

① BASIS OF PRESENTATION

The accompanying consolidated financial statements are prepared on the basis of generally accepted accounting principles and practices in Japan, and are compiled from the consolidated financial statements, with a report of certified public accountants, filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan. Notes thereto have been summarized and rearranged for the convenience of readers outside Japan. The Consolidated Statement of Cash Flows for the years ended March 31, 1998, and 1997, is not required to be filed with the Ministry of Finance but is included herein for the convenience of the reader.

All monetary amounts are stated in millions of yen, and figures of smaller denominations are not represented. Accordingly, the sum of each account may in fact not be equal to the combined sum of the individual items.

The Bank maintains its records and prepares its financial statements in Japanese yen. U.S. dollar amounts are presented solely for convenience and should not be construed to represent the actual value in Japanese yen that has been or could have been converted into U.S. dollars. The rate used for the U.S. dollar amounts in the accompanying financial statements is ¥132.10 to US\$1, the rate of exchange on March 31, 1998.

② SIGNIFICANT ACCOUNTING POLICIES

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of The Dai-Ichi Kangyo Bank, Limited (the Bank) and 127 of its subsidiaries, including The CIT Group, Inc. (a U.S. corporation), Dai-Ichi Kangyo Bank Nederland N.V. (a Dutch corporation), and Chekiang First Bank Ltd. (a Hong Kong corporation), after the elimination of all significant intercompany transactions, balances, and unrealized profit.

The consolidated financial statements do not include the accounts of The Dai-Ichi Kangin Office Service Co., Ltd. (a Japanese corporation) and eight other subsidiaries, since the combined total assets, total revenue, net income, and retained earnings of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements of the Bank.

Investment in six out of nine unconsolidated subsidiaries and in three out of five affiliates, DKB Investment Management International Limited (a U.K. corporation) and two other affiliates, is carried using the equity method. Investment in three other subsidiaries and two other affiliates is carried at cost, since the effect of applying the equity method in these subsidiaries and affiliates is not material.

The difference, at the time of acquisition in 1989, between the cost of the investment in The CIT Group, Inc. and the underlying equity in net assets thereof is being amortized over a period of 10 years by the straight-line method.

The difference, not significant in amount, between the cost and underlying equity in net assets of consolidated subsidiaries is charged or credited to income in the year of acquisition.

The financial statements of the consolidated subsidiaries, of which fiscal year-ends are principally December 31, are included in consolidation on the basis of their respective fiscal years after making appropriate adjustments for the significant transactions during the period from their year-ends to the date of the Bank's fiscal year-end.

2. TRADING ACCOUNT

Criteria for Evaluating Trading Account Assets and Liabilities and Related Income and Expenses

The following criteria are applied in accounting for DKB's Trading Account Assets and Liabilities and Trading Income and Expenses.

Assets and liabilities related to trading transactions are included on a contract day basis in Trading Account Assets and Trading Account Liabilities, and profit and losses from trading transactions are recognized on the contract date and included in Trading Income and Trading Expenses. Trading transactions are defined as: Transactions with the purposes of which to make a profit on the short-term movement of interest rates, currency prices, prices and other indices pertaining to the securities markets, and from differentials between markets and others.

Trading Account Assets and Trading Account Liabilities are marked to fair market value on the last business day of the fiscal year. Trading Income and Trading Expenses include interest received/paid during the related term and the increase or decrease between the prior book closing day and latest book closing day of the fair market value of the securities, money claims and derivatives.

However, since this accounting procedure was applied for the first time during fiscal 1997, profit and losses for the period include unrealized profit and losses at the end of the previous fiscal year as a one-time entry.

DKB set up trading accounts, in line with the Banking Law, article 17-2, during the period. Securities, money claims and derivatives in such accounts increased assets by ¥940,845 million and liabilities by ¥938,270 million, owing to changes in accounting methods, such as revaluation profits and losses, and the effects on profit and losses of this new accounting method are as follows:

Total Income	decreased ¥145,023 million
Interest Income	decreased ¥140,849 million
Fees and Commissions	decreased ¥215 million
Trading Income	increased ¥8,815 million
Other Operating Income	decreased ¥12,773 million
Total Expenses	decreased ¥147,598 million
Interest Expenses	decreased ¥143,464 million
Trading Expenses	increased ¥5,830 million
Other Operating Expenses	decreased ¥8,951 million
General and Administrative Expenses	decreased ¥1,013 million
Income before Income Taxes and Others	increased ¥2,575 million

For consolidated subsidiaries, transactions for specified purposes (trading account transactions) and transactions similar to these are treated in the same way as for the parent bank in virtually all cases.

3. SECURITIES

Securities of the Bank are carried at cost, determined by the moving average method. Moreover, the same method is applied for the valuation of securities that are held as trust assets in individually managed money trusts with the principal objective of securities portfolio management. Heretofore, based on the Accounting Standards for Banks in Japan, securities quoted on stock exchanges were—in the case of corporate bonds, stocks, and other securities—carried at the lower of cost or market. Accompanying the revision of the

Accounting Standards for Banks in Japan, beginning with this fiscal year, such securities are carried at cost.

