Nippon Credit

Annual Report 1999

Year ended March 31, 1999

The Nippon Credit Bank, Ltd.

A Message From the President

I would like to express my sincere gratitude to our customers and all others with whom The Nippon Credit Bank, Ltd. (Nippon Credit) is associated for their patronage and understanding.

On December 13, 1998, we were notified of the decision by the Prime Minister to initiate Special Public Management of Nippon Credit pursuant to the Law Concerning Emergency Measures for the Reconstruction of the Functions of the Financial System (the Financial Reconstruction Law). As a result, Nippon Credit was nationalized and all of its shares were acquired by the Deposit Insurance Corporation on December 17. We, a new management team, were appointed by the Corporation effective December 25.

I wish to apologize to our shareholders, customers and others who have supported and worked with us for any inconveniences and concerns that we caused.

We prepared a Management Rationalization Plan and Business Operations Standards in March 1999 in accordance with the Financial Reconstruction Law. Together, they constitute the basic framework for the sustained business operations of Nippon Credit as an institution under the government's direct supervision. The plan and standards were subsequently approved by the Financial Reconstruction Commission (FRC).

In May 1999, the FRC released the results of an asset assessment conducted to determine which assets are appropriate for Nippon Credit to remain holding or not. Assets that the FRC categorized as inappropriate will be divested from the bank's balance sheet, thereby considerably improving our asset quality and income profile. Fortunately, the issuing volume of bank debentures has remained satisfactory even after Nippon Credit was placed under Special Public Management. Furthermore, we have continued to conduct lending and other activities with many customers with their support and understanding.

To locate a party to assume the operations of Nippon Credit, we appointed Morgan Stanley as our financial advisor in June. In this manner, we are making steady progress toward our ultimate goal of completing the Special Public Management process.

In accordance with our Management Rationalization Plan, we are taking rigorous actions to drastically cut expenses and dispose of problem assets so that we can strengthen our asset quality and financial position. By maintaining and enhancing the value of Nippon Credit, we are determined to bring an end to the Special Public Management process rapidly and to minimize the need for public funds.

In closing, I respectfully ask for your continued support and understanding.

July, 1999

Takuya Fujii, President

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The Special Public Management Process

The Special Public Management (SPM) system was created in parallel with the October 1, 1998 enforcement of the Financial Reconstruction Law. This system is implemented through the acquisition of all of a bank's shares by the Deposit Insurance Corporation (DIC) under conditions prescribed in the law. The bank is then directly supervised by the government. The objective of the SPM is not liquidation of the bank, but to locate a party to which the bank can be transferred through an equity transaction or transfer of operations. The SPM is structured to provide the support that banks need to continue their daily business operations until that time. This allows banks to maintain or further improve their value while divesting problem assets.

Following the government's decision that Nippon Credit met the provisions of the Financial Reconstruction Law, Nippon Credit was notified on December 13, 1998 of the commencement of the SPM. Subsequent to the decision, all of Nippon Credit's shares were acquired by the DIC on December 17. The bank made a fresh start on December 25 with a new management team.

Since then, Nippon Credit has made steady progress toward an early end of this supervisory status. One important step was the February 1999 report on the series of events that led to the commencement of the SPM, as is prescribed in Article 46 of the Financial Reconstruction Law. A Business Rationalization Plan was prepared pursuant to Article 47 of the law, and Business Operations Standards were prepared in accordance with Article 48, and subsequently received the approval of the Financial Reconstruction Commission (FRC). The FRC then undertook the process of determining which assets Nippon Credit should continue to hold as a government-supervised bank. The result of this assessment was announced in May 1999.

To select a party that can take over the operations of Nippon Credit, U.S. investment bank Morgan Stanley was appointed as a financial advisor. An advisory contract was signed in June 1999. The goal is to transfer the ownership of Nippon Credit as a whole as quickly as possible in a manner that is fair and transparent.

The purpose of the SPM system, as provided for in the Financial Reconstruction Law, is to stabilize Japan's financial system and maintain a strong framework for extending credit. As such, the system is supported by public funds. Nippon Credit is committed to fulfilling these objectives. As prescribed in the bank's plan and standards, an exhaustive cost-cutting program will be implemented and care will be exercised to ensure that business operations are conducted to avoid any inconveniences to customers. At the same time, Nippon Credit will place priority on improving asset quality and financial strength so that the SPM period can end quickly and public fund requirements can be kept to a minimum.

• Major events after the start of Special Public Management

1998	December	13	Commencement of Special Public Management
	December	17	The DIC acquired all Nippon Credit shares
	December	25	Nippon Credit's new management appointed
1999	January	12	Upgrade of Moody's long-term debt rating returning to investment grade status (from Ba1 to Baa3 for long-term debt; from Baa3 to Baa2 for long-term deposits; from P3 to P2 for short-term deposits)
	January	27	Establishment of the Corporate Investigation Committee
	February	26	Submission of a report based on Article 46 of the Financial Reconstruction Law ("Background to the Decision to Start Special Public Management")
	March	1	The Management Rationalization Plan based on Article 47 of the Financial Reconstruction Law and the Business Operations Standards based on Article 48 of the Law were approved by the FRC
	March	26	Nippon Credit made a partial repayment of ¥20 billion on borrowings from the DIC
	April	23	Nippon Credit completed repayment of the remaining ¥30 billion of borrowings from the DIC
	May	24	Asset Assessment Results of Nippon Credit were announced by the FRC
	June	14	The Stock Price Evaluation Commission determined the prices of Nippon Credit shares
	June	15	Nippon Credit announced appointment of Morgan Stanley as Financial Advisor (FA)

• Process to end Special Public Management

Commencement of the Special Public Management
December 13,1998
Article 36 of the Law*

→ Acquisition of Nippon Credit's stocks by the Deposit Insurance Corporation (DIC)
December 17,1998
Article 39 of the Law*

→ Announcement of Nippon Credit's "Management Rationalization Plan" etc.
March 1,1999
Article 46·47·48 of the Law*

→ Announcement of Nippon Credit's Asset Assessment Results
May 24,1999
Item 3,4 Article 72 of the Law*
Notification No.2 of the Financial Reconstruction Commission (FRC)

→ Nippon Credit's appointment of Financial Advisor (FA) and signing of FA agreement
June 15,1999

→ Disposal of "inappropriate" assets to the Resolution and Collection Corporation (RCC) Financial support provided by the DIC for incurred losses
Item 1·5 Article 62·72 of the Law*

→ Agreement with a partner (Memorandum of Understanding)

→ Signing

→ Closing (Settlement); End of Special Public Management
Article 52 of the Law*

*The Law : The Financial Reconstruction Law

Progress Report on the Management Rationalization Plan

Nippon Credit has prepared a Management Rationalization Plan based on Article 47 of the Financial Reconstruction Law, and the Plan was approved on March 1, 1999 by the Financial Reconstruction Commission (FRC). The Plan constitutes the basic policy for Nippon Credit, which is now under government's direct supervision, to continue to implement business operations according to the provisions of the Financial Reconstruction Law and to fulfill the four goals stated below.

(1) Early end of the SPM process
(2) Reinforcement of the management system, while maintaining or further improving the Bank's corporate value
(3) Minimization of public funds required by the Bank
(4) Establishment of a sound accountability system

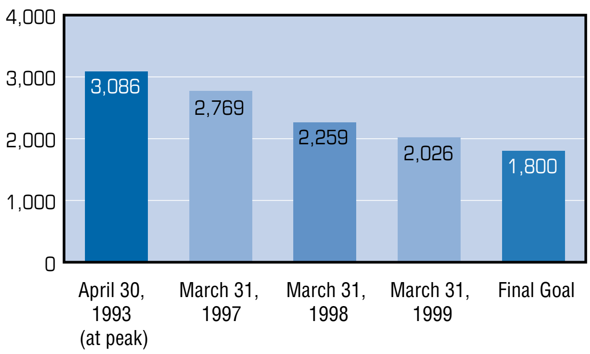
In order to fulfill each of the four goals, Nippon Credit clarified specific measures on managerial efficiency in the Management Rationalization Plan. Nippon Credit had announced the Comprehensive Restructuring Plan (hereinafter referred to as the Restructuring Plan) on April 1, 1997 and thereafter, has successfully implemented measures for streamlining of the bank. The bank is focusing on even more strict and system-wide rationalization efforts under the Management Rationalization Plan. Nippon Credit has made steady progress in attaining the goals outlined below.

Reductions in personnel and personnel expenses

●A 40% workforce reduction

Nippon Credit's goal is to reduce employment to approximately 1,800. This represents a decrease of approximately 1,300 which is slightly above 40% of the peak employment level of 3,086 at the end of April 1993. As of March 1999, the number of employees was 2,026, a decrease of approximately 230, a reduction of more than 10% from the previous year.

• Progress in workforce reduction



●A substantial cut in personnel expenses

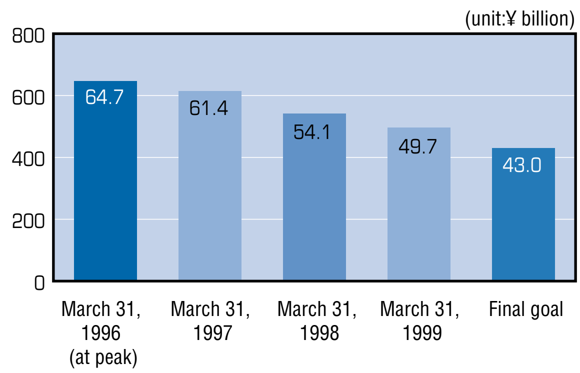
Based on the Restructuring Plan, annual remunerations of Nippon Credit employees have been cut by between 10% and 30% since June 1997. In May 1999, a new remuneration salary and bonus system was introduced for managers and family allowances were eliminated. The final goal is a reduction of about 50% in total personnel costs from the peak level of 1996.

Expense cuts

Operating expenses at Nippon Credit peaked at ¥64.7 billion in the fiscal year that ended on March 31, 1996. The goal is to cut expenses by about ¥22.0 billion to an annual level of ¥43.0 billion.

Operating expenses for the year to March 31, 1999 amounted to ¥49.7 billion, well below the ¥54.1 billion of the previous fiscal year. Further reductions will be achieved in the current year. In particular, dramatic steps will be taken to cut fixed costs. For example, headquarters, which are now spread among three buildings, will all be moved to the head office building. Many other cost-cutting actions will be taken. The objective is to fulfill the final goal of ¥43.0 billion at the earliest possible date.

• Progress in reduction of operating cost



Review of operating bases

Nippon Credit closed three domestic branches between 1993 and 1996 and all overseas business branches in accordance with the Restructuring Plan. A review of remaining domestic branches and overseas offices will be conducted from time to time from the standpoint of necessity and profitability. Cost-cutting steps including consolidation of leased space will be taken in the meantime.

A more streamlined organization

Nippon Credit is implementing a drastic downsizing of organizations for headquarters and the head office to improve efficiency. In April and July 1999, Nippon Credit integrated and abolished several headquarters divisions. Nippon Credit has been raising the efficiency of clerical procedures, reinforcing compliance functions, integrating investment banking operations and upgrading the centralized management of branch offices. In addition to slimming down the headquarters structure, Nippon Credit plans to start a review of business divisions and other functions in October 1999.

Restructuring of affiliated companies

Nippon Credit has conducted a detailed evaluation of affiliated companies based on the importance of their business activities, their profitability, long-term potential and other elements. Appropriate actions are then taken. Weaker companies are merged with others, closed or liquidated. For companies with functions that are expected to enhance Nippon Credit's corporate value, steps such as capital enhancement by third parties are taken to provide a stronger base for their operations.

Sale of fixed assets

Employee housing, including dormitories, employee welfare facilities and other assets are being sold except certain multi-family residences.

Disposition of problem assets

On May 25, 1999, Nippon Credit received notification from the FRC, through the DIC, of the specific assets that are appropriate to remain on the balance sheet. With regard to assets that the commission judged inappropriate to retain, Nippon Credit calculated fair market values and posted the necessary write-offs and loan loss provisions in the fiscal year ended on March 31, 1999. The next step is the divestiture of these assets through their sale to the Resolution and Collection Corporation and other means. Upon divestiture of problem assets, Nippon Credit will have a sound balance sheet with assets totaling approximately ¥6.6 trillion, including loans and related assets of ¥4.0 trillion.

• Asset assessment results

(unit:¥ billion)

	Appropriate	Inappropriate	Collected	Total
Loan assets etc.	4,048.1	3,834.6	238.7	8,121.4
(number of borrowers)	260.6	78.9	5.7	345.2
Shares	683.3	37.7	6.9	727.9
Bonds / securities	722.0	73.0	549.4	1,344.4
Premises / equipment	44.3	11.1	0.1	55.5
Other assets	1,079.5	3.8	84.1	1,167.4
Total	6,577.2	3,960.2	879.2	11,416.6
Financial derivative products (notional amount)	66,815.5	18.3	757.0	67,590.8

·Data released by the FRC
·Number of borrowers : Does not include borrowers with housing loans or loans with cash / security collateral

Concerning management's responsibility, the previous management team resigned prior to the preparation of the Management Rationalization Plan and payment of retirement allowances was cancelled. Furthermore, all 16 former representative directors of Nippon Credit who retired since 1989, excluding the deceased, have been asked to voluntarily return their retirement allowances. In addition, the Corporate Investigation Committee was formed in January 1999 to clarify the responsibilities of previous executives based on Article 50 of the Financial Reconstruction Law.

Business Operations Standards

Besides the Business Rationalization Plan, Nippon Credit has drawn up Business Operations Standards to clearly prescribe basic policies for lending and other activities. The standards were set up pursuant to Article 48 of the Financial Reconstruction Law to raise its value through business activities and to improve asset quality under laws and regulations. The standards were approved by the FRC on March 1, 1999.

The three operations standards of Nippon Credit are as follows:

(1) Domestic lending operations
Nippon Credit shall continue to provide funds to sincere, creditworthy customers and work to improve the quality of the entire loan portfolio. Furthermore, Nippon Credit shall provide service to clients such as proposals and information on business and financial strategies. Nippon Credit shall make efforts to restore clients' trust to become a reliable business partner.

(2) Funding operations
Nippon Credit shall work hard to provide the financial instruments and services that meet customers' needs while disclosing information in a timely and appropriate manner to ensure that the bank is trusted and accurately understood by the public.

(3) Market operations
Nippon Credit shall adopt a conservative stance regarding market operations, restricting to activities that are essential to meet the needs of customers.

The Operations Supervisory Committee has been established to oversee Nippon Credit's business activities such as lending, investments and asset divestiture and to ensure fairness and transparency in decision-making processes at the bank under the SPM.

Risk Management System

Basic risk management policy

Nippon Credit has a highly integrated risk management system, the result of a long-standing policy of adopting sophisticated techniques and acquiring knowledge from many sources. The risk management system is underpinned by the requirement that information be reported in a timely and appropriate manner to management. Furthermore, crucial risk management guidelines are determined directly by top management.

Because Nippon Credit is currently under the SPM, all operations are conducted pursuant to the Business Operations Standards that were approved by the FRC. Individual transactions are audited by the Operations Supervisory Committee. Moreover, along with the release of the Financial Inspection Manual by the FSA in April 1999, Nippon Credit plans to review existing procedures and further strengthen its risk management system.

Credit risk management structure

Nippon Credit has conducted credit risk management based on the fundamental philosophy of maintaining the appropriate management of credit and a strict credit analysis system. Going forward, the credit risk management and analysis systems will be further bolstered in consideration of the current status as a government supervised institution. For instance, Nippon Credit should aggressively employ advanced techniques for credit risk measurement and portfolio management, thereby ensuring that effective management methods are available. Nippon Credit plans to adopt an even more stringent policy with regard to the self-classification of credit quality and the implementation of write-offs and loan loss provisions in accordance with those assessments. Write-off and reserve standards have been reviewed in April 1999 based on the Financial Inspection Manual and the new standards have been applied to relevant items for the fiscal year ended on March 31, 1999.

Market risk management structure

With regard to market risk, Nippon Credit uses value-at-risk methodology to determine maximum market risk limitations for the bank as a whole and for each individual division. To confirm that market risk is kept within these limits, a risk management section that is independent of trading activities monitors market risk volumes and profit and loss positions based on current prices. The results are regularly reported to management. Nippon Credit is proud of its integrated risk management system, which enables the bank to see the overall risk profile and quantify the risk of its portfolio of both on- and off-balance sheet. Checks and balances are constantly in effect among the front, middle and back offices. An external audit is performed by Arthur Andersen based on the secondary BIS standards. These audits have demonstrated that Nippon Credit's market risk management is appropriate from the standpoint of its management strategies and trading policies.

• Market Risk Measurement Notes

Range: Trading operations at Nippon Credit

Period: April 1998 to March 1999
(247 business days)

VAR Method: Variance, Covariance Method

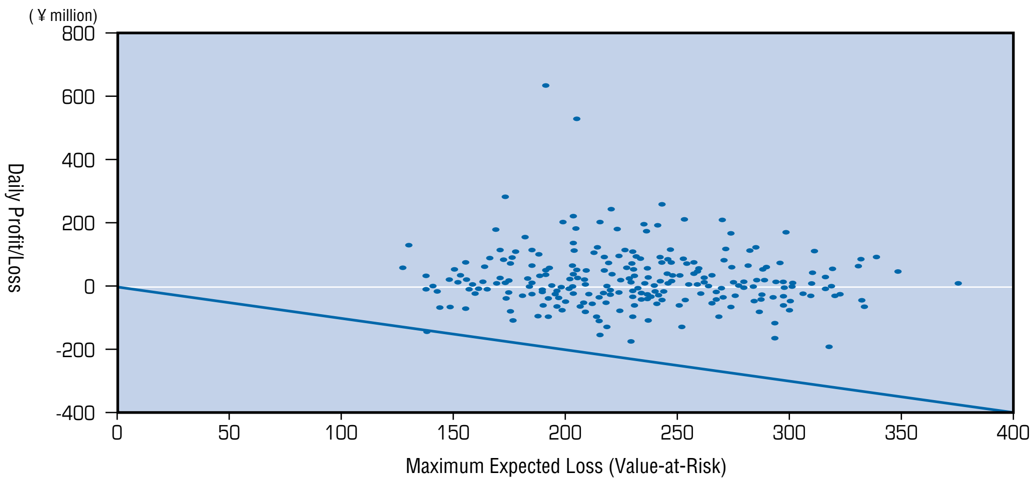
Confidence Interval: 2.33 standard deviation
(confidence interval 99%)

Holding Period: One day

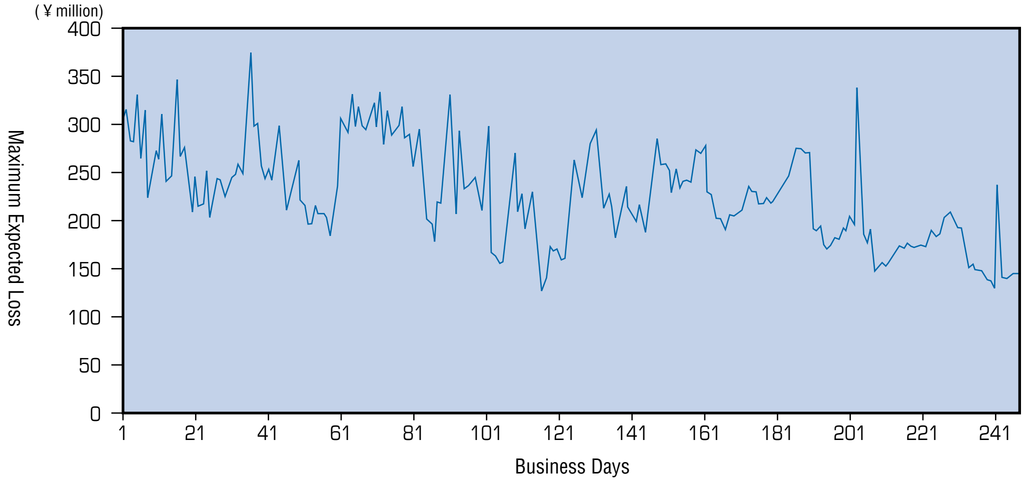
Average VAR: ¥200 million	Maximum VAR: ¥400 million
Minimum VAR: ¥100 million	Days exceeding VAR: One day

Note: The result of back testing covering the 250 business days during the period that ended on March 31, 1999 also shows that the number of days exceeding VAR was one day.

• Value-at-risk and actual daily profit/loss



• **Maximum expected loss**



Liquidity risk management structure

With the emphasis on ensuring an adequate cash flow, Nippon Credit's Treasury Division handles all matters involving liquidity risk for both yen and foreign currency funds. This ensures a suitable system for maintaining the proper level of funds that are needed for settlements at all times. Asset liability management reports are submitted directly to top management at the ALM Committee and the Board of Directors.

Administrative risk management structure

At Nippon Credit, specialized sections are responsible for managing risks associated with clerical procedures, legal affairs and other items with the aim of guaranteeing strict compliance with rules and preventing any types of improper activities. Supervisory and reporting systems are being upgraded whenever possible. The Inspection Division is staffed with personnel well versed in market activities in response to the more sophisticated and complex nature of banking activities. This division is reinforced by the System Audit Department, thereby contributing to the improvement of the entire risk management process.

Computer risk management structure

In order to protect the integrity of its computer systems, Nippon Credit has worked out extensive measures to shield systems from criminal acts and disasters. Computer buildings are designed to withstand earthquakes, featuring tremor-proof floors, dual communication lines and a back-up power supply. As for systems operation, the duties of the Development (the Systems Planning Division) and Operations (the Computer Operations Division) Department have been clearly delineated, ensuring a system of mutual checks and balances.

Year 2000 Readiness

Nippon Credit considers the Year 2000 issue as one of its most important management topics and has made concerted efforts to solve the issue in a timely fashion. Remediation programs for the fundamental accounts system were completed in December 1998 and work on all banking systems was completed in March 1999. Moreover, Nippon Credit has worked out a contingency plan to be prepared for a problem caused by an oversight and conducted comprehensive simulations to confirm that there have been no oversights. Nippon Credit will continue to study methods to deal with all types of Year 2000 risks, conduct simulations based on the risk management plan and take other steps as necessary.

