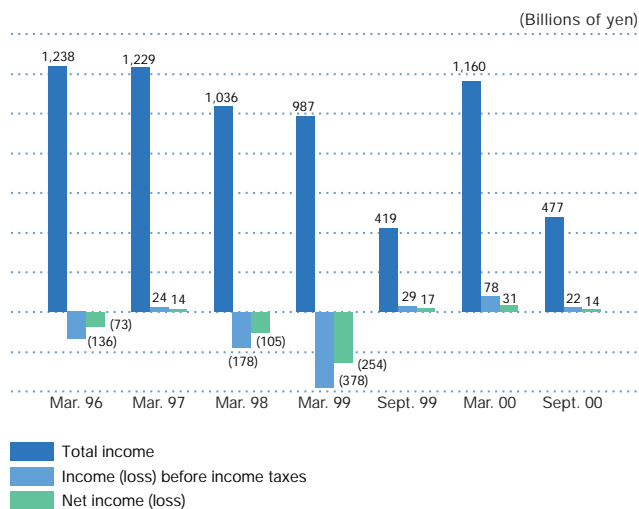
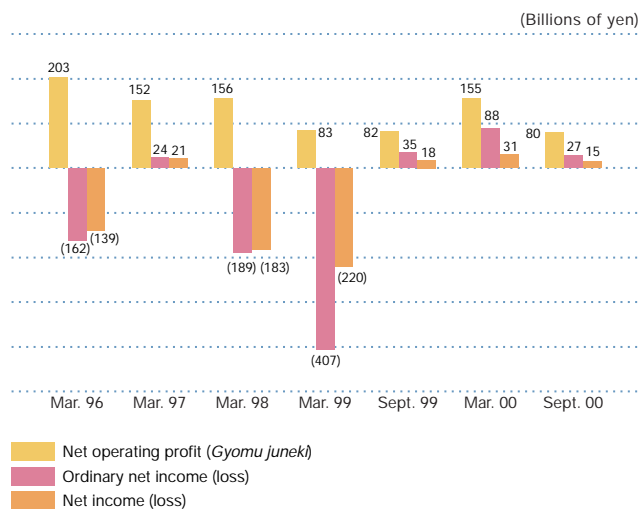


FLASH REPORT OF HISTORICAL FINANCIAL RESULTS

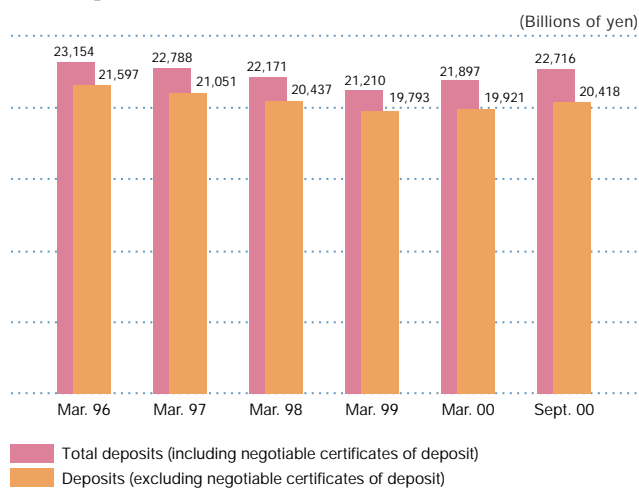
Key Financial Indicators (Consolidated)



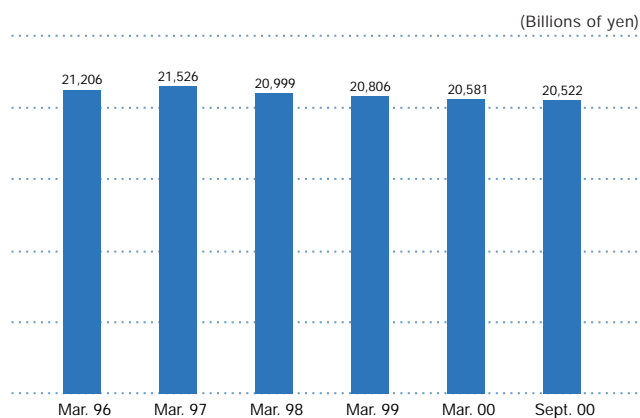
Key Financial Indicators (Nonconsolidated)



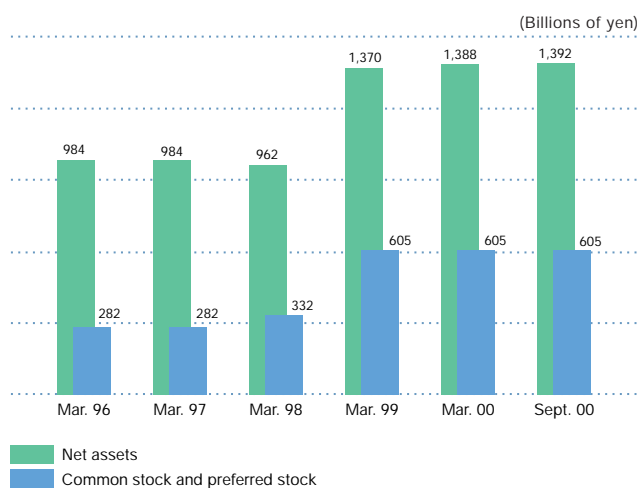
Total Deposits (Consolidated)



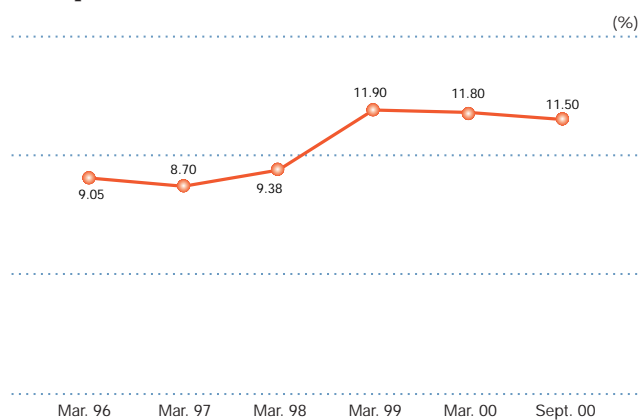
Loans and Bills Discounted (Consolidated)



Net Assets (Consolidated)



BIS Capital Ratio (Consolidated)



The waves of realignments and consolidations that have swept Japan's financial services sector have finally begun to subside, and the overall framework for the financial sector appears to be solidifying. Moreover, the formation of major strategic alliances has ended, and the attention of the market is now focused on the corporate strategies of each financial institution and how these will lead to differentiation among individual banks and financial groups.

The Asahi Bank is, of course, no exception to these trends, and, following our decision not to consolidate our operations with those of Sanwa Bank, Limited, and Tokai Bank, Limited, the market has focused its attention on what kind of financial institution we will work to become, how we will make best use of the strengths we have developed in retail banking, and other similar issues.

To respond to the voice of the market, we prepared a medium-term management vision looking forward five years entitled A New Era in Retail Banking and announced this in September 2000, about three months after our decision to forego participation in a consolidation with the two banks.

I would like to take this opportunity to explain the outline of this new management vision again to our stockholders and investors.

Basic Concepts of the New Management Vision

The new management vision, like previous strategic plans, positions retail banking as the core of our operations, and this aspect of our strategy remains unchanged. Our strengths developed to date in retail banking result from the confluence of the following three circumstances:

- We adopted a policy of focus and concentration before other financial institutions, concentrating in particular on consumer banking, especially housing loans, and banking services for small and medium-sized companies;
- We have established an operating base centered on the greater Tokyo metropolitan area; and
- We have been successful in nurturing a corporate culture that places emphasis on transactions with individuals and companies in the small and medium-sized market segments.

The basic concept of our new management vision is to introduce new ways of thinking into our retail-focused business strategy to create new kinds of retail banking services that will bring higher profitability, efficiency, and stability.

In specific terms, we believe the following points should be key in providing direction for reforms:

- Building long-term relationships with customers,
- Structuring business models that transcend the framework of banking and include non-financial services,
- Enhancing our capabilities and the convenience of our services through the formation of diverse alliances,
- Making major improvements in staff productivity through personnel allocation restructuring,
- Enhancing the efficiency of capital usage through balance sheet management, and
- Putting in place a corporate governance system that emphasizes securing speedy decision making and transparency.

I will discuss these points in greater detail later.

The new management vision has a horizon of five years, and it will conclude in March 2006.

We have set ourselves the goal of increasing ROE, which is now less than 3%, to double-digit levels. We plan to accomplish this by raising the absolute level of earnings through expanding our housing loan operations, which are an area of particular strength for the Bank, consumer loans, and non-interest income.

In addition, as we expand our assets in retail banking, we will work to reduce the volume of underperforming assets, and, without increasing the overall volume of assets, raise ROA by enhancing the return on our asset portfolio.

On the expense side, we believe that increased non-personnel costs will be unavoidable as we concentrate capital investments in IT-related areas to increase the sophistication of our retail banking operations. On the other hand, we will greatly reduce personnel expenses by increasing productivity and strengthening relationships with customers through the optimal allocation of human resources and the enhancement of the professionalism

of our staff members that will lead to increasing our marketing capabilities.

Our new management vision contains plans for increasing expenses about 10% over the coming five years, but as a result of strategic investments we are looking to a substantial increase in gross profit and to an improvement in efficiency as evidenced by a decline in the expense ratio from the present 60% to approximately 50%.

Reforms in Consumer Banking Business: With the Objective of Establishing Long-Term Relationships

The basic concept of our consumer banking activities, which are at the core of our retail banking operations, is above all to build long-term relationships with our customers. We believe that whether we can differentiate ourselves by providing each of our individual customers with appropriate suggestions suited to their life stages will become extremely important in the years to come. To attain this objective, very precise and carefully targeted marketing activities that respond accurately to customer needs will be essential. To this end, we are making the fullest efforts to take optimal advantage of the unique know-how we have accumulated in retail banking and are moving forward with activities to increase the sophistication of our Customer Relationship Management (CRM).

In August 1998, we completed a vast database covering about eight million of our individual customers. We subsequently linked this to our direct channels, and these systems have now gone into full operation. Moreover, in June 2000, we linked this database to our ATMs and have begun tests of sales promotion activities making use of ATM video screens. These tests, which involve establishing links between the unique know-how we have accumulated to date, our customer database, and various service delivery channels, have proven to be quite effective. We feel certain that we will implement these systems at all our branches.

Regarding use of the Internet, we will not aim to develop business through this channel independently, but plan to take maximum advantage of the low cost and interactive features of the Internet and position it as a tool for the enhancement of customer convenience through links

with other service delivery channels and our customer database.

In June 2000, we introduced a new portal site specialized in housing, called house@Asahi, and, in December, we began operation of our Web site that assists customers in financial planning by providing information on asset management. In addition, we plan to introduce a series of portal sites segmented by specific customer needs and by type of customer. By steadily upgrading the services provided by these Internet sites, we hope to encourage customers to make active use of their capabilities.

Our activities to diversify service delivery channels are in no way intended to deny the effectiveness of our conventional person-to-person provision of services. We are planning to introduce a new branch operating system during the first half of the fiscal year beginning April 1, 2001. This new system will make possible the full integration of direct channels, ATMs, and teller counters in our branches. We believe it will contribute significantly to the creation of long-term relationships with our customers.

Regarding housing loans, I believe you may already be familiar with our accomplishments in this area. The success of these activities has been the result of the combination of our strategies to expand our network of housing loan centers, the enhancement of our capabilities for developing new products, such as housing refinance loans, and the realization of major increases in efficiency through the introduction of back-office systems capable of processing enormous volumes of data. We plan to further strengthen our housing loan operations as a core element in enhancing our earnings power.

Nevertheless, we believe that in view of the trend toward decreasing demand for mortgage refinancing and growing competition from other financial institutions, the time has come for reviewing and taking our strategy in this area to the next stage to deal effectively with changes in the operating environment.

President's

At present, we are implementing a combination of measures, including organizing clubs for present and potential housing loan customers; expanding new service channels, including the Internet; and promoting cross-selling. Our strategy will be to transform our current housing loan business and establish a business model based more broadly in the housing industry.

Our specific policies will include the establishment, before the end of the current fiscal year, of Japan's first "housing gateway" enterprise that will link individuals seeking services related to housing with companies that provide the relevant products and services. This new company will establish a highly convenient infrastructure that can offer the full range of products, services, and information needed for making higher-quality housing lifestyles a reality.

