

# Consolidated Balance Sheets

THE EIGHTEENTH BANK, LIMITED and its Consolidated Subsidiaries  
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Assets</b>			
Cash and due from banks .....	¥ 76,093	¥ 42,828	\$ 571,058
Call loans .....	55,976	30,281	420,083
Commercial paper and other debts purchased.....	565	569	4,246
Trading account securities (Note 3) .....	778	970	5,845
Money held in trust .....	3,862	2,881	28,983
Securities (Notes 3 and 5).....	478,436	437,951	3,590,517
Loans and bills discounted (Note 4).....	1,482,679	1,471,373	11,127,048
Reserve for loan losses.....	(54,790)	(45,867)	(411,189)
Foreign exchanges.....	433	516	3,257
Other assets.....	31,378	30,798	235,483
Reserve for investment losses.....	—	(28)	—
Premises and equipment, net (Note 7).....	57,414	59,177	430,882
Deferred tax assets (Note 6).....	20,898	14,052	156,841
Customers' liabilities for acceptances and guarantees .....	37,749	43,762	283,295
	<b>¥2,191,475</b>	<b>¥2,089,268</b>	<b>\$16,446,349</b>
<b>Liabilities, Minority Interest and Shareholders' Equity</b>			
<b>Liabilities:</b>			
Deposits (Note 5) .....	¥1,862,707	¥1,749,768	\$13,979,045
Negotiable certificates of deposit .....	34,580	43,862	259,512
Call money and borrowed money (Note 9) .....	41,417	50,674	310,827
Foreign exchanges.....	30	23	228
Convertible bonds (Note 12) .....	812	812	6,094
Accrued expenses and other liabilities .....	55,036	36,473	413,029
Accrued retirement benefits (Note 11) .....	15,339	15,467	115,120
Deferred tax liabilities (Note 6).....	9	56	70
Deferred tax liabilities on revaluation of land (Note 8) .....	10,270	10,502	77,074
Acceptances and guarantees.....	37,749	43,762	283,295
Total liabilities .....	<b>2,057,952</b>	<b>1,951,403</b>	<b>15,444,294</b>
Minority interest.....	<b>2,641</b>	<b>2,675</b>	<b>19,825</b>
<b>Shareholders' equity:</b>			
Common stock			
Authorized: 410,000 thousand shares			
Outstanding: 174,495 thousand shares.....	<b>22,886</b>	<b>22,886</b>	<b>171,755</b>
Capital surplus.....	<b>18,402</b>	<b>18,402</b>	<b>138,103</b>
Land revaluation account (Note 8) .....	<b>14,530</b>	<b>14,855</b>	<b>109,050</b>
Unrealized gains on securities .....	<b>9,217</b>	<b>13,397</b>	<b>69,177</b>
Retained earnings .....	<b>67,484</b>	<b>67,275</b>	<b>506,452</b>
Treasury stock .....	<b>(1,128)</b>	<b>(1,115)</b>	<b>(8,470)</b>
Common stock held by subsidiaries .....	<b>(511)</b>	<b>(511)</b>	<b>(3,837)</b>
Total shareholders' equity.....	<b>130,882</b>	<b>135,190</b>	<b>982,230</b>
	<b>¥2,191,475</b>	<b>¥2,089,268</b>	<b>\$16,446,349</b>

See accompanying notes.

# Consolidated Statements of Operations

THE EIGHTEENTH BANK, LIMITED and its Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Income:</b>			
Interest on loans and discounts.....	¥37,596	¥39,736	\$282,148
Interest and dividends on securities.....	7,275	8,185	54,602
Interest on call loans.....	25	58	191
Other interest.....	24	149	187
Fees and commissions.....	6,187	5,690	46,435
Other income.....	12,624	10,091	94,743
<b>Total income.....</b>	<b>63,734</b>	<b>63,912</b>	<b>478,306</b>
<b>Expenses:</b>			
Interest on deposits.....	2,599	4,121	19,510
Interest on call money and borrowed money.....	933	1,280	7,008
Interest on convertible bonds.....	16	16	122
Other interest.....	1,751	3,749	13,143
General and administrative expenses.....	36,445	37,398	273,515
Fees and commissions.....	2,081	3,912	15,621
Provision for loan losses.....	14,298	15,682	107,304
Other expenses.....	4,044	14,473	30,354
<b>Total expenses.....</b>	<b>62,171</b>	<b>80,636</b>	<b>466,577</b>
Income (loss) before income taxes.....	1,562	(16,723)	11,729
Income taxes (Note 6):			
Current.....	4,752	995	35,669
Deferred.....	(4,129)	(8,004)	(30,993)
Minority interest.....	195	178	1,467
<b>Net income (loss).....</b>	<b>¥ 744</b>	<b>¥ (9,893)</b>	<b>\$ 5,586</b>
		Yen	U.S. dollars
Net income (loss) per share.....	¥4.35	¥(57.29)	\$0.033

See accompanying notes.

# Consolidated Statements of Retained Earnings

THE EIGHTEENTH BANK, LIMITED and its Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Balance at beginning of year.....	¥67,275	¥77,717	\$504,878
Net income (loss).....	744	(9,893)	5,586
Reversal of land revaluation account.....	324	452	2,434
	<b>68,343</b>	<b>68,276</b>	<b>512,898</b>
<b>Appropriations:</b>			
Cash dividends.....	859	957	6,446
Bonuses to directors and statutory auditors.....	—	44	—
<b>Total appropriations.....</b>	<b>859</b>	<b>1,001</b>	<b>6,446</b>
<b>Balance at end of year.....</b>	<b>¥67,484</b>	<b>¥67,275</b>	<b>\$506,452</b>

See accompanying notes.