Compliance System

Nippon Credit made the Operations Supervisory Division responsible for compliance work in 1997 in a step to be certain that its operations are in absolute conformity with laws and regulations. The division enforces Nippon Credit's policy of maintaining an airtight barrier between the bank and anti-social organizations. The division also supervises employees' observance of the various internal rules including the Ethics Charter for Nippon Credit, a behavioral guideline for all personnel, and rules regarding the provision of gifts to public officials and others. Other activities of the division are publishing reports, holding various meetings and implementing other compliance-related measures.

In April 1999, a compliance program was prepared and a compliance manual was distributed to all personnel. At the same time, a compliance manager was appointed in each division and department. These actions reflect Nippon Credit's determination to foster a culture in which each and every member of the staff assumes the responsibility to comply with laws. Furthermore, in order to reinforce these integrated compliance functions, the Operations Supervisory Division was upgraded and renamed the Compliance Management Division in July 1999, thereby building fairer and more strict business operations system and a more effective audit system to oversee the status of compliance. Going forward, the management and staff of Nippon Credit will continue to work together to reinforce the compliance system.

Major Business Activities

Corporate support services

In order to satisfy a variety of customer needs, Nippon Credit offers not only traditional corporate finance services but also financial products developed with highly sophisticated financial technology and up-to-date information. In response to various needs arising from specific management issues, staff members propose optimal solutions tailored to the needs of companies in any stage of development. Nippon Credit is also prepared to assist financial institutions to meet their investment needs and to solve other management issues. A July 1999 reorganization at Nippon Credit resulted in the establishment of the Investment Banking Division. This new division integrates the Financial Engineering Division, the former Investment Banking Division, a part of the International Business Planning Division and the derivatives sales functions of the Financial Markets Trading Division to quickly and comprehensively respond to various customer needs.

■ Services for private industrial enterprises

Companies in a startup or initial growth stage

For a company considering entry into a promising field or a company that is in an early stage of its development, Nippon Credit offers a range of information and advice on issues covering business planning as well as custom-made financing services. In addition, Nippon Credit supports corporate customers by offering advice on obtaining the proper capital structure, including an initial public offering.

Small and medium-size companies

For growing small and medium-size companies, Nippon Credit helps solve various issues involving financial and management strategies. Specialists offer optimal plans to procure stable, high-quality funds for capital expenditures, working capital and other requirements. Expertise extends to the use of derivatives to hedge market risk, securitization of various types of assets to improve liquidity and strategies for structuring capital following an initial public offering. Nippon Credit is also knowledgeable in many types of asset management techniques. Collectively, these skills allow Nippon Credit to supply timely and comprehensive responses to customers' needs. By drawing on an extensive network covering real estate markets, Nippon Credit can put together schemes for selling real estate to improve a company's balance sheet as well as assist in real estate financing.

Large companies

For large companies, Nippon Credit has been active in securitizing various financial assets such as sales receivables and other trade receivables to diversify clients' fund procurement channels. These companies also benefit from Nippon Credit's experience in strategic mergers and acquisitions and a broad range of asset management methods that employ sophisticated investment vehicles. Nippon Credit can create proposals to use derivatives to effectively manage risk, as well as assist in locating a suitable investment advisor, investment trust and other partners to optimize a client's asset management system.

■ Services for financial institutions

A variety of financial products

Nippon Credit issues a series of interest-bearing debentures with maturities of one, two, three, and five years and discount debentures. Other savings instruments are deposits, including time deposits, investment products combined with derivatives, securitized products backed by financial assets and other products. Government bond trading activities are another way in which Nippon Credit meets the diversified investment needs of financial institutions. Currently, preparations are under way to commence sales of investment trust funds to financial institutions. Furthermore, NCB Trust Bank, the trust banking arm of the Nippon Credit Group, is engaged in sales of trust beneficiary certificates. NCB Investment Management provides consulting and investment management services for clients' portfolios and pension funds.

Solution tools

Support in securitization

By utilizing experience gained through securitization of its own loans and other assets, Nippon Credit can respond to financial institutions' inquiries about these techniques and supply up-to-date information. The divestiture of distressed loans is an important issue at many financial institutions. Here, Nippon Credit taps its knowledge of legal, accounting and other systems accumulated over many years to offer assistance concerning due diligence procedures for financial claims and real estate transactions. In addition, with the enactment of the Servicer Law (page 8), Nippon Credit is considering the expansion of its private servicer functions.

Support in risk management

As a long-term credit bank, Nippon Credit has acquired considerable ALM skills. This expertise underpins proposals for various derivative products, including swaps and options, to help customers hedge market risk and formulate a timely financial strategy. In addition, Nippon Credit is capable of meeting clients' needs for all types of risk management, a field on which companies have been placing increasing emphasis in recent years. For market risk, credit risk and other risk categories, Nippon Credit is a reliable source of advice on building a sound risk management system, techniques for measuring risk and other subjects. This support includes the temporary posting of employees from client companies to Nippon Credit as trainees.

Support in customer services

Properly meeting the needs of corporate clients and other customers is vital to the successful operation of any financial institution. With extensive knowledge of many businesses and a huge information network, Nippon Credit is fully prepared to provide the information financial institutions require to serve their own clients. Among these activities are provision of the latest information on financial products; assistance in mergers and acquisitions, business succession and initial public offerings; and information needed to support a client's entry in other countries along with general information on overseas markets.

Individual customers

Nippon Credit addresses the diverse requirements of individual customers in its role as a deposit taking institution. This includes not only financial debentures, but other types of products for senior citizens as Japan's population ages, as well as and foreign currency time deposits. Although interest rates are at historically low levels in Japan, Nippon Credit will continue to improve its savings product lineup as much as possible. In addition, Nippon Credit initiated sales operations of investment trusts at its branches in December 1998. Nippon Credit will retain an aggressive posture regarding new businesses and services as all branches strive to serve customers with a wide range of savings and asset management products.

Securitization of financial assets

In recent years, the markets for trading and securitization of various receivables resulting from sales, bills, leases and installment credit have developed considerably. These markets are now a new financing tool that can be used instead of bank borrowing and corporate bond issuance. In addition, for investors, these markets offer a diverse range of investment vehicles that can meet requirements for quality assets, ALM policies, higher returns and other needs. The Law on Liquidation of Specified Assets by Special Purpose Company (generally called the SPC Law) was implemented in September 1998 and, in October, the Law Prescribing Exceptions etc. to the Civil Code Requirements for Setting Up Protection Against an Assignment of Claims to a Third Party became effective. Progress of this nature in the legal environment for securitization indicates that there is much potential for future growth.

Nippon Credit embarked on the securitization of financial assets by transferring general loan assets in July 1990. Since then, Nippon Credit has taken the initiative in developing and formulating a variety of products, securitizing various assets and developing financial techniques related to real estate projects. NCB Trust Bank was established in April 1994 and started developing products and packaging assets based on the trust format. Dedicated to the constant development of new schemes, NCB Trust Bank now offers a wide range of trust products for selling financial assets.

To share its expertise with others, Nippon Credit published an introductory guide book to securitization in May 1999. This book explains primary domestic securitized products and their risks. It has proven useful at increasing comprehension of the securitization process among investors as well as the general public.

Services related to the divestiture of problem assets

In recent years, many financial institutions have been committed to the disposal of problem loans. This has resulted in the rapid expansion of markets for the securitization and trading of distressed loans. In addition, the market environment has been improving with the enactment of the Special Act Concerning Management and Collection of Debt (the Servicer Law). This is expected to lead to a new phase for all aspects of the disposal of distressed loans.

Against this backdrop, the Nippon Credit Group has continued to emphasize the provision of a full lineup of services related to disposition of distressed loans. A fair assessment procedure, referred to as due diligence, is essential to the resolution of distressed loans. Nippon Credit provides services covering the assessment of loan claims and underlying real estate as well as the preparation of collection plans.

Furthermore, Nippon Credit provides consulting and advice on distressed loans with distinctive terms and conditions. This includes disposal methods, contracts and other matters, including intermediary services for purchasers of these assets.

Since the Servicer Law became effective, Nippon Credit has been considering the start and development of a servicer business. The business would benefit customers by offering them the advantages of Nippon Credit's expertise and experience accumulated through years of trading and securitization activities involving distressed loans.

Strategic mergers and acquisitions

With intensified restructuring activities by large companies and intensifying global competition, strategic mergers and acquisitions (M&A) have become a practical tool to efficiently deploy management resources. Cross-border corporate acquisitions and large-scale business tie-ups, particularly in the areas of finance and automobiles, are constantly in the news.

After entering the M&A business in 1988, Nippon Credit has so far taken part in well over 100 of these transactions. Fully drawing on its experience and specialized skills, Nippon Credit helps customers in implementing their business plans. This assistance encompasses the creation of strategies for acquisitions and business alliances and assessment of terms and conditions including prices.

Furthermore, in order to provide customers with specialized services of an even higher quality, Nippon Credit maintains close contacts with lawyers and accountants as well as organizations like regional chambers of commerce and industry throughout Japan. With its wide spectrum of expertise and know-how, Nippon Credit will continue to provide socio-economically beneficial services such as management buyouts, a friendly M&A technique that is expected to become a means of revitalizing the Japanese economy.

Support in overseas business

A growing number of companies are realigning their overseas activities due to the prolonged domestic recession and the aftermath of the Asian currency crisis. Nippon Credit supports small and medium-size companies in the areas of overseas business restructuring or reorganization. One way is by working on concrete withdrawal procedures for companies that are conducting an overseas restructuring program. Another way is the formulation of financial management systems for the purpose of minimizing risks for ongoing businesses and newly established businesses. Recently, the number of inquiries about restructuring activities in China has been on the rise. Nippon Credit stands ready to handle inquiries with regard to a broad range of client requirements involving the realignment of their overseas business activities.

Nippon Credit issues the Asia Report and several other reports to disseminate practical information regarding customers' overseas business operations. Topics include currency and economic matters as well as tax and accounting systems with a particular focus on Asian countries. In addition, Nippon Credit provides research, reports and other services in accordance with requests from regional financial institutions.

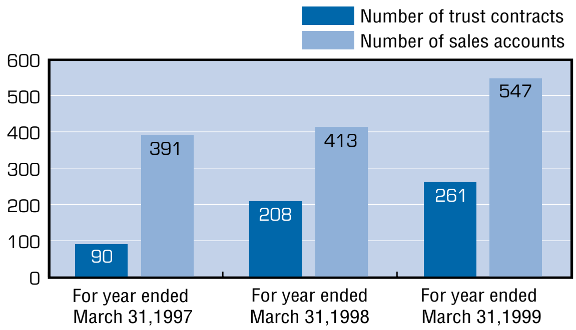
In the area of private finance initiatives (PFI), where legislation is now under consideration in Japan, Nippon Credit is engaged in financial advisory services. This entails consulting for local public entities and private-sector companies that are interested in PFI projects and extending support to local financial institutions aiming to act as regional PFI advisors.

Major Group Companies

The Nippon Credit Trust Bank, Ltd.

The Nippon Credit Trust Bank, Ltd. (NCB Trust Bank) was founded in April 1994 to further improve the financial technologies that Nippon Credit has developed and to provide its own value-added financial services to customers. NCB Trust Bank succeeded in the development, formulation and sale of securitized products. In March 1995, NCB Trust Bank arranged Japan's first full-fledged securitization transaction, a loan-pool package that obtained a high credit ratings from credit rating agencies. This bank has developed many other new securitization schemes to fulfill the unique requirements of individual clients. One involves placing in a trust the right to demand payment of rental deposits. Another combines loan participation with a trust to securitize the loans of financial institutions. A third scheme covers condominium sales receivables, formulating a lower risk structure by utilizing a new lending system of the Housing Loan Corporation. In order to contribute to the growth of asset trading and securitization markets, NCB Trust Bank will continue to be an aggressive player, fully taking advantage of the Nippon Credit Group's financial know-how, achievements and other resources.

• Trust and sales results of NCB Trust Bank



Nippon Credit Investment Management Co., Ltd.

Nippon Credit Investment Management Co., Ltd. (NCBIM) was founded in 1986 to provide services created on the basis of Nippon Credit's knowledge of equities and bonds. NCBIM has offered customized investment advisory services to respond to the investment needs arising from financial institutions, long-term pension funds such as public and corporate pension funds, and the need for private-sector companies to effectively manage cash. Over recent years, in response to the growing opportunities for entry into pension markets, including those for qualified tax-deductible pension funds, NCBIM has placed top priority on the expansion of pension assets under management and allocated management resources to upgrading related activities.

Today's rapidly changing economic and financial climate is leading to rising demands for higher returns along with more strict risk management systems. In particular, expectations being placed on investment advisory companies that specialize in securities investments are growing rapidly. Going forward, NCBIM will remain an investment advisory firm with a distinctive identity and the ability to overcome stiff competition. NCBIM will refine its asset management technology, including the development of new products, to respond to customers' diversifying asset management needs in an environment of changing markets and rapid globalization.

As of March 31, 1999

- Net assets ¥777 million
- Trust assets ¥520.6 billion
- Number of fund managers 14
  (with the average investment management experience of 9.6 years)

NCB Research Institute, Ltd.

NCB Research Institute, Ltd. was founded in June 1996, resulting from the spin-off and expansion of Nippon Credit's research divisions. The objective was to provide high-quality information that meets customers' demands.

The Economic & Industrial Research Division specializing in macro economic and industrial analysis is especially proud of its timely analysis of domestic and overseas economic outlooks and interest rate forecasts, as well as its real estate-related research. With regard to industrial research, this department emphasizes the analysis of growing sectors such as electronics, health care and welfare industries as well as the study of regional industrial trends.

The Research & Planning Division performs research for development projects under consignment from the national and regional governments and their agencies. With its experience and long list of accomplishments, this department provides a variety of proposals on revitalization of local economies and efficient use of real estate.

The Management Consulting Division offers plans on management strategies for human resources, organization and other issues in response to specific customer needs.

Through reports, books, seminars, lectures and other activities, the institute is determined to retain its status as an important source of information about today's rapidly changing economic environment and societal needs.

Financial Information and Corporate Data

Contents

Financial Highlights

Five Year Summary

<Non-Consolidated>

(In millions of yen)

	1995	1996	1997	1998	1999
Operating income	1,208,307	1,434,945	1,206,668	644,508	409,474
Operating profit (△ denotes operating loss)	15,157	△131,162	△350,155	16,376	△3,560,709
Net income (△ denotes net loss)	13,133	△163,886	△285,248	17,083	△467,161
Capital stock	152,292	152,292	177,792	353,114	353,114
Number of outstanding shares (In thousands)	1,735,497	1,735,497	Common stock 1,735,497 The 2nd preferred stock 102,000	Common stock 2,501,536 The 2nd preferred stock 102,000 The 3rd preferred stock 386,398 The 4th preferred stock 120,000	Common stock 2,501,536 The 2nd preferred stock 102,000 The 3rd preferred stock 386,398 The 4th preferred stock 120,000
Stockholders' equity	516,729	342,360	99,434	467,161	—
Total assets	16,574,766	15,916,584	14,646,340	12,659,064	14,055,429
Debentures	10,791,632	9,594,456	8,335,741	5,346,174	4,206,525
Deposits	2,415,413	2,344,071	2,103,303	1,805,807	1,884,073
Loans and bills discounted	10,338,096	10,071,724	9,080,477	7,781,830	7,209,084
Securities	3,501,446	3,788,668	3,221,636	2,172,793	1,198,950
Equity per share (in yen)	297.74	197.26	54.11	92.94	—
Dividend per share (in yen)	6	5.5	Common stock 2.5 The 2nd preferred stock —	Common stock — The 2nd preferred stock — The 3rd preferred stock — The 4th preferred stock —	Common stock — The 2nd preferred stock — The 3rd preferred stock — The 4th preferred stock —
incl. (Interim dividend per share (in yen))	(3)	(3)	(Common stock 2.5) (The 2nd preferred stock —)	(Common stock —) (The 2nd preferred stock —) (The 3rd preferred stock —) (The 4th preferred stock —)	(Common stock —) (The 2nd preferred stock —) (The 3rd preferred stock —) (The 4th preferred stock —)
Net income per share (in yen) (△ denotes net loss per share)	7.56	△94.43	△164.36	7.39	△186.74
Dividend payout ratio (%)	79.28	—	—	—	—
Number of employees	2,665	2,633	2,526	2,290	2,050
Capital adequacy ratio (Domestic standard) (%)				8.25	—

Notes:

1. As regards tax-effective accounting and the scope of subsidiaries and affiliates in the financial statements for the fiscal year ended March 31, 1999, Paragraph 2 of supplementary rules of the "Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of financial statements" (MOF Ordinance No. 135, 1998) and Paragraph 3 of supplementary rules of the "Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of financial statements" (MOF Ordinance No. 173, 1998) have been applied.
2. Consumption taxes and local consumption taxes have been accounted for according to the "exclusion method."
3. Operating income represents total income less certain special income.
4. Operating profit (loss) represents operating income less operating expenses.
5. Equity per share was previously calculated by dividing the term-end equity by the term-end outstanding shares. However, from the year ended March 31, 1998, it has been calculated dividing the term-end net asset worth – (term-end number of preferred stocks issued x issue price) by term-end number of common stocks issued. Since, however, term-end equity came to 0 yen in the year ended March 31, 1999, the same method has been applied as in the year ended March 31, 1997.
6. Net income (or net loss) per share has been calculated by dividing the amount of net income (or net loss) less of total preferred stock dividends for the term by the average number of common stock outstanding in the term.
7. Effective as of August 11, 1994, one share with a par value of ¥500 was split into 10 shares with a par value of ¥50. The above figures for the year ended March 31, 1995 have been calculated using the number of shares after the split.
8. Capital adequacy ratio has been calculated according to the formula stipulated in the MOF notice based on the Article 14-2 of the Banking Law applied in the first half of the Article 17 of the Long-Term Credit Bank Law. The Bank adopts the domestic standard.

<Consolidated>

(In millions of yen)

	1995	1996	1997	1998	1999
Consolidated operating income	1,312,828	1,575,807	1,380,710	800,642	455,333
Consolidated operating profit (△ denotes consolidated operating loss)	13,094	△126,509	△366,879	19,559	△3,523,986
Consolidated net income (△ denotes consolidated net loss)	8,200	△76,462	△376,724	16,982	△469,252
Consolidated stockholders' equity	561,312	475,281	139,849	503,973	1,503
Consolidated total assets	17,449,486	16,797,300	15,228,619	13,597,540	13,776,868
Consolidated capital adequacy ratio (Uniform international standard) (%)	9.11	8.38	2.99		
Consolidated capital adequacy ratio (Domestic standard) (%)					—

Notes:
1. As regards tax-effective accounting and the scope of subsidiaries and affiliates in the financial statements for the fiscal year ended March 31, 1999, Paragraph 2 of supplementary rules of the "Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of financial statements" (MOF Ordinance No. 136, 1998) and Paragraph 3 of supplementary rules of the "Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of financial statements" (MOF Ordinance No. 173, 1998) have been applied.
2. Consumption taxes and local consumption taxes of the parent company and consolidated domestic subsidiaries have been accounted for according to the "exclusion method."
3. Consolidated operating income represents consolidated total income less certain special income.
4. Consolidated operating profit (loss) represents consolidated operating income less consolidated operating expenses.
5. Although the Bank had been adopting the domestic standard, the consolidated capital adequacy ratio has been calculated since the year ended March 31, 1999, pursuant to the revision of Article 14-2 of the Banking Law applied in the first half of Article 17 of the Long-Term Credit Bank Law, in accordance with the enforcement of the laws concerning improvements on legislation relating to the reform of the financial system. Uniform international standard had been applied up to the year ended March 31, 1997.

Business Results

Highlights of the Fiscal Year

Operation under Special Public Management and strict implementation of write-offs and reserves

Based on a decision by the prime minister on December 13, 1998 to place our bank under Special Public Management (SPM) under the Financial Reconstruction Law, we reviewed our standards for write-offs and reserves in accordance with the Financial Inspection Manual provided by the Financial Supervisory Agency (FSA), and applied more stringent measures to the calculation of write-offs and reserves, with the following results:

(1) Adequate self-assessment was made regarding loan-related assets which we were deemed appropriate to retain according to the asset assessment announced by the Financial Reconstruction Commission on May 24, 1999. As a result of the assessment, we posted reserve for possible loan losses (which consist of a general reserve, specific reserve and country risk reserve) reasonably estimated based on the standards.

(2) Loan-related assets determined inappropriate for holding were estimated at value for transfer to the Resolution and Collection Corporation, and specific reserve for possible loan losses was set aside for expected losses for the transfer to be nonperforming in or after the new fiscal year. As for non-loan assets such as securities, premises and equipment which were determined inappropriate for holding, we estimated transfer prices reasonably and posted the amount of expected loss in reserves for loss on transferring assets.

(3) In consideration of several factors in the industry, such as a change in purposes for holding securities, we, as a bank under SPM, altered our valuation method for listed securities to the lower-of-cost-or-market method. Unlisted securities that have dropped substantially in market value were written off and the losses recognized.

Profit and Loss

1. Business profit (loss) (*gyomu jun-eki*)

Business profit (gyomu jun-eki) shows the bank's earnings from core banking businesses. Items such as net interest income, net fees and commissions, net trading revenue, net other operating income, provision for general reserve for possible loan losses and general and administrative expenses are taken into account.

During this fiscal year, interest income declined due to a sharp fall in swap transactions under SPM, in addition to a decrease in loans and investment securities and lower interest rates. Loss from disposal of bonds and other securities also increased under SPM as their value decreased. Further, there was a large provision for the general reserve for possible loan losses. As a result, we posted a ¥345 billion business loss. Nonetheless, we had an "actual net business profit" of ¥44.1 billion after excluding special factors such as allocation of general loan-loss reserves, sales of government bonds and other securities under SPM and cancellation of swap transactions with unrealized losses.

General and administrative expenses, which have been steadily decreasing, dropped ¥4.4 billion from the previous year to ¥49.7 billion.

2. Disposal of problem loans, operating profit and loss, and net income and loss

Operating profit and loss includes profit and loss from stock transactions and expenses related to disposal of problem loans.

