

Notes to the Financial Statements

(For the fiscal year ended March 31, 2004)

Balance Sheet

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 the balance sheet date for securities and monetary claims, etc., and at deemed settlement prices on the balance sheet date for derivative products such as swaps, futures and options.

3. The following valuation methods are applied, depending on the type of security. Bonds intended to be held until maturity are valued using the moving average, amortized cost method. Marketable stocks for which market values are available are valued at the average market price one month before the fiscal year end. Marketable securities with market values other than stocks are valued with the mark-to-market method based on market prices at the fiscal year end (selling costs are primarily calculated with the moving average method). Marketable securities for which market values are not available are valued by either the cost method or the amortized cost method on the basis of a moving average. Valuation differences between the market value and the book value for all marketable securities are directly incorporated into capital.
4. Derivative transactions other than trading transactions are stated with the mark-to-market method.
5. Premises and equipment are subject to declining balance depreciation.
6. Software for internal use is amortized by the straight-line method over its estimated useful life as determined by the Bank (5 years).
7. Treatment of deferred assets on debenture issues
 - (1) Debenture issue discounts on discount debentures are amortized according to the period until redemption of the debenture.
 - (2) Debenture issue expenses are charged to income as they are incurred.
8. Assets and liabilities denominated in foreign currencies and the accounts of the Bank's overseas branches are principally translated into yen at the exchange rates prevailing as of the balance sheet date.

In the preceding period, the "Accounting and Auditing Treatment of Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25 — hereinafter referred to as such) was applied to accounting for foreign exchange transactions as a transitional measure. Under the principle

provisions of said report, however, hedge accounting has from this period been applied to those currency and foreign exchange swap transactions executed for the purpose of converting the fund procurement currency (Japanese currency) into the fund investment currency (foreign currency) that satisfy hedge accounting requirements, while fair value accounting has been applied to those that do not satisfy the requirements. Note 15. describes hedge accounting.

As a result, since said currency and foreign exchange swap transactions for which current gains and losses for the period were calculated were previously marked to market and reported on the balance sheets as net assets or liabilities, a comparison with the former method reveals that Accrued Income declined by ¥46 million, Accrued Expenses declined by ¥121 million (end of recognition of interest on an accrual basis), Financial Derivatives Transactions under Other Assets rose by ¥20 million, Financial Derivatives Transaction under Other Liabilities rose by ¥380 million, and Deferred Hedge Losses rose by ¥293 million.

Yen conversion differences associated with forward foreign exchange transactions other than the above were formerly shown as net amounts under Other Assets or Other Liabilities after offsetting, but from the current period, they are shown in full under JICPA Industry Audit Committee Report No. 25, and included in Financial Derivatives Transactions under Other Assets or Other Liabilities. As a result of this change, Other Assets declined by ¥101 million in comparison with the former method (end of recognition of yen conversion differences (net amount) arising from futures middle rate conversions), Financial Derivatives Transactions under Other Assets increased by ¥337 million and Financial Derivatives Transactions under Other Liabilities increased by ¥236 million.

9. The Reserve for Possible Loan Losses is calculated in accordance with the predetermined standards for write-offs and reserve provisions as follows.

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

Amounts reserved for loans to debtors at risk of bankruptcy are determined as the amounts deemed necessary on the basis of the balance remaining after deducting the estimated amounts recoverable from disposal of collateral and execution of guarantees. Amounts reserved for loans to debtors that are legally or virtually bankrupt are determined to be the balance

remaining after the expected amount to be collected through disposal of collateral or execution of guarantees.

With regard to loans to large borrowers at risk of bankruptcy with credit exposures exceeding a certain amount for which cash flow associated with recovery of principal and interest receipts can reasonably be expected, the difference between the amount of said cash flow discounted by the contract interest rate prior to rescheduling and the book value of the loan is set aside as reserves for possible loan losses (cash flow estimate method).

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

10. The Reserve for Bonuses is set up to provide for the payment of bonuses to employees and appropriates an amount for the current period out of the amount of bonuses estimated to be paid to employees.
11. The Reserve for Retirement Benefit is set up for the payment of employees' retirement benefits. It represents the required amount calculated from estimated retirement benefit obligations and estimated pension assets at the end of this fiscal year. Unrecognized actuarial difference is amortized by the straight-line method over the number of years that does not exceed the average remaining service years (14 years) of employees at each fiscal year when the actuarial difference was incurred. This amortization starts from the next fiscal year.

