

The
Toyo
Trust and
Banking
Company,
Limited



1999
Annual Report

PROFILE

Established in 1959, The Toyo Trust and Banking Company, Limited (Toyo Trust), has garnered an excellent reputation for its outstanding financial services both in its trust and banking operations and in a wide array of financial fields. These include the corporate agency, pension trust, securities-related, real estate, and private banking businesses, as well as commercial banking. With a number of branches spread throughout Japan and a tripolar network covering North America, Europe, and Asia, Toyo Trust is firmly established as a leading financial institution in the global marketplace.

Toyo Trust has implemented a new management plan designed to take advantage of ongoing changes to Japan's financial industry. The plan includes forward-looking initiatives to ensure a strong financial base by, for example, swiftly dealing with problem loans and forming strategic alliances with sound financial institutions, most notably The Sanwa Bank, Limited. To better concentrate on its areas of strength, the Bank has decided to withdraw from overseas banking business and implemented an executive officer system to facilitate timely and concise decision making.

With a long history and specialized expertise enabling it to offer a diverse range of products and services to both corporate and individual customers, Toyo Trust continues to fulfill its important social and public role as a strong and reliable financial institution.

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FINANCIAL HIGHLIGHTS

The Toyo Trust and Banking Company, Limited

(Years ended March 31, 1999 and 1998)

	Millions of yen		Millions of U.S. dollars
	1999	1998	1999
For the Year:			
Total Income	¥ 437,173	¥ 466,798	\$ 3,626
Total Expenses	656,299	458,221	5,444
Income (Loss) before Income Taxes	(219,126)	8,576	(1,817)
Net Income (Loss)	(127,707)	8,476	(1,059)
Gross Profit:	141,147	160,806	1,170
Trust Fees	78,706	115,179	652
Net Interest Income	24,651	11,287	204
Fees and Commissions, Net	30,429	30,492	252
Trading Account Income (Expenses), Net	4,132	(4,726)	34
Other Operating Income, Net	3,227	8,572	26
Net Business Profit	34,393	49,111	285
Adjusted Net Business Profit	107,290	85,659	890
At Year-End:			
Total Assets in the Banking Account	¥ 7,909,809	¥ 8,154,838	\$ 65,614
Total Assets in the Trust Account	28,311,269	27,631,419	234,850
Total Employable Funds:	19,584,759	19,494,416	162,461
Deposits	3,507,762	3,316,931	29,097
Loan Trusts	4,491,414	5,253,072	37,257
Money Trusts	7,443,436	6,981,603	61,745
Pension Trusts	4,137,105	3,937,156	34,318
Property Formation Trusts	5,040	5,652	41
Total Loans and Bills Discounted	7,424,833	7,951,042	61,591
Total Stockholders' Equity	553,212	284,196	4,589
Capital Adequacy Ratios (BIS Standard):			
Total Capital Ratio	13.83%	10.67%	
Tier I Capital Ratio	8.65%	5.78%	
Per Share:			
Net Income	¥ (162.30)	¥ 10.77	\$ (1.34)
Total Annual Dividends	5.50	7.00	0.04

Notes: 1. U.S. dollar amounts are provided, for convenience only, at the prevailing exchange rate of ¥120.55 to US\$1.00 as of March 31, 1999.

2. All amounts, both in Japanese yen and U.S. dollars, are presented by rounding down figures below one million yen and one million U.S. dollars, respectively.

3. Adjusted Net Business Profit = Net Business Profit + Loan Losses in Trust Account + Provision for General Reserve

4. Total Loans and Bills Discounted comprise Loans and Bills Discounted in the Banking Account and Loans and Bills Discounted in the Trust Account.

5. The Capital Adequacy Ratios are presented on a consolidated basis in accordance with the guidelines set forth by the Bank for International Settlements (BIS).

6. Tax effect accounting has been adopted from the fiscal year ended March 31, 1999.

Economic and Financial Conditions

In fiscal 1998, ended March 31, 1999, Japan's economy continued to stagnate in the face of a slowdown in capital investment, sluggish consumer spending and housing investment, and concerns over the drop-off in demand in the private sector. Amid these conditions, the Japanese government implemented a large-scale economic stimulus package that, unfortunately, did not have a significant effect on the stalled economy.

Overseas, while the economy in the United States continued to charge full-steam ahead, the United Kingdom has begun to show signs of a downturn in economic growth. In Europe, despite the much-publicized launch of the new currency, the Euro, countries across the continent are experiencing a slowdown in the overall pace of economic growth.

In Japan, amid the rapid restructuring of Japan's financial system following the launch of Big Bang financial reforms, confidence in the nation's financial institutions remained low in the first half of the term, both inside and outside the country. Facing these challenges, Japanese financial institutions have made efforts to enhance their financial bases and promote greater efficiency in their operations. Moreover, 15 of the nation's largest banks elected to increase their capital adequacy through public funding that was made available by the October 1998 Law on Emergency Measures to Stabilize Financial Functions, which has helped to increase financial stability.

On the monetary side, short-term market interest rates were guided downward and the unsecured overnight call rate had hit as low as 0.0% by the end of the term. Long-term interest rates, despite threatening to rise during the term, have generally remained low. The Nikkei Stock Average, after falling below the ¥13,000 level—its lowest level since the collapse of the bubble economy—in October 1998 bounced back to nearly ¥16,000 as of March 1999, following signs of economic recovery stemming from growing financial stability.

Fiscal 1998 Results

Against this backdrop, The Toyo Trust and Banking Company, Limited, continues to strengthen its risk management system and introduces products and services that satisfy diverse customer needs. Adapting to the changes taking place in the management environment, Toyo Trust is restructuring its operations through such measures as withdrawing from its overseas banking business, thoroughly reviewing its domestic and overseas branch offices, and forming a strategic alliance with The Sanwa Bank, Limited (Sanwa Bank), to ensure that Toyo Trust is able to deploy greater resources to its trust-related business.

Turning to Toyo Trust's operating bases, as the first stage of pulling out completely from overseas banking business, Toyo Trust has closed down its Los Angeles Agency, Cayman Branch, and Bangkok Representative Office. The Bank has also decided to close four overseas subsidiaries. As a result, Toyo Trust's operating base consisted of the head office, 55 branches, and one sub-branch in Japan and four branches and three representative offices overseas as of the end of the fiscal year in review. In Japan, where we focus on offering services that meet diverse customer needs and further improving the efficiency of our operations, we have established the Business Unit for the three business departments in Tokyo and one in Osaka, where the functions of corporate-related services are integrated from branches in the Tokyo and Osaka areas.

During the term under review, Toyo Trust took steps to consolidate its organizational structure to promote efficiency. In a bid to strengthen fund management services to pension and other trust funds, the Bank established the Securities Investment Department. To improve services for individual customers, we restructured the related functions at the head office into the Branch Banking Department, the Private Trust Department, and the Private Asset Management Department, enabling us to offer a wide range of products and services that match changing customer lifestyles. In addition to establishing the Securities Investment

Department, the Bank has formed strategic tie-ups with Wellington Management Company for the trading of U.S. stocks and with Baillie Gifford & Co for the trading of European stocks that will serve to strengthen its fund management system.

Looking at new products and services, in December 1998 the Bank commenced over-the-counter sales of securities investment trusts and in October 1998 launched telephone banking to enable customers to handle various banking needs by telephone. In July 1998, Toyo Trust introduced a next-generation system for corporate agency that employs the latest computer technology, including such features as image processing in order to meet the evolving needs of customers. Moreover, through the restructuring of Toyo Investment Advisory Co., Ltd., The Toyo Trust Asset Management Co., Ltd., entered into securities investment trust management business. In addition, Toyo Trust Securities Co., Ltd., which previously handled securities transactions, was liquidated during the term.

In a move designed to maximize the opportunities presented by the Japanese Big Bang reforms and ensure the Bank's competitiveness in the global financial market, in January 1999 Toyo Trust concluded a comprehensive agreement with Sanwa Bank. As part of the agreement, Toyo Trust and Sanwa Bank will work as partners in a number of business areas to enable both banks to carry out their global strategies more efficiently.

In a thoroughgoing effort to ensure the soundness of its financial assets, Toyo Trust issued ¥200 billion in preferred stock through public funds under the Law on Emergency Measures to Stabilize Financial Functions. This law was passed in 1998 to further stabilize the financial system by strengthening the capital adequacy of financial institutions. Furthermore, Sanwa Bank solidified its strategic alliance with Toyo Trust through the capital injection of ¥100 billion in the form of a third-party allotment of shares, ¥20 billion in common stock, and ¥80 billion in preferred stock. As a result of these measures, our consolidated BIS capital adequacy ratio rose 3.1 percentage points, to 13.8% at March 31, 1999.



Shunroku Yokosuka, President

Asset Quality

During the term, Toyo Trust continued to carry out the strictest possible self-assessment of its loan assets. The Bank also made necessary and prudent write-offs and provisions that were based on proposals by the Financial Reconstruction Commission (FRC) for the write-offs and provisions of problem loans needed to strengthen capital adequacy. Furthermore, the Bank improved the soundness of its assets through such measures as granting debt forgiveness to facilitate the restructuring efforts of certain debtors. Consequently, in the Banking Account, losses on disposition of problem loans were ¥297.7 billion during the term under review and total credit costs of ¥316.6 billion were recorded, which included provision for general reserve and reserve for specific overseas loans. In the Trust Account, which includes principal indemnified products such as jointly operated designated money trusts and loan trusts, the Bank wrote off ¥60.1 billion in problem loans.

Profit and Loss

During the term, Toyo Trust concentrated on making the most efficient use of its financial assets, increasing revenues from trust fees from its trust-related business, and expanding fee income. The Bank made efforts to enhance operational efficiency as well. In addition, the Bank carried out the necessary and prudent write-offs and provisions for possible loan losses to further ensure the soundness of its financial assets. Based on Accounting Standards for Banks in Japan, Toyo Trust recorded the following results:

During the term under review, total income fell ¥29.6 billion, to ¥437.1 billion. Of this amount, trust fees decreased ¥36.4 billion, to ¥78.7 billion. Total expenses rose ¥198.0 billion, to ¥656.2 billion. As a result, loss before income taxes came to ¥219.1 billion, net loss amounted to ¥127.7 billion, and net loss per share was ¥162.30.

From fiscal 1998, Toyo Trust has adopted tax effect accounting and recorded deferred tax on assets and liabilities.

Issues for the Future

In light of the long-term instability and rapid restructuring of Japan's financial system, the operating environment for trust banks is in a period of dramatic change. At Toyo Trust, we are working to ensure the deep trust of our customers and the community as a whole by taking management initiatives that will further strengthen our financial base as a trust bank with competitive edges in trust-related business. In March 1999, we began a New Restructuring Plan, "Plan for Improving Soundness," which will build on the progress made by the "Long-Term Business Plan 2000" to restructure our services and boost the efficiency of our operations. With expectations of an increasingly difficult operating environment, the Bank will emphasize the quick and thorough implementation of the New Restructuring Plan in all business areas.

Specifically, Toyo Trust will accelerate the decision-making process and strengthen employees' expertise throughout the organization by introducing an executive

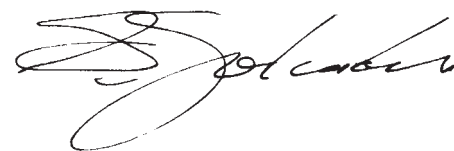
officer system that will enable quicker decision making in daily operations and clarify responsibility for business execution. At the same time, the Bank will strengthen its alliance with Sanwa Bank and focus on expanding its customer base by offering services tailored specifically to changing customer needs. As one of the leaders in the trust-related business, the Bank will strive to raise its level of earnings by concentrating strictly on its core businesses, where it maintains strong competitive advantages. Toyo Trust will work to achieve the earnings objectives laid out in the New Restructuring Plan by enhancing efficiency and carrying out stringent cost-cutting measures.

In terms of risk management, Toyo Trust has taken the necessary steps to deal effectively with the Y2K computer issue, boost its credit risk management system, and ensure total compliance with all laws and regulations.

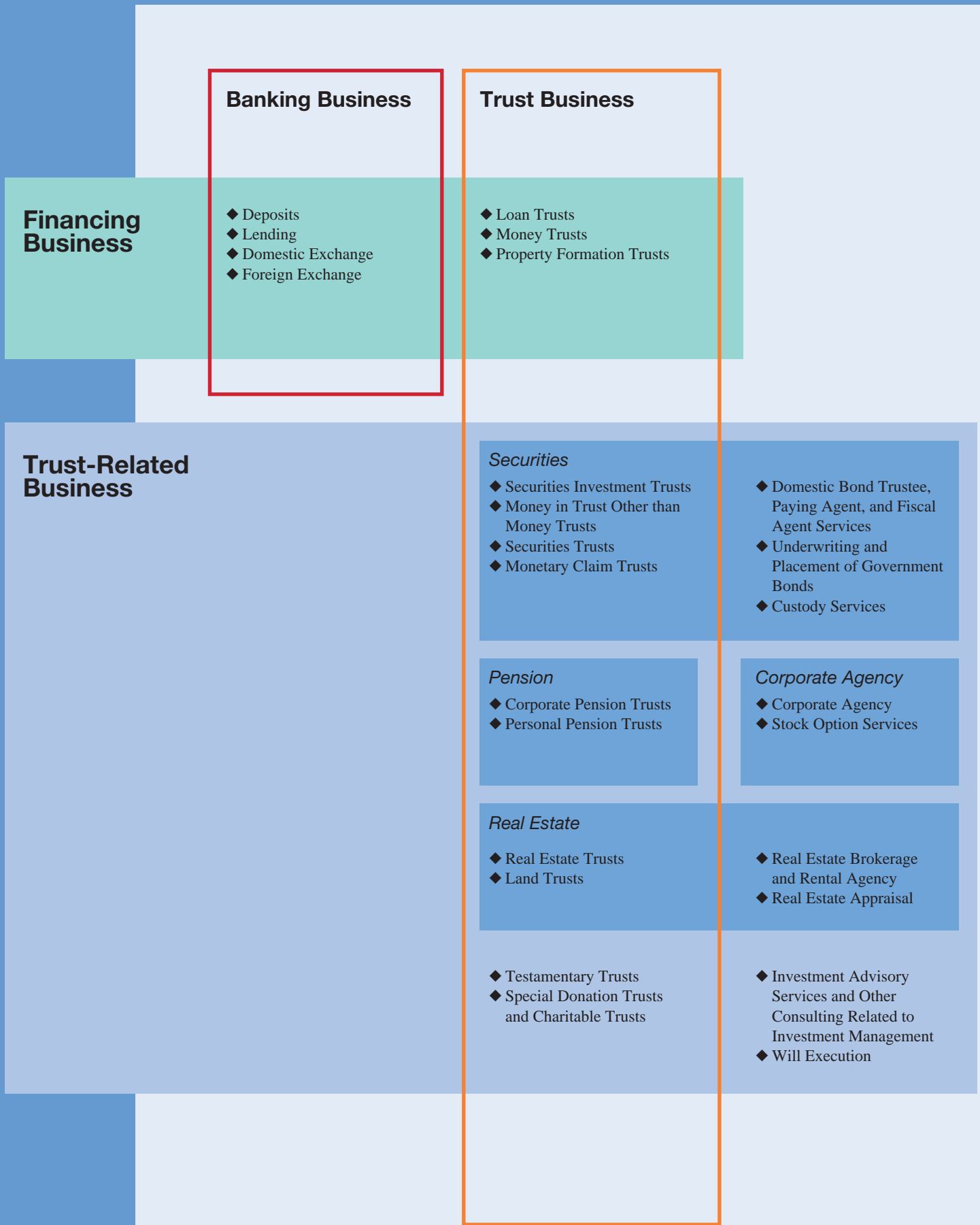
The Bank recognizes its important social and public responsibility as a financial institution. As a trust bank charged with the crucial role of supplying much-needed finance to the nation's economy, Toyo Trust will continue to provide finance to companies with strong growth potential. We will continue to offer sophisticated financial services that make best use of our accumulated expertise and wide range of functions to satisfy the needs of society and maintain the trust of our customers.

We would like to thank you for your support and ask for your continued encouragement as we face the challenges ahead.

July 1999



Shunroku Yokosuka
President



Trust-Related Business

Corporate Agency

Taking advantage of its leading position in the area of corporate agency services, Toyo Trust is committed to expanding this steady source of revenue by increasing its client base made up of Japan's foremost companies. The increase in the number of shareholders for this business through those companies will contribute to the Bank's profit.

In fiscal 1999, the Bank is further strengthening its relationship with

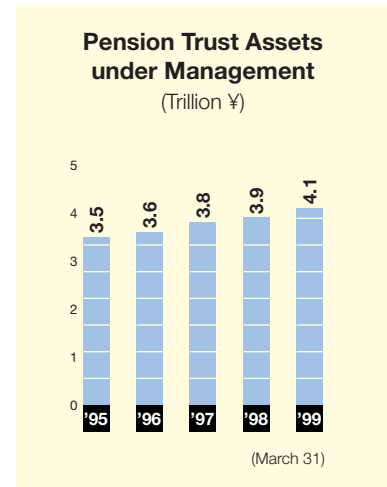
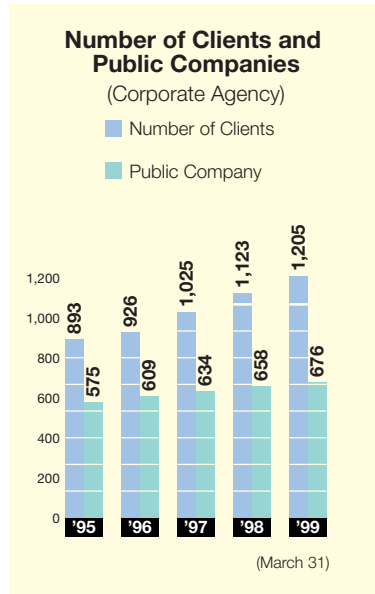
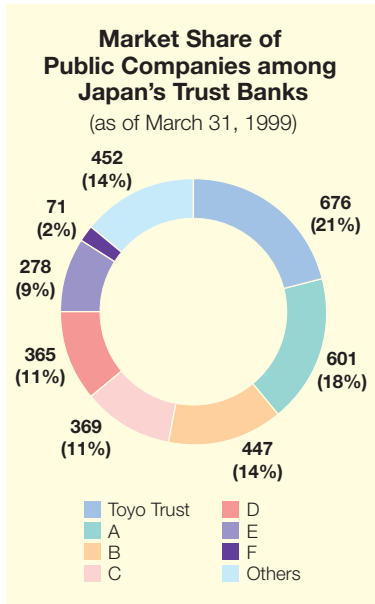
Nomura Securities Co., Ltd., and Kokusai Securities Co., Ltd., in the sharing of information. The Bank expects to increase the number of clients seeking to list their shares publicly as well as expand services by accessing Sanwa Bank's extensive client base of medium-sized corporations.

Pension Trust

Toyo Trust has long been one of the industry's highest-rated trust banks in terms of pension fund performance. Last year, the Bank ranked second out of the

eight trust banks and has had the highest overall average performance in the past five years. Through this superior performance, Toyo Trust expects to increase its share of funds under management.

To enhance its performance in the active investment of foreign stocks, in October 1998 the Bank established a global network for the management of overseas securities. The tie-ups consist of Wellington Management Company, one of the largest fund managers in the United States; Toyo Trust Company of New York; and Toyo Trust Baillie



Gifford Asset Management Limited, a joint venture with Baillie Gifford & Co, of Edinburgh, Scotland, one of the U.K.'s largest fund management companies.

