UFJ

United Financial of Japan

ANNUAL REPORT 2001

Signaling the start
of a new paradigm
for financial services
in Japan

Sanwa Bank

- Extensive branch network in Tokyo and Osaka areas
- Tradition of innovation in financial services
- Well established global service network
- Diverse customer base extending from retail to multinational corporations

Tokai Bank

- Number-one bank in Nagoya area with strong presences in Tokyo and Osaka areas
- Expertise in serving the needs of middle-market companies
- Large overseas group including companies specializing in highly sophisticated fields
- Deep roots in many key Asian markets

Toyo Trust

- Skilled in both trust and banking operations
- High profile in Japan's growing asset management field
- One of Japan's leading corporate agency services
- Trust-related business firmly positioned as core growth driver

Important Dates in the Inception of UFJ Holdings

July 2000

- *Announcement of integration of Sanwa Bank, Tokai Bank and Toyo Trust*

April 2001

- *Establishment of UFJ Holdings and listing of shares on Tokyo, Osaka and Nagoya*

UFJ

Speed and Innovation

A financial services group dedicated to addressing all customer needs

CONTENTS

January 2002

- *Sanwa Bank and Tokai Bank to be merged as UFJ Bank*
- *Toyo Trust to be renamed UFJ Trust Bank*

DEFINING THE IDENTITY OF UFJ HOLDINGS

One of the Japan's largest and most innovative financial organizations, the UFJ Group is taking decisive steps to reinforce its operating base. There are three objectives of particular importance. First is bolstering the UFJ Group's financial strength, especially its approach to problem loans and cross-shareholdings. Second is becoming more competitive, a drive that includes increasing non-interest income and is supported by advanced technology and highly trained employees. Third is reaping the benefits of the integration, in terms of earnings and cost reductions.

Comprehensive and Competitive Financial Services

As one of Japan's largest financial institutions, the UFJ Group offers a full line of financial services, including banking, trust, securities and credit cards. Through the Financial One alliance, individuals also gain access to life, property and casualty insurance.

Highly Effective Management and Corporate Governance Frameworks

Transparency and fairness are the key words in the UFJ Group's operations. Central to this capability is a clear division of responsibilities. The Board of Directors formulates policies and supervises top management. Executive officers are charged with overseeing business activities in line with these policies. Extensive checks and balances are in place as well.

Aggressive Investments in Computers and Other IT Systems

The UFJ Group will launch a next-generation mainframe system in January 2002, when Sanwa Bank and Tokai Bank merge. The new UFJ Bank will also be backed by a revolutionary branch operating system that streamlines back-office tasks and improves the quality of services.

Innovation in the Provision of Services and Products

Through subsidiaries and alliances, the UFJ Group is offering financial services from a fresh angle. In every case, the goal is identifying and serving specific customer requirements. One illustration of this process is Mobit Co., Ltd., a consumer finance company targeting a new market category.

A Well-Balanced Service Network and Customer Base

The UFJ Group is the only bank in Japan with complete coverage of Tokyo, Osaka and Nagoya. The group boasts millions of relationships in its core sectors: the retail and corporate middle markets.

UFJ GROUP FUNCTIONS

Banking	Trust Banking	Investment Trust Management	Asset Management
Investment Banking	Securities Services	e-business	Card Services
Consumer Finance	Private Banking	Leasing	

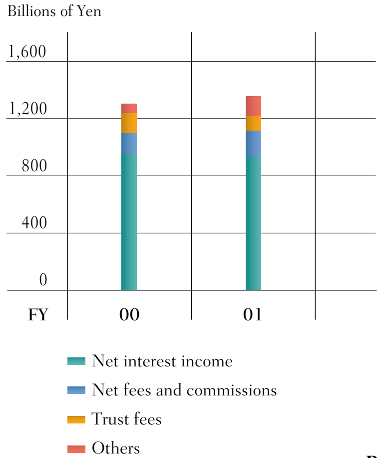
FINANCIAL HIGHLIGHTS

	UFJ (Combined)[1]		
	Billions of Yen		Billions of U.S. Dollars[2]
Fiscal Years ended March 31	**2001**	2000	**2001**
Gross Operating Profit[3]	**¥1,276.5**	¥ 1,228.7	**$ 10.3**
Net Interest Income	**879.7**	894.3	**7.1**
Net Fees and Commissions	**169.8**	137.9	**1.4**
Trust Fees[3]	**95.8**	132.5	**0.8**
General and Administrative Expenses	**655.1**	652.0	**5.3**
Business Profit (prior to Net Transfer to General Reserve)[3]	**621.3**	575.8	**5.0**
Net Transfers to General Reserve	**212.4**	10.1	**1.7**
Business Profit[3]	**408.9**	565.6	**3.3**
Net Gains on Sales of Stocks and Other Equity Securities	**374.0**	680.5	**3.0**
Credit Costs[4]	**958.0**	866.7	**7.7**
Ordinary Profit (Loss)	**(267.0)**	323.8	**(2.2)**
Net Income (Loss)	**¥ (220.1)**	¥ 135.5	**$ (1.8)**

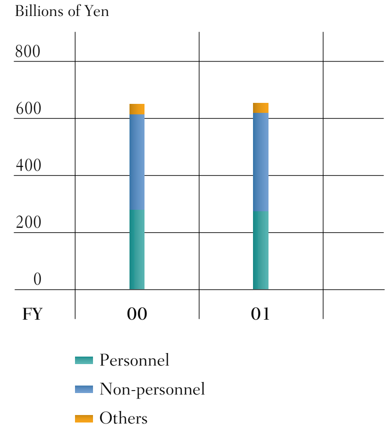
1. Simple aggregate of Sanwa Bank, Tokai Bank and Toyo Trust on a non-consolidated basis.
2. Converted into U.S. dollars at ¥123.90 to $1.
3. Before write-offs in trust account (with principal indemnification clause).
4. Including write-offs in trust account (with principal indemnification clause).

DATA USING AGGREGATE FIGURES FOR ALL THREE BANKS

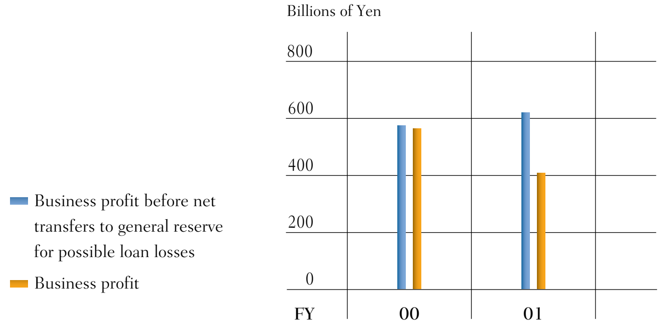
Gross Operating Profit
Billions of Yen



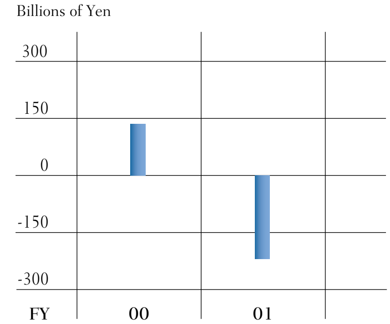
General and Administrative Expenses
Billions of Yen



Business Profit
Billions of Yen



Net Income/Loss
Billions of Yen

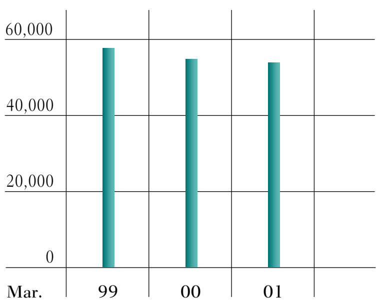


	UFJ (Combined)[1]		
	Billions of Yen		Billions of U.S. Dollars[2]
As of March 31	**2001**	2000	**2001**
Total Assets	**¥ 96,624.6**	¥ 88,340.6	**$ 779.9**
Banking Account	**92,217.7**	82,593.7	**744.3**
Trust Account[3]	**4,406.8**	5,746.8	**35.6**
Loans and Bills Discounted	**53,961.5**	54,983.7	**435.5**
Banking Account	**52,373.2**	52,752.7	**422.7**
Trust Account[3]	**1,588.3**	2,230.9	**12.8**
Deposits and Trusts	**57,489.2**	55,646.2	**464.0**
Deposits	**53,133.7**	49,960.7	**428.8**
Trusts[3]	**4,355.4**	5,685.5	**35.2**
Total Stockholders' Equity	**¥ 4,123.9**	¥ 4,396.1	**$ 33.3**

1. Simple aggregate of Sanwa Bank, Tokai Bank and Toyo Trust on a non-consolidated basis.
2. Converted into U.S. dollars at ¥123.90 to $1.
3. Trust account (with principal indemnification clause).

Loans and Bills Discounted

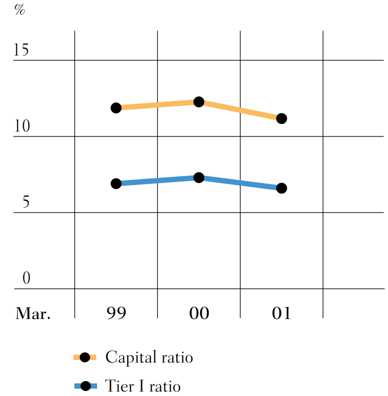
Billions of Yen



Including trust account (with principal indemnification clause).

BIS Capital Adequacy Ratio (Consolidated)

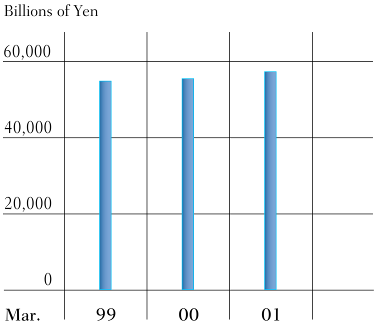
%



Capital ratios of Toyo Trust for the fiscal year ended Mar. 31, 2001 are adjusted to the BIS international standard.

Deposits and Trust Account Products

Billions of Yen



Including trust account (with principal indemnification clause).

CREDIT RATINGS

(As of July 31, 2001)

	Sanwa Bank	Tokai Bank	Toyo Trust
Standard & Poor's (Long Term)	BBB+	BBB+	BBB
Moody's (Long Term)	A3	A3	Baa1*

*Long-term rating for deposits

MESSAGE FROM THE PRESIDENT

On April 2, 2001, UFJ Holdings was established to unify the operations of Sanwa Bank, Tokai Bank and Toyo Trust. The significance of this event is far-reaching. We have done much more than integrate three of Japan's best-known financial institutions. In essence, we have constructed the foundation for an organization capable of taking a new approach to banking and other financial services.

The most obvious result of this integration is our much greater scale. We have a broader base of resources to serve customers and communities better and achieve greater efficiencies. But this integration carries more significance than just greater scale. The formation of UFJ Holdings ushers in a new stage in the provision of financial services in Japan. We will take the lead in molding a unified platform capable of offering an unprecedented array of services. We intend to play a central role in the development of Japan's financial services industry in the coming century. Our corporate vision "to be an innovative financial group with deep commitments to society, growing together with customers," will guide our actions. Backed by the long and proud traditions of our three constituent banks, we are starting off on a strong footing.

FORWARD-LOOKING ACTIONS IMPACT EARNINGS

Gross operating profit, an important measure of the underlying earnings of core banking operations, of the UFJ Group's three banks increased 3.9% to ¥1,276.5 billion in the fiscal year ended March 31, 2001. Each bank has been implementing strategies to fundamentally alter the composition of their earnings. Growth in gross operating profit underscores the progress made. Most notable was the increase in non-interest income.

Credit-related expenses of the three banks amounted to ¥1,170.5 billion, including net transfers to the general reserve for possible loan losses. To prepare for the integration, all three banks conducted conservative self-assessments of their loan portfolios based on strict standards. The banks increased their reserves to a level sufficient to factor in an uncertain economic outlook in Japan.

These painful, but unavoidable steps to deal with problem loans caused the three banks to report a combined net loss of ¥220.1 billion. Accordingly, all three banks suspended dividend payments applicable to the second half of the fiscal year in the interest of bolstering their balance sheets and operating bases. This was an extremely difficult decision, made only after careful consideration of all pertinent factors. I believe this move best serves the long-term interests of our shareholders, and I pledge to focus the resources of the UFJ Group so as to maximize shareholder value.

THE ELEMENTS OF A NEW PARADIGM IN THE PROVISION OF FINANCIAL SERVICES

In recent years, Japan's largest banks have basically realigned themselves into four groups. At the same time, new competitors are emerging as companies from outside the financial services sector form their own banks. As the dust settles, we are witnessing the start of full-scale competition. Within this new market framework, the key to success is offering services embodying true value. By earning a reputation as a source of such services, the UFJ Group will become the first choice of customers and investors. With this in mind, we are placing priority on three themes.

Hideo Ogasawara
President

• *Offering a full spectrum of financial services*

The UFJ Group brings together a comprehensive line of financial services. We must first of all leverage this infrastructure to offer our customers products and services that are both groundbreaking and convenient. The group itself can cover banking, trust, securities, credit card and other needs. Through our Financial One alliance, life and property and casualty insurance can be provided for our customers. We are using the Financial One platform to conduct a highly competitive credit card business. Another area where UFJ is developing a unique business venture is consumer finance. We formed Mobit Co. Ltd., jointly with two consumer finance companies. More unique ideas are certain to follow as we use our comprehensive service infrastructure to go beyond the traditional bounds of banking.

• *Speed and innovation*

Speed and innovation are essential for realizing the full potential of our integration—and gaining a competitive edge. We are off to a good start. We will be the first among Japan's "Big Four" banking groups to complete the integration of computers and other systems so vital to capturing integration synergies. This accomplishment will enable us to merge Sanwa Bank and Tokai Bank in January 2002, two months ahead of our original schedule. The merged bank will be called UFJ Bank; Toyo Trust will be renamed UFJ Trust Bank. In Japan, naming a bank using the roman alphabet is unprecedented. We therefore believe that adopting the name "UFJ" accurately expresses our desire to become a forward-looking organization capable of leading the way into a new era of convenience and value.

Competitive profit and cost structures

We must build a new structure for our profits and the costs needed to generate those profits. To cut costs, we are stepping up the pace at which we close and consolidate branches serving overlapping territories. We will also reduce employment as outlined in our business plan. Overall, we are determined to build a lean and efficient operating structure. To improve our profit structure, greater emphasis will be placed on existing strategies: increasing interest margins on loans, non-interest income and loans to individuals. Synergies will also play a part here, too. Trust services of Toyo Trust, for instance, can now be marketed to the customers of Sanwa Bank and Tokai Bank. Accompanying such measures will be sales of stock to improve balance sheet productivity.

INTEGRATION SPELLS MORE ADVANTAGES OUTSIDE JAPAN

We are placing a high priority on conducting the integration so as to offer the greatest possible advantages to our many customers outside Japan. The UFJ Group will provide its integrated customer base with a still broader range of services. As in Japan, speed and innovation are crucial. I am confident that customers will find that our bases around the world, whether branches or subsidiaries, all embody this spirit. And, as in Japan, we will be quickly consolidating our bases to assemble a fully integrated global network.

A NEW PERSPECTIVE, A NEW IDENTITY

As we pursue our goal of offering a new perspective on financial services, it is vital that we build a distinct identity. As previously mentioned, speed and innovation will define UFJ Holdings. We will also build a reputation as a one-stop source of financial services. In Japan and around the world, we want to be recognized as a wellspring of fresh ideas and new approaches to support our customers in meeting their financial goals. We will also channel our resources into earning a reputation as a solid long-term investment among stockholders and other investors in Japan and around the world.

Hideo Ogasawara

Hideo Ogasawara
President, UFJ Holdings, Inc.

September 2001

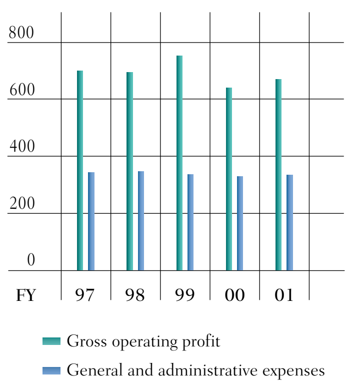
UFJ GROUP RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2001

The following section provides an analysis of the operations and financial position of Sanwa Bank, Tokai Bank and Toyo Trust, and identifies the key management themes to be addressed by the UFJ Group.

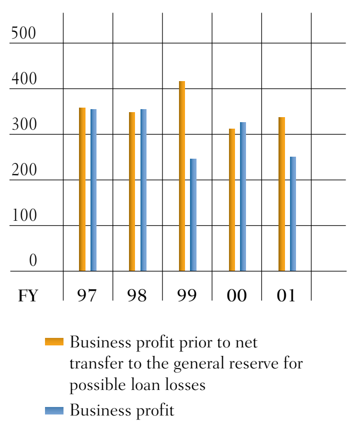
Sanwa Bank Highlights

	Billions of Yen		Millions of U.S. Dollars
Fiscal Years ended March 31	**2001**	2000	**2001**
Non-Consolidated Basis			
Gross Operating Profit	**¥ 673.1**	¥ 642.2	**$ 5,433**
Net Interest Income	**532.3**	512.2	**4,297**
Net Fees and Commissions	**77.8**	60.2	**629**
Net Trading Revenue	**27.6**	16.8	**223**
Net Other Operating Income	**35.2**	52.8	**284**
Expenses Incurred for Issuance of Corporate Bonds	**–**	0.8	**–**
General and Administrative Expenses	**335.7**	329.1	**2,710**
Business Profit prior to Net Transfer to General Reserve for Possible Loan Losses	**337.3**	312.1	**2,723**
Net Transfer to General Reserve for Possible Loan Losses	**87.0**	(14.4)	**702**
Business Profit	**250.3**	326.6	**2,021**
Other Income and Expenses	**(415.2)**	(151.1)	**(3,351)**
Credit Costs	**(587.6)**	(404.7)	**(4,743)**
Net Gains on Stocks and Other Equity Securities	**206.8**	272.4	**1,669**
Tokyo Metropolitan Business Tax	**(7.1)**	–	**(58)**
Ordinary Profit (Loss)	**(164.8)**	175.4	**(1,330)**
Extraordinary Gains and Losses	**(10.7)**	(9.6)	**(87)**
Gains & Losses on Sales of Premises and Equipment	**(15.6)**	(16.6)	**(126)**
Gains on Sales of Premises and Equipment	**0.1**	0.6	**1**
Losses on Sales of Premises and Equipment	**(15.7)**	(17.3)	**(127)**
Amortization of Unfunded Pension Obligation	**(11.5)**	–	**(93)**
Income (Loss) before Income Taxes	**(175.5)**	165.8	**(1,417)**
Net Income (Loss)	**(148.0)**	83.0	**(1,195)**
Net Income (Loss) per Common Share (Yen and U.S. Dollars)	**(52.72)**	26.85	**(0.43)**
Consolidated Basis			
Ordinary Profit (Loss)	**(171.6)**	243.8	**(1,386)**
Net Income (Loss)	**¥(147.6)**	¥ 119.4	**$(1,192)**

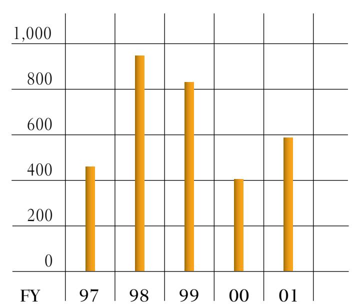
Gross Operating Profit/G&A Expenses
Billions of Yen



Business Profit
Billions of Yen



Credit Costs
Billions of Yen



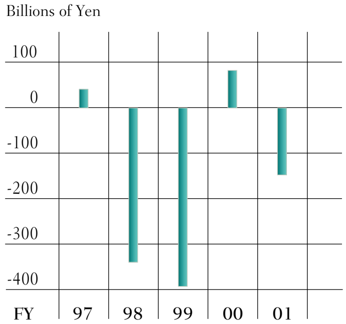
OVERVIEW OF NON-CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2001

Gross operating profit increased ¥30.8 billion to ¥673.1 billion. This includes net interest income of ¥532.3 billion, an increase of ¥20.1 billion. Net fees and commissions increased ¥17.6 billion to ¥77.8 billion, mainly because of growth in fees from syndicated loans and committed credit lines and commissions from sales of investment trusts. Net trading revenue improved by ¥10.7 billion to ¥27.6 billion as trading performance rebounded from the poor results in the previous year and sales of derivative products grew. Net other operating income decreased ¥17.6 billion to ¥35.2 billion.

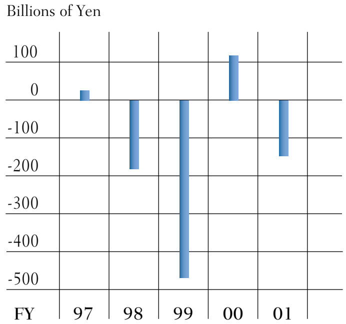
General and administrative expenses increased ¥6.5 billion to ¥335.7 billion. Although personnel expenses declined due to a reduction in headcount and other factors, there was an increase in non-personnel expenses because of investments in information technology and other areas. The result was a ¥25.1 billion increase to ¥337.3 billion in business profit prior to the net transfer to the general reserve for possible loan losses. After the deduction of the net transfer of ¥87.0 billion to the general reserve for possible loan losses, however, business profit was down ¥76.3 billion to ¥250.3 billion. This addition to the general reserve was made in line with the adoption of a conservative reserve policy, as Sanwa Bank prepared for the April 2001 integration with Tokai Bank and Toyo Trust, based on historical loan loss experience and the outlook for probable future risks.

Net other expenses amounted to ¥415.2 billion. This includes credit costs of ¥587.6 billion, an increase of ¥182.9 billion. To bolster its financial position in preparation for the April 2001 integration, Sanwa Bank moved aggressively to bring about the final resolution of problem loans. Total credit-related expenses rise to ¥674.7 billion when the ¥87.0 billion net transfer to the general reserve is included. Net gains on stocks and other equity securities decreased ¥65.6 billion to ¥206.8 billion. The unwinding of cross-shareholdings continued for the purpose of reducing exposure to the effect of movements in stock prices. However, net gains declined along with stock prices in Japan. In addition, other expenses include ¥7.1 billion for a new business tax levied by the Tokyo Metropolitan Government. As a result, Sanwa Bank posted an ordinary loss of ¥164.8 billion.

Net Income/Loss
Billions of Yen



Net Income/Loss (Consolidated)
Billions of Yen



Sanwa Bank also posted a net loss of ¥15.6 billion on the sale of premises and equipment and an expense of ¥11.5 billion for the amortization of unfunded pension obligations due to the adoption of a new method of accounting for liabilities for retirement benefits.

These factors combined to produce a loss before income taxes of ¥175.5 billion and a net loss of ¥148.0 billion. The introduction of a new business tax by the Osaka Prefectural Government resulted in a decrease of ¥29.2 billion in deferred tax assets, increasing the net loss by the same amount. Net loss per common share was ¥52.72.

CONSOLIDATED RESULTS

Due to the non-consolidated loss, Sanwa Bank reported an ordinary loss of ¥171.6 billion and a net loss of ¥147.6 billion on a consolidated basis.

BREAKDOWN OF NON-CONSOLIDATED RESULTS BY DIVISION

All three main divisions, the retail banking division, the corporate banking division, and the global finance and investment banking division, posted increases in gross operating profit and business profit. Other activities, which include ALM activities, gains and losses from Japanese government bonds, dividends from affiliated companies and other items, generated lower earnings.

RETAIL BANKING DIVISION

Gross operating profit rose ¥6.3 billion to ¥192.9 billion. Steady growth in deposits led to an increase of ¥2.1 billion in interest income and growth in commissions from investment trust sales were mainly responsible for a ¥6.2 billion increase in non-interest income. General and administrative expenses increased ¥0.8 billion as higher investments in computer systems outweighed the benefits of a cost-reduction program. The result was a ¥5.5 billion increase in business profit to ¥36.4 billion.

CORPORATE BANKING DIVISION

Gross operating profit increased ¥11.7 billion to ¥267.0 billion. Interest income was lower because of a lower volume of loans as a result of a reduction in problem loans and a decrease in loans to large companies, and a narrower interest margin as interest rates began to climb due to the lifting of the Bank of Japan's "zero interest rate policy" and adoption of RTGS (real-time gross settlements) at the end of December 2000. Non-interest income rose ¥12.9 billion to ¥69.5 billion. Fees from electronic banking and fund transfers, investment banking-related income from syndicated loans, M&As and other activities, and growth in sales of derivative products all contributed to this increase. Business profit increased ¥10.2 billion to ¥147.4 billion.

GLOBAL FINANCE AND INVESTMENT BANKING DIVISION

Gross operating profit increased ¥34.6 billion to ¥82.5 billion. There was a recovery in trading activities following a weak performance in the previous fiscal year. In addition, Sanwa Bank placed priority on increasing earnings from trading related to transactions with customers, which is positioned as a reliable source of profits. The result was an increase of ¥29.4 billion to ¥37.9 billion in the gross operating profit from this trading. Investment banking and overseas commercial banking also posted higher earnings. As a result, business profit was ¥34.9 billion.

Earnings by Division (Non-Consolidated)

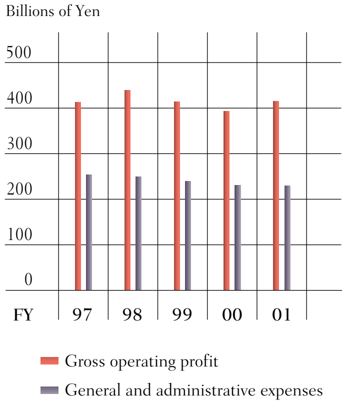
			Billions of Yen
Fiscal Years ended March 31	**2001**	2000	Change
Business Profit from Retail Banking	**¥ 36.4**	¥ 30.9	¥ 5.5
Gross Operating Profit	**192.9**	186.6	6.3
Interest Income	**173.5**	171.4	2.1
Non-Interest Income	**26.4**	20.2	6.2
Less: General and Administrative Expenses	**156.5**	155.7	0.8
Business Profit from Corporate Banking	**147.4**	137.2	10.2
Gross Operating Profit	**267.0**	255.3	11.7
Interest Income	**231.1**	242.9	(11.8)
Non-Interest Income	**69.5**	56.6	12.9
Less: General and Administrative Expenses	**119.6**	118.1	1.5
Business Profit from Global Finance and Investment Banking	**34.9**	(1.9)	36.8
Gross Operating Profit	**82.5**	47.9	34.6
Trading	**37.9**	8.5	29.4
Investment Banking	**13.3**	10.3	3.0
Overseas Commercial Banking	**32.2**	28.2	4.0
Less: General and Administrative Expenses	**47.6**	49.8	(2.2)
Business Profit from Other Operations	**118.6**	146.0	(27.4)
Business Profit (prior to Net Transfers to General Reserve)	**¥337.3**	¥312.1	¥ 25.1

ANALYSIS OF OPERATIONS AND FINANCIAL POSITION OF TOKAI BANK

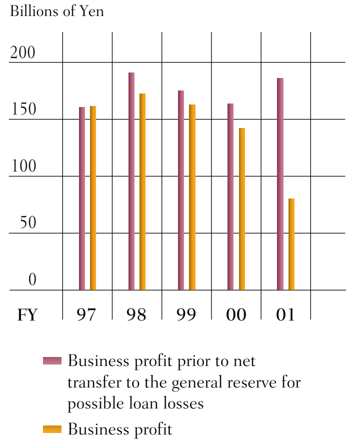
Tokai Bank Highlights

Fiscal Years ended March 31	Billions of Yen 2001	Billions of Yen 2000	Millions of U.S. Dollars 2001
Non-Consolidated Basis			
Gross Operating Profit	**¥ 416.0**	¥ 394.2	**$ 3,358**
Net Interest Income	**307.7**	346.3	**2,484**
Net Fees and Commissions	**51.2**	44.0	**413**
Net Trading Revenue	**(14.5)**	12.7	**(117)**
Net Other Operating Income	**71.6**	(8.8)	**578**
General and Administrative Expenses	**229.5**	230.2	**1,853**
Business Profit prior to Net Transfer to General Reserve for Possible Loan Losses	**186.5**	164.0	**1,505**
Net Transfer to General Reserve for Possible Loan Losses	**106.4**	21.6	**859**
Business Profit	**80.1**	142.4	**646**
Other Income and Expenses	**(174.1)**	(18.5)	**(1,406)**
Credit Costs	**(245.2)**	(300.0)	**(1,980)**
Net Gains on Stocks and Other Equity Securities	**96.8**	318.5	**781**
Tokyo Metropolitan Business Tax	**(2.7)**	–	**(22)**
Ordinary Profit (Loss)	**(95.6)**	118.9	**(772)**
Net Extraordinary Gains and Losses	**(1.6)**	(4.1)	**(14)**
Gains & Losses on Sales of Premises and Equipment	**(19.8)**	(4.3)	**(160)**
Gains on Sales of Premises and Equipment	**0.6**	0.2	**5**
Losses on Sales of Premises and Equipment	**(20.5)**	(4.6)	**(166)**
Losses on Liquidation of a Subsidiary	**(4.8)**	–	**(39)**
Gains on Establishment of Retirement Benefit Trust	**43.6**	–	**352**
Amortization of Unfunded Pension Obligation	**(20.8)**	–	**(168)**
Income (Loss) before Income Taxes	**(97.2)**	114.7	**(785)**
Net Income (Loss)	**(68.2)**	44.7	**(551)**
Net Income (Loss) per Common Share (Yen and U.S. Dollars)	**(34.38)**	15.80	**(0.28)**
Consolidated Basis			
Ordinary Profit (Loss)	**(91.7)**	104.6	**(741)**
Net Income (Loss)	**¥ (62.2)**	¥ 41.6	**$ (502)**

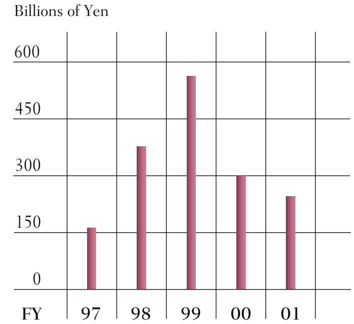
Gross Operating Profit/G&A Expenses
Billions of Yen



Business Profit
Billions of Yen



Credit Costs
Billions of Yen



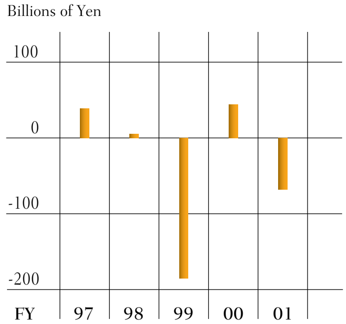
OVERVIEW OF NON-CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2001

Gross operating profit increased ¥21.8 billion to ¥416.0 billion. Net interest income decreased ¥38.6 billion to ¥307.7 billion. Factors responsible for this decrease were the adoption of a new accounting standard for financial instruments, under which swap-related gains and losses, excluding hedges, are classified as other operating income rather than interest income; an increase in short-term Japanese government bonds, which have relatively low yields, in response to the adoption of RTGS; and a decrease in interest and dividends from securities due to the reclassification of losses on redemptions of bonds as interest expenses, an item that was previously classified as other operating expenses, due to the new financial instruments accounting standard. Net fees and commissions increased ¥7.2 billion to ¥51.2 billion due to growth in commissions from sales of investment trusts and fees from services for new bond issues. Net trading revenue decreased ¥27.2 billion to a loss of ¥14.5 billion mainly because of a decline in the performance of derivative trading. Net other operating income improved by ¥80.5 billion to income of ¥71.6 billion. Most significant was a gain of ¥28.6 billion on derivative transactions as defined by the new accounting standard for financial instruments. In addition, foreign exchange trading gains increased ¥27.8 billion to ¥37.4 billion as Tokai Bank expanded transactions with customers and increased other profits related to foreign exchange activities.

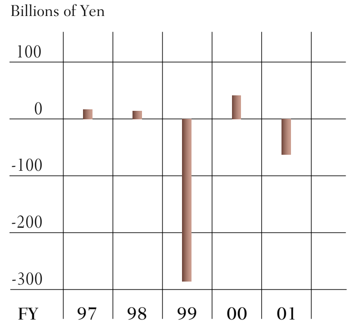
General and administrative expenses decreased ¥0.6 billion to ¥229.5 billion. Personnel expenses were higher as part of retirement benefit expenses was reclassified from other expenses to personnel expenses. Offsetting this were continued efforts to raise productivity by reducing headcount, lowering procurement costs and other steps. The net transfer to the general reserve for possible loan losses increased ¥84.7 billion to ¥106.4 billion, reflecting the adoption of a conservative stance regarding reserves needed to prepare for possible future losses. The result was a ¥62.3 billion decrease in business profit to ¥80.1 billion.

Net other expenses increased ¥155.5 billion to a net expense of ¥174.1 billion. Credit costs totaled ¥245.2 billion. Tokai Bank increased loan loss reserves to a level that accurately reflects the outlook for a difficult economic climate,

Net Income/Loss
Billions of Yen



Net Income/Loss (Consolidated)
Billions of Yen



based on a conservative review of its risk exposure and in line with strict credit review standards, and proceeded with the final disposal of problem loans. Major components of credit-related expenses were write-offs of ¥172.2 billion, a provision of ¥21.7 billion for the specific loan loss reserve, losses of ¥3.7 billion on the sale of loans and other steps to remove loans from the balance sheet, and a provision of ¥19.3 billion for the reserve for contingent liabilities related to loans sold to the Cooperative Credit Purchasing Company, thereby preparing for secondary losses. Including the net transfer of ¥106.4 billion to the general reserve, credit-related expenses totaled ¥351.7 billion. Net gains on sales of stocks and other equity securities decreased ¥221.7 billion to ¥96.8 billion as Tokai Bank continued to reduce its cross-shareholdings while monitoring market trends. Other expenses include ¥2.7 billion for a new business tax levied by the Tokyo Metropolitan Government. As a result, Tokai Bank posted an ordinary loss of ¥95.6 billion.

Net extraordinary losses were ¥1.6 billion, an improvement of ¥2.5 billion, including a loss of ¥20.5 billion on the sale of premises and equipment and ¥20.8 billion for the amortization of unfunded pension obligations due to the adoption of a new method for accounting for liabilities for retirement benefits. Extraordinary gains include a gain of ¥43.6 billion on the establishment of a retirement benefit trust. The result was a net loss of ¥68.2 billion and a net loss per common share of ¥34.38. The introduction of a new business tax by the Osaka Prefectural Government lowered deferred tax assets by ¥3.1 billion, increasing the net loss by the same amount.

CONSOLIDATED RESULTS

Due to the non-consolidated loss, Tokai Bank reported an ordinary loss of ¥91.7 billion and a net loss of ¥62.2 billion on consolidated basis. Both losses were less than the corresponding non-consolidated figures as overseas subsidiaries performed well during the year.

BREAKDOWN OF NON-CONSOLIDATED RESULTS BY DIVISION

Gross operating profit from domestic operations increased ¥1.1 billion to ¥303.0 billion and business profit rose ¥8.8 billion to ¥131.8 billion. Income from deposits and loans decreased ¥11.8 billion because of the end of the Bank of Japan's "zero interest rate policy" and other factors. Non-interest income rose ¥11.5 billion due to higher sales of derivative products to customers and sales commissions on investment trusts.

In international and trading operations, gross operating profit was down ¥15.2 billion to ¥62.6 billion and business profit declined ¥14.8 billion to ¥44.7 billion. Gross operating profit from trading activities was lower, but at ¥38.7 billion remained at a comparatively high level. Results were affected by a reduction in the scale of foreign currency trading activities, a response to the expansion in the scope of market-value accounting.

In other operations, gross operating profit improved by ¥28.5 billion to ¥10.0 billion. This sector includes planning and administrative functions such as ALM. The rebound in earnings reflects in part transactions to eliminate unrealized losses on foreign currency denominated bond holdings in the previous fiscal year to prepare for the adoption of the new accounting standard for financial instruments.

Earnings by Division (Non-Consolidated)

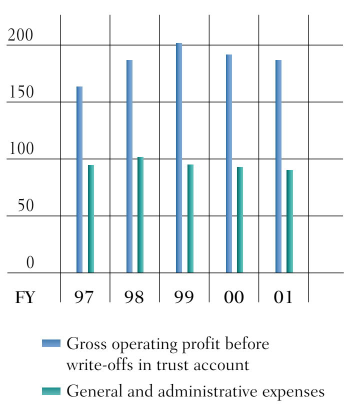
			Billions of Yen
Fiscal Years ended March 31	**2001**	2000	Change
Business Profit from Domestic Operations	**¥131.8**	¥123.0	¥ 8.8
Gross Operating Profit	**303.0**	301.9	1.1
Interest Income	**234.4**	246.2	(11.8)
Non-Interest Income	**67.2**	55.7	11.5
Less: General and Administrative Expenses	**171.3**	178.9	(7.6)
Business Profit from International and Trading Operations	**44.7**	59.5	(14.8)
Gross Operating Profit	**62.6**	77.8	(15.2)
Overseas Banking Business Income	**9.6**	11.6	(2.0)
Trading Income	**38.7**	61.6	(22.9)
Less: General and Administrative Expenses	**17.8**	18.3	(0.5)
Business Profit from Other Operations	**10.0**	(18.5)	28.5
Business Profit (prior to Net Transfers to General Reserve)	**¥186.5**	¥164.0	¥22.4

Toyo Trust Highlights

	Billions of Yen		Millions of U.S. Dollars
Fiscal Years ended March 31	**2001**	2000	**2001**
Non-Consolidated Basis			
Gross Operating Profit before Write-Offs in Trust Account	**¥ 187.3**	¥ 192.2	**$ 1,512**
Gross Operating Profit from Domestic Business	**185.5**	190.3	**1,498**
Trust Fees before Write-Offs in Trust Account	**95.8**	132.5	**774**
Net Interest Income	**41.0**	35.7	**332**
Net Fees and Commissions	**42.3**	32.9	**341**
Net Trading Revenue	**(0.1)**	0.1	**(1)**
Net Other Operating Income	**6.4**	(11.0)	**52**
Gross Operating Profit from International Business	**1.8**	1.8	**14**
General and Administrative Expenses	**89.9**	92.6	**725**
Business Profit before Write-Offs in Trust Account and Net Transfer to General Reserve for Possible Loan Losses	**97.4**	99.5	**787**
Net Transfer to General Reserve for Possible Loan Losses	**18.9**	3.0	**153**
Business Profit before Write-Offs in Trust Account	**78.4**	96.5	**634**
Other Income and Expenses	**(85.1)**	(67.1)	**(687)**
Credit Costs (Banking & Trust Account)	**(125.1)**	(162.0)	**(1,010)**
Net Gains on Stocks and Other Equity Securities	**70.4**	89.5	**568**
Tokyo Metropolitan Business Tax	**1.7**	–	**14**
Ordinary Profit (Loss)	**(6.6)**	29.4	**(53)**
Net Extraordinary Gains and Losses	**5.6**	(0.8)	**45**
Gains & Losses on Sales of Premises and Equipment	**(2.2)**	(0.8)	**(19)**
Gains on Sales of Premises and Equipment	**0.0**	0.1	**0**
Losses on Sales of Premises and Equipment	**(2.3)**	(0.9)	**(19)**
Gains on Establishment of Retirement Benefit Trust	**9.0**	–	**73**
Amortization of Unfunded Pension Obligation	**(2.6)**	–	**(21)**
Income (Loss) before Income Taxes	**(0.9)**	28.5	**(8)**
Net Income (Loss)	**(3.7)**	7.8	**(30)**
Net Income (Loss) per Common Share (Yen and U.S. Dollars)	**(6.97)**	5.68	**(0.06)**
Consolidated Basis			
Ordinary Profitt (Loss)	**(6.6)**	28.8	**(54)**
Net Income (Loss)	**¥ (1.9)**	¥ 5.4	**$ (15)**

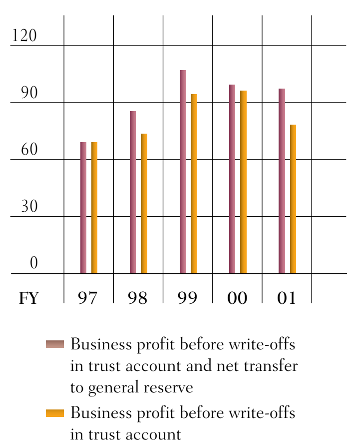
Gross Operating Profit/G&A Expenses

Billions of Yen



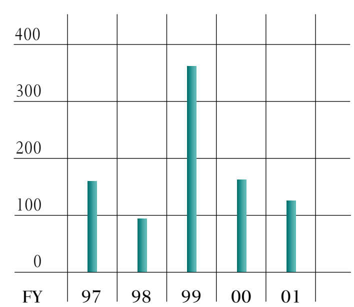
Business Profit

Billions of Yen



Credit Costs

Billions of Yen



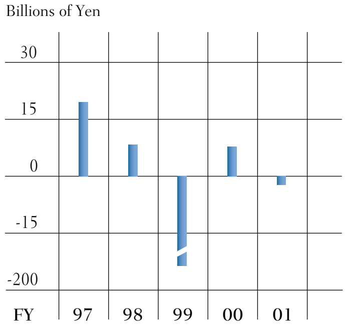
Gross operating profit before write-offs in the trust account decreased ¥4.8 billion to ¥187.3 billion. This includes trust fees (before write-offs in the trust account) of ¥95.8 billion, which were down ¥36.6 billion. Trust fees (before write-offs in the trust account) from loan trusts and jointly operated designated money trusts decreased ¥40.0 billion to ¥55.0 billion due to a lower volume of funds in these trusts and lower securities-related gains. Trust fees from trust-related businesses, however, increased ¥3.3 billion to ¥40.8 billion as pension and securities related services and all other business sectors in this category performed well. In the banking account, net interest income increased ¥5.3 billion to ¥41.0 billion. This was due to an improvement in the interest margin, mainly the result of higher earnings from interest rate swaps. Net fees and commissions increased ¥9.3 billion to ¥42.3 billion due to strong performances by corporate agency services and trust-related services for individuals. Gross operating profit from international operations was unchanged at ¥1.8 billion.

General and administrative expenses decreased ¥2.7 billion to ¥89.9 billion. A reduced headcount brought down personnel expenses. Although expenses related to computer systems rose, total non-personnel expenses decreased due to various restructuring measures. As a result, business profit before write-offs in the trust account and the net transfer to general reserve decreased ¥2.1 billion to ¥97.4 billion. In line with a conservative reserve policy regarding possible future risk, there was a net transfer of ¥18.9 billion to the general reserve for possible loan losses. This caused business profit before write-offs in the trust account to decline ¥18.0 billion to ¥78.4 billion.

Net other expenses increased ¥17.9 billion to ¥85.1 billion. This includes credit costs in the banking and trust accounts of ¥125.1 billion. This expense reflects the application of conservative self-assessments of loans based on strict standards in preparation for the April 2001 integration and further reflects Toyo Trust's desire to aggressively conduct write-offs and increase reserves to factor in the difficult economic conditions in Japan. Total credit-related expenses, including the net transfer to the general reserve for possible loan losses, were ¥144.0 billion. Net gains on sales of stocks and other equity securities, which include net gains on equity-related derivatives, totaled ¥70.4 billion. An expense of ¥1.7 billion was posted due to a new business tax levied by the Tokyo Metropolitan Government. As a result, Toyo Trust posted an ordinary loss of ¥6.6 billion.

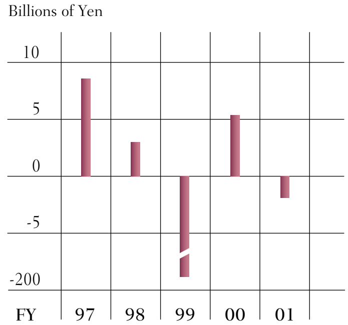
Net Income/Loss

Billions of Yen



Net Income/Loss (Consolidated)

Billions of Yen



Net extraordinary gains improved by ¥6.4 billion to ¥5.6 billion, including a net loss of ¥2.2 billion on the sale of premises and equipment and ¥2.6 billion for the amortization of unfunded pension obligations due to the adoption of a new method of accounting for liabilities for retirement benefits. There was also a gain of ¥9.0 billion on the establishment of a retirement benefit trust. The result was a net loss of ¥3.7 billion and a net loss per common share of ¥6.97. The introduction of a new business tax by the Osaka Prefectural Government lowered deferred tax assets by ¥2.8 billion, increasing the net loss by the same amount.

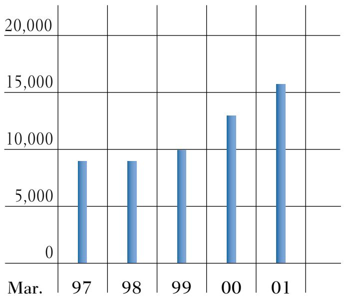
CONSOLIDATED RESULTS

Due to the non-consolidated loss, Toyo Trust reported an ordinary loss of ¥6.6 billion and a net loss of ¥1.9 billion on a consolidated basis.

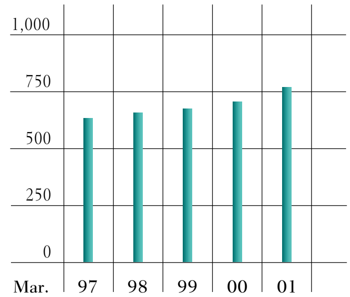
RESULTS OF TRUST-RELATED BUSINESSES

The sum of trust fees from trust-related businesses and net domestic fees and commissions, an indicator of earnings from trust-related business, increased ¥12.6 billion to ¥83.1 billion. These services thus accounted for 44% of gross operating profit compared with 36% in the previous fiscal year.

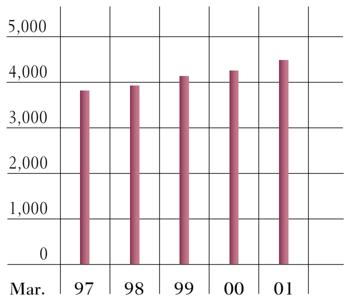
Securities Investment Trust Assets (Under Administration)
Billions of Yen



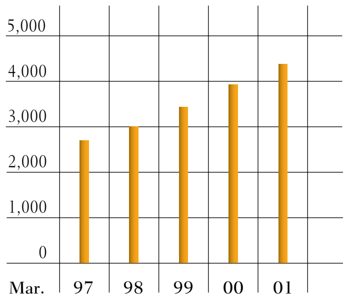
Number of Public Company Clients for Corporate Agency Business



Pension Trust Assets
Billions of Yen



Number of Testamentary Trusts



This section is provided to supply information on key issues that the newly formed UFJ Group must address. All figures in this section are either from the non-consolidated financial statements of the three banks or aggregates of such figures.

MEASURES TO DEAL WITH PROBLEM LOANS

Problem loans remain a persistent issue at Japan's banks as the performance of many companies weakens and falling real estate prices bring down the value of collateral. Due to this situation, Sanwa Bank, Tokai Bank and Toyo Trust have placed the highest priority on measures to deal with problem loans. In line with this policy, the three banks have taken aggressive actions with the aim of building a sound financial structure in preparation for the April 2001 integration. In the fiscal year ended March 31, 2001, the three banks recorded credit-related expenses totaling ¥1,170.5 billion, including net transfers to the general reserve for possible loan losses. All three banks adopted even more conservative standards for evaluating asset quality and took decisive actions to achieve a final resolution of problem loans. These actions gave the UFJ Group a much sounder financial position upon its inception.

Credit-Related Expenses

					Billions of Yen
				2001	2000
Fiscal Years ended March 31	***Sanwa Bank***	***Tokai Bank***	***Toyo Trust***	***All Three Banks***	*All Three Banks*
Net Transfer to General Reserve for Possible Loan Losses	**¥ 87.0**	**¥ 106.4**	**¥ 18.9**	**¥ 212.4**	¥ 10.1
Write-Off of Loans	**279.2**	**172.2**	**88.9**	**540.5**	480.9
Net Transfer to Specific Reserve for Possible Loan Losses	**206.9**	**21.7**	**2.3**	**231.1**	57.2
Losses on Sales of Loans to the Cooperative Credit Purchasing Company, Limited	**16.4**	**10.5**	**7.2**	**34.2**	26.6
Net Losses on Other Sales of Loans	**30.1**	**3.7**	**–**	**33.8**	19.5
Losses on Support Extended to Borrowers	**20.7**	**17.2**	**–**	**38.0**	183.5
Transfer to Reserve for Possible Losses on Support of Specific Borrowers	**26.4**	**–**	**–**	**26.4**	83.5
Other Credit-Related Expenses	**7.6**	**19.8**	**26.5**	**54.0**	15.6
Total Credit-Related Expenses	**¥ 674.7**	**¥ 351.7**	**¥ 144.0**	**¥ 1,170.5**	¥ 876.9

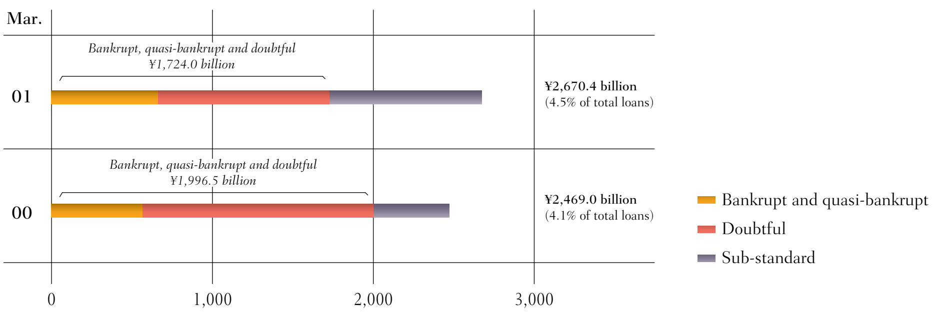
BALANCE OF PROBLEM LOANS AND COVERAGE

During the fiscal year ended March 31, 2001, the inability of Japan's economy to stage a recovery resulted in more problem loans. To ensure that the UFJ Group started out with a sound financial position, the three banks assessed the quality of their assets by applying even more conservative standards. The result of this process was an increase of ¥201.3 billion in problem loans to ¥2,670.4 billion as of March 31, 2001. This includes an increase of ¥473.8 billion in sub-standard loans to ¥946.4 billion. Problem loans thus corresponded to 4.5% of total loans. Disclosure of these problem loans* complies with the New Disclosure Standard under the Law Concerning Emergency Measures for Early Stabilization of Financial Functions. Additional information regarding the New Disclosure Standard, self-assessment standards and problem loans is presented on the following page.

* Under the New Disclosure Standard, problem loans include claims other than loans, such as foreign exchange and acceptances & guarantees.

Balance of Problem Loans under the New Disclosure Standard*

Billions of Yen



*Balance of Problem Loans under the New Disclosure Standard**

					Billions of Yen
				2001	2000
As of March 31	***Sanwa Bank***	***Tokai Bank***	***Toyo Trust***	***All Three Banks***	*All Three Banks*
Bankrupt and Quasi-Bankrupt	**¥ 410.5**	**¥ 161.0**	**¥ 89.7**	**¥ 661.3**	¥ 564.1
Doubtful	**671.3**	**289.9**	**101.3**	**1,062.6**	1,432.4
Sub-Standard	**214.3**	**456.7**	**275.3**	**946.4**	472.5
Total Problem Loans	**1,296.2**	**907.7**	**466.4**	**2,670.4**	2,469.0
Normal	**31,701.6**	**19,953.4**	**5,319.0**	**56,974.1**	57,540.8
Total Loans	**¥32,997.8**	**¥20,861.2**	**¥5,785.5**	**¥59,644.6**	¥59,559.9

* Figures include trust accounts (with principal indemnification clause) and are calculated after the write-offs of category IV.

Classification Under the New Disclosure Standard, Self-Assessment, and the Banking Law (Risk Monitored Loans)

Problem Loans

Classification under Self-Assessment Criteria	Classification under the New Disclosure Standard	Classification under the Banking Law (Risk Monitored Loans)	Definitions	Reserve Ratio as of March 31, 2001**		
				Sanwa Bank	Tokai Bank	Toyo Trust
Normal	Normal		Loans to borrowers experiencing good operating conditions and having no particular financial problems	0.14%	0.10%	0.30%
Special Mention			Loans with problems in terms of repayment situation, or loans to borrowers with weak, unstable business performance, including reporting losses	6.07%	4.03%	3.00%
	Sub-Standard	Restructured Past Due 3 Months or More	(Loans in the category immediately above, whose payments are past due 3 months or more or whose terms have been restructured)	21.09%*	17.65%*	19.29%*
Possible Non-Performing	Doubtful	Delinquent	Loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a strong possibility of going into bankruptcy	75.54%	70.09%	77.28%
Quasi Non-Performing	Bankrupt and Quasi-Bankrupt		Loans to borrowers who are not currently in legal bankruptcy but in quasi-bankruptcy: that is, having poor financial situations without prospects for recovery	100.00%	100.00%	100.00%
Non-Performing		Bankrupt	Loans to borrowers who are currently in legal bankruptcy procedures, including bankruptcy, liquidation, corporate reorganization, and rearrangement			

* Reserve ratio for all loans to sub-standard borrowers, including loans which are not classified as sub-standard.

** Reserve ratios for loans to sub-standard, doubtful, or bankrupt and quasi-bankrupt borrowers are calculated based on the balance of loans, excluding the amount to be recovered from collateral and guarantees. Excluding trust accounts (with principal indemnification clause).

Accompanying this self-assessment process were aggressive steps to implement the final resolution of problem loans. While the aggregate balance of loans to bankrupt and quasi-bankrupt borrowers and doubtful loans was ¥1,996.5 billion as of March 31, 2000, an additional ¥1,210 billion of loans falling into these two categories was recorded during the fiscal year ended March 31, 2001. During the fiscal year, approximately ¥1,480 billion of loans in these two categories were removed from the balance sheet through write-offs, sales of loans, sales of collateral and other means. These actions reduced loans to bankrupt and quasi-bankrupt borrowers and doubtful loans by more than ¥270 billion to ¥1,724.0 billion as of March 31, 2001.

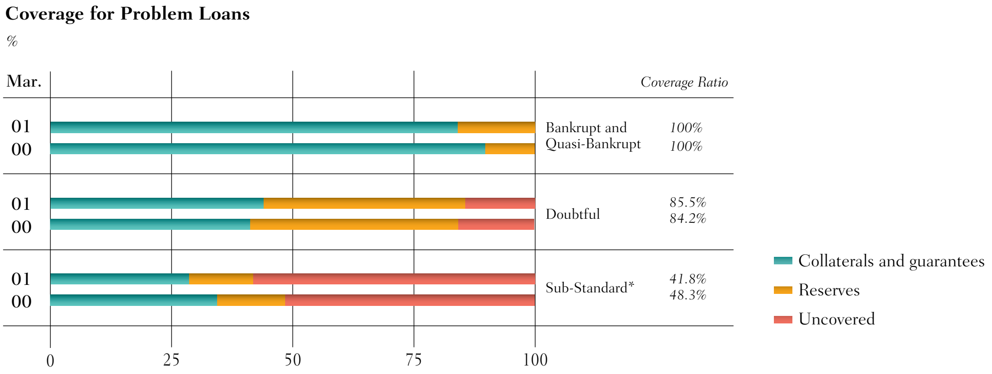
The following table shows the balance of domestic loans and risk monitored loans by industry. Risk monitored loans are problem loans based on classification under the Banking Law, which consist of bankrupt loans, delinquent loans, loans past due 3 months and restructured loans.

Balance of Domestic Loans and Risk Monitored Loans by Industry

					Billions of Yen
				2001	2000
As of March 31	***Sanwa Bank***	***Tokai Bank***	***Toyo Trust***	***All Three Banks***	*All Three Banks*
Domestic Loans*	**¥26,051.0**	**¥16,963.7**	**¥5,631.9**	**¥48,646.8**	¥ 47,523.6
Risk Monitored Loans	**1,140.3**	**874.3**	**464.5**	**2,479.2**	2,292.4
Manufacturing	**3,359.3**	**2,654.4**	**587.1**	**6,601.0**	6,188.7
Risk Monitored Loans	**140.8**	**77.1**	**11.8**	**229.8**	165.3
Forestry/Fishing/Mining	**151.8**	**36.3**	**10.1**	**198.3**	206.4
Risk Monitored Loans	**2.8**	**0.4**	**1.3**	**4.6**	7.3
Construction	**939.2**	**1,042.8**	**145.1**	**2,127.2**	2,208.3
Risk Monitored Loans	**85.8**	**153.6**	**47.6**	**287.1**	141.0
Utilities	**178.5**	**79.1**	**221.5**	**479.1**	417.3
Risk Monitored Loans	**0.1**	**0.5**	**0.0**	**0.6**	0.5
Transportation & Communication	**1,320.5**	**541.4**	**446.5**	**2,308.5**	1,939.6
Risk Monitored Loans	**17.3**	**17.1**	**14.6**	**49.1**	29.6
Wholesale and Retails	**3,823.4**	**3,059.9**	**524.8**	**7,408.3**	6,871.5
Risk Monitored Loans	**188.1**	**82.5**	**34.7**	**305.4**	403.0
Finance & Insurance	**2,175.0**	**1,435.5**	**1,018.8**	**4,629.4**	5,477.2
Risk Monitored Loans	**44.0**	**24.6**	**27.7**	**96.3**	228.2
Real Estate	**3,957.6**	**2,161.4**	**1,097.6**	**7,216.6**	7,509.9
Risk Monitored Loans	**300.3**	**289.4**	**258.4**	**848.2**	614.6
Services	**3,501.5**	**2,151.9**	**706.7**	**6,360.2**	6,149.5
Risk Monitored Loans	**199.0**	**145.6**	**37.8**	**382.4**	443.5
Local Governments	**241.0**	**269.2**	**4.0**	**514.3**	476.1
Risk Monitored Loans	–	–	–	–	–
Others	**6,402.7**	**3,531.4**	**869.2**	**10,803.4**	10,078.7
Risk Monitored Loans	**¥ 161.8**	**¥ 83.0**	**¥ 30.2**	**¥ 275.2**	¥ 258.8

* Including trust accounts (with principal indemnification clause). Excluding off-shore loans of domestic offices.

Coverage ratios for each category of loan are shown below. As of March 31, 2001, 70.1% of problem loans were covered by collateral, guarantees and reserves, 9.3 percentage points less than one year earlier. The decline in the coverage ratio is due to the relatively large increase in sub-standard loans, a category of loans for which coverage ratios are relatively low.



*Coverage for Problem Loans***

					%
				2001	2000
As of March 31	***Sanwa Bank***	***Tokai Bank***	***Toyo Trust***	***All Three Banks***	*All Three Banks*
Bankrupt and Quasi-Bankrupt	**100.0%**	**100.0%**	**100.0%**	**100.0%**	100.0%
Doubtful	**85.3%**	**85.5%**	**88.7%**	**85.5%**	84.2%
Sub-Standard*	**51.8%**	**34.9%**	**49.7%**	**41.8%**	48.3%
Total Problem Loans	**82.9%**	**57.0%**	**63.1%**	**70.1%**	79.5%

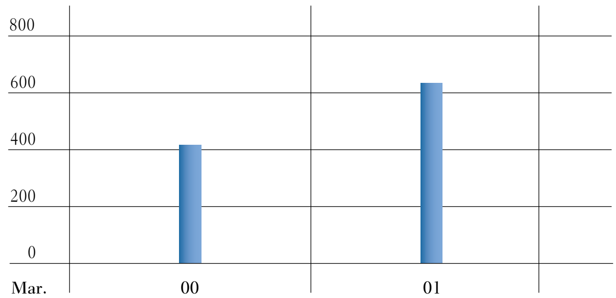
* Total exposure to borrowers classified as sub-standard.
** Excluding trust accounts (with principal indemnification clause).

POLICY REGARDING THE GENERAL RESERVE FOR POSSIBLE LOAN LOSSES

Unlike the specific loan loss reserve, the general reserve is provided to reflect risks associated with the entire portfolio of loans and bills discounted. The general reserve applies to loans to special-mention borrowers, including sub-standard loans, as well as those to normal borrowers. In the fiscal year ended March 31, 2001, the three banks adopted a conservative reserve policy by adding a factor to reflect future risks to a factor based on past loan loss experience. The result was an increase of ¥217.7 billion in the general reserve to ¥632.8 billion. With this increase, the general reserve represented 5.09% of loans to special-mention borrowers, excluding sub-standard borrowers, a 1.84 percentage point increase.

General Reserve for Possible Loan Losses

Billions of Yen



General Reserve for Possible Loan Losses

			Billions of Yen
As of March 31	**2001**	2000	Change
Sanwa Bank	**¥350.5**	¥263.5	¥ 87.0
Tokai Bank	**221.8**	110.1	111.7
Toyo Trust	**60.4**	41.4	18.9
Total	**¥632.8**	¥415.1	¥217.7

LOANS AND DEPOSITS

Total loans and bills discounted at the three banks (including trust account loans with principal indemnification clause) had decreased ¥1,022.1 billion to ¥53,961.5 billion as of March 31, 2001. The reasons for the decline were weak demand for funds by corporate borrowers along with actions to remove problem loans from the balance sheet and a decline in loans to large companies due to the increasing use of capital market instruments.

Loans to small and medium-sized companies and others decreased ¥232.3 billion to ¥33,203.1 billion. Housing loans increased ¥383.8 billion to ¥5,177.3 billion. Loans to individuals other than housing loans decreased ¥181.5 billion to ¥5,047.2 billion as the three banks reduced the balance of business loans to individuals, a loan category that carries a relatively high level of risk.

Growth in deposits continued. Total deposits as of March 31, 2001 (including trust account products with principal indemnification clause) increased ¥1,842.9 billion to ¥57,489.2 billion. Domestic deposits by individuals increased ¥589.0 billion to ¥27,361.0 billion, while domestic deposits by companies decreased ¥1,775.6 billion to ¥21,749.8 billion.

POLICY REGARDING SECURITIES

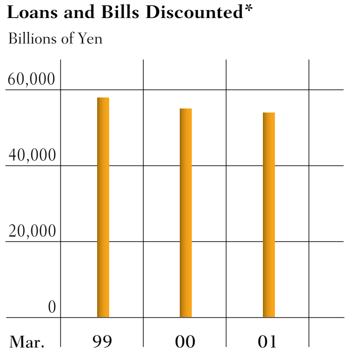
The three banks have adopted a policy of reducing cross-shareholdings, which are stocks held by banks and their corporate clients in each other. One reason for this policy is the need to create a more stable financial position by shielding the balance sheet from fluctuations in the market prices of these shares. Another is the adoption of market-value accounting effective from the fiscal year ending March 31, 2002. Under this system, share price movements are directly linked to stockholders' equity. Consequently, the three banks have been selling a substantial volume of cross-shareholdings after conducting discussions with each client company. In the fiscal year ended March 31, 2001, cross-shareholdings having a total book value of approximately ¥650.0 billion were sold. The UFJ Group will continue to place priority on such sales. Within the next three years, additional sales are to be conducted in a manner that reflects market conditions with the goal of reducing cross-shareholdings to less than total stockholders' equity.

The balance of Japanese national government bonds increased ¥4.2 trillion to ¥9.5 trillion. The main reason was the need to hold short-term government bonds as collateral following the introduction by the Bank of Japan of the RTGS system. The growth was also due to increases in medium- and long-term bond investments, in accordance with asset-liability management (ALM) policies, as the demand for loans declined.

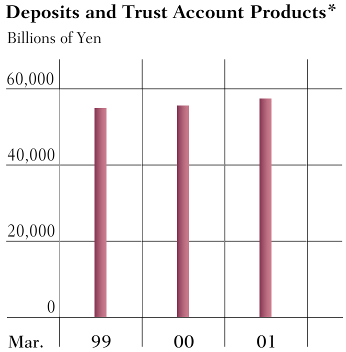
CAPITAL ADEQUACY

As of March 31, 2001, the combined BIS capital ratio of the three banks was 11.19%, a level well above the international standard. Subsequent to the end of the fiscal year ended March 31, 2001 Sanwa Bank issued US$2.0 billion of subordinated notes in overseas markets and sold Class VI preferred shares issued by UFJ Holdings to European and U.S. institutional investors. These and other steps are expected to increase the capital ratio and further bolster the UFJ Group's financial position.

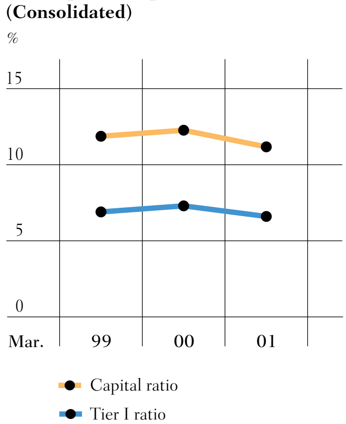
Loans and Bills Discounted*



Deposits and Trust Account Products*



BIS Capital Adequacy Ratio (Consolidated)



*Including the trust account (with principal indemnification clause).

Capital ratios of Toyo Trust for the fiscal year ended Mar. 31, 2001 are adjusted to the BIS international standard.

ADOPTION OF MARKET-VALUE ACCOUNTING

The April 2000 adoption of a new accounting standard for financial instruments resulted in a number of changes in accounting methods for securities, derivatives and other financial instruments. Most significant among these changes was the adoption of market-value accounting.

Under the new standard, securities are valued differently depending on the purpose for which they are held. Trading securities are valued at market and the resulting gain or loss is included in the statement of operations. Held-to-maturity securities are carried at amortized cost and stocks in subsidiaries and affiliated companies are carried at cost. All other securities (available-for-sale securities) are valued at market, a category that includes cross-shareholdings. The resulting gain or loss is not included in the statement of operations, but is instead added to or deducted from stockholders' equity. Market-value accounting for available-for-sale securities, however, will be adopted from the fiscal year ending March 31, 2002. For the fiscal year ended March 31, 2001, available-for-sale securities were carried at cost or amortized cost, in accordance with a transitional provision of the new accounting standard.

For derivatives, all instruments, other than those conducted as hedges, are valued at market and the resulting gain or loss is included in the statement of operations. Gains and losses on hedges are recorded in the balance sheets as deferred assets or liabilities.

The adoption of market-value accounting and other elements of the new standard for financial instruments had the net effect of increasing both the combined ordinary loss and loss before income taxes of the three banks to ¥7.9 billion in the fiscal year ended March 31, 2001.

RESERVE FOR RETIREMENT BENEFITS

In the fiscal year ended March 31, 2001, the three banks adopted a new accounting standard for liabilities for retirement benefits. Under the new standard, the banks are required to compute the difference between the present value of estimated future benefits to be paid and the fair value of retirement plan assets. As of April 1, 2001, when the new accounting standard was introduced, the three banks had a total shortfall of ¥174.9 billion to be amortized in equal installments over a five-year period. This resulted in an amortization expense of ¥34.9 billion for the fiscal year ended March 31, 2001. Tokai Bank, in November 2000 and March 2001, and Toyo Trust in February 2001 contributed securities they held to establish an employee retirement benefit trust amounting to ¥162.4 billion and ¥16.3 billion, respectively. (Sanwa Bank also established an employee retirement benefit trust amounting to ¥93.3 billion in May 2001.)

Laying the Groundwork for a New Approach to the Provision of Financial Services

Serving customers in new ways is a central objective of the UFJ Group. To accomplish this, the group is taking a variety of measures. Some involve services and other activities that are highly visible to customers. Others target internal issues such as the group's organization and IT infrastructure. The following section provides insights into five ways in which the UFJ Group is building a foundation for a new approach to the provision of financial services.

Business Integration That Places Priority on Speed

ORGANIZATIONAL AND BUSINESS INTEGRATION

Following the July 2000 announcement of their decision to integrate operations, Sanwa Bank, Tokai Bank and Toyo Trust have been unifying self-assessment standards, internal credit rating systems, ATM networks and other elements of their operations as quickly as possible. Upon the establishment of UFJ Holdings on April 2, 2001, the UFJ Group was already well on the way to building a fully unified operating organization. Furthermore, with the holding company in place, the speed of integration has been raised even higher.

Progress has been so rapid that Sanwa Bank and Tokai Bank moved up their merger date from April to January 15, 2002. When all systems have been completely integrated at the same time as the merger, including computer systems and networks, the new UFJ Bank Limited will be positioned to supply customers with products and services of the highest caliber from the outset of operations as a fully integrated organization. Along with the merger, branch closings and consolidations, personnel reductions and other restructuring initiatives are also progressing at a rapid pace.

Integration of trust operations is advancing smoothly as well. In May 2001, Toyo Trust purchased Tokai Bank's trust subsidiary, Tokai Trust and the two trust banks merged in July 2001. As Sanwa Trust merged with Toyo Trust in October 1999, this latest move completed the integration of all UFJ Group trust businesses. In January 2002, Toyo Trust will be renamed UFJ Trust Bank Limited. The final step will be the transfer of the deposit and loan businesses to UFJ Bank, in line with the policy of pursuing greater efficiency in operations and in the allocation of resources. UFJ Trust will thus become an organization handling trust services exclusively.

Outside the banking and trust areas, speedy integration is taking place throughout the UFJ Group. In asset management businesses, wholesale securities, computer system development, overseas operations and other fields, redundant functions are being eliminated to maximize efficiency and, above all, the quality of services for customers.

COMPUTER SYSTEM INTEGRATION

One of the UFJ Group's greatest strengths is its sophisticated computer system together with the speed at which systems are being integrated. These strengths translate directly into key competitive advantages. Skill in handling information is critical to offering products and services that are both diverse and, in many cases, entail complex procedures. Therefore, the successful and speedy integration of computer systems is vital to reaping the benefits of the integration. Well aware of this, UFJ engineers are rapidly developing the group's new computer systems. The unified system for commercial banking is to become operative on January 15, 2002, upon the merger of Sanwa Bank and Tokai Bank. All branches of the new UFJ Bank will immediately have a sound infrastructure for providing customers with an integrated line-up of products and services as well as for enhancing internal efficiency. Both unified products and higher efficiency are critical to realizing the benefits of the integration and make the group more competitive.

A UNIFIED PERSONNEL SYSTEM

One of the most difficult elements of any integration is fostering a single corporate culture for employees, including human resources management. In order to maximize the competitive advantages of each company, the UFJ Group has been studying the best ways to manage human resources while reflecting the unique characteristics of each business. The personnel systems of Sanwa Bank and Tokai Bank are expected to be completely integrated in October 2001. This will be a crucial step leading to the January 2002 merging of the two banks. At the heart of the new system will be remuneration standards that are directly linked to each individual's duties and performance. Equally important will be transparent evaluation systems, including assessments by external institutions and 360-degree performance evaluations by co-workers.

Integration of Functions within the UFJ Group

Business Sector	*Establishment*	*New Company*	*Predecessors*
Investment Trust Management	April 2001	UFJ Partners Asset Management Co., Ltd.	The investment trust business of Tokai Asset Management Co., Ltd. and The Toyo Trust Asset Management Co., Ltd. were transferred to Partners Asset Management Co., Ltd.
Investment Advisory	April 2001	UFJ Asset Management Co., Ltd.	The remaining operations of Tokai Asset Management and Toyo Trust Asset Management were merged with Sanwa Asset Management Co., Ltd.
Computer System Development	April 2001	UFIT Co., Ltd.	Central Systems Co., Ltd. was reorganized and renamed UFIT, and the IT operations of Sanwa Bank were then transferred to this company.
Wholesale Securities	July 2001	UFJ Capital Markets Securities Co., Ltd.	Sanwa Securities Co., Ltd. and Tokai International Securities Co., Ltd. were merged.
Card Services	January 2002	UFJ Card Co., Ltd.	Million Card Service Co., Ltd. and Financial One Card Co., Ltd. will merge to form this company.
Overseas Activities	July 2001	United California Bank	Sanwa Bank California and Tokai Bank of California merged.
		UFJ Bank Canada	Sanwa Bank Canada and Tokai Bank Canada merged.
		UFJ Bank (Schweiz) AG	The operations of Tokai Bank (Schweiz) AG was transferred to Sanwa Bank (Schweiz) AG.
	September 2001	UFJ Australia Ltd.	The operations of Tokai Australia Finance Corp. Ltd. were transferred to Sanwa Australia Limited.

Steps to Enhance Financial Strength and Profitability

TANGIBLE PROGRESS IN IMPROVING FINANCIAL STRENGTH

During the past decade, Japan's banks have been struggling year after year to cope with an enormous volume of problem loans and a lackluster stock market. All three banks that now make up the UFJ Group have placed top priority on improving their asset quality throughout this difficult period. With no end to the current challenges yet in sight, the UFJ Group is stepping up the pace of actions to improve asset quality and to cut costs through restructuring initiatives.

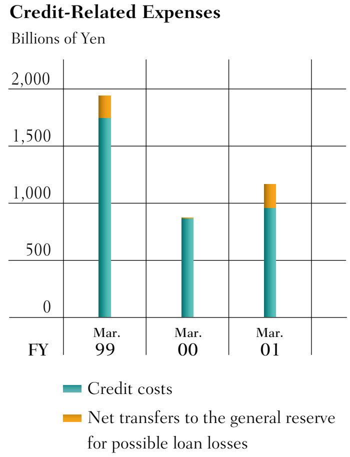
ASSET QUALITY—REDUCING PROBLEM LOANS AT A FASTER PACE

Determined to build a solid base for their April 2001 integration, Sanwa Bank, Tokai Bank and Toyo Trust adopted even more conservative standards to evaluate their assets in the fiscal year ended March 31, 2001. Final resolutions of problem loans were implemented at a faster pace and the general reserve was increased to better prepare for the future occurrence of these loans. Credit-related expenses at the three banks in the fiscal year ended March 31, 2001, including net transfers to the general reserve, rose to ¥1,170.5 billion, far above the initial projection of ¥580 billion. The banks' aggregate net loss was ¥220.1 billion. Financial soundness, on the other hand, improved significantly.

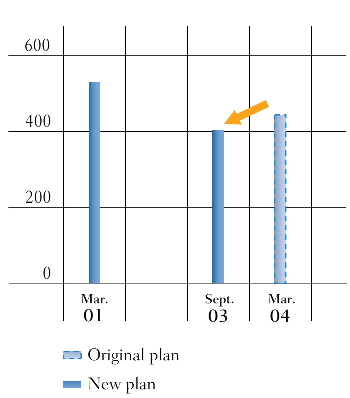
COST CUTTING — IMPLEMENTING RESTRUCTURING INITIATIVES

All three banks have been making a concerted effort to reduce costs. The banks jointly presented restructuring measures, including personnel cuts and branch office consolidations in December 2000, in their Plans to Revitalize Management submitted to the Financial Reconstruction Commission. Upon their integration in April 2001, the UFJ Group announced that it would implement additional restructuring steps to maximize the benefits of the integration. One element is to reduce the number of domestic branch offices, from the March 31, 2001 level of 531 including the head office to 406 by the end of September 2003. This cuts the network to 40 branches fewer than in the original restructuring plan. Further still, the new plan moves up the completion deadline by six months.

