	Yield (%)
Interest-earning assets	**¥26,549.5**	**¥881.6**	**3.32**	¥27,741.3	¥924.8	3.33	¥28,387.5	¥1,312.4	4.62
Loans and bills discounted	**20,263.1**	**466.0**	**2.29**	20,808.9	508.8	2.44	20,523.2	509.5	2.48
Trading account securities							37.4	1.3	3.60
Securities	**4,633.7**	**85.7**	**1.84**	4,619.2	110.8	2.39	4,569.9	125.2	2.74
Call loans	**52.9**	**2.2**	**4.07**	93.9	4.4	4.64	179.9	5.8	3.21
Bills purchased	**129.7**	**0.5**	**0.40**	5.7	0.1	0.99	1.0	0	0.49
Due from banks	**1,073.3**	**34.5**	**3.21**	1,809.6	53.5	2.95	2,526.4	65.7	2.60
Interest-bearing liabilities	**24,860.3**	**571.6**	**2.29**	26,518.8	616.7	2.32	27,660.5	985.6	3.56
Deposits	**18,831.1**	**210.8**	**1.11**	19,805.9	294.0	1.48	20,260.3	307.3	1.51
Negotiable certificates of deposit	**2,521.8**	**21.4**	**0.84**	2,601.0	32.7	1.25	2,493.8	26.9	1.07
Call money	**2,120.7**	**17.0**	**0.80**	2,209.5	16.9	0.76	2,937.7	20.1	0.68
Bills sold	**226.7**	**1.1**	**0.47**	309.7	1.9	0.62	449.4	2.2	0.49
Commercial paper	**74.7**	**0.4**	**0.49**						
Borrowed money	**1,201.0**	**40.5**	**3.37**	1,660.7	31.6	1.90	1,441.4	30.8	2.13

Notes:
1. "Interest-earning assets" are shown after deduction of the average balance of non-interest earnings due from banks (1997: ¥192.8 billion, 1998: ¥199.3 billion, 1999: ¥203.6 billion). "Interest-bearing liabilities" are shown after deduction of an amount equivalent to the average balance of money held in trust (1997: ¥213.3 billion, 1998: ¥261.6 billion, 1999: ¥264.7 billion) and interest (1997: ¥5.0 billion, 1998: ¥4.6 billion, 1999: ¥6.0 billion).
2. The average balance and interest from lending and borrowing between domestic operations and international operations are shown on a net basis.

Interest Received and Paid

Domestic Operations

Years ended March 31 (yen billions)

Categories	1999			1998			1997		
	Volume-related	Rate-related	Net change	Volume-related	Rate-related	Net change	Volume-related	Rate-related	Net change
Interest received	¥ 3.5	¥ (5.2)	¥ (1.7)	¥ 4.4	¥(104.5)	¥(100.1)	¥ 8.4	¥(115.2)	¥(106.8)
Loans and bills discounted	7.1	(11.3)	(4.2)	2.6	(18.7)	(16.2)	0	(86.3)	(86.3)
Trading account securities							0.1	0.3	0.4
Securities	0.9	(17.6)	(16.7)	(0.5)	(14.7)	(15.1)	1.8	(25.7)	(23.8)
Call loans	(0.1)	(0)	(0.1)	(0.5)	0.2	(0.4)	(0.6)	(0.4)	(1.0)
Bills purchased	0.5	(0.1)	0.5	0	0	0.1	(0.3	(0.2)	(0.5)
Due from banks	0.1	0.2	0.3	(2.2)	0.7	(1.5)	2.1	(1.4)	0.8
Interest paid	(2.3)	(6.8)	(9.1)	(4.8)	(88.7)	(93.5)	3.4	(81.4)	(77.9)
Deposits	1.8	(12.8)	(11.0)	2.3	(14.1)	(11.8)	0.5	(72.4)	(72.0)
Negotiable certificates of deposit	0.6	(0.9)	(0.2)	0.4	2.0	2.5	1.0	(8.5)	(7.5)
Call money	(0.4)	1.2	0.8	(3.7)	0.7	(3.0)	(0.4)	(8.9)	(9.3)
Bills sold	(0.5)	(0.4)	(0.9)	(0.8)	0.5	(0.3)	(1.1)	(1.5)	(2.6)
Commercial paper	0.4	—	0.4						
Borrowed money	(14.4)	10.0	(4.5)	2.6	(2.6)	0	5.8	(7.2)	(1.4)

Note: Overlapping amounts of volume- and rate-related increases and decreases have been proportionally allocated to both categories.

International Operations

Years ended March 31 (yen billions)

Categories	1999			1998			1997		
	Volume-related	Rate-related	Net change	Volume-related	Rate-related	Net change	Volume-related	Rate-related	Net change
Interest received	¥(123.1)	¥ 78.6	¥(44.5)	¥(26.4)	¥(258.1)	¥(284.5)	¥51.0	¥ 1.5	¥ 52.6
Loans and bills discounted	(39.3)	0.7	(38.6)	6.8	8.6	15.4	25.5	(20.6)	4.9
Trading account securities							—	—	—
Securities	(1.5)	(6.9)	(8.4)	3.4	(2.8)	0.6	8.3	5.2	13.5
Call loans	(1.7)	(0.4)	(2.1)	(1.1)	0.1	(1.1)	(2.1)	(0.9)	(2.9)
Bills purchased	—	—	—	—	—	—	—	—	—
Due from banks	(26.0)	6.7	(19.3)	(13.5)	2.9	(10.7)	(12.3)	(27.1)	(39.4)
Interest paid	(120.4)	81.5	(39.0)	(23.9)	(248.4)	(272.3)	55.6	(14.4)	41.3
Deposits	(57.1)	(15.0)	(72.2)	(35.7)	34.1	(1.5)	12.5	(34.7)	(22.2)
Negotiable certificates of deposit	(11.8)	0.7	(11.1)	1.9	1.5	3.4	5.8	(0.9)	4.9
Call money	(0.8)	0.2	(0.7)	(0.3)	0.1	(0.2)	(2.3)	(1.1)	(3.4)
Bills sold	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—						
Borrowed money	4.6	8.8	13.4	1.9	(1.2)	0.8	0.7	(5.5)	(4.8)

Note: Overlapping amounts of volume- and rate-related increases and decreases have been proportionally allocated to both categories.

Total

Years ended March 31 (yen billions)

Categories	1999			1998			1997		
	Volume-related	Rate-related	Net change	Volume-related	Rate-related	Net change	Volume-related	Rate-related	Net change
Interest received	**¥(39.6)**	**¥ (3.6)**	**¥(43.2)**	¥(29.2)	¥(358.4)	¥(387.7)	¥29.0	¥ (82.6)	¥(53.6)
Loans and bills discounted	**(13.1)**	**(29.7)**	**(42.8)**	7.0	(7.8)	(0.7)	16.9	(98.3)	(81.4)
Trading account securities							0.1	0.3	0.4
Securities	**0.3**	**(25.4)**	**(25.1)**	1.3	(15.8)	(14.5)	7.1	(17.4)	(10.3)
Call loans	**(1.7)**	**(0.5)**	**(2.2)**	(3.4)	2.0	(1.4)	(3.8)	(0.2)	(4.0)
Bills purchased	**0.5**	**(0.1)**	**0.5**	0	0	0.1	(0.3)	(0.2)	(0.5)
Due from banks	**(23.3)**	**4.3**	**(19.1)**	(20.4)	8.2	(12.2)	(1.8)	(36.8)	(38.6)
Interest paid	**(38.2)**	**(6.9)**	**(45.1)**	(39.2)	(329.7)	(368.9)	22.3	(58.3)	(36.0)
Deposits	**(13.9)**	**(69.3)**	**(83.2)**	(6.8)	(6.5)	(13.3)	6.7	(100.8)	(94.2)
Negotiable certificates of deposit	**(1.0)**	**(10.4)**	**(11.4)**	1.2	4.7	5.9	2.6	(5.2)	(2.6)
Call money	**(0.7)**	**0.8**	**0.1**	(5.4)	2.2	(3.2)	(1.0)	(11.7)	(12.7)
Bills sold	**(0.5)**	**(0.4)**	**(0.9)**	(0.8)	0.5	(0.3)	(1.1)	(1.5)	(2.6)
Commercial paper	**0.4**	**—**	**0.4**						
Borrowed money	**(10.5)**	**19.4**	**8.9**	4.4	(3.6)	0.8	7.1	(13.4)	(6.2)

Note: Overlapping amounts of volume- and rate-related increases and decreases have been proportionally allocated to both categories.

Fees and Commissions

Years ended March 31 (yen billions)

Category	Domestic operations			International operations			Total		
	1999	1998	1997	**1999**	1998	1997	**1999**	1998	1997
Fees and commissions (income)	**¥46.3**	¥46.0	¥45.5	**¥12.0**	¥14.1	¥14.3	**¥58.3**	¥60.1	¥59.7
Deposits and loans	**5.6**	5.8	5.4	**1.9**	2.6	2.6	**7.5**	8.3	8.1
Remittances and transfers	**24.0**	23.9	23.5	**5.7**	6.4	6.4	**29.7**	30.3	30.0
Securities	**5.3**	4.8	5.3	**—**	—	—	**5.3**	4.8	5.3
Proxy	**1.8**	2.2	2.4	**0**	0.2	0.2	**1.9**	2.3	2.6
Safe deposits	**1.4**	1.4	1.5	**—**	—	—	**1.4**	1.4	1.5
Guarantees	**0.8**	0.7	0.9	**3.3**	3.9	4.0	**4.1**	4.6	4.9
Fees and commissions (expenses)	**9.3**	9.6	9.0	**8.3**	8.0	6.9	**17.6**	17.7	15.9
Remittances and transfers	**4.2**	4.3	4.2	**1.4**	1.6	1.7	**5.6**	5.9	5.8

Trading Income

Years ended March 31 (yen billions)

Categories	Domestic operations			International operations			Total		
	1999	1998	1997	**1999**	1998	1997	**1999**	1998	1997
Trading income	**¥3.6**	¥0.8		**¥10.7**	¥9.2		**¥12.2**	¥9.3	
Income from trading securities	**0.8**	—		**—**	0		**0.8**	—	
Income from securities-related transactions	**0.9**	—		**1.1**	—		**2.0**	—	
Income from trading-related financial derivatives transactions	**—**	—		**9.6**	9.2		**7.5**	8.4	
Other trading income	**1.9**	0.8		**—**	—		**1.9**	0.8	
Trading expenses	**2.1**	1.8		**0**	1.3		**—**	2.3	
Expenses from trading securities	**—**	0.5		**0**	—		**—**	0.5	
Expenses from securities-related transactions	**—**	0.5		**—**	1.3		**—**	1.8	
Expenses from trading-related financial derivatives transactions	**2.1**	0.8		**—**	—		**—**	—	
Other trading expenses	**—**	—		**—**	—		**—**	—	

Note: Figures represent net income or expense in each of the corresponding categories.