Regarding profit and loss on stock transactions, under nationalization, we adopted the lower-of-cost-or-market method for listed stocks and were forced to devaluate unlisted stocks, resulting in a loss of ¥298.9 billion.

In handling problem loans, the previous standards for write-offs and reserves were revised in accordance with the Financial Inspection Manual released by the FSA and we posted reserve for possible loan losses. Based on the results of the asset assessment, we estimated an appropriate transfer price of loans inappropriate for holding, and posted specific reserve for possible loan losses. The total amount of problem loans disposed of was ¥2,853.8 billion, including ¥2,703.6 billion in the specific reserve for possible loan losses.

In other expenses, ¥51.1 billion was allocated to the reserve for loss on transferring assets based on the transfer price of securities and premises and equipment inappropriate for holding.
After these accounting operations, operating loss was at ¥3,560.7 billion. We posted the ¥3,094.3 billion expected to be granted to us as a special assistance funds under the Financial Reconstruction Law in other income. The result was a net loss of ¥467.2 billion.

Details of problem-loan disposal operation

(In 100 millions of yen)

	1998	1999
Write-offs	323	519
Provision to specific reserve	995	27,036
Loss from sales to CCPC	2	50
Loss related to support customers	4	—
Loss from sales of loans.etc	79	69
Provision for contingencies on loan sold	11	870
Provision for country risk reserve	△3	△5
Total	1,410	28,538

■ Assets, Liabilities, and Stockholders' Equity

1. Assets and liabilities

(1) Loans
The period-end balance of loans declined ¥572.7 billion from the preceding year to ¥7,209.1 billion. Loans to small and medium-size companies represented 62.1% of total loans compared with 61.3% a year earlier.

(2) Securities
The securities balance decreased by ¥973.8 billion to ¥1,199.0 billion from the preceding year due to the devaluation of listed and unlisted securities, in addition to accelerated sales of securities.

(3) Debentures
The bank depends largely on the issuance of bank debentures for fund procurement. We issue 1-year, 2-year, 3-year and 5-year debentures with coupons as well as 1-year discount debentures. Our efficient fund procurement efforts brought the balance of debentures to ¥4,206.5 billion as of the end of March 1999.

(4) Deposits
Deposits (including certificates of deposit) comprise the largest source of our funds after debentures. The balance of deposits as of the end of March 1999 stood at ¥2,495.6 billion, up ¥359.7 billion from a year earlier.

2. Stockholder's equity

After a more stringent procedure applied to write-offs and reserves, liabilities surpassed assets. In anticipation of special assistance funds under the Financial Reconstruction Law, we posted other income to compensate for the difference and established a special public management account in other assets. As a result, stockholder's equity was zero.

■ Consolidated Results

With the scope of consolidation revised for this fiscal year, the number of consolidated subsidiaries was increased from 20 to 42, and the number of affiliated companies applicable for the equity method from one to eight.
Regarding business performance, operating income was decreased ¥345.3 billion to ¥455.3 billion. Operating loss and net loss were ¥3,524.0 billion and ¥469.3 billion, respectively.
Total assets were ¥13,776.9 billion, with stockholder's equity of ¥1.5 billion.

■ Risk Kanri Saiken

Risk Kanri Saiken, loans requiring further attention on credibility, stood at ¥3,774.8 billion. Of classified credit which require disclosure in accordance with the Financial Reconstruction Law, "bankrupt and similar-bankrupt credit," "doubtful credit" and "substandard credit" totaled ¥4,000.4 billion. The definition and the amount of such credit are provided on pages 44 and 45.

Non-Consolidated Financial Statements

Balance Sheets
Assets

As of March 31

(In millions of yen)

	1998	1999
Loans and bills discounted	**7,781,830**	**7,209,084**
Loans on deeds	4,375,347	3,581,685
Loans on notes	3,352,926	3,576,741
Overdrafts	47,150	43,968
Bills discounted	6,406	6,688
Foreign exchanges	**19,314**	**12,569**
Foreign bills of exchange bought	51	—
Foreign bills of exchange receivable	1,839	150
Advances to foreign banks	—	0
Due from foreign banks	17,422	12,419
Securities	**2,172,793**	**1,198,950**
National government bonds	566,427	191,828
Local government bonds	33,294	40,100
Corporate bonds	166,196	120,344
Stocks	725,549	464,512
Treasury stocks	0	—
Other securities	414,519	232,795
Securites lent	266,804	149,368
Money held in trust	**72,622**	**12,754**
Trading assets	**504,342**	**375,694**
Trading securities	74,920	17,087
Derivatives of trading securities	44	0
Derivatives of securities related to trading transaction	4	12
Trading-related financial derivatives	240,485	225,111
Other trading assets	188,886	133,481
Debt purchased	**56,387**	**6,810**
Bills bought	—	**20,000**
Call loans	**500,330**	**385,000**
Cash and due from banks	**402,424**	**287,377**
Cash	27,970	41,672
Due from banks	374,454	245,705
Other assets	**661,155**	**4,171,920**
Prepaid expenses	3,249	2,532
Accrued income	114,062	45,748
Initial margin on futures	19	51
Variation margin on futures	1,430	45
Securities in custody	203,027	428,146
Cash collateral on borrowing securities	—	334,646
Special public management account	—	3,094,339
Miscellaneous assets	339,366	266,410
Premises and equipment	**56,560**	**55,187**
Premises and equipment	37,251	36,333
Construction in progress	55	6
Others	19,253	18,847
Deferred debenture assets	**1,825**	**1,670**
Deferred debenture discounts	1,534	1,097
Deferred debenture issue cost	291	573
Customers' liabilities for acceptances and guarantees	**429,477**	**318,408**
Total assets	**12,659,064**	**14,055,429**

As of March 31

Liabilities and Stockholders' Equity

(In millions of yen)

	1998	1999
Debentures	**5,346,174**	**4,206,525**
(incl. convertible bonds)	(3,897)	(—)
Debentures	5,346,174	4,195,225
Debenture subscriptions	—	11,300
Deposits	**1,805,807**	**1,884,073**
Time deposits	1,147,530	1,641,601
Deposits at notice	294,633	77,964
Ordinary deposits	88,183	77,922
Current deposits	59,613	48,598
Other deposits	215,846	37,985
Certificates of deposit	**329,890**	**611,280**
Borrowed money	**572,088**	**671,376**
Borrowed money	572,088	671,376
Trading liabilities	**268,257**	**227,303**
Trading securities sold for short sales	27,411	1,140
Derivatives of trading securities	134	41
Derivatives of securities related to trading transaction	5	—
Trading-related financial derivatives	240,706	226,121
Bills sold	**421,100**	**273,000**
Call money	**1,084,632**	**1,191,300**
Foreign exchanges	**203**	**210**
Deposits from correspondents	203	210
Other liabilities	**1,218,463**	**864,459**
Accrued expenses	56,321	45,736
Income taxes payable	123	30
Unearned income	12,202	9,520
Employees' deposits	6,019	5,091
Borrowed securities	—	295,300
Borrowed bond trading	202,700	132,700
Initial margin on futures	345	219
Variation margin on futures	42	663
Cash collateral on lending securities	545,284	—
Payable for trading account	209,823	—
Miscellaneous liabilities	185,601	375,197
Reserve for possible loan losses	**693,082**	**3,648,197**
Reserve for retirement allowances	**10,240**	**9,812**
Reserve for contingencies on loans sold	**12,466**	**98,376**
Reserve for loss on transferring assets	—	**51,096**
Reserves under special laws	**17**	**7**
Reserve for contingent liabilities from broking of financial futures transactions	12	6
Reserve for contingent liabilities from broking of securities futures transactions	5	1
Acceptances and guarantees	**429,477**	**318,408**
Total liabilities	**12,191,902**	**14,055,429**
Capital stock	**353,114**	**353,114**
Capital surplus	**175,321**	**114,047**
Legal reserve	—	—
Deficit	**61,274**	**467,161**
Unappropriated deficit for the term	61,274	467,161
Total stockholders' equity	**467,161**	—
Total liabilities and stockholders' equity	**12,659,064**	**14,055,429**

Year ended March 31

Statements of Income (Loss)

(In millions of yen)

	1998	1999
<Income>		
Interest income	**439,797**	**345,524**
Interest on loans and discounts	200,396	128,376
Interest and dividends on securities	64,835	32,852
Interest on bills bought	1	58
Interest on call loans	2,867	1,404
Interest on deposits with banks	4,462	4,141
Interest on interest swaps	126,354	146,421
Other interest income	40,879	32,268
Fees and commissions	**19,872**	**3,612**
Trading revenue	**1,520**	**2,074**
Other operating income	**69,122**	**49,162**
Gains on foreign exchange transactions	16	—
Gains on sales of bonds	45,881	45,552
Gains on redemption of bonds	996	606
Others	22,228	3,003
Other income	**114,822**	**3,103,948**
Gains on sales of stocks and other securities	108,532	4,394
Gains on money held in trust	3,357	3,031
Gains on dispositions of premises and equipment	622	487
Recoveries of written-off claims	6	20
Others	2,304	3,096,013
Transfer from reserves	**2,204**	**8**
Total income	**647,341**	**3,504,330**
<Expenses>		
Interest expenses	**322,459**	**311,726**
Interest on debentures	160,213	108,586
Interest on deposits	21,808	21,603
Interest on certificates of deposit	2,292	3,715
Interest on borrowings and rediscounts	18,048	20,449
Interest on commercial paper	—	52
Interest on call money	12,237	10,333
Interest on interest swaps	83,205	135,526
Other interest expenses	18,205	8,834
Amortization of debenture discounts	6,447	2,625
Fees and commissions	**2,535**	**1,715**
Trading expenses	**2,732**	**133**
Other operating expenses	**33,172**	**104,678**
Amortization of debenture issue cost	1,471	620
Losses on foreign exchange transactions	—	1,245
Losses on sales of bonds	19,425	29,862
Losses on redemption of bonds	11,870	30,291
Losses on devaluation of bonds	—	30,864
Others	405	11,794
General and administrative expenses	**54,110**	**49,735**

Year ended March 31

Statements of Income (Loss)

(In millions of yen)

	1998	1999
Other expenses	**214,672**	**3,503,467**
Provision for reserve for possible loan losses	91,831	2,983,829
Written-off claims	32,343	51,879
Provision for reserve for contingencies on loans sold	1,143	86,966
Provision for reserve for loss on transferring assets	—	51,096
Losses on sales of stocks and other securities	51,970	16,180
Losses on devaluation of stocks and other securities	13,434	287,141
Losses on money held in trust	5,237	12,845
Enterprise taxes	97	—
Loss on dispositions of premises and equipment	1,551	1,273
Others	17,063	12,254
Transfer to reserves	**1**	—
Total expenses	**629,685**	**3,971,456**
Income before income taxes (△denotes loss before income taxes)	**17,655**	**△ 467,126**
Provision for income taxes	**572**	**35**
Net income (△denotes net loss)	**17,083**	**△ 467,161**

Year ended March 31

Statements of Deficit

(In millions of yen)

	1998	1999
Balance at the beginning of the year	215,772	61,274
Deductions	137,414	61,274
Reversal of legal reserve	137,414	61,274
Net income (△denotes net loss)	17,083	△467,161
Balance at the end of the year	61,274	467,161
	(Profit on evaluation of trading transactions : ¥397 million)	(Profit on evaluation of trading transactions : nil)

Notes to Financial Statements

Basis of Presentation

The Nippon Credit Bank, Ltd. (the Bank) maintains its records and prepares its financial statements in accordance with accounting principles and practices generally accepted in Japan. The accompanying financial statements have been prepared based on such financial statements disclosed to the public as required by the Banking Law of Japan.

Significant Accounting Policies

	1999
1. Extraordinary treatment in accounting	Under Article 36 (1) of the Financial Reconstruction Law, the Bank was placed under special public management by the prime minister on December 13, 1998. In line with this decision, the Bank has been continuing banking operations in accordance with the Management Rationalization Plan and the Business Operations Standards compiled under Articles 47 and 48 of the same law. For this reason, the bank prepared financial statements for the fiscal year ended in March 31, 1999 on the basis of conventional accounting principles and procedures. However, as the bank was placed under special public management, a new securities valuation standard was adopted, as explained below. Also, in line with the Financial Reconstruction Law, the bank put aside necessary reserves for assets which were deemed inappropriate for a bank under special public management to maintain, after performing asset assessment based on estimated transfer prices. Further, as described in the notes below, the bank posted as profit the amount of special assistance funds to be received from the government under the same law, while at the same time posting the amount on the balance sheet as “special public management account.”
2. Valuation standard and method for securities	(1) Securities were valued as follows: Listed securities are valued at the lower-of-cost-or-market based on the moving-average method. Unlisted securities are valued at cost based on the moving-average method. With a revision of the accounting standards for banks, the Bank applied the cost method based on the moving-average method to the financial statements for the preceding fiscal year. However, in valuation of securities acquired for investment purposes (except those for resale in a short time), the bank adopted the lower-of-cost-or-market method based on the moving-average method, which allows more rational evaluation at the end of the fiscal period. This was because this method was deemed more reasonable in terms of accounting at the time when resale of securities in a short time was expected under special public management, resulting in a change in the purpose for holding securities. Based on this accounting method, operating loss and loss before income taxes were greater by ¥256,895 million, than when calculated by the conventional method. In midterm reports, the cost method was adopted because it was not until the latter half of the fiscal year that the accounting method was revised. If the new method had been applied to the midterm financial statements, both operating loss and loss before income taxes would have increased ¥246,907 million. (2) For securities held through money held in trust for separate investment with securities management as the main purpose, valuation was performed using the lower-of-cost-or-market value basket method based on the moving-average method. Of such securities, securities acquired for long-term investment purposes were valued by the cost method based on the moving-average method for the preceding fiscal year. For the fiscal year concerned, the accounting method was switched to the lower-of-cost-or-market value basket method based on the moving-average method, for the same reason as provided in (1) above. This transfer does not affect operating loss or loss before income taxes. In midterm reports, the cost method was adopted because the accounting method was not revised until the latter half of the fiscal year. If the new method had been applied to the midterm financial statements, both operating loss and loss before income taxes would have increased by ¥38 million.

	1999
3. Valuation standard and income and expense calculation standards for trading assets and liabilities	For transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of securities and related indices ("Trading transactions") have been recognized at the transaction date. These have been recorded in "Trading assets" or "Trading liabilities" on the balance sheet and gains or losses on these transactions have been recorded in "Trading revenue" or "Trading expenses" on the statement of loss. In valuation of trading assets and liabilities, the Bank evaluated securities, monetary claims and other assets at the actual market price as of the balance sheet date. Derivatives, such as swaps, futures and options, were valued at the price deemed settled on the balance sheet date of the fiscal year. Trading revenue and Trading expenses are recorded as interest income or expenses actually paid or received, plus the difference in valuation gains or losses between the beginning balance and the ending balance (for securities, monetary claims and other assets), plus the difference in hypothetical settlement gains or losses between the beginning balance and the ending balance (for derivative financial products).
4. Depreciation method for premises and equipment	In line with the accounting standards for banks provided by the Bankers Association of Japan (formerly, the Federation of Bankers Associations of Japan), the following method is applied to depreciation of assets: Buildings: Straight-line method at the depreciation rate specified in the Corporation Tax Law. Equipment: Declining-balance method at the depreciation rate specified in the Corporation Tax Law. Other: As specified in the Corporation Tax Law. For buildings, the Bank had conventionally adopted the declining-balance method. With the revision of Article 48 (1) of the Corporation Tax Law Regulation, the Bank switched to the straight-line method for the fiscal year as the Bank determined that the effect of investment appeared uniform over a long period of time in some of the Bank's main buildings. Upon the application of the new depreciation method, both operating loss and loss before income taxes decreased by ¥938 million. Although a depreciation rate of 160% had been conventionally applied to buildings, the Bank adopted the depreciation rate specified in the Corporation Tax Law for the concerned fiscal period. At the same time, with the legal depreciation period shortened by a revised ministerial order for the depreciation period of depreciable assets, the Bank's depreciation period was altered to meet the standards in the Corporation Tax Law. As a result, both operating loss and loss before income taxes dropped by ¥185 million.
5. Accounting for deferred assets	Deferred debenture assets were amortized as follows: (1) Deferred debenture discounts on discount debentures were amortized according to the period up to the maturity date. (2) Deferred debenture issue costs were amortized according to the period up to the maturity date, but within a maximum period of three years as specified in the Commercial Law.
6. Standard for conversion of assets and liabilities from foreign currency to yen	Assets and liabilities in foreign currencies are converted into yen at the foreign exchange rate as of the balance sheet date. However, the foreign exchange rate at the date of acquisition was applied to (1) assets related to equity investment in foreign corporations (excluding assets acquired in foreign currency), (2) liabilities related to foreign bonds issued by banks, and (3) assets which the Bank deems inappropriate to include in spot assets. The foreign exchange rate at the actual date of transaction was applied to liabilities in foreign currencies which the Bank deemed inappropriate to include in spot liabilities. The yen equivalent as of the balance sheet date was applied to foreign branch accounts.
7. Assessment standard for reserves	**(1) Reserve for possible loan losses** The reserve for possible loan losses was determined as follows on the basis of the write-off and reserve standard based on the accounting standards for banks provided by the Bankers Association of Japan. Regarding loans to borrowers under legal proceedings, such as bankruptcy, and loans in

	1999
	similar conditions, the Bank posted the loan balance less amounts collectible on collateral or debt guarantee or by other means as a specific reserve. For loans to borrowers not yet bankrupt but highly likely to fall into bankruptcy, the necessary amount was determined through overall assessment of the borrowers' ability to pay, after subtracting from the loan balance the amount collectible on disposal of collateral and debt guarantees and posted a specific reserve for such loans. As to other loans, the Bank posted a general reserve by applying the historical loan-loss ratio determined over a fixed period. Regarding loans to restructured countries, a country risk reserve was posted in the amount of estimated losses attributable to political and economic factors of each country concerned. Each loan was subjected to asset assessment by the business-related divisions in accordance with the self-assessment standard. Before these reserves were approved, the results of the assessment were reviewed by the Asset Audit Division, which is fully independent from business-related divisions. Of these loans and similar claims, those which were deemed inappropriate to maintain under the Financial Reconstruction Law by a bank under special public management and those the Bank had decided to sell according to the Management Rationalization Plan, which was established in line with the law, were assessed at reasonable prices, regardless of which of the above-mentioned categories they belonged to. The difference between their book value and the estimated transfer price was posted as loss expected to occur in and after the next fiscal year. The above-mentioned estimated transfer price was based on the most reasonable assessment method at this point. The actual transfer price will be determined through agreement with the purchaser, and a discrepancy may occur between the estimated and actual price.
	(2) Reserve for retirement allowances In line with the accounting standards for banks prescribed by the Bankers Association of Japan, a reserve for retirement allowances is set aside equal to the amount required for the employees who voluntarily terminated their employment at the balance sheet date.
	(3) Reserve for contingencies on loans sold In consideration of the value of real estate secured loans sold to Cooperative Credit Purchasing Co., Ltd., the Bank estimated future losses and posted a necessary reserve. This reserve is prescribed in Article 287 (2) of the Commercial Law.
	(4) Reserve for loss on transferring assets Of assets which were deemed inappropriate to maintain under the Financial Reconstruction Law by a bank under special public management and those the Bank decided to sell according to the Management Rationalization Plan, unlisted securities and premises and equipment were assessed to estimate a reasonable transfer price. The difference between their book value and the estimated transfer price was posted as loss expected to occur in and after the next fiscal year. This reserve is prescribed in Article 278 (2) of the Commercial Law. The above-mentioned estimated transfer price was based on the most appropriate assessment method at this point. The actual transfer price, however, will be determined through agreement with the purchaser, and a discrepancy may occur between the estimated and actual price.
	(5) Reserve for contingent liabilities from broking of financial futures transactions To compensate for losses incurred in connection with financial futures trading, the Bank reserved the amount calculated in accordance with Article 82 of the Financial Futures Trading Law and Article 29 of the Financial Futures Trading Law Enforcement Regulation.
	(6) Reserve for contingent liabilities from broking of securities futures transactions To compensate for losses incurred in connection with securities futures trading, the Bank reserved the amount calculated in line with Article 51 of the Securities Exchange Law as prescribed by Article 65 (2-7) and Article 32 of the Ordinance Regarding Securities Business of Banks.
8. Accounting for leases	Finance leases of the Bank where ownership does not transfer to the lessees are accounted for under the accounting principles applicable to operating leases.

	1999
9. Qualified pension plan and adjusted pension plan	Since the 23rd fiscal year (May 1968), the Bank has had a qualified pension plan. In addition, an adjusted pension plan was started in the 59th fiscal year (November 1991). The total pension assets in the qualified pension plan stood at ¥2,977 million as of September 30, 1998, with a contribution period of seven years for past service cost. The total pension assets in the adjusted pension plan were valued at ¥12,896 million as of March 31, 1999, with a contribution period of 10 years for past service cost.
10. Accounting treatment of consumption and other taxes	Consumption taxes and local consumption taxes have been accounted for according to the "exclusion method."

