

# The Toyo Trust and Banking Company, Limited

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2000  
Annual Report

*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.*

*As financial institutions realign themselves into large groups, Toyo Trust has become one of seven participants in an alliance, Financial One (together with The Koa Fire and Marine Insurance Co., Ltd., The Sanwa Bank, Limited, The Taiyo Mutual Life Insurance Co., Daido Life Insurance Co., Tsubasa Securities Co., Ltd., and Nippon Fire and Marine Insurance Co., Ltd.), and subsequently has reached a basic agreement to integrate its operations with those of The Sanwa Bank, Limited, and The Tokai Bank, Limited.*

*As the trust bank within these new comprehensive financial groups, Toyo Trust will further concentrate its management resources in trust-related business. The objective of this is to enhance Toyo Trust's competitiveness in this area both qualitatively and quantitatively and offer its customers sophisticated trust-related services with the goals of "responding accurately to customer needs and becoming a trust bank enjoying the full support of its customers."*

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# Financial Highlights (Consolidated)

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(Years ended March 31)

|  | Millions of yen |             | Millions of U.S. dollars |
|--|-----------------|-------------|--------------------------|
|  | 2000            | 1999        | 2000                     |
| <b>For the Year:</b>                           |                 |             |                          |
| Total Income                                   | ¥ 496,613       | ¥ 455,906   | \$ 4,678                 |
| Total Expenses                                 | 468,355         | 683,993     | 4,412                    |
| Ordinary Profit (Loss)                         | 28,872          | (226,773)   | 271                      |
| Income (Loss) before Income Taxes              | 28,257          | (228,087)   | 266                      |
| Net Income (Loss)                              | 5,439           | (157,092)   | 51                       |
| <b>Gross Profit:</b>                           |                 |             |                          |
| Trust Fees                                     | 112,351         | 146,804     | 1,058                    |
| Net Interest Income                            | 48,436          | 78,724      | 456                      |
| Fees and Commissions, Net                      | 36,447          | 26,767      | 343                      |
| Trading Account Income, Net                    | 37,520          | 33,267      | 353                      |
| Other Operating (Expenses) Income, Net         | 235             | 4,422       | 2                        |
|  | (10,288)        | 3,622       | (96)                     |
| <b>At Year-End:</b>                            |                 |             |                          |
| Total Assets in the Banking Account            | ¥ 8,273,968     | ¥ 7,925,980 | \$ 77,946                |
| Total Assets in the Trust Account              | 32,825,020      | 28,311,269  | 309,232                  |
| <b>Total Employable Funds:</b>                 |                 |             |                          |
| Deposits                                       | 19,809,944      | 19,582,749  | 186,622                  |
| Loan Trusts                                    | 3,590,975       | 3,505,753   | 33,829                   |
| Money Trusts                                   | 3,854,727       | 4,491,414   | 36,313                   |
| Pension Trusts                                 | 8,092,523       | 7,443,436   | 76,236                   |
| Property Formation Trusts                      | 4,266,896       | 4,137,105   | 40,196                   |
|  | 4,820           | 5,040       | 45                       |
| Total Loans and Bills Discounted               | 6,554,180       | 7,367,978   | 61,744                   |
| Total Stockholders' Equity                     | 577,730         | 548,441     | 5,442                    |
| <b>Capital Adequacy Ratios (BIS Standard):</b> |                 |             |                          |
| Total Capital Ratio                            | 11.74%          | 13.83%      |                          |
| Tier I Capital Ratio                           | 7.98%           | 8.65%       |                          |
| <b>Per Share:</b>                              |                 |             |                          |
| Net Income (Loss)                              | ¥ 3.03          | ¥ (199.69)  | \$ 0.02                  |

Notes: 1. U.S. dollar amounts are provided, for convenience only, at the prevailing exchange rate of ¥106.15 to US\$1.00 as of March 31, 2000.

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

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

5. The decline of the Total Capital Ratio was due mainly to a change in the calculation method for the risk assets of the Trust Account.

6. From this fiscal year, Reserve for Possible Loan Losses has been moved from the Liability side to the Asset side to directly deduct these reserves from assets.

The Toyo Trust and Banking Company, Limited (Toyo Trust, the Bank), has worked to respond to customer needs, strengthen its risk management systems, and implement other measures. Based on the Bank's New Restructuring Plan (Restructuring Plan), which was issued in March 1999, various steps were taken to restructure the Bank's operations and enhance efficiency. In addition, the Bank joined in alliances and integration with other financial institutions and adopted measures to strengthen its trust-related business operations.

## Performance in Fiscal 1999

Toyo Trust reported the following results for fiscal 1999, ended March 31, 2000. Total income increased ¥34.2 billion, to ¥471.4 billion, as a result of gains from the sales of equities and other securities as well as other factors. Total expenses declined ¥213.4 billion, to ¥442.8 billion, owing to the lower level of credit costs incurred in dealing with problem loans and other factors. As a result, income before income taxes amounted to ¥28.5 billion and net income to ¥7.8 billion. Net income per share was ¥5.68. (The above figures are on a non-consolidated basis.)

During the term ended March 31, 2000, the Bank made write-offs and provisions to reserves as deemed necessary based on conservative and precautionary criteria. As a consequence, the Bank disposed of problem loans in the Banking Account and the Trust Account (jointly operated designated money trusts (JODMTs) and loan trusts with principal amounts indemnified by the Bank) amounting to ¥81.8 billion and ¥84.1 billion, respectively. At March 31, 2000, the total balance of problem loans (in the Banking Account and Trust Account) disclosed based on New Disclosure Standards under the Financial Reconstruction Law amounted to ¥490 billion, which is less than half of the balance at March 31, 1999.

## Strategies

Major tasks for the Bank include realizing its goal of "creating a bank with superb capabilities in trust-related business," which it will achieve by strengthening its operating base and increasing the confidence of customers as well as its evaluation by society as a whole. Based on the basic concepts of the Restructuring Plan, the Bank prepared a two-year plan entitled Management Plan Action 21 (Action 21) with the objectives of "establishing a strong, competitive position in trust-related business," "building sound and efficient banking operations," and "achieving growth through strategic alliances."

To establish a strong position in trust-related business, Toyo Trust has positioned as its core businesses corporate agency services, pension trusts, asset management and administration, securitization business, and other trust-related activities and is allocating personnel, systems, and other resources to these areas on a priority basis with the aim of creating strong competitive positions.

Strategic alliances are another effective measure toward achieving this objective. The Bank joined with six major financial service companies to form a new system for providing



*Shunroku Yokosuka, President*

comprehensive financial services that transcend conventional industry concepts. The members of this alliance agreed to begin joint operations under the brand name “Financial One,” focusing principally on the retail financial service market. Toyo Trust joined another alliance, The Master Trust Bank of Japan, Ltd. (Master Trust Bank), to provide master trust services. Moreover, Toyo Trust, The Sanwa Bank, Limited (Sanwa Bank), and The Tokai Bank, Limited (Tokai Bank), reached a basic agreement to integrate their business operations through the establishment of a holding company. This decision was made with the awareness that substantially faster expansion of the scale of operations is needed to strengthen Toyo Trust’s competitiveness in trust-related business.

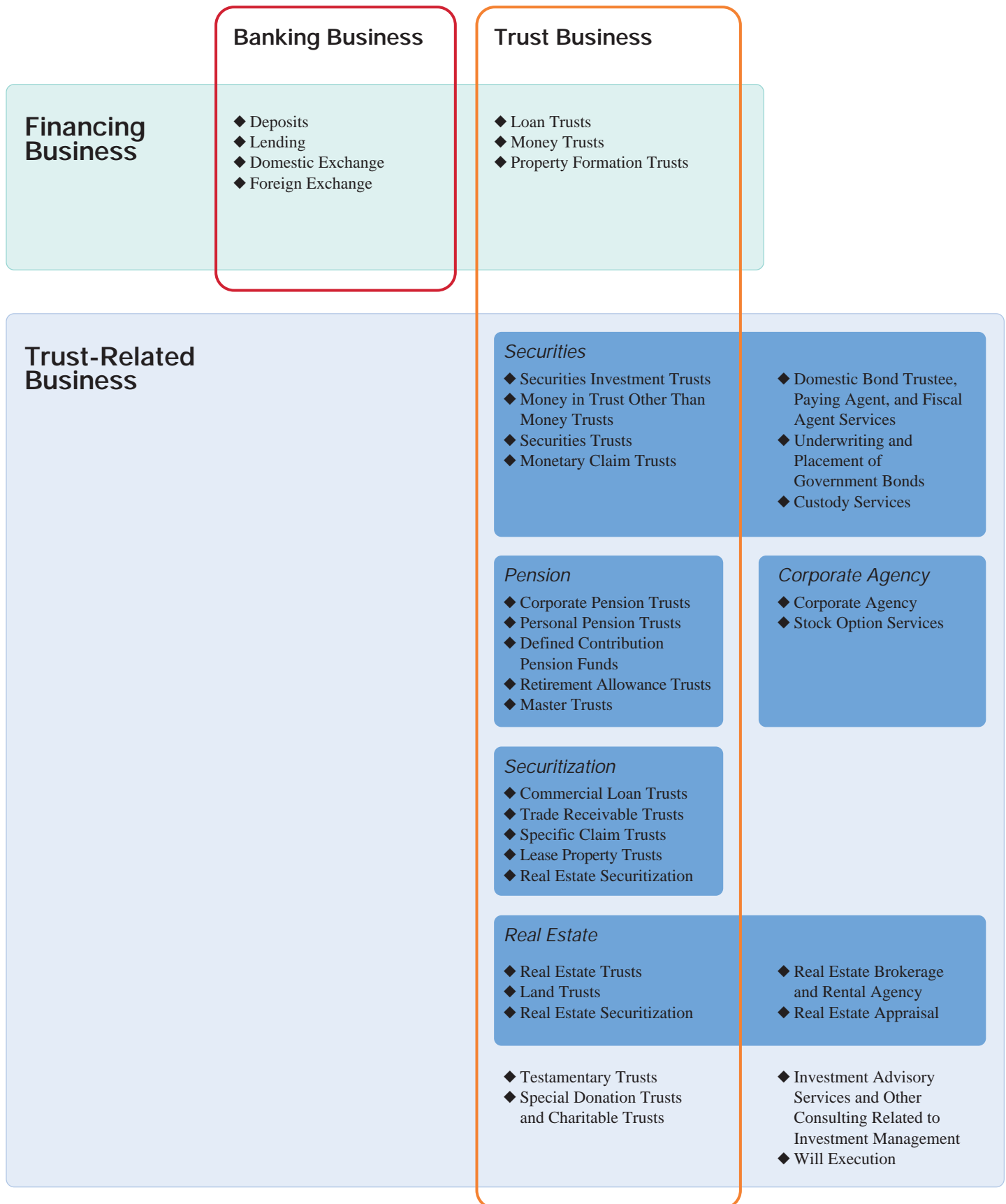
By providing high-quality financial services that draw on the Bank’s strong professional capabilities and wide range of functions, Toyo Trust will continue to meet the needs of society and earn the trust of its customers.

I would like to take this opportunity to thank you, our stockholders and business associates, for your continued advice and support.

July 2000

A handwritten signature in black ink, appearing to read 'S. Yokosuka'. The signature is fluid and cursive, with a large loop at the end.

Shunroku Yokosuka



# Integration with Sanwa Bank and Tokai Bank

The Toyo Trust & Banking Company, Limited (“Toyo Trust”), The Sanwa Bank, Limited (“Sanwa Bank”), and The Tokai Bank, Limited (“Tokai Bank”), have reached a basic agreement to integrate their businesses through a holding company, subject to the consent of stockholders and approval from the related authorities.

Toyo Trust concluded a comprehensive alliance with Sanwa Bank last year and became a member of the “Financial One Alliance,” with the objectives of expanding its customer base and broadening the range of services it can offer.

Moreover, as Sanwa Bank and Tokai Bank proceeded with plans for integration, Toyo Trust also moved forward with discussions for possible joint activities.

As a consequence, Toyo Trust, Sanwa Bank, and Tokai Bank entered into a basic agreement to create a new financial services company that will provide innovative, comprehensive financial services. With the participation of Toyo Trust, which can offer a full spectrum of trust functions and has particular strengths in trust-related services, the new financial group will be well positioned to provide a greatly expanded array of services.

The three banks aim to become a comprehensive financial group that uses innovation and speed to meet sophisticated, diverse customer needs better than any other financial institution in Japan through management that is at the vanguard of the rapidly changing business environment.

## PRINCIPLES OF INTEGRATION

The principles of integration of the three banks are as follows:

1. Establish “a new financial services group,” creating new value for society
2. Provide the most innovative and comprehensive financial services, focus on the “middle and retail” markets, aiming to become the foremost comprehensive financial group in Japan
3. Pursue customer satisfaction and win the confidence of markets
4. Enhance the new worth of the group and build value for stockholders through speedy, cutting-edge, and dynamic business development under disciplined, transparent corporate governance

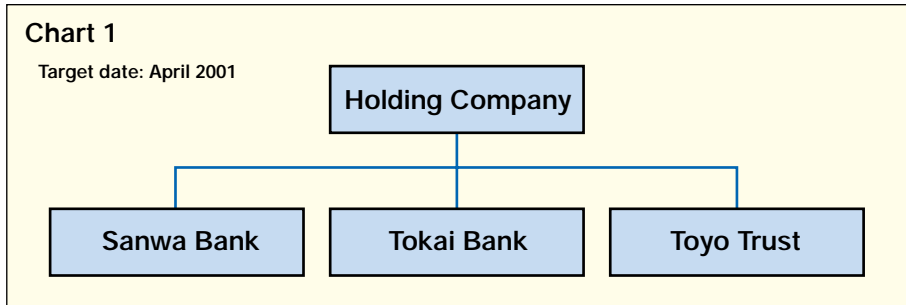
## Integration Process

The three banks will jointly establish a holding company, targeting April 2001, with each becoming a wholly owned subsidiary under its umbrella. The holding company will exercise strong leadership in developing dynamic and comprehensive financial strategies. Specifically, the holding company will set overall management objectives for the group, devise group strategies, and perform the planning, coordination, and supervision required.

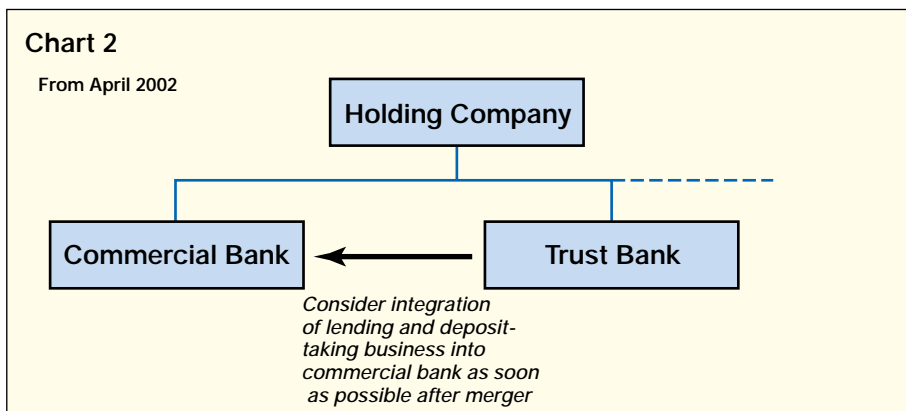
Furthermore, Sanwa Bank and Tokai Bank will consider merging under the holding company, targeting April 2002, to quickly yield greater benefits from integration. In addition, consideration will be given to integrating the lending and deposit-taking

businesses of Toyo Trust into the new commercial bank and trust-related businesses of the new bank into Toyo Trust as soon as possible after the merger, with the aim of optimizing efficiencies of operations.

### Integration Process



↓  
*Consider merger between Sanwa Bank and Tokai Bank*



### Management System

Speed, transparency, and fairness will be the central themes in structuring the management system of the holding company. Corporate governance at the holding company will be strengthened by separating the decision-making and supervisory functions (corporate governance) of the Board of Directors from business execution functions (management).

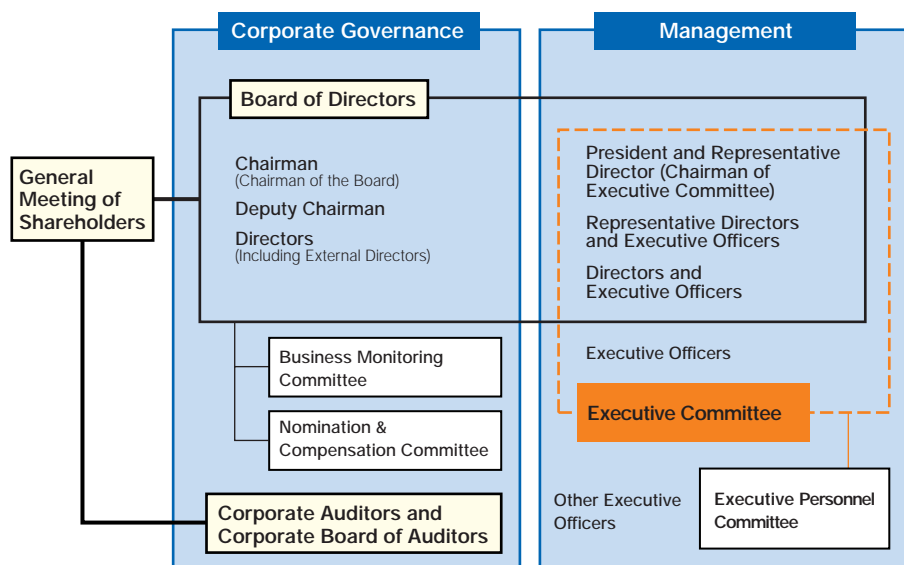
The President, who is responsible for management, shall not co-assume the role of Chairman of the Board. More than half of the Board members, including an appropriate number of external directors, will not assume management function but will devote themselves solely to corporate governance.

The number of directors shall be limited to just over 10 in order to facilitate quicker and more responsive decision making. Additionally, committees, such as a business monitoring committee and a nomination & compensation committee, composed mainly of external directors, shall be established to ensure fairness and transparency.






An executive officer system will be introduced to perform the management function. An Executive Committee, composed of executive officers necessary for decision making, will be established, with the aim of carrying out speedy business execution.

## Management System



## Overview of the Three Banks

(As of March 31, 2000)

|                                      |  TOYO TRUST |  Sanwa Bank |  TOKAI BANK |
|--------------------------------------|--|--|--|
| Establishment                        | November 1959  | December 1933  | June 1941  |
| Location of Head Office              | Chiyoda-ku, Tokyo  | Chuo-ku, Osaka   | Naka-ku, Nagoya, Aichi   |
| Representative                       | Shunroku Yokosuka  | Kaneo Muromachi  | Hideo Ogasawara  |
| Number of Employees (Note 1)         | 3,925  | 13,021   | 9,675  |
| Number of Domestic Branches (Note 2) | 57   | 310  | 274  |
| Number of Overseas Branches (Note 2) | —  | 25   | 16   |
| Capital Stock                        | ¥280.4 billion   | ¥843.0 billion   | ¥723.1 billion   |
| Total Stockholders' Equity           | ¥585.6 billion   | ¥2,174.2 billion   | ¥1,636.2 billion   |
| Total Assets                         | ¥8,193.4 billion   | ¥45,185.0 billion  | ¥29,215.1 billion  |
| Trust Assets                         | ¥32,825.0 billion  | —  | —  |
| Loans and Bills Discounted           | ¥6,652.6 billion   | ¥30,081.0 billion  | ¥18,438.5 billion  |
| Deposits and NCDs                    | ¥19,811.0 billion (Note 3)   | ¥33,855.2 billion  | ¥20,563.4 billion  |
| Gross Business Profit                | ¥192.2 billion (Note 4)  | ¥642.2 billion   | ¥394.2 billion   |
| Net Business Profit                  | ¥96.5 billion (Note 4)   | ¥326.6 billion   | ¥142.4 billion   |
| Net Income                           | ¥7.8 billion   | ¥83.0 billion  | ¥44.7 billion  |

Notes: 1. Does not include temporary contract employees but includes locally hired overseas employees

2. Total of full branches, satellite offices, and agencies (excluding special branches that maintain only designated accounts for transfers)

3. Total of deposits, negotiable certificates of deposit, money trusts, pension trusts, property formation trusts, and loan trusts

4. Figure before write-offs in trust account

## Management Principles

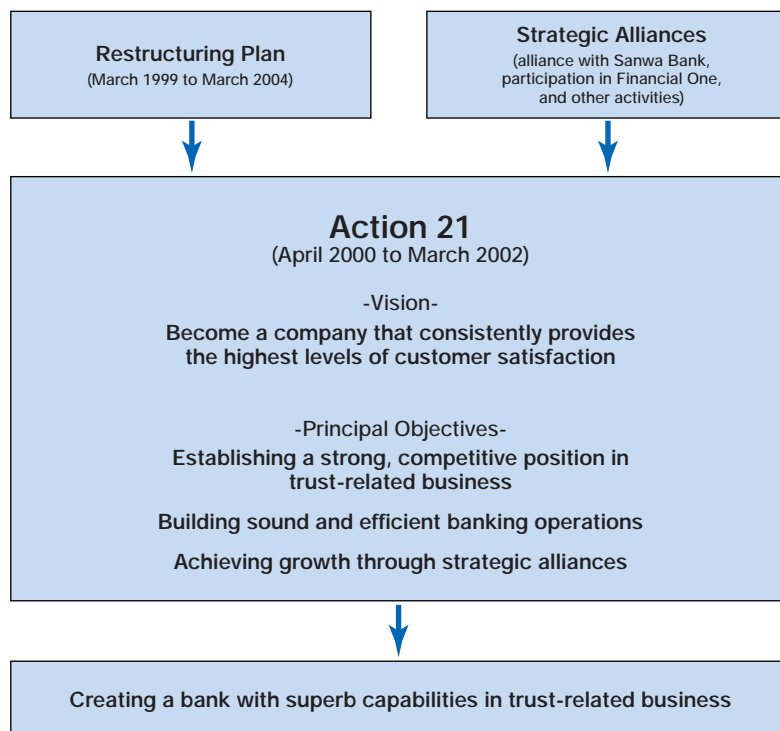
When applying for an infusion of public funds to increase its capital in March 1999, Toyo Trust prepared its Restructuring Plan, which set forth measures for enhancing Toyo Trust's position as a "bank with superb capabilities in trust-related business." Subsequently, the Bank has concentrated on strengthening its capabilities in corporate agency services, pension trusts, asset management and administration, securitization, and other fields and has worked to restructure its operations.

Since the establishment of the Restructuring Plan, the environment for the operations of financial institutions has undergone substantial change, owing to such developments as progress toward the implementation of Japan's financial Big Bang, the IT revolution, restructuring and realignment in Japan's financial services industry, and the growing diversity and sophistication of customer needs.

In view of these changes in the operating environment, in March 2000 Toyo Trust prepared a two-year management plan, Action 21, based on the Restructuring Plan, and began its implementation in April 2000. The objectives of Action 21 are to sharpen the Bank's focus on "creating a bank with superb capabilities in trust-related business" and further enhance its presence in the market.

The Bank recognizes that responding to customer needs for trust-related services, including comprehensive asset accumulation, management, and administration services, is a highly effective means of strengthening the Bank's position. Moreover, the Bank believes that the importance of focusing efforts on these areas is increasing.

## Toyo Trust's Management Plans and Policies



By substantially enhancing its capabilities in trust-related business, Toyo Trust is aiming to maintain the highest levels of customer satisfaction at all times.

### **Background and Positioning of Action 21**

The environment for financial institutions is undergoing change of unprecedented scale and speed. In addition to full-scale corporate realignments and the ongoing implementation of financial reforms, Japan's financial Big Bang is approaching the final stages. The market mechanism has penetrated Japan's financial sector and—more than ever before—the true value and capabilities of financial institutions are at issue.

Action 21 was formulated while taking account of these developments. In addition, Action 21 is based on the awareness that, in enhancing customers' confidence in and appraisal of the Bank's capabilities, it is essential that the management policies adopted thus far be made crystal clear and that substantially greater attention be drawn to the objective of "creating a bank with superb capabilities in trust-related business."

Accordingly, Action 21 is intended to facilitate the implementation of management strategies more efficiently, based on the basic concepts of the Restructuring Plan, in the environment prevailing one year after the Restructuring Plan was issued. The implementation of Action 21 is the means to the attainment of the objectives of the Restructuring Plan.

### **Principal Objectives of Action 21**

#### **• Establishing a Strong, Competitive Position in Trust-Related Business**

Toyo Trust has positioned as its core businesses corporate agency services, pension trusts, asset management and administration, and other trust-related activities and is allocating personnel, systems, and other resources to these areas on a priority basis with the aim of creating strong, competitive positions.

#### **• Building Sound and Efficient Banking Operations**

Banking and related financial services form the basis for trust-related services, and Toyo Trust is aiming for stable growth in these areas while emphasizing soundness and efficiency. The Bank is working to further upgrade its risk management systems and methods with the objectives of obtaining a return appropriate to risk taken, increasing efficiency, and enhancing the soundness of its financial services. Moreover, through these operations, the Bank is endeavoring to provide a stable supply of credit and other banking services to its customers and thereby fulfill its role as a financial intermediary.

#### **• Achieving Growth through Strategic Alliances**

Toyo Trust's principal strategic alliances include a comprehensive tie-up with Sanwa Bank and participation in Financial One, a new financial services alliance formed among Toyo Trust and alliance partners The Koa Fire and Marine Insurance Co., Ltd. (Koa Fire and Marine), Sanwa Bank, The Taiyo Mutual Life Insurance Co. (Taiyo Life), Daido Life Insurance Co. (Daido Life), Tsubasa Securities Co., Ltd. (Tsubasa Securities, formerly Universal Securities Co., Ltd.), and The Nippon Fire and Marine Insurance Co., Ltd. (Nippon Fire and Marine). This alliance enables the Bank to offer its customers the highest level of quality financial services. In addition, Toyo Trust has established a company—with The Mitsubishi Trust and Banking Corporation (Mitsubishi Trust), Nippon Life Insurance Co. (Nippon Life), and other partners—that provides master trust services and is proceeding with other alliances in specific business areas.

## Implementation of Management Policies

### *Establishing a Strong, Competitive Position in Trust-Related Business*

#### **(1) Building a Stronger Organization**

To substantially strengthen the Bank's position in trust-related business, the following organizational changes were implemented in May 2000.

- The planning function for corporate agency services was set up as a separate unit, called the Corporate Agency Planning Department.
- The DC Business Promotion Department was created to handle defined contribution pension plan business operations.
- The Securities Administration Department was created by merging a section of the Securities Business Department, which was in charge of securities administration operations, and the Pension Trust Administration Department.
- The Real Estate Investment Business Department was formed and is responsible for real estate securitization and related business operations.
- The Structured Finance Division was established to take responsibility for securitization of assets other than real estate. The Structured Finance Department is part of this division.

#### **(2) Aggressive Investments in IT**

To take maximum advantage of developments in IT, the Bank is making active investments in IT systems, especially in its core trust-related businesses. The objectives of these investments are to increase the sophistication of the Bank's services and improve operating efficiency.

#### **(3) Priority Allocation of Personnel**

As the Bank reduces its personnel, efforts will be made to achieve a more efficient allocation of staff, including the continued active assignment of more human resources to trust-related businesses.

#### **(4) Reorganization of the Domestic Office Network**

To enhance the allocational efficiency of branches and personnel, the Bank closed one branch during fiscal 1999 and converted six branches to "Trust Plazas"—or sub-branches—that primarily provide a broad range of financial consulting services related to asset management, inheritance matters, preparation of wills, real estate, and other matters for individual customers.

#### **(5) Training and Employment of Specialists**

Trust-related activities require high levels of professional skill. To achieve these levels, the Bank encourages its staff to earn various types of officially recognized qualifications and is actively hiring staff in midcareer, which marks a departure from

the traditional practice of hiring primarily directly from universities and colleges. Moreover, as mobility in the labor market is increasing, the Bank will be better able to secure personnel who possess sophisticated professional knowledge and skills.

### ***Building Sound and Efficient Banking Operations***

#### **(1) Enhancing Asset Soundness**

In accordance with internal rules for self-assessment, the Bank has made write-offs of nonaccrual and problem loans and set aside reserves deemed necessary for such exposure to ensure the soundness of its assets at the earliest possible date. In fiscal 1999, as well, the Bank conducted strict self-assessments of its assets and—in line with *The Viewpoint on the Write-Offs and Allowances in Association with the Capital Injection* issued by the FRC and the *Financial Inspection Manuals* published by the FSA—made write-offs and provisions to reserves as deemed necessary based on conservative and precautionary criteria.

As a result, in fiscal 1999, Toyo Trust disposed of problem loans and made provisions to reserves for possible loan losses in the Banking Account amounting to ¥81.8 billion. In the Trust Account, disposal of problem loans (made from JODMTs and loan trusts with principal amounts indemnified by the Bank) and provisions to reserves for such loans totaled ¥84.1 billion.

Owing to progress in the disposal of problem loans, the Bank's coverage ratio was 81.1% for the Banking Account and 83.7% for the Trust Account at fiscal year-end. In addition, as a consequence of sales of loans and other measures to deal with problem loans, including direct write-offs and abandonment of claims, the balance of problem loans disclosed under the Financial Reconstruction Law in the Banking Account declined ¥494.7 billion during the fiscal year, to ¥346.5 billion. In the Trust Account, the balance of such loans declined ¥87.2 billion, to ¥143.5 billion. (Of this decline, ¥93.3 billion was due to an accounting change, namely, the implementation of direct write-offs of loans in Category IV.) The Bank will continue to make such write-offs and provisions as deemed necessary to ensure the continued soundness of its asset portfolio.

