

Annual Report 1999



The Long-Term Credit Bank of Japan, Ltd.

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Message from the Management

The Long-Term Credit Bank of Japan, Limited (“LTCB”), was placed under temporary nationalization by the Japanese government in October 1998, pursuant to the Financial Reconstruction Law (the “Law”). Since then, efforts have been made to end the temporary nationalization in the shortest time frame possible through the sale of LTCB. These efforts have included corporate restructuring, the disposal of nonperforming assets, the clarification of the responsibilities of former management, and other actions taken in accordance with the Law.

Among measures taken to date, in February 1999, the Financial Reconstruction Commission (“FRC”) conducted the examination of LTCB’s assets to classify them to be appropriate or inappropriate for it to hold. Based on the results, LTCB provided loan loss reserves against problem assets, including those to be sold to The Resolution and Collection Corporation (“RCC”). LTCB completed the first sale of assets to the RCC in August and is currently engaged in the subsequent sale.

For fiscal 1998, ended March 31, 1999, the temporary nationalization account of approximately ¥2.8 trillion was set to record an estimated amount of support to be granted from the government. As a result, the Bank’s stockholders’ equity was reduced to zero.

On September 28, 1999, a memorandum of understanding (“MOU”) was signed among New LTCB Partners (“Partners”), an investment group formed by Ripplewood Holdings LLC, of the United States, and other world-class investors, the Deposit Insurance Corporation of Japan, and LTCB. The MOU designated Partners as the most preferred candidate for the acquisition of LTCB. This was a result of careful discussions at the FRC following negotiations on terms and conditions of the acquisition and business strategies among potential buyers, LTCB, and Goldman Sachs as financial advisor. We are committed to fully cooperate to reach basic agreements at the earliest possible time and devote our fullest efforts to bring an end to the temporary nationalization.

We will also exert our utmost energies to ensure that following the acquisition the new bank can better serve its customers. Accordingly, we express appreciation to all those who have provided support during this difficult period and look forward to their continuing encouragement and cooperation.

September 1999

安高 隆

Takashi Anzai
President

Progress under the Financial Reconstruction Law

TEMPORARY NATIONALIZATION

Under the provisions of Article 36 of the Financial Reconstruction Law (the “Law”), LTCB was declared to be placed under the process of temporary nationalization by Japan’s prime minister on October 23, 1998. On October 28, 1998, all the Bank’s shares were acquired by the Deposit Insurance Corporation of Japan (“DIC”), and, thus, the Bank was placed under temporary nationalization.

On November 4, 1998, under Article 45 of the Law, Takashi Anzai was appointed president of LTCB and the other nine members of a new management team were appointed by the DIC following nomination by the prime minister.

Management Policies

Under the provisions of Article 47 of the Law, LTCB prepared its Corporate Restructuring Plan, which contained the Bank’s policy for business operations and restructuring, and the plan was approved by the prime minister on December 11, 1998.

In accordance with this plan, the Bank currently conducts its business operations in an appropriate and transparent manner as well as simultaneously implements the thorough restructuring of its operations.

Basic Objectives

I. Early Emergence from Temporary Nationalization

The Bank aims to emerge from temporary nationalization at the earliest possible date through the transfer/sale of its businesses or stocks.

II. Thorough Reform of Operations and Improvement of Corporate Value

To improve its corporate value, the Bank makes drastic changes in its asset portfolio through the sale of nonperforming assets to The Resolution and Collection Corporation (“RCC”) and other measures as well as improves its financial condition by becoming a more streamlined and profitable organization via thorough restructuring through reductions in the number of staff and

personnel expenses, the review and streamlining of business operations, and the disposal of certain properties.

III. Minimizing Costs to the Public

To minimize total costs to the public needed under the temporary nationalization, the Bank maintains and enhances its corporate value; it preserves its superior customer base and asset portfolio while it maintains highly developed financial technologies and skills.

Corporate Restructuring

To accomplish the aforementioned objectives of the Bank’s policies, the Bank is taking a range of measures for corporate restructuring.

I. Substantial Reduction in Number of Staff, Personnel Expenses, and Operating Expenses

▶40% Reduction in Number of Staff

During the fiscal year ended March 31, 1999, the Bank reduced the number of staff approximately 20%, or 700 persons, bringing the number of total staff to 2,797. Further efforts are being made to lower the number of staff to 2,500, which will represent a decline of approximately 40% from its peak in 1993.

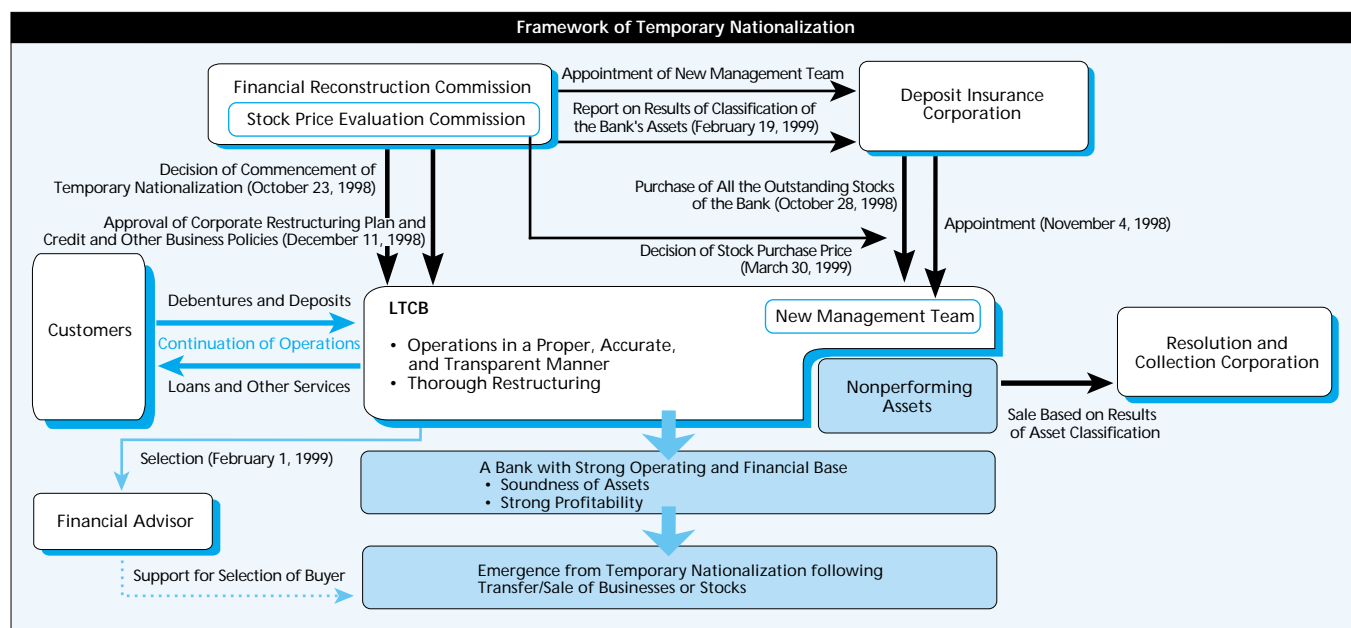
▶50% Reduction in Personnel Expenses

Through a reduction in the number of staff and a revision of compensation and other measures, the Bank is substantially reducing its personnel expenses. The final goal at the emergence from the temporary nationalization is to lower these costs by approximately 50% from their peak of ¥46 billion in fiscal 1995.

▶40% Reduction in Operating Expenses

During fiscal 1998, the Bank originally budgeted to lower total operating expenses to around ¥82 billion, about 75% of the peak in fiscal 1992. Further restructuring of operations brought them down to ¥75.7 billion in fiscal 1998.

Operations are conducted to eventually lower the level of these expenses to ¥65 billion, or 40% below their peak.



Note: Until the establishment of the Financial Reconstruction Commission on December 15, 1998, Japan’s prime minister exercised the rights and fulfilled the duties of the commission.

Major Developments Following Commencement of Temporary Nationalization

October 1998

- ▶Decision made to commence temporary nationalization
- ▶Acquisition of the outstanding stock of the Bank by the Deposit Insurance Corporation ("DIC") (temporary nationalization)

November 1998

- ▶Appointment of new management team
Ten new directors and auditors, headed by President Takashi Anzai, were nominated by Japan's prime minister and appointed by the DIC.

December 1998

- ▶Preparation of Corporate Restructuring Plan and Credit and Other Business Policies
Based on the Law, the Bank prepared these two documents to articulate its policies for business operations during the temporary nationalization, and these were approved by the prime minister.
- ▶Establishment of Internal Investigation Committee
Pursuant to the Law, this committee was set up to conduct investigations into the liability of the former management. The committee started investigations on their criminal and civil liability.
- ▶Submission of the report required under Article 46 of the Law
The Bank submitted a report to the Financial Reconstruction Commission ("FRC") detailing the causes and events leading to the temporary nationalization.

February 1999

- ▶Selection of financial advisor
To expedite the selection of a buyer for the Bank, Goldman Sachs was appointed as financial advisor.
- ▶Notification of the results of the classification of the Bank's assets
The FRC submitted a report to the DIC on the results of the examination and classification of the Bank's assets.

March 1999

- ▶Determination of the Bank's stock price by the Stock Price Evaluation Commission
The commission conducted an evaluation of the fair value of the Bank's stocks acquired by the DIC and set the acquisition price at zero.

June 1999

- ▶Criminal accusations against the former management
Based on the reports of the Internal Investigation Committee, the former management members were accused by the Bank of criminal actions of the Commercial Code and the Securities and Exchange Law. Thereafter, three members of the former management, including the former president, were arrested.
- ▶Final report of the Internal Investigation Committee
The committee reported to the present management team on the findings of civil liability owed by the former management members. Followed by this report, the Legal Action Deliberation Panel was formed to review whether to bring lawsuits against the former management and set about deliberating over it.

August 1999

- ▶Sale of assets to The Resolution and Collection Corporation ("RCC")
The first sale to RCC of a portion of the assets classified by the FRC as inappropriate for the Bank to hold was carried out.

September 1999

- ▶Selection of the most preferred candidate for the acquisition
New LTCB Partners ("Partners"), an investment group formed by Ripplewood Holdings LLC and other investors, was selected by the FRC as the most preferred candidate for the acquisition of LTCB. Upon the decision, a memorandum of understanding was signed among the Partners, the DIC, and LTCB.

II. Complete Withdrawal from Overseas Operations

Since the announcement of complete withdrawal from overseas operations in August 1998, the Bank has been taking necessary steps to close all offices located outside Japan. During fiscal 1998, the Bank closed seven branches, one marketing office, and eight representative offices. Of these, two branches were converted to representative offices.

In fiscal 1999 to the end of September, the Bank closed two branches, two corporate banking offices and one representative office. Of these, two branches were converted to representative offices. The Bank also concluded the arrangements for the sale of approximately US\$11 billion in financing commitments of U.S. corporate loans in May. The Bank is making steady progress toward reducing the size of its operations and closing overseas offices. Most of the necessary procedures for closures are expected to be completed during fiscal 1999.

III. Streamlining of Organization

To improve the efficiency of operations and cut costs, the Bank revised its organization in February 1999. This revision principally consisted of the streamlining and consolidation of the headquarters. As for domestic branches in Japan, the Bank will conduct the discreet and appropriate review of the size of necessary operations while giving due regard for the convenience of customers.

IV. Disposal of Properties

The Bank has disposed of certain premises, such as employee welfare facilities, with the aim of realizing cost savings. Further disposals of welfare and other facilities are progressing smoothly in line with the Bank's plan.

V. Review of the Functions of Affiliated Companies

The Bank is conducting a thorough review of the functions of its affiliated companies to determine the necessity of the roles they play, their profitability, and their future potential. As for those companies found not to be indispensable, the Bank is in the process of selling them to outside parties or making them independent. For those companies deemed indispensable, the Bank is taking appropriate measures, such as the introduction of third-party capital, to maintain their functions and prevent any deterioration in their value.

Business Operations

In managing its business operations during the period of temporary nationalization, the Bank is giving due regard to the purpose and spirit of the Law and is carrying out its activities in a proper and transparent manner. In the operations of each of its business lines, the Bank strictly conforms to the basic policy of each business and the Credit and Other Business Policies, which were formulated by the Bank pursuant to Article 48 of the Law, and, as necessary, refers specific subjects to the Business Review Committee to ensure proper and strict compliance.

I. Business Review Committee

The Bank established the Business Review Committee on November 30, 1998, aiming at ensuring the proper management of operations and a highly transparent decision-making process. This committee consists of members of the Board of Directors and officers of the Bank and four outside specialists (two lawyers and two certified public accountants recommended by the Japan Federation of Bar Associations and The Japanese Institute of Certified Public Accountants, respectively). The committee is auditing a broad range of issues, such as the extension and collection of loans and the disposal of premises and other assets.

II. Operating Policies by Business Line

►Lending

In lending operations, the Bank consistently conforms to the principle of protecting the interests of healthy borrowers in good faith. To improve the overall value of its loan portfolio, the Bank maintains an excellent customer base as well as sustains the quality of assets. To maintain its corporate value, the Bank continuously offers customers proposals for their financial and business strategies as well as various other types of information on capital markets.

►Funding

With the objective of restoring LTCB's funding capabilities, the highest priority is placed on maintaining and expanding the customer base. This includes rebuilding distribution channels and offering products tailored to investor needs.

Since the commencement of the temporary nationalization, funding operations have proceeded steadily, mainly through the issuance of debentures. As of the end of September 1999, the Bank had repaid ¥2 trillion out of ¥3.7 trillion originally borrowed from the DIC.

The Bank intends to keep providing accurate and detailed information related to the Bank to restore the understanding and confidence of investors.

►Market-Related Operations

The Bank conducts market-related operations conservatively and limits these activities to the minimum needed to maintain existing transactions with customers.

DISPOSALS OF NONPERFORMING ASSETS

Disposals of nonperforming assets have been progressing steadily based on the Financial Reconstruction Law. In February 1999, the Financial Reconstruction Commission ("FRC") reviewed the Bank's assets to classify them to be appropriate or inappropriate for it to hold. Inappropriate assets for the Bank totaled approximately ¥5 trillion (See page 56.). Based on the results, the Bank provided loan loss reserves against problem assets, including those to be sold to the RCC (See page 58.). The Bank completed the first sale of assets of ¥2.9 trillion to the RCC in August. The Bank is currently engaged in the subsequent sale of assets to the RCC to complete the sale by the end of the temporary nationalization.

SELECTION OF A BUYER FOR THE BANK

On September 28, 1999, a memorandum of understanding ("MOU") was signed among New LTCB Partners ("Partners"), an investment group formed by Ripplewood Holdings LLC, of the United States, and other world-class investors, the DIC, and LTCB. The MOU designated Partners as the most preferred

candidate for the acquisition of LTCB. This was a result of careful discussions at the FRC following negotiations on terms and conditions of the acquisition and business strategies among potential buyers, LTCB, and Goldman Sachs as financial advisor. LTCB is committed to fully cooperating to reach basic agreements at the earliest possible time and devotes its fullest efforts to bring an end to the temporary nationalization.

CLARIFICATION OF THE RESPONSIBILITY OF THE FORMER MANAGEMENT

As noted in the following paragraphs, the Bank has been investigating the legal liability of the former management members and demanding them to discharge the liability.

Request for Voluntary Return of Retirement Allowances

Since August 1998, the Bank has made requests to the former presidents and all representative directors who have retired since 1989, numbering 23 in total, to voluntarily return the allowances they received on their retirements. To date, 22 of these individuals have responded by returning a certain portion of their retirement allowances.

Internal Investigation Committee

To investigate the legal liability of the former management members, which was required under the Law, the Bank formed the Internal Investigation Committee in December 1998. The committee is comprised of seven lawyers recommended by the Japan Federation of Bar Associations and has investigated the criminal and civil liability of the former management.

I. Criminal Accusations

Based on the report submitted by the Internal Investigation Committee in June 1999, the Board of Directors and the Board of Statutory Auditors made deliberations on possible accusations against the former management. Based on these deliberations, the Bank laid accusations against certain members of the management for violations of Article 489 (3) of the Commercial Code and Article 197-I (1) and Article 24-I of the Securities and Exchange Law.

II. Civil Claims

The Internal Investigation Committee also reported in June 1999 with respect to civil liabilities owed by the former management. Immediately following this report, the Legal Action Deliberation Panel was set up—consisting of nine members of the auditors, directors of the Bank, and members from the Internal Investigation Committee—to review whether to bring lawsuits against the former management.

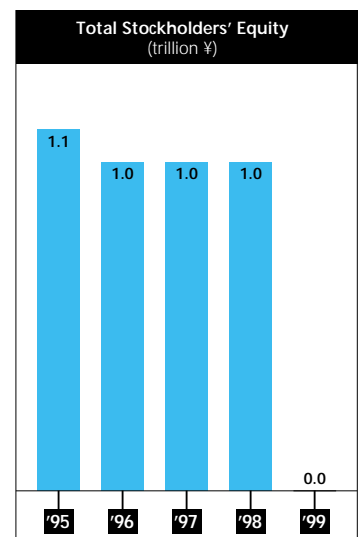
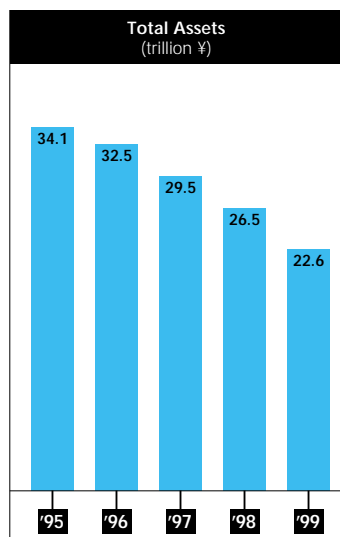
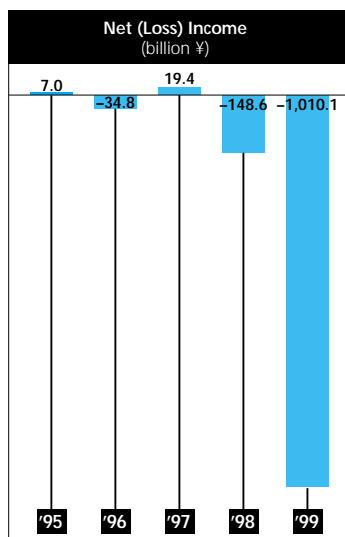
Consolidated Financial Highlights

The Long-Term Credit Bank of Japan, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 1999 and 1998

| | Billions of Yen | | Millions of U.S. Dollars |
|---|-----------------|-----------|--------------------------|
| | 1999 | 1998 | 1999 |
| For the Year | | | |
| Total Income..... | ¥ 3,661.2 | ¥ 1,460.6 | \$ 30,371.1 |
| Total Expenses..... | 4,430.0 | 1,702.3 | 36,748.5 |
| (Loss) Income before Income Taxes and Other..... | (768.7) | (241.6) | (6,377.4) |
| Net (Loss) Income..... | (1,010.1) | (148.6) | (8,379.7) |
| Per Common Share (in Yen and U.S. Dollars) | | | |
| Net (Loss) Income..... | ¥ (418.03) | ¥ (62.12) | \$ (3.47) |
| Cash Dividends..... | — | 6.00 | — |
| Total Stockholders' Equity..... | — | 373.96 | — |
| Balances at Year-End | | | |
| Total Assets..... | ¥22,609.1 | ¥26,565.6 | \$187,549.6 |
| Loans and Bills Discounted..... | 13,690.5 | 15,990.7 | 113,567.8 |
| Debentures..... | 7,965.7 | 12,268.6 | 66,078.6 |
| Deposits, including NCDs..... | 3,371.9 | 5,955.2 | 27,971.5 |
| Total Stockholders' Equity..... | 9.7 | 1,024.8 | 81.1 |
| Ratios | | | |
| Return on Total Income..... | —% | —% | |
| Return on Total Assets..... | — | — | |
| Return on Total Stockholders' Equity..... | — | — | |
| Risk-Weighted Capital Ratio..... | 0.12 | 10.32 | |

Notes: 1) Unless otherwise specified, all dollar figures in this annual report refer to U.S. currency. All U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥120.55=U.S.\$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 1999.

2) All yen figures have been truncated rather than rounded. Therefore, totals may not add up.



Consolidated Six-Year Summary

The Long-Term Credit Bank of Japan, Limited and Consolidated Subsidiaries

Statements of Operations Data

| Years Ended March 31 | Millions of Yen (Except Common Share Data and Number of Shares Issued) | | | | | |
|---|--|-------------|------------|------------|------------|------------|
| | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
| Net Interest Income: | | | | | | |
| Interest Income..... | ¥ 704,186 | ¥ 966,312 | ¥1,780,373 | ¥2,010,154 | ¥1,844,713 | ¥1,863,889 |
| Interest Expenses..... | 545,614 | 765,865 | 1,567,427 | 1,896,252 | 1,774,526 | 1,765,877 |
| | ¥ 158,572 | ¥ 200,447 | ¥ 212,945 | ¥ 113,901 | ¥ 70,186 | ¥ 98,011 |
| Fees and Commissions, Net: | | | | | | |
| Fees and Commissions (Income) | ¥ 40,641 | ¥ 64,141 | ¥ 35,326 | ¥ 36,607 | ¥ 32,486 | ¥ 29,488 |
| Fees and Commissions (Expenses) | 9,918 | 43,299 | 12,206 | 11,904 | 13,253 | 12,405 |
| | ¥ 30,722 | ¥ 20,842 | ¥ 23,120 | ¥ 24,702 | ¥ 19,232 | ¥ 17,083 |
| Trading, Net: | | | | | | |
| Trading Revenue..... | ¥ 3,252 | ¥ 5,422 | ¥ — | ¥ — | ¥ — | ¥ — |
| Trading Expenses..... | 27,637 | 6,204 | — | — | — | — |
| | ¥ (24,385) | ¥ (781) | ¥ — | ¥ — | ¥ — | ¥ — |
| Other Operating (Loss) Income, Net: | | | | | | |
| Other Operating Income..... | ¥ 48,877 | ¥ 140,952 | ¥ 187,210 | ¥ 304,603 | ¥ 110,072 | ¥ 177,515 |
| Other Operating Expenses | 50,953 | 134,380 | 141,770 | 178,810 | 80,011 | 62,887 |
| | ¥ (2,075) | ¥ 6,572 | ¥ 45,439 | ¥ 125,792 | ¥ 30,061 | ¥ 114,628 |
| Net (Loss) Gain on Sales, Redemption and Devaluation of Bonds..... | ¥ (12,390) | ¥ (9,561) | ¥ 40,892 | ¥ 100,979 | ¥ 32,482 | ¥ 94,244 |
| General and Administrative Expenses..... | 85,462 | 107,965 | 133,320 | 131,604 | 126,732 | 142,928 |
| Other Income | 2,864,273 | 270,112 | 363,756 | 478,769 | 458,178 | 355,233 |
| Transfer to Temporary Nationalization Account | 2,786,889 | — | — | — | — | — |
| Gain on Sales of Stocks and Other Equity-Related Securities | 17,685 | 219,451 | 330,815 | 441,182 | 427,873 | 267,141 |
| Other Expenses..... | 3,710,444 | 644,648 | 484,982 | 679,075 | 436,431 | 379,655 |
| Loss on Sales of Stocks and Other Equity-Related Securities | 72,286 | 33,540 | 22,003 | 18,882 | 20,827 | 8,538 |
| Loss on Devaluation of Stocks and Other Securities | 285,679 | 14,522 | 247,787 | 9,677 | 46,574 | 12,980 |
| Provision for Possible Loan Losses | 1,191,480 | 305,348 | 47,023 | 158,402 | 97,822 | 168,571 |
| Claims Written-off..... | 3,963 | 51,507 | 19,679 | 302,251 | 12,052 | 21,850 |
| Provision for Retirement Allowances..... | — | 7,815 | — | — | — | — |
| Reversal of Special Statutory Reserves | 7 | 13,752 | 2,521 | 2 | — | 420 |
| Provision for Special Statutory Reserves..... | — | 0 | 861 | 1,784 | 2,106 | 1,001 |
| Total Income | 3,661,239 | 1,460,694 | 2,369,188 | 2,830,136 | 2,445,451 | 2,426,546 |
| Total Expenses..... | 4,430,031 | 1,702,362 | 2,340,568 | 2,899,433 | 2,433,062 | 2,364,754 |
| (Loss) Income before Income Taxes and Other..... | ¥ (768,792) | ¥ (241,667) | ¥ 28,619 | ¥ (69,296) | ¥ 12,388 | ¥ 61,792 |
| Net (Loss) Income | ¥(1,010,172) | ¥ (148,651) | ¥ 19,473 | ¥ (34,854) | ¥ 7,081 | ¥ 34,038 |
| Per Common Share (Yen) | | | | | | |
| Net (Loss) Income | ¥(418.03) | ¥ (62.12) | ¥ 8.13 | ¥ (14.56) | ¥ 2.95 | ¥ 14.22 |
| Cash Dividends..... | — | 6.00 | 6.00 | 6.00 | 8.00 | 8.00 |
| Total Stockholders' Equity..... | — | 373.96 | 442.32 | 439.29 | 463.74 | 468.57 |
| Number of Shares Issued (Thousands) | | | | | | |
| Common Stock | 2,417,075 | 2,392,904 | 2,392,904 | 2,392,904 | 2,392,904 | 2,392,889 |
| Preferred Stock..... | 100,000 | 100,000 | — | — | — | — |

Balance Sheet Data

| March 31 | Millions of Yen (Except Key Ratios) | | | | | |
|---|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
| Assets | | | | | | |
| Cash and Due from Banks | ¥ 817,247 | ¥ 1,281,887 | ¥ 1,342,134 | ¥ 1,398,480 | ¥ 4,784,145 | ¥ 2,859,858 |
| Call Loans | 586,007 | 558,877 | 239,757 | 916,017 | 1,156,873 | 1,191,933 |
| Commercial Paper and Other Debt Purchased | 5,266 | 126,428 | 10,873 | 5,716 | 6,716 | 39,785 |
| Trading Account Securities | — | — | 390,203 | 2,138,171 | 1,301,134 | 1,389,413 |
| Trading Assets | 865,931 | 1,243,291 | — | — | — | — |
| Money Held in Trust | 59,213 | 560,159 | 679,131 | 909,982 | 788,119 | 811,271 |
| Securities | 2,074,839 | 4,073,479 | 5,084,716 | 5,345,160 | 4,836,375 | 4,510,630 |
| Loans and Bills Discounted | 13,690,599 | 15,990,706 | 19,174,126 | 19,175,855 | 19,039,127 | 19,271,184 |
| Foreign Exchange | 21,057 | 47,280 | 70,957 | 67,301 | 52,599 | 49,881 |
| Temporary Nationalization Account | 2,786,889 | — | — | — | — | — |
| Other Assets | 1,116,029 | 1,622,992 | 1,475,396 | 1,434,260 | 973,184 | 760,186 |
| Premises and Equipment | 82,425 | 127,438 | 140,851 | 148,458 | 149,265 | 164,941 |
| Deferred Discounts on and Issuance Expenses for Debentures | 3,906 | 9,465 | 18,162 | 22,912 | 55,782 | 59,466 |
| Deferred Income Taxes | — | 230,652 | 106,723 | 112,912 | 58,692 | 61,875 |
| Customers' Liabilities for Acceptances and Guarantees | 499,695 | 693,032 | 773,742 | 866,422 | 902,365 | 1,088,242 |
| Total Assets | ¥22,609,110 | ¥26,565,691 | ¥29,506,775 | ¥32,541,653 | ¥34,104,381 | ¥32,258,671 |

**Liabilities, Minority Interests
in Consolidated Subsidiaries
and Stockholders' Equity**

| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Debentures | ¥ 7,965,770 | ¥12,268,677 | ¥15,511,565 | ¥16,180,815 | ¥17,798,494 | ¥18,014,055 |
| Deposits, including NCDs | 3,371,968 | 5,955,224 | 8,294,252 | 7,116,148 | 7,610,940 | 6,402,828 |
| Call Money | 1,663,974 | 864,267 | 561,824 | 2,985,979 | 2,758,204 | 2,183,651 |
| Commercial Paper | 1,500 | — | — | — | — | — |
| Trading Liabilities | 553,342 | 799,198 | — | — | — | — |
| Borrowed Money | 3,633,587 | 1,477,071 | 1,135,558 | 1,018,465 | 981,324 | 836,069 |
| Foreign Exchange | 1,001 | 1,393 | 4,199 | 3,680 | 3,037 | 5,537 |
| Other Liabilities | 1,043,589 | 2,694,300 | 1,669,978 | 2,773,725 | 2,500,646 | 2,249,946 |
| Reserve for Possible Loan Losses | 3,664,716 | 741,932 | 447,540 | 501,273 | 400,030 | 319,938 |
| Reserve for Retirement Allowances | 20,184 | 27,544 | 19,755 | 19,438 | 18,743 | 17,856 |
| Reserve for Contingencies on Loans Sold | 97,521 | 17,526 | 14,340 | — | — | — |
| Reserve for Disposition of Specific Assets | 79,714 | — | — | — | — | — |
| Special Statutory Reserves | 6 | 14 | 13,766 | 15,427 | 13,645 | 11,538 |
| Deferred Tax Liabilities | 2,586 | — | — | — | — | — |
| Minority Interests in Consolidated Subsidiaries | — | 663 | 1,798 | 9,088 | 7,264 | 7,759 |
| Acceptances and Guarantees | 499,695 | 693,032 | 773,742 | 866,422 | 902,365 | 1,088,242 |
| Total Liabilities | 22,599,159 | 25,540,845 | 28,448,322 | 31,490,465 | 32,994,697 | 31,137,423 |
| Minority Interests in Consolidated Subsidiaries | 167 | — | — | — | — | — |
| Total Stockholders' Equity | 9,782 | 1,024,845 | 1,058,453 | 1,051,188 | 1,109,683 | 1,121,248 |
| Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity | ¥22,609,110 | ¥26,565,691 | ¥29,506,775 | ¥32,541,653 | ¥34,104,381 | ¥32,258,671 |

Key Ratios (%)

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Return on Total Income | —% | —% | 0.82% | —% | 0.29% | 1.40% |
| Asset Turnover (Times) | 0.037 | 0.054 | 0.079 | 0.087 | 0.075 | 0.078 |
| Return on Total Assets | — | — | 0.06 | — | 0.02 | 0.11 |
| Return on Total Stockholders' Equity | — | — | 1.86 | — | 0.64 | 3.10 |
| Risk-Weighted Capital Ratio | 0.12 | 10.32 | 9.22 | 8.85 | 8.51 | 9.46 |

Economic Overview

Review of Fiscal 1998

Overseas economies were generally stagnant during fiscal 1998, ended March 31, 1999, but the U.S. economy continued its strong expansion, led principally by growth in consumer spending and capital investment. In Europe, exports slowed, and conditions in Eastern Europe and Latin America, which were adversely affected by currency crises during summer 1998, continued to exhibit substantial deterioration. In addition, the countries of Southeast Asia experienced extreme difficulty in overcoming the aftereffects of the currency crises that they suffered in 1997. To cope with these conditions and in view of the turbulence in international financial markets, the United States lowered interest rates in fall 1998. Moreover, owing to the further slowing of inflation, U.S. short- and long-term interest rates also followed downward trends.

