

Appropriating Plan of Earned Surplus

The Shoko Chukin Bank
As of March 31, 2002 and 2001

	Millions of yen		Millions of U.S. dollars
	2002	2001	2002
Unappropriated Earnings (Loss) at the End of the Year	5,947	¥(12,807)	44
Transfer from General Reserves	—	15,720	—
Transfer from Reserve for Particular Purposes	—	15,720	—
Total	5,947	2,913	44
Appropriations	3,903	2,913	29
Earning Reserve	600	—	4
Reserve for Particular Purposes	300	—	2
Dividends on Cooperatives' Subscription	3,003	2,913	22
Unappropriated Earnings to the Next Year	2,043	—	\$ 15

- Note: 1. All amounts expressed have been rounded down to the nearest million yen.
2. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥133.25=U.S.\$1, the prevailing rate of exchange as of March 31, 2002.
3. Dividends on cooperatives' subscription were implemented at the rate of 3% per annum in the years ended March 2001 and 2002.

Notes to the Financial Statements

(for the fiscal year ended March 31, 2002)

BALANCE SHEETS

1. All amounts expressed in the statements have been rounded down to the nearest million yen.
2. Transactions undertaken with a view to gains on short-term fluctuations in interest rates, currency values, market prices of securities and other indicators or differentials, etc., between markets (hereinafter referred to as "Trading Transactions") are shown in the balance sheet as "Trading Assets" or "Trading Liabilities" based on values at the time of contract.

Trading assets and trading liabilities are valued at market prices on March 31, 2002 for securities and monetary claims, etc., and at deemed settlement prices on March 31, 2002 for swaps, futures and options, etc.

3. As for the valuation of the securities, the following methods are applied, depending on the type of security.

For the bonds intended to be held until maturity, the amortized cost method by the moving average method is applied. Within the available-for-sale securities, stocks for which fair values are available are revaluated by average market price one month before the fiscal year end.

Available-for-sale securities with fair values other than stocks are revaluated by the market prices at the fiscal year end. Available-for-sale securities for which fair values are not available are revaluated by either the cost method or the amortized cost method on the basis of the moving average method. Valuation differences between the market value and the book value for all available-for-sale securities are directly incorporated into capital.

4. Securities treated as trust assets of independently operated monetary trusts used primarily for the purpose of securities investment are stated at their fair value.
5. Derivative transactions other than special trading transactions are stated at their fair value.
6. Premises and equipment are depreciated by declining balance method over the estimated useful lives set forth under the Corporate Tax Law.
7. Software for internal use is amortized by straight-line method over the estimated useful lives in the Bank (5 years) assuming a nil residual value.
8. Treatment of deferred assets on debenture issues
 - (1) Debenture issue discounts on discount debentures are amortized according to the period to redemption of the debenture.
 - (2) Debenture issue expenses are charged to income as incurred.
9. The assets and liabilities denominated in foreign currencies and the accounts of the Bank's overseas branches are translated into yen at the exchange rates prevailing as of the balance sheet date.

"The New Foreign Exchange Accounting Standards" had been applied under the "Temporary Treatment for Auditing Where 'The New Foreign Exchange Accounting Standards' Is Continuously Applied in the Banking Industry" The Japanese Institute of Certified Public Accountants (JICPA, April 10, 2000) until fiscal 2001. However, from fiscal 2002, revised accounting standards for foreign currency transactions ("Opinion on Revising Accounting Standards for Foreign Currency Transactions" the Business Accounting Deliberation Council, October 22, 1999) are applied, where "Temporary Treatment for Accounting and Auditing of Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 20) is applied.

Currency swap transactions are accounted for in accordance with JICPA Industry Audit Committee Report No. 20. The principal amounts of credits and debts, translated in yen at the exchange rates prevailing on the fiscal year end dates, are bilaterally offset and reported on the balance sheets on a net basis. The spot-forward spread, which reflects the difference of the interest rates of two different currencies, is recognized in statements of income on an accrual basis over the period from the date of the spot transaction to the exercise date of the forward transaction, and accrued revenues or accrued expenses for the transaction are recorded.

