



The Chuo Mitsui Trust and
Banking Company, Limited

Annual Report

2001

Year ended March 31, 2001

Profile

The Chuo Mitsui Trust and Banking Co., Ltd., formed on April 1, 2000, through the merger of The Chuo Trust and Banking Co., Ltd., and The Mitsui Trust and Banking Co., Ltd., is already more than the sum of its integrated parts. The Bank has maximized its enhanced scale and expertise to accurately meet the diverse needs of the market with a range of financial products and services for individuals and corporate clients and firmly cement its place as one of Japan's leading trust banks, with more than ¥43 trillion in trust assets under management and more than ¥41 trillion in total funds.

Endowed with a healthy financial standing and a business foundation that fosters profitable responses to changes in the operating environment, Chuo Mitsui Trust will continue to demonstrate to the fullest degree the merits of the merger and forge a stronger, more efficient business structure.

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Financial Highlights

The Chuo Mitsui Trust and Banking Company, Limited

Years ended March 31, 2001 and 2000

		Billions of yen		Millions of U.S. dollars (Note 2)
		2001	2000	2001
Consolidated				
For the Year	Total Income	¥ 657.6	¥ 1,011.2	\$ 5,307.1
	Interest Income	232.5	378.5	1,876.9
	Trust Fees	124.4	126.8	1,003.8
	Fees and Commissions	56.9	57.3	459.6
	Total Expenses	611.0	891.4	4,931.8
	Interest Expense	143.3	282.6	1,156.2
	General and Administrative Expenses	186.3	201.2	1,503.7
	Income before Income Taxes and Minority Interest	46.5	119.9	375.4
	Net Income	23.1	47.8	186.1
At Year-End	Total Shareholders' Equity	¥ 778.5	¥ 1,140.0	\$ 6,283.5
	Total Assets	13,888.0	15,297.5	112,090.4
	Loans and Bills Discounted	7,707.5	7,740.5	62,207.2
	Investment Securities	4,261.6	4,976.6	34,395.5
	Deposits	7,860.5	7,910.2	63,442.0
	Trust Assets	43,451.5	44,404.9	350,698.0
	Capital Adequacy Ratio*	10.76%	—	—
	Chuo Trust	—	8.77%	—
	Mitsui Trust	—	15.19%	—
Non-Consolidated				
	Gross Business Profit	¥ 305.0	¥ 290.2	\$ 2,462.2
	Operating Expenses	178.4	190.0	1,439.9
	Transfer to the General Reserve for Possible Loan Losses	(0.7)	5.3	(5.7)
	Business Profit (<i>Gyomu Juneki</i>)**	127.4	94.9	1,028.0
	Business Profit before Trust Account Write-Offs**	165.1	156.1	1,332.7
	Effective Business Profit**	164.4	161.5	1,327.0

Notes: 1. Figures for fiscal 1999 are combined totals from The Chuo Trust and Banking Company, Limited, and The Mitsui Trust and Banking Company, Limited.
2. U.S. dollar amounts stated in this annual report are translated solely for convenience at US\$1=¥123.90, the rate prevailing on March 31, 2001.

* Capital Adequacy Ratio is presented in accordance with the domestic standard set forth in the Banking Law of Japan.

** These terms are defined on page 42 in the financial section.

A Message from the President

Operating Environment

Fiscal 2000, ended March 31, 2001, was characterized by major transformation of the operating environment of Japan's financial institutions. Some of the most notable changes were the preparations undertaken ahead of the business integration of several big banks, the entry of new competitors from outside the industry and advances in financial techniques and information technology.

To cope under these conditions, Chuo Mitsui Trust focused on the establishment of a strong business structure with a highly profitable operating foundation and a solid financial standing. This message provides insight into the Bank's management direction and highlights the Bank's performance in its first year of operations.

Fiscal 2000 Performance*

*Figures for fiscal 1999 are the combined totals from Chuo Trust and Mitsui Trust.

While business profit (*gyomu juneki*) may generally define profitability in the core business of ordinary banks, it does not adequately reflect the profitability of core operations at trust banks. A more appropriate indicator of a trust bank's profitability is business profit before trust account write-offs.

In fiscal 2000, Chuo Mitsui Trust's non-consolidated business profit before trust account write-offs grew 5.7%, to ¥165.1 billion. This increase mirrors steady improvement in proceeds from sales of bonds and higher fees and commissions on the sale of investment trusts, an area the Bank is tackling in earnest. It also reflects a dramatic reduction in expenses, especially outlays for personnel and premises and equipment, achieved through the bold and accelerated implementation of restructuring in this first year of merged operations.

The Bank marked a 25.5% decrease in the burden associated with processing problem assets. However, the failure of several large-lot borrowers due to the prolonged economic slump, and the need for additional reserves, paralleling more rigorous self-assessment, led to the disposal of ¥181.0 billion, comprising loans worth ¥143.3 billion in the banking account and ¥37.7 billion in the trust account.

Consequently, non-consolidated net income decreased 51.7%, to ¥24.0 billion, and net income per share amounted to ¥22.85.

On a consolidated basis, business profit before trust account write-offs edged up 8.7%, to ¥169.4 billion, although net income fell 51.8%, to ¥23.1 billion. Net income per share was ¥21.95.

At March 31, 2001, the Bank's non-consolidated capital adequacy ratio stood at 10.79%, a 0.74 percentage point improvement compared with the previous fiscal year, and its consolidated capital adequacy ratio was 10.76%, up 0.73 percentage point.



Management Direction

Chuo Mitsui Trust maintains five priority objectives that will help the Bank quickly and fully realize the merits of the merger and establish a sound business structure that enables swift and suitable responses to whatever challenges the operating environment presents.

- (1) The Bank will effectively allocate management resources to the strongest operations and build an operating structure underpinned by excellent levels of efficiency and competitiveness.
- (2) To reinforce administrative integrity, the Bank will execute a bold and accelerated restructuring plan that hinges on the prevailing financial health improvement plan.
- (3) The Bank will demonstrate its trust-banking expertise and provide distinctive, high-quality products and services that satisfy diverse client needs.
- (4) As a measure of accountability, the Bank will further enhance existing internal management systems to ensure the health and appropriateness of its business activities.
- (5) The Bank will gain the respect of society by aspiring toward highly transparent management practices and effecting more thorough disclosure.

Business Strategies

Chuo Mitsui Trust will prudently distribute management resources and further enhance inherent capabilities in four key areas to forge a profitable business foundation.

- (1) In the area of individual services, the Bank will pursue consultation-style banking services fine-tuned to clients' stock-oriented needs.
- (2) In the provision of asset-management and asset-administration services, the Bank will fully demonstrate its trust-banking function, especially in the development of future asset-formation schemes, such as master trusts, and build a competitive structure hinging on strong fund-management expertise and sophisticated administrative services.
- (3) In stock transfer agency services, the Bank will uphold its forefront position in the industry by reinforcing its consultation capabilities and establishing a more cost-competitive structure.
- (4) In the area of corporate lending, the Bank will utilize its expanded marketing base to promote a wide spectrum of services to all types of businesses, from large and medium-sized enterprises to small concerns.

New Businesses

Capitalizing on its specialization and expertise as a trust bank, Chuo Mitsui Trust is energetically participating in new fields of business, such as real estate investment trusts, asset-backed securitization, non-recourse loans and syndicated loan arrangement. In addition, the Bank is making the most of new marketing channels, such as the Internet, to expand the reach of its consultation services.

Restructuring

We have vigorously embraced restructuring to fully illustrate the merits of the merger and ensure a highly profitable and more efficient business organization.

Branch Amalgamation

When Chuo Trust and Mitsui Trust merged in April 2000, the branch network comprised 166 locations. In one year, Chuo Mitsui Trust closed 17 locations, including closures inevitably resulting from the amalgamation of branches and offices in the same neighborhood into one building. The process has continued in the first half of the fiscal year ending March 31, 2002, during which we plan to eliminate 24 branches, on the road to a streamlined network of 91 full-service branches by March 31, 2003.



Concurrently, however, we are working toward the establishment of 50 satellite sub-branches and in-store branches, dubbed Consulplazas, that complement standard branches. These locations will raise the efficiency of our branch network.

Personnel Streamlining

In our financial health improvement plan we have set targets for a leaner personnel structure, with 8,000 employees, excluding part-timers, by March 31, 2001 and 6,800 employees by March 31, 2005. I am pleased to report that we surpassed our goal for March 31, 2001, trimming the count to 7,362. Through outsourcing and more efficient use of branch operations and head office functions, Chuo Mitsui Trust may be able to streamline personnel to 5,500, well below the original target for March 31, 2005.

Action-Ready Executive Structure

The executive structure at Chuo Mitsui Trust has undergone considerable modification. The number of directors has been dramatically reduced since the merger to encourage more vigorous discussion at Board of Directors' meetings and to expedite decision-making processes. Also, toward the formation of a business structure that emphasizes the execution of activities, the Bank implemented an executive officer system to clearly distinguish the management-planning function from the business-execution function.

The merger was the touchstone for major organizational restructuring at the head office, which proceeded with a focus on duplicated departments and will continue with additional efforts to rationalize operations. For example, the operations of some duplicated subsidiaries were merged into six business groups, as of May 2000, but the Bank will strive to enhance efficiency still further.

The Bank's Response to the Introduction of Mark-to-Market Accounting

With mark-to-market accounting going into full effect from fiscal 2001, Chuo Mitsui Trust will account for the entire revaluation differences arising from other marketable securities in the Bank's capital account.

From the perspective of reducing the risk of fluctuating stock prices, management has prioritized the streamlining of cross-shareholdings and will continue to squeeze such equity holdings.

This accounting treatment may lower distributable earnings. However, as of fiscal 2000 year-end the Bank had secured capital surplus at a sufficient level—¥117.6 billion—and will strive to further expand retained earnings and provide stable dividends to shareholders.

In Closing

Chuo Mitsui Trust blazed the merger trail in Japan's trust banking industry and, as noted above, has already realized synergistic benefits in its first year of operations. Rather than be complacent, however, we will strive to reinforce profitability with bold and accelerated efforts that achieve and even surpass the goals of the financial health improvement plan disclosed in March 1999.

All management and staff at Chuo Mitsui Trust are working diligently on two top priorities—to improve shareholder value and to forge stronger bonds of trust between the Bank and its clients. On behalf of the Board, I ask for the support and understanding of shareholders, clients and business partners as we strive to achieve these aims.

August 2001



Kiichiro Furusawa
President

Status of Financial Health Improvement Plan *

*Figures for fiscal 1999 represent combined totals from Chuo Trust and Mitsui Trust.

Both Chuo Trust and Mitsui Trust drafted financial health improvement plans at the time of application to the Financial Reconstruction Committee for injections of public funds.

These plans represent the cornerstone of the new business foundation laid by the April 2000 merger and symbolize Chuo Mitsui Trust's ultimate objectives—a stable profit base and a solid financial standing—which will be achieved by such merger-reinforced capabilities as stronger transaction substructures in individual and corporate services and an overwhelming advantage in the trust-banking business.

Results for fiscal 2000 exceeded respective targets in the financial health improvement plan. Effective business profit reached ¥164.4 billion, surpassing the expected ¥139.7 billion. Ordinary profit totaled ¥53.9 billion, compared with the original goal of ¥44.1 billion. Net income amounted to ¥24.0 billion, slightly above the anticipated ¥23.7 billion.

Chuo Mitsui Trust was also able to accelerate its rationalization of operations. Thanks to the merger, operating expenses, primarily equipment and premises, settled at ¥178.4 billion, well below the projected ¥216.3 billion, while the number of employees dropped to 7,362 at the end of March 2001, compared with the planned 8,000, owing to enhanced operating efficiency.

The Bank will continue to rationalize its operations and implement strategies that produce a more efficient branch network maximizing the talents of a streamlined workforce.

Of special note, individual services showed favorable movement. The individual loans balance, which excludes funds for business use, grew 8.9%, as of March 31, 2001, to ¥1.5 trillion. Home loans accounted for ¥1.3 trillion, up 13.0%. The investment trust sales balance reached ¥375.8 billion, surging 42.3% over the previous fiscal year.

Concerted efforts to buoy the lending balance to small and medium-sized businesses led to a net increase of ¥85.2 billion, compared with the balance of a year earlier, and topped the ¥50 billion mark set out in the Bank's plan for fiscal 2000. The total is on an actual basis, taking into account changes in the balance related to problem asset write-offs (excluding impact loans).

Chuo Mitsui Trust will continue to stress further business improvements to realize the goals set down in the Bank's post-merger blueprint.

Profit and Loss

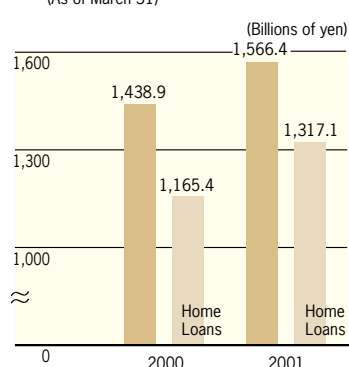
	(Billions of yen)	
	FY 2000	Original Plan
Effective Business Profit	164.4	139.7
Ordinary Profit	53.9	44.1
Net Income	24.0	23.7

Business Rationalization Goals

	(Billions of yen, number of employees)		
	FY 1999	FY 2000	Plan for FY 2000
Operating Expenses	190.0	178.4	216.3
Number of Employees	7,852	7,362	8,000

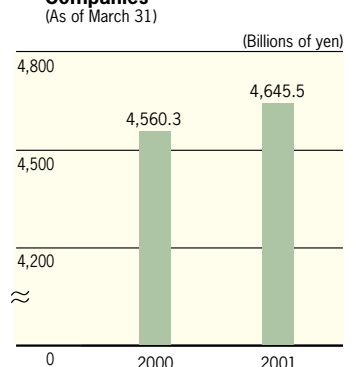
Note: The number of employees includes staff on loan, overseas personnel and locally hired staff at overseas locations, but excludes part-timers.

Individual Loans and Home Loans



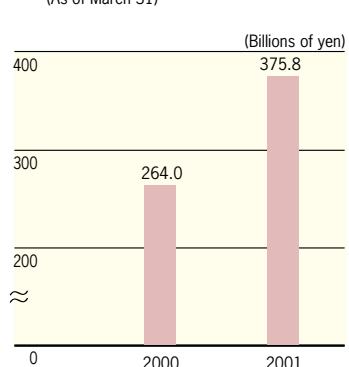
Note: Totals exclude funds for business use.

Loans to Small and Medium-Sized Companies



Note: Totals are on an actual basis and exclude impact loans.

Investment Trust Sales



Note: Totals exclude private investment trusts.

Status of Problem Asset Write-Offs*

*Figures for fiscal 1998 and 1999 are the combined totals from Chuo Trust and Mitsui Trust.

From a perspective of sound asset health, Chuo Mitsui Trust has made early resolution of problem assets a management priority and is earnestly tackling this assignment.

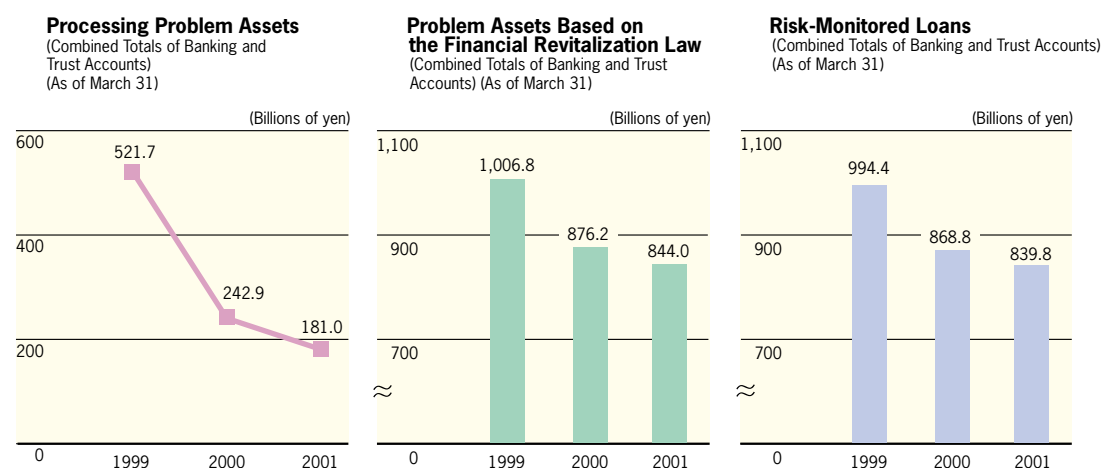
The Bank aggressively pursued final processing of problem assets in fiscal 2000 to take them off the balance sheet. On a non-consolidated basis, problem assets in the banking and trust accounts—classified based on the Financial Revitalization Law as “claims under bankruptcy and virtual bankruptcy,” “claims under high risk” and “claims under close observation”—settled at ¥844.0 billion, down 3.7% from fiscal 1999. By moving problem assets off the balance sheet, a reduction in claims under high risk caused the coverage ratio—the amount of reserves and allowances, through collateral and guarantees, to the amount of nonperforming loans—to retreat 11.8 percentage points, to 77.7%.

Loans in the banking and trust accounts—classified according to the rules of risk-monitored loans as “loans to borrowers in bankruptcy,” “non-accrual loans,” “loans past due three months or more” and “restructured loans”—totaled ¥839.8 billion, down 3.3%, from fiscal 1999. The coverage ratio dropped 12.3 percentage points, to 77.6%.

Based on self-assessment criteria, the classification ratio—the percentage of assets represented by assets in categories II to IV as disclosed under the self-assessment system—after disposals and write-offs was 14.7%, up 3.0 percentage points. This increase is the result of stricter assessment practices by the Bank and worsening credit conditions for some borrowers, owing to the prolonged economic slump.

On a consolidated basis, problem assets based on the Financial Revitalization Law were ¥848.7 billion, down 4.8%, and the coverage ratio stood at 77.7%. Risk-monitored loans amounted to ¥841.5 billion, down 4.5%, and the coverage ratio reached 77.5%. These results are nearly on a par with non-consolidated categories.

The emergency economic package announced by the Japanese government in April 2001 presented guidelines for drastic removal of problem assets from the balance sheets. Based on these guidelines, Chuo Mitsui Trust will continue to work toward the conclusion of final processing of problem assets.



Self-Assessment System (Non-Consolidated)

As of March 31, 2001

	(Billions of yen)		
	Category Total (Before Write-Offs and Reserves)	Write-Offs and Reserves	Category Total (After Write-Offs and Reserves)
Category IV	79.7	79.7	0
Banking Account	68.9	68.9	0
Trust Account	10.8	10.8	0
Category III	83.7	59.9	23.8
Banking Account	73.1	53.7	19.4
Trust Account	10.6	6.2	4.4
Category II	1,644.9	—	1,644.9
Banking Account	1,367.1	*1—	1,367.1
Trust Account	277.8	*2—	277.8
No Category	9,617.6	—	9,671.3
Banking Account	6,787.0	*1—	6,840.7
Trust Account	2,830.6	*2—	2,830.6
Total	11,425.8		11,340.0
Banking Account	8,296.0		8,227.2
Trust Account	3,129.8		3,112.8
Classification Ratio (%)			14.7
Banking Account			16.9
Trust Account			9.1

Notes: *1 Funds drawn from general reserve for possible loan losses: At March 31, 2001, general reserve for possible loan losses stood at ¥79.9 billion.

*2 The following allowances and reserves were recorded in the trust account at March 31, 2001: Special reserve funds = ¥30.9 billion; reserve for possible loan losses = ¥1.2 billion.

Disclosure of Problem Assets Based on the Financial Revitalization Law

(1) Non-Consolidated

As of March 31, 2001

	(Billions of yen)				
	Disclosure Amount (A)	Collectable Amount by Collateral and Guarantees (B)	Allowances and Reserves (Banking Account: General Reserve) (Trust Account: Special Reserve Funds/ Reserve for Possible Loan Losses) (C)	Reserve Ratio (%) (C/(A-B))	Coverage Ratio (%) ((B+C)/A)
Claims under Bankruptcy and Virtual Bankruptcy	189.3	184.7	—	—	—
Banking Account	128.6	124.1	4.6	100.0	100.0
Trust Account	60.7	60.7	—	—	—
Claims under High Risk	184.2	111.2	—	—	—
Banking Account	143.6	75.0	49.2	71.7	86.5
Trust Account	40.6	36.2	—	—	—
Claims under Close Observation	470.5	182.5	—	—	—
Banking Account	409.0	148.9	39.0	15.0	45.9
Trust Account	61.5	33.6	—	—	—
Total	844.0	478.5	177.2	48.5	77.7
Banking Account	681.2	348.0	145.2	43.6	72.4
Trust Account	162.8	130.5	32.0	99.1	99.8
Normal Claims	10,495.9	Note: Partial direct write-offs = ¥663.3 billion.			
Banking Account	7,545.9				
Trust Account	2,950.0				

(2) Consolidated
As of March 31, 2001

(Billions of yen)					
	Disclosure Amount (A)	Collectable Amount by Collateral and Guarantees (B)	Allowances and Reserves (Banking Account: General Reserve) (Trust Account: Special Reserve Funds/ Reserve for Possible Loan Losses) (C)	Reserve Ratio (%) (C/(A-B))	Coverage Ratio (%) ((B+C)/A)
Claims under Bankruptcy and Virtual Bankruptcy	194.2	187.0	—	—	—
Banking Account	133.5	126.3	7.2	100.0	100.0
Trust Account	60.7	60.7	—	—	—
Claims under High Risk	183.9	111.3	—	—	—
Banking Account	143.3	75.1	49.5	72.5	86.9
Trust Account	40.6	36.2	—	—	—
Claims under Close Observation	470.6	182.1	—	—	—
Banking Account	409.1	148.5	39.1	15.0	45.8
Trust Account	61.5	33.6	—	—	—
Total	848.7	480.4	179.0	48.6	77.7
Banking Account	685.9	349.9	147.0	43.8	72.4
Trust Account	162.8	130.5	32.0	99.1	99.8
Normal Claims	10,422.1	Note: Partial direct write-offs = ¥673.1 billion			
Banking Account	7,472.1				
Trust Account	2,950.0				

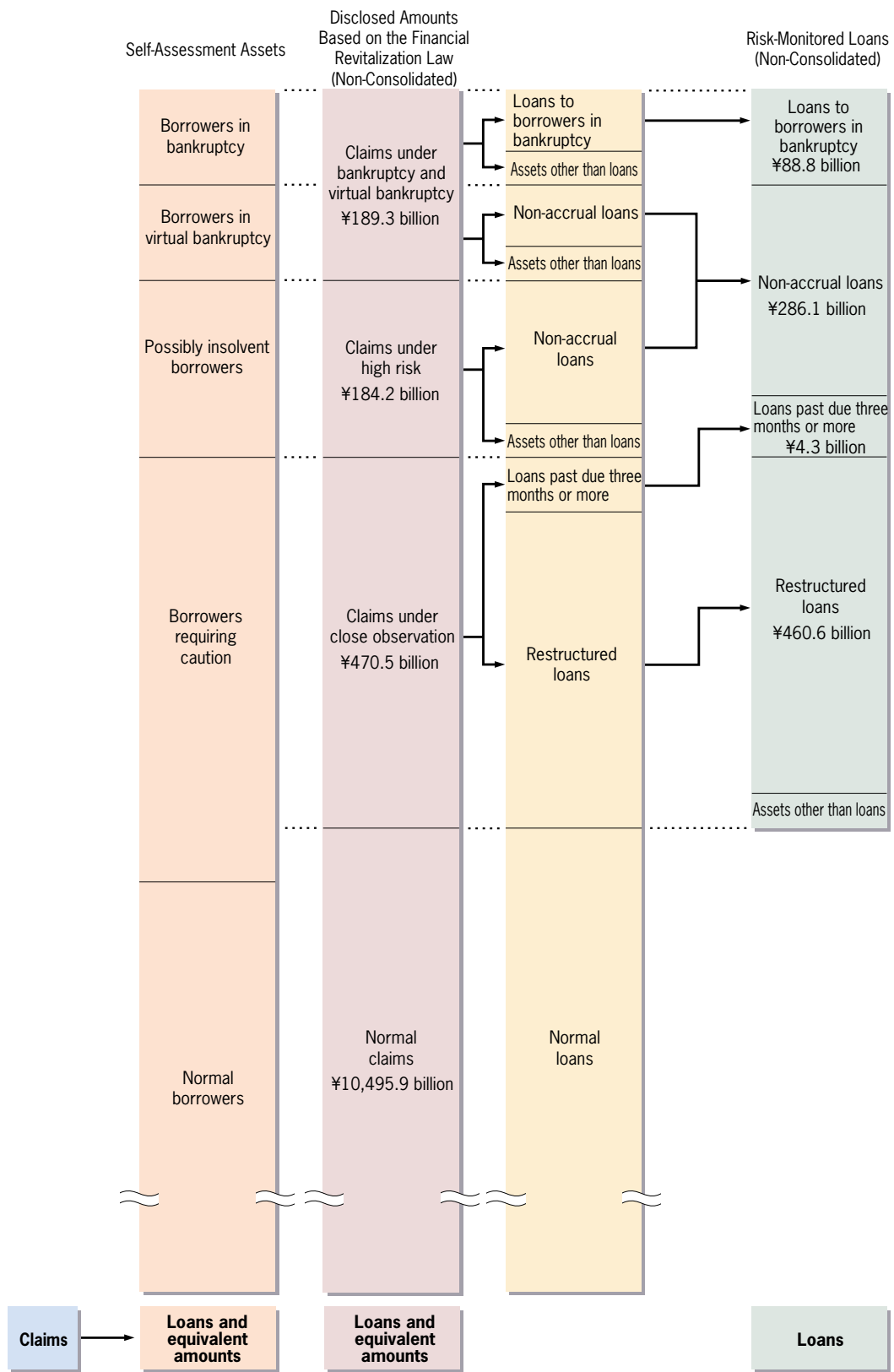
Risk-Monitored Loans

As of March 31, 2001

	Non-Consolidated		Consolidated	
	Disclosure Amount	Percentage of Loans and Bills Discounted	Disclosure Amount	Percentage of Loans and Bills Discounted
Loans to Borrowers in Bankruptcy	88.8	0.82	89.2	0.82
Banking Account	58.7	0.76	59.0	0.76
Trust Account	30.1	0.97	30.1	0.96
Non-Accrual Loans	286.1	2.63	287.3	2.65
Banking Account	210.2	2.71	211.4	2.74
Trust Account	75.9	2.44	75.9	2.43
Loans Past Due Three Months or More	4.3	0.04	4.3	0.03
Banking Account	2.1	0.03	2.1	0.02
Trust Account	2.2	0.07	2.2	0.06
Restructured Loans	460.6	4.23	460.7	4.25
Banking Account	406.1	5.23	406.2	5.27
Trust Account	54.5	1.75	54.5	1.74
Total	839.8	7.72	841.5	7.77
Banking Account	677.1	8.72	678.8	8.80
Trust Account	162.7	5.23	162.7	5.22
	After Direct Write-Off	Before Direct Write-Off	After Direct Write-Off	Before Direct Write-Off
Reserve Ratio	21.0	55.9	21.2	56.3
Banking Account	21.4	60.3	21.6	60.7
Trust Account	19.6	19.6	19.6	19.6
Coverage Ratio	77.6	87.5	77.5	87.6
Banking Account	72.2	86.0	72.3	86.2
Trust Account	99.8	99.8	99.8	99.8

Note: Amounts are post-partial direct write-offs (non-consolidated basis = ¥661.9 billion; consolidated = ¥671.6 billion)

Relationship between Self-Assessment Assets, Disclosed Amounts Based on the Financial Revitalization Law and Risk-Monitored Loans



**Definitions of Self-Assessment System,
Disclosure of Assets Based on the Financial Revitalization
Law and Risk-Monitored Loans**

Self-Assessment System

What Is the Self-Assessment System?