Amid this environment, Japan experienced economic conditions of unprecedented severity through the end of 1998, as capital investment and housing investment as well as exports to Asia all plummeted. Nevertheless, toward the end of fiscal 1998, owing to a series of economic stimulatory policy measures, in Japan, public works investment began to climb, and signs of a bottoming out appeared in some sectors. Along with these developments, inflation remained low, and record-high surpluses were posted in the current account.

Turning to conditions in Japan's financial sector, the prolonged recession and nonperforming loan problems of financial institutions generated serious turmoil in the financial markets. However, as a result of the passage of the Financial Reconstruction Law and the decision to use public funds to bolster the capital of 15 major Japanese banks in March 1999, some degree of stability has been restored to domestic financial markets. With respect to interest rates, owing to the Bank of Japan's aggressive policies aimed at monetary relaxation, short-term interest rates were down to 0.1% by fiscal year-end, the lowest level in history. Long-term interest rates declined to just under 1% from summer through fall 1998, reflecting the deterioration in economic conditions, but returned to around 2% by the end of fiscal 1998.

Market Indicators

| | Exchange Rate (¥/US\$) | | | Fiscal Year-End |
|------------------|------------------------|---------|---------|-----------------|
| | High | Low | Average | |
| Fiscal 1996..... | ¥124.65 | ¥104.85 | ¥112.68 | ¥124.10 |
| Fiscal 1997..... | 134.10 | 112.15 | 122.65 | 132.10 |
| Fiscal 1998..... | 147.64 | 108.21 | 128.15 | 119.95 |

| | Unsecured Overnight Call Rate | Subscribers' Yield on 10-Year Japanese Government Bonds |
|------------------|-------------------------------|---|
| Fiscal 1996..... | 0.48% | 2.835% |
| Fiscal 1997..... | 0.47 | 1.951 |
| Fiscal 1998..... | 0.30 | 1.515 |

| | Nikkei Stock Average | |
|---------------------------------------|----------------------|------------|
| | High | Low |
| Fiscal 1996..... | ¥22,666.80 | ¥17,303.65 |
| Fiscal 1997..... | 20,681.07 | 14,664.44 |
| Fiscal 1998 | | |
| First Quarter (April–June)..... | 16,536.66 | 14,715.38 |
| Second Quarter (July–September)..... | 16,731.92 | 13,406.39 |
| Third Quarter (October–December)..... | 15,207.77 | 12,879.97 |
| Fourth Quarter (January–March)..... | 16,378.78 | 13,232.74 |
| Fiscal 1999 | | |
| First Quarter (April–June)..... | 17,782.79 | 15,972.68 |

| | Land Price Index | |
|-------------------|--------------------|---------------------|
| | Tokyo (Commercial) | Tokyo (Residential) |
| Fiscal 1996 | 128.0 | 169.8 |
| Fiscal 1997 | 114.5 | 164.8 |
| Fiscal 1998 | 104.8 | 157.6 |

Note: Figures are indexes based at 100 in fiscal 1982.

Overview of Consolidated Financial Statements

Total expenses amounted to ¥4,430.0 billion (US\$36,748 million) and increased by ¥2,727.6 billion compared to the previous fiscal year. This was mainly due to total credit-related costs of ¥3,224.2 billion, which was provided in accordance with the objective of temporary nationalization based on the Financial Reconstruction Law.

Total income was ¥3,661.2 billion (US\$30,371 million), up ¥2,200.5 billion compared with the same period of the previous fiscal year. This was principally owing to the temporary nationalization account of ¥2,786.8 billion. The account was set up to include the amount equivalent to the estimated amount of monetary grants pursuant to the Deposit Insurance Law and of monetary compensation pursuant to the Financial Reconstruction Law which are yet to be received and will be provided for in accordance with the laws so as to ensure the fulfillment of the Bank's debt obligations under temporary nationalization.

As a result, the loss before income taxes and other increased ¥527.1 billion, to ¥768.7 billion (US\$6,377 million), and the net loss totaled ¥1,010.1 billion (US\$8,380 million), an increase of ¥861.5 billion, compared to the previous fiscal year.

Total assets declined ¥3,956.5 billion, to ¥22,609.1 billion (US\$187,550 million). Total stockholders' equity dropped ¥1,015.0 billion, to ¥9.7 billion (US\$81 million), as stockholders' equity on a non-consolidated basis was reduced to ¥0 million, mainly due to credit costs. Accordingly, the Bank's risk-weighted capital ratio fell from 10.32% to 0.12%.

Consolidated Income Analysis

Net Interest Income

Interest income declined ¥262.1 billion, to ¥704.1 billion (US\$5,841 million), principally due to decreases in interest-earning assets, mainly loans and bills discounted, securities, and interest-bearing deposits in other banks, and the continuation of lower interest rates. Interest expenses were down ¥220.2 billion, to ¥545.6 billion (US\$4,526 million), owing to decreases in interest-bearing liabilities, principally debentures and deposits, and the continuation of lower interest rates. As a result, net interest income dropped ¥41.8 billion, to ¥158.5 billion (US\$1,315 million).

Fees and Commissions, Net

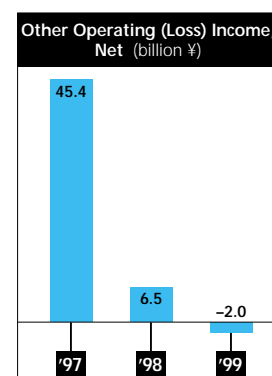
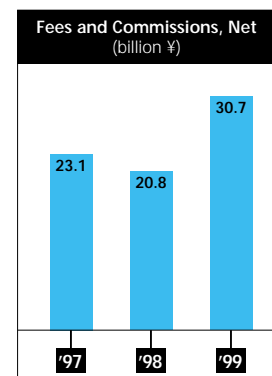
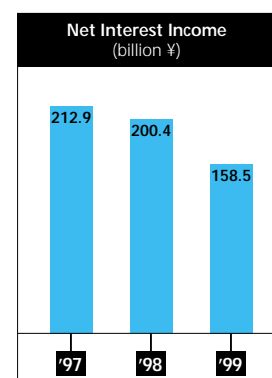
Fees and commissions (income) fell ¥23.5 billion, to ¥40.6 billion (US\$337 million), as a consequence of a substantial decline in those related to debenture, deposit, and loan businesses in domestic operations. Fees and commissions (expense), however, were down ¥33.3 billion, to ¥9.9 billion (US\$82 million); therefore, fees and commissions, net, increased ¥9.8 billion, to ¥30.7 billion (US\$255 million).

Trading, Net

Trading, net, declined ¥23.6 billion, to a loss of ¥24.3 billion (US\$202 million), owing to an increase of ¥21.4 billion, mainly in expenses on trading-related financial derivatives transactions.

Other Operating (Loss) Income, Net

Other operating income declined ¥92.0 billion, to ¥48.8 billion (US\$405 million), reflecting a substantial decline in trading gains from Japanese government and other bonds. Other operating expenses also fell, down ¥83.4 billion, to ¥50.9 billion (US\$423 million), because of a drop in costs related to Japanese government and other bonds. As a consequence, other operating income, net, declined ¥8.6 billion, to a loss of ¥2.0 billion (US\$17 million).

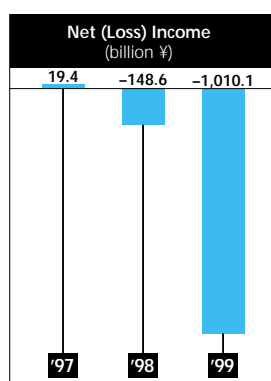


Other Income and Expenses, Net

Other expenses increased ¥3,065.7 billion, to ¥3,710.4 billion (US\$30,779 million), compared with the previous fiscal year. This was mainly due to credit-related costs of ¥3,224.2 billion, which were provided in accordance with the objective of temporary nationalization based on the Financial Reconstruction Law.

Other income totaled ¥2,864.2 billion (US\$23,760 million) and increased by ¥2,594.1 billion compared with the same period of previous fiscal year. This increase was due to the amount provided to the temporary nationalization account of ¥2,786.8 billion. The account was set up to include the amount equivalent to the estimated amount of monetary grants pursuant to the Deposit Insurance Law and of monetary compensation pursuant to the Financial Reconstruction Law which are yet to be received and will be provided for in accordance with the law so as to ensure the fulfillment of the Bank's debt obligations under temporary nationalization.

As a consequence, other income and expenses, net, amounted to a loss of ¥846.1 billion (US\$7,019 million).



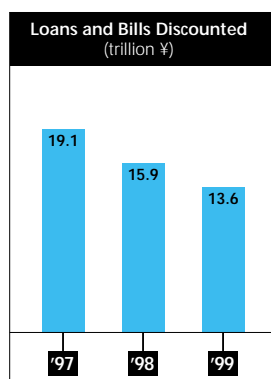
Net Income (Loss)

As a consequence of the previously mentioned factors, the Bank's consolidated net loss, after income taxes and minority interests in net loss of consolidated subsidiaries, totaled ¥1,010.1 billion (US\$8,380 million), an increase of ¥861.5 billion, compared with the previous fiscal year.

Consolidated Balance Sheet Analysis

Loans and Bills Discounted

At fiscal year-end, total loans and bills discounted declined ¥2,300.1 billion, to ¥13,690.5 billion (US\$113,568 million), mainly due to the weakness of loan demand by companies and the closing of overseas offices.



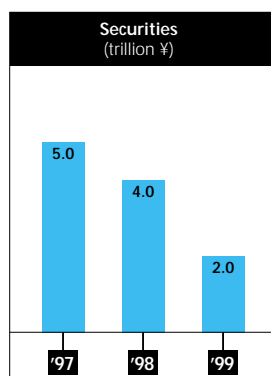
Securities

Securities held by the Bank were reduced ¥1,998.6 billion, to ¥2,074.8 billion (US\$17,211 million), at fiscal year-end, principally because of lower holdings of Japanese national government bonds.

Debentures

Coupon debentures, with maturities of one, two, or five years, and discount debentures, with maturities of one year, represent LTCB's principal sources of yen funding. These instruments are held primarily by financial institutions and individual investors in Japan and overseas. The Bank also issues senior and subordinated notes and bonds in foreign currencies.

During the period of instability before the Bank was placed under temporary nationalization, the issuance of debentures was substantially reduced, and, as of March 31, 1999, the total balance was ¥7,965.7 billion (US\$66,079 million), ¥4,302.9 billion lower than at the previous fiscal year-end.



Deposits

Although deposits by individuals increased due to the development and marketing of new products, the Bank's funding from foreign currencies and other sources dropped substantially during the period of instability before it was placed under temporary nationalization. Therefore, deposits as of March 31, 1999, amounted to ¥3,371.9 billion (US\$27,972 million), down ¥2,583.2 billion from the previous fiscal year-end.

Stockholders' Equity

As of March 31, 1999, consolidated stockholders' equity was ¥9.7 billion (US\$81 million), down ¥1,015.0 billion from the previous fiscal year-end, primarily because total stockholders' equity on a non-consolidated basis was reduced to ¥0 million, mainly due to credit costs. As a result, the Bank's consolidated risk-weighted capital ratio declined from 10.32% to 0.12% at fiscal year-end.

Risk-Weighted Capital Ratio (BIS Guidelines)

| March 31 | Billions of Yen | | |
|--|------------------|------------------|------------------|
| | 1999 | 1998 | 1997 |
| Tier I Capital | ¥ 9.9 | ¥ 1,018.3 | ¥ 1,053.0 |
| Tier II Capital | 9.9 | 1,018.3 | 1,053.0 |
| Unrealized Gains on Securities, after 55% Discount | 40.0 | 0.6 | 50.2 |
| General Loan Loss Reserve | 206.0 | 34.3 | 60.6 |
| Subordinated Debt | 488.5 | 988.5 | 961.6 |
| Total | 734.5 | 1,023.5 | 1,072.4 |
| Total Capital | ¥ 19.9 | ¥ 2,036.6 | ¥ 2,106.1 |
| On-Balance-Sheet Items | ¥15,327.1 | ¥17,787.3 | ¥20,997.3 |
| Off-Balance-Sheet Items | 1,001.6 | 1,777.1 | 1,833.9 |
| Credit Risk Assets | 16,328.7 | 19,564.4 | 22,831.3 |
| Market Risk Equivalent Assets | 152.4 | 162.6 | — |
| (Ref.): Market Risk Assets | 12.1 | 13.0 | — |
| Total Risk-Adjusted Assets | ¥16,481.1 | ¥19,727.1 | ¥22,831.3 |
| Risk-Weighted Capital Ratio (%) | 0.12% | 10.32% | 9.22% |

Notes: 1) Tier II capital may not exceed Tier I capital.

2) The amount of Tier II capital is the sum of the following:

- 45% of unrealized gains on securities which is valued at the lower of cost or market value,
- provisions for possible loan losses (general reserve only), and
- subordinated debt: subordinated term debt, however, is limited to 50% of Tier I capital, and subordinated term debt with remaining maturities of five years or less must be amortized on a cumulative basis at the rate of 20% annually.

3) General reserves included in Tier II may not exceed 1.25% of risk-adjusted assets.

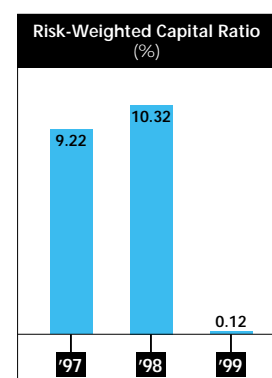
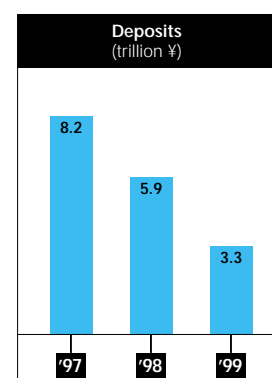
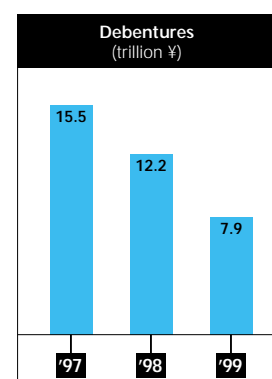
4) Revaluation gains on real estate property are not included as of March 31, 1998 and 1999.

5) In conformance with the introduction of market risk requirements beginning January 1, 1998, the Bank has included the item market risk equivalent assets.

(Ref.): Non-Consolidated Risk-Weighted Capital Ratio (BIS Guidelines)

| March 31 | Billions of Yen | |
|---|------------------|--------------|
| | 1999 | |
| Tier I Capital | ¥ | 0.0 |
| Tier II Capital | | 0.0 |
| Unrealized Gains on Securities, after 55% Discount | | 40.0 |
| General Loan Loss Reserve | | 206.8 |
| Subordinated Debt | | 483.5 |
| Total | | 730.3 |
| Total Capital | ¥ | 0.0 |
| On-Balance-Sheet Items | ¥15,235.3 | |
| Off-Balance-Sheet Items | 1,174.2 | |
| Credit Risk Assets | 16,409.6 | |
| Market Risk Equivalent Assets | 136.8 | |
| (Ref.): Market Risk Assets | 10.9 | |
| Total Risk-Adjusted Assets | ¥16,546.4 | |
| Non-Consolidated Risk-Weighted Capital Ratio (%) | | 0.00% |

Note: Non-Consolidated Risk-Weighted Capital Ratio (BIS Guidelines) has been disclosed since the fiscal year ended March 31, 1999.



Consolidated Off-Balance-Sheet Items

Derivatives and Foreign Exchange Transactions

Notional Amounts

| March 31 | Billions of Yen | | | | | |
|--|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|
| | 1999 | | 1998 | | 1997 | |
| | Total Notional Amount | Portion Applicable to Capital Ratio | Total Notional Amount | Portion Applicable to Capital Ratio | Total Notional Amount | Portion Applicable to Capital Ratio |
| Swaps..... | ¥24,582.8 | ¥24,582.8 | ¥38,414.4 | ¥38,414.4 | ¥47,807.0 | ¥47,807.0 |
| Interest Rate Swaps | 21,990.7 | 21,990.7 | 35,363.0 | 35,363.0 | 44,168.0 | 44,168.0 |
| Currency Swaps..... | 2,592.0 | 2,592.0 | 3,051.4 | 3,051.4 | 3,639.0 | 3,639.0 |
| Foreign Exchange Forward Transactions..... | 922.9 | 845.2 | 5,482.8 | 4,831.3 | 8,571.0 | 7,457.7 |
| Options | 831.8 | 576.4 | 3,133.5 | 608.8 | 20,073.6 | 755.7 |
| Interest Rate Options | 831.8 | 576.4 | 3,124.8 | 604.4 | 20,052.3 | 746.0 |
| Sell | 255.4 | — | 2,465.2 | — | 14,473.6 | — |
| Buy..... | 576.4 | 576.4 | 659.5 | 604.4 | 5,578.7 | 746.0 |
| Currency Options..... | — | — | 8.8 | 4.4 | 21.2 | 9.7 |
| Sell | — | — | 4.4 | — | 11.5 | — |
| Buy..... | — | — | 4.4 | 4.4 | 9.7 | 9.7 |
| Other Derivative Contracts..... | 674.5 | — | 4,496.9 | 58.1 | 9,768.7 | 28.9 |
| Credit Derivatives..... | — | — | — | — | — | — |
| Total | ¥27,012.2 | ¥26,004.4 | ¥51,527.6 | ¥43,912.6 | ¥86,220.4 | ¥56,049.5 |

Notes: 1) Figures are computed based on the risk-weighted capital ratio (BIS guidelines).

2) Off-balance-sheet transactions applicable to the computation of the risk-weighted capital ratio totaled ¥26 trillion. The remaining ¥1 trillion represents foreign exchange contracts due within two weeks, trade on an exchange, and other transactions not applicable to the capital ratio.

3) Notional amounts, with which actual interest payments are calculated, represent the volume of transactions and do not measure exposure to credit or market risk.

The ratio of the portion of credit risk assets related to derivatives and foreign exchange forward transactions in total consolidated risk assets for the fiscal year-end under review was 1.03%.

The Bank's total risk assets on a consolidated basis at fiscal year-end were ¥16,481.1 billion, and the portion of credit risk amounts related to derivatives and foreign exchange forward transactions was ¥169.3 billion.

Credit Risk Assets

| March 31 | Billions of Yen | | |
|---|-----------------|----------|----------|
| | 1999 | 1998 | 1997 |
| Swaps..... | ¥145.1 | ¥ 744.4 | ¥1,120.2 |
| Interest Rate Swaps..... | 82.2 | 460.5 | 736.0 |
| Currency Swaps | 62.9 | 283.8 | 384.1 |
| Foreign Exchange Forward Transactions | 23.0 | 346.0 | 451.3 |
| Options | 1.1 | 3.7 | 9.3 |
| Interest Rate Options (Buy) | 1.1 | 3.4 | 7.3 |
| Currency Options (Buy)..... | — | 0.2 | 2.0 |
| Other Derivative Contracts | — | 0.0 | 0.1 |
| Credit Derivatives | — | — | — |
| Total | ¥169.3 | ¥1,094.1 | ¥1,581.1 |

Notes: 1) Figures are computed based on the risk-weighted capital ratio (BIS guidelines).

2) Credit risk assets involving transactions conducted under legally valid bilateral netting contracts are calculated after netting.

Credit-Related Financial Instruments***Notional Amounts***

| March 31 | Billions of Yen | | |
|------------------------------------|-----------------|----------|----------|
| | 1999 | 1998 | 1997 |
| Commitments to Extend Credit | ¥2,414.3 | ¥2,802.9 | ¥3,549.9 |
| Guarantees | 446.7 | 692.9 | 773.7 |
| Others | 501.9 | 100.2 | 287.9 |
| Total | ¥3,363.1 | ¥3,596.0 | ¥4,611.6 |

Note: Figures are computed based on the risk-weighted capital ratio (BIS guidelines).

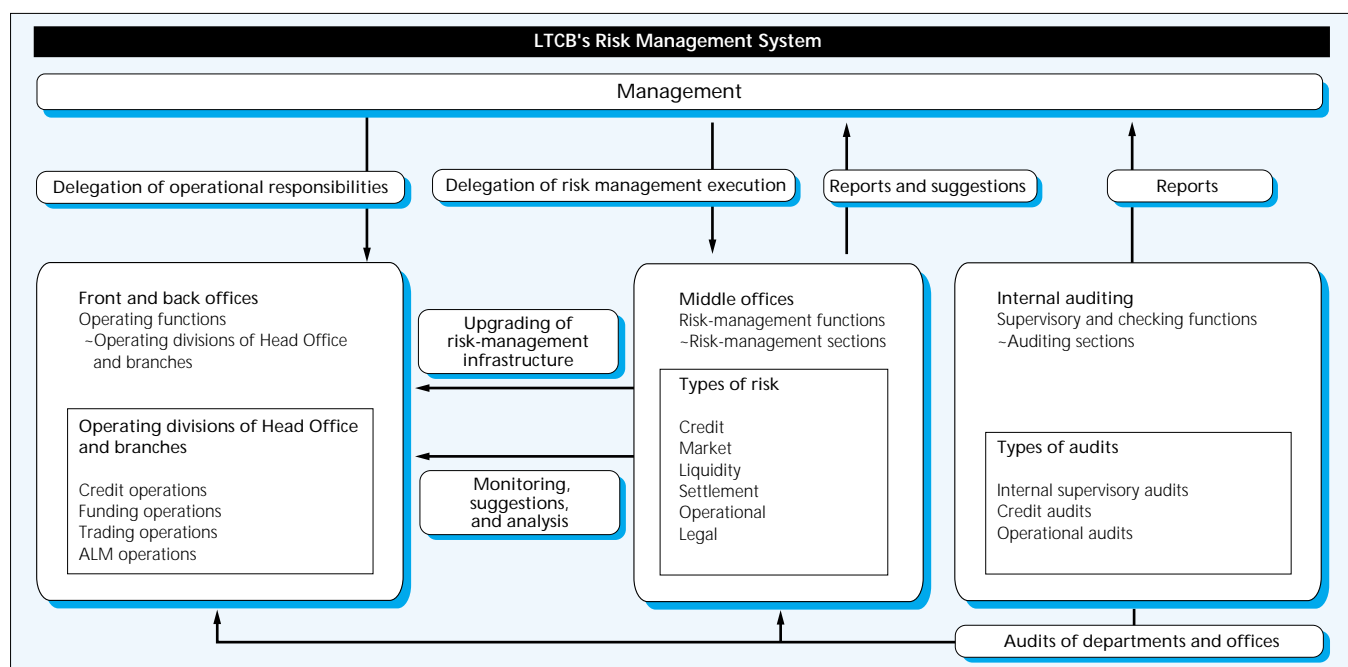
The ratio of credit-related financial instruments in risk assets to total risk assets was 5.05% at the end of the fiscal year under review, compared with 7.45% at the end of the previous fiscal year.

Total risk assets of credit-related financial instruments were ¥832.2 billion, compared with ¥1,469.6 billion at the end of the previous fiscal year.

Risk Management

The business operations of financial institutions give rise to a number of different types of risk. Sound risk management is key to the LTCB's success. In dealing with certain types of risk, such as market risk and credit risk, LTCB works actively to hold risk to secure the optimal balance between risk and return. For other types of risk, such as operational risk, LTCB endeavors to minimize such risks to the greatest possible extent. The ultimate goal of risk management is to ensure the soundness of the Bank's existence and profitability. The basic framework for risk management involves defining risk management principles, establishing an organizational checks and balances mechanism, and measuring and reporting risks.

At LTCB, several divisions are assigned to control different types of risks. The Risk Management Division is responsible for the centralized and comprehensive management of credit risk, market risk, and liquidity risk. The management of legal risk is the responsibility of the Legal and Compliance Division, and the Operations Planning & Administration Division is in charge of controlling operational risk. By establishing these units to have well-defined authority for the management of various types of risk, LTCB is endeavoring to realize a high level of efficiency and reliability in its activities. LTCB constantly seeks to strengthen its risk management process.



Credit Risk Management

Credit risk is the possibility that counterparties in transactions may not fulfill their contractual obligations because of deterioration in their credit standing. Appropriate management of credit risk is critical to a financial institution since it is subject to this kind of risk in its broad range of activities.

LTCB has prepared a Credit Policy manual, which specifies the objectives of credit business, missions and code of conduct of staff members, and other basic policies, and has ensured that these policies are thoroughly put into practice. In addition, LTCB has established several guidelines on each transaction as well as for its portfolio to ensure that the Bank will not be exposed to unnecessary risks. On each transaction basis, guidelines refer to tenure of credit, a type of collateral, a type of industry, and other factors. On a portfolio basis, guidelines discuss concentration risk on a specific industry, single obligor, country, and comparatively lower credit ratings.

Organization

At LTCB, credit analysis units, the Risk Management Division and the Credit Audit Department play a major role in credit risk management independently from each business unit.

Credit analysis units perform comprehensive evaluations of customers, judging not only from quantitative aspects, including financial condition and profitability, but also from qualitative aspects,

including market size and future prospects of the industry to which a customer belongs. Using the internal credit scoring system, a credit rating is assigned to each client. These credit ratings are reviewed, when appropriate, based on the latest corporate information and industry research. Credit analysis units are in charge of evaluations of transactions as well as analysis of an obligor's credit standings and overall risk and return. An internal credit rating is used to decide the applicable interest rate and the amount to be lent.

The Risk Management Division is responsible for overseeing compliance to quantitative guidelines and analyzing portfolios. As for portfolio analysis, the concentration of risk and profitability across several aspects, such as customer, credit rating, industry, and expected risk capital, are monitored.

The Credit Audit Department conducts audits whether each division appropriately follows procedures.

Risk Measurement

The measurement of credit risk involves the quantification of possible losses that may arise as a result of bankruptcy or material changes in the condition of a customer in a credit-related transaction.

LTCB has prepared a database to supervise credit transactions, and, based on previous transaction records, the expected loss is computed based on the average rate of bankruptcy, the recovery rate, and other factors. In addition, LTCB computes the expected maximum loss (the credit Value at Risk (VaR)) based on a worst-case scenario on default rates, recovery ratios, and other factors.

The expected loss is the cost associated with credit risk, and the loan spread is set reflecting the appropriate risk/return profile based on this credit risk. In addition, since VaR reflects the concentration and dispersal of risk, it is highly advantageous for portfolio-based risk management. LTCB estimates necessary risk capital and analyzes the efficiency of capital use in a credit business area.

Self-Assessments

With the introduction of Prompt Corrective Action in April 1998, Japanese banks are required to assess the quality of their loans, a process described as "self-assessment," to make appropriate write-offs, and to set aside reserves for possible loan losses based on the evaluations.

LTCB has established a self-assessment system that gives responsibility for final assessments to the Credit Audit Department, which is independent of both business promotion and credit analysis sections as well as reports directly to the management. Under the system, the Credit Audit Department sets up relevant standards and procedures as well as completes final assessments that follow the primary and secondary assessments conducted by business promotion and credit analysis sections, respectively.

The Bank is implementing self-assessment standards in accordance with the Financial Inspection Manuals that were issued by the Financial Supervisory Agency in July 1999.

Market Risk Management

Market risk is the possibility that fluctuations in interest rates, exchange rates, and other market related variables may cause a change in the value of financial instruments.

Currently, LTCB adopts a conservative policy toward market risk and avoids extensive volatility of profit and loss, complying with the temporary nationalization program.

Organizations

To secure checks and balances, at LTCB, the front offices, the middle office, and the back office are separated into independent organizations.

The Treasury Division and the Trading Division manage all the market risks held by LTCB comprehensively. These divisions conduct front office business under the several rules and risk limits decided and delegated by the management. The Treasury Division is in charge of transactions to be booked in a banking account, including ALM and customer-driven transactions. The Trading Division is responsible for trading-purpose transactions, such as proprietary trading.

The Risk Management Division is the middle office whose primary responsibilities include measuring, monitoring, and analyzing risks. In detail, this division oversees risk limits, evaluates new products from market risk standpoints, researches and develops risk measurement methodologies, prepares reports on risk, and conducts assessments of accuracy of risk measures.

The Trading and Securities Operations Division is the back office and is in charge of the operations of accounts and settlements with outside parties. This division ensures that all transactions are properly conducted and not fraudulent through confirmation with counterparties and performing checks of contracted prices.

Risk Measurement

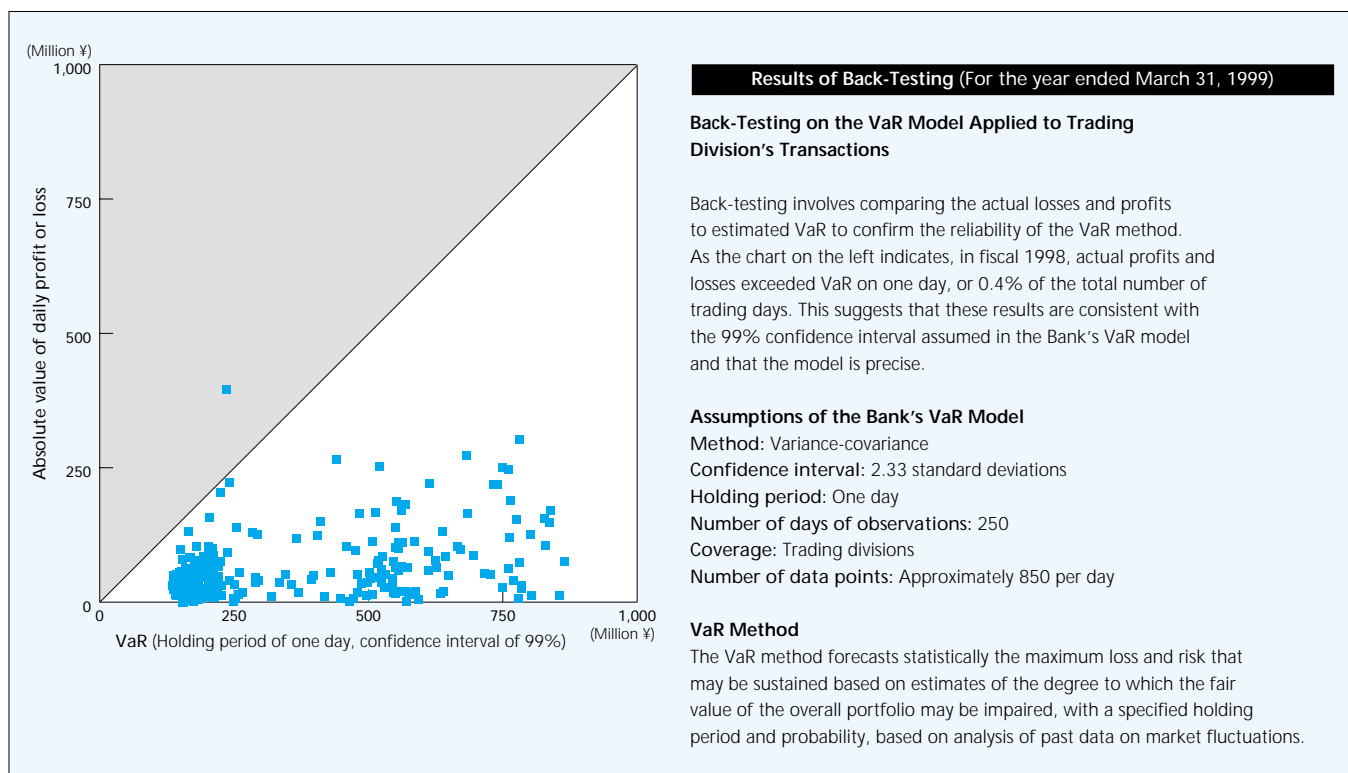
To make the optimal judgements and decisions related to market risk operations possible, LTCB monitors a wide range of risk-related information.

