FUJI BANK

FISCAL '97

ANNUAL REPORT

April1997 March1998

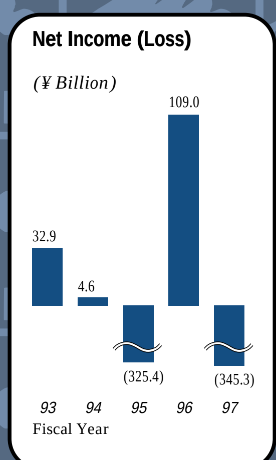
THE **FUJI BANK,** LIMITED

CONSOLIDATED FINANCIAL HIGHLIGHTS

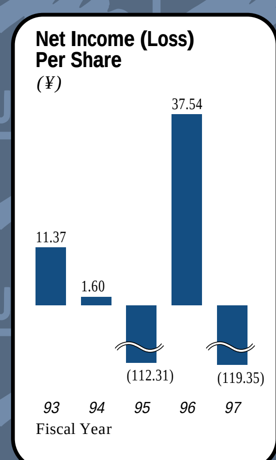
Fuji Bank Group

*(Millions)**	Fiscal 1997** Yen	Fiscal 1997** U.S. dollars***	Fiscal 1996** Yen	Fiscal 1996** U.S. dollars***
For the Fiscal Year:				
Income (Loss) before Income Taxes	**¥ (456,076)**	**$ (3,453)**	¥ 99,103	$ 799
Net Income (Loss)	**(345,309)**	**(2,614)**	109,044	879
Net Income (Loss) per Share*	**(119.35)**	**(0.90)**	37.54	0.30
Net Income per Share (diluted)	**—**	**—**	37.27	0.30
Dividends Declared per Share:				
Common Stock	**8.50**	**0.06**	8.50	0.07
Preferred Stock	**7.50**	**0.06**	3.75	0.03
At Year-End:				
Total Assets	**¥55,113,509**	**$417,211**	¥56,211,154	$452,950
Deposits	**34,552,361**	**261,562**	38,649,481	311,438
Loans and Bills Discounted	**34,028,201**	**257,594**	35,714,787	287,790
Securities	**6,044,830**	**45,760**	5,607,096	45,182
Total Stockholders' Equity	**1,576,455**	**11,934**	1,934,349	15,587

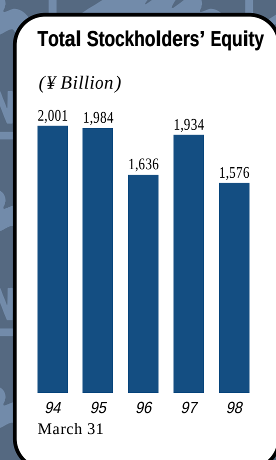
Notes:
* Figures for net income per share and dividends declared per share are in single currency units.
** Each fiscal year runs from April 1 to March 31 of the next year.
*** U.S. dollar amounts are converted for convenience only, at ¥132.10 per dollar, the prevailing rate on March 31, 1998.



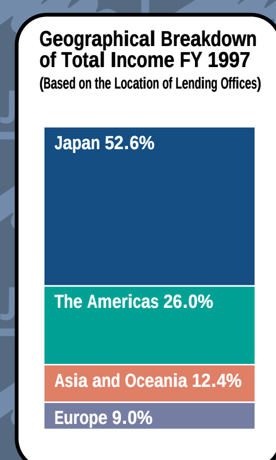
Net Income (Loss)



Net Income (Loss) Per Share



Total Stockholders' Equity



Geographical Breakdown of Total Income FY 1997
(Based on the Location of Lending Offices)

REPORT TO OUR STOCKHOLDERS

Toru Hashimoto
Chairman of the Board

Yoshiro Yamamoto
President and Chief Executive Officer

Introduction

The Japan Big Bang, which aims to transform the Tokyo market into a truly international one in line with other major markets, will open the financial market to intense competition among existing players and new, non-traditional participants, namely foreign financial institutions. Along with this transformation, the continuing rapid development of information technology will change marketing channels and the way banks do business with their customers. While these drastic changes are challenging, they also provide financial institutions with abundant business opportunities.

The global economic environment, characterized in part by the steady expansion of the U.S. economy, has contributed to robust corporate earnings, creating a very competitive business environment. Europe also offers enormous potential, as the EU economies take the final step toward economic unification and the emerging markets of Eastern Europe continue to mature. Several Asian economies, on the other hand, are suffering economic turmoil which severely affects the business environment of the entire region.

Under these circumstances, we are confident that the Bank has the vision, corporate strategy and management resources to both meet the challenges and capitalize on the opportunities that lie ahead.

Financial Performance in Fiscal 1997

Overview

With respect to our business performance, our net business profit (which measures the performance of our core business activities) was ¥320.3 billion (US$2,424 million). Although this figure is lower compared to last fiscal year, it is nevertheless above our forecast and represents our strong and sound profitability, and once again ranks us among the top Japanese banks.

In fiscal 1997, we took all the steps necessary toward eliminating our problem loans. In accordance with the Prompt Corrective Action Policy, which the Japanese Ministry of Finance introduced this April, we undertook a comprehensive self-assessment of our entire loan portfolio and made appropriate provisions for potential loan losses. Regrettably, this action resulted in the Bank posting a loss for the year. After deducting credit costs of approximately ¥1 trillion (US$7.5 billion) for problem loans, we posted a full-year net loss of ¥518.7 billion (US$3,926 million), which was fully covered by our retained earnings. With respect to dividends, we decided to make an annual dividend payment of ¥8.50 per common share and ¥7.50 per preferred share as originally scheduled.

Problem Loans and Asset Quality Issues

We made it a top management priority to quickly face the issue of our problem loans and put all our efforts into reducing the level of problem loans on our books. In particular, the introduction of the Prompt Corrective Action Policy now permits Japanese banks to make provisions against problem loans without prior approval or application to the tax authorities. Consequently, we introduced a new, more precise internal system for classifying loan assets, undertook a comprehensive self-assessment of our entire loan portfolio, and made wide-ranging and proactive provisions for any potential losses. We also completed all necessary financial assistance to our affiliated finance companies and set up a special reserve to cover any potential future losses from these companies.

In the meantime, by accelerating the recovery and direct disposal of non-performing loans, we were able to reduce the amount of problem loans on our balance sheet by ¥621.2 billion (US$4,702 million) compared to the previous fiscal year. Using the current standard, at fiscal year end in March, problem loans stood at ¥1,218.4 billion (US$9,223 million), which represented our loan loss reserve ratio of 74.3 percent of total problem loans. On a tax-adjusted basis, the reserve ratio went up to 118.6 percent.

In order to clarify our financial position, we have begun to disclose the amount of our problem loans based on rules derived from the U.S. Securities Exchange Commission. On this basis, our total current problem loans at fiscal year end amounted to ¥1,692.7 billion (US$12,813 million), 53.5 percent of which were covered by our reserves for possible loan losses. On a tax-adjusted basis, the reserve ratio increased to 85.4 percent.

The outlook for the Japanese economy continues to be uncertain. The government has introduced various economic stimulus packages, but it will take time for their effect on the economy to be felt. Given these unfavorable economic conditions and the rise in corporate bankruptcies in Japan, it is important for us to be prudent and cautious. Our lending exposure to the real estate and construction industries, and non-bank financial institutions is the lowest among our major Japanese peers. While this represents a relatively low level of potential problem loans, we will nevertheless continue to be cautious in managing our loan assets.

Loan Exposure in Asia

In light of the recent turmoil in many of the economies in Asia, there has been keen interest in our loan exposure to the region. Total loans to Asian countries (South Korea, Indonesia, Thailand, Hong Kong, Singapore, Malaysia, China, and the Philippines) amounted to US$10,890 million, the lowest level among major Japanese banks, representing 4.5 percent of our total loans and bills discounted at the fiscal year end in March. Forty percent of our loans in Asia were made to local subsidiaries of Japanese parent companies, and we consider the risk associated with these loans to be ultimately that of the Japanese parent companies. In addition, 47 percent of our loans in Asia were made to local companies, most of which represent exposure to leading corporate names as part of a syndicate, while the remaining 13 percent consist of loans to government-owned or major local banks. Support from the International Monetary Fund and the international community has somewhat mitigated the crisis in the region; however, there are certain countries that still require close monitoring. For example, the Bank's loan portfolio in Indonesia totals approximately US$1.4 billion, which is equivalent to 0.6 percent of the Bank's total loans and bills discounted. We have made over ¥10.5 billion (US$79 million) in provisions against our exposure to Indonesia.

Capital Base

In conjunction with our disposal of problem loans, we also undertook measures to strengthen our capital base. In March this year, we raised US$1.6 billion overseas through a preferred share issue made by our subsidiary in the U.S. In addition, in accordance with legislation passed by the Japanese government to create an emergency financial system stabilization package, we issued ¥100 billion (US$757 million) in subordinated debt to a special government purchase fund. As a result of these measures, our BIS capital ratio was 9.4 percent at year end, with a Tier I capital ratio of 4.8 percent. We plan to continue our efforts to improve our capital strength and are aiming for a BIS ratio exceeding 10 percent by the end of fiscal 2000. On May 1 this year, our wholly owned U.S. subsidiary Heller Financial Inc. raised US$1,040 million through an Initial Public Offering on the New York Stock Exchange, aiming to strengthen its capital base. Consequently, it contributed a 0.3 percent increase to our consolidated base Tier I ratio.

Business Activities

During fiscal 1997, we developed and introduced new services to further strengthen our relationships with our clients. In the domestic market, we launched the "Fuji First Club," a membership reward program that offers special benefits to sustain and enhance our strong customer base in Japan. In the first three months of the program, more than 40,000 customers became members. In addition, we are introducing many new products targeting our domestic customers such as the Fuji International Cash Card (FICC) that can be used at ATMs around the world. We have already issued approximately 70,000 FICCs. As for improvements to our existing services, among other things, we have extended the hours of our ATMs to better accommodate our customers' needs.

In addition, we devoted considerable effort to develop our overseas business which generates a significant part of our business profit. In 1997, Fuji Bank was ranked first among euro venture capital debt providers of acquisition finance in *Corporate Money* magazine and was selected for "The Deal of the Year for Buyouts" in *Corporate Finance* magazine. We were also ranked fourth in the number of leveraged buy-out agent transactions in *Gold Sheet*'s league table, which represents our strong position in the global acquisition finance market. We were ranked thirteenth in *Euromoney Loanware* project finance global arranger league table. As for financial advisory services in project finance, in 1997, we were ranked ninth in the Americas in *Project Finance International.*

In the field of yen-dominated custody service, our Fuji Kabuto Custody and Proxy Services have been "Top Rated" among Japanese banks for six consecutive years since 1992 according to *Global Custodian* magazine. During fiscal 1997, we won a number of large-scale custody mandates and, consequently, handled over ¥15 trillion (US$113 billion) in equities and bonds representing a 35 percent market share.

Financial Forecast for Fiscal 1998

We expect that the difficult business climate for Japanese banks will continue in fiscal 1998. With interest rates hovering at historical lows, we foresee a reduction in income from our bond trading during this fiscal year, and as a result, our net business profit is projected to be approximately ¥280 billion (US$2,119 million). Due to our significant efforts to dispose of our problem loans in fiscal 1997, we anticipate that credit costs will fall substantially in fiscal 1998, and therefore, we are forecasting a return to the black with ¥60 billion (US$454 million) in net income.

Medium-term Strategy

In March this year, we announced a new three-year business plan — "Strategic Plan 120" — aimed at improving efficiency, productivity, and profitability through rationalization. Through Strategic Plan 120, we will work toward becoming a highly profitable and efficient global financial services group providing superior financial services with a high level of customer satisfaction. In addition, under the policy of prioritizing our business areas and clients to enhance productivity, we will strive to further strengthen and streamline our organization, establish our competitive advantages in specific services and business areas, and realize a solid financial base. With respect to financial performance targets, we plan to achieve a return on equity of more than 7 percent, a 10 percent BIS ratio, and a rating in the upper range of single A in three years.

The five basic goals of Plan 120 are to:

- establish a strong and sound financial base;
- bolster high-end risk management systems;
- strengthen the five specific business areas, namely financial technology and information services, personal loans, asset management, settlement services, and trading;
- establish superior marketing channels; and
- strengthen the expertise of all employees.

Our new strategy includes cost-cutting measures, such as staff reductions and branch network consolidation, as well as reconstruction of our asset portfolio by focusing on more profitable transactions, especially in the medium-size corporate market and consumer retail market in Japan. In our overseas business, we will concentrate on providing superior financial products that are competitive and highly profitable, such as acquisition finance, project finance and syndicated loan placement.

In closing, we would like to express our appreciation for the kind assistance and support our shareholders and customers have extended to us over the years. We look forward to continuing to serve you in the future.

Toru Hashimoto
Chairman of the Board

Yoshiro Yamamoto
President & Chief Executive Officer

MEDIUM-TERM BUSINESS PLAN

"Business Strategy Heading into the 21st Century"

Acknowledging the need to secure a strong, sound financial base, and to realize superiority in products and services that clearly distinguish us from other financial institutions in order that we can enhance our a competitive advantage in the new financial era, we implemented a new medium-term business plan —"Strategic Plan 120"— (running from fiscal 1998 through 2000) this April. The plan aims to enhance our competitiveness that will prepare us for heading into the 21st century.

The objectives of the plan are outlined below:

Primary Objective

To make the Fuji Bank Group a highly efficient, highly profitable global financial services group that is the customer's first choice and offers the most suitable services for each customer segment.

Measurable Targets

Targets to be attained by the end of Strategic Plan 120:

Consolidated return on equity of more than 7%
BIS capital adequacy ratio of 10%
Ratings in the upper range of single A

Basic Goals

Specifically, we will be paying particular attention to the following five areas:

① **Establish a strong and sound financial base.**
We will realize a strong and sound financial base in accordance with global standards by aggressively accelerating the recovery and disposal of problem loans.

② **Bolster high-end risk management systems.**
We will establish an advanced, comprehensive risk management system for credit, market, legal and operational risks that will cope with risk of increasing diversity and complexity.

③ **Strengthen five specific business areas.**
We will enhance our competitiveness in specific business areas in which we can claim to be the first choice of our customers. They are outlined below:

***Financial technology and information services**
Enhance specialized services that utilize sophisticated risk management skills, advanced financial techniques and high value-added information, such as high-quality loan assets, derivatives, securitization and other new types of finance, project finance, provision of business information, assisting in business alliances, M&A, and business consultation.

***Personal loans**
Develop various types of consumer finance such as housing, auto and card loans that improve the quality of life of individual customers.

***Asset management**
Offer profitable investment management products and services, namely investment trusts, foreign currency deposits, investment advisory and investment consultation.

***Settlement services**
Provide safe, low-cost settlement services that use advanced data processing technologies based on our accumulated expertise, such as electronic banking, telephone banking, electronic money and cyber banking, global cash management services (CMS), and domestic and global custody services.

***Trading**
Develop our dealing business by implementing solid asset liability management and advanced market risk management systems.

④ **Establish superior marketing channels.**
We will build an organization capable of providing customers with optimal services speedily and efficiently through a wide range of customer-friendly channels, including relationship managers, head office product development divisions, as well as technologically advanced channels like telephone banking and cyber banking.

⑤ **Strengthen the expertise of all employees.**
We will create a financial services group in which highly trained specialists can meet the sophisticated financial needs of our customers worldwide.

Achieving the Primary Objectives, Measurable Targets and Basic Goals

In order to achieve the primary objectives, measurable targets and basic goals of Strategic Plan 120 as quickly as possible, we have initiated four concrete strategy programs. They are: Marketing Strategy, Product Strategy, Managerial Infrastructure Strategy and Restructuring.

I. Marketing Strategy

In order to establish superior marketing channels, we realize that it is essential to grasp the specific needs of each individual and corporate customer and provide them with tailor-made products and services via the most appropriate channels.

This means tailoring products and services to suit the modes of customer activity while simultaneously striving to set appropriate pricing levels according to the nature of the products and services provided and the transaction costs involved. Customers who require sophisticated specialist services can benefit from the joint efforts of relationship managers, who have expert knowledge of customer needs, and the head office product development divisions, which specialize in advanced services. Customers who seek convenience at low cost can make use of sophisticated channels such as dial centers and cyber banking.

II. Product Strategy

This strategy will focus on the allocation of management resources on the five specific business areas referred to above. The aim is to sustain and strengthen the areas in which we are particularly strong by providing sophisticated specialist services that match customer needs, and to establish new sources of profits that do not rely on risk-assets.

III. Managerial Infrastructure Strategy

1. Creation of a business group system

With the primary objective of strengthening our specialist know-how, improving productivity, and achieving the objectives and goals of Strategic Plan 120, we carried out organizational changes that involved the introduction of a business group structure in January 1998. (Please refer to the organizational chart on page 100.)

More specifically, we built a flexible organizational structure which makes clear each group's roles, tasks and responsibilities which will enable us to swiftly adapt and deal with changes in the business environment. The overall structure (which includes our affiliates) has been formed emphasizing specialization and comprises of five groups responsible for business with segmented customers and two groups in charge of developing and providing superior products and services.

Each group is responsible for making full and effective use of management resources, maximizing customer satisfaction and business performance, and maintaining our competitive edge. Through this organizational structure, we aim to develop a cohesive flow among the groups, improve the quality of our products and services, and enhance customer satisfaction which will subsequently boost our business performance.

2. Improvements in personnel system

In order to strengthen the expertise and increase the motivation of all the employees, we abolished the system whereby employees in our domestic operations are promoted according to seniority and introduced a new personnel system that rewards performance. We also intend to bolster our training program that focuses on specialization. We will also make more use of experts outside the Bank.

3. Introduction of a new of management accounting system

We have introduced a new management accounting system which enables us to monitor earnings after deducting for various costs such as credit and capital costs, and business indexes such as ROE, on a consolidated basis by market segment, product segment and business group.

IV. Restructuring

Based on our awareness that our cost structure has a direct impact on our competitiveness, we have been actively implementing restructuring programs since fiscal 1992. Under Strategic Plan 120, we have redoubled our efforts by adopting more sweeping measures to streamline our management base and establish a slimmer but more powerful management base that ensures far greater cost competitiveness.

1. Restructuring of domestic and overseas offices

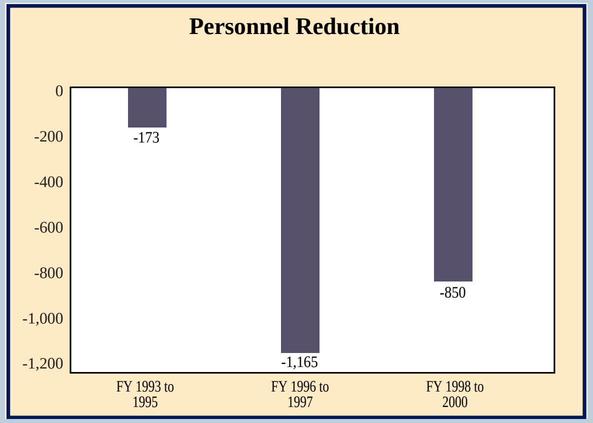
In the domestic market, we will change our marketing channel strategy for our offices by reviewing our current full service strategy. We will develop a new marketing strategy which is supported by leading-edge information technology. This will enable us to provide customers with greater convenience while greatly reducing running costs. As a consequence, our domestic and overseas offices will be subject to operational downsizing, and we will limit the number of new offices to be opened to the absolute minimum necessary.

Status of Office Restructuring (Fiscal 1993 – 2000)

	FY1993 to 1995	FY1996 to 1997	FY1998 to 2000
Domestic Offices:			
Change	–13	–12	–38
Open	14	5	2
Close/Consolidation	27	17	40
Trimming of Business Areas	—	—	60
Overseas Offices:			
Change	+ 3	+ 2	–4
Open	9	6	4
Close/Consolidation	6	4	8
Trimming of Business Areas	—	—	6

2. Personnel reductions

By streamlining the workforce of our business outlets, we will allocate human resources to strategic business areas in order to strengthen our capability to provide our customers with superior, specialized products and services. Over the next three years, we plan to trim our workforce by 850 employees, bringing total staff cuts to 2,000 since reductions were initiated in fiscal 1996. This is a 13% reduction compared with the number of employees at the end of fiscal 1995.



3. Reduction of Expenses

(1) Investments

Overall investments will be strictly limited to carefully selected strategic business areas as earlier mentioned. Consequently, the total amount of investment will be reduced.

(2) Personnel expenses

By reviewing current levels of bonuses and allowances, together with the new personnel system and staff reductions, personnel expenses for fiscal 2000 will be reduced by ¥11 billion, or a 7% decrease compared with fiscal 1997.

(3) Reduction of expenses

Excluding costs that significantly affect customer services and costs that cannot be cut owing to legal compliance or contractual obligation, we will strive to reduce current expenses by 10% compared with the fiscal 1997 figure as soon as possible. The objective is to curb cost increases by using these savings to cover extra investments necessary for improving services.

4. Reduction in the number of board members and decrease in remuneration

We will reduce the number of directors by three from forty-one by fiscal 2000. At the same time, remuneration to directors will be reduced by a maximum of 30% for the time being.

REVIEW OF OPERATIONS

INVESTMENT BANKING

We plan to vastly upgrade our product development capabilities and skills of our business promotion staff so that we can exploit the techniques we have developed in the derivatives market.

The operations and products offered by the Investment Banking Products & Trading Group cover two key areas, customer transactions and market dealing operations.

Customer transactions involve investment banking and asset management. Investment banking includes securitization, bond issues, equity finance, M&A, derivative and foreign exchange transactions, investment trusts, and venture capital. Asset management covers the creation and sale of investment trusts, and pension management services.

As a matter of priority, we are currently allocating managerial resources to the following products with a view to achieving high levels of excellence in them.

Derivatives

Fuji Bank is one of the most active players in the interest and currency derivatives markets.

Interest and currency derivative transactions are now used by corporate customers as basic, standard tools alongside deposits, loans and foreign exchange. We plan to vastly upgrade our product development capabilities and the skills of our business promotion staff so that we can exploit the techniques we have developed in the market. We also aim to take an aggressive approach to tackling credit derivatives and other promising new derivative products.

Securitization

Securitization has enjoyed rapid growth as a new method of raising funds and slimming down the financial positions of corporate customers since last year. In the United States, approximately 25% of receivables held by corporations have been liquidated, compared with only 1% in Japan. Many people expect securitization to become the most competitive sector of the investment banking business.

During the current financial year, steps are to be taken to streamline the legal framework for asset-backed securities, making it much easier to liquidate a wide range of assets, including trade receivables, lease receivables and guaranteed deposits. We intend to reinforce our structuring capabilities to ensure that the Fuji Bank becomes one of the leading banks in this field.

Our fund mix strategy involves systematic research, evaluation and selection of superior trust funds around the world in order that we can provide combinations of funds that match customers' needs.

Asset Management

Asset management is the business of managing burgeoning pension funds and the assets of individuals who are no longer satisfied with simple deposits. To differentiate our asset management operations from those of other institutions, we have adopted a fund mix strategy. This strategy involves systematic research, evaluation and selection of superior trust funds around the world in order that we can provide combinations of funds that match customers' needs. From December this year, banks will be allowed to sell investment trusts, and we intend to strengthen our efforts to satisfy the asset management needs of corporate and private customers around this fund mix strategy. The same strategy will be applied to our corporate customers for investment management business.

Trading

In recent years, profit on trading has become one of our key sources of earnings. However, in order to maintain a constant level of trading profits over a continuous period of time, it is always necessary to develop new trading techniques. We will continue to refine our dealing capabilities to handle a broad cross-section of products, including interest, foreign exchange and equity products.

Investment Banking Products & Trading Group

Group Head
Atsushi Takano
Managing Director

- *Planning Division*
- *Financial Engineering Division*
- *Asset Management Division*
- *Corporate Advisory Division*
- *Treasury Division*
- *Capital Markets Trading Division*
- *International Treasury Division*
- *Derivative Products Division*

As with the Big Bang in the U.K. in 1986, Japan's Big Bang will result in the complete deregulation of the financial environment in Japan. And because of this development, restrictions on banks will be lifted in terms of securities services. In addition to debt transactions, which we already handle, equity transactions and direct sales of mutual funds will be added to the services we can provide.

The medium-term business plan of the Investment Banking Products & Trading Group focuses on ways in which Fuji can be fully prepared to face this new financial environment.

For customer transactions, there are two major action plans in our plan. The first is to set three target areas in our investment banking operations. And the second is to strengthen our asset management.

With regard to the first, we are focusing our attention on the following three areas: securitization, derivatives and equity.

In the field of securitization, once the regulatory barriers are removed this fall, the market is expected to expand significantly. We will establish our leading position in this field by developing and adopting the most advanced techniques.

As for derivatives, we plan on working closely with medium-sized corporations and expanding our transactions considerably.

With regard to equity, we will focus our emphasis on initial public offerings (IPO) through our solid relationship with a large number of medium-sized corporations.

In relation to the enhancement of investment banking operations, strengthening our asset management will also be an important goal of our plan.

Of the ¥1,200 trillion (approximately US$9 trillion) of domestic personal assets, only 3% is invested in mutual funds, a remarkably low figure compared to the 10% in the U.S. The figure, however, is set to change in Japan. Major deregulatory measures will be implemented in December which will allow banks to sell mutual funds over the counter.

We are actively advancing our asset management operations and we aim to achieve a portfolio combining mutual fund and pension fund management amounting to ¥2 trillion (approximately US$15 billion) in three years' time.

As one of the groups in which the Bank is going to heavily invest in connection with its medium-term plan, the Investment Banking Products & Trading Group is confident that we are ready to face the challenges of this new era of deregulation.

OPERATIONAL PRODUCTS

Custody Services and Yen Fund Clearing Services

When investors invest in stocks, they normally entrust the management of custody, clearing and proxy services (the exercising of stockholders' rights) to financial institutions such as banks. Our FUJI KABUTO provides excellent custody services to institutional investors at home and abroad, and has earned a particularly strong worldwide reputation for the speed and accuracy of the operational services that back the yen custody services we offer institutional investors overseas. In fact, we are not only the leading Japanese bank in terms of the balance of yen-denominated shares we hold in custody, but our services in this area have been "Top Rated" among Japanese banks for six consecutive years according to the internationally respected *Global Custodian* magazine, and as the best offered by any Japanese bank by *ICB* magazine.

We have earned a solid reputation among domestic investors for our global custody services, which we have built up on the basis of our yen custody know-how.

We have been appointed by a number of large-scale global custodians as their local custodian, which has resulted in our yen custody assets increasing significantly. Furthermore, we have responded to increasing demands of customers for high-grade services such as timely reporting, proxy voting, securities lending-related services and daily evaluation of portfolios.

We have also earned a solid reputation among domestic investors for our global custody services, which we have built up on the basis of our yen custody know-how.

With respect to our yen fund clearing services, we have developed advanced products and services, and enhanced "SWIFT" reporting. Several major global banks have already selected us as their main yen clearer and made use of our tailor-made products and other high-quality services including pooling facility and global cash management. Based on our accumulated specialist know-how, we have started yen fund clearing services on behalf of domestic financial institutions, and are actively involved in pooling and eliminating settlement risk.

We are actively participating in the new generation of services that will decide the future of banking, including electronic money, cyber banking, financial EDI and electronic commerce.

Trade-related Business (Foreign Currency Exchange/Remittance/Deposit)

When the revised Foreign Exchange and Foreign Trade Control Law went into effect in April 1998, we were the first bank to offer high-quality trade-related business services through virtually all our domestic branches. We are also working to provide better services to customers by establishing new trade-related services, such as foreign currency overdrafts and telephone banking services in connection with foreign currency deposits.

Electronic Banking

We are working hard to upgrade our electronic banking services, which many of our customers are already using. Our product line-up is growing rapidly and now includes Windows 95-compatible packages and the Fuji Global Cash Management Service (CMS). And, as mentioned earlier, we are actively participating in the new generation of services that will decide the future of banking, including electronic money, cyber banking, financial EDI and electronic commerce.

Settlement Risk Control

As one of the leading banks in Japan, we have taken the initiative to reduce the settlement risk not only in the Japanese but also in the global financial markets. We made a significant effort to change the Foreign Exchange Yen Clearing System in Japan, and we were an original member of the Continuous Linked Settlement Bank (CLSB) project in the global market.

The CLSB project was initiated by the G20 (Group of Twenty) as a project to find a means, through collective private sector action, to significantly reduce foreign exchange settlement risk and to provide certainty with respect to finality of payment.

Transaction & Information Delivery Services Group

Group Head
Hiroaki Shinoda
Managing Director

- *Planning Division*
- *Multimedia Business Division*
- *Trade Services Division*
- *Settlement & Clearing Services Division*
  - *Fuji Kabuto Custody & Proxy*

The primary mission of the Transaction & Information Delivery Services Group is to develop safer, faster, cheaper clearing services that better meet customers' needs and provide convenience, and make them available to customers via attractive delivery channels.

As a major international financial institution, Fuji Bank is entrusted with yen fund clearing business worth over 10 trillion yen per day, and yen custody business worth over 16 trillion yen. We have already established our expertise in these areas, but we intend in the future to capture more of the expanding business in outsourced clearing services by strengthening our know-how, human resources and systems still further. We believe a stronger position in yen clearing will boost our international presence and contribute to improvements in service.

We continue to take up the challenge of providing our customers with world-class services that will win their ongoing support for years to come. The infrastructure necessary for providing world-class clearing services was finally put into place last year when we established a new settlement processing center in Tokyo. As a result, the progress we have made in reengineering, including business tie-ups and sub-contracting, has enabled us to offer services that are internationally competitive in terms of price and quality.

We are also active in establishing the new generation of clearing frameworks needed to cope with future businesses like trade finance EDI (Electronic Data Interchange), cyber banking and electronic money. World interest in settlement risk is also rising, and we are actively participating in the creation of new international mechanisms to reduce such risk through netting and the elimination of Herstatt risk (risk arising from settlements of different currencies across different time zones). In this way, we continue to contribute to strengthening the yen's presence in international currency markets.

GLOBAL CORPORATE

The commercial banking expertise we have built up over the years is at the core of our operations, but we are seeking to deepen our relationships with customers and win their greater trust and support by responding to the overall financial needs of major corporations by further strengthening our newly-established investment banking operations.

We are seeking to deepen our relationships with customers and win their greater trust and support by responding to the overall financial needs of major corporations.

Commercial banking remains the most important element of our business. Although the ongoing shift toward direct financing by major corporations means that bank borrowings continue to lose ground as a proportion of total finance raised, they remain firm in terms of the amount of money involved. Bank borrowings are an extremely flexible way of raising funds, and the corporate need for services offered by banks, including financing, is thought to be related to their borrowing requirements. Our business activities are now directed even more to boosting profits without relying on risk-assets. To this end, we seek to improve our asset efficiency by combining the low-cost, low-risk fund-raising methods offered by our investment banking activities in areas like securitization and derivatives.

In addition to fund-raising, we are responding to the ever-widening needs of major corporate groups by:

- assisting to trim balance sheets through asset liquidation;
- providing comprehensive services for their overseas operations;
- providing fund-clearing and management networks for entire domestic and international corporate groupings;
- restructuring and arranging M&A deals associated with industrial realignments and the reallocation of management resources within corporate groups;
- managing market risk based on derivatives; and
- providing project financing.

While making the most of our nationwide network of offices, we are utilizing our relationship managers to strengthen our ability to offer highly sophisticated services.

We are reinforcing our cooperation with the two product groups that were greatly strengthened by the Head Office reorganization that took place in January of this year, namely the Investment Banking Products & Trading Group, and the Transaction & Information Delivery Services Group. We believe this will enable us to better satisfy the global financial and informational needs of major corporate customers by providing more specialized, more appropriate solutions.

As for our strategy toward dealing with business outlets of corporations, we have always followed a sector-by-sector approach based on exploiting our specialist knowledge of individual business sectors, and strong risk management. We are dynamically reorganizing our sectoral jurisdictions and responding to changes in industrial structures so as to be able to concentrate more on companies involved in new growth areas such as multimedia and data communications. While making the most of our nationwide network of offices, we are utilizing our relationship managers to strengthen our ability to offer highly sophisticated services, and move ahead with consolidating those branches dealing with major corporations, primarily in the Tokyo Metropolitan area and the Kansai region.

Based on our awareness that the Big Bang financial reforms will create new business and provide many new opportunities, we are endeavoring to implement bolder, more flexible business strategies and streamline our organization. These efforts include raising the level of expertise of each relationship manager and product group by introducing a business group system that will provide greater motivation.

Global Corporate Group

Group Head
Mitsuru Annen
Senior Managing Director

Marketing and Credit Division
Global Corporate Credit Division

Faced by structural stagnation brought about by a maturing economy, Japan is now using deregulation and information technology to effect structural change and set the economy back on the road to growth. Structural changes and intensifying international competition arising from the increasingly borderless economy are leading to a performance-based polarization of companies. They are also encouraging a shift to market-driven corporate governance calibrated by the stock market and credit ratings. The Global Corporate Group is in charge of dealing with the listed companies that are at the head of Japan's economic restructuring, and their domestic and overseas affiliates.

The finance industry is not exempt from these structural changes. The Big Bang financial reforms legislated in April 1998 have ushered in an era of unprecedented competition to meet the diversifying, increasingly sophisticated global financial needs of customers beginning with major corporations operating in international markets. More specifically, the competition is between financial institutions, both domestic and foreign, in areas such as technology, capital, specialist knowledge and information-gathering capabilities.

As the trend toward global standards gathers pace, Japanese companies are gravitating toward the use of consolidated accounting standards, and many major corporations are tackling the issue of consolidated management and establishing consolidated financial standards. In 1993, we were one of the first Japanese banks to take concrete steps in this direction. Since then we have aimed to expand group-wide transactions covering not only the parent companies but also their subsidiaries.

By exploiting our broad customer base that we have built up in this fashion, we have established:

- a high degree of specialization through the knowledge and information accumulated in relationship management;
- strong integrated financial services utilizing our offices both at home and abroad; and
- the capability to provide appropriate solutions for customers' needs.

Speeding up the creation of a highly efficient, highly profitable business structure based on these elements is a key component of our current medium-term plan.

PERSONAL BANKING

In order to achieve the objectives set down in our medium-term business plan, the Personal Banking Group is in the process of implementing four concrete strategies. The first of these is to strengthen relationship marketing so as to heighten customer satisfaction through better knowledge of their needs. The core of this policy is a new service known as the "Fuji First Club," which was inaugurated in March 1998. The purpose of this service is not simply to persuade customers to become members, but to create a steadily increasing group of "Fuji fans" who are completely satisfied with our services. It does this through close, long-term relationships and mutual communications with customers who take up membership. In order to strengthen relationships, it is vital to improve the quality of the bank personnel who actually come into direct contact with customers in bank branches and offices. This involves raising specialization levels among our staff by ensuring that they acquire the overall financial skills needed to respond satisfactorily to the increasingly diverse financial needs of each individual customer.

In order to strengthen relationships, it is vital to improve the quality of the bank personnel who actually come into direct contact with customers in bank branches and offices.

The second strategy is to reinforce one of our greatest strengths - our personal loan services - by reinforcing the Bank's already well-established status in this area. This involves continuing our active ongoing program of developing products that meet the varying needs of customers who use our housing loan services, and raising the standards of the services themselves.

The third strategy is to strengthen still further Fuji Bank's reputation for asset management services by improving our investment products and services to meet expanding demand as the Big Bang financial reforms get underway. To satisfy customers from now on, it will be necessary to be able to respond to their needs in an appropriate manner by creating a full lineup of products and services to cope with various investment requirements. We intend to offer advice for managing investment portfolios that are tailored to each customer's needs by placing special emphasis on investment trusts, which banks will be allowed to sell from December this year. For this reason, we are developing investment portfolio simulation software that will enable us to introduce and sell investment products that meet customer needs. At the same time, we plan to establish investment advisory desks and hold seminars for investors.

For customers with particularly sophisticated needs, we are working to develop tailor-made investment products that make synergistic use of the full functions of the Fuji Bank Group.

For customers with particularly sophisticated needs, we are working to develop tailor-made investment products that make synergistic use of the full functions of the Fuji Bank Group, including the Fuji Trust and Banking Company. We are also expanding the staff of the Private Banking Division and improving their specialist knowledge in this area of business.