Net Other Operating Income

Years ended March 31	(yen billions)				
Category	1999	1998	1997	1996	1995
Domestic operations	¥22	¥56	¥30	¥61	¥ 8
Profits on trading account securities	—	—	1	2	3
Bond related profit	22	56	29	60	6
Other operating income	0	0	0	0	0
International operations	31	27	13	14	22
Profits on foreign exchange transactions	14	11	12	10	15
Bond related profit	17	16	2	4	7
Other operating expenses	—	—	—	—	—
Total	¥53	¥83	¥44	¥76	¥30

General and Administrative Expenses

Years ended March 31	(yen billions)				
	1999	1998	1997	1996	1995
Salaries and allowances	¥ 92.5	¥ 99.3	¥100.2	¥ 97.5	¥ 98.4
Retirement allowances	2.6	2.9	3.1	2.9	3.4
Transfer to reserve for retirement allowance	3.1	3.1	2.9	2.9	2.9
Social contributions	19.9	18.7	19.0	19.4	18.0
Depreciation	15.7	15.3	18.2	18.0	18.1
Leases on buildings and equipment	23.4	22.8	23.0	22.0	19.8
Repair expenses	0.7	0.6	1.0	1.0	1.0
General supplies	3.9	3.6	4.8	4.5	4.4
Lighting and heating expenses	2.9	3.1	3.0	3.1	3.0
Travel expenses	1.5	1.8	1.9	1.7	1.8
Telephone, fax and others	4.5	4.6	4.9	4.7	4.5
Advertising expenses	2.9	3.5	4.0	4.0	3.8
Taxes	14.9	16.3	15.0	15.7	13.9
Other	56.3	57.8	56.8	47.0	44.4
Total	¥244.8	¥253.4	¥257.7	¥244.5	¥237.7

Profitability Ratios

Years ended March 31	(%)				
	1999	1998	1997	1996	1995
Pre-tax return on assets	—	—	0.14	—	0.10
Pre-tax return on equity	—	—	5.80	—	2.93
Return on assets	—	0.01	0.13	—	0.07
Return on equity	—	0.73	5.29	—	2.07

Notes:
1. Pre-tax return on assets = (Income before income taxes and others/Average total assets-excluding customers' liabilities for acceptances and guarantees) × 100
   Return on assets = (Net income/Average total assets) × 100
2. Pre-tax return on equity = (Income before income taxes and others/Average total stockholders' equity) × 100
   Return on equity = (Net income/Average total stockholders' equity) × 100
3. Figures are not presented for the fiscal years ended March 1996 and March 1999 because losses before income taxes and others and net losses were recorded for those years.
4. Pre-tax return on assets and equity are not presented for the fiscal year ended March 1998 because a loss before income taxes and others was recorded for that year.

Interest Rate and Margin Information

Years ended March 31		(%)				
		1999	1998	1997	1996	1995
Domestic operations	Return on earning assets	2.18	2.20	2.68	3.20	3.71
	Cost of funds	1.94	2.00	2.44	2.78	3.41
	Gross interest margin	0.23	0.20	0.24	0.41	0.30
International operations	Return on earning assets	7.67	6.40	10.08	10.06	8.59
	Cost of funds	7.96	6.50	10.04	10.23	8.83
	Gross interest margin	(0.29)	(0.09)	0.04	(0.17)	(0.24)
Total	Return on earning assets	3.32	3.33	4.62	4.90	4.76
	Cost of funds	3.25	3.25	4.47	4.65	4.57
	Gross interest margin	0.07	0.08	0.14	0.25	0.18

SUMMARY OF OPERATIONS

(Non-Consolidated Basis)

Deposits

Balance of Deposits by Category

As of March 31 (yen billions, %)

Category	1999		1998		1997		1996		1995	
Domestic operations										
Demand deposits	**¥ 5,991**	**(37.8)**	¥ 5,474	(35.3)	¥ 5,059	(33.9)	¥ 4,860	(33.0)	¥ 4,243	(27.8)
Interest-bearing deposits	**5,646**	**(35.6)**	5,124	(33.0)	4,680	(31.4)	4,332	(29.4)	3,808	(25.0)
Time deposits	**9,586**	**(60.4)**	9,780	(63.0)	9,553	(64.1)	9,692	(65.8)	10,757	(70.5)
Fixed-rate time deposits	**9,568**	**(60.3)**	9,763	(62.9)	9,535	(64.0)	9,599	(65.2)	9,722	(63.7)
Market-linked time deposits	**14**	**(0.1)**	11	(0.1)	10	(0.1)	11	(0.1)	10	(0.1)
Other deposits	**287**	**(1.8)**	266	(1.7)	296	(2.0)	173	(1.2)	255	(1.7)
Subtotal	**15,864**	**(100.0)**	15,520	(100.0)	14,908	(100.0)	14,725	(100.0)	15,255	(100.0)
Certificates of deposit	**2,260**		1,734		2,150		1,907		1,608	
Total	**18,125**		17,254		17,059		16,632		16,864	
International operations										
Demand deposits	**39**	**(1.5)**	42	(1.0)	49	(0.9)	30	(0.5)	17	(0.3)
Interest-bearing deposits	**15**	**(0.6)**	11	(0.3)	9	(0.2)	7	(0.1)	3	(0.1)
Time deposits	**1,566**	**(59.9)**	2,682	(61.8)	3,368	(64.3)	3,946	(71.6)	3,501	(68.6)
Fixed-rate time deposits	**—**		—		—		—		—	
Market-linked time deposits	**—**		—		—		—		—	
Other deposits	**1,011**	**(38.6)**	1,613	(37.2)	1,820	(34.8)	1,534	(27.9)	1,587	(31.1)
Subtotal	**2,616**	**(100.0)**	4,337	(100.0)	5,237	(100.0)	5,509	(100.0)	5,106	(100.0)
Certificates of deposit	**30**		253		254		193		101	
Total	**2,646**		4,590		5,491		5,701		5,207	
Total	**¥20,771**		¥21,844		¥22,550		¥22,334		¥22,071	

Note: Figures in parentheses represent percentage of total.

Average Balance

Years ended March 31 (yen billions, %)

Category	1999		1998		1997		1996		1995	
Domestic operations										
Demand deposits	**¥ 5,273**	**(34.6)**	¥ 4,834	(32.5)	¥ 4,394	(30.3)	¥ 3,904	(27.1)	¥ 3,652	(25.3)
Interest-bearing deposits	**4,531**	**(29.7)**	4,077	(27.4)	3,666	(25.3)	3,208	(22.2)	2,929	(20.3)
Time deposits	**9,858**	**(64.6)**	9,929	(66.7)	9,956	(68.8)	10,413	(72.1)	10,683	(73.9)
Fixed-rate time deposits	**9,841**	**(64.5)**	9,911	(66.6)	9,929	(68.6)	10,136	(70.2)	9,835	(68.1)
Market-linked time deposits	**13**	**(0.1)**	11	(0.1)	11	(0.1)	11	(0.1)	9	(0.1)
Other deposits	**125**	**(0.8)**	120	(0.8)	129	(0.9)	119	(0.8)	111	(0.8)
Subtotal	**15,256**	**(100.0)**	14,883	(100.0)	14,479	(100.0)	14,435	(100.0)	14,445	(100.0)
Certificates of deposit	**2,419**		2,321		2,245		2,126		1,855	
Total	**17,675**		17,204		16,724		16,561		16,300	
International operations										
Demand deposits	**35**	**(1.0)**	46	(0.9)	38	(0.7)	27	(0.4)	18	(0.4)
Interest-bearing deposits	**11**	**(0.3)**	11	(0.2)	10	(0.2)	7	(0.1)	4	(0.1)
Time deposits	**2,256**	**(63.1)**	3,241	(65.8)	4,085	(70.6)	3,965	(72.3)	3,141	(65.8)
Fixed-rate time deposits									—	
Market-linked time deposits									—	
Other deposits	**1,285**	**(35.9)**	1,636	(33.3)	1,658	(28.7)	1,492	(27.2)	1,616	(33.8)
Subtotal	**3,575**	**(100.0)**	4,923	(100.0)	5,781	(100.0)	5,484	(100.0)	4,776	(100.0)
Certificates of deposit	**103**		280		249		151		118	
Total	**3,678**		5,203		6,030		5,635		4,893	
Total	**¥21,353**		¥22,407		¥22,754		¥22,196		¥21,193	

Notes:
1. Demand deposits = Current deposits + Ordinary deposits + Installment savings deposits + Deposits at notice
2. Time deposits = Time deposits + Installment time deposits
   Fixed-rate time deposits are time deposits with interest rates set at a fixed level throughout the term of the deposit.
   Market-linked time deposits are time deposits with interest rates that fluctuate with changes in market rates during the term of the deposit.
3. The average balance of foreign-currency-denominated transactions of domestic branches, included in international operations, is calculated using the monthly current method (in which the telegraphic transfer figure at the end of the previous month is applied to non-exchange transactions for the applicable month).
4. Figures in parentheses represent percentage of total.

Deposits per Employee

Years ended March 31	**1999**	1998	1997	1996	1995
	(yen billions)				
Domestic branches	**¥2.01**	¥1.87	¥1.81	¥1.79	¥1.70
Overseas branches	**1.65**	3.02	4.07	4.41	4.46
Total	**¥1.98**	¥1.96	¥1.99	¥1.97	¥1.89

Notes:
1. Deposits include certificates of deposit.
2. The number of employees is the average number of employees during the fiscal year. Head office employees are included in employees of domestic branches.

Deposits by Depositor Type

(yen billions, %)

As of March 31	**1999**		1998		1997		1996		1995	
Corporations	**¥ 6,326**	**(38.1)**	¥ 5,998	(37.1)	¥ 5,986	(38.0)	¥ 6,315	(41.1)	¥ 6,745	(42.6)
Individuals	**8,874**	**(53.5)**	8,705	(53.9)	8,164	(51.9)	7,745	(50.4)	7,367	(46.5)
Others	**1,386**	**(8.4)**	1,453	(9.0)	1,596	(10.1)	1,303	(8.5)	1,736	(10.9)
Total	**¥16,585**	**(100.0)**	¥16,156	(100.0)	¥15,746	(100.0)	¥ 15,362	(100.0)	¥15,849	(100.0)

Notes:
1. The balance of deposits shown above is for domestic branches and does not include certificates of deposit, deposits of overseas branches and transactions in Tokyo special offshore accounts (IBF).
2. Figures in parentheses represent percentage of total.

Time Deposits Classified by Residual Maturity

(yen billions)

As of March 31, 1999

	3 months or less	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 2 years	More than 2 years up to 3 years	More than 3 years	Total
Time deposits	¥5,562	¥1,815	¥2,093	¥884	¥556	¥242	¥11,152
Fixed-rate time deposits	4,352	1,517	2,061	875	546	217	9,568
Market-linked time deposits	8	6	—	—	—	—	14

(yen billions)

As of March 31, 1998

	3 months or less	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 2 years	More than 2 years up to 3 years	More than 3 years	Total
Time deposits	¥6,253	¥2,045	¥2,060	¥673	¥795	¥635	¥12,461
Fixed-rate time deposits	4,524	1,493	2,042	648	786	270	9,763
Market-linked time deposits	6	5	—	—	—	—	11

Note: Deposit balances shown in this chart do not include installment time deposits.

