



**The Chuo Mitsui Trust and Banking Company, Limited**

# *Annual Report 2000*

*Year ended March 31, 2000*

# Profile

On April 1, 2000, the merger of The Chuo Trust and Banking Co., Ltd., established in 1962, and The Mitsui Trust and Banking Co., Ltd., established in 1924, brought The Chuo Mitsui Trust and Banking Co., Ltd., into existence as Japan's first consolidation of two major players in the domestic trust banking field.

As a revitalized force in the industry, Chuo Mitsui Trust is Japan's largest trust bank, with more than ¥44 trillion in trust assets under management and more than ¥42 trillion in total funds.

The Bank's operations cover a varied assortment of highly specialized products and services for loans, securities, pensions and real estate, as well as stock transfer agency services and private banking services.

From its headquarters in Tokyo, Chuo Mitsui Trust oversees a network of 166 branches in Japan, and two subsidiaries and three representative offices abroad.

The Bank is the leader in the domestic trust banking industry and as a provider of convenient, sophisticated financial services will set the pace for business development in an increasingly competitive operating environment.

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# Non-Consolidated Financial Highlights

(Combined total from The Chuo Trust and Banking Company, Limited, and The Mitsui Trust and Banking Company, Limited)  
The Chuo Mitsui Trust and Banking Company, Limited

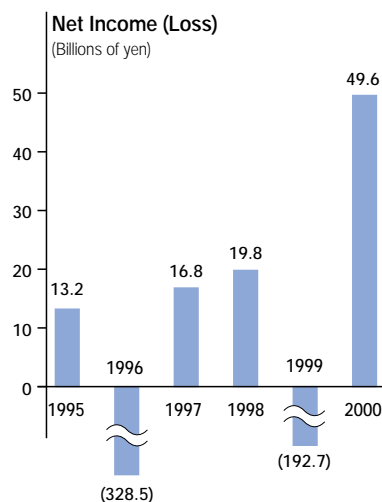
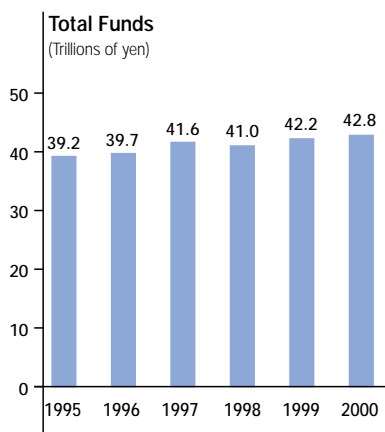
Years ended March 31, 2000 and 1999

	Billions of yen		Millions of U.S. dollars*
	2000	1999	2000
<b>For the Year</b>			
Total Income	¥ <b>951.8</b>	¥ 940.6	<b>\$ 8,966.8</b>
Total Expenses	<b>832.4</b>	1,276.3	<b>7,842.2</b>
Income (Loss) before Income Taxes and Minority Interest	<b>119.3</b>	(335.7)	<b>1,124.5</b>
Net Income (Loss)	<b>49.6</b>	(192.7)	<b>467.7</b>
Business Profit ( <i>Gyomu Juneki</i> )**	<b>94.9</b>	83.5	<b>894.2</b>
Business Profit before Trust Account Write-offs**	<b>156.1</b>	148.0	<b>1,471.3</b>
Effective Business Profit**	<b>161.5</b>	166.8	<b>1,521.4</b>
<b>At Year-End</b>			
Total Funds***	<b>¥42,878.1</b>	¥42,289.0	<b>\$403,939.2</b>
Deposits	<b>7,921.6</b>	6,852.0	<b>74,627.2</b>
Money Trusts	<b>22,698.2</b>	21,789.1	<b>213,831.7</b>
Pension Trusts	<b>6,045.2</b>	6,191.0	<b>56,950.4</b>
Property Formation Benefit Trusts	<b>20.8</b>	20.8	<b>196.0</b>
Loan Trusts	<b>6,192.1</b>	7,435.9	<b>58,333.6</b>
Total Loans and Bills Discounted***	<b>11,759.5</b>	11,949.6	<b>110,782.2</b>
Total Securities Portfolio***	<b>26,978.0</b>	26,524.7	<b>254,150.4</b>
Total Shareholders' Equity	<b>1,146.1</b>	1,102.8	<b>10,797.8</b>

\* U.S. dollar amounts stated in this annual report are translated solely for convenience at US\$1=¥106.15, the rate prevailing on March 31, 2000.

\*\* These accounting terms are defined on page 28.

\*\*\* These accounting terms are defined on pages 98 and 99 in the financial section.



# A Message from the President

## The Operating Environment

During fiscal 1999, ended March 31, 2000, the Japanese economy continued to exhibit signs of gradual recovery, as the government's aggressive stance on financial policy calmed unease regarding the country's financial system and buoyed consumer sentiment.

For the business world, however, a self-sustained recovery in mainstay private-demand sectors failed to materialize, largely because the implementation of current-value accounting standards and consolidated fiscal reporting, slated for the fiscal year ending March 31, 2001, created additional balance sheet adjustments that must be concluded before a full recovery can be realized.

In the financial market, conditions stabilized, thanks to officially sanctioned, ultra-low short-term interest rates. Stock prices showed upward movement, but land prices remained sluggish.

## Fiscal 1999 Performance

Amid these economic and financial conditions, Chuo Trust worked to improve profitability and hone its competitive edge by maximizing the expanded operating base gained through the November 1998 transfer of Honshu-based offices from The Hokkaido Takushoku Bank Co., Ltd. Mitsui Trust also reinforced operations by strengthening its individual services, a source of high revenues, and by enhancing its asset-management and asset-administration operations, a segment that fully demonstrates the trust function.

A more favorable profit margin fostered an increase in net interest income from domestic funds, while concerted cost-cutting efforts trimmed expenses and reduced the general reserve burden. As a result, combined business profit (*gyomu juneki*) grew 13.5%, to ¥94.9 billion, based on the performance figures of the parent banks in the previous term. Combined business profit before trust account write-offs rose 5.4%, to ¥156.1 billion.

In regard to problem assets, both banks worked to achieve a healthier asset base and complete the processing of problem assets through such means as bulk sales. The two banks also made further headway in the disposal of additional losses generated by declining real estate prices as well as claims to corporate clients having fallen upon hard times.

Through the efforts described above, combined net income for fiscal 1999 climbed out of the red, to ¥49.6 billion.

## Management Direction

The operating environment surrounding Japan's financial industry is in a state of intense transformation, typified by the stream of merger and alliance announcements among banks as well as the entry of new players into the banking field from different business sectors. To survive in the increasingly competitive financial arena, banks have adopted strategic restructuring schemes that transcend traditional *keiretsu* affiliations. But the realignment of financial borders is sure to exacerbate competition still further.

Under these conditions, Chuo Trust and Mitsui Trust merged as equals on April 1, 2000. Seeking to forge a resilient foundation that can withstand whatever challenge the operating environment presents, the new bank will promote five objectives.

- (1) The Bank will effectively distribute management resources to the strongest operations and build an operating structure underpinned by excellent levels of efficiency and competitiveness.
- (2) To reinforce administrative integrity, the Bank will execute a bold and accelerated restructuring plan that hinges on the prevailing financial health improvement plan.
- (3) The Bank will demonstrate its trust banking expertise and provide high-quality products and services that satisfy diverse client needs.



Kiichiro Furusawa  
President

- (4) As a measure of accountability, the Bank will further enhance its existing management systems to ensure the health and appropriateness of its business activities.
- (5) The Bank will earn the respect of society by aspiring toward highly transparent management practices and effecting more thorough disclosure.

### **Business Strategies**

Chuo Mitsui Trust has pinpointed four areas that will be used to create a profitable business foundation.

- (1) In the area of private banking, the Bank will pursue consultation-style banking services fine-tuned to the stock-oriented needs of individuals.
- (2) In the provision of asset-management and asset-administration services, the Bank will fully demonstrate its trust banking function in the creation of

a competitive structure built on strong fund management expertise and sophisticated administrative services, and thereby capitalize on the development of future asset-formation schemes, such as master trusts.

- (3) In stock transfer agency services, the Bank will cement its status as an industry leader by reinforcing consultation capabilities and establishing a more cost-competitive structure.
- (4) In the area of corporate lending, the Bank will take advantage of an expanded marketing base to promote a wide spectrum of services to a range of businesses, from large and medium-sized enterprises to small concerns.

### **New Businesses**

Drawing on the combined trust banking expertise and know-how of its forerunners, Chuo Mitsui Trust will

tackle new businesses, such as real estate investment trusts, asset-backed securitization, and non-recourse loans. In addition, the Bank will make the most of the Internet and new marketing channels carved, for example, through ties with other financial institutions, and thereby expand its lineup of consultation services.

### **Restructuring**

We are making progress on the consolidation of duplicate branches and are further enhancing management efficiency. Our financial health improvement plan targets the amalgamation of 35 locations by March 2003 to eliminate duplication, but we aim for even more efficient branch operations. The network will number about 100 full-service branches, down from 166 at the time of the merger. In that same time frame, however, satellite sub-branches, instore branches and other locations that complement the full-service branch network will number about 60, from just 10 instore branches at the end of May 2000.

On the personnel front, the financial health improvement plan seeks to streamline personnel to 8,300 employees by the end of March 2005. But through outsourcing and more efficient use of branch operations and the head office function, the Bank expects to reduce the employee count even further, to about 7,000 employees.

### **Streamlined Management System**

In regard to the executive structure, Chuo Mitsui Trust reduced the number of directors—from 50 at the time of merger—to facilitate discussions at Board of Directors' meetings and to expedite decision-making processes. Concurrently, the Bank implemented an executive officer system to clearly distinguish the management-planning function from the business-execution function.

In addition, as one of the representative financial institutions of Japan, Chuo Mitsui Trust has an obligation

to society and a public mission to fulfill. The Bank will therefore strive to cultivate a corporate climate imbued with the importance of compliance. Toward this end, we will formulate a compliance program and put it into practice. We will also work to monitor our risk management system on a regular basis and appropriately control the risks inherent in our business activities.

In an effort to strengthen our management and inspection systems for asset-management and asset-administration services, we aim to retain the audit certificate based on the SAS70 external audit of the United States. This certificate was already granted to both parent banks before the actual merger. The Bank also expects to maintain the ISO 9002 certification in foreign securities management services granted to Chuo Trust.

### **In Closing**

As described above, Chuo Mitsui Trust will maximize the scale and the expertise that Chuo Trust and Mitsui Trust brought together in the merger. Seeking to be more than the sum of its integrated parts, the Bank will forge a resolute presence in the market and, by achieving its growth targets, the Bank will ensure that it maintains a leadership position in a financial world on the brink of major change.

On behalf of the Board, I ask for the continued support of shareholders, clients and business partners as Chuo Mitsui Trust begins a new corporate chapter in its history.

August 2000



Kiichiro Furusawa  
President

# Management Direction

## Five Objectives

- Distribute management resources to the strongest operations and build a competitive operating structure
- Activate a rapid restructuring plan
- Demonstrate trust banking expertise and provide quality products and services
- Strengthen management systems to ensure the health and appropriateness of business activities
- Ensure thorough disclosure and transparency of management practices

## Business Strategies

### Private Banking Services

Pursuing consultation-style banking fine-tuned to stock-oriented needs

### Asset-Management and Asset-Administration Services

Building strong fund management expertise and a sophisticated administrative structure

### Stock Transfer Agency Services

Reinforcing consultation capabilities and more cost-competitiveness

### Corporate Lending Services

Promoting wide-ranging services to corporations

## New Businesses

Real Estate Investment Trusts  
Asset-backed securitization  
Non-recourse loans

## Restructuring

Consolidation of full-service branches  
Streamlining of personnel

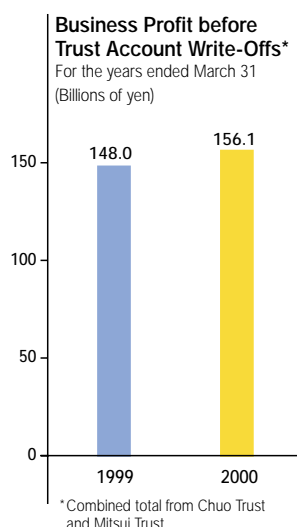
## Business Status

### Fiscal 1999 Summary

In banking circles, business profit (*gyomu juneki*) indicates the profitability of mainstay operations. When comparing the business profit of trust banks with that of ordinary banks, business profit before trust account write-offs is the best gauge of relative performance. In fiscal 1999, Chuo Mitsui Trust posted ¥156.1 billion in combined business profit before trust account write-offs, a comparable increase of 5.4% over fiscal 1998. The reasons for growth are several, including expansion in net domestic interest income, due to an improved margin; a decrease in expenses, thanks in part to the closure of overseas branches; and a lighter burden of reserves for possible loan losses.

Seeking a healthier asset balance for the Bank, the parent banks disposed of a combined total of ¥242.9 billion in problem assets in the banking and trust accounts. Business profit and proceeds from the sale and redemption of securities were applied to the aforementioned write-offs as well as to costs, such as those incurred in the merger process. As a result, the Bank recorded combined ordinary profit of ¥154.1 billion, a strong rebound from ¥256.8 billion in combined ordinary loss, as calculated from fiscal 1998 performances.

After adjustments to ordinary profit, such as extraordinary gains and losses and corporate taxes, combined net income settled at ¥49.6 billion, a commendable improvement over the ¥192.7 billion in combined net loss in fiscal 1998.



### Merger and Transfer of Accounts

Mitsui Trust's unrealized loss, based on a given market-price evaluation of securities, premises and equipment, and other holdings, was disposed of and only the unrealized gain was transferred to Chuo Mitsui Trust. The capital account thus assumed by Chuo Mitsui Trust from Mitsui Trust carried a balance of ¥409.0 billion, and brought the capital account of the Bank to ¥763.9 billion. Consequently, Chuo Mitsui Trust's unrealized gain (loss) on securities netted ¥169.5 billion, on a nonconsolidated basis.

#### Unrealized Gain (Loss) of Chuo Mitsui Trust

	(Billions of yen)		
	Unrealized Gain	Unrealized Loss	Unrealized Gain (Loss)
Listed Securities	265.0	111.5	153.4
Unlisted Securities	28.0	11.9	16.1
Total	293.0	123.5	169.5

	(Billions of yen)	
	Mitsui Trust Amount at March 31, 2000	Amount Transferred to Chuo Mitsui Trust
Assets	9,751.1	9,408.1
Loans and Bills Discounted	4,913.6	4,913.6
Securities	3,511.9	3,184.7
Premises and Equipment	117.9	104.8
Other	1,207.5	1,204.7
Liabilities	8,959.8	8,999.0
Deposits	4,159.9	4,159.9
Other	4,799.9	4,839.1
Net Assets on Balance	791.3	409.0

	(Billions of yen)	
	Amount Transferred to Chuo Mitsui Trust	Capitalization of New Bank
Capital	409.0	763.9
Capital Stock	150.9	321.8
Capital Surplus	133.4	294.2
Legal Reserve	35.1	41.1
Land Revaluation Reserve	5.1	5.1
Earned Surplus	84.3	101.4



## Capital Adequacy Ratio

Rules on capital adequacy ratios set forth under the Banking Law of Japan require that financial institutions maintain a certain level of net worth so as to improve the health and stability of the international banking system and to preserve a state of fair competition among banks. Financial institutions with sales points abroad must satisfy the unified international standard of 8% or more on risk assets, according to the designated calculation method, while financial institutions without overseas sales points must achieve the domestic standard of 4% or more.

Chuo Mitsui Trust has applied the domestic standard. Through the merger and subsequent transfer of accounts, as noted above, the nonconsolidated capital adequacy ratio stood at 10.05% and the consolidated ratio stood at 10.03%, as of April 1, 2000.