Self-assessment of asset quality requires a financial institution to examine the quality of its own assets and group assets, according to the degree of risk for default on loans or the potential irrecoverability of invested value.

Assets subject to self-assessment are loans and loan equivalents, such as loan receivables in securities, foreign currency, accrued interest, accounts due, provisional payments equivalent to loans, and acceptances and guarantees.

Basic Concept in Self-Assessment

In principle, the process of asset assessment assigns credit ratings to debtors, then groups the debtors according to these rating assignments. Each debtor is viewed individually, based on such details as the application of funds, and the status of collateral and guarantees is ascertained to facilitate further classification, according to the degree of risk inherent in the recovery of the loan or the potential for the invested value to erode.

Credit Ratings

Credit ratings correspond to a client's credit risk, a status based on financial position, ratings by rating agencies, information from credit bureaus, and other sources. A credit rating must be consistent with debtor categories.

Debtor Categories

A debtor's ability to repay loans is determined by such factors as financial status, cash flow and profitability, and this ability will place a debtor into one of five categories: normal, caution, possible bankruptcy, virtual bankruptcy and legal bankruptcy.

1. Normal: Debtors whose business prospects are favorable and whose financial position exhibits no particular problems.
2. Caution: Debtors with problematic lending conditions, such as reduced or suspended interest payments, debtors with non-accrual repayment schedules, wherein principal or interest payments are in arrears, and debtors which may require special

measures in the future because business prospects are sluggish or unstable, or because financial positions are uncertain.

3. Possible bankruptcy: Debtors for whom bankruptcy is not currently imminent but for whom the eventuality of failure in the future is high because financial difficulty exists and a sufficient boost through a business improvement plan, for example, is not expected. This category includes debtors receiving support from a financial institution or other backer.
4. Virtual bankruptcy: Debtors that face severe operating difficulties and while they have not been declared legally bankrupt they are essentially insolvent because they lack any hope of restructuring.
5. Legal bankruptcy: Debtors whose legal bankruptcy is substantiated by a declaration of bankruptcy, liquidation, reorganization or composition, or for whom clearinghouse transactions have been halted.

Claim Categories

Under the self-assessment system, claims are grouped into "categories"—II, III and IV—and the respective assets are called "category assets." Claims that do not fall into categories II, III and IV are called "no category," and the assets that fall outside these classifications are deemed "no category assets."

Disclosure of Assets Based on the Financial Revitalization Law

Debtor Classification

1. Claims under bankruptcy and virtual bankruptcy: Loans and loan equivalents granted to borrowers that have succumbed to legal business failure by reason of declared bankruptcy, reorganization, composition or other officially recognized end to operations.
2. Claims under high risk: Loans to borrowers that have not yet reached a state of legal bankruptcy but are highly unlikely to repay the principal and interest according to contractual obligations because of worsening financial position and business performance.
3. Claims under close observation: Loans three months past due—i.e., loans for which payment of principal or interest has fallen more than three months behind, counting from the day following the contractual payment day—and restructured loans—i.e., loans for

which the contractual conditions have been revised, for example, with a specific concession in favor of the debtor to facilitate the restructuring of a business that has been economically disadvantaged, or to support such a business, and thereby promote repayment of the outstanding loan.

4. Normal claims: Loans to borrowers with no particular problems affecting financial position or business performance, thereby excluding them from the three classifications described above.

Relationship with Debtor Classifications in the Self-Assessment System

1. Claims under bankruptcy and virtual bankruptcy: Corresponds to the sum of loans to debtors that are legally bankrupt or virtually bankrupt under self-assessment standards.
2. Claims under high risk: Equivalent to loans to debtors classified as possibly bankrupt under self-assessment standards.
3. Claims under close observation: Represents the sum of loans to debtors in the caution category of self-assessment standards that are either more than three months past due or restructured.
4. Normal claims: Identified with loans to healthy borrowers under self-assessment standards, as well as loans other than claims under the close observation category of loans to debtors requiring caution.

Risk-Monitored Loans

What are risk-monitored loans?

1. Loans to borrowers in bankruptcy: Of loans for which no accrued interest is recorded because the recovery of principal or interest is unlikely due to a prolonged delay in payment of principal or interest (excludes the portion written off; hereafter referred to as “loans for which accrued interest is not recorded”), loans to borrowers in bankruptcy are those for which the reason is found in the provisions of the Corporate Tax Law (Ordinance 97, 1965), Article 96, Paragraph 1, Sub-Paragraph 3, Points a) through e), or Article 4 of the same law.
2. Non-accrual loans: Of loans for which accrued interest is not recorded, non-accrual loans are loans other than those to borrowers in bankruptcy and loans for

which interest has been waived to facilitate business restructuring.

3. Loans past due three months or more: This category comprises loans for which payment of principal or interest has fallen more than three months behind, counting from the day following the contractual payment day, but excludes loans to borrowers in bankruptcy and non-accrual loans.
4. Restructured loans: This category covers loans for which payment of interest is reduced or suspended, payment of principal is extended, the claim is waived, or another measure advantageous to the borrower is granted to facilitate business restructuring. Loans to borrowers in bankruptcy, non-accrual loans and loans past due three months or more are not included in this category.

Relationship between Self-Assessment Assets and Disclosure of Assets Based on the Financial Revitalization Law

Assets classified under self-assessment standards and disclosure of assets based on the Financial Revitalization Law are loans and loan equivalents. These loans differ primarily from risk-monitored loans in that risk-monitored loans exclude loan equivalents.

1. Loans to borrowers in bankruptcy: These are loans to legally bankrupt borrowers.
2. Non-accrual loans: These are loans to virtually bankrupt borrowers and borrowers for which the possibility of bankruptcy exists.
3. Loans past due three months or more: Of loans to borrowers requiring caution, loans past due three months or more are those for which the payment of principal or interest has fallen three months behind, counting from the day following the contractual payment day.
4. Restructured loans: Of loans to borrowers requiring caution, restructured loans are those for which payment of interest is reduced or suspended, payment of principal is extended, the claim is waived or another measure advantageous to the borrower is granted to facilitate business restructuring.

Individual Services



Business Policy

Chuo Mitsui Trust's business policy is anchored by a basic principle that emphasizes clients' needs in the provision of high-quality products and sophisticated services. The Bank assists individuals in their financial goals with home loans and a range of financial instruments, including loan trusts, investment trusts and term deposits. We also demonstrate specialized trust banking expertise through consultation-type services on such topics as real estate and inheritance and succession.

Chuo Mitsui Trust consistently seeks to ensure accessibility and convenience for clients. We maintain an extensive domestic network—137 standard branches—as well as centers dedicated to investment trust products and services, and mini-branches, primarily in-store locations, that are also open on weekends. We present clients with the additional options of telephone banking and online investment trust services.

High-Quality Products and Services for Every Stage of Life

Asset Formation and Asset Utilization

We have assembled a comprehensive lineup of products for asset management, including investment trusts, and arrange one-on-one discussion time for each client to determine the individual's ultimate objective, his or her thoughts on risk assets and other factors inherent in the investment equation. Based on such considerations as the life goals and investing experience of each client, we then customize an investment plan that combines several products, including deposits, trusts and investment trusts.

Extending beyond assistance in formulating the right approach for fund application, our specialized consultation capabilities also encompass advice on the sale, purchase and effective utilization of real estate. Through these services, we help clients maximize their assets and realize a comfortable life.

In March 2001, Chuo Mitsui Trust launched Best Quality, a service for preferred members that presents various support options for the administration and management of clients' valuable assets.

Trusts and Deposits

Complementing such quintessential savings-oriented trust products as Big, Hit and loan trusts, Chuo Mitsui Trust offers a selection of deposits, such as large-lot term deposits, Super term deposits and Spurt and Rhythm variable interest rate deposits. We have a broad range of savings products, from short to long term with fixed or variable interest rates, to match the asset-formation needs of clients. Our efforts have won market approval, an achievement substantiated by the highest total fund balance of any trust bank in Japan.

Furthermore, of all domestic financial institutions, Chuo Mitsui Trust has secured the highest balance of asset-formation trusts (regular, pension and housing), a representative category of accumulated savings by which amounts are deducted from the salaries of corporate employees.

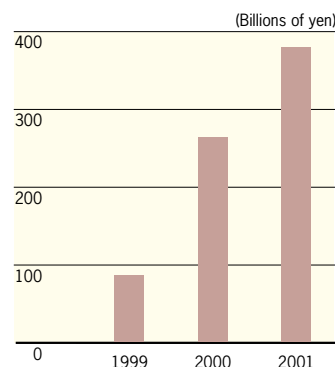
Investment Trusts

Since the December 1998 start of investment trust sales, Chuo Mitsui Trust has steadily enriched its list of investment trust products to meet the diversified needs of clients. As a result, the Bank now handles more than 60 investment trusts, from products for which the principal is guaranteed, to products highlighting overseas stock investment. Our selection of investment trusts is among the widest offered by domestic banks.

We were the first bank in Japan to open investment trust centers. Clients who are particularly pressed for time and are unable to visit a center can reach investment trust professionals by phone, through telephone banking and online, through Solution Direct, to initiate an investment trust transaction.

These concerted marketing efforts helped Chuo Mitsui Trust acquire the top spot among domestic banks with a balance of about ¥380 billion in investment trust assets accepted as of March 31, 2001.

Balance of Investment Trust Assets
(Market Price Basis)
(As of March 31)

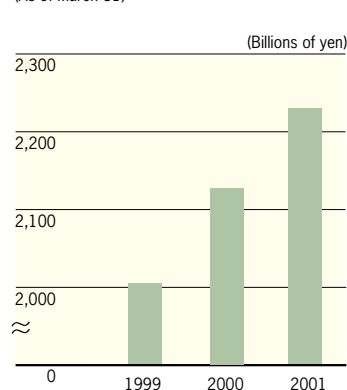


Helping Clients Buy a Home

We provide prospective homeowners with a spectrum of services, starting with property information and culminating in financing schemes.

In the area of property information, clients can take advantage of our years of involvement in the real estate business, as well as easy access to a wealth of real estate data from Sanshin Realty Co., Ltd., and Chushin Housing Services Co., Ltd.

Balance of Personal Loans
(As of March 31)



In regard to financing schemes, we provide total support, from financial planning to tax advice. We have a broad selection of loan products, including large-scale home loans and a loan that facilitates the remodeling of homes to accommodate two generations of family members.

At the end of March 2001, the balance of personal loans stood at ¥2.2 trillion, placing Chuo Mitsui Trust at the forefront of domestic trust banks in this category.

Property Utilization

Real estate, which occupies a significant measure of an individual's net worth, is nonetheless a difficult asset for clients to apply as a source of income. Optimal use of real estate requires broad-based knowledge in such areas as real estate evaluation; compliance with rules and regulations; the creation of a business blueprint and a plan for earnings and expenses; and the formulation of a fund-procurement strategy.

Chuo Mitsui Trust draws on its capabilities as a finance professional to provide specialized advice. Our services include a building and apartment loan that grants the funds needed for fully capitalizing on a property's potential, and brokerage operations to facilitate the purchase, transfer and disposal of real estate.

Other Services

Chuo Mitsui Trust's other services are similar to those offered by commercial banks and include, on behalf of clients, acceptance of national tax, regional tax and public utility payments, as well as stock-related operations, such as the receipt of stock dividends and transfer of title.



Facilitation of Succession and Inheritance Issues

A question that many people find troublesome is how to facilitate the transition of assets built up over a lifetime from one generation to the next. One answer is through Chuo Mitsui Trust's integrated testamentary trust services, which encompass everything from plans that facilitate the transfer of assets to advice on the preparation of a will. We also keep wills in custody, and assist in the execution of wills to ensure that the final wishes of the deceased are recognized and executed.

We also sort through testamentary paperwork on behalf of heirs, thereby freeing the people who have recently acquired new assets from the bulk of onerous filing that accompanies an inheritance.

Testamentary Trusts

The drafting of a will is the best way for a person to specify how assets are to be distributed upon death, thereby ensuring that his or her spouse retains the greater part of an estate or that a portion of assets are left to a particularly deserving individual or charity.

Chuo Mitsui Trust assists in the preparation of wills, based on the wishes of each client and requisite legal and taxation considerations. The Bank also keeps wills in custody and assumes the role of executor, whose responsibility it is to accurately discharge assets according to the contents of the will.

Sophisticated capabilities, honed through years of practical experience, have earned us a solid reputation for germane advice on testamentary concerns. This market confidence underscores our position as the trust bank with the highest number of wills in custody.

Testamentary Processing

The formalities involved in inheriting an estate require a detailed understanding of laws and taxation and demand considerable time and effort to examine the components of the estate and transfer titles to respective heirs. Inheritance-related procedures can prove to be a daunting task for people who are already juggling busy daily routines or who are unfamiliar with all the paperwork. As an agent for heirs, Chuo Mitsui Trust can considerably lessen the burden. We can handle most of the paperwork, excluding taxation forms.

Complementing these services, our asset consultants and financial planners offer pertinent advice on practical and profitable approaches for maximizing inherited assets.

Enhanced Network and Services

Chuo Mitsui Trust boasts the largest branch network of any trust bank in Japan, and the Bank continues to extend its reach, especially in the Tokyo metropolitan area, with investment trust centers and Consulplaza in-store branches. As of July 2001, our network comprised 153 locations: 137 standard branches, three investment trust centers and 13 Consulplazas.

Investment Trust Centers

We marked a first in the domestic banking industry with the establishment of three investment trust centers—at Shinjuku Nishiguchi (west side of Shinjuku Station, in Tokyo), Umeda (in Osaka) and Yokohama-Eki Nishiguchi (west side of Yokohama Station). These centers hold free seminars on investment trusts nearly every day of the week, including weekends, and knowledgeable staff are ready with precise, easy-to-understand recommendations to clients' investment trust questions.



Investment Trust Selection and Evaluation

Picking the right investment trusts for one's needs from a huge array of possible choices is a difficult task. In the United States, where investment trusts are already well established, many investors select products using objective evaluation data. We expect demand for such information to grow in Japan as well, paralleling heightened interest in investment trusts.

To meet anticipated demand, Chuo Mitsui Trust teamed up with Morningstar Japan K.K., an affiliate of Morningstar, Inc.—highly respected in Japan and the United States as an investment trust assessor—in creating evaluation reports. The Bank is marketing the objective data on investment trusts to its clients—marking a first for a domestic bank.

In-Store Branches

Chuo Mitsui Trust is energetically developing Consulplaza in-store branches, primarily at train stations and commercial facilities such as department stores. Our Consulplazas are open seven days a week, and act as convenient consultation spaces where staff conduct one-on-one discussions with each client.

At Consulplazas, visitors can obtain free advice on home loans, real estate, wills and inheritance and the application of funds, and make deposits into investment trusts as well as standard trust and savings accounts. We aim to open new access points, particularly in major urban centers in Japan.



Call Center

With a simple telephone call, clients can execute a variety of transactions, from balance inquiries and money transfers to deposits into investment trust and standard deposit accounts. It is also possible to talk with a consultant about certain products and services. In prioritizing enhanced services for clients, we have been expanding call center functions. As of March 31, 2001, the call center had expedited the requests of more than 80,000 clients.

Internet Access

Solution Direct is a new service that fully supports clients' asset management. Once registered as members of the service, clients gain round-the-clock online access to buy or sell



units in investment trusts and to view life-plan and asset-application simulations. To encourage participation in investment trusts, we have been

offering clients a 50% discount on the sales commission charged when deposits are put into an investment trust account.

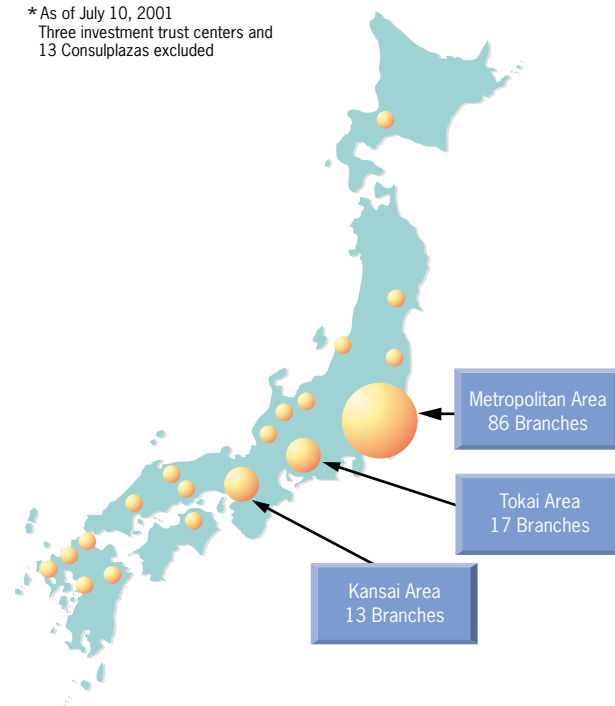
Help on Holidays

We regularly offer weekend and holiday consultations so that clients who are unable to visit a branch on weekdays can still speak with one of our financial professionals. Clients have voiced their appreciation for the extended opportunity to discuss a range of topics, from asset application options, such as investment trusts, to loans, real estate and wills and inheritance.

Domestic Branch Network

Area	Number of Branches*
Metropolitan	86
Tokai	17
Kansai	13
Other	21
Total	137

*As of July 10, 2001
Three investment trust centers and 13 Consulplazas excluded



Corporate Services Financial Services

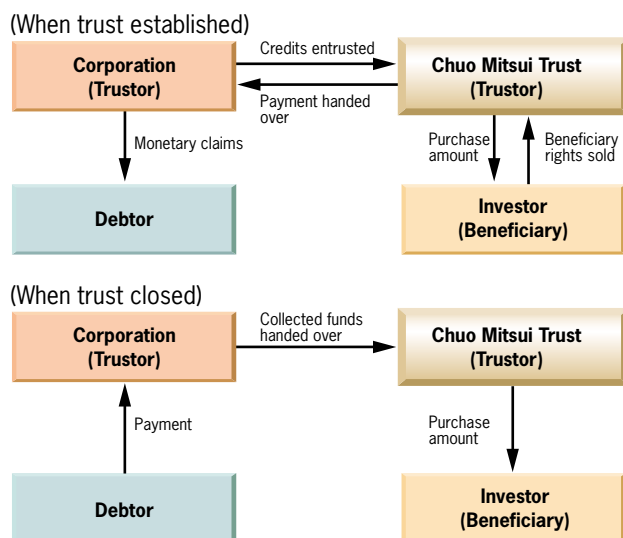


Business Policy

Chuo Mitsui Trust accurately addresses the increasingly diverse fund-procurement needs of its corporate clients through a variety of financial instruments. The Bank complements traditional lending operations with asset-backed financing, such as securitization of real estate and non-recourse loans, and resourcefully engages in syndicated loans, a fund-raising option for which the transaction volume is increasing in Japan.

We do not limit our deposit products, trusts and investment trusts to individuals. These lines are also available to our corporate clients to facilitate fund-management objectives.

Framework for Securitizing Monetary Claims Using a Trust as a Vehicle



Major Business Activities

Fund Supply Hinges on Lending Operations

To satisfy clients' varied fund-procurement requirements, we offer a wide array of financial instruments, including long-term loans to finance, for example, plant and equipment and working capital, as well as overdrafts, short-term loans, discounted bills, debt guarantees, securitized loans and impact loans. We also act as trustee on corporate bond issues and underwrite commercial paper.

Broad-Based Solutions in an Advisory Capacity

With the implementation of new accounting standards, businesses must elevate corporate value relative to capital costs. Chuo Mitsui Trust simplifies the effort by using cash flow analysis to help clients determine the business value of operating divisions and subsidiaries and, as a go-between to a business tie-up or in some other advisory capacity, pinpoints management problems. The Bank extends loans and also presents solutions to discernible problems through a combination of real estate and asset management services.

Funding through Securitization of Assets

Recourse loans and securitization of real estate, utilizing real estate-managed trusts and special purpose companies, have attracted attention as fund-raising instruments that maximize the merits of trust products. To accurately respond to growing demand for such financing tools, Chuo Mitsui Trust strives to apply accumulated know-how in real estate while fully demonstrating its trust-banking expertise. The Bank also proposes financing schemes, including those featuring trust-style securitization of client-held money claims, such as credit receivables and bill credits.

Domestic Syndicated Loans

A syndicated loan is a form of financing through which an arranger—a financial institution designated by the client to act as the managing underwriter—negotiates with several banks to consolidate under a single agreement the lending conditions and other factors associated with separate loans. For clients, this process integrates fund procurement from multiple sources and streamlines corporate financing activities.

In Europe and the United States, syndicated loans remain an extremely popular form of fund procurement. This widespread acceptance abroad has recently permeated the corporate perspective in Japan. Chuo Mitsui Trust has thus established a special unit for syndicated loans and will aggressively pursue such loans as arranger.

Venture Business Investment

We teamed up with Chuo Mitsui Capital Co., Ltd., a strategic subsidiary in the area of private equity, to aggressively support and invest in the strategic investments of major corporations, such as venture businesses that have made excellent progress in growth fields. We also arrange investment financing for schemes, such as management buyouts that result from the reorganization of corporate groups.

Risk Hedging

Clients seeking to manage and control the variability of interest rate and exchange rate risks can rely on Chuo Mitsui Trust for timely market information. The Bank also maintains a selection of derivative products, including swaps, options and foreign exchange futures transactions that accomplish clients' risk-hedging objectives.

Fund Management

Chuo Mitsui Trust presents numerous vehicles for fund management: deposits, trusts and investment trusts.

We handle a range of deposits, from liquid deposits to term deposits, including large-lot, Super and foreign-currency-denominated products.

Our line of trust products features separately operated money trusts for securities investments, fund trusts, specified money trusts and money trusts other than specified money trusts. We also market units of trust beneficiary rights derived through debt securitization and for which clients may anticipate higher returns from the higher inherent risk.

In the area of investment trusts, Chuo Mitsui Trust boasts the widest selection of products in Japan. The content is suitably varied to match the diversity that colors clients' investment strategies.

Employee Welfare Support Services

We have prepared an assorted menu of welfare support services for fulltime employees at client companies that includes homeowner financing, corporate discount loans and financial consulting. Capitalizing on the merits of extranets, we launched Chuo Mitsui Trust Online Consultation Office, an online access point linking clients' in-house personal computer networks to our system through an extranet structure. Any questions that employees might have regarding the content or availability of certain financial products can be answered online.

Other Services

Business Support Services

Utilizing internal and external networks, Chuo Mitsui Trust undertakes support services matched to clients' business needs. The Bank helps clients in their efforts to nurture business opportunities with various information and carefully assists in the expansion of marketing channels or the introduction of a potential user of the company's technology.

Leasing Transactions

We offer several financial services that highlight leasing and installment options as a means to prevent office automation devices, telecommunications equipment, commercial facilities and other machinery from becoming outdated in fields where technological breakthroughs are a particularly common occurrence, and to promote operational rationalization and efficiency.

PC-Based Services

We offer a fund transfer and exchange service that facilitates the execution of relevant transactions from personal computers (PCs) and other electronic information devices, as well as a contact and inquiry service that transmits details on account balances, transfers, deposits and withdrawals.

Lending Concept

Lending to individuals is an activity to which we have devoted particular attention, and this focus has resulted in the highest lending balance of any trust bank in Japan. We will preserve this standing through the continued establishment of Consulplaza in-store branches and the development of loan products fine-tuned to the needs of individuals.

Trust Asset Management Business



Business Policy

Our trust asset management business is a solution-style investment approach utilizing high-quality fund-management products to successfully accomplish the investment strategies of clients. To this end, we communicate closely with clients to pinpoint the most essential requirements of their investment plans, then select the most suitable products and chart the best way to utilize each instrument to reach the desired goals.

Our investment targets cover domestic and foreign stocks and bonds, and our product lines, diverse in terms of management technique as well as style, employ active and passive—or index-based—funds. We aim to keep our products at the top of the industry performance list and will continue to adjust and reinforce the lineup.

We will also sharpen our competitive edge through stronger ties with State Street Corp., a U.S.-based passive manager respected worldwide for its know-how and prominent scale.

Major Business Activities

Japan's Largest Pool of Asset Managers

The Asset Management Sector is responsible for about ¥16 trillion in funds, including corporate pensions, public pensions and public sector funds, managed in various formats, according to plans formulated with the explicit input of clients. The high quality of our asset-management operations is underscored by merits of scale, upheld by the largest share of fund assets under management in Japan, and by a skilled group of some 200 professionals who continue to achieve excellence in fund management.

Top-Caliber Asset-Management Capabilities

Asset Management Policy and Function-Specific Structure

Our asset management policy prioritizes consistency and clarity. To uphold this philosophy, we arranged operations into a function-specific structure paralleling the Plan→Do→See process for fund-management products that connects all aspects, from the drafting of an investment strategy to the evaluation of a fund's performance.

In November 2000, we realigned the prevailing separate portfolio structure of the Fund Management Sector into the Research and Investment Department and the Quantitative Investment Department, according to the techniques and styles used in managing funds. The new structure has elevated our level of expertise.

Retaining a Cadre of Experts

In January 2001, Chuo Mitsui Trust revised its personnel system and introduced an annual salary format—the specialist course—for fund-management professionals in the Asset Management Sector. Because the new format recognizes the achievements of individuals, it will encourage staff to excel in their jobs. Moreover, the specialist course will help the Bank attract and keep new employees with distinguished skills and credentials, polish capabilities under the aforementioned function-specific structure and heighten the quality of fund-management products.

