Super Regional Bank

The Daiwa Bank, Limited Annual Report 2000

Daiwa Bank

Corporate Profile

Corporate Profile

Ranked among the largest domestic financial institutions and noted as the only city bank with a trust banking business operating alongside its main banking operations, The Daiwa Bank, Limited, commenced its pension trust business in 1962. A principal provider of loans to small and medium-sized businesses, the Bank also offers a broad range of sophisticated services, including pension trusts, securities, real estate, and private banking.

To secure its position as the leading retail bank in the Kansai region and a nationwide provider of trust banking services, especially the management and administration of pension funds and corporate trusts, Daiwa Bank is implementing measures to increase competitiveness, reduce costs, and upgrade information technology (IT) and applications. Moreover, the Bank has developed a specialization strategy that is aimed at exploiting its key strengths in the trust banking business, particularly the management and administration of pension funds and corporate trusts, and retail operations in the Kansai region—Japan's second largest commercial center and Daiwa Bank's home base of operations.

Daiwa Bank is fully committed to providing quality financial services to its customers. Through its solid domestic presence comprising 187 offices as well as access to the D-Net, a network of manned offices and ATMs in 678 locations nationwide, the Bank offers its customers a wide range of convenient products and services.

Daiwa Bank is currently making the transition to a Superregional Bank with strong ties to the Kansai region. As we move into the 21st century, the guiding principle throughout the Bank's scope of operations will continue to be to retain the confidence and trust of its customers.

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Consolidated Financial Highlights

The Daiwa Bank, Limited, and consolidated Subsidiaries   Years ended March 31, 2000 and 1999

	Millions of yen		Percent increase (decrease)	Millions of U.S. dollars
	2000	1999	**2000**/1999	**2000**
Total Funds	**¥25,292,275**	¥24,117,845	4.8%	**$238,269**
Deposits	**11,580,094**	11,165,673	3.7	**109,091**
Money Trusts	**7,596,851**	7,073,452	7.3	**71,567**
Pension Trusts	**6,111,769**	5,874,937	4.0	**57,576**
Asset Formation Benefit Trusts	**3,559**	3,782	(5.8)	**33**
Total Loans and Bills Discounted	**10,478,189**	10,315,207	1.5	**98,711**
Banking Account	**9,723,089**	9,372,127	3.7	**91,597**
Trust Account	**755,099**	943,079	(19.9)	**7,113**
Total Assets	**15,354,825**	15,459,603	(0.6)	**144,652**
Net Income (Loss)	**29,695**	(174,859)	116.9	**279**

	Yen		Percent increase (decrease)	U.S. dollars
Per Share Data:				
Cash Dividends				
Common Share	**¥ 3.00**	¥ 3.00	—%	**$0.02**
Type A Preferred Share	**24.75**	24.75	—	**0.23**
Type B Preferred Share	**6.36**	0.02	31,700	**0.05**
Net Income (Loss) per Share	**12.58**	(108.22)	111.6	**0.11**
Stockholders' Equity per Share	**211.20**	196.68	7.3	**1.98**

Notes: 1. Yen amounts are rounded down to the nearest million yen, except for per share data, which are rounded down to the nearest one-hundredth yen. All dollar figures in this report refer to U.S. currency. Yen amounts have been translated into U.S. dollars for convenience only, at the exchange rate of ¥106.15 to U.S.$1.00, the rate prevailing at March 31, 2000. Since both yen and dollar amounts of less than one million have been omitted, total or subtotal amounts in yen and dollars appearing in the accompanying financial statements and the notes thereto do not necessarily agree with the sum of the individual account balances.
2. Total Funds is the sum of the total deposits of the Banking Account, plus the totals for Money Trusts, Pension Trusts, and Asset Formation Benefit Trusts from the Trust Account.
3. Net Income (Loss) per Share is computed by subtracting the total amount of cash dividends paid on preferred stock from Net Income (Loss) and then dividing the remainder by the average number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding during the year.
4. Stockholders' Equity Per Share is computed by subtracting the number of preferred stock outstanding times the issue price from net assets at the fiscal year-end and dividing the remainder by the number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding at fiscal year-end.

To Our Stockholders

The Japanese financial services industry is reaching the final stages of its Big Bang as the implementation of limitations on government liability for bank deposits approaches. What is most required of Japan's financial institutions now is to manage their operations in accord with global standards and market principles. As the nature of financial institutions undergoes evolution, they themselves are examining their roles and asking how they can add value. I believe the answer for The Daiwa Bank, Limited, can be summarized in full by saying that we must build on our strengths and work to enhance our corporate value with the aim of continuing to be selected by stockholders and customers. To provide you with information to understand our present position and objectives, I would like to take this opportunity to review our progress toward reaching the goals of our corporate strategies and our Plan to Revitalize Management (hereinafter, the Plan), which we began to implement at the beginning of the fiscal year under review.

Financial Results of the Daiwa Bank (Non-Consolidated)

From a financial perspective, the principal tasks under the Plan are "Enhancing the Quality of Assets" and "Strengthening Profitability." We worked in earnest to accomplish these tasks during fiscal 1999, ended March 31, 2000.

First, we implemented a range of measures to enhance asset quality. To deal with nonperforming loans, we made additional provisions to reserves for possible loan losses that may be incurred owing to the prolonged slowdown in the domestic economy and continued declines in land prices in Japan. We also made provisions to reserves to cover costs that may be incurred in connection with the restructuring of consolidated subsidiaries. As a consequence, the total cost of dealing with nonperforming loans of the Banking Account on a non-consolidated basis for the fiscal year was ¥149.3 billion. In addition, in view of the introduction of market price accounting principles for banks beginning in April 2000, we enhanced the soundness of the Bank's securities portfolio by recording unrealized losses on stocks of corporate

Outline of Financial Performance in Fiscal 1999 (Non-Consolidated Basis)

(Billion ¥)

	Fiscal 1999 (Actual Results)	Fiscal 1999 (Target under Plan)	Difference
Net Business Profit	¥ 75.7	¥65.5	¥ 10.2
Nonperforming Loan Disposal Expenses	149.3	30.0	119.3
Ordinary Profits	37.6	28.0	9.6
Net Income	18.1	16.0	2.1
Consolidated Capital Adequacy Ratio	11.84%	13.42%	(1.58%)

customers held for relationship purposes and investment trust beneficiary certificates. As a result, our net unrealized gains on securities at the end of fiscal 1999 moved back to the positive range, amounting to ¥113.2 billion.

Takashi Kaiho, President

Second, we also worked to strengthen profitability. As a result of the implementation of policies to restructure our operations under the Plan, we made notable progress toward the enhancement of income from earning assets, which is our core profit base. Factors accounting for this were an increase in gross interest margin on earning assets and success in actively expanding our housing loan portfolio and loans to small and medium-sized enterprises. Moreover, we reduced general and administrative expenses ¥12.0 billion through improvements in efficiency. Accordingly, net business profit, which is the best measure of performance in our core businesses, amounted to ¥75.7 billion, and ordinary profits (after recurring but before extraordinary items) amounted to ¥37.6 billion. Both of these figures were above the levels targeted by the Plan.

Income before income taxes and after extraordinary items was ¥42.2 billion, and net income amounted to ¥18.1 billion. These figures take account of a reduction of deferred income tax amounting to ¥6.9 billion due to a decline in the effective income tax rate, which was applied conservatively when the government of Tokyo implemented a new form of enterprise tax on gross operating profits in April 2000.

Regarding cash dividends, the Bank has set a basic policy of paying stable dividends on a continuing basis after taking account of such considerations as the public nature of banking institutions, the need to bolster the Bank's operating position in the challenging environment foreseen, and the necessity of allocating retained earnings efficiently and on a prioritized basis to strengthen the Bank's operating and financial positions. Accordingly, for the second six months of fiscal 1999, the Bank paid cash dividends of ¥1.5 per common share, which is the same as for the interim period ended September 30, 1999, and for the second six months of fiscal 1998. This brings the total dividend to ¥3 per common share on an annual basis. Dividends for the second six months of fiscal 1999 on the first issue of Type A preferred shares have been set according to the originally agreed upon rate of ¥12.375 per share (an annual rate of ¥24.75 per share). Dividends for the second six months of fiscal 1999 on the first issue of Type B preferred shares have been set at ¥3.18 per share (an annual rate of ¥6.36 per share).

The Bank's consolidated capital adequacy ratio at the end of fiscal 1999 was 11.84%, owing to the underwriting of a capital increase for the Bank of Kinki, Limited, and the Bank of Osaka., Limited, and other factors. The Tier I capital ratio was 7.79%. As the Bank has withdrawn from overseas banking operations, domestic capital adequacy criteria now apply.

To Our Stockholders

Focusing on Implementing Our Specialization Strategy

Beginning in fiscal 1996, we adopted a specialization strategy of further strengthening our capabilities in areas where we are already strong and retreating from inefficient business areas. Based on this strategy, we completed our withdrawal from overseas banking according to schedule, closing our Hong Kong branches in March 2000 and converting them to a representative office.

At present, we are aiming to be a Superregional Bank with our base of operations in the Kansai region centered on Osaka and are devoting our full energies to domestic operations. To further strengthen our position in the retail market in the Kansai region and enhance the efficiency of operations in the Tokyo region, we introduced two new management systems for our activities.

In the Kansai region, we introduced an Area Operations System that makes effective use of our branch network in the Kansai region and our other management resources and put emphasis on face-to-face relationships. In the Tokyo region, we introduced the Branch Internal Marketing System, which draws on trust business services and other unique features of the Bank to enable us to develop transactions relationships with growth companies and respond to the increasingly sophisticated needs of our customers.

Under these systems, we have introduced branch marketing strategies that enable us to draw on our strengths in these two regions. In addition, by working to expand our Internet banking, telephone banking, debit card, and other direct channel services, we are aiming to introduce new forms of customer interface and marketing approaches. Moreover, in the area of trust business services for individuals, we are placing greater emphasis on private banking and the development of comprehensive transactions relationships through the cross-selling of various services, including testamentary trusts, based on financial consulting.

As the shape of our relationships and marketing to customers as well as the content of our services evolves, we plan to strengthen the nature of our branches to enable them to offer our customers highest-quality financial services. To accomplish this objective, we have begun the development of a new branch system making use of advanced IT. This system is scheduled to go into trial operation in April 2001.

In addition, to improve efficiency and structure management systems that can respond quickly and flexibly in this rapidly evolving era, we introduced our Executive Officer System in June 2000 and strengthened operating functions. Accompanying the introduction of this system, we have reduced the number of directors to about half the previous level and strengthened corporate governance by accelerating the pace of decision making and stimulating discussion at the management level.

In personnel matters, we are taking steps to structure employment and compensation systems that emphasize roles, contributions, and professional knowledge as well as skills. These new systems will also stress the delegation of responsibility at an early date to younger staff members with ability and drive. We have already appointed the Bank’s first branch manager selected under an application system, and we believe we can create a new corporate culture that will stimulate a spirit of challenge among our staff members.

Plan to Revitalize Management

- Drawing a line under the nonperforming loan problem
- Building stable capital structures
- Focusing on our public mission as a bank to provide a smooth supply of funds
- Becoming a Superregional Bank with strong local ties in the Kansai region, our geographical base

MANAGEMENT GOAL

By fiscal 2002 (year ending March 31, 2003)

Net business profit:

¥120 billion

Future Strategies

1. Efforts to Bring Stability to the Kansai Financial Community

For the Bank to develop as a Superregional Bank, the further economic development of the Kansai region, which is the base of our operations, and the stability of the Kansai financial community, which supports the region, will be indispensable. With this understanding, we concluded strategic alliances in February 1999 with the Bank of Kinki and the Bank of Osaka, which were developing their positions as retail banking institutions having close ties to the Kansai region. The two banks merged on April 1, 2000, to begin their activities anew as the Kinki Osaka Bank, Limited. This newly formed institution will conduct its activities in close cooperation with us as a member of the Daiwa Bank Group. In addition to the direct benefits of the alliance from the points of view of marketing and management rationalization, we will establish a presence as a core financial group in the region, providing high-quality services to our customers characterized by attention to detail. We believe that this presence will allow us to further develop our operations in the medium-to-long term.

Moreover, on May 31, 2000, Daiwa Bank and the Kinki Osaka Bank reached basic agreement with the financial reorganization administrator for the Namihaya Bank, Ltd., to acquire the operations of that institution. This decision was based on our basic policy of working to further the development of the Kansai region by ensuring stability in the Kansai financial community. We will move forward with the smooth implementation of the acquisition, working to respond to the expectations of the customers of the Namihaya Bank and strengthening the base of operations of the Daiwa Bank Group.

2. Strengthening Trust Business Divisions

Another core area of the Bank's operations is its trust management and administration services, which are conducted nationwide in Japan and globally. Daiwa Bank is the only Japanese city bank providing both commercial banking and trust business services. We have accumulated a strong base of know-how by providing trust-related services over many years. Today, the Bank occupies the position of the leading bank in pension trusts, with ¥6,623.5 billion in pension assets under management as of March 31, 2000, the highest level among trust and banking companies in Japan.

To Our Stockholders

To respond to the increasingly diverse and sophisticated needs of our customers, including investors, a global network for asset management activities and large investments in IT infrastructure for asset administration operations are essential. To supplement our capabilities in these fields, we have concluded alliances with reliable partners who are leaders in their respective areas. In asset management, for example, we have cooperative agreements with four asset management companies in Europe and the United States, including Brown Brothers Harriman Company, of the United States. In the asset administration field, our initiatives have included the formation—jointly with Sumitomo Trust and Banking Co., Ltd.—of a new trust and banking company, which is scheduled to begin operations in October 2000. Through these strategic alliances, we are working to enhance our capabilities in asset management and administration. The new trust and banking company, Japan Trustee Services Bank, Ltd., is expected to have more than ¥50 trillion in trust assets under its administration in the first year of operations, and it will be the largest player in Japan's asset administration infrastructure. In addition, we plan to move aggressively as a leader in our industry to meet other customer needs, including master trust services expressly tailored to the Japanese market.

Directions for Future Development

Movements toward strategic alliances among leading Japanese financial institutions have accelerated over the past year. Mergers and consolidations leading to the creation of "megabanks" are a prominent trend in the fast-changing international financial services industry. I believe, however, that the surest road to success will be developing our own concepts and choosing strategies that meet customer needs in those areas where we are strongest.

We bid farewell to the approach of trying to provide comprehensive services for all customers four years ago, and we were ahead of other banks in adopting our specialization strategy. At that time, we chose "retail banking in the Kansai region" and "trust-related business" as our core businesses, based on the objective set by the Bank's founder of "providing funds for the development of small and medium-sized enterprises." Focusing on these two areas, we are working to offer services that only Daiwa Bank can provide and to become a Superregional Bank with a strong presence that makes us the natural choice of our customers. This is what Daiwa Bank is striving to become. With this image in mind, we are devoting our fullest, unwavering efforts to attaining our objectives and have adopted the guiding principle "Action and Speed, then Results." We believe that making progress toward our objectives will enable us to respond to the expectations of stockholders, customers, and society at large.

T. Kaiho

Takashi Kaiho
President

Special Feature

How we provide high-value-added services

How we provide high-value-added services

Progress toward the Objectives of the Plan to Revitalize Management

In March 1999, the Daiwa Bank prepared its Plan and presented it to the Financial Reconstruction Commission at the time the Bank received an infusion of public funds. The Plan took the Bank's Five-Point Specialization Strategy, which was originally adopted in October 1998, many steps further and presented detailed steps for implementation. As a result of the implementation of bold measures to restructure as well as rationalize and enhance the efficiency of the Bank's operations, the Bank is making progress toward increasing its cost-competitiveness and has begun to build stronger operating and financial positions. The objective set for the year ending March 31, 2003, is to report net business profit of ¥120 billion.

As a result of measures to rationalize and increase the efficiency of operations, general and administrative expenses for the fiscal year ended March 31, 2000, amounted to ¥168.7 billion, ¥4.2 billion lower than targeted under the Plan.

Personnel expenses amounted to ¥57.5 billion, ¥4.1 billion lower than for the previous year, and were ¥1.0 billion lower than under the Plan. This was due to a larger-than-planned reduction in personnel and the continuation of a 30% reduction in semiannual bonuses that began in the second half of the fiscal year ended March 31, 1999. Also, owing to the introduction of the Executive Officer System in June 2000, the number of directors was lowered from 23 as of March 31, 2000, to 12 in June 2000.

Withdrawal from overseas banking operations was completed as planned with the closure of the Hong Kong Branch and United Centre Branch (also in Hong Kong) in March 2000. In addition, to restructure domestic banking activities, the Bank proceeded with a review of the role of the Head Office within the banking divisions, and overlapping functions in eastern and western Japan, principally in administration divisions, were consolidated in the Osaka Head Office.

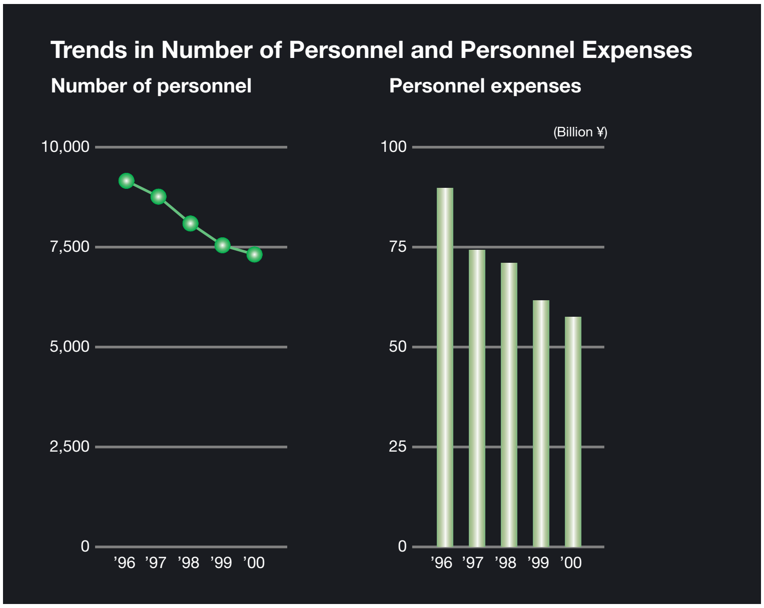
Results of Activities to Improve Operating Efficiency (Non-Consolidated Basis)

		March 31,1999 (Actual Results)	March 31, 2000 (Actual Results)	March 31, 2000 (Objectives under the Plan)	Actual Results vs. Plan Objectives	Year-on-Year Change
General & Administrative Expenses (Billion ¥)		¥180.8	**¥168.7**	¥172.9	¥(4.2)	¥(12.1)
	Personnel expenses	61.6	**57.5**	58.5	(1.0)	(4.1)
	Non-personnel expenses	110.5	**104.3**	106.7	(2.4)	(6.1)
Number of directors (Note 1)		31	**23**	28	(5)	(8)
Number of personnel		7,546	**7,315**	7,410	(95)	(231)
Domestic branches (Note 2)		169	**167**	165	2	(2)
Overseas branches		5	**0**	0	0	(5)

Notes: 1. Includes corporate auditors
2. The closure of two domestic branches was postponed to avoid any unforeseen developments related to the Year 2000 issue. These branches were closed as of April 2000.

Domestic Lending Activities

The revitalization of small and medium-sized enterprises is presently regarded as a key to restoring vitality to the Japanese economy as a whole. Accordingly, the Bank is placing emphasis on lending to these companies. Rather than simply build lending volume, however, the Bank has created a number of new products, such as the Special Year 2000 Fund for Smaller Businesses, and worked to expand the scope of services through the establishment of a relationship promotion unit. As a consequence, as of March 31, 2000, lending to small and medium-sized enterprises (on the Plan basis) was up ¥509.6 billion over the previous fiscal year-end, above the target increase of ¥388.3 billion under the Plan, and the number of customers was increased by 925 companies. The Bank intends to continue to provide active support to sound small and medium-sized businesses by providing credit smoothly and will devote its fullest efforts to nurturing companies suited to the economy of the 21st century. In view of its public and social missions as a banking institution, the Bank will devote substantially increased efforts to performing its role as a financial intermediary.



Strengthening the Bank's Position in the Kansai Region

Alliance with the Kinki Osaka Bank

With the objectives of enhancing customer service, contributing to the development of the Kansai region, and building corporate value, Daiwa Bank reached basic agreement in February 1999 with the Bank of Kinki and the Bank of Osaka to form a strategic alliance. In September 1999, the Bank strengthened its relationships with these two institutions by purchasing a third-party distribution of shares. Thereafter, in April 2000 these two banks merged to form the Kinki Osaka Bank, Limited, which is now one of the largest regional banks in the Kansai region.

As the Daiwa Bank progresses toward its objective of becoming a Superregional Bank, the Kinki Osaka Bank will work, as part of the Daiwa Bank Group, to expand its retail banking activities centered on the Kansai region.

Teamwork within the Daiwa Bank Group

The Daiwa Bank Group's network of manned offices and ATMs, D-Net, which began services in March 1999, was opened for use by all customers of the Group—with all functions available to Group member customers—beginning in August 1999. In addition, off-premises, jointly operated Group ATM corners have also been established.

Similarly, the Daiwa Bank Group Block System, D-Block, was inaugurated in October 1999. Under this system, the offices of Daiwa Bank and Kinki Osaka Bank located in the same geographical regions have been organized in blocks, and, while mutually complementing each other's capabilities, are working to build strong ties with local communities.

Moreover, at present more than 70 proposals for working together are under consideration—from cooperation in business activities to the adoption of a single character to represent the Group—with the aims of offering high-quality services to customers and increasing operational efficiency.

