

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of The Michinoku Bank, Ltd., (the "Bank") and its consolidated subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan. These principles and practices derive from several sources including, but not limited to, Financial Statements Regulations and Consolidated Financial Statements Regulations promulgated by the Cabinet Office, the statements and guidelines issued by the Accounting Standards Board of Japan and the Business Accounting Deliberation Council and industry practices for banks in Japan.

Certain items presented in the consolidated financial statements filed with the Financial Services Agency in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The yen figures disclosed in the consolidated financial statements are expressed in millions of yen and have been rounded down. Consequently, differences may exist between the sum of the rounded figures and the totals listed in the annual report.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries listed below, after the elimination of all significant inter-company transactions, balances, and unrealized profit.

Consolidated subsidiaries

Domestic Subsidiaries

- Michinoku Service Center Co., Ltd.
- Michinoku Office Service Co., Ltd.
- Michinoku Total Management Co., Ltd.

Foreign Subsidiaries

- Michinoku Finance (Hong Kong) Ltd.
- The Michinoku Bank (Moscow) Ltd.

Investments in the following affiliates are accounted for using the equity method.

- Michinoku Credit Guarantee, Ltd.
- Michinoku Card Co., Ltd.
- Michinoku UC Card Co., Ltd.
- Michinoku Capital Co., Ltd.

The difference between the cost and underlying net equity of investments in consolidated subsidiaries at the acquisition date is principally recognized on appropriate accounts in the accompanying financial statements.

(2) Financial Instruments

1) Trading Account Securities

Trading account securities purchased for trading purposes are stated at market value at the fiscal year end. The sales value is calculated by the moving-average method.

2) Securities

Debt securities being held to maturity are stated at amortized cost determined by the moving-average method. Investments in

affiliated companies are valued on a cost basis using the moving-average method. Other securities (securities available for sale) of which the current value can be estimated are stated at market value at the fiscal year end and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains and losses on securities are, net of income taxes, included in stockholders' equity. Sales value is calculated by the moving-average method.

(3) Premises and Equipment

Depreciation for buildings and equipment is computed using the declining-balance method at the rates principally based on the following estimated useful lives:

Buildings	3 years to 50 years
Equipment and furniture	2 years to 20 years

Depreciation of buildings acquired after April 1, 1998 is computed on the straight-line method.

(4) Software

Costs of computer software developed or obtained for internal use are deferred and amortized using the straight-line method over the estimated useful lives of 5 years.

(5) Reserve for Possible Loan Losses

For the year ended March 31, 2003, the reserve for possible loan losses is provided as follows, pursuant to the internal rules for self-assessment of asset quality and internal rules for providing reserves for credit losses:

- 1) The reserve for claims to debtors who are legally bankrupt (due to bankruptcy, restructuring, or suspension of transactions with banks under the clearing houses' rules, etc.) or virtually bankrupt is provided based on the amount remaining after deductions of the expected amount to be collected through the disposal of collateral or through the execution of guarantees.
- 2) The reserve for claims to debtors who are not currently legally bankrupt but are likely to become bankrupt is provided based on the necessary amount considering the solvency assessment of the amounts remaining after deductions of the expected amount to be collected through the disposal of collateral or through the execution of guarantees.
- 3) The reserve for claims to debtors other than the above is provided based on the default rates, calculated using the actual defaults during a certain period in the past.
- 4) The special reserve for loans to certain lesser developed countries is provided based on the amount of expected or potential losses due to the economic situations in their respective countries.
- 5) All claims are assessed by the branches and credit supervision division based on the internal rules for self-assessment of asset quality. The Asset Examination Division, which is independent from the branches and credit supervision divisions, audits these self-assessments, and the reserve is provided based on the audit results.
- 6) For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totals ¥19,859 million (US\$165,216 thousand).
- 7) The reserve for possible loan losses of consolidated subsidiaries is provided in the amounts deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio and estimated collectibility of specific claims.

(6) Reserve for Employee Bonuses

Reserve for employees' bonuses is provided for the payments of bonuses to employees based on estimated amounts of the future payments attributable to the current fiscal year.