Active Management Based on In-House Research

The strong point of our active management operations is the process by which our richly experienced fund managers establish funds, based either on research by corporate analysts or critiques by econometric analysts. Of note, our teams of corporate and econometric analysts proudly wear the

industry crown, in terms of skill as well as number. Recent fund performance has further enhanced Chuo Mitsui Trust's reputation in the market with regard to active funds.

High-Quality Passive Management

Chuo Mitsui Trust was quick to realize the utility of passive management and has worked over many years to popularize this type of fund and further improve the quality of related products. Capitalizing on accumulated experience and know-how, the Bank has secured a forefront position in this field, underscored by a balance of key domestic stock passive funds exceeding ¥1 trillion—an industry first.

In September 2000, we joined State Street Bank in the establishment of a joint venture—Chuo Mitsui State Street Advisors Co., Ltd.—to attain higher quality on foreign stock passive funds.

Unified Risk-Management Structure

We anticipate enactment of a corporate pension law during the fiscal year ending March 31, 2002, as well as greater discussion concerning the trustee responsibilities of investment institutions. Against this backdrop, risk management and compliance have acquired priority status among areas requiring improvement at investment institutions.

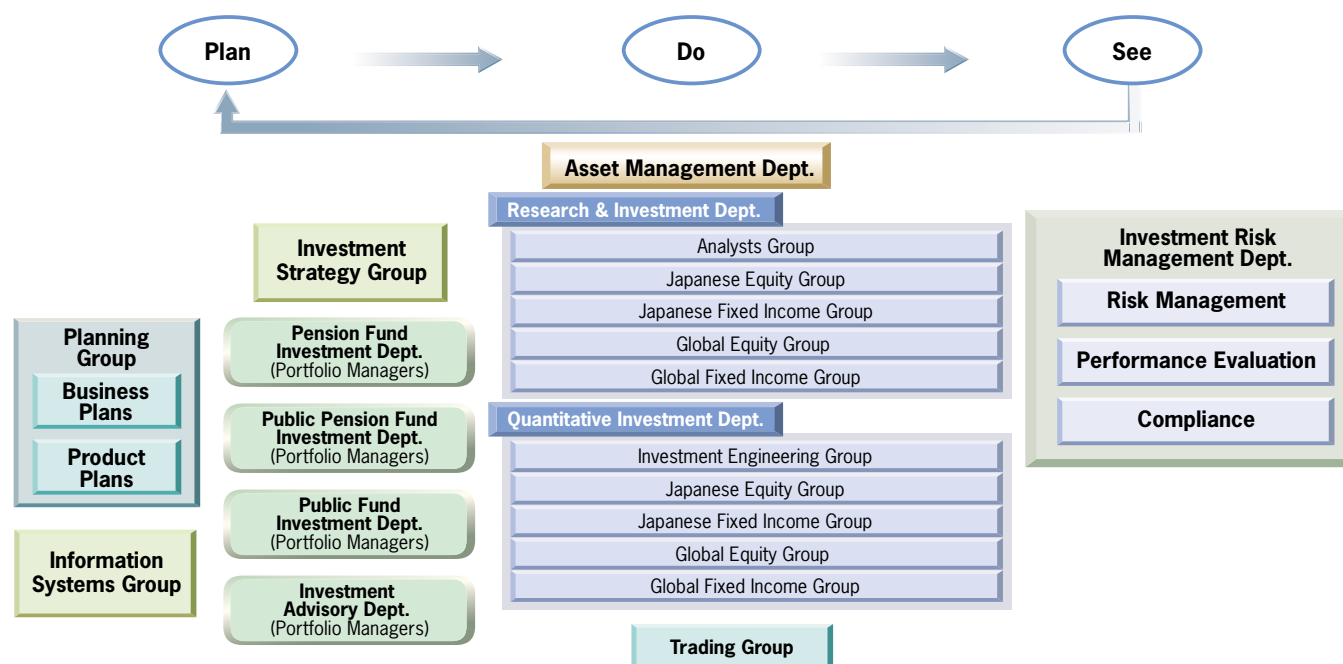
Publication of *Passive Core Strategies—New Currents in Pension Fund Management*

Over the years, Chuo Mitsui Trust has amassed a vast and varied amount of know-how related to passive funds. Applying its perspective as an industry leader, the Bank published *Passive Core Strategies—New Currents in Pension Fund Management*, under the editorial supervision of Yasuhiro Yonezawa, a professor at Yokohama National University. This book, released on February 13, 2001, highlights the position of passive funds in pension fund management, potential problems and practical solutions related to passive funds, and future prospects. As the first publication in Japan to systematically detail the serviceability of passive funds, this work has already drawn high praise from people in the business.



In April 2000, Chuo Mitsui Trust installed the Investment Risk Management Department and introduced a risk-management structure for asset-management operations that consolidates compliance, risk management and performance evaluation in one place. This structure underpins diligence in the Bank's execution of its obligations as a trustee.

Framework for Trust Asset Management Business



Trust Asset Administration Business



Business Policy

In the trust asset administration business, success depends on a sharp price-oriented competitive edge, forged by the merits of scale and investment in information technology (IT), and a distinguished profile, substantiated by the provision of high-quality, high-value-added information characteristic of the master trust system.

In seeking enhanced price competition in the area of domestic marketable securities administration, Chuo Mitsui Trust is pursuing talks toward equal participation in Japan Trustee Services Bank, Ltd., which was established in June 2000 by Sumitomo Trust & Banking Co., Ltd., and Daiwa Bank, Ltd. With regard to foreign marketable securities administration, we are working to trim costs by channeling foreign securities custody operations into State Street Bank and Trust Co., one of the world's leading global custodians. We have already concentrated ¥4.5 trillion in assets at State Street Bank.

Toward a distinguished profile underscored by excellence in master trust services, we will strive to extend high-value-added information by drawing on our ties to State Street Bank and by processing data accumulated in our capacity as an asset administrator.

Major Business Activities

Overview of the Asset-Administration Business

The prolonged era of low interest rates has been the primary fuel feeding heightened interest in the asset-management business. The other side to this operating coin is the asset-administration business.

When fund managers designate investment of the assets in pensions, investment trusts and other portfolios, organizations skilled in the administration of invested assets step up to bat. Asset-management services fulfill this role and have attracted market attention in recent years because of the high-value-added nature of the basic service elements, including custody, settlement, accounting and record-keeping, but also for the use of IT.

Information Technology Investment Elevates Quality

Concurrently, demand for global investment and asset administration is growing, while the rapid advance of the Internet revolution causes the world's investment securities markets to coalesce.

Chuo Mitsui Trust already supports participation in the investment securities markets of almost 90 countries as an asset-administration institution, and recognizes that systems are indispensable to accurately and efficiently expediting these activities. To this end, the Bank has positioned its asset-administration business as an "IT industry" and is resourcefully tackling sophisticated systems installation and other information-oriented investments.

Our quick and dynamic responses have paved the way for others in the industry to follow. We have, for example, implemented straight-through processing, which electronically automates a series of operations, from contract to settlement and reconciliation. We have also revamped the securities settlement system with a particular focus on tighter settlement periods. Furthermore, we have introduced market-price and contract-based accounting systems, and have enriched disclosure by utilizing the Internet as a timely, cost-effective communication tool.

High-Value-Added Services

In the area of corporate pension funds, master trust services have attracted considerable interest as a conduit for consolidated management and custody of assets in multiple pension plans or assets under the management of several investment companies. Chuo Mitsui Trust is making steady headway toward the marketable realization of such services.

As part of the process, we are working with Sumitomo Trust, Daiwa Bank, Sumitomo Life Insurance Co., Ltd., and Mitsui Mutual Life Insurance Co. to develop a master record-keeping service—an information consolidation service that clients have prioritized among master trust services. This service, which was launched in January 2001, presents clients with indispensable investment-related statistics and a range of information, from fund performance and evaluation to risk management, irrespective of the different asset-administration institutions involved, and thereby facilitates the pursuit of more sophisticated application of pension funds and other portfolios.

The distribution infrastructure for record-keeping data was put into place in October 2000, with the installation of a newly developed system called MATRiX—the Master Trust System for Internet Experts. This online information disclosure system dispatches electronic files via the Internet, enabling users to acquire information in a more timely fashion than conventional paper-based processes have allowed. Clients are clearly impressed with the ease at which data transmitted through MATRiX can be downloaded and processed.

Through our relationship with State Street Bank, we will introduce to clients in Japan a suitable selection of the services already available in the United States, where the concept of master trusts is well established.

External Audits Ensure Transparency

We regard accuracy in asset administration and transparency in related accounting procedures as important peripheral aspects of our services to clients. From the perspective of

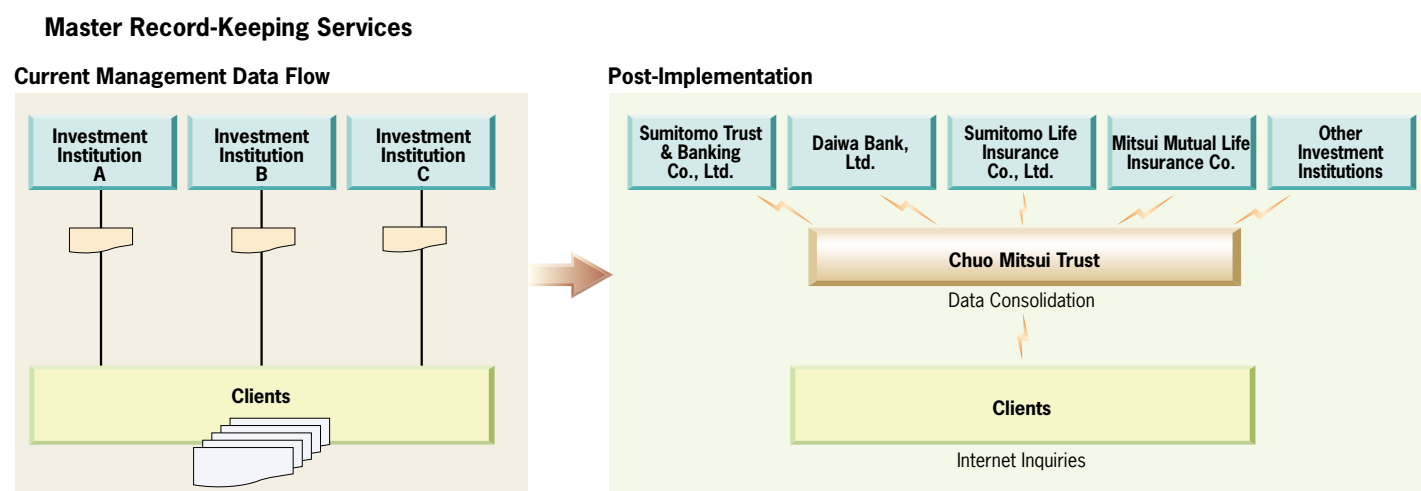
maintaining the integrity of asset custody conditions and internal controls, we already marked a milestone among Japanese trust banks in fiscal 1999 by implementing external audits under a periodic audit format conforming to the U.S. audit standard SAS70. In the same fiscal year, we also executed the industry's first fund audit for jointly operated corporate pension funds. We will continue to implement these audits.

It is also worthwhile to mention that, prior to the merger that created Chuo Mitsui Trust, in February 1999 Chuo Trust acquired ISO 9002 quality certification from the International Organization for Standardization (ISO) for its asset-administration services. This, too, was a first, not only in our industry but among all financial institutions in Japan. In September 2000, Chuo Mitsui Trust passed a special purpose audit to officially obtain certification under the merged bank's name.

Master Record-Keeping Services

Master record-keeping services collect, consolidate and process investment information by client from several asset-administration institutions, and provide respective clients with reports concerning overall investments. These timely reports are available through the Internet and help clients pinpoint the status of their investments, evaluate fund performances and manage risks.

Chuo Mitsui Trust began master record-keeping services in January 2001, and current subscribers include pension funds. These services herald the arrival of master trusts in Japan.



Pension Trust Operations



Business Policy

Public pension schemes have been influenced by various reforms, which mirror the growing percentage of elderly in the domestic population. Corporate pension schemes, which supplement public pensions, are also undergoing major transformation. Meanwhile, the operating environment for businesses is changing enormously, typified by the introduction of new corporate accounting standards, the establishment of a law on defined benefit-style corporate pensions, and the implementation of defined-contribution plans. In response, Chuo Mitsui Trust is building a structure for pension trust operations that will fully meet clients' needs, from broad-based advice on retirement benefit schemes to actuarial calculations, system design and administration.

Of all the trust banks in Japan, Chuo Mitsui Trust boasts the largest scale and deepest reserve of pension-oriented specialization. It is these components, underscored by sophisticated computer systems and skilled professionals, that enable the Bank to provide exceptional services.

Major Business Activities

Consulting Services

Chuo Mitsui Trust carries out a wide range of consulting services, from advice on the implementation of pension plans to asset management and system administration.

On the financial front, we possess a solid group of pension experts, including the industry's largest team of pension actuaries, who extend excellent, on-the-mark recommendations and always strive to propose services that anticipate market developments.

We invest in personnel and systems to fortify the quality of services related to disclosure of retirement benefit obligations, required under new corporate accounting standards effective in fiscal 2000, and to report pension amounts according to FAS87, a U.S. accounting standard. Demand for expert opinions has grown, paralleling enforcement of the new corporate accounting standards and enactment of the law on defined benefit-style corporate pensions. As a partner in our clients' investment efforts, we will respond with a range of consulting services for retirement benefit plans, particularly pension asset-liability management (ALM) analysis and financial advice.

Responding to the Law on Defined Benefit-Style Plans

Changes related to the law on defined benefit-style corporate pensions and implementation of new corporate accounting standards, which reflect economic globalization, have rapidly accelerated interest in corporate pensions. The law heralds expanded choice in the pension plans available to companies, encourages greater discussion on retirement benefit schemes in general, and thereby raises the potential of diverse corporate pension needs.

These needs are only met through the physical schemes for fund administration and management at trust organizations. Chuo Mitsui Trust has already advanced its systems investment schedule to realize new pension plans, and enhanced the skills of its professionals to further polish consulting capabilities on all retirement benefit schemes, from measures to mitigate retirement benefit obligations to recommendations on personnel systems following business restructuring or revision of a personnel system.

The merger that created Chuo Mitsui Trust produced the advantages of expanded operating scale and a deeper reservoir of expertise in the administration of many kinds of pension schemes. Reinforced by the newest computer systems, we possess the power to fully address the diversified

requirements of corporate pension funds. We will do everything we can to cement our position as the lead player in supporting new corporate pension plans.

New Business Development: Defined Contribution Plans

Conditions conducive to the introduction of a defined-contribution pension scheme have arrived in Japan, underscored by a general revision of the prevailing retirement benefit scheme, a new corporate climate, and social and economic adjustments, hinging on demographic shifts—namely fewer children and more seniors. With a forward-looking perspective, Chuo Mitsui Trust established a project team dedicated to the creation of defined-contribution plans for the domestic market, and aims to provide a full line of services dealing with this type of pension plan.

The implementation of defined-contribution plans and the provision of related services will require excellent skills covering a spectrum of activities, from advice on how to initiate such plans to services that address administration of records and assets, furnish products for fund application and promote investment education. Chuo Mitsui Trust was quick to invest in personnel—yielding the industry’s biggest and most experienced group—to maximize accumulated experience and solid results in the area of defined-benefit plans, and thereby ensure consistently top-caliber services for defined-contribution plans in Japan.

Amid the great changes taking place in the business world, many companies are considering the establishment of defined-contribution plans, but the needs of corporate clients are varied. Some businesses are only thinking about the introduction of such plans alongside existing plans,

Stronger Information Distribution Capacity

The environment surrounding pension schemes in Japan is in a tremendous state of change. Corporate investors demand high-level capabilities and equally sophisticated decision-making skills with regard to pension plans and asset management, and Chuo Mitsui Trust is thus working to reinforce its ability to provide useful information.

For example, in *Nenkin Report*—our quarterly pension report—we highlight recent pension fund developments and include insightful articles. We are pleased to note that circulation of *Nenkin Report* is now close to 10,000 copies.

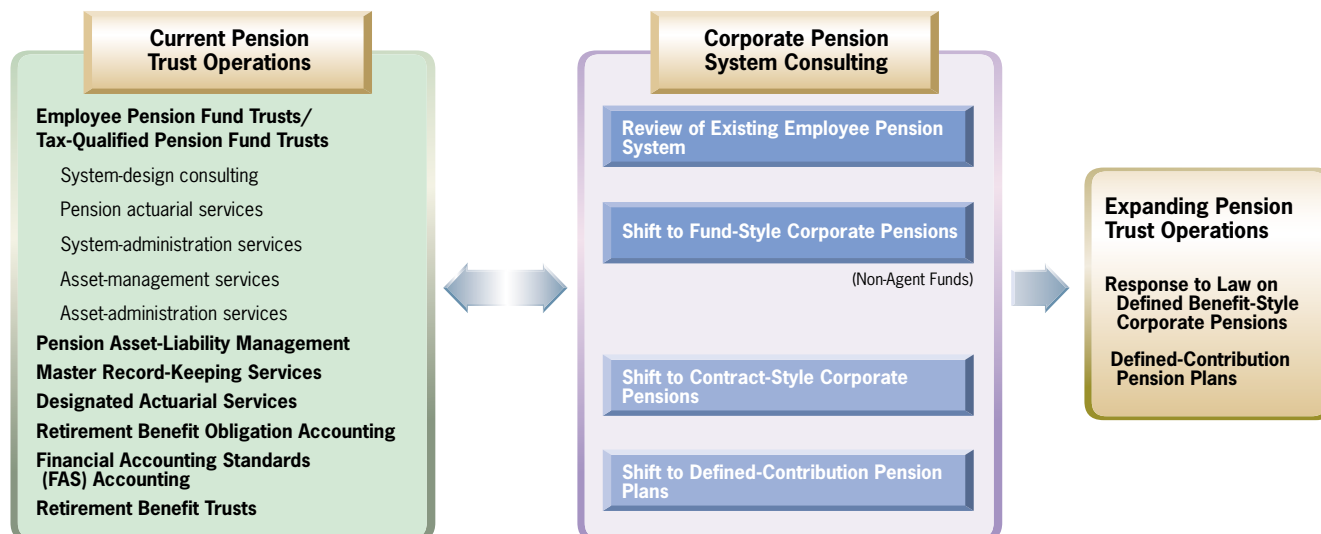
We also aim to enhance the information we provide via the Internet to better educate clients about changes to pension schemes.



while others are contemplating sweeping revision of their existing retirement benefit schemes.

As a prominent trust organization capable of a comprehensive response to evolving needs, Chuo Mitsui Trust will be ready with a broad array of services. We will successfully perform our expanded role in the new pension era.

Expanding Pension Trust Operations



Stock Transfer Agency Services



Business Policy

Stock transfer agency services allow Chuo Mitsui Trust to undertake, on behalf of listed companies, the administration of transfers of title and shareholder lists and other extremely vital activities required of stock-issuing companies. As the industry's largest stock transfer agency, the Bank enjoys a scale of overwhelming proportions. At March 31, 2001, we had administered transfers for 1,755 domestic companies and served nearly 13 million shareholders.

Having cemented a vanguard position, we will consistently seek to provide services that go the extra mile, and to this end we take an active approach to the expansion of open markets, such as the Tokyo Stock Exchange's Market for the High-Growth and Emerging Stocks ("Mothers") and Japan's National Association of Securities Dealers Automated Quotation (NASDAQ Japan). We aim to fully demonstrate the wealth of experience and vast knowledge we have accumulated through the provision of legal services highly regarded by client companies, accurate processing services supported by comprehensive mechanization and enhanced service counter access underscored by the industry's widest branch and service network. Furthermore, we will strive to maintain prompt and accurate processing of diverse stock-related tasks for clients and their shareholders.

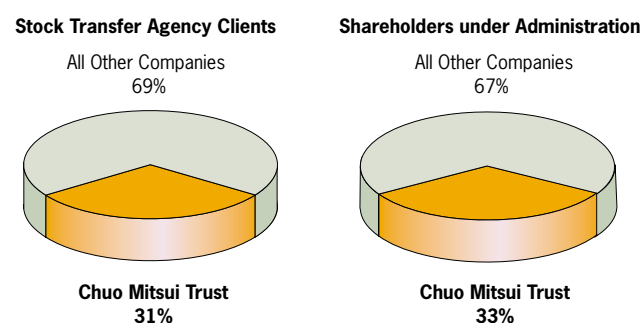
Major Business Activities

Primary Stock-Related Activities

- Create and manage shareholder lists
- Process transfers of title and stock purchases under a full trading unit
- Record changes in shareholders' personal details, such as addresses and registered seals
- Safeguard provisional stock certificates and reissue stock certificates
- Send invitations to general shareholders' meetings, stuff envelopes and mail voting notices
- Calculate and distribute dividends

Comparative Shares in the Trust Banking Industry

(As of March 31, 2001)



Legal Services and Timely Disclosure

Stock transfer agency services are governed by strict legal guidelines. In addition, frequent revisions to the Commercial Code and the Securities and Exchange Law, among other legislation, have emphasized the importance of compliance. Chuo Mitsui Trust has the well-trained staff and the required response structure to solve whatever questions clients may have regarding legal revisions.

We also organize lectures on legal issues and offer timely answers to various stock-service questions in *Shoken Daiko News* ("Stock Agency News"), a monthly publication, *Shoken Daiko Kenkyu* ("Stock Agency Research"), a quarterly report, and other professional publications.

Swift and Accurate Processing through Comprehensive Mechanization

Chuo Mitsui Trust has embraced the mechanization of stock services. The Bank maintains the industry's first electronic data processing system for shareholder lists. Other systems include an optical card reader system for stock certificates,

an image-processing system for shareholder votes, and the Image Workflow System, which converts stock certificates, invoices and other documents into image data that can be used to create statistical representations on-screen and expedite reconciliation tasks. Mechanization ensures accuracy in all aspects of stock services, for example the transfer of title and the calculation and payment of dividends.

In August 2000, we initiated complete outsourcing of stock transfer agency tasks to Chuo Mitsui Stock Transfer Agency Business Co., Ltd., a subsidiary, to elicit a more efficient office-management structure. We are now working steadily to accelerate and rationalize administrative tasks, for example through the August 2001 introduction of the industry's first automated document-transportation system.

Supplementary Range of Services for Clients

Chuo Mitsui Trust provides a range of supplementary stock-related services. For example, we gather real-time information on shareholders under our administration and prepare updates on the status of transfers of title. This service is also available on CD-ROM. We calculate the amount of voting stock held by shareholders attending the general shareholders' meeting, undertake foreign shareholder surveys and promote proxy voting. We operate a 24-hour automated voice mail system that handles requests for various forms.

Coinciding with the establishment of a new law on investment trusts and investment companies in November 2000, restrictions on real estate investment trusts (REIT) were lifted in Japan. Working quickly, Chuo Mitsui Trust began offering a REIT fund in March 2001 as part of the Bank's efforts to respond quickly and accurately to clients needs amid the daily changes that characterize the market environment.

Electronic General Meetings

Companies send invitations and notices to shareholders about general shareholders' meetings. Shareholders who are unable to attend the meetings may exercise their voting rights by remitting a specific form or a proxy statement to the respective companies. Currently, these procedures are executed by mail, but discussions are underway on legislative revisions that would allow electronic transmission of required forms through such channels as the Internet.

To ensure a swift response to evolving trends and begin services as soon as laws are in place, Chuo Mitsui Trust is following a detailed plan that guides the Bank in the development of systems and the establishment of a suitable administrative structure for stock transfer agency services.



Real Estate Operations



Business Policy

As part of the asset-administration services characteristic of trust banks, real estate operations hinge on the provision of high-level counsel to clients. We engage in a wide array of services, including appraisals, brokerage of properties for sale and rental, and agency sales of condominiums and detached homes, as well as consultations on the effective utilization of property, investment in property and investment trusts using securitization of property holdings.

An integration of property and financing instruments is unfolding in the real estate market, owing to such developments as the securitization of property and the lifting of the ban on real estate investment trusts (REIT). This trend toward integration has generated increased opportunity for Chuo Mitsui Trust to demonstrate the specialization it has accumulated through years of experience and know-how as a financial institution with real estate expertise. We will continue to maximize the specialization characteristic of a trust bank and undertake planning and services that fully address clients' needs.

Major Business Activities

Service Structure and Profitability

Chuo Mitsui Trust laid out a format for its real estate operations that would maximize the benefits of an expanded client base—created through the merger of Chuo Trust and Mitsui Trust—and quickly raise efficiency and profitability. Specifically, the Bank organized operations into three headquarter departments—Real Estate Planning Department, Real Estate Business Department and Real Estate Administration Department—and reviewed staffing in these departments and at branches to ensure the best allocation of administrative resources and greater market response flexibility.

In addition, we expanded consistency in marketing procedures, especially in the areas of consulting and planning, and thoroughly enhanced the level of expertise in our employees. Consequently, we achieved the performance goals outlined in our financial health improvement plan for real estate operations ahead of schedule. We had anticipated ¥10.2 billion in fiscal 2000 but posted ¥11.6 billion.

Of special note, we increased brokerage of properties for sale, a key area of real estate operations, and brought more land trusts under administration, a reflection of thriving activity in the real estate securitization market.

To further improve operating efficiency and profitability, we have fine-tuned real estate operations. In July 2001, we realigned the three departments noted above into two departments—the Real Estate Planning and Administration Department and the Real Estate Business Department.

Specialization Reinforces Consultation Capacity

Chuo Mitsui Trust enjoys the top spot among trust banks in regard to real estate specialists, who as of March 31, 2001, numbered 190: 127 appraisers and 63 associate appraisers. Our solid network of expertise also includes about 3,700 certified real estate dealers and first-rate architects posted throughout the country. We round out these talents with in-house access and external ties to professionals, including lawyers, analysts, certified public accountants and certified tax accountants. Furthermore, we stay tuned for the latest developments and maintain a structure whereby each employee undertakes proposal marketing to support the corporate strategies of clients.

We expect domestic structural reforms and changes in corporate accounting systems to necessitate a wider response to mark-to-market accounting and loss accounting, heighten demand for asset consolidation and recombination through

real estate securitization and foster more corporate breakups and mergers. We will present excellent proposals that match clients' diverse financial needs.