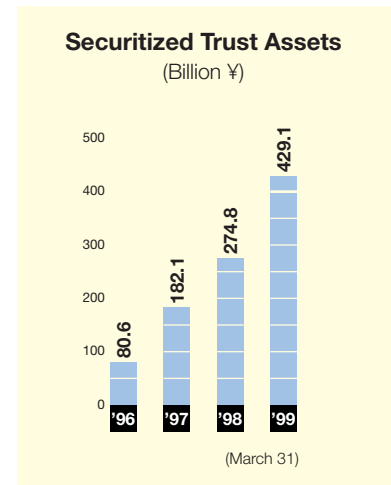
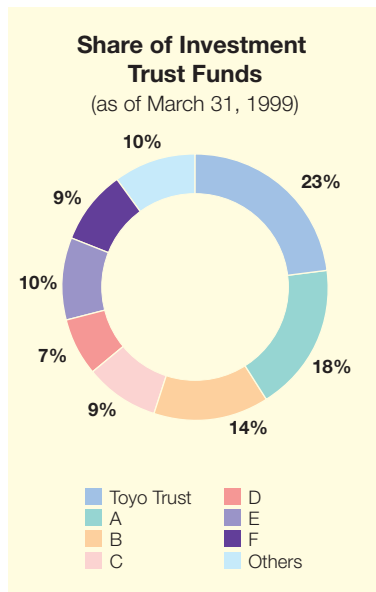
Securities-Related Business

Toyo Trust is a proven leader in the securities administration businesses for investment trusts in Japan, maintaining the overwhelming confidence of overseas asset management firms as well as other Japanese investment management firms. This line of business is expected to continue to grow and Toyo Trust, by

raising the level of superior systems and services and capitalizing on its ties with Partners Asset Management—a member of the Sanwa Group—is confident it can increase its 23% share of investment trust funds. In addition, the Bank anticipates strong growth in other areas of securities-related businesses through its merger with Sanwa Trust and Banking Co., Ltd. (Sanwa Trust), and its integration with Sanwa Bank's custodial services.

Securitization Business

Assets securitization business is one of the focused areas of Toyo Trust. The market share of Toyo Trust in the asset securitization business is 24.7% and the market is expected to expand further. The merger with Sanwa Trust, which is strong in this field of business, is scheduled for October this year and Toyo Trust expects to be a market leader after the merger.



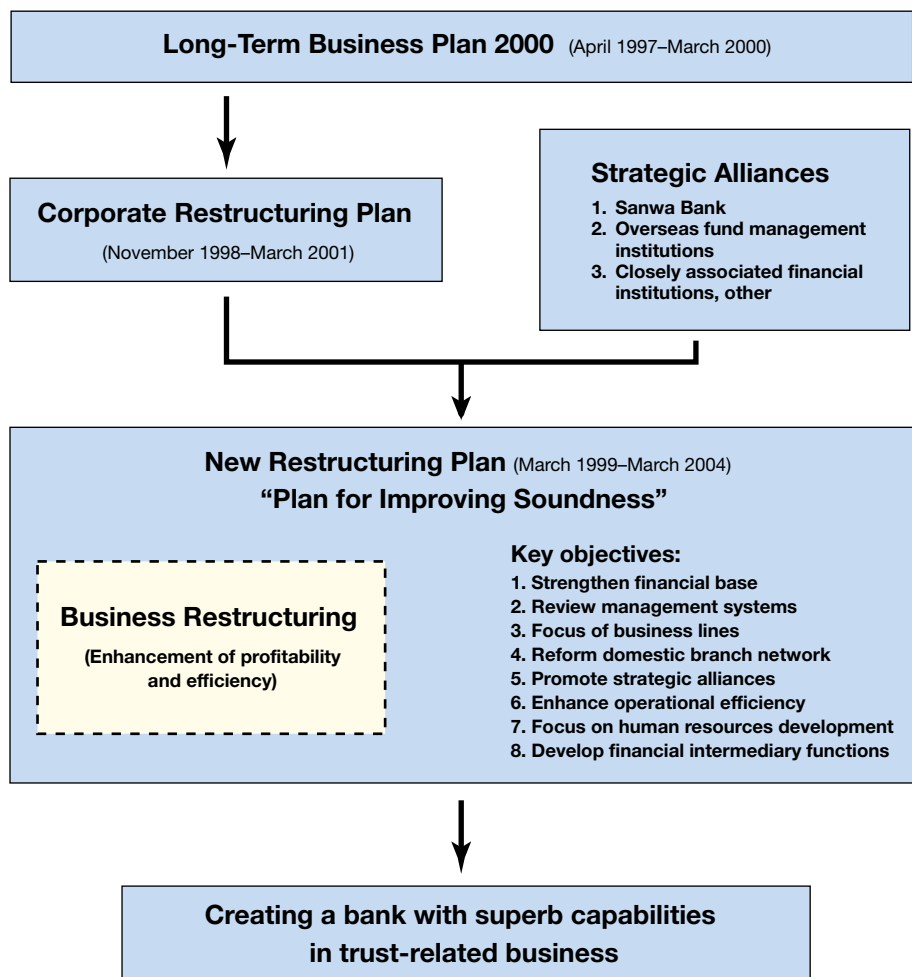
In April 1997, Toyo Trust initiated its Long-Term Business Plan 2000 (LTBP 2000). With the goal of “creating a bank with superb capabilities in trust-related business,” the Bank is focusing its resources on the strategic trust-related areas of corporate agency, pension, and securities-related businesses.

In recent years, the operating environment surrounding financial institutions has undergone dramatic change. Competition has intensified following deregulation of the Japanese financial industry, and the problem loan issue facing many institutions has shaken the stability of the Japanese financial system.

Against this backdrop, Toyo Trust is working to maintain the soundness of its financial assets, substantially increase its owned capital, and bolster its financial base with the goal of further ensuring the confidence of its customers and stockholders. At the same time, the Bank is restructuring its operations, concentrating on areas of competitive strength in strategic fields.

In an effort to realize the goals outlined above, in November 1998 Toyo Trust implemented its Corporate Restructuring Plan, an approximately two-and-a-half-year

Management Principles



business strategy aimed at securing the Bank's management base and business foundation. In March 1999, Toyo Trust introduced its New Restructuring Plan, which was designed to coincide with its application for public funds to increase its capital adequacy. These funds were made available by the Law on Emergency Measures to Stabilize Financial Functions. Based on the New Restructuring Plan, Toyo Trust is reorganizing its business operations to concentrate its resources on trust-related businesses and develop strategic business alliances, solidifying its position as "a bank with superb capabilities in trust-related business."

1. Strengthening the Management Base

As a full-service trust bank, Toyo Trust offers an array of innovative products and services to meet increasingly sophisticated and diverse customer needs. Toyo Trust recognizes that a strong management base is crucial for banks to provide sophisticated financial services and withstand the various risks inherent in these financial businesses.

Toyo Trust is working to secure its financial base by enhancing the soundness of its assets and increasing its capital, while at the same time introducing such new management systems as an executive officer system and reviewing its overall management structure, thereby ensuring the confidence of its customers and stockholders.

1. Securing the Bank's Financial Base

(1) Enhancing Asset Soundness

In accordance with its internal rules for self-assessment, Toyo Trust has been conducting write-offs and setting aside reserves for nonaccrual and problem loans since September 1997 to quickly ensure the soundness of its assets. In fiscal 1998, there were dramatic changes to the management environment surrounding the financial industry. To ensure the Bank's financial soundness, Toyo Trust decided to dispose of loans to its subsidiaries, affiliates, and Group companies even though they can improve their operations within several years under the support of Toyo Trust.

Moreover, in line with the *Financial Inspection Manuals*, published by the Financial Supervisory Agency (FSA), and *The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection*, published by the FRC, the Bank has increased its reserves for problem loans. As a result, in fiscal 1998 Toyo Trust disposed of problem loans of ¥297.7 billion in the Banking Account and made provisions for possible future loan losses. In the Trust Account, the Bank will carry out the disposition of problem loans at the closing of each account, based on the results of a self-assessment done on March 31, 1999.

Standards for Categorizing Problem Loans and Policies Toward Write-Offs and Provisional Reserves

Classification	Standards	Policies Toward Write-Offs and Provisional Reserves
Bankrupt/Quasi-bankrupt	Loans to companies in “Bankrupt/De facto bankrupt” based on the Bank’s self-assessment	Provide specific reserve at an amount equivalent to 100% of the portions of loans that are not covered by collateral or guarantees, or alternatively, execute a write-off of the loan.
Doubtful	Loans to companies which are “Likely to go bankrupt” based on the Bank’s self-assessment	In cases where bankruptcy probability ratios are used to calculate expected loan losses, provide specific reserve for possible loan losses at an amount equivalent to bankruptcy probability ratios (70%), excluding that portion of the loans covered by collateral or guarantees. Alternatively, provide specific reserve at the expected loss that results from subtracting the loan’s expected sales value on the open market.
Substandard	“Past due (three months or more)” or “Renegotiated loans” included in loans to borrowers in “Needs to be monitored” based on the Bank’s self-assessment	Record in the general reserve for the portion of loans not covered by collateral or guarantees. General reserve has been made for 15% of such amounts.
Sound	All other loans	Provide the general reserve for the amount equivalent to expected losses, which have been calculated based on actual loan loss rates and bankruptcy probability ratios.

(2) Increasing Capital

In the second half of fiscal 1998, Toyo Trust issued preferred stock totaling ¥200 billion through public funding. This funding was made available by the October 1998 Law on Emergency Measures to Stabilize Financial Functions. At the same time, the Bank issued new shares totaling ¥100 billion to Sanwa Bank. The issue was through a third-party allotment of shares in common stock totaling ¥20 billion and preferred stock totaling ¥80 billion. As a result, the Bank’s capital adequacy ratio increased from 10.86% as of September 30, 1998, to 13.83% as of March 31, 1999.

Toyo Trust will continue to bolster its internal reserves through improving its performance and further increase its owned capital.

2. Reviewing Management Systems

(1) Introduction of an Executive Officer System

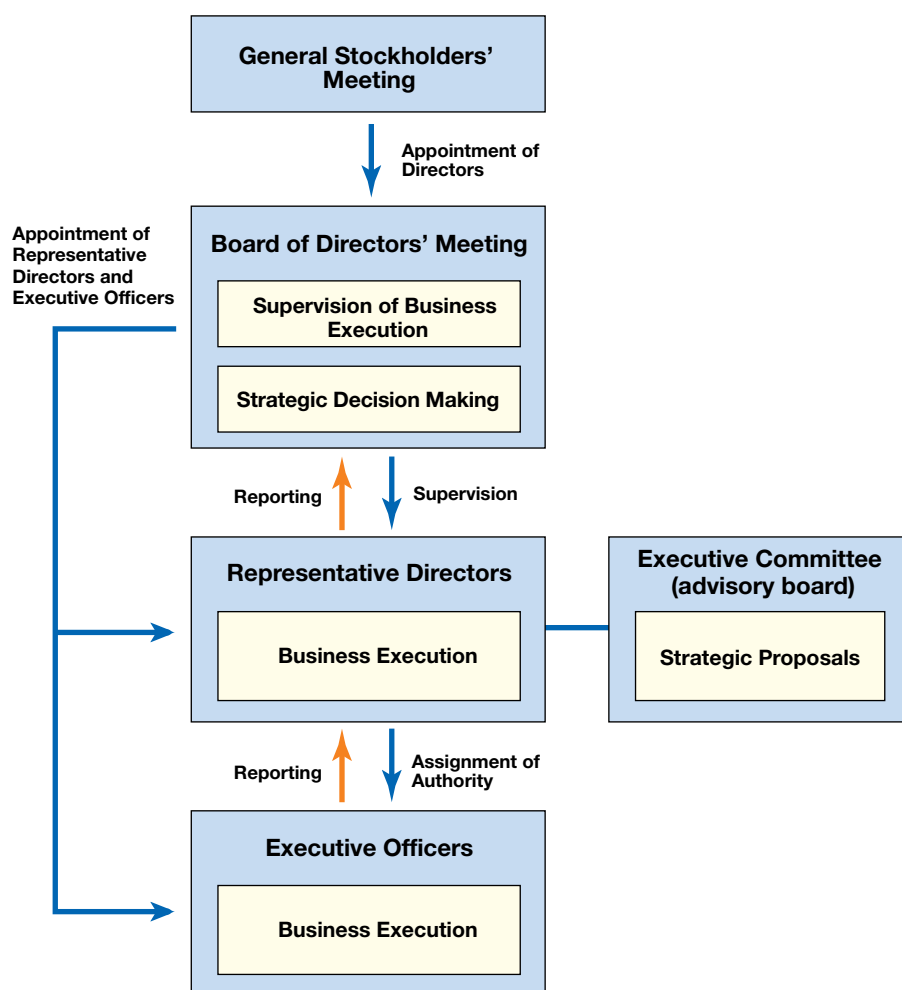
In June 1999, Toyo Trust introduced an executive officer system, which is designed to separate the decision-making and supervisory functions from the business execution functions and strengthen corporate governance.

1. The new system has further strengthened the roles of the Strategic Decision-Making Body and the Supervisory Body for Business Execution by introducing an executive structure with fewer members of the Board of Directors. At the

same time, the number of regular Board meetings has been increased, from once a month to twice a month.

2. Authority for business execution has been assigned to executive officers, who can better devote themselves to this task. As a result, the new system facilitates a more concise and faster structure for the execution of business strategies that have been formulated at the Board of Directors' meetings.

Corporate Governance



(2) Introduction of Business Division System

Toyo Trust is working to create an organizational structure that emphasizes developing expertise in specialized business fields. In order to precisely respond to sophisticated and diverse customer needs, in May 1999 we introduced a business division system.

1. Toyo Trust has reviewed its organizational structure and has restructured it into clearly defined business divisions for each business area.
2. Toyo Trust has clarified the responsibility of implementing management strategy by establishing objectives and scope for each business division and authority for

business execution as well as specifying the expected profit and cost allocation to each business division.

3. Toyo Trust has accelerated the decision-making process for business execution by assigning authority to the head of each business division. At the same time, the Bank is vigorously working to enhance the professionalism of its staff in each division and establish a strong infrastructure to enhance the competitiveness of its products and services.

2. Strengthening the Business Foundations

1. Business Focus

Following a detailed analysis of the profitability of each business field, Toyo Trust has separated its operations into two distinct categories. The first category consists of areas of operations in which the Bank has a clear advantage and can further develop its specialized expertise, namely strategic trust-related areas of corporate agency, pension, and securities-related businesses. The second category encompasses those business areas that will be scaled back or eliminated entirely, specifically, overseas banking business and securities underwriting and brokerage businesses. By concentrating its managerial resources into those areas in which it has a clear competitive advantage, Toyo Trust is working to raise the revenue of its entire organization.

(1) Reviewing Securities-Related Strategies

1-1. Expanding and Bolstering Securities Investment and Management Services

In 1998, Toyo Trust established a tripolar structure—comprising Japan, the United States, and Europe—for managing and investing in overseas securities. This was made possible through the establishment of a joint venture with U.K.-based Baillie Gifford & Co and a strategic tie-up with U.S.-based Wellington Management Company. This tripolar structure is aimed at greatly enhancing the capacity of the Bank's securities investment by expanding the structure for managing foreign securities through strategic tie-ups established with leading overseas fund management organizations.

In February 1999, Toyo Trust entered into the securities investment trust management business through The Toyo Trust Asset Management Co., Ltd. Since that time, the Bank has increased the number of staff at this company and been implementing measures to develop a broad range of financial products that meet sophisticated customer needs.

Toyo Trust has become one of the industry leaders in terms of its competitiveness in securities administrative business. In addition to its high level of investments in system development, the Bank has established a business tie-up with Chase Manhattan Bank for overseas custodial services and implemented other measures to bolster its strength in this strategic field.

1-2. Liquidation of Securities Subsidiaries

In March 1999, the Bank liquidated Toyo Trust Securities Co., Ltd., and has decided to terminate the operations of London-based Toyo Trust International Limited and Switzerland-based Toyo Trust & Banking (Schweiz) AG, effectively withdrawing from all securities underwriting and brokerage business.

(2) Withdrawing from Overseas Banking Business

Toyo Trust aims to withdraw completely from its overseas banking business in fiscal 1999. The Bank will shut down all overseas branches, and have five representative offices. In addition, we will terminate operations of all overseas subsidiaries with banking business, retaining four overseas subsidiaries involved in securities investment and administrative businesses.

(3) Participating in Defined-Contribution Pension Plans Business

A defined-contribution pension plan is expected to be introduced in fiscal 2000 for the purpose of expanding and bolstering the private pension system. Toyo Trust is participating in the following ventures to be introduced concurrently with the start of the new system.

1. Toyo Trust will establish a sales planning company in cooperation with Sanwa Bank that will be responsible for sales promotions related to defined-contribution pension plans.
2. Toyo Trust will participate and invest in Japan Investor Solution & Technology, a defined-contribution pension plans administration service company that was jointly founded by The Nomura Securities Co., Ltd., and The Industrial Bank of Japan, Ltd.
3. Toyo Trust will participate and invest in the Japan TPP Company, a joint venture between Sanwa Bank and Partners Asset Management that was created to offer administrative services and provide clients with investment information through a telephone service center.

2. Restructuring of Domestic Branch Network

Toyo Trust has initiated a number of measures designed to respond to diverse customer needs and to enhance the operating efficiency of branches and maximize the utilization of human resources. For example, the Bank has clarified the mission of each branch and is reviewing the profitability of individual branches, moving forward with the consolidation or elimination of branch offices as required.

1. In March 1999, Toyo Trust separated the wholesale business functions and retail business functions in the Tokyo and Osaka regions. The Bank separated wholesale business functions from branches and integrated them into three business departments in Tokyo and one in Osaka.
2. Following the separation of the wholesale business functions from branches in the Tokyo and Osaka regions, each branch will concentrate on the retail market. In addition, the Bank plans to open 10 new small branches and subbranches in these regions. In areas outside the Tokyo and Osaka regions, Toyo Trust has also

clarified the mission of its full-service branches and those branches specializing in retail markets. Furthermore, we will expand the regional block system for branches to 10 areas and improve the efficiency of the business promotion system. We will further enhance customer services at branches and subbranches by bolstering the support given by the leading branch in each area.

3. Focusing on Strategic Alliances

In recent years, efforts to improve globally the competitiveness of its securities investment and administrative businesses—a core area of competence for Toyo Trust—has become a crucial issue. As such, the Bank has responded by establishing a structure for the investment management of overseas securities through a tripolar structure comprising Japan, the United States, and Europe and has focused on forming strategic alliances with overseas financial institutions. Moreover, in January 1999 Toyo Trust and Sanwa Bank agreed to form strategic alliances in a variety of fields to strengthen both banks' profitability and competitiveness, respond more effectively to the opportunities presented by the Japanese Big Bang reforms, and better satisfy sophisticated and diverse customers' needs. This alliance is aimed at creating a cooperative structure across the organization through the mutual utilization of each bank's strong operating bases.

By solidifying strategic alliances in a variety of operational fields, Toyo Trust responds efficiently to sophisticated and diverse customer needs, and provides value-added financial services where the Bank has a strong competitive advantage. Toyo Trust is working to substantially increase its customer base in the medium-to-long term and further strengthen its profitability. At the same time, the Bank is also cementing its relationships with closely associated financial institutions, including Nomura Securities, The Sakura Bank, Limited, and Kokusai Securities Co., Ltd.

4. Improving Operational Efficiency

(1) Enhancing Operational Efficiency

1. Toyo Trust has transferred four functions—system development, system operation, property administration, and branch back-office operations—to its subsidiaries and affiliates, thereby enhancing operational efficiency, mobility, and expertise.
2. In a bid to reduce system development costs, system development will be carried out in cooperation with Sanwa Bank.

(2) Active Investment in IT

Toyo Trust continues to enhance the efficiency of its operations and raise the level of its services by maximizing the use of information and communications technologies, centered on its core field of trust-related business.