In the past, under the unrevised Accounting Standards for Banks in Japan, banks were allowed to use only the lower of cost or market value method for evaluating securities. Following the revision of these standards in February 1998, banks have the option of using the cost method. Moreover, regarding securities holdings, for the Bank's securities that are not held for short-term trading purposes, it was deemed inappropriate to show substantial profits or losses on securities at the end of fiscal periods that might have a material impact on overall profitability. Accordingly, the Bank adopted the original cost method since this presents its results most appropriately from an accounting perspective.

As a result of this change in valuation method, in fiscal 1997, Income before Income Taxes and Others is ¥361,968 million higher than it would have been under the method previously applied.

In addition, the method for accounting for securities held as trust assets in individually managed money trusts with the principal objective of securities portfolio management has also been changed accordingly.

As a result of the above change in valuation method, in fiscal 1997, Income before Income Taxes and Others is ¥3,095 million higher than it would have been under the method previously applied. Securities held by the consolidated subsidiaries are principally stated at cost.

4. PREMISES AND EQUIPMENT

Premises and equipment of the Bank are generally carried at cost less accumulated depreciation and deferred gains on sales of real estate.

In accordance with the Accounting Standards for Banks issued by the Ministry of Finance, depreciation of the buildings and equipment of the Bank is computed on the declining balance method up to the ratio allowable under the Japanese Corporation Tax Law.

The other is amortized in conformity with the Corporation Tax Law.

Prior to fiscal 1997, depreciation on buildings was calculated using 160% of the rate permitted for taxation purposes in accordance with the Accounting Standards for Banks in Japan.

Accompanying the revision of these standards, beginning with fiscal 1997, depreciation is calculated using the rate prescribed by the Corporation Tax Law of Japan.

As a result of this change in the calculation of depreciation, Income before Income Taxes and Others was ¥5,571 million higher than it would have been using the rates previously applied.

Premises and equipment of the consolidated subsidiaries are depreciated principally by the straight-line method over the estimated useful lives.

5. RESERVE FOR POSSIBLE LOAN LOSSES

In fiscal 1997, the Bank made provisions for possible loan losses based on the criteria for writing off such losses in accordance with the Accounting Standards for Banks in Japan. Such provisions made by the Bank were based on Practical Guidelines for Evaluation of Internal Control Over Valuation of Assets and Audits of Write-Offs of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions issued as part of the Fourth Report of Ad Hoc Committee for Audits of Banks of the Japanese Institute of Certified Public Accountants. The amount of such provisions is equivalent to the book value of loans outstanding to borrowers that are legally bankrupt, as evidenced by a declaration of bankruptcy, ongoing composition, or other similar circumstances (Loans to Borrowers under Bankruptcy Proceedings) and loans outstanding to borrowers in effectively similar conditions (Loans to Borrowers Substantially in Bankruptcy) after deduction of the anticipated proceeds from the sale of collateral pledged against such loans and the anticipated amount that may be recovered from guarantors of the loan. In addition, provisions may also be made against loans to borrowers that are currently not actually or effectively in bankruptcy, but are viewed as having a high probability of going into bankruptcy (Loans to Borrowers with Bankruptcy Imminent). In such cases, the anticipated proceeds from the sales of collateral pledged against such loans and the anticipated amount that may be recovered from guarantors of the loan are first subtracted from the book value of the loan. Then, the provision for such loans is computed based on a comprehensive judgment regarding the borrower's ability to pay, which is deemed necessary. Provisions may also be made for other loans, including normally performing loans and loans to borrowers under close observation based on the ratio of loan losses computed based on the default ratio sustained over a specific period in the past. In addition, the reserve for specific purposes

set aside in the previous fiscal year has been included in the Reserve for Possible Loan Losses. Also, regarding the Reserve for Loans to Specific Countries, the expected amount of the losses on such loans arising from political and economic conditions in those countries (including the Reserve for Losses on Overseas Investments prescribed in Article 55-2 of the Exceptions to Tax Laws Act) has been included in the Reserve for Specific Overseas Loans.

For all loans, operating divisions, branches, and the credit analysis departments of the Bank's Head Office, which report to the Bank's Corporate Operation Committee, assess the quality of such assets, based on internal asset evaluation criteria, and the Credit Audit Office, which reports to the Internal Audit & Compliance Committee, conducts an audit of these assessments. Provisions are based on the assessments mentioned.

Moreover, accompanying revisions in the Accounting Standards for Banks in Japan, provisions have been made based on the methods described above beginning with the fiscal year 1997.

Provisions for consolidated subsidiaries have been made as deemed necessary with reference to previous loan loss experience of these companies.

6. RESERVE FOR RETIREMENT ALLOWANCES AND PENSION PLAN

The Bank has a reserve for retirement allowances and a pension plan in line with its employee retirement benefit plans.

The reserve for retirement allowances is set aside for lump-sum payment on retirement on the basis of the amount which would be required if all eligible employees had voluntarily retired at the end of the fiscal year concerned.

