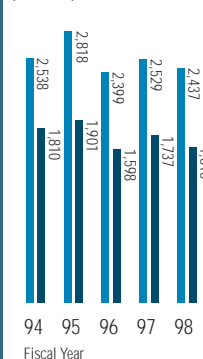


Operating Income and Operating Expenses

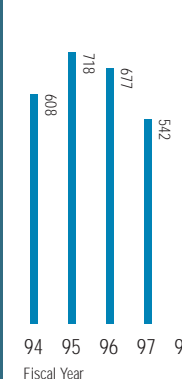
(¥ Billion)



■ Operating Income
■ Operating Expenses

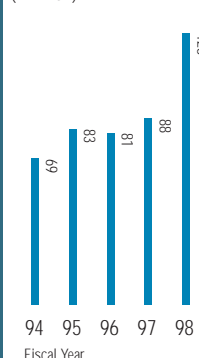
Net Interest Income

(¥ Billion)



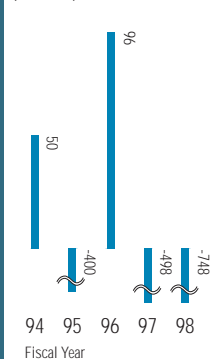
Net Fees & Commissions Income

(¥ Billion)



Income (Loss) before Income Taxes and Others

(¥ Billion)



FISCAL 1998 IN REVIEW (CONSOLIDATED)

Fuji Bank Group

Scope of Consolidation

Fiscal Year	1998	1997	Change
Subsidiaries.....	182	114	68
Affiliates Accounted for by the Equity Method of Accounting	52	16	36

Earnings Performance

Fiscal Year	Billions of yen		
	1998	1997	Change
Operating Income.....	¥2,437.7	¥2,529.2	¥ (91.4)
Operating Expenses.....	1,616.5	1,737.0	(120.5)
General & Administrative Expenses	494.5	470.0	24.4
Net Operating Profits.....	326.6	322.0	4.5
Net of Other Income and Expenses.....	(1,075.2)	(820.3)	(254.8)
Income (Loss) before Income Taxes	(748.5)	(498.2)	(250.2)
Income Taxes			
Current	18.3	17.6	0.7
Deferred.....	(362.0)	(178.1)	(183.8)
Others-net	(17.1)	(7.5)	(9.5)
Net Income (Loss).....	¥ (422.0)	¥ (345.3)	¥ (76.7)
Net Income (Loss) per Share (yen)	¥ (142.07)	¥ (119.35)	¥ (22.72)

Overview

In fiscal 1998, there were amendments to the Rules for Bank Accounting in Japan, whereby the previous consolidation standards for subsidiaries and affiliates were changed. The previous standards simply considered the percentage of the parent company's ownership of the voting stock in determining its degree of control over the company concerned. As a result of the amendments, in addition to the ownership percentage of voting stock, other factors such as personnel, funding arrangements, reliance on technical support, the number of bilateral transactions, etc. must now be considered in determining the actual control over the company.

Consequently, the number of Fuji Bank's subsidiaries increased by 68 from the previous year to 182, and the number of affiliates accounted for by the equity method of accounting increased by 36 to 52. Another main factor of the increase was the strengthened capital relationship with The Yasuda Trust and Banking Co., Ltd. ("Yasuda Trust").

The Fuji Bank Group reported Operating Income of ¥2,437.7 billion, a decrease of ¥91.4 billion from the previous year. This was a result of an increase in profits deriving from the larger scope of companies included in the consolidated settlement, offset by a decline in profits at the parent company level. The Group's Operating Expenses were ¥1,616.5 billion, and after deduction of General and Administrative Expenses, Net Operating Profits were ¥326.6 billion. Losses before Income Taxes were ¥748.5 billion, a decrease of ¥250.2 billion with the continuation of the proactive disposal of problem loans on a consolidated basis. Net Losses were ¥422.0 billion due to devaluation losses on the stock portfolio at the parent company level in order to reduce unrealized losses. Net Losses per Share were ¥142.07.

Analysis of Net Operating Profits

Fiscal Year	Billions of Yen		
	1998	1997	Change
Interest Income	¥1,707.3	¥2,183.0	¥(475.6)
Interest Expenses.....	1,204.0	1,640.9	(436.9)
Net Interest Income	503.2	542.0	(38.7)
Net Fees & Commissions Income.....	128.8	88.5	40.3
Net Trading Profits	38.1	56.9	(18.7)
Net of Other Operating Income and Expenses	150.9	104.6	46.2
General & Administrative Expenses	494.5	470.0	24.4
Net Operating Profits.....	¥ 326.6	¥ 322.0	¥ 4.5

The Group's Net Interest Income decreased by ¥38.7 billion from the previous year to ¥503.2 billion, while Net Interest Income was little changed at the parent company level. This was a result of reduced interest income due to sales of overseas banking subsidiaries, and new consolidation of subsidiaries whose income are recorded under Net of Other Operating Income and Expenses, while their funding expenses are recorded under Operating Expenses. Net Fees & Commissions Income increased by ¥40.3 billion from the previous year to ¥128.8 billion mainly due to the increase in the number of consolidated companies. Net Trading Profits decreased by ¥18.7 billion to ¥38.1 billion. Net of Other Operating Income and Expenses increased by ¥46.2 billion to ¥150.9 billion as a result of the increase in Gains on Sales of Bonds at the parent company level and the increase in income from lease transactions in accordance with the expansion of the scope of consolidation. General & Administrative Expenses increased by ¥24.4 billion from the previous year to ¥494.5 billion mainly due to the increase in the number of consolidated companies, while expenses on the former consolidation base (before the expansion of the scope of consolidation) decreased as a result of further rationalization and further improvement in efficiency throughout the Group's operations.

Analysis of Balance Sheet

March 31,	Billions of yen		
	1999	1998	Change
Total Assets	¥57,945.0	¥55,113.5	¥2,831.5
Loans and Bills Discounted	34,815.8	34,028.2	787.6
Securities	6,668.7	6,044.8	623.9
Total Liabilities	55,349.0	53,254.6	2,094.4
Deposits (including NCDs)	34,646.2	34,552.3	93.8
Due to Trust Account	1,927.7	—	1,927.7
Deferred Tax Liability for Land Revaluation	94.4	—	94.4
Land Revaluation Account	—	326.5	(326.5)
Minority Interests	408.1	282.3	125.7
Total Stockholders' Equity	2,187.8	1,576.4	611.3
Land Revaluation Account	131.7	—	131.7
Stockholders' Equity per Share (yen)	361.76	471.58	(109.82)

Total Assets increased by ¥2,831.5 billion from the previous year to ¥57,945.0 billion mainly due to the consolidation of Yasuda Trust. Total Loans and Bills Discounted, including Guarantors' Rights of Indemnity, Leases Receivables, etc. of consolidated guaranty companies, increased by ¥787.6 billion to ¥34,815.8 billion. Regarding problem loans on a consolidated basis, Loans to Borrowers under Bankruptcy Procedure were ¥236.4 billion, Other Non-Accrual Loans were ¥995.0 billion, Loans Past Due for 3 Months or More were ¥243.6 billion, and Restructured Loans were ¥301.4 billion. The total of Non-Accrual, Past Due, and Restructured Loans were ¥1,776.6 billion.