One of the most important tools that LTCB utilizes is Value at Risk (VaR). VaR is the estimated potential maximum loss that the given portfolios may sustain for a certain period. LTCB assesses the actual risks and risk capital necessary to maintain its portfolios that consist of different types of instruments. LTCB conducts stress testing on a daily basis as well and checks the status of its capital stability under the extremely adverse market conditions.

LTCB developed the VaR model internally and the appropriateness of the model has been verified by external auditors. According to the back testing conducted in fiscal 1998, the reliability of the model was confirmed as shown in the chart below.

As a supplementary tool to VaR, LTCB conducts sensitivity analysis to evaluate the changes in values of the portfolios caused by the movement of a specific element of market prices, rates and other variables. For instance, it measures the 10 basis point value of the portfolios for several different time intervals and estimates the impact on the portfolios due to shifts of interest rates by 10 basis points.

LTCB also forecasts its future B/S and P/L, using sophisticated simulation techniques. LTCB sets up several different scenarios for changes in market prices and its balance sheets, and projects mark to market and accrual base P/L statements. To establish a highly sophisticated simulation, LTCB has prepared a complete database covering all cash flows of its assets and liabilities.



Programs to Address the Year 2000 Problem

The Year 2000 (Y2K) problem has the potential of having an extremely broad impact, including such indirect influences as system disruptions and the turmoil that it may cause among customers and others having relationships with the Bank. To deal with this problem, LTCB is not only making its internal systems fully ready but also addressing the Y2K issue from the standpoint of risk management.

Implementation of Y2K Program

Based on the aforementioned view of the Y2K problem, LTCB positioned it among its most important business issues to be resolved. The IT Division began an intensive analysis of the issue in June 1996, and a Bankwide project team was formed in December 1997. The progress of the program is reported to the senior management of the Bank monthly, and they make confirmations of further steps to be taken.

Progress of the program to date may be summarized as follows:

- Remediation of core systems and unit testing: Completed by December 1998
- Survey of Y2K compliance among customers and others: Conducted in January 1999, with follow-up continuing
- Integration testing of core systems: Completed by March 1999
- Testing of system interfaces (with BOJ Net, SWIFT, and other financial network systems as well as other counterparties with which the Bank exchanges data): Completed by June 1999
- Preparation of contingency plans: Completed in June 1999
- Remediation of other systems and equipment: Scheduled for completion by September 1999

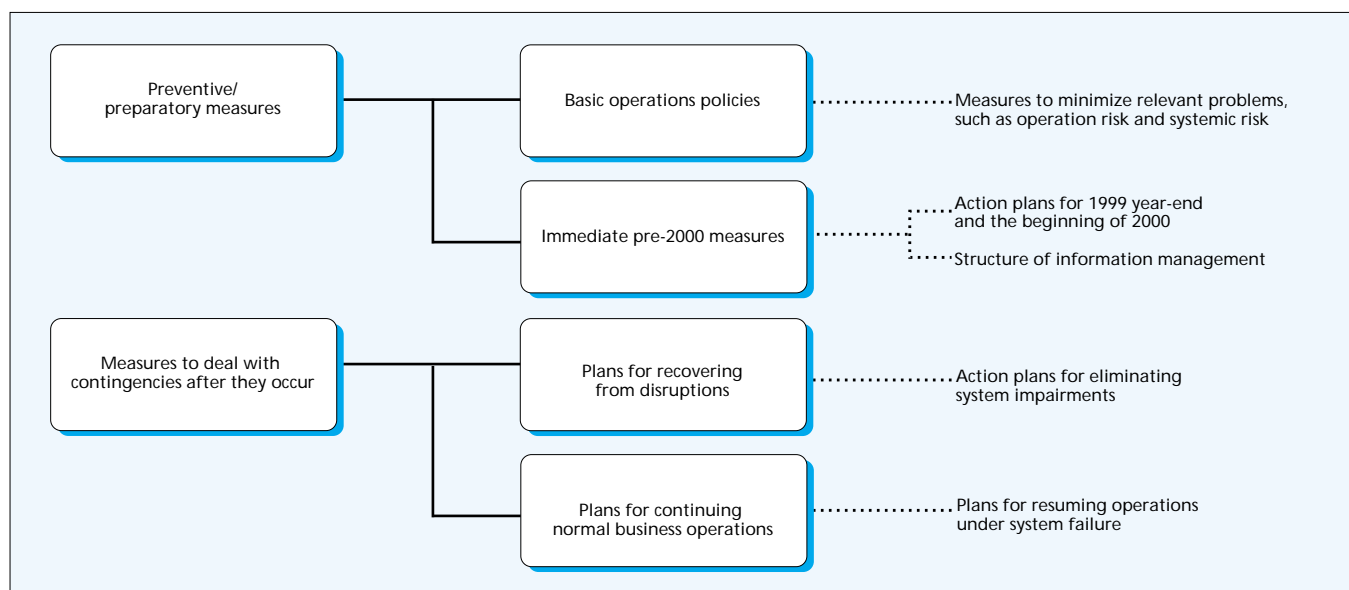
Reservation of Resources

LTCB is conducting its operations under strict cost-control measures, but, for expenditures related to the Y2K issue, the Bank has, after giving due consideration to costs versus benefits, reserved ¥5.65 billion for this purpose.

Measures covered by the budget allocation have almost been completed. Also, as the Bank has already conducted impact surveys that were deemed sufficient, it is unlikely that additional costs will arise related to the Y2K issue that would have a material impact on the Bank's profitability.

Contingency Plans

LTCB has formulated action plans to address unexpected events that may arise as a consequence of the Y2K problem. These cover, in particular, preventive and preparatory policies, measures for recovering from disruptions, and plans for continuing normal business operations under various contingencies. The Bank is working to review and revise these plans, giving close attention to external developments, and is endeavoring to be fully prepared for any crises that may develop.



Other Risk Management

Operation Risk

To prevent and minimize operational errors, LTCB has simplified its operating processes, upgraded processing lines, and strengthened checking functions; while the Bank is simultaneously reducing costs by enhancing operating capabilities, outsourcing certain functions, and conducting other measures.

The Bank is also upgrading its capabilities for responding to contingencies, which include its backup systems for coping with serious natural disasters, with the aim of reassuring customers of the reliability of its services.

System Risk

In view of the growing importance of bank computer systems in the economy and society, LTCB has prepared contingency plans; it has formulated its Policy and Procedures manual to prepare for any disaster and has established channels of communication to deal with any case that may arise.

The Bank has taken extensive measures to protect its computer systems against the effects of natural disasters and criminal actions. In addition, backup facilities have been established for the Bank's computer centers, computer mainframes, peripheral equipment, and telecommunications lines. The Bank also has the capacity to provide ample power supply through self-sufficient power-generating facilities, and all important software and data have been duplicated in a separate facility. If the main computer becomes inoperable, service is switched to the backup computer instantaneously, and other measures have been implemented to ensure the continuous, reliable operation of systems.

Legal Risk and Systems for Legal Compliance

In view of the public nature of services that banks provide, strict compliance with laws and regulations is expected, along with proactive contributions to the well-being of society. Moreover, compliance of all management and other staff responsible for confirming that the Bank is following legal regulations and meeting social norms is expected as a matter of course.

In line with the implementation of Japan's Big Bang, Japanese financial institutions are required to be completely responsible for fully accepting any risk on all of their activities, implying that the management of legal risk is growing in importance.

To clarify standards for corporate and staff behavior, the Bank has prepared its Code of Corporate Ethics, and Rules for Employee Conduct and Compliance Guidelines, which contains specific standards for conduct, and full adherence to these standards is required. The Bank has appointed compliance officers in each operating unit and has established a Legal and Compliance Division which is in overall charge of compliance officers and is engaged in the planning, promotion, and provision of guidance related to compliance issues. These various measures are intended to strengthen the Bank's internal supervisory systems.

Accompanying the growing diversity and specialization of banking operations, careful confirmations of the legal aspects of contracts have become indispensable to avoid unexpected losses on and the impairment of transactions. The Legal and Compliance Division also has improved preventive measures, such as more carefully checking contract documents prior to signing, and has upgraded the system for the supervision of legal suits when these arise.

Internal Inspection

As risks confronting banking institutions have increasingly become diversified and complicated in recent years, inspection functions, as well as risk management and internal control, must be reinforced.

While the risk management system of the Bank is responsible for the prevention and control of risks associated with business promotion activities, the inspection department is responsible for evaluating and ensuring the adequacy and effectiveness of internal control environment and adherence to Bank's policies and procedures.

It conducts on-site inspections of individual business activities and the related administrative operations of business promotion sections, as well as ensures the effectiveness of internal control environment, check-and-balance function of risk management sections.

The results of inspections, which encompass broad range of deficiencies and recommendations aimed to the implementation of remedial actions and the reinforcement of internal control levels,

are to be reported to the Bank's directors through each inspection report and at the Audit Committee meetings.

The risk management system can be effective to prevent the acts of fraud and errors that could undermine the Bank's reputation and serve to maintain and strengthen the levels of internal control and administrative operations, only when it is ascertained by appropriate inspection system, then it contributes to sustain public trust accordingly.

The Inspection Division is an independent organization that conducts internal inspections and credit audits of all offices both in Japan and on abroad. In response to the Bank's recent diversified business activities, it has been trying to develop its methodologies, and expanding the scope of inspections and credit audits.

At overseas offices, locally based internal auditors have been performing audits in every field of business activities, while each office has been endeavoring to enhance internal control environment. In addition, the Bank arranges occasional external audits where it is deemed necessary.

The Credit Audit Department of the Inspection Division conducts credit audits in accordance with Bank's Credit Policy and Procedures and Credit and Other Business Policies to ensure sound and adequate lending activities.

ALM Operations

Operating Policy

As the Bank was placed under temporary nationalization in October 1998, LTCB has conducted its operations to restrain market risk in accordance with the Credit and Other Business Policies.

In investment operations related to bonds, stock investments, and certain other securities, the Bank holds only those securities that are indispensable for its operations; meanwhile, in banking operations (including loans, funding through deposits and debentures) and in asset/liability management (ALM) operations, which may involve the use of swaps and other financial instruments for hedging purposes, the Bank manages the activities by following the principle of minimizing market risk.

Operating Methods

LTCB is conducting the comprehensive management of market risk and profits by means of setting an internal rate, based on market interest rates, between the ALM sections (Treasury Division) and the sections engaged in funding and lending.

The spread between the lending rate and the internal rate is the premium required to cover credit risk and is accounted for as the profit of the lending divisions. On the other hand, profit arising from interest rate risk is accounted for and managed in the ALM section.

In addition, on-balance-sheet transactions, such as loans, and off-balance-sheet transactions, such as swaps, are combined, and several different methods are used to analyze and manage them from the standpoints of economic value and net interest income.

Economic value is the market value of future cash flows discounted to the present using market interest rates. Net interest income is the amount of profit to be realized during the period under review. To measure the risk of fluctuations in economic value, the Bank uses the basis point value (Bpv) method or VaR method, and, to measure the risk of fluctuations in net interest income, the Bank employs the maturity gap and simulation methods.

Impact of a 10 Bpv Fluctuation at March 31, 1999

| | Billions of Yen | | | | |
|-----------------------------|---------------------|---|------|--------------------|----------------------------------|
| | One Year or Less | Between One Year to Five Years or Less | | Over Five Years | Total |
| | | | | | Change from March 31, 1998 |
| Investments Operations..... | ¥ 0.4 | ¥1.6 | ¥0.0 | ¥2.1 | ¥(5.4) |
| ALM Operations..... | (2.2) | 0.0 | 2.6 | 0.3 | (0.7) |
| Total | ¥(1.8) | ¥1.6 | ¥2.6 | ¥2.4 | ¥(6.2) |

Note: When figures are positive, the economic value rises when interest rates fall. When figures are negative, the economic value falls when interest rates rise.

Basis Point Value (Bpv) Method

The Bpv method measures risk as the change in economic value as interest rates fluctuate. For example, 10 Bpv represents the amount of change in economic value in the case of a 10 basis point (or 0.1%) change in interest rates.

Gap Method

Under the gap method, assets and liabilities are classified according to contractual maturity, and analyses are made of the fluctuations that may occur in net interest income arising from gaps in maturities.

Simulation Method

Under the simulation method, net interest income for future terms is computed on certain assumptions regarding the Bank's balance sheet and the yield curve.

Consolidated Balance Sheets

The Long-Term Credit Bank of Japan, Limited and Consolidated Subsidiaries
March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|--------------------|--------------------|--|
| | 1999 | 1998 | 1999 |
| ASSETS | | | |
| Cash and Due from Banks..... | ¥ 817,247 | ¥ 1,281,887 | \$ 6,779,328 |
| Call Loans..... | 586,007 | 558,877 | 4,861,112 |
| Commercial Paper and Other Debt Purchased..... | 5,266 | 126,428 | 43,690 |
| Trading Assets (Notes 2 (d) and 3)..... | 865,931 | 1,243,291 | 7,183,169 |
| Money Held in Trust..... | 59,213 | 560,159 | 491,198 |
| Securities (Notes 2 (e) and 4)..... | 2,074,839 | 4,073,479 | 17,211,442 |
| Loans and Bills Discounted (Note 5)..... | 13,690,599 | 15,990,706 | 113,567,809 |
| Foreign Exchange (Note 12)..... | 21,057 | 47,280 | 174,679 |
| Other Assets (Note 6)..... | 3,902,919 | 1,622,992 | 32,375,937 |
| Premises and Equipment (Notes 2 (f) and 7)..... | 82,425 | 127,438 | 683,746 |
| Deferred Discounts on and Issuance Expenses for Debentures (Note 2 (g))..... | 3,906 | 9,465 | 32,406 |
| Deferred Income Taxes (Note 2 (p))..... | — | 230,652 | — |
| Customers' Liabilities for Acceptances and Guarantees (Notes 2 (m) and 15)..... | 499,695 | 693,032 | 4,145,132 |
| Total Assets | ¥22,609,110 | ¥26,565,691 | \$187,549,648 |
| LIABILITIES, MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Debentures (Notes 2 (g) and 8)..... | ¥ 7,965,770 | ¥12,268,677 | \$ 66,078,560 |
| Deposits, including NCDs (Note 9)..... | 3,371,968 | 5,955,224 | 27,971,536 |
| Call Money..... | 1,663,974 | 864,267 | 13,803,187 |
| Commercial Paper..... | 1,500 | — | 12,443 |
| Trading Liabilities (Notes 2 (d) and 10)..... | 553,342 | 799,198 | 4,590,148 |
| Borrowed Money (Note 11)..... | 3,633,587 | 1,477,071 | 30,141,748 |
| Foreign Exchange (Note 12)..... | 1,001 | 1,393 | 8,305 |
| Other Liabilities (Note 13)..... | 1,043,589 | 2,694,300 | 8,656,899 |
| Reserve for Possible Loan Losses (Note 2 (h))..... | 3,664,716 | 741,932 | 30,399,973 |
| Reserve for Retirement Allowances (Note 2 (i))..... | 20,184 | 27,544 | 167,438 |
| Reserve for Contingencies on Loans Sold (Note 2 (j))..... | 97,521 | 17,526 | 808,967 |
| Reserve for Disposition of Specific Assets (Note 2 (k))..... | 79,714 | — | 661,261 |
| Special Statutory Reserves (Notes 2 (l) and 14)..... | 6 | 14 | 54 |
| Deferred Tax Liabilities (Notes 2 (p) and 25)..... | 2,586 | — | 21,455 |
| Minority Interests in Consolidated Subsidiaries (Note 2 (o))..... | — | 663 | — |
| Acceptances and Guarantees (Notes 2 (m) and 15)..... | 499,695 | 693,032 | 4,145,132 |
| Total Liabilities | 22,599,159 | 25,540,845 | 187,467,106 |
| Minority Interests in Consolidated Subsidiaries: | | | |
| Minority Interests in Consolidated Subsidiaries (Note 2 (o))..... | 167 | — | 1,392 |
| Stockholders' Equity (Note 2 (q)): | | | |
| Capital Stock (Note 16)..... | 390,710 | 387,229 | 3,241,062 |
| Capital Surplus..... | 300,263 | 296,782 | 2,490,780 |
| Legal Reserve (Note 2 (n))..... | — | 57,140 | — |
| Earned Surplus (Deficit) (Note 2 (n))..... | (681,190) | 283,699 | (5,650,692) |
| Treasury Stock, at Cost..... | — | (6) | — |
| Total Stockholders' Equity | 9,782 | 1,024,845 | 81,150 |
| Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity | ¥22,609,110 | ¥26,565,691 | \$187,549,648 |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

The Long-Term Credit Bank of Japan, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-------------------|------------------|--|
| | 1999 | 1998 | 1999 |
| Income | | | |
| Interest Income..... | ¥ 704,186 | ¥ 966,312 | \$ 5,841,451 |
| Interest on Loans and Discounts | 359,793 | 557,026 | 2,984,603 |
| Interest and Dividends on Securities..... | 77,312 | 128,143 | 641,334 |
| Interest on Deposits with Banks | 15,597 | 53,807 | 129,382 |
| Other Interest Income..... | 251,483 | 227,333 | 2,086,132 |
| Fees and Commissions..... | 40,641 | 64,141 | 337,131 |
| Trading Revenue (Notes 2 (d) and 17) | 3,252 | 5,422 | 26,977 |
| Other Operating Income (Note 18) | 48,877 | 140,952 | 405,456 |
| Other Income (Notes 2 (r) and 19) | 2,864,273 | 270,112 | 23,760,047 |
| Reversal of Special Statutory Reserves | 7 | 13,752 | 65 |
| Total Income | 3,661,239 | 1,460,694 | 30,371,127 |
| Expenses | | | |
| Interest Expenses | 545,614 | 765,865 | 4,526,045 |
| Interest and Discounts on Debentures..... | 210,903 | 295,799 | 1,749,509 |
| Interest on Deposits..... | 73,878 | 223,384 | 612,845 |
| Interest on Borrowings and Rediscounts | 68,319 | 48,868 | 566,734 |
| Other Interest Expenses | 192,513 | 197,812 | 1,596,957 |
| Fees and Commissions..... | 9,918 | 43,299 | 82,280 |
| Trading Expenses (Notes 2 (d) and 20) | 27,637 | 6,204 | 229,259 |
| Other Operating Expenses (Note 21)..... | 50,953 | 134,380 | 422,672 |
| General and Administrative Expenses..... | 85,462 | 107,965 | 708,939 |
| Other Expenses (Notes 2 (p) and 22) | 3,710,444 | 644,648 | 30,779,303 |
| Provision for Special Statutory Reserves..... | — | 0 | — |
| Total Expenses | 4,430,031 | 1,702,362 | 36,748,498 |
| Loss before Income Taxes and Other | 768,792 | 241,667 | 6,377,371 |
| Income Taxes (Note 2 (p)): | | | |
| Current | 8,295 | 2,745 | 68,815 |
| Deferred..... | 233,389 | (96,085) | 1,936,038 |
| Minority Interests in Net Loss of Consolidated Subsidiaries | 304 | 131 | 2,525 |
| Equity in Net Loss of Affiliates (Note 2 (r)) | — | 454 | — |
| Net Loss | ¥1,010,172 | ¥ 148,651 | \$ 8,379,699 |
| Net Loss per Share (in Yen and U.S. Dollars) (Note 2 (s)) | ¥ 418.03 | ¥ 62.12 | \$ 3.47 |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Earned Surplus (Deficit)

The Long-Term Credit Bank of Japan, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|--------------------|-----------------|--|
| | 1999 | 1998 | 1999 |
| Balance at Beginning of Year (Note 2 (n))..... | ¥ 340,839 | ¥450,183 | \$ 2,827,373 |
| Additions: | | | |
| Adjustments Due to Expansion of the Scope of Affiliates Accounted for by the Equity Method..... | 31 | — | 258 |
| Unrealized Gain on "Available-for-Sale" Securities of Certain Subsidiaries..... | 26 | 15 | 224 |
| Deductions: | | | |
| Transfer to Legal Reserve | — | 2,875 | — |
| Dividends..... | 7,215 | 14,357 | 59,857 |
| Adjustments Due to Expansion of the Scope of Consolidated Subsidiaries..... | 1 | — | 8 |
| Adjustments Due to Decrease in Consolidated Subsidiaries | 4,699 | — | 38,983 |
| Adjustments Due to Decrease in Affiliates Accounted for by the Equity Method..... | — | 615 | — |
| Net Loss..... | 1,010,172 | 148,651 | 8,379,699 |
| Balance at End of Year | ¥ (681,190) | ¥283,699 | \$ (5,650,692) |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Long-Term Credit Bank of Japan, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|-------------|--|
| | 1999 | 1998 | 1999 |
| Operating Activities: | | | |
| Net Loss | ¥(1,010,172) | ¥ (148,651) | \$ (8,379,699) |
| Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities: | | | |
| Provision for Possible Loan Losses | 3,022,707 | 305,348 | 25,074,308 |
| Provision for Contingencies on Loans Sold | 82,172 | 9,462 | 681,644 |
| Provision for Disposition of Specific Assets | 79,714 | — | 661,261 |
| Claims Written-off | 3,963 | 51,507 | 32,878 |
| Loss on Sales of Loans | 41,523 | 221,838 | 344,455 |
| Depreciation and Amortization | 1,748 | 3,645 | 14,508 |
| Income Taxes (Deferred) | 233,389 | (124,053) | 1,936,038 |
| Net Change in Trading Accounts | 131,504 | (53,890) | 1,090,874 |
| Net Loss (Gain) on Investment Securities | 389,365 | (149,569) | 3,229,906 |
| Net Change in Accrued Income | (5,179) | 191,212 | (42,964) |
| Net Change in Other Assets | (1,623,201) | (302,157) | (13,464,967) |
| Net Change in Accrued Expenses | (46,528) | (179,502) | (385,967) |
| Net Change in Other Liabilities and Other | (1,716,588) | 1,176,088 | (14,239,639) |
| Total Adjustments | 594,592 | 1,149,929 | 4,932,334 |
| Net Cash Provided by (Used in) Operating Activities | (415,579) | 1,001,277 | (3,447,365) |
| Investing Activities: | | | |
| Purchases of Investment Securities | (408,423) | (965,030) | (3,388,003) |
| Sales and Maturities of Investment Securities | 2,017,698 | 2,125,836 | 16,737,441 |
| Net Change in Interest-Bearing Deposits with Banks | 584,332 | (90,870) | 4,847,223 |
| Net Change in Call Loans | (27,129) | (319,120) | (225,048) |
| Net Change in Loans and Bills Discounted | 2,254,620 | 2,910,073 | 18,702,780 |
| Net Change in Premises and Equipment | 43,263 | 9,766 | 358,887 |
| Net Cash Provided by Investing Activities | 4,464,361 | 3,670,656 | 37,033,280 |
| Financing Activities: | | | |
| Proceeds from Capital Stock Issued | 6,961 | 130,000 | 57,746 |
| Net Change in Debentures (Other than Subordinated Debentures) | (4,301,438) | (3,221,536) | (35,681,782) |
| Net Change in Deposits, Including NCDs | (2,583,255) | (2,339,028) | (21,428,915) |
| Net Change in Call Money and Commercial Paper | 801,206 | 302,442 | 6,646,261 |
| Net Change in Borrowed Money (Other than Subordinated Borrowed Money) | 2,167,516 | 296,512 | 17,980,228 |
| Repayment of Convertible Bonds | (1,468) | — | (12,184) |
| Proceeds from Subordinated Debentures | — | 21,600 | — |
| Repayment of Subordinated Debentures | — | (42,951) | — |
| Proceeds from Subordinated Borrowed Money | — | 56,000 | — |
| Repayment of Subordinated Borrowed Money | (11,000) | (11,000) | (91,249) |
| Dividends Paid | (7,215) | (14,357) | (59,857) |
| Net Cash Used in Financing Activities | (3,928,694) | (4,822,317) | (32,589,752) |
| Total Change in Cash and Cash Equivalents | 120,087 | (150,383) | 996,163 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (394) | (733) | (3,271) |
| Net Change in Cash and Cash Equivalents | 119,693 | (151,117) | 992,892 |
| Cash and Cash Equivalents at Beginning of Year | 299,038 | 450,155 | 2,480,620 |
| Cash and Cash Equivalents at End of Year | ¥ 418,731 | ¥ 299,038 | \$ 3,473,512 |
| Additional Cash Flow Information: | | | |
| Income Taxes Paid | ¥ 3,143 | ¥ 1,985 | \$ 26,080 |

See accompanying Notes to Consolidated Financial Statements.

Note: For the purpose of the Consolidated Statements of Cash Flows, Cash and Cash Equivalents consists of Cash and Due from Banks without interest.

Cash and Due from Banks in the Consolidated Balance Sheets at March 31, 1999 and 1998 consisted of the following:

| | | | |
|---|----------|------------|-------------|
| Interest-Bearing Deposits with Banks | ¥398,516 | ¥ 982,848 | \$3,305,816 |
| Cash and Cash Equivalents (Noninterest-Bearing Deposits with Banks) | 418,731 | 299,038 | 3,473,512 |
| Cash and Due from Banks in the Consolidated Balance Sheets | ¥817,247 | ¥1,281,887 | \$6,779,328 |

1. Basis of Presentation

The accompanying consolidated financial statements of The Long-Term Credit Bank of Japan, Limited (the “Bank”) and its consolidated subsidiaries have been prepared on the basis of accounting principles and practices generally accepted and applied in Japan and in conformity with the “Regulations for Consolidated Financial Statements” and the “Accounting Standards for Banks” (issued by the Japanese Bankers Association) and are compiled from the financial statements which are required to be submitted to the regulatory authorities as part of the *Securities Report (Yuka Shoken Hokokusho)* in accordance with the Securities and Exchange Law of Japan. Accordingly, the accompanying financial statements are not intended to present the financial position of the Bank and its consolidated subsidiaries, the results of their operations and their cash flows in accordance with accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan.

Certain reclassifications and rearrangements have been made to present the accompanying financial statements in a form which is familiar to readers outside Japan. In addition, the accompanying notes include information which is not currently required in Japan, but is presented herein as additional information. Consolidated statements of cash flows are not required to be disclosed in primary financial statements in Japan, but are presented herein for the convenience of the readers.

Yen amounts, other than per share amounts, have been rounded off to millions of yen. All U.S. dollar amounts, presented solely for the readers’ convenience, are translated at ¥120.55 = U.S.\$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 1999.

The Bank was placed under temporary nationalization by the prime minister of Japan on October 23, 1998, under Section 1 of Article 36 of the Financial Reconstruction Law. In accordance with Articles 47 and 48 of the Financial Reconstruction Law, the Bank prepared the Corporate Restructuring Plan and determined the Credit and Other Business Policies under which it has continued operations.

In view of these circumstances, certain special accounting principles designed to present fairly the financial position of the Bank and consolidated subsidiaries and the results of their operations as a financial institution under temporary nationalization have been adopted for the year ended March 31, 1999.

In June 1999, the submission of the Bank’s *Securities Report* for the year ended March 31, 1999 was suspended with the approval of the regulatory authorities in view of the fact that the Deposit Insurance Corporation became the sole stockholder of the Bank under the Financial Reconstruction Law.

The Bank’s Internal Investigation Committee reported in June 1999 that the former management members of the Bank were liable under the Commercial Code and the Securities and Exchange Law of Japan with respect to the accounts for the year ended March 31, 1998. However, in view of the fact that the accounts at March 31, 1999 have been properly prepared and all assets at March 31, 1999 were appropriately valued as assets held by a temporarily nationalized bank, the financial data for the year ended March 31, 1998 presented in this Annual Report have been compiled from the financial statements reflected in the *Securities Report* for fiscal 1997.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

Effective April 1, 1998, the Bank adopted new accounting standards for consolidated financial statements. The new standards require a company to consolidate any subsidiaries of which the company substantially controls the operations, even if these are not majority-owned subsidiaries.

Under Article 72, Section 4 of the Financial Reconstruction Law, the Financial Reconstruction Commission has determined it to be inappropriate for the Bank to hold the stock of or any other interest in certain companies. Accordingly, companies which the Bank no longer controls nor can exert significant influence on have been excluded from consolidated subsidiaries and affiliates.

However, those companies that were formerly consolidated or accounted for by the equity method are, in principle, treated as subsidiaries or affiliates.

The accompanying consolidated financial statements include the accounts of the Bank, which is the parent company, and 19 and 26 subsidiaries (collectively called the “Subsidiaries”) for the years ended March 31, 1999 and 1998, respectively.

The Bank had a majority voting interest in certain companies in fiscal 1998, but these have not been included in the scope of consolidation for a number of reasons, including the near completion of the dissolution proceedings for those companies.

The major subsidiaries as of March 31, 1999 were:

LTCB Trust & Banking Co., Ltd. (Japan)

LTCB Asia Limited (Hong Kong, China)
 LTCB Trust Company (U.S.A.)
 LTCB Australia Limited (Australia)
 LTCB Merchant Bank (Singapore) Limited (Singapore)
 The Long-Term Credit Bank of Japan (Deutschland) AG (Germany)
 P.T. Bank LTCB Central Asia (Indonesia)

The accounts of the subsidiaries are included on the basis of their respective fiscal periods which end on March 31 (7 and 6 subsidiaries for 1999 and 1998, respectively) or December 31 (12 and 20 subsidiaries for 1998 and 1997, respectively). Significant intercompany transactions occurring during the intervening period have been adjusted. The amount by which the cost of an investment exceeds the corresponding equity at acquisition is charged to income when acquired. All material intercompany accounts and transactions have been eliminated in consolidation.

The investment in one subsidiary owned over 50 percent for the year ended March 31, 1998 is stated at cost because the investment was held for only a short period.

As the net income of a certain company (the amount under the equity method) had no material effect on the Bank's consolidated financial statements, it was not accounted for by the equity method.

Investments in 11 and 5 affiliates for the years ended March 31, 1999 and 1998, respectively, have been accounted for by the equity method.

(b) Foreign Currency Translation and Revaluation

(1) Foreign Currency Accounts

Foreign currency assets and liabilities recorded by the Bank are translated into yen at the exchange rates prevailing at the end of the fiscal year, except for certain accounts which are translated at the historical rates. The accounts of overseas branches are translated into yen at the exchange rates prevailing at the end of the fiscal year.