Our fourth strategy is to streamline our marketing infrastructure. We are steadily enhancing the databases necessary for building closer customer relationships and facilitating more timely communications with them. We are also augmenting the telephone banking functions of the fund transfer service we initiated in March 1998, and are working both to expand the Fuji Cyber Bank into a fuller service and to improve customer convenience by putting ATMs into round-the-clock operation. To ensure that we can offer customers sophisticated specialist services, we plan to tie up with a wide range of specialist institutions and hire a number of mid-career personnel with professional skills and experience.

Personal Banking Group

Group Head
Masaaki Sato
Managing Director

Product Development & Marketing Division
Sales Channel Management Division
Private Banking Division

The first point to note about the environment facing the Personal Banking Group is that it is becoming increasingly competitive. Our medium-term plan coincides with the full-scale implementation of Japan's Big Bang financial reforms. This will usher in an era of ferocious competition unprecedented in Japan. We will be competing in the same markets with foreign financial institutions and entities from different business sectors, such as insurance and securities. Even the distribution sector, with its long and eminent history as a service industry, will be a competitor.

The second point to note is the onset of "individualization," the process by which today's individual customers become increasingly selective in demanding excellent services from an ever-widening array of choices. Unless banks can offer finely-tuned services that take the different lifestyles and values of individual customers very much into consideration, they will not be able to provide the levels of customer satisfaction that are increasingly required.

In order to pull ahead of the competition and truly satisfy our customers as a service business, we are moving away from our conventional "mass marketing" approach, which treats all customers in the same way. In its place, we are adopting a "relationship marketing" approach toward individual customers which aims to build closer relationships that enable us to understand and satisfy their needs much better.

Under our current medium-term plan, therefore, the Personal Banking Group's strategy is to build stronger relationships with customers and ensure their satisfaction as a service company by providing the most appropriate services for their individual needs and transactional behavior. Instead of working simply to increase the number of accounts or boosting deposit balances, our key goal is to increase the number of customers who favor the Fuji Bank because our services are truly satisfactory.

CORPORATE BANKING

We are creating multiple corporate transaction channels by building a new creative network to respond to diversifying corporate needs speedily, flexibly and with the necessary specialist knowledge.

To realize the goals of the medium-term business plan of the Corporate Banking Group, we have been engaged in three high-priority strategies ever since the plan was inaugurated.

The first strategy is the development of channels and personnel resources. We have adopted a multi-faceted approach to establishing advanced, multipurpose channels so as to enhance customer convenience while reducing costs. To this end, we are deploying personnel with professional expertise in handling corporate transactions in regional hub branches to provide specialist services and products that are competitive and of high quality. We are also concentrating staff members who are highly familiar with financing operations at Head Office to strengthen our Business Financing Desk, which uses direct marketing to initiate loan proposals for small and medium-sized enterprises. Also, we are creating multiple corporate transaction channels by building a new creative network to respond to diversifying corporate needs speedily, flexibly and with the necessary specialist knowledge. To round things off, we are making strenuous efforts to create a sales structure that is efficient, powerful and flexible. To this end, we are training and deploying relationship managers who possess sufficient specialist knowledge to serve as partners for corporate managers and are extremely well-acquainted with customers and the industrial sectors in which they operate.

The second strategy is the reform of corporate marketing. This involves providing customers with the most appropriate services for their needs. More specifically, we are creating a system whereby highly-trained relationship managers provide customers with advanced, world-class products and services that meet their sophisticated needs in a timely manner.

To this end we are aggressively developing and providing new products that accurately match a variety of customer requirements. These include:

- investment products that use derivatives and other advanced financial techniques, such as derivative-based deposits and high-yield investment trusts;
- clearing products that use information technology, such as Windows 98-based firm banking services; and
- bill collection services through convenience stores.

The Group plays a vital role in actively nurturing and supporting growth companies and new business sectors, helping to create the new technologies and industries on which Japan's future depends.

More than ever before, the Group plays a vital role in actively nurturing and supporting growth companies and new business sectors, helping to create the new technologies and industries on which Japan's future depends. And by establishing fair pricing levels for services, we can offer optimal value for money, thus raising customer satisfaction levels.

The third strategy is speeding up innovation in asset and profit structures. On the one hand the Group endeavors to enhance the soundness and efficiency of its loan assets. On the other, the Group works to create a solid profit base by identifying and expanding new profit sources that do not depend on risk-assets. Further efforts have been made to improve our in-house credit rating system. This strengthens our credit risk management procedures by improving the accuracy of the risk-measurement facilities used in connection with lending transactions. Our goal is to create a strong, sound financial structure that meets global standards.

Corporate Banking Group

Group Head
Isao Hiraide
Managing Director

- *Product Development & Marketing Division*
- *Specific Corporate Marketing and Credit Division*
  - *Credit for New Business*
- *Business Information Division*
- *Credit Division I*
- *Credit Division II*
  - *Credit for Kansai*

The Corporate Banking Group specializes in business with small and medium-sized enterprises, which are the backbone of the Japanese economy. These enterprises are the foundation of our corporate transactions and are valuable assets for us.

The environment surrounding small and medium-sized enterprises is becoming increasingly difficult in the face of the sluggish Japanese economy. Compounding this are deregulation of the financial system brought about by the Japan Big Bang and developments in information technology.

Consequently, the sophisticated needs of small and medium-sized enterprises are diversifying and becoming more complex amidst these great changes. The role of the Corporate Banking Group is to accurately respond to the various needs of these customers, discern their technological and business strengths, and support their growth in every way.

Big Bang reforms have made the Tokyo financial market increasingly borderless with the entry of foreign financial institutions creating a highly competitive environment.

However, the entry of foreign financial institutions into the Japanese small and medium-sized corporate market is relatively difficult because of its enormousness. Hence, these enterprises have high expectations for the specialized and convenient products and services that we provide.

To meet these expectations, the Corporate Banking Group's medium-term business plan aims to dramatically increase productivity and build an efficient business promotion structure that provides services tailored to our various types of customers.

Ultimately, we aim to demonstrate the strength of our products and services by responding accurately and in a timely manner to the ever diversifying needs of our customers in order to achieve unsurpassable customer satisfaction.

PUBLIC AND FINANCIAL INSTITUTIONS

Public Institutions Market

Under our new medium-term plan, the key objectives with respect to the public institutions market are as follows:

First, in our transactions with public institutions, we aim for maximum efficiency and precision in handling operational procedures relating to the various types of tax revenues, government subsidies and other large sums of public funds.

Second, we endeavor to respond precisely to our customers' fund procurement and fund management needs, which have become increasingly complex and diverse in recent years. Meeting these needs in an appropriate manner is an extremely important issue.

Financial Institutions Market

Japan's Big Bang reforms of the financial system will result in far broader interrelationships between financial institutions.

More specifically, the advent of new financial products that make use of advanced financial technologies has resulted in a much wider range of transactions between financial institutions. At the same time, as bank sales of investment trusts and our expanding guarantee business with non-life insurance companies have proved, deregulation has been accompanied by an enormous increase in the number of opportunities for tie-ups.

Against this background, we have adopted a medium-term plan that tackles two basic issues. The first of these is to increase revenues by providing market-related products and services such as derivatives and asset-backed securities transactions. The second is to build tie-ups in product development and operations in liquidating debts and yen clearing services to mention just a few, and strengthen the relationships that will lay the foundations for success in these areas.

Public & Financial Institutions Group

Group Head
Terunobu Maeda
Managing Director

Institutions Marketing & Credit Division

The Public and Financial Institutions Group is responsible for the Bank's transactions with local governments as well as the affiliated organizations of central government agencies and Japanese financial institutions.

With respect to our business with local governments, we primarily deal with local governments who have appointed us their designated financial institution. As for our business with other Japanese financial institutions, we provide them with a wide range of "interbank" services.

Meeting the needs of these customers in an appropriate and timely manner is an extremely important issue for the Bank and our Group's medium-term business plan reflects our key objectives with respect to these organizations.

OVERSEAS BUSINESS

The Americas

Fiscal 1997 was the U.S. economy's sixth consecutive year of sustained expansion while inflation rates remained low and unemployment rates continued to drop, consumer expenditure and fixed investment rates grew. Low inflation was achieved despite tight labor markets, due to downward price pressures from competitive markets and to growth in productivity. Other factors, such as a disinflationary environment in global markets and U.S. dollar appreciation, also contributed to stable prices. Such a tendency has been accelerated since the Asian currency turmoil during the summer.

Stocks continued on an upward trend, weathering even a dip when fear of effects from Asian currency markets caused the Dow Jones Industrial average to fall 554 points, mirroring behavior of other financial markets. Individual investment and low inflation helped the recovery of U.S. and international markets.

Our many successful transactions in the Americas illustrate our global management relations, the joint efforts of our origination, structuring and syndication groups.

The Fuji Bank Group continues to be on the forefront in customer service. The Fuji Bank was selected as a co-arranger to assist in the high profile corporate divestiture of Pepsico Inc.'s IPO of Kentucky Fried Chicken, Pizza Hut, and Taco Bell to create a newly public traded company, Tricon, Inc. The success of this transaction illustrates our global management relations, the joint efforts of our origination, structuring and syndication groups.

The Fuji Bank and Trust Company (FBTC) has continued to develop new leasing structures to enhance our ability to compete in a changing marketplace, taking into account in particular the increased funding environment experienced by Japanese banks during fiscal 1997. As one example, FBTC, in conjunction with Key Global Finance and Nomura Securities, closed an off-balance sheet lease structure enhanced by both U.S. treasuries (equity portion) and a certificate of deposit (sub-debt portion) with the remaining amount financed by a CMBS conduit.

In the Americas, we continued to grow and respond efficiently and effectively to the repaid changing needs of our customers in the global financial services market.

In 1997, we continued to build the business operations of the Project Finance Division for the Americas, based in New York. Established in 1996, this division centralized our structuring and advisory capabilities for project financing in both North and Latin America across a wide range of industries, including electric power, oil and gas, mining, telecommunications and chemicals. In 1997, the division acted as financial advisor on seven major project finance transactions in Latin America, resulting in the Bank being ranked ninth overall among institutions providing financial advisory services in the Americas. In addition, we were chosen to provide the financing for a US$1 billion nitrogen plant to be built in Mexico, and we were appointed to be sole underwriter and arranger to finance the first BOT (built, own and transfer) project in Costa Rica, along with the Inter-American Development Bank.

Latin America continued its strong recovery in 1997. Many of its markets remained relatively unaffected by the turmoil in Asian financial markets. In order to serve the needs and tailor our services to Latin America and global customers, we continued building on our local presence in Brazil, Chile and Mexico. The Bank's presence in the region consists of a full banking subsidiary, Fuji Bank(Mexico)S.A., a representative office in Mexico and a representative office in Sao Paulo. In addition, we have factoring business presence in the area through Fuji Group companies such as Heller-Sud Servicios Financieros in Argentine, HellerNet-Sud in Chile and Heller Financial (Mexico).

On May 1, 1998, a Fuji Group company, Heller Financial, Inc. (Heller) brought itself public and listed its shares on the New York Stock Exchange. Its US$1 billion Initial Public Offering was well accepted by the market and turned out to be the biggest of its kind in nearly two years in the U.S. We continue to support Heller and we retain our majority ownership after the IPO. Heller, a leading commercial financial services company, has a more than 75-year history of consistently serving the

Overseas Business Group

Group Head
Atsushi Takano
Managing Director

- *Overseas Business Division*
- *Americas Division*
- *Europe, Africa, & The Middle East Division*
- *Asia & Oceania Division*
  - China
- *Project Finance Division*
- *Credit Division for Overseas Business*
- *Credit Division for The Americas*
- *Credit Division for Europe, Africa, & The Middle East*

The Overseas Business Group is responsible for promoting business with overseas customers such as European and American multinationals, Chinese and major Asian conglomerates, sovereign customers and financial institutions. Also, the Group has been promoting such advanced products as project finance, acquisition finance and syndication.

Although we are facing difficult issues in the global market place which have been exacerbated by the instability in the Asian financial markets and the downgrading of Japanese banks, it remains very important for the Bank to promote international financial business in both Europe and America, where we can develop the most advanced financial techniques and skills, and in Asia, where we expect medium to long-term growth and new business opportunities.

We have been successful in developing our overseas business and cultivating our competitive advantages in such areas as project finance and acquisition finance. In 1997, we were ranked first among euro venture capital debt providers of acquisition finance in *Corporate Money* magazine and were ranked fourth in the number of agency role transactions of leveraged buy-out finance in *Gold Sheet*'s league table. Also,we were ranked thirteenth in *Euromoney* magazine's project finance global arranger league table and were ranked ninth in the number of financial advisory in project finance in the Americas. These facts highlight the strong market position of Fuji and we will further strengthen our capability to provide world-class products and services in which we have a competitive edge in order to satisfy our customers' needs and to establish ourselves as a top-tier bank worldwide through these business activities.

With the arrival of Japan's Big Bang financial reforms, the advanced financial techniques we foster in the overseas markets will allow the Bank to prosper amidst our competitors which include major European and American financial institutions. The know-how we attain in turn will be indispensable tools in providing our domestic customers with the highest level of satisfaction. The Overseas Business Group, cooperating with other business groups, will make every effort necessary to enhance customers' satisfaction.

needs of small and mid-sized businesses in the U.S. and around the world. With more than US$12 billion of its diversified assets, Heller provides products and services in cash-flow lending, real estate finance, asset-based lending, equipment finance and leasing, factoring, and vendor finance. Coupled with strong asset quality, Heller earned record profits in 1997 for the fifth consecutive year.

Our derivatives subsidiary, Fuji Capital Markets Corporation (FCMC), continued to earn top billing as a market maker in interest rate and cross-currency derivative products. FCMC was ranked at the top of its professional peers as a provider of yen and U.S. dollar interest rate and cross-currency swaps by several industry magazines. The company offers a wide variety of customized structures in over 20 currencies to meet customers' specific needs. In the Americas, FCMC works closely with Fuji's corporate customers to provide a wide variety of financing in the U.S. market as well as innovative structures for their increasing flow of Asian investments.

Although economic activity in Asia and Oceania has decelerated somewhat as a result of the recent business slowdown and exchange rate fluctuations, the region is still one of the world's economic powerhouses.

Fuji Securities, Inc.(FSI), our primary dealer in U.S. government securities and a member of CME and CBOT, is a leader in the U.S. agency bond market and Eurodollar futures brokerage in CME. In 1997, FSI became a selling member for Agency Discount Notes (FHLB) and was the leading firm in volume of Eurodollar futures brokerage in CME. FSI has an around-the-clock global futures brokerage service through network operations including those in London(LIFFE) and Singapore(SIMEX).

Fuji Bank Canada continues to serve its increasingly globally focused manufacturing and natural resource clientele with corporate and project finance anywhere within the Fuji network.

In 1997, Fuji Bank in the Americas continued to grow and respond efficiently and effectively to the rapidly changing needs of its customers in the global financial services market. With a strong commitment to meeting customer needs and the highest standards of customer service, Fuji Bank, Fuji Securities, Heller Financial, Fuji Capital Markets Corporation and other subsidiaries and affiliates form an increasingly integrated network, providing a comprehensive range of sophisticated, high-quality financial products and services to our customers in North and South America.

Asia and Oceania

Several developments during fiscal 1997 made it a turbulent year in the Asia and Oceania regions. Two events in particular attracted the world's attention: Hong Kong's historic reversion to China and the economic crises in South Korea, Thailand and Indonesia. The IMF's involvement in providing support to deal with the latter was also very much in the limelight.

The financial crisis in Asia was a serious matter for the Bank because it gave rise to concerns that the quality of our assets might deteriorate. Fortunately, since most of our principal clients in the region are sovereign entities, large regional blue-chip companies, and the affiliates and subsidiaries of Japanese companies, their creditworthiness is unimpeachable. This helped to minimize the impact of the crisis on our operations, and we were able to respond to the requests of local financial authorities by setting aside the reserves necessary to deal with assets that had deteriorated by the end of the fiscal year in March 1998.

In the financial products sector, we strengthened our involvement in loan syndication and project finance in such sectors as natural resources and energy.

Although economic activity in Asia and Oceania has decelerated somewhat as a result of the recent business slowdown and exchange rate fluctuations, the region is still one of the world's economic powerhouses. Over the medium to long term, economic growth rates within the region are expected to remain high. Indeed, there are already signs that foreign capital investment in South Korea and Thailand is on the road to recovery. In Asia and Oceania, trade, investment and other forms of economic interchange remain at very high levels, both within the region and with Japan and the advanced nations of Europe and North America. Keeping this very much in mind, we intend to maintain our focus on the region, building up our network of key centers and strengthening our ability to provide products that meet our customers' needs.

The opening of our Bangkok International Banking Facility in September 1997 brought the total number of our offices in Asia and Oceania to 12 branches, 11 representative offices, and 14 subsidiaries, covering the entire region and delivering top-quality financial services and information to our customers. In fiscal 1998 and beyond, we intend to respond to our clients' demands to the maximum possible extent by opening new offices after taking current levels of economic development and future growth prospects into consideration.

In the financial products sector, we strengthened our involvement in loan syndication and project finance in such sectors as natural resources and energy in fiscal 1997. In Australia, for example, we strengthened our local reputation considerably when we succeeded in securing the mandate to act as lead manager for the Bengalla coal mining project. In our project clearing operations, we reinforced the capabilities of our Hong Kong and Singapore offices in order to enhance the Fuji Global Cash Management Service (CMS), and expanded our CMS service area to cover Taiwan and other locations.

Against a background of growing customer interest in the currencies of Asia, we increased the number of personnel in charge of handling these currencies both at Head Office and in local offices overseas. We also held two seminars on Asian currencies at Head Office, and worked hard to enhance our ability to provide information on the currencies of emerging markets and upgrade product development capabilities.

For the future, we intend to exploit the Bank's vast experience in international financial markets by focusing more on the financial advisory business and high-leveraged transactions. Through all our activities, we remain as committed as ever to contributing to the region's economy as an Asian financial institution.

Europe, Africa and The Middle East

We achieved remarkable results in various fields such as leveraged finance, project finance and aircraft finance. In particular, our leveraged finance business has continued to expand over the past several years.

In 1997 the economies of the European Union (EU) have recovered as expected as a result of strong exports and rising domestic demand in spite of the sudden turbulence in Asian financial markets whose adverse impact was felt throughout the world. This economic recovery is forecast to be sustained via domestic demand which will be stimulated by the expectation of the start of the Economic and Monetary Union (EMU). These developments have and will provide significant opportunities for us in the region.

In May 1998, the leaders of the EU gathered in Brussels to make one of the most historic decisions in the history of the EU. They declared that the third stage of the EMU shall start in January 1999, which means that the "Euro" currency will come into existence from that day forward. In this backdrop, we have taken all necessary steps in preparation for this event and we are ready to take full advantage of the potential business opportunities.

Corresponding with these developments, we organized a series of EMU seminars in more than ten cities throughout Europe and in Japan in 1997. These seminars gave our customers a clear view of the business environment after the introduction of the euro.

In other business areas, our syndicated loan business continued to be one of the core components of our activities in the European market. In 1997, *International Financing Review* ranked Fuji Bank thirteenth in the region (by number of deals arranged) and first among Japanese banks (Fuji Bank arranged transactions in the European market totaling US$20.3 billion). We are particularly strong in the emerging markets such as South Africa, Poland and Turkey. We also have a significant presence in the field of venture capital finance.

Landmark transactions successfully arranged included such deals as First National Bank of Namibia, which was the first ever syndicated transaction in that country, Enterprise Miniere et Chimique in France, the Icelandic Investment Bank, Imperial Group of South Africa, and Turkiye Is Bankasi and Toprakbank in Turkey.

We have also expanded our syndicated loan business in Eastern Europe arranging facilities for Riga Commercial Bank in Latvia and Tallinna Pank in Estonia and many others.

We recognize that fundamental changes are necessary to create a standardized framework for the numerous aspects related to secondary loan market trading. We are one of the founding members of the Loan Market Association, established in 1996, together with JP Morgan, HSBC, BZW, Credit Suisse, NatWest and SBC. The members of the association have committed to work on establishing this framework for the trading of secondary debt.

We achieved remarkable results in other fields as well, such as leveraged finance, project finance and aircraft finance. In particular, leveraged finance has continued to expand over the past several years. Following the success in the final quarter of 1996, we maintained the top position among debt arrangers for cross-border European leveraged acquisitions in 1997.

The highlight of the year was our sole lead arranger role in the £395 million senior debt financing facility for the management buyout of Unipoly S. A. We also successfully arranged senior debt for the acquisitions of Target Express Parcels Limited, IPC Magazines, SEAT SpA and Impress Metal Packaging Holding B. V. As a result of such achievements, Fuji Bank was ranked number one in Europe by *Corporate Money* magazine as a provider of funds for venture capital debt. We also won the Deal of the Year award from *Corporate Finance* magazine in 1997 for the Imperial Metal Packaging transaction.

Corporate lending also remained a pivotal area where we maintained our strong presence in an increasingly competitive corporate loans market.

Corporate lending also remained a pivotal area where we maintained our strong presence in an increasingly competitive corporate loans market. Priority was given to the development of relationships with multinational corporates in the European top 500, where greater opportunity exists for us to support their overseas business through our international network and to offer customers complementary financial services.

The buoyant U.K. economy stimulated further corporate mergers, acquisitions and rationalizations. Against this background, we enhanced our reputation in the dynamic industrial sub-sectors of media and telecommunications, U.K. public utilities and conglomerates by co-arranging and underwriting major transactions for many of the key sector players, including Imperial Chemical Industries PLC, Orange PLC, BAT Industries PLC and Cable and Wireless Communications PLC.

In the capital markets, we responded to our customers' growing needs for fund raising. In this area, our securities arm in Europe has achieved significant results. Fuji International Finance PLC again acted as lead manager for a number of bond issues, for both Japanese and non-Japanese issuers. They were also active in the field of structured finance, arranging various structured issuance programs, including an asset-backed commercial paper program.

We have also been able to bolster our strength in the area of asset management. Our fund management arm, FIMCO(Europe) Ltd., now boasts the most successful performance track record among any U.K.-based pooled pension fund manager over the last six years. An open-ended unit trust called Fuji Tax Exempt Equity Fund was ranked first (as of the end of March 1998) out of 56 U.K. pooled fund managers by CAPS, a leading independent performance measurement company. This fund won the award for the Best Smaller Mixed Managed Fund over a five-year period from *Professional Pension* magazine in 1997.

Although FIMCO(Europe) is a London-based company, it has been acting as the investment advisor for the international equity mutual fund promoted by Lord Abbett, the second largest independent asset management group in the United States. This fund was launched successfully in December 1996, and Lipper Analytical Services has ranked it the best performing fund among U.S. International Small-Cap Funds in 1997.

We focus not only on the above-mentioned areas but also on other financial services, including treasury operations and derivatives products. We continually strive to satisfy our customers in Europe by providing high-quality products and a very comprehensive range of services through our global network.

Serving the Global Community

In keeping with our corporate philosophy of serving all communities in which we do business, the Fuji Bank Group has a long and proud history of activities for the betterment of communities around the world.

Traffic Safety

Every year we co-sponsor the annual Traffic Safety Campaign. In cooperation with traffic safety organizations and police, the campaign provides for automatic accident insurance for all first-graders in Japan if they are involved in a traffic accident on their way to or from school. Now in its thirty-fourth year, the program has covered approximately 42 million children.

Social Welfare

Involvement in social welfare activities by the Fuji Bank Group and its employees is actively promoted. A major social welfare activity of the Group is the Fuji Memorial Foundation which is dedicated to improve the general welfare of society. Established in 1980 to commemorate the Bank's 100th anniversary, the Foundation makes such contributions to the community as donations of electric wheelchairs and vehicles for the handicapped, and providing funds for research and translating books into Braille for sight impaired university students.

To encourage involvement in community service activities by employees, the Bank has initiated such programs as leaves of absence for employees so that they may take part in volunteer work.

In the U.S., many employees are involved in company-sponsored volunteer activities that include taking part in walk-a-thons, public school education and beautification programs, and collecting and distributing gifts to the poor. In recognition of the Bank's commitment to community service, The Fuji Bank and Trust Company, a wholly-owned subsidiary located in New York and the driving force behind the Bank's corporate citizen programs in the U.S., has received top Community Reinvestment Act (CRA) ratings from federal and state regulators for seven consecutive years. In 1997, The Fuji Bank and Trust Company financed over US$25 million to nonprofit organizations serving low-income people or communities.

Academic Support

Through various academic activities, we play an active role in supporting education around the world with the view to contributing to the development of individuals who will lead the world into the twenty-first century.

In Japan, the Fuji Bank International Foundation provides monthly stipends to foreign students studying in Japanese universities. We have also created scholarships abroad for students attending universities in other Asian countries.

We have also made contributions to higher education by establishing lecture series on economics and finance at Chicago University, Cambridge University and the China Institute of Financing in Beijing.

FINANCIAL REPORTS

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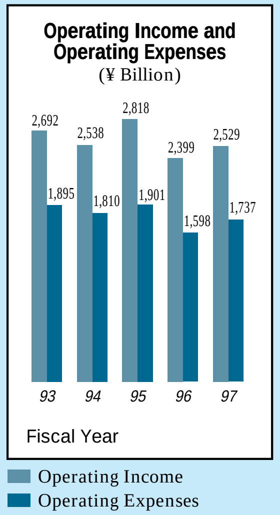

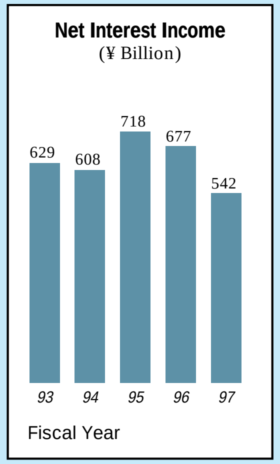

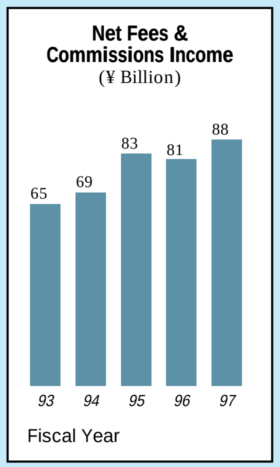

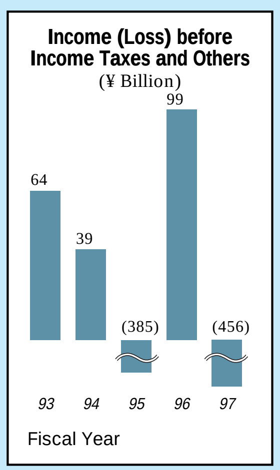

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FISCAL 1997 IN REVIEW (CONSOLIDATED)

Fuji Bank Group

Earnings Performance

Earnings Performance

Fiscal year	1997	1996	Change
	Billions of yen		
Operating Income	**¥2,529.2**	¥2,399.2	¥ 129.9
Operating Expenses	**1,737.0**	1,598.8	138.1
General & Administrative Expenses	**470.0**	443.8	26.2
Net Operating Profit	**322.0**	356.5	(34.4)
Net of Other Income and Expenses *	**(839.3)**	(281.1)	(558.2)
Net of Extraordinary Gains and Losses	**61.2**	23.6	37.5
Income (Loss) before Income Taxes	**(456.0)**	99.1	(555.1)
Income Taxes:			
Current	**17.5**	7.5	9.9
Deferred	**(133.1)**	(18.3)	(114.7)
Others-net	**(4.8)**	(0.8)	(3.9)
Net Income (Loss)	**¥ (345.3)**	¥ 109.0	¥(454.3)
Net Income (Loss) per Share (yen)	**¥ (119.35)**	¥ 37.54	¥(156.89)

Note: * Excluding Net of Extraordinary Gains and Losses.

The Fuji Bank Group's net operating profit fell by ¥34.4 billion from the previous year to ¥322.0 billion. The major cause of this decrease owes to a decline in profit from money market trading and an increase in hedging costs due to rising domestic interest rates. Net of other income and expenses amounted to a negative figure of ¥839.3 billion. This was attributable to the large cost the parent company incurred in its problem portfolio preparing for Japanese Prompt Corrective Action Policy issued by the Japanese Ministry of Finance in April 1998.

As a result, loss before income taxes was ¥456.0 billion and net loss was ¥345.3 billion.

Analysis of Net Operating Profit

Fiscal year	1997	1996	Change
	Billions of yen		
Interest Income	**¥2,183.0**	¥2,173.6	¥ 9.3
Interest Expenses	**1,640.9**	1,496.2	144.6
Net Interest Income	**542.0**	677.3	(135.3)
Net Fees & Commissions Income	**88.5**	81.3	7.1
Net Trading Profits	**56.9**	—	56.9
Net of Other Operating Income and Expenses	**104.6**	41.6	63.0
General & Administrative Expenses	**470.0**	443.8	26.2
Net Operating Profit	**¥ 322.0**	¥ 356.5	¥ (34.4)

Net interest income was ¥542.0 billion, which declined by ¥135.3 from the previous year. This owes mainly to a decrease in money trading profit and an increase in hedging costs resulting from the rise in domestic interest rates although profits from foreign subsidiaries such as Heller International Corporation increased.

Net fees & commissions income was ¥88.5 billion, an increase of ¥7.1 billion from the previous year.

Net of other operating income and expenses climbed by ¥63.0 billion to ¥104.6 billion. The major reason for this increase was a rise in net gains on sales of bonds of the parent company.

General & administrative expenses totaled ¥470.0 billion, an increase of ¥26.2 billion. This increase was attributed to the depreciation of the yen, which increased general & administrative expenses in overseas branches and subsidiaries, and to rising theValue Added Tax rate in Japan.

Analysis of Balance Sheet

March 31,	1998	1997	Change
	Billions of yen		
Total Assets	**¥ 55,113.5**	¥ 56,211.1	¥(1,097.6)
Loans and Bills Discounted	**34,028.2**	35,714.7	(1,686.5)
Securities	**6,044.8**	5,607.0	437.7
Total Liabilities	**53,537.0**	54,276.8	(739.7)
Deposits*	**31,366.8**	34,723.4	(3,356.5)
Total Stockholders' Equity	**1,576.4**	1,934.3	(357.8)
Stockholders' Equity per share (yen)	**¥ 471.58**	¥ 595.09	¥ (123.51)

Note: * Deposits do not include NCDs.

Total assets dropped by ¥1,097.6 billion to ¥55,113.5 billion. This reduction reflects the Bank's asset efficiency to reduce loans and cash and due from overseas banks. Loans also decreased by ¥1,686.5 billion to ¥34,028.2 billion. This decrease was attributed to the large amount of loan sales and securitization, the write-off of non-performing loans, and the reduction of unprofitable loans overseas.

Total liabilities declined by ¥739.7 billion to ¥53,537.0 billion due to the decrease of deposits by ¥3,356.5 billion to ¥31,366.8 billion reflecting a reduction in loans and cash and due from overseas banks in accord with the Bank's asset efficiency policy.

Total stockholders' equity fell by ¥357.8 billion to ¥1,576.4 billion owing to a net loss which stemmed from large expenses related to the parent company's problem portfolio.

Capital Ratio (according to the MOF guidelines which follow the BIS standards)

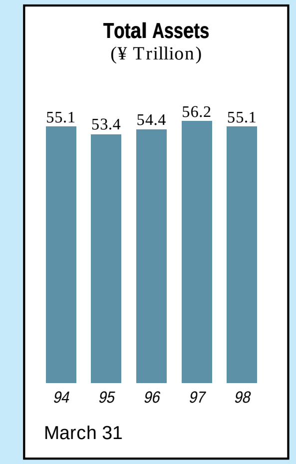
March 31,	1998	1997	Change
	Billions of yen		
Capital Ratio	**9.41%**	9.22%	0.19%
Tier 1 Ratio	**4.79%**	4.79%	0.00%
Total Capital	**¥ 3,554.5**	¥ 3,752.1	¥ (197.6)
Tier 1:	**1,809.8**	1,950.6	(140.8)
Tier 2: Qualifying Capital	**1,744.6**	1,801.5	(56.8)
Unrealized Gains on Securities, after 55% Discount	**—**	174.2	(174.2)
Reserve for Possible Loan Losses, excluding Specific Reserves	**120.7**	141.9	(21.2)
Land Revaluation Account	**146.9**	—	146.9
Others	**1,476.9**	1,485.2	(8.2)
Risk-Adjusted Assets	**37,759.5**	40,663.8	(2,904.3)
On-Balance Sheet Exposure	**33,802.9**	36,251.0	(2,448.0)
Off-Balance Sheet Exposure	**3,614.6**	4,412.8	(798.1)
Equivalent to Market Risk Amount / 8%	**341.9**	—	341.9

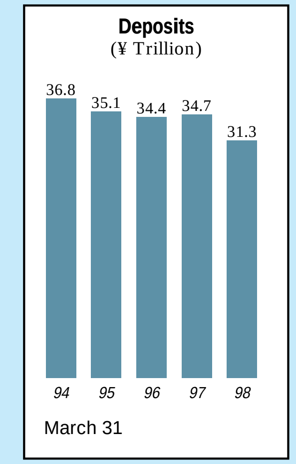
Calculated in accordance with BIS standards, the Bank's total capital decreased by ¥197.6 billion to ¥3,554.5 billion. While the Bank tried to build up its Tier 1 capital by issuing US$1.6 billion in noncumulative preferred securities through its subsidiary and Tier 2 capital by issuing subordinated bonds based on the Japanese government's financial system stabilization legislation, reduction of total capital was the result of the loss recorded in fiscal 1997.

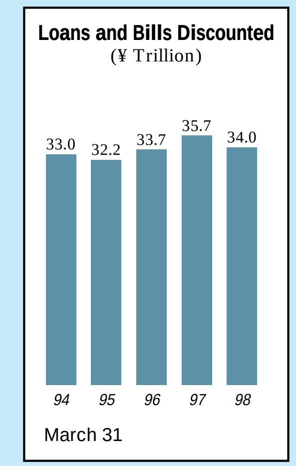
Risk-adjusted assets declined by ¥2,904.3 billion to ¥37,759.5 billion resulting from the Bank's effort to improve efficiency of asset utilization such as asset sales and securitization. The capital ratio at year-end, therefore, stood at 9.41%.

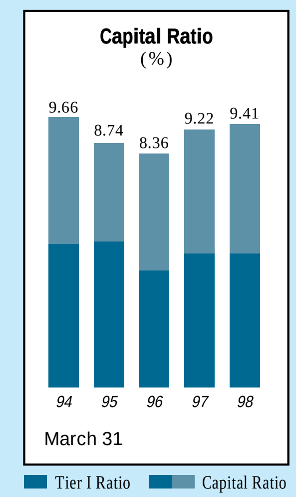
In addition, in May 1998, Tier 1 ratio improved by approximately 0.3% due to an increase in Tier 1 capital by approximately US$1 billion resulting from an IPO by Heller Financial, Inc., an American subsidiary of the Bank, which was listed on the New York Stock Exchange.

The Bank will continue its efforts to improve its capital ratio through more effective risk asset management and increase stockholders' equity, primarily by building up its retained earnings.









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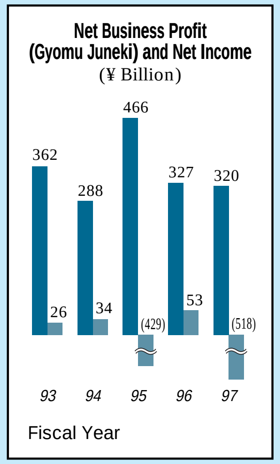
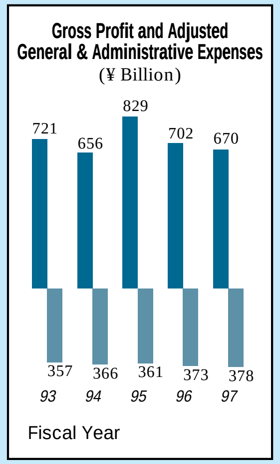
FISCAL 1997 IN REVIEW (NON-CONSOLIDATED)

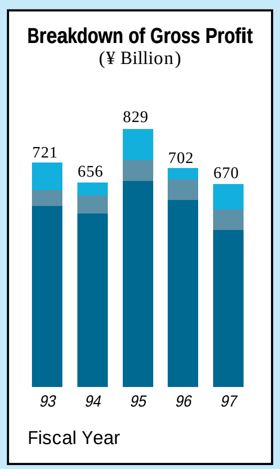
The Fuji Bank, Limited



Net Business Profit (Gyomu Juneki)
Net Income



Gross Profit
Adjusted General & Administrative Expenses



Net Interest Income
Net Fees & Commissions Income
Net of Other Operating Income and Expenses

Overview

The Bank's net business profit, which measures the performance of its core business activities, was ¥6.7 billion lower compared with the previous year, at ¥320.3 billion. Although profits from bond trading increased, they were adversely impacted by a decrease in dealing profits and an increase in hedging costs.