(3) Reviewing Employee and Personnel Expenses

The Bank has reduced the size of its workforce, primarily through restrictions on the hiring of new personnel. The Bank plans to reduce the number of its employees—4,759 as of March 31, 1999—to 3,850 by the close of the fiscal year ending March 31, 2004. At the same time, the Bank will reduce labor costs through such

measures as rationalizing the bonus system, reviewing its policy on employee housing, eliminating employee savings plans, and carrying out a full-scale review of benefit structures and employee allowances.

3. Financial Services

Toyo Trust is aware that banks have a responsibility to adequately provide financial services and ensures stable finance to its corporate and individual customers based on strict credit control. The Bank will continue with this policy, considering in particular its social responsibility of providing finance to small-to-medium-sized corporate borrowers as an important issue.

(1) A Structure for Promoting Corporate Finance Business

Toyo Trust is working to raise the skills of its specialized employees, enhance credit control capabilities, and strengthen operations by integrating the wholesale business functions in the Tokyo and Osaka regions. Through this organizational structure, we will heighten the risk management capabilities of our financing business, strengthen such services as asset securitization for corporate financing, and better respond to various customer needs.

(2) Focusing on Business Transactions with Small-to-Medium-Sized Enterprises

When granting loan approval, Toyo Trust strives to meet the demands of borrowers by not only considering the issue of collateral but also fully understanding the use of funds and examining the appropriateness of the repayment method.

In keeping with the social responsibility and public duty of financial institutions to provide finance to small-to-medium-sized corporate borrowers, Toyo Trust adequately checks each borrower's use of funds and repayment plan and works to meet the funding requirements of these borrowers. Moreover, the Bank is working to broaden its knowledge in this area and make use of a wide array of financing tools. The Bank offers comprehensive training in the practical application of various guarantee systems for the repayment of loans, such as those presented by the Credit Guarantee Corporation. Finally, in the event that the loan request is refused, the Bank provides advice on alternative methods of fund procurement as well as clear reasons for the refusal.

(3) Focusing on Asset Securitization to Promote Corporate Financing Services

To effectively handle customers' diverse fund procurement needs, the use of such financing options as securitization on accounts receivable, bills, and other assets in place of ordinary loans have become a vital part of the trust bank business. Toyo Trust is striving to meet the fund procurement needs of its corporate clients and has been actively promoting these services since fiscal 1997. This has propelled the Bank to the top ranks among financial institutions in Japan. In a move to further develop its asset securitization capacity, in May 1999 the Bank established the Structured Finance Department to specialize in these services. Moreover, in July 1999 Toyo Trust acquired 100% of the shares outstanding of the Sanwa Trust as part of its strategic alliance with Sanwa Bank and plans to complete the merger by October 1999, which will further strengthen its function in this line of business.

Over recent years, new innovations in financial technologies, financial deregulation, and globalization have led to a dramatic expansion in the variety of services provided by financial institutions. As a consequence, the size and diversity of risks to which financial institutions are now exposed have also grown. Toyo Trust recognizes that enhancing risk management capacity is one of its most important tasks. In its Long-Term Business Plan 2000, the Bank vowed to strengthen credit and market risk management and improve its internal inspection and auditing systems, through strict observance of market regulations and self-accountability.

1. Establishment of Operations Control and Compliance Department and Enhancement of Management Systems for Each Type of Risk

In November 1997, the Bank established the Operations Control and Compliance Department to supervise the comprehensive planning of and ongoing activities related to internal controls and risk management, including the establishment of systems that would ensure legal compliance. Financial institutions are exposed to a number of risks and for each of these risks Toyo Trust has assigned a dedicated department to oversee assessment, management, and avoidance of such risks.

Type of risk	Description
Management and internal control risk	Risk of financial losses or loss of credibility caused by managerial directives and internal management
Legal risk	Risk of losses caused by legal violations or uncertainty of legal position in contract
Credit risk	Risk of defaults on borrowers and issuers of financial products caused by financial difficulties
Market-related risk	Risk of drops in the market price of financial asset holdings caused by volatility in interest rates, foreign exchange rates, stock prices, and other factors
Liquidity risk	Risk of difficulties in procuring funds on the market owing to large shortfalls in financing liquidity
Accountability risk for trusts assets	Risk of being responsible for violation of legal duties as trustee
Operations risk	Risk of losses in income or credibility as a result of fraud or mistakes in operations management
Systems risk	Risk of damages occurring from system failures, such as breakdowns in electronic processing systems, program malfunctions, or computer virus

Moreover, the Operations Control and Compliance Department has worked to enhance risk management functions of the head office departments and continuously strengthens its risk management capabilities. As the potential for risks expands in light of the diversification of operations and products and changes in the environment, the Operations Control and Compliance Department instructs the jurisdictional

departments to establish and update risk response strategies and verifies that the jurisdictional departments' actions are adequate.

2. Inspection and Audit System for Risk Management

As a crucial component of the risk management system, Toyo Trust has expanded the scope of activities of the Auditing Department. Audits are carried out at the head office departments and branches to evaluate the degree to which the risk management measures set up by the relevant jurisdictional department have been adopted, including strict adherence to regulations, and the validity of the measures. At the same time, the jurisdictional departments are also audited to ensure that their risk management measures are appropriate.

3. Legal Risk Management, Credit Risk Management, and Market Risk Management

(1) Legal Risk

Legal risks are managed through the Operations Control and Compliance Department. Through the system that is used by this department, a compliance officer is designated at each head office department and branch to be responsible for compliance in legal matters. The compliance officers use self-monitoring to ensure that all laws are upheld, help prevent violations, and achieve early detection through carrying out appropriate response to legal compliance issues related to guidance and daily operations.

Toyo Trust has distributed to all its employees a corporate compliance manual that lays out basic compliance laws and its own ethical code that is used in internal training and auditing in all departments. This is strictly adhered to by all bank officers.

Documents prepared for circulation, filing, transmission, or as contracts and agreements inside or outside the Bank are audited for legality. In addition, the subject matter and distribution methods are audited in advance by the jurisdictional department. Through this procedure of constantly auditing the appropriateness of documents, Toyo Trust upholds its social responsibilities as a banking institution by creating a system to ensure the strict adherence to all regulations, thus guaranteeing proper and transparent operations.

Moreover, the Bank has systemized the process of handling inquiries related to legal compliance by establishing a counter for the compliance officer of each jurisdictional department and preparing a dedicated inquiry form. The Operations Control and Compliance Department confirms the accuracy of all responses given by the jurisdictional departments. Furthermore, to ensure proper and transparent operations, internal regulations are also audited for appropriateness and revised when necessary.

(2) Credit Risk

Credit risk is the risk inherent in such financial services as lending businesses, which are a vital part of banking business. Credit risk management has thus become increasingly more important as a way to protect against bad loans and to maintain sound assets.

Credit risk management encompasses not only on-balance-sheet transactions, such as loans, but also the control of credit risk exposures to derivatives and other off-balance-sheet items by using the current exposure method. As a result, the Bank carries out the thorough management of both on- and off-balance-sheet transactions. Toyo Trust has introduced a credit rating system, which is divided into 10 ratings based on the scope of each application. This system has greatly enhanced such areas of credit risk management as credit evaluation and self-assessment.

Credit risk management is supervised by the risk management group of the Credit Control Department I. Daily management is controlled by the Credit Control Departments I and II (for domestic customers) and the International Department (for overseas customers).

In evaluating credit risk, the Credit Control Department I and Credit Control Department II, which are independent of all business promotion sectors, perform the function of carrying out the strictest possible evaluation of risk. When evaluating credit applications, the Bank considers not only the borrower's financial stability and profitability but also its social responsibility and potential contribution to the public good. The Bank is careful to avoid the concentration of lending in one specific enterprise or industry, while at the same time working aggressively to meet corporate stable financing needs.

Self-assessments on loan assets are carried out initially by the branches and business divisions at the head office followed by a second evaluation by the credit control departments at the head office. Moreover, we have set up a system by which twice yearly an evaluation is done by the Credit Review and Auditing Office, which is separate from all business promotion sectors and the credit control departments, and a report is given to the senior management.

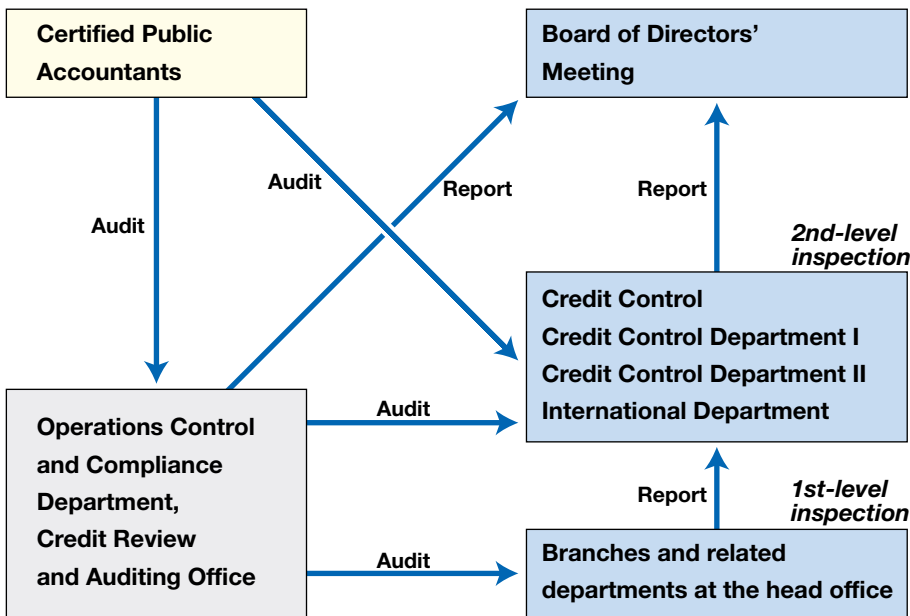
Self-assessed loans are divided into four categories by taking into account the degree of risk in collecting these assets, based on the credit rating given to each borrower according to self-assessment standards outlined in *Financial Inspection Manuals* published by the FSA. The loans are ranked from Category I, where the Bank judges that there is no doubt about their collectibility, to Category IV, which covers loans that are deemed uncollectible by the Bank. The Bank then calculates the appropriate reserves for possible loan losses based on this assessment.

Toyo Trust has worked to systemize its management of collateral as a crucial area of lending businesses. To this end, we commenced with systems for the management of securities collateral and real estate in 1996 and 1997, respectively. Through the introduction of these systems, the Bank is able to quickly ascertain the appropriate value of collateral. Through the development of a self-assessment system that

Credit Rating System

Rating	Classification of Debtors	Category
1	Sound	Uncategorized
2		
3		
4		
5		
6		
7		
8	Needs to be monitored	II
9	Likely to go bankrupt	III
10	Bankrupt/De facto bankrupt	IV

Self-Assessment



combines established systems with collateral controls, Toyo Trust has created a fool-proof backup system to ensure the accuracy of its calculation of the value of its assets.

(3) Market Risk

Risk Management System

To ensure the soundness of its operations and stable earnings, Toyo Trust places even-greater importance on recognizing and managing various risks related to market transactions. Considering its levels of capital and earnings, the following limits are set semiannually at the Board of Directors' Meeting or by the Asset-Liability and Risk Management Committee.

1. Maximum risk limits for overall operations and for each Trading and Treasury Department

- In assigning maximum market risk limits, the aggregate amount of credit risk and market risk is set within the scope of the Bank's capital base.

2. Loss limits

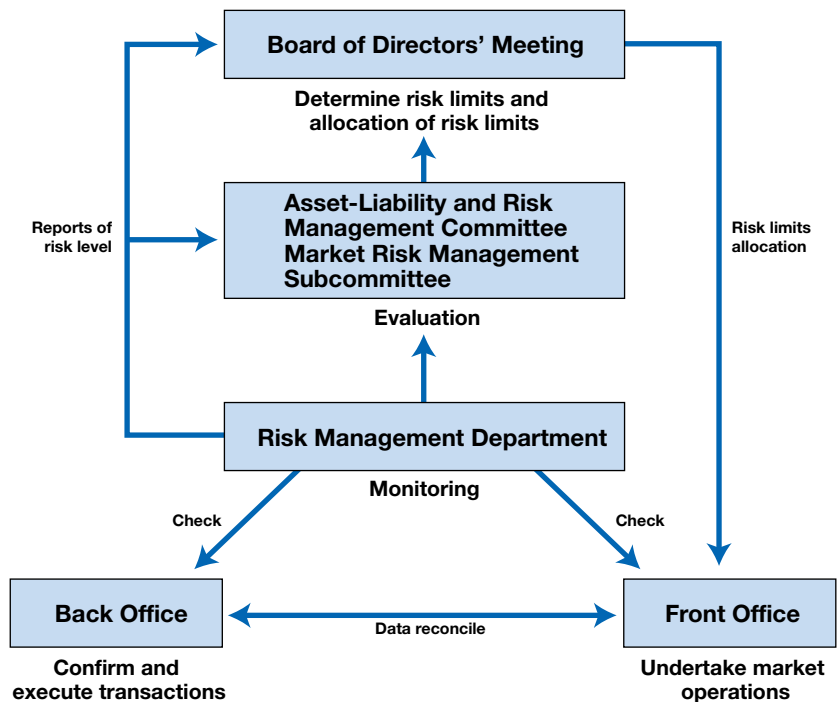
- Set in consideration of term earnings

The Trading and Treasury departments establish position limits within the allocated risk limits, where loss limits are also set for major trading products.

To strengthen risk management and supervisory functions, we have established the Risk Management Department, which is separate and independent from the front and back offices, to monitor the level of risk positions and the profit and loss situations. The Risk Management Department reports these results to senior management on a daily basis.

In an effort to ensure market risk management procedures are carried out in every department, the Bank has stipulated its management policies in *"Basic Policies for Risk Management in Market-Related Business"* and other procedure manuals. These policies and procedures are reviewed as needed to adapt to market changes and to the increasing sophistication of risk management methodologies.

To strengthen risk management systems in every area of operations, the independent Auditing Department regularly conducts comprehensive audits. Risk management systems are examined by outside auditors to confirm their appropriateness by both quantitative and qualitative standards.



Risk Management Methodologies

Toyo Trust uses the value-at-risk (VaR) approach as a uniform method for measuring the level of risk. VaR is a measure for expected maximum losses on a specific position in a set period as a result of market fluctuations. For example, for a position with a VaR of ¥100 million, a holding period of one day, and a confidence level of 99%, the next-day maximum loss is predicted to be within ¥100 million with 99% of probability.

The Risk Management Department, which is separate from the front and back offices, monitors by accounts (banking and trading) and by risk categories (interest rate risk, foreign exchange risk, and stock price risk) as needed using in-house-developed risk management models (MRS).

(VaR Measurement Results)

Fiscal 1998 VaR of Trading Operations		(100 Million ¥)	
Types of Risk	Daily Average	Maximum	Minimum
Interest rate risk	1	2	0
Foreign exchange risk	1	5	0
Total	2	5	0

Holding period: One day
 Confidence level: 99%
 Observed period: One year

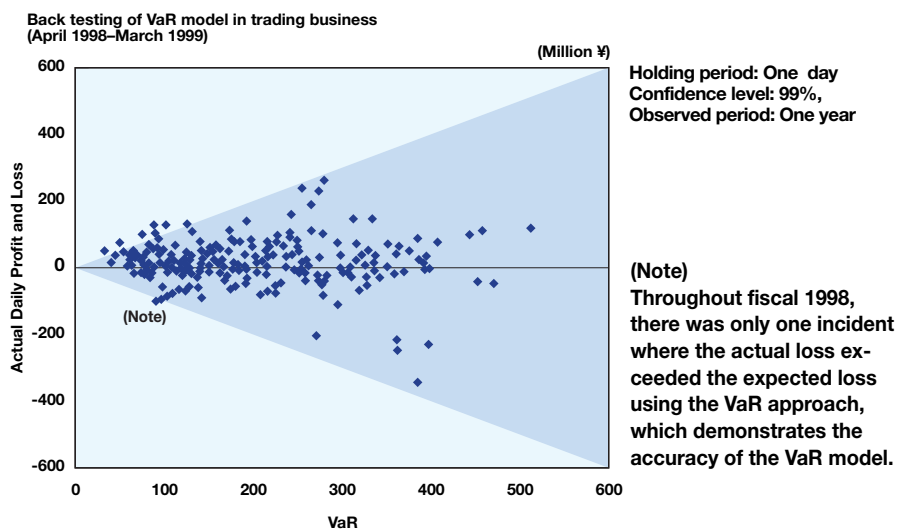
For certain risk categories, the Bank uses such methods as base point value (BPV) and grid point sensitivity (GPS) in addition to VaR to account for the risk of increasingly complex financial products.

BPV: An indicator that looks at the influence of interest rate changes, BPV shows the degree of change in the market value of financial products in the event of a 0.01% change in interest rates over the entire yield curve.

GPS: An indicator that looks at the influence of yield curve changes, GPS shows the degree of change in the market value of financial products in the event of a 0.01% change in an interest rate at a specific point of a yield curve.

Back Testing

To verify the accuracy of MRS, back testing is carried out on a daily basis. Back testing verifies the relationship between the VaR and actual results.



Stress Testing

In calculating the expected maximum losses based on the ordinary market environment, it is possible for the actual loss to greatly exceed VaR in an abnormally volatile market. For this reason, the Bank carries out daily stress testing to estimate the loss level in the worst case scenario. Stress testing supplements VaR methodologies by comparing the relative levels of losses.

(4) Liquidity Risk

The Asset-Liability and Risk Management Committee has established a Companywide system to supervise liquidity risk and deal with the risk inherent in fund management. The Asset-Liability and Risk Management Committee puts forth periodic fund management plans and the Market Risk Management Subcommittee, under the Asset-Liability and Risk Management Committee, holds regular meetings to deliberate policy for market investment based on these plans. Yen-denominated investment is carried out by the Treasury Department, while foreign currency denominated investment is managed by the Trading Department.

Rules have been established for emergency situations, including the danger of liquidity crisis involving both Japanese and overseas currencies.

(5) Operations and Systems Risk

For operations risk, to ensure the smooth operation of its wide range of services, including trust-related and banking businesses, the Systems and Operations Planning Department carries out such measures as developing and enhancing operational procedures, preparing standards and manuals related to operations, and providing instruction and training in a bid to improve the accuracy and efficiency of operations. For systems risk, the Systems and Operations Planning Department has developed innovative systems and new operational designs. Systems development has been entrusted to Toyo Systems Development Co., Ltd., and systems management to Toyo Trust Operation Services Co., Ltd. In addition, the Bank has worked to ensure mutual supervision by separating the systems development division and systems management division. Moreover, the Bank has taken precautions against damage to its crucial data files and programs, making doubly sure that data is protected from disaster, and has established a backup center and contingency plans.

4. ALM System

The Bank's asset-liability management (ALM) system aims to ensure sound operations and maximize and stabilize returns through the comprehensive management of asset and liability formation. This is carried out through the analysis of risk/return based on expected economic and financial environment conditions. The liberalization of interest rates, increasing diversity and sophistication of financial products,

and changes in the environment in which financial institutions operate are having a major effect on the banking industry. Toyo Trust recognizes the importance of ALM and its implications for efficient and flexible operations.

Each month, the Bank's Asset-Liability and Risk Management Committee and Market Risk Management Subcommittee hold meetings to discuss and report on important ALM issues. These meetings cover a wide range of risk management issues, including interest rate fluctuation risk, risk arising from changes in the prices of marketable securities, foreign exchange risk, and liquidity risk. The Committee discusses a broad array of ALM issues, such as financial forecasts, and prepares revenue and funding plans, operational policies, and hedge strategies. Committee decisions are rapidly reflected in the operations of the departments involved.

The Y2K Challenge

Toyo Trust began to address the Y2K as one of the most important management issues in 1997, including it in the Long-Term Business Plan 2000 and in the strategies for planning each fiscal year. The Bank has implemented successive measures to make all systems Y2K compliant.

