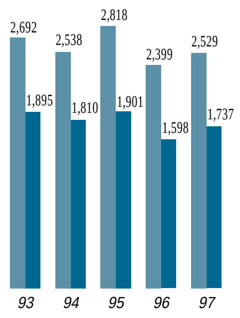
FISCAL 1997 IN REVIEW (CONSOLIDATED)

Fuji Bank Group

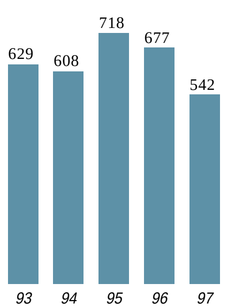
CONSOLIDATED

Operating Income and Operating Expenses
(¥ Billion)

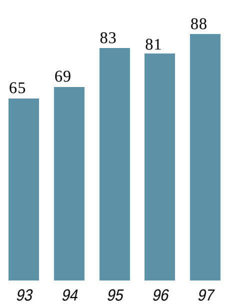


Operating Income
Operating Expenses

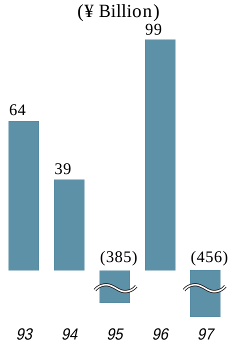
Net Interest Income
(¥ Billion)



Net Fees & Commissions Income
(¥ Billion)



Income (Loss) before Income Taxes and Others
(¥ Billion)



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

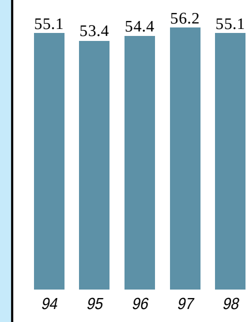
Calculated in accordance with BIS standards, the Bank's total capital decreased by ¥197.6 billion to ¥3,554.5 billion. While the Bank tried to build up its Tier 1 capital by issuing US$1.6 billion in noncumulative preferred securities through its subsidiary and Tier 2 capital by issuing subordinated 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%.

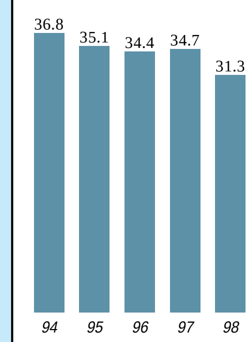
In addition, in May 1998, Tier 1 ratio improved by approximately 0.3% due to an increase in Tier 1 capital by approximately US$1 billion resulting from an IPO by Heller Financial, Inc., an American subsidiary of the Bank, which was listed on the New York Stock Exchange.

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.

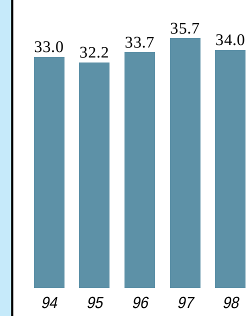
Total Assets
(¥ Trillion)



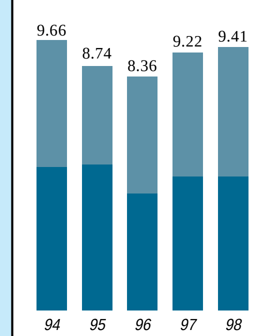
Deposits
(¥ Trillion)



Loans and Bills Discounted
(¥ Trillion)



Capital Ratio
(%)



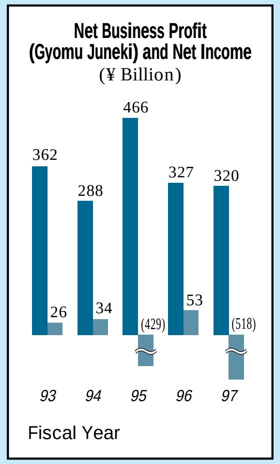
Tier I Ratio
Capital Ratio

CONSOLIDATED

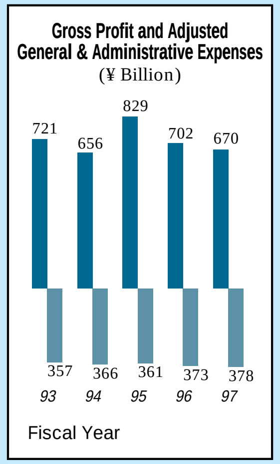
FISCAL 1997 IN REVIEW (NON-CONSOLIDATED)