Total Liabilities increased by ¥2,094.4 billion from the previous year to ¥55,349.0 billion. Total Deposits (including NCDs) increased by ¥93.8 billion to ¥34,646.2 billion. The Land Revaluation Account which was formerly recorded under Liabilities is now divided into two accounts; Deferred Tax Liability for Land Revaluation under Liabilities, and Land Revaluation Account under Stockholders' Equity. Also, in conjunction with the amendments to the Rules for Bank Accounting in Japan, Minority Interests, which were formerly recorded under Liabilities, is now recorded independently between Liabilities and Stockholders' Equity. Furthermore, following the consolidation of Yasuda Trust, Due to Trust Account, which was formerly included in Other Liabilities under Liabilities, is now independently recorded under Liabilities. As of March 31, 1999, Due to Trust Account was ¥1,927.7 billion.

Minority Interests increased by ¥125.7 billion from the previous year to ¥408.1 billion, mainly due to the increase in the number of consolidated companies.

Total Stockholders' Equity increased from the previous year by ¥611.3 billion to ¥2,187.8 billion as a result of the parent company's capital increase, although the Group recorded Net Losses.

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

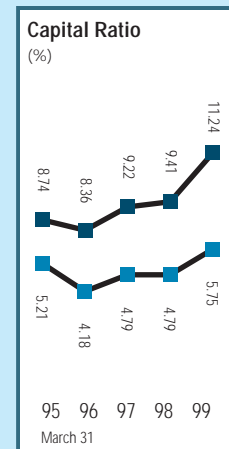
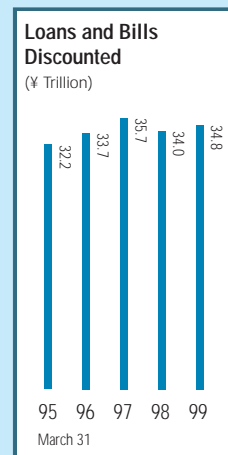
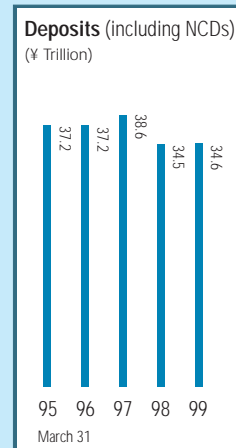
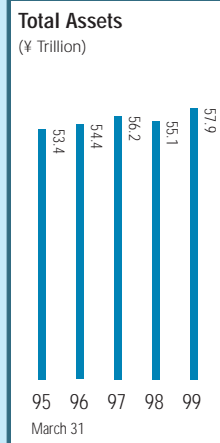
Fiscal Year	Billions of yen		
	1998	1997	Change
Capital Ratio	11.24%	9.41%	1.83%
Tier I Ratio	5.75%	4.79%	0.96%
Total Capital	¥ 4,629.2	¥ 3,554.5	¥1,074.7
Tier I	2,370.6	1,809.8	560.7
Tier II: Qualifying Capital	2,258.6	1,744.6	513.9
Unrealized Gains on Securities, after 55% Discount	—	—	—
Reserve for Possible Loan Losses, excluding Specific Reserves ..	261.4	120.7	140.6
Land Revaluation Account	101.8	146.9	(45.1)
Others	1,899.6	1,476.9	422.6
Risk-Adjusted Assets	41,167.6	37,759.5	3,408.1
On Balance Sheet Exposure	36,577.3	33,802.9	2,774.3
Off-Balance Sheet Exposure	4,258.7	3,614.6	644.1
Equivalent to Market Risk Amount / 8%	331.5	341.9	(10.3)

BIS Capital Ratio

Total Capital under BIS standards increased by ¥1,074.7 billion from the previous year to ¥4,629.2 billion. This was due to the issuance of ¥216.9 billion of common stock through third-party allotment and the ¥1 trillion injection of public funds (of which ¥800 billion is included in Tier I Capital, and ¥200 billion in Tier II Capital), though the large amount of losses reduced the capital.

Risk-Adjusted Assets increased by ¥3,408.1 billion from the previous year to ¥41,167.6 billion. This was mainly due to the acquisition of Yasuda Trust as a subsidiary, and the increase in the number of consolidated companies in accordance with the application of the new consolidation guidelines, while the Bank continued to efficiently allocate its assets as it can be seen in its reduction of overseas assets.

Overall, BIS Capital Ratio improved by 1.83% from the previous year to 11.24%, retaining a sufficient level. The Bank will continue to improve its capital structure by accumulating retained earnings, efficiently allocate its risk-adjusted assets, and endeavor to maintain a sufficient level of BIS Capital Ratio.



■ Capital Ratio
■ Tier I Ratio

FISCAL 1998 IN REVIEW (NON-CONSOLIDATED)

The Fuji Bank, Limited

Overview

The Bank's Net Business Profits (before deduction of transfer to General Reserve), which are Gross Profits deducted by Adjusted General & Administrative Expenses, increased by ¥15.1 billion from the previous fiscal year to ¥306.6 billion.

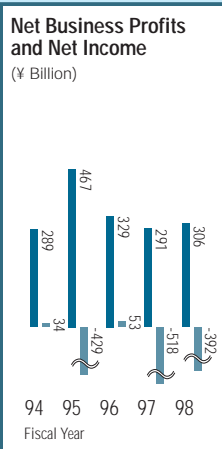
For the Bank, fiscal 1998 was a year of enhancing financial strength. As measures to build a strong financial base, the Bank took the following three steps, which were the features of this fiscal year.

First, with respect to the problem loans issue, the Bank recorded ¥712.1 billion in credit costs (including transfers to General Reserve and Reserve for Loans to Less Developing Countries), as a result of writing off loans and providing reserves in accordance with the new Financial Supervisory Agency ("FSA") and Financial Reconstruction Commission ("FRC") guidelines. Consequently, the Bank's coverage ratio (ratio of the total of collateral value, guarantees, and corresponding reserves to the total amount of problem loans) exceeded 80% based on the new problem loan disclosure standard under the Law Concerning the Revitalization of the Financial System ("Revitalization Law").