Notes
(Balance Sheet Items)

1999
1. Loans to bankrupt companies totaled ¥1,527,873 million, and past due loans totaled ¥2,195,012 million. "Loans to bankrupt companies" refers to those which fall under the conditions specified in (a) through (e) in Article 96 (1-3) of the Corporation Tax Law Enforcement Regulations (Cabinet Order No. 97, 1965) (excluding those for which loan-loss reserves were put aside, hereafter called "accrued-interest non-posted loans"), as part of loans for which accrued interest was not posted after the Bank determined that collection or repayment of principal or interest were impossible because of delayed payment for a specified period of time or for some other reason. "Past due loans" refers to accrued-interest non-posted loans except those for those loans which concessions on payment of interests were made in order to assist the reorganization of bankrupt companies. 2. Loans overdue for 3 months or more totaled ¥1,641 million. "Loans overdue for 3 months or more," excluding loans to bankrupt companies and past due loans, refers to those for which principal or interest remain unpaid for at least three months. 3. Restructured loans stood at ¥50,227 million. "Restructured loans," excluding loans to bankrupt companies, past due loans and loans overdue for 3 months or more, refers to those loans for which agreement was made to provide reduction or moratorium of interest payments, or concessions in their favor on interest or principal payments or to waive claims for the purpose of assisting the reconstruction of insolvent borrowers. 4. Loans to bankrupt companies, past due loans, loans overdue for 3 months or more and restructured loans totaled ¥3,774,755 million. 5. Total value of stocks and investments in affiliates was ¥26,828 million. 6. The "special public management account" is established to post the amount of funds, including special assistance funds, which were supplied to the Bank under the Financial Reconstruction Law. Under Article 72 of the Financial Reconstruction Law, a bank under special public management may request grants (special financial assistance) from the Deposit Insurance Corporation up to the amount they deem necessary in order to protect depositors and other concerned parties. Also, Article 62 permits the Deposit Insurance Corporation to compensate a bank under special public management, with the approval of the Financial Reconstruction Commission, for losses incurred in connection with their business operations. For the fiscal year concerned, liabilities exceeded assets after the Bank conducted an account settlement in accordance with its accounting standards. In this situation, the Bank is expected to apply for special financial assistance under the Financial Reconstruction Law. This would free the Bank from a situation where it would be unable to repay debts. For this reason, the Bank posted the difference between assets and liabilities as a profit for the year related to special financial assistance. The same amount was posted in the "special public management account" as an asset category on the balance sheet. It is to be noted that the amount mentioned above in the special public management account reflects one that should be posted as special assistance fund at the end of the fiscal year and it is expected to differ from the actual amount that will be received in the future.

1999

7. Accumulated depreciation of premises and equipment was ¥23,175 million.

8. Deduction entry of premises and equipment was ¥2,570 million.
   There was no deduction during the fiscal year.

9. Borrowed money includes ¥278,171 million in subordinated debts, which have a claim subordinate to other obligations.

10. Total number of authorized shares

Common stock:	5,189,000 thousand
Preferred stock:	700,000 thousand

Total number of shares outstanding

Common stock:	2,501,536 thousand
The 2nd preferred stock:	102,000 thousand
The 3rd preferred stock:	386,398 thousand
The 4th preferred stock:	120,000 thousand

11. Dividend Limitations
   Under the articles of incorporation, no stockholder will receive more than ¥13.75 annually in dividend per share on the 2nd preferred stock issued on October 1, 1996, ¥3.20 annually per share on the 3rd preferred stock issued on July 29, 1997, or ¥15.0 annually per share on the 4th preferred stock issued on March 31, 1998.

12. There was no surplus (or loss) which was subject to Article 17 (2-4) of the Banking Law, applied in accordance with the first paragraph of Article 17 of the Long-Term Credit Bank Law, which restricts the allocation of surpluses to dividends.

13. Compensation for loss with capital surplus and legal reserve

Amount compensated for loss:	¥137,414 million
Date of loss compensation:	June 1997

(Statement of Loss)

1999

1. Other operating expenses include a loss of ¥4,967 million incurred on the sales of real estate secured loans to the Cooperative Credit Purchasing Co., Ltd. and a loss of ¥6,914 million in connection with sales of overseas private loans.

2. “Other income” includes special assistance funds corresponding to an excess of liabilities over assets determined after settlement of accounts for the concerned fiscal year, as described in Notes 6 on the balance sheet.
   It is to be noted that this amount, representing the amount to be posted in special assistance funds, may differ from the actual amount to be received in the future.

(Leasing Items)

1999

1. Finance leases without transfer of ownership to lessees
   - Amounts equivalent to the acquisition cost and accumulated depreciation and ending balance of leased property

Amount equivalent to the acquisition cost

Equipment:	¥7,868 million
Others:	56 million
Total:	¥7,925 million

Amount equivalent to accumulated depreciation

Equipment:	¥3,219 million
Others:	¥38 million
Total:	¥3,258 million

Amount equivalent to the year-end balance

Equipment:	¥4,649 million
Others:	¥17 million
Total:	¥4,667 million

Note: The amount equivalent to the acquisition cost includes interest expenses, as amount of obligations accounts for only a small portion of tangible fixed assets at the end of the fiscal year.

- Amount equivalent to the balance of leases at the end of the fiscal year

Due within one year:	¥1,447 million
Due after one year:	¥3,220 million
Total:	¥4,667 million

Note: The amount equivalent to the balance of obligations at the end of the fiscal year includes interest expenses because of their immateriality at the end of the fiscal year.

- Total lease payment for the year (equivalent to depreciation expenses) stood at ¥1,457 million.
- Calculation method for amount equivalent to depreciation
  Depreciation was calculated based on the straight-line method with zero residual value with the lease period deemed to be the useful life.

2. Operating leases
   - Obligations

Due within one year:	¥288 million
Due after one year:	¥86 million
Total:	¥374 million

(Additional Information)

1999

1. Enterprise tax had been included in the “Other expenses” until it was transferred to the “Provision for income taxes” in fiscal year ended in March 1999. This transfer does not affect operating loss or loss before income taxes.

2. For subsidiaries, associates and affiliates, the Bank adopted the provisions in the regulations on financial statements which were revised in line with Paragraph 2 of supplementary rules of the “Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of financial statements” (MOF Ordinance No. 135, 1998). This adoption does not affect net loss.

Capital Adequacy Ratio <Non-Consolidated> (Domestic Standard)

(In millions of yen)

Item			1998	1999
Tier Ⅰ	Capital		—	291,290
	incl. Non-cumulative perpetual preferred stock		—	55,500
	Newly issued stock		—	—
	Capital surplus		—	73,831
	Legal reserve		—	—
	Voluntary reserve		—	—
	Profit carried forward to next term		—	—
	Others		—	△465,208
	Goodwill (△)		—	—
	Total	(A)	416,988	△100,086
Tier Ⅱ	General reserve for possible loan losses		19,769	33,570
	Subordinated debt		365,749	285,999
	Total		385,518	319,570
	Tier Ⅱ capital qualifying as capital	(B)	385,518	—
Items deducted	Intentional holding for the purpose of supplying capital to other financial institutions.	(C)	—	—
Capital	(A)+(B)-(C)	(D)	802,507	△100,086
Risk-weighted assets	Balance-sheet exposure		9,090,198	5,053,853
	Off-balance-sheet exposure		634,688	317,465
	Total	(E)	9,724,886	5,371,319
Capital adequacy ratio (Domestic standard)	$= \frac{(D)}{(E)} \times 100$		8.25%	—%

Note:
The capital adequacy ratio has been calculated according to the formula stipulated in the MOF notice based on Article 14-2 of the Banking Law applied in the first half of Article 17 of the Long-Term Credit Bank Law. The Bank adopts the domestic standard.

Gross Profit, Business Profit (gyomu jun-eki)

(In millions of yen)

	1998			1999		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net interest income	124,348	93,929	30,419	36,375	10,668	25,707
Income	439,797	357,726	91,099	345,524	257,766	94,487
		(9,028)			(6,729)	
Expenses	315,449	263,797	60,680	309,148	247,098	68,780
			(9,028)			(6,729)
Net fees and commissions	17,594	16,724	870	1,922	1,384	538
Received	19,872	17,637	2,235	3,612	2,420	1,192
Paid	2,277	912	1,365	1,689	1,035	653
Net trading revenue	△1,211	△10,744	9,532	1,941	3,410	△1,469
Revenue	1,520	718	802	2,074	1,982	92
Expenses	2,732	11,463	△8,730	133	△1,428	1,561
Net other operating income	37,421	40,786	△3,364	△54,895	△3,337	△51,557
Income	69,122	52,325	16,797	49,162	35,140	14,022
Expenses	31,701	11,539	20,162	104,058	38,478	65,579
Gross business profit	178,152	140,695	37,457	△14,655	12,125	△26,781
Gross business profit ratio (%)	1.56	1.33	2.92	△0.14	0.12	△3.33
Business profit (gyomu jun-eki)	130,095			△345,023		

Notes:
1. Domestic operations cover yen-denominated transactions in domestic offices. International operations cover foreign-currency denominated transactions in domestic offices and transactions in overseas offices, also including yen-denominated transactions with non-residents and transactions through off-shore-accounts.
2. Interest expenses, expenses for fees and commissions and expenses for other operations are calculated by deducting the following, respectively: Interest expenses corresponding to money held in trust (¥7,009 million for the year ended March 31, 1998 and ¥2,577 million for the year 1999), commission for debenture redemption (¥257 million for the year ended March 31, 1998 and ¥26 million for the year 1999), and amortization of debenture issue costs (¥1,471 million for the year ended March 31, 1998 and ¥620 million for the year 1999).
3. Figures in parenthesis for interest income and interest expenses, respectively, indicate interests on debt/credit between domestic operations and international operations.
4. Gross business profit ratio = Gross business profit / Average balance of interest-earning assets x 100
5. Business profit has been calculated by deducting transfer to general reserve for loan losses, general and administrative expenses, commissions for debenture redemption, amortization of debenture issue costs, etc., from gross business profit.

Profit Ratio

(%)

Fiscal year	1998	1999
Net income-to-average total assets ratio	0.13	—
Net income-to-average stockholder's equity ratio	5.52	—

Note:
As regards the year ended March 31, 1999, no profit ratios are indicated because of the occurrence of net losses.

Net Interest Margin

(%)

	1998			1999		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Return on interest-earning assets	3.85	3.38	7.10	3.32	2.58	11.76
Cost of funds	3.51	3.17	5.71	3.80	3.23	9.22
Net interest margin	0.34	0.21	1.39	△0.48	△0.65	2.54

Average Balances of Interest-Earning and Bearing Accounts

(In millions of yen)

		1998			1999		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Interest-earning assets	**Average balance**	**11,410,112**	**(431,703) 10,559,090**	**1,282,725**	**10,395,202**	**(380,844) 9,972,833**	**803,213**
	Interest	**439,797**	**(9,028) 357,726**	**91,099**	**345,524**	**(6,729) 257,766**	**94,487**
	Yield (%)	**3.85**	**3.38**	**7.10**	**3.32**	**2.58**	**11.76**
Loans and bills discounted	Average balance	8,377,608	7,918,175	459,433	7,600,592	7,404,350	196,242
	Interest	200,396	173,474	26,921	128,376	118,320	10,055
	Yield (%)	2.39	2.19	5.85	1.68	1.59	5.12
Securities	Average balance	2,512,026	1,920,279	591,746	1,927,718	1,573,938	353,780
	Interest	64,835	30,451	34,384	32,852	19,732	13,120
	Yield (%)	2.58	1.58	5.81	1.70	1.25	3.70
Bills bought	Average balance	410	410	—	18,062	18,062	—
	Interest	1	1	—	58	58	—
	Yield (%)	0.46	0.46	—	0.32	0.32	—
Call loans	Average balance	226,552	189,506	37,045	480,329	479,965	364
	Interest	2,867	817	2,050	1,404	1,383	20
	Yield (%)	1.26	0.43	5.53	0.29	0.28	5.76
Due from banks	Average balance	188,876	10,938	177,937	244,399	7,558	236,840
	Interest	4,462	54	4,407	4,141	22	4,118
	Yield (%)	2.36	0.50	2.47	1.69	0.30	1.73
Interest-bearing liabilities	**Average balance**	**10,548,638**	**9,752,033**	**(431,703) 1,228,308**	**9,412,620**	**8,986,234**	**(380,844) 807,229**
	Interest	**315,449**	**263,797**	**(9,028) 60,680**	**309,148**	**247,098**	**(6,729) 68,780**
	Yield (%)	**2.99**	**2.70**	**4.94**	**3.28**	**2.74**	**8.52**
Debentures	Average balance	6,698,057	6,694,092	3,964	4,499,972	4,499,972	—
	Interest	166,661	166,399	262	111,212	111,212	—
	Yield (%)	2.48	2.48	6.60	2.47	2.47	—
Deposits	Average balance	1,632,969	1,208,941	424,028	1,924,867	1,790,249	134,618
	Interest	21,808	9,901	11,907	21,603	17,800	3,802
	Yield (%)	1.33	0.81	2.80	1.12	0.99	2.82
Certificates of deposit	Average balance	294,414	292,733	1,681	445,689	445,689	—
	Interest	2,292	2,186	105	3,715	3,715	—
	Yield (%)	0.77	0.74	6.28	0.83	0.83	—
Borrowings	Average balance	481,480	338,547	142,932	602,114	317,312	284,802
	Interest	16,382	10,381	6,000	18,234	6,403	11,831
	Yield (%)	3.40	3.06	4.19	3.02	2.01	4.15
Commercial paper	Average balance				8,844	8,844	—
	Interest				52	52	—
	Yield (%)				0.59	0.59	—
Bills sold	Average balance	229,686	229,686	—	323,778	323,778	—
	Interest	1,666	1,666	—	2,215	2,215	—
	Yield (%)	0.72	0.72	—	0.68	0.68	—
Call money	Average balance	799,627	664,110	135,516	1,359,049	1,359,021	28
	Interest	12,237	4,845	7,391	10,333	10,331	1
	Yield (%)	1.53	0.72	5.45	0.76	0.76	5.29

Notes:
1. Interest-earning assets are calculated by deducting the average balance of non-interest-bearing deposits. Interest-bearing liabilities accounts are calculated by deducting the average balance and interest of the amount corresponding to money held in trust.
2. Figures in parenthesis indicate the average balance and interest (inserted) of debt/credit between domestic operations and international operations.
3. The average balance of foreign-currency denominated transactions in domestic offices in international operations has been calculated according to the daily current method, in which the middle price of the current day is applied to non-exchange transactions of the day.

Analysis of Interest Income and Interest Expenses

(In millions of yen)

		1998 Total	1998 Domestic operations	1998 International operations	1999 Total	1999 Domestic operations	1999 International operations
Interest income	**Change due to balance**	**△194,577**	**△84,597**	**△249,522**	**△39,074**	**△19,809**	**△34,045**
	Change due to interest rate	**△307,333**	**△21,586**	**△160,990**	**△55,199**	**△80,147**	**37,432**
	Net change	**△501,910**	**△106,183**	**△410,512**	**△94,273**	**△99,956**	**3,387**
Loans and bills discounted	Change due to balance	△49,357	△26,755	△37,679	△18,570	△11,252	△15,396
	Change due to interest rate	△58,759	△42,301	△1,380	△53,449	△43,901	△1,470
	Net change	△108,116	△69,056	△39,059	△72,019	△55,153	△16,866
Securities	Change due to balance	△27,821	△16,355	△9,880	△15,075	△5,472	△13,825
	Change due to interest rate	△9,113	△10,139	△559	△16,908	△5,247	△7,438
	Net change	△36,934	△26,494	△10,439	△31,983	△10,719	△21,263
Bills bought	Change due to balance	△24	△24	—	81	81	—
	Change due to interest rate	△0	△0	—	△25	△25	—
	Net change	△24	△24	—	56	56	—
Call loans	Change due to balance	△1,251	421	△6,381	3,197	1,248	△2,028
	Change due to interest rate	△4,746	△130	93	△4,660	△683	△1
	Net change	△5,997	291	△6,288	△1,463	565	△2,029
Due from banks	Change due to balance	△14,322	△255	△14,028	1,310	△16	1,454
	Change due to interest rate	△2,525	△55	△2,508	△1,631	△15	△1,745
	Net change	△16,847	△310	△16,536	△321	△31	△289
Interest expenses	**Change due to balance**	**△179,036**	**△76,310**	**△220,738**	**△33,966**	**△20,676**	**△20,793**
	Change due to interest rate	**△292,042**	**△34,734**	**△154,082**	**27,666**	**3,978**	**28,895**
	Net change	**△471,078**	**△111,044**	**△374,820**	**△6,300**	**△16,698**	**8,102**
Debentures	Change due to balance	△69,000	△69,001	1	△54,512	△54,414	△261
	Change due to interest rate	△8,412	△8,410	△2	△937	△773	△1
	Net change	△77,412	△77,411	△1	△55,449	△55,187	△262
Deposits	Change due to balance	△24,782	△2,325	△32,413	3,882	4,708	△8,103
	Change due to interest rate	△15,743	2,983	△8,771	△4,087	3,191	△1
	Net change	△40,525	658	△41,184	△205	7,899	△8,104
Certificates of deposit	Change due to balance	△5,330	△3,388	△2,741	1,164	1,131	△105
	Change due to interest rate	△436	363	0	259	397	△0
	Net change	△5,766	△3,025	△2,741	1,423	1,528	△105
Borrowings	Change due to balance	△1,766	△2,935	1,539	4,101	△649	5,944
	Change due to interest rate	△2,727	△2,428	△670	△2,249	△3,328	△114
	Net change	△4,493	△5,363	869	1,852	△3,977	5,830
Commercial paper	Change due to balance				—	—	—
	Change due to interest rate				52	52	—
	Net change				52	52	—
Bills sold	Change due to balance	388	388	—	677	677	—
	Change due to interest rate	468	468	—	△129	△129	—
	Net change	856	856	—	548	548	—
Call money	Change due to balance	16,360	3,301	△12,414	8,559	5,003	△7,384
	Change due to interest rate	△24,259	1,124	89	△10,463	482	△6
	Net change	△7,899	4,425	△12,325	△1,904	5,485	△7,390

Note:
Where the factor of change concerns both balance and interest rate, the factor has been included in the change due to interest rate.

Fees and Commissions

(In millions of yen)

	1998			1999			Change		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net fees and Commissions	17,594	16,724	870	1,922	1,384	538	△15,672	△15,340	△332
Fees and commissions recieved	19,872	17,637	2,235	3,612	2,420	1,192	△16,260	△15,217	△1,043
Bonds, deposits, loans	16,972	16,497	474	1,070	906	163	△15,902	△15,591	△311
Exchange	394	97	297	149	78	70	△245	△19	△227
Securities-related	753	619	134	753	697	55	0	78	△79
Agency	213	194	19	137	132	5	△76	△62	△14
Custody services	14	14	—	16	16	—	2	2	—
Guarantees	517	80	437	402	99	303	△115	19	△134
Others	1,005	133	872	1,088	492	596	83	359	△276
Fees and commissions paid	2,277	912	1,365	1,689	1,035	653	△588	123	△712
Exchange	253	27	225	44	22	21	△209	△5	△204
Others	2,024	884	1,139	1,645	1,013	632	△379	129	△507

Other Operating Income and Expenses

(In millions of yen)

	1998			1999			Change		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net other operating income	37,421	40,786	△3,364	△54,895	△3,337	△51,557	△92,316	△44,123	△48,193
Foreign exchange transactions	16	—	16	△1,245	—	△1,245	△1,261	—	△1,261
Bond operations	15,582	22,479	△6,896	△44,859	△6,041	△38,817	△60,441	△28,520	△31,921
Others	21,822	18,306	3,515	△8,790	2,703	△11,494	△30,612	△15,603	△15,009

General and Administrative Expenses

(In millions of yen)

	1998	1999
Remunerations, allowances	16,854	16,294
Retirement allowances	153	776
Transfer to reserve for retirement allowances	981	894
Welfare expenses	743	740
Depreciation expenses	4,764	3,347
Leasing fees for land, buildings and machinery	10,457	9,259
Maintenance expenses	193	282
Expenses for consumable goods	679	594
Utility expenses	795	735
Travel expenses	498	355
Communication expenses	841	708
Publicity expenses	1,868	1,704
Taxes and public charges	2,120	1,820
Other	13,159	12,221
Total	54,110	49,735

Employees

	1997				1998				1999			
	Number of employees	Average age	Average years of employment	Average monthly salary	Number of employees	Average age	Average years of employment	Average monthly salary	Number of employees	Average age	Average years of employment	Average monthly salary
Male	1,567	37 years and 2 months	13 years and 3 months		1,466	37 years and 10 months	14 years and 1 months		1,338	38 years and 4 months	14 years and 6 months	
Female	959	28 years and 10 months	8 years and 5 months		824	29 years and 11 months	9 years and 7 months		712	31 years and 2 months	10 years and 10 months	
Total or average	2,526	34 years and 0 months	11 years and 5 months	¥446,976	2,290	35 years and 0 months	12 years and 5 months	¥411,398	2,050	35 years and 10 months	13 years and 3 months	¥443,336

Notes:
1. Number of employees does not include non-regular staff, part-timers or overseas local employees (351 in March 1997, 60 in March 1998 and 65 in March 1999).
2. Average monthly salary includes overtime allowances for March and excludes bonuses.
3. Increases in average monthly salary are due to the suspension of new employment, changes of personnel structure accompanying increased retirement among young employees and other factors.

Market Value Information on Securities

(In millions of yen)

Fiscal year	1998			1999				
	Book value	Market value	Net unrealized profit	Book value	Market value	Net unrealized profit	Unrealized profit	Unrealized loss
Investment securities								
Bonds	304,088	306,019	1,930	25,640	26,050	409	419	10
Stocks	623,289	514,927	△108,361	402,006	409,625	7,618	7,705	86
(incl. treasury stock)	(0)	(0)	(△0)	(—)	(—)	(—)	(—)	(—)
Others	249,868	216,413	△33,454	222,291	229,551	7,260	7,280	20
Total	1,177,246	1,037,361	△139,885	649,938	665,226	15,288	15,406	117

Notes:
1. Securities provided in the table refer to listed securities (bonds are composed of national government, local government and corporate bonds). The market value is mostly based on the closing price at the Tokyo Stock Exchange. The market value of listed bonds for the fiscal year ended in March 1999 is based on the closing price at the Tokyo Stock Exchange or the price calculated with the yield on issues listed in the over-the-counter bond (standard) quotation table released by the Japan Securities Dealers Association.
2. The following table shows the estimated market values of unlisted securities which can be evaluated by market value.

(In millions of yen)

Fiscal year	1998			1999				
	Book value	Market value	Net unrealized profit	Book value	Market value	Net unrealized profit	Unrealized profit	Unrealized loss
Investment securities								
Bonds	380,013	384,578	4,565	144,969	144,371	△598	1,446	2,044
Stocks	20,038	14,412	△5,625	8,656	9,665	1,009	2,206	1,197
Others	105,242	62,027	△43,215	27,088	26,296	△792	226	1,019
Total	505,294	461,018	△44,275	180,714	180,333	△381	3,879	4,260

The market value of OTC securities is based on executed prices reported by the Japan Securities Dealers Association. For public securities, the market value is calculated using the yield on issues listed in the over-the-counter bond (standard) quotation table released by the Japan Securities Dealers Association. For securities investment trust certificates, the standard price is used. The market value of US OTC securities is mainly based on executed prices publicized by NASDAQ.