In fiscal 1997 the Bank made concerted efforts to reduce its problem loans. In accordance with the aforementioned Prompt Corrective Action Policy, the Bank undertook a comprehensive self-assessment of its entire loan portfolio and made significant provisions for potential losses. It also completed all necessary financial assistance to its affiliated financial companies and set up a special reserve to cover any potential future losses from these companies.

This meant an increase in credit costs of ¥657.4 billion to ¥980.7 billion in fiscal 1997. Net of securities gains and losses rose by ¥109.4 billion compared with the previous year to ¥209.5 billion. A contributing factor was the decline in losses from securities devaluation which resulted from a changeover in calculating the value of long-term securities holdings at the cost basis method from the lower of cost or market value method. The cost basis method was used because the Bank feels that its long-term securities holdings should not reflect market fluctuations on a given day, in this case March 31.

The credit costs associated with the above-mentioned problem loans resulted in the posting of a full-year net loss of ¥518.7 billion. As a result, the Bank has provided adequate reserves to cover its problem loan portfolio. It was decided to make an annual dividend payment of ¥8.50 per common share and ¥7.50 per preferred share as originally proposed.

Mark-to-market accounting was introduced in March 1997 for trading accounts.

Earnings Performance

Earnings Performance

	Billions of yen		
Fiscal year	**1997**	1996	Change
Net Interest Income* (A)	**¥ 504.2**	¥ 601.1	¥ (96.8)
Net Fees & Commissions Income (B)	**65.0**	64.6	0.3
Net Trading Profit	**18.5**	—	18.5
Net of Other Operating Income and Expenses (C)	**82.3**	37.2	45.0
Gross Profit (A+B+C) (D)	**670.1**	702.9	(32.8)
Domestic	**447.7**	457.4	(9.7)
International	**222.3**	245.5	(23.1)
Adjusted General & Administrative Expenses** (E)	**378.5**	373.6	4.8
Transfer to General Reserve for Possible Loan Losses (F)	**(28.8)**	2.1	(31.0)
Net Business Profit (Gyomu Juneki) (D − E − F) (G)	**320.3**	327.1	(6.7)
Net of Other Income and Expenses (H)	**(835.1)**	(272.3)	(562.8)
Income (Loss) before Income Taxes (G+H)	**(514.7)**	54.7	(569.5)
Provision for Income Taxes	**3.9**	0.7	3.1
Net Income (Loss)	**¥(518.7)**	¥ 53.9	¥(572.6)
Net Income (Loss) per Share (yen)	**¥(179.19)**	¥ 18.54	¥(197.73)

Notes: * Interest expenses on money held in trust is deducted from interest expenses and included in net of other income and expenses.
** Adjusted general & administrative expenses represents expenses after deducting nonrecurring expenses, which is included in net of other income and expenses, from general and administrative expenses.

Net Business Profit (Gyomu Juneki)

Net business profit was ¥320.3 billion, a decline of ¥6.7 billion compared with the previous year mainly due to the decrease in gross profit.

Gross Profit

Breakdown of Gross Profit

	Billions of yen		
Fiscal year	**1997**	1996	Change
Net Interest Income	**¥504.2**	¥601.1	¥(96.8)
Domestic	**350.2**	387.0	(36.8)
International	**153.9**	214.0	(60.0)
Net Fees & Commissions Income	**65.0**	64.6	0.3
Domestic	**39.0**	38.7	0.2
International	**25.9**	25.8	0.1
Net Trading Profit	**18.5**	—	18.5
Domestic	**3.9**	—	3.9
International	**14.5**	—	14.5
Net of Other Operating Income and Expenses	**82.3**	37.2	45.0
Domestic	**54.4**	31.6	22.8
International	**27.8**	5.6	22.2
Gross Profit	**¥670.1**	¥702.9	¥(32.8)

Analysis of Interest Income

	Billions of yen					
	Average Balance			Yield		
Fiscal year	**1997**	1996	Change	**1997**	1996	Change
Domestic:						
Interest Earning Assets	**¥29,337.2**	¥29,344.9	¥ (7.6)	**2.24%**	2.39%	(0.15)%
Loans	**22,362.4**	21,718.0	644.3	**2.19**	2.35	(0.16)
Investment Securities	**5,552.4**	5,400.9	151.4	**1.69**	1.87	(0.17)
Interest Bearing Liabilities	**28,118.1**	28,308.3	(190.2)	**1.09**	1.11	(0.02)
Deposits*	**20,900.9**	20,829.3	71.5	**0.51**	0.60	(0.09)
Interest Margin	**—**	—	—	**1.14**	1.27	(0.13)
International:						
Interest Earning Assets	**16,913.3**	16,770.4	142.8	**8.02**	8.50	(0.47)
Loans	**11,983.2**	11,577.3	405.9	**4.20**	4.01	0.19
Investment Securities	**656.3**	597.4	58.9	**8.94**	3.74	5.20
Interest Bearing Liabilities	**16,956.3**	16,745.4	210.8	**7.09**	7.23	(0.14)
Deposits*	**13,569.9**	13,776.5	(206.6)	**3.75**	3.56	0.19
Interest Margin	**—**	—	—	**0.92**	1.26	(0.33)
Total:						
Interest Earning Assets	**45,181.5**	45,041.5	139.9	**4.44**	4.71	(0.26)
Loans	**34,345.6**	33,295.3	1,050.2	**2.89**	2.93	(0.03)
Investment Securities	**6,208.8**	5,998.3	210.4	**2.46**	2.05	0.40
Interest Bearing Liabilities	**44,005.4**	43,980.0	25.3	**3.41**	3.45	(0.03)
Deposits*	**34,470.8**	34,605.9	(135.1)	**1.78**	1.78	0.00
Interest Margin	**—**	—	—	**1.02%**	1.25%	(0.22)%

Note: * Deposits do not include NCDs.

1. Net Interest Income

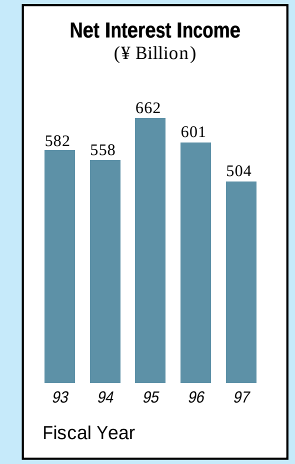
Net interest income fell by ¥96.8 billion to ¥504.2 billion.

Domestic operations (yen-denominated transactions at domestic offices) posted net interest income of ¥350.2 billion, a year-on-year decrease of ¥36.8 billion. Two factors contributed to this decrease. The first factor is that interest margin (difference between interest earning asset yields and interest bearing liabilities yields) fell by 0.13% compared with the previous year although the average balance on interest earning assets almost stayed the same, this accounted for a decrease of ¥7.6 billion from the previous year. The second factor is that the method of accounting of profits was changed by introducing the mark-to-market accounting method.

In the case of interest earning assets, housing loans continued to increase, but stagnant growth in domestic yen-denominated high-quality loans to companies and other factors meant that average loans outstanding rose by ¥644.3 billion compared with the previous year. The average balance for investment securities also increased by ¥151.4 billion.

Interest margin shrank by 0.13% compared with the previous year to 1.14%. The reason for this was that the year-on-year decline in yields on lending (-0.16%) was larger than the fall in yield on deposits (-0.09%), and that the Bank went ahead with hedging against future increases in interest rates.

In the area of international operations (foreign currency transactions at domestic offices and transactions at overseas branches), net interest income fell by ¥60.0 billion to ¥153.9 billion. The main cause of the decrease was the decline in profit from money market trading and the influence from introducing the mark-to-market accounting method although the average loan balance increased by 405.9 billion compared with the previous year due to the depreciation of the yen.



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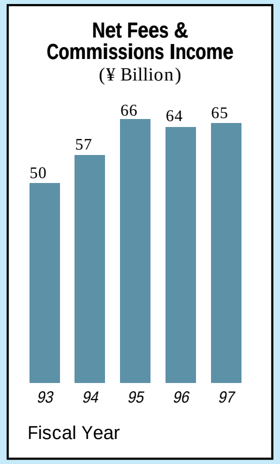


2. Net Fees and Commissions Income

Net fees and commissions income came to ¥65.0 billion, an increase of just ¥0.3 billion compared with the previous year.

Domestic net fees and commissions was ¥39.0 billion, which was an increase of ¥0.2 billion. Remittance charges increased as a result of continuing efforts to increase the number of money transfer transactions.

International net fees and commissions income climbed to ¥25.9 billion, which was an increase of ¥0.1 billion as a result of an increase in project finance, syndication and other loan-related fee income in spite of the decrease in fees and commissions on derivatives-related transactions due to the introduction of the mark-to-market accounting method.

Breakdown of Trading Profit

	Billions of yen		
Fiscal year	**1997**	1996	Change
Domestic:			
Net Profit from Trading Securities and Derivatives	**¥ 0.0**	¥ —	¥ 0.0
Net Profit from Trading-related Securities and Derivatives	**(0.5)**	—	(0.5)
Net Profit from Trading-related Financial Derivative Transactions	**1.6**	—	1.6
Others	**2.7**	—	2.7
Total Domestic	**3.9**	—	3.9
Internatioanl:			
Net Profit from Trading Securities and Derivatives	**—**	—	—
Net Profit from Trading-related Securities and Derivatives	**(0.0)**	—	(0.0)
Net Profit from Trading-related Financial Derivative Transactions	**14.5**	—	14.5
Others	**0.0**	—	0.0
Total International	**14.5**	—	14.5
Total:			
Net Profit from Trading Securities and Derivatives	**0.0**	—	0.0
Net Profit from Trading-related Securities and Derivatives	**(0.5)**	—	(0.5)
Net Profit from Trading-related Financial Derivative Transactions	**16.2**	—	16.2
Others	**2.7**	—	2.7
Total	**¥18.5**	¥ —	¥18.5

3. Net of Trading Profits

Net of trading profits, which is a mark-to-market accounting method introduced for trading accounts, was ¥18.5 billion in fiscal 1997. Domestic net of trading profits was ¥3.9 billion mainly due to interest on commercial paper and other debt purchased, while international net of trading profits was ¥14.5 billion mainly due to unrealized gains of derivatives.

Before introducing the net of trading profits, profits-related trading accounts, such as trading securities and derivatives, were appropriated in several accounts, such as net interest income. From fiscal 1997, trading accounts with unrealized gains and losses are accounted in net trading accounts due to the introduction of the mark-to-market accounting method.

Breakdown of Net of Other Operating Income and Expenses

	Billions of yen		
Fiscal year	**1997**	1996	Change
Domestic:			
Net Profit from Foreign Exchange Transactions	**¥ —**	¥ —	¥ —
Net Profit from Sales of Bonds	**58.4**	30.5	27.8
Others	**(3.9)**	1.0	(4.9)
Total Domestic	**54.4**	31.6	22.8
International:			
Net Profit from Foreign Exchange Transactions	**17.6**	6.6	10.9
Net Profit from Sales of Bonds	**19.3**	5.6	13.7
Others	**(9.1)**	(6.6)	(2.5)
Total International	**27.8**	5.6	22.2
Total:			
Net Profit from Foreign Exchange Transactions	**17.6**	6.6	10.9
Net Profit from Sales of Bonds	**77.8**	36.2	41.5
Others	**(13.1)**	(5.6)	(7.4)
Total	**¥ 82.3**	¥ 37.2	¥ 45.0

4. Net of Other Operating Income and Expenses

Net of other operating income and expenses increased by ¥45.0 billion compared with the previous year to ¥82.3 billion. Domestic net of other operating income rose by ¥22.8 billion to ¥54.4 billion primarily because income from government and other bond-related transactions increased by ¥27.8 billion compared to the previous year due to rising bond prices with long-term interest rate falling during the fiscal year.

Internationally, net of other operating income and expenses increased by ¥22.2 billion compared with the previous year to ¥27.8 billion mainly due to an increase in income from government and other bond-related transactions and an increase in income from foreign currency dealing.

Adjusted General and Administrative Expenses

Breakdown of Adjusted General & Administrative Expenses

	Billions of yen		
Fiscal year	**1997**	1996	Change
Personnel Expenses	**¥158.5**	¥157.7	¥ 0.8
of which Wages and Allowances	**135.2**	135.4	(0.1)
Non-Personnel Expenses	**191.1**	190.6	0.4
Taxes	**28.8**	25.3	3.5
Adjusted General & Administrative Expenses	**¥378.5**	¥373.6	¥ 4.8

Although bank-wide efforts were made to rationalize operations and increase efficiency, overall expenses rose by ¥4.8 billion to ¥378.5 billion. This increase was attributable to taxes which increased by ¥3.5 billion due to the hike in the VAT and to the depreciation of the yen which increased expenses in the overseas operations.

Although the Bank continued to review wages and allowances and took steps to rationalize personnel levels, personnel expenses increased by ¥0.8 billion to ¥158.5 billion owing to an increase in personnel expenses in overseas branches as a result of the depreciation of the yen. At year-end, the number of employees had fallen by 553 to 14,615.

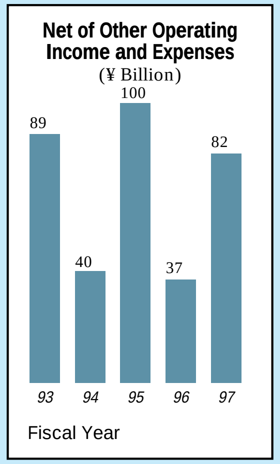
While exhaustive efforts were made to reduce non-personnel expenses, non-personnel expenses increased by ¥0.4 billion to ¥191.1 billion mainly due to the depreciation of the yen which increased non-personnel expenses in overseas branches.

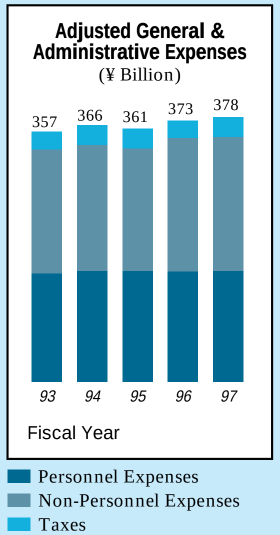
Other Income and Expenses, Income before Income Taxes, Net Income

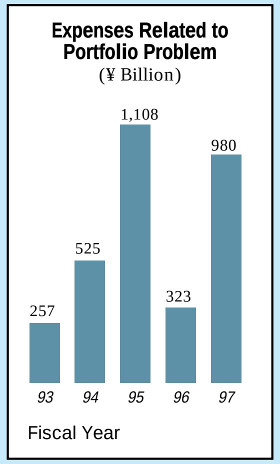
Breakdown of Other Income and Expenses

	Billions of yen		
Fiscal year	**1997**	1996	Change
Net of Securities Gains and Losses	**¥ 209.5**	¥ 100.0	¥ 109.4
Sales Gains	**268.6**	291.3	(22.6)
Devaluation	**56.9**	191.0	(134.0)
Expenses Relating to Portfolio Problem	**980.7**	323.2	657.4
Write-offs	**68.9**	25.7	43.1
Specific Reserves	**332.7**	140.0	192.6
Losses Incurred from Sales to CCPC	**202.7**	83.1	119.6
Transfer to Reserve for Possible Losses on Sales of Loans	**24.0**	38.8	(14.8)
Transfer to Reserve for Specific Borrowers under Support	**122.3**	—	122.3
Losses Incurred from Supporting Certain Borrowers	**226.6**	35.4	191.1
Losses Incurred from Sales of Loans	**3.3**	—	3.3
Net of LDC-related Gains and Losses	**0.3**	0.1	0.1
Disposal of Unrealized Losses of Investment Funds	**57.5**	—	57.5
Other Losses	**6.8**	49.2	(42.4)
Net of Other Income and Expenses	**¥(835.1)**	¥(272.3)	¥(562.8)

Total of other income and expenses dropped by ¥562.8 billion over the previous year to stand at ¥(835.1) billion. This was as a result of the Bank working aggressively to make necessary disposals of its bad loan portfolio.







1. Net of Securities Gains and Losses

Net of securities gains and losses climbed by ¥109.4 billion over the previous year to ¥209.5 billion. In addition to the sales gains on securities of ¥268.6 billion, a contributing factor was the fall in the loss on the devaluation of securities of ¥134.0 billion to ¥56.9 billion resulting from this year's changeover to the cost basis method to value securities from the lower of cost or market value method.

2. Expenses Relating to Portfolio Problem

To maintain and enhance the quality of its assets, the Bank has continued to work aggressively to make necessary disposals. With the introduction of the Prompt Corrective Action Policy in April 1998, the Bank introduced a new, more precise internal system for classifying loan assets, undertook a comprehensive self-assessment of its entire loan portfolio, and made wide-ranging and proactive provisions for any potential losses. The Bank also reduced its problem loans through an aggressive program of pursuing recoveries on its loans, write-offs, and sales of bad loans to such entities as the Cooperative Credit Purchasing Company (CCPC). As a result, the Bank was able to increase the amount of credit costs by ¥657.4 billion compared to the previous year to ¥980.7 billion.

Credit costs for the Bank's problem loan portfolio include loan write-offs which rose ¥43.1 billion compared to the previous year to ¥68.9 billion, transfers to specific reserves for possible loan losses which climbed ¥192.6 billion to ¥332.7 billion, losses on sales of loans collateralized by real estate to the CCPC which rose ¥ 119.6 billion to ¥ 202.7 billion, and other sales losses which stood at ¥3.3 billion.

The Bank also completed all necessary financial assistance to its affiliated finance companies, and set up special reserves to cover any potential future losses from these companies. As a result, losses incurred from supporting certain borrowers rose ¥191.1 billion over the previous year to ¥226.6 billion, and ¥122.3 billion was transferred to the newly-established reserve for specific borrowers under support.

The Bank transferred ¥24.0 billion to the reserve for possible losses on sales of loans to make the necessary provisions against possible future losses arising in connection with the value of loans collateralized by real estate that were sold to the CCPC.

The loss on mutual funds of ¥ 57.5 billion represents provisions against the latent loss in mutual funds which is due to fall in fiscal 1998 or later.

For the above reasons, net loss was ¥518.7 billion, which included ¥45.6 billion from gains on the disposal of real estate as part of the ongoing review of the Bank's real estate holdings. Net loss per share was ¥179.19.

Balance Sheet

Analysis of Balance Sheet (Major Breakdown)

	Billions of yen		
March 31,	**1998**	1997	Change
Assets			
Cash and Due from Banks	**¥ 2,749.9**	¥ 4,320.8	¥(1,570.9)
Call Loans	**235.5**	588.7	(353.2)
Bills Purchased	**30.0**	429.3	(399.3)
Commercial Paper and Other Debt Purchased	**29.8**	55.8	(26.0)
Trading Assets	**2,273.8**	—	2,273.8
Trading Account Securities	**—**	64.8	(64.8)
Money Held in Trust	**85.4**	117.2	(31.8)
Securities	**6,250.7**	5,774.4	476.2
Loans and Bills Discounted	**32,030.5**	34,037.3	(2,006.7)
Foreign Exchange	**549.4**	524.6	24.7
Other Assets	**2,263.6**	1,759.1	504.5
Premises and Equipment	**673.0**	342.8	330.1
Customers' Liabilities for Acceptances and Guarantees	**3,915.9**	4,051.3	(135.4)
Total Assets	**¥51,088.0**	¥52,066.8	¥ (978.7)
Liabilities and Stockholders' Equity			
Deposits	**¥31,316.7**	¥34,394.6	¥(3,077.9)
NCDs	**3,125.9**	3,884.4	(758.5)
External Debts*	**5,596.2**	5,386.6	209.5
Trading Liabilities	**1,458.5**	—	1,458.5
Foreign Exchange	**125.7**	96.4	29.3
Bonds	**100.0**	—	100.0
Convertible Bonds and Notes	**12.5**	12.5	—
Other Liabilities	**2,888.1**	1,476.3	1,411.7
Reserve for Possible Loan Losses	**857.4**	983.6	(126.1)
Reserve for Retirement Allowances	**48.2**	48.8	(0.5)
Reserve for Possible Losses on Sales of Loans	**52.7**	38.8	13.8
Reserve for Specific Borrowers under Support	**122.3**	—	122.3
Other Reserves	**0.0**	20.8	(20.8)
Acceptances and Guarantees	**3,915.9**	4,051.3	(135.4)
Land Revaluation Account	**326.5**	—	326.5
Total Liabilities	**¥49,947.3**	¥50,394.7	¥ (447.4)
Total Stockholders' Equity	**¥ 1,140.7**	¥ 1,672.0	¥ (531.2)

Note: * The sum of borrowed money, bills sold and call money.

Assets

Total assets decreased by ¥978.7 billion compared with the previous year to ¥51,088.0 billion. This reflects the effort made to enhance the quality of the Bank's loan portfolio and utilize assets, such as loan sales and securitization, reduction of unprofitable loans and on-balance trading assets more efficiently.

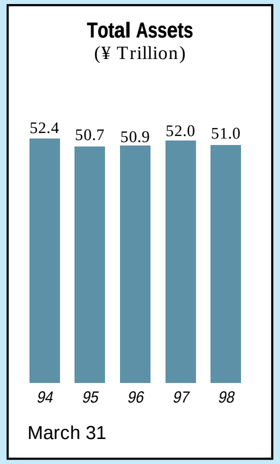
Mark-to-market accounting was introduced in March 1997 for trading assets.

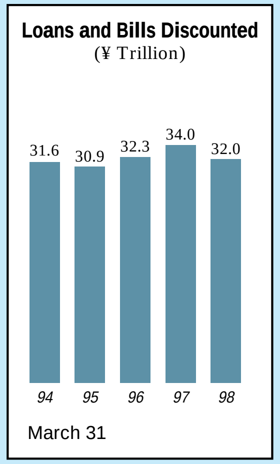
Loans

Breakdown of Loans

	Billions of yen		
March 31,	**1998**	1997	Change
Domestic Offices* (A)	**¥23,442.0**	¥22,601.3	¥ 840.7
of which Housing Loans	**5,256.0**	5,090.6	165.3
Manufacturing	**3,016.8**	2,601.3	415.5
Wholesale & Retail, and Food Services	**3,656.2**	3,452.6	203.6
Real Estate	**2,271.9**	2,230.0	41.8
Services	**4,369.2**	4,489.3	(120.0)
% Loans to Small and Medium-sized Companies	**75.7%**	78.1%	(2.4%)
Overseas Branches and Japan Offshore Market Account (B)	**8,588.4**	11,435.9	(2,847.4)
Commerce and Industry	**6,668.1**	8,602.1	(1,934.0)
Total Loans and Bills Discounted (A+B)	**¥32,030.5**	¥34,037.3	¥(2,006.7)

Note: *"Domestic Offices" covers yen-denominated loans and foreign currency-denominated loans made by domestic branches.





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Total loans and bills discounted at year-end decreased by ¥2,006.7 billion compared with the previous year to ¥32,030.5 billion. This reduction was due to loan sales and securitization, write-off of non-performing loans and reduction of unprofitable loans overseas in spite of enhancement of housing loans. An analysis of lending by domestic branches according to industrial sector reveals that services accounted for 18.6%, wholesaling, retailing and restaurants for 15.6%, manufacturing for 12.9%, and real estate for 9.7%. Compared with the previous year, therefore, services and real estate saw their share of loans decline by 1.2% and 0.2%, respectively, while manufacturing increased by 1.4%. Loans to such borrowers as individuals and small and medium-sized enterprises increased by ¥97.2 billion to account for 75.7% of loans by domestic branches.

Problem Loan Portfolio

Breakdown of Problem Loans

	Billions of yen			
	Current Standard			New Stadard
March 31,	**1998**	1997	Change	**1998**
Loans to Borrowers in Bankruptcy Proceedings	**¥ 257.5**	¥ 272.2	¥ (14.7)	**257.5**
Loans Past Due for over Six Months	**733.7**	874.8	(141.1)	**733.7**
Total (A)	**991.2**	1,147.0	(155.8)	**991.2**
% A to Total Loans and Bills Discounted	**3.09%**	3.37%	(0.28%)	**3.09%**
Loans Past Due for over Three Months	**—**	—	—	**337.8**
Restructured Loan	**—**	—	—	**363.5**
Renegotiated Loans	**186.3**	434.8	(248.4)	**—**
Loans to Companies under Support Programs	**40.7**	257.7	(216.9)	**—**
Total (B)	**¥1,218.4**	¥1,839.6	¥(621.2)	**¥1,692.7**
% B to Total Loans and Bills Dicounted	**3.80%**	5.40%	(1.60%)	**5.28%**

An even greater effort was made this year by the Bank to reduce the level of its problem loans setting up proactive loan recovery efforts such as aggressively collecting, writing-off and selling problem loans. As a result, the Bank was able to reduce the level of its problem loans by ¥404.2 billion compared with the previous year, with the balance of loans to borrowers in bankruptcy proceedings, loans past due for six months or more and renegotiated loans at fiscal year-end standing at ¥257.5 billion, ¥733.7 billion and ¥186.3 billion, respectively. Accordingly, the ratio of these loans to the Bank's total loan portfolio improved by 0.97% from the previous year to 3.68% at the end of March 1998.

By completing all necessary financial assistance to our affiliated finance companies, the balance of our loans to companies under support programs decreased ¥216.9 billion compared with the previous year to stand at ¥40.7 billion.

As a result of the above measures, the balance of our disclosed problem loans decreased ¥621.2 billion compared to the previous year to ¥1,218.4 billion. The ratio of these loans to the Bank's total loan portfolio stood at 3.80% at the end of fiscal 1997, an improvement of 1.60% from the previous year.

Problem Loan Portfolio under New Standard

From this year onwards, in response to calls for more disclosure of financial information by banks, the Bank disclosed details of its problem loans referring to guidelines set down by the U.S. Securities Exchange Commission. The expanded information of the Bank covers loans past due for three months or more, in which the payment of principal or interest is delayed three months or more from the day following the date agreed as the payment date, and restructured loans*, which are loans provided to support the rehabilitation of certain borrowers, ensuring the recovery of the loan by amending existing terms and conditions to reflect more adequately the borrower's present circumstances. While the above problem loans represent loans which require cautious management, these loans also include those with a minimal risk of becoming bad loans or those with a possibility of recovery by supporting the rehabilitation of the borrower. Loans coming under these categories cannot be classified as problem loans under previously used criteria. Hence, our current problem loans under the new standard at fiscal year end amounted to ¥1,692.7 billion.

* Restructured loans: Under the new standard for disclosing problem loans, an additional item, restructured loans, has been established. Restructured loans are loans provided to support the rehabilitation of certain borrowers, ensuring the recovery of funds lent by amending existing terms and conditions to reflect more adequately the borrower's present circumstances.

Cash and Due from Banks

Cash and due from banks decreased by ¥1,570.9 billion to ¥2,749.9 billion due to a sharp reduction in due from banks in the area of international operations resulting from the efficient use of assets.

Trading Assets

In fiscal 1997, the Bank introduced the mark-to-market accounting method. This resulted in trading assets, such as trading securities, derivatives and hedging transactions amounting to ¥2,273.8 billion.

Liabilities

In fiscal 1997, three new accounting categories were established. They are, trading liabilities, as a result of the introduction of the mark-to-market method, a reserve for specific borrowers under support which reflects future support for affiliated non-bank financial companies, and land revaluation based on a law concerning land revaluation.

Deposits

Total deposits decreased by ¥3,077.9 billion from the previous year to ¥31,316.7 billion. While domestic deposits increased, international deposits decreased due to the reduction of international loans and due from banks. Negotiable certificates of deposit (NCDs) decreased by ¥758.5 billion from the previous year to ¥3,125.9 billion.

External Debts

External debts (defined as the sum of call money, bills sold and borrowings) increased by ¥209.5 billion to ¥5,596.2 billion. Subordinated debts increased by ¥111.4 billion to ¥1,842.2 billion due to funding to build up Tier 2 capital.

Reserves for Possible Loan Losses, etc.

Breakdown

	Billions of yen		
March 31,	**1998**	1997	Change
General Reserve	**¥ 74.0**	¥ 103.5	¥ (29.5)
Specific Reserves	**782.6**	878.8	(96.2)
Reserve for Specific Borrowers under Support	**122.3**	—	122.3
Reserve for Possible Losses on Sales of Loans	**52.7**	38.8	13.8
Reserve for Loans to LDCs	**0.8**	1.1	(0.3)
Total	**¥1,032.5**	¥1,022.4	¥ 10.0

Reserve for possible loan losses consists of a general reserve for possible loan losses, a specific reserve for possible loan losses, a reserve for specific borrowers under support, a reserve for possible losses on sales of loans, and a reserve for loans to LDCs. It amounted to ¥1,032.5 billion, which is an increase of ¥10.0 billion from the previous year.

This resulted from a reversal from the reserve for possible losses on certain doubtful loans in connection with the reduction of our problem loans. The Bank also made provisions for any potential losses deemed necessary as a result of its comprehensive self-assessment of its loan portfolio, setting up special reserves to cover any future potential losses from its affiliated companies, and also from making provisions against possible future losses arising in connection with the value of loans collateralized by real estate that were sold to the Cooperative Credit Purchasing Company.

Stockholders' Equity

Stockholders' Equity

	Billions of yen		
March 31,	**1998**	1997	Change
Total Stockholders' Equity	**¥1,140.7**	¥1,672.0	¥ (531.2)
Stockholder's Equity per Share (yen)	**321.22**	504.58	(183.36)
Dividends per Share of Common Stock (yen)	**8.50**	8.50	—
Dividends per Share of Preferred Stock (yen)	**7.50**	3.75	3.75

Total stockholders' equity declined by ¥531.2 billion to ¥1,140.7 billion, due to the posting of a net loss of ¥518.7 billion. The unappropriated loss at the end of fiscal 1997 was not carried forward into fiscal 1998 which was covered by deducting voluntary reserves.

Stockholders' equity per share stood at ¥321.22, a decline of ¥183.36 compared with the previous year.

Dividend Policy

Fuji Bank is always aware that it must first satisfy its shareholders by providing stable dividend payments utilizing its financial and management resources in the most effective way to consolidate its retained earnings. This fiscal year the Bank incurred a large net loss as a result of taking write-offs and setting aside reserves deemed necessary. However, the Bank has been able to provide appropriate reserves on its problem loan portfolio, including those pertaining to its affiliated financial companies, and it can now work on the job of recovering its financial soundness. An annual dividend payment per share of common stock was ¥8.50, while an annual dividend payment per share of preference stock was ¥7.50.

The Japanese economy still faces some difficult times ahead. However, the Bank will continue to pursue strengthening and building its financial fundamentals, taking advantage of the many new profit opportunities, while at the same time maintaining stable regular dividend payments to shareholders in the future.

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RISK MANAGEMENT

As a result of rapid advances in financial technology and major changes in the business environment, the risks inherent in banking operations are swiftly becoming more diverse and complex. As a result, it is more important than ever that bank management identify and carefully manage various types of risks including credit risk and market risk. Fuji Bank has made risk management one of its key managerial priorities.

Through the inspections and supervision carried out by our Inspection Division and external organizations such as the financial supervisory authorities, we are establishing organizational procedures that continually check the efficiency of our risk management systems. We also carry out comprehensive inspection of our entire risk management system at least once a year.

To facilitate statistical methods for measuring various types of risk on the basis of common criteria, we reorganized the former Market Risk Assessment Division into the Risk Assessment Division in January 1998. The new division follows a neutral approach to evaluating market risk and credit risk as well.

I. Credit Risk

Credit risk is associated with a wide range of operations, from lending and market transactions in products such as derivatives to settlements. We are striving to ascertain all possible sources of risk and devise appropriate means of dealing with them. The most important issue in the area of credit risk management is ensuring the soundness of loan assets, which account for the lion's share of credit risk. We take a dual approach to this issue. On the one hand, we assess and monitor each individual loan transaction; on the other, we manage the entire loan asset portfolio on an all-inclusive basis.

Overall control of credit risk management is in the hands of the Loan Strategy Committee chaired by the President and CEO. This committee determines lending strategy and policies, and monitors the entire loan portfolio. At the same time, the Credit Planning Division and the Credit Division for Overseas Business specialize in devising the means of assessing and managing individual loan transactions, and for planning and developing methods for analyzing our overall loan portfolio.

1. Credit Assessment and Monitoring of Individual Transactions

Each proposed loan transaction is carefully assessed for risk and profitability by the branch in charge. If the amount involved exceeds the branch manager's authority, the appropriate credit division at Head Office carries out the assessment. At this stage, active use is made of the in-house credit rating system*, which provides the standards needed for assessing the risk and profitability of each loan proposal as well as the tools for monitoring the transaction after its execution.

Within the head office credit divisions, specialist departments are set up to deal with large and medium-sized enterprises by type of industry and operational scale, and with individuals and smaller businesses by region. The credit divisions also provide branches with appropriate advice in a timely manner according to the characteristics of the customers and markets involved. The Credit for New Business Department, for example, was set up to specialize in sectors where technological innovation is progressing rapidly.

Overseas, credit divisions have been established in New York and London with responsibility for America and Europe, respectively, while credit personnel have been assigned to Hong Kong who work with head office credit divisions to deal with the Asian region. These staffers engage in information-gathering activities in connection with the laws, commercial customs, and political and economic conditions in their respective jurisdictions, and use this information as the basis for carefully focused credit assessment and management activities in each region.

We have also established departments at home and abroad to carry out industrial surveys designed to gather and analyze information on sectoral trends, and new products and technologies.

Nurturing human resources to support this credit evaluation system is extremely important. In addition to making efforts to train specialists in assessing loans, the management team is paying particular attention to implementing practical training programs according to the type of specialization involved.

***In-house credit rating system**

Our in-house credit rating system has 16 grades and in principle is applied to all loan assets other than housing loans among others. The marketing or credit division in charge prepares rating studies on the basis of a manual, and the Credit Assessment & Auditing Department, which is completely independent of our credit divisions, confirms the validity of the results. In recent years, reviews have been conducted at least once every twelve months.

This system provides infrastructural support for the assessment and management of individual transactions, as well as the base for managing the loan portfolio and measuring credit risk. In addition, our credit ratings are applied to the pricing process for individual cases.

The system has been revised and upgraded repeatedly, and now provides an objective indication of the credit risk associated with our loan assets. We have also endeavored to ensure ample consistency between it and the ratings of rating agencies, self-assessment systems and the asset classifications used by the financial supervisory authorities.

2. Portfolio Management

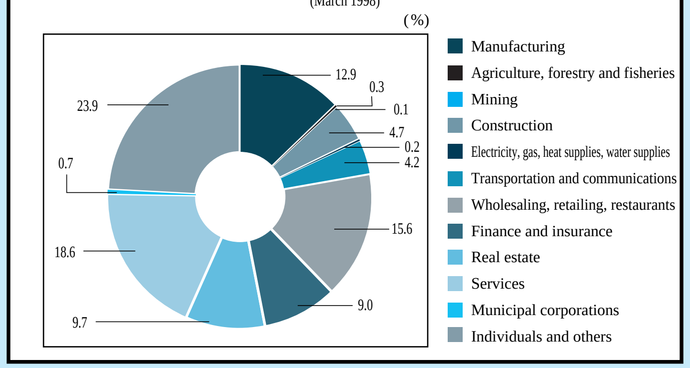
So far, we have looked at the assessment and management of individual transactions. It is also extremely important to ensure the overall soundness of loan assets by analyzing and managing the loan portfolio, which is the aggregate of all individual loans.