# Consolidated Statements of Cash Flows

THE EIGHTEENTH BANK, LIMITED and its Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes.....	¥ 1,562	¥ (16,723)	\$ 11,729
Depreciation .....	8,408	8,334	63,104
Increase in reserve for possible loan losses.....	8,923	8,378	66,964
Decrease in reserve for investment losses .....	(28)	(90)	(213)
Decrease in reserve for retirement allowances.....	—	(4,535)	—
Increase (decrease) in accrued retirement benefits.....	(127)	15,467	(956)
Interest and dividend income.....	(44,922)	(48,129)	(337,129)
Interest expense .....	5,301	9,168	39,783
Losses (gains) on sale of securities, net.....	(1,597)	2,722	(11,986)
Gains on sale of money in trust, net .....	(9)	(43)	(70)
Foreign currency gains.....	(58)	(116)	(443)
Losses on sale of premises and equipment, net.....	1,483	470	11,135
Net change in trading account securities .....	158	92	1,191
Net change in loans and bills discounted.....	(12,082)	44,802	(90,673)
Net change in deposits .....	113,028	(42,975)	848,245
Net change in negotiable certificates of deposit .....	(9,282)	43,862	(69,661)
Net change in borrowed money .....	(1,048)	(213)	(7,870)
Net change in deposits with banks.....	1,503	(1,015)	11,285
Net change in call loans .....	(25,710)	28,426	(192,948)
Net change in call money .....	(6,932)	9,377	(52,023)
Net change in security for loans .....	14,783	(2,758)	110,946
Net change in foreign exchanges assets.....	1,097	(85)	8,235
Net change in foreign exchanges liabilities.....	71	(23)	537
Interest income received .....	44,707	47,045	335,517
Interest expense paid.....	(5,862)	(10,323)	(44,000)
Others .....	(1,942)	195	(14,576)
Subtotal.....	91,425	91,310	686,123
Income tax refund .....	2,093	—	15,712
Income taxes paid.....	(1,203)	(3,629)	(9,030)
Net cash provided by operating activities .....	92,316	87,681	692,805
<b>Cash flows from investing activities:</b>			
Purchases of securities.....	(294,372)	(231,115)	(2,209,173)
Proceeds from sales of securities .....	107,861	100,279	809,467
Proceeds from maturities of securities .....	138,933	51,563	1,042,656
Net change in money held in trust.....	(971)	(837)	(7,290)
Purchases of premises and equipment.....	(8,980)	(8,562)	(67,398)
Proceeds from sales of premises and equipment .....	1,082	1,459	8,122
Net cash used in investing activities.....	(56,446)	(87,213)	(423,616)
<b>Cash flows from financing activities:</b>			
Cash dividends paid.....	(859)	(957)	(6,446)
Cash dividends paid to minority interests.....	(228)	(224)	(1,717)
Purchases of treasury stock .....	(22)	(1,138)	(170)
Proceeds from sales of treasury stock .....	9	14	72
Net cash used in financing activities .....	(1,100)	(2,305)	(8,261)
<b>Effect of foreign exchange rate changes .....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>34,768</b>	<b>(1,836)</b>	<b>260,927</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>40,739</b>	<b>42,576</b>	<b>305,736</b>
<b>Cash and cash equivalents at end of year (Note 14).....</b>	<b>¥ 75,507</b>	<b>¥ 40,739</b>	<b>\$ 566,663</b>

See accompanying notes.

# Notes to Consolidated Financial Statements

THE EIGHTEENTH BANK, LIMITED and its Consolidated Subsidiaries  
March 31, 2002 and 2001

## 1. BASIS OF PRESENTATION

The Eighteenth Bank, Limited (the "Bank") and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code, the Banking Law of Japan and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounting and reporting policies and practices of the Bank generally conform to the Uniform Accounting Standard for Banks and the guidelines of Japanese regulatory authorities.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

Yen figures in the financial statements have been rounded down to the nearest million, in accordance with generally accepted accounting practice in Japan.

The Bank maintains its accounting records in yen. The U.S. dollar amounts included in the accompanying financial statements and these notes represent the arithmetic transaction of yen to dollar figures on a basis of ¥133.25=US\$1, the prevailing exchange rate at March 31, 2002. Such dollar amounts are included only for the reader's convenience and are not intended to imply that yen and assets and liabilities originated in yen have been or could be readily converted, realized or settled in dollars at that or any other rate.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation**—In accordance with Japanese GAAP companies in Japan are required to consolidate all significant investments which are controlled through substantial ownership of majority voting rights or through certain other measures. The consolidated financial statements include the accounts of the Bank and all 9 of its subsidiaries that are listed below:

Nagasaki Kogyo Co., Ltd.  
Juhachi Business Service Co., Ltd.  
Juhachi Office Service Co., Ltd.  
Juhachi Sogo Lease Co., Ltd.  
Nagasaki Hosho Service Co., Ltd.  
Juhachi Card Co., Ltd.  
Juhachi Capital Co., Ltd.  
Juhachi Software Co., Ltd.  
Nagasaki Research Institute Limited

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiaries.

All significant inter-company balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated.

**Financial Instruments**—Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new Accounting Standards for Financial Instruments and applied them to valuation of trading account securities, securities, derivatives and hedge accounting. The effect of this change was to increase loss before income taxes for the year ended March 31, 2001 by ¥516 million.

**Trading Account Securities**—Prior to April 1, 2000, listed trading account securities were stated at the lower of moving-average cost or market and unlisted trading account securities were stated at moving-average cost. Upon applying the Accounting Standards for Financial Instruments, trading account securities are stated at fair market value. Cost of securities sold, in principle, is computed by the moving-average method.

**Securities**—Prior to April 1, 2000, listed convertible bonds, bonds with warrants, stocks and security trust investments were stated at the lower of moving-average cost or market. Other securities were stated at moving-average cost.

Upon applying the new Accounting Standards for Financial Instruments, securities are stated as follows:  
Held-to-maturity debt securities are stated at amortized cost using the straight-line method.

"Available-for-sale securities" defined by the standards are stated at fair market value when they have available market prices and are stated at moving-average cost or amortized cost when no market prices are available. Unrealized gains or losses, net of applicable income taxes, are stated as a separate component of shareholders' equity in the consolidated balance sheets. Cost of securities sold, in principle, is computed by the moving-

average method.

Marketable securities included in money held in trust and treated as trust assets are stated at fair market value.

**Derivatives and Hedge Accounting**—Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value except when derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains or losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized.

The Bank applies the Macro Hedge Approach for hedge accounting, which manages interest risk incurred from various financial assets and liabilities, collectively by using derivatives.

The derivative transactions are executed and managed in accordance with the established policies and within the specified limits on the amounts of derivative transactions.

**Depreciation**—Depreciation of premises and equipment is calculated principally using the declining-balance method. Main useful lives of premises and equipment are as follows:

Buildings	5 to 50 years
Equipment	3 to 20 years

**Software Costs**—Depreciation of software for internal use of the Bank and its subsidiaries is calculated using the straight-line method over the useful lives (principally 5 years).

**Reserve for Loan Losses**—Reserve for loan losses is provided based on the rules defined by the Bank as follows:

Possible loan losses for legally or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion based on the fair value of any underlying collateral or guarantees.

Possible loan losses for borrowers, not currently legally bankrupt but likely to go bankrupt, is provided considering the overall solvency assessment after deducting the collectible portion based on the fair value of any underlying collateral or guarantees.

Possible loan losses on loans other than the above are provided based on loan loss experience as calculated using historical default rates during a specific period in the past.

Possible loan losses on loans to certain foreign countries are provided considering such factors as political and economic risks.

The consolidated subsidiaries provide reserve for loan losses using the same method of the Bank.

**Reserve for Investment Losses**—Reserve for investment losses is provided for possible future losses on investments based on self-assessment by the Bank.