Consequently, in June 1999 the Bank's host systems, as well as the systems used by individual departments and subsidiaries, equipment and facilities, including vaults and alarms, became Y2K compliant.

Organization

In August 1998, Toyo Trust established the "Year 2000 Issue Readiness Committee." The Committee was established—with one of the deputy presidents as chairperson—to promote Bankwide Y2K readiness measures and ensure strict monitoring of Y2K compliance progress. Also, the progress made by the departments responsible for systems development and individual departments is reported to the Board of Directors' Meeting and the General Managers' Meetings at least twice a month.

In December 1998, the Contingency Working Group was established under the Year 2000 Issue Readiness Committee to form a contingency plan to prepare for any unexpected Y2K emergencies.

Schedule and Progress

When the Bank's third-generation on-line system—which is currently in use—was developed, a four-digit (year) counting system was employed. For this reason, these systems were already Y2K compliant. In December 1998, the Bank completed the internal testing and renovation of the majority of its critical systems, including the branch accounting system, systems for securities, pensions, and its corporate agency business.

For the rest of the systems, the Bank completed internal testing in March 1999. Also, the Bank has conducted external connection tests with joint centers at the Japanese Bankers Association (JBA) and its vendors, thus achieving complete compliance by the end of June 1999.

Between May and June 1999, the Bank ran its final confirmation tests on all systems to ensure that the proper data exchange is executed between systems.

Establishment of Contingency Plan

In June 1999, Toyo Trust completed its contingency plan, which reflected various guidelines set by the JBA, led by the Contingency Working Group.

The contingency plan analyzes various risks and includes plans for restarting business operations and implementing system recovery. It is categorized into a common plan for Bankwide operations and plans for each individual department.

Hereafter, the Bank (including domestic branches) will be conducting rehearsals of the plan and the results will be used to improve the existing contingency plan.

Customers and Employee Awareness Program

Toyo Trust recognizes the importance of the Y2K issue and the impact it could have on global financial systems. The Bank has a program designed to make customers and Bank employees aware of the issue and to ensure measures to renovate systems and equipment are implemented on a timely basis.

The Bank has performed customer surveys and established a contact point for consultation for those customers who are lagging in their efforts and/or are uncertain as to what to do.

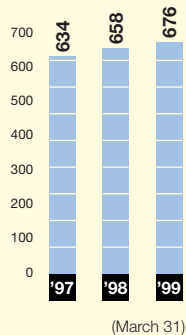
For Bank employees, the master plan and the monthly updates are available on the intraoffice system to ensure that all employees fully understand the importance of the Y2K issue.

Budget

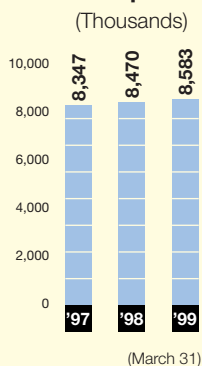
The costs related to ensuring total Y2K readiness and the preparation of the contingency plan for both domestic and overseas offices have reached approximately ¥3.3 billion (including personnel expenses), with ¥2.2 billion of this amount being paid by March 1999. The remaining ¥1.1 billion, which is mostly related to external interface testing, preparation and improvement of the contingency plan, and conducting the final confirmation test, will be paid by December 1999.

Toyo Trust endeavors to minimize all risks associated with Y2K issues. However, the above statement does not imply any warranty nor obligation on the part of Toyo Trust.

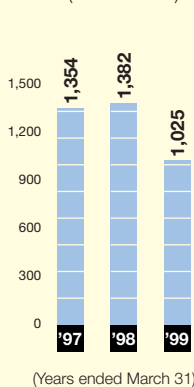
Number of Publicly Listed Corporate Clients for Corporate Agency Business



Number of Shareholders Accounts among Domestic Corporate Clients



Number of Stock Transfers



Corporate Agency Business

The corporate agency business was introduced in 1950 under the revised Commercial Code of Japan. Today, most companies whose shares are traded in public appoint stock transfer agents to handle their shareholder administration. As a stock transfer agent, Toyo Trust provides fast and accurate service and its sophisticated systems contribute to the smooth transfer of stock and registration of shareholders.

Corporate Agency Services

Corporate agency services, including stock transfer operations, registration, and distribution of dividend payments, are of vital importance to corporations and their shareholders. With the growing number of shareholders and constant trading of stock, these operations represent a burdensome and complicated task for publicly listed companies.

Toyo Trust has earned the deep trust of both corporations and their shareholders as a corporate agency that provides fast and accurate service. As of March 31, 1999, Toyo Trust was serving 676 domestic publicly traded corporations, more than any other player in this area. In addition, the Bank provides consulting services to corporations planning to go public and works closely with securities underwriters and auditing firms to support companies making initial public offerings (IPOs).

Planning and Developing New Products

After the introduction of *The Stock Option Services* following a revision to the Commercial Code of Japan that effectively abolished restrictions on stock options as an incentive scheme, Toyo Trust has begun *The Management Services for Overseas Shareholders* that will strengthen clients' understanding of and commitment to handling overseas shareholders. Toyo Trust, responding to the changes taking place in the environment as well as the legislation surrounding corporate agency services, is working to offer new products and services to better support clients' evolving needs.

Seminars and Consulting Services

Toyo Trust conducts a number of seminars featuring presentations by in-house and outside experts to assist managers in client companies and new Board members. In addition, the Bank distributes such publications as the *Daiko Report* and the *Shoken Daiko Newsletter* to enable customers to access timely information. Moreover, Toyo Trust publishes a number of books, including *The Stock Administration Handbook*, *Periodic Reporting Under Corporate Law*, and *The Stock Options and Stock Repurchase Manual*. These publications not only support managers involved in equities but also assist a large number of experts and corporate executives.

Pension Trusts

As the Japanese population rapidly ages, the national pension system, a government-funded social security system, is increasingly being supplemented by corporate pension plans. Toyo Trust's expertise in this area is based on its vast experience in systems administration, including record keeping and member administration services, and asset management. The Bank offers services that cover the full range of trust bank functions that amply fulfill the increasingly diverse and sophisticated pension needs of a new era.

Corporate Pension Trusts

Under the corporate pension trust system, Toyo Trust and other trust banks manage the assets of corporate or welfare annuity funds that are paid out to employees after retirement as an annual or lump-sum payment.

Amid the rapid changes arising from financial deregulation and the adoption of global standards, such as new accounting standards that require the disclosure of pension liabilities on corporate balance sheets, the environment surrounding corporate pension fund management has intensified. There is also a recognized need to perform high-value-added consulting functions for greater fund management efficiency and stability.

Toyo Trust is working to enhance its administrative, record keeping, and pension management systems. The Bank quickly and accurately manages the entire spectrum of pension-related services, including keeping data on a large number of pension participants and beneficiaries, administering pension payment and the complex actuarial systems, and investing and managing pension fund assets. For individual corporate pension systems, the Bank also offers such consultancy services as ALM and pension benefit obligation (PBO) calculation, which will be a legal accounting requirement as of fiscal 2000. In providing these services, the Bank has displayed a high degree of expertise and the ability to meet diverse customer needs.

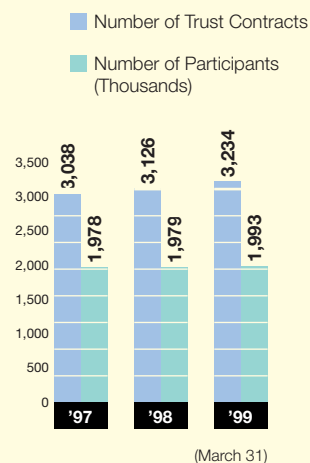
[Tax-Qualified Pension Funds]

The tax-qualified pension trust, established in 1962 and regulated by the National Tax Administration Agency, is a corporate pension system that enables contributions to have some tax merits under certain conditions.

[Employees' Adjusted Pension Funds]

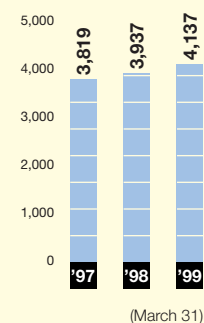
Employees' Adjusted Pension Fund (EAPF) trusts, introduced in 1966, enable a corporation or industry organization to obtain permission from the Minister of Health and Welfare to establish a welfare annuity fund. These trusts act as special corporations to take over the management of pension funds paid into a retirement account, which is part of the national welfare pension insurance, to supplement individual corporate pension plans.

Corporate Pension Trusts



Pension Trust Assets

(Billion ¥)



Pension Specified Money Trusts (*Nenkin Tokkin*)

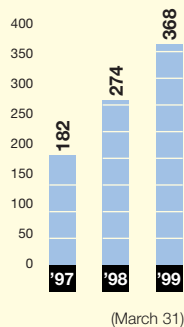
Nenkin Tokkin are a method of managing the pension assets of EAPFs or tax-qualified pension trusts that enable the fund or company to establish contracts with investment advisors for discretionary asset management. Because the investment management company does not administrate the assets of the client, it is required to establish a *tokkin* agreement with trust banks for the day-to-day administration services, including custody and fund transfer as well as receiving interest and dividends.

Toyo Trust handles *tokkin* using its pension fund system. Through real-time asset evaluation and accounting processes based on the same standards as pension trusts, the Bank can provide both clients and investment management companies with standardized reports.

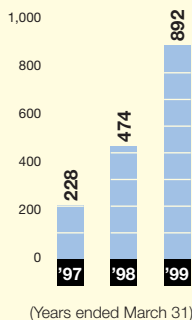
[Data Disclosure System]

Toyo Trust, in cooperation with the Nomura Research Institute, has developed an innovative system for sending data on pension trusts and *tokkin*. The service, which has been available to investment management companies since April 1998, was extended to the Bank's trustees in April 1999. This new service enables trustees to receive comprehensive information on fund performance on a real-time basis for fund analysis. It also reduces the administrative burden for investment management companies, such as verification of trades.

Securitized Trust Assets
(Billion ¥)



New Contracts for Securitized Trust Assets
(Billion ¥)



Securitization Business

Amid the rising need for reducing the size of balance sheets and more diverse funding methodologies, the securitization market continues to expand. Consequently, Toyo Trust expects the market for asset-backed securitization products to show steady growth as it becomes an increasingly attractive option for both institutional investors seeking to diversify risk and companies that wish to diversify fund-raising and reduce asset holdings. Toyo Trust is actively developing new and original products to satisfy diverse customer demand for asset-backed securitization products.

Monetary Claim Trusts

Monetary claim trusts are trusts that accept such monetary claims as trust assets with the aim of managing and disposing of these claims. Beneficial interests for monetary claim trusts may be transferred, thereby providing a means of fund-raising for the settlor and a new investment product for the investor to whom the interests are transferred.

[Commercial Loan Trusts]

Corporate loans, loans to local government agencies, and housing loans held by financial institutions or others are the underlying assets of monetary claim trusts. Beneficial interests are marketed to institutional investors and other investors.

[Trade Receivable Trusts]

Trade receivables of corporations are also the underlying assets of monetary claim trusts. Beneficial interests are marketed to institutional investors and other investors.

[Specific Claim Trusts]

Such specific claims as lease, credit, and automobile loans owned by leasing or credit companies are aggregated in a monetary claim trust. Beneficial interests are marketed to institutional investors and other investors.

Lease Property Trusts

Toyo Trust was the first bank in Japan to offer lease property trusts, which allow lease assets, such as office automation and other equipment owned by leasing companies, to be aggregated into one property trust, the beneficial interests to which are then sold to institutional investors and other investors.

Securitization through Asset-Backed Commercial Paper

As another method of securitization, Toyo Trust began handling asset-backed commercial paper (ABCP) in September 1997. The Bank is able to offer a wider range of products to meet corporate customer needs for asset size reduction and more diverse funding methodologies.

Real Estate Securitization

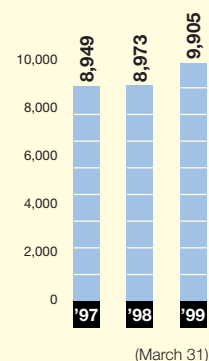
The real estate securitization market is expected to quickly expand in light of the increased diversification of corporate financial strategies and the impact of the Special Purpose Corporation (SPC) law, a law passed in September 1998 that was aimed at securitizing specific assets through special purpose corporations. Toyo Trust has accumulated a wealth of knowledge through such real estate services as real estate brokerage, land trusts, and real estate appraisal. The Bank satisfies the needs of corporations and investors by maximizing its accumulated know-how in the above mentioned monetary claim and real estate securitization services.

Securities-Related Business

The ongoing trend toward liberalization and securitization has resulted in increasingly more complex and diverse customer needs for fund investment and procurement in domestic and overseas markets. Toyo Trust is using its knowledge and experience in both trust and banking operations accumulated over many years to offer comprehensive securities-related services.

Securities Investment Trusts

(Billion ¥)



Securities Management and Administration Services

[Securities Investment Trusts]

Toyo Trust offers administrative services in bonds and stock investment for securities investment trust management companies. The Bank then performs such services as verifying the beneficiary certificates and accounting as related to investment trusts. Toyo Trust has been a leader in this field since its establishment.

[Tokkin (Specified Money Trusts)/Money in Trust Other than Money Trusts]

Toyo Trust manages and procures trust assets in accordance with the instructions of the settlors or their representatives for money in trust with the purpose of securities investment. For this reason, the burden for customers of securities administration has been reduced. In addition, the buying, selling, and holding of such securities is performed in the name of Toyo Trust, and securities can be treated separately from securities held by the customers. Consequently, this method of accounting allows efficient investment and this line of product is particularly attractive to institutional investors.

[Other Securities Administrative Services]

For domestic investors diversifying into overseas investments, Toyo Trust provides global custody services, including the delivery, settlement, and safekeeping of securities. For overseas investors investing in Japanese securities, the Bank offers standing agency services.

Investment Advisory Services

Investment advisory service is a service whereby the Bank provides customers with fee-based investment information and advice. Toyo Trust was the first bank to offer these services in Japan, launching the Special Contacting Membership Investment Consulting Service in 1960. Since that time, the Bank has won widespread praise among customers for the solid asset investment performance it has recorded as an investment expert in the field of marketable securities. In addition, the Bank has established an affiliated company, The Toyo Trust Asset Management Company, Limited, to respond more effectively to changing client needs.

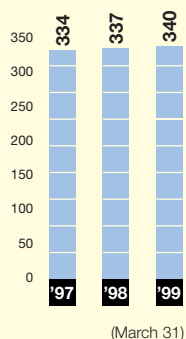
Real Estate Services

Toyo Trust undertakes brokerage activities for the sale and lease of commercial properties such as office buildings, factories, and warehouses as well as for the sale of land and homes for residential use. The Bank employs an extensive network to quickly identify potential buyers/sellers while ensuring the transactions in such areas as surveys, price negotiations, and documentation. The Bank collaborates with Toyo Realty Co., Ltd., an affiliated company specializing in residential real estate brokerage.

Toyo Trust works with developers for the cooperative marketing of condominiums and single-unit dwellings, provides real estate appraisal services, and offers consultation advice on real estate.

Land Trusts

(Contract Base)



(March 31)

Land Trust Services

Through land trusts, the Bank acts in place of the landowner to perform efficient, integrated management of real estate ranging from business planning, construction, and other administrative activities such as attracting tenants and collecting rents. Land trusts reduce the burden for landowners of handling such troublesome duties as arranging fund-raising, finding prospective tenants, and supervising and managing property. Based on these land trust activities, Toyo Trust actively promotes survey and analysis services as well as planning and proposal for development projects. In addition, the Bank offers administration services for securitized property based on its accumulated knowledge through the comprehensive management of real estate trusts.

Trust Asset Management Services

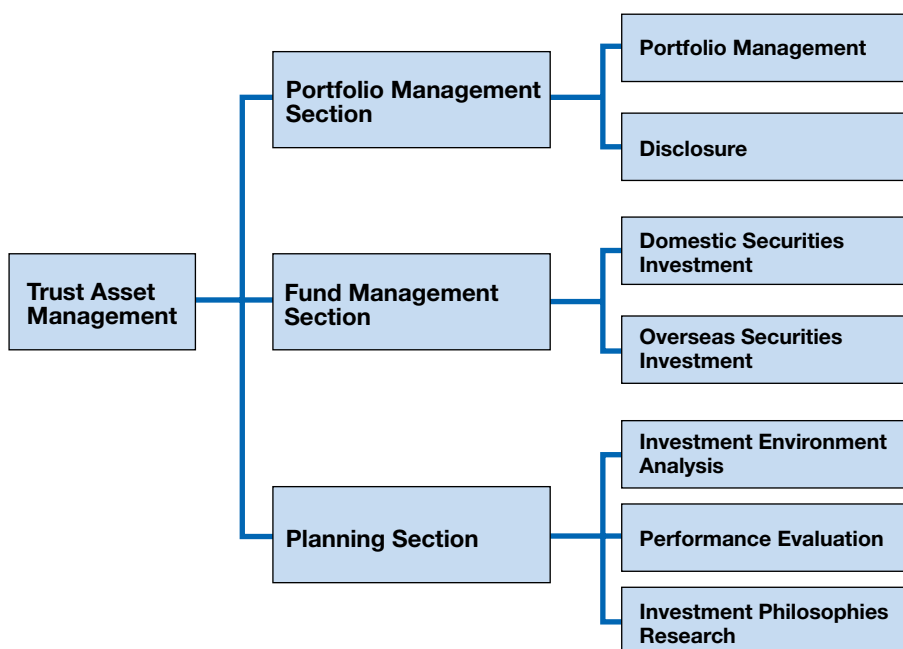
Pension funds, independently managed designated money trusts, and fund trusts are designed to facilitate long-term growth in trust assets through securities investment. The character and conditions of each fund are tailor-made for individual customers.

Asset Management Division Organization

[Portfolio Management Section]

Through communications with customers, the Portfolio Management Section decides investment policy, asset allocation, and investment style. The Bank keeps clients constantly informed of the fund's performance.

Trust Asset Management Organization



[Fund Management Section]

The Fund Management Section, based on the investment policy of each customer, researches and trades in domestic and overseas stocks and bonds as well as other permitted assets.

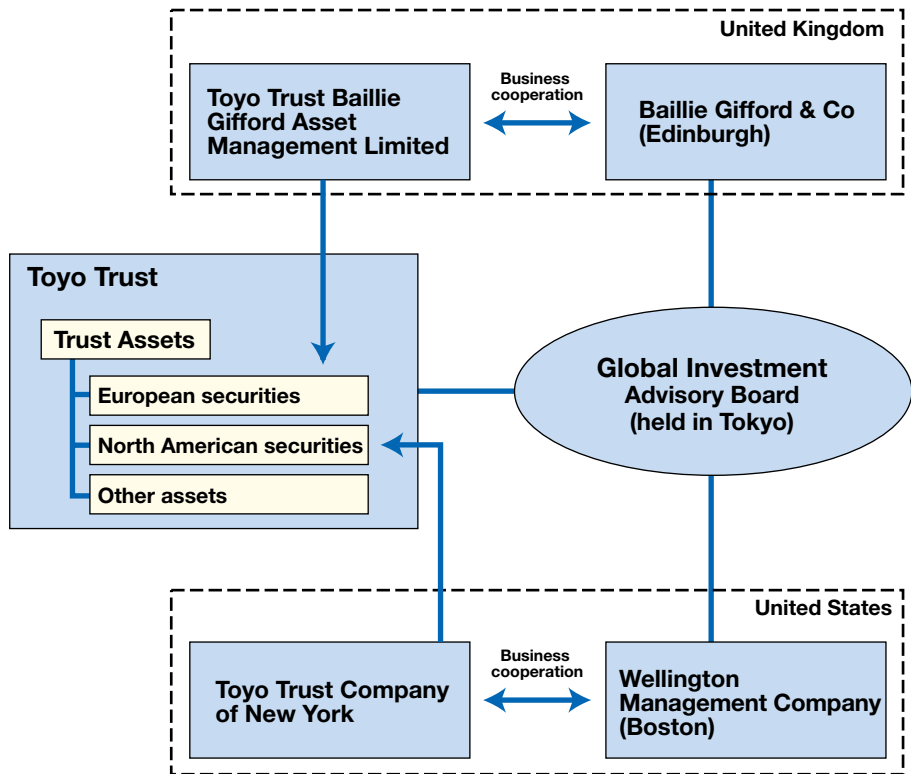
[Planning Section]

The Planning Section analyzes the investment environment, evaluates performance, and carries out research on investment philosophies and methodologies as a basis for fund management.