3. The “Bonds,” “Stocks,” and “Others” categories used in this table and Note 2 above correspond to those on the balance sheets.
4. The “Others” category in this table is composed mainly of securities lent and foreign bonds. The “Others” category in Note 2 above comprises securities investment trust certificates and foreign bonds.
5. The following table shows the book value of securities which are excluded from the tables above.

(In millions of yen)

	Fiscal year	1998	1999
Investment securities	Unlisted public bonds with maturity within 1 year	28,806	113,056
	Unlisted domestic bonds excluding public bonds	52,919	68,606
	Unlisted bonds excluding domestic bonds	192,785	67,980
	Unlisted stocks in affiliated companies	27,104	26,539

6. Trading securities posted in the trading account were assessed at market value, and unrealized profit and loss was posted on the statements of income (loss). These securities are not included in this table.

Market Value Information on Money Held in Trust

(In millions of yen)

Fiscal year	1998					1999				
	Book value	Market value	Net unrealized profit	Unrealized profit	Unrealized loss	Book value	Market value	Net unrealized profit	Unrealized profit	Unrealized loss
Money held in trust	72,622	73,156	533	1,172	638	12,754	12,789	34	34	—

Notes: The market value of money held in trust is based on the reasonable price calculated by trustees.

1. The market value of listed securities is based on the closing price at the Tokyo Stock Exchange or the price calculated with the yield on issues listed in the over-the-counter bond (standard) quotation table released by the Japan Securities Dealers Association.
2. The market value of OTC stock is based on executed prices reported by the Japan Securities Dealers Association.

Derivatives

1. Conditions

Fiscal Year ended March 1999 (April 1, 1998 - March 31, 1999)

(1) Details of transactions

Derivatives involve interest rate-related transactions (such as interest rate futures, interest rate options, and interest rate swaps), currency related transactions (such as currency swaps, foreign exchange forward contracts and currency options), and stock and bond-related futures and options.

(2) Policy and purpose

Derivatives are important parts of business operations. The Bank has been using derivatives actively, while controlling the various risks of derivative, such as market risk and credit risk.

The purpose of derivatives is to offer clients products to hedge market risks such as interest rate risk and foreign exchange risk and to take the Bank's own trading position by exploiting short-term fluctuations and differences among markets in interest rates, foreign exchange rates, securities prices and other factors. In order to stabilize and maximize the earnings, the Bank also uses derivatives in ALM operations, maintaining interest rate risk and other risks of on-balance-sheet assets and liabilities at an appropriate level.

(3) Risks and risk management system

The two most significant derivatives-related risks are market risk and credit risk. Market risk can cause loss due to the volatility of markets such as interest rates and foreign exchange. Credit risk occurs when the other parties to a transaction fail to fulfill their obligations under a contract.

It is the Bank's policy to conduct comprehensive control of market risk and credit risk for on-balance-sheet and off-balance-sheet transactions, thereby maintaining a proper balance between risk and profitability.

The risk management procedures are fully documented internally. Each business department conducts business operations and risk management in accordance with such procedures. Independently of business departments, the Risk Management Division monitors market risk and credit risk resulting from market transactions including derivatives, and submits regular reports to the management. For market risk, the maximum estimated loss is calculated on a daily basis using the value-at-risk method and the result is monitored whether it is within specified limits. If an actual loss exceeds a maximum estimate, causal analysis is conducted. During the 247 business days from April 1998 to March 1999, the actual value-at-risk figure in trading operations at the head office was ¥400 million at the maximum and ¥100 million at the minimum, with an average of ¥200 million.

As to credit risk, the exposure is calculated by the current exposure method, the sum of the replacement cost and the potential cost in connection with expected changes in market conditions, and is controlled together with credit risk related to on-balance-sheet transactions such as lending. These risks are managed in line with internal regulations.

Non-consolidated credit risk at the end of March 1999 based on the risk-weighted capital ratio (domestic standards) stood at ¥221,400 million.

(4) Market-value assessment

OTC derivatives in the trading account are assessed for market values according to internal rules which were established in line with Article 16 (8) of the Long-Term Credit Bank Law Enforcement Regulations.

2. Market Value of Transactions

(1) Interest rate related transactions

(In millions of yen)

	Type			1998 Contract amount	1998 incl. Over 1 year	1998 Market value	1998 Net unrealized profit	1999 Contract amount	1999 incl. Over 1 year	1999 Market value	1999 Net unrealized profit
Exchanges	Interest rate futures	Sell		1,368,666	—	1,368,327	339	916,798	—	918,593	△1,794
		Buy		1,712,905	—	1,712,567	△338	944,607	19,997	947,086	2,479
	Interest rate options	Sell	Call	26,420	—	0	1	—	—	—	—
				(1)				(—)			
			Put	52,840	—	16	—	—	—	—	—
				(16)				(—)			
		Buy	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
OTC	Forward rate agreements	Sell		—	—	—	—	—	—	—	—
		Buy		—	—	—	—	—	—	—	—
	Interest rate swaps	Rec:Fix Pay:Flt		4,600,167	3,515,061	112,089	112,089	2,610,682	2,057,331	93,275	93,275
		Rec:Flt Pay:Fix		3,155,072	2,117,719	△101,873	△101,873	3,564,409	2,486,401	△72,767	△72,767
		Rec:Flt Pay:Flt		116,427	115,027	724	724	114,928	63,075	△15	△15
	Interest rate options	Sell	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
		Buy	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
	Interest swaption	Sell		385,310	100,000	8,213	△4,927	100,000	—	7,606	△6,456
				(3,285)				(1,150)			
		Buy		150,000	100,000	195	△1,504	100,000	—	0	△1,149
				(1,700)				(1,150)			
	Cap	Sell		2,917	1,000	0	8	1,000	—	0	1
				(8)				(1)			
		Buy		3,439	898	0	△33	726	—	0	△11
				(34)				(11)			
	Floor	Sell		—	—	—	—	—	—	—	—
				(—)				(—)			
		Buy		718	198	2	0	119	112	1	0
				(1)				(0)			
	Other	Sell		—	—	—	—	—	—	—	—
				(—)				(—)			
		Buy		—	—	—	—	—	—	—	—
				(—)				(—)			
Total							4,485				13,562

Notes:
1. As regards exchange transactions, the closing prices at the Tokyo International Financial Futures Exchange, etc., are listed. OTC transactions are evaluated by net present value, option pricing model, etc.
2. Figures in parenthesis denote option fees accounted for in the balance sheets.
3. As regards to interest rate swaps, the amounts corresponding to accrued interest, which are accounted for in the statements of income (loss) as income (loss) for the term, are included as follows: ¥7,289 million for the year ended March 31, 1998, and ¥2,420 million for the year ended March 31, 1999.

4. Derivatives included in trading transactions are evaluated at market values, the profit (loss) of which is accounted for in the statements of income (loss). Therefore, these transactions are excluded from the previous table.
Amount, etc. of derivatives included in trading transactions are as follows:

(In millions of yen)

	Type			1998 Contract amount	1998 Market value	1999 Contract amount	1999 Market value
Exchanges	Interest rate futures	Sell		1,795,963	1,796,553	281,401	281,928
		Buy		1,774,806	1,775,420	289,201	289,681
	Interest rate options	Sell	Call	137,395	6	—	—
				(2)		(—)	
			Put	26,420	13	—	—
				(3)		(—)	
		Buy	Call	110,975	16	—	—
				(—)		(—)	
			Put	—	—	—	—
				(—)		(—)	
OTC	Forward rate agreements	Sell		220	54	70,000	8
		Buy		220	△54	70,000	△8
	Interest rate swaps	Rec:Fix Pay:Flt		20,806,261	604,060	22,098,764	533,849
		Rec:Flt Pay:Fix		20,850,821	△604,301	22,107,664	△534,796
		Rec:Flt Pay:Flt		159,640	△0	95,309	△0
	Interest rate options	Sell	Call	—	—	—	—
				(—)		(—)	
			Put	—	—	—	—
				(—)		(—)	
		Buy	Call	—	—	—	—
				(—)		(—)	
			Put	—	—	—	—
				(—)		(—)	
	Interest swaption	Sell		887,800	14,961	332,000	11,396
				(8,537)		(3,849)	
		Buy		887,800	14,955	332,000	11,388
				(8,537)		(3,849)	
	Cap	Sell		1,225,126	886	966,904	2,238
				(27,159)		(19,705)	
		Buy		1,225,126	882	966,904	2,234
				(27,174)		(19,705)	
	Floor	Sell		73,633	2,009	58,899	1,891
				(1,162)		(1,111)	
		Buy		73,633	2,006	58,899	1,887
				(1,162)		(1,111)	

Note:
Figures in parenthesis denote the initial call/put option fees concerning contract amounts, etc.

(2) Currency-related transactions

(In millions of yen)

	Type		1998				1999			
			Contract amount	incl. Over 1 year	Market value	Net unrealized profit	Contract amount	incl. Over 1 year	Market value	Net unrealized profit
OTC	Currency swaps		484,254	387,247	3,582	3,582	366,034	323,706	4,937	4,937
		incl. US dollars	415,910	362,656	3,599	3,599	335,560	313,454	4,835	4,835
		incl. Others	68,344	24,591	△17	△17	30,473	10,252	102	102

Notes:

1. Market values have been computed from net present values.
2. As regards currency swaps, the amounts corresponding to accrued interest, which is accounted for in the statements of income (loss) as profit (loss) for the term, are included as follows: △ ¥3,442 million for the year ended March 31, 1998, and △ ¥2,325 million for the year ended March 31, 1999.
3. Derivatives included in trading transactions are based on market value, the profit (loss) of which is accounted for in the statements of income (loss). Therefore, these transactions are excluded from the above table.
   Amounts, etc. of derivatives included in trading transactions are as follows:

(In millions of yen)

	Type		1998		1999	
			Contract amount	Market value	Contract amount	Market value
OTC	Currency swaps		1,498,292	9	1,342,735	0
		incl. US dollars	1,314,526	2,780	1,235,892	3,127
		incl. Others	183,765	△2,770	106,842	△3,126

4. Forward foreign exchange contracts, currency options, etc., have been marked to market at the fiscal year end, the profit (loss) of which is accounted for in the statements of income (loss). Therefore, these transactions are excluded from the above table.
   Contract amounts, etc. of currency-related derivatives subject to be marked to market are as follows:

(In millions of yen)

	Type			1998	1999
				Contract amount	Contract amount
Exchanges	Currency futures	Sell		—	—
		Buy		—	—
	Currency options	Sell	Call	—	—
				(—)	(—)
			Put	—	—
				(—)	(—)
		Buy	Call	—	—
				(—)	(—)
			Put	—	—
				(—)	(—)
OTC	Forward foreign exchange	Sell		205,391	140,912
		Buy		146,529	95,337
	Currency options	Sell	Call	351	—
				(23)	(—)
			Put	—	—
				(—)	(—)
		Buy	Call	—	—
				(—)	(—)
			Put	—	—
				(—)	(—)
	Others	Sell		—	—
		Buy		—	—

Note:

Figures in parenthesis denote option fees accounted for in the balance sheets.

(3) Stock-related transactions

(In millions of yen)

	Type			1998				1999			
				Contract amount	incl. Over 1 year	Market value	Net unrealized profit	Contract amount	incl. Over 1 year	Market value	Net unrealized profit
Exchanges	Stock index futures	Sell		—	—	—	—	—	—	—	—
		Buy		—	—	—	—	—	—	—	—
	Stock index options	Sell	Call	—	—			—	—	—	—
				(—)		—	—	(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
		Buy	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
OTC	OTC stock options	Sell	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
		Buy	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	130,789	130,789			130,789	—	78,127	12,566
				(65,560)				(65,560)			
	Others	Sell		—	—	—	—	—	—	—	—
		Buy		—	—	—	—	—	—	—	—
Total							—				12,566

Notes:

1. Calculation of market value:
   Market values of OTC transactions have been computed according to prices supplied by contracted securities companies concerning the relevant transactions.
2. Figures in parenthesis denote option fees accounted for in the balance sheets.
3. Among the listed stocks held as of March 31, 1998, the market values of OTC put options (¥68,130 million) bought to hedge the price decline of particular stocks have been added to the market values of listed stocks shown on page 31 (Market Value Information on Securities).

(4) Bond-related transactions

(In millions of yen)

	Type			1998 Contract amount	1998 incl. Over 1 year	1998 Market value	1998 Net unrealized profit	1999 Contract amount	1999 incl. Over 1 year	1999 Market value	1999 Net unrealized profit
Exchanges	Bond futures	Sell		345,089	—	346,278	△1,189	—	—	—	—
		Buy		285,704	—	286,396	692	—	—	—	—
	Bond futures options	Sell	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
		Buy	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
OTC	OTC bond options	Sell	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
		Buy	Call	—	—	—	—	—	—	—	—
				(—)				(—)			
			Put	—	—	—	—	—	—	—	—
				(—)				(—)			
	Others	Sell		—	—	—	—	—	—	—	—
		Buy		—	—	—	—	—	—	—	—
Total							△497				—

Notes:
1. Calculation of market value:
   Market values of exchange transactions have been computed according to closing prices at the Tokyo Stock Exchange, etc.
2. Figures in parenthesis denote option fees accounted for in the balance sheets.
3. Derivatives included in trading transactions are marked to market, the profit (loss) at which is accounted for in the statements of income (loss) . Therefore, these transactions are excluded from the above table.
   Amounts, etc. of derivatives included in trading transactions are as follows:

(In millions of yen)

	Type			1998 Contract amount	1998 Market value	1999 Contract amount	1999 Market value
Exchanges	Bond futures	Sell		27,979	27,936	3,948	3,950
		Buy		18,370	18,332	4,494	4,509
	Bond futures options	Sell	Call	23,000	93	3,000	25
				(94)		(20)	
			Put	10,000	40	3,000	15
				(42)		(17)	
		Buy	Call	—	—	—	—
				(—)		(—)	
			Put	4,000	33	—	—
				(30)		(—)	
OTC	OTC bond options	Sell	Call	—	—	—	—
				(—)		(—)	
			Put	—	—	—	—
				(—)		(—)	
		Buy	Call	3,000	5	—	—
				(8)		(—)	
			Put	—	—	—	—
				(—)		(—)	
	Others	Sell		—	—	—	—
		Buy		—	—	—	—

Note:
Figures in parenthesis denote initial call/put option fees concerning contract amounts, etc.

(5) Commodity-related transactions

Non applicable.

Debenture Operations

Outstanding Balance and Average Balance of Debentures

(In millions of yen)

	1998		1999	
	Term-end balance	Average balance	Term-end balance	Average balance
Nippon Credit debentures	4,616,333	5,371,786	3,803,743	3,991,773
Discounted Nippon Credit debentures	729,840	1,326,270	391,482	508,199
Total	5,346,174	6,698,057	4,195,225	4,499,972

Notes:
1. Debentures do not include debenture subscriptions.
2. Nippon Credit debentures include “Nippon Credit debentures (interest paid in lump sum),” foreign-currency denominated Nippon Credit debentures, and convertible bonds.

Balance by Residual Period

(In millions of yen)

	1998			1999		
	Total	Nippon Credit debentures	Discounted Nippon Credit debentures	Total	Nippon Credit debentures	Discounted Nippon Credit debentures
Less than 1 year	2,536,571	1,806,730	729,840	2,363,473	1,971,991	391,482
1 - 3 years	2,023,391	2,023,391		1,702,885	1,702,885	
3 - 5 years	786,211	786,211		128,867	128,867	
5 - 7 years	—	—		—	—	
Over 7 years	—	—		—	—	
Total	5,346,174	4,616,333	729,840	4,195,225	3,803,743	391,482

Note:
Nippon Credit debentures include “Nippon Credit debentures (interest paid in lump sum),” foreign-currency denominated Nippon Credit debentures, and convertible bonds.

Outstanding Balance of Issued Debentures per Office

(In number of offices, and millions of yen)

	1998			1999		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of operating offices	19	18	1	19	18	1
Outstanding balance of debentures per office	281,377	297,009	—	220,801	233,068	—

Outstanding Balance of Issued Debentures per Employee

(In number of employees, and millions of yen)

	1998			1999		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	2,057	2,056	1	1,782	1,781	1
Outstanding balance of debentures per employee	2,599	2,600	—	2,354	2,355	—

Note:
Number of employees represents through-term average number of employees. Number of employees in domestic offices includes the head-office.

Balance of Workers' Property Accumulation Savings

(In millions of yen, and in number of accounts)

	1998		1999	
	Balance	Number of accounts	Balance	Number of accounts
Workers' property accumulation savings ("zaikei")	52,529	24,929	49,165	22, 521
Zaikei pension savings	7,827	3,936	7,534	3,661
Total	60,356	28,865	56,699	26,182

Deposit Operations

Balance by Deposit Accounts

(In millions of yen)

			1998			1999		
			Total	Domestic operations	International operations	Total	Domestic operations	International operations
Deposits	Liquid deposits	Average balance (%)	274,693	274,509	183	229,788	229,788	—
			(16.82)	(22.71)	(0.04)	(11.94)	(12.84)	—
		Term-end balance (%)	442,430	442,430	—	204,486	204,486	—
			(24.50)	(28.49)	—	(10.85)	(11.27)	—
	incl. Interest bearing deposits	Average balance (%)	239,212	239,096	116	206,414	206,414	—
			(14.65)	(19.78)	(0.03)	(10.72)	(11.53)	—
		Term-end balance (%)	382,817	382,817	—	155,887	155,887	—
			(16.77)	(19.50)	—	(8.27)	(8.59)	—
	Time deposits	Average balance (%)	992,609	931,904	60,704	1,595,366	1,558,650	36,716
			(60.79)	(77.08)	(14.32)	(82.88)	(87.06)	(27.27)
		Term-end balance (%)	1,147,530	1,102,411	45,118	1,641,601	1,606,639	34,962
			(63.55)	(71.00)	(17.83)	(87.13)	(88.57)	(49.90)
	incl. Fixed free interest time deposits	Average balance (%)	912,716	912,716		1,497,558	1,497,558	
			(55.89)	(75.50)		(77.80)	(83.65)	
		Term-end balance (%)	1,095,418	1,095,418		1,535,846	1,535,846	
			(60.66)	(60.66)		(81.52)	(84.67)	
	incl. Variable free interest time deposits	Average balance (%)	19,188	19,188		61,091	61,091	
			(1.18)	(1.58)		(3.17)	(3.41)	
		Term-end balance (%)	6,993	6,993		70,793	70,793	
			(0.39)	(0.45)		(3.76)	(3.90)	
	Others	Average balance (%)	365,666	2,527	363,139	99,713	1,811	97,902
			(22.39)	(0.21)	(85.64)	(5.18)	(0.10)	(72.73)
		Term-end balance (%)	215,846	7,967	207,879	37,985	2,885	35,100
			(11.95)	(0.51)	(82.17)	(2.02)	(0.16)	(50.10)
	Total	Average balance (%)	1,632,969	1,208,941	424,028	1,924,867	1,790,249	134,618
			(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
		Term-end balance (%)	1,805,807	1,552,809	252,997	1,884,073	1,814,011	70,062
			(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Certificates of deposit		Average balance	294,414	292,733	1,681	445,689	445,689	—
		Term-end balance	329,890	329,890	—	611,280	611,280	—
Total		Average balance	1,927,384	1,501,674	425,709	2,370,557	2,235,938	134,618
		Term-end balance	2,135,697	1,882,699	252,997	2,495,353	2,425,291	70,062

Notes:

1. Time deposits (in general) = Time deposits
   Fixed free interest time deposits = Deregulated interest time deposits for which the interest up to the due date is determined when the deposits are made.
   Variable free interest time deposits = Deregulated interest time deposits for which the interest varies according to changes in market interest rates during the period of deposit.
2. Liquid deposits = Deposits at notice + Ordinary deposits + Current deposits
3. Average balance of domestic offices' foreign-currency denominated transactions in the international operations sector has been computed by the daily current method.

Balance of Time Deposits by Residual Period

(In millions of yen)

	1998			1999		
	Total	Fixed free interest	Variable free interest	Total	Fixed free interest	Variable free interest
Less than 3 months	878,265	864,733	3,450	900,725	896,327	3,363
3 - 6 months	97,217	96,417	800	231,777	230,777	1,000
6 months - 1 year	102,615	101,372	1,243	339,453	339,453	0
1- 2 years	23,036	22,036	1,000	32,171	32,171	—
2 - 3 years	10,401	9,901	500	101,168	34,738	66,430
More than 3 years	35,992	956	—	36,305	2,377	—
Total	1,147,530	1,095,418	6,993	1,641,601	1,535,846	70,793

Outstanding Balance by Depositor

(In millions of yen, %)

	1998		1999	
	Balance	Share	Balance	Share
Corporations	984,429	59.7	755,947	41.5
Individuals	161,167	9.8	568,886	31.2
Public sector	103,022	6.2	44,565	2.4
Financial institutions	400,018	24.3	454,784	24.9
Total	1,648,638	100.0	1,824,183	100.0

Note:
The above balance does not include certificates of deposit, deposits at overseas offices and specific international financial transaction accounts

Outstanding Balance per Office

(In number of offices, and millions of yen)

	1998			1999		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of operating offices	19	18	1	19	18	1
Deposits per office	112,405	116,532	38,118	131,334	136,688	34,962

Outstanding Balance per Employee

(In number of employees, and millions of yen)

	1998			1999		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	2,057	2,056	1	1,782	1,781	1
Deposits per employee	1,038	1,020	38,118	1,400	1,381	34,962

Notes:
1. The above amounts of deposits include certificates of deposit.
2. Number of employees represents through-term average number of employees. Number of employees in domestic offices includes the head-office.