Management Principles of the Daiwa Bank Group

1. Offering financial services that delight our customers
2. Working toward the further development of the Kansai economy
3. Aiming for sound management that will win the trust and confidence of our customers

Acquisition of the Namihaya Bank

On May 31, 2000, the Bank and the Kinki Osaka Bank concluded a basic agreement with the financial reorganization administrator for the Namihaya Bank to acquire the operations of that institution. Members of the Daiwa Bank Group will implement the acquisition smoothly, continue to strengthen their operations, and build increasingly powerful operating and financial positions.

Outline of the Acquisition of the Namihaya Bank

1. Book value of loans and other claims to be acquired: ¥648.2 billion (As of December 31, 1999)
2. Personnel to be reemployed: More than 1,140 (Including more than 900 regular employees)
3. Branches to continue in operation: 68 or more (Other branches will be consolidated with branches of the Daiwa Bank Group.)

Measures to Strengthen Domestic Banking Divisions

In April 2000, the Bank implemented two strategies to strengthen its position in retail banking in the Kansai region and improve the efficiency of banking operations in the Tokyo metropolitan area.

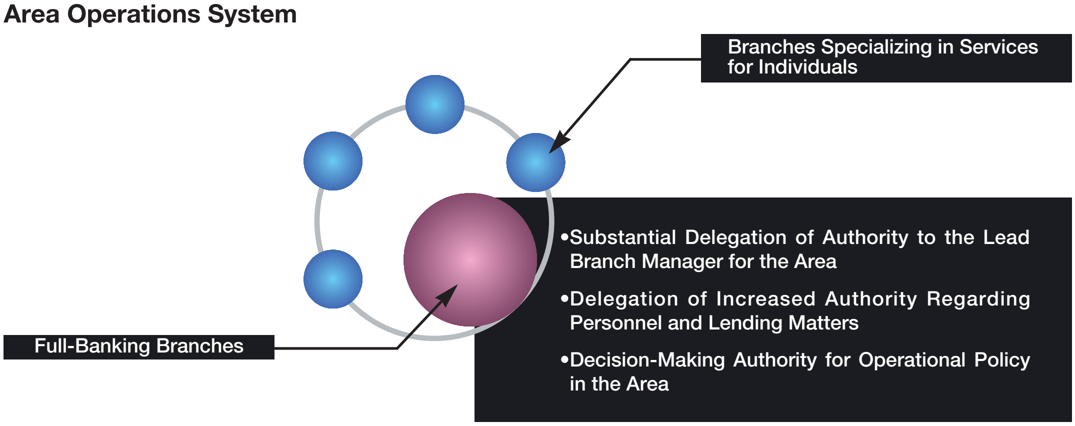
First, in the Kansai region, branches that serve virtually the same markets were organized into groups by area, and the Area Operations System was adopted to provide coordinated services that match the needs of each geographical area. The objectives of this system are to enhance professionalism and thereby offer higher-quality services and increase operating efficiency.

In the Tokyo region, the Bank introduced the Branch Internal Marketing System, which will facilitate the effective marketing of various services to wholesale market customers, especially in trust business related fields. The system is intended to enable the Bank to develop relationships with growth companies and other companies as well as meet the increasingly sophisticated needs of customers.

Also, in January 2000, the Bank reached agreement with IBM Japan, Ltd., and D&I Information Systems Inc. to jointly develop a new branch operating system embodying cutting-edge IT with the aims of improving customer service through the speeding up of processing operations and enable the Bank to respond more flexibly to changes in the operating environment. At present, this system is under development and is scheduled to go into trial operation in April 2001.

The Bank will invest ¥20 billion in the new system with the aim of repositioning its branches as centers for offering better financial services rather than clerical processing centers. Along with the introduction of the new system, regional processing centers will be established where the back-office operations will be concentrated. Measures will also be implemented to increase efficiency and streamline branch operations while offering venues where customers can receive consulting advice in a relaxed setting. This new system is also scheduled to enable the Bank to increase efficiency and reduce branch personnel by approximately 500.

Area Operations System



Strengthening Trust Business Operations

Accompanying the introduction of new accounting standards for corporate retirement allowances and Japan's equivalent of 401(k) defined contribution pension plans, Japan's pension system is undergoing major changes. Daiwa Bank has set the goal of establishing an unshakable position in the fields of corporate pensions and corporate trusts by becoming a "strong group of professionals capable of providing the highest-quality services."

In April 1999, the Bank formed an internal unit, the Pension and Corporate Trust Company, and introduced profit supervision by division, thereby making the company an independent profit center. In 1998, the Bank became the first Japanese banking institution to introduce auditing by outside professionals in the field of trust asset administration in accord with standards similar to SAS70 in the United States. Moreover, in March 1999 the Bank received ISO 9001 certification for its pension system design and administration services, thus confirming the quality of these services and their adherence to international standards.

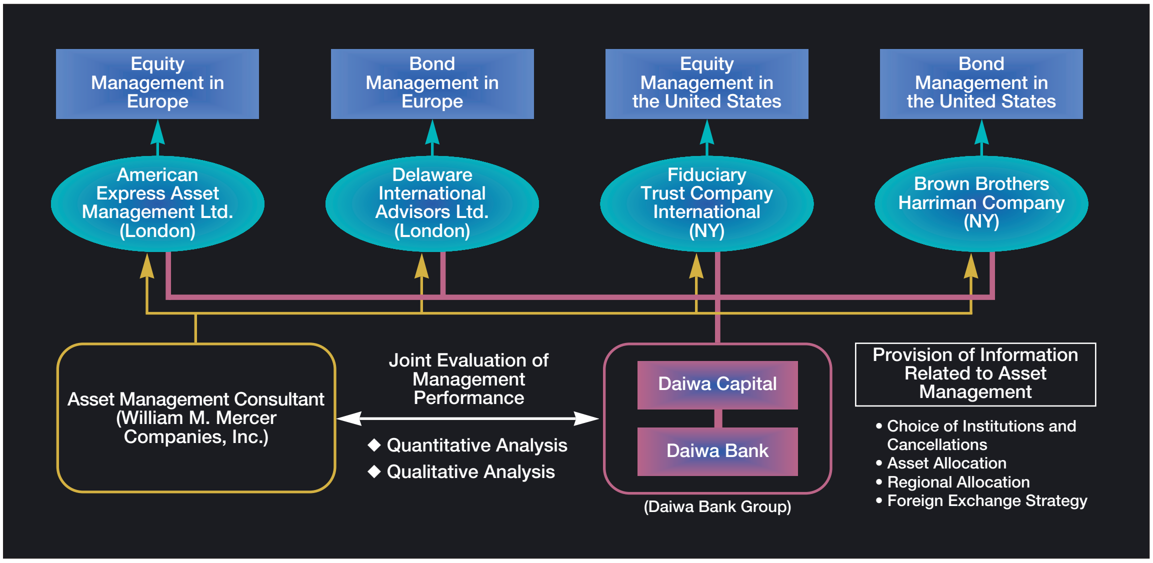
Alliances to Bolster Management Capabilities

Through Daiwa Bank (Capital Management) Plc (Daiwa Capital) in the United Kingdom, in September 1999 the Bank concluded tie-ups with four leading international investment advisory companies for the management of trust assets in foreign securities. These cooperative arrangements have enabled the Bank to build a powerful global network for asset management, spanning Japan, the United States, and Europe.

Simultaneously, the Bank concluded contracts with asset management consulting companies to evaluate the performance of these investment managers to ensure the continued maintenance of high standards.

Joint Establishment of Japan Trustee Services Bank, Ltd.

On June 20, 2000, the Bank and Sumitomo Trust and Banking jointly established Japan Trustee Services Bank, Ltd. This bank will build a sophisticated asset administration infrastructure and is aiming to be the number-one trust bank specializing in securities and other asset administration services in Japan. In addition to asset administration services, the bank will work to become the industry leader in Japanese-style master



trust and other new services, thus paving the way toward development of the trust business in the 21st century.

Outline of Japan Trustee Services Bank

Capital:	¥50 billion (50% provided by Daiwa Bank)
Size of Operations:	Assets of more than ¥50 trillion from start-up, the largest scale in Japan

Tie-ups in Preparation for Japanese-Style 401(k) Pension Plans

In preparation for the introduction of 401(k)-type pension plans into Japan, the Bank is readying the necessary systems for the management and administration of these plans. In the record-keeping area, the Bank has already invested in Japan Investor Solutions & Technologies Co., Ltd. (JIS&T), which was established with The Nomura Securities Co., Ltd., and the Industrial Bank of Japan, Ltd., at its core, and will work in cooperation with the company.

Corporate Citizenship

The Bank is engaged in various types of activities that contribute to the communities it serves.

Contribution to the City of Osaka

The Bank donated ¥30 million to Osaka Prefecture for operating funds for the Osaka International Conference Center (Grand Cube Osaka), a 13-story center equipped with world-class facilities, which opened in March 2000.

Activities of the Dairinkai

Set up in 1987, the Dairinkai is an association in the Kansai region for promoting the development and vitality of the Kansai region by strengthening teamwork across conventional group boundaries among companies that began their operations in the region. As a member of this association, the Bank continues to support a variety of unique activities that contribute to the community. As of May 2000, the Dairinkai had 57 corporations as members. Activities of the Dairinkai in fiscal 1999 included the donation of 10 sliding benches to the Osaka International Conference Center when it opened in the Nakanoshima area.

Daiwa Bank Asia-Oceania Foundation

Since its establishment in October 1989, this foundation has worked to contribute to international interchange and mutual understanding among the countries of Asia and Oceania. Activities include sponsoring research by individuals and groups on the two regions and international conferences. During fiscal 1999, ¥18.0 million was provided for 16 projects, and since its establishment the foundation has supplied ¥237 million for 96 projects.

In addition to these activities, the Bank also sponsored the sixth Daiwa Bank Card Sunday Painting and Photography Exhibition, made contributions to those affected by a major earthquake in Taiwan during the year, and started using environment-friendly automobiles running on natural gas.

Risk Management

Risk Management Policy

Daiwa Bank has positioned the establishment of strong internal supervisory systems as a key management objective, which is essential to ensure the soundness of the Bank's management and its position as a financial institution that is highly valued and trusted for the services it provides.

Integrated Risk Management Systems

For each risk category, Daiwa Bank has established units for managing risk that operate independently of business promotion units. Under the Bank's risk management system, these units prepare analyses and evaluations of the Bank's risk positions and report to senior management. After assessing these reports and other information, senior management then makes the final decisions on risk management policies. In addition, the Inspection Division—which is independent of sections promoting the Bank's operations and the risk management units—implements internal inspections.

Looking ahead, the Bank will be working to substantially enhance its risk management capabilities, especially in the area of quantifying risks, and to improve these systems to enable the overall supervision and management of risk, including that of associated companies and other members of the Daiwa Bank Group as a whole.

Credit Risk Management

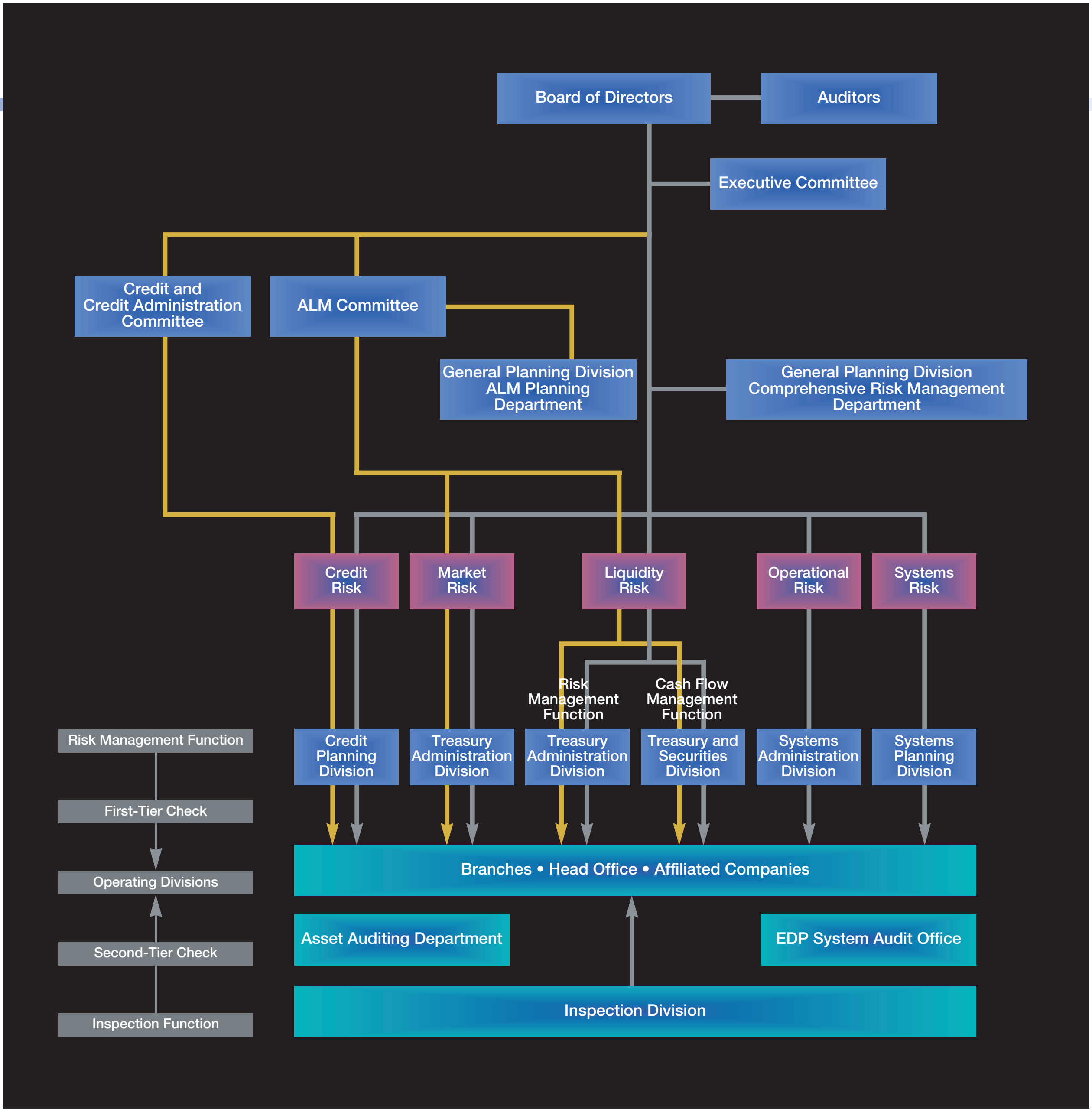
To ensure the soundness of its assets, the Bank has established a credit analysis and screening system that functions independently of business promotion units. In addition, the Bank measures credit risk based on its internal credit-rating system and is working to enhance the sophistication of risk management systems through the quantification of risk volumes. These various systems and policies for risk management have been set forth in the Bank's *Credit Policy* and are implemented on a Bankwide basis.

Credit-Rating System

The Bank employs a credit-rating system that classifies borrowers into one of 13 categories. This system enables the Bank to make comprehensive evaluations of credit risk based on analyses of customers' financial statements; the quality of customer assets, including unrealized gains or losses; and other qualitative factors that may have an impact on borrowers' ability to meet future obligations. The Bank employs these credit ratings to monitor its loan assets and works to secure a balanced portfolio without excessive concentrations of risk in particular industries or geographical areas.

Quantification of Credit Risk

The quantification of credit risk involves forecasting the impairment of the Bank's cash flow arising from defaults on the payment of principal or interest on loans and other claims. The Bank evaluates the volume of credit risk through the analysis of historical default and recovery rates for each credit category. This information is then employed to structure a more balanced loan portfolio, set appropriate lending rates, and secure appropriate levels of profitability.



Supervision and Recovery of Problem Loans

To facilitate the recovery of problem loans, the Bank has established a loan recovery support team within its Head Office that focuses on the management of such loans. In addition, the Bank has appointed managers in each of its branch offices as well as specialists in selected branches that work closely with the Head Office to coordinate the effective and efficient management of problem loans.

Based on its recovery policies, the Bank is also devoting its full efforts to disposing of problem loans at an early date through the sale of real estate collateral pledged against such loans and through the disposal of such loans through bulk sales and securitization.

Market Risk

The Treasury Administration Division coordinates overall market risk management, operating independently of both front and back offices. At ALM Committee meetings, attended by directors and general managers representing planning-, market-, and credit-related departments, limits on total market risk are set every six months for each type of asset. These limits are set in accordance with the strategic goals of market trading related departments, the Bank's financial position and earnings targets, and the prevailing market environment. Under the Bank's market risk management system, the Treasury Administration Division reports continuously to senior management on the observance of upper limits on transactions, the profitability of market-related divisions, and other matters, thus enabling management to be fully informed about and manage market risk at all times.

Risk Management in Market Trading Activities

The Bank employs the Value-at-Risk (VaR) method based on statistical techniques to calculate market risk volumes and monitor the level of risk in its trading operations. VaR is computed on a daily basis assuming a holding period of 10 days and a confidence level of 99%. In addition, to prepare for unusual market movements, the Bank computes the maximum unexpected losses that may be incurred based on past data and worst-case scenarios and sets risk limits. At the same time, for each type of financial instrument, the Bank sets sensitivity and loss position limits to prevent losses from having a major impact on the Bank's performance.

The maximum VaR in market trading activities of the Bank and its subsidiaries (for a 10-day holding period with a confidence level of 99%) in fiscal 1999 was ¥1.3 billion. The minimum VaR was ¥100 million, and the average for the year was ¥400 million.

Risk Management of Derivative Transactions

The Bank conducts precise management of the risk of derivative transactions by setting an overall upper limit on VaR in such transactions and by establishing position limits based on sensitivity and loss limits for individual types of derivative products as well as for each department conducting such transactions. Moreover, credit risk arising from derivative transactions is managed by setting limits by counterparty. As of March 31, 2000, the value of the Bank's off-balance-sheet risk assets under the BIS capital adequacy criteria amounted to ¥81.2 billion.


ALM

Meetings of the Bank's ALM Committee are held once a month. The committee's principal goals are to manage the composition of the Bank's assets and liabilities and secure appropriate levels of return on assets, taking account of market trends and levels of market and liquidity risk. Particular emphasis is given to market risk arising from interest rate fluctuations.

A number of analytic techniques are employed, including maturity ladders (indicating interest rate sensitivity), simulations, and VaR, to appraise risk comprehensively and control interest rate risk.

Market Liquidity Risk Management

The Bank continues to strengthen its liquidity risk management systems and, by diversifying funding sources and maintaining a sufficient volume of highly liquid assets, ensures the stable conduct of its operations.

To manage cash flow risk, the Bank has established various indicators to monitor conditions and keep such risk to a minimum. Periodic reports are made to the Board of Directors and the ALM Committee. The Bank has prepared contingency plans to deal with unexpected developments that may occur owing to changes in the political or economic environments.

For managing market liquidity risk, the Bank takes account of market liquidity by individual financial product when setting position limits and allocates an appropriate portion of position limits to highly liquid financial instruments.

Operational and Systems Risk Management

To reduce operational and systems risk, the Bank convenes discussion meetings of representatives of administrative divisions and takes other steps to review its systems for the supervision of operations. In addition, an active program of measures is implemented to maintain accuracy in clerical processing and other operations, prevent errors, and concentrate processing operations in specialized centers for better control and supervision.

Also, based on the Bank's *Security Policy,* steps are being taken to improve the supervision of information and systems risk. Backup systems have been installed to prepare for possible natural disasters and ensure the smooth continuation of operations.

The Bank implemented a full range of countermeasures for the Year 2000 issue in prior years, and all systems functioned properly without incident.

Risk Management

Compliance

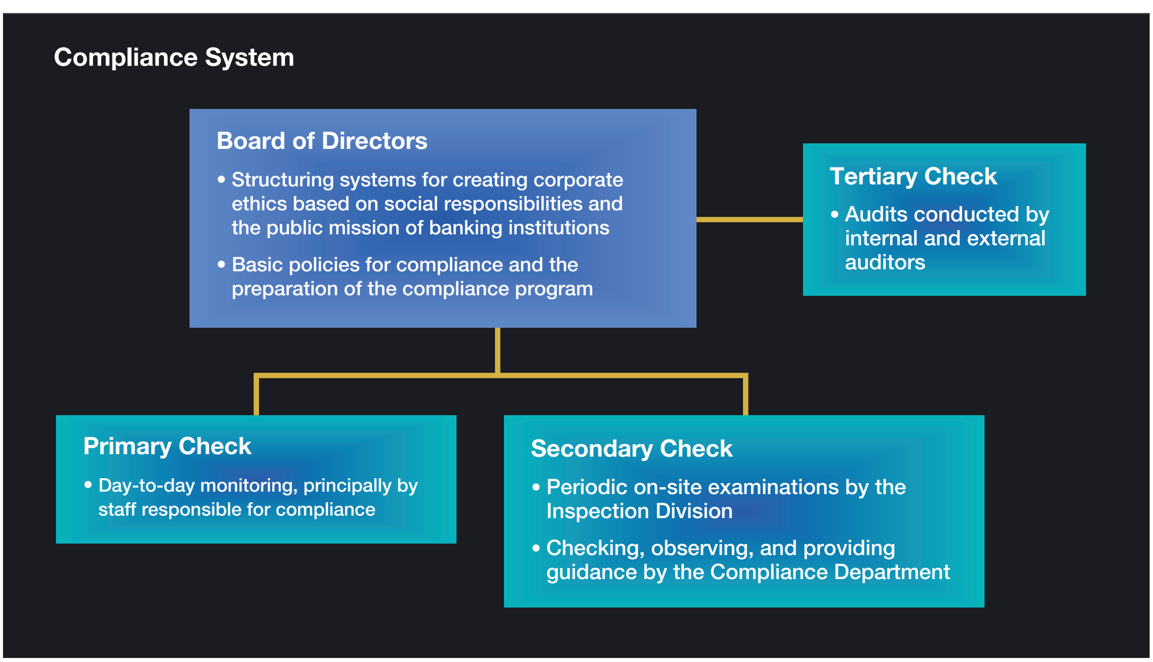
Daiwa Bank is acutely conscious of the social and public responsibilities that the banking industry bears. To gain the increased understanding and trust of society, the Bank laid down in June 1996 its *Corporate Ideals* and *Standards of Conduct*. In addition, in May 1998 the Bank issued and distributed to all staff a handbook titled *Code of Conduct for Daiwa Bank Personnel,* containing specific guidelines for behavior.