**Accrued Retirement Benefits**—Prior to April 1, 2000, the reserve for retirement allowances was provided at the amount which would be required if all employees had voluntarily retired as of the balance sheet date.

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new Accounting Standards for Post-employment Benefits. Under the standards accrued retirement benefits are provided to state the post-employment benefit obligations less the fair value of the pension assets. The excess of benefit obligations over fair value of the pension assets as of April 1, 2000 amounted to ¥10,826 million, which was charged to income and included in “other expenses” for the year ended March 31, 2001.

Actuarial differences of the plans are to be amortized from the succeeding fiscal year over a certain period (10 years) within the average remaining service period of the employees at the time of occurrence.

The effect of adoption of the new standards was to increase loss before income taxes by ¥10,950 million for the year ended March 31, 2001.

**Finance Leases**—Finance leases which do not transfer ownership are accounted for in the same manner as operating leases.

**Foreign Currency Translation**—Receivables and payables in foreign currencies are translated into Japanese yen at the year-end exchange rates.

From this fiscal year, the Bank applies the revised accounting standards for foreign currency transactions (‘Opinion Concerning Revision of Accounting Standard for Foreign Currency Transactions’ issued by Business Accounting Deliberation Council on October 22, 1999) with the exception of when ‘Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry’ (JICPA Industry Audit Committee Report No. 20) is applied.

Financial swap transactions are accounted for pursuant to the Report No. 20 as follows:

(1) Initial exchange cash flows are assumed as principal of claim and debt and are reported on the consolidated balance sheet at the exchange rate prevailing at the consolidated balance sheet date in the net amount.

(2) Differences between the initial and final exchange cash flows by currency, which are the reflection of the difference in the yield between the currencies, are assumed as interest and are accounted for on an accrual basis on the consolidated balance sheet and the consolidated statement of operations.

Financial swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

For currency swap transactions which are for the purpose of funds borrowing/lending in different currencies and for which spot/forward are flat type, which means that paying or receiving amounts at the time of the currency swap contract are equal to receiving or paying amounts at the currency swap maturity dates and the

swap rate applied to principal and interest is the current market rate (including the currency swap transactions which are that the principal amount of one counterparty is revised in order to reflect each exchange rate at the interest payment dates and are judged as spot/forward flat type for each interest payment date), the amounts on the balance sheet are net positions of financial asset and liability equivalents translated by using the fiscal year end exchange rate, in conformity with Report No. 20. The equivalent amounts of interest to exchange are booked in interest income and expense on the consolidated statements of operations on an accrual basis for the corresponding contract period. Therefore, accrued interest income or expenses are recognized at fiscal year end.

**Income Taxes**—Income taxes comprise corporation, enterprise and residents taxes, which in the aggregate result in a statutory tax rate of approximately 41.8%.

Deferred tax assets are recorded based on the temporary differences between the financial and tax bases of assets and liabilities.

**Statements of Cash Flows**—Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand and deposits with The Bank of Japan.

**Net Income per Share**—Net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed assuming all dilutive convertible bonds were converted at the beginning of the year.

### 3. TRADING ACCOUNT SECURITIES AND SECURITIES

#### (1) Trading account securities

Trading account securities as of March 31, 2002 and 2001 were stated at fair market value of ¥778 million (US\$5,845 thousand) and ¥970 million, respectively, and valuation gains recognized for the years ended March 31, 2002 and 2001 were ¥3 million (US\$24 thousand) and ¥4 million, respectively.

#### (2) Held-to-maturity debt securities

Held-to-maturity debt securities with fair market values consisted of local government, corporate and other bonds. Book value and market value of the securities amounted to ¥447 million (US\$3,357 thousand) and ¥447 million (US\$3,357 thousand) as of March 31, 2002, respectively, and ¥419 million and ¥434 million as of March 31, 2001, respectively.

#### (3) Available-for-sale securities

Acquisition costs, market values (balance sheet amounts) and net valuation gains of available-for-sale securities with available fair market values as of March 31, 2002 and 2001 were as follows:

	Millions of yen		
	2002		
	Acquisition cost	Balance sheet amount	Net valuation gains
Equity stocks.....	¥ 27,997	¥ 37,290	¥ 9,293
Bonds:			
National.....	226,032	228,846	2,814
Local.....	45,351	47,253	1,902
Corporate.....	93,674	94,898	1,224
	365,058	370,999	5,940
Other.....	58,999	59,590	591
Total.....	¥452,055	¥467,880	¥15,825

	Millions of yen		
	2001		
	Acquisition cost	Balance sheet amount	Net valuation gains
Equity stocks.....	¥ 22,925	¥ 36,671	¥13,746
Bonds:			
National.....	182,817	185,962	3,144
Local.....	76,811	80,084	3,272
Corporate.....	84,938	87,169	2,230
	344,568	353,216	8,648
Other.....	36,941	37,548	606
Total.....	¥404,435	¥427,436	¥23,000

	Thousands of U.S. dollars		
	2002		
	Acquisition cost	Balance sheet amount	Net valuation gains
Equity stocks.....	\$ 210,114	\$ 279,856	\$ 69,742
Bonds:			
National.....	1,696,302	1,717,424	21,122
Local.....	340,352	354,626	14,274
Corporate.....	703,000	712,187	9,187
	2,739,654	2,784,237	44,583
Other.....	442,770	447,208	4,438
Total.....	\$3,392,538	\$3,511,301	\$118,763

During the year ended March 31, 2002 proceeds from sales of available-for-sale securities and aggregate gains and losses amounted to ¥107,858 million (US\$809,443 thousand), ¥3,536 million (US\$26,540 thousand) and ¥368 million (US\$2,765 thousand), respectively.

During the year ended March 31, 2001 proceeds from sales of available-for-sale securities and aggregate gains and losses amounted to ¥100,090 million, ¥1,267 million and ¥2,260 million, respectively.