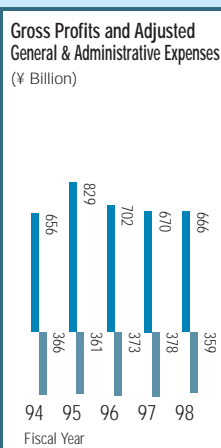
Second, with respect to the unrealized losses on its stock portfolio, the Bank incurred a total loss of ¥346.0 billion on Devaluation Losses and Sales Losses on stocks, to resolve the issue. Consequently, the Bank's unrealized gains on its stock portfolio were ¥183.9 billion.

Third, to further enhance its financial strength, the Bank more than doubled its capital through a ¥216.9 billion third-party allotment and ¥1 trillion injection of public funds (¥800 billion of preferred stock and ¥200 billion of unsecured perpetual subordinated notes) based on the Revitalization Law.

Overall, with the implementation of the tax effect accounting on a non-consolidated basis starting this fiscal year, the Bank incurred Net Losses of ¥392.9 billion. As for the BIS Capital Ratio, the Bank retained a high standard of 11.24%, as a result of increasing capital and allocating assets efficiently.



■ Net Business Profits (before Transfer to General Reserve)
■ Net Income



■ Gross Profits
■ Adjusted General & Administrative Expenses

Earnings Performance

Earnings Performance

Fiscal Year	Billions of yen		
	1998	1997	Change
Net Interest Income (A)	¥ 505.4	¥ 504.2	¥ 1.2
Net Fees & Commissions Income (B)	60.7	65.0	(4.2)
Net Trading Profits (C)	17.9	18.5	(0.5)
Net of Other Operating Income and Expenses (D)	82.0	82.3	(0.2)
Gross Profits (A+B+C+D) (E)	666.2	670.1	(3.8)
Adjusted General & Administrative Expenses (F)	359.5	378.5	(18.9)
Net Business Profits (before Transfer to General Reserve) (E-F) (G) ...	306.6	291.5	15.1
Transfer to General Reserve for Possible Loan Losses (H)	113.9	(28.8)	142.7
Net Business Profits (Gyomu Juneki) (G-H) (I)	192.7	320.3	(127.6)
Net of Other Income and Expenses (J)	(857.1)	(835.1)	21.9
Income (Losses) before Income Taxes (I+J)	(664.3)	(514.7)	(149.5)
Provision for Income Taxes	0.3	3.9	(3.5)
Deferred Income Tax	(271.7)	—	(271.7)
Net Income (Losses)	¥(392.9)	¥(518.7)	¥125.7
Net Income (Losses) per Share (yen)	¥(130.54)	¥(179.19)	¥ 48.65

Net Business Profits

Net Business Profits (before deduction of transfer to General Reserve) were ¥306.6 billion, an increase of ¥15.1 billion compared with the previous year. Net Business Profits after deduction of transfer to General Reserve were ¥192.7 billion.

Gross Profits

Breakdown of Gross Profits

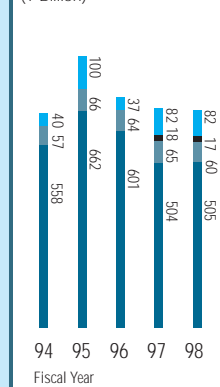
Fiscal Year	Billions of yen		
	1998	1997	Change
Net Interest Income	¥505.4	¥504.2	¥ 1.2
Domestic	381.5	350.2	31.2
International.....	123.9	153.9	(30.0)
Net Fees & Commissions Income.....	60.7	65.0	(4.2)
Domestic	38.5	39.0	(0.4)
International.....	22.2	25.9	(3.7)
Net Trading Profits	17.9	18.5	(0.5)
Domestic	7.9	3.9	3.9
International.....	10.0	14.5	(4.5)
Net of Other Operating Income and Expenses.....	82.0	82.3	(0.2)
Domestic	75.1	54.4	20.7
International.....	6.8	27.8	(21.0)
Gross Profits.....	¥666.2	¥670.1	¥ (3.8)
Domestic.....	503.2	447.7	55.4
International.....	163.0	222.3	(59.3)

Gross Profits were ¥666.2 billion, a decrease of ¥3.8 billion from the previous year. Domestic Gross Profits (Gross Profits from yen-denominated transactions at domestic offices) increased by ¥55.4 billion, while International Gross Profits (Gross Profits from foreign currency transactions at domestic offices and transactions at overseas offices) decreased by ¥59.3 billion.

Analysis of Interest Income

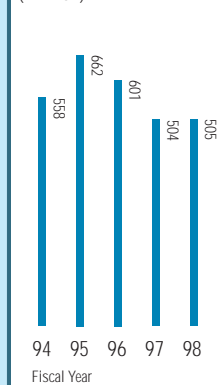
Fiscal Year	Billions of yen			Yield		
	Average balance			1998	1997	Change
	1998	1997	Change	1998	1997	Change
Total:						
Interest Earning Assets (A)	¥40,548.3	¥45,181.5	¥(4,633.1)	3.96%	4.44%	(0.47)%
Loans (B)	31,994.4	34,345.6	(2,351.1)	2.71	2.89	(0.18)
Investment Securities	6,186.2	6,208.8	(22.5)	2.55	2.46	0.08
Interest Bearing Liabilities (C).....	39,272.6	44,005.4	(4,732.7)	2.81	3.41	(0.60)
Deposits & NCDs (D).....	32,330.9	37,757.2	(5,426.2)	1.24	1.82	(0.57)
Interest Margin (A)-(C).....	—	—	—	1.15	1.02	0.13
Loan and Deposit Rate Margin (B)-(D).....	—	—	—	1.47	1.07	0.39
Domestic:						
Interest Earning Assets (A)	31,941.1	29,337.2	2,603.9	2.13	2.24	(0.10)
Loans (B)	24,432.6	22,362.4	2,070.2	2.07	2.19	(0.11)
Investment Securities	5,476.8	5,552.4	(75.6)	1.39	1.69	(0.30)
Interest Bearing Liabilities (C).....	30,583.7	28,118.1	2,465.6	0.98	1.09	(0.11)
Deposits & NCDs (D).....	25,001.4	23,294.1	1,707.2	0.48	0.52	(0.04)
Interest Margin (A)-(C).....	—	—	—	1.15	1.14	0.00
Loan and Deposit Rate Margin (B)-(D).....	—	—	—	1.59	1.67	(0.07)
International:						
Interest Earning Assets (A)	10,300.7	16,913.3	(6,612.5)	9.10	8.02	1.07
Loans (B)	7,561.8	11,983.2	(4,421.4)	4.78	4.20	0.57
Investment Securities	709.4	656.3	53.0	11.47	8.94	2.53
Interest Bearing Liabilities (C).....	10,382.4	16,956.3	(6,573.9)	7.83	7.09	0.74
Deposits & NCDs (D).....	7,329.5	14,463.0	(7,133.5)	3.85	3.91	(0.05)
Interest Margin (A)-(C).....	—	—	—	1.26	0.92	0.33
Loan and Deposit Rate Margin (B)-(D) ..	—	—	—	0.92%	0.29%	0.63%