Tackling Property Securitization and J-REIT

Promulgation of the Special Purpose Company Law in September 1998 turned the securitization spotlight onto real estate. Quick to realize how important real estate securitization would be to corporate financing strategies, Chuo Mitsui Trust formed an in-house team dedicated to real estate securitization. Efforts to improve project arrangement capabilities and identify the needs of investors have resulted in more transactions.

Our trust function has been invaluable in the formation of real estate securitization schemes. Our volume of real estate-managed investment trusts incorporating real estate securitization reached 34 contracts, valued at ¥283.1 billion in fiscal 2000, and pushed the aggregate number of contracts under the Bank's management to 54, worth ¥426.0 billion. As of May 31, 2001, the number of contracts had grown to 60, with a total value of ¥545.1 billion.

We are also aggressively encouraging the inclusion of non-recourse loans into real estate securitization transactions. Our efforts have positioned us as a major participant in the field of real estate securitization.

Non-recourse loans are a form of asset finance backed by the profitability of the assets themselves, compared with conventional corporate finance, which hinges on corporate creditworthiness and ratings. With operations encompassing real estate, securities and finance, Chuo Mitsui Trust can mix and match with other financial instruments, such as real estate-managed trusts and non-recourse loans, to create securitization structures.

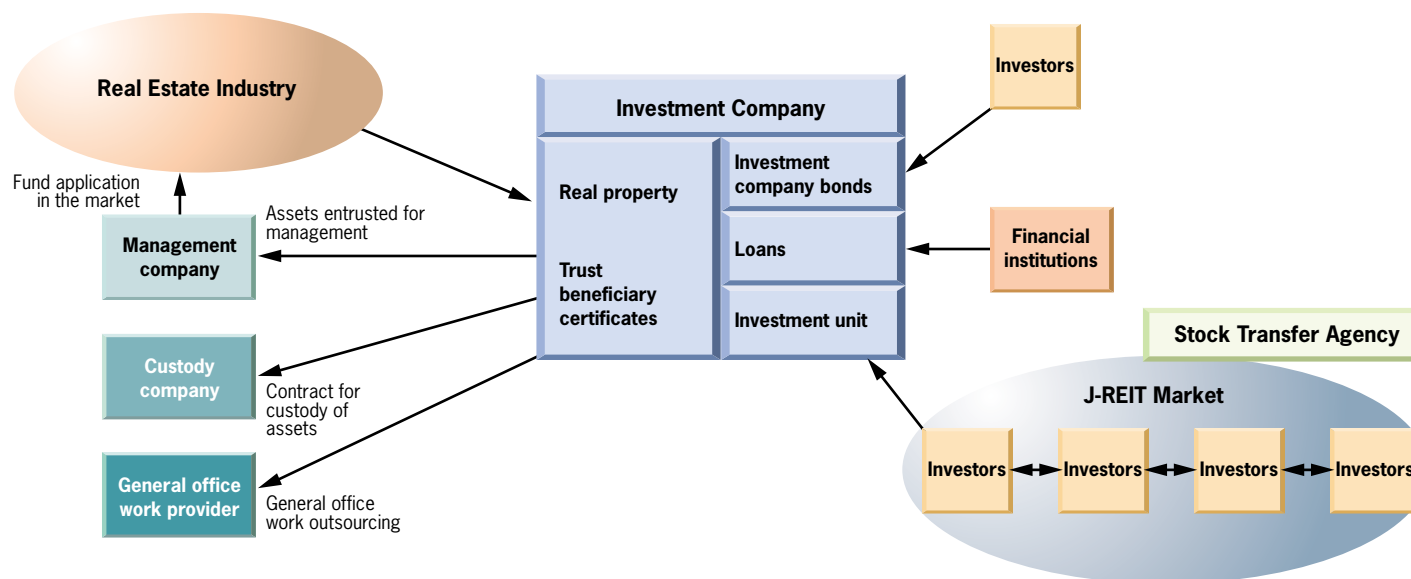
In November 2000, an amendment to the law on investment trusts and investment companies lifted the ban on J-REIT, the REIT structure used in Japan. In May 2001, Chuo Mitsui Trust initiated asset-custody services that hold and administer the assets of investment companies. The Bank will continue to gather overall strengths and resourcefully undertake asset-custody services because this business makes the best use of trust-banking know-how.

Real Estate Investment Trusts

J-REIT is a structure through which funds are collected from multiple investors, a trust is formed or an investment company is established under special tax measures, diversified investment is channeled through these conduits to profit-generating real estate, and investment returns are distributed to investors.

Following the start of a listing system at the Tokyo Stock Exchange, investment units and trust beneficiary certificates issued by investment companies can be traded on the market like stocks.

J-REIT Structure—A Scheme Utilizing Investment Companies



A Social Contribution Highlighting the Trust Bank Function

Chuo Mitsui Trust resourcefully participates in philanthropic activities through charitable trusts, which epitomize the trust function of trust banks.

Both Chuo Trust and Mitsui Trust played leading roles in the development of charitable-trust and related operations that met the diversifying needs of clients. Today, Chuo Mitsui Trust strives to expand this business. Concerted efforts have led to 140 trusts under the Bank's administration, worth a total of ¥15.3 billion and representing the industry's highest balance of trust assets.

Through a charitable trust structure, individuals, companies and other organizations entrust property to a trust bank,

which administers and manages these assets for the public good. The function is similar to that of a public service corporation, such as a foundation, but charitable trusts are less expensive to maintain and facilitate flexible, efficient use of funds. Moreover, charitable trusts satisfying certain criteria are eligible for incentives, including reduced income and inheritance taxes.

In addition, the name of the charitable trust can include the name of the asset provider, so the generosity of contributing to public interests will be remembered favorably for some time to come.

Types of Charitable Trusts (In no special order)

Scholarships

Scholarships are provided to domestic students and exchange students whose desire to study is compromised by difficult financial circumstances.

Promotion of Educational Activities

Financial assistance is provided for activities that promote sports, culture, the arts and other social education events for schools, youth, the disabled and other groups.

Promotion of Art and Culture

Financial assistance is given to promote artistic and cultural pursuits, including such artistic forms as music, fine arts and industrial arts; cultural surveys and research; efforts to widely communicate and advance the arts; and preservation and utilization of cultural assets.

Protection of the Natural Environment

Financial assistance is extended to organizations and individuals working, for example, to safeguard exceptional natural environments at home and abroad, protect species threatened with extinction and promote national tree-planting projects.

Promotion of International Cooperation, International Exchange

Financial assistance is provided for activities that support overseas economic and technical cooperation and international exchange programs in such categories as education, science and culture.

Town-Building Projects

Proceeds from the application of assets entrusted by local government bodies, land readjustment associations and other organizations are allocated to activities that help build towns and establish and maintain urban environments.

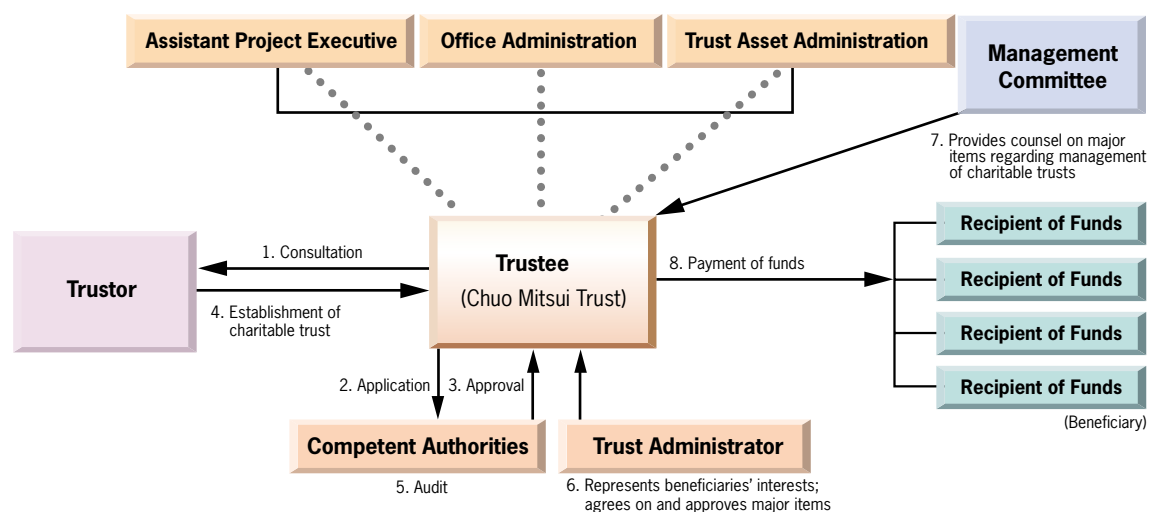
Academic Research

Financial assistance is given to research on the natural sciences, such as medicine and technology, and the humanities, and to cover the cost of academic exchange at home and abroad.

Social Welfare Projects

Financial assistance is directed to individuals, groups and social-welfare facilities that undertake activities to improve social welfare in Japan.

Charitable Trust Structure



Support for Environmental Conservation

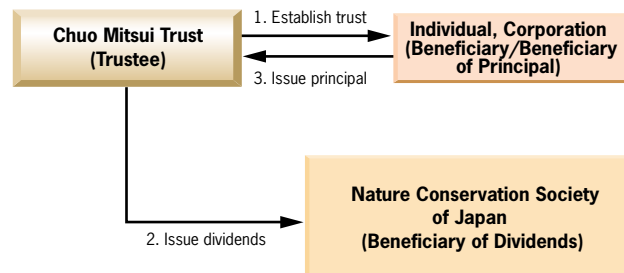
Symphony Nature Protection Trust and Human Philanthropic Trust

Climate change, acid rain, pollution and waste, depletion of the ozone layer and other environmental problems become more ominous with each passing year. Against this backdrop, a trend is rapidly gaining strength among individuals and corporate citizens to preserve the natural environments to which they have a strong connection.

Chuo Mitsui Trust handles Symphony, a nature protection trust for which dividends generated on funds donated by clients in money trusts to protect nature help the Nature Conservation Society of Japan undertake its activities. The Bank also handles Human, a philanthropic trust that applies dividends to society and the environment and allows contributors to choose the Foundation for Earth Environment as the recipient of these dividends.



Structure of Symphony Nature Protection Trust



Environment-Friendly Head Office

Our new head office in Tokyo was completed in October 2000. The project was an environment-friendly effort right from the design stage and a fundamental goal was to construct a resource-conserving, energy-efficient building. Consequently, the new head office is equipped with several novel systems, including intermediate water installation, which reuses wastewater from miscellaneous sources for toilet cleaning, and an ice and water accumulation heating system that enables daytime air-conditioning with electricity accumulated at night and contributes to a leveling out of electricity costs.

We are also encouraging recycling efforts and effective use of resources. To this end, we implemented a sort-and-collect system that separates office waste into eight groups, including newspapers, magazines, office paper and vinyl and plastic.



Risk Management System

Basic Risk Management Policies

Progress in financial liberalization and internationalization, including deregulation and the lifting of bans on certain operations, has given financial institutions promising seeds for new business growth. But the opportunities have also presented financial institutions with risks that are more diverse and complex than ever before.

Chuo Mitsui Trust's position on this state of affairs is cemented by the Bank's social responsibility and its public mission as a financial institution, as well as its duty to maintain suitable returns on investment. The Bank therefore assumes risk only within its strategic objectives and risk-hedging capabilities and has established a risk-management system with strategic goals grounded in the principle of self-responsibility, which in regard to risk management is to observe sensible risk-management practices and take only necessary risks to derive higher returns.

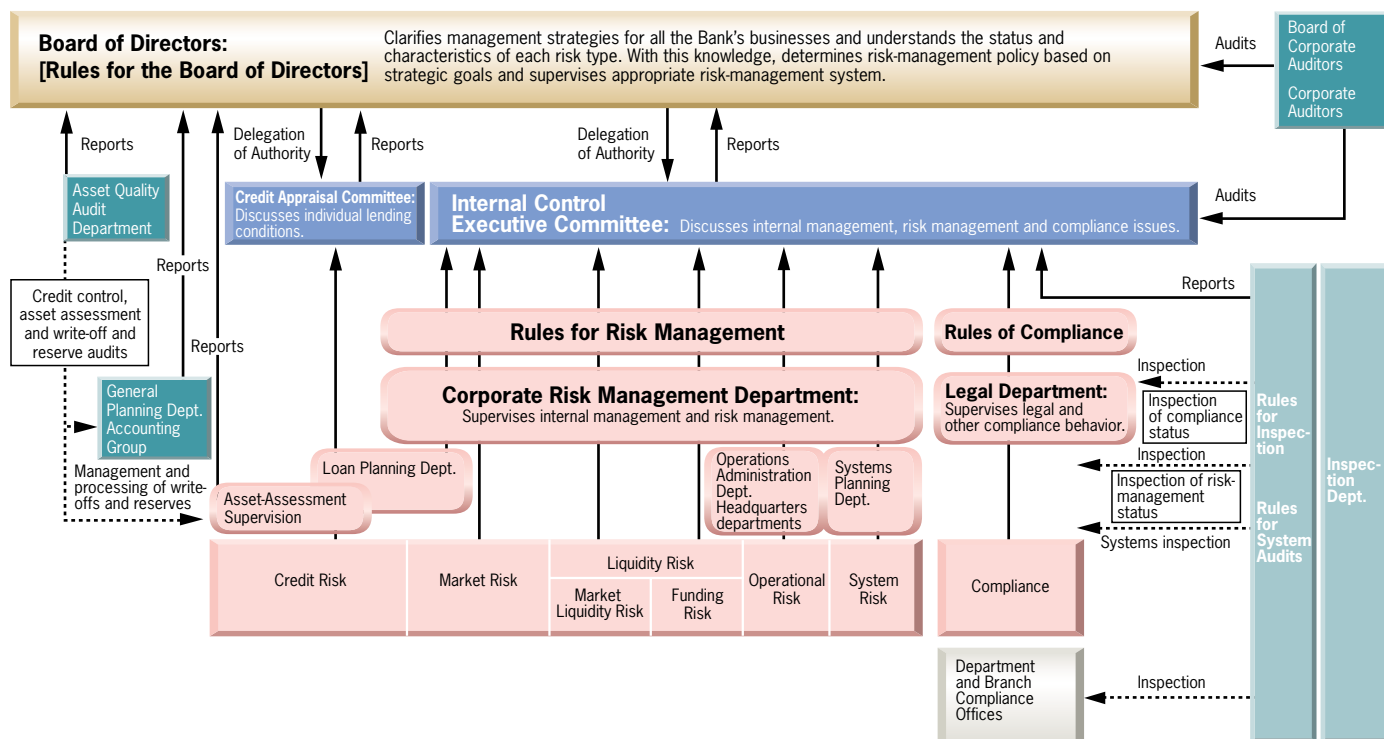
Guided by this basic direction, Chuo Mitsui Trust strives to achieve a stronger system under the supervision of the Board of Directors. The Bank will emphasize comprehensive risk-hedging excellence to elicit greater finesse in its risk-management activities.

Overall Risk-Management Structure

Rules for Risk Management, as set forth by the Board of Directors, establish the Bank's fundamental policy on risk management, including the types of risk requiring attention, the techniques applied to hedge risk, and the structure and authority for risk control. The rules detail the content of specific regulations in each area.

Chuo Mitsui Trust has prioritized six major risks: credit risk, market risk, liquidity risk, operational risk, system risk and legal risk. The Corporate Risk Management Department

Compliance and Risk-Management System Overview



supervises all risk-management efforts, but individual departments are assigned to each risk category for tighter control of the risks specific to each area. The Bank also seeks to effectively contain other risks, such as reputational risk.

On the organizational front, the Internal Control Executive Committee, which falls under the authority of the Board of Directors, discusses risk-management policies prior to implementation and determines risk status. The Asset-Liability Management (ALM) Executive Committee, also responsible to the Board of Directors, works toward a healthier business foundation by pinpointing asset and liability status and reviewing investment operations and other issues pertaining to assets and liabilities.

In addition, the Corporate Risk Management Department, which monitors all risk at the Bank, supervises internal management and risk management activities and serves as the secretariat for the Board of Directors and the Internal Control Executive Committee. This department also looks into ALM efforts.

Credit Risk Management

Credit risk is the potential for the value of assets, including off-balance-sheet assets, to erode or disappear altogether should a borrower's financial conditions deteriorate and thereby burden a financial institution with losses. Chuo Mitsui Trust strives to ensure the high quality of assets and avert the unpredictable development of problem assets by strengthening its credit risk management capabilities. The following systems and processes are employed.

● Basic Policy

We drafted Rules for Credit Risk Management for blanket control of the credit risk that infuses various credit-related operations, including loans, market transactions and off-balance-sheet trading. We have also designated the Loan Planning Department as the supervisory unit for all credit risk, including that carried by consolidated subsidiaries. This department maintains close ties with credit-related departments and consistently works to sustain and further elevate credit-risk capabilities.

● Strict Transaction Control

Credit supervision departments, which are independent from business promotion departments, meticulously monitor and maintain the credit risk on each transaction under respective departmental authority. A multifaceted perspective is applied, emphasizing fund application, repayment capability and cash flow, as well as collateral status and corporate client profitability. For major loan assessments, advisability of lending arrangements is presented to the Credit Appraisal Committee, where each transaction and the primary objectives of the loan are discussed at the executive level.

● Mid-Level Controls through Self-Assessment and Credit Ratings

With regard to securing quality assets, Chuo Mitsui Trust performs a two-stage self-assessment based on Rules for Self-Assessment. In the first stage, branches, for example, conduct their own evaluations, and in the second stage credit supervision departments execute inspections. Self-assessment not only forms the foundation of accurate financial statements but also functions as a mid-level management tool to readily perceive borrower-specific problems. When a borrower's credit is in question, the Bank implements strict controls under the guidance of Credit Supervision Department V, based on Rules for Problem Assets.

Chuo Mitsui Trust fine-tunes its reviews of all corporate borrowers with a 13-level credit rating system pegged to self-assessments. Credit ratings are also used to quantify internal credit-risk models and as the basis of portfolio analysis through Monte Carlo simulations and other evaluation methods.

● **Independent Unit Confirmation of Risk-Management Activities**

The Asset Quality Audit Department is separate from business and accounting departments and independently confirms the status of credit controls, asset assessments and write-offs and related reserves. This department audits credit risk management conditions, including the credit rating system, and verifies the accuracy of credit risk management activities through, for example, an examination of the process and the results of self-assessments, write-offs and reserves. Reports are then submitted to the Board of Directors.

● **Improvement of Basic Supervisory Capabilities**

The processes outlined above allow the Bank to take credit risk management to a higher level. To raise the precision of first-stage assessments, which are undertaken on a daily basis, we regularly put branch loan officers through graded training. We also organize analytical seminars for credit-related departments to foster insight into the causes of bankruptcies and other primary events that turn loans into problem assets. The results of analyses are applied to lending operations.

Market Risk Management

Market risk is the possibility that the value of assets will fluctuate because of changes to such factors as interest rates, foreign exchange rates and the price of marketable securities, and thereby cause losses.

● **Market Risk Management Structure**

The Bank's market risk management structure hinges on the Corporate Risk Management Department, which functions as a bankwide middle office independent from the front offices that execute market-related transactions and the back offices that process the transactions. Charged with risk oversight, this department monitors bankwide market risk and prepares daily status reports. This department also works to elevate market risk management skills and is responsible for supervising market analysis operations and the preparation of planning proposals.

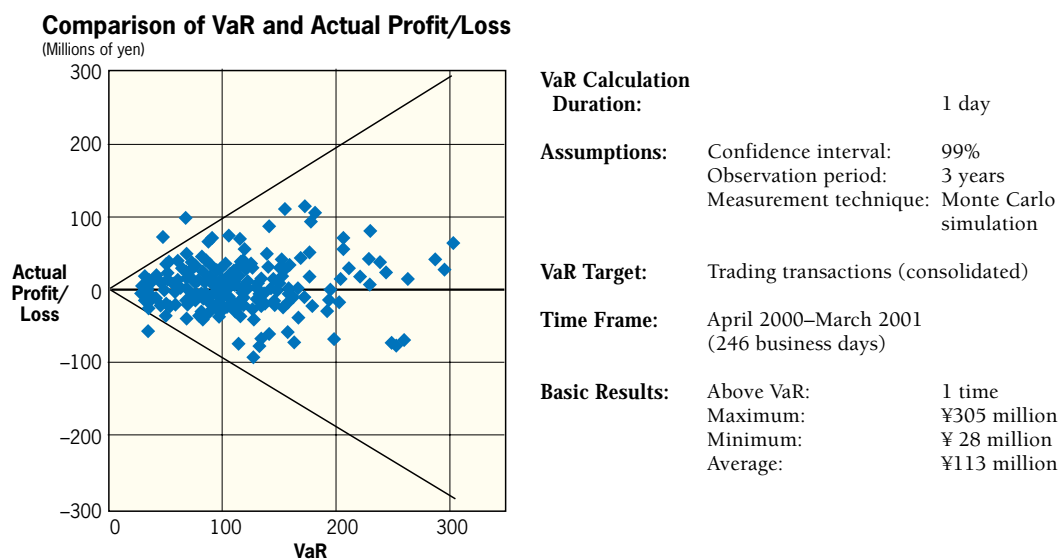
● **Management Techniques**

The method used to measure market risk utilizes Value at Risk (VaR), which statistically projects the maximum amount exposed to potential loss at an assumed frequency.

At Chuo Mitsui Trust, market risk is contained within a boundary defined by the Bank's risk-hedging capabilities. In addition, the Corporate Risk Management Department assesses market risk, ensures that overall risk levels remain within established parameters, and reports to the assigned director on a daily basis.

We maintain a structure that identifies and prevents potential risk at an early stage. Alarm points and loss limits have been set to prevent the expansion of losses following a bad turn in market trading, and the Corporate Risk Management Department tracks profits and losses.

Our position on strict risk-controlling practices is underscored by stress tests, which hypothesize the maximum potential loss. We also perform back tests, which compare VaR against actual losses, to ascertain the validity of VaR-based risk measurements. On a consolidated basis, the VaR on trading transactions in fiscal 2000 moved within a range of roughly ¥30 million to ¥300 million (duration: one day; confidence interval: 99%), and out of 246 business days, daily losses exceeded the VaR on only one occasion. These results indicate that the Bank's VaR calculation model is sufficiently accurate to predict market risk.



Liquidity Risk Management

Liquidity risk is twofold. In a cash-flow sense, liquidity risk bears the potential for losses when a financial institution is unable to secure necessary funds owing to a poor financial position, or when a financial institution is forced to acquire funds at blatantly higher interest rates than usual. In a market sense, liquidity risk may precipitate losses when market turmoil impedes a financial institution's ability to complete transactions, or compels a financial institution to fulfill transactions at prices noticeably more disadvantageous than usual.

On the cash-flow front, the Treasury Department is responsible for yen- and foreign-currency-based financing, while the Corporate Risk Management Department handles the inherent risk. This process ensures accurate identification of cash-flow risk conditions. Management of daily cash-flow risk has been strengthened since the launch of the Real-Time Gross Settlement system by the Bank of Japan in January 2001.

On the market front, trading amounts are assigned for each transaction, based on such factors as market scale and the Bank's strategic objectives. The Corporate Risk Management Department monitors compliance conditions to keep amounts within the assigned limits.

ALM Structure and Administration

Diversification and further sophistication of financial products, mirrored by progress in financial liberalization and internationalization, has prompted yearly changes and greater complexity in the balance-sheet composition of financial institutions. The introduction of mark-to-market accounting will surely exacerbate the already complicated impact of fluctuating interest rates, foreign exchange rates, stock prices and other influences on profits. The new accounting standard epitomizes the vital importance of controlling risks while ensuring steadily higher returns.

Chuo Mitsui Trust works to pinpoint and analyze balance-sheet risks through a multi-faceted approach that utilizes VaR, basis point value (BPV) and other measurements. The Bank considers both on-balance-sheet and off-balance-sheet transactions, including deposits, marketable securities and derivatives.

The ALM Executive Council meets regularly to discuss financial and economic forecasts and results of analysis of risk conditions. The council reviews fund application and procurement plans when necessary and controls the risks inherent in market transactions, such as swaps.

Operational Risk Management

Operational risk is the possibility of losses caused by an accident, management error or dishonest actions. The scope of Chuo Mitsui Trust's operations goes beyond regular banking operations and encompasses a range of businesses that includes asset management and administration, pension and real estate operations, and stock transfer agency services. Consequently, the Operations Administration Department and each operating department are required to identify, control and terminate operational risks in each business area.

Two methods are used to contain operational risk. First, we establish rules to prevent the potential for problems and ensure compliance. Second, we clarify ways to deal with risk—should it emerge—and implement a system for monitoring and reporting the appearance of risk. The Corporate Risk Management Department is the supervisory unit that regulates bankwide rules and preserves the compliance environment.

To better quantify risk and suitably apply this knowledge to internal controls we are, for example, working to identify areas where operational risk lurks. These efforts will contribute to a stronger risk-management structure.

System Risk Management

Greater implementation of computer systems at financial institutions has become a noticeable trend in recent years, paralleling progress in information technology. While such systems are indispensable in providing high-level services, they bring a certain vulnerability to operations in that a system failure, such as a computer crash or incorrect operation, or illegal access to the Bank's computers could cause losses, as could the destruction or unauthorized disclosure of privileged information. Acknowledgement of such risk and measures to counter it are imperative.

Chuo Mitsui Trust maintains a backup center and has formulated various methods to safeguard its systems against breakdowns and interruptions caused by natural disasters. For example, we keep important data in a secondary location. We have also installed duplicate communication lines and ensure a constant flow of electricity to the computer center with an on-site power facility. As added precautions, contingency plans are in place to keep business moving even in the event of a catastrophe, and formats, manuals and other guides have been established to guarantee the privacy of client information.

A number of our services are now available through the Internet. We have thus erected firewalls and utilize other high-level network technologies, such as encryption, to prevent unauthorized access to our systems from outside.

Legal Risk and Reputational Risk

Legal risk carries the potential for losses when the legal aspects of transactions cannot be settled or when compliance is incomplete. The Legal Department is the supervisory unit for managing legal risk and the compliance structure. Inspections by the Legal Department complement concise reporting and processing rules to handle complaints and incidents, and help us eliminate legal risk. We also undertake various measures, such as distribution of the Compliance Manual to all employees, to encourage a corporate atmosphere conducive to compliance.

Reputational risk is the possibility that unfavorable evaluations will lead to losses. To block such risk, the Bank is reinforcing the transparency of its operations through aggressive disclosure practices. For example, we are strengthening investor relations activities, and we schedule opportunities, such as information meetings, to provide investors with pertinent news. We also produce a disclosure statement for clients and make it widely available through several channels, including our web site.