	(Billions of yen)	
	April 1, 2000	
	Nonconsolidated	Consolidated
Net Worth	1,376.3	1,378.9
Basic Items (Tier I)	756.9	758.3
Supplementary Items (Tier II)	621.9	623.1
Deductions	2.4	2.4
Risk Assets	13,687.7	13,748.4
Capital Adequacy Ratio (%)	10.05	10.03

## Status of Problem Assets\*

From a perspective of sound asset health, Chuo Mitsui Trust maintains the management priority of its parent banks in that problem assets must be disposed of as quickly as possible. The Bank is directing concerted efforts toward early resolution of the problem assets that remain.

On a nonconsolidated basis, Chuo Mitsui Trust benefits from progress made by its parent banks toward the final processing of problem assets in fiscal 1999 through such measures as bulk sales. As a matter of precaution, the parent banks allocated additional reserves, based on strict asset-assessment guidelines, and disposed of ¥242.9 billion, comprising loans worth ¥181.6 billion in the banking account and ¥61.2 billion in the trust account. The burden of processing was 53.4%, or ¥278.8 billion, less than in fiscal 1998.

Based on self-assessment criteria, the classification ratio—the percentage of assets represented by loans in categories II to IV as disclosed under the self-assessment system—after disposals and write-offs was 11.7%, down 2.8 percentage points, owing to the aforementioned processing of problem assets.

Meanwhile, disclosure of assets based on the Financial Revitalization Law—“claims under bankruptcy and virtual bankruptcy,” “claims under high risk” and “claims under close observation”—reached ¥876.2 billion, a decrease of 13.0%, from fiscal 1998. According to this classification, the coverage ratio—amount of reserves and allowances, though collateral and guarantees, to amount of problem assets—reached the high level of 89.6%.

Disclosure of loans according to the rules of risk-monitored loans—“loans to borrowers in bankruptcy,” “nonaccrual loans,” “loans past due three months or more” and “restructured loans”—amounted to ¥868.8 billion, down 12.6%, from fiscal 1998. The coverage ratio reached 90.0%.

Not all the claims in the debt categories of disclosure by Financial Revitalization Law or risk-monitored loans are impossible to collect. Therefore, the coverage ratios inherited by the Bank from its parents should fully meet write-off requirements.

On a consolidated basis, disclosure of problem assets based on the Financial Revitalization Law was ¥891.5 billion, down 12.3%, and the coverage ratio stood at 89.7%. Risk-monitored loans totaled ¥881.0 billion, down 13.7%, and the coverage ratio reached 90.5%. The Bank thus has sufficient reserves in its consolidated categories to process problem assets.

\*Figures represent combined totals from Chuo Trust and Mitsui Trust

## Self-Assessment System (Nonconsolidated)

	(Billions of yen)		
	Category Total (Before Write-Offs and Reserves)	Write-Offs and Reserves	Category Total (After Write-Offs and Reserves)
Category IV	71.5	71.5	0
Banking Account	59.8	59.8	—
Trust Account	11.6	11.6	0
Category III	207.7	144.9	62.7
Banking Account	196.3	140.8	55.5
Trust Account	11.3	4.1	7.2
Category II	1,352.3	—	1,352.3
Banking Account	1,098.0	*—	1,098.0
Trust Account	254.3	—	254.3
No Category	10,577.8	—	10,718.5
Banking Account	7,017.1	*—	7,157.9
Trust Account	3,560.6	—	3,560.0
Total	12,210.8		12,135.1
Banking Account	8,372.2		8,312.2
Trust Account	3,838.6		3,822.9
Classification Ratio (%)			11.7
Banking Account			13.9
Trust Account			6.8

Notes: 1. \* indicates allocation of reserves in general reserve for possible loan losses.  
 2. General reserve for possible loan losses=¥80.5 billion; Specific reserve for possible loan losses=¥35.8 billion; Reserve for losses on the sale of claims=¥1.3 billion.

## Processing Problem Assets (Nonconsolidated)

	(Billions of yen)			
	1998	1999	Change	Consolidated 1999
Banking Account	45,724.8	18,165.7	(27,559.0)	18,392.4
Trust Account	6,452.6	6,125.8	(326.7)	6,125.8
Total	52,177.4	24,291.6	(27,885.8)	24,518.2

## Disclosure of Problem Assets Based on the Financial Revitalization Law

(1) Nonconsolidated  
 As of March 31, 2000

	(Millions of yen)				
	Disclosure Amount (A)	Collectable Amount by Collateral and Guarantees (B)	Allowances and Reserves (Banking Account: General Reserve/ Trust Account: Special Reserve Funds/ Reserve for Possible Loan Losses) (C)	Reserve Ratio (%) (C/(A-B))	Coverage Ratio ((B+C)/A)
Claims under Bankruptcy and Virtual Bankruptcy	177,915	177,738	—	—	—
Banking Account	127,096	126,927	168	100.0	100.0
Trust Account	50,818	50,810	—	—	—
Claims under High Risk	450,696	249,488	—	—	—
Banking Account	395,919	199,618	140,607	71.6	85.9
Trust Account	54,776	49,869	—	—	—
Claims under Close Observation	247,641	78,197	—	—	—
Banking Account	227,349	69,087	25,821	16.3	41.7
Trust Account	20,291	9,110	—	—	—
Total	876,252	505,424	279,628	75.4	89.6
Total Banking Account	750,366	395,633	242,473	68.4	85.0
Total Trust Account	125,886	109,790	37,154	230.8	116.7
Normal Claims	11,258,928				
Banking Account	7,561,909				
Trust Account	3,697,018				

Notes: 1. After implementing partial direct write-off=¥617,779 million.  
 2. Coverage ratio, taking into account, for example, the excess portion of Special Reserve Funds and Reserve for Possible Loan Losses in the trust account=78.5%.

(2) Consolidated  
As of March 31, 2000

(Millions of yen)

	Disclosure Amount (A)	Collectable Amount by Collateral and Guarantees (B)	Allowances and Reserves (Banking Account: General Reserve) (Trust Account: Special Reserve Funds/ Reserve for Possible Loan Losses) (C)	Reserve Ratio (%) (C/(A-B))	Coverage Ratio ((B+C)/A)
Claims under Bankruptcy and Virtual Bankruptcy	182,353	179,596	—	—	—
Banking Account	131,534	128,786	2,748	100.0	100.0
Trust Account	50,818	50,810	—	—	—
Claims under High Risk	460,405	258,076	—	—	—
Banking Account	405,628	208,206	141,552	71.7	86.2
Trust Account	54,776	49,869	—	—	—
Claims under Close Observation	248,764	78,501	—	—	—
Banking Account	228,473	69,391	25,948	16.3	41.7
Trust Account	20,291	9,110	—	—	—
Total	891,523	516,174	283,711	75.6	89.7
Total Banking Account	765,637	406,384	246,557	68.6	85.3
Total Trust Account	125,886	109,790	37,154	230.8	116.7
Normal Claims	11,337,066	Notes: 1. After implementing partial direct write-off=¥627,739 million.			
Banking Account	7,640,048	2. Coverage ratio, taking into account, for example, the excess portion of Special Reserve Funds and Reserve for Possible Loan Losses in the trust account=78.5%.			
Trust Account	3,697,018				

## Risk-Monitored Loans

As of March 31, 2000

(Millions of yen, %)

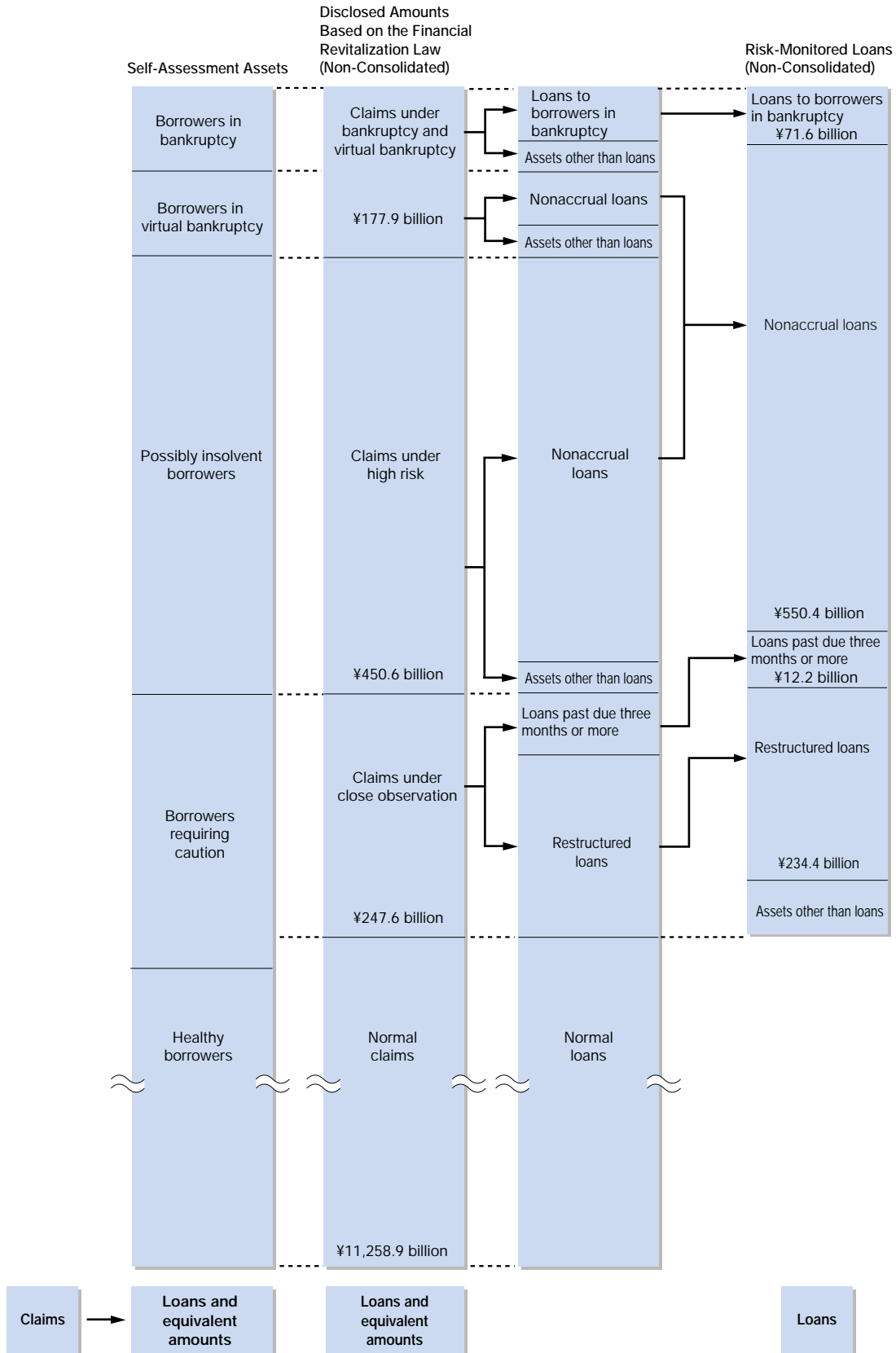
	Nonconsolidated		Consolidated	
	Disclosure Amount	Percentage of Loans and Bills Discounted	Disclosure Amount	Percentage of Loans and Bills Discounted
Loans to Borrowers in Bankruptcy	71,685	0.62	72,040	0.62
Banking Account	46,618	0.60	46,973	0.61
Trust Account	25,066	0.66	25,066	0.66
Nonaccrual Loans	550,498	4.74	561,268	4.85
Banking Account	469,107	6.02	479,877	6.20
Trust Account	81,390	2.13	81,390	2.13
Loans Past Due Three Months or More	12,257	0.11	12,257	0.11
Banking Account	4,355	0.06	4,355	0.06
Trust Account	7,902	0.21	7,902	0.21
Restructured Loans	234,407	2.02	235,434	2.04
Banking Account	222,956	2.86	223,984	2.89
Trust Account	11,450	0.30	11,450	0.30
Total	868,848	7.48	881,000	7.62
Banking Account	743,038	9.54	755,190	9.76
Trust Account	125,810	3.29	125,810	3.29
	After Direct Write-Off	Before Direct Write-Off	After Direct Write-Off	Before Direct Write-Off
Reserve Ratio	32.2	61.0	32.2	61.0
Banking Account	32.6	63.9	32.6	63.9
Trust Account	29.5	29.5	29.5	29.5
Coverage Ratio	90.0	95.1	90.5	95.4
Banking Account	85.4	93.0	86.1	93.4
Trust Account	116.8	116.8	116.8	116.8

### What is partial direct write-off?

Partial direct write-off is an accounting process whereby the estimated collateral value and the amount recoverable through guarantees are subtracted from collateral- and guarantee-backed claims to bankrupt or virtually bankrupt borrowers, after which total claims are directly reduced by this difference to provide an estimate of the noncollectable portion of claims.

Example: Consider collateral-backed loans to a bankrupt borrower = 100, and the recoverable amount through the collateral = 90. In the past—prior to application of partial direct write-offs—the claim balance was booked at 100 because the estimated noncollectable amount of 10 (100-90) was recorded under the specific reserve for loan losses. However, application of partial direct write-off establishes the claim balance at 90 (100 - (100-90)) because the estimate of the noncollectable portion is directly reduced from the total claim.

### Relationship among Self-Assessment Assets, Disclosed Amounts Based on the Financial Revitalization Law and Risk-Monitored Loans



## Self-Assessment System

### *What Is the Self-Assessment System?*

Self-assessment of asset quality requires a financial institution to examine the quality of its own assets and group assets, according to the degree of risk for default on loans or the potential irrecoverability of invested value.

Assets subject to self-assessment are loans and loan equivalents, such as loan receivables in securities, foreign currency, accrued interest, accounts due, provisional payments equivalent to loans, and acceptances and guarantees.

### *Basic Concept in Self-Assessment*

In principle, the process of asset-assessment assigns credit ratings to debtors, then groups the debtors according to these rating assignments. Each debtor is viewed individually, based on such details as the application of funds, and the status of collateral and guarantees is ascertained to facilitate further classification, according to the degree of risk inherent in the recovery of the loan or the potential for the invested value to erode.

### *Credit Ratings*

Credit ratings correspond to a client's credit risk, a status based on financial position, ratings by rating agencies, information from credit bureaus, and other sources. A credit rating must be consistent with debtor categories.

### *Debtor Categories*

A debtor's ability to repay loans is determined by such factors as financial status, cash flow and profitability, and this ability will place a debtor into one of five categories: normal, caution, possible bankruptcy, virtual bankruptcy and legal bankruptcy.

1. Normal: Debtors whose business prospects are favorable and whose financial position exhibits no particular problems.
2. Caution: Debtors with problematic lending conditions, such as reduced or suspended interest payments, debtors with nonaccrual repayment schedules, wherein principal or interest payments are in arrears, and debtors which may require special measures in the future because business prospects are sluggish or unstable, or because financial positions are uncertain.
3. Possible bankruptcy: Debtors for whom bankruptcy is not currently imminent but for whom the eventuality

of failure in the future is high because financial difficulty exists and a sufficient boost through a business improvement plan, for example, is not expected. This category includes debtors receiving support from a financial institution or other backer.

4. Virtual bankruptcy: Debtors that face severe operating difficulties and while they have not been declared legally bankrupt they are essentially insolvent because they lack any hope of restructuring.
5. Legal bankruptcy: Debtors whose legal bankruptcy is substantiated by a declaration of bankruptcy, liquidation, reorganization or composition, or for whom clearinghouse transactions have been halted.

### *Claim Categories*

Under the self-assessment system, claims are grouped into "categories"—II, III and IV—and the respective assets are called "category assets." Claims that do not fall into categories II, III and IV are called "no category," and the assets that fall outside these classifications are deemed "no category assets."

## Disclosure of Assets Based on the Financial Revitalization Law

### *Debtor Classification*

1. Claims under bankruptcy and virtual bankruptcy: Loans and loan equivalents granted to borrowers that have succumbed to legal business failure by reason of declared bankruptcy, reorganization, composition or other officially recognized end to operations.
2. Claims under high risk: Loans to borrowers that have not yet reached a state of legal bankruptcy but are highly unlikely to repay the principal and interest according to contractual obligations because of worsening financial position and business performance.
3. Claims under close observation: Loans three months past due—i.e., loans for which payment of principal or interest has fallen more than three months behind, counting from the day following the contractual payment day—and restructured loans—i.e., loans for which the contractual conditions have been revised, for example, with a specific concession in favor of the debtor to facilitate the restructuring of a business that has been economically disadvantaged, or to support such a business, and thereby promote repayment of the outstanding loan.