By taking full advantage of the benefits of implementing this policy, we will aim to generate a stable flow of new housing loans, amounting to about ¥1 trillion annually. In addition, we plan to expand non-interest income through the development of businesses that are peripheral to the housing loan sector, including income from servicer and housing loan securitization operations.

Regarding consumer loans, we will make the development of long-term relationships with our customers the key concept and give priority to strengthening our capabilities for providing low-interest, highly convenient loan products, with the aim of making our activities in this area another important source of income after housing loans. In July 2000, we began to market a series of new products based on this concept, and these have won an even more favorable evaluation from customers than we had anticipated.

In addition to these activities, we have continued to strengthen our focus on customer asset management services through the marketing of investment trusts, foreign currency deposits, and other products, with the objective of nurturing a growing stream of income from these sources as part of our consumer banking activities.

Corporate Banking Business: Segmentation of the Customer Base and Provision of Financial Solutions

Our basic policy in the corporate banking business is to strengthen our services by customer segment and arrange the right channels, staff, products, and services that are best suited to the growth stage of client companies. We plan to focus especially on the following two points, with the aim of restructuring our business model to meet the needs of individual corporate customers.

The first point is to introduce in our relationships with relatively small companies low-cost, specialized products that draw on our more efficient credit analysis and risk management capabilities based on our automatic credit scoring model. As a first step, we introduced Retail 48, a new type of small-business loan, and it has been even more successful than we had initially planned. We will work to increase the sophistication of the qualitative analytical know-how that supports the risk management and control of this product and, in the near future, market it more aggressively to a broader range of customers.

In addition, for small and medium-sized companies, we will offer solutions that go beyond the conventional framework of financial services, with the objective of building even stronger relationships. Going beyond the traditional scope of lending operations, we are beginning to offer support to venture businesses planning to list their shares and to implement measures to assist IT-related businesses. For example, in August, we established a new company, SatisCom Co., Ltd., to provide IT-related support and have introduced a new Web site, Asahi Corporate Club-e, which offers IT-related growth support for small and medium-sized companies. Similarly, as of November 2000, we had assisted almost 400 companies in obtaining ISO certification, mainly through the initiatives of our "think tank," Asahi Bank Research Institute Co., Ltd. This is one of the largest number of such ISO projects successfully completed by a research subsidiary of a Japanese bank.

Message

Initiatives to Enhance the Bank's Infrastructure: Resources, Channels, and Operations

To create an infrastructure that not only strengthens customer relationships but also is low cost and yields a high and stable flow of income, we are working to raise the professional skills of our staff, who are ultimately responsible for providing our services, and developing frameworks that will increase the convenience and efficiency of service delivery channels. At the same time, we are implementing measures to significantly reform our operations through the use of IT with the aims of providing additional support for marketing and enhancing lending and back-office operations.

Strengthening Corporate Governance

To implement our various policies for bolstering our position in retail banking quickly, establishing a stronger corporate governance framework to enhance the transparency of management and accelerate decision making is essential. As a first step, we have already introduced the Executive Officer System beginning in June 2000 and thereby separated the overall management functions of decision making and overseeing from the day-to-day conduct of business operations. The next steps include plans to form a Management Advisory Committee, a Business Auditing Committee, and an Appointments and Compensation Committee. In addition, we are giving consideration to inviting independent directors to join the Board of Directors, introducing a compensation system linked to performance, and taking other reform measures.

Moreover, along with the growing diversity and sophistication of our activities, we believe it is extremely important for all our departments and offices as well as all staff members to have a thorough awareness of compliance issues and act in accordance with all relevant laws and regulations. Based on the Compliance Program prepared by the Board of Directors in April 2000, we will continue to focus on this issue to ensure the development throughout the organization of a corporate culture that emphasizes strict compliance with laws and regulations.

In Closing

As the pace of change in the financial services industry accelerates, in addition to having strategies that are superior and consistent, speed of implementation will become increasingly important in order to make our management vision a reality.

As the formation of groups proceeds within Japan's financial sector, we are moving into an era where our capabilities for grasping appropriately the needs of our customers and providing them with the optimal products and services they desire in a timely manner will become an increasingly important requirement for success. We have consistently focused our management resources on retail banking for many years, and we have a proven track record of winning a favorable evaluation from the market and our customers for having unique strategies and a strong operating base in this area.

In the years ahead, we will add speed to these strengths, further consolidate our superior position, and reaffirm our commitment to building an unshakeable position in the retail banking area.

As we proceed with the implementation of our strategies and work toward our management objectives, we look forward to the continuing support of our stockholders and investors as well as our customers.

January 2001



Tatsuro Ito
President

The Asahi Bank's Management Vision for Its Activities in 2006

Management Targets

(For the period ending March 31, 2006)

ROE based on net income (consolidated)	10%
ROA based on net operating profit (nonconsolidated)	1%
Net operating profit (consolidated)	¥300 billion
Expense ratio (nonconsolidated)	50%
BIS capital ratio (Tier I ratio)	11% (7%)

Retail Banking Targets

	March 31, 2000 Actual	March 31, 2006 Objectives
Loans to individuals and small and medium-sized enterprises ¹	77%	83%
Loans to individuals ¹	36%	43%
Housing loans ¹	30%	34%
Consumer deposits ²	65%	67%
Retail banking profit ³	62%	78%

Notes: 1. The denominator for this computation is the value of the domestic loan portfolio.

2. This ratio is consumer deposits/total domestic deposits.

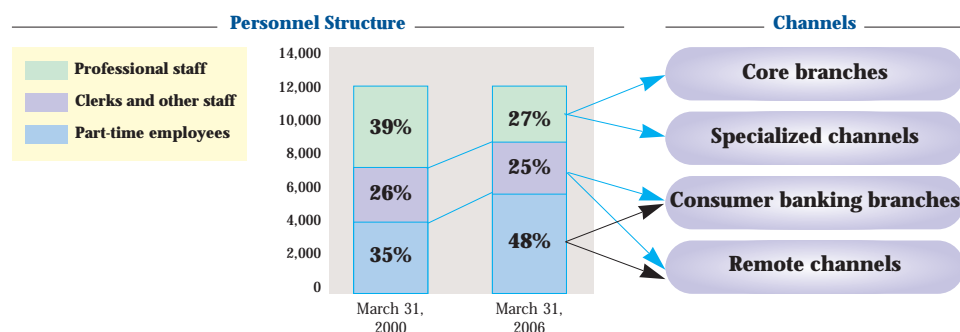
3. This ratio is the consolidated net operating profit from individuals and small and medium-sized enterprises/total consolidated net operating profit.

Trends in Housing Loans

(Billions of yen, %)

	September 30, 1999	March 31, 2000	September 30, 2000
Balance of housing loans outstanding	¥ 5,630.3	¥ 5,832.0	¥ 5,970.5
Owner-occupied	3,982.6	4,166.3	4,290.3
Rental	1,647.6	1,665.6	1,680.2
Total domestic loans	¥18,694.8	¥19,348.4	¥ 19,545.3
Housing loans/total domestic loans (%)	30.1	30.1	30.5

Business Channels: Restructuring of Personnel Allocation, Business Channels, and Operations



Transform Existing Channels into Specialized Channels that Respond to the Needs of Various Customer Segments

Existing channels	Specialized channels
Current branch system	Future branch system
Local core branches 24 branches	Core branches 25%
General branches 265 branches	General branches 30%
(*82% of branches are general branches)	*Total number of branches will be reduced 10%
Consumer banking branches 35 branches	Consumer banking branches 45%
(*As of September 30, 2000, these figures exclude the principal office for handling transfers and subbranches staffed by the Bank's personnel.)	

ATM network

The Bank's service points
Service points through tie-ups
Convenience store and other service points

Remote channels

Call center
Business loan center

Specialized channels

Housing loan centers 90
Financial consultation centers 30

Consolidated Financial Highlights

Six months ended September 30, 2000 and 1999, and year ended March 31, 2000

	Millions of yen			Millions of U.S. dollars (Note 1)
	September 30, 2000	September 30, 1999	March 31, 2000	September 30, 2000
For the term				
Total income	¥ 477,467	¥ 419,120	¥ 1,160,755	\$ 4,421
Total expenses.....	454,500	389,847	1,082,225	4,208
Income before income taxes.....	22,967	29,273	78,529	213
Net income.....	14,889	17,046	31,404	138
At term-end				
Total assets.....	¥30,886,625	¥28,478,220	¥28,788,131	\$285,987
Deposits.....	22,716,545	21,760,969	21,897,556	210,338
Loans and bills discounted	20,522,283	20,578,420	20,581,734	190,021
Total stockholders' equity.....	1,392,523	1,381,962	1,388,104	12,894
Per share data (in yen and U.S. dollars)				
Net income.....	¥4.40	¥5.18	¥ 9.39	\$0.04
Cash dividends declared				
Common stock	3.00	3.00	6.00	0.03
Preferred stock				
Preferred stock No. 1.....	5.00	5.00	10.00	0.05
Class B preferred stock No. 1	7.19	7.19	14.38	0.07
Class B preferred stock No. 2	9.25	9.25	18.50	0.09
Shares issued and outstanding (in thousands)				
Common stock	3,142,487	3,139,696	3,141,264	
Preferred stock.....	2,818,981	2,815,297	2,817,354	
BIS capital ratio (%)	11.50	11.92	11.80	
Stock price (yen and U.S. dollars)				
High.....	¥620	¥789	¥964	\$5.74
Low.....	372	500	436	3.44

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥108.00=U.S.\$1.00.

2. Yen amounts are rounded down and U.S. dollar amounts are rounded off.

Review of Consolidated Performance

During the interim period under review, the Asahi Bank Group reported on a consolidated basis the following financial results. Deposits rose ¥818.9 billion compared to the previous fiscal year (ended March 31, 2000), to ¥22,716.5 billion (U.S.\$210,338 million). Loans and bills discounted fell ¥59.4 billion, to ¥20,522.2 billion (U.S.\$190,021 million).

Total income for the interim period under review rose ¥58.3 billion, to ¥477.4 billion (U.S.\$4,421 million), compared with the same interim period of the previous fiscal year, principally owing to higher gains from the sales of securities and other increases in income of the parent company. Net income, however, decreased ¥2.1 billion, to ¥14.8 billion (U.S.\$138 million). This was due to the implementation of measures by the Asahi Bank Group to enhance the soundness of its assets, provide for employees' retirement benefits accompanying changes in accounting standards for severance payments and pension plans, as well as other factors. Net income per share for the interim period amounted to ¥4.40 (U.S.\$0.04).

Stockholders' equity rose ¥4.4 billion, to ¥1,392.5 billion (U.S.\$12,894 million), from the end of the previous fiscal year, and stockholders' equity per share was ¥349.60 (U.S.\$3.24).

At the end of the interim period, the Bank's BIS capital adequacy ratio on a consolidated basis was 11.50%.

Regarding business segments, the operations of the Asahi Bank Group, aside from its banking operations, include trust banking and certain other activities, but income from banking operations accounts for the largest portion of total income.

Regarding a review of nonconsolidated performance, as a result of an increase in gains from the sales of securities accompanying the restructuring of the Bank's asset portfolio, total income was up ¥43.4 billion, to ¥437.0 billion (U.S.\$4,047 million). In addition, the Bank implemented measures to dispose of approximately ¥110 billion in nonperforming loans, including those arising from the insolvency of certain large corporations, to enhance the soundness of its asset portfolio and adopted new accounting standards for financial products and employees' retirement benefits in the interest of ensuring a high degree of transparency in its accounts. As a consequence, net income amounted to ¥15.1 billion (U.S.\$141 million).