As of March 1, 1992, the Bank revised its employee benefit plan by shifting a certain amount of retirement benefits heretofore to be received by employees as retirement allowance to funds to be received under the pension plan.

Unamortized prior costs amounted to ¥57,585 million as of March 31, 1997. Such costs are to be amortized over a period of either 11 years and 10 months or one year and 11 months (for the portion of the costs associated with the shift of benefits to the pension plan).

Consolidated subsidiaries principally have funded pension plans for employees.

7. TRANSLATION OF FOREIGN CURRENCIES

(a) A revised accounting standard is being applied to the translation of the financial statements of all foreign subsidiaries and affiliates into Japanese yen based on the Directive 767 of the Ministry of Finance.

(b) Foreign currency accounts held by the Bank are translated into Japanese yen at the current exchange rates prevailing at the end of the fiscal year, except that certain special accounts, as approved by the Japanese regulatory authorities, are translated at the historical rates.

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

8. INCOME TAXES

Tax effect is recorded for timing differences in recognition of certain revenue and expenses between tax and financial reportings.

③ DIFFERENCES BETWEEN JAPANESE ACCOUNTING PRINCIPLES AND INTERNATIONAL ACCOUNTING STANDARDS ("IAS")

The accompanying consolidated financial statements are in line with accounting principles and practices generally accepted in Japan. Such principles and practices generally conform with International Accounting Standards ("IAS"), except for cash flow information and certain other disclosures, including market value information required by IAS 30.

As described in Note 2, the Bank consolidated all its significant subsidiaries and uses the equity method for its material non-consolidated subsidiaries and affiliates. The effect of consolidation and equity accounting on the Bank's remaining non-consolidated subsidiaries and affiliates would have been to increase consolidated net income by less than 1% in each of the years ended March 31, 1998 and 1997.

④ TRADING ACCOUNT ASSETS, LIABILITIES AND SECURITIES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
(Trading Account Assets)			
Trading Account Securities	¥ 654,550	¥ /	\$ 4,954,960
Derivatives of Trading Securities	901	/	6,824
Securities Related to Trading Transactions	87,172	/	659,901
Derivatives of Securities Related to Trading Transactions	29	/	221
Financial Derivatives	664,444	/	5,029,859
Other Trading Assets	897,969	/	6,797,649
Total	¥2,305,067	¥ /	\$17,449,414
(Trading Account Liabilities)			
Trading Securities Sold	¥ 464,202	¥ /	\$ 3,514,025
Derivatives of Trading Securities	645	/	4,884
Derivatives of Securities Related to Trading Transactions	69	/	524
Financial Derivatives	708,125	/	5,360,528
Total	¥1,173,042	¥ /	\$ 8,879,961
(Trading Account Securities)			
Japanese Government Bonds	¥ /	¥374,866	\$ /
Japanese Government Guaranteed Bonds	/	2,782	/
Japanese Municipal Bonds	/	7,527	/
Other	/	246,618	/
Total	¥ /	¥631,794	\$ /

From the year ended March 31, 1998, owing to reform of the Ordinance of the Ministry of Finance on the Banking Law resulting in the introduction of trading accounts, the format Balance Sheet has been altered. The changes are as follows:

(1) Trading account securities (formerly categorized as Trading Account Securities) and trading securities sold (formerly included in Other Liabilities) are now included in Trading Account Assets and Trading Account Liabilities.

The underwritten treasury securities, etc., not yet sold, as the subscription period has not expired as of the last business day of the fiscal year, are to be recorded on the ledger.

(2) Derivatives of trading account securities are included in Trading Account Assets and Trading Account Liabilities. As a consequence, option premiums derived from Trading Account Securities transactions (formerly included in Other Assets and Other Liabilities) are now included in Trading Account Assets and Trading Account Liabilities as "Derivatives of Trading Securities."

(3) Of the securities and securities sold (formerly included in Other Liabilities), such securities and securities sold in accordance with the Banking Law, article 17-2,

paragraph 1, item 2, are included in Trading Account Assets and Trading Account Liabilities as "Securities Related to Trading Transactions" and "Securities Sold Related to Trading Transactions."

(4) Derivatives related to securities transactions that satisfy the Banking Law, article 17-2, paragraph 1, item 2, are included in Trading Account Assets and Trading Account Liabilities. As a consequence, option premiums for such purposes, formerly included in Other Assets and Other Liabilities, are now included in Trading Account Assets and Trading Account Liabilities as "Derivatives of Securities Related to Trading Transactions."

(5) Derivatives (except securities-related transactions) for trading purposes are included in Trading Account Assets and Trading Account Liabilities. As a consequence, interest rate option premiums for such purposes, formerly included in Other Assets and Other Liabilities, are now included in Trading Account Assets and Trading Account Liabilities as "Financial Derivatives."

(6) Assets that were formerly included in Cash and Due From Banks, and Commercial Paper and Other Debt Purchased, held for trading purposes are now included in Trading Account Assets as "Other Trading Assets."