4. Normal loans: Loans to borrowers with no particular problems affecting financial position or business performance, thereby excluding them from the three classifications described above.

#### ***Relationship with Debtor Classifications in the Self-Assessment System***

1. Claims under bankruptcy and virtual bankruptcy: Corresponds to the sum of loans to debtors that are legally bankrupt or virtually bankrupt under self-assessment standards.
2. Claims under high risk: Equivalent to loans to debtors classified as possibly bankrupt under self-assessment standards.
3. Claims under close observation: Represents the sum of loans to debtors in the caution category of self-assessment standards that are either more than three months past due or restructured.
4. Normal loans: Identified with loans to healthy borrowers under self-assessment standards, as well as loans other than claims under the close observation category of loans to debtors requiring caution.

#### **Risk-Monitored Loans**

##### ***What are risk-monitored loans?***

1. Loans to borrowers in bankruptcy: Of loans for which no accrued interest is recorded because the recovery of principal or interest is unlikely due to a prolonged delay in payment of principal or interest (excludes the portion written off; hereafter referred to as “loans for which accrued interest is not recorded”), loans to borrowers in bankruptcy are those for which the reason is found in the provisions of the Corporate Tax Law (Ordinance 97, 1965), Article 96, Paragraph 1, Sub-Paragraph 3, Points a) through e), or Article 4 of the same law.
2. Nonaccrual loans: Of loans for which accrued interest is not recorded, nonaccrual loans are loans other than those to borrowers in bankruptcy and loans for which interest has been waived to facilitate business restructuring.
3. Loans past due three months or more: This category comprises loans for which payment of principal or interest has fallen more than three months behind, counting from the day following the contractual

payment day, but excludes loans to borrowers in bankruptcy and nonaccrual loans.

4. Restructured loans: This category covers loans for which payment of interest is reduced or suspended, payment of principal is extended, the claim is waived, or another measure advantageous to the borrower is granted to facilitate business restructuring. Loans to borrowers in bankruptcy, nonaccrual loans and loans past due three months or more are not included in this category.

#### ***Relationship between Self-Assessment Assets and Disclosure of Assets Based on the Financial Revitalization Law***

Assets classified under self-assessment standards and disclosure of assets based on the financial revitalization law are loans and loan equivalents. These loans differ primarily from risk-monitored loans in that risk-monitored loans exclude loan equivalents.

1. Loans to borrowers in bankruptcy: These are loans to legally bankrupt borrowers.
2. Nonaccrual loans: These are loans to virtually bankrupt borrowers and borrowers for which the possibility of bankruptcy exists.
3. Loans past due three months or more: Of loans to borrowers requiring caution, loans past due three months or more are those for which the payment of principal or interest has fallen three months behind, counting from the day following the contractual payment day.
4. Restructured loans: Of loans to borrowers requiring caution, restructured loans are those for which payment of interest is reduced or suspended, payment of principal is extended, the claim is waived or another measure advantageous to the borrower is granted to facilitate business restructuring.

## **Status of Financial Health Improvement Plan\***

### **Financial Health Improvement Plan**

Both Chuo Trust and Mitsui Trust drafted financial health improvement plans at the time of application to the Financial Reconstruction Committee for injections of public funds.

\*Figures represent combined totals from Chuo Trust and Mitsui Trust

The respective plans symbolize the cornerstone of a new business foundation that the two banks laid through their April 2000 merger. This marriage of trust banks has produced strong transaction substructures in both individual and corporate services and accorded the Bank an overwhelming advantage in the trust-banking business. Such merits underscore the ultimate goals of the merger—a stable profit base and a solid financial base.

The combined fiscal 1999 performances of the two banks marked generally favorable results, paralleling the objectives of the financial health improvement plans. Among profit and loss items, business profit before trust account write-offs totaled ¥156.1 billion, surpassing the initial projection of ¥142.3 billion. Ordinary profit reached ¥154.1 billion, compared with the earlier calculation of ¥89.3 billion. Net income settled at ¥49.6 billion, falling slightly short of the anticipated ¥52.5 billion.

The banks made better progress than expected in their bid to rationalize operations. Equipment and premises costs fell 3.4%, to ¥190.0 billion, in fiscal 1999, as the withdrawal from overseas locations reduced rental and leasing charges. In addition, personnel numbered

9,283 at the end of March 2000, compared with 9,876 a year earlier, thanks to a focus on operating efficiency.

Chuo Mitsui Trust will strive toward a leaner organization with a highly efficient branch network that maximizes the talents of a streamlined workforce.

Of particular note in personal banking services, the individual lending balance as of March 31, 2000, was 6.8% higher than the combined ¥2.2 trillion of the year before. Home loans accounted for ¥1.1 trillion, a comparable increase of 16.2%. The investment trust balance reached ¥264.4 billion, nearly three times the corresponding figure of the previous fiscal year.

The lending balance to small and medium-size business showed a net increase of ¥182.1 billion over fiscal 1998, because of the banks' efforts to facilitate loans. The total is at market basis, taking into account changes in the balance related to disposal of problem assets (excluding impact loans).

Chuo Mitsui Trust will emphasize further business improvements to realize the goals set down in the Bank's post-merger blueprint.

## Profit and Loss

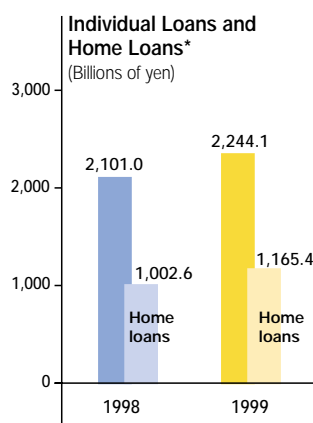
	(Billions of yen)	
	FY 1999	Original Plan
Business Profit Before		
Trust Account Write-Offs	156.1	142.3
Ordinary Profit	154.1	89.3
Net Income	49.6	52.5

## Business Rationalization Goals

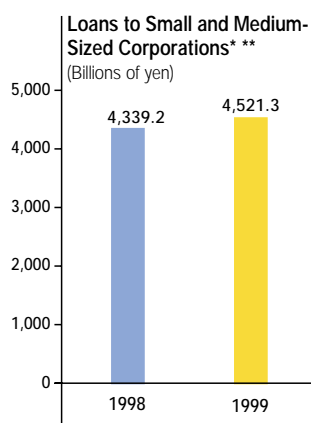
	(Billions of yen, number of employees)		
	FY 1998	FY 1999	Plan for FY 1999
Expenses	196.7	190.0	209.7
Number of Employees <sup>1</sup>	9,876	9,283	9,630
Number of Employees <sup>2</sup>	8,381	7,852	8,190

Notes: 1. The number of employees includes staff on loan, part-timers, overseas personnel and locally hired staff at overseas locations.

2. Excludes part-timers from number of employees in Note 1.

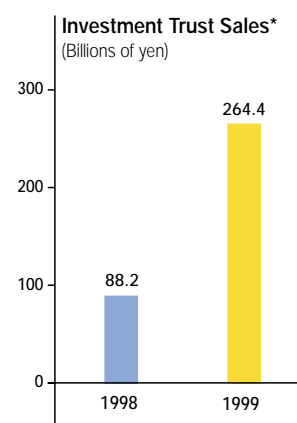


\* Combined total from Chuo Trust and Mitsui Trust



\* Combined total from Chuo Trust and Mitsui Trust (excluding impact loans)

\*\* Total is at market basis, taking into account changes in the balance related to disposal of problem loans



\* Combined total from Chuo Trust and Mitsui Trust

# Products and Services

## Individual Services

Chuo Mitsui Trust responds to the financial needs of individuals with an assortment of products and services that demonstrate the Bank's financial and asset-administration functions.

### **Savings Products**

Chuo Mitsui Trust maintains a broad range of savings products, from short- to long-term with fixed or variable interest rates, to match the asset-formation requirements of clients.

Our investment trusts, which facilitate diversified investment into domestic and overseas stocks and bonds, are customized to the investment duration and the goals of each client.

We also provide asset-formation trusts and deposits (regular, pension and housing) for corporate employees and retain the highest balance among all domestic financial institutions.

Fine-tuned consultations round out the list of savings products with advice tailored to each client's asset situation, family status and life plan. We have the knowledge to answer all questions related to asset formation.

### **The Home Buyers' Guide**

An assortment of services is available to help clients find and finance a new home, including a database of property information and an array of loans with fixed or variable interest rates to match financing needs. Chuo Mitsui Trust's capabilities are substantiated by the top asset balance in housing loans among trust banks in Japan.

### **Asset Utilization**

In the demographic composition of Japan, seniors represent a growing percentage. This environment highlights the importance of appropriately utilizing assets, not merely retaining the assets already acquired.

We also offer advice on real estate, and concrete proposals to maximize the value of holdings. Typical examples include a service to utilize property through land trusts, a building and apartment loan that accords the necessary funds for fully capitalizing on a property's potential, as well as brokerage operations for the purchase, transfer and disposal of real estate.

Through these products and services, we facilitate asset utilization and contribute to the comfortable lifestyles of clients.

### **Inheritance Issues and Asset Consultation**

Chuo Mitsui Trust assumes a comprehensive view of inheritance, from financial and legal matters to taxation issues, and creates plans that ensure the smooth transfer of assets from one generation to the next. We also keep wills in custody and, in our capacity as a trust bank, assist in the execution of wills.

We augment these services with utilization plans for the people who inherit new assets so that they may maximize their holdings.

### **Asset Consultants and Financial Planners**

Armed with the pertinent advice, our asset consultants and financial planners can successfully tackle any client query.

### **Investment Plans Geared to Life Goals**

The application of savings parallels the expenses that occur through life, from weddings and education to retirement. Our financial planners formulate savings-oriented approaches suited to the objectives and time frame of clients' major expenses.

### **Loan Consultations**

Our total-support stance covers all aspects of loans, from the creation of financing plans and repayment schedules to answering loan-related questions. We also invite queries other than for home loans and furnish proposals related to effective land utilization, including the application of building and apartment loans.

### **Real Estate Advice**

Through our professionals, with the full expertise of trust banks with real estate experience, we assist clients with practical services, from new-home searches to effective application of property holdings.

### **Comprehensive Consultation Skills**

Chuo Mitsui Trust's asset professionals have the comprehensive consultation skills to accurately analyze the prevailing environment and counsel clients on the best investment vehicles.



## New Products and Services

Chuo Mitsui Trust strives to make its services more convenient and more accessible to individuals.

### In-Store Branches

We have embraced the in-store branch concept we call “Consulplaza” to facilitate client access to our services. We operate 10 locations—eight in the Tokyo metropolitan area and two in the Kansai region—and will continue to develop this network in the major urban centers of Japan.



One of our Consulplazas

### Telephone Banking

With a simple telephone call, clients can make deposits into term and trust accounts, transfer funds, check account balances, ask questions, and even execute investment trust and foreign-currency deposit transactions. We aim to expand the function and scale of the telephone banking center and turn it into a hub for direct banking services.

### Online Access to Postal Savings Accounts

Clients are able to check balances and deposit and withdraw funds through cash dispensers and automated teller machines at post offices nationwide.

### Debit Card Transactions

Chuo Mitsui Trust’s debit card services were launched in March 2000, ahead of the merger. Clients now have the option of using their bank cards to pay for purchases at participating department stores rather than carrying cash.

## Internet Access

The rapid popularization of the Internet makes it a valuable marketing tool. The Bank has enhanced its Web site with greater corporate information disclosure and a description of available services. We are also considering Internet banking as well as new business possibilities that utilize the Internet.

For example, on June 30, 2000, Chuo Mitsui Trust joined Sakura Bank, Nomura Securities, Nippon Life Insurance, Mitsui Marine and Fire Insurance and general trader Mitsui in the launch of a financial portal site—<http://www.money-bk.com>—which provides one-stop financial services and information via the Internet.

## Investment Trusts

Consultation counters are located at all our branches to promote investment trusts. Staff conduct one-on-one discussions with each client to customize products and yield a portfolio of investment products suited to individual lifestyle choices.

We also operate three investment trust centers that extend specialized information on various asset-management options, including investment trusts. Investment trust professionals are always available to answer questions.

As of June 2000, Chuo Mitsui Trust offered 36 types of investment trusts, complemented by 39 trusts available at the Bank’s investment trust centers.

To promote investment trusts, our investment trust centers conduct free seminars on various investment trust subjects. These lectures have been favorably received.



Investment trust center in Tokyo

# Corporate Services

## Financial Services

### Funding Underscores Lending Operations

To satisfy clients' diverse fund-procurement needs, Chuo Mitsui Trust offers a broad spectrum of funding instruments, including long-term loans to finance, for example, plant and equipment and working capital, as well as overdrafts, short-term loans, discounted bills, debt guarantees, securitized loans and impact loans. In addition, the Bank acts as trustee on corporate bond operations and underwrites commercial paper (CP) issues.

We are directing effort into the area of lending to small and medium-sized businesses. Utilizing know-how, including an electronic banking-based settlement service function, acquired through the succession of branches from Hokkaido Takushoku Bank by Chuo Trust, we have expanded the lending balance to small and medium-sized businesses.

The merger also produced a stronger transaction base, now underpinned by a borrower segment comprising some 11,000 companies, and enhanced the branch network as well as our management capabilities. As one, we are better positioned than either of our parent banks were to meet the diverse needs of corporate clients.

### Funding through Securitization of Assets

Recourse loans and securitization of real estate, through real estate-managed trusts and special purpose companies (SPCs), have drawn attention as fund-raising instruments that put trusts to ideal use. Chuo Mitsui Trust is actively responding to demand for such instruments by

maximizing its trust function and the knowledge gained through the real estate-related operations of its parent banks. We also present various financing schemes that feature trust-style securitization of client-held money claims, such as credit receivables and bill credits.

### Asset Management

#### Deposit Products

We handle a range of term deposits, from liquid deposits to large-lot term deposits.

#### Trust Products

Our fund-management products include separately operated money trusts for securities investments, namely fund trusts, specified money trusts, money trusts other than specified money trusts, and separately operated designated money trusts. In addition, we market units of trust beneficiary rights, created through the securitization of credits, as products for which the higher risk generates equivalently higher returns.

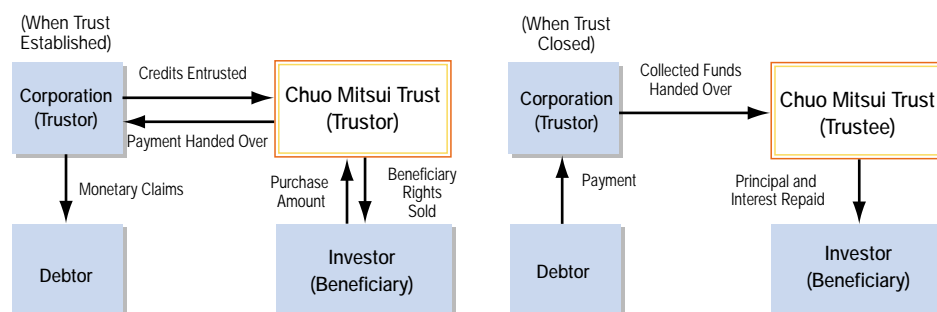
#### Investment Trusts

As of June 2000, Chuo Mitsui Trust offered 36 types of investment trusts, complemented by 39 trusts at the Bank's investment trust centers. These trusts are designed for both individual and corporate customers.

### Hedging Risks

We supply timely market information to clients seeking to manage and control the variability of interest rate and exchange rate risks. We also maintain a selection of derivative products, including swaps, options and foreign exchange futures transactions, and combine these products into financial schemes that fulfill clients' risk-hedging directives.

Framework for Securitizing Monetary Claims Using Trust as a Vehicle



## Trust Asset Management Business

Management of trust assets has assumed greater social importance against a backdrop of low interest rates and a higher percentage of seniors in the domestic population.