Compliance training programs are conducted for employees, and the Bank's policy is to have all employees understand the basic principle that "compliance is the foundation of all the Bank's activities and is a basic assumption behind the management and conduct of operations."

Compliance Program

Beginning in 1999, the Bank has implemented an annual compliance program, which is approved by the Board of Directors, with the objective of systematically strengthening compliance systems.

In fiscal 1999, the Bank distributed a pocket compliance manual to all management and staff, containing information appropriate to the role and responsibilities of individual personnel, with the aim of promoting awareness of the importance of compliance matters. Moreover, the *Compliance Manual* has been revised, and a new checklist has been prepared for monitoring adherence to laws and regulations governing the conduct of operations. In addition, in October 1999 compliance officers were appointed to the Compliance Department and were made responsible for constant on-site monitoring of activities in the Head Office with the aims of checking, observing, and providing guidance related to the observance of laws and regulations within the Head Office.



Financial Section

Contents

Consolidated Five-Year Financial Summary

The Daiwa Bank, Limited, and consolidated subsidiaries   Years ended March 31

	Millions of yen					Millions of U.S. dollars
	2000	1999	1998	1997	1996	**2000**
INCOME STATEMENT DATA						
Income						
Interest Income	**¥ 262,831**	¥ 321,042	¥ 362,348	¥ 444,485	¥ 653,951	**$ 2,476**
Trust Fees	**55,378**	56,669	65,248	66,739	102,556	**521**
Fund-Related Income from J.O.M.T. Account	**18,284**	22,012	26,215	27,105	62559	**172**
Fees for Administration of Trust Assets	**37,094**	34,657	39,033	39,633	39,996	**349**
Fees and Commissions	**81,353**	67,032	57,523	60,701	65,066	**766**
Trading Income	**7,808**	4,651	7,936	/	/	**73**
Other Operating Income	**66,855**	127,152	51,813	51,506	70,411	**629**
Other Income	**312,812**	117,858	265,992	181,811	202,279	**2,946**
Total Income	**¥ 787,040**	¥ 694,407	¥ 810,862	¥ 805,244	¥ 1,094,265	**$ 7,414**
Expenses						
Interest Expenses	**¥ 100,234**	¥ 181,037	¥ 216,388	¥ 283,584	¥ 489,099	**$ 944**
Fees and Commissions	**10,132**	10,679	13,984	15,410	15,616	**95**
Trading Expenses	**/**	/	59	/	/	**/**
Other Operating Expenses	**32,455**	28,630	14,296	8,038	21,655	**305**
General and Administrative Expenses	**232,341**	243,830	217,397	225,506	228,070	**2,188**
Other Expenses	**365,507**	442,149	391,461	265,551	487,240	**3,443**
Total Expenses	**¥ 740,672**	¥ 906,327	¥ 853,587	¥ 798,091	¥ 1,241,683	**$ 6,977**
Income (Loss) before Income Taxes	**¥ 46,367**	¥ (211,920)	¥ (42,725)	¥ 7,152	¥ (147,417)	**$ 436**
Net Income (Loss)	**29,695**	(174,859)	12,654	(29,486)	(109,768)	**279**
BALANCE SHEET DATA						
Total Assets	**¥15,354,825**	¥15,459,603	¥16,744,046	¥16,240,610	¥16,933,163	**$144,652**
Total Liabilities	**14,477,716**	14,605,271	16,141,371	15,649,265	16,339,972	**136,389**
Minority Interests in Consolidated Subsidiaries	**24,223**	21,574	18,215	21,385	22,958	**228**
Total Stockholders' Equity	**852,885**	832,757	584,459	569,959	570,233	**8,034**
Deposits	**11,580,094**	11,165,673	11,513,037	12,269,946	12,497,349	**109,091**
Loans and Bills Discounted	**9,723,089**	9,372,127	10,319,540	10,720,622	10,817,852	**91,597**
Securities	**2,463,939**	2,736,038	2,819,592	2,847,493	2,759,373	**23,211**

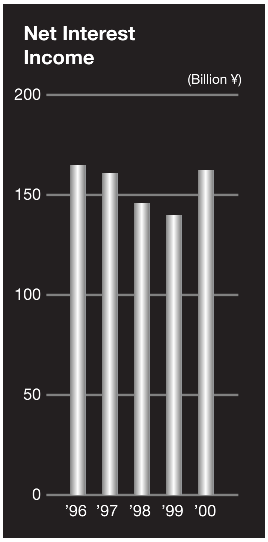
	Yen					U.S. dollars
PER SHARE DATA						
Net Income (Loss) per Share	**¥ 12.58**	¥(108.22)	¥ 7.10	¥ (19.95)	¥(73.00)	**$0.11**
Fully Diluted Net Income per Share	**7.10**	—	7.07	—	—	**0.06**
Stockholders' Equity per Share	**211.20**	196.68	331.22	327.12	340.24	**1.98**
Declared Dividend on Common Stock	**3.00**	3.00	6.00	6.00	4.50	**0.02**
Declared Dividend on Preferred Stock						
Type A Preferred Share	**24.75**	24.75	24.75	24.75	24.75	**0.23**
Type B Preferred Share	**6.36**	0.02	/	/	/	**0.05**

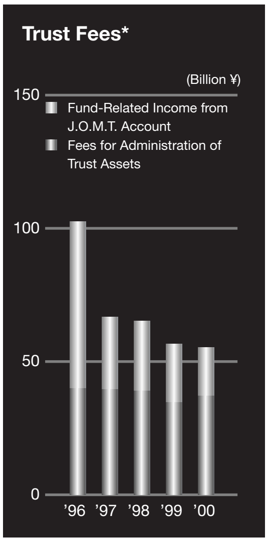
Notes: 1. J.O.M.T. represents Jointly Operated Designated Money in Trust.
2. Net Income (Loss) per Share is computed by subtracting the total amount of cash dividends paid on preferred stock from Net Income (Loss) and then dividing the remainder by the average number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding during the year.
3. Stockholders' Equity per Share is computed by subtracting the number of preferred stock outstanding times the issue price from net assets at the fiscal year-end and dividing the remainder by the number of common stock (less treasury stock and Parent Company stock held by subsidiaries) outstanding at fiscal year-end.
4. No recognition has been given to Fully Diluted Net Income per Share for the years ended March 31, 1999, 1997, and 1996, owing to the Net Loss posted during the fiscal years.

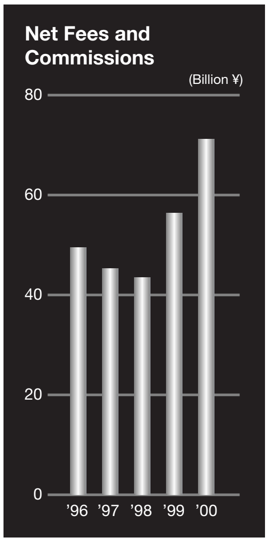
Management's Discussion and Analysis

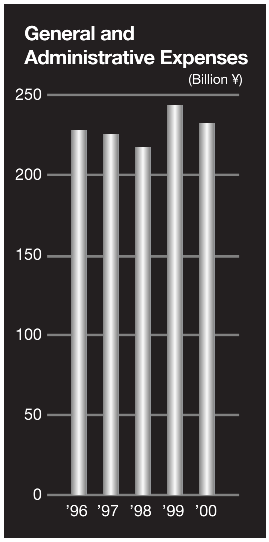
INCOME ANALYSIS

Summary of Income	2000	1999	Increase/ (Decrease)	Change (%)
	Billions of yen			
Net Interest Income	**¥162.5**	¥140.0	¥ 22.5	16.1%
Trust Fees	**55.3**	56.6	(1.2)	(2.2)
Fund-Related Income from J.O.M.T.	**18.2**	22.0	(3.7)	(16.9)
Fees for Administration of Trust Assets	**37.0**	34.6	2.4	7.0
Net Fees and Commissions	**71.2**	56.3	14.8	26.3
Net Trading Income	**7.8**	4.6	3.1	67.8
Net Other Operating Income	**34.4**	98.5	(64.1)	(65.0)
General and Administrative Expenses	**232.3**	243.8	(11.4)	(4.7)
Other Income	**312.8**	117.8	194.9	165.4
Other Expenses	**365.5**	442.1	(76.6)	(17.3)
Income (Loss) before Income Taxes	**46.3**	(211.9)	258.2	121.8
Net Income (Loss)	**29.6**	(174.8)	204.5	116.9





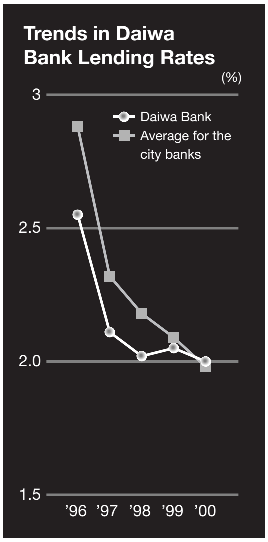


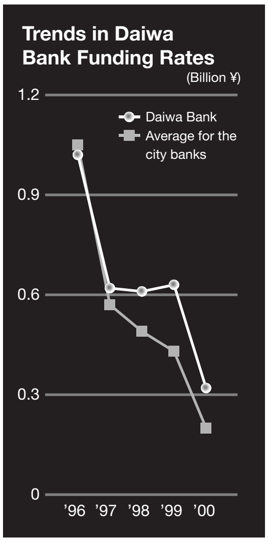


* Accounting treatment of pension fund administration commissions (employees' pension fund trust) was changed in fiscal 1998 (fiscal year ended March 31, 1999). These commissions were previously recognized as "trust fees," but thereafter have been accounted as "fees and commissions" of the banking account.
If this were adjusted, fees for administration of trust assets for the years ended March 31, 1999 and 2000, would have been ¥4.9 billion and ¥4.1 billion higher than the figures presented, respectively.

Net Interest Income

Net interest income for fiscal 1999, ended March 31, 2000, increased 16.1%, to ¥162.5 billion ($1,531 million). Two principal factors accounted for this rise in net interest income. The first was an increase in the volume of loans outstanding, owing to the active promotion of loans to small and medium-sized enterprises and housing loans to individuals. The second was an improvement in loan spreads. The Bank was able to record a higher spread on its loan portfolio on a non-consolidated basis than the average for Japanese city banks because of efforts to set lending rates corresponding to credit risk, based on the Bank's internal customer credit-rating system. Despite a general decline in the level of lending rates for the market as a whole, the Bank maintained its lending rates at virtually the same level during the fiscal year under review. Another factor contributing to the improvement in loan spreads was that deposit and other funding costs declined significantly as the Bank of Japan maintained its zero interest rate policy and uncertainty regarding the financial system subsided following the implementation of government revitalization measures.





Trust Fees

Trust fees were down 2.2%, to ¥55.3 billion ($521 million). The principal cause of this decline was a drop in income from earning assets of approximately ¥3.7 billion accompanying a fall in loans made from Jointly Operated Designated Money in Trust. Despite this decline, Fees for Administration of Trust Assets held firm.

Net Fees and Commissions

Net fees and commissions rose 26.3%, to ¥71.2 billion ($670 million). Contributing to this increase was a substantial gain in commissions on sales of securities investment trusts and securities brokerage commissions reported by Cosmo Securities Co., Ltd., a consolidated subsidiary.

Net Other Operating Income

The Bank's net other operating income fell 65.0%, to ¥34.4 billion ($324 million). This was due to the adoption of conservative management policies for the Bank's bond portfolio, including, in particular, a reduction in the size of the bond portfolio, in view of uncertainty regarding future trends in market prices.

General and Administrative Expenses

Owing primarily to a further reduction in personnel and the continuation of a 30% cut in bonuses, personnel expenses dropped noticeably, leading to an overall decline in general and administrative expenses of 4.7%, to ¥232.3 billion ($2,188 million).

Other Income

Other income rose 165.4%, to ¥312.8 billion ($2,946 million). This was the result of an increase in the gains on sales of stocks and other securities amounting to about ¥220.8 billion and a rise in recoveries of written-off claims of approximately ¥5.8 billion.

Other Expenses

Other expenses declined 17.3%, to ¥365.5 billion ($3,443 million). Primarily owing to measures to increase the soundness of the Bank's securities portfolio through the realization of unrealized losses, losses on sales of stocks and other securities rose ¥91.8 billion over the previous fiscal year. In addition, in fiscal 1999 the Bank amortized the unrealized losses on equities in its portfolio with a market value significantly lower than book value, thereby leading to a write-down of the value of equities, which was ¥33.4 billion higher than for the previous fiscal year.

Expenses related to the disposal of nonperforming loans, however, were substantially lower, ¥169.3 billion below the previous fiscal year.

Breakdown of Expenses Related to the Disposal of Nonperforming Loans	Billions of yen 2000	1999
Written-Off Claims	¥ 51.6	¥134.8
Transfer to Loan Loss Reserve	69.7	68.2
General Reserve	19.4	16.3
Specific Reserve	53.1	46.8
Reserve for Loans to Restructuring Countries	(2.7)	5.0
Transfer to Reserve for Possible Losses Related to Loans Sold	14.4	8.6
Transfer to Reserve for the Specific Borrowers under Support	(4.0)	66.0
Losses on Renunciation of Claims	—	23.2
Losses Related to Loans Sold	4.3	4.4
Total Disposal Expenses	¥136.1	¥305.4

BALANCE SHEET ANALYSIS

Total Assets

The Bank's total assets slipped 0.6%, to ¥15,354.8 billion ($144,652 million).

Total Stockholders' Equity

Total stockholders' equity was up 2.4%, to ¥852.8 billion ($8,034 million).

Capital Adequacy Ratio

	2000 Domestic Guidelines	1999 BIS Guidelines	Decrease
Consolidated Capital Adequacy Ratio	11.84%	12.73%	0.89%

As a result of the Bank's withdrawal from international banking operations, Japan's guidelines for capital adequacy have been applied for fiscal 1999. The reasons for the decline from the previous year are as follows.

(1) Beginning with fiscal 1999, the Bank of Kinki and the Bank of Osaka (which subsequently merged on April 1, 2000) became affiliates of the Bank accounted for by the equity method of consolidation. As a consequence, ¥14.6 billion was eliminated from the Bank's investments, leading to a decline in Tier I capital. In addition, ¥50 billion was deducted from the increase in capital underwritten by the Bank, and equity in losses of the two banks amounting to approximately ¥3.8 billion was included on the Bank's income statement in the second half of fiscal 1999.

(2) There was a change in the risk weight for trusts guaranteed by the Bank, which led to an increase of ¥309.0 billion in risk-weighted assets.

For further details, please refer to the Additional Financial Data on page 54.

Securities

At the close of the fiscal year under review, securities were 9.9% lower than at the end of the previous fiscal year and amounted to ¥2,463.9 billion ($23,211 million). This decline was due to the sale of securities held by the Bank and an obligatory revaluation of securities to better reflect their market value and increase the soundness of the Bank's securities portfolio, in view of the application of mark-to-market accounting principles applied for financial instruments from fiscal 2000.

Loans and Bills Discounted

Total loans and bills discounted increased 3.7%, to ¥9,723.0 billion ($91,597 million). This growth in the Bank's loan portfolio was primarily due to the active promotion of loans to small and medium-sized enterprises and housing loans to individual customers.

Risk-Monitored Loans (Banking and Trust Accounts)

		Non-Consolidated		Consolidated	
		Billions of yen			
		2000	1999	**2000**	1999
Non-Accrual Status Loans (A)=(B)+(C)	(A)	**¥586.1**	¥232.8	**¥477.5**	¥260.4
Loans to Borrowers under Bankruptcy Proceedings	(B)	**103.3**	107.5	**86.8**	110.7
Past Due Loans	(C)	**482.8**	125.3	**390.7**	149.6
Loans Past Due for Three Months or More	(D)	**19.3**	82.9	**28.5**	98.1
Loans with Altered Lending Conditions	(E)	**381.3**	427.6	**390.2**	319.9
Risk-Monitored Loans Total (F)=(A)+(D)+(E)	(F)	**¥986.7**	¥743.4	**¥896.4**	¥678.4

Notes: 1. Trust Account refers to Jointly Operated Designated Money in Trust, for which the Bank guarantees the principal. (See Note 2 to the Statements of Trust Assets and Liabilities on page 50 for further information.)
2. Figures are after partial direct write-offs. On a non-consolidated basis, amounts of such write-offs were ¥352.4 billion (cumulative amount) and ¥295.1 billion, respectively, for the years ended March 31, 2000 and 1999. On a consolidated basis, the amounts were ¥560.5 billion (cumulative amount) and ¥516.2 billion, respectively, for the years ended March 31, 2000 and 1999.
3. For definitions of items comprising Risk-Monitored Loans, please refer to Note 9 of the Consolidated Financial Statements on page 35.

•Non-Consolidated Basis

Risk-monitored loans, including loans made from funds in the Trust Account for which the Bank guarantees the principal, on a non-consolidated basis amounted to ¥986.7 billion at fiscal year-end, an increase of ¥243.3 billion from the previous fiscal year-end. The composition of these loans by category was as follows.

Non-Accrual Status Loans

Non-accrual status loans, after partial direct write-offs, rose ¥353.3 billion from the previous fiscal year-end, to ¥586.1 billion. This increase was due to the conduct of self-assessments under more conservative criteria, the emergence of additional non-accrual loans owing to bankruptcies accompanying the prolonged economic stagnation, and the transfer of certain loans into this category owing to the adoption of disclosure standards based on classification of borrowers.

This loan balance is prior to the deduction of any expected recoveries due to repayments by the borrower and proceeds from the disposal of collateral pledged against these loans and before the deduction of provisions for individual loans made to the specific reserve for possible loan losses.

Loans Past Due for Three Months or More

Loans past due for three months or more declined ¥63.6 billion, to ¥19.3 billion. Of this total, there is no concern about the recovery of ¥4.1 billion in principal and interest, because these loans are guaranteed by the Loan Guarantee Association and other loan guarantee companies.

Loans with Altered Lending Conditions

Loans with altered lending conditions fell ¥46.3 billion, to ¥381.3 billion.

On April 1, 1999, the Financial Supervisory Agency issued stricter administrative guidelines for disclosure titled “Items for Close Examination in the Supervision of Financial Institutions.” Based on these guidelines, when banks exempt or reduce interest payments from obligors with the aim of assisting them in restructuring, regardless of the level of interest rates charged, these must be disclosed. Loans in this category have had certain lending conditions relaxed to provide assistance because the borrowers are experiencing deterioration in cash flow because of economic stagnation and other circumstances. Therefore, the full amount of such loans does not necessarily become delinquent.

For the year ended March 31, 2000, the total of loans past due for three months or more and loans with altered lending conditions is equal to special attention loans under the Financial Reconstruction Law criteria.

•Consolidated Basis

Including loans made from funds of the Trust Account for which the Bank guarantees the principal, on a consolidated basis, non-accrual status loans amounted to ¥477.5 billion, loans past due for three months or more were ¥28.5 billion, and loans with altered lending conditions amounted to ¥390.2 billion. Therefore, the total value of risk-monitored loans was ¥896.4 billion at fiscal year-end.

Compared to non-consolidated risk-monitored loans, consolidated loans in this category were ¥90.3 billion lower. As for disclosure under the Financial Reconstruction Law criteria, discussed on page 25, this was due to eliminations accompanying the preparation of consolidated accounts.

•Reserves Provided

		Billions of yen			
		Non-Consolidated		Consolidated	
		2000	1999	**2000**	1999
Reserve for Possible Loan Losses (G)=(H)+(I)+(J)	(G)	**¥188.8**	¥189.1	**¥187.4**	¥188.2
General Reserve	(H)	**61.2**	49.7	**69.7**	50.9
Specific Reserve*	(I)	**124.8**	134.2	**115.8**	132.1
Reserve for Loans to Restructuring Countries	(J)	**2.6**	5.1	**1.8**	5.1
Reserve for the Specific Borrowers under Support	(K)	**55.0**	103.8	**30.4**	70.0
Reserve Provided in Preparation for Write-Offs in Trust Account	(L)	**1.9**	1.7	**1.9**	1.7
Total Reserves (M)=(G)+(K)+(L)	(M)	**¥245.7**	¥294.8	**¥219.7**	¥260.0

Notes: 1. Figures are after partial direct write-offs.
2. With regard to the criteria for providing reserves, please refer to Notes 5(4), 5(6) and 5(7) to the Consolidated Financial Statements on pages 33 and 34.