A Tripolar Structure for Overseas Securities Management

Toyo Trust has established a tripolar structure for managing and investing in overseas securities. The Bank has formed strategic tie-ups with leading investment management companies in the United States and Europe for investment advice in their respective areas. Toyo Trust is working to further enhance this structure, evaluating the investment climate of each area for the optimal allocation of assets, both overseas and domestic.

A Tripolar Structure for Overseas Securities Management



FINANCIAL SECTION
NON-CONSOLIDATED SIX-YEAR SUMMARY

The Toyo Trust and Banking Company, Limited

(As of March 31)

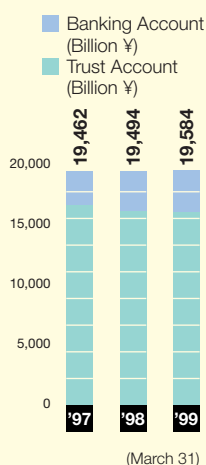
BALANCE SHEETS	Millions of yen					
	1999	1998	1997	1996	1995	1994
Banking Account:						
Total Assets	¥ 7,909,809	¥ 8,154,838	¥ 7,325,592	¥ 7,429,777	¥ 8,047,860	¥ 7,822,099
Cash and Due from Banks	285,666	375,475	358,286	524,187	871,828	629,919
Call Loans and Bills Purchased	315,669	650,000	12,048	10,241	19,737	22,802
Investment Securities	1,484,137	1,464,781	1,690,745	1,716,920	1,934,793	1,980,383
Loans and Bills Discounted	4,539,806	4,815,020	4,528,215	4,298,295	4,469,729	4,367,628
Foreign Exchanges	6,486	15,242	19,843	23,052	20,203	22,878
Customers' Liabilities for Acceptances and Guarantees	331,570	382,562	328,451	271,819	241,351	271,309
Total Liabilities	¥ 7,356,596	¥ 7,870,641	¥ 7,045,011	¥ 7,164,895	¥ 7,604,251	¥ 7,379,953
Deposits	3,507,762	3,316,931	2,804,939	2,373,582	2,721,761	2,372,663
Call Money and Bills Sold	233,224	516,870	311,794	286,754	658,299	1,103,862
Borrowed Money	358,424	341,520	235,740	180,006	173,286	215,293
Foreign Exchanges	34	1,184	44	57	26	20
Acceptances and Guarantees	331,570	382,562	328,451	271,819	241,351	271,309
Total Stockholders' Equity	¥ 553,212	¥ 284,196	¥ 280,581	¥ 264,882	¥ 443,608	¥ 442,146
Trust Account:						
Total Assets	¥28,311,269	¥27,631,419	¥28,070,737	¥27,531,064	¥27,473,209	¥28,341,058
Loans and Bills Discounted	2,885,026	3,136,021	3,741,930	3,944,443	3,839,935	4,089,498
Securities	11,325,076	10,672,769	10,185,520	9,255,069	9,843,050	8,485,548
Securities Held for Investment Trusts	4,376,654	5,005,977	5,990,711	5,560,474	5,364,612	5,896,667
Call Loans and Bills Purchased	1,373,325	2,225,871	1,601,383	2,234,516	1,578,275	2,889,711
Total Liabilities	¥28,311,269	¥27,631,419	¥28,070,737	¥27,531,064	¥27,473,209	¥28,341,058
Money Trusts	7,443,436	6,981,603	6,649,081	6,203,590	5,781,009	5,173,506
Pension Trusts	4,137,105	3,937,156	3,819,128	3,652,610	3,580,474	3,481,122
Property Formation Trusts	5,040	5,652	5,617	5,225	4,962	4,357
Loan Trusts	4,491,414	5,253,072	6,183,481	6,861,539	7,331,261	7,561,625
Securities Investment Trusts	9,905,696	8,973,647	8,949,016	8,395,013	8,170,375	9,279,147

(For the years ended March 31)

STATEMENT OF INCOME

STATEMENT OF INCOME	Millions of yen					
	1999	1998	1997	1996	1995	1994
Total Income	¥ 437,173	¥ 466,798	¥ 549,771	¥ 529,237	¥ 489,428	¥ 523,271
Total Expenses	656,299	458,221	529,929	693,135	476,391	515,685
Income (Loss) before Income Taxes	(219,126)	8,576	19,841	(163,898)	13,037	7,585
Net Income (Loss)	(127,707)	8,476	19,628	(173,552)	7,038	7,028

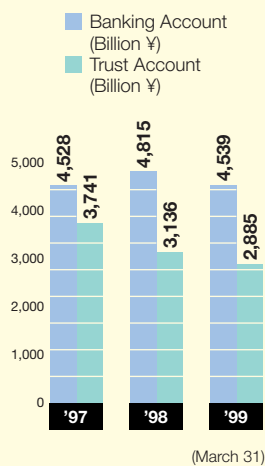
Total Employable Funds



(March 31)

Total Employable Funds:
 Deposits (Banking Account) + Loan Trusts +
 Money Trusts + Pension Trusts +
 Property Formation Trusts

Year-End Balance of Loans and Bills Discounted



(March 31)

Deposits/Trust Funds

At March 31, 1999, total deposits amounted to ¥3,057.6 billion, up ¥98.9 billion from the end of fiscal 1997.

Trust assets suffered from the effects of protracted ultralow interest rates, and, as a result, the aggregate balance of the Bank's jointly operated designated money trusts (JODMTs) and loan trusts—under which principal is indemnified—decreased ¥814.2 billion, to ¥5,886.0 billion at fiscal year-end. The aggregate balance of the Bank's total assets in the Trust Account, which includes all other types of trust funds, increased ¥679.8 billion from the end of fiscal 1997, to ¥28,311.2 billion.

Loans/Investment Securities

At March 31, 1999, the outstanding amount of loans and bills discounted in the Banking Account amounted to ¥4,539.8 billion, down ¥275.2 billion from the end of the previous fiscal year. In the Trust Account, loans and bills discounted stood at ¥2,885.0 billion, down ¥250.9 billion from the end of fiscal 1997. The slump in demand for long-term funding caused the total aggregate loan balance in JODMTs and loan trusts accounts to decline ¥247.3 billion, to ¥2,815.2 billion at the end of fiscal 1998.

As of March 31, 1999, the balance of investment securities in the Banking Account amounted to ¥1,484.1 billion, an increase of ¥19.3 billion from the previous fiscal year-end. Securities in the Trust Account increased ¥652.3 billion, to ¥11,325.0 billion.

Year-End Balance of Loans and Bills Discounted

(As of March 31)

Loans and Bills Discounted	Millions of yen					
	1999		1998		1997	
	B/A	T/A	B/A	T/A	B/A	T/A
Domestic	¥4,002,297	¥2,885,026	¥3,799,324	¥3,136,021	¥3,423,451	¥3,741,930
International	537,509	—	1,015,696	—	1,104,763	—
Total	¥4,539,806	¥2,885,026	¥4,815,020	¥3,136,021	¥4,528,215	¥3,741,930

Lending

(As of March 31)

Industry	Millions of yen					
	1999		1998		1997	
	B/A	T/A	B/A	T/A	B/A	T/A
Manufacturing	¥ 462,331	¥ 183,809	¥ 432,264	¥ 179,075	¥ 358,991	¥ 272,642
Construction	87,610	95,013	82,793	119,337	75,732	123,182
Utilities	51,713	211,049	46,332	230,462	31,253	252,364
Transportation and Communications	171,832	268,641	214,902	288,709	120,560	344,536
Wholesale and Retail	443,598	174,081	378,070	200,943	367,342	223,480
Finance and Insurance	972,363	506,174	956,665	586,556	995,776	767,783
Real Estate	935,956	583,996	838,353	626,414	789,060	679,381
Services	649,759	218,996	722,599	225,979	583,225	360,948
Others	393,772	643,264	309,602	678,543	240,375	717,609
Total	¥4,168,939	¥2,885,026	¥3,981,583	¥3,136,021	¥3,562,316	¥3,741,930

Notes: 1. The above figures exclude loans that are booked at overseas branches and Tokyo offshore accounts for international financial transactions.

2. Classification of loans by industry is based on industry segment loan classifications as defined by the Bank of Japan for regulatory reporting purposes and is not necessarily based on use of loan proceeds.

Lending by Collateral

(As of March 31)

Class of Collateral	Millions of yen					
	1999		1998		1997	
	B/A	T/A	B/A	T/A	B/A	T/A
Securities	¥ 85,062	¥ 33,714	¥ 82,704	¥ 36,071	¥ 42,190	¥ 44,862
Claims	117,591	40,181	131,975	31,537	158,439	44,164
Real Estate	562,289	859,479	450,693	1,018,991	437,897	1,116,540
Plant	1,730	2,743	4,273	6,361	5,529	2,110
Endowments	44,071	60,820	28,355	55,061	22,747	69,283
Ships	14,734	5,916	14,877	6,289	13,520	8,958
Others	92,788	9,031	139,081	8,871	71,962	7,939
Guaranteed	563,606	338,477	580,526	367,475	512,203	439,077
Unsecured	3,057,932	1,534,662	3,382,533	1,605,360	3,263,722	2,008,992
Total	¥4,539,806	¥2,885,026	¥4,815,020	¥3,136,021	¥4,528,215	¥3,741,930

Total Domestic and International Lending by Use of Funds

(As of March 31)

	Millions of yen					
	1999		1998		1997	
	B/A	T/A	B/A	T/A	B/A	T/A
Funds for Capital Investments	¥1,053,823	¥1,328,289	¥ 941,990	¥1,647,444	¥ 749,240	¥1,796,413
Funds for Working Capital	3,485,983	1,556,737	3,873,030	1,488,576	3,778,974	1,945,516
Total	¥4,539,806	¥2,885,026	¥4,815,020	¥3,136,021	¥4,528,215	¥3,741,930

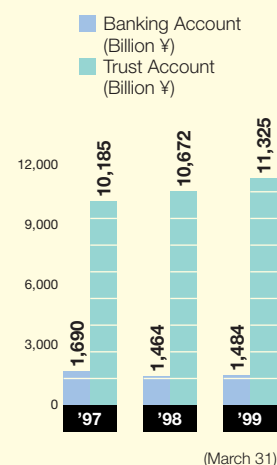
Market Value Information on Investment Securities (Banking Account)

(As of March 31)

	Millions of yen					
	1999					
	Balance-sheet amount	Market value	Unrealized gain (loss)	Unrealized gain	Unrealized loss	
Investment Securities:						
Bonds	¥ 51,732	¥ 53,028	¥ 1,295	¥ 1,316	¥ 21	
Stocks	897,257	882,237	(15,019)	76,518	91,538	
[Treasury Stocks]	[2]	[2]	[(0)]	[—]	[0]	
Others	44,303	44,729	425	802	377	
Total	¥993,293	¥979,995	¥(13,298)	¥78,638	¥91,936	
	1998					
	Balance-sheet amount	Market value	Unrealized gain (loss)	Unrealized gain	Unrealized loss	
Investment Securities:						
Bonds	¥ 191,890	¥ 195,250	¥ 3,359	¥ 3,516	¥ 157	
Stocks	809,591	857,574	47,982	125,764	77,782	
[Treasury Stocks]	[1]	[1]	[0]	[0]	[—]	
Others	37,138	37,562	424	1,094	670	
Total	¥1,038,620	¥1,090,387	¥51,766	¥130,375	¥78,609	

Notes: 1. The investment marketable securities shown in this table are listed securities (bonds include national government bonds, local government bonds, and corporate bonds). The market price of listed securities is generally the final closing price on the Tokyo Stock Exchange. The marketable price for public offering in fiscal 1998 is based on yields on issues carried in the government and corporate OTC bond (standard) quotation tables published by the Japan Securities Dealers Association or the final closing price on the Tokyo Stock Exchange.

Total Investment Securities



2. Unlisted securities for which equivalents to market prices could be calculated are as follows:

(As of March 31)

	Millions of yen				
	1999				
	Balance-sheet amount	Market value	Unrealized gain (loss)	Unrealized gain	Unrealized loss
Investment Securities:					
Bonds	¥181,084	¥187,440	¥ 6,355	¥ 6,771	¥ 415
Stocks	8,479	15,184	6,705	7,848	1,143
Others	42,433	41,964	(468)	658	1,126
Total	¥231,996	¥244,589	¥12,592	¥15,278	¥2,685
	1998				
	Balance-sheet amount	Market value	Unrealized gain (loss)	Unrealized gain	Unrealized loss
Investment Securities:					
Bonds	¥122,497	¥129,228	¥ 6,730	¥ 6,824	¥ 93
Stocks	8,365	10,944	2,578	3,661	1,082
Others	102,189	81,329	(20,860)	3,579	24,439
Total	¥233,053	¥221,502	¥(11,550)	¥14,065	¥25,616

Equivalents to market prices for unlisted securities:

- For securities traded over the counter, trading prices are listed by the Japan Securities Dealers Association.
 - For public offerings, equivalents based on yields on issues carried in the government and corporate OTC bond (standard) quotation tables are published by the Japan Securities Dealers Association.
 - For beneficiary certificates for securities investment trusts, equivalents are based on net asset value.
 - For securities traded over the counter in the United States, trading prices are quoted by NASDAQ.
3. In the table and Note 2 above, "Others" refers principally to overseas bonds.
4. Principal balance-sheet amounts for securities other than those for which market value information is indicated are as follows:

(As of March 31)

	Millions of yen	
	1999	1998
Investment Securities:		
Domestic Unlisted Securities Other than Publicly Offered Bonds	¥ 44,540	¥38,116
Unlisted Bonds, Maturity Less than One Year	100,140	320
Unlisted Securities Other than Domestically Offered Bonds	12,840	32,493
Unlisted Stocks of Affiliates	34,718	57,920

5. Trading Account Securities are marked to market and the unrealized gain and loss are recognized in the Statement of Income and are thus excluded from the above figures.

Market Value Information on Money Held in Trust (Banking Account)

(As of March 31)

	Millions of yen				
	1999				
	Balance-sheet amount	Market value	Unrealized gain (loss)	Unrealized gain	Unrealized loss
Money Held in Trust	¥59,176	¥60,216	¥1,039	¥2,604	¥1,564
	1998				
	Balance-sheet amount	Market value	Unrealized gain (loss)	Unrealized gain	Unrealized loss
Money Held in Trust	¥57,642	¥57,580	¥(61)	¥509	¥571

Note: The market value of Money Held in Trust is calculated rationally by the trustee as follows:

- For marketable listed securities, the market price is generally the final closing price on the Tokyo Stock Exchange. For public offerings, equivalents based on yields on issues carried in the government and corporate OTC bond (standard) quotation tables are published by the Japan Securities Dealers Association.
- For securities traded over the counter, trading prices are listed by the Japan Securities Dealers Association.

Income and Expenses

During the period under review, Toyo Trust worked hard to increase the efficiency of its asset investment operations and to expand and enhance trust-related business as well as improve management efficiency. However, the large-scale problem loan disposals undertaken in the year under review resulted in a net loss of ¥127.7 billion.

The Bank adopted tax effect accounting with effect from fiscal 1998, the fiscal year under review.

Net business profit—which reflects profit from principal operations— decreased ¥14.7 billion, to ¥34.3 billion. Net business profit is calculated after deductions for loan losses in the Trust Account and provision for general reserve in the Banking Account. Therefore, a more representative reflection of trust banks' earnings potential comparable with non-trust banks is given by adjusted net business profit, which is net business profit before loan losses in the Trust Account and provision for general reserve in the Banking Account. In fiscal 1998, adjusted net business profit increased ¥21.6 billion, to ¥107.2 billion, and was attributable to an increase in interest income.

Problem Loans

In fiscal 1998, in addition to implementing comprehensive initiatives to secure the financial health of subsidiaries, affiliates, and Group companies, Toyo Trust worked to ensure the financial soundness of its assets by carrying out rigorous asset assessments and making prudent and precautionary write-offs and reserves that comply with standards set by the FRC. As a result of these measures, ¥297.7 billion of losses were incurred relating to the disposal of problem loans in the Banking Account. The balance of reserves for possible loan losses in the Banking Account at March 31, 1999, was ¥419.3 billion.

At the same time, the Bank has also actively pushed ahead with the disposal of problem loans in the Trust Account based on its revised standards for assessment of assets. Consequently, the total losses attributable to disposals of problem loans relating to JODMTs and loan trusts was ¥60.1 billion.

Risk Management Loans

(As of March 31)

	Billions of yen					
	1999			1998		
	B/A	T/A	Total	B/A	T/A	Total
Loans to Bankrupt Borrowers (A)	¥113.8	¥ 19.6	¥ 133.4	¥108.0	¥ 18.0	¥126.1
Past Due Loans (nonaccrual) (B)	644.1	203.0	847.2	31.4	62.1	93.5
Total of Nonaccrual Loans (A + B = C)	757.9	222.7	980.6	139.5	80.2	219.7
Past Due Loans (three months or more) (F)	2.1	7.5	9.6	7.5	17.0	24.6
Renegotiated Loans (G)	77.0	2.4	79.4	117.6	3.1	120.8
Total (C + F + G)	¥837.1	¥232.6	¥1,069.8	¥264.8	¥100.4	¥365.2

Refer to page 43 Note 5 for a definition of each classification.

Loan Balances Based on New Disclosure Standards under the Financial Reconstruction Law

	Billions of yen		
	March 31, 1999		
	B/A	T/A	Total
Bankrupt/Quasi-bankrupt	¥237.3	¥ 98.1	¥ 335.5
Doubtful	525.3	123.3	648.6
Substandard	78.6	9.3	87.9
Total	¥841.3	¥230.8	¥1,072.1

Refer to page 10 for a definition of each classification.

Reserves for Possible Loans Losses

(As of March 31)

	Billions of yen	
	1999	1998
Banking Account		
General Reserve	¥ 38.4	¥ 25.7
Specific Reserve	375.7	163.6
Reserve for Specific Overseas Loan Losses	5.0	0.1
Total	¥419.3	¥189.4
Trust Account (Indemnified)		
Special Reserve for Loan Trusts	¥ 25.0	¥ 29.2
Reserve for Possible Loan Losses of JODMTs*	1.6	2.2
Total	¥ 26.7	¥ 31.5

* Jointly Operated Designated Money Trusts

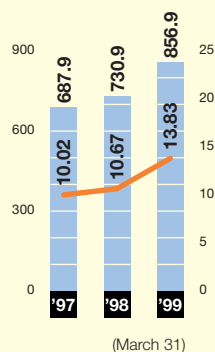
Credit Costs

(For years ended March 31, 1999 and 1998)

	Billions of yen	
	1999	1998
Direct Write-Offs	¥ 21.4	¥ 0.8
Net Additions to Specific Reserves	266.0	59.9
Losses on Sale of Loans to CCPC	0.8	4.7
Net Additions to Reserves for Additional Losses from Sold Claims to CCPC	3.0	2.2
Others	6.4	1.1
Banking Account Total	297.7	68.9
Trust Account Total	60.1	24.4
Grand Total	¥357.8	¥93.4

BIS Capital Adequacy & Capital Adequacy Ratio

■ Capital Adequacy
(Billion ¥)
— Capital Ratio
(%)



Capital Adequacy

Due to a capital injection of ¥300 billion, the total consolidated risk-adjusted capital adequacy ratio, calculated in accordance with BIS standards, was 13.8%, up 3.1 percentage points from the end of the previous period.