Gross Operating Profit by Domestic and International Division

Year ended September 30, 2000	Billions of yen			
	Domestic	International	Eliminated and intercompany	Total
Interest income	¥258.1	¥33.2	¥5.6	¥285.7
Interest expenses	79.2	23.7	5.5	97.4
Net interest income	178.9	9.4	0.1	188.3
Fees and commissions income	49.5	0.6	7.1	43.0
Fees and commissions expenses	14.4	0.1	5.4	9.2
Fees and commissions, net	35.1	0.4	1.7	33.8
Trading income	1.7	(0)	—	1.7
Trading expenses	0	—	—	0
Trading income, net	1.7	(0)	—	1.7
Other operating income	6.3	0.2	(0.2)	6.9
Other operating expenses	5.0	0.3	—	5.4
Other operating income, net	1.2	(0)	(0.2)	1.4

Sources and Uses of Funds in Domestic and International Operations

Year ended September 30, 2000		Billions of yen		
		Domestic	International	Total
Interest-bearing assets	Average balance	¥24,850.0	¥1,652.6	¥25,806.1
	Interest	258.1	33.2	285.7
	Returns (%)	2.07	4.01	2.20
Loans and bills discounted	Average balance	19,413.2	1,364.5	20,238.9
	Interest	203.5	22.6	220.7
	Returns (%)	2.09	3.31	2.17
Securities	Average balance	4,208.1	61.8	4,238.6
	Interest	25.5	2.0	27.5
	Returns (%)	1.21	6.64	1.29
Call loans and bills bought	Average balance	512.8	9.2	522.1
	Interest	0.2	0.2	0.5
	Returns (%)	0.10	6.08	0.20
Due from banks	Average balance	522.4	195.6	591.6
	Interest	7.0	5.3	12.3
	Returns (%)	2.70	5.43	4.17
Interest-bearing liabilities	Average balance	¥24,456.2	¥1,398.3	¥25,184.1
	Interest	79.2	23.7	97.4
	Returns (%)	0.64	3.39	0.77
Deposits	Average balance	19,892.8	637.7	20,405.0
	Interest	28.2	14.3	42.5
	Returns (%)	0.28	4.47	0.41
Negotiable certificates of deposit	Average balance	1,940.9	17.5	1,953.0
	Interest	1.2	0.5	1.7
	Returns (%)	0.12	6.52	0.18
Call money and bills sold	Average balance	1,289.4	1.2	1,290.6
	Interest	1.5	0	1.5
	Returns (%)	0.23	6.24	0.24
Commercial paper	Average balance	153.1	—	153.1
	Interest	0.1	—	0.1
	Returns (%)	0.17	—	0.17
Borrowed money	Average balance	919.9	375.8	750.8
	Interest	10.8	2.5	7.8
	Returns (%)	2.34	1.35	2.08

Gross Operating Profit by Domestic and International Division

Year ended September 30, 1999	Billions of yen			
	Domestic	International	Eliminated and intercompany	Total
Interest income	¥261.3	¥42.4	¥6.2	¥297.4
Interest expenses	87.3	23.8	6.1	105.1
Net interest income.....	174.0	18.5	0.1	192.3
Fees and commissions income	43.9	0.5	4.2	40.2
Fees and commissions expenses.....	13.3	0.4	4.2	9.6
Fees and commissions, net	30.5	0.1	0	30.6
Trading income	1.0	0	—	1.1
Trading expenses	—	—	—	—
Trading income, net	1.0	0	—	1.1
Other operating income	13.0	2.0	(0)	15.1
Other operating expenses.....	17.3	0.2	(0)	17.6
Other operating income, net.....	(4.2)	1.7	0	(2.4)

Sources and Uses of Funds in Domestic and International Operations

Year ended September 30, 1999		Billions of yen		
		Domestic	International	Total
Interest-bearing assets	Average balance.....	¥23,130.3	¥2,837.4	¥25,341.4
	Interest	261.3	42.4	297.4
	Returns (%)	2.25	2.98	2.34
Loans and bills discounted	Average balance.....	18,462.9	2,584.6	20,608.8
	Interest	204.7	30.2	229.4
	Returns (%)	2.21	2.33	2.22
Securities	Average balance.....	3,971.0	90.6	4,000.9
	Interest	30.0	0.9	30.8
	Returns (%)	1.51	2.13	1.53
Call loans and bills bought	Average balance.....	242.1	4.9	247.1
	Interest	0.1	0.1	0.2
	Returns (%)	0.15	4.33	0.24
Due from banks	Average balance.....	384.5	132.3	390.1
	Interest	2.9	3.1	5.5
	Returns (%)	1.53	4.76	2.85
Interest-bearing liabilities	Average balance.....	¥23,490.1	¥1,959.3	¥24,888.2
	Interest	87.3	23.8	105.1
	Returns (%)	0.74	2.43	0.84
Deposits	Average balance.....	19,303.9	1,182.6	20,360.2
	Interest	29.3	8.9	37.8
	Returns (%)	0.30	1.51	0.37
Negotiable certificates of deposit	Average balance.....	1,830.3	21.3	1,850.5
	Interest	1.0	0.5	1.6
	Returns (%)	0.11	5.59	0.17
Call money and bills sold	Average balance.....	1,243.2	1.1	1,244.3
	Interest	0.8	0	0.9
	Returns (%)	0.14	5.14	0.14
Commercial paper	Average balance.....	102.7	—	102.7
	Interest	0	—	0
	Returns (%)	0.16	—	0.16
Borrowed money	Average balance.....	849.8	382.6	798.7
	Interest	10.5	5.3	10.4
	Returns (%)	2.48	2.81	2.59

Loans and Bills Discounted by Industry (Consolidated)

September 30	Billions of yen, %			
	2000		1999	
Domestic operations				
Manufacturing.....	¥ 2,683.1	13.50%	¥ 2,410.2	12.80%
Retail, wholesale, and food services.....	2,768.3	13.93	2,674.0	14.20
Financial services.....	1,119.9	5.63	1,095.2	5.82
Construction.....	1,099.4	5.53	1,050.7	5.58
Electric power, gas, and other public enterprises.....	86.2	0.43	104.9	0.56
Real estate.....	2,223.7	11.19	2,138.3	11.36
Transportation, communications, and other utilities.....	584.6	2.94	492.7	2.62
Services.....	1,961.2	9.87	1,824.3	9.69
Agriculture, forestry, fishing, and mining.....	47.8	0.24	47.9	0.25
Local governments.....	391.2	1.97	413.4	2.19
Others.....	6,910.2	34.76	6,576.1	34.93
	¥19,876.2	100%	¥18,828.1	100%
International operations				
Governments.....	¥ 16.8	1.96%	¥ 19.8	1.10%
Financial institutions.....	65.4	7.60	211.9	11.72
Others.....	778.4	90.44	1,577.3	87.18
	¥ 860.7	100%	¥ 1,809.1	100%
Elimination and intercompany.....	(214.6)		(58.9)	
Total.....	¥20,522.2		¥20,578.4	

Loans to Specified Countries (Consolidated)

September 30	Millions of yen	
	2000	1999
Indonesia.....	¥21,715	¥22,669
Brazil.....	80	90
Bulgaria.....	13	15
Algeria.....	5	6
Argentina.....	—	10
Total.....	¥21,815	¥22,792
Percentage of total assets.....	0.07	0.07

Consolidated BIS Capital Adequacy Ratio

		Millions of yen, %		
		September 30, 2000	September 30, 1999	March 31, 2000
Basic items (Tier I)	Stockholders' equity	¥ 605,336	¥ 605,260	¥ 605,331
	Preferred stock (non-cumulative).....	203,506	204,399	203,910
	Paid-in capital for new shares	—	—	—
	Capital surplus	509,486	509,416	509,486
	Consolidated retained earnings	137,742	127,378	130,921
	Minority interest of consolidated subsidiaries	8,866	10,176	8,617
	Including preferred securities issued by special-purpose companies overseas	—	—	—
	Revaluation difference on other securities.....	—	—	—
	Adjustment for foreign currency conversion.....	(569)	—	—
	Amount corresponding to goodwill	—	—	—
	Amount corresponding to consolidated adjustment item.....	7,686	—	8,192
	Total	(A) 1,253,174	1,252,232	1,246,163
	Including preferred securities with interest rate step-up conditions (Note 2)	—	—	—
Supplementary items (Upper tier II)	Amount corresponding to 45% of unrealized gains on securities	—	—	—
	45% of the difference between the consolidated balance sheet value and the book value of other securities	—	—	—
	Amount corresponding to 45% of the difference between the restated value and the book value immediately prior to restatement	96,435	99,824	98,402
	General reserve for possible loan losses.....	142,568	131,322	145,277
	Liabilities qualifying as risk-based capital	756,400	837,695	799,615
	Including perpetual subordinated bonds (Note 3)	510,000	—	—
	Term subordinated debt and term preferred stock (Note 4)	246,400	—	—
Total	995,403	1,068,842	1,043,295	
Amount included in stockholders' equity	(B) 995,403	1,068,842	1,043,295	
Quasi-supplementary items (Lower tier II)	Short-term subordinated debt	—	—	—
	Amount included in stockholders' equity	(C) —	—	—
Items deducted	Amount corresponding to capital instruments issued by other financial institutions that are held for cause	(D) 999	—	999
Total capital	(A)+(B)+(C)-(D)	(E) ¥ 2,247,578	¥ 2,321,074	¥ 2,288,459
Risk-adjusted assets	On-balance-sheet item.....	¥18,268,257	¥18,278,417	¥18,224,639
	Off-balance-sheet item	1,246,005	1,143,521	1,136,968
	Credit risk assets	(F) 19,514,263	19,421,938	19,361,607
	Amount related to market risk ((H)/8%)	(G) 29,011	43,747	30,482
	(For reference: Amount corresponding to market risk)	(H) 2,320	3,499	2,438
Total (F)+(G)	(I) ¥19,543,274	¥19,465,686	¥19,392,089	
Capital adequacy ratio (consolidated)=(E)/(I) × 100		11.50%	11.92%	11.80%

- Notes: 1. The above computation has been made in accordance with a notification issued by the Ministry of Finance based on Article 14-2 of the Banking Law and is on a consolidated basis. As the Bank adopts uniform international (BIS) capital adequacy standards, it has introduced market risk restrictions.
2. This item includes stock and other securities for which there is a probability of amortization, such as those with interest rate step-up conditions (including preferred securities issued by special-purpose companies overseas), as specified in Article 4-2 of the ministerial notification.
3. As specified in Article 5-1-4 of the ministerial notification, includes all debt and other instruments qualifying as risk-based capital with the following characteristics:
- (1) Paid-in instruments that are not collateralized and are subordinate to other liabilities
 - (2) Except under certain conditions, instruments that will not be amortized
 - (3) Instruments that can be used to offset losses while continuing business operations
 - (4) Instruments for which obligations to pay interest may be delayed
4. As specified in Article 5-1-5 and Article 5-1-6 of the ministerial notification, however, term subordinated liabilities are limited to instruments for which the period of amortization is more than five years at the time of the contract.

Risk-Managed Assets

(Millions of yen, %)

Nonconsolidated Basis	March 31, 2000	September 30, 2000	Change
Loans to borrowers in legal bankruptcy	¥ 73,432	¥ 77,811	¥ 4,379
Past due loans	611,019	572,234	(38,785)
Loans past due three months or more	84,920	97,771	12,851
Restructured loans	88,262	120,187	31,925
Total	¥ 857,635	¥ 868,004	¥ 10,369
Total loans and bills discounted	¥20,547,425	¥20,488,594	¥(58,831)
Ratio of risk-managed assets to total loans and bills discounted (%)	4.17	4.23	0.06
Total reserves	¥ 398,780	¥ 387,887	¥(10,893)
Reserves coverage ratio	46.49%	44.68%	-1.81%

(Millions of yen, %)

Consolidated Basis	March 31, 2000	September 30, 2000	Change
Loans to borrowers in legal bankruptcy	¥ 76,530	¥ 80,557	¥ 4,027
Past due loans	647,460	605,942	(41,518)
Loans past due three months or more	88,790	102,215	13,425
Restructured loans	95,398	120,921	25,523
Total	¥ 908,180	¥ 909,637	¥ 1,457
Total loans and bills discounted	¥20,581,734	¥20,522,283	¥(59,451)
Ratio of risk-managed assets to total loans and bills discounted (%)	4.41	4.43	0.02
Total reserves	¥ 458,786	¥ 449,446	¥ (9,340)
Reserves coverage ratio	50.51%	49.40%	-1.11%

Disclosure according to the Financial Reconstruction Law

(Millions of yen, %)

Nonconsolidated Basis	March 31, 2000	September 30, 2000	Change
Unrecoverable or valueless	¥ 186,765	¥ 179,939	¥ (6,826)
Risk claims	503,662	476,604	(27,058)
Claims in need of special attention	173,183	217,958	44,775
Financial Reconstruction Law total (A)	¥ 863,611	¥ 874,501	¥ 10,890
Nonclassified claims (B)	¥21,931,211	¥21,896,411	¥(34,800)
(A)/(B)	3.93%	3.99%	0.06%
Total reserves	¥ 398,780	¥ 387,887	¥(10,893)
Reserves coverage ratio	46.17%	44.35%	-1.82%