In order to ensure that credit risk held by the Bank is kept at an appropriate level, the Loan Strategy Committee monitors and periodically analyzes the entire loan portfolio by business sector, region, in-house credit rating and other criteria.

(1) Breakdown of Loan Portfolio by Business Sector

Generally speaking, we do not specify upper limits on outstanding loans in advance according to business sector. We do, however, monitor the makeup of our portfolio constantly to ensure that there is no bias toward any specific industrial sector and to avoid any adverse changes in portfolio structure.

[Graph 1] Breakdown of Loan Portfolio
(by business sector)
(March 1998)



Note: Domestic offices (excluding loans booked in the Japan offshore market)

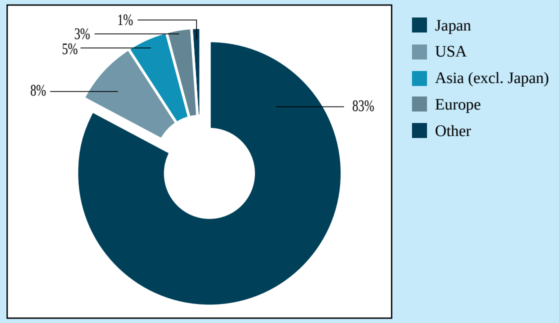
(2) Breakdown of Loan Portfolio by Region

Through the country risk/exposure system, upper limits are set for each country for all credit transactions, including loans. This upper limit is reviewed at least once every six months to reflect conditions in the world economy and political and economic conditions in each country.

As of the end of March 1998, loans to Asian countries were as shown below in Table 1. Affiliates of Japanese companies accounted for over 45 % of loans to the private sector.

Almost all of the loans to non-Japanese borrowers are for project financing and to the largest business groups in each country.

[Graph 2] Breakdown of Loan Portfolio
(by region)
(March 1998)



Note: Non-consolidated basis.

[Table 1] Loans to Asian Countries

	Millions of U.S. dollars						
		Public	Financial	Private Sector			
	Balance	Sector	Institutions	Total	Japanese	(% of total)	Non-Japanese
South Korea	$ 885	$ 23	$162	$ 699	$ 45	(6.5%)	$ 654
Indonesia	1,415	127	98	1,189	541	(45.5)	648
Thailand	1,816	76	132	1,608	845	(52.6)	762
Hong Kong	3,494	3	131	3,358	1,423	(42.4)	1,935
Singapore	821	8	11	801	651	(81.3)	150
Malaysia	604	193	—	410	143	(35.0)	267
China	1,541	119	278	1,144	589	(51.5)	555
Philippines	312	34	—	277	95	(34.5)	182
Total	$10,890	$584	$815	$9,491	$4,336	(45.7%)	$5,155

Note: Non-consolidated basis.

3. Measuring Credit Risk

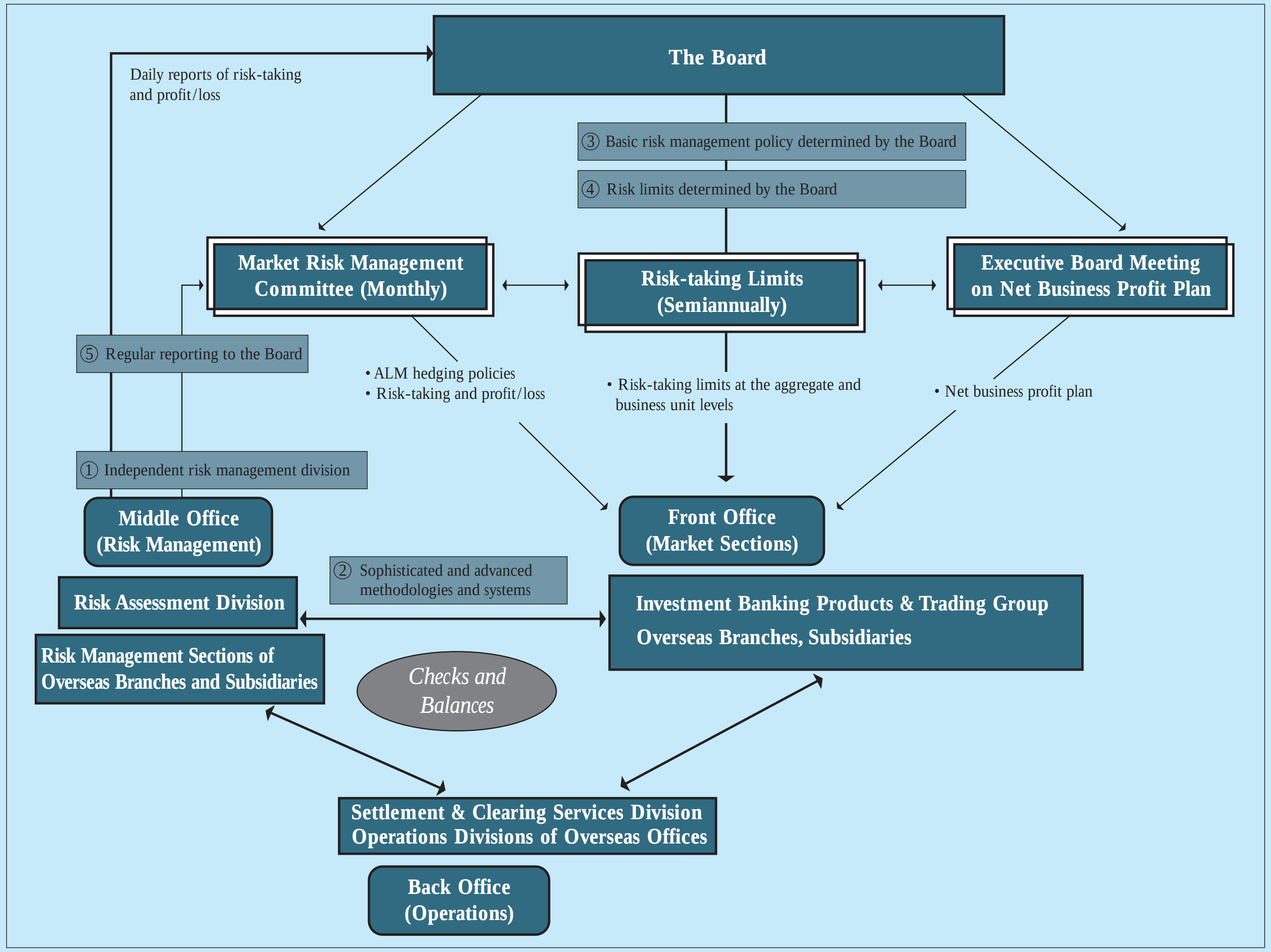
We have been tackling the issue of measuring credit risk from several viewpoints: promoting integrated risk management (combining credit and market risk), and portfolio management. Now the credit risk associated with virtually all credit transactions (including derivative and other off-balance sheet transactions) is measured on a daily basis.

We measure and analyze credit risk according to such criteria as transaction type, rating, region and business sector, and submit reports on our findings to top management. The information thus derived is reflected in managerial decisions relating to integrated risk management.

Ⅱ. Market Risk Management

1. Market Risk Management Structure

We have established a solid structure for managing market risks including ALM (Asset Liability Management of interest rate risk on yen deposits and loans). We can adequately manage market risks through a centralized risk measurement system, and at the same time, we generate earnings through market trading. The following chart outlines our market risk management structure.



Our market risk management structure has the following key characteristics:

① Establishment of an independent risk management division.
② Sophisticated and advanced methodologies and systems for managing market risk.
③ Basic risk management policy determined by the Board.
④ Risk limits determined by the Board.
⑤ Regular reporting to the Board and senior management.

① Establishment of an independent risk management division.

In 1994, we became the first Japanese bank to set up the Market Risk Assessment Division (now the Risk Assessment Division), an independent risk control unit to identify, assess and control our overall market risk on a consolidated basis. This division is independent from business units involved in market activities, and reports directly to the Deputy President of the Bank to make proper and timely business judgments without influence from business units.

Overseas branches and subsidiaries have also established their own market risk management sections that are independent from the business units involved in market activities. Therefore, each office segregates duties by separating the front office (market activities), the middle office (risk management) and the back office (operations) and establishes checks and balances between them effectively.

② Sophisticated and advanced methodologies and systems for managing market risk.

Profits and losses in virtually all business units engaging in market activities are managed on a mark-to-market basis. This approach has been adopted because we believe that not only realized profits and losses but also unrealized gains are important to have a clear overall grasp of profit and loss.

We use the Value at Risk (VaR) methodology to manage market risk. For managing and controlling risk that cannot be ascertained by VaR alone, we also set limits on other risk sensitivities such as BPV (Basis Point Value), carry out stress tests and back tests, and set stop-loss limits, according to market risk activities in each business unit. For further information, refer to the following sections regarding market risk profiles.

The Risk Assessment Division is continuously striving to absorb risk management innovation, to develop advanced financial theories and methodologies, and to improve information systems for risk management.

③ Basic risk management policy determined by the Board.

We have formulated our own risk management policy in order to clarify our standards on setting risk-taking limits, organizational structures, lines of authority, procedures, and techniques to evaluate and control risks. The risk management policy is reviewed every six months and approved by the President and CEO. This is consistent with the risk management principles issued by Japanese banking regulators and the Bank for International Settlements.

④ Risk limits determined by the Board.

We believe that the potential loss from our aggregate risks such as market, credit and operational risk and other risks should be kept within levels that can be covered by our own capital. Therefore, we set aggregate VaR limits by allocating some portion of our capital to market risk based on our business strategy for market activities. Each division's VaR limit is set by allocating the Bank's aggregate VaR according to such criteria as the market outlook and business strategy. Risk-taking limits at the aggregate and business unit levels are decided every six months by the President and CEO.

⑤ Regular reporting to the Board and senior management.

[Daily] E-mail

A daily report that summarizes our aggregate VaR, and trading activities, profits and losses, and market risk-taking of each division is sent to the Chairman, the President and CEO and other members of the Board and senior management through E-mail.

[Monthly] Market Risk Management Committee

The Market Risk Management Committee is convened every month by the presiding Deputy President. The Committee reviews trading activities, profits and losses, market risk-taking of each division, as well as liquidity risk, and makes decisions on ALM hedging policies.

The above procedures provide senior management with an accurate and timely grasp of our market risk exposure, creating an organizational structure that enhances appropriate and rapid management decision-making.

Overall, this management system has been functioning very well. For example, since the Asian market crisis in 1997, branches in the region have been managing their positions carefully according to the information provided by the risk management divisions in Singapore and Hong Kong, which have been monitoring the situation carefully. Not only has this helped forestall a number of problems, but the Market Risk Management Committee has enabled senior management to make quick decisions on proposals to reduce risk-taking limits according to changes in the market environment.

The following measures have also been adopted to deal with ALM activities:

- The Treasury Division has been set up to carry out ALM hedging operations.
- Each month, the Market Risk Management Committee sets its ALM hedging policies. The Treasury Division follows these policies in its actual ALM hedging operations, and submits its report to the Committee the following month.

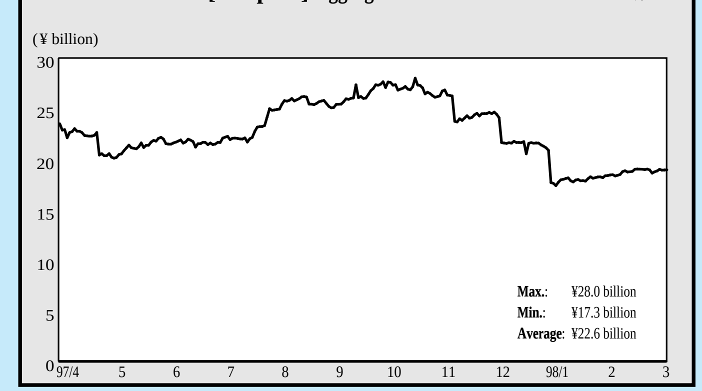
In this way, we have established a solid structure for managing market risks including ALM activities.

2. Aggregate Market Risk Activities

(1) Level of Market Risk

Market risk amount (Value at Risk) in fiscal 1997 is shown in Graph 3 below. Market risk amount (Value at Risk) covers almost all financial instruments in our consolidated books including most of our subsidiaries (excluding equity investment securities held for long-term appreciation).

[Graph 3] Aggregate Market Risk



Value at Risk

Value at Risk (VaR) is defined as the potential loss for a certain period from an adverse market movement which could occur in a certain probability. Actual VaR may vary with degree of probability, length of holding period, or the nature of models used to identify the risks.

The following standards apply for the purpose of calculating VaR as shown in the graph above.

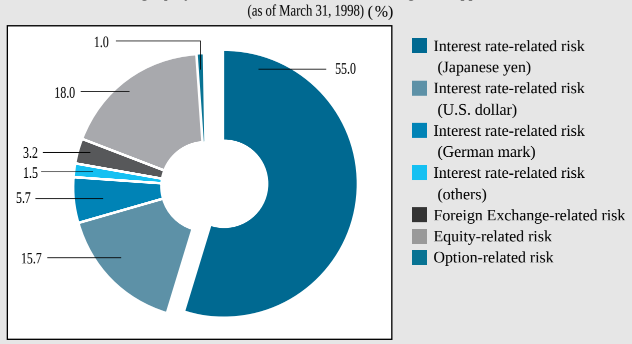
- Confidence interval: one-tailed 97.5% (two-tailed 95%)
- Holding period: one day
- Historical observation period: 6 months
- Discretion to recognize empirical correlations across broad risk categories

We have been calculating VaR with our internal models to monitor and control our market risk effectively. We have continuously confirmed that potential loss calculated using VaR methodology is far below our own capital.

(2) Structure of Market Risk

Graph 4 shows the breakdown of our market risk amount by each risk category as of March 31, 1998 (excluding equity investment securities held for long-term appreciation). This graph shows the sensitivity of our market risk profile by each risk category. (This graph covers the same instruments as in Graph 3.)

[Graph 4] Market Risk
(by risk category)
excluding equity investment securities held for long-term appreciation
(as of March 31, 1998) (%)



As shown in Graph 4 above, the majority of our market risk comes from Japanese yen interest rate instruments. This fact implies that we command good control of market risk since we have considerable access to the yen market. Also, this graph shows that market risks other than Japanese yen interest rate risk are well-diversified among various categories of market risks. Option-related risk which has non-linear price characteristics is only 1% of our overall market risk.

Since interest rate and foreign exchange risk of Asian currencies totaled approximately 2% overall, the Asian market crisis in 1997 had relatively little effect on our earnings.

(3) Yen Interest Rate Risk

Table 2 takes a more detailed look at yen interest rate risk, which is the majority of our aggregate market risk. It shows yen interest rate risk in terms of interest rate sensitivity by period (grid sensitivity).

[Table 2] Yen Interest Rate Sensitivity Table by Period (grid sensitivity)

	Billions of yen		
March 31, 1998	1 year or less	1-5 years	5 years or more
Interest rate sensitivity	¥0.1	¥(1.3)	¥(1.7)

Note: This table covers the same instruments as in Graph 3.

The interest rate sensitivity above shows how much net present value increases when interest rates go up by 1 basis point (0.01%). The negative numbers in the above table thus show that net present value declines when interest rates increase during the periods in question. We can obtain a more accurate analysis of the influence of the shift of interest rates on net present value, even if short-term and long-term interest rates move differently.

(4) Simulations of Earnings at Risk

Periodically, we conduct simulations of earnings at risk regarding interest rate portfolios on the banking account of major currencies, other than securities investments. This enables us to obtain a more accurate analysis of the influence of changes in interest rate levels on our earnings. Table 3 below shows earnings at risk in the case where interest rates rise by 0.5%.

[Table 3] Earnings at Risk

	Billions of yen		
	Yen	U.S. dollar	German mark
April 1998 – September 1998	¥(5.3)	¥(2.7)	¥(0.5)
October 1998 – March 1999	(8.0)	(6.0)	(2.1)

(Difference between estimated profits in the current situation and estimated profits in the 0.5% rise in interest rates)

Taking into account that net present value of interest rate portfolios at the end of March 1998 exceeded 200 billion yen by a large margin, we believe a potential negative impact on earnings shown on the above table is negligible in terms of the amount of our overall earnings and capital.

We manage market risk not only by VaR methodology, but also by using other risk sensitivities such as BPV (Basis Point Value) and earnings simulations to evaluate and manage risk even more sensitively.

(5) Liquidity Risk

Liquidity risk is defined as the risk of being unable to offset or hedge positions in a timely manner at a reasonable cost. This risk states that the loss might exceed normal VaR. We confirm our ability to offset or hedge positions in a short time at a reasonable cost by monitoring and reviewing the liquidity and turnover of certain asset inventories on a periodic basis.

Specifically, first, we estimate the one-day volume that we can trade at a reasonable cost for each financial instrument. Second, we calculate time to offset or hedge our positions based on estimated one-day volume. Then we compute market liquidity risk amount (VaR) by setting our holding period equal to time to offset or hedge positions calculated above.

Market liquidity risk amount as of March 31, 1998 is ¥ 74.6 billion. Therefore, even by taking the market liquidity and time to offset or hedge positions into consideration in computing VaR, we have enough capital and profitability to absorb market liquidity risk (No correlation among instruments is taken into consideration. Market liquidity risk amount includes the same instruments as in Graph 3 on page 45).

The President and CEO sets the limit on market liquidity risk amount every six months, and the Risk Assessment Division reviews and reports market liquidity risk amount to the Market Risk Management Committee every month.

The other type of liquidity risk is the risk of the potential inability to meet funding requirements of transactions. We develop and enhance the procedure to identify, measure, and monitor our liquidity sources and use it in order to strictly control this type of liquidity risk. The President and CEO sets the limit every six months and the liquidity profile is reported monthly to the Market Risk Management Committee.

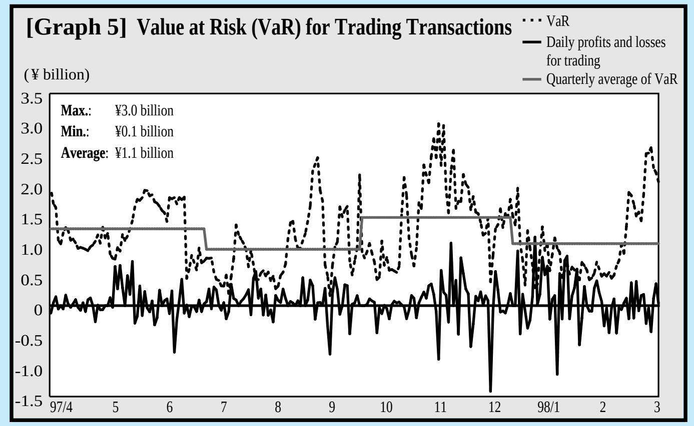
3. Profile of Risk-taking of Trading Transactions

Since fiscal 1997, mark-to-market accounting has been introduced in the trading books of Japanese financial institutions. The following sections describe trading transactions, which include transactions for trading purpose accounted for in the trading books and foreign exchange transactions (non-consolidated).

We value financial instruments by using quoted market prices (fair value) if they are available. If quoted market prices are not available, fair values are estimates derived from using discounted cash flows or other valuation techniques. Valuation includes the significant assumptions which we regard as adequate, and if different assumptions were used, the valuation may differ from our estimates.

(1) VaR

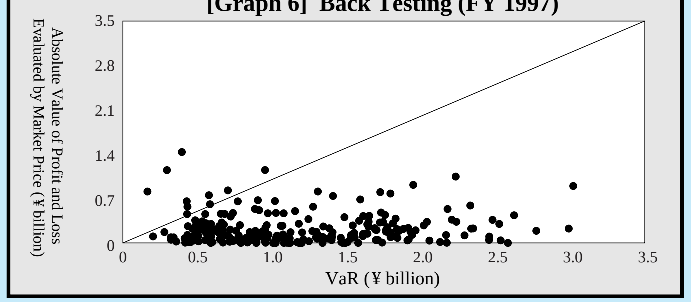
[Graph 5] Value at Risk (VaR) for Trading Transactions



(2) Back Testing

We routinely compare daily profits and losses with model-generated risk measures to gauge the quality and accuracy of our risk measurement model. This process is known as “back testing.”

[Graph 6] Back Testing (FY 1997)



The graph above shows the absolute value of the daily profit and loss flows to VaR. Dots that lie above the diagonal line indicate the days when the absolute value of the profits and losses exceeded VaR. According to the statistical specification underlying our VaR methodology, only approximately 5% (2.5% × 2 as this considers both profit & loss) of the observations should lie above the diagonal line. As shown in Graph 6, ten dots lie above the diagonal line, which is about 4% of all data. Accordingly, the comparison of actual trading results with model-generated risk measures is close enough, and the back test raises no issues regarding the quality of our risk measurement model.

(3) Stress Testing

In times of stress, market conditions change dramatically. Sharp and volatile price movement destroys liquidity and correlation between instruments. As VaR is a figure to determine potential losses in trading activities when the market is in normal conditions and liquid, it fails to evaluate the loss in stress condition. Stress testing is an alternative technique for evaluating the exposure under worst-case scenarios which plays an important role together with VaR in market risk management because it enables senior management to explore potential risks.

Stress testing can take several forms. We prepare several kinds of stress tests according to management needs. Some of the results of the stress testing is presented in the table below. Results are reviewed regularly by senior management and are reflected in the policies and limits which are approved by the President and CEO.

The table shows two stress scenarios and one worst-case scenario. With respect to the two stress scenarios, the results of the severe confidence interval scenarios tell the potential loss under abnormal conditions while still maintaining liquidity and correlation among instruments. The worst-case scenario is based on the market's most extreme movement according to historical data over ten years. It shows the potential loss when the market moves sharp and volatile in the case when the correlation among instruments are destroyed.

[Table 4] Stress Testing

	Billions of yen
	Potential loss
VaR (confidence interval 97.5%)	¥ 3.0
Stress Scenario (confidence interval 99.0%)	3.5
Stress Scenario (confidence interval 99.9%)	4.7
Stress Scenario (worst case)	19.0

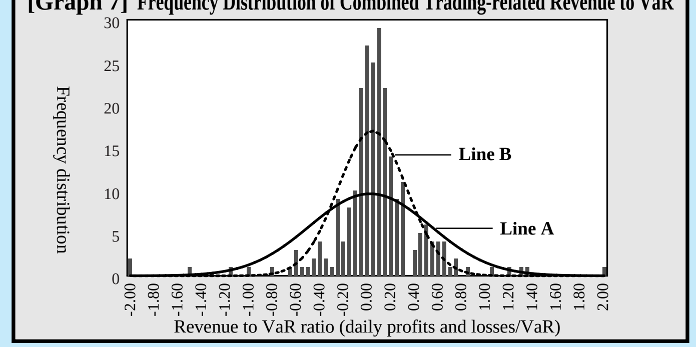
(4) Revenue to VaR Ratio

It is our basic policy to optimize risk-adjusted return by monitoring and managing risks we take. Therefore, it is extremely important to monitor if risk-adjusted return is sufficient, and if we have enough profitability to absorb any potential losses.

The frequency distribution of our daily combined trading-related revenue to VaR ratio during the twelve-month period ended March 31, 1998 is presented below. Line A shows the theoretical profit-and-loss distribution (normal distribution : mean = 0). Line B is the distribution curve based on our actual profits (mean > 0).

- Line B has a skewed shape toward the positive side. This clearly shows our good performance with respect to daily revenue.
- The deviation of Line B is smaller than that of the theoretical profit-and-loss distribution curve (Line A). This shows the fluctuation of daily revenue is very small.

[Graph 7] Frequency Distribution of Combined Trading-related Revenue to VaR



Due to our well-diversified trading portfolio and client-oriented nature of our trading activities, we achieved the good performance and stability of daily revenue such as indicated in the graph above.

We use not only the Value at Risk (VaR) methodology, but also other risk management methods such as stress tests and back tests to manage market risks more effectively, and we have continuously confirmed that potential loss from market risk is far below our own capital, profitability and other resources.

4. Off-Balance Sheet Financial Instruments

(1) Purpose of Off-Balance Sheet Transactions

Off-balance sheet transactions are those which are not recorded on the balance sheet because fund transfer does not occur for the principal of those transactions. We deal with off-balance sheet transactions, especially derivative products, for the risk hedging needs of customers, for hedging in asset liability management, and for earning profits from trading.

(2) Market Risk of Off-Balance Sheet Transactions

As previously explained, off-balance sheet transactions are also exposed to market risk. (Refer to the previous sections regarding market risk profile.)

(3) Credit Risk of Off-Balance Sheet Transactions

When calculating BIS-based capital, credit risk of off-balance sheet transactions is calculated as follows.

[Table 5] BIS Base Credit Risk of Off-Balance Sheet Transactions

	Billions of yen			
	Notional amount		Credit risk equivalent (BIS base)	
March 31,	**1998**	1997	**1998**	1997
Interest Rate Swaps	**¥265,698.7**	¥176,325.6	**¥3,098.7**	¥2,183.4
Currency Swaps	**4,919.8**	4,030.2	**506.3**	457.2
FX Forward	**34,008.5**	31,726.9	**1,518.3**	1,304.1
Interest Rate Options (buying)	**2,837.9**	2,019.4	**34.4**	17.2
Currency Options (buying)	**2,415.6**	1,541.5	**73.8**	49.3
Other Derivatives	**27,908.1**	17,230.5	**35.6**	45.7
Effect of Netting Arrangement			**(3,040.4)**	(833.6)
Total	**¥337,788.8**	¥232,874.5	**¥2,227.0**	¥3,223.5

Note: Consolidated basis.

Credit Risk Equivalent (which is basically calculated using the current exposure method) of off-balance sheet transactions shown in the above table is different from potential default loss. Potential default losses arise from the possibility that counterparties may default on their obligations to the Bank.

We establish credit limits to manage credit risk for individual customers, and review these limits regularly. Limits are set on each type of transaction and these limits are strictly observed.

Other quantitative data regarding credit risk of off-balance sheet transactions as of March 31, 1998 (non-consolidated) are presented in the following tables. These tables include virtually all off-balance sheet transactions (excluding our transactions with Fuji Capital Markets Group, our swap house subsidiary).

[Table 6] Breakdown by Creditworthiness

	Billions of yen		
	Credit exposure	Credit cost	Credit risk amount
Customers whose creditworthiness is generally equivalent to AAA/Aaa - BBB/Baa rating from rating agencies	¥2,471.2	¥0.6	¥7.1
Customers whose creditworthiness is generally equivalent to BB/Ba rating from rating agencies	79.8	0.2	0.3
Others	47.6	6.4	0.9
Total	¥2,598.6	¥7.2	¥8.3

Notes: 1. Credit exposure in the table is similar to Credit Risk Equivalent, both of which are basically calculated using current exposure method and are different from potential default loss. However, details of calculation methods are different.
2. Credit cost is expected losses computed using statistical models.
3. Credit risk amount is potential default loss (volatility of expected losses) computed using statistical models.

[Table 7] Breakdown by Region

	Billions of yen		
	Credit exposure	Credit cost	Credit risk amount
Japan	¥1,410.3	¥6.4	¥4.6
Asia	45.5	0.4	0.3
USA	550.1	0.1	1.6
Europe	493.9	0.2	1.6

Note: Based on countries in which head offices are located.

[Table 8] Breakdown by Industry

	Billions of yen		
	Credit exposure	Credit cost	Credit risk amount
Banking, Securities, Insurance	¥2,023.0	¥0.6	¥6.3
Manufacturing	99.1	0.3	0.2
Wholesale	51.8	0.5	0.1
Transportation and Communications	31.8	0.1	0.1
Services	18.7	1.3	0.1
Nonbank	107.3	1.9	0.2
Others	267.1	2.6	1.3

The tables above show that over 95% of the credit exposure of off-balance sheet (derivative) transactions arises from transactions with customers whose creditworthiness is generally equivalent to the investment-grade ratings from rating agencies. Moreover, by type of customers, most of the credit exposure of off-balance sheet (derivative) transactions is with commercial bank and other financial institution counterparties, most of whom are dealers in these products. We deal in virtually no transactions of off-balance sheet (derivative) transactions which are considered to be highly leveraged.

III. Other Risks

We are making strenuous efforts to put in place an organizational structure that, with the full participation of top management, is able to obtain a clear grasp of the nature and size of risk other than credit and market risk. We have established divisional lines of authority for dealing with operational risk, system risk and other important risk factors. We also prepared comprehensive disaster recovery plans to deal with various emergency scenarios such as major disasters affecting a wide area.

(1) Operational Risk

Operational risk refers to the danger that losses may result from accidents arising as a result of inappropriate procedures performed by personnel.

The Systems & Operations Administration Division is primarily responsible for establishing systems to deal with operational risk. First, it establishes procedures to be followed in all operational processes. In addition, it designates a responsible person in each division whose job is to check periodically that the prescribed procedures are being properly observed.

The separation of front, middle and back offices in market divisions and other measures are designed to provide a system of mutual checks and balances within the organization. As part of our efforts to build an efficient operational processing system that reduces human error to a minimum, we are pushing ahead with computerization and the centralization of data processing functions at our computer center.

The Inspection Division performs various operational inspections annually to check the status of office management activities at each branch, and submits reports on its findings directly to top management. The Inspection Division is thus in a position to prevent problematic incidents, as well as evaluate the efficiency of the operational risk management system and, where necessary, to put forward proposals for improvement to top management.

(2) Computer-related Risk

We are working very hard on measures to deal with systems risk by setting up procedures for responding to various disasters and systems troubles. These focus on two aspects: measures to forestall systems troubles resulting from facilities and technical problems; and operational procedures in the event of system malfunctions.

With regard to measures to prevent systems troubles from occurring, we have worked for many years on building an extremely reliable system. Among other things, hardware is housed in a building specifically built for that purpose with its own electric generating facilities, and developed hardware and software systems with a full-scale backup function. Furthermore, we have established a department which is independent of systems development divisions to check the nature and security of new systems at the design stage, as well as the procedures involved in the use of the systems.

We have also greatly enhanced the safety of our network systems, introducing advanced networking technology which makes it possible to transmit data between branches. Hence, in the event of systems trouble between the computer center and a branch, data are automatically diverted through other branches eliminating the disruption of the flow of data.

We also have a full range of contingency plans which lay down procedures to be followed and emergency measures to be adopted in the case of systems malfunctions.

In addition, we have taken necessary steps to cope with the Year 2000 issue. (Refer to following page.)

(3) Legal Risk

We established the Legal Division to specialize in the management of legal risk, and appointed compliance officers at all marketing branches and head office divisions to ensure that all legal requirements are fully met. The Legal Division is directly in charge of analyzing the legal risk to which the Bank is exposed in its business, and of devising measures to deal with it. It also supervises the activities of the compliance officers. To ensure that legal requirements are observed, a compliance manual has been prepared and distributed to all employees. (Refer to following page.)

(4) Settlement Risk

Although the risk arising from timing differences in payments and receipts, such as those in settling foreign exchange transactions, is a sort of credit risk, it is necessary to adopt a different approach. We have instituted standard measures for managing limits on receivables. We are also successfully improving our track record in reducing risk by altering the rules for fund settlements with correspondent banks in order to shorten the settlement timing difference and by using netting to reduce the amounts involved in settlements.

(5) Other Risk

The growing sophistication and complexity of financial technology have led to the emergence of various new types of risk. For example, in the case where the risk involved in a particular type of product is not fully explained to customers when the contract is concluded, there is a danger that complications (including legal) involving customers will arise later. This is particularly true of complex new products such as derivatives.

For some considerable time now, we have been working to ensure that staff who deal with customers are well trained in proper sales procedures through our education and training programs. Derivatives and related products in particular are given ratings according to the nature of each product, and sales procedure rules are formulated for each rating. Where necessary, risk management information is disseminated to customers.

We will continue to deal appropriately with new types of risks which accompany the ever-changing financial business environment.

Year 2000 Compliance Program

Realizing that the Year 2000 problem is an important management issue, the Bank commenced a Year 2000 Compliance Program (Y2K Program) in fiscal 1996 coordinated by our Systems Planning Division.

Year 2000 Strategy

The scope of our Y2K program is to ensure that all domestic and international systems (including those in our branches, representative offices and subsidiaries) are Y2K compliant. Of particular importance are the accounting systems and related applications which comprise the majority of our systems resources. Domestically, these systems were upgraded in 1988, at which time we conducted and completed Y2K compliance testing. The remaining systems, therefore, are the current focus of the Y2K program.

Year 2000 Compliance Definition

Our Y2K program is being implemented in accordance with standards issued by local regulatory institutions such as the Japanese Ministry of Finance and the Bank of Japan, as well as with international benchmark standards set down in the U.S. Federal Financial Institutions Examination Council (FFIEC) Y2K Project Management Awareness Statement, and the British Standards Institution Y2K Compliance Statement.

Timing

In March 1998, we completed a comprehensive analysis of all mainframe internal systems, externally linked systems and microcomputer systems. At that time, specific plans and schedules were created for the development and implementation of any changes necessary for compliance, and this system development and testing is proceeding on schedule. Our Y2K program for major systems is expected to be completed by December 31, 1998.

Organization

Specific action plans for each system are made by the division (or branch) in charge, and are reported to the System Strategy Committee (headed by the Deputy President), which discusses and monitors the progress of the whole Y2K program and each specific action plan. For some overseas branches and subsidiaries, in-house Y2K project teams control the Y2K program and monitor the status of each system.

Testing

The testing of all technology components is proceeding according to the program. The testing process includes testing of modifications made to hardware and software components as well as interfaces with our customers, vendors and other systems. Internal testing is expected to be completed by December 31, 1998. Accordingly, we will undertake external testing to ensure the integrity of the system applications with third party data providers and the environment.

Business Contingency Plan

Our current Disaster Recovery Plan is being reviewed and will be modified where necessary by contingency plans specially designed to deal with the Y2K problem. The modification is expected to be completed by December 31, 1998.

Budgeting

The total cost required to implement the Y2K program is currently estimated to be approximately ¥5 billion (US$37 million) and has already been approved and budgeted in our medium-term Management Resource Plan. Furthermore, all necessary personnel resources related to the project has been approved as well.

Our management fully recognizes the importance and seriousness of system compliance for the Y2K problem. The compliance program is being implemented with the highest priority to ensure an event-free transition to the year 2000, and to prevent any inconvenience to our customers.

Legal Compliance

Banking is a business based on mutual trust between a financial institution and its customers. And with the globalization of banking proceeding at an accelerated pace, banks are expected not only to be responsible corporate citizens that conduct business honestly, with integrity and according to solid business ethics, but also to conduct their worldwide operations in compliance with an increasingly complex web of local laws and regulations in the countries they operate. In this environment, the Bank focuses increasingly on the importance of compliance and hence has established a global compliance system.

Our Legal Division at Head Office is responsible for the Bank's legal affairs and has compliance officers in the Division. The Division has directed all head office divisions/departments and branches in Japan to designate an employee as a compliance officer as well. Overseas, we have a compliance officer in each country where our branches are located and in addition to this, we have also retained the services of local law and accounting firms in order to implement a support system for the execution of contracts and to set up a program to ensure conformity to legal and compliance issues. The general manager of the Legal Division, who is also the Bank's chief compliance officer, instructs compliance officers directly to investigate and take the necessary measures for legal matters. Our compliance objectives are to ensure that all banking business is conducted in compliance with laws, regulations and supervisory requirements in each country where our branches are located. Therefore, our global compliance program is being implemented in line with standards and guidelines issued by local regulatory authorities and we have modified internal bank policies, and compliance manuals, including our code of conduct and procedures, accordingly. These objectives must be met in order to protect the Bank's franchise and reputation. We continually monitor and evaluate our compliance system in accordance with changing internal and external conditions, and will enhance the system as necessary to maintain its effectiveness.