To deal with disputes between clients and the Bank, but ideally to head off such discord before it arises, Chuo Mitsui Trust established the Customer Service Office. We expect this office to accentuate the services we provide.

Inspection Structure

Chuo Mitsui Trust works to fortify its inspection structure and thereby validate the suitability of the risk-management structure outlined in this annual report. Specifically, the Inspection Department implements an annual check of all branches and departments, and each location undertakes a semiannual internal check. Similarly, the Systems Sector receives an audit by the Inspection Department once a year and conducts an internal check twice a year.

The Inspection Department regularly reports the results of its audits to the Board of Directors and the Internal Control Executive Committee. This information helps the executive team determine the status of risk management and ascertain that suitable administration practices prevail at the Bank.

Compliance

Trust banks accept funds from the people and in turn facilitate a steady flow of funds for various financial purposes that ultimately benefit the economy. Because trust banks seek to utilize their trust function in satisfying diverse market needs, these financial institutions carry a particular social responsibility and a public mission to contribute to the development of the national economy.

But unfolding liberalization, deregulation and other finance-related developments require all financial institutions to wholeheartedly embrace the principle of self-responsibility in conducting business. Efforts to comply with prevailing laws and ordinances and the establishment of a structure that ensures compliance have assumed paramount importance.

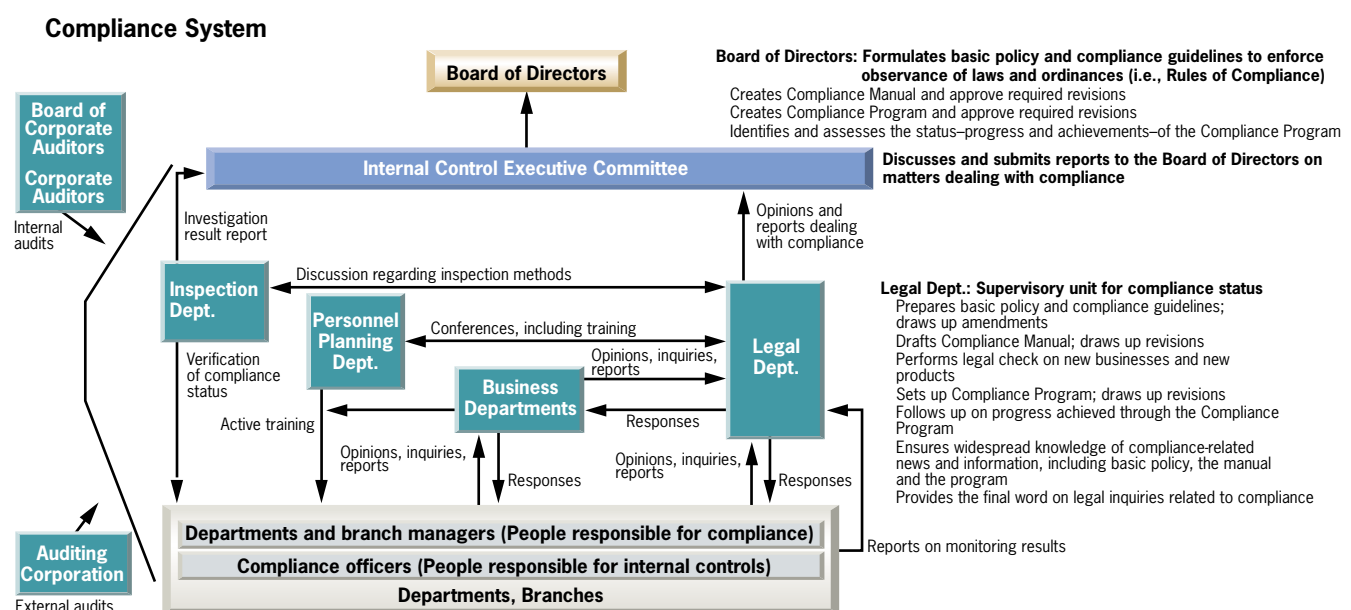
Against this backdrop, financial institutions are expected to operate as private corporations with their social obligations and public missions evolving onto a higher plane. Fulfillment of this dual designation is a prerequisite to securing the unwavering trust of clients and society as a whole.

Sound and appropriate management is indispensable in the effort to sustain and further elevate the level of trust accorded to us by the market. Such management status is grounded in the principle of self-responsibility, which demands rigorous self-discipline. From this perspective, compliance is one of the most important management issues at Chuo Mitsui Trust and one that the Bank will continue to uphold.

Supervision of the Bank's compliance status is the responsibility of the Legal Department, which has promoted several measures to reinforce the compliance structure. For example, the department formulated Rules of Compliance, which establish a basic policy on business ethics and provide guidelines governing the conduct of all employees, including executives, as well as Rules for Compliance Management, which lay down criteria related to compliance conditions at the Bank. The content of these rules is reviewed when necessary. The department also oversees compliance-related training, monitoring and other efforts that enhance our response to compliance issues. Another support mechanism is the Chuo Mitsui Trust Compliance Manual, a detailed handbook that everyone at the Bank is encouraged to study. The manual is revised as necessary to reflect monitoring results and other useful data.

We regularly outline bankwide schemes under our Compliance Program, a concrete action agenda that is complemented by the independently designed plans of branches and head office departments to ensure the highest level of compliance.

Through the activities described above, Chuo Mitsui Trust is building a reliable business foundation based on the principle of self-responsibility, and warrants the trust of society.



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Financial Review

Operating Environment

Fiscal 2000, ended March 31, 2001, was characterized by difficult economic and financial environments at home and abroad. Overseas, the U.S. economy, which had maintained an upward trend since March 1991, showed clear signs of a slowdown from the middle of 2000, as capital investment—a pillar of the economy—grew sluggish, underscored by preventive money-market tightening over six moves from June 1999 that prompted downward adjustment of corporate profit expectations and softened stock prices. Even Asia, which had been traveling along a strong recovery path outside of Japan, acquired a lackluster hue, caused in part by reduced exports to the United States, while the favorable economic shift in Europe gave way to some gloom. These global conditions contributed to greater uncertainty over the state of the world's economy from the second half of fiscal 2000.

In Japan, the economy retained its recovery tone in the first half of the fiscal year, supported by rising production levels, which mirrored brisk export activity, and expanding capital investment, which paralleled such improvements as higher corporate profits through restructuring efforts. Against this positive backdrop, the Bank of Japan discontinued its zero interest rate policy in August 2000. Fears of another slump surfaced in the second half of fiscal 2000, however, because sluggish consumer spending compounded falling exports, prompted by weakening economic conditions overseas and retreating production activities. To avert further deterioration of the real economy, the government approved new growth measures for a revitalized Japan in October 2000, while the Bank of Japan essentially returned to its zero interest rate policy with the inescapable implementation of two rate decreases in February 2001 and quantitative relief measures in March 2001.

In the financial market, long-term interest rates grew slightly, albeit temporarily, following the August 2000 end of the Bank of Japan's zero interest rate policy. However, with rising concerns over another domestic recession and a series of financial relief measures, beginning in early 2001, long-term interest rates moved downward again. Exchange rates shifted into a low-yen/high-dollar position, ending the term around ¥125 to the U.S. dollar. Stock prices fell, reflecting such conditions as anxiety over the future of the Japanese economy and the bearish tone of U.S. stock prices. Land prices continued to decline.

Fiscal 2000 Non-Consolidated Performance

Against this economic and financial backdrop, Chuo Mitsui Trust worked swiftly in its first fiscal year as a reinvigorated financial institution to implement measures that will realize the merits of the merger as quickly as possible and to establish a strong business foundation able to weather whatever challenges the operating environment presents. The results of these measures are reflected in the Bank's non-consolidated performance.

The balance of deposits stood at ¥7,871.1 billion on March 31, 2001, down 0.6% from a year earlier. This result is despite an increase in time deposits, as the Bank worked to reinforce total funds through continued campaigns, for example, aimed at attracting a larger client base for individual services.

As long- and short-term interest rates hovered at consistently low levels, Chuo Mitsui Trust sought to further enhance the efficiency of trust asset operations. The total of jointly operated specified money trusts and loan trusts, with contracts for the return of invested principal, reached a balance of ¥7,111.5 billion, down 16.6%.

The rapid graying of Japanese society has heightened interest in corporate pension systems. Capitalizing on this trend to promote pension asset services, Chuo Mitsui Trust raised its balance of pension trusts 4.0%, to ¥6,288.8 billion.

Consequently, trust assets, including other trusts, slipped 2.1%, to ¥43.5 trillion.

In regard to loans and bills discounted, the banking account balance edged down 0.2%, to ¥7,767.8 billion, and the trust account balance dropped 18.3%, to ¥3,244.6 billion, following a reduction in trust funds.

An unwavering commitment to improve asset composition and promote more efficient administration of assets underscored the Bank's investment securities results for fiscal 2000. The investment securities balance in the banking account decreased 14.3%, to ¥4,264.6 billion, while the balance in the trust account grew 1.7%, to ¥22.4 trillion. Of investment securities in the trust account, the total of jointly operated specified money trust and loan trust accounts, with contracts for the return of invested principal, reached ¥519.9 billion, down 26.7%.

Real estate operations benefited from progress in corporate restructuring, favorable demand for housing, and a greater need for investment-oriented properties associated with the introduction of real estate investment trusts

(REIT) in Japan and other forms of property-linked investments. Chuo Mitsui Trust energetically pursued real estate business opportunities to capitalize on prevailing trends and was rewarded with 1,639 new transactions, derived primarily through brokerage of properties for sale. The Bank's volume of real estate-managed investment trusts incorporating real estate securitization came to 34 contracts, valued at ¥283.1 billion, in fiscal 2000, and pushed the aggregate number of contracts under the Bank's management to 54, for a total value of ¥426.0 billion.

In stock transfer agency services, the transaction volume for transfers of title—a mainstay activity—increased, but because of sluggish stock market conditions, the number of shareholders under the Bank's administration fell by 94,000 names, to 12.9 million. However, concerted efforts to expand the list of stock transfer agency clients attracted 191 domestic companies, bringing the aggregate number to 1,755 and firmly cementing the Bank's position as the industry's leading stock transfer agent.

In the area of securities-related services, the balance of securities investment trusts declined 2.0%, to ¥6,894.6 billion, despite an increase in open-end stock investment trusts under administration, particularly domestic equity index funds.

The Bank's profit-and-loss status for fiscal 2000 exemplifies efforts to enhance fund utilization and fund procurement efficiency while boosting trust fees and commission income from fiduciary assets business. To improve the health of assets, the Bank adheres to strict self-assessment of assets and has set aside reserves and executed appropriate write-offs for problem assets, in accordance with guidelines established by the Financial Reconstruction Commission. After executing additional write-offs and allocating additional reserves, the Bank posted net income of ¥24.0 billion, down 51.7%. Net income per share was ¥22.85, compared with ¥8.16 in fiscal 1999.

Total income tumbled 35.9%, to ¥609.9 billion. Trust fees represented ¥124.1 billion, or 1.9% less than in fiscal 1999.

Total expenses retreated 32.4%, to ¥562.9 billion. Interest on deposits accounted for ¥57.0 billion, or 10.7% less than a year earlier.

Fiscal 2000 Consolidated Performance

The balance of deposits stood at ¥7,860.5 billion on March 31, 2001, down 0.6% from March 31, 2000. The consolidated amount for total assets in the trust account was the same as the non-consolidated result.

In regard to loans and bills discounted, the banking account balance dipped 0.4%, to ¥7,707.5 billion. The trust account balance of loans and bills discounted was ¥3,244.6 billion, the same as the non-consolidated result.

The investment securities balance in the banking account declined 14.4%, to ¥4,261.6 billion. The balance in the trust account was ¥22.4 trillion, the same as the non-consolidated result.

Total assets stood at ¥13.9 trillion, down 9.2%. Total shareholders' equity fell 31.7%, to ¥778.5 billion, and net assets per share settled at ¥427.18.

On the consolidated profit-and-loss front, total income decreased 35.0%, to ¥657.6 billion. Total expenses retreated 31.4%, to ¥611.0 billion. Consequently, net income dropped 51.8%, to ¥23.1 billion. Net income per share was ¥21.95, compared with ¥52.83 in fiscal 1999.

The Bank's consolidated capital adequacy ratio, calculated according to domestic criteria, stood at 10.76%.

Dividends

Reflecting its public duty as a financial institution, Chuo Mitsui Trust strives to maintain healthy assets and suitably enrich retained earnings while realizing stable dividends for shareholders. Based on this policy, the Bank offered an annual dividend of ¥5.00 per common share, including a ¥2.50 per share interim dividend.

Dividends on preferred stock were as follows: ¥40.00 per share, including a ¥20.00 per share interim dividend, for Class-A First Series Preferred; ¥14.40 per share, including a ¥7.70 per share interim dividend, for Class-A Second Series Preferred; and ¥20.00 per share, including a ¥10.00 per share interim dividend, for Class-A Third Series Preferred.

How to Read the Financial Statements of Trust Banks

Trust Account and Banking Account

Trust banks keep two types of account: the banking account, which is the institution's own; and the trust account, which is the account of beneficiaries. We have a number of trust accounts, reflecting the fact that we must separately administer the assets of each trust contract. In principle, details of individual accounts are disclosed only to trustors or beneficiaries. Nevertheless, the total balances of money and pension trusts are recorded in the trust account's aggregate balance sheet. The main assets and liabilities of the trust account with principal guarantee agreement are also disclosed.

Although trust assets nominally belong to trust banks, in fact they belong to the beneficiaries. The institutions therefore receive trust fees for managing these accounts. After deductions for fees and expenses, the profits generated with these accounts all become trust assets.

Trust fees represent one source of income in the banking account. In other words, the banking account income statement reflects both earnings from banking operations and from trust operations.

The Concept of Business Profit (*Gyomu Juneki*)

To calculate core profits—excluding items outside core operations, such as stock earnings and losses and write-offs of nonperforming assets—we calculate the business profit by selecting only those items that express the earnings from core operations from within the income statement.

Business profit is calculated by subtracting the general and administrative expenses and the transfer to the general reserve for possible loan losses from gross business profit. Gross business profit comprises:

- Net interest income (such as from deposits, loans and marketable securities);
- Net fees and commissions (trust fees, and fees and commissions);
- Net trading gains (earnings from trading purpose transactions); and
- Net other operating income (such as earnings from foreign exchange and bond trading).

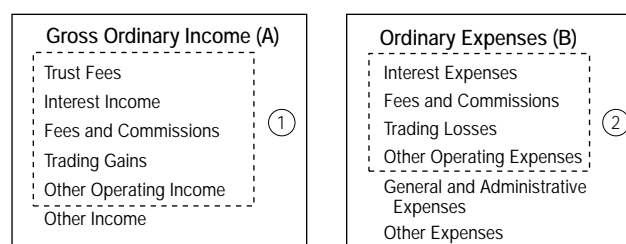
Business Profit at Trust Banks

In addition to business profit, trust banks disclose business profit before trust account write-offs. With trust banks, the business profit calculated according to the formula mentioned above does not adequately reflect the profitability of core operations. Trust fees, which are part of business profit, are calculated after subtracting loan write-offs in the trust account. Therefore, business profit is smaller than a trust bank's actual profitability in core operations.

To adjust for this difference and more accurately reflect the profitability of core operations, trust banks calculate business profit before trust account write-offs. This allows a comparison with other banks according to business profit.

The effective business profit is calculated by adding back the transfer to general reserve for possible loan losses from business profit before trust account write-offs. The purpose of this calculation is to show the trend of a bank's earning power by eliminating all credit costs including transfers to general reserves.

•The Relationship between Ordinary Income and Business Profit



Ordinary Income

This is calculated by deducting ordinary expenses (B) from gross ordinary income (A).

Gross Business Profit

The amount remaining after subtracting the highlighted areas in box ② from those in box ① is nearly equal to gross business profit.

Business Profit

This results from subtracting general and administrative expenses and the transfer to general reserve for possible loan losses from gross business profit. The transfer to general reserve for possible loan losses is part of other expenses.

Note: General and administrative expenses in the calculation of ordinary income include retirement payments and transfers and reimbursements to retirement reserves. The general and administrative expenses in the calculation of business profit only include the transfer to retirement reserves.

•Sample Calculation of Business Profit before Trust Account Write-Offs

Business profits other than for trust fees	Trust fees before loan write-offs	
Business profits other than for trust fees (a)	Trust fees (b)	Loan write-offs in the trust account (c)
150	70	30
Business profit (a+b)		
220		
Business profit before trust account write-offs (a+b+c)		
250		

Consolidated Financial Statements (Banking Account)

The Chuo Mitsui Trust and Banking Company, Limited, and Consolidated Subsidiaries

Consolidated Balance Sheet

As of March 31, 2001

		Millions of yen	Thousands of U.S. dollars (Note 1)
		2001	2001
Assets	Cash and Cash Equivalents	¥ 173,369	\$ 1,399,266
	Due from Banks Other than Due from The Bank of Japan	326,995	2,639,185
	Call Loans and Bills Bought	181,640	1,466,021
	Trading Assets	7,767	62,688
	Investment Securities (Notes 3 and 8)	4,261,600	34,395,480
	Money Held in Trust (Note 3)	94,736	764,617
	Loans and Bills Discounted (Notes 4 and 8)	7,707,472	62,207,199
	Foreign Exchanges (Note 5)	13,383	108,014
	Other Assets (Note 6)	318,516	2,570,751
	Premises and Equipment (Note 7)	294,519	2,377,070
	Deferred Tax Assets (Note 24)	239,899	1,936,231
	Customers' Liabilities for Acceptances and Guarantees (Note 9)	406,581	3,281,525
	Reserve for Possible Loan Losses	(138,291)	(1,116,150)
	Reserve for Possible Investment Losses	(190)	(1,534)
	Total Assets	¥13,887,996	\$112,090,363
Liabilities	Deposits (Note 10)	¥ 7,860,466	\$ 63,442,018
	Call Money and Bills Sold	37,412	301,953
	Trading Liabilities	5,207	42,026
	Borrowed Money (Note 11)	463,343	3,739,653
	Foreign Exchanges (Note 5)	54	436
	Subordinated Bonds	124,841	1,007,595
	Convertible Bonds (Note 12)	35,023	282,672
	Payable to Trust Accounts	3,913,444	31,585,504
	Other Liabilities (Note 13)	208,275	1,680,992
	Reserve for Retirement Benefits (Note 14)	10,945	88,337
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	8,746	70,589
	Reserve for Possible Foreign Exchange Losses on Trust Account Investments	26,760	215,981
	Deferred Tax Liabilities for Land Revaluation Surplus	3,361	27,127
	Acceptances and Guarantees (Note 9)	406,581	3,281,525
	Total Liabilities	¥13,104,458	\$105,766,408
Minority Interests		¥ 5,009	\$ 40,428
Shareholders' Equity (Notes 15 and 16)	Capital Stock	322,876	2,605,940
	Capital Surplus	295,278	2,383,196
	Land Revaluation Surplus	5,226	42,179
	Earned Surplus	157,940	1,274,738
	Foreign Currency Translation Adjustments	228	1,840
	Treasury Stock	(3,019)	(24,366)
	Total Shareholders' Equity	¥ 778,529	\$ 6,283,527
	Total Liabilities and Shareholders' Equity	¥13,887,996	\$112,090,363

See Notes to Consolidated Financial Statements (Banking Account).

Consolidated Statement of Income

Year ended March 31, 2001

		Millions of yen	Thousands of U.S. dollars (Note 1)
		2001	2001
Income	Interest Income:		
	Interest on Loans and Bills Discounted	¥152,295	\$1,229,177
	Interest and Dividends on Securities	70,276	567,200
	Interest on Call Loans and Bills Bought	807	6,513
	Other Interest Income (Note 17)	9,164	73,963
	Trust Fees (Note 18)	124,366	1,003,761
	Fees and Commissions	56,940	459,564
	Trading Gains	947	7,643
	Other Operating Income (Note 19)	54,058	436,304
	Other Income (Note 20)	188,698	1,522,986
	Total Income	657,551	5,307,111
Expenses	Interest Expense:		
	Interest on Deposits	56,910	459,322
	Interest on Borrowings, Call Money and Bills Sold	14,697	118,620
	Other Interest Expense (Note 21)	71,645	578,249
	Fees and Commissions	6,610	53,349
	Trading Losses	137	1,106
	Other Operating Expenses (Note 22)	3,783	30,533
	General and Administrative Expenses	186,312	1,503,729
	Other Expenses (Note 23)	270,951	2,186,852
	Total Expenses	611,045	4,931,760
	Income before Income Taxes and Minority Interests	46,506	375,351
Income Taxes (Note 24)			
	Current	4,792	38,676
	Deferred	18,770	151,493
Minority Interests in Net Income		(119)	(960)
Net Income		¥ 23,063	\$ 186,142
		Yen	U.S. dollars (Note 1)
		2001	2001
Per Share of Common Stock			
	Net Income	¥21.95	\$0.18
	Diluted Net Income	12.85	0.10

See Notes to Consolidated Financial Statements (Banking Account).

Consolidated Statement of Shareholders' Equity

Year ended March 31, 2001

	Thousands		Millions of yen				
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Land Revaluation Surplus	Earned Surplus
			Common Stock	Preferred Stock			
Balance, March 31, 2000	300,245	113,750	¥ 79,966	¥ 91,000	¥160,851	¥	¥ 23,072
Adjustment for Merger	515,976	156,406	25,799	125,125	133,441	5,168	115,867
Net Income							23,063
Cash Dividends, ¥5.0 per Common Stock and ¥40.0 per 1st Preferred Stock, ¥14.4 per 2nd Preferred Stock and ¥10.0 per 3rd Preferred Stock							(6,490)
Reversal of Land Revaluation Surplus						(6)	6
Change in the Normal Effective Statutory Tax Rate						64	
Increase from Change in Share Ownership Ratio of Consolidated Subsidiaries							1,780
Adjustment of Earned Surplus for Previously Consolidated Subsidiaries							642
Conversion of Convertible Bonds	1,793		986		986		
Balance, March 31, 2001	818,014	270,156	¥106,751	¥216,125	¥295,278	¥5,226	¥157,940

	Thousands of U.S. dollars (Note 1)					
		Capital Stock		Capital Surplus	Land Revaluation Surplus	Earned Surplus
		Common Stock	Preferred Stock			
Balance, March 31, 2000	\$645,408	\$ 734,463	\$1,298,232	\$	\$ 186,215	
Adjustment for Merger	208,224	1,009,887	1,077,006	41,711	935,165	
Net Income					186,142	
Cash Dividends, ¥5.0 per Common Stock and ¥40.0 per 1st Preferred Stock, ¥14.4 per 2nd Preferred Stock and ¥10.0 per 3rd Preferred Stock					(52,381)	
Reversal of Land Revaluation Surplus				(48)	48	
Change in the Normal Effective Statutory Tax Rate				516		
Increase from Change in Share Ownership Ratio of Consolidated Subsidiaries					14,367	
Adjustment of Earned Surplus for Previously Consolidated Subsidiaries					5,182	
Conversion of Convertible Bonds	7,958		7,958			
Balance, March 31, 2001	\$861,590	\$1,744,350	\$2,383,196	\$42,179	\$1,274,738	

See Notes to Consolidated Financial Statements (Banking Account).

Consolidated Statement of Cash Flows

Year ended March 31, 2001

		Millions of yen	Thousands of U.S. dollars (Note 1)
		2001	2001
Operating Activities	Income Before Income Taxes and Minority Interest	¥ 46,506	\$ 375,351
	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
	Income Taxes Paid	(16,232)	(131,009)
	Depreciation and Amortization	39,064	315,287
	Equity in Losses of Affiliates	0	0
	Provision for Reserve for Possible Loan Losses	(92,367)	(745,496)
	Provision for Reserve for Possible Investment Losses	(2,607)	(21,041)
	Provision for Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	(7,118)	(57,450)
	Provision for Reserve for Retirement Benefits	(10,839)	(87,482)
	Provision for Reserve for Possible Foreign Exchange Losses on Trust Account Investments	(20,867)	(168,418)
	Net Gain on Investment Securities	(74,080)	(597,902)
	Losses on Money Held in Trust	(3,725)	(30,065)
	Foreign Exchange Losses—Net	(66,079)	(533,325)
	Net Loss on Disposals of Premises and Equipment	4,689	37,845
	Changes in Assets and Liabilities:		
	Decrease in Trading Assets	6,624	53,462
	Decrease in Trading Liabilities	(7,047)	(56,877)
	Decrease in Loans and Bills Discounted	38,094	307,458
	Increase in Deposits	154,125	1,243,947
	Decrease in Negotiable Certificates of Deposit	(203,912)	(1,645,779)
	Decrease in Borrowed Money (Excluding Subordinated Borrowings)	(24,066)	(194,237)
	Decrease in Interest-Earning Deposits in Other Banks	240,704	1,942,728
	Decrease in Call Loans and Bills Bought	80,093	646,433
	Decrease in Call Money and Bills Sold	(97,635)	(788,015)
	Decrease in Bond Repurchase Liabilities	(68,545)	(553,228)
	Increase in Foreign Exchanges (Assets)	(351)	(2,833)
	Decrease in Foreign Exchanges (Liabilities)	(10)	(81)
	Decrease in Bonds	(2,722)	(21,969)
	Decrease in Payable to Trust Account	(679,312)	(5,482,744)
	Other—Net	18,877	152,357
	Net Cash Used in Operating Activities	(748,738)	(6,043,083)
Investing Activities	Purchases of Investment Securities	(11,397,094)	(91,986,231)
	Proceeds from Sales of Investment Securities	8,042,182	64,908,652
	Proceeds from Redemption of Investment Securities	3,826,237	30,881,655
	Increase in Monetary Trust Funds	(11,701)	(94,439)
	Decrease in Monetary Trust Funds	77,872	628,507
	Purchases of Premises and Equipment	(77,799)	(627,918)
	Disposals of Premises and Equipment	(1,106)	(8,926)
	Proceeds from Sales of Premises and Equipment	39,060	315,254
	Net Cash Provided by Investing Activities	497,651	4,016,554
Financing Activities	Proceeds from Subordinated Borrowings	30,000	242,131
	Repayment of Subordinated Borrowings	(36,975)	(298,426)
	Repayment of Subordinated Bonds and Convertible Bonds	(375)	(3,027)
	Paid-in Capital to Subsidiaries by Minority Shareholders	90	726
	Dividends Paid	(6,490)	(52,381)
	Dividends Paid for Minority Interests	(20)	(161)
	Increase in Treasury Stock	(439)	(3,543)
	Cash Distribution upon Merger	(5,006)	(40,404)
	Net Cash Used in Financing Activities	(19,215)	(155,085)
	Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,164	17,466
	Net Decrease in Cash and Cash Equivalents	¥ (268,138)	\$ (2,164,148)
	Cash and Cash Equivalents, Beginning of Year	281,218	2,269,718
	Cash and Cash Equivalents Acquired by Merger	160,300	1,293,785
	Cash and Cash Equivalents of Previously Consolidated Subsidiaries, Beginning of Year	(11)	(89)
	Cash and Cash Equivalents, End of Year	¥ 173,369	\$ 1,399,266
Additional Cash Flow Information			
Non-Cash Investing and Financing Activities			
	Capital Stock Increased by Conversion of Convertible Bonds	¥ 986	\$ 7,958
	Capital Surplus Increased by Conversion of Convertible Bonds	986	7,958
	Convertible Bonds Decreased by Conversion	¥ 1,972	\$ 15,916
	Interest and Dividends Income	¥ 274,113	\$ 2,212,373
	Interest Paid	¥ (181,411)	\$ (1,464,173)

See Notes to Consolidated Financial Statements (Banking Account).