Loans

Loans by Category

As of March 31 (yen billions)

		1999	1998	1997	1996	1995
Domestic operations	Loans on notes	**¥ 3,383**	¥ 3,323	¥ 3,357	¥ 3,347	¥ 3,518
	Loans on deeds	**9,148**	9,320	9,147	8,890	8,735
	Overdrafts	**2,942**	3,561	3,555	3,659	4,090
	Bills discounted	**390**	513	509	586	597
	Total	**15,863**	16,717	16,569	16,482	16,941
International operations	Loans on notes	**426**	626	639	646	571
	Loans on deeds	**2,335**	2,902	3,134	2,661	2,121
	Overdrafts	**44**	63	79	62	56
	Bills discounted	**9**	2	1	1	0
	Total	**2,814**	3,593	3,853	3,370	2,749
Total		**¥18,677**	¥20,310	¥20,422	¥19,852	¥19,690

Average Balance

Years ended March 31 (yen billions)

		1999	1998	1997	1996	1995
Domestic operations	Loans on notes	**¥ 3,659**	¥ 3,479	¥ 3,521	¥ 3,525	¥ 3,521
	Loans on deeds	**9,375**	9,126	8,935	8,748	8,778
	Overdrafts	**3,636**	3,653	3,670	3,815	3,942
	Bills discounted	**442**	491	499	537	595
	Total	**17,112**	16,749	16,626	16,625	16,836
International operations	Loans on notes	**516**	680	710	622	601
	Loans on deeds	**2,578**	3,305	3,104	2,615	1,902
	Overdrafts	**55**	75	82	64	48
	Bills discounted	**2**	1	1	1	0
	Total	**3,152**	4,060	3,897	3,302	2,551
Total		**¥20,263**	¥20,809	¥20,523	¥19,927	¥19,387

Note: The average balance of foreign-currency-denominated transactions of domestic branches, included in International operations, is calculated using the monthly current method (in which the telegraphic transfer figure at the end of the previous month is applied to non-exchange transactions for the applicable month).

Loans per Employee

Years ended March 31 (yen billions)

	1999	1998	1997	1996	1995
Domestic branches	**¥1.68**	¥1.67	¥1.63	¥1.62	¥1.59
Overseas branches	**2.90**	3.53	3.82	3.46	2.90
Total	**¥1.78**	¥1.82	¥1.80	¥1.75	¥1.67

Note: The number of employees is based on the same standard used in calculating deposits per employee.

Deposit-to-Loan Ratio

Years ended March 31 (%)

		1999	1998	1997	1996	1995
Domestic operations	Year-end	**87.52**	96.88	97.13	99.09	100.45
	Average for the year	**96.81**	97.35	99.41	100.38	103.29
International operations	Year-end	**106.32**	78.29	70.15	59.10	52.79
	Average for the year	**85.69**	78.03	64.62	58.59	52.13
Total	Year-end	**89.91**	92.97	90.56	88.88	89.21
	Average for the year	**94.89**	92.86	90.19	89.77	91.47

Note: Deposits include certificates of deposit.

Loan Composition by Collateral

As of March 31 (yen billions)

	1999	1998	1997	1996	1995
Securities	¥ 341	¥ 321	¥ 381	¥ 451	¥ 425
Receivables	282	296	338	370	420
Merchandise	1	1	3	3	3
Real estate	2,734	2,956	3,163	3,467	3,835
Other	116	168	153	133	97
	¥ 3,474	¥ 3,742	¥ 4,037	¥ 4,424	¥ 4,780
Guarantees	7,558	7,697	7,657	6,973	6,594
Credits	7,645	8,870	8,728	8,456	8,316
Total	¥18,677	¥20,310	¥20,422	¥19,852	¥19,690

Customers' Liabilities for Acceptances and Guarantees Composition by Collateral

As of March 31 (yen billions)

	1999	1998	1997	1996	1995
Securities	¥ 8	¥ 18	¥ 22	¥ 25	¥ 26
Receivables	2	3	11	11	27
Merchandise	0	0	—	0	—
Real estate	42	83	93	93	105
Other	13	16	20	45	18
	¥ 65	¥ 120	¥ 146	¥ 174	¥ 176
Guarantees	280	311	336	316	351
Credits	1,260	1,462	1,458	1,204	1,114
Total	¥1,605	¥1,893	¥1,940	¥1,695	¥1,641

Loans by Purpose of Funds

As of March 31 (yen billions, %)

	1999	1998	1997	1996	1995
Funds for working capital	¥13,320 (71.3)	¥14,855 (73.1)	¥15,039 (73.6)	¥14,647 (73.8)	¥14,755 (74.9)
Funds for capital investments	5,356 (28.7)	5,455 (26.9)	5,383 (26.4)	5,206 (26.2)	4,935 (25.1)
Total	¥18,677 (100.0)	¥20,310 (100.0)	¥20,422 (100.0)	¥19,852 (100.0)	¥19,690 (100.0)

Note: Figures in parentheses represent percentage of total.

Loan Composition by Industry

As of March 31 (yen billions)

	1999		1998		1997		1996		1995	
	Loans outstanding	(Percent of total)	Loans outstanding	(Percent of total)	Loans outstanding	(Percent of total)	Loans outstanding	(Percent of total)	Loans outstanding	(Percent of total)
Domestic: (excluding IBF)										
Manufacturing	¥ 2,419	(14.96)	¥ 2,547	(14.87)	¥ 2,539	(14.88)	¥ 2,696	(15.81)	¥ 2,863	(16.34)
Agriculture	25	(0.15)	26	(0.15)	28	(0.16)	34	(0.20)	37	(0.21)
Forestry	2	(0.01)	2	(0.01)	2	(0.01)	2	(0.01)	2	(0.01)
Fisheries	6	(0.04)	6	(0.04)	7	(0.04)	12	(0.07)	11	(0.06)
Mining	13	(0.08)	21	(0.12)	17	(0.10)	21	(0.12)	19	(0.11)
Construction	936	(5.79)	978	(5.71)	917	(5.37)	818	(4.80)	865	(4.93)
Utilities	107	(0.66)	83	(0.49)	34	(0.20)	83	(0.49)	3,123	(17.83)
Transportation/communications	525	(3.25)	533	(3.11)	508	(2.98)	584	(3.42)	1,765	(10.07)
Wholesale/retail	2,684	(16.60)	2,885	(16.84)	2,798	(16.40)	2,815	(16.51)	1,839	(10.50)
Financial services	1,429	(8.84)	1,583	(9.24)	1,719	(10.08)	1,627	(9.54)	542	(3.09)
Real estate	2,099	(12.98)	2,412	(14.08)	2,323	(13.61)	1,858	(10.90)	144	(0.82)
Services	2,350	(14.53)	2,800	(16.35)	2,933	(17.19)	3,198	(18.75)	3,264	(18.63)
National government	197	(1.22)	—	(—)	—	(—)	—	(—)	—	(—)
Local governments	262	(1.62)	195	(1.14)	189	(1.11)	218	(1.28)	149	(0.85)
Others	3,118	(19.28)	3,057	(17.85)	3,049	(17.87)	3,086	(18.10)	2,897	(16.54)
	¥16,171	(100.0)	¥17,127	(100.0)	¥17,063	(100.0)	¥17,051	(100.0)	¥17,519	(100.0)
Overseas: (including IBF)										
Public sector	¥ 78	(3.10)	¥ 99	(3.11)	¥ 123	(3.66)	¥ 145	(5.17)	¥ 135	(6.20)
Financial institutions	324	(12.94)	511	(16.05)	498	(14.82)	406	(14.50)	533	(24.53)
Commerce/industry	1,820	(72.64)	2,233	(70.15)	2,347	(69.88)	1,897	(67.73)	1,125	(51.79)
Others	284	(11.32)	340	(10.69)	391	(11.64)	353	(12.60)	380	(17.48)
	2,506	(100.0)	3,183	(100.0)	3,359	(100.0)	2,801	(100.0)	2,172	(100.0)
Total	¥18,677		¥20,310		¥20,422		¥19,852		¥19,690	

Loans and Bills Discounted Classified by Residual Maturity

(yen billions)

As of March 31, 1999

	1 year or less	More than 1 year through 3 years	More than 3 years through 5 years	More than 5 years through 7 years	More than 7 years	No designated term	Total
Loans and Bills Discounted	¥7,041	¥3,093	¥1,836	¥851	¥2,916	¥2,941	¥18,677
Market-linked interest rate	—	2,010	1,146	564	1,759	2,941	—
Fixed interest rate	—	1,083	690	287	1,157	—	—

(yen billions)

As of March 31, 1998

	1 year or less	More than 1 year through 3 years	More than 3 years through 5 years	More than 5 years through 7 years	More than 7 years	No designated term	Total
Loans and Bills Discounted	¥7,871	¥3,238	¥1,791	¥831	¥3,016	¥3,562	¥20,310
Market-linked interest rate	—	2,043	1,160	574	2,011	3,562	—
Fixed interest rate	—	1,196	632	257	1,005	—	—

Note: Loans and bills discounted with a remaining term of one year or less are not divided into market-linked or fixed interest rate categories.

Loans to Medium- and Small-Sized Companies and Percentage of Total

As of March 31 (yen billions)

	1999	1998	1997	1996	1995
Loans to medium- and small-sized companies	**¥10,566**	¥11,502	¥11,955	¥11,851	¥11,780
Percentage of total loans	**65.3%**	67.1%	70.0%	69.5%	67.2%

Notes
1. Loan balances shown in this chart do not include loans of overseas branches and transactions in Tokyo special offshore accounts (IBF).
2. Figures under medium- and small-sized companies are those companies capitalized at less than ¥100 million (¥30 million for wholesalers and ¥10 million for retailers, restaurants and service companies) or those companies with 300 or fewer employees (100 or fewer for wholesalers and 50 or fewer for retailers, restaurants and service companies), and individuals.

Consumer Loans

As of March 31 (yen billions)

	1999	1998	1997	1996	1995
Housing loans	**¥2,979**	¥2,795	¥2,699	¥2,568	¥2,346
Other loans	**557**	638	713	775	838
Total	**¥3,536**	¥3,433	¥3,412	¥3,343	¥3,185

Balance of Specific Overseas Loans

(yen millions)

As of March 31, 1999			As of March 31, 1998		
Country	Balance	Percentage of total	Country	Balance	Percentage of total
Indonesia	**¥48,696**	**98.6**	Algeria	¥ 31	13.5
Others	**677**	**1.4**	Argentina	22	9.6
			Brazil	112	49.1
			Bulgaria	36	15.7
			Poland	25	10.9
			Others	3	1.2
Total	**¥49,373**	**100**	Total	¥228	100

Note: Specific overseas loans (loans for which provisions are made to the specific reserve for overseas loan losses) are stated as loans to individual countries which account for at least 5% of the total.

Reserve for Possible Loan Losses

Years ended March 31 (yen billions)

	1999				1998				1997			
	Balance at beginning of term	Increase during term	Decrease during term	Balance at end of term	Balance at beginning of term	Increase during term	Decrease during term	Balance at end of term	Balance at beginning of term	Increase during term	Decrease during term	Balance at end of term
General reserve	**¥ 79.4**	**¥ 92.1**	**¥ 79.4**	**¥ 92.1**	¥ 62.9	¥ 81.4	¥ 62.9	¥ 81.4	¥ 63.4	¥ 62.5	¥ 63.4	¥ 62.5
	(2.0)				(0.3)				(2.6)			
Specific loan-loss provision (formerly reserve for specific loan loss)	**713.0**	**163.9**	**713.0**	**163.9**	655.2	355.4	296.4	714.3	694.2	88.6	128.6	654.2
	(1.3)				(1.1)				(1.9)			
incl. loans to nonresidents	**19.7**	**2.6**	**19.7**	**2.6**	27.2	0.2	6.5	20.9	22.7	6.4	3.0	26.1
	(1.2)				(1.1)				(1.9)			
Specific reserve for overseas loan losses	**0**	**8.2**	**0**	**8.2**	5.4	0	5.4	0	5.1	5.2	5.1	5.2
	(0)				(0.2)				(0.5)			
Total	**¥792.4**	**¥264.1**	**¥792.4**	**¥264.1**	¥723.5	¥436.8	¥364.6	¥795.7	¥762.8	¥156.3	¥197.2	¥721.9
	(3.3)				(1.6)				(5.0)			

Note: Figures for the beginning of term in parentheses are foreign exchange translation differentials.