#### (4) Securities with no available fair market values

Securities with no available fair market values as of March 31, 2002 and 2001 are summarized below:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
<b>Held-to-maturity debt securities:</b>			<b>2002</b>
Private corporate bonds .....	<b>¥3,650</b>	¥3,199	<b>\$27,392</b>
Local government bonds.....	<b>3,831</b>	4,238	<b>28,750</b>
<b>Available-for-sale securities:</b>			
Private corporate bonds .....	<b>1,000</b>	500	<b>7,505</b>
Unlisted equity stock (excluding OTC stock) .....	<b>1,629</b>	1,612	<b>12,225</b>
Unlisted foreign stock .....	<b>299</b>	200	<b>2,249</b>
Investments.....	<b>198</b>	844	<b>1,488</b>
Debt purchased.....	<b>40</b>	40	<b>300</b>

#### (5) Maturities of securities

Maturities of available-for-sale securities with maturities and held-to-maturity securities as of March 31, 2002 and 2001 are summarized as follows:

As of March 31, 2002	Millions of yen			
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years
<b>Bonds:</b>				
National.....	<b>¥42,245</b>	<b>¥150,532</b>	<b>¥15,039</b>	<b>¥21,029</b>
Local.....	<b>4,771</b>	<b>29,346</b>	<b>13,135</b>	—
Corporate.....	<b>19,018</b>	<b>71,136</b>	<b>9,835</b>	—
	<b>66,035</b>	<b>251,014</b>	<b>38,010</b>	<b>21,029</b>
Other .....	<b>2,894</b>	<b>39,450</b>	<b>5,405</b>	—
<b>Total.....</b>	<b>¥68,930</b>	<b>¥290,465</b>	<b>¥43,416</b>	<b>¥21,029</b>

As of March 31, 2001	Millions of yen			
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years
<b>Bonds:</b>				
National.....	<b>¥12,474</b>	<b>¥153,396</b>	<b>¥10,091</b>	<b>¥10,000</b>
Local.....	<b>7,361</b>	<b>31,982</b>	<b>40,749</b>	—
Corporate.....	<b>16,605</b>	<b>50,990</b>	<b>23,106</b>	—
	<b>36,441</b>	<b>236,369</b>	<b>73,946</b>	<b>10,000</b>
Other .....	<b>3,145</b>	<b>15,975</b>	<b>5,382</b>	<b>240</b>
<b>Total.....</b>	<b>¥39,586</b>	<b>¥252,344</b>	<b>¥79,329</b>	<b>¥10,240</b>

As of March 31, 2002	Thousands of U.S. dollars			
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years
<b>Bonds:</b>				
National.....	<b>\$317,040</b>	<b>\$1,129,696</b>	<b>\$112,866</b>	<b>\$157,822</b>
Local.....	<b>35,808</b>	<b>220,239</b>	<b>98,579</b>	—
Corporate.....	<b>142,729</b>	<b>533,855</b>	<b>73,813</b>	—
	<b>495,577</b>	<b>1,883,790</b>	<b>285,258</b>	<b>157,822</b>
Other .....	<b>21,724</b>	<b>296,066</b>	<b>40,568</b>	—
<b>Total.....</b>	<b>\$517,301</b>	<b>\$2,179,856</b>	<b>\$325,826</b>	<b>\$157,822</b>

#### 4. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2002 and 2001 included the following non-performing amounts:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
<b>Loans to borrowers legally</b>			<b>2002</b>
bankrupt .....	<b>¥18,449</b>	¥13,973	<b>\$138,454</b>
Loans past due over 6 months ...	<b>32,404</b>	27,976	<b>243,182</b>
Loans past due over 3 months ...	<b>14</b>	19	<b>105</b>
Restructured loans.....	<b>46,616</b>	42,720	<b>349,854</b>
<b>Total.....</b>	<b>¥97,485</b>	<b>¥84,689</b>	<b>\$731,595</b>

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, up to a designated amount, as long as there is no violation of any condition in the contracts. As of March 31, 2002 the amount of unused commitments was ¥548,121 million (US\$4,113,481 thousand) and the amount of unused commitments of which original contract terms are within one year or unconditionally cancelable at any time was ¥548,061 million (US\$4,113,031 thousand).

Since most of these commitments are expected to expire without being drawn up, the total amount of unused commitments does not necessarily represent actual future cash flow requirements.

#### 5. ASSETS PLEDGED AS COLLATERAL

As of March 31, 2002 securities with book values of ¥56,850 million (US\$426,645 thousand) were pledged as collateral for deposits amounting to ¥26,131 million (US\$196,107 thousand). In addition, securities with book values of ¥37,473 million (US\$281,228 thousand) were pledged as collateral for exchange clearance transactions.

As of March 31, 2001 securities with book values of ¥75,437 million were pledged as collateral for deposits and call money amounting to ¥8,355 million and ¥13,000 million, respectively. In addition, securities with book values of ¥39,997 million were pledged as collateral for exchange clearance transactions.

#### 6. DEFERRED TAX ASSETS

Major components of deferred tax assets as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Excess reserve for loan losses ....	<b>¥18,896</b>	¥16,276	<b>\$141,813</b>
Excess reserve for retirement benefits.....	<b>5,901</b>	5,916	<b>44,287</b>
Excess depreciation.....	<b>868</b>	917	<b>6,516</b>
Other .....	<b>1,934</b>	635	<b>14,514</b>
Deferred tax assets.....	<b>27,600</b>	23,745	<b>207,130</b>
Valuation gains on securities ....	<b>(6,607)</b>	(9,602)	<b>(49,584)</b>
Other .....	<b>(103)</b>	(142)	<b>(776)</b>
Deferred tax liabilities.....	<b>(6,710)</b>	(9,748)	<b>(50,360)</b>
<b>Net deferred tax assets.....</b>	<b>¥20,889</b>	<b>¥13,996</b>	<b>\$156,770</b>

## 7. ACCUMULATED DEPRECIATION

Accumulated depreciation of premises and equipment as of March 31, 2002 and 2001 amounted to ¥61,974 million (US\$465,096 thousand) and ¥60,491 million, respectively.

## 8. REVALUATION OF LAND

In accordance with the Land Properties Revaluation Act, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The amount equal to estimated taxes on the revaluation excess was recorded as deferred tax on revaluation of land and the remaining balance after deducting such amount from the revaluation excess is shown as a separate component of shareholders' equity in the consolidated balance sheets.

The unrealized loss of revalued land was ¥12,698 million (US\$95,299 thousand) as of March 31, 2002.

## 9. BORROWED MONEY

Borrowed money consisted of borrowings from other banks of which the average interest rate was 1.42% as of March 31, 2002.

The aggregate annual maturities within five years of borrowed money outstanding at March 31, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
2003.....	¥7,001	\$52,540
2004.....	3,984	29,899
2005.....	3,015	22,627
2006.....	3,639	27,310
2007.....	740	5,553

## 10. FINANCE LEASES

Information on finance leases for equipment and other assets without transfer of ownership as lessee and as lessor as of March 31, 2002 and 2001 was as follows:

### (1) As lessee

Years ending March 31	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Pro forma capitalization:			
Acquisition cost equivalent.....	¥1,564	¥1,620	\$11,742
Accumulated depreciation equivalent .....	(1,074)	(825)	(8,065)
Book value equivalent.....	¥ 489	¥ 794	\$ 3,677
Minimum future lease payments:			
Due within one year.....	¥ 306	¥ 326	\$ 2,299
Due over one year .....	228	534	1,713
Total .....	¥ 534	¥ 861	\$ 4,012

The above "as if capitalized" depreciation is calculated on the straight-line method over lease terms.