#### **(2) Enhancement of Credit Risk Management Methods and Implementation of Risk Management**

The Bank has worked to substantially upgrade the analysis of individual credits and implement risk management procedures for its loan portfolio. In addition, it is making use of methods for measuring credit risk volumes and is working to introduce more sophisticated risk management methods. Moreover, as it implements more sophisticated methods, the Bank is endeavoring to obtain a return appropriate to risk and achieve greater dispersal of risk in its portfolio with the aim of enhancing the profitability and soundness of its assets.

### **(3) Performing the Role of Financial Intermediary**

Toyo Trust is aware that banks have a responsibility to provide adequate services as financial intermediaries and is endeavoring to provide stable financing to its corporate and individual customers predicated on strict credit control. During fiscal 1999, the Bank established the Fund for Small, Medium-Sized, and Upper Middle Market Companies with the aim of providing a stable supply of funds to such companies. To promote the use of this fund by a broader range of customers, the Bank reviewed the types of services provided to better tailor them to customers' needs. In addition, the Bank took steps to promote wider use of the services of the Credit Guarantee Corporation and similar guarantee organizations by holding training sessions and making personnel aware of the purposes and features of these organizations. The Bank will maintain this policy, considering in particular its social responsibility to provide financing to small and medium-sized corporations.

### ***Achieving Growth through Strategic Alliances***

#### **(1) Comprehensive Alliance with Sanwa Bank**

Under the alliance established with Sanwa Bank in January 1999, Toyo Trust and Sanwa Bank are engaged in the following joint activities.

##### **(a) Provision of Defined Contribution Pension Plans**

The Bank has made investments in Japan TPP Securities Co., Ltd., and Japan Pension Planning jointly with Sanwa Bank and Daido Life.

##### **(b) Sharing of the Operating Infrastructure**

Customers of both banks have access to the ATMs of Toyo Trust and Sanwa Bank. In addition, the two banks have a joint mail service, have set up a joint branch, and are sharing their computer centers.

##### **(c) Merging Overlapping Operations and Functions**

Sanwa Trust has been merged into Toyo Trust, and all Toyo Trust's foreign exchange yen clearing system operations are now outsourced to Sanwa Bank.

##### **(d) Creating Cooperative Systems to Promote Transactions**

Toyo Trust is cooperating with Sanwa Bank in responding to the trust-related business needs of Sanwa Bank customers, and the two banks are working together to offer high-value-added services.

## **(2) Joint Activities in Financial One**

Toyo Trust is a participant in Financial One, together with six other financial institutions—Koa Fire and Marine, Sanwa Bank, Taiyo Life, Daido Life, Tsubasa Securities, and Nippon Fire and Marine.

Financial One is aiming to establish a new, comprehensive system for providing financial services that transcend conventional industry concepts. Its activities will focus on the retail market and will include the following services.

- **Private Banking**—Members of the Financial One alliance established Private Financial Management Co., Ltd. (PFM), in April 2000. This company will actively work to develop private banking services tailored to the Japanese market. The members of the alliance will work to provide comprehensive financial advisory services through PFM, which will offer investment advisory services (investment advice, reports on portfolio status, and other services) and private financial services (inheritance matters, business succession, and management support).
- **Internet Banking**—In May 2000, the seven members of the alliance established a joint portal site titled “Financial One.” The objective of this portal, which is a full-scale comprehensive financial Web site, will be to provide convenient, “one-stop-shopping” financial services and information. This new portal will aim to respond effectively to customer needs by offering new services that go beyond conventional concepts.

In addition to these services, members of Financial One are considering other joint activities in a wide range of business areas.

## **(3) Joint Development of Master Trust Operations**

In April 2000, Toyo Trust joined with Mitsubishi Trust, Nippon Life, Meiji Life Insurance Co. (Meiji Life), and Deutsche Bank AG (Deutsche Bank) to form a joint company, The Master Trust Bank of Japan, Ltd. (Master Trust Bank), which commenced operations in May 2000. Beginning in June 2000, the new company also began to offer on-line information services (information integration services). Plans call for the company to provide additional master trust services, including asset integration and the administration of securities held by life insurance companies.

Accompanying innovations in financial technology, financial deregulation, and globalization, the scope of services provided by financial institutions has grown, leading to expansion in the volume and diversity of risks that must be managed.

Toyo Trust recognizes that substantially enhancing risk management capabilities is a key management issue, and in its Action 21 plan has made enhancing the sophistication of its risk management systems the goal of its risk management strategy. In line with this goal, the Bank has taken steps to augment its middle offices, which are responsible for risk management in market operations, lending, and other activities involving risk. Moreover, by increasing the sophistication of the comprehensive management of various types of information related to risk, the Bank has significantly upgraded its reporting system for such information to enhance its contribution to management decision making.

## 1. Establishment of the Operations Control and Compliance Department and the Enhancement of Systems for Managing Each Type of Risk

In November 1997, the Bank established the Operations Control and Compliance Department to supervise the overall planning and implementation of activities related to internal controls and risk management, including the establishment of systems for ensuring compliance with legal and other regulations. The following table shows the risks to which financial institutions are exposed. To manage these effectively, Toyo Trust has assigned a specific department to assess, manage, and develop methods to avoid such risks.

In addition, the Operations Control and Compliance Department works with Head Office departments to strengthen risk management capabilities and is engaged in

| Type of Risk                                 | Description   |
|--|---|
| <b>Management and internal control risk</b>  | Risk of financial losses or loss of credibility caused by managerial directives and internal management   |
| <b>Legal risk</b>                            | Risk of losses caused by legal violations or uncertainty of legal position in contracts   |
| <b>Credit risk</b>                           | Risk of default by borrowers on issuers of financial products caused by financial difficulties  |
| <b>Market-related risk</b>                   | 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 |
| <b>Liquidity risk</b>                        | Risk of difficulties in procuring funds in the market owing to large shortfalls in financing liquidity  |
| <b>Accountability risk for trusts assets</b> | Risk of being responsible for violation of legal duties as trustee  |
| <b>Operations risk</b>                       | Risk of losses in income or credibility as a result of fraud or mistakes in operations management   |
| <b>Systems risk</b>                          | Risk of damages occurring from system failures, such as breakdowns in electronic processing systems, program malfunctions, or computer viruses                |



ongoing activities to improve risk management systems on a Bankwide basis. The department prepared a risk management checklist based on the *Financial Inspection Manuals* of the FSA and other sources. The department requests the preparation and improvement of policies for various types of risk and verifies that the responses of various departments are adequate.

## **2. Enhancement of the Inspection and Audit System for Risk Management**

As an integral part of its risk management systems, Toyo Trust has expanded the scope of activities of the Auditing Department. Audits are conducted at Head Office departments and branches to confirm the adoption of risk management policies established by relevant departments in charge, including strict compliance with regulations and the effectiveness of the policies. In parallel with this, the relevant departments in charge are also audited to ensure the appropriateness of risk management measures.

## **3. Management of Legal, Credit, Market, Liquidity, and Operations and Systems Risks**

### **(1) Legal Risk**

Legal risk is managed by the Operations Control and Compliance Department, which is responsible for the Bank's compliance system and has overall responsibility for legal matters.

#### ***(a) Enhancement of the Compliance System***

Beginning in October 1999, to ensure strict compliance with rules and regulations as well as achieve further improvements in the compliance system, the department prepared and implemented a compliance program and is reviewing this program on a semiannual basis to enhance the Bank's compliance system.

Moreover, the department has prepared and distributed to all staff the *Compliance Manual for Observance of Rules and Regulations for Management and Staff*, which brings together key points on basic laws and internal regulations of which management and staff of trust banks should be aware. This manual is used in internal training programs and in conducting inspections at the Bank's offices.

To improve the objectivity and transparency of compliance, in February 2000 the Bank established its Customer Service Office within the Operations Control and Compliance Department to take overall responsibility for responding to customer suggestions, complaints, and other issues. In addition, beginning in February 2000 along with the passage of the Law Penalizing Organized Crime, the Bank has prepared regulations and strengthened its systems to prevent money laundering, and in-house training programs have been conducted to make staff fully aware of these regulations and related matters.

***(b) Supervision of Legal Matters***

Based on internal regulations governing the review of documents, the divisions in charge examine the content and method of distribution of all documents prepared for distribution, display, transmission, and contracts in advance. By reviewing these documents to determine their legality, the department maintains adherence to relevant legal provisions and ensures that the Bank's operations are conducted properly and in accordance with the social responsibilities and public mission of financial institutions.

In addition, the department has established a system to respond to inquiries and give advice on matters related to compliance with legal and other regulations. Inquiries and requests for advice originating in the Bank's business departments, branches, and other offices are directed to compliance officers of the departments in charge of operations related to compliance; a system for submitting these inquiries on a special form has been established. The department conducts checks on the content of replies from the relevant departments to determine their appropriateness. Moreover, to ensure strict and transparent conduct of operations, the department inspects and assesses the legality of internal regulations.

**(2) Credit Risk**

Credit risk arises in lending business, which is one of the principal activities of banking institutions, and in other financial services that involve the creation of obligations and claims. Management of credit risk has become increasingly important in maintaining the soundness of assets and preventing the occurrence of non-performing assets. Toyo Trust monitors the current value of its risk exposure not only by the supervision of on-balance-sheet assets, which comprise mainly loans, but also by monitoring derivatives and other off-balance-sheet exposure, making use of the current exposure method.

Toyo Trust has introduced a 10-tier credit rating system for its loan customers, based on their financial and management performance, and employs this system to manage risk through credit analysis and self-assessments of credit quality.

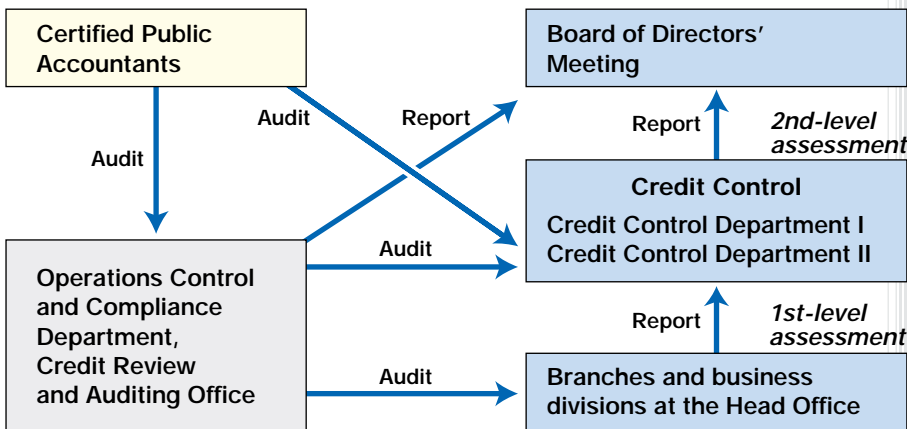
***(a) Credit Analysis***

To realize the benefits of mutual cross-checking functions in credit analysis and evaluation, the Bank has established the Credit Control Department I and Credit Control Department II, which are independent of business promotion sections, to conduct strict evaluations of risk. When credit analysis is conducted, these departments examine the soundness and profitability of loan customers through credit ratings and other means while also taking into account the potential contribution to society and the public good. The Bank is careful to avoid undue concentration of lending risk in specific companies and industries and works to respond positively to sound requests for funding.

**Credit Rating System**

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

**Self-Assessment System**



**(b) Self-Assessments of Credit-Related Assets**

Self-assessments of credit-related assets are conducted initially by the Bank’s branches and business divisions at the Head Office, and this is followed by a second evaluation by the credit control departments of the Head Office. Moreover, periodic revaluations are carried out by the Credit Review and Auditing Office of the Operations Control and Compliance Department, which is independent of all departments engaged in business promotion, and the credit control departments. Reports on these evaluations are submitted to the Bank’s senior management twice annually.

Credit-related assets are classified into four categories according to the Bank’s self-assessment criteria, which are based on the *Financial Inspection Manuals* of the FSA and are linked to the Bank’s credit rating system. The credit-related assets are ranked from Uncategorized, where the Bank judges that there is no doubt about their collectibility, to Category IV, which includes loans that are deemed uncollectible. Based on such assessment, the Bank then calculates the appropriate amount of reserves for possible loan losses.

### (c) Enhancement of Credit Risk Management

Toyo Trust has systemized its management of collateral as a crucial aspect of its lending operations. Systems for the management of securities and real estate pledged as collateral are in operation and enable rapid appraisals of collateral values and the elimination of any arbitrariness in such valuations. The Bank has also promoted the development of systems for credit ratings and self-assessments as well as developed its own systems for this purpose, which are linked to the collateral management systems to provide backup for assigning appropriate ratings and assessments. In addition, the Bank is also promoting the quantification of credit risk based on ratings and assessments to increase the sophistication of the credit management process.

### (3) Market Risk

#### (a) Risk Management System

To ensure the soundness of its operations and stability of its earnings, Toyo Trust is placing increasingly stronger emphasis on measuring and managing various types of market risk. The following limits on risk volumes, which take into account the Bank's capital and earnings positions, are set semiannually at the Board of Directors' Meeting after deliberation by the Asset-Liability and Risk Management Committee.

- *Maximum risk limits for overall operations and the allocation of permissible risk limits to each department involved in market operations (front office)*

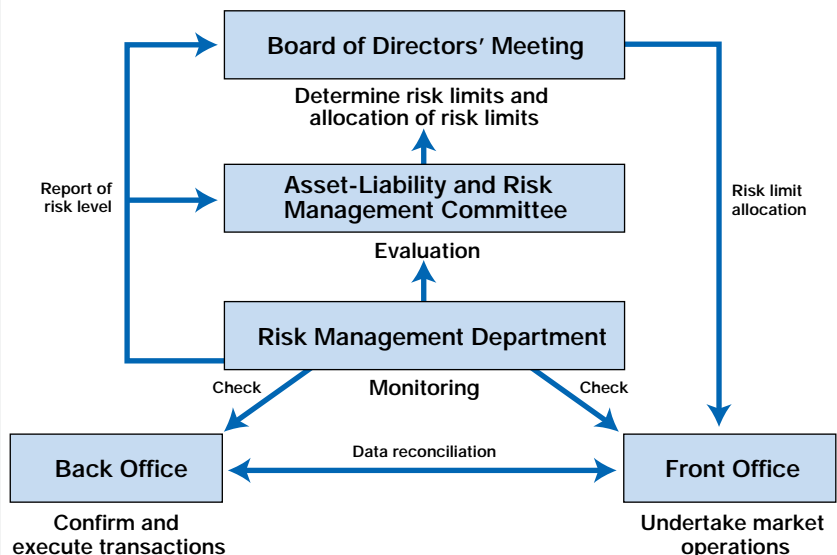
The maximum risk limit for the Bank as a whole, including credit, market, and other forms of risk, is set within the limits of the Bank's capital.

- *Loss limits*

These are set with reference to earnings during the term.

Each department conducting market operations then sets position limits by allocating permissible risk volumes within the limit assigned to it.

To strengthen risk management capabilities and cross-checking functions, the Bank has established a middle office, the Risk Management Department, which is separate



and independent from the front and back offices. This department monitors risk volumes and positions as well as profit and loss performance and, based on these monitoring activities, provides reports to senior management on a daily basis. For the actual conduct of risk management activities, the Bank has prepared an operations manual titled *Basic Policies for Risk Management in Market-Related Business* and other procedures and manuals, and full compliance with these procedures is strictly required. Moreover, to take account of changes in the markets and further enhance the sophistication of these procedures, the manuals and related documents are updated on an as-needed basis.

To strengthen risk management systems in every area, including back office operations, the Bank's independent Auditing Department conducts detailed examinations on a regular basis. In addition, outside auditors are called upon to examine the Bank's risk management systems to confirm their proper operation from both quantitative and qualitative perspectives.

#### **(b) Risk Management Methodologies**

Toyo Trust employs the value-at-risk (VaR) approach as a uniform method for measuring the volume of risk. VaR measures the maximum loss that may be incurred on a specific position over 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 maximum loss over the next day is predicted to be within ¥100 million with a probability of 99%.

The Risk Management Department, which is independent of the front and back offices, uses its own internally developed risk management models, or market risk reporting system (MRS), to monitor risk volumes on a continual basis by type of account (banking and trading) and risk category (interest rate, foreign exchange, and stock price).

For increasingly complex financial products, the Bank uses the base point value (BPV) and grid point sensitivity (GPS) methods in addition to the VaR approach to determine the locus and volume of certain risk categories.

BPV is an indicator that focuses on the impact of interest rate changes. BPV shows the change in the market value of financial products in the event of a one basis point (0.01%) change in interest rates over the entire yield curve.

GPS is an indicator that measures the influence of yield curve changes. GPS shows the change in the market value of financial products in the event of a one basis point (0.01%) change in interest rates at a specific point of the yield curve.

| Type of Risk          | Daily Average | Maximum | Minimum |
|-----------------------|---------------|---------|---------|
| Interest rate risk    | 1             | 8       | 0       |
| Foreign exchange risk | 2             | 5       | 0       |
| Total                 | 3             | 11      | 0       |

Holding period: One day

Confidence level: 99%

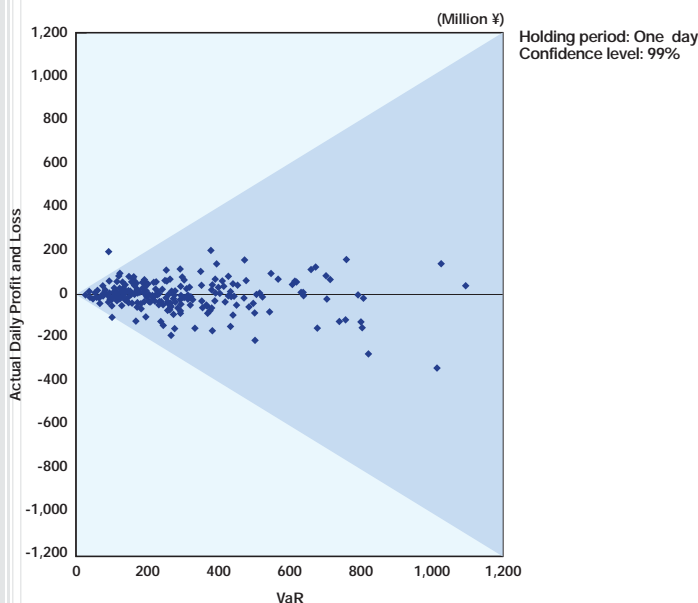
Notes: 1. The days when maximum and minimum values occurred differ.

2. The Bank is not engaged in equity trading; therefore, stock price risk is not shown.

**(c) Back Testing**

To verify the accuracy of the MRS models, back testing is conducted on a daily basis. Back testing verifies the relationship between estimated VaR and actual profit and loss.

**Back Testing of VaR Model in Trading Business  
(April 1999–March 2000)**



**(d) Stress Testing**

VaR measures the expected maximum loss that may occur under ordinary market conditions, but when markets become abnormally volatile actual loss may greatly exceed VaR. Accordingly, the Bank conducts stress testing on a daily basis to estimate the loss level in the worst-case scenario to supplement and improve upon VaR methodologies.

**(4) Liquidity Risk**

The Bank prepares plans every term for sourcing and using funds that take account of liquidity risk. Based on these plans, the Treasury Department raises and invests both yen and foreign funds from financial markets. Plans for market funding and investing are reported to and discussed at the monthly meeting of the Asset-Liability and Risk Management Committee. The Credit Risk Department monitors the implementation of these plans on a daily basis. Plans for action (*Rules for Emergency Conditions*) have been prepared for emergency situations in the event of unsettled conditions in the financial system and other unforeseen developments, including the emergence of liquidity crises.

**(5) Operations and Systems Risks**

To ensure the smooth operation of the Bank's wide range of services, including trust-related and banking businesses, the Systems and Operations Planning Department carries out a range of activities that continually improve the accuracy

and efficiency of operations. These include developing and enhancing operational procedures, preparing standards and operating manuals, and conducting instruction and training programs. To deal effectively with systems risk, the department prepares plans for related systems and their operation. Systems development is subcontracted to Toyo Systems Development Co., Ltd., and systems are operated by Toyo Trust Operation Service Co., Ltd. These two functions have been assigned to different companies to promote mutual supervision and cross-checking. In addition, in preparation for various contingencies, such as the destruction of data files or programs as well as systems failure and natural disasters, the Bank keeps multiple files of important data, has established a backup center, and has prepared contingency plans to deal with various eventualities. Moreover, the Bank recognizes a broad category of operational risks that includes operations and systems risks but excludes credit- and market-related risks. The Bank is engaged in activities to measure this category of other risks and make comparisons with the volumes of credit- and market-related risks possible, thereby enhancing the sophistication and comprehensiveness of its risk management activities.

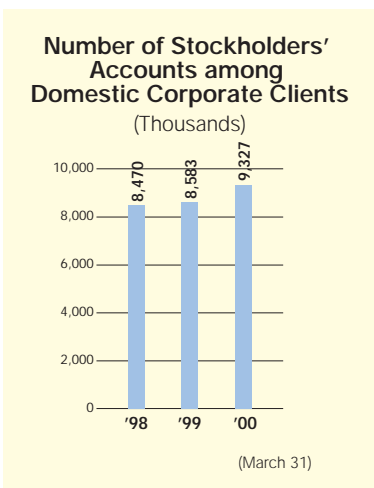
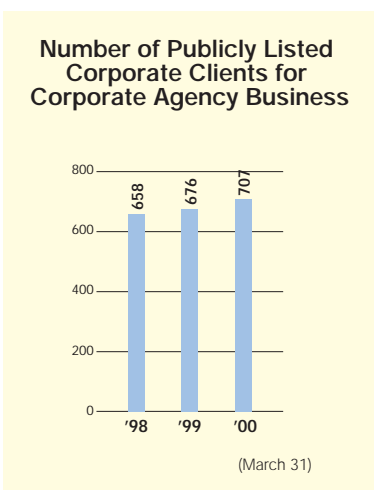
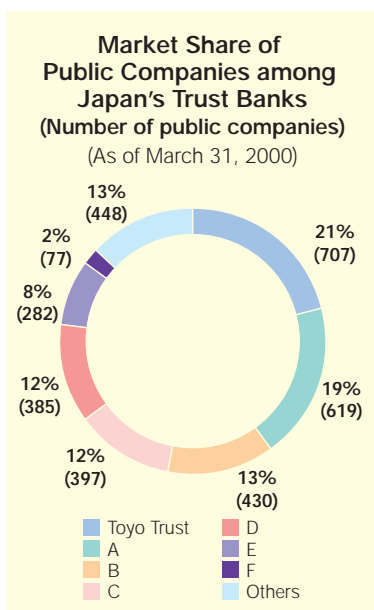
#### **4. ALM System**

The Bank's asset-liability management (ALM) system aims to ensure the soundness of operations as well as stabilize and maximize returns through the comprehensive management of the composition and other aspects of the Bank's assets and liabilities. ALM activities draw on analyses of risk and return based on expected conditions in the economic and financial environments. The deregulation of interest rates, growing diversity of financial products, increasing sophistication of financial market transactions, and other developments are having an increasingly profound impact on the financial services industry. Toyo Trust fully recognizes the importance of ALM and conducts its ALM activities efficiently and flexibly.

On a monthly basis, the Bank's Asset-Liability and Risk Management Committee receives reports and holds discussions on important matters related to ALM. Reports are presented on 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 range of ALM issues, such as financial market forecasts, the preparation of the Bank's profit and funding plans, business operation plans for various departments, and hedging strategies. Committee decisions are then implemented in the operations of related departments.

#### **Y2K Issue Update**

Toyo Trust assigned high management priority to the Y2K issue and undertook countermeasures on a Bankwide basis. As a result, no Y2K problems have been encountered to date. The Bank is continuing to take precautionary measures around those dates that have been specified as possible times for occurrences of Y2K problems.



## Corporate Agency Business

The corporate agency business was introduced in 1950 accompanying the revision of the Commercial Code of Japan. Today, most companies whose shares are traded publicly appoint stock transfer agents to handle their stockholder administration. By providing fast and accurate corporate agency services, Toyo Trust contributes to the smooth functioning of Japan's equity markets.

## Corporate Agency Services

Stock transfer operations, registration of stockholders, payment of dividends, and the conduct of other corporate agency services are of vital importance to corporations and their stockholders. In particular, along with growth in the number of stockholders and shares traded, these operations have risen in volume and complexity.

Toyo Trust has earned the strong confidence of both corporations and their stockholders through the accurate and speedy execution of these services. As of March 31, 2000, Toyo Trust provided corporate agency services for 707 domestic publicly traded corporations, more than any other player in this area.

In addition, with the commencement of trading on the Mothers and NASDAQ Japan stock exchanges, which are intended for venture businesses, the number of companies seeking to list their shares is rising substantially. Toyo Trust provides services to assist such companies, including the performance of procedures for exchange listing and advice based on its extensive experience and record of accomplishments in this area. The Bank works closely with lead managers and accounting firms to provide its support for stock listings.

## Second-Generation System for Corporate Agency Services Goes On-Line and Earns ISO Certification

The Bank introduced a new system for corporate agency services through a client server (distributed processing system) in July 1998 that anticipated next-generation systems for corporate agency services and has worked to enhance the speed, accuracy, and security of processing operations.

To further improve convenience for companies and their stockholders relying on the Bank for these services and ensure improvements in precision and efficiency, the Bank developed a second-generation system, which went into operation in March 2000. Major improvements featured in the second-generation system were the shortening of the processing schedules, including a further reduction in the time required for returning stock certificates after ownership has been transferred, and reduced time for processing purchase orders, including the processing of stocks in amounts less than the minimum trading unit. Another improvement was the expansion of services offered to corporate customers, including the broadening of information made available to customers on stockholders and related matters. Before the commencement of services on the second-generation system, the Bank began to offer 24-hour acceptance of request forms for changes of address and payment of dividends via telephone and the Internet.



Toyo Systems Development, a member of the Toyo Trust Group responsible for the development and maintenance of the new corporate agency system, received ISO 9001 certification of its system's design, development, and maintenance. (The certification was awarded by the Japan Quality Assurance Organization.)

### Planning and Developing New Services

Following a revision of the Commercial Code of Japan that cleared the way for the introduction of stock options, the Bank introduced its newly developed Stock Option Services. Thereafter, the Bank began to offer management services for overseas stockholders to assist Japanese companies in tracking foreign stock ownership and building closer ties with overseas stockholders. Toyo Trust is quick to respond to changes in legal regulations governing corporate agency services as well as in the operating environment, and follows up with offerings of new products and services to better answer evolving client needs.

### Seminars and Consulting Services

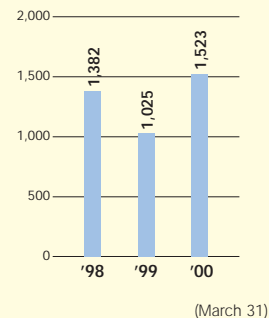
A number of important changes have been made recently in the laws governing the operations of corporations in Japan. These include the provision in the Commercial Code of Japan granting permission for the establishment of holding companies, changes in regulations regarding the spinning off of portions of corporations, the revision of the Securities and Exchange Law, which applies to companies listing their shares on exchanges, and other laws. Moreover, the practical management of corporations is changing along with the growing interest in corporate governance, the introduction of the executive officer system, and other developments.

Toyo Trust provides timely information on legal and other issues, especially regarding the management of stock-related matters, by holding seminars featuring presentations by in-house and invited experts for managers of stockholder affairs and new members of the boards of client companies. Similarly, the Bank publishes the *Daiko Report* and the *Shoken Daiko Newsletter* to provide customers additional information on issues related to corporate agency services. Moreover, Toyo Trust has published a number of books on related matters, including *The Stock Administration Handbook*, *Periodic Reporting under Corporate Law*, and *The Stock Options and Stock Repurchase Manual*. These publications have won strong support for the Bank's services not only from managers in charge of stock administration but also industry experts and corporate executives.

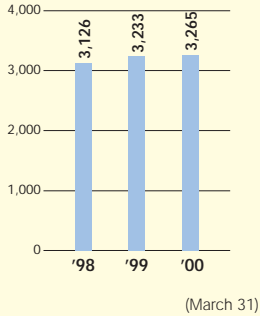
### Pension Trusts

As Japan's population continues to age demographically, corporate pensions that provide for the support of retirees are attracting growing interest from society at large. Beginning in fiscal 2000, liabilities for the payment of retirement allowances and pensions must be shown on corporate balance sheets. This and other developments are bringing remarkable changes to the environment for corporate pension plans. To meet the evolving needs of its customers, Toyo Trust is drawing fully on the

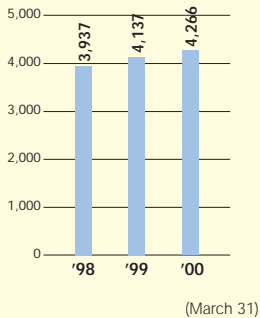
Number of Stock Transfers  
(Thousands)



### Number of Corporate Pension Trusts



### Pension Trust Assets (Billion ¥)



professional expertise it has accumulated in the pension field, from record keeping and actuarial computations to the management and administration of pension assets.