CLAIMS DISCLOSED UNDER CRITERIA OF THE FINANCIAL RECONSTRUCTION LAW

•Self-Assessments of Assets and Write-Offs/Reserves

Criteria for Self-Assessments and Write-Offs/Reserves

In accordance with the *Financial Inspection Manuals* issued by the Financial Supervisory Agency, the *Operational Guidelines* of the Japan Association of Certified Public Accountants, and *The Viewpoint on Write-Offs and Allowances in Association with Capital Infusion* issued by the Financial Reconstruction Commission, the Bank has prepared its internal "Criteria for Self-Assessments of Assets" and "Criteria for Write-Offs and Reserves." Based on these criteria, the Bank conducts strict self-assessments and based on the results makes appropriate write-offs and provisions to reserves for possible loan losses.

Results of Self-Assessments
(Based on Financial Reconstruction Law Criteria)

Self-assessments of loans and other claims were conducted as follows.

Under the Bank's internal credit-rating system, the repayment abilities of borrowers are judged according to actual financial position, cash flow, profitability, and other criteria, and borrowers are classified into five categories: normal borrowers, watch borrowers, borrowers with possible bankruptcy, substantially bankrupt borrowers, and bankrupt borrowers. Among borrowers classified as watch borrowers, those who have loans for special attention (loans past due for three months or more and loans with altered lending conditions) are classified as special attention borrowers.

Taking account of the borrower classification and other matters, such as the use of the funds, the Bank gives individual consideration to collateral, guarantees, and other items, and, depending on the risk of non-collection or impairment of the value of the loan, classifies such loans accordingly.

The results of these self-assessments based on the Financial Reconstruction Law (New Disclosure Standard) are disclosed as follows.

Classification of Borrowers under Self-Assessments	Classification of Claims (Loans) under the Financial Reconstruction Law	Explanation of Classified Exposures
Normal Borrowers	Normal Exposure	Exposures to normal borrowers and watch borrowers excluding special attention loans
Watch Borrowers		
Special Attention Borrowers		
	Special Attention Loans	Loans past due three months or more and loans with altered lending conditions classified among Exposures to watch borrowers
Borrowers with Possible Bankruptcy	Exposures Containing Collection Risks	Exposures to borrowers with possible bankruptcy
Substantially Bankrupt Borrowers	Exposures to Bankrupt Borrowers or Similar Exposures	Exposures to substantially bankrupt borrowers and bankrupt borrowers
Bankrupt Borrowers		

Note: Claims disclosed under the Financial Reconstruction Law include loans and bills discounted, foreign exchange assets, securities lent, customers' liabilities for acceptances and guarantees, prepayments in connection with credit transactions, and accrued interest.

(Non-Consolidated)

		Billions of yen					
		2000			1999		
		Total Exposures	Banking Account	Trust Account	Total Exposures	Banking Account	Trust Account
Classified Exposures Total (N)=(O)+(P)+(Q)	(N)	**¥1,035.3**	**¥1,006.7**	**¥28.5**	¥793.9	¥768.8	¥ 25.1
Exposures to Bankrupt Borrowers or Similar Exposures	(O)	**197.6**	**190.5**	**7.0**	217.3	210.1	7.2
Exposures Containing Collection Risks	(P)	**437.0**	**429.0**	**8.0**	407.8	402.1	5.7
Special Attention Loans	(Q)	**400.6**	**387.1**	**13.4**	168.7	156.5	12.1
Reserve Ratio (%) (R)=(M)/(N)	(R)	**23.74%**	**24.22%**	**6.65%**	37.13%	38.11%	7.13%

Notes: 1. Trust account refers to Jointly Operated Designated Money in Trust, for which the Bank guarantees the principal.
2. As for Exposures to Bankrupt Borrowers or Similar Exposures, the credit amounts not covered by collateral or guarantees are regarded as uncollectable and are directly written off from the original credit amounts. Amounts of such write-offs were ¥352.4 billion (cumulative amount) and ¥295.1 billion, respectively, for the years ended March 31, 2000 and 1999.

(Consolidated)

		Billions of yen					
		2000			1999		
		Total Exposures	Banking Account	Trust Account	Total Exposures	Banking Account	Trust Account
Classified Exposures Total (N)=(O)+(P)+(Q)	(N)	**¥937.8**	**¥909.2**	**¥28.5**	¥739.7	¥714.6	¥25.1
Exposures to Bankrupt Borrowers or Similar Exposures	(O)	**209.8**	**202.8**	**7.0**	251.2	243.9	7.2
Exposures Containing Collection Risks	(P)	**309.0**	**301.0**	**8.0**	327.6	321.9	5.7
Special Attention Loans	(Q)	**418.8**	**405.3**	**13.4**	160.9	148.7	12.1
Reserve Ratio (%) (R)= (M)/(N)	(R)	**23.43%**	**23.96%**	**6.65%**	35.15%	36.13%	7.13%

Notes: 1. Trust Account refers to Jointly Operated Designated Money in Trust, for which the Bank guarantees the principal.
2. Figures are after partial direct write-offs. Amounts of such write-offs were ¥506.5 billion (cumulative amount) and ¥516.2 billion, respectively, for the years ended March 31, 2000 and 1999.

The Bank's classified exposures total on a non-consolidated basis under the criteria of the Financial Reconstruction Law (including loans made from funds of the Trust Account for which the Bank guarantees the principal) as of March 31, 2000, was ¥1,035.3 billion. Of this total, exposures to bankrupt borrowers or similar exposures were ¥197.6 billion (¥19.7 billion below the previous fiscal year-end), exposures containing collection risks were ¥437.0 billion (¥29.2 billion above the previous fiscal year-end), and special attention loans were ¥400.6 billion (¥231.9 billion over the previous fiscal year-end).

The reasons for the increase in the total balance of disclosed exposure were the application of more conservative criteria in self-assessments and the disclosure, in principle, of all exposure outstanding to classified borrowers in the interest of greater transparency. In the past, under the provisions of the Banking Law, loans to special attention borrowers were examined individually and selected for inclusion in the disclosed exposures.

Criteria for Write-Offs and Reserves

Based on the results of self-assessments and the Bank's "Criteria for Write-Offs and Reserves," the Bank makes appropriate write-offs and provisions to loan loss reserves.

Classification of Borrowers under Self-Assessments	Summary of Policies for Write-Offs and Reserves (Banking Account)
Normal Borrowers	An amount equivalent to the expected loss over the coming one-year period is added to the general reserve for possible loan losses. The expected loss is computed by using expected default ratios that take account of the average maturities of the loans, actual loan loss experience, and other factors, including adjustments deemed necessary for future prospects.
Watch Borrowers	
Special Attention Borrowers	For the time being, until actual data on default ratios can be used, an amount equivalent to 15% of exposures not covered by collateral or guarantees is added to the general reserve for possible loan losses.
Borrowers with Possible Bankruptcy	The amount remaining after subtraction of the expected recoveries from collateral and guarantees from the value of the individual exposures is multiplied by an expected default ratio, and an amount equivalent to the resulting expected loss is added to the specific reserve for possible loan losses.
Substantially Bankrupt Borrowers	The amount remaining after subtraction of the expected recoveries from collateral and guarantees from the value of the individual exposures is either written off or an equivalent amount is added to the specific reserve for possible loan losses.
Bankrupt Borrowers	

• Coverage Ratio under the Financial Reconstruction Law (Non-Consolidated)—Banking and Trust Accounts

The New Disclosure Standard includes exposures secured with collateral and guarantees and exposures provided with reserves. The Coverage Ratio is the ratio of the total of collateral, guarantees, and corresponding reserves to the disclosed exposures and is generally accepted as an appropriate measure of protection. The respective coverage ratios for each category of exposures at the end of fiscal 1999 are as follows.

		Billions of yen				
		2000				
		Total Exposure (a)	Coverage Total (b)	Guarantees & Collateral	Reserves	Coverage Ratio (b)/(a)
Classified Exposures Total (N)=(O)+(P)+(Q)	(N)	¥1,035.3	¥ 746.4	¥542.3	¥204.1	72.10%
Exposures to Bankrupt Borrowers or Similar Exposures	(O)	197.6	189.2	144.9	44.2	95.77
Exposures Containing Collection Risks	(P)	437.0	413.5	278.0	135.5	94.63
Special Attention Loans	(Q)	400.6	143.6	119.2	24.3	35.85
Before Partial Direct Write-Offs		¥1,387.7	¥1,098.9	¥542.3	¥556.6	79.19%

Note: Trust Account refers to Jointly Operated Designated Money in Trust, for which the Bank guarantees the principal.

The ratio of coverage by collateral, guarantees, and reserves for the total amount of disclosed exposure was 72.10%. In addition, partial direct write-offs of exposures to bankrupt borrowers or similar exposures, on a cumulative basis, amounted to ¥352.4 billion. If adjustment is made for this amount, the coverage ratio rises to ¥79.19%.

On a consolidated basis, disclosed exposure was ¥937.8 billion, ¥97.5 billion lower than the total on a non-consolidated basis. This is because loans to consolidated subsidiaries are internal transactions and are eliminated in preparing consolidated accounts.

Consolidated Balance Sheets

The Daiwa Bank, Limited, and Consolidated Subsidiaries March 31, 2000 and 1999

Banking Account

Assets	Millions of yen 2000	Millions of yen 1999	Millions of U.S. dollars (Note 1) 2000
Cash and Due from Banks (Note 26)	¥ 783,376	¥ 875,296	$ 7,379
Call Loans and Bills Sold (Note 6)	223,895	12,052	2,109
Monetary Claims Bought	20	20	0
Trading Assets (Note 7)	169,766	385,775	1,599
Money Held in Trust	194,076	108,091	1,828
Securities (Note 8)	2,463,939	2,736,038	23,211
Loans and Bills Discounted (Note 9)	9,723,089	9,372,127	91,597
Foreign Exchanges (Note 10)	93,306	136,844	879
Other Assets (Note 11)	790,363	591,333	7,445
Premises and Equipment (Note 12)	384,091	309,866	3,618
Deferred Taxes (Note 13)	191,794	205,592	1,806
Customers' Liabilities for Acceptances and Guarantees	525,664	726,564	4,952
Reserve for Possible Loan Losses (Note 5-(4))	(187,458)	/	(1,765)
Reserve for Possible Losses on Investments (Note 5-(8))	(1,100)	/	(10)
Total Assets	¥15,354,825	¥15,459,603	$144,652

Liabilities, Minority Interests and Stockholders' Equity	Millions of yen 2000	Millions of yen 1999	Millions of U.S. dollars (Note 1) 2000
Deposits and NCDs (Note 15)	¥11,580,094	¥11,165,673	$109,091
Call Money and Bills Sold (Note 6)	139,803	199,377	1,317
Commercial Paper	10,000	10,000	94
Trading Liabilities (Note 7)	45,248	65,185	426
Borrowed Money (Note 16)	394,985	523,665	3,721
Foreign Exchanges (Note 10)	15,148	17,133	142
Corporate Bonds (Note 16)	204,674	239,496	1,928
Due to Trust Account	776,478	607,134	7,314
Other Liabilities (Note 17)	700,860	748,095	6,602
Reserve for Possible Loan Losses (Note 5-(4))	/	188,214	/
Reserve for Retirement Allowances (Note 5-(5))	16,183	15,492	152
Reserve for Possible Losses Related to Loans Sold (Note 5-(6))	37,033	29,030	348
Reserve for the Specific Borrowers under Support (Note 5-(7))	30,434	70,030	286
Other Reserves (Note 5-(9))	45	176	0
Consolidation-Adjusting Account	1,061	/	9
Acceptances and Guarantees	525,664	726,564	4,952
Total Liabilities	14,477,716	14,605,271	136,389
Minority Interests in Consolidated Subsidiaries	24,223	21,574	228
Capital:	465,158	465,158	4,382
Common Stock	254,718	236,158	2,399
Preferred Stock	210,440	229,000	1,982
Capital Surplus	405,419	405,419	3,819
Consolidated Retained Earnings (Deficit)	(17,428)	(37,351)	(164)
Treasury Stock	(1)	(1)	(0)
Parent's Stock Owned by Subsidiaries	(262)	(468)	(2)
Total Stockholders' Equity	852,885	832,757	8,034
Total Liabilities, Minority Interests and Stockholders' Equity	¥15,354,825	¥15,459,603	$144,652

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Operations

The Daiwa Bank, Limited, and Consolidated Subsidiaries Years ended March 31, 2000 and 1999

Banking Account

	Millions of yen		Millions of U.S. dollars (Note 1)
	2000	1999	**2000**
Income			
Interest Income:	**¥262,831**	¥ 321,042	**$2,476**
Interest on Loans and Discounts	**207,744**	232,005	**1,957**
Interest and Dividends on Securities	**35,297**	40,490	**332**
Other Interest Income (Note 18)	**19,789**	48,546	**186**
Trust Fees	**55,378**	56,669	**521**
Fees and Commissions	**81,353**	67,032	**766**
Net Trading Income (Note 19)	**7,808**	4,651	**73**
Other Operating Income (Note 20)	**66,855**	127,152	**629**
Other Income (Note 21)	**312,812**	117,858	**2,946**
Total Income	**787,040**	694,407	**7,414**
Expenses			
Interest Expenses:	**100,234**	181,037	**944**
Interest on Deposits and NCDs	**47,311**	89,505	**445**
Interest on Borrowings and Rediscounts	**14,247**	22,653	**134**
Other Interest Expenses (Note 22)	**38,675**	68,878	**364**
Fees and Commissions	**10,132**	10,679	**95**
Other Operating Expenses (Note 23)	**32,455**	28,630	**305**
General and Administrative Expenses	**232,341**	243,830	**2,188**
Other Expenses (Note 24)	**365,507**	442,149	**3,443**
Total Expenses	**740,672**	906,327	**6,977**
Income (Loss) before Income Taxes	**46,367**	(211,920)	**436**
Income Taxes—Current	**4,790**	2,550	**45**
Income Taxes—Deferred	**13,344**	(31,190)	**125**
Minority Interest in Net Loss of Consolidated Subsidiaries	**1,462**	8,421	**13**
Net Income (Loss)	**¥ 29,695**	¥(174,859)	**$ 279**

Consolidated Statements of Retained Earnings

The Daiwa Bank, Limited, and Consolidated Subsidiaries Years ended March 31, 2000 and 1999

Banking Account

	Millions of yen		Millions of U.S. dollars (Note 1)
	2000	1999	**2000**
Balance at the Beginning of the Year	**¥(37,351)**	¥174,104	**$(351)**
Retained Earnings	**/**	132,386	**/**
Legal Reserve	**/**	41,718	**/**
Addition:	**0**	3,532	**0**
Increase due to Exclusion of Consolidated Subsidiaries	**0**	3,532	**0**
Deductions:	**9,772**	40,129	**92**
Decrease due to Enlarged Scope of Consolidated Subsidiaries	**673**	31,630	**6**
Dividends	**9,098**	8,491	**85**
Bonuses to Directors and Corporate Auditors	**0**	8	**0**
Net Income (Loss)	**29,695**	(174,859)	**279**
Balance at the End of the Year	**¥(17,428)**	¥ (37,351)	**$(164)**

	Yen		U.S. dollars
	2000	1999	**2000**
Primary Net Income (Loss) per Share (Note 31)	**¥12.58**	¥(108.22)	**$0.11**
Fully Diluted Net Income per Share (Note 32)	**7.10**	—	**0.06**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows

The Daiwa Bank, Limited, and Consolidated Subsidiaries Year ended March 31, 2000

	Millions of yen	Millions of U.S. dollars (Note 1)
	2000	2000
I. Cash Flows from Operating Activities		
Income before Income Taxes	¥ 46,367	$ 436
Depreciation of Premises and Equipment	33,866	319
Amortization of Consolidation-Adjusting Account	(262)	(2)
Equity in Earnings of Affiliated Companies	7,999	75
Decrease in Reserve for Possible Loan Losses	(715)	(6)
Increase in Reserve for Possible Losses on Investments	1,100	10
Increase in Reserve for Possible Losses on Loans Sold	8,002	75
Decrease in Reserve for Specific Borrowers under Support	(39,596)	(373)
Increase in Reserve for Retirement Allowances	707	6
Interest Income	(262,831)	(2,476)
Interest Expenses	100,234	944
Net Gains on Investment Securities	(103,738)	(977)
Net Gains on Money Held in Trust	(29,398)	(276)
Net Foreign Exchange Losses	1,901	17
Net Losses on Sales of Premises and Equipment	18,870	177
Net Decrease in Trading Account Assets	216,004	2,034
Net Increase in Trading Account Liabilities	15,933	150
Net Increase in Loans and Bills Discounted	(327,783)	(3,087)
Net Increase in Deposits	57,333	540
Net Increase in Negotiable Certificates of Deposit	349,132	3,289
Net Decrease in Borrowed Money (excluding subordinated borrowed money)	(99,847)	(940)
Net Decrease in Due from Banks (excluding those deposited at BOJ)	148,814	1,401
Net Increase in Call Loans and Others	(211,872)	(1,995)
Net Increase in Cash Collateral for Bonds Borrowed	(126,807)	(1,194)
Net Decrease in Call Money and Others	(59,573)	(561)
Net Decrease in Cash Collateral for Bonds Lent	(165,364)	(1,557)
Net Decrease in Foreign Exchange Assets	43,502	409
Net Decrease in Foreign Exchange Liabilities	(1,984)	(18)
Net Increase in Due to Trust Account	169,343	1,595
Interest Receipts	268,576	2,530
Interest Payments	(110,129)	(1,037)
Directors' Bonus	(5)	(0)
Others	6,501	61
Subtotal	(45,717)	(430)
Income Taxes Paid	(3,661)	(34)
Net Cash Used in Operating Activities	¥ (49,379)	$ (465)

(continued on the following page)

(continued from page 30)

	Millions of yen 2000	Millions of U.S. dollars (Note 1) 2000
II. Cash Flows from Investing Activities		
Purchases of Investment Securities	¥(2,204,957)	$(20,772)
Proceeds from Sales of Investment Securities	2,475,069	23,316
Proceeds from Maturity of Investment Securities	77,959	734
Payments Associated with Increase in Money Held in Trust	(124,696)	(1,174)
Proceeds from Decrease in Money Held in Trust	11,457	107
Purchases of Premises and Equipment	(75,122)	(707)
Proceeds from Sales of Premises and Equipment	4,129	38
Proceeds from Sales of Equity Investments in a Subsidiary	7,488	70
Net Cash Provided by Investing Activities	171,327	1,614
III. Cash Flows from Financing Activities		
Repayment of Subordinated Borrowed Money	(28,000)	(263)
Proceeds from Issuance of Subordinated Bonds	28,800	271
Repayment of Subordinated Bonds	(59,000)	(555)
Proceeds from Issuance of Stocks	3,517	33
Proceeds from Sales of Treasury Stocks	142	1
Payments Related to Acquisition of Treasury Stocks	(61)	(0)
Dividends Paid	(9,098)	(85)
Dividends Paid to Minority Shareholders	(160)	(1)
Net Cash Used in Financing Activities	(63,859)	(601)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	489	4
V. Increase in Cash and Cash Equivalents	58,577	551
VI. Cash and Cash Equivalents at the Beginning of the Year	411,398	3,875
VII. Decrease in Cash and Cash Equivalents due to Exclusion from Consolidation	(0)	(0)
VIII. Cash and Cash Equivalents at the End of the Year	¥ 469,975	$ 4,427

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Note 1. Basis of Preparation

The accompanying consolidated financial statements have been prepared from the accounts maintained by the Daiwa Bank, Limited in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Daiwa Bank maintains its accounting records in yen. Yen amounts are translated into U.S. dollars, for convenience only, at the exchange rate of ¥106.15 to U.S.$1.00, the rate prevailing at March 31, 2000.

Yen amounts are reported in millions of yen and are rounded down to the nearest millions of yen. Accordingly, certain subtotals and totals may not represent the sum of figures presented.

Note 2. Principles of Consolidation

The scope of consolidated subsidiaries is in conformity with the Consolidated Financial Statements Regulation (Ministry of Finance Ordinance No. 136). The accompanying consolidated financial statements for fiscal 1999 include the accounts of the Daiwa Bank, Limited, and its 51 consolidated subsidiaries, including Cosmo Securities Co., Ltd., and Daiwa Bank (Capital Management) Plc (a U.K. corporation). Daiwa Overseas Finance Limited, and 11 other subsidiaries were either sold or liquidated during the fiscal year under review, and are thus excluded from consolidation.

The accompanying consolidated financial statements do not include the accounts of 2 other subsidiaries since the combined assets, total gross revenue, net income, and earned surplus of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements.

As required by a recent amendment to the Securities and Exchange Law of Japan, effective April 1, 1999, all assets and liabilities of subsidiaries are revaluated on acquisition, if applicable. The difference between the cost of investments in subsidiaries and equity in their net assets at the date of acquisition is amortized over a period of five years on a straight-line basis. The unamortized balance of this difference is reflected to the Consolidated Balance Sheets as “Consolidation-Adjusting Account.”

The excess of cost over underlying net assets at the date of acquisition is charged to income when incurred.

Note 3. Application of Equity Method

The equity method is applied to 11 affiliates, including the Bank of Kinki, Limited, and the Bank of Osaka, Limited.

Investments in 2 non-consolidated subsidiaries are carried at cost, since the equity in retained earnings and net income of these affiliates is not material.

Note 4. Fiscal Year-Ends of Consolidated Subsidiaries

Fiscal year-ends for the consolidated subsidiaries are as follows:

July 31	1 consolidated subsidiary
September 30	2 consolidated subsidiaries
December 31	18 consolidated subsidiaries
March 31	30 consolidated subsidiaries

The accounts of consolidated subsidiaries with fiscal year-ends in July and September are consolidated based on accounts adjusted to March 31, 2000. The accounts of all other subsidiaries are consolidated as at their respective fiscal year-ends.