CONSOLIDATED FIVE-YEAR SUMMARY

Fuji Bank Group

	Millions of yen				
Years ended March 31,	**1998**	1997	1996	1995	1994
Balance Sheet					
Assets					
Cash and Due from Banks	**¥ 2,821,634**	¥ 4,341,701	¥ 5,626,067	¥ 7,201,305	¥ 8,735,186
Call Loans and Bills Purchased	**1,453,230**	2,230,223	1,617,672	1,267,896	1,049,362
Commercial Paper and Other Debt Purchased	**43,216**	188,430	126,295	264,440	173,886
Trading Assets	**3,265,412**	—	—	—	—
Trading Account Securities	**—**	845,037	1,104,386	1,049,045	1,023,600
Money Held in Trust	**84,989**	117,271	148,150	170,959	181,271
Securities	**6,044,830**	5,607,096	5,646,405	5,970,789	5,660,362
Loans and Bills Discounted	**34,028,201**	35,714,787	33,793,990	32,277,715	33,006,897
Foreign Exchange	**580,018**	541,793	460,804	373,913	408,287
Other Assets	**3,326,086**	3,480,573	2,703,193	1,988,362	1,587,556
Premises and Equipment	**693,955**	357,330	344,468	326,753	318,923
Deferred Taxes	**441,043**	256,925	223,163	135,113	174,251
Consolidation Difference	**8,153**	—	—	—	—
Customers' Liabilities for Acceptances and Guarantees	**2,322,736**	2,529,984	2,606,804	2,402,900	2,796,516
Total Assets	**¥55,113,509**	¥56,211,154	¥54,401,403	¥53,429,197	¥55,116,101
Liabilities and Stockholders' Equity					
Liabilities					
Deposits	**¥34,552,361**	¥38,649,481	¥37,280,377	¥37,212,285	¥39,081,545
Call Money and Bills Sold	**3,755,273**	4,310,517	4,812,472	5,186,289	5,121,449
Trading Liabilities	**2,057,167**	—	—	—	—
Borrowed Money	**2,947,169**	2,252,185	2,892,475	2,817,529	2,825,781
Foreign Exchange	**113,221**	82,000	77,051	52,956	76,739
Bonds and Notes	**1,657,224**	1,322,494	904,255	609,883	649,484
Convertible Bonds	**12,582**	12,582	13,009	13,231	31,720
Other Liabilities	**4,381,799**	3,943,584	3,100,789	2,323,258	1,898,074
Reserve for Possible Loan Losses	**904,217**	1,022,030	980,737	732,756	541,654
Reserve for Retirement Allowances	**48,312**	48,816	48,877	48,525	48,276
Other Reserves	**176,066**	60,243	21,262	20,602	18,925
Minority Interest in Consolidated Subsidiaries	**282,392**	42,885	26,683	24,078	24,469
Acceptances and Guarantees	**2,322,736**	2,529,984	2,606,804	2,402,900	2,796,516
Land Revaluation Account	**326,529**	—	—	—	—
Total Liabilities	**53,537,054**	54,276,804	52,764,796	51,444,297	53,114,638
Stockholders' Equity					
Common Stock	**424,087**	424,087	423,873	423,762	423,316
Preferred Stock	**105,000**	105,000	—	—	—
Capital Surplus	**419,954**	419,954	314,740	314,629	314,184
Legal Reserve	**89,216**	86,616	82,253	77,869	72,807
Earned Surplus	**538,210**	898,696	815,747	1,168,640	1,191,166
Treasury Common Stock, at cost	**(11)**	(4)	(7)	(1)	(11)
Total Stockholders' Equity	**1,576,455**	1,934,349	1,636,606	1,984,900	2,001,463
Total Liabilities and Stockholders' Equity	**¥55,113,509**	¥56,211,154	¥54,401,403	¥53,429,197	¥55,116,101
Profit and Loss Account					
Income					
Interest Income:					
Interest on Loans and Discounts	**¥ 1,399,707**	¥ 1,283,411	¥ 1,344,629	¥ 1,409,873	¥ 1,550,400
Interest and Dividends on Securities	**121,337**	138,348	165,474	188,551	210,304
Other Interest Income	**661,991**	751,895	980,419	719,784	676,864
Fees and Commissions	**137,765**	128,630	128,083	114,639	111,728
Trading Revenue	**56,913**	—	—	—	—
Other Operating Income	**151,504**	96,938	200,100	105,249	143,169
Other Income	**350,069**	345,469	305,417	455,681	27,021
Total Income	**2,879,290**	2,744,693	3,124,125	2,993,779	2,719,489
Expenses					
Interest Expenses:					
Interest on Deposits	**703,442**	697,473	884,722	986,240	1,066,511
Interest on Borrowings, Bonds and Notes	**418,061**	313,706	303,880	330,462	340,667
Other Interest Expenses	**519,472**	485,111	583,498	392,547	400,451
Fees and Commissions	**49,247**	47,265	44,528	44,845	46,517
Other Operating Expenses	**46,816**	55,291	84,552	55,915	41,754
General and Administrative Expenses	**470,091**	443,807	418,786	416,583	404,232
Other Expenses	**1,128,236**	602,934	1,189,423	727,417	355,280
Total Expenses	**3,335,366**	2,645,590	3,509,393	2,954,013	2,655,414
Income (Loss) before Income Taxes and Others	**(456,076)**	99,103	(385,267)	39,766	64,074
Income Taxes:					
Current	**17,528**	7,549	8,180	5,026	29,757
Deferred	**(133,182)**	(18,390)	(68,454)	28,850	(674)
Minority Interest in Net Income	**7,584**	4,891	3,863	3,377	3,468
Amortization of Consolidation Difference	**2,038**	1,171	139	—	1,131
Equity in Earnings of Affiliates and Unconsolidated Subsidiaries	**4,735**	5,163	3,575	2,137	2,548
Net Income (Loss)	**¥ (345,309)**	¥ 109,044	¥ (325,420)	¥ 4,649	¥ 32,939

Note: Amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements for the years ended do not necessarily agree with the sum of the individual amounts respectively.

CONSOLIDATED FINANCIAL STATEMENTS

Fuji Bank Group

Balance Sheet

March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
ASSETS			
Cash and Due from Banks	**¥ 2,821,634**	¥ 4,341,701	**$ 21,359,834**
Call Loans and Bills Purchased	**1,453,230**	2,230,223	**11,000,989**
Commercial Paper and Other Debt Purchased	**43,216**	188,430	**327,152**
Trading Assets (Note 3)	**3,265,412**	—	**24,719,248**
Trading Account Securities	**—**	845,037	**—**
Money Held in Trust	**84,989**	117,271	**643,369**
Securities (Note 4)	**6,044,830**	5,607,096	**45,759,507**
Loans and Bills Discounted (Note 5)	**34,028,201**	35,714,787	**257,594,257**
Foreign Exchange	**580,018**	541,793	**4,390,753**
Other Assets (Note 6)	**3,326,086**	3,480,573	**25,178,551**
Premises and Equipment (Note 7)	**693,955**	357,330	**5,253,257**
Deferred Taxes	**441,043**	256,925	**3,338,712**
Consolidation Difference	**8,153**	—	**61,724**
Customers' Liabilities for Acceptances and Guarantees (Note 14)	**2,322,736**	2,529,984	**17,583,168**
Total Assets	**¥55,113,509**	¥56,211,154	**$417,210,521**

The accompanying notes are an integral part of these statements.

March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits (Note 8)	**¥34,552,361**	¥38,649,481	**$261,562,164**
Call Money and Bills Sold	**3,755,273**	4,310,517	**28,427,509**
Trading Liabilities	**2,057,167**	—	**15,572,803**
Borrowed Money (Note 9)	**2,947,169**	2,252,185	**22,310,138**
Foreign Exchange	**113,221**	82,000	**857,087**
Bonds and Notes (Note 10)	**1,657,224**	1,322,494	**12,545,228**
Convertible Bonds (Note 11)	**12,582**	12,582	**95,248**
Other Liabilities (Note 12)	**4,381,799**	3,943,584	**33,170,318**
Reserve for Possible Loan Losses	**904,217**	1,022,030	**6,844,945**
Reserve for Retirement Allowances	**48,312**	48,816	**365,727**
Other Reserves (Note 13)	**176,066**	60,243	**1,332,829**
Minority Interest in Consolidated Subsidiaries	**282,392**	42,885	**2,137,717**
Acceptances and Guarantees (Note 14)	**2,322,736**	2,529,984	**17,583,168**
Land Revaluation Account	**326,529**	—	**2,471,834**
Total Liabilities	**53,537,054**	54,276,804	**405,276,715**
Stockholders' Equity			
Common Stock (Note 15)	**424,087**	424,087	**3,210,348**
Preferred Stock (Note 15)	**105,000**	105,000	**794,852**
Capital Surplus (Note 15)	**419,954**	419,954	**3,179,064**
Legal Reserve (Note 16)	**89,216**	86,616	**675,369**
Earned Surplus	**538,210**	898,696	**4,074,262**
Treasury Common Stock, at cost	**(11)**	(4)	**(89)**
Total Stockholders' Equity	**1,576,455**	1,934,349	**11,933,806**
Total Liabilities and Stockholders' Equity	**¥55,113,509**	¥56,211,154	**$417,210,521**

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Statement of Income

Years ended March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
INCOME			
Interest Income:			
Interest on Loans and Discounts	**¥1,399,707**	¥1,283,411	**$10,595,818**
Interest and Dividends on Securities	**121,337**	138,348	**918,531**
Other Interest Income	**661,991**	751,895	**5,011,292**
	2,183,037	2,173,655	**16,525,641**
Fees and Commissions	**137,765**	128,630	**1,042,885**
Trading Revenue (Note 17)	**56,913**	—	**430,834**
Other Operating Income (Note 18)	**151,504**	96,938	**1,146,893**
Other Income (Note 18)	**350,069**	345,469	**2,650,038**
Total Income	**2,879,290**	2,744,693	**21,796,291**
EXPENSES			
Interest Expenses:			
Interest on Deposits	**703,442**	697,473	**5,325,076**
Interest on Borrowings, Bonds and Notes	**418,061**	313,706	**3,164,732**
Other Interest Expenses	**519,472**	485,111	**3,932,416**
	1,640,975	1,496,291	**12,422,224**
Fees and Commissions	**49,247**	47,265	**372,802**
Other Operating Expenses (Note 19)	**46,816**	55,291	**354,398**
General and Administrative Expenses	**470,091**	443,807	**3,558,604**
Other Expenses (Note 19)	**1,128,236**	602,934	**8,540,772**
Total Expenses	**3,335,366**	2,645,590	**25,248,800**
Income (Loss) before Income Taxes and Others	**(456,076)**	99,103	**(3,452,509)**
Income Taxes (Note 20):			
Current	**17,528**	7,549	**132,694**
Deferred	**(133,182)**	(18,390)	**(1,008,198)**
Minority Interest in Net Income	**7,584**	4,891	**57,414**
Amortization of Consolidation Difference	**2,038**	1,171	**15,432**
Equity in Earnings of Affiliates and Unconsolidated Subsidiaries	**4,735**	5,163	**35,849**
Net Income (Loss)	**¥ (345,309)**	¥ 109,044	**$ (2,614,002)**
Net Income (Loss) per Share (single currency unit)	**¥(119.35)**	¥37.54	**$(0.90)**
Net Income per Share (diluted)	**—**	37.27	**—**
Dividend Declared per Share (single currency unit):			
Common Stock	**8.50**	8.50	**0.06**
Preferred Stock	**7.50**	3.75	**0.06**

The accompanying notes are an integral part of these statements.

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Statement of Earned Surplus

Years ended March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
Balance at Beginning of Year	**¥898,696**	¥ 815,747	**$6,803,157**
Deductions:			
Transfer to Legal Reserve	**(2,600)**	(4,362)	**(19,682)**
Dividends	**(12,577)**	(21,731)	**(95,211)**
Net Income (Loss)	**(345,309)**	109,044	**(2,614,002)**
Balance at End of Year	**¥538,210**	¥ 898,696	**$4,074,262**

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

Years ended March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest on Loans and Discounts Received	**¥ 1,157,721**	¥1,096,621	**$ 8,763,974**
Interest and Dividends on Securities Received	**123,581**	142,353	**935,517**
Other Interest Received	**919,027**	596,948	**6,957,060**
Fees and Commissions Received	**134,140**	131,950	**1,015,444**
Other Operating Revenue	**58,727**	59,963	**444,570**
Total	**2,393,198**	2,027,836	**18,116,565**
Interest on Deposits Paid	**702,069**	710,000	**5,314,679**
Interest on Borrowings, Bonds and Notes	**408,574**	308,862	**3,092,919**
Other Interest Paid	**435,337**	32,638	**3,295,516**
Fees and Commissions Paid	**52,699**	46,900	**398,939**
Other Operating Expenditures	**14,984**	6,916	**113,430**
General and Administrative Expenses Paid	**417,823**	403,413	**3,162,937**
Total	**2,031,489**	1,508,732	**15,378,420**
Net Decrease in Due from Banks	**1,327,070**	999,013	**10,045,954**
Net Decrease (Increase) in Call Loans and Bills Purchased	**776,993**	(612,551)	**5,881,857**
Net Decrease (Increase) in Commercial Paper and Other Debt Purchased	**145,214**	(62,135)	**1,099,275**
Net Increase in Trading Accounts	**(465,862)**	—	**(3,526,593)**
Net Proceeds from Trading Account Securities Transactions	**—**	262,383	**—**
Net Proceeds from (Expenditures of) National Government Bonds and Other Transactions	**(81,925)**	186,951	**(620,178)**
Net Decrease (Increase) in Loans and Bills Discounted	**1,148,344**	(2,133,099)	**8,692,991**
Net Increase in Foreign Exchange	**(38,520)**	(81,370)	**(291,600)**
Net Increase in Other Assets	**(989,472)**	(529,182)	**(7,490,332)**
Total	**1,821,840**	(1,969,991)	**13,791,374**
Net Increase (Decrease) in Deposits and Other	**(4,097,119)**	1,369,103	**(31,015,287)**
Net Decrease in Call Money and Borrowed Money	**(279,667)**	(830,373)	**(2,117,087)**
Net Increase in Foreign Exchange	**31,221**	4,949	**236,344**
Net Increase in Other Liabilities	**1,524,678**	404,482	**11,541,853**
Total	**(2,820,886)**	948,162	**(21,354,177)**
Net Cash Used in Operating Activities	**(637,337)**	(502,724)	**(4,824,658)**
CASH FLOWS FROM OTHER ACTIVITIES			
Proceeds from Sales of Stocks and Other	**1,281,553**	1,359,380	**9,701,390**
Proceeds from Settlements of Money Held in Trust	**239,591**	82,316	**1,813,712**
Proceeds from Sales of Premises and Equipment	**55,363**	38,102	**419,100**
Other Proceeds	**6,971**	10,348	**52,773**
Total	**1,583,479**	1,490,148	**11,986,975**
Purchases of Stocks and Other	**1,340,433**	1,352,885	**10,147,111**
Investments on Money Held in Trust	**209,136**	47,519	**1,583,165**
Purchases of Premises and Equipment	**58,432**	60,690	**442,334**
Other Payments	**488,306**	97,406	**3,696,493**
Total	**2,096,308**	1,558,502	**15,869,103**
Net Cash Used in Other Activities	**(512,829)**	(68,354)	**(3,882,128)**
DIVIDENDS AND INCOME TAXES			
Dividends Paid	**12,577**	21,731	**95,211**
Income Taxes Paid	**12,072**	3,765	**91,387**
Total	**24,649**	25,497	**186,598**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of Preferred Stock	**—**	210,000	**—**
Issuance of Preferred Securities of Subsidiaries	**227,681**	—	**1,723,555**
Issuance of Bonds and Notes	**1,029,093**	296,629	**7,790,259**
Total	**1,256,774**	506,629	**9,513,814**
Principal Payments of Convertible Bonds, Bonds and Notes	**274,955**	190,262	**2,081,419**
Total	**274,955**	190,262	**2,081,419**
Net Cash Provided by Financing Activities	**981,819**	316,367	**7,432,395**
Net Decrease in Cash and Cash Equivalents	**(192,996)**	(280,208)	**(1,460,989)**
Cash and Cash Equivalents at Beginning of Year	**1,233,508**	1,513,717	**9,337,688**
Cash and Cash Equivalents at End of Year	**¥ 1,040,512**	¥1,233,508	**$ 7,876,699**

The accompanying notes are an integral part of these statements.

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared on the basis of accounting principles and practices generally accepted in Japan and have been compiled from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan. Certain items presented in the consolidated financial statements filed with the Minister of Finance have been reclassified for the convenience of readers outside Japan.

Certain previously reported amounts have been reclassified to conform with the current period presentation.

Although not required to be filed with the Minister of Finance, consolidated statements of cash flows for the years ended March 31, 1998 and 1997 have been prepared and included in the accompanying consolidated financial statements. For the purposes of reporting cash flows, cash and cash equivalents consist of cash and demand deposits with the Bank of Japan in accordance with the guideline for Statement of Cash Flows issued in June 1991.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals in yen shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥132.10=U.S.$1, the rate of exchange on March 31, 1998, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

Differences between the accounting policies followed by The Fuji Bank, Limited ("the Bank") and its consolidated subsidiaries (the "Fuji Bank Group") and International Accounting Standards ("IAS") are described in Note 2. (m) below.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and 114 of its subsidiaries including Fuji Securities Co., Ltd. (a Japanese corporation), The Fuji Trust and Banking, Co., Ltd. (a Japanese corporation), Fuji Bank (Schweiz) AG (a Swiss corporation), The Fuji Bank and Trust Company (a U.S. corporation), and Fuji America Holdings, Inc. (a U.S. corporation) and its subsidiaries (including the Heller Group), principally Heller Financial, Inc. and Heller International Group, Inc.

The unconsolidated subsidiaries and affiliated companies of Fuji America Holdings, Inc. are accounted for by the equity method. Investments in other unconsolidated subsidiaries (majority-owned) and other affiliates (20 to 50 percent owned) are carried at cost as they are not material.

Fuji Business Agency, Ltd. and other domestic subsidiaries have not been consolidated since these subsidiaries are not significant and their results have no material impact on the consolidated financial statements of the Bank.

All significant intercompany accounts and transactions have been eliminated.

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

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

(b) Trading Assets and Liabilities

Effective April 1, 1997, the Bank introduced a new method of valuation of trading accounts included in trading assets and trading liabilities as prescribed under Article 17-2 of the Banking Law of Japan.

The effects of the introduction of the new method for trading transactions resulted in a decrease of loss before income taxes and others of ¥21,551 million and increases in total assets and liabilities of ¥1,842,739 million and ¥1,814,168 million, respectively.

Trading assets and liabilities are valued using quoted market prices, where available. However, quoted market prices are not available for a substantial portion of financial instruments. Fair value for such financial instruments is estimated using discounted cash flow models or other valuation techniques.

(c) Translation of Foreign Currencies

(i) The financial statements of consolidated foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the ends of their respective fiscal years for the consolidated financial statements for the years ended March 31, 1998 and 1997, except for the beginning and ending balances of their earned surpluses which are translated at historical exchange rates.

(ii) a) Foreign currency accounts held by the Bank are translated into Japanese yen at the 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 historical exchange rates.

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

(iii) Foreign exchange trading positions, including spot, forward, currency futures and currency options contracts, are valued at fair value and the resulting gains and losses are included in the accompanying consolidated statements of income.

(d) Securities

Securities are stated at the moving average cost method.

Effective April 1, 1997, the Bank changed its method of valuation of listed securities and listed securities held in separately managed trusts, including in the securities account from the lower of cost or market to the moving average cost method. Japanese government bonds have been stated at the moving average cost method prior to this change. The effect of this change in accounting for securities resulted in a decrease of loss before income taxes and others of ¥433,195 million.

Securities owned by the consolidated subsidiaries are carried principally at cost or at the lower of cost or market value.

(e) Depreciation of Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation.

Depreciation of premises and equipment owned by the Bank is computed under the declining-balance method over the estimated useful lives of the assets and is provided in the full amount permitted under the Rules for Bank Accounting issued by the Ministry of Finance.

Effective April 1, 1997, the Bank introduced a new method of depreciation of buildings using the declining-balance method at the standard rate in accordance with amendments to the Uniform Accounting Standards for Banks.

The effects of the change in accounting for depreciation resulted in a decrease of loss before income taxes and others of ¥6,940 million.

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

Estimated useful lives for premises range between three and 65 years and for equipment between two and 20 years.

(f) Reserve for Possible Loan Losses

Effective April 1, 1997, the Bank implemented a new methodology of calculating reserves for possible loan losses.

The reserves for possible loan losses of the Bank are made in accordance with the policies regarding write-offs and reserve standards in the Uniform Accounting Standards for Banks. Pursuant to the internal rules for self-assessment of asset quality and the internal rules for providing reserves for possible credit losses, a reserve for possible loan losses is provided for as described below:

For loans to borrowers which are classified as substantially bankrupt or which are bankrupt in the formal legal sense a reserve is provided based on the amount remaining after deduction of the amount of collateral considered to be disposable and amounts recoverable under guarantees.

For loans to borrowers which although not actually bankrupt in the legal sense, have experienced serious management difficulties and whose failure is imminent. In this case, a reserve is provided based on the amount remaining after deduction of the amount of collateral considered to be disposable and amounts recoverable under guarantees and an overall comprehensive analysis of the likelihood of repayment.

For other loans, a reserve is provided based on historical loan loss experience.

The reserve relating to loans to certain lesser developed countries is provided based on the prospective loss after consideration of the relevant country's political and economic situation, etc. (including reserves for losses on overseas investments as prescribed under Article 55-2 of the Exceptions to Tax Laws Act).

The above procedures for providing reserves are made on the basis of the quality of all the Bank's loan assets, using the Bank's internally established rules for self-assessment.

Consolidated subsidiaries provide reserves for possible loan losses at the amounts considered reasonable in accordance with local accounting standards and also based on their management's assessment of the loan portfolio.

(g) Reserve for Retirement Allowances and Pension Plans

The reserve for retirement allowances of the Bank is provided in accordance with the Rules for Bank Accounting, based on the amount which would have been required to be paid if all employees covered by the retirement plan had voluntarily terminated their employment at the balance sheet date.

In addition, the Bank has contributory pension plans for eligible employees. The unamortized balance of prior service cost at March 31, 1997 (based on the most recent available information on the pension plan) was ¥21,785 million. Prior service cost is being amortized over a period of 15 years and nine months.

The consolidated subsidiaries principally have funded pension plans for their employees.

(h) Land Revaluation Account

Land used for the Bank's business activities has been revalued on the basis prescribed by the law concerning revaluation of land. The difference between the book value and the revaluation is included in liabilities.

(i) Lease Transactions

Finance leases under which the ownership of the leased property is deemed to have been transferred to the lessee are capitalized, while other finance leases are accounted for as operating leases.

(j) Income Taxes

Deferred income taxes arising from timing differences between financial and tax reporting are provided for consolidated financial statement purposes.

(k) Appropriation of Earned Surplus

Cash dividends, transfers to the legal reserve and bonuses to the directors and the senior overseers are recorded in the fiscal year in which the proposed appropriations of earned surplus are approved by the Board of Directors and/or the general meeting of the stockholders.

(l) Net Income (Loss) per Share

Net income (loss) per share is computed based on the average number of shares of common stock outstanding during the year.

Net income per share (diluted) is computed based on the average number of shares of common stock outstanding during the year, after giving effect to the dilutive potential of the common stock to be issued upon the conversion of convertible bonds and preference shares. It was not necessary to disclose net income per share (diluted) for the year ended March 31, 1998 because a net loss was recorded.

(m) Differences between Japanese Accounting Principles and Practices and International Accounting Standards (IAS)

The accompanying consolidated financial statements of the Fuji Bank Group are prepared in conformity with accounting principles and practices generally accepted in Japan. Such principles and practices differ from International Accounting Standards in a number of material respects which include accounting for income taxes (IAS 12), accounting for leases (IAS 17), retirement benefit cost (IAS 19), foreign translation (IAS 21), cash flow statements (IAS 7), disclosures in the financial statements of banks and similar financial institutions (IAS 30) and other disclosures.

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3. Trading Assets and Trading Liabilities

Trading Assets

Trading assets at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	*1997
Trading securities	**¥ 877,934**	¥ —
Derivatives of trading securities	**409**	—
Securities related to trading transactions	**111,068**	—
Derivatives of securities related to trading transactions	**0**	—
Trading-related financial derivatives	**1,391,380**	—
Other trading assets	**884,619**	—
	¥3,265,412	¥ —

Trading Liabilities

Trading liabilities at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	*1997
Trading securities sold for short sales	**¥ 561,405**	¥ —
Derivatives of trading securities	**294**	—
Securities related to trading transactions sold for short sales	**12,231**	—
Trading-related financial derivatives	**1,483,235**	—
	¥2,057,167	¥ —

* Differences in the basis of presentation mean that figures for 1997 are not comparable, and have therefore been excluded.

4. Securities

Securities at March 31, 1998 and 1997 were as follows:

	Millions of yen	
	1998	1997
Japanese national government bonds	**¥ 1,090,825**	¥1,052,713
Japanese local government bonds	**368,933**	235,094
Japanese corporate bonds and financial debentures	**538,052**	468,161
Japanese corporate stocks	**3,474,758**	3,292,109
Other securities	**572,261**	559,017
	¥6,044,830	¥5,607,096

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	1997
Bills discounted	**¥ 726,927**	¥ 823,032
Loans on notes and deeds	**27,583,391**	30,831,007
Overdrafts	**5,408,580**	3,943,665
Financing receivables, including factoring, leasing and property financing	**309,301**	117,082
	¥34,028,201	¥35,714,787

6. Other Assets

Other assets at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	1997
Accrued income and prepaid expenses	**¥ 583,851**	¥1,673,269
Securities in custody	**1,327,847**	509,426
Other	**1,414,387**	1,297,877
	¥3,326,086	¥3,480,573

7. Premises and Equipment

Premises and equipment at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	1997
Land	**¥ 408,168**	¥ 84,400
Buildings	**297,937**	300,977
Equipment	**234,549**	230,201
Other	**96,249**	79,984
	1,036,905	695,563
Accumulated depreciation	**342,950**	338,232
Net book value	**¥ 693,955**	¥357,330

8. Deposits

Deposits at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	1997
Current deposits	**¥ 1,492,644**	¥ 1,979,431
Ordinary deposits	**5,713,618**	4,997,303
Deposits at notice	**1,081,426**	1,015,713
Time deposits	**19,429,290**	23,229,608
Other deposits	**3,649,892**	3,501,387
	31,366,873	34,723,445
Negotiable certificates of deposit	**3,185,488**	3,926,036
	¥34,552,361	¥38,649,481

9. Borrowed Money

Borrowed money at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	1997
Bills rediscounted	**¥ 8,741**	¥ 11,769
Borrowings from the Bank of Japan and other financial institutions	**2,636,846**	1,880,264
Commercial paper	**301,580**	360,151
	¥2,947,169	¥2,252,185

Subordinated borrowed money amounting to ¥891,300 million at March 31, 1998 and ¥1,021,800 million at March 31, 1997 was included in “Borrowings from the Bank of Japan and other financial institutions”.

10. Bonds and Notes

Bonds and Notes at March 31, 1998 and 1997 consisted of the following:

	Millions of yen	
	1998	1997
Subordinated bonds and notes	**¥ 818,075**	¥ 708,938
Other	**839,148**	613,555
	¥1,657,224	¥1,322,494

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11. Convertible Bonds

Convertible bonds at March 31, 1998 and 1997 consisted of the following:

	Millions of yen 1998	1997
2 3/4 percent U.S. dollar convertible bonds due 2000	**¥ 2,854**	¥ 2,854
1 3/4 percent U.S. dollar convertible bonds due 2002	**9,727**	9,727
	¥12,582	¥12,582

These convertible bonds unless previously redeemed are convertible into shares of common stock of the Bank. The conversion price of each is subject to adjustment in certain cases including stock splits.

The conversion prices per share were as follows:

	Conversion price per share at March 31, 1998	Fixed exchange rate
2 3/4 percent U.S. dollar convertible bonds due 2000	¥1,394.00	¥239.60 = U.S.$1
1 3/4 percent U.S. dollar convertible bonds due 2002	¥2,928.40	¥146.45 = U.S.$1

12. Other Liabilities

Other liabilities at March 31, 1998 and 1997 consisted of the following:

	Millions of yen 1998	1997
Accrued expenses and unearned income	**¥ 650,369**	¥1,754,730
Accrued income taxes	**18,391**	12,853
Securities borrowed	**1,312,619**	482,978
Securities sold not yet purchased	**—**	689,917
Other	**2,400,418**	1,003,104
	¥4,381,799	¥3,943,584

13. Other Reserves

Other reserves at March 31, 1998 and 1997 consisted of the following:

	Millions of yen 1998	1997
Reserve for possible losses on loans sold off	**¥ 52,717**	¥38,834
Reserve for specific borrowers under support	**122,300**	—
Reserve for price fluctuation of Japanese national government bonds	**—**	7,513
Reserve for possible losses from trading account securities transactions	**995**	13,855
Reserve for financial futures transaction liabilities	**47**	31
Reserve for securities transaction liabilities	**5**	9
	¥176,066	¥60,243

The reserve for possible losses on loans sold off has been provided against possible future losses after consideration of the value of the collateral of the loans sold off to the Cooperative Credit Purchasing Company.

The reserve for specific borrowers under support has been provided for loans to support the rehabilitation of specific borrowers. An estimate has been made of the future amount likely to be required in supporting such borrowers and the necessary amount is accounted for under the above reserve. This reserve is stipulated under Article 287-2 of the Commercial Code of Japan.

14. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in this account. As a contra-account, "Customers' Liabilities for Acceptances and Guarantees" is shown on the assets side of the balance sheets and represents the Fuji Bank Group's right of indemnity from its customers.

Acceptances and guarantees at March 31, 1998 and 1997 consisted of the following:

	Millions of yen 1998	1997
Acceptances	**¥ 41,164**	¥ 36,370
Letters of credit	**257,351**	304,611
Guarantees	**2,024,220**	2,189,002
	¥2,322,736	¥2,529,984

15. Common Stock, Preferred Stock and Capital Surplus

The Bank's authorized number of shares of capital stock (common stock and preferred stock) as of March 31, 1998 and 1997 was as follows:

(i) 4 billion shares of common stock, voting and ranking equally with any other class of shares (except for preference shares) with respect to the payment of dividends and distributions on the liquidation or winding-up of the Bank. The dividend rate and redemption and conversion rights, if any on such shares, are to be determined by the Board of Directors of the Bank prior to issuance.

(ii) 100 million preference shares, non-voting and ranking prior to shares of common stock with respect to the payment of dividends and distributions on the liquidation or winding-up of the Bank. The dividend rate and redemption and conversion rights, if any on such shares, are to be determined by the Board of Directors of the Bank prior to issuance.

The information relating to Common Stock, Preferred Stock and Capital Surplus is as follows:

	Millions of yen 1998	1997
Common Stock:		
Balance at beginning of year	**¥424,087**	¥423,873
Add:		
Conversion of convertible bonds	**—**	213
Balance at end of year	**¥424,087**	¥424,087
(Shares issued and outstanding at end of year)	**(2,897,614 thousand shares)**	(2,897,614 thousand shares)
Preferred Stock:		
Balance at beginning of year	**¥105,000**	¥ —
Add:		
Issuance	**—**	105,000
Balance at end of year	**¥105,000**	¥105,000
(Shares issued and outstanding at end of year)	**(70,000 thousand shares)**	(70,000 thousand shares)
Capital Surplus:		
Balance at beginning of year	**¥419,954**	¥314,740
Add:		
Issuance of Preferred Stock	**—**	105,000
Conversion of convertible bonds	**—**	213
Balance at end of year	**¥419,954**	¥419,954

On December 28, 1996, the Bank issued 70 million preference shares at a price of ¥3,000 per share for gross proceeds of ¥210,000 million, of which ¥105,000 million was credited to the capital surplus account. The issuance costs were expensed when paid. The preference shareholders are entitled, with priority over any payment of dividends and distributions on the liquidation of the Bank to any other class of shares of the Bank, to annual noncumulative dividends of ¥7.5 per preference share and a distribution of ¥3,000 per preference share.

The preference shares are convertible on or after July 1, 1997 and up to and including January 31, 2002, at the option of the holders, into fully-paid shares of common stock of the Bank at an initial conversion price of ¥2,002 per share of common stock, subject to adjustment in certain limited circumstances. The conversion price will be reset initially on October 1, 1997 and on October 1 of each year thereafter through October 1, 2001 to the then prevailing average market price of the shares of common stock, if lower than the conversion price prior to such reset, but not lower than 65% of the initial conversion price. All outstanding preference shares on February 1, 2002 will be subject to mandatory conversion into shares of common stock.

The number of preference shares can be obtained by multiplying (i) the number of such preference shares by (ii) the product obtained by dividing ¥3,000 by the higher of (a) the average of the closing prices of the Bank's shares of common stock for 30 consecutive trading days commencing on the 45th trading day prior to the final mandatory conversion date, and (b) 35% of the initial conversion price, and such shares of common stock will be delivered to the holders of the preference shares.

16. Legal Reserve

Under the Banking Law of Japan, an amount equivalent to at least 20 percent of any distribution of earned surplus must be appropriated to the legal reserve until the reserve equals 100 percent of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to the common stock account.
Information relating to the legal reserve is summarized as follows:

	Millions of yen	
	1998	1997
Balance at beginning of year	**¥86,616**	¥82,253
Transfer from earned surplus	**2,600**	4,362
Balance at end of year	**¥89,216**	¥86,616

17. Trading Revenue

The composition of trading revenue for the years ended March 31, 1998 and 1997 was as follows:

	Millions of yen	
	1998	*1997
Revenue from trading securities and derivatives	**¥28,298**	¥ —
Revenue from securities and derivatives related to trading transactions	**6,239**	—
Revenue from trading-related financial derivatives transactions	**19,366**	—
Other trading revenue	**3,008**	—
	¥56,913	¥ —

* Differences in the basis of presentation mean that figures for 1997 are not comparable, and have therefore been excluded.

18. Other Operating Income and Other Income

Other Operating Income

The composition of other operating income for the years ended March 31, 1998 and 1997 was as follows:

	Millions of yen	
	1998	1997
Gains on foreign exchange transactions	**¥ 18,822**	¥ 5,840
Gains on trading account securities transactions	**—**	3,034
Gains on sales of bonds	**105,512**	83,095
Gains on redemption of bonds	**3,834**	1,806
Other	**23,334**	3,161
	¥151,504	¥96,938

Due to the amendment of the Enforcement Regulations of the Banking Law, "Gains on trading account securities transactions" has been included in " Trading revenue" since the fiscal year ended March 31, 1998.

Other Income

The composition of other income for the years ended March 31, 1998 and 1997 was as follows:

	Millions of yen	
	1998	1997
Gains on sales of stocks and other securities	**¥275,928**	¥301,495
Gains on money held in trust	**904**	485
Gains on disposal of premises and equipment	**45,814**	33,329
Collection of written-off claims	**70**	48
Reversal of reserve for price fluctuation of Japanese national government bonds	**7,513**	—
Reversal of reserve for possible losses on trading account securities	**13,362**	—
Reversal of reserve for securities transaction liabilities	**5**	3
Other	**6,469**	10,107
	¥350,069	¥345,469

19. Other Operating Expenses and Other Expenses

Other Operating Expenses

The composition of other operating expenses for the years ended March 31, 1998 and 1997 was as follows:

	Millions of yen	
	1998	1997
Losses on sales of bonds	**¥28,561**	¥45,908
Losses on redemption of bonds	**2,864**	2,267
Losses on devaluation of bonds	**472**	186
Other	**14,917**	6,928
	¥46,816	¥55,291

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Other Expenses

The composition of other expenses for the years ended March 31, 1998 and 1997 was as follows:

	Millions of yen	
	1998	1997
Transfer to reserve for possible loan losses	¥ **326,519**	¥ 151,951
Write-off of loans	**68,966**	25,767
Losses on sales of stocks and other securities	**2,137**	233
Losses on devaluation of stocks and other securities	**56,999**	191,048
Losses on money held in trust	**1,817**	3,234
Losses on disposal of premises and equipment	**5,027**	9,553
Transfer to reserve for price fluctuation of Japanese national government bonds	**—**	33
Transfer to reserve for possible losses on trading account securities transactions	**503**	101
Transfer to reserve for financial futures transaction liabilities	**16**	14
Transfer to reserve for securities transaction liabilities	**1**	1
Losses on sales of loans collateralized by real estate to Cooperative Credit Purchase Company	**202,768**	83,157
Other	**463,478**	137,836
	¥1,128,236	¥602,934

"Other" in "Other Expenses" for the year ended March 31, 1998 includes losses of ¥226,637 million incurred from supporting certain borrowers, including Japan Mortgage Co., Ltd.