Breakdown of Gross Profits
(¥ Billion)

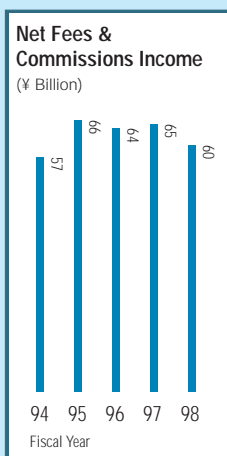


- Net Interest Income
- Net Fees & Commissions Income
- Net Trading Profits
- Net of Other Operating Income and Expenses

Net Interest Income
(¥ Billion)



NON-CONSOLIDATED



1. Net Interest Income

Net Interest Income increased by ¥1.2 billion to ¥505.4 billion from the previous year. Net Interest Income on domestic operations (yen-denominated transactions at domestic offices) increased by ¥31.2 billion to ¥381.5 billion, while Net Interest Income on international operations (foreign currency transactions at domestic offices and transactions at overseas branches) decreased by ¥30.0 billion to ¥123.9 billion.

Regarding Net Interest Income on domestic operations, the increase was a result of two factors. One, the increase in the average balance of Interest Earning Assets by ¥2,603.9 billion, and the other, the reduction of hedging costs regarding interest fluctuation risks. As to Interest Earning Assets, the average balance of loans increased by ¥2,070.2 billion from the previous year mainly due to the increase in housing loans and the shift from yen-denominated loans at overseas offices, while the average balance of Investment Securities decreased by ¥75.6 billion.

Regarding Net Interest Income on international operations, the decrease was a result of the large reduction in assets such as the reduction of the average balance of loans by ¥4,421.4 billion, and the decrease in the yen value of foreign currency denominated assets due to the appreciation of the yen.

<Interest Margins>

Interest Margin, which is the difference of the yield on Interest Earning Assets and the yield on Interest Bearing Liabilities, increased by 0.13% from the previous year, mainly due to the large decrease in low-interest earning overseas assets.

As to the Loan and Deposit Rate Margin (after deduction of ratio of expenses to deposits), it improved by 0.39% from the previous year. Though the yield on loans decreased mainly due to the decrease of interest rates in the domestic market and the decline in the short term prime rate, the improvement in domestic loan spread and the reduction of low-interest earning loans and corresponding liabilities helped improve the overall Loan and Deposit Rate Margin.

2. Net Fees and Commissions

Net Fees and Commissions Income decreased by ¥4.2 billion from the previous year to ¥60.7 billion, as Net Fees and Commissions on domestic operations were ¥38.5 billion (nearly equal to the amount of the previous year), and Net Fees and Commissions on international operations decreased by ¥3.7 billion to ¥22.2 billion.

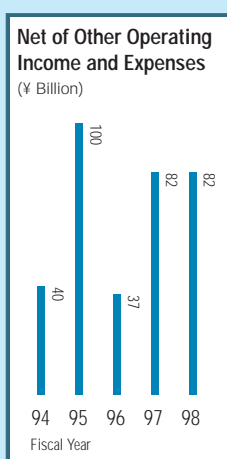
The decrease in Net Fees and Commissions on international operations was a result of the decrease in loan-related fee income as the balance of loans was reduced.

3. Net Trading Profits

Net Trading Profits, which is an account that was introduced in fiscal 1997 in accordance with the introduction of mark-to-market accounting method for trading accounts, decreased by ¥0.5 billion from the previous year to ¥17.9 billion. Net Trading Profits on domestic operations increased by ¥3.9 billion to ¥7.9 billion, as a result of the increase in realized profits such as interest on other debt purchased. However, Net Trading Profits on international operations decreased by ¥4.5 billion to ¥10.0 billion, as a result of the decrease in net of gains and losses on derivatives and other transactions, which were collectively included in Net Trading Profits in fiscal 1997.

Breakdown of Net of Other Operating Income and Expenses

Fiscal Year	Billions of yen		
	1998	1997	Change
Total:	¥82.0	¥82.3	¥ (0.2)
Net Profits from Foreign Exchange Transaction	16.4	17.6	(1.2)
Net Profits from Sales of Bonds	79.6	77.8	1.8
Others	(14.0)	(13.1)	(0.8)
Domestic:	75.1	54.4	20.7
Net Profits from Sales of Bonds	76.1	58.4	17.6
Others	(0.9)	(3.9)	3.0
International:	6.8	27.8	(21.0)
Net Profits from Foreign Exchange Transaction	16.4	17.6	(1.2)
Net Profits from Sales of Bonds	3.5	19.3	(15.8)
Others	(13.1)	(9.1)	(3.9)



4. Net of Other Operating Income and Expenses

Net of Other Operating Income and Expenses decreased by ¥0.2 billion from the previous year to ¥82.0 billion.

Net of Other Operating Income and Expenses on domestic operations increased by ¥20.7 billion to ¥75.1 billion primarily because income from government bonds and other bond-related transactions increased by ¥17.6 billion, thanks to operations based upon the accurate judgement concerning the bond market movements.

Net of Other Operating Income and Expenses on international operations decreased by ¥21.0 billion to ¥6.8 billion. This was a result of the decrease in income from government bonds and other bond-related transactions, which performed well the previous year, while net profits from foreign exchange transactions were nearly equivalent to those of the previous year.

Adjusted General and Administrative Expenses

Breakdown of Adjusted General and Administrative Expenses

Fiscal Year	Billions of yen		
	1998	1997	Change
Personnel Expenses	¥147.9	¥158.5	¥(10.5)
of which is Wages and Allowances	125.0	135.2	(10.2)
Non-Personnel Expenses.....	188.8	191.1	(2.2)
Taxes	22.7	28.8	(6.1)
Adjusted General and Administrative Expenses.....	¥359.5	¥378.5	¥(18.9)

Overall expenses decreased by ¥18.9 billion from the previous year to ¥359.5 billion, as a result of further rationalization and further improvement in efficiency throughout the Bank's entire operations.