Appropriate adjustments are made for significant transactions during the period from the respective year-ends of the above subsidiaries to the date of the Parent Company’s fiscal year-end.

Note 5. Summary of Significant Accounting Policies

(1) Trading Assets and Liabilities

Transactions for trading purposes represent transactions seeking to capture gains arising from short-term changes or from differences between markets, in interest rates, currency exchange rates, or market prices of securities and other market-related indices. These transactions are included in “Trading Assets” or “Trading Liabilities” in the Consolidated Balance Sheets on a trade date basis. Profits/losses on these transactions are included in “Trading Income” or “Trading Expenses” in the Consolidated Statements of Operations.

Securities and monetary receivables, etc., are carried at market value at the fiscal year-end, and financial derivatives such as swaps, futures and options are carried at the price based on the assumption that the transactions were settled at the fiscal year-end.

“Trading Income/Expenses” include interest received/paid during the year. Profits or losses arising from revaluation of securities, monetary receivables, etc., are credited or charged to “Trading Income” or “Trading Expenses,” respectively. Revaluation profits or losses for financial derivatives are also credited or charged to “Trading Income” or “Trading Expenses,” respectively, assuming that these transactions were settled at the end of the fiscal year.

Consolidated domestic subsidiaries which engage in securities business carry trading securities and other trading assets including derivative instruments in the trading account at their market values in compliance with the relevant ordinances. In most cases, other consolidated subsidiaries apply the same valuation methods as the Parent Company with respect to the transactions for trading purposes and other similar transactions.

(2) Securities

The valuation methods of securities held by the Parent Company and its domestic consolidated subsidiaries are as follows:

(Parent Company)

Securities are carried at cost, with the cost of securities being determined by the moving-average method.

Listed securities held in individually managed money trusts are carried at the lower of cost or market value (applying the reversion method which entails a reversion to cost at the beginning of the next fiscal period). Securities other than those referred to above are carried at cost, with the cost of securities being determined by the moving-average method.

(Subsidiaries)

Listed securities held by domestic subsidiaries which engage in securities business are principally carried at the lower of cost or market value, with the cost of securities being determined by the moving-average method. Securities other than the above are principally carried at cost, with the cost of securities being determined by the moving-average method.

(3) Premises and Equipment

Premises and equipment owned by the Parent Company are stated at cost less accumulated depreciation. Depreciation is calculated using the declining-balance method for equipment, and the straight-line method for buildings. Depreciation of premises and equipment owned by the consolidated subsidiaries is principally calculated using the straight-line method based on the estimated useful lives. Computer software developed or obtained for in-house use by the Parent Company and its consolidated subsidiaries is principally deferred and amortized using the straight-line method over the estimated useful life of five years.

(4) Reserve for Possible Loan Losses

	Millions of yen		Millions of U.S. dollars
	2000	1999	**2000**
General Reserve	**¥ 69,743**	¥ 50,948	**$ 657**
Specific Reserve	**115,824**	132,100	**1,091**
Reserve for Loans to Restructuring Countries	**1,890**	5,166	**17**
Total	**¥187,458**	¥188,214	**$1,765**

The Reserve for Possible Loan Losses of the Parent Company is provided as follows, based on the pre-determined rules for write-offs and provisioning.

The reserve for possible loan losses for legally/substantially bankrupt borrowers is provided based on the amount after deductions of the expected collectable amount through the disposal of collateral or through the execution of guarantees.

The reserve for possible loan losses for borrowers, who are not currently legally bankrupt but are likely to become bankrupt, is provided based on the amount considered to be necessary based on the overall solvency assessment of the amounts after deductions of the expected collectable amount through the disposal of collateral or through the execution of guarantees.

The reserve for possible loan losses on the loans to other than the above is provided based on loan loss experiences, as calculated using the actual default rates during a certain period in the past.

Also, a reserve for possible losses on the loans to restructuring countries is set aside with the estimated amount based on such factors as political and economic risks.

All loans are assessed by branches and business departments based on internal rules of the self-assessment of assets. The Asset Auditing Department, independent of the branches and business departments, audits the results of the self-assessment, and the reserve is provided based on the results of the audit. Principally, the consolidated subsidiaries provide a reserve for possible loan losses with the amounts considered necessary based on the rational estimation of possible future losses.

In the cases of loans extended by the Parent Company and some of its consolidated subsidiaries to the borrowers who are classified as legally/substantially bankrupt, the amount remaining after deductions of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-off totaled ¥560,514 million ($5,280 million).

From the fiscal year ended March 31, 2000, the Reserve for Possible Loan Losses is stated on the asset side of the Consolidated Balance Sheets, as an item to be deducted from its relevant asset. Due to this change, total assets and liabilities stated on the Consolidated Balance Sheets are decreased by ¥187,458 million ($1,765 million), respectively, compared to the amounts based on the former accounting method.

(5) Reserve for Retirement Allowances

The Parent Company and its domestic consolidated subsidiaries maintain a reserve for retirement allowances. The reserve is based on the amount that would be required if all eligible employees had voluntarily terminated their employment at the end of each fiscal year.

The Parent Company has a contributory employee pension plan as part of its retirement allowance system.

The domestic consolidated subsidiaries which are engaged in securities business have a contributory employee pension plan as part of their retirement allowance system.

(6) Reserve for Possible Losses Related to Loans Sold

The Reserve for Possible Losses Related to Loans Sold is set aside based on the estimated amount of losses to be incurred from the decline in value of the real estate pledged as collateral for loans sold to the Cooperative Credit Purchasing Company, Limited.

(7) Reserve for the Specific Borrowers under Support

The Reserve for the Specific Borrowers under Support is set aside based on the rationally estimated amount of financial support to be extended to the specific borrowers under support in the future.

(8) Reserve for Possible Losses on Investments

The Reserve for Possible Losses on Investments is provided based on the rationally estimated amount of losses that might be incurred from investments.

(9) Other Reserves

Other Reserves, as of March 31, 2000, represent the Reserve for Contingent Liabilities from Brokerage of Financial Futures Transactions in the amount of ¥1 million ($0 million) for compensation losses arising from potential future claims related to financial futures transactions. This reserve is provided based on the amount calculated in accordance with the regulations stipulated in the Financial Futures Transactions Law. Other Reserves also represent Reserve for Contingent Liabilities from Brokerage of Securities Transactions in the amount of ¥43 million ($0 million) for compensation losses arising from potential future claims related to securities futures transactions. This reserve is provided by the Parent Company and its domestic consolidated subsidiaries engaged in securities business based on the amount calculated in accordance with the Securities Exchange Law and regulations for securities operations for banks, etc.

(10) Foreign Currency Translation of Assets and Liabilities

The Parent Company's assets and liabilities are translated into yen at the market exchange rates prevailing at the end of each accounting period, except that certain accounts, as approved by the Japanese regulatory authorities, are translated at historical rates.

The value of assets and liabilities of domestic consolidated subsidiaries that are denominated in foreign currencies is calculated in accordance with accounting standards for transactions denominated in foreign currencies, based on "Accounting Standards for Transactions Denominated in Foreign Currencies" (Corporate Accounting Commission Report, dated May 26, 1995).

The overseas consolidated subsidiaries' foreign currency assets and liabilities are translated into yen at the market exchange rates prevailing at the end of each accounting period.

Note 6. Call Loans and Bills Bought/ Call Money and Bills Sold

	Millions of yen		Millions of U.S. dollars
	2000	1999	**2000**
Call Loans	**¥175,495**	¥ 12,052	**$1,653**
Bills Bought	**48,400**	—	**455**
Total	**¥223,895**	¥ 12,052	**$2,109**
Call Money	**¥ 81,103**	¥168,398	**$ 764**
Bills Sold	**58,700**	30,978	**552**
Total	**¥139,803**	¥199,377	**$1,317**

Note 7. Trading Assets and Trading Liabilities

	Millions of yen		Millions of U.S. dollars
	2000	1999	**2000**
Trading Assets			
Trading Securities	**¥ 49,007**	¥ 35,570	**$ 461**
Derivatives of Trading Securities	**21**	18	**0**
Derivatives of Securities Related to Trading Transactions	**1**	6	**0**
Trading-Related Financial Derivatives	**30,985**	54,553	**291**
Other Trading Assets	**89,751**	295,626	**845**
Total	**¥169,766**	¥385,775	**$1,599**
Trading Liabilities			
Trading Securities Sold for Short Sales	**¥ 19,356**	¥ 15,576	**$ 182**
Derivatives of Trading Securities	**15**	24	**0**
Trading-Related Financial Derivatives	**25,876**	49,584	**243**
Total	**¥ 45,248**	¥ 65,185	**$ 426**

Note 8. Securities

	Millions of yen		Millions of U.S. dollars
	2000	1999	**2000**
National Government Bonds	**¥ 747,051**	¥ 801,720	**$ 7,037**
Local Government Bonds	**38,877**	48,866	**366**
Corporate Bonds and Financial Debentures	**187,824**	263,020	**1,769**
Corporate Equity Stocks	**1,399,130**	1,427,269	**13,180**
Other Securities	**65,652**	127,802	**618**
Securities Lent	**25,402**	67,357	**239**
Total	**¥2,463,939**	¥2,736,038	**$23,211**

Corporate Equity Stocks include investments in non-consolidated subsidiaries of ¥0 million ($0 million) and ¥0 million for the years ended March 31, 2000 and 1999, respectively, and investments in affiliates of ¥41,931 million ($395 million) and ¥511 million for the years ended March 31, 2000 and 1999, respectively.

Note 9. Loans and Bills Discounted

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Bills Discounted	¥ 294,799	¥ 250,616	$ 2,777
Loans on Notes	1,848,159	1,958,883	17,410
Loans on Deeds	5,760,733	5,497,739	54,269
Overdrafts	1,819,396	1,664,887	17,139
Total	¥9,723,089	¥9,372,127	$91,597

Risk-Monitored Loans

		Millions of yen		Millions of U.S. dollars
		2000	1999	2000
Non-Accrual Loans to Borrowers under Bankruptcy Proceedings	[A]	¥ 84,146	¥106,971	$ 792
Non-Accrual Past Due Loans	[B]	378,360	141,717	3,564
Loans Past Due for Three Months or More	[C]	26,189	90,576	246
Loans with Altered Lending Conditions	[D]	379,194	315,002	3,572
Risk-Monitored Loans Total (Total of [A], [B], [C] and [D])		¥867,890	¥654,268	$8,176

Non-Accrual Loans to Borrowers under Bankruptcy Proceedings are defined as loans in which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan, as cited in Article 96-1-3, or 4 of the Corporate Tax Law (Government Ordinance No. 97 of 1965).

Non-Accrual Past Due Loans refer to those loans which are past due and not accruing interest, but are classified neither as Non-Accrual Loans to Borrowers under Bankruptcy Proceedings nor as Loans with Altered Lending Conditions whose definition is given below.

For Non-Accrual Loans to Borrowers under Bankruptcy Proceedings and Non-Accrual Past Due Loans, the amounts remaining after deductions of estimated disposable values of collateral and the amounts recoverable under guarantees are directly written off from the original credit amounts. The amounts of such write-offs are ¥560,514 million ($5,280 million), and ¥516,272 million in the years ended March 31, 2000 and 1999, respectively.

Loans Past Due for Three Months or More refer to those loans for which three months or more have elapsed without payment of principal or interest since the payment is due. The balances of Non-Accrual Loans to Borrowers under Bankruptcy Proceedings and Non-Accrual Past Due Loans are not included in this category.

Loans with Altered Lending Conditions include loans restructured to assist or facilitate the restructuring of certain borrowers in financial difficulties by providing easier payment terms for the borrower (e.g., the reduction of or exemption from stated interest, the deferral of interest payments, the extension of maturity dates, the renunciation of claims, etc.). Balances of Non-Accrual Loans to Borrowers under Bankruptcy Proceedings, Non-Accrual Past Due Loans, and Loans Past Due for Three Months or More are not included in this category.

Note 10. Foreign Exchanges

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Assets			
Due from Foreign Banks	¥22,691	¥ 54,269	$213
Foreign Bills of Exchange Bought	27,494	35,818	259
Foreign Bills of Exchange Receivable	43,120	46,756	406
Total	¥93,306	¥136,844	$879
Liabilities			
Due to Foreign Banks	¥ 588	¥ 1,636	$ 5
Foreign Bills of Exchange Sold	14,312	15,056	134
Foreign Bills of Exchange Payable	247	441	2
Total	¥15,148	¥ 17,133	$142

Note 11. Other Assets

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Prepaid Expenses	¥ 1,522	¥ 7,817	$ 14
Accrued Income	75,039	52,213	706
Securities in Custody	204,396	138,179	1,925
Suspense Payment	80,766	76,215	760
Cash Collateral on Bond Borrowed	144,880	—	1,364
Others	283,756	316,909	2,673
Total	¥790,363	¥591,333	$7,445

Note 12. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation of ¥181,222 million ($1,707 million) and ¥173,005 million as of March 31, 2000 and 1999, respectively.

Note 13. Deferred Taxes

Deferred income taxes resulting from timing differences in recognizing revenues and expenses between financial statements and tax returns are recognized on the consolidated financial statements. The tax effects of the items comprising the net deferred tax assets (shown in the Consolidated Balance Sheets as "Deferred Taxes") of the Parent Company and its consolidated subsidiaries at March 31, 2000 and 1999 are as follows:

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Deferred Tax Assets			
Reserve for Possible Loan Losses (including written-off claims)	¥106,875	¥122,434	$1,006
Reserve for Specific Borrowers under Support	12,353	29,391	116
Reserve for Possible Losses Related to Loans Sold	15,031	12,184	141
Deficit Carried Forward	41,841	49,094	394
Reserve for Retirement Allowances	4,534	/	42
Losses on Devaluation of Securities	7,436	/	70
Revaluation Losses on Real Estate	14,398	/	135
Others	6,032	26,386	56
Subtotal	208,503	239,491	1,964
Less Valuation Allowance	(16,640)	(33,806)	(156)
Net Deferred Tax Assets Total	191,863	205,685	1,807
Deferred Tax Liabilities			
Allowance for Compressed Entry of Fixed Assets	(67)	(90)	(0)
Reserve for Possible Losses on Overseas Investments	(1)	(1)	(0)
Net Deferred Tax Assets	¥191,794	¥205,592	$1,806

On March 30, 2000, "Municipal Ordinance concerning Special Treatment of Tax Base, etc., for Enterprise Tax on Banking Business, etc., in Tokyo Metropolis" (Tokyo Metropolitan Government Ordinance No. 145) was adopted by the Tokyo Metropolitan Assembly. Pursuant to the Ordinance, from the fiscal period beginning on or after April 1, 2000, the tax base for calculating the enterprise tax imposed by the Tokyo Metropolitan Government will be changed to gross operating profits. Since such new enterprise tax would be no longer included in the calculation of the effective statutory tax rate, the effective statutory tax rate applied to the Parent Company was reduced from 41.97% to 40.59%. As a result, deferred tax assets stated on the Consolidated Balance Sheets was reduced by ¥6,572 million ($62 million) while Income Taxes—Deferred in the Consolidated Statement of Operations increased by the same amount.

In addition, on June 9, 2000, "Municipal Ordinance concerning Special Treatment of Tax Base etc., for Enterprise Tax on Banking Business, etc., in Osaka Prefecture" (Osaka Prefectural Government Ordinance No.131) was promulgated by the Osaka Prefectural Government. The ordinance will become effective from the fiscal period starting on or after April 1, 2001, and the effective statutory tax rate applied for the year beginning from April 1, 2001 is estimated to be further reduced from 40.59% to 37.70%. As a result, deferred tax assets will be reduced by ¥13,386 million if the reduced rate is applied to figures as at the end of fiscal 1999. However, the actual effect associated with the new enterprise tax imposed by the Osaka Prefecture will differ from the above estimate since the actual effect will be determined based on the figures as at the end of fiscal 2000.

Note 14. Assets Pledged as Collateral

Assets pledged as collateral at the end of fiscal 1999 and their relevant liabilities are as follows:

	Millions of yen	Millions of U.S. dollars
	2000	2000
Assets Pledged as Collateral		
Securities	¥ 51,154	$ 481
Loans	177,715	1,674
Other Assets	38,171	359
Relevant Liabilities		
Call Money and Bills Sold	59,700	562
Borrowed Money	61,727	581

Other than the above, securities, loans and other assets which were worth ¥790,341 million ($7,445 million), ¥344,157 million ($3,242 million) and ¥4,413 million ($41 million), respectively, were pledged as collateral for exchange clearing transactions, or as substitutes for cash deposits required for futures transactions.

Note 15. Deposits

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Current Deposits	¥ 651,755	¥ 464,553	$ 6,139
Ordinary Deposits	2,246,626	1,830,723	21,164
Savings Deposits	444,270	476,971	4,185
Deposits at Notice	319,335	160,810	3,008
Time Deposits	5,841,100	6,474,778	55,026
Negotiable Certificates of Deposits	1,586,417	1,237,285	14,945
Others	490,589	520,551	4,621
Total	¥11,580,094	¥11,165,673	$109,091

Note 16. Borrowed Money and Corporate Bonds

Borrowed money and corporate bonds include subordinated liabilities as follows:

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Subordinated Borrowed Money	¥253,500	¥281,500	$2,388
Subordinated Bonds	204,674	239,496	1,928
Total	¥458,174	¥520,966	$4,316

Note 17. Other Liabilities

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Accrued Expenses	¥ 42,342	¥ 52,321	$ 398
Deferred Income	32,192	31,523	303
Trading Securities Borrowed	27,000	33,100	254
Securities Borrowed	118,600	77,753	1,117
Cash Collateral on Bonds Lent	171,359	336,724	1,614
Others	309,366	216,673	2,914
Total	¥700,860	¥748,095	$6,602

Note 18. Other Interest Income

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Interest on Due from Banks	¥ 5,001	¥ 7,741	$ 47
Interest on Interest Rate Swaps	7,995	30,870	75
Interest on Foreign Exchanges	4,578	6,767	43
Other Interest Income	2,213	3,166	20
Total	¥19,789	¥48,546	$186

Note 19. Net Trading Income

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Net Income from Trading Transactions			
Trading Securities	¥5,832	¥1,836	$54
Securities Related to Trading Transactions	9	54	0
Trading-Related Financial Derivatives	1,175	738	11
Other Trading Transactions	790	2,022	7
Total	¥7,808	¥4,651	$73

Note 20. Other Operating Income

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Gains on Foreign Exchange Transactions	¥ —	¥ 8,761	$ —
Gains on Sales of Bonds, etc.	11,574	62,719	109
Gains on Redemption of Bonds, etc.	835	1,590	7
Others	54,446	54,081	512
Total	¥66,855	¥127,152	$629

Note 21. Other Income

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Gains on Sales of Stocks and Other Securities	¥269,940	¥ 49,063	$2,543
Gains on Dispositions of Premises and Equipment	1,609	54,035	15
Recoveries of Written-Off Claims	5,942	72	55
Others	35,320	14,687	332
Total	¥312,812	¥117,858	$2,946

Note 22. Other Interest Expenses

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Interest on Commercial Paper	¥ 35	¥ 89	$ 0
Interest on Corporate Bonds	9,430	11,174	88
Interest on Interest Rate Swaps	17,933	35,712	168
Other Interest Expenses	11,275	21,902	106
Total	¥38,675	¥68,878	$364

Note 23. Other Operating Expenses

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Losses on Foreign Exchange Transactions	¥ 4,011	¥ 2,541	$ 37
Losses on Sales of Bonds, etc.	9,364	8,383	88
Losses on Redemption of Bonds, etc.	1,464	1,467	13
Losses on Devaluation of Bonds, etc.	—	1,471	—
Others	17,615	14,766	165
Total	¥32,455	¥28,630	$305

Note 24. Other Expenses

	Millions of yen		Millions of U.S. dollars
	2000	1999	2000
Write-Off of Loans	¥ 51,654	¥134,822	$ 486
Net Addition to Reserve for Possible Loan Losses	69,781	68,286	657
Net Addition to Reserve for Possible Losses Related to Loans Sold	14,493	8,657	136
Net Addition to Reserve for the Specific Borrowers under Support	(4,062)	66,065	(38)
Losses Incurred from Sales of Loans	4,316	4,452	40
Losses on Sales of Stocks and Other Securities	123,987	32,103	1,168
Losses on Devaluation of Stocks and Other Securities	43,636	10,218	411
Losses on Disposition of Premises and Equipment	4,152	10,734	39
Others	57,548	106,808	542
Total	¥365,507	¥442,149	$3,443

Note 25. Lease Transactions

Finance lease transactions, other than those for which the ownership of the leased equipment is recognized to be transferred to lessees, are as follows.

(Lessee Side)

Estimated amounts of acquisition costs, accumulated depreciation and balance at the end of the year:

	Millions of yen		
	2000		
	Equipment	Others	Total
Estimated Acquisition Costs	**¥17,004**	**¥8**	**¥17,013**
Estimated Accumulated Depreciation	**11,676**	**5**	**11,682**
Estimated Term-End Balance	**¥ 5,327**	**¥3**	**¥ 5,331**

	Millions of yen		
	Within 1 year	Over 1 year	Total
Lease Payable	**¥2,397**	**¥3,616**	**¥6,014**

	Millions of yen		
	1999		
	Equipment	Others	Total
Estimated Acquisition Costs	¥26,943	¥106	¥27,050
Estimated Accumulated Depreciation	18,181	89	18,271
Estimated Term-End Balance	¥ 8,761	¥ 16	¥ 8,778

	Millions of yen		
	Within 1 year	Over 1 year	Total
Lease Payable	¥3,983	¥5,799	¥9,782

Lease fees paid, estimated depreciation and interest expenses during the year:

	Millions of yen	
	2000	1999
Lease fees paid	**¥4,746**	¥4,687
Depreciation	**3,485**	3,981
Interest expenses	**285**	478

Basis of calculation of estimated depreciation:
Lease periods are used as useful lives and the straight-line method is applied with no residual value.