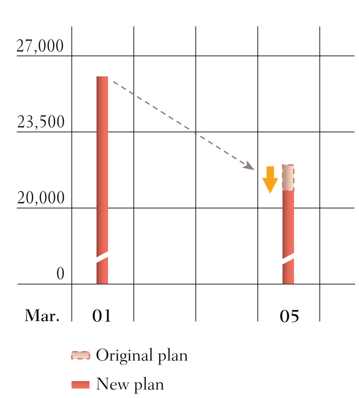
Credit-Related Expenses



Number of Domestic Branches



Number of Employees



The same ambitious goals apply to overseas operations. The original plan called for the closing of 13 branch offices and subsidiaries. Under the new plan, four more branches and subsidiaries along with 12 representative offices are to close their doors.

Employment levels are to be cut. Fewer domestic and overseas offices and subsidiaries will be a major factor. Furthermore, the new FITS21 branch operating system enables centralizing the back-office functions of each branch, leading to higher efficiency. The rapid integration of head office functions will also contribute to the reduction in employment. In line with these advances, the UFJ Group increased the target for headcount reductions by 1,200 employees over the original restructuring plan. The group is therefore to cut employment from 26,099 as of March 31, 2001 to 20,750 by the end of March 2005.

COMMITTED TO IMPROVING PROFITABILITY

At the UFJ Group, a fundamental shift in business composition and introduction of revolutionary new services are to drive improvements in earning power. There are three components of this drive. First is structuring a portfolio of assets that will enable the efficient use of the group's resources. Second is increasing non-interest income to expand the reliable source of earnings. Finally, the group will pursue additional sources of earnings by launching new businesses.

A MORE PRODUCTIVE PORTFOLIO OF ASSETS

Channeling resources to carefully chosen businesses is enabling the UFJ Group to assemble an increasingly powerful earnings base. Two issues are of particular importance. One is improving the loan portfolio. The other is bringing down investments in equities by unwinding cross-shareholdings. The UFJ Group is moving quickly in both of these areas.

Accelerating the final resolution of problem loans is just one of many ways in which the group is improving the loan portfolio. For example, care is exercised to match interest rate spreads with the credit standing of each borrower. Concurrent with the decrease in the reliance on large-scale borrowers, loans to creditworthy small and medium-sized companies are growing in a manner that prudently diversifies risk exposure.

Matching Returns With Risks

Risk and Cost Adjusted Return (RACAR) management is rigorously applied to calculate appropriate interest rates and monitor profitability of loans based on the creditworthiness of each borrower along with the risk and cost associated with each loan. The UFJ Group aims to achieve higher spreads and profitability by using this system to bring down nonproductive loans.

Advancing to the Next Stage of Services for Large Companies

The corporate loan market is becoming increasingly difficult as companies tap capital markets and become more selective in the banks they deal with. The UFJ Group is prepared for this challenge. Offering settlement, cash management, investment banking, trust-related services (corporate agency, pensions, securitization, etc.) and many other services, the group can offer comprehensive solutions to almost any requirement. Increasing capital market procurement also spells opportunity: UFJ Capital Markets Securities extends underwriting and other support. Companies can also turn to the UFJ Group for syndicated loans. By pursuing these markets, the group aims to expand its base of non-interest income. Furthermore, serving the funding needs of large companies while holding down loans means that the group can increase its capital efficiency.

Strengthening the Loan Business for Small and Medium-Sized Companies

The UFJ Group is positioning small and medium-sized companies as one of its core markets. The goal is nothing less than gaining recognition as Japan's leading bank in this market sector. Generally, these companies have a high reliance on bank loans to meet their funding requirements. This sector is thus expected to account for a rising share of the group's loan portfolio. The UFJ Group will be leveraging its ability to extend a full line of assistance, from loans to sophisticated derivatives. Several examples follow.

• *Business Loans*

The UFJ Group provides loan products structured to flexibly meet funding needs of smaller companies while preserving the right balance between risk and return. A central feature of this loan is a statistical model to evaluate loan applicants, making it possible to extend financing quickly.

• *Syndicated Loans*

Widely used in North America and Europe, syndicated loans are just now gaining acceptance among Japanese companies, mainly large ones. In addition to large corporations, the UFJ Group places special emphasis on making this financing scheme available to medium-sized companies, a sector where considerable growth potential exists.

• *Leasing and Factoring*

Cooperating with such companies as Sanwa Business Credit, Central Factors and Central Leasing, the UFJ Group is able to extend companies leasing and factoring services to broaden their financing options. Efforts continue to make the line-up still more diverse. In June 2001, NBL Co., Ltd. became a subsidiary of Sanwa Bank. This move allows the group to extend vendor leasing programs, a useful source of small-scale financing, directly to its small and medium-sized corporate clients.

More Loans to Individuals

The UFJ Group plans to increase loans to individuals. Particular emphasis is being placed on housing loans, as the credit quality of these loans is relatively high and earnings are stable. Competitive housing loan products and services will contribute to market share gains.

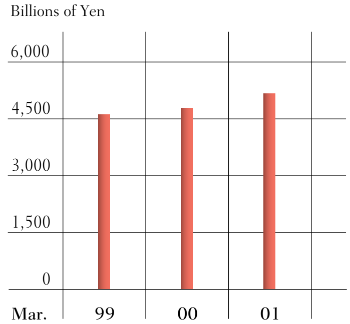
Shortening the time required for housing loan approvals is essential to improving services. To gain expediency, the group has adopted an auto-scoring system and refined its administrative and credit investigation processes. Processing time has fallen sharply. Instead of waiting one or two weeks, customers can now obtain a response in just three days.

A risk modeling system employs financial statistical methodology to set interest rates to match risk. With this technology, the UFJ Group can provide a wider array of distinctive housing loan schemes. Efficient back-office processing cuts costs, making it possible to set interest rates at highly competitive levels.

Housing loans are made available through many channels. The largest is the group's balanced branch banking network mainly in the Tokyo, Osaka and Nagoya areas. There are more than 80 specialized outlets nationwide that support growth in housing loans by reinforcing relationships with developers and real estate brokers, the most important routes for banks to serve new housing loan borrowers. Customers also have access to a UFJ housing loan specialist after business hours and on weekends and holidays. An Internet service is available, too. Backed by this expansive network, Sanwa Bank, Tokai Bank and Toyo Trust increased their total housing loans by ¥383.8 billion, to ¥5,177.3 billion during the fiscal year ended March 31, 2001.

Other types of loans to individuals are also targeted for growth. Spearheading this drive is MOBIT Co., Ltd., a company that Sanwa Bank formed jointly with consumer finance companies. The One-to-One marketing program, which draws on customer relationship management expertise, will also be a driver for the UFJ Group to expand loans to individuals.

Housing Loans
Billions of Yen



Bring Down Equity Investments

Financial deregulation and other events in Japan in recent years have reduced the need for banks to use cross-shareholdings to solidify relationships with clients for which they serve as the "main bank." Furthermore, the application of mark-to-market accounting in the fiscal year ending March 31, 2002 will create a direct link between share prices and the shareholders' equity of a bank. To reduce its exposure to stock price movements, the UFJ Group has been rapidly unwinding its cross-shareholdings. During the fiscal year ended March 31, 2001, the three banks sold shares with an aggregate book value of approximately ¥650 billion. By March 2004, plans call for equity investments, which were about ¥6.7 trillion on March 31, 2001, to fall below shareholders' equity, which was ¥4.1 trillion on March 31, 2001 on an aggregate basis.

EXPANDING SOURCES OF NON-INTEREST INCOME

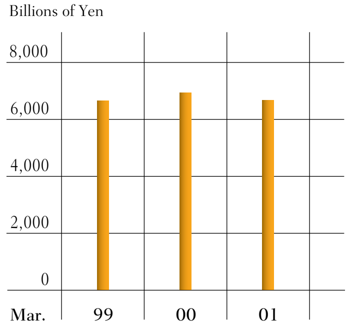
Increasing non-interest income is vital to building a more stable earnings base; one that is less susceptible to fluctuations in interest rates and other external influences. The settlement-related business, a market where the UFJ Group excels, is an important source of such income. Others include syndicated loans and other forms of fee-based credit schemes, the trust-related services of Toyo Trust, and asset management. By aggressively growing in these and other fields, the UFJ Group aims to achieve the highest non-interest income ratio among Japanese banks. Progress is already being made. In the fiscal year ended March 31, 2001, non-interest income in the corporate banking business accounted for 23% of total gross operating profit from this business, a year-on-year increase of 4 percentage points.

Settlement-Related Business

Companies of all types and sizes are seeking ways to streamline their systems for cash management. The three banks making up the UFJ Group have extensive experience in electronic banking.The *In-house Bank System* service greatly simplifies groupwide cash management for clients. The *Shukin Kaisoku* service allows a company's employees to collect payments from customers without handling cash by using a portable debit card reading terminal. These and other convenient services are behind the steady gains the group is making in the settlement-related business.

The UFJ Group is participating in the establishment of standardized platforms for electronic commerce. At this time, the group is taking part in two programs: *Bolero,* which stands for bill of lading electronic register organization; and *Identrus*, a global electronic authentication system. Another endeavor is the preparation for launch of new B2B e-commerce business models.

Equity Investments (Book Value)
Billions of Yen



A Broader Selection of Credit Options

In addition to standard loans, the UFJ Group can assist corporate clients with its expertise in syndicated loans, committed credit lines, asset-backed securities and other means of raising funds. Such schemes are positioned as the key element in the group's drive to increase non-interest income. Customers benefit by gaining more financing options, better liquidity and a more streamlined balance sheet. The UFJ Group, on the other hand, can achieve higher efficiency in the use of its assets and capital through higher fees.

Demand for syndicated loans is growing rapidly in Japan. Of particular significance is the rise in interest among medium-sized companies in addition to large corporations. The UFJ Group is placing emphasis on these loans as a means of better serving those companies.

Trust-Related Business

As a financial services group that includes a trust bank, the UFJ Group has a big advantage over many of its competitors. Toyo Trust provides sophisticated consulting and execution functions for the group's corporate clients that are preparing for an IPO or need assistance in balance sheet management. In addition to improving services for customers, this field also represents a major means to increase non-interest income for the UFJ Group.

• *Corporate Agency Business*

The launch of the Mothers and Nasdaq Japan markets for venture businesses is giving even more companies in Japan the opportunity to go public. This points to more growth in demand for corporate agency services. Ranking among Japan's leaders in stock transfer agency, dividend payment, shareholder registration and other essential corporate services, Toyo Trust is well positioned to capitalize on growth opportunities.

• *Pension Services*

Dramatic changes are taking place in Japan's corporate pension market, including the requirement to place pension liabilities on balance sheets. Companies are in need of increasingly diverse and sophisticated support, extending from asset management to the administration of pension plan participants. Through Toyo Trust, the UFJ Group is able to extend a full line of assistance, including services demanding highly specialized knowledge, to its customer base, which was significantly expanded by the integration of the three banks. In addition, the UFJ Group is active in new areas such as retirement benefit trusts, defined contribution pension plans and master trusts.

• *Real Estate Services*

Recent revisions to Japan's laws concerning the securitization of real estate have led to the steady expansion of this market. In a particularly noteworthy development, Japan for the first time opened up the market for real estate investment trusts (REIT) in November 2000. Utilizing the expertise of Toyo Trust in real estate-related services, the UFJ Group plans to play an increasing role in the J-REIT market.

• *Securitization Business*

The UFJ Group is experienced in the securitization and sale of monetary, tangible and other types of assets, utilizing the trust and other functions of Toyo Trust.

Asset Management Business

All asset management activities of the three banks' subsidiaries have been integrated into two companies: UFJ Asset Management and UFJ Partners Asset Management. The first company, as an investment advisory company, handles asset management mainly for corporate and public pension funds in conjunction with Toyo Trust. The other specializes in investment trust management. Dividing these two functions better enables the group to extend quality services closely tailored to specific asset management requirements.

For asset management business, Toyo Trust offers both active and passive investment styles, plays a central role in determining asset allocations and provides consulting services pertaining to pension systems. As an investment advisory company, UFJ Asset Management offers distinctive active management styles for equities and other assets. As of March 31, 2001, Toyo Trust had ¥8.6 trillion in funds under management and UFJ Asset Management (on a combined basis of its predecessors) had a portfolio of ¥1.7 trillion.

Centralizing all investment trust management services in UFJ Partners Asset Management provides a base for an even broader range of products. In terms of assets under management, this new company ranks fourth in Japan. As of March 31, 2001, UFJ Partners Asset Management (on a combined basis of its predecessors) had a portfolio of ¥3.0 trillion in funds under management. With a single organization for all investment trust management activities, the UFJ Group is better able to offer an even more competitive lineup of funds. This company aims to increase assets under management by reinforcing its ability to supply products to the three banks and TSUBASA Securities, as well as by expanding marketing channels outside the group.

Sales of Investment Trusts and Insurance Policies

In Japan, banks were allowed to begin selling investment trusts to customers in December 1998. As of March 31, 2001, Japanese banks had total balance of ¥8.8 trillion in investment trusts. The total balance of the three UFJ Group banks amounted to ¥1.04 trillion, including sales through diversified channels such as ATMs, the Internet and other platforms, as well as at branch offices. The group is handling a broad line-up of products offered solely by the UFJ Group and managed by UFJ Partners Asset Management and many other asset management companies.

Sales of insurance policies by banks in Japan began on a limited basis from April 1, 2001. The UFJ Group sells the policies of several property and casualty insurers. Included in this policy line-up are long-term housing loans fire insurance and overseas travel insurance. With more deregulation foreseen, the UFJ Group will retain its aggressive stance to position insurance products as a key element of its comprehensive financial services package.

Opening New and Innovative Channels to Reach Customers

DEVELOPING DIRECT CHANNELS

TELEPHONE AND INTERNET BANKING

Both telephone and Internet banking have been attracting a growing number of customers. Products and services provided through these channels are growing, too. Initially, usages were limited to simple tasks such as fund transfers and account inquiries. Today, users can perform almost any banking task that does not require handling cash.

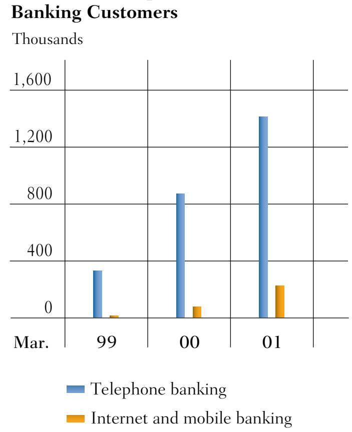
Sanwa Bank began offering telephone banking in 1997; Tokai Bank and Toyo Trust launched their services in 1998. Although available for only a few years now, the three banks' telephone banking users had grown to 1.58 million as of June 30, 2001.

Internet banking started in 1998 at Sanwa Bank and 2000 at Tokai Bank. To enhance convenience and security, Sanwa Bank's service adopted the Secure Sockets Layer (SSL) system in March 2000. This technology maintains a high level of security yet does not require any extra software. The introduction of sophisticated security software led to rapid growth in the number of users. Sanwa Bank and Tokai Bank also offer banking services via mobile phones using such services as i-mode, EZweb and J-SKY. Here too, the user base has expanded steadily since the 1999 introduction of these services. As of June 30, 2001, the total number of customers using Internet and mobile phone banking services at the two banks had grown to 290,000.

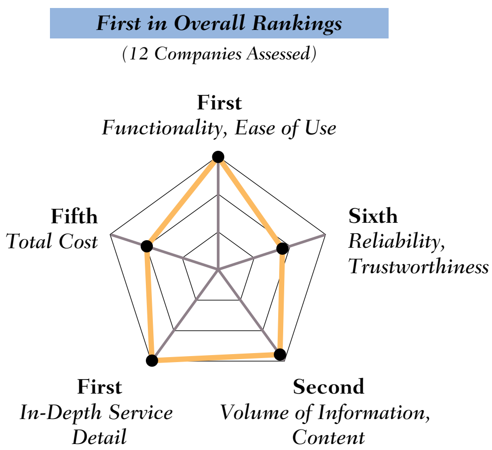
One of Sanwa Bank's Internet services allows customers to view their "All One" account statements and provides consultation services about the bank's selection of loans. In May 2001, Sanwa Bank began utilizing digital broadcasts from satellites to offer TV banking. With this service, customers can simply use their TV remote control to view balances and transfer funds.

The UFJ Group will continue to devise more ways to make direct banking services easier to use regardless of the time of day or a customer's location.

Number of Telephone and Internet Banking Customers



• **Assessment of Sanwa Bank's Internet Banking Services by an Online Services Research Organization**



Source: Gomez, Inc. Website
Survey Conducted: June 8, 2001

SANWA BANK'S INTERNET BRANCH OPENS FOR BUSINESS

In June 2001, an Internet Branch opened its doors on Sanwa Bank's Web site. Extending competitive products and services to customers who seek the best interest rates and fee structures is one objective. Another goal is broadening the array of online services to include foreign currency deposits, investment trusts, card loans and other items.

Several major and regional banks in Japan have set up subsidiaries and branches dedicated exclusively to Internet banking. Entrants from outside the banking industry are also appearing. As competition intensifies, the UFJ Group is determined to retain a powerful market position by extending online services that save customers time and money.

INTERNET SETTLEMENT SERVICES

In November 2000, Sanwa Bank began offering two services, the *Sanwa Net Payment* service (EDI) and the *Direct Deduction Application Service*, to make it easier for Internet shoppers to pay for their purchases. In July 2001, Sanwa Bank launched *Net Debit*, a simple, convenient, yet comprehensive settlement service that covers payments for everything from stocks and investment trusts to airline tickets.

INNOVATION IN BRANCH BANKING

FRESH IDEAS AT CONVENTIONAL BRANCH OFFICES

Bank branches need to satisfy customers in terms of operating hours, location and many other ways. And now that so many services are available over the telephone or Internet, customers are increasingly turning to branches for consulting services. Well aware of its customers' needs, the UFJ Group is approaching the optimization of its branch network from many angles. The introduction of the new *FITS21* branch operating system reduces branch-level processing tasks, allowing branch personnel to spend more time on consulting services for customers. Further enhancing consulting capabilities is the posting of specialists in asset management and other fields.

New formats for service outlets is another theme. For housing loans, Sanwa Bank has opened its first *Loan Plaza*; Tokai Bank has two *Loan Shops*, also devoted solely to these loans. For foreign exchange, both banks are opening shops exclusively for this service in airport terminals and shopping areas. To reach customers in more locations, both banks have, since October 1998, been opening offices inside shopping malls. Four such offices are now open, offering mainly loans, asset management and other services, on a seven-day basis.

To heighten convenience for customers and utilize space more productively, Sanwa Bank and Toyo Trust currently operate two branches jointly: one in Tokyo and the other in Osaka. Serving the investment needs of high-net-worth individuals is the main goal. Illustrating another form of cooperation, Sanwa Bank and TSUBASA Securities have opened branches in a single location in central Osaka.

NEW APPROACHES TO USING AUTOMATED LOCATIONS

Complementing the UFJ Group's full-service branches is an enormous network of service locations equipped with ATMs. As of March 31, 2001, Sanwa Bank, Tokai Bank and Toyo Trust had a total of 1,513 automated locations. The UFJ Group has increased locations where the group's customers can use ATMs through tie-ups with the Postal Savings System and consumer credit and finance companies. A recent trend is the growth in ATMs at convenience stores—best illustrated by IYBank Co., Ltd., a subsidiary of Ito-Yokado Co., Ltd., whose ATMs are located in Seven-Eleven convenience stores. The advent of these new competitors means that the UFJ Group's automated services need to be expanded significantly beyond the current focus on cash, withdrawals and fund transfers.

The ATMs of Sanwa Bank and Tokai Bank already handle foreign currency transactions. Sanwa Bank's machines have also been selling investment trusts since September 2000. The market's direction is clear: ATMs can no longer function solely as places to withdraw cash. In the near future, banks may very well be positioning automated locations as one of their key marketing tools. In response, the UFJ Group plans to conduct tests that may lead to the provision of tailor-made services through ATMs to each customer by drawing on the group's immense database.

INTRODUCTION OF NEW CUSTOMER RESPONSE SYSTEM

The full-scale introduction of Sanwa Bank's new customer response system commenced in April 2001. Utilizing a newly developed *ACM* (Automatic Consulting and Contract Machine), the bank is capable of extending customers the same level of services that a full-service branch offers. TV telephones allow customers to converse with bank personnel about setting up accounts, loan applications and many other subjects. Covering various clerical procedures as well as consulting, the new service is available every day of the week, including Saturday and Sunday as well as in the evening. Customers greatly appreciate the extended operating hours. The new system was first installed at about 70 Sanwa Bank offices. By September 30, 2001, approximately 80% of Sanwa Bank's branches and sub-branches—a total of about 240 locations—are to be offering this service. And the UFJ Group is now considering making the service available at Tokai Bank branches.

New Business Models for Financial Services

ONE-STOP SHOPPING FOR FINANCIAL SERVICES— "FINANCIAL ONE" ALLIANCE

Why the Financial One Alliance Was Formed

Financial One brings together the resources of Sanwa Bank, Tokai Bank, Toyo Trust and four companies from other areas of the financial services sector, including securities, life insurance, and property and casualty insurance. Centered on retail services and asset management products, the alliance is a seamless platform that draws on the specialized skills of each partner. Backed by these combined resources, the alliance will provide a comprehensive source of financial services, extending far beyond conventional market boundaries.

In addition to the three banks, alliance partners are TSUBASA Securities Co., Ltd. (an affiliate of Sanwa Bank), Daido Life Insurance Co., The Taiyo Mutual Life Insurance Co. and NIPPONKOA Insurance Co., Ltd., which was formed in April 2001 through the merger of two existing alliance partners. In addition, three companies participate in the alliance in the form of full cooperation: JCB Co., Ltd. and Million Card Service Co., Ltd., two prominent issuers of credit cards, and Aplus Co., Ltd., a major consumer credit company.

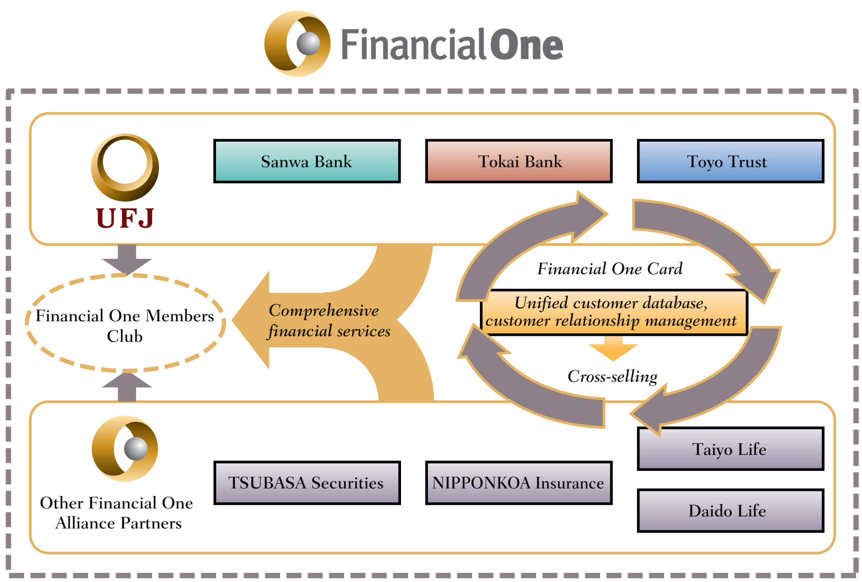
The Financial One Card Makes Its Debut

Unifying the customer bases of each alliance partner is a central objective of Financial One. Cross-selling various products and services will enable the alliance to build more long-term customer relationships rooted in a broad range of transactions. Alliance partners had sought effective ways to share customer information among themselves, while carefully examining legal issues with respect to methods to protect and ensure the privacy of customers. This led to the October 2000 integration of credit card operations of the alliance partners in the newly formed Financial One Card Co., Ltd., a credit card company that functions as the gateway vehicle for the alliance. Cards are to be employed as a medium for centralizing the management of the customer data of each alliance partner. Analysis of this database will make it possible to offer even more suitable and diverse products and services that best match the needs of individual customers, based on their age and other characteristics. So innovative is this idea that a patent application has been submitted.

Upon its inception, Financial One Card established the *Financial One Members Club* and began extending unique services to club members, to whom membership cards with a credit line and other functions are issued. Members are

Financial One
The Alliance for the Future

Sanwa Bank
TOKAI BANK
TOYO TRUST
TSUBASA SECURITIES
TAIYO-LIFE
DAIDO
DAIDO LIFE
NIPPONKOA INSURANCE



thus given an incentive to increase their financial transactions with Financial One companies. Each time they use their cards to purchase products and services, both financial and non-financial, of Financial One partners and affiliated companies, points are awarded that can be exchanged for cash rebates or gift certificatates.

Another valuable benefit of club membership is access to a range of consulting services, such as an asset formation simulation, and the ability to receive a single statement covering all Financial One alliance transactions. Following the March 2001 commencement of cooperation with Million Card Service, the Financial One Card is now able to offer customers cards bearing the JCB, VISA or MasterCard symbol. To support steady growth in the number of cardholders, which is crucial to the success of this business model, Financial One will continue seeking ways to extend still more types of financial services to customers as deregulation progresses.

In January 2002, Financial One Card is to merge with Million Card Service to form UFJ Card Co., Ltd. The addition of Million Card Service, which serves 4.29 million cardholders, will dramatically enlarge the scale and potential for future development of this business.

THE CREATION OF A NEW TYPE OF LOAN MARKET — MOBIT

In Japan, banks have been unable to fully meet their customers' demands for consumer loans. The main obstacles were a lack of expertise in evaluating loan applications and the inability to offer loans with the necessary level of convenience. Despite these obstacles, banks have become extremely interested in the consumer loan market due to its growth potential and profitability. To address this issue, Sanwa Bank joined forces with two consumer finance companies, Promise Co., Ltd. and Aplus Co., Ltd., to form a consumer loan company called MOBIT Co., Ltd. in May 2000. The new company serves market segments that banks, consumer finance and consumer credit companies have not been targeting. Tapping the experience of its three shareholders, MOBIT is creating an entirely new market sector for consumer loans by offering unprecedented convenience. At the heart of this initiative is MOBIT's ability to combine the widely recognized and trusted Sanwa Bank name with the marketing and credit analysis expertise of consumer finance companies.

MOBIT concentrates mainly on revolving loans with credit lines of between ¥300,000 and ¥3 million and annual interest rates of between 15% and 18%. Customers can submit loan applications by phone, fax, the Internet and other means. Due to MOBIT's strategic advertising campaign and measures to enhance customer convenience, loan applications and the balance of outstanding loans have been growing steadily since operations began in September 2000. As of March 31, 2001, there were about 42,000 customer accounts and outstanding loans of ¥20.1 billion.

Guaranteeing the consumer loans of regional banks is another growing business at MOBIT. The company has already signed agreements to handle the guarantee operations of a number of these banks. The service line-up is increasing, too. For example, MOBIT has entered into alliances with used car sales companies to finance their customers' purchases. These activities illustrate the UFJ Group's commitment to going beyond the standard boundaries of banking to offer greater convenience for customers.

A BROADER BASE FOR INTERNET SECURITIES SERVICES — kabu.com Securities

Japan's Internet securities service population is currently about 1.9 million, with still more growth expected. To serve these investors, Sanwa Bank, TSUBASA Securities, Toyo Trust and others joined forces to establish eWing Securities Co., Ltd., which started operation in April 2000. Customer accounts stood at about 27,000 as of December 31, 2000.

To overcome challenges posed by intensifying competition and to better offer services to meet customers' demands, eWing Securities merged with Japan Online Securities Co., Ltd., an affiliate of ITOCHU Corporation, which also had 27,000 customers as of December 31, 2000. The result was the birth of kabu.com Securities Co., Ltd. in April 2001. By the end of June 2001, kubu.com Securities had about 75,000 customer accounts, fifth highest among companies specializing in the online securities business in Japan. Fusing the diverse product line-up of eWing Securities with the sophisticated technology of Japan Online Securities will enable the new company to play an important part alongside TSUBASA Securities in the UFJ Group's retail securities strategy.

INTERNET-BASED MANAGEMENT ASSISTANCE FOR SMALLER COMPANIES — JBP

The proliferation of digital networks is making this technology critical to the competitive positions of smaller companies as well as large corporations. To provide the necessary support, Sanwa Bank, Tokai Bank and Toyo Trust cooperated with 24 prominent companies representing various fields to establish JBP Co., Ltd. Through its *J-MOTTO* service, JBP uses the Internet to supply a variety of assistance to its members, all of which are small and medium-sized companies. One focus is the Internet, including the structuring of internal networks, the launch of Web-based businesses and the handling of information more efficiently. Another objective is helping members achieve their business goals. This comprehensive management assistance service has several other useful functions: support for sales activities, cost reduction programs and measures to raise efficiency. Having positioned the corporate middle-market as a core market, the UFJ Group will continue to explore ways to serve this customer segment outside the bounds of traditional banking services.

LEASES FOR SMALL AND MEDIUM-SIZED COMPANIES — NBL

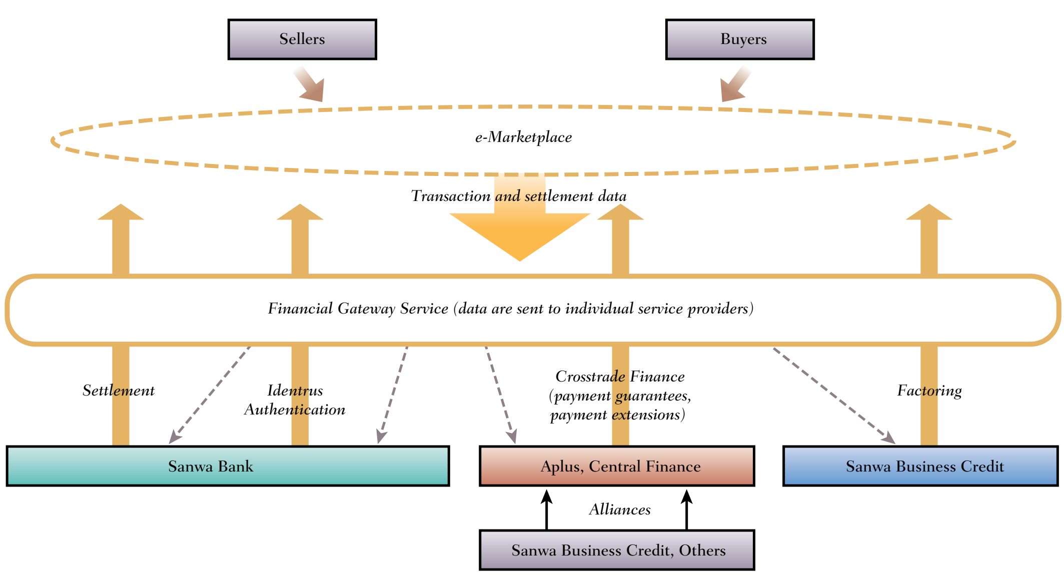
In June 2001, NBL Co., Ltd. became a subsidiary of Sanwa Bank through a private placement of common stock. The UFJ Group thus gained a valuable means of meeting the funding needs of smaller companies. NBL was formed to handle the leasing assets of Nippon Shinpan Co., Ltd., Japan's leading consumer credit company. The new subsidiary is particularly adept at handling small leases, mainly through alliances with vendors. NBL will combine the expertise and large network of vendor relationships cultivated by Nippon Shinpan with the resources of the UFJ Group to become still more competitive in this profitable segment of the leasing market. In addition, the UFJ Group regards NBL's customer base of 340,000 companies as a valuable asset in implementing its strategy of targeting financial services for small companies.

THE UFJ GROUP AND B2B E-COMMERCE SERVICES

Targeting the enormous growth foreseen in the B2B e-commerce market, the UFJ Group is building a framework for the provision of a variety of essential financial services. At the heart of this drive is the *Financial Gateway* service of UFJ Group member UFIT Co., Ltd. Introduced in August 2001, this service combines authentication, financing, settlement and rationalization of clerical tasks in a single package by distributing data involving various e-marketplace transactions among members of the UFJ Group as needed. Other services are being added as required. Two examples are Identrus authentication and settlement-related functions such as escrow. Users can also add *Crosstrade Finance*, a newly developed product for making B2B financing and clerical tasks much more efficient. The UFJ Group aims to leverage expertise in financial services and other forms of support for e-commerce, chiefly for large companies, to serve corporate clients in still more ways.

CROSSTRADE FINANCE

Sanwa Business Credit, Aplus, Central Finance and other companies closely associated with the UFJ Group jointly developed *Crosstrade Finance*. Credit investigation methods are significantly improved to enable the instant approval or rejection of credit for B2B e-commerce, a market where a single transaction often requires a large payment. For buyers, *Crosstrade Finance* offers the ability to extend the payment deadline. For sellers, *Crosstrade Finance* can liquidate receivables, guarantee payments and collect payments. Combining Sanwa Bank's strength in escrow technology with a sophisticated credit authorization service gives *Crosstrade Finance* a unique position in the B2B marketplace. Better still, *Identrus* compatibility and other attributes allow the scope of this new service to be expanded with ease.



IT and the UFJ Group

A NEW PLATFORM FOR CUSTOMER SERVICE AND STRATEGIC INITIATIVES — THE NEXT-GENERATION MAINFRAME SYSTEM

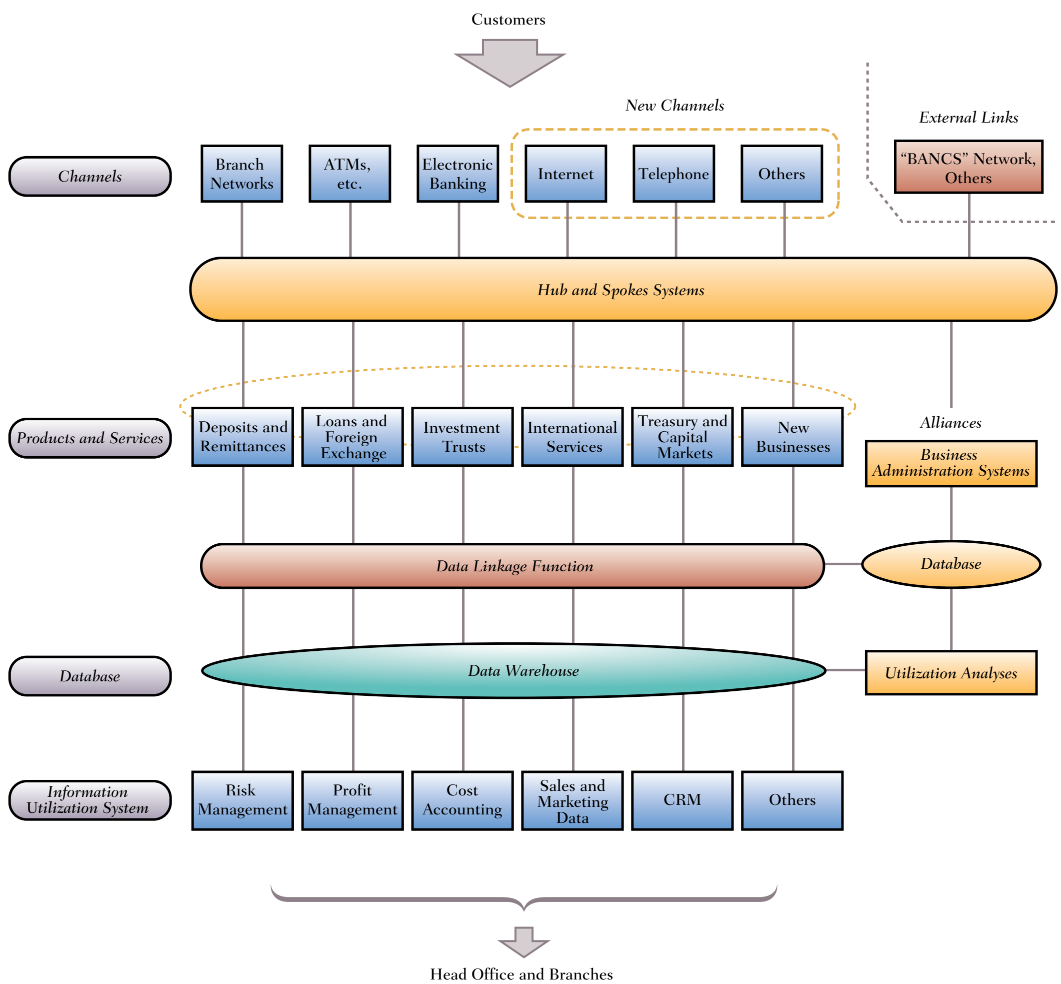
The core computer systems currently employed at major Japanese banks offer outstanding performance and reliability, but are nevertheless unable to meet all the demands posed by today's marketplace. In particular, improvements are needed with regard to adaptability. Changes in Japan's financial services landscape mean that banks must form alliances with companies in different fields and move quickly to offer innovative products and services through new distribution channels. Another weakness of existing computer systems is the storage of different types of customer and managerial data in a number of systems. This often prevents the efficient use of this data in marketing programs and management plans.

Recognizing the shortcomings of their current infrastructures, Sanwa Bank and Tokai Bank are developing an improved computer system. Installation of the new system is scheduled for January 2002, when integration of the two banks' systems is to be completed. The next-generation mainframe system will be based on the following three concepts:

- Allow customers to receive all products and services via any distribution channel.
- Centralize customer and managerial data in a single database.
- Adopt an open structure to facilitate alliances and joint ventures more easily.

To simplify system development work and subsequent revisions, the next-generation system is composed of separate components. This will add the flexibility that is critical to the launch of new businesses and to the creation of composite products, which combine several products and services. Each component is linked to the others by a "hub and spokes" framework. Adding new distribution channels and forming links with the computer systems of business partners, which include many types of financial service providers, is much easier as a result. The difference is dramatic. Until now, banks depended on a single, enormous computer system. The new system, however, will be a collection of smaller systems, an infrastructure that will give the UFJ Group much more speed in all aspects of operations.

The so-called "data warehouse" framework makes it possible to integrate and centrally manage information, both customer data and managerial information, stored by many different "component systems." Sharing and utilization of data becomes easier. With customers' permission, the UFJ Group can tap its database to offer a broad spectrum of financial services tailored to each customer's requirements.



HIGHER EFFICIENCY AND CUSTOMER SATISFACTION — FITS21 (BRANCH OPERATING SYSTEM)

Banks are constantly seeking ways to meet the conflicting goals of enhancing services for customers while simultaneously boosting operating efficiency to lower operating expenses. The new UFJ Bank, slated to begin operations in January 2002, will have a powerful ally in this drive: a revolutionary branch operating system called *FITS21* (Financial Innovation Terminal System 21). Sanwa Bank completed installation of this system in all its branches in March 2001. Tokai Bank plans to finish adopting the system by November 2001.

Featuring image processing and other sophisticated capabilities, the new system streamlines the processing of handwritten forms and other back-office tasks. Furthermore, electronic verification of work makes possible a higher degree of centralization of back-office functions. Time required for clerical work at branches is much lower; at the same time, centralization means that fewer people are needed to perform the same volume of work. Yet another advantage is a reduction in the amount of space needed by each branch. Naturally, less clerical work frees up branch office staff members to spend more time working directly with customers, thereby enhancing services of all types. With this technology, the new UFJ Bank will undoubtedly have a valuable competitive edge over other banks from the very beginning.

THE UFJ GROUP MANAGEMENT SYSTEM

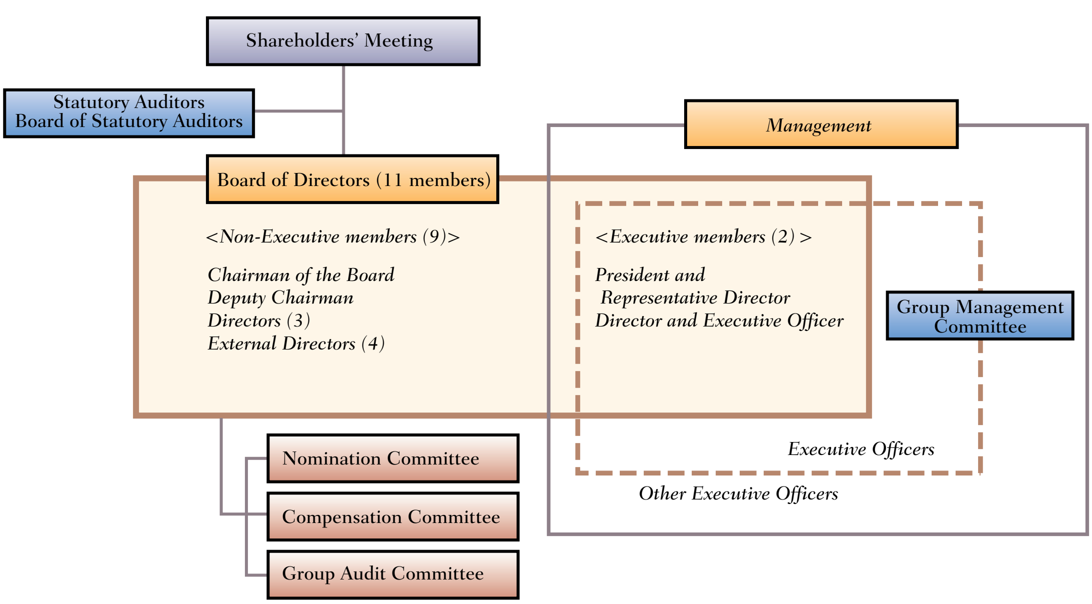
The UFJ Group has established an effective management system, which will enhance fairness and transparency in management as well as maximize efficiency in the group's activities, aiming to achieve the highest stockholder value.

FRAMEWORK OF CORPORATE GOVERNANCE AND MANAGEMENT

At the UFJ Group, decision-making regarding strategies, management policies and corporate governance are the responsibilities of the Board of Directors, while the execution of strategies and policies is the responsibility of executive officers. The board refines and approves or rejects proposals from the management. The board is also charged with monitoring the UFJ Group's management and motivating the management to perform well through its power to make appointments and set remuneration. For this purpose, nine of UFJ Holdings' eleven directors are non-executive directors who can devote themselves exclusively to their responsibilities as board members. Furthermore, four of the non-executive directors come from outside the UFJ Group. This commitment to bolstering the board's corporate governance function is one of the most important distinguishing characteristics of the UFJ Group's management system.

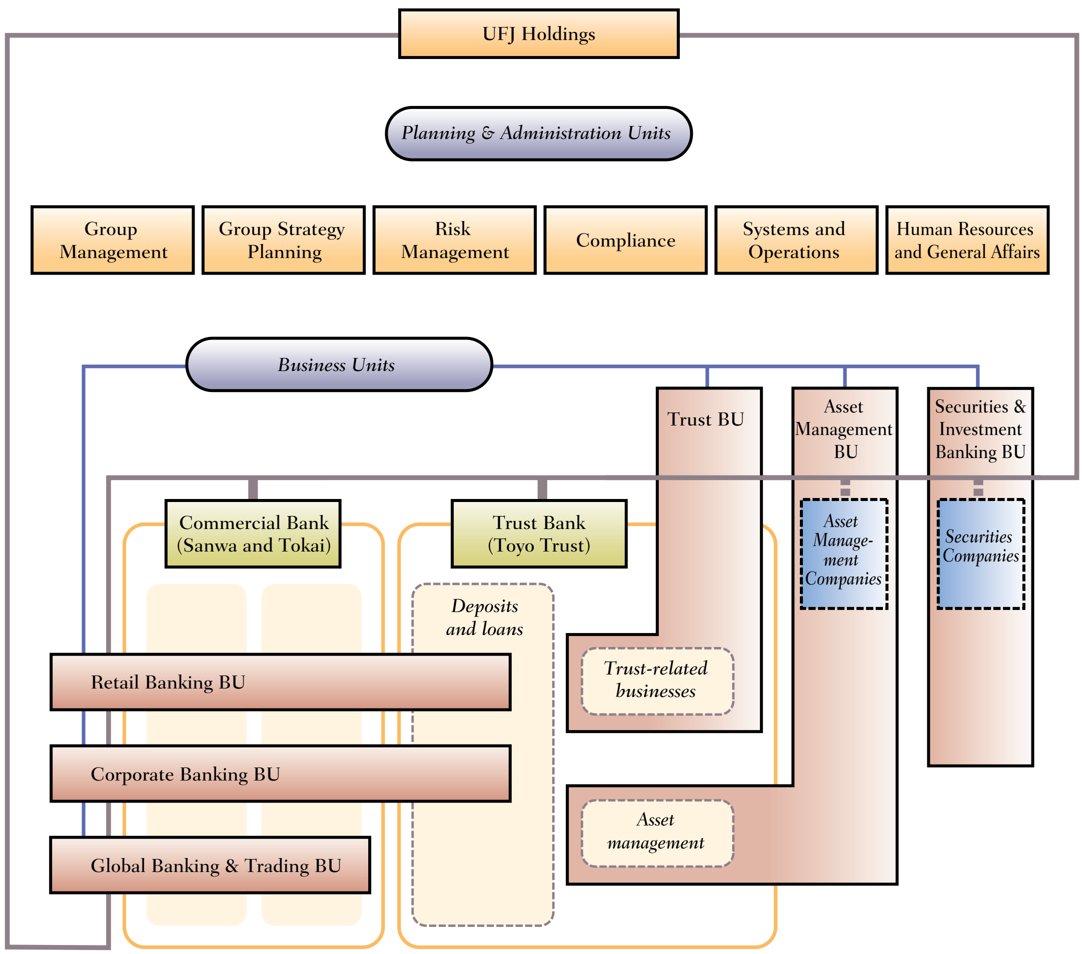
UFJ Holdings has adopted a structure in which executive officers are responsible for executing strategies and policies. At the same time, a Group Management Committee has been established to provide assistance to the president. This system facilitates the speedy execution of management functions within the group.

Three sub-committees of the Board of Directors have been formed. The Nomination Committee and the Compensation Committee ensure that appointments of directors and executive officers and the determination of their compensation are performed in a fair and transparent manner. Furthermore, the Group Audit Committee assists the Board of Directors in their duty to oversee the activities of the group's management.



PLANNING & ADMINISTRATION UNITS AND BUSINESS UNITS

Planning and administration for the entire group are performed by six planning and administration units that have been established at the holding company. Furthermore, to function as a comprehensive financial group, the business activities of group companies have been divided into six business units depending on the customers they serve and functions they perform. This system provides a base for making each business unit more competitive.



Retail Banking BU: *Individuals and small businesses*

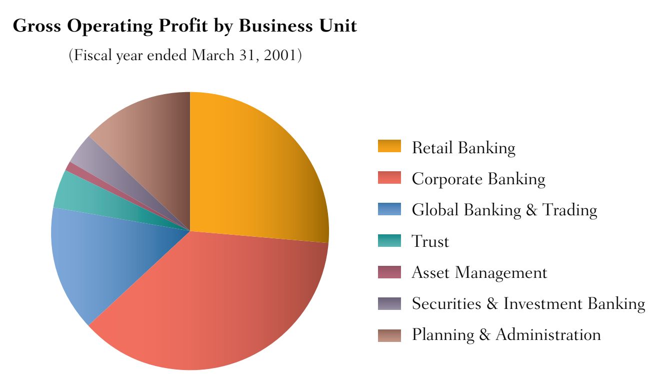
Corporate Banking BU: *Large companies, listed companies and small and medium-sized companies*

Global Banking & Trading BU: *Market-related business, investment banking-related business and overseas commercial banking*

Trust BU: *Corporate agency, pension-related, real estate, asset securitization, private client and securities-related businesses*

Asset Management BU: *Investment trust management, pension fund management, investment advisory services*

Securities & Investment Banking BU: *Retail and wholesale securities*



INDICATORS FOR MANAGING GROUP ACTIVITIES

To maximize shareholder value, UFJ Holdings manages the performance of all business activities by allocating resources, monitoring and evaluating performance, and compensating employees. To heighten the fairness and objectivity of group management functions, three clearly defined management indicators have been established: Risk and Cost Adjusted Return (RACAR), Risk-Adjusted Profit Ratio and Economic Profit. These indicators are used to monitor the profitability of individual businesses as well as appropriately manage the group's business portfolio while taking risks and costs into consideration.

■ *Risk and Cost Adjusted Return (RACAR)*

Maximizing returns compared with risk

This figure represents the earnings after adjustment of expenses and credit risk costs. The UFJ Group uses RACAR to maximize returns in relation to risks taken on.

▪ *Risk-Adjusted Profit Ratio (equivalent to ROE)*

Heightening returns on capital

The Risk-Adjusted Profit Ratio, which is equivalent to ROE, is obtained by dividing RACAR by the applicable risk capital. By using this indicator, the UFJ Group strives to conduct business activities efficiently in relation to the amount of risk capital allocated from the holding company, based on the suitable recognition of the volume of risk assumed by each unit. Each unit conducts business activities based on its allocated risk capital, aiming to utilize the capital in the most efficient manner.

▪ *Economic Profit*

Creating and maximizing corporate value

Economic Profit is value added from the standpoint of shareholders. This profit is obtained by deducting the cost of capital from net income. Using this indicator, the UFJ Group will create and maximize corporate value by conducting business activities in a manner that reflects the cost of capital.

INTERNAL CONTROL FRAMEWORK OF THE UFJ GROUP

As a purveyor of a broad range of financial services, the UFJ Group, in the process of conducting its business activities, takes on various forms of risk in pursuit of maximizing its corporate value. To control risk exposure in an appropriate manner, a risk management framework based on a consistent philosophy is essential. Furthermore, the UFJ Group takes a rigorous approach to compliance, regarding this issue as not only a matter of strict compliance with laws and regulations, but also to comply with the group's internal rules and social standards. Through its compliance programs, the UFJ Group is determined to be recognized as a financial group that excels in terms of fairness and transparency.

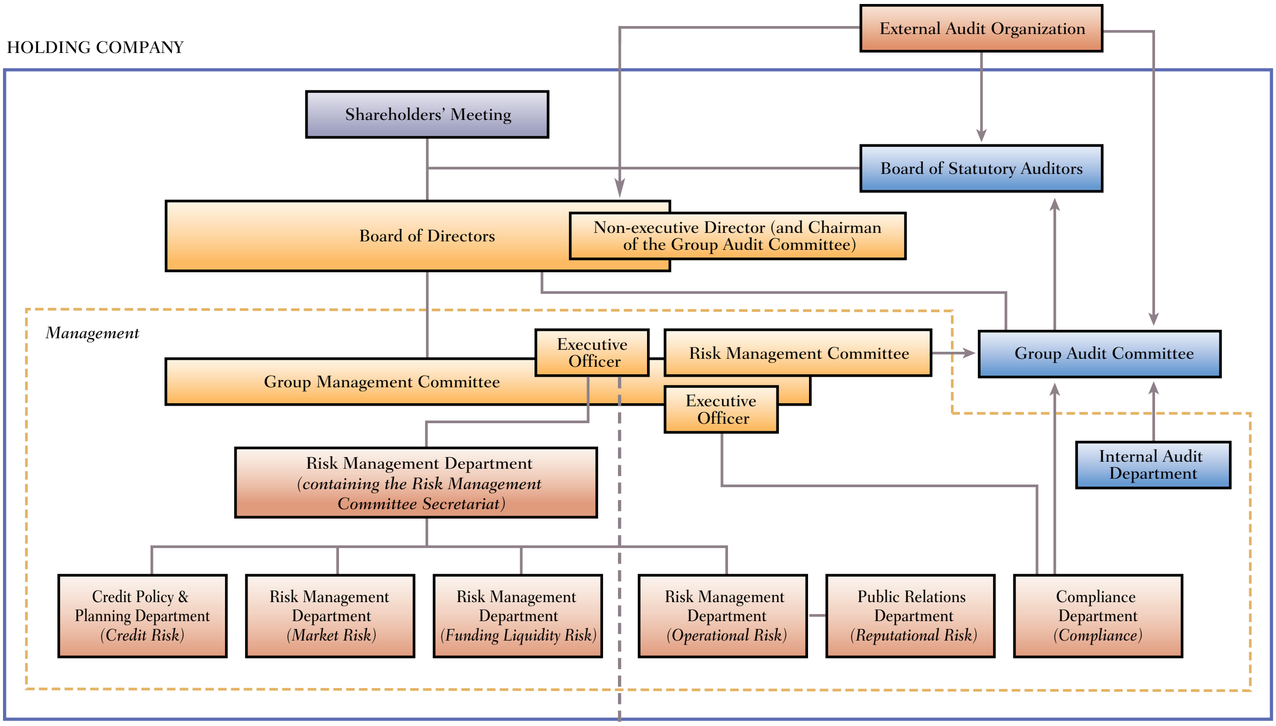
Based on this thinking, UFJ Holdings positions risk management and compliance as the primary means of internal control with which to conduct the group's business activities properly.

Under the management system of UFJ Holdings, the Board of Directors serves as the highest authority for corporate governance. Functioning as a policy decision-making and management supervisory body, the board has a role that is clearly separate from the day-to-day management of the group. The Board of Directors approves key Risk Management Policies and Compliance Standards, the highest level guidelines governing all risk management and compliance activities throughout the group. The board reviews these periodically.

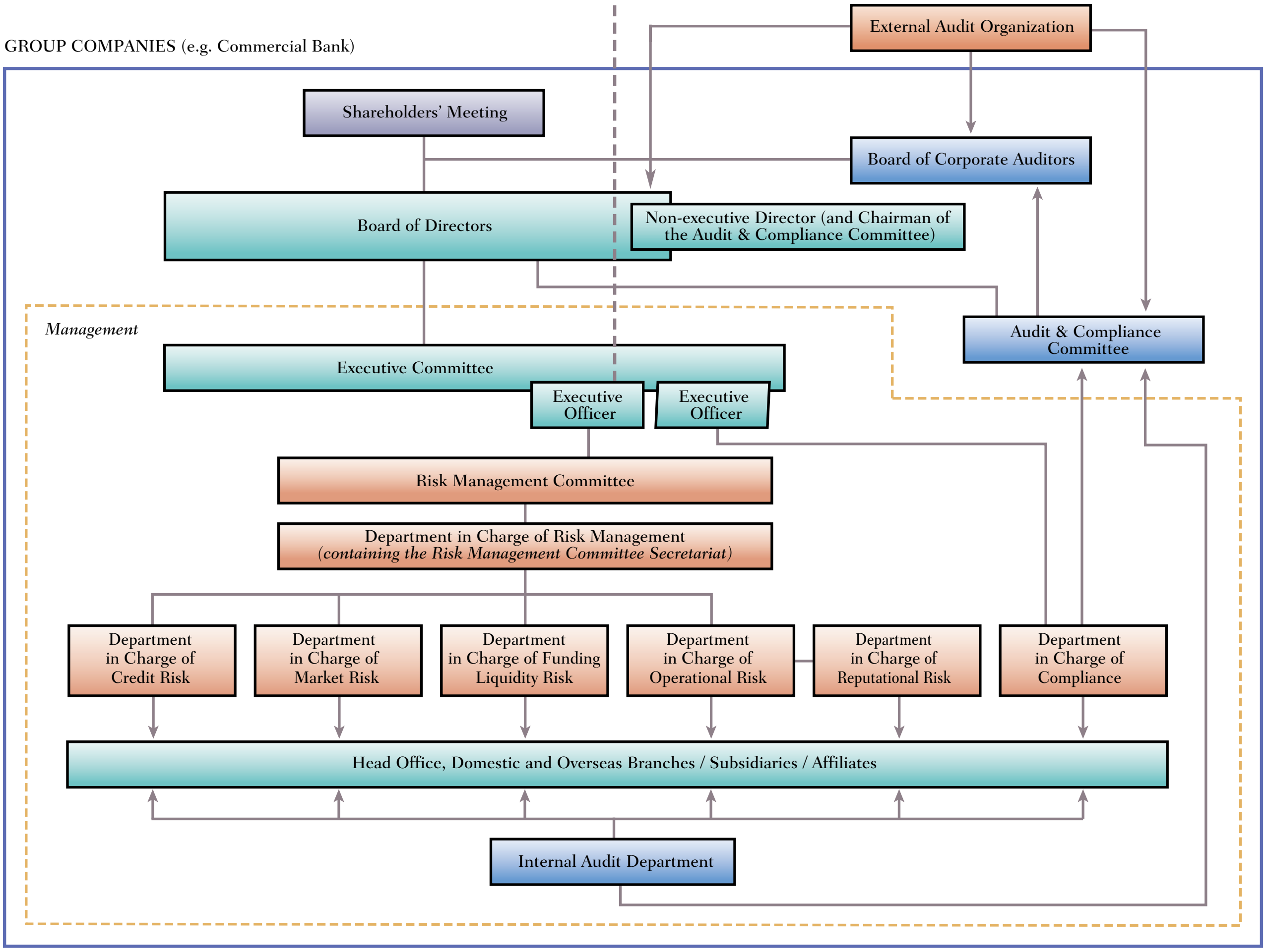
Based on this commitment by the Board of Directors, risk management and compliance frameworks are clearly positioned as the most important activities in the day-to-day management of the UFJ Group. The Risk Management Departments and the Compliance Department are in charge of the independent risk controls and compliance checks, respectively.

Each UFJ Group company will continue to maintain and refine its respective risk management and compliance frameworks, which are structured to reflect the unique nature of each company's activities while complying with the key policies and guidelines set forth by UFJ Holdings. Regarding items of particular importance, such as those having a material impact on the operations of the group, companies must first consult UFJ Holdings. Group companies regularly report their internal control issues to UFJ Holdings.

HOLDING COMPANY



GROUP COMPANIES (e.g. Commercial Bank)



As a purveyor of a broad range of financial services, the UFJ Group, in the process of conducting its business activities in pursuit of maximizing its corporate value, takes on various forms of risk, namely credit risk, market risk, and funding liquidity risk. The UFJ Group's objective is not to exclude exposure to risk, but rather to control risk exposure in an appropriate and efficient manner. From this standpoint, the UFJ Group's philosophy regarding risk management is to establish an effective internal control framework and identify, control and manage individual as well as aggregate risks appropriately so as to improve the overall soundness of the group's management and to promote the group's operating efficiency.

To achieve these objectives, the group needs to apply a consistent policy to all types of risk for the purpose of suitably identifying, measuring and managing risk. Based on this approach, the UFJ Group has formulated policies and procedures to govern its risk management activities, established an independent Risk Management Unit, and continuously measures and monitors its exposure to risk. The group also places priority on the adoption of sophisticated risk management methodology such as value-at-risk and the allocation of risk capital. In this manner, the UFJ Group aims to contribute to the establishment of a global standard for risk management.

RISK DEFINITIONS

The UFJ Group defines risk as "factors that potentially cause unexpected financial losses and adversely affect the group's capital." In accordance, the group divides risk into the following categories.

Type of Risk	*Definition*
Credit Risk	Credit risk refers to the risk of financial losses in credit assets caused by deterioration of the credit condition of any counterparties. This category also includes settlement risk, which refers to the risk of financial losses that a firm incurs when it does not receive funds or instruments from its counterparties at the expected time.
Market Risk	Market risk refers to the risk of financial losses in the value of a financial position held or executed due to adverse financial market movement.
Funding Liquidity Risk	Funding liquidity risk refers to the risk of insolvency in financing assets held or the risk of financial losses caused by a higher interest rate of funding due to a deterioration of funding ability. This category also includes settlement risk, which refers to the risk of financial losses that a firm incurs when it does not receive funds or instruments from its counterparties at the expected time.
Operational Risk	Operational risk refers to the risk of direct and indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events. Due to the different causes of operational risk, it is subdivided into the following sub-factors.
Processing Risk	Processing risk refers to the risk of financial losses from failed processing due to mistakes, negligence, accident or fraud by directors, staff and other personnel within the organization.
System Risk	System risk refers to the risk of financial losses due to system and telecommunication failures, including temporary system shutdown, system malfunction, system hacking, and system disruption caused by external events.
Human Resources Risk	Human resources risk refers to the risk of financial losses due to loss of key personnel or failure to maintain staff morale.
Tangible Asset Risk	Tangible asset risk refers to the risk of financial loss or damage to tangible assets from such events as natural disasters or utility accidents.
Regulatory Risk	Regulatory risk refers to the risk of financial losses due to the change of regulatory environment, including tax systems, accounting systems, or regulatory treatment.
Reputational Risk	Reputational risk refers to the risk of financial losses from the adverse impact on the group's reputation among customers or the market due to unfounded rumors.

In addition to the above risks, the UFJ Group recognizes fiduciary duty as a trustee for trust assets, a risk that is unique to the trust business.

RISK MANAGEMENT ORGANIZATION

To ensure the proper implementation of risk management activities throughout the group, UFJ Holdings has established a risk management organization and functions, and assigned particular roles and responsibilities for each type of risk management.

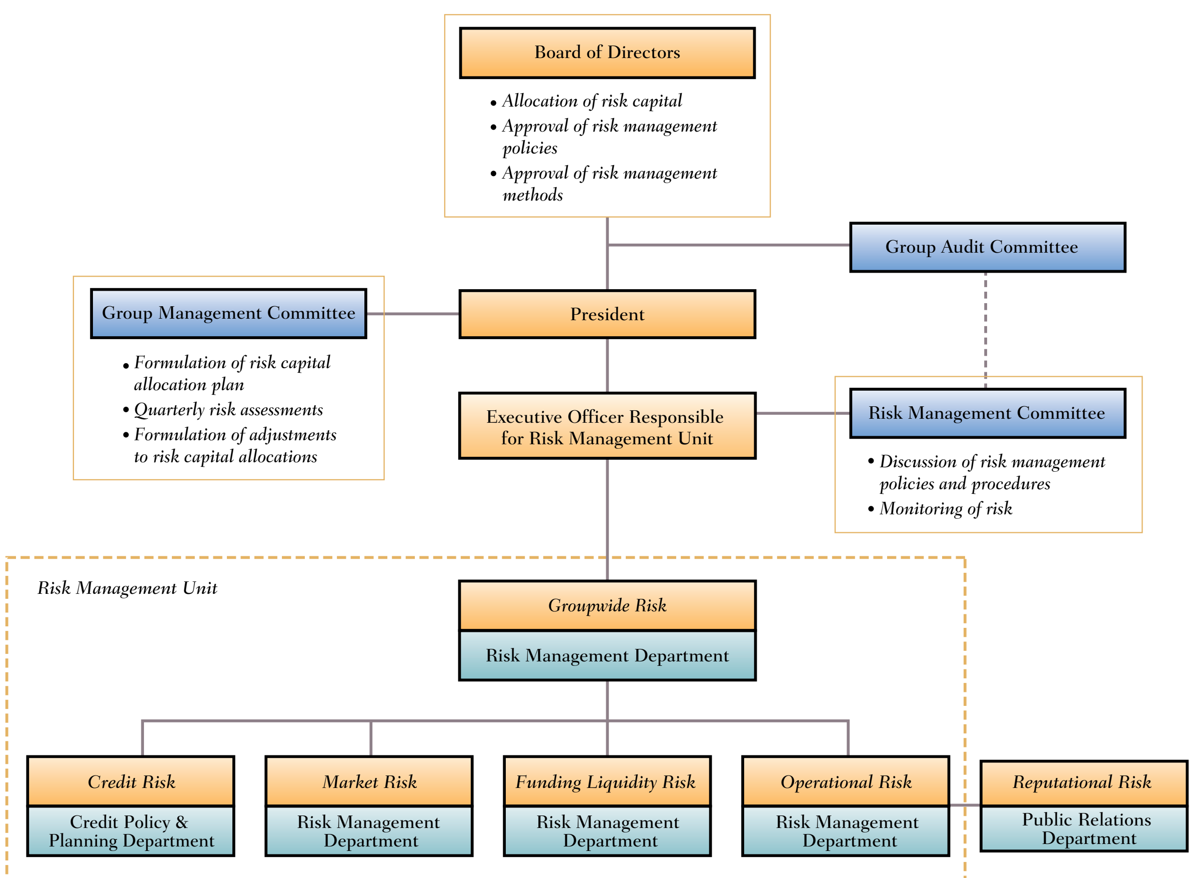
Executive Officer Responsible for Risk Management Unit

The executive officer in charge of risk management is responsible for identifying and monitoring individual and total risks taken on by the group, as well as for the appropriate management of that risk. This officer is also responsible for submitting risk reports to senior management and, as necessary, making risk management recommendations. Providing information on the management of risk capital is another role of this officer.

Risk Management Committee

This committee was established as an advisory committee to the executive officer for risk management. The committee is responsible for the review of principal risks to which the group is exposed and for ensuring the establishment and maintenance of an appropriate risk management framework for the group.

The Risk Management Organization of UFJ Holdings



Risk Management Unit

To perform risk management at the group level, UFJ Holdings has formed a Risk Management Department and charged it with the generalization of management of all types of risk, namely market risk, funding liquidity risk, and operational risk. In this regard, the Risk Management Department provides a comprehensive approach to risks, while functions specializing in each type of risk have also been formed. To provide specialized management of credit transactions, the group's core business activity, a Credit Policy & Planning Department has been established solely for the purpose of performing credit risk management. As reputational risk is closely tied to public relations activities, the Public Relations Department is responsible for managing this risk.

INTEGRATED MANAGEMENT OF RISK AND RETURN

The UFJ Group utilizes risk capital management and asset-liability management (ALM) for the purpose of maintaining the proper balance between the risks and returns associated with its business activities.

Risk Capital Management

Each business unit of the UFJ Group is allocated a specific amount of risk capital, which is determined as the maximum expected loss that could result from each risk factor associated with each business.The UFJ Group utilizes risk capital as a managerial indicator. Specifically, capital adequacy is reviewed by comparing the maximum expected losses with the capital of the group. The usage of risk capital by each business unit is also monitored. Overall, this provides a sophisticated approach to managing risks.

ALM (Risk-Return Management Policy)

The UFJ Group has a framework in which its risk management policy is applied to ALM. The group positions ALM as a comprehensive means of unifying the management of risk and return. Consequently, ALM is employed in the formulation and determination of the group's Risk-Return Management Policy, the periodic monitoring of this policy, quarterly assessments and reallocations of resources, if applicable, and evaluations of the effectiveness of the Risk-Return Management Policy.

- The Risk-Return Management Policy is proposed by the Group Management Unit based on the Risk Capital Management Policy, Credit Risk Management Policy, Market Risk Management Policy, Funding Liquidity Risk Management Policy and other procedures, which are formulated by the Risk Management Unit and approved by the Board of Directors.
- A proposal for the allocation of risk capital among business units and other units, expressed in the Risk-Return Management Policy, is approved by the Board of Directors as a part of the Risk Capital Allocation Plan, which serves as a comprehensive management plan.
- The status of risk-return management is formally monitored on a quarterly basis. Furthermore, the Risk Management Unit monitors this function on a monthly basis, thereby providing a more adaptable system.

CREDIT RISK MANAGEMENT

The UFJ Group has established adequate systems to conduct an appropriate credit risk management program, to control credit risk associated with credit-related transactions and to maximize risk-adjusted returns.

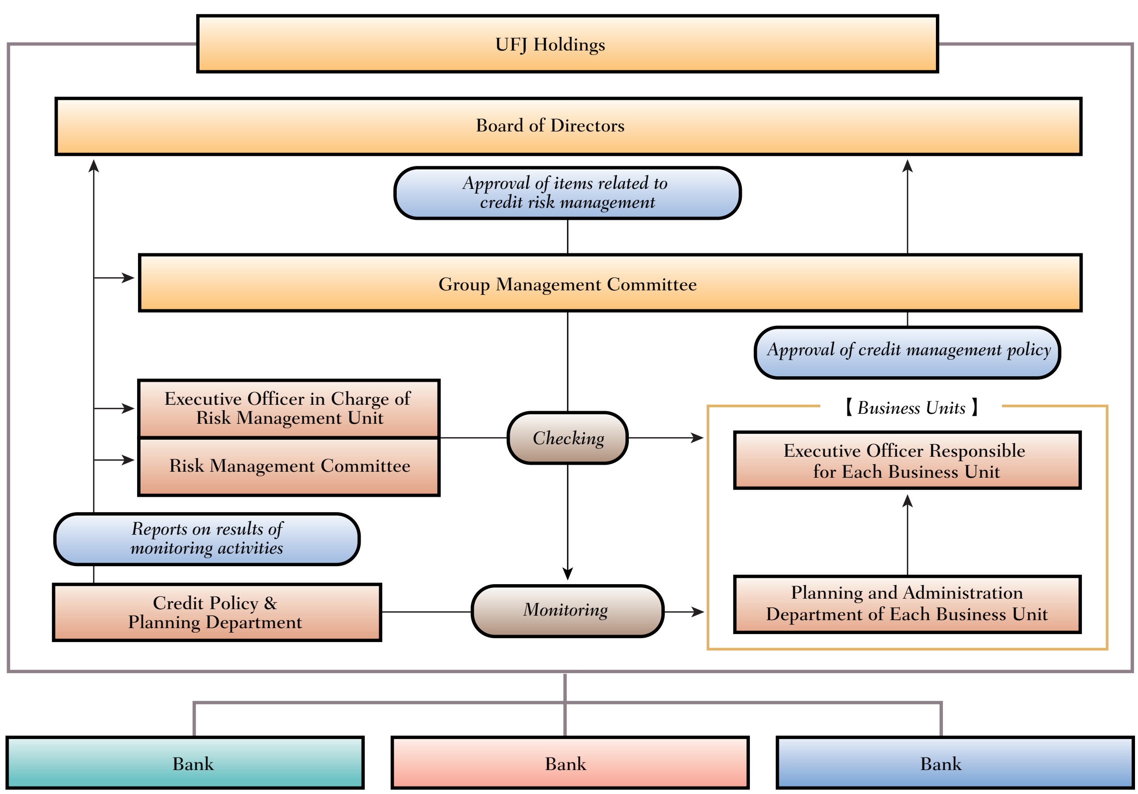
Rules for Credit Risk Management

UFJ Holdings has established the Credit Risk Management Policy to create a framework for the management of credit risk at the UFJ Group. Based on this policy, each UFJ Group bank establishes its own policies, standards and detailed rules with regard to credit risk management. The UFJ Group banks all have unified credit policies and standards for credit ratings, country ratings, credit risk quantification methodology and self-assessment.

Credit Risk Management Organization

At the UFJ Group, credit risk control is performed by the Credit Policy & Planning Department of UFJ Holdings, which is responsible for groupwide credit risk management. The results of monitoring activities are reported periodically to the Board of Directors, the Group Management Committee, the Executive Officer in charge of the Risk Management Unit and the Risk Management Committee. Similar monitoring systems are in place at each UFJ Group bank to manage credit risk.

Credit Risk Management Organization of UFJ Group



Credit Management

The UFJ Group has established Credit Limits, Industries with Credit Restrictions and Country Credit Limits for the purpose of ensuring the diversification of credit risk. Portfolio management can therefore be conducted so as to avoid an excessive concentration of credit with any particular borrower, industry, region or other parameters specified by the Credit Policy and Planning Department, if necessary.

MARKET RISK MANAGEMENT

As for market risk, the UFJ Group is establishing and operating a risk management framework able to monitor and comprehensively manage the group's exposure to market risk in a consistent manner.

Value at Risk (VAR)

The UFJ Group employs VAR— a means of calculating the maximum expected loss with one-day holding period, and one-tailed confidence interval of 99% as its common yardstick to measure market risk. To supplement VAR methodology, the group performs a variety of other forms of risk analysis. Among them are stress tests that assume extreme market volatility, interest rate sensitivity analysis, scenario analysis and earnings-at-risk (EAR) measurements for ALM.

Establishment and Monitoring of Risk Limits

The UFJ Group has established limits for market risk exposure and losses. Managing these limits enables the group to keep market risk exposure and possible unexpected losses within the amount of applicable risk capital. To deal with the risk of a decline in the group's equity to a level that would hinder operations in the subsequent six months, a warning-line guideline (management alert limit) with regard to the performance of equity holdings and other investment activities is established and monitored daily at each UFJ Group bank. This creates a system whereby a warning can be sent to senior management when needed.

Reporting

Risk exposure, performance and other items related to the market risk monitoring process are reported on a daily basis by the Risk Management Department, independent of business units, to the Executive Officer of UFJ Holdings in charge of risk management. The Risk Management Committee at UFJ Holdings discusses market risk management activities and promotes proactive risk management.

FUNDING LIQUIDITY RISK MANAGEMENT

The UFJ Group regards the implementation of a suitable funding liquidity risk management program as essential to the sound management of the entire group. As such, the group has a comprehensive framework for funding liquidity risk management, both for yen and foreign currencies.

Management by Risk Phase

To create a unified risk management framework for the entire group, the UFJ Group has categorized the environment for funding procurement into four risk phases – normal, possible, tight and crisis – depending on the probability that risks will actually materialize. Each UFJ Group bank has established clear management methods, including contingency plans, for each of these risk phases.

Preservation of Stable Cash Flows

The UFJ Group establishes limits for the estimated volume of funds that will need to be procured on the following business day, and for other related items. These limits prevent the group from developing an over-reliance on short-term funding. The group also preserves consistently adequate cash flows and liquidity by holding a sufficient volume of Japanese government bonds, U.S. treasuries and other highly liquid instruments for fund procurement in the event of a crisis.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of direct and indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk management at financial institutions has become an increasingly important issue due to the diversification in their products and services and the growing use of IT systems and networks. A draft for the new BIS capital adequacy rules released in January 2001 states that operational risk is likely to attract regulatory capital in the new BIS Capital Accord framework.

Scope of Operational Risk

Due to the different causes of operational risk, the UFJ Group divides operational risk into a number of categories: processing risk; system risk; reputational risk; human resources risk, which is risk related to a decline in morale and the loss of key employees; tangible asset risk, chiefly the risk of losses due to natural disasters; and regulatory risk, which is risk associated with changes of laws and regulations. Led by the Risk Management Department, the UFJ Group is taking steps to make its operational risk management organization and frameworks still more comprehensive and sophisticated, including procedures to facilitate the appropriate management and control of these risks.

Quantification of Operational Risk

The UFJ Group is currently improving the method used to quantify processing risk and system risk. The method incorporates past loss experience in the occurrence of processing errors, accidents and computer malfunctions, and formulates scenarios by evaluating the nature of processing and system operations and the status of applicable management systems. It allows the group to make improvements where needed based on assessments of current conditions. This not only reduces the occurrence of problems, but also makes possible the use of quantitative means to ascertain the effectiveness of improvements. Results of these quantitative analyses will also be used to efficiently allocate resources among the group's operating activities.

Monitoring Risk at UFJ Group Companies

The occurrence of processing errors and system-related problems are reported on a quarterly basis to the UFJ Holdings Board of Directors and the Risk Management Committee. Work is proceeding on a unified system for monitoring the business activities and status of processing and system management programs at all group companies. This unified system will give the UFJ Group a system capable of conducting risk management on an even more consistent basis.

REPUTATIONAL RISK MANAGEMENT

UFJ Holdings and all UFJ Group banks have formulated the Reputational Risk Management Policy. To ensure that the group quickly learns of information affecting its reputation and takes suitable actions, The Practice of Public Relations and other means are employed to make all staff of the UFJ Group's organization aware of reputational risk. Responsibility for managing reputational risk is centralized in the Public Relations Department of UFJ Holdings.

SANWA BANK RISK MANAGEMENT

RISK MANAGEMENT ORGANIZATION

Aiming to implement an appropriate risk management program, Sanwa Bank maintains the following risk management organizations. This structure makes it possible to clarify the roles and responsibilities of each organization within the risk management framework.