Personnel Expenses decreased by ¥10.5 billion to ¥147.9 billion owing to the reduction of employees by 639 from the previous year and the review of wages and allowances.

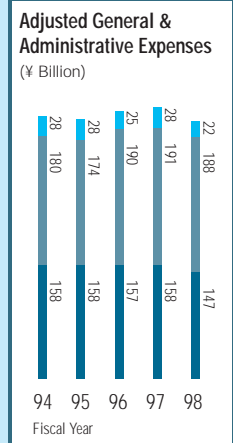
Non-Personnel Expenses also decreased by ¥2.2 billion to ¥188.8 billion, as exhaustive efforts were made even further to reduce expenses, while investments in important matters such as information technology were retained.

Taxes decreased by ¥6.1 billion from the previous year to ¥22.7 billion, as securities transaction taxes decreased and land value taxes were abolished.

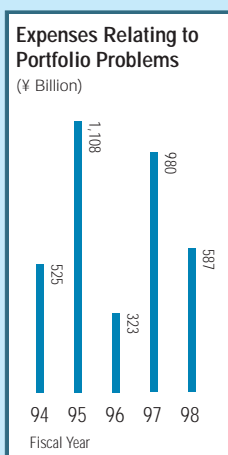
Net of Other Income and Expenses, Income (Losses) before Income Taxes, Net Income (Losses)

Breakdown of Net of Other Income and Expenses

Fiscal Year	Billions of yen		
	1998	1997	Change
(+) Net of Securities Gains and Losses	¥(116.0)	¥209.5	¥(325.5)
Sales Gains	79.0	268.6	(189.6)
Sales Losses.....	(74.8)	(2.1)	(72.7)
Devaluation Losses	(120.2)	(56.9)	(63.2)
(-) Expenses Relating to Portfolio Problems	587.6	980.7	(393.1)
Write-offs	282.4	68.9	213.5
Transfer to Specific Reserve	145.2	332.7	(187.4)
Losses Incurred from Sales to CCPC	34.0	202.7	(168.7)
Transfer to Reserve for Possible Losses on Sales of Loans.....	90.9	24.0	66.8
Transfer to Reserve for Specific Borrowers under Support	17.3	122.3	(105.0)
Losses Incurred from Supporting Certain Borrowers.....	5.6	226.6	(220.9)
Other Losses Incurred from Sales of Loans.....	11.9	3.3	8.6
(-) Transfer to Reserve for Loans to LDCs.....	10.5	(0.3)	10.9
(-) Transfer to Reserve for Losses on Investment	16.7	—	16.7
(-) Disposal of Unrealized Losses of Investment Funds	—	57.5	(57.5)
(+) Net of Other Gains and Losses.....	(126.1)	(6.8)	(119.3)
Stock Devaluation Losses	(150.9)	—	(150.9)
Net of Other Income and Expenses.....	¥(857.1)	¥(835.1)	¥(21.9)



■ Personnel Expenses
■ Non-Personnel Expenses
■ Taxes



Net of Other Income and Expenses

Net of Other Income and Expenses amounted to ¥857.1 billion in losses as a result of reducing unrealized losses on the stock portfolio and disposing of problem loans.

1. Net of Securities Gains and Losses

Net of Securities Gains and Losses decreased by ¥325.5 billion from the previous year to ¥116.0 billion in losses. This was because the Bank incurred a total of ¥346.0 billion in Sales Losses and Devaluation Losses (¥74.8 billion of Sales Losses and ¥120.2 billion of Devaluation Losses under Net of Securities Gains and Losses, ¥150.9 billion of Stock Devaluation Losses under Net of Other Gains and Losses), as the Bank sold off its stock in the course of reviewing its stock portfolio, and lowered the book value of stocks in order to eliminate unrealized losses.

Consequently, unrealized gains on the stock portfolio as of March 31, 1999 were ¥183.9 billion.

2. Expenses Relating to Portfolio Problems

To maintain and enhance the quality of its assets, the Bank has placed the early resolution of the problem loans issue as one of its primary management objectives and has continued to work aggressively to make necessary disposals. As the Japanese economy continued to struggle in fiscal 1998, the Bank appropriately wrote off loans and provided reserves in line with the new FSA examination manual and FRC guidelines for provisioning, to prepare for future losses. Consequently, the Bank recorded ¥587.6 billion of Expenses Relating to Portfolio Problems, besides the expense of ¥113.9 billion Transfer to General Reserve.

The breakdown of the Expenses Relating to Portfolio Problems is as follows: ¥282.4 billion for Write-offs, ¥145.2 billion for Transfer to Specific Reserve, ¥34.0 billion for Losses Incurred from Sales (of Loans collateralized by real estate) to the Cooperative Credit Purchasing Company ("CCPC"), ¥90.9 billion for Transfer to Reserve for Possible Losses on Sales of Loans, ¥17.3 billion for Transfer to Reserve for Specific Borrowers under Support, ¥5.6 billion for Losses Incurred from Supporting Certain Borrowers, and ¥11.9 billion for Other Losses Incurred from Sales of Loans.

Transfer to Reserve for Loans to Less Developing Countries (LDCs), which is a reserve for possible losses regarding country risks, was ¥10.5 billion as additional transfers were made to the reserve for loans to Indonesia. This was the result of Indonesia becoming a new LDC, as the MOF guidelines (which formerly decided which countries were to be regarded as LDCs) were abolished in fiscal 1998 and each bank established its own guidelines for LDCs.

(See P.52 for details on the disclosure of problem loans)

Consequently, Losses before Income Taxes were ¥664.3 billion. As the Bank started to apply tax effect accounting for non-consolidated financial statements from fiscal 1998, it recorded ¥271.7 billion of Deferred Income Taxes.

Overall, the Bank's Net Losses were ¥392.9 billion. Net Losses per Share were ¥130.54.