(Millions of yen, %)

Consolidated Basis	March 31, 2000	September 30, 2000	Change
Unrecoverable or valueless	¥ 214,205	¥ 197,975	¥(16,230)
Risk claims	556,006	531,929	(24,077)
Claims in need of special attention	184,188	223,136	38,948
Financial Reconstruction Law total (A)	¥ 954,399	¥ 953,041	¥ (1,358)
Nonclassified claims (B)	¥22,555,071	¥22,528,950	¥(26,121)
(A)/(B)	4.23%	4.23%	-0.00%
Total reserves	¥ 458,786	¥ 449,446	¥ (9,340)
Reserves coverage ratio	48.07%	47.15%	-0.92%

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Asahi Bank, Ltd.
September 30, 2000 and 1999, and March 31, 2000

	Millions of yen			Millions of U.S. dollars (Note 1)
	September 30, 2000	September 30, 1999	March 31, 2000	September 30, 2000
Assets				
Cash and due from banks (Note 15).....	¥ 1,314,409	¥ 747,663	¥ 1,187,769	\$ 12,170
Call loans.....	154,251	167,427	153,563	1,428
Commercial paper and other debt purchased.....	2,723	—	429	25
Trading assets (Note 3).....	649,323	356,162	438,962	6,012
Money held in trust.....	60,050	83,000	210,000	556
Securities (Notes 4 and 6).....	5,464,119	3,856,212	3,639,112	50,594
Loans and bills discounted (Notes 2 (g), 5 and 6).....	20,522,283	20,578,420	20,581,734	190,021
Foreign exchanges.....	70,388	70,034	65,141	652
Other assets (Notes 6 and 7).....	533,510	408,057	419,820	4,940
Premises and equipment (Notes 2 (f), 8 and 12).....	471,412	478,271	478,342	4,365
Deferred tax assets (Note 16).....	328,615	339,938	303,657	3,043
Consolidation differences.....	7,686	—	8,192	71
Customers' liabilities for acceptances and guarantees (Note 11).....	1,757,298	1,818,864	1,760,192	16,271
Reserve for possible loan losses.....	(449,446)	(425,833)	(458,786)	(4,162)
Total Assets.....	¥30,886,625	¥28,478,220	¥28,788,131	\$285,987
Liabilities				
Deposits (Note 6).....	¥22,716,545	¥21,760,969	¥21,897,556	\$210,338
Call money and bills sold (Note 6).....	2,111,230	1,301,034	1,278,836	19,548
Commercial paper.....	150,000	240,000	120,000	1,389
Trading liabilities (Note 3).....	86,793	30,349	40,310	804
Borrowed money (Notes 6 and 9).....	815,558	794,101	823,458	7,551
Foreign exchanges.....	5,141	5,235	4,775	48
Bonds (Note 10).....	410,800	370,695	370,615	3,804
Convertible bonds and notes.....	—	3,127	—	—
Other liabilities (Note 6).....	1,244,785	555,153	910,490	11,526
Reserve for severance payments.....	—	26,854	27,224	—
Reserve for employee retirement benefits.....	34,184	—	—	317
Reserve for contingent liabilities related to loans sold.....	61,582	73,565	64,073	570
Reserve for supporting specific borrowers.....	6,603	13,271	6,603	61
Other reserves.....	0	0	0	0
Deferred tax liability on land revaluation (Note 12).....	84,713	92,859	87,272	784
Acceptances and guarantees (Note 11).....	1,757,298	1,818,864	1,760,192	16,271
Total Liabilities.....	29,485,236	27,086,081	27,391,409	273,011
Minority interests in consolidated subsidiaries.....	8,866	10,176	8,617	82
Stockholders' Equity (Note 13)				
Common stock.....	401,850	400,888	401,446	3,721
Preferred stock.....	203,506	204,399	203,910	1,884
Capital surplus.....	509,486	509,416	509,486	4,717
Land revaluation difference (Note 12).....	129,587	128,973	131,400	1,200
Consolidated retained earnings.....	148,682	138,311	141,886	1,377
Foreign currency transaction adjustments (net of taxes).....	(569)	—	—	(5)
Common stock in treasury.....	(4)	(10)	(9)	(0)
Parent company stock held by subsidiaries.....	(16)	(16)	(16)	(0)
Total Stockholders' Equity.....	1,392,523	1,381,962	1,388,104	12,894
Total Liabilities, Minority Interests and Stockholders' Equity	¥30,886,625	¥28,478,220	¥28,788,131	\$285,987

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Asahi Bank, Ltd.
Six months ended September 30, 2000 and 1999, and year ended March 31, 2000

	Millions of yen			Millions of U.S. dollars (Note 1)
	Six months ended September 30, 2000	Six months ended September 30, 1999	Year ended March 31, 2000	Six months ended September 30, 2000
Income				
Interest on loans and discounts.....	¥221,259	¥229,701	¥ 459,378	\$2,049
Interest and dividends on securities	27,514	30,882	56,136	255
Other interest income.....	36,956	36,907	73,634	342
Fees and commissions.....	43,054	40,278	86,453	399
Trading income	1,731	1,130	1,787	16
Other operating income	6,913	15,132	24,207	64
Other income (Note 14).....	140,037	65,087	459,158	1,297
Total Income	477,467	419,120	1,160,755	4,421
Expenses				
Interest on deposits.....	44,360	39,507	77,748	411
Interest on borrowings and rediscounts	9,536	11,405	23,424	88
Other interest expenses	43,529	54,201	107,317	403
Fees and commissions.....	9,250	9,624	21,117	86
Trading expenses.....	5	—	3	0
Other operating expenses.....	5,466	17,610	23,857	51
General and administrative expenses.....	136,053	137,681	275,437	1,260
Other expenses (Note 14).....	206,296	119,817	553,319	1,910
Total Expenses.....	454,500	389,847	1,082,225	4,208
Income before income taxes.....	22,967	29,273	78,529	213
Income taxes (Note 16):				
Current.....	34,701	17,547	18,069	321
Deferred.....	(26,662)	(5,180)	29,462	(247)
Minority interests in net income or loss	38	(140)	(407)	0
Net income	¥ 14,889	¥ 17,046	¥ 31,404	\$ 138
		Yen		U.S. dollars
Net income per share.....	¥4.40	¥5.18	¥ 9.39	\$0.04
Cash dividends declared per share:				
Common stock.....	3.00	3.00	6.00	0.03
Preferred stock				
Preferred stock No. 1.....	5.00	5.00	10.00	0.05
Class B preferred stock No. 1.....	7.19	7.19	14.38	0.07
Class B preferred stock No. 2.....	9.25	9.25	18.50	0.09

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

The Asahi Bank, Ltd.
Six months ended September 30, 2000 and 1999, and year ended March 31, 2000

	Millions of yen			Millions of U.S. dollars (Note 1)
	Six months ended September 30, 2000	Six months ended September 30, 1999	Year ended March 31, 2000	Six months ended September 30, 2000
Balance of retained earnings at the beginning of the term	¥141,886	¥124,183	¥124,183	\$1,314
Increase in retained earnings.....	2,843	4,144	4,329	26
Due to transfer from land revaluation difference	2,627	2,493	4,329	24
Due to decrease of affiliates accounted for by the equity method.....	215	—	—	2
Due to changes in consolidated subsidiaries	—	1,651	—	—
Decrease in retained earnings	(10,937)	(7,062)	(18,031)	(101)
Cash dividends.....	(10,937)	(7,062)	(17,996)	(101)
Due to change in scope of consolidation.....	—	—	(35)	—
Net income.....	14,889	17,046	31,404	138
Balance of retained earnings at the end of the term.....	¥148,682	¥138,311	¥141,886	\$1,377

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

The Asahi Bank, Ltd.
Six months ended September 30, 2000 and 1999, and year ended March 31, 2000

	Millions of yen			Millions of U.S. dollars (Note 1)
	September 30, 2000	September 30, 1999	March 31, 2000	September 30, 2000
Cash flows from operating activities:				
Income before income taxes	¥ 22,967	¥ 29,273	¥ 78,529	\$ 213
Depreciation	11,867	10,871	23,179	110
Amortization of consolidation difference	565	37	6,555	5
Equity in net loss of affiliated companies	192	146	385	2
Increase in reserve for possible loan losses	(9,339)	(2,197)	(18,201)	(86)
Increase in reserve for contingent liabilities related to loans sold.....	(2,490)	(4,215)	(13,706)	(23)
Increase in reserve for supporting specific borrowers	—	13,271	6,603	—
(Decrease) increase in reserve for severance payments	(27,224)	1,155	1,511	(252)
Increase in reserve for employee retirement benefits.....	34,184	—	—	317
Operating income.....	(285,730)	(297,492)	(589,148)	(2,646)
Operating expenses	97,426	105,113	208,490	902
Gains on investment securities.....	(84,142)	(26,501)	(252,537)	(779)
(Gains) losses from money held in trust	(49)	250	(365)	(0)
(Gains) losses from exchange rate changes	(3,771)	10,407	12,961	(35)
(Gains) losses from disposition of premises and equipment.....	3,508	3,952	(15,736)	32
Net increase in trading assets	(164,689)	(71,943)	(155,873)	(1,525)
Net increase (decrease) in trading liabilities.....	2,536	(3,983)	5,977	23
Net decrease in loans and bills discounted.....	59,451	227,807	390,628	550
Net increase in deposits	818,988	550,118	686,705	7,583
Net increase in borrowed money (excluding subordinated debt)	4,099	—	—	38
Net increase in due from banks (excluding due from the Bank of Japan) ...	(145,829)	(25,232)	(223,664)	(1,350)
Net increase in call loans and others.....	(2,982)	(61,471)	(47,606)	(28)
Net decrease (increase) in call money and others.....	832,393	(882,061)	(1,074,258)	7,707
Net increase in commercial paper.....	30,000	—	50,000	278
Net (increase) decrease in collateral deposit on securities lent.....	(72,811)	(24,974)	11,364	(674)
Net (increase) decrease in foreign exchange (assets)	(5,247)	39,898	44,791	(49)
Net increase (decrease) in foreign exchange (liabilities)	366	(833)	(1,293)	3
Net increase from issue and payment of bonds.....	50,000	—	—	463
Net (increase) decrease in due to trust account	(216,818)	—	133,977	(2,008)
Proceeds from interest-earning assets	287,701	305,844	588,768	2,664
Payments on interest-bearing liabilities	(91,865)	(125,537)	(234,704)	(851)
Others.....	482,226	47,655	267,072	4,465
Total.....	1,625,484	(180,638)	(109,596)	15,051
Income taxes paid	(15,750)	(1,934)	(3,415)	(146)
Net cash provided by (used in) operating activities	1,609,734	(182,573)	(113,012)	14,905
Cash flows from investing activities:				
Payments for purchases of securities.....	(7,153,546)	(2,289,963)	(6,786,339)	(66,237)
Proceeds from sales of securities.....	3,636,263	2,202,063	6,591,092	33,669
Proceeds from maturities of securities	1,775,486	175,624	610,399	16,440
Payments for increase in money held in trust.....	(504)	—	(190,000)	(5)
Proceeds from decrease in money held in trust.....	150,503	316	63,316	1,394
Payments for acquisition of premises and equipment	(9,098)	(13,550)	(24,965)	(84)
Proceeds from sales of premises and equipment	4,868	4,812	5,416	45
Net cash (used in) provided by investing activities.....	(1,596,027)	79,302	268,920	(14,778)
Cash flows from financing activities:				
Payment of subordinated debt.....	(12,000)	—	(25,000)	(111)
Issue of subordinated bonds and convertible bonds.....	48,000	—	—	444
Redemption of subordinated bonds and convertible bonds	(58,000)	—	(2,988)	(537)
Dividends paid.....	(10,931)	(7,062)	(17,996)	(101)
Payment of dividends to minority interests.....	(17)	(180)	(180)	(0)
Payments for purchase of common stock in treasury.....	(72)	(133)	—	(1)
Proceeds from sales of common stock in treasury	77	136	—	1
Net cash used in financing activities.....	(32,943)	(7,240)	(46,165)	(305)
Effect of exchange rate changes on cash and cash equivalents	47	(143)	(189)	0
Net (decrease) increase in cash and cash equivalents	(19,190)	(110,654)	109,553	(178)
Cash and cash equivalents at beginning of period.....	712,120	602,563	602,563	6,594
Net increase in cash and cash equivalents resulting from change in scope of consolidation	—	—	4	—
Cash and cash equivalents at end of period	¥ 692,930	¥ 491,908	¥ 712,120	\$ 6,416

See notes to consolidated financial statements.