Loan Charge-Offs

Years ended March 31 (yen billions)

	1999	1998	1997	1996	1995
Loan charge-offs	**¥211.7**	¥19.6	¥8.1	¥32.3	¥4.6

Sales of Loans to the Cooperative Credit Purchasing Company (CCPC)

As of March 31 (yen billions)

	1999
Balance of sales of loans to the CCPC	**¥117.4**
Reserve for possible losses on sale of loans	**68.4**
Reserve ratio	**58.3%**

Securities

Securities Holdings

As of March 31 (yen billions, %)

	1999		1998		1997		1996		1995	
Domestic operations										
National government bonds	**¥ 781**	**(19.7)**	¥1,014	(26.0)	¥ 737	(18.8)	¥ 531	(14.1)	¥ 434	(12.3)
Regional government bonds	**307**	**(7.7)**	234	(6.0)	331	(8.4)	263	(7.0)	420	(11.9)
Corporate bonds	**335**	**(8.4)**	159	(4.1)	525	(13.4)	741	(19.7)	762	(21.6)
Stocks	**2,455**	**(61.9)**	2,427	(62.4)	2,276	(58.2)	2,203	(58.5)	1,883	(53.5)
Other securities	**90**	**(2.3)**	58	(1.5)	45	(1.2)	26	(0.7)	23	(0.7)
Foreign bonds	**—**		—		—		—		—	
Foreign stocks	**—**		—		—		—		—	
Total	**3,969**	**(100.0)**	3,892	(100.0)	3,914	(100.0)	3,763	(100.0)	3,523	(100.0)
International operations										
National government bonds	**—**		—		—		—		—	
Regional government bonds	**—**		—		—		—		—	
Corporate bonds	**—**		—		—		—		—	
Stocks	**—**		—		—		—		—	
Other securities	**709**	**(100.0)**	523	(100.0)	844	(100.0)	655	(100.0)	451	(100.0)
Foreign bonds	**557**	**(78.6)**	341	(65.1)	656	(77.8)	473	(72.3)	279	(61.7)
Foreign stocks	**152**	**(21.4)**	183	(34.9)	187	(22.2)	182	(27.7)	173	(38.3)
Total	**709**	**(100.0)**	523	(100.0)	844	(100.0)	655	(100.0)	451	(100.0)
Total	**¥4,678**		¥4,416		¥4,757		¥4,418		¥3,974	

Average Balance

Years ended March 31 (yen billions, %)

	1999		1998		1997		1996		1995	
Domestic operations										
National government bonds	**¥ 835**	**(21.5)**	¥ 838	(21.9)	¥ 623	(16.2)	¥ 552	(14.6)	¥ 419	(11.7)
Regional government bonds	**270**	**(7.0)**	280	(7.3)	343	(8.9)	476	(12.6)	396	(11.0)
Corporate bonds	**241**	**(6.2)**	306	(8.0)	633	(16.5)	816	(21.5)	903	(25.1)
Stocks	**2,458**	**(63.4)**	2,359	(61.6)	2,216	(57.5)	1,916	(50.6)	1,831	(50.9)
Other securities	**73**	**(1.9)**	47	(1.2)	35	(0.9)	26	(0.7)	46	(1.3)
Foreign bonds										
Foreign stocks										
Total	**3,877**	**(100.0)**	3,830	(100.0)	3,850	(100.0)	3,786	(100.0)	3,594	(100.0)
International operations										
National government bonds	**—**		—		—		—		—	
Regional government bonds	**—**		—		—		—		—	
Corporate bonds	**—**		—		—		—		—	
Stocks	**—**		—		—		—		—	
Other securities	**757**	**(100.0)**	789	(100.0)	719	(100.0)	543	(100.0)	462	(100.0)
Foreign bonds	**576**	**(76.1)**	600	(76.0)	535	(74.4)	364	(67.0)	285	(61.8)
Foreign stocks	**181**	**(23.9)**	189	(24.0)	184	(25.6)	179	(33.0)	177	(38.2)
Total	**757**	**(100.0)**	789	(100.0)	719	(100.0)	543	(100.0)	462	(100.0)
Total	**¥4,634**		¥4,619		¥4,570		¥4,330		¥4,057	

Notes:
1. Loaned securities are included in the relevant categories above.
2. The average balance of foreign-currency-denominated transactions at domestic branches included in international operations is calculated using the current month method (the telegraphic transfer rate at the end of the prior month is applied to non-exchange transactions).
3. Figures in parentheses represent percentage of totals.

Trading Volume and Average Balance of Trading Account Securities

Years ended March 31 (yen billions)

	1999	1998	1997	1996	1995
Trading volume					
Trading account national government bonds	¥25,880.4	¥37,371.7	¥45,575.4	¥22,726.1	¥46,644.5
Trading account regional government bonds	1.0	0.2	35.4	0.5	22.4
Trading account government-guaranteed bonds	0.3	—	17.4	—	25.7
Total	¥25,881.7	¥37,372.0	¥45,628.2	¥22,726.6	¥46,692.6
Average balance					
Trading account national government bonds	7.4	21.7	36.4	32.4	156.8
Trading account regional government bonds	1.0	0.9	0.6	0.7	1.0
Trading account government-guaranteed bonds	0.3	0.3	0.4	0.5	0.7
Total	¥ 8.6	¥ 22.9	¥ 37.4	¥ 33.6	¥ 158.6

Ratio of Securities to Deposits

Years ended March 31 (%)

		1999	1998	1997	1996	1995
Domestic operations	Year-end	21.89	22.55	22.94	22.62	20.88
	Average for the year	21.93	22.26	23.02	22.86	22.05
International operations	Year-end	26.79	11.40	15.36	11.48	8.67
	Average for the year	20.57	15.16	11.93	9.64	9.44
Total	Year-end	22.52	20.21	21.09	19.78	18.00
	Average for the year	21.70	20.61	20.08	19.50	19.14

Note: Deposits include negotiable certificates of deposit.

Secured Bonds Entrusted

As of March 31 (yen billions)

	1999	1998	1997	1996	1995
Sole or representative trustee	¥150	¥168	¥220	¥267	¥292
Co-trustee	108	165	196	263	280
Total	¥258	¥333	¥417	¥531	¥571

Government Bond Underwriting

As of March 31 (yen billions)

	1999	1998	1997	1996	1995
National government bonds	¥151	¥118	¥115	¥128	¥156
Regional government bonds/ government-guaranteed bonds	96	97	95	112	75
Total	¥247	¥215	¥209	¥240	¥231

Over-the-Counter Sales of Government Bonds Including National Government Bonds and Investment Trusts

Years ended March 31 (yen billions)

	1999	1998	1997	1996	1995
National government bonds	¥26	¥38	¥32	¥34	¥35
Regional government bonds/ government-guaranteed bonds	1	0	4	4	2
Total	¥27	¥38	¥35	¥38	¥37
Investment trusts	¥ 8	¥—	¥—	¥—	¥—

Note: Over-the-counter sales of investment trusts began on December 1, 1998.

Domestic Commercial Paper Issues Arranged

Years ended March 31 (yen billions)

	1999	1998	1997	1996	1995
Issue amount arranged	¥2,456	¥1,986	¥1,963	¥2,996	¥2,034

Balance of Securities Classified by Residual Maturity

(yen billions)

As of March 31, 1999

	1 year or less	More than 1 year through 3 years	More than 3 years through 5 years	More than 5 years through 7 years	More than 7 years through 10 years	More than 10 years	No designated term	Total
National government bonds	¥ 3	¥65	¥ 28	¥244	¥407	¥ 35	¥ —	¥ 781
Regional government bonds	19	48	39	57	142	1	—	307
Corporate bonds	22	97	121	40	55	—	—	335
Stocks							2,455	2,455
Other securities	80	38	245	23	84	103	227	799
Foreign bonds	63	8	235	23	59	103	65	557
Foreign stocks							152	152
Loaned securities	—	0	0	—	—	—	—	0

(yen billions)

As of March 31, 1998

	1 year or less	More than 1 year through 3 years	More than 3 years through 5 years	More than 5 years through 7 years	More than 7 years through 10 years	More than 10 years	No designated term	Total
National government bonds	¥194	¥30	¥175	¥88	¥525	¥ —	¥ —	¥1,013
Regional government bonds	8	52	50	33	89	1	—	234
Corporate bonds	32	46	35	27	10	8	—	159
Stocks							2,427	2,427
Other securities	68	43	84	12	24	151	200	582
Foreign bonds	65	23	68	10	14	149	10	341
Foreign stocks							183	183
Loaned securities	—	—	1	—	—	—	—	1

Note: Treasury stock is included in "Stocks."

Remittances and Transfers

Volume of Domestic Remittances and Transfers

Years ended March 31 (thousands of transactions, yen billions)

			1999	1998	1997	1996	1995
Remittance drafts	Sent (nationwide)	Transactions	**106,839**	106,488	104,787	99,988	95,935
		Amount	**¥283,000**	¥279,342	¥275,157	¥288,515	¥277,545
	Received (nationwide)	Transactions	**93,547**	92,623	90,851	84,087	80,399
		Amount	**¥283,876**	¥276,718	¥272,871	¥284,716	¥273,836
Collection of bills	Sent (nationwide)	Transactions	**1,115**	1,209	1,311	1,276	1,355
		Amount	**¥1,567**	¥1,870	¥1,943	¥1,884	¥2,103
	Received (nationwide)	Transactions	**363**	373	392	383	408
		Amount	**¥ 672**	¥ 682	¥ 755	¥ 604	¥ 729

Volume of Foreign Exchange Transactions

Years ended March 31 (US$ billions)

		1999	1998	1997	1996	1995
Remittances overseas	Bills of exchange sold	**$177**	$259	$264	$258	$178
	Bills of exchange bought	**9**	13	16	17	17
Remittances from overseas	Bills of exchange for payment	**226**	275	265	259	208
	Bills of exchange for collection	**7**	8	9	10	13
Total		**$419**	$555	$555	$543	$415

Note: Includes transactions at overseas branches.

CAPITAL AND STOCK

Composition of Capital Increase

For the years ended March 31 (yen billions)

	1999	1998	1997	1996	1995
Capital increase	¥ 61.0	¥ —	¥ —	¥ —	¥ —
Conversion of convertible bonds	—	—	—	0	—
Issue of preference shares	300.0	—	50.0	—	—
Total	¥361.0	¥ —	¥ 50.0	¥ 0	¥ —
Capital	¥723.0	¥362.0	¥362.0	¥312.0	¥312.0

Stock Issuances

	Registered or Bearer and Par Value or Non-Par Value	Type	Number of shares issued As of March 31, 1999	Exchange and Section
Stock Issued	Registered par value shares (par value ¥50)	Common stock*	2,251,676,394	Nagoya Stock Exchange (1st Section) Tokyo Stock Exchange (1st Section) Osaka Securities Exchange (1st Section) London Stock Exchange Paris Stock Exchange Swiss Stock Exchange
	Registered non-par value shares	First preference shares (type A)	50,000,000	
		Second preference shares (type B)	150,000,000	
		Third preference shares (type B)	150,000,000	
	Total		2,601,676,394	

*Note: Carries voting rights.