• *Executive Officer Responsible for Risk Management*

The executive officer in charge of risk management is responsible for recognizing and monitoring individual and total risks taken on by the Bank, as well as for the appropriate management of that risk. This officer is also responsible for submitting reports on risk management to the Board of Directors and others and, as necessary, offering advice. Providing information on the management of risk capital is another role of this officer.

• *Risk Management-Related Divisions*

Each division in charge of risk management measures and monitors risks within its jurisdiction from a completely autonomous standpoint. Each division is required to submit reports to top management on a regular basis by providing information to the Board of Directors, the Executive Committee and other related committees.

The Risk Management Department is responsible for the supervision of all risk management activities. Duties include the formulation and implementation of rules and policies regarding the total management of each type of risk and the generalization of risk management for the development of new businesses, products and schemes. In addition, the department is responsible for refining the framework of total risk management, including the use of sophisticated processes for risk capital management, in line with new BIS regulations.

• *Risk Management-Related Committees*

To ensure the proper recognition of risk and the establishment of an organization capable of appropriately managing this risk, Sanwa Bank has a Credit Risk Management Committee, Market Risk Management Committee and a newly established Operational Risk Management Committee.

• *Internal Audit Divisions*

Internal audit divisions verify on a periodic basis the effectiveness of risk management programs, submitting reports to the Board of Directors and others, as well as submitting reports to the Audit and Compliance Committee in each event of a serious breach of rules. Furthermore, through the implementation of internal audits on the internal control framework by third parties as needed, Sanwa Bank supplements its internal audit functions.

RISK MANAGEMENT POLICIES

To conduct an appropriate risk management program, the Board of Directors approves the Bank's Core Risk Management Policy as well as policies for each type of risk, which are reviewed periodically. In addition, Risk Management Strategy is formulated every six months to address risk management issues and the implementation of risk management programs.

ASSET-LIABILITY MANAGEMENT (ALM)

The new BIS Capital Accord framework, shifts in financial systems and other changes in the operating environment of banks are rapidly increasing the impact of the structure of earning assets and funds procured on a bank's financial position. Sanwa Bank conducts a comprehensive asset and liability management (ALM) program to maintain the appropriate balance between risk and return on a medium- and long-term basis by establishing an integrated management capability for credit risk and market risk. Furthermore, efforts are constantly made to further refine this framework.

The Risk-Return Management Policy is formulated through the following process.

1. Clarify the ALM framework based on the Risk Capital Management Policy

The Risk-Return Management Policy is determined in line with the Risk Capital Management Policy and within the framework of the risk management policies for credit risk, market risk and funding liquidity risk.

Objectives of Respective Risk Management Policies

- ***Credit Risk***

The aim is to reduce the volume of credit risk while increasing returns. For this purpose, the portfolio is realigned by applying the diversification rule and other methods.

- ***Market Risk***

To limit the impact of market transactions on earnings to a certain level, Sanwa Bank allocates market risk capital. Furthermore, market risk limits are set to control the volume of market risk, thereby preventing Sanwa Bank from assuming excessive risks compared with market risk capital. For operations that actively take on market risk to generate earnings, loss limits are determined within the limit imposed by market risk capital with regard to market price-based performance (changes in the sum of realized and unrealized gains and losses).

- ***Funding Liquidity Risk***

To manage funding liquidity risk, Sanwa Bank has established funding liquidity risk limits with regard to short-term funding operations. These limits ensure a well-balanced cash flow by preventing an excessive reliance on short-term funds, an unexpected shortfall in funding due to a default by a counterparty, and procurement of funds at unnecessarily high interest rates.

To maintain a suitable structure of earning assets and funds procured, the Bank formulates an investment and funding plan for the next fiscal period.

To be prepared for any instability of the financial system or other unforeseeable events, the Bank has formulated a contingency plan to promptly cope with a crisis in funding liquidity.

2. Discuss the Risk-Return Management Policy and Determine a Risk Capital Allocation Plan.

Based on the Risk-Return Management Policy discussed and determined within the framework of the Risk Capital Management Policy, a Risk Capital Allocation Plan is formulated for the allocation of risk capital to each division. Limits for market risk and related items are also determined in line with this plan. Each division then prepares its own business plan on the basis of resources that it has been allocated.

3. Monitor Status of Actual Operations

Monitoring the status of operations in relation to the Risk-Return Management Policy is the responsibility of the Credit Risk Management Committee and Market Risk Management Committee. The Risk Management Department and the Credit Policy & Planning Department, which are responsible for generalization of risk management activities, confirm that day-to-day risk management is being implemented in accordance with the Credit Policy and other credit risk management policies as well as the Market Risk Management Policy and the Funding Liquidity Risk Management Policy.

CREDIT RISK MANAGEMENT

Credit risk management is at the heart of Sanwa Bank's ability to perform its core function as an intermediary. The objective of risk management is not risk avoidance, but rather the accurate recognition and assumption of risk while receiving a suitable return.

Sanwa Bank draws on its many years of experience in the credit analysis of corporate borrowers to conduct credit management programs using internal expertise. In addition, the Bank uses sophisticated financial technology to quantify its total credit risk and control the risk as a portfolio. The Bank also monitors settlement risk, which results from the default of a financial institution or other counterparty in a transaction. Sanwa Bank strives to reduce exposure to this risk by shortening the time required to complete settlements, reducing amounts due through netting and other means.

Organization

To improve risk-return control and measures to deal with problem loans, credit analysis departments have been established in the Retail and Corporate Banking Divisions. Overall responsibility for managing credit risk rests with the Credit Policy & Planning Department, which is completely independent of marketing and credit administration divisions. Furthermore, the Credit Assessment & Auditing Department, which is independent of all of the above departments, periodically verifies that suitable risk management programs are being conducted by domestic and overseas branches, affiliated companies and related head office divisions.

Sanwa Bank is constantly taking steps, such as the application of statistical methodology to retail banking credit analysis and management, to build appropriate credit analysis and risk management systems tailored to the different types of credit risk in each market segment. To train personnel, the Bank is upgrading training curricula at all levels of proficiency. Overall, the Bank is implementing measures to improve credit analysis capabilities in all aspects of operations. Examples of such measures include enhancing skills involving fundamental rules for lending and evaluating a customer's credit standing, and raising awareness of the Bank's credit policies among employees.

Credit Risk Management

• *Internal Credit Rating System*

An internal credit rating system is the basis for Sanwa Bank's credit risk management framework. Under this system, current and prospective borrowers are rated on a scale of ten (or of 16, including the sub-scale) depending on financial soundness, profitability and cash flows. Ratings undergo an annual ordinary review as well as additional reviews depending on changes in a borrower's status. These measures make it possible to monitor the current status of individual borrowers and strengthen credit assessment capabilities, both of which are crucial for credit risk management.

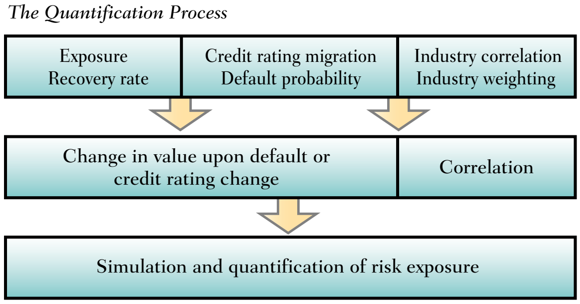
• *Quantifying Credit Risk*

By using this rating system, Sanwa Bank has developed a program capable of quantifying credit risk and is utilizing it for credit risk management. Quantifying credit risk entails computing expected future losses, which correspond to the risk exposure, for the loan portfolio based on statistical analysis. Using historical financial data about borrowers to obtain a default probability for each credit rating category, the distribution of probable losses is then calculated based on simulations. From these computations, Sanwa Bank obtains estimated risks for the portfolio. One is the average loss, which represents the average expected loss that may be incurred over a one-year period. The other is the maximum loss, which is the largest expected loss that may occur over the same one-year period.

These estimates cover loans, guarantees, foreign exchange assets, off-balance-sheet transactions, bonds and other items. Furthermore, they are applicable to domestic and foreign corporations, individuals and financial institutions. The main advantage of this quantification process is the ability to determine the precise effects of concentrating and diversifying credit risk.

Quantifying and Managing Credit Risk

The Quantification Process



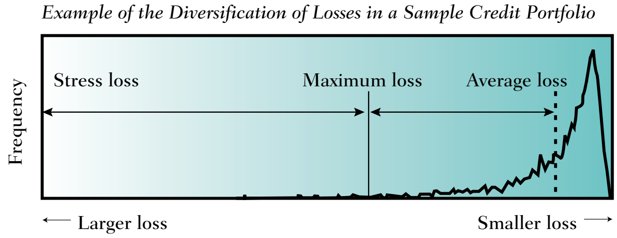
Past data are employed to calculate probable losses over the following year using a statistical technique.

The default probability is based on past financial data.

Separate recovery rates are established for each type of collateral.

The portfolio loss depends on which borrowers default. Therefore, the probabilities of portfolio losses are calculated based on a simulation using 100,000 scenarios for all borrowers.

Example of the Diversification of Losses in a Sample Credit Portfolio



Average loss: Weighted average of all projected losses

Maximum loss: Highest probable loss (99% level)

Stress loss: Losses exceeding the assumptions used for quantification

Credit risk management places priority on controlling the difference between the average and maximum losses.

• ***Credit Management System***

Data obtained from quantifying credit risk are employed in Sanwa Bank's credit management system primarily in two ways.

■ A Risk and Cost Adjusted Return (RACAR) is calculated for each loan and customer by deducting the credit risk cost, which is the average loss, and other operational costs from the apparent revenues. RACAR is then used to set lending rates that account for the associated risks and cost of each loan.

■ The average loss, a figure that should be covered by revenues, is deducted from the maximum loss to yield the credit risk exposure that should be covered by capital. This exposure is then managed so as to remain within a certain limit that is less than the Bank's total equity. The credit risk exposure is also employed as an ROE-based management tool to seek the optimum balance between risk and return.

• ***Portfolio Management***

Under this system, risk exposure is evaluated as a single portfolio. This makes it possible to search for any excessive concentrations of risk based on such parameters as credit ratings, countries and industries. Corrective actions are taken as necessary to control the maximum loss. Sanwa Bank establishes credit limits for each borrower and its group companies, as well as for each industry, to prevent the occurrence of excessive risk concentrations. The Credit Risk Management Committee examines credit portfolios and the Industrial Research Department provides information on various industries for use in setting lending policies.

MARKET AND FUNDING LIQUIDITY RISK MANAGEMENT

Sanwa Bank's Risk Management Department, which is independent of front-office activities, is responsible for objective monitoring of market risk on a daily basis in accordance with systematic and comprehensive risk management procedures. The main objectives are to ensure the efficient allocation of resources and preserve a highly responsive risk management framework. This department also researches leading-edge risk management tools required to manage risk for weather derivatives and other new financial instruments.

Market Risk Data

• ***Quantification of Market Risk***

To quantify market risk, the Bank uses value at risk (VAR), which is the maximum expected loss under a specific set of assumptions. The Bank's assumptions are as follows:

Holding period:	One day
Confidence interval:	99% (one-tailed)
Period of data:	Previous year

To bolster risk management, the Bank implements stress tests on a daily basis to determine the possibility of incurring a substantial loss, which is unquantifiable by VAR methodology, due to market volatility that exceeds assumptions.

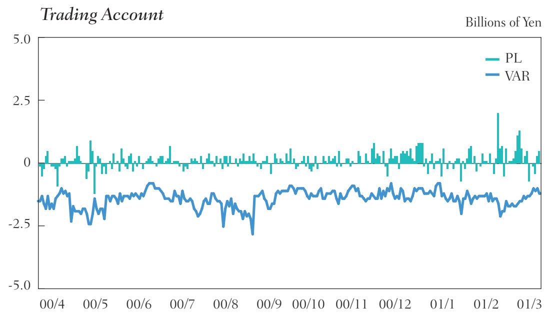
• *Market Risk Profile for Fiscal Year Ended March 31, 2001*

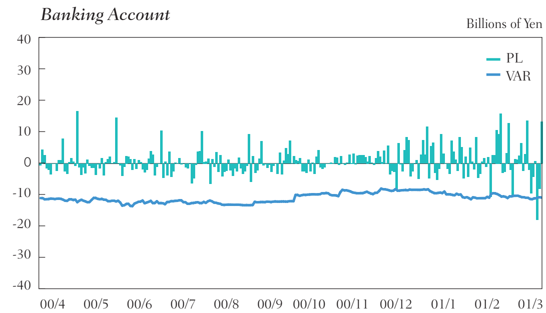
During the year ended March 31, 2001, market-related losses, excluding those related to cross-shareholdings, at domestic and overseas branches, based on VAR methodology were as follows:

			Billions of Yen
	Maximum	Minimum	Average
Trading account	2.8	0.8	1.4
Banking account	60.9	44.7	53.4

Note: Market risk for the banking account is based on a holding period of ten days.

VAR and Actual Profit or Loss





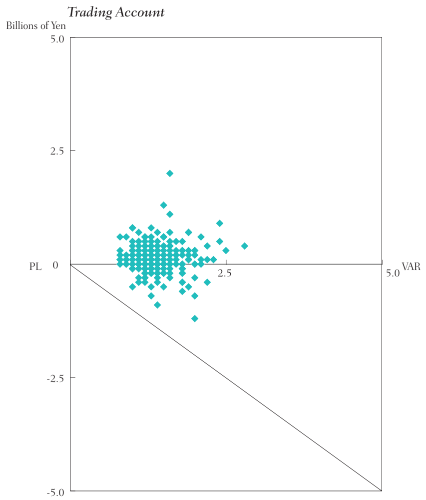
• *Tests of Measurement Accuracy*

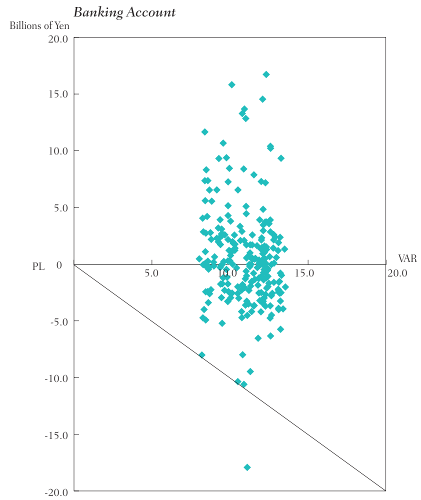
VAR data are compared with actual profits and losses over a set period to determine how accurately VAR was able to predict the actual impact on profitability. This approach is known as back testing. The VAR methodology is regarded as statistically reliable if the number of times actual profit or loss exceeds estimated risk exposure is less than the initial projection.

During the year ended March 31, 2001, actual losses exceeded VAR once in the banking account in March 2001 due to a rapid increase in long-term interest rates in Japan. Consequently, the number of times VAR was exceeded, both for banking and trading accounts, was less than the initial projection. Nevertheless, Sanwa Bank will continue to enhance its risk measurement techniques to better cope with increasingly diverse and complex business activities.

Profits and losses in the banking account are based on daily market value performance for internal management purposes.

VAR and Actual Profit or Loss





PROCESSING RISK MANAGEMENT

Sanwa Bank bases its processing risk management criteria on international standards to handle the increasing diversification of its operations due to the deregulation and globalization of banking activities. To reduce exposure to processing risk, the Operation Management Center was established to improve supervisory functions, more clerical tasks are being systematized to prevent unethical behavior by employees, and clerical tasks are being centralized to prevent mistakes.

The policies regarding processing risk are explained in the Bank's Processing Risk Management Policy, and specific items such as evaluations from a quantitative standpoint are explained in Processing Risk Management Procedures. This policy and these standards must be approved by the Board of Directors and the executive officer in charge of risk management, thus giving senior management a greater role in this risk management framework.

SYSTEM RISK MANAGEMENT

Sanwa Bank's policies regarding system risk management are explained in the System Risk Management Policy. The Bank has established risk management criteria called Information Security Policies and Standards that conform to international standards for the purpose of ensuring the safety and sophistication of its systems. In accordance with these policies and procedures, the Bank is ensuring the security of its systems, and is conducting the operation and maintenance of back-up computer systems. To cope with computer malfunctions and interruptions, the Bank prepares emergency operating manuals and conducts regular drills. As a result of these activities, the Bank has one of the best safety records among Japanese banks, recording more than 3,650 consecutive days of trouble-free operations in its accounting systems.

REPUTATIONAL RISK MANAGEMENT

Due to the nature of their activities, banks are constantly under the scrutiny of society and market participants. At times, banks are judged on factors that are not entirely accurate. In accordance with the Bank's Reputational Risk Management Policy and Reputational Risk Management Strategy set down on a semi-annual basis, each Sanwa Bank branch and market-related division has an officer responsible for reputational risk. These officers function by quickly obtaining information that may be detrimental to the Bank's reputation, confirming the facts and taking corrective actions.

RISK MANAGEMENT ORGANIZATION

At Tokai Bank, the monitoring and management of risk in all business activities are primarily the responsibility of the Risk Management Division, Credit Administration Division, Operations Administration Division and Systems Division within the Planning and Administration Headquarters.

The Risk Management Division is an autonomous section that monitors market risk and all other types of risk from a bankwide perspective and submits reports to senior management. As the coordinator of the activities of the Risk Management Committee (see note), the division oversees all divisions related to risk management. In addition, this division submits reports on risk-related information directly to senior management on a daily and monthly basis, as well as at any other times (such as emergencies) as necessary. The division also implements measures to control risks in cooperation with the relevant divisions.

To effectively manage credit risk and increasingly complex market risk, credit approval and credit reviews, as well as front-, middle- and back-office functions in trading activities, are clearly segregated, and their responsibilities are duly distinguished from one another. This ensures that the system of checks and balances works effectively among divisions.

The bankwide risk and revenue profile are reported to the Risk Management Committee and Non-Board Member Executive Directors' Committee each month to ensure full understanding and control of risks by the Bank's management at large.

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

Note: Risk Management Committee

The Risk Management Committee was formed to integrate and strengthen bankwide management of risks such as market risk, including risk associated with cross-shareholdings, and credit risk. In addition to monitoring risk positions and submitting reports to management, the committee has the following functions.

1) Determines policies for the control of market risk, credit risk and funding liquidity risk.

2) Conducts risk/return analyses using Risk and Cost Adjusted Return (RACAR).

ENHANCEMENT OF RISK MANAGEMENT FRAMEWORK

Tokai Bank has established a risk management framework that considers the special characteristics inherent in each particular type of risk, and controls risks under this framework according to the policies reviewed and approved by the Risk Management Committee and senior management. Moreover, risks are not simply managed according to each individual risk factor; the Risk Management Committee anchors a system that gives the Bank a unified approach to measuring and controlling risks.

Integrated Management of Quantifiable Risk

The use of Value at Risk (VAR) to control market risk, including risk associated with cross-shareholdings, and credit risk gives the Bank a common yardstick for measuring risks involved in these different types of business. Beginning in the fiscal year ended March 2000, Tokai Bank has been taking an integrated approach to manage quantifiable risks. By bolstering risk management through the control of overall risk on an integrated basis (by containing overall risk exposure below the level of the Bank's shareholders' equity), the soundness and stability of management have been enhanced.

Comprehensive Risk Management

In addition to quantifiable risks, the Risk Management Committee also conducts assessments of and reports to management on operational risk such as processing risk, system risk and reputational risk. As a result of this comprehensive management framework, various risks are measured and controlled on a bankwide basis.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of financial losses in credit assets caused by deterioration of the credit condition of any counterparties. This category also includes settlement risk, which refers to the risk of financial losses that a firm incurs when it does not receive funds or instruments from its counterparties at the expected time. Rather than avoiding risks, managing credit risk entails maintaining the total amount of credit risk at a reasonable level for the Bank. Credit risk management also entails taking on risks while securing an appropriate level of coverage and profitability in relation to each risk.

Tokai Bank has in place a credit risk management system to manage its entire organization in line with this fundamental philosophy. Specifically, the Bank has a Credit Policy that provides guidelines to all staff members involved in lending operations; a credit rating system to establish standards for credit risk management; management based on the quantification of credit risk to secure stable earnings while controlling risks; and credit risk management procedures and credit-related systems to provide infrastructure support for all of these systems and procedures.

Credit Risk Management Organization

• ***Integration of Credit Risk Management***

To control bankwide credit risk, the Credit Planning Division is independent of the activities of each business unit. The Credit Administration Division establishes fundamental credit-related policies and rules, including credit policies and the credit rating system. In addition, the division monitors the Bank's overall credit profile, and develops appropriate measures to respond to problems that arise. In monitoring risks, the division develops the quantification of credit risk to effectively manage the Bank's credit portfolio.

In addition, the Credit Administration Division studies credit risk management methodologies and develops credit-related systems and credit rating models.

• ***Reporting to Management***

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

Authority for Credit Extension at Business Units

For approval of each credit, Tokai Bank conducts specialized and timely reviews through the credit divisions established within each business unit in order to accurately meet the needs of each customer. To ensure effective credit risk management, credit extension limits are set for each credit rating. Decisions to extend large amounts of credit that exceed the scope of authority of credit divisions require the approval of the director in charge of credit. For further extension of credit, approval of the president is needed, following an inquiry by the Investment and Credit Conference. In addition, the Corporate Research Division of the Corporate Banking Business Unit provides opinions from a specialized standpoint with regard to the approval of credit to customers who are important in terms of credit management.

Credit Reviews

Tokai Bank's internal credit rating system, including determination of credit limits, is critical to its risk management. Moreover, accurate execution of the self-assessment system is vital to the ability to maintain a sound financial position by maintaining the reserve for possible loan losses at a level that reflects the degree of deterioration in the quality of loan assets. The Audit Division is therefore independent of the activities of each business unit. The Audit Division reviews the accuracy of the credit ratings assigned for each customer and of the self-assessment of assets, and examines whether these systems are functioning appropriately.

Credit Policy

Tokai Bank's Credit Policy is formulated in accordance with the Credit Risk Management Policy prescribed by UFJ Holdings. The Credit Policy provides the principles and standards that all directors and employees of the Bank who are responsible for credit risk management must strictly observe. All of Tokai Bank's rules, standards, policies and other business operations are consistent with the objectives of the Credit Policy.

Credit Rating System

To ensure objectivity and consistency in the management of credit risk, Tokai Bank assigns credit ratings to all borrowers, excluding individuals and those provided with small amounts of credit.

The Bank adopts both quantitative and qualitative approaches in determining credit ratings to maintain objectivity. For the corporate borrowers in the domestic market that constitute a majority of its lending business, Tokai Bank uses a highly reliable statistical rating model based on bankruptcy data of the Bank's customers.

Credit ratings are used in credit extension decisions and in individual credit administration activities such as those described in the chart. They also serve as the basis for management based on the quantification of credit risk.

Credit Rating System

Ratings		Self-Assessment: Borrower Category	Self-Assessment: Classification	Classification under the New Disclosure Standard
1A 1B 1C	Exemplary	Normal	Category I	Normal
2 3 4 5 6 7	Prime Good Satisfactory Fair Acceptable Borderline			
8A 8B 8C 8D	Special Mention Past Due 1 Month or More Past Due 3 Months or More Restructured	Special Mention	II	Sub-Standard
9	Possible Non-Performing	Possible Non-Performing	III	Doubtful
10A	Quasi Non-Performing	Quasi Non-Performing	IV	Bankrupt and Quasi-Bankrupt
10B	Non-Performing	Non-Performing		

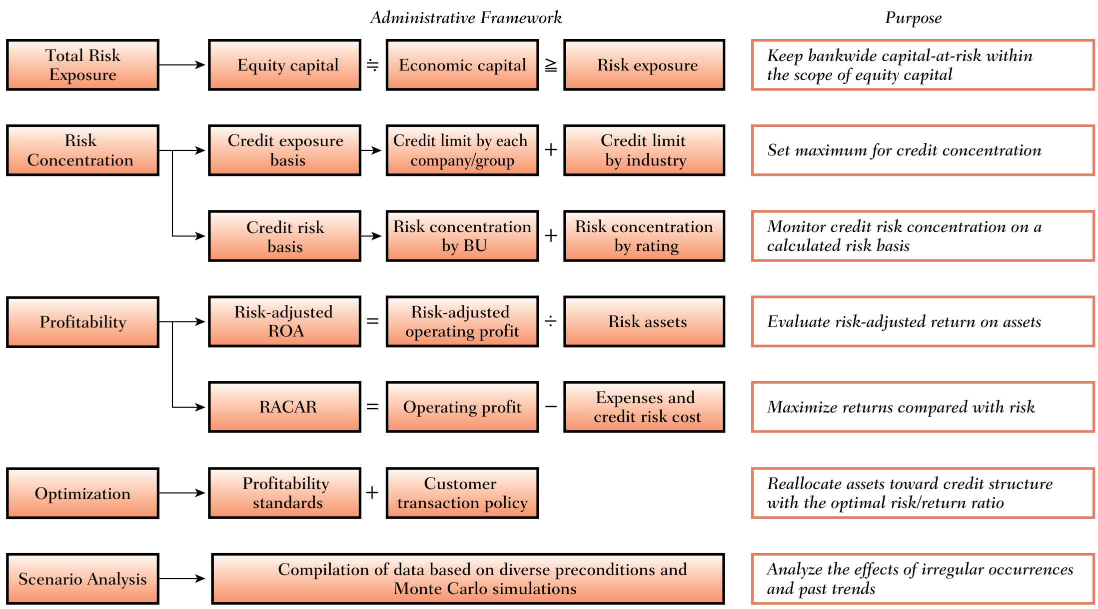
Utilization of Credit Ratings

Self-assessments	Implemented based on credit ratings
Credit approval	Set permissible amounts for each credit rating
Problem loan administration	Use credit ratings for automatic screening and elimination of special watch borrowers
Collateral evaluation cycle	Implement short-cycle evaluations for very low credit ratings
Coverage standard guidelines	Set coverage ratio standards for each credit rating
Credit limit system	Set credit limits for each corporate/group borrower based on credit ratings (aggregate limits of Sanwa Bank, Tokai Bank and Toyo Trust)

Management Based on Quantification of Credit Risk

Credit ratings and other credit-related data are quantified and analyzed using the credit risk management system. This process yields information that is applied to conduct portfolio management.

Measurement of Credit Risk



Credit Risk Management Procedures and Credit-Related Systems

Tokai Bank implements sophisticated credit risk management procedures and computer support for lending activities. These systems are important for boosting competitiveness by improving the Bank's risk management and strengthening profitability, as well as enhancing service to customers. In addition to rating models for domestic corporations, recent development themes are outlined in the table below.

Credit Risk Management Procedures and Credit-Related Systems

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

MARKET RISK MANAGEMENT

Market risk refers to the risk of financial losses in the value of a financial position held or executed due to adverse financial market movement. In addition to the growing sophistication and diversity of market operations, the financial environment worldwide has become more uncertain. This has further raised the importance of effective control of market risk in securing stable earnings.

Market Risk Management Organization

Tokai Bank establishes and manages limits on market risk exposure and losses for the purpose of limiting market risk and possible unexpected losses from market transactions to within the scope of allocated risk capital. The Risk Management Division, an independent risk management section, keeps a daily watch on profit and loss conditions as well as conditions related to market risk bankwide, including within the Bank itself and its subsidiaries, and reports directly to senior management.

Market Risk Management Procedures

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

• *Definition of VAR*

VAR is used to estimate the maximum possible loss due to market fluctuations using statistical means.

• *VAR Standards at Tokai Bank*

Calculation method:	Historical simulation*
Holding period:	One day and ten days
Confidence interval:	99% (one-tailed)
Period of data:	Previous two years

The Historical Simulation Method

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

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

Market Risk Profile for Fiscal Year Ended March 31, 2001

• *VAR and Profit and Loss*

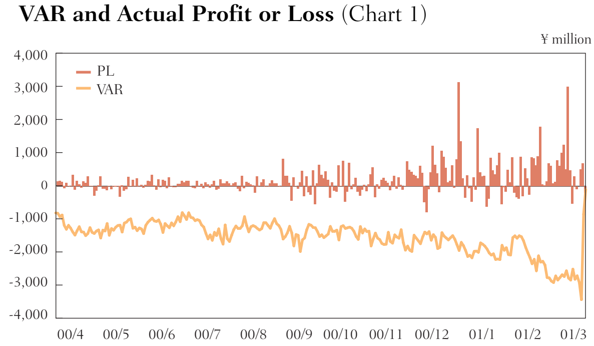
Tokai Bank's VAR profile in trading operations at major domestic and overseas bases for the fiscal year ended March 31, 2001 is shown in the table below.

	Holding period	
	One day	Ten days
Maximum VAR	¥ 3.4 billion	¥ 11.0 billion
Minimum VAR	¥ 0.8 billion	¥ 2.1 billion
Average VAR	¥ 1.5 billion	¥ 4.9 billion

VAR is an estimate of the maximum expected loss that would occur at a statistical probability of 1 percent if, for example, a bond or foreign exchange instrument were held continuously for one day and the interest rate or market conditions turned unfavorable. The VAR amount does not necessarily represent the loss that would actually occur.

VAR for the fiscal year ended March 31, 2001, as shown in the line graph in Chart 1, fluctuated within a range of ¥0.8 billion to ¥3.4 billion. The bar graph in the same chart shows that actual day-to-day market valuation gains and losses moved within a range of minus ¥1.1 billion to plus ¥3.1 billion. At no point in the subject period did the actual gains or losses exceed the projected VAR.

VAR and Actual Profit or Loss (Chart 1)



Daily Value at Risk and Actual Gains and Losses

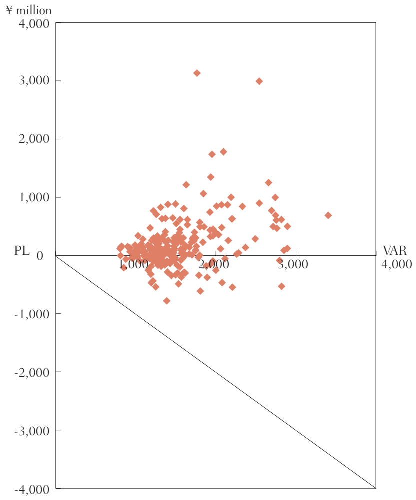
• *Back Testing*

Back testing is the model used to evaluate the accuracy of risk calculations by comparing the VAR with actual gains and losses. The dots shown in Chart 2 show daily VAR and the fluctuations in market valuation gains and losses. Dots below the diagonal line signify gains or losses that exceeded the projected VAR, a situation that did not occur during the past fiscal year. This demonstrates that the risk measurement model used by Tokai Bank is sufficiently accurate to measure market risk.

• *Stress Testing*

As described above, VAR is the maximum expected loss estimated at a statistical probability of 1 percent. However, this is an estimated value, so the Bank must still consider the possibility that sudden, abnormal movements in market factors could lead to significant losses that are not predictable by VAR calculations. Tokai Bank therefore supplements VAR with stress testing. Stress testing uses past market data and hypothetical scenarios to measure potential losses in the event of extreme market movements. Tokai Bank conducts constant safety checks through both VAR and stress testing, allowing the Bank to ensure that losses under any conditions stay within the scope of the Bank's shareholders' equity.

VAR and Actual Profit or Loss (Chart 2)



Stress Test Profile

(Major domestic and overseas trading bases, holding period ten days)

March 30, 2001	
VAR	¥ 4.2 billion
Stress value	¥ 4.7 billion*

* Assumes worst possible market movement over the past two years.

Asset-Liability Management (ALM)

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

ALM aims at maintaining an appropriate balance between bankwide assets and liabilities such as deposits, market funding and loans under certain interest rate assumptions for the purpose of securing stable earnings. To ensure optimal management of increasingly complex market risk, Tokai Bank is further raising the efficiency and effectiveness of its ALM techniques.

Management of Risk Associated with Cross-Shareholdings

In the fiscal year ending March 2002, market-value accounting will be applied to Tokai Bank's cross-shareholdings. This makes the task of managing risks associated with these holdings even more important. Tokai Bank is therefore using VAR to calculate the risk amount for cross-shareholdings as well, and sets maximum limits for risk exposure. In addition, the Risk Management Committee is strengthening control over this issue through measures such as checking the progress of plans for reducing cross-shareholdings, as set forth in the Plan to Revitalize Management.

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

FUNDING LIQUIDITY RISK MANAGEMENT

Funding liquidity risk refers to the risk of insolvency in financing assets held or the risk of financial losses caused by a higher interest rate of funding due to a deterioration of funding ability. This category also includes settlement risk, which refers to the risk of financial losses that a firm incurs when it does not receive funds or instruments from its counterparties at the expected time.

The Risk Management Division and related divisions collaborate on the management of funding operations to comply with the fundamental policy of preserving stable fund procurement. This results in the smooth execution of operations without any concerns about the ability to procure the necessary funds in yen and foreign currencies.

Funding Liquidity Risk Management Organization

The ALM Division raises funds in yen, the Treasury & Securities Division is in charge of funding in foreign currencies and the Risk Management Division supervises overall funding liquidity risk management operations.

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

Funding Liquidity Risk Management Procedures

Relevant divisions and the Risk Management Division monitor the status of funding and compliance with rules relating to funding (the upper limit for funds to be raised, etc.) on a daily basis based upon indicators such as the Bank's funding needs. The Risk Management Committee also regularly monitors funding liquidity risk. The committee deliberates policies for dealing with risk and reports to senior management.

SYSTEM RISK MANAGEMENT

System Risk Management Organization

The Risk Management Division is responsible for managing system risk for the entire Bank. This division works with the Systems Division, which monitors and evaluates risks associated with computer systems and formulates countermeasures, and other related divisions to manage system risk. Every six months, a System Risk Management Strategy is updated based on the Bank's Security Policy. The Risk Management Division also routinely checks risk monitoring conditions and submits reports to senior management.

System Risk Management Procedures

Tokai Bank periodically conducts a complete inspection of all systems to determine the locations and types of risks in each system. This permits the effective and efficient reduction of exposure to these risks. Dual systems are in place for all critical equipment such as computers and networks, so that in the event of a systems failure, business operations can continue as usual using backup equipment. In addition, Tokai Bank is preparing for any foreseeable situation by establishing emergency measures such as a crisis management system and systems recovery procedures to deal with systems failures, and by conducting periodic drills.

Note: Security Policy

A unified policy regarding safety measures for the purpose of ensuring the suitable protection of information and systems that handle information. This fundamental policy forms the basis for all related policies, standards and procedures.

PROCESSING RISK MANAGEMENT

Executing processing operations in a speedy and precise manner is essential to earning the trust of customers. The diversification in products and businesses handled by banks in recent years has brought about dramatic changes in the operating environment. Therefore, a further improvement in management of processing risk, which is the risk arising from processing errors and related sources, is needed. Based on this awareness, Tokai Bank strives to maintain and improve the quality of processing in order to prevent the occurrence of errors, and is bolstering its efforts to properly manage and control operational risk.

Processing Risk Management Organization

The Operations Administration Division and other specialist sections are responsible for the planning and administration of actions to preserve and improve the quality of processing and prevent errors from occurring. From the perspective of checking and monitoring the necessary actions, the Risk Management Division manages processing risk in an integrated manner along with all other types of risk. This gives Tokai Bank an organization capable of improving processing risk management, such as monitoring risk through the status of accidents and errors and quantifying risk.

Comprehensive audits are performed by the Audit Division, and the general managers of branches and divisions are responsible for carrying out self-assessments at their own branches or divisions, thereby enhancing the internal audit function. Furthermore, a senior manager responsible for processing is appointed at each branch or division and specialized staff for providing guidance in branch administration are assigned to the Operations Administration Division. This structure facilitates internal checks and balances, and the prompt correction of problem areas.

Processing Risk Management Procedures

To prevent irregularities, Tokai Bank is enhancing its administrative procedures in operating processes, the scope of authority and management methods. In addition, staff members at all levels of responsibility, including the general managers of branches and divisions, undergo administrative training, and investments are made in office equipment to make processing more speedy and accurate. The Bank is also implementing systems to strengthen monitoring functions.

Furthermore, Tokai Bank is relieving each branch of internal back-office operations by centralizing these tasks at specialized operations centers. The Bank is thus raising the quality of processing and enhancing the cross-verification system between branches and centers. This builds a framework that allows the Bank to respond more swiftly to changes in the operating environment.

REPUTATIONAL RISK MANAGEMENT

Tokai Bank has formulated the Reputational Risk Management Policy to guide activities in this area. To ensure that the bank quickly learns of information affecting its reputation and takes suitable actions, The Practice of Public Relations and other means are employed to make all staff of the bank's organization aware of reputational risk. Responsibility for managing reputational risk is centralized in the Public Relations Department of UFJ Holdings.

THE RISK MANAGEMENT ORGANIZATION

At Toyo Trust, the Risk Management and Compliance Department has overall responsibility for risk management. The Credit Policy and Planning Department is responsible for management of credit risk, which is primarily associated with lending and other credit-related businesses of banking operations.

The Risk Management and Compliance Department and the Credit Policy and Planning Department prepare policies, procedures, detailed guidelines and other rules regarding the management of each type of risk they oversee. These divisions also monitor various types of risk and submit reports to the Risk Management Committee, Board of Directors and other management units.

To upgrade administrative and other management capabilities, an independent Auditing Department conducts comprehensive internal audits on a regular basis. Toyo Trust's certified public accountants conduct external audits as well. Overall, this system makes it possible to confirm that the risk management framework is adequate from quantitative and qualitative perspectives.

MANAGEMENT OF INDIVIDUAL RISK CATEGORIES

Credit Risk

Credit risk refers to the risk of financial losses in credit assets caused by deterioration of the credit condition of any counterparty. Toyo Trust is enhancing its credit risk management framework and adopting more sophisticated methods to quantify risk for the purpose of monitoring risk in an objective, quantitative manner and controlling risk so that it does not become excessive compared with the Bank's financial position.

- ***Credit Risk Management Organization***

To manage credit risk in all its business activities, Toyo Trust has established a Credit Policy and Planning Department that is independent of all business promotion and credit analysis sections. This department is responsible for formulating credit risk management policy, including the Credit Policy, conducting credit ratings and self-assessments, and monitoring credit risk by analyzing risk exposure.

- ***Cross-Checking Function***

To realize the benefits of mutual cross-checking functions in credit analysis and evaluation, the Credit Control Departments I and II, both of which are independent of business promotion sections, conduct stringent credit analysis. As the primary check, the Credit Policy and Planning Department, which oversees credit risk, periodically monitors the credit portfolio. Furthermore, the Credit Review and Auditing Office of the Auditing Department audits the status of credit administration and evaluates credit ratings and self-assessments to confirm their accuracy. This system provides for effectiveness in the credit risk management framework.

- ***Improving Credit Ratings and Self-Assessments***

To provide a unified standard for evaluating the credit risk of loan customers, Toyo Trust has a 10-tier credit rating system (or 16-tier, including the sub-scale) that reflects quantitative evaluations based on financial data and qualitative evaluations based on non-financial information.

Self-assessments of credit-related assets are conducted initially by the Bank's branches and business divisions at the head office, based on credit ratings. This is followed by a second evaluation by the credit control departments of the head office. Moreover, periodic re-evaluations are carried out by the Credit Review and Auditing Office of the Auditing Department, which is independent of all departments engaged in business promotion, and reports are submitted to senior management twice each year.

Credit Rating System

Rating	Borrower Category	Classification
1A	Normal	Category I
1B		
1C		
2		
3		
4		
5		
6		
7		
8A	Special Mention	II
8B		
8C	Sub-Standard	
8D		
9	Possible Non-Performing	III
10A	Quasi Non-Performing	IV
10B	Non-Performing	

• ***Quantifying Risk***

By using statistical methodology, Toyo Trust calculates an average loss foreseen over the next year due to the insolvency of borrowers as well as the maximum loss possible based on certain assumptions. Results of these risk quantification measures are reported periodically to the Board of Directors, Risk Management Committee and other management units as needed.

Toyo Trust views its credit-related assets as a single portfolio and divides assets according to industry, credit rating and other parameters. The objective is to avoid undue concentrations of risk in any single area.

Market Risk

• ***Market Risk Management Organization***

To ensure the soundness of its operations and stability of its earnings, Toyo Trust is placing increasing emphasis on measuring and managing various types of market risk.

To strengthen risk management capabilities and cross-checking functions, the Bank has established a middle office, the Risk Management and Compliance Department, which is separate and independent from the front and back offices. This department monitors risk exposure and positions as well as profit and loss performance and, based on these monitoring activities, submits reports to senior management on a daily basis.

For the actual implementation of risk management activities, the Bank has prepared the Market Risk Management Policy, and procedures and manuals. Full compliance with these procedures is required and strictly enforced. Moreover, to take account of changes in the markets and the increasing sophistication of risk management procedures, the manuals and related documents are updated whenever necessary.

• *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 and Compliance 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 exposure on a continual basis by type of account (banking or trading) and risk category (interest rate, foreign exchange and stock price).

For increasingly complex financial products, the Bank uses the basis point values (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.

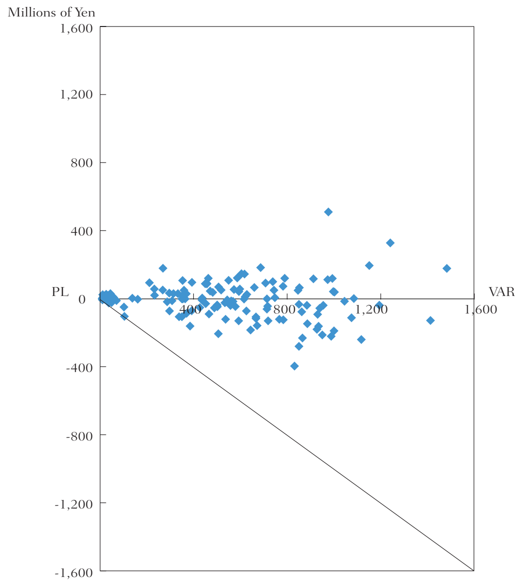
• *Back Testing*

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 profits and losses.

Holding period:	One day
Confidence interval:	99% (one-tailed)
Period of data:	Previous two years

VAR Analysis

			Millions of Yen
	Maximum	Minimum	Average
VAR during period	1,484	9	296
Actual loss vs. prior-day VAR	(99.0)%	–	(14.4)%
Times VAR was exceeded		None	



• ***Stress Testing***

VAR measures the expected maximum loss that may occur under ordinary market conditions. However, the actual loss may greatly exceed VAR when markets become unusually volatile. 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.

Funding Liquidity Risk

Toyo Trust prepares plans every term for procuring and using funds that take into account funding liquidity risk. Based on these plans, the Treasury Department procures and invests both yen and foreign-currency funds in financial markets. Policies for market fund procurement and investment are reported to and discussed at the monthly meetings of the Executive Committee and daily operations are monitored by the Risk Management and Compliance Department. An action plan called Rules for Emergency Conditions has been prepared for emergency situations to prevent a funding liquidity crisis in the event of extreme instability in financial systems or other unforeseen developments.

Operational Risk

To ensure the smooth provision of its wide range of services, including trust-related and banking businesses, Toyo Trust regards operational risk, which mainly represents processing risk and system risk, as a matter of great importance and is constantly taking steps to improve the risk management framework.

• ***Operational Risk Management Organization***

The Risk Management and Compliance Department is responsible for both processing risk and system risk. The Systems and Operations Planning Department performs the actual implementation of risk management programs.

For processing risk, 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 operational manuals, and conducting instruction and training programs.

Regarding system risk, the development and operation of systems are subcontracted to Toyo Systems Development Co., Ltd. The Systems and Operations Planning Department provides plans for system development and operations and supervises the activities of this company.

Within the context of processing risk and system risk, the proper management of information, whether on paper or electronic media, and of systems controlling that information is a critical element of risk management. The Bank has formulated an Information Security Policy to provide guidelines for managing information and is conducting stringent information management programs to ensure that internal and external information, including customer information, is fully protected.

• ***Quantifying Operational Risk***

Toyo Trust has accumulated data on past incidences of processing errors, accidents, computer system malfunctions and other problems. By analyzing this information and evaluating the current status of management, the Bank is creating a method to quantify these risks by formulating scenarios for future errors, malfunctions and other problems. Quantifying these risks allows the Bank to monitor the exposure to processing risk and system risk from a quantitative standpoint. Furthermore, analysis of data used for quantification can be used to formulate measures to reduce exposure to these risks, thus facilitating qualitative improvements. In this manner, the Bank is working to further refine its risk management framework.

For reputational risk, Toyo Trust has formulated the Reputational Risk Management Policy to guide activities in this area. To ensure that the bank quickly learns of information affecting its reputation and takes suitable actions, The Practice of Public Relations and other means are employed to make all staff of the bank's organization aware of reputational risk. Responsibility for managing reputational risk is centralized in the Public Relations Department of UFJ Holdings.

ASSET-LIABILITY MANAGEMENT

Toyo Trust's asset-liability management (ALM) framework 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 economy and financial environments. The deregulation of interest rates, the growing diversity of financial products, the 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 in an efficient and flexible manner.

The Executive Committee conducts deliberations regarding important ALM issues and receives periodic reports on interest rate fluctuation risk, risk arising from changes in the prices of marketable securities, foreign exchange risk and funding liquidity risk. The committee also discusses a broad range of ALM and other treasury-related issues, including financial market forecasts, profit and funding plans, business operation plans for various departments and hedging strategies. Committee decisions are then applied to the operations of related departments.

COMPLIANCE ACTIVITIES AT THE UFJ GROUP

UFJ GROUP COMPLIANCE SYSTEM

To strengthen the entire UFJ Group's approach to compliance, UFJ Holdings has established a fundamental policy for compliance programs and a compliance manual for the entire group. All group companies establish their own rigorous compliance programs in line with the basic policy determined by the holding company. UFJ Holdings periodically monitors group companies to ascertain the status of their compliance programs.

To provide a basic reference for compliance programs throughout the group, a compliance manual has been prepared that sets forth rules applicable to everyone who works at the UFJ Group.

Based on the fundamental policy established by UFJ Holdings, each subsidiary bank has formulated its own compliance program that contains an action plan to meet compliance objectives. The Board of Directors of each subsidiary bank periodically reviews and evaluates the status and implementation of compliance programs. To improve and strengthen the compliance system, items involving internal control and compliance are reported to each bank's Audit and Compliance Committee, a subcommittee of each bank's Board of Directors. At the same time, reports are submitted by compliance divisions to the management responsible for executing business activities.

To monitor compliance programs at group companies, UFJ Holdings has established reporting rules. The three UFJ Group banks are required to submit periodic reports on compliance-related items, and the holding company provides guidance and other assistance as necessary. The status of compliance programs at group companies is reported periodically to the Group Auditing Committee, a subcommittee of the Board of Directors of UFJ Holdings. Reports are also submitted to the management involved in the execution of business activities. In this manner, the UFJ Group has created an effective system for bolstering groupwide compliance programs.

BASIC COMPLIANCE POLICY

Conducting oneself in a spirit of transparency and fairness by strictly adhering to the basic compliance policy is essential to realizing the UFJ Group's management vision.

1. *At all times, be aware of the social responsibility and the mission of the UFJ Group as a financial services group. Work to earn the unconditional trust of society by properly conducting business operations.*
2. *Maintain solid lines of communications with the public, in particular through the consistent and fair disclosure of accurate information regarding operations. The goal is to earn a reputation among the public as an organization with highly transparent management.*
3. *Strictly observe all laws and regulations, conduct business activities that are sincere, fair and comply with accepted ethical standards of behavior.*
4. *Contribute to local and global economies and societies by fulfilling the UFJ Group's mission as a responsible corporate citizen that upholds high ethical standards which prevail in the global society.*
5. *Reject all anti-social influences that are disruptive or pose a threat to society.*

"LEGAL RISK" MANAGEMENT

The UFJ Group conducts "legal risk" management in a number of ways. To minimize the possibility of incurring losses and other harm due to inadequate pre-examination from a legal perspective, the group takes preventive measures such as adopting a system whereby documents undergo a legal examination before being finalized, and employing a legal consulting system.

Legal issues occurring at UFJ Group companies are resolved by the legal departments of each company. In addition, issues involving legal risk associated with corporate governance and group management are handled by the Legal Affairs Office of the Compliance Department of UFJ Holdings, which works closely with attorneys and other specialists to prevent disputes and provide advice to group companies. Information regarding amendments and abolishment of laws and regulations is gathered and analyzed by the Legal Affairs Office, enabling the group to conduct business activities that are in full compliance with all laws and regulations.

In addition, the Legal Affairs Office assists in "legal risk" management for UFJ Holdings by examining documents before their final approval and providing legal consulting support. The aim is to help ensure that the group complies with laws and regulations and that the legal effects are ensured as primarily intended in each group's activity. As needed, the opinions of specialists are obtained to further reduce exposure to risk.

THE UFJ GROUP'S INTERNAL AUDIT SYSTEM

PURPOSE OF INTERNAL AUDITS

At the UFJ Group, internal audit functions are to verify and evaluate the suitability and effectiveness of internal control systems, including risk management, and to submit reports and recommendations to the Group's management, including both those in charge of corporate governance and senior executives who directly oversee operations. As such, the UFJ Group regards internal audit as one of the most important components in its management.

The UFJ Group's Internal Audit General Charter states clearly that "the purpose of internal audit is to contribute to the soundness and fairness of the management of the UFJ group in order to obtain the confidence of customers and markets and to maximize the value of the Group through the process of verification and evaluation from an independent standpoint." These guidelines are applied throughout the Group.

Establishment of Group Internal Audit System

Upon forming UFJ Holdings, the Internal Audit Department was established to conduct and oversee internal audit activities throughout the Group. The Group Audit Committee, a subcommittee of the Board of Directors, was also established for the purpose of monitoring internal control systems, including risk management, and compliance programs. In addition, an Audit & Compliance Committee was formed at each subsidiary bank. With this system, important information regarding the results of internal audits is submitted not only to senior executives in charge of overseeing operations, but also to these committees. This process enhances the internal audit systems and the Group's corporate governance. Effective internal audit systems are also in place outside Japan. The UFJ Group has such organizations in London, Singapore, Hong Kong and New York, which directly report to the internal audit departments of each bank.

Quality Improvement of Internal Audit Activities

To further improve the quality of internal audit activities, internal audit departments at the UFJ Group conduct suitable risk assessments in relation to the types and volumes of risk at each auditee, which are reflected in deciding the cycle and depth of those audits.

For audits requiring highly specialized knowledge and auditing skills, such as those involving market activities or information technology, specialist teams have been formed to work in the internal audit department of each bank to ensure the appropriateness of internal audits.

CORPORATE CITIZENSHIP

Under its mission "to be an innovative financial group with deep commitments to society, growing together with customers," the UFJ Group is engaging in the following activities to demonstrate its corporate citizenship.

HELPING TO SUSTAIN THE ENVIRONMENT

The Sanwa Midori Fund, founded by Sanwa Bank in 1971, has planted over 850,000 trees at around 13,400 locations throughout Japan, including schools, parks, and nursing homes for senior citizens. Recently, the fund has been actively involved in greenery programs for riverbanks, the protection of forests, and the creation of "biotopes" at schools. In addition, to promote studies of the natural environment, the fund has sponsored art contests for children, entitled "*Pictures of Green*," and has contributed to the establishment of academic courses at universities. In 1997, as a project in celebration of the fund's 25th anniversary, the fund launched a new afforestation project called "*Forests as a Water Source.*" The project aims to develop forestlands that serve as a source of water, protect the natural environment, and promote and embrace forest culture.

Established by Tokai Bank in 1975, the Tokai Foundation provides assistance for the development of local environmental facilities. For example, in Nagoya, the foundation created the Tokai Forest at a botanical garden, as well as putting in place signposts and signboards for a nature trail. It also works to raise environmental awareness among communities. Efforts include the publication and donation of various guidebooks such as "*The Tokai Historical Nature Guide*" and "*The Mountains of Central Japan*."

SUPPORTING VENTURE BUSINESSES

The Sanwa High-Tech Venture Development Foundation was established by Sanwa Bank in 1983 to contribute to the further development of the Japanese economy by providing comprehensive assistance to high-technology venture businesses. Since its establishment, the foundation has provided a total of 159 grants amounting to ¥540 million for R&D of seminal technologies and products, as well as 216 guarantees for borrowings to finance venture businesses, totaling ¥6,679 million. In addition, it has provided a range of support activities for venture businesses, including consulting, lectures and seminars.

HELPING TO NURTURE TALENTED YOUTH

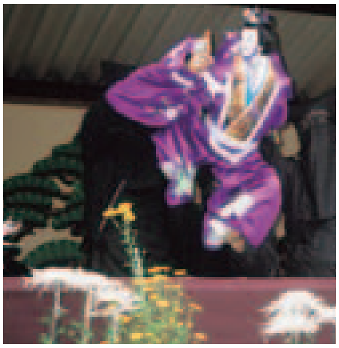
Founded in 1983, the Sanwa Bank Foundation is actively engaged in promoting international exchange through the sponsorship of educational and cultural programs. The foundation provides three types of assistance: scholarships, research grants and sponsorships of international exchange. Particular emphasis is placed on providing scholarships for developing human resources in Asia. Indeed, the foundation has played a pioneering role in setting up a

scholarship system for Asian countries, with 4,743 students receiving scholarships over the last 17 years. In addition, the foundation supports scholars in fields related to Japan through research grants. At present, 134 past recipients from the United States, Europe and Australia are taking an active part in academia, business and politics.

The Tokai Bank Foundation was established in 1983 to also provide assistance for international exchange. The foundation engages in a range of activities, including sponsorship for foreign students with an interest in researching Japan, and a painting exhibition entitled "*Paintings by the Children of the World*."

PROMOTING CULTURAL ACTIVITIES

The International Long-Thibaud Concours competition in Paris is one of the four most prestigious international music festivals, featuring the participation of young musicians from around the world. During the year, Sanwa Bank sponsored its 12th annual Sanwa Bank Long-Thibaud International Music Concours Gala Concert, inviting winners of the Paris competition to perform in Japan. To assist the concours to fulfill its objective of fostering promising young performers, Sanwa Bank has supported these concerts from the beginning as part of its international cultural exchange activities.



Toyo Trust established the Toyo Trust Cultural Foundation in November 1989 to commemorate the 30th anniversary of the company's founding. The foundation assists and provides grants for arts programs in local communities, including music, theater, traditional arts and art exhibitions. Since its establishment, the foundation has provided grants totaling ¥352 million to 550 artistic associations.

Furthermore, the Tokai Bank Money Museum, which opened in 1961, has on display approximately 10,000 rare coins from around the world, with related information on each. The museum also houses illustrious Japanese artist Hiroshige Utagawa's collection of Ukiyoe paintings, "*The Fifty-three Stages of the Tokaido*."

SUPPORTING THE UNHCR

Tokai Bank offers customers in Japan a special savings account that automatically sets aside a portion of the interest earned for donation to the Office of the United Nations High Commissioner for Refugees (UNHCR). Donations collected since the start of the program in June 1991, combined with Tokai Bank's own contributions, totaled more than ¥186 million as of March 2001. These funds have supported the UNHCR's relief efforts for refugees.

Photo: UNHCR / T.Bolstad

MANAGEMENT OF THE UFJ GROUP

UFJ HOLDINGS

BOARD OF DIRECTORS

Chairman of the Board

Kaneo Muromachi

Deputy Chairman

Shunroku Yokosuka

Directors

Satoru Nishigaki

Mitsuaki Naito

Susumu Nakazawa

Hiroshi Itagaki
Advisor, TEIJIN LIMITED

Makoto Utsumi
President,
Japan Center for International Finance

Hiroshi Okuda
Chairman,
TOYOTA MOTOR CORPORATION

Tetsuo Suzuki
Honorary Chairman, HOYA Corporation

Representative Director and President

Hideo Ogasawara

Director and Senior Executive Officer

Takeshi Sugihara

STATUTORY AUDITORS

Shoichi Ito

Takao Kobayashi

Nobuo Sugie

Kanji Kobayashi
(Executive Vice Chairman, Nippon Life Insurance Company)

Hiroshi Hamada
(Chairman and CEO,
RICOH COMPANY, LTD.)

EXECUTIVE OFFICERS

Senior Executive Officers

Katsunori Konishi

Junji Sugiyama

Yoshihiko Takeda

Kazuo Sassa

Kazuyoshi Okazaki

Toshiro Fujikawa

Shunsaku Yahata

Shintaro Yasuda

Koichi Miyazaki

Executive Officers

Yasuhisa Fujita

Kazuo Takeuchi

Shigeki Fuji

Kazuhiko Hasunuma

Takao Kawanishi

Yoichi Ogawa

Fumiyasu Mori

Yoichi Fukae

SANWA BANK

BOARD OF DIRECTORS

Chairman of the Board

Mitsuaki Naito

REPRESENTATIVE DIRECTORS

President

Kaneo Muromachi

Deputy Presidents

Hiroya Nobuhara

Hiroki Murao

Senior Managing Directors

Akio Fujiwara

Masashi Teranishi

Tamio Takakura

STATUTORY AUDITORS

Takatoshi Okajima

Akio Imanishi

Isamu Hamamoto

EXECUTIVE OFFICERS

Chief Executive Officer

Kaneo Muromachi

Senior Executive Officers

Hiroya Nobuhara

Hiroki Murao

Akio Fujiwara

Masashi Teranishi

Tamio Takakura

Michitaka Motoda

Ryosuke Tamakoshi

Masao Hiruta

Norizumi Yoshihara

Masaki Hashikawa

Jihei Yamazaki

Executive Officers

Masanobu Nakamura

Yoshio Ishikawa

Yusei Yamaguchi

Shouji Watanabe

Mahito Kageyama

Kazuhiko Hasunuma

Kazuhiko Tokita

Masato Nakamura

Sen Hayakawa

Taizo Furumatsu

Toshihide Mizuno

Eiichi Suzuki

Yoshiaki Kawamata

Takamune Okihara

Hirokazu Ando

TOKAI BANK

BOARD OF DIRECTORS

Chairman of the Board

Shoji Tokumitsu

REPRESENTATIVE DIRECTORS

President and CEO

Hideo Ogasawara

Senior Managing Directors

Tatsuo Tsuchikawa

Toshihide Kubo

CORPORATE AUDITORS

Takashi Inayoshi

Atsushi Hasegawa

Masami Iwasaki

Seitaro Taniguchi

EXECUTIVE DIRECTORS

Deputy President

Ikuo Suzuki

Senior Managing Directors

Kazuyoshi Tanaka

Kenji Sueyasu

Kyosuke Watanabe

Tetsuo Komori

Managing Directors

Yoshio Hirata

Yoshiyuki Hamaya

Hirohisa Aoki

Toshihiko Takamoto

Hiroyuki Itakura

Kazuo Yoshihara

Directors

Kenji Iwata

Tamotsu Kokado

Shozo Somiya

Gen Tomii

Kohtaro Niwa

Takeshi Morishita

Yukio Ajima

Kazumi Kuroda

Hisao Shimizu

Toshiyuki Tada

Shunji Banno

TOYO TRUST

BOARD OF DIRECTORS

Chairman of the Board

Yasuo Masunaga

President

(Representative Directors)

Shunroku Yokosuka

Deputy President

(Representative Directors)

Yutaka Matsushima

Managing Directors

Akira Sawayanagi

Haruo Matsuki

CORPORATE AUDITORS

Hiroshi Sakamoto

Isamu Hamamoto

Takatoshi Okajima

EXECUTIVE OFFICERS

Senior Executive Officers

Yasukuni Doi

Shoji Wakita

Masuo Sato

Kenjiro Sugimura

Nobuo Shimizu

Teruyuki Yoshida

Executive Officers

Masatoshi Koma

Tadamasa Ohtsu

Hiroshi Kamisawa

Takao Shida

Shigeru Kihara

Tetsuo Maeda

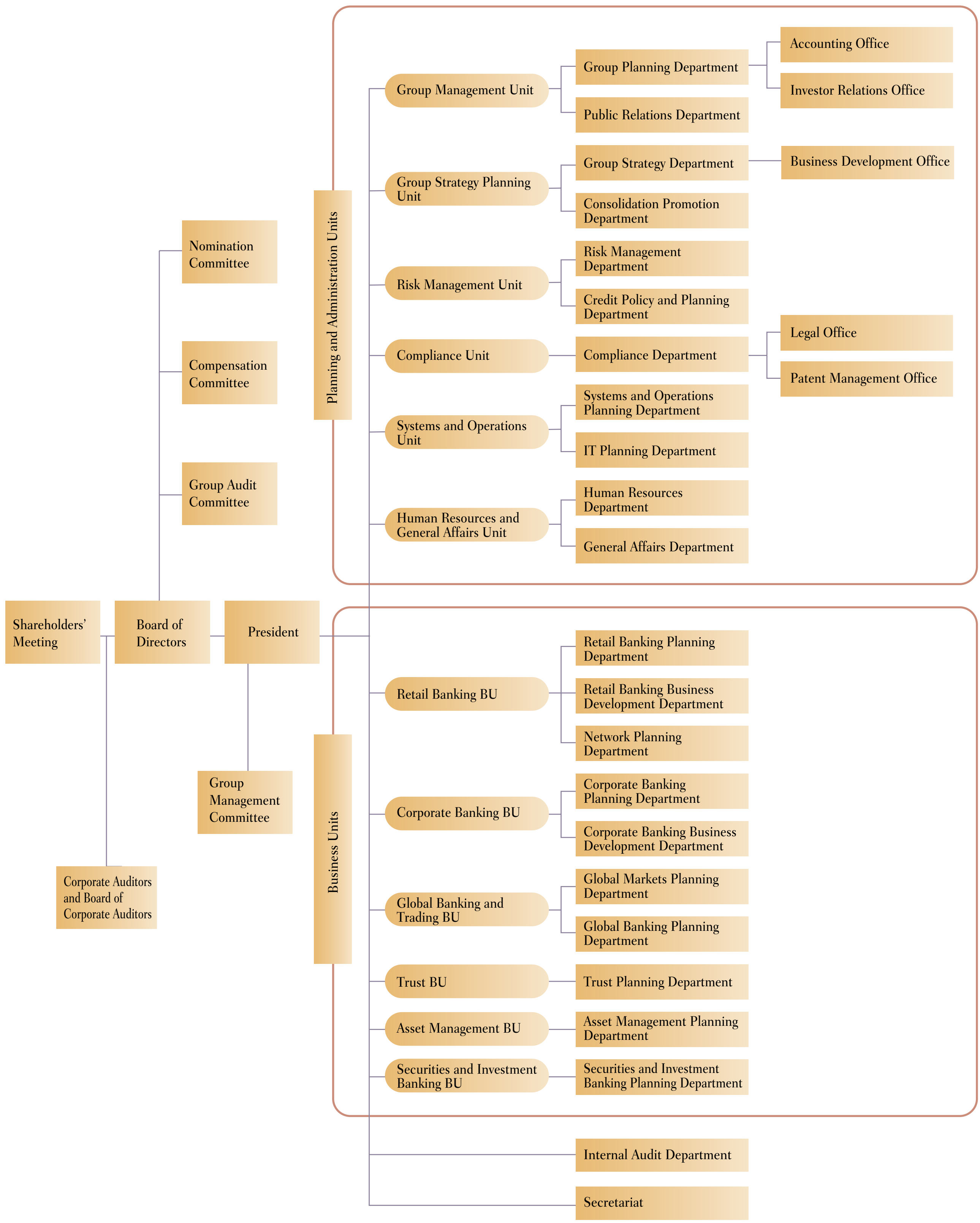
Sumiyoshi Matsuzaki

Minoru Nishimura

Kazuya Nishida

(As of July 2, 2001)

ORGANIZATION OF UFJ HOLDINGS

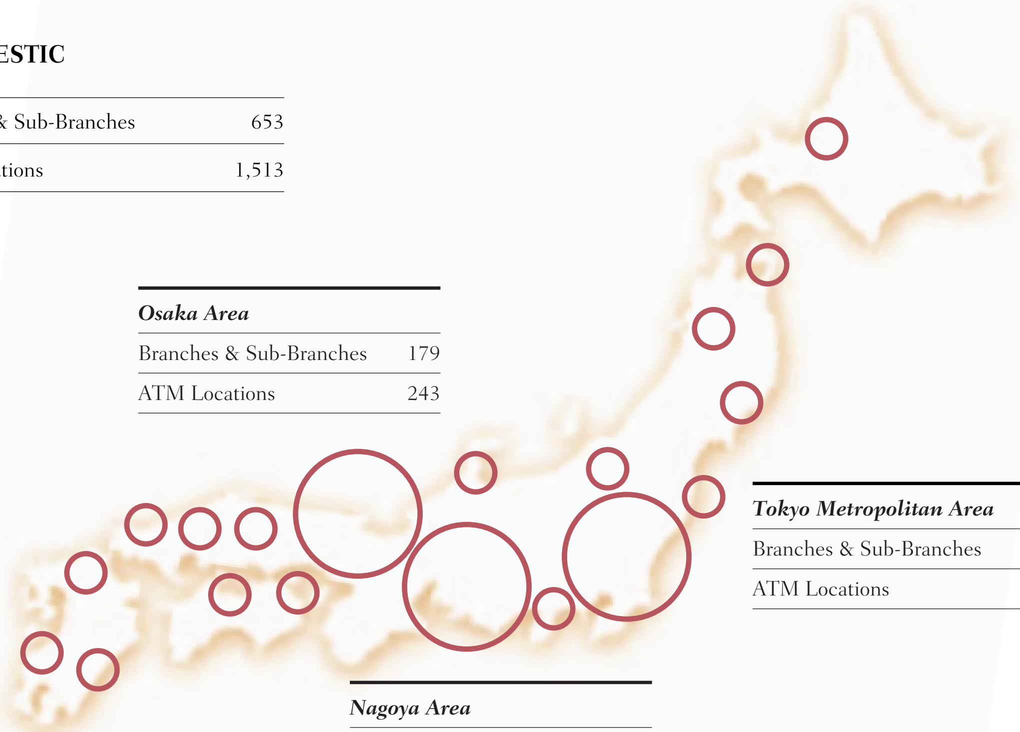


(As of July 2, 2001)

UFJ GROUP NETWORK

● DOMESTIC

Branches & Sub-Branches	653
ATM Locations	1,513



Osaka Area	
Branches & Sub-Branches	179
ATM Locations	243

Tokyo Metropolitan Area	
Branches & Sub-Branches	255
ATM Locations	635

Nagoya Area	
Branches & Sub-Branches	190
ATM Locations	628

● OVERSEAS

Europe	
Branches	5
Representative Offices	7
Subsidiaries*	7
Total	19

Asia	
Branches	18
Sub-Branches	3
Representative Offices	15
Subsidiaries*	11
Total	47

The Americas	
Branches	6
Sub-Branches	4
Representative Offices	6
Subsidiaries*	5
Total	21

*Subsidiaries for which liquidation had been announced by March 31, 2001, or which were categorized as non-major subsidiaries as of March 31,2001, are excluded.

(As of March 31, 2001)

SANWA BANK MAJOR SUBSIDIARIES AND AFFILIATES

	Country or Region	Capital	Main Business	Established	Percentage of Sanwa Bank's Ownership (Note 1)
Consolidated Subsidiaries					
Sanwa Securities Co., Ltd. (Note 2)	Japan	¥42,000 million	Securities business	Oct. 1994	85.71
Sanwa System Development Co., Ltd.	Japan	¥50 million	System development	Aug. 1983	100
Sanwa Business Service Co., Ltd.	Japan	¥30 million	Banking clerical work	Apr. 1982	100
Sanwa Business Service Tokyo Co., Ltd.	Japan	¥30 million	Banking clerical work	Mar. 1986	100
Sanwa Operations Business Co., Ltd.	Japan	¥30 million	Banking clerical work	Nov. 1984	100
Sanwa Operations Business Tokyo Co., Ltd.	Japan	¥30 million	Banking clerical work	Dec. 1983	100
The Sanwa Mortgage Service Co., Ltd.	Japan	¥30 million	Mortgage certificate operations	Apr. 1987	100
Sanwa Staff Service Co., Ltd.	Japan	¥80 million	Temporary manpower service	Mar. 1988	100
The Sanwa International Operations Service Co., Ltd.	Japan	¥30 million	Banking clerical work	Mar. 1988	100
Sanwa T.M.C.	Japan	¥300 million	Disposal of real estate collateral	Feb. 1995	100
The Sanwa Credit Co., Ltd.	Japan	¥400 million	Credit guarantee operations	Sept. 1977	63.00 (38.00)
Financial One Card Co., Ltd. (Note 3)	Japan	¥205 million	Credit card services	Mar. 1983	54.14 (49.26)
Sanwa Business Credit Co., Ltd.	Japan	¥1,180 million	Leasing, factoring, lending	Oct. 1983	73.50 (68.50)
Sanwa Capital Co., Ltd.	Japan	¥200 million	Venture capital investment	Aug. 1984	60.46 (16.27)
Sanwa Asset Management Co., Ltd. (Note 4)	Japan	¥1,280 million	Investment advisory	Sept. 1993	78.86
SRIC Corporation	Japan	¥1,000 million	Research, consulting	Oct. 1985	53.00 (48.00)
Partners Asset Management Co., Ltd. (Note 5)	Japan	¥15,174 million	Investment trust management	Dec. 1959	70.67
Japan TPP Securities Co., Limited	Japan	¥1,990 million	Securities business	Nov. 1998	40.20 (15.07)
The Frontier Servicer Co., Ltd.	Japan	¥1,000 million	Loan collection servicer	Jul. 1999	50.00
The Senshu Bank, Ltd.	Japan	¥44,575 million	Banking	Jan. 1951	70.10
Otemachi Guarantee Co., Ltd.	Japan	¥3,164 million	Credit guarantee operations for individuals	Apr. 1984	100

	Country or Region	Capital	Main Business	Established	Percentage of Sanwa Bank's Ownership (Note 1)
Sanwa Bank California (Note 6)	U.S.A.	US$440 million	Banking	Jan. 1972	100
Sanwa International Finance Limited	Hong Kong	US$124 million	Securities business	Dec. 1978	94.83
Sanwa Australia Limited (Note 7)	Australia	A$93.2 million	Finance	Jun. 1970	100
Sanwa International plc	U.K.	Stg£203.9 million	Securities business	May 1973	100
Sanwa Bank Canada (Note 8)	Canada	C$113.8 million	Banking	Aug. 1983	100
Sanwa Bank (Schweiz) AG (Note 9)	Switzerland	SF83.4 million	Finance	May 1981	100
Sanwa Finance Hong Kong Limited	Hong Kong	HK$105 million	Installment finance, leasing	Jun. 1981	100
P.T. Sanwa-BRI Finance	Indonesia	RP55 billion	Leasing, consumer finance	Aug. 1983	55.00
Sanwa Leasing (Deutschland) GmbH	Germany	DM1 million	Leasing	May 1988	100
P.T. Bank Sanwa Indonesia	Indonesia	RP600 billion	Banking	Feb. 1989	94.97
Sanwa Finance Aruba A.E.C.	Aruba	US$10,000	Finance	Mar. 1991	100
Sanwa Mercuries Finance Co., Ltd.	Taiwan	NT$500 million	Installment finance, leasing	Nov. 1988	76.40
Sanwa Cayman Treasury Fund Limited	Cayman Islands	US$50,000	Finance	Jul. 1998	100
Sanwa Cayman Monetary Fund Limited	Cayman Islands	US$50,000	Finance	Jul. 1998	100
Sanwa Cayman International Investment Limited	Cayman Islands	US$50,000	Finance	Jul. 1998	100
Sanwa Cayman Securities Investment Limited	Cayman Islands	US$50,000	Finance	Jul. 1998	100
Sanwa Capital Finance 1 Limited	Cayman Islands	¥50,000 million	Finance	Mar. 1999	100
Sanwa Capital Finance 2 Limited	Cayman Islands	¥130,000 million	Finance	Mar. 1999	100
SCB Sanwa Leasing Co., Ltd. (Note 3)	Thailand	B60 million	Leasing	Feb. 1988	46.00
45 other companies					

	Country or Region	Capital	Main Business	Established	Percentage of Sanwa Bank's Ownership (Note 1)
Affiliates Accounted for Under the Equity Method					
Private Securities Management Co., Ltd. (Note 3)	Japan	¥1,300 million	Financial consulting, securities	Mar. 2000	43.61
eWing Securities Co., Ltd. (Note 10)	Japan	¥2,542 million	Securities	Nov. 1999	41.19 (3.29)
Japan Pension Planning Co., Ltd.	Japan	¥2,000 million	Research, consulting	Sept. 1999	45.00
The Taisho Bank, Ltd.	Japan	¥2,689 million	Banking	Apr. 1922	22.43 (3.07)
Mobit Co., Ltd.	Japan	¥10,000 million	Consumer finance	May 2000	50.00
TSUBASA Securities Co., Ltd. (Note 11)	Japan	¥25,107 million	Securities	Apr. 1948	37.51 (8.33)
TSUBASA Hands-on Capital Ltd.	Japan	¥400 million	Venture capital investment	May 2000	17.50 (2.50)
Rizal Commercial Banking Corporation	Philippines	P6,329 million	Banking	Aug. 1960	25.05
8 other companies					

(As of March 31, 2001)

Notes:
1. ( ) indicates the percentage of ownership by subsidiaries.
2. Sanwa Securities Co., Ltd. is currently UFJ Capital Markets Securities Co., Ltd. after merger with Tokai International Securities Co., Ltd. in July 2001.
3. Sanwa Card Services Co., Ltd. changed its name to Financial One Card Co., Ltd. in October 2000, Siam Sanwa Leasing Co., Ltd. changed its name to SCB Sanwa Leasing Co., Ltd. in January 2001 and Private Financial Management Co., Ltd. changed its name to Private Securities Management Co., Ltd. in October 2000.
4. Sanwa Asset Management Co., Ltd. is currently UFJ Assets Management Co., Ltd. after merger with Tokai Asset Management Co., Ltd. and The Toyo Trust Asset Management Co., Ltd. in April 2001.
5. Partners Asset Management Co., Ltd. is currently UFJ Partners Asset Management Co., Ltd. after merger with investment trust management businesses of Tokai Asset Management Co., Ltd. and of The Toyo Trust Asset Management Co., Ltd. in April 2001.
6. Sanwa Bank California is currently United California Bank after merger with Tokai Bank of California in July 2001.
7. Sanwa Australia Limited is currently UFJ Australia Ltd. after merger with Tokai Australia Finance Corporation Ltd. in September 2001.
8. Sanwa Bank Canada is currently UFJ Bank Canada after merger with Tokai Bank Canada in July 2001.
9. Sanwa Bank (Schweiz) AG is currently UFJ Bank (Schweiz) AG after merger with Tokai Bank (Switzerland) Ltd. in July 2001.
10. eWing Securities Co., Ltd. is currently kabu.com Securities Co., Ltd. after merger with Japan Online Securities Co., Ltd. in April 2001.
11. Universal Securities Co., Ltd. was changed its name to TSUBASA Securities Co., Ltd. after merger with Taiheiyo Securities Co., Ltd., Towa Securities Co., Ltd. and Dai-ichi Securities Co., Ltd. in April 2000.