(7) Reserve for Employees' Retirement Benefits

Reserve for employees' retirement benefits is provided for the payments of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the pension assets. Prior service cost is amortized using the straight-line method over 5 years. Net actuarial gain (loss) is amortized using the straight-line method over 5 years commencing from the next fiscal year of incurrence.

(8) Reserve for Losses on Real Estate-Collateralized Loans Sold

The reserve for losses on real estate-collateralized loans sold is provided based on the estimated losses with respect to real estate-collateralized loans sold to the Cooperative Credit Purchasing Company, Limited, considering the fair value of the collateral of such loans.

(9) Translation of Foreign Currency Financial Statements

Foreign currency assets and liabilities of the Bank are principally translated into Japanese yen equivalents at the exchange rates prevailing at the fiscal year end. Foreign currency assets and liabilities of the consolidated subsidiaries are translated into Japanese yen equivalents at the exchange rates prevailing at the fiscal year end of each company.

(10) Land Revaluation

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the land used for business owned by the Bank has been revalued, and the amount on the revaluation of land, net of deferred tax, is reclassified to "Revaluation Reserve for Land, Net of Taxes" included in Stockholders' Equity, and the relevant deferred tax is included in Liabilities to "Deferred Tax Liabilities for Revaluation Reserve for Land."

4. Securities

(1) Market Value of Securities

Market value and valuation differences of securities are as follows:

(a) Trading securities

	Millions of Yen		Thousands of U.S Dollars
	2003	2002	2003
Amount in the balance sheet.....	¥ 1,374	¥1,219	\$ 11,430
Valuation gain included in income before income taxes.....	5	3	41

(b) Marketable securities available for sale

	Millions of Yen				
	2003				
	Cost	Balance sheet amount	Valuation differences	Gain	Loss
Stock	¥ 32,238	¥ 26,282	¥(5,956)	¥ 1,406	¥7,362
Bonds	306,874	313,978	7,104	7,104	0
Government bonds.....	188,235	190,950	2,715	2,715	—
Municipal bonds.....	17,543	18,601	1,058	1,058	—
Corporate bonds.....	101,096	104,426	3,330	3,330	0
Others.....	15,709	16,514	805	1,128	322
Total	¥354,823	¥356,776	¥ 1,953	¥9,638	¥7,685

Date of Revaluation: March 31, 2002

The method of revaluation is as follows:

Under Article 3-3 of the law concerning revaluation of land, the land price for the revaluation is determined based on the official notice prices assessed and published by the National Land Agency of Japan (currently, the Ministry of Land, Infrastructure and Transport), after appropriate adjustments for the shape of the land and the timing of the assessment. The current market value of the revalued land is lower by ¥526 million (US\$4,376 thousand) than the book value of the land after revaluation.

(11) Income Taxes

Income taxes of the Bank and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(12) Statements of Cash Flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and demand deposit with The Bank of Japan.

3. Japanese Yen and U.S. Dollar Amounts

The Bank maintains its accounting records in Yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetic results of translating yen to dollars on basis of ¥120.20 to US\$1, the approximate effective rate of exchange as of March 31, 2003. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities originated in Yen have been or could be readily converted, realized, or settled in dollars at the given rate or at any other rate.

	Thousands of U.S. Dollars				
	2003				
	Cost	Balance sheet amount	Valuation differences	Gain	Loss
Stock	\$ 268,202	\$ 218,652	\$ (49,550)	\$ 11,697	\$ 61,247
Bonds	2,553,028	2,612,129	59,101	59,101	0
Government bonds	1,566,014	1,588,602	22,587	22,587	—
Municipal bonds.....	145,948	154,750	8,801	8,801	—
Corporate bonds.....	841,064	868,768	27,703	27,703	0
Others.....	130,690	137,387	6,697	9,384	2,678
Total	\$2,951,938	\$ 2,968,186	\$ 16,247	\$ 80,183	\$ 63,935

Valuation differences, net of ¥658 million (US\$5,474 thousand) of related deferred tax liabilities, are ¥1,293 million (US\$10,757 thousand). Valuation differences, including the Bank's share of affiliates' unrealized loss on securities available for sale of ¥0 million (US\$0 thousand), are ¥1,293 million (US\$10,757 thousand) which appeared in the accompanying balance sheets.