Balance Sheet

Analysis of Balance Sheets

March 31,	Billions of yen		
	1999	1998	Change
Assets			
Cash and Due from Banks	¥ 2,028.8	¥ 2,749.9	¥ (721.0)
Call Loans	329.7	235.5	94.1
Bills Purchased	484.4	30.0	454.4
Other Debt Purchased	50.8	29.8	21.0
Trading Assets	1,507.5	2,273.8	(766.3)
Money Held in Trust	60.3	85.4	(25.0)
Securities	5,837.7	6,250.7	(412.9)
Loans and Bills Discounted	29,793.3	32,030.5	(2,237.2)
Foreign Exchange	421.8	549.4	(127.5)
Other Assets	1,391.1	2,263.6	(872.4)
Premises and Equipment	552.0	673.0	(121.0)
Deferred Tax Assets	732.5	—	732.5
Customers' Liabilities for Acceptances and Guarantees	3,193.9	3,915.9	(722.0)
Total Assets	¥46,384.4	¥51,088.0	¥(4,703.6)
Liabilities and Stockholders' Equity			
Deposits	¥26,964.0	¥31,316.7	¥(4,352.7)
Negotiable Certificates of Deposit	5,159.1	3,125.9	2,033.2
External Debts	4,339.1	5,596.2	(1,257.1)
Commercial Paper	400.0	—	400.0
Trading Liabilities	932.0	1,458.5	(526.4)
Foreign Exchange	148.4	125.7	22.7
Bonds	300.0	100.0	200.0
Convertible Bonds	5.6	12.5	(6.9)
Other Liabilities	1,792.8	2,888.1	(1,095.3)
Reserve for Possible Loan Losses	455.5	857.4	(401.9)
Reserve for Losses on Investment	16.7	—	16.7
Reserve for Retirement Allowances	45.8	48.2	(2.3)
Reserve for Possible Losses on Sales of Loans	129.7	52.7	76.9
Reserve for Specific Borrowers under Support	84.9	122.3	(37.3)
Other Reserves	0.0	0.0	0.0
Deferred Tax Liability for Land Revaluation	94.4	—	94.4
Acceptances and Guarantees	3,193.9	3,915.9	(722.0)
Land Revaluation Account	—	326.5	(326.5)
Total Liabilities	¥44,062.5	¥49,947.3	¥(5,884.7)
Capital Stock	1,037.8	529.0	508.7
Legal Reserve	1,024.5	509.1	515.4
Land Revaluation Account	131.7	—	131.7
Retained Earnings	127.6	102.5	25.1
Total Stockholders' Equity	¥ 2,321.8	¥ 1,140.7	¥ 1,181.0

Assets

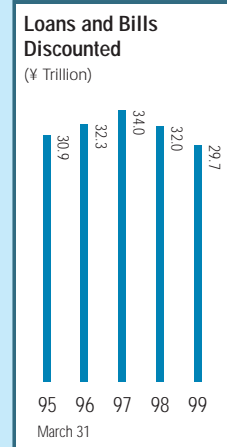
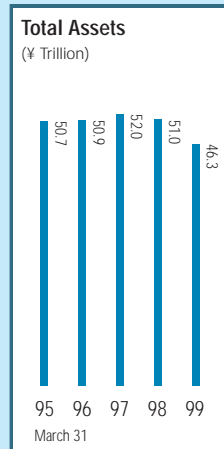
Total assets decreased by ¥4,703.6 billion from the previous year to ¥46,384.4 billion. This was mainly because assets such as overseas assets, Deposits with Banks, and Securities were reduced from the standpoint of efficient asset allocation, and the yen-base value of foreign currency denominated assets decreased due to the appreciation of the yen. ¥732.5 billion of Deferred Tax Assets was newly recorded in accordance with the application of the tax effect accounting from this fiscal year (¥460.7 billion of the Deferred Tax Assets was tax effects for past years, and ¥271.7 billion was for the current year).

Cash and Due from Banks

Cash and Due from Banks decreased by ¥721.0 billion from the previous year to ¥2,028.8 billion, mainly due to the large reduction in Deposits with Banks from the standpoint of efficient asset allocation in international operations.

Trading Assets

Trading Assets decreased by ¥766.3 billion from the previous year to ¥1,507.5 billion. This was mainly because of the large reduction in derivatives and Commercial Paper, and the decrease of the yen-base value of foreign currency denominated assets due to the appreciation of the yen.



NON-CONSOLIDATED

Loans and Bills Discounted

Breakdown of Loans and Bills Discounted

March 31,	Billions of yen		
	1999	1998	Change
Domestic Offices (A).....	¥24,581.7	¥23,442.0	¥ 1,139.6
of which from Housing Loans	5,420.7	5,256.0	164.7
Manufacturing	3,240.0	3,016.8	223.2
Wholesale, Retail, and Food Service	3,665.4	3,656.2	9.1
Real Estate	2,233.5	2,271.9	(38.3)
Service	4,716.6	4,369.2	347.3
% Loans to Small and Medium-sized Companies	70.6%	75.7%	(5.1%)
Overseas Branches and Japan Offshore Market Account (B).....	5,211.6	8,588.4	(3,376.8)
Commerce and Industry	4,019.1	6,668.1	(2,648.9)
Total Loans and Bills Discounted (A+B).....	¥29,793.3	¥32,030.5	¥(2,237.2)

Total Loans and Bills Discounted decreased by ¥2,237.2 billion from the previous year to ¥29,793.3 billion. This was a result of reduction of overseas loans from the standpoint of efficient asset allocation, and the implementation of direct write-off of problem loans, while domestic housing loans continued to steadily increase.

An analysis of lending by domestic branches according to industrial sector reveals that the services sector accounted for 19.1%, wholesale, retail and restaurants for 14.9%, manufacturing for 13.1%, and real estate for 9.0%. Compared with the previous year, the real estate sector saw its share of loans and bills discounted decline by 0.6%, while the shares of manufacturing and services increased by 0.3% and 0.5%, respectively. Loans and Bills Discounted to small and medium-sized companies decreased by ¥400.3 billion to account for 70.6% of the total Loans and Bills Discounted by domestic branches. This decrease was partly due to the restraint on capital investment and less demand for funds due to the propulsion of corporate restructuring. In addition, large corporations' repayment of their affiliates' debts toward the end of their accounting periods from the standpoint of efficient asset allocation within their groups, also was one of the reasons of the decrease.

Liabilities

From fiscal 1998, in accordance with the change in the Law Concerning Land Revaluation, the former Land Revaluation Account was divided into two accounts; Deferred Tax Liability for Land Revaluation (under Liabilities) and Land Revaluation Account (under Stockholders' Equity).

Deposits

Total Deposits decreased by ¥4,352.7 billion from the previous year to ¥26,964.0 billion, as Deposits in international operations decreased due to the large reduction in loans, while Deposits in domestic operations increased. Negotiable Certificates of Deposit increased by ¥2,033.2 billion from the previous year to ¥5,159.1 billion.

External Debts

External Debts (defined as the sum of call money, bills sold and borrowings) decreased by ¥1,257.1 billion from the previous year to ¥4,339.1 billion.