Total lease payments under non-capitalized financial leases for the years ended March 31, 2002 and 2001 were ¥344 million (US\$2,588 thousand) and ¥347 million, respectively. If the above finance leases had been capitalized, depreciation of ¥304 million (US\$2,287 thousand) and ¥307 million and interest of ¥17 million (US\$135 thousand) and ¥25 million would have been recorded for the years ended March 31, 2002 and 2001, respectively.

### (2) As lessor

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition cost .....	¥41,012	¥38,097	\$307,788
Accumulated depreciation .....	(25,034)	(23,521)	(187,877)
Book value .....	¥15,978	¥14,576	\$119,911

Minimum future lease revenues:

Due within one year.....	¥ 4,686	¥ 4,598	\$ 35,167
Due over one year .....	9,761	8,767	73,257
Total .....	¥14,447	¥13,365	\$108,424

Total lease payments received and interest income under finance leases for the years ended March 31, 2002 and 2001 were ¥6,439 million (US\$48,327 thousand) and ¥6,201 million and ¥509 million (US\$3,823 thousand) and ¥629 million, respectively. Depreciation expense for the years ended March 31, 2002 and 2001 was ¥5,264 million (US\$39,506 thousand) and ¥5,052 million, respectively.

## 11. ACCRUED RETIREMENT BENEFITS

### (1) Retirement benefit plans

The Bank has a lump-sum payment plan, a welfare pension plan and a tax-qualified pension plan.

### (2) Accrued retirement benefits

Accrued retirement benefits as of March 31, 2002 and 2001 was calculated as below:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation....	¥(32,287)	¥(31,676)	\$(242,305)
Fair value of pension assets.....	14,579	14,739	109,415
Benefit obligation excess of			
pension assets .....	(17,707)	(16,937)	(132,890)
Unrecognized actuarial loss .....	2,367	1,470	17,770
Accrued retirement benefits .....	¥(15,339)	¥(15,467)	\$(115,120)

### (3) Retirement benefits expenses

Retirement benefits expenses for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Service costs.....	¥1,016	¥ 1,022	\$ 7,629
Interest costs.....	948	919	7,117
Estimated return on pension assets.....	(592)	(589)	(4,447)
Amortization of actuarial differences .....	147	—	1,103
Net retirement benefit transition obligation on adoption of new accounting standards.....	—	10,826	—
Total retirement benefits expenses...	¥1,519	¥12,178	\$11,402

### (4) Basis of computation

The above computation was based on the following assumptions:

	2002	2001
Discount rate	3.00%	3.00%
Expected return on pension assets	4.02%	3.84%

### 12. CONVERTIBLE BONDS

The Bank has issued convertible bonds, due on March 31, 2003, of which conversion price per share is ¥721.80. The remaining balance of the bonds as of March 31, 2002 amounted to ¥812 million (US\$6,094 thousand) and there were no conversions to common stock during the year then ended.

### 13. CURRENCY DERIVATIVES

The following currency swaps were stated at market value and valuation losses were accounted for in the consolidated statement of operations for the year ended March 31, 2002 and 2001.

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Contract amount.....	¥18,018	¥12,719	\$135,220
Market value.....	128	(357)	967
Valuation gains (losses) .....	128	(357)	967

The contract amounts of currency derivatives on over-the-counter transactions which were revaluated at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Forward foreign exchanges:			
Sold .....	¥7,031	¥4,660	\$52,773
Bought .....	390	4,667	2,934

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of year in the consolidated statements of cash flows for the years ended March 31, 2002 and 2001 are reconciled with cash and due from banks in the consolidated balance sheets as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Cash and due from banks in consolidated balance sheets ...	¥76,093	¥42,828	\$571,058
Due from banks except deposits with the Bank of Japan.....	(585)	(2,089)	(4,395)
Cash and cash equivalents.....	¥75,507	¥40,739	\$566,663

## 15. SEGMENT INFORMATION (BY TYPE OF BUSINESS)

Segment information by type of business for the years ended March 31, 2002 and 2001 is as follows:

	Millions of yen					
	2002					
	Banking operations	Leasing	Other	Total	Elimination	Consolidated
Ordinary income with external customers .....	¥ 54,691	¥ 7,106	¥ 1,869	¥ 63,667	¥ —	¥ 63,667
Ordinary income from internal transactions ....	305	631	2,369	3,306	(3,306)	—
<b>Total .....</b>	<b>54,997</b>	<b>7,738</b>	<b>4,238</b>	<b>66,974</b>	<b>(3,306)</b>	<b>63,667</b>
Ordinary expenses .....	53,400	7,635	3,981	65,016	(3,334)	61,711
Ordinary net income (loss) .....	¥ 1,597	¥ 103	¥ 257	¥ 1,957	¥ (1)	¥ 1,995
Assets .....	¥2,176,295	¥21,045	¥11,448	¥2,208,789	¥(17,313)	¥2,191,475
Depreciation.....	2,912	5,437	69	8,418	—	8,418
Capital expenditures.....	2,436	6,885	60	9,382	—	9,382

	Millions of yen					
	2001					
	Banking operations	Leasing	Other	Total	Elimination	Consolidated
Ordinary income with external customers .....	¥ 54,967	¥ 7,020	¥ 1,830	¥ 63,818	¥ —	¥ 63,818
Ordinary income from internal transactions ....	316	666	2,358	3,341	(3,341)	—
<b>Total .....</b>	<b>55,283</b>	<b>7,686</b>	<b>4,189</b>	<b>67,159</b>	<b>(3,341)</b>	<b>63,818</b>
Ordinary expenses .....	61,091	7,673	3,866	72,631	(3,339)	69,291
Ordinary net income (loss) .....	¥ (5,808)	¥ 13	¥ 322	¥ (5,472)	¥ (1)	¥ (5,473)
Assets .....	¥2,076,591	¥20,873	¥11,537	¥2,109,002	¥(19,733)	¥2,089,268
Depreciation.....	2,575	5,672	86	8,334	—	8,334
Capital expenditures.....	3,586	4,857	32	8,476	—	8,476

	Thousands of U.S. dollars					
	2002					
	Banking operations	Leasing	Other	Total	Elimination	Consolidated
Ordinary income with external customers .....	\$ 410,445	\$ 53,335	\$14,027	\$ 477,807	\$ —	\$ 477,807
Ordinary income from internal transactions ....	2,295	4,739	17,781	24,815	(24,815)	—
<b>Total .....</b>	<b>412,740</b>	<b>58,074</b>	<b>31,808</b>	<b>502,622</b>	<b>(24,815)</b>	<b>477,807</b>
Ordinary expenses .....	400,751	57,301	29,879	487,931	(24,802)	(463,129)
Ordinary net income (loss) .....	\$ 11,989	\$ 773	\$ 1,929	\$ 14,691	\$ (13)	\$ 14,678
Assets .....	\$16,332,426	\$157,940	\$85,916	\$16,576,282	\$(129,933)	\$16,446,349
Depreciation.....	21,858	40,804	519	63,181	—	63,181
Capital expenditures.....	18,284	51,674	455	70,413	—	70,413

Note: Ordinary income represents total income excluding gains on disposal of premises and equipment and collection of written-off claims.