As of March 31, 2003, the Bank had written down the market value of marketable securities by ¥8,130 million (US\$67,637 thousand). Write-downs of marketable securities were made for all those for which the market prices at the fiscal year-end were down 50 percents or more from book value. Write-downs were also made for those securities for which the market prices at the fiscal year-end were both down 30 to 50 percents and were not expected to recover.

	Millions of Yen				
	2002				
	Cost	Balance sheet amount	Valuation differences	Gain	Loss
Stock	¥ 34,072	¥ 28,692	¥(5,380)	¥1,687	¥7,067
Bonds	224,896	230,371	5,474	5,715	240
Government bonds	92,619	94,795	2,175	2,217	41
Municipal bonds.....	29,791	30,908	1,116	1,123	6
Corporate bonds.....	102,484	104,666	2,182	2,374	192
Others.....	25,992	25,878	(113)	969	1,082
Total	¥284,961	¥284,942	¥ (18)	¥8,372	¥8,390

Valuation differences, net of ¥73 million of related deferred tax liabilities, amounted to ¥58 million. Valuation differences, including the Bank's share of affiliates' unrealized gain on securities available for sale of ¥4 million, amounted to ¥62 million which appears in the accompanying balance sheets.

(2) Securities Available for Sale Sold

Securities available for sale sold in this fiscal year are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
	Proceeds from sale	¥ 393,187	¥207,837
Gain.....	8,681	6,090	72,221
Loss.....	372	3,009	3,094

(3) Securities for Which the Fair Value is not Readily Determinable

Principal items in securities for which fair value is not readily determinable are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
	Debt Securities being held to maturity		
Non-listed corporate bonds.....	¥ 1,100	¥ 500	\$ 9,151
Other Securities			
Non-listed stocks.....	3,661	3,529	30,457
Non-listed foreign securities.....	52	58	432

(4) Maturity Schedule of Bonds Held

The maturity schedule of bonds classified as securities available for sale and being held to maturity is as follows:

	Millions of Yen			
	2003			
	Due within 1 year	Due over 1 year within 5 years	Due over 5 years within 10 years	Due over 10 years
Bonds	¥14,819	¥ 76,940	¥ 223,319	¥ —
Government bonds	346	1,779	188,824	—
Municipal bonds	832	5,375	12,393	—
Corporate bonds	13,640	69,785	22,100	—
Others	1,026	7,058	6,358	743
Total	¥15,845	¥ 83,998	¥ 229,677	¥ 743

	Thousands of U.S. Dollars			
	2003			
	Due within 1 year	Due over 1 year within 5 years	Due over 5 years within 10 years	Due over 10 years
Bonds	\$ 123,286	\$ 640,099	\$ 1,857,895	\$ —
Government bonds	2,878	14,800	1,570,915	—
Municipal bonds	6,921	44,717	103,103	—
Corporate bonds	113,477	580,574	183,860	—
Others	8,535	58,718	52,895	6,181
Total	\$ 131,821	\$ 698,818	\$ 1,910,790	\$ 6,181

	Millions of Yen			
	2002			
	Due within 1 year	Due over 1 year within 5 years	Due over 5 years within 10 years	Due over 10 years
Bonds	¥25,390	¥ 67,324	¥ 137,850	¥ 305
Government bonds	294	2,166	92,334	—
Municipal bonds	556	7,964	22,081	305
Corporate bonds	24,539	57,192	23,434	—
Others	1,932	5,229	12,293	3,824
Total	¥27,323	¥ 72,553	¥ 150,144	¥ 4,130

5. Loans and Bills Discounted

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
	Bills Discounted	¥ 12,040	¥ 15,428
Loans on Bills	154,187	242,123	1,282,753
Loans on Deeds	1,051,229	948,923	8,745,665
Overdrafts	152,716	149,332	1,270,515
Total	¥1,370,173	¥ 1,355,808	\$ 11,399,109

(1) Nonaccrual Loans

Loans to legally bankrupt borrowers, on which the Bank stopped accruing interest under Japanese tax laws, as of March 31, 2003 and 2002, totaled ¥5,910 million (US\$49,168 thousand) and ¥7,582 million, respectively. Other delinquent loans, on which the Bank also stopped accruing interest under Japanese tax laws, totaled ¥52,395 million (US\$435,898 thousand) and ¥50,832 million, respectively, as of March 31, 2003 and 2002. Other delinquent loans are nonaccrual loans other than loans to customers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of debtors facing financial difficulties.