Unrecognized net transition difference at the date of adoption is being amortized by the straight-line method and charged to income over 15 years.
12. The Reserve for 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 stipulated in Article 43 of the Commercial Code.
13. The accounting for financial leases, except those where the ownership title is deemed to have been transferred to the lessee, is the same as for operating lease transactions.
14. Deferred hedging is used for hedge accounting against interest rate risk arising from financial assets and liabilities. In the preceding period, a macro hedge accounting method that uses derivative transactions to control aggregate interest rate risk arising from loans, deposits and other financial assets and liabilities was adopted under the "Accounting and Auditing Treatment of the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit

Committee Report No. 24 — hereinafter referred to as such) as a transitional measure, but from the current period treatment has been based on the principal provisions of said report.

Of the gains and losses from deferred hedging shown in the balance sheet at the end of the period, those that were formerly based on macro hedges have been allocated as financing costs over a period of six years from fiscal 2003 according to the average remaining period of the hedge instruments designated as macro hedges.

As of the end of period, deferred hedge losses based on macro hedges were ¥908 million.

15. Deferred hedging is used for hedge accounting against exchange rate fluctuation risk arising from financial assets and liabilities denominated in foreign currencies. In the preceding period, JICPA Industry Audit Committee Report No. 25 was applied as a transitional measure, but from the current period, hedge accounting has been applied to those currency and foreign exchange swap transactions executed for the purpose of converting the fund procurement currency (Japanese currency) into the fund investment currency (foreign currency) under the principal provisions of said report.

This means using currency and foreign exchange swap transactions executed for the purpose of countervailing exchange rate fluctuation risk on foreign currency monetary claims and liabilities as hedges to evaluate the effectiveness of hedges by confirming the existence of a foreign currency position equivalent to the hedges matching the foreign currency monetary claims and liabilities covered by the hedges.

16. Interest rate and currency swap transactions designated as hedges for those derivatives transactions that are internal transactions between special transaction accounts and other accounts (or between internal departments) were executed in conformity with external cover transaction standards for which strict hedge operations that eliminate arbitrary decision-making were recognized as possible under JICPA Industry Audit Committee Report No. 24 and JICPA Industry Audit Committee Report No. 25. For this reason, earnings and expenses arising from said interest rate and currency swap transactions, etc., have been recognized as profits and losses without being eliminated.

The deferral method, the mark-to-market method or the special accrual method have been used for certain assets and liabilities.

17. National and local consumption taxes are accounted for with the tax exclusion method.
18. Accumulated depreciation of premises and equipment is ¥61,221 million.
19. Advanced depreciation of premises and equipment is ¥18,602 million.

20. In addition to the premises and equipment stated in the balance sheet, some computers are used under lease agreements.

21. In Loans, loans to bankrupt companies total ¥284,033 million and overdue loans total ¥350,845 million.

Loans to bankrupt companies are loans for which accrued interest is not shown in the accounts based on the assumption that principal or interest is likely to be unrecoverable because the interest or principal payments have been long overdue or for other reasons (excluding loans that have been written off, and hereinafter referred to as "loans for which accrued interest is not shown in the accounts"), 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 for which accrued interest is not shown in the accounts, excluding loans to bankrupt companies, and loans for which the interest payments have been rescheduled to support financial restructuring of the borrowers.

22. Loans overdue by three months or longer total ¥5,617 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. Loans that are classified as loans to bankrupt companies or overdue loans are excluded.

23. Rescheduled loans total ¥155,638 million. Rescheduled loans are loans for which the terms have been eased to support 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, and exclude loans to bankrupt companies or overdue loans and loans overdue by three months or longer.

24. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥796,135 million.

The amounts of loans stated in Notes 21 through 24 are the numbers before the deduction of possible loan loss allowance.

25. Bills Discounted are handled as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24.

Accordingly the Bank has the right to freely sell or use as collateral any accepted bank acceptance bills, trade bills, documentary bills or foreign exchange it has purchased, the aggregate face value of which is ¥721,005 million.

26. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities ¥249,274 million

Liabilities corresponding to collateral assets:

Deposits ¥6,316 million

Payables under Repurchase Agreements ¥1,999 million

In addition to the above amounts, securities worth ¥252,970 million have been provided as collateral for foreign currency settlements and foreign currency-yen settlements, etc., or substituted for futures margin money, etc.

27. Deferred hedge losses represent the net amount of unrealized gains and losses or valuation differences from hedging instruments. The gross amounts before offsetting are ¥1,212 million in deferred hedge losses and ¥ 622 million in deferred hedge gains.

28. Borrowings include loans payable under subordination covenant totaling ¥52,000 million.

29. The net income per capital unit is ¥123.58.

30. Details of market values of and valuation gains and losses on securities are as follows. In addition to Government Bonds, Local Government Bonds, Corporate Bonds, Stocks, and Other Securities, these items also include Trading Securities, Commercial Paper in Other Trading Assets and Commercial Paper in Monetary Claims Purchased. The same applies through Note 33. below.