Loan Operations

Outstanding Balance of Loans

(In millions of yen)

		1998			1999		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans on deeds	Average balance	5,082,193	4,675,516	406,677	4,050,273	3,886,943	163,329
	Term-end balance	4,375,347	4,176,111	199,235	3,581,685	3,456,167	125,518
Loans on notes	Average balance	3,206,142	3,153,386	52,756	3,507,647	3,474,734	32,912
	Term-end balance	3,352,926	3,307,927	44,998	3,576,741	3,554,281	22,459
Overdrafts	Average balance	82,257	82,257	—	35,624	35,624	—
	Term-end balance	47,150	47,150	—	43,968	43,968	—
Bills discounted	Average balance	7,014	7,014	—	7,047	7,047	—
	Term-end balance	6,406	6,406	—	6,688	6,688	—
Total	Average balance	8,377,608	7,918,175	459,433	7,600,592	7,404,350	196,242
	Term-end balance	7,781,830	7,537,595	244,234	7,209,084	7,061,106	147,977

Note:
Average balance of domestic offices' foreign-currency denominated transactions in the international operations sector has been computed by the daily current method.

Balance by Residual Period

(In millions of yen)

	1998			1999		
	Total	Fixed interest	Variable interest	Total	Fixed interest	Variable interest
Less than 1 year	4,455,138			4,625,269		
1 - 3 years	1,132,241	982,839	149,402	1,076,193	961,751	114,442
3 - 5 years	1,198,800	1,105,919	92,881	838,484	762,435	76,048
5 - 7 years	244,934	197,273	47,660	210,962	167,103	43,858
Over 7 years	703,564	444,706	258,857	414,204	375,283	38,921
Indefinite period	47,150	—	47,150	43,968	—	43,968
Total	7,781,830			7,209,084		

Note:
No distinction has been made between fixed interest and variable interest, as regards loans with a residual period of less than 1 year.

Proportional Ratio of Loans Against Debentures and Deposits

(In millions of yen, %)

	1998			1999		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans (A)	7,781,830	7,537,595	244,234	7,209,084	7,061,106	147,977
Debentures and deposits (B)	7,481,871	7,228,874	252,997	6,690,579	6,620,517	70,062
(A) / (B)	104.00	104.27	96.53	107.74	106.65	211.20
Through-term average	97.12	96.61	106.92	110.62	109.92	145.77

Notes:
1. Debentures do not include debenture subscriptions.
2. Deposits include certificates of deposit.

Loans to Small/Medium-Size Companies

(In number of borrowers, millions of yen, %)

	1998		1999	
	Number of borrowers	Amount	Number of borrowers	Amount
Total loans balance (A)	11,239	7,678,561	9,418	7,159,435
Balance of loans to small/medium-size companies (B)	9,949	4,709,306	8,263	4,445,457
(B)／(A)	88.52	61.33	87.73	62.09

Notes:
1. Balance of loans in the above table does not include deposits at overseas offices and specific international financial transaction accounts.
2. Small/medium-size companies refer to corporations whose capital is less than ¥100 million (less than ¥30 million for wholesalers, and less than ¥10 million for retailers, food-and-beverage stores and service companies), or the corporations / individuals whose ordinary employees total less than 300 (less than 100 for wholesalers and less than 50 for retailers, food-and-beverage stores and service companies).

Breakdown of Loans by Industry

(In number of borrowers, millions of yen, %)

Industry	1998			1999		
	Number of borrowers	Balance of loans	Share	Number of borrowers	Balance of loans	Share
Loans from domestic offices (excluding special international financial transactions accounts)	11,239	7,678,561	100.00	9,418	7,159,435	100.00
Manufacturing industries	761	573,264	7.47	638	553,399	7.73
Food processing	65	15,813	0.20	57	13,874	0.19
Textiles	33	94,072	1.23	29	87,126	1.22
Timber & timber products	12	5,440	0.07	9	4,469	0.06
Pulp, paper, paper-processed products	52	90,644	1.18	47	100,065	1.40
Publishing, printing & related industries	38	5,560	0.07	26	4,843	0.07
Chemical industries	86	58,094	0.76	79	51,895	0.72
Oil refining	11	35,302	0.46	11	30,118	0.42
Ceramic & earth-related	47	37,344	0.49	35	31,941	0.45
Iron and steel	39	62,556	0.81	33	71,615	1.00
Non-ferrous metals	35	21,899	0.29	31	19,760	0.27
Metal products	40	18,258	0.24	32	17,888	0.25
Machinery	60	19,848	0.26	48	21,933	0.31
Electric machinery & appliances	93	43,816	0.57	76	42,097	0.59
Transport machinery & appliances	55	31,090	0.40	47	25,503	0.36
Precision machinery & appliances	23	7,556	0.10	20	9,147	0.13
Others	72	25,963	0.34	58	21,117	0.29
Agriculture, forestry & fisheries	14	5,533	0.07	12	4,758	0.07
Mining	25	12,350	0.16	20	10,698	0.15
Construction	190	285,310	3.71	157	292,204	4.08
Financial & insurance industries	266	2,011,491	26.20	231	1,608,099	22.46
Wholesaling & retailing	607	345,968	4.51	494	331,348	4.63
Real estate	689	2,464,699	32.10	637	2,574,741	35.96
Transport & telecommunications	217	227,312	2.96	199	196,355	2.74
Electricity, gas, heat supply, water	30	47,359	0.62	27	44,093	0.62
Services	840	1,540,491	20.06	744	1,417,845	19.80
Local public institutions	2	79	0.00	2	58	0.00
Individuals	7,521	54,879	0.71	6,197	50,716	0.71
Overseas yen loans implemented by domestic offices	77	109,820	1.43	60	75,116	1.05
Loans from overseas offices, and special international financial transactions accounts	97	103,268	100.00	73	49,648	100.00
Governments, etc.	2	3,054	2.96	2	3,032	6.11
Financial institutions	13	6,957	6.74	9	4,162	8.38
Commerce & industries	82	93,256	90.30	62	42,453	85.51
Others	—	—	—	—	—	—
Total	11,336	7,781,830		9,491	7,209,084	

Balance of Loans by Purpose of Use

(In millions of yen, %)

	1998		1999	
	Balance	Share	Balance	Share
Capital investment	1,584,205	20.36	1,351,300	18.74
Working capital	6,197,624	79.64	5,857,783	81.26
Total	7,781,830	100.00	7,209,084	100.00

Breakdown of Customers' Liabilities for Acceptances and Guarantees

(In millions of yen)

	1998	1999
Bills accepted	0	—
Letters of credit	1,130	—
Guarantees	428,346	318,408
Total	429,477	318,408

Breakdown of Loans by Collateral

(In millions of yen)

	1998	1999
Securities	98,291	91,852
Claims	1,873,564	1,686,883
Merchandise	21,569	21,513
Land & buildings	3,072,104	3,164,333
Factories	2,814	3,006
Foundations	384,798	325,159
Vessels	24,680	16,659
Others	1,176,232	1,081,435
Total	6,654,055	6,390,843
Guarantees	533,497	294,109
Credits	594,277	524,131
Total	7,781,830	7,209,084
(incl. Loans with special subordinate conditions)	(40,522)	(30,552)

Note:
Includes loans reserved with conditions necessary for counteraction against a third party.

Breakdown of Acceptances and Guarantees by Collateral

(In millions of yen)

	1998	1999
Securities	7,521	7,503
Claims	5,888	3,058
Real estate	32,348	11,715
Others	84,274	61,190
Total	130,033	83,468
Guarantees	3,732	1,867
Credits	295,711	233,072
Total	429,477	318,408

Balance of Housing Loans and Consumer Loans

(In millions of yen)

	1998	1999
Housing loans	28,016	24,657
Consumer loans	10,082	9,174

Loans per Office

(In number of offices, millions of yen)

	1998			1999		
	Total	Domestic office	Overseas office	Total	Domestic office	Overseas office
Number of operating offices	19	18	1	19	18	1
Loans per office	409,570	432,323	—	379,425	400,504	—

Loans per Employee

(In number of employees, millions of yen)

	1998			1999		
	Total	Domestic office	Overseas office	Total	Domestic office	Overseas office
Number of employees	2,057	2,056	1	1,782	1,781	1
Loans per employee	3,783	3,784	—	4,045	4,047	—

Note:
Number of employees represents through-term average number of employees. Number of employees in domestic offices includes the head-office.

Write-Off of Loans

(In millions of yen)

	1998	1999
Write-off of loans	32,343	51,879

Reserve for Possible Loan Losses

(In millions of yen)

	1998					1999				
	Balance at term beginning	Increase	Decrease		Balance at term-end	Balance at term beginning	Increase	Decrease		Balance at term-end
			Offset on purpose	Others				Offset on purpose	Others	
General reserve	(319) 27,078	19,769	—	27,078	19,769	19,769	300,531	—	19,769	300,531
Specific reserve	(△738) 612,896	235,704	39,574	136,238	672,788	(2,637) 670,151	3,347,658	26,077	644,073	3,347,658
incl. loans to non-residents of Japan	(△431) 16,352	8,987	2,964	6,230	16,145	(2,191) 13,953	45,305	1,176	14,968	45,305
Country risk reserve	851	524	—	851	524	524	7	—	524	7

Note:
Figures in the parenthesis in the balance at term's beginning denote conversion difference due to foreign exchange fluctuations.

Loans to Restructuring Countries

(In millions of yen)

	1998		1999	
	Country	Balance	Country	Balance
Loans to restructuring countries	Russia,etc. Other (4 countries)	2,596 28	Republic of Indonesia	21
	Total (Percentage of total assets)	2,624 (0.02%)	Total (Percentage of total assets)	21 (0.00%)

Note:
Loans to restructuring countries are loans which are subject to reserves with respect to country risk reserves according to accounting standards for banks provided by the Bankers' Association of Japan (previously, the Federation of Bankers' Association of Japan).

Risk Kanri Saiken (Risk-Monitored Loans)

(In millions of yen)

	1998	1999
Loans to bankrupt companies	430,335	1,527,873
Past due loans	781,206	2,195,012
Loans overdue for 3 months or more	34,141	1,641
Restructured loans	486,259	50,227
Total	1,731,942	3,774,755

Note:
"Loans to bankrupt companies" are loans to borrowers for which uncollected interest has not been accrued because collection or payment of principal or interest cannot be anticipated due to substantial duration of the delay of the said payment, or due to any of the events listed below. (This excludes the portion where bad debts were written off, which hereafter shall be called "accrued-interest non-posted loans").

(1) Borrowers who have applied for the commencement of company reorganization procedures pursuant to the provisions of the Corporation Reorganization Law.
(2) Borrowers who have applied for bankruptcy pursuant to the provisions of the Bankruptcy Law.
(3) Borrowers who have applied for composition pursuant to the provisions of the Composition Law.
(4) Borrowers who have applied for the commencement of liquidation or special liquidation pursuant to the provisions of the Commercial Law.
(5) Borrowers who have received a cessation of transaction from the clearing house.
(6) Borrowers who have applied for the commencement of legal liquidation procedures pursuant to overseas laws, corresponding to those listed above.

"Past due loans" refers to accrued-interest non-posted loans except those for which concessions on payment of interests were made in order to assist the reorganization of bankrupt companies and loans to them.
"Loans overdue for 3 months or more" refers to those, excluding loans to bankrupt companies and past due loans, for which principal or interest remains unpaid at least for three months.
"Restructured loans" refers to those, excluding loans to bankrupt companies, past due loans and loans overdue for 3 months or more, for which agreement was made to provide reduction or moratorium of interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims for the purpose of assisting the reconstruction of insolvent borrowers.

As listed here after, the accounting standard concerning assets with accrued interest was altered from the fiscal year ended March 31, 1999. It has also been determined that, as regards the disclosure standard concerning Risk Kanri Saiken disclosure is in principle made per borrower pursuant to borrower classification on self-assessment basis with respect to “Loans to bankrupt companies” and “Past due loans.” Specifically, all loans to borrowers whose classification is “bankrupt borrowers” are disclosed as “Loans to bankrupt companies,” and all loans whose classifications are “effectively bankrupt borrowers” and “borrowers that may declare bankruptcy” are in principle disclosed as “Past due loans” regardless of delaying or not.

(Reference)
As regards the accounting method of accrued interest, the Bank had in principle been adopting a system according to tax-law standard, but changed the method to accounting based on self-assessment of borrowers classification as from the fiscal year ended March 31 ,1999. Specifically, no uncollected interest is accounted for, in principle, concerning the borrowers whose classifications are “bankrupt borrowers” (not accounted for, in principle, even in conventional tax-law standards), “effectively bankrupt borrowers” or “borrowers that may declare bankruptcy,” regardless of delaying or not.

Disclosure Pursuant to the Financial Reconstruction Law

Amount of Assessed Credit

(In 100 millions of yen)

Category of credits	1999
Bankrupt and similar-bankurupt credit (Hatan kousei tou saiken)	29,413
Doubtful credit (Kiken saiken)	10,061
Substandard credit (Youkanri saiken)	529
Normal credit (Seijou saiken)	37,235

As regards the assessment of credit, the following categories are made pursuant to Article 6 of the Law Concerning Emergency Measures for the Reconstruction of the Function of the Financial system (Law No. 132, 1998), based on borrowers' financial condition and business results concerning securities lent, loans, foreign exchange listed in the balance sheets, as well as each account on accrued interest, suspended payments and customers' acceptance liabilities in other assets.

1. Bankrupt and similar-bankrupt credit (Hatan k ousei tou saiken):

Bankrupt and similar-bankrupt credit (Hatan kousei tou saiken) refers to credit of borrowers who are in state of bankruptcy, corporate reorganization, composition, etc., and the equivalent thereof.

2.Doubtful credit (Kiken saiken):

Doubtful credit (Kiken saiken) refers to credit with serious doubt concerning recovery of principal and receiving of interest as contracted, because the borrower's financial condition and business results have worsened, although they have not reached the point of management collapse.

3. Substandard credit (Y oukanri saiken):

Substandard credit (Youkanri saiken) refers to loans in arrears for more than 3 months or with mitigated conditions.

4.Normal credit (Seijou saiken):

Normal credit (Seijou saiken) refers to credit possessed by customers whose financial condition and business results have no particular problem, and which are categorized separately from the above categories 1-3.

Differences between disclosure pursuant to the Financial Reconstruction Law and risk kanri saiken are the following.

*** Scope of credit subject to disc losure:**

While the scope of disclosure pursuant to risk kanri saiken is limited to loans, the scope of disclosure pursuant to the Financial Reconstruction Law consists of loans, securities lent, foreign exchange, accrued interest, suspended payments and customers' acceptance liabilities. (Substandard credit includes only loans.)

*** Unit of totaling of disc losed amount:**

Bankrupt and similar-bankrupt credit and Doubtful credit ----- Per borrower
Substandard credit ----- Per loan

Securities

Outstanding Balance and Average Balance of Securities Held

(In millions of yen)

		1998			1999		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Total	Average balance (%)	2,512,026 (100.00)	1,920,279 (100.00)	591,746 (100.00)	1,927,718 (100.00)	1,573,938 (100.00)	353,780 (100.00)
	Term-end balance (%)	2,172,793 (100.00)	1,807,106 (100.00)	365,686 (100.00)	1,198,950 (100.00)	987,525 (100.00)	211,425 (100.00)
National government bonds	Average balance (%)	647,602 (25.78)	647,602 (33.72)	— —	438,357 (22.74)	438,357 (27.85)	— —
	Term-end balance (%)	566,427 (26.07)	566,427 (31.35)	— —	191,828 (16.00)	191,828 (19.43)	— —
Local government bonds	Average balance (%)	36,329 (1.45)	36,329 (1.89)	— —	31,740 (1.65)	31,740 (2.02)	— —
	Term-end balance (%)	33,294 (1.53)	33,294 (1.84)	— —	40,100 (3.34)	40,100 (4.06)	— —
Corporate bonds	Average balance (%)	193,296 (7.69)	193,296 (10.07)	— —	136,614 (7.09)	136,614 (8.68)	— —
	Term-end balance (%)	166,196 (7.65)	166,196 (9.20)	— —	120,344 (10.04)	120,344 (12.18)	— —
Stocks	Average balance (%)	995,684 (39.64)	995,684 (51.85)	— —	921,043 (47.78)	921,043 (58.52)	— —
	Term-end balance (%)	725,550 (33.39)	725,550 (40.15)	— —	464,512 (38.74)	464,512 (47.04)	— —
Others	Average balance (%)	639,112 (25.44)	47,365 (2.47)	591,746 (100.00)	399,961 (20.74)	46,181 (2.93)	353,780 (100.00)
	Term-end balance (%)	414,519 (19.08)	48,833 (2.70)	365,686 (100.00)	232,795 (19.42)	21,369 (2.16)	211,425 (100.00)
Securities lent	Average balance (%)	— —	— —	— —	— —	— —	— —
	Term-end balance (%)	266,804 (12.28)	266,804 (14.76)	— —	149,368 (12.46)	149,368 (15.13)	— —

Notes:
1. “Others” in total column represents the total of “Other” of Domestic operations plus that of International operations.
2. Average balance of Securities lent is classified and included according to type of securities.
3. Treasury stock is included in “Stocks.”
4. Average balance of domestic offices' foreign-currency denominated transactions in International operations is computed by the daily current method.

Balance of Securities by Residual Period

(In millions of yen)

	1998						1999					
	National government bonds	Local government bonds	Corporate bonds	Stocks	Others	Securities lent	National government bonds	Local government bonds	Corporate bonds	Stocks	Others	Securities lent
Less than 1 year	364	129	37,453		23,834	49,925	103,725	387	23,214		86,560	—
1 - 3 years	100,820	873	84,955		128,752	—	50,940	522	80,570		65,252	—
3 - 5 years	14,626	289	35,298		6,011	—	4,857	8,422	3,278		778	—
5 - 7 years	2,191	19,390	7,219		12,082	—	—	16,878	1,045		10,198	—
7 - 10 years	448,423	12,078	1,268		19,979	—	32,305	13,339	12,235		4,402	—
Over 10 years	—	532	—		105,975	—	—	550	—		—	—
Indefinite period	—	—	—	725,550	117,883	216,879	—	—	—	464,512	65,603	149,368
Total	566,427	33,294	166,196	725,550	414,519	266,804	191,828	40,100	120,344	464,512	232,795	149,368

Note:
Treasury stock is included in "Stocks."

Proportional Ratio of Securities Against Debentures and Deposits

(In millions of yen, %)

	1998			1999		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Securities (A)	2,172,793	1,807,106	365,686	1,198,950	987,525	211,425
Debentures and deposits (B)	7,481,871	7,228,874	252,997	6,690,579	6,620,517	70,062
(A) / (B)	29.04	24.99	144.54	17.91	14.91	301.76
Through-term average	29.12	23.43	137.71	28.05	23.36	262.80

Notes:
1. Debentures do not include debenture subscription.
2. Deposits include certificates of deposit.

Securities Operations

Public Bonds Underwritten

(In millions of yen)

	1998	1999
National government bonds	114,695	142,512
Local government bonds, government-guaranteed bonds	59,723	53,958
Total	174,419	196,470

OTC Sales of Government Bonds and Securities Investment Trust

(In millions of yen)

	1998	1999
National government bonds	575	330
Local government bonds, government-guaranteed bonds	500	4,000
Total	1,075	4,330
Securities investment trust		56

Note:
OTC sales of securities investment trust have been conducted effective December 1, 1998.

Public Bonds Dealing

(In millions of yen)

	1998	1999
National government bonds	24,739,208	11,376,111
Local government bonds	28,485	42,162
Government-guaranteed bonds	73,843	74,900
Total	24,841,536	11,493,173

Average Balance of Trading Securities

(In millions of yen)

	1998	1999
National government bonds	45,012	35,024
Local government bonds	83	325
Government-guaranteed bonds	96	610
Total	45,192	35,960

International Operations

Foreign Exchange Transactions

(In millions of US dollars)

		1998	1999
Exchange forwarded	Exchange sold	32,035	8,679
	Exchange bought	796	64
Exchange counter-forwarded	Exchange paid	33,133	9,303
	Exchange collected	716	46
Total		66,682	18,093

Note:
Transactions include those of overseas offices.