5 SECURITIES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Japanese Government Bonds	¥1,303,030	¥1,003,442	\$ 9,863,967
Japanese Municipal Bonds	433,047	260,593	3,278,177
Corporate Bonds	780,666	851,358	5,909,667
Stocks*	3,270,883	2,976,125	24,760,663
Other Securities*	616,149	704,461	4,664,263
Total	¥6,403,776	¥5,795,982	\$48,476,737

* Stocks and Other Securities include investments in unconsolidated subsidiaries and affiliates totaling ¥1,386 million and ¥1,539 million for the years ended March 1998 and 1997, respectively.

⑥ LOANS AND BILLS DISCOUNTED

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Bills Discounted	¥ 1,101,586	¥ 1,184,809	\$ 8,339,034
Loans on Notes	5,561,799	6,472,455	42,102,946
Loans on Deeds	26,451,260	27,013,127	200,236,642
Overdrafts	4,886,581	4,419,397	36,991,533
Total	¥38,001,227	¥39,089,789	\$287,670,155

Non-Performing Loans (Parent)

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans to Borrowers under Bankruptcy Proceedings	¥ 394,332	¥ 328,149	\$2,985,103
Loans with Interest Payments more than Six Months in Arrears	613,656	823,636	4,645,393
Total	¥1,007,988	¥1,151,785	\$7,630,496

Restructured Loans (Parent)

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Restructured Loans (Parent)	¥113,850	¥181,753	\$861,849

Effective from the year ended March 31, 1996, the Bank discloses restructured loans, those on which, in order to support borrowers' restructuring, the interest

rate at the time of restructuring is reduced to lower than the official discount rate, the spread margin is reduced to zero or negative, or interest payment is suspended.

Loans to Borrowers under Financial Support Programs (Parent)

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans to Borrowers under Financial Support Programs (Parent)	¥63,641	¥101,145	\$481,764

Effective from the year ended March 31, 1996, the Bank discloses loans to borrowers under financial support programs, which are loans extended to support

restructuring programs by waving a portion of claims and/or employing other means approved by tax authorities.

Loans Past Due for Three Months or More (Parent)

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans Past Due for Three Months or More (Parent)	¥158,655	¥ —	\$1,201,027

Effective from the year ended March 31, 1998, the Bank discloses loans past due for three months or more as those loans for which payments of principal or interest

have not been received for a period of three months or more beginning with the next business day following the last due date for such payments.

Loans with Altered Lending Conditions

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans with Altered Lending Conditions	¥304,719	¥ —	\$2,306,730

Effective from the year ended March 31, 1998, the Bank discloses loans with altered lending conditions as those loans for which the Bank has provided terms more favorable to the borrower than those in the original loan agreement, with the aim of providing restructuring

assistance and support as well as achieving an early recovery of the exposure outstanding. This category includes restructured loans and loans to borrowers under financial support programs, which were formerly disclosed separately.

7 FOREIGN EXCHANGES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
(Assets)			
Due from Foreign Banks	¥126,528	¥ 64,958	\$ 957,820
Foreign Bills of Exchange Bought	251,140	270,345	1,901,142
Foreign Bills of Exchange Receivable	132,841	173,168	1,005,616
Total	¥510,510	¥508,473	\$3,864,578
(Liabilities)			
Due to Foreign Banks	¥316,504	¥652,560	\$2,395,944
Foreign Bills of Exchange Sold	43,873	7,779	332,122
Foreign Bills of Exchange Payable	12,042	18,156	91,161
Total	¥372,419	¥678,496	\$2,819,227

8 OTHER ASSETS

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Domestic Exchange Settlement Account*	¥ 4,469	¥ 5,135	\$ 33,836
Prepaid Expenses	22,906	10,283	173,402
Accrued Income	235,152	417,850	1,780,110
Other	1,952,112	1,552,368	14,777,538
Total	¥2,214,641	¥1,985,637	\$16,764,886

* Domestic Exchange Settlement Account represents unsettled debit balances accruing from interbank domestic exchange transfers.

9 PREMISES AND EQUIPMENT AND PREMISES REVALUATION ACCOUNT

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Net Book Value			
Land	¥ 708,390	¥ 77,515	\$5,362,535
Buildings	128,402	131,543	972,013
Equipment	286,501	207,437	2,168,819
Other	51,172	53,846	387,379
Total	¥1,174,467	¥470,342	\$8,890,746
Accumulated Depreciation	¥ 348,077	¥322,336	\$2,634,953

The balances of land and buildings are stated after deducting gains on sales of real estate, which have been deferred for tax recognition purposes, and total ¥48,017 million and ¥50,070 million for the years ended March 31, 1998, and 1997, respectively.

The parent bank revalued its landholdings used for business purposes in accordance with the Law Concerning Land Revaluation (Law No. 34, promulgated March 31, 1998). The difference between original

book value and value after revaluation is recorded on the liabilities side of the balance sheet.

Revaluation date: March 31, 1998

Original book value of landholdings used for business purposes before revaluation: ¥74,112 million

Book value after revaluation: ¥704,512 million

The landholdings of Chekiang First Bank Ltd. were also revalued and treated in the same way.