TOKAI BANK MAJOR SUBSIDIARIES AND AFFILIATES

	Country or Region	Capital	Main Business	Established	Percentage of Tokai Bank's Ownership (Note 1)
Consolidated Subsidiaries					
Tokai Business Service Co., Ltd.	Japan	¥95 million	Proxy service	Aug. 1980	100
Tokai Business Aid Co., Ltd.	Japan	¥50 million	Banking clerical work	Apr. 1996	100
Tokai Area Maintenance Co., Ltd.	Japan	¥10 million	Banking clerical work	Jun. 1995	100
Tokai Real Estate Management Co., Ltd.	Japan	¥200 million	Disposal of real estate collateral	Oct. 1994	100
The Tokai Trust and Banking Co., Ltd. (Note 2)	Japan	¥10,000 million	Trust	Aug. 1995	100
Tokai International Securities Co., Ltd. (Note 3)	Japan	¥22,222 million	Securities	Jan. 1995	90.00
The Central Capital Ltd.	Japan	¥860 million	Venture capital investment	Jan. 1974	50.60 (8.01)
Tokai Maruman Finance Co., Ltd.	Japan	¥300 million	Venture capital investment	Jun. 1983	100 (95)
The Million Credit Co., Ltd.	Japan	¥206 million	Credit guarantee operations	Feb. 1971	22.50 (17.50)
Central Systems Co., Ltd.	Japan	¥1,310 million	Information processing	Jul. 1970	20.75 (15.75)
System Support Co., Ltd.	Japan	¥33 million	Information processing, computer staff dispatch	Feb. 1971	100 (100)
CST Co., Ltd.	Japan	¥30 million	Computer office management, software development, data entry	Dec. 1972	100 (100)
CS Seven Co., Ltd.	Japan	¥12 million	Data entry agency, staff dispatch	Jul. 1979	100 (100)
CSA Co., Ltd.	Japan	¥81 million	Clerical consignment, staff dispatch	Aug. 1987	100 (100)
CS Delivery Co., Ltd.	Japan	¥12 million	Cargo shipping	Mar. 1977	100 (100)
Central Information Systems Co., Ltd.	Japan	¥173 million	Software development, hardware sales	Feb. 1982	55.09 (55.09)
Nippon Mutual Housing Loan Co., Ltd.	Japan	¥80 million	Mutual housing loan	Oct. 1913	25.00 (20.00)
Tokai Bank of California (Note 4)	U.S.A.	US$116.3 million	Banking	Jun. 1974	100
Tokai Bank Nederland N.V.	The Netherlands	EUR36.5 million	Banking	Jan. 1976	100
Tokai Asia Limited	Cayman Islands	US$84.6 million	Securities	Jan. 1977	100
Tokai Bank Europe plc	U.K.	Stg£224.5 million	Banking, securities	Jan. 1992	100
Tokai Bank (Schweiz) AG (Note 5)	Switzerland	SFr57.4 million	Banking, securities	Apr. 1984	100
Tokai Australia Finance Corporation Ltd. (Note 6)	Australia	A$70.0 million	Finance	May 1985	100
Tokai Bank Canada (Note 7)	Canada	C$56.6 million	Banking	Jan. 1987	100

	Country or Region	Capital	Main Business	Established	Percentage of Tokai Bank's Ownership (Note 1)
P.T. Tokai Lippo Bank	Indonesia	Rp170,467 million	Banking	Dec. 1989	84.39
Tokai Bank (Deutschland) GmbH	Germany	EUR25.5 million	Banking, securities	May 1990	100
Tokai Finance (Curaçao) N.V.	Netherlands Antilles	US$0.2 million	Finance	Jan. 1991	100
Tokai Airfinance Europe Limited	British Isles	US$0.02 million	Leasing	Dec. 1991	100
Tokai Preferred Capital Holdings, Inc.	U.S.A.	US$125 million	Investment	Mar. 1998	100
Tokai Capital Markets Limited	U.K.	Stg£7.6 million	Securities	Jan. 1992	100 (100)
Tokai California Finance Corporation	U.S.A.	US$0.05 million	Leasing	Aug. 1986	100 (100)
Tokai Trust Europe Limited	U.K.	Stg£0.25 million	Trustee services	Oct. 1996	100 (100)
Tokai Preferred Capital Company L.L.C	U.S.A.	US$125 million	Finance	Mar. 1998	100 (100)
Bangkok First Tokai Company Ltd. (Note 8)	Thailand	B200 million	Finance	Arp. 1973	45.00
Bangkok Central Capital Co., Ltd.	Thailand	B35.0 million	Venture capital investment	Mar. 1990	58.50 (58.50)
Subsidiaries and Affiliates Accounted for Under the Equity Method					
Tokai Asset Management Co., Ltd. (Notes 9 and 10)	Japan	¥1,200 million	Investment trust management and investment advisory	Sept. 1994	69.05 (5.11)
Tokai Deutsche Asset Management Ltd. (Note 10)	U.K.	Stg£0.15 million	Investment advisory	Mar. 1990	60.00 (51.00)
Industrial & Commercial International Leasing Co., Ltd.	China	US$5.0 million	Leasing	Apr. 1988	25.00
Million Card Service Co., Ltd.	Japan	¥1,399 million	Credit card	Apr. 1968	21.01 (11.40)
Tokai Research & Consulting Inc.	Japan	¥200 million	Consulting, research	Sept. 1979	29.50 (24.50)
The Gifu Bank, Ltd.	Japan	¥12,321 million	Banking	May 1942	21.00 (0.20)
The Central Factors, Ltd.	Japan	¥300 million	Factoring	Feb. 1978	12.00 (7.0)

(As of March 31, 2001)

Notes: 1. ( ) indicates the percentage of ownership by subsidiaries and affiliates.
2. Tokai Trust and Banking Co., Ltd. was integrated into Toyo Trust and Banking Company, Limited in July 2001.
3. Tokai International Securities Co., Ltd. is currently UFJ Capital Markets Securities Co., Ltd. after merger with Sanwa Securities Co., Ltd. in July 2001.
4. Tokai Bank of California is currently United California Bank after merger with Sanwa Bank California in July 2001.
5. After the operations of Tokai Bank (Schweiz) AG was transferred to Sanwa Bank (Schweiz) AG and Sanwa Bank (Schweiz) AG was renamed to UFJ Bank (Schweiz) AG in July 2001.
6. The operations of Tokai Australia Finance Corporation Ltd. were transferred to Sanwa Australia Ltd., and Sanwa Australia Ltd. was renamed to UFJ Australia Ltd. in September 2001.
7. Tokai Bank Canada is currently UFJ Bank Canada after merger with Sanwa Bank Canada in July 2001.
8. Bangkok First Tokai Company Ltd. was renamed Bangkok UFJ Limited in September 2001.
9. Tokai Asset Management Co., Ltd. is currently UFJ Asset Management Co., Ltd. after merger with Sanwa Asset Management Co., Ltd. and The Toyo Trust Asset Management Co., Ltd. in April 2001.
10. Tokai Asset Management Co., Ltd. and Tokai Deutsche Asset Management Ltd. were subsidiaries accounted for under the equity method.

TOYO TRUST MAJOR SUBSIDIARIES AND AFFILIATES

	Country or Region	Capital	Main Business	Established	Percentage of Toyo Trust's Ownership (Note 1)
Consolidated Subsidiaries					
Toyo Land and Building Co., Ltd.	Japan	¥4,000 million	Maintenance of offices, company residences, etc.	May 1964	100
Toyo Business Co., Ltd.	Japan	¥100 million	Clerical work	Jan. 1976	100
Toyo Systems Development Co., Ltd.	Japan	¥400 million	System development	Aug. 1984	100
Toyo Total Maintenance Co., Ltd.	Japan	¥100 million	Disposal of real estate collateral	Jan. 1995	100
Toyo Trust Operation Services Co., Ltd.	Japan	¥20 million	System operations	Dec. 1998	100
Toyo Trust Office Service Co., Ltd.	Japan	¥100 million	Clerical work and temporary manpower service	Jul. 1999	100
The Toyo Trust Asset Management Co., Ltd. (Note 2)	Japan	¥1,000 million	Investment advisory and investment trust management	Jun. 1986	100
Toyo Hosho Services Co., Ltd.	Japan	¥2,000 million	Credit guarantee operations	Dec. 1977	100 (50.00)
Toyo Realty Co., Ltd.	Japan	¥200 million	Residential real estate brokerage	Jan. 1988	55.00 (50.00)
Toyo Trust Capital Co., Ltd.	Japan	¥1,000 million	Venture capital investment	Jun. 1988	72.95 (67.95)
Toyo Trust Total Finance Co., Ltd.	Japan	¥100 million	Leasing	Mar. 1987	30.00 (25.00)
Toyo Trust Company of New York	U.S.A.	US$21.8 million	Trust services and investment advisory	Sept. 1988	100
TTB Finance Cayman Limited	Cayman Islands	US$1,000	Finance	Jan. 1993	100
Toyo Trust Baillie Gifford Asset Management Limited	U.K.	Stg£0.5 million	Investment advisory	Dec. 1989	51.00
Affiliates Accounted for Under the Equity Method					
Japan Pension Planning Co., Ltd.	Japan	¥2,000 million	Research and consulting	Sept. 1999	45.00
Private Securities Management Co., Ltd. (Note 3)	Japan	¥1,300 million	Financial consulting and securities	Mar. 2000	43.61
Private Asset Management Co., Ltd.	Japan	¥300 million	Investment advisory	Jul. 2000	—
The Master Trust Bank of Japan, Ltd.	Japan	¥10,000 million	Trust and banking	Nov. 1985	29.00
United Leasing Company, Limited	China	US$3 million	Leasing	Sept. 1985	30.00

(As of March 31, 2001)

Notes: 1. ( ) indicates the percentage of ownership by subsidiaries and affiliates.
2. Currently UFJ Asset Management Co., Ltd. after merger with Sanwa Asset Management Co., Ltd. and Tokai Asset Management Co., Ltd.
3. Private Financial Management Co., Ltd. changed its name to Private Securities Management Co., Ltd. in October 2000.

SANWA BANK OVERSEAS NETWORK

THE AMERICAS

U.S.A.

New York Branch
Park Avenue Plaza, 55 East 52nd Street,
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Telex: RCA 232423
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TRT 175494
Fax: 1-212-754-1851

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Fax: 1-713-654-1462

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Telex: 3735188
Fax: 1-312-346-6677

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601 South Figueroa Street,
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Telex: 823038
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115 other offices in California, and two other offices in New York and Chicago

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One other office in the U.K.

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EUROPE AND THE MIDDLE EAST

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SWITZERLAND

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Bahrain
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ASIA-PACIFIC

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Telex: 64836
Fax: 852-2845-3518

Sanwa Finance Hong Kong Limited
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Fax: 852-2918-1890

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Telex: 74063 DSB HX
Fax: 852-2598-5052

CHINA

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Telex: 420297 ASZN CN
Fax: 86-755-2228135, 2252255

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Pudong Avenue, Shanghai,
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Telephone: 86-21-5879-3818
Telex: 337162 SASH CN
Fax: 86-21-5879-3816~7

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Telex: 86427 SANDL CN
Fax: 86-411-3603377

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Henderson Centre,
18 Jianguomennei Dajie, Beijing,
The People's Republic of China
Telephone: 86-10-6518-2780
Telex: 22924 SANBJ CN
Fax: 86-10-6518-2770

Tianjin Representative Office
Room No. 1301,
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75 Nanjing Road, Tianjin,
The People's Republic of China
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Telex: 23270 HYTJN CN
Fax: 86-22-2331-2424

Guangzhou Representative Office
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Liu Hua Lu, Guangzhou,
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Telex: 44595 SANWA CN
Fax: 86-20-8667-7574

TAIWAN

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Fax: 886-2-2778-0165

Sanwa Mercuries Finance Co., Ltd.
3F, 145, Section 2,
Chien Kuo North Road, Taipei, Taiwan
Telephone: 886-2-2516-5332
Fax: 886-2-2505-6044

REPUBLIC OF KOREA

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Lotte Building, 22nd Floor,
1 Sogong-Dong, Chung-ku, Seoul,
Republic of Korea, C.P.O. Box 4698
Telephone: 82-2-752-7321
Telex: 26455
Fax: 82-2-754-3870

SINGAPORE

Singapore Branch
6 Raffles Quay,
#24-01 John Hancock Tower,
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Telex: 28573
Fax: 65-538-4636

Sanwa Futures (Singapore) Pte Limited
6 Raffles Quay,
#14-01 John Hancock Tower,
Singapore 048580, Singapore
Telephone: 65-536-3292
Telex: 28573
Fax: 65-536-3362

MALAYSIA

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Letter Box 43, 8 Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia
Telephone: 60-3-2032-4722
Fax: 60-3-2032-4711

Labuan Branch
Level 10(D) Main Office Tower,
Financial Park Labuan IOFC,
Jalan Merdeka,
87000 Federal Territory of Labuan, Malaysia
Telephone: 60-87-419200~1, 411203
Telex: 85039
Fax: 60-87-419202, 410204

Kuala Lumpur Marketing Office
Level 16, Menara IMC,
Letter Box 43, 8 Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia
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Telex: 33709
Fax: 60-3-2032-4733

Bumiputra-Commerce Bank Berhad
6, Jalan Tun Perak,
50050 Kuala Lumpur, Malaysia
Telephone: 60-3-2693-1722
Telex: 31144
Fax: 60-3-2693-3136

THAILAND

Bangkok International Banking Facility
11th Floor, Diethelm Towers B,
Room Nos. 1101-1102, 93/1 Wireless Road,
Bangkok 10330, Thailand
Telephone: 66-2252-2263~5
66-2253-1606~9
66-2650-9277~89
Telex: 20350, 20584
Fax: 66-2-253-1158

SCB Leasing Company Limited
15th & 27th Floor,
130-132 Sindhorn Building Tower 3,
Wittayu Road, Lumpini, Patumwan,
Bangkok 10330, Thailand
Telephone: 66-2263-2990
Fax: 66-2263-2991

The Siam Commercial Bank Public Company Limited
9 Rutchadapisek Road, Ladyao, Jatujak,
Bangkok 10900, Kingdom of Thailand
Telephone: 66-2544-3041, 2544-3046
Telex: 20858, 20492, 82876
Fax: 66-2544-3114

INDONESIA

Jakarta Representative Office
5th Floor, Bank Bali Tower,
Jl. Jenderal Sudirman Kav. 27,
Jakarta 12920, Indonesia
Telephone: 62-21-250-0510
Telex: 60855
Fax: 62-21-250-0513

P.T. Bank Sanwa Indonesia
4th & 5th Floors, Bank Bali Tower,
Jl. Jenderal Sudirman Kav. 27,
Jakarta 12920, Indonesia
Telephone: 62-21-2500401
Telex: 60851
Fax: 62-21-2500410

One branch and three sub-branches in Indonesia

P.T. Sanwa-BRI Finance
Wisma 46, 6th Floor, Kota BNI,
Jl. Jenderal Sudirman Kav. 1,
Jakarta 10220, Indonesia
Telephone: 62-21-574-5333, 5454, 5050
Telex: 65675 Sanwa IA
Fax: 62-21-574-5444

One branch in Indonesia

PHILIPPINES

Manila Representative Office
2nd Floor, RCBC Building,
333 Sen. Gil J. Puyat Avenue,
Makati City, Philippines
Telephone: 63-2-844-8908
Fax: 63-2-878-3492

Rizal Commercial Banking Corporation
Yuchengco Tower,
RCBC Piaza 6819 Ayala Avenue,
Makati City 0727, Philippines
Telephone: 63-2-894-9997
Telex: 63547
Fax: 63-2-878-3491

INDIA

New Delhi Branch
Upper Ground Floor, Mercantile House,
15 Kasturba Gandhi Marg.,
New Delhi 110001, India
Telephone: 91-11-331-8008, 4100, 3333
Telex: 3162961
Fax: 91-11-331-5162

AUSTRALIA

Sanwa Australia Limited
AMP Centre, Level 30, 50 Bridge Street,
Sydney, N.S.W. 2000, Australia
Telephone: 61-2-9238-6400
Telex: 22472
Fax: 61-2-9238-6490

Sanwa Australia Finance Limited
Level 12, 240 Queen Street,
Brisbane, Queensland 4000, Australia
Telephone: 61-7-3231-3555
Fax: 61-7-3231-3666

Seven branches in Australia and one branch in New Zealand

(As of July 31, 2001)

TOKAI BANK OVERSEAS NETWORK

THE AMERICAS

U.S.A.

New York Branch
Park Avenue Plaza, 55 East 52nd Street,
New York, New York 10055, U.S.A.
Telephone: 1-212-339-1200
Telex: 422857 TOKAI
Fax: 1-212-754-2153

Chicago Branch
1 North Franklin Street, Suite 1920,
Chicago, Illinois 60606, U.S.A.
Telephone: 1-312-853-3400
Telex: 206269 TOKAI CGO
Fax: 1-312-977-0003

Kentucky Representative Office
7310 Turfway Road, Suite 210, Florence,
Kentucky 41042, U.S.A.
Telephone: 1-859-746-1800
Fax: 1-859-746-1799

United California Bank

Los Angeles Head Office
601 South Figueroa Street,
Los Angeles, California 90017, U.S.A.
Telephone: 1-213-896-7000
Fax: 1-213-896-7542

San Francisco Regional Headquarters
One Front Street, San Francisco,
California 94111, U.S.A.
Telephone: 1-415-597-5000

115 other offices in California, and two other offices in New York and Chicago

CANADA

UFJ Bank Canada
Toronto Head Office
BCE Place, Canada Trust Tower,
P.O. Box 525, Suite 4400,
161 Bay Street, Toronto,
Ontario M5J 2S1, Canada
Telephone: 1-416-366-2583
Telex: 06219585
Fax: 1-416-366-8599

One other office in Canada

EUROPE AND THE MIDDLE EAST

UNITED KINGDOM

London Branch
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London EC2A 2EH, U.K.
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Telex: 887375/6 TOKAIL G
Fax: 44-20-7638-1144/1155

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

Tokai Bank Europe plc
One Exchange Square,
London EC2A 2JL, U.K.
Telephone: 44-20-7638-6030
Telex: 8812649 TOKEUR G
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Tokai Deutsche Asset Management Ltd.
One Appold Street,
London EC2A 2UU, U.K.
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Fax: 44-20-7545-0552

BELGIUM

Brussels Representative Office
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Telex: 20446 TOKAIB
Fax: 32-2-646-8690

THE NETHERLANDS

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Keizersgracht 452, 1016 GD, Amsterdam,
The Netherlands
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Telex: 12606,11664,15626 TOKAINL
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GERMANY

Frankfurt Representative Office
Bockenheimer Landstrasse 51-53,
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BAHRAIN

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Fax: 973-224436

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ASIA-PACIFIC

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(Incorporated in the Cayman Islands)
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Telex: 85214 TOKHK HX
Fax: 852-2840-0069

Asia Commercial Bank Ltd.
Asia Financial Centre, 120,
Des Vouex Road, Central, Hong Kong
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Telex: 73085 HKACB HX
Fax: 852-2541-0009

CHINA

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Telex: 234203 TOKAICN
Fax: 83-22-2330-4660

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Telex: 33533 TOKSH A CN
Fax: 86-21-5830-6450

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Telephone: 86-10-6597-3868
Fax: 86-10-6597-3079

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

Industrial & Commercial International Leasing Co., Ltd.
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1 Liu Hua Lu, Guangzhou,
The People's Republic of China
Telephone: 86-20-8666-6248
Telex: 441033 ICIL CN
Fax: 86-20-8666-6148

TAIWAN

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REPUBLIC OF KOREA

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26289/26290
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MALAYSIA

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50200 Kuala Lumpur, Malaysia
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Telex: MA031782 TOK LMO
Fax: 60-3-2031-5239

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THAILAND

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25th Floor, C.P. Tower Building,
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10500, Thailand
(To move office in September 2001)
28th Floor, Bangkok City Tower,
179 South Sathorn Road,
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10120, Thailand
Telephone: 66-2287-3373
Telex: 82471 TOKAIBK TH
Fax: 66-2287-3413

Bangkok First Tokai Company Limited
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Telex: 82187 BFTOKAITH
Fax: 66-2287-3374

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Fax: 63-2-811-4519

INDIA

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Fax: 84-8-8241-962

(As of July 31, 2001)

TOYO TRUST OVERSEAS NETWORK

THE AMERICAS

U.S.A.

New York Representative Office
666 Fifth Avenue, 33rd Floor, New York,
New York 10103-3395, U.S.A.
Telephone: 1-212-307-3400
Fax: 1-212-307-3498

Toyo Trust Company of New York
666 Fifth Avenue, 33rd Floor, New York,
New York 10103-3395, U.S.A.
Telephone: 1-212-307-3450
Telex: 229956 TTCO UR
Fax: 1-212-307-3495
Swift: TTNY US 33

EUROPE AND THE MIDDLE EAST

UNITED KINGDOM

Toyo Trust Baillie Gifford Asset Management Limited
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Edinburgh EH3 8EY, U.K.
Telephone: 44-131-222-4000
Fax: 44-131-222-4487

ASIA-PACIFIC

CHINA

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The People's Republic of China
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United Leasing Company, Limited
Room 2007, 20th Floor, Union Building,
100 Yanan Road (East), Shanghai,
The People's Republic of China
Telephone: 86-21-6328-7295
Fax: 86-21-6320-2813

(As of July 31, 2001)

AUDITED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT ACCOUNTANTS

ChuoAoyama Audit Corporation

PricewaterhouseCoopers

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To: The Board of Directors of
The Sanwa Bank, Limited

We have audited the accompanying consolidated balance sheets of The Sanwa Bank, Limited and its consolidated subsidiaries (the "Group") as of March 31, 2001 and 2000, the related consolidated statements of operations and changes in stockholders' equity for each of the three years in the period ended March 31, 2001, and the related consolidated statements of cash flows for the years ended March 31, 2001 and 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 Group as of March 31, 2001 and 2000, the consolidated results of their operations for each of the three years in the period ended March 31, 2001, and the consolidated results of their cash flows for the years ended March 31, 2001 and 2000, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2, effective from the year ended March 31, 2001, the Group has adopted new accounting standards for employees' retirement benefits, financial instruments, and foreign currency translation.

As described in Note 37, The Sanwa Bank, Limited and The Tokai Bank, Limited agreed to merge on January 15, 2002, pursuant to the letter of intent to merge dated April 25, 2000.

The amounts expressed in U.S. dollars, provided solely for the convenience of readers, have been translated on the basis set forth in Note 1.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
June 26, 2001

The Sanwa Bank, Limited and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars (Note 1) 2001
ASSETS:			
Cash and Due from Banks (Note 9)	**¥ 4,232,343**	¥ 2,255,358	**$ 34,159**
Call Loans (Note 9)	**293,191**	559,952	**2,366**
Monetary Receivables Bought	**22,640**	55,217	**183**
Trading Assets (Note 2 (d), 3 and 9)	**1,549,615**	1,016,988	**12,507**
Money Held in Trust	**50,623**	46,688	**409**
Securities (Note 2 (e), 4 and 9)	**11,869,500**	7,679,866	**95,799**
Loans and Bills Discounted (Note 5 and 9)	**31,857,366**	30,957,742	**257,122**
Foreign Exchanges (Note 6)	**375,594**	242,692	**3,031**
Other Assets (Note 2 (g), 7 and 9)	**2,480,195**	2,201,074	**20,018**
Premises and Equipment (Note 2 (f), 8 and 9)	**560,067**	570,770	**4,520**
Deferred Tax Assets (Note 30)	**630,213**	554,487	**5,087**
Goodwill	**27,687**	—	**223**
Customers' Liabilities for Acceptances and Guarantees (Note 17)	**1,973,243**	1,513,092	**15,926**
Reserve for Possible Loan Losses (Note 2 (h) and (r))	**(903,801)**	(751,340)	**(7,295)**
Reserve for Possible Losses on Securities (Note 2 (i))	**(2,038)**	(604)	**(16)**
Total Assets	**¥55,016,443**	¥46,901,986	**$443,039**
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits (Note 9 and 10)	**¥39,607,291**	¥34,501,958	**$319,671**
Call Money (Note 9)	**3,691,232**	2,783,777	**29,792**
Commercial Paper (Note 9 and 12)	**464,711**	290,748	**3,751**
Trading Liabilities (Note 2 (d) and 11)	**718,148**	451,274	**5,796**
Borrowed Money (Note 9 and 12)	**907,747**	845,032	**7,327**
Foreign Exchanges (Note 13)	**110,559**	42,496	**892**
Bonds and Notes (Note 14)	**1,778,036**	1,484,761	**14,351**
Convertible Bonds (Note 14)	—	1,027	—
Other Liabilities (Note 15)	**3,413,747**	2,327,426	**27,552**
Reserve for Retirement Allowances (Note 2 (j))	—	28,924	—
Reserve for Retirement Benefits (Note 2 (j))	**34,384**	—	**278**
Reserve for Contingent Liabilities related to Loans Sold (Note 2 (k))	**73,643**	97,870	**594**
Reserve for Possible Losses on Support of Specific Borrowers (Note 2 (l))	—	3,372	—
Other Reserves (Note 16)	**23**	24	**0**
Deferred Tax Liabilities (Note 30)	**2,963**	5,677	**24**
Deferred Tax Liabilities for Revaluation Reserve for Land (Note 2 (f) and 30)	**84,112**	98,693	**679**
Acceptances and Guarantees (Note 17)	**1,973,243**	1,513,092	**15,926**
Total Liabilities	**52,859,845**	44,476,158	**426,633**
Minority Interests:			
Minority Interests	**241,285**	237,875	**1,947**
Stockholders' Equity:			
First Series Preferred Stock (Note 18)	**75,000**	75,000	**605**
First Series Class A Preferred Stock (Note 18)	**300,000**	300,000	**2,421**
Common Stock (Note 18)	**468,582**	468,069	**3,782**
Capital Surplus (Note 18)	**734,574**	734,060	**5,929**
Revaluation Reserve for Land, Net of Taxes (Note 2 (f))	**137,293**	148,844	**1,108**
Retained Earnings (Note 2 (o) and 19)	**320,099**	476,961	**2,584**
Foreign Currency Translation Adjustments (Note 2 (a))	**(115,630)**	—	**(933)**
Treasury Stock	**(20)**	(6)	**(0)**
Parent Bank Stock held by Subsidiaries	**(4,586)**	(14,977)	**(37)**
Total Stockholders' Equity	**1,915,312**	2,187,952	**15,459**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥55,016,443**	¥46,901,986	**$444,039**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

			Millions of Yen	Millions of U.S. Dollars (Note 1)
Fiscal Years ended March 31, 2001, 2000 and 1999	**2001**	2000	1999	**2001**
Income:				
Interest Income:	**¥1,172,695**	¥1,297,820	¥1,722,625	**$ 9,465**
Interest on Loans and Discounts	**814,862**	772,063	1,079,526	**6,577**
Interest on and Dividends from Securities	**172,161**	137,768	167,727	**1,389**
Other Interest Income (Note 20)	**185,671**	387,988	475,371	**1,499**
Fees and Commissions (Note 21)	**186,987**	160,987	207,252	**1,509**
Trading Revenue (Note 22)	**48,844**	39,348	53,885	**394**
Other Operating Income (Note 23)	**134,998**	276,360	345,059	**1,090**
Other Income (Note 24)	**354,991**	452,404	80,600	**2,865**
Total Income	**1,898,518**	2,226,920	2,409,422	**15,323**
Expenses:				
Interest Expenses:	**569,939**	745,561	1,149,985	**4,600**
Interest on Deposits	**407,304**	279,956	449,118	**3,287**
Interest on Borrowings and Rediscounts	**71,610**	52,994	162,362	**578**
Other Interest Expenses (Note 25)	**91,023**	412,611	538,503	**735**
Fees and Commissions (Note 26)	**48,594**	51,165	86,520	**392**
Trading Expenses (Note 22)	**1,780**	2,536	143	**14**
Other Operating Expenses (Note 27)	**101,632**	221,869	199,807	**820**
General and Administrative Expenses	**439,152**	432,154	453,700	**3,545**
Other Expenses (Note 2 (p) and 28)	**917,907**	539,465	1,166,522	**7,409**
Total Expenses	**2,079,007**	1,992,753	3,056,679	**16,780**
Income (Loss) before Income Taxes and Minority Interests	**(180,488)**	234,167	(647,256)	**(1,457)**
Income Taxes (Note 2 (n) and (r))**:**				
Provision for Income Taxes	**28,279**	68,241	45,506	**228**
Deferred Income Taxes	**(61,570)**	39,848	(218,292)	**(497)**
	(33,290)	108,090	(172,786)	**(269)**
Minority Interests in Net Income (Loss)	**(453)**	(6,581)	3,899	**(4)**
Net Income (Loss)	**¥ (147,652)**	¥ 119,495	¥ (470,570)	**$ (1,192)**

			Yen	U.S. Dollars
Net Income (Loss) per Common Share (Note 2 (q))**:**				
Basic	**¥ (52.69)**	¥ 39.51	¥ (163.19)	**$ (0.42)**
Fully Diluted	**¥ —**	¥ 34.15	¥ —	**$ —**
Dividend Declared per Share:				
First Series Preferred Stock	**¥ 37.50**	¥ 37.50	¥ 37.50	**$ 0.30**
First Series Class A Preferred Stock	**¥ 15.90**	¥ 15.90	¥ 0.05	**$ 0.12**
Common Stock	**¥ 3.50**	¥ 7.00	¥ 7.00	**$ 0.02**

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

The Sanwa Bank, Limited and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Millions of Yen			Millions of U.S. Dollars (Note 1)
Fiscal Years ended March 31, 2001, 2000 and 1999	**2001**	2000	1999	**2001**
First Series Preferred Stock:				
Balance at Beginning of the Fiscal Year	**¥ 75,000**	¥ 75,000	¥ 75,000	**$ 605**
Additions: Issuance	**—**	—	—	**—**
Balance at End of the Fiscal Year	**¥ 75,000**	¥ 75,000	¥ 75,000	**$ 605**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**50,000**	50,000	50,000	**—**
First Series Class A Preferred Stock:				
Balance at Beginning of the Fiscal Year	**¥ 300,000**	¥ 300,000	¥ —	**$2,421**
Additions: Issuance	**—**	—	300,000	**—**
Balance at End of the Fiscal Year	**¥ 300,000**	¥ 300,000	¥ 300,000	**$2,421**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**200,000**	200,000	200,000	**—**
Common Stock:				
Balance at Beginning of the Fiscal Year	**¥ 468,069**	¥ 466,902	¥ 466,842	**$3,778**
Additions: Conversion of Convertible Bonds and Notes	**513**	1,166	60	**4**
Balance at End of the Fiscal Year	**¥ 468,582**	¥ 468,069	¥ 466,902	**$3,782**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**2,904,840**	2,904,019	2,902,156	**—**
Capital Surplus:				
Balance at Beginning of the Fiscal Year	**¥ 734,060**	¥ 732,894	¥ 432,834	**$5,925**
Additions:				
Issuance of Preferred Stock	**—**	—	300,000	**—**
Conversion of Convertible Bonds and Notes	**513**	1,166	60	**4**
Balance at End of the Fiscal Year	**¥ 734,574**	¥ 734,060	¥ 732,894	**$5,929**
Revaluation Reserve for Land, Net of Taxes:				
Balance at Beginning of the Fiscal Year	**¥ 148,844**	¥ 156,809	¥ —	**$1,201**
Additions:				
Change in Presentation	**—**	—	156,809	**—**
Transfer from Deferred Tax Liabilities for Revaluation Reserve for Land	**4,540**	5,396	—	**37**
Deductions: Reversal of Revaluation Reserve for Land	**(16,091)**	(13,361)	—	**(130)**
Balance at End of the Fiscal Year	**¥ 137,293**	¥ 148,844	¥ 156,809	**$1,108**
Retained Earnings:				
Balance at Beginning of the Fiscal Year	**¥ 476,961**	¥ 365,676	¥ 855,336	**$3,850**
Additions:				
Increase Resulted from Consolidation of Additional Subsidiaries	**31**	—	3,265	**0**
Increase Resulted from Application of Equity Method to an Affiliate	**—**	—	3,266	**—**
Increase Resulted from Reversal of Revaluation Reserve for Land	**16,091**	13,361	—	**130**
Deductions:				
Appropriation of Retained Earnings (Note 2(o)):				
Cash Dividends	**(25,332)**	(21,572)	(25,622)	**(204)**
Decrease due to Companies ceasing to be a Consolidated Subsidiary or to be an Affiliate accounted for under Equity Method	**—**	—	—	**—**
Net Income (Loss)	**(147,652)**	119,495	(470,570)	**(1,192)**
Balance at End of the Fiscal Year	**¥ 320,099**	¥ 476,961	¥ 365,676	**$2,584**
Foreign Currency Translation Adjustments:				
Balance at Beginning of the Fiscal Year	**¥ —**	¥ —	¥ —	**$ —**
Reclassification of Foreign Currency Translation Adjustment for Adoption of Revised Accounting Standard	**(115,630)**	—	—	**(933)**
Balance at End of the Fiscal Year	**¥ (115,630)**	¥ —	¥ —	**$ (933)**
Treasury Stock and Parent Bank Stock Held by Subsidiaries:				
Balance at Beginning of the Fiscal Year	**¥ (14,983)**	¥ (15,114)	¥ (12)	**$ (121)**
Change in Treasury Stock and Parent Bank Stock held by Subsidiaries	**10,376**	130	(15,101)	**84**
Balance at End of the Fiscal Year	**¥ (4,607)**	¥ (14,983)	¥ (15,114)	**$ (37)**

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

The Sanwa Bank, Limited and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years ended March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars (Note 1) 2001
Cash Flows from Operating Activities:			
Income (Loss) before Income Taxes and Minority Interests	**¥ (180,488)**	¥ 234,167	**$ (1,457)**
Depreciation	**20,216**	22,088	**163**
Amortization of Goodwill	**(7,396)**	661	**(60)**
Equity in Earnings of Affiliates	**17,788**	(9,906)	**144**
Increase (Decrease) in Reserve for Possible Losses	**106,328**	(565,105)	**858**
Increase (Decrease) in Reserve for Possible Losses on Securities	**1,429**	604	**12**
Increase (Decrease) in Reserve for Contingent Liabilities related to Loans Sold	**(30,857)**	(14,767)	**(249)**
Increase (Decrease) in Reserve for Supporting Specific Borrowers	**(3,372)**	3,372	**(27)**
Increase (Decrease) in Reserve for Retirement Allowances	**—**	(714)	**—**
Increase (Decrease) in Reserve for Retirement Benefits	**2,399**	—	**19**
Interest Income	**(1,172,695)**	(1,297,820)	**(9,465)**
Interest Expenses	**569,939**	745,561	**4,600**
Net (Gain) Loss on Securities	**(227,105)**	(348,248)	**(1,833)**
Net (Gain) Loss on Money Held in Trust, Net	**1,140**	(2,054)	**9**
Net (Profit) Loss on Sales of Premises and Equipment	**16,217**	16,842	**131**
Net Decrease (Increase) in Trading Assets	**(532,205)**	283,920	**(4,295)**
Net Increase (Decrease) in Trading Liabilities	**266,873**	(92,384)	**2,154**
Net Decrease (Increase) in Loans and Bills Discounted	**135,257**	1,882,647	**1,092**
Net Increase (Decrease) in Deposits	**2,113,334**	434,372	**17,057**
Net Increase (Decrease) in Negotiable Certificates of Deposit	**1,633,437**	(1,152,739)	**13,183**
Net Increase (Decrease) in Borrowed Money (Non-subordinated)	**50,831**	(237,196)	**410**
Net Decrease (Increase) in Call Loans and Monetary Receivables Bought	**302,003**	(94,752)	**2,437**
Net Decrease (Increase) in Collateral Deposits on Securities Borrowed	**(146,866)**	682,585	**(1,185)**
Net Increase (Decrease) in Call Money and Other Fundings related to Operating Activities	**859,960**	(991,267)	**6,941**
Net Increase (Decrease) in Commercial Paper	**173,963**	114,289	**1,404**
Net Increase (Decrease) in Collateral Deposits on Securities Lent	**638,447**	516,747	**5,153**
Net Decrease (Increase) in Foreign Exchange Assets	**(129,969)**	55,838	**(1,049)**
Net Increase (Decrease) in Foreign Exchange Liabilities	**67,957**	(3,407)	**548**
Net Increase (Decrease) in Corporate Bonds and Notes (Non-subordinated) Resulted from Issuance, Redemption and Repurchase	**421,852**	209,763	**3,405**
Interest Received	**1,144,436**	1,345,524	**9,237**
Interest Paid	**(626,672)**	(851,998)	**(5,058)**
Other, Net	**160,848**	97,773	**1,298**
Subtotal	**5,647,031**	984,398	**45,577**
Income Taxes Paid	**(76,701)**	(20,514)	**(619)**
Net Cash Provided by (Used in) Operating Activities	**5,570,330**	963,884	**44,958**
Cash Flows from Investing Activities:			
Purchases of Securities	**(21,046,542)**	(15,371,752)	**(169,867)**
Proceeds from Sales of Securities	**13,154,680**	12,418,577	**106,172**
Proceeds from Maturities of Securities	**4,386,473**	1,935,946	**35,403**
Increase in Money Held in Trust	**(1,564)**	(90)	**(13)**
Decrease in Money Held in Trust	**716**	270,940	**6**
Expenditures on Premises and Equipment	**(28,668)**	(18,328)	**(231)**
Proceeds from Sales of Premises and Equipment	**28,512**	40,903	**230**
Proceeds from Acquisition of Consolidated Subsidiaries	**136,823**	777	**1,104**
Proceeds from Sales of Consolidated Subsidiaries	**—**	11,305	**—**
Other, Net	**(7,338)**	—	**(59)**
Net Cash Provided by (Used in) Investing Activities	**(3,376,906)**	(711,720)	**(27,255)**
Cash Flows from Financing Activities:			
Proceeds from Issuance of Subordinated Debts	**36,000**	40,000	**291**
Repayment of Subordinated Debts	**(56,500)**	(6,000)	**(456)**
Proceeds from Issuance of Subordinated Bonds and Notes	**60,497**	219,225	**488**
Redemption and Repurchase of Subordinated Bonds and Notes	**(230,360)**	(111,128)	**(1,859)**
Proceeds from Issuance of Capital Stocks to Minority Interests	**200**	11,357	**2**
Dividends Paid	**(25,332)**	(21,572)	**(205)**
Dividends Paid to Minority Interests	**(5,905)**	(5,008)	**(48)**
Acquisition of Treasury Stock	**(498)**	(582)	**(4)**
Proceeds from Sales of Treasury Stock	**477**	578	**4**
Other, Net	**—**	151	**—**
Net Cash Provided by (Used in) Financing Activities	**(221,421)**	127,020	**(1,787)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**6,821**	40,455	**55**
Net Increase in Cash and Cash Equivalents	**1,978,823**	419,640	**15,971**
Cash and Cash Equivalents at Beginning of the Fiscal Year	**2,255,358**	1,835,718	**18,203**
Decrease in Cash and Cash Equivalents due to Elimination of Consolidated Subsidiaries	**(1,839)**	—	**(15)**
Cash and Cash Equivalents at End of the Fiscal Year	**¥ 4,232,343**	¥ 2,255,358	**$ 34,159**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of The Sanwa Bank, Limited ("Sanwa Bank") and its consolidated subsidiaries (together referred to as "Sanwa Group") after the elimination of all material intercompany transactions. These statements have been prepared in conformity with accounting principles and practices generally accepted in Japan, including the Statements and Opinions by the Business Accounting Deliberation Council ("BADC"), Financial Statements Regulation, and Consolidated Financial Statements Regulation by the Cabinet Office (formerly, by the Ministry of Finance), and also in conformity with industry practices for banks in Japan.

Accounting principles and practices generally accepted in Japan are different from International Accounting Standards in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated balance sheets and the related consolidated statements of operations and cash flows were filed with the Financial Services Agency (formerly, filed with the Ministry of Finance) as required by the Securities and Exchange Law of Japan. The related consolidated statements of changes in stockholders' equity are not required as a part of the basic financial statements in Japan and were prepared solely for the purpose of inclusion in this report.

Effective April 1, 1999, a consolidated statement of cash flows is required to be prepared under accounting principles and practices generally accepted in Japan. The consolidated statements of cash flows for the fiscal year ended March 31, 2001 and 2000 are presented herein. Such consolidated statement for the fiscal year ended March 31, 1999 is not presented, as accounting principles and practices generally accepted in Japan do not require retroactive preparation or presentation for prior years' financial statements.

For the convenience of readers outside Japan, certain items presented in the consolidated financial statements filed with the Financial Services Agency have been reclassified. Furthermore, certain Japanese yen balances are converted into U.S. dollars at ¥123.90 to $1, the effective exchange rate prevailing at the latest balance sheet date of March 31, 2001. This conversion, however, should not be construed as implying that the Japanese yen amounts have been, or could have been, translated, realized, or settled in U.S. dollars at that or any other exchange rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principle of Consolidation

(i) Scope of Consolidation

The scope of the consolidation is determined based on Sanwa Bank's control and influence over the decision making body of investees as well as its voting shares as described below:

Subsidiaries

Subsidiaries are, in general, companies in which Sanwa Bank 1) holds, directly and/or indirectly, more than 50% of the voting shares, or 2) holds, directly and/or indirectly, 40% or more of the voting shares and has effective control over the decision-making body for business policies and financial and operating issues through personnel, finance, and other relationships, unless evidence exists which shows that Sanwa Bank does not have such control.

The number of subsidiaries as of March 31, 2001 was 178, of which, 85 subsidiaries were consolidated and 93 were not consolidated and accounted for at cost. Major consolidated subsidiaries are:

Sanwa Securities Co., Ltd. (Japan)
Partners Asset Management Co., Ltd. (Japan)
The Senshu Bank, Ltd. (Japan)
Sanwa Bank California (U.S.A.)
Sanwa International Finance Limited (Hong Kong)
Sanwa Australia Limited (Australia)
Sanwa International plc (United Kingdom)
Sanwa Bank Canada (Canada)
(In April 2001, Partners Asset Management Co., Ltd changed its name to "UFJ Partners Asset Management Co., Ltd.")

All 93 non-consolidated subsidiaries were not consolidated based on Article 5 Paragraph 1 Item 2 of the Consolidated Financial Statements Regulation, since the subsidiaries are special purpose companies organized only for lease transactions and their assets and profits/losses substantially belonged to the investors who invested in the leased assets, instead of to the subsidiaries.

Affiliates

Affiliates are companies other than subsidiaries in which Sanwa Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares, or 2) holds, directly and/or indirectly, 15% or more of voting shares and also, to a material degree, is able to influence decision-making through personnel, finance, and other relationships, unless evidence exists which shows that Sanwa Bank does not have such influence.

As of March 31, 2001, the number of affiliates was 21, of which, 16 affiliates were accounted for under the equity method while 5 non-material affiliates were carried at cost, less amounts written-off, if any. The major affiliate accounted for under the equity method was:

TSUBASA Securities Co., Ltd.

As of March 31, 2001, 2000 and 1999, the amounts of the investment in non-consolidated subsidiaries and affiliates not accounted for under the equity method were ¥1,167 million ($9 million), ¥2,165 million and ¥685 million, respectively. These were reported as "Securities" and "Other Assets" in the accompanying consolidated balance sheets.

The numbers of subsidiaries and affiliates as of March 31, 2001, 2000 and 1999 were as follows:

	2001	2000	1999
Consolidated Subsidiaries	**85**	79	80
Non-consolidated Subsidiaries	**93**	92	92
Affiliates accounted for under the equity method	**16**	12	2
Affiliates not accounted for under the equity method	**5**	5	6

(ii) Fiscal Year End of Subsidiaries

The accompanying consolidated financial statements include the accounts of consolidated subsidiaries, some of which have fiscal year ends other than March 31. The fiscal year ends of such subsidiaries are principally December 31 and the accounts of these subsidiaries have been included after making appropriate adjustments for any material transactions during the period between January 1 and March 31.

(iii) Goodwill

Goodwill arising from the difference between the cost of investment and the underlying equity in the net asset of the invested subsidiary is to be amortized generally within 20 years. Goodwill arising from the Senshu Bank, Ltd. is amortized over 5 years and the other goodwill is charged or credited to the consolidated statement of income in the fiscal year of acquisition.

(iv) Translation of Foreign Currency Financial Statements of Overseas Subsidiaries

Financial statements of overseas subsidiaries denominated in foreign currencies are in general translated into Japanese yen using the exchange rate prevailing at each subsidiary's balance sheet date, instead of at the consolidated balance sheet date, except for items in "Stockholders' Equity" which are translated at historical rates. Due to the revised accounting standards for the consolidated financial statements, the resulting differences, "Foreign Currency Translation Adjustments," are included in Minority Interests and Stockholders' Equity from the fiscal year ended March 31, 2001, while, prior to April 1, 2000, such account had been stated in assets.

(b) Foreign Currency Translation and Revaluation

Sanwa Bank maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rate prevailing at each balance sheet date, except for certain accounts which are translated at historical rates.

Foreign exchange trading positions, including all foreign currency spot, forward contracts and option positions, are valued at prevailing market rates at each balance sheet date, and gains or losses from foreign exchange trading are reported net in foreign exchange gains or losses. Premiums or discounts associated with spot and forward exchange swaps relating to funding transactions are amortized over the life of the swap agreements as adjustments to interest income or expenses, as appropriate.

Foreign currency accounts held by the consolidated overseas subsidiaries are translated into the reporting currency of such subsidiaries principally at the respective exchange rates prevailing at each subsidiary's balance sheet date. Consolidated overseas subsidiaries recognize gains or losses arising from the revaluation of foreign currency accounts in accordance with generally accepted accounting principles and practices in their respective countries.

(c) Cash and Cash Equivalents

For the consolidated statement of cash flows, "Cash and Cash Equivalents" comprises "Cash and Due from Banks" in the consolidated balance sheet.

(d) Transactions for Trading Purposes

Transactions for trading purposes are those seeking to capture gains arising from short-term market changes or from the differences between markets, interest rates or currency exchange rates. Such transactions are reported as "Trading Assets" and "Trading Liabilities" in the consolidated balance sheets on a trade date basis. Profits and losses on the transactions for trading purposes are shown as "Trading Revenue" or "Trading Expenses" in the consolidated statements of operations on a trade date basis.

Trading account securities and monetary receivables, etc. held for trading purposes are stated at market value at the end of the fiscal year. Trading-related financial derivatives such as swaps, futures and options are valued on the assumption that they were settled at the end of the fiscal year.

In the case of securities and monetary receivables, etc. held for trading purposes, "Trading Revenue/Expenses" includes the interest received/paid during the fiscal year and the increase/decrease between the valuation profits/losses at the end of the fiscal year and those at the end of the previous fiscal year. In the case of trading-related financial derivatives, "Trading Revenue/Expenses" includes the interest received/paid during the fiscal year and the increase/decrease between the amounts of profits/losses based on the assumption that transactions were settled at the end of the fiscal year and those at the end of the previous fiscal year.

Transactions made by consolidated subsidiaries for trading purposes are principally treated as described above.

(e) Financial Instruments

Effective April 1, 2000, Sanwa Bank adopted a new accounting standard for financial instruments, "The Opinion Concerning the Establishment of an Accounting Standard for Financial Instruments," issued by the BADC. As a result of the adoption of the new accounting standard, "Loss before Income Taxes and Minority Interests" for the fiscal year ended March 31, 2001 decreased by ¥1,831 million ($15 million) as compared with the amount that would have been reported if the new accounting standard had not been applied.

(i) Securities

For the fiscal year ended March 31, 2000 and 1999, securities were carried at moving average cost, except for listed corporate bonds and other listed securities such as foreign listed securities that were carried at the lower of moving average cost or market value, less amounts written-off, if any. Securities included in money held in trust, primarily for the purpose of investing in securities, such as listed bonds, listed stocks and other listed securities, were carried at the lower of moving average cost or market value, and others were carried at moving average cost.

Under the new accounting standard for financial instruments, securities other than those classified as trading securities are classified into three categories: "Held-to-maturity Debt Securities," "Investments in Non-consolidated Subsidiaries and Affiliates that are not accounted for under the Equity Method," and "Available-for-sale Securities."

"Held-to-maturity Debt Securities" are carried at amortized cost, as determined by the moving average method. "Investments in Non-consolidated Subsidiaries and Affiliates that are not accounted for under the Equity Method" are carried at moving average cost. "Available-for-sale Securities" are carried at market value. For the fiscal year ended March 31, 2001, however, "Available-for-sale Securities" were carried at cost or at amortized cost, as determined by the moving average method, less amounts written-off, if any, in accordance with a transitional provision of one-year delayed application under the new accounting standard for financial instruments. Securities included in money held in trust, primarily for the purpose of investing in securities, were carried at market value.

(ii) Derivative Financial Instruments and Hedge Accounting

For the fiscal year ended March 31, 2000 and 1999, derivative financial instruments held for non-trading purposes were accounted for on an accrual basis.

From the fiscal year ended March 31, 2001, under the new accounting standard for financial instruments, all derivative financial instruments are carried at fair value, with changes in fair value included in net income or loss for the period in which they arise, except for derivatives that are designated as hedging instruments and qualified for hedge accounting.

Sanwa Bank and its domestic banking subsidiary utilizes a macro hedge methodology using derivatives to manage the overall interest rate risk arising in various financial assets and liabilities held, such as loans and deposits. This macro hedge methodology is a risk management method described in the "Tentative Accounting and Auditing Treatment relating to Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 15) as "the Risk Adjusted Approach," under which the deferral method of hedge accounting is used. Hedge effectiveness is assessed by monitoring (1) whether the total market risk amount on derivative instruments used for hedging purposes is within the established risk limit as set out in the risk management policies and (2) whether interest rate risk from hedged items has been mitigated.

For certain other assets or liabilities, Sanwa Bank applies the deferral method of hedge accounting or an accrual method specifically allowed to certain interest swaps under the new accounting standard for financial instruments. Under the deferral method of hedge accounting, the recognition of expense arising from a hedging instrument is deferred until income or expense arising on the hedged items is recognized.

Other consolidated domestic subsidiaries apply the deferral method of hedge accounting.

As of March 31, 2001, the gross amounts of deferred hedge gains and losses before netting were ¥181,260 million ($1,463 million) and ¥153,847 million ($1,241 million), respectively.

(f) Premises and Equipment

(i) Premises and Equipment

Premises and equipment owned by Sanwa Bank are depreciated using the declining-balance method. The range of useful lives is from 3 years to 50 years for buildings and from 2 years to 20 years for equipment.

Depreciation of premises and equipment owned by consolidated subsidiaries is computed principally by the declining-balance method over the estimated useful life of each asset.

Consolidated overseas subsidiaries capitalize finance lease equipment in accordance with accounting principles and practices generally accepted in their respective countries.

(ii) Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the land used for business owned by Sanwa Bank was revalued, and the unrealized gain was reported as "Revaluation Reserve for Land" in Liabilities for the fiscal year ended March 31, 1998. Such revaluation, however, was allowed only at a specific time under the law and cannot be undertaken at each fiscal year end.

Book Value of Land before Revaluation	¥125,822 million
Book Value of Land after Revaluation	¥444,110 million
Date of Revaluation	March 31, 1998

The method of revaluation is as follows:

Under article 3-3 of the law, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan (currently, the Ministry of Land, Infrastructure and Transport), after appropriate adjustments for the shape of land and the timing of the assessment.

On March 31, 1999, the law was amended and, to comply with the amended law, the unrealized gain on the revaluation of land, net of deferred tax, was reclassified to "Revaluation Reserve for Land" included in Stockholders' Equity, and the relevant deferred tax was included in Liabilities to "Deferred Tax Liabilities for Revaluation Reserve for Land."

The fair value of the land used for business as of March 31, 2001 and 2000, was below its book value after revaluation by ¥56,269 million ($454 million) and ¥44,989 million, respectively.

(g) Software

Software used by Sanwa Bank and its consolidated domestic subsidiaries is amortized using the straight-line method based on the estimated useful life (mainly 5 years) and is included in "Other Assets."

(h) Reserve for Possible Loan Losses

"Reserve for Possible Loan Losses" of Sanwa Bank and its consolidated domestic banking subsidiary is provided as follows in accordance with internal criteria regarding write-offs and providing reserves for possible credit losses:

1) The reserve for claims on debtors who are legally or substantially bankrupt is provided based on the remaining amount of the claims after the charge-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
2) The reserve for claims on debtors who are not currently legally bankrupt but are likely to become bankrupt is provided based on the amount necessary, given the overall solvency assessment of the debtors after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
3) The reserve for claims on debtors other than the above is provided primarily based on the default rate, calculated by the actual defaults during a certain period in the past.
4) The specific reserve for loans to certain refinancing countries is provided based on the expected loss amount considering the political and economic situations of such countries.

All claims are assessed by the operating sections based on the internal rules for self-assessment of asset quality. Subsequently, departments for credit assessment and auditing, which are independent from the operating sections, audits these self-assessments, and the reserve is provided based on the results of the assessment.

With respect to the claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the remaining amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees was charged-off against the respective claims from the year fiscal ended March 31, 2000. The amounts of the accumulated charge-off as of March 31, 2001 and 2000 were ¥843,858 million ($6,811 million) and ¥646,013 million, respectively.

Other consolidated subsidiaries provide for the "Reserve for Possible Loan Losses" principally based on the past experience and management's assessment of the loan portfolio.

(i) Reserve for Possible Losses on Securities

"Reserve for Possible Losses on Securities" is provided for possible losses on securities and other investments based on the amount necessary, given the overall solvency assessment of issuers and investees after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees. This reserve is reported as a contra account in Assets.

(j) Employee Retirement Benefits

Sanwa Bank and its major domestic subsidiaries have defined benefit plans and lump-sum severance indemnity plans. Certain overseas subsidiaries also have defined retirement benefit plans.

Until the fiscal year ended March 31, 2000, "Reserve for Retirement Allowances" provided by Sanwa Bank and its major domestic subsidiaries represents the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the consolidated balance sheet date. In addition to the above, with respect to pension plans, annual contributions are charged to the statement of operations when paid.

From the fiscal year ended March 31, 2001, Sanwa Bank has adopted a new accounting standard for retirement benefits and, "Reserve for Retirement Benefits," which is provided for future pension and lump-sum severance indemnity payments to employees, is recorded based on the projected benefit obligation and the pension plan asset amount. The unrecognized net obligation at transition, amounting to ¥65,629 million ($530 million) at the date of initial application of the new accounting standard for retirement benefits, is to be amortized over mainly 5 years using the straight-line method. Unrecognized net actuarial gains/losses and prior service costs are to be amortized using straight-line method over the average remaining service period of the employees. As a result of the adoption of this new accounting standard, "Loss before Income Taxes and Minority Interests" decreased by ¥15,187 million ($123 million) as compared with the amount that would have been reported if the new accounting standard had not been applied.

(k) Reserve for Contingent Liabilities related to Loans Sold

"Reserve for Contingent Liabilities related to Loans Sold" is provided based on the estimated liabilities of possible losses for the loans sold, considering the fair value of collateral of loans sold to the Cooperative Credit Purchasing Company, Limited.

(l) Reserve for Possible Losses on Support of Specific Borrowers

"Reserve for Possible Losses on Support of Specific Borrowers" is provided based on the amount expected to be necessary to provide financial support to specific borrowers which are undergoing restructuring or are supported by Sanwa Bank.

(m) Lease Transactions

Sanwa Bank and its consolidated domestic subsidiaries, as lessees, account for finance lease transactions, other than those in which the ownerships of the leased equipment are recognized to be transferred to lessees, as operating lease transactions with certain disclosure in the notes to the consolidated financial statements such as future minimum lease payments, in accordance with accounting principles and practices generally accepted in Japan.

(n) Income Taxes

Income taxes in Japan applicable to Sanwa Bank for the fiscal years ended March 31, 2001, 2000 and 1999 consisted of corporation tax (national), inhabitant taxes (local), and enterprise taxes (local) as follows:

	2001	2000	1999
Statutory Maximum Rates of Income Taxes			
Corporation Tax	**30.0%**	30.0%	34.5%
Inhabitant Taxes	**6.2%**	6.2%	7.1%
Enterprise Taxes	**6.1%**	10.1%	11.6%
Total	**42.3%**	46.3%	53.2%
Effective Statutory Income Tax Rate	**39.8%**	42.0%	47.7%

For consolidated financial statement purposes, Sanwa Bank recognized deferred tax assets/liabilities using the effective future income tax rate enacted as of each fiscal year end (i.e., 37.9%, 39.8% and 42.0% for the years ended March 31, 2001, 2000 and 1999, respectively).

(o) Appropriation of Retained Earnings

"Cash Dividends" and "Bonuses to Directors and Statutory Auditors" are recorded in the fiscal year in which a proposed appropriation of retained earnings is approved by the Board of Directors and/or the general meeting of stockholders.

(p) Commitment Line of Credit

A commitment line is a contract whereby Sanwa Group is obligated to advance funds up to a predetermined amount to a customer upon request, provided that the customer has met the terms and conditions of the contract. The total balance of unused commitment lines as of March 31, 2001 is ¥13,332,974 million ($107,611 million), of which, the balance of commitment lines whose maturities are less than one year or whose contracts can be terminated at any time without any conditions at Sanwa Bank's on its subsidiaries' option is ¥11,829,259 million ($95,474 million).

Many of these commitment lines often mature without Sanwa Group advancing any funds to the customers. As such, the total balance of unused commitment lines does not necessarily impact Sanwa Group's future cash flows. Furthermore, many commitment lines contain provisions that allow Sanwa Group to refuse to advance funds to the customers or reduce the contract amount of the commitment lines under certain conditions.

Sanwa Group may also request customers to provide collateral such as real estate or securities, if necessary, on the execution date of the contract. After the execution date, Sanwa Group periodically monitors customers' creditworthiness over the lives of the contracts in accordance with the internal policies, and takes measures to manage the credit exposures such as revising the terms of the contracts, if necessary.

(q) Net Income (Loss) per Common Share

"Basic Net Income (Loss) per Common Share" is computed as net income (loss) less dividends for preferred stock divided by the weighted average number of shares of common stock outstanding during the year, excluding treasury stock held by Sanwa Bank and its consolidated subsidiaries.

"Fully Diluted Net Income per Common Share" reflects the potential dilution that could occur if convertible preferred stock and other securities or contracts to issue common stock were fully converted into common stock. "Fully Diluted Net Income per Common Share" for the fiscal years ended March 31, 2001 and 1999, however, was not presented since a net loss was reported for these fiscal years.

(r) Changes in Presentation of Accounts

Due to the amendments of accounting principles and practices generally accepted in Japan, the following presentation of the consolidated financial statements have been changed for the fiscal years ended March 31, 2001, 2000 and 1999.

For the Fiscal Year Ended March 31, 2001

The presentation of income/expense of derivative financial instruments with hedging designation was changed from a gross basis to a net basis due to the adoption of the new accounting standard for financial instrument. This change does not affect the "Loss before Income Tax and Minority Interests" or the "Net Loss." However, each of "Total Income" and "Total Expenses" decreased by ¥286,813 million ($2,315 million).

For the Fiscal Year Ended March 31, 2000

"Reserve for Possible Loan Losses" which was previously reported in Liabilities is reported in Assets as a contra account as of the end of the fiscal year. As a result of this change, "Total Assets" and "Total Liabilities" decreased by ¥751,340 million as of the end of the fiscal year.

For the Fiscal Year Ended March 31, 1999

1) "Equity in Earnings of Affiliates," which was previously reported as a separate account after "Net Income (Loss) before Income Taxes and Minority Interests," is included in "Other Income" or "Other Expenses."
2) "Enterprise Taxes," which was previously included in "Other Expenses," is included in "Income Taxes."
3) "Amortization of Goodwill," which was previously reported as a separate account after "Income (Loss) before Income Taxes and Minority Interests," is included in "Other Income" or "Other Expenses."

3. TRADING ASSETS

Trading Assets as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Trading Account Securities	**¥ 756,584**	¥ 552,473	**$ 6,106**
Derivatives of Trading Account Securities	**642**	928	**5**
Securities Related to Trading Transactions	**309**	314	**3**
Derivatives of Securities Related to Trading Transactions	**95**	471	**1**
Trading-Related Financial Derivatives by Subsidiaries	**358,735**	270,404	**2,895**
Other Trading Assets	**433,246**	192,396	**3,497**
Total	**¥1,549,615**	¥1,016,988	**$12,507**

4. SECURITIES

Securities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Japanese National Government Bonds	**¥ 5,255,851**	¥2,566,052	**$42,420**
Japanese Local Government Bonds	**693,523**	564,971	**5,597**
Japanese Corporate Bonds and Financial Debentures	**520,624**	391,139	**4,202**
Japanese Equities	**3,180,471**	3,409,413	**25,670**
Others	**2,219,030**	748,290	**17,910**
Total	**¥11,869,500**	¥7,679,866	**$95,799**

5. LOANS AND BILLS DISCOUNTED

Loans and Bills Discounted as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Bills Discounted	**¥ 507,414**	¥ 475,000	**$ 4,095**
Loans on Notes	**5,363,827**	5,370,115	**43,292**
Loans on Deeds	**19,097,425**	19,299,367	**154,136**
Overdrafts	**6,757,374**	5,680,103	**54,539**
Financing Receivables, including Leasing	**131,326**	133,156	**1,060**
Total	**¥31,857,366**	¥30,957,742	**$257,122**

Problem Loans held by Sanwa Bank and its consolidated subsidiaries as defined by the Japanese Banking Law were as follows (the balances of problem loans presented below were the ones before deductions of respective reserve for doubtful loans):

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Loans to Bankrupt Companies*1	**¥ 128,684**	¥ 89,161	**$ 1,039**
Other Delinquent Loans*2	**1,111,448**	983,015	**8,970**
Loans Past Due 3 Months or More*3	**61,293**	84,007	**495**
Restructured Loans*4	**191,792**	208,635	**1,548**
Total	**¥1,493,218**	¥1,364,820	**$12,052**

*1 "Loans to Bankrupt Companies" are loans to legally bankrupt borrowers on which the recognition of accrued interest has been suspended in accordance with the results of the self-assessment of asset quality.

*2 "Other Delinquent Loans" are loans on which the recognition of accrued interest has been suspended in accordance with the results of the self-assessment of asset quality, other than "Loans to Bankrupt Companies."

*3 "Loans Past Due 3 Months or More" are loans on which principal and/or interest are past due 3 months or more, other than "Loans to Bankrupt Companies" and "Other Delinquent Loans."

*4 "Restructured Loans" are loans with concessionary interest rates, as well as loans with re-negotiated terms regarding the timing of interest and principal payment.

As described in 2 (h), assessed uncollectible amounts on "Loans to Bankrupt Companies" and on "Other Delinquent Loans" have been charged-off against respective claims since the fiscal year ended March 31, 2000. Accordingly, as of March 31, 2000, "Loans to Bankrupt Companies" and "Other Delinquent Loans" decreased by ¥179,792 million and ¥466,193 million, respectively.

6. FOREIGN EXCHANGES (ASSETS)

Foreign Exchanges (Assets) as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Due from Foreign Banks	**¥ 96,032**	¥ 23,420	**$ 775**
Foreign Exchange Bills Bought	**207,885**	145,000	**1,678**
Foreign Exchange Bills Receivable	**71,676**	74,271	**578**
Total	**¥375,594**	¥242,692	**$3,031**

7. OTHER ASSETS

Other Assets as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Domestic Exchange Settlement (debit)	**¥ 79**	¥ 225	**$ 1**
Accrued Income	**254,157**	464,673	**2,051**
Prepaid Expenses	**7,929**	6,399	**64**
Securities Deposited	**709,908**	614,771	**5,730**
Collateral Deposits on Securities Borrowed	**642,265**	495,398	**5,184**
Others	**865,855**	619,604	**6,988**
Total	**¥2,480,195**	¥2,201,074	**$20,018**

8. PREMISES AND EQUIPMENT

Premises and Equipment as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Land	**¥333,866**	¥353,785	**$2,694**
Buildings	**98,752**	93,154	**797**
Equipment	**45,204**	44,008	**365**
Others	**82,243**	79,823	**664**
Total	**¥560,067**	¥570,770	**$4,520**
Accumulated Depreciation Deducted	**¥331,896**	¥318,072	**$2,679**

9. PLEDGED ASSETS

The assets pledged as collateral as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Cash and Due from Banks	**¥ 368**	¥ 266	**$ 3**
Securities	**547,202**	205,356	**4,416**
Loans and Bills Discounted	**401,754**	724,194	**3,243**
Call Loans	**—**	8,093	**—**
Trading Assets	**—**	93,002	**—**
Other Assets	**2,235**	—	**18**

The liabilities corresponding to the pledged assets as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Deposits	**¥ 93,204**	¥198,131	**$ 752**
Call Money	**116,855**	566,503	**943**
Commercial Paper	**9,417**	8,079	**76**
Borrowed Money	**113,663**	102,210	**917**

In addition to the pledged assets above, securities and other assets of ¥3,813,848 million ($30,782 million) and ¥1,096,263 million were pledged as collateral for clearing and derivative transactions, or as substitutes for margin on future transactions as of March 31, 2001 and 2000, respectively.

Moreover, the following assets were pledged or deposited with respect to certain purposes as of March 31, 2001 and 2000.

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Deposits on Bonds Borrowed	**¥642,265**	¥495,398	**$5,184**
Margin on Future Transactions	**6,307**	10,656	**51**
Security Deposits	**81,044**	78,912	**654**

10. DEPOSITS

Deposits as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Current Deposits	**¥ 2,423,566**	¥ 2,254,023	**$ 19,561**
Ordinary Deposits	**8,548,387**	7,666,447	**68,994**
Deposits at Notice	**2,647,743**	1,937,373	**21,370**
Time Deposits	**15,128,670**	13,767,909	**122,104**
Other Deposits	**3,611,089**	3,282,307	**29,145**
Subtotal	**32,359,457**	28,908,061	**261,174**
Negotiable Certificates of Deposit	**7,247,834**	5,593,896	**58,497**
Total	**¥39,607,291**	¥34,501,958	**$319,671**

11. TRADING LIABILITIES

Trading Liabilities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Trading Account Securities Sold but not yet Purchased	**¥372,978**	¥252,531	**$3,010**
Derivatives of Trading Account Securities	**484**	197	**4**
Derivatives of Securities Related to Trading Transactions	**153**	140	**1**
Trading-Related Financial Derivatives	**344,533**	198,405	**2,781**
Total	**¥718,148**	¥451,274	**$5,796**

12. BORROWED MONEY AND COMMERCIAL PAPER

Borrowed Money as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars	Average Rate
	2001	2000	**2001**	**2001**
Borrowings from Financial Institutions Due in 2000-2031	**¥901,769**	¥837,544	**$7,278**	**2.31%**
Bills Rediscounted	**5,977**	7,488	**49**	**2.07%**
Total	**¥907,747**	¥845,032	**$7,327**	**2.31%**

The average rates presented above represent the weighted average rates based on balances and rates as of March 31, 2001.

Subordinated debts included in Borrowings from Financial Institutions as of March 31, 2001 and 2000 were ¥574,791 million ($4,639 million) and ¥569,341 million, respectively.

Aggregate annual maturities on Borrowings from Financial Institutions subsequent to March 31, 2001 are as follows:

Fiscal Year ended March 31:	Millions of Yen	Millions of U.S. Dollars
2002	¥439,957	$3,551
2003	272,998	2,203
2004	33,575	271
2005	46,992	379
2006	22,245	180
Thereafter	85,999	694

The average rate of Commercial Paper for the fiscal year ended March 31, 2001 was 0.96%.

13. FOREIGN EXCHANGES (LIABILITIES)

Foreign Exchanges (Liabilities) as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Due to Foreign Banks	**¥104,065**	¥41,408	**$840**
Foreign Exchange Bills Sold	**2,860**	272	**23**
Foreign Exchange Bills Payable	**3,634**	814	**29**
Total	**¥110,559**	¥42,496	**$892**

14. BONDS AND NOTES, AND CONVERTIBLE BONDS

Corporate Bonds and Notes, and Convertible Bonds as of March 31, 2001 and 2000 consisted of the following:

		Millions of Yen*1		Millions of U.S. Dollars	Rate
Issuer	Description of Bonds and Notes	**2001**	2000	**2001**	**2001**
(Corporate Bonds)					
Sanwa Bank	Straight Bonds , due in 2004 to 2009, payable in Yen	**¥ 598,900**	¥ 200,000	**$ 4,834**	**1.17%–2.08%**
	Subordinated Bonds, due in 2008, payable in Yen	**100,000**	100,000	**807**	**0.68%**
	Subordinated Bonds, perpetual, payable in Yen	**100,000**	100,000	**807**	**0.47%**
	Subordinated Notes, due in 2009 to 2013, payable in Euro Yen	**80,000**	34,500	**646**	**0.75%–0.97%**
Sanwa Finance Aruba A.E.C.	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, due in 2002 to 2009, payable in US Dollars	**209,267 [US$1,689 million]**	233,742 [US$2,202 million]	**1,689**	**5.27%–8.36%**
	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, perpetual, payable in US Dollars	**17,469 [US$141 million]**	12,313 [US$116 million]	**141**	**5.99%–6.56%**
	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, due in 2006 to 2014, payable in Yen	**148,900**	183,300	**1,202**	**0.41%–3.53%**
	Notes Guaranteed by Sanwa Bank on a Subordinated Basis, perpetual, payable in Yen	**440,200**	560,700	**3,553**	**0.56%–4.16%**
Other Subsidiaries	Other Corporate Bonds and Notes Issued by Subsidiaries, due in 2001 to 2012*2	**83,299**	60,205	**672**	**0.55%–10.00%**
Subtotal		**1,778,036**	1,484,761	**14,351**	—
(Convertible Bonds)					
Sanwa Bank	Convertible Bonds, due in 2000, payable in US Dollars	—	1,027 [US$4 million]	—	—
Subtotal		—	1,027	—	—
Total		**¥1,778,036**	¥1,485,788	**$14,351**	—

*1 Figures in [ ] are the balances of Corporate Bonds and Notes, and Convertible Bonds in the original currency.
*2 Convertible Bonds due in 2000 were fully converted on September 16, 2000.

Aggregate scheduled maturities on Corporate Bonds and Notes, and Convertible Bonds subsequent to 31st March, 2001 were as follows:

Fiscal Year ended 31 March:	Millions of Yen	Millions of U.S. Dollars
2002	¥ 32,913	$ 266
2003	17,646	142
2004	14,765	119
2005	151,498	1,223
2006	400,572	3,233
Thereafter	1,160,639	9,365

15. OTHER LIABILITIES

Other Liabilities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Domestic Exchange Settlement (credit)	**¥ 2,750**	¥ 3,391	**$ 22**
Accrued Expenses	**158,004**	389,402	**1,275**
Unearned Income	**75,141**	75,917	**606**
Income Taxes Payable	**2,576**	50,879	**21**
Employees' Savings Deposits	**37,208**	42,940	**300**
Trading Account Securities Borrowed	**555,846**	606,460	**4,486**
Securities Borrowed	**136,000**	—	**1,098**
Collateral Deposits on Securities Lent	**1,626,071**	848,284	**13,124**
Others	**820,147**	310,149	**6,620**
Total	**¥3,413,747**	¥2,327,426	**$27,552**

16. OTHER RESERVES

Other Reserves as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Reserves for:			
Contingent Liabilities from Brokering of Financial Futures Transactions	**¥ 5**	¥ 17	**$0**
Contingent Liabilities from Brokering of Securities Transactions	**17**	6	**0**
Total	**¥ 23**	¥ 24	**$0**

"Reserve for Contingent Liabilities from Brokering of Financial Futures Transactions" was computed on the basis prescribed by the Financial Futures Transactions Law of Japan.

"Reserve for Contingent Liabilities from Brokering of Securities Transactions" was computed on the basis prescribed by the Securities and Exchange Law of Japan.

17. ACCEPTANCES AND GUARANTEES

Acceptances and Guarantees as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Acceptances	**¥ 33,853**	¥ 14,809	**$ 273**
Letters of Credit	**124,707**	112,648	**1,007**
Guarantees	**1,814,683**	1,385,633	**14,646**
Total	**¥1,973,243**	¥1,513,092	**$15,926**

18. CAPITAL STOCK AND CAPITAL SURPLUS

Authorized Number of Shares of Preferred Stock and Common Stock

The authorized number of shares of common stock of ¥50 per share as at March 31, 2001 and 2000 was 7,000,000,000 shares. The authorized number of shares of preferred stock, with no par value, as of March 31, 2001 and 2000 was 1,400,000,000 shares, of which 1,000,000,000 shares were convertible and 400,000,000 shares were nonconvertible.

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is to be designated as "Capital Stock." The portion which is to be designated as "Capital Stock" is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as "Capital Stock" are credited to "Capital Surplus." Sanwa Bank may transfer portions of "Capital Surplus" and legal reserve to "Capital Stock" by resolution of the Board of Directors.

Sanwa Bank may also transfer portions of unappropriated retained earnings, available for dividends, to "Capital Stock" by resolution of the stockholders.

Under the Code, Sanwa Bank may issue new shares of its common stock as a stock split to the existing stockholders without consideration pursuant to resolution of the Board of Directors. Sanwa Bank may initiate such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by the par value of common stock does not exceed the "Capital Stock" and that the amount calculated by dividing the total amount of stockholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

First Series Preferred Stock

On March 17, 1998, Sanwa Bank issued 50 million preferred stocks, at a price of ¥3,000 per share for gross proceeds of ¥150 billion, of which ¥75 billion was transferred to "Capital Surplus" in accordance with the Code. The issuance costs were charged to the statement of operations when incurred. The preferred stockholders are entitled, with priority over any payment of dividends and distributions on the liquidation of Sanwa Bank to common stockholders of Sanwa Bank, to receive annual non-cumulative dividends of ¥37.50 per preferred stock and a distribution of ¥3,000 per preferred stock.

The preferred stocks are convertible at the election of the holders from and including July 1, 1998 to and including July 31, 2005, except during certain excluded periods, into fully paid shares of common stock of Sanwa Bank at an initial conversion price of ¥1,283 per common stock, subject to adjustment under certain events. The conversion price was/is subject to reset on August 1 of 1999, 2000, 2001, 2003 and 2004 to the then prevailing average market price of the common stock, if lower than the conversion price prior to such reset, but not lower than ¥750 per common stock. All preferred stocks outstanding on August 1, 2005 will be converted into common stock.

First Series Class A Preferred Stock

On March 31, 1999, Sanwa Bank issued 200 million preferred stocks, at a price of ¥3,000 per share for gross proceeds of ¥600 billion, of which ¥300 billion was transferred to "Capital Surplus" in accordance with the Code. The issuance costs were charged to the statement of operations when incurred. The preferred stockholders are entitled, with priority over any payment of dividends and distributions on the liquidation of Sanwa Bank to common stockholders of Sanwa Bank, to receive annual non-cumulative dividends of ¥15.90 per preferred stock and a distribution of ¥3,000 per preferred stock.