Effective with the merger, Chuo Mitsui Trust firmly captured Japan's largest share of trust assets under management. The task now is to maintain this status with services of even higher quality. Toward this end, we have revamped risk-management and asset-management systems into more sophisticated structures supported by experts in the business of trust asset management.

### Japan's Largest Pool of Asset Managers

The Asset-Management Sector is responsible for more than ¥16 trillion in funds, including corporate pensions, public pensions and public sector funds. Investment targets cover domestic and international corporate stocks and bonds. Our skilled professionals work closely with each client to determine investment plans. Then, we capitalize on the merits of scale afforded by our position as one of Japan's largest institutional investors and utilize the survey and analysis capabilities of staff, including corporate analysts with the industry's top-class credentials, to achieve high-quality performance paralleling clients' investment plans.

### First-Rate Asset-Management Skills

#### Asset-Management Policy and Function-Specific Structure

The asset-management philosophy of Chuo Mitsui Trust highlights accurate processes and high-level analysis.

Guided by this philosophy, we operate as a “multi-production firm,” with products that apply domestic and foreign assets through a range of means, from active to passive.

### High-Quality Investment Products

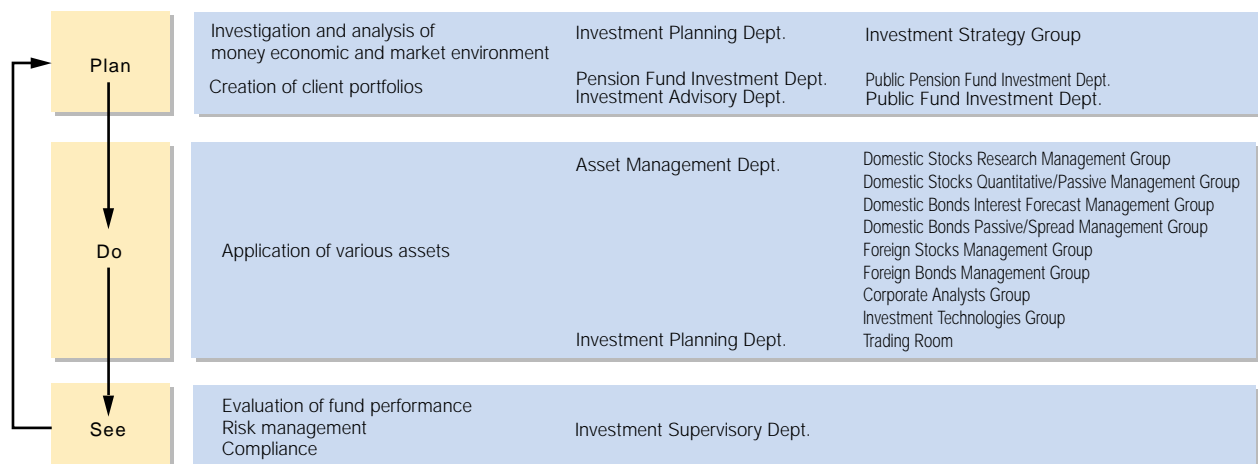
Thanks to the efforts of our corporate analysts and the investment technologies group, we are proud that we have achieved the top industry ranking in active-fund quality as well as quantity.

In passive investment, Chuo Mitsui Trust inherited a solid reputation from its parent banks. We can boast, for example, that we were the first in the industry to achieve a balance of mainstay funds exceeding ¥1 trillion. We will increase our competitive edge through ties initially forged by Mitsui Trust with State Street Bank and Trust Company, a passive manager respected worldwide for its know-how and prominent scale. We will also strive to make high-quality passive funds a basic tool for master trusts and, from both management and administration perspectives, aspire to be the best investment partner for our clients.

### Unified Risk-Management Structure

Chuo Mitsui Trust instituted a risk-management structure that consolidates risk management, compliance and performance evaluation in one place.

#### Framework for Trust Asset Management Business



# TRUST ASSET ADMINISTRATION BUSINESS

## Engaging in Trust Asset Administration

Through the merger, Chuo Mitsui Trust has acquired the industry's top share of assets under administration. We will uphold this standing through resourceful efforts in trust asset administration and maintain the solid reputation for reliability accorded to us by the clients of Chuo Trust and Mitsui Trust.

## Sophisticated Administration Services

We have responded rapidly to evolving trends, such as expanded disclosure. We have also acted quickly on system revisions, with a focus on shortened settlement periods, the implementation of current-price accounting and contract-based accounting, and straight-through processing, which electronically automates a series of operations, from contract to settlement and reconciliation.

In the area of pension funds, master trust services have attracted considerable interest as a means to consolidate management and custody of assets in multiple pension plans or assets under the management of several investment companies. To prepare a response for Chuo Mitsui Trust, a project team was inaugurated by Chuo Trust and Mitsui Trust in August 1999 to study the content of services that the Bank would offer.

## Ensuring Transparency through External Audits

In December 1999, Chuo Trust and Mitsui Trust marked a milestone among Japanese trust banks in obtaining, under a periodic audit format, an external audit certificate conforming to the U.S. audit standard SAS70. Chuo Mitsui Trust aims to uphold this recognition, which endorses the transparency of asset custody and accounting at the Bank. We were also the first Japanese trust bank to undertake a fund audit for jointly operated corporate pension funds. We will continue to undergo such audits, which emphasize the integrity of our services in the eyes of the public.

It is also worthwhile noting that in February 1999, Chuo Trust acquired ISO9002 quality certification from the International Standards Organization. Chuo Mitsui Trust has retained this qualification, as well.

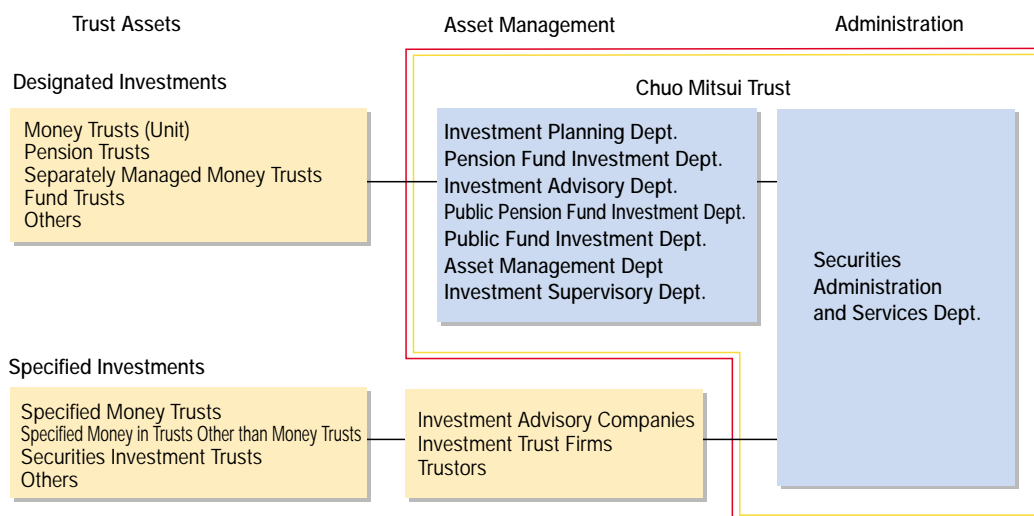
### Toward Participation in Japan Trustee Services Bank

In July, Chuo Mitsui Trust began talks regarding the Bank's equal participation in Japan Trustee Services Bank, Ltd., which was established by Daiwa Bank, Ltd., and Sumitomo Trust & Banking, Co., Ltd., in June 2000 to undertake asset-administration services, including pension trusts, specified money trusts, securities investment trusts and marketable securities trusts.

Japan Trustee Services Bank will integrate the management resources and the know-how accumulated by the three banks and utilize the merits of scale to develop a sophisticated asset-administration infrastructure, which will be a model for other financial institutions in Japan. From its position, the new bank will aspire to swiftly and accurately meet the diversifying asset-administration needs of clients.

Moreover, in new business development, Japan Trustee Services Bank will endeavor to lead the industry in the establishment of Japan's version of master trust services.

## Asset Management and Administration Structure



## PENSION TRUST OPERATIONS

The advent of a domestic population in which the elderly make up the largest part has prompted revisions in public pension systems. Corporate pension systems, which supplement public pensions, are also undergoing major transformation. Chuo Mitsui Trust is actively preparing for new market demands with a broad-based response that stretches from actuarial calculations and system design and administration to asset management and administration.

The merger fostered the particular advantages of an extended operating scale and a deeper reservoir of expertise. Chuo Mitsui Trust truly is a premier trust bank with the experienced staff and advanced systems to provide excellent pension-oriented services.

### Financial Consulting Services

On the financial front, we boast a solid group of pension professionals, including one of the industry's largest teams of pension actuaries, who offer fine-tuned advice and front-line services.

New corporate accounting standards effective from fiscal 2000 require more disclosure of retirement benefit obligations as well as pension amounts based on FAS87, a U.S. accounting standard. Chuo Mitsui Trust was quick to invest in the personnel and systems needed to launch services for such calculations. While we will engage in various consulting services, the spotlight will be on

pension ALM analysis, financial advice and calculation of retirement benefits obligations based on new standards.

### Developing New Services

#### Retirement Benefits Trust

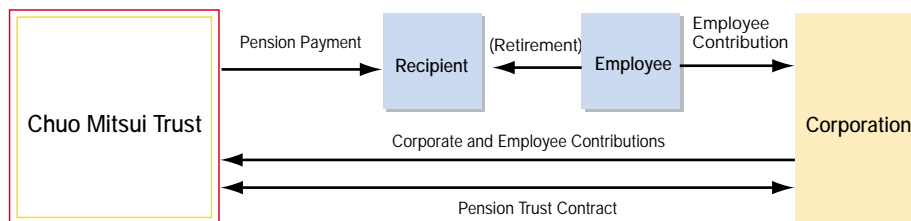
New accounting standards require companies to recognize retirement benefit obligations on the books. This requirement has exposed a reserve shortfall at many companies for which the resulting expense burden impacts profitability. Consequently, corporate clients are keen on measures to shrink the burden. One such measure is to place stockholdings into trusts under fixed conditions. Chuo Mitsui Trust has created a retirement benefits trust that will help corporate clients reinforce their financial positions.

#### Defined Contribution-Style Pension Plans

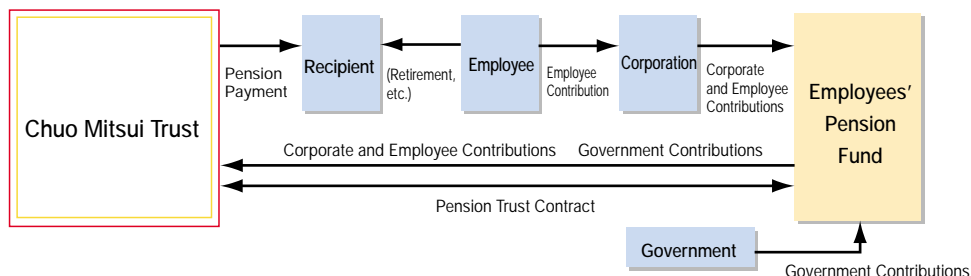
The introduction of defined contribution-style pension plans in Japan is prompted by social and economic changes highlighted by the demographic condition of fewer children and more seniors, as well as diversification of retirement lifestyles.

With the stronger systems afforded by the merger, we will have the right information for clients awaiting the green light on defined contribution-style pension plans. We will also be ready with comprehensive services, from program-design assistance and application products to investment consultations for plan beneficiaries.

#### Tax-Qualified Pension Framework



#### Employees' Pension Fund Framework



## STOCK TRANSFER AGENCY SERVICES

The merger of Mitsui Trust and Chuo Trust—previously the industry’s largest stock transfer agency—created an agency scale of overwhelming proportions. At the end of March 2000, Chuo Mitsui Trust had 1,791 domestic companies under the administration and served more than 13 million shareholders.

Supported by the well-established histories and performances of both parent banks, Chuo Mitsui Trust boasts the ample experience and vast knowledge of a leader. We will maintain swift and accurate processing of diverse stock-related tasks for client companies and their shareholders.

### Features of Stock Transfer Agency Services

#### Swift and Accurate Processing through Comprehensive Mechanization

In August 1999, the parent banks brought the Image Workflow System on line, which turned stock certificates, invoices and other documents into image data and

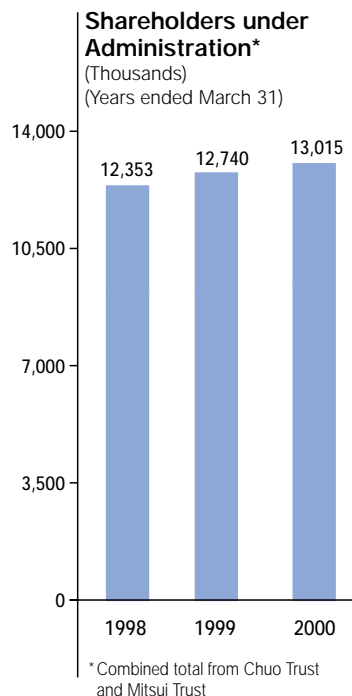
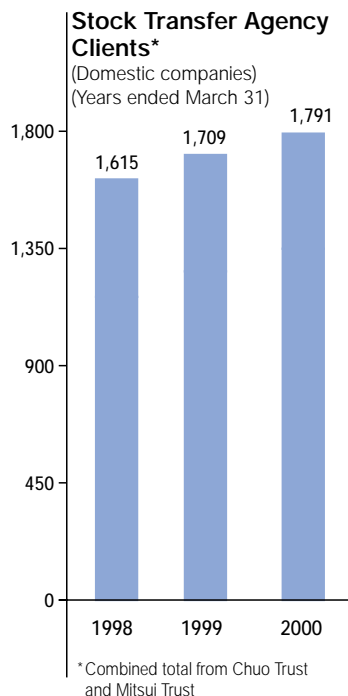
now facilitates the creation of various data on-screen and expedites reconciliation tasks. We will, however, still seek faster execution of administrative tasks and a shorter turnaround in processing transfers of title.

#### Legal Services and Timely Provision of Information

Stock transfer agency services are governed by strict legal guidelines. Frequent revisions of the Commercial Code and the Securities and Exchange Law, among other legislation, have highlighted the importance of compliance. Chuo Mitsui Trust has the staff and the response structure to solve whatever questions clients may have regarding legal revisions.

#### Various Services for Clients

Chuo Mitsui Trust provides several additional stock-related options to retainers of the Bank’s stock transfer agency services. For example, we gather real-time information on shareholders and update transfers of title and shareholder status.





## REAL ESTATE OPERATIONS

Chuo Mitsui Trust's real estate operations cover an array of activities, including appraisals; brokerage of properties for sale and rental; consultation on land trusts and effective utilization of property; investment and securitization of property holdings; and sales of condominiums and detached homes through business alliances with blue-chip real estate companies.

### Solid Presence in Real Estate Business

In regard to real estate professionals, Chuo Mitsui Trust is among the top trust banks. The merger has laid a solid foundation for success, supported by 139 appraisers and 62 associate appraisers, at the end of May 2000. This solid team is complemented by about 3,900 certified real estate dealers and first-rate architects posted throughout the country. To further augment in-house expertise, we maximize external ties to lawyers, certified public accountants and certified tax accountants.

Brokerage of properties for sale and rental forms a pillar of our real estate operations. An increase in the number of large commercial buildings and condominium

properties under management parallels the efforts of corporations eager to streamline their organizations. As a result, the combined volume of real estate brokerage transactions by Chuo Trust and Mitsui Trust reached ¥327.7 billion in fiscal 1999, on 3,141 properties.