Notes to Consolidated Financial Statements (Banking Account)

The Chuo Mitsui Trust and Banking Company, Limited, and Consolidated Subsidiaries
Year ended March 31, 2001

1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements (Banking Account) have been prepared from the accounts maintained by The Chuo Mitsui Trust and Banking Company, Limited ("Chuo Mitsui Trust"), which resulted from the merger of The Chuo Trust and Banking Company, Limited ("Chuo Trust"), and The Mitsui Trust and Banking Company, Limited ("Mitsui Trust"), on April 1, 2000, and consolidated subsidiaries, in accordance with accounting principles and practices generally accepted in Japan, the Uniform Accounting Standards for Banks issued by the Japanese Bankers Association and the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to Chuo Mitsui Trust's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

All amounts expressed in Japanese yen have been rounded off to the nearest million yen, and all amounts expressed in U.S. dollars have been rounded off to the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥123.9 to US\$1, the approximate rate of exchange at March 31, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2001 include the accounts of Chuo Mitsui Trust and its 21 significant subsidiaries.

Sanshin Lease Co., Ltd., and 11 other consolidated subsidiaries were succeeded as a result of the merger with Mitsui Trust. Chuo Mitsui State Street Advisers Co., Ltd., and Chuo Mitsui Loan Business Co., Ltd., were established in March 2000 and included in the consolidation.

CTBL (Panama) S.A. and Westcoast DL Corporation were excluded from consolidation as a result of liquidation.

Chushin Business Service Co., Ltd., and THT Credit Co., Ltd., merged with Chuo Mitsui Business Co., Ltd., and Chuo Mitsui Guarantee Co., Ltd., respectively.

The consolidated financial statements do not include the accounts of Sanshin Create Co., Ltd. (a Japanese corporation), and other subsidiaries in fiscal 2000, ended March 31, 2001, because their combined total assets, total income, net income and earned surplus would not have had a material effect on the consolidated financial statements.

Investments in these unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investment in these companies, the effect on the accompanying consolidated financial statements would not have been material.

All significant intercompany transactions, balances and unrealized profits have been eliminated in consolidation.

b. Cash and Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include amounts due from The Bank of Japan.

c. Mark-to-Market Accounting for Trading Purpose Transactions

"Transactions for trading purposes" (for the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "trading assets" and "trading liabilities" on a trade date basis. Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value and trading-related financial derivatives are at the amounts that would be settled if they were terminated at the end of the fiscal year.

d. Translation of Foreign Currency Accounts

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date, except for certain special accounts specified by the Uniform Accounting Standards for Banks, which are translated at the historical rates. Unrealized gains or losses arising from the above translation procedures are reflected in current earnings for the period.

Effective April 1, 2000, Chuo Mitsui Trust's domestic consolidated subsidiaries adopted a revised accounting standard for foreign currency transactions. In accordance with the

revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for shareholders' equity, which is translated at the historical rate.

Prior to April 1, 2000, differences arising from such translation were shown as "foreign currency translation adjustments" as either assets or liabilities in the balance sheet. Effective April 1, 2000, such differences are shown as "foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions.

e. Investment Securities

Effective April 1, 2000, Chuo Mitsui Trust and its domestic consolidated subsidiaries adopted a new accounting standard for financial instruments, including investment securities.

The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:

- (i) Trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

However, the classification (iii) above could be adopted from the fiscal year beginning April 1, 2001. Accordingly, in fiscal 2000, available-for-sale securities are reported at cost determined by the moving-average method or at amortized cost. If Chuo Mitsui Trust and its domestic consolidated subsidiaries had adopted the fair-value method for available-for-sale securities, an unrealized loss of ¥90,948 million (\$734,044 thousand), net of applicable taxes, would have been recorded in shareholders' equity at March 31, 2001.

The valuation method of securities held in individually managed money trusts for asset management purposes are reported at fair value.

f. Derivatives and Hedging Activities

Effective April 1, 2000, Chuo Mitsui Trust and its consolidated subsidiaries adopted a new accounting standard for derivative financial instruments. This standard requires that: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement; and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

As a result of adopting the new accounting standard for derivative financial instruments, income before income taxes and minority interest increased ¥26,061 million (\$210,339 thousand).

g. Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 10 to 50 years for buildings and from three to eight years for equipment, furniture and fixtures.

h. Software

The purchased software costs are amortized over the estimated useful lives of the software (principally five years).

i. Land Revaluation

Under the new "Law of Land Revaluation," promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, Mitsui Trust elected the one-time revaluation for its own-use land to a value based on real estate appraisal information as of March 31, 1998.

Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. The details of the one-time revaluation as of March 31, 2001 are as follows:

	Millions of yen	Thousands of U.S. dollars
Land before Revaluation	¥100,831	\$813,810
Land after Revaluation	109,687	885,287
Land Revaluation Surplus	8,586	69,298
(Net of Income Taxes)	(5,226)	(42,179)

At March 31, 2001, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥3,452 million (\$27,861 thousand).

j. Stock Issue Expenses

Stock issue expenses are charged to income when paid.

k. Reserve for Possible Loan Losses

The amounts of the provision for reserve for possible loan losses is determined based on management's judgment and assessment of future losses based on the self assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

Chuo Mitsui Trust implemented the self assessment system for its asset quality. The quality of all loans are assessed by branches and the loan supervisory division with a subsequent audit by the asset assessment division in accordance with Chuo Mitsui Trust's policy and rules for self assessment of asset quality.

Chuo Mitsui Trust has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self assessment of asset quality. All loans are classified into the following five categories for self assessment purposes: "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

Reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including the value of future cash flows for other self assessment categories.

In addition, provisions for possible loan losses relating to restructuring countries are recorded in accordance with the Accounting Standards for Banks.

With respect to loans with collateral and/or guarantees extended to borrowers in bankruptcy or borrowers effectively in bankruptcy, the unrecoverable amount is estimated by deducting from the loan amount the realizable value of collateral or the amount likely to be recovered based on guarantees. The outstanding amount thus determined is then directly written off from the loan amount as the unrecoverable amount. Such loans amounted to ¥673,322 million (\$5,434,399 thousand) at March 31, 2001.

The consolidated subsidiaries provide reserve for possible loan losses relating to general receivables based on their experience and management's assessment, and relating to

particular receivables, for example, possible bankruptcy, based on the amounts deemed necessary.

l. Reserve for Possible Investment Losses

Reserve for possible investment losses is provided to cover the possible losses arising from the investment in borrowers classified within the "possible bankruptcy" category of the self assessment system.

m. Retirement and Pension Plans

Prior to April 1, 2000, the annual provisions for retirement benefits of Chuo Trust and Mitsui Trust and their domestic consolidated subsidiaries were calculated to state the liability at the amount that would be required if all employees voluntarily terminated their employment at the balance sheet date.

Effective April 1, 2000, Chuo Mitsui Trust and its domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The unrecognized transitional obligation of ¥57,099 (\$460,847 thousand), determined as of the beginning of the year, is being amortized over five years, and the annual amortization is presented in other expenses in the statement of income. As a result of adopting this new standard, income before income taxes and minority interests decreased by ¥12,829 million (\$103,543 thousand), as compared with the combined amounts under the previous method of Chuo Trust and Mitsui Trust.

n. Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC

The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company ("CCPC") is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of real estate. In accordance with the terms of the loans collateralized by real estate sales contracts, Chuo Mitsui Trust is required to cover certain portions of losses incurred, as defined in the contract, when CCPC disposes of real estate in satisfaction of the related debt.

o. Reserve for Possible Foreign Exchange Losses on Trust Account Investments

Reserve for possible foreign exchange losses on trust account investment is provided at the amount equal to unrealized foreign exchange losses on securities held in the Trust Account (jointly operated designated money trusts).

p. Income Taxes

Chuo Mitsui Trust and certain consolidated subsidiaries adopted the accounting method for allocation of income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Leases

In accordance with Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as operating leases if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

r. Cash Dividends

Cash dividends are paid semiannually. Interim dividends may be paid after the end of the semiannual period, by resolution of the Board of Directors, while year-end dividends are authorized after the close of each year to which they relate and are reflected in the consolidated statements of shareholders' equity when duly declared and paid.

s. Per Share Information

The computation of net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of common shares used in the computation was 810,213,897 shares for fiscal 2000.

Diluted net income per share of common stock assumes full conversion of outstanding convertible bonds at the beginning of the year with an applicable adjustment for related interest expense net of tax.

3. Investment Securities and Money Held in Trust

a. Investment Securities

Investment securities at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Government Bonds	¥1,245,766	\$10,054,608
Municipal Bonds	101,001	815,182
Corporate Bonds	300,868	2,428,313
Stocks	1,921,025	15,504,641
Other Securities	692,940	5,592,736
Total	<u>¥4,261,600</u>	<u>\$34,395,480</u>

Information regarding each category of the securities classified as trading, available-for-sale and held-to-maturity at March 31, 2001 was as follows:

	Millions of yen			Fair Value
	Cost	Unrealized Gain	Unrealized Loss	
Securities:				
Trading				¥ 1,389
Available-for-Sale:				
Equity Securities	¥1,864,286	¥130,714	¥236,547	1,758,453
Debt Securities	1,498,853	15,569	1,224	1,513,198
Other	635,897	3,885	61,602	578,180
Held-to-Maturity	148,782	6,214	726	154,270

	Thousands of U.S. dollars			Fair Value
	Cost	Unrealized Gain	Unrealized Loss	
Securities:				
Trading				\$ 11,211
Available-for-Sale:				
Equity Securities	\$15,046,699	\$1,054,996	\$1,909,177	14,192,518
Debt Securities	12,097,280	125,658	9,880	12,213,058
Other	5,132,341	31,356	497,191	4,666,506
Held-to-Maturity	1,200,823	50,153	5,860	1,245,116

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001 were as follows:

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Available-for-Sale:		
Unlisted Stocks	¥55,327	\$446,546
Unlisted Securities	21,705	175,181
Subscription Certificates	6,210	50,121
Total	<u>¥83,242</u>	<u>\$671,848</u>

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001 were ¥8,254,565 million (\$66,622,801 thousand). Gross realized gains and losses on these sales, computed on the moving-average basis, were ¥109,965 million (\$887,530 thousand) and ¥12,229 million (\$98,701 thousand), respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due in One Year or Less	¥ 580,171	\$ 4,682,575
Due after One Year through Five Years	775,686	6,260,581
Due after Five Years through Ten Years	385,670	3,112,752
Due after Ten Years	390,528	3,151,961
Total	<u>¥2,132,055</u>	<u>\$17,207,869</u>

b. Money Held in Trust

Information regarding each category of money held in trust classified as trading and available-for-sale at March 31, 2001 was as follows:

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Money Held in Trust:				
Trading	¥ —	¥ —	¥ —	¥86,230
Available-for-Sale	8,506	3,744	—	12,250

	Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Money Held in Trust:				
Trading	\$ —	\$ —	\$ —	\$695,965
Available-for-Sale	68,652	30,218	—	98,870

4. Loans and Bills Discounted

Loans and bills discounted at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Bills Discounted	¥ 67,871	\$ 547,789
Loans on Notes	2,004,300	16,176,755
Loans on Deeds	4,597,156	37,103,761
Overdrafts	1,033,757	8,343,479
Other	4,388	35,415
Total	<u>¥7,707,472</u>	<u>\$62,207,199</u>

Non-Accrual Loans

Loans to borrowers in bankruptcy are included in loans and bills discounted, and totaled ¥59,034 million (\$476,465 thousand) at March 31, 2001.

Loans are generally placed on non-accrual status when substantial doubt is judged to exist as to ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons.

Loans to borrowers in bankruptcy represent non-accrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law.

Past due loans are included in loans and bills discounted, and totaled ¥211,401 million (\$1,706,223 thousand) at March 31, 2001.

Past due loans are non-accrual loans other than loans to borrowers in bankruptcy and loans for which interest payment is deferred in order to assist the debtor's financial recovery from financial difficulties.

Accruing Loans Contractually Past Due Three Months or More

Accruing loans contractually past due three months or more are included in loans and bills discounted, and totaled ¥2,145 million (\$17,312 thousand) at March 31, 2001. Loans classified as loans to borrowers in bankruptcy or past due loans are excluded.

Restructured Loans

Restructured loans are included in loans and bills discounted, and totaled ¥406,199 million (\$3,278,442 thousand) at March 31, 2001. Such restructured loans are loans on which Chuo Mitsui Trust granted concessions (for example reduction of the face amount or maturity amount of the debt or accrued interest) to the debtors in financial difficulties to assist them in their financial recovery and eventually enable them to pay their creditors. Loans classified as loans to borrowers in bankruptcy or past due loans or accruing loans contractually past due three months or more are excluded.

Non-accrual loans, loans accrued contractually past due three months or more and restructured loans totaled ¥678,779 million (\$5,478,442 thousand) at March 31, 2001.

The claim amounts above at March 31, 2001 are those before the reserve for possible loan losses is deducted.

5. Foreign Exchanges

Foreign exchanges at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Assets:		
Due from Foreign Banks	¥ 7,893	\$ 63,705
Advances to Foreign Banks	0	0
Foreign Exchange Bills Purchased	1,404	11,331
Foreign Exchange Bills Collected	4,086	32,978
Total	<u>¥13,383</u>	<u>\$108,014</u>
Liabilities:		
Due to Foreign Banks	¥ 20	\$ 161
Foreign Exchange Bills Sold	8	65
Foreign Exchange Bills Payable	26	210
Total	<u>¥ 54</u>	<u>\$ 436</u>

6. Other Assets

Other assets at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Prepaid Expenses	¥ 442	\$ 3,568
Accrued Income	53,359	430,662
Other	264,715	2,136,521
Total	<u>¥318,516</u>	<u>\$2,570,751</u>

7. Premises and Equipment

Premises and equipment at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Land	¥109,687	\$ 885,287
Buildings	65,295	526,998
Equipment	14,154	114,237
Construction in Progress	1,696	13,688
Other	103,687	836,860
Total	<u>¥294,519</u>	<u>\$2,377,070</u>

Accumulated depreciation amounted to ¥217,404 million (\$1,754,673 thousand) at March 31, 2001.

8. Collateral

The carrying amounts of assets pledged as collateral and the related collateralized debt at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Securities	¥ 717,867	\$5,793,922
Loans	308,817	2,492,470
Other Assets	1,194	9,637
Total	<u>¥1,027,878</u>	<u>\$8,296,029</u>
Deposits	909	7,337
Bills Sold	27,500	221,953
Borrowed Money	15,815	127,643
Total	<u>¥ 44,224</u>	<u>\$ 356,933</u>

In addition, the following assets were deposited with respect to foreign exchange settlements and derivatives at March 31, 2001.

	Millions of yen	Thousands of U.S. dollars
Securities	¥465,028	\$3,753,253
Due from Banks	353	2,849
Total	<u>¥465,381</u>	<u>\$3,756,102</u>

9. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "acceptances and guarantees." As a contra account, "customers' liabilities for acceptances and guarantees" is shown on the asset side of the balance sheet representing Chuo Mitsui Trust's right of indemnity from the applicant.

10. Deposits

Deposits at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Current Deposits	¥ 149,348	\$ 1,205,391
Ordinary Deposits	726,811	5,866,110
Deposits at Notice	100,350	809,927
Time Deposits	6,387,647	51,554,859
Negotiable Certificates of Deposit	333,552	2,692,107
Other	162,758	1,313,624
Total	<u>¥7,860,466</u>	<u>\$63,442,018</u>

11. Borrowed Money

Borrowed money at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Borrowed Money	¥ 95,343	\$ 769,516
Subordinated Loans	368,000	2,970,137
Total	<u>¥463,343</u>	<u>\$3,739,653</u>

12. Convertible Bonds

Convertible bonds at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
1.53% Japanese Yen Perpetual Subordinated Convertible Bonds	¥33,510	\$270,460
0.5% Japanese Yen Subordinated Convertible Bonds Due 2007	1,513	12,212
Total	<u>¥35,023</u>	<u>\$282,672</u>

The aforementioned bonds are convertible into common stock of Chuo Mitsui Trust at the conversion prices set forth below, subject to adjustment under certain circumstances.

The conversion price per share is as follows:

	Conversion price per share March 31, 2001
1.53% Japanese Yen Perpetual Subordinated Convertible Bonds	¥1,600.00
0.5% Japanese Yen Subordinated Convertible Bonds Due 2007	1,100.00

13. Other Liabilities

Other liabilities at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Accrued Expenses	¥ 54,949	\$ 443,495
Unearned Income	8,549	68,999
Other	144,777	1,168,498
Total	<u>¥208,275</u>	<u>\$1,680,992</u>

14. Retirement and Pension Plans

Employees whose service with Chuo Mitsui Trust is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination. Chuo Mitsui Trust's domestic consolidated subsidiaries have adopted unfunded retirement benefit plans.

Certain domestic consolidated subsidiaries have a synthetic contributory pension plan.

Chuo Mitsui Trust contributed certain available-for-sale securities with a fair value to the employee retirement benefit trust for Chuo Mitsui Trust's contributory and non-contributory pension plans. The securities held in this trust are qualified as plan assets.

Effective April 1, 2000, Chuo Mitsui Trust and its domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Projected Benefit Obligation	¥212,202	\$1,712,688
Fair Value of Plan Assets	(200,684)	(1,619,726)
Unrecognized Prior Service Cost	3,978	32,107
Unrecognized Actuarial Gain	(18,438)	(148,814)
Unrecognized Transitional Obligation	(45,680)	(368,685)
Prepaid Pension Expenses	59,567	480,767
Net Liability	<u>¥ 10,945</u>	<u>\$ 88,337</u>

The components of net periodic benefit costs for the year ended March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Service Cost	¥ 7,090	\$ 57,224
Interest Cost	7,451	60,137
Expected Return on Plan Assets	(4,655)	(37,570)
Amortization of Prior Service Cost	(995)	(8,031)
Amortization of Transitional Obligation	11,420	92,171
Other	5,282	42,631
Net Periodic Benefit Costs	<u>¥25,593</u>	<u>\$206,562</u>

Assumptions used for the year ended March 31, 2001 are set forth as follows:

Discount Rate	3.5%
Expected Rate of Return on Plan Assets	3.5%
Amortization Period of Prior Service Cost	5 years
Recognition Period of Actuarial Gain/Loss	10 years
Amortization Period of Transitional Obligation	5 years

15. Shareholders' Equity

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to capital surplus.

Under the Banking Law of Japan, Chuo Mitsui Trust is required to appropriate as legal reserve portions of unappropriated earned surplus in the amount not less than 20% of cash payments, including cash dividends and bonuses to directors and corporate auditors, appropriated in each financial period, until such reserve equals 100% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or be transferred to common stock.

The Code permits the transfer of portions of capital surplus to stated capital by resolution of the Board of Directors.

The Code also permits the transfer of portions of unappropriated earnings surplus, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, Chuo Mitsui Trust may issue new shares of its common stock to the existing shareholders without consideration pursuant to resolution of the Board of Directors as a stock split. Chuo Mitsui Trust may make such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by par value per share does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

16. Contingent Liabilities

(a) Under certain trust agreements, repayments of the principal of the customers' trust assets are guaranteed by Chuo Mitsui Trust, and such guaranteed principal at March 31, 2001 totaled ¥7,039,370 million (\$56,814,931 thousand).

(b) Contracts of overdraft and loan commitment limits are the contracts by which Chuo Mitsui Trust lends to customers up to the prescribed limits in response to customers' loan applications as long as there is no violation of any condition in the contracts. The unused amount within the prescribed limits relating to these contracts totaled ¥1,199,119 million (\$9,678,119 thousand) at March 31, 2001.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent future cash requirements. Most of these contracts have conditions that Chuo Mitsui Trust and consolidated subsidiaries can refuse customers' loan applications or decrease the contract limits with proper reasons (for example changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, Chuo Mitsui Trust and its consolidated subsidiaries obtain real estate, securities, etc. as collateral if considered necessary. Subsequently, Chuo Mitsui Trust and its consolidated subsidiaries perform a periodic review of the customers' business result based on internal rules, and take necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

17. Other Interest Income

Other interest income for the year ended March 31, 2001

consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Interest on Deposits with Banks	¥6,109	\$49,306
Interest on Interest Swaps	1,422	11,477
Other	1,633	13,180
Total	<u>¥9,164</u>	<u>\$73,963</u>

18. Trust Fees

Chuo Mitsui Trust receives fees for controlling and managing trust properties held under trust agreements between Chuo Mitsui Trust and its clients.

19. Other Operating Income

Other operating income for the year ended March 31, 2001

consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Foreign Exchange Gain	¥ 4,041	\$ 32,615
Gain on Sales and Redemption of Bonds	21,860	176,433
Other	28,157	227,256
Total	<u>¥54,058</u>	<u>\$436,304</u>

20. Other Income

Other income for the year ended March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Gain on Sales of Stocks and Other Securities	¥ 88,454	\$ 713,914
Gain on Money Held in Trust	5,039	40,670
Other	95,205	768,402
Total	<u>¥188,698</u>	<u>\$1,522,986</u>

21. Other Interest Expense

Other interest expense for the year ended March 31, 2001

consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Interest on Corporate Bonds	¥ 2,560	\$ 20,662
Interest on Convertible Bonds	458	3,697
Interest on Interest Swaps	37,639	303,785
Other	30,988	250,105
Total	<u>¥71,645</u>	<u>\$578,249</u>

22. Other Operating Expenses

Other operating expenses for the year ended March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Loss on Sales of Bonds	¥ 568	\$ 4,584
Loss on Redemption of Bonds	968	7,813
Other	2,247	18,136
Total	<u>¥3,783</u>	<u>\$30,533</u>

23. Other Expenses

Other expenses for the year ended March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Provision for Possible Loan Losses	¥ 15,248	\$ 123,067
Write-Off of Loans	89,563	722,865
Losses on Sales of Stocks and Other Equity Securities	11,801	95,246
Losses on Devaluation of Stocks and Other Securities	17,135	138,297
Losses on Money Held in Trust	2,172	17,530
Amortization of Transitional Obligation for Retirement Benefits	123,612	997,676
Other	11,420	92,171
Total	<u>¥270,951</u>	<u>\$2,186,852</u>

24. Income Taxes

Chuo Mitsui Trust is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.56% for the year ended March 31, 2001.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred Tax Assets:		
Reserve for Possible Loan Losses	¥184,640	\$1,490,234
Tax Loss Carryforwards	26,689	215,408
Reserve for Possible Foreign Exchange on Trust Account Investments	10,474	84,536
Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	3,423	27,627
Other	14,917	120,395
Deferred Tax Assets	<u>¥240,143</u>	<u>\$1,938,200</u>
Deferred Tax Liabilities:		
Other Reserve	¥ 244	\$ 1,969
Deferred Tax Liabilities	<u>¥ 244</u>	<u>\$ 1,969</u>
Net Deferred Tax Assets	<u>¥239,899</u>	<u>\$1,936,231</u>

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2001 and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

	Year ended March 31, 2001
Normal Effective Statutory Tax Rate	39.56%
Effect of Ordinance relating to the Business Tax in Osaka Prefecture	4.78
Effect of Change in Normal Effective Statutory Tax Rate Accompanied by Merger	2.86
Other—Net	3.46
Actual Effective Tax Rate	<u>50.66</u>

On June 9, 2000, the “ordinance relating to special cases for tax standards regarding the business tax on banking businesses operating in Osaka Prefecture” (ordinance 131 of Osaka Prefecture) was promulgated, which would decrease the normal effective statutory tax rate by 0.42%, effective April 1, 2001.

The effect of this change on deferred taxes in the consolidated statement of income for the year ended March 31, 2001, was approximately ¥2,222 million (\$17,934 thousand).

At March 31, 2001, Chuo Mitsui Trust and its consolidated subsidiaries had tax loss carryforwards aggregating approximately ¥68,125 million (\$549,839 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire during the year ending March 31, 2006.

25. Leases

Total leases payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥118 million (\$952 thousand) for the year ended March 31, 2001.

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Lessee

	Millions of yen		
	Premises	Equipment	Total
Acquisition Cost	¥454	¥ 5	¥459
Accumulated Depreciation	323	5	328
Net Leased Property	<u>¥131</u>	<u>¥—</u>	<u>¥131</u>

	Thousands of U.S. dollars		
	Premises	Equipment	Total
Acquisition Cost	\$3,664	\$40	\$3,704
Accumulated Depreciation	2,607	40	2,647
Net Leased Property	<u>\$1,057</u>	<u>\$—</u>	<u>\$1,057</u>

Obligations under financial leases as of March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within One Year	¥ 72	\$ 581
Due after One Year	68	549
Total	<u>¥140</u>	<u>\$1,130</u>

Depreciation expense and interest expense under finance leases for the year ended March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Depreciation Expense	¥100	\$807
Interest Expense	10	81
Total	<u>¥110</u>	<u>\$888</u>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, were computed by the straight-line method and the interest method respectively.