"Other" in "Other Expenses" for the year ended March 31, 1997 includes losses of ¥35,467 million incurred from supporting certain borrowers.

20. Income Taxes

Income taxes in Japan applicable to the Bank and its domestic subsidiaries for the years ended March 31, 1998 and 1997 comprised corporation tax, inhabitants' taxes and enterprise tax at the approximate rates indicated below:

	1998	1997
Corporation tax	**37.5%**	37.5%
Inhabitants' taxes	**7.7%**	7.7%
Enterprise tax	**12.5%**	12.5%
	57.7%	57.7%

Enterprise tax is included in "Other Expenses" in the accompanying consolidated statements of income.

Unlike other income taxes, enterprise tax is deductible for tax purposes when paid. Accordingly, the effective tax rate on income was approximately 51.3 percent for the years ended March 31, 1998 and 1997.

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

21. Lease Transactions

Other Finance Leases

Lessors

The total lease amounts due from the lessee under other finance leases, where the ownership of the property is not deemed to have been transferred to the lessee, and total lease amounts received at March 31, 1998 and 1997 were as follows:

	Millions of yen	
	1998	1997
Due within one year	**¥355**	¥*—
Greater than one year	**627**	*—
	¥983	¥*—
Total lease amounts received	**¥497**	¥213

Lessees

The total lease amounts due to the lessor under other finance leases, where the ownership of the property is not deemed to have been transferred to the lessee, and total lease amounts paid at March 31, 1998 and 1997 were as follows:

	Millions of yen	
	1998	1997
Due within one year	**¥ 574**	¥*—
Greater than one year	**949**	*—
	¥1,524	¥*—
Total lease amounts paid	**¥ 697**	¥547

Operating Leases

The total lease amounts due to the lessor under operating leases at March 31, 1998 and 1997 were as follows:

	Millions of yen	
	1998	*1997
Due within one year	**¥ 6,704**	¥—
Greater than one year	**43,540**	—
	¥50,245	¥—

* Differences in the basis of presentation mean that figures for 1997 are not comparable, and have therefore been excluded.

22. Segment Information

(a) Business Segment Information

Certain consolidated subsidiaries are engaged in securities, trust, leasing, and other businesses in addition to the commercial banking business. As those activities are not deemed material, business segment information has not been disclosed.

(b) Geographic Segment Information

Total adjusted income represents total income excluding "Gains on disposal of premises and equipment", "Collection of written-off-claims" and reversals of "Other Reserves".

Total adjusted expenses represents total expenses excluding "Losses on disposal of premises and equipment" and transfers to "Other Reserves".

The following tables represent geographic segment information on the Total adjusted income, Ordinary profit (loss) and Assets of the Bank's head office, branches and subsidiaries according to the country of domicile of the respective entities.

The Bank changed the method of accounting for securities referred to in Note 2 (d). This influenced the result as indicated in the segment information on Japan.

CONSOLIDATED

Year ended March 31, 1998	Japan	Foreign*	Combined Total	Elimination /Corporate	Consolidated Total
	Millions of yen				
I. Total adjusted income:					
Customers	¥ 1,448,385	¥	¥ 2,812,522	¥ —	¥ 2,812,522
Intersegment	158,201		417,610	(417,610)	—
	1,606,586		3,230,133	(417,610)	2,812,522
Total adjusted expenses	2,189,234		3,708,994	(379,176)	3,329,817
Ordinary profit (loss)	¥ (582,647)	¥	¥ (478,861)	¥ (38,433)	¥ (517,295)
II. Assets	¥44,653,364	¥	¥66,201,238	¥(11,087,728)	¥55,113,509

* Foreign amounts consisted of the following:

	The Americas	Asia and Oceania	Europe
	Millions of yen		
I. Total adjusted income:			
Customers	¥ 748,474	¥ 356,614	¥ 259,048
Intersegment	47,581	102,053	109,774
	796,055	458,668	368,822
Total adjusted expenses	725,667	456,434	337,658
Ordinary profit (loss)	¥ 70,387	¥ 2,234	¥ 31,164
II. Assets	¥9,447,530	¥8,235,922	¥3,864,420

Year ended March 31, 1997	Domestic	Foreign	Combined Total	Elimination /Corporate	Consolidated Total
	Millions of yen				
I. Total adjusted income:					
Customers	¥ 1,617,297	¥ 1,094,014	¥ 2,711,312	¥ —	¥ 2,711,312
Intersegment	278,985	186,809	465,794	(465,794)	—
	1,896,283	1,280,823	3,177,106	(465,794)	2,711,312
Total adjusted expenses	1,929,828	1,168,207	3,098,035	(462,148)	2,635,887
Ordinary profit (loss)	¥ (33,545)	¥ 112,616	¥ 79,071	¥ (3,646)	¥ 75,425
II. Assets	¥38,791,585	¥23,238,311	¥62,029,897	¥(5,818,743)	¥56,211,154

(c) Total Adjusted Income from International Operations

Years ended March 31,	1998	1997
	Millions of yen	
(i) Total adjusted income from international operations	**¥ 1,779,636**	¥ 1,578,911
(ii) Consolidated total adjusted income	**¥ 2,812,522**	¥ 2,711,312
(i)/(ii)	**63.2%**	58.2%

Total adjusted income from international operations represents the sum of total adjusted income generated from the international operations of the Bank and domestic consolidated subsidiaries, and total adjusted income of its consolidated foreign subsidiaries excluding all intercompany transactions within the Fuji Bank Group.

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23. Subsequent Events

At a general meeting of stockholders held on June 26, 1998 a year-end dividend of ¥8.50 per share of common stock totalling ¥24,629 million, and of ¥7.50 per share of preferred stock totalling ¥525 million were approved in respect of the year ended March 31, 1998. In accordance with Japanese accounting practice, these dividends were not accrued and have not been reflected in the financial statements for the year ended March 31, 1998.

Report of Independent Certified Public Accountants on the Consolidated Financial Statements

The Board of Directors
The Fuji Bank, Limited

We have examined the consolidated balance sheets of The Fuji Bank, Limited and consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, earned surplus and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted 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 financial statements referred to above, expressed in Japanese yen, present fairly the consolidated financial position of The Fuji Bank, Limited and consolidated subsidiaries at March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of accounting for securities as described in Note 2 (d) to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1998 are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 26, 1998

Showa Ota & Co.

Showa Ota & Co.

Balance Sheet

March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
ASSETS			
Cash and Due from Banks	**¥ 2,749,927**	¥ 4,320,845	**$ 20,817,012**
Call Loans and Bills Purchased	**265,542**	1,018,094	**2,010,167**
Commercial Paper and Other Debt Purchased	**29,858**	55,897	**226,032**
Trading Assets	**2,273,891**	—	**17,213,413**
Trading Account Securities	**—**	64,899	**—**
Money Held in Trust	**85,432**	117,271	**646,723**
Securities	**6,250,780**	5,774,496	**47,318,553**
Loans and Bills Discounted	**32,030,589**	34,037,300	**242,472,293**
Foreign Exchange	**549,415**	524,653	**4,159,090**
Other Assets	**2,263,624**	1,759,101	**17,135,691**
Premises and Equipment	**673,037**	342,876	**5,094,911**
Customers' Liabilities for Acceptances and Guarantees	**3,915,992**	4,051,392	**29,644,149**
Total Assets	**¥51,088,094**	¥52,066,828	**$386,738,034**

The accompanying notes are an integral part of these statements.

March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits	**¥34,442,706**	¥38,279,142	**$260,732,073**
Call Money and Bills Sold	**2,256,587**	2,943,951	**17,082,422**
Trading Liabilities	**1,458,546**	—	**11,041,232**
Borrowed Money	**3,339,624**	2,442,739	**25,281,033**
Foreign Exchange	**125,762**	96,415	**952,029**
Bonds	**100,000**	—	**757,002**
Convertible Bonds and Notes	**12,582**	12,582	**95,247**
Other Liabilities	**2,888,177**	1,476,390	**21,863,566**
Reserve for Possible Loan Losses	**857,491**	983,607	**6,491,232**
Reserve for Retirement Allowances	**48,241**	48,816	**365,193**
*Other Reserves	**175,065**	59,726	**1,325,250**
Acceptances and Guarantees	**3,915,992**	4,051,392	**29,644,149**
Land Revaluation Account	**326,529**	—	**2,471,834**
Total Liabilities	**49,947,308**	50,394,764	**378,102,262**
Stockholders' Equity			
Capital Stock	**529,087**	529,087	**4,005,201**
Capital Surplus	**419,954**	419,954	**3,179,063**
Legal Reserve	**89,216**	86,616	**675,369**
Voluntary Reserve	**589,900**	580,900	**4,465,556**
Special Reserves	**21**	26	**162**
Unappropriated Profit (Loss)	**(487,393)**	55,480	**(3,689,579)**
Total Stockholders' Equity	**1,140,785**	1,672,064	**8,635,772**
Total Liabilities and Stockholders' Equity	**¥51,088,094**	¥52,066,828	**$386,738,034**

* Includes "Reserve for Specific Borrowers under Support," the balance of which as of March 31, 1998 was ¥122,300 million.

NON-CONSOLIDATED

NON-CONSOLIDATED

Statement of Income

Years ended March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
INCOME			
Interest Income:			
Interest on Loans and Discounts	**¥1,011,179**	¥ 995,864	**$ 7,654,653**
Interest and Dividends on Securities	**152,901**	125,479	**1,157,465**
Other Interest Income	**844,525**	1,000,584	**6,393,079**
	2,008,606	2,121,928	**15,205,197**
Fees and Commissions	**109,787**	107,584	**831,097**
Trading Revenue	**19,060**	—	**144,289**
Other Operating Income	**126,928**	92,535	**960,851**
Other Income	**340,906**	331,859	**2,580,671**
Total Income	**2,605,290**	2,653,908	**19,722,105**
EXPENSES			
Interest Expenses:			
Interest on Deposits	**688,618**	679,350	**5,212,856**
Interest on Borrowings and Rediscounts	**110,991**	98,880	**840,208**
Other Interest Expenses	**705,985**	744,216	**5,344,326**
	1,505,595	1,522,447	**11,397,390**
Fees and Commissions	**44,776**	42,941	**338,960**
Trading Expenses	**517**	—	**3,917**
Other Operating Expenses	**44,614**	55,296	**337,729**
General and Administrative Expenses	**385,780**	380,434	**2,920,371**
Other Expenses	**1,138,801**	598,004	**8,620,756**
Total Expenses	**3,120,086**	2,599,125	**23,619,123**
Income (Loss) before Income Taxes	**(514,796)**	54,783	**(3,897,018)**
Provision for Income Taxes	**3,905**	787	**29,566**
Net Income (Loss)	**¥ (518,701)**	¥ 53,995	**$ (3,926,584)**

Statement of Appropriation of Profit

Years ended March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
Net Income (Loss)	**¥(518,701)**	¥ 53,995	**$(3,926,584)**
Unappropriated Profit at Beginning of Year	**55,480**	(407,427)	**419,987**
Transfer from Special Reserves	**7**	435,007	**53**
Total	**(463,214)**	81,574	**(3,506,544)**
Appropriations:			
Legal Reserve	**2,600**	4,362	**19,682**
Voluntary Reserve	**9,000**	—	**68,130**
Special Reserves	**1**	—	**12**
Dividends	**12,577**	21,731	**95,211**
Total	**24,179**	26,094	**183,035**
Unappropriated Profit (Loss) at End of Year	**¥(487,393)**	¥ 55,480	**$(3,689,579)**

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

Years ended March 31,	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars 1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest on Loans and Discounts Received	**¥ 993,666**	¥ 956,422	**$ 7,522,081**
Interest and Dividends on Securities Received	**155,559**	129,538	**1,177,590**
Interest on Call Loans	**16,419**	19,356	**124,294**
Interest on Bills Purchased	**180**	209	**1,368**
Interest on Due from Banks	**156,364**	179,706	**1,183,681**
Interest on Interest Rate Swaps, etc.	**597,961**	706,366	**4,526,583**
Fees and Commissions Received	**109,739**	107,190	**830,727**
Other Operating Revenue	**34,547**	57,998	**261,523**
Total	**2,064,438**	2,156,789	**15,627,847**
Interest on Deposits Paid	**692,706**	693,909	**5,243,803**
Interest on Call Money Paid	**28,119**	31,571	**212,865**
Interest on Bills Sold Paid, etc.	**77,249**	68,093	**584,777**
Interest on Bonds Paid	**—**	—	**—**
Interest on Convertible Bonds Paid	**191**	178	**1,449**
Interest on Interest Rate Swaps Paid	**550,709**	639,876	**4,168,881**
Fees and Commissions Paid	**47,537**	42,645	**359,861**
Other Operating Expenditures	**13,547**	7,035	**102,553**
General and Administrative Expenses Paid	**343,381**	339,085	**2,599,405**
Total	**1,753,441**	1,822,395	**13,273,594**
Net Decrease in Due from Banks (excluding Deposits with the Bank of Japan)	**1,378,454**	969,351	**10,434,931**
Net Decrease (Increase) in Call Loans	**353,251**	(51,660)	**2,674,119**
Net Decrease (Increase) in Bills Purchased	**399,300**	(116,400)	**3,022,710**
Net Decrease in Commercial Paper and Other Debt Purchased	**26,038**	26,150	**197,110**
Net Increase in Trading Accounts	**(732,334)**	—	**(5,543,788)**
Net Proceeds from Trading Account Securities Transactions	**—**	331,992	**—**
Net Proceeds from (Expenditures of) National Government Bonds and Other Transactions	**(160,096)**	182,423	**(1,211,931)**
Net Decrease (Increase) in Loans and Bills Discounted	**1,486,641**	(1,858,538)	**11,253,910**
Net Increase in Foreign Exchange	**(25,057)**	(76,996)	**(189,684)**
Net Decrease in Domestic Exchange Settlement Debits	**551**	4,812	**4,176**
Net Increase in Other Assets	**(503,938)**	(234,920)	**(3,814,822)**
Total	**2,222,811**	(823,784)	**16,826,731**
Net Increase (Decrease) in Deposits and Other	**(3,836,435)**	1,314,045	**(29,041,903)**
Net Decrease in Call Money and Borrowed Money	**(516,950)**	(855,339)	**(3,913,325)**
Net Increase (Decrease) in Bills Sold	**726,472**	(635,057)	**5,499,412**
Net Increase in Foreign Exchange	**29,347**	12,454	**222,162**
Net Decrease in Domestic Exchange Settlement Credits	**(593)**	(4,672)	**(4,492)**
Net Increase in Other Liabilities	**1,251,823**	276,102	**9,476,329**
Total	**(2,346,336)**	107,531	**(17,761,817)**
Net Cash Provided by (Used in) Operating Activities	**187,471**	(381,859)	**1,419,167**
CASH FLOWS FROM OTHER ACTIVITIES			
Proceeds from Sales of Stocks and Other	**1,302,161**	1,326,568	**9,857,390**
Proceeds from Settlements of Money Held in Trust	**239,591**	82,316	**1,813,712**
Proceeds from Sales of Premises and Equipment	**55,390**	37,847	**419,306**
Other Proceeds	**4,923**	6,800	**37,271**
Total	**1,602,066**	1,453,532	**12,127,679**
Purchases of Stocks and Other	**1,330,997**	1,344,613	**10,075,678**
Investments on Money Held in Trust	**209,136**	47,519	**1,583,165**
Purchases of Premises and Equipment	**48,607**	53,876	**367,959**
Other Payments	**477,370**	96,794	**3,613,706**
Total	**2,066,111**	1,542,804	**15,640,508**
Net Cash Used in Other Activities	**(464,044)**	(89,272)	**(3,512,829)**
DIVIDENDS, INCOME TAXES AND OTHER PAYMENTS			
Dividends Paid	**12,577**	21,731	**95,211**
Income Taxes Paid	**3,313**	767	**25,085**
Total	**15,891**	22,499	**120,296**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of Preferred Stock	**—**	210,000	**—**
Issuance of Bonds and Notes	**100,000**	—	**757,002**
Net Decrease in Cash and Cash Equivalents	**(192,463)**	(283,631)	**(1,456,956)**
Cash and Cash Equivalents at Beginning of Year	**1,226,758**	1,510,389	**9,286,590**
Cash and Cash Equivalents at End of Year	**¥1,034,294**	¥1,226,758	**$ 7,829,634**

The accompanying notes are an integral part of these statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

The Fuji Bank, Limited

1. Basis of Presentation

The Fuji Bank, Limited ("Fuji Bank") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted in Japan, the Commercial Code of Japan, the Banking Law of Japan and the Rules for Bank Accounting issued by the Ministry of Finance and the accompanying non-consolidated financial statements have been prepared from the non-consolidated financial statements filed with the Minister of Finance as required by the Banking Law of Japan and the Securities and Exchange Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original financial statements have been reclassified and rearranged.

As permitted by the Securities and Exchange Law of Japan, amounts less than one million yen have been omitted. As a result, the totals in yen shown in the accompanying non-consolidated financial statements for the years ended March 31, 1998 and 1997 do not necessarily agree with the sum of the individual amounts.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥132.10 =U.S.$1, the rate of exchange on March 31, 1998, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

2. Significant Accounting Policies of The Fuji Bank, Limited

(a) Securities

Securities are stated at the moving average cost method.

Effective April 1, 1997, the Bank changed its method of valuation of listed securities and listed securities held in separately managed trusts, including in the securities account from the lower of cost or market to the moving average cost method. Japanese government bonds have been stated at the moving average cost method prior to this change. The effect of this change in accounting for securities resulted in a decrease of loss before income taxes of ¥433,195 million.

(b) Other Significant Accounting Policies

Refer to Notes to Consolidated Financial Statements.

3. Loans and Bills Discounted

In accordance with the Rules for Bank Accounting in Japan, the balance of "Loans and Bills Discounted" at March 31, 1998 includes the following nonaccrual loans; loans to customers under bankruptcy procedures, amounting to ¥257,512 million, and loans past due for 6 months or more as to interest payment, amounting to ¥733,762 million.

The balance of renegotiated loans at the end of March, 1998 was ¥186,390 million. Renegotiated loans include loans of which the interest rates were cut to or below the official discount rate at the time of restructuring, or loans extended on a negative spread basis in order to support borrowers' rehabilitation, and nonaccrual loans which were approved as such by the National Tax Agency. Items which until now have been classified as restructured loans are now called renegotiated loans.

The balance of loans to companies under support programs as of March 31, 1998 was ¥40,770 million. Loans to companies under support programs refers to loans extended to borrowers which have encountered economic difficulty and which the Bank supports in various ways with the approval of the National Tax Agency.

4. Net Income (Loss) per Share

The information of net income (loss) per share of common stock is as follows:

	Yen	
Years ended March 31,	**1998**	1997
Net Income (Loss)	**¥(179.19)**	¥18.54

Net income (loss) per share of common stock is computed based on the average number of shares of common stock outstanding during the year, adjusted for the preferred stock dividend.

Report of Independent Certified Public Accountants on the Non-Consolidated Financial Statements

The Board of Directors
The Fuji Bank, Limited

We have examined the non-consolidated balance sheets of The Fuji Bank, Limited as of March 31, 1998 and 1997, and the related non-consolidated statements of income, appropriation of profit and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted 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 financial statements referred to above, expressed in Japanese yen, present fairly the non-consolidated financial position of The Fuji Bank, Limited at March 31, 1998 and 1997, and the non-consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of accounting for securities as described in Note 2 (a) to the non-consolidated financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 1998 are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to the non-consolidated financial statements.

Tokyo, Japan
June 26, 1998

Showa Ota & Co.

Showa Ota & Co.

Earnings Performance

Average Balances, Interest and Average Interest Rates

	Billions of yen								
	1998			1997			1996		
Years ended March 31,	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets									
Interest-Earning Assets									
Interest-Bearing Deposits in Other Banks:									
Domestic	**¥ 52.7**	**¥ 0.2**	**0.45%**	¥ 91.5	¥ 0.5	0.61%	¥ 113.6	¥ 1.7	1.57%
International	**3,426.2**	**148.9**	**4.34**	3,780.8	153.1	4.05	5,107.7	266.4	5.21
Total	**3,479.0**	**149.1**	**4.28**	3,872.4	153.7	3.97	5,221.3	268.2	5.13
Call Loans:									
Domestic	**247.9**	**1.4**	**0.58**	408.0	2.3	0.56	310.4	2.1	0.70
International	**241.3**	**13.8**	**5.73**	284.1	16.0	5.63	326.4	20.2	6.19
Total	**489.2**	**15.3**	**3.12**	692.1	18.3	2.64	636.8	22.4	3.52
Trading Account Securities:									
Domestic	**—**	**—**	**—**	324.8	2.0	0.63	312.7	0.9	0.30
International	**—**	**—**	**—**	—	—	—	—	—	—
Total	**—**	**—**	**—**	324.8	2.0	0.63	312.7	0.9	0.30
Investment Securities:									
Domestic	**5,552.4**	**94.2**	**1.69**	5,400.9	101.0	1.87	5,619.6	128.0	2.27
International	**656.3**	**58.6**	**8.94**	597.4	22.3	3.74	569.7	19.5	3.42
Total	**6,208.8**	**152.9**	**2.46**	5,998.3	123.4	2.05	6,189.3	147.5	2.38
Loans:									
Domestic	**22,362.4**	**491.2**	**2.19**	21,718.0	512.4	2.35	22,225.8	639.8	2.87
International	**11,983.2**	**504.3**	**4.20**	11,577.3	464.9	4.01	9,704.8	441.2	4.54
Total	**34,345.6**	**995.5**	**2.89**	33,295.3	977.4	2.93	31,930.7	1,081.0	3.38
Total Interest-Earning Assets:									
Domestic	**29,337.2**	**658.8**	**2.24**	29,344.9	704.0	2.39	29,572.6	856.9	2.89
*	*1,069.0*	*7.2*	....	*1,073.8*	*7.9*	....	*554.5*	*6.7*	....
International	**16,913.3**	**1,357.0**	**8.02**	16,770.4	1,425.7	8.50	16,150.9	1,627.9	10.07
Total	**¥45,181.5**	**¥2,008.6**	**4.44%**	¥45,041.5	¥2,121.9	4.71%	¥45,169.0	¥2,478.1	5.48%

Note : * Internal transaction between domestic sector and international sector.

	Billions of yen								
	1998			1997			1996		
Years ended March 31,	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Liabilities and Stockholders' Equity									
Interest-Bearing Liabilities									
Deposits:									
Domestic	**¥20,900.9**	**¥ 106.8**	**0.51%**	¥ 20,829.3	¥ 126.4	0.60%	¥ 20,645.4	¥ 221.2	1.07%
International	**13,569.9**	**509.2**	**3.75**	13,776.5	490.5	3.56	13,849.5	566.7	4.09
Total	**34,470.8**	**616.0**	**1.78**	34,605.9	617.0	1.78	34,494.9	787.9	2.28
Call Money:									
Domestic	**3,001.9**	**17.2**	**0.57**	3,190.7	16.2	0.50	3,717.5	31.9	0.85
International	**238.7**	**12.7**	**5.33**	275.1	13.4	4.89	350.3	21.5	6.16
Total	**3,240.7**	**29.9**	**0.92**	3,465.9	29.6	0.85	4,067.9	53.5	1.31
Borrowed Money:									
Domestic	**1,672.7**	**40.8**	**2.44**	1,590.0	42.8	2.69	1,708.0	48.7	2.85
International	**812.5**	**28.0**	**3.45**	474.9	13.2	2.79	326.2	11.7	3.60
Total	**2,485.3**	**68.9**	**2.77**	2,064.9	56.1	2.71	2,034.3	60.4	2.97
Negotiable Certificates of Deposit:									
Domestic	**2,393.2**	**15.4**	**0.64**	2,322.9	12.8	0.55	1,760.6	14.5	0.82
International	**893.1**	**57.0**	**6.39**	849.7	49.4	5.81	825.3	51.3	6.22
Total	**3,286.3**	**72.5**	**2.20**	3,172.7	62.3	1.96	2,585.9	65.8	2.54
Bills Sold:									
Domestic	**201.0**	**1.2**	**0.63**	423.7	2.0	0.49	540.3	4.1	0.75
International	**192.4**	**10.8**	**5.61**	217.8	11.0	5.05	241.3	13.9	5.78
Total	**393.5**	**12.0**	**3.07**	641.5	13.1	2.04	781.7	18.0	2.31
Total Interest-Bearing Liabilities:									
Domestic	**28,118.1**	**308.5**	**1.09**	28,308.3	316.9	1.11	28,344.9	408.1	1.43
International	**16,956.3**	**1,203.1**	**7.09**	16,745.4	1,211.7	7.23	16,204.4	1,414.1	8.72
*	*1,069.0*	*7.2*	....	*1,073.8*	*7.9*	....	*554.5*	*6.7*	....
Total	**¥44,005.4**	**¥1,504.3**	**3.41%**	¥ 43,980.0	¥ 1,520.8	3.45%	¥43,994.7	¥1,815.4	4.12%

Notes : * 1. Internal transaction between domestic sector and international sector.
2. Interest expenses on money held in trust is deducted from total interest bearing liabilities.

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Breakdown of Changes of Net Interest Income

	Billions of yen								
	1998			1997			1996		
Years ended March 31,	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
Interest Income									
Interest-Bearing Deposits in Other Banks:									
Domestic	**¥ (0.2)**	**¥ (0.1)**	**¥ (0.3)**	¥ (0.1)	¥ (1.0)	¥ (1.2)	¥ 0.4	¥ 0.2	¥ 0.7
International	**(14.3)**	**10.1**	**(4.2)**	(62.0)	(51.1)	(113.2)	(36.6)	32.0	(4.6)
Total	**(15.6)**	**11.0**	**(4.5)**	(61.9)	(52.5)	(114.4)	(34.8)	30.9	(3.9)
Call Loans:									
Domestic	**(0.9)**	**0.0**	**(0.8)**	0.5	(0.4)	0.1	1.9	(0.5)	1.4
International	**(2.4)**	**0.2**	**(2.1)**	(2.5)	(1.7)	(4.2)	(0.1)	3.3	3.2
Total	**(5.3)**	**2.3**	**(3.0)**	1.4	(5.5)	(4.1)	9.7	(5.0)	4.6
Investment Securities:									
Domestic	**2.5**	**(9.4)**	**(6.8)**	(4.2)	(22.7)	(26.9)	7.2	(29.2)	(21.9)
International	**2.4**	**33.9**	**36.3**	0.9	1.8	2.8	0.5	1.1	1.7
Total	**4.4**	**25.0**	**29.5**	(4.0)	(20.1)	(24.1)	7.9	(28.2)	(20.2)
Trading Account Securities:									
Domestic	**—**	**—**	**—**	0.0	1.0	1.1	(0.3)	(2.8)	(3.1)
International	**—**	**—**	**—**	—	—	—	—	—	—
Total	**—**	**—**	**—**	0.0	1.0	1.1	(0.3)	(2.8)	(3.1)
Loans:									
Domestic	**14.1**	**(35.4)**	**(21.2)**	(12.2)	(115.0)	(127.3)	(23.4)	(171.2)	(194.7)
International	**16.6**	**22.7**	**39.4**	75.1	(51.4)	23.7	88.6	(23.4)	65.1
Total	**30.4**	**(12.3)**	**18.1**	40.0	(143.6)	(103.5)	39.3	(168.9)	(129.5)
Total Interest Income:									
Domestic	**(0.1)**	**(45.1)**	**(45.2)**	(5.5)	(147.3)	(152.8)	6.5	(251.2)	(244.7)
International	**11.4**	**(80.1)**	**(68.6)**	52.6	(254.8)	(202.1)	87.2	408.3	495.6
Total	**¥ 6.2**	**¥ (119.5)**	**¥ (113.3)**	¥ (6.0)	¥ (350.1)	¥ (356.2)	¥ 58.2	¥ 194.0	¥ 252.2
Interest Expense									
Deposits:									
Domestic	**¥ 0.3**	**¥ (19.9)**	**¥ (19.6)**	¥ 1.1	¥ (95.9)	¥ (94.7)	¥ 0.9	¥ (156.2)	¥ (155.2)
International	**(7.3)**	**26.0**	**18.6**	(2.6)	(73.5)	(76.1)	20.9	7.8	28.7
Total	**(2.4)**	**1.4**	**(0.9)**	1.9	(172.8)	(170.9)	13.4	(140.0)	(126.5)
Call Money:									
Domestic	**(0.9)**	**2.0**	**1.0**	(3.1)	(12.5)	(15.7)	0.5	(50.0)	(49.5)
International	**(1.7)**	**1.0**	**(0.7)**	(4.1)	(3.9)	(8.1)	0.2	2.5	2.8
Total	**(1.9)**	**2.2**	**0.3**	(5.9)	(17.8)	(23.8)	0.8	(47.6)	(46.7)
Negotiable Certificates of Deposit:									
Domestic	**0.3**	**2.1**	**2.5**	3.1	(4.7)	(1.6)	2.8	(19.9)	(17.1)
International	**2.6**	**5.0**	**7.6**	1.4	(3.3)	(1.9)	21.7	3.5	25.3
Total	**2.2**	**7.9**	**10.2**	11.5	(15.0)	(3.5)	17.7	(9.6)	8.1
Bills Sold:									
Domestic	**(1.0)**	**0.2**	**(0.8)**	(0.6)	(1.3)	(2.0)	0.3	(7.3)	(6.9)
International	**(1.2)**	**1.0**	**(0.2)**	(1.2)	(1.6)	(2.9)	0.8	1.8	2.7
Total	**(5.0)**	**4.0**	**(1.0)**	(3.0)	(1.8)	(4.9)	1.4	(5.6)	(4.1)
Borrowed Money:									
Domestic	**2.0**	**(4.0)**	**(1.9)**	(3.2)	(2.6)	(5.8)	(7.9)	(12.6)	(20.5)
International	**11.0**	**3.6**	**14.7**	4.1	(2.6)	1.4	4.0	(2.5)	1.4
Total	**11.6**	**1.1**	**12.7**	0.8	(5.2)	(4.3)	(4.4)	(14.7)	(19.1)
Total Interest Expense:									
Domestic	**(2.0)**	**(6.3)**	**(8.4)**	(0.4)	(90.7)	(91.1)	3.2	(273.6)	(270.4)
International	**14.9**	**(23.5)**	**(8.5)**	39.1	(241.5)	(202.3)	79.5	337.1	416.6
Total	**¥ 0.8**	**¥ (17.3)**	**¥ (16.4)**	¥ (0.5)	¥ (294.1)	¥ (294.6)	¥ 46.2	¥ 101.3	¥ 147.6

Note : Allocation of the rate volume variance is based on the percentage relationship of changes in volume and changes in rate to the total “net change.”

Breakdown of Fee & Commission Income

	Billions of yen		
Years ended March 31,	**1998**	1997	1996
Income			
Deposit and Loan-Related:			
Domestic	**¥ 4.1**	¥ 3.6	¥ 3.6
International	**16.1**	14.4	11.9
Total	**20.2**	18.1	15.5
Remittance:			
Domestic	**37.6**	35.8	34.3
International	**11.3**	10.6	9.9
Total	**49.0**	46.5	44.2
Securities-Related:			
Domestic	**6.4**	7.9	11.7
International	**0.1**	0.3	0.1
Total	**6.6**	8.3	11.9
Safe Deposit Box:			
Domestic	**2.9**	2.9	3.0
International	**—**	0.0	0.0
Total	**2.9**	2.9	3.0
Guarantees:			
Domestic	**0.6**	0.6	0.5
International	**7.4**	7.3	7.2
Total	**8.1**	7.9	7.7
Agent:			
Domestic	**9.7**	10.3	10.1
International	**1.5**	1.3	0.8
Total	**11.3**	11.7	10.9
Total Income:			
Domestic	**70.7**	68.5	70.3
International	**39.0**	38.9	39.3
Total	**¥109.7**	¥107.5	¥109.6
Expense			
Remittance:			
Domestic	**¥ 9.5**	¥ 8.8	¥ 8.7
International	**4.0**	3.5	3.3
Total	**13.5**	12.4	12.1
Total Expenses:			
Domestic	**31.6**	29.8	29.0
International	**13.0**	13.1	14.3
Total	**¥ 44.7**	¥ 42.9	¥ 43.3

NON-CONSOLIDATED

Market Transactions

Breakdown of Net of Other Operating Income and Commissions

Years ended March 31,	1998	1997	1996
	Billions of yen		
Foreign Exchange Sales Income:			
Domestic	¥ —	¥ —	¥ —
International	**1,762.5**	6.6	(8.0)
Total	**1,762.5**	6.6	(8.0)
Net Gains on Trading Account Securities:			
Domestic	**...**	1.0	6.2
International	**...**	—	—
Total	**...**	1.0	6.2
Net Gains on Sales of Bonds:			
Domestic	**5,842.9**	30.5	100.9
International	**1,938.8**	5.6	4.4
Total	**7,781.7**	36.2	105.3
Others:			
Domestic	**(394.9)**	(0.0)	(1.5)
International	**(917.8)**	(6.6)	(1.0)
Total	**(1,312.8)**	(6.6)	(2.5)
Total:			
Domestic	**5,447.9**	31.6	105.5
International	**2,783.4**	5.6	(4.6)
Total	**8,231.4**	37.2	100.9

Breakdown of Adjusted General & Administrative Expenses

Years ended March 31,	1998	1997	1996
	Billions of yen		
Salaries, Allowances	**¥135.2**	¥135.4	¥136.4
Retirement Allowances	**3.7**	3.5	3.4
Transfer to Reserve for Retirement Allowance	**4.4**	4.3	4.5
Social Contributions	**27.0**	26.1	27.9
Depreciation	**40.7**	40.8	40.3
Lease on Buildings and Equipment	**35.8**	34.8	28.8
Repair Expenses	**0.9**	0.9	1.0
General Supplies	**5.0**	5.5	5.5
Lighting and Heating Expenses	**5.1**	4.7	4.7
Travel Expenses	**2.7**	2.7	2.4
Telephone, Fax, etc.	**7.4**	7.6	7.4
Advertising Expenses	**5.7**	5.5	6.6
Taxes	**28.8**	25.3	28.5
Other	**82.6**	82.7	70.6
Total	**¥385.7**	¥380.4	¥368.7

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Deposits

Breakdown of Deposits

March 31,	1998	1997	1996
	Billions of yen		
Liquid Deposits※:			
Domestic	**¥ 8,148.2**	¥ 7,738.9	¥ 7,522.6
International	**46.5**	155.7	144.1
Total	**8,194.7**	7,894.6	7,666.7
Time Deposits:			
Domestic	**12,996.9**	12,852.8	13,707.7
International	**6,482.6**	10,148.2	9,435.4
Total	**19,479.5**	23,001.1	23,143.1
Negotiable Certificates of Deposit:			
Domestic	**2,609.6**	2,872.0	2,176.0
International	**516.3**	1,012.4	597.7
Total	**3,125.9**	3,884.4	2,773.7
Other:			
Domestic	**603.5**	672.3	567.8
International	**3,038.8**	2,826.6	2,813.4
Total	**3,642.3**	3,498.9	3,381.3
Total Deposits:			
Domestic	**24,358.4**	24,136.1	23,974.1
International	**10,084.2**	14,143.0	12,990.9
Total	**¥34,442.7**	¥38,279.1	¥ 36,965.0

Note: ※Liquid deposits include current deposits, ordinary deposits, savings deposits and deposits at notice.