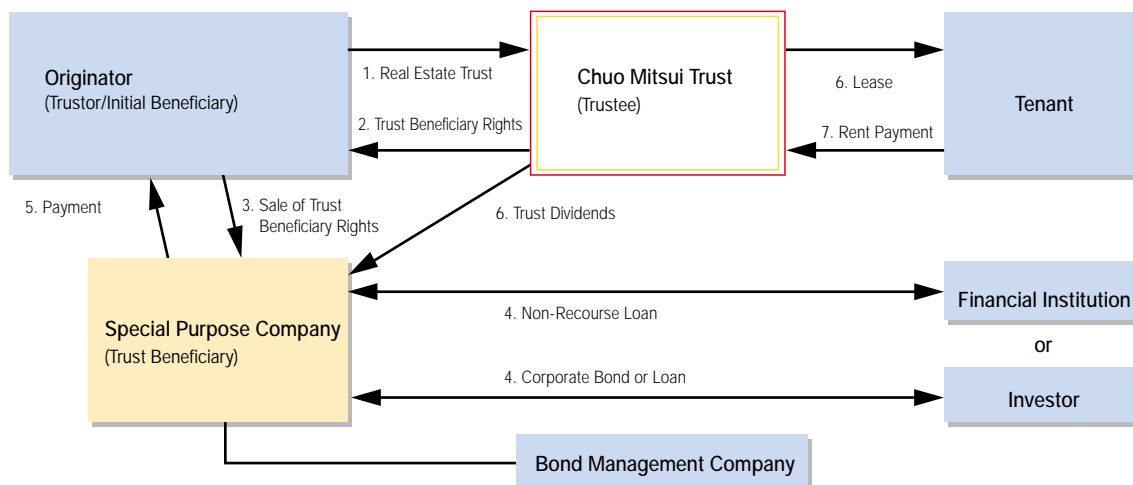
### Tackling Real Estate Securitization

Unlike conventional corporate finance, which hinges on a company's creditworthiness and ratings, real estate securitization is a form of asset finance backed by the profitability of the assets themselves. This structure epitomizes the essential quality of a trust bank, with operations in real estate, securities and finance and insight into law, taxation and financial affairs.

Our trust function has been an invaluable tool for success, substantiated by a combined volume of real estate-managed investment trusts incorporating real estate securitization reaching ¥70.3 billion in fiscal 1999. This pushed the aggregate amount under the Bank's management to ¥141.7 billion.

Chuo Mitsui Trust is also aggressively promoting non-recourse loans in real estate securitization transactions.

Real Estate Securitization Scheme Using Trust Function



# Domestic Network

As of August 1, 2000

**Domestic Branch Network**





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# Three-Year Financial Highlights (Chuo Trust)

The Chuo Trust and Banking Co., Ltd.  
Years ended March 31, 2000, 1999 and 1998

	Millions of yen		
	2000	1999	1998
<b>Consolidated Basis</b>			
Total Income	¥ 344,944	¥ 216,300	¥ 277,648
Interest Income	84,704	73,767	92,500
Trust Fees	47,272	64,934	77,348
Total Expenses	335,205	297,532	264,548
Interest Expenses	54,477	63,208	87,585
Income (Loss) before Income Taxes and Minority Interest	9,738	(81,232)	13,100
Net Income (Loss)	4,521	(62,304)	33,333
Total Shareholders' Equity	354,887	354,621	232,724
Total Assets*	5,473,101	5,238,312	3,754,307
Deposits	3,389,068	3,065,038	1,784,295
Loans and Bills Discounted	2,846,990	2,299,363	1,754,494
Investment Securities	1,467,139	1,520,738	1,053,303
Trust Assets	15,426,893	15,238,911	15,064,757
Capital Adequacy Ratio**	8.77%	13.18%	12.73%
<b>Non-Consolidated Basis</b>			
Total Income	¥ 326,897	¥ 198,973	¥ 275,254
Interest Income	84,991	73,345	90,423
Trust Fees	47,272	64,934	77,348
Total Expenses	317,817	280,681	262,871
Interest Expenses	54,026	63,373	86,302
Gross Business Profit	122,030	117,448	119,153
Transfer to General Reserve for Possible Loan Losses	5,132	18,305	(40)
General and Administrative Expenses	85,488	72,281	61,526
Income (Loss) before Income Taxes	9,079	(81,708)	12,382
Net Income (Loss)	4,600	(48,697)	12,321
Business Profit***	33,889	27,356	58,404
Business Profit before Trust Account Write-Offs***	63,311	42,815	69,907
Effective Business Profit***	68,443	61,121	69,866
Capital Stock	170,966	170,966	77,215
The Number of Common Shares Issued (Thousands of Shares)	300,245	300,245	230,538
The Number of Preferred First Series Class-A Shares Issued (Thousands of Shares)	20,000	20,000	20,000
The Number of Preferred Second Series Class-A Shares Issued (Thousands of Shares)	93,750	93,750	—
Total Shareholders' Equity	354,883	353,263	181,150
Total Assets*	5,462,458	5,210,380	3,704,007
Deposits	3,393,018	3,072,304	1,786,793
Loans and Bills Discounted (Banking Account)	2,872,400	2,320,032	1,753,643
Investment Securities (Banking Account)	1,465,712	1,518,203	1,045,975
Trust Assets	15,426,893	15,238,911	15,064,757
Loans and Bills Discounted (Trust Account)	1,395,099	1,842,105	2,030,853
Securities (Trust Account)	7,485,916	7,158,421	6,753,755
Capital Adequacy Ratio** (Non-Consolidated)	8.76%	13.21%	—
Payout Ratio	61.27%	—	11.22%
Number of Employees	4,474	4,679	3,450

\* Owing to a change in calculation, Total Assets for the year ended March 31, 2000, exclude Reserve for Possible Loan Losses and Reserve for Possible Investment Losses. Total Assets for the years ended March 31, 1999 and 1998, include Reserve for Possible Loan Losses and Reserve for Possible Investment Losses.

\*\* The Capital Adequacy Ratio for the year ended March 31, 2000, is presented in accordance with the domestic standard set forth in the Banking Law of Japan. The Capital Adequacy Ratios for the years ended March 31, 1999 and 1998, are presented in accordance with the guidelines set forth by the Bank for International Settlements (BIS).

\*\*\* These accounting terms are defined on page 28.

# Three-Year Financial Highlights (Mitsui Trust)

The Mitsui Trust and Banking Company, Limited  
Years ended March 31, 2000, 1999 and 1998

	Millions of yen		
	2000	1999	1998
<b>Consolidated Basis</b>			
Total Income	¥ 666,267	¥ 789,448	¥ 884,134
Interest Income	293,827	410,784	499,707
Trust Fees	79,574	91,159	130,972
Total Expenses	556,151	1,042,012	872,417
Interest Expenses	228,081	355,185	450,280
Income (Loss) before Income Taxes and Minority Interest	110,115	(252,564)	11,605
Net Income (Loss)	43,293	(176,319)	4,100
Total Shareholders' Equity	785,103	736,752	565,395
Total Assets*	9,824,436	9,521,113	12,282,832
Deposits	4,521,164	3,777,803	4,380,591
Loans and Bills Discounted	4,893,476	4,624,819	6,168,393
Investment Securities	3,509,501	3,237,044	3,924,152
Trust Assets	28,978,042	29,555,177	31,007,345
Capital Adequacy Ratio**	15.19%	15.40%	10.40%
<b>Non-Consolidated Basis</b>			
Total Income	¥ 624,930	¥ 741,647	¥ 871,489
Interest Income	292,137	412,308	490,788
Trust Fees	79,213	90,966	130,608
Total Expenses	514,634	995,677	861,932
Interest Expenses	225,937	351,719	444,179
Gross Business Profit	168,233	181,596	185,798
Transfer to General Reserve for Possible Loan Losses	185	441	(59,181)
General and Administrative Expenses	111,010	127,023	124,198
Income (Loss) before Income Taxes	110,296	(254,029)	9,445
Net Income (Loss)	45,055	(144,021)	7,506
Business Profit***	61,037	56,212	121,160
Business Profit before Trust Account Write-Offs***	92,874	105,279	156,437
Effective Business Profit***	93,060	105,720	97,255
Capital Stock	388,790	383,430	168,483
The Number of Common Shares Issued (Thousands of Shares)	1,719,920	1,687,435	1,198,296
The Number of Preferred First Series Shares Issued (Thousands of Shares)	715,000	715,000	—
Total Shareholders' Equity	791,312	749,567	394,840
Total Assets*	9,751,165	9,438,166	12,056,927
Deposits	4,528,669	3,779,748	4,327,427
Loans and Bills Discounted (Banking Account)	4,913,686	4,668,738	6,105,012
Investment Securities (Banking Account)	3,511,932	3,240,464	3,948,742
Trust Assets	28,978,042	29,555,177	31,007,345
Loans and Bills Discounted (Trust Account)	2,578,355	3,118,802	3,542,139
Securities (Trust Account)	14,514,512	14,607,629	13,913,961
Capital Adequacy Ratio** (Non-Consolidated)	15.29%	15.64%	—
Payout Ratio	16.34%	—	79.81%
Number of Employees	4,809	5,197	5,603

\* Owing to a change in calculation, Total Assets for the year ended March 31, 2000, exclude Reserve for Possible Loan Losses and Reserve for Possible Investment Losses. Total Assets for the years ended March 31, 1999 and 1998, include Reserve for Possible Loan Losses and Reserve for Possible Investment Losses.

\*\* The Capital Adequacy Ratio for the year ended March 31, 2000, is presented in accordance with the domestic standard set forth in the Banking Law of Japan. The Capital Adequacy Ratios for the years ended March 31, 1999 and 1998, are presented in accordance with the guidelines set forth by the Bank for International Settlements (BIS).

\*\*\* These accounting terms are defined on page 28.

# Financial Review

## Consolidated Group Performances

To quickly realize the benefits of the merger between Chuo Trust and Banking Co., Ltd., and Mitsui Trust and Banking Co., Ltd., in the fiscal year ended March 31, 2000, the two parent banks undertook joint marketing campaigns and forged ties in each business area, through affiliate mergers for example, ahead of the official establishment of Chuo Mitsui Trust and Banking Co., Ltd., on April 1, 2000. In addition, the two parent banks and their respective business groups endeavored to refine operations and improve efficiency. The following performance results underscore these efforts.

On the consolidated income and expense front, Chuo Trust posted total income of ¥344.9 billion, up 59.5% over the previous fiscal year, while Mitsui Trust recorded total income of ¥666.3 billion, down 15.6%. Trust fees contributed ¥47.3 billion to Chuo Trust's total income, a year-on-year drop of 27.2%, while trust fees accounted for ¥79.6 billion of Mitsui Trust's total income, a decrease of 12.7%.

Both banks worked toward the final processing of problem assets through bulk sales and other measures and also set aside precautionary reserves, based on strict asset-assessment criteria. Chuo Trust disposed of ¥90.9 billion in bad loans—¥61.5 billion in the banking account and ¥29.4 billion in the trust account—during the fiscal year in review, which led to total expenses of ¥335.2 billion, a 12.7% increase over the previous term. Meanwhile, Mitsui Trust disposed of ¥154.1 billion in bad loans—¥122.3 billion in the banking account and ¥31.8 billion in the trust account, which resulted in total expenses of ¥556.2 billion, a 46.6% decrease.

Both parent banks recorded income before income taxes and minority interest, rebounding from the previous year's losses—¥9.7 billion for Chuo Trust and ¥110.1 billion for Mitsui Trust. After reconciling tax adjustments and minority interests, both parent banks recorded net income, as opposed to the previous year's net loss—¥4.5 billion for Chuo Trust and ¥43.3 billion for Mitsui Trust. Net income per share reached ¥7.89 for Chuo Trust and ¥23.87 for Mitsui Trust.

In regard to deposits, the two parent banks endeavored to buoy total funds through campaigns, for example, that would expand the client base for individual services. As a result, Chuo Trust boosted its year-end deposit balance 10.6%, to ¥3,389.1 billion, while Mitsui Trust raised its year-end deposit balance 19.7%, to ¥4,521.2 billion.

Consolidated amounts for trust assets and pension funds are the same as for nonconsolidated results. Refer to nonconsolidated analysis below.

Chuo Trust expanded its balance of loans and bills discounted in the banking account by 23.8%, to ¥2,847.0 billion. Mitsui Trust increased its balance by 5.8%, to ¥4,893.5 billion. Respective trust account balances mirror nonconsolidated results. Refer to nonconsolidated analysis below.

Through ongoing efforts to enrich asset composition and foster more efficient administration of assets, Chuo Trust reduced investment securities in the banking account by 3.5%, for a year-end balance of ¥1,467.1 billion. Meanwhile, Mitsui Trust raised investment securities in the banking account by 8.4%, for a year-end balance of ¥3,509.5 billion. Of investment securities in the respective trust accounts of each parent bank, the results for jointly operated specified money trust and loan trust accounts, with contracts for the return of invested principal, mirror nonconsolidated performance. Refer to nonconsolidated analysis below.

## Nonconsolidated Performances

In regard to nonconsolidated income and expenses, Chuo Trust recorded total income of ¥326.9 billion, up 64.3% year-on-year, while Mitsui Trust posted total income of ¥624.9 billion, down 15.7%. Trust fees accounted for ¥47.3 billion of Chuo Trust's total income, a 27.2% decline, while trust fees represented ¥79.2 billion of Mitsui Trust's total income, a 12.9% decrease.

Both banks made progress in the final processing of problem assets through bulk sales and other measures and also set aside precautionary reserves, based on strict asset-assessment criteria. On a nonconsolidated basis, Chuo Trust processed ¥90.6 billion in bad loans—¥61.2 billion in the banking account and ¥29.4 billion in the trust account—during the term in review, which prompted a 13.2% increase in total expenses, to ¥317.8 billion. Meanwhile, Mitsui Trust processed ¥152.2 billion in bad loans—¥120.4 billion in the banking account and ¥31.8 billion in the trust account, which contributed to a 48.3% drop in total expenses, to ¥514.6 billion.

In regard to income before income taxes and minority interest, both parent banks posted return to the black after losses in the previous fiscal year—¥9.1 billion for Chuo Trust and ¥110.3 billion for Mitsui Trust. After reconciling tax adjustments and minority interests, the parent banks posted net income, as opposed to the previous year's net loss—¥4.6 billion for Chuo Trust and

¥45.1 billion for Mitsui Trust. Net income per share was ¥8.16 for Chuo Trust and ¥24.58 for Mitsui Trust.

On the nonconsolidated deposit front, both parent banks worked to reinforce total funds through campaigns, for example, that would attract a larger client base for individual services. Chuo Trust's efforts were rewarded with 10.4% growth in the year-end deposit balance, to ¥3,393.0 billion, while Mitsui Trust marked 19.8% expansion, to ¥4,528.7 billion.

Amid prolonged low-lying long- and short-term interest rates, both parent banks sought to enhance the efficiency of trust assets operations. Chuo Trust was able to raise trust assets under administration by 1.2%, to ¥15,426.9 billion, but Mitsui Trust showed a 2.0% decline in its year-end balance, to ¥28,978.0 billion. The total of jointly operated specified money trusts and loan trusts, with contracts for the return of invested principal, reached a balance of ¥2,537.3 billion for Chuo Trust, down 8.8%, and ¥5,987.7 billion for Mitsui Trust, down 13.6%, as of March 31, 2000.

Changing demographic composition has heightened interest in corporate pension systems. With this in mind, both parent banks pursued development of pension assets services to capitalize on prevailing market needs. Chuo Trust was able to boost its balance of pension assets under administration by 2.2%, to ¥1,895.2 billion. Mitsui Trust recorded a 4.3% drop, to ¥4,150.0 billion.

In regard to loans and bills discounted, both parent banks showed increases in their respective banking account balances and decreases in their respective trust account balances. In the banking account, Chuo Trust marked a 23.8% rise in loans and bills discounted, to ¥2,872.4 billion, and Mitsui Trust recorded a 5.2% gain, to ¥4,913.7 billion. In the trust account, Chuo Trust showed a 24.3% drop, to ¥1,395.1 billion, and Mitsui Trust registered a 17.3% decline, to ¥2,578.4 billion.

Nonconsolidated investment securities results reflect the continued focus of both parent banks to improve asset composition and promote more efficient administration of assets. Chuo Trust reduced investment securities in the banking account by 3.5%, for a year-end balance of ¥1,465.7 billion, while Mitsui Trust broadened its position by 8.4%, for a year-end balance of ¥3,511.9 billion. Of investment securities in the respective trust accounts of each parent bank, the total of jointly operated specified money trust and loan trust accounts, with contracts for the return of invested principal, reached ¥575.8 billion for Chuo Trust, up 17.5%, and ¥133.7 billion for Mitsui Trust, down 62.2%.