### Corporate Pension Trusts

Corporate pension plans are established by private enterprises, organizations, and others on their own initiative to provide for the post-retirement security of their employees. Toyo Trust offers corporate pension trust services tailored to the various pension schemes in Japan, including tax-qualified pension funds and employees' adjusted pension funds. The Bank manages and administers such funds entrusted to it by corporations as well as the Employees' Adjusted Pension Fund (EAPF) and handles payment of employees' post-retirement pensions and lump-sum retirement allowances. The Bank offers a full range of responsive and accurate pension management and administration services and is continually working to enhance the systems support it provides, including systems for the supervision of record keeping appropriate to each type of pension scheme as well as fund management services. To respond accurately to customer needs, the Bank also offers consulting assistance for individual corporate pension plans that draws fully on the professional expertise it has accumulated in this field, including ALM and projected benefit obligation calculations.

### Tax-Qualified Pension Funds

The tax-qualified pension trust system, established in 1962, is a corporate pension scheme that offers certain tax merits, provided such funds are approved by the National Tax Administration Agency and managed externally. Contributions to such funds made by corporations are treated as expenses, and earnings from the management of the funds are tax-exempt.

### Employees' Adjusted Pension Funds (EAPFs)

The EAPFs trust system, established in 1966, provides for the establishment of welfare annuity funds in the form of special contributions by companies, industry associations, and others that are approved by the Minister of Health and Welfare. These funds are permitted to include a portion of the contributions paid into the National Welfare Pension Insurance Fund with the aim of earning a higher return and paying more generous retirement benefits.

Toyo Trust concludes pension trust contracts with these funds and provides services that include record keeping, member and pension recipient administration, and the payment of periodic pension and lump-sum retirement allowances as well as the management and administration of pension assets.

### National Annuity Fund Trusts

These pension funds were introduced in 1991 to provide benefits for self-employed people, small-business owners, and others not covered by corporate pension plans or other types of pension plans. Payments from these pensions provide supplements

to the basic pensions provided for retirees and support post-retirement income. Contributions to these funds are discretionary.

### **Retirement Allowance Trusts**

Beginning in fiscal 2000, corporations are required to disclose the value of accrued liabilities for lump-sum retirement allowances and pension payments to employees on their balance sheets. Under retirement allowance trust arrangements, securities and other corporate assets are assigned to a trust set up for the payment of retirement benefits. When specified conditions are met, the amount of the trust can be deducted from accrued liabilities for retirement payments.

### **Pension Specified Money Trusts (*Nenkin Tokkin*)**

In some cases, pension funds and corporations are allowed to conclude discretionary management contracts with investment advisory companies for managing the pension assets of EAPFs and tax-qualified pension trusts. Funds and companies adopting this management approach are required to conclude a specified money trust contract with a trust bank and thereby assign the administration of the assets, including custody and transfer of securities and cash, the receipt of interest and dividends, and certain other matters, to the trust bank. These trust contracts are called *Nenkin Tokkin*.

### **Master Trust Business**

Toyo Trust commenced operations of Master Trust Bank in partnership with Mitsubishi Trust, Nippon Life, Meiji Life, and Deutsche Bank in May 2000 to provide master trust services. Master Trust Bank is working to offer asset custody and administration services that meet global standards for the highest quality and responsiveness. In performing these services, the company is expected to provide a key pillar for Japan's national capital market infrastructure. Toyo Trust is aggressively supporting the activities of the master trust business.

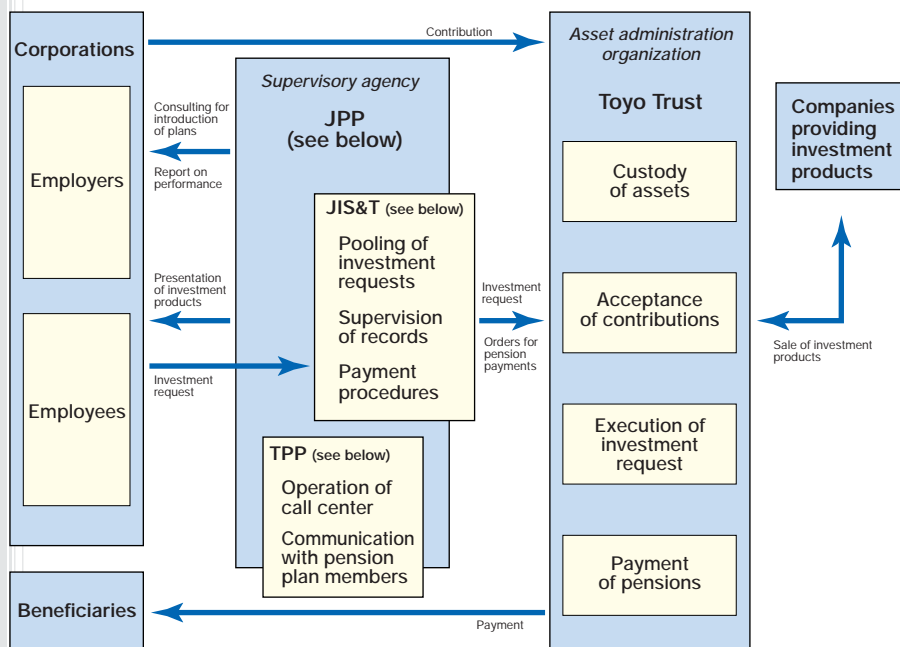
### **Preparing for the Introduction of Defined Contribution Pension Plans**

Toyo Trust is actively preparing for the introduction of a comprehensive set of services, including plan management and supervision, asset administration, and the provision of investment products for defined contribution pension plans, drawing on the know-how it has gained over many years in managing and administering existing types of pension plans. Especially in the area of supervision, the Bank will offer services to satisfy customer needs extending from the introduction of these defined contribution pension plans to their actual operation in cooperation with Japan Pension Planning.\* (See next page.)

#### **\*Defined Contribution Pension Plans**

Defined contribution pension plans are accumulated from corporate contributions, and the amounts of pensions received after retirement will depend on the performance of the funds. This type of pension plan is scheduled for introduction in Japan in January 2001.

**General Outline of Defined Contribution Pension Plans**  
(For Corporate Pensions)



**Japan Pension Planning Co., Ltd. (JPP)**

A joint venture with Sanwa Bank and Daido Life, JPP provides consulting for the introduction of defined contribution pension plans, the forecasting of pension liabilities, and consulting regarding personnel and welfare plans.

**Japan Investor Solutions and Technology Co., Ltd. (JIS&T)**

Established by a number of financial institutions, including The Nomura Securities Co., Ltd., and The Industrial Bank of Japan, Limited, JIS&T performs record-keeping and supervisory services for pension plan members (employees) and pension recipients.

**Japan TPP Securities Co., Ltd. (TPP)**

A joint venture among Toyo Trust, Sanwa Bank, The Partners Asset Management Co., Ltd., and Daido Life, TPP operates a call center to respond to inquiries and requests from pension plan members and others.

**Securitization Business**

Japan's market for asset securitization is continuing to expand as corporations seek to streamline their balance sheets and diversify their sources of funding. At the same time, from the investment perspective, institutional and other investors are forecast to have a growing need for asset-backed products to diversify their investment portfolio and achieve a greater dispersal of investment risk. Toyo Trust is actively developing a diverse range of products to respond to demand for securitization services.

**Monetary Claim Trusts**

Monetary claim trusts accept various types of monetary assets in trust with the aim of managing and disposing of such assets. Trustors of these monetary claim assets (corporations and others) may use these trusts as a method of funding by transferring

their beneficial interests in these trusts to others. The beneficiary certificates issued with these trusts as backing become a new investment product for the investors who purchase them.

**Commercial Loan Trusts**

Beneficiary certificates issued against monetary claim trusts comprising loans to corporations, loans to local governments and agencies, and housing loans assigned to the loan portfolios of financial institutions or other are marketed to institutional and other investors.

**Trade Receivable Trusts**

Trade receivables of corporations may also be assigned to monetary claim trusts, and beneficiary certificates issued and backed by these receivables may be sold to institutional and other investors.

**Specific Claim Trusts**

Such specific claims as leases, credit card receivables, and automobile loans owned by leasing, credit card, and other finance companies may be aggregated in monetary claim trusts. Beneficial interests in these trusts are then sold to institutional and other investors.

**Lease Property Trusts**

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

**Securitization through Asset-Backed Commercial Paper (ABCP)**

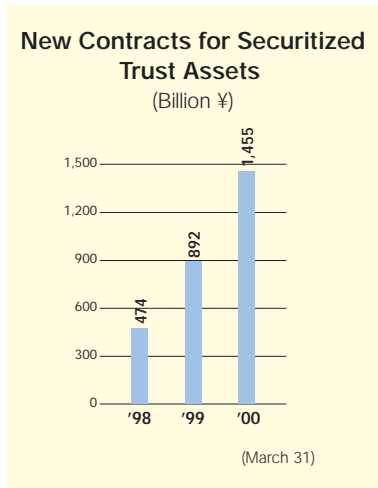
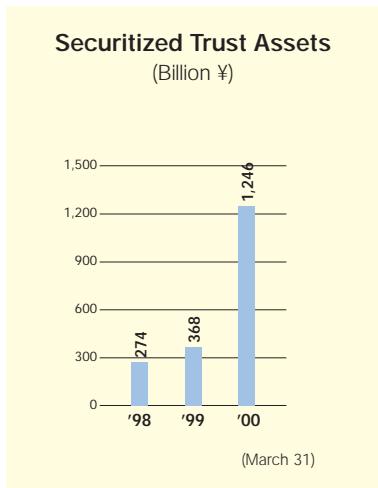
To provide another method of securitization employed to supplement trust schemes, Toyo Trust began to offer ABCP in September 1997. ABCP has allowed the Bank to offer a broader range of products to meet the needs of corporations to reduce the size of their assets as well as provide more diverse funding methods.

**Real Estate Securitization**

Please refer to page 32.

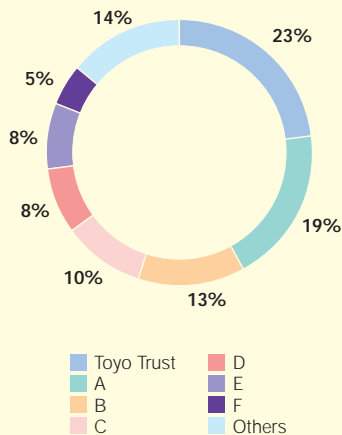
**Securities-Related Business**

Along with the trends toward liberalization and securitization, the needs of customers for the investment and procurement of funds in financial markets both in Japan and overseas have become progressively more diverse and sophisticated. Toyo Trust is drawing fully on the know-how it has accumulated over many years in both trust and banking businesses to offer comprehensive securities-related services.



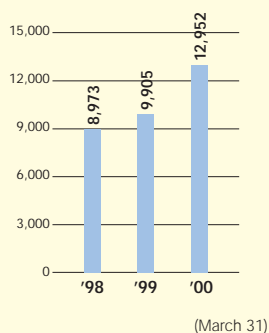
### Share of Investment Trust Funds

(As of March 31, 2000)



### Securities Investment Trusts

(Billion ¥)



## Securities Management and Administration Services

### Securities Investment Trusts

Toyo Trust offers administrative services for bonds, stocks, and other securities, acting according to the directions provided by securities investment trust management companies. The Bank also performs such services as the verification of beneficiary certificates and accounting operations for investment trusts. Toyo Trust has been a leader in the administration of securities investment trusts since its establishment.

### Tokkin (*Specified Money Trusts*) and Money in Trust Other Than Money Trusts

Toyo Trust manages and administers money placed in trust for the purpose of investment in securities based on the instructions of the settlers or their representatives. These services lighten the burden of administration for the Bank's customers.

### Other Securities Administrative Services

For domestic investors diversifying their investment portfolios into foreign securities, Toyo Trust offers global custody services, including the delivery, settlement, and safekeeping of securities. For overseas investors investing in Japanese securities, the Bank offers standing agency services. Other securities administration services include the computation of standard prices for beneficiary certificates issued by securities investment trust management companies and the performance of other computational and administrative functions.

### The Toyo Trust Asset Management Company, Limited (Toyo Trust Asset Management)

The Bank established Toyo Trust Investment Advisers Co., Ltd. (Toyo Trust Investment Advisers), in June 1986 with an initial capital of ¥200 million. The activities of that company are carried out today by Toyo Trust Asset Management, which has earned a highly favorable reputation as a discretionary asset manager.

Toyo Trust issued its Restructuring Plan in November 1998; one of the areas cited for focus under this plan was the strengthening of securities management capabilities. As one of the first steps in the implementation of the plan, the name of Toyo Trust Investment Advisers was changed to today's Toyo Trust Asset Management, which obtained a license as a securities investment trust management company in December 1998. Also, in February 1999, the Bank acquired a 100% interest in the company and increased its capital to ¥1.0 billion.

Toyo Trust Asset Management introduced its first fund, Toyo Trust Japan Equities Open [35], in March 1999. This was followed by the introduction of Toyo Trust European Equity Open [35] in July 1999, the Toyo Trust Japan Equity Open [Value-55] in March 2000, and the Toyo Trust U.S. Dollar Open in April 2000. These funds have been well received by investors.

## Real Estate Services

Toyo Trust responds to a broad range of customer needs in the real estate field, including the provision of information gathered through its extensive network and consulting services based on its accumulated know-how and the experience of its professional staff.

### **Brokerage, Sales, and Consulting Services**

The Bank's real estate brokerage services include the sale and leasing of commercial properties, including office buildings, factories, and warehouses as well as the sale of land and homes for residential use.

Through its broad network, which has been built over many years, Toyo Trust can find buyers and sellers quickly and assist clients in completing such complicated procedures as property surveys, price negotiations, and the preparation of contracts as well as other documentation. Drawing on these capabilities, the Bank is well positioned to conduct transactions tailored to customer needs. In addition, the Bank works closely with Toyo Realty Co., Ltd., an associated company specializing in residential real estate brokerage, to offer a broader range of services in this area.

In addition to these activities, the Bank works in cooperation with real estate development companies to provide and market superior-quality condominiums and single-unit houses. Other activities include real estate appraisal services, which are conducted by certified appraisers and associate appraisers. These services are offered, for example, in connection with the buying, selling, or exchange of land and buildings when properties are purchased or provided as collateral and when factory foundations are formed for mortgages.

Toyo Trust also offers real estate consulting services to assist its clients in making effective use of idle land, when properties are to be developed as a unit and require coordination with neighboring landowners, and when intermediary services are needed for the exchange or sale of leasehold rights or land that has already been leased.

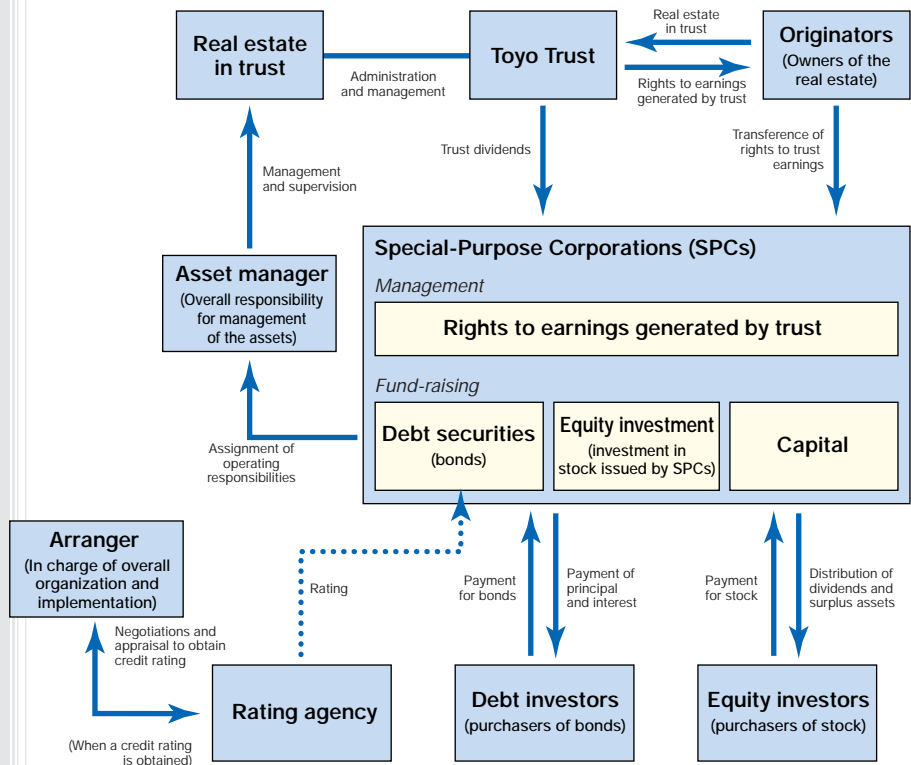
### **Land Trust Services**

Through land trusts, the Bank acts on behalf of the landowner to perform the efficient, integrated management of real estate. Land trust services range from the preparation of business plans to construction and other administrative activities, such as attracting tenants and collecting rents. Land trusts allow property owners to develop their land effectively while still retaining ownership. They also reduce the burden of fund-raising, finding prospective tenants, and supervising as well as managing properties, as the Bank can provide a full package of such services. Drawing on its experience and capabilities in land trusts, Toyo Trust actively promotes survey and analysis services as well as planning and proposals for urban redevelopment, regional development, and other activities. In addition, based on its accumulated knowledge gained through the comprehensive management of real estate trusts, the Bank offers administration services for securitized and other real estate properties.

## Real Estate Securitization

Real estate securitization increases the marketability and liquidity of properties while also offering investors a greater range of alternatives to meet their needs for investing in property markets, as securitization arrangements involve the issuance of equity, bonds, and other financial instruments backed by real estate properties. In recent years, corporations have shown a rapidly increasing need for a greater diversity of fund-raising techniques and for enhancing their financial position by placing some assets off their balance sheets. Real estate securitization has drawn considerable attention as a means to meet this growing need. Toyo Trust is actively engaged in providing real estate securitization services, combining the wealth of know-how it has accumulated in real estate brokerage, land trusts, and related activities with the expertise it has gained from securitization operations based on monetary claim trusts. The Bank is therefore responding to a wide range of corporate and investor needs through the crafting of securitization arrangements tailored to the characteristics of real estate properties and drawing on the functions of trust schemes.

### General Outline of Real Estate Securitization Schemes





## Trust Asset Management Services

Pension funds, independently managed designated money trusts, fund trusts, and other assets placed with the Bank with the objective of securing long-term growth in value are managed principally through investments in securities. Investment strategies are tailored to meet the characteristics and management constraints of individual funds.

### Organization of the Fund Management Division

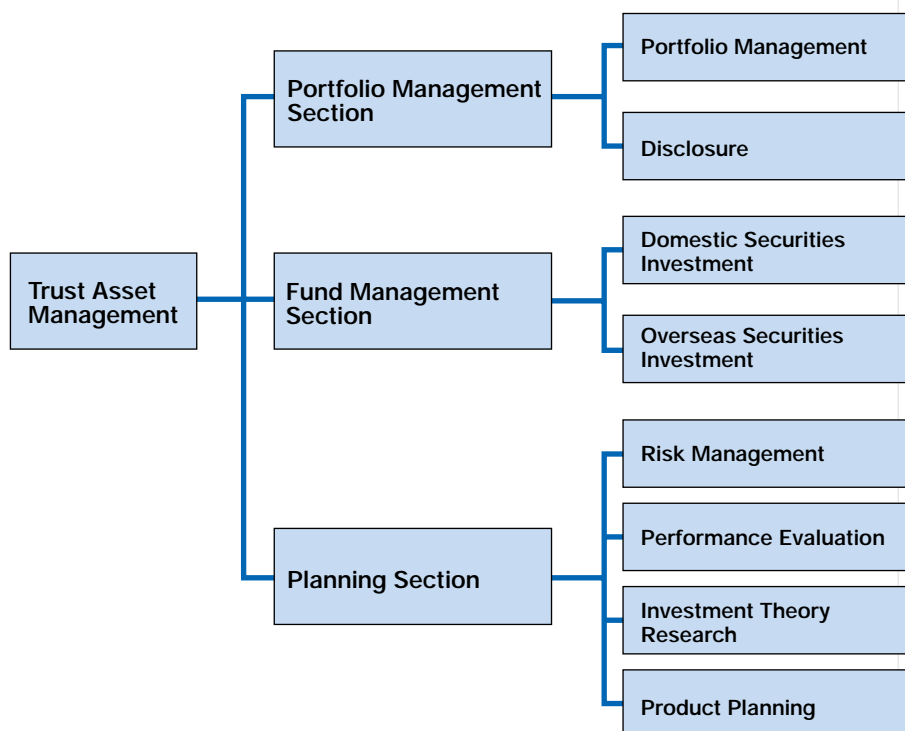
The Bank's asset management activities are organized into three sections, the Portfolio Management Section, the Fund Management Section, and the Planning Section.

The Portfolio Management Section decides investment policy, asset allocation, and investment style through close communication and interaction with customers. This section is also responsible for reporting to customers on the performance of their funds.

The Fund Management Section researches and trades in domestic and overseas stocks and bonds as well as other assets permitted by management contracts, basing its decisions on the investment management policies set for each customer by the Portfolio Management Section.

The Planning Section is responsible for risk management, the evaluation of performance, research on fundamental investment theory and methodology, and the planning of specific investment products.

### Trust Asset Management Organization



## **Trends in Trust Asset Management Activities**

### ***Strengthening of Management Capabilities through the Growth, Core, and Value (GCV) System***

To select stocks for Japanese equity portfolios, the Bank has introduced its GCV system. Based on this system, which was introduced in April 1999, active fund managers are organized into three teams specializing in selecting investments that meet the criteria for growth, core, or value from the universe of stocks assigned to individual fund managers. Under the GCV system, allocations of investment among the three categories—sector strategies, factor strategies, and other strategies—are made on a top-down basis, but decisions on stock selection and the percentage of investment in each stock are made by the three specialized teams on a bottom-up basis. As a result of the introduction of this system, it has become easier to draw on professional knowledge regarding stock selections and the investment management process has become clearer.

### ***Enhancement of Risk Management through the Establishment of the Management Administration Office***

Expectations regarding the risk management systems of fund managers are rising, including requests for the observance of best operating practices and other matters. In view of these developments, Toyo Trust has newly established the Management Administration Office to be the focal point for the Bank's response to customer expectations. In February 2000, the Management Administration Office took the initiative in upgrading the risk management capabilities of asset management departments and administrative systems.

### ***Product Planning Group Established to Develop New Products and Markets***

Along with the intensification of competition in investment performance, investments outside the traditional areas of stocks and bonds are drawing increased attention, especially in Europe and the United States. Specifically, these alternative investments include private equity, hedge funds, resources, and energy. Toyo Trust established a dedicated Product Planning Group within the Investment Strategy Department in January 2000. This group will undertake research overseas and engage in other activities to prepare the way for expanding the Bank's portfolio of alternative investments.

# FINANCIAL SECTION

## Consolidated Six-Year Summary

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(As of March 31)

| BALANCE SHEETS  | Millions of yen |             |             |             |             |             |
|---|-----------------|-------------|-------------|-------------|-------------|-------------|
|   | 2000            | 1999        | 1998        | 1997        | 1996        | 1995        |
| <b>Banking Account:</b>                               |                 |             |             |             |             |             |
| <b>Total Assets</b>                                   | ¥ 8,273,968     | ¥ 7,925,980 | ¥ 8,232,973 | ¥ 7,420,333 | ¥ 7,559,131 | ¥ 8,126,382 |
| Cash and Due from Banks                               | 1,013,909       | 283,197     | 387,379     | 330,130     | 536,657     | 870,051     |
| Call Loans and Bills Purchased                        | 105,472         | 326,012     | 658,753     | 17,831      | 18,597      | 22,107      |
| Investment Securities                                 | 2,077,620       | 1,469,397   | 1,463,371   | 1,696,616   | 1,719,173   | 1,967,091   |
| Loans and Bills Discounted                            | 4,134,720       | 4,482,951   | 4,842,636   | 4,562,642   | 4,314,779   | 4,487,500   |
| Foreign Exchanges                                     | 7,797           | 6,571       | 12,979      | 18,564      | 23,035      | 19,946      |
| Customers' Liabilities for Acceptances and Guarantees | 262,522         | 286,531     | 171,341     | 168,952     | 175,839     | 205,114     |
| <b>Total Liabilities</b>                              | ¥ 7,695,330     | ¥ 7,377,490 | ¥ 7,834,619 | ¥ 7,020,129 | ¥ 7,163,696 | ¥ 7,647,628 |
| Deposits  | 3,590,975       | 3,503,753   | 3,395,014   | 2,860,990   | 2,433,676   | 2,791,152   |
| Call Money and Bills Sold                             | 116,166         | 233,224     | 518,175     | 313,080     | 289,106     | 663,572     |
| Borrowed Money  | 220,867         | 248,752     | 182,636     | 133,080     | 131,339     | 169,057     |
| Foreign Exchanges                                     | 17              | 24          | 1,155       | 9           | 370         | 287         |
| Acceptances and Guarantees                            | 262,522         | 286,531     | 171,341     | 168,952     | 175,839     | 205,114     |
| <b>Total Stockholders' Equity</b>                     | ¥ 577,730       | ¥ 548,441   | ¥ 398,353   | ¥ 400,204   | ¥ 395,434   | ¥ 478,754   |
| <b>Trust Account:</b>                                 |                 |             |             |             |             |             |
| <b>Total Assets</b>                                   | ¥32,825,020     | ¥28,311,269 | ¥27,631,419 | ¥28,070,737 | ¥27,531,064 | ¥27,473,209 |
| Loans and Bills Discounted                            | 2,419,459       | 2,885,026   | 3,136,021   | 3,741,930   | 3,944,443   | 3,839,935   |
| Securities  | 12,171,416      | 11,325,076  | 10,672,769  | 10,185,520  | 9,255,069   | 9,843,050   |
| Securities Held for Investment Trusts                 | 7,048,320       | 4,376,654   | 5,005,977   | 5,990,711   | 5,560,474   | 5,364,612   |
| Call Loans and Bills Purchased                        | 1,353,960       | 1,373,325   | 2,225,871   | 1,601,383   | 2,234,516   | 1,578,275   |
| <b>Total Liabilities</b>                              | ¥32,825,020     | ¥28,311,269 | ¥27,631,419 | ¥28,070,737 | ¥27,531,064 | ¥27,473,209 |
| Money Trusts  | 8,092,523       | 7,443,436   | 6,981,603   | 6,649,081   | 6,203,590   | 5,781,009   |
| Pension Trusts  | 4,266,896       | 4,137,105   | 3,937,156   | 3,819,128   | 3,652,610   | 3,580,474   |
| Property Formation Trusts                             | 4,820           | 5,040       | 5,652       | 5,617       | 5,225       | 4,962       |
| Loan Trusts   | 3,854,727       | 4,491,414   | 5,253,072   | 6,183,481   | 6,861,539   | 7,331,261   |
| Securities Investment Trusts                          | 708,558         | 9,905,696   | 8,973,647   | 8,949,016   | 8,395,013   | 8,170,375   |

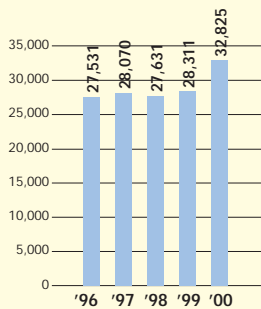
(For the years ended March 31)

| STATEMENT OF INCOME               | Millions of yen |           |           |           |           |           |
|-----------------------------------|-----------------|-----------|-----------|-----------|-----------|-----------|
| Total Income                      | ¥ 469,613       | ¥ 455,906 | ¥ 475,392 | ¥ 558,541 | ¥ 535,788 | ¥ 495,266 |
| Total Expenses                    | 468,355         | 683,993   | 466,264   | 538,572   | 699,233   | 481,762   |
| Income (Loss) before Income Taxes | 28,257          | (288,087) | 9,128     | 19,969    | (163,444) | 13,503    |
| Net Income (Loss)                 | 5,439           | (157,092) | 3,008     | 8,698     | (78,201)  | 5,968     |

(Unless indicated otherwise, figures are on a non-consolidated basis.)

## Outstanding Balance of Trust Assets

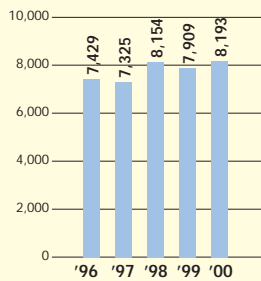
(Billion ¥)



(March 31)

## Total Assets

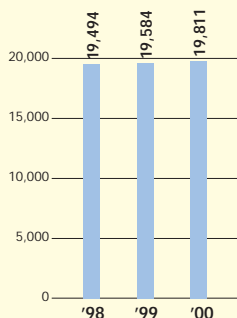
(Billion ¥)



(March 31)

## Total Employable Funds

(Billion ¥)



(March 31)

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

## Deposits and Trust Funds

As of March 31, 2000, Toyo Trust's total deposits amounted to ¥3,160.8 billion, up ¥103.2 billion from March 31, 1999.

The volume of trust assets was influenced by the prolonged period of exceptionally low interest rates, and, as a consequence, the aggregate balance of JODMTs and loan trusts, for which principal is indemnified, fell ¥139.1 billion, to ¥5,746.8 billion at fiscal year-end. The Bank's total assets in the Trust Account, including all other types of trust funds, increased ¥4,513.7 billion, to ¥32,825.0 billion.