Trading securities

Book value ¥ 55,834 million

Recognized valuation differences in this fiscal year (¥ 2 million)

Bonds to be held to maturity with market values

Securities Bonds

Book value ¥ 427,201 million

Fair value ¥ 432,570 million

Valuation Differences ¥ 5,369 million

Valuation Gains Therein ¥ 5,369 million

Valuation Losses Therein —

Other securities with market values (Millions of yen)

	Acquisition		Valuation Differences	Valuation Gains Therein	Valuation Losses Therein
	Cost	Book Value			
Stocks	9,845	17,588	7,743	8,294	551
Bonds	813,015	800,518	(12,497)	452	12,949
Government					
Bonds	635,884	625,248	(10,636)	17	10,654
Local Government					
Bonds	9,178	9,257	79	131	52
Corporate					
Bonds	167,951	166,011	(1,939)	302	2,242
Others	112,077	112,462	384	445	61
Total	934,938	930,568	(4,369)	9,193	13,562

"Unrealized Gains (Losses) on Securities" includes (¥3,009million), which is the valuation differences stated above, net of deferred tax asset of ¥1,359 million thereto.

31. Following are other marketable securities disposed of during the period.

The amount disposed of	¥ 1,488,406 million
The profit from disposal	¥ 11,049 million
The loss from disposal	¥ 4,529 million

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

Items	Book value
Marketable securities	
Unlisted stocks (excluding over-the-counter market)	¥ 6,672 million
Bonds	¥ 143,660 million

33. Following are the expected amounts to be redeemed in respect to marketable securities whose maturity dates are set, and bonds to be held to maturity.

	(Millions of yen)			
	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	213,533	663,961	459,073	—
Government				
Bonds	130,375	495,454	391,808	—
Local Government				
Bonds	3,148	2,301	3,807	—
Corporate Bonds	80,009	166,205	63,457	—
Others	49,316	35,119	8	3
Total	262,850	699,080	459,082	3

34. Overdraft contracts and commitment line contracts on loans are the agreements under which the Bank grants a loan up to a designated credit limit when the customer requests, unless there is breach of the conditions stipulated in the contract. The outstanding credit facility ready for claims under such agreements is ¥564,821 million.

Most of these contracts are terminated before the amount of the credit facility determined in the agreements is fully utilized, so the outstanding credit facility itself does not always affect the Bank's future cash flows. 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 financial situation and protection of credit standing. Moreover when necessary the Bank requires customers to provide property or securities as collateral when signing the contract. After the Bank enters into the agreement, it periodically (every half-year) checks customers' business condition in accordance with internally established procedures, reviews the conditions of the agreement if necessary, and takes measures to protect the Bank's assets.

35. Enterprise taxes for Tokyo Metropolis and Osaka Prefecture shall from fiscal 2004 correspond to taxes that use income as the assessment standard following

revisions to ordinances.

In line with this change, the normal statutory tax rate used for calculating deferred tax assets and liabilities shall be changed from the current period's 29.65% to 31.12%, raising deferred tax assets by ¥3,903 million, so that deferred income tax expenses posted for the current period have been increased by the same amount. Unrealized Gains on Securities, etc. have also increased by ¥64 million.

36. In accordance with changes to the format of attachments to the Shoko Chukin Bank Law Enforcement Regulations, the classification Unrealized Gains on Securities has from this period been shown as Unrealized Gains on Securities, etc.

Statement of Income

1. All amounts expressed in the statements have been rounded down to the nearest million yen.
2. The net income per capital unit is ¥1.69.
3. The Shoko Chukin Bank shows profit and loss on transactions undertaken for the purposes of trading transactions in the Statement of Income as "Trading Revenue" or "Trading Expenses".

In the Statement of Income, Trading Revenue and Trading Expenses are arrived at by adding to interest received and paid and other items during the year, amounts equivalent to the changes in valuation between the ends of the previous and current years for securities and monetary claims, etc., and amounts equivalent to changes in deemed settlements between the ends of the previous and current years for derivatives.

4. Other Gains include ¥1,825 million in tax refunds and interest on refunds associated with the Tokyo Metropolitan Government's tax on the gross revenues of big banks, ¥511 million in gains on returns of the subrogated portion of the Employees' Pension Fund, and ¥3 million from reversal to the Reserve for Claim Disposal Loss.
5. In the preceding period, the JICPA Industry Audit Committee Report No. 25 was applied to accounting for foreign exchange transactions as a transitional measure. From this period, however, hedge accounting has been applied to those currency and foreign exchange swap transactions executed for the purpose of converting the fund procurement currency (Japanese currency) into the fund investment currency (foreign currency) under the principal provisions of said report that satisfy hedge accounting requirements, while fair value accounting has been applied to those that do not satisfy the requirements.

Compared with the previous method, therefore, Income before Income Taxes and Others increased by ¥8 million.