## **Business Profit**

Business profit (*gyomu juneki*) indicates the grass-roots profitability of a bank's primary operations. Its calculation does not incorporate losses on the disposal of problem assets or losses and amortization on the sale of stocks in the banking account. Because losses incurred in the disposal of problem assets in the trust account, where loans carry contracts to reimburse the principal, are reflected in the business profit of trust banks, a more suitable indicator for comparing trust banks' profitability with that of ordinary banks is an adjusted business profit, which excludes the amortization of loans and bills discounted in the trust account.

Combined business profit for Chuo Trust and Mitsui Trust, at March 31, 2000, was ¥94.9 billion, up 13.5%, over the previous fiscal year. Of this amount, losses incurred in the disposal of problem assets in the trust account represented ¥61.2 billion, leading to business profit before trust account write-offs of ¥156.1 billion, or 5.4% more than a year earlier.

By parent bank, Chuo Trust expanded business profit 23.8%, to ¥33.8 billion, while Mitsui Trust boosted its total 8.5%, to ¥61.0 billion. Of these amounts, losses incurred in the disposal of problem assets in respective trust accounts were ¥29.4 billion for Chuo Trust and ¥31.8 billion for Mitsui Trust. Consequently, Chuo Trust's business profit before trust account write-offs grew 47.6% year-on-year, to ¥63.3 billion, while Mitsui Trust's total fell 11.8%, to ¥92.8 billion.

## **Disposal of Problems Assets**

Seeking to maintain quality assets, both parent banks made early resolution of problem assets a top management priority and have worked hard to achieve this goal. During the fiscal year ended March 31, 2000, Chuo Trust and Mitsui Trust made progress toward the conclusion of final processing through bulk sales, for example, and reserves based on strict asset-assessment guidelines. Consequently, losses incurred in the disposal of problem assets reached a combined total of ¥242.9 billion, of which ¥181.6 billion was in the banking account and ¥61.2 billion was in the trust account.

According to the self-assessment system, the aforementioned efforts produced a classification ratio of 11.7% after amortization. This ratio represents classified assets (Category II–IV loans) as a percentage of self-assessment assets.

# How to Read the Financial Statements of Trust Banks

## Trust Account and Banking Account

Trust banks keep two types of account: the banking account, which is the institution's own; and the trust account, which is the account of beneficiaries. We have a number of trust accounts, reflecting the fact that we must separately administer the assets of each trust contract. In principle, details of individual accounts are disclosed only to trustors or beneficiaries. Nevertheless, the total balances of money and pension trusts are recorded in the trust account's aggregate balance sheet. The main assets and liabilities of the trust account with principal guarantee agreement are also disclosed.

Although trust assets nominally belong to trust banks, in fact they belong to the beneficiaries. The institutions therefore receive trust fees for managing these accounts. After deductions for fees and expenses, the profits generated with these accounts all become trust assets.

Trust fees represent one source of income in the banking account. In other words, the banking account income statement reflects both earnings from banking operations and from trust operations.

## The Concept of Business Profit (*Gyomu Juneki*)

To calculate core profits—excluding items outside core operations, such as stock earnings and losses and write-offs of nonperforming assets—we calculate the business profit by selecting only those items that express the earnings from core operations from within the income statement.

Business profit is calculated by subtracting the general and administrative expenses and the transfer to the general reserve for possible loan losses from gross business profit. Gross business profit comprises:

- Net interest income (such as from deposits, loans and marketable securities);
- Net fees and commissions (trust fees, and fees and commissions);
- Net trading gains (earnings from trading purpose transactions); and
- Net other operating income (such as earnings from foreign exchange and bond trading).

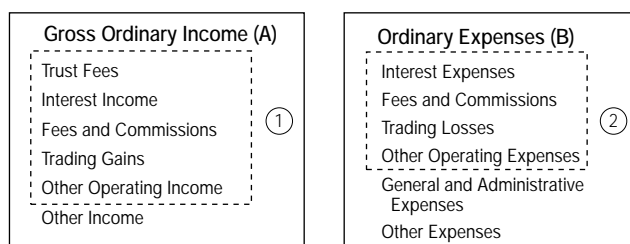
## Business Profit at Trust Banks

In addition to business profit, trust banks disclose business profit before trust account write-offs. With trust banks, the business profit calculated according to the formula mentioned above does not adequately reflect the profitability of core operations. Trust fees, which are part of business profit, are calculated after subtracting loan write-offs in the trust account. Therefore, business profit is smaller than a trust bank's actual profitability in core operations.

To adjust for this difference and more accurately reflect the profitability of core operations, trust banks calculate business profit before trust account write-offs. This allows a comparison with other banks according to business profit.

The effective business profit is calculated by adding back the transfer to general reserve for possible loan losses from business profit before trust account write-offs. The purpose of this calculation is to show the trend of a bank's earning power by eliminating all credit costs including transfers to general reserves.

### •The Relationship between Ordinary Income and Business Profit



### Ordinary Income

This is calculated by deducting ordinary expenses (B) from gross ordinary income (A).

### Gross Business Profit

The amount remaining after subtracting the highlighted areas in box ② from those in box ① is nearly equal to gross business profit.

### Business Profit

This results from subtracting general and administrative expenses and the transfer to general reserve for possible loan losses from gross business profit. The transfer to general reserve for possible loan losses is part of other expenses.

Note: General and administrative expenses in the calculation of ordinary income include retirement payments and transfers and reimbursements to retirement reserves. The general and administrative expenses in the calculation of business profit only include the transfer to retirement reserves.

### •Sample Calculation of Business Profit before Trust Account Write-Offs

Business profits other than for trust fees	Trust fees before loan write-offs	
Business profits other than for trust fees (a)	Trust fees (b)	Loan write-offs in the trust account (c)
150	70	30
Business profit (a+b)		
220		
Business profit before trust account write-offs (a+b+c)		
250		

# Risk Management System

## Basic Risk-Management Policies

Deregulation and the abolition of bans on certain operations have spurred progress in financial liberalization and internationalization, affording financial institutions new business opportunities. But the benefits of such developments are attended by increased diversification and greater complexity in the risks that financial institutions face.

Chuo Mitsui Trust's view of the situation is framed by the Bank's social responsibility and its public mission as a financial institution, as well as its duty to maintain appropriate returns on investment. Therefore, the Bank assumes risk only within its strategic objectives and risk-hedging capabilities.

We have also established a risk-management system with goals grounded in the principle of self-responsibility. The fundamental rule of this principle, with regard to risk management, is to observe prudent risk-management practices while seeking higher returns.

Guided by this basic direction, Chuo Mitsui Trust will strive to achieve a stronger system under the supervision of the Board of Directors.

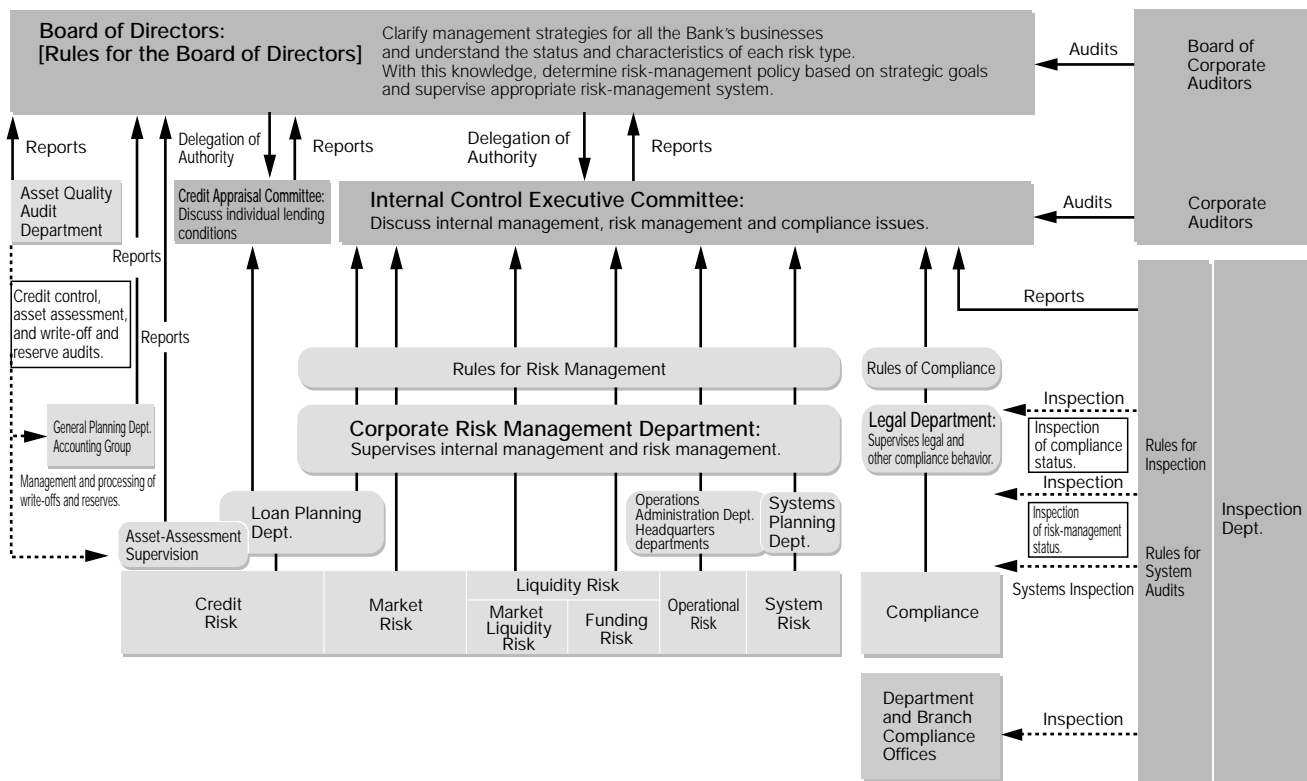
## Overall Risk-Management Structure

Rules for Risk Management, as determined by the Board of Directors, establishes the Bank's fundamental policy on risk management, including the types of risk requiring attention, the techniques applied to hedge risk, and the structure and authority for risk control. The rules detail the content of specific regulations in each area.

Chuo Mitsui Trust has prioritized six major risks: credit risk, market risk, liquidity risk, operational risk, system risk and legal risk. The Corporate Risk Management Department supervises all risk-management efforts, but individual departments are assigned to each risk category for closer management of the risk specific to each area. The Bank also seeks to effectively control other risks, such as reputational risk.

On the organizational front, the Internal Control Executive Committee, which falls under the authority of the Board of Directors, debates risk-management policies, ensures allocation of resources according to established risk limits, and determines risk status. The ALM Executive Committee, also responsible to the Board of Directors, works toward a healthier business foundation by

## Compliance and Risk-Management System Overview



ascertaining asset-and-liability status and reviewing investment operations and other issues pertaining to assets and liabilities.

In addition, the Corporate Risk Management Department, which oversees all risk at the Bank, not only supervises internal management and risk-management activities but also acts as the secretariat for the Board of Directors and the Internal Control Executive Committee, and investigates ALM efforts.

### **Credit Risk Management**

Credit risk is the potential for the value of assets, including off-balance-sheet assets, to worsen should a borrower's financial conditions deteriorate or fail completely, and thereby burden a financial institution with losses. Chuo Mitsui Trust strives to ensure the quality of assets and prevent the unpredictable turn into bad loans by strengthening the Bank's credit risk management capabilities. The following systems and processes are applied.

#### **Basic Policy**

We formulated Rules for Credit Risk Management to comprehensively control the credit risk that encompasses various credit-related operations, including loans, market transactions and off-balance-sheet trading. We have also designated the Loan Planning Department as the supervisory unit for all credit risk, including that assumed by consolidated subsidiaries. This department maintains close ties with credit-related departments to manage and improve overall credit risk capabilities.

#### **Strict Transaction Control**

Credit supervision departments, operating independently from business promotion departments, oversee the credit risk for each transaction under respective departmental authority. The perspective is multiangled and spotlights fund application, repayment capability and cash flow as well as collateral status and corporate client profitability. For major loan assessments, the advisability of lending arrangements is presented to the Credit Appraisal Committee, where each transaction and the primary objectives of the loan are discussed at the executive level.

#### **Mid-Level Controls through Self-Assessment and Credit Ratings**

From the standpoint of securing quality assets, Chuo Mitsui Trust adheres to a two-stage self-assessment

format based on Rules for Self-Assessment. In the first stage, branches conduct their own evaluations, and in the second stage, credit supervision departments execute inspections. Self-assessment not only forms the foundation of accurate financial statements but also functions as a mid-level management tool to identify borrower-specific trouble spots. When a borrower is found to have problems, the Bank implements strict controls under the guidance of Credit Supervision Department V, based on Rules for Problem Assets.

Chuo Mitsui Trust fine-tunes its review of all corporate borrowers with a 12-level credit rating system pegged to self-assessments. Credit ratings are also used to quantify internal credit-risk models and as the basis of portfolio analysis through Monte Carlo simulations and other evaluation methods. The merger expanded the Bank's borrower base and created a rich source of primary data that will be tapped to enhance its credit risk management.

#### **Independent Unit Facilitates Double-Check System**

The Asset Quality Audit Department is separate from business and accounting departments and independently checks the status of credit controls, asset assessments, and write-offs and reserves. This department audits credit risk management conditions, including the credit rating system, and checks the accuracy of credit risk management activities through, for example, an examination of the process and the results of self-assessments, write-offs and reserves. Reports are then submitted to the Board of Directors.

#### **Improving Basic Supervisory Capabilities**

The processes outlined above underscore the Bank's efforts to enhance credit risk management. To raise the precision of first-stage assessments, undertaken daily, we regularly put branch loan officers through graded training. We also hold analytical seminars for credit-related departments to deepen understanding of what causes bankruptcies and other primary events to turn loans into problem assets. The results of analyses are used in lending operations.

### **Market Risk Management**

Market risk is the possibility that the value of assets will fluctuate because of changes to such market risk factors as interest rates, foreign exchange rates and the price of marketable securities, and thereby cause losses. Chuo



Mitsui Trust applies the following systems and processes to appropriately hedge market risk.

**Market Risk Management Structure**

The Bank’s market risk management structure hinges on the Corporate Risk Management Department, a Bankwide middle office independent from the front offices that execute market-related transactions. Charged with risk oversight, this department monitors Bankwide market risk on a daily basis, and presents a daily status report to the directors responsible for each risk and a monthly report to the Internal Control Executive Committee.

**Management Techniques**

The method used to measure market risk utilizes Value at Risk (VaR), which is the maximum amount exposed to potential loss. VaR statistically projects losses that would occur if the market took an unfavorable turn.

Chuo Mitsui Trust maintains a strict risk-management posture by holding market risk within a limit—VaR—defined by such factors as the Bank’s profit goals and risk-hedging capabilities. One drawback of VaR, however, is that it does not indicate the direction of a position. Therefore, the Bank takes operational facility and product characteristics into account and complements VaR

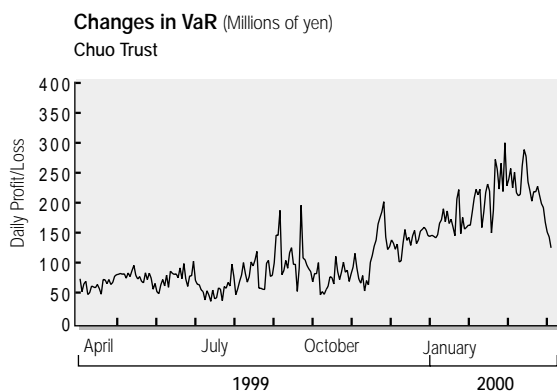
with monitoring by basis point value (BPV) and limit sensitivities, such as vega. In addition, Chuo Mitsui Trust exercises a multifaceted management approach utilizing such gauges as alarm points and loss limits to hedge unexpected losses from market transactions.