Capital adequacy and the capital adequacy ratio are calculated on a consolidated basis in accordance with BIS standards.

BIS Capital Adequacy Ratio (Consolidated)

(As of March 31)

	Millions of yen		
	1999	1998	1997
Capital Ratio	13.83%	10.67%	10.02%
Tier I	¥ 535,992	¥ 395,599	¥ 397,453
Tier II as Qualifying Capital	322,419	335,316	290,471
45% of Unrealized Gains on Investment Securities	—	—	78,105
45% of Revaluation Account	8,011	12,451	—
Reserve for Possible Loan Losses	39,720	25,707	13,638
Subordinated Debt	274,687	297,157	198,726
Deduction	1,499	—	—
Total Risk-Adjusted Assets	6,195,030	6,844,054	6,861,933
Tier I Capital Ratio	8.65%	5.78%	5.79%

Notes: 1. Tier II capital may not exceed Tier I capital.

2. The amount of Tier II capital is the sum of a) 45% of unrealized gains on investment securities (through fiscal 1996), b) reserve for possible loan losses (general reserve only), c) subordinated debt, and d) 45% of the revaluation account as specified in the Law Concerning Revaluation of Land (from fiscal 1997). Subordinated debt is limited to 50% of Tier I capital and subordinated term debt with remaining maturities of five years or less must be amortized on a cumulative basis at the rate of 20% annually.

NON-CONSOLIDATED BALANCE SHEETS

The Toyo Trust and Banking Company, Limited

(As of March 31)

BANKING ACCOUNT	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Assets			
Cash and Due from Banks	¥ 285,666	¥ 375,475	\$ 2,369,696
Call Loans and Bills Purchased	315,669	650,000	2,618,575
Trading Account Assets (Notes 2 [A], 3)	293,426	171,214	2,434,068
Money Held in Trust (Note 2 [B])	59,176	57,642	490,889
Investment Securities (Notes 2 [B], 4)	1,484,137	1,464,781	12,311,388
Loans and Bills Discounted (Note 5)	4,539,806	4,815,020	37,659,119
Foreign Exchanges (Note 6)	6,486	15,242	53,806
Other Assets (Note 7)	313,041	115,421	2,596,780
Premises and Equipment (Notes 2 [C], 8)	97,833	107,478	811,560
Deferred Tax Assets (Note 2 [L])	182,992	—	1,517,980
Customers' Liabilities for Acceptances and Guarantees (Note 9)	331,570	382,562	2,750,481
Total Assets	¥7,909,809	¥8,154,838	\$65,614,349
Liabilities			
Deposits (Note 10)	¥3,507,762	¥3,316,931	\$29,097,986
Call Money and Bills Sold	233,224	516,870	1,934,673
Trading Account Liabilities (Notes 2 [A], 3)	72,348	77,903	600,156
Borrowed Money (Note 12)	358,424	341,520	2,973,242
Foreign Exchanges (Note 6)	34	1,184	288
Bonds (Note 11)	50,000	50,000	414,765
Convertible Bonds (Note 13)	54,413	54,413	451,380
Other Liabilities (Note 14)	2,310,239	2,901,468	19,164,159
Reserve for Possible Loan Losses (Note 2 [E])	419,361	189,461	3,478,733
Reserve for Retirement Allowances (Note 2 [F])	3,853	3,844	31,967
Reserve for Additional Losses from Sold Claims to CCPC (Note 2 [G])	7,921	6,807	65,707
Other Reserves (Note 2 [H])	0	2	0
Deferred Tax Liabilities Related to Revaluation (Note 2 [K])	7,441	—	61,732
Acceptances and Guarantees (Note 9)	331,570	382,562	2,750,481
Revaluation Account (Note 2 [K])	—	27,670	—
Total Liabilities	¥7,356,596	¥7,870,641	\$61,025,274
Stockholders' Equity			
Stock Capital (Note 15)	¥ 265,427	¥ 115,426	\$ 2,201,803
Capital Surplus	237,567	87,566	1,970,696
Legal Reserve (Note 2 [M])	20,823	19,800	172,736
Revaluation Account (Note 2 [K])	10,361	—	85,953
Retained Earnings (Note 2 [M])	19,033	61,403	157,885
Total Stockholders' Equity	553,212	284,196	4,589,074
Total Liabilities and Stockholders' Equity	¥7,909,809	¥8,154,838	\$65,614,349

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF INCOME AND UNDIVIDED PROFITS

The Toyo Trust and Banking Company, Limited

(For years ended March 31)

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Income			
Trust Fees	¥ 78,706	¥115,179	\$ 652,891
Interest Income:			
Interest on Loans and Discounts	111,566	130,103	925,481
Interest and Dividends on Securities	34,160	41,922	283,376
Other Interest Income (Note 17)	26,182	42,108	217,191
	171,910	214,134	1,426,049
Fees and Commissions (Note 18)	35,282	34,958	292,678
Trading Account Income (Note 2 [A])	4,132	1,423	34,281
Other Operating Income (Note 20)	22,980	21,498	190,634
Other Income (Note 21)	124,160	79,603	1,029,953
Total Income	¥ 437,173	¥466,798	\$ 3,626,489
Expenses			
Interest Expenses:			
Interest on Deposits	60,102	81,044	498,572
Interest on Borrowings and Rediscounts	18,016	24,763	149,454
Other Interest Expenses (Note 17)	69,139	97,039	573,531
	147,258	202,847	1,221,558
Fees and Commissions (Note 22)	4,853	4,465	40,259
Trading Account Expenses (Note 23)	—	6,150	—
Other Operating Expenses (Note 24)	19,753	12,925	163,858
General and Administrative Expenses (Note 25)	95,708	102,135	793,929
Other Expenses (Note 26)	388,726	129,697	3,224,603
Total Expenses	¥ 656,299	¥458,221	\$ 5,444,209
Income (Loss) before Income Taxes	(219,126)	8,576	(1,817,720)
Income Taxes:			
Current	100	100	829
Deferred (Note 2 [L])	(91,518)	—	(759,174)
Net Income (Loss)	¥(127,707)	¥ 8,476	\$ (1,059,376)
Profit Brought Forward from Previous Term	5,376	5,509	44,597
Interim Dividends	2,360	2,753	19,578
Adjustments of Tax Effects for Prior Periods	91,474	—	758,806
Reduction on Reserve for Overseas Investment	1	—	9
Legal Reserve	472	550	3,915
Undivided Profit (Loss) at the End of the Term	¥ (33,688)	¥ 10,682	\$ (279,456)
Net Income (Loss) per Share	¥ (162.30)	¥ 10.77	\$ (1.34)

NON-CONSOLIDATED STATEMENTS OF APPROPRIATION OF PROFIT (NOTES 2 (M) AND 27)

The Toyo Trust and Banking Company, Limited

(For years ended March 31)

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Undivided Profit (Loss) at the End of the Term	¥(33,688)	¥10,682	\$(279,456)
Reversal of Voluntary Reserve	42,000	—	348,403
Total	¥ 8,311	¥10,682	\$ 68,946
Transfer to Legal Reserve	427	550	3,543
Dividends (Note 16):			
First Series of Preferred Stock	9	—	79
Common Stock	2,126	2,753	17,636
Voluntary Reserve	—	2,001	—
Profits Carried Forward to the Next Term	¥ 5,748	¥ 5,376	\$ 47,687

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Financial Statements

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Toyo Trust and Banking Company, Limited (the “Bank”) in accordance with the provisions set forth in the Japanese Commercial Code (the “Code”) and in conformity with accounting principles and practices generally accepted in Japan, the Japanese Banking Law and other applicable rules and regulations in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the non-consolidated financial statements filed with the Ministry of Finance (“MOF”) in Japan have been reclassified for the convenience of readers outside Japan.

2. Summary of Significant Accounting Policies

A: Trading Account Assets, Liabilities, Income and Expenses

Transactions for trading purposes—purposes of seeking gains arising from short-term changes in interest rates, currency prices, market prices of securities and other market-related indices, or from arbitrage—are included in Trading Account Assets and Trading Account Liabilities and recognized on a trade date basis. Profits and losses from these transactions are included in Trading Account Income or Trading Account Expenses.

Trading securities and monetary claims held for trading purposes are stated at market value at the end of the fiscal year. Swaps, futures, options and other derivative products are stated at the amounts that would be received or paid for settlement if such transactions were terminated at the end of the fiscal year.

The amounts of Trading Account Income and Trading Account Expenses presented are the sum of 1) the difference between the evaluation profit or loss at the end of the fiscal year and those at the end of the previous fiscal year for securities and monetary claims, and the difference between the amount of profit or loss based on the assumption that the transactions were settled at the end of the fiscal year and the amount of profit or loss on such a basis at the end of the previous fiscal year for derivatives, and 2) interest received or paid during the fiscal year.

B: Valuation of Investment Securities

1. Securities are stated at moving-average cost.
2. Securities held in independently operated designated money held in trust are stated at the lower of cost or market, cost being determined by the moving-average method. In the valuation at the lower of cost or market, the aggregate cost and the aggregate market value of the securities is compared on a trust-by-trust basis.

C: Premises and Equipment Depreciation of premises and equipment is computed on the declining balance method over their estimated useful lives and is provided in the full amount permitted under the Accounting Standards for Banks in Japan. Due to the revision of the Finance Ministerial Ordinance on the Useful Life of Depreciable Assets, useful life of buildings was shortened. As a result, loss before income taxes increased by ¥80 million.

D: Translation of Foreign Currencies Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date except for certain special accounts which are translated at historical rates in accordance with the Accounting Standards for Banks in Japan.

Accounts of overseas branches are combined with those of the head office after translation into Japanese yen at the exchange rates in effect at the balance sheet date.

The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.55=U.S. \$1.00, the rate of exchange on March 31, 1999 has been used in conversion. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

E: Reserve for Possible Loan Losses In accordance with the predetermined standard for write-offs and reserves following the Accounting Standards for Banks in Japan, reserves for possible loan losses are stated as follows:

In accordance with the “Practical Guideline for Evaluation of Internal Control Over Valuation of Assets and Audits of Write-Offs of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions” (Report No. 4 of the Ad Hoc Committee for Audits of Banks of the Japanese Institute of Certified Public Accountants [JICPA]), claims to borrowers in sound standing and borrowers under monitoring are classified into different categories and a reserve is provided based on a ratio calculated by historical loan loss experience over a certain period for each category. For claims to borrowers who are likely to go bankrupt, a reserve is provided based on the amount considered to be necessary by the Bank’s management based on the amount of claims after netting the expected collectable amount from collateral and/or the collectable amount from guarantors. For claims to bankrupt or de facto bankrupt borrowers, a reserve is provided for the amount of claims after netting the expected collectable amount from the disposal of collateral and/or the collectable amount from guarantors. A reserve for specific overseas loans to specific foreign borrowers, including the reserve for losses on overseas investments provided pursuant to Article 55-2 of the Special Taxation Measures Law, is provided for the amount of expected losses caused by the political and economic situation of the countries in question. All claims are being assessed based on internal rules for self-assessment of assets. The Credit Review and Auditing Office, a section independent of branches and credit-control departments, assesses all claims according to internal rules for self-assessment of assets, and a reserve is provided based on the results.

F: Reserve for Retirement Allowances and Pension Plans Under most circumstances, employees terminating their employment with the Bank are entitled to lump-sum payments determined by reference to their basic rate of pay at the time of termination, length of service and other conditions under which the termination occurs. The annual provision for employees’ lump-sum severance indemnities is on a full voluntary retirement basis in accordance with the Accounting Standards for Banks in Japan. The Employees’ Pension Plan and the Tax Qualified Pension Plan have been included in the Bank’s pension plan since November 1966 and October 1989, respectively. Amounts exceeding the taxation limits for the reserve for retirement allowances resulting from a shift of a portion of retirement benefit plans to the Tax Qualified Pension Plan have been reversed based on the stipulation of the Corporate Tax Law and the Accounting Standards for Banks in Japan.

G: Reserve for Additional Losses from Sold Claims to CCPC In accordance with the stipulations of Articles 287-2 of the Commercial Code of Japan, the Reserve for Additional Losses from Sold Claims to the Cooperative Credit Purchasing Co., Ltd. (CCPC), is provided in an amount to be necessary for possible losses based on the evaluation of collateral of the claims sold to the CCPC.

H: Other Reserves Other Reserves include the Liability Reserve for Securities Transactions set aside based on the stipulations of Article 59 of the Securities and Exchange Law, which applies correspondingly to Article 65, Section 2, Item 5, of the Securities and Exchange Law of Japan.

I: Lease Transactions Finance lease transactions, other than those where the ownership of the leased property is regarded as being transferred to the lessee, are accounted for as normal rental transactions.

J: Accounting for Japanese Consumption Tax Japanese consumption tax and regional consumption tax are excluded from revenues in the non-consolidated statements of income. However, consumption taxes related to the acquisition of the Bank's premises and equipment are treated as expenses as incurred.

K: Revaluation Account In accordance with the Law Concerning Revaluation of Land (the "Law," enacted March 31, 1998; No. 34), land used for the banking business is revalued and a reserve for the unrealized appreciation of land used for banking business had been presented as Revaluation Account in the Liabilities Section.

However, in accordance with amendment of the Law on March 31, 1999, such unrealized appreciation, net of deferred tax, was reclassified to Stockholders' Equity as Revaluation Account. The deferred tax liabilities related to this revaluation are presented as Deferred Tax Liabilities Related to Revaluation. As a result of this change, Total Liabilities decreased by ¥10,361 million compared to the previous accounting method.

Date of revaluation: March 31, 1998

Method of revaluation (pursuant of Article 3, Paragraph 3 of the Law).

In accordance with the method included in Article 2, No. 1 of the Enforcement Ordinance for the Law Concerning Revaluation of Land (issued March 31, 1998; No. 119), revaluation is calculated based on prices published by the director general of the National Tax Agency and taking into account comparisons with regional and individual factors.

The difference between the total market value after revaluation (pursuant to Article 10 of the Law) and the total book value after revaluation was ¥739 million.

L: Deferred Income Taxes For Income Taxes, tax effect accounting has been adopted from the fiscal year ended March 31, 1999. As a result of this change in accounting method, total assets increased by ¥182,992 million, net loss decreased by ¥91,518 million and retained earnings increased by ¥182,993 million.

M: Appropriation of Profit The Code stipulates that a company may appropriate its profit within the three-month period following each fiscal year-end. Therefore, the appropriation of profit approved at the stockholders' meeting, including the payment of bonuses to directors and auditors, is presented in the accompanying non-consolidated statements of appropriation of profit.

Under the Banking Law of Japan, an amount equivalent to at least 20 percent of cash dividends must be appropriated to the "Legal Reserve" until such reserve equals 100 percent of paid-in capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to paid-in capital.

N: Significant Change in Accounting Policies

Up until the fiscal year ended March 31, 1998, software development costs were charged to the Statement of Income at the time of payment.

For the fiscal year ended March 31, 1999, in conjunction with the amendment of the Accounting Standards for Banks in Japan, software development costs are deferred and amortized over 5 years in accordance with Japanese tax regulations. As a result, loss before income taxes decreased by ¥9,032 million.

3. Trading Account Assets and Trading Account Liabilities

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

	Millions of yen	
	1999	1998
Trading Account Securities	¥ 90,188	¥ 25,390
Trading-Related Financial Derivatives	56,082	76,282
Others	147,156	69,541
Total	¥293,426	¥171,214

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

	Millions of yen	
	1999	1998
Trading-Related Financial Derivatives	¥56,459	¥77,903
Trading Account Bonds	15,889	—
Total	¥72,348	¥77,903

4. Investment Securities

Investment Securities as of March 31, 1999 and 1998, were as follows:

	Millions of yen	
	1999	1998
Japanese National Government Bonds	¥ 230,832	¥ 219,314
Japanese Local Government Bonds	17,214	7,511
Corporate Bonds	129,450	125,999
Corporate Stocks	961,216	895,264
Other Securities	145,423	216,691
Total	¥1,484,137	¥1,464,781

5. Loans and Bills Discounted

Loans and Bills Discounted are stated at the principal amount outstanding. Interest on loans and bills discounted is recognized on an accrual basis.

Loans and Bills Discounted as of March 31, 1999 and 1998, were as follows:

	Millions of yen	
	1999	1998
Bills Discounted	¥ 25,666	¥ 30,427
Loans on Notes	1,096,860	1,073,927
Loans on Deeds	2,788,108	3,020,383
Overdrafts	629,171	690,281
Total	¥4,539,806	¥4,815,020

As of March 31, 1998, and in accordance with the Accounting Standards for Banks in Japan, "Loans to bankrupt borrowers" and "Past due loans (nonaccrual)," on which the Bank suspended the recognition of accrued interest, were ¥108,087 million and ¥31,445 million, respectively.

"Restructured loans" were ¥10,172 million as of March 31, 1998. "Restructured loans" represent those loans whereby, in order to provide financial assistance to the borrowers, the loan conditions were restructured such that; (i) the interest rate was reduced to below the official discount rate; (ii) the spread margin was reduced to zero or negative; or (iii) the interest payments were deferred and interest income was not accrued.

As of March 31, 1999, "Loans to bankrupt borrowers" were ¥113,831 million and "Past due loans (nonaccrual)," were ¥644,124 million. "Loans to bankrupt borrowers" are nonaccrual loans (excluding loans written-off) for which the circumstances stated in the Implementation Ordinances for the Corporate Tax Law

(Government Ordinance No. 97, 1965) apply. Nonaccrual loans are loans having no prospects for recovery or repayment of principal or interest, for which payment of principal or interest has not been received for a substantial period or for other reasons. "Past due loans (nonaccrual)" are those loans other than loans to bankrupt companies and loans for which interest payments have been rescheduled with the objective of assisting these borrowers in management restructuring.

"Past due loans (three months or more)," other than "Loans to bankrupt borrowers" and "Past due loans (nonaccrual)," were ¥2,176 million as of March 31, 1999.

"Renegotiated loans," i.e., loans with concessionary interest rates and loans with negotiated terms regarding the timing of interest and principal payments, were ¥77,041 million as of March 31, 1999.

The total amount of "Loans to bankrupt borrowers," "Past due loans (nonaccrual)," "Past due loans (three months or more)," "Renegotiated loans" as of March 31, 1999 were ¥837,174 million.

6. Foreign Exchanges

The assets side of this account contains bills and checks negotiated in foreign exchange transactions, import bills for collection paid by the Bank and other receivables originating from foreign exchange transactions. Funds received for remittance of foreign currency, sales

of traveller's checks, foreign remittances received by the Bank and the collected proceeds of bills for collection are included in the liabilities side of this account.

	Millions of yen	
	1999	1998
Foreign Exchanges (Assets):		
Due from Foreign Banks	¥2,335	¥ 2,585
Foreign Exchange Bills Bought	1,174	9,346
Foreign Exchange Bills Receivable	2,977	3,310
Total	¥6,486	¥15,242

	Millions of yen	
	1999	1998
Foreign Exchanges (Liabilities):		
Due to Foreign Banks	¥27	¥1,183
Foreign Exchange Bills Sold	0	1
Foreign Exchange Bills Payable	6	—
Total	¥34	¥1,184

7. Other Assets

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

	Millions of yen	
	1999	1998
Prepaid Expense	¥ 200	¥ 352
Accrued Income	34,065	43,214
Securities in Custody	35,200	7,500
Accounts Receivable on Trading Account	137,633	—
Others	105,941	64,354
Total	¥313,041	¥115,421

8. Premises and Equipment

Premises and Equipment of the Bank and the Accumulated Depreciation as of March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Land	¥35,981	¥ 48,162
Buildings	49,379	53,121
Equipment	35,278	35,133
Construction in Progress	1,646	—
Fixed Leasehold Deposits	32,125	29,947
	154,410	166,364
Less: Accumulated Depreciation	56,577	58,886
Total	¥97,833	¥107,478

9. Acceptances and Guarantees

This account represents contingent liabilities for guarantees of customers' loans from other financial institutions. Customers' Liabilities

for Acceptances and Guarantees are shown as a contra account, which represents the Bank's right of indemnity on the customer.