Per Share and Other Information

For the years ended March 31

	1999		1998		1997		1996	1995
Cash dividends per share (yen)	Common stocks	¥ 7.00	Common stocks	¥ 8.50	Common stocks	¥ 8.50	¥ 6.50	¥ 8.50
	Common stocks (New)	2.75						
	First preference shares	68.75	First preference shares	68.75	First preference shares	68.75		
	Second preference shares	0.06						
	Third preference shares	0.06						
Interim cash dividends per share (yen)	Common stocks	4.25	Common stocks	—	Common stocks	4.25	4.25	4.25
	First preference shares	34.375	First preference shares	—	First preference shares	34.375		
Net income (loss) per share (yen) (Figures in parentheses indicate net loss per share)		(93.21)		1.10		17.79	(170.63)	10.34
Year-end market price per share (yen)		764		824		965	1,330	1,060
Net assets per share (yen)		404.65		334.36		336.66	324.52	503.67
Dividend payout ratio (%)		—		769.68		47.76	—	82.18

Notes:
1. Net income (loss) per share is calculated using net income (loss) after deducting cash dividends for preference shares from net income (loss), divided by the average number of common stocks for the fiscal year.
2. Net assets per share is calculated by deducting (number of preference shares at fiscal year end x issue price) from net asset amount at fiscal year end, divided by the number of common stocks at fiscal year (excluding treasury stock).
3. The dividend payout ratio is calculated using the cash dividends for common stocks for the fiscal year, divided by net income, after deducting cash dividends for preference shares.

Issuance of Preference Shares

As of March 31, 1999

	Shareholder	Shares held (thousands)	Percentage held of total shares issued
First preference shares (type A)	TB Finance (Cayman) Limited	50,000	100.00%
Second preference shares (type B)	Resolution and Collection Bank, Limited*	150,000	100.00
Third preference shares (type B)	Resolution and Collection Bank, Limited*	150,000	100.00

* Note: Renamed Resolution and Collection Corporation on April 1,1999, with the merger of Resolution and Collection Bank, Limited and Housing Loan Administration Corporation

Common Stockholders by Type

As of March 31, 1999

	Stock Information (1 unit = 1,000 shares)							
	National and regional government bodies	Financial institutions	Securities companies	Other corporate entities	Foreign shareholders (includes individuals)	Individuals and other	Total	Shares totaling less than one unit
Number of stockholders . . .	1	212	45	5,543	249 (9)	35,696	41,746	
Shares held (units)	200	641,059	32,986	1,296,599	95,140 (38)	175,528	2,241,512	10,164,394
Percentage of total	0.01	28.60	1.47	57.85	4.24 (0.00)	7.83	100.00	

Notes:

1. Out of a total of 13,259 shares of treasury stock 13 units are included in “Individuals and other” and 259 shares are included in “Shares totaling less than one unit.” Also, 13,259 shares of treasury stock are registered in the names of the shareholders, but the actual number of shares held at the end of the fiscal year was 11,259 shares.
2. The columns “Other corporate entities” and “Shares totaling less than one unit” include 70 units and 800 shares, respectively, of shares held in a custodian’s name.

Common Stockholders by Amount Held

As of March 31, 1999

	Shares								
	Over 1,000 units	Over 500 Units	Over 100 units	Over 50 units	Over 10 units	Over 5 units	Over 1 unit	Total	Shares totaling less than one unit
Number of stockholders	334	157	670	609	6,426	6,481	27,069	41,746	
Percentage of total	0.80	0.38	1.61	1.46	15.39	15.52	64.84	100.00	
Shares held (units)	1,755,689	106,682	141,560	40,795	109,853	40,515	46,418	2,241,512	10,164,394
Percentage of total	78.33	4.76	6.31	1.82	4.90	1.81	2.07	100.00	

Note: The columns “Over 50 units” and “Shares totaling less than one unit” include 70 units and 800 shares, respectively, of shares held in a custodian’s name.

Major Shareholders (Shares in Thousands)

As of March 31, 1999

	Shareholder	Number of Shares	% of Total Shares
1.	Toyota Motor Corporation	114,765	5.09
2.	The Chiyoda Mutual Life Insurance Co.	80,010	3.55
3.	Nippon Life Insurance Co.	67,765	3.00
4.	Toyoshima Co., Ltd.	55,866	2.48
5.	The Dai-ichi Mutual Life Insurance Co.	42,610	1.89
6.	Meiji Life Insurance Co.	39,507	1.75
7.	Asahi Mutual Life Insurance Co.	35,479	1.57
8.	Sumitomo Life Insurance Co.	27,189	1.20
9.	The Asahi Bank, Ltd.	26,074	1.15
10.	Chiyoda Fire & Marine Insurance	25,716	1.14
11.	The Nippon Credit Bank, Ltd.	22,624	1.00
12.	Kondo Bosekijo K.K.	21,922	0.97
13.	The Sumitomo Trust and Banking Company, Ltd.	20,433	0.90
14.	Toho Gas Co., Ltd.	18,737	0.83
15.	Toshiba Corporation	17,968	0.79
16.	Mitsubishi Trust & Banking Corporation	17,537	0.77
17.	Suzuki Motor Corporation	17,194	0.76
18.	Chubu Electric Power Co., Inc.	16,956	0.75
19.	Nagoya Railroad Co., Ltd.	16,813	0.74
20.	Okaya Co., Ltd.	15,931	0.70

Consolidated Subsidiaries and Affiliates

Overseas

As of March 31, 1999

Company Name	Principal Business	Date Established	Capital	Percent of Investment*
Americas				
Tokai Bank of California	Commercial Banking	6/74	US$116.3m	100.0
Tokai California Finance Corporation	Leasing	8/86	US$0.05m	(100.0)
Tokai Bank Canada	Commercial Banking	1/87	Can$56.6m	100.0
Tokai Finance (Curaçao) N.V.	Commercial Finance	1/91	US$0.2m	100.0
Tokai Preferred Capital Holdings, Inc.	Investment	3/98	US$125m	100.0
Tokai Preferred Capital Company L.L.C.	Commercial Finance	3/98	US$125m	(100.0)
Europe & Middle East				
Tokai Bank Nederland N.V.	Commercial Banking	1/76	D.Gl.80.5m	100.0
Tokai Bank (Switzerland) Ltd.	Banking/Securities	4/84	SFr57.4m	100.0
Tokai Bank (Deutschland) GmbH	Banking/Securities	5/90	DM50.0m	100.0
Tokai Bank Europe plc	Banking/Securities	1/92	Stg£139.5m	100.0
TBE Leasing Limited	Leasing	12/92	Stg£100	(99.0)
Tokai Trust Europe Limited	Trustee Services	10/96	Stg£0.25m	(100.0)
Tokai Derivative Products Ltd.	Derivatives	1/95	Stg£1.0m	(TBE:19.9 TCM:80.1)
Tokai Capital Markets Limited	Securities	1/92	Stg£105.9m	80.26
TCM Leasing Limited	Leasing	12/92	Stg£100	(99.0)
TCM Leasing II Limited	Leasing	6/96	Stg£100	(99.0)
Tokai Airfinance Europe Limited	Leasing	12/91	US$0.02m	99.99
Asia & Oceania				
Tokai Asia Limited	Securities	1/77	US$57.6m	100.0
Tokai Australia Finance Corporation Ltd.	Commercial Finance	5/85	A$70.0m	100.0
Tokai Financial Futures (Singapore) Pte., Ltd.	Operations in Financial Futures Market	9/85	S$3.3m	100.0
P.T. Tokai Lippo Bank	Commercial Banking	12/89	Rp136,977m	65.0
Bangkok First Tokai Company Ltd.	Commercial Finance	4/73	B150.0m	45.0
Affiliates				
Hanil Leasing Co. Ltd.	Leasing	10/84	W101,500m	17.3
Global Business Bank	Commercial Banking	1/97	P2,000.0m	30.0
Industrial & Commercial International Leasing Co., Ltd.	Leasing	4/88	US$5.0m	25.0
Tokai Morgan Grenfell International Funds Management Ltd.	Investment Advisor	3/90	Stg£0.15m	9.0
P.T. Bapindo Loka Sentra Leasing	Leasing	4/85	Rp10,000m	30.0

*Figures in parentheses represent investments of subsidiaries.

Domestic

As of March 31, 1999

Company Name	Principal Business	Date Established	Capital*	Percent of Investment**
Tokai International Securities Co., Ltd.	Securities	1/95	22,222	90.0
The Tokai Trust and Banking Co., Ltd.	Trust	8/95	10,000	100.0
Tokai Area Maintenance Co., Ltd.	Cash Handling and Delivery/ ATM Maintenance	6/95	10	100.0
Tokai Career Service Co., Ltd.	Personnel Services	7/86	20	100.0
Tokai Real Estate Management Co., Ltd.	Real Estate	10/94	200	100.0
Tokai Sogo Service Co., Ltd.	General Services for the Bank's Employees	12/60	10	100.0
Tokai Business Aid Co., Ltd.	Balance Inquiry and Cash Transfer Services	4/96	50	100.0
Tokai Business Service Co., Ltd.	Cash Handling and Mailing Services	8/80	10	100.0
Tokai Facility Service Co., Ltd.	Building Maintenance and Management	10/87	20	100.0
Tokai Market Operation Service Co., Ltd.***	Dealing Operation Back Office (Securities, Forex, Money, Derivatives)	3/97	40	100.0
Tokai Mortgage Service Co., Ltd.***	Appraisals of Real Estate Collateral	4/89	20	100.0
Tokai Loan Operations Service Co., Ltd.***	Consumer & Housing Loan Operations	3/97	10	100.0
Central Mortgage Acceptance Corporation	Mortgage Securities	10/83	1,050	5.0
Million Card Service Co., Ltd.	Credit Card	4/68	1,399	5.0
The Million Credit Co., Ltd.	Loan Guarantee	2/71	200	5.0
The Central Capital Ltd.	Investment/Loan	1/74	860	5.0
Bangkok Central Capital Co., Ltd.	Investment/Loan	3/90	B35.0m	(58.5)
Central Systems Co., Ltd.	Information Processing	7/70	1,310	5.0
System Support Co., Ltd.	Information Processing/ Computer Staff Dispatch	2/71	30	(100.0)
CST Co., Ltd.	Computer Office Management/Software Development/Data Entry	12/72	30	(100.0)
CS Seven Co., Ltd.	Data Entry Agency/ Staff Dispatch	7/79	10	(100.0)
CSA Co., Ltd.	Clerical Consignment/ Staff Dispatch	8/87	80	(100.0)
CS Delivery Co., Ltd.	Cargo Shipping	3/77	10	(100.0)
Central Information Systems Co., Ltd.	Software Development/ Hardware Sales	2/82	170	(61.4)
Tokai Research & Consulting Inc.	Consulting/Research	9/79	200	5.0
Tokai Asset Management Co., Ltd.	Investment Trust Management and Investment Advisory	9/94	1,200	9.4
Tokai Maruman Finance Co., Ltd.	Investment/Loan	6/83	300	5.0
Shintosho Development Co., Ltd.	Real Estate Broking	8/70	200	4.0
Daiatami Kokusai Golf Co., Ltd.	Golf Course Management	5/61	120	3.4
Asahi Country Club Co., Ltd.	Golf Course Management	4/73	330	(44.5)
Nippon Mutual Housing Loan Co., Ltd.	Mutual Housing Loan	10/13	80	5.0
Miyuki Building Co., Ltd.	Real Estate Leasing and Management	3/78	60	1.8
Nishiki Jisho Co., Ltd.	Real Estate	1/84	200	(100.0)

*Millions of yen
**Figures in parentheses represent investments of subsidiaries.
***As of April 1, 1999, these three companies were merged into Tokai Business Service Co., Ltd.