**Results of VaR Measurements**

To verify the validity of VaR-based risk measurements, Chuo Mitsui Trust runs a daily back test, which compares VaR and actual per-day profits and losses. On a consolidated basis, the VaR for trading transactions by Chuo Trust in fiscal 1999 hovered between ¥30 million and ¥300 million (duration: 1 day; confidence interval: 99%), and out of 246 business days, daily losses did not exceed the VaR on even one day. The VaR for Mitsui Trust hovered between ¥50 million and ¥400 million (duration: 1 day; confidence interval: 99%), and out of 246 business days, daily losses exceeded the VaR on just one day. These results substantiate the precision of the VaR calculation models used by both parent banks.

Because the market can fluctuate more than anticipated at any given time, Chuo Mitsui Trust augments VaR with daily stress tests to prepare for the unexpected.

We will use VaR calculated by a unified system to control market risk on a daily basis.

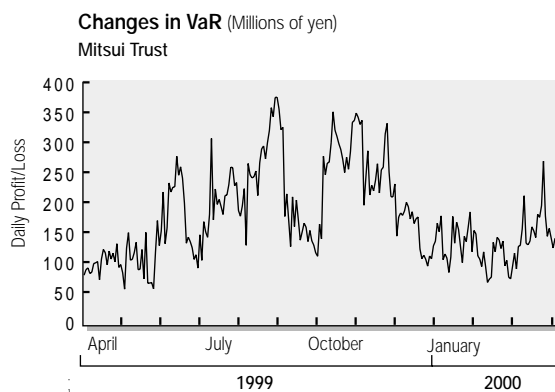


**VaR Calculation Duration:** 1 day  
**Assumptions: Confidence interval:** 99%  
**Observation period:** 1 year  
**Measurement technique:** Variance covariance

**VaR Target:** Trading transactions (consolidated)

**Time Frame:** April 1999 – March 2000 (246 business days)

**Basic Results:** Above VaR: 0 times  
**Maximum:** ¥300 million  
**Minimum:** ¥35 million  
**Average:** ¥116 million



**VaR Calculation Duration:** 1 day  
**Assumptions: Confidence interval:** 99%  
**Observation period:** 3 years  
**Measurement technique:** Monte Carlo simulation

**VaR Target:** Trading transactions (consolidated)

**Time Frame:** April 1999 – March 2000 (246 business days)

**Basic Results:** Above VaR: 1 time  
**Maximum:** ¥375 million  
**Minimum:** ¥55 million  
**Average:** ¥176 million

### **Liquidity Risk Management**

Liquidity risk is twofold. In a cash-flow sense, liquidity risk carries the potential for losses when a financial institution is unable to secure funds, due to a poor financial position, or when a financial institution is obliged to acquire funds at higher interest rates than usual. In a market sense, liquidity risk may lead to losses if a financial institution is unable to execute transactions, owing to market turmoil, or if a financial institution must execute transactions at prices more disadvantageous than usual.

On the cash flow front, the Treasury Department controls yen- and foreign-currency-based financing, while the Corporate Risk Management Department manages the risk. These efforts accurately track cash flow risk conditions.

On the market front, the Bank follows guidelines that limit trading amounts for each transaction, based on market scale, the Bank's market share and the Bank's strategic objectives. Compliance conditions are monitored to keep amounts within the assigned limits.

The Corporate Risk Management Department submits a status report on liquidity risk to the directors responsible for this risk category on a daily basis. A monthly report is submitted to the Internal Control Executive Committee.

### **ALM Structure and Administration**

Progress in financial liberalization and internationalization, as well as the diversification and further sophistication of financial products, has prompted yearly changes and greater complexity in the balance-sheet composition of financial institutions. The profit-impacting influence of interest rate, foreign exchange rate and stock price fluctuations, for example, has become increasingly complicated, and begs the extremely important question of how to control risks while ensuring steadily higher returns.

Toward this end, Chuo Mitsui Trust relies on regular meetings of the ALM Executive Council, which pinpoints and analyzes Bankwide balance sheet risks, from on-balance-sheet transactions, such as marketable securities and deposits and loans, to off-balance-sheet transactions, such as swaps. The council strives for a multifaceted approach hinging on maturity ladders, BPV, VaR and other measurements.

The Bank will establish a framework of hedging objectives and validity validation, geared to the introduction of current-value accounting on financial products. In addition, we will better control risks by employing a broader range of analytical results on financial and economic environments, including assumed interest rates, reviewing fund application and procurement plans as necessary, and undertaking market transactions, such as swaps.

### **System Risk Management**

Greater implementation of computer systems at financial institutions has become a noticeable trend in recent years, paralleling progress in information technology. While such systems are instrumental in providing high-level services, they bring a certain vulnerability to operations in that a system failure, such as a computer crash or misoperation, or illegal access to the Bank's computers, could cause losses. Efforts to control this risk are vital.

Chuo Mitsui Trust operates a backup center to guard against system breakdowns and the impact of natural disasters. The Bank also keeps important data in a secondary location, maintains duplicate communication lines, and ensures a constant flow of electricity to the computer center with an on-site power facility. We have contingency plans in case operations are disrupted by a calamity.

To promote a reciprocal check of activities, we have separated the development and operation of systems and we maintain internal security through access management and manuals.

Recently, networks have repeatedly been misappropriated for illicit purposes. Therefore, we have erected firewalls and utilize high-level network technologies, such as virus checkers and encryption, to block unauthorized access to our systems.

### **Operational Risk Management**

Operational risk is the possibility of losses caused by an accident, management error or dishonest actions. The scope of Chuo Mitsui Trust's operations goes beyond regular banking operations to multifaceted businesses that include asset management and administration, pension and real estate operations, and stock transfer agency services. Consequently, the Operations Administration Department and each operating department are charged with identifying, controlling and stopping operational risks in each business area.

Two methods are used to control operational risk. First, we establish rules to prevent the potential for problems and then we ensure compliance. Second, we clarify ways to deal with risk—should it emerge—and lay down a system for monitoring and reporting the appearance of risk. The Corporate Risk Management Department is the supervisory unit that governs Bankwide rules and the compliance environment.

### **Legal Risk/Reputational Risk**

Legal risk carries the potential for losses when legal aspects of individual transactions cannot be settled or when compliance is incomplete. The Legal Department acts as the supervisory unit for managing legal risk and the compliance structure. We seek to eliminate legal risk with clear reporting and processing rules to handle complaints and incidents and with inspections by the Legal Department.

Reputational risk is the possibility that unfavorable attention will lead to losses. To preclude such risk, the Bank strives to improve the transparency of its operations through aggressive disclosure practices. For example, we are strengthening investor relations activities and schedule opportunities, such as information meetings, to relay investor-oriented news. We also produce a disclosure statement for clients and make it widely available through several channels, including our Web site.

### **Inspection Structure**

Chuo Mitsui Trust seeks to enrich its inspection structure and thereby uphold the appropriateness of the risk-management structure outlined over these pages. Toward this end, the Inspection Department initiates a check of all branches and departments once a year, and each location undertakes its own internal check semiannually. Similarly, the Systems Department receives an audit by the Inspection Department once a year and undergoes its own internal check twice a year.

The Inspection Department regularly reports the results of its audits to the Board of Directors and the Internal Control Executive Committee. This information helps the executive team pinpoint the status of risk management and confirm that suitable administration practices prevail at the Bank.

### **Compliance Status**

Sound and appropriate management is indispensable in upholding and raising the trust accorded us by the market. Such management status is grounded in the principle of self-responsibility, which demands self-discipline. From this perspective, compliance is one of the most important management issues at Chuo Mitsui Trust.

Compliance means strict observance of laws and ordinances, but in a broader sense would encompass social criteria as well. For the Bank, trust is its biggest asset. Therefore, achieving compliance is a foregone conclusion, and executives and employees alike must make compliance a daily routine.

Chuo Mitsui Trust inherited a strong compliance structure from its parents, as the merger integrated comprehensive frameworks that were already in place at each bank. Supervision of the Bank's compliance status is now the responsibility of the Legal Department. To further reinforce this structure, we formulated Rules of Compliance, which establishes a basic policy on business ethics and provides guidelines governing the conduct of all employees, including executives. We also drafted Rules for Compliance Management, which sets out issues related to maintaining compliance. The observance of rules is supported by the Chuo Mitsui Trust Compliance Manual.

To augment these rules, we implemented the Compliance Program, a concrete action agenda. On an ongoing basis, we also review compliance-related training, monitoring and other efforts to enhance our response to compliance issues.

Through the activities described above, Chuo Mitsui Trust is creating a reliable business foundation, based on the principle of self-responsibility, that will surely merit the trust of society.

# Non-Consolidated Financial Statements (Banking Account)

The Chuo Trust and Banking Company, Limited

## Non-Consolidated Balance Sheets

As of March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Assets</b>	Cash and Cash Equivalents	¥ 279,359	¥ 149,360	\$ 2,631,738
	Due from Banks Other than Due from Bank of Japan	149,348	73,388	1,406,953
	Call Loans and Bills Bought	63,500	120,000	598,210
	Monetary Claims Bought	14,232	33,300	134,077
	Trading Assets	949	23,192	8,941
	Investment Securities (Notes 3 and 28)	1,465,712	1,518,203	13,807,939
	Money Held in Trust	57,072	58,826	537,661
	Loans and Bills Discounted (Note 4)	2,872,400	2,320,032	27,059,826
	Foreign Exchange (Note 5)	9,850	17,354	92,797
	Other Assets (Note 6)	62,727	194,754	590,933
	Premises and Equipment (Note 7)	101,909	94,356	960,052
	Deferred Tax Assets (Note 26)	80,073	68,884	754,341
	Customers' Liabilities for Acceptances and Guarantees (Note 9)	375,489	532,725	3,537,352
	Reserve for Possible Loan Losses	(69,752)	(53,238)	(657,110)
	Reserve for Possible Investment Losses	(414)	(667)	(3,901)
<b>Total Assets</b>	<b>¥5,462,458</b>	<b>¥5,156,473</b>	<b>\$51,459,809</b>	
<b>Liabilities</b>	Deposits (Note 10)	¥3,393,018	¥3,072,304	\$31,964,380
	Call Money	70,000	74,433	659,444
	Bills Sold	15,000	—	141,309
	Trading Liabilities	773	2,199	7,286
	Borrowed Money (Note 11)	116,036	157,172	1,093,136
	Foreign Exchange (Note 5)	20	524	193
	Convertible Bonds (Note 12)	34,260	34,260	322,751
	Payable to Trust Accounts	983,014	754,336	9,260,621
	Other Liabilities (Note 13)	60,510	159,613	570,047
	Reserve for Retirement Allowances	8,176	8,814	77,031
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	3,646	6,825	34,350
	Reserve for Possible Foreign Exchange Losses on Trust Account Investments	47,627	—	448,680
	Other Reserves	0	0	0
	Acceptances and Guarantees (Note 9)	375,489	532,725	3,537,352
	<b>Total Liabilities</b>	<b>¥5,107,574</b>	<b>¥4,803,210</b>	<b>\$48,116,579</b>
<b>Shareholders' Equity</b>	Common Stock (Note 15)	79,966	79,966	753,332
	Preferred Stock (Note 15)	91,000	91,000	857,277
	Capital Surplus (Note 15)	160,851	160,851	1,515,320
	Legal Reserve (Note 16)	5,952	5,356	56,080
	Earned Surplus (Note 17)	17,113	16,089	161,220
<b>Total Shareholders' Equity</b>	<b>¥ 354,883</b>	<b>¥ 353,263</b>	<b>\$ 3,343,230</b>	
<b>Total Liabilities and Shareholders' Equity</b>	<b>¥5,462,458</b>	<b>¥5,156,473</b>	<b>\$51,459,809</b>	

## Non-Consolidated Statements of Operations

Years ended March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Income</b>	Interest Income:			
	Interest on Loans and Bills Discounted	¥ 45,063	¥ 39,862	\$ 424,527
	Interest and Dividends on Securities	27,550	21,248	259,542
	Interest on Call Loans and Bills Bought	509	1,819	4,798
	Other Interest Income (Note 18)	11,867	10,415	111,802
	Trust Fees (Note 19)	47,272	64,934	445,334
	Fees and Commissions	27,065	24,442	254,970
	Trading Gains	16	268	157
	Other Operating Income (Note 20)	25,048	25,318	235,971
	Other Income (Note 21)	142,503	10,664	1,342,477
	<b>Total Income</b>	<b>326,897</b>	<b>198,973</b>	<b>3,079,577</b>
<b>Expenses</b>	Interest Expense:			
	Interest on Deposits	23,677	28,189	223,056
	Interest on Borrowings and Bills Sold	4,655	6,115	43,854
	Other Interest Expense (Note 22)	25,694	29,068	242,055
	Fees and Commissions	3,260	3,197	30,716
	Trading Losses	3	—	36
	Other Operating Expenses (Note 23)	5,598	7,399	52,745
	General and Administrative Expenses (Note 24)	85,488	72,281	805,353
	Other Expenses (Note 25)	169,439	134,430	1,596,226
	<b>Total Expenses</b>	<b>317,817</b>	<b>280,681</b>	<b>2,994,041</b>
	Income (Loss) before Income Taxes	9,079	(81,708)	85,536
	Income Taxes (Note 26):			
	Current	15,667	90	147,601
	Deferred	(11,188)	(33,102)	(105,401)
	<b>Net Income (Loss)</b>	<b>¥ 4,600</b>	<b>¥ (48,697)</b>	<b>\$ 43,336</b>
		Yen		U.S. dollars (Note 1)
		2000	1999	2000
<b>Per Share of Common Stock</b> (Note 2r)	Net Income (Loss)	¥8.16	¥(209.44)	\$0.08
	Diluted Net Income	6.61	—	0.06

## Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000 and 1999

	Thousands		Millions of yen				
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Legal Reserve	Earned Surplus
			Common Stock	Preferred Stock			
Balance, April 1, 1998	230,538	20,000	¥61,215	¥16,000	¥ 67,100	¥4,861	¥31,973
Net Loss							(48,697)
Cash Dividends, ¥9.0 per Common Share and ¥20.00 per Preferred Share							(2,474)
Transfer to Legal Reserve						494	(494)
Adjustment of Earned Surplus for Tax Allocation							35,782
Issuance of Common Stock	69,707		18,751		18,751		
Issuance of Preferred Stock		93,750		75,000	75,000		
Balance, March 31, 1999	300,245	113,750	79,966	91,000	160,851	5,356	16,089
Net Income							4,600
Cash Dividends, ¥5.0 per Common Share and ¥47.24 per Preferred Share							(2,979)
Transfer to Legal Reserve						595	(595)
<b>Balance, March 31, 2000</b>	<b>300,245</b>	<b>113,750</b>	<b>¥79,966</b>	<b>¥91,000</b>	<b>¥160,851</b>	<b>¥5,952</b>	<b>¥17,113</b>

	Thousands of U.S. dollars				
	Capital Stock		Capital Surplus	Legal Reserve	Earned Surplus
	Common Stock	Preferred Stock			
Balance, March 31, 1999	\$753,332	\$857,277	\$1,515,320	\$50,466	\$151,572
Net Income					43,336
Cash Dividends, ¥5.0 per Common Share and ¥47.24 per Preferred Share					(28,073)
Transfer to Legal Reserve				5,615	(5,615)
<b>Balance, March 31, 2000</b>	<b>\$753,332</b>	<b>\$857,277</b>	<b>\$1,515,320</b>	<b>\$56,080</b>	<b>\$161,220</b>

# Notes to Non-Consolidated Financial Statements (Banking Account)

The Chuo Trust and Banking Company, Limited  
Years ended March 31, 2000 and 1999

## **Note 1**

### **Basis of Presentation of Financial Statements**

The accompanying non-consolidated financial statements (Banking Account) have been prepared from the accounts maintained by The Chuo Trust and Banking Company, Limited ("Chuo Trust") in accordance with accounting principles and practices generally accepted in Japan, the Uniform Accounting Standards for Banks issued by the Japanese Bankers Association and the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The non-consolidated statements of cash flows are not required as part of the basic financial statements in Japan. Effective April 1, 1999, Chuo Trust adopted the new accounting standards for cash flows, which differ from those applied up to the year ended March 31, 1999.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to Chuo Trust's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

All amounts expressed in yen have been rounded down to the nearest million yen, and all amounts expressed in U.S. dollars have been rounded off to the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to US\$1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## **Note 2**

### **Summary of Significant Accounting Policies**

#### **a. Non-Consolidation**

The accompanying non-consolidated financial statements include only the accounts of Chuo Trust. Investments in subsidiaries are stated at cost and the equity method of accounting has not been adopted.