10 DEPOSITS

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Current Deposits	¥ 1,704,868	¥ 1,874,141	\$ 12,905,893
Ordinary Deposits	5,583,129	5,427,486	42,264,417
Deposits at Notice	772,523	731,668	5,848,018
Time Deposits	20,324,235	20,904,329	153,854,928
Negotiable Certificates of Deposit	4,330,865	3,612,234	32,784,747
Other Deposits	5,011,780	5,942,859	37,939,292
Total	¥37,727,402	¥38,492,720	\$285,597,295

11 CALL MONEY

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Call Money	¥3,908,150	¥4,283,461	\$29,584,788
Bills Sold	382,513	575,916	2,895,639
Total	¥4,290,664	¥4,859,377	\$32,480,427

12 CONVERTIBLE BONDS

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
2¾% U.S. Dollar Convertible Bonds due 2001	¥2,151	¥2,151	\$16,288
3⅞% U.S. Dollar Convertible Bonds due 2004	6,604	6,604	49,998
Total	¥8,756	¥8,756	\$66,286

13 OTHER LIABILITIES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Domestic Exchange Settlement Account*	¥ 28,536	¥ 31,070	\$ 216,023
Accrued Expenses	250,043	409,259	1,892,835
Unearned Income	41,368	45,926	313,164
Accrued Income Taxes	8,198	9,293	62,065
Employees' Deposits	53,083	52,643	401,845
Bonds and Notes of Subsidiaries	/	1,901,525	/
Commercial Paper of Subsidiaries	750,973	732,177	5,684,886
Other	3,091,226	2,372,792	23,400,657
Total	¥4,223,431	¥5,554,689	\$31,971,475

* Domestic Exchange Settlement Account represents unsettled credit balances accruing from interbank domestic exchange transfers.

14 RESERVE FOR POSSIBLE LOAN LOSSES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Balance at Beginning of Year	¥ 841,763	¥657,246	\$6,372,171
Foreign Currency Translation Adjustments	1,680	8,698	12,723
Loan Losses Charged to Reserve	(190,684)	(96,128)	(1,443,482)
Provision Charged to "Other Expenses" and Others	510,857	271,947	3,867,200
Balance at End of Year	¥1,163,617	¥841,763	\$8,808,612

15 RESERVE FOR LOSSES ON LOANS SOLD AND RESERVE FOR THE SPECIFIC BORROWERS UNDER SUPPORT

Reserve for losses on loans sold is provided where the future possible losses are expected from the loans assigned to the Cooperative Credit Purchasing Company, Limited (CCPC), considering the value of the

collateral related to such loans. This reserve is based on Article 287-2 of the Commercial Law.

Reserve for the specific borrowers under support was included in reserve for possible loan losses from fiscal 1997.

16 OTHER RESERVES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Reserve for Price Fluctuations of Japanese Government Bonds	¥ —	¥ 2,000	\$ —
Reserve for Trading Account Securities	307	12,945	2,324
Reserve for Contingent Liabilities from Broking of Futures Transactions	4	2	35
Reserve for Contingent Liabilities from Broking Securities Transactions	4	5	35
Total	¥316	¥14,953	\$2,394

The amounts transferred to the "Reserve for Price Fluctuations of Japanese Government Bonds," the "Reserve for Trading Account Securities," the "Reserve for Contingent Liabilities from Broking of Futures Transactions," and the "Reserve for Contingent Liabilities from Broking Securities Transactions" are classified as "Transfer to Reserves" in the Consolidated Statement of Income.

Following revisions in the Accounting Standards for Banks in Japan, the reserve for price fluctuations of

Japanese government bonds shown in the accounts of the parent bank and consolidated subsidiaries in Japan has been abolished and reversed.

The reserve for trading account securities shown in the accounts of the parent bank has been abolished and reversed. Consolidated subsidiaries in Japan have computed the reserve for trading account securities under the provisions of Article 57 of the Securities & Exchange Law of Japan and the directives in Ministerial Ordinance No. 7 issued to securities companies.

17 ACCEPTANCES AND GUARANTEES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Acceptances	¥ 57,202	¥ 66,078	\$ 433,021
Letters of Credit	767,088	994,619	5,806,877
Guarantees	1,466,382	1,412,434	11,100,546
Total	¥2,290,672	¥2,473,131	\$17,340,444

All contingent liabilities arising in connection with customers' foreign trade and other transactions are classified under "Acceptances and Guarantees." A contra

account, "Customers' Liabilities for Acceptances and Guarantees," is classified as an asset representing the Bank's right of indemnity from customers.