Lesser

	Millions of yen		
	Premises	Equipment	Total
Acquisition Cost	¥166,409	¥1,969	¥168,378
Accumulated Depreciation	95,262	868	96,130
Net Leased Property	<u>¥ 71,147</u>	<u>¥1,101</u>	<u>¥ 72,248</u>

	Thousands of U.S. dollars		
	Premises	Equipment	Total
Acquisition Cost	\$1,343,091	\$15,892	\$1,358,983
Accumulated Depreciation	768,862	7,006	775,868
Net Leased Property	<u>\$ 574,229</u>	<u>\$ 8,886</u>	<u>\$ 583,115</u>

Obligations under financial leases as of March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within One Year	¥25,487	\$205,706
Due after One Year	53,718	433,560
Total	<u>¥79,205</u>	<u>\$639,266</u>

Depreciation expense and interest income under finance leases for the year ended March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Depreciation Expense	¥25,622	\$206,796
Interest Income	2,944	23,761
Total	<u>¥28,566</u>	<u>\$230,557</u>

26. Derivatives Information**Derivative Transactions****a. Instruments**

Chuo Mitsui Trust undertakes such derivative transactions as futures, swaps and options. Specifically, Chuo Mitsui Trust utilizes interest rate derivatives (interest futures, interest rate options, interest rate future options, interest rate swaps, caps, floors and swaptions), currency derivatives (exchange contracts, currency swaps and currency options), stock derivatives (equity swaps) and bond derivatives (including bond futures and bond future options).

b. Purpose and Policies for Derivative Transactions

Chuo Mitsui Trust employs derivative transactions as a vital tool to meet the increasingly sophisticated and diversified financial needs of clients and to keep the market risk exposure on its own assets and liabilities to a level commensurate with its risk-management capacity. Derivative transactions involve various risks, including market risk, which arises through changing interest rates and price fluctuations. Chuo Mitsui Trust must be aware of the characteristics and volume of such risk and enforce strict risk-management processes to hedge the risks inherent in derivative transactions.

Chuo Mitsui Trust does not engage in leveraged derivative transactions, for which transaction values fluctuate significantly compared with the price movement of the underlying products.

c. Transaction Purpose

(1) Banking Account

In the banking account, Chuo Mitsui Trust uses derivative transactions to hedge asset and liability risks, such as interest rate risk and exchange rate risk.

Effective April 1, 2000, Chuo Mitsui Trust adopted a new accounting standard for derivative financial instruments. This standard requires that all derivatives are stated at fair value, and that gains or losses on derivative transactions are recognized in the income statement. In addition, for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Macro-hedging is a risk-management technique allowed until March 31, 2002 for financial instruments used in banking business to reduce or completely eliminate the risk caused by such events as exchange rate fluctuations. Chuo Mitsui Trust did not apply macro-hedging in the term under review because on-balance-sheet risk controls were given precedence.

(2) Trading Account

In the trading account, Chuo Mitsui Trust uses derivative transactions to secure profit, primarily through short-term price fluctuations. Chuo Mitsui Trust also provides a wide assortment of derivative-embedded, high-value-added financial products and financial risk-management measures to assist clients in their financing requirements. When providing these products and measures, Chuo Mitsui Trust strives to ensure that clients fully understand the content of transactions into which derivatives have been integrated and the inherent risks.

d. Contents of Risks for Derivative Transactions

(1) Market Risk

Market risk is the potential for loss caused by fluctuations in the fair value of financial products or portfolios, owing to changes in market volatility on the market prices of traded products, such as interest rates, foreign exchange rates and marketable securities. Chuo Mitsui Trust measures risk volume through such means as basis point value (BPV)* and value at risk (VaR)**.

VaR for the fiscal year to March 31, 2001***, in the trading account, on a consolidated basis, is presented below.

	Millions of yen	Thousands of U.S. dollars
Maximum	¥963	\$7,772
Minimum	88	710
Average	357	2,881
End of Year	297	2,397

* BPV shows the change in fair value of transactions when interest rates change by one basis point (0.01%).

** VaR is a method to statistically gauge the maximum portfolio loss at a certain probability during a given holding period, thereby facilitating standardized measurement of risk across different products, including interest rates, foreign exchange rates and bonds.

*** Measurement assumes a confidence level of 99% and a holding period of 10 days.

(2) Credit Risk

Credit risk is the possibility of reduction or complete elimination of fair value on transactions, owing to such adverse developments as the worsening financial position of a borrower. In the case of derivative transactions, credit risk is not the loss of the assumed principal but the cost, or reconstruction cost, extended to conclude an agreement with a third party having cash flow equivalent to the amount at the time the original counterparty defaulted.

Chuo Mitsui Trust's credit equivalent—determined on a consolidated basis according to BIS capital adequacy standards—comprises latent credit exposure plus reconstruction costs. The amount for the year ended March 31, 2001 is detailed below.

	Millions of yen	Thousands of U.S. dollars
Interest Rate Swaps	¥164,510	\$1,327,764
Currency Swaps	14,931	120,508
Exchange Contracts	33,592	271,122
Interest Options (Buy)	463	3,737
Currency Options (Buy)	3,694	29,814
Stock-Related Transactions	264	2,131
Effect of Close-Out Netting Agreements that Reduce Chuo Mitsui Trust's Credit Risk Exposure	(145,094)	(1,171,057)
Total	¥ 72,360	\$ 584,019

e. Risk Management System for Derivative Transactions

Within the Rules for Risk Management, which guide Chuo Mitsui Trust in its risk-management activities, Chuo Mitsui Trust singled out one rule—to secure sound operations—to represent its risk-management objectives. Chuo Mitsui Trust pinpoints the types of risk that require control, identifies methods for hedging risk and clarifies the structure and respective authority involved in risk management. Under the supervision of the Board of Directors, the Executive Committee formulates and reviews management policy on all risks, ensures appropriate allocation of management resources according to established risk limits and regularly ascertains Chuo Mitsui Trust's risk status in each category.

In regard to market risk, Chuo Mitsui Trust maintains a management policy through its Rules for Market Risk Management and created Regulations for Market Risk Management to reinforce and control accurate hedging techniques and risk limits as well as to underpin, for example, a split office structure. Specifically, Chuo Mitsui Trust clearly separated the divisions that execute transactions from the divisions that process the transactions, thereby creating a double-check structure.

This format is further reinforced by the Corporate Risk Management Department, which is independent of front and back offices and, in its capacity as Chuo Mitsui Trust's middle office, examines double-check results for unified control of Chuo Mitsui Trust's market risk. This department identifies and analyzes bankwide risk, tracks compliance of risk limits approved by the Executive Committee, and reports to the management team on a daily basis and to the Executive Committee on a monthly basis.

In regard to hedge transactions, Chuo Mitsui Trust has prepared Rules for Hedge Transactions to maintain suitable control of hedge transactions.

For credit risk, Chuo Mitsui Trust follows Rules for Credit Risk Management, which provide direction for regulating credit risk on loans, fund transactions and derivative transactions. The Loan Planning Department maintains close contact with credit-related departments to determine credit lines, for example, and works to forge a stronger credit risk-management structure for Chuo Mitsui Trust.

Interest Rate Transactions

Millions of yen				
2001				
Contract or Notional Amount				
Total	Over One Year	Fair Value	Unrealized Gain (Loss)	
Listed:				
Interest Rate				
Forward Contracts:				
Selling	¥ 67,479	¥ —	¥ (74)	¥ (74)
Buying	71,938	—	49	49
Interest Options:				
Selling	430,000	—	160	(29)
Buying	100,000	—	64	47
Over-the-Counter:				
Interest Rate Swaps:				
Fixed Rate Receipt, Floating Rate Payment				
	4,066,126	2,704,855	128,863	128,863
Floating Rate Receipt, Fixed Rate Payment				
	4,181,504	2,540,006	(137,403)	(137,403)
Floating Rate Receipt, Floating Rate Payment				
	2,500	—	—	—
Others:				
Selling	200,784	80,800	3,045	(260)
Buying	95,086	30,000	63	(644)

Thousands of U.S. dollars				
2001				
	Contract or Notional Amount		Fair Value	Unrealized Gain (Loss)
	Total	Over One Year		
Listed:				
Interest Rate				
Forward Contracts:				
Selling	\$ 544,625	\$ —	\$ (597)	\$ (597)
Buying	580,613	—	395	395
Interest Options:				
Selling	3,470,541	—	1,291	(234)
Buying	807,103	—	517	379
Over-the-Counter:				
Interest Rate Swaps:				
Fixed Rate Receipt,				
Floating Rate				
Payment	32,817,805	21,830,952	1,040,056	1,040,056
Floating Rate				
Receipt, Fixed				
Rate Payment	33,749,023	20,500,452	(1,108,983)	(1,108,983)
Floating Rate				
Receipt, Floating				
Rate Payment	20,178	—	—	—
Others:				
Selling	1,620,533	652,139	24,576	(2,098)
Buying	767,441	242,131	508	(5,198)

Notes: 1. Unrealized gains and losses are reflected in the statement of income. However, derivative transactions, which qualify for hedge accounting, were excluded from the above table.

2. Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of financial instruments and fair values for such financial instruments are estimated using discounted cash flow models or other valuation techniques.

Currency Transactions

Millions of yen			
2001			
	Contract or Notional Amount		Unrealized Gain (Loss)
	Total	Fair Value	
Currency Rate Swaps	¥692,367	¥(4,934)	¥(4,934)

Thousands of U.S. dollars			
2001			
	Contract or Notional Amount		Unrealized Gain (Loss)
	Total	Fair Value	
Currency Rate Swaps	\$5,588,111	\$(39,822)	\$(39,822)

Notes: 1. Fair values of the above transactions are based on the discounted present value.

2. Currency futures contracts and currency options are excluded from the above schedule, as their carrying amounts are repriced at the end of the term, and their gains and losses are stated in the consolidated statement of income.

The contract amount of currency-related derivative transactions under repricing are described in the following:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
	Contract or Notional Amount	Contract or Notional Amount
Over-the-Counter:		
Foreign Exchange Contracts:		
Selling	¥510,210	\$4,117,918
Buying	470,623	3,798,410
Currency Options:		
Selling	176,958	1,428,232
Buying	161,252	1,301,469

Stock Transactions

Millions of yen			
2001			
	Contract or Notional Amount		Unrealized Gain (Loss)
	Total	Over One Year	
Over-the-Counter			
Securities Over-the-Counter Index Swaps:			
Receipts Equity			
Index Return/			
Payments Short-Term Floating			
Rate Interests	¥34,779	¥—	¥(1,096)

Thousands of U.S. dollars			
2001			
	Contract or Notional Amount		Unrealized Gain (Loss)
	Total	Over One Year	
Over-the-Counter			
Securities Over-the-Counter Index Swaps:			
Receipts Equity			
Index Return/			
Payments Short-Term Floating			
Rate Interests	\$280,702	\$—	\$(8,846)

Notes: 1. The above transactions were stated at fair value. Unrealized gains and losses are reflected in the statement of income. However, derivative transactions, which qualify for hedge accounting, were excluded from the above table.

2. Fair values of over-the-counter transactions are based on the discounted present value.

Bond Transactions

	Millions of yen		
	2001		
	Contract Amount	Fair Value	Unrealized Gain (Loss)
Listed			
Bond Futures:			
Buying	¥4,312	¥4,309	¥(2)
	Thousands of U.S. dollars		
	2001		
	Contract Amount	Fair Value	Unrealized Gain (Loss)
Listed			
Bond Futures:			
Buying	\$34,802	\$34,778	\$(16)

Notes: 1. The above transactions were stated at fair value. Unrealized gains and losses are reflected in the statement of income. However, derivative transactions, which qualify for hedge accounting, were excluded from the above table.

2. For exchange listed instruments, the closing prices at March 31, 2001 at the Tokyo Stock Exchange and other exchanges were applied.

27. Subsequent Event

Appropriations of Earned Surplus

The following appropriations of earned surplus at March 31, 2001 were approved at Chuo Mitsui Trust's shareholders' meeting held on June 28, 2001:

	Millions of yen	Thousands of U.S. dollars
Year-End Cash Dividends, ¥20.00 (\$0.16) per 1st Preferred Share	¥ 400	\$ 3,228
Year-end Cash Dividends, ¥7.20 (\$0.06) per 2nd Preferred Share	675	5,448
Year-end Cash Dividends, ¥10.00 (\$0.08) per 3rd Preferred Share	1,564	12,623
Year-end Cash Dividends, ¥2.50 (\$0.02) per Common Share	2,044	16,497

28. Segment Information

Chuo Mitsui Trust and its subsidiaries operate predominantly in the banking and trust business and certain subsidiaries deal in securities, although those operations comprise a minor share of Chuo Mitsui Trust's total business.

Domestic total income and assets by geographic segment for the fiscal year ended March 31, 2001 represented more than 90% of the consolidated total income and total assets for the current year. Accordingly, segment information by geographic area is not required to be disclosed.

Independent Auditors' Report

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**Deloitte
Touche
Tohatsu**

To the Board of Directors and Shareholders of
The Chuo Mitsui Trust and Banking Company, Limited:

We have examined the consolidated balance sheet ("Banking Account") of The Chuo Mitsui Trust and Banking Company, Limited, and consolidated subsidiaries as of March 31, 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, all expressed in Japanese yen. Our examination was made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Chuo Mitsui Trust and Banking Company, Limited, and consolidated subsidiaries as of March 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan applied on a basis consistent with that of the preceding year.

As described in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

Our examination also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohatsu

June 28, 2001

Non-Consolidated Financial Statements (Banking Account)

The Chuo Mitsui Trust and Banking Company, Limited

Non-Consolidated Balance Sheet

As of March 31, 2001

		Millions of yen	Thousands of U.S. dollars
		2001	2001
Assets	Cash and Cash Equivalents	¥ 162,693	\$ 1,313,099
	Due from Banks Other than Due from The Bank of Japan	326,995	2,639,185
	Call Loans and Bills Bought	179,100	1,445,521
	Trading Assets	7,776	62,760
	Investment Securities	4,264,581	34,419,540
	Money Held in Trust	86,245	696,086
	Loans and Bills Discounted	7,767,813	62,694,213
	Foreign Exchanges	13,383	108,014
	Other Assets	284,487	2,296,102
	Premises and Equipment	211,052	1,703,406
	Deferred Tax Assets	237,604	1,917,708
	Customers' Liabilities for Acceptances and Guarantees	432,498	3,490,702
	Reserve for Possible Loan Losses	(136,434)	(1,101,162)
	Reserve for Possible Investment Losses	(195)	(1,574)
	Total Assets	¥13,837,598	\$111,683,600
Liabilities	Deposits	¥ 7,871,100	\$ 63,527,845
	Call Money and Bills Sold	37,412	301,953
	Trading Liabilities	5,206	42,018
	Borrowed Money	433,247	3,496,747
	Foreign Exchanges	54	436
	Subordinated Bonds	100,000	807,103
	Convertible Bonds	35,023	282,672
	Payable to Trust Account	3,913,444	31,585,504
	Other Liabilities	176,785	1,426,836
	Reserve for Retirement Benefits	10,558	85,214
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	8,746	70,589
	Reserve for Possible Foreign Exchange Losses on Trust Account Investments	26,760	215,981
	Deferred Tax Liabilities for Land Revaluation Surplus	3,361	27,127
	Acceptances and Guarantees	432,498	3,490,702
	Total Liabilities	¥13,054,194	\$105,360,727
Shareholders' Equity	Capital Stock	322,876	2,605,940
	Capital Surplus	295,278	2,383,196
	Legal Reserve	42,414	342,325
	Land Revaluation Surplus	5,226	42,179
	Earned Surplus	117,610	949,233
	Total Shareholders' Equity	¥ 783,404	\$ 6,322,873
	Total Liabilities and Shareholders' Equity	¥13,837,598	\$111,683,600

Non-Consolidated Statement of Income

Year ended March 31, 2001

		Millions of yen	Thousands of U.S. dollars
		2001	2001
Income	Interest Income:		
	Interest on Loans and Bills Discounted	¥152,557	\$1,231,291
	Interest and Dividends on Securities	72,635	586,239
	Interest on Call Loans and Bills Bought	684	5,521
	Other Interest Income	8,498	68,588
	Trust Fees	124,091	1,001,542
	Fees and Commissions	47,954	387,038
	Trading Gains	962	7,764
	Other Operating Income	54,025	436,037
	Other Income	148,458	1,198,208
	Total Income	609,864	4,922,228
Expenses	Interest Expense:		
	Interest on Deposits	57,028	460,275
	Interest on Borrowings and Bills Sold	13,676	110,379
	Other Interest Expense	70,972	572,817
	Fees and Commissions	11,691	94,358
	Trading Losses	137	1,106
	Other Operating Expenses	3,762	30,363
	General and Administrative Expenses	178,404	1,439,903
	Other Expenses	227,259	1,834,213
	Total Expenses	562,929	4,543,414
	Income before Income Taxes	46,935	378,814
Income Taxes	Current	3,853	31,098
	Deferred	19,122	154,334
Net Income		¥ 23,960	\$ 193,382
		Yen	U.S. dollars
		2001	2001
Per Share of Common Stock			
	Net Income	¥22.85	\$0.18
	Diluted Net Income	13.29	0.11

Non-Consolidated Statement of Shareholders' Equity

Year ended March 31, 2001

	Thousands		Millions of yen					
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Legal Reserve	Land Revaluation Surplus	Earned Surplus
			Common Stock	Preferred Stock				
Balance, March 31, 2000	300,245	113,750	¥ 79,966	¥ 91,000	¥160,851	¥ 5,953	¥	¥ 17,114
Adjustment for Merger	515,976	156,406	25,799	125,125	133,441	35,159	5,168	84,340
Net Income								23,960
Cash Dividends, ¥5.0 per Common Stock and ¥40.0 per 1st Preferred Stock, ¥14.4 per 2nd Preferred Stock and ¥10.0 per 3rd Preferred Stock								(6,508)
Transfer to Legal Reserve						1,302		(1,302)
Reversal of Land Revaluation Surplus							(6)	6
Change in the Normal Effective Statutory Tax Rate							64	
Conversion of Convertible Bonds	1,793		986		986			
Balance, March 31, 2001	818,014	270,156	¥106,751	¥216,125	¥295,278	¥42,414	¥5,226	¥117,610

	Thousands of U.S. dollars						
		Capital Stock		Capital Surplus	Legal Reserve	Land Revaluation Surplus	Earned Surplus
		Common Stock	Preferred Stock				
Balance, March 31, 2000		\$645,408	\$ 734,463	\$1,298,232	\$ 48,047	\$	\$138,127
Adjustment for Merger		208,224	1,009,887	1,077,006	283,769	41,711	680,710
Net Income							193,382
Cash Dividends, ¥5.0 per Common Stock and ¥40.0 per 1st Preferred Stock, ¥14.4 per 2nd Preferred Stock and ¥10.0 per 3rd Preferred Stock							(52,525)
Transfer to Legal Reserve					10,509		(10,509)
Reversal of Land Revaluation Surplus						(48)	48
Change in the Normal Effective Statutory Tax Rate						516	
Conversion of Convertible Bonds		7,958		7,958			
Balance, March 31, 2001		\$861,590	\$1,744,350	\$2,383,196	\$342,325	\$42,179	\$949,233

Combined Consolidated Financial Statements (Banking Account—Unaudited)

The Chuo Trust and Banking Company, Limited, and The Mitsui Trust and Banking Company, Limited

Combined Consolidated Balance Sheet (Unaudited)

As of March 31, 2000

Consolidated financial statements of Chuo Mitsui Trust as of March 31, 2000 are not available. Combined consolidated financial statements are prepared solely for the convenience of readers from each of the consolidated financial statements of Chuo Trust and Mitsui Trust, which were audited by their respective independent auditors. Accordingly, the combined consolidated financial statements were not audited.

		Millions of yen
		2000
Assets	Cash and Cash Equivalents	¥ 441,518
	Due from Banks Other than Due from The Bank of Japan	567,700
	Call Loans and Bills Bought	247,500
	Monetary Claims Bought	14,232
	Trading Assets	14,390
	Money Held in Trust	160,492
	Investment Securities	4,976,642
	Loans and Bills Discounted	7,740,467
	Foreign Exchanges	13,032
	Other Assets	326,424
	Premises and Equipment	306,656
	Deferred Tax Assets	258,703
	Customers' Liabilities for Acceptances and Guarantees	463,395
	Reserve for Possible Loan Losses	(230,694)
	Reserve for Possible Investment Losses	(2,920)
	Total Assets	<u>¥15,297,537</u>
Liabilities	Deposits	¥7,910,233
	Call Money and Bills Sold	135,047
	Trading Liabilities	12,254
	Borrowed Money	510,253
	Foreign Exchanges	64
	Subordinated Bonds	124,291
	Convertible Bonds	37,745
	Payable to Trust Account	4,592,756
	Other Liabilities	275,152
	Reserve for Retirement Allowances	21,784
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	15,864
	Reserve for Possible Foreign Exchange Losses on Trust Account Investments	47,627
	Deferred Tax Liabilities for Land Revaluation Surplus	3,430
	Acceptances and Guarantees	463,395
	Total Liabilities	<u>¥14,149,895</u>
Minority Interests		<u>¥ 7,651</u>
Shareholders' Equity	Capital Stock	559,757
	Capital Surplus	438,706
	Land Revaluation Surplus	5,168
	Earned Surplus	138,939
	Treasury Stock	(2,579)
	Total Shareholders' Equity	<u>¥ 1,139,991</u>
	Total Liabilities and Shareholders' Equity	<u>¥15,297,537</u>

Combined Consolidated Statement of Income (Unaudited)

Year ended March 31, 2000

Millions of yen

		2000
Income	Interest Income:	
	Interest on Loans and Bills Discounted	¥146,258
	Interest and Dividends on Securities	124,659
	Interest on Call Loans and Bills Bought	1,000
	Other Interest Income	106,615
	Trust Fees	126,846
	Fees and Commissions	57,257
	Trading Gains	33
	Other Operating Income	46,789
	Other Income	401,754
	Total Income	<u>1,011,211</u>
Expenses	Interest Expense:	
	Interest on Deposits	63,835
	Interest on Borrowings, Call Money and Bills Sold	17,148
	Other Interest Expense	201,576
	Fees and Commissions	7,871
	Trading Losses	1,711
	Other Operating Expenses	25,077
	General and Administrative Expenses	201,155
	Other Expenses	372,984
	Total Expenses	<u>891,357</u>
Income before Income Taxes and Minority Interests		<u>119,854</u>
Income Taxes		
	Current	18,307
	Deferred	52,456
Minority Interests in Net Income		<u>1,275</u>
Net Income		<u>¥ 47,816</u>

Combined Consolidated Statement of Shareholders' Equity (Unaudited)

Year ended March 31, 2000

	Thousands		Millions of yen				
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Land Revaluation Surplus	Earned Surplus
			Common Stock	Preferred Stock			
Balance, March 31, 1999	1,987,680	828,750	¥306,097	¥248,300	¥433,346	¥8,770	¥ 98,078
Net Income							47,816
Cash Dividends, ¥4.5 per Common Stock and ¥2.21 per Preferred Stock							(9,102)
Cash Dividends, ¥5.0 per Common Stock and ¥47.24 per Preferred Stock							(2,980)
Reversal of Land Revaluation Surplus						(3,787)	3,787
Change in the Normal Effective Statutory Tax Rate						185	
Takeover of Earned Surplus for Merger of Consolidated Subsidiaries							54
Adjustment of Earned Surplus for Previously Consolidated Subsidiaries							7,481
Adjustment of Earned Surplus for Previously Associated Companies							813
Decrease by Liquidating Previously Consolidated Subsidiaries							(2,003)
Merger Cash Dividends, ¥2.00 per Common Stock and ¥2.19 per Preferred Stock							(5,005)
Conversion of Convertible Bonds	32,484		5,360		5,360		
Balance, March 31, 2000	<u>2,020,164</u>	<u>828,750</u>	<u>¥311,457</u>	<u>¥248,300</u>	<u>¥438,706</u>	<u>¥5,168</u>	<u>¥138,939</u>

Combined Consolidated Statement of Cash Flows (Unaudited)

Year ended March 31, 2000

Millions of yen

		2000
Operating Activities	Income Before Income Taxes and Minority Interests	¥ 119,854
	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
	Income Taxes Paid	(6,285)
	Depreciation and Amortization	34,591
	Equity in Losses of Affiliates	479
	Provision for Reserve for Possible Loan Losses	(48,282)
	Provision for Reserve for Possible Investment Losses	870
	Provision for Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	498
	Provision for Retirement Allowances	(2,043)
	Provision for Reserve for Possible Foreign Exchange Losses on Trust Account Investments	47,627
	Accrued Interest and Dividend Income	(293,827)
	Accrued Interest Expenses	228,081
	Net Gain on Investment Securities	(290,191)
	Losses on Money Held in Trust	(6,623)
	Foreign Exchange Losses—Net	61,115
	Net Losses on Disposals of Premises and Equipment	1,807
	Change in Assets and Liabilities, Net of Effects from Previously Consolidated Subsidiaries:	
	Decrease in Trading Assets	32,712
	Decrease in Trading Liabilities	(10,641)
	Increase in Loans and Bills Discounted	(758,135)
	Increase in Deposits	996,662
	Increase in Negotiable Certificates of Deposit	65,286
	Decrease in Borrowed Money (Excluding Subordinated Borrowings)	(57,684)
	Increase in Interest-Earning Deposits in Other Banks	(7,740)
	Decrease in Call Loans and Bills Bought	22,178
	Increase in Call Money and Bills Sold	7,102
	Decrease in Bond Repurchase Liabilities	(45,343)
	Increase in Payables under Securities Lending Transactions	56,255
	Decrease in Foreign Exchanges (Assets)	6,801
	Decrease in Foreign Exchanges (Liabilities)	(6,796)
	Decrease in Bonds	(3,231)
	Increase in Payable to Trust Account	101,568
	Interest and Dividends Received	336,268
	Interest Paid	(257,178)
	Other—Net	(43,668)
	Net Cash Provided by Operating Activities	282,087
Investing Activities	Purchases of Investment Securities	(9,549,083)
	Proceeds from Sales of Investment Securities	8,652,135
	Proceeds from Redemption of Investment Securities	896,405
	Increase in Monetary Trust Funds	(95,136)
	Decrease in Monetary Trust Funds	111,671
	Purchases of Premises and Equipment	(53,588)
	Proceeds from Sales of Premises and Equipment	16,325
	Proceeds from Sales of Investment Securities of Previously Consolidated Subsidiaries	9
	Net Cash Used in Investing Activities	(21,262)
Financing Activities	Proceeds from Subordinated Borrowings	5,000
	Repayment of Subordinated Borrowings	(27,500)
	Decrease in Subordinated Bonds and Convertible Bonds	(10,419)
	Dividends Paid	(12,082)
	Dividends Paid for Minority Interests	(9)
	Decrease in Treasury Stock	637
	Net Cash Used in Financing Activities	(44,373)
	Effect of Exchange Rate Changes on Cash and Cash Equivalents	(311)
	Net Increase in Cash and Cash Equivalents	¥ 216,141
	Cash and Cash Equivalents at the Beginning of Year	226,195
	Cash and Cash Equivalents Acquired by Subsidiaries' Merger	765
	Cash and Cash Equivalents Due to the Change of Scope of Consolidated Subsidiaries	(246)
	Cash and Cash Equivalents of Previously Consolidated Subsidiaries at the Beginning of Year	(1,337)
	Cash and Cash Equivalents at the End of Year	¥ 441,518
Additional Cash Flow Information		
Non-Cash Investing and Financing Activities	Capital Stock Increased by Conversion of Convertible Bonds	5,360
	Capital Surplus Increased by Conversion of Convertible Bonds	5,360
	Convertible Bonds Decreased by Conversion	10,720
	Interest and Dividends Income	¥ 336,268
	Interest Paid	(257,178)

Combined Non-Consolidated Financial Statements (Banking Account—Unaudited)

The Chuo Trust and Banking Company, Limited, and The Mitsui Trust and Banking Company, Limited

Combined Non-Consolidated Balance Sheet (Unaudited)

As of March 31, 2000

Non-consolidated financial statements of Chuo Mitsui Trust as of March 31, 2000 are not available. Combined non-consolidated financial statements are prepared solely for the convenience of readers from each of the non-consolidated financial statements of Chuo Trust and Mitsui Trust, which were audited by their respective independent auditors. Accordingly, the combined non-consolidated financial statements were not audited.