NOTE 1
BASIS OF PRESENTING
CONSOLIDATED FINANCIAL
STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Asahi Bank, Ltd. (the Bank) in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective from the year ended March 31, 2000, the Bank is required to prepare a consolidated cash flows statement. The prior year's consolidated cash flows statement was not required and not presented.

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

Amounts of less than one million yen have been rounded down in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen shown herein do not necessarily agree with the sum of the individual amounts.

U.S. dollar amounts are shown solely for the convenience of the reader and translated at ¥108.00 to U.S.\$1.00, the exchange rate prevailing on September 30, 2000.

NOTE 2
SIGNIFICANT
ACCOUNTING
POLICIES

(a) Principles of consolidation

Consolidated Subsidiaries

1) Consolidated subsidiaries: 25

The principal consolidated subsidiaries are Asahi Trust and Banking Co., Ltd., Asahigin Guarantee Co., Ltd., and Asahi Card Co., Ltd. Asahi Bank (Schweiz) AG and Asahi Financial Futures (Singapore) Pte. Ltd. were liquidated and excluded from consolidation beginning with the interim period of fiscal 2000.

Asahi Bank Factoring Co., Ltd., changed its name to Asahi Bank Retail Finance Co., Ltd., in the interim period of fiscal 2000.

2) Nonconsolidated subsidiaries:

The principal nonconsolidated subsidiaries are Yamabun Securities Co., Ltd., and Saiei Real Estate Co., Ltd. The total assets, interim ordinary income, interim net income (based on the owned interest), and retained earnings (based on the owned interest) of these nonconsolidated subsidiaries had no material effect on the Bank's interim consolidated financial statements. These subsidiaries are excluded from consolidation.

Companies Accounted for by the Equity Method

1) The equity method was not applied to any unconsolidated subsidiary.

2) The affiliated companies accounted for by the equity method: Three

Principal affiliated companies accounted for by the equity method are Showa Leasing Co., Ltd. and Asahigin Leasing Co., Ltd.

Under the provisions of the *Regulations Regarding the Terminology and the Format and Method of Preparation of Financial Statements*, the Fuji Warehouse & Transportation Co., Ltd., no longer qualified for being accounted for by the equity method and was excluded beginning with the interim period of fiscal 2000.

3) The principal unconsolidated subsidiaries not accounted for by the equity method are Yamabun Securities Co., Ltd., and Saiei Real Estate Co., Ltd.

4) The principal affiliated companies not accounted for by the equity method are Siam City-Showa Leasing Co., Ltd., and Asahigin Leasing (U.S.A.) Inc.

The interim net income (based on the owned interest) and retained earnings (based on the owned interest) of unconsolidated subsidiaries and affiliated companies not accounted for by the equity method had no material effect on the Bank's interim consolidated financial statements.

5) Financial balance sheet dates of consolidated subsidiaries are as follows:

June 30: 7 subsidiaries

September 30: 18 subsidiaries

The subsidiaries mentioned above are consolidated based on their financial statements as of each balance sheet date. The accounts of these subsidiaries have been made appropriate adjustments for any material transactions during the period between June 30 and September 30.

(b) Trading assets and trading liabilities

Balances incurred by transactions whose purpose is to earn a profit by taking advantage of short-term fluctuations in a market or discrepancies in different markets of interest rates, currency exchange rates, share prices or other indices (hereinafter referred to as “trading purposes”) are included in “Trading assets” or “Trading liabilities” in the consolidated balance sheets as of the dates on which the transactions were contracted.

Trading assets and trading liabilities are valued, in the case of securities and commercial paper, etc., at the market value as of the date of each consolidated balance sheet and, in the case of derivatives, including swaps, futures and options, at the amount due if the transactions were settled as of the date of the consolidated balance sheets.

(c) Trading income and trading expenses

Gains and losses on transactions for trading purposes are included in “Trading income” or “Trading expenses” in the consolidated statements of income as of the date on which the transactions were contracted.

“Trading income” and “Trading expenses” include the amounts of interest received or paid in the interim and gains or losses incurred in the revaluation of securities, commercial paper, derivatives, etc., which are included in “Trading assets” or “Trading liabilities” as explained in Note 2 (b).

(d) Securities

1) Bonds held to maturity are stated at amortized cost using the moving average cost method. Other securities are stated at cost as determined by the moving average cost method or stated at amortized cost using the moving average cost method.

2) Securities that are held as trust assets in individually managed money trusts with the principal objective of securities portfolio management are stated at market price.

(e) Derivatives

Derivative transactions (excluding those held for trading purposes) are stated at market price.

(f) Depreciation

Premises and equipment

Premises and equipment are stated at cost and the related depreciation is computed by the following methods. For those assets depreciated by the declining-balance method, the estimated annual amount of depreciation based on the value of such assets at the end of the interim period is allocated proportionally to the interim period.

Buildings: Straight-line method, based on rates in the Corporation Tax Law

Equipment: Declining-balance method, based on rates in the Corporation Tax Law

Others: Based on the method specified in the Corporation Tax Law

Depreciation of the assets of consolidated subsidiaries is computed principally by the straight-line method, based on the estimated useful lives of such assets.

Software

The Bank and its subsidiaries have computed depreciation of computer software for internal use by the straight-line method based on its estimated useful life (primarily five years).

(g) Reserve for possible loan losses

The Bank and the trust and banking company of the domestic consolidated subsidiaries have made provisions for possible loan losses as follows.

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings (hereinafter, “borrowers under bankruptcy proceedings”) or who are in a similar financial condition while not yet in bankruptcy (hereinafter “borrowers substantially in bankruptcy”), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deduction of the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from the disposal of collateral pledged and from guarantees that are deemed recoverable.

For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming insolvent, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of security interests, guarantees and the customers’ overall financial condition.

For other loans, the reserve for possible loan losses is provided at the amounts based on anticipated loss rates calculated by reasonable methods.

The reserve includes a special reserve for possible losses on overseas loans (includes the reserve for possible overseas investment losses in Article 55-2 of the Special Taxation Measures Law) likely to become uncollectible due to the political and economic circumstances in the relevant countries.

For each loan, the Credit Review Office of the Bank, which is controlled separately from its operating divisions, reviews asset valuation of collectibility of each loan made by the operating divisions based on the Bank's assets self-assessment standards. Provision for possible loan losses is based on the results of these reviews.

For other consolidated subsidiaries, the reserve for possible loan losses is computed as follows. For other loans, the reserve is provided for in the amount based on anticipated loss rates calculated by reasonable methods. For loans to borrowers classified as not currently in or substantially in bankruptcy but with a high probability of becoming so, or for other problem loans, reserves are provided after consideration of the estimated unrecoverable amounts.

Note that the Bank and certain of its consolidated subsidiaries have subtracted the estimated collectible amount of loans outstanding to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy, based on the value of collateral pledged against these loans, guarantees, and other considerations, directly from the value of such loans and reported the remainder as the unrecoverable amount. The total amount of such subtractions was ¥500,831 million (U.S.\$4,637 million).

(h) Reserve for severance payments and pension plans

To provide for employees' retirement benefits, the Bank has set aside reserves for severance payments and pension plans, based on the value of such estimated benefit obligations and plan assets at the consolidated balance sheet date.

Under these revised accounting standards, a portion of the resulting difference (¥131,712 million) has been accounted for as an expense of ¥40,413 million (U.S.\$374 million) due to the establishment of a pension benefit trust, and the rest of the amount will be amortized proportionately over a five-year period. For the interim period under review, the Bank recorded an expense equivalent to six-twelfths of the annual amortization cost.

(i) Reserve for contingent liabilities related to loans sold

The Bank has set aside a reserve for contingent liabilities related to loans sold based on its estimated liability for future losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company, Limited (CCPC).

(j) Other reserves

1) Reserve for supporting specific borrowers

The Bank has provided a reserve based on the estimated amount to assist specific borrowers in management restructuring.

2) Special legal reserves

The Bank has set aside a legal reserve as follows:

Reserve for financial futures transactions: ¥0 million (U.S.\$0 million)

To provide for losses which may be incurred on financial futures trading, the Bank has provided a reserve calculated in accordance with the provisions of Article 82 of the Financial Futures Transactions Law and Article 29 of the Implementation Rules for this Law.

(k) Translation of foreign currencies

Foreign currency assets and liabilities held by the Bank are translated into yen at the market rates prevailing at the consolidated balance sheet dates. However, (1) those assets which represent investments in foreign corporations (excluding those for which the funds were raised in foreign currencies), (2) foreign currency convertible bonds, and (3) other assets and liabilities for which it is deemed inappropriate for banks to include among spot foreign currency assets and liabilities are treated as exceptions. Such foreign currency assets are carried at their historical purchase prices and are converted at the market rates prevailing when the liabilities were incurred. Accounts of overseas branches and an agency are translated into yen at the market rates prevailing at the balance sheet dates.

Foreign currency accounts held by consolidated subsidiaries are translated into the currency of each subsidiary at the exchange rates prevailing at the respective balance sheet dates.

(l) Leases

Noncancelable leases of the Bank and its domestic consolidated subsidiaries are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases, with the exception of lease agreements that stipulate the transfer of ownership of the leased property to the lessee. The latter category is accounted for as finance leases.

(m) Material risk hedging

The Bank uses the hedge-accounting technique of “macro-hedging,” which utilizes derivatives to comprehensively control the interest rate risks attendant with numerous financial assets and liabilities, such as loans and deposits. Macro-hedging is a form of risk management based on the risk adjustment approach provided for in the *Provisional Treatment for Accounting and Auditing for Application of Accounting Standards for Financial Instruments in the Banking Industry* (contained in Report No. 15 of the Japanese Institute of Certified Public Accountants’ Industry Audit Committee). The Bank applies deferred hedging to account for unrealized gains or losses arising from the derivatives mentioned above.

In addition, the Bank maintains the risk amounts of derivatives, which form the risk-adjustment mechanism, within the range of permissible risk set by its risk management policy and evaluates the integrity of its hedging approach by verifying that the interest risk of the hedging target has been nullified.

For certain assets and liabilities, the Bank makes use of deferred hedging, market value hedging, and special treatment of interest rate swaps.

(n) Accounting for consumption taxes

The Bank and its domestic consolidated subsidiaries account for consumption taxes and local consumption taxes primarily by the tax-excluded method.

(o) Valuation of assets and liabilities of consolidated subsidiaries

Effective the year ended March 31, 2000, in the elimination of investments in subsidiaries, the portion of the assets and liabilities of a subsidiary attributable to the subsidiary’s shares owned by the Bank are evaluated at the fair value as of the date when the Bank acquired control of the subsidiary. The amounts of assets and liabilities attributable to minority shareholders of the subsidiary are determined based on the financial statements of the subsidiary.

(p) Amortization of consolidation differences

Consolidated differences are being amortized, in principle, in equal amounts over five years beginning from the year ended March 31, 2000, and immaterial differences are immediately amortized in the year they occur. Through the previous fiscal year, such differences were amortized in equal amounts over 10 years.

(q) Treatment of appropriation of profit

The consolidated statements of retained earnings have been prepared based on the appropriation approved for the respective consolidation accounting terms.

(r) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash and due from the Bank of Japan.

(s) Income taxes

The Bank and its domestic consolidated subsidiaries are subject to corporation tax, inhabitants’ tax and enterprise tax, which are based on income. Income taxes are provided on the basis of current tax liabilities, and reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes.

(t) Differences between the accounting principles and practices adopted in the accompanying consolidated financial statements and International Accounting Standards

The accompanying consolidated financial statements conform with accounting principles and practices generally accepted and applied in Japan. Such principles and practices differ from International Accounting Standards in several respects, such as the methods for the valuation of securities, accounting for leases, and accounting for the pension plan.