Ordinary expenses represent total expenses excluding net retirement benefit transition obligation on adoption of new accounting standards and losses on disposal of premises and equipment.

# Report of Independent Certified Public Accountants

To the Board of Directors and the Shareholders of The Eighteenth Bank, Limited

We have audited the accompanying consolidated balance sheets of The Eighteenth Bank, Limited (a Japanese corporation) and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, retained earnings and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, present fairly the consolidated financial position of The Eighteenth Bank, Limited and its consolidated subsidiaries, as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2 in the year ended March 31, 2001, The Eighteenth Bank, Limited and subsidiaries adopted new Japanese accounting standards for financial instruments and accrued retirement benefits.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Nagasaki, Japan  
June 26, 2002

*Asahi & Co.*

Asahi & Co.

# Non-Consolidated Balance Sheets

THE EIGHTEENTH BANK, LIMITED

March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Assets</b>			
Cash and due from banks .....	¥ 75,834	¥ 41,433	\$ 569,111
Call loans .....	55,976	30,281	420,083
Commercial paper and other debts purchased.....	565	569	4,246
Trading account securities.....	778	970	5,846
Money held in trust.....	3,862	2,881	28,983
Securities (Note 4).....	478,172	439,038	3,588,539
Loans and bills discounted (Note 3).....	1,487,081	1,476,996	11,160,089
Reserve for loan losses.....	(52,508)	(44,388)	(394,060)
Foreign exchanges (Note 5) .....	433	516	3,257
Other assets.....	12,543	13,638	94,137
Reserve for investment losses.....	—	(22)	—
Premises and equipment, net (Note 7).....	55,648	57,365	417,628
Deferred tax assets (Note 6).....	20,157	13,547	151,272
Customers' liabilities for acceptances and guarantees (Note 12).....	37,749	43,762	283,295
	<b>¥2,176,295</b>	<b>¥2,076,591</b>	<b>\$16,332,426</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities:</b>			
Deposits (Note 4):			
Demand.....	¥ 81,043	¥ 79,496	\$ 608,210
Ordinary .....	678,946	530,247	5,095,285
Savings .....	75,848	80,691	569,216
At notice.....	11,115	13,051	83,416
Time .....	978,433	1,029,697	7,342,840
Other .....	42,287	21,667	317,351
	<b>1,867,674</b>	<b>1,754,852</b>	<b>14,016,319</b>
Negotiable certificates of deposit .....	34,580	43,862	259,512
Call money and borrowed money .....	31,490	40,015	236,324
Foreign exchanges (Note 5) .....	30	23	228
Convertible bonds (Note 13) .....	812	812	6,094
Accrued expenses and other liabilities .....	47,760	31,250	358,430
Accrued retirement benefits .....	15,262	15,399	114,542
Deferred tax liabilities on revaluation of land (Note 8) .....	10,423	10,655	78,223
Acceptances and guarantees (Note 12) .....	37,749	43,762	283,295
Total liabilities.....	<b>2,045,782</b>	<b>1,940,633</b>	<b>15,352,967</b>
<b>Shareholders' equity (Notes 14 and 15):</b>			
Common stock			
Authorized: 410,000 thousand shares			
Outstanding: 174,495 thousand shares.....	22,886	22,886	171,756
Capital surplus .....	18,402	18,402	138,103
Legal reserve.....	7,531	7,445	56,524
Land revaluation account (Note 8).....	14,542	14,866	109,137
Unrealized gains on securities.....	9,217	13,397	69,177
General reserve .....	57,236	67,145	429,541
Unappropriated retained earnings (deficit) .....	1,824	(8,187)	13,691
Treasury stock .....	(1,128)	—	(8,470)
Total shareholders' equity.....	<b>130,512</b>	<b>135,957</b>	<b>979,459</b>
	<b>¥2,176,295</b>	<b>¥2,076,591</b>	<b>\$16,332,426</b>

See accompanying notes.



# Notes to Non-Consolidated Financial Statements

THE EIGHTEENTH BANK, LIMITED

March 31, 2002 and 2001

## 1. BASIS OF PRESENTATION

The Eighteenth Bank, Limited (the "Bank") maintains its accounts and records in accordance with the provisions set forth in the Japanese Commercial Code, the Banking Law of Japan and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounting and reporting policies and practices of the Bank generally conform to the Uniform Accounting Standard for Banks and the guidelines of Japanese regulatory authorities.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions) from the non-consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language non-consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

Yen figures in the financial statements have been rounded down to the nearest million, in accordance with generally accepted accounting practice in Japan.

The Bank maintains its accounting records in yen. The U.S. dollar amounts included in the accompanying financial statements and these notes represent the arithmetic translation of yen to dollar figures on a basis of ¥133.25=US\$1, the prevailing exchange rate at March 31, 2002. Such dollar amounts are included only for the reader's convenience and are not intended to imply that yen and assets and liabilities originated in yen have been or could be readily converted, realized or settled in dollars at that or any other rate.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Financial Instruments**—Effective April 1, 2000, the Bank adopted the new Accounting Standards for Financial Instruments and applied them to valuation of trading account securities, securities, derivatives, and hedge accounting. The effect of this change was to increase loss before income taxes for the year ended March 31, 2001 by ¥408 million.

**Trading Account Securities**—Prior to April 1, 2000, listed trading account securities were stated at the lower of moving-average cost or market and unlisted trading account securities were stated at moving-average cost. Upon applying the Accounting Standards for Financial Instruments, trading account securities are stated at fair market value. Cost of the securities sold, in principle, is computed by the moving-average method.

**Securities**—Prior to April 1, 2000, listed convertible bonds, bonds with warrants, stocks and security trust investments were stated at the lower of moving-average cost or market. Other securities were stated at moving-average cost.

Upon applying the new Accounting Standards for Financial Instruments, securities are stated as follows:

Held-to-maturity debt securities are stated at amortized cost using the straight-line method.

"Available-for-sale securities" defined by the standards are stated at fair market value when they have available market prices and are stated at moving-average cost or amortized cost when no market prices are available. Unrealized gains or losses, net of applicable income taxes, are stated as a separate component of shareholders' equity in the consolidated balance sheet. Cost of securities sold, in principle, is computed by the moving-average method.