Commercial Paper

Due to changes in regulations, banks are now allowed to issue commercial paper as means of funding. As of March 31, 1999, the balance of Commercial Paper was ¥400.0 billion.

Bonds

Bonds increased by ¥200.0 billion as the Bank issued subordinated debts based on the Revitalization Law.

Reserves for Possible Loan Losses

Reserves for Possible Loan Losses and Other Reserves on the Loan Portfolio

March 31,	Billions of yen		
	1999	1998	Change
General Reserve (A).....	¥185.2	¥ 74.0	¥ 111.2
Specific Reserve (B).....	258.8	782.6	(523.7)
Reserve for Loans to LDCs (C).....	11.3	0.8	10.5
Reserves for Possible Loan Losses (A+B+C).....	455.5	857.4	(401.9)
Reserve for Specific Borrowers under Support (D).....	84.9	122.3	(37.3)
Reserve for Possible Losses on Sales of Loans (E).....	129.7	52.7	76.9
Total of Reserves (A+B+C+D+E).....	¥670.1	¥1,032.5	¥(362.3)

The total of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses, Reserve for Loans to LDCs, Reserve for Specific Borrowers under Support, and Reserve for Possible Losses on Sales of Loans decreased by ¥362.3 billion from the previous year to ¥670.1 billion. This is a result of reversal from the Specific Reserve for Possible Loan Losses in connection with the direct write-offs of Category IV exposures and the elimination of the Bank's problem loans. The Bank also significantly increased General Reserve to cover any future losses, and Reserve for Possible Losses on Sales of Loans to cover any future losses deriving from the devaluation of real estate collateral which cover the loans sold to the Cooperative Credit Purchasing Company.

Stockholders' Equity

Stockholders' Equity

March 31,	Billions of yen		
	1999	1998	Change
Total Stockholders' Equity.....	¥2,321.8	¥1,140.7	¥1,181.0
Stockholders' Equity per Share (yen).....	396.50	321.22	75.28
Dividends per Share of Common Stock (yen).....	7.00	8.50	(1.50)

Total Stockholders' Equity increased by ¥1,181.0 billion from the previous year to ¥2,321.8 billion, as ¥216.9 billion of new common stock was issued through third-party allotment, and ¥800.0 billion of new preferred stock was issued with the injection of public funds.

Due to the application of tax effect accounting from this fiscal year, ¥460.7 billion of past-year tax effects were recorded. Stockholders' Equity per Share stood at ¥396.50, an increase of ¥75.28 from the previous year.

Dividend Payment Policy

Regarding dividend payments, the Bank has continuously prioritized the maintenance of a stable level of payment from the standpoint of sound management, in light of its public role. At the same time, the Bank takes the long-term profit trend into consideration and is fully aware of the importance of increasing its retained earnings.

In fiscal 1998, the Bank incurred large losses as it disposed of its problem loans by a significant amount and reduced unrealized losses on securities, to maintain and enhance sound asset quality. Under such circumstances, to further enhance financial strength, annual dividend payment per share of common stock was reduced by ¥1.50 from the previous year to ¥7.00, and annual dividend payments per share for various preferred stocks were as resolved at the board of directors' meeting.

The Japanese financial institutions still face difficult conditions. However, the Bank will continue to improve its profitability by further enhancing its business base and strengthening its management structure, accumulate retained earnings, and endeavor to maintain stable dividend payments throughout the future.

STATUS OF PROBLEM LOANS

Summary

Accurate recognition of asset quality and appropriate write-off of loans and provisioning of reserves based on the self-assessment
 Legally required disclosures are consistent with the self-assessment results
 Reserve Ratios exceed those ratios suggested in the FRC guidelines
 Coverage Ratio is 81.2 %

(¥ Billion, rounded off)

Borrower Classification	1. Self-Assessment				2. New Disclosure Standard	3. Non-Accrual, Past Due & Restructured Loans
	Category I	Category II	Category III	Category IV (Non-Collateralized)		
① Bankrupt & Substantially Bankrupt Borrowers ¥330.5	¥101.8 Covered by Reserves, Good Quality Collateral, Guarantees	¥228.7 Covered by Collateral (Real Estate)/ Guarantees	Reserve Ratio 100% Loans with Reserves are included in Category I	Direct Write-offs	Exposures to Bankrupt Borrowers or Similar Exposures ¥330.5 Coverage Ratio: 100%	Loans to Borrowers under Bankruptcy Procedure ¥159.6
② Intensive Control Borrowers ¥688.4	¥356.5 Covered by Reserves, Good Quality Collateral, Guarantees	¥226.2 Covered by Collateral (Real Estate)/ Guarantees	¥105.7 Reserve Ratio 74.7% Loans with Reserves are included in Category I		Exposures Containing Collection Risks ¥688.4 Coverage Ratio: 84.6%	Other Non-Accrual Loans ¥832.3 Formerly Undisclosed ¥64.9
③ Watch Borrowers	Special Attention Borrowers ¥473.1	¥58.5 Reserve Ratio 15.3% With Collateral ¥167.5 Without Collateral ¥305.6	¥414.7	Provisioning based on historical loss ratio	Special Attention Loans(*1) ¥369.7 Coverage Ratio: 58.0%	Loans Past Due for 3 Months or More ¥171.2 Restructured Loans ¥198.6
	Other Watch Borrowers		¥1,527.9			
④ Normal Borrowers					Total Coverage Ratio: 81.2%	
⑤ Total ¥33,600.7	Category I ¥31,097.5	Category II ¥2,397.5	Category III ¥105.7	Category IV ¥0.0	Total ¥1,388.6	Total ¥1,361.7

(*1) Includes loans only and is equal to the total of Loans Past Due for 3 Months or More and Restructured Loans. The figure under Special Attention Borrowers represents the total exposure amount for the borrowers of Special Attention Loans
 (*2) Represents the amount of exposures besides loans under the New Disclosure Standard

Borrower Classification

- ① Bankrupt & Substantially Bankrupt Borrowers: Borrowers who are bankrupt both legally and formally, or borrowers who are substantially bankrupt.
- ② Intensive Control Borrowers: Borrowers who have high potential risks of going bankrupt.
- ③ Watch Borrowers: Borrowers who need to be monitored carefully.
 Special Attention Borrowers: Borrowers who need to be monitored carefully, as they are Watch Borrowers with Loans Past Due for 3 Months or More or Restructured Loans
- ④ Normal Borrowers: Borrowers who have no problems in particular concerning their business performances and their financial conditions.