Balance of Foreign-Currency Denominated Assets

(In millions of US dollars)

	1998			1999		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Balance of foreign-currency denominated assets	4,888	4,508	380	3,367	3,076	291

Capitalization

History of Capitalization

(In millions of yen)

Month/Year	Capital increases	Capital thereafter	Remarks
March 1988	2,694	96,364	Conversion of convertible bonds (Nov. 2, 1987 - March 31, 1988)
October 1988	2,321	98,686	Conversion of convertible bonds (Apr. 1, 1988 - Oct. 31, 1988)
November 1988	27,985	126,671	Compensatory public subscription 5,000 thousand shares; Issue price ¥11,194; Transfer to capital ¥5,597
March 1989	1,415	128,086	Conversion of convertible bonds (Nov. 1, 1988 - March 31, 1989)
March 1990	20,290	148,377	Conversion of convertible bonds (Apr. 1, 1989 - March 31, 1990)
March 1991	3,814	152,191	Conversion of convertible bonds (Apr. 1, 1990 - March 31, 1991)
March 1992	28	152,220	Conversion of convertible bonds (Apr. 1, 1991 - March 31, 1992)
March 1995	71	152,292	Conversion of convertible bonds (Apr. 1, 1994 - March 31, 1995)
October 1996	25,500	177,792	Compensatory private placement (the 2nd preferred stock 102,000 thousand shares); Issue price ¥500; Transfer to capital ¥250)
July 1997	83,498	261,290	Compensatory private placement (common stock 766,039 thousand shares); Issue price ¥218; Transfer to capital ¥109)
July 1997	61,823	323,114	Compensatory private placement (the 3rd preferred stock 368,398 thousand shares); Issue price ¥320; Transfer to capital ¥160)
March 1998	30,000	353,114	Compensatory private placement (the 4th preferred stock 120,000 thousand shares); Issue price ¥500; Transfer to capital ¥250)

Major Shareholders

① Common stock

(As of March 31, 1999)

	Address	Number of shares held	Share of total outstanding shares
Deposit Insurance Corporation	6-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo	2,501,536 thousand	100.00%
Total		2,501,536 thousand	100.00%

② The 2nd preferred stock

(As of March 31, 1999)

	Address	Number of shares held	Share of total outstanding shares
Deposit Insurance Corporation	6-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo	102,000 thousand	100.00%
Total		102,000 thousand	100.00%

③ The 3rd preferred stock

(As of March 31, 1999)

	Address	Number of shares held	Share of total outstanding shares
Deposit Insurance Corporation	6-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo	386,398 thousand	100.00%
Total		386,398 thousand	100.00%

④ The 4th preferred stock

(As of March 31, 1999)

	Address	Number of shares held	Share of total outstanding shares
Deposit Insurance Corporation	6-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo	120,000 thousand	100.00%
Total		120,000 thousand	100.00%

Consolidated Financial Statements

As of March 31

Consolidated Balance Sheets

Assets

(In millions of yen)

	1998	1999
Loans and bills discounted	7,762,751	6,889,652
Foreign exchanges	19,314	12,569
Securities	2,160,538	1,190,262
Money held in trust	72,622	12,754
Trading assets	1,322,188	363,615
Debt purchased	56,387	6,810
Call loans and bills bought	792,202	417,300
Cash and due from banks	266,217	242,542
Special public management account	—	3,094,339
Other assets	826,982	1,205,087
Premises and equipment	57,072	237,484
Deferred debenture assets	1,825	1,670
Deferred income taxes	42,087	—
Customers' liabilities for acceptances and guarantees	217,347	102,778
Total assets	13,597,540	13,776,868

Liabilities, Minority Interests, and Stockholders' Equity

(In millions of yen)

	1998	1999
Debentures	5,497,420	4,347,380
(incl. Convertible bonds)	(3,897)	(—)
Deposits	1,789,864	1,930,527
Certificates of deposit	337,190	611,280
Borrowed money	597,839	472,094
Trading liabilities	347,458	213,453
Call money and bills sold	2,302,328	1,464,300
Foreign exchanges	203	17
Other liabilities	1,231,436	890,925
Reserve for possible loan losses	693,217	3,515,607
Reserve for retirement allowances	10,240	10,055
Reserve for contingencies on loans sold	12,466	88,695
Reserve for loss on transferring assets	—	43,719
Reserve for loss on debt guarantee	—	23,068
Reserves under special laws	17	7
Other reserves	—	1,911
Deferred income taxes	—	338
Minority interest in consolidated subsidiaries	56,535	—
Acceptances and guarantees	217,347	102,778
Total liabilities	13,093,567	13,716,161
Minority interest in consolidated subsidiaries	—	59,203
Capital stock	353,114	353,114
Capital surplus	175,321	114,047
Deficit	24,462	456,657
Treasury stock	0	—
Total stockholders' equity	503,973	1,503
Total liabilities, minority interest and stockholders' equity	13,597,540	13,776,868

Year ended March 31

Consolidated Statements of Income (Loss)

(In millions of yen)

	1998	1999
Income		
Interest income	536,660	369,531
Interest on loans and discounts	201,048	122,044
Interest and dividends on securities	60,618	35,816
Interest on call loans and bills bought	104,084	29,120
Interest on deposits with banks	3,615	4,218
Other interest income	167,294	178,331
Fees and commissions	19,202	3,356
Trading revenue	60,120	9,373
Other operating Income	70,449	49,068
Other income	114,837	3,123,014
Transfer from reserves	2,204	9
Total income	803,475	3,554,355
Expenses		
Interest expenses	437,209	339,372
Interest on debentures	164,369	112,071
Amortization of debenture discounts	6,447	2,625
Interest on deposits	20,517	21,414
Interest on certificates of deposit	2,319	3,727
Interest on borrowings	13,557	11,744
Interest on commercial paper	—	52
Interest on call money and rediscounts	128,547	42,296
Other interest expenses	101,448	145,439
Fees and commissions	2,985	1,188
Other operating expenses	72,114	106,877
General and administrative expenses	61,845	56,408
Other expenses	208,480	3,477,530
Provision for reserve for possible loan losses	92,303	2,832,782
Others	116,177	644,747
Transfer to reserves	1	—
Total expenses	782,636	3,981,378
Income before income taxes and others	20,838	△427,022
(△denotes loss before income taxes and others)		
Provision for income taxes		
Current	1,883	1,793
Deferred	1,014	42,349
Minority interest in net income (△denotes loss)	△43	△1,913
Amortization of goodwill	25	—
Equity in net income of affiliates (△denotes loss)	△977	—
Net income (△denotes net loss)	16,982	△469,252

Year ended March 31

Consolidated Statements of Deficit

(In millions of yen)

	1998	1999
Balance at the beginning of the year	175,355	24,462
Deductions	138,064	71,090
Transfer from legal reserve	137,414	61,274
Adjustment due to the change of scope of consolidated subsidiaries or affiliates	627	8,918
Adjustment due to the change of scope of companies accounted for using the equity method	—	897
Unrealized profit on available for sale securities' of certain subsidiaries	21	—
Additions	4,153	43,033
Dividends	2,921	1,754
Adjustment due to the change of scope of consolidated subsidiaries or affiliates	1,232	32,670
Adjustment due to the change of scope of companies accounted for using the equity method	—	8,608
Net income (△denotes net loss)	16,982	△469,252
Balance at the end of the year	24,462	465,657

Notes to Consolidated Financial Statements

Basis of Presentation

The Nippon Credit Bank, Ltd. (the Bank) maintains its records and prepares its financial statements in accordance with accounting principles and practices generally accepted in Japan.

Basic Items for Preparing Consolidated Financial Statements (Current Consolidated Fiscal Year)

1. Consolidation	For subsidiaries, the Bank adopted provisions of the regulations on consolidated financial statements which were revised in line with Paragraph 2 of the supplementary rules of the "Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of consolidated financial statements" (MOF Ordinance No. 136, 1998). 1. Number of consolidated subsidiaries 42 2. Number of non-consolidated subsidiaries 2 The total amounts of assets, current income, net profit or loss (amount corresponding to share of equity), and surplus (amount corresponding to share of equity), respectively, of non-consolidated subsidiaries do not have a material effect on the consolidated financial statements.
2. Application of equity method	For affiliated companies, the Bank adopted provisions of the regulations on consolidated financial statements which were revised in line with Paragraph 2 of the supplementary rules of the "Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of consolidated financial statements" (MOF Ordinance No. 136, 1998). 1. Number of non-consolidated subsidiaries applicable for equity method 0 2. Number of affiliated companies applicable for equity method 8 3. Number of non-consolidated subsidiaries not applicable for equity method 2 4. Number of affiliated companies not applicable for equity method 6 The total amounts of current income and net profit or loss (amount corresponding to share of equity), and surplus (amount corresponding to share of equity), respectively, of non-consolidated subsidiaries and affiliates not applicable for equity method do not have a material effect on the consolidated financial statements.
3. Accounting periods for consolidated subsidiaries	Fiscal year ends of consolidated subsidiaries are as listed below. End of May 1 End of July 3 End of August 1 End of December 10 End of January 5 End of March 22 Subsidiaries whose settlement dates fall at the end of May, July or August use tentative account settlement-based financial statements issued at the end of March of the current year for consolidation, while all subsidiaries use financial statements based on each respective settlement day.
4. Basis of preparation	**(1) Extraordinary treatment in accounting** Under Article 36 (1) of the Financial Reconstruction Law, the parent company was placed under special public management by the prime minister on December 13, 1998. In line with this decision, the parent company has been continuing banking operations in accordance with the Management Rationalization Plan and the Business Operations Standards compiled under Articles 47 and 48 of the same law. For this reason, the parent company prepared consolidated financial statements for the consolidated fiscal year ended in March 31, 1999 on the basis of conventional accounting principles and procedures. However, as the parent company was placed under special public management, a new securities valuation standard was adopted, as explained below. Also, in line with the Financial Reconstruction Law, the parent company put aside necessary reserves for assets which were deemed inappropriate for a bank under special public management to maintain, after performing asset assessment based on estimated transfer prices. Further, as described in the notes below, the parent company posted as profit the amount of special assistance funds to be received from the government under the same law, while at the same time posting the amount on the consolidated balance sheet as "special public management account."
	(2) Valuation standards and methods for securities Valuation standards and methods for securities held by the parent company are the following: (a) Listed securities are valued at the lower-of-cost-or-market based on the moving-average method. Unlisted securities are valued at cost based on the moving-average method.

With a revision of the accounting standards for banks, the parent company applied the cost method based on the moving-average method to the financial statements for the preceding consolidated fiscal year. However, in valuation of securities acquired for investment purposes (except those for resale in a short time), the parent company adopted the lower-of-cost-or-market method based on the moving-average method, which allows more rational evaluation at the end of the fiscal period. This was because this method was deemed more reasonable in terms of accounting at the time when resale of securities in a short time was expected under special public management, resulting in a change in the purpose for holding securities.

Based on this accounting method, operating loss and loss before income taxes were greater by ¥256,895 million, than when calculated by the conventional method.

(b) For securities held through money held in trust for separate investment with securities management as the main purpose, valuation was performed using the lower-of-cost-or-market value basket method based on the moving-average method. Of such securities, securities acquired for long-term investment purposes were valued by the cost method based on the moving-average method for the preceding consolidated fiscal year. For the fiscal year concerned, the accounting method was switched to the lower-of-cost-or-market value basket method based on the moving-average method, for the same reason as provided in (a) above.

This transfer does not affect operating loss or loss before income taxes.

Lower-of-cost-or-market method based on the moving average method is applied to evaluate listed securities held by consolidated subsidiaries, while the cost method based on the moving average method is applied to evaluate unlisted securities.

(3) Valuation standard and income and expenses calculation standards for trading assets and liabilities

Valuation standard and income and expenses calculation standards for trading assets and liabilities held by the parent company are the following:

For transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of securities and related indices ("Trading transactions") have been recognized at the transaction date. These have been recorded in "Trading assets" or "Trading liabilities" on the consolidated balance sheet and gains or losses on these transactions have been recorded in "Trading revenue" or "Trading expenses" on the consolidated statement of loss.

In valuation of trading assets and liabilities, the parent company evaluated securities, monetary claims and other assets at the actual market price as of the balance sheet date. Derivatives, such as swaps, futures and options, were valued at the price deemed settled on the balance sheet date of the consolidated fiscal year.

Trading revenue and Trading expenses are recorded as interest income or expenses actually paid or received, plus the difference in valuation gains or losses between the beginning balance and the ending balance (for securities, monetary claims and other assets), plus the difference in hypothetical settlement gains or losses between the beginning balance and the ending balance (for derivative financial products).

Standards applied to the parent company are mainly used for trading and similar transactions by consolidated subsidiaries.

(4) Depreciation method for premises and equipment

In line with the accounting standards for banks provided by the Bankers Association of Japan (formerly, the Federation of Bankers Associations of Japan), the following method is applied to depreciation of assets of the parent company:

Buildings: Straight-line method at the depreciation rate specified in the Corporation Tax Law.

Equipment: Declining-balance method at the depreciation rate specified in the Corporation Tax Law.

Other: As specified in the Corporation Tax Law.

For buildings, the parent company had conventionally adopted the declining-balance method. With the revision of Article 48 (1) of the Corporation Tax Law Regulation, the parent company switched to the straight-line method for the fiscal year as the parent company determined that the effect of investment appeared uniform over a long period of time in some of the parent company main buildings. Upon the application of the new depreciation method, both operating loss and loss before income taxes decreased by ¥938 million. Although a depreciation rate of 160% had been conventionally applied to buildings, the parent company adopted the depreciation rate specified in the Corporation Tax Law for the concerned fiscal period. At the same time, with the legal depreciation period shortened by a revised ministerial order for the depreciation period of depreciable assets, the parent company's depreciation period was altered to meet the standards in the Corporation Tax Law. As a result, both operating loss and loss before income taxes dropped by ¥185 million.

The declining-balance method at the depreciation rate specified in the Corporation Tax Law is mainly used for premises and equipment of domestic consolidated subsidiaries. For overseas subsidiaries, these assets are depreciated using the straight-line method during their estimated life.

(5) Accounting for deferred assets

Deferred debenture assets of the parent company were amortized as follows:

(a) Deferred debenture discounts on discount debentures were amortized according to the period up to the maturity date.

(b) Deferred debenture issue costs were amortized according to the period up to the maturity date, but within a maximum period of three years as specified in the Commercial Law.

Deferred assets resulting from consolidated subsidiaries' issuance of corporate bonds are depreciated on a straight-line basis during the issuance period of the bonds.

(6) Assessment standard for reserve for possible loan losses

The reserve for possible loan losses of the parent company was determined as follows on the basis of the write-off and reserve standard based on the accounting standards for banks provided by the Bankers Association of Japan.

Regarding loans to borrowers under legal proceedings, such as bankruptcy, and loans in similar conditions, the parent company posted the loan balance less amounts collectible on collateral or debt guarantee or by other means as a specific reserve. For loans to borrowers not yet bankrupt but highly likely to fall into bankruptcy, the necessary amount was determined through overall assessment of the borrowers' ability to pay, after subtracting from the loan balance the amount collectible on disposal of collateral and debt guarantees and posted a specific reserve for such loans. As to other loans, the parent company posted a general reserve by applying the historical loan-loss ratio determined over a fixed period. Regarding loans to restructuring countries, a country risk reserve was posted in the amount of estimated losses attributable to political and economic factors of each country concerned.

Each loan was subjected to asset assessment by the business-related divisions in accordance with the self-assessment standard. Before these reserves were approved, the results of the assessment were reviewed by the Asset Audit Division, which is fully independent from business-related divisions.

Of these loans and similar claims, those which were deemed inappropriate for a bank under special public management to maintain under the Financial Reconstruction Law and those the parent company had decided to sell according to the Management Rationalization Plan, which was established in line with the law, were assessed at reasonable prices, regardless of which of the above-mentioned categories they belonged to. The difference between their book value and the estimated transfer price was posted as loss expected to occur in and after the next consolidated fiscal year.

The above-mentioned estimated transfer price was based on the most reasonable assessment method at this point. The actual transfer price will be determined through agreement with the purchaser, and a discrepancy may occur between the estimated and actual price.

Consolidated subsidiaries provide their reserve for possible loan losses mainly based on the same standard applied to the parent company (self-assessment) and provide an amount considered reasonable by applying the historical loan-loss ratio determined over a fixed period.

(7) Assessment standard for reserve for retirement allowances

In line with the accounting standards for banks prescribed by the Bankers Association of Japan, a reserve for retirement allowances of the parent company is set aside equal to the amount required for the employees who voluntarily terminated their employment at the balance sheet date.

The parent company has had a qualified pension plan and an adjusted pension plan.

Pension plans have been implemented in major consolidated subsidiaries.

(8) Assessment standard for reserve for contingencies on loan sold

In consideration of the value of real estate secured loans sold to Cooperative Credit Purchasing Co., Ltd., the parent company estimated future losses and posted a necessary reserve. This reserve is prescribed in Article 287 (2) of the Commercial Law.

(9) Assessment standard for reserve for loss on transferring assets

Of assets which were deemed inappropriate for a bank under special public management to maintain under the Financial Reconstruction Law and those the parent company decided to sell according to the Management Rationalization Plan, unlisted securities and premises and equipment were assessed to estimate a reasonable transfer price. The difference between their book value and the estimated transfer price was posted as loss expected to occur in and after the next consolidated fiscal year. This reserve is prescribed in Article 278 (2) of the Commercial Law.

The above-mentioned estimated transfer price was based on the most appropriate assessment method at this point. The actual transfer price, however, will be determined through agreement with the purchaser, and a discrepancy may occur between the estimated and actual price.

(10) Assessment standard for reserve for loss on debt guarantees

An amount recognized as necessary is provided for the reserve for loss on debt guarantees of consolidated subsidiaries only in cases where the loss is highly predictable as a result of applying guaranty of liabilities, and the amount (of loss) is estimable. This reserve is prescribed in Article 287 (2) of the Commercial Law.

(11) Assessment standard for reserves under special laws

Reserve under special laws are posted by the parent company.

(a) Reserve for contingent liabilities from broking of financial futures transactions ¥6 million

To compensate for losses incurred in connection with financial futures trading, the parent company reserved the amount calculated in accordance with Article 82 of the Financial Futures Trading Law and Article 29 of the Financial Futures Trading Law Enforcement Regulation.

(b) Reserve for contingent liabilities from broking of securities futures transactions ¥1 million

To compensate for losses incurred in connection with securities futures trading, the parent company reserved the amount calculated in line with Article 51 of the Securities Exchange Law as prescribed by Article 65 (2-7) and Article 32 of the Ordinance Regarding Securities Business of Banks.

(12) Standard for conversion of assets and liabilities in foreign currency

Assets and liabilities in foreign currencies of the parent company are converted into yen at the foreign exchange rate as of the balance sheet date. However, the foreign exchange rate at the date of acquisition was applied to (1) assets related to equity investment in foreign corporations (excluding assets acquired in foreign currency), (2) liabilities related to foreign bonds issued by banks, and (3) assets which the parent company deems inappropriate to include in spot assets. The foreign exchange rate at the actual date of transaction was applied to liabilities in foreign currencies which the parent company deemed inappropriate to include in spot liabilities. The yen equivalent as of the balance sheet date was applied to foreign branch accounts.

Assets and liabilities denominated in foreign currencies by consolidated subsidiaries are converted at the foreign exchange rate as of their balance sheet date.

(13) Accounting for leases

Finance leases of the parent company and domestic consolidated subsidiaries where ownership does not transfer to the lessees are accounted for under the accounting principles applicable to operating leases.

(14) Accounting treatment of consumption and other taxes

Consumption taxes and local consumption taxes of the parent company and domestic consolidated subsidiaries have been accounted for according to the “exclusion method.”

5. Offsetting the investment account and capital account	Investment accounts and corresponding capital accounts of consolidated subsidiaries are offset on the date of acquisition. Principally, the offset balance will be appropriately treated in accordance with the cause of occurrence. When cause analysis proves difficult, the total amount will be depreciated as amortization of goodwill in the year of occurrence.
6. Eliminating unrealized profit or loss	Total unrealized profit or loss on consolidation is eliminated. Unrealized profit or loss for minority interest is deducted from the minority interest in consolidated subsidiaries. Depreciation expense for the unrealized profit or loss included in depreciable assets is modified at the time of elimination. However, by adopting the revised regulations on consolidated financial statements, “Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of consolidated financial statements” (MOF Ordinance No. 136, 1998), the unrealized profit or loss by newly consolidated subsidiaries or those for which the equity method in the current consolidated fiscal year was applied for their internal transactions, implemented after the beginning of the term, are eliminated.
7. Conversion of financial statements by consolidated subsidiaries overseas	Conversion of financial statements to Yen currency for the overseas consolidated subsidiaries and affiliated companies applicable to the equity method is based on “Handbook (Ordinance No. 767 of the Ministry of Finance issued in June 7, 1995) of the revised transactions denominated in foreign currency standards” (Corporate Account Committee Report issued in May 26, 1995).
8. Accounting for appropriation of profit	Consolidated statement of retained earnings are prepared in accordance with appropriation of profit confirmed during the consolidated fiscal term.
9. Allocation of term distribution corporate tax	Consolidated companies’ corporate tax and other taxes imposed on profit as a tax base (hereafter called corporate taxes) apply tax-effective accounting as determined by article 11 of the revised regulations on consolidated financial statements, Paragraph 3 of the supplementary rules of the “Ministerial ordinance to partially revise the rules concerning the terms, format and preparation method of consolidated financial statements” (MOF Ordinance No. 176, 1998). (Refer to “tax-effective accounting,” Notes)

(Additional Information)

1999
(Consolidated balance sheet) “Minority interest in consolidated subsidiaries” (¥59,203 million in the current consolidated fiscal year), which had been independently shown in the liabilities section in the previous consolidated fiscal year, is independently shown between liabilities and stockholder’s equity in the current consolidated fiscal year as a result of revisions to regulations concerning consolidated financial statements. (Consolidated statement of loss) “Equity in net income of affiliates” (¥1,845 million loss in the current consolidated fiscal year), which had been shown as additional item for income before income taxes and others in the previous consolidated fiscal year, is included in “Other operating expenses” in the current consolidated fiscal year as a result of revisions to regulations concerning consolidated financial statements. “Enterprise taxes” (¥96 million in the current consolidated fiscal year) and “Corporate taxes, resident taxes” (¥1,698 million in the current consolidated fiscal year), which had been part of “Other operating expenses” in the previous consolidated fiscal year, are shown as “Provision for income taxes” in the current consolidated fiscal year as a result of revisions to regulations concerning consolidated financial statements. “Amortization of goodwill,” which had been independently shown as an item of decrease of income before taxes and others in the previous consolidated fiscal year, is included in “Other operating expenses” in the current consolidated fiscal year as a result of revisions to regulations concerning consolidated financial statements. However, this is zero in the current consolidated fiscal year.

Notes
(Consolidated Balance Sheet Items)

1999

1. Securities include ¥30 million in stocks and ¥464 million in investments of non-consolidated subsidiaries and affiliated companies.

2. Loans to bankrupt companies totaled ¥1,547,258 million, and past due loans totaled ¥1,892,289 million.
   "Loans to bankrupt companies" refers to those which fall under the conditions specified in (a) through (e) in Article 96 (1-3) of the Corporation Tax Law Enforcement Regulations (Cabinet Order No. 97, 1965) (excluding those for which loan-loss reserves were put aside, hereafter called "accrued-interest non-posted loans"), as part of loans for which accrued interest was not posted after the parent company determined that collection or repayment of principal or interest were impossible because of delayed payment for a specified period of time or for some other reason.
   "Past due loans" refers to accrued-interest non-posted loans except those for those loans which concessions on payment of interests were made in order to assist the reorganization of bankrupt companies.

3. Loans overdue for 3 months or more totaled ¥1,649 million.
   "Loans overdue for 3 months or more," excluding loans to bankrupt companies and past due loans, refers to those for which principal or interest remain unpaid for at least three months.

4. Restructured loans stood at ¥53,045 million.
   "Restructured loans," excluding loans to bankrupt companies, past due loans and loans overdue for 3 months or more, refers to those loans for which agreement was made to provide reduction or moratorium of interest payments, or concessions in their favor on interest or principal payments or to waive claims for the purpose of assisting the reconstruction of insolvent borrowers.

5. Loans to bankrupt companies, past due loans, loans overdue for 3 months or more and restructured loans totaled ¥3,494,243 million.