18 CAPITAL STOCK

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
(Common Stock)			
Balance at Beginning of Year	¥458,208	¥458,208	\$3,468,652
Balance at End of Year	¥458,208	¥458,208	\$3,468,652
Millions			
Number of Shares Issued and Outstanding at End of Year	3,120	3,120	
Weighted Average Number of Shares Outstanding during the Year	3,120	3,120	
(Preferred Stock)			
Balance at Beginning of Year	—	—	—
Issuance of Preferred Stock	¥ 49,500	¥ —	\$ 374,716
Balance at End of Year	¥ 49,500	¥ —	\$ 374,716
Millions			
Number of Shares Issued and Outstanding at End of Year	33	—	
Weighted Average Number of Shares Outstanding during the Year	0	—	

(1) The authorized number of shares of common stock of ¥50 par value per share and preferred stock of non-par value, as of March 31, 1998, was 4,320 million and 100 million shares, respectively.

(2) Net income (loss) per share is computed by subtracting the total amount of cash dividends paid on preferred shares from net income (loss) and then dividing the remainder by the average number of common shares (less treasury shares) outstanding during the fiscal year.

(3) Under the Japanese Commercial Code, at least 50% of the issue price of new shares is required to be designated as capital stock, with the remainder designated as capital surplus. Therefore, the Bank's capital stock and capital surplus accounts have increased by almost the same amount. The case is the same for new shares issued through the conversion of convertible bonds.

19 CAPITAL SURPLUS

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Balance at Beginning of Year	¥346,605	¥346,605	\$2,623,811
Issuance of Preferred Stock	49,500	—	374,716
Balance at End of Year	¥396,105	¥346,605	\$2,998,527

20 LEGAL RESERVE

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Balance at Beginning of Year	¥ 95,094	¥89,737	\$719,864
Appropriation of Retained Earnings	5,377	5,379	40,711
Related Foreign Currency Translation Adjustments	15	(23)	119
Balance at End of Year	¥100,487	¥95,094	\$760,694

Japanese banking law provides that an amount equal to at least one-fifth of cash payments for appropriations must be transferred to "Legal Reserve" until such reserve equals the amount of the Bank's paid-up capital. This reserve is not available for dividends but may be

used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. The balance of the legal reserve at March 31, 1998, has been adjusted to reflect ¥876 million of such a reserve held in subsidiaries.

21 OTHER INTEREST INCOME

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Deposit Interest	¥140,296	¥149,505	\$1,062,048
Other	195,481	343,690	1,479,798
Total	¥335,777	¥493,195	\$2,541,846

22 TRADING INCOME AND EXPENSES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
(Income)			
Income from Financial Derivatives	¥8,670	¥ /	\$65,636
Other Trading Income	144	/	1,095
Total	¥8,815	¥ /	\$66,731
(Expenses)			
Expenses on Trading Securities and Derivatives	¥3,244	¥ /	\$24,561
Expenses on Securities Derivatives Related to Trading Transactions	2,586	/	19,578
Total	¥5,830	¥ /	\$44,139

For the year ended March 31, 1998, owing to the reform on the Ordinance of the Ministry of Finance on the Banking Law resulting in the introduction of trading

accounts, the format of the Statement of Income has changed. The changes are as follows:

(1) Trading Income and Trading Expenses include gains and losses on the purchase and sale of trading securities (formerly included in Other Operating Income and Other Operating Expenses); revaluation profit and losses; interest income and expenses related to trading securities (formerly included in Interest Income (Interest and Dividends on Securities) and Interest Expenses on trading account securities). The securities transaction taxes, securities exchange taxes (formerly included in General and Administrative Expenses) and underwriting commissions (formerly included in Fees and Commissions) are also included in Trading Income and Trading Expenses. Such Trading Income and Trading Expenses are categorized as "Trading Income and Trading Expenses from Trading Securities and Derivatives," respectively.

(2) Trading Income and Trading Expenses include gains and losses on sales on bonds, gains and losses on redemption of bonds and devaluation of bonds (formerly included in Other Operating Income and Other Operating Expenses), where such transactions are in accordance with the purposes prescribed in the Banking Law, article 17-2, paragraph 2, item 1.

In addition to the above, Trading Income and Trading Expenses include revaluation profit and losses; interest income and expenses related to the above-mentioned purposes (formerly included in Interest Income (Interest and Dividends on Securities) and Interest Expenses);

and securities transaction and securities exchange taxes (formerly included in General and Administrative Expenses). Such Trading Income and Trading Expenses are categorized as "Income from Securities and Derivatives Related to Trading Transactions" and "Expenses on Securities and Derivatives Related to Trading Transactions," respectively.

(3) Trading Income and Trading Expenses include interest received and paid from interest rate swaps (formerly included in Interest Income and Interest Expenses), other interest received/paid, and revaluation profit and losses, on the condition that the transactions are for trading purposes. The exchange taxes on interest rate derivatives with trading purposes (formerly included in General and Administrative Expenses) are also included. Such Trading Income and Trading Expenses are categorized as "Income from Financial Derivatives" and "Expenses on Financial Derivatives," respectively.

(4) Trading Income and Trading Expenses from negotiable certificates of deposit and commercial paper and other debt purchased for trading purposes include interest received (formerly included in Interest Income and Interest Expenses) and revaluation profit and losses on related transactions. Such Trading Income and Trading Expenses are categorized as "Other Trading Income" and "Other Trading Expenses," respectively.