An outline of the accounting policies applied to the assets denominated in foreign currencies and currency options contracts of the Bank is as follows:

- Assets and liabilities denominated in foreign currencies are revalued at the middle rate of each respective year-end exchange rate. The aggregate difference between the carrying value and the revalued amount is recorded as a gain or loss on foreign exchange transactions.
- Forward exchange contracts are revalued at the forward rate for the remaining term of each contract on a mark-to-market basis. For forward exchange contracts with more than one year remaining to maturity, the revaluation gain or loss is calculated on the basis of the present value of each contract at the balance sheet date, which is obtained by discounting it at the long-term interest rate.
- Currency swaps and swap transactions not for trading purposes contracted in connection with funding and lending are not subject to the revaluation described above. Premiums and discounts on forward exchange contracts are amortized over the terms of the swap contracts and are recorded as interest income or expense.
- Currency futures and currency options are revalued on a mark-to-market basis.
- Option premiums not for trading purposes are included in "Other Assets" or "Other Liabilities" in the consolidated balance sheets. In addition, option premiums are accounted for as income or expenses only at the expiration date, rights exercise date or rights expiration date.

(2) Financial Statements of Foreign Subsidiaries

All items in the financial statements of the foreign subsidiaries are translated into yen at the rates prevailing at the Bank's fiscal year-end except for the beginning balance of their earned surplus and certain portions of their common stock and capital surplus accounts, which are translated at historical exchange rates.

(c) Accounting for Lease Transactions

Finance lease transactions of the Bank and its domestic subsidiaries under which ownership of the leased property is not transferred to the lessee are accounted for in accordance with accounting principles applicable to operating leases.

(d) Trading Assets, Trading Liabilities, Trading Revenue and Trading Expenses

Transactions whose purpose is to make profit on short-term fluctuations in certain indexes such as interest rates, or foreign exchange rates, or in the market prices of securities are included under "Trading Assets" or "Trading Liabilities" in the consolidated balance sheets, and under "Trading

Revenue” or “Trading Expenses” in the consolidated statements of operations. Such transactions are stated on a contract basis and are carried at fair value.

Effective April 1, 1997, Trading Accounts were established pursuant to a revision of Clause 2 of Article 17 of the Bank Rule Act.

Transactions of the subsidiaries entered into for trading purposes are treated primarily in the same manner as those of the Bank.

(e) Securities

For the year ended March 31, 1998, Securities are valued as follows:

- Listed foreign securities of the Bank and LTCB Trust & Banking Co., Ltd. (Japan) are valued at the lower of moving average cost or market, and securities other than those referred to above are valued at moving average cost.
- Among the listed securities, bonds and stocks were previously valued at the lower of cost or market in accordance with the Uniform Accounting Principles for Banks. However, following a revision effective February 27, 1998 in these accounting principles, the stipulation of a method for valuing securities was removed. Since it appears appropriate to employ the historical cost method of valuation to avoid the impact of temporary short-term market fluctuations at the end of the fiscal period in valuing securities which are not being held for short-term purposes as well as to avoid the impact of such fluctuations on income for the period, such securities have been valued by the historical cost method. The effect of this change decreased “Loss before Income Taxes and Others” by ¥264,570 million for fiscal 1997.
- Money Held in Trust with trust banks primarily for the purpose of investing in securities is calculated by valuing listed bonds, stocks and other securities at the lower of moving average cost or market, and other securities at moving average cost.
- Securities held by the subsidiaries are valued primarily at cost.

For the year ended March 31, 1999, Securities are valued as follows:

- Listed securities are valued at the lower of moving average cost or market, and securities other than the listed securities are valued at moving average cost.
- Among the listed securities, Japanese national government and local government bonds were formerly valued by the cost method. In addition, the valuation method for bonds and stocks was changed from the lower of cost or market to the cost method in fiscal 1997. In fiscal 1998, in view of the placement of the Bank under temporary nationalization and the consequent alteration of the reason for holding such securities, it was deemed appropriate to apply the lower of cost or market valuation method in order to present the financial position of the Bank more appropriately. Accordingly, all listed securities have been valued by the lower of cost or market method. The effect of this change increased “Loss before Income Taxes and Others” by ¥278,327 million (US\$2,308,810 thousand) for fiscal 1998.
- Money Held in Trust with trust banks primarily for the purpose of investing in securities is also valued by the above methods.
- Securities held by the subsidiaries are valued primarily at market value or moving average cost. Investment securities owned by certain subsidiaries include certain debt securities classified as “available-for-sale.” Such securities have been carried at fair value with unrealized gains and losses, net of taxes, directly credited or charged to Earned Surplus.

Investments in affiliates and non-consolidated subsidiaries in the aggregate amount of ¥1,124 million (U.S.\$9,330 thousand) at March 31, 1999 (¥3,637 million at March 31, 1998) are included in Securities in the accompanying consolidated balance sheets.

(f) Premises and Equipment

For the year ended March 31, 1998, Premises and Equipment were depreciated as follows:

- In accordance with the Uniform Accounting Principles for Banks, the Bank and LTCB Trust & Banking Co., Ltd. (Japan) recorded depreciation by the declining-balance method on buildings and equipment up to the maximum amount deductible as stipulated in the Corporation Tax Law. Other assets were also amortized in accordance with the Corporation Tax Law.
- On buildings, up to 160 percent of the maximum amount deductible under the Corporation Tax Law was previously adopted in accordance with the Uniform Accounting Principles for Banks. However, effective April 1, 1997, the maximum amount deductible under the Corporation Tax Law was adopted pursuant to a change in the applicable accounting principle as of July 31, 1997. The effect of this change decreased “Loss before Income Taxes and Others” by ¥1,524 million for fiscal 1997.

For the year ended March 31, 1999, Premises and Equipment were depreciated as follows:

- In accordance with the Uniform Accounting Principles for Banks, the Bank and LTCB Trust & Banking Co., Ltd. (Japan) recorded depreciation by the straight-line method on buildings, and by the declining-balance method on equipment, up to the maximum amount deductible as stipulated in the Corporation Tax Law. Other Assets were amortized in accordance with the Corporation Tax Law.
- Previously, the Bank applied the declining-balance method for computing depreciation on buildings, but because these assets have been used continuously for a long period, depreciation in equal amounts over time by the straight-line method was deemed to present the profit or loss of the Bank more appropriately. Therefore, in accordance with a revision to Article 48, Section 1 of the Ordinances Implementing the Corporation Tax Law, the straight-line method has been applied for fiscal 1998. The effect of this change decreased “Loss before Income Taxes and Others” by ¥1,630 million (US\$13,527 thousand) for fiscal 1998.
- In addition, accompanying the revision of the ordinances specifying the legal useful lives of buildings, such useful lives have been shortened, and the Bank has applied the revised useful lives in computing depreciation. The effect of this change increased “Loss before Income Taxes and Others” by ¥683 million (US\$5,670 thousand) for fiscal 1998.
- Depreciation of Premises and Equipment owned by the subsidiaries is computed principally by the straight-line method over their estimated economic useful lives.
- Premises and Equipment were stated at cost less accumulated depreciation of ¥31,585 million (U.S.\$262,015 thousand) at March 31, 1999 (¥40,435 million at March 31, 1998).

(g) Debentures

Deferred discounts on debentures are amortized by the straight-line method over the terms of the debentures.

Debenture issuance expenses are amortized by the straight-line method over the shorter of the term of the debenture or the maximum three-year period stipulated in the Commercial Code of Japan.

The subsidiaries’ deferred discounts on debentures or premiums on debentures and the related issuance expenses are amortized by the straight-line method over the terms of the debentures.

(h) Reserve for Possible Loan Losses

For the year ended March 31, 1998, the Bank classified its assets, based on a self-assessment of their credit quality, into five categories: “normal,” “need caution,” “possibly bankrupt,” “virtually bankrupt” and “bankrupt” and calculated the amount of the Reserve for Possible Loan Losses in accordance with the guidelines issued by the Japanese Institute of Certified Public Accountants.

- A general reserve has been provided for assets with borrowers categorized as “normal” and “need caution.” The amount has been calculated based on the Bank’s own historical experience of defaults.
- A specific reserve has been provided for assets with borrowers categorized as “possibly bankrupt.” The reserve has been calculated based on the amount outstanding after the deduction of an estimate of the possible recoveries from collateral, guarantees or other sources.
- A specific reserve has also been provided for assets with borrowers categorized as “virtually bankrupt” and “bankrupt.” The amount was the outstanding amount after the deduction of an estimate of the possible recoveries from collateral, guarantees or other sources.
- A country risk reserve has been set up for loans to certain less-developed countries.

The above Reserve for Possible Loan Losses has been provided pursuant to a change as of July 31, 1997 in the Uniform Accounting Principles for Banks.

In fiscal 1998, the Bank maintained its reserves in accordance with the same accounting practices as those applied during the previous accounting year. However, under Article 72, Section 4 of the Financial Reconstruction Law, reserves for claims which the Financial Reconstruction Commission has determined to be inappropriate for the Bank to hold (hereinafter, “Inappropriate Assets”) have been accounted for by the method described below. Regarding Inappropriate Assets, the Bank has provided reserves for possible losses on loans which will be sold to The Resolution and Collection Corporation (RCC), based on evaluations conducted at the time the Bank was placed under temporary nationalization (October 28, 1998). When the transfer price of such loans to the RCC is determined, there is the possibility that additional losses may be incurred on these loans. However, this will not have an impact on net income in subsequent periods under the provisions for the transfer of monetary claims under the Financial Reconstruction Law. Reserves have been provided for possible losses that may arise in trading or in other specified transactions for which the Bank has contracted with counterparties and others.

Each of the subsidiaries maintains a Reserve for Possible Loan Losses at an amount deemed necessary to cover such losses based on the individual subsidiary's past experience and best estimate.

(i) Reserve for Retirement Allowances

In accordance with the Uniform Accounting Principles for Banks, the Reserve for Retirement Allowances of the Bank represents the total amount which would be required to be paid if all eligible employees voluntarily terminated their employment. In addition, the Bank has contributory pension plans covering all its employees. Employees of the major subsidiaries are covered by their respective funded pension plans.

(j) Reserve for Contingencies on Loans Sold

The Reserve for Contingencies on Loans Sold is provided at an estimate of the assessment of losses on certain real estate loans which have been sold to the Cooperative Credit Purchasing Company, Limited and whose collateral is likely to be sold.

This reserve is provided in accordance with Article 287-2 of the Commercial Code of Japan.

(k) Reserve for Disposition of Specific Assets

The Reserve for Disposition of Specific Assets is provided based on losses anticipated when loan assets at overseas operations which are virtually certain to be sold are transferred to others as a result of the Bank's withdrawal from overseas operations as well as expected losses following the appraisal and disposal of the value of premises and equipment which the Financial Reconstruction Commission has determined to be inappropriate for the Bank to hold under Article 72, Section 4 of the Financial Reconstruction Law.

This reserve is provided in accordance with Article 287-2 of the Commercial Code of Japan.

(l) Special Statutory Reserves

The Special Statutory Reserves consist of the following:

- Effective April 1, 1997, the entire Reserve for Price Fluctuations of Government Bonds of the Bank and its domestic subsidiaries was reversed due to a change as of February 27, 1998 in the Uniform Accounting Principles for Banks.
- Effective April 1, 1997, the entire Reserve for Losses on Trading Account Securities of the Bank was reversed due to a change as of February 27, 1998 in the Uniform Accounting Principles for Banks.
- The Reserve for Contingent Liabilities from Trading of Financial Futures of the Bank was provided based on the amount of the financial futures traded (¥6 million and ¥8 million for the years ended March 31, 1999 and 1998, respectively).
- The Reserve for Contingent Liabilities from Trading of Securities Futures of the Bank and its domestic subsidiaries was provided based on the amount of the securities futures traded (zero for the years ended March 31, 1999 and 1998).

If the fiscal year-end balance of the Special Statutory Reserves is less than the amount required, an additional provision is made. If it is greater than the amount required, the surplus is reversed to income. Provisions for the Special Statutory Reserves are not tax-deductible.

(m) Commitments and Contingent Liabilities

All commitments and contingent liabilities of a material nature resulting from guarantees or other agreements are included in the contra accounts—"Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees."

(n) Legal Reserve, Earned Surplus

The Legal Reserve is not available for dividends but may be used to reduce a deficit or may be transferred to common stock. The Bank is required to appropriate to the legal reserve an amount equal to at least 20 percent of dividends and bonuses paid to directors and statutory auditors until such reserve equals 100 percent of the common stock account.

In accordance with the new disclosure requirements effective the year ended March 31, 1999, the legal reserve has been included in Earned Surplus for fiscal 1998. Previously, it was presented as a separate component of Stockholders' Equity.

(o) Minority Interests in Consolidated Subsidiaries

Following the application of the revised Rules for Consolidated Accounting, Minority Interests in Consolidated Subsidiaries, which was presented as a separate item under Liabilities in the previous year (¥167 million for fiscal 1998), has been presented as an item between Liabilities and Stockholders' Equity for fiscal 1998.

(p) Income Taxes

Income Taxes applicable to the Bank primarily consist of corporate taxes and inhabitants' taxes. Enterprise tax is also assessed but is included in "Other Expenses" for fiscal 1997. Deferred income taxes for timing differences between the consolidated financial statements and the tax returns are recognized.

Effective April 1, 1998, a new accounting standard for income tax accounting has been adopted in Japan. According to this new standard, income taxes consist of both current and deferred corporate, inhabitants' and enterprise taxes. Deferred tax assets and liabilities are recognized for the future tax effects derived from temporary differences.

(q) Stockholders' Equity

On October 28, 1998, all of the Bank's issued stocks were obtained by the Deposit Insurance Corporation of Japan.

(r) Equity in Net (Loss) Income of Affiliates

Following the application of revised Rules for Consolidated Accounting, Equity in Net Loss of Affiliates, which was presented as an additional, independent item prior to net income before taxes and others (¥40 million for fiscal 1998), has been included in Other Income for fiscal 1998.

(s) Net Loss per Share

Net Loss per Share is computed based on the weighted average number of shares of common stock outstanding during each year.

For the years ended March 31, 1999 and 1998, disclosure of diluted net income per share was not applicable as a net loss was recorded.

3.

Trading Assets

Trading Assets at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-------------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Trading Assets: | | | |
| Trading Securities | ¥ 68,970 | ¥ 63,460 | \$ 572,135 |
| Securities Related to Trading Transactions..... | — | 240,637 | — |
| Trading-Related Financial Derivatives..... | 553,010 | 641,478 | 4,587,397 |
| Other | 243,949 | 297,714 | 2,023,637 |
| Total | ¥865,931 | ¥1,243,291 | \$7,183,169 |

4.

Securities

Securities at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-------------------|-------------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Securities: | | | |
| Japanese National Government Bonds | ¥ 198,013 | ¥1,195,832 | \$ 1,642,588 |
| Japanese Local Government Bonds | 24,917 | 122,385 | 206,698 |
| Japanese Corporate Debentures | 127,811 | 330,076 | 1,060,234 |
| Japanese Stocks..... | 1,659,060 | 1,756,503 | 13,762,428 |
| Other..... | 65,036 | 668,681 | 539,494 |
| Total | ¥2,074,839 | ¥4,073,479 | \$17,211,442 |

5.

Loans and Bills Discounted

(a) Loans and Bills Discounted outstanding at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------|--------------------|--------------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Loans and Bills Discounted: | | | |
| Loans on Deeds | ¥ 7,667,252 | ¥ 9,981,404 | \$ 63,602,260 |
| Loans on Notes | 4,116,619 | 3,193,111 | 34,148,646 |
| Bills Discounted | 7,534 | 13,020 | 62,497 |
| Overdrafts | 1,818,680 | 2,709,588 | 15,086,522 |
| Other | 80,513 | 93,582 | 667,884 |
| Total | ¥13,690,599 | ¥15,990,706 | \$113,567,809 |

(b) Loans and Bills Discounted at March 31, 1999 include loans of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|------|---------------------------|
| | 1999 | 1998 | 1999 |
| Loans under Bankruptcy* | ¥ 763,633 | | \$ 6,334,575 |
| Loans Past Due* | 2,262,274 | | 18,766,277 |
| Loans Past Due Three Months or More* | 231,727 | | 1,922,256 |
| Restructured Loans* | 228,781 | | 1,897,815 |

*see Note for (c)

(c) The Bank's Loans and Bills Discounted of March 31, 1999 and 1998 include loans of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 1999 | 1998 | 1999 |
| Loans under Bankruptcy* | ¥ 759,516 | ¥218,477 | \$ 6,300,425 |
| Loans Past Due* | 2,258,041 | 650,841 | 18,731,160 |
| Loans Past Due Three Months or More* | 230,925 | 155,811 | 1,915,600 |
| Restructured Loans* | 227,817 | 353,412 | 1,889,815 |

* "Loans under Bankruptcy" refers to loans on which the accrual of interest has ceased, because collection or repayment of principal or interest can no longer be expected as repayment of principal or payment of interest has been in arrears for a substantially long period, or for other such reasons (written-off portion excluded).

"Loans Past Due" refers to loans on which the accrual of interest has ceased and which do not fall into the category of "Loans under Bankruptcy" or loans on which a postponement of interest payments has been granted in order to reorganize or assist the borrower's business.

"Loans Past Due Three Months or More" refers to loans on which repayment of principal or payment of interest is in arrears by three months or more starting from the day following the contractual payment date, and which do not fall into the category of "Loans under Bankruptcy" or "Loans Past Due."

"Restructured Loans" refers to loans on which interest has been reduced or waived, or a postponement of interest payments or principal repayment has been granted, or a disclaimer or some other arrangement beneficial to the borrower has been granted in order to reorganize or assist the borrower's business, and which do not fall into any of the categories of "Loans under Bankruptcy," "Loans Past Due" or "Loans Past Due Three Months or More."

6.

Other Assets

Other Assets at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-------------------|-------------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Other Assets: | | | |
| Accrued Income | ¥ 179,598 | ¥ 174,419 | \$ 1,489,827 |
| Prepaid Expenses | 2,831 | 2,713 | 23,485 |
| Temporary Nationalization Account* | 2,786,889 | — | 23,118,122 |
| Other** | 933,599 | 1,445,860 | 7,744,503 |
| Total | ¥3,902,919 | ¥1,622,992 | \$32,375,937 |

* "Temporary Nationalization Account" consists of the amounts equivalent to the estimated amount of monetary grants pursuant to the Deposit Insurance Law and of monetary compensation pursuant to the Financial Reconstruction Law which are yet to be received and will be provided for in accordance with the laws so as to ensure the fulfillment of the Bank's debt obligations under temporary nationalization.

** "Other" at March 31, 1999 and 1998 included temporary tax payments of ¥133,317 million. The Bank made these payments as a consequence of the receipt of a correction notice from the Tokyo Regional Tax Bureau on August 23, 1996 in connection with certain claims written-off due from The Daiichi Housing Loan Co., Ltd. amounting to ¥236,720 million and recorded in the year ended March 31, 1996. The Bank filed a request for a

review with the National Tax Tribunal on September 6, 1996 claiming that the reason for the reassessment was not acceptable. The Bank received a written verdict rejecting the above request on October 28, 1997. The Bank petitioned the Tokyo District Court for a repeal of the correction notice on November 14, 1997 and the matter is still in dispute.

If it becomes certain that the Bank will win the related lawsuit and that corporate taxes and other refunds will be received, other assets related to this case will be deducted. If the Bank loses the related lawsuits, other assets related to this case will be deducted and the amount treated as an expense.

7. Premises and Equipment

Premises and Equipment at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-------------------------------------|-----------------|-----------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Premises and Equipment: | | | |
| Land, Buildings and Equipment | ¥98,263 | ¥152,197 | \$815,127 |
| Construction in Progress | — | 1,563 | — |
| Security Deposits..... | 15,747 | 14,112 | 130,634 |
| Accumulated Depreciation | (31,585) | (40,435) | (262,015) |
| Total | ¥82,425 | ¥127,438 | \$683,746 |

8. Debentures

Debentures at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------------|-------------------|--------------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Debentures: | | | |
| Long-Term Yen Debentures..... | ¥6,119,727 | ¥ 8,675,669 | \$50,765,055 |
| One-Year Yen Debentures..... | 1,535,809 | 3,241,459 | 12,740,017 |
| Foreign Currency Notes and Bonds..... | 24,787 | 59,297 | 205,619 |
| Subordinated Debentures..... | 285,446 | 290,782 | 2,367,869 |
| Convertible Notes and Bonds | — | 1,468 | — |
| Total | ¥7,965,770 | ¥12,268,677 | \$66,078,560 |

9. Deposits

Deposits at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-------------------|-------------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Deposits: | | | |
| Current..... | ¥ 379,028 | ¥ 109,922 | \$ 3,144,162 |
| Ordinary | 232,940 | 290,112 | 1,932,318 |
| Notice..... | 159,368 | 183,345 | 1,322,012 |
| Time..... | 1,774,230 | 2,966,267 | 14,717,794 |
| Other..... | 169,548 | 973,199 | 1,406,460 |
| Subtotal..... | 2,715,117 | 4,522,847 | 22,522,746 |
| Negotiable Certificates of Deposit..... | 656,851 | 1,432,376 | 5,448,790 |
| Total | ¥3,371,968 | ¥5,955,224 | \$27,971,536 |

10. Trading Liabilities

Trading Liabilities at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Trading Liabilities: | | | |
| Trading Securities Sold as Short Sales | ¥ — | ¥ 9,994 | \$ — |
| Derivatives of Trading Securities | 29 | 2 | 243 |
| Securities Related to Trading Transactions Sold as Short Sales..... | — | 38,663 | — |
| Derivatives of Securities Related to Trading Transactions..... | — | 0 | — |
| Trading-Related Financial Derivatives | 553,312 | 672,829 | 4,589,905 |
| Other | — | 77,708 | — |
| Total | ¥553,342 | ¥799,198 | \$4,590,148 |

11.

Borrowed Money

Borrowed Money at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-------------------|-------------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Borrowed Money: | | | |
| Bills Rediscounted | ¥ — | ¥ 19,141 | \$ — |
| Subordinated Debt | 794,000 | 805,000 | 6,586,479 |
| Borrowings from the Bank of Japan and Other Financial Institutions..... | 2,839,587 | 652,929 | 23,555,269 |
| Total | ¥3,633,587 | ¥1,477,071 | \$30,141,748 |

12.

Foreign Exchange

The assets and liabilities included under this caption relate to the foreign currency trade financing activities of the Bank which, at March 31, 1999 and 1998, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------------|-----------------|----------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Foreign Exchange Assets: | | | |
| Foreign Bills Bought | ¥ 1,505 | ¥29,315 | \$ 12,488 |
| Foreign Bills Receivable | 4,216 | 15,535 | 34,973 |
| Advances to Foreign Banks | 0 | 0 | 1 |
| Due from Foreign Banks | 15,335 | 2,428 | 127,217 |
| Total | ¥21,057 | ¥47,280 | \$174,679 |
| Foreign Exchange Liabilities: | | | |
| Foreign Bills Sold | ¥ 1 | ¥ 24 | \$ 11 |
| Foreign Bills Payable..... | 3 | 215 | 25 |
| Advances from Foreign Banks | 438 | 814 | 3,638 |
| Due to Foreign Banks..... | 558 | 339 | 4,631 |
| Total | ¥ 1,001 | ¥ 1,393 | \$ 8,305 |

13.

Other Liabilities

Other Liabilities at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------------|-------------------|-------------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Other Liabilities: | | | |
| Accrued Expenses | ¥ 167,896 | ¥ 214,424 | \$1,392,754 |
| Unearned Income | 15,904 | 23,627 | 131,934 |
| Income Taxes Payable | 536 | 1,283 | 4,451 |
| Employees' Deposits | 3,907 | 5,583 | 32,418 |
| Other..... | 855,343 | 2,449,381 | 7,095,342 |
| Total | ¥1,043,589 | ¥2,694,300 | \$8,656,899 |

14.

Special Statutory Reserves

Special Statutory Reserves at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Special Statutory Reserves: | | | |
| Reserve for Price Fluctuations of Government Bonds | ¥— | ¥— | \$— |
| Reserve for Losses on Trading Account Securities | — | — | — |
| Reserve for Contingent Liabilities from Financial Futures Transactions | 6 | 8 | 54 |
| Reserve for Contingent Liabilities from Securities Futures Transactions | — | 5 | — |
| Total | ¥ 6 | ¥14 | \$54 |

15.

Acceptances and Guarantees

Acceptances and Guarantees at March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------|-----------------|-----------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Acceptances and Guarantees: | | | |
| Guarantees | ¥464,168 | ¥681,109 | \$3,850,418 |
| Letters of Credit | 12,821 | 10,705 | 106,354 |
| Acceptances | 83 | 442 | 692 |
| Other | 22,623 | 774 | 187,668 |
| Total | ¥499,695 | ¥693,032 | \$4,145,132 |

16.

Common and Preferred Stock

The authorized and issued shares of the Bank at March 31, 1999 and 1998 were as follows:

| | 1999 | 1998 |
|-----------------------|---------------|---------------|
| Authorized Shares: | | |
| Common Stock | 5,000,000,000 | 4,000,000,000 |
| Preferred Stock | 500,000,000 | 100,000,000 |
| Shares Issued: | | |
| Common Stock | 2,417,075,212 | 2,392,904,212 |
| Preferred Stock | 100,000,000 | 100,000,000 |

17.

Trading Revenue

Trading Revenue for the years ended March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Trading Revenue: | | | |
| Revenue from Securities and Derivatives | | | |
| Related to Trading Transactions | ¥1,033 | ¥1,379 | \$ 8,569 |
| Revenue from Trading-Related Financial Derivatives Transactions | — | 3,227 | — |
| Other | 2,219 | 816 | 18,408 |
| Total | ¥3,252 | ¥5,422 | \$26,977 |

18.

Other Operating Income

Other Operating Income for the years ended March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|-----------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Other Operating Income: | | | |
| Gain on Foreign Exchange Transactions, Net | ¥ 8,503 | ¥ 4,524 | \$ 70,541 |
| Gain on Sales of Bonds | 26,572 | 108,173 | 220,429 |
| Gain on Redemption of Bonds | 1,964 | 10,718 | 16,293 |
| Other | 11,837 | 17,536 | 98,193 |
| Total | ¥48,877 | ¥140,952 | \$405,456 |

19.

Other Income

Other Income for the years ended March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-------------------|-----------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Other Income: | | | |
| Gain on Sales of Stocks and Other Equity-Related Securities | ¥ 17,685 | ¥219,451 | \$ 146,709 |
| Gain on Money Held in Trust | 387 | 10,153 | 3,218 |
| Equity in Net Income of Affiliates* | 40 | — | 338 |
| Gain on Disposal of Premises and Equipment | 52,716 | 36,790 | 437,299 |
| Collection of Written-off Claims | 130 | 96 | 1,083 |
| Transfer to Temporary Nationalization Account** | 2,786,889 | — | 23,118,121 |
| Other | 6,422 | 3,620 | 53,279 |
| Total | ¥2,864,273 | ¥270,112 | \$23,760,047 |

*Effective April 1, 1998, "Equity in Net Income of Affiliates" has been classified as an item in Loss before Income Taxes and Others.

**Regarding the "Temporary Nationalization Account," refer to "Other Assets" on page 30.

20.

Trading Expenses

Trading Expenses for the years ended March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Trading Expenses: | | | |
| Expenses on Securities Related to Trading Transactions | ¥ 7,362 | ¥6,204 | \$ 61,071 |
| Expenses on Trading-Related Financial Derivatives Transactions | 20,275 | — | 168,188 |
| Total | ¥27,637 | ¥6,204 | \$229,259 |

21.

Other Operating Expenses

Other Operating Expenses for the years ended March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Other Operating Expenses: | | | |
| Amortization of Debenture Issuance Expenses | ¥ 2,219 | ¥ 4,236 | \$ 18,415 |
| Loss on Sales of Bonds | 33,550 | 113,221 | 278,312 |
| Loss on Redemption of Bonds | 5,032 | 14,970 | 41,750 |
| Loss on Devaluation of Bonds | 2,343 | 261 | 19,444 |
| Other | 7,805 | 1,691 | 64,751 |
| Total | ¥50,953 | ¥134,380 | \$422,672 |

22.

Other Expenses

Other Expenses for the years ended March 31, 1999 and 1998 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-------------------|-----------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Other Expenses: | | | |
| Provision for Possible Loan Losses | ¥1,191,480 | ¥305,348 | \$ 9,883,700 |
| Claims Written-off | 3,963 | 51,507 | 32,878 |
| Loss on Sales of Stocks and Other Equity-Related Securities | 72,286 | 33,540 | 599,638 |
| Loss on Devaluation of Stocks and Other Securities | 285,679 | 14,522 | 2,369,803 |
| Loss on Money Held in Trust | 8,831 | 23,890 | 73,262 |
| Enterprise Tax ⁽¹⁾ | — | (27,967) | — |
| Loss on Disposal of Premises and Equipment | 1,538 | 1,822 | 12,760 |
| Provision for Retirement Allowances ⁽²⁾ | — | 7,815 | — |
| Estimated Losses on Inappropriate Assets ⁽³⁾ | 1,831,227 | — | 15,190,608 |
| Provision for Disposition of Specific Assets | 79,714 | — | 661,261 |
| Losses, etc., on Sales of Government and Other Bonds Made According to Operating Criteria ⁽⁴⁾ | 101,899 | — | 845,286 |
| Expenses Related to Withdrawal from Overseas Business | 2,510 | — | 20,824 |
| Other* | 131,312 | 234,168 | 1,089,283 |
| Total | ¥3,710,444 | ¥644,648 | \$30,779,303 |

* (1) Effective April 1, 1998, "Enterprise Tax" has been included in Income Taxes on page 22.

(2) Provision for Retirement Allowances represents the amount of the provision for prior-period retirement allowances which resulted from changes in the criteria followed by the Bank in determining the payment of retirement allowances.

(3) The amount of this reserve is based on the estimated losses on loans sold to the Resolution and Collection Corporation, which the Financial Reconstruction Commission has deemed to be inappropriate for the Bank to hold, and estimated losses that may arise due to trading and other specified transactions which the Bank has contracted with counterparties and others.

(4) These losses were incurred on the sale of government and other bonds under operating criteria established under specific procedural criteria for the Bank, which has been declared to be under temporary nationalization, based on Article 48 of the Financial Reconstruction Law.

*Other includes the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| Loss on Sales of Loans to the Cooperative Credit Purchasing Company, Limited | ¥ 9,585 | ¥ 5,745 | \$ 79,511 |
| Loss on Financial Support for Customers | 611 | 187,054 | 5,074 |
| Loss on Sales of the Bank's LDC Loans and Other Loans | 31,938 | 29,702 | 264,943 |
| Provision for Contingencies on Loans Sold | 82,172 | 9,462 | 681,644 |

23.