The preferred stocks are convertible at the election of the holders from and including July 1, 2001 to and including July 31, 2008, except during certain excluded periods, into fully paid shares of common stock of Sanwa Bank at an initial conversion price of ¥1,156 per common stock, subject to adjustment under certain events. The conversion price was/is subject to reset on August 1 of 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 and 2007 to the then prevailing average market price of the common stock, if lower than the conversion price prior to such reset, but not lower than ¥1,050 per common stock. All preferred stocks outstanding on August 1, 2008 will be converted into common stock.

19. RETAINED EARNINGS

For Sanwa Bank, an amount equivalent to at least 20% of cash dividends and bonuses to directors and statutory auditors is required to be appropriated as a legal reserve, until the reserve equals 100% of Sanwa Bank's "Capital Stock" under the Japanese Banking Law. This reserve amount, which is included in retained earnings, was ¥106,140 million ($857 million) and ¥101,061 million as of March 31, 2001 and 2000, respectively, and is not available for dividends, but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. In addition, unrealized profits arising from trading accounts and certain assets recorded at fair value as of the balance sheet date are not available for dividends under the Code (formerly, under the Japanese Banking Law). Such limitation on dividend was ¥6,871 million ($55 million) and ¥36,552 million as of March 31, 2001 and 2000, respectively.

20. OTHER INTEREST INCOME

The composition of Other Interest Income for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Interest on Deposits with Banks	**¥161,917**	¥ 51,335	¥ 67,090	**$1,307**
Interest on Interest Rate Swaps	—	275,105	332,775	—
Others	**23,754**	61,547	75,504	**192**
Total	**¥185,671**	¥387,988	¥475,371	**$1,499**

21. FEES AND COMMISSIONS (INCOME)

The composition of Fees and Commissions (Income) for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Domestic and Foreign Exchanges	**¥ 56,985**	¥ 52,383	¥ 49,500	**$ 460**
Others	**130,002**	108,604	157,752	**1,049**
Total	**¥186,987**	¥160,987	¥207,252	**$1,509**

22. TRADING REVENUE AND EXPENSES

The composition of Trading Revenue for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Revenue from Trading Account Securities and Derivatives	**¥11,489**	¥15,304	¥17,644	**$ 93**
Revenue from Trading-Related Financial Derivatives Transactions	**36,208**	22,898	33,905	**292**
Others	**1,146**	1,145	2,335	**9**
Total	**¥48,844**	¥39,348	¥53,885	**$394**

Trading Expenses, which consisted of Expenses on Securities and Derivatives Related to Trading Transactions only, for the years ended March 31, 2001 and 2000 were ¥1,780 million ($14 million) and ¥2,536 million, respectively.

23. OTHER OPERATING INCOME

The composition of Other Operating Income for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Foreign Exchange Transaction Gains (Net)	**¥ 17,651**	¥ 22,799	¥ 32,609	**$ 143**
Gains on Sales of Bonds included in Securities	**57,092**	187,024	297,742	**461**
Gains on Redemption of Bonds included in Securities	**176**	4,982	2,984	**1**
Others	**60,078**	61,554	11,722	**485**
Total	**¥134,998**	¥276,360	¥345,059	**$1,090**

24. OTHER INCOME

The composition of Other Income for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Gains on Sales of Stocks and Other Equity Securities	**¥311,537**	¥418,409	¥21,399	**$2,514**
Gains on Money Held in Trust	**0**	2,123	1,687	**0**
Amortization of Goodwill	**7,396**	—	—	**60**
Gains on Sales of Premises and Equipment	**160**	881	38,407	**1**
Collection of Written-off Claims	**16,795**	7,191	180	**136**
Equity in Earnings of Affiliates	**—**	10,023	—	**—**
Others	**19,102**	13,775	18,925	**154**
Total	**¥354,991**	¥452,404	¥80,600	**$2,865**

25. OTHER INTEREST EXPENSES

The composition of Other Interest Expenses for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Interest on Corporate Bonds and Notes	**¥ 41,497**	¥ 32,195	¥ 53,009	**$335**
Interest on Convertible Bonds	**—**	130	273	**—**
Interest on Interest Rate Swaps	**1,129**	328,577	398,844	**9**
Others	**48,396**	51,708	86,376	**391**
Total	**¥ 91,023**	¥412,611	¥538,503	**$735**

26. FEES AND COMMISSIONS (EXPENSES)

The composition of Fees and Commissions (Expenses) for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Domestic and Foreign Exchanges	**¥ 13,040**	¥ 12,129	¥ 12,302	**$105**
Others	**35,554**	39,035	74,218	**287**
Total	**¥ 48,594**	¥ 51,165	¥ 86,520	**$392**

27. OTHER OPERATING EXPENSES

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The composition of Other Operating Expenses for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Losses on Sales of Bonds included in Securities	**¥ 17,812**	¥156,737	¥184,098	**$144**
Losses on Redemption of Bonds included in Securities	**2,089**	3,666	6,397	**16**
Revaluation Loss of Bonds included in Securities	**1,431**	—	6,412	**12**
Others	**80,299**	61,464	2,898	**648**
Total	**¥101,632**	¥221,869	¥199,807	**$820**

28. OTHER EXPENSES

The composition of Other Expenses for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Transfer to Reserve for Possible Loan Losses	**¥289,022**	¥ 71,269	¥ 352,008	**$2,333**
Write-off of Loans	**312,585**	297,782	31,743	**2,523**
Losses on Sales of Stocks and Other Equity Securities	**59,765**	72,715	42,714	**483**
Revaluation Loss of Stocks and Other Equity Securities	**60,601**	29,047	61,366	**489**
Losses on Money Held in Trust	**1,140**	68	287	**9**
Amortization of Goodwill	**—**	661	1,084	**—**
Equity in Earnings of Affiliates	**17,313**	—	1,027	**140**
Losses on Sales of Premises and Equipment	**16,377**	17,723	5,162	**132**
Others	**161,102**	50,198	671,127	**1,300**
Total	**¥917,907**	¥539,465	¥1,166,522	**$7,409**

"Others" as at end of each fiscal year in the table presented above included the followings:

For the Fiscal Year Ended March 31, 2001
"Others" included amortization of ¥11,828 million ($95 million) of net unrecognized obligation of initial application of new accounting standard for retirement benefits and losses of ¥62,857 million ($507 million) on the sales of loans such as loans to bankrupt companies and other delinquent loans.

For the Fiscal Year Ended March 31, 2000
"Others" included losses of ¥11,711 million on sales of corporate mortgage loans to the Cooperative Credit Purchasing Company, Limited, the transfer of ¥10,922 million to "Reserve for Contingent Liabilities Related to Loans Sold," and the transfer of ¥3,372 million to "Reserve for Supporting Specific Borrowers."

For the Fiscal Year Ended March 31, 1999
"Others" included losses of ¥34,209 million on sales of corporate mortgage loans to the Cooperative Credit Purchasing Company, Limited, the losses of ¥68,924 million for supported companies, the transfer of ¥71,122 million to "Reserve for Contingent Liabilities Related to Loans Sold," and losses of ¥473,824 million on the sales of loans, such as loans to bankrupt companies and other delinquent loans.

29. EMPLOYEE RETIREMENT BENEFITS

The following tables detail the funded status of the pension plans, the component of pension cost and major assumptions used to determine these amounts.

	Millions of Yen	Millions of U.S. Dollars
	2001	**2001**
Funded Status of Pension Plans:		
Projected Benefit Obligation	**¥(415,489)**	**$(3,354)**
Fair Value of Plan Assets	**299,922**	**2,421**
Funded Status	**(115,566)**	**(933)**
Unrecognized Net Obligation at Date of Initial Application	**53,538**	**432**
Unrecognized Net Actuarial Gains/Losses	**44,524**	**360**
Unrecognized Prior Service Cost	**(50)**	**(1)**
Net Amount Recognized on the Balance Sheet	**¥ (17,554)**	**$ (142)**
Prepaid Pension Cost	**16,830**	**136**
Reserve for Employee Retirement Benefits	**(34,384)**	**(278)**
Component of Pension Cost:		
Service Cost	**¥ 11,155**	**$ 90**
Interest Cost	**14,203**	**115**
Expected Return on Plan Assets	**(15,839)**	**(128)**
Amortization of Net Obligation at Transition	**11,828**	**95**
Amortization of Net Actuarial Gains/Losses	**(104)**	**(1)**
Amortization of Prior Service Cost	**(5)**	**(0)**
Other Costs	**1,725**	**14**
Net Pension Cost	**¥ 22,962**	**$ 185**
Major Assumptions used:		
Discount Rate	**2.8%–7.75%**	
Expected Rate of Return on Plan Assets	**1.5%–9.25%**	
Amortization Period of Prior Service Costs	**primarily 12 years**	
Amortization Period of Actuarial Gains/Losses	**primarily 12 years**	

30. ACCOUNTING FOR INCOME TAXES

Deferred Tax Assets and Liabilities reflect the temporary differences between financial accounting and tax accounting. The significant components of such temporary differences as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Deferred Tax Assets:			
Reserve for Possible Loan Losses	**¥527,080**	¥442,696	**$4,254**
Revaluation Loss on Securities	**45,737**	54,384	**369**
Reserve for Contingent Liabilities related to Loans Sold	**28,255**	39,020	**228**
Loss Carryforward	**59,176**	14,379	**478**
Others	**46,088**	35,425	**372**
Subtotal	**¥706,339**	¥585,907	**$5,701**
Valuation Allowance	**(67,112)**	(24,564)	**(542)**
Total Deferred Tax Assets	**¥639,226**	¥561,342	**$5,159**
Deferred Tax Liabilities	**¥ (11,976)**	¥ (12,532)	**$ (96)**
Net Deferred Tax Assets	**¥627,250**	¥548,809	**$5,063**

A reconciliation of the effective statutory income tax rate and the effective income tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2001 and 2000 was as follows:

	2001	2000
Effective Statutory Income Tax Rate	**39.8%**	42.0%
Increase (decrease) in taxes resulting from:		
Tax Rate Change	**(16.2%)**	12.2%
Loss Carryforward	—	(7.4%)
Valuation Allowance	**(8.1%)**	—
Others (net)	**3.0%**	(0.7%)
Effective Income Tax Rate	**18.4%**	46.1%

For the Fiscal Year ended March 31, 2001

The effective tax rate used to calculate deferred tax assets and liabilities decreased from 39.8% to 37.9% by the promulgation on June 9, 2000 of the “Municipal Ordinance Relating to Special Business Tax Treatments for Banks in Osaka Prefecture” (Osaka Municipal Ordinance No.131 of 2000). As a result, “Deferred Tax Asset” decreased by ¥29,349 million ($237 million) and “Deferred Income Taxes” increased by the same amount. In addition, “Deferred Tax Liabilities for Revaluation Reserve for Land” decreased by ¥4,540 million ($37 million) and “Revaluation Reserve for Land, Net of Taxes” increased by the same amount due to the decline in the effective statutory income tax rate as described above.

For the Fiscal Year ended March 31, 2000

A special enterprise tax for banks which is imposed on gross operating profit rather than on net income was newly introduced and adopted by the Tokyo Metropolitan Assembly on March 30, 2000 and was effective on April 1, 2000. Due to this adoption, the enterprise tax imposed by the Tokyo Metropolitan Government on Sanwa Bank will be based on gross operating profit rather than on net income previously used on and after April 1, 2000. As a result, the effective statutory income tax rate used for the calculation of deferred tax assets/liabilities declined from 42.0% to 39.8% and, consequently, “Deferred Tax Assets” decreased by ¥28,721 million and “Income Taxes (Deferred)” increased by the same amounts. In addition, “Deferred Tax Liabilities Related to Land Revaluation” decreased by ¥5,396 million and “Excess of Land Revaluation” increased by the same amount due to the decline of the effective statutory income tax rate as described above.

31. LEASE TRANSACTIONS

(a) Information on finance lease transactions, other than those in which the ownership of the leased equipment was recognized to be transferred to lessees, was as follows:

(1) Lessee side

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Estimated Cost	**¥3,551**	¥2,743	¥1,982	**$28**
Estimated Accumulated Depreciation Deducted	**2,387**	1,821	1,285	**19**
Net Estimated Balance	**¥1,164**	¥ 921	¥ 697	**$ 9**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Paid:				
Within 1 Year	**¥ 590**	¥ 528	¥ 440	**$ 5**
More than 1 Year	**1,030**	845	607	**8**
Total	**¥1,620**	¥1,373	¥1,048	**$13**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Lease Payment	**¥ 717**	¥ 624	¥ 465	**$ 6**
Estimated Depreciation	**558**	542	445	**5**
Estimated Interest Payment	**75**	70	76	**1**

Estimated depreciation was computed on the concise declining balance method using a contract term as a lease life in accordance with an instruction issued by the Japanese Institute of Certified Public Accountant.

Estimated interest payment was computed based on the difference between the total lease payment and the estimated cost, which was spread over the lease life by interest method.

(2) Lessor side

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Cost	**¥254,727**	¥225,021	¥208,497	**$2,056**
Accumulated Depreciation Deducted	**145,389**	125,933	109,890	**1,174**
Net Balance	**¥109,337**	¥ 99,087	¥ 98,606	**$ 882**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Received:				
Within 1 Year	**¥ 43,674**	¥ 44,773	¥ 43,512	**$ 353**
More than 1 Year	**96,561**	88,142	90,113	**779**
Total	**¥140,235**	¥132,916	¥133,626	**$1,132**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Lease Receipt	**¥ 49,714**	¥ 50,106	¥ 42,333	**$ 401**
Depreciation	**45,299**	44,642	37,402	**366**
Estimated Interest Receipt	**4,772**	5,333	4,930	**39**

Estimated interest receipt was computed based on the difference between the total lease receipt and the cost, which was spread over the lease life by the straight line method.

(b) Information of operating lease transactions was as follows:

(1) Lessee side

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Paid:				
Within 1 Year	**¥ 5,780**	¥ 5,312	¥ 6,232	**$ 47**
More than 1 Year	**30,587**	32,759	36,472	**247**
Total	**¥36,368**	¥38,071	¥42,705	**$294**

(2) Lessor side

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Received:				
Within 1 Year	**¥ 1,381**	¥ 810	¥ 224	**$ 11**
More than 1 Year	**7,441**	4,047	1,090	**60**
Total	**¥ 8,822**	¥ 4,858	¥ 1,315	**$ 71**

32. SIGNIFICANT TRANSACTIONS RELATED TO CASH FLOWS

(a) Significant transactions related to cash flows for the fiscal year ended March 31, 2001 and 2000 were as follows:

For the Fiscal Year ended March 31, 2001

Assets and liabilities of The Senshu Bank, Ltd. (Senshu Bank) which was included in the scope of consolidation by Sanwa Bank's acquisitions of all newly issued common stock were as follows:

	Millions of Yen	Millions of U.S. Dollars
Assets (Total)	**¥1,694,003**	**$13,673**
Loans and Bills Bought	***1,059,731***	***8,553***
Liabilities (Total)	**(1,687,133)**	**(13,617)**
Deposits	***(1,338,061)***	***(10,780)***
Minority Interests	**(37,634)**	**(304)**
Goodwill	**30,764**	**248**
Cash and Cash Equivalents of Senshu Bank	**136,865**	**1,105**
Net Inflow of Cash and Cash Equivalents from the Acquisition of Stock of Senshu Bank	**¥ 136,865**	**$ 1,105**

For the Fiscal Year ended March 31, 2000

Assets and liabilities of the Sanwa Trust and Banking Company, Limited excluded from the scope of the consolidation by sales of stocks, and the related cash flows

	Millions of Yen
Assets (Total)	¥16,106
Call Loans	15,000
Liabilities (Total)	(6,046)
Borrowed Money from Trust Account	(5,179)
Gains on Sales of the Stock	1,595
Proceeds from the Sales	¥11,655
Cash and Cash Equivalents of Sanwa Trust and Banking Company, Limited	(349)
Net Inflow of Cash and Cash Equivalents from the Sales of the Stock	¥11,305

(b) Major Non-Cash Transactions were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Increase in Common Stock due to Conversion of Convertible Bonds	**¥ 513**	¥1,166	**$4**
Increase in Capital Surplus due to Conversion of Convertible Bonds	**513**	1,166	**4**
Decrease in Convertible Bonds due to Conversion	**¥1,027**	¥2,332	**$8**

33. MARKET VALUES OF SECURITIES AND MONEY HELD IN TRUST

For the Fiscal Year ended March 31, 2001

(a) Securities

The following includes "Securities," trading account securities, negotiable due from banks and commercial paper in "Trading Assets," negotiable due from banks in "Cash and Due from Banks" and commodity funds in "Monetary Receivables Bought."

(1) Trading Securities

	Millions of Yen	
March 31, 2001	Book Value	Valuation Gain (Loss) during the Year
Trading Securities	**¥1,192,466**	**¥3,545**

	Millions of U.S. Dollars	
March 31, 2001	Book Value	Valuation Gain (Loss) during the Year
Trading Securities	**$ 9,624**	**$ 29**

(2) Held-to-maturity Debt Securities

	Millions of Yen				
			Unrealized Profit/(Loss)		
March 31, 2001	Book Value	Market Value	Net	Profit	Loss
Japanese National Government Bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥—**
Japanese Local Government Bonds	—	—	—	—	—
Japanese Corporate Bonds and Financial Debentures	**2,008**	**2,038**	**29**	**29**	—
Others	**20,949**	**21,132**	**182**	**190**	**(8)**
Total	**¥22,958**	**¥23,170**	**¥211**	**¥220**	**¥(8)**

	Millions of U.S. Dollars				
			Unrealized Profit/(Loss)		
March 31, 2001	Book Value	Market Value	Net	Profit	Loss
Japanese National Government Bonds	**$ —**	**$ —**	**$ —**	**$ —**	**$—**
Japanese Local Government Bonds	—	—	—	—	—
Japanese Corporate Bonds and Financial Debentures	**16**	**16**	**0**	**0**	—
Others	**169**	**171**	**2**	**2**	**(0)**
Total	**$ 185**	**$ 187**	**$ 2**	**$ 2**	**$(0)**

Note: Market Values are primarily based on the closing price at the fiscal year end.

(3) Available-for-sale Securities with Market Value

Market value is not reflected on the consolidated financial statements for the year ended March 31, 2001.

Book value, market value and unrealized profit (loss) of available-for-sale securities with market value were as follows:

	Millions of Yen				
			Unrealized Profit/(Loss)		
March 31, 2001	Book Value	Market Value	Net	Profit	Loss
Japanese Equities	**¥ 2,900,591**	**¥ 3,162,390**	**¥261,799**	**¥579,970**	**¥(318,171)**
Japanese Bonds	**6,190,626**	**6,288,010**	**97,383**	**101,468**	**(4,084)**
Japanese National Government Bonds	**5,255,851**	**5,323,720**	**67,869**	**71,122**	**(3,252)**
Japanese Local Government Bonds	**693,523**	**715,571**	**22,047**	**22,717**	**(669)**
Japanese Corporate Bonds and Financial Debentures	**241,252**	**248,718**	**7,466**	**7,628**	**(162)**
Others	**2,150,127**	**2,181,242**	**31,114**	**51,053**	**(19,938)**
Total	**¥11,241,345**	**¥11,631,643**	**¥390,297**	**¥732,492**	**¥(342,194)**

	Millions of U.S. Dollars				
			Unrealized Profit/(Loss)		
March 31, 2001	Book Value	Market Value	Net	Profit	Loss
Japanese Equities	**$ 23,411**	**$ 25,524**	**$ 2,113**	**$ 4,681**	**$ (2,568)**
Japanese Bonds	**49,964**	**50,750**	**786**	**819**	**(33)**
Japanese National Government Bonds	**42,420**	**42,968**	**548**	**574**	**(26)**
Japanese Local Government Bonds	**5,597**	**5,775**	**178**	**184**	**(6)**
Japanese Corporate Bonds and Financial Debentures	**1,947**	**2,007**	**60**	**61**	**(1)**
Others	**17,354**	**17,605**	**251**	**412**	**(161)**
Total	**$ 90,729**	**$ 93,879**	**$ 3,150**	**$ 5,912**	**$ (2,762)**

Note: Market Values are primarily based on the closing price at the fiscal year end.

(4) Available-for-sale Securities sold during Fiscal Year ended March 31, 2001

	Millions of Yen		
March 31, 2001	Proceeds from Sales	Realized Profit	Realized Loss
Available-for-sale Securities	**¥13,426,352**	**¥368,324**	**¥(75,848)**

	Millions of U.S. Dollars		
March 31, 2001	Proceeds from Sales	Realized Profit	Realized Loss
Available-for-sale Securities	**$ 108,364**	**$ 2,973**	**$ (612)**

(5) Held-to-maturity Debt Securities and Available-for-sale Securities whose Market Value is not readily determinable

	Millions of Yen
March 31, 2001	Book Value
Held-to-maturity Debt Securities	
Unlisted Foreign Securities	**¥ 3,605**
Available-for-sale Securities	
Unlisted Japanese Bonds	**277,364**
Unlisted Japanese Equities other than Over-the-counter	**225,730**
Negotiable Due from Banks	**38,106**
Unlisted Foreign Securities	**30,939**

March 31, 2001	Millions of U.S. Dollars Book Value
Held-to-maturity Debt Securities	
Unlisted Foreign Securities	**$ 29**
Available-for-sale Securities	
Unlisted Japanese Bonds	**2,239**
Unlisted Japanese Equity other than Over-the-counter	**1,822**
Negotiable Certificates of Deposit	**308**
Unlisted Foreign Securities	**250**

(6) Redemption Schedule of Held-to-maturity Debt Securities and Available-for-sale Securities with Maturity

	Millions of Yen			
(year)	1 or less	over 1 to 5	5 to 10	over 10
Japanese Bonds	**¥2,246,336**	**¥1,213,555**	**¥2,984,348**	**¥ 25,758**
Japanese National Government Bonds	**2,174,244**	**759,072**	**2,311,534**	**11,000**
Japanese Local Government Bonds	**27,753**	**113,396**	**547,615**	**4,758**
Japanese Corporate Bonds and Financial Debentures	**44,338**	**341,086**	**125,199**	**10,000**
Others	**438,873**	**975,977**	**121,434**	**504,916**
Total	**¥2,685,210**	**¥2,189,532**	**¥3,105,783**	**¥530,674**

	Millions of U.S. Dollars			
(year)	1 or less	over 1 to 5	5 to 10	over 10
Japanese Bonds	**$ 18,130**	**$ 9,795**	**$ 24,087**	**$ 208**
Japanese National Government Bonds	**17,548**	**6,127**	**18,656**	**89**
Japanese Local Government Bonds	**224**	**915**	**4,420**	**38**
Japanese Corporate Bonds and Financial Debentures	**358**	**2,753**	**1,011**	**81**
Others	**3,542**	**7,877**	**980**	**4,075**
Total	**$ 21,672**	**$ 17,672**	**$ 25,067**	**$ 4,283**

(b) Money Held in Trust

	Millions of Yen	
March 31, 2001	Book Value	Valuation Gain (Loss) during the Year
Money Held in Trust for Trading Purposes	**¥50,623**	**¥(807)**

	Millions of U.S. Dollars	
March 31, 2001	Book Value	Valuation Gain (Loss) during the Year
Money Held in Trust for Trading Purposes	**$ 409**	**$ (7)**

(c) Net Unrealized Profit (Loss) on Available-for-sale Securities, Net of Taxes

If Available-for-sale Securities were valued at market value, net unrealized profit (loss) would be as follows:

	Millions of Yen
Net Unrealized Profit (Loss)	**¥390,297**
Available-for-sale Securities	**390,297**
Other Money Held in Trust	**—**
Less: Deferred Tax Liabilities	**148,273**
Net Unrealized Profit (Loss) on Available-for-sale Securities, Net of Taxes (before Adjustment for Minority Interests)	**242,024**
Less: Minority Interests	**5,438**
Addition: Parent Bank's Interest in Net Unrealized Profit (Loss) of Available-for-sale Securities held by Affiliates accounted for under the Equity Method	**866**
Net Unrealized Profit (Loss) on Available-for-sale Securities, Net of Taxes	**237,452**

	Millions of U.S. Dollars
Net Unrealized Profit (Loss)	**$ 3,150**
Available-for-sale Securities	**3,150**
Other Money held in Trust	**—**
Less: Deferred Tax Liabilities	**1,197**
Net Unrealized Profit (Loss) on Available-for-sale Securities, Net of Tax (before Adjustment for Minority Interests)	**1,953**
Less: Minority Interests	**44**
Addition: Parent Bank's Interest in Net Unrealized Profit (Loss) of Available-for-sale Securities held by Affiliates accounted for under the Equity Method	**7**
Net Unrealized Profit (Loss) on Available-for-sale Securities, Net of Taxes	**1,916**

For the Fiscal Year ended March 31, 2000

(a) Estimated Market Values of Securities

Book values, market values or estimated market values and unrealized profit/(loss) of securities as of March 31, 2000 are shown in the following tables.

Listed Securities

	Millions of Yen				
			Unrealized Profit/(Loss)		
March 31, 2000	Book Value	Market Value	Net	Profit	Loss
Securities					
Bonds	¥1,381,883	¥1,358,154	¥ (23,729)	¥ 1,925	¥ (25,654)
Stocks	3,174,044	4,247,985	1,073,940	1,411,992	(338,051)
Others	477,231	511,257	34,026	40,212	(6,185)
Total	¥5,033,159	¥6,117,397	¥1,084,238	¥1,454,129	¥(369,891)

Notes: 1. Securities presented in the above table include only listed securities.
Bonds include Japanese national government bonds, Japanese local government bonds and Japanese corporate bonds and financial debentures.
2. Market values of listed bonds are calculated by using indicative yields announced by the Japan Securities Dealers Association.
Market values of the other listed securities are primarily based on the closing prices (as at the end of the fiscal year) of the Tokyo Stock Exchange.
3. The following table shows the estimated market values of unlisted securities of which market values can be evaluated.

Unlisted Securities

March 31, 2000	Book Value	Estimated Market Value	Unrealized Profit/(Loss) Net	Profit	Loss
					Millions of Yen
Securities					
Bonds	¥1,434,606	¥1,435,497	¥ 890	¥ 2,825	¥(1,934)
Stocks	27,078	104,345	77,266	81,553	(4,286)
Others	97,996	100,902	2,905	5,295	(2,389)
Total	¥1,559,681	¥1,640,744	¥81,063	¥89,674	¥(8,611)

Notes: Estimated market values are calculated as follows:
Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association
Publicly placed bonds: Prices calculated by using indicative yields announced by the Japan Securities Dealers Association
Securities of unit trusts: Market prices announced by authorized fund management companies
U.S. securities traded over-the-counter: Transaction prices indicated on NASDAQ in the U.S.A. and others

(b) Estimated Market Values of Money Held in Trust

Book values, estimated market values and unrealized profit/(loss) of Money Held in Trust as of March 31, 2000 are shown in the following table.

Money Held in Trust

March 31, 2000	Book Value	Estimated Market Value	Unrealized Profit/(Loss) Net	Profit	Loss
					Millions of Yen
	¥46,688	¥47,322	¥633	¥741	¥(107)

Notes: Estimated market values are based at the price calculated by the trustee of money held in trust pursuant to conditions as follows:
Listed securities: Closing prices as at the end of the fiscal year of the Tokyo Stock Exchange or the prices calculated by using indicative yields announced by the Japan Securities Dealers Association
Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association

34. DERIVATIVE FINANCIAL INSTRUMENTS

1. Details Related to Transactions

Current Fiscal Year (from April 1, 2000 to March 31, 2001)

(Transaction Details)

Derivative transactions handled by Sanwa Group are as follows:

- Interest Rate Related Transactions
  Interest Rate Futures
  Interest Rate Options
  Interest Rate Swaps
  FRA (Forward Rate Agreement)
  Interest Rate Caps, etc.
- Currency Related Transactions
  Currency Futures
  Currency Options
  Currency Swaps
  Foreign Exchange Forward
  FXA (Forward Exchange Agreement)
- Bond and Equity Related Transactions
  Bond Futures
  Options on Bond Futures
  OTC Bond Options
  Stock Index Futures
  Options on Stock Index Futures
  OTC Stock Index Options
- Commodity Related Transactions
  Commodity Swaps
  Commodity Caps, etc.
- Credit Derivatives
  Credit Default Swaps
- Other Derivatives
  Weather Options, etc.

(Structuring Policy)

Derivative instruments, because of their ease of transacting and low transaction costs, can provide various tools in satisfying the purpose of transactions, while responding to the needs of risk management.

Sanwa Group actively utilizes derivatives for trading purposes and also to assist customers and the Groups in managing risk.

(Purposes of Transactions)

Derivative transactions are delineated between those which are used for trading purposes and which are not used for trading purposes.

Transactions for trading purposes refer to transactions for which the goal is to earn profit utilizing price differences among markets and short-term market movements. In addition, trades responding to the needs of our customer's risk management and the cover trades against our trading portfolio are included here.

Transactions for non-trading purposes are entered into, for the purpose of stabilizing mid- and long-term interest earnings, for managing asset and liability interest rate exposures with the combination of on-balance sheet transactions or as a supplement to on-balance sheet transactions, and for hedging purposes. Derivatives embedded in loans and deposits and covering transactions against those embedded derivatives are also included here.

In regards to hedging transactions where the transaction is evaluated as an effective hedge, hedge accounting is applied to those transactions. There are two types of hedges: "designated hedges" in which a hedged item and a hedging instrument is specifically identified and "macro hedges" in which hedging instruments are utilized for managing assets and liabilities as a whole. The methods of identifying hedged items and hedging instruments, hedging policy and evaluating hedge effectiveness are stipulated according to the "Operational Standards for Hedge Accounting" which is revised semiannually. The standards state as followings:

- Designated Hedges: Hedging by means of interest rate swaps and etc. as a hedge for long-term fixed rate loans, deposits, bonds, and etc. We judge the effectiveness in accordance with approximately matching the principal, maturity, and interest rate type at the inception of the hedges.
- Macro Hedges: In Tokyo and the principal overseas branches, the amount of risks from hedging derivative transactions, such as interest rate swaps, is controlled so that it lies between with the amount of risks of assets and that of liabilities. The Risk Management Department evaluates hedge effectiveness quarterly by confirming whether the interest rate risks of hedged items are diminished.

(Details of Risk and Means of Management)

In market-related transactions in recent years, the weight of derivatives, such as options and swap, has become high. Because derivative transactions incur various market and credit risks, it has become important to properly manage these risks.

In regards to market risks, which include those of derivative transactions, we assess market volatility risks by utilizing the Value at Risk (VaR) methodology along with analyzing the daily mark-to-market valuation, taking an administrative structure of restraining within a certain limits the influence of market movements on the Bank's management. With options, in particular, we manage by risk parameters unique to options—delta, gamma, vega, and theta.

In derivative transactions, there are cases where counter party risks are incurred from a change in mark-to-market values and where the risks could increase due to changes in future market environment. As with the case of ordinary loans, these credit risks can potentially become a loss due to the counter party's financial insolvency, bankruptcy etc.; proper management responding to the creditworthiness of counter parties becomes necessary. At Sanwa Bank, we comprehend the derivative transactions with financial institutions with the amount of credit risk at the present (current exposure) and the amount of risk potentially incurred in the future (potential exposure), managing these together with the on-balance sheet transactions. In addition, principal subsidiaries, such as Sanwa International plc, have in place a structure of grasping credit risks by the current exposure method. Furthermore, a structure is in place for comprehending credit risks of corporate customers by the current exposure method.

The following applies in regards to the amount of risks:

Market Risks

(1) The scope of the VaR calculation

Period of Observation:	From April 1, 2000 to March 31, 2001
Confidence Interval:	One-tailed 99%
Holding Period:	1 Business Day (Trading Account), and 10 Business Days (Banking Account)

(2) VaR in the Past

Trading Account

	Billions of Yen	Millions of U.S. Dollars
Maximum Value	**¥ 2.8**	**$ 23**
Minimum Value	**0.7**	**6**
Average Value	**1.4**	**11**

Banking Account

	Billions of Yen	Millions of U.S. Dollars
Maximum Value	**¥60.8**	**$491**
Minimum Value	**44.6**	**361**
Average Value	**53.4**	**431**

- This applies to general market risks (excluding those of cross shareholdings) of the Bank and its principal subsidiaries such as Sanwa International plc.
- In addition, we manage by establishing limits in regards to specific risks in the trading account.

Credit Equivalent Amount

	Billions of Yen	Millions of U.S. Dollars
Types:	March 31, 2001	
Interest Rate Swaps	**¥2,147.5**	**$17,333**
Currency Swaps	**255.3**	**2,061**
Foreign Exchange Forward Contracts	**554.2**	**4,473**
Interest Rate Options Purchased	**58.3**	**471**
Currency Options Purchased	**26.3**	**212**
Other Derivative Instruments	**8.1**	**65**
Netting Effect through Master Netting Agreements	**(1,924.2)**	**(15,530)**
Total	**¥1,125.6**	**$ 9,085**

The above calculations are on a consolidated basis based on the ratio of net worth to total capital (Bank for International Settlements uniform standard). We utilize the current exposure method in calculating the equivalent credit exposure. In addition, we apply netting on a part of derivative transactions—the offsetting by counter party the mark-to-market values of all off-balance sheet transactions involved with counterparty and adopting the amount after offsetting as credit exposure.

(Management Structure)
At Sanwa Bank, we have established the Risk Management Department, administering the Bank's entire position in one dimension. We have strengthened our management structure, establishing specialized risk management sections, at principal subsidiaries such as Sanwa International plc.

We manage so that the risk does not exceed a pre-set limit, carrying out handling the analysis of daily VaR, revenue and position, etc., having established risk limit and loss limit amounts.

In the management of derivative transactions related to ALM etc., we manage in line with our policy along with undertaking management policy reviews. In addition, the quarterly results of the verification of the effectiveness of the macro hedge are reported to the Executive Committee.

2. Information on Market Value of Derivative Financial Instruments

For the Fiscal Year ended March 31, 2001

Contractual values or notional principal amounts, market values or estimated market values and unrealized profit/(loss) of derivative financial instruments as of March 31, 2000 are shown in the following tables.

(a) Interest Rate related Transactions

				Millions of Yen
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Interest Rate Future				
Sold	¥ 4,953,242	¥ 791,309	¥ (39,691)	¥ (39,691)
Bought	4,232,875	976,843	33,269	33,269
Interest Rate Option				
Sold	1,788,569	495,719	640	(185)
Bought	1,656,547	532,945	786	339
Over-the-counter				
Forward Rate Agreement				
Sold	2,944,067	248,569	2,605	2,605
Bought	2,039,815	407,739	(2,376)	(2,376)
Interest Rate Swaps				
Receipts Fixed / Payments Fixed	1,000	1,000	13	13
Receipts Fixed / Payments Floating	60,520,545	42,879,537	1,307,975	1,307,975
Payments Fixed / Receipts Floating	47,301,622	34,437,884	(1,318,639)	(1,318,639)
Basis Swaps	2,936,789	2,438,193	2,152	2,152
Others				
Sold	6,744,561	5,405,946	18,337	7,642
Bought	3,990,024	2,974,323	40,971	24,284
Total	/	/	¥ 46,045	¥ 17,389

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of U.S. Dollars
Standardized				
Interest Rate Future				
Sold	$ 39,978	$ 6,387	$ (320)	$ (320)
Bought	34,164	7,884	269	269
Interest Rate Option				
Sold	14,436	4,001	5	(2)
Bought	13,370	4,301	6	3
Over-the-counter				
Forward Rate Agreement				
Sold	23,762	2,006	21	21
Bought	16,463	3,291	(19)	(19)
Interest Rate Swaps				
Receipts Fixed / Payments Fixed	8	8	0	0
Receipts Fixed / Payments Floating	488,463	346,082	10,557	10,557
Payments Fixed / Receipts Floating	381,773	277,949	(10,643)	(10,643)
Basis Swaps	23,703	19,679	17	17
Others				
Sold	54,436	43,632	148	61
Bought	32,204	24,006	331	196
Total	/	/	$ 372	$ 140

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values for standardized transactions are primarily calculated by using the closing prices of the Tokyo International Financial Futures Exchange. Market values for the over-the-counter transactions are primarily based on discounted present values or option pricing calculation models.
3. Others include Cap, Floor and Swaption transactions.

(b) Currency related Transactions

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of Yen
Over-the-counter				
Currency Swaps	¥3,868,592	¥3,127,491	¥(11,568)	¥(11,568)
Total	/	/	¥(11,568)	¥(11,568)

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of U.S. Dollars
Over-the-counter				
Currency Swaps	$ 31,224	$ 25,242	$ (93)	$ (93)
Total	/	/	$ (93)	$ (93)

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied and transactions stated in the Note 3 below are excluded.
2. Market values are based on the discounted present values.
3. Certain Currency Swaps have been excluded from the above tables since such Currency Swaps have been accounted for by using the accrual method of accounting based on "Tentative Auditing Treatment relating to Adoption of 'Revised Accounting for Foreign Currency Transaction' for Banks." (JICPA April 10,1999)

The Contractual Value etc. of such Currency Swaps accounted for on an accrual method is as follows:

			Millions of Yen
March 31, 2001	Contractual Value or Notional Principal Amount	Market Value	Unrealized Profit/(Loss)
Currency Swaps	**¥1,095,533**	**¥(28,761)**	**¥(28,761)**

			Millions of U.S. Dollars
March 31, 2001	Contractual Value or Notional Principal Amount	Market Value	Unrealized Profit/(Loss)
Currency Swaps	**$ 8,842**	**$ (232)**	**$ (232)**

Foreign Exchange Forward Contracts, Currency Options and certain other transactions are excluded from the above tables, since they are revalued at the end of the fiscal year and their profits and losses are recorded in the consolidated statements of operations or they are attached to foreign currency based receivables/payables, which are reflected to consolidated balance sheets or eliminated in consolidation process. The following table shows the contractual values of currency related transactions affecting the consolidated statements of operations by revaluation at the end of the fiscal year.

	Millions of Yen
March 31, 2001	Contractual Value or Notional Principal Amount
Standardized	
Currency Futures	
Sold	**¥ 5,618**
Bought	**16,781**
Over-the-counter	
Foreign Exchange Forward Contracts	
Sold	**6,365,633**
Bought	**6,220,084**
Currency Options	
Sold	**734,577**
Bought	**829,545**

	Millions of U.S. Dollars
March 31, 2001	Contractual Value or Notional Principal Amount
Standardized	
Currency Futures	
Sold	**$ 45**
Bought	**135**
Over-the-counter	
Foreign Exchange Forward Contracts	
Sold	**51,377**
Bought	**50,202**
Currency Options	
Sold	**5,929**
Bought	**6,695**

(c) Equity related Transactions

				Millions of Yen
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Stock Index Futures				
Sold	**¥2,731**	**¥—**	**¥ 19**	**¥ 19**
Bought	—	—	—	—
Over-the-counter				
Securities Over-the-counter Options				
Sold	**2,278**	—	**284**	**(224)**
Bought	**1,935**	—	**312**	**245**
Total		⁄	**¥615**	**¥ 40**

				Millions of U.S. Dollars
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Stock Index Futures				
Sold	**$ 22**	**$—**	**$ 0**	**$ 0**
Bought	—	—	—	—
Over-the-counter				
Securities Over-the-counter Options				
Sold	**18**	—	**2**	**(2)**
Bought	**16**	—	**3**	**2**
Total	⁄	⁄	**$ 5**	**$ 0**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.

2. Market values for standardized transactions are primarily calculated by using the closing prices of the Tokyo Stock Exchange. Market values for the over-the-counter transactions are primarily based on discounted present values and option pricing calculation models.

(d) Bond related Transactions

	Millions of Yen			
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	**¥337,948**	**¥—**	**¥113**	**¥113**
Bought	**151,545**	**—**	**(54)**	**(54)**
Bond Futures Options				
Sold	**63,239**	**—**	**200**	**(47)**
Bought	**30,478**	**—**	**129**	**(10)**
Over-the-counter				
Bond Over-the-counter Options				
Sold	**—**	**—**	**—**	**—**
Bought	**6,000**	**—**	**7**	**(25)**
Total	/	/	**¥396**	**¥ (23)**

	Millions of U.S. Dollars			
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	**$ 2,728**	**$—**	**$ 1**	**$ 1**
Bought	**1,223**	**—**	**(1)**	**(1)**
Bond Futures Options				
Sold	**510**	**—**	**2**	**(0)**
Bought	**246**	**—**	**1**	**(0)**
Over-the-counter				
Bond Over-the-counter Options				
Sold	**—**	**—**	**—**	**—**
Bought	**48**	**—**	**0**	**(0)**
Total	/	/	**$ 3**	**$ (0)**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values for standardized products are primarily calculated by using the closing prices of the Tokyo Stock Exchange. Market values for the over-the-counter transactions are primarily based on option pricing calculation models.

(e) Commodity related Transactions

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of Yen
Over-the-counter				
Commodity Swaps (Fuel)	¥5,318	¥ —	¥7	¥7
Total	⁄	⁄	¥7	¥7

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of U.S. Dollars
Over-the-counter				
Commodity Swaps (Fuel)	$ 43	$ —	$0	$0
Total	⁄	⁄	$0	$0

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values are calculated by using the prices of the commodity, contractual term or other contractual elements.

(f) Credit Derivative Transactions

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of Yen
Over-the-counter				
Credit Default Swaps				
Sold	¥ 19,337	¥ 13,447	¥(13)	¥(13)
Bought	420,128	420,128	(95)	(95)
Credit Default Option				
Sold	1,000	1,000	5	(5)
Bought	8,000	8,000	14	14
Total	⁄	⁄	¥(88)	¥(99)

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of U.S. Dollars
Over-the-counter				
Credit Default Swaps				
Sold	$ 156	$ 109	$ (0)	$ (0)
Bought	3,391	3,391	(1)	(1)
Credit Default Option				
Sold	8	8	0	(0)
Bought	65	65	0	0
Total	⁄	⁄	$ (1)	$ (1)

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values are based on option pricing calculation models.
3. “Sold” means the underwriting for credit risk and “Bought” means the transfer of credit risk.

(g) Other Derivative Transactions

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of Yen
Over-the-counter				
Weather Options				
Sold	**¥260**	**¥—**	**¥10**	**¥38**
Bought	**260**	**—**	**10**	**(13)**
Total	⁄	⁄	**¥20**	**¥24**

March 31, 2001	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of U.S. Dollars
Over-the-counter				
Weather Options				
Sold	**$ 2**	**$—**	**$ 0**	**$ 0**
Bought	**2**	**—**	**0**	**(0)**
Total	⁄	⁄	**$ 0**	**$ 0**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.

2. Market values are based on option pricing calculation models.

For the Fiscal Year ended March 31, 2000

Contractual values or notional principal amounts, market values or estimated market values and unrealized profit/(loss) of derivative financial instruments as of March 31, 2000 are shown in the following tables.

(a) Interest Rate related Transactions

				Millions of Yen
March 31, 2000	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Interest Rate Futures				
Sold	¥ 1,080,046	¥ 26,143	¥1,078,332	¥ 1,713
Bought	566,868	17,292	565,813	(1,055)
Over-the-counter				
Interest Rate Swaps				
Receipts Fixed / Payments Floating	27,431,418	14,432,567	254,933	254,933
Receipts Floating / Payments Fixed	28,295,498	14,765,523	(191,112)	(191,112)
Basis Swaps	1,543,250	1,027,515	(4,016)	(4,016)
Caps				
Sold	637,427	365,801		
Option Premium	*3,830*		*631*	*3,199*
Bought	498,259	340,609		
Option Premium	*4,386*		*323*	*(4,063)*
Floors				
Sold	15,458	8,850		
Option Premium	*0*		*133*	*(133)*
Bought	93,542	57,644		
Option Premium	*54*		*1,636*	*1,581*
Others				
Sold	69,991	69,291		
Option Premium	*347*		*1,649*	*(1,302)*
Bought	119,728	78,808		
Option Premium	*4*		2,382	2,378
Total	/	/	/	¥ 62,121

Notes: 1. Market values of standardized transactions are calculated by using the closing prices of the Tokyo International Financial Futures Exchange and others. Market values of over-the-counter transactions are based on the discounted present values or the option pricing calculation models.

2. Market value and unrealized profit/(loss) of interest rate swaps include the difference of ¥98,767 million (unrealized profit) between accrued interest receivable and accrued interest payable as of March 31, 2000.

3. “Option Premium” in the column of “Contractual Value or Notional Principal Amount” represents option premium recorded in the consolidated balance sheet.

4. The following table shows contractual values or notional principal amounts and market values of derivatives included in “Trading Assets/Liabilities” which are not indicated in the above table since the profit/(loss) is recorded the consolidated statements of operations. Derivatives positions are carried at fair value.

March 31, 2000			Millions of Yen: Contractual Value or Notional Principal Amount	Market Value
Standardized				
Interest Rate Futures				
Sold			¥ 6,456,890	¥6,448,076
Bought			7,556,789	7,544,483
Interest Rate Options				
Sold	Call		1,795,721	
		Option Premium	*511*	*263*
	Put		2,032,166	
		Option Premium	*642*	*462*
Bought	Call		484,650	
		Option Premium	*208*	*162*
	Put		503,789	
		Option Premium	*159*	*177*
Over-the-counter				
Forward Rate Agreements				
Sold			1,652,991	(388)
Bought			3,003,882	(47)
Interest Rate Swaps				
Receipts Fixed / Payments Fixed			1,000	15
Receipts Fixed / Payments Floating			35,189,874	281,808
Receipts Floating / Payments Fixed			34,361,415	(263,619)
Basis Swaps			2,206,955	(423)
Caps				
Sold			1,717,268	
		Option Premium	*14,199*	*8,522*
Bought			1,354,065	
		Option Premium	*5,861*	*8,799*
Floors				
Sold			425,353	
		Option Premium	*519*	*1,053*
Bought			494,444	
		Option Premium	*1,356*	*7,580*
Others				
Sold			603,972	
		Option Premium	*3,117*	*(1,878)*
Bought			732,220	
		Option Premium	*3,851*	*12,946*

Note: "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents initial option premium of the contractual value indicated.

(b) Currency related Transactions

March 31, 2000	Contractual Value or Notional Principal Amount (Millions of Yen)	Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Currency Swaps	¥1,823,454	¥826,416	¥12,157	¥12,157
U.S. Dollars	1,329,943	685,796	4,876	4,876
British Pounds	119,115	9,442	744	744
Euros	106,212	14,471	4,185	4,185
Others	268,182	116,705	2,350	2,350
Foreign Exchange Forward Contracts				
Sold	570	—	10	10
Bought	545	—	12	12
Total	/	/	/	¥12,180

Notes: 1. Market values are based on the discounted present values.

2. Market value and unrealized profit/(loss) of currency swaps include the difference of ¥147 million (unrealized profit) between accrued interest receivable and accrued interest payable as of March 31, 2000.

3. The following table shows notional principal amount and market value of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit/(loss) is recorded in the consolidated statements of operations. Derivatives positions are carried at fair value.

March 31, 2000	Contractual Value or Notional Principal Amount (Millions of Yen)	Market Value
Over-the-counter		
Currency Swaps		
U.S. Dollars	¥1,645,511	¥20,434
British Pounds	11,520	42
Euros	86,974	848
Others	104,901	(8,216)
Total	¥1,848,908	¥13,108

4. Foreign exchange forward contracts, currency options and certain other transactions are excluded from the above table since they are revalued at the end of the fiscal year and their profits/(losses) are included in the consolidated statements of operations. The following table shows the contractual values of currency related transactions included in the consolidated statements of operations by revaluation at the end of the fiscal year.

March 31, 2000			Contractual Value or Notional Principal Amount (Millions of Yen)
Standardized			
Currency Futures			
Sold			¥ 1,160
Bought			10,823
Over-the-counter			
Foreign Exchange Forward Contracts			
Sold			3,754,870
Bought			3,733,334
Currency Options			
Sold	Call		173,909
		Option Premium	*2,318*
	Put		167,951
		Option Premium	*3,027*
Bought	Call		188,250
		Option Premium	*1,267*
	Put		204,667
		Option Premium	*3,346*

Note: "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents option premium recorded in the consolidated balance sheet.

(c) Equity related Transactions

March 31, 2000	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of Yen
Over-the-counter				
Securities Over-the-counter Options				
Sold Call	¥3,030	¥ —		
Option Premium	*414*		*¥651*	*¥(236)*
Put	—	—		
Option Premium	—		—	—
Bought Call	—	—		
Option Premium	—		—	—
Put	3,030	—		
Option Premium	*414*		*199*	*(215)*
Securities Over-the-counter Index Swaps				
Receipts Equity Index Return / Payments Short-term Floating-rate Interest	—	—	—	—
Receipts Short-term Floating-rate Interest / Payments Equity Index Return	1,310	—	(0)	(0)
Total	/	/	/	¥(452)

Notes: 1. Market values are based on the discounted present values or the option pricing calculation models.
2. "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents option premium recorded in the consolidated balance sheet.
3. There were no standardized transactions as of March 31, 2000.
4. The following table shows contractual values and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit (loss) is included in the consolidated statements of operations. Derivatives positions are carried at fair value.

March 31, 2000	Contractual Value or Notional Principal Amount	Market Value
		Millions of Yen
Standardized		
Stock Index Options		
Sold Call	¥6,323	
Option Premium	—	*¥(23)*
Put	1,816	
Option Premium	—	*(61)*
Bought Call	—	
Option Premium	—	—
Put	8,702	
Option Premium	—	*443*
Over-the-counter		
Stock Options		
Sold Call	—	
Option Premium	—	—
Put	350	
Option Premium	6	2
Bought Call	—	
Option Premium	—	—
Put	350	
Option Premium	3	2

Note: "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents the initial option premium of the contractual value indicated.

(d) Bond related Transactions

March 31, 2000	Contractual Value or Notional Principal Amount	Contractual Value or Notional Principal Amount: Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of Yen
Standardized				
Bond Futures				
Sold	¥1,482,173	¥ —	¥1,487,347	¥(5,173)
Bought	912,649	—	909,717	(2,932)
Total	／	／	／	¥(8,106)

Notes: 1. Market values are calculated by using the closing prices of the Tokyo Stock Exchange and others.
2. There were no over-the-counter transactions as of March 31, 2000.
3. The following table shows contractual values and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit (loss) is included in the consolidated statements of operations. Derivatives positions are carried at fair value.

March 31, 2000			Contractual Value or Notional Principal Amount	Market Value
				Millions of Yen
Standardized				
Bond Futures				
Sold			¥101,189	¥101,727
Bought			158,098	159,055
Bond Futures Options				
Sold	Call		62,416	
		Option Premium	*125*	*192*
	Put		15,000	
		Option Premium	*27*	*16*
Bought	Call		1,841	
		Option Premium	*13*	*27*
	Put		13,548	
		Option Premium	*51*	*73*
Over-the-counter				
Bond Options				
Sold	Call		—	
		Option Premium	—	—
	Put		—	
		Option Premium	—	—
Bought	Call		—	
		Option Premium	—	—
	Put		47,000	
		Option Premium	*111*	*42*

Note: "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents the initial option premium of the contractual value indicated.

(e) Commodity related Transactions

There were no commodity related transactions as of March 31, 2000.

(f) Credit Derivative Transaction

The following table shows contractual values and market values of derivatives included in "Trading Assets/Liabilities."
The profit (loss) is included in the consolidated statements of operations. Derivatives positions are carried at fair value.
There were no credit derivative transaction other than the ones included in "Trading Assets/Liabilities."
There were no standardized transactions as of March 31, 2000.
"Sold" represents the transactions accepting credit risks and "Bought" represents the transactions transferring credit risks.

	Millions of Yen	
March 31, 2000	Contractual Value or Notional Principal Amount	Market Value
Over-the-counter		
Credit Default Swaps		
Sold	¥ 500	¥ 1
Bought	27,350	(68)
Credit Default Option		
Sold	—	—
Bought	9,000	30

Notes: Market values are based on the discounted present values.

35. SEGMENT INFORMATION

(a) Segment Information by Type of Business

Some subsidiaries conduct businesses other than banking, such as securities and leasing. However, since the ratio of these businesses to the whole is not material, segment information by type of business is not provided.

(b) Segment Information by Location

The following tables present assets and ordinary profit information relating to the international and domestic operations of Sanwa Group by major geographic areas, based on the degrees of geographic adjacency, similarity of economic activities, and relationships of business operations.

Millions of Yen

Year ended March 31, 2001	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
I Ordinary Income	¥ 1,596,130	¥ 349,363	¥ 137,053	¥ 177,944	¥ 2,260,492	¥ (381,395)	¥ 1,879,096
(1) Ordinary Income from Outside Customers	1,397,688	229,400	100,133	151,874	1,879,096	—	1,879,096
(2) Internal Ordinary Income between Segments	198,442	119,963	36,919	26,070	381,395	(381,395)	—
II Ordinary Expenses	1,771,264	344,498	142,960	153,886	2,412,610	(361,819)	2,050,790
Ordinary Profit (Loss) (I-II)	¥ (175,133)	¥ 4,865	¥ (5,907)	¥ 24,058	¥ (152,117)	¥ (19,576)	¥ (171,693)
III Assets	¥50,036,910	¥4,187,819	¥2,934,082	¥4,077,115	¥61,235,927	¥(6,219,483)	¥55,016,443

Millions of Yen

Year ended March 31, 2000	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
I Ordinary Income	¥ 1,892,647	¥ 251,141	¥ 134,423	¥ 217,204	¥ 2,495,417	¥ (276,579)	¥ 2,218,838
(1) Ordinary Income from Outside Customers	1,732,768	194,528	100,001	191,539	2,218,838	—	2,218,838
(2) Internal Ordinary Income between Segments	159,879	56,612	34,422	25,664	276,579	(276,579)	—
II Ordinary Expenses	1,691,502	223,890	141,466	174,573	2,231,432	(256,403)	1,975,028
Ordinary Profit (Loss) (I-II)	¥ 201,145	¥ 27,250	¥ (7,042)	¥ 42,630	¥ 263,984	¥ (20,175)	¥ 243,809
III Assets	¥ 43,916,459	¥ 4,144,185	¥ 1,908,656	¥ 5,845,085	¥ 55,814,387	¥ (8,912,400)	¥ 46,901,986

Millions of Yen

Year ended March 31, 1999	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
I Ordinary Income	¥ 1,908,245	¥ 472,494	¥ 293,847	¥ 322,841	¥ 2,997,429	¥ (626,598)	¥ 2,370,830
(1) Ordinary Income from Outside Customers	1,543,436	392,772	167,695	266,926	2,370,830	—	2,370,830
(2) Internal Ordinary Income between Segments	364,809	79,722	126,151	55,915	626,598	(626,598)	—
II Ordinary Expenses	2,525,108	432,944	295,762	402,061	3,655,876	(604,360)	3,051,516
Ordinary Profit (Loss) (I-II)	¥ (616,862)	¥ 39,550	¥ (1,914)	¥ (79,220)	¥ (658,447)	¥ (22,237)	¥ (680,685)
III Assets	¥ 47,216,889	¥ 4,902,885	¥ 2,964,871	¥ 6,305,867	¥ 61,390,513	¥ (11,018,359)	¥ 50,372,153

Year ended March 31, 2001	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
							Millions of U.S. Dollars
I Ordinary Income	$ 12,883	$ 2,819	$ 1,106	$ 1,436	$ 18,244	$ (3,078)	$ 15,166
(1) Ordinary Income from Outside Customers	11,281	1,851	808	1,226	15,166	—	15,166
(2) Internal Ordinary Income between Segments	1,602	968	298	210	3,078	(3,078)	—
II Ordinary Expenses	14,296	2,780	1,154	1,242	19,472	(2,920)	16,552
Ordinary Profit (Loss) (I-II)	$ (1,413)	$ 39	$ (48)	$ 194	$ (1,228)	$ (158)	$ (1,386)
III Assets	$ 403,849	$ 33,800	$ 23,681	$ 32,907	$ 494,237	$ (50,198)	$ 444,039

Notes: 1. Ordinary Income represents "Total Income" excluding mainly "Gains on Sales of Premises and Equipment," "Collection of Written-off Claims." Ordinary Expense represents "Total Expenses" excluding mainly "Losses on Sales of Premises and Equipment." Ordinary Income and Ordinary Profit (Loss) are presented as a substitute for Net Sales and Operating Profit (Loss) for non-financial companies.

2. Americas includes, but not limited to, the United States and Canada. Europe includes, but not limited to, England and Belgium. Asia/Oceania excluding Japan includes, but not limited to, Hong Kong and Australia..

3. The effects on the segment information for each fiscal year due to the change of accounting treatments are as follows:

For the Fiscal Year ended March 31, 2001

The new accounting standard for retirement benefits has been applied. As a result,
Ordinary Expenses decreased by ¥26,496 million ($214 million) and Ordinary Profit increased by the same amount in Japan;
Ordinary Expenses decreased by ¥141 million ($1 million) and Ordinary Profit increased by the same amount in Americas;
Ordinary Expenses decreased by ¥98 million ($1 million) and Ordinary Profit increased by the same amount in Europe;
Ordinary Expenses decreased by ¥244 million ($2 million) and Ordinary Profit increased by the same amount in Asia/Oceania excluding Japan.

The new accounting standard for financial instruments has been applied. As a result,
Ordinary Income decreased by ¥107,743 million ($870 million), Ordinary Expenses decreased by ¥113,951 million ($920 million) and Ordinary Profit increased by ¥6,207 million ($50 million) in Japan;
Ordinary Income decreased by ¥18,278 million ($148 million), Ordinary Expenses decreased by ¥15,019 million ($121 million) and Ordinary Profit decreased by ¥3,259 million ($26 million) in Americas;
Ordinary Income decreased by ¥27,445 million ($222 million), Ordinary Expenses decreased by ¥26,298 million ($212 million) and Ordinary Profit decreased by ¥1,147 million ($9 million) in Europe;
Ordinary Income decreased by ¥30,723 million ($248 million), Ordinary Expenses decreased by ¥30,754 million ($248 million) and Ordinary Profit increased by ¥31 million ($0 million) in Asia/Oceania excluding Japan.

In addition, income and expenses on derivative financial instruments for hedging purposes, which had been previously presented on a gross basis, have been shown on a net basis. As a result of this change, both Ordinary Income and Ordinary Expenses in Japan, Americas, Europe and Asia/Oceania excluding Japan decreased by ¥172,030 million ($214 million), ¥40,848 million ($214 million), ¥36,052 million ($214 million) and ¥37,882 million ($214 million), respectively.

For the Fiscal Year ended March 31, 2000

"Reserve for Possible Loan Losses" which had been previously reported in Liabilities was reported in Assets as a contra account as of the end of the fiscal year, due to the revision of forms prescribed by the Japanese Banking Law. As a result of this change, Assets of Japan, Americas, and Asia/Oceania decreased by ¥722,575 million, ¥15,817million, and ¥12,948 million, respectively.

For the Fiscal Year ended March 31, 1999

The useful life for buildings for the calculation of depreciation was shortened due to the amendments of Japanese Tax Laws. As a result, Ordinary Loss increased by ¥514 million for the fiscal year and Assets as of the end of the fiscal year decreased by the same amount with respect to Japan.

In addition, Ordinary Loss in Japan and Asia/Oceania for the fiscal year increased by ¥773 million and ¥1,083 million, respectively, reflecting the change in accounting treatments on "Enterprise Taxes," "Amortization of Goodwill," and "Equity in Earnings of Affiliates."

(c) Ordinary Income from Overseas/International Operations

	Millions of Yen		
Year ended March 31,	Ordinary Income from Overseas Operations	Consolidated Ordinary Income	Ratio of Ordinary Income from Overseas Operations to Consolidated Ordinary Income
2001	¥481,408	¥1,879,096	25.6%
2000	¥486,069	¥2,218,838	21.9%

	Millions of U.S. Dollars		
	Ordinary Income from Overseas Operations	Consolidated Ordinary Income	Ratio of Ordinary Income from Overseas Operations to Consolidated Ordinary Income
2001	$ 3,885	$ 15,166	25.6%

Notes: 1. For the fiscal years ended March 31, 2001 and 2000, Ordinary Income from Overseas Operations has been used instead of International Operations previously used in order to reflect more precise conditions of overseas transactions.

2. Ordinary Income from Overseas Operations includes ordinary income from transactions of Sanwa Bank's overseas branches and of overseas consolidated subsidiaries (excluding ordinary income from intercompany transactions). Segment Information for Ordinary Income from Overseas Operations by location is not presented since the counterparties of the large number of transactions are not classified by location.

	Millions of Yen		
Year ended March 31,	Ordinary Income from International Operations	Consolidated Ordinary Income	Ratio of Ordinary Income from International Operations to Consolidated Ordinary Income
1999	¥1,176,716	¥2,370,830	49.6%

Notes: 1. Ordinary Income from International Operations is presented as a substitute for Overseas Sales for non-financial companies.

2. Ordinary Income from International Operations primarily includes ordinary income from domestic transactions in foreign currencies, and from transactions of Sanwa Bank's overseas branches and of consolidated overseas subsidiaries (excluding ordinary income from intercompany transactions). Segment Information for Ordinary Income from International Operations by location is not presented since the counterparties of the large number of transactions are not classified by location.

36. FINANCIAL INFORMATION OF THE PARENT BANK

Non-Consolidated Balance Sheets Information

March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars 2001
ASSETS:			
Cash and Due from Banks	**¥ 4,125,178**	¥ 2,211,933	**$ 33,295**
Call Loans	**340,611**	328,774	**2,749**
Monetary Receivables Bought	**11,659**	49,668	**94**
Trading Assets	**836,533**	383,202	**6,752**
Money Held in Trust	**45,693**	46,688	**369**
Securities	**11,854,663**	7,825,954	**95,679**
Loans and Bills Discounted	**29,702,566**	30,081,019	**239,730**
Foreign Exchanges	**369,024**	238,121	**2,978**
Other Assets	**1,084,223**	773,826	**8,751**
Premises and Equipment	**516,309**	544,583	**4,167**
Deferred Tax Assets	**591,114**	558,260	**4,771**
Customers' Liabilities for Acceptances and Guarantees	**2,842,996**	2,747,264	**22,946**
Reserve for Possible Loan Losses	**(725,027)**	(602,025)	**(5,852)**
Reserve for Possible Losses on Securities	**(3,324)**	(2,203)	**(27)**
Total Assets	**¥51,592,221**	¥45,185,068	**$416,402**
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits	**¥37,470,877**	¥33,855,251	**$302,428**
Call Money	**3,546,926**	2,254,267	**28,627**
Commercial Paper	**409,500**	236,000	**3,305**
Trading Liabilities	**310,349**	160,413	**2,505**
Borrowed Money	**1,720,940**	1,798,156	**13,890**
Foreign Exchanges	**111,906**	44,590	**903**
Bonds and Notes	**891,000**	440,000	**7,191**
Convertible Bonds	—	1,027	—
Other Liabilities	**2,068,194**	1,200,315	**16,693**
Reserve for Retirement Allowances	—	27,301	—
Reserve for Retirement Benefits	**29,524**	—	**238**
Reserve for Contingent Liabilities Related to Loans Sold	**66,775**	97,870	**539**
Reserve for Possible Losses on Support of Specific Borrowers	**32,763**	49,650	**265**
Other Reserves	**5**	17	**0**
Deferred Tax Liabilities for Revaluation Reserve for Land	**84,112**	98,693	**679**
Acceptances and Guarantees	**2,842,996**	2,747,264	**22,946**
Total Liabilities	**49,585,871**	43,010,820	**400,209**
Stockholders' Equity:			
First Series Preferred Stock	**75,000**	75,000	**605**
First Series Class A Preferred Stock	**300,000**	300,000	**2,421**
Common Stock	**468,582**	468,069	**3,782**
Capital Surplus	**734,574**	734,060	**5,929**
Legal Reserve	**106,140**	101,061	**857**
Revaluation Reserve for Land, Net of Tax	**137,293**	148,844	**1,108**
Retained Earnings	**184,758**	347,211	**1,491**
Total Stockholders' Equity	**2,006,350**	2,174,248	**16,193**
Total Liabilities and Stockholders' Equity	**¥51,592,221**	¥45,185,068	**$416,402**

Non-Consolidated Statements of Operations

			Millions of Yen	Millions of U.S. Dollars
Fiscal Years ended March 31, 2001, 2000 and 1999	**2001**	2000	1999	**2001**
Income:				
Interest Income:	**¥1,052,352**	¥1,217,115	¥1,483,916	**$ 8,494**
Interest on Loans and Discounts	**701,708**	700,058	869,731	**5,664**
Interest on and Dividends from Securities	**164,972**	138,251	171,630	**1,331**
Other Interest Income	**185,671**	378,806	442,554	**1,499**
Fees and Commissions	**122,204**	110,480	109,356	**986**
Trading Revenue	**29,392**	19,382	35,467	**237**
Other Operating Income	**70,983**	214,365	322,364	**573**
Other Income	**330,532**	431,249	99,940	**2,668**
Total Income	**1,605,465**	1,992,593	2,051,046	**12,958**
Expenses:				
Interest Expenses:	**520,114**	706,042	959,487	**4,198**
Interest on Deposits	**379,419**	261,881	423,995	**3,062**
Interest on Borrowings and Rediscounts	**86,796**	66,048	82,205	**701**
Other Interest Expenses	**53,897**	378,111	453,286	**435**
Fees and Commissions	**44,305**	50,212	46,635	**357**
Trading Expenses	**1,780**	2,536	143	**14**
Other Operating Expenses	**35,767**	162,392	194,574	**289**
General and Administrative Expenses	**339,187**	349,885	350,254	**2,738**
Other Expenses	**839,884**	555,694	1,120,086	**6,779**
Total Expenses	**1,781,039**	1,826,763	2,671,182	**14,375**
Income (Loss) before Income Taxes	**(175,574)**	165,830	(620,136)	**(1,417)**
Provision for Income Taxes	**15,400**	58,214	37,227	**124**
Deferred Income Taxes	**(42,895)**	24,601	(262,949)	**(346)**
Net Income (Loss)	**(148,079)**	83,014	(394,414)	**(1,195)**
Retained Earnings at Beginning of Year	**347,211**	276,773	372,417	**2,802**
Adjustment to Retained Earnings Due to Initial Application of Deferred Tax Accounting	—	—	329,607	—
Appropriation of Retained Earnings:				
Transfer to Legal Reserve	**(5,078)**	(4,323)	(5,154)	**(41)**
Cash Dividends	**(25,385)**	(21,614)	(25,682)	**(205)**
Reversal of Revaluation Reserve for Land	**16,091**	13,361	—	**130**
Total Appropriations	**(14,373)**	(12,576)	(30,836)	**(116)**
Retained Earnings at End of Year	**¥ 184,758**	¥ 347,211	¥ 276,773	**$ 1,491**

			Yen	U.S. Dollars
Net Income (Loss) per Common Share:				
Basic	**¥ (52.72)**	¥ 26.85	¥ (136.55)	**$ (0.43)**
Fully Diluted	—	23.68	—	—

37. SUBSEQUENT EVENTS

(a) Effective April 2, 2001, Sanwa Bank, The Tokai Bank, Limited (Tokai Bank) and The Toyo Trust and Banking Company, Limited jointly established a holding company under which the three banks became wholly-owned subsidiaries of the holding company through a stock-for-stock exchange. The holding company's official name is UFJ Holdings, Inc.

(b) On April 25, 2001, Sanwa Bank and Tokai Bank agreed to merge on January 15, 2002, subject to the approval of share-holders at their respective shareholders' meeting and certain Japanese regulatory agencies. Sanwa Bank will be the surviving legal entity and the name of newly combined bank through the merger will be UFJ Bank Limited.

(c) On May 29, 2001, Sanwa Bank contributed certain stock with a fair value of ¥93,366 million ($754 million) to an employee retirement benefit trust to providing funding for its retirement benefit plans. On establishment of the trust, a gain of ¥45,834 million ($370 million) was recognized as "Other Income" for the fiscal year ended March 31, 2002.

(d) The following plan of Sanwa Bank for the appropriation of unappropriated profit was approved at the ordinary stockholders meeting held on June 26, 2001:

	Millions of Yen	Millions of U.S. Dollars
	2001	**2001**
Appropriations-Legal Reserve	**¥ 505**	**$ 4**
Year-end Dividends:		
First Series Preferred,		
¥18.75 ($0.1513) per Share	**937**	**7**
First Series A Preferred,		
¥7.95 ($0.0642) per Share	**1,590**	**13**
Total	**¥3,033**	**$ 24**

CAPITAL ADEQUACY

Sanwa Group's capital ratio is subject to the capital adequacy guidelines issued by the Financial Services Agency (the former Financial Supervisory Agency) which closely follow the risk-weighted approach proposed by the Bank for International Settlements (BIS). The following table presents the components of capital and the risk-weighted assets of Sanwa Group's capital ratio under the guidelines.

	Millions of Yen	
March 31	**2001**	2000
Tier I (Core Capital):		
Common Stock	**¥ 463,975**	¥ 453,085
Perpetual Non-cumulative Preferred Stock	**375,000**	375,000
Capital Surplus	**734,574**	734,060
Retained Earnings	**317,571**	464,221
Minority Interests (*)	**241,285**	237,875
Foreign Currency Translation Adjustments	**(115,630)**	—
Less: Amortization of Goodwill	**27,687**	—
Total Tier I Capital	**¥ 1,989,089**	¥ 2,264,243
Tier II (Supplementary Capital):		
Unrealized Gains on Securities, after 55% Discount	—	37,117
Revaluation Reserve for Land, after 55% Discount	**99,632**	111,392
Reserve for Possible Loan Losses, excluding Specific Reserve	**389,613**	282,588
Subordinated Debts	**1,269,894**	1,470,626
Total Tier II Capital	**¥ 1,759,139**	¥ 1,901,724
Tier II Capital included as Qualifying Capital	**¥ 1,759,139**	¥ 1,901,724
Deductions	**128,424**	112,333
Total Capital	**¥ 3,619,804**	¥ 4,053,634
Risk-Weighted Assets:		
Credit Risk Related Items	**34,168,091**	32,761,352
Market Risk Related Items	**242,904**	318,636
Total Risk-Weighted Assets	**¥34,410,996**	¥33,079,988
Capital Ratio (%)	**10.51%**	12.25%

* "Minority Interests" in the above table includes the preference shares issued by Sanwa Bank's consolidated subsidiaries. The total balances of such preference shares were ¥180,000 million as at 31st March, 2001 and 2000. The outlines of the preference shares are described in the following pages.

OUTLINES OF PREFERENCE SHARES

Issuer(s)	Sanwa Capital Finance 1 Limited	Sanwa Capital Finance 2 Limited
	Both incorporated with limited liability in the Cayman Islands	
Relation to Sanwa Bank	100% subsidiaries	
Business of the Issuer(s)	The principal purposes of the Issuers is to issue the Offered Shares to investors and to make subordinated loans to Sanwa Bank.	
Offered Securities	5,000 Floating Rate Non-cumulative Preference Shares, with a par value and liquidation preference of ¥10,000,000 per share (the "Offered Shares").	13,000 Floating Rate Non-cumulative Preference Shares, with a par value and liquidation preference of ¥10,000,000 per share (the "Offered Shares").
	The Offered Shares were privately placed. The Offered Shares are intended to provide holders with rights to liquidation preferences that are similar to those provided by Sanwa Bank's most senior preferred shares, and rights to dividends as described below under "Dividend Distribution Policy".	
Amount	¥50 billion	¥130 billion
Issuing Date	March 18, 1999	March 25, 1999
Maturity Date	Perpetual	
Redemption	The Offered Shares may be redeemed in whole or in part on any Dividend Payment Date commencing in July 2004 at the option of the Issuer. The Offered Shares may not be redeemed prior thereto except in whole upon the occurrence of certain tax events or capital events. Any redemption of the Offered Shares is subject to compliance with applicable regulatory requirements, including the prior approval of the Japanese regulatory authorities if then required.	The Offered Shares may be redeemed in whole or in part on any Dividend Payment Date commencing in July 2009 at the option of the Issuer. The Offered Shares may not be redeemed prior thereto except in whole upon the occurrence of certain tax events or capital events. Any redemption of the Offered Shares is subject to compliance with applicable regulatory requirements, including the prior approval of the Japanese regulatory authorities if then required.
Dividend Rate	Non-cumulative dividends are payable at a floating rate (with a step-up rate of 100bp for each dividend period in and after July 2009).	Non-cumulative dividends are payable at a floating rate (with no step-up rate).
Dividend Payment Dates	January 25 and July 25 of each year (or if such day is not a Business Day on the immediately succeeding Business Day unless such day would fall in the next calendar month in which case such day shall be the immediately preceding Business Day).	
Dividend Distribution Policy	The Offered Shares provide holders with rights to dividends as follows: (1) If Sanwa Bank pays any dividends on its common shares for any fiscal year, dividends will be paid on the subsequent two dividend payment dates ("Mandatory Dividend Payment Dates"). (2) If a dividend payment date is not a Mandatory Dividend Payment Date, Sanwa Bank may determine in its discretion to reduce or eliminate dividends. If Sanwa Bank declares less than 100% of dividends payable on its most senior preferred shares for any fiscal year, dividends on the Offered Shares for the subsequent two dividend payment dates will be limited to the same percentage. Notwithstanding (1) or (2), dividends will be reduced or eliminated if Sanwa Bank has insufficient distributable profits as described below, and no dividends will be payable if Sanwa Bank is insolvent or in liquidation ("Liquidation Period") or fails to meet applicable capital requirements ("Supervisory Period").	

Loss Absorption Event	As Loss Absorption Events, dividends will not be paid if Sanwa Bank delivers to the Issuers a certificate stating that Sanwa Bank is Insolvent or in a Supervisory Period. Insolvent means (a) Sanwa Bank is not able or will not be able to pay its debts as they become due (meaning insolvent, shiharai-funo, within the meaning of the Japanese Bankruptcy Law (Law No. 71 of 1922 as amended) or its liabilities (other than certain core capital related loan and similar liabilities) exceed its assets or (b) the Japanese regulatory authorities have taken any statutory action in relation to Sanwa Bank based upon their determination that Sanwa Bank is insolvent. Supervisory Period means any period during which a Supervisory Event has occurred and is continuing. A Supervisory Event shall be deemed to have occurred if Sanwa Bank's risk adjusted total capital ratio or risk adjusted core capital ratio, calculated in accordance with each applicable standard set forth in the Japanese banking regulations as of the end of any annual or semi-annual period in respect of which Sanwa Bank files with the Minister of Finance of Japan (through the Director General of the Kanto Local Finance Bureau) an annual securities report or semiannual securities report that is required to be filed under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended), were to decline below the minimum percentages required by Japanese banking regulations. (Japanese banking regulations currently require Japanese banks engaged in international operations to maintain a minimum risk-adjusted total capital ratio of at least 8.0 percent and a minimum risk-adjusted core capital ratio of at least 4.0 percent.)
Liquidation Event	Dividends will not be paid during any period when a Liquidation Event has occurred and is continuing ("Liquidation Period"). A Liquidation Event shall be deemed to occur if (a) liquidation proceedings (seisan) in respect of Sanwa Bank under the laws of Japan (including the special liquidation proceeding (tokubetsu seisan) of Sanwa Bank under the Japanese Commercial Code (Law No. 48 of 1899 as amended)) are commenced or (b) a competent court in Japan shall have (i) adjudicated the commencement of bankruptcy proceedings (hasan) of Sanwa Bank pursuant to the provisions of the Japanese Bankruptcy Law (Law No. 71 of 1922 as amended) or (ii) approved a preparation of a reorganization plan for liquidation (seisanteki-kaisha-kosei) of Sanwa Bank pursuant to the provisions of the Japanese Corporate Reorganization Law (Law No. 172 of 1952 as amended).
Limitation by Distributable Profit	On any Dividend Payment Date, the Issuers may not pay more than an amount equal to Sanwa Bank's distributable profits (as determined under applicable Japanese law) for the fiscal year of Sanwa Bank most recently ended, after deducting as of the date immediately preceding such Dividend Payment Date (a) any dividends (other than interim dividends, if any) which have been declared, finally and conclusively, to be paid in relation to any class of preferred shares of Sanwa Bank in respect of its then most recently ended fiscal year, (b) any dividends and other distributions which have been declared since the end of such fiscal year of Sanwa Bank in relation to securities issued by Sanwa Bank's subsidiaries ranking on a parity with any class of Sanwa Bank's preferred shares as to dividend rights and (c) any dividends which have been declared since the end of such fiscal year of Sanwa Bank in relation to any parity shares issued by the Issuers.
Availability of the Proceeds to Sanwa Bank	The full proceeds from the issuance of the Offered Shares were advanced to Sanwa Bank in the form of a subordinated loan.