Fund swap is a currency swap transaction for a fund raising and managing purpose. The transaction consists of a sell or purchase of the currency for the corresponding principal amount at a spot rate, and a counter-transaction at a forward rate for the sum of the said principal and the scheduled amount to be paid or received in foreign currency on a specific future date.

Flat-type spot-forward currency swap transaction is a transaction with fund raising and/or managing purpose where the amount to be received or paid for the corresponding principal amount on the exercise date of the forward contract is equal to the amount paid or received at the time of entering into the contract, and the swap rate that has been applied for the principal and interest is reasonable—is also accounted for in accordance with JICPA Industry Audit Committee Report No. 20. (The flat-type spot-forward currency swap transaction also includes a type of deal that is to revise the corresponding principal amount of one of the two currencies involved in the transaction at the exchange rate prevailing in the actual market on the date of interest payment, yet still forms flat-type spot-forward currency transaction within each interest payment period.)

The principal amounts of credits and debts, translated in yen at the exchange rates prevailing on the fiscal year end

dates, are bilaterally offset and reported on the balance sheets on a net basis. The corresponding interest is recognized in statements of income on an accrual basis over the period from the date of the spot transaction to the exercise date of the forward transaction, and accrued revenues or accrued expenses for the transaction are recorded.

10. The reserve for possible loan losses is calculated in accordance with the predetermined standards for write-offs and reserve provisions.

Normal loans and the loans that need special attention as defined in “Operational Guidelines Concerning Verification of Internal Control for Self-Assessment of Assets in Banks and Other Financial Institutions” (JICPA Bank Auditing Special Committee Report No. 4) are classified into certain categories, and reserve provision is made on the basis of a default rate over a specific period for each category.

As for the loans of debtors at risk of bankruptcy, the amount appropriated is determined as the amount deemed necessary on the basis of the balance that remains after deducting the estimated amount recoverable by disposal of collateral and execution of guarantees.

Regarding the loans to the debtors that are legally or virtually bankrupt, the amount appropriated is determined as the balance that remains after the expected amount to be collected through disposal of collateral or execution of guarantees.

All loan assets have been assessed by the business related departments and audited by the Credit Examination Division, which is independent from the business-related departments, to comply with the self-assessment standard of assets. The amount of the reserve provisions is determined based on the results of this audit.

11. Allowance for retirement benefits is for the payment of employees’ retirement benefits. It represents the required amount derived from estimated retirement benefit obligations and estimated pension assets at the end of this fiscal year. Unrecognized actuarial difference is amortized by straight-line method over the number of years, which does not exceed the average remaining service years (14 years) of employees at the fiscal year when the actuarial difference incurred. This amortization starts from the next fiscal year.

Unrecognized net transition difference at the date of adoption (¥ 31,338 million) is amortized by straight-line method and charged to income over 15 years.

12. The claim disposal loss is determined as the amount required to provide for possible future losses in the case of the sale of loans secured with premises and equipment to the Cooperative Credit Purchase Corporation, taking the value of collateral into account. This is a reserve as stipu-

lated in Article 287-2 of the Commercial Code.

13. The accounting for financing leases, except those where the ownership title is deemed to have been transferred to the lessee, is the same as operating lease transactions.
14. For certain assets and liabilities, deferred hedge or specially-accepted treatment of interest rate swaps is carried out.

As one of the hedge accounting methods, a macro hedge is made to control the whole system of interest rate risks arising from various financial assets and liabilities such as loans and deposits by using derivative transactions. This is the risk control based on risk-adjustment approach prescribed in “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 15), and the deferred hedge accounting is adopted. The Bank evaluates the hedge effectiveness by inspecting whether the amount of risks of derivatives, as risk adjustment means, is within an allowable risk provided in the risk control policies, and whether the interest rate risk, which is the subject of the risk control, is reduced.

15. The accounting for national and local consumption taxes is based on the tax excluding method where the consumption taxes are recorded separately.
16. The allowances under specific laws are provided as follows:

Reserve for Financial Futures Transaction Liabilities is provided under the provisions of the Financial Futures Trading Law, Article 82.

Reserve for Securities Transaction Liabilities is provided under the provisions of the Securities and Exchange Law, Clause 7 of Article 65-2.