Lease Transactions

(a) As Lessee

(1) At March 31, 1999, finance lease transactions under which the ownership of the property is not transferred to the lessee are summarized as follows:

Future Finance Lease Payments at March 31, 1999 and 1998 are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------|-----------------|---------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Future Finance Lease Payments: | | | |
| Due within One Year | ¥1,942 | ¥1,910 | \$16,117 |
| Due after One Year | 4,129 | 4,939 | 34,259 |
| Total | ¥6,072 | ¥6,849 | \$50,376 |

Finance Lease Payments for the year ended March 31, 1999 and 1998 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------------------|-----------------|--------|------------------------------|
| | 1999 | 1998 | 1999 |
| Finance Lease Payments | ¥2,175 | ¥1,952 | \$18,046 |

(2) Operating lease transactions

Non-Cancelable Lease Payments at March 31, 1999 and 1998 are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------|-----------------|---------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Non-Cancelable Lease Payments: | | | |
| Due within One Year | ¥ 917 | ¥1,396 | \$ 7,609 |
| Due after One Year | 3,710 | 6,648 | 30,778 |
| Total | ¥4,627 | ¥8,044 | \$38,387 |

(b) As Lessor

(1) At March 31, 1998, finance lease transactions under which the ownership of the property is not transferred to the lessee are summarized as follows:

Future Finance Lease Receipts at March 31, 1999 and 1998 are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------|-----------------|------------|------------------------------|
| | 1999 | 1998 | 1999 |
| Future Finance Lease Receipts: | | | |
| Due within One Year | ¥— | ¥31 | \$— |
| Due after One Year | — | 61 | — |
| Total | ¥— | ¥92 | \$— |

Finance Lease Receipts for the year ended March 31, 1999 and 1998 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------------------|-----------------|------|------------------------------|
| | 1999 | 1998 | 1999 |
| Finance Lease Receipts | ¥— | ¥31 | \$— |

24.

Segment
Information

(a) Business Segment Information

The Bank and its Subsidiaries are engaged in banking and other related activities such as the securities, trust and leasing business and other businesses. Such segment information, however, has not been presented as the percentages of the other activities are not significant to the banking business.

(b) Geographic Segment Information

Ordinary Income and Expenses for the year ended March 31, 1999 and Assets at March 31, 1999 are presented by geographic segment as follows:

| | Millions of Yen | | | | | | |
|------------------------|-----------------|------------|--------|----------------|----------------|--------------|--------------------|
| | Japan | Americas | Europe | Asia & Oceania | Combined Total | Eliminations | Consolidated Total |
| Ordinary Income: | | | | | | | |
| Customers..... | ¥ 663,789 | ¥ 109,536 | ¥ 935 | ¥ 47,233 | ¥ 821,495 | ¥ — | ¥ 821,495 |
| Intersegment..... | 51,197 | 14,078 | 17 | 802 | 66,096 | (66,096) | — |
| Total..... | 714,986 | 123,615 | 952 | 48,035 | 887,591 | (66,096) | 821,495 |
| Ordinary Expenses .. | 2,237,395 | 178,600 | 833 | 84,310 | 2,501,140 | (87,999) | 2,413,140 |
| Ordinary Profit (Loss) | ¥(1,522,408) | ¥ (54,984) | ¥ 119 | ¥(36,274) | ¥(1,613,548) | ¥ 21,903 | ¥(1,591,645) |
| Assets..... | ¥22,247,496 | ¥1,551,359 | ¥2,384 | ¥173,995 | ¥23,975,235 | ¥(1,366,125) | ¥22,609,110 |

| | Thousands of U.S. Dollars | | | | | | |
|------------------------|---------------------------|--------------|----------|----------------|----------------|----------------|--------------------|
| | Japan | Americas | Europe | Asia & Oceania | Combined Total | Eliminations | Consolidated Total |
| Ordinary Income: | | | | | | | |
| Customers..... | \$ 5,506,343 | \$ 908,642 | \$ 7,756 | \$ 391,817 | \$ 6,814,558 | \$ — | \$ 6,814,558 |
| Intersegment..... | 424,698 | 116,786 | 149 | 6,656 | 548,289 | (548,289) | — |
| Total..... | 5,931,041 | 1,025,428 | 7,905 | 398,473 | 7,362,847 | (548,289) | 6,814,558 |
| Ordinary Expenses .. | 18,559,895 | 1,481,545 | 6,916 | 699,385 | 20,747,741 | (729,982) | 20,017,759 |
| Ordinary Profit (Loss) | \$(12,628,854) | \$(456,117) | \$ 989 | \$(300,912) | \$(13,384,894) | \$ 181,693 | \$(13,203,201) |
| Assets..... | \$184,549,948 | \$12,869,012 | \$19,782 | \$1,443,347 | \$198,882,089 | \$(11,332,441) | \$187,549,648 |

Ordinary Income and Expenses for the year ended March 31, 1998 and Assets at March 31, 1998 are presented by geographic segment as follows:

| | Millions of Yen | | | | | | |
|------------------------|-----------------|------------|-----------|----------------|----------------|--------------|--------------------|
| | Japan | Americas | Europe | Asia & Oceania | Combined Total | Eliminations | Consolidated Total |
| Ordinary Income: | | | | | | | |
| Customers..... | ¥ 1,001,147 | ¥ 149,842 | ¥162,525 | ¥ 96,539 | ¥ 1,410,055 | ¥ — | ¥ 1,410,055 |
| Intersegment..... | 231,958 | 76,315 | 98,728 | 1,904 | 408,907 | (408,907) | — |
| Total..... | 1,233,106 | 226,157 | 261,254 | 98,443 | 1,818,962 | (408,907) | 1,410,055 |
| Ordinary Expenses .. | 1,513,171 | 208,449 | 276,168 | 108,198 | 2,105,987 | (413,263) | 1,692,724 |
| Ordinary Profit (Loss) | ¥ (280,065) | ¥ 17,707 | ¥(14,913) | ¥ (9,754) | ¥ (287,025) | ¥ 4,356 | ¥ (282,669) |
| Assets..... | ¥25,403,946 | ¥1,973,359 | ¥357,838 | ¥1,027,362 | ¥28,762,506 | ¥(2,196,815) | ¥26,565,691 |

Ordinary Income (Expenses) represents Total Income (Expenses) excluding Gain (Loss) on Disposal of Premises and Equipment, Collection of Claims Written-off and Provision for (Reversal of) Special Statutory Reserves.

For the years ended March 31, 1999 and 1998, the classifications of geographic area were based on the degree of geographic contiguity, similarities in economic activities and the relationship of the business operations. Americas include the United States of America and Brazil, etc., Europe includes the United Kingdom and Switzerland, etc. and Asia/Oceania includes the People's Republic of China (including Hong Kong) and Australia, etc.

(c) Ordinary Income from International Operations

Ordinary Income from International Operations for the years ended March 31, 1999 and 1998 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
| | 1999 | 1998 | 1999 |
| (1) Ordinary Income from International Operations | ¥267,496 | ¥ 452,268 | \$2,218,969 |
| (2) Consolidated Ordinary Income..... | 821,495 | 1,410,055 | 6,814,558 |
| (1) As a Percentage of (2) | 32.6% | 32.1% | 32.6% |

Ordinary Income from International Operations represents the total of ordinary income generated by international operations excluding intercompany transactions.

25.

Income Taxes

Significant components of deferred tax assets and liabilities at March 31, 1999 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Deferred Tax Assets: | | |
| Reserve for Possible Loan Losses | ¥1,090,753 | \$ 9,048,146 |
| Net Operating Loss Carryforwards | 467,066 | 3,874,461 |
| Reserve for Contingencies on Loans Sold | 39,853 | 330,599 |
| Reserve for Disposition of Specific Assets | 32,576 | 270,236 |
| Write-Downs of Securities..... | 17,502 | 145,190 |
| Other..... | 10,461 | 86,784 |
| Subtotal..... | 1,658,215 | 13,755,415 |
| Valuation Allowance..... | (1,658,211) | (13,755,386) |
| Total Deferred Tax Assets..... | 3 | 28 |
| Deferred Tax Liabilities: | | |
| Leveraged Leases | ¥ 2,589 | \$ 21,483 |
| Net Deferred Tax Liabilities..... | ¥ 2,586 | \$ 21,455 |

26.

Book and Market Values of Securities (Non-Consolidated Basis)

(a) Listed Securities

The following represents the book and market values and unrealized gain (loss) on listed securities held by the Bank at March 31, 1999 and 1998.

Bonds included in Securities consisted of Japanese National Government Bonds, Japanese Local Government Bonds and Japanese Corporate Debentures.

The following Securities have been valued at their closing prices on the respective stock exchanges.

| 1999 | Millions of Yen | | | | |
|-----------------------|-------------------|-------------------|---------------------|-----------------|-----------------|
| | Book Value | Market Value | Net Unrealized Gain | Unrealized Gain | Unrealized Loss |
| Securities: | | | | | |
| Bonds..... | ¥ 13,735 | ¥ 14,986 | ¥ 1,250 | ¥ 1,257 | ¥ 6 |
| Stocks | 1,583,634 | 1,670,753 | 87,119 | 87,258 | 138 |
| Other Securities..... | 26,907 | 27,432 | 525 | 528 | 2 |
| Total | ¥1,624,277 | ¥1,713,173 | ¥88,895 | ¥89,043 | ¥147 |

| 1999 | Thousands of U.S. Dollars | | | | |
|-----------------------|---------------------------|---------------------|---------------------|------------------|-----------------|
| | Book Value | Market Value | Net Unrealized Gain | Unrealized Gain | Unrealized Loss |
| Securities: | | | | | |
| Bonds..... | \$ 113,943 | \$ 124,318 | \$ 10,375 | \$ 10,428 | \$ 53 |
| Stocks | 13,136,744 | 13,859,427 | 722,683 | 723,834 | 1,151 |
| Other Securities..... | 223,203 | 227,564 | 4,361 | 4,384 | 23 |
| Total | \$13,473,890 | \$14,211,309 | \$737,419 | \$738,646 | \$1,227 |

| 1998 | Millions of Yen | | | | |
|-----------------------|-------------------|-------------------|-----------------|-----------------|-----------------|
| | Book Value | Market Value | Unrealized Loss | Unrealized Gain | Unrealized Loss |
| Securities: | | | | | |
| Bonds..... | ¥ 836,593 | ¥ 818,061 | ¥ 18,532 | ¥ 2,302 | ¥ 20,834 |
| Stocks | 1,628,354 | 1,457,054 | 171,299 | 53,927 | 225,227 |
| Other Securities..... | 438,675 | 409,398 | 29,277 | 11,033 | 40,310 |
| Total | ¥2,903,623 | ¥2,684,513 | ¥219,109 | ¥67,263 | ¥286,372 |

(b) Unlisted Securities

The market value of the unlisted securities held by the Bank at March 31, 1999 and 1998 was estimated by the following methods:

Securities traded over-the-counter are principally valued at the selling prices announced by the Japan Securities Dealers Association, publicly placed bonds at the prices calculated at the indicated yield rates announced by the Japan Securities Dealers Association and securities in investments held in trust at the market prices announced by the authorized fund management companies.

| 1999 | Millions of Yen | | | | |
|-----------------------|-----------------|-----------------|---------------------|-----------------|-----------------|
| | Book Value | Market Value | Net Unrealized Gain | Unrealized Gain | Unrealized Loss |
| Securities: | | | | | |
| Bonds..... | ¥169,108 | ¥169,794 | ¥ 686 | ¥ 935 | ¥ 249 |
| Stocks | 12,728 | 14,842 | 2,114 | 3,592 | 1,478 |
| Other Securities..... | 1 | 1 | 0 | 0 | — |
| Total | ¥181,838 | ¥184,638 | ¥2,800 | ¥4,528 | ¥1,727 |

| 1999 | Thousands of U.S. Dollars | | | | |
|-----------------------|---------------------------|--------------------|---------------------|-----------------|-----------------|
| | Book Value | Market Value | Net Unrealized Gain | Unrealized Gain | Unrealized Loss |
| Securities: | | | | | |
| Bonds..... | \$1,402,809 | \$1,408,501 | \$ 5,692 | \$ 7,759 | \$ 2,067 |
| Stocks | 105,585 | 123,122 | 17,537 | 29,801 | 12,264 |
| Other Securities..... | 14 | 14 | 0 | 0 | — |
| Total | \$1,508,408 | \$1,531,637 | \$23,229 | \$37,560 | \$14,331 |

| 1998 | Millions of Yen | | | | |
|-----------------------|-----------------|-----------------|---------------------|-----------------|-----------------|
| | Book Value | Market Value | Net Unrealized Loss | Unrealized Gain | Unrealized Loss |
| Securities: | | | | | |
| Bonds..... | ¥294,112 | ¥288,640 | ¥ (5,471) | ¥ 366 | ¥ 5,838 |
| Stocks | 16,496 | 16,333 | (163) | 2,165 | 2,329 |
| Other Securities..... | 69,021 | 46,657 | (22,364) | 164 | 22,529 |
| Total | ¥379,630 | ¥351,630 | ¥(27,999) | ¥2,697 | ¥30,696 |

| 1999 | Millions of Yen | | | | |
|---------------------------|-----------------|--------------|----------------------------|-----------------|-----------------|
| | Book Value | Market Value | Net Unrealized Gain (Loss) | Unrealized Gain | Unrealized Loss |
| Money Held in Trust | ¥59,213 | ¥59,213 | ¥— | ¥— | ¥— |

| 1999 | Thousands of U.S. Dollars | | | | |
|---------------------------|---------------------------|--------------|----------------------------|-----------------|-----------------|
| | Book Value | Market Value | Net Unrealized Gain (Loss) | Unrealized Gain | Unrealized Loss |
| Money Held in Trust | \$491,198 | \$491,198 | \$— | \$— | \$— |

| 1998 | Millions of Yen | | | | |
|---------------------------|-----------------|--------------|---------------------|-----------------|-----------------|
| | Book Value | Market Value | Net Unrealized Loss | Unrealized Gain | Unrealized Loss |
| Money Held in Trust | ¥560,159 | ¥559,184 | ¥(974) | ¥257 | ¥1,232 |

27.

Book and Market Values of Money Held in Trust (Non-Consolidated Basis)

28.

Derivative Financial Instruments (Non-Consolidated Basis)

The contractual value or notional principal amount, market value or estimated market value and unrealized gain (loss) on derivative financial instruments of the Bank as of March 31, 1999 and 1998 are presented as follows.

(a) Interest Rate Related Transactions (Standard)

The following Interest Rate Related Transactions (Standard) are valued at their closing prices on the financial futures markets.

Amounts in parentheses represent option premiums reflected in the Balance Sheets.

| 1999 | Millions of Yen | | | |
|------------------------|--|------------------------|--------------|-----------------|
| | Contractual Value or Notional Principal Amount | | | Unrealized Loss |
| | Total | Maturity Over One Year | Market Value | |
| Interest Rate Futures: | | | | |
| Sold | ¥ — | ¥— | ¥ — | ¥— |
| Bought..... | 8,589 | — | 8,555 | 34 |
| Interest Rate Options: | | | | |
| Sold | | | | |
| Call | — | — | — | — |
| Put..... | — | — | — | — |
| Bought | | | | |
| Call | — | — | — | — |
| Put..... | — | — | — | — |
| Total | | | | ¥34 |

| 1999 | Thousands of U.S. Dollars | | | |
|------------------------|--|------------------------|--------------|-----------------|
| | Contractual Value or Notional Principal Amount | | | Unrealized Loss |
| | Total | Maturity Over One Year | Market Value | |
| Interest Rate Futures: | | | | |
| Sold | \$ — | \$— | \$ — | \$ — |
| Bought | 71,256 | — | 70,974 | 282 |
| Interest Rate Options: | | | | |
| Sold | | | | |
| Call | — | — | — | — |
| Put..... | — | — | — | — |
| Bought | | | | |
| Call | — | — | — | — |
| Put..... | — | — | — | — |
| Total | | | | \$282 |

| 1998 | Millions of Yen | | | |
|------------------------|--|------------------------|--------------|------------------------|
| | Contractual Value or Notional Principal Amount | | | Unrealized Gain (Loss) |
| | Total | Maturity Over One Year | Market Value | |
| Interest Rate Futures: | | | | |
| Sold | ¥ 342,016 | ¥94,216 | ¥342,195 | ¥(178) |
| Bought..... | 314,152 | — | 314,055 | (96) |
| Interest Rate Options: | | | | |
| Sold | | | | |
| Call | 780,101 | — | 1,040 | 299 |
| | (1,340) | | | |
| Put..... | 1,038,225 | — | 948 | 336 |
| | (1,284) | | | |
| Bought | | | | |
| Call | — | — | — | — |
| | (—) | | | |
| Put..... | 52,474 | — | 246 | 69 |
| | (177) | | | |
| Total..... | | | | ¥ 430 |

(b) Interest Rate Related Transactions (Over-the-Counter)

Amounts in parentheses represent option premiums reflected in the Balance Sheets.

| 1999 | Millions of Yen | | | |
|--|---|---------------------------|--------------|---------------------------|
| | Contractual Value or Notional Principal Amount | | Market Value | Unrealized Gain (Loss) |
| | Total | Maturity Over One Year | | |
| Forward Rate Agreements: | | | | |
| Sold..... | ¥ — | ¥ — | ¥ — | ¥ — |
| Bought..... | — | — | — | — |
| Interest Rate Swaps: | | | | |
| Receive Fixed and Pay Floating..... | 4,847,337 | 3,299,190 | 166,371 | 166,371 |
| Receive Floating and Pay Fixed..... | 1,714,796 | 1,022,888 | (84,701) | (84,701) |
| Receive Floating and Pay Floating..... | 242,110 | 152,765 | (293) | (293) |
| Receive Fixed and Pay Fixed..... | 63,816 | 1,389 | (11,053) | (11,053) |
| Interest Rate Swaptions: | | | | |
| Sold..... | 1,205 | 1,205 | 0 | (0) |
| | (—) | | | |
| Bought..... | 3,062 | 2,966 | 24 | 22 |
| | (2) | | | |
| Caps: | | | | |
| Sold..... | 24,275 | 8,566 | 9 | (8) |
| | (1) | | | |
| Bought..... | 20,658 | 8,566 | 9 | 9 |
| | (—) | | | |
| Floors: | | | | |
| Sold..... | 9,761 | 3,734 | 132 | (132) |
| | (—) | | | |
| Bought..... | 9,761 | 3,734 | 132 | 132 |
| | (—) | | | |
| Total..... | | | | ¥ 70,347 |

Amounts in parentheses represent option premiums reflected in the Balance Sheets.

| 1999 | Thousands of U.S. Dollars | | | |
|--|---|---------------------------|--------------|---------------------------|
| | Contractual Value or Notional Principal Amount | | Market Value | Unrealized Gain (Loss) |
| | Total | Maturity Over One Year | | |
| Forward Rate Agreements: | | | | |
| Sold..... | \$ — | \$ — | \$ — | \$ — |
| Bought..... | — | — | — | — |
| Interest Rate Swaps: | | | | |
| Receive Fixed and Pay Floating..... | 40,210,179 | 27,367,820 | 1,380,101 | 1,380,101 |
| Receive Floating and Pay Fixed..... | 14,224,773 | 8,485,177 | (702,624) | (702,624) |
| Receive Floating and Pay Floating..... | 2,008,384 | 1,267,238 | (2,431) | (2,431) |
| Receive Fixed and Pay Fixed..... | 529,381 | 11,526 | (91,690) | (91,690) |
| Interest Rate Swaptions: | | | | |
| Sold..... | 10,000 | 10,000 | 0 | (0) |
| | (—) | | | |
| Bought..... | 25,405 | 24,606 | 206 | 185 |
| | (21) | | | |
| Caps: | | | | |
| Sold..... | 201,371 | 71,060 | 80 | (67) |
| | (13) | | | |
| Bought..... | 171,371 | 71,060 | 80 | 80 |
| | (—) | | | |
| Floors: | | | | |
| Sold..... | 80,977 | 30,977 | 1,100 | (1,100) |
| | (—) | | | |
| Bought..... | 80,977 | 30,977 | 1,097 | 1,097 |
| | (—) | | | |
| Total..... | | | | \$ 583,551 |

| 1998 | Millions of Yen | | | |
|--|--|------------------------|--------------|------------------------|
| | Contractual Value or Notional Principal Amount | | | Unrealized Gain (Loss) |
| | Total | Maturity Over One Year | Market Value | |
| Forward Rate Agreements: | | | | |
| Sold..... | ¥ 27,667 | ¥ — | ¥ 21 | ¥ (21) |
| Bought..... | 21,043 | — | 28 | 28 |
| Interest Rate Swaps: | | | | |
| Receive Fixed and Pay Floating..... | 7,744,772 | 5,218,974 | 256,988 | 256,988 |
| Receive Floating and Pay Fixed..... | 3,290,438 | 1,885,804 | (126,673) | (126,673) |
| Receive Floating and Pay Floating..... | 667,337 | 254,106 | 378 | 378 |
| Receive Fixed and Pay Fixed..... | 81,425 | 63,816 | (13,070) | (13,070) |
| Interest Rate Swaptions: | | | | |
| Sold..... | 7,430 | 7,430 | 25 | (25) |
| | (—) | | | |
| Bought..... | 5,389 | 5,389 | 14 | 14 |
| | (—) | | | |
| Caps: | | | | |
| Sold..... | 41,698 | 15,278 | 20 | 39 |
| | (59) | | | |
| Bought..... | 37,735 | 11,315 | 18 | (35) |
| | (54) | | | |
| Floors: | | | | |
| Sold..... | 11,168 | 11,168 | 161 | (107) |
| | (54) | | | |
| Bought..... | 11,168 | 11,168 | 161 | 15 |
| | (145) | | | |
| Total..... | | | | ¥117,531 |

(c) Interest Rate Related Transactions for Trading Purposes (Standard)

The following Interest Rate Related Transactions for Trading Purposes (Standard) are excluded from (a) because the unrealized gain (loss) is reflected in the Statements of Operations. Interest Rate Related Transactions for Trading Purposes (Standard) are valued at their closing prices on the financial futures markets.

Amounts in parentheses represent option premiums reflected in the Balance Sheets.

| 1999 | Millions of Yen | | Thousands of U.S. Dollars | |
|-------------------------------|--|----------------|--|------------------|
| | Contractual Value or Notional Principal Amount | Market Value | Contractual Value or Notional Principal Amount | Market Value |
| Interest Rate Futures: | | | | |
| Sold..... | ¥23,637 | ¥23,751 | \$196,082 | \$197,023 |
| Bought..... | 15,564 | 15,703 | 129,117 | 130,264 |
| Interest Rate Options: | | | | |
| Sold | | | | |
| Call..... | — | — | — | — |
| | (—) | | (—) | |
| Put..... | — | — | — | — |
| | (—) | | (—) | |
| Bought | | | | |
| Call..... | — | — | — | — |
| | (—) | | (—) | |
| Put..... | — | — | — | — |
| | (—) | | (—) | |

| 1998 | Millions of Yen | |
|------------------------|--|-----------------|
| | Contractual Value or Notional Principal Amount | Market Value |
| Interest Rate Futures: | | |
| Sold | ¥ 98,655 | ¥ 98,722 |
| Bought..... | 160,622 | 160,769 |
| Interest Rate Options: | | |
| Sold | | |
| Call | — | — |
| | (—) | |
| Put..... | — | — |
| | (—) | |
| Bought | | |
| Call | — | — |
| | (—) | |
| Put..... | 2,624 | 0 |
| | (1) | |

(d) Interest Rate Related Transactions for Trading Purposes (Over-the-Counter)

The following Interest Rate Related Transactions for Trading Purposes (Over-the-Counter) are excluded from (b) because the unrealized gain (loss) is reflected in the Statements of Operations.

Amounts in parentheses represent option premiums reflected in the Balance Sheets.

| 1999 | Millions of Yen | | Thousands of U.S. Dollars | |
|--|--|-----------------|--|-----------------|
| | Contractual Value or Notional Principal Amount | Market Value | Contractual Value or Notional Principal Amount | Market Value |
| Forward Rate Agreements: | | | | |
| Sold | ¥ — | ¥ — | \$ — | \$ — |
| Bought..... | — | — | — | — |
| Interest Rate Swaps: | | | | |
| Receive Fixed and Pay Floating | 17,799,772 | 823,625 | 147,654,686 | 6,832,231 |
| Receive Floating and Pay Fixed | 17,915,192 | (832,515) | 148,612,130 | (6,905,979) |
| Receive Floating and Pay Floating..... | 656,546 | 217 | 5,446,257 | 1,808 |
| Receive Fixed and Pay Fixed..... | 6,505 | 4 | 53,963 | 38 |
| Interest Rate Swaptions: | | | | |
| Sold | 162,637 | 8,497 | 1,349,129 | 70,487 |
| | (3,172) | | (26,317) | |
| Bought..... | 162,637 | 8,497 | 1,349,129 | 70,487 |
| | (3,168) | | (26,288) | |
| Currency Swaptions: | | | | |
| Sold | — | — | — | — |
| | (—) | | (—) | |
| Bought..... | — | — | — | — |
| | (—) | | (—) | |
| Caps: | | | | |
| Sold | 771,104 | 151 | 6,396,555 | 1,255 |
| | (12,163) | | (100,902) | |
| Bought..... | 771,104 | 151 | 6,396,555 | 1,255 |
| | (12,138) | | (100,692) | |
| Floors: | | | | |
| Sold | 11,006 | 234 | 91,298 | 1,945 |
| | (231) | | (1,918) | |
| Bought..... | 11,006 | 234 | 91,298 | 1,945 |
| | (224) | | (1,865) | |

| 1998 | Millions of Yen | |
|--|--|-----------------|
| | Contractual Value or Notional Principal Amount | Market Value |
| Forward Rate Agreements: | | |
| Sold | ¥ — | ¥ — |
| Bought..... | — | — |
| Interest Rate Swaps: | | |
| Receive Fixed and Pay Floating | 25,862,964 | 934,566 |
| Receive Floating and Pay Fixed | 26,019,674 | (952,615) |
| Receive Floating and Pay Floating..... | 837,596 | 112 |
| Receive Fixed and Pay Fixed..... | 35,088 | 40 |
| Interest Rate Swaptions: | | |
| Sold | 337,935 | 11,729 |
| | (5,684) | |
| Bought..... | 339,256 | 11,744 |
| | (5,690) | |
| Currency Swaptions: | | |
| Sold | 1,321 | 7 |
| | (7) | |
| Bought..... | — | — |
| | (—) | |
| Caps: | | |
| Sold | 1,062,466 | 76 |
| | (17,495) | |
| Bought..... | 1,064,466 | 76 |
| | (17,468) | |
| Floors: | | |
| Sold | 76,468 | 760 |
| | (1,169) | |
| Bought..... | 76,468 | 760 |
| | (1,169) | |

(e) Currency Swaps

| 1999 | Millions of Yen | | | |
|---------------------------|------------------------------|-----------------|------------------|---------------------------|
| | Notional Principal Amount | | Market Value | Unrealized Gain (Loss) |
| Total | Maturity Over One Year | | | |
| Currency Swaps: | | | | |
| U.S. Dollars | ¥2,243,269 | ¥788,507 | ¥(24,430) | ¥(24,430) |
| Great Britain Pounds..... | 77,045 | 77,045 | 847 | 847 |
| Deutsche Marks..... | 30,463 | 30,463 | (1,097) | (1,097) |
| Other Currencies..... | 229,989 | 100,169 | (5,400) | (5,400) |
| Total | ¥2,580,767 | ¥996,185 | ¥(30,081) | ¥(30,081) |

| 1999 | Thousands of U.S. Dollars | | | |
|---------------------------|------------------------------|--------------------|--------------------|---------------------------|
| | Notional Principal Amount | | Market Value | Unrealized Gain (Loss) |
| Total | Maturity Over One Year | | | |
| Currency Swaps: | | | | |
| U.S. Dollars..... | \$18,608,619 | \$6,540,915 | \$(202,656) | \$(202,656) |
| Great Britain Pounds..... | 639,113 | 639,113 | 7,033 | 7,033 |
| Deutsche Marks..... | 252,708 | 252,708 | (9,108) | (9,108) |
| Other Currencies | 1,907,836 | 830,937 | (44,800) | (44,800) |
| Total | \$21,408,276 | \$8,263,673 | \$(249,531) | \$(249,531) |

| 1998 | Millions of Yen | | | |
|----------------------------|---------------------------|------------------------|------------------|------------------------|
| | Notional Principal Amount | | Market Value | Unrealized Gain (Loss) |
| | Total | Maturity Over One Year | | |
| Currency Swaps: | | | | |
| U.S. Dollars | ¥2,120,237 | ¥1,202,247 | ¥(16,051) | ¥(16,051) |
| Great Britain Pounds | 103,156 | 43,384 | 2,195 | 2,195 |
| Deutsche Marks | 37,698 | 32,962 | (470) | (470) |
| Other Currencies | 469,408 | 253,541 | (4,130) | (4,130) |
| Total | ¥2,730,501 | ¥1,532,136 | ¥(18,456) | ¥(18,456) |

The above amounts do not include Currency Swaps for Trading Purposes because the unrealized gain (loss) on such transactions has been reflected in the Statements of Operations.

(f) Currency Swaps for Trading Purposes

| 1999 | Millions of Yen | | Thousands of U.S. Dollars | |
|----------------------------|---------------------------|----------------|---------------------------|-----------------|
| | Notional Principal Amount | Market Value | Notional Principal Amount | Market Value |
| Currency Swaps: | | | | |
| U.S. Dollars | ¥1,639,563 | ¥9,654 | \$13,600,692 | \$80,089 |
| Great Britain Pounds | 1,987 | — | 16,486 | — |
| Deutsche Marks | 140,590 | (4,488) | 1,166,239 | (37,233) |
| Other Currencies | 297,640 | (3,612) | 2,469,020 | (29,969) |
| Total | ¥2,079,781 | ¥1,553 | \$17,252,437 | \$12,887 |

| 1998 | Millions of Yen | |
|----------------------------|---------------------------|---------------|
| | Notional Principal Amount | Market Value |
| Currency Swaps: | | |
| U.S. Dollars | ¥2,726,911 | ¥9,876 |
| Great Britain Pounds | 4,706 | (268) |
| Deutsche Marks | 207,342 | (1,782) |
| Other Currencies | 588,145 | (4,950) |
| Total | ¥3,527,106 | ¥2,875 |

(g) Foreign Exchange Related Transactions (Over-the-Counter)

The following Foreign Exchange Related Transactions (Over-the-Counter) at March 31, 1999 and 1998 have been valued at market for accounting purposes and the gain (loss) has been reflected in the Statements of Operations.