Asset Categorization

- Category I: All exposures to Normal Borrowers, and exposures to other borrower classifications which are covered by good quality collateral (i.e. deposits) or guarantees
- Category II: Exposures to Watch Borrowers (excluding Category I), exposures to Intensive Control Borrowers, Bankrupt & Substantially Bankrupt Borrowers covered by collateral (i.e. real estate) or guarantees
- Category III: Exposures to Intensive Control Borrowers (excluding Categories I & II), market value of collateral exceeding its appraised value for Bankrupt & Substantially Bankrupt Borrowers (exposures containing risks on collection, with possible potential losses)
- Category IV: Exposures to Bankrupt/Substantially Bankrupt Borrowers (excluding Categories I ~ III)(exposures which cannot be collected or have no value)

In fiscal 1998, Fuji continued to proactively dispose of its problem loans and improve its standard of disclosure. Regarding the disposal of problem loans, the Bank appropriately wrote off loans and provided reserves in line with FSA and FRC guidelines. Regarding disclosure of asset quality, the Bank has disclosed its asset quality under three standards; **New Disclosure by the Revitalization Law** (New Disclosure Standard), **Non-Accrual, Past Due, and Restructured Loans**, and the self-assessment results. While disclosures under the first two standards are mandatory, the Bank's disclosure of its self-assessment results is voluntary. Such voluntary disclosure reflects the Bank's continuous attitude in improving its transparency. In this page, details of the disclosure of asset quality under these three standards are described using the charts on the left page (P.52).

1. Self-assessment ~ Recognition of Asset Quality and the Process of Write-off/Provisioning (Chart 1)

The Bank self-assesses all of its assets every 6 months to accurately recognize its asset quality. This self-assessment is very important, as loans will be written-off and reserves will be provided in accordance with the results. There are two steps in the process of this self-assessment. The first step is to classify the borrowers from Bankrupt & Substantially Bankrupt Borrowers to Normal Borrowers (① ~ ④) as shown on P.52, Chart 1, according to their financial and management situation. (Please refer to the definitions of the borrower classification.) The second step is to categorize the assets in order of collection risks from low to high or from Category I to IV, taking into consideration the collectability of the assets by borrower, based on their corresponding collateral and guarantees. (Please refer to the definitions of the asset categorization.)

In fiscal 1998, loans were written off and reserves were provided as follows, based upon the above self-assessment:

For Exposures to Bankrupt and Substantially Bankrupt Borrowers (①):

Category IV: directly written-off, Category III: 100% provided with reserves

(Categories I and II are exposures fully covered by reserves, collateral and guarantees)

For Exposures to Intensive Control Borrowers (②):

Category III: 74.7% provided with reserves

(Categories I and II are exposures fully covered by reserves, collateral and guarantees)

For Exposures to Watch Borrowers (③):

Reserves are provided based on the annual historical loss ratio multiplied by three.

For Special Attention Borrowers, 15.3% of the exposures not covered by collateral or guarantees are provided with reserves.

For Exposures to Normal Borrowers (④):

Reserves are provided based on the annual historical loss ratio.

Consequently, as of March 31, 1999, the total of Categories II-IV was ¥2,503.2 billion, as shown on P.52 (⑤). This was a decrease of ¥295.6 billion from September 30, 1998.

2. New Disclosure by the Revitalization Law (Chart 2)

Starting from March 31, 1999, the **New Disclosure by the Revitalization Law** (New Disclosure Standard) has become mandatory. This disclosure is based on the borrower classification of the

above-mentioned self-assessment. As shown on P.52, Chart 2, under this disclosure, exposures to Bankrupt Borrowers and Substantially Bankrupt Borrowers are disclosed as **Exposures to Bankrupt Borrowers or Similar Exposures**, exposures to Intensive Control Borrowers as **Exposures Containing Collection Risks**, and loans to Watch Borrowers which are either **Loans Past Due for 3 Months or More** or **Restructured Loans** as **Special Attention Loans**. As of March 31, 1999, there were ¥330.5 billion of **Exposures to Bankrupt Borrowers or Similar Exposures**, ¥688.4 billion of **Exposures Containing Collection Risks**, and ¥369.7 billion of **Special Attention Loans**. They totaled ¥1,388.6 billion, which account for 4.1% of Total Exposure.

As shown on P.52, the New Disclosure Standard includes exposures with collateral or guarantees, and exposures provided with reserves. Coverage Ratio, which is an appropriate measure of protection, is the ratio of the total of collateral, guarantees, and corresponding reserves to these disclosed exposures (problem loans). The Coverage Ratios of **Exposures to Bankrupt Borrowers or Similar Exposures**, **Exposures Containing Collection Risks**, and **Special Attention Loans**, as of March 31, 1999, were 100%, 84.6%, and 58.0%, respectively. The total Coverage Ratio of these exposures was at a sufficient level of 81.2%.

3. Non-Accrual, Past Due, and Restructured Loans (Chart 3)

Non-Accrual, Past Due, and Restructured Loans, which is the total of **Loans to Borrowers under Bankruptcy Procedure**, **Other Non-Accrual Loans**, **Loans Past Due for 3 Months or More**, and **Restructured Loans**, was continuously disclosed. As this disclosure mainly focuses the repayment status of the loans and interests of the borrowers, it may not reflect the accurate financial situation of the borrowers. Therefore, it did not necessarily match the results of the self-assessment. From March 31, 1999, the Bank modified the standard of the **Non-Accrual, Past Due, and Restructured Loans**, so that it would be more consistent with the results of the self-assessment. The modified standard more accurately reflects the substantial situation of the borrowers. Concretely, the criteria for suspension of interest accrual have changed. The previous criteria were consistent with the tax regulation standards (interest receivable on loans had to be for legally bankrupt borrowers or on loans past due for 6 months or more). The new criteria are based on the borrower classification of the self-assessment process, so that no accrued interest receivable on loans to Bankrupt Borrowers, Substantially Bankrupt Borrowers and Intensive Control Borrowers is recognized. Under the modified standard of **Non-Accrual, Past Due, and Restructured Loans**, all loans to Bankrupt Borrowers, Substantially Bankrupt Borrowers and Intensive Control Borrowers are currently disclosed as either **Loans to Borrowers under Bankruptcy Procedure** or **Other Non-Accrual Loans**.

Consequently, **Other Non-Accrual Loans** as of March 31, 1999, includes loans that would not have been disclosed under the previous standard. Such newly disclosed loans amount to only ¥64.9 billion, which amount is less than 5% of the total of **Non-Accrual, Past Due and Restructured Loans** (under the Modified Standard). This is an indication that the Bank has been continuously making efforts to maintain a high transparency of disclosure.