Basis of calculation of estimated interest expenses:
The estimated interest payment is calculated based on the difference between the total lease payment and the estimated acquisition costs, which is allocated over the lease period by the interest method.

(Lessor Side)

Amounts of acquisition costs, accumulated depreciation and balance at the end of the year:

	Millions of yen		
	2000		
	Equipment	Others	Total
Acquisition Costs	**¥106,952**	**¥13,439**	**¥120,392**
Accumulated Depreciation	**56,352**	**6,596**	**62,948**
Balance at the End of the Year	**¥ 50,599**	**¥ 6,843**	**¥ 57,443**

	Millions of yen		
	Within 1 year	Over 1 year	Total
Lease Receivable	**¥20,530**	**¥40,413**	**¥60,944**

	Millions of yen		
	1999		
	Equipment	Others	Total
Acquisition Costs	¥103,433	¥12,168	¥115,601
Accumulated Depreciation	50,512	5,348	55,861
Balance at the End of the Year	¥ 52,920	¥ 6,819	¥ 59,740

	Millions of yen		
	Within 1 year	Over 1 year	Total
Lease Receivable	¥19,544	¥43,869	¥63,414

Lease fees received, depreciation cost and estimated interest income during the year:

	Millions of yen	
	2000	1999
Lease fees received	**¥24,704**	¥23,223
Depreciation	**21,647**	20,166
Interest income	**2,892**	3,134

Basis of calculation of estimated interest income:
The estimated interest income is calculated based on the difference between the total lease receipt and the estimated acquisition costs, which is allocated over the lease period by the interest method.

Note 26. Scope of Cash and Cash Equivalents

"Cash and Cash Equivalents" in the Consolidated Statement of Cash Flows consist of cash on hand and deposits at the Bank of Japan, both of which are included in "Cash and Due from Banks" stated in the Consolidated Balance Sheets. The relationship between the term-end balance of "Cash and Cash Equivalents" in the Consolidated Statement of Cash Flows and items in the Consolidated Balance Sheets is shown as below:

	Millions of yen
	2000
Cash and Due from Banks	**¥783,376**
Time Deposits Held at Other Banks	**(240,396)**
Other Deposits Held at Other Banks	**(73,004)**
Cash and Cash Equivalents	**¥469,975**

During fiscal 1999, Cosmo Asset Management, Ltd. and 3 other subsidiaries were excluded from consolidation since the Bank sold the stocks of these subsidiaries. Principal assets and liabilities of these subsidiaries, and the relationship between net proceeds from sales of the subsidiaries' stocks and the amount for which their stocks were sold are shown as below:

	Millions of yen
	2000
Cash and Due from Banks	¥ 3,147
Securities	3,552
Premises and Equipment	21,295
Borrowed Money	(24,992)
Other Assets and Liabilities	184
Minority Interests	(293)
Others	(66)
Subtotal	2,827
Net Gains on Sales of Subsidiaries Stocks	4,661
Amount for which Subsidiaries' Stocks Were Sold	7,489
Cash and Cash Equivalents of Subsidiaries	(0)
Net Proceeds from Sales of Subsidiaries' Stocks	¥ 7,488

Note 27. Market Prices of Securities

	Millions of yen				
	2000				
	Book value	Market value	Unrealized gain (loss)	Gain	Loss
Securities					
Bonds	¥ 239,298	¥ 232,259	¥ (7,039)	¥ 682	¥ 7,721
Stocks	1,321,432	1,426,293	104,860	256,213	151,352
Others	40,644	45,631	4,986	7,660	2,673
Total	¥1,601,376	¥1,704,184	¥102,808	¥264,555	¥161,747

Notes: 1. Securities mentioned above cover only listed securities. Bonds include Japanese national government bonds, Japanese local government bonds and Japanese corporate bonds. Market prices of listed bonds are principally determined by the closing prices on the Tokyo Stock Exchange or prices calculated using indicated yield announced by the Japan Securities Dealers Association. Market prices of securities other than those referred to above are principally based on the closing prices on the Tokyo Stock Exchange.

2. The table below covers unlisted securities for which it is possible to estimate a market value.

	Millions of yen				
	2000				
	Book value	Market value	Valuation gain (loss)	Gain	Loss
Securities					
Bonds	¥549,980	¥547,079	¥ (2,901)	¥ 1,741	¥4,643
Stocks	28,539	41,457	12,918	14,843	1,925
Others	27,622	28,412	790	806	15
Total	¥606,142	¥616,949	¥10,807	¥17,391	¥6,584

The market value of unlisted securities is determined as follows: transaction prices announced by the Japan Securities Dealers Association in the case of securities traded over the counter, prices calculated using indicated yield announced by the Japan Securities Dealers Association in the case of publicly offered bonds, and market prices announced by the authorized fund management companies in the case of securities investment trusts.

3. Book value of securities not included in the market value information provided as just metioned are primarily as follows:

	Millions of yen
	Book value
	2000
Securities	
Bonds	¥184,475
Stocks	49,158
Others	22,786

4. The market value of securities related to trading transactions, included in trading assets, are revalued at market prices and revaluation gains/losses are recorded in the Consolidated Statements of Operations. Therefore, such revaluation gains/losses are not reported here.

Note 28. Market Prices of Money Held in Trust

	Millions of yen				
	2000				
	Book value	Market value	Valuation gain (loss)	Gain	Loss
Money Held in Trust	¥194,076	¥198,702	¥4,626	¥5,750	¥1,124

Note: The market value of Money Held in Trust is based on the prices rationally estimated by trustees based on the following methods:
1. The market prices of listed securities are principally determined by using the closing prices on the Tokyo Stock Exchange or prices calculated using indicated yield announced by the Japan Securities Dealers Association in the case of public bonds.
2. Transaction prices announced by the Japan Securities Dealers Association in the case of securities traded over the counter

Note 29. Contract Value, Market Value and Valuation Gains or Losses of Derivatives Transactions

(1) Interest-Rate-Related Transactions

	Millions of yen			
	2000			
	Contract value			
		Over 1 year	Market value	Unrealized gain/(loss)
Over-the-Counter				
Interest Rate Swaps				
Receive the Fix/ Pay the Float	¥131,620	¥ 86,120	¥ 9,069	¥ 9,069
Receive the Float/ Pay the Fix	553,717	394,234	(13,248)	(13,248)
Receive the Float/ Pay the Float	34,342	32,902	(31)	(31)
Cap				
Sell	25,337	23,368		
	[146]		70	76
Buy	35,312	18,105		
	[423]		153	(270)
Total				¥(4,404)

Notes: 1. Estimation of Market Value: For transactions traded over the counter, market values are calculated based on such methods as discounted present value or option pricing models.
2. Figures in brackets indicate the option premiums recorded in the Consolidated Balance Sheets.
3. There were no transactions traded on exchanges and no forward rate agreements and interest rate options traded over the counter at March 31, 2000.

4. The market value of trading account derivative transactions are revalued at market prices and revaluation gains/losses are recorded in the Consolidated Statements of Operations. Therefore, such revaluation gains/losses are not reported here. Contract values of trading account derivatives transactions are as follows:

	Millions of yen	
	2000	
	Contract value	Market value
Listed on Exchange		
Interest Rate Futures		
Sell	¥ 5,912	¥ 5,909
Buy	1,517	1,515
Over-the-Counter		
Interest Rate Swaps		
Receive the Fix/Pay the Float	1,165,220	28,790
Receive the Float/Pay the Fix	1,260,662	(24,260)
Receive the Float/Pay the Float	125,930	(181)
Cap		
Sell	282,666	
	[6,344]	1,366
Buy	233,737	
	[5,264]	1,257
Floor		
Sell	—	
	[—]	—
Buy	3,089	
	[62]	71
Swaption		
Sell	8,300	
	[58]	33
Buy	—	
	[—]	—

Notes: 1. Figures in brackets indicate the initial option premiums recorded for contract value.
2. There were no interest rate option transactions traded on exchange or over the counter, and no forward rate agreements traded over the counter at March 31, 2000.

(2) Currency-Related Transactions

	Millions of yen			
	2000			
	Contract value			
		Over 1 year	Market value	Unrealized gain (loss)
Over-the-Counter				
Currency Swaps	¥134,181	¥12,500	¥(1,613)	¥(1,613)
U.S. Dollar	95,377	12,500	(1,555)	(1,555)
H.K. Dollar	38,804	—	(57)	(57)

Notes: 1. Market values of transactions are calculated using such methods as discounted present value.
2. The market value of trading account derivatives transactions are revalued at market prices and gains/losses from such revaluation are recorded on the Consolidated Statements of Operations. Therefore, such revaluation gains/losses are not reported here. Contract values of trading account derivatives transactions are as follows:

	Millions of yen	
	2000	
	Contract value	Market value
Over-the-Counter		
Currency Swaps	¥75,618	¥136
U.S. Dollar	66,215	(218)
Deutsche Mark	713	108
Swiss Franc	8,156	246
Thai Baht	533	0
Forward Foreign Exchange Contract		
Sell	26	26
Buy	—	—

3. Forward foreign exchange transactions, currency options transactions and other currency-related derivatives transactions 1) which are revalued at each fiscal year-end with gains/losses from such revaluation being recorded in the Consolidated Statements of Operations, 2) whose underlying foreign currency denominated monetary claims or liabilities are stated in the Consolidated Balance Sheets, and 3) whose underlying foreign currency denominated monetary claims or liabilities are canceled out in the consolidation process, are not reported in the above table. Contract values of currency-related derivatives transactions revalued at each fiscal year-end are as follows:

		Millions of yen
		2000
		Contract value
Over-the-Counter		
Forward Foreign Exchange		
Sell		¥595,499
Buy		610,647
Currency Options		
Sell	Call	407,835
		[3,363]
	Put	400,643
		[6,807]
Buy	Call	407,449
		[4,185]
	Put	422,739
		[10,770]

Notes: 1. Figures in brackets indicate option premiums recorded in the Consolidated Balance Sheets.
2. There were no transactions traded on exchanges at March 31, 2000.

(3) Stock-Related Transactions

There were no transactions at March 31, 2000.

Trading account derivatives transactions are revalued at their market prices and such revaluation gains or losses are recorded in the Consolidated Statements of Operations. Contract values of trading account derivatives transactions are as follows:

		Millions of yen	
		2000	
		Contract value	Market value
Listed on Exchange			
Stock Index Futures			
Sell		¥519	¥510
Buy		—	—
Stock Index Options			
Sell	Call	205	
		[3]	2
	Put	—	
		[—]	—
Buy	Call	—	
		[—]	—
	Put	400	
		[2]	3

Note: There were no transactions traded over the counter at March 31, 2000.

(4) Bond-Related Transactions

There were no transactions at March 31, 2000.

Trading account derivatives transactions are revalued at their market prices and such revaluation gains/losses are recorded in the Consolidated Statements of Operations. Contract values of trading account derivatives transactions are as follows:

		Millions of yen	
		2000	
		Contract value	Market value
Listed on Exchange			
Futures of Bonds			
Sell		¥19,896	¥19,942
Buy		18,721	18,762
Options of Bonds Futures			
Sell	Call	—	—
		[—]	
	Put	—	—
		[—]	
Buy	Call	—	—
		[—]	
	Put	1,270	1
		[2]	

Notes: 1. Figures in brackets indicate initial option premiums for contracted values.
2. There were no transactions traded over the counter at March 31, 2000.

(5) Commodity-Related Transactions

There were no transactions at March 31, 2000.

(6) Credit Derivatives Transactions

There were no transactions at March 31, 2000.

Note 30. Segment Information

1. Segment Information by Type of Business

Year ended March 31, 2000

	Millions of yen						
	Banking and Trust Banking	Securities	Other Financial Services	Others	Total	Elimination and General Corporate Assets	Consolidated
I. Operating Income and Ordinary Profit							
Operating Income							
(1) Operating Income from Customers	¥ 671,207	¥ 41,811	¥ 51,897	¥ 14,572	¥ 779,488	¥ —	¥ 779,488
(2) Inter-segment Operating Income	4,118	269	16,174	1,234	21,797	[21,797]	—
Total	675,326	42,080	68,072	15,807	801,286	[21,797]	779,488
Operating Expenses	644,024	21,745	83,254	31,120	780,145	[63,235]	716,909
Ordinary Profit (Loss)	¥ 31,302	¥ 20,334	¥ (15,182)	¥ (15,313)	¥ 21,140	¥ [(41,437)]	¥ 62,578
II. Assets, Depreciation and Capital Expenditure							
Assets	¥15,314,816	¥245,969	¥2,085,406	¥211,801	¥17,857,994	¥[2,503,169]	¥15,354,825
Depreciation	7,401	174	24,082	2,206	33,866	—	33,866
Capital Expenditure	5,573	789	20,742	52,171	79,276	—	79,276

Year ended March 31, 2000

	Millions of U.S. dollars						
	Banking and Trust Banking	Securities	Other Financial Services	Others	Total	Elimination and General Corporate Assets	Consolidated
I. Operating Income and Ordinary Profit							
Operating Income							
(1) Operating Income from Customers	$ 6,323	$ 393	$ 488	$ 137	$ 7,343	$ —	$ 7,343
(2) Inter-segment Operating Income	38	2	152	11	205	[205]	—
Total	6,361	396	641	148	7,548	[205]	7,343
Operating Expenses	6,067	204	784	293	7,349	[595]	6,753
Ordinary Profit (Loss)	$ 294	$ 191	$ (143)	$ (144)	$ 199	$ [(390)]	$ 589
II. Assets, Depreciation and Capital Expenditure							
Assets	$144,275	$2,317	$19,645	$1,995	$168,233	$[23,581]	$144,652
Depreciation	69	1	226	20	319	—	319
Capital Expenditure	52	7	195	491	746	—	746

Year ended March 31, 1999

	Millions of yen						
	Banking and Trust Banking	Securities	Other Financial Services	Others	Total	Elimination and General Corporate Assets	Consolidated
I. Operating Income and Ordinary Profit							
Operating Income							
(1) Operating Income from Customers	¥ 554,211	¥ 21,053	¥ 52,675	¥ 12,358	¥ 640,298	¥ —	¥ 640,298
(2) Inter-segment Operating Income	5,190	900	18,931	1,896	26,917	[26,917]	—
Total	559,402	21,953	71,606	14,255	667,216	[26,917]	640,298
Operating Expenses	703,974	28,371	177,459	18,370	928,176	[32,658]	895,517
Ordinary Loss	¥ (144,572)	¥ (6,417)	¥ (105,852)	¥ (4,115)	¥ (260,959)	¥ [(5,740)]	¥ (255,218)
II. Assets, Depreciation and Capital Expenditure							
Assets	¥15,461,021	¥170,874	¥2,186,543	¥176,011	¥17,994,450	¥[(2,534,847)]	¥15,459,603
Depreciation	10,843	326	23,496	1,295	35,961	—	35,961
Capital Expenditure	9,259	149	17,990	13,898	41,297	—	41,297

Notes: 1. Yen amounts are rounded down to the nearest million yen.
2. Operating Income represents Total Income stated on the Consolidated Statements of Operations less such extraordinary items as gains on premises and equipment, recoveries of written-off claims, and reversal from reserves.
3. Businesses are classified by the nature of principal businesses of the consolidated subsidiaries. From the fiscal year ended March 31, 1999, "Other Financial Services" is added as a separate segment due to its increased importance. This segment includes finance-related businesses, such as credit guarantees, leases, credit card, and others. In the fiscal year ended March 31, 1998, these finance-related businesses were included in "Others." Operating Income and Ordinary Loss from these businesses would have been ¥15,278 million and ¥2,873 million, respectively, while the amount of assets employed, depreciation cost and capital expenditure would have been ¥297,136 million, ¥14 million and ¥46 million, respectively, for the year ended March 31, 1998.
"Others" represent insurance agency business, real property leasing business, etc.
4. Operating Income and Ordinary Profit are shown in lieu of Sales and Operating Profit which would be reported in the cases of non-financial services companies.
5. Capital Expenditure includes the investments related to computer systems and other related equipment.
5. In the fiscal year ended March 31, 1999, the Parent Company changed the method of depreciation of buildings (including the attached facilities) from the fixed percentage of declining-balance method to the straight-line method. Due to this change, Operating Expenses, Ordinary Loss and Depreciation of the "Banking and Trust Banking" segment decreased by ¥501 million, respectively, while Assets increased by the same amount compared to the figures based on the former depreciation method.
In the fiscal year ended March 31, 1999, the Parent Company and its domestic consolidated subsidiaries engaged in securities business shortened the useful lives of buildings in accordance with the relevant tax legislation. The effect of this change on "Banking and Trust Banking" and "Securities" segments is not material, and there is no effect on other segments.

2. Segment Information by Location

Year ended March 31, 2000

Since the operating income and employed assets of "Japan" segment is more than 90% of all segments combined, segment information by location for fiscal 1999 is not disclosed here.

Year ended March 31, 1999

	Millions of yen						
	Japan	Europe	Asia	Others	Total	Offset or Common to All	Consolidated
I. Operating Income and Ordinary Profit							
Operating Income							
(1) Operating Income from Customers	¥ 578,682	¥ 5,513	¥ 55,607	¥ 494	¥ 640,298	¥ —	¥ 640,298
(2) Inter-segment Operating Income	18,519	2,495	13,976	11,048	46,040	[46,040]	—
Total	597,202	8,009	69,584	11,543	686,339	[46,040]	640,298
Operating Expenses	845,991	12,833	74,776	11,673	945,275	[49,757]	895,517
Ordinary Loss	¥ (248,789)	¥ (4,824)	¥ (5,191)	¥ (130)	¥ (258,935)	¥ [(3,716)]	¥ (255,218)
II. Assets	¥15,743,528	¥34,521	¥745,190	¥245,573	¥16,768,813	¥[1,309,210]	¥15,459,603

Notes: 1. Yen amounts are rounded down to the nearest million yen.
2. Each segment represents the following:
Europe United Kingdom, Spain
Asia Republic of Korea, People's Republic of China (including Hong Kong), Republic of Singapore, Republic of Indonesia and others
Others British West Indies Grand Cayman Island
3. Operating Income represents Total Income stated on the Consolidated Statements of Operations less such extraordinary items as "Gains on Premises and Equipment," "Recoveries of Written-Off Claims" and "Reversal from Reserves."
4. In the fiscal year ended March 31, 1999, the Parent Company changed the method of depreciation of buildings (including the attached facilities) from the fixed percentage of declining-balance method to the straight-line method. Due to this change, Operating Expenses and Ordinary Loss of the "Japan" segment decreased by ¥501 million, respectively, while Assets increased by the same amount compared to the figures based on the former depreciation method.
From the fiscal year ended March 31, 1999, the Parent Company and its domestic consolidated subsidiaries engaged in securities business shortened the useful lives of buildings in accordance with the relevant tax legislation. The effect of this change on the "Japan" segment is not material, and there are no effects on other segments.

3. International Operating Income

Year ended March 31, 2000

Since International Operating Income is less than 10% of Consolidated Operating Income, International Operating Income for fiscal 1999 is not disclosed here.

Year ended March 31, 1999

	Millions of yen		
	International Operating Income (A)	Consolidated Operating Income (B)	(A)/(B)
Year ended March 31, 1999	¥105,898	¥640,298	16.53%

Note: International Operating Income includes the operating income (excluding amounts from internal transactions among subsidiaries) arising from domestic foreign exchange transactions, trade bills transactions in yen, non-residents transactions in yen, offshore account transactions and transactions by the Parent Company's overseas branches and overseas consolidated subsidiaries. Segment Information by Location on International Operating Income is not disclosed here since International Operating Income is not classified by the domicile of obligators.

Note 31. Primary Net Loss per Share

Primary net loss per share calculations represent net loss less dividends on preferred stock, divided by the weighted average number of outstanding shares of common stock during the year.

Note 32. Fully Diluted Net Income per Share

No recognition has been given to fully diluted net income per share for fiscal 1998, owing to the net loss posted for the year.

Note 33. Subsequent Events

Refer to Note 6 of the Notes to Non-Consolidated Financial Statements.

Independent Auditors' Report

Century Ota Showa & Co.

Certified Public Accountants

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The Board of Directors and Shareholders
The Daiwa Bank, Limited

We have audited the consolidated balance sheets of The Daiwa Bank, Limited and consolidated subsidiaries as of March 31, 2000 and 1999, the related consolidated statements of operations and retained earnings for the years then ended and the related consolidated statement of cash flows for the year ended March 31, 2000, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of The Daiwa Bank, Limited and consolidated subsidiaries at March 31, 2000 and 1999, the consolidated results of their operations for the years then ended and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2 to the consolidated financial statements, The Daiwa Bank, Limited and consolidated subsidiaries have adopted new accounting standards for consolidation for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Century Ota Showa & Co.

June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of The Daiwa Bank, Limited and consolidated subsidiaries under Japanese accounting principles and practices.