Marketable securities included in money held in trust and treated as trust assets are stated at fair market value.

**Derivatives and Hedge Accounting**—Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value except when derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains or losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized.

The Bank applies the Macro Hedge Approach for hedge accounting, which manages interest risk incurred from various financial assets and liabilities collectively by using derivatives.

The derivative transactions are executed and managed in accordance with the established policies and within the specified limits on the amounts of derivative transactions.

**Depreciation**—Depreciation of premises and equipment is calculated principally using the declining-balance method. Main useful lives of premises and equipment are as follows:

Buildings	5 to 50 years
Equipment	3 to 20 years

**Software Costs**—Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

**Reserve for Loan Losses**—Reserve for loan losses is provided based on the rules defined by the Bank as follows:

Possible loan losses for legally or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion based on the fair value of any underlying collateral or guarantees.

Possible loan losses for borrowers, not currently legally bankrupt but likely to go bankrupt, is provided considering the overall solvency assessment after deducting the collectible portion based on the fair value of any underlying the collateral or guarantees.

Possible loan losses on loans other than the above are provided based on loan loss experience as calculated using historical default rates during a specific period in the past.

Possible loan losses on loans to certain foreign countries are provided considering such factors as political and economic risks.

**Reserve for Investment Losses**—Reserve for investment losses is provided for possible future losses on investments based on self-assessment by the Bank.

**Accrued Retirement Benefits**—Prior to April 1, 2000, the reserve for retirement allowances was provided at the amount which would be required if all employees had voluntarily retired as of the balance sheet date.

Effective April 1, 2000, the Bank adopted the new Accounting Standards for Post-employment Benefits. Under the standards accrued retirement benefits are provided to state the post-employment benefit obligations less the fair value of the pension assets. The excess of benefit obligations over fair value of the pension assets as of April 1, 2000 amounted to ¥10,826 million, which was charged to income and included in “other expenses” for the year ended March 31, 2001.

Actuarial differences of the plans are to be amortized from the succeeding fiscal year over a certain period (10 years) within the average remaining service period of the employees at the time of occurrence.

The effect of adoption of the new standards was to increase loss before income taxes by ¥10,950 million for the year ended March 31, 2001.

**Finance Leases**—Finance leases which do not transfer ownership are accounted for in the same manner as operating leases.

**Foreign Currency Translation**—Receivables and payables in foreign currencies are translated into Japanese yen at the year-end exchange rates.

From this fiscal year, the Bank applies the revised accounting standards for foreign currency transactions (‘Opinion Concerning Revision of Accounting Standard for Foreign Currency Transactions’ issued by Business Accounting Deliberation Council on October 22, 1999) with the exception of when ‘Temporary Treatment of Accounting and Auditing Concerning Accounting for

Foreign Currency Transactions in Banking Industry’ (JICPA Industry Audit Committee Report No. 20) is applied.

Financial swap transactions are accounted for pursuant to the Report No. 20 as follows:

(1) Initial exchange cash flows are assumed as principal of claim and debt and are reported on the non-consolidated balance sheet at the exchange rate prevailing at the non-consolidated balance sheet date in the net amount.

(2) Differences between the initial and final exchange cash flows by currency, which are the reflection of the difference in the yield between the currencies, are assumed as interest and are accounted for on an accrual basis on the non-consolidated balance sheet and the non-consolidated statement of operations.

Financial swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward exchange either bought or sold.

For currency swap transactions which are for the purpose of funds borrowing/lending in different currencies and for which spot/forward are flat type, which means that paying or receiving amounts at the time of the currency swap contract are equal to receiving or paying amounts at the currency swap maturity dates and the swap rate applied to principal and interest is the current market rate (including the currency swap transactions which are that the principal amount of one counterparty is revised in order to reflect each exchange rate at the interest payment dates and are judged as spot/forward flat type for each interest payment date), the amounts on the balance sheet are net positions of financial asset and liability equivalents translated by using the fiscal year end exchange rate, in conformity with the Report No. 20. The equivalent amounts of interest to exchange are booked in interest income and expense on the non-consolidated statements of operations on an accrual basis for the corresponding contract period. Therefore, accrued interest income or expenses are recognized at fiscal year end.

**Income Taxes**—Income taxes comprise corporation, enterprise and residents taxes, which in the aggregate result in a statutory tax rate of approximately 41.8%.

Deferred tax assets are recorded based on the temporary differences between the financial and tax bases of assets and liabilities.

**Net Income per Share**—Net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed assuming all dilutive convertible bonds were converted at beginning of the year.

### 3. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Commercial bills			
discounted.....	¥ 40,742	¥ 46,919	\$ 305,761
Loans on notes.....	168,557	177,427	1,264,972
Loans on deeds.....	1,059,501	1,041,587	7,951,232
Overdrafts.....	218,280	211,062	1,638,124
<b>Total.....</b>	<b>¥1,487,081</b>	<b>¥1,476,996</b>	<b>\$11,160,089</b>

Loans and bills discounted as of March 31, 2002 and 2001 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Loans to borrowers			
legally bankrupt.....	¥16,786	¥12,679	\$125,974
Loans past due over 6 months...	31,795	27,250	238,611
Loans past due over 3 months...	—	—	—
Restructured loans.....	46,616	42,720	349,839
<b>Total.....</b>	<b>¥95,197</b>	<b>¥82,649</b>	<b>\$714,424</b>

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, up to a designated amount, as long as there is no violation of any condition in the contracts. As of March 31, 2002 the amount of unused commitments was ¥506,990 million (US\$3,804,804 thousand) and the amount of unused commitments of which original contract terms are within one year or unconditionally cancelable at any time was ¥506,930 million (US\$3,804,354 thousand).

Since most of these commitments are expected to expire without being drawn up, the total amount of unused commitments does not necessarily represent actual future cash flow requirements.

### 4. ASSETS PLEDGED AS COLLATERAL

As of March 31, 2002 securities with book values of ¥56,850 million (US\$426,645 thousand) were pledged as collateral for deposits amounting to ¥26,131 million (US\$196,107 thousand). In addition, securities with book values of ¥37,473 million (US\$281,228 thousand) were pledged as collateral for exchange clearance transactions.

As of March 31, 2001 securities with book values of ¥75,437 million were pledged as collateral for deposits and call money amounting to ¥8,355 million and ¥13,000 million, respectively. In addition, securities with book values of ¥39,997 million were pledged as collateral for exchange clearance transactions.