(2) Loans Contractually Past Due 3 Months or More

Loans past-due three months or more, other than loans to legally bankrupt borrowers and other delinquent loans, as of March 31, 2003 and 2002, totaled ¥50 million (US\$415 thousand) and ¥61 million, respectively.

(3) Restructured Loans

Restructured loans as of March 31, 2003 and 2002, were ¥20,699 million (US\$172,204 thousand) and ¥18,526 million, respectively.

Restructured loans represent loans with concessive interest rates and loans with negotiated terms regarding timing of interest and principal payments.

Nonaccrual Loans, loans contractually past due 3 months or more and restructured loans totaled ¥79,055 million (US\$657,695 thousand) and ¥77,001 million, respectively, as of March 31, 2003 and 2002.

The amounts reflected in (1) to (3) above represent the gross receivable amounts prior to reduction for the reserve for possible loan losses.

6. Assets Pledged

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Assets pledged as collateral			
Securities	¥ 1,427	¥1,391	\$ 11,871
Liabilities related to the above pledged assets			
Deposit	¥ 7,325	¥1,800	\$ 60,940

In addition, securities totaling ¥52,911 million (US\$440,191 thousand) and ¥61,621 million, respectively, as of March 31, 2003 and 2002 were pledged as collateral for the settlement of exchange and short money transactions or as variation margin for futures transactions. Leased deposits of ¥943 million (US\$7,845 thousand) and ¥1,007 million were included in Premises and equipment as March 31, 2003 and 2002, respectively.

7. Loan Commitments

Contracts for overdraft facilities and loan commitment limits are those under which the Bank lends to customers up to the prescribed limits in response to their loan applications as long as there is no violation of any condition in the contracts. The unused amount within the limits of these contracts totals ¥222,208 million (US\$1,848,652 thousand) and ¥222,722 million, respectively, as of March 31, 2003 and 2002.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank can refuse the customer's loan application or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in the customer's creditworthiness). At the inception of the contract, the Bank obtains real estate, securities, etc. as collateral if such is considered necessary. Subsequently, the Bank performs periodic reviews of the customer's business results based on internal rules, and takes the necessary measures to reconsider conditions in the contract and/or require additional collateral or guarantees.

8. Other Assets

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Prepaid Expenses	¥ 115	¥ 53	\$ 964
Accrued Income	2,685	3,229	22,340
Other	5,118	4,869	42,580
Total	¥ 7,919	¥ 8,151	\$ 65,881

9. Premises and Equipment

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Net Book Value			
Land	¥ 8,964	¥ 8,976	\$ 74,577
Buildings	3,909	4,183	32,527
Equipment	649	677	5,399
Other	1,069	1,057	8,897
Total	¥ 14,592	¥ 14,894	\$ 121,397

Premises and equipment are given at cost less accumulated depreciation. The accumulated depreciation at March 31, 2003 and 2002 amounted to ¥12,066 million (US\$100,382 thousand) and ¥11,809 million, respectively.

10. Deposits

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current Deposits	¥ 37,150	¥ 44,519	\$ 309,072
Ordinary Deposits	579,298	543,216	4,819,454
Savings Deposits	65,165	68,416	542,142
Deposits at Notice	17,659	14,852	146,917
Time Deposits	1,054,046	1,039,147	8,769,106
Installment Savings	572	22,966	4,762
Other Deposits	23,400	21,580	194,680
Total	¥1,777,293	¥1,754,700	\$14,786,131

11. Borrowed Money

Borrowed money includes subordinated borrowings of ¥16,100 million (US\$133,943 thousand) and ¥18,600 million, respectively, as of March 31, 2003 and 2002.