Non-Consolidated Balance Sheets

The Daiwa Bank, Limited March 31, 2000 and 1999

Banking Account

Assets	Millions of yen 2000	Millions of yen 1999	Millions of U.S. dollars (Note 1) 2000
Cash and Due from Banks	¥ 762,293	¥ 846,916	$ 7,181
Call Loans and Bills Bought	216,332	7,833	2,037
Monetary Claims Bought	20	20	0
Trading Assets	149,008	368,565	1,403
Money Held in Trust	191,229	76,662	1,801
Securities	2,535,038	2,789,050	23,881
Loans and Bills Discounted	9,979,683	9,557,797	94,014
Foreign Exchanges	89,027	134,636	838
Other Assets	511,956	330,498	4,822
Premises and Equipment	146,366	149,302	1,378
Deferred Taxes	190,041	211,189	1,790
Customers' Liabilities for Acceptances and Guarantees	737,958	1,042,123	6,952
Reserve for Possible Loan Losses	(188,801)	/	(1,778)
Reserve for Possible Losses on Investments	(943)	/	(8)
Total Assets	¥15,319,209	¥15,514,594	$144,316

Liabilities and Stockholders' Equity	Millions of yen 2000	Millions of yen 1999	Millions of U.S. dollars (Note 1) 2000
Deposits	¥11,584,626	¥11,174,948	$109,134
Call Money and Bills Sold	139,803	199,377	1,317
Commercial Paper	10,000	10,000	94
Trading Liabilities	43,009	62,195	405
Borrowed Money	451,424	542,035	4,252
Foreign Exchanges	16,092	17,132	151
Corporate Bonds	28,800	—	271
Due to Trust Account	776,478	607,134	7,314
Other Liabilities	476,058	584,195	4,484
Reserve for Possible Loan Losses	/	189,172	/
Reserve for Retirement Allowances	15,573	15,174	146
Reserve for Possible Losses Related to Loans Sold	37,033	29,030	348
Reserve for the Specific Borrowers under Support	55,096	103,858	519
Other Reserves	2	3	0
Acceptances and Guarantees	737,958	1,042,123	6,952
Total Liabilities	14,371,959	14,576,383	135,392
Capital:	465,158	465,158	4,382
Common Stock	254,718	236,158	2,399
Preferred Stock	210,440	229,000	1,982
Capital Surplus	405,419	405,419	3,819
Legal Reserve	45,239	43,418	426
Retained Earnings	31,433	24,214	296
Total Stockholders' Equity	947,250	938,211	8,923
Total Liabilities and Stockholders' Equity	¥15,319,209	¥15,514,594	$144,316

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

Non-Consolidated Statements of Operations

The Daiwa Bank, Limited Years ended March 31, 2000 and 1999

Banking Account	Millions of yen		Millions of U.S. dollars (Note 1)
	2000	1999	2000
Income			
Interest Income:	¥255,908	¥312,134	$2,410
Interest on Loans and Discounts	202,751	226,066	1,910
Interest and Dividends on Securities	34,933	39,287	329
Other Interest Income	18,222	46,780	171
Trust Fees	55,378	56,669	521
Fees and Commissions	41,985	42,484	395
Net Trading Income	2,745	3,433	25
Other Operating Income	17,769	71,232	167
Other Income	301,548	109,577	2,840
Total Income	675,335	595,532	6,362
Expenses			
Interest Expenses:	94,359	171,576	888
Interest on Deposits	46,783	89,504	440
Interest on Borrowings and Rediscounts	18,907	27,216	178
Other Interest Expenses	28,668	54,855	270
Fees and Commissions	12,788	12,359	120
Other Operating Expenses	10,946	10,042	103
General and Administrative Expenses	170,438	184,451	1,605
Other Expenses	344,573	416,249	3,246
Total Expenses	633,105	794,678	5,964
Income (Loss) before Income Taxes	42,229	(199,146)	397
Income Taxes	2,942	918	27
Income Taxes—Deferred	21,148	(83,553)	199
Net Income (Loss)	¥ 18,139	¥(116,512)	$ 170

Non-Consolidated Statements of Retained Earnings

The Daiwa Bank, Limited Years ended March 31, 2000 and 1999

Banking Account	Millions of yen		Millions of U.S. dollars (Note 1)
	2000	1999	2000
Balance at the Beginning of the Year	¥24,214	¥ 23,289	$228
Additions:			
Tax Effect Accounting Adjustment for Taxes Paid in Previous Years	/	127,636	/
Deductions:		10,198	
Transfer to Legal Reserve	1,821	1,700	17
Dividends	9,099	8,498	85
Net Income (Loss)	18,139	(116,512)	170
Balance at the End of the Year	¥31,433	¥ 24,214	$296

	Yen		U.S. dollars (Note 1)
Primary Net Income (Loss) per Share (Note 3)	¥6.68	¥(72.29)	$0.06
Fully Diluted Net Income per Share (Note 4)	4.27	—	0.04

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

Notes to Non-Consolidated Financial Statements

Note 1. Basis of Preparation
The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Daiwa Bank, Limited in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Daiwa Bank maintains its accounting records in yen. Yen amounts are translated into U.S. dollars, for convenience only, at the exchange rate of ¥106.15 to U.S.$1.00, the rate prevailing at March 31, 2000.

Yen amounts are reported in millions of yen, unless otherwise specified, and are rounded down to the nearest million yen. Accordingly, certain subtotals and totals may not represent the sum of figures presented.

Note 2. Significant Accounting Policies
Refer to Notes to Consolidated Financial Statements.

Note 3. Primary Net Income (Loss) per Share
Net Income (Loss) per Share is computed by subtracting the total amount of cash dividends paid on preferred stock from Net Income (Loss) and then dividing the remainder by the average number of common stock shares outstanding during the fiscal year.

Note 4. Fully Diluted Net Income per Share
No recognition has been given to Fully Diluted Net Income per Share for fiscal 1998, owing to the Net Loss posted during the fiscal year.

Note 5. Dividends
Dividends are generally paid semi-annually. Interim and year-end dividends are authorized subsequent to each period-end to which they are related and are reflected in the Non-Consolidated Statements of Retained Earnings when duly declared and authorized.

Note 6. Subsequent Events
At the general stockholders' meeting of Daiwa Bank held on June 29, 2000, year-end dividends for the year ended March 31, 2000 on common stock of ¥1.50 per share, Type A preferred stock of ¥12.375 per share and Type B preferred stock of ¥3.18 per share were approved. In accordance with Japanese accounting practices, the dividends were not accrued in the non-consolidated financial statements.

The following appropriations of profits were approved at the general stockholders' meeting.

	Millions of yen	Millions of U.S dollars
	2000	2000
Unappropriated Profit at the End of the Term	¥21,430	$201
Appropriations of Profit	11,469	108
Transfer to Legal Reserve*	1,079	10
Dividends on Type A Preferred Stock	159	1
Dividends on Type B Preferred Stock	2,162	20
Dividends on Common Stock	3,068	28
Transfer to Voluntary Reserve	5,000	47
Profit Carried Forward to Next Term	¥ 9,961	$ 93

* Under the Banking Law of Japan, an amount equivalent to not less than 20% of cash dividends and other cash appropriations of profits must be appropriated to the legal reserve until such reserve equals 100% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to the common stock account.

Independent Auditors' Report

Century Ota Showa & Co.

Certified Public Accountants

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The Board of Directors
The Daiwa Bank, Limited

We have audited the non-consolidated balance sheets of The Daiwa Bank, Limited as of March 31, 2000 and 1999 and the related non-consolidated statements of operations and retained earnings for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of The Daiwa Bank, Limited at March 31, 2000 and 1999, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

Century Ota Showa & Co.

June 29, 2000

See Note 1 to the non-consolidated financial statements which explains the basis of preparation of the non-consolidated financial statements of The Daiwa Bank, Limited under Japanese accounting principles and practices.

Supplementary Financial Information

The Daiwa Bank, Limited March 31, 2000 and 1999

Statements of Trust Assets and Liabilities

	Millions of yen		Millions of U.S. dollars
Assets	**2000**	1999	**2000**
Loans and Bills Discounted	**¥ 755,099**	¥ 943,079	**$ 7,113**
Securities	**12,265,101**	11,217,218	**115,544**
Securities Held for Investment Trusts	**3,692,922**	2,454,024	**34,789**
Foreign Investments Held for Investment Trusts	**354,207**	373,285	**3,336**
Beneficiary Rights	**26,045**	17,518	**245**
Securities in Custody Accounts	**82,297**	10,181	**775**
Securities Lent	**257,780**	234,560	**2,428**
Monetary Claims	**260,002**	250,746	**2,449**
Premises and Equipment	**220,360**	220,003	**2,075**
Land Lease Rights	**748**	698	**7**
Other Claims	**51,163**	226,648	**481**
Bills Bought	**41,600**	72,600	**391**
Call Loans	**1,063,763**	915,616	**10,021**
Due from Banking Account	**776,478**	607,134	**7,314**
Cash and Due from Banks	**614,400**	347,387	**5,788**
Total Assets	**¥20,461,970**	¥17,890,704	**$192,764**

	Millions of yen		Millions of U.S. dollars
Liabilities	**2000**	1999	**2000**
Money Trusts	**¥ 7,596,851**	¥ 7,073,452	**$ 71,567**
Pension Trusts	**6,111,769**	5,874,937	**57,576**
Asset Formation Benefit Trusts	**3,559**	3,782	**33**
Securities Investment Trusts	**5,693,647**	4,056,714	**53,637**
Pecuniary Trusts Other Than Money Trusts	**423,542**	366,675	**3,990**
Securities Trusts	**354,885**	247,779	**3,343**
Money Claims Trusts	**48,709**	46,642	**458**
Land and Futures Trusts	**189,586**	184,287	**1,786**
Land Lease Trusts	**4,932**	4,681	**46**
Composite Trusts	**34,486**	31,751	**324**
Total Liabilities	**¥20,461,970**	¥17,890,704	**$192,764**

Notes to Statements of Trust Assets and Liabilities

Note 1. Basis of Presentation

These statements are prepared in accordance with the Trust Business Law of Japan and in conformity with generally accepted accounting principles of the trust and banking industry in Japan.

The Trust Account is treated separately from the Banking Account in accordance with the Japanese Trust Business Law, which requires the trustee to administer the trust accounts separately from other accounts.

Yen amounts are translated into U.S. dollars, for convenience only, at the exchange rate of ¥106.15 to U.S.$1.00, the rate prevailing at March 31, 2000.

Note 2. Jointly Operated Designated Money in Trust

A certain portion of trust accounts invested is in Jointly Operated Designated Money in Trust and the principal is guaranteed by the Bank, and as the accompanying table indicates, a reserve for possible loan losses is set aside. As of March 31, 2000 and 1999, the assets and liabilities of the Jointly Operated Designated Money in Trust comprised:

	Millions of yen		Millions of U.S. dollars
	2000	1999	**2000**
Assets			
Loans and Bills Discounted	**¥ 628,554**	¥ 716,811	**$ 5,921**
Securities	**269,559**	288,432	**2,539**
Others	**531,691**	424,271	**5,008**
Total	**¥1,429,805**	¥1,429,515	**$13,469**

	Millions of yen		Millions of U.S. dollars
	2000	1999	**2000**
Liabilities			
Principal	**¥1,426,508**	¥1,426,026	**$13,438**
Reserve for Possible Loan Losses	**1,900**	1,790	**17**
Others	**1,397**	1,699	**13**
Total	**¥1,429,805**	¥1,429,515	**$13,469**

In the years ended March 31, 2000 and 1999, Loans and Bills Discounted in Jointly Operated Designated Money in Trust included Risk-Monitored Loans as specified below:

		Millions of yen		Millions of U.S. dollars
		2000	1999	**2000**
Non-Accrual Loans to Borrowers under Bankruptcy Proceedings	[A]	**¥ 2,691**	¥ 3,792	**$ 25**
Non-Accrual Past Due Loans	[B]	**12,381**	7,926	**116**
Loans Past Due for Three Months or More	[C]	**2,399**	7,526	**22**
Loans with Altered Lending Conditions	[D]	**11,091**	4,907	**104**
Risk-Monitored Loans Total (Total of [A], [B], [C] and [D])		**¥28,563**	¥24,152	**$269**

Note 3. Due from Banking Account

When surplus funds have been generated through the management of trust assets, they are loaned to the Banking Account and entered there as loans from the Trust Account. In the Banking Account, this is called the "Due to Trust Account."

Additional Financial Data

1. Gross Operating Profit Classified by Domestic and International Operations (Consolidated)

	Billions of yen			
	2000			
	Domestic Operations	International Operations	(Offset or Elimination)	Total
Net Interest Income	¥161.1	¥ 2.5	¥(0.5)	¥163.1
Interest Income	254.9	14.9	(7.0)	262.8
Interest Expenses	93.7	12.3	(6.4)	99.6
Trust Fees	55.3	—	—	55.3
Fees and Commissions, Net	71.0	0.2	(0.0)	71.2
Fees and Commissions (Income)	81.0	0.4	(0.1)	81.3
Fees and Commissions (Expenses)	9.9	0.2	(0.0)	10.1
Net Trading Income	7.8	—	—	7.8
Other Operating Income, Net	42.0	(7.4)	(0.2)	34.4
Other Operating Income	64.4	2.6	(0.2)	66.8
Other Operating Expenses	22.4	10.0	—	32.4

Notes: 1. Domestic Operations refer to operations of the Bank (excluding overseas offices) and domestic consolidated subsidiaries. International operations refer to operations of the Bank's overseas offices and overseas consolidated subsidiaries.
2. Offset or Elimination refers to transactions between consolidated subsidiaries or other consolidation adjustments.

2. The Average Balance of Interest-Earning Assets and Interest-Bearing Liabilities, Interests and Yields (Consolidated)

	Billions of yen		
	2000		
	Average balance	Simple interest	Yield/interest rate
Domestic Operations			
Interest-Earning Assets	¥12,727.1	¥254.9	2.00%
Loans and Bills Discounted	9,535.4	202.1	2.11
Securities	2,698.9	35.6	1.31
Call Loans and Bills Bought	60.9	0.1	0.22
Due from Banks	337.9	4.6	1.36
Interest-Bearing Liabilities	12,575.8	93.7	0.74
Deposits	10,528.4	44.9	0.42
Negotiable Certificates of Deposit	592.5	0.9	0.16
Call Money and Bills Sold	211.9	1.2	0.59
Commercial Paper	23.2	0.0	0.15
Borrowed Money	604.0	18.2	3.02
International Operations			
Interest-Earning Assets	265.9	14.9	5.61
Loans and Bills Discounted	184.4	10.3	5.60
Securities	5.0	0.2	4.21
Call Loans and Bills Bought	7.7	1.4	18.81
Due from Banks	8.3	0.4	5.03
Interest-Bearing Liabilities	294.7	12.3	4.19
Deposits	32.9	1.3	4.16
Negotiable Certificates of Deposit	—	—	—
Call Money and Bills Sold	0.0	0.0	10.70
Commercial Paper	—	—	—
Borrowed Money	62.3	1.0	1.68
Total of Domestic and International Operations			
Interest-Earning Assets	12,730.4	262.8	2.06
Loans and Bills Discounted	9,545.4	206.1	2.16
Securities	2,671.0	35.2	1.32
Call Loans and Bills Bought	68.3	1.5	2.28
Due from Banks	345.3	5.0	1.44
Interest-Bearing Liabilities	12,640.5	99.6	0.78
Deposits	10,560.5	46.3	0.43
Negotiable Certificates of Deposit	592.5	0.9	0.16
Call Money and Bills Sold	211.6	1.2	0.57
Commercial Paper	23.2	0.0	0.15
Borrowed Money	491.5	13.0	2.64

Notes: 1. Figures in Interest-Earning Assets are shown after the deduction of non-interest-bearing deposit average balances. Figures in Interest-Bearing Liabilities are shown after deduction of an amount equivalent to the sum of the average balance of money held in trust and its interest.
2. The sum of figures in Domestic Operations and International Operations does not agree with the figures shown in Total of Domestic and International Operations since the total figures are shown after deductions of the amounts related to intersegment transactions between the Domestic Operations and International Operations segments.

3. Gross Interest Margin (Domestic Operations, Non-Consolidated)

	2000 (A)	1999 (B)	Change (A) - (B)
Return on Earning Assets	**1.80%**	1.86%	(0.05)%
Loans and Bills Discounted	**2.00**	2.05	(0.04)
Securities	**1.18**	1.34	(0.16)
Cost of Funds	**0.51**	0.85	(0.34)
Deposits & Negotiable Certificates of Deposit	**0.32**	0.63	(0.31)
Other External Liabilities	**1.72**	1.62	0.09
Gross Interest Margin	**1.29%**	1.01%	0.28%

Notes: 1. Domestic Operations refer to yen-denominated transactions by domestic offices.
2. Other External Liabilities include Call Money, Bills Sold and Borrowed Money.

4. Fees and Commissions (Consolidated)

	Billions of yen			
	2000			
	Domestic Operations	International Operations	(Offset or Elimination)	Total
Fees and Commissions (Income)	¥81.0	¥0.4	¥(0.1)	¥81.3
Deposits and Loans	10.9	0.0	—	10.9
Remittances and Transfers	14.2	0.3	—	14.5
Trust-Related Operations	10.4	—	—	10.4
Securities	31.6	—	—	31.6
Agent	3.1	0.0	—	3.1
Safe Deposits	0.8	0.0	—	0.8
Guarantees	3.5	0.0	—	3.5
Fees and Commissions (Expenses)	9.9	0.2	(0.0)	10.1
Remittances and Transfers	3.7	0.1	(0.0)	3.9
Fees and Commissions, Net	¥71.0	¥0.2	¥(0.0)	¥71.2

Notes: 1. Domestic Operations refer to operations of the Bank (excluding overseas offices) and domestic consolidated subsidiaries. International operations refer to operations of the Bank's overseas offices and overseas consolidated subsidiaries.
2. Offset or Elimination refers to transactions between consolidated subsidiaries or other consolidation adjustments.

5. Risk-Adjusted Capital Ratio

(1) Consolidated Capital Ratio

			Billions of yen 2000 [Domestic Standard]	1999 [BIS Standard]
Tier I Capital:	Capital		**¥ 464.8**	¥ 464.6
	Non-Cumulative Perpetual Preferred Stock		**210.4**	229.0
	Capital Surplus		**405.4**	405.4
	Consolidated Retained Surplus		**(22.8)**	(40.8)
	Minority Interests in Consolidated Subsidiaries		**24.2**	21.5
	Consolidation-Adjusting Account		**(14.6)**	—
	Total Qualifying Tier I Capital	(A)	**856.9**	850.8
Tier II Capital:	45% of Unrealized Gains on Securities		**/**	0.4
	General Reserve for Possible Loan Losses		**68.7**	50.9
	Qualifying Subordinated Debt		**426.9**	462.8
	Subtotal	(B)	**495.6**	514.1
Amount to Be Deducted	Certain Stocks and Other Debt Instruments Issued by Other Financial Institutions	(C)	**50.0**	5.0
Total Qualifying Capital	(A)+(B)–(C)	(D)	**1,302.6**	1,360.0
Risk-Adjusted Assets:	On-Balance-Sheet Items		**10,049.1**	9,928.4
	Off-Balance-Sheet Items		**944.9**	708.4
	Subtotal	(E)	**10,994.1**	10,636.9
	Market Risk Equivalent Assets (G)/8%	(F)	**/**	45.5
	Measure for Market Risk	(G)	**/**	3.6
Total Risk-Adjusted Assets	(E)+(F)	(H)	**¥10,994.1**	¥10,682.4
Risk-Adjusted Capital Ratio (D)/(H)x100%			**11.84%**	12.73%

(2) Non-Consolidated Capital Ratio

			Billions of yen 2000 [Domestic Standard]	1999 [BIS Standard]
Tier I Capital	Capital		**¥ 465.1**	¥ 465.1
	Non-Cumulative Perpetual Preferred Stock		**210.4**	229.0
	Capital Surplus		**405.4**	405.4
	Legal Reserve		**46.3**	44.1
	Voluntary Reserve		**15.0**	10.0
	Retained Earnings Carried Forward		**10.1**	2.5
	Total Qualifying Tier I Capital	(A)	**942.0**	927.2
Tier II Capital	General Reserve for Possible Loan Losses		**60.9**	49.2
	Qualifying Subordinated Debt		**426.9**	462.8
	Subtotal	(B)	**487.9**	512.0
Amount to Be Deducted	Certain Stocks and Other Debt Instruments Issued by Other Financial Institutions	(C)	**50.0**	5.0
Total Qualifying Capital	(A)+(B)-(C)	(D)	**1,380.0**	1,434.2
Risk-Adjusted Assets:	On-Balance-Sheet Items		**9,904.1**	9,590.6
	Off-Balance-Sheet Items		**954.1**	795.1
	Subtotal	(E)	**10,858.3**	10,385.7
	Market Risk Equivalent Assets (G)/8%	(F)	**/**	21.0
	Measure for Market Risk	(G)	**/**	1.6
Total Risk-Adjusted Assets	(E)+(F)	(H)	**¥10,858.3**	¥10,406.7
Risk-Adjusted Capital Ratio <(D)/(H)x100%>			**12.70%**	13.78%

Notes: 1. In conformity with the guidelines established by the Ministry of Finance based on the Article 14-2 of the Banking Law of Japan, both consolidated and non-consolidated capital adequacy ratios are calculated.
2. Effective from the fiscal year ended March 31, 2000, the Bank has applied the Domestic Standard for the calculation of the capital adequacy ratio.