17. The accumulated depreciation of the premises and equipment is ¥61,311 million.
18. The depreciation of the premises and equipment which contributes to a deferred payment of income tax under the income tax law, is ¥19,456 million.
19. In addition to the premises and equipment stated in the balance sheets, some of the computers are used under lease agreement.
20. Of the entire loan assets, loans to bankrupt companies are amounted to ¥346,181 million and overdue loans are amounted to ¥450,088 million.

Loans to bankrupt companies are defined as loans of which accrued interest is not shown in the accounts based on an assumption that principal or interest is likely to be unrecoverable due to the fact that the interest or principal payments have been overdue for a considerable period or for other reasons (excluding loans that have been written off; hereinafter referred to as “loans for

which accrued interest is not shown”), where the loans in question are affected by the circumstances defined in Article 96, Clause 1, Numbers 3a-e or Number 4 of the Corporation Tax Law Enforcement Ordinance (Cabinet Ordinance No. 97 of 1965).

Overdue loans are loans of which accrued interest is not shown in the accounts, excluding the loans to bankrupt companies, and loans of which the rescheduling of the interest payment have been granted to support the financial restructuring of the borrowers.

21. The amount of loans that are overdue by three months or longer is ¥13,587 million. Loans overdue by three months or longer are defined as loans on which principal or interest payments are overdue by three months or longer reckoning from the payment date stipulated in the contract. The loans that are classified as loans to bankrupt companies or overdue loans are excluded.
22. Rescheduled loans total ¥82,489 million. Rescheduled loans exclude loans to bankrupt companies or overdue loans and loans overdue by three months or longer, for which the terms have been eased to support the financial restructuring of the borrower through measures agreed in favor of the borrower, such as reduction of interest payments, postponement of interest or principal repayments and abandonment of claims.
23. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥892,346.

The amounts of loans stated in Notes 20. through 23. are the numbers before the deduction of possible loan loss allowance.

24. Bills discounted consist of bank acceptance bills, trade bills, and documentary bills discounted by the Bank. The aggregate face value of these bills is ¥868,708 million.
25. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities ¥471,364 million

Liabilities corresponding to collateral assets:

Deposits ¥ 1,645 million

Bills sold ¥125,100 million

Call money ¥ 13,800 million

In addition to the above amounts, securities worth ¥384,049 million have been provided as collateral for foreign currency settlements and foreign currency-yen settlements, etc., or substituted for futures margin money, etc.

26. Deferred hedge gains represent the net amount of unrealized gains and losses or valuation differences from hedging instruments. The gross amounts of deferred hedge losses and deferred hedge gains before netting are ¥2,924 million and ¥ 6,054 million, respectively.

27. The borrowings include the loans payable under subordination covenant totaling ¥57,000 million.

28. The net income per capital unit is ¥1.19.

29. The net assets increased by ¥8,184 million through revaluation by the fair values stipulated in Article 40-2, Clause 1, Number 5 of the Shoko Chukin Bank Law.

30. The details of the fair values, valuation differences, etc., of securities are described as follows. These securities include “National Government Bonds,” “Local Government Bonds,” “Corporate Bonds,” “Stocks” and “Available-for-Sale Securities,” as well as “Trading Securities,” transferable due bills from banks and commercial papers in “Other Trading Assets,” transferable due bills from banks in “Due Bills from Banks,” and commercial papers and beneficiaries of loan trusts in “Monetary Claims Purchased.” This applies up to Note 33.

Trading securities

Book value ¥ 51,844 million

Recognized valuation differences in this fiscal year ¥ 19 million

Held-to-maturity debt securities with market values

Debt securities

Book value ¥238,399 million

Fair value ¥239,484 million

Valuation differences ¥ 1,085 million

Valuation gains therein ¥ 1,399 million

Valuation losses therein ¥ 314 million

Available-for-Sale Securities with Fair Values (in ¥ million)

	Acquisition Cost	Amount on Balance Sheet	Valuation Differences	Valuation Gains Therein	Valuation Losses Therein
Stocks	18,839	19,563	724	4,564	3,840
Bonds	2,062,383	2,070,311	7,928	10,308	2,380
National Government Bonds	1,606,689	1,611,300	4,610	5,926	1,315
Local Government Bonds	86,686	88,335	1,648	1,725	76
Corporate Bonds	369,007	370,675	1,668	2,656	988
Others	529,114	529,218	103	453	350
Total	2,610,337	2,619,093	8,756	15,327	6,570

“Unrealized Gains on Securities” includes ¥6,160 million, which is the valuation differences stated above, net of deferred tax liability of ¥2,596 million thereto.