## Loans and Investment Securities

During the year under review, the Bank implemented measures to strengthen the base for its lending activities, including the addition of new customers among small, medium-sized, and upper middle market companies and the expansion of loans to individuals. The Bank also responded aggressively to corporate fund-raising needs by drawing on its broad range of services as a trust bank and made proposals for the securitization of accounts receivable and other financing schemes. In parallel with these activities, the Bank took steps deemed necessary to strengthen the quality of its loan portfolio by disposing of nonperforming loans and recovering such loan exposure.

As of March 31, 2000, the outstanding balance of loans and bills discounted in the Banking Account amounted to ¥4,233.2 billion, down ¥306.5 billion from the previous fiscal year-end. Loans and bills discounted in the Trust Account stood at ¥2,419.4 billion, representing a decline of ¥465.5 billion from March 31, 1999. In the Trust Account, the total loan balance outstanding from JODMTs and loan trust accounts (with principal indemnified) declined ¥584.2 billion, to ¥2,230.9 billion.

In the management of its investment securities, the Bank gave full consideration to return and soundness, and, as exceptionally low market interest rates continued in Japan, stressed efficiency and flexibility in structuring its portfolio. The balance of investment securities in the Banking Account as of March 31, 2000 stood at ¥2,069.9 billion, an increase of ¥585.8 billion from the previous fiscal year-end. In the Trust Account, the balance of securities rose ¥846.3 billion, to ¥12,171.4 billion at fiscal year-end. However, the balance of investment securities in JODMTs and loan trust accounts (with principal indemnified) declined ¥157.2 billion, to ¥712.2 billion, at the end of the fiscal year.

## Year-End Balance of Loans and Bills Discounted (Non-Consolidated)

(As of March 31)

| Loans and Bills Discounted | Millions of yen   |                   |                   |                   |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
|                            | 2000              |                   | 1999              |                   |
|                            | B/A               | T/A               | B/A               | T/A               |
| Domestic                   | ¥4,056,970        | ¥2,419,459        | ¥4,002,297        | ¥2,885,026        |
| International              | 176,239           | —                 | 537,509           | —                 |
| <b>Total</b>               | <b>¥4,233,210</b> | <b>¥2,419,459</b> | <b>¥4,539,806</b> | <b>¥2,885,026</b> |

### Lending by Industry (Non-Consolidated)

(As of March 31)

| Industry                             | Millions of yen   |                   |                   |                   |                       |  |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|--|
|                                      | 2000              |                   | 1999              |                   | 2000                  |  |
|                                      | B/A               | T/A               | B/A               | T/A               | B/A<br>(Consolidated) |  |
| Manufacturing                        | ¥ 471,198         | ¥ 168,065         | ¥ 462,331         | ¥ 183,809         | ¥ 471,822             |  |
| Construction                         | 126,062           | 60,088            | 87,610            | 95,013            | 126,512               |  |
| Utilities                            | 59,181            | 191,970           | 51,713            | 211,049           | 59,181                |  |
| Transportation and<br>Communications | 205,099           | 239,696           | 171,832           | 268,641           | 205,232               |  |
| Wholesale and<br>Retail              | 481,684           | 162,568           | 443,598           | 174,081           | 482,369               |  |
| Finance and<br>Insurance             | 935,908           | 398,417           | 972,363           | 506,174           | 788,513               |  |
| Real Estate                          | 921,561           | 438,464           | 935,956           | 583,996           | 919,960               |  |
| Services                             | 556,275           | 194,377           | 649,759           | 218,996           | 555,648               |  |
| Others                               | 441,061           | 565,810           | 393,772           | 643,264           | 488,269               |  |
| <b>Total</b>                         | <b>¥4,198,034</b> | <b>¥2,419,459</b> | <b>¥4,168,939</b> | <b>¥2,885,026</b> | <b>¥4,097,509</b>     |  |

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

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

### Lending by Collateral (Non-Consolidated)

(As of March 31)

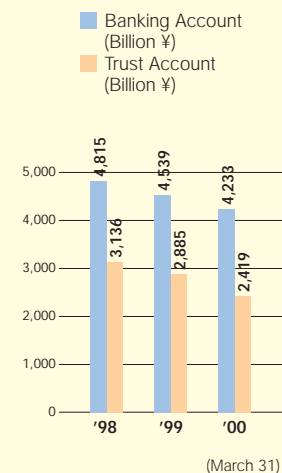
| Class of<br>Collateral | Millions of yen   |                   |                   |                   |                   |                   |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                        | 2000              |                   | 1999              |                   | 1998              |                   |
|                        | B/A               | T/A               | B/A               | T/A               | B/A               | T/A               |
| Securities             | ¥ 51,828          | ¥ 28,433          | ¥ 85,062          | ¥ 33,714          | ¥ 82,704          | ¥ 36,071          |
| Claims                 | 98,986            | 18,167            | 117,591           | 40,181            | 131,975           | 31,537            |
| Real Estate            | 686,733           | 762,127           | 562,289           | 859,479           | 450,693           | 1,018,991         |
| Plant                  | 2,296             | 2,573             | 1,730             | 2,743             | 4,273             | 6,361             |
| Endowments             | 49,865            | 51,590            | 44,071            | 60,820            | 28,355            | 55,061            |
| Ships                  | 11,147            | 2,223             | 14,734            | 5,916             | 14,877            | 6,289             |
| Others                 | 40,853            | 7,761             | 92,788            | 9,031             | 139,081           | 8,871             |
| Guaranteed             | 562,062           | 298,276           | 563,606           | 338,477           | 580,526           | 367,475           |
| Unsecured              | 2,729,437         | 1,248,305         | 3,057,932         | 1,534,662         | 3,382,533         | 1,605,360         |
| <b>Total</b>           | <b>¥4,233,210</b> | <b>¥2,419,459</b> | <b>¥4,539,806</b> | <b>¥2,885,026</b> | <b>¥4,815,020</b> | <b>¥3,136,021</b> |

### Lending by Use of Funds (Non-Consolidated)

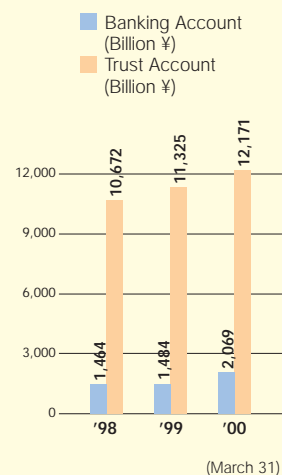
(As of March 31)

| Type of Fund                     | Millions of yen   |                   |                   |                   |                   |                   |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | 2000              |                   | 1999              |                   | 1998              |                   |
|                                  | B/A               | T/A               | B/A               | T/A               | B/A               | T/A               |
| Funds for Capital<br>Investments | ¥1,033,702        | ¥1,389,754        | ¥1,053,823        | ¥1,328,289        | ¥ 941,990         | ¥1,647,444        |
| Funds for<br>Working Capital     | 3,199,508         | 1,029,704         | 3,485,983         | 1,556,737         | 3,873,030         | 1,488,576         |
| <b>Total</b>                     | <b>¥4,233,210</b> | <b>¥2,419,459</b> | <b>¥4,539,806</b> | <b>¥2,885,026</b> | <b>¥4,815,020</b> | <b>¥3,136,021</b> |

### Year-End Balance of Loans and Bills Discounted



### Total Securities



### Yield (Non-Consolidated)

(As of March 31)

|   | 2000         | 1999  |
|---|--------------|-------|
| Yield on Interest-Earning Assets (A)      | 2.01%        | 2.46% |
| Yield on Interest-Bearing Liabilities (B) | 1.54         | 2.13  |
| <b>Total (A)–(B)</b>                      | <b>0.46%</b> | 0.33% |

### Income and Expenses

During fiscal 1999, ended March 31, 2000, Toyo Trust focused on enhancing the efficiency of its earning assets, expanding its trust-related activities, improving overall management efficiency, and ensuring the soundness of its assets by taking substantially more conservative and preventative steps to make write-offs and provisions to reserves. As a result, the Bank reported the following results for the fiscal year.

Total income rose ¥34.2 billion, to ¥471.4 billion, owing to the increase in gains from the sale of securities and other factors. Of this total, fees from the Trust Account amounted to ¥48.4 billion, down ¥30.2 billion from the previous fiscal year-end. Total expenses contracted ¥213.4 billion, to ¥442.8 billion, reflecting a decline in credit costs incurred in connection with the disposal of nonperforming loans and other factors.

As a result, income before income taxes amounted to ¥28.5 billion and net income was ¥7.8 billion. Net income per share stood at ¥5.68.

### Rate of Return (Non-Consolidated)

(As of March 31)

|  | 2000  |
|--|-------|
| Ordinary Profits as Percentage of Total Assets         | 0.38% |
| Ordinary Profits as Percentage of Stockholders' Equity | 5.15  |
| Net Income as Percentage of Total Assets               | 0.10  |
| Net Income as Percentage of Stockholders' Equity       | 1.36  |

### Disposal of Problem Loans

During the year under review, the Bank continued to make rigorous asset assessments, and, based on *The Viewpoint on the Write-Offs and Allowances in Association with the Capital Injection* issued by the Financial Reconstruction Commission (FRC) and the *Financial Inspection Manuals* provided by the Financial Supervisory Agency (FSA, currently the Financial Service Agency), made conservative and precautionary write-offs of nonperforming loans and provisions to reserves for such loans. In the Banking Account, the disposal of nonperforming loans amounted to ¥81.8 billion. In the Trust Account, credit costs arising from the disposal of loans outstanding from JODMTs and loan trust accounts (with principal indemnified) amounted to ¥84.1 billion for the year under review.

### Risk Management Loans (Non-Consolidated)

(As of March 31)

|  | Billions of yen |               |               |               |               |                 |
|--|-----------------|---------------|---------------|---------------|---------------|-----------------|
|  | 2000            |               |               | 1999          |               |                 |
|  | B/A             | T/A           | Total         | B/A           | T/A           | Total           |
| Loans to Bankrupt Borrowers (A)              | ¥ 10.0          | ¥ 20.7        | ¥ 30.7        | ¥113.8        | ¥ 19.6        | ¥ 133.4         |
| Past Due Loans<br>(nonaccrual) (B)           | 265.5           | 117.8         | 383.3         | 644.1         | 203.0         | 847.2           |
| Total of Nonaccrual Loans (A + B = C)        | 275.5           | 138.5         | 414.1         | 757.9         | 222.7         | 980.6           |
| Past Due Loans<br>(three months or more) (D) | 1.5             | 3.1           | 4.7           | 2.1           | 7.5           | 9.6             |
| Renegotiated Loans (E)                       | 69.2            | 2.7           | 71.9          | 77.0          | 2.4           | 79.4            |
| <b>Total (C + D + E)</b>                     | <b>¥346.3</b>   | <b>¥144.4</b> | <b>¥490.7</b> | <b>¥837.1</b> | <b>¥232.6</b> | <b>¥1,069.8</b> |

Notes: 1. At March 31, 2000 and September 30, 1999, the Bank made direct write-offs of Loans to Bankrupt Borrowers and Past Due Loans (nonaccrual) classified in Category IV in the Banking Account (¥89.9 billion as of March 31, 2000 and ¥128.2 billion as of September 30, 1999). Figures for March 31, 1999 show the amount of Category IV loans (¥170.4 billion) before the deduction of these amounts.

2. The definition of Past Due Loans was changed March 31, 1999. Loans to borrowers classified as Bankrupt, De-Facto Bankrupt, and Likely to Go Bankrupt are now treated as nonaccrual and are shown as Past Due Loans (nonaccrual).

## Risk Management Loans (Consolidated)

(As of March 31)

|  | Billions of yen |               |               |               |               |                 |
|--|-----------------|---------------|---------------|---------------|---------------|-----------------|
|  | 2000            |               |               | 1999          |               |                 |
|  | B/A             | T/A           | Total         | B/A           | T/A           | Total           |
| Loans to Bankrupt Borrowers (A)              | ¥ 10.1          | ¥ 20.7        | ¥ 30.9        | ¥115.9        | ¥ 19.6        | ¥ 135.5         |
| Past Due Loans<br>(nonaccrual) (B)           | 264.1           | 117.8         | 381.9         | 595.6         | 203.0         | 798.7           |
| Total of Nonaccrual Loans (A + B = C)        | 274.3           | 138.5         | 412.8         | 711.6         | 222.7         | 934.3           |
| Past Due Loans<br>(three months or more) (D) | 1.9             | 3.1           | 5.1           | 2.4           | 7.5           | 9.9             |
| Renegotiated Loans (E)                       | 69.4            | 2.7           | 72.1          | 77.0          | 2.4           | 79.4            |
| <b>Total (C + D + E)</b>                     | <b>¥345.6</b>   | <b>¥144.4</b> | <b>¥490.1</b> | <b>¥791.0</b> | <b>¥232.6</b> | <b>¥1,023.7</b> |

Notes: 1. At March 31, 2000 and September 30, 1999, the Bank made direct write-offs of Loans to Bankrupt Borrowers and Past Due Loans (nonaccrual) classified in Category IV in the Banking Account (¥95.0 billion as of March 31, 2000 and ¥135.7 billion as of September 30, 1999). Figures for March 31, 1999 show the amount of Category IV loans (¥173.4 billion) before the deduction of these amounts.

2. The definition of Past Due Loans was changed March 31, 1999. Loans to borrowers classified as Bankrupt, De-Facto Bankrupt, and Likely to Go Bankrupt are now treated as nonaccrual and are shown as Past Due Loans (nonaccrual).

## Loan Balances Based on New Disclosure Standards under the Financial Reconstruction Law (Non-Consolidated)

(As of March 31)

|                         | Billions of yen |               |               |               |               |                 |
|-------------------------|-----------------|---------------|---------------|---------------|---------------|-----------------|
|                         | 2000            |               |               | 1999          |               |                 |
|                         | B/A             | T/A           | Total         | B/A           | T/A           | Total           |
| Bankrupt/Quasi-Bankrupt | ¥ 28.7          | ¥ 54.6        | ¥ 83.3        | ¥237.3        | ¥ 98.1        | ¥ 335.5         |
| Doubtful                | 247.4           | 81.0          | 328.4         | 525.3         | 123.3         | 648.6           |
| Substandard             | 70.4            | 7.8           | 78.2          | 78.6          | 9.3           | 87.9            |
| <b>Total</b>            | <b>¥346.5</b>   | <b>¥143.5</b> | <b>¥490.0</b> | <b>¥841.3</b> | <b>¥230.8</b> | <b>¥1,072.1</b> |

Note: In the Banking Account, the Bank made direct write-offs of Category IV loans at March 31, 2000 and September 30, 1999 (¥93.3 billion as of March 31, 2000 and ¥132.4 billion at September 30, 1999). Figures for March 31, 1999 show the amount of Category IV loans (¥173.8 billion) before the deduction of these amounts.

## Loan Balances Based on New Disclosure Standards under the Financial Reconstruction Law (Consolidated)

(As of March 31)

|                         | Billions of yen |               |               |               |               |                 |
|-------------------------|-----------------|---------------|---------------|---------------|---------------|-----------------|
|                         | 2000            |               |               | 1999          |               |                 |
|                         | B/A             | T/A           | Total         | B/A           | T/A           | Total           |
| Bankrupt/Quasi-Bankrupt | ¥ 29.9          | ¥ 54.6        | ¥ 84.5        | ¥251.7        | ¥ 98.1        | ¥ 349.8         |
| Doubtful                | 249.0           | 81.0          | 330.0         | 469.8         | 123.3         | 593.2           |
| Substandard             | 70.9            | 7.8           | 78.8          | 78.8          | 9.3           | 88.1            |
| <b>Total</b>            | <b>¥349.9</b>   | <b>¥143.5</b> | <b>¥493.5</b> | <b>¥800.4</b> | <b>¥230.8</b> | <b>¥1,031.3</b> |

Note: In the Banking Account, the Bank made direct write-offs of Category IV loans at March 31, 2000 and September 30, 1999 (¥101.1 billion at March 31, 2000 and ¥142.1 billion at September 30, 1999). Figures for March 31, 1999 show the amount of Category IV loans (¥180.5 billion) before the deduction of these amounts.

### Reserves for Possible Loan Losses (Non-Consolidated)

(As of March 31)

|  | Billions of yen |               |
|--|-----------------|---------------|
|  | 2000            | 1999          |
| <b>Banking Account</b>                                       |                 |               |
| General Reserve  | ¥ 41.4          | ¥ 38.4        |
| Specific Reserve   | 114.4           | 375.7         |
| Reserve for Specific Overseas Loan Losses                    | 1.1             | 5.0           |
| Subtotal   | ¥157.0          | ¥419.3        |
| Reserve for Possible Losses on Support of Specific Borrowers | 33.8            | —             |
| Reserve for Possible Losses on Loans Sold                    | 5.7             | 7.9           |
| <b>Total</b>   | <b>¥196.6</b>   | <b>¥427.2</b> |

### Trust Account (Indemnified)

|  |               |               |
|--|---------------|---------------|
| Special Reserve for Loan Trusts              | ¥ 21.5        | ¥ 25.0        |
| Reserve for Possible Impairment of Principal | 1.3           | 1.6           |
| <b>Total</b>                                 | <b>¥ 22.9</b> | <b>¥ 26.7</b> |

Note: In the Banking Account, the Bank made provisions to the Reserve for Possible Loan Losses for individual loans in Category IV at March 31, 2000 and September 30, 1999 (¥93.3 billion at March 31, 2000 and ¥132.4 billion at September 30, 1999). Figures for March 31, 1999 show the amount of Category IV loans (¥173.8 billion) before the deduction of these amounts.

### Reserves for Possible Loan Losses (Consolidated)

(As of March 31)

|  | Billions of yen |               |
|--|-----------------|---------------|
|  | 2000            | 1999          |
| <b>Banking Account</b>                                       |                 |               |
| General Reserve  | ¥ 41.5          | ¥ 39.7        |
| Specific Reserve   | 116.4           | 384.5         |
| Reserve for Specific Overseas Loan Losses                    | 1.1             | 5.0           |
| Total  | ¥159.1          | ¥429.3        |
| Reserve for Possible Losses on Support to Specific Borrowers | 33.8            | —             |
| Reserve for Possible Losses on Loans Sold                    | 5.7             | 7.9           |
| <b>Total</b>   | <b>¥198.7</b>   | <b>¥437.3</b> |

Note: In the Banking Account, the Bank made provisions to the Reserve for Possible Loan Losses for individual loans in Category IV at March 31, 2000 and September 30, 1999 (¥101.1 billion at March 31, 2000 and ¥142.1 billion at September 30, 1999). Figures for March 31, 1999 show the amount of Category IV loans (¥180.5 billion) before the deduction of these amounts.

### Credit Costs (Non-Consolidated)

(For years ended March 31)

|  | Billions of yen |               |
|--|-----------------|---------------|
|  | 2000            | 1999          |
| Direct Write-Offs  | ¥ 16.9          | ¥ 21.4        |
| Net Additions to Specific Reserves   | 18.8            | 266.0         |
| Losses on Sale of Loans to CCPC*   | 1.0             | 0.8           |
| Transfer to Reserve for Possible Losses on Support of Specific Borrowers     | 33.8            | —             |
| Net Additions to Reserves for Additional Losses<br>from Sold Claims to CCPC* | 1.6             | 3.0           |
| Others   | 9.5             | 6.4           |
| Banking Account Total  | 81.8            | 297.7         |
| Trust Account Total  | 84.1            | 60.1          |
| <b>Grand Total</b>   | <b>¥165.9</b>   | <b>¥357.8</b> |

\* Cooperative Credit Purchasing Company, Limited



## Capital Adequacy

Capital Adequacy and the Capital Adequacy Ratio were calculated on a consolidated basis in accordance with BIS standards.

### BIS Capital Adequacy Ratio (Consolidated)

(As of March 31)

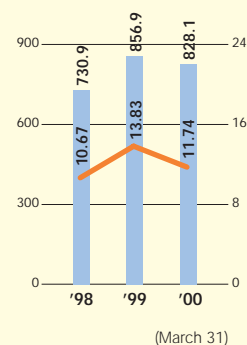
|  | Millions of yen  |           |           |
|--|------------------|-----------|-----------|
|  | 2000             | 1999      | 1998      |
| Capital Adequacy Ratio                           | <b>11.74%</b>    | 13.83%    | 10.67%    |
| Tier I Capital                                   | ¥ <b>563,072</b> | ¥ 535,992 | ¥ 395,599 |
| Tier II as Qualifying Capital                    | <b>267,292</b>   | 322,419   | 335,316   |
| 45% of Unrealized Gains on Investment Securities | —                | —         | —         |
| 45% of Revaluation Account                       | <b>8,019</b>     | 8,011     | 12,451    |
| Reserve for Possible Loan Losses                 | <b>41,584</b>    | 39,720    | 25,707    |
| Subordinated Debt                                | <b>217,688</b>   | 274,687   | 297,157   |
| Deduction  | <b>2,217</b>     | 1,499     | —         |
| Total Risk-Adjusted Assets                       | <b>7,052,233</b> | 6,195,030 | 6,844,054 |
| Tier I Capital Ratio                             | <b>7.98%</b>     | 8.65%     | 5.78%     |

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

2. The amount of Tier II Capital is the sum of a) Reserve for Possible Loan Losses (general reserve only), b) Subordinated Debt and c) 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.

### BIS Capital Adequacy & Capital Adequacy Ratio

■ Capital Adequacy (Billion ¥) (left scale)  
 — Capital Adequacy Ratio (%) (right scale)



# Consolidated Balance Sheets

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(As of March 31)

|   | Millions of yen   |                   | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-------------------|-------------------|--|
|   | 2000              | 1999              | 2000                                     |
| <b>BANKING ACCOUNT</b>  |                   |                   |  |
| <b>Assets</b>   |                   |                   |  |
| Cash and Due from Banks   | ¥1,013,909        | ¥ 283,197         | \$ 9,551,667                             |
| Call Loans and Bills Purchased  | 105,472           | 326,012           | 993,612                                  |
| Monetary Receivables Bought   | 25,552            | —                 | 240,719                                  |
| Trading Account Assets  | 195,906           | 293,426           | 1,845,562                                |
| Money Held in Trust   | 43,663            | 60,369            | 411,338                                  |
| Investment Securities   | 2,077,620         | 1,469,397         | 19,572,500                               |
| Loans and Bills Discounted (Note 3)                                   | 4,134,720         | 4,482,951         | 38,951,680                               |
| Foreign Exchanges   | 7,797             | 6,571             | 73,456                                   |
| Other Assets  | 228,051           | 351,129           | 2,148,390                                |
| Premises and Equipment (Note 4)                                       | 175,790           | 182,775           | 1,656,057                                |
| Deferred Tax Assets   | 162,249           | 183,615           | 1,528,493                                |
| Customers' Liabilities for Acceptances and Guarantees                 | 262,522           | 286,531           | 2,473,127                                |
| Reserve for Possible Loan Losses                                      | (159,177)         | —                 | (1,499,550)                              |
| Reserve for Possible Securities Investment Losses                     | (112)             | —                 | (1,056)                                  |
| <b>Total Assets</b>   | <b>¥8,273,968</b> | <b>¥7,925,980</b> | <b>\$77,946,001</b>                      |
| <b>Liabilities</b>  |                   |                   |  |
| Deposits  | ¥3,590,975        | ¥3,505,753        | \$33,829,260                             |
| Call Money and Bills Sold   | 116,166           | 233,224           | 1,094,361                                |
| Trading Account Liabilities   | 24,339            | 72,348            | 229,295                                  |
| Borrowed Money (Note 5)   | 220,867           | 248,752           | 2,080,708                                |
| Foreign Exchanges   | 17                | 24                | 165                                      |
| Bonds   | 167,971           | 206,740           | 1,582,394                                |
| Convertible Bonds   | 24,326            | 53,521            | 229,169                                  |
| Other Liabilities   | 3,237,917         | 2,321,894         | 30,503,225                               |
| Reserve for Possible Loan Losses                                      | —                 | 429,381           | —  |
| Reserve for Retirement Allowances                                     | 3,599             | 3,953             | 33,911                                   |
| Reserve for Additional Losses from Sold Claims to CCPC                | 5,728             | 7,921             | 53,961                                   |
| Reserve for Possible Losses on Support to Specific Borrowers          | 33,823            | —                 | 318,634                                  |
| Other Reserves  | 0                 | 0                 | 0  |
| Deferred Tax Liabilities Related to Revaluation                       | 7,075             | 7,441             | 66,651                                   |
| Acceptances and Guarantees  | 262,522           | 286,531           | 2,473,127                                |
| <b>Total Liabilities</b>  | <b>7,695,330</b>  | <b>7,377,490</b>  | <b>72,494,867</b>                        |
| <b>Minority Interests</b>   | <b>907</b>        | <b>48</b>         | <b>8,550</b>                             |
| <b>Stockholders' Equity</b>   |                   |                   |  |
| Capital Stock   | 280,471           | 265,427           | 2,642,214                                |
| Capital Surplus   | 252,611           | 237,567           | 2,379,757                                |
| Revaluation Account   | 10,746            | 10,361            | 101,236                                  |
| Retained Earnings   | 33,902            | 35,151            | 319,381                                  |
| Treasury Stock  | 0                 | (2)               | 6  |
| Parent Bank's Stock Held by Subsidiaries                              | —                 | (63)              | —  |
| <b>Total Stockholders' Equity</b>                                     | <b>577,730</b>    | <b>548,441</b>    | <b>5,442,583</b>                         |
| <b>Total Liabilities, Minority Interests and Stockholders' Equity</b> | <b>¥8,273,968</b> | <b>¥7,925,980</b> | <b>\$77,946,001</b>                      |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statements of Income

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(For the years ended March 31)

|  | Millions of yen |                    | Thousands of<br>U.S. dollars<br>(Note 1) |
|--|-----------------|--------------------|--|
|  | 2000            | 1999               | 2000                                     |
| <b>Income</b>                            |                 |                    |  |
| Trust Fees                               | ¥ 48,436        | ¥ 78,724           | \$ 456,306                               |
| Interest Income:                         |                 |                    |  |
| Interest on Loans and Discounts          | 78,526          | 114,529            | 739,773                                  |
| Interest and Dividends on Securities     | 34,584          | 34,947             | 325,808                                  |
| Other Interest Income                    | 22,392          | 26,617             | 210,948                                  |
|  | 135,503         | 176,094            | 1,276,530                                |
| Fees and Commissions                     | 43,200          | 38,614             | 406,979                                  |
| Trading Account Income                   | 456             | 4,422              | 4,296                                    |
| Other Operating Income (Note 7)          | 8,384           | 23,601             | 78,990                                   |
| Other Income                             | 260,630         | 134,448            | 2,455,306                                |
| <b>Total Income</b>                      | <b>496,613</b>  | <b>455,906</b>     | <b>4,678,410</b>                         |
| <b>Expenses</b>                          |                 |                    |  |
| Interest Expenses:                       |                 |                    |  |
| Interest on Deposits                     | 25,348          | 61,891             | 238,797                                  |
| Interest on Borrowings and Rediscounts   | 9,654           | 11,726             | 90,947                                   |
| Other Interest Expenses                  | 64,054          | 75,709             | 603,429                                  |
|  | 99,056          | 149,327            | 933,174                                  |
| Fees and Commissions                     | 5,680           | 5,346              | 53,509                                   |
| Trading Account Expenses                 | 220             | —                  | 2,076                                    |
| Other Operating Expenses (Note 8)        | 18,673          | 19,979             | 175,917                                  |
| General and Administrative Expenses      | 97,567          | 102,017            | 919,152                                  |
| Other Expenses                           | 247,156         | 407,323            | 2,328,373                                |
| <b>Total Expenses</b>                    | <b>468,355</b>  | <b>683,993</b>     | <b>4,412,203</b>                         |
| <b>Income (Loss) before Income Taxes</b> | <b>28,257</b>   | <b>(228,087)</b>   | <b>266,206</b>                           |
| Income Taxes:                            |                 |                    |  |
| Current                                  | 1,084           | 1,054              | 10,214                                   |
| Deferred                                 | 21,340          | (70,882)           | 201,039                                  |
|  | 22,424          | (69,828)           | 211,254                                  |
| Minority Interest Income (Loss)          | 393             | (1,167)            | 3,705                                    |
| <b>Net Income (Loss)</b>                 | <b>¥ 5,439</b>  | <b>¥ (157,092)</b> | <b>\$ 51,246</b>                         |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statements of Retained Earnings

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(For the years ended March 31)

|  | Millions of yen |                 | Thousands of<br>U.S. dollars<br>(Note 1) |
|--|-----------------|-----------------|--|
|  | 2000            | 1999            | 2000                                     |
| Retained Earnings  |                 |                 |  |
| <b>Balance at the Beginning of the Year</b>                      | <b>¥35,151</b>  | <b>¥195,362</b> | <b>\$331,148</b>                         |
| Increase:  |                 |                 |  |
| Decrease of the Number of Consolidated Subsidiaries              | —               | 2,623           | —  |
| Increase of Affiliates Accounted for under Equity Method         | —               | 39              | —  |
| Income Taxes Adjustment for Previous Year                        | —               | 324             | —  |
| Total  | —               | 2,988           | —  |
| Decrease:  |                 |                 |  |
| Dividends  | 5,798           | 5,113           | 54,628                                   |
| Decrease of the Number of Consolidated Subsidiaries              | 879             | —               | 8,287                                    |
| Transfer from Premises Revaluation Account                       | 10              | —               | 97                                       |
| Increase Due to Expanded Definition of Consolidated Subsidiaries | —               | 993             | —  |
| Total  | 6,688           | 6,106           | 63,013                                   |
| Net Income (Loss)  | 5,439           | (157,092)       | 51,246                                   |
| <b>Balance at the End of the Year</b>                            | <b>¥33,902</b>  | <b>¥ 35,151</b> | <b>\$319,381</b>                         |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statement of Cash Flows