SANWA BANK PRINCIPAL SHAREHOLDERS

20 largest shareholders as of March 31, 2001

Shareholders	Number of Shares (in thousands)	*Percentage of Total Shares Outstanding
Nippon Life Insurance Co.	117,116	4.03
The Toyo Trust and Banking Company, Limited	104,276	3.58
Japan Trustee Services Bank, Ltd.	100,801	3.47
Daido Life Insurance Co.	88,364	3.04
Meiji Life Insurance Co.	78,573	2.70
The Mitsubishi Trust and Banking Corporation	76,422	2.63
The Chuo Mitsui Trust and Banking Co., Ltd.	69,860	2.40
Mizuho Trust & Banking Co., Ltd.	66,379	2.28
Toyota Motor Corporation	65,994	2.27
Nippon Express Co., Ltd.	42,368	1.45
Daihatsu Motor Co., Ltd.	40,312	1.38
Teijin Limited	38,967	1.34
Osaka Gas Co., Ltd.	35,986	1.23
Hitachi, Ltd.	33,617	1.15
Kubota Corporation	33,500	1.15
The Nomura Trust and Banking Co., Ltd.	31,818	1.09
The Koa Fire and Marine Insurance Co., Ltd.	31,005	1.06
Kokusai Kogyo Co., Ltd.	30,300	1.04
The Dai-ichi Mutual Life Insurance Co.	30,002	1.03
Obayashi Corporation	29,047	0.99
Total	1,144,713	39.40

*Rounded off at two decimal places

As of April 2, 2001

Shareholders	Number of Shares (in thousands)	Percentage of Total Shares in Issue
UFJ Holdings, Inc.	2,904,840	100.00

AUDITED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT

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Deloitte Touche Tohmatsu

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

We have examined the consolidated balance sheets of The Tokai Bank, Limited and consolidated subsidiaries as of March 31, 2001 and 2000, the related consolidated statements of operations and changes in stockholders' equity for each of the three years in the period ended March 31, 2001, and the related consolidated statements of cash flows for the fiscal years ended March 31, 2001 and 2000, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Tokai Bank, Limited and consolidated subsidiaries as of March 31, 2001 and 2000, the results of their operations for each of the three years in the period ended March 31, 2001, and the results of their cash flows for the fiscal years ended March 31, 2001 and 2000, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the accounting for guarantee fees, as discussed in Note 2 (r).

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments.

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

Deloitte Touche Tohmatsu

June 26, 2001

The Tokai Bank, Limited and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars (Note 1) 2001
ASSETS:			
Cash and Due from Banks (Notes 9 and 32)	**¥ 1,110,510**	¥ 1,394,988	**$ 8,963**
Call Loans	**250,642**	366,082	**2,023**
Monetary Receivables Bought	**8,490**	40,703	**69**
Trading Assets (Notes 3 and 9)	**2,745,663**	883,989	**22,160**
Money Held in Trust (Note 33)	**106,207**	106,821	**857**
Securities (Notes 4, 9 and 33)	**7,117,267**	5,520,291	**57,444**
Loans and Bills Discounted (Notes 5 and 9)	**19,018,415**	18,637,254	**153,498**
Foreign Exchanges (Note 6)	**249,983**	306,504	**2,018**
Other Assets (Notes 7, 9 and 33)	**2,553,470**	1,879,596	**20,609**
Premises and Equipment (Notes 8 and 9)	**281,735**	349,370	**2,274**
Deferred Tax Assets (Note 30)	**319,436**	303,703	**2,578**
Customers' Liabilities for Acceptances and Guarantees	**1,351,115**	1,049,637	**10,905**
Reserve for Possible Loan Losses	**(358,332)**	(286,750)	**(2,892)**
Reserve for Possible Losses on Securities	**(1,302)**	(2,433)	**(11)**
Total Assets	**¥34,753,299**	¥30,549,755	**$280,495**
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits (Notes 9 and 10)	**¥21,661,174**	¥20,631,193	**$174,828**
Call Money (Note 9)	**2,911,579**	2,181,498	**23,499**
Commercial Paper	**368,000**	375,000	**2,970**
Trading Liabilities (Note 11)	**1,432,772**	990,794	**11,564**
Borrowed Money (Notes 9 and 12)	**611,979**	730,308	**4,939**
Foreign Exchanges (Note 13)	**25,361**	50,062	**205**
Bonds and Notes (Note 14)	**446,848**	430,847	**3,607**
Other Liabilities (Notes 9 and 15)	**4,239,557**	2,253,647	**34,218**
Reserve for Retirement Allowances	—	36,035	—
Reserve for Retirement Benefits (Note 29)	**2,254**	—	**18**
Reserve for Contingent Liabilities Related to Loans Sold	**47,000**	55,455	**379**
Other Reserves (Note 16)	**256**	185	**2**
Deferred Tax Liabilities (Note 30)	**527**	27	**4**
Deferred Tax Liabilities for Revaluation Reserve for Land	**37,252**	60,310	**301**
Acceptances and Guarantees (Note 17)	**1,351,115**	1,049,637	**10,905**
Total Liabilities	**33,135,674**	28,844,998	**267,439**
Minority Interests	**140,949**	120,094	**1,138**
Stockholders' Equity:			
Capital Stock (Note 18):			
First Preferred Stock (Type A)	**50,000**	50,000	**403**
Second Preferred Stock (Type B)	**150,000**	150,000	**1,211**
Third Preferred Stock (Type B)	**150,000**	150,000	**1,211**
Common Stock	**373,138**	373,138	**3,011**
Capital Surplus (Note 18)	**649,202**	649,202	**5,240**
Revaluation Reserve for Land, Net of Taxes	**55,645**	88,714	**449**
Retained Earnings (Notes 19 and 37)	**69,374**	123,834	**560**
Foreign Currency Translation Adjustments	**(20,431)**	—	**(165)**
Treasury Stock	**(32)**	(5)	**(0)**
Parent Bank Stock held by Subsidiaries	**(220)**	(220)	**(2)**
Total Stockholders' Equity	**1,476,676**	1,584,663	**11,918**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥34,753,299**	¥30,549,755	**$280,495**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended March 31, 2001, 2000 and 1999	2001	2000	1999	2001
			Millions of Yen	Millions of U.S. Dollars (Note 1)
Income:				
Interest Income:				
Interest on Loans and Discounts	**¥ 416,950**	¥ 383,063	¥ 482,738	**$ 3,365**
Interest on and Dividends from Securities	**88,082**	100,950	105,443	**711**
Other Interest Income (Note 20)	**64,525**	376,167	371,058	**521**
Fees and Commissions (Note 21)	**80,455**	69,578	65,476	**649**
Trading Revenue (Note 22)	**39,268**	55,011	18,560	**317**
Other Operating Income (Note 23)	**83,809**	121,885	130,603	**676**
Other Income (Note 24)	**203,160**	539,514	169,360	**1,640**
Total Income	**976,249**	1,646,168	1,343,238	**7,879**
Expenses:				
Interest Expenses:				
Interest on Deposits	**149,093**	125,102	233,110	**1,203**
Interest on Borrowings and Rediscounts	**35,224**	43,882	58,268	**284**
Other Interest Expenses (Note 25)	**66,322**	343,769	346,069	**535**
Fees and Commissions (Note 26)	**10,938**	12,688	11,214	**88**
Trading Expenses (Note 22)	**32,180**	29,034	4,042	**260**
Other Operating Expenses (Note 27)	**11,208**	131,688	74,755	**91**
General and Administrative Expenses	**237,491**	234,911	273,287	**1,917**
Other Expenses (Note 28)	**526,301**	603,264	711,113	**4,248**
Total Expenses	**1,068,757**	1,524,338	1,711,858	**8,626**
Income (Loss) before Income Taxes and Minority Interests	**(92,508)**	121,830	(368,620)	**(747)**
Income Taxes (Note 30)**:**				
Provision for Income Taxes	**7,289**	4,998	6,111	**59**
Deferred Income Taxes	**(37,850)**	74,234	(85,776)	**(306)**
	(30,561)	79,232	(79,665)	**(247)**
Minority Interests in Net Income (Loss)	**(260)**	(972)	2,192	**(2)**
Net Income (Loss)	**¥ (62,207)**	¥ 41,626	¥ (286,763)	**$ (502)**

			Yen	U.S. Dollars (Note 1)
Net Income (Loss) per Common Share:				
Basic	**¥ (31.68)**	¥ 14.43	¥ (143.01)	**$ (0.26)**
Fully Diluted	—	12.28	—	—
Dividends Declared per Share:				
First Preferred Stock	**68.75**	68.75	68.75	**0.55**
Second Preferred Stock	**18.60**	18.60	0.06	**0.15**
Third Preferred Stock	**19.40**	19.40	0.06	**0.16**
Common Stock	**3.50**	7.00	7.00	**0.03**

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Fiscal Years Ended March 31, 2001, 2000 and 1999	Millions of Yen 2001	2000	1999	Millions of U.S. Dollars (Note 1) 2001
First Preferred Stock (Type A):				
Balance, at Beginning of the Fiscal Year	**¥ 50,000**	¥ 50,000	¥ 50,000	**$ 403**
Balance, at End of the Fiscal Year	**¥ 50,000**	¥ 50,000	¥ 50,000	**$ 403**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**50,000**	50,000	50,000	—
Second Preferred Stock (Type B):				
Balance, at Beginning of the Fiscal Year	**¥ 150,000**	¥ 150,000	—	**$1,211**
Additions—Issuance	—	—	¥ 150,000	—
Balance, at End of the Fiscal Year	**¥ 150,000**	¥ 150,000	¥ 150,000	**$1,211**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**150,000**	150,000	150,000	—
Third Preferred Stock (Type B):				
Balance, at Beginning of the Fiscal Year	**¥ 150,000**	¥ 150,000	—	**$1,211**
Additions—Issuance	—	—	¥ 150,000	—
Balance, at End of the Fiscal Year	**¥ 150,000**	¥ 150,000	¥ 150,000	**$1,211**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**150,000**	150,000	150,000	—
Common Stock:				
Balance, at Beginning of the Fiscal Year	**¥ 373,138**	¥ 372,969	¥ 311,972	**$3,011**
Additions:				
Issuance	—	—	60,997	—
Conversion of Convertible Bonds	—	169	—	—
Balance, at End of the Fiscal Year	**¥ 373,138**	¥ 373,138	¥ 372,969	**$3,011**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**2,252,006**	2,252,006	2,251,676	—
Capital Surplus:				
Balance, at Beginning of the Fiscal Year	**¥ 649,202**	¥ 649,032	¥ 288,035	**$5,240**
Additions:				
Issuance of Common Stock	—	—	60,997	—
Issuance of Preferred Stock	—	—	300,000	—
Conversion of Convertible Bonds	—	170	—	—
Balance, at End of the Fiscal Year	**¥ 649,202**	¥ 649,202	¥ 649,032	**$5,240**
Revaluation Reserve for Land, Net of Taxes:				
Balance, at Beginning of the Fiscal Year	**¥ 88,714**	¥ 92,372	—	**$ 716**
Additions—				
Transfer from Deferred Tax Liabilities for Revaluation Reserve for Land	—	—	¥ 92,372	—
Deductions—Reversal of Revaluation Reserve for Land	**(33,069)**	(3,658)	—	**(267)**
Balance, at End of the Fiscal Year	**¥ 55,645**	¥ 88,714	¥ 92,372	**$ 449**

Fiscal Years Ended March 31, 2001, 2000 and 1999	Millions of Yen 2001	2000	1999	Millions of U.S. Dollars (Note 1) 2001
Retained Earnings:				
Balance, at Beginning of the Fiscal Year	**¥ 123,834**	¥ 100,306	¥ 415,790	**$1,000**
Additions:				
Increase Resulted from Consolidation of Additional Subsidiaries	—	—	172	—
Increase Resulted from Application of Equity Method to Affiliates	—	—	741	—
Increase due to Companies ceasing to be Affiliates accounted for under Equity Method	—	2,025	—	—
Increase due to Companies ceasing to be Consolidated Subsidiaries	—	—	149	—
Adjustment for Deferred Income Taxes due to Increase of Consolidated Subsidiaries	—	—	331	—
Net Income	—	41,626	—	—
Increase Resulted from Reversal of Revaluation Reserve for Land	**32,751**	4,033	—	**264**
Merger with Tosho Co., Ltd.	—	—	912	—
Merger with NYB Co., Ltd.	—	1	—	—
Deductions:				
Decrease Resulted from Consolidation of Additional Subsidiaries	—	(2,021)	—	—
Decrease due to Elimination of Consolidated Subsidiaries	**(1)**	—	—	**(0)**
Decrease due to Elimination of Affiliates accounted for under Equity Method	**(99)**	(1,757)	—	**(1)**
Net Loss	**(62,207)**	—	(286,763)	**(502)**
Cash Dividends	**(24,899)**	(20,378)	(31,026)	**(201)**
Bonuses to Directors	**(5)**	(1)	—	**(0)**
Balance, at End of the Fiscal Year	**¥ 69,374**	¥ 123,834	¥ 100,306	**$ 560**
Foreign Currency Translation Adjustments:				
Balance, at Beginning of the Fiscal Year	—	—	—	—
Deductions—Reclassification of Foreign Currency Translation Adjustment for Adoption of Revised Accounting Standard	**¥ (20,431)**	—	—	**$ (165)**
Balance, at End of the Fiscal Year	**¥ (20,431)**	—	—	**$ (165)**
Treasury Stock and Parent Bank Stock Held by Subsidiaries:				
Balance, at Beginning of the Fiscal Year	**¥ (225)**	¥ (249)	¥ (10)	**$ (2)**
Net Change in Treasury Stock and Parent Bank Stock held by Subsidiaries	**(27)**	24	(239)	**(0)**
Balance, at End of the Fiscal Year	**¥ (252)**	¥ (225)	¥ (249)	**$ (2)**

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

The Tokai Bank, Limited and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars (Note 1) 2001
Cash Flows from Operating Activities:			
Income (Loss) before Income Taxes and Minority Interests	¥ (92,508)	¥ 121,830	$ (747)
Depreciation	15,131	14,179	122
Amortization of Goodwill	329	471	3
Equity in Earnings of Affiliates	276	11,751	2
Increase (Decrease) in Reserve for Possible Losses	70,825	(31,133)	572
Increase (Decrease) in Reserve for Possible Losses on Securities	(1,130)	2,140	(9)
Increase (Decrease) in Reserve for Contingent Liabilities related to Loans Sold	(8,455)	(12,951)	(68)
Increase (Decrease) in Reserve for Retirement Allowances	(36,035)	(148)	(291)
Increase (Decrease) in Reserve for Retirement Benefits	2,224	—	18
Increase (Decrease) in Other Reserves	46	169	
Interest Income	(569,557)	(860,179)	(4,597)
Interest Expenses	250,639	512,753	2,023
Net (Gain) Loss on Securities	(95,361)	(297,580)	(770)
Net (Gain) Loss on Money Held in Trust, Net	9,379	147	76
Net (Gain) Loss on Foreign Currency Translation	(33,289)	(6,168)	(269)
Net (Gain) Loss on Sales of Premises and Equipment	20,492	4,462	165
Gain on Establishing Retirement Benefit Trust	(43,667)	—	(352)
Net Decrease (Increase) in Trading Assets	(1,800,597)	307,837	(14,533)
Net Increase (Decrease) in Trading Liabilities	388,051	411,434	3,132
Net Decrease (Increase) in Loans and Bills Discounted	(325,797)	(101,130)	(2,630)
Net Increase (Decrease) in Deposits	1,276,799	338,280	10,305
Net Increase (Decrease) in Negotiable Certificates of Deposit	(423,291)	(261,002)	(3,416)
Net Increase (Decrease) in Borrowed Money (Non-subordinated)	36,839	11,084	297
Net Decrease (Increase) in Due from Banks Other than Due from the Bank of Japan	7,251	3,874	59
Net Decrease (Increase) in Call Loans and Monetary Receivables Bought	154,300	392,109	1,245
Net Decrease (Increase) in Collateral Deposits on Securities Borrowed	(225,991)	306,874	(1,824)
Net Increase (Decrease) in Call Money and Other Fundings related to Operating Activities	700,187	(28,620)	5,651
Net Increase (Decrease) in Commercial Paper	(7,000)	317,000	(56)
Net Increase (Decrease) in Collateral Deposits on Securities Lent	1,438,718	(119,613)	11,612
Net Decrease (Increase) in Foreign Exchange Assets	75,914	24,094	613
Net Increase (Decrease) in Foreign Exchange Liabilities	(24,264)	(57,286)	(196)
Net Increase (Decrease) in Corporate Bonds and Notes (Non-subordinated) Resulted from Issuance, Redemption and Repurchase	10,140	3,534	82
Net Increase (Decrease) in Borrowed Money from Trust Account	3,234	(13,361)	26
Interest Received	553,714	848,396	4,469
Interest Paid	(249,327)	(515,797)	(2,012)
Other, Net	254,319	(543,907)	2,053
Subtotal	1,332,538	783,543	10,755
Income Taxes Paid	(3,556)	(8,279)	(29)
Net Cash Provided by (Used in) Operating Activities	¥ 1,328,982	¥ 775,264	$ 10,726
Cash Flows from Investing Activities:			
Purchases of Securities	¥(20,341,976)	¥(10,606,118)	$(164,181)
Proceeds from Sales of Securities	10,599,616	7,899,682	85,550
Proceeds from Maturities of Securities	8,230,109	1,973,102	66,425
Increase in Money Held in Trust	(55,000)	(23,807)	(444)
Decrease in Money Held in Trust	52,313	165,574	422
Expenditures on Premises and Equipment	(21,568)	(22,194)	(174)
Proceeds from Sales of Premises and Equipment	56,820	8,186	459
Proceeds from Acquisition of Consolidated Subsidiaries	318	(590)	3
Proceeds from Sales of Consolidated Subsidiaries	33	31	0
Net Cash Provided by (Used in) Investing Activities	(1,479,335)	(606,134)	(11,940)
Cash Flows from Financing Activities:			
Repayment of Subordinated Borrowed Money	(115,000)	—	(928)
Proceeds from Issuance of Subordinated Bonds and Notes	8,300	—	67
Redemption and Repurchase of Subordinated Bonds and Notes	(6,500)	(1,002)	(53)
Dividends Paid	(24,899)	(20,379)	(201)
Dividends Paid to Minority Interests	(117)	(388)	(1)
Acquisition of Treasury Stock	(247)	(224)	(2)
Proceeds from Sales of Treasury Stock	220	210	2
Net Cash Provided by (Used in) Financing Activities	(138,243)	(21,783)	(1,116)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,538	(610)	13
Net Increase (Decrease) in Cash and Cash Equivalents	(287,058)	146,737	(2,317)
Cash and Cash Equivalents, at Beginning of the Fiscal Year	791,123	644,386	6,385
Decrease in Cash and Cash Equivalents due to Elimination of Consolidated Subsidiaries	(0)	—	(0)
Cash and Cash Equivalents, at End of the Fiscal Year	¥ 504,065	¥ 791,123	$ 4,068

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of The Tokai Bank, Limited ("Tokai Bank") and its consolidated subsidiaries (together referred to as "Tokai Group") after the elimination of all material intercompany transactions. These statements have been prepared in conformity with accounting principles and practices generally accepted in Japan, including the Statements and Opinions by the Business Accounting Deliberation Council ("BADC"), Financial Statements Regulation, and Consolidated Financial Statements Regulation by the Cabinet Office (formerly, by the Ministry of Finance), and also in conformity with industry practices for banks in Japan.

Accounting principles and practices generally accepted in Japan are different from International Accounting Standards in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated balance sheets and the related consolidated statements of operations and cash flows were filed with the Financial Services Agency (formerly, filed with the Ministry of Finance) as required by the Securities and Exchange Law of Japan. The related consolidated statements of changes in stockholders' equity are not required as a part of the basic financial statements in Japan and were prepared solely for the purpose of inclusion in this report.

Effective April 1, 1999, a consolidated statement of cash flows is required to be prepared under accounting principles and practices generally accepted in Japan. The consolidated statements of cash flows for the fiscal years ended March 31, 2001 and 2000, are presented herein. Such consolidated statement for the fiscal year ended March 31, 1999 is not presented, as accounting principles and practices generally accepted in Japan do not require retroactive preparation or presentation for prior years' financial statements.

For the convenience of readers outside Japan, certain items presented in the consolidated financial statements filed with the Financial Services Agency have been reclassified. Furthermore, certain Japanese yen balances are converted into U.S. dollars at ¥123.90 to $1, the effective exchange rate prevailing at the latest balance sheet date of March 31, 2001. This conversion, however, should not be construed as implying that the Japanese yen amounts have been, or could have been translated, realized, or settled in U.S. dollars at that or any other exchange rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principle of Consolidation

(i) Scope of Consolidation

The scope of the consolidation is determined based on Tokai Bank's control and influence over the decision making body of investees as well as its voting shares as described below:

Subsidiaries

Subsidiaries are, in general, companies in which Tokai Bank (1) holds, directly and/or indirectly, more than 50% of the voting shares, or (2) holds, directly and/or indirectly, 40% or more of the voting shares and has effective control over the decision-making body for their business policies and financial and operating issues through personnel, finance, and other relationships, unless evidence exists which shows that Tokai Bank does not have such control.

The number of subsidiaries as of March 31, 2001 was 38, of which, 35 subsidiaries were consolidated, 1 was not consolidated and accounted for at cost and 2 were accounted for under the equity method.

Major consolidated subsidiaries are:

Tokai International Securities Co., Ltd. (Japan)
Tokai Bank of California (U.S.A.)
Tokai Bank Europe plc (U.K.)
Tokai Bank Nederland N.V. (Netherlands)
Tokai Asia Limited
(Hong Kong, incorporated in the Cayman Islands)

Affiliates

Affiliates are companies other than subsidiaries in which Tokai Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares, or 2) holds, directly and/or indirectly, 15% or more of voting shares and also, to a material degree, is able to influence decision-making through personnel, finance, and other relationships, unless evidence exists which shows that Tokai Bank does not have such influence.

As of March 31, 2001, the number of affiliates was 6, of which, 5 affiliates were accounted for under the equity method while 1 non-material affiliate was carried at cost, less amounts written-off, if any.

The numbers of subsidiaries and affiliates as of March 31, 2001, 2000 and 1999, were as follows:

	2001	2000	1999
Consolidated Subsidiaries	**35**	41	44
Subsidiaries accounted for under the equity method	**2**	—	—
Non-consolidated Subsidiaries	**1**	1	3
Affiliates accounted for under the equity method	**5**	8	16
Affiliates not accounted for under the equity method	**1**	1	7

(ii) Fiscal Year End of Subsidiaries

The accompanying consolidated financial statements include the accounts of consolidated subsidiaries, some of which have fiscal year ends other than March 31. The fiscal year ends of such subsidiaries are principally December 31 and the accounts of these subsidiaries have been included after making appropriate adjustments for any material transactions during the period between January 1 and March 31.

(iii) Goodwill

The excess of the cost of investment over the fair value of the net assets of the invested subsidiaries is charged or credited to the consolidated statement of operations in the fiscal year of acquisition. On the other hand, the fair value of the net assets of subsidiaries invested over the cost of an investment is to be amortized over 5 years.

(iv) Translation of Foreign Currency Financial Statements of Overseas Subsidiaries

Financial statements of overseas subsidiaries denominated in foreign currencies are in general translated into Japanese yen using the exchange rate prevailing at the consolidated balance sheet date, except for items in "Stockholders' Equity" which are translated at historical rates. Due to the revised accounting standards for the consolidated financial statements, the resulting differences, Foreign Currency Translation Adjustments, are included in Minority Interests and Stockholders' Equity from the fiscal year ended March 31, 2001, while, prior to April 1, 2000, such account had been stated in assets.

(b) Foreign Currency Translation and Revaluation

Tokai Bank maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rate prevailing at each balance sheet date, except for certain accounts which are translated at historical rates.

Foreign exchange trading positions, including all foreign currency spot, forward contracts and option positions, are valued at prevailing market rates at each balance sheet date, and gains or losses from foreign exchange trading are reported net in foreign exchange gains or losses. Premiums or discounts associated with currency swaps and spot and forward exchange swaps relating to funding transactions are amortized over the life of the swap agreements as adjustments to interest income or expenses, as appropriate.

Foreign currency accounts held by the consolidated overseas subsidiaries are translated into the reporting currency of such subsidiaries principally at the respective exchange rates prevailing at each subsidiary's balance sheet date. Consolidated overseas subsidiaries recognize gains or losses arising from the revaluation of foreign currency accounts in accordance with generally accepted accounting principles and practices in their respective countries.

(c) Cash Equivalents

Cash equivalents, a part of cash and due from banks, are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents comprise due from The Bank of Japan.

(d) Transactions for Trading Purposes

Transactions for trading purposes are those seeking to capture gains arising from short-term market changes or from the differences between markets, interest rates or currency exchange rates. Such transactions are reported as "Trading Assets" and "Trading Liabilities" in the consolidated balance sheets on a trade date basis. Profits and losses on the transactions for trading purposes are shown as "Trading Revenue" or "Trading Expenses" in the consolidated statements of operations on a trade date basis.

Trading account securities and monetary receivables, etc. held for trading purposes are stated at market value at the end of the fiscal year. Trading-related financial derivatives such as swaps, futures and options are valued on the assumption that they were settled at the end of the fiscal year.

In the case of securities and monetary receivables, etc. held for trading purposes, "Trading Revenue/Expenses" includes the interest received/paid during the fiscal year and the increase/decrease between the valuation profits/losses at the end of the fiscal year and those at the end of the previous fiscal year. In the case of trading-related financial derivatives, "Trading Revenue/Expenses" includes the interest received/paid during the fiscal year and the increase/decrease between the amounts of profits/losses based on the assumption that transactions were settled at the end of the fiscal year and those at the end of the previous fiscal year.

Transactions made by consolidated subsidiaries for trading purposes are principally treated as described above.

(e) Financial Instruments

Effective April 1, 2000, Tokai Bank adopted a new accounting standard for financial instruments, "The Opinion Concerning the Establishment of an Accounting Standard for Financial Instruments," issued by the BADC.

As a result of the adoption of the new accounting standard for financial instruments, Loss before Income Taxes and Minority Interests for the fiscal year ended March 31, 2001 increased by ¥7,805 million ($63 million) as compared with the amount that would have been reported if the new accounting standard for financial instruments had not been applied.

(i) Securities

For the fiscal years ended March 31, 2000 and 1999, securities were carried at moving average cost, less amounts written-off, if any. Securities included in money held in trust, primarily for the purpose of investing in securities, such as listed bonds, listed stocks and other listed securities, were carried at the lower of moving average cost or market value, and others were carried at moving average cost.

Under the new accounting standard for financial instruments, securities other than those classified as trading securities are classified into three categories: Held-to-maturity Debt Securities, Investments in Non-consolidated Subsidiaries and Affiliates that are not accounted for under the Equity Method, and Available-for-sale Securities.

Held-to-maturity Debt Securities are carried at amortized cost, as determined by the moving-average method. Investments in Non-consolidated Subsidiaries and Affiliates that are not accounted for under the Equity Method are carried at moving average cost. Available-for-sale Securities are carried at market value. For the fiscal year ended March 31, 2001, however, Available-for-sale Securities were carried at cost or at amortized cost, as determined by the moving-average method, less amounts written-off, if any, in accordance with a transitional provision of one-year delayed application under the new accounting standard for financial instruments.

Securities included in money held in trust, primarily for the purpose of investing in securities, were carried at market value.

(ii) Derivative Financial Instruments and Hedge Accounting

For the fiscal years ended March 31, 2000 and 1999, derivative financial instruments held for non-trading purposes were accounted for on an accrual basis.

From the fiscal year ended March 31, 2001, under the new accounting standard for financial instruments, all derivative financial instruments are carried at fair value, with changes in fair value included in net income or loss for the period in which they arise, except for derivatives that are designated as hedging instruments and qualified for hedge accounting.

Tokai Bank utilizes a macro hedge methodology using derivatives to manage the overall interest rate risk arising in various financial assets and liabilities held, such as loans and deposits. This macro hedge methodology is a risk management method described in the "Tentative Accounting and Auditing Treatment relating to Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 15) as "the Risk Adjusted Approach," under which the deferral method of hedge accounting is used. Hedge effectiveness is assessed by monitoring (1) whether the total market risk amount on derivative instruments used for hedging purposes is within the established risk limit as set out in the risk management policies of Tokai Bank, and (2) whether interest rate risk from hedged items has been mitigated.

For certain other assets or liabilities, Tokai Bank applies the deferral method of hedge accounting or an accrual method specifically allowed for certain interest swaps under the new accounting standard for financial instruments. Under the deferral method of hedge accounting, the recognition of expense arising from a hedging instrument is deferred until income or expense arising on the hedged items is recognized.

Other consolidated domestic subsidiaries of Tokai Bank apply the deferral method of hedge accounting.

As of March 31, 2001, gross amounts of deferred hedge gains and losses before netting were ¥88,110 million ($711 million) and ¥123,355 million ($996 million), respectively.

(f) Premises and Equipment

(i) Premises and Equipment

Premises and equipment owned by Tokai Bank are depreciated using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 3 years to 60 years for buildings and from 2 years to 20 years for equipment.

Depreciation of premises and equipment owned by consolidated subsidiaries is computed principally by the straight-line method over the estimated useful life of each asset.

Consolidated overseas subsidiaries capitalize finance lease equipment in accordance with accounting principles and practices generally accepted in their respective countries.

(ii) Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the land used for business owned by Tokai Bank was revalued, and the unrealized gain was reported as "Revaluation Reserve for Land" within liabilities for the fiscal year ended March 31, 1998, and partially for the fiscal year ended March 31, 1999. Such revaluation, however, was allowed only at specific times under the law and cannot be undertaken at each fiscal year end.

Book Value of Land before Revaluation	¥71,792 million	¥54,516 million
Book Value of Land after Revaluation	¥230,617 million	¥199,563 million
Date of Revaluation	March 31, 1999	March 31, 1998

The method of revaluation is as follows:

Under article 3-3 of the law, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan (currently, the Ministry of Land, Infrastructure and Transport), after appropriate adjustments for the shape of land and the timing of the assessment.

On March 31, 1999, the Law concerning revaluation of land was amended, and to comply with the amended law, the unrealized gain on the revaluation of land, net of deferred taxes, was reclassified to "Revaluation Reserve for Land" included in Stockholders' Equity, and the relevant deferred tax was included in liabilities to "Deferred Tax Liabilities for Revaluation Reserve for Land".

The fair value of the land used for business as of March 31, 2001 and 2000, was below its book value after revaluation by ¥30,168 million ($243 million) and ¥33,764 million, respectively.

(g) Software

Software used by Tokai Bank and its consolidated domestic subsidiaries is amortized using the straight-line method based on the estimated useful life (mainly five years).

(h) Reserve for Possible Loan Losses

"Reserve for Possible Loan Losses" of Tokai Bank is provided as follows in accordance with internal criteria regarding write-offs and providing reserves for possible credit losses:

1) The reserve for claims on debtors who are legally or substantially bankrupt is provided based on the remaining amount of the claims after the charge-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
2) The reserve for claims on debtors who are not currently legally bankrupt but are likely to become bankrupt is provided based on the amount necessary, given the overall solvency assessment of the debtors after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
3) The reserve for claims on debtors other than the above is provided primarily based on the default rate, calculated by the actual defaults during a certain period in the past.
4) The specific reserve for loans to certain refinancing countries is provided based on the expected loss amount considering the political and economic situations of such countries.

All claims are assessed by the operating sections based on the internal rules for self-assessment of asset quality. Subsequently, the Audit Division, which is independent from the operating sections, audits these self-assessments, and the reserve is provided based on the results of the assessment.

With respect to the claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the remaining amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees was charged-off against the respective claims from the fiscal year ended March 31, 2000. The amount of the accumulated charge-off as of March 31, 2001 and 2000, were ¥374,218 million ($3,020 million) and ¥427,259 million, respectively.

Other consolidated subsidiaries provide for the "Reserve for Possible Loan Losses" principally based on the past experience and management's assessment of the loan portfolio.

(i) Reserve for Possible Losses on Securities

"Reserve for Possible Losses on Securities" is provided for possible losses on securities and other investments based on the amount necessary, given the overall solvency assessment of issuers and investees after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees. This reserve is reported as a contra account in Assets.

(j) Employee Retirement Benefits

Tokai Bank and its domestic subsidiaries have defined benefit plans and lump-sum severance indemnity plans. Certain overseas subsidiaries also have defined retirement benefit plans.

Until the fiscal year ended March 31, 2000, "Reserve for Retirement Allowances" provided by Tokai Bank and its major domestic subsidiaries represents the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the consolidated balance sheet date. In addition to the above, with respect to pension plans, annual contributions are charged to the statement of operations when paid.

From the fiscal year ended March 31, 2001, Tokai Bank adopted a new accounting standard for retirement benefits and, "Reserve for Retirement Benefits," which is provided for future pension and lump-sum severance indemnity payments to employees, based on the projected benefit obligations and the plan asset amount. The unrecognized net obligation at transition, amounting to ¥106,107 million ($856 million) at the date of initial application of the new accounting standard for retirement benefits, is to be amortized over mainly five years using the straight-line method. Unrecognized net actuarial gains/losses and prior service costs are to be amortized using the straight-line method over the average remaining service period of the employees.

As a result of adopting this new standard, Loss before Income Taxes and Minority Interests decreased by ¥45,637 million ($368 million), which included a non-cash investment gain of ¥43,667 million ($352 million) by contributing investment securities to pension trust assets.

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

(k) Reserve for Contingent Liabilities related to Loans Sold

"Reserve for Contingent Liabilities related to Loans Sold" is provided based on the estimated liabilities of possible losses for loans sold, considering the fair value of collateral of loans sold to the Cooperative Credit Purchasing Company, Limited.

(l) Lease Transactions

Tokai Bank and its consolidated domestic subsidiaries, as lessees, account for finance lease transactions, other than those in which the ownerships of the leased equipment are recognized to be transferred to lessees, as operating lease transactions with certain disclosure in the notes to the consolidated financial statements such as future minimum lease payments, in accordance with accounting principles and practices generally accepted in Japan.

(m) Income Taxes

Income taxes in Japan applicable to Tokai Bank for the fiscal years ended March 31, 2001, 2000 and 1999, consisted of corporation tax (national), inhabitant taxes (local), and enterprise taxes (local) as follows:

	2001	2000	1999
Statutory Maximum Rates of Income Taxes:			
Corporation Tax	**30.0%**	30.0%	34.5%
Inhabitant Taxes	**6.0**	6.0	6.9
Enterprise Taxes	**7.5**	9.6	11.0
Total	**43.5**	45.6	52.4
Effective Statutory Income Tax Rate	**40.5%**	41.6%	47.2%

For consolidated financial statement purposes, Tokai Bank recognized deferred tax assets/liabilities using the effective future income tax rate enacted as of each fiscal year end (i.e., 40.1%, 40.5% and 41.6% for the years ended March 31, 2001, 2000 and 1999, respectively).

(n) Appropriation of Retained Earnings

"Cash Dividends" and "Bonuses to Directors and Corporate Auditors" are recorded in the fiscal year in which a proposed appropriation of retained earnings is approved by the Board of Directors and/or the general meeting of shareholders.

(o) Commitment Line of Credit

A commitment line is a contract whereby Tokai Group is obligated to advance funds up to a predetermined amount to a customer upon request, provided that the customer has met the terms and conditions of the contract. The total balance of unused commitment lines as of March 31, 2001 is ¥8,496,902 million ($68,579 million), of which, the balance of commitment lines whose maturities are less than one year or whose contracts can be terminated at any time without any conditions at Tokai Bank's or its subsidiaries' option is ¥8,047,655 million ($64,953 million).

Many of these commitment lines often mature without Tokai Group advancing any funds to the customers. As such, the total balance of unused commitment lines does not necessarily impact Tokai Group's future cash flows. Furthermore, many commitment lines contain provisions that allow Tokai Group to refuse to advance funds to the customers or reduce the contract amount of the commitment lines under certain conditions.

Tokai Group may also request customers to provide collateral, such as real estate or securities, if necessary, on the execution date of the contract. After the execution date, Tokai Group periodically monitors customers' creditworthiness over the lives of the contracts in accordance with internal policies, and takes measures to manage credit exposures such as revising the terms of the contracts, if necessary.

(p) Net Income (Loss) per Common Share

"Basic Net Income (Loss) per Common Share" is computed as net income (loss) less dividends for preferred stock divided by the weighted average number of shares of common stock outstanding during the year, excluding treasury stock held by Tokai Bank and its consolidated subsidiaries.

"Fully Diluted Net Income per Common Share" reflects the potential dilution that could occur if convertible preferred stock were fully converted into common stock. "Fully Diluted Net Income per Common Share" for the fiscal years ended March 31, 2001 and 1999, however, was not presented since a net loss was reported for these fiscal years.

(q) Change in Presentation of Accounts

Due to the amendment of accounting principles and practices generally accepted in Japan, the following presentation of the consolidated financial statements have been changed for the fiscal years ended March 31, 2001 and 1999.

For the fiscal year ended March 31, 2001

Effective for the fiscal year ended March 31, 2001, the presentation of income and expenses was changed from a gross to a net basis in accordance with the new financial instruments standard. This change does not affect "Loss before Income Taxes and Minority Interests" or "Net Loss." However, each of "Total Income" and "Total Expenses" decreased by ¥101,903 million ($822 million), respectively.

For the fiscal year ended March 31, 1999

1) 'Equity in Earnings of Affiliates,' which was previously reported as a separate account after 'Net Income (Loss) before Income Taxes and Minority Interests,' is included in 'Other Income' or 'Other Expenses.'
2) 'Enterprise taxes,' which was previously included in 'Other Expenses,' is included in 'Income Taxes.'
3) 'Amortization of Goodwill,' which was previously reported as a separate account after 'Income (Loss) before Income Taxes and Minority Interests,' is included in 'Other Income' or 'Other Expenses.'

(r) Accounting Change

Prior to April 1, 1999, income from guarantee fees in The Million Credit Co., Ltd., which is a consolidated subsidiary of Tokai Bank, was recognized over the guarantee period. Effective April 1, 1999, the method of accounting for guarantee fees was changed such that lump-sum amounts are recognized at the time of the contract and estimated refund amounts resulting from prepayments are stated as a liability. The effect of this change was to increase income before income taxes and minority interests by ¥23,599 million for the fiscal year ended March 31, 2000.

3. TRADING ASSETS

Trading Assets as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Trading Account Securities	**¥1,354,334**	¥166,457	**$10,931**
Derivatives of Trading Account Securities	**723**	511	**6**
Securities Related to Trading Transactions	**561,337**	236,487	**4,530**
Derivatives of Securities Related to Trading Transactions	**12,109**	27	**98**
Trading-Related Financial Derivatives	**732,651**	394,637	**5,913**
Other Trading Assets	**84,509**	85,870	**682**
Total	**¥2,745,663**	¥883,989	**$22,160**

4. SECURITIES

Securities as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Japanese National Government Bonds	**¥3,118,178**	¥2,055,209	**$25,167**
Japanese Local Government Bonds	**250,912**	283,336	**2,025**
Japanese Corporate Bonds and Financial Debentures	**287,767**	241,500	**2,323**
Japanese Equities	**2,342,373**	2,442,219	**18,905**
Other Securities	**1,118,037**	498,027	**9,024**
Total	**¥7,117,267**	¥5,520,291	**$57,444**

5. LOANS AND BILLS DISCOUNTED

Loans and Bills Discounted as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Bills Discounted	**¥ 384,436**	¥ 375,575	**$ 3,103**
Loans on Notes	**3,651,781**	3,894,365	**29,473**
Loans on Deeds	**11,470,901**	11,260,969	**92,582**
Overdrafts	**3,511,297**	3,106,345	**28,340**
Total	**¥19,018,415**	¥18,637,254	**$153,498**

Problem Loans held by Tokai Bank and its consolidated subsidiaries as defined by the Japanese Banking Law at March 31, 2001 and 2000, were as follows (the balances of problem loans presented below were the ones before deductions of respective reserve for doubtful loans):

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Loans to Bankrupt Companies*1	**¥ 62,703**	¥ 71,951	**$ 506**
Other Delinquent Loans*2	**407,549**	513,536	**3,289**
Loans Past Due 3 Months or More*3	**34,689**	47,015	**280**
Restructured Loans*4	**441,831**	69,054	**3,566**
Total	**¥946,772**	¥701,556	**$7,641**

*1 "Loans to Bankrupt Companies" are loans to legally bankrupt borrowers on which the recognition of accrual interest has been suspended in accordance with the Japanese Tax Law.

*2 "Other Delinquent Loans" are loans on which the recognition of accrual interest has been suspended in accordance with the Japanese Tax Law but which are other than "Loans to Bankrupt Companies."

*3 "Loans Past Due 3 Months or More" are loans on which principal and/or interest are past due 3 months or more and which are other than "Loans to Bankrupt Companies" and "Other Delinquent Loans."

*4 "Restructured Loans" are loans with concessionary interest rates, as well as loans with re-negotiated terms regarding the timing of interest and principal payment.

6. FOREIGN EXCHANGES (ASSETS)

Foreign Exchanges (Assets) as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Due from Foreign Banks	**¥ 14,825**	¥ 40,924	**$ 120**
Foreign Exchange Bills Bought	**166,161**	188,451	**1,341**
Foreign Exchange Bills Receivable	**68,997**	77,129	**557**
Total	**¥249,983**	¥306,504	**$2,018**

7. OTHER ASSETS

Other Assets as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Accrued Income	**¥ 103,274**	¥ 280,051	**$ 834**
Prepaid Expenses	**10,594**	14,805	**86**
Securities Deposited	**825,338**	541,485	**6,661**
Collateral Deposits on Securities Borrowed	**525,324**	279,668	**4,240**
Deposits for Repurchased Agreements	**266,485**	274,649	**2,151**
Financial Derivatives	**190,422**	—	**1,537**
Others	**632,033**	488,938	**5,100**
Total	**¥2,553,470**	¥1,879,596	**$20,609**

8. PREMISES AND EQUIPMENT

Premises and Equipment as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Land	**¥160,503**	¥222,324	**$1,295**
Buildings	**64,349**	72,391	**519**
Equipment	**26,253**	26,996	**212**
Others	**30,630**	27,659	**248**
Total	**¥281,735**	¥349,370	**$2,274**
Accumulated Depreciation Deducted	**¥194,431**	¥202,567	**$1,569**

9. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral and the collateralized debt as of March 31, 2001 and 2000, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Trading Assets	**¥ 59,373**	¥ 50,833	**$ 479**
Securities	**7,634**	338,235	**62**
Loans and Bills Discounted	**939,140**	611,037	**7,580**
Other Assets	**42,870**	9,000	**346**
Total	**¥1,049,017**	¥1,009,105	**$8,467**
Deposits	**¥ 332,236**	¥ 227,976	**$2,681**
Call Money	**801,200**	637,536	**6,467**
Borrowed Money	**16,397**	18,476	**132**
Other Liabilities	**59,552**	193,372	**481**
Total	**¥1,209,385**	¥1,077,360	**$9,761**

In addition, the following assets were pledged or deposited with respect to foreign exchange settlements and derivatives as of March 31, 2001 and 2000:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Cash and Due from Banks	**¥ 19,948**	¥ 47,768	**$ 161**
Securities	**2,230,998**	536,275	**18,007**
Loans and Bills Discounted	**—**	7,037	**—**
Trading Assets	**9,228**	2,231	**74**
Other Assets	**44,800**	110,500	**362**
Total	**¥2,304,974**	¥703,811	**$18,604**

The following assets were pledged or deposited with respect to certain purposes as of March 31, 2001:

	Millions of Yen	Millions of U.S. Dollars
Security Deposits	**¥ 29,963**	**$ 242**
Deposits for Future Transactions	**8,644**	**70**
Deposits for Repurchased Agreement	**525,324**	**4,240**
Total	**¥563,931**	**$4,552**

10. DEPOSITS

Deposits as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Current Deposits	**¥ 958,711**	¥ 635,785	**$ 7,738**
Ordinary Deposits	**6,527,816**	5,993,688	**52,686**
Deposits at Notice	**483,181**	664,027	**3,900**
Time Deposits	**10,824,949**	10,325,975	**87,368**
Other Deposits	**1,254,745**	979,793	**10,127**
Subtotal	**20,049,402**	18,599,268	**161,819**
Negotiable Certificates of Deposit	**1,611,772**	2,031,925	**13,009**
Total	**¥21,661,174**	¥20,631,193	**$174,828**

11. TRADING LIABILITIES

Trading Liabilities as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Trading Account Securities Sold but not yet Purchased	**¥ 355,899**	¥225,658	**$ 2,872**
Derivatives of Trading Account Securities	**2,246**	183	**18**
Securities Sold for Trading Purposes	**246,057**	326,527	**1,986**
Derivatives of Securities Related to Trading Transactions	**7,489**	28	**61**
Trading-Related Financial Derivatives	**821,081**	423,007	**6,627**
Other Trading Liabilities	—	15,391	—
Total	**¥1,432,772**	¥990,794	**$11,564**

12. BORROWED MONEY

Borrowed Money as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars	Average Rate
	2001	2000	**2001**	**2001**
Subordinated Borrowings	**¥462,000**	¥577,000	**$3,729**	—
Others	**149,979**	153,308	**1,210**	—
Total	**¥611,979**	¥730,308	**$4,939**	**2.65%**

Annual maturities of Borrowed Money as of March 31, 2001 are as follows:

Year Ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥196,783	$1,588
2003	141,600	1,143
2004	1,072	8
2005	42,347	342
2006	1,833	15
Thereafter	228,344	1,843
Total	¥611,979	$4,939

13. FOREIGN EXCHANGES (LIABILITIES)

Foreign Exchanges (Liabilities) as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Due to Foreign Banks	**¥22,545**	¥47,022	**$182**
Foreign Exchange Bills Sold	**942**	1,013	**8**
Foreign Exchange Bills Payable	**1,874**	2,027	**15**
Total	**¥25,361**	¥50,062	**$205**

14. BONDS AND NOTES

Bonds and Notes as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Fixed Rate Subordinated Bonds, Payable in Japanese Yen, No Due Date, 2.5% Interest	**¥ 40,000**	¥ 40,000	**$ 323**
Fixed Rate Subordinated Bonds, Payable in Japanese Yen, No Due Date, 2.3% Interest	**50,000**	50,000	**404**
Fixed Rate Subordinated Bonds, Payable in Japanese Yen, Due 2005–No Limit, 0.6%–4.9% Interest	**331,000**	329,200	**2,671**
Fixed Rate Subordinated Bonds, Payable in U.S. Dollar, Due 2007—No Limit, 7.3%–7.7% Interest	**4,956**	4,246	**40**
Other Miscellaneous Bonds and Notes	**20,892**	7,401	**169**
Total	**¥446,848**	¥430,847	**$3,607**

Annual maturities of Bonds and Notes as of March 31, 2001 were as follows:

Year Ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥ 521	$ 4
2003	36	1
2005	4,473	36
2006	2,487	20
Thereafter	439,331	3,546
Total	¥446,848	$3,607

15. OTHER LIABILITIES

Other Liabilities as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Accrued Expenses	**¥ 90,869**	¥ 242,484	**$ 733**
Unearned Income	**21,540**	24,772	**174**
Income Taxes Payable	**8,919**	5,122	**72**
Employees' Savings Deposits	**27,615**	28,521	**223**
Trading Account Securities Borrowed	**51,700**	20,500	**417**
Securities Borrowed	**767,684**	538,690	**6,196**
Collateral Deposits on Securities Lent	**2,190,134**	716,456	**17,677**
Deposits Received for Repurchased Agreements	**551,159**	112,238	**4,448**
Financial Derivatives	**144,156**	—	**1,163**
Others	**385,781**	564,864	**3,115**
Total	**¥4,239,557**	¥2,253,647	**$34,218**

16. OTHER RESERVES

Other Reserves as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Reserve for:			
Retirement Allowances for Directors and Corporate Auditors	**¥226**	¥169	**$2**
Contingent Liabilities from Brokering of Financial Futures Transactions	**1**	4	**0**
Contingent Liabilities from Brokering of Securities Transactions	**29**	12	**0**
Total	**¥256**	¥185	**$2**

"Reserve for Contingent Liabilities from Brokering of Financial Futures Transactions" was computed on the basis prescribed by the financial futures transactions law of Japan.

"Reserve for Contingent Liabilities from Brokering of Securities Transactions" was computed on the basis prescribed by the securities and exchange law of Japan.

"Reserve for Retirement Allowances for Directors and Corporate Auditors" was recorded to state the liability at the amount that would be required to be paid if all directors and corporate auditors retired at balance sheet date.

17. ACCEPTANCES AND GUARANTEES

Acceptances and Guarantees as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Acceptances	**¥ 20,434**	¥ 21,743	**$ 165**
Letters of Credit	**225,256**	202,604	**1,818**
Guarantees	**1,105,425**	825,290	**8,922**
Total	**¥1,351,115**	¥1,049,637	**$10,905**

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

18. CAPITAL STOCK AND CAPITAL SURPLUS

The authorized numbers of shares at March 31, 2001 and 2000, are 4,750 million shares of common stock with a par value of ¥50 per share and 650 million shares of non-voting, non-cumulative preferred stock without par value.

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum par value thereof, is to be designated as capital stock. The portion which is to be designated as capital stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as capital stock are credited to capital surplus. Tokai Bank may transfer portions of capital surplus and legal reserve to capital stock by resolution of the Board of Directors.

Tokai Bank may also transfer portions of unappropriated retained earnings, available for dividends, to capital stock by resolution of the stockholders.

Under the Code, Tokai Bank may issue new shares of its common stock as a stock split to existing stockholders without consideration pursuant to a resolution of the Board of Directors. Tokai Bank may initiate such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by the par value of common stock does not exceed the capital stock and that the amount calculated by dividing the total amount of stockholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

Preferred stock as of March 31, 2001, consisted of the following:

	Millions of Yen	Millions of U.S. Dollars
Preferred Stock Without Par Value—		
Authorized, 50,000,000 Shares;		
Issued and Outstanding, 50,000,000 Shares of First Preferred Stock (Type A)	¥ 50,000	$ 403
Preferred Stock Without Par Value—		
Authorized, 300,000,000 Shares;		
Issued and Outstanding, 150,000,000 Shares of Second Preferred Stock (Type B)	150,000	1,211
Preferred Stock Without Par Value—		
Authorized, 300,000,000 Shares;		
Issued and Outstanding, 150,000,000 Shares of Third Preferred Stock (Type B)	150,000	1,211
Total	¥350,000	$2,825

All preferred stock classes are non-voting and have equal preference over Tokai Bank's common stock for the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of Tokai Bank. They are all non-cumulative and non-participating for dividend payments. Preferred stockholders receive a liquidation at ¥2,000 per share and do not have the right to participate in any further liquidation distributions.

Each share of first preferred stock (Type A) is convertible into 1.423 shares of common stock at the issue price of ¥2,000 per share.

19. RETAINED EARNINGS

For Tokai Bank, an amount equivalent to at least 20% of cash dividends and bonuses to directors and statutory auditors is required to be appropriated as a legal reserve, until the reserve equals 100% of Tokai Bank's capital stock under the Japanese Banking Law. This reserve amount, which is included in retained earnings, totals ¥77,049 million ($622 million) and ¥72,058 million as of March 31, 2001 and 2000, respectively, and is not available for dividends, but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. In addition, unrealized profits arising from trading accounts and certain assets recorded at fair value as of the balance sheet date are not available for dividends under the Code (formerly, under the Japanese Banking Law). However, there are no such limitations as of March 31, 2001 and 2000.

20. OTHER INTEREST INCOME

The composition of Other Interest Income for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Interest on Deposits with Banks	**¥29,852**	¥ 30,818	¥ 46,007	**$241**
Interest on Interest Rate Swaps	—	272,406	215,836	—
Others	**34,673**	72,943	109,215	**280**
Total	**¥64,525**	¥376,167	¥371,058	**$521**

21. FEES AND COMMISSIONS (INCOME)

The composition of Fees and Commissions (Income) for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Domestic and Foreign Exchanges	**¥31,494**	¥30,224	¥29,722	**$254**
Others	**48,961**	39,354	35,754	**395**
Total	**¥80,455**	¥69,578	¥65,476	**$649**

22. TRADING REVENUE AND EXPENSES

The composition of Trading Revenue for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Revenue from Trading Account Securities and Derivatives	**¥21,023**	¥ 1,553	¥ 5,560	**$170**
Revenue from Securities and Derivatives Related to Trading Transactions	**17,666**	37,834	—	**142**
Revenue from Trading-related Financial Derivatives Transactions	**—**	—	7,278	**—**
Others	**579**	15,624	5,722	**5**
Total	**¥39,268**	¥55,011	¥18,560	**$317**

Trading expenses on trading-related financial derivatives transactions only for the fiscal years ended March 31, 2001 and 2000, were ¥32,180 million ($260 million) and ¥29,034 million, respectively. Trading expenses on securities and derivatives related to trading transactions only for the fiscal year ended March 31, 1999 were ¥4,042 million.

23. OTHER OPERATING INCOME

The composition of Other Operating Income for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Foreign Exchange Transaction Gains—Net	**¥39,122**	¥ 6,921	¥ 18,266	**$316**
Gains on Sales of Bonds Included in Securities	**11,961**	101,809	102,928	**96**
Gains on Redemption of Bonds Included in Securities	**63**	7,843	4,792	**0**
Financial Derivatives Income—Net	**28,244**	—	—	**228**
Others	**4,419**	5,312	4,617	**36**
Total	**¥83,809**	¥121,885	¥130,603	**$676**

24. OTHER INCOME

Other Income for the fiscal years ended March 31, 2001, 2000 and 1999, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Gains on Sales of Stocks and Other Equity Securities	**¥108,085**	¥469,411	¥115,681	**$ 872**
Gains on Money Held in Trust	**3,060**	6,304	7,280	**25**
Gains on Sales of Premises and Equipment	**645**	301	3,894	**5**
Gains on Establishing Retirement Benefit Trust	**43,667**	—	—	**353**
Others	**47,703**	63,498	42,505	**385**
Total	**¥203,160**	¥539,514	¥169,360	**$1,640**

25. OTHER INTEREST EXPENSES

The composition of Other Interest Expenses for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Interest on Corporate Bonds and Notes	**¥ 8,726**	¥ 9,130	¥ 9,621	**$ 70**
Interest on Convertible Bonds	**—**	25	34	**—**
Interest on Interest Rate Swaps	**4,020**	261,501	207,619	**33**
Others	**53,576**	73,113	128,795	**432**
Total	**¥ 66,322**	¥343,769	¥346,069	**$535**

26. FEES AND COMMISSIONS (EXPENSES)

The composition of Fees and Commissions (Expenses) for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Domestic and Foreign Exchanges	**¥ 5,442**	¥ 5,415	¥ 5,614	**$44**
Others	**5,496**	7,273	5,600	**44**
Total	**¥10,938**	¥12,688	¥11,214	**$88**

27. OTHER OPERATING EXPENSES

The composition of Other Operating Expenses for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Losses on Sales of Bonds included in Securities	**¥ 7,671**	¥118,214	¥53,116	**$62**
Losses on Redemption of Bonds included in Securities	**89**	7,442	14,392	**1**
Revaluation Loss of Bonds included in Securities	**1,841**	4,291	841	**15**
Others	**1,607**	1,741	6,406	**13**
Total	**¥11,208**	¥131,688	¥74,755	**$91**

28. OTHER EXPENSES

Other Expenses for the fiscal years ended March 31, 2001, 2000 and 1999, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Transfer to Reserve for Possible Loan Losses	**¥144,155**	¥ 17,467	¥150,668	**$1,164**
Write-off of Loans	**180,521**	117,463	223,734	**1,457**
Losses on Sales of Stocks and Other Equity Securities	**3,005**	144,625	34,620	**24**
Revaluation Loss of Stocks and Other Equity Securities	**8,516**	6,876	20,601	**69**
Losses on Money Held in Trust	**12,439**	6,451	2,245	**100**
Losses on Sales of Premises and Equipment	**21,137**	4,763	3,591	**171**
Losses from Financial Assistance Provided to Customers	**17,206**	178,161	179,387	**139**
Others	**139,322**	127,458	96,267	**1,124**
Total	**¥526,301**	¥603,264	¥711,113	**$4,248**

"Others" as of end of each fiscal year in the table presented above included the following:

For the Fiscal Year Ended March 31, 2001
"Others" included amortization of ¥21,220 million ($171 million) of net unrecognized obligation of initial application of new accounting standards for retirement benefits, and losses of ¥10,553 million ($85 million) on the sales of corporate mortgage loans to the Cooperative Credit Purchasing Company, Limited.

For the Fiscal Year Ended March 31, 2000
"Others" included losses of ¥10,782 million on the sales of corporate mortgage loans to the Cooperative Credit Purchasing Company, Limited, losses of ¥6,890 million on the sales of loans, such as loans to bankrupt companies and other delinquent loans, and losses of ¥29,457 million on interest related derivatives on foreign currency.

For the Fiscal Year Ended March 31, 1999
"Others" included losses of ¥27,112 million on the sales of corporate mortgage loans to the Cooperative Credit Purchasing Company, Limited, and losses of ¥32,713 million on the sales of loans, such as loans to bankrupt companies and other delinquent loans.

29. EMPLOYEE RETIREMENT BENEFITS

Under most circumstances, employees of Tokai Bank terminating their employment are entitled to lump-sum payments determined by reference to the basic rate of pay at the time of termination, the employees' length of service and other conditions under which the termination occurs. If the termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination.

The following table sets forth the amounts recognized in the consolidated balance sheet at March 31, 2001, for the employees' retirement plan of Tokai Bank and consolidated domestic subsidiaries:

	Millions of Yen	Millions of U.S. Dollars
Projected Benefit Obligation	¥(391,831)	$(3,162)
Fair Value of Plan Assets	236,076	1,905
Securities Held In Trust	162,239	1,309
Funded Status	6,484	52
Unrecognized Net Transitional Assets	(6,760)	(54)
Unrecognized Transitional Obligation	84,869	685
Unrecognized Net Actuarial Loss	42,133	340
Net Amount Recognized on the Balance Sheet	126,726	1,023
Prepaid Pension Cost	128,980	1,041
Reserve for Retirement Benefits	¥ 2,254	$ 18

The components of net periodic benefit costs of Tokai Bank and consolidated domestic subsidiaries as of March 31, 2001, were as follows:

	Millions of Yen	Millions of U.S. Dollars
Service Cost	¥ 10,484	$ 85
Interest Cost	13,231	107
Expected Return on Plan Assets	(11,759)	(95)
Amortization of Net Obligation at Transition	21,220	171
Others	1,477	12
Net Periodic Benefit Costs	¥ 34,653	$280

Assumptions used by Tokai Bank and consolidated domestic subsidiaries for the fiscal year ended March 31, 2001, are set forth as follows:

	2001
Discount Rate	3.5%
Expected Rate of Return on Plan Assets	0%–5%
Amortization Period of Actuarial Gain/Loss	Principally 12 Years

In November 2000 and March 2001, Tokai Bank contributed certain available-for-sale securities with a fair value of ¥162,430 million ($1,311 million) to an employee retirement benefit trust to provide funding for Tokai Bank's retirement benefit plans. In consideration of the contribution, a non-cash gain of ¥43,667 million ($352 million) was recognized in "Other Income" in the consolidated statement of operations for the fiscal year ended March 31, 2001. The securities held in this trust are qualified as pension plan assets.

30. ACCOUNTING FOR INCOME TAXES

The effect of the decreased statutory rate resulted in a decrease in deferred tax assets and an increase in income taxes—deferred by approximately ¥2,747 million ($22 million) and ¥8,517 million for the years ended March 31, 2001 and 2000, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Deferred Tax Assets:			
Reserve for Possible Loan Losses	**¥217,104**	¥ 104,231	**$1,752**
Revaluation Loss on Securities	**53,280**	13,212	**430**
Loss Carryforwards	**29,161**	147,933	**236**
Reserve for Contingent Liabilities related to Loans Sold	**18,847**	22,443	**152**
Valuation Allowance	**(12,379)**	(10,808)	**(100)**
Others	**31,496**	28,114	**254**
Total	**337,509**	305,125	**2,724**
Deferred Tax Liabilities:			
Gain on establishing Retirement Benefit Trust	**(17,511)**	—	**(141)**
Others	**(1,089)**	(1,449)	**(9)**
Total	**(18,600)**	(1,449)	**(150)**
Net Deferred Tax Assets	**¥318,909**	¥ 303,676	**$2,574**

A reconciliation between the normal effective statutory tax rate for the fiscal years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of operations was as follows:

	2001	2000
Effective Statutory Income Tax Rate	**40.1%**	40.5%
Effect of Statutory Tax Rate Reduction	**(3.0)**	8.2
Valuation Allowance	**(5.0)**	—
Foreign Income Tax Credits	**(2.4)**	—
Expenses Not Deductible for Income Tax Purposes	**(1.3)**	—
Subsidiaries' Deferred Tax Assets Not Recognized in Prior Years	**3.8**	—
Increase in Valuation Allowance from Foreign Income Tax Credits	**—**	6.6
Increase in Valuation Allowance from Loss of an Affiliated Company	**—**	6.2
Devaluation of Securities	**—**	1.6
Others—Net	**0.8**	1.9
Actual Effective Income Tax Rate	**33.0%**	65.0%

On June 9, 2000, the "Ordinance Relating to the Special Case for Tax Standards Regarding the Business Tax On Banking Businesses Operating In Osaka Prefectures" (Ordinance 131 of Osaka prefectures of June 9, 2000) was promulgated in Japan, which decreased the normal effective statutory tax rate by 0.4%, effective for years beginning on and after April 1, 2000. The effect of this change was to decrease income deferred tax assets and to increase income taxes by ¥3,146 million ($25 million) for the fiscal year ended March 31, 2001.

On March 30, 2000, the "Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in Tokyo Metropolitan" (Ordinance 145 of Tokyo Metropolitan of April 1, 2000) was adopted in Japan, which decreased the normal effective statutory tax rate by 1.3%, effective for years beginning on and after April 1, 2000. The effect of this change was to decrease income deferred tax assets and to increase income taxes by ¥9,847 million for the fiscal year ended March 31, 2000.

31 LEASE TRANSACTIONS

Lessee

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

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "As If Capitalized" basis for the fiscal years ended March 31, 2001, 2000 and 1999, was as follows:

For the Year ended March 31, 2001

	Millions of Yen			Millions of U.S. Dollars		
	Equipment	Other	Total	Equipment	Other	Total
Estimated Cost	**¥21,772**	**¥376**	**¥22,148**	**$176**	**$3**	**$179**
Estimated Accumulated Depreciation—Deducted	**15,037**	**192**	**15,229**	**121**	**2**	**123**
Net Estimated Balances	**¥ 6,735**	**¥184**	**¥ 6,919**	**$ 55**	**$1**	**$ 56**

For the Year ended March 31, 2000

	Millions of Yen		
	Equipment	Other	Total
Estimated Cost	¥23,060	¥340	¥23,400
Estimated Accumulated Depreciation—Deducted	15,441	109	15,550
Net Estimated Balances	¥ 7,619	¥231	¥ 7,850

Obligations under finance leases:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Due Within One Year	**¥2,754**	¥3,638	**$22**
Due More Than One Year	**4,556**	4,802	**37**
Total	**¥7,310**	¥8,440	**$59**

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

Depreciation expense and interest expense under finance leases are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Estimated Depreciation	**¥3,617**	¥3,868	¥4,151	**$29**
Estimated Interest Payment	**435**	563	722	**4**
Total	**¥4,052**	¥4,431	¥4,873	**$33**

Estimated depreciation and estimated interest payment, which are not reflected in the accompanying consolidated statement of operations, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2001, 2000 and 1999, are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Due Within One Year	**¥118**	¥115	¥174	**$1**
Due More Than One Year	**348**	463	574	**3**
Total	**¥466**	¥578	¥748	**$4**

Lessor

The consolidated subsidiaries lease certain equipment and other assets.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, rights under finance leases, depreciation expense and interest income of finance leases that do not transfer ownership of the leased property to the lessee on an "As If Capitalized" basis for the fiscal years ended March 31, 2001, 2000 and 1999, is as follows:

Equipment

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Cost	**¥27**	¥ 531	**$0**
Accumulated Depreciation—Deducted	**21**	473	**0**
Net Leased Property	**¥ 6**	¥ 58	**$0**

Rights under finance leases:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Due Within One Year	**¥5**	¥ 59	**$0**
Due More Than One Year	**3**	7	**0**
Total	**¥8**	¥ 66	**$0**

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

Depreciation expense and interest expense under finance leases are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Depreciation	**¥58**	¥77	¥ 99	**$0**
Estimated Interest Receipt	**1**	3	9	**0**
Total	**¥59**	¥80	¥108	**$0**

Depreciation expense and estimated interest receipt, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

32. SIGNIFICANT INFORMATION RELATED TO CASHFLOWS

(a) Noncash Financing Activities

	Millions of Yen
	2000
Decrease in Convertible Bonds due to Conversion	¥ 339

(b) Reconciliation between Cash and Cash Equivalents, and Cash and Due from Banks

Cash and due from banks as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Cash on Hand	**¥ 433,133**	¥ 401,950	**$3,496**
Due from the Bank of Japan	**70,932**	389,173	**572**
Cash and Cash Equivalents	**504,065**	791,123	**4,068**
Due from Banks Other than Due from the Bank of Japan	**606,445**	603,865	**4,895**
Cash and Due from Banks	**¥1,110,510**	¥1,394,988	**$8,963**

33. MARKET VALUE OF SECURITIES AND MONEY HELD IN TRUST

For the Fiscal Year ended March 31, 2001

(a) Securities

The book value, aggregated market values and unrealized profit (loss) of trading account securities and other trading assets included in "Trading Assets," Held-to-maturity Debt Securities and Available-for-sale Securities included in "Securities," negotiable due from banks included in "Due from Banks" and "Money Held in Trust" at March 31, 2001 are as follows:

(1) Trading Securities

	Millions of Yen	
	2001	
	Book Value	Valuation Gain
Trading Securities	**¥2,000,180**	**¥9,282**

	Millions of U.S. Dollars	
	2001	
	Book Value	Valuation Gain
Trading Securities	**$ 16,144**	**$ 75**

(2) Held-to-maturity Debt Securities

	Millions of Yen				
	2001				
			Unrealized Profit (Loss)		
	Book Value	Market Value	Net	Profit	Loss
Japanese National Government Bonds	**¥671,876**	**¥689,239**	**¥17,363**	**¥17,363**	—
Others	**112,131**	**109,770**	**(2,361)**	**92**	**¥2,453**
Total	**¥784,007**	**¥799,009**	**¥15,002**	**¥17,455**	**¥2,453**

	Millions of U.S. Dollars				
	2001				
			Unrealized Profit (Loss)		
	Book Value	Market Value	Net	Profit	Loss
Japanese National Government Bonds	**$ 5,423**	**$ 5,563**	**$ 140**	**$ 140**	—
Others	**905**	**886**	**(19)**	**1**	**$ 20**
Total	**$ 6,328**	**$ 6,449**	**$ 121**	**$ 141**	**$ 20**

Notes: 1. Market values are based on the closing price at the fiscal year end.
2. Held-to-maturity Debt Securities above has been reclassified to Available-for-sale Securities from fiscal year 2001, concurrent with a reassessment of portfolio operations ahead of the business integration.

(3) Available-for-sale Securities with Market Value

Market value is not recognized in the consolidated financial statements for the fiscal year ended March 31, 2001.

Book value, market value and unrealized profit(loss) of available-for-sale securities with market value were as follows:

	Millions of Yen				
	2001				
			Unrealized Profit (Loss)		
	Book Value	Market Value	Net	Profit	Loss
Japanese Equities	**¥2,234,355**	**¥2,355,910**	**¥121,555**	**¥364,532**	**¥242,977**
Japanese National Government Bonds	**2,446,302**	**2,454,961**	**8,659**	**9,308**	**649**
Japanese Local Government Bonds	**13,228**	**13,729**	**501**	**501**	**—**
Japanese Corporate Bonds and Financial Debentures	**42,482**	**44,093**	**1,610**	**1,650**	**39**
Others	**926,005**	**903,598**	**(22,407)**	**8,173**	**30,580**
Total	**¥5,662,372**	**¥5,772,291**	**¥109,918**	**¥384,164**	**¥274,245**

	Millions of U.S. Dollars				
	2001				
			Unrealized Profit (Loss)		
	Book Value	Market Value	Net	Profit	Loss
Japanese Equities	**$ 18,034**	**$ 19,015**	**$ 981**	**$ 2,942**	**$ 1,961**
Japanese National Government Bonds	**19,744**	**19,814**	**70**	**75**	**5**
Japanese Local Government Bonds	**107**	**111**	**4**	**4**	**—**
Japanese Corporate Bonds and Financial Debentures	**343**	**356**	**13**	**13**	**0**
Others	**7,473**	**7,292**	**(181)**	**66**	**247**
Total	**$ 45,701**	**$ 46,588**	**$ 887**	**$ 3,100**	**$ 2,213**

Note: Market values are based on the closing price at the fiscal year end.

(4) Available-for-sale Securities sold during the Fiscal Year Ended March 31, 2001

	Millions of Yen		
	2001		
	Proceeds from Sales	Realized Profit	Realized Loss
Available-for-sale Securities	**¥10,706,060**	**¥120,073**	**¥10,865**

	Millions of U.S. Dollars		
	2001		
	Proceeds from Sales	Realized Profit	Realized Loss
Available-for-sale Securities	**$ 86,409**	**$ 969**	**$ 88**

(5) Held-to-maturity Debt Securities and Available-for-sale Securities whose Market Value is not readily determinable

	Millions of Yen
	2001
	Book Value
Held-to-maturity Debt Securities:	
Unlisted Japanese Bonds	**¥212,328**
Others	**28,509**
Available-for-sale Securities:	
Unlisted Japanese Bonds	**270,641**
Unlisted Japanese Equities other than Over-the-counter	**99,429**
Negotiable Due from Banks	**72,534**
Others	**51,041**

	Millions of U.S. Dollars
	2001
	Book Value
Held-to-maturity Debt Securities:	
Unlisted Japanese Bonds	**$ 1,714**
Others	**230**
Available-for-sale Securities:	
Unlisted Japanese Bonds	**2,184**
Unlisted Japanese Equities other than Over-the-counter	**802**
Negotiable Due from Banks	**585**
Others	**412**

(6) **Redemption Schedule of Held-to-maturity Debt Securities and Available-for-sale Securities with Maturity**

	Millions of Yen			
	2001			
(year)	1 or less	over 1 to 5	over 5 to 10	over 10
Japanese National Government Bonds	**¥1,634,054**	**¥415,634**	**¥ 980,508**	**¥ 87,982**
Japanese Local Government Bonds	**20,123**	**81,604**	**149,176**	**10**
Japanese Corporate Bonds and Financial Debentures	**22,936**	**187,581**	**77,250**	**—**
Others	**54,942**	**311,401**	**368,799**	**347,272**
Total	**¥1,732,055**	**¥996,220**	**¥1,575,733**	**¥435,264**

	Millions of U.S. Dollars			
	2001			
(year)	1 or less	over 1 to 5	over 5 to 10	over 10
Japanese National Government Bonds	**$ 13,189**	**$ 3,355**	**$ 7,914**	**$ 710**
Japanese Local Government Bonds	**162**	**659**	**1,204**	**—**
Japanese Corporate Bonds and Financial Debentures	**185**	**1,514**	**623**	**—**
Others	**443**	**2,513**	**2,977**	**2,803**
Total	**$ 13,979**	**$ 8,041**	**$ 12,718**	**$ 3,513**

(b) Money Held in Trust

	Millions of Yen	
	2001	
	Book Value	Valuation Gain (Loss)
Money Held in Trust for Trading Purposes	**¥106,207**	**¥0**

	Millions of U.S. Dollars	
	2001	
	Book Value	Valuation Gain (Loss)
Money Held in Trust for Trading Purposes	**$ 856**	**$0**

(c) Net Unrealized Profit on Available-for-sale Securities, Net of Taxes

Available-for-sale securities are stated at cost at March 31, 2001. If they were stated at market value, the unrealized profit, net of taxes, would be reported in a component of stockholders' equity, at March 31, 2001 as follows:

	Millions of Yen	Millions of U.S. Dollars
	2001	**2001**
Net Unrealized Profit	**¥109,918**	**$887**
Less: Deferred Tax Liabilities	**44,134**	**356**
Net Unrealized Profit on Available-for-sale Securities (before Adjustment for Minority Interests)	**65,784**	**531**
Less: Minority Interests	**1,513**	**12**
Parent Bank's Interests in Net Unrealized Profit of Available-for-sale Securities held by Affiliates accounted for under the Equity Method	**111**	**1**
Net Unrealized Profit on Available-for-sale Securities, Net of Taxes	**¥ 64,382**	**$520**

For the Fiscal Year Ended March 31, 2000

(a) Estimated Market Values of Securities

The book value, market values and unrealized profit (loss) of securities as of March 31, 2000 are as follows:

Listed securities

	Millions of Yen				
	2000				
			Unrealized Profit (Loss)		
	Book Value	Market Value	Net	Profit	Loss
Bonds	¥ 760,384	¥ 731,966	¥ (28,418)	¥ 1,064	¥ 29,482
Stocks	2,352,641	2,923,161	570,520	710,746	140,226
Others	218,908	216,496	(2,412)	16,095	18,507
Total	¥3,331,933	¥3,871,623	¥539,690	¥727,905	¥188,215

Notes: 1. Securities presented in the above table include only listed securities.
Bonds include Japanese national government bonds, Japanese local government bonds and Japanese corporate bonds and financial debentures.
Market values of listed bonds are calculated by using indicative yields announced by the Japan Securities Dealers Association. Market values of the other listed securities are primarily based on the closing prices (as of the end of the fiscal year) of the Tokyo Stock Exchange.
2. The following table shows the estimated market values of unlisted securities of which market values can be evaluated.