		Millions of yen
		2000
Assets	Cash and Cash Equivalents	¥ 424,182
	Due from Banks Other than Due from The Bank of Japan	567,700
	Call Loans and Bills Bought	247,500
	Monetary Claims Bought	14,232
	Trading Assets	14,390
	Money Held in Trust	151,953
	Investment Securities	4,977,645
	Loans and Bills Discounted	7,786,087
	Foreign Exchanges	13,093
	Other Assets	280,957
	Premises and Equipment	219,874
	Deferred Tax Assets	256,732
	Customers' Liabilities for Acceptances and Guarantees	488,686
	Reserve for Possible Loan Losses	(226,610)
	Reserve for Possible Investment Losses	(2,797)
	Total Assets	<u>¥15,213,624</u>
Liabilities	Deposits	¥ 7,921,689
	Call Money and Bills Sold	135,047
	Trading Liabilities	12,254
	Borrowed Money	456,358
	Foreign Exchanges	69
	Subordinated Bonds	100,000
	Convertible Bonds	37,745
	Payable to Trust Account	4,592,756
	Other Liabilities	234,432
	Reserve for Retirement Allowances	21,471
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	15,864
	Reserve for Possible Foreign Exchange Losses on Trust Account Investments	47,627
	Deferred Tax Liabilities for Land Revaluation Surplus	3,430
	Acceptances and Guarantees	488,686
	Total Liabilities	<u>¥14,067,428</u>
Shareholders' Equity	Capital Stock	559,757
	Capital Surplus	438,706
	Legal Reserve	41,112
	Land Revaluation Surplus	5,168
	Earned Surplus	101,453
	Total Shareholders' Equity	<u>¥ 1,146,196</u>
	Total Liabilities and Shareholders' Equity	<u>¥15,213,624</u>

Combined Non-Consolidated Statement of Income (Unaudited)

Year ended March 31, 2000

Millions of yen

		2000
Income	Interest Income:	
	Interest on Loans and Bills Discounted	¥146,253
	Interest and Dividends on Securities	124,102
	Interest on Call Loans and Bills Bought	926
	Other Interest Income	105,848
	Trust Fees	126,485
	Fees and Commissions	49,254
	Trading Gains	18
	Other Operating Income	49,778
	Other Income	349,163
	Total Income	<u>951,827</u>
Expenses	Interest Expense:	
	Interest on Deposits	¥ 64,006
	Interest on Borrowings, Call Money and Bills Sold	15,099
	Other Interest Expense	200,859
	Fees and Commissions	7,915
	Trading Losses	1,711
	Other Operating Expenses	24,713
	General and Administrative Expenses	196,499
	Other Expenses	321,650
	Total Expenses	<u>832,452</u>
Income before Income Taxes		119,375
Income Taxes		
	Current	16,754
	Deferred	52,966
Net Income		<u>¥ 49,655</u>

Combined Non-Consolidated Statement of Shareholders' Equity (Unaudited)

Year ended March 31, 2000

	Thousands		Millions of yen					
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Legal Reserve	Land Revaluation Surplus	Earned Surplus
			Common Stock	Preferred Stock				
Balance, March 31, 1999	1,987,680	828,750	¥306,097	¥248,300	¥433,346	¥38,670	¥8,770	¥ 67,647
Net Income								49,655
Cash Dividends, ¥4.5 per Common Stock and ¥2.21 per Preferred Stock								(9,210)
Cash Dividends, ¥5.0 per Common Stock and ¥47.24 per Preferred Stock								(2,980)
Transfer to Legal Reserve						2,442		(2,442)
Reversal of Land Revaluation Surplus							(3,787)	3,787
Change in the Normal Effective Statutory Tax Rate							185	
Merger Cash Dividends, ¥2.00 per Common Stock and ¥2.19 per Preferred Stock								(5,005)
Conversion of Convertible Bonds	32,484		5,360		5,360			
Balance, March 31, 2000	<u>2,020,164</u>	<u>828,750</u>	<u>¥311,457</u>	<u>¥248,300</u>	<u>¥438,706</u>	<u>¥41,112</u>	<u>¥5,168</u>	<u>¥101,452</u>

Non-Consolidated Financial Statements (Trust Account—Unaudited)

The Chuo Mitsui Trust and Banking Company, Limited

Balance Sheets

As of March 31, 2001 and 2000

		Millions of yen		Thousands of U.S. dollars
		2001	2000	2001
Assets				
	Loans and Bills Discounted (Note 2)	¥ 3,244,563	¥ 3,973,455	\$ 26,186,949
	Securities (Note 3)	22,375,274	22,000,429	180,591,396
	Securities Held for Investment Trusts	5,521,863	5,587,021	44,567,094
	Foreign Investment Held for Investment Trusts	460,429	411,107	3,716,134
	Beneficiary Rights	3,303	232,837	26,659
	Securities Held in Custody Accounts	3,279	3,844	26,465
	Securities Lent	7,379	18,437	59,556
	Monetary Claims	5,345,071	4,903,422	43,140,202
	Premises and Equipment	885,520	663,324	7,147,054
	Other Claims	16,923	52,692	136,586
	Call Loans	1,268,147	1,489,112	10,235,246
	Due from Banking Account	3,913,444	4,592,756	31,585,505
	Cash and Due from Banks	406,291	476,500	3,279,185
	Total Assets	¥43,451,486	¥44,404,936	\$350,698,031
Liabilities				
	Money Trusts (Note 4)	¥22,071,876	¥22,698,244	\$178,142,663
	Pension Trusts	6,288,771	6,045,293	50,756,828
	Property Formation Benefit Trusts	20,016	20,816	161,550
	Loan Trusts (Note 5)	5,271,265	6,192,116	42,544,512
	Securities Investment Trusts	6,894,636	7,035,615	55,646,780
	Money in Trust Other than Money Trusts	820,645	1,005,099	6,623,446
	Securities in Trust	10,673	22,307	86,142
	Money Claims in Trust	658,297	722,311	5,313,132
	Equipment in Trusts	1,371	1,709	11,065
	Real Estate in Trusts	102,545	123,320	827,643
	General Trusts	1,311,391	538,106	10,584,270
	Total Liabilities	¥43,451,486	¥44,404,936	\$350,698,031

See Notes to Non-Consolidated Financial Statements (Trust Account).

Notes to Non-Consolidated Financial Statements (Trust Account—Unaudited)

The Chuo Mitsui Trust and Banking Company, Limited
Years ended March 31, 2001 and 2000

Note 1

Trust Accounts

Under the Trust Law of Japan, trust activities must be administered separately from a commercial banking business. As a result, assets accepted in trust must be segregated from other assets. Within the general category of trust accounts, each trust account is segregated from other trust assets. Accordingly, the financial statements of The Chuo Mitsui Trust and Banking Company, Limited ("Chuo Mitsui Trust") do not reflect Chuo Mitsui Trust's records as to the assets accepted in trust, which are maintained separately under the Trust Account.

Under certain trust agreements, repayments of the principal of customers' trust assets are guaranteed by Chuo Mitsui Trust, and such guaranteed principal at March 31, 2001 and 2000, were ¥7,039,370 million (\$56,814,931 thousand) and ¥8,414,928 million, respectively.

All amounts have been rounded off to the nearest million yen, and to the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥123.9 to US\$1, the approximate rate of exchange at March 31, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Figures at March 31, 2000 represent combined amounts of The Chuo Trust and Banking Company, Limited, and The Mitsui Trust and Banking Company, Limited, and are presented solely for the convenience of readers.

Note 2

Loans and Bills Discounted

Loans and bills discounted at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Loans on Deeds	¥3,008,073	¥3,604,788	\$24,278,232
Loans on Notes	236,327	368,548	1,907,401
Bills Discounted	163	119	1,316
Total	¥3,244,563	¥3,973,455	\$26,186,949

Under certain trust agreements, repayments of the principal of customers' trust assets are guaranteed by Chuo Mitsui Trust, and loans on such guaranteed trust assets at March 31, 2001 and 2000 included the following:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Loans to Borrowers in			
Legal Bankruptcy	¥ 30,128	¥ 25,067	\$ 243,164
Past Due Loans	75,933	81,391	612,857
Accruing Loans			
Contractually Past Due			
Three Months or More	2,175	7,902	17,555
Restructured Loans	54,461	11,450	439,556
Total	¥162,697	¥125,810	\$1,313,132

Note 3

Securities

Listed stocks, convertible bonds and bonds with stock purchase warrants are carried at the lower of cost or market.

Other securities are stated at cost.

Securities held at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Government Bonds	¥ 3,946,947	¥ 4,663,375	\$ 31,855,908
Municipal Bonds	395,517	302,993	3,192,228
Corporate Bonds	2,108,400	2,119,959	17,016,949
Stocks	9,851,773	8,684,717	79,513,906
Foreign Securities	5,752,363	6,004,164	46,427,466
Other Securities	320,274	225,221	2,584,939
Total	¥22,375,274	¥22,000,429	\$180,591,396

Note 4**Balance of Jointly Operated Designated Money Trusts**

Jointly operated designated money trusts are included in money trusts and the balances of these accounts are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Assets			
Loans and Bills			
Discounted	¥ 604,677	¥ 738,191	\$ 4,880,363
Securities	208,932	235,504	1,686,295
Other	481,810	710,293	3,888,701
Total	<u>¥1,295,419</u>	<u>¥1,683,988</u>	<u>\$10,455,359</u>
Liabilities			
Principal	¥1,298,795	¥1,687,280	\$10,482,607
Reserve for Possible			
Loan Losses	1,151	1,350	9,290
Other	(4,527)	(4,642)	(36,538)
Total	<u>¥1,295,419</u>	<u>¥1,683,988</u>	<u>\$10,455,359</u>

In the case of jointly operated designated money trusts, the principal amount is guaranteed and, as the above table indicates, reserve for possible loan losses is set aside by Chuo Mitsui Trust. The figures of the table include funds reinvested from the other trusts managed by Chuo Mitsui Trust.

Note 5**Balance of Loan Trusts**

The balance of loan trusts is as follows (the figures include funds reinvested from other trusts managed by Chuo Mitsui Trust):

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Assets			
Loans and Bills			
Discounted	¥2,500,444	¥3,084,594	\$20,181,146
Securities	310,966	474,157	2,509,814
Other*	3,004,716	3,282,298	24,251,138
Total	<u>¥5,816,126</u>	<u>¥6,841,049</u>	<u>\$46,942,098</u>
Liabilities			
Principal	¥5,740,574	¥6,727,648	\$46,332,316
Special Reserve Funds	30,856	35,805	249,040
Other	44,696	77,596	360,742
Total	<u>¥5,816,126</u>	<u>¥6,841,049</u>	<u>\$46,942,098</u>

*Mainly due from banking accounts.

As in jointly operated designated money trusts, the principal amount of loan trusts is guaranteed and, as the above table indicates, special reserve funds are set aside by Chuo Mitsui Trust.

Six-Year Summary

The Chuo Mitsui Trust and Banking Company, Limited

	Billions of yen					
	2001	2000	1999	1998	1997	1996
Banking Account (As of March 31)						
Total Assets*	¥13,837.6	¥15,213.6	¥14,648.5	¥15,760.9	¥16,048.3	¥17,995.8
Cash and Due from Banks	489.7	991.9	772.2	765.5	970.6	2,741.5
Call Loans and Bills Bought	179.1	247.5	250.5	944.3	23.1	170.2
Investment Securities	4,264.6	4,977.6	4,758.7	4,994.7	4,873.0	5,203.9
Loans and Bills Discounted	7,767.8	7,786.1	6,988.8	7,858.7	8,872.7	8,501.9
Foreign Exchanges	13.4	13.1	19.9	24.0	67.6	72.6
Customers' Liabilities for Acceptances and Guarantees	432.5	488.7	675.3	267.2	357.0	403.7
Total Liabilities*	¥13,054.2	¥14,067.4	¥13,545.7	¥15,184.9	¥15,517.4	¥17,474.7
Deposits	7,871.1	7,921.7	6,852.1	6,114.2	6,135.7	6,560.4
Call Money	9.9	120.0	127.9	316.3	661.0	824.4
Borrowed Money	433.2	456.4	512.4	372.6	335.2	320.6
Foreign Exchanges	0.1	0.1	6.4	0.5	0.8	0.4
Acceptances and Guarantees	432.5	488.7	675.3	267.2	357.0	403.7
Total Shareholders' Equity	¥ 783.4	¥ 1,146.2	¥ 1,102.8	¥ 576.0	¥ 530.8	¥ 521.1
Trust Account (As of March 31)						
Total Assets	¥43,451.5	¥44,404.9	¥44,794.1	¥46,072.1	¥50,181.5	¥47,405.3
Loans and Bills Discounted	3,244.6	3,973.5	4,960.9	5,573.0	6,285.4	7,466.2
Securities	22,375.3	22,000.4	21,766.1	20,667.7	20,193.5	18,161.2
Securities Held for Investment Trusts	5,521.9	5,587.0	4,886.7	5,685.3	7,955.6	7,480.5
Call Loans and Bills Bought	1,268.1	1,489.1	1,878.1	2,351.8	2,921.7	3,115.4
Total Liabilities	¥43,451.5	¥44,404.9	¥44,794.1	¥46,072.1	¥50,181.5	¥47,405.3
Money Trusts	22,071.9	22,698.2	21,789.2	19,424.7	18,380.8	14,853.3
Pension Trusts	6,288.8	6,045.3	6,191.0	6,268.4	5,960.2	5,578.2
Property Formation Benefit Trusts	20.0	20.8	20.9	22.8	22.2	22.1
Loan Trusts	5,271.3	6,192.1	7,435.9	9,207.7	11,167.6	12,742.2
Securities Investment Trusts	6,894.6	7,035.6	6,703.6	8,235.2	10,740.5	10,285.2
Statements of Income (Years ended March 31)						
Total Income	¥ 609.9	¥ 951.8	¥ 940.6	¥ 1,146.7	¥ 1,392.0	¥ 1,372.3
Total Expenses	562.9	832.5	1,276.4	1,124.8	1,374.0	1,690.9
Income (Loss) before Income Taxes	46.9	119.4	(335.7)	21.8	18.1	(318.6)
Net Income (Loss)	¥ 24.0	¥ 49.7	¥ (192.7)	¥ 19.8	¥ 16.9	¥ (328.6)

Notes: 1. All figures are based on the non-consolidated financial statements.

2. Figures for fiscal 1995 to fiscal 1999 are combined totals from The Chuo Trust and Banking Company, Limited, and The Mitsui Trust and Banking Company, Limited.

*Owing to a change in calculation, total assets and total liabilities as of March 31, 2001 and 2000 exclude reserve for possible loan losses and reserve for possible investment losses.

Directors, Corporate Auditors and Executive Officers

As of August 1, 2001

Chairman of the Board
Hisao Muramoto

President
Kiichiro Furusawa

Deputy President
Kazuo Tanabe

Senior Managing Directors
Hiroshi Sugano
Shunpei Kazama
Tomohiro Ito

Managing Directors
Michio Taki
Masaharu Kodaka
Hiroshi Yamaguchi
Yoshibumi Tanaka
Hiromu Matsuda
Tadashi Kawai

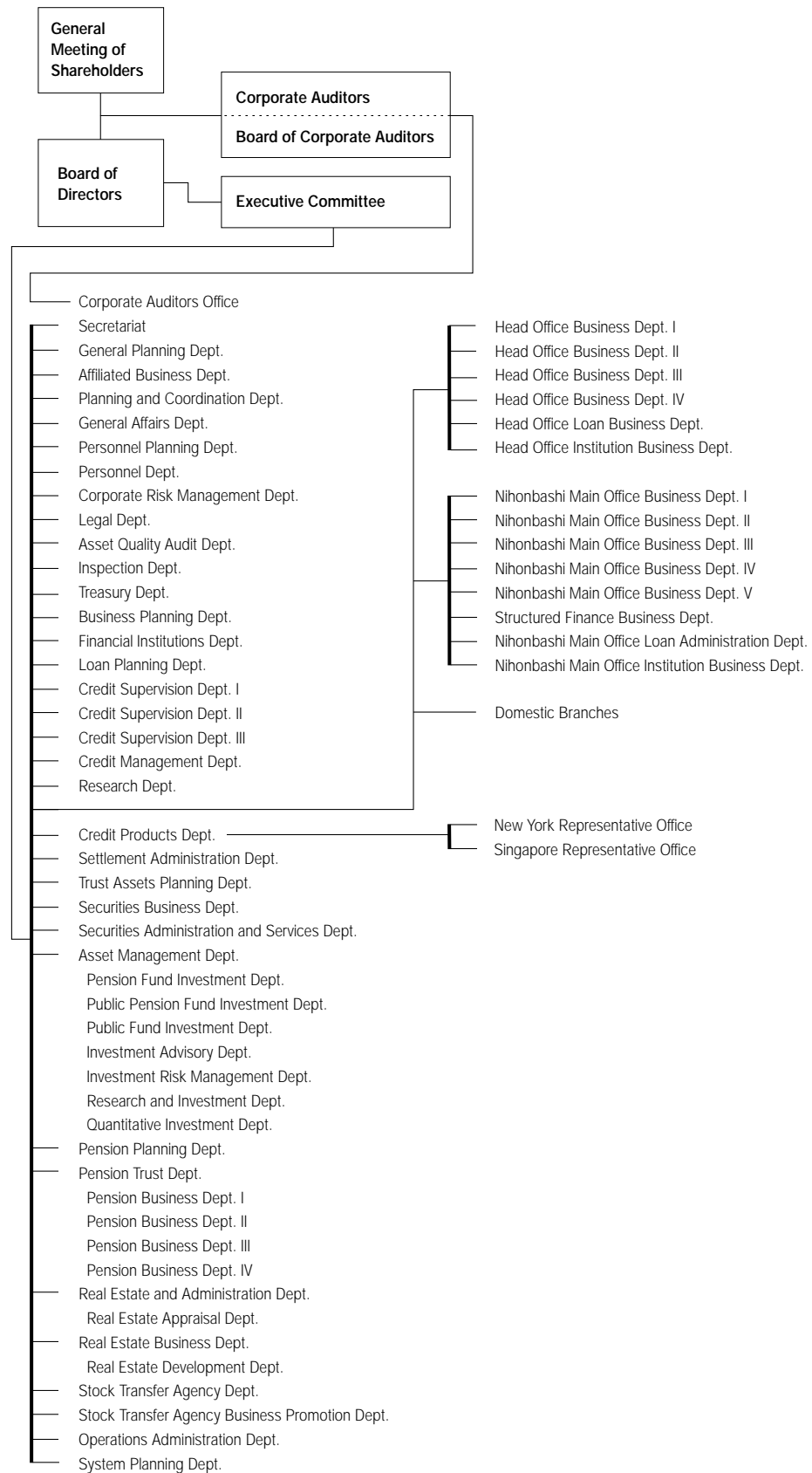
Corporate Auditors
Makoto Yamakami
Kazuhiro Tokuno
Kazuho Oda
Shunji Higuchi
Shigenori Koda

Senior Executive Officers
Tamotsu Ogawa
Katsuro Ouchi
Kimihiro Funahashi
Osamu Muramatsu
Teruo Watanabe

Executive Officers
Shinichi Miya
Motomu Ueda
Jun Okuno
Ken Sumida
Yutaka Shimizu
Shunichi Takahashi
Toshiro Harada
Itaru Masuda
Masahiro Kajimura
Norihide Kirihara
Ryuichi Takai
Masuhisa Kitao
Masazumi Kakei
Tetsuji Tada
Koichi Suzuki
Norimasa Takeda
Yoshikazu Kiriya
Kouzo Saito
Yasuhisa Naka
Akira Harada
Susumu Yoshida
Jiro Kawanishi
Tadashi Muto

Organization

As of August 1, 2001



Major Affiliated Companies

As of August 1, 2001

	Service	Capital (Millions of yen)
The Sakura Trust & Banking Co., Ltd.*	Trust and banking	¥10,000
Chuo Mitsui State Street Advisors Co., Ltd.	Investment advisory and investment trust	300
Chuo Mitsui Asset Management Co., Ltd.	Investment advisory and investment trust	300
Chuo Mitsui Guarantee Co., Ltd.	Credit guarantee services	301
Sanshin Realty Co., Ltd.	Real estate brokerage	100
Chushin Housing Services Co., Ltd.	Real estate brokerage	100
Chushin Leasing Co., Ltd.	Leasing	100
MTB Leasing Co., Ltd.	Leasing	3,000
Chuo Mitsui Card Co., Ltd.	Credit card services	300
Chuo Mitsui Stock Transfer Agency Business Co., Ltd.	Stock transfer agency services	100
Chuo Mitsui Business Co., Ltd.	Staffing services	210
Chuo Mitsui Information Technology Co., Ltd.	Computer-related services	200
Sanshin Tatemono Kanri Co., Ltd.	Real estate management services	3,100

*Acquisition of The Sakura Trust & Banking Co., Ltd.

As of June 29, 2001, Chuo Mitsui Trust acquired 200,000 shares (100% of capital stock) of The Sakura Trust & Banking Co., Ltd., from Sumitomo Mitsui Banking Corporation.

Outline of The Sakura Trust & Banking Co., Ltd.

Capital:	¥10,000 million	Performance (For the year ended March 31, 2001)
Capital Stock:	200,000 shares	Operating Revenues: ¥1,353 million
Total Assets:	¥32,699 million	Operating Profit: ¥131 million
		Net Income: ¥87 million

Overseas Network

As of August 1, 2001

Representative Offices

New York Representative Office

Satoshi Kikuchihara

Chief Representative

Two World Trade Center, Suite 8322

New York, NY 10048, U.S.A.

Telephone: 1-(212)-333-3100

Telefax: 1-(212)-790-5435

Singapore Representative Office

Yuhiko Noguchi

Chief Representative

20 Cecil Street

#22-01 The Exchange

Singapore 049705

Republic of Singapore

Telephone: 65-532-2353

Telefax: 65-532-6155

Overseas Subsidiaries

Chuo Mitsui Investments, Inc.

Sei Nakagawa

President & CEO

Two World Trade Center,

Suite 8322, New York, NY 10048, U.S.A.

Telephone: 1-(212)-790-5500

Telefax: 1-(212)-790-5587

Chuo Mitsui Trust International Ltd.

Yuji Yamagiwa

Managing Director

7th Floor, Triton Court,

14 Finsbury Square,

London EC2A, 1BR, U.K.

Telephone: 44-(20)-7847-8400

Telex: 945831 MTINTL G

Telefax: 44-(20)-7847-8500

MTI Finance (Cayman) Ltd.

P.O. Box 309, George Town,

Grand Cayman,

Cayman Islands, B.W.I.

MTI Capital (Cayman) Ltd.

P.O. Box 309, George Town,

Grand Cayman,

Cayman Islands, B.W.I.

Chuo Finance (Cayman) Ltd.

P.O. Box 309, George Town,

Grand Cayman,

Cayman Islands, B.W.I.

Investor Information

As of March 31, 2001

The Chuo Mitsui Trust and Banking Company, Limited

Registered Head Office

33-1, Shiba 3-chome,
Minato-ku, Tokyo 105-8574, Japan
Telephone: 81-3-5232-3331
Telefax: 81-3-5232-8879
Telex: TRUSTMIT J26397
S.W.I.F.T. Address: MTRB JPJT
Web site: <http://www.chuomitsui.co.jp/>

Date of Establishment

May 26, 1962

Capital Stock

¥322,875 million

Number of Shares Authorized

4,315,458 thousand shares
Common: 3,911,104 thousand shares
Class-A Preferred: 382,941.5 thousand
Class-B Preferred: 21,412.5 thousand

Number of Shares Issued

Common: 818,013 thousand
Class-A First Series Preferred: 20,000 thousand
Class-A Second Series Preferred: 93,750 thousand
Class-A Third Series Preferred: 156,406 thousand

Number of Shareholders

Common: 31,914
Preferred: 1

Major Shareholders

Common

Name	Number of Shares Held (Thousands)	Percentage of Total Shares (%)
Japan Securities Agents, Ltd.	18,557	2.26
Mitsui Mutual Life Insurance Co.	18,149	2.21
Mitsui Fudosan Co., Ltd.	17,724	2.16
Toyota Motor Corporation Composite Trust Account	15,226	1.86
The Dai-Ichi Kangyo Bank, Ltd.	13,241	1.61
The Sakura Bank, Ltd.*	13,194	1.61
The Tokai Bank, Ltd.	11,451	1.39
Mitsui Chemicals, Inc.	10,646	1.30
Tokyu Corporation	10,318	1.26
Nagoya Railroad Co., Ltd. Composite Trust Account	10,060	1.22
Total	138,570	16.93

*As of April 1, 2001, The Sakura Bank, Ltd. and The Sumitomo Bank, Ltd. merged to become Sumitomo Mitsui Banking Corporation.

The Resolution and Collection Corporation maintains all of the Company's Class-A shares.

Name	Number of Shares Held (Thousands)	Percentage of Total Shares (%)
Class-A First Series	20,000	100.00
Class-A Second Series	93,750	100.00
Class-A Third Series	156,406	100.00

Certified Public Accountants

Deloitte Touche Tohmatsu

Further Information

For further information, please contact:

Investor Relations Group
Planning and Coordination Department
The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome,
Minato-ku, Tokyo 105-8574, Japan