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

(For the year ended March 31)

|   | Millions of yen  | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|------------------|--|
|   | 2000             | 2000                                     |
| <b>1. Cash Flow from Operating Activities</b>   |                  |  |
| Income before Income Taxes  | ¥ 28,257         | \$ 266,206                               |
| Depreciation and Amortization   | 19,352           | 182,308                                  |
| Write-Off of Consolidated Adjustment Account  | 57               | 542                                      |
| Investment Loss Related to Equity Method, Net   | 45               | 432                                      |
| Benefit for Possible Loan Losses, Net   | (270,267)        | (2,546,093)                              |
| Provision for Possible Losses on Investments to Securities, Net                                 | 112              | 1,056                                    |
| Benefit for Possible Losses on the Sales of Assets, Net   | (2,193)          | (20,659)                                 |
| Reserve for Possible Losses on Support to Specific Borrowers                                    | 33,823           | 318,634                                  |
| Benefit for Reserve for Retirement Allowances, Net  | (357)            | (3,366)                                  |
| Interest Income—Accrual Basis   | (135,503)        | (1,276,530)                              |
| Interest Expenses—Accrual Basis   | 99,056           | 933,174                                  |
| Gain on Sales of Securities, Net  | (75,321)         | (709,575)                                |
| Gain on Money Held in Trust, Net  | (6,745)          | (63,545)                                 |
| Exchange Loss, Net  | 10,341           | 97,427                                   |
| Loss on Sales of Premises and Equipment, Net  | 643              | 6,061                                    |
| Decrease in Trading Account Assets, Net   | 97,520           | 918,703                                  |
| Decrease in Trading Account Liabilities, Net  | (48,009)         | (452,276)                                |
| Decrease in Loans and Bills Discounted, Net   | 350,828          | 3,305,026                                |
| Increase in Deposits, Net   | 84,737           | 798,280                                  |
| Decrease in Call Loans, Net   | 194,988          | 1,836,914                                |
| Decrease in Call Money, Net   | (117,058)        | (1,102,764)                              |
| Decrease in Borrowed Money, Net   | (27,751)         | (261,435)                                |
| Increase in Borrowed Money from Trust Account, Net  | 563,624          | 5,309,697                                |
| Increase in Due from Banks, Net   | (3,929)          | (37,020)                                 |
| Increase in Foreign Exchanges (Assets), Net   | (1,238)          | (11,668)                                 |
| Decrease in Foreign Exchanges (Liabilities), Net  | (9)              | (85)                                     |
| Interest Income—Cash Basis  | 134,545          | 1,267,503                                |
| Interest Expenses—Cash Basis  | (96,826)         | (912,166)                                |
| Other, Net  | 460,776          | 4,340,801                                |
| Subtotal  | 1,293,499        | 12,185,584                               |
| Income Taxes  | (834)            | (7,862)                                  |
| <b>Net Cash Provided by Operating Activities</b>  | <b>1,292,665</b> | <b>12,177,721</b>                        |
| <b>2. Cash Flow from Investing Activities</b>   |                  |  |
| Purchase of Securities  | (3,872,228)      | (36,478,832)                             |
| Proceeds from Sales of Securities   | 2,868,230        | 27,020,542                               |
| Proceeds from Maturities of Securities  | 447,450          | 4,215,266                                |
| Increase in Money Held in Trust   | (15,683)         | (147,747)                                |
| Decrease in Money Held in Trust   | 40,894           | 385,255                                  |
| Expenditures on Premises and Equipment  | (18,047)         | (170,019)                                |
| Proceeds from Sale of Premises and Equipment  | 4,543            | 42,803                                   |
| <b>Net Cash Used in Investing Activities</b>  | <b>(544,839)</b> | <b>(5,132,732)</b>                       |
| <b>3. Cash Flow from Financing Activities</b>   |                  |  |
| Decrease in Subordinated Bonds  | (38,769)         | (365,235)                                |
| Dividends Paid  | (5,798)          | (54,628)                                 |
| Expenditure of Acquisition of Treasury Stock  | (55)             | (524)                                    |
| Proceeds from the Sales of Treasury Stock   | 56               | 533                                      |
| <b>Net Cash Used in Financing Activities</b>  | <b>(44,567)</b>  | <b>(419,855)</b>                         |
| <b>4. Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>                          | <b>(562)</b>     | <b>(5,299)</b>                           |
| <b>5. Increase in Cash and Cash Equivalents</b>   | <b>702,695</b>   | <b>6,619,834</b>                         |
| <b>6. Cash and Cash Equivalents at Beginning of Year</b>  | <b>107,066</b>   | <b>1,008,634</b>                         |
| <b>7. Increase in Cash and Cash Equivalents Due to Merger</b>                                   | <b>21</b>        | <b>204</b>                               |
| <b>8. Increase in Cash and Cash Equivalents Due to New Consolidation of Subsidiaries</b>        | <b>13</b>        | <b>128</b>                               |
| <b>9. Decrease in Cash and Cash Equivalents Due to Elimination of Consolidated Subsidiaries</b> | <b>(6,541)</b>   | <b>(61,628)</b>                          |
| <b>10. Cash and Cash Equivalents at End of Year</b>   | <b>¥ 803,255</b> | <b>\$ 7,567,174</b>                      |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Toyo Trust and Banking Company, Limited (the "Bank") and its consolidated subsidiaries (together referred to as the "Group") 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.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash

flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.15=US\$1.00, the rate of exchange on March 31, 2000, 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. The Consolidated Statement of Cash Flows has been required to be prepared with effect for the year ended March 31, 2000, in accordance with new accounting standards.

The amounts in Japanese yen are presented in millions of yen by rounding down figures. Accordingly, the sum of the amounts appearing in accompanying consolidated financial statements and notes thereto may not be equal to the sum of the individual account balances.

## 2. Summary of Significant Accounting Policies

### A: Principles of Consolidation

#### (1) Scope of Consolidation

(a) Number of consolidated subsidiaries: 18

Beginning with the accounting period under review, Toyo Card Service Co., Ltd. has been consolidated with the Parent because of an increase in ownership by the Bank and a newly established company, Toyo Trust Office Service Co., Ltd., has also been consolidated with the Parent. In addition, the following companies were liquidated and eliminated from consolidation: Toyo Trust Securities Co., Ltd., Toyo Trust & Banking (Europe) S.A., Toyo Trust International Limited, Toyo Trust Australia Limited and Toyo Trust & Banking (Schweiz) AG.

(b) Non-consolidated subsidiaries: None

(c) Number of affiliated companies accounted for by the equity method: 2

Names: United Leasing Co., Ltd.

Japan Pension Planning Co., Ltd.

As a result of the establishment of Japan Pension Planning, it has been included among affiliates accounted for by the equity method. Also, Toyo Card Service, formerly accounted for by the equity method, has been consolidated with the Parent beginning with the consolidated accounting term under review.

(d) Affiliates not accounted for by the equity method: None

#### (2) Balance Sheet Date of Consolidated Subsidiaries

(a) The balance sheet dates of consolidated subsidiaries are as follows:

December 31: Five companies

March 31: 13 companies

(b) Consolidated subsidiaries are consolidated based on their financial statements as of the end of their account closing date of this fiscal year. Significant transactions between the date of the closing of accounts and the date of the consolidated closing of accounts have been taken into consideration.

#### (3) Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are all stated at market value.

#### (4) Amortization of the Account for Consolidated Adjustments

The account for consolidated adjustments is amortized fully in the year such items accrue.

### B: Evaluating Trading Account Assets and Liabilities and Related Income and Expenses

Trading transactions, which are defined to include transactions conducted for the purpose of realizing gains from short-term fluctuations in interest rates, currency exchange rates and securities markets and from differentials between markets and others (hereinafter, trading transactions), are included on a contract-day basis in Trading Account Assets and Trading Account Liabilities in the Consolidated Balance Sheets, and gains and losses from trading transactions are recognized on the contract date and included in Trading Income and Trading Expenses in the Consolidated Statements of Income.

Among Trading Account Assets and Trading Account Liabilities, securities and monetary claims are marked to fair market value on the last business day of the fiscal year. Derivatives, including swaps, futures and options, are assigned their value on the last business day of the fiscal year, assuming they were settled on that date.

Gains and losses from trading transactions are computed as follows. For securities and monetary claims, interest and dividends paid or received during the fiscal year are combined with changes in the value of these instruments at the fiscal year-end compared with the previous fiscal year-end to obtain net gains (losses). For derivatives, the values at the end of the previous fiscal year and the current fiscal year, assuming settlements on those dates, are compared to obtain net gains (losses).

### C: Valuation of Investment Securities

The criteria and methods used by the Group for valuing its securities portfolio are as follows.

(1) Securities held by the Bank are valued at cost, determined by the moving average method.

(2) Securities held by the Bank as trust assets in independently operated designated money trusts with the principal objective of securities portfolio management are valued at the lower of cost or market, determined by the moving average method.

(3) Securities held by consolidated subsidiaries are valued mainly at cost, determined by the moving average method.

### D: Depreciation

#### (1) Premises and equipment

The methods used to depreciate various kinds of assets are as follows.

Buildings: Declining balance method, based on the rates in the Corporation Tax Law of Japan

Equipment: Declining balance method, based on the rates in the Corporation Tax Law of Japan

Other: As provided by the Corporation Tax Law of Japan

Regarding equipment and real estate of consolidated subsidiaries, the straight-line method is applied in computing depreciation based on the estimated useful lives of such equipment.

(2) Computer software

For computer software used internally, the Bank computes depreciation using the straight-line method based on useful lives set according to the estimated period of usefulness (usually five years). To date, computer software used internally by the Bank has been included in Other Assets. This accounting treatment has been continued for the year ended March 31, 2000 under the interim provisions contained in the *Guidelines for Accounting for Research and Development Expenses and Software* issued in Volume 12 of the *Report of the Accounting System Committee of the Japanese Institute of Certified Public Accountants*, issued March 31, 1999. The guidelines contained in this report recommend that the value of such software be shown under Intangible Fixed Assets, but under the *Rules for Implementation of the Banking Law* (Ministry of Finance Ordinance No. 10, issued in 1982), it has been included in Other Assets as in financial statements for previous fiscal years.

(3) Goodwill

The value of goodwill is amortized in equal amounts over the maximum period allowed (five years) under the Commercial Code of Japan.

**E: Reserve for Possible Loan Losses**

The Bank's Reserve for Possible Loan Losses is computed according to established criteria for write-offs and provisions to reserves. These are as follows.

For loans to borrowers engaged in legal bankruptcy proceedings under the bankruptcy or related laws (hereinafter, Borrowers in Bankruptcy) or loans to borrowers in substantially similar condition (hereinafter, Borrowers in De-Facto Bankruptcy), the amounts of the loans are reduced from book value by subtracting the expected value of collateral pledged against the loans and the expected amount that can be recovered under guarantee arrangements, and the remaining amount is added to reserves. For loans to borrowers not currently in bankruptcy but for which there is a strong possibility that bankruptcy may occur, the expected value of collateral pledged against such loans and the expected amount that can be recovered under guarantee arrangements is subtracted from the book value of the loan and the amount the Bank believes the borrower can reasonably repay is taken into account and the remainder is added to reserves. For loans to other borrowers, the Bank computes default ratios over a specified period in the past and makes provisions to reserves equivalent to the loan balances times the default ratios. For loans to restructuring countries, the Bank makes provisions to the Reserve for Loans to Restructuring Countries based on the expected losses on such loans after taking economic, political and other factors in the respective countries into consideration (as provided for under Article 55-2 of Special Tax Measures Law).

For all loan assets, the organizational unit in charge conducts an evaluation based on the Bank's self-assessments and a credit evaluation unit independent of the unit in charge audits the results of this evaluation. Provisions to reserves are made based on the results of this evaluation.

The assessed value of collateral and guarantees is subtracted from the book value of Loans to Borrowers in Bankruptcy and Loans to Borrowers in De-Facto Bankruptcy to determine the uncollectible

portion of the loans, and the book value of the loans is reduced accordingly. The uncollectible portion of loans to such borrowers at fiscal year-end was ¥100,428 million.

The Bank's consolidated subsidiaries compute their reserves for possible loan losses using generally similar criteria and methods.

**F: Reserve for Possible Securities Investment Losses**

To provide for possible losses on investments in securities, the Bank uses methods similar to those described previously for the Reserve for Possible Loan Losses and makes provisions that are deemed necessary.

**G: Reserve for Retirement Allowances**

Reserve for Retirement Allowances of the Bank and domestic consolidated subsidiaries are made in an amount equivalent to the allowances that would be required for lump-sum severance indemnities to employees on a full voluntary retirement basis at the balance sheet date.

For a portion of retirement allowances, the Bank has adopted the adjusted and tax-qualified pension plans.

**H: Reserve for Additional Losses from Sold Claims to CCPC**

To provide for possible losses on loans secured by real estate collateral which have been sold to the CCPC, the Bank estimates the possible amount of such losses and makes provisions to this reserve as deemed necessary.

**I: Reserve for Possible Losses on Support to Specific Borrowers**

The Bank estimates systematically the future costs that may be incurred in assisting and restructuring the operations of specified obligors and makes provisions deemed appropriate to this reserve.

**J: Reserves under Special Laws**

Reserves under special laws are made as follows.

Allowance for Responsibility Related to Securities: ¥0 million

To provide for possible losses in connection with securities transactions, the Bank computes reserves under Article 65-2-7 of the Securities and Exchange Law, similar provisions in Article 51 of that law and Article 32 of the Ordinance Related to Securities Operations of Financial Institutions.

**K: Conversion of Foreign Currency Assets and Liabilities**

Foreign currency assets and liabilities of the Bank are converted to yen using the exchange rates prevailing on the closing date of the consolidated accounting period. However, for investments in foreign corporations (excluding those funded in foreign currencies), convertible bonds and other items deemed inappropriate to add to the balance of foreign currency assets at market value, such items are accounted for at the rate prevailing when they were acquired in the case of assets or at the rate prevailing when they accrued in the case of liabilities.

The foreign currency assets and liabilities of consolidated subsidiaries are converted at the rates prevailing on their respective balance sheet dates.

**L: Accounting for Lease Transactions**

Except for those lease transactions for which ownership of the leased asset is regarded as being transferred to the lessee, finance leases are treated as ordinary rental transactions by the Bank and its domestic consolidated subsidiaries.



### **M: Accounting for Consumption Taxes**

Consumption Tax and the Municipal Consumption Tax are accounted for using the tax-excluded method by the Bank and domestic consolidated subsidiaries. However, for premises and equipment that are not eligible for exemption, consumption taxes for the accounting period ended March 31, 2000 are treated as expenses.

### **N: Treatment of the Appropriation of Profit**

The Consolidated Statements of Retained Earnings were prepared from approved appropriation of profit figures for the consolidated accounting period.

### **O: The Scope of Cash Flow**

The scope of cash flow for purposes of preparing the Consolidated Statement of Cash Flows is cash and deposits with the Bank of Japan contained in the item Cash and Due from Banks appearing in the Consolidated Balance Sheets.

## **3. Loans and Bills Discounted**

(1) Loans and bills discounted at March 31, 2000 included the following items.

Balance of Loans to Bankrupt Borrowers: ¥10,169 million

Balance of Past Due Loans (nonaccrual): ¥264,132 million

Loans to Bankrupt Borrowers consist of nonaccrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (does not include the written-down portion of the loan). Such loans hereafter are referred to as "nonaccrual loans." This category also includes the loans cited in Articles 96-1-3 and 96-1-4 of the Corporate Tax Law (Government Ordinance No. 97, issued in 1965).

Past Due Loans (nonaccrual) are those nonaccrual loans other than Loans to Bankrupt Borrowers and other than loans for which interest payments have been rescheduled with the object of assisting these borrowers in management restructuring.

Moreover, as a result of the direct write-off of loans, Loans to Bankrupt Borrowers decreased ¥37,297 million and Past Due Loans (nonaccrual) decreased ¥57,739 million.

(2) Balance of Past Due Loans (three months or more): ¥1,934 million

Past Due Loans (three months or more) are classified in this category when three months or more have elapsed since the due date without the payment of principal or interest. The balance of Loans to Bankrupt Borrowers and the balance of Past Due Loans (nonaccrual) are not included in this category.

(3) Balance of Renegotiated Loans: ¥69,421 million

Renegotiated Loans are loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the

### **P. Supplementary Information**

The Reserve for Possible Loan Losses, which was included among Liabilities through the previous fiscal year, is now subtracted from all assets that are covered by this reserve beginning with the year ended March 31, 2000, as provided for under the revised format of the *Rules for Implementation of the Banking Law* (Ministry of Finance Ordinance No. 10, issued in 1982). As a result of this change, Assets and Liabilities were both ¥159,177 million lower than they would have been under the previous method of accounting. In addition, the impact on segment information is contained in the Segment Information section.

loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of Loans to Bankrupt Borrowers, the balance of Past Due Loans (nonaccrual) and the balance of Past Due Loans (three months or more).

(4) The total balance of Loans to Bankrupt Borrowers, Past Due Loans (nonaccrual), Past Due Loans (three months or more) and Renegotiated Loans: ¥345,658 million

Note that the loan amounts presented in (1)-(4) are prior to the deduction of the Reserve for Possible Loan Losses.

(5) The amount of assets pledged as collateral is as follows.

*Assets pledged as collateral*

Securities: ¥4,307 million

Loans and Bills Discounted: ¥41,335 million

*Liabilities Corresponding to above Assets*

Bills Sold: ¥30,800 million

Other than the items shown above, items/amounts listed below are held as collateral for such transactions as exchange settlement transactions or derivative transactions or as substitute securities for Future Transaction Initial Margin and others.

Securities: ¥330,077 million

Borrowed money: ¥141,234 million

#### 4. Premises and Equipment

Based on the Law concerning Land Revaluation (Law No. 34, promulgated March 31, 1998), the Bank has revalued land under its ownership used for its own business purposes. The amount of tax payable on the amount of the revaluation differences has been included in the item Deferred Tax Liabilities Related to Revaluation. In addition, the amount of the revaluation difference has been included in the item Revaluation Account, shown under Stockholders' Equity.

Revaluation date: March 31, 1998

Revaluation method as stated in Article 3, Section 3, of the Law concerning Land Revaluation:

The value of land is based on the official notice prices calculated as directed by the public notification of the Commissioner of the

National Tax Administration and as provided for in the Law concerning Public Notification of Land Prices, as stipulated in Article 2, Section 1, of the Ordinance Implementing the Law concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

The difference between the market value of land for business purposes at March 31, 2000, revalued as stipulated under Article 10 of the Law concerning Land Revaluation, and the total book value of such land following revaluation was ¥1,337 million. Accumulated depreciation on Premises and Equipment amounted to ¥97,449 million.

#### 5. Borrowed Money

Borrowed Money included subordinated debt of ¥102,000 million as of March 31, 2000 and 1999.

#### 6. Trust Accounts for Which Principal Is Indemnified

The amounts in trust accounts, which are contractually indemnified, were as follows.

Jointly Operated Designated Money Trusts: ¥1,617,724 million

Loan Trusts: ¥4,067,816 million

#### 7. Other Operating Income

Other Operating Income included ¥231,807 million of gain on sales of stocks and other securities.

#### 8. Other Operating Expenses

Other Operating Expenses included ¥128,237 million of loss on sales of stocks and other securities, ¥33,823 million of Reserve for Possible Losses on Support to Specific Borrowers and ¥10,562 million of loss on sales of loans.

#### 9. Cash Flows

##### (1) Reconciliation to Cash and Cash Equivalents

Reconciliation of Cash and Due from Banks in the Consolidated Balance Sheets to Cash and Cash Equivalents at March 31, 2000 was as follows.

Cash and Due from Banks: ¥1,013,909 million

Others: -¥210,654 million

Cash and Cash Equivalents at Year-End: ¥803,255 million

##### (2) Content of significant noncash items

Significant noncash items are as follows.

Increase in Capital Stock due to conversion of convertible bonds: ¥15,043 million

Increase in Capital Surplus due to conversion of convertible bonds: ¥15,043 million

Decrease in convertible bonds accompanying conversion: ¥30,087 million



## 10. Tax-Effect Accounting

### (1) Deferred Tax Assets and Deferred Tax Liabilities

Deferred Tax Assets and Deferred Tax Liabilities for the year ended March 31, 2000 consisted of the following:

|   | Millions of yen |
|---|-----------------|
| Deferred Tax Assets:  |                 |
| Reserve for Possible Loan Losses                                  | ¥ 85,948        |
| Reserve for Possible Loan Losses on Support to Specific Borrowers | 13,427          |
| Tax Loss Carryforwards  | 47,343          |
| Others  | 17,858          |
| Deferred Tax Assets Subtotal                                      | 164,578         |
| Reserve for Valuation Gains                                       | 2,049           |
| Total   | 162,528         |
| Deferred Tax Liabilities:   |                 |
| Allowance for the Write-Off of the Value of Fixed Assets          | (277)           |
| Reserve for Possible Losses on Overseas Investments               | (1)             |
| Total   | (278)           |
| Net   | ¥162,249        |

### (2) Difference between Statutory Tax Rate and Effective Tax Rate

The difference between the Statutory Tax Rate and Effective Tax Rate for the year ended March 31, 2000 consisted of the following:

|  |       |
|--|-------|
| Statutory Tax Rate                       | 41.8% |
| Adjustments:                             |       |
| Change of Tax Rate                       | 30.3  |
| Increase in Reserves for Valuation Gains | 6.5   |
| Others                                   | 0.8   |
| Effective Tax Rate                       | 79.4% |

### (3) Enterprise Tax (Tokyo)

On March 30, 2000, the Ordinance regarding the Imposition of Enterprise Taxes through External Standards Taxation on Banks in Tokyo was passed by the Tokyo Metropolitan Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2000. Up until now, income was subject to enterprise tax, but from now on enterprise tax will be levied on gross profits. This means that enterprise tax will not be included in the tax calculations for deferred tax accounting. Therefore, the tax rate applicable when calculating the Bank's Deferred Tax Assets and Deferred Tax Liabilities is 39.7% from this term onwards, as against 41.8% in the previous term. The effect of this change results in a decrease in Deferred Tax Assets of ¥8,554 million and an increase in Income Tax Expenses-Deferred during the term of ¥8,554 million.

Additionally, the amount of Deferred Tax Liabilities Related to Revaluation fell ¥374 million and the amount of the Revaluation Account was increased the same amount.

### (4) Enterprise Tax (Osaka)

On June 9, 2000, the Ordinance regarding the Imposition of Enterprise Taxes through External Standards Taxation on Banks in Osaka was passed by the Osaka Prefectural Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2001. Up until now, income was subject to enterprise tax, but from now on enterprise tax will be levied on gross profits. This means that enterprise tax will not be included in the tax calculations for deferred tax accounting. Therefore, the tax rate applicable when calculating the Bank's Deferred Tax Assets and Deferred Tax Liabilities is 39.0% from this term onwards, as against 39.7% in the previous term. The effect of this change results in a decrease in Deferred Tax Assets of ¥2,851 million and a decrease in Deferred Tax Liabilities Related to Revaluation of ¥124 million.

## 11. Per Share Data

(For the years ended March 31)

|   | Yen     |          |
|---|---------|----------|
|   | 2000    | 1999     |
| Consolidated Stockholders' Equity Per Share               | ¥321.64 | ¥315.72  |
| Consolidated Net Income (Loss) Per Share                  | 3.03    | (199.69) |
| Consolidated Net Income Per Share, Assuming Full Dilution | 2.98    | —        |

Notes: 1. Consolidated Stockholders' Equity Per Share is computed by first subtracting the product of the number of preferred stocks outstanding multiplied by the issue price from Stockholders' Equity and then dividing by the number of stocks outstanding (excluding treasury stock and stock of the Parent owned by subsidiaries) at the end of the fiscal year.  
 2. Consolidated Net Income (Loss) Per Share is calculated by first subtracting the total amount of cash dividends paid on preferred stock from Net Income (Loss) and then dividing the remainder by the average number of shares outstanding (excluding treasury stock and stock of the Parent held by subsidiaries) during the fiscal year.  
 3. Consolidated Net Income Per Share, Assuming Full Dilution, is not shown for the year ended March 31, 1999 because a loss was reported for that fiscal year.

## 12. Leases

### A: Finance Leases, except Where the Ownership of the Leased Asset Is Regarded as Being Transferred to the Lessee

#### (1) Lessee side

Finance leases as of March 31, 2000 and 1999, except for lease agreements which stipulate the transfer of ownership of the leased property to the lessee, are as follows:

Amounts corresponding to the year-end Acquisition Cost and Accumulated Depreciation of leased items:

(As of March 31)

|                          | Millions of yen |       |       |           |       |       |
|--------------------------|-----------------|-------|-------|-----------|-------|-------|
|                          | 2000            |       |       | 1999      |       |       |
|                          | Equipment       | Other | Total | Equipment | Other | Total |
| Acquisition Cost         | ¥80             | ¥—    | ¥80   | ¥92       | ¥—    | ¥92   |
| Accumulated Depreciation | 53              | —     | 53    | 48        | —     | 48    |
| Net Book Value           | ¥26             | ¥—    | ¥26   | ¥44       | ¥—    | ¥44   |

Lease Commitments, Exclusive of Interest Expense:

(As of March 31)

|                     | Millions of yen |            |
|---------------------|-----------------|------------|
|                     | 2000            | 1999       |
| Due within One Year | ¥11             | ¥17        |
| Due after One Year  | 16              | 20         |
| <b>Total</b>        | <b>¥28</b>      | <b>¥37</b> |

Lease Fees and the amounts corresponding to Depreciation Expense and Interest Expenses:

(As of March 31)

|                      | Millions of yen |      |
|----------------------|-----------------|------|
|                      | 2000            | 1999 |
| Lease Fees           | ¥19             | ¥22  |
| Depreciation Expense | 16              | 18   |
| Interest Expenses    | 2               | 4    |

Computation of amounts corresponding to Depreciation Expense:

The duration of the lease term is taken as equivalent to the useful lives of the equipment, and the straight-line method is applied to fully depreciate the asset.

Computation of amounts corresponding to Interest Expenses:

The difference between the total amount of lease payments and the purchase value of the asset is taken as the amount corresponding to Interest Expenses, and the interest method is used to allocate this amount to the appropriate consolidated accounting periods.

Interest Expenses are calculated by the interest method, based on an excess of the aggregate sum of lease payments over acquisition costs.

(2) Lessor side

Amounts corresponding to the year-end Acquisition Cost and Accumulated Depreciation of leased items:

(As of March 31)

|                          | Millions of yen |       |         |           |       |         |
|--------------------------|-----------------|-------|---------|-----------|-------|---------|
|                          | 2000            |       |         | 1999      |       |         |
|                          | Equipment       | Other | Total   | Equipment | Other | Total   |
| Acquisition Cost         | ¥74,937         | ¥—    | ¥74,937 | ¥52,565   | ¥—    | ¥52,565 |
| Accumulated Depreciation | 26,899          | —     | 26,899  | 23,103    | —     | 23,103  |
| Net Book Value           | ¥48,037         | ¥—    | ¥48,037 | ¥29,462   | ¥—    | ¥29,462 |

Lease Commitments, Exclusive of Interest Expenses:

(As of March 31)

|                     | Millions of yen |                |
|---------------------|-----------------|----------------|
|                     | 2000            | 1999           |
| Due within One Year | ¥13,665         | ¥10,158        |
| Due after One Year  | 35,182          | 20,481         |
| <b>Total</b>        | <b>¥48,847</b>  | <b>¥30,640</b> |

Lease Fees and the amounts corresponding to Depreciation Income and Interest Income:

(As of March 31)

|                     | Millions of yen |         |
|---------------------|-----------------|---------|
|                     | 2000            | 1999    |
| Lease Fees          | ¥15,081         | ¥12,640 |
| Depreciation Income | 12,504          | 10,321  |
| Interest Income     | 1,385           | 1,149   |

Computation of amounts corresponding to Interest Income:

Interest Income is calculated by the interest method.

**B: Operating Leases**

Lessee side

(As of March 31)

|  | Millions of yen |           |
|--|-----------------|-----------|
|  | 2000            | 1999      |
| Further Lease Payments (within One Year) | ¥ 5             | ¥1        |
| Further Lease Payments (after One Year)  | 5               | 1         |
| <b>Total</b>                             | <b>¥10</b>      | <b>¥3</b> |

**13. Subsequent Events**

None

## 14. Segment Information

### A: Business Segment Information

For the year ended March 31, 2000, some of the consolidated subsidiaries are engaged in securities and other businesses in addition to the trust banking business. As those activities are not deemed material, the business segment information has not been disclosed.