The Fuji Bank, Limited

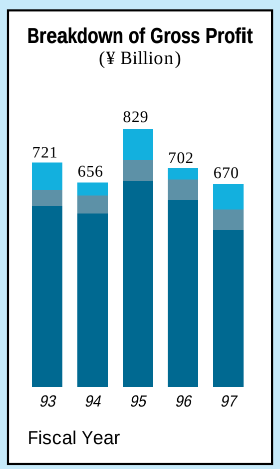
NON-CONSOLIDATED



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

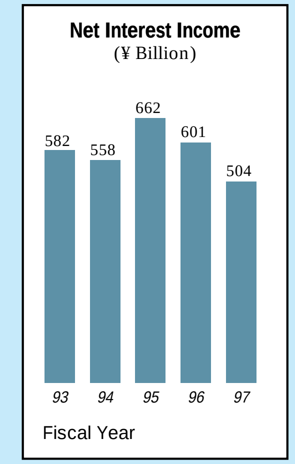
Net interest income fell by ¥96.8 billion to ¥504.2 billion.

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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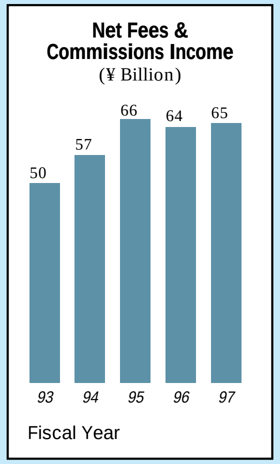


2. Net Fees and Commissions Income

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.

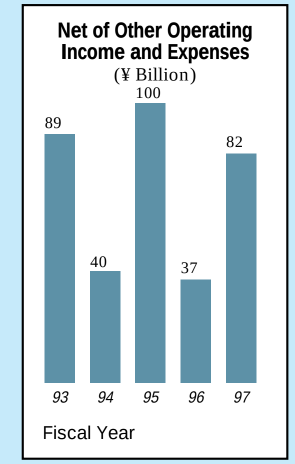
While exhaustive efforts were made to reduce non-personnel expenses, non-personnel expenses increased by ¥0.4 billion to ¥191.1 billion mainly due to the depreciation of the yen which increased non-personnel expenses in overseas branches.

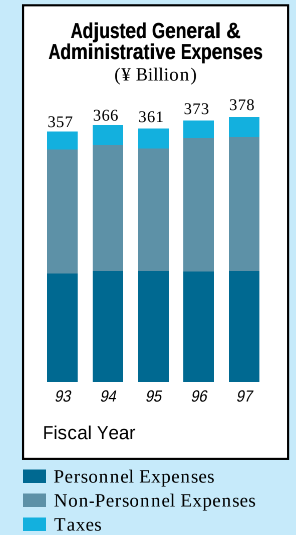
Other Income and Expenses, Income before Income Taxes, Net Income

Breakdown of Other Income and Expenses

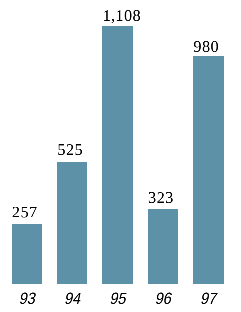
	Billions of yen		
Fiscal year	**1997**	1996	Change
Net of Securities Gains and Losses	**¥ 209.5**	¥ 100.0	¥ 109.4
Sales Gains	**268.6**	291.3	(22.6)
Devaluation	**56.9**	191.0	(134.0)
Expenses Relating to Portfolio Problem	**980.7**	323.2	657.4
Write-offs	**68.9**	25.7	43.1
Specific Reserves	**332.7**	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.





Expenses Related to Portfolio Problem
(¥ Billion)



Fiscal Year

NON-CONSOLIDATED

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.

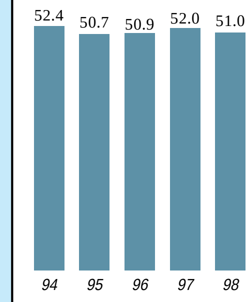
Loans

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)

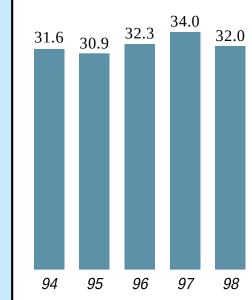
Note: *"Domestic Offices" covers yen-denominated loans and foreign currency-denominated loans made by domestic branches.

Total Assets
(¥ Trillion)



March 31

Loans and Bills Discounted
(¥ Trillion)



March 31

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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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