23 OTHER OPERATING INCOME

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Gains on Foreign Exchange Transactions	¥ 14,366	¥ 14,383	\$ 108,754
Gains on Securities Trading	/	11,020	/
Gains on Sales of Bonds	122,672	76,080	928,630
Gains on Redemption of Bonds	3,924	3,741	29,705
Other	6,273	6,760	47,489
Total	¥147,235	¥111,986	\$1,114,578

24 OTHER INCOME

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Gains on Sales of Stocks	¥324,675	¥103,380	\$2,457,799
Gains on Money Held in Trust	6,112	4,043	46,275
Gains on Sales of Real Estate	4,528	3,838	34,282
Collection of Written-Off Claims	414	701	3,138
Other*	40,311	15,770	305,159
Total	¥376,042	¥127,734	\$2,846,653

* Other includes ¥23,965 million in gains from the sale of stock that were sold to cover losses incurred in connection with the withdrawal of funds from investment trusts by the parent bank.

25 OTHER INTEREST EXPENSES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Interest Expenses on Corporate Bonds	¥101,245	¥ /	\$ 766,431
Interest Expenses on Convertible Bonds	256	255	1,942
Other	253,556	457,954	1,919,428
Total	¥355,058	¥458,209	\$2,687,801

26 OTHER OPERATING EXPENSES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Losses on Sales of Bonds	¥63,738	¥39,431	\$482,501
Losses on Redemption of Bonds	2,904	1,185	21,986
Devaluation of Bonds	559	689	4,233
Other	476	184	3,608
Total	¥67,678	¥41,490	\$512,328

27 GENERAL AND ADMINISTRATIVE EXPENSES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Salaries and Allowances	¥184,960	¥181,849	\$1,400,155
Retirement Benefits	12,601	16,322	95,391
Welfare Expenses	47,757	48,048	361,527
Depreciation of Premises and Equipment	40,564	40,741	307,077
Rental Expenses	55,488	53,941	420,050
Taxes	30,219	28,150	228,761
Other	154,798	152,179	1,171,831
Total	¥526,391	¥521,232	\$3,984,792

28 OTHER EXPENSES

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Transfer to Reserve for Possible Loan Losses	¥510,857	¥271,947	\$3,867,200
Write-Offs of Loans	204,560	36,264	1,548,526
Transfer to Reserve for Losses on Loans Sold	11,094	51,686	83,988
Transfer to Reserve for the Specific Borrowers under Support	—	82,100	—
Losses on Sales of Stocks	15,132	5,059	114,555
Devaluation of Stocks	2,475	185,384	18,743
Losses on Money Held in Trust	289	988	2,188
Losses on Sales of Real Estate*	6,176	5,920	46,753
Other**	73,699	210,504	557,906
Total	¥824,285	¥849,857	\$6,239,859

* Under the Japanese Tax Law, when proceeds from the sale of real estate are used to purchase other real estate, the book value of the newly acquired real estate can be written down as an amount equivalent to 60% (before December 31, 1997) or 80% (after January 1, 1998) of the gain on the preceding sale. Such write-downs are included in "Losses on Sales of Real Estate" as offsetting items to the corresponding gains included in "Gains on Sales of Real Estate."

** Other includes ¥24,148 million in losses incurred in connection with the withdrawal of funds from investment trusts by the parent bank.

29 PROVISION FOR INCOME TAXES

The Bank is subject to Japanese corporation tax, inhabitants taxes and enterprise taxes, each based on income. The effective aggregate statutory rates of these three taxes were approximately 47.8% and 51.5% for the years ended March 31, 1998 and 1997, respectively.

The consolidated subsidiaries are subject to the income taxes of the countries in which they operate.

The composition of "Provision for Income Taxes" was as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Current Taxation	¥ 19,343	¥ 24,470	\$ 146,434
Deferred Taxation	(45,710)	(176,840)	(346,032)
Total	¥(26,366)	¥(152,369)	\$ (199,598)

30 NET INCOME (LOSS) PER SHARE

Net loss per share for the year ended March 31, 1998, amounted to ¥23.07 (US\$0.17) and is computed by subtracting the total amount of cash dividends paid on

preferred shares from net loss and then dividing the remainder by the average number of common shares (less treasury shares) outstanding during the fiscal year.