31. Following are available-for-sale securities disposed of during the period.

The amount disposed of ¥2,194,463 million

The profit from disposal ¥26,976 million

The loss from disposal ¥1,123 million

32. Major items of securities which have no market values and their book values are described as follows.

Items	Book value
Available-for-sale securities	
Unlisted stocks other than those on over-the-counter market	¥ 7,078 million
Bonds	¥63,980 million

33. Following are the expected amounts to be redeemed in respect of available-for-sale securities whose maturity dates are set, and bonds to be held to maturity.

	(in ¥ million)			
	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years
Bonds	543,286	1,143,930	645,759	—
National Government				
Bonds	502,706	787,105	520,172	—
Local Government				
Bonds	16,911	36,717	34,706	—
Corporate Bonds	23,669	320,106	90,880	—
Others	393,892	172,939	—	25,161
Total	937,179	1,316,870	645,759	25,161

34. The Bank holds monetary trusts merely for managing purposes.

35. National government bonds include the securities lent on loan agreements, the total amount of which is ¥118,297 million.

36. Overdraft contracts and commitment line contracts on loans are the agreements which the Bank grants a loan up to a designated credit limit whenever the customer requests, unless there is breach of the conditions stipulated in the contract. The outstanding credit facility ready for claim under such agreements is ¥584,166 million.

Most of these contracts are terminated before the amount of credit facility determined in the agreements is fully utilized. Thus the outstanding credit facility itself does not always affect the Bank's cash flows in the future. Most of these agreements have provisions that allow the Bank to cancel the customers' claim and/or to reduce the credit limit for appropriate reasons such as changes in the financial situation and protection of credits. Moreover, the Bank requires the customers to collateralize their premises, securities, etc., if necessary, when signing the contract. After the Bank enters into the agreement, it periodically (every half year) checks the customers' economic situation in accordance with the internally established procedure, reviews the conditions of the agreement if necessary, and takes measures to protect the Bank's assets.

37. The following new treatment has been applied from fiscal 2002 in accordance with the Accounting Standard for Financial Instruments.

(1) Repurchase agreements, which had been treated as buying and selling transactions, are considered capital transactions and treated as "Receivables under Resale Agreements" and "Payables under Repurchase Agreements." As a result of this change, ¥4,998 million of "Receivables under Resale Agreements" and ¥14,999 million of "Payables under Repurchase Agreements" are recorded.

(2) Valuation differences incurred from revaluation of available-for-sale securities by their fair values, net of tax effects thereon, are accounted for as "Unrealized Gains on Securities." As a result, "Securities," "Monetary Claims Purchased" and "Negotiable Certificates of Deposits" increased by ¥8,705 million, ¥8 million and ¥42 million respectively. ¥6,160 was accounted for as "Unrealized Gains on Securities."

38. All U.S. dollar figures are translated, for convenience only, at the rate of ¥133.25=US\$1, the prevailing rate of exchange as of March 31, 2002.

STATEMENTS OF INCOME

- All amounts expressed in the statements have been rounded down to the nearest million yen.
- The Shoko Chukin Bank shows profit and loss on transactions undertaken for the purposes of trading transactions in the Statements of Income as "Trading Revenue" or "Trading Expenses."

In the Statements of Income, Trading Revenue and Trading Expenses are shown by adding the following to interest received and paid during the year; an amount equivalent to the increase (decrease) in valuation gains and losses between the end of the previous and current years for securities and monetary claims, etc., and an amount equivalent to the increase (decrease) in deemed settlements between the end of the previous and current years for derivatives.

- All U.S. dollar figures are translated, for convenience only, at the rate of ¥133.25=US\$1, the prevailing rate of exchange as of March 31, 2002.