TOP MANAGEMENT

BOARD OF DIRECTORS

Chairman of the Board & CEO
Satoru Nishigaki

President
Hideo Ogasawara

Deputy President
Member of the Board of Directors

Shoji Tokumitsu

Senior Managing Directors
Member of the Board of Directors

Fumio Suzuki

Kazuyoshi Tanaka

Managing Directors
Member of the Board of Directors

Takeshi Sugihara

Yoshio Hirata

Yoshihiko Takeda

Toshihide Kubo

Director
Member of the Board of Directors

Kazuo Takeuchi

Senior Corporate Auditor
Masaru Hashizume

Corporate Auditors
Nobuyuki Ito

Kazuteru Mizuno

Masami Iwasaki

Seitaro Taniguchi

Senior Managing Directors
Arata Murakami

Ikuo Suzuki

Yoshihiro Ohga

Kenji Sueyasu

Managing Directors
Tatsuo Tsuchikawa

Seiichi Ohno

Masato Nanahara

Tetsuo Komori

Yoshiki Hama

Yoshiyuki Hamaya

Yasuhiko Asai

Directors
Hirohisa Aoki

Kazuo Sassa

Yoshihiro Shiraishi

Toshihiko Takamoto

Hiroshi Tarao

Masato Nakamura

Noriaki Akatsuka

Kenji Ishibe

Hiroyuki Itakura

Susumu Kato

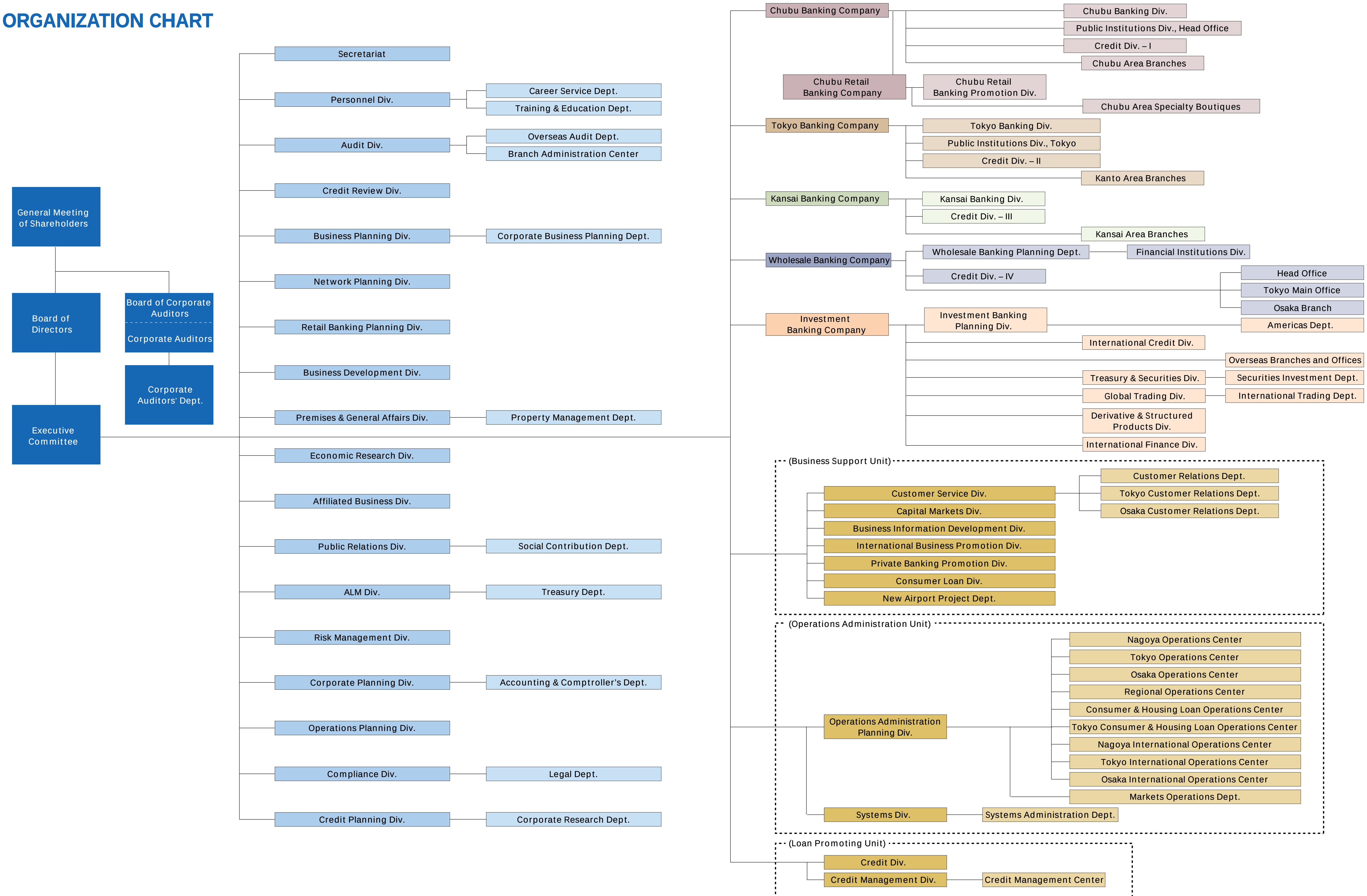
Takeo Kaneko

Noboru Taniuchi

Kazuo Yoshihara

As of June 30, 1999

ORGANIZATION CHART



INTERNATIONAL DIRECTORY

Senior Managing Director, President of Investment Banking Company .... **Arata Murakami**

Managing Director, Member of the Board of Directors .... **Yoshio Hirata**
(responsible for investment banking planning, international credit, treasury & securities)

Director .... **Kenji Ishibe**
(responsible for global trading, international finance, derivative & structured products)

INVESTMENT BANKING PLANNING DIVISION

- PLANNING GROUP
- BUSINESS ADMINISTRATION GROUP
- IT PLANNING GROUP
- ACCOUNTING GROUP
- AMERICAS DEPT.

General Manager .... **Yasuyuki Kato**
Deputy General Manager .... **Nobuyuki Hidaka**
Planning
Deputy General Manager .... **Satoshi Todo**
Assistant General Manager .... **Hiroshi Goto**
Business Administration
Deputy General Manager .... **Akira Komori**
Assistant General Manager .... **Toshiyuki Miyawaki**
IT Planning
Assistant General Manager .... **Yasuhiko Morinaga**
Accounting
Assistant General Manager .... **Kunihiko Nakai**

Americas Dept. (Located in New York)

Head of Americas .... **Shinichiro Mizuno**
Deputy General Manager and
Chief of Americas Dept. .... **Yasushi Goto**
General Counsel and
Deputy General Manager .... **George T. Bujarski**
Assistant General Manager .... **Hidetoshi Cho**

INTERNATIONAL CREDIT DIVISION

- CREDIT PLANNING GROUP
- AMERICAS & EUROPE GROUP
- ASIA GROUP
- PROJECT & LOAN ADMINISTRATION GROUP

General Manager .... **Reijiro Yamazaki**
Credit Planning
Assistant General Manager .... **Masaaki Kotani**
Senior Manager (New York) .... **Toshihiro Yabuuchi**
Americas & Europe
Deputy General Manager .... **Tsutomu Tezuka**
Senior Manager .... **Yoshiaki Shimizu**
Asia
Assistant General Manager .... **Shingo Kawamura**
Project & Loan Administration
Assistant General Manager .... **Hidekazu Tanaka**
Senior Manager .... **Toshiya Ohashi**

TREASURY & SECURITIES DIVISION

- QUANTITATIVE PRODUCTS GROUP
- INTERNATIONAL TREASURY GROUP
- SECURITIES INVESTMENT DEPT.

General Manager .... **Akira Enomoto**
Quantitative Products
Manager .... **Yusuke Uchiyama**
International Treasury
Assistant General Manager .... **Masaki Okada**
Securities Investment Dept.
Chief of Securities Investment Dept. &
Deputy General Manager .... **Shuzo Imanishi**
Assistant General Manager .... **Keiji Yamaoka**

GLOBAL TRADING DIVISION

- PLANNING GROUP
- CUSTOMER GROUP
- BOND TRADING GROUP
- INTERNATIONAL TRADING DEPT.

General Manager .... **Kunihide Fukuda**
Planning
Manager .... **Ryohei Aiga**
Customer
Manager .... **Hiroshi Yoshinami**
Bond Trading
Manager .... **Masao Yamashiro**
International Trading Dept.
Chief of International Trading Dept. &
Deputy General Manager .... **Hitoshi Shimamura**
Assistant General Manager .... **Kazuyori Nagata**

DERIVATIVE & STRUCTURED PRODUCTS DIVISION

- PLANNING GROUP
- DERIVATIVES MARKETING GROUP
- RISK ADVISORY GROUP
- ASSET SECURITIZATION GROUP
- CHUBU MARKETING GROUP

General Manager .... **Yukiyoshi Higo**
Planning
Deputy General Manager .... **Katsunobu Katayama**
Derivatives Marketing
Assistant General Manager .... **Masayoshi Kitahara**
Risk Advisory
Assistant General Manager .... **Nobuaki Mizuno**
Asset Securitization
Assistant General Manager .... **Masataka Sato**
Chubu Marketing
Manager .... **Katsuyuki Tsuzuki**

INTERNATIONAL FINANCE DIVISION

- PROJECT & STRUCTURED FINANCE GROUP
- STRUCTURED TRADE FINANCE GROUP
- CORRESPONDING BANKING GROUP

General Manager .... **Takeshi Ogasawara**
Project & Structured Finance
Global Head .... **Peter Higginbotham**
Deputy Head .... **William Ho**
Deputy General Manager .... **Hiroyuki Kita**
Assistant General Manager .... **Katsuhiko Inayoshi**
Assistant General Manager .... **Toshihiko Goto**
Structured Trade Finance
Global Head .... **Sean Aston**
Deputy Head .... **David Barnes**
Assistant General Manager .... **Takatoshi Haruna**
Corresponding Banking
Manager .... **Enko Sueoka**

CAPITAL MARKETS DIVISION

- PLANNING GROUP
- BUSINESS PROMOTION GROUP
- EQUITY PORTFOLIO GROUP
- SECURITIES OPERATIONS GROUP

General Manager .... **Toshiaki Morinaga**
Deputy General Manager .... **Masazumi Misumi**
Assistant General Manager .... **Toshio Horide**
Assistant General Manager .... **Makoto Morita**

BUSINESS INFORMATION DEVELOPMENT DIVISION

- BUSINESS PROMOTION ADVISORY
- REGIONAL PROJECT DEVELOPMENT ADVISORY
- MERGERS & ACQUISITIONS — CROSS BORDER
- MERGERS & ACQUISITIONS — DOMESTIC

General Manager .... **Tomohiro Kawase**
Business Promotion Advisory and
Regional Project Development Advisory
Deputy General Manager .... **Tsunehiro Tanaka**
Mergers & Acquisitions — Cross Border
and Domestic
Senior Manager .... **Nobuyuki Nozu**

INTERNATIONAL BUSINESS PROMOTION DIVISION

- INTERNATIONAL BUSINESS PROMOTION GROUP
- CHINA DEPT., ASIA DEPT., FOREIGN TRADE & INVESTMENT INFORMATION DEPT.