NOTE 3**TRADING ASSETS AND
TRADING LIABILITIES**

Trading assets as of September 30, 2000 consisted of the following:

	Millions of yen September 30, 2000	Millions of U.S. dollars September 30, 2000
Trading securities	¥ 22,367	\$ 207
Trading-related financial derivatives	82,504	764
Other trading assets	544,451	5,041
	¥649,323	\$6,012

Trading liabilities as of September 30, 2000 consisted of the following:

	Millions of yen September 30, 2000	Millions of U.S. dollars September 30, 2000
Trading securities sold as short sales	¥ 2,474	\$ 23
Derivatives of trading securities.....	63	1
Trading-related financial derivatives	84,255	780
	¥86,793	\$804

**NOTE 4
SECURITIES**

As of September 30, 2000, securities included stock in nonconsolidated subsidiaries and affiliates of ¥3,691 million (U.S.\$34 million) and capital subscriptions of ¥138 million (U.S.\$1 million).

**NOTE 5
LOANS AND BILLS
DISCOUNTED**

As at September 30, 2000, loans included loans to borrowers in legal bankruptcy amounting to ¥80,557 million (U.S.\$746 million) and past due loans (6 months or more) amounting to ¥605,942 million (U.S.\$5,610 million).

Past due loans (3 months or more) as at September 30, 2000, amounted to ¥102,215 million (U.S.\$946 million).

As at September 30, 2000, restructured loans amounted to ¥120,921 million (U.S.\$1,120 million).

Loans to borrowers in legal bankruptcy, past due loans (6 months or more), past due loans (3 months or more), and restructured loans amounted to ¥909,637 million (U.S.\$8,423 million) in total, as at September 30, 2000.

**NOTE 6
PLEGGED ASSETS**

As of September 30, 2000, pledged assets were as follows:

	Millions of yen September 30, 2000	Millions of U.S. dollars September 30, 2000
Pledged assets:		
Securities	¥220,916	\$2,046
Loans	326,337	3,022
Liabilities covered by pledged assets:		
Deposits	33,078	306
Call money and bills sold	217,570	2,015
Borrowed money	14,575	135
Other liabilities.....	373	3

In addition to the above-mentioned pledged assets, the Bank provided securities valued at ¥317,121 million (U.S.\$2,936 million), loans amounting to ¥13,268 million (U.S.\$123 million), and other assets valued at ¥4 million (U.S.\$0 million) as collateral for foreign exchange settlements and deposits for futures transactions as at September 30, 2000.

Premises and equipment include security deposits of ¥28,140 million (U.S.\$261 million) and other assets include deposit money for future transactions of ¥332 million (U.S.\$3 million).

NOTE 7
OTHER ASSETS Unrealized gain and loss in respect of hedging are included in other assets as the net amount of the deferred hedge loss. Prior to the netting of gains and losses, the gross deferred hedge loss amounted to ¥86,871 million (U.S.\$804 million) and such gross gains amounted to ¥46,398 million (U.S.\$430 million).

NOTE 8
PREMISES AND EQUIPMENT As of September 30, 2000, the accumulated depreciation of premises and equipment was ¥229,808 million (U.S.\$2,128 million).

NOTE 9
BORROWED MONEY As of September 30, 2000, borrowed money included subordinated loans amounting to ¥630,000 million (U.S.\$5,833 million), which are contractually less senior in standing than other liabilities.

NOTE 10
BONDS Bonds include subordinated bonds amounting to ¥360,800 million (U.S.\$3,341 million).

NOTE 11
CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the assets side of the balance sheets representing the Bank's right of indemnity from the applicants.

NOTE 12
LAND REVALUATION DIFFERENCE Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the Bank has revalued its landholdings used for business purposes. The tax payable on the difference between the previous book value of such landholdings and the revalued amount is shown among Total Liabilities on the balance sheets in the item Deferred tax liability on land revaluation. The difference between the previous book value and the revalued amount net of the deferred tax liability is shown under Total Stockholders' Equity in the item Land revaluation difference.

Land revaluation was conducted as of March 31, 1998, in accordance with the method specified in Article 3-3 of the Law Concerning Land Revaluation and was as follows.

The value of the land was based on the official notice prices (with a base date of January 1, 1998), as stipulated in Article 2-1 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998), after taking into account reasonable adjustments of location, land parcels, and other matters affecting land values.

NOTE 13

STOCKHOLDERS' EQUITY

Information with respect to common stock as of September 30, 2000 was as follows:

	September 30, 2000
Par value (per share).....	¥50
Number of shares:	
Authorized.....	6,000,000,000
Issued and outstanding	2,818,981,939

Information with respect to preferred stock as of September 30, 2000 was as follows:

	September 30, 2000
Preferred stock without par value:	
Number of shares (Preferred stock No. 1):	
Authorized.....	53,506,000
Issued and outstanding	3,506,000
Number of shares (Class B preferred stock):	
Authorized.....	600,000,000
Issued and outstanding No. 1	240,000,000
Issued and outstanding No. 2	80,000,000
Number of shares (Class C preferred stock):	
Authorized.....	100,000,000
Issued and outstanding	—
Total number of shares of preferred stock:	
Authorized.....	753,506,000
Issued and outstanding	323,506,000

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Commercial Code of Japan.

NOTE 14

OTHER INCOME AND EXPENSES

During the six months ended September 30, 2000, other income includes gains on sale of stocks and other securities amounting to ¥94,612 million (U.S.\$876 million) and gains on establishment of trusts for employee retirement benefits amounting to ¥21,216 million (U.S.\$196 million).

Other expenses include the following:

	Millions of yen September 30, 2000	Millions of U.S. dollars September 30, 2000
Provision for reserve for possible loan losses	¥42,562	\$394
Write-off of claims	51,922	481
Losses on sales of stocks and other securities.....	1,016	9
Write-off of stocks and other securities.....	7,576	70
Provision for the reserve for contingent liabilities related to loans sold.....	10,758	100
Temporary expenses for establishment of pension benefit trusts.....	40,413	374
Expenses for difference caused by accounting change with application of new criteria for employee retirement benefits.....	9,130	85

NOTE 15
CASH AND CASH
EQUIVALENTS

As of September 30, 2000, the reconciliation between cash and cash equivalents and cash and due from banks in the consolidated balance sheets was as follows:

	Millions of yen		Millions of U.S. dollars	
	September 30, 2000		September 30, 2000	
Cash and due from banks	¥1,314,409		\$12,170	
Due from banks except for the Bank of Japan	(621,478)		(5,754)	
Cash and cash equivalents	¥ 692,930		\$ 6,416	

NOTE 16
INCOME TAXES

Income taxes consist of corporation, inhabitants' and enterprise taxes. The effective tax rate was approximately 39.53% for the interim period ended September 30, 2000.

Business taxes, other than those calculated based on income, are recorded under Other ordinary expenses.

On March 30, 2000, the Tokyo Metropolitan Government passed and established the Special Ordinance Concerning Taxation Standards for Enterprise Taxes in Relation to Banks in the Tokyo metropolis. Business taxes assessed by the government of Tokyo were formerly recorded under Income taxes. From the interim period under review, following the enactment on April 1, 2000, of Tokyo Municipal Ordinance No. 145 (the Municipal Ordinance Concerning Special Treatment of the Tax Base, etc., for the Enterprise Tax on Banking Business, etc., in Tokyo), the Bank recorded ¥2,100 million (U.S.\$19 million) in such taxes among Other ordinary expenses for the six months ended September 30, 2000.

On June 9, 2000, the Osaka Prefectural Government promulgated the Special Ordinance Concerning Taxation Standards, for Enterprise Taxes in Relation to Banks, in Osaka Prefecture. The effect of this measure is to change the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities from 39.91% to 39.53%.

As a result of this change, the Bank's deferred tax assets declined ¥2,943 million and its deferred income taxes increased by the same amount for the interim period. In addition, the Bank's deferred tax liabilities related to the revaluation of its assets declined ¥814 million and the Land revaluation difference rose by the same amount for the interim period.

NOTE 17
LEASES

Finance leases as of September 30, 2000, except for lease agreements which stipulate the transfer of ownership of the leased property to the lessee, were as follows:

Amounts corresponding to the term-end acquisition costs and accumulated depreciation of leased items:

	Millions of yen		Millions of U.S. dollars	
	September 30, 2000		September 30, 2000	
	Equipment	Total	Equipment	Total
Acquisition costs	¥26,948	¥26,948	\$250	\$250
Accumulated depreciation.....	8,777	8,777	81	81
Net book value	¥18,170	¥18,170	\$168	\$168

	Millions of yen		Millions of U.S. dollars	
	September 30, 2000		September 30, 2000	
Lease commitments, exclusive of interest expense:				
Due within one year.....	¥ 5,407		\$ 50	
Due after one year	13,119		121	
Total	¥18,527		\$172	

Lease fees and the amounts corresponding to depreciation and interest expense:

	Millions of yen	Millions of U.S. dollars
	September 30, 2000	September 30, 2000
Lease fees.....	¥2,674	\$25
Depreciation expense.....	2,728	25
Interest expense.....	126	1

Computation of amounts corresponding to depreciation:

The duration of the lease term is taken as equivalent to the useful lives of the equipment, and the straight-line method is applied to fully depreciate the asset.

Computation of amounts corresponding to interest expense:

The difference between the total amount of the lease payments and the purchase value of the asset is taken as the amount corresponding to interest expense and the interest method is used to allocate this amount to the appropriate consolidated accounting years.

Lease commitments as of September 30, 2000 inclusive of interest expense under noncancelable operating leases were as follows:

	Millions of yen	Millions of U.S. dollars
	September 30, 2000	September 30, 2000
Due within one year.....	¥ 720	\$ 7
Due after one year.....	1,692	16
Total.....	¥2,412	\$22

NOTE 18
MARKET VALUES
OF SECURITIES

Book values, estimated market values and the unrealized gains/(losses) on securities as at September 30, 2000 were as follows in accordance with the revised Regulations for Financial Statements (Ordinance promulgated by the Ministry of Finance).

Marketable bonds held to maturity

	Millions of yen				
	September 30, 2000				
	Book value (X)	Estimated market value (Y)	Unrealized gains/(losses) (Y - X)	Gains	Losses
Japanese government bonds.....	¥33	¥34	¥0	¥0	¥—
Others.....	10	9	(0)	—	0
Total.....	¥43	¥44	¥0	¥0	¥ 0

Note: Market values are based on market prices prevailing on the final business day of the interim period.

Other securities for which market prices can be calculated

During the interim period, other securities for which market prices are available have not been valued at market price. The carrying values of such securities on the Bank's balance sheets were as follows, as provided for under Rider 3 of Ministry of Finance Ordinance 11 issued in 2000.

	Millions of yen				
	September 30, 2000				
	Book value (X)	Estimated market value (Y)	Unrealized gains/(losses) (Y - X)	Gains	Losses
Stocks.....	¥1,948,778	¥2,148,885	¥200,106	¥322,524	¥122,418
Bonds.....	2,848,679	2,859,825	11,145	13,549	2,403
Japanese government bonds.....	2,495,850	2,498,267	2,417	4,151	1,733
Municipal bonds.....	59,896	63,239	3,343	3,425	82
Corporate bonds.....	292,933	298,317	5,384	5,971	587
Others.....	194,608	197,282	2,674	7,832	5,157
Total.....	¥4,992,066	¥5,205,993	¥213,926	¥343,906	¥129,979

Market values are based on the following formulas. The market value of stocks is based on the average market prices prevailing during the one-month period prior to the closing of the interim accounting period. For other securities, the market value is based on the market prices prevailing on the final business day of the interim period.

Principal categories of securities for which market values are not available and their amounts at the balance sheet date

	Millions of yen September 30, 2000 Book value
Securities:	
Unlisted bonds	¥345,340
Unlisted stocks (excluding over-the-counter securities)	52,516
Unlisted foreign securities	42,379

Notes: 1. Money in trust held to maturity: None
 2. Other money held in trust (excluding money held for asset management purposes and held to maturity): None

NOTE 19
NET UNREALIZED GAINS
ON OTHER SECURITIES

Amounts of Net Unrealized Gains on Other Securities

For the interim period, net unrealized gains on other securities that have been stated at market value were as follows:

	Millions of yen September 30, 2000
Net unrealized gains (market value—balance sheet amount)	¥213,926
Other securities	213,926
Other money held in trust	—
Amount of deferred tax liabilities	84,661
Amount of unrealized gain (net) of other securities (before adjustments for equity in earnings)	129,265
Amount of minority interests	1,408
Amount of parent company interest in unrealized gain (net) of other securities owned by associated companies accounted for by the equity method	(14)
Amount of unrealized gain (net) of other securities	¥127,842

NOTE 20
DERIVATIVES

Contract values or notional principal amounts, market values or estimated market values and unrealized gains/(losses) on derivative financial instruments as at September 30, 2000 were as follows in accordance with the revised Regulations for Financial Statements (Ordinance promulgated by the Ministry of Finance).