31 LEASE TRANSACTIONS

1. FINANCIAL LEASE, EXCEPT WHERE THE OWNERSHIP OF THE LEASED ASSET IS REGARDED AS BEING TRANSFERRED TO THE LESSEE

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
(1) Lessee Side			
Lease Payable (Within 1 year)	¥11,593	¥ /	\$ 87,763
Lease Payable (Over 1 year)	51,083	/	386,703
Total	¥62,676	¥ /	\$474,466
Payment of Leasing Fee	¥13,836	¥13,164	\$104,741
(2) Lessor Side			
Lease Receivable (Within 1 year)	¥ 104	¥ /	\$ 788
Lease Receivable (Over 1 year)	131	/	997
Total	¥ 235	¥ /	\$ 1,785
Receipt of Leasing Fee	¥ 45	¥ 41	\$ 342

2. OPERATING LEASE

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
(1) Lessee Side			
Lease Payable (Within 1 year)	¥ 3,737	¥ /	\$ 28,296
Lease Payable (Over 1 year)	18,932	/	143,322
Total	¥ 22,670	¥ /	\$ 171,618
(2) Lessor Side			
Lease Receivable (Within 1 year)	¥ 34,051	¥ /	\$ 257,770
Lease Receivable (Over 1 year)	100,664	/	762,033
Total	¥134,715	¥ /	\$1,019,803

32 SEGMENT INFORMATION

1. BUSINESS SEGMENT INFORMATION

In addition to banking business, the Group engages in such businesses as securities, trust banking and leasing

As the proportion of those activities are deemed immaterial, the business segment information is not disclosed.

2. GEOGRAPHICAL SEGMENT INFORMATION

Year ended March 31, 1997	Millions of yen				
	Domestic	Foreign	Total	Eliminations	Consolidated
Ordinary Income					
(1) From External Sources	¥ 1,461,681	¥ 835,555	¥ 2,297,236	¥ —	¥ 2,297,236
(2) Inter-Segment	128,417	6,931	135,348	(135,348)	—
Total	¥ 1,590,098	¥ 842,486	¥ 2,432,585	¥ (135,348)	¥ 2,297,236
Ordinary Expenses	¥ 1,963,944	¥ 750,777	¥ 2,714,722	¥ (104,364)	¥ 2,610,357
Ordinary Profit (Loss)	(373,845)	91,709	(282,136)	(30,984)	(313,120)
Assets	¥45,549,656	¥16,155,657	¥61,705,313	¥(5,411,798)	¥56,293,515

Year ended March 31, 1998	Millions of yen						
	Japan	The Americas	Europe	Asia & Oceania	Total	Eliminations	Consolidated
Ordinary Income							
(1) From External Sources	¥ 1,537,899	¥ 454,199	¥ 151,951	¥ 275,750	¥ 2,419,800	¥ —	¥ 2,419,800
(2) Inter-Segment	39,937	1,787	30,679	2,144	74,549	(74,549)	—
Total	¥ 1,577,836	¥ 455,987	¥ 182,631	¥ 277,894	¥ 2,494,350	¥ (74,549)	¥ 2,419,800
Ordinary Expenses	¥ 1,735,274	¥ 408,234	¥ 209,176	¥ 224,506	¥ 2,577,191	¥ (60,501)	¥ 2,516,690
Ordinary Profit (Loss)	(157,437)	47,752	(26,545)	53,388	(82,841)	(14,048)	(96,889)
Assets	¥47,830,832	¥5,902,060	¥2,803,391	¥6,875,864	¥63,412,148	¥(5,779,195)	¥57,632,953

- Notes: 1. The above tables show the geographical segment information according to the booked location. From fiscal 1997, segments are divided into countries or regions.
2. The Americas includes the United States, Canada, etc. Europe includes the United Kingdom, Germany, etc. Asia & Oceania includes Hong Kong, Singapore, etc.
3. Ordinary Income represents Total Income, excluding Gains on Sales of Real Estate, Collection of Written-Off Claims, Transfer from Reserves and Other Extraordinary Profits.
4. Ordinary Expenses represent Total Expenses, excluding Losses on Sales of Real Estate, Transfer to Reserves and Other Extraordinary Losses.
5. Beginning with fiscal 1997, the securities of the parent bank have been valued by the cost method. Accompanying this accounting change, ordinary profit (loss) for Japan is ¥361,968 million higher than it would have been using the method of accounting applied in fiscal 1996. For other geographical areas, the accounting change did not have an impact on segment information.

3. ORDINARY INCOME (FOREIGN OPERATIONS)

	Millions of yen	
	1998	1997
Ordinary Income (Foreign Operations)	¥1,130,142	¥1,194,805
Ordinary Income (Consolidated)	¥2,419,800	¥2,297,236
Ratio of Ordinary Income (Foreign Operations) over Ordinary Income (Consolidated)	46.7%	52.0%

Note: Ordinary Income (Foreign Operations) represents the sum of Ordinary Income from the following transactions:

- (1) Foreign currency transactions, yen-denominated trade bills, yen-denominated transactions with non-residents and transactions in the offshore market in Japan
- (2) Transactions by the overseas branches of the parent
- (3) Transactions by the consolidated subsidiaries outside Japan (Inter-group income eliminated)

③ SUBSEQUENT EVENT

The following appropriations of the profit of the Bank for the year ended March 31, 1998, were approved at

the shareholders' meeting held on June 25, 1998:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Transfer to Legal Reserve	¥ 2,700	¥ 2,700	\$ 20,439
Transfer to Voluntary Reserve	19	3	150
Cash Dividends:			
Common stock (¥4.25 per share)	13,262	13,262	100,401
Preferred stock (¥0.06 per share)	1	—	15
Total	¥15,984	¥15,966	\$121,005