6. The "special public management account" is established to post the amount of funds, including special assistance funds, which were supplied to the parent company under the Financial Reconstruction Law.
   Under Article 72 of the Financial Reconstruction Law, a bank under special public management may request grants (special financial assistance) from the Deposit Insurance Corporation up to the amount they deem necessary in order to protect depositors and other concerned parties. Also, Article 62 permits the Deposit Insurance Corporation to compensate a bank under special public management, with the approval of the Financial Reconstruction Commission, for losses incurred in connection with their business operations.
   For the consolidated fiscal year concerned, liabilities exceeded assets after the parent company conducted an account settlement in accordance with its accounting standards. In this situation, the parent company is expected to apply for special financial assistance under the Financial Reconstruction Law. This would free the parent company from a situation where it would be unable to repay debts.
   For this reason, the parent company posted the difference between assets and liabilities as a profit for the year related to special financial assistance. The same amount was posted in the "special public management account" as an asset category on the consolidated balance sheet.
   It is to be noted that the amount mentioned above in the special public management account reflects one that should be posted as special assistance fund at the end of the consolidated fiscal year and it is expected to differ from the actual amount that will be received in the future.

7. Accumulated depreciation of premises and equipment is ¥34,249 million.

8. Debentures include ¥50,910 million in subordinated debentures which are given inferior order of payment of debts.

9. Borrowed money includes ¥165,506 million in subordinated debts which are subordinate to other debts.

10. Other reserves include a provision for disposition loss of rental assets of ¥1,000 million, ¥380 million for bonus allowance, and ¥188 million for computer program modification.

(Consolidated Statement of Loss)

1999
1. Other operating expenses include a loss of ¥4,967 million incurred on the sales of real estate secured loans to the Cooperative Credit Purchasing Co., Ltd. and a loss of ¥6,914 million in connection with sales of overseas private loans. 2. “Other income” includes special assistance funds corresponding to an excess of liabilities over assets determined after settlement of accounts for the concerned fiscal year, as described in Notes 6 on the consolidated balance sheet.

(Leasing Items)

1999

1. Finance leases without transfer of ownership to lessees

(1) Lessees

- Amounts equivalent to the acquisition cost and accumulated depreciation and ending balance of leased property

Amount equivalent to the acquisition cost

Equipment:	¥8,195 million
Others:	¥70 million
Total:	¥8,266 million

Amount equivalent to accumulated depreciation

Equipment:	¥2,678 million
Others:	¥50 million
Total:	¥2,728 million

Amount equivalent to the year-end balance

Equipment:	¥5,517 million
Others:	¥20 million
Total:	¥5,538 million

Note: The amount equivalent to the acquisition cost includes interest expenses, as amount of obligations accounts for only a small portion of tangible fixed assets at the end of the fiscal year.

- Amount equivalent to the balance of leases at the end of the fiscal year

Due within one year:	¥1,908 million
Due after one year:	¥3,629 million
Total:	¥5,538 million

Note: The amount equivalent to the balance of obligations at the end of the fiscal year includes interest expenses because of their immateriality at the end of the fiscal year.

- Total lease payment for the year (equivalent to depreciation expenses) stood at ¥2,331 million.
- Calculation method for amount equivalent to depreciation
  Depreciation was calculated based on the straight-line method with zero residual value with the lease period deemed to be the useful life.

(2) Lessors

- The acquisition cost, accumulated depreciation and ending balance of leased property

Acquisition cost	Equipment	¥25,224 million
Accumulated depreciation	Equipment	¥16,711 million
Year-end balance	Equipment	¥8,514 million

Notes:
1. Equity per share is calculated by dividing the term-end equity by the term-end outstanding shares.

Segment Information

1. Segment Information by Category of Business

The consolidated companies are engaged in mainly the banking, as well as the securities and trust business. However, since the proportion of other businesses are extremely small, segment information by category of the business is not presented.

2. Segment Information by Region

Previous consolidated fiscal year (from April 1, 1997 to March 31, 1998)

(in millions of yen)

	Japan	USA	Other countries	Total	Elimination	Consolidated
Operating income						
(1) Customers	603,867	129,130	67,644	800,642	—	800,642
(2) Inter-segment	16,674	509	6,534	23,718	(23,718)	—
Total	620,541	129,639	74,179	824,360	(23,718)	800,642
Operating expenses	603,385	134,820	69,513	807,719	(26,636)	781,083
Operating profit (loss)	17,156	△5,180	4,665	16,641	2,918	19,559
Assets	12,673,078	1,197,035	400,797	14,270,911	(673,371)	13,597,540

Notes:
1. Given the conditions of adjacent locations, similarity of economic activities and correlated business operations of main, branch offices and consolidated subsidiaries, the table is classified by country (either domestic or overseas), and shows operating income and operating profit instead of sales and operating profit as is normally given by general companies.
2. Branch offices closed during the term are included in the area or country they originally belonged.
3. Influence on the segment as a result of the modification of evaluation method of the parent company's stocks occurred only in Japan.

Current consolidated fiscal Year (from April 1, 1998 to March 31, 1999)

Japan's share of total operating income and assets of the segments exceeds 90%. Accordingly, the Bank has eliminated disclosure by geographic region in accordance with Article 39, Section 4 of the Summary of Consolidated Financial Statements Regulation.

3. Operating Income of International Businesses

(in millions of yen, %)

	Operating Income of International Business	Consolidated Operating Income	Share of Operating Income
1998	318,541	800,642	39.8
1999	88,079	455,333	19.3

Notes:
1. The Bank has shown operating income of international businesses instead of overseas sales as is normally given by general companies.
2. Operating income by international business include domestic transactions denominated in foreign currency, transactions on promissory notes, transactions with non-residents in yen currency, special international financial transaction account, transactions with overseas offices of the parent company and its overseas consolidated subsidiaries (excluding the internal transactions among the consolidated companies). Since these extensive transactions are not classified by the category of customers, the Bank has not shown segment information by country or location.

Consolidated Capital Adequacy Ratio (Domestic Standard)

(In millions of yen)

Items			1999
Tier I	Capital		291,290
	Non-cumulative perpetual preferred stock		55,500
	incl. Newly issued stock		—
	Capital surplus		73,831
	Consolidation surplus		△466,256
	Minority interest in consolidated subsididiaries		2,703
	Preferred stock issued overseas		—
	Good will (△)		—
	Amount equal to consolidation adjustments (△)		—
	Total	(A)	△98,431
Tier II	General reserve for possible loan losses		32,639
	Subordinated debt		285,999
	Total		318,638
	Tier II capital qualifying as capital	(B)	—
Items deducted	Intentional holding for the purpose of supplying capital to other financial institutions	(C)	—
Capital	(A) + (B) - (C)	(D)	△98,431
Risk-weighted assets	Balance-sheet exposure		4,918,150
	Off-balance-sheet exposure		304,101
	Total	(E)	5,222,252
Capital adequacy ratio (domestic standard) $= \frac{(D)}{(E)} \times 100$			—%

Note:
The Bank adopts to domestic standard. However, pursuant to a revision of Article 14-2 of the Banking Law used in the first half of Article 17 of the Long-Term Credit Bank Law, which results from changes to related laws to restructure Japan's financial system, the Bank has calculated a consolidated capital ratio.

Consolidated Risk Kanri Saiken

(In millions of yen)

	1998	1999
Loans to bankrupt companies		1,547,258
Past due loans		1,892,289
Loans overdue for 3 months or more		1,649
Restructured loans		53,045
Total		3,494,243

Refer to pages 44 and 45 for definitions of “Loans to bankrupt companies” etc.

Report of the Independent Certified Public Accountants

<Non-Consolidated>

The Board of Directors
The Nippon Credit Bank, Ltd.:

We have audited the non-consolidated balance sheet of The Nippon Credit Bank, Ltd. as of March 31, 1999, and the related non-consolidated statements of loss, and deficit for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Japan and accordingly, our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned non-consolidated financial statements present fairly, in all material respects, the financial position of The Nippon Credit Bank, Ltd. as of March 31, 1999, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles in Japan, which, except for the change with which we concur in accounting for securities described in item 2 of the “Significant Accounting Policies” in the notes to financial statements, have been applied on a consistent basis:

Remarks:

(1) The Bank assessed assets which were deemed inappropriate to maintain under the Financial Reconstruction Law by a bank under special public management and those the Bank decided to sell at estimated transfer prices as described in item 7 of the “Significant Accounting Policies” in the notes to financial statements.

(2) The Bank recognized the difference between assets and liabilities as a profit related to special finance assistance for the year and also recognized the same amount in the “special public management account” as an asset as described in item 6 of the “Balance Sheet Items” in the notes to financial statements.

Tokyo, Japan
June 29, 1999

Century Audit Corporation

Century Audit Corporation
Certified Public Accountants

The accompanying financial statements have been prepared in accordance with the provisions set forth 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. The standards, procedures and practices to audit such financial statements are those which are generally accepted and applied in Japan.

Report of the Independent Certified Public Accountants

<Consolidated>

The Board of Directors
The Nippon Credit Bank, Ltd.:

We have audited the consolidated balance sheet of The Nippon Credit Bank, Ltd. and consolidated subsidiaries as of March 31, 1999, and the related consolidated statements of loss, and deficit for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Japan and accordingly, our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of The Nippon Credit Bank, Ltd. and consolidated subsidiaries as of March 31, 1999,and the results of their operations for the year then ended, in conformity with generally accepted accounting principles in Japan, which, except for the change with which we concur in accounting for securities described in item 4. (2) of the " Basic Items for Preparing Consolidated Financial Statements" in the notes to consolidated financial statements, have been applied on a consistent basis:

Remarks:
(1)The Bank assessed assets which were deemed inappropriate to maintain under the Financial Reconstruction Law by a bank under special public management and those the Bank decided to sell at estimated transfer prices as described in item4. (9) of the " Basic Items for Preparing Consolidated Financial Statements" in the notes to consolidated financial statements.
(2)The Bank recognized the difference between assets and liabilities as a profit related to special finance assistance for the year and also recognized the same amount in the "special public management account" as an asset as described in item 6 of the "Consolidated Balance Sheet Items" in the notes to consolidated financial statements.

Tokyo, Japan
June 29, 1999

Century Audit Corporation

Century Audit Corporation
Certified Public Accountants

The accompanying financial statements have been prepared in accordance with the provisions set forth 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. The standards, procedures and practices to audit such financial statements are those which are generally accepted and applied in Japan.

Company History

April	1957	Established as Japan Property Bank (capital ¥1 billion) in accordance with the long-term trust bank law.
October		Opened Osaka branch
November		Opened Nagoya Branch
September	1958	Started issuance of discount debentures
October		Opened Nagoya Branch Office
July	1964	Started foreign exchange business as an authorized foreign exchange bank
September		Listed stock in the Tokyo Stock Exchange
February	1970	Listed stock in the Osaka Securities Exchange
April	1974	Opened first overseas branch office in London
October	1977	Changed name to The Nippon Credit Bank, Ltd.
		Started total on- line operation system
January	1978	Opened the first overseas subsidiary in Hong Kong, The Nippon Credit International (Hong Kong) Limited
October	1981	Started issuance of Risshin Wide
April	1983	Started sales of public bonds including national government bonds over-the-counter
June	1984	Started public bonds (including national government bonds) dealing business
January	1985	Started multiple-purpose bank account for bonds.
October		Established the first subsidiary in Europe, The Nippon Credit International Limited
May	1988	Started new information system operation
November	1989	Started issuance of two-year debentures
February	1994	Established the first domestic subsidiary by business category “The Nippon Credit Trust Bank”
August		Split ¥500 par value stock into ¥50 par value
June	1996	Started issuance of one and three-year debentures
April	1997	Announced Comprehensive Restructuring Plan
		Signed contract with Bankers Trust Company for basic agreement of business tie-up
December	1998	Started sales of stock investment trust at the window
		Started special public management in accordance with application of the Financial Reconstruction Law
		Terminated listing stocks on Tokyo Stock Exchange, Osaka Securities Exchange

Business Activities

●Debentures
Issuance of debentures and discount debentures

●Deposits
Deposits
Checking accounts, savings accounts, deposits at notice, time deposits, deposits at notice, tax savings deposits, non-residents deposits in yen currency, and deposit in foreign currencies
Certificates of deposit
Limited to national and local public entities,bond management firms and other specified customers

●Lending and guaranty of liabilities
Loans, discount on promissory notes, guaranty of liabilities for equipment funds and long-term operating fund services. Also, loans for long-term funds (term exceeding six months) other than equipment funds and long-term operation funds
Loans for short-term funds are (term of less than six months) limited to the total amount of deposits or corresponding funds.
Discounts on promissory notes, guaranty of liabilities, and acceptance of promissory notes

●Securities
Security investment business
Underwriting of public bonds
Over-the-counter sales of public bonds including national government bonds, and securities investment trusts
Sales/purchase of security products
Receipt of payment for stocks or corporate bonds, or payment of dividends
Registration of public bonds as a registered institution under the Corporate Bonds Registration Law
Consignment business for soliciting or managing public bonds
Trust business for secured corporate bonds

●Brokerage business for financial futures
Brokerage business for financial futures, option transactions, securities futures, and forward rate agreement transactions

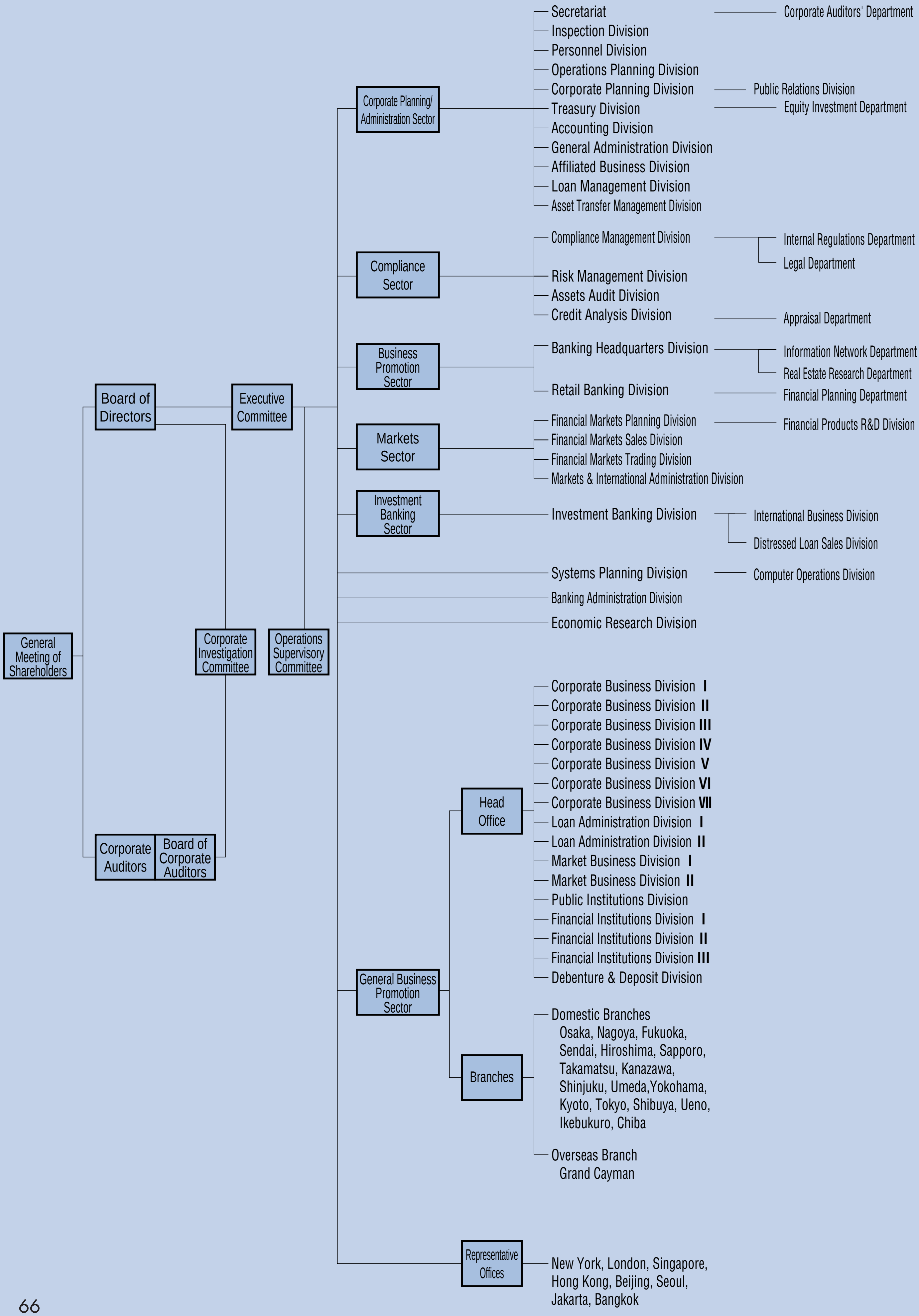
●Domestic exchanges
Services such as money order between head /branch offices, and head /branch offices of other banks
Checking account payment, collection of bills

●Foreign exchanges
Remittance to foreign countries and other foreign currency related businesses

●Other services
Revenue agency for Bank of Japan and agency business for national bonds
Receipt of public funds of local public entities including Tokyo
Agency business for Japan Small Business Corp., Housing Finance Corp., Employees Retirement Allowance Corp., Environmental Service Corp., Pension Welfare Service Public Corp., Employment Promotion Corp., Oil Corp., and Social Welfare Medical Corp.

Safe-keeping deposits
Rental safe-deposit boxes
Purchase of securities
Gold transactions
Commercial paper

Corporate Organization (As of July 1, 1999)



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Deputy General Manager
Masamichi Muto

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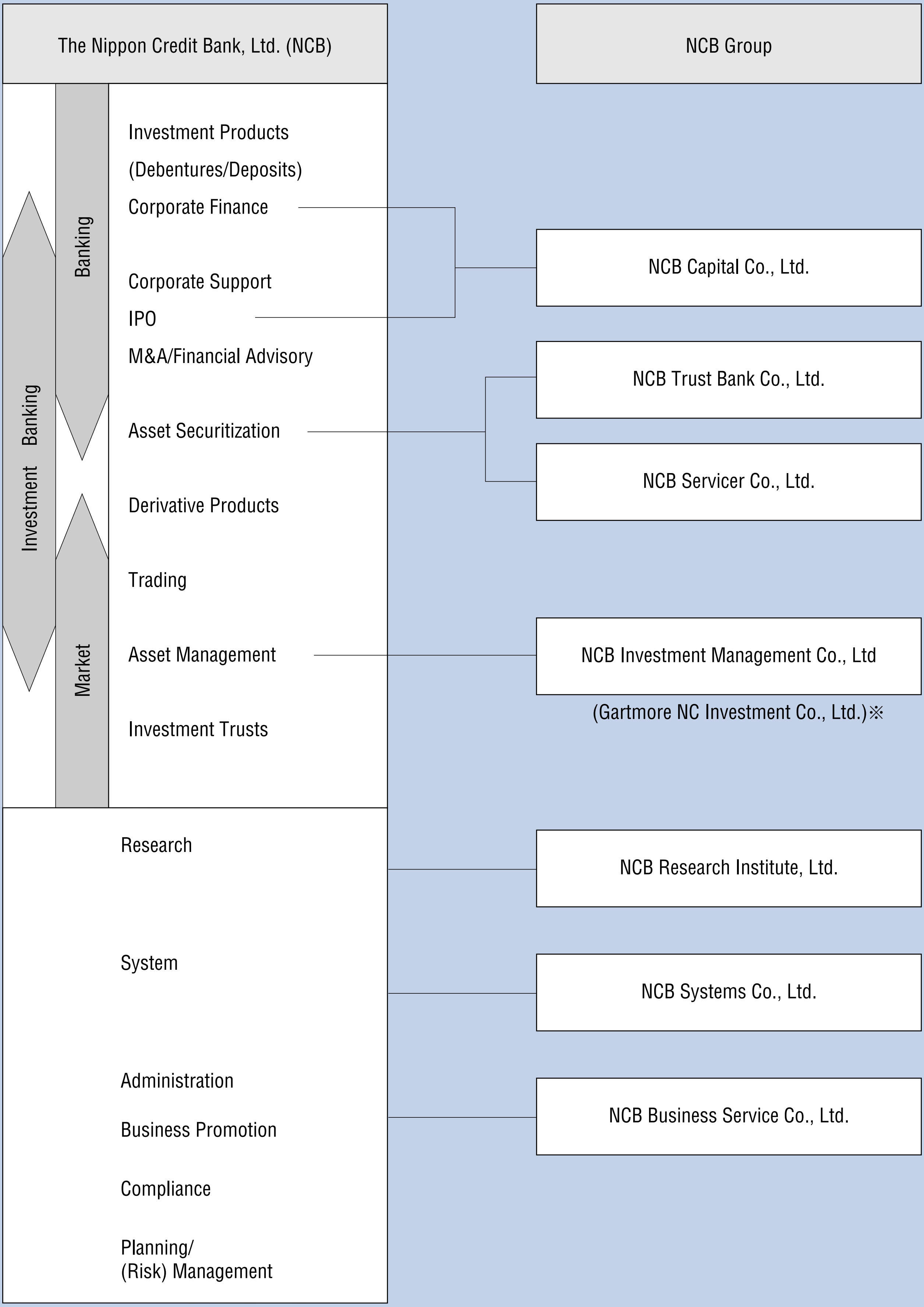
(As of July 1, 1999)

HOME PAGE ADDRESS http://www.ncb.co.jp

NCB Group's Business Spectrum (As of July 1, 1999)



※ Fund management company established by Nippon Credit and Gartmore, a major U.K. asset management firm (Nippon Credit Group ownership 13.3%, Gartmore ownership 51.7% as of July 1, 1999)

Directors & Auditors (As of July 1, 1999)

Directors

President	Takuya Fujii
Deputy President	Motohiko Kusano
Deputy President	Hiroshige Wagatsuma
Senior Managing Director	Yoshinobu Kotera
Director	Naofumi Tokai
Director & General Manager, Banking Headquarters Division	Yuji Inagaki

Auditors

Standing Auditor	Yoshio Nakanishi
Standing Auditor	Kunio Hamada
Standing Auditor	Ken Shigihara

The Nippon Credit Bank, Ltd.

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