General Manager .... **Noboru Kano**
International Business Promotion
Assistant General Manager (Tokyo) .... **Kazuhiko Hirao**
Assistant General Manager (Nagoya) .... **Toshiaki Kato**
Senior Manager (Osaka) .... **Hideki Yamamoto**
China Dept.
Assistant General Manager
and Chief of China Dept. .... **Tetsuya Tsunekawa**
Asia Dept.
Senior Manager and
Chief of Asia Dept. .... **Fumikazu Ishikawa**
Foreign Trade & Investment Information Dept.
Senior Manager .... **Michitaka Watanabe**

OPERATIONS PLANNING DIVISION

- INTERNATIONAL OPERATIONS PLANNING GROUP
- FOREIGN OPERATIONS PLANNING GROUP

General Manager .... **Shozo Somiya**
International Operations Planning
Deputy General Manager .... **Mikio Ishihama**
Assistant General Manager .... **Masahiro Kato**
Foreign Operations Planning
Assistant General Manager .... **Toshikazu Nakano**

OPERATIONS ADMINISTRATION PLANNING DIVISION

- MARKETS OPERATIONS DEPT.
  - CORRESPONDENTS' ACCOUNTS SECTION
  - SECURITIES OPERATIONS GROUP

General Manager .... **Koji Tsuzuki**
Markets Operations Dept.
Deputy General Manager and
Chief of Markets Operations Dept. .... **Yuji Fujita**
Correspondents' Accounts
Assistant General Manager .... **Yoshio Matsumoto**
Securities Operations
Assistant General Manager (Tokyo) ..... **Takashi Miyoshi**
Assistant General Manager (Nagoya) .... **Takashi Zaitu**

NEW AIRPORT PROJECT DEPARTMENT

General Manager .... **Hisamitsu Mizutani**
Assistant General Manager .... **Kiyoto Kusano**

As of June 30, 1999

OVERSEAS NETWORK

AMERICAS

Overseas Offices

New York Branch
Park Avenue Plaza
55 East 52nd Street
New York, NY 10055, U.S.A.
HEAD OF AMERICAS,
GENERAL MANAGER:
Shinichiro Mizuno
Telex: 422857 TOKAI
Tel: 1-212-339-1200
Fax: 1-212-754-2153

Los Angeles Agency
300 South Grand Avenue
One California Plaza, 7th Floor
Los Angeles, CA 90071, U.S.A.
GENERAL MANAGER and AGENT:
Sadao Akiyama
Telex: 215245 TOKAIBANK LSA
Tel: 1-213-972-8400
Fax: 1-213-689-1700

Chicago Branch
181 West Madison Street, Suite 3600
Chicago, IL 60602, U.S.A.
GENERAL MANAGER:
Masanori Nakagawa
Telex: 206269 TOKAI CGO
Tel: 1-312-853-3400
Fax: 1-312-977-0003

Cayman Branch
P.O. Box 707, Grand Cayman
British West Indies
HEAD OF AMERICAS,
GENERAL MANAGER:
Shinichiro Mizuno

Kentucky Representative Office
Turfway Ridge Office Park II,
Suite 210, 7310 Turfway Road
Florence, KY 41042, U.S.A.
CHIEF REPRESENTATIVE:
Shuji Tanaka
Tel: 1-606-746-1800
Fax: 1-606-746-1799

Mexico Representative Office
Paseo de la Reforma No. 199
Despacho 503, Col. Cuauhtemoc,
06500 Mexico D.F., Mexico
CHIEF REPRESENTATIVE:
Michihiko Nakamura
Telex: 1777596 TOKBME
Tel: 52-5-566-2966
Fax: 52-5-592-6538

São Paulo Representative Office
Rua Libero Badaro 377
Sala 910, São Paulo 01009, Brazil
CHIEF REPRESENTATIVE:
Michihiko Nakamura
Telex: 1135366 TASL BR
Tel: 55-11-3106-9071
Fax: 55-11-3106-3896

Subsidiaries

Tokai Bank of California
Main Office:
300 South Grand Avenue
One California Plaza, 6th Floor
Los Angeles, CA 90071, U.S.A.
PRESIDENT:
Sadao Akiyama
Tel: 1-213-972-0200
Fax: 1-213-972-0204

San Francisco Office
505 Montgomery Street
San Francisco, CA 94111, U.S.A.
Telex: 340633 TOKAISFO
Tel: 1-415-399-0660

Sacramento Office
2500 Venture Oaks Way
Suite 175
Sacramento, CA 95833
Tel: 1-916-567-7076

Little Tokyo Office
333 South Alameda Street
Los Angeles, CA 90013
Tel: 1-213-625-2628

Garfield Office
333 S. Garfield Avenue
Alhambra, CA 91803
Tel: 1-626-570-6240

Huntington Beach Office
19006 Brookhurst Street
Huntington Beach, CA 92646
Tel: 1-714-963-5651

Orange County Office
18831 Von Karman
Irvine, CA 92612
Tel: 1-714-752-1133
Shigeyoshi Sato
Telex: 340633 TOKAISFO
Tel: 1-415-399-0660

Pasadena Office
200 E. Colorado Boulevard
Pasadena, CA 91105
Tel: 1-626-577-4515

Playa Del Rey Office
8000 West Manchester Avenue
Playa del Rey, CA 90293
Tel: 1-310-823-9281

San Diego Office
4350 La Jolla Village Drive,
Suite 100 San Diego, CA 92122
Tel: 1-619-404-0155

Temple City Office
9934 East Las Tunas Drive
Temple City, CA 91780
Tel: 1-626-286-6550

South Bay Office
19191 South Vermont Avenue
Torrance, CA 90502
Tel: 1-310-768-8895

Ontario Office
800 N. Haven Avenue
Ontario, CA 91764
Tel: 1-909-989-8311

Encino Office
16027 Ventura Boulevard
Encino, CA 61436
Tel: 1-818-995-7814

Fresno Office
7110 North Fresno Street
Suite 330 Fresno, CA 93720
Tel: 1-559-447-6525

Tokai Bank Canada
Box 84, Suite 2401
Sun Life Centre, 150 King St. West
Toronto, Ontario M5H 1J9, Canada
PRESIDENT:
Ryuji Kurihara
Telex: 3771546 TOKAIBANK TOR
Tel: 1-416-597-2210
Fax: 1-416-591-7415

Tokai Finance (Curaçao) N.V.
14 John B Gorsiraweg
P.O. Box 3889, Curaçao
Netherlands Antilles

Tokai Preferred Capital Holdings Inc.
One Rodney Square
10th Floor, Tenth and King Streets
Wilmington, New Castle County
Delaware 19801, U.S.A.

EUROPE AND MIDDLE EAST

Overseas Offices

London Branch
One Exchange Square
London EC2A 2EH, U.K.
REGIONAL MANAGER FOR EUROPE,
MIDDLE EAST & AFRICA,
GENERAL MANAGER:
Tsuneo Matsuhisa
Telex: 887375/6 TOKAIL G
Tel: 44-171-496-8000
44-20-7496-8000
Fax: 44-171-638-1144/1155
44-20-7638-1144/1155

Frankfurt Branch
Bockenheimer Landstrasse 51-53
60325 Frankfurt/Main
Germany
GENERAL MANAGERS:
Naoyoshi Shibamoto
Rudolf Bachfeld
Tel: 49-69-1700950
Fax: 49-69-17009522

Düsseldorf Branch
Immermannstrasse 13
40210 Düsseldorf
Germany
GENERAL MANAGER:
Naoyoshi Shibamoto
Telex: 8586948 TKAD D
Tel: 49-211-164760
Fax: 49-211-162282

Birmingham Representative Office
63 Temple Row
Birmingham, B2 5LS, U.K.
CHIEF REPRESENTATIVE:
Hiroshi Kawai
Telex: 335989 TOKBIR
Tel: 44-121-616-2161
Fax: 44-121-616-2712

Brussels Representative Office
Avenue Louise 283
1050 Brussels, Belgium
CHIEF REPRESENTATIVE:
Naoya Hisada
Telex: 20446 TOKAIB
Tel: 32-2-646-7940
Fax: 32-2-646-8690

Tehran Representative Office
4th Floor of a Building Registered
under No. 6933/6985
No. 34/1 Haghani Expressway,
Tehran, The Islamic Republic of Iran
CHIEF REPRESENTATIVE:
Kaoru Masuda
Telex: 215254 TOKB 1R
Tel: 98-21-879-1105
Fax: 98-21-879-1106

Bahrain Representative Office
Room No. 302, 3F, Part 1
Manama Centre, Government Road
P.O. Box 2217
Manama, State of Bahrain
CHIEF REPRESENTATIVE:
Hiroshi Tamano
Telex: 7361 TOKBAH BN
Tel: 973-224121
Fax: 973-224436

Subsidiaries

Tokai Bank Nederland N.V.
Keizersgracht 452, 1016 GD
Amsterdam, The Netherlands
MANAGING DIRECTOR:
Yukitoshi Harayama
Telex: 12606, 11664, 15626
TOKAINL
Tel: 31-20-6271616
Fax: 31-20-6241872

Tokai Bank Europe plc
One Exchange Square
London EC2A 2JL, U.K.
PRESIDENT & CEO:
Motohisa Fujino
Telex: 8812649 TOKEUR G
Tel: 44-171-638-6030
Fax: 44-171-588-5875

Tokai Bank (Switzerland) Ltd.
Nüschelerstrasse 30
8001 Zurich, Switzerland
PRESIDENT:
Fusayoshi Nakanishi
Telex: 822244 TOK CH
Tel: 41-1-212-6464
Fax: 41-1-212-6550

Tokai Bank (Deutschland) GmbH
Bockenheimer Landstrasse 51-53
60325 Frankfurt/Main
Germany
PRESIDENT:
Yuji Sugiura
Telex: 4175983 TOK D
Tel: 49-69-1700950
Fax: 49-69-17009522

Tokai Airfinance Europe Limited
P.O. Box 301
Queen's House
Don Road
St. Helier, Jersey
British Isles

Tokai Capital Markets Limited
One Exchange Square
London EC2A 2JL, U.K.
PRESIDENT & CEO:
Motohisa Fujino
Telex: 8812649 TOKEUR G
Tel: 44-171-638-6030
Fax: 44-171-588-5875

Hong Kong Branch
(See Asia & Oceania subsidiaries)

Affiliates

Tokai Morgan Grenfell International Funds Management Limited
20 Finsbury Circus
London EC2M 1NB, U.K.
MANAGING DIRECTOR:
Christopher M. Phillips
Telex: 920286 MGAM G
Tel: 44-171-256-7500
Fax: 44-171-826-0552

ASIA AND OCEANIA

Overseas Offices

Singapore Branch
80 Raffles Place, #16-01
UOB Plaza 1, Singapore 048624
Singapore
DIRECTOR, HEAD OF SOUTH EAST ASIA,
GENERAL MANAGER:
Hirohisa Aoki
Telex: 21848 TOKAIBK RS
26289/26290
(For foreign exchange)
Tel: 65-5358222
Fax: 65-5355972