Unlisted securities

	Millions of Yen				
	2000				
			Unrealized Profit (Loss)		
	Book Value	Estimated Market Value	Net	Profit	Loss
Bonds	¥ 502,453	¥ 500,328	¥(2,125)	¥ 1,801	¥ 3,926
Stocks	22,024	40,263	18,239	22,332	4,093
Others	158,665	151,999	(6,666)	2,982	9,648
Total	¥ 683,142	¥ 692,590	¥ 9,448	¥ 27,115	¥ 17,667

Notes: Estimated market values are calculated as follows:
Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association
Publicly placed bonds: Prices calculated by using indicative yields announced by the Japan Securities Dealers Association
Securities of unit trusts: Market prices announced by authorized fund management companies
U.S. securities traded over-the-counter: transaction prices indicated on NASDAQ in the U.S.A. and others

3. Securities excluded from above are principally unlisted securities.

	Millions of Yen
	2000
Securities	¥1,505,217

(b) Estimated Market Value of Money Held in Trust

The book values, estimated market values and unrealized profit/(loss) of the Money Held in Trust, which are based on the prices listed on stock exchanges or over-the-counter markets, at March 31, 2000 are as follows:

	Millions of Yen				
	2000				
			Unrealized Profit (Loss)		
	Book Value	Estimated Market Value	Net	Profit	Loss
Money Held in Trust	¥106,821	¥108,893	¥1,978	¥2,098	¥120

Notes: Estimated market values are based at the price calculated by the trustee of money held in trust pursuant to conditions as follows:
Listed securities: Closing prices as at the end of the fiscal year of the Tokyo Stock Exchange or the prices calculated by using indicative yields announced by the Japan Securities Dealers Association
Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association

34. DERIVATIVE FINANCIAL INSTRUMENTS

1. Details Related to Transactions

(Structuring Policy and Utilization Objective)
Tokai Bank and consolidated subsidiaries use various derivative financial instruments. The derivative transactions are separated into four types as follows:

(1) Specific Hedge Transactions
These transactions are entered into to hedge the exposure to fluctuations in the fair value of mainly each loan and bond.

(2) Macro Hedge Transactions
These transactions are entered into to hedge the exposure to fluctuations in market rates of the portfolio of assets and liabilities of the entire Tokai group.

(3) Customer Transactions
These transactions are entered into to meet the financing needs of customers.

(4) Trading Transactions
These transactions are entered into to seek to capture gains from short-term changes in market rates and other market related indices or from gaps among markets.

All transactions are properly controlled within the proper risk limit and the transactions of (1) and (2) are recorded by using hedged accounting.

Specific hedge transactions are made in conformity with "Hedged Transactions Control and Operation Rules" regulated by Tokai Bank. Macro hedge transactions are made in conformity with "Hedged Transactions Control and Operation Rules" regulated by Tokai Bank. The macro hedge policy is to decide the proper risk level in advance and to lower risk exposure within those risk levels in terms of comprehensive asset and liability management and risk control relating to Tokai Bank's assets and liabilities including loans, deposits and bond securities.

Hedged transactions are verified as follows. Each transaction is carried out to discuss whether there is sufficient effect to diminish the related risk in advance and checked periodically by Risk Management Division after the transactions to compare fluctuation between hedged item and hedged tool in reference to specific hedge transactions. Risk amount is monitored on a daily basis and Risk Management Division reassesses the comprehensive risk amount quarterly and confirms whether the risk amount is within the level set in reference to macro hedge transactions.

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

The credit equivalent amount of Tokai Bank and certain subsidiaries, at March 31, 2001, are estimated as follows:

	Billions of Yen	Millions of U.S. Dollars
Interest Rate Swaps	¥902	$7,280
Currency Swaps	129	1,041
Foreign Exchange Forward Contracts	82	662
Interest Rate Options Purchased	15	121
Currency Options Purchased	85	686
Other Derivative Instruments	51	412
Netting Effect through Master Netting Agreements	(664)	(5,359)
Total	¥600	$4,843

To manage market risk, Tokai Bank and consolidated subsidiaries use a Value at Risk ("VaR") analysis. VaR is a means of statistically analyzing past market conditions and trends to estimate the maximum amount of capital at risk at a particular time. VaR of Tokai Bank and certain subsidiaries for the fiscal year ended March 31, 2001, is estimated as follows:

	Billions of Yen	Millions of U.S. Dollars
	2001	**2001**
Maximum	**¥11.0**	**$ 89**
Minimum	**2.2**	**18**
Average	**5.0**	**40**

The VaR is measured in accordance with the guidelines of the Bank for International Settlement ("BIS"), which call for a holding period of ten business days and a 99% confidence interval in 2001.

(Management Structure)
Credit risk of each individual counterparty is measured through the credit line approved by the credit divisions. Tokai Bank and consolidated subsidiaries also periodically oversee the overall costs, which would be necessary to contract the transactions on the same conditions if counterparty defaults.

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

2. Information on Market Value of Derivative Financial Instruments

For the Fiscal Year Ended March 31, 2001

Contractual values or notional principal amounts, market values or estimated market values and unrealized profit/(loss) of derivative financial instruments as of March 31, 2001 are shown in the following tables.

(a) Interest Rate related Transactions

	Millions of Yen			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Interest Rate Future				
Sold	**¥13,516,158**	**¥ 4,324,680**	**¥13,591,009**	**¥ (74,851)**
Bought	**14,278,035**	**4,551,062**	**14,376,161**	**98,126**
Interest Rate Option				
Sold	**7,803,799**	**2,093,436**	**11,159**	**(941)**
Bought	**4,810,633**	**372,612**	**8,999**	**4,038**
Over-the-counter				
Forward Rate Agreement				
Sold	**2,794,494**	**940,000**	**2,963**	**2,963**
Bought	**3,398,409**	**1,501,239**	**(4,640)**	**(4,640)**
Interest Rate Swaps				
Receipts Fixed / Payments Floating	**33,018,188**	**22,619,881**	**643,888**	**643,888**
Receipts Floating / Payments Fixed	**35,571,722**	**22,994,087**	**(613,880)**	**(613,880)**
Receipts Floating / Payments Floating	**2,798,916**	**1,994,689**	**(280)**	**(280)**
Receipts Fixed / Payments Fixed	**26,845**	**21,610**	**(17,415)**	**(17,415)**
Others				
Sold	**2,135,304**	**1,252,814**	**(10,101)**	**(10,101)**
Bought	**2,463,680**	**1,287,301**	**7,431**	**7,431**
Total	/	/	**¥27,995,294**	**¥ 34,338**

	Millions of U.S. Dollars			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Interest Rate Future				
Sold	**$ 109,089**	**$ 34,905**	**$ 109,693**	**$ (604)**
Bought	**115,238**	**36,732**	**116,030**	**792**
Interest Rate Option				
Sold	**62,985**	**16,896**	**91**	**(8)**
Bought	**38,827**	**3,007**	**73**	**33**
Over-the-counter				
Forward Rate Agreement				
Sold	**22,554**	**7,587**	**24**	**24**
Bought	**27,429**	**12,117**	**(37)**	**(37)**
Interest Rate Swaps				
Receipts Fixed / Payments Floating	**266,491**	**182,566**	**5,197**	**5,197**
Receipts Floating / Payments Fixed	**287,100**	**185,586**	**(4,955)**	**(4,955)**
Receipts Floating / Payments Floating	**22,590**	**16,099**	**(2)**	**(2)**
Receipts Fixed / Payments Fixed	**217**	**174**	**(141)**	**(141)**
Others				
Sold	**17,234**	**10,111**	**(82)**	**(82)**
Bought	**19,884**	**10,390**	**60**	**60**
Total	/	/	**$ 225,951**	**$ 277**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.

2. Market values for standardized products are primarily calculated by using the closing prices of the Tokyo International Financial Futures Exchange. Market values for the over-the-counter transactions are primarily based on discounted present values and option pricing calculation models.

(b) Currency related Transactions

	Millions of Yen			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Currency Swaps	¥2,185,353	¥1,721,638	¥(23,820)	¥(23,820)

	Millions of U.S. Dollars			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Currency Swaps	$ 17,638	$ 13,895	$ (192)	$ (192)

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied and transactions stated in the Note 3 are excluded.

2. Market values are based on the discounted present values
Market values for the over-the-counter transactions are primarily based on discounted present values.

3. Certain Currency Swaps have been excluded from the above tables since such Currency Swaps have been accounted for by using the accrual method of accounting based on "Tentative Auditing Treatment relating to Adoption of 'Revised Accounting for Foreign Currency Transaction' for Banks." (JICPA April 10,1999)
The Contractual Value, Market Value and Unrealized Profit/(Loss) of such Currency Swaps accounted for on an accrual method is as follows:

	Millions of Yen		
	2001		
	Contractual Value or Notional Principal Amount	Market Value	Unrealized Profit/(Loss)
Currency Swaps	¥433,323	¥(1,498)	¥504

	Millions of U.S. Dollars		
	2001		
	Contractual Value or Notional Principal Amount	Market Value	Unrealized Profit/(Loss)
Currency Swaps	$ 3,497	$ (12)	$ 4

Foreign Exchange Forward Contracts, Currency Options and certain other transactions are excluded from the above tables, since they are revalued at the end of the fiscal year and their profits and losses are recorded in the consolidated statements of operations or they are attached to foreign currency based on receivables/payables, which are reflected in the consolidated balance sheets or eliminated in the consolidation process. The following table shows the contractual values of currency related transactions offsetting the consolidated statements of operations by revaluation at the end of fiscal year:

	Millions of Yen
	2001
	Contractual Value or Notional Principal Amount
Standardized	
Currency Futures	
Sold	**¥ 17,459**
Bought	**5,190**
Over-the-counter	
Foreign Exchange Forward Contracts	
Sold	**1,104,177**
Bought	**1,598,832**
Currency Options	
Sold	**2,374,963**
Bought	**2,314,941**

	Millions of U.S. Dollars
	2001
	Contractual Value or Notional Principal Amount
Standardized	
Currency Futures	
Sold	**$ 141**
Bought	**42**
Over-the-counter	
Foreign Exchange Forward Contracts	
Sold	**8,912**
Bought	**12,904**
Currency Options	
Sold	**19,168**
Bought	**18,684**

(c) Equity related Transactions

	Millions of Yen			
	2001			
	Contractual Value or Notional Principal Amount			
		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Stock Index Futures				
Sold	**¥55,456**	**¥ —**	**¥57,378**	**¥ (1,922)**
Bought	**4,775**	**—**	**4,686**	**(89)**
Stock Index Options				
Sold	**656**	**—**	**178**	**(55)**
Bought	**3,635**	**—**	**442**	**98**
Over-the-counter				
Securities Over-the-counter Options				
Sold	**22,891**	**11,507**	**11,516**	**(2,977)**
Bought	**24,709**	**16,025**	**18,279**	**16,913**
Others	**36,531**	**13,519**	**(2,254)**	**9,237**
Total	/	/	**¥90,225**	**¥21,205**

	Millions of U.S. Dollars			
	2001			
	Contractual Value or Notional Principal Amount			
		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Stock Index Futures				
Sold	**$ 448**	**$ —**	**$ 463**	**$ (16)**
Bought	**39**	**—**	**38**	**(1)**
Stock Index Options				
Sold	**5**	**—**	**1**	**(0)**
Bought	**29**	**—**	**4**	**1**
Over-the-counter				
Securities Over-the-counter Options				
Sold	**185**	**93**	**93**	**(24)**
Bought	**199**	**129**	**148**	**137**
Others	**295**	**109**	**(19)**	**74**
Total	/	/	**$ 728**	**$ 171**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.

2. Market values for standardized products are calculated by using the closing prices of the Tokyo Stock Exchange and others.
Market values for the over-the-counter transactions are primarily based on discounted present values and option pricing calculation models.

(d) Bond related Transactions

	Millions of Yen			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	¥1,388,847	¥—	¥1,387,759	¥1,088
Bought	1,074,444	—	1,073,452	(992)
Bond Futures Options				
Sold	283,662	—	1,231	66
Bought	264,375	—	659	(293)
Over-the-counter				
Bond Over-the-counter Options				
Sold	272,237	—	2,258	252
Bought	233,861	—	2,714	407
Total	/	/	¥2,468,073	¥ 528

	Millions of U.S. Dollars			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	$ 11,209	$—	$ 11,201	$ 9
Bought	8,672	—	8,664	(8)
Bond Futures Options				
Sold	2,289	—	10	0
Bought	2,134	—	5	(2)
Over-the-counter				
Bond Over-the-counter Options				
Sold	2,197	—	18	2
Bought	1,887	—	22	3
Total	/	/	$ 19,920	$ 4

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values for standardized products are primarily calculated by using the closing prices of the Tokyo Stock Exchange.
Market values for the over-the-counter transactions are primarily based on the option pricing calculation models.

(e) Commodity related Transactions

There were no commodity related transactions as of March 31, 2001.

(f) Credit Derivative Transactions

	Millions of Yen			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Credit Default Swaps				
Sold	**¥14,004**	**¥10,887**	**¥438**	**¥438**
Bought	**15,004**	**11,887**	**465**	**465**

	Millions of U.S. Dollars			
	2001			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Credit Default Swaps				
Sold	**$ 113**	**$ 88**	**$ 4**	**$ 4**
Bought	**121**	**96**	**4**	**4**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values are calculated using the discounted present values.
3. 'Sold' means the underwriting for credit risk and 'Bought' means the transfer of credit risk.

For the Fiscal Year Ended March 31, 2000

Contractual values or notional principal amounts, market values or estimated market values and unrealized profit/(loss) of derivative financial instruments as of March 31, 2000 are shown in the following tables.

(a) Interest Rate related Transactions

	Millions of Yen			
	2000			
	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Interest Rate Future				
Sold	¥ 7,864,561	¥ 1,723,874	¥7,831,006	¥ 33,555
Bought	7,342,425	1,554,804	7,318,929	(23,496)
Interest Rate Option				
Sold	30,397	—	0	5
Bought	324,236	—	0	(12)
Over-the-counter				
Forward Rate Agreement				
Sold	63,690	—	(3)	(3)
Bought	63,690	—	75	75
Interest Rate Swaps				
Receipts Fixed / Payments Floating	19,979,046	10,399,700	7,595	7,595
Receipts Floating / Payments Fixed	17,428,842	8,421,042	(37,643)	(37,643)
Receipts Floating / Payments Floating	14,685	11,738	(96)	(96)
Caps				
Sold	387,917	279,739	(5,427)	(5,427)
Bought	308,667	256,543	1,485	1,485
Floors				
Sold	22,480	22,480	(216)	(216)
Bought	40,824	40,824	1,214	1,214
Total	/	/	/	¥(22,964)

Notes: 1. Market values of standardized transactions are calculated by using the closing prices of the Tokyo International Financial Futures Exchange and others. Market values of over-the-counter transactions are based on discounted present values or the option pricing calculation models.

2. Unrealized profit/(loss) of interest rate swaps exclude the difference between accrued interest receivable and accrued interest payable, since they are revalued at the end of the fiscal year and the profit/(loss) is recorded in the consolidated statements of operations.

3. The following table shows contractual values or notional principal amounts and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit/(loss) is included in the consolidated statements of operations. Derivatives positions are carried at fair value.

	Millions of Yen	
	2000	
	Contractual Value or Notional Principal Amount	Market Value
Standardized		
Interest Rate Future		
Sold	¥ 7,269,283	¥ 7,247,114
Bought	7,996,387	7,968,002
Interest Rate Option		
Sold	2,056,997	1,218
Bought	1,718,115	793
Over-the-counter		
Forward Rate Agreement		
Sold	2,716,052	24
Bought	2,188,110	(113)
Interest Rate Swaps		
Receipts Fixed / Payments Floating	27,080,192	295,424
Receipts Floating / Payments Fixed	25,181,275	(314,893)
Receipts Floating / Payments Floating	1,122,722	(970)
Receipts Fixed / Payments Fixed	1,000	171
Caps		
Sold	1,595,453	(6,817)
Bought	1,493,532	5,877
Floors		
Sold	558,229	(1,396)
Bought	500,522	4,126
Others		
Sold	336,608	(3,935)
Bought	294,614	22,405

(b) Currency related Transactions

	Millions of Yen			
	2000			
	Contractual Value or Notional Principal Amount			
		Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Currency Swaps	¥616,754	¥227,560	¥ 494	¥ 494
U.S. Dollars	436,648	203,454	957	957
Hong Kong Dollars	69,052	9,541	(160)	(160)
British Pounds	46,860	—	0	0
Euros	22,576	—	0	0
Others	41,618	14,565	(303)	(303)

Notes: 1. Market values are based on discounted present values.
2. Market value and unrealized profit/(loss) of currency swaps exclude the difference between accrued interest receivable and accrued interest payable, since they are revalued at the end of the fiscal year and the profit/(loss) is included in the consolidated statements of operations.
3. The following table shows notional principal amounts and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit/(loss) is included in the consolidated statements of operations.
Derivatives positions are carried at fair value.

	Millions of Yen	
	2000	
	Contractual Value or Notional Principal Amount	Market Value
Over-the-counter		
Currency Swaps	¥1,183,803	¥(3,537)
U.S. Dollars	987,961	(2,372)
British Pounds	71,698	(66)
Canada Dollars	22,772	(212)
Euros	20,317	192
Others	81,056	(1,079)

4. Foreign exchange forward contracts, currency options and certain other transactions are excluded from the above table since they are revalued at the end of the fiscal year and their profits/(losses) is included in the consolidated statements of operations. The following table shows the contractual values of currency related transactions included in the consolidated statements of operations by revaluation at the end of the fiscal years.

	Millions of Yen
	2000
	Contractual Value or Notional Principal Amount
Standardized	
Currency Futures	
Sold	¥ 9,686
Bought	3,273
Over-the-counter	
Foreign Exchange Forward Contracts	
Sold	898,167
Bought	1,639,804
Currency Options	
Sold	1,787,945
Bought	1,932,200
Others	
Sold	—
Bought	106,445

(c) Equity related Transactions

The following table shows contractual values and market values of derivatives included in "Trading Assets/Liabilities". Derivatives positions are carried at fair value.

	Millions of Yen	
	2000	
	Contractual Value or Notional Principal Amount	Market Value
Standardized		
Stock Index Futures		
Sold	¥ 11,427	¥11,576
Bought	2,787	2,839
Stock Index Options		
Sold	8,837	301
Bought	8,417	579
Over-the-counter		
Securities Over-the-counter Options		
Sold	33,981	(19,333)
Bought	113,240	46,673
Securities Over-the-counter Swaps	43,348	(3,905)
Others		
Sold	1,292	(402)
Bought	402	0

(d) Bond related Transactions

	Millions of Yen			
	2000			
	Contractual Value or Notional Principal Amount			
		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	¥628,848	¥ —	¥635,915	¥ (7,067)
Bought	—	—	—	—
Over-the-counter				
Bond Over-the-counter Options				
Sold	170,000	—	459	804
Bought	170,000	—	0	(2,075)
Total				¥ (8,338)

Notes: 1. Market values for standardized products are calculated by using the closing prices of the Tokyo Stock Exchange and others.
Market values for the over-the-counter trading are primarily based on the options pricing calculation models.
2. The following table shows contractual values and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit/(loss) is included in the consolidated statements of operations. Derivatives positions are carried at fair value.

	Millions of Yen	
	2000	
	Contractual Value or Notional Principal Amount	Market Value
Standardized		
Bond Futures		
Sold	¥ 77,136	¥ 77,602
Bought	315,428	314,545
Bond Futures Options		
Sold	869,068	144
Bought	2,382,228	274
Over-the-counter		
Bond Over-the-counter Options		
Sold	85,074	182
Bought	85,613	1,098
Others		
Sold	13,715	(320)
Bought	13,715	343

(e) Commodity related Transactions

There were no commodity related transactions as of March 31, 2000.

(f) Credit Derivative Transactions

The following table shows contractual values and market values of derivatives included in "Trading Assets/Liabilities."
The profit/(loss) is included in the consolidated statements of operations. Derivatives positions are carried at fair value.

	Millions of Yen	
	2000	
	Contractual Value or Notional Principal Amount	Market Value
Over-the-counter		
Credit Default Swaps		
Sold	¥13,874	¥(324)
Bought	13,874	347

Notes: Market values are based on discounted present values.

35. SEGMENT INFORMATION

(a) Segment Information by Type of Business

Certain subsidiaries of Tokai Bank operate in securities, trust and leasing industries. However, since those comprise a minor share of Tokai Bank's total business and Tokai Bank and its consolidated subsidiaries operate predominantly in the banking business, segment information by type of business is not provided.

(b) Segment Information by Location

The operations of Tokai Bank and consolidated subsidiaries for the fiscal years ended March 31, 2001, 2000 and 1999, are summarized by geographic area as follows

	Millions of Yen						
Year Ended March 31, 2001	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination	Consolidated
I Ordinary Income:							
(1) Outside Customers	**¥ 749,162**	**¥ 60,655**	**¥ 54,252**	**¥ 67,709**	**¥ 931,778**		**¥ 931,778**
(2) Inter-area Transfer	**63,539**	**27,328**	**9,924**	**90,031**	**190,822**	**¥ (190,822)**	
	812,701	**87,983**	**64,176**	**157,740**	**1,122,600**	**(190,822)**	**931,778**
II Ordinary Expenses	**937,996**	**78,864**	**58,086**	**139,426**	**1,214,372**	**(190,822)**	**1,023,550**
Ordinary Profit (Loss) (I-II)	**¥ (125,295)**	**¥ 9,119**	**¥ 6,090**	**¥ 18,314**	**¥ (91,772)**	**Nil**	**(91,772)**
Other Income—Net							**(736)**
Loss before Income Taxes and Minority Interests							**¥ (92,508)**
III Assets	**¥31,421,048**	**¥1,442,405**	**¥1,379,042**	**¥1,870,942**	**¥36,113,437**	**¥(1,360,138)**	**¥34,753,299**

	Millions of Yen						
Year Ended March 31, 2000	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination	Consolidated
I Ordinary Income:							
(1) Outside Customers	¥ 1,399,106	¥ 64,756	¥ 57,764	¥ 102,554	¥ 1,624,180		¥ 1,624,180
(2) Inter-area Transfer	84,255	35,880	7,869	88,352	216,356	¥ (216,356)	
	1,483,361	100,636	65,633	190,906	1,840,536	(216,356)	1,624,180
II Ordinary Expenses	1,384,205	104,397	65,797	181,525	1,735,924	(216,356)	1,519,568
Ordinary Profit (Loss) (I-II)	¥ 99,156	¥ (3,761)	¥ (164)	¥ 9,381	¥ 104,612	Nil	104,612
Other Income—Net							17,218
Loss before Income Taxes and Minority Interests							¥ 121,830
III Assets	¥ 27,796,360	¥ 1,327,890	¥ 1,227,261	¥ 2,121,820	¥ 32,473,331	¥ (1,923,576)	¥ 30,549,755

	Millions of Yen						
Year Ended March 31, 1999	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination	Consolidated
I Ordinary Income:							
(1) Outside Customers	¥ 1,004,259	¥ 101,574	¥ 97,172	¥ 105,022	¥ 1,308,027		¥ 1,308,027
(2) Inter-area Transfer	134,161	43,005	19,119	111,665	307,950	¥ (307,950)	
	1,138,420	144,579	116,291	216,687	1,615,977	(307,950)	1,308,027
II Ordinary Expenses	1,524,763	130,243	131,974	222,793	2,009,773	(303,258)	1,706,515
Ordinary Profit (Loss) (I-II)	¥ (386,343)	¥ 14,336	¥ (15,683)	¥ (6,106)	¥ (393,796)	¥ (4,692)	(398,488)
Other Income—Net							29,868
Loss before Income Taxes and Minority Interests							¥ (368,620)
III Assets	¥ 28,696,456	¥ 1,948,690	¥ 1,318,984	¥ 2,284,029	¥ 34,248,159	¥ (2,724,060)	¥ 31,524,099

Year Ended March 31, 2001	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination	Consolidated
							Millions of U.S. Dollars
I Ordinary Income:							
(1) Outside Customers	$ 6,046	$ 490	$ 438	$ 546	$ 7,520		$ 7,520
(2) Inter-area Transfer	513	220	80	727	1,540	$ (1,540)	
	6,559	710	518	1,273	9,060	(1,540)	7,520
II Ordinary Expenses	7,571	636	469	1,125	9,801	(1,540)	8,261
Ordinary Profit (Loss) (I-II)	$ (1,012)	$ 74	$ 49	$ 148	$ (741)	Nil	(741)
Other Income—Net							(6)
Loss before Income Taxes and Minority Interests							$ (747)
III Assets	$ 253,600	$ 11,642	$ 11,130	$ 15,101	$ 291,473	$ (10,978)	$ 280,495

Notes: 1. Ordinary Income represents “Total Income” excluding mainly “Gains on Sales of Premises and Equipment,” “Collection of Written-off Claims.” Ordinary Expense represents “Total Expenses” excluding mainly “Losses on Sales of Premises and Equipment.” Ordinary Income and Ordinary Profit (Loss) are presented as a substitute for Net Sales and Operating Profit (Loss) for non-financial companies.

2. Americas includes, but is not limited to, the United States and Canada. Europe includes, but is not limited to, England and Germany. Asia/Oceania excluding Japan includes, but is not limited to, China and Singapore.

3. The effects on the segment information for each fiscal year due to the change of accounting treatments are as follows:

For the fiscal year ended March 31, 2001

The new accounting standard for retirement benefits has been applied. As a result, ordinary expenses decreased and ordinary profit increased by the same amount as follows:

¥ 22,913 million ($185 million) in Japan, ¥80 million ($1 million) in Americas, ¥74 million ($1 million), and, ¥122 million ($1 million) in Asia/Oceania excluding Japan.

The new accounting standard for financial instruments has been applied. As a result, changes in ordinary income, ordinary expenses and ordinary profit were as follows:

Increase of ¥105,720 million ($853 million), increase of ¥113,458 million ($916 million) and decrease of ¥7,738 million ($62 million), respectively in Japan.

Increase of ¥7 million ($0.06 million), increase of ¥155 million ($1 million) and decrease of ¥148 million ($1 million), respectively in Europe.

Increase of ¥527 million ($4 million), increase of ¥446 million ($4 million) and increase of ¥81 million ($1 million), respectively in Asia/Oceania excluding Japan.

In addition, income and expenses on derivative financial instruments for hedging purpose, which had been previously presented on a gross basis, has been shown on a net basis. As a result of this change, ordinary income and ordinary expenses decreased by the same amount as follows:

¥99,671 million ($804 million) in Japan, ¥2,956 million ($24 million) in Americas, ¥5,580 million ($45 million) and ¥12,473 million ($101 million) in Asia/Oceania excluding Japan.

For the fiscal year ended March 31, 2000

As described in notes 2. (r), prior to April 1, 1999, income from guarantee fees in The Million Credit Co., Ltd., which is a consolidated subsidiary of Tokai Bank, was recognized over the guarantee period. Effective April 1, 1999, the method of accounting for guarantee fees was changed such that lump-sum amounts are recognized at the time of the contract and estimated refund amounts resulting from prepayments are stated as a liability. The effect of this change was to increase ordinary profit by ¥2,076 million for the fiscal year ended March 31, 2000.

For the fiscal year ended March 31, 1999

The useful life for buildings for the calculation of depreciation was shortened due to the amendments of Japanese Tax Laws. As a result, ordinary loss increased by ¥258 million ($2 million) for the fiscal year and assets as of the end of the fiscal year decreased by the same amount with respect to Japan. (See Note 2(f).)

In addition, accounting treatments on ‘enterprise taxes,’ ‘amortization of goodwill’ and ‘equity in earnings of affiliates’ have changed. As a result, ordinary loss for the fiscal year increased ¥12,066 million ($97 million) in Japan, decreased ¥195 million ($2 million) in Europe and increased ¥1,577 million ($13 million) in Asia/Oceania, respectively.

(c) Ordinary Income from Overseas / International Operations

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Ordinary Income from Overseas Operations	**¥182,616**	¥ 225,074	**$1,474**
Consolidated Ordinary Income	**931,778**	1,624,180	**7,520**
Ratio of Ordinary Income from Overseas Operations to Consolidated Ordinary Income	**19.6%**	13.8%	—

Notes: 1. For the fiscal years ended March 31, 2001 and 2000, Ordinary Income from Overseas Operations has been used instead of International Operations previously used in order to reflect more precise conditions of overseas transactions.

2. Ordinary Income from Overseas Operations includes ordinary income from transactions of Tokai Bank's overseas branches and of overseas consolidated subsidiaries (excluding ordinary income from intercompany transactions). Segment Information for Ordinary Income from Overseas Operations by location is not presented since the counterparties of the large number of transactions are not classified by location.

	Millions of Yen
	1999
Ordinary Income from International Operations	¥ 558,918
Consolidated Ordinary Income	1,308,027
Ratio of Ordinary Income from International Operations to Consolidated Ordinary Income	42.7%

Notes: 1. Ordinary Income from International Operations is presented as a substitute for Overseas Sales for non-financial companies.

2. Ordinary Income from International Operations primarily includes ordinary income from domestic transactions in foreign currencies, and from transactions of Tokai Bank's overseas branches and of consolidated overseas subsidiaries (excluding ordinary income from intercompany transactions). Segment Information for Ordinary Income from International Operations by location is not presented since the counterparties of the large number of transactions are not classified by location.

36. FINANCIAL INFORMATION OF THE PARENT BANK

Non-Consolidated Balance Sheets Information

March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars 2001
ASSETS:			
Cash and Due from Banks	**¥ 1,065,624**	¥ 1,343,153	**$ 8,601**
Call Loans	**250,256**	364,695	**2,020**
Monetary Receivables Bought	**4,147**	37,008	**33**
Trading Assets	**1,718,955**	435,759	**13,874**
Money Held in Trust	**105,707**	103,544	**853**
Securities	**7,239,693**	5,628,853	**58,432**
Loans and Bills Discounted	**18,784,473**	18,438,562	**151,610**
Foreign Exchanges	**250,338**	303,044	**2,020**
Other Assets	**1,171,961**	719,507	**9,459**
Premises and Equipment	**267,720**	335,819	**2,161**
Deferred Tax Assets	**308,933**	299,773	**2,493**
Customers' Liabilities for Acceptances and Guarantees	**1,780,645**	1,473,969	**14,372**
Reserve for Possible Loan Losses	**(331,160)**	(266,367)	**(2,673)**
Reserve for Possible Losses on Securities	**(708)**	(2,140)	**(6)**
Total Assets	**¥32,616,584**	¥29,215,179	**$263,249**
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits	**¥21,570,936**	¥20,563,402	**$174,099**
Call Money	**2,861,227**	2,139,137	**23,093**
Trading Liabilities	**784,745**	396,227	**6,334**
Borrowed Money	**1,455,305**	1,562,323	**11,746**
Foreign Exchanges	**30,469**	51,210	**246**
Other Liabilities	**2,506,302**	1,242,553	**20,228**
Reserve for Retirement Allowances		34,370	
Reserve for Contingent Liabilities Related to Loans Sold	**47,000**	55,455	**379**
Other Reserves		4	
Deferred Tax Liabilities for Revaluation Reserve for Land	**37,252**	60,310	**301**
Acceptances and Guarantees	**1,780,645**	1,473,969	**14,372**
Total Liabilities	**31,073,881**	27,578,960	**250,798**
Stockholders' Equity:			
Capital Stock:			
First Preferred Stock (Type A)	**50,000**	50,000	**403**
Second Preferred Stock (Type B)	**150,000**	150,000	**1,211**
Third Preferred Stock (Type B)	**150,000**	150,000	**1,211**
Common Stock	**373,138**	373,138	**3,011**
Capital Surplus	**649,202**	649,202	**5,240**
Legal Reserve	**77,049**	72,058	**622**
Revaluation Reserve for Land, Net of Taxes	**55,645**	88,714	**449**
Retained Earnings	**37,669**	103,107	**304**
Total Stockholders' Equity	**1,542,703**	1,636,219	**12,451**
Total Liabilities and Stockholders' Equity	**¥32,616,584**	¥29,215,179	**$263,249**

Non-Consolidated Statements of Operations Information

Fiscal Years Ended March 31, 2001, 2000 and 1999	2001	2000	Millions of Yen 1999	Millions of U.S. Dollars 2001
Income:				
Interest Income:				
Interest on Loans and Discounts	**¥388,138**	¥ 381,387	¥ 468,181	**$ 3,133**
Interest on and Dividends from Securities	**87,069**	99,842	85,686	**703**
Other Interest Income	**45,845**	358,964	327,696	**370**
Fees and Commissions	**66,228**	59,741	58,287	**534**
Trading Revenue	**16,119**	12,965	12,208	**130**
Other Operating Income	**79,073**	117,247	121,154	**638**
Other Income	**161,193**	483,059	164,068	**1,301**
Total Income	**843,665**	1,513,205	1,237,280	**6,809**
Expenses:				
Interest Expenses:				
Interest on Deposits	**141,665**	121,601	232,158	**1,143**
Interest on Borrowings and Rediscounts	**46,912**	46,504	58,970	**379**
Other Interest Expenses	**26,335**	330,623	286,516	**213**
Fees and Commissions	**14,995**	15,711	17,602	**121**
Trading Expenses	**30,645**	224	—	**247**
Other Operating Expenses	**7,407**	126,099	68,617	**60**
General and Administrative Expenses	**231,443**	235,563	244,774	**1,868**
Other Expenses	**441,557**	522,110	642,413	**3,563**
Total Expenses	**940,959**	1,398,435	1,551,050	**7,594**
Income (Loss) before Income Taxes	**(97,294)**	114,770	(313,770)	**(785)**
Provision for Income Taxes	**2,427**	2,278	2,866	**20**
Deferred Income Taxes	**(31,424)**	67,756	(130,914)	**(254)**
Net Income (Loss)	**(68,297)**	44,736	(185,722)	**(551)**
Retained Earnings Beginning of Year	**103,107**	78,805	66,753	**832**
Adjustment of Retained Earnings due to Initial Application of Deferred Tax Accounting	—	—	234,181	—
Reversal of Revaluation Reserve for Land	**32,751**	4,033	—	**264**
Cash Dividends	**(24,901)**	(20,378)	(31,026)	**(201)**
Transfer to Legal Reserve	**(4,991)**	(4,089)	(6,268)	**(40)**
Merger with Tosho Co., Ltd.	—	—	887	—
Retained Earnings End of Year	**¥ 37,669**	¥ 103,107	¥ 78,805	**$ 304**
			Yen	U.S. Dollars
Net Income (Loss) per Common Share:				
Basic	**¥ (34.38)**	¥ 15.81	¥ (93.21)	**$ (0.28)**
Fully Diluted	—	13.20	—	—

Non-consolidated statements of cash flows information of the Parent Bank are not presented herein as they are not required in Japan.

37. SUBSEQUENT EVENTS

(a) Effective April 2, 2001, Tokai Bank, The Sanwa Bank, Limited and The Toyo Trust and Banking Company, Limited jointly established a holding company under which the three banks became wholly-owned subsidiaries of the holding company through a stock-for-stock exchange. The holding company's official name is UFJ Holdings, Inc.

(b) On April 25, 2001, Tokai Bank and Sanwa Bank agreed to merge on January 15, 2002, subject to the approvals of shareholders at their respective shareholders' meeting and certain Japanese regulatory agencies. Sanwa Bank will be the surviving legal entity, and the name of the newly combined bank through merger will be UFJ Bank Limited.

(c) The following plan of Tokai Bank for the appropriation of unappropriated profit was approved at the ordinary shareholders' meeting held on June 26, 2001:

	Millions of Yen	Millions of U.S. Dollars
	2001	**2001**
Appropriations—Legal Reserve	**¥ 914**	**$ 7**
Year-end Dividends:		
First Preferred (Type A),		
¥34.375 ($0.2774) Per Share	**1,719**	**14**
Second Preferred (Type B),		
¥9.30 ($0.0751) Per Share	**1,395**	**11**
Third Preferred (Type B),		
¥9.70 ($0.0783) Per Share	**1,455**	**12**
Total	**¥5,483**	**$44**

CAPITAL ADEQUACY

Tokai Group's capital ratio is subject to the capital adequacy guidelines issued by the Financial Services Agency (the former Financial Supervisory Agency) which closely follow the risk-weighted approach proposed by the Bank for International Settlements (BIS). The following table presents the components of capital and the risk-weighted assets of Tokai Group's capital ratio under the guidelines.

	Millions of Yen	
March 31	**2001**	2000
Tier I (Core Capital):		
Common Stock	**¥ 372,886**	¥ 372,912
Perpetual Non-cumulative Preferred Stock	**350,000**	350,000
Capital Surplus	**649,201**	649,201
Retained Earnings	**64,805**	111,384
Minority Interests (*)	**140,948**	120,094
Foreign Currency Translation Adjustments	**(20,431)**	—
Less: Amortization of Goodwill	**—**	—
Total Tier I Capital	**¥ 1,557,410**	¥ 1,603,594
Tier II (Supplementary Capital):		
Unrealized Gains on Securities, after 55% Discount	**—**	—
Revaluation Reserve for Land, after 55% Discount	**41,803**	67,060
Reserve for Possible Loan Losses, excluding Specific Reserve	**231,576**	118,949
Subordinated Debts	**673,956**	771,046
Total Tier II Capital	**¥ 947,336**	¥ 957,055
Tier II Capital included as Qualifying Capital	**¥ 947,336**	¥ 957,055
Deductions	**8,728**	999
Total Capital	**¥ 2,496,018**	¥ 2,559,650
Risk-Weighted Assets:		
Credit Risk Related Items	**20,262,129**	20,133,897
Market Risk Related Items	**386,703**	160,188
Total Risk-Weighted Assets	**¥20,648,832**	¥20,294,085
Capital Ratio (%)	**12.08%**	12.61%

* "Minority Interests" in the above table includes the preferred securities issued by Tokai Bank's consolidated subsidiaries. The total balances of such preferred securities were ¥123,900 million and ¥106,150 million as of 31st March, 2001 and 2000, respectively. The outlines of the preferred securities are described in the following pages.

OUTLINES OF PREFERRED SECURITIES

Issuer	Tokai Preferred Capital Company L.L.C.
	Incorporated with limited liability in the State of Delaware
Relation to Tokai Bank	100% indirect subsidiary. Tokai Bank owns entire shares of the Common Securities of the Issuer through Tokai Preferred Capital Holdings Inc. which is a wholly owned subsidiary of Tokai Bank.
Business of the Issuer	The principal purpose of the Issuer is to issue the Offered Securities to investors and to hold and acquire a perpetual Credit Linked Note issued by Tokai Bank.
Offered Securities	Non-cumulative Preferred Securities, Series A, liquidation preference of $1,000 per share (the "Offered Securities") representing preferred limited liability interest in the Issuer.
	The Offered Securities are intended to provide holders with rights to liquidation preferences that are substantially *pari passu* to those provided by Tokai Bank's most senior class of preferred stock, and rights to dividends as described below.
Amount	$1 billion
Issuing Date	March 26, 1998
Maturity Date	Perpetual
Redemption	The Offered Securities may be redeemed in whole or in part on any Dividend Payment Date commencing in June 2008 at the option of the Issuer at the redemption price of $1,000 per security plus unpaid dividends therein. Any redemption of the Offered Securities is subject to compliance with applicable regulatory requirements, including the prior approval of the Financial Services Agency of Japan if then required.
Dividend Rate	Non-cumulative dividends are payable at a rate per annum on the liquidation preference of $1,000 per security equal to through the Dividend Payment Date in June 2008, 9.98% and with respect to each semi-annual Dividend Period thereafter, 5.40% above the London interbank offered rate for US$ deposits with a maturity of six months.
Dividend Payment Dates	The last day of June and December of each year or if such day is not a Business Day, the immediately preceding Business Day. A "Dividend Period" commences and includes such Dividend Payment Date and ends on but does not include the next succeeding Dividend Payment Date.
Dividends	Dividends will become irrevocably due and payable on each Dividend Payment Date unless either a Regulatory Event has occurred and is continuing or the Issuer receives (or deems to receive) a notice from the holder of the Common Securities instructing not to pay dividends on such Dividend Payment Date (the "Dividend Shift Notice"), in which case no dividend shall become due and payable on such Dividend Payment Date; provided, however, that if the Dividend Payment Date as to which such Dividend Shift Notice is delivered is a Compulsory Dividend Payment Date, then such Dividend Shift Notice will apply to the first Dividend Payment Date thereafter that is not a Compulsory Dividend Payment Date. "Regulatory Event" means an event where Tokai Bank's total risk-based capital ratio or Tier I risk-based capital ratio, calculated on a consolidated basis as of the end of any period in respect of which Tokai Bank submits financial statements to the Financial Services Agency of Japan, declines below the minimum percentage required by Japanese banking regulation. If Tokai Bank pays any dividends on any of its Capital Stock with respect to any fiscal year of Tokai Bank, then the Issuer will be required to pay full dividends on the Offered Securities on the Dividend Payment Dates that occur in December of the calendar year in which such fiscal year ends and June of the next succeeding calendar year (irrespective of whether a Regulatory Event has occurred or a Dividend Shift Notice has been delivered) ("Compulsory Dividends") upon which Dividend Payment Dates the Issuer is required to pay full dividends on the Offered Securities.

Credit-Linked Note	The Issuer acquired and holds the Credit-Linked Note having a principal amount of $1,125,000,000 issued by Tokai Bank. The Credit-Linked Note has generated net income for distribution to the holders of the Offered Securities and its Common Securities. The Credit-Linked Note evidences a subordinated perpetual obligation of Tokai Bank under which Tokai Bank will make payments only of interest and not principal. The Credit-Linked Note will provide that, if a Liquidation Event occurs and for so long as it continues, (i) the obligation of Tokai Bank to make payments of interest under the Credit-Linked Note will be suspended, (ii) the obligation of Tokai Bank to make payments under the Parent Contribution Agreement will be suspended and (iii) the Credit-Linked Note will evidence a subordinated claim in the liquidation of Tokai Bank and the Issuer will have no other financial claim against or interest in Tokai Bank under the Credit-Linked Note. The subordinated claim evidenced by the Credit-Linked Note will entitle the Issuer to substantially the same liquidating distributions in the liquidation of Tokai Bank that the Issuer would be entitled to if the Credit-Linked Note were *pari passu* to the most senior class of preferred stock of Tokai Bank having an aggregate liquidation preference at least equal to the aggregate liquidation preference of the Offered Securities.
Parent Contribution Agreement	Pursuant to the Parent Contribution Agreement, Tokai Bank will be obligated to contribute (or cause to be contributed) to the Issuer such additional funds as are necessary for the payment of Compulsory Dividends, except that, as long as the Credit-Linked Note is outstanding, (i) if Tokai Bank is not in default under the Credit-linked Note on either such Compulsory Dividend payment date on which such Compulsory Dividends are payable, dividends so payable by the Issuer on such Dividend Payment Date will be limited to amounts received by the Issuer under the Credit-Linked Note, and (ii) the amount Tokai Bank is obligated to contribute to the Issuer during any Dividend Period, together with interest payments actually made by Tokai Bank under the Credit-Linked Note, shall not exceed the scheduled amount of interest payments under the Credit-Linked Note due during such Dividend Period.
Liquidation Event	A "Liquidation Event" shall be deemed to occur if (a) a liquidation proceeding (*Seisan*) under the laws of Japan (including the special liquidation proceeding (*Tokubetsu Seisan*) of Tokai Bank under the Commercial Code(Law No.48 of 1899, as amended)) is commenced by or against Tokai Bank (for the avoidance of doubt, otherwise than for the purpose of or pursuant to any merger or amalgamation of Tokai Bank under the Commercial Code or the Special Law regarding Merger Procedures of Bank for Bank Holding Company(Law No.121 of 1997), the terms of which are approved by Tokai Bank's shareholders and where the continuing company or the company formed as a result of which has effectively succeeded to all or substantially all of the assets of Tokai Bank and assumes the entire obligation of Tokai Bank under the Credit-Linked Note and the Parent Contribution Agreement), or (b) a competent court in Japan shall have either (x)adjudicated Tokai Bank to be bankrupt (*Hasan*) pursuant to the provisions of the Japanese Bankruptcy Law(Law No. 71 of 1922, as amended) or (y) approved the preparation of a reorganization plan for liquidation (*Seisan-o-Naiyotosuru-Keikaku*) of Tokai Bank pursuant to the provisions of the Japanese Corporate Reorganization Law(Law No. 172 of 1952, as amended).

TOKAI BANK PRINCIPAL SHAREHOLDERS

20 largest shareholders as of March 31, 2001

Shareholders	Number of Shares (in thousands)	*Percentage of Total Shares Outstanding
Toyota Motor Corporation	114,765	5.09
Nippon Life Insurance Co.	67,743	3.00
Japan Trustee Services Bank, Ltd.	57,157	2.53
Toyoshima Co., Ltd.	55,866	2.48
The Dai-ichi Mutual Life Insurance Co.	38,953	1.72
The Asahi Bank, Ltd.	38,044	1.68
Asahi Mutual Life Insurance Co.	33,655	1.49
Meiji Life Insurance Co.	32,626	1.44
Chiyoda Fire & Marine Insurance	28,844	1.28
Sumitomo Life Insurance Co.	26,870	1.19
Aozora Bank, Ltd.	22,624	1.00
Kondo Bosekijo K.K.	21,882	0.97
The Chiyoda Mutual Life Insurance Co.	21,000	0.93
The Mitsubishi Trust & Banking Corporation	20,932	0.92
The Taiyo Mutual Life Insurance Co.	20,000	0.88
Toho Gas Co., Ltd.	18,737	0.83
Suzuki Motor Corporation	17,194	0.76
Chubu Electric Power Co., Inc.	16,956	0.75
Tokai Bank Employee Stock Ownership Association	16,864	0.74
The Nikko Securities Co., Ltd.	16,589	0.73
Total	687,303	30.51

*Rounded off at two decimal places

As of April 2, 2001

Shareholders	Number of Shares (in thousands)	Percentage of Total Shares in Issue
UFJ Holdings, Inc.	2,252,005	100.00

AUDITED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT ACCOUNTANTS

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

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

We have audited the accompanying consolidated balance sheets (Banking Account) of The Toyo Trust and Banking Company, Limited and its consolidated subsidiaries (the "Group") as of March 31, 2001 and 2000, the related consolidated statements of operations and changes in stockholders' equity for each of the three years in the period ended March 31, 2001, and the related consolidated statements of cash flows for the years ended March 31, 2001 and 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 Group as of March 31, 2001 and 2000, the consolidated results of their operations for each of the three years in the period ended March 31, 2001, and the consolidated results of their cash flows for the year ended March 31, 2001 and 2000, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2, effective from the year ended March 31, 2001, the Group has adopted new accounting standards for employees' retirement benefits and financial instruments.

The amounts expressed in U.S. dollars, provided solely for the convenience of readers, have been translated on the basis set forth in Note 1.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
June 26, 2001

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Millions of U.S. Dollars (Note 1)
March 31, 2001 and 2000	**2001**	2000	**2001**
ASSETS:			
Cash and Due from Banks (Note 32)	**¥ 523,530**	¥1,013,909	**$ 4,225**
Call Loans	**26,599**	105,472	**215**
Monetary Receivables Bought	**33,730**	25,552	**272**
Trading Assets (Note 2 (d), 3)	**110,604**	195,906	**893**
Money held in Trust	**—**	43,663	**—**
Securities (Note 2 (e), 4 and 9)	**2,757,988**	2,077,620	**22,260**
Loans and Bills Discounted (Note 5 and 9)	**3,748,440**	4,134,720	**30,254**
Foreign Exchanges (Note 6)	**3,544**	7,797	**29**
Other Assets (Note 2 (g), 7 and 9)	**309,228**	228,051	**2,496**
Premises and Equipment (Note 2 (f), 8 and 9)	**178,840**	175,790	**1,443**
Deferred Tax Assets	**159,976**	162,249	**1,291**
Customers' Liabilities for Acceptances and Guarantees	**342,717**	262,522	**2,766**
Reserve for Possible Loan Losses (Note 2 (h))	**(91,154)**	(159,177)	**(736)**
Reserve for Possible Losses on Securities (Note 2 (i))	**(183)**	(112)	**(1)**
Total Assets	**¥8,103,865**	¥8,273,968	**$65,406**
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits (Note 10)	**¥3,674,176**	¥3,590,975	**$29,654**
Call Money	**218,458**	116,166	**1,763**
Trading Liabilities (Note 2 (d) and 11)	**17,752**	24,339	**143**
Borrowed Money (Note 12)	**188,722**	220,867	**1,523**
Foreign Exchanges (Note 13)	**0**	17	**0**
Bonds and Notes (Note 14)	**162,588**	167,971	**1,312**
Convertible Bonds (Note 14)	**19,140**	24,326	**154**
Borrowed Money from Trust Account	**2,736,497**	2,770,712	**22,086**
Other Liabilities (Note 15)	**162,680**	467,204	**1,313**
Reserve for Retirement Allowances (Note 2 (j))	**—**	3,599	**—**
Reserve for Retirement Benefits (Note 2 (j))	**923**	—	**7**
Reserve for Contingent Liabilities related to Loans Sold (Note 2 (k))	**3,944**	5,728	**32**
Reserve for Possible Losses on Support of Specific Borrowers (Note 2 (l))	**—**	33,823	**—**
Other Reserves (Note 16)	**0**	0	**0**
Deferred Tax Liabilities for Revaluation Reserve for Land (Note 2 (f) and 30)	**7,265**	7,075	**59**
Acceptances and Guarantees (Note 17)	**342,717**	262,522	**2,766**
Total Liabilities	**7,534,866**	7,695,330	**60,814**
Minority Interests:			
Minority Interests	**990**	907	**8**
Stockholders' Equity:			
First Class, First Series Preferred Stock (Note 18)	**40,000**	40,000	**323**
First Class, Second Series Preferred Stock (Note 18)	**100,000**	100,000	**807**
Common Stock (Note 18)	**140,536**	140,471	**1,134**
Capital Surplus (Note 18)	**252,676**	252,611	**2,039**
Revaluation Reserve for Land, Net of Taxes (Note 2 (f) and (n))	**11,364**	10,746	**92**
Retained Earnings (Note 2 (o))	**24,011**	33,902	**194**
Foreign Currency Translation Adjustments	**(575)**	—	**(5)**
Treasury Stock	**(5)**	(0)	**(0)**
Total Stockholders' Equity	**568,008**	577,730	**4,584**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥8,103,865**	¥8,273,968	**$65,406**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Fiscal Years ended March 31, 2001, 2000 and 1999	Millions of Yen 2001	2000	1999	Millions of U.S. Dollars (Note 1) 2001
Income:				
Trust Fees	**¥ 56,111**	¥ 48,436	¥ 78,724	**$ 453**
Interest Income:	**103,459**	135,503	176,094	**835**
Interest on Loans and Discounts	**68,586**	78,526	114,529	**554**
Interest on and Dividends from Securities	**25,043**	34,584	34,947	**202**
Other Interest Income (Note 20)	**9,830**	22,392	26,617	**79**
Fees and Commissions (Note 21)	**47,522**	43,200	38,614	**384**
Trading Revenue (Note 22)	**886**	456	4,422	**7**
Other Operating Income (Note 23)	**12,435**	8,384	23,601	**100**
Other Income (Note 24)	**131,217**	260,630	134,448	**1,059**
Total Income	**351,632**	496,613	455,906	**2,838**
Expenses:				
Interest Expenses:	**64,357**	99,056	149,327	**519**
Interest on Deposits	**23,669**	25,348	61,891	**191**
Interest on Borrowings and Rediscounts	**9,641**	9,654	11,726	**78**
Other Interest Expenses (Note 25)	**31,046**	64,054	75,709	**251**
Fees and Commissions (Note 26)	**2,954**	5,680	5,346	**24**
Trading Expenses (Note 22)	**474**	220	—	**4**
Other Operating Expenses (Note 27)	**1,814**	18,673	19,979	**15**
General and Administrative Expenses	**93,473**	97,567	102,017	**754**
Other Expenses (Note 28)	**187,628**	247,156	407,323	**1,514**
Total Expenses	**350,703**	468,355	683,993	**2,831**
Income (Loss) before Income Taxes and Minority Interests	**929**	28,257	(228,087)	**7**
Income Taxes (Note 2 (n)):				
Provision for Income Taxes	**1,043**	1,084	1,054	**8**
Deferred Income Taxes	**2,588**	21,340	(70,882)	**21**
	3,631	22,424	(69,828)	**29**
Minority Interests in Net Income (Loss)	**(797)**	393	(1,167)	**(6)**
Net Income (Loss)	**¥ (1,904)**	¥ 5,439	¥(157,092)	**$ (15)**
			Yen	U.S. Dollars
Net Income (Loss) per Common Share (Note 2 (q)):				
Basic	**¥ (4.99)**	¥ 3.03	¥ (199.69)	**$ (0.04)**
Fully Diluted	**¥ —**	¥ 2.98	¥ —	**$ —**
Dividend Declared per Share:				
First Class, First Series Preferred Stock	**¥ 5.30**	¥ 5.30	¥ 0.02	**$ 0.04**
First Class, Second Series Preferred Stock	**¥ 11.50**	¥ 11.50	¥ 0.04	**$ 0.09**
Common Stock	**¥ 2.50**	¥ 5.00	¥ 2.50	**$ 0.02**

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Fiscal Years ended March 31, 2001, 2000 and 1999	Millions of Yen 2001	2000	1999	Millions of U.S. Dollars (Note 1) 2001
First Class, First Series Preferred Stock:				
Balance at Beginning of the Fiscal Year	**¥ 40,000**	¥ 40,000	¥ —	**$ 323**
Additions: Issuance	**—**	—	40,000	**—**
Balance at End of the Fiscal Year	**¥ 40,000**	¥ 40,000	¥ 40,000	**$ 323**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**80,000**	80,000	80,000	
First Class, Second Series Preferred Stock:				
Balance at Beginning of the Fiscal Year	**¥100,000**	¥100,000	¥ —	**$ 807**
Additions: Issuance	**—**	—	100,000	**—**
Balance at End of the Fiscal Year	**¥100,000**	¥100,000	¥ 100,000	**$ 807**
Number of Shares Issued at End of the Fiscal Year (thousands of shares)	**200,000**	200,000	200,000	
Common Stock:				
Balance at Beginning of the Fiscal Year	**¥140,471**	¥125,427	¥ 115,426	**$1,134**
Additions: Conversion of Convertible Bonds and Notes	**65**	15,043	10,000	**1**
Balance at End of the Fiscal Year	**¥140,536**	¥140,471	¥ 125,427	**$1,134**
Number of Shares Issued of at End of the Fiscal Year (thousands of shares)	**925,968**	925,643	850,425	
Capital Surplus:				
Balance at Beginning of the Fiscal Year	**¥252,611**	¥237,567	¥ 87,566	**$2,039**
Additions:				
Issuance of Common Stock	**—**	—	10,000	**—**
Issuance of Preferred Stock	**—**	—	140,000	**—**
Conversion of Convertible Bonds and Notes	**65**	15,043	—	**1**
Balance at End of the Fiscal Year	**¥252,676**	¥252,610	¥ 237,567	**$2,039**
Revaluation Reserve for Land, Net of Taxes:				
Balance at Beginning of the Fiscal Year	**¥ 10,746**	¥ 10,361	¥ —	**$ 87**
Additions:				
Change in Presentation	**—**	—	10,361	**—**
Transfer from Deferred Tax Liabilities for Revaluation Reserve for Land	**124**	374	—	**1**
Deductions: Reversal of Revaluation Reserve for Land	**(493)**	(10)	—	**(4)**
Balance at End of the Fiscal Year	**¥ 11,364**	¥ 10,746	¥ 10,361	**$ 92**
Retained Earnings:				
Balance at Beginning of the Fiscal Year	**¥ 33,902**	¥ 35,151	¥ 195,362	**$ 274**
Additions:				
Increase Due to Elimination of Consolidated Subsidiaries and Affiliates accounted for under Equity Method	**930**	—	39	**8**
Decrease of the number of Consolidated Subsidiaries	**—**	—	2,623	**—**
Income Taxes Adjustment for Previous Year	**—**	—	324	**—**
Deductions:				
Appropriation of Retained Earnings (Note 2(o)):				
Cash Dividends	**7,353**	5,798	5,113	**59**
Decrease Due to Elimination of Consolidated Subsidiaries and Affiliates accounted for under Equity Method	**1,069**	879	—	**9**
Decrease resulting from Reversal of Revaluation Reserve for Land	**493**	10	—	**4**
Decrease of the number of Consolidated Subsidiaries	**—**	—	993	**—**
Net Income (Loss)	**(1,904)**	5,439	(157,092)	**(15)**
Balance at End of the Fiscal Year	**¥ 24,011**	¥ 33,902	¥ 35,151	**$ 194**
Foreign Currency Translation Adjustments:				
Balance at Beginning of the Fiscal Year	**¥ —**	¥ —	¥ —	**$ —**
Reclassification of Foreign Currency Translation Adjustment for Adoption of Revised Accounting Standard	**(575)**	—	—	**(5)**
Balance at End of the Fiscal Year	**¥ (575)**	¥ —	¥ —	**$ (5)**
Treasury Stock and Parent Bank's Stock held by Subsidiaries:				
Balance at Beginning of the Fiscal Year	**¥ (1)**	¥ (66)	¥ (1)	**$ (0)**
Change in Treasury Stock and Parent Bank Stock held by Subsidiaries	**(4)**	65	(64)	**(0)**
Balance at End of the Fiscal Year	**¥ (5)**	¥ (0)	¥ (66)	**$ (0)**

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

The Toyo Trust and Banking Company, Limited and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years ended March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars (Note 1) 2001
Cash Flows from Operating Activities:			
Income before Income Taxes and Minority Interests	**¥ 929**	¥ 28,257	**$ 7**
Depreciation	**22,314**	19,352	**180**
Amortization of Goodwill	**875**	57	**7**
Equity in Earnings of Affiliates	**799**	45	**6**
Increase (Decrease) in Reserve for Possible Losses	**(67,968)**	(270,267)	**(549)**
Increase (Decrease) in Reserve for Possible Losses on Securities	**70**	112	**1**
Increase (Decrease) in Reserve for Contingent Liabilities Related to Loans Sold	**(1,784)**	(2,193)	**(14)**
Increase (Decrease) in Reserve for Supporting Specific Borrowers	**(33,823)**	33,823	**(273)**
Increase (Decrease) in Reserve for Retirement Allowances	**(3,599)**	(357)	**(29)**
Increase (Decrease) in Reserve for Retirement Benefits	**927**	—	**7**
Interest Income	**(103,459)**	(135,503)	**(835)**
Interest Expenses	**64,357**	99,056	**519**
Net (Gain) Loss on Securities	**(10,246)**	(75,321)	**(83)**
Net (Gain) Loss on Money held in Trust	**(3,445)**	(6,745)	**(28)**
Net Exchange Profit (Loss)	**6,697**	10,341	**54**
Net (Profit) Loss on Sales of Premises and Equipment	**297**	643	**2**
Net Decrease (Increase) in Trading Assets	**85,302**	97,520	**688**
Net Increase (Decrease) in Trading Liabilities	**(6,587)**	(48,009)	**(53)**
Net Decrease (Increase) in Loans and Bills Discounted	**387,857**	350,828	**3,130**
Net Increase (Decrease) in Deposits	**(225,219)**	103,665	**(1,818)**
Net Increase (Decrease) in Negotiable Certificates of Deposit	**308,410**	(18,928)	**2,489**
Net Increase (Decrease) in Borrowed Money (Non-subordinated)	**(21,144)**	(27,751)	**(171)**
Net Decrease (Increase) in Due from Banks	**(253,454)**	(3,929)	**(2,046)**
Net Decrease (Increase) in Call Loans and Monetary Receivables Bought	**70,693**	194,988	**571**
Net Increase (Decrease) in Call Money	**102,291**	(117,058)	**826**
Net Decrease (Increase) in Foreign Exchange Assets	**4,252**	(1,238)	**34**
Net Increase (Decrease) in Foreign Exchange Liabilities	**(17)**	(9)	**(0)**
Net Increase (Decrease) in Borrowed Money from Trust Account	**(34,215)**	563,624	**(276)**
Interest Received	**105,909**	134,545	**855**
Interest Paid	**(67,243)**	(96,826)	**(543)**
Other, Net	**(394,061)**	460,776	**(3,180)**
Subtotal	**(64,280)**	1,293,499	**(519)**
Income Taxes Paid	**697**	(834)	**6**
Net Cash Provided by (Used in) Operating Activities	**(63,583)**	1,292,665	**(513)**
Cash Flows from Investing Activities:			
Purchases of Securities	**(3,154,889)**	(3,872,228)	**(25,463)**
Proceeds from Sales of Securities	**2,030,183**	2,868,230	**16,386**
Proceeds from Maturities of Securities	**464,790**	447,450	**3,751**
Increase in Money held in Trust	**—**	(15,683)	**—**
Decrease in Money held in Trust	**47,108**	40,894	**380**
Expenditures on Premises and Equipment	**(29,015)**	(18,047)	**(234)**
Proceeds from Sales of Premises and Equipment	**3,208**	4,543	**26**
Proceeds from Sales of Consolidated Subsidiaries	**40**	—	**0**
Net Cash Provided by (Used in) Investing Activities	**(638,574)**	(544,839)	**(5,154)**
Cash Flows from Financing Activities:			
Repayment of Subordinated Debts	**(11,000)**	—	**(89)**
Proceeds from Issuance of Subordinated Bonds and Notes	**28,900**	—	**233**
Redemption and Repurchase of Subordinated Bonds and Notes	**(48,272)**	(38,769)	**(390)**
Dividends Paid	**(7,353)**	(5,798)	**(59)**
Acquisition of Treasury Stock	**(60)**	(55)	**(0)**
Proceeds from Sales of Treasury Stock	**55**	56	**0**
Net Cash Provided by (Used in) Financing Activities	**(37,729)**	(44,567)	**(305)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**188**	(562)	**2**
Net (Decrease) Increase in Cash and Cash Equivalents	**(739,699)**	702,695	**(5,970)**
Cash and Cash Equivalents at Beginning of the Fiscal Year	**803,255**	107,066	**6,483**
Cash and Cash Equivalents due to Merger	**—**	21	**—**
Cash and Cash Equivalents due to New Consolidation of Subsidiaries	**—**	13	**—**
Decrease in Cash and Cash Equivalents due to Elimination of Consolidated Subsidiaries	**(3,826)**	(6,541)	**(31)**
Cash and Cash Equivalents at End of the Fiscal Year	**¥ 59,729**	¥ 803,255	**$ 482**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of The Toyo Trust and Banking Company, Limited ("Toyo Trust Bank") and its consolidated subsidiaries (together referred to as "Toyo Trust Group") after the elimination of all material intercompany transactions. These statements have been prepared in conformity with accounting principles and practices generally accepted in Japan, including the statements and opinions by Business Accounting Deliberation Council ("BADC"), Financial Statements Regulation, and Consolidated Financial Statements Regulation by the Cabinet Office (formerly, by the Ministry of Finance), and also in conformity with industry practices for banks in Japan.

Accounting principles and practices generally accepted in Japan are different from International Accounting Standards in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated balance sheets and the related consolidated statements of operations and consolidated statements of cash flows were field with the Financial Services Agency (formerly filed with the Ministry of Finance) as required by the Securities and Exchange Law of Japan. The related consolidated statements of changes in shareholders' equity are not required as a part of the basic financial statements in Japan and were prepared solely for the purpose of inclusion in this report.

Effective April 1, 1999, a consolidated statements of cash flows is required to be prepared under accounting standards principles and practices generally accepted in Japan. The consolidated statements of cash flows for the fiscal years ended March 31, 2001 and 2000 are presented herein. Such consolidated statement for the fiscal year ended March 31, 1999 is not presented, as accounting principles and practices generally accepted in Japan do not require retroactive preparation or presentation for prior years' financial statements.

For the convenience of readers outside Japan, certain items presented in the consolidated financial statements filed with the Financial Services Agency have been reclassified. Furthermore, certain Japanese yen balances are converted into U.S. Dollars at ¥123.90 to $1, the effective exchange rate prevailing at the latest balance sheet date of March 31, 2001. This conversion, however, should not be construed as implying that the Japanese yen amounts have been, or could have been, translated, realized, or settled in U.S. Dollars at that or any other exchange rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principle of Consolidation

(i) Scope of Consolidation

The scope of the consolidation is determined based on Toyo Trust Bank's control and influence over the decision making body of investees as well as its voting as described below:

Subsidiaries

Subsidiaries are, in general, companies in which Toyo Trust Bank 1) holds, directly and/or indirectly, more than 50% of the voting shares, or 2) holds, directly and/or indirectly, 40% or more of the voting shares and has effective control over the decision-making body of their business policies and financial and operating issues through personnel, finance, and other relationships, unless evidence exists which shows that Toyo Trust Bank does not have such control.

The number of consolidated subsidiaries as of March 31, 2001 was 14. Major consolidated subsidiaries are:

Toyo Trust Capital Company, Limited (Japan)
Toyo Trust Total Finance Company, Limited (Japan)
Toyo Trust Asset Management Company, Limited (Japan)
Toyo Trust Company of New York (U.S.A.)

Affiliates

Affiliates are companies other than subsidiaries in which Toyo Trust Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares or 2) holds, directly and/or indirectly, 15% or more of voting shares and also, to a material degree, is able to influence decision-making through personnel, finance, and other relationships, unless evidence exists which shows that Toyo Trust Bank does not have such influence.

As of March 31, 2001, the number of affiliates accounted for under the equity method was 5. Major affiliates accounted for under the equity method were:

United Leasing Company, Limited (China)
The Master Trust Bank of Japan, Limited (Japan)

The numbers of subsidiaries and affiliates as of March 31, 2001, 2000 and 1999 were as follows:

	2001	2000	1999
Consolidated Subsidiaries	**14**	18	21
Affiliates accounted for under the equity method	**5**	2	2

(ii) Fiscal Year End of Subsidiaries

The accompanying consolidated financial statements include the accounts of consolidated subsidiaries, some of which have fiscal year ends other than March 31. The fiscal year ends of such subsidiaries are principally December 31 and the accounts of these subsidiaries have been included after making appropriate adjustments for any material transactions during the period between January 1 and March 31.

(iii) Goodwill

Goodwill arising from the difference between the cost of investment and the underlying equity in the net assets of the invested subsidiary is charged or credited to the consolidated statements of operations, as the case may be, in the fiscal year of acquisition.

(iv) Translation of Foreign Currency Financial Statements of Overseas Subsidiaries

Financial statements of overseas subsidiaries denominated in foreign currencies are in general translated into Japanese yen using the exchange rate prevailing at each subsidiary's balance sheet date, instead of at the consolidated balance sheet date, except for items in "Stockholders' Equity" which are translated at historical rates. Due to the revised accounting standards for the consolidated financial statements, the resulting differences, "Foreign Currency Transaction Adjustments," are included in Minority Interests and Stockholders' Equity from the fiscal year ended March 31, 2001, while prior to April 1, 2000, such account had been stated in assets.

(b) Foreign Currency Translation and Revaluation

Toyo Trust Bank maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the market exchange rate prevailing at each balance sheet date, except for certain accounts which are translated historical rates.

Foreign exchange trading positions, including all foreign currency spot, forward contracts and option positions, are valued at prevailing market rates at each balance sheet date, and gains or losses from foreign exchange trading are reported net in foreign exchange gains or losses. Premiums or discounts associated with currency swaps and spot and forward exchange swaps related to finding to funding transactions are amortized over the life of the swap agreements as adjustments to interest income or expenses, as appropriate.

Foreign currency accounts held by the consolidated overseas subsidiaries are translated into the reporting currency of such subsidiaries principally at the respective exchange rates prevailing at each subsidiary's balance sheet date. Consolidated overseas subsidiaries recognize gains or losses arising from the revaluation of foreign currency accounts in accordance with generally accepted accounting principles and practices in their respective countries.

(c) Cash and Cash Equivalents

For the consolidated statement of cash flows, "Cash and Cash Equivalents" is "Cash and Due from Banks" in the consolidated balance sheet.

(d) Transactions for Trading Purposes

Transactions for trading purposes are those seeking to capture gains arising from short-term market changes or from the differences between markets, interest rates or currency exchange rate. Such transactions are reported as "Trading Assets" and "Trading Liabilities" in the consolidated balance sheets on a trade date basis. Profits and losses on the transactions for trading purposes are shown as "Trading Revenue" or "Trading Expenses" in the consolidated statements of operations on a trade date basis.

Trading account securities and monetary receivables, etc. held for trading purposes are stated at market value at the end of the fiscal year. Trading-related financial derivatives such as swaps, futures and options are valued on the assumption that they were settled at the end of the fiscal year.

In the case of securities and monetary receivables, etc. held for trading purposes, "Trading Revenue/Expenses" includes the interest received/paid during the fiscal year and the increase/decrease between the valuation profits/losses at the end official year and those at the end of the previous fiscal year. In the case of trading-related financial derivatives, "Trading Revenue/Expenses" includes the interest received/paid during the fiscal year and the increase/decrease between the amounts of profits/losses based on the assumption that transaction were settled at the fiscal year and those at the end of the previous fiscal year.

Transactions made by consolidated subsidiaries for trading purposes are principally treated as described above.

(e) Financial Instruments

Effective April 1, 2000, Toyo Trust Bank adopted a new accounting standard for financial instruments, "The Opinion Concerning the Establishment of an Accounting Standard for Financial Instruments," issued by the BADC.

As result of adoption of the new accounting standard for financial instruments, "Income before Income Taxes and Minority Interests" for the fiscal year ended March 31, 2001 decreased by ¥954 million ($8 million) as compared with the amount that would have been reported if the new accounting standard had not been applied.

(i) Securities

For the fiscal year ended March 31, 2000 and 1999, securities were carried at moving average cost, except for listed corporate bonds and other listed securities such as foreign listed securities that were carried at the lower of moving average cost or market value, less amounts written-off, if any. Securities included in money held in trust, primarily for the purpose of investing in securities, such as listed bonds, listed stocks and other listed securities, were carried at the lower of moving average cost or market value, and others were carried at moving average cost.

Under the new accounting standard for financial instruments securities other than those classified as trading securities are classified into three categories: "Held-to-maturity Debt Securities," "Investments in Non-consolidated Subsidiaries and Affiliates that are not accounted for under the Equity Method," and "Available-for-sale Securities."

"Held-to-maturity Debt Securities" are carried at amortized cost, as determined by the moving average method. "Investments in Non-consolidated Subsidiaries and Affiliates" that are not accounted for under the equity method are carried at moving average cost. "Available-for-sale Securities" are carried at market value. For the fiscal year ended March 31, 2001, however, "Available-for-sale Securities" were carried at cost or at amortized cost, as determined by the moving average method, less amounts written-off, if any, in accordance with a transitional provision of one-year delayed application under the new accounting standard for financial instruments. Securities included in money held in trust, primarily for the purpose of investing in securities, were carried at market value.

(ii) Derivative Financial Instruments and Hedge Accounting

For the fiscal year ended March 31, 2000 and 1999, derivatives financial instruments held for non-trading purposes were accounted for an accrual basis.

From the fiscal year ended March 31, 2001, under the new accounting standard for financial instruments, all derivative financial instruments are carried at fair value, with changes in fair value included in net income or loss for the period in which they arise, except for derivatives that are designated as hedging instruments and qualified for hedge accounting.

Toyo Trust Bank adopts a macro hedging methodology using derivatives to manage the overall interest rate risk arising from various financial assets and liabilities held, such as loans and deposits. This macro hedging methodology is a risk management method stipulated as a Risk Adjusted Approach in the "Tentative Accounting and Auditing Treatment relating to Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No.15). Accordingly, hedging items are accounted for using the deferral method of hedge accounting is used.

Hedge effectiveness is assessed by reviewing (1) whether the total risk in relation to derivatives instruments, used as hedging instruments, is within established risk limits as set out in the risk management policies and (2) whether interest rate risk from hedged items has been mitigated.

The deferral method of hedge accounting and the accrual method for interest rate swaps are also applied on certain assets and liabilities. In addition, consolidated subsidiaries adopt the accrual method for interest rate swaps.

As of March 31, 2001, the gross amounts of deferred hedge gains and losses before netting are ¥34,983 million ($282 million) and ¥42,437 million ($342 million), respectively.

(f) Premises and Equipment

(i) Premises and Equipment

Premises and equipment owned by Toyo Trust Bank are depreciated using the declining-balance method. The range of useful lives is from 15 years to 50 years for buildings, from 5 years to 6 years for equipment.

Depreciation of premises and equipment owned by consolidated subsidiaries is computed principally by the straight-line method over the established useful life of each asset.

(ii) Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the land used for business owned by Toyo Trust Bank was revalued, and unrealized gain was reported as "Revaluation Reserve for Land Revaluation" in Liabilities for the fiscal year ended March 31, 1998. Such revaluation, however, was allowed only at a specific time under the law and can not be undertaken at each fiscal year end.

Book Value of Land before Revaluation	¥20,420 million
Book Value of Land after Revaluation	¥48,091 million
Date of Revaluation	March 31, 1998

The method of revaluation is as follows:

Under article 3-3 of the law, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan (currently, the Ministry of Land, Infrastructure and Transportation), after appropriate adjustments for the shape of land and the timing the assessment.

On March 31, 1999, the law was amended and to comply with the amended law, the unrealized gain on the revaluation of land, net of deferred tax, was reclassified to as "Revaluation Reserve for Land" included in Stockholder's Equity, and the relevant deferred tax was included in Liabilities as "Deferred Tax Liabilities Revaluation Reserve for Land".

The fair values of the land used for business as of March 31, 2001 and 2000, were below its book value after revaluation by ¥1,812 million ($15 million) and ¥1,337 million, respectively.

(g) Software

Software used by Toyo Trust Bank and its consolidated domestic subsidiaries is amortized using the straight-line method based on the estimated useful life (mainly 5 years) and is included in "Other Assets."

(h) Reserve for Possible Loan Losses

"Reserve for Possible Loan Losses" of Toyo Trust Bank is provided as follows in accordance with internal criteria regarding write-offs and providing reserves for possible credit losses:

1) The reserve for claims on debtors who are legally or substantially bankrupt is provided based on the remaining amount of the claims after charge-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
2) The reserve for claims on debtors who are not currently legally bankrupt but are likely to become bankrupt is provided based on the amount necessary, given the overall solvency assessment of the debtors after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
3) The reserve for claims on debtors other than the above is provided primarily based on the default rate, calculated by the actual defaults during a certain period in the past.
4) The specific reserve for loans to certain refinancing countries is provided based on the expected loss amount considering the political and economic situations of such countries.

All claims are assessed by the operating sections based on the internal rules for self-assessment of asset quality. Subsequently, departments for credit assessment and auditing, which are independent from the operating sections, audits these self-assessments, and the reserve is provided based on the results of the assessment.