6. Loans and Bills Discounted by Industry (Consolidated)

	Billions of yen		
	2000		
	Banking Account	Trust Account	Total
Domestic			
Manufacturing	**¥1,498.2**	**¥ 22.6**	**¥ 1,520.9**
Agriculture	**10.6**	**1.7**	**12.4**
Forestry, Fisheries & Mining	**6.5**	**0.0**	**6.6**
Construction	**693.4**	**11.6**	**705.1**
Utility	**28.9**	**8.9**	**37.8**
Transportation & Communication	**339.5**	**5.2**	**344.7**
Wholesale & Retail	**1,664.7**	**36.3**	**1,701.1**
Finance & Insurance	**714.1**	**101.6**	**815.7**
Real Estate	**1,878.6**	**154.6**	**2,033.3**
Services	**916.4**	**46.6**	**963.1**
Local Government	**241.7**	**—**	**241.7**
Others	**1,662.8**	**365.4**	**2,028.3**
Subtotal	**9,656.0**	**755.0**	**10,411.1**
Overseas and Japan Offshore Banking Account			
Government	**7.9**	**/**	**7.9**
Financial Institutions	**3.9**	**/**	**3.9**
Others	**55.0**	**/**	**55.0**
Subtotal	**67.0**	**/**	**67.0**
Total	**¥9,723.0**	**¥755.0**	**¥10,478.1**

7. Loans and Bills Discounted to Small and Medium-Sized Companies (Non-Consolidated)

		2000			1999		
		Banking Account	Trust Account	Total	Banking Account	Trust Account	Total
Total Loans and Bills Discounted							
(Excluding Japan Offshore Banking Account)	(A)	**¥9,926.8**	**¥755.0**	**¥10,681.9**	¥9,267.7	¥943.0	¥10,210.8
Loans to Small and							
Medium-Sized Companies	(B)	**7,231.9**	**604.2**	**7,836.1**	6,334.0	708.4	7,042.4
% Share (B)/(A)		**72.85%**	**80.01%**	**73.35%**	68.35%	75.12%	68.97%
Number of Companies (Thousands)	(C)	**299.1**	**30.1**	**329.2**	294.5	35.3	329.9
Small & Medium-Sized Companies	(D)	**297.5**	**29.9**	**327.5**	292.2	35.1	327.4
% Share (D)/(C)		**99.45%**	**99.52%**	**99.46%**	99.22%	99.41%	99.23%

Notes: 1. Small and Medium-Sized Companies are defined as those companies with capital stock not exceeding ¥300 million, and not more than 300 regular employees, with exceptional treatments given to the following business categories:
Wholesale: capital stock not exceeding ¥100 million and not more than 100 regular employees
Retail: capital stock not exceeding ¥50 million and not more than 50 regular employees
Services: capital stock not exceeding ¥50 million and not more than 100 regular employees
Loans to individuals are included in Loans to Small and Medium-Sized Companies
2. In December 1999, the Small and Medium Enterprise Basic Law was amended, and the scope of small and medium-sized companies was extended. In conformity with the revised definitions, figures for the year ended March 31, 2000, are based on the extended definitions of small and medium-sized companies. Due to the change in definition, loans to small and medium-sized companies increased by ¥334.9 billion, compared to the figure based on the former definition.

8. Consumer Loans (Non-Consolidated)

	Billions of yen					
	2000			1999		
	Banking Account	Trust Account	Total	Banking Account	Trust Account	Total
Housing Loans	**¥1,479.8**	**¥372.1**	**¥1,851.9**	¥1,264.2	¥416.6	¥1,680.8
Other Consumer Loans	**199.3**	**51.6**	**250.9**	217.0	59.8	276.8
Consumer Loans Total	**¥1,679.1**	**¥423.7**	**¥2,102.9**	¥1,481.2	¥476.4	¥1,957.7

9. Capital and Stock

(1) Stock Issuances

	Registered or Bearer and Par Value or Non-Par Value	Type	Number of Shares Issued (March 31, 2000)	Exchange and Section
Stock Issued	Registered Par Value Shares (Par Value ¥50)	Common Stock*	2,045,768,417	Osaka Securities Exchange (1st Section) Tokyo Stock Exchange (1st Section) Kyoto Stock Exchange Fukuoka Stock Exchange
	Registered Non-Par Value Shares	First Issue of Type A Preferred Stock First Issue of Type B Preferred Stock	12,880,000 680,000,000	
	Total		2,738,648,417	

*Carries voting rights

(2) Common Stockholders by Type

	National and Local Government Bodies	Financial Institutions	Securities Companies	Other Corporate Entitites	Foreign Shareholders [Individual]	Individuals and Other	Total	Shares Totaling Less Than One Unit
Number of Stockholders	9	178	101	4,747	261 [1]	69,707	75,003	—
Shares Held (Units) Stock Information (1 Unit=1,000 Shares)	12,025	451,839	102,169	1,038,075	110,011 [4]	325,116	2,039,235	6,533,417
Percentage of Total	0.59%	22.16%	5.01%	50.91%	5.39% [0.00%]	15.94%	100.00%	—

Note: 21 units and 191 shares of treasury stock are included in Individuals and Other and Shares Totaling Less Than One Unit, respectively. The columns Other Corporate Entities and Shares Totaling Less Than One Unit include 1,336 units and 1,000 shares, respectively, of shares held in a custodian's name.

Overseas Network

(As of August 1, 2000)

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Fax: (021) 6592164

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Telex: 44532
Fax: (021) 323308, 327637

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JL. Raya Darmo No. 31 Surabaya,
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Telex: 32145
Fax: (031) 5674840

Bandung Branch
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Bandung, West Java, Indonesia
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Telex: 28018
Fax: (022) 4241207

Cikarang Sub-Branch
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Fax: (021) 8934346

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Fax: (0411) 330574

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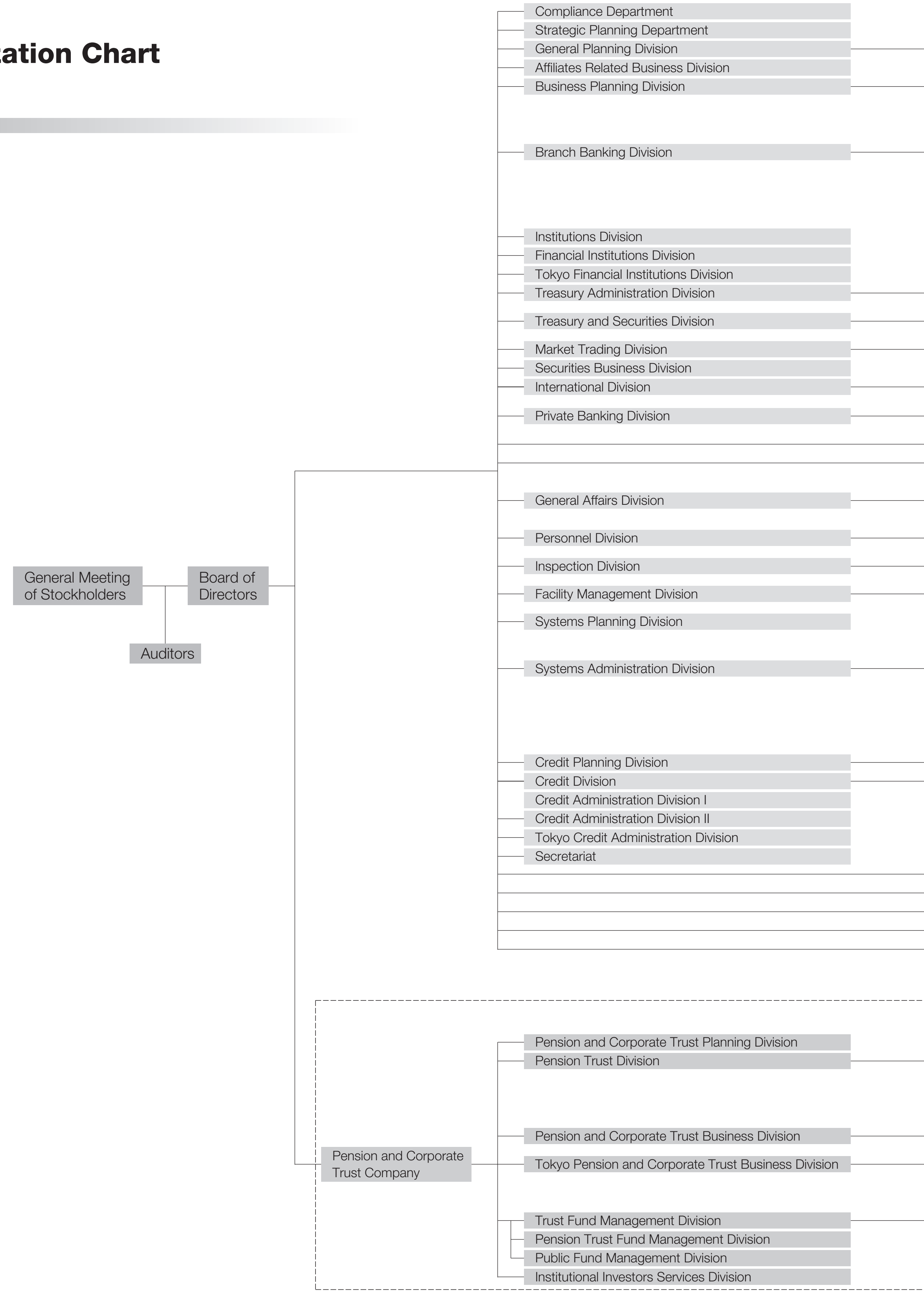
Organization Chart

(As of July 1, 2000)



- Comprehensive Risk Management Department
- ALM Planning Department
- Corporate Communications Department

- Retail Trust Department
- Sports-Support Lottery Department

- Branch Business Division I
- Branch Business Division II
- Branch Business Division III
- Tokyo Branch Banking Division
- Loan Promotion Division
- Tokyo Loan Promotion Division
- CS Promotion Division
- Small and Medium-Sized Corporate Business Promotion Department

- Treasury Operations Center
- Tokyo Treasury Operations Center
  - Securities Operations Department

- Securities Investment Department
- Investment Administration Department

- Securities Trading Department

- International Marketing Department

- Real Estate Appraisal Department
- Tokyo Real Estate Appraisal Department

- Head Office Real Estate Department
  - Urban Development Department
- Tokyo Main Office Real Estate Department
  - Urban Development Department

- Customer Relations Center
- Tokyo Customer Relations Center
- Legal Department

- Employee Health Development Office

- EDP System Audit Office
- Asset Auditing Department

- Money Museum Department

- Systems Administration Planning Department
- ATM Operations Center
- Operations Center
- Tokyo Operations Center
- International Operations Center
- Tokyo International Operations Center
- Loan Operations Center
- Tokyo Loan Operations Center

- Corporate Research Department

- International Credit Department

- Head Office Business Department
  - Head Office Business Department I
  - Head Office Business Department II
  - Head Office Business Department III
  - Head Office Business Department IV
  - Head Office Business Department V
- Tokyo Main Office Business Department
  - Tokyo Main Office Business Department I
  - Tokyo Main Office Business Department II
  - Tokyo Main Office Business Department III
  - Tokyo Main Office Business Department IV
  - Tokyo Main Office Business Department V
- Head Office Public Institutions Business Department
- Tokyo Main Office Public Institutions Business Department

- Branches
  - Sub-Branches
- Representative Offices

- Pension Planning Department
- Tokyo Pension Planning Department
- Pension Actuary Department
- Tokyo Pension Actuary Department
- Pension Consulting Department
- ISO Quality Management Department

- Pension Promotion Division
- Pension Business Division

- Tokyo Pension Promotion Division
- Tokyo Pension Business Division
- Corporate Trust Promotion Division

- Investment Planning Department
- Risk Management Department

The Daiwa Bank, Limited: 82 Years of History

Tokushichi Nomura, Founder

1918	Founded as The Osaka Nomura Bank
1926	Securities Department separated and established as a securities company (currently known as The Nomura Securities Co., Ltd.)
1927	Changed name to The Nomura Bank, Ltd.
1929	Designated as the Osaka Prefectural Government's sole authorized banking agency
1944	Merged with The Nomura Trust Co., Ltd., to become the first integrated banking organization in Japan engaged in trust banking operations
1948	Changed name to The Daiwa Bank, Limited
1949	Designated as an authorized foreign exchange bank
1958	P.T. Perdania Bank began operations as an affiliate of the Bank in Indonesia. (Name changed to P.T. Bank Daiwa Perdania in 1994)
1962	Initiated pension trust business services
1987	Established the Dairinkai
1989	Established the Daiwa Bank Asia-Oceania Foundation
1991	Completed construction of new Head Office building in Osaka
1993	Acquired third-party allotment share of Cosmo Securities Co., Ltd., making it a subsidiary of Daiwa Bank
1994	Completed construction of new Head Office building in Tokyo
	Completed development of the account-related New Total On-Line System (NEWTON)
1995	Disclosed losses incurred by a locally hired contract employee at the New York Branch
1996	Discontinued all business operations in the United States
	Completed development of the information-related Daiwa Resolution System for Worldwide Information Management (DARWIN)
1998	Established D&I Information Systems Inc., a joint venture with IBM Japan, Limited
	Five-Point Specialization Strategy announced
1999	Strategic alliances announced with the Bank of Kinki and the Bank of Osaka
	Preferred shares issued in relation to the injection of public funds
	Pension and Corporate Trust Company established
	Daiwa Bank appointed as Trustee Bank for Sports Promotion Voting Activities (the "Soccer Lottery")
	In the Bank's asset management and administration activities, alliances were concluded with four leading U.S. and European investment advisory companies and with a consulting company engaged in investment management performance evaluation.
2000	Kinki Osaka Bank begins operations.
	Establishment of a new trust bank, Japan Trustee Services Bank, Ltd., with Sumitomo Trust & Banking Co., Ltd., to specialize in providing asset administration services
	Introduction of the Executive Officer System

Foundation

The Osaka Nomura Bank, the forerunner of The Daiwa Bank, Limited, was founded by Tokushichi Nomura in May 1918 and began operations in Osaka, a bustling center of commerce, in August of the same year. The name was later changed to The Nomura Bank, Ltd., in 1927.

At that time, although Tokushichi Nomura was engaged in the securities business in Osaka, he noticed that many banks were primarily dealing with large companies in major industrial fields. Nomura recognized the necessity of providing support for small and medium-sized enterprises. As a result, he decided to establish a bank that would "supply funds to these small and medium-sized enterprises."

Sovereign Independence

Based on its management philosophy, Daiwa Bank concentrated on supplying funds to small and medium-sized enterprises in addition to promoting securities operations. In 1926, the steadily expanding Securities Department was separated and established as a securities company (currently known as The Nomura Securities Co., Ltd.). This separation, in turn, resolved the issues associated with the concurrent operation of different businesses.

Immediately following the Wall Street financial crash in 1929, the Bank was designated as the Osaka Prefectural Government's sole authorized banking agency. In that the administration of such operations required numerous complex procedures, many banks were unwilling to assume such a heavy responsibility. In contrast, Daiwa Bank valued the public aspects of managing the main depository, which would in turn promote its credibility.

In 1944, following a merger with The Nomura Trust Co., Ltd., the Bank became the first financial institution in Japan to undertake both ordinary bank and trust businesses.

Such development of a diverse scope of operations depicts the spirit of sovereign independence as set forth by the Bank's founder, Tokushichi Nomura. "Sovereign independence" represents the principle of "self-responsibility," defined by the undertaking of individual plans and actions and the acceptance of full responsibility for the outcome. Daiwa Bank has been faithfully committed to this original precept throughout its unique history—a mainstay throughout the changes of time.

Initiation of Operations as Daiwa Bank

Following the dissolution of the *zaibatsu,* or large financial conglomerates, in the postwar period, the Bank changed its name to The Daiwa Bank, Limited, in October 1948.

In 1949, the Bank was designated as an authorized foreign exchange bank and began operating as a comprehensive financial institution engaged in commercial banking and trust businesses as well as foreign exchange business.

Issues Related to Separation of Trust Business

In 1965, the separation of the trust business from concurrently operating banks was promoted under the viewpoint that the trust business should be managed only by banks specialized in this field. However, Takeo Terao, the president of Daiwa Bank during this period, felt that the concurrent operation of ordinary banking and trust businesses correlated with the needs of the times by not only facilitating the popularization of banks but also by allowing institutions to offer a comprehensive range of products and services to customers. He also felt that the expansion of the trust business could be accomplished only when operated by banks with stable income sources and, thus, most effectively managed by banks on a concurrent basis. Backed by rising support mainly from financial circles in the Kansai area, Terao held firmly to this belief and continued to maintain the concurrent operation of banking and trust businesses.

Launch of Pension Trust Business

In the postwar period, as the Japanese economy began to regain its stability, there was a growing awareness of the need for provisions to ensure the quality of life for Japan's aging population. Under such circumstances, Daiwa Bank launched its pension trust business in 1962. The Bank concentrated its efforts on developing its pension trust business in this field and subsequently became a leading bank in the corporate pension sector with pension assets under management of ¥6.6 trillion as of March 31, 2000.

Responding to Deregulation of the Financial Sector

In 1993, Daiwa Bank acquired a stake in one of the leading securities companies in Japan, Cosmo Securities Co., Ltd.—a company sharing the same founder as Daiwa Bank—making the firm a subsidiary. Furthermore, in response to financial deregulation, in 1994 the Bank created a new accounts system, NEWTON, which was followed by a new information system, DARWIN, brought into operation in 1996. In a joint venture with IBM Japan in March 1998, D&I Information Systems Inc. was established, enabling the strategic outsourcing of the information systems division.

The Future for Daiwa Bank

In 1996, as a result of losses at its New York Branch resulting from the actions of a locally hired contract employee, Daiwa Bank discontinued all business in the United States. The Bank took this as an opportunity to implement a specialization strategy of enhancing capabilities in its strongest areas and withdrawing or scaling down weaker operations. To accelerate the pace and degree of implementation of this strategy, the Five-Point Specialization Strategy was announced in October 1998, including such restructuring operations as the withdrawal from overseas banking operations.

To make further progress in specific implementation of the Bank's specialization strategy, in March 1999, the Bank prepared the Plan to Revitalize Management containing three basic objectives. These were to "contribute to the stability of the Kansai region," "strengthen our pension and corporate trust management operations," and "step up efforts to implement the Five-Point Specialization Strategy," which we introduced in October 1998. Specific accomplishments included the launching of the Kinki Osaka Bank in April 2000, which was a significant stride toward our goal of creating a Superregional Bank with its base in the Kansai region. In addition, in the Tokyo metropolitan area we are working to achieve greater efficiency and concentration of operations into larger branches with the aim of providing a full range of sophisticated services for corporate customers. In the Trust Division, we introduced our in-house company system in April 1999 and established a new trust bank with Sumitomo Trust & Banking Co., Ltd., to specialize in asset administration services. Moreover, the Bank is moving aggressively into new business activities and has become the sole financial institution to be appointed as Trustee Bank for Sports Promotion Voting Activities and, in this capacity, will manage the planned Soccer Lottery.

Board of Directors
(As of June 29, 2000)

President
Takashi Kaiho

Deputy Presidents
Yasuhisa Katsuta
Atsumu Kuroishi

Senior Managing Directors
Naohiko Komoto
Ryo Aoyagi

Managing Directors
Isao Yamamoto
Sadao Tanaka
Akiyoshi Otani
Takao Maruyama
Yasuhiro Ueda
Tetsuo Morishige
Kunitsugu Hara

Standing Corporate Auditors
Ikuhiro Katsuda
Isao Kimura
Shinichi Nakagawa

Corporate Auditors
Masafumi Ohnishi
Masataka Ide

Executive Officers
(As of June 29, 2000)

Senior Executive Officers
Kiyonori Watanabe
Jyunji Kondo

Executive Officers
Takayuki Shimada
Nobuhiko Arai
Noriaki Yoshimoto
Yoshiaki Kawakami
Seiichi Hazama
Muneo Harada
Norihiko Hatasa
Toshimitsu Minami
Osamu Shioda
Yoshio Murakami
Masaaki Nomura

International Staff
(As of August 1, 2000)

Executive Officer and General Manager of International Division
Nobuhiko Arai

HEAD OFFICE
International Division
Senior Deputy General Manager and General Manager of International Marketing Department
Sumio Hayashi

Systems Administration Division
International Operations Center
General Manager
Hitoshi Sonoi

TOKYO OFFICE
International Division
Deputy General Manager
Akihiro Miyamoto

Systems Administration Division
Tokyo International Operations Center
General Manager
Kenji Kuboyama

Corporate Data

(As of March 31, 2000)

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SWIFT: DIWAJPJS

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SWIFT: DIWAJPJT

Internet Address

http://www.daiwabank.co.jp/

Domestic Network (As of August 1, 2000)

187 Offices

Overseas Network (As of August 1, 2000)

6 Representative Offices
3 Major Subsidiaries

Number of Employees

7,315

Date of Founding

June 25, 1918

Paid-in Capital

¥465,158 million

Authorized Number of Shares

	7,612,880,000
Common	6,900,000,000
Type A Preferred	12,880,000
Type B Preferred	700,000,000

Number of Shares Issued and Outstanding

	2,738,648,417
Common	2,045,768,417
Type A Preferred	12,880,000
Type B Preferred	680,000,000

Number of Stockholders

	75,009
Common	75,003
Type A Preferred	5
Type B Preferred	1

10 Largest Common Stockholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Nomura Securities Co., Ltd.	65,267	3.19%
Tokyo Mutual Life Insurance Company	59,619	2.91
The Fuji Fire & Marine Insurance Co., Ltd.	53,325	2.60
Osaka Gas Co., Ltd.	50,815	2.48
The Nichido Fire & Marine Insurance Co., Ltd.	37,536	1.83
Kubota Corp.	26,143	1.27
OKUMURA CORPORATION	21,391	1.04
The Long-Term Credit Bank of Japan, Ltd.	21,326	1.04
Teijin Ltd.	20,828	1.01
The Kansai Electric Power Co., Incorporated	20,576	1.00
Total of 10 Largest Shareholders	376,829	18.41%

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The Daiwa Bank, Limited