12. Other Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Domestic Exchange Settlement			
Account Credit	¥ 14	¥ 49	\$ 118
Accrued Expenses	918	1,703	7,644
Unearned Income	605	621	5,037
Reserve for Taxes	1,322	3,500	11,001
Payable for Securities Purchased	40,408	—	336,173
Other	1,626	9,124	13,527
Total	¥44,896	¥14,999	\$ 373,510

13. Reserve for Employees' Retirement Benefits

The funded status and amounts recognized in the consolidated balance sheets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligations	¥ (17,345)	¥ (34,060)	\$ (144,301)
Fair value of plan assets	5,097	16,189	42,404
Projected benefit obligations in excess of plan assets	(12,247)	(17,870)	(101,888)
Unrecognized net actuarial loss	4,612	7,056	38,369
Unrecognized prior service cost	—	(543)	—
Net liability recognized	¥ (7,635)	¥ (11,357)	\$ (63,519)
Prepaid pension cost	—	—	—
Reserve for employees' retirement benefits	(7,635)	(11,357)	(63,519)

Net pension expense related to the retirement benefits for the year ended March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 597	¥ 889	\$ 4,966
Interest cost	524	1,053	4,359
Expected return on plan assets	(287)	(604)	(2,387)
Amortization of prior service cost	(22)	(162)	(183)
Amortization of actuarial losses	655	480	5,449
Other	(71)	(184)	(590)
Net pension expense	1,397	1,472	11,622
Profit from the return to the government portion of Welfare Pension Fund	(3,804)	—	(31,647)
Total	¥ (2,407)	¥ 1,472	\$ (20,024)

Assumptions used in calculation of the above information for the year ended March 31, 2003 and 2002 were as follows:

	2003	2002
Discount rate	2.7%	2.7%
Expected rate of return on plan assets.....	3.5%	3.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization of prior service cost	5 years	5 years
Amortization of unrecognized actuarial differences	5 years from next fiscal year	5 years from next fiscal year

14. Other Income

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Profit from securities dealing	¥ 8,629	¥ 5,738	\$ 71,788
Other	4,727	3,271	39,326
Total	¥ 13,355	¥ 9,009	\$ 111,106

15. Other Expenses — Other

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Write-down for stocks.....	¥ 7,883	¥ 845	\$ 65,582
Other	3,349	7,364	27,861
Total	¥ 11,232	¥ 8,209	\$ 93,444

16. Income Taxes

The tax allocation of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred Tax Assets:	¥14,175	¥14,639	\$117,928
Reserve for possible loan losses	9,318	8,255	77,520
Reserve for employees' retirement benefits.....	2,907	4,452	24,184
Reserve for employee bonuses.....	455	377	3,785
Depreciation.....	319	357	2,653
Enterprise tax payable.....	103	310	856
Net valuation difference of securities available for sale.....	465	73	3,868
Other	603	813	5,016
Deferred Tax Liabilities:			
Retained earnings of foreign subsidiaries	¥ (182)	¥ (165)	\$ (1,514)
Net valuation difference of securities available for sale.....	(658)	—	(5,474)
Net Deferred Tax Assets.....	¥13,334	¥14,474	\$110,931

The reconciliation of the statutory tax rate to the effective income tax rate for the year ended March 31, 2003 and 2002 is as follows:

	2003	2002
Statutory tax rate	41.7%	41.7%
Increase in taxes resulting from permanent non-deductible items including entertainment expenses	5.6	3.8
Permanent non-taxable items including dividend income	(1.1)	(2.7)
Resident tax per capital levy	0.1	0.3
The change in the aggregate statutory income tax rate.....	6.2	—
Other	(3.2)	2.7
Effective income tax rate	49.4%	45.9%

With the change in the local tax law commencing on April 1, 2004, the statutory tax rate drops to 40.4% from 41.7%. As a result of the above, deferred tax assets decrease ¥329 million (US\$2,737 thousand) and income tax increases ¥347 million (US\$2,886 thousand). Deferred tax liabilities for revaluation decreases ¥25 million (US\$207 thousand) and the revaluation reserve for land increases the same amount. Unrealized gains on securities available for sale increase ¥18 million (US\$149 thousand).