Amounts in parentheses represent option premiums reflected in the Balance Sheets.

| 1999 | Millions of Yen | Thousands of U.S. Dollars |
|--------------------|-------------------|---------------------------|
| | Contractual Value | Contractual Value |
| Foreign Exchange | | |
| Forward Contracts: | | |
| Sold | ¥232,977 | \$1,932,622 |
| Bought | 255,493 | 2,119,400 |
| Currency Options: | | |
| Sold | | |
| Call | 2,531 | 21,000 |
| | (132) | (1,101) |
| Put | 1,627 | 13,500 |
| | (68) | (565) |
| Bought | | |
| Call | 1,567 | 13,000 |
| | (67) | (556) |
| Put | 2,591 | 21,500 |
| | (130) | (1,081) |

| 1998 | Millions of Yen | |
|--------------------|-------------------|-------|
| | Contractual Value | |
| Foreign Exchange | | |
| Forward Contracts: | | |
| Sold..... | ¥3,363,007 | |
| Bought | 2,653,436 | |
| Currency Options: | | |
| Sold | | |
| Call..... | 2,190 | (156) |
| Put | 2,018 | (41) |
| Bought | | |
| Call..... | 1,146 | (102) |
| Put | 3,114 | (129) |

(h) Equity-Related Transactions

The following Equity-Related Transactions at March 31, 1998 are valued at their closing prices on the respective stock exchanges. The Bank has no outstanding positions arising from Equity-Related Transactions at March 31, 1999.

| 1998 | Millions of Yen | | | |
|----------------------|-------------------|------------------------------|-----------------|--------------------|
| | Contractual Value | | | |
| | Total | Maturity Over One Year | Market Value | Unrealized Gain |
| Stock Index Futures: | | | | |
| Sold..... | ¥9,243 | ¥— | ¥8,883 | ¥360 |
| Bought | — | — | — | — |
| Total | | | | ¥360 |

(i) Bond-Related Transactions (Standard)

The following Bond-Related Transactions (Standard) at March 31, 1999 and 1998 are valued at their closing prices on the respective stock exchanges.

Amounts in parentheses represent option premiums reflected in the Balance Sheets.

| 1999 | Millions of Yen | | | |
|-----------------------|-------------------|------------------------------|-----------------|--------------------|
| | Contractual Value | | | |
| | Total | Maturity Over One Year | Market Value | Unrealized Loss |
| Bond Futures: | | | | |
| Sold | ¥ — | ¥— | ¥ — | ¥— |
| Bought..... | 623 | — | 622 | 1 |
| Bond Futures Options: | | | | |
| Sold | | | | |
| Call | — | — | — | — |
| | (—) | | | |
| Put..... | — | — | — | — |
| | (—) | | | |
| Bought | | | | |
| Call..... | — | — | — | — |
| | (—) | | | |
| Put..... | — | — | — | — |
| | (—) | | | |
| Total | | | | ¥1 |

| 1999 | Thousands of U.S. Dollars | | | |
|-----------------------|---------------------------|------------------------|--------------|-----------------|
| | Contractual Value | | Market Value | Unrealized Loss |
| | Total | Maturity Over One Year | | |
| Bond Futures: | | | | |
| Sold | \$ — | \$— | \$ — | \$— |
| Bought | 5,173 | — | 5,161 | 12 |
| Bond Futures Options: | | | | |
| Sold | | | | |
| Call | — | — | — | — |
| | (—) | | | |
| Put | — | — | — | — |
| | (—) | | | |
| Bought | | | | |
| Call | — | — | — | — |
| | (—) | | | |
| Put | — | — | — | — |
| | (—) | | | |
| Total | | | | \$12 |

| 1998 | Millions of Yen | | | |
|-----------------------|-------------------|------------------------|--------------|------------------------|
| | Contractual Value | | Market Value | Unrealized Gain (Loss) |
| | Total | Maturity Over One Year | | |
| Bond Futures: | | | | |
| Sold | ¥1,076,702 | ¥— | ¥1,080,948 | ¥(4,244) |
| Bought | 1,076,850 | — | 1,080,498 | 3,647 |
| Bond Futures Options: | | | | |
| Sold | | | | |
| Call | — | — | — | — |
| | (—) | | | |
| Put | 1,307 | — | 1 | 0 |
| | (2) | | | |
| Bought | | | | |
| Call | — | — | — | — |
| | (—) | | | |
| Put | 1,319 | — | 3 | (2) |
| | (5) | | | |
| Total | | | | ¥ (599) |

(j) Bond-Related Transactions (Over-the-Counter)

The Bank has no positions of bond options at March 31, 1999 or 1998.

(k) Bond-Related Transactions for Trading Purposes (Standard)

| 1999 | Millions of Yen | | Thousands of U.S. Dollars | |
|-------------------------------------|-------------------|--------------|---------------------------|--------------|
| | Contractual Value | Market Value | Contractual Value | Market Value |
| Bond Futures: | | | | |
| Sold | ¥4,210 | ¥4,240 | \$34,929 | \$35,172 |
| Bought | — | — | — | — |
| 1998 | | | | |
| Millions of Yen | | | | |
| Contractual Value Market Value | | | | |
| Bond Futures: | | | | |
| Sold | ¥388 | ¥390 | | |
| Bought | — | — | | |

Non-Consolidated Six-Year Summary

The Long-Term Credit Bank of Japan, Limited

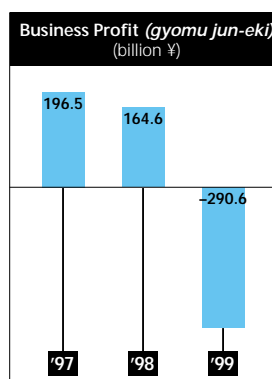
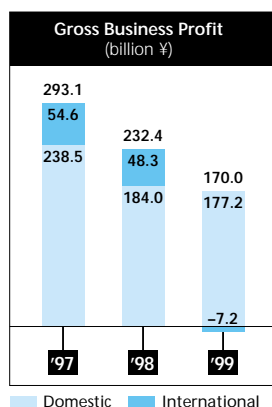
Non-Consolidated

| | Millions of Yen (Except Common Share Data and Number of Shares Issued) | | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|
| | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
| STATEMENTS OF OPERATIONS DATA | | | | | | |
| Years Ended March 31 | | | | | | |
| Net Interest Income: | | | | | | |
| Interest Income | ¥ 672,847 | ¥934,621 | ¥1,770,984 | ¥1,993,962 | ¥1,803,298 | ¥1,762,191 |
| Interest Expenses | 525,337 | 740,222 | 1,548,188 | 1,830,832 | 1,669,599 | 1,638,500 |
| | ¥ 147,509 | ¥194,399 | ¥ 222,795 | ¥ 163,130 | ¥ 133,698 | ¥ 123,691 |
| Fees and Commissions, Net: | | | | | | |
| Fees and Commissions (Income) | ¥ 23,410 | ¥ 46,302 | ¥ 23,264 | ¥ 30,538 | ¥ 26,076 | ¥ 24,414 |
| Fees and Commissions (Expenses) | 8,721 | 10,529 | 7,648 | 8,181 | 9,669 | 8,331 |
| | ¥ 14,689 | ¥ 35,773 | ¥ 15,616 | ¥ 22,357 | ¥ 16,406 | ¥ 16,082 |
| Trading, Net: | | | | | | |
| Trading Revenue | ¥ 2,988 | ¥ 1,477 | ¥ — | ¥ — | ¥ — | ¥ — |
| Trading Expenses | 277 | 6,158 | — | — | — | — |
| | ¥ 2,710 | ¥ (4,681) | ¥ — | ¥ — | ¥ — | ¥ — |
| Other Operating Income, Net: | | | | | | |
| Other Operating Income | ¥ 47,214 | ¥139,874 | ¥ 190,745 | ¥ 288,530 | ¥ 107,661 | ¥ 152,056 |
| Other Operating Expenses | 42,069 | 132,897 | 136,024 | 169,670 | 71,414 | 56,870 |
| | ¥ 5,145 | ¥ 6,976 | ¥ 54,720 | ¥ 118,860 | ¥ 36,247 | ¥ 95,186 |
| Net (Loss) Gain on Sales, Redemption and Devaluation of Bonds | (10,637) | (13,279) | 40,034 | 98,565 | 31,428 | 98,315 |
| Gross Business Profit | ¥ 170,054 | ¥232,468 | ¥ 293,131 | ¥ 304,347 | ¥ 186,353 | ¥ 234,959 |
| General and Administrative Expenses | 75,768 | 89,140 | 94,409 | 97,144 | 97,581 | 106,129 |
| Business (Loss) Profit (<i>gyomu jun-eki</i>) | (290,640) | 164,682 | 196,599 | 203,663 | 80,929 | 121,796 |
| Other Income | 2,860,053 | 268,631 | 349,080 | 469,632 | 457,262 | 351,189 |
| Transfer to Temporary Nationalization Account | 2,786,889 | — | — | — | — | — |
| Gain on Sales of Stocks and Other Equity-Related Securities | 17,685 | 219,353 | 319,830 | 441,153 | 427,531 | 267,008 |
| Other Expenses | 3,725,880 | 683,401 | 479,370 | 717,735 | 434,338 | 376,177 |
| Loss on Sales of Stocks and Other Equity-Related Securities | 72,216 | 33,540 | 20,587 | 18,882 | 20,827 | 8,358 |
| Loss on Devaluation of Stocks and Other Securities | 309,671 | 27,134 | 247,784 | 36,032 | 46,554 | 12,980 |
| Credit Costs | 2,831,545 | 616,528 | 208,657 | 649,970 | 343,319 | 287,411 |
| Provision for Retirement Allowances | — | 7,815 | — | — | — | — |
| Net Operating (Loss) Income | (1,602,233) | (320,005) | 18,081 | (110,476) | 18,146 | 42,092 |
| (Loss) Income before Income Taxes | (779,475) | (279,175) | 20,431 | (112,934) | 16,729 | 44,970 |
| Net (Loss) Income | (786,949) | (280,049) | 19,659 | (112,968) | 20,080 | 26,029 |
| Per Common Share (Yen) | | | | | | |
| Net (Loss) Income | ¥(325.65) | ¥(117.03) | ¥ 8.21 | ¥(47.20) | ¥ 8.39 | ¥ 10.87 |
| Cash Dividends | — | 6.00 | 6.00 | 6.00 | 8.00 | 8.00 |
| Total Stockholders' Equity | — | 274.63 | 397.66 | 394.44 | 449.65 | 449.33 |
| Number of Shares Issued (Thousands) | | | | | | |
| Common Stock | 2,417,075 | 2,392,904 | 2,392,904 | 2,392,904 | 2,392,904 | 2,392,889 |
| Preferred Stock | 100,000 | 100,000 | — | — | — | — |
| BALANCE SHEET DATA | | | | | | |
| March 31 | | | | | | |
| Total Assets | ¥23,194,401 | ¥26,190,005 | ¥29,164,608 | ¥29,515,431 | ¥31,720,185 | ¥29,762,490 |
| Loans and Bills Discounted | 13,614,752 | 15,765,016 | 18,860,703 | 18,981,796 | 18,889,719 | 19,153,719 |
| Securities | 2,094,811 | 4,134,587 | 5,172,033 | 5,399,802 | 4,915,322 | 4,587,305 |
| Debentures | 7,667,067 | 11,939,192 | 15,154,786 | 16,005,151 | 17,673,990 | 17,894,968 |
| Deposits, including NCDs | 3,363,049 | 5,912,211 | 8,072,196 | 6,949,256 | 7,387,668 | 6,211,179 |
| Total Stockholders' Equity | 0 | 787,167 | 951,574 | 943,880 | 1,075,991 | 1,075,204 |

Note: Interest expenses related to money held in trust (¥5.4 billion in 1999, ¥16.3 billion in 1998, ¥43.6 billion in 1997, ¥66.5 billion in 1996, ¥83.4 billion in 1995 and ¥49.9 billion in 1994) have been deducted from interest expenses. Expenses related to debentures (¥0.4 billion in 1999, ¥0.7 billion in 1998, ¥0.7 billion in 1997, ¥0.8 billion in 1996, ¥0.9 billion in 1995 and ¥1.2 billion in 1994) have been deducted from fees and commissions (expenses). The amortization of debenture issuance expenses (¥1.9 billion in 1999, ¥4.2 billion in 1998, ¥5.3 billion in 1997, ¥2.9 billion in 1996, ¥8.4 billion in 1995 and ¥7.1 billion in 1994) has been deducted from other operating expenses.

Non-Consolidated Income Analysis
Business Profit

LTCB's gross business profit declined ¥62.4 billion from the previous fiscal year, to ¥170.0 billion (US\$1,411 million). By source, net interest income fell ¥46.8 billion, to ¥147.5 billion (US\$1,224 million); fees and commissions, net, decreased ¥21.0 billion, to ¥14.6 billion (US\$122 million); trading, net, improved ¥7.3 billion, to ¥2.7 billion (US\$22 million); and other operating income, net, fell ¥1.8 billion, to ¥5.1 billion (US\$43 million). The Bank's gross business profit margin fell 9 basis points, from 0.95% to 0.86%.



| Years Ended March 31 | Billions of Yen | | |
|----------------------------------|-----------------|--------|----------|
| | 1999 | 1998 | 1997 |
| Interest Income | ¥672.8 | ¥934.6 | ¥1,770.9 |
| Domestic | 498.1 | 613.6 | 1,265.8 |
| International | 186.3 | 327.3 | 521.7 |
| Interest Expenses | 525.3 | 740.2 | 1,548.1 |
| Domestic | 329.3 | 420.4 | 1,051.6 |
| International | 207.6 | 326.1 | 513.1 |
| Net Interest Income | 147.5 | 194.3 | 222.7 |
| Domestic | 168.8 | 193.1 | 214.2 |
| International | (21.3) | 1.1 | 8.5 |
| Fees and Commissions (Income) | 23.4 | 46.3 | 23.2 |
| Domestic | 17.0 | 33.6 | 11.5 |
| International | 6.3 | 12.6 | 11.7 |
| Fees and Commissions (Expenses) | 8.7 | 10.5 | 7.6 |
| Domestic | 3.1 | 2.2 | 3.1 |
| International | 5.5 | 8.2 | 4.4 |
| Fees and Commissions, Net | 14.6 | 35.7 | 15.6 |
| Domestic | 13.8 | 31.3 | 8.3 |
| International | 0.8 | 4.4 | 7.2 |
| Trading Revenue | 2.9 | 1.4 | — |
| Domestic | 2.8 | (0.4) | — |
| International | 0.1 | 1.9 | — |
| Trading Expenses | 0.2 | 6.1 | — |
| Domestic | 4.0 | 7.5 | — |
| International | (3.7) | (1.3) | — |
| Trading, Net | 2.7 | (4.6) | — |
| Domestic | (1.2) | (8.0) | — |
| International | 3.9 | 3.3 | — |
| Other Operating Income | 47.2 | 139.8 | 190.7 |
| Domestic | 25.7 | 90.2 | 112.4 |
| International | 21.4 | 49.6 | 78.3 |
| Other Operating Expenses | 42.0 | 132.8 | 136.0 |
| Domestic | 29.9 | 122.7 | 96.4 |
| International | 12.0 | 10.1 | 39.5 |
| Other Operating Income, Net | 5.1 | 6.9 | 54.7 |
| Domestic | (4.2) | (32.4) | 15.9 |
| International | 9.3 | 39.4 | 38.7 |
| Gross Business Profit | 170.0 | 232.4 | 293.1 |
| Domestic | 177.2 | 184.0 | 238.5 |
| International | (7.2) | 48.3 | 54.6 |
| Gross Business Profit Margin (%) | 0.86% | 0.95% | 1.12% |
| Domestic | 0.99 | 0.92 | 1.12 |
| International | (0.28) | 1.00 | 0.96 |

Notes: 1) Domestic activities include domestic yen-denominated transactions. International activities include domestic branch transactions in foreign currencies and overseas transactions. Yen-denominated transactions for non-residents and transactions in the special reserve for international financial transactions are included in international activities.

2) Interest expenses related to money held in trust (¥5.4 billion in 1999, ¥16.3 billion in 1998 and ¥43.6 billion in 1997) have been deducted from interest expenses. Expenses related to debentures (¥0.4 billion in 1999, ¥0.7 billion in 1998 and ¥0.7 billion in 1997) have been deducted from fees and commissions (expenses). The amortization of debenture issuance expenses (¥1.9 billion in 1999, ¥4.2 billion in 1998 and ¥5.3 billion in 1997) has been deducted from other operating expenses.

3) Totals for domestic and international operations do not include interest income and expenses related to funds loaned or borrowed between these two operations.

4) Gross Business Profit Margin = Gross Business Profit / Average Balance of Interest-Earning Assets (shown on page 50)

Gross business profit from domestic operations declined ¥6.8 billion, to ¥177.2 billion. This was primarily because of the drop in net interest income by ¥24.3 billion, to ¥168.8 billion, and in fees and commissions, net, by ¥17.4 billion, to ¥13.8 billion, and the increase in other operating income, net, by ¥28.2 billion, to a negative ¥4.2 billion. As a result, the Bank's gross business profit margin for domestic operations rose 7 basis points, from 0.92% in the previous fiscal year to 0.99%.

In the Bank's international operations, gross business profit decreased ¥55.6 billion, to a negative ¥7.2 billion, owing to a ¥22.5 billion fall in net interest income and a ¥30.0 billion decline in other operating income, net. The gross business profit margin for international operations therefore fell 128 basis points, from 1.00% in the previous fiscal year to a negative 0.28%.

LTCB's business profit (*gyomu jun-eki*), which is the basic indicator of profitability of the core business operations of Japanese banks, fell ¥455.3 billion, from ¥164.6 billion to a loss of ¥290.6 billion (US\$2,411 million) as a result of making additional provisioning for the general loan loss reserve of ¥382.9 billion. Adjusted net business profit, before making provisioning for the general loan loss reserve, declined to ¥92.2 billion (US\$765 million), down ¥46.5 billion from the previous year.

In accordance with the objective of the temporary nationalization based on the Financial Reconstruction Law, LTCB recorded total credit-related costs, including additional provisioning for the general loan loss reserve, of ¥3,224.2 billion. Other income included ¥2,786.8 billion of the temporary nationalization account, which consists of the amount equivalent to the estimated amount of monetary grants pursuant to the Deposit Insurance Law and of monetary compensation pursuant to the Financial Reconstruction Law, which are yet to be received and will be provided for in accordance with the laws so as to ensure the fulfillment of the Bank's debt obligations under the temporary nationalization. As a consequence, net operating loss was ¥1,602.2 billion (US\$13,291 million), net loss totaled ¥786.9 billion (US\$6,528 million), and stockholders' equity was reduced to ¥0 million for the fiscal year under review.

Net Interest Income

The average balance of interest-earning assets for the fiscal year under review declined 19.2%, due to a drop in the balance of loans and bills discounted, securities, and interest-bearing deposits in other banks. The Bank's total return on interest-earning assets was down 42 basis points, to 3.41%, mainly due to continued low interest rates during the fiscal year.

The average balance of interest-bearing liabilities decreased 20.4%, because of lower balances of debentures and deposits. Also, reflecting the continuation of lower interest rates, the average rate paid on these liabilities fell 35 basis points, to 2.92%.

In domestic operations, the average balance of interest-earning assets decreased 10.6%, and the total return decreased 29 basis points, to 2.79%. Interest-bearing liabilities in domestic operations fell 10.4%, and the total cost of these liabilities declined 30 basis points, to 2.01%.

In international operations, the average balance of interest-earning assets decreased 46.7%, and the total return was up 47 basis points, to 7.27%. Interest-bearing liabilities dropped 50.7%, and the total cost was up 199 basis points, to 8.83%.

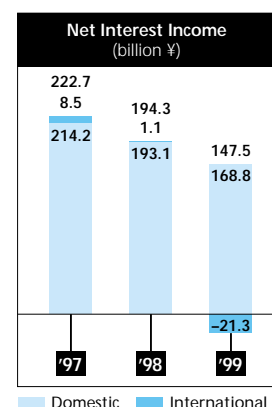
The net change in interest income was a decrease of ¥261.7 billion. This decline resulted from the combination of a ¥178.7 billion drop arising from a lower volume of the average balance of loans and bills discounted, securities, and interest-bearing deposits in other banks as well as an ¥83.0 billion decline due to lower interest rates.

Interest expenses were down ¥214.8 billion, resulting from a ¥150.7 billion drop in expenses stemming from a lower average balance of debentures and deposits as well as a decrease of ¥64.1 billion in interest expenses due to interest rate factors.

In domestic operations, interest income fell ¥115.4 billion, reflecting a ¥64.8 billion decline due to volume factors and a ¥50.5 billion decrease because of interest rate factors. Domestic interest expenses fell ¥91.0 billion, with ¥43.5 billion accounted for by volume and ¥47.5 billion by interest rate factors.

In international operations, interest income was down ¥141.0 billion, owing to a ¥152.9 billion decrease relating to volume factors and an ¥11.8 billion increase resulting from interest rate factors. Interest expenses in international operations were down ¥118.5 billion, because of a ¥165.1 billion decline resulting from volume factors and a ¥46.6 billion increase stemming from interest rate factors.

The Bank's net interest margin decreased 5 basis points, to 0.75%, as the net margin on domestic operations was down 2 basis points and the net margin on international operations was down 85 basis points.



Analysis of Interest-Earning Assets and Interest-Bearing Liabilities

| Years Ended March 31 | Billions of Yen, % | | | | | | | | |
|--|--------------------|---------------|--------------|------------------|---------------|--------------|------------------|-----------------|--------------|
| | 1999 | | | 1998 | | | 1997 | | |
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| Interest-Earning Assets | | | | | | | | | |
| Domestic..... | ¥17,799.0 | ¥498.1 | 2.79% | ¥19,905.2 | ¥613.6 | 3.08% | ¥21,231.9 | ¥1,265.8 | 5.96% |
| International | 2,561.7 | 186.3 | 7.27 | 4,810.5 | 327.3 | 6.80 | 5,651.9 | 521.7 | 9.23 |
| Total..... | ¥19,685.2 | ¥672.8 | 3.41% | ¥24,351.2 | ¥934.6 | 3.83% | ¥26,069.6 | ¥1,770.9 | 6.79% |
| Loans and Bills Discounted: | | | | | | | | | |
| Domestic..... | ¥13,170.2 | ¥259.5 | 1.97% | ¥14,886.7 | ¥360.4 | 2.42% | ¥15,374.4 | ¥ 447.3 | 2.90% |
| International | 1,556.0 | 82.8 | 5.32 | 2,879.3 | 170.9 | 5.93 | 3,499.3 | 196.7 | 5.62 |
| Total..... | ¥14,726.3 | ¥342.3 | 2.32% | ¥17,766.0 | ¥531.3 | 2.99% | ¥18,873.8 | ¥ 644.0 | 3.41% |
| Securities: | | | | | | | | | |
| Domestic..... | ¥ 3,386.6 | ¥ 66.4 | 1.96% | ¥ 4,275.8 | ¥102.6 | 2.40% | ¥ 4,707.6 | ¥ 111.2 | 2.36% |
| International | 252.2 | 9.2 | 3.64 | 494.3 | 22.4 | 4.54 | 556.5 | 36.7 | 6.60 |
| Total..... | ¥ 3,638.8 | ¥ 75.6 | 2.08% | ¥ 4,770.2 | ¥125.0 | 2.62% | ¥ 5,264.1 | ¥ 148.0 | 2.81% |
| Call Loans: | | | | | | | | | |
| Domestic..... | ¥ 541.6 | ¥ 1.4 | 0.27% | ¥ 310.2 | ¥ 1.4 | 0.45% | ¥ 212.0 | ¥ 1.0 | 0.48% |
| International | 59.3 | 3.0 | 5.16 | 47.5 | 2.8 | 5.96 | 61.4 | 3.5 | 5.72 |
| Total..... | ¥ 600.9 | ¥ 4.5 | 0.75% | ¥ 357.8 | ¥ 4.2 | 1.18% | ¥ 273.5 | ¥ 4.5 | 1.66% |
| Interest-Bearing Deposits in Other Banks: | | | | | | | | | |
| Domestic..... | ¥ 3.3 | ¥ 0.0 | 0.19% | ¥ 12.3 | ¥ 0.0 | 0.18% | ¥ 14.6 | ¥ 0.0 | 0.21% |
| International | 518.7 | 18.9 | 3.66 | 1,280.7 | 62.7 | 4.89 | 1,464.5 | 71.0 | 4.85 |
| Total..... | ¥ 522.0 | ¥ 19.0 | 3.64% | ¥ 1,293.1 | ¥ 62.7 | 4.85% | ¥ 1,479.2 | ¥ 71.0 | 4.80% |
| Interest-Bearing Liabilities | | | | | | | | | |
| Domestic..... | ¥16,306.9 | ¥329.3 | 2.01% | ¥18,191.1 | ¥420.4 | 2.31% | ¥20,013.6 | ¥1,051.6 | 5.25% |
| International | 2,351.7 | 207.6 | 8.83 | 4,766.7 | 326.1 | 6.84 | 5,523.3 | 513.1 | 9.29 |
| Total..... | ¥17,983.0 | ¥525.3 | 2.92% | ¥22,593.2 | ¥740.2 | 3.27% | ¥24,722.6 | ¥1,548.1 | 6.26% |
| Debentures: | | | | | | | | | |
| Domestic..... | ¥ 9,522.6 | ¥198.5 | 2.08% | ¥13,715.3 | ¥279.5 | 2.03% | ¥15,762.9 | ¥ 368.3 | 2.33% |
| International | 21.6 | 0.7 | 3.68 | 58.3 | 2.9 | 5.11 | 124.8 | 7.4 | 6.00 |
| Total..... | ¥ 9,544.2 | ¥199.3 | 2.08% | ¥13,773.7 | ¥282.5 | 2.05% | ¥15,887.7 | ¥ 375.8 | 2.36% |
| Deposits, excluding NCDs: | | | | | | | | | |
| Domestic..... | ¥ 2,159.3 | ¥ 13.9 | 0.64% | ¥ 2,387.4 | ¥ 13.3 | 0.55% | ¥ 2,760.1 | ¥ 14.2 | 0.51% |
| International | 1,146.0 | 46.5 | 4.06 | 3,701.3 | 176.7 | 4.77 | 3,960.2 | 204.2 | 5.15 |
| Total..... | ¥ 3,305.3 | ¥ 60.4 | 1.82% | ¥ 6,088.7 | ¥190.1 | 3.12% | ¥ 6,720.4 | ¥ 218.4 | 3.25% |
| Borrowed Money: | | | | | | | | | |
| Domestic..... | ¥ 2,596.4 | ¥ 40.5 | 1.56% | ¥ 1,028.6 | ¥ 33.6 | 3.26% | ¥ 889.2 | ¥ 35.4 | 3.98% |
| International | 323.7 | 13.3 | 4.12 | 333.1 | 14.7 | 4.43 | 238.1 | 10.6 | 4.47 |
| Total..... | ¥ 2,920.2 | ¥ 53.9 | 1.84% | ¥ 1,361.8 | ¥ 48.4 | 3.55% | ¥ 1,127.3 | ¥ 46.1 | 4.09% |
| Call Money: | | | | | | | | | |
| Domestic..... | ¥ 1,248.3 | ¥ 9.5 | 0.76% | ¥ 352.1 | ¥ 2.4 | 0.68% | ¥ 214.9 | ¥ 1.2 | 0.58% |
| International | 156.1 | 9.3 | 6.00 | 40.4 | 2.4 | 5.97 | 63.3 | 3.6 | 5.74 |
| Total..... | ¥ 1,404.4 | ¥ 18.9 | 1.34% | ¥ 392.5 | ¥ 4.8 | 1.22% | ¥ 278.3 | ¥ 4.8 | 1.75% |

Notes: 1) Average Rate = Interest / Average Balance

2) The average balances of non-interest-bearing deposits in other banks have been deducted from interest-earning assets. For domestic operations, these balances amounted to ¥71.0 billion in 1999, ¥35.5 billion in 1998 and ¥34.7 billion in 1997. For international operations, these balances amounted to ¥26.3 billion in 1999, ¥13.2 billion in 1998 and ¥6.9 billion in 1997. Similarly, the average balances of money held in trust and interest have been deducted from interest-bearing liabilities. The amounts equivalent to money held in trust in domestic operations were ¥237.8 billion in 1999, ¥673.3 billion in 1998 and ¥780.7 billion in 1997. The amounts equivalent to money held in trust in international operations were ¥7.8 billion in 1999, ¥11.7 billion in 1998 and ¥27.9 billion in 1997. Interest amounts in domestic operations were ¥4.8 billion in 1999, ¥15.5 billion in 1998, and ¥41.0 billion in 1997. Interest amounts in international operations were ¥0.6 billion in 1999, ¥0.8 billion in 1998 and ¥2.5 billion in 1997.

3) The average balances of funds loaned or borrowed as well as related interest between domestic and international operations have been offset in the total figures.