Hong Kong Branch
25th Alexandra House
16-20 Chater Road
Central, Hong Kong
HEAD OF EAST ASIA,
GENERAL MANAGER:
Koichi Fukamizu
Telex: 85801 TOKBK HX
Tel: 852-25265861
Fax: 852-28684401

Seoul Branch
17th Floor, Kyobo Building 1
Chongro 1-ka, Chongro-ku
Seoul, Republic of Korea
GENERAL MANAGER:
Takashi Yoshida
Telex: 25716 TOKAISL K
Tel: 82-2-739-9810
Fax: 82-2-739-9814

Labuan Branch
Level 7 (D) Main Office Tower
Financial Park Labuan
Jalan Merdeka
Federal Territory of Labuan
Malaysia
GENERAL MANAGER:
Masahiko Yamada
Telex: MA85008 TOKLAB
Tel: 60-87-408025
Fax: 60-87-419193

Kuala Lumpur Marketing Office
18th Floor, Bangunan Arab-Malaysian, Letter Box No. 18A
55 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telex: MA031782 TOK LMO
Tel: 60-3-201-5234
Fax: 60-3-201-5239

Taipei Branch
33F Shin Kong Life Tower
66, Sec. 1, Chung-Hsiao W. Rd.
Taipei, Taiwan
GENERAL MANAGER:
Toshiyuki Sasaki
Telex: 26020 TKAIROCT
Tel: 886-2-2371-8888
Fax: 886-2-2371-8000

Tianjin Branch
Rm. 811, Tianjin International Building
75 Nanjing Lu, Tianjin
People's Republic of China
GENERAL MANAGER:
Fumio Ochiai
Telex: 234203 TOKAICN
Tel: 86-22-2330-4852
Fax: 86-22-2330-4660

Shanghai Branch
18th Floor, Nextage Business Center No. 1111
Pudong South Road
Pudong New District, Shanghai
People's Republic of China
GENERAL MANAGER:
Toshihiro Ikeda
Telex: 33533 TOKSH A CN
Tel: 86-21-5830-6570
Fax: 86-21-5830-6450

Bangkok International Banking Facility
25th Floor, C.P. Tower Building
313 Silom Road, Bangrak,
Bangkok, 10500 Thailand
GENERAL MANAGER:
Hitoshi Ozawa
Telex: 82471 TOKAIBK TH
Tel: 66-2-231-0952
Fax: 66-2-231-0955

Beijing Representative Office
Rm. 3202, Jing Guang Centre
Hujialou, Chaoyang District
Beijing, People's Republic of China
CHIEF REPRESENTATIVE:
Makoto Sugahara
Telex: 22901 TOKAI CN
Tel: 86-10-6597-3868
Fax: 86-10-6597-3079

Guangzhou Representative Office
Room No. 510
China Hotel Office Tower
Liu Hua Lu
Guangzhou, People's Republic of China
CHIEF REPRESENTATIVE:
Yukiyoshi Morikawa
Telex: 440685 TOKAI CN
Tel: 86-20-8667-7731
86-20-8666-3388 (Ext. 2519)
Fax: 86-20-8667-7720

Mumbai Representative Office
81, Maker Chambers VI
Nariman Point, Mumbai
400021, India
CHIEF REPRESENTATIVE:
Kazushige Tajima
Tel: 91-22-281-0645
Fax: 91-22-281-0646

Yangon Representative Office
Wizaya Plaza 5th Floor
226, U Wizara Road
Dagon Township, Yangon
Union of Myanmar
CHIEF REPRESENTATIVE:
Tamiharu Handa
Tel: 95-1-248191
Fax: 95-1-243094

Manila Regional Representative Office
9th Floor, Metrobank Plaza Building
Sen. Gil. Puyat Avenue
Makati City, Philippines
CHIEF REPRESENTATIVE:
Hitoshi Matsushita
Telex: 66172 TOKAI PN
Tel: 63-2-818-8616
Fax: 63-2-818-3082

Ho Chi Minh City Representative Office
Suite E, 9th Floor, OSIC Building No. 8
Nguyen Hue Street, District 1
Ho Chi Minh City
Socialist Republic of Vietnam
CHIEF REPRESENTATIVE:
Hisayoshi Kikuchi
Tel: 84-8-8242-230
Fax: 84-8-8241-962

Kuala Lumpur Representative Office
18th Floor
Bangunan Arab-Malaysian
Letter Box No. 18
55 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
CHIEF REPRESENTATIVE:
Tsuneo Horita
Tel: 60-3-2380933
Fax: 60-3-2301059

Jakarta Representative Office
Bapindo Plaza Tower II
25th Floor, Jl. Jend. Sudirman
Kav 54-55
Jakarta 12190, Indonesia
CHIEF REPRESENTATIVE:
Koichi Suzuki
Tel: 62-21-5266830
Fax: 62-21-2590141

Subsidiaries

Bangkok First Tokai Company Limited
C.P. Tower Building 25th Floor
313 Silom Road, Bangrak
Bangkok, 10500 Thailand
MANAGING DIRECTOR:
Hitoshi Ozawa
Telex: 82187 BFTOKAITH
Tel: 66-2-231-0946
Fax: 66-2-231-0955

Tokai Asia Limited
(Incorporated in the Cayman Islands)
28th Alexandra House
16-20 Chater Road
Central, Hong Kong
MANAGING DIRECTOR and CEO:
Yoshimitsu Yamagata
Telex: 85214 TOKHK HX
Tel: 852-2978-6888
Fax: 852-2840-0069

Tokai Australia Finance Corporation Limited
19th Level, Colonial Centre
52 Martin Place
Sydney, N.S.W. 2000, Australia
MANAGING DIRECTOR:
Masahiro Nakajima
Telex: 176327 TAFCOL
Tel: 61-2-9231-6599
Fax: 61-2-9221-1775

Tokai Financial Futures (Singapore) Pte., Ltd.
80 Raffles Place, #16-01
UOB Plaza 1, Singapore 048624
Singapore
DIRECTOR, HEAD OF SOUTH EAST ASIA,
MANAGING DIRECTOR:
Hirohisa Aoki
Telex: 21848 TOKAIBK RS
Tel: 65-5358222
Fax: 65-5325453

P.T.Tokai Lippo Bank
Bapindo Plaza Tower II
25th Floor, Jl. Jend. Sudirman
Kav 54-55
Jakarta 12190, Indonesia
PRESIDENT:
Hajime Kato
Telex: 60937 TOKAIL IA
Tel: 62-21-5266820
Fax: 62-21-5266840

Tokai Capital Markets Limited Hong Kong Branch
28th Alexandra House
16-20 Chater Road
Central, Hong Kong
GENERAL MANAGER:
Tamaji Ikehata
Tel: 852-25372628
Fax: 852-25372578

Affiliates

Hanil Leasing Company Limited
51 Sogong Dong, Coung-ku
Seoul, Republic of Korea
Telex: 29362 HILEASE
Tel: 82-2-757-4121
Fax: 82-2-757-4845

Industrial & Commercial International Leasing Co., Ltd.
Room No. 2728, Dongfang Hotel
1 Liu Hua Lu, Guangzhou
The People's Republic of China
Telex: 441033 ICIL CN
Tel: 86-20-8666-6248
Fax: 86-20-8666-6148

Global Business Bank
Skyland Plaza, Senator Gil Puyat
Avenue Corner Tindalo St.,
Makati City, Philippines
Tel: 63-2-845-0388
Fax: 63-2-845-0393

P.T. Bapindo Loka Sentra Leasing
Gedung Dana Graha
2nd Floor, Jl. Gondangdia Kecil
12-14, Jakarta 10350, Indonesia
Tel: 62-21-3190-3702
Fax: 62-21-3190-3704

Associates

Asia Financial Holdings, Ltd.
Clarendon House
Church Street
Hamilton HM11, Bermuda

Asia Commercial Bank Ltd.
(owned by Asia Financial Holdings)
Asia Financial Centre, 120,
Des Voeux Road, Central,
Hong Kong
Telex: 73085 HKACB HX
Tel: 852-2541-9222
Fax: 852-2541-0009

AMMB Holdings Berhad
22nd Floor
Bangunan Arab-Malaysian
Jalan Raja Chulan
P.O. Box 10233
50708 Kuala Lumpur, Malaysia

Arab-Malaysian Merchant Bank Berhad
(owned by AMMB Holdings Berhad)
21st-26th Floor
Bangunan Arab-Malaysian
Jalan Raja Chulan
P.O. Box 10233
50708 Kuala Lumpur, Malaysia
Telex: MA 31167 & 31169 ABMAL
Tel: 60-3-2382633
Fax: 60-3-2382842

Arab-Malaysian Bank Berhad
(owned by AMMB Holdings Berhad)
18th Floor, Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Tel: 60-3-2063939
Fax: 60-3-2066270

Bangkok Central Leasing Co., Ltd.
16th Floor, Sethiwan Tower 139
Pan Road, Silom
Bangkok, Thailand
Tel: 66-2-266-6040
Fax: 66-2-237-4492

Domestic Operations Centers

Nagoya Operations Center
Central P.O. Box 22, Nagoya
Cable Address: TOKAIBANK NAGOYA
Telex: J59930 TOKAIBKA
Fax: 052-211-0937

Tokyo Operations Center
Central P.O. Box 134, Tokyo
Cable Address: TOKAIBANK TOKYO
Telex: J22277 TOKAIBK
Tel: 03-3456-3318

Osaka Operations Center
Central P.O. Box 435, Osaka
Cable Address: TOKAIBANK OSAKA
Telex: J63355 TOKAIBKA
Fax: 06-226-1462

As of June 30, 1999

CORPORATE DATA

The Tokai Bank, Limited
21-24, Nishiki 3-chome, Naka-ku, Nagoya 460-8660, Japan
Telex: J59930 TOKAIBK
Tel: +81-52-211-1111
Contact: +81-3-3242-2111 (Tokyo)

Investment Banking Planning Division
6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8105, Japan

Cable Address:	TOKAIBANK TOKYO
Tel:	+81-3-3242-2111
Fax:	+81-3-3245-1487
	+81-3-3245-1489
Telex:	J29234 TOKAITOK
	J22277 TOKAIBK
SWIFT Code:	TKAIJPJT
URL:	http://www.csweb.co.jp/TBK/
Shares Outstanding as of March 31, 1999:	
Common Stocks	2,251,676,394
First Preference Shares:	50,000 thousand
Second Preference Shares:	150,000 thousand
Third Preference Shares:	150,000 thousand
Number of Stockholders:*	
Common Stocks:	41,746
First Preference Shares:	1
Second Preference Shares:	1
Third Preference Shares:	1
Number of Employees:	11,094
Securities Traded:	Tokyo Stock Exchange (8321)
	Osaka Securities Exchange (8321)
	Nagoya Stock Exchange (8321)
	London Stock Exchange (6895341)
	Paris Stock Exchange (14184)
	Swiss Stock Exchange (765140)
Transfer Agent and Registrar:	The Chuo Trust & Banking Co., Ltd.
Auditor:	Deloitte Touche Tohmatsu (by Tohmatsu & Co., the Japanese member firm of Deloitte Touche Tohmatsu International)

*Stockholders who hold at least 1,000 shares.

As of March 31, 1999

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