With respect to the claims with collateral or guarantees on debtors who are legally or substantially bankrupt, the remaining amount of the claims after deduction of the amount which is deemed collectible through the disposal of collateral or the execution of guarantees was charged-off against the respective claims from the year fiscal ended March 31, 2000. The amount of the accumulated charged-off as of March 31, 2001 and 2000 were ¥152,517 million ($1,231 million) and ¥100,428 million, respectively.

Toyo Trust Bank's consolidated subsidiaries usually compute their reserves for possible loan losses using similar standard and methods.

(i) Reserve for Possible Losses on Securities

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

(j) Employee Retirement Benefits

Toyo Trust Bank and its certain domestic subsidiaries have defined benefit plans and lump-sum severance indemnities plans.

Until the fiscal year ended March 31, 2000, "Reserve for Retirement Allowances" provided by Toyo Trust Bank and its major domestic subsidiaries represents the amount which would be required be paid if all eligible employees voluntarily terminated their employment at the consolidated balance sheet date. In addition to the above, with respect to pension plans, annual contributions are charged to the statements of operations when paid.

From the fiscal year ended March 31, 2001, Toyo Trust Bank has adopted a new accounting standard for retirement benefits and, "Reserve for Retirement Benefits," which is provided for future pension and lump-sum severance indemnity payments to employees, is recorded based on the estimated pension liability and the pension asset amount. The unrecognized net obligation at transition, amounting to ¥13,371 million($108 million) at the date of initial application of the new accounting standard for retirement benefits, is to be amortized over mainly 5 years using the straight line method. As a result of the adoption of this new accounting standard" Income before Income Taxes and Minority Interest" increased by ¥4,184 million ($34 million) as compared with the amount that would have been reported if the new accounting standard had not been applied. In addition, Toyo Trust Bank contributed certain securities to employee retirement benefit plan trusts to provide funding for its retirement benefit plans.

(k) Reserve for Contingent Liabilities Related to Loans Sold

"Reserve for Contingent Liabilities Related to Loans Sold" is provided based on the estimated liabilities of possible losses for the loans sold, considering the fair value of collateral of loans sold to the Cooperative Credit Purchasing Company, Limited.

(l) Reserve for Possible Losses on Support of Specific Borrowers

"Reserve for Possible Losses on Support of Specific Borrowers" is provided based on the amount expected to be necessary to provide financial support to specific borrowers which are undergoing restructuring or are supported by Toyo Trust Bank.

(m) Lease Transactions

Toyo Trust Bank and the consolidated domestic subsidiaries, as lessees, account for finance lease transactions, other than those in which the ownership of the leased equipment is recognized to be transferred to lessees, as operating lease transactions with certain disclosure in the notes to the consolidated financial statements such as future minimum lease payments, in accordance with accounting principles and practices generally accepted in Japan.

(n) Income Taxes

Income taxes in Japan applicable to Toyo Trust Bank for the years ended March 31, 2001, 2000 and 1999 consisted of corporation tax (national), inhabitant taxes (local), and enterprise taxes (local) as follows:

	2001	2000	1999
Statutory Maximum Rates of Income Taxes			
Corporation Tax	**30.0%**	30.0%	30.0%
Inhabitant Taxes	**20.7%**	20.7%	20.7%
Enterprise Taxes	**5.7%**	9.6%	9.6%
Effective Statutory Income Tax Rate	**39.7%**	41.8%	41.8%

For consolidated financial statement purposes, Toyo Trust Bank recognized deferred tax assets/liabilities using the effective future income tax rate as of each fiscal year end (i.e., 39.0%, 39.7% and 41.8% for the years ended 31st March, 2001, 2000 and 1999, respectively).

(o) Appropriation of Retained Earnings

"Cash Dividends" and "Bonuses to Directors and Statutory Auditors" are recorded in the fiscal year in which a proposed appropriation of retained earnings is approved by the Board of Directors and/or the general meeting of shareholders.

(p) Commitment Line of Credit

A commitment line is a contract whereby Toyo Trust Group is obligated to advance funds up to a predetermined amount to a customer upon request, provided that the customer has met the terms and conditions of the contract. The total balance of unused commitment lines is ¥1,015,254 million ($8,194 million), of which, the balance of commitment lines whose maturities are less than one year or whose contracts can be terminated at any time without any conditions is ¥896,009 million ($7,232 million).

Many of these commitment lines often mature without Toyo Trust Group advancing any funds to the customers. As such, the total balance of unused commitment lines does not necessarily impact Toyo Trust Group's future cash flows. Furthermore, many commitment lines contain provisions that allow Toyo Trust Group to refuse to advance funds to the customers or reduce the contract amount of the commitment lines under certain conditions.

Toyo Trust Group may also request customers to provide collateral, such as real estate or securities if necessary, on the execution date of the contract. After the execution date, Toyo Trust Group periodically monitors the customers' creditworthiness over the life of the contracts in accordance with the internal policies, and takes measures to manage the credit exposures such as revising the terms of the contracts, if necessary.

(q) Net Income (Loss) per Common Share

"Basic Net Income (Loss) per Common Share" is computed as net income (loss) less dividends for preferred stock divided by the weighted average number of shares of common stock outstanding during the year, excluding treasury shares held by Toyo Trust Bank and its consolidated subsidiaries.

"Fully Diluted Net Income per Common Share" reflects the potential dilution that could occur if convertible preferred stock and other securities or contracts to issue common stock were fully covered into common stock. "Fully Diluted Net Income per Common Share" for the years ended March 31, 2001 and 1999, however, was not presented since a net loss was reported for these fiscal years.

(r) Changes in Presentation of Accounts

Due to the amendments of accounting principles and practices generally accepted in Japan, the following presentation of the consolidated financial statements have been changed for the fiscal year ended March 31, 2001 and 2000.

For the Fiscal Year Ended March 31, 2001

The presentation of income/expense of derivative financial instruments with hedging designation have been changed from a gross basis to a net basis due to the adoption of the new accounting standard for financial instrument. This change does not affect the "Loss before Income and Minority Interests" or the "Net Loss." However, each of "Total Income" and "Total Expenses" decreased by ¥11,152 million ($90 million).

For the Fiscal Year Ended March 31, 2000

"Reserve for Possible Loan Losses" which was previously reported in Liabilities is reported in Assets as a contra account as of the end the fiscal year. As a result of this change, Assets and Liabilities decreased by ¥159,177 million as of the end of the fiscal year.

For the Fiscal Year Ended March 31, 1999

1) "Equity in Earnings of Affiliates," which was previously reported as a separate account after "Net Income (Loss) before Income Taxes and Minority Interests," is included in "Other Income" or "Other Expenses."
2) "Enterprise Taxes," which was previously included in "Other Expenses," is included in "Income Taxes."
3) "Amortization of Goodwill," which was previously reported as a separate account after "Income (Loss) before Income and Minority Interests," is included in "Other Income" or "Other Expenses."

3. TRADING ASSETS

Trading Assets as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Trading Account Securities	**¥ 18,173**	¥112,690	**$147**
Derivatives of Trading Account Securities	**4**	3	**0**
Trading-related Financial Derivatives	**18,536**	8,125	**150**
Other Trading Assets	**73,890**	75,086	**596**
Total	**¥110,604**	¥195,906	**$893**

4. SECURITIES

Securities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Japanese National Government Bonds	**¥1,328,032**	¥ 753,239	**$10,719**
Japanese Local Government Bonds	**2,248**	8,640	**18**
Japanese Corporate Bonds and Financial Debentures	**151,854**	139,247	**1,226**
Japanese Equities	**1,023,628**	1,036,194	**8,262**
Others	**252,224**	140,299	**2,036**
Total	**¥2,757,988**	¥2,077,620	**$22,260**

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5. LOANS AND BILLS DISCOUNTED

Loans and Bills Discounted as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Bills Discounted	**¥ 20,223**	¥ 21,394	**$ 163**
Loans on Notes	**853,578**	1,088,331	**6,889**
Loans on Deeds	**2,246,780**	2,346,847	**18,134**
Overdrafts	**627,858**	678,147	**5,067**
Total	**¥3,748,440**	¥4,134,720	**$30,254**

Problem Loans held by Toyo Trust Bank and its consolidated subsidiaries as defined by the Japanese Banking Law were as follows (the balances of problem loans presented below were the ones before deductions of respective reserve for doubtful loans):

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Loans to Bankrupt Companies *1	**¥ 20,864**	¥ 10,169	**$ 168**
Other Delinquent Loans *2	**85,568**	264,132	**691**
Loans Past Due 3 Months or More *3	**745**	1,934	**6**
Restructured Loans *4	**240,445**	69,421	**1,941**
Total	**¥347,625**	¥345,658	**$2,806**

*1 "Loans to Bankrupt Companies" are loans to legally bankrupt borrowers on which the recognition of accrued interest has been suspended in accordance with the results of the self-assessment of assets quality.

*2 "Other Delinquent Loans" are loans on which the recognition of accrued interest has been suspended in accordance with the results of the self-assessment of asset quality, other than "Loans to Bankrupt Companies."

*3 "Loans Past Due 3 Months or More" are loans on which principal and/or interest are past due 3 months or more, other than "Loans to Bankrupt Companies" and "Other Delinquent Loans."

*4 "Restructured Loans" are loans with concessionary interest rates, as well as loans with re-negotiated terms regarding the timing interest and principal payment.

As described in 2 (h), assessed uncollectible amounts on "Loans to Bankrupt Companies" and on "Other Delinquent Loans" have been charged-off against respective claims since the fiscal year ended March 31, 2000. Accordingly, as of March 31, 2000, "Loans to Bankrupt Companies" and "Other Delinquent Loans" decreased by ¥37,297 million and ¥57,739 million, respectively.

6. FOREIGN EXCHANGES (ASSETS)

Foreign Exchanges (Assets) and Foreign Exchange Liabilities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Foreign Exchange Assets:			
Due from Foreign Banks	**¥3,544**	¥7,771	**$29**
Foreign Exchange Bills Bought	**—**	25	**—**
Total	**¥3,544**	¥7,797	**$29**

7. OTHER ASSETS

Other Assets as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Accrued Income	**¥ 33,513**	¥ 34,719	**$ 270**
Prepaid Expenses	**203**	102	**2**
Securities Deposited	**20,000**	32,000	**161**
Financial Derivatives	**35,169**	—	**284**
Others	**220,342**	161,229	**1,778**
Total	**¥309,228**	¥228,051	**$2,496**

8. PREMISES AND EQUIPMENT

Premises and Equipment as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Land	**¥ 63,488**	¥ 64,282	**$ 512**
Buildings	**38,641**	41,953	**312**
Equipment	**64,694**	57,145	**522**
Others	**12,016**	12,408	**97**
Total	**¥178,840**	¥175,790	**$1,443**
Accumulated Depreciation Deducted	**¥102,611**	¥ 97,449	**$ 828**

9. PLEDGED ASSETS

The assets pledged as collateral as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Securities	**¥518,476**	¥ 4,307	**$4,185**
Loans and Bills Discounted	**22,806**	41,335	**184**

The liabilities corresponding to the pledged assets as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Call Money	**¥142,500**	¥ 30,800	**$1,150**

In addition, the followings assets are pledged as collateral for clearing and derivative transactions or as substitutes for margins of future transactions.

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Securities	**¥420,960**	¥330,077	**$3,398**
Loans and Bills Discounted	**95,495**	141,234	**771**

Moreover, "Other Assets" included collateral deposits on bond borrowed of ¥21,545 million ($174 million) and "Premises and Equipment" included securities deposits of ¥12,016 million ($97 million) as of March 31, 2001.

10. DEPOSITS

Deposits as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Current Deposits	**¥ 81,515**	¥ 87,887	**$ 658**
Ordinary Deposits	**319,030**	293,620	**2,575**
Deposits at Notice	**36,899**	61,580	**298**
Time Deposits	**2,442,487**	2,648,220	**19,713**
Other Deposits	**54,633**	68,466	**441**
Subtotal	**2,934,566**	3,159,775	**23,685**
Negotiable Certificates of Deposit	**739,610**	431,200	**5,969**
Total	**¥3,674,176**	¥3,590,975	**$29,654**

11. TRADING LIABILITIES

Trading Liabilities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Trading Account Securities Sold but not yet Purchased	**¥ —**	¥16,601	**$ —**
Derivatives of Trading Account Securities	**1**	23	**0**
Trading-Related Financial Derivatives	**17,750**	7,714	**143**
Total	**¥17,752**	¥24,339	**$143**

12. BORROWED MONEY

Borrowed Money as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars	Average Rate
	2001	2000	**2001**	**2001**
Borrowings from Financial Institutions Due in 2000–2015	**¥188,722**	¥220,867	**$1,523**	**2.21%**
Total	**¥188,722**	¥220,867	**$1,523**	—

The average rates presented above represent the weighted average rates based on balances and rates as of March 31, 2001.

Aggregate annual maturities on Borrowings from Financial Institutions subsequent to March 31, 2001 are as follows:

Fiscal Year ended March 31	Millions of Yen	Millions of U.S. Dollars
Borrowings from Financial Institutions		
2002	¥58,499	$472
2003	65,167	526
2004	7,090	57
2005	26,966	218
2006	3,000	24
Thereafter	28,000	226

13. FOREIGN EXCHANGES (LIABILITIES)

Foreign Exchanges (Liabilities) as of March 31, 2001 and 2000 consisted of following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Due to Foreign Banks	**¥ —**	¥ 0	**$ —**
Foreign Exchange Bills Sold	**0**	0	**0**
Foreign Exchange Bills Payable	**—**	16	**—**
Total	**¥ 0**	¥17	**$ 0**

14. BONDS AND NOTES, AND CONVERTIBLE BONDS

Corporate Bonds and Notes, and Convertible Bonds as of March 31, 2001 and 2000 consisted of the following:

Issuer	Description of Bonds and Notes	Millions of Yen*1		Millions of U.S. Dollars	Rate
		2001	2000	**2001**	**2001**
(Corporate Bonds)					
Toyo Trust Bank	First Issue of Undated Unsecured Callable Adjustable Rate Bonds	**¥ 50,000**	¥ 50,000	**$ 404**	**1.23%**
	Dated Subordinated Bonds	**28,900**	—	**233**	**0.94–2.20%**
TTB Finance Cayman Limited	Dated Subordinated Bonds	**64,548 [US$288,000 thousand]**	96,711 [US$588,000 thousand]	**521**	**0.76–7.75%**
	Euroyen Perpetual Bonds Exchangeable for Common Stocks Issued by Toyo Trust	**19,140**	21,260	**154**	**0.75%**
Subtotal		**162,588**	167,971	**1,312**	—
(Convertible Bonds)					
Toyo Trust Bank	U.S. dollar Convertible Bonds due in March 31, 2002	—	5,056 [US$36,390 thousand]	—	—
	Euroyen Convertible Bonds due in September 30, 2002	**19,140**	19,270	**154**	**0.37%**
Subtotal		**19,140**	24,326	**154**	—
Total		**¥181,728**	¥192,297	**$1,467**	—

*1 Figures in [ ] are the balances of Corporate Bonds and Notes, and Convertible Bonds in the original currency.
*2 Euroyen Convertible Bonds due in September 30, 2002 above were early redeemed on April 2, 2001.
*3 U.S. dollar Convertible Bonds due in March 31, 2002 above were early redeemed on October 31, 2000.

*4 Aggregate scheduled maturities on Corporate Bonds and Convertible Bonds subsequent to March 31,2001 were as follows:

Fiscal Year ended March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥ 4,700	$ 38
2003	19,140	154
2004	—	—
2005	—	—
2006	5,000	40
Thereafter	152,888	1,234

15. OTHER LIABILITIES

Other Liabilities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Domestic Exchange Settlement (credit)	**¥ 129**	¥ 231	**$ 1**
Accrued Expenses	**40,378**	38,608	**326**
Unearned Income	**7,308**	7,641	**59**
Income Taxes Payable	**2,270**	602	**18**
Employees' Savings Deposits	**5**	4	**0**
Trading Account Securities Borrowed	**—**	32,000	**—**
Securities Borrowed	**20,000**	—	**161**
Financial Derivatives	**42,536**	—	**343**
Others	**50,051**	388,115	**404**
Total	**¥162,680**	¥467,204	**$1,313**

16. OTHER RESERVES

Other Reserves as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Contingent Liabilities from Brokering of Securities Transactions	**¥0**	¥ 0	**$0**

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

17. ACCEPTANCES AND GUARANTEES

Acceptances and Guarantees as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Letters of Credit	**¥ 207**	¥ 185	**$ 2**
Guarantees	**342,509**	262,337	**2,764**
Total	**¥342,717**	¥262,522	**$2,766**

18. CAPITAL STOCK AND CAPITAL SURPLUS

Authorized Number of Shares of Preferred Stock and Common Stock

The authorized and issued number of shares of Common Stock were as follows:

as March 31, 2001: 2,400,000,000 and 925,968,901, respectively

as March 31, 2000: 2,400,000,000 and 925,643,901, respectively

The authorized and issued number of shares of First Class Preferred Stock were as follows:

as March 31, 2001: 300,000,000 and 280,000,000, respectively

as March 31, 2000: 300,000,000 and 280,000,000, respectively

First Class First Series Preferred Stock

On March 31, 1999, Toyo Trust Bank issued 80 million preferred stocks to Sanwa Bank, Ltd. at a price of ¥1,000 per share for gross proceeds of ¥80 billion, of which ¥40 billion was transferred to Capital Surplus in accordance with the Japanese Commercial Code. The preferred stockholder is entitled, priority over payment of dividends and distributions on Toyo Trust Bank to common stockholders of Toyo Trust Bank, to receive annual dividends of ¥5.3 per preferred stock and a distribution of ¥1,000 per preferred stock.

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

First Class Second Series Preferred Stock

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

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

19. RETAINED EARNINGS

For Toyo Trust Bank, an amount equivalent to at least 20% of cash dividends and bonuses to directors and statutory auditors is required to be appropriated as legal reserve, until the reserve equals to 100% of Toyo Trust Bank's "Capital Stock" under the Japanese Banking Law. This reserve amount, which is included in retained earnings, totals ¥23,453 million ($189 million) and ¥21,983 million as of March 31, 2001 and 2000, respectively and is not available for dividends, but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. In addition, unrealized profits arising from trading accounts and certain assets recorded at fair value as of the balance sheet date are not available for dividends under the Code (formerly under the Japanese Banking Law). However, there are no such limitations as of March 31, 2001 and 2000.

20. OTHER INTEREST INCOME

The composition of Other Interest Income for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Interest on Deposits with Banks	**¥3,456**	¥ 7,207	¥12,506	**$28**
Interest on Interest Rate Swaps	**1,588**	14,279	11,869	**13**
Others	**4,785**	904	2,242	**39**
Total	**¥9,830**	¥22,392	¥26,617	**$79**

21. FEES AND COMMISSIONS (INCOME)

The composition of Fees and Commissions (Income) for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Domestic and Foreign Exchanges	**¥ 547**	¥ 568	¥ 644	**$ 4**
Others	**46,975**	42,632	37,969	**379**
Total	**¥47,522**	¥43,200	¥38,614	**$384**

22. TRADING REVENUE AND EXPENSES

The composition of Trading Revenue for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Revenue from Trading Account Securities and Derivatives	**¥567**	¥ 73	¥2,981	**$5**
Others	**318**	382	1,440	**3**
Total	**¥886**	¥456	¥4,422	**$7**

Trading Expenses, which consisted of Expenses on Trading Account Securities and Derivatives only, for the fiscal year ended March 31, 2001, 2000 and 1999 were ¥474 million ($4 million), ¥220 million and ¥— million, respectively.

23. OTHER OPERATING INCOME

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The composition of Other Operating Income for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Foreign Exchange Transaction Gains (Net)	**¥ 1,837**	¥1,058	¥ 4,436	**$ 15**
Gains on Sales of Bonds included in Securities	**9,962**	5,875	18,297	**80**
Gains on Redemption of Bonds included in Securities	**82**	752	317	**1**
Others	**552**	698	549	**4**
Total	**¥12,435**	¥8,384	¥23,601	**$100**

24. OTHER INCOME

The composition of Other Income for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Gains on Sales of Stocks and Other Equity Securities	**¥ 24,860**	¥231,807	¥ 89,195	**$ 201**
Gains on Money Held in Trust	**3,445**	7,832	4,084	**28**
Gains on Sales of Premises and Equipment	**2,285**	551	2,054	**18**
Collection of Written-off Claims	**1,553**	28	4	**13**
Others	**99,073**	20,410	39,108	**800**
Total	**¥131,217**	¥260,630	¥134,448	**$1,059**

In addition, “Others” as at end of each fiscal year in the table presented above included the followings:

For the Fiscal Year Ended March 31, 2001

“Others” included gains of ¥9,015 million ($73 million) to “Establishing Retirement Benefit Trusts.”

For the Fiscal Year Ended March 31, 1999

“Others” included gains of ¥22,262 million to “Sales of Stock and Other Securities caused by Cancel of Securities Investment Trust.”

25. OTHER INTEREST EXPENSES

The composition of Other Interest Expenses for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Interest on Corporate Bonds and Notes	**¥ 6,790**	¥ 662	¥ 6,584	**$ 55**
Interest on Convertible Bonds	**112**	144	250	**1**
Interest on Interest Rate Swaps	**6,569**	28,276	31,139	**53**
Others	**17,573**	34,970	37,735	**142**
Total	**¥31,046**	¥64,054	¥75,709	**$251**

26. FEES AND COMMISSIONS (EXPENSES)

The composition of Fees and Commissions (Expenses) for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Domestic and Foreign Exchanges	**¥ 244**	¥ 255	¥ 345	**$ 2**
Others	**2,710**	5,424	5,001	**22**
Total	**¥2,954**	¥5,680	¥5,346	**$24**

27. OTHER OPERATING EXPENSES

The composition of Other Operating Expenses for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Foreign Exchange Transaction Losses (Net)	**¥ —**	¥ 172	¥ 0	**$ —**
Losses on Sales of Bonds included in Securities	**795**	5,079	13,774	**6**
Losses on Redemption of Bonds included in Securities	**1**	12,895	5,434	**0**
Revaluation Loss of Bonds included in Securities	**22**	526	647	**0**
Financial Derivatives Expenses (Net)	**995**	—	—	**8**
Others	**—**	—	121	**—**
Total	**¥1,814**	¥18,673	¥19,979	**$15**

28. OTHER EXPENSES

The composition of Other Expenses for the fiscal years ended March 31, 2001, 2000 and 1999 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Transfer to Reserve for Possible Loan Losses	**¥ 20,199**	¥ 19,212	¥288,408	**$ 163**
Write-off of Loans	**58,122**	16,396	12,450	**469**
Losses on Sales of Stocks and Other Equity Securities	**15,373**	128,237	37,690	**124**
Revaluation Loss of Stocks and Other Equity Securities	**3,089**	16,374	3,438	**25**
Losses on Money held in Trust	**—**	1,087	2,033	**—**
Losses on Sales of Premises and Equipment	**2,583**	1,195	1,645	**21**
Amortization of Goodwill	**876**	89	—	**7**
Others	**87,385**	64,563	61,656	**705**
Total	**¥187,628**	¥247,156	¥407,323	**$1,514**

According to "Municipal Ordinance Relating to Special Business Tax Treatments for Banks in Tokyo Metropolitan" (Tokyo Municipal Ordinance No.145 of 2000), Toyo Trust Bank reported business tax in Tokyo Metropolitan, which used to be reported within tax (deferred), within Other Expenses. In the fiscal year ended March 31, 2001, Toyo Trust Bank reported ¥1,770 million ($14 million) in Other Expenses.

In addition, "Others" as at end of each fiscal year in the table presented above included the followings:

For the Fiscal Year Ended March 31, 2001
"Others" included losses of ¥55,640 million ($449 million) to "Trust Accounts with Principal Indemnification Clause" and pension expenses of ¥2,677 million ($22 million) to " Amortize the Unrecognized net Obligation."

For the Fiscal Year Ended March 31, 2000
"Others" included transfer of ¥33,823 million to "Reserve for Supporting Specific Borrowers " and losses of ¥10,562 million on sales of loans.

For the Fiscal Year Ended March 31, 1999
"Others" included transfer of ¥3,095 million to "Reserve for Contingent Liabilities related Loans Sold", losses of ¥9,679 million to "Sales of Loans", losses of ¥22,347million to cancel of securities investment trusts and estimated expenses of ¥1,649 million to closing overseas branches.

29. EMPLOYEE RETIREMENT BENEFITS

The following tables detail the funded status of the pension plans, the component of pension cost and major assumptions used to determine these amounts.

	Millions of Yen	Millions of U.S. Dollars
	2001	**2001**
Funded Status of Pension Plans:		
Projected Benefit Obligation	**¥(91,635)**	**$(740)**
Fair Value of Plan Assets	**67,064**	**541**
Funded Status	**15,162**	**122**
Unrecognized Net Obligation at Date of Initial Application	**(9,408)**	**(76)**
Unrecognized Net Actuarial Losses	**10,693**	**86**
Unrecognized Prior Service Cost	**15,048**	**121**
Net Amount Recognized on the Balance Sheet	**¥ 16,333**	**$ 132**
Prepaid Pension Cost	**17,256**	**139**
Reserve for Employee Retirement Benefits	**(923)**	**(7)**
Components of Pensions Cost:		
Service Cost	**¥ 2,500**	**$ 20**
Interest Cost	**3,022**	**24**
Expected Return on Plan Assets	**(3,368)**	**(27)**
Amortization of Net Obligation at Transition	**—**	**—**
Amortization of Net Actuarial Losses	**2,677**	**22**
Amortization of Prior Service Cost	**—**	**—**
Other Costs	**20**	**0**
Net Pension Cost	**¥ 4,852**	**$ 39**
Major Assumptions used:		
Discount Rate	**3.50%**	
Expected Rate of Return on Plan Assets	**1.45%–5.50%**	
Amortization Period of Actuarial Losses	**Primarily 12 Years**	

30. ACCOUNTING FOR INCOME TAXES

Deferred Tax Assets and Liabilities reflect the temporary differences between financial accounting and tax accounting.

The significant components of such temporary differences as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Deferred Tax Assets:			
Reserve for Possible Loan Losses	**¥ 49,885**	¥ 85,948	**$ 403**
Reserve for Contingent Liabilities related to Loans Sold	—	13,427	—
Loss Carryforward	**100,367**	47,343	**810**
Others	**15,544**	17,858	**125**
Subtotal	**¥165,797**	¥164,578	**$1,338**
Valuation Allowance	**(1,353)**	(2,049)	**(11)**
Total Deferred Tax Assets	**¥164,444**	¥162,528	**$1,327**
Deferred Tax Liabilities:			
Gains on Establishing Retirement Benefit Trust	**¥ (3,516)**	¥ —	**$ (28)**
Reserve for Advanced Depreciation of Fixed Assets	—	(277)	—
Reserve for Losses on Overseas Investments, and Others	—	(1)	—
Others	**(951)**	—	**(8)**
Total Deferred Tax Liabilities	**¥ (4,467)**	¥ (278)	**$ (36)**
Net Deferred Tax Assets	**¥159,976**	¥162,249	**$1,291**

A reconciliation of the effective statutory income tax rate and the effective income tax rate reflected in the accompanying consolidated statements of operations for the fiscal years ended March 31, 2001 and 2000 was as follows:

	2001	2000
Effective Statutory Income Tax Rate	**39.7%**	41.8%
Increase (decrease) in taxes resulting from:		
Tax Rate Change	**308.3%**	30.3%
Increase (Decrease) in Valuation Reserve	**(15.7%)**	6.5%
Standing Deference between Financial Accounting and Tax Accounting	**19.5%**	—
Taxation on per capita basis	**11.9%**	—
Differences in Income Tax Rate of Overseas Subsidiaries	**8.5%**	—
Others (net)	**18.5%**	0.8%
Effective Income Tax Rate	**390.7%**	79.4%

For the Fiscal Year ended March 31, 2001

The effective tax rate used to calculated deferred tax assets and liabilities decreased from 39.7% to 39.0% by the promulgation on June 9, 2000 of the "Municipal Ordinance Relating to Special Business Tax Treatments for Banks in Osaka Prefectures" (Osaka Municipal Ordinance No.131 of 2000). As a result, "Deferred Tax Asset" decreased by ¥2,865 million ($23 million) and "Deferred Income Taxes" increased by the same amount. In addition, "Deferred Tax Liabilities for Revaluation Reserve for Land" decreased by ¥124 million ($1 million) and "Revaluation Reserve for Land, Net of Taxes" increased by the same amount due to the decline in the effective statutory income tax rate as described above.

For the Fiscal Year ended March 31, 2000

A special enterprise tax for banks which is imposed on gross operating profit rather than on net income was newly introduced and adopted Tokyo Metropolitan Assembly on March 30, 2000 and was effective on April 1, 2000. Due to this adoption, the enterprise tax imposed by the Tokyo Metropolitan Government on Toyo Trust Bank will be be based on gross operating profit rather than on net income previously used on and after April 1, 2000. As a result, the effective statutory income tax rate used for the calculation of deferred tax assets/liabilities declined from 41.8% to 39.7% and, consequently, "Deferred Tax Assets" decreased by ¥8,554 million and "Income Taxes (Deferred)" increased by the same amount. In addition, "Deferred Tax Liabilities related to Land Revaluation" decreased by ¥374 million and "Excess of Land Revaluation" increased by the same amount due to the decline of the effective statutory income tax rate as described above.

31. LEASE TRANSACTIONS

(a) Information on finance lease transactions, other than those in which the ownership of the leased equipment was recognized to be transferred to leases, was as follow:

(1) Lessee side

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Estimated Cost	**¥5,225**	¥80	¥92	**$42**
Estimated Accumulated Depreciation Deducted	**916**	53	48	**7**
Net Estimated Balance	**¥4,309**	¥26	¥44	**$35**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Paid:				
Within 1 Year	**¥1,011**	¥11	¥17	**$ 8**
More than 1 Year	**3,343**	16	20	**27**
Total	**¥4,354**	¥28	¥37	**$35**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Lease Payment	**¥942**	¥19	¥22	**$ 8**
Estimated Depreciation	**878**	16	18	**7**
Estimated Interest Payment	**107**	2	4	**1**

Estimated depreciation was computed on the concise declining balance method using a contract term as a lease life in accordance with an instruction issued by the Japanese Institute Certified Public Accountant.

Estimated interest payment was computed based on the difference between the total lease payment and the estimated cost, which was spread over the lease life by interest method.

(2) Lessor side

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Cost	**¥89,277**	¥74,937	¥52,565	**$721**
Accumulated Depreciation Deducted	**33,659**	26,899	23,103	**272**
Net Balance	**¥55,618**	¥48,037	¥29,462	**$449**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Received:				
Within 1 Year	**¥16,350**	¥13,665	¥10,158	**$132**
More than 1 Year	**40,034**	35,182	20,481	**323**
Total	**¥56,385**	¥48,847	¥30,640	**$455**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Lease Receipt	**¥18,928**	¥15,081	¥12,640	**$153**
Depreciation	**16,166**	12,504	10,321	**130**
Estimated Interest Receipt	**1,830**	1,385	1,149	**15**

Estimated interest receipt was computed based on the difference between the total lease receipt and the cost, which was spread over the lease life by the straight line method.

(b) Information of operating lease transactions was as follows:

(1) **Lessee side**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Paid:				
Within 1 Year	**¥2**	¥ 5	¥ 1	**$0**
More than 1 Year	**5**	5	1	**0**
Total	**¥7**	¥10	¥ 3	**$0**

(2) **Lessor side**

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	**2001**
Total of Future Lease Payments to be Received:				
Within 1 Year	**¥ 95**	¥ —	¥ —	**$ 1**
More than 1 Year	**1,534**	—	—	**12**
Total	**¥1,629**	¥ —	¥ —	**$13**

32. SIGNIFICANT TRANSACTIONS RELATED TO CASH FLOWS

Significant transactions related to cash flows for the fiscal year ended March 31, 2001 and 2000 were as follows:

(a) Reconciliation of Cash and Due from Banks in the Consolidated Balance Sheet to Cash and Cash Equivalents

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Cash and Due from Banks	**¥523,530**	¥1,013,909	**$4,225**
Due from Banks other than Due from the Bank of Japan	**(463,800)**	(210,654)	**(3,743)**
Cash and Cash Equivalents	**¥ 59,729**	¥ 803,255	**$ 482**

(b) Major Non-Cash Transactions

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Increase in Common Stock due to Conversion of Convertible Bonds	**¥ 65,000**	¥ 15,043	**$ 525**
Increase in Additional Paid in Capital due to Conversion of Convertible Bonds	**65,000**	15,043	**525**
Decrease in Convertible Bonds due to Conversion	**¥130,000**	¥ 30,087	**$1,049**

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	**2001**
Cash on hand	**¥ 43,535**	¥ 47,702	**$ 351**
Due from the Bank of Japan	**15,779**	748,873	**127**
Cash and cash equivalents	**59,315**	794,576	**479**
Due from the banks other than due from the Bank of Japan	**464,215**	217,332	**3,747**
Cash and Due from Banks	**¥523,530**	¥1,013,909	**$4,225**

33. MARKET VALUES OF SECURITIES AND MONEY HELD IN TRUST

For the Fiscal Year ended March 31, 2001

(a) Securities

The following includes "Securities," trading account securities, negotiable due from banks, and commercial paper in "Trading Assets," negotiable due from banks in "Cash and Due from Banks" and commodity funds in "Monetary Receivables Bought."

(1) Trading Securities

		Millions of Yen
March 31, 2001	Book Value	Valuation Gain (Loss) During the Year
Trading Securities	**¥92,063**	**¥52**

		Millions of U.S. Dollars
March 31, 2001	Book Value	Valuation Gain (Loss) During the Year
Trading Securities	**$ 743**	**$ 0**

(2) Held-to-maturity Debt Securities

There are no Held-to-maturity Debt Securities at the Fiscal Year ended March 31, 2001.

(3) Available-for-sale Securities with Market Value

Market value is not reflected. On the consolidated financial statements for the year ended March 31, 2001. Book value, market value and unrealized profit (loss) of Available-for-sale securities with market value are as follows:

					Million of Yen
			Unrealized Profit/(Loss)		
March 31, 2001	Book Value	Market Value	Net	Profit	Loss
Japanese Equities	**¥ 977,421**	**¥ 895,889**	**¥(81,532)**	**¥82,260**	**¥163,793**
Japanese Bonds	**1,464,015**	**1,472,142**	**8,126**	**8,304**	**178**
Japanese National Government Bonds	**1,328,032**	**1,332,508**	**4,475**	**4,600**	**124**
Japanese Local Government Bonds	**1,536**	**1,742**	**206**	**206**	**—**
Japanese Corporate Bonds and Financial Debentures	**134,447**	**137,890**	**3,443**	**3,497**	**53**
Others	**523,733**	**514,217**	**(9,516)**	**869**	**10,385**
Total	**¥2,965,171**	**¥2,882,248**	**¥(82,922)**	**¥91,434**	**¥174,357**

					Millions of U.S. Dollars
			Unrealized Profit/(Loss)		
March 31, 2001	Book Value	Market Value	Net	Profit	Loss
Japanese Equities	**$ 7,889**	**$ 7,231**	**$ (658)**	**$ 664**	**$ 1,322**
Japanese Bonds	**11,816**	**11,882**	**66**	**67**	**1**
Japanese National Government Bonds	**10,719**	**10,755**	**36**	**37**	**1**
Japanese Local Government Bonds	**12**	**14**	**2**	**2**	**—**
Japanese Corporate Bonds and Financial Debentures	**1,085**	**1,113**	**28**	**28**	**0**
Others	**4,227**	**4,150**	**(77)**	**7**	**84**
Total	**$ 23,932**	**$ 23,263**	**$ (669)**	**$ 738**	**$ 1,407**

Note: Market Values are primarily based on the closing price at the fiscal year end.

(4) Available-for-sale Securities Sold During Fiscal Year ended March 31, 2001

	Millions of Yen		
March 31, 2001	Sold Amount	Realized Profit	Realized Loss
Available-for-sale Securities	¥2,011,559	¥43,839	¥16,168

	Millions of U.S. Dollars		
March 31, 2001	Sold Amount	Realized Profit	Realized Loss
Available-for-sale Securities	$ 16,235	$ 354	$ 130

(5) Available-for-sale Securities whose market value is not readily determinable

	Millions of Yen
March 31, 2001	Book Value
Available-for-sale Securities	
Beneficiary Securities Loaned in Trust	¥89,342
Unlisted Japanese Equities other than Over-the-counter	42,326
Unlisted Foreign Securities	26,065
Unlisted Japanese Bonds	18,119

	Millions of U.S. Dollars
March 31, 2001	Book Value
Available-for-sale Securities	
Beneficiary Securities Loaned in Trust	$ 721
Unlisted Japanese Equity other than over-the-counter	342
Unlisted Foreign Securities	210
Unlisted Japanese Bonds	146

(6) Redemption Schedule of Available-for-sale Securities with Maturities

		Millions of Yen			
March 31, 2001	(year)	1 or less	over 1 to 5	over 5 to 10	over 10
Japanese Bonds		¥352,526	¥769,879	¥ 44,766	¥314,962
Japanese National Government Bonds		323,670	659,548	30,413	314,400
Japanese Local Government Bonds		—	18	1,667	562
Japanese Corporate Bonds and Financial Debentures		28,856	110,312	12,685	0
Others		482,421	44,888	71,877	2
Total		¥834,948	¥814,769	¥116,643	¥314,965

		Millions of U.S. Dollars			
March 31, 2001	(year)	1 or less	over 1 to 5	over 5 to 10	over 10
Japanese Bonds		$ 2,845	$ 6,214	$ 361	$ 2,542
Japanese National Government Bonds		2,612	5,323	245	2,538
Japanese Local Government Bonds		—	0	13	5
Japanese Corporate Bonds and Financial Debentures		233	890	102	0
Others		3,894	362	580	0
Total		$ 6,739	$ 6,576	$ 941	$ 2,542

(b) Money Held in Trust

There is no Money Held in Trust at the Fiscal Year ended March 31, 2001.

(c) Net Unrealized Profit (Loss) on Available-for-sale Securities, Net of Taxes

If Available-for-sale Securities were valued at market value, net unrealized profit (loss) would be as follows:

	Millions of Yen
Net Unrealized Gains (Losses)	**¥(82,922)**
Available-for-sale Securities	**(82,922)**
Less: Deferred Tax Liabilities	**32,311**
Net Unrealized Gains (Losses) on Available-for-sale Securities net of Taxes (before adjustment for minority interests)	**(50,610)**
Less: Minority Interests	**(437)**
Net Unrealized Gains (Losses) on Available-for-sale Securities, Net of Taxes	**(50,172)**

	Millions of U.S. Dollars
Net Unrealized Gains (Losses)	**$ (669)**
Available-for-sale Securities	**(669)**
Less: Deferred Tax Liabilities	**261**
Net Unrealized Gains (Losses) on Available-for-sale Securities net of Taxes (before adjustment for minority interests)	**(408)**
Less: Minority Interests	**(4)**
Net Unrealized Gains (Losses) on Available-for-sale Securities, Net of Taxes	**(405)**

For the Fiscal Year ended March 31, 2000

(a) Estimated Market Values of Securities

Book values, market values or estimated market values and unrealized profit/(loss) of securities as of March 31, 2000 are shown in the following tables.

Listed Securities

			Millions of Yen		
			Unrealized Profit/(Loss)		
March 31, 2000	Book Value	Market Value	Net	Profit	Loss
Securities					
Bonds	¥ 203,775	¥ 204,477	¥ 702	¥ 943	¥ 240
Stocks	980,568	1,077,966	97,397	190,082	92,684
Others	34,879	35,782	902	972	69
Total	¥1,219,223	¥1,318,226	¥99,002	¥191,997	¥92,995

Notes: 1. Securities presented in the above table include only listed securities.
Bonds include Japanese national government bonds, Japanese local government bonds and Japanese corporate bonds and financial debentures.
2. Market values of listed bonds are calculated by using indicative yields announced by the Japan Securities Dealers Association.
Market values of the other listed securities are primarily based on the closing prices (as at the end of the fiscal year) of the Tokyo Stock Exchange.
3. The following table shows the estimated market values of unlisted securities of which market values can be evaluated.

Unlisted Securities

			Millions of Yen		
		Estimated	Unrealized Profit/(Loss)		
March 31, 2000	Book Value	Market Value	Net	Profit	Loss
Securities					
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
Total	¥696,240	¥709,384	¥13,144	¥15,237	¥2,093

Notes: Estimated market values are calculated as follows:
Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association
Publicly placed bonds: Prices calculated by using indicative yields announced by the Japan Securities Dealers Association
Securities of unit trust: Market prices announced by authorized fund management companies
U.S. securities traded over-the-counter: transaction prices indicated on NASDAQ in the U.S.A. and others

(b) Estimated Market Values of Money Held in Trust

Book values, estimated market values and unrealized profit/(loss) of Money Held in Trust as of March 31, 2000 are shown in the following tables. Such values of money held in trust are presented on a consolidated basis as of March 31, 2000.

Money Held in Trust

			Millions of Yen		
		Estimated	Unrealized Profit/(Loss)		
March 31, 2000	Book Value	Market Value	Net	Profit	Loss
	¥43,663	¥48,758	¥5,095	¥5,830	¥735

Notes: Estimated market values are based at the price calculated by the trustee of money held in trust pursuant to conditions as follows:
Listed securities: Closing prices as at the end of the fiscal year of the Tokyo Stock Exchange or the prices calculated by using indicative yields announced by the Japan Securities Dealers Association Securities traded over-the-counter: Transaction prices announced by the Japan Securities Dealers Association

34. DERIVATIVE FINANCIAL INSTRUMENTS

1. Details related to Transactions

(Current Fiscal Year from April 1, 2000 to March 31, 2001)

Transaction Details

Toyo Trust Bank (the "Bank") uses various derivative financial instruments, including interest rate futures, interest rate options, interest rate swaps, currency swaps, foreign exchange forward, currency options, stock index futures, bond futures and options on bond futures, etc.

Structuring Policy

The Bank considers that derivative financial instruments are effective in expanding to increased diversification and sophistication of customer needs and in managing the Bank's risk exposures in the market such as fluctuation in interest rates. The Bank recognizes various risks interest in derivative financial instruments, and actively uses derivative transactions under the appropriate risk management framework established, according to the Bank's corporate strategy and resources.

Purposes of Transactions

The Bank uses derivative financial instruments to hedge market risks of customers such as an interest rate risk, and to manage the Bank's potential market risks in its assets and liabilities (ALM) to maximize and stabilize profits.

In regard to hedge transactions determined to be an effective hedges, hedge accounting is applied to these transactions. There are two types of hedging method: "individual hedges or a group hedges" in which one or group of assets or liabilities are hedged by one or a group of specific hedging tools, and "macro hedge" in which risks of fluctuation in interest rates arising from various financial assets or liabilities as a whole are managed by hedging tools. The methods of identifying hedged items and hedging tools, and evaluating hedge effectiveness are stipulated as follows:

(Individual hedges or group hedges)
Hedged items hedged by individual hedges or group hedges are bonds, loans, deposits and other financial instruments, and hedging tools are interest rate swap, interest rate options, and other derivatives. Hedge effectiveness is verified by determining the ratio of fluctuation of market risk amount of the hedging tools to the fluctuation in the market risk amount of hedged items.

(Macro hedges)
Hedged items hedged by macro hedges are due from banks, loans, deposits and borrowed money and other financial instruments, and hedging tools are interest rate swaps, interest rate options, and other derivatives. Hedge effectiveness is verified by determining whether the market risk amounts of hedged items are within the limitation of risk amount of hedged items, and whether the interest rate risks of hedged items are diminished.

Details of Risks and Risk Management Methodologies

As derivatives transactions include various market and credit risks, it is essential for the Bank to properly manage these risks.

In regard to market risks including those of derivative transactions, we monitor market volatility risks by employing the Value at Risk (VaR) methodology along with daily mark-to-market valuation, and by establishing an internal monitoring structure to limit the potential impact of market volatility on the Bank's business.

In derivatives transactions, there are cases where credit risks of counter party are incurred from a change in mark-to-market values and where the credit risks may increase due to changes in future market environment. As with the case of ordinary loans, these credit risks can potentially turn to the losses due to the counter party's bankruptcy, insolvency. It is important to manage properly these credit risks considering the level of creditworthiness of counter parties. The Bank has established a risk management framework for derivatives transactions to monitor the current risk exposures, managing both the current amount of credit risks and the amount of contingent risks potentially incurred in the future. The following applies in regard subject to VaR calculation as to the amount of risks on Trading Account:

<The scope of the VaR calculation>
Scope of Transactions: Trading transactions subject to VaR calculation as defined in our internal models
Period of Observation: From April 1, 2000 to March31, 2001
Confidence level: one tailed 99%
Holding period: one business day

<VaR in the past>
Maximum value: ¥1.5 billion ($0.0 billion)
Minimum value: ¥0.0 billion ($0.0 billion)
Average value: ¥0.3 billion ($0.0 billion)

The credit risk equivalent amount on the consolidated basis in accordance with guidelines established by the Bank for domestic standards ("BIS") is ¥60.3 billion ($0.5 billion).

Risk Management Framework

Market risks are monitored and managed by Risk Management and Compliance Department, which is independent from trading departments, by establishing risk limits and maximum loss amounts taking into account the financial strength and annual profitability of the Bank. Credit risks are handled and managed by Credit Policy and Planning Department, which is independent from loan origination departments, by establishing credit limits for each customer.

2. Information on Market Value of Derivative Financial Instruments

For the Fiscal Year ended March 31, 2001

Contractual values or notional amounts, market values or estimated market values and unrealized profit/(loss) of derivative financial instruments as of March 31, 2001 are shown in the following tables.

(a) Interest related Transactions

				Millions of Yen
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Interest Rate Swaps				
Receipts Fixed / Payments Floating	**¥638,169**	**¥608,860**	**¥18,124**	**¥18,124**
Payments Fixed / Receipts Floating	**647,357**	**582,580**	**(17,189)**	**(17,189)**
Basis swaps	**183,580**	**150,580**	**(45)**	**(45)**
Others				
Sold	**144,013**	**108,913**	**2,165**	**(207)**
Bought	**118,536**	**92,036**	**1,532**	**188**
Total	**¥ —**	**¥ —**	**¥ 4,587**	**¥ 871**

				Millions of U.S.Dollars
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Interest Rate Swaps				
Receipts Fixed / Payments Floating	**$ 5,151**	**$ 4,914**	**$ 146**	**$ 146**
Payments Fixed / Receipts Floating	**5,225**	**4,702**	**(139)**	**(139)**
Basis swaps	**1,482**	**1,215**	**(0)**	**(0)**
Others				
Sold	**1,162**	**879**	**17**	**(2)**
Bought	**957**	**743**	**12**	**2**
Total	**$ —**	**$ —**	**$ 37**	**$ 7**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values for standardized products are calculated by using the closing prices of the Tokyo Stock Exchange and others.
Market values for the over-the-counter trading are primarily based on discounted present values or option price calculation models.

(b) Currency related Transactions

				Millions of Yen
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Currency Swaps	**¥—**	**¥—**	**¥—**	**¥—**
Total	**¥—**	**¥—**	**¥—**	**¥—**

				Millions of U.S.Dollars
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Currency Swaps	**$—**	**$—**	**$—**	**$—**
Total	**$—**	**$—**	**$—**	**$—**

Notes: 1. The above Profit/(Loss) are stated on the consolidated statements of operations. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values are based on the discounted present values.
Market values for the over-the-counter trading are primarily based on options price calculation model.

3. Certain Currency Swaps have been excluded above tables, since such Currency Swaps have been accounted for by using the accrual method of accounting based on "Tentative Auditing Treatment relating to Adoption of 'Revised Accounting for Foreign Currency Transaction' for Banks." (JICPA April 10, 1999)
The Contractual Value of such Currency Swaps accounted for on an accrual method is as follows::

	Millions of Yen		
March 31, 2001	Contractual Value or Notional Principal Amount	Market Value	Unrealized Profit/(Loss)
Currency Swaps	**¥39,057**	**¥1,735**	**¥1,735**

	Millions of U.S.Dollars		
March 31, 2001	Contractual Value or Notional Principal Amount	Market Value	Unrealized Profit/(Loss)
Currency Swaps	**$ 315**	**$ 14**	**$ 14**

Foreign Exchange Forward Contract, Currency Options and certain other transactions are excluded the above tables, since they are revalued at the end of the fiscal year and their profits and losses are recorded in the consolidated statements of operation or they are attached to foreign currency based on receivable/payables, which are reflected to consolidated balance sheets or eliminated in consolidated process. Contractual value of foreign exchange related transactions reflected in statements of income by revaluation at the dates is as follows:

	Millions of Yen
March 31, 2001	Contractual Value or Notional Principal Amount
Over-the-counter	
Foreign Exchange Forward Contracts	
Sold	**¥454,921**
Bought	**464,585**

	Millions of U.S. Dollars
March 31, 2001	Contractual Value or Notional Principal Amount
Over-the-counter	
Foreign Exchange Forward Contracts	
Sold	**$ 3,672**
Bought	**3,750**

(c) Equity related Transactions

There are no Equity related Transactions at the fiscal year ended March 31, 2001.

(d) Bond related Transactions

	Millions of Yen			
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	**¥976**	**¥—**	**¥ 3**	**¥ 3**
Bought	—	—	—	—
Total	**¥ —**	**¥—**	**¥ 3**	**¥ 3**

	Millions of U.S.Dollars			
	Contractual Value or Notional Principal Amount			
March 31, 2001		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	**$ 8**	**$—**	**$ 0**	**$ 0**
Bought	—	—	—	—
Total	**$ —**	**$—**	**$ 0**	**$ 0**

Notes: 1. The above Profit/(Loss) is included in the consolidated statements of income. Derivatives transactions to which hedge accounting is applied are excluded.
2. Market values for standardized products are calculated by using the closing prices of the Tokyo Stock Exchange and others.
Market values for the over-the-counter trading are primarily based on option pricing calculation models.

(e) Commodity related Transactions

There were no commodity related transactions as of March 31, 2001.

(f) Credit Derivative Transactions

There were no credit derivative transactions as of March 31, 2001.

For the Fiscal Year ended March 31, 2000

Contractual values or notional principal amounts, market values or estimated market values and unrealized profit/(loss) of derivative financial instruments as of March 31, 2000 are shown in the following tables.

(a) Interest Rate related Transactions

				Millions of Yen
	Contractual Value or Notional Principal Amount			
March 31, 2000		Over one year	Market Value	Unrealized Profit/(Loss)
Over-the-counter				
Interest Rate Swaps				
Receipts Fixed / Payments Floating	¥ 988,063	¥795,041	¥13,105	¥ 13,105
Receipts Floating / Payments Fixed	1,013,794	585,842	(35,506)	(35,506)
Basis Swaps	594,450	492,450	1,109	1,109
Others				
Sold	2,000	1,000	5	(0)
Option Premium	5			
Bought	8,050	7,050	(6)	(14)
Option Premium	7			
Total				¥ (21,305)

Notes: 1. Market values of over-the-counter transactions are based on the discounted present value or the option pricing calculation models.
2. "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents option premium recorded in the consolidated balance sheet.
3. The following table shows contractual values or notional principal amounts and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit/(loss) affected the consolidated statements of operations. Derivatives positions are carried at fair value.

		Millions of Yen
March 31, 2000	Contractual Value or Notional Principal Amount	Market Value
Over-the-counter		
Interest Rate Swaps		
Receipts Fixed / Payments Fixed	¥ 400	¥ 4
Receipts Fixed / Payments Floating	585,917	5,993
Receipts Floating / Payments Fixed	569,873	(5,739)
Basis Swaps	171,890	(27)
Others		
Sold	162,300	3,275
Option Premium	*2,708*	
Bought	161,500	2,785
Option Premium	*2,164*	

Note: "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents initial option premium of the contractual value indicated.

(b) Currency related Transactions

March 31, 2000	Contractual Value or Notional Principal Amount	Over one year	Market Value	Unrealized Profit/(Loss)
				Millions of Yen
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 based on the discounted present values.

2. The following tables show notional principal amount and market value of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above tables since the profit/(loss) is recorded in the consolidated statements of operations. Derivatives positions are carried at fair value.

March 31, 2000	Contractual Value or Notional Principal Amount	Market Value
		Millions of Yen
Over-the-counter		
Currency Swaps	¥6,687	¥ 124
U.S. Dollars	6,687	124

3. Foreign exchange forward contracts, currency options and certain other transactions are excluded from the above table since they are revalued at the end of the fiscal year and their profit/(loss) are included in the consolidated statements of operations.
The following tables show the contractual values of foreign exchange related transactions included in the consolidated/non-consolidated statements of operations by revaluation at the end of the fiscal years.

March 31, 2000			Contractual Value or Notional Principal Amount
			Millions of Yen
Over-the-counter			
Foreign Exchange Forward Contracts			
Sold			¥633,804
Bought			668,478
Currency Options			
Sold	Call		530
		Option Premium	2
	Put		—
		Option Premium	—
Bought	Call		1,230
		Option Premium	*0*
	Put		—
		Option Premium	—

Note: "Option Premium" in the column of "Contractual Value or Notional Principal Amount" represents option premium recorded in the consolidated balance sheet.

(c) Equity related Transactions

				Millions of Yen
	Contractual Value or Notional Principal Amount			
March 31, 2000		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Stock Index Futures				
Sold	¥207,727	¥ —	¥205,452	¥2,274
Bought	—	—	—	—
Over-the-counter				
Others				
Sold	197,661	197,661	200,882	(3,220)
Bought	—	—	—	—
Total	/	/	/	¥ (946)

Notes: 1. Market values of standardized transactions are calculated by using the closing prices of the Tokyo Stock Exchange and others. Market values of over-the-counter transactions are based on the discounted present values or the option pricing calculation models.
2. "Option Premium" in the column of "Contractual Value" represents option premium recorded in the consolidated balance sheet.
3. Contractual value and market value of derivatives which included in "Trading Assets/Liabilities" are not indicated in the above tables, since the profit(loss) affected the consolidated statements of operations. Derivatives positions are carried at fair value. However there were no such derivatives as of March 31,2000 and, accordingly, no table is presented for the fiscal year.

(d) Bond related Transactions

				Millions of Yen
	Contractual Value or Notional Principal Amount			
March 31, 2000		Over one year	Market Value	Unrealized Profit/(Loss)
Standardized				
Bond Futures				
Sold	¥24,894	¥ —	¥24,985	¥(90)
Bought				
Total	/	/	/	¥(90)

Notes: 1. Market values are calculated by using the closing prices of the Tokyo Stock Exchange and others.
2. There were no over-the-counter transactions as of March 31, 2000.
3. The following tables show contractual values and market values of derivatives included in "Trading Assets/Liabilities" which are not indicated in the above table since the profit (loss) is included in the consolidated statements of operations. Derivatives positions are carried at fair value.

		Millions of Yen
March 31, 2000	Contractual Value or Notional Principal Amount	Market Value
Standardized		
Bond Futures		
Sold	¥16,417	¥16,437
Bought	—	—

(e) Commodity related Transactions

There were no commodity related transactions as of March 31, 2000.

(f) Credit Derivative Transactions

There were no credit derivative transactions as of March 31, 2000.

35. SEGMENT INFORMATION

(a) Segment Information by Type of Business

Concurrent with the business integration, as from the fiscal year ended March 31, 2001, the significance of the business of consolidated companies is small. Therefore segment information by type of business is not shown here.

Millions of Yen

Year ended March 31, 2000	Trust Banking	Other Financial	Total	Elimination and Corporate Assets	Consolidated
I Ordinary Income	¥ 473,346	¥ 33,644	¥ 506,991	¥ (10,958)	¥ 496,032
(1) Ordinary Income from Outside Customers	471,299	24,733	496,032	—	496,032
(2) Internal Ordinary Income between Segments	2,046	8,911	10,958	(10,958)	—
II Ordinary Expenses	446,171	34,037	480,209	(13,049)	467,160
Ordinary Profit (Loss) (I-II)	¥ 27,174	¥ (392)	¥ 26,781	¥ 2,090	¥ 28,872
III Assets, Depreciation and Capital-related Expenditures	¥7,946,663	¥667,925	¥8,614,589	¥(284,131)	¥8,330,458
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 Expenditure	5,829	31,309	37,138	—	37,138

Notes: 1. In the 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. Segment have been established based on classifications of the business operations of consolidated companies. Other Financial Services includes guarantee business leasing management services and advisory services for investment trust.
3. In place of sales and operating profit, which is reported by companies in general, Toyo Trust Bank discloses ordinary income and ordinary profit.

Some subsidiaries conduct businesses other than trust banking , such as securities and leasing. However, since the ratio of these businesses to whole is not material, segment information by type of business is not not provided.

(b) Segment Information by Location

Concurrent with the closure of overseas branches and offices, as from the fiscal year ended March 31, 2001, the significance of the international business is small. Therefore segment information by locations is not shown here.

Millions of Yen

Year ended March 31, 2000	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
I Ordinary Income	¥ 498,225	¥ 7,590	¥ 1,043	¥ 2,429	¥ 509,288	¥ (13,255)	¥ 496,032
(1) Ordinary Income from Outside Customers	493,693	2,050	47	241	496,032	—	496,032
(2) Internal Recurring Income between Segments	4,532	5,539	995	2,188	13,255	(13,255)	—
II Ordinary Expenses	469,185	7,484	1,884	2,114	480,669	(13,508)	467,160
Ordinary Profit (Loss) (I-II)	¥ 29,039	¥ 105	¥ (841)	¥ 315	¥ 28,619	¥ 253	¥ 28,872
III Assets	¥8,260,854	¥125,644	¥ 247	¥ 4,755	¥8,391,502	¥(117,534)	¥8,273,968

Millions of Yen

Year ended March 31, 1999	Japan	Americas	Europe	Asia / Oceania excluding Japan	Total	Elimination and Corporate Assets	Consolidated
I Ordinary Income	¥ 391,513	¥ 30,569	¥ 17,383	¥ 29,307	¥ 468,775	¥ (37,197)	¥ 431,578
(1) Ordinary Income from Outside Customers	370,633	23,516	15,078	22,350	431,578	—	431,578
(2) Internal Recurring Income between Segments	20,880	7,053	2,305	6,957	37,197	(37,197)	—
II Ordinary Expenses	592,187	35,612	20,893	46,097	694,791	(36,439)	658,351
Ordinary Profit (Loss) (I-II)	¥ (200,675)	¥ (5,041)	¥ (3,509)	¥ (16,788)	¥ (226,015)	¥ (757)	¥ (226,773)
III 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, Toyo Trust Bank reported Ordinary Income and Ordinary Profit (Loss) for Japan and the geographical overseas area as shown in Segment Information by Local.
2. Americas 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. The effects on the segment information for each fiscal year due to the change of accounting treatments are as follows:

For the Fiscal Year ended March 31, 2000
"Reserve for Possible Loan Losses" which had been previously reported in Liabilities was reported in Assets as contra account as at the end of the fiscal year, due to the revision of forms prescribed by the Japanese Banking Law. As a result of this change, Assets of Japan and Americas decreased by ¥159,175 million and ¥1 million, respectively.

For the Fiscal Year ended March 31, 1999
Software used by Toyo Trust Bank and its domestic consolidated subsidiaries is amortized using the straight-line method based on the estimated useful life (mainly 5 years). As a result of this change, Ordinary Loss in Japan decreased by ¥9,032 million.

The usual life for buildings for the calculation of depreciation was shortened due to the amendments of Japanese Tax Laws. As a result, Ordinary Loss of Japan increased by ¥176 million

In addition, Ordinary Loss in Japan increased by ¥117 million, reflecting the change in accounting treatments on "Enterprise Taxes" and "Equity in Earnings of Affiliates."

(c) Ordinary Income from International Operations

Ordinary Income from International Operations of the fiscal year ended March 31, 2001 is less than 10% of total ordinary income, therefore, ordinary income from international operations for the fiscal year ended March 31, 2001 is not shown here.

	Millions of Yen		
Year ended March 31,	Ordinary Income from International Operations	Consolidated Ordinary Income	Ratio of Recurring Income from Overseas International to Consolidated Recurring Income
2000	¥ 42,011	¥496,032	8.46%

	Millions of Yen		
Year ended March 31,	Ordinary Income from International Operations	Consolidated Ordinary Income	Ratio of Recurring Income from Overseas International to Consolidated Recurring Income
1999	¥102,847	¥431,578	23.83%

Notes: 1. For the fiscal years ended March 31, 2000 and 1999, Ordinary Income from International Operations is shown, instead of Overseas Sales Amount for Non-finical companies.
2. Ordinary Income from International Operations includes ordinary income from transactions of Toyo Trust Bank's overseas branches and of consolidated overseas subsidiaries (excluding ordinary income from intercompany transactions). Segment Information for Ordinary Income from International Operations by location is not presented since the counterparties of the large number of transactions are not classified by location.

36. FINANCIAL INFORMATION OF THE PARENT BANK

Non-Consolidated Balance Sheets (Banking Account)

March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars 2001
ASSETS:			
Cash and Due from Banks	**¥ 523,102**	¥1,006,913	**$ 4,222**
Call Loans	**20,300**	102,400	**164**
Monetary Receivables Bought	**33,730**	25,552	**272**
Trading Assets	**110,604**	195,906	**893**
Money Held in Trust	**—**	43,650	**—**
Securities	**2,766,701**	2,069,951	**22,330**
Loans and Bills Discounted	**3,886,196**	4,233,210	**31,366**
Foreign Exchange Assets	**3,544**	7,808	**29**
Other Assets	**208,157**	166,225	**1,680**
Premises and Equipment	**88,666**	93,696	**716**
Deferred Tax Assets	**159,995**	162,321	**1,291**
Customers' Liabilities for Acceptances and Guarantees	**298,285**	243,005	**2,407**
Reserve for Possible Loan Losses	**(90,146)**	(157,056)	**(728)**
Reserve for Losses on Investment to Securities	**(183)**	(112)	**(1)**
Total Assets	**¥8,008,956**	¥8,193,474	**$64,640**
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits	**¥3,678,929**	¥3,592,057	**$29,693**
Call Money	**218,458**	116,166	**1,763**
Trading Liabilities	**17,752**	24,339	**143**
Borrowed Money	**216,049**	286,295	**1,744**
Foreign Exchange Liabilities	**0**	17	**0**
Bonds and Notes	**78,900**	50,000	**637**
Convertible Bonds	**19,140**	24,326	**154**
Borrowed Money from Trust Account	**2,736,497**	2,770,712	**22,086**
Other Liabilities	**158,149**	450,779	**1,276**
Reserve for Retirement Allowances	**—**	3,453	**—**
Reserve for Retirement Benefits	**724**	—	**6**
Reserve for Contingent Liabilities Related to Loans Sold	**3,944**	5,728	**32**
Reserve for Possible Losses on Support of Specific Borrowers	**—**	33,823	**—**
Other Reserves	**0**	0	**0**
Deferred Tax Liabilities Related to Land Revaluation	**7,265**	7,075	**59**
Acceptances and Guarantees	**298,285**	243,005	**2,407**
Total Liabilities	**7,434,097**	7,607,781	**60,001**
Stockholders' Equity:			
First Class, First Series Preferred Stock	**40,000**	40,000	**323**
First Class, Second Series Preferred Stock	**100,000**	100,000	**807**
Common Stock	**140,536**	140,471	**1,134**
Capital Surplus	**252,676**	252,611	**2,039**
Legal Reserve	**23,453**	21,983	**189**
Revaluation Reserve for Land, Net of Taxes	**11,364**	10,746	**92**
Retained Earnings	**6,828**	19,881	**55**
Total Stockholders' Equity	**574,859**	585,693	**4,640**
Total Liabilities and Stockholders' Equity	**¥8,008,956**	¥8,193,474	**$64,640**

Non-Consolidated Statements of Operations

For the Fiscal Years ended March 31, 2001, 2000 and 1999	2001	2000	1999	2001
			Millions of Yen	Millions of U.S. Dollars
Income:				
Trust Fees	**¥ 56,111**	¥ 48,417	¥ 78,706	**$ 453**
Interest Income:	**103,242**	133,315	171,910	**833**
Interest on Loans and Discounts	**68,874**	76,815	111,566	**556**
Interest on and Dividends from Securities	**24,818**	34,303	34,160	**200**
Other Interest Income	**9,549**	22,196	26,182	**77**
Fees and Commissions	**44,573**	40,165	35,282	**360**
Trading Revenue	**886**	456	4,132	**7**
Other Operating Income	**12,310**	8,270	22,980	**99**
Other Income	**104,086**	240,835	124,160	**840**
Total Income	**321,211**	471,459	437,173	**2,593**
Expenses:				
Interest Expenses:	**63,619**	98,210	147,258	**513**
Interest on Deposits	**23,676**	25,417	60,102	**191**
Interest on Borrowings and Rediscounts	**14,803**	13,580	18,016	**119**
Other Interest Expenses	**25,139**	59,212	69,139	**203**
Fees and Commissions	**3,796**	6,398	4,853	**31**
Trading Expenses	**474**	220	—	**4**
Other Operating Expenses	**1,772**	18,343	19,753	**14**
General and Administrative Expenses	**90,309**	93,573	95,708	**729**
Other Expenses	**162,232**	226,116	388,726	**1,309**
Total Expenses	**322,205**	442,862	656,299	**2,601**
Income (Loss) before Income Taxes	**(993)**	28,596	(219,126)	**(8)**
Income Taxes (Current)	**100**	100	100	**1**
Income Taxes (Deferred)	**2,641**	20,678	(91,518)	**21**
Net Income (Loss) for Year	**(3,735)**	7,818	(127,707)	**(30)**
Retained Earnings at Beginning of Year	**19,881**	19,033	61,403	**160**
Adjustment to Retained Earnings due to Initial Application of Deferred Tax Accounting	—	—	91,474	—
Appropriation of Retained Earnings:				
Transfer to Legal Reserve	**(1,470)**	(1,159)	(1,022)	**(12)**
Cash Dividends	**(7,353)**	(5,799)	(5,113)	**(59)**
Reversal of Revaluation Reserve for Land	**(493)**	(10)	—	**(4)**
Total Appropriations	**(9,316)**	(6,968)	(6,135)	**(75)**
Retained Earnings at End of Year	**¥ 6,828**	¥ 19,881	¥ 19,033	**$ 55**
			Yen	U.S. Dollars
Net Income (Loss) per Share:				
Basic	**¥ (6.97)**	¥ 5.68	¥ (162.30)	**$ (0.06)**
Fully Diluted	—	4.28	—	—

Non-Consolidated Balance Sheets (Unaudited)

Trust Account

March 31, 2001 and 2000	Millions of yen 2001	Millions of yen 2000	Millions of U.S. Dollars 2001
Assets:			
Loans and Bills Discounted	**¥ 1,767,754**	¥ 2,419,459	**$ 14,268**
Securities	**12,796,772**	12,171,416	**103,283**
Securities of Investment Trusts	**7,401,596**	7,048,320	**59,738**
Overseas Investments of Investment Trusts	**934,340**	856,474	**7,541**
Beneficiary Rights in Trust	**131,525**	355,347	**1,062**
Securities in Trust	**202,693**	423,808	**1,636**
Securities Lent	**364,900**	158,500	**2,945**
Money Claims	**2,958,438**	2,513,918	**23,878**
Premises and Equipment	**570,943**	534,940	**4,608**
Leasing Rights on Land	**15,885**	15,885	**128**
Other Claims	**833,685**	28,268	**6,729**
Bills Purchased	**1,010,000**	148,300	**(8,152)**
Call Loans	**3,778,728**	1,205,660	**(30,498)**
Lending Money to Banking Account	**2,736,497**	2,770,712	**(22,086)**
Cash and Due from Banks	**661,316**	2,174,007	**(5,337)**
Total Assets	**¥36,165,079**	¥32,825,020	**$291,889**
Liabilities:			
Money Trust	**¥ 8,428,003**	¥ 8,092,523	**$ 68,023**
Pension Trust	**4,494,590**	4,266,896	**36,276**
Property Formation Trusts	**4,481**	4,820	**36**
Loan Trusts	**3,302,042**	3,854,727	**26,651**
Investment Trusts	**15,744,706**	12,952,839	**127,076**
Money in Trust Other than Money Trusts	**1,315,758**	1,325,727	**10,620**
Securities in Trust	**956,393**	708,558	**7,719**
Money Claims in Trust	**834,543**	1,023,185	**6,736**
Equipment in Trust	**108,674**	115,758	**877**
Real Estate in Trust	**111,223**	126,826	**898**
Leasing Rights on Land in Trust	**718**	747	**6**
Composite Trusts	**853,741**	352,408	**6,891**
Other Trusts	**10,203**		**82**
Total Liabilities	**¥36,165,079**	¥32,825,020	**$291,889**

Notes: 1. The total amounts of Co-operative Trusts with other trust companies administrated were ¥9,764,976 million ($78,814 million) and ¥11,420,396 million as of March 31,2001and 2000, respectively.

2. Total amounts of loans in trust account with principal indemnification of clause were ¥1,588,361million ($12,819 million) and ¥2,230,989 million, as of March 31, 2001 and 2000, respectively.

Problem Loans in in trust account with principal indemnification of clause defined by the Japanese Banking Law were as follows:

March 31, 2001 and 2000	Millions of yen 2001	Millions of yen 2000	Millions of U.S. Dollars 2001
Loans to Bankrupt Companies	**¥ 20,169**	¥ 20,742	**$163**
Other Delinquent Loans	**65,618**	117,829	**530**
Loans Past Due 3 Months or More	**954**	3,182	**8**
Restructured Loans	**32,509**	2,720	**262**
Total	**¥119,252**	¥144,474	**$962**

37. SUBSEQUENT EVENTS

(a) Effective April 1, 2001, The Sanwa Bank, Limited, The Tokai Bank, Limited and Toyo Trust Bank jointly established a holding company under which the three banks became wholly-owned subsidiaries of the holding company through stock-for-stock exchange. The holding company's official name is UFJ Holdings, Inc.

(b) The following plan of Toyo Trust Bank for the appropriation of unappropriated profit was approved at the ordinary stockholders meeting held on June 26, 2001:

	Millions of Yen	Millions of U.S. Dollars
	2001	**2001**
Appropriations-Legal Reserve	**¥ 272**	**$ 2**
Year-end Dividends:		
First Class First Series Preferred, ¥2.65 ($0.0213) per share	**212**	**2**
First Class Second Series Preferred, ¥5.75 ($0.0464) per share	**1,150**	**9**
Total	**¥1,634**	**$13**

CAPITAL ADEQUACY

Toyo Trust Group's capital ratio is subject to the capital adequacy guidelines by the Financial Services Agency (the former Financial Supervisory Agency) which closely follow the risk-weighted approach proposed by the Bank for International Settlements (BIS). The following table presents the components of capital and the risk-weighted assets of issued Toyo Trust Group's capital ratio under the guidelines.

	Millions of Yen	
March 31	**2001** (Domestic Standard)	2000 (International Standard)
Tier I (Core Capital):		
Common Stock	**¥ 140,530**	¥ 140,470
Perpetual Non-cumulative Preferred Shares	**140,000**	140,000
Additional Paid-in Capital	**252,676**	252,611
Retained Earnings	**22,649**	30,226
Minority Interests	**990**	907
Foreign Currency Translation Adjustments	**(575)**	—
Less: Amortization of Goodwill	**857**	1,142
Total Tier I Capital	**¥ 555,414**	¥ 563,072
Tier II (Supplementary Capital):		
Unrealized Gains on Securities, after 55% Discount	**—**	—
Revaluation Reserve for Land, after 55% Discount	**8,383**	8,019
Reserve for Possible Loan Losses, excluding Specific Reserve	**42,742**	41,584
Subordinated Debts	**194,423**	217,688
Total Tier II Capital	**¥ 245,549**	¥ 267,292
Tier II Capital included as Qualifying Capital	**¥ 245,549**	¥ 267,292
Deductions	**7,101**	2,217
Total Capital	**¥ 793,862**	¥ 828,147
Risk-Weighted Assets:		
Credit Risk Related Items:	**6,838,789**	6,988,879
Market Risk Related Items	**—**	63,354
Total Risk-Weighted Assets	**¥6,838,789**	¥7,052,233
Capital Ratio (%)	**11.60%**	11.74%

TOYO TRUST PRINCIPAL SHAREHOLDERS

20 largest shareholders as of March 31, 2001

Shareholders	Number of Shares (in thousands)	*Percentage of Total Shares Outstanding
The Sanwa Bank, Limited	102,420	11.06
The Nomura Securities Co., Ltd.	58,969	6.36
The Sakura Bank, Limited	38,720	4.18
Japan Trustee Services Bank, Ltd.	30,061	3.24
J.P. Morgan Trust Bank Ltd. (Tax-Free Account)	26,881	2.90
Nippon Life Insurance Company	17,784	1.92
Nomura Land and Building Co., Ltd.	17,734	1.91
Toyo Real Estate Co., Ltd.	17,648	1.90
Teijin Limited	11,435	1.23
The Koa Fire and Marine Insurance Co., Ltd.	9,534	1.02
Hitachi, Ltd.	9,408	1.01
The Toyo Trust and Banking Company, Ltd. (The Account of Toyota Motor Corporation)	9,038	0.97
Daido Life Insurance Co.	8,969	0.96
Dai-Tokyo Fire and Marine Insurance Co., Ltd.	8,672	0.93
UBS AG London Asia Equities	7,761	0.83
Asahi Mutual Life Insurance Co.	7,294	0.78
Shinsei Bank, Limited	7,148	0.77
Recruit Co., Ltd.	7,056	0.76
Morgan Stanley & Co. International Limited	6,675	0.72
The Mitsuibishi Trust and Banking Corporation (Trust Account)	6,630	0.71
Total	409,837	44.26

*Rounded off at two decimal places

As of April 2, 2001

Shareholders	Number of Shares (in thousands)	Percentage of Total Shares in Issue
UFJ Holdings, Inc.	925,968	100.00

FURTHER INFORMATION

UFJ HOLDINGS, INC.

Registered Head Office: 5-6, Fushimimachi 3-chome, Chuo-ku, Osaka 541-0044, Japan
Tokyo Headquarters: 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8114, Japan
Nagoya Head Office: 21-24, Nishiki 3-chome, Naka-ku, Nagoya 460-8660, Japan

CAPITAL:
¥1 trillion

NUMBER OF STOCKS ISSUED:
Common: 4,727,029.13
Preferred: 880,000

STOCK EXCHANGE LISTINGS:
Common: Tokyo, Osaka, Nagoya

STOCK TRANSFER AGENT:
The Toyo Trust and Banking Company, Limited

(as of April 2, 2001)

CONTACT:
Investor Relations
Investor Relations Office, Group Planning Department
UFJ Holdings, Inc.
1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8114, Japan
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URL:www.ufj.co.jp

Forward-looking Statement
This annual report may contain forward-looking statements with respect to the financial condition, results of operations and businesses of UFJ Holdings, Inc., The Sanwa Bank, Limited, The Tokai Bank, Limited, The Toyo Trust and Banking Company, Limited (collectively hereinafter, "the UFJ Group") and their group companies. These forward-looking statements involve certain risks and uncertainties resulting from changes in the UFJ Group's business environment.

This annual report is printed on recycled paper.

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The Tokai Bank, Limited

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