10. Deposits

Deposits as of March 31, 1999 and 1998, were as follows:

	Millions of yen	
	1999	1998
Current Deposits	¥ 53,560	¥ 45,837
Ordinary Deposits	239,592	244,400
Deposits at Notice	51,511	54,489
Time Deposits	2,594,649	2,448,201
Other Deposits	118,320	165,742
Negotiable Certificates of Deposit	450,128	358,260
Total	¥3,507,762	¥3,316,931

11. Bonds

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

	Millions of yen	
	1999	1998
Japanese Yen Undated Exchangeable Subordinated Guaranteed Bonds	¥50,000	¥50,000
Total	¥50,000	¥50,000

12. Borrowed Money

Borrowed Money includes subordinated debt of ¥258,740 million and ¥265,532 million as of March 31, 1999 and 1998, respectively.

13. Convertible Bonds

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

	Millions of yen	
	1999	1998
1.75% U.S. Dollar Convertible Bonds due 2002	¥ 5,056	¥ 5,056
0.375% Japanese Yen Convertible Bonds due 2002	49,357	49,357

The conversion prices are as follows:

	Conversion price at March 31, 1999	Fixed exchange rate
1.75% U.S. Dollar Convertible Bonds due 2002	¥2,551.60	US\$: ¥144.30
0.375% Japanese Yen Convertible Bonds due 2002	730.00	—

14. Other Liabilities

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

	Millions of yen	
	1999	1998
Borrowed Money from Trust Account	¥2,194,308	¥2,745,593
Domestic Exchange Settlement Account (Credit)	173	179
Income Taxes Payable	477	816
Accrued Expense	38,201	34,071
Unearned Income	3,136	3,942
Employees' Deposits	3,166	3,509
Others	70,775	113,354
Total	¥2,310,239	¥2,901,468

Borrowed Money from Trust Account represents surplus funds in the Trust Account loaned to the Banking Account and utilized herein.

15. Stock Capital

Common Stock and Preferred Stock as of March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Common Stock	¥125,427	¥115,426
First Series (First) Preferred Stock	40,000	—
First Series (Second) Preferred Stock	100,000	—
Total	¥265,427	¥115,426

The authorized and issued number of shares of common stock as of March 31, 1999 were 2,400,000,000 and 850,425,151, respectively.

The authorized and issued number of shares of first series preferred stock as of March 31, 1999 were 300,000,000 and 280,000,000, respectively.

At an extraordinary general meeting of stockholders held on February 25, 1999, it was resolved to amend the Bank's Articles of Incorporation to increase the number of its authorized shares to 2,800,000,000 (of which 2,400,000,000 shares are common stock, 300,000,000 shares are first series preferred stock and 100,000,000 shares are second series preferred stock).

First Series (First) Preferred Stock

On March 31, 1999, the Bank issued 80 million preferred stocks to The Sanwa Bank, Limited, at a price of ¥1,000 per share for gross proceeds of ¥80 billion, of which ¥40 billion was transferred to Capital Surplus in accordance with the Japanese Commercial Code. The preferred stockholder is entitled, with priority over payment of dividends and distributions on the liquidation of the Bank to common stockholders of the Bank, to receive annual dividends of ¥5.30 per preferred stock (¥0.02 per preferred stock for the fiscal year ended March 31, 1999) and a distribution of ¥1,000 per preferred stock.

The preferred stocks are convertible at the election of the holder from and including July 1, 1999 to and including July 31, 2014, subject to certain subsequent adjustments.

First Series (Second) Preferred Stock

On March 31, 1999, the Bank issued 200 million preferred stocks to Resolution and Collection Bank, Ltd. at a price of ¥1,000 per share for gross proceeds of ¥200 billion, of which ¥100 billion was transferred to Capital Surplus in accordance with the Japanese Commercial Code. The preferred stockholder is entitled, with priority over payment of dividends and distributions on the liquidation of the Bank to common stockholders of the Bank, to receive annual dividends of ¥11.50 per preferred stock (¥0.04 per preferred stock for the fiscal year ended March 31, 1999) and a distribution of ¥1,000 per preferred stock.

The preferred stocks are convertible at the election of the holder from and including July 1, 1999 to and including July 31, 2009, subject to certain subsequent adjustments.

16. Dividends

For the fiscal year ended March 31, 1999, interim dividends and year-end dividends for common stock were ¥3.00 per share and ¥2.50 per share, respectively. For preferred stocks, year-end

dividends for First Series (First) Preferred Stock and First Series (Second) Preferred Stock were ¥0.02 per share and ¥0.04 per share, respectively.

17. Other Interest Income and Expenses

Other Interest Income for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Interest on Deposits with Banks	¥12,271	¥18,154
Interest on Interest Swaps	11,146	21,333
Others	2,763	2,619
Total	¥26,182	¥42,108

Other Interest Expenses for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Interest on Bonds	¥ 862	¥ 2
Interest on Convertible Bonds	267	224
Interest on Interest Swaps	30,796	58,829
Others	37,212	37,982
Total	¥69,139	¥97,039

18. Fees and Commissions (Received)

Fees and Commissions Received for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Fees and Commissions on Domestic and Foreign Exchanges	¥ 644	¥ 888
Fees and Commissions on Other Activities	34,637	34,069
Total	¥35,282	¥34,958

19. Trading Account Income

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

	Millions of yen	
	1999	1998
Income from Trading Account Securities	¥ 251	¥1,099
Income from Trading Account Derivatives	2,440	—
Others	1,440	324
Total	¥4,132	¥1,423

20. Other Operating Income

Other Operating Income for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Gains on Foreign Exchange Transactions	¥ 4,222	¥ 1,295
Gains on Sales of Bonds	17,903	17,646
Gains on Redemption of Bonds	288	1,838
Others	566	718
Total	¥22,980	¥21,498

21. Other Income

Other Income for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Gains on Sales of Stocks and Other Securities	¥ 88,120	¥62,717
Gains on Money Held in Trust	4,079	6,312
Gains on Dispositions of Premises and Equipment	8,487	21
Others	23,472	10,551
Total	¥124,160	¥79,603

22. Fees and Commissions (Paid)

Fees and Commissions Paid for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Fees and Commissions on Domestic and Foreign Exchanges	¥ 344	¥ 543
Fees and Commissions on Other Activities	4,508	3,922
Total	¥4,853	¥4,465

23. Trading Account Expenses

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

	Millions of yen	
	1999	1998
Expenses from Trading Account Derivatives	¥—	¥6,150
Total	¥—	¥6,150

24. Other Operating Expenses

Other Operating Expenses for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Losses on Sales of Bonds	¥13,675	¥ 7,082
Losses on Redemption of Bonds	5,430	5,843
Others	647	—
Total	¥19,753	¥12,925

25. General and Administrative Expenses

General and Administrative Expenses for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Salaries and Allowances	¥34,112	¥ 35,562
Retirement Benefits	855	428
Welfare Expenses	7,834	7,680
Depreciation for Premises and Equipment	5,136	4,721
Rental Expenses	14,509	14,574
Taxes, Other than Income Taxes	3,927	3,655
Others	29,332	35,512
Total	¥95,708	¥102,135

26. Other Expenses

Other Expenses for the years ended March 31, 1999 and 1998, consisted of the following:

	Millions of yen	
	1999	1998
Provision for Reserve for Possible Loan Losses	¥284,945	¥ 71,192
Claims Written-Off	21,417	899
Losses on Sales of Stocks and Other Securities	37,558	11,720
Losses on Devaluation of Stocks and Other Securities	5,552	15,693
Losses on Money Held in Trust	2,033	3,757
Losses on Dispositions of Premises and Equipment	611	511
Others	36,607	25,922
Total	¥388,726	¥129,697

27. Subsequent Event

The appropriation of profit applicable to the year ended March 31, 1999, shown in the accompanying non-consolidated statement of

appropriation of profit was approved by the stockholders at the Ordinary Stockholders' Meeting held on June 29, 1999.

Market Value Information Related to Derivatives (Banking Account)

The notional principal amount of swap transactions and the contract amount of futures, option transactions and the unrealized gain (loss) of derivative financial instruments as of March 31, 1999 and 1998, were as follows.

(I) Interest-Rate-Related Transactions

	Millions of yen							
	1999				1998			
	Contract amount or notional principal amount [option premium]	More than one year	Market value	Unrealized gain (loss)	Contract amount or notional principal amount [option premium]	More than one year	Market value	Unrealized gain (loss)
Over-the-Counter								
Interest Rate Swaps								
Receive Fixed Swaps	680,774	467,541	19,354	19,354	472,054	392,678	¥14,478	14,478
Pay Fixed Swaps	1,571,802	894,009	(55,339)	(55,339)	1,595,112	1,179,382	(58,269)	(58,269)
Basis Swaps	721,550	436,500	2,455	2,455	597,986	544,503	895	895
Others								
Sell	10,383 [55]	2,000	63	(7)	14,583 [148]	10,383	132	16
Buy	20,730 [60]	11,370	84	23	24,680 [159]	23,680	173	14
Total				¥(33,513)				¥(42,863)

Notes: 1. Market values of listed transactions are calculated by using the closing prices at the Tokyo International Financial Futures Exchange. Market values of transactions over the counter are calculated by the discount present value or the optional price calculation model.

2. Listed interest rate futures, listed interest rate options, over-the-counter forward rate contracts, and interest rate options traded as of March 31, 1999 and 1998, were nil.

3. Derivative transactions in the trading accounts are marked to market and the unrealized gains (losses) on these transactions are excluded from the above figures because they are recognized in the non-consolidated statement of income.

The notional principal amount of swap transactions and contract amount of futures in the trading accounts were as follows:

	Millions of yen			
	1999		1998	
	Contract amount or notional principal amount [option premium]	Market value	Contract amount or notional principal amount [option premium]	Market value
Listed				
Interest Rate Futures				
Sell	¥ 5,712	¥ 5,695	¥ 59,882	¥59,900
Buy	5,707	5,695	59,891	59,900
Interest Rate Option				
Sell Call	—	—	—	—
Put	[—]	—	[—]	—
Buy Call	14,371	1	—	—
Put	[17]	—	[—]	—
	—	—	—	—
	[—]	—	[—]	—
Over-the-Counter				
Interest Rate Swaps				
Receive Fixed Swaps · Pay Fixed Swaps	500	39	—	—
Receive Fixed Swaps	1,784,220	51,451	3,936,698	66,086
Pay Fixed Swaps	1,780,843	(52,359)	3,867,059	(67,888)
Basis Swaps	71,850	60	70,100	(70)
Others				
Sell	153,250 [2,634]	3,395	174,900 [3,089]	3,859
Buy	146,000 [2,407]	3,409	168,800 [3,066]	4,105

4. Over-the-counter forward rate contracts and interest rate options traded in the trading accounts as of March 31, 1999 and 1998, were nil.

5. Market values of trading transactions traded over the counter are calculated based on the Banking Act Procedure Regulations.

(II) Currency-Related Transactions

	Millions of yen							
	1999				1998			
	Notional principal amount	More than one year	Market value	Unrealized gain (loss)	Notional principal amount	More than one year	Market value	Unrealized gain (loss)
Over-the-Counter								
Currency Swaps	¥277,045	¥123,730	¥(4,427)	¥(4,427)	¥274,229	¥131,742	¥(2,244)	¥(2,244)
U.S. dollars	189,535	115,837	(5,064)	(5,064)	228,928	115,926	(3,380)	(3,380)
British pounds	38,902	—	(432)	(432)	3,324	—	(36)	(36)
Deutsche marks	5,290	—	38	38	—	—	—	—
Others	43,317	7,892	1,030	1,030	41,976	15,815	1,171	1,171

Notes: 1. Market values are calculated by the discount present value.

2. Derivative transactions in the trading accounts are marked to market and the unrealized gain (losses) on these transactions are excluded from the above figures because they are recognized in the non-consolidated statement of income.

The notional principal amount of currency swap transactions in the trading accounts were as follows:

	Millions of yen			
	1999		1998	
	Notional principal amount	Market value	Notional principal amount	Market value
Over-the-Counter				
Currency Swaps	¥51,467	¥183	¥63,630	¥ (8)
U.S. dollars	20,485	215	25,647	202
Australian dollars	29,047	(170)	37,716	(236)
Others	1,934	138	267	25

3. Market values of trading transactions traded over the counter are calculated based on the Banking Act Procedure Regulations.

4. Foreign exchange forward contracts, currency options and other transactions are marked to market and unrealized gains and losses on these transactions are excluded from the above figures because they are recognized in the non-consolidated statement of income.

Contract amounts of foreign exchange forward contracts and currency options as of March 31, 1999 and 1998, were as follows:

	Millions of yen	
	1999	1998
	Contractual value [option premium]	Contractual value [option premium]
Over-the-Counter		
Forward Exchange		
Sell	¥1,058,701	¥2,097,283
Buy	1,007,956	1,976,800
Currency Options		
Sell Call	2,411	660
	[52]	[25]
Put	—	—
	[—]	[—]
Buy Call	3,923	660
	[57]	[25]
Put	—	—
	[—]	[—]

Note: Listed currency futures and currency options as of March 31, 1999 and 1998, were nil.

(III) Stock-Related Transactions

	Millions of yen							
	1999				1998			
	Contract amount	More than one year	Market value	Unrealized gain (loss)	Contract amount	More than one year	Market value	Unrealized gain (loss)
Listed Stock Index Futures								
Sell	¥20,684	¥—	¥22,671	¥(1,986)	¥89,993	¥—	¥86,450	¥3,542
Buy	—	—	—	—	—	—	—	—
Total				¥(1,986)				¥3,542

Notes: 1. Market values of listed transactions are calculated by using the closing prices at the Tokyo Stock Exchange.

2. Listed stock index options and over-the-counter transactions as of March 31, 1999 and 1998, were nil.

(IV) Bond-Related Transactions

	Millions of yen							
	1999				1998			
	Contract amount	More than one year	Market value	Unrealized gain (loss)	Contract amount	More than one year	Market value	Unrealized gain (loss)
Listed Bond Futures								
Sell	¥16,274	¥—	¥16,568	¥(293)	¥—	¥—	¥—	¥—
Buy	—	—	—	—	—	—	—	—
Total				¥(293)				¥—

Notes: 1. Market values are calculated by using the closing prices at the Tokyo Stock Exchange.

2. Listed bond futures options and over-the-counter transactions as of March 31, 1999 and 1998, were nil.

3. Bond-related transactions in the trading accounts are marked to market and the unrealized gains (losses) on these transactions are excluded from the above figures because they are recognized in the non-consolidated statement of income.

The bond-related transactions in the trading accounts as of March 31, 1999 and 1998 were as follows:

	Millions of yen			
	1999		1998	
	Contract amount [option premium]	Market value	Contract amount [option premium]	Market value
Listed Bond Futures				
Sell	¥—	¥—	¥26,036	¥26,036
Buy	—	—	—	—

4. Listed bond futures options and over-the-counter transactions in the trading accounts as of March 31, 1999 and 1998, were nil.

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

To: The Board of Directors
The Toyo Trust and Banking Company, Limited

We have audited the accompanying non-consolidated balance sheets (Banking Accounts) of The Toyo Trust and Banking Company, Limited as of March 31, 1999 and 1998, and the related non-consolidated statements of income and appropriation of profit for the years then ended, all expressed in Japanese yen.

Our audits 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 non-consolidated financial statements referred to above present fairly the non-consolidated financial position of The Toyo Trust and Banking Company, Limited as of March 31, 1999 and 1998, and the results of its operations for the years then ended, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis except for the change with which we concur, in the method of accounting for software development costs as described in Note 2 [N].

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying non-consolidated financial statements.

Chuo Audit Corporation

CHUO AUDIT CORPORATION
Certified Public Accountants
Tokyo, Japan

June 29, 1999

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Toyo Trust and Banking Company, Limited

(As of March 31)

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
TRUST ACCOUNT			
Assets			
Loans and Bills Discounted (Note 1)	¥ 2,885,026	¥ 3,136,021	\$ 23,932,201
Securities (Note 2)	11,325,076	10,672,769	93,945,052
Securities Held for Investment Trusts	4,376,654	5,005,977	36,305,717
Securities Lent	394,250	428,300	3,270,427
Call Loans and Bills Purchased	1,373,325	2,225,871	11,392,160
Other Assets	7,956,937	6,162,480	66,005,288
Total Assets	¥28,311,269	¥27,631,419	\$234,850,848
Liabilities			
Money Trusts (Note 3)	¥ 7,443,436	¥ 6,981,603	\$ 61,745,639
Pension Trusts	4,137,105	3,937,156	34,318,584
Property Formation Trusts	5,040	5,652	41,809
Loan Trusts (Note 3)	4,491,414	5,253,072	37,257,688
Securities Investment Trusts	9,905,696	8,973,647	82,170,858
Money in Trust Other than Money Trusts	1,179,195	1,499,594	9,781,796
Securities in Trust	489,212	435,695	4,058,170
Money Claims in Trust	204,875	169,886	1,699,504
Equipment in Trust	93,576	65,354	776,249
Real Estate in Trust	141,501	153,487	1,173,799
Other Trusts	220,214	156,270	1,826,746
Total Liabilities	¥28,311,269	¥27,631,419	\$234,850,848

NOTES TO TRUST ACCOUNT (UNAUDITED)

The Toyo Trust and Banking Company, Limited

1. Loans and Bills Discounted

Loans and Bills Discounted as of March 31, 1999 and 1998, were as follows:

	Millions of yen	
	1999	1998
Loans on Notes	¥ 342,328	¥ 415,487
Loans on Deeds	2,542,697	2,720,533
Total	¥2,885,026	¥3,136,021

2. Securities

Securities as of March 31, 1999 and 1998, were as follows:

	Millions of yen	
	1999	1998
Japanese National Government Bonds	¥ 2,645,599	¥ 2,191,663
Japanese Local Government Bonds	203,171	257,198
Corporate Bonds	1,170,791	1,515,588
Corporate Stocks	4,221,746	4,051,012
Foreign Securities	2,977,919	2,532,216
Other Securities	105,847	125,089
Total	¥11,325,076	¥10,672,769

3. Money Trusts and Loan Trusts

The principal amounts indemnified by the Bank for jointly operated designated money trusts and loan trusts were ¥1,049,597 million and ¥4,742,783 million, respectively.