Analysis of Interest Income and Expenses

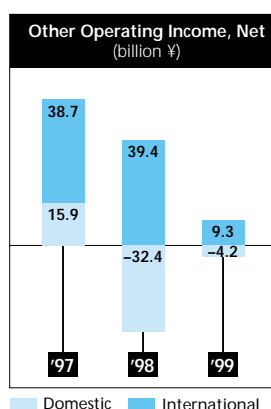
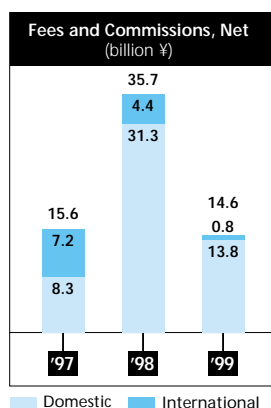
| Years Ended March 31 | Billions of Yen | | | | | |
|---|--------------------------------------|--|-----------------|--------------------------------------|--|-----------------|
| | 1999 versus 1998 | | | 1998 versus 1997 | | |
| | Due to Increase (Decrease) in Volume | Due to Increase (Decrease) in Interest Rates | Net Change | Due to Increase (Decrease) in Volume | Due to Increase (Decrease) in Interest Rates | Net Change |
| Interest Income | | | | | | |
| Domestic..... | ¥ (64.8) | ¥(50.5) | ¥(115.4) | ¥ (79.0) | ¥(573.1) | ¥(652.2) |
| International | (152.9) | 11.8 | (141.0) | (77.6) | (116.6) | (194.3) |
| Total..... | ¥(178.7) | ¥(83.0) | ¥(261.7) | ¥(116.6) | ¥(719.6) | ¥(836.3) |
| Loans and Bills Discounted: | | | | | | |
| Domestic..... | ¥ (41.5) | ¥(59.3) | ¥(100.8) | ¥ (14.1) | ¥ (72.7) | ¥ (86.8) |
| International | (78.4) | (9.7) | (88.1) | (34.8) | 9.1 | (25.7) |
| Total..... | ¥ (90.8) | ¥(98.1) | ¥(189.0) | ¥ (37.7) | ¥ (74.8) | ¥(112.6) |
| Securities: | | | | | | |
| Domestic..... | ¥ (21.3) | ¥(14.8) | ¥ (36.1) | ¥ (10.1) | ¥ 1.5 | ¥ (8.6) |
| International | (10.9) | (2.2) | (13.2) | (4.1) | (10.2) | (14.3) |
| Total..... | ¥ (29.6) | ¥(19.7) | ¥ (49.4) | ¥ (13.8) | ¥ (9.1) | ¥ (22.9) |
| Call Loans: | | | | | | |
| Domestic..... | ¥ 1.0 | ¥ (0.9) | ¥ 0.0 | ¥ 0.4 | ¥ (0.0) | ¥ 0.3 |
| International | 0.6 | (0.4) | 0.2 | (0.7) | 0.1 | (0.6) |
| Total..... | ¥ 2.8 | ¥ (2.5) | ¥ 0.3 | ¥ 1.3 | ¥ (1.6) | ¥ (0.2) |
| Interest-Bearing Deposits in Other Banks: | | | | | | |
| Domestic..... | ¥ (0.0) | ¥ (0.0) | ¥ (0.0) | ¥ (0.0) | ¥ (0.0) | ¥ (0.0) |
| International | (37.2) | (6.4) | (43.7) | (8.9) | 0.6 | (8.3) |
| Total..... | ¥ (37.3) | ¥ (6.3) | ¥ (43.7) | ¥ (8.9) | ¥ 0.6 | ¥ (8.3) |
| Interest Expenses | | | | | | |
| Domestic..... | ¥ (43.5) | ¥(47.5) | ¥ (91.0) | ¥ (95.6) | ¥(535.5) | ¥(631.2) |
| International | (165.1) | 46.6 | (118.5) | (70.2) | (116.6) | (186.9) |
| Total..... | ¥(150.7) | ¥(64.1) | ¥(214.8) | ¥(133.3) | ¥(674.6) | ¥(807.9) |
| Debentures: | | | | | | |
| Domestic..... | ¥ (85.1) | ¥ 4.0 | ¥ (81.0) | ¥ (47.7) | ¥ (41.0) | ¥ (88.7) |
| International | (1.8) | (0.3) | (2.1) | (3.9) | (0.5) | (4.5) |
| Total..... | ¥ (86.7) | ¥ 3.4 | ¥ (83.2) | ¥ (49.8) | ¥ (43.3) | ¥ (93.2) |
| Deposits: | | | | | | |
| Domestic..... | ¥ (1.2) | ¥ 1.8 | ¥ 0.5 | ¥ (1.9) | ¥ 1.0 | ¥ (0.8) |
| International | (121.8) | (8.3) | (130.2) | (13.3) | (14.1) | (27.4) |
| Total..... | ¥ (86.8) | ¥(42.8) | ¥(129.6) | ¥ (20.5) | ¥ (7.8) | ¥ (28.3) |
| Borrowed Money: | | | | | | |
| Domestic..... | ¥ 51.1 | ¥(44.1) | ¥ 6.9 | ¥ 5.5 | ¥ (7.3) | ¥ (1.8) |
| International | (0.4) | (1.0) | (1.4) | 4.2 | (0.1) | 4.1 |
| Total..... | ¥ 55.3 | ¥(49.8) | ¥ 5.5 | ¥ 9.5 | ¥ (7.2) | ¥ 2.2 |
| Call Money: | | | | | | |
| Domestic..... | ¥ 6.0 | ¥ 1.0 | ¥ 7.1 | ¥ 0.7 | ¥ 0.3 | ¥ 1.1 |
| International | 6.9 | 0.0 | 6.9 | (1.3) | 0.0 | (1.2) |
| Total..... | ¥ 12.3 | ¥ 1.7 | ¥ 14.0 | ¥ 1.9 | ¥ (2.0) | ¥ (0.0) |

Note: When net changes are due to changes in both volume and interest rate factors, these have been included in interest rate factors.

Net Interest Margin

| Years Ended March 31 | 1999 | 1998 | 1997 |
|--------------------------|---------------|-------|-------|
| Net Interest Margin..... | 0.75% | 0.80% | 0.85% |
| Domestic | 0.95 | 0.97 | 1.00 |
| International | (0.83) | 0.02 | 0.15 |

Note: Net Interest Margin = Net Interest Income / Average Balance of Interest-Earning Assets (shown on page 50)



Fees and Commissions, Net

Fees and commissions (income) decreased ¥22.8 billion, to ¥23.4 billion (US\$194 million). In domestic operations, fees and commissions (income) declined ¥16.5 billion, to ¥17.0 billion, owing to a substantial drop in those related to debenture, deposit, and loan businesses. In international operations, fees and commissions (income) decreased ¥6.3 billion, to ¥6.3 billion. Fees and commissions (expenses) declined ¥1.8 billion, to ¥8.7 billion (US\$72 million). As a consequence, fees and commissions, net, were down ¥21.0 billion compared to the prior fiscal year, to ¥14.6 billion (US\$122 million).

Trading, Net

Trading, net, increased ¥7.3 billion from the previous year, to ¥2.7 billion (US\$22 million). In domestic operations, trading, net, resulted in a loss of ¥1.2 billion mainly because of expenses on trading-related financial derivatives transactions, and in international operations, it amounted to ¥3.9 billion, mainly due to trading-related financial derivatives transactions.

Other Operating Income, Net

Despite the increase of ¥2.6 billion in net bond gains compared with the previous year, other operating income, net, fell ¥1.8 billion from the previous year, to ¥5.1 billion (US\$43 million).

General and Administrative Expenses

The Bank conducted a detailed review of its expenses, and its efforts at cost control led to a ¥13.3 billion reduction in general and administrative expenses, to ¥75.7 billion (US\$629 million). The increase of rental expenses of ¥5.1 billion resulted mainly from the sale and leaseback of offices. Expenditures reduced included employee compensation and certain other costs.

| Years Ended March 31 | Billions of yen | | |
|----------------------------|-----------------|--------------|--------------|
| | 1999 | 1998 | 1997 |
| Employee Compensation..... | ¥34.1 | ¥43.5 | ¥47.0 |
| Depreciation | 1.5 | 3.1 | 5.8 |
| Rental Expenses | 13.6 | 8.5 | 8.1 |
| Marketing | 0.9 | 2.2 | 2.2 |
| Taxes | 4.0 | 5.0 | 4.8 |
| Others..... | 21.3 | 26.5 | 26.2 |
| Total..... | ¥75.7 | ¥89.1 | ¥94.4 |
| Number of Employees | 2,797 | 3,499 | 3,690 |

Note: The number of employees does not include contract and other temporary staff members without full-time status or staff members hired outside Japan. Such employees totaled 468 in 1999, 731 in 1998, and 791 in 1997.

Other Income and Expenses

In accordance with the objective of the temporary nationalization based on the Financial Reconstruction Law, LTCB recorded total credit-related costs, including additional provisioning for the general loan loss reserve, of ¥3,224.2 billion, and, resultantly, other expenses amounted to ¥3,725.8 billion (US\$30,907 million). Other income, including the temporary nationalization account of ¥2,786.8 billion, amounted to ¥2,860.0 billion (US\$23,725 million). The temporary nationalization account consists of the amount equivalent to the estimated amount of monetary grants pursuant to the Deposit Insurance Law and of monetary compensation pursuant to the Financial Reconstruction Law, which are yet to be received and will be provided for in accordance with the laws to ensure the fulfillment of the Bank's debt obligations under the temporary nationalization. Net of other income and expenses was a negative ¥865.8 billion (US\$7,182 million).

Credit-Related Costs

| Years Ended March 31 | Billions of Yen | | |
|---|-----------------|---------------|---------------|
| | 1999 | 1998 | 1997 |
| Claims Written-off | ¥ 3.7 | ¥ 51.4 | ¥ 19.6 |
| Specific Reserve Provisioning | 2,624.3 | 333.0 | 59.5 |
| Loss on Sale of Loans to the CCPC | 9.5 | 5.7 | 13.2 |
| Provision for Contingencies on Loans Sold | 82.1 | 9.4 | 14.3 |
| Loss on Sale of the Bank's LDC Loan and Other Loans | 31.9 | 29.7 | 8.6 |
| Loss on Financial Support for Customers | — | 187.0 | 93.3 |
| Provision for Disposition of Specific Assets | 79.7 | — | — |
| Total (Credit Costs) | 2,831.5 | 616.5 | 208.6 |
| Transfer to General Loan Loss Reserve | 382.9 | (25.8) | (2.8) |
| Transfer to Country Risk Reserve | 9.8 | (1.4) | (5.6) |
| Total (Credit-Related Costs) | ¥3,224.2 | ¥589.1 | ¥200.1 |

Non-Consolidated Balance Sheet Analysis

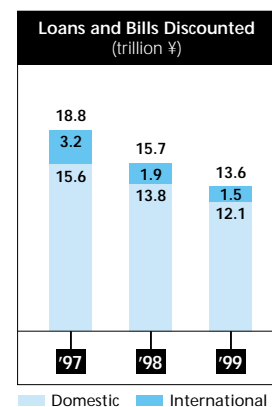
At fiscal year-end under review, the Bank's total assets were down ¥2,995.6 billion from the previous fiscal year-end, to ¥23,194.4 billion (US\$192,405 million). By specific item, loans and bills discounted fell ¥2,150.2 billion, to ¥13,614.7 billion (US\$112,939 million). Securities dropped ¥2,039.7 billion, to ¥2,094.8 billion (US\$17,377 million); debentures were down ¥4,272.1 billion, to ¥7,667.0 billion (US\$63,601 million); deposits, including NCDs, fell ¥2,549.1 billion, to ¥3,363.0 billion (US\$27,898 million).

The Bank borrowed ¥3,700.0 billion from the Deposit Insurance Corporation after the commencement of its temporary nationalization. The remaining balance of ¥2,700.0 billion was included in borrowed money. Reflecting the Bank's recording of total credit-related costs of ¥3,224.2 billion, including write-offs, making additional provisioning for loan loss reserves, and other measures, reserves for possible loan losses rose ¥2,918.4 billion, to ¥3,656.7 billion (US\$30,334 million). The temporary nationalization account, which was set up for consisting of the amount equivalent to the estimated amount of monetary grants pursuant to the Deposit Insurance Law and of monetary compensation pursuant to the Financial Reconstruction Law, amounted to ¥2,786.8 billion at fiscal year-end and was included in other assets. Stockholders' equity at fiscal year-end was reduced to ¥0 million, resulting from a net loss for the period of ¥786.9 billion (US\$6,528 million).

ASSETS

Loan Portfolio

As of March 31, 1999, loans and bills discounted amounted to ¥13,614.7 billion (US\$112,939 million), ¥2,150.2 billion lower than at the previous fiscal year-end, owing to the weakness of loan demand, the closing of overseas offices in accordance with the Bank's Corporate Restructuring Plan, and other factors. Of this total, loans of domestic divisions were down ¥1,692.3 billion, to ¥12,107.9 billion. Loans of international divisions fell ¥457.9 billion, to ¥1,506.8 billion, and the share of international lending dropped to 11.1%, from 12.5% at the previous fiscal year-end.



Loans and Bills Discounted

| March 31 | Billions of Yen | | | | | | | | |
|------------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|------------------|
| | 1999 | | | 1998 | | | 1997 | | |
| | Domestic | International | Total | Domestic | International | Total | Domestic | International | Total |
| Loans on Deeds | ¥ 6,281.4 | ¥1,373.8 | ¥ 7,655.3 | ¥ 8,055.7 | ¥1,796.3 | ¥ 9,852.1 | ¥ 9,559.1 | ¥2,992.6 | ¥12,551.8 |
| Loans on Notes | 4,004.8 | 128.0 | 4,132.9 | 3,043.1 | 149.7 | 3,192.9 | 2,955.6 | 242.9 | 3,198.5 |
| Overdrafts | 1,814.2 | 4.9 | 1,819.1 | 2,690.9 | 18.6 | 2,709.5 | 3,077.7 | 1.7 | 3,079.4 |
| Bills Discounted | 7.3 | — | 7.3 | 10.4 | — | 10.4 | 30.4 | 0.3 | 30.8 |
| Total | ¥12,107.9 | ¥1,506.8 | ¥13,614.7 | ¥13,800.2 | ¥1,964.8 | ¥15,765.0 | ¥15,623.0 | ¥3,237.6 | ¥18,860.7 |

Loans and Bills Discounted by Maturity and Interest Rate

| March 31, 1999 | Billions of Yen | | | | | | Total |
|-----------------------------|------------------|-----------------------------------|-------------------------------------|-------------------------------------|------------------|------------------|----------|
| | One Year or Less | More than One Year to Three Years | More than Three Years to Five Years | More than Five Years to Seven Years | Over Seven Years | Unspecified Term | |
| Maturity | | | | | | | |
| Fixed Interest Rate..... | ¥ / | ¥1,331.4 | ¥1,155.0 | ¥428.9 | ¥ 910.9 | ¥ — | ¥ / |
| Floating Interest Rate | / | 680.1 | 490.2 | 184.1 | 208.7 | 1,819.1 | / |
| Total | | ¥6,405.9 | ¥2,011.5 | ¥1,645.2 | ¥613.0 | ¥1,119.7 | ¥1,819.1 |

| March 31, 1998 | Billions of Yen | | | | | | Total |
|-----------------------------|------------------|-----------------------------------|-------------------------------------|-------------------------------------|------------------|------------------|----------|
| | One Year or Less | More than One Year to Three Years | More than Three Years to Five Years | More than Five Years to Seven Years | Over Seven Years | Unspecified Term | |
| Maturity | | | | | | | |
| Fixed Interest Rate..... | ¥ / | ¥1,906.6 | ¥1,531.6 | ¥622.0 | ¥1,223.0 | ¥ — | ¥ / |
| Floating Interest Rate | / | 850.4 | 536.0 | 227.6 | 760.5 | 2,709.5 | / |
| Total | | ¥5,397.3 | ¥2,757.1 | ¥2,067.7 | ¥849.6 | ¥1,983.6 | ¥2,709.5 |

Note: Loans and bills discounted with maturities of one year or less are not categorized by type of interest rate; thus, figures for one year or less and total figures are not available.

Loans and Bills Discounted by Type of Borrower

| March 31 | Billions of Yen | | |
|--|-----------------|-----------|-----------|
| | 1999 | 1998 | 1997 |
| Domestic: | | | |
| Manufacturing: | | | |
| Chemicals | ¥ 134.1 | ¥ 170.2 | ¥ 218.2 |
| Oil Refining | 90.0 | 115.7 | 151.1 |
| Iron and Steel | 138.0 | 134.2 | 166.3 |
| Nonferrous Metals | 58.4 | 61.1 | 83.7 |
| Machinery and Electrical Machinery and Equipment | 248.8 | 295.5 | 359.0 |
| Transportation Equipment..... | 77.1 | 83.3 | 123.2 |
| Others | 412.6 | 450.5 | 546.8 |
| Subtotal..... | 1,159.4 | 1,310.8 | 1,648.5 |
| Construction and Real Estate | 3,127.4 | 3,100.0 | 3,238.0 |
| Electric Utilities..... | 487.6 | 571.5 | 774.3 |
| Transportation and Communications | 813.2 | 983.1 | 1,193.3 |
| Wholesale and Retail Trading | 1,068.4 | 1,183.3 | 1,413.8 |
| Finance and Insurance..... | 3,024.0 | 3,703.5 | 4,018.4 |
| Services..... | 2,157.5 | 2,673.7 | 3,042.8 |
| Others | 1,124.1 | 1,113.4 | 1,242.7 |
| Subtotal..... | 11,802.7 | 13,328.8 | 14,923.6 |
| Total | 12,962.1 | 14,639.6 | 16,572.2 |
| International: | | | |
| Governments and Official Institutions..... | 23.9 | 68.5 | 153.2 |
| Banks and Other Financial Institutions | — | 60.0 | 61.2 |
| Commerce and Industries | 628.6 | 988.1 | 2,001.5 |
| Others | — | 8.6 | 72.4 |
| Total | 652.5 | 1,125.3 | 2,288.5 |
| TOTAL | ¥13,614.7 | ¥15,765.0 | ¥18,860.7 |

Loans and Bills Discounted by Type of Collateral

| March 31 | Billions of Yen | | |
|-------------------------------------|------------------|------------------|------------------|
| | 1999 | 1998 | 1997 |
| Securities | ¥ 573.1 | ¥ 580.0 | ¥ 297.4 |
| Accounts Receivable | 1,857.6 | 2,159.0 | 2,468.1 |
| Commodities | 5.2 | 2.5 | 10.0 |
| Real Estate | 2,445.8 | 2,940.5 | 3,509.5 |
| Factory Mortgages | 13.3 | 3.4 | 19.2 |
| Ships | 109.5 | 106.6 | 180.4 |
| Others | 3,410.8 | 3,775.2 | 4,669.0 |
| Subtotal | 8,415.6 | 9,567.5 | 11,154.0 |
| Guarantees | 2,338.4 | 3,274.6 | 3,873.5 |
| Unsecured, Unguaranteed Loans | 2,860.6 | 2,922.8 | 3,833.1 |
| Total | ¥13,614.7 | ¥15,765.0 | ¥18,860.7 |
| Including Subordinated Loans | ¥ 72.6 | ¥ 72.6 | ¥ 52.9 |

Overseas Exposure by Region

| March 31 | Millions of U.S. Dollars | | |
|---|--------------------------|-----------------|-----------------|
| | 1999 | 1998 | 1997 |
| The Americas | \$10,720 | \$10,238 | \$18,157 |
| Asia, except Japan | 2,690 | 4,495 | 6,300 |
| Europe | 728 | 1,904 | 3,740 |
| Oceania | 915 | 1,518 | 1,748 |
| Total, including other regions | \$15,170 | \$18,371 | \$30,313 |

Note: Exposure consists of loans and bills discounted and guarantees. This classification is based on the country of domicile of the borrowers.

In accordance with the Corporate Restructuring Plan, the Bank is withdrawing from its overseas operations, including the closure of overseas offices. Total overseas exposures at fiscal year-end amounted to US\$15,170 million. Exposures to borrowers in the Americas at fiscal year-end, however, were up slightly over the previous fiscal year-end because of the cancellation of a securitization program for exposures to U.S. corporations (US\$2.7 billion in securities issued). Thereafter, in May 1999, the Bank signed an agreement to sell its loan assets (financing commitments) extended to U.S. corporations, totaling US\$11.0 billion, to GE Capital.

ASSET QUALITY

With respect to loans and other related assets classified to be inappropriate for the Bank to hold ("Inappropriate Assets") by the Financial Reconstruction Commission, the Bank estimated losses on sales of such assets assuming that they would be sold to The Resolution and Collection Corporation and others and provided specific reserves for the possible losses. As for appropriate assets to be held for the Bank ("Appropriate Assets"), the Bank provided specific reserves for loans and other related assets with borrowers classified by the Bank's self-assessments as "possibly bankrupt," "virtually bankrupt," and "bankrupt," and the Bank made additional provisioning for general loan loss reserves for those categorized as "need caution" and "normal" based on the historical default ratios.

The Bank has provided country risk reserves at the reasonable estimate for the possible loan losses incurred with respect to withdrawal from overseas operations in accordance with the Bank's Corporate Restructuring Plan.

Consequently, total reserves for possible loan losses rose ¥2,918.4 billion, to ¥3,656.7 billion (US\$30,334 million) at fiscal year-end.

Results of Classification of Assets by the Financial Reconstruction Commission

Based on the Financial Reconstruction Law, the Financial Reconstruction Commission has examined the loans and other related assets of the Bank and classified these assets to be appropriate or inappropriate for the Bank to hold on a continuing basis. The results of this classification were reported to the Deposit Insurance Corporation in February 1999.

Based on the balance as of October 27, 1998, out of the Bank's loans and other related assets of ¥15,883.4 billion, ¥11,105.7 billion were classified as Appropriate Assets and ¥4,716.8 billion as Inappropriate Assets.

| October 27, 1998 | Billions of Yen (Except Number of Loans) | | | |
|--------------------------------------|--|-----------------|---------------|------------------|
| | Appropriate | Inappropriate | Recovered | Total |
| Loans and Other Related Assets | ¥11,105.7 | ¥4,716.8 | ¥ 60.9 | ¥15,883.4 |
| (Number of Loans) | (6,230) | (853) | (35) | (7,118) |
| Stocks | 1,871.2 | 103.5 | 64.3 | 2,039.0 |
| Bonds and Other Securities | 1,786.9 | 33.6 | 63.2 | 1,883.7 |
| Movables and Real Estate | 44.1 | 48.6 | — | 92.7 |
| Other Assets | 4,570.1 | 133.7 | — | 4,703.8 |
| Total | ¥19,378.0 | ¥5,036.2 | ¥188.4 | ¥24,602.6 |
| Derivatives (Notional Amounts) | ¥60,742.2 | ¥ 426.1 | ¥ 78.5 | ¥61,246.8 |

Notes: 1. These results are publicly disclosed by the Financial Reconstruction Commission.

2. The classification was conducted on assets as of October 27, 1998.

3. The number of loans excludes housing loans, loans secured by debentures, and overdrafts on composite accounts.

Problem Loans and Other Assets

As of March 31, 1999, the balance of risk monitored loans was ¥3,476.3 billion, increased by ¥2,097.7 billion compared to March 31, 1998. This increase was mainly attributable to the liquidation of certain affiliated companies and the increase in loans past due, principally in Inappropriate Assets.

The breakdown of risk monitored loans was as follows: loans under bankruptcy, ¥759.5 billion; loans past due, ¥2,258.0 billion; loans past due three months or more, ¥230.9 billion; and restructured loans, ¥227.8 billion. Risk monitored loans accounted for 25.5% of the Bank's total loans and bills outstanding at fiscal year-end.

In addition, under the standards of the Financial Reconstruction Law, the Bank's assets were categorized as follows at fiscal year-end: bankrupt and quasi-bankrupt, ¥3,542.1 billion; doubtful, ¥1,011.1 billion; and sub-standard, ¥129.2 billion. The total of these assets was ¥4,682.4 billion at March 31, 1999.

Risk Monitored Loans

| March 31 | Billions of Yen | | | | | | 1999 (Consolidated) |
|---|------------------|-----------------|------------------|----------------|------------|-------------|---------------------------|
| | 1999 | | 1998 | | 1997 | | |
| Loans under Bankruptcy | ¥ 759.5 | (5.58%) | ¥ 218.4 | (1.39%) | ¥ 109.0 | (0.58%) | ¥ 763.6 (5.58%) |
| Loans Past Due | 2,258.0 | (16.59) | 650.8 | (4.13) | 686.4 | (3.64) | 2,262.2 (16.52) |
| Loans Past Due Three Months or More | 230.9 | (1.70) | 155.8 | (0.99) | — | (—) | 231.7 (1.69) |
| Restructured Loans | 227.8 | (1.67) | 353.4 | (2.24) | — | (—) | 228.7 (1.67) |
| Total | ¥ 3,476.3 | (25.53%) | ¥ 1,378.5 | (8.74%) | ¥ — | (—) | ¥ 3,486.4 (25.47%) |
| Loans and Bills Discounted | ¥13,614.7 | (100.00%) | ¥15,765.0 | (100.00%) | ¥18,860.7 | (100.00%) | ¥13,690.5 (100.00%) |
| Total Loan Loss Reserve | ¥ 3,656.7 | | ¥ 738.3 | | ¥ 443.5 | | ¥ 3,664.7 |
| Reserve Coverage Ratio | 105.19% | | 53.56% | | — | | 105.11% |

Note: The figures in parentheses show the percentage share of total loans and bills discounted outstanding.

• **Loans under Bankruptcy**

Loans under bankruptcy are those loans for which interest is not being accrued because payments of interest and/or principal have been in arrears for a substantial period and for which, for other reasons, the collection or payment of the principal and/or interest is deemed unlikely and are outstanding to borrowers that have begun legal proceedings under the Corporate Reorganization Law, the Bankruptcy Law, the Composition Law, and other related laws or that are outstanding to borrowers that have had their transactions with the promissory note clearinghouse suspended.

• **Loans Past Due**

Loans past due are those loans for which interest is not being accrued because payments of interest or principal have been in arrears for a substantial period and for which, for other reasons, the collection or payment of the principal and interest is deemed unlikely, after exclusion of loans under bankruptcy and loans for which delays in interest payments have been granted with the objective of corporate restructuring or assisting the obligor.

• **Loans Past Due Three Months or More**

Loans past due three months or more are those loans for which principal or interest is more than three months past due. This category excludes loans under bankruptcy and loans past due described above.

• **Restructured Loans**

Restructured loans are those loans for which the Bank has made certain concessions to borrowers, including the reduction of interest, or granting of a grace period for interest, and/or principal payments, or the forgiveness of the Bank's claims with the objectives of restoring the soundness of their operations and thus promoting the recovery of such exposure. This category excludes loans under bankruptcy, loans past due, and loans past due three months or more described above.

Assessment of Claims under the Financial Reconstruction Law

Asset quality of the following balance sheet items was assessed: loans and bills discounted, foreign exchange, securities lent, accrued income and suspense payment in other assets, and customers' liabilities for acceptances and guarantees. The quality of these assets was categorized as follows on the basis of the financial condition and operating performance of the obligor.

| March 31, 1999 | Billions of Yen |
|----------------------------------|------------------|
| Bankrupt and Quasi-Bankrupt..... | ¥ 3,542.1 |
| Doubtful..... | 1,011.1 |
| Sub-Standard | 129.2 |
| Total | ¥ 4,682.4 |
| Normal | ¥10,475.9 |
| Total Loan Loss Reserve | ¥ 3,656.7 |
| Reserve Coverage Ratio | 78.10% |

• **Bankrupt and Quasi-Bankrupt**

Claims against obligors under bankruptcy, reorganization, or similar proceedings as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Composition Law, and similar laws and obligors in similar condition

• **Doubtful**

Claims against obligors that are not yet in bankruptcy but have experienced deterioration in financial condition and operating performance and concerning which there is a high probability of contractual defaults in principal and interest payments

• **Sub-Standard**

Loans past due three months or more and restructured loans, excluding those categorized as bankrupt and quasi-bankrupt, and doubtful

• *Normal*

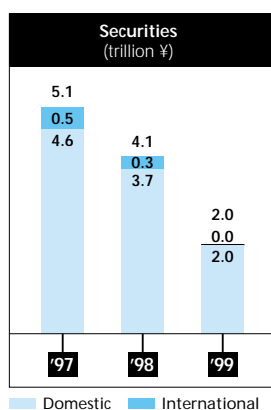
Claims against obligors that are experiencing no particular problems with financial condition or operating performance and excluding claims in the three categories just explained

Reserves for Possible Loan Losses

As a result of the measures previously described to resolve problem asset issues, the Bank's reserves for possible loan losses were as follows: specific reserve, ¥3,232.6 billion; general reserve, ¥413.7 billion; country risk reserve, ¥10.4 billion. Total loan loss reserves, therefore, amounted to ¥3,656.7 billion (US\$30,334 million).

The ratio of these reserves to risk monitored loans on a nonconsolidated basis was 105.19%. The ratio of these reserves to claims in the categories of bankrupt and quasi-bankrupt, doubtful, and sub-standard, assessed according to the standards of the Financial Reconstruction Law, was 78.10%.

| March 31 | Billions of Yen | | |
|---|-----------------|---------------|---------------|
| | 1999 | 1998 | 1997 |
| General..... | ¥ 413.7 | ¥ 30.7 | ¥ 56.6 |
| Specific | 3,232.6 | 706.8 | 384.8 |
| Of which, Non-Tax-Deductible Reserves | 2,315.3 | 357.2 | 70.1 |
| Country Risk | 10.4 | 0.7 | 2.0 |
| Total | ¥3,656.7 | ¥738.3 | ¥443.5 |



Securities Portfolio

Securities held by the Bank declined ¥2,039.7 billion, mainly due to lower holdings of Japanese national government bonds and corporate debentures, to ¥2,094.8 billion (US\$17,377 million). The breakdown of the portfolio was as follows: Japanese national government bonds were down ¥997.8 billion, to ¥197.9 billion; Japanese local government bonds fell ¥97.4 billion, to ¥24.9 billion; Japanese corporate debentures declined ¥203.7 billion, to ¥123.7 billion; and Japanese stocks were down ¥97.4 billion, to ¥1,659.0 billion.

For the fiscal year under review, the Bank changed the method of evaluation of securities listed on exchanges from the original cost to the lower of cost or market value method. Accordingly, the value of certain securities has been reduced to market value at the end of the fiscal year.

Securities

| March 31 | Billions of Yen | | | | | | | | |
|---|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|
| | 1999 | | | 1998 | | | 1997 | | |
| | Domestic | International | Total | Domestic | International | Total | Domestic | International | Total |
| Japanese National Government Bonds..... | ¥ 197.9 | ¥ — | ¥ 197.9 | ¥1,195.8 | ¥ — | ¥1,195.8 | ¥1,211.7 | ¥ — | ¥1,211.7 |
| Japanese Local Government Bonds..... | 24.9 | — | 24.9 | 122.3 | — | 122.3 | 456.2 | — | 456.2 |
| Japanese Corporate Debentures..... | 123.4 | 0.3 | 123.7 | 327.4 | 0.1 | 327.5 | 496.4 | 1.0 | 497.5 |
| Japanese Stocks | 1,659.0 | — | 1,659.0 | 1,756.4 | — | 1,756.4 | 2,249.0 | — | 2,249.0 |
| Other Securities..... | 4.5 | 78.9 | 83.4 | 56.7 | 353.1 | 409.8 | 62.7 | 561.4 | 624.2 |
| Securities Loaned | 5.5 | — | 5.5 | 322.4 | — | 322.4 | 133.1 | — | 133.1 |
| Total..... | ¥2,015.5 | ¥79.2 | ¥2,094.8 | ¥3,781.3 | ¥353.2 | ¥4,134.5 | ¥4,609.5 | ¥562.4 | ¥5,172.0 |

Note: Japanese stocks include treasury stock.

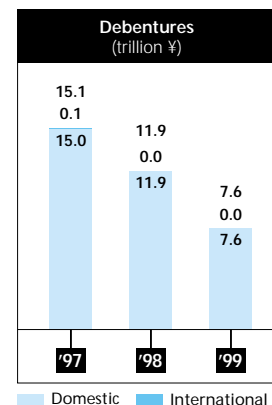
LIABILITIES

Sources of Funds

Debentures

LTCB's principal source of funds is from the issuance of coupon debentures in Japan with maturities of one, two, and five years and discount debentures with maturities of one year. These are purchased by institutional investors, other financial institutions, and individuals. At March 31, 1999, debentures outstanding were ¥7,667.0 billion (US\$63,601 million), down ¥4,272.1 billion from the previous fiscal year-end.

As of March 31, 1999, the balance of five-year coupon debentures in domestic operations declined ¥2,050.1 billion, to ¥5,485.3 billion. The balance of two-year coupon debentures fell ¥501.0 billion, to ¥628.1 billion. The balance of one-year discount debentures, which are purchased primarily by individuals, declined ¥2,318.9 billion, to ¥922.5 billion.



Debentures

| March 31 | Billions of Yen | | | | | | | | |
|-----------------------------------|-----------------|---------------|-----------------|------------------|---------------|------------------|------------------|---------------|------------------|
| | 1999 | | | 1998 | | | 1997 | | |
| | Domestic | International | Total | Domestic | International | Total | Domestic | International | Total |
| Five-Year Coupon Debentures..... | ¥5,485.3 | ¥17.7 | ¥5,503.1 | ¥ 7,535.4 | ¥33.1 | ¥ 7,568.6 | ¥ 8,119.5 | ¥102.5 | ¥ 8,222.0 |
| Two-Year Coupon Debentures..... | 628.1 | — | 628.1 | 1,129.1 | — | 1,129.1 | 1,569.8 | — | 1,569.8 |
| One-Year Coupon Debentures..... | 613.3 | — | 613.3 | | | | | | |
| One-Year Discount Debentures..... | 922.5 | — | 922.5 | 3,241.4 | — | 3,241.4 | 5,362.9 | — | 5,362.9 |
| Total | ¥7,649.2 | ¥17.7 | ¥7,667.0 | ¥11,906.0 | ¥33.1 | ¥11,939.1 | ¥15,052.2 | ¥102.5 | ¥15,154.7 |

Notes: 1) The value of debentures does not include debenture issuance expenses.