(For the year ended March 31, 2000)

|  | Millions of yen   |                          |            |             |              |
|--|-------------------|--------------------------|------------|-------------|--------------|
|  | Trust and Banking | Other financial services | Total      | Elimination | Consolidated |
| (I) Ordinary Income  |                   |                          |            |             |              |
| (1) Customers  | ¥ 471,299         | ¥ 24,733                 | ¥ 496,032  | ¥ —         | ¥ 496,032    |
| (2) Intersegment   | 2,046             | 8,911                    | 10,958     | (10,958)    | —            |
| Total  | 473,346           | 33,644                   | 506,991    | (10,958)    | 496,032      |
| Ordinary Expenses  | 446,171           | 34,037                   | 480,209    | (13,049)    | 467,160      |
| Ordinary Profit (Loss) before Income Tax                         | ¥ 27,174          | ¥ (392)                  | ¥ 26,781   | ¥ 2,090     | ¥ 28,872     |
| (II) Assets, Depreciation and Other Capital-Related Expenditures |                   |                          |            |             |              |
| Assets   | ¥7,934,421        | ¥623,678                 | ¥8,558,099 | ¥(284,131)  | ¥8,273,968   |
| Depreciation   | 6,413             | 12,938                   | 19,352     | —           | 19,352       |
| Capital-Related Expenditures                                     | 5,829             | 31,309                   | 37,138     | —           | 37,138       |

Notes: 1. In view of the significance of business operations conducted by consolidated companies, segment information has been disclosed beginning with the accounting year ended March 31, 2000.

2. Segments have been established based on classifications of the business operations of consolidated companies. Other Financial Services includes guarantee business, leasing and management services and advisory services for investment trusts.

3. In place of sales and operating profit, which is reported by companies in general, the Bank discloses ordinary income and ordinary profit.

### B: Geographic Segment Information

(For the year ended March 31, 2000)

|  | Millions of yen |               |         |                |            | Elimination | Consolidated |
|--|-----------------|---------------|---------|----------------|------------|-------------|--------------|
|  | Japan           | North America | Europe  | Asia & Oceania | Total      |             |              |
| (I) Ordinary Income                        |                 |               |         |                |            |             |              |
| Customers                                  | ¥ 493,693       | ¥ 2,050       | ¥ 47    | ¥ 241          | ¥ 496,032  | ¥ —         | ¥ 496,032    |
| Intersegment                               | 4,532           | 5,539         | 995     | 2,188          | 13,255     | (13,255)    | —            |
| Total                                      | 498,225         | 7,590         | 1,043   | 2,429          | 509,288    | (13,255)    | 496,032      |
| Ordinary Expenses                          | 469,185         | 7,484         | 1,884   | 2,114          | 480,669    | (13,508)    | 467,160      |
| Ordinary Profit (Loss) before Income Taxes | ¥ 29,039        | ¥ 105         | ¥ (841) | ¥ 315          | ¥ 28,619   | ¥ 253       | ¥ 28,872     |
| (II) Assets                                | ¥8,260,854      | ¥125,644      | ¥ 247   | ¥4,755         | ¥8,391,502 | ¥(117,534)  | ¥8,273,968   |

(For the year ended March 31, 1999)

|                                   | Millions of yen |               |           |                |             | Elimination | Consolidated |
|-----------------------------------|-----------------|---------------|-----------|----------------|-------------|-------------|--------------|
|                                   | Japan           | North America | Europe    | Asia & Oceania | Total       |             |              |
| (I) Ordinary Income               |                 |               |           |                |             |             |              |
| 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 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   |

Notes: 1. In place of the sales and operating income figures reported by corporations in general, the Bank reported Ordinary Income and Ordinary Profit (Loss) for Japan and the geographical overseas areas as shown in Geographic Segment Information.

2. North America comprises the United States and other countries; Europe includes the United Kingdom, Switzerland and certain other countries; and Asia/Oceania comprises Hong Kong, Australia and certain other countries.

3. Changes in Consolidated Accounting Methods

For the fiscal year ended March 31, 2000

Change in Method of Presentation Accompanying the Revision of the Rules for Implementation of the Banking Law

As specified in *Important Items Basic to the Preparation of Consolidated Financial Statements (Supplementary Information)*, beginning with the fiscal year ended March 31, 2000, assets are shown after deduction of the provisions covering specific assets contained in the Reserve for Possible Loan Losses. As a result of this change, assets shown in Geographic Segment Information for Japan and North America are ¥159,175 million lower and ¥1 million lower, respectively, than they would have been under the previous method of accounting.

## C: Ordinary Income from International Operations

(For the years ended March 31)

|   | Millions of yen/Percent |          |
|---|-------------------------|----------|
|   | 2000                    | 1999     |
| Ordinary Income from International Operations (A) | ¥ 42,011                | ¥102,847 |
| Consolidated Ordinary Income (B)                  | 496,032                 | 431,578  |
| (A)/(B)   | 8.46%                   | 23.83%   |

Notes: 1. In place of overseas sales reported by other types of business enterprises, the Bank reports Ordinary Income from International Operations.

2. Ordinary Income from International Operations comprises transactions in foreign currencies conducted in Japan, yen-denominated trade bill transactions, transactions with non-residents in yen, the Special International Financial Transactions Account, transactions of the Bank's overseas offices and ordinary income of overseas consolidated subsidiaries (after elimination of internal transactions for purposes of consolidation). Because this large volume of transactions is not classified by geographical area, segment information by country or region is not presented.

## 15. Material Transactions with Parties Having an Interest in the Bank

For the fiscal year ended March 31, 2000, there were no material transactions with parties having an interest in the Bank.

## 16. Market Value Information on Investment Securities (Banking Account)

Figures for the year ended March 31, 1999 are given in the Notes to Non-Consolidated Financial Statements.

(As of March 31)

|                               | Millions of yen      |                   |                 |                 |                 |
|-------------------------------|----------------------|-------------------|-----------------|-----------------|-----------------|
|                               | 2000                 |                   |                 |                 |                 |
|                               | Balance sheet amount | Market value      | Unrealized gain | Unrealized gain | Unrealized loss |
| <b>Investment Securities:</b> |                      |                   |                 |                 |                 |
| Bonds                         | ¥ 203,775            | ¥ 204,477         | ¥ 702           | ¥ 943           | ¥ 240           |
| Stocks                        | 980,568              | 1,077,966         | 97,397          | 19,082          | 92,684          |
| Others                        | 34,879               | 35,782            | 902             | 972             | 69              |
| <b>Total</b>                  | <b>¥1,219,223</b>    | <b>¥1,318,226</b> | <b>¥99,002</b>  | <b>¥191,997</b> | <b>¥92,995</b>  |

Notes: 1. The above securities are all listed, including publicly listed Japanese government bonds, Japanese municipal bonds and corporate bonds. Market value amounts are their final closing prices for each term-end, primarily on the Tokyo Stock Exchange. Market value of listed bonds is their final closing prices, primarily on the Tokyo Stock Exchange or calculated on the Securities bid-offer table published by the Japan Securities Dealers Association.

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

(As of March 31)

|                               | Millions of yen      |                 |                 |                 |                 |
|-------------------------------|----------------------|-----------------|-----------------|-----------------|-----------------|
|                               | 2000                 |                 |                 |                 |                 |
|                               | Balance sheet amount | Market value    | Unrealized gain | Unrealized gain | Unrealized loss |
| <b>Investment Securities:</b> |                      |                 |                 |                 |                 |
| Bonds                         | ¥660,925             | ¥664,078        | ¥ 3,153         | ¥ 4,420         | ¥1,267          |
| Stocks                        | 18,955               | 28,640          | 9,684           | 10,404          | 719             |
| Others                        | 16,359               | 16,665          | 305             | 413             | 107             |
| <b>Total</b>                  | <b>¥696,240</b>      | <b>¥709,384</b> | <b>¥13,144</b>  | <b>¥15,237</b>  | <b>¥2,093</b>   |

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 are based on yields on issues carried in the government and corporate OTC bond (standard) quotation tables 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. Principal balance-sheet amounts for securities other than those for which market value information is indicated were as follows:

(As of March 31)

|                               | Millions of yen |
|-------------------------------|-----------------|
|                               | 2000            |
| <b>Investment Securities:</b> |                 |
| Bonds                         | ¥36,426         |
| Stocks                        | 36,670          |
| Others                        | 89,059          |

4. Trading Account Securities are marked to market and the unrealized gains (losses) are recognized in the Consolidated Statements of Income and are thus excluded from the above figures.

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

Figures for the year ended March 31, 1999 are given in the Notes to Non-Consolidated Financial Statements.

(As of March 31)

|                            | Millions of yen         |                 |                    |                    |                    |
|----------------------------|-------------------------|-----------------|--------------------|--------------------|--------------------|
|                            | 2000                    |                 |                    |                    |                    |
|                            | Balance sheet<br>amount | Market<br>value | Unrealized<br>gain | Unrealized<br>gain | Unrealized<br>loss |
| <b>Money Held in Trust</b> | ¥43,663                 | ¥48,758         | ¥5,095             | ¥5,830             | ¥735               |

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

- a. For marketable listed securities, primarily their final closing prices for term-end, primarily on the Tokyo Stock Exchange or Securities bid-offer table published by the Japan Securities Dealers Association
- b. For securities traded over the counter, the market price is the trading price listed by the Japan Securities Dealers Association.

### 18. Market Value Information Related to Derivatives (Banking Account)

Figures for the year ended March 31, 1999 are given in the Notes to Non-Consolidated Financial Statements.

The notional principal amounts of swap transactions and the contract amounts of futures, option transactions and the unrealized gains (losses) of derivative financial instruments as of March 31, 2000 were as follows:

#### (I) Interest Rate Related Transactions

|  | Millions of yen  |                       |                 |                           |
|--|--|-----------------------|-----------------|---------------------------|
|  | 2000   |                       |                 |                           |
|  | Contract amount<br>or notional<br>principal amount<br>[option premium] | More than<br>one year | Market<br>value | Unrealized<br>gain (loss) |
| <b>Over-the-Counter</b>                |  |                       |                 |                           |
| Interest Rate Swaps                    |  |                       |                 |                           |
| Receivable Fixed · Payable Floating    | ¥ 988,063  | ¥795,041              | ¥ 13,105        | ¥ 13,105                  |
| Receivable Floating · Payable Fixed    | 1,013,794  | 585,842               | (35,506)        | (35,506)                  |
| Receivable Floating · Payable Floating | 594,450  | 492,450               | 1,109           | 1,109                     |
| Others                                 |  |                       |                 |                           |
| Sell                                   | 2,000  | 1,000                 |                 |                           |
|  | [5]  |                       | 5               | (0)                       |
| Buy                                    | 8,050  | 7,050                 |                 |                           |
|  | [7]  |                       | (6)             | (14)                      |
| <b>Total</b>                           |  |                       |                 | ¥(21,305)                 |

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

2. Option premium transactions are represented in the Consolidated Balance Sheets.

3. Listed interest rate futures, listed interest rate options, over-the-counter forward rate contracts and interest rate options traded as of March 31, 2000 were nil.

4. Notional principal amounts and average interest rates of interest swaps by type and remaining maturity were as follows:

|  | Millions of yen, %    |                            |                          |            |
|--|-----------------------|----------------------------|--------------------------|------------|
|  | 2000                  |                            |                          |            |
|  | Less than<br>one year | One year to<br>three years | More than<br>three years | Total      |
| Receivable Fixed Rate/Payable Floating Rate    | ¥193,022              | ¥273,507                   | ¥521,533                 | ¥ 988,163  |
| Average Receivable Fixed Rate                  | 3.91%                 | 1.01%                      | 1.80%                    |            |
| Average Payable Floating Rate                  | 3.59                  | 0.25                       | 0.26                     |            |
| Receivable Floating Rate/Payable Fixed Rate    | ¥427,952              | ¥255,108                   | ¥330,734                 | ¥1,013,794 |
| Average Receivable Floating Rate               | 0.24%                 | 0.38%                      | 0.38%                    |            |
| Average Payable Fixed Rate                     | 1.07                  | 2.20                       | 2.66                     |            |
| Receivable Floating Rate/Payable Floating Rate | ¥102,000              | ¥151,250                   | ¥341,200                 | ¥ 594,450  |
| Average Receivable Floating Rate               | 1.33%                 | 1.25%                      | 1.27%                    |            |
| Average Payable Floating Rate                  | 1.35                  | 1.26                       | 1.06                     |            |

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

|  | Millions of yen  |              |
|--|--|--------------|
|  | 2000   |              |
|  | Contract amount<br>or notional<br>principal amount<br>[option premium] | Market value |
| Over-the-Counter                       |  |              |
| Interest Rate Swaps                    |  |              |
| Receivable Fixed · Payable Fixed       | ¥ 400  | ¥ 4          |
| Receivable Fixed · Payable Floating    | 585,917  | 5,993        |
| Receivable Floating · Payable Fixed    | 569,873  | (5,739)      |
| Receivable Floating · Payable Floating | 171,890  | (27)         |
| Others                                 |  |              |
| Sell                                   | 162,300<br>[2,708]   | 3,275        |
| Buy                                    | 161,500<br>[2,164]   | 2,785        |

5. Listed interest rate futures, listed interest options, over-the-counter forward rate contracts and interest rate options traded in the trading accounts as of March 31, 2000 were nil.

6. Notional principal amounts and average interest rates of interest swaps by type and remaining maturity were as follows:

|  | Millions of yen, %    |                            |                          |          |
|--|-----------------------|----------------------------|--------------------------|----------|
|  | 2000                  |                            |                          |          |
|  | Less than<br>one year | One year to<br>three years | More than<br>three years | Total    |
| Receivable Fixed Rate/Payable Fixed Rate       | ¥ 400                 | ¥ —                        | ¥ —                      | ¥ 400    |
| Average Receivable Fixed Rate                  | 3.20%                 | —%                         | —%                       |          |
| Average Payable Fixed Rate                     | 2.00                  | —                          | —                        |          |
| Receivable Fixed Rate/Payable Floating Rate    | ¥118,632              | ¥ 94,581                   | ¥372,703                 | ¥585,917 |
| Average Receivable Fixed Rate                  | 2.81%                 | 1.71%                      | 1.86%                    |          |
| Average Payable Floating Rate                  | 0.95                  | 0.56                       | 0.67                     |          |
| Receivable Floating Rate/Payable Fixed Rate    | ¥113,632              | ¥131,832                   | ¥324,408                 | ¥569,873 |
| Average Receivable Floating Rate               | 0.84%                 | 0.28%                      | 0.46%                    |          |
| Average Payable Fixed Rate                     | 2.62                  | 1.41                       | 1.59                     |          |
| Receivable Floating Rate/Payable Floating Rate | ¥ 43,140              | ¥ 84,000                   | ¥ 44,750                 | ¥171,890 |
| Average Receivable Floating Rate               | 1.15%                 | 0.49%                      | 0.28%                    |          |
| Average Payable Floating Rate                  | 1.03                  | 0.48                       | 0.27                     |          |

(II) Currency-Related Transactions

|                    | Millions of yen           |                    |              |                        |
|--------------------|---------------------------|--------------------|--------------|------------------------|
|                    | 2000                      |                    |              |                        |
|                    | Notional principal amount | More than one year | Market value | Unrealized gain (loss) |
| Over-the-Counter   |                           |                    |              |                        |
| Currency Swaps     | ¥155,850                  | ¥72,781            | ¥1,193       | ¥1,193                 |
| U.S. dollars       | 117,311                   | 66,964             | 434          | 434                    |
| British pounds     | 8,454                     | —                  | (2)          | (2)                    |
| Australian dollars | 5,325                     | 5,000              | 723          | 723                    |
| Others             | 24,758                    | 817                | 37           | 37                     |

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

2. 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 Consolidated Statements of Income.

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

|                  | Millions of yen           |              |
|------------------|---------------------------|--------------|
|                  | 2000                      |              |
|                  | Notional principal amount | Market value |
| Over-the-Counter |                           |              |
| Currency Swaps   | ¥6,687                    | ¥124         |
| U.S. dollars     | 6,687                     | 124          |

3. Foreign exchange forward contracts, currency options and other transactions are marked to market and unrealized gains (losses) on these transactions are excluded from the above figures because they are recognized in the Consolidated Statements of Income.

Contract amounts of foreign exchange forward contracts and currency options as of March 31, 2000 were as follows:

|                  | Millions of yen   |                  |
|------------------|-------------------|------------------|
|                  | 2000              |                  |
|                  | Contractual value | [option premium] |
| Over-the-Counter |                   |                  |
| Forward Exchange |                   |                  |
| Sell             | ¥633,804          |                  |
| Buy              | 668,478           |                  |
| Currency Options |                   |                  |
| Sell Call        |                   | 530              |
| Put              |                   | [2]              |
| Buy Call         |                   | [—]              |
| Put              |                   | 1,230            |
| Buy Call         |                   | [0]              |
| Put              |                   | [—]              |

Note: 1. Listed currency futures and currency options as of March 31, 2000 were nil.

2. Option premium transactions are represented in the Consolidated Balance Sheets.



### (III) Stock-Related Transactions

|                     | Millions of yen |                    |              |                        |
|---------------------|-----------------|--------------------|--------------|------------------------|
|                     | 2000            |                    |              |                        |
|                     | Contract amount | More than one year | Market value | Unrealized gain (loss) |
| Listed              |                 |                    |              |                        |
| Stock Index Futures |                 |                    |              |                        |
| Sell                | ¥207,727        | ¥ —                | ¥205,452     | ¥ 2,274                |
| Buy                 | —               | —                  | —            | —                      |
| Over-the-Counter    |                 |                    |              |                        |
| Others              |                 |                    |              |                        |
| Sell                | ¥197,661        | ¥197,661           | ¥200,882     | ¥(3,220)               |
| Buy                 | —               | —                  | —            | —                      |
| <b>Total</b>        |                 |                    |              | ¥ (946)                |

Notes: 1. Market values of listed transactions are calculated by using the closing prices at the Tokyo Stock Exchange. Over-the-counter transactions are calculated by net present value or value based on option pricing models.

2. Listed stock index options, over-the-counter stock options and over-the-counter stock index options as of March 31, 2000 were nil.

3. Stock-related transactions in the trading accounts as of March 31, 2000 were nil.

### (IV) Bond-Related Transactions

|              | Millions of yen |                    |              |                 |
|--------------|-----------------|--------------------|--------------|-----------------|
|              | 2000            |                    |              |                 |
|              | Contract amount | More than one year | Market value | Unrealized loss |
| Listed       |                 |                    |              |                 |
| Bond Futures |                 |                    |              |                 |
| Sell         | ¥24,894         | ¥—                 | ¥24,985      | ¥(90)           |
| Buy          | —               | —                  | —            | —               |
| <b>Total</b> |                 |                    |              | ¥(90)           |

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, 2000 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 Consolidated Statements of Income.

The bond-related transactions in the trading accounts as of March 31, 2000 were as follows:

|              | Millions of yen                  |              |
|--------------|----------------------------------|--------------|
|              | 2000                             |              |
|              | Contract amount [option premium] | Market value |
| Listed       |                                  |              |
| Bond Futures |                                  |              |
| Sell         | ¥16,417                          | ¥16,437      |
| Buy          | —                                | —            |

4. Listed bond futures options and over-the-counter transactions in the trading accounts as of March 31, 2000 were nil.

(V) There are no commodity derivatives.

(VI) There are no credit derivatives.

## 19. Supplementary Information to Consolidated Financial Statements

### A: Bonds Issued

|   | Parent  |   |   | TTB Finance Cayman Limited                 |   | Total            |
|---|---|---|---|--|---|------------------|
|   | First issue of undated unsecured callable adjustable rate bonds | U.S. dollar convertible bonds due March 31, 2002 (Note 1) | Euroyen convertible bonds due September 30, 2002 (Note 2) | Dated subordinated bonds (Note 3)          | Euroyen perpetual bonds exchangeable for common stocks issued by Toyo Trust |                  |
| Date of Issue                           | March 30, 1998  | April 30, 1987  | June 20, 1997   | February 16, 1993 to September 25, 1997    | June 2, 1997  | —                |
| Amount Outstanding as of March 31, 1999 | ¥50,000 million   | ¥4,164 million<br>(US\$29,970 thousand)                   | ¥49,357 million   | ¥107,383 million<br>(US\$588,000 thousand) | ¥49,357 million   | ¥260,262 million |
| Amount Outstanding as of March 31, 2000 | ¥50,000 million   | ¥5,056 million<br>(US\$36,390 thousand)                   | ¥19,270 million   | ¥96,711 million<br>(US\$588,000 thousand)  | ¥21,260 million   | ¥192,297 million |
| Interest Rate                           | 1.30%   | 1.75%   | 0.37%   | 0.56%–7.09%                                | 0.75%   | —                |
| Collateral                              | None  | None  | None  | None                                       | None  | —                |
| Due                                     | Undated   | March 31, 2002  | September 30, 2002  | April 20, 2001 to September 25, 2012       | Undated   | —                |

Notes: 1. Further details on convertible bonds are as follows:

| Issue   | Dates for conversion                  | Conversion price           | Stock to be issued on conversion | Entry into common stock |
|---|---------------------------------------|----------------------------|----------------------------------|-------------------------|
| U.S. Dollar Convertible Bonds<br>Due March 31, 2002 | May 15, 1987<br>to March 20, 2002     | ¥2,551.6<br>(US\$1=¥144.3) | Common stock                     | *                       |
| Euroyen Convertible Bonds<br>Due September 30, 2002 | July 1, 1997 to<br>September 20, 2002 | ¥400                       | Common stock                     | *                       |

\*The amount to be entered in Common Stock corresponding to the issuance of stock on the conversion of convertible bonds is the issue price times 0.5. When this computation results in a fraction of less than ¥1, the amount is rounded up. However, the amount to be included in Common Stock per one stock issued for the conversion must not be less than the par value of the Bank's common stock.

2. Includes foreign currency as well as yen-denominated bonds.

3. The amounts of convertible bonds to be redeemed within five years from the end of the fiscal year ended March 31, 2000 are as follows:

| Millions of yen    |  |   |  |   |
|--------------------|--|---|--|---|
| Less than one year | More than one year but less than two years | More than two years but less than three years | More than three years but less than four years | More than four years but less than five years |
| —                  | ¥9,756<br>(US\$36,390 thousand)            | ¥19,270                                       | ¥30,720<br>(US\$300,000 thousand)              | —   |

### B: Composition of Borrowed Money

|                    | Millions of yen |                |                       |                              | Dates repayable |
|--------------------|-----------------|----------------|-----------------------|------------------------------|-----------------|
|                    | March 31, 1999  | March 31, 2000 | Average interest rate |                              |                 |
| Borrowed Money     | ¥248,752        | ¥220,867       | 2.38%                 | —                            | —               |
| Rediscounted Bills | 116             | —              | —                     | —                            | —               |
| Borrowings         | 248,635         | 220,867        | 2.38%                 | April 2000 to September 2015 | —               |

Notes: 1. The average interest rate is computed as a weighted average of interest rates based on the composition of borrowings at the end of the fiscal year.

2. The amounts of borrowed money to be repaid within five years from the end of the fiscal year ended March 31, 2000 are as follows:

| Millions of yen |                    |  |   |  |   |
|-----------------|--------------------|--|---|--|---|
|                 | Less than one year | More than one year but less than two years | More than two years but less than three years | More than three years but less than four years | More than four years but less than five years |
| Borrowings      | ¥93,935            | ¥2,067                                     | ¥61,529                                       | ¥3   | ¥22,332                                       |

3. In its banking operations, Toyo Trust accepts deposits as well as raises and invests funds in the interbank call and note markets. A breakdown of the composition of borrowings may be found in the Borrowed Money item under Liabilities in the Consolidated Balance Sheets.

4. The Bank does not issue commercial paper to raise funds for its banking operations.

# Report of Independent Certified Public Accountants

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, 2000 and 1999, the related consolidated statements of income and consolidated statements of retained earnings for the years then ended, and the related consolidated statement of cash flows for the year ended March 31, 2000, 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, 2000 and 1999, the consolidated results of their operations for the years then ended, and the results of their cash flows for the year ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

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 Aoyama Audit Corporation*

ChuoAoyama Audit Corporation  
Tokyo, Japan

June 29, 2000

# Non-Consolidated Balance Sheets

The Toyo Trust and Banking Company, Limited

(As of March 31)

|  | Millions of yen   |                   | Thousands of<br>U.S. dollars<br>(Note 1) |
|--|-------------------|-------------------|--|
|  | 2000              | 1999              | 2000                                     |
| <b>BANKING ACCOUNT</b>   |                   |                   |  |
| <b>Assets</b>  |                   |                   |  |
| Cash and Due from Banks  | ¥1,006,913        | ¥ 285,666         | \$ 9,485,761                             |
| Call Loans and Bills Purchased                                 | 102,400           | 315,669           | 964,672                                  |
| Monetary Receivables Bought                                    | 25,552            | —                 | 240,719                                  |
| Trading Account Assets (Note 3)                                | 195,906           | 293,426           | 1,845,562                                |
| Money Held in Trust  | 43,650            | 59,176            | 411,219                                  |
| Investment Securities (Note 4)                                 | 2,069,951         | 1,484,137         | 19,500,253                               |
| Loans and Bills Discounted (Note 5)                            | 4,233,210         | 4,539,806         | 39,879,515                               |
| Foreign Exchanges (Note 6)                                     | 7,808             | 6,486             | 73,558                                   |
| Other Assets (Note 7)  | 166,225           | 313,041           | 1,565,948                                |
| Premises and Equipment (Note 8)                                | 93,696            | 97,833            | 882,682                                  |
| Deferred Tax Assets  | 162,321           | 182,992           | 1,529,171                                |
| Customers' Liabilities for Acceptances and Guarantees (Note 9) | 243,005           | 331,570           | 2,289,268                                |
| Reserve for Possible Loan Losses                               | (157,056)         | —                 | (1,479,572)                              |
| Reserve for Possible Securities Investment Losses              | (112)             | —                 | (1,056)                                  |
| <b>Total Assets</b>  | <b>¥8,193,474</b> | <b>¥7,909,809</b> | <b>\$77,187,705</b>                      |
| <b>Liabilities</b>   |                   |                   |  |
| Deposits (Note 10)   | ¥3,592,057        | ¥3,507,762        | \$33,839,445                             |
| Call Money and Bills Sold                                      | 116,166           | 233,224           | 1,094,361                                |
| Trading Account Liabilities (Note 3)                           | 24,339            | 72,348            | 229,295                                  |
| Borrowed Money (Note 11)                                       | 286,295           | 358,424           | 2,697,088                                |
| Foreign Exchanges (Note 6)                                     | 17                | 34                | 166                                      |
| Bonds (Note 12)  | 50,000            | 50,000            | 471,031                                  |
| Convertible Bonds (Note 13)                                    | 24,326            | 54,413            | 229,169                                  |
| Other Liabilities (Note 14)                                    | 3,221,492         | 2,310,239         | 30,348,490                               |
| Reserve for Possible Loan Losses                               | —                 | 419,361           | —  |
| Reserve for Retirement Allowances                              | 3,453             | 3,853             | 32,537                                   |
| Reserve for Additional Losses from Sold Claims to CCPC         | 5,728             | 7,921             | 53,961                                   |
| Reserve for Possible Losses on Support to Specific Borrowers   | 33,823            | —                 | 318,634                                  |
| Other Reserves   | 0                 | 0                 | 0  |
| Deferred Tax Liabilities Related to Revaluation                | 7,075             | 7,441             | 66,651                                   |
| Acceptances and Guarantees (Note 9)                            | 243,005           | 331,570           | 2,289,268                                |
| <b>Total Liabilities</b>                                       | <b>7,607,781</b>  | <b>7,356,596</b>  | <b>71,670,103</b>                        |
| <b>Stockholders' Equity</b>                                    |                   |                   |  |
| Capital Stock (Note 16)  | 280,471           | 265,427           | 2,642,214                                |
| Capital Surplus  | 252,611           | 237,567           | 2,379,757                                |
| Legal Reserve  | 21,983            | 20,823            | 207,095                                  |
| Revaluation Account  | 10,746            | 10,361            | 101,236                                  |
| Retained Earnings  | 19,881            | 19,033            | 187,298                                  |
| <b>Total Stockholders' Equity</b>                              | <b>585,693</b>    | <b>553,212</b>    | <b>5,517,602</b>                         |
| <b>Total Liabilities and Stockholders' Equity</b>              | <b>¥8,193,474</b> | <b>¥7,909,809</b> | <b>\$77,187,705</b>                      |

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

# Non-Consolidated Statements of Income and Undivided Profit

The Toyo Trust and Banking Company, Limited

(For years ended March 31)

|   | Millions of yen |                   | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|-------------------|--|
|   | 2000            | 1999              | 2000                                     |
| <b>Income</b>   |                 |                   |  |
| Trust Fees  | ¥ 48,417        | ¥ 78,706          | \$ 456,120                               |
| Interest Income:  |                 |                   |  |
| Interest on Loans and Discounts                                 | 76,815          | 111,566           | 723,646                                  |
| Interest and Dividends on Securities                            | 34,303          | 34,160            | 323,157                                  |
| Other Interest Income (Note 18)                                 | 22,196          | 26,182            | 209,108                                  |
|   | 133,315         | 171,910           | 1,255,911                                |
| Fees and Commissions (Note 19)                                  | 40,165          | 35,282            | 378,381                                  |
| Trading Account Income (Note 20)                                | 456             | 4,132             | 4,296                                    |
| Other Operating Income (Note 21)                                | 8,270           | 22,980            | 77,912                                   |
| Other Income (Note 22)  | 240,835         | 124,160           | 2,268,821                                |
| <b>Total Income</b>   | <b>¥471,459</b> | <b>¥ 437,173</b>  | <b>\$4,441,443</b>                       |
| <b>Expenses</b>   |                 |                   |  |
| Interest Expenses:  |                 |                   |  |
| Interest on Deposits  | 25,417          | 60,102            | 239,448                                  |
| Interest on Borrowings and Rediscounts                          | 13,580          | 18,016            | 127,935                                  |
| Other Interest Expenses (Note 18)                               | 59,212          | 69,139            | 557,819                                  |
|   | 98,210          | 147,258           | 925,203                                  |
| Fees and Commissions (Note 23)                                  | 6,398           | 4,853             | 60,276                                   |
| Trading Account Expenses (Note 24)                              | 220             | —                 | 2,076                                    |
| Other Operating Expenses (Note 25)                              | 18,343          | 19,753            | 172,806                                  |
| General and Administrative Expenses (Note 26)                   | 93,573          | 95,708            | 881,521                                  |
| Other Expenses (Note 27)  | 226,116         | 388,726           | 2,130,161                                |
| <b>Total Expenses</b>   | <b>¥442,862</b> | <b>¥ 656,299</b>  | <b>\$4,172,045</b>                       |
| <b>Income (Loss) before Income Taxes</b>                        | <b>28,596</b>   | <b>(219,126)</b>  | <b>269,397</b>                           |
| Income Taxes  |                 |                   |  |
| Current   | 100             | 100               | 942                                      |
| Deferred  | 20,678          | (91,518)          | 194,804                                  |
| <b>Net Income (Loss)</b>  | <b>¥ 7,818</b>  | <b>¥(127,707)</b> | <b>\$ 73,651</b>                         |
| Profit Brought Forward from Previous Term                       | 5,748           | 5,376             | 54,156                                   |
| Transfer from Premises Revaluation Account                      | (10)            | —                 | (97)                                     |
| Interim Dividends   | 3,663           | 2,360             | 34,513                                   |
| Adjustments for Tax Effects for Prior Periods                   | —               | 91,474            | —  |
| Reduction in Reserve for Possible Losses on Overseas Investment | —               | 1                 | —  |
| Legal Reserve   | 732             | 472               | 6,902                                    |
| <b>Undivided Profit (Loss) at the End of the Term</b>           | <b>¥ 9,160</b>  | <b>¥ (33,688)</b> | <b>\$ 86,294</b>                         |
| <b>Net Income (Loss) Per Share</b>                              | <b>¥ 5.68</b>   | <b>¥ (162.30)</b> | <b>\$ 0.05</b>                           |

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

## Non-Consolidated Statements of Appropriation of Profit

The Toyo Trust and Banking Company, Limited

(For years ended March 31)

|   | Millions of yen |                | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|----------------|--|
|   | 2000            | 1999           | 2000                                     |
| Undivided Profit (Loss) at the End of the Term  | ¥9,160          | ¥(33,688)      | \$86,294                                 |
| Reversal of Voluntary Reserve                   | —               | 42,000         | —  |
| <b>Total</b>                                    | <b>¥9,160</b>   | <b>¥ 8,311</b> | <b>\$86,294</b>                          |
| Transfer to Legal Reserve                       | 735             | 427            | 6,926                                    |
| Dividends (Note 17):                            |                 |                |  |
| First Series of Preferred Stock                 | 1,362           | 9              | 12,830                                   |
| Common Stock                                    | 2,314           | 2,126          | 21,800                                   |
| Voluntary Reserve                               | 0               | —              | 0  |
| <b>Profits Carried Forward to the Next Term</b> | <b>¥4,748</b>   | <b>¥ 5,748</b> | <b>\$44,736</b>                          |

The accompanying Notes to Non-Consolidated Financial Statements 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.