### 5. FOREIGN EXCHANGES

Foreign exchanges at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Assets:			
Due from banks.....	¥269	¥355	\$2,026
Foreign bills of exchange purchased .....	31	57	237
Foreign bills of exchange receivable.....	132	103	994
<b>Total.....</b>	<b>¥433</b>	<b>¥516</b>	<b>\$3,257</b>
Liabilities:			
Due from banks.....	—	—	4
Foreign bills of exchange sold ...	29	21	221
Foreign bills of exchange payable.....	—	2	3
<b>Total.....</b>	<b>¥ 30</b>	<b>¥ 23</b>	<b>\$ 228</b>

### 6. DEFERRED TAX ASSETS

Major components of deferred tax assets as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Excess reserve for loan losses ....	¥18,394	¥15,971	\$138,043
Excess reserve for retirement benefits .....	5,885	5,903	44,168
Excess depreciation.....	805	866	6,046
Other .....	1,772	498	13,302
<b>Total deferred tax assets .....</b>	<b>26,857</b>	<b>23,240</b>	<b>201,559</b>
Deferred tax liabilities.....	(6,700)	(9,691)	(50,287)
<b>Net deferred tax assets.....</b>	<b>¥20,157</b>	<b>¥13,547</b>	<b>\$151,272</b>

### 7. PREMISES AND EQUIPMENT

Premises and equipment at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Land .....	¥36,582	¥37,513	\$274,541
Buildings.....	31,184	31,104	234,027
Equipment and other.....	21,657	22,256	162,531
	<b>89,423</b>	<b>90,873</b>	<b>671,099</b>
Less accumulated depreciation...	(34,905)	(34,689)	(261,954)
<b>Subtotal.....</b>	<b>56,184</b>	<b>54,518</b>	<b>409,145</b>
Deposits and guarantees .....	1,180	1,130	8,483
<b>Net book value .....</b>	<b>¥55,648</b>	<b>¥57,365</b>	<b>\$417,628</b>

Depreciation expense for 2002 and 2001 amounted to ¥2,358 million (US\$17,699 thousand) and ¥2,246 million, respectively.

### 8. REVALUATION OF LAND

In accordance with the Land Properties Revaluation Act, the Bank revalued land used in the ordinary course of business as of March 31, 1998. The amount equal to estimated taxes on the revaluation excess was recorded as deferred tax on revaluation of land and the remaining balance after deducting such amount from the revaluation excess is shown as a separate component of shareholders' equity in the non-consolidated balance sheets.

The unrealized loss of revalued land was ¥12,684 million (US\$95,195 thousand) as of March 31, 2002.

## 9. FINANCE LEASES

Information on finance leases for equipment and other assets without transfer of ownership as lessee as of March 31, 2002 and 2001 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Pro forma capitalization:			
Acquisition cost equivalent.....	¥3,671	¥4,174	\$27,553
Accumulated depreciation equivalent .....	(2,477)	(2,422)	(18,594)
Book value equivalent.....	¥1,193	¥1,751	\$ 8,959
Minimum future lease payments:			
Due within one year.....	¥ 628	¥ 787	\$ 4,719
Due over one year .....	648	1,087	4,865
Total .....	¥1,277	¥1,875	\$ 9,584

The above "as if capitalized" depreciation is calculated on the straight-line method over lease terms.

Total lease payments under non-capitalized finance leases for the years ended March 31, 2002 and 2001 were ¥918 million (US\$6,892 thousand) and ¥962 million, respectively. If the above finance leases had been capitalized, depreciation of ¥773 million (US\$5,802 thousand) and ¥807 million, and interest of ¥63 million (US\$479 thousand) and ¥89 million would have been recorded for the years ended March 31, 2002 and 2001 respectively.

## 10. OTHER INCOME

Other income for the years ended March 31, 2002 and 2001 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Gains on foreign exchange transactions .....	¥ —	¥ 116	\$ —
Gains on trading account securities .....	32	103	244
Gains on sales of bonds.....	2,668	1,110	20,029
Gains on sales of stocks .....	867	157	6,512
Other .....	1,078	680	8,090
Total .....	¥4,647	¥2,167	\$34,875

## 11. OTHER EXPENSES

Other expenses for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Losses on sales of stocks and other securities.....	¥ 346	¥ 194	\$ 2,599
Losses on devaluation of stocks and other securities .....	1,921	403	14,421
Losses on money held in trust...	225	118	1,689
Net retirement benefit transition obligation on adoption of new accounting standards.....	—	10,826	—
Other .....	1,212	1,058	9,103
Total .....	¥3,705	¥12,600	\$27,812

## 12. CONTINGENT LIABILITIES—ACCEPTANCES AND GUARANTEES

All contingent liabilities including letters of credit, acceptances, and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown on the asset side, which represent the Bank's right of indemnity from customers.

## 13. CONVERTIBLE BONDS

The Bank has issued convertible bonds, due on March 31, 2003, of which conversion price per share is ¥721.80. The remaining balance of the bonds as of March 31, 2002 amounted to ¥812 million (US\$6,094 thousand) and there were no conversions to common stock during the year then ended.

## 14. SHAREHOLDERS' EQUITY

The Japanese Banking Law provides that an amount equal to at least 20% of cash dividends paid and other cash appropriations of retained earnings shall be appropriated as a legal reserve until the total of capital surplus and such reserve equals 100% of common stock. The legal reserve is, in principle, not available for distribution as dividends but may be used to reduce a deficit by resolution of a stockholders' meeting or may be transferred to common stock by resolution of the Board of Directors.

Effective from the year ended March 31, 2002, in conformity with a revision of the Japanese Banking Law, treasury stock which was included in securities in prior years is presented as a reduction from shareholders' equity on the non-consolidated balance sheet. The effect of this change was to decrease total assets and total shareholders' equity by ¥1,128 million (US\$8,470 thousand), respectively, as of March 31, 2002.

## 15. SUBSEQUENT EVENT

The shareholders of the Bank approved the following appropriations of retained earnings at the annual meeting on June 26, 2002.

	Millions of yen	Thousands of U.S. dollars
Unappropriated retained earnings....	¥1,824	\$13,691
Appropriations:		
Cash dividends .....	(429)	(3,223)
Transfer to general reserve .....	(33)	(255)
Retained earnings carried forward....	¥1,360	\$10,213

# Report of Independent Certified Public Accountants

To the Board of Directors and the Shareholders of The Eighteenth Bank, Limited

We have audited the accompanying non-consolidated balance sheets of The Eighteenth Bank, Limited (a Japanese corporation) as of March 31, 2002 and 2001, and the related non-consolidated statements of operations and retained earnings (deficit) for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above, present fairly the non-consolidated financial position of The Eighteenth Bank, Limited, as of March 31, 2002 and 2001, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2 in the year ended March 31, 2001, The Eighteenth Bank, Limited prospectively adopted new Japanese accounting standards for financial instruments and accrued retirement benefits.

Also, in our opinion, the U.S. dollar amounts in the accompanying non-consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Nagasaki, Japan  
June 26, 2002

*Asahi & Co.*

Asahi & Co.