CONSOLIDATED BALANCE SHEETS

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(As of March 31)

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
BANKING ACCOUNT			
Assets			
Cash and Due from Banks	¥ 283,197	¥ 387,379	\$ 2,349,211
Call Loans and Bills Purchased	326,012	658,753	2,704,379
Trading Account Asset	293,426	180,953	2,434,068
Trading Securities	—	18,320	—
Money Held in Trust	60,369	57,642	500,786
Investment Securities	1,469,397	1,463,371	12,189,116
Loans and Bills Discounted	4,482,951	4,842,636	37,187,490
Foreign Exchanges	6,571	12,979	54,514
Other Assets	351,129	219,051	2,912,727
Premises and Equipment	182,775	108,111	1,516,183
Deferred Income Taxes	183,615	112,432	1,523,149
Customers' Liabilities for Acceptances and Guarantees	286,531	171,341	2,376,865
Total Assets	¥7,925,980	¥8,232,973	\$65,748,491
Liabilities			
Deposits	¥3,505,753	¥3,395,014	\$29,081,320
Call Money and Bills Sold	233,224	518,175	1,934,673
Trading Account Liabilities	72,348	84,228	600,156
Borrowed Money	248,752	182,636	2,063,477
Foreign Exchanges	24	1,155	204
Bonds	206,740	213,532	1,714,980
Convertible Bonds	53,521	53,833	443,980
Other Liabilities	2,321,894	2,986,595	19,260,846
Reserve for Possible Loan Losses	429,381	189,776	3,561,852
Reserve for Retirement Allowances	3,953	3,844	32,797
Reserve for Additional Losses from Sold Claims to CCPC	7,921	6,807	65,707
Other Reserves	0	6	0
Deferred Tax Liabilities Related to Revaluation	7,441	—	61,732
Acceptances and Guarantees	286,531	171,341	2,376,865
Revaluation Account	—	27,670	—
Total Liabilities	¥7,377,490	¥7,834,619	\$61,198,593
Minority Interests	¥ 48	¥ —	\$ 402
Stockholders' Equity			
Stock Capital	265,427	115,426	2,201,803
Capital Surplus	237,567	87,566	1,970,696
Revaluation Account	10,361	—	85,953
Legal Reserve	—	19,800	—
Retained Earnings (Note 2 [C])	35,151	175,561	291,591
Treasury Stock	(2)	(1)	(20)
Parent Bank's Stock Held by Subsidiaries	(63)	—	(529)
Total Stockholders' Equity	548,441	398,353	4,549,494
Total Liabilities, Minority Interests and Stockholders' Equity	¥7,925,980	¥8,232,973	\$65,748,491

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(For years ended March 31)

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Income			
Trust Fees	¥ 78,724	¥115,196	\$ 653,044
Interest Income:			
Interest on Loans and Discounts	114,529	131,690	950,061
Interest and Dividends on Securities	34,947	44,776	289,897
Other Interest Income	26,617	43,840	220,803
	176,094	220,307	1,460,762
Fees and Commissions	38,614	36,952	320,315
Trading Account Income	4,422	732	36,686
Other Operating Income	23,601	22,350	195,781
Other Income	134,448	79,852	1,115,292
Total Income	¥ 455,906	¥475,392	\$ 3,781,883
Expenses			
Interest Expenses:			
Interest on Deposits	¥ 61,891	¥ 85,202	\$ 513,408
Interest on Borrowings and Rediscounts	11,726	17,917	97,271
Other Interest Expenses	75,709	103,113	628,034
	149,327	206,233	1,238,715
Fees and Commissions	5,346	3,198	44,354
Trading Account Expenses	—	6,150	—
Other Operating Expenses	19,979	13,222	165,733
General and Administrative Expenses	102,017	105,716	846,265
Other Expenses	407,323	131,741	3,378,875
Total Expenses	683,993	466,264	5,673,944
Income (Loss) before Income Taxes	¥(228,087)	¥ 9,128	\$ (1,892,060)
Income Taxes:			
Current	1,054	878	8,744
Deferred	(70,882)	5,250	(587,992)
	(69,828)	6,129	(579,247)
Minority Interest Income	(1,167)	—	(9,684)
Equity in Earnings of Affiliates	—	9	—
Net Income (Loss)	¥(157,092)	¥ 3,008	\$ (1,303,128)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(For years ended March 31)

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Retained Earnings (Note 2 [C])			
Balance at the Beginning of the Year	¥195,362	¥179,158	\$1,620,590
Increase:			
Decrease of Consolidated Subsidiaries	2,623	—	21,764
Increase of Affiliates Accounted for under Equity Method	39	—	329
Income Taxes Adjustment for Previous Year	324	—	2,695
Total	2,988	—	24,788
Decrease:			
Transfer to Legal Reserve	—	1,100	—
Dividends	5,113	5,504	42,419
Increase of Consolidated Subsidiaries	993	—	8,239
Total	6,106	6,605	50,659
Net Income (Loss)	(157,092)	3,008	(1,303,128)
Balance at the End of the Year	¥ 35,151	¥175,561	\$ 291,591

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Toyo Trust and Banking Company, Limited (the “Bank”) in accordance with the provisions set forth in the Japanese Commercial Code (the “Code”) and in conformity with accounting principles and practices generally accepted in Japan, the Japanese Banking Law and other applicable rules and regulations in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Finance (“MOF”) in Japan have been reclassified for the convenience of readers outside Japan.

2. Summary of Significant Accounting Policies

A: Consolidation The scope of consolidated subsidiaries is based on the revision of the Finance Ministerial Ordinance No. 136 Supplementary Regulations Section 2. The consolidated financial statements include the accounts of The Toyo Trust and Banking Company, Limited, and twenty-one of its subsidiaries. The subsidiaries include Toyo Trust Asia Limited, Toyo Trust Company of New York, The Toyo Trust Asset Management Company, Limited, Toyo Trust Total Finance Company, Limited and Toyo Trust Capital Company, Limited. All the subsidiaries of the Bank have been consolidated. The equity method is applied to investments in the Bank’s two affiliates: United Leasing Company, Limited and Toyo Card Services Company, Limited.

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

B: Translation of Foreign Currencies Foreign currency denominated assets and liabilities held by the Bank are converted into Japanese yen at the exchange rates prevailing at the balance sheet date except for certain special accounts which are translated at

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.55=U.S. \$1.00, the rate of exchange on March 31, 1999 has been used in conversion. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

historical rates in accordance with the Accounting Standards for Banks in Japan.

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

C: Retained Earnings Due to changes of the Regulations of Consolidated Financial Statements, “Legal Reserve,” which was previously reported as a separated account within stockholders’ equity, is included in “Retained Earnings.”

D: Income Taxes Tax effect is recorded for temporary differences between tax and financial reporting.

E: Other Accounting Principles and Practices Other accounting principles and practices employed by the Bank are discussed in Note 2 of the notes to the non-consolidated financial statements. Some consolidated subsidiaries apply accounting policies which may differ from the Bank’s policies in certain respects, such as the straight-line method for depreciation of premises and equipment.

F: Net Loss per Share Net loss per share for the year ended March 31, 1999, was ¥199.09 (US\$1.65).

Net loss per share is computed based on the weighted average number of shares outstanding during the year.

3. Segment Information

Disclosure of segment information began for the fiscal year ended March 31, 1997.

to the trust banking business. As those activities are not deemed material, the business segment information has not been disclosed.

A: Business Segment Information Some of the consolidated subsidiaries are engaged in the securities and other businesses in addition

B: Geographic Segment Information

Year ended March 31, 1999

	Millions of yen						Consolidated
	Japan	North America	Europe	Asia & Oceania	Total	Elimination	
I Ordinary Income (Loss)							
Customers	¥ 370,633	¥ 23,516	¥ 15,078	¥ 22,350	¥ 431,578	¥ —	¥ 431,578
Intersegment	20,880	7,053	2,305	6,957	37,197	(37,197)	—
Total	¥ 391,513	¥ 30,569	¥ 17,383	¥ 29,307	¥ 468,775	¥ (37,197)	¥ 431,578
Ordinary Expenses	592,187	35,612	20,893	46,097	694,791	(36,439)	658,351
Ordinary Profit (Loss) before Income Taxes	(200,675)	(5,041)	(3,509)	(16,788)	(226,015)	(757)	(226,773)
II Assets	¥7,874,194	¥333,975	¥206,756	¥499,095	¥8,914,024	¥(988,044)	¥7,925,980

Year ended March 31, 1998

	Millions of yen						Consolidated
	Japan	North America	Europe	Asia & Oceania	Total	Elimination	
I Ordinary Income (Loss)							
Customers	¥ 371,707	¥ 31,656	¥ 29,009	¥ 34,445	¥ 466,819	¥ —	¥ 466,819
Intersegment	10,652	8,549	1,318	7,365	27,886	(27,886)	—
Total	¥ 382,360	¥ 40,205	¥ 30,328	¥ 41,811	¥ 494,706	¥ (27,886)	¥ 466,819
Ordinary Expenses	353,431	43,819	34,057	46,343	477,652	(27,447)	450,204
Ordinary Profit (Loss) before Income Taxes	28,928	(3,613)	(3,729)	(4,532)	17,053	(439)	16,614
II Assets	¥7,586,439	¥596,446	¥319,852	¥725,051	¥9,227,790	¥(994,816)	¥8,232,973

Notes: 1. Ordinary Income or Expenses represent Total Income or Expenses excluding "Gains or Losses on Disposal of Premises and Equipment," "Recoveries of Claims Written Off," and "Transfer to (from) Other Reserves."

2. Ordinary Income or Losses of the Bank's head office, branches, and subsidiaries are classified as "Domestic" or "Foreign," according to the country of domicile of the respective entities.

3. Ordinary Loss before Income Taxes in Japan for the fiscal year ended March 31, 1999 decreased by ¥9,032 million due to the change in the accounting treatment of software development costs.

C: Ordinary Income from International Operations Years ended March 31

	Millions of yen/Percent	
	1999	1998
Ordinary Income from International Operations (A)	¥102,847	¥144,596
Consolidated Ordinary Income (B)	431,578	466,819
(A)/(B)	23.83%	30.97%

Note: Ordinary Income from International Operations represents the Total of Ordinary Income Generated from the International Operations of the Bank and its consolidated domestic subsidiaries and Ordinary Income of its consolidated foreign subsidiaries excluding the inter-company transactions among consolidated companies.

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

To: The Board of Directors
The Toyo Trust and Banking Company, Limited

We have audited the accompanying consolidated balance sheets (Banking Accounts) of The Toyo Trust and Banking Company, Limited and its consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income and retained earnings for the years then ended, all expressed in Japanese yen.

Our audits 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 consolidated financial position of The Toyo Trust and Banking Company, Limited, and its consolidated subsidiaries as of March 31, 1999 and 1998, and the consolidated results of their operations for the years then ended, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis except for the change, with which we concur, in the method of accounting for software development costs as described in Note 2 [E].

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Chuo Audit Corporation

CHUO AUDIT CORPORATION
Certified Public Accountants
Tokyo, Japan

June 29, 1999

DIRECTORS AND OFFICERS

The Toyo Trust and Banking Company, Limited



Chairman
Nobuyoshi Takeuchi



President
Shunroku Yokosuka

Principal International Business Officers



Deputy President
Yasuo Masunaga



Managing Director
Yasukuni Doi



Managing Director
Katsunori Konishi



*Securities Business Division
Executive Officer*
Kenjiro Sugimura



*Securities Investment Division
Executive Officer*
Nobuo Shimizu



*Wholesale Market Division
Executive Officer*
Haruo Matsuki



*International Dept.
General Manager*
Takao Shida



*Trading Dept.
General Manager*
Mikio Ito



*Treasury Dept.
General Manager*
Sumiyoshi Matsuzaki



*Structured Finance Dept.
General Manager*
Yuichi Sakuma



*Investment Strategy Dept.
General Manager*
Toru Seo



*Risk Management Dept.
General Manager*
Kenji Fujikawa

BOARD OF DIRECTORS AND CORPORATE AUDITORS / EXECUTIVE OFFICERS

(As of June 29, 1999)

Chairman

Nobuyoshi Takeuchi

President

Shunroku Yokosuka

Deputy Presidents

Yasuo Masunaga

Takao Kobayashi

Senior Managing Director

Yutaka Matsushima

Managing Directors

Yasukuni Doi

Masamichi Suzukine

Shoji Wakita

Katsunori Konishi

Full-Time Corporate Auditor

Yoshikazu Konishi

Corporate Auditors

Teruji Noda

Yoshihiro Takeda

Shigetake Ogata

Nobuo Kobayashi

Senior Executive Officers

Kaichi Terawaki

Yasuo Akimoto

Executive Officers

Fumiyasu Onuki

Masuo Sato

Kunihiro Ueda

Masatoshi Koma

Teruyuki Yoshida

Kenjiro Sugimura

Nobuo Shimizu

Shintaro Yasuda

Tadamasa Ohtsu

Tsugio Hara

Akira Sawayanagi

Toshiro Fujikawa

Haruo Matsuki

Yoichi Fukae

INTERNATIONAL NETWORK

(As of June 29, 1999)

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Telex: 222675 TTBC UR

SWIFT: TOYO US33

Executive Officer & General
Manager: Teruyuki Yoshida

Toyo Trust Company of New York

280 Park Avenue, 39th Floor,
West Building, New York,
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Phone: (1) 212-573-6800

Fax: (1) 212-573-8686

Telex: 229956 TTCO UR

SWIFT: TTNV US33

President: Kiyoshi Taguchi

TTB Finance Cayman Limited

P.O. Box 309, Grand Cayman,
Cayman Islands, B.W.I.

Managing Director:

Tomoo Masuda

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London EC4N 8AJ, U.K.

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Fax: (44) 171-236-5319

Telex: 885619 TYTBKL G

SWIFT: TOYO GB2L

General Manager:
Shunichi Furuhashi

Toyo Trust Baillie Gifford Asset Management Limited

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Edinburgh EH3 8EY, U.K.

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Fax: (44) 131-222-4487

Telex: 72310 BCGO

Managing Director:

Akio Tokutake

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Hong Kong Branch

15th Floor, Gloucester Tower,
The Landmark, 11 Pedder Street,
Hong Kong, S.A.R.,
People's Republic of China

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Fax: (852) 2845-9247

Telex: 85198 TYTHK HX

General Manager:
Koichi Kuboyama

Singapore Branch

6 Battery Road, #24-01,
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Republic of Singapore

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Telex: RS 20091 TYTSP

General Manager:

Toshihiko Nakahashi

Beijing Representative Office

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Representative: Tomoyuki Ono

Toyo Trust Asia Limited

15th Floor, Gloucester Tower,
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Hong Kong, S.A.R.,
People's Republic of China

Phone: (852) 2526-5657

Fax: (852) 2845-9247

Telex: 85198 TYTHK HX

Managing Director:

Koichi Kuboyama

United Leasing Company, Limited

Room 2007, 20th Floor,
Union Building,
100 Yanan Road (East),
Shanghai, People's
Republic of China

Phone: (86) 21-6328-7295

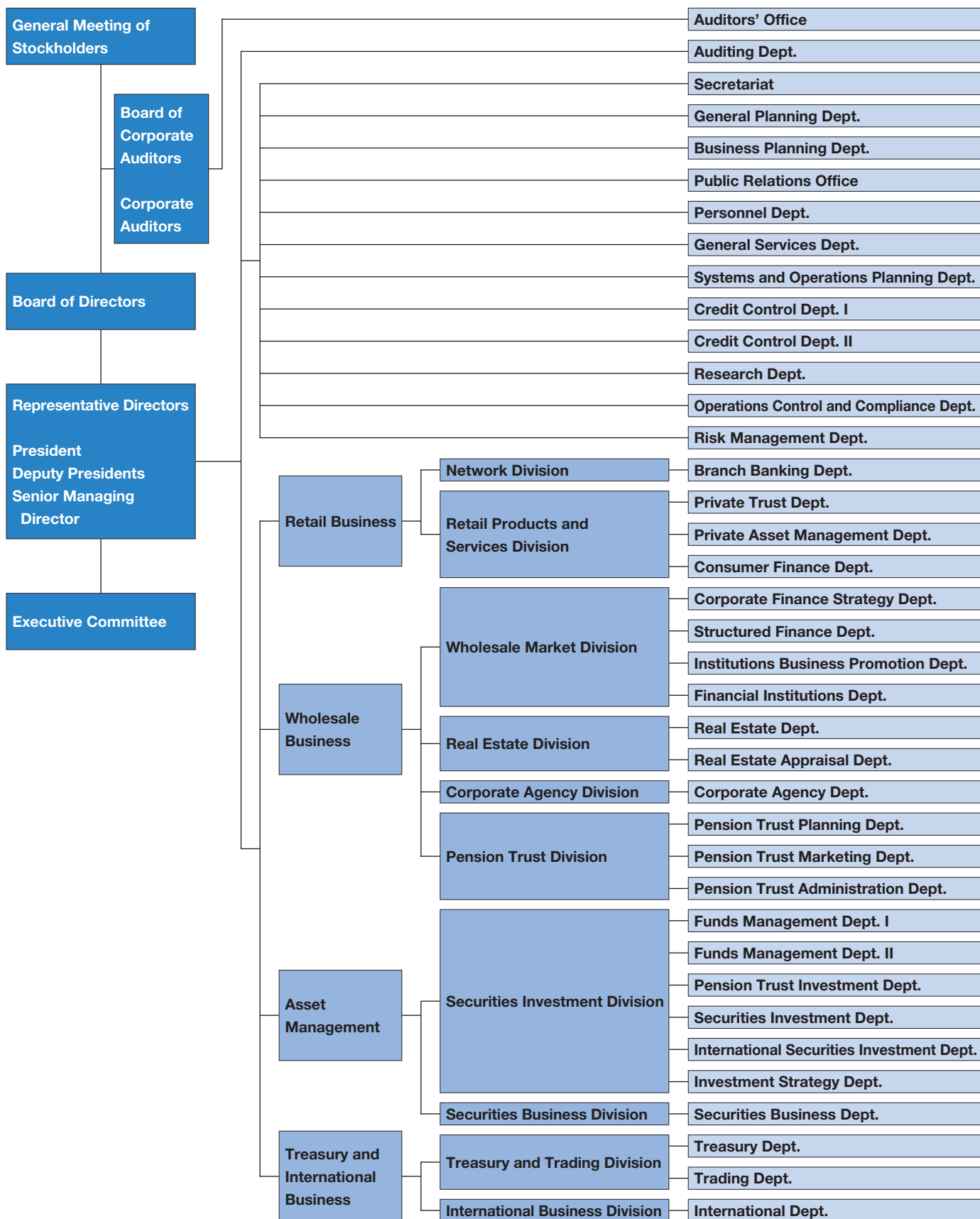
Fax: (86) 21-6320-2813

Telex: 33574 ULCO CN

General Manager: Kenji Hieda

Three subsidiaries, Toyo Trust International Limited, Toyo Trust & Banking (Schweiz) AG and Toyo Trust Australia Limited, who are in the process of voluntary liquidation, are delisted from above. Shenzhen Representative Office, closed on April 1, 1999, is also delisted from above.

ORGANIZATION CHART



(As of June 29, 1999)

(As of March 31, 1999)

**THE TOYO TRUST AND BANKING
COMPANY, LIMITED****Head Office:**

4-3, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-0005, Japan
Phone: (81) 3-3287-2211
Fax: (81) 3-3214-0210
Telex: J22123, J22717 TYTBKI
SWIFT: TOYOJPJT

Established:

November 2, 1959
(Opened December 8, 1959)

Domestic Network:

55 branches
1 subbranch

International Network:

4 branches
3 representative offices
7 subsidiaries
1 affiliate

Number of Employees:

4,759

Paid-in Capital:

¥265,427 million

Number of Shares Issued:

Common Stock	850,425,151
First Series (First) Preferred Stock	80,000,000
First Series (Second) Preferred Stock	200,000,000

Number of Stockholders :

Common Stock	20,252
First Series (First) Preferred Stock	1
First Series (Second) Preferred Stock	1

Principal Stockholders

	Percentage of Shares Outstanding	Shares Held (Thousands)
The Sanwa Bank, Limited	12.04%	102,420
The Sakura Bank, Limited	4.55	38,720
The Nomura Securities Co., Ltd.	4.55	38,720
Nippon Life Insurance Company	2.09	17,807
Nomura Land and Building Co., Ltd.	2.08	17,734
Teijin Limited	1.34	11,435
Toyo Green Kosan Co., Ltd.	1.21	10,300
The Koa Fire and Marine Insurance Company, Limited	1.12	9,534
Hitachi, Ltd.	1.10	9,408
Toyota Motor Corporation	1.06	9,038

Stock Exchange Listings:

Tokyo, Osaka, London

Independent Public Accountants:

Chuo Audit Corporation

Contacts:

International Department
Phone: (81) 3-3218-0561
Fax: (81) 3-3214-0210
Home page address:
<http://www.toyotrustbank.co.jp/>



THE TOYO TRUST & BANKING CO., LTD.

4-3, MARUNOUCHI 1-CHOME, CHIYODA-KU, TOKYO 100-0005, JAPAN