2) The category of five-year coupon debentures includes long-term coupon debentures (with lump-sum interest payments), foreign currency denominated long-term bonds and convertible bonds.

3) One-year coupon debentures have been issued since December 1998.

Debentures by Type and Maturity

| March 31, 1999 | Billions of Yen | | | | | Total |
|--------------------------|------------------|-----------------------------------|-------------------------------------|-------------------------------------|------------------|-----------------|
| | One Year or Less | More than One Year to Three Years | More than Three Years to Five Years | More than Five Years to Seven Years | Over Seven Years | |
| Coupon Debentures..... | ¥2,485.2 | ¥3,228.4 | ¥1,018.6 | ¥1.2 | ¥11.0 | ¥6,744.5 |
| Discount Debentures..... | 922.5 | | | | | 922.5 |
| Total | ¥3,407.7 | ¥3,228.4 | ¥1,018.6 | ¥1.2 | ¥11.0 | ¥7,667.0 |

Note: In addition to coupon debentures, at fiscal year-end coupon debentures included the following bonds issued by the Bank in overseas capital markets: U.S. dollar denominated bonds in the yen equivalent amount of ¥1.2 billion and Euroyen bonds of ¥16.5 billion.

| March 31, 1998 | Billions of Yen | | | | | Total |
|--------------------------|------------------|-----------------------------------|-------------------------------------|-------------------------------------|------------------|------------------|
| | One Year or Less | More than One Year to Three Years | More than Three Years to Five Years | More than Five Years to Seven Years | Over Seven Years | |
| Coupon Debentures..... | ¥2,356.8 | ¥3,830.4 | ¥2,483.5 | ¥7.9 | ¥18.9 | ¥ 8,697.7 |
| Discount Debentures..... | 3,241.4 | | | | | 3,241.4 |
| Total | ¥5,598.2 | ¥3,830.4 | ¥2,483.5 | ¥7.9 | ¥18.9 | ¥11,939.1 |

Note: In addition to coupon debentures, at fiscal year-end, coupon debentures included the following bonds issued by the Bank in overseas capital markets: U.S. dollar denominated bonds in the yen equivalent amount of ¥15.8 billion and Euroyen bonds of ¥17.2 billion and U.S. dollar convertible bonds in the yen equivalent amount of ¥1.4 billion.

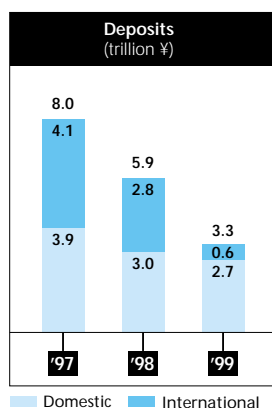
Deposits

The balance of the Bank's deposits, including NCDs, amounted to ¥3,363.0 billion (US\$27,898 million), down ¥2,549.1 billion from the previous fiscal year-end. Time deposits stood at ¥1,693.0 billion, ¥1,204.6 billion lower than at March 31, 1998, and accounted for 50.3% of total deposits. Liquid deposits, comprising deposits-at-notice and ordinary deposits as well as current deposits, amounted to ¥772.6 billion, up ¥188.7 billion from the previous year-end. NCDs declined ¥751.4 billion, to ¥656.8 billion, or 19.5% of total deposits.

Deposits

| March 31 | Billions of Yen | | | | | | | | |
|--------------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1999 | | | 1998 | | | 1997 | | |
| | Domestic | International | Total | Domestic | International | Total | Domestic | International | Total |
| Deposits: | | | | | | | | | |
| Time | ¥1,259.0 | ¥434.0 | ¥1,693.0 | ¥1,246.5 | ¥1,651.2 | ¥2,897.7 | ¥1,577.2 | ¥2,736.3 | ¥4,313.6 |
| Liquid | 771.4 | 1.1 | 772.6 | 571.7 | 12.0 | 583.8 | 569.8 | 7.3 | 577.1 |
| Other | 19.8 | 220.5 | 240.4 | 18.9 | 1,003.3 | 1,022.3 | 51.1 | 1,070.5 | 1,121.7 |
| Subtotal | 2,050.4 | 655.7 | 2,706.1 | 1,837.2 | 2,666.7 | 4,503.9 | 2,198.3 | 3,814.2 | 6,012.5 |
| NCDs | 655.6 | 1.2 | 656.8 | 1,259.8 | 148.4 | 1,408.2 | 1,718.1 | 341.4 | 2,059.6 |
| Total | ¥2,706.0 | ¥656.9 | ¥3,363.0 | ¥3,097.0 | ¥2,815.1 | ¥5,912.2 | ¥3,916.4 | ¥4,155.7 | ¥8,072.1 |

Note: Liquid deposits include deposits-at-notice, ordinary deposits and current deposits.



CAPITAL

Stockholders' Equity

| March 31 | Billions of Yen | | |
|----------------------------|-----------------|--------|--------|
| | 1999 | 1998 | 1997 |
| Stockholders' Equity | ¥0 | ¥787.1 | ¥951.5 |

Under the Financial Reconstruction Law, the temporary nationalization account was set up in other assets. The account represents the amount equivalent to the estimated amount of monetary grants pursuant to the Deposit Insurance Law and of monetary compensation pursuant to the Financial Reconstruction Law. The amount was set at the level to be necessary to bring the total stockholders' equity to zero after absorbing any losses incurred in the actual business operations under the temporary nationalization, and, thus, the amount of ¥2,786.8 billion was provided in the account. As a result, total stockholders' equity was reduced to ¥0 million at fiscal year-end.

Dividend Policy

The Bank reported a loss to be carried forward to the following period because of a substantial provision for reserves to cover the estimated amount of possible losses that may be incurred when assets classified to be inappropriate for the Bank to hold are sold to The Resolution and Collection Corporation and others. The classification of such assets was made by the Financial Reconstruction Commission under Article 72 of the Financial Reconstruction Law.

For this reason, no dividends were paid on common or preferred stock for the end of the period under review.

Supplemental Information

Total Funds and Loans Outstanding per Employee

| March 31 | Billions of Yen | | | | | | | | |
|--------------------------------|-----------------|---------------|-------------|----------|---------------|-------|----------|---------------|-------|
| | 1999 | | | 1998 | | | 1997 | | |
| | Domestic | International | Total | Domestic | International | Total | Domestic | International | Total |
| Total Funds per Employee | ¥4.3 | ¥0.7 | ¥3.6 | ¥6.0 | ¥2.2 | ¥5.2 | ¥6.7 | ¥4.0 | ¥6.2 |
| Total Loans per Employee | 5.2 | 1.1 | 4.5 | 5.4 | 1.5 | 4.6 | 5.5 | 2.9 | 5.0 |

Notes: 1) Total funds are the sum of debentures (excluding funds accepted for the purchase of debentures) and deposits, including NCDs.

2) The average number of employees for the term is used in computing per employee figures. The number of employees at domestic offices includes personnel in the headquarters.

Total Funds and Loans Outstanding per Office

| March 31 | Billions of Yen | | | | | | | | |
|------------------------------|-----------------|---------------|---------------|----------|---------------|--------|----------|---------------|--------|
| | 1999 | | | 1998 | | | 1997 | | |
| | Domestic | International | Total | Domestic | International | Total | Domestic | International | Total |
| Total Funds per Office | ¥441.5 | ¥ 72.2 | ¥367.6 | ¥677.2 | ¥122.8 | ¥482.4 | ¥841.5 | ¥216.3 | ¥611.2 |
| Total Loans per Office | 540.4 | 107.2 | 453.8 | 610.9 | 84.7 | 426.0 | 694.7 | 156.2 | 496.3 |

Notes: 1) Total funds are the sum of debentures (excluding funds accepted for the purchase of debentures) and deposits, including NCDs.

2) The number of offices does not include corporate banking offices.

Non-Consolidated Balance Sheets

The Long-Term Credit Bank of Japan, Limited
March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|--------------------|--------------------|--|
| | 1999 | 1998 | 1999 |
| ASSETS | | | |
| Cash and Due from Banks..... | ¥ 970,202 | ¥ 1,481,747 | \$ 8,048,137 |
| Call Loans..... | 562,585 | 528,819 | 4,668,821 |
| Commercial Paper and Other Debt Purchased..... | 2,548 | 125,367 | 21,137 |
| Trading Assets (Note 2 (c))..... | 1,218,889 | 1,529,816 | 10,111,071 |
| Money Held in Trust..... | 59,213 | 560,159 | 491,198 |
| Securities (Note 2 (d))..... | 2,094,811 | 4,134,587 | 17,377,114 |
| Loans and Bills Discounted..... | 13,614,752 | 15,765,016 | 112,938,632 |
| Foreign Exchange..... | 21,022 | 47,119 | 174,385 |
| Other Assets..... | 3,745,509 | 777,004 | 31,070,178 |
| Premises and Equipment (Note 2 (e))..... | 81,539 | 125,536 | 676,393 |
| Deferred Discounts on and Issuance Expenses for Debentures..... | 2,676 | 8,177 | 22,198 |
| Customers' Liabilities for Acceptances and Guarantees (Note 2 (l))..... | 820,651 | 1,106,652 | 6,807,562 |
| Total Assets | ¥23,194,401 | ¥26,190,005 | \$192,404,826 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Debentures (Note 2 (f))..... | ¥ 7,667,067 | ¥11,939,192 | \$ 63,600,728 |
| Deposits, including NCDs..... | 3,363,049 | 5,912,211 | 27,897,553 |
| Call Money..... | 1,649,500 | 860,449 | 13,683,119 |
| Commercial Paper..... | 1,500 | — | 12,443 |
| Trading Liabilities (Note 2 (c))..... | 940,545 | 1,237,216 | 7,802,120 |
| Borrowed Money..... | 3,865,994 | 1,608,774 | 32,069,637 |
| Foreign Exchange..... | 1,016 | 1,552 | 8,436 |
| Other Liabilities..... | 1,030,983 | 1,953,484 | 8,552,334 |
| Reserve for Possible Loan Losses (Note 2 (g))..... | 3,656,791 | 738,347 | 30,334,233 |
| Reserve for Retirement Allowances (Note 2 (h))..... | 20,057 | 27,421 | 166,379 |
| Reserve for Contingencies on Loans Sold (Note 2 (i))..... | 97,521 | 17,526 | 808,967 |
| Reserve for Deposition of Specific Assets (Note 2 (j))..... | 79,714 | — | 661,261 |
| Special Statutory Reserves (Note 2 (k))..... | 6 | 8 | 54 |
| Acceptances and Guarantees (Note 2 (l))..... | 820,651 | 1,106,652 | 6,807,562 |
| Total Liabilities | 23,194,401 | 25,402,838 | 192,404,826 |
| Stockholders' Equity (Note 2 (m)): | | | |
| Capital Stock..... | 390,710 | 387,229 | 3,241,062 |
| Capital Surplus..... | 300,263 | 296,782 | 2,490,780 |
| Legal Reserve (Note 2 (n))..... | 58,580 | 57,140 | 485,942 |
| Earned Surplus (Deficit)..... | (749,553) | 46,014 | (6,217,784) |
| Total Stockholders' Equity | 0 | 787,167 | 0 |
| Total Liabilities and Stockholders' Equity | ¥23,194,401 | ¥26,190,005 | \$192,404,826 |

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Operations

The Long-Term Credit Bank of Japan, Limited
For the Years Ended March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|------------------|------------------|--|
| | 1999 | 1998 | 1999 |
| Income | | | |
| Interest Income | ¥ 672,847 | ¥ 934,621 | \$ 5,581,481 |
| Interest on Loans and Discounts | 346,901 | 535,755 | 2,877,655 |
| Interest and Dividends on Securities | 75,690 | 125,096 | 627,876 |
| Interest on Deposits with Banks | 19,005 | 62,768 | 157,659 |
| Other Interest Income | 231,250 | 211,000 | 1,918,291 |
| Fees and Commissions | 23,410 | 46,302 | 194,200 |
| Trading Revenue (Note 2 (c)) | 2,988 | 1,477 | 24,787 |
| Other Operating Income | 47,214 | 139,874 | 391,660 |
| Other Income | 2,860,053 | 268,631 | 23,725,044 |
| Reversal of Special Statutory Reserves | 2 | 13,608 | 20 |
| Total Income | 3,606,517 | 1,404,516 | 29,917,192 |
| Expenses | | | |
| Interest Expenses | 530,833 | 756,590 | 4,403,434 |
| Interest and Discounts on Debentures | 199,323 | 282,534 | 1,653,454 |
| Interest on Deposits | 68,322 | 214,931 | 566,754 |
| Interest on Borrowings and Rediscounts | 75,217 | 54,873 | 623,956 |
| Interest on Commercial Paper | 4 | — | 34 |
| Other Interest Expenses | 187,965 | 204,250 | 1,559,236 |
| Fees and Commissions | 9,193 | 11,262 | 76,265 |
| Trading Expenses (Note 2 (c)) | 277 | 6,158 | 2,305 |
| Other Operating Expenses | 44,037 | 137,137 | 365,307 |
| General and Administrative Expenses | 75,768 | 89,140 | 628,527 |
| Other Expenses (Note 2 (o)) | 3,725,880 | 683,401 | 30,907,345 |
| Provision for Special Statutory Reserves | — | 0 | — |
| Total Expenses | 4,385,992 | 1,683,691 | 36,383,183 |
| Loss before Income Taxes | 779,475 | 279,175 | 6,465,991 |
| Income Taxes (Note 2 (p)) | 7,474 | 874 | 62,005 |
| Net Loss | ¥ 786,949 | ¥ 280,049 | \$ 6,527,996 |
| Net Loss per Share (in Yen and U.S. Dollars) (Note 2 (q)) | ¥ 325.65 | ¥ 117.03 | \$ 2.70 |

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Earned Surplus (Deficit)

The Long-Term Credit Bank of Japan, Limited
For the Years Ended March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|-------------------------------------|-------------------|-----------------|--|
| | 1999 | 1998 | 1999 |
| Balance at Beginning of Year | ¥ 46,014 | ¥343,297 | \$ 381,706 |
| Deductions: | | | |
| Transfer to Legal Reserve | 1,440 | 2,875 | 11,945 |
| Dividends | 7,178 | 14,357 | 59,549 |
| Net Loss | 786,949 | 280,049 | 6,527,996 |
| Balance at End of Year | ¥(749,553) | ¥ 46,014 | \$ (6,217,784) |

See accompanying Notes to Non-Consolidated Financial Statements.

1.

Basis of Presentation

The accompanying non-consolidated financial statements of The Long-Term Credit Bank of Japan, Limited (the “Bank”) have been prepared on the basis of accounting principles and practices generally accepted and applied in Japan and in conformity with the “Regulations for Financial Statements” and the “Accounting Standards for Banks” (issued by the Japanese Bankers Association) and are compiled from the financial statements which are required to be submitted to the regulatory authorities as part of the *Securities Report (Yuka Shoken Hokokusho)* in accordance with the Securities and Exchange Law of Japan. Accordingly, the accompanying financial statements are not intended to present the financial position of the Bank, the results of its operations in accordance with accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan.

Certain reclassifications and rearrangements have been made to present the accompanying financial statements in a form which is familiar to readers outside Japan. In addition, the accompanying notes include information which is not currently required in Japan, but is presented herein as additional information.

Yen amounts, other than per share amounts, have been rounded off to millions of yen. All U.S. dollar amounts, presented solely for the readers’ convenience, are translated at ¥120.55 = U.S.\$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 1999.

The Bank was placed under temporary nationalization by the prime minister of Japan on October 23, 1998, under Section 1 of Article 36 of the Financial Reconstruction Law. In accordance with Articles 47 and 48 of the Financial Reconstruction Law, the Bank prepared the Corporate Restructuring Plan and determined the Credit and Other Business Policies under which it has continued operations.

In view of these circumstances, certain special accounting principles designed to present fairly the Bank’s financial position and the results of its operations as a financial institution under temporary nationalization have been adopted for the year ended March 31, 1999.

In June 1999, the submission of the Bank’s *Securities Report* for the year ended March 31, 1999 was suspended with the approval of the regulatory authorities in view of the fact that the Deposit Insurance Corporation became the sole stockholder of the Bank under the Financial Reconstruction Law.

The Bank’s Internal Investigation Committee reported in June 1999 that the former management members of the Bank were liable under the Commercial Code and the Securities and Exchange Law of Japan with respect to the accounts for the year ended March 31, 1998. However, in view of the fact that the accounts at March 31, 1999 have been properly prepared and all assets at March 31, 1999 were appropriately valued as assets held by a temporarily nationalized bank, the financial data for the year ended March 31, 1998 presented in this Annual Report have been compiled from the financial statements reflected in the *Securities Report* for fiscal 1997.

2.

Summary of Significant Accounting Policies

(a) Foreign Currency Translation and Revaluation*Foreign Currency Accounts*

Foreign currency assets and liabilities recorded by the Bank are translated into yen at the exchange rates prevailing at the end of the fiscal year, except for certain accounts which are translated at the historical rates. The accounts of overseas branches are translated into yen at the exchange rates prevailing at the end of the fiscal year.

An outline of the accounting policies applied to the assets denominated in foreign currencies and currency options contracts of the Bank is as follows:

- Assets and liabilities denominated in foreign currencies are revalued at the middle rate of each respective year-end exchange rate. The aggregate difference between the carrying value and the revalued amount is recorded as a gain or loss on foreign exchange transactions.
- Forward exchange contracts are revalued at the forward rate for the remaining term of each contract on a mark-to-market basis. For forward exchange contracts with more than one year remaining to maturity, the revaluation gain or loss is calculated on the basis of the present value of each contract at the balance sheet date, which is obtained by discounting it at the long-term interest rate.
- Currency swaps and swap transactions not for trading purposes contracted in connection with funding and lending are not subject to the revaluation described above. Premiums and discounts on forward exchange contracts are amortized over the terms of the swap contracts and are recorded as interest income or expense.

- Currency futures and currency options are revalued on a mark-to-market basis.
- Option premiums not for trading purposes are included in “Other Assets” or “Other Liabilities” in the non-consolidated balance sheets. In addition, option premiums are accounted for as income or expenses only at the expiration date, rights exercise date or rights expiration date.

(b) Accounting for Lease Transactions

Finance lease transactions of the Bank under which the ownership of the leased property is not transferred to the lessee are accounted for in accordance with accounting principles applicable to operating leases.

(c) Trading Assets, Trading Liabilities, Trading Revenue and Trading Expenses

Transactions whose purpose is to make profit on short-term fluctuations in certain indexes such as interest rates or foreign exchange rates, or in the market prices of securities are included under “Trading Assets” or “Trading Liabilities” in the non-consolidated balance sheets, and under “Trading Revenue” or “Trading Expenses” in the non-consolidated statements of operations. Such transactions are stated on a contract basis and are carried at fair value.

Effective April 1, 1997, Trading Accounts were established pursuant to a revision of Clause 2 of Article 17 of the Bank Rule Act.

(d) Securities

For the year ended March 31, 1998, Securities are valued as follows:

- Listed foreign securities of the Bank are valued at the lower of moving average cost or market, and securities other than those referred to above are valued at moving average cost.
- Among the listed securities, bonds and stocks were previously valued at the lower of cost or market in accordance with the Uniform Accounting Principles for Banks. However, following a revision effective February 27, 1998, in these accounting principles, the stipulation of a method for valuing securities was removed. Since it appears appropriate to employ the historical cost method of valuation to avoid the impact of temporary short-term market fluctuations at the end of the fiscal period in valuing securities which are not being held for short-term purposes as well as to avoid the impact of such fluctuations on income for the period, such securities have been valued by the historical cost method. The effect of this change decreased “Loss before Income Taxes” by ¥264,570 million for fiscal 1998.
- Money Held in Trust with trust banks primarily for the purpose of investing in securities is calculated by valuing listed bonds, stocks and other securities at the lower of moving average cost or market, and other securities at moving average cost.

For the year ended March 31, 1999, Securities are valued as follows:

- Listed securities are valued at the lower of moving average cost or market, and securities other than the listed securities are valued at moving average cost.
- Among the listed securities, Japanese national government and local government bonds were formerly valued by the cost method. In addition, the valuation method for bonds and stocks was changed from the lower of cost or market to the cost method in fiscal 1997. In fiscal 1998, in view of the placement of the Bank under temporary nationalization and the consequent alteration of the reason for holding such securities, it was deemed appropriate to apply the lower of cost or market valuation method in order to present the financial position of the Bank more appropriately. Accordingly, all listed securities have been valued by the lower of cost or market method. The effect of this change increased “Loss before Income Taxes” by ¥278,327 million (US\$2,308,810 thousand) for fiscal 1998.
- Money held in Trust with trust banks primarily for the purpose of investing in securities is also valued by the above methods.

(e) Premises and Equipment

For the year ended March 31, 1998, Premises and Equipment were depreciated as follows:

- In accordance with the Uniform Accounting Principles for Banks, the Bank recorded depreciation by the declining-balance method on buildings and equipment, up to the maximum amount deductible as stipulated in the Corporation Tax Law. Other assets were also amortized in accordance with the Corporation Tax Law.
- On buildings, up to 160 percent of the maximum amount deductible under the Corporation Tax Law was previously adopted in accordance with the Uniform Accounting Principles for Banks.

However, effective April 1, 1997, the maximum amount deductible under the Corporation Tax Law was adopted pursuant to a change in the applicable accounting principle as of July 31, 1997. The effect of this change decreased “Loss before Income Taxes” by ¥1,518 million for fiscal 1997. For the year ended March 31, 1999, Premises and Equipment were depreciated as follows:

- In accordance with the Accounting Principles for Banks, the Bank recorded depreciation by the straight-line method on buildings and by the declining-balance method on equipment up to the maximum amount deductible as stipulated in the Corporation Tax Law. Other Assets were amortized in accordance with the Corporation Tax Law.
- Previously, the Bank applied the declining-balance method for computing depreciation on buildings, but because these assets have been used continuously for a long period, depreciation in equal amounts over time by the straight-line method was deemed to present the profit or loss of the Bank more appropriately. Therefore, in accordance with the revision to Article 48, Section 1 of the Ordinances Implementing the Corporation Tax Law, the straight-line method has been applied for fiscal 1998. The effect of this change decreased “Loss before Income Taxes” by ¥1,626 million (US\$13,492 thousand) for fiscal 1998.
- In addition, accompanying the revision of the ordinances specifying the legal useful lives of buildings, such useful lives have been shortened, and the Bank has applied the revised useful lives in computing depreciation. The effect of this change increased “Loss before Income Taxes” by ¥682 million (US\$5,664 thousand) for fiscal 1998.

(f) Debentures

Deferred discounts on debentures are amortized by the straight-line method over the terms of the debentures.

Debenture issuance expenses are amortized by the straight-line method over the shorter of the term of the debenture or the maximum three-year period stipulated in the Commercial Code of Japan.

(g) Reserve for Possible Loan Losses

For the year ended March 31, 1998, the Bank classified its assets, based on a self-assessment of their credit quality, into five categories: “normal,” “need caution,” “possibly bankrupt,” “virtually bankrupt” and “bankrupt” and calculated the amount of the Reserve for Possible Loan Losses in accordance with the guidelines issued by the Japanese Institute of Certified Public Accountants.

- A general reserve has been provided for assets with borrowers categorized as “normal” and “need caution.” The amount has been calculated based on the Bank’s own historical experience of defaults.
- A specific reserve has been provided for assets with borrowers categorized as “possibly bankrupt.” The reserve has been calculated based on the amount outstanding after the deduction of an estimate of the possible recoveries from collateral, guarantees or other sources.
- A specific reserve has also been provided for assets with borrowers categorized as “virtually bankrupt” and “bankrupt.” The amount was the outstanding amount after the deduction of an estimate of the possible recoveries from collateral, guarantees or other sources.
- A country risk reserve has been set up for loans to certain less-developed countries.

The above Reserve for Possible Loan Losses has been provided pursuant to a change as of July 31, 1997, in the Uniform Accounting Principles for Banks.

In fiscal 1998, the Bank maintained its reserves in accordance with the same accounting practices as those applied during the previous accounting year. However, under Article 72, Section 4 of the Financial Reconstruction Law, reserves for claims which the Financial Reconstruction Commission has determined to be inappropriate for the Bank to hold (hereinafter, “Inappropriate Assets”) have been accounted for by the method described below. Regarding Inappropriate Assets, the Bank has provided reserves for possible losses on loans which will be sold to The Resolution and Collection Corporation (RCC), based on evaluations conducted at the time the Bank was placed under temporary nationalization (October 28, 1998). When the transfer price of such loans to the RCC is determined, there is the possibility that additional losses may be incurred on these loans. However, this will not have an impact on net income in subsequent periods under the provisions for the transfer of monetary claims under the Financial Reconstruction Law. Reserves have been provided for possible losses that may arise in trading or in other specified transactions for which the Bank has contracted with counterparties and others.

(h) Reserve for Retirement Allowances

In accordance with the Uniform Accounting Principles for Banks, the Reserve for Retirement Allowances of the Bank represents the total amount which would be required to be paid if all eligible employees voluntarily terminated their employment. In addition, the Bank has contributory pension plans covering all its employees.

(i) Reserve for Contingencies on Loans Sold

The Reserve for Contingencies on Loans Sold is provided at an estimate of the assessment of losses on certain real estate loans which have been sold to the Cooperative Credit Purchasing Company, Limited and whose collateral is likely to be sold.

This reserve is provided in accordance with Article 287-2 of the Commercial Code of Japan.

(j) Reserve for Disposition of Specific Assets

The Reserve for Disposition of Specific Assets is provided based on losses anticipated when loan assets at overseas operations which are virtually certain to be sold are transferred to others as a result of the Bank's withdrawal from overseas operations as well as expected losses following the appraisal and disposal of the value of premises and equipment which the Financial Reconstruction Commission has determined to be inappropriate for the Bank to hold under Article 72, Section 4 of the Financial Revitalization Law.

This reserve is provided in accordance with Article 287-2 of the Commercial Code of Japan.

(k) Special Statutory Reserves

The Special Statutory Reserves consist of the following:

- Effective April 1, 1997, the entire Reserve for Price Fluctuations of Government Bonds of the Bank was reversed due to a change as of February 27, 1998 in the Uniform Accounting Principles for Banks.
- Effective April 1, 1997, the entire Reserve for Losses on Trading Account Securities of the Bank was reversed due to the change as of February 27, 1998 in the Uniform Accounting Principles for Banks.
- The Reserve for Contingent Liabilities from Trading of Financial Futures was provided based on the amount of the financial futures traded.
- The Reserve for Contingent Liabilities from Trading of Securities Futures was provided based on the amount of securities futures traded (zero for the years ended March 31, 1999 and 1998).

If the fiscal year-end balance of the Special Statutory Reserves is less than the amount required, an additional provision is made. If it is greater than the amount required, the surplus is reversed to income. Provisions for the Special Statutory Reserves are not tax deductible.

(l) Commitments and Contingent Liabilities

All commitments and contingent liabilities of a material nature resulting from guarantees or other agreements are included in the contra accounts—"Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees."

(m) Stockholders' Equity

On October 28, 1998, all of the Bank's issued stocks were obtained by the Deposit Insurance Corporation of Japan.

(n) Legal Reserve

The Legal Reserve is not available for dividends but may be used to reduce a deficit or may be transferred to common stock. The Bank is required to appropriate to the legal reserve an amount equal to at least 20 percent of dividends paid and bonuses paid to directors and statutory auditors until such reserve equals 100 percent of the common stock account.

(o) Introduction of Contributory Funded Pension Plan and Retirement Allowance Plan

The contributory pension plan has been applied to a portion of the pension of the retirement allowance plan. In addition, the qualified pension plan has been applied to a part of the retirement allowance plan.

The contributory pension plan had no prior service cost as of March 31, 1999. The qualified pension plan has a prior service cost of ¥2,674 million (US\$22,190 thousand), which is being amortized over the remaining period of 9 years and 11 months.

(p) Income Taxes

Income Taxes applicable to the Bank primarily consist of corporate tax and inhabitants' taxes. Enterprise tax is also assessed but is included in "Other Expenses" for fiscal 1997.

Enterprise Tax was formerly included in Other Expenses, but, beginning from fiscal 1998, it has been included in the item Corporate Tax, Inhabitants' Tax, and Enterprise Tax. The Bank had no Enterprise Tax liability for the year under review.

(q) Net Loss per Share

Net Loss per Share is computed based on the weighted average number of shares of common stock outstanding during each year.

For the years ended March 31, 1999 and 1998, disclosure of diluted net income per share was not applicable as a net loss was recorded.

(Notes to Non-Consolidated Financial Statements presented above have been simplified to avoid duplication of the contents of the accounts included in Notes to Consolidated Financial Statements.)

Directors and Statutory Auditors

Board of Directors

President

Takashi Anzai

Deputy Presidents

Hidebumi Mori

Makoto Kikkawa

Senior Managing Director

Fumio Obata

Directors

Takashi Nakagawa

Shunji Nishida

Yasuo Mizota

Board of Statutory Auditors

Statutory Auditors

Satoru Otsubo

Nobuaki Ogawa

Akira Sudo

(As of September 30, 1999)

Network

EUROPE:

London Representative Office

AMERICAS:

New York Branch

Los Angeles Agency

Grand Cayman Branch

The Long-Term Credit Bank
of Japan Finance N.V.

ASIA:

Shanghai Branch

Singapore Representative
Office

Hong Kong Representative
Office

Bangkok Representative
Office

DOMESTIC:

Head Office (Tokyo)

Sapporo Branch

Sendai Branch

Kanazawa Branch

Omiya Branch

Tokyo Branch

Ikebukuro Branch

Ueno Branch

Kichijoji Branch

Shinjuku Branch

Otemachi Branch

Shibuya Branch

Hachioji Branch

Yokohama Branch

Fujisawa Branch

Nagoya Branch

Kyoto Branch

Osaka Branch

Umeda Branch

Namba Branch

Kobe Branch

Hiroshima Branch

Takamatsu Branch

Fukuoka Branch

(As of September 30, 1999)

Corporate Information

| | |
|---|---|
| Established 1952 | Number of Shares Issued Common Stock: 2,417,075,212 |
| Fiscal Year From April 1 to March 31 | Preferred Stock: 100,000,000 |
| Paid-in Capital ¥390,710 million | Number of Stockholders 1 |
| Number of Shares Authorized Common Stock: 5,000,000,000 | Stockholder Deposit Insurance Corporation of Japan |
| Preferred Stock: 500,000,000 | |

(As of March 31, 1999)

☞ For further information, please contact the Corporate Communications Department at the Head Office.
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URL: <http://www.ltcb.co.jp>
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