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 ¥106.15=US\$1.00, the rate of exchange on March 31, 2000, 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.

The amounts in Japanese yen are presented in millions of yen by rounding down figures. Accordingly, the sum of the amounts appearing in accompanying non-consolidated financial statements and notes thereto may not be equal to the sum of the individual account balances.

## 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 held by the Bank are valued at cost, determined by the moving average method.

(2) Securities held by the Bank as trust assets in independently operated designated money trusts with the principal objective of securities portfolio management are valued at the lower of cost or market, determined by the moving average method.

### C: Depreciation

(1) Premises and Equipment

Depreciation of premises and equipment is computed by the declining balance method at rates specified in applicable tax regulations.

(2) Computer Software

For computer software used internally, the Bank computes depreciation using the straight-line method based on useful lives set according to the estimated period of usefulness (usually five years). To date, computer software used internally by the Bank has been included in Other Assets. This accounting treatment has been continued for the fiscal year under review under the interim provisions contained in the *Guidelines for Accounting for Research and Development*

*Expenses and Software* issued in Volume 12 of the *Report of the Accounting System Committee of the Japan Institute of Certified Public Accountants*, issued March 31, 1999. The guidelines contained in this report recommend that the value of such software be shown under Intangible Fixed Assets, but under the *Rules for Implementation of the Banking Law* (Ministry of Finance Ordinance No. 10, issued in 1982), it has been included in Other Assets as in financial statements for previous fiscal years.

(3) Goodwill

The value of goodwill is amortized in equal amounts over the maximum period allowed (five years) under the Code.

### D: Translation of Foreign Currencies

Foreign currency assets and liabilities are translated at the market rates prevailing at the balance sheet date. However, (1) those assets which represent investments in foreign corporations (excluding those for which funds were raised in foreign currencies) (2) foreign convertible bonds and (3) other assets and liabilities for which it is deemed inappropriate for banks to include among foreign currency assets at market value are treated as exceptions.

### E: Reserve for Possible Loan Losses

In accordance with the predetermined standard for write-offs and reserves, the Reserve for Possible Loan Losses is stated as follows.

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings (hereinafter, Borrowers in Bankruptcy) or, while not yet in bankruptcy, are in a similar financial condition (hereinafter, Borrowers in De-Facto Bankruptcy), the Reserve for Possible Loan Losses is provided in the full amount of the book value of such loans after deduction of the amount of direct write-offs (as defined below) and excluding the amount deemed collectible from the disposal of collateral pledged against such loans and the amount of guarantees that is deemed recoverable. For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but for which there is a high probability of so becoming, the Reserve for Possible Loan Losses is provided for estimated unrecoverable amounts determined after an evaluation of security interests, guarantees and the customer’s overall financial condition. Also, regarding loans to restructuring countries, the expected amount of the losses on such loans arising from political and economic conditions in those countries (including the Reserve for Losses on Overseas Investments prescribed in Article 55-2 of Exceptions to Tax Laws Act) has been included in the Reserve for

Loans to Restructuring Countries. For each loan, the Credit Review Office, which is controlled separately from the operating divisions, reviews valuations of the collectibility of each loan made by the operating divisions based on the Bank's self-assessment standards. Provisions for Possible Loan Losses are based on the results of these reviews. For Loans to Borrowers in Bankruptcy and Loans to Borrowers in De-Facto Bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated value of recoveries from the disposal of the collateral and the amount deemed recoverable from guarantors. This unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amount of such direct write-offs for the fiscal year ended March 31, 2000 was ¥93,337 million.

**F: Reserve for Possible Securities Investment Losses**

To provide for possible losses on investments in securities, the Bank sets aside an amount deemed necessary.

**G: Reserve for Retirement Allowances**

The Reserve for Retirement Allowances is made in an amount equivalent to the allowances that would be required for lump-sum severance indemnities to employees on a full voluntary retirement basis at the balance sheet date.

**H: Reserve for Additional Losses from Sold Claims to CCPC**

To provide for possible losses that may arise on loans secured by real estate collateral which have been sold to the CCPC, the Bank estimates the possible amount of such losses and makes provisions to this reserve as deemed necessary.

**I: Reserve for Possible Losses on Support to Specific Borrowers**

The Bank estimates systematically the future costs that may be incurred in assisting and restructuring the operations of specified obligors and makes provisions deemed appropriate to this reserve.

**J: Other Reserves**

To provide for losses that may arise in connection with securities transactions, the Bank computes reserves under Article 65-2-7 of the Securities and Exchange Law, similar provisions in Article 51 of that law and Article 32 of the Ordinance Related to Securities Operations of Financial Institutions.

**3. Trading Account Assets and Trading Account Liabilities**

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

|   | Millions of yen |                 |
|---|-----------------|-----------------|
|   | 2000            | 1999            |
| Trading Account Securities                                | ¥112,690        | ¥ 90,188        |
| Derivatives of Securities Related to Trading Transactions | 3               | —               |
| Trading-Related Financial Derivatives                     | 8,125           | 56,082          |
| Others  | 75,086          | 147,156         |
| <b>Total</b>  | <b>¥195,906</b> | <b>¥293,426</b> |

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

|   | Millions of yen |                |
|---|-----------------|----------------|
|   | 2000            | 1999           |
| Trading-Related Financial Derivatives                     | ¥ 7,714         | ¥56,459        |
| Derivatives of Securities Related to Trading Transactions | 23              | —              |
| Trading Account Bonds                                     | 16,601          | 15,889         |
| <b>Total</b>  | <b>¥24,339</b>  | <b>¥72,348</b> |

**K: Lease Transactions**

Except for those lease transactions for which ownership of the leased asset is regarded as being transferred to the lessee, finance leases are treated as ordinary rental transactions by the Bank.

**L: Adoption of the Adjusted and Tax-Qualified Pension Fund Systems**

Beginning in the Bank's 15th operating period (in November 1966), the adjusted pension system was adopted for a portion of the retirement allowance system. The current amount of the Bank's liabilities for employees' service in prior years under the adjusted pension system as of March 31, 1999 was ¥360 million, based on a contribution period to cover such liabilities extending from April 1995 for a period of 20 years.

In addition, from the Bank's 52nd operating period (from October 1989), the tax-qualified pension system was adopted for a portion of the retirement allowance system. As of March 31, 1999, the current amount of liabilities for employees' service in prior years under the tax-qualified pension system was ¥1,718 million, based on a contribution period to cover such liabilities extending from October 1994 for a period of five years.

**M: Accounting for Japanese Consumption Tax**

Consumption Tax and the Municipal Consumption Tax are accounted for using the tax-excluded method by the Bank. However, for premises and equipment that are not eligible for exemption, consumption taxes for the accounting period under review are treated as expenses.

**N: Supplementary Information**

The Reserve for Possible Loan Losses, which was included among Liabilities through the previous fiscal year, is now subtracted from all assets that are covered by this reserve beginning with the fiscal year ended March 31, 2000, as provided for under the revised format of the *Rules for Implementation of the Banking Law* (Ministry of Finance Ordinance No. 10, issued in 1982). As a result of this change, Assets and Liabilities were both ¥157,056 million lower than they would have been under the previous method of accounting.



#### 4. Investment Securities

Investment Securities as of March 31, 2000 and 1999 were as follows:

|                                    | Millions of yen   |                   |
|------------------------------------|-------------------|-------------------|
|                                    | 2000              | 1999              |
| Japanese National Government Bonds | ¥ 753,145         | ¥ 230,832         |
| Japanese Local Government Bonds    | 8,640             | 17,214            |
| Corporate Bonds                    | 137,190           | 129,450           |
| Corporate Stocks                   | 1,056,218         | 961,216           |
| Other Securities                   | 114,757           | 145,423           |
| <b>Total</b>                       | <b>¥2,069,951</b> | <b>¥1,484,137</b> |

#### 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, 2000 and 1999 were as follows:

|                  | Millions of yen   |                   |
|------------------|-------------------|-------------------|
|                  | 2000              | 1999              |
| Bills Discounted | ¥ 21,394          | ¥ 25,666          |
| Loans on Notes   | 1,201,188         | 1,096,860         |
| Loans on Deeds   | 2,332,158         | 2,788,108         |
| Overdrafts       | 678,469           | 629,171           |
| <b>Total</b>     | <b>¥4,233,210</b> | <b>¥4,539,806</b> |

(1) Loans and bills discounted at March 31, 2000 included the following items.

Balance of Loans to Bankrupt Borrowers: ¥10,022 million

Balance of Past Due Loans (nonaccrual): ¥265,508 million

Loans to Bankrupt Borrowers consist of nonaccrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (does not include the written-down portion of the loan). Such loans hereafter are referred to as "nonaccrual loans." This category also includes the loans cited in Articles 96-1-3 and 96-1-4 of the Corporate Tax Law (Government Ordinance No. 97, issued in 1965).

Past Due Loans (nonaccrual) are those nonaccrual loans other than Loans to Bankrupt Borrowers and other than loans for which interest payments have been rescheduled with the object of assisting these borrowers in management restructuring.

Moreover, as a result of the direct write-off of loans, Loans to Bankrupt Borrowers decreased ¥36,727 million and Past Due Loans (nonaccrual) decreased ¥53,265 million.

(2) Balance of Past Due Loans (three months or more): ¥1,561 million

Past Due Loans (three months or more) are classified in this category when three months or more have elapsed since the due date without the payment of principal or interest. The balance of Loans to Bankrupt Borrowers and the balance of Past Due Loans (nonaccrual) are not included in this category.

(3) Balance of Renegotiated Loans: ¥69,226 million

Renegotiated Loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of Loans to Bankrupt Borrowers, the balance of Past Due Loans (nonaccrual) and the balance of Past Due Loans (three months or more).

(4) The total balance of Loans to Bankrupt Borrowers, Past Due Loans (nonaccrual), Past Due Loans (three months or more) and Renegotiated Loans: ¥346,318 million

Note that the loan amounts presented in (1)-(4) are prior to the deduction of the Reserve for Possible Loan Losses.

(5) The amount of assets pledged as collateral is as follows.

*Assets pledged as collateral*

Securities: ¥4,307 million

Loans and Bills Discounted: ¥41,335 million

*Liabilities Corresponding to above Assets*

Bills Sold: ¥30,800 million

Other than the items shown above, items/amounts listed below are held as collateral for such transactions as exchange settlement transactions or derivative transactions or as substitute securities for Future Transaction Initial Margin and others.

Securities: ¥328,249 million

Borrowed money: ¥141,234 million



## 6. Foreign Exchanges

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

|                                   | Millions of yen |               |
|-----------------------------------|-----------------|---------------|
|                                   | 2000            | 1999          |
| Foreign Exchanges:                |                 |               |
| Due from Foreign Banks            | ¥7,782          | ¥2,335        |
| Foreign Exchange Bills Bought     | 25              | 1,174         |
| Foreign Exchange Bills Receivable | —               | 2,977         |
| <b>Total</b>                      | <b>¥7,808</b>   | <b>¥6,486</b> |

|                                  | Millions of yen |            |
|----------------------------------|-----------------|------------|
|                                  | 2000            | 1999       |
| Foreign Exchanges (Liabilities): |                 |            |
| Due to Foreign Banks             | ¥ 0             | ¥27        |
| Foreign Exchange Bills Sold      | 0               | 0          |
| Foreign Exchange Bills Payable   | 16              | 6          |
| <b>Total</b>                     | <b>¥17</b>      | <b>¥34</b> |

## 7. Other Assets

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

|  | Millions of yen |                 |
|--|-----------------|-----------------|
|  | 2000            | 1999            |
| Prepaid Expense                        | ¥ 35            | ¥ 200           |
| Accrued Income                         | 31,471          | 34,065          |
| Securities in Custody                  | 32,000          | 35,200          |
| Accounts Receivable on Trading Account | —               | 137,633         |
| Others                                 | 102,718         | 105,941         |
| <b>Total</b>                           | <b>¥166,225</b> | <b>¥313,041</b> |

## 8. Premises and Equipment

Premises and Equipment and Accumulated Depreciation as of March 31, 2000 and 1999 consisted of the following:

|                                | Millions of yen |                |
|--------------------------------|-----------------|----------------|
|                                | 2000            | 1999           |
| Land                           | ¥35,600         | ¥35,981        |
| Buildings                      | 50,975          | 49,379         |
| Equipment                      | 35,311          | 35,278         |
| Construction in Progress       | —               | 1,646          |
| Fixed Leasehold Deposits       | 31,052          | 32,125         |
|                                | <b>152,939</b>  | <b>154,410</b> |
| Less: Accumulated Depreciation | 59,242          | 56,577         |
| <b>Total</b>                   | <b>¥93,696</b>  | <b>¥97,833</b> |

Based on the Law concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the Bank has revalued land under its ownership used for its own business purposes. The amount of tax payable on the amount of the revaluation difference has been included in the item Deferred Tax Liabilities Related to Revaluation. In addition, the amount of the revaluation difference has been included in the item Revaluation Account, shown under Stockholders' Equity.

Revaluation date: March 31, 1998

Revaluation method as stated in Article 3, Section 3, of the Law concerning Land Revaluation: The value of land is based on the official notice prices calculated as directed by the public notification of the

Commissioner of the National Tax Administration and as provided for in the Law concerning Public Notification of Land Prices, as stipulated in Article 2, Section 4, of the Ordinance Implementing the Law concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998), after making reasonable adjustments, such as for location and quality of sites. The difference between the market value of land for business purposes at the end of the year under review, revalued as stipulated under Article 10 of the Law concerning Land Revaluation, and the total book value of such land following revaluation was ¥1,337 million.

## 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.

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

|                      | Millions of yen |                 |
|----------------------|-----------------|-----------------|
|                      | 2000            | 1999            |
| Acceptances of Bills | ¥ —             | ¥ 673           |
| Letters of Credit    | 185             | 4,848           |
| Other Guarantees     | 242,820         | 326,048         |
| <b>Total</b>         | <b>¥243,005</b> | <b>¥331,570</b> |

## 10. Deposits

Deposits as of March 31, 2000 and 1999 were as follows:

|                                    | Millions of yen   |                   |
|------------------------------------|-------------------|-------------------|
|                                    | 2000              | 1999              |
| Current Deposits                   | ¥ 89,079          | ¥ 53,560          |
| Ordinary Deposits                  | 293,620           | 239,592           |
| Deposits at Notice                 | 61,580            | 51,511            |
| Time Deposits                      | 2,648,110         | 2,594,649         |
| Other Deposits                     | 68,466            | 118,320           |
| Negotiable Certificates of Deposit | 431,200           | 450,128           |
| <b>Total</b>                       | <b>¥3,592,057</b> | <b>¥3,507,762</b> |

## 11. Borrowed Money

Borrowed Money includes subordinated debt of ¥220,186 million and ¥258,740 million as of March 31, 2000 and 1999, respectively.

## 12. Bonds

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

|   | Millions of yen |         |
|---|-----------------|---------|
|   | 2000            | 1999    |
| Japanese Yen Undated Exchangeable Subordinated Guaranteed Bonds | ¥50,000         | ¥50,000 |

## 13. Convertible Bonds

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

|  | Millions of yen |                |
|--|-----------------|----------------|
|  | 2000            | 1999           |
| 1.75% U.S. Dollar Convertible Bonds Due 2002   | ¥ 5,056         | ¥ 5,056        |
| 0.375% Japanese Yen Convertible Bonds Due 2002 | 19,270          | 49,357         |
| <b>Total</b>                                   | <b>¥24,326</b>  | <b>¥54,413</b> |

The conversion prices are as follows:

|  | Conversion price at March 31, 2000 | 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 | 400.00                             | —                   |

## 14. Other Liabilities

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

|   | Millions of yen   |                   |
|---|-------------------|-------------------|
|   | 2000              | 1999              |
| Borrowed Money from Trust Account             | ¥2,770,712        | ¥2,194,308        |
| Domestic Exchange Settlement Account (Credit) | 231               | 173               |
| Income Taxes Payable                          | 361               | 477               |
| Accrued Expense                               | 38,767            | 38,201            |
| Unearned Income                               | 3,353             | 3,136             |
| Employees' Deposits                           | —                 | 3,166             |
| Others  | 408,064           | 70,775            |
| <b>Total</b>                                  | <b>¥3,221,492</b> | <b>¥2,310,239</b> |

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

## 15. Trust Accounts for Which Principal Is Indemnified

The amounts in trust accounts, which are contractually indemnified, are as follows:

JODMTs: ¥1,617,724 million

Loan Trusts: ¥4,067,816 million

## 16. Capital Stock

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

|  | Millions of yen |                 |
|--|-----------------|-----------------|
|  | 2000            | 1999            |
| Common Stock                               | ¥140,471        | ¥125,427        |
| First Class, First Series Preferred Stock  | 40,000          | 40,000          |
| First Class, Second Series Preferred Stock | 100,000         | 100,000         |
| <b>Total</b>                               | <b>¥280,471</b> | <b>¥265,427</b> |

The authorized and issued number of shares of Common Stock as of March 31, 2000 were 2,400,000,000 and 925,643,901, respectively.

The authorized and issued number of shares of First Series Preferred Stock as of March 31, 2000 were 300,000,000 and 280,000,000, respectively.

### First Class, First Series Preferred Stock

On March 31, 1999, the Bank issued 80 million preferred stocks to Sanwa Bank 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 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 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.

## 17. Dividends

For the fiscal year ended March 31, 2000, interim dividends and year-end dividends for common stock were ¥2.50 per stock and ¥2.50 per stock, respectively. Interim dividends and year-end

### First Class, Second Series Preferred Stock

On March 31, 1999, the Bank issued 200 million preferred stocks to the Resolution and Collection Bank, Ltd. at a price of ¥1,000 per stock for gross proceeds of ¥200 billion, of which ¥100 billion was transferred to Capital Surplus in accordance with the 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.

dividends for First Class, First Series Preferred Stock were ¥2.65 per stock, respectively. Interim dividends and year-end dividends for First Class, Second Series Preferred Stock were ¥5.75 per stock, respectively.

## 18. Other Interest Income and Expenses

Other Interest Income for the years ended March 31, 2000 and 1999 consisted of the following:

|                                 | Millions of yen |                |
|---------------------------------|-----------------|----------------|
|                                 | 2000            | 1999           |
| Interest on Deposits with Banks | ¥ 7,068         | ¥12,271        |
| Interest on Interest Swaps      | 14,279          | 11,146         |
| Others                          | 848             | 2,763          |
| <b>Total</b>                    | <b>¥22,196</b>  | <b>¥26,182</b> |

Other Interest Expenses for the years ended March 31, 2000 and 1999 consisted of the following:

|                               | Millions of yen |                |
|-------------------------------|-----------------|----------------|
|                               | 2000            | 1999           |
| Interest on Bonds             | ¥ 662           | ¥ 862          |
| Interest on Convertible Bonds | 144             | 267            |
| Interest on Interest Swaps    | 28,276          | 30,796         |
| Others                        | 30,129          | 37,212         |
| <b>Total</b>                  | <b>¥59,212</b>  | <b>¥69,139</b> |

## 19. Fees and Commissions (Received)

Fees and Commissions (Received) for the years ended March 31, 2000 and 1999 consisted of the following:

|  | Millions of yen |                |
|--|-----------------|----------------|
|  | 2000            | 1999           |
| Fees and Commissions on Domestic and Foreign Exchanges | ¥ 568           | ¥ 644          |
| Fees and Commissions on Other Activities               | 39,596          | 34,637         |
| <b>Total</b>   | <b>¥40,165</b>  | <b>¥35,282</b> |

## 20. Trading Account Income

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

|   | Millions of yen |               |
|---|-----------------|---------------|
|   | 2000            | 1999          |
| Income from Trading Account Securities  | ¥ —             | ¥ 251         |
| Income from Trading Account Derivatives | 73              | 2,440         |
| Others                                  | 382             | 1,440         |
| <b>Total</b>                            | <b>¥456</b>     | <b>¥4,132</b> |

## 21. Other Operating Income

Other Operating Income for the years ended March 31, 2000 and 1999 consisted of the following:

|  | Millions of yen |                |
|--|-----------------|----------------|
|  | 2000            | 1999           |
| Gains on Foreign Exchange Transactions | ¥1,055          | ¥ 4,222        |
| Gains on Sales of Bonds                | 5,814           | 17,903         |
| Gains on Redemption of Bonds           | 745             | 288            |
| Others                                 | 654             | 566            |
| <b>Total</b>                           | <b>¥8,270</b>   | <b>¥22,980</b> |

## 22. Other Income

Other Income for the years ended March 31, 2000 and 1999 consisted of the following:

|   | Millions of yen |                 |
|---|-----------------|-----------------|
|   | 2000            | 1999            |
| Gains on Sales of Stocks and Other Securities   | ¥231,770        | ¥ 88,120        |
| Gains on Money Held in Trust                    | 7,496           | 4,079           |
| Gains on Dispositions of Premises and Equipment | 109             | 8,487           |
| Others  | 1,458           | 23,472          |
| <b>Total</b>                                    | <b>¥240,835</b> | <b>¥124,160</b> |

### 23. Fees and Commissions (Paid)

Fees and Commissions (Paid) for the years ended March 31, 2000 and 1999 consisted of the following:

|  | Millions of yen |               |
|--|-----------------|---------------|
|  | 2000            | 1999          |
| Fees and Commissions on Domestic and Foreign Exchanges | ¥ 255           | ¥ 344         |
| Fees and Commissions on Other Activities               | 6,142           | 4,508         |
| <b>Total</b>   | <b>¥6,398</b>   | <b>¥4,853</b> |

### 24. Trading Account Expenses

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

|  | Millions of yen |      |
|--|-----------------|------|
|  | 2000            | 1999 |
| Expenses from Trading Account Securities | ¥220            | ¥—   |

### 25. Other Operating Expenses

Other Operating Expenses for the years ended March 31, 2000 and 1999 consisted of the following:

|                               | Millions of yen |                |
|-------------------------------|-----------------|----------------|
|                               | 2000            | 1999           |
| Losses on Sales of Bonds      | ¥ 5,065         | ¥13,675        |
| Losses on Redemption of Bonds | 12,895          | 5,430          |
| Losses on Disposal of Bonds   | 382             | 647            |
| <b>Total</b>                  | <b>¥18,343</b>  | <b>¥19,753</b> |

### 26. General and Administrative Expenses

General and Administrative Expenses for the years ended March 31, 2000 and 1999 consisted of the following:

|   | Millions of yen |                |
|---|-----------------|----------------|
|   | 2000            | 1999           |
| Salaries and Allowances                 | ¥30,681         | ¥34,112        |
| Retirement Benefits                     | 921             | 855            |
| Welfare Expenses                        | 7,294           | 7,834          |
| Depreciation for Premises and Equipment | 4,980           | 5,136          |
| Rental Expenses                         | 14,019          | 14,509         |
| Taxes, Other Than Income Taxes          | 3,553           | 3,927          |
| Others                                  | 32,122          | 29,332         |
| <b>Total</b>                            | <b>¥93,573</b>  | <b>¥95,708</b> |

### 27. Other Expenses

Other Expenses for the years ended March 31, 2000 and 1999 consisted of the following:

|  | Millions of yen |                 |
|--|-----------------|-----------------|
|  | 2000            | 1999            |
| Provision for Reserve for Possible Loan Losses                           | ¥ 18,989        | ¥284,945        |
| Claims Written Off   | 16,955          | 21,417          |
| Transfer to Reserve for Possible Losses on Support of Specific Borrowers | 33,823          | —               |
| Losses on Sales of Stocks and Other Securities                           | 128,132         | 37,558          |
| Losses on Devaluation of Stocks and Other Securities                     | 14,100          | 5,552           |
| Losses on Money Held in Trust  | —               | 2,033           |
| Losses on Dispositions of Premises and Equipment                         | 942             | 611             |
| Others   | 13,172          | 36,607          |
| <b>Total</b>   | <b>¥226,116</b> | <b>¥388,726</b> |

## 28. Tax-Effect Accounting

### (1) Deferred Tax Assets and Deferred Tax Liabilities

Deferred Tax Assets and Deferred Tax Liabilities for the year ended March 31, 2000 consisted of the following:

|   | Millions of yen |
|---|-----------------|
| Deferred Tax Assets:  |                 |
| Reserve for Possible Loan Losses                                  | ¥ 85,125        |
| Reserve for Possible Loan Losses on Support to Specific Borrowers | 13,427          |
| Tax Loss Carryforwards  | 46,241          |
| Others  | 17,527          |
| Total   | 162,322         |
| Deferred Tax Liabilities  |                 |
| Reserve for Possible Losses on Overseas Investments               | (1)             |
| Net   | ¥162,321        |

### (2) Difference between Statutory Tax Rate and Effective Tax Rate

The difference between the Statutory Tax Rate and Effective Tax Rate for the year ended March 31, 2000 consisted of the following:

|                    |       |
|--------------------|-------|
| Statutory Tax Rate | 41.8% |
| Adjustments:       |       |
| Change of Tax Rate | 30.0  |
| Others             | 0.8   |
| Effective Tax Rate | 72.6% |

### (3) Enterprise Tax (Tokyo)

On March 30, 2000, the Ordinance regarding the Imposition of Enterprise Taxes through External Standards Taxation on Banks in Tokyo was passed by the Tokyo Municipal Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2000. Up until now, income was subject to enterprise tax, but from now on enterprise tax will be levied on gross profits. This means that enterprise tax will not be included in the tax calculations for deferred tax accounting. Therefore, the tax rate applicable when calculating the Bank's Deferred Tax Assets and Deferred Tax Liabilities is 39.7% from this term onwards, as against 41.8% in the previous term. The effect of this change results in a decrease in Deferred Tax Assets of ¥8,586 million and an increase in Income Tax Expenses—Deferred during the term of ¥8,586 million.

Additionally, the amount of Deferred Tax Liabilities Related to Revaluation fell ¥374 million and the amount of the Revaluation Account was increased the same amount.