NON-CONSOLIDATED

NON-CONSOLIDATED

Average Amount of Deposits

March 31,	Billions of yen 1998	1997	1996
Liquid Deposits*:			
Domestic	**¥ 6,905.0**	¥ 6,241.4	¥ 5,407.3
International	**158.6**	171.8	134.9
Total	**7,063.7**	6,413.3	5,542.3
Time Deposits:			
Domestic	**13,683.5**	14,267.3	14,883.8
International	**10,572.6**	10,824.0	11,243.8
Total	**24,256.1**	25,091.4	26,127.7
Negotiable Certificates of Deposit:			
Domestic	**2,393.2**	2,322.9	1,760.6
International	**893.1**	849.7	825.3
Total	**3,286.3**	3,172.7	2,585.9
Other:			
Domestic	**312.3**	320.5	354.1
International	**2,838.5**	2,780.6	2,470.7
Total	**3,150.9**	3,101.2	2,824.9
Total Deposits:			
Domestic	**23,294.1**	23,152.3	22,406.0
International	**14,463.0**	14,626.3	14,674.8
Total	**¥37,757.2**	¥37,778.7	¥37,080.9

Note: *Liquid deposits include current deposits, ordinary deposits, savings deposits and deposits at notice.

Breakdown of Depositors

	Billions of yen					
	1998		1997		1996	
March 31,	Amount	% of total	Amount	% of total	Amount	% of total
Individuals	**¥11,391.8**	**49.96%**	¥11,027.1	48.93%	¥10,496.2	44.21%
Corporations	**11,410.9**	**50.04**	11,511.4	51.07	13,243.7	55.79
Total	**¥22,802.7**	**100.00%**	¥22,538.5	100.00%	¥23,740.0	100.00%

Note: Figures have not been adjusted for deposits in transit between the Bank's head office and branches.

Loans and Bills Discounted

Breakdown of Loans and Bills Discounted

	Billions of yen					
	1998		1997		1996	
March 31,	Average balance	End balance	Average balance	End balance	Average balance	End balance
Loans on Notes:						
Domestic	**¥ 3,369.4**	**¥ 3,026.6**	¥ 3,521.9	¥ 3,467.8	¥ 3,826.6	¥ 3,777.7
International	**1,689.5**	**1,331.5**	1,549.3	1,592.3	1,362.3	1,302.3
Total	**5,058.9**	**4,358.1**	5,071.2	5,060.2	5,189.0	5,080.1
Loans on Deeds:						
Domestic	**13,891.4**	**13,824.9**	13,799.2	13,811.1	13,791.5	13,835.7
International	**10,264.7**	**7,776.1**	10,000.1	10,449.1	8,318.9	8,807.2
Total	**24,156.2**	**21,601.1**	23,799.4	24,260.3	22,110.5	22,642.9
Overdrafts:						
Domestic	**4,332.0**	**5,333.8**	3,596.6	3,883.7	3,731.1	3,665.6
International	**17.6**	**13.6**	14.4	13.9	10.9	7.4
Total	**4,349.6**	**5,347.5**	3,611.0	3,897.7	3,742.1	3,673.1
Bills Discounted:						
Domestic	**769.5**	**713.2**	800.1	807.2	876.4	968.1
International	**11.3**	**10.5**	13.4	11.7	12.6	11.7
Total	**780.8**	**723.7**	813.5	819.0	889.1	979.9
Total:						
Domestic	**22,362.4**	**22,898.7**	21,718.0	21,970.0	22,225.8	22,247.3
International	**11,983.2**	**9,131.8**	11,577.3	12,067.2	9,704.8	10,128.8
Total	**¥34,345.6**	**¥32,030.5**	¥33,295.3	¥34,037.3	¥31,930.7	¥32,376.1

Loans to Retail Sectors

	Billions of yen					
	1998		1997		1996	
March 31,	Number of customers	End balance	Number of customers	End balance	Number of customers	End balance
Total Loan Balance	**1,198**	**¥23,442.0**	1,194	¥22,601.3	1,173	¥22,836.1
Loans to Small/Medium Businesses	**1,193**	**17,756.3**	1,190	17,659.0	1,168	17,727.0
% of Total Loans	**99.56%**	**75.75%**	99.61%	78.13%	99.61%	77.62%

Notes: 1. "Number of customers" is shown in thousands.
2. Overseas branches and the Japan Offshore Market Account are not included.
3. The Bank's domestic business is conducted mainly in two sectors: the retail sector, which includes small and medium-sized businesses and individual customers, and the wholesale sector, which focuses on serving the large corporate customer base in Japan.

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Breakdown of Loans by Purpose of Funds

March 31,	1998	1997	1996
	Billions of yen		
Funds for Capital Investment	**¥ 11,550.1**	¥ 11,709.1	¥11,388.5
Funds for Working Capital	**20,480.3**	22,328.1	20,987.6
Total	**¥ 32,030.4**	¥ 34,037.3	¥32,376.1

Major Lending Classifications

March 31,	1998	1997	1996
	Billions of yen		
Domestic Offices (excludes loans booked in the Japan offshore market):			
Manufacturing	**¥ 3,016.8**	¥ 2,601.3	¥ 2,747.6
Agriculture	**61.7**	64.8	67.7
Forestry	**2.5**	2.7	2.2
Fisheries	**10.8**	6.2	7.5
Mining	**27.6**	25.9	31.0
Construction	**1,094.0**	1,082.9	1,057.8
Utilities	**54.0**	216.3	237.7
Transportation and Communications	**985.2**	978.5	901.0
Wholesale and Retail	**3,656.2**	3,452.6	3,534.3
Finance and Insurance	**2,119.9**	1,893.6	2,120.9
Real Estate	**2,271.9**	2,230.0	2,323.3
Services	**4,369.2**	4,489.3	4,477.2
Local Government	**167.8**	176.5	187.4
Individuals and Others	**5,603.7**	5,380.1	5,139.9
Total Domestic	**23,442.0**	22,601.3	22,836.1
Overseas Offices (includes loans booked in the Japan offshore market):			
Public Sector	**264.5**	305.3	286.1
Financial Institutions	**1,549.3**	2,388.9	2,137.9
Commerce and Industry	**6,668.1**	8,602.1	6,981.3
Others	**106.4**	139.5	134.5
Total Overseas	**8,588.4**	11,435.9	9,539.9
Total	**¥ 32,030.5**	¥34,037.3	¥32,376.1

Collateral Information

March 31,	1998	1997	1996
	Billions of yen		
Securities	**¥ 486.5**	¥ 480.9	¥ 521.1
Commercial Claims	**825.0**	919.6	813.7
Commodities	**—**	—	—
Real Estate	**3,716.9**	4,143.7	4,542.8
Others	**1,042.1**	923.5	667.1
Total Secured Loans	**6,070.7**	6,467.9	6,544.7
Guarantees	**13,711.7**	13,862.0	13,593.6
Unsecured	**12,248.0**	13,707.2	12,237.7
Total	**¥32,030.5**	¥34,037.3	¥32,376.1

Housing / Consumer Loans

March 31,	1998	1997	1996
	Billions of yen		
Housing Loans	**¥5,256.0**	¥5,090.6	¥4,909.3
Consumer Loans	**491.3**	476.4	445.1

Loans to Developing Countries

March 31,	1998	1997	1996
	Billions of yen		
Number of Countries	**10**	7	7
Balance of Loans	**¥ 8.3**	¥13.4	¥6.8
Reserve for Loans to Developing Countries	**0.8**	1.1	2.3
Balance of Loans as a Percentage of Total Assets	**0.01%**	0.02 %	0.01%

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Securities
Breakdown of Securities Holdings

March 31,	1998	1997	1996
	Billions of yen		
Japanese Government Bonds:			
Domestic	**¥ 1,090.2**	¥1,054.7	¥ 1,054.1
International	**—**	—	—
Total	**1,090.2**	1,054.7	1,054.1
Japanese Local Government Bonds:			
Domestic	**368.9**	235.0	287.0
International	**—**	—	—
Total	**368.9**	235.0	287.0
Corporate Bonds:			
Domestic	**481.0**	411.3	512.6
International	**—**	—	—
Total	**481.0**	411.3	512.6
Corporate Stocks:			
Domestic	**3,474.6**	3,292.0	3,184.4
International	**—**	—	—
Total	**3,474.6**	3,292.0	3,184.4
Other:			
Domestic	**195.6**	230.3	215.9
International	**640.2**	550.8	544.9
Total	**835.8**	781.1	760.8
Total Securities:			
Domestic	**5,610.5**	5,223.6	5,254.2
International	**640.2**	550.8	544.9
Total	**¥ 6,250.7**	¥5,774.4	¥ 5,799.1

Book Value and Market Value Information
Market Prices of Marketable Securities

	Billions of yen									
	1998				1997			1996		
			Unrealized gain (loss)							
March 31,	Book value	Market value	Net	loss portion	Book value	Market value	Unrealized gain (loss)	Book value	Market value	Unrealized gain (loss)
Listed Securities										
Trading Account Securities:										
Bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	¥ 1.7	¥ 1.7	¥ 0.0	¥ 1.5	¥ 1.6	¥ 0.0
Investment Securities:										
Bonds	**595.2**	**602.6**	**7.3**	**0.2**	436.9	451.1	14.1	340.6	347.9	7.3
Stocks	**3,270.6**	**3,021.8**	**(248.7)**	**434.1**	3,086.6	3,421.9	335.2	2,995.7	3,966.1	970.4
Others	**59.9**	**73.9**	**14.0**	**2.5**	98.7	134.2	35.5	87.1	89.7	2.6
of which Foreign Affiliates	**7.5**	**20.0**	**12.5**	**2.4**	6.6	25.7	19.1	4.3	2.6	(1.7)
Total Investment Securities	**3,925.8**	**3,698.4**	**(227.4)**	**436.8**	3,622.3	4,007.2	384.9	3,423.4	4,403.9	980.4
Total	**¥3,925.8**	**¥3,698.4**	**¥(227.4)**	**¥436.8**	¥3,624.0	¥4,009.0	¥384.9	¥3,425.0	¥4,405.5	¥980.5
Unlisted Securities		(estimate)				(estimate)			(estimate)	
Trading Account Securities:										
Bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	¥ 1.7	¥ 1.8	¥ 0.0	¥ 0.5	¥ 0.5	¥ 0.0
Investment Securities:										
Bonds	**822.8**	**832.8**	**10.0**	**0.4**	802.8	815.6	12.7	965.2	946.6	(18.5)
Stocks	**60.8**	**50.1**	**(10.6)**	**23.5**	58.5	67.8	9.2	55.2	93.0	37.8
Others	**117.7**	**116.4**	**(1.3)**	**2.0**	145.8	92.0	(53.8)	167.7	121.5	(46.2)
Total Investment Securities	**1,001.4**	**999.5**	**(1.9)**	**26.0**	1,007.2	975.5	(31.7)	1,188.2	1,161.2	(26.9)
Total	**¥1,001.4**	**¥ 999.5**	**¥ (1.9)**	**¥ 26.0**	¥1,009.0	¥ 977.3	¥(31.7)	¥1,188.7	¥1,161.8	¥(26.9)

Notes: 1. Bonds include Japanese national government bonds, Japanese local government bonds and Japanese corporate bonds and financial debentures. The market prices of listed securities are primarily calculated by using the closing prices on the Tokyo Stock Exchange.
2. The estimated market values of unlisted securities are determined as follows:
Securities traded over the counter: transaction prices announced by the Japan Securities Dealers Association.
Publicly placed bonds: prices calculated using indicated yield announced by the Japan Securities Dealers Association.
Securities of investment trust: market prices announced by authorized fund management companies.
3. The book values of securities not included in the two tables above are primarily as follows:

March 31,	1998	1997	1996
	Billions of yen		
Trading Account Securities:			
Unlisted Bonds (redemption period less than one year)	**¥ —**	¥ 61.3	¥393.6
Investment Securities:			
Unlisted Notes	**506.2**	451.9	488.2
Unlisted Bonds (redemption period less than one year)	**13.5**	5.2	26.8
Unlisted Foreign Bonds	**152.8**	88.5	99.5
Unlisted Foreign Stocks	**415.8**	385.4	375.3

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Interest Rate Transactions

March 31,	1998 Contract value Total	1998 Contract value Term over one year	1998 Option premium*	1998 Market value	1998 Unrealized gain (loss)	1997 Contract value Total	1997 Contract value Term over one year	1997 Option premium*	1997 Market value	1997 Unrealized gain (loss)
	Billions of yen									
Listed										
Interest Futures:										
Sell	¥ **181.9**	¥ **—**	¥ **....**	¥ **182.1**	¥ **(0.2)**	¥ 137.4	17.9	¥	¥137.3	¥ 0.1
Buy	**115.7**	**—**	**....**	**115.8**	**0.0**	126.6	4.9	....	126.5	(0.1)
Interest Rate Option:										
Sell Call	**274.5**	**—**	**60**	**0.0**	**0.0**	65.8	—	13	0.0	0.0
Put	**221.7**	**—**	**48**	**0.0**	**(0.0)**	115.4	—	16	0.0	(0.0)
Buy Call	**39.6**	**—**	**10**	**0.0**	**(0.0)**	84.8	—	17	0.0	(0.0)
Put	**184.9**	**—**	**55**	**0.0**	**0.0**	215.1	—	42	0.0	(0.0)
Over the Counter										
FRA:										
Sell	**—**	**—**	**....**	**—**	**....**	1,019.2	49.7	....	....	....
Buy	**—**	**—**	**....**	**—**	**....**	1,018.6	49.7	....	....	....
Interest Rate Swap:										
Receive Fixed Pay Floating	**48,905.3**	**17,041.2**	**....**	**1,001.7**	**1,001.7**	64,737.2	27,958.6	....	....	....
Receive Floating Pay Fixed	**49,110.5**	**13,623.9**	**....**	**(1,048.0)**	**(1,048.0)**	66,654.9	27,119.2	....	....	....
Receive Floating Pay Floating	**182.1**	**93.8**	**....**	**0.1**	**0.1**	432.9	392.4	....	....	....
Receive Fixed Pay Fixed	**5.9**	**5.9**	**....**	**0.0**	**0.0**					
Interest Rate Option:										
Sell Call	**—**	**—**	**—**	**—**	**—**	247.0	157.0	—	....	....
Put	**—**	**—**	**—**	**—**	**—**	250.0	142.0	—	....	....
Buy Call	**—**	**—**	**—**	**—**	**—**	185.9	79.5	—	....	....
Put	**—**	**—**	**—**	**—**	**—**	192.6	86.5	—	....	....
Others:										
Sell	**230.8**	**93.9**	**—**	**(0.5)**	**2.1**	581.4	395.0	—	....	....
Buy	**250.8**	**124.1**	**—**	**0.3**	**(2.3)**	801.6	565.5	—	....	....
Total	**....**	**....**	**....**	**....**	¥ **(46.6)**	....	....	....	....	¥ 0.0

Notes: 1.*In millions of yen. Option premiums are included in the balance sheet.
2. Calculation of market value.
The market values of listed securities are calculated using the closing prices on the Tokyo Financial Futures Exchange, etc.
3. Market value and evaluation profit and loss include transactiions made for the purpose of hedging on-balance sheet transactions.
4. Interest rate swap market value and evaluation profit and loss includes accrued interest of 124,124 millions of yen entered in the Statement of Income.
5. Details of interest rate swap notional amounts and average rates according to when due are as follows:

	One year or loss	More than one year to three years	Over three years	Total
	Billions of yen			
Receive Fixed Pay Floating:				
Notional Amount	¥31,864.0	¥14,675.9	¥2,365.3	¥48,905.3
Average Receive Rate	4.91%	4.39%	3.89%	4.73%
Average Pay Rate	4.29%	3.59%	1.82%	4.01%
Receive Floating Pay Fixed:				
Notional Amount	35,486.6	11,401.4	2,222.5	49,110.5
Average Receive Rate	4.17%	2.96%	2.44%	3.89%
Average Pay Rate	4.82	4.31	4.50	4.72
Receive Floating Pay Floating:				
Notional Amount	88.3	48.7	45.1	182.1
Average Receive Rate	5.62%	4.62%	8.74%	6.05%
Average Pay Rate	5.27	4.03	5.36	4.95
Receive Fixed Pay Fixed:				
Notional Amount	—	—	5.9	5.9
Average Receive Rate	—	—	1.34%	1.34%
Average Pay Rate	—	—	1.33	1.33

6. Derivative transactions included in trading account transactions are valued at the market price and the evaluation profit or loss calculated is included in the Statement of Income. Therefore it is not included in the following table.

The contract value, etc. of derivative transactions in trading account transactions is as follows:

March 31, 1998	Contract value	Option premium*	Market value
	Billions of yen		
Listed			
Interest Futures:			
Sell	¥ **2,283.8**	¥ **....**	**¥2,285.2**
Buy	**2,165.4**	**....**	**2,167.4**
Interest Rate Option:			
Sell Call	**152.2**	**56**	**0.0**
Put	**268.9**	**92**	**0.0**
Buy Call	**244.5**	**72**	**0.0**
Put	**31.8**	**38**	**0.0**
Over the Counter			
FRA:			
Sell	**13.7**	**....**	**0.0**
Buy	**22.2**	**....**	**(0.0)**
Interest Rate Swap:			
Receive Fixed Pay Floating	**42,653.3**	**....**	**802.1**
Receive Floating Pay Fixed	**40,690.1**	**....**	**(746.4)**
Receive Floating Pay Floating	**480.0**	**....**	**(0.8)**
Receive Fixed Pay Fixed	**26.1**	**....**	**9.8**
Interest Rate Option:			
Sell Call	**524.9**	**5,568**	**(18.6)**
Put	**572.0**	**5,549**	**(2.5)**
Buy Call	**445.1**	**3,996**	**10.2**
Put	**467.0**	**4,231**	**2.8**
Others:			
Sell	**822.0**	**11,989**	**(4.0)**
Buy	**1,077.5**	**14,410**	**3.4**
Total	**....**	**....**	**....**

Note: * In millions of yen. Option premiums are the original premiums received/paid relating to the contract value, etc.

Currency Transactions

March 31,	1998 Contract value Total	1998 Contract value Term over one year	1998 Market value	1998 Unrealized gain (loss)	1997 Contract value Total	1997 Contract value Term over one year	1997 Market value	1997 Unrealized gain (loss)
	Billions of yen							
Over the Counter								
Currency Swap:								
US$	**¥2,422.4**	**¥1,100.4**	¥ 157.4	¥ 157.4	¥3,591.8	¥2,633.1	....	....
STG £	**222.8**	**1.9**	(10.2)	(10.2)	83.7	1.4	....	....
DM	**177.9**	**11.2**	4.7	4.7	162.3	62.1	....	....
A$	**24.1**	**4.8**	(0.4)	(0.4)	810.2	765.4	....	....
Others	**528.2**	**111.1**	(127.3)	(127.3)	362.4	196.2	....	....
Total	**¥3,375.5**	**¥1,229.7**	¥ 24.1	¥ 24.1	¥5,010.5	¥3,658.3	....	....

Notes: 1. Market value and evaluation profit and loss include transactions made for the purpose of hedging on-balance sheet transactions.
2. Market value and the evaluation profit and loss includes accrued interest of 4,094 millions of yen entered in the Statement of Income.
3. Derivative transactions included in trading account transactions are valued at the market price and the evaluation profit or loss calculated is included in the Statement of Income. Therefore it is not indicated in the above table.
The contract value, etc. of derivative transaction in trading account transactions is as follows:

March 31, 1998	Contract value	Market value
	Billions of yen	
Over the Counter		
Currency Swap:		
US$	**3,338.8**	**(15.7)**
DM	**56.9**	**(1.2)**
A$	**639.3**	**(16.4)**
Other	**159.2**	**(1.0)**
Total	**4,194.3**	**(34.5)**

Notes: 4. In a foreign exchange contract, currency options, etc. are revalued at the end of the fiscal year. The profit or loss calculated is included in the statement of income.

5. The table below indicates the contract value of derivative transactions relating to currency transactions which are revalued.

	Billions of yen			
	1998		1997	
March 31,	Contract value	Option premium*	Contract value	Option premium*
Listed				
Currency Futures:				
Sell	¥ —	¥	¥ —	¥ ....
Buy	22.3	....	12.1	....
Currency Option:				
Sell Call	—	—	—	—
Put	—	—	—	—
Buy Call	—	—	—	—
Put	—	—	—	—
Over the Counter				
Foreign Exchange Contract:				
Sell	15,227.7	....	29,477.9	....
Buy	27,326.8	....	14,200.5	....
Currency Option:				
Sell Call	1,124.1	37,329	863.5	30,358
Put	1,342.0	13,809	821.3	7,404
Buy Call	1,059.4	35,686	863.5	30,893
Put	1,398.6	14,936	768.7	8,124
Others:				
Sell	—	....	—	....
Buy	—	....	—	....
Total	....	....	....	....

Note: * In millions of yen. Option premiums are included in the balance sheet.

Securities Transactions

	Billions of yen									
	1998					1997				
	Contract value					Contract value				
March 31,	Total	Term over one year	Option premium*	Market value	Unrealized gain (loss)	Total	Term over one year	Option premium*	Market value	Unrealized gain (loss)
Listed										
Bond Futures:										
Sell	¥—	—	¥	¥—	¥ —	¥—	—	¥....	¥—	¥—
Buy	—	—	....	—	—	—	—	....	—	—
Bond Futures Option:										
Sell Call	—	—	—	—	—	—	—	—	—	—
Put	—	—	—	—	—	—	—	—	—	—
Buy Call	1.5	—	8	0.0	(0.0)	—	—	—	—	—
Put	4.0	—	27	0.0	(0.0)	—	—	—	—	—
Total	....	....	....	....	¥ (0.0)	....	....	....	....	—

Notes: 1. * In millions of yen. Option premiums are included in the balance sheet.
2. Calculation of market value:
The market values of listed securities are calculated using the closing prices on the Tokyo Stock Exchange, etc.

Bond-Related Transactions

	Billions of yen									
	1998					1997				
	Contract value					Contract value				
March 31,	Total	Term over one year	Option premium*	Market value	Unrealized gain (loss)	Total	Term over one year	Option premium*	Market value	Unrealized gain (loss)
Listed										
Bond Futures:										
Sell	¥117.6	—	¥	¥118.4	¥(0.7)	¥268.7	—	¥	¥269.6	¥(0.8)
Buy	—	—	....	—	—	103.5	—	....	103.8	0.3
Bond Futures Option:										
Sell Call	—	—	—	—	—	—	—	—	—	—
Put	4.2	—	2	0.0	0.0	—	—	—	—	—
Buy Call	—	—	—	—	—	—	—	—	—	—
Put	3.6	—	3	0.0	0.0	—	—	—	—	—
Over the Counter										
Bond-Related Option:										
Sell Call	116.6	—	370	0.4	(0.0)	—	—	—	....	....
Put	—	—	—	—	—	—	—	—	....	....
Buy Call	3.9	—	8	—	0.0	—	—	—	....	....
Put	—	—	—	—	—	1.2	—	16	....	....
Others:										
Sell	—	—	....	—	—	—	—	....	....	....
Buy	—	—	....	—	—	—	—	....	....	....
Total	....	....	....	....	¥(0.8)	....	....	....	....	¥(0.4)

Notes: 1. * In millions of yen. Option premiums are included in the balance sheet.
2. Derivative transactions included in trading account transactions are valued at the market price and the evaluation profit or loss calculated is included in the Statement of Income. Therefore it is not indicated in the following table.
The contract value, etc. of derivative transaction in trading account transactions is as follows:

	Billions of yen		
March 31, 1998	Contract value	Option premium*	Market value
Listed			
Bond Futures:			
Sell	¥21.3	¥....	¥21.3
Buy	9.7	....	9.7
Bond Futures Option:			
Sell Call	—	—	—
Put	—	—	—
Buy Call	—	—	—
Put	—	—	—
Over the Counter			
Bond Related Swap:			
Sell Call	—	—	—
Put	—	—	—
Buy Call	—	—	—
Put	—	—	—
Others:			
Sell	—	—	—
Buy	—	—	—
Total	....	....	....

Note: * In millions of yen. Option premiums are the original premiums received/paid relating to the contract value, etc.

Asset Liability Management

Composition of Time Deposits by Type and Maturity

March 31, 1998	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than two years	Two years to less than three years	Three years and over	Total
	Billions of yen						
Time Deposits with Deregulated Interest Rates (fixed)	¥ 5,736.7	¥1,919.4	¥2,447.9	¥1,043.9	¥1,496.5	¥291.0	¥12,935.6
Time Deposits with Deregulated Interest Rates (floating)	0.5	0.5	2.1	1.4	0.9	0.0	5.6
Total	¥11,325.7	¥2,703.4	¥2,599.4	¥1,045.8	¥1,497.5	¥295.8	¥19,467.7

Note: Time deposits outstanding do not include installment time deposits.

Composition of Loans by Type and Maturity

March 31, 1998	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	Over seven years	Unspecified term	Total
	Billions of yen						
Floating Interest Rate	¥	¥1,683.9	¥1,888.3	¥ 951.3	¥5,867.4	¥5,359.9	¥ ....
Fixed Interest Rate	....	881.5	1,146.6	350.2	2,742.2	—	....
Total	¥11,158.8	¥2,565.4	¥3,035.0	¥1,301.5	¥8,609.6	¥5,359.9	¥32,030.5

Composition of Securities Holdings by Type and Maturity

March 31, 1998	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years to 10 years	Over 10 years	Unspecified Term	Total
	Billions of yen							
Japanese Government Bonds	¥ 0.1	¥ 12.8	¥84.6	¥337.6	¥652.5	¥ —	¥ —	¥1,087.9
Japanese Local Government Bonds	10.8	26.8	15.3	7.7	305.5	2.6	—	368.9
Corporate Bonds	57.4	122.0	61.6	19.9	220.0	—	—	481.0
Corporate Stocks	....	....	....	....	....	....	3,474.6	3,474.6
Other	96.1	32.5	45.5	31.1	33.1	25.0	572.3	835.8
Foreign Corporate Bonds	94.2	27.4	32.8	11.9	9.9	25.0	—	201.4
Foreign Corporate Stocks	....	....	....	....	....	....	438.5	438.5
Securities Lent	—	2.2	—	—	—	—	—	2.2

Notes: 1. "Total number of employees" does not include non-regular or locally hired staff at the overseas offices which total 2,737 as of March 31, 1998.
2. "Average monthly salary" was calculated on the basis of total salary paid in March plus overtime allowance. This figure does not include annual bonus payments.
3. The stipulated age of retirement for employees is 60 years of age.
However, in certain cases where deemed necessary by the Bank, employees may be rehired as a non-regular employee for a fixed term.

Facilities and Premises/Personnel

Number of Branches

March 31,	**1998**	1997	1996
Domestic:			
Branches	**290**	290	289
Sub-branches	**42**	49	55
Overseas:			
Branches	**25**	24	21
Sub-branches	**1**	1	1
(Representative offices)	**(21)**	(22)	(23)
Total	**358**	364	366

Investment in Facilities

March 31, 1998	Budget	Paid	Expected expenditure
	Billions of yen		
Head Office	**¥ 0.7**	¥ 0.4	¥ 0.3
Branches	**19.0**	8.0	11.0
Others	**9.6**	4.0	5.5
Office Appliances	**19.9**	0.0	19.9
Other Office Equipment	**3.1**	0.0	3.1
Total	**¥52.3**	¥12.4	¥39.8

Number of ATMs

March 31,	**1998**	1997	1996
Cash Dispensers	**519**	547	547
Automatic Tellers	**3,399**	3,325	3,240
Automatic Passbook Entry Machines	**369**	369	369
Total	**4,287**	4,241	4,156

Personnel

March 31, 1998	Number of employees	Average age	Average length of employment	Average monthly salary (yen)
Administrative Staff:		*years - months*	*years - months*	
Male	9,429	39-1	17-5	¥594,495
Female	4,716	29-11	9-9	264,550
Sub-total or Average	14,145	36-1	14-10	484,490
General Operating Staff:				
Male	470	53-7	17-0	367,003
Female	—	—	—	—
Sub-total or Average	470	53-7	17-0	367,003
Total or Average	14,615	36-7	14-11	¥480,712

NON-CONSOLIDATED

NON-CONSOLIDATED

Principal Ratios

Capital Ratio

March 31,	Billions of yen 1998	1997	1996
Tier I Capital	¥ 1,809.8	¥ 1,950.6	¥ 1,641.3
Tier II Capital:			
Unrealized Gains on Securities, after 55% Discount	—	174.2	441.2
Revaluted Gains on Securities, after 55% Discount	146.9	—	—
Reserve for Possible Loan Losses	120.7	141.9	135.8
Subordinated Term Debt and Other	1,476.9	1,485.2	1,142.7
Total	1,744.6	1,801.5	1,719.8
Tier II Capital Includible as Qualifying Capital	1,744.6	1,801.5	1,641.3
Total Qualifying Capital	¥ 3,554.5	¥ 3,752.1	¥ 3,282.7
Risk-Adjusted Assets:			
On-Balance Sheet Items	33,802.9	36,251.0	35,199.7
Off-Balance Sheet Items	3,614.6	4,412.8	4,025.3
Amount related to Market Risk Equivalent	341.9	—	—
Total	¥37,759.5	¥40,663.8	¥39,225.1
Tier I Capital Ratio	4.79%	4.79%	4.18%
Total Capital Ratio	9.41	9.22	8.36

Notes: 1. Figures in this table were calculated on a consolidated basis and in accordance with guidelines established by the Ministry of Finance.
2. The reserve for possible loan losses excluded the specific reserve for fiscal 1991 and fiscal 1992. Beginning in fiscal 1993, the reserve for possible loan losses excludes both the specific reserve for possible loan losses and the reserve for loans to developing countries.

Return on Equity and Assets

Years ended March 31,	1998	1997	1996
Net Income as a Percentage of:			
Average Total Assets, excluding Customers' Liabilities for Acceptances and Guarantees (ROA)	—%	0.11%	—%
Average Shareholders' Equity	—%	3.59%	—%
Declared Cash Dividends per Share (in yen):			
Common Stock	¥8.50	¥8.50	¥6.50
Preferred Stock	7.50	3.75	—

Margin on Funds

Years ended March 31,	1998	1997	1996
Yield on Funds (Yield on Interest Earning Assets) – Ⓐ:			
Domestic	2.24%	2.39%	2.89%
International	8.02	8.50	10.07
Total	4.44	4.71	5.48
Cost of Funds (Yield on Interest Bearing Liabilities) – Ⓑ:			
Domestic	2.18	2.20	2.50
International	7.50	7.63	9.09
Total	4.27	4.30	4.94
Overall Margin on Funds (Ⓐ – Ⓑ):			
Domestic	0.06	0.19	0.39
International	0.52	0.86	0.98
Total	0.17%	0.40%	0.53%

Ratio of Loans to Deposits

March 31,	Billions of yen 1998	1997	1996
Loans:			
Domestic	¥22,898.7	¥21,970.0	¥22,247.3
International	9,131.8	12,067.2	10,128.8
Total	32,030.5	34,037.3	32,376.1
Deposits:			
Domestic	24,358.4	24,136.1	23,974.1
International	10,084.2	14,143.0	12,990.9
Total	34,442.7	38,279.1	36,965.0
Ratio of Loans to Deposits:			
Domestic	94.00%	91.02%	92.79%
International	90.55	85.32	77.96
Total	92.99%	88.91%	87.58%
Average Balance Outstanding During Year:			
Domestic	96.00%	93.80%	99.19%
International	82.85	79.15	66.13
Total	90.96%	88.13%	86.11%

Deposit / Loan Balance per Office

March 31,	Billions of yen 1998	1997	1996
Deposits per Office:			
Domestic	¥ 96.1	¥ 91.7	¥ 92.1
Overseas	262.2	485.7	491.6
Total	109.3	121.9	119.2
Loans per Office:			
Domestic	80.8	77.9	79.0
Overseas	343.2	476.3	454.0
Total	101.6	108.3	104.4
Number of Offices:			
Domestic	290	290	289
Overseas	25	24	21
Total	315	314	310

Note: Sub-branches are not included in the number of offices.

Deposit / Loan Balance per Employee

March 31,	Billions of yen 1998	1997	1996
Deposits per Employee:			
Domestic	¥2.1	¥1.9	¥1.8
Overseas	3.2	6.3	6.0
Total	2.2	2.4	2.3
Loans per Employee:			
Domestic	1.7	1.6	1.5
Overseas	4.2	6.2	5.5
Total	2.1	2.1	2.0

Note: Number of employees denotes average number of employees for the year. The number of employees for domestic offices includes head office employees.

NON-CONSOLIDATED

Stock Information

Stockholder Information (Common stock)

March 31, 1998	Number of stockholders	Number of stocks held (thousands)
Central/Local Government	4	5,830 (0.20%)
Financial Institutions	251	877,330 (30.40%)
Securities Companies	101	27,248 (0.95%)
Other Corporate Entities	6,382	1,653,501 (57.30%)
Foreign Corporations, etc.	487	137,069 (4.75%)
Individuals and Other	39,854	184,722 (6.40%)
Total	47,079	2,885,700 (100.00%)

Breakdown of Stockholders' Interests (Common stock)

March 31, 1998	Number of stockholders	Number of stocks held (thousands)
1,000 share units and above	349 (0.74%)	2,336,434 (80.97%)
500 share units and above	188 (0.40%)	134,485 (4.66%)
100 share units and above	749 (1.59%)	170,267 (5.90%)
50 share units and above	615 (1.31%)	41,985 (1.45%)
10 share units and above	5,998 (12.74%)	103,870 (3.60%)
5 share units and above	6,694 (14.22%)	42,635 (1.48%)
1 share unit and above	32,486 (69.00%)	56,024 (1.94%)
Total	47,079 (100.00%)	2,885,700 (100.00%)

Fuji Bank Stock Price (Common stock)

	Yen		
Years ended March 31,	**1998**	1997	1996
Highest	**¥1,840**	¥2,440	¥2,450
Lowest	**440**	1,140	1,650

Note: Fuji Bank stocks are listed on the first section of the Tokyo Stock Exchange.

NON-CONSOLIDATED

CORPORATE INFORMATION

Contents

BOARD OF DIRECTORS AND SENIOR OVERSEERS

Chairman of the Board

Toru HASHIMOTO

President & Chief Executive Officer

Yoshiro YAMAMOTO

Deputy Presidents

Tosaku HARADA
Hiroaki ETOH
Toshiyuki OGURA

Senior Managing Director

Mitsuru ANNEN

Managing Directors

Masaaki SATO
Osamu KITA
Isao HIRAIDE
Soichi HIRABAYASHI
Takeshi KOBAYASHI
Atsushi TAKANO
Terunobu MAEDA
Hiroaki SHINODA
Teruhiko IKEDA
Takeshi TAKAHASHI

Directors

Yasutaka HISHIYAMA
Yukio OBARA
Shiro YANAGIHARA
Hideshi IWAI
Seiji SATOMURA
Kenji WATANABE
Yoshinori MURAKAMI
Michio UENO
Tsutomu HAYANO
Kazumi YANAGIHARA
Satoshi KIMURA
Toru ISHIHARA
Fumito ISHIZAKA
Kunioki ISHIBASHI
Takashi SHIRAI
Yoshiaki SUGITA
Minoru ITOSAKA
Hajime SAKUMA
Saburo NISHIURA

Senior Overseers

Minoru TANAKA
Masayuki AMARI
Takeie UKITA
Yoriaki SAKATA
Yuji OSHIMA
Daiyu AOKI

(as of June 26, 1998)

STOCK INFORMATION

Paid-in Capital
¥529,087 million

Number of Authorized Stocks

Common Stock	4,000,000,000 shares
Preferred Stock	100,000,000 shares

Number of Outstanding Stocks

Common Stock	2,897,614,578 shares
Preferred Stock	70,000,000 shares

Number of Stockholders

Common Stock	56,314
Preferred Stock	1

Listings

Tokyo Stock Exchange
Osaka Securities Exchange
Kyoto Stock Exchange
Sapporo Stock Exchange
London Stock Exchange
Paris Stock Exchange

Stockholders' Meeting

General stockholders' periodic meeting is scheduled in June every year at the Bank's headquarters. Apart from that, extraordinary meetings can be held whenever necessary.