(a) Interest rate related transactions

September 30, 2000		Millions of yen		
		Contract value or notional principal amount (option premium)	Market value	Unrealized gains/(losses)
Listed transactions	Futures	¥ 257,428	¥ 281	¥ 281
	Options	—	—	—
Unlisted transactions	Forward rate agreements	50,380	6	6
	Swaps	4,675,993	(2,706)	(2,706)
	Options	—	—	—
	Caps	100,285	(129)	403
	Floors	—	—	—
	Others	—	—	—
Total		¥ /	¥(2,547)	¥(2,014)

Note: The transactions in this table have been revalued at the market rates prevailing at the closing date of the interim consolidated balance sheets. Derivatives accounted for in hedge accounting have been excluded from this table.

(b) Currency-related transactions

September 30, 2000		Millions of yen		
		Contract value or notional principal amount	Market value	Unrealized gains/(losses)
Unlisted transactions	Currency swaps	¥198,912	¥537	¥537
	Forward exchange contracts	—	—	—
	Options	—	—	—
	Others	—	—	—

Notes: 1. The transactions in this table have been revalued at the market rates prevailing at the closing date of the interim consolidated balance sheets. Derivatives accounted for in hedge accounting have been excluded from this table.

2. Based on the notification (issued on April 10, 2000 by the Japanese Institute of Certified Public Accountants) entitled *Provisional Accounting Procedures for Banks Continuing to Apply the "New Foreign Currency Accounting Standards,"* currency swaps accounted for on an accrual basis have been excluded from this table.

September 30, 2000		Millions of yen		
		Contract value or notional principal amount	Market value	Unrealized gains/(losses)
Currency swaps		¥99,769	¥201	¥201

3. Similarly, the above schedule excludes those transactions related to foreign currencies, such as foreign exchange forward contracts and currency options, that have been revalued at the market rates prevailing at the closing date of the interim consolidated balance sheets, and for which gains (or losses) in consequence of revaluation have been credited (or debited) to the consolidated statements of income. The schedule also excludes transactions pertaining to those foreign currency monetary assets and liabilities reflected in the interim consolidated balance sheets and such assets and liabilities that have been eliminated in consolidation. The contract value or notional principal amounts of foreign currency related derivatives that have been revalued are shown below.

September 30, 2000		Millions of yen		
		Contract value or notional principal amount (option premium)	Market value	Unrealized gains/(losses)
Listed transactions	Futures	¥ —	—	—
	Options	—	—	—
Unlisted transactions	Forward exchange contracts	1,920,037	—	—
	Options	69,622	—	—
	Others	—	—	—

(c) As at September 30, 2000, there were no equity-related transactions.

(d) Bond-related transactions

		Millions of yen		
		Contract value or notional principal amount (option premium)	Market value	Unrealized gains/(losses)
September 30, 2000				
Listed transactions	Futures	¥19,006	¥(63)	¥(63)
	Options	—	—	—
Unlisted transactions	Options	—	—	—
	Others.....	—	—	—
Total		¥ /	¥(63)	¥(63)

Note: The transactions in this table have been revalued at the market rates prevailing at the closing date of the interim consolidated balance sheets. Derivatives accounted for in hedge accounting have been excluded from this table.

(e) As at September 30, 2000, there were no commodity derivatives.

(f) As at September 30, 2000, there were no credit derivative transactions.

NOTE 21

SEGMENT INFORMATION

(a) Business segment information

Certain consolidated subsidiaries are engaged in the securities, trust, and other businesses in addition to commercial banking. As those activities are not deemed material, the business segment information has not been disclosed.

(b) Geographic segment information

Six months ended September 30, 2000	Millions of yen					Eliminations and intercompany	Consolidated total
	Japan	Americas	Europe	Asia/ Oceania	Combined total		
Ordinary income:							
Customers	¥441,171	¥13,479	¥3,966	¥18,575	¥477,193	¥ —	¥477,193
Intersegment	11,405	7,374	1,955	2,482	23,217	(23,217)	—
Total	452,577	20,853	5,921	21,057	500,411	(23,217)	477,193
Ordinary expenses	425,712	21,772	6,129	18,021	471,635	(20,689)	450,946
Ordinary net income (loss)	¥ 26,865	¥ (919)	¥ (207)	¥ 3,036	¥ 28,775	¥ (2,528)	¥ 26,247
Millions of U.S. dollars							
Ordinary income:							
Customers	\$4,085	\$125	\$37	\$172	\$4,418	\$ —	\$4,418
Intersegment	106	68	18	23	215	(215)	—
Total	4,191	193	55	195	4,633	(215)	4,418
Ordinary expenses	3,942	202	57	167	4,367	(192)	4,175
Ordinary net income (loss)	\$ 249	\$ (9)	\$ (2)	\$ 28	\$ 266	\$ (23)	\$ 243

Notes: 1. In place of the sales and operating income figures reported by corporations in general, the Bank has reported ordinary income and ordinary net income (loss) for Japan and the geographical overseas areas shown above in consideration of the geographical proximity, economic similarities, and mutual relationships among the Bank's activities in the regions shown.

2. The Americas comprises the United States; Europe includes the United Kingdom, Germany, and certain other countries; and Asia/Oceania comprises Hong Kong, Australia, and certain other countries.

3. Changes in accounting principles applied:

(a) Effect of applying new accounting criteria for employees' retirement benefits:

Effective from the interim period under review, the Bank has adopted the new accounting standards related to retirement benefits (as contained in the *Opinion Concerning the Establishment of Accounting Standards for Retirement Benefits*, issued on June 16, 1998 by the Business Accounting Deliberation Council). As a result of this change, ordinary expenses in the "Japan" segment were ¥6,645 million higher and ordinary net income was an equivalent amount lower than under the previous method of accounting.

Moreover, the Bank and certain consolidated subsidiaries established pension benefit trusts during the interim period under review. As a consequence, in the "Japan" segment, ordinary income increased ¥21,216 million, ordinary expenses rose ¥40,413 million, and ordinary net income declined ¥19,197 million.

(b) Effect of applying new accounting criteria for financial instruments

Effective from the interim period under review, the Bank adopted new accounting standards for financial products (as contained in the *Opinion Concerning the Establishment of Accounting Standards for Financial Instruments*, issued on January 22, 1999, by the Business Accounting Deliberation Council) and made changes in evaluation methods for investment securities and for derivatives as well as in methods for hedge accounting.

Consequently, compared to calculations made using the previous accounting methods, in the "Japan" segment, ordinary income increased ¥3,546 million, ordinary expenses rose ¥5,260 million, and ordinary net income fell ¥1,714 million. In the "Americas" segment, ordinary income rose ¥484 million, ordinary expenses increased ¥488 million, and ordinary net income declined ¥4 million in comparison with the previous method of accounting. In the "Europe" segment, ordinary income was ¥235 million higher, ordinary expenses ¥148 million higher, and ordinary net income ¥86 million higher than under the accounting criteria applied previously. In the "Asia/Oceania" segment, ordinary income was ¥176 million higher, ordinary expenses ¥1 million higher, and ordinary net income ¥175 million higher than under the previous accounting method.

(c) Overseas ordinary income

	Millions of yen September 30, 2000	Millions of U.S. dollars September 30, 2000
(A) Overseas ordinary income.....	¥ 36,021	\$ 334
(B) Consolidated ordinary income.....	477,193	4,418
(A)/(B)	7.5%	

- Notes: 1. In place of overseas sales, as reported by corporations in general, the Bank has reported ordinary income from international operations.
2. Ordinary income from overseas operations comprises the ordinary income generated by the overseas offices of the Bank and by overseas subsidiaries. (Ordinary income generated by transactions between and among consolidated companies, however, has been eliminated in consolidation.) Since this large volume of ordinary income from overseas operations is not classified by country, segment information by country or region is not available.

NOTE 22
SUBSEQUENT EVENT

On November 20, 2000, the Board of Directors authorized payment of interim cash dividends to stockholders of record on September 30, 2000.

	Millions of yen September 30, 2000	Millions of U.S. dollars September 30, 2000
Cash dividends		
Common stock (¥3.00 per share).....	¥8,456	\$78
Preferred stock		
Preferred stock No. 1 (¥5.00 per share).....	17	0
Class B preferred stock No. 1 (¥7.19 per share).....	1,725	16
Class B preferred stock No. 2 (¥9.25 per share).....	740	7

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

The Asahi Bank, Ltd.
September 30, 2000 and 1999, and March 31, 2000

	Millions of yen			Millions of U.S. dollars (Note 1)
	September 30, 2000	September 30, 1999	March 31, 2000	September 30, 2000
Assets				
Cash and due from banks.....	¥ 1,312,648	¥ 738,271	¥ 1,181,358	\$ 12,154
Call loans.....	153,196	165,662	151,515	1,418
Commercial paper and other debt purchased	401	—	401	4
Trading assets.....	649,323	356,162	438,962	6,012
Money held in trust	60,000	83,000	210,000	556
Securities	5,446,537	3,846,870	3,619,912	50,431
Loans and bills discounted	20,488,594	20,599,002	20,547,425	189,709
Foreign exchange.....	70,396	70,051	65,147	652
Other assets.....	346,426	281,179	280,913	3,208
Premises and equipment.....	454,274	463,174	460,659	4,206
Deferred tax assets.....	306,180	318,914	283,097	2,835
Customers' liabilities for acceptances and guarantees	1,282,707	1,295,004	1,262,061	11,877
Reserve for possible loan losses.....	(387,887)	(383,792)	(398,780)	(3,592)
Total Assets.....	¥30,182,798	¥27,833,503	¥28,102,676	\$279,470
Liabilities				
Deposits.....	¥22,726,025	¥21,854,049	¥22,133,354	\$210,426
Call money	2,088,830	1,301,034	1,263,836	19,341
Bills sold.....	22,400	—	15,000	207
Commercial paper.....	150,000	240,000	120,000	1,389
Trading liabilities.....	86,793	30,349	40,310	804
Borrowed money.....	1,087,733	1,139,341	1,110,898	10,072
Foreign exchange.....	4,985	5,235	4,764	46
Bonds issued.....	50,000	3,127	—	463
Other liabilities.....	1,102,601	372,760	578,839	10,209
Reserve for possible investment losses.....	—	4,232	—	—
Reserve for severance payments.....	—	24,970	25,246	—
Reserve for employee retirement benefits.....	32,352	—	—	300
Reserve for contingent liabilities related to loans sold	61,582	73,565	64,073	570
Reserve for supporting specific borrowers	6,603	13,271	6,603	61
Acceptances and guarantees	1,282,707	1,295,004	1,262,061	11,877
Deferred tax liability on land revaluation	84,713	92,859	87,272	784
Total Liabilities.....	28,787,328	26,449,803	26,712,262	266,549
Stockholders' Equity				
Common stock.....	401,850	400,888	401,446	3,721
Preferred stock	203,506	204,399	203,910	1,884
Capital surplus.....	509,486	509,416	509,486	4,717
Legal reserve.....	73,379	69,002	71,189	679
Land revaluation difference.....	129,587	128,973	131,400	1,200
Retained earnings.....	77,659	71,020	72,980	719
Total Stockholders' Equity	1,395,470	1,383,700	1,390,413	12,921
Total Liabilities and Stockholders' Equity	¥30,182,798	¥27,833,503	¥28,102,676	\$279,470

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

The Asahi Bank, Ltd.
Six months ended September 30, 2000 and 1999, and year ended March 31, 2000