### (4) Enterprise Tax (Osaka)

On June 9, 2000, the Ordinance regarding the Imposition of Enterprise Taxes through External Standards Taxation on Banks in Osaka was passed by the Osaka Municipal Assembly and was made law. With this legislation, the standards for applying enterprise tax will be amended from the fiscal year beginning April 1, 2001. Up until now, income was subject to enterprise tax, but from now on enterprise tax will be levied on gross profits. This means that enterprise tax will not be included in the tax calculations for deferred tax accounting. Therefore, the tax rate applicable when calculating the Bank's Deferred Tax Assets and Deferred Tax Liabilities is 39.0% from this term onwards, as against 39.7% in the previous term. The effect of this change results in a decrease in Deferred Tax Assets of ¥2,862 million and a decrease in Deferred Tax Liabilities Related to Revaluation of ¥124 million.

## 29. Per Share Data

(For the years ended March 31)

|  | Yen     |          |
|--|---------|----------|
|  | 2000    | 1999     |
| Stockholders' Equity Per Share               | ¥330.24 | ¥321.26  |
| Net Income (Loss) Per Share                  | 5.68    | (162.30) |
| Net Income Per Share, Assuming Full Dilution | 4.28    | —        |

- Notes: 1. Stockholders' Equity Per Share is computed by first subtracting the product of the number of preferred stocks outstanding multiplied by the issue price from Stockholders' Equity and then dividing by the number of stocks outstanding (excluding treasury stock and stock of the Parent owned by subsidiaries) at the end of the fiscal year.
2. Net Income (Loss) Per Share is calculated by first subtracting the total amount of cash dividends paid on preferred stock from Net Income (Loss) and then dividing the remainder by the average number of shares outstanding (excluding treasury stock and stock of the Parent held by subsidiaries) during the fiscal year.
3. Net Income Per Share, Assuming Full Dilution, is not shown for the year ended March 31, 1999 because a loss was reported for that fiscal year.

### 30. Leases

Finance leases as of March 31, 2000 and 1999, except for lease agreements which stipulate the transfer of ownership of the leased property to the lessee, are as follows:

Amounts corresponding to the year-end Acquisition Cost and Accumulated Depreciation of leased items:

|                          | Millions of yen |       |        |           |       |        |
|--------------------------|-----------------|-------|--------|-----------|-------|--------|
|                          | 2000            |       |        | 1999      |       |        |
|                          | Equipment       | Other | Total  | Equipment | Other | Total  |
| Acquisition Cost         | ¥1,721          | ¥—    | ¥1,721 | ¥1,614    | ¥—    | ¥1,614 |
| Accumulated Depreciation | 993             | —     | 993    | 665       | —     | 665    |
| Net Book Value           | ¥ 727           | ¥—    | ¥ 727  | ¥ 949     | ¥—    | ¥ 949  |

Lease Commitments, Exclusive of Interest Expenses:

|                     | Millions of yen |             |
|---------------------|-----------------|-------------|
|                     | 2000            | 1999        |
| Due within One Year | ¥335            | ¥314        |
| Due after One Year  | 433             | 662         |
| <b>Total</b>        | <b>¥768</b>     | <b>¥976</b> |

Lease Fees and the amounts corresponding to Depreciation Expense and Interest Expenses as of March 31, 2000 and 1999:

|                      | Millions of yen |      |
|----------------------|-----------------|------|
|                      | 2000            | 1999 |
| Lease Fees           | ¥378            | ¥369 |
| Depreciation Expense | 333             | 325  |
| Interest Expenses    | 44              | 56   |

Computation of amounts corresponding to Depreciation Expense:

The duration of the lease term is taken as equivalent to the useful lives of the equipment, and the straight-line method is applied to fully depreciate the asset.

Computation of amounts corresponding to Interest Expenses:

The difference between the total amount of lease payments and the purchase value of the asset is taken as the amount corresponding to Interest Expenses, and the interest method is used to allocate this amount to the appropriate consolidated accounting periods.

Interest Expenses is calculated by the interest method, based on an excess of the aggregate sum of lease payments over acquisition costs.

Lease commitments as of March 31, 2000 and 1999, inclusive of interest expense under noncancelable operating leases, are as follows:

|                     | Millions of yen |           |
|---------------------|-----------------|-----------|
|                     | 2000            | 1999      |
| Due within One Year | ¥ 5             | ¥1        |
| Due after One Year  | 5               | 1         |
| <b>Total</b>        | <b>¥10</b>      | <b>¥3</b> |

### 31. Subsequent Event

The appropriation of profit applicable to the year ended March 31, 2000 shown in the accompanying Non-Consolidated Statements of

Appropriation of Profit was approved by the stockholders at the Ordinary Stockholders' Meeting held on June 29, 2000.

### 32. Market Value Information on Investment Securities (Banking Account)

Figures for the year ended March 31, 2000 are given in the Notes to Consolidated Financial Statements.

(As of March 31)

|                               | Millions of yen      |                 |                        |                 |                 |
|-------------------------------|----------------------|-----------------|------------------------|-----------------|-----------------|
|                               | 1999                 |                 |                        |                 |                 |
|                               | Balance sheet amount | Market value    | Unrealized gain (loss) | Unrealized gain | Unrealized loss |
| <b>Investment Securities:</b> |                      |                 |                        |                 |                 |
| 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             |
| <b>Total</b>                  | <b>¥993,293</b>      | <b>¥979,995</b> | <b>¥(13,298)</b>       | <b>¥78,638</b>  | <b>¥91,936</b>  |

Notes: 1. The above securities are all listed, including publicly listed Japanese government bonds, Japanese municipal bonds and corporate bonds. Market value amounts are their final closing prices for each term-end, primarily on the Tokyo Stock Exchange. Market values of listed bonds are their final closing prices primarily on the Tokyo Stock Exchange or calculated on the Securities bid-offer table published by the Japan Securities Dealers Association.

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 |
| <b>Investment Securities:</b> |                      |                 |                        |                 |                 |
| 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           |
| <b>Total</b>                  | <b>¥231,996</b>      | <b>¥244,589</b> | <b>¥12,592</b>         | <b>¥15,278</b>  | <b>¥2,685</b>   |

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.
- In the table and Note 2 above "Bonds," "Stocks" and "Others" are classified in compliance with the Non-Consolidated Balance Sheets.
  - In the table and Note 2 above "Others" refers principally to overseas bonds.
  - 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            |
| <b>Investment Securities:</b>                                  |                 |
| Domestic Unlisted Securities Other Than Publicly Offered Bonds | ¥ 44,540        |
| Unlisted Bonds, Maturity Less Than One Year                    | 100,140         |
| Unlisted Securities Other Than Domestically Offered Bonds      | 12,840          |
| Unlisted Stocks of Affiliates                                  | 34,718          |

6. Trading Account Securities are marked to market and the unrealized gains (losses) are recognized in the Non-Consolidated Statements of Income and Undivided Profit and are thus excluded from the above figures.



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

Figures for the year ended March 31, 2000 are given in the Notes to Consolidated Financial Statements.

(As of March 31)

|                     | Millions of yen      |              |                 |                 |                 |
|---------------------|----------------------|--------------|-----------------|-----------------|-----------------|
|                     | 1999                 |              |                 |                 |                 |
|                     | Balance sheet amount | Market value | Unrealized gain | Unrealized gain | Unrealized loss |
| Money Held in Trust | ¥59,176              | ¥60,216      | ¥1,039          | ¥2,604          | ¥1,564          |

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

1. For marketable listed securities, market values are primarily their final closing prices for term-end, primarily on the Tokyo Stock Exchange or Securities bid-offer table published by the Japan Securities Dealers Association.
2. For securities traded over the counter, trading prices are listed by the Japan Securities Dealers Association.

### 34. Market Value Information Related to Derivatives (Banking Account)

Figures for the year ended March 31, 2000 are given in the Notes to Consolidated Financial Statements.

The notional principal amounts of swap transactions and the contract amounts of futures, option transactions and the unrealized gains (losses) of derivative financial instruments as of March 31, 1999 were as follows:

#### (I) Interest Rate Related Transactions

|  | Millions of yen   |                    |              |                        |
|--|---|--------------------|--------------|------------------------|
|  | 1999  |                    |              |                        |
|  | Contract amount or notional principal amount [option premium] | More than one year | Market value | Unrealized gain (loss) |
| Over-the-Counter                       |   |                    |              |                        |
| Interest Rate Swaps                    |   |                    |              |                        |
| Receivable Fixed · Payable Floating    | ¥ 680,774   | ¥467,541           | ¥ 19,354     | ¥ 19,354               |
| Receivable Floating · Payable Fixed    | 1,571,802   | 894,009            | (55,339)     | (55,339)               |
| Receivable Floating · Payable Floating | 721,550   | 436,500            | 2,455        | 2,455                  |
| Others                                 |   |                    |              |                        |
| Sell                                   | 10,383  | 2,000              |              |                        |
|  | [55]  |                    | 63           | (7)                    |
| Buy                                    | 20,730  | 11,370             |              |                        |
|  | [60]  |                    | 84           | 23                     |
| <b>Total</b>                           |   |                    |              | ¥(33,513)              |

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

2. Option premium transactions are represented in the Consolidated Balance Sheets.

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

4. 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 Statements of Income and Undivided Profit.

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

|  | Millions of yen  |              |
|--|--|--------------|
|  | 1999   |              |
|  | Contract amount<br>or notional<br>principal amount<br>[option premium] | Market value |
| <b>Listed</b>                          |  |              |
| Interest Rate Futures                  |  |              |
| Sell                                   | ¥ 5,712  | ¥ 5,695      |
| Buy                                    | 5,707  | 5,695        |
| Interest Rate Option                   |  |              |
| Sell    Call                           | —  | —            |
| Put                                    | [—]  | —            |
| Buy    Call                            | 14,371   | —            |
| Put                                    | [17]   | 1            |
|  | —  | —            |
|  | [—]  | —            |
| <b>Over-the-Counter</b>                |  |              |
| Interest Rate Swaps                    |  |              |
| Receivable Fixed · Payable Fixed       | 500  | 39           |
| Receivable Fixed · Payable Floating    | 1,784,220  | 51,451       |
| Receivable Floating · Payable Fixed    | 1,780,843  | (52,359)     |
| Receivable Floating · Payable Floating | 71,850   | 60           |
| Others                                 |  |              |
| Sell                                   | 153,250  |              |
|  | [2,634]  | 3,395        |
| Buy                                    | 146,000  |              |
|  | [2,407]  | 3,409        |

5. Option premium transactions are represented in the Consolidated Balance Sheets.

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

7. 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              |                       |                 |                           |
|-------------------------|------------------------------|-----------------------|-----------------|---------------------------|
|                         | Notional<br>principal amount | 1999                  |                 |                           |
|                         |                              | More than<br>one year | Market<br>value | Unrealized<br>gain (loss) |
| <b>Over-the-Counter</b> |                              |                       |                 |                           |
| Currency Swaps          | ¥277,045                     | ¥123,730              | ¥(4,427)        | ¥(4,427)                  |
| U.S. dollars            | 189,535                      | 115,837               | (5,064)         | (5,064)                   |
| British pounds          | 38,902                       | —                     | (432)           | (432)                     |
| Deutsche marks          | 5,290                        | —                     | 38              | 38                        |
| Others                  | 43,317                       | 7,892                 | 1,030           | 1,030                     |

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

2. 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 Statements of Income and Undivided Profit.

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

|                         | Millions of yen              |              |
|-------------------------|------------------------------|--------------|
|                         | 1999                         |              |
|                         | Notional<br>principal amount | Market value |
| <b>Over-the-Counter</b> |                              |              |
| Currency Swaps          | ¥51,467                      | ¥183         |
| U.S. dollars            | 20,485                       | 215          |
| Australian dollars      | 29,047                       | (170)        |
| Others                  | 1,934                        | 138          |

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 (losses) on these transactions are excluded from the above figures because they are recognized in the Non-Consolidated Statements of Income and Undivided Profit.

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

|                  |           | Millions of yen                       |
|------------------|-----------|---------------------------------------|
|                  |           | 1999                                  |
|                  |           | Contractual value<br>[option premium] |
| Over-the-Counter |           |                                       |
| Forward Exchange |           |                                       |
|                  | Sell      | ¥1,058,701                            |
|                  | Buy       | 1,007,956                             |
| Currency Options |           |                                       |
|                  | Sell Call | 2,411                                 |
|                  |           | [52]                                  |
|                  | Put       | —                                     |
|                  |           | [—]                                   |
|                  | Buy Call  | 3,923                                 |
|                  |           | [57]                                  |
|                  | Put       | —                                     |
|                  |           | [—]                                   |

Notes: 1. Listed currency futures and currency options as of March 31, 1999 were nil.  
2. Option premium transactions are represented in the Consolidated Balance Sheets.

### (III) Stock-Related Transactions

|                     |      | Millions of yen |                       |                 |                    |
|---------------------|------|-----------------|-----------------------|-----------------|--------------------|
|                     |      | 1999            |                       |                 |                    |
|                     |      | Contract amount | More than<br>one year | Market<br>value | Unrealized<br>loss |
| Listed              |      |                 |                       |                 |                    |
| Stock Index Futures |      |                 |                       |                 |                    |
|                     | Sell | ¥20,684         | ¥—                    | ¥22,671         | ¥(1,986)           |
|                     | Buy  | —               | —                     | —               | —                  |
| <b>Total</b>        |      |                 |                       |                 | ¥(1,986)           |

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 were nil.  
3. The stock-related transactions in the trading accounts as of March 31, 1999 were nil.

### (IV) Bond-Related Transactions

|              |      | Millions of yen |                       |                 |                    |
|--------------|------|-----------------|-----------------------|-----------------|--------------------|
|              |      | 1999            |                       |                 |                    |
|              |      | Contract amount | More than<br>one year | Market<br>value | Unrealized<br>loss |
| Listed       |      |                 |                       |                 |                    |
| Bond Futures |      |                 |                       |                 |                    |
|              | Sell | ¥16,274         | ¥—                    | ¥16,568         | ¥(293)             |
|              | Buy  | —               | —                     | —               | —                  |
| <b>Total</b> |      |                 |                       |                 | ¥(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 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 Statements of Income and Undivided Profit.  
4. Bond-related transactions in the trading accounts as of March 31, 1999 were nil.

### (V) Commodity-Related Derivatives

The Bank had no commodity-related derivatives at March 31, 1999.

# Report of Independent Certified Public Accountants

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

We have audited the accompanying nonconsolidated balance sheets (Banking Accounts) of The Toyo Trust and Banking Company, Limited as of March 31, 2000 and 1999, and the related nonconsolidated statements of income and undivided profit, 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 nonconsolidated financial statements referred to above present fairly the nonconsolidated financial position of The Toyo Trust and Banking Company, Limited as of March 31, 2000 and 1999, 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.

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 nonconsolidated financial statements.

*ChuoAoyama Audit Corporation*

ChuoAoyama Audit Corporation  
Tokyo, Japan

June 29, 2000

# Non-Consolidated Balance Sheets (Unaudited)

The Toyo Trust and Banking Company, Limited

(As of March 31)

|   | Millions of yen    |                    | Thousands of<br>U.S. dollars<br>(Note) |
|---|--------------------|--------------------|--|
|   | 2000               | 1999               | 2000                                   |
| <b>TRUST ACCOUNT</b>                    |                    |                    |  |
| <b>Assets</b>                           |                    |                    |  |
| Loans and Bills Discounted (Note 1)     | ¥ 2,419,459        | ¥ 2,885,026        | \$ 22,792,834                          |
| Securities (Note 2)                     | 12,171,416         | 11,325,076         | 114,662,428                            |
| Securities Held for Investment Trusts   | 7,048,320          | 4,376,654          | 66,399,631                             |
| Securities Lent                         | 158,500            | 394,250            | 1,493,170                              |
| Call Loans and Bills Purchased          | 1,353,960          | 1,373,325          | 12,755,157                             |
| Other Assets                            | 9,673,363          | 7,956,937          | 91,129,190                             |
| <b>Total Assets</b>                     | <b>¥32,825,020</b> | <b>¥28,311,269</b> | <b>\$309,232,412</b>                   |
| <b>Liabilities</b>                      |                    |                    |  |
| Money Trusts (Note 3)                   | ¥ 8,092,523        | ¥ 7,443,436        | \$ 76,236,677                          |
| Pension Trusts                          | 4,266,896          | 4,137,105          | 40,196,860                             |
| Property Formation Trusts               | 4,820              | 5,040              | 45,410                                 |
| Loan Trusts (Note 3)                    | 3,854,727          | 4,491,414          | 36,313,967                             |
| Securities Investment Trusts            | 12,952,839         | 9,905,696          | 122,023,925                            |
| Money in Trusts Other Than Money Trusts | 1,325,727          | 1,179,195          | 12,489,189                             |
| Securities in Trust                     | 708,558            | 489,212            | 6,675,063                              |
| Money Claims in Trust                   | 1,023,185          | 204,875            | 9,639,055                              |
| Equipment in Trust                      | 115,758            | 93,576             | 1,090,519                              |
| Real Estate in Trust                    | 126,826            | 141,501            | 1,194,781                              |
| Other Trusts                            | 353,156            | 220,214            | 3,326,959                              |
| <b>Total Liabilities</b>                | <b>¥32,825,020</b> | <b>¥28,311,269</b> | <b>\$309,232,412</b>                   |

Note: U.S. dollar amounts are provided, for convenience only, at the prevailing exchange rate of ¥106.15 to US\$1.00 as of March 31, 2000.

# Notes to Non-Consolidated Balance Sheets (Trust Account) (Unaudited)

The Toyo Trust and Banking Company, Limited

## 1. Loans and Bills Discounted

Loans and Bills Discounted as of March 31, 2000 and 1999 were as follows:

|                | Millions of yen   |                   |
|----------------|-------------------|-------------------|
|                | 2000              | 1999              |
| Loans on Notes | ¥ 187,360         | ¥ 342,328         |
| Loans on Deeds | 2,232,098         | 2,542,697         |
| <b>Total</b>   | <b>¥2,419,459</b> | <b>¥2,885,026</b> |

## 2. Securities

Securities as of March 31, 2000 and 1999 were as follows:

|                                    | Millions of yen    |                    |
|------------------------------------|--------------------|--------------------|
|                                    | 2000               | 1999               |
| Japanese National Government Bonds | ¥ 2,898,584        | ¥ 2,645,599        |
| Japanese Local Government Bonds    | 209,541            | 203,171            |
| Corporate Bonds                    | 1,310,012          | 1,170,791          |
| Corporate Stocks                   | 4,334,188          | 4,221,746          |
| Foreign Securities                 | 3,269,297          | 2,977,919          |
| Other Securities                   | 149,791            | 105,847            |
| <b>Total</b>                       | <b>¥12,171,416</b> | <b>¥11,325,076</b> |

## 3. Money Trusts and Loan Trusts

As of March 31, 2000, the principal amounts indemnified by the Bank for JODMTs and Loan Trusts were ¥1,617,724 million and ¥4,067,816 million, respectively.

### Assets and Liabilities of Trust Funds with Principal Indemnified

(As of March 31, 2000)

|                                  | Millions of yen   |                   |                   |
|----------------------------------|-------------------|-------------------|-------------------|
|                                  | Money trusts      | Loan trusts       | Total             |
| Loans                            | ¥ 434,960         | ¥1,796,028        | ¥2,230,989        |
| Securities                       | 127,212           | 585,081           | 712,293           |
| Other                            | 1,057,766         | 1,745,842         | 2,803,608         |
| <b>Total Assets</b>              | <b>¥1,619,938</b> | <b>¥4,126,952</b> | <b>¥5,746,890</b> |
| Principal                        | ¥1,617,724        | ¥4,067,816        | ¥5,685,540        |
| Reserve for Write-Offs of Claims | 1,345             | —                 | 1,345             |
| Special Reserve Fund             | —                 | 21,581            | 21,581            |
| Other                            | 868               | 37,554            | 38,422            |
| <b>Total Liabilities</b>         | <b>¥1,619,938</b> | <b>¥4,126,952</b> | <b>¥5,746,890</b> |

Notes: 1. These figures include funds reentrusted from trust assets for management purposes.

2. Breakdown of Risk Management Loans:

The Bank's total loans of ¥2,230,989 million included ¥20,742 million in Loans to Bankrupt Borrowers, ¥117,829 million in Past Due Loans (nonaccrual), ¥3,182 million in Past Due Loans (three months or more) and ¥2,720 million in Renegotiated Loans. The total value of these loans was ¥144,474 million.

# Board of Directors and Corporate Auditors / Executive Officers

(As of July 20, 2000)

## **President**

Shunroku Yokosuka

## **Deputy Presidents**

Yasuo Masunaga

Yutaka Matsushima

## **Managing Directors**

Shoji Wakita

Katsunori Konishi

Kenjiro Sugimura

Nobuo Shimizu

Shintaro Yasuda

## **Standing Corporate Auditor**

Takao Kobayashi

## **Corporate Auditors**

Teruji Noda

Yoshihiro Takeda

Shigetake Ogata

Nobuo Kobayashi

## **Senior Executive Officers**

Yasukuni Doi

Kaichi Terawaki

Fumiyasu Onuki

Masuo Sato

## **Executive Officers**

Kunihiro Ueda

Masatoshi Koma

Teruyuki Yoshida

Tadamasa Ohtsu

Akira Sawayanagi

Toshiro Fujikawa

Haruo Matsuki

Yoichi Fukae

Hiroshi Kamisawa

Mikio Gotou

Takao Shida

Shigeru Kihara

Tetsuo Maeda

Sumiyoshi Matsuzaki

Yoichi Ogawa

## International Network

(As of July 20, 2000)

### North America

#### **New York Representative Office**

666 Fifth Avenue, 33rd Floor,  
New York, NY 10103-3395, U.S.A.

Phone: (1) 212-307-3400

Fax: (1) 212-307-3498

Chief Representative:

Kazuhiko Umehara

#### **Toyo Trust Company of New York**

666 Fifth Avenue, 33rd Floor,  
New York, NY 10103-3395, U.S.A.

Phone: (1) 212-307-3450

Fax: (1) 212-307-3495

Telex: 229956 TTTCO UR

SWIFT: TTNYS33

President: Kiyoshi Taguchi

#### **TTB Finance Cayman Limited**

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

Managing Director:

Tomoo Masuda

### Europe

#### **London Representative Office**

Bucklersbury House,  
83 Cannon Street,  
London EC4N 8AJ, U.K.

Phone: 20-7236-4020

Fax: 20-7236-5319

Chief Representative:

Hiroshi Konishi

#### **Toyo Trust Baillie Gifford Asset Management Limited**

1 Rutland Court,  
Edinburgh EH3 8EY, U.K.

Phone: (44) 131-222-4000

Fax: (44) 131-222-4487

Managing Director:

Akio Tokutake

### Asia

#### **Singapore Representative Office**

77 Robinson Road #24-01,  
SIA Building, Singapore 068896,  
Republic of Singapore

Phone: (65) 534-0123

Fax: (65) 543-0500

Chief Representative:

Takeo Nagatani

#### **Beijing Representative Office**

4th Floor, Chang Fu Gong Office Building,  
Jia-26 Jianguomenwai Dajie, Beijing,  
People's Republic of China

Phone: (86) 10-6513-9232

Fax: (86) 10-6513-9029

Representative: Tetsu Yagi

#### **United Leasing Company, Limited**

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

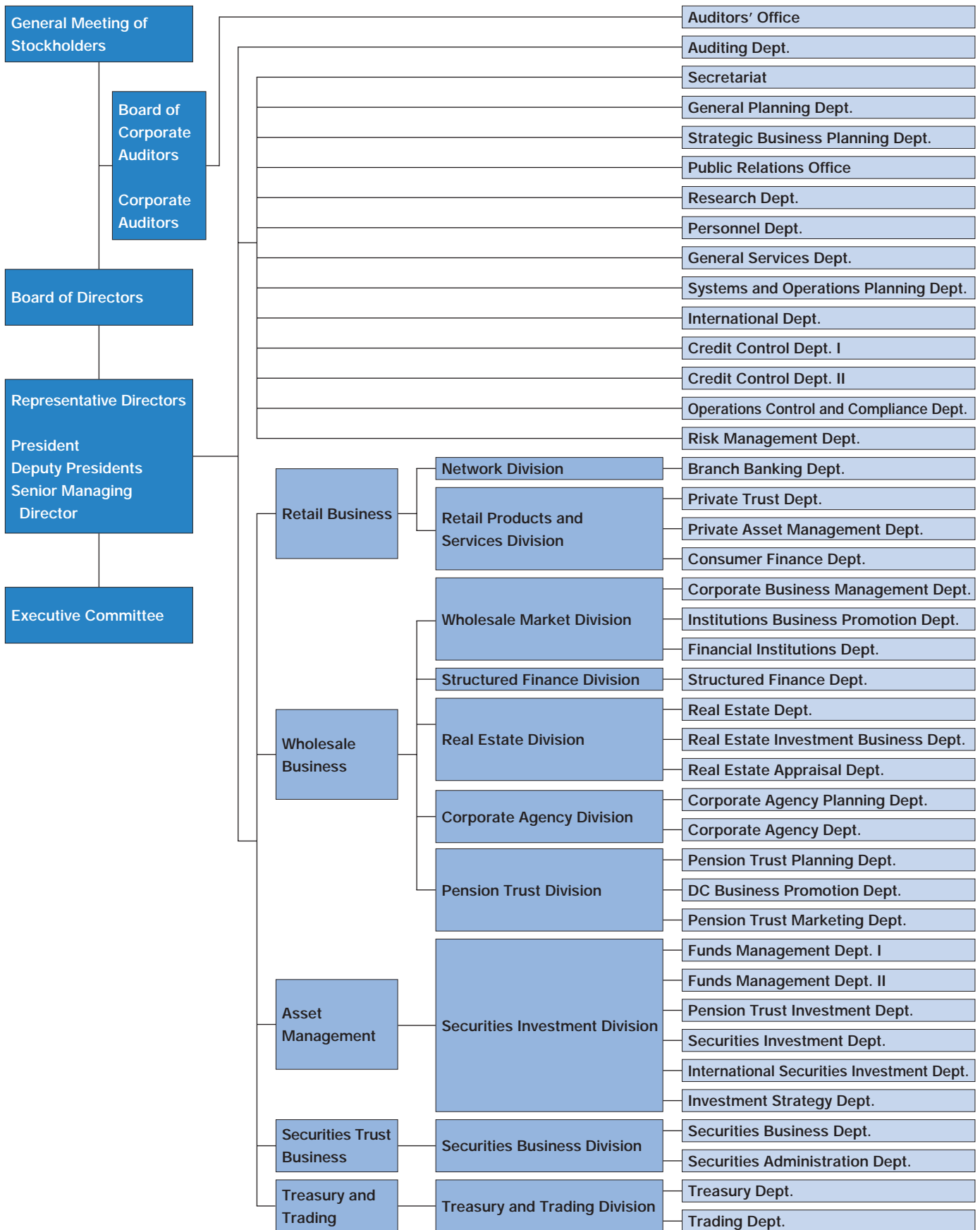
Phone: (86) 21-6328-7295

Fax: (86) 21-6320-2813

General Manager: Kenji Hieda

\*Toyo Trust Asia, Limited, which is in the process of voluntary liquidation, is not listed above.

# Organization Chart



(As of July 20, 2000)



**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  
URL: <http://www.toyotrustbank.co.jp>

**Established:**

November 2, 1959  
(Opened December 8, 1959)

**Domestic Network:**

49 branches  
8 sub-branches

**International Network:**

4 representative offices  
4 subsidiaries  
1 affiliate

**Number of Employees:**

4,413

**Paid-in Capital:**

¥280,471 million

**Number of Shares Issued:**

|  |             |
|--|-------------|
| Common Stock                               | 925,643,901 |
| First Class, First Series Preferred Stock  | 80,000,000  |
| First Class, Second Series Preferred Stock | 200,000,000 |

**Number of Stockholders:**

|  |        |
|--|--------|
| Common Stock                               | 22,883 |
| First Class, First Series Preferred Stock  | 1      |
| First Class, Second Series Preferred Stock | 1      |

**Principal Stockholders**

|  | Percentage of Shares Outstanding | Shares Held (Thousands) |
|--|----------------------------------|-------------------------|
| The Sanwa Bank, Limited  | 11.06%                           | 102,420                 |
| The Nomura Securities Co., Ltd.  | 4.18                             | 38,777                  |
| The Sakura Bank, Limited   | 4.18                             | 38,720                  |
| The Sumitomo Trust & Banking Co., Ltd. (Trust Account)                         | 3.03                             | 28,061                  |
| J.P. Morgan Trust Bank Ltd. (Tax-Free Account)                                 | 2.76                             | 25,599                  |
| Nippon Life Insurance Company  | 1.92                             | 17,807                  |
| Nomura Land and Building Co., Ltd.   | 1.91                             | 17,734                  |
| The Chuo Trust & Banking Co., Ltd. (Trust Account)                             | 1.44                             | 13,384                  |
| Teijin Limited   | 1.23                             | 11,435                  |
| The Chase Manhattan Bank, N.A. London (Standing Agent: The Fuji Bank, Limited) | 1.15                             | 10,680                  |

**Stock Exchange Listings:**

Tokyo, Osaka, London

**Independent Public Accountants:**

ChuoAoyama Audit Corporation

**Contact:**

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



**THE TOYO TRUST & BANKING CO., LTD.**

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