17. 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 are shown on the assets side in the accompanying balance sheets which represent the Bank's right of indemnity from these customers.

18. Lease Commitments and Contingent Liabilities

Finance lease contracts, other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by the method similar to the operating lease method.

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2003 and 2002 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Lease Rental Expenses.....	¥ 1,465	¥1,332	\$ 12,188

The amount of outstanding future lease payments due at March 31, 2003 and 2002, which excluded the interest portion, was summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Future Lease Payments			
Within one year.....	¥ 1,101	¥ 1,002	\$ 9,159
Over one year.....	3,356	2,142	27,920
Total.....	¥ 4,458	¥ 3,144	\$ 37,088

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (machinery and equipment), were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Acquisition.....	¥ 7,771	¥6,587	\$ 64,650
Accumulated Depreciation.....	(3,521)	(3,618)	(29,292)
Net Book Value.....	4,250	2,968	35,357
Depreciation.....	1,221	1,103	10,158

Depreciation is based on the straight-line method over the lease term of the leased assets.

19. Derivative Financial Instruments

The Bank uses derivative financial instruments, which comprise principally foreign exchange forward contracts, interest rate and currency swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. The Bank also holds or issues financial instruments for trading purposes restricted with a certain internal limitation.

Contractual values or notional principal amounts, market values or estimated market values and unrealized profit / (loss) of derivative financial instruments of the Bank as at March 31, 2003 and 2002 are shown below in accordance with the revised Financial Statements Regulation.

Interest Rate Related Transactions

No Transactions

Foreign Exchange Related Transactions

	Millions of Yen			
	2003			
	Notional Principal Amount		Market Value	Unrealized Profit/(Loss)
	Total	Over 1 Year		
Over-the-Counter Currency Swaps.....	¥	¥	¥	¥
U.S. Dollars.....	—	—	—	—
Total.....	¥	¥	¥	¥

	Thousands of U.S. Dollars			
	2003			
	Notional Principal Amount		Market Value	Unrealized Profit/(Loss)
Total	Over 1 Year			
Over-the-Counter Currency Swaps.....	\$	\$	\$	\$
U.S. Dollars.....	—	—	—	—
Total.....	\$	\$	\$	\$

	Millions of Yen			
	2002			
	Notional Principal Amount		Market Value	Unrealized Profit/(Loss)
Total	Over 1 Year			
Over-the-Counter Currency Swaps				
U.S. Dollars.....	¥399	¥ —	¥ (2)	¥ (2)
Total.....	¥399	¥ —	¥ (2)	¥ (2)

20. Common Stock

Information with respect to common stock of the Bank as at March 31, 2003 and 2002 are as follows:

(Par Value: ¥50.00)	Thousands of Shares	
	2003	2002
Number of Shares:		
Authorized.....	200,000	200,000
Issued and Outstanding.....	155,895	155,895

21. Appropriation of Retained Earnings

The following appropriation of Retained Earnings of the Bank was approved at the stockholders' meeting held on June 27, 2003.

	Millions of Yen	Thousands of U.S. Dollars
Transfer to Legal Reserve	¥ 76	\$ 632
Dividends	389	3,236
Bonuses to Directors and Corporate Auditors	39	324
Transfer to Voluntary Reserve.....	400	3,327
Total.....	¥904	\$ 7,520

22. Information per Share

	Yen		U.S. Dollars
	2003	2002	2003
Book Value per Share.....	¥637.73	¥620.71	\$ 5.30
Net Income per Share.....	17.84	15.96	0.14

Net Income per Share in the last fiscal year is calculated using based upon the average number of shares (excluding the shares held by Bank, subsidiaries and affiliates) during the year.

For 2003, the Bank has adopted Financial Accounting Standard No. 2 'Accounting Standard for Net Income per Share' issued by the Accounting Standards Board of Japan (the 'ASBJ') and Financial Accounting Standards Implementation Guidance No. 4 'Implementation Guidance for Accounting Standard for Net Income per Share' issued by the ASBJ. When the Bank calculates the above informations applying the last year's method, Book Value per Share and Net Income per Share for the current year are ¥637.98 (US\$5.30) and ¥18.09 (US\$0.15), respectively.