Principal Stockholders

Common Stock

The ten principal stockholders of the Bank and their respective stockholdings as of March 31, 1998:

	Number of Stocks Held (in thousands)	Percentage in Total Stocks Issued (%)
The Yasuda Mutual Life Insurance Company	141,957	4.89
The Dai-ichi Mutual Life Insurance Company	84,639	2.92
Nippon Life Insurance Company	79,510	2.74
The Yasuda Trust & Banking Co., Ltd.*	72,994	2.51
The Yasuda Fire & Marine Insurance Co., Ltd.	62,115	2.14
Nippon Steel Corporation	50,838	1.75
Nihon Cement Co., Ltd.	45,599	1.57
The Mitsui Trust & Banking Co., Ltd.	43,104	1.48
The Nichido Fire & Marine Insurance Co., Ltd.	43,057	1.48
Kubota, Ltd.	42,539	1.46
Total	666,356	22.99

* Regarding the stockholding of the Yasuda Trust & Banking Co., Ltd., such holdings as designated fund trust for separate account investment are included.

Preferred Stock

	Number of Stocks Held (in thousands)	Percentage in Total Stocks Issued (%)
FIFB Holding Services (BVI) Ltd.*	70,000	100.00

* FIFB Holding Services (BVI) Ltd. is the trustee for Fuji International Finance (Burmuda) Trust.

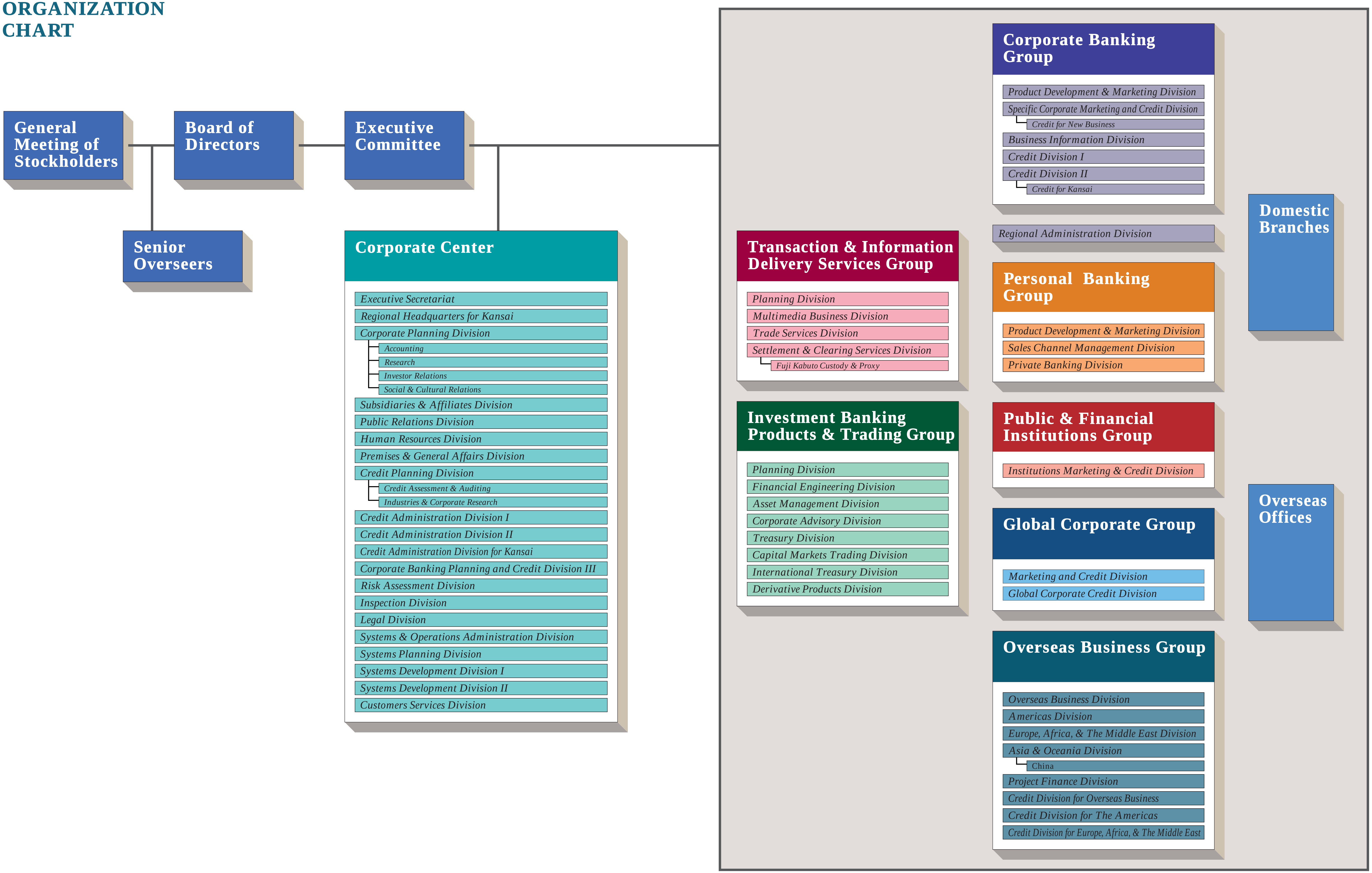
Board of Directors & Senior Overseers (as of June 26, 1998)

	Number of Stocks Held (in thousands)*
Chairman of the Board	
Toru Hashimoto	47
President & CEO	
Yoshiro Yamamoto	29
Deputy Presidents	
Tosaku Harada	20
Hiroaki Etoh	23
Toshiyuki Ogura	17
Senior Managing Director	
Mitsuru Annen	15
Managing Directors	
Masaaki Sato	11
Osamu Kita	15
Isao Hiraide	12
Soichi Hirabayashi	19
Takeshi Kobayashi	9
Atsushi Takano	14
Terunobu Maeda	17
Hiroaki Shinoda	11
Teruhiko Ikeda	12
Takeshi Takahashi	4
Directors	
Yasutaka Hishiyama	6
Yukio Obara	4
Shiro Yanagihara	5
Hideshi Iwai	7
Seiji Satomura	9
Kenji Watanabe	7
Yoshinori Murakami	7
Michio Ueno	9
Tsutomu Hayano	12
Kazumi Yanagihara	8
Satoshi Kimura	5
Toru Ishihara	6
Fumito Ishizaka	7
Kunioki Ishibashi	3
Takashi Shirai	6
Yoshiaki Sugita	8
Minoru Itosaka	4
Hajime Sakuma	8
Saburo Nishiura	7
Senior Overseers	
Minoru Tanaka	22
Masayuki Amari	17
Takeie Ukita	10
Yoriaki Sakata	3
Yuji Oshima	0
Daiyu Aoki	40

*as of March 31, 1998

None of the Directors have any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Fuji Bank Group and which were effected by the Bank during the current or immediately preceding financial year or which were effected by the Bank during an earlier financial year and remain in any respect outstanding or unperformed.

ORGANIZATION CHART



(as of April 1, 1998)

OVERSEAS OFFICES

(★ = Consolidated Subsidiaries)

THE AMERICAS

■ Americas Division

Two World Trade Center,
82nd Floor, New York,
New York 10048, U.S.A.
Phone: 1-212-898-2000
Fax: 1-212-321-9418/9419

Branches, Agencies and Representative Offices

■ Atlanta Agency

Marquis One Tower, Suite 2100,
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303, U.S.A.
Phone: 1-404-653-2100
Fax: 1-404-653-2119
Telex: (910) 250-7122

■ Chicago Branch

225 West Wacker Drive, Suite 2000,
Chicago, Illinois 60606, U.S.A.
Phone: 1-312-621-0500
Fax: 1-312-621-0305
Telex: (230) 284351, 253114

■ Grand Cayman Branch

Roywest House, West Bayroad,
P.O.Box 707, Grand Cayman,
British West Indies

■ Houston Agency

One Houston Center, Suite 4100,
1221 McKinney Street,
Houston, Texas 77010, U.S.A.
Phone: 1-713-759-1800
Fax: 1-713-759-0048
Telex: 790026

■ Los Angeles Agency

333 South Hope Street,
Los Angeles, California 90071, U.S.A.
Phone: 1-213-680-9855
Fax: 1-213-253-4198
Telex: 673336

■ New York Branch

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New York, New York 10048, U.S.A.
Phone: 1-212-898-2000
Fax: 1-212-321-9407
Telex: 420626, 232440, 23125801

■ San Francisco Agency

International Building, Suite 500,
601 California Street, San Francisco,
California 94108, U.S.A.
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Fax: 1-415-362-4613
Telex: 176087

■ Colombia Representative Office

Carrera 7 No.71-52, Torre B Piso 9,
Santafe de Bogota, D.C., Colombia

■ Mexico Representative Office

Arquimedes #130, Plaza Arquimedes
Piso 9, Col. Polanco, C.P. 11560
Mexico, D.F. Mexico
Phone: 52-5-282-6601
Fax: 52-5-282-6656
Telex: 1763020

■ Miami Representative Office

First Union Financial Center, Suite 3440,
200 South Biscayne Boulevard,
Miami, Florida 33131, U.S.A.
Phone: 1-305-374-2226
Fax: 1-305-381-8338
Telex: 441267

■ São Paulo Representative Office

Avenida Brigadeiro Luiz Antonio,
2020-10° andar, 01318-911 São Paulo,
Brazil
Phone: 55-11-289-1812
Fax: 55-11-287-7867
Telex: 1123932

■ Washington, D.C. Representative Office

1155 Connecticut Avenue, N.W.
Suite 601,
Washington, D.C. 20036, U.S.A.
Phone: 1-202-467-6660
Fax: 1-202-467-5045
Telex: 496-13628

Subsidiaries

■ Fuji America Holdings, Inc.★

(Holding company)
500 West Monroe Street,
Chicago, Illinois, 60661, U.S.A.
Phone: 1-312-441-7533
Fax: 1-312-441-7499

■ The Fuji Bank and Trust Company★

(Commercial banking and trust business)
Two World Trade Center,
79th—81st Floors,
New York, New York 10048, U.S.A.
Phone: 1-212-898-2400
Fax: 1-212-321-9649
Telex: 425777

■ Fuji Bank Canada★

(Commercial banking)
Main Office
BCE Place, Suite 2800, Canada Trust
Tower, 161 Bay Street,
P.O. Box 609, Toronto,
Ontario M5J 2S1, Canada
Phone: 1-416-865-1020
Fax: 1-416-865-9618
Telex: 06-22094

■ Fuji Bank International, Inc.★

(Offshore banking)
International Building,
601 California Street, San Francisco,
California 94108, U.S.A.
Phone: 1-415-362-4740
Fax: 1-415-362-4613
Telex: 176087

■ Fuji Bank (Mexico), S.A.★

(Commercial banking)
Arquimedes #130, Plaza Arquimedes
Piso 9, Col. Polanco, C.P. 11560
Mexico, D.F. Mexico
Phone: 52-5-282-6643
Fax: 52-5-282-6656/6657
Telex: 1763020

■ Fuji Capital Holdings Inc.★

(Holding company)
Two World Trade Center, 82nd Floor,
New York, New York 10048, U.S.A.

■ Fuji Capital Markets Corporation★

(Swaps and derivatives services)
Two World Trade Center, 80th Floor,
New York, New York 10048, U.S.A.
Phone: 1-212-898-2657
Fax: 1-212-321-9415
Telex: 425777

■ Fuji JGB Investment Holdings, Inc.★

(Holding company)
Two World Trade Center,
82nd Floor, New York,
New York 10048, U.S.A.
Phone: 1-212-898-2562
Fax: 1-212-898-2770

■ Fuji JGB Investment L.L.C.★

(Investment company)
(Same address as above)

■ Fujilease Corporation★

(Leasing)
Two World Trade Center,
79th—81st Floors,
New York, New York 10048, U.S.A.
Phone: 1-212-898-2400
Fax: 1-212-321-9649
Telex: 425777

■ Fuji Securities Inc.★

(Securities trading and dealing)
New York Office
Two World Financial Center
South Tower 26th Floor, New York,
New York 10281, U.S.A.
Phone: 1-212-417-2400
Fax: 1-212-786-3347
Chicago Office
311 South Wacker Drive, Suite 2000,
Chicago, Illinois 60606-6620, U.S.A.
Phone: 1-312-294-8725
Fax: 1-312-294-8721

■ FWI Holdings Inc.★

(Holding company)
1209 Orange Street, Wilmington,
New Castle, Delaware, U.S.A.

■ Heller Financial, Inc.★

(Commercial finance)
500 West Monroe Street,
Chicago, Illinois 60661, U.S.A.
Phone: 1-312-441-7000
Fax: 1-312-441-7499
31 offices in U.S.A.

■ Heller International Group, Inc.★

(Commercial finance)
(Same address as above)
18 countries

■ Heller Financial (Mexico), S.A. de CV★

Monte Elbruz No.124-8 Piso,
Polanco, Mexico D.F. 11550
Phone: 52-5-728-0900
Fax: 52-5-728-0905

Affiliates

■ America do Sul "Leasing" S.A. Arrendamento Mercantil

(Leasing)
Avenida Paulista, 688-7° andar,
São Paulo, Brazil
Phone: 55-11-283-3288
Telex: 1136790

■ Banco America do Sul S.A.

(Commercial and investment banking)
Avenida Brigadeiro Luiz Antonio, 2020,
São Paulo, Brazil
Phone: 55-11-288-4933
Fax: 55-11-285-4564
Telex: 1121892

■ Cia. de Seguros America do Sul Yasuda

(Insurance)
Avenida Brigadeiro Luiz Antonio,
2020-5° andar, São Paulo, Brazil
Phone: 55-11-285-1411
Fax: 55-11-289-8442
Telex: 11239061411

■ Fuji-Wolfensohn International

(Corporate advisory)
One Bankers Trust Plaza, 130 Liberty
Street, New York, New York 10006,
U.S.A.
Phone: 1-212-250-3400
Fax: 1-212-669-0701

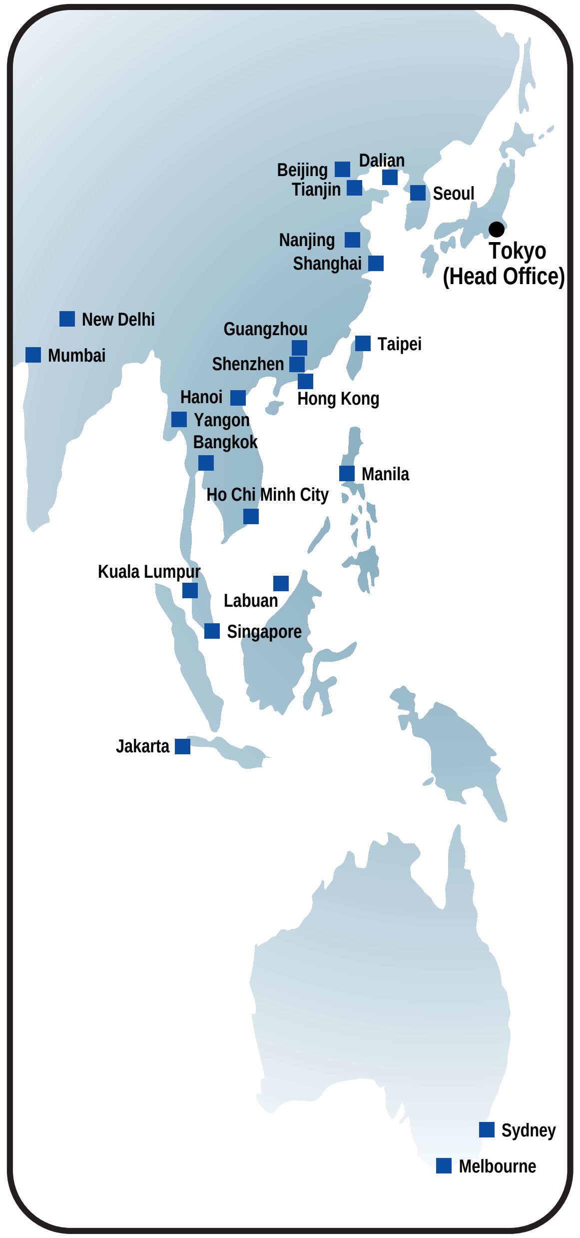
■ Heller-Sud Servicios Financieros S.A.

Maipu 311 Piso 1°, 1006 Buenos Aires,
Argentina
Phone: 54-1-394-0036
Fax: 54-1-394-0064

■ HellerNet-Sud

Augustinas 640, Piso 14 Santiago, Chile
Phone: 56-2-661-4700
Fax: 56-2-661-4794

ASIA AND OCEANIA



Asia and Oceania Division

1-5-5, Otemachi, Chiyoda-ku
Tokyo, Japan 100-0004
Phone: 81-3-5252-8587
Fax: 81-3-3287-1174

Branches and Representative Offices

Bangkok International Banking Facility

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38 Convent Road, Silom, Bangrak,
Bangkok 10500, Thailand
Phone: 66-2-632-1900
Fax: 66-2-632-1919
Telex: 84433 FUJIBKB

Dalian Branch

14F, Dalian Senmao Building,
147 Zhongshan Lu, Dalian,
Liaoning Province,
The People's Republic of China
Phone: 86-411-3608348
Fax: 86-411-3608328
Telex: 86247 FJBKD CN

Hanoi Branch

Unit 04/05, 5th Floor, International Centre,
17 Ngo Quyen Street, Hanoi, Vietnam
Phone: 84-4-826-6553
Fax: 84-4-826-6665
Telex: 411368 FJBKHAN VT

Hong Kong Branch

26th Floor, Gloucester Tower, The Landmark,
11 Pedder Street, Central, Hong Kong
Phone: 852-2826-5710
Fax: 852-2810-0048
Telex: 74604 FUJBK HX

Labuan Branch

Kuala Lumpur Marketing Office
30th Floor, UBN Tower,
No.10, Jalan, P. Ramlee,
50250 Kuala Lumpur, Malaysia
Phone: 60-3-201-5020
Fax: 60-3-201-5030
Telex: MA 30920 FUJLAK
Labuan Office
Level 10 (A) Main Office Tower Financial
Park Labuan, Jalan Merdeka, 87000 Federal
Territory of Labuan, Malaysia
Phone: 60-87-41-7766
Fax: 60-87-41-9766
Telex: MA85062FUJLAB

Manila Branch

26th Floor, Citibank Tower, Valero Street
Corner Villar Street, Salcedo Village,
Makati City, Metro Manila, Philippines
Phone: 63-2-848-0001
Fax: 63-2-815-3770
Telex: 45224 FUJI BNKPM

Mumbai Branch

Maker Chamber III, 1st Floor,
Jamnalal Bajaj Road, Nariman
Point,
Mumbai, 400021 India
Phone: 91-22-288-6638
Fax: 91-22-288-6640
Telex: 81030 FUJI

Seoul Branch

15th Floor, Doosan Building,
101-1, 1-Ka,
Ulji-Ro, Chung-ku, Seoul,
Republic of Korea
Phone: 82-2-311-2000
Fax: 82-2-754-8177
Telex: K 27216

Shanghai Branch

7F, Shanghai Senmao
International Building,
101 Yin Cheng East Road,
Pudong New Area, Shanghai,
The People's Republic of China
Phone: 86-21-68411000
Fax: 86-21-68412000
Telex: 30168 FJBSH

Shenzhen Branch

21st Floor, Shenzhen International
Financial Building, 23 Jian She Lu,
Shenzhen, Guangdong Province,
The People's Republic of China
Phone: 86-755-2221918
Fax: 86-755-2225390
Telex: 420304

Singapore Branch

1 Raffles Place, #20-00, OUB
Centre, Singapore 048616
Phone: 65-5343500
Fax: 65-5327310
Telex: RS 24610

Taipei Branch

12th Floor, Hung Kuo Building,
167 Tun Hua North Road,
Taipei, Taiwan
Phone: 886-2-25455466
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Telex: 26087 FUJITPI

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19 Jianguo Men Wai Dajie,
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Phone: 86-10-65004694
Fax: 86-10-65002161
Telex: 22906 FJBBJCN

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Room No.2659, Dongfang Hotel, 1 Liu Hua
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Fax: 86-20-86663814
Telex: 44596 FJBGZCN

Ho Chi Minh Representative Office

Suite D, 4th Floor, OSIC Building,
No.8 Nguyen Hue Street, District 1,
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Phone: 84-8-8243195
Fax: 84-8-8243194
Telex: 813184 FUJIHM VT

Jakarta Representative Office

24th Floor, BII Plaza Tower II
Jalan M.H. Thamrin No. 51,
Jakarta 10350, Indonesia
Phone: 62-21-3927061
Fax: 62-21-3927064
Telex: 69172

Kuala Lumpur Representative Office

30th Floor, UBN Tower,
No.10, Jalan P. Ramlee,
50250 Kuala Lumpur, Malaysia
Phone: 60-3-2307950
Fax: 60-3-2307951
Telex: MA 32351/FUJIKL

Melbourne Representative Office

Level 18, 367 Collins Street,
Melbourne, Victoria 3000, Australia
Phone: 61-3-96292844
Fax: 61-3-96292737
Telex: 151291

Nanjing Representative Office

Room No.801, Nanjing Grand Hotel,
208 Guangzhou Road, Nanjing,
Jiangsu Province
The People's Republic of China
Phone: 86-25-3329379
Fax: 86-25-3319355

New Delhi Representative Office

World Trade Centre, 5th Floor,
Barakhamba Lane, New Delhi 110001, India
Phone: 91-11-371-1808
Fax: 91-11-371-1840
Telex: 031-63179

Sydney Representative Office

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Phone: 61-2-9221-2211
Fax: 61-2-9251-5331
Telex: 27307

Tianjin Representative Office

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Phone: 86-22-23305448
Fax: 86-22-23305489

Yangon Representative Office

International Business Centre, Unit 305,
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Township, Yangon, Union of Myanmar
Phone: 95-1-666332
Fax: 95-1-666387

Subsidiaries

P.T. Fuji Bank International Indonesia★

(Commercial banking)
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Jalan M.H. Thamrin No. 51,
Jakarta 10350, Indonesia
Phone: 62-21-3925222
Fax: 62-21-3926354
Telex: 69142

Fuji Capital Markets (HK) Limited★

(Swaps and derivatives services)
2502 Gloucester Tower, The Landmark,
11 Pedder Street, Central, Hong Kong
Phone: 852-2537-3815
Fax: 852-2826-4891

The Fuji Futures (Singapore) Pte., Limited★

(Operations in financial futures markets)
Six Battery Road #13-16,
Singapore 049909
Phone: 65-2213633
Fax: 65-2273038

Fuji International Finance (Australia) Limited★

(Corporate and merchant banking)
Level 28, Maritime Centre, 201 Kent Street,
Sydney, N.S.W. 2000, Australia
Phone: 61-2-9251-2322
Fax: 61-2-9235-1750
Telex: 27307

Fuji International Finance (HK) Limited★

(Corporate and investment banking)
3301, Gloucester Tower, The Landmark,
11 Pedder Street, Central, Hong Kong
Phone: 852-25217233
Fax: 852-28459177
Telex: 76884

Heller Asia Capital (Singapore) Limited★

(Factoring)
6 Shenton Way, #20-08, DBS Building,
Tower 2, Singapore 068809
Phone: 65-226-3822
Fax: 65-222-3198
Telex: 23339

Heller Financial Services Limited★

(Factoring)
234 Sussex Street, 6th Floor,
Sydney, N.S.W. 2000, Australia
Phone: 61-2-9372-2388
Fax: 61-2-9267-6032
Telex: 27500

Kwong On Bank, Limited★

(Commercial banking)
Head Office
59-65 Asia Standard Tower, Queen's Road
Central, Hong Kong
Phone: 852-28153636
Fax: 852-25439272
Telex: 73359, 73901
Branches
33 offices in Hong Kong

Fuji International Finance (Singapore), Limited★

1 Raffles Place, #26-02, OUB Centre,
Singapore 048616, Singapore
Phone: 65-439-7600
Fax: 65-536-7364
Telex: RS24610

Affiliates

SIME Merchant Bankers Berhad

(Investment banking)
10th Floor, UMBC Annexe, Jalan Sulaiman,
50000 Kuala Lumpur, Malaysia
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Fax: 60-3-2740304
Telex: 30250

China Kang Fu International Leasing Co., Ltd.

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Building No.3, Xiyuan Hotel, Erligou,
Haidian District, Beijing,
The People's Republic of China
Phone: 86-10-6831-2540
Fax: 86-10-6831-1528
Telex: 222757

East Asia Heller Limited

(Factoring)
Suite 5904-07, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
Phone: 852-2-8272336
Fax: 852-2-8272632
Telex: 74142

Heller Factoring (M) Sdn. Bhd.

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Suite 08.04, Level 8, Menara Lion 165 Jalan,
Kuala Lumpur, Malaysia Ampang, 50450
Phone: 60-3-262-6827
Fax: 60-3-262-6652

P.T. Jaya Fuji Leasing Pratama

(Leasing)
9th Floor, Jaya Building,
Jalan M.H. Thamrin 12, Jakarta, Indonesia
Phone: 62-21-331750
Fax: 62-21-325430
Telex: 61683

Thai Farmers Heller Factoring Co., Ltd.

(Factoring)
Phatra Insurance Building, 1st Floor,
252 Ratchadapisek Road, Huaykwang,
Bangkok 10310, Thailand
Phone: 66-2-2762030
Fax: 66-2-2755165

EUROPE AND THE MIDDLE EAST

■ **Europe, Africa & The Middle East Division**
River Plate House, 7-11 Finsbury Circus,
London EC2M 7PX, U.K.
Phone: 44-171-826-3460
Fax: 44-171-638-0995
Telex: 886352

Branches and Representative Offices

■ **Brussels Branch**
Rue Guimard 6/8, B-1040, Brussels, Belgium
Phone: 32-2-234-0111
Fax: 32-2-230-9366
Telex: 20700

■ **Düsseldorf Branch**
Immermannstrasse 3, 40210 Düsseldorf,
F.R. Germany
Phone: 49-211-16930
Fax: 49-211-1789150
Telex: 8587388

■ **London Branch**
River Plate House, 7-11 Finsbury Circus,
London EC2M 7DH, U.K.
Phone: 44-171-588-2211
Fax: 44-171-588-1400
Telex: 886352

■ **Madrid Branch**
Plaza Manuel Gómez Moreno, s/n°
Edificio Alfredo Mahou, Planta 22,
Centro Comercial AZCA,
28020 Madrid, Spain
Phone: 3491-581-9444
Fax: 3491-581-9443
Telex: 47593

■ **Milan Branch**
Via Filippo Turati 16/18, 20121 Milano, Italy
Phone: 39-02-6596527
Fax: 39-02-6596589
Telex: 353172

■ **Paris Branch**
26 Avenue des Champs-Elysées,
75008 Paris, France
Phone: 33-1-4413-6000
Fax: 33-1-4413-6060
Telex: 641779

■ **Bahrain Representative Office**
Manama Center, Part 4,
Government Road, P.O.Box 26899,
Manama, Bahrain
Phone: 973-224158
Fax: 973-224818
Telex: 9415

■ **Berlin Representative Office**
c/o Düsseldorf Branch
Immermannstrasse 3, 40210 Düsseldorf,
F.R. Germany
Phone: 49-211-16930
Fax: 49-211-352407
Telex: 8587388 ~ 9

■ **Manchester Representative Office**
Part 4th Floor, National House,
36 St. Ann Street,
Manchester H6O 8HF, U.K.
Phone: 44-161-835-2200
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■ **Tehran Representative Office**
3rd Floor, No. 1, 14th Street,
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Tehran, Iran
Phone: 98-21-8726593
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■ **Vienna Representative Office**
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1090 Wien, Republic of Austria
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Fax: 43-1-3102124
Telex: 116246

Subsidiaries

■ **Fuji Bank (Deutschland) AG★**
(Commercial and investment banking)
Mainzer Landstrasse 46,
60325 Frankfurt am Main, F.R. Germany
Phone: 49-69-170900
Fax: 49-69-7241034
Telex: 416535

■ **Fuji Bank (Luxembourg) S.A.★**
(Commercial and investment banking)
Centre Financier, 29 Avenue
de la Porte-Neuve 2227,
Luxembourg
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Telex: 3213

■ **Fuji Bank Nederland N.V.★**
(Commercial and investment banking)
Rivierstaete Amsterdam 166, 1079 LH,
Amsterdam, The Netherlands
Phone: 31-20-6610049
Fax: 31-20-6610201
Telex: 10395

■ **Fuji Bank (Schweiz) AG★**
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Paradeplatz/Tiefenhöfe 6,
8022 Zürich, Switzerland
Phone: 41-1-211-3313
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■ **Fuji Capital Markets (UK) Limited★**
(Swaps and derivatives services)
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Fax: 44-171-972-9901

■ **Fuji International Finance PLC★**
(Investment banking)
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■ **Fuji Leasing (Deutschland) GmbH★**
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Immermannstrasse 3-5, 40210 Düsseldorf,
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Telex: 8587388 ~ 9

■ **Fuji Leasing (UK) Limited★**
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Affiliates

■ **Belgo-Factors, N.V.**
(Factoring)
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B-2300, Turnhout, Belgium
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Telex: 31045

■ **Factofrance Heller, S.A.**
(Factoring)
Tour Facto, Cedex 88,
92988 Paris, France
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Fax: 33-1-46-35-69-00
Telex: 200134

■ **Fuji Investment Management Company (Europe) Limited**
(Asset management)
River Plate House, 7-11, Finsbury Circus,
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Fax: 44-171-782-9165

■ **Handlowy-Heller S.A.**
(Factoring)
U1 Kasprzaka 18/20
01-211 Warsaw, Poland
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Fax: 48-22-632-7087

■ **Heller Bank A.G.**
(Factoring)
Postfach 2420, 55014 Mainz,
F.R. Germany
Phone: 49-6131-980-200
Fax: 49-6131-980-262
Telex: 4187638

■ **Heller Factoring Española, S.A.**
(Factoring)
Urgel, 240-8°D, 08036 Barcelona, Spain
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Fax: 34-3-321-2506
Telex: 50093

■ **Heller Factoring Portuguesa, S.A.**
(Factoring)
Edificio Castil, Rua Castilho, 39-14th Floor,
1200, Lisbon, Portugal
Phone: 351-1-381-5750
Fax: 351-1-381-5786
Telex: 18531

■ **NMB Heller N.V.**
(Factoring)
Runnenburg 30,
3981 AZ Bunnik, The Netherlands
Phone: 31-30-65-93-193
Fax: 31-30-65-93-493
Telex: 47678

■ **Nordisk Factoring A/S**
(Factoring)
Teknikerkyen 21, DK-2830,
Virum, Denmark
Phone: 45-45-833-888
Fax: 45-45-833-212
Telex: 19008

■ **OB Heller A.S.**
(Factoring)
Kristanova 3 130 00 Prague 3,
Czech Republic
Phone: 420-2-627-37-01
Fax: 420-2-627-41-43

■ **NMB-Heller Ltd.**
(Factoring)
22 Park Street,
4th–5th Floors, Park House,
Croydon, CR9 1RD, U.K.
Phone: 44-181-681-2641
Fax: 44-181-681-8072
Telex: 27348

DOMESTIC OFFICES AND AFFILIATED COMPANIES

Fuji Securities Co., Ltd.
Established: October 1994
Capitalization: ¥25,000 million
Percentage of Ownership: 100%

The Fuji Trust and Banking Co., Ltd.
Established: June 1996
Capitalization: ¥10,000 million
Percentage of Ownership: 100%

Fuji Investment Management Co., Ltd.
Established: September 1993
Capitalization: ¥2,050 million
Percentage of Ownership: 5%

Fuji Research Institute Corporation
Established: October 1988
Capitalization: ¥1,600 million
Percentage of Ownership: 5%

Fujigin Factors, Ltd.
Established: April 1978
Capitalization: ¥500 million
Percentage of Ownership: 5%

Fujigin Building, Ltd.
Established: November 1989
Capitalization: ¥470 million
Percentage of Ownership: 100%

Fujigin Capital Company
Established: July 1983
Capitalization: ¥450 million
Percentage of Ownership: 5%

The Fujigin Credit, Ltd.
Established: November 1974
Capitalization: ¥400 million
Percentage of Ownership: 5%

The Fuji Sogo Kanri Co., Ltd.
Established: December 1994
Capitalization: ¥300 million
Percentage of Ownership: 100%

Fuji Career Bureau, Ltd.
Established: May 1983
Capitalization: ¥70 million
Percentage of Ownership: 100%

Fuji Business Agency, Ltd.
Established: November 1978
Capitalization: ¥50 million
Percentage of Ownership: 100%

Fujigin Software Service, Ltd.
Established: August 1982
Capitalization: ¥50 million
Percentage of Ownership: 5%

Fuji Business Service, Ltd.
Established: June 1974
Capitalization: ¥20 million
Percentage of Ownership: 100%

Fuji International Business Service Co., Ltd.
Established: April 1993
Capitalization: ¥20 million
Percentage of Ownership: 100%

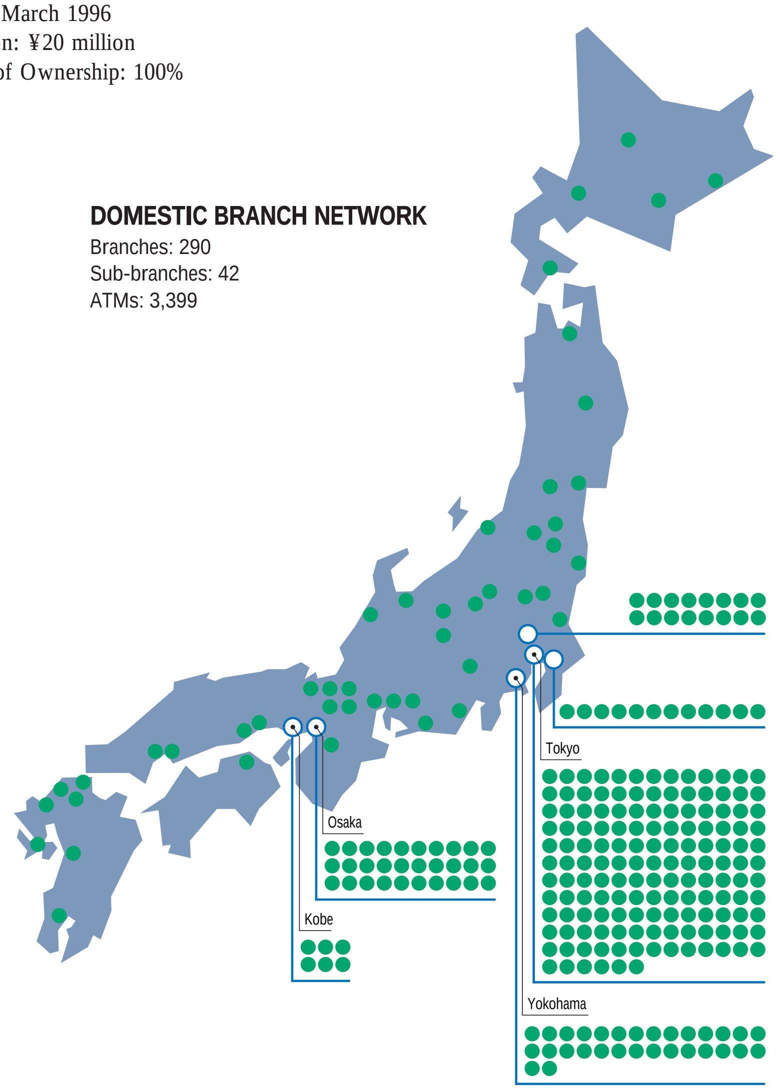
Fuji Total Service, Ltd.
Established: March 1996
Capitalization: ¥20 million
Percentage of Ownership: 100%

Fujigin Operation Service, Ltd.
Established: June 1985
Capitalization: ¥20 million
Percentage of Ownership: 5%

Fujigin Kousei Service, Ltd.
Established: March 1988
Capitalization: ¥10 million
Percentage of Ownership: 100%

Fujigin Marketing Service, Ltd.
Established: March 1988
Capitalization: ¥10 million
Percentage of Ownership: 100%

DOMESTIC BRANCH NETWORK
Branches: 290
Sub-branches: 42
ATMs: 3,399



CORPORATE DATA

Head Office
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http://www.fujibank.co.jp

Established
1880

Fiscal Year
April 1 to March 31

Auditor
Showa Ota & Co.

Employees
14,275 domestic
2,023 overseas
(Figures are for those employees of The Fuji Bank, Limited.)

Office
290 domestic, 47 overseas

For further information, please contact the Overseas Business Division, Planning, located at our head office.

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