	Millions of yen			Millions of U.S. dollars (Note 1)
	Six months ended September 30, 2000	Six months ended September 30, 1999	Year ended March 31, 2000	Six months ended September 30, 2000
Income				
Interest on loans and discounts.....	¥217,125	¥227,120	¥ 451,624	\$2,010
Interest and dividends on securities.....	27,153	30,450	55,318	251
Interest on bills bought	103	20	70	1
Other interest income	36,618	36,323	72,528	339
Fees and commissions.....	31,322	28,856	58,778	290
Trading income.....	1,731	1,130	1,787	16
Other operating income.....	6,644	16,468	26,351	62
Other income	116,351	53,225	416,864	1,077
Total Income	437,050	393,595	1,083,324	4,047
Expenses				
Interest on deposits	44,256	39,655	77,762	410
Interest on borrowings and rediscounts.....	13,677	16,355	33,167	127
Other interest expenses	38,834	48,998	96,757	360
Fees and commissions.....	13,624	13,263	28,187	126
Trading expenses	5	—	3	0
Other operating expenses	5,466	17,304	23,583	51
General and administrative expenses	129,565	131,437	263,511	1,200
Other expenses	167,241	94,370	478,636	1,549
Total Expenses.....	412,672	361,385	1,001,609	3,821
Income before income taxes	24,377	32,209	81,715	226
Income taxes:				
Current	34,025	407	2,175	315
Deferred	(24,827)	13,486	47,980	(230)
Net income.....	¥ 15,178	¥ 18,314	¥ 31,558	\$ 141
Net income per share.....				
	¥4.40	¥5.18	¥ 9.45	\$0.04
Cash dividends declared per share:				
Common stock.....	3.00	3.00	6.00	0.03
Preferred stock:				
Preferred stock No. 1.....	5.00	5.00	10.00	0.05
Class B preferred stock No. 1	7.19	7.19	14.38	0.07
Class B preferred stock No. 2	9.25	9.25	18.50	0.09

The Plan and Trends in Profitability (Consolidated)

(Billions of yen)

		Year ended March 31, 1999	Year ended March 31, 2000	Six months ended September 30, 2000	Year ending March 31, 2001
		Actual	Actual	Actual	Plan
Scale	Total assets.....	¥29,296.1	¥28,788.1	¥30,886.6	¥31,290.0
	Loans and bills discounted	20,806.6	20,581.7	20,522.2	20,820.0
	Securities	3,914.0	3,639.1	5,464.1	5,740.0
	Trading assets	283.0	438.9	649.3	650.0
	Deferred tax assets.....	336.1	303.6	328.6	290.0
	Total liabilities	27,915.9	27,391.4	29,485.2	29,880.0
	Deposits and NCDs.....	21,210.8	21,897.5	22,716.5	22,450.0
	Bonds	—	—	—	—
	Trading liabilities	34.3	40.3	86.7	90.0
	Deferred tax liabilities.....	94.6	87.2	84.7	80.0
Total stockholders' equity.....	1,370.3	1,388.1	1,392.5	1,400.0	
Stockholders' equity.....	605.2	605.3	605.3	605.5	
Capital surplus.....	509.4	509.4	509.4	509.5	
Retained earnings.....	124.1	141.8	148.6	154.0	
Profit	Ordinary income	¥ 950.4	¥ 1,160.2	¥ 477.1	¥ 900.0
	Interest income	655.7	589.1	285.7	580.0
	Fees and commissions.....	75.2	86.4	43.0	86.0
	Trading income	3.6	1.7	1.7	4.0
	Other operating income	48.5	24.2	6.9	20.0
	Other income	167.3	458.6	139.7	200.0
	Ordinary expenses.....	1,362.5	1,066.2	450.9	850.0
	Interest expenses.....	296.0	208.4	97.4	195.0
	Fees and commissions.....	18.9	21.1	9.2	20.0
	Trading expenses	0	0	0	0
	Other operating expenses.....	29.9	23.8	5.4	13.0
	General and administrative expenses	281.7	275.4	136.0	272.0
	Other expenses.....	735.8	537.3	202.7	350.0
	Write-offs of claims.....	157.0	68.0	51.9	141.9
	Provision to the reserve for possible loan losses	225.4	32.1	42.8	42.8
	Provision to the general reserve for possible loan losses ...	73.9	11.7	(2.7)	(2.7)
	Provision to the specific reserve for possible loan losses ...	147.2	19.8	45.5	45.5
	Ordinary net income (loss).....	(412.0)	94.0	26.2	50.0
	Extraordinary gains	36.9	0.4	0.2	0
	Extraordinary losses.....	3.2	16.0	3.5	5.0
	Income (loss) before income taxes.....	(378.2)	78.5	22.9	45.0
	Income taxes: Current.....	3.5	18.0	34.7	35.0
Deferred	(124.7)	29.4	(26.6)	(20.0)	
Minority interest in net loss	(3.0)	(0.4)	0	0	
Net income (loss)	¥ (254.0)	¥ 31.4	¥ 14.8	¥ 30.0	

Trends in Net Income by Sector (Consolidated)

(Billions of yen)

		Year ended March 31, 1999	Year ended March 31, 2000	Six months ended September 30, 2000	Year ending March 31, 2001
		Actual	Actual	Actual	Plan
Commercial Banking Division (Domestic)		¥ 137.0	¥142.6	¥ 76.7	¥146.4
	Net operating profit of parent company	142.3	137.8	75.9	146.4
	Net operating profit (loss) of subsidiaries	(5.3)	4.8	0.8	0
Commercial Banking Division (Overseas).....		(3.5)	1.2	0.8	0.9
	Net operating profit (loss) of parent company	(3.3)	2.3	0.7	0.9
	Net operating profit (loss) of subsidiaries	(0.2)	(1.1)	0.1	0
Trading and Securities Markets Division (including dealing offices).....		4.9	(3.2)	0	1.3
	Net operating profit (loss) of parent company	3.9	(1.9)	(0.1)	1.3
	Net operating profit (loss) of subsidiaries	1.0	(1.3)	0.1	0
ALM Department (yen-denominated assets)		62.0	48.0	21.2	46.0
	Net operating profit of parent company	62.0	48.0	21.2	46.0
Business Administration Division.....		(612.4)	(94.6)	(72.5)	(144.6)
	Net operating loss of parent company.....	(47.8)	(29.2)	(20.4)	(34.6)
	Provision to the reserve for possible loan losses.....	(73.2)	(1.6)	2.7	0
	Write-offs of claims (including losses on sales of overseas private-sector loans).....	(578.8)	(202.7)	(118.0)	(200.0)
	Gains and losses on security-related transactions	104.6	152.8	86.0	136.0
	Other extraordinary expenses.....	(17.2)	(13.9)	(22.8)	(46.0)
Total (Ordinary net income (loss))		¥(412.0)	¥ 94.0	¥ 26.2	¥ 50.0

Trends in Loans and Bills Discounted (Nonconsolidated)

(Billions of yen, %)

	March 31, 2000	September 30, 2000		March 31, 2001
	Actual (Note 3)	Actual (A)	Term-end to term-average ratio (%) (Note 2)	Plan (Note 3)
Domestic loans and bills discounted				
Including impact loans	¥19,962.3	¥19,935.4	101.6	¥20,317.3
Excluding impact loans	19,348.4	19,545.3	101.9	19,703.4
Loans to small and medium-sized companies (Note 1)				
Including impact loans	8,790.8	8,831.8	103.7	8,680.8
Excluding impact loans	8,587.1	8,671.1	103.8	8,527.1
Loans guaranteed by the Credit Guarantee Association.....	1,713.3	1,644.2	102.0	1,713.3
Loans to individuals	6,338.0	6,457.2	100.7	6,798.0
Housing loans	5,832.0	5,970.6	100.8	6,292.0
Other.....	4,833.5	4,646.4	99.1	4,838.5
Overseas loans (Note 4)	585.1	553.2	97.4	580.0
Total	¥20,547.4	¥20,488.6	101.5	¥20,897.3

Loans and Bills Discounted on Actual Basis (Nonconsolidated)

(Excluding the increase/decrease factors shown in the table below)

(Billions of yen)

	March 31, 2000	September 30, 2000	March 31, 2001
	Actual (Note 3)	Actual (A)+(B)	Plan (Note 3)
Domestic loans			
Including impact loans.....	¥19,962.3	¥20,110.3	¥20,497.3
Excluding impact loans.....	19,348.4	19,719.6	19,883.4
Loans to small and medium-sized companies (Note 1)			
Including impact loans.....	8,790.8	8,954.3	8,840.8
Excluding impact loans.....	8,587.1	8,793.0	8,687.1

- Notes: 1. Small and medium-sized companies are defined as those with ¥300 million or less in paid-in capital or regular employees of 300 or fewer. However, the criteria for companies in the wholesaling industry are ¥100 million or less or 100 employees or fewer. For companies in retailing, restaurants, and services, the criteria are ¥50 million or less and 50 persons or fewer.
2. The term-end to term-average ratio is the balance outstanding at the end of the month divided by the average amount outstanding over the month.
3. Figures have been quoted from the Reinvigoration Plan approved in March 2000.
4. Figures have been converted at the exchange rates prevailing at each term-end.

Changes in Outstanding Accounts Related to the Disposal of Nonperforming Loans (Note 1)

(Billions of yen)

	Six months ended September 30, 2000		Year ending March 31, 2001	
	Actual (B)		Plan (Note 4)	
Write-offs of claims.....	¥ 40.4	¥ 40.1	¥ 10.0	¥ 10.0
Sales of loans to the CCPC	0	0	0	0
Securitization of loans (Note 1).....	(0.1)	(0.1)	0	0
Change in accounting criteria (Note 2)	27.7	(9.2)	0	0
Amount of sale of assets to banks and other party to the Agreement (Note 3)	0	0	0	0
Other amounts related to nonperforming loans	106.9	91.7	170.0	150.0
Total	¥174.9	¥122.5	¥180.0	¥160.0

- Notes: 1. Includes securitization of loans in addition to liquidation of regular loans
2. The portion excluded from assets due to indirect write-offs under revised accounting regulations
3. Sale of loans to agreement banks as stipulated under Article 53 of the Law Concerning Emergency Measures for Reconstructing Financial Function
4. Figures have been quoted from the Reinvigoration Plan approved in March 2000.

INVESTOR INFORMATION

(September 30, 2000)

Management

Chairman: Tadashi Tanaka
President: Tatsuro Itoh

Head Office

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1-2, Otemachi 1-chome, Chiyoda-ku,
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Chuo-ku, Tokyo 103-0022, Japan
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Fax: 81-3-3276-6199
Telex: J24275 ASAHITKI
Cable Address: ASAHIBANK TOKYO
SWIFT: SAIBJPT

Network

Domestic offices: 963
Branches..... 325
Subbranches..... 23
Agencies..... 2
Off-premises ATMs 613
Financial consultation centers..... 30
Housing loan centers 90

Overseas offices: 19

Branches..... 8
Marketing office..... 1
Representative offices..... 8
Subsidiaries..... 2

Paid-in Capital
¥605,356 million

Number of Stockholders
66,958

Common Stock
Authorized: 6,000,000 thousand shares
Issued: 2,818,981 thousand shares

Preferred Stock
Preferred stock No. 1
Authorized: 53,506 thousand shares
Issued: 3,506 thousand shares
Class B preferred stock
Authorized: 600,000 thousand shares
Issued: 240,000 thousand shares of
Class B preferred stock No. 1
80,000 thousand shares of
Class B preferred stock No. 2
Class C preferred stock
Authorized: 100,000 thousand shares
Issued: 0 shares

Quarterly Stock Price Range on the Tokyo Stock Exchange (First Section)

	Fiscal 1999		Fiscal 2000	
	4th	1st	2nd	
High	¥670	¥620	¥474	
Low	436	406	372	

Stock Exchange Listings
Tokyo, Osaka, London, Zürich

Transfer Agent and Registrar
Japan Securities Agents, Ltd.
2-4, Nihombashi, Kayabacho 1-chome,
Chuo-ku, Tokyo 103-0025, Japan

Independent Accountants
Asahi & Co.
Century Ota Showa & Co.

Number of Employees
12,506 (registered basis)
10,827 (in-house)

Major Stockholders

	Number of shares (Thousands)	Percentage of stocks outstanding
The Dai-ichi Mutual Life Insurance Company	115,791	4.10
The Chiyoda Mutual Life Insurance Company	89,491	3.17
The Yasuda Mutual Life Insurance Company	79,039	2.80
Asahi Mutual Life Insurance Company	59,489	2.11
The Sumitomo Trust & Banking Co., Ltd. (Trust Account)	55,271	1.96
The Chase Manhattan Bank, N.A. London (Agent: The Fuji Bank, Limited)	50,740	1.79
Nippon Life Insurance Company	50,597	1.79
Sanyo Electric Co., Ltd.	43,569	1.54
European Bank for Reconstruction Development (Agent: CitiBank N.A.)	42,350	1.50
Matsushita Electric Industrial Co., Ltd.	38,545	1.36
Total	624,886	22.16