#### **b. Cash and Cash Equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include due from Bank of Japan.

The scope of cash and cash equivalents in 1999 was changed from cash and due from banks to conform with the presentation in 2000.

#### **c. Mark-to-Market Accounting for Trading Purpose Transactions**

"Transactions for Trading Purposes" (the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading Assets" and "Trading Liabilities" on a trade-date basis. Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value and trading-related financial derivatives are at the settlement amounts if they were terminated at the end of the fiscal year.

#### **d. Translation of Foreign Currency Accounts**

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at each balance sheet date, except that certain special accounts specified by the Uniform Accounting Standards for Banks, are translated at historical rates. Unrealized gains or losses arising from the above translation procedures are reflected in current operations for the period.

Forward exchange contracts, except for the swap transactions described below, are valued at prevailing market rates at the end of the fiscal year in accordance with the Uniform Accounting Standards for Banks. The gain or loss resulting from long-term contracts with remaining lives of more than one year are reported on a net present value basis. The discount or premium on a forward exchange contract that is intended to hedge an identifiable foreign currency asset or liability is accounted for separately in determining net income over the life of the swap transaction. The interest income or expense with regard to currency swaps is accrued over the life of the swap transaction. Foreign currency futures and option contracts are valued at market rates prevailing at the year-end.

#### **e. Option Premiums**

Option premiums are accounted for as income or expense items at the option expiration date, rights execution date or

rights expiration date, until which time they are accounted for as “Other Assets” or “Other Liabilities” in the non-consolidated balance sheets.

**f. Investment Securities**

All investment securities are stated at cost. Cost of securities sold is determined by the moving-average method. When the market price of investment securities is substantially less than cost and the decline in the market price is considered to be permanent, the investment securities are valued at their market price.

Securities held in individually managed money trusts for asset management purposes are stated at cost.

**g. Premises and Equipment**

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 20 to 50 years (22 to 65 years in 1998) for buildings, from 5 to 12 years for equipment and from 3 to 10 years for furniture and fixtures.

**h. Software**

Effective April 1, 1999, purchased software costs are depreciated over the estimated useful lives of the software (principally 5 years) in accordance with the new accounting standard for research and development costs, such costs incurred before April 1, 1999 were charged to income as incurred.

**i. Stock Issue Expenses**

Stock issue expenses are charged to income when paid.

**j. Reserve for Possible Loan Losses**

The provision for reserve for possible loan losses is determined based on management’s judgment and assessment of future losses based on the self assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

Chuo Trust has implemented the self assessment system for its asset quality. The quality of all loans are assessed by branches and the loan supervisory division with a subsequent audit by the asset assessment division in accordance with Chuo Trust’s policy and rules for self assessment of asset quality.

Chuo Trust has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self assessment of asset quality.

All loans are classified into five categories for self assessment purposes such as “normal,” “caution,” “possible bankruptcy,” “virtual bankruptcy” and “legal bankruptcy.”

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other solvency factors including value of future cash flows for other self assessment categories.

In addition, provisions for possible loan losses relating to restructuring countries are recorded in accordance with the Uniform Accounting Standards for Banks.

With respect to loans with collateral and/or guarantees extended to borrowers in bankruptcy or borrowers effectively in bankruptcy, the unrecoverable amount is estimated by deducting the realizable value of collateral or the amount likely to be recovered based on guarantees from the loan amount. The outstanding amount thus determined is then directly written off from the loan amount as the unrecoverable amount. Such loans amounted to ¥160,689 million (\$1,513,797 thousand) and ¥153,722 million at March 31, 2000 and 1999, respectively.

**k. Reserve for Retirement Allowances and Pension Plans**

The Reserve for Retirement Allowances is based on the amount that would be required if all employees voluntarily retired at the end of the accounting period concerned.

In addition, Chuo Trust has a contributory pension plan covering all employees.

**l. Reserve for Possible Losses on Collateralized Real Estate Sold to CCPC**

The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company (“CCPC”) is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of the real estate. In accordance with the terms of the loans collateralized by real estate sales contracts, Chuo Trust is required to cover certain portions of losses incurred as defined in the contract, when CCPC disposes of real estate in satisfaction of the related debt.

**m. Reserve for Possible Investment Losses**

Reserve for possible investment losses is provided for possible losses arising from investment in borrowers classified as “possible bankruptcy”, “virtual bankruptcy”, and “legal bankruptcy” categories which are defined in the self assessment system.



**n. Reserve for Possible Foreign Exchange Losses on Trust Account Investments**

Reserve for foreign exchange losses on trust account investments is provided at the amount equal to unrealized foreign exchange losses on securities held in Trust Accounts (Jointly Operated Designated Money Trusts).

**o. Income Taxes**

Effective April 1, 1998, Chuo Trust adopted accounting for allocation of income taxes based on the asset and liability method. The cumulative effect of the application of inter-period tax allocation in prior years in the amount of ¥35,782 million (\$337,089 thousand) is included as an adjustment to earned surplus as of April 1, 1998.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**p. Leases**

In accordance with Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as operating leases if certain "as if capitalized" information is disclosed in the notes to the lessee's non-consolidated financial statements. According to this criteria, all Chuo Trust leases are accounted for as operating leases.

**q. Cash Dividends**

Cash dividends are paid semiannually. Interim dividends may be paid after the end of the semiannual period, by resolution of the Board of Directors, while year-end dividends are authorized after the close of each period to which they relate and are reflected in the non-consolidated statements of shareholders' equity when duly declared and paid.

**r. Per Share Information**

Net income (loss) per share of common stock calculations represents net income (loss) dividends on preferred shares, divided by the average number of common shares outstanding in the respective fiscal years.

The diluted net income per common share assumes full conversion of outstanding convertible bonds at the beginning of the year with an applicable adjustment for related net-of-tax interest expense.

Diluted net income per share in 1999 is not disclosed because there was a net loss.

**Note 3**

**Investment Securities**

Investment securities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Government Bonds	¥ 156,956	¥ 328,190	\$ 1,478,626
Municipal Bonds	68,893	69,871	649,020
Corporate Bonds	202,984	157,123	1,912,243
Stocks	749,825	617,509	7,063,834
Other Securities	286,481	344,929	2,698,837
Securities Lent	571	578	5,379
Total	¥1,465,712	¥1,518,203	\$13,807,939

**Note 4**

**Loans and Bills Discounted**

Loans and bills discounted at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Bills Discounted	¥ 40,319	¥ 37,303	\$ 379,837
Loans on Notes	999,207	786,478	9,413,166
Loans on Deeds	1,344,305	1,076,262	12,664,206
Overdrafts	488,567	419,988	4,602,618
Total	¥2,872,400	¥2,320,032	\$27,059,826

**"Nonaccrual Loans"**

Loans to borrowers in bankruptcy are included in loans and bills discounted, and totaled ¥15,114 million (\$142,385 thousand) and ¥26,014 million, as of March 31, 2000 and 1999, respectively.

Loans are generally placed on nonaccrual status when substantial doubt is judged to exist as to the ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons.

Loans to borrowers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law.

Past due loans are included in loans and bills discounted, and totaled ¥115,620 million (\$1,089,214 thousand) and ¥22,419 million at March 31, 2000 and 1999, respectively.

Past due loans are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payment is deferred in order to assist the financial recovery of debtors in financial difficulties.

**“Accruing Loans Contractually Past Due Three Months or More”**

Accruing loans contractually past due three months or more are included in loans and bills discounted, and total ¥3,500 million (\$32,976 thousand) and ¥12,582 million at March 31, 2000 and 1999, respectively. Loans classified as loans to borrowers in bankruptcy or past due loans are excluded.

**“Restructured Loans”**

Restructured loans are included in loans and bills discounted, and totaled ¥84,826 million (\$799,115 thousand) and ¥84,781 million at March 31, 2000 and 1999, respectively. Such restructured loans are loans on which Chuo Trust granted concessions (e.g., reduction of the face amount or maturity amount of the debt or accrued interest) to the debtors in financial difficulties to assist them in their financial recovery so they would eventually be able to pay their creditors. Loans classified as loans to borrowers in bankruptcy or past due loans or accruing loans contractually past due three months or more are excluded.

Nonaccrual loans, accruing contractually past due three months or more and restructured loans totaled ¥219,060 million (\$2,063,690 thousand) and ¥145,798 million before loss reserves at March 31, 2000 and 1999, respectively.

These amounts of claims above in 2000 and in 1999 are the ones before the reserve for possible loan losses is deducted.

**Note 5**

**Foreign Exchange**

Foreign exchange at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
			<b>2000</b>
<b>Assets</b>			
Due from Foreign Banks	<b>¥ 571</b>	¥ 6,583	<b>\$ 5,381</b>
Foreign Exchange Bills Purchased	<b>2,092</b>	3,491	<b>19,713</b>
Foreign Exchange Bills Receivable	<b>7,186</b>	7,279	<b>67,703</b>
Total	<b>¥9,850</b>	¥17,354	<b>\$92,797</b>
<b>Liabilities</b>			
Due to Foreign Banks	<b>1</b>	1	<b>10</b>
Foreign Exchange Bills Sold	<b>15</b>	3	<b>145</b>
Foreign Exchange Bills Payable	<b>4</b>	519	<b>38</b>
Total	<b>¥ 20</b>	¥ 524	<b>\$ 193</b>

**Note 6**

**Other Assets**

Other assets at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
			<b>2000</b>
Prepaid Expenses	<b>¥ 247</b>	¥ 428	<b>\$ 2,327</b>
Accrued Income	<b>23,761</b>	21,358	<b>223,850</b>
Other	<b>38,718</b>	172,966	<b>364,756</b>
Total	<b>¥62,727</b>	¥194,754	<b>\$590,933</b>

**Note 7**

**Premises and Equipment**

Premises and equipment at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
			<b>2000</b>
Land	<b>¥ 54,134</b>	¥54,136	<b>\$509,977</b>
Buildings	<b>12,811</b>	13,726	<b>120,691</b>
Equipment	<b>1,526</b>	1,917	<b>14,380</b>
Construction in Progress	<b>10,838</b>	1,708	<b>102,102</b>
Other	<b>22,599</b>	22,866	<b>212,902</b>
Total	<b>¥101,909</b>	¥94,356	<b>\$960,052</b>

Accumulated depreciation amounted to ¥25,968 million (\$244,638 thousand) and ¥24,979 million at March 31, 2000 and 1999, respectively.

**Note 8**

**Collateral**

The carrying amounts of assets pledged as collateral and the related collateralized debt at March 31, 2000, are as follows:

	Millions	Thousands of
	of yen	U.S. dollars
Securities	<b>¥41,231</b>	<b>\$388,427</b>
Due from Banks	<b>1</b>	<b>9</b>
Total	<b>¥41,232</b>	<b>\$388,437</b>
Deposits	<b>¥14,537</b>	<b>\$136,949</b>
Bills Sold	<b>15,000</b>	<b>141,309</b>
Total	<b>¥29,537</b>	<b>\$278,259</b>

In addition, the following assets are deposited with respect to foreign exchange settlements and derivatives at March 31, 2000.

	Millions of yen	Thousands of U.S. dollars
Securities	<b>¥170,681</b>	<b>\$1,607,923</b>

The information on collateral was not required to be disclosed in 1999.

### Note 9

#### Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and Guarantees." As a contra account, "Customers' Liabilities for Acceptances and Guarantees" is shown on the asset side of the balance sheets representing Chuo Trust's right of indemnity from the applicant.

Customers' liabilities for acceptances and guarantees as of March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Acceptances of Bills	¥ 382	¥ 256	\$ 3,606
Letters of Credit	6,382	4,466	60,123
Other Guarantees	368,725	528,002	3,473,623
Total	<b>¥375,489</b>	<b>¥532,725</b>	<b>\$3,537,352</b>

### Note 10

#### Deposits

Deposits at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Current Deposits	¥ 101,963	¥ 75,720	\$ 960,562
Ordinary Deposits	332,499	262,165	3,132,353
Deposits at Notice	73,008	65,935	687,790
Time Deposits	2,576,684	2,136,390	24,273,993
Negotiable Certificates of Deposit	168,720	354,930	1,589,449
Other	140,142	177,163	1,320,234
Total	<b>¥3,393,018</b>	<b>¥3,072,304</b>	<b>\$31,964,380</b>

### Note 11

#### Borrowed Money

Borrowed money at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Borrowed Money	¥ 2,536	¥ 11,172	\$ 23,894
Subordinated Loans	113,500	146,000	1,069,242
Total	<b>¥116,036</b>	<b>¥157,172</b>	<b>\$1,093,136</b>

### Note 12

#### Convertible Bonds

Chuo Trust issued perpetual subordinated convertible bonds on November 16, 1998. The bonds are convertible to first series class-B preferred shares at the price of ¥1,600 per share.

### Note 13

#### Other Liabilities

Other liabilities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Accrued Expenses	¥18,477	¥ 17,562	\$174,072
Unearned Income	3,585	2,826	33,775
Other	38,447	139,224	312,199
Total	<b>¥60,510</b>	<b>¥159,613</b>	<b>\$570,047</b>

### Note 14

#### Contingent Liabilities

Under certain trust agreements, repayments of the principal of the customers' trust assets are guaranteed by Chuo Trust, and such guaranteed principal at March 31, 2000 and 1999, totaled ¥2,509,682 million (\$23,642,795 thousand) and ¥2,735,643 million.

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**Note 15****Capital Stock and Capital Surplus**

Common stock has a par value of ¥50 per share. Authorized common stock was 866,989 thousand shares, authorized Class-A preferred stock was 113,750 thousand shares and authorized Class-B preferred stock was 21,412 thousand shares at March 31, 2000 and 1999.

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value, is to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to capital surplus. Chuo Trust may transfer portions of capital surplus to stated capital by resolution of the Board of Directors.

Chuo Trust may also transfer portions of unappropriated retained earnings to stated capital by resolution of the shareholders.

Under the Code, Chuo Trust may issue new shares of its common stock to the existing shareholders without consideration pursuant to resolution of the Board of Directors as a stock split. Chuo Trust may make such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by par value per share does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

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**Note 16****Legal Reserve**

Under the Banking Law of Japan, Chuo Trust is required to appropriate, as a legal reserve, portions of unappropriated earned surplus in the amount not less than 20% of cash payments, including cash dividends and bonuses to directors and corporate auditors, appropriated in each financial period, until such reserve equals 100% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to common stock.

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**Note 17****Earned Surplus**

Earned surplus at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Voluntary Reserve	<b>¥11,576</b>	¥26,577	<b>\$109,059</b>
Unappropriated Earned Surplus	<b>5,536</b>	(10,488)	<b>52,162</b>
Total	<b>¥17,113</b>	¥16,089	<b>\$161,220</b>

Under the Code, the Voluntary Reserve is available for future dividends subject to approval by shareholders.

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**Note 18****Other Interest Income**

Other interest income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Interest on Deposits			
with Banks	<b>¥ 4,278</b>	¥ 2,561	<b>\$ 40,306</b>
Interest on Interest Swaps	<b>4,224</b>	5,381	<b>39,800</b>
Other	<b>3,364</b>	2,472	<b>31,696</b>
Total	<b>¥11,867</b>	¥10,415	<b>\$111,802</b>

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**Note 19****Trust Fees**

Chuo Trust receives fees for controlling and managing trust properties held under trust agreements between Chuo Trust and its clients.

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**Note 20****Other Operating Income**

Other operating income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Gain on Foreign Exchange	<b>¥ 1,879</b>	¥ 1,718	<b>\$ 17,702</b>
Gain on Sales and Redemption of Bonds	<b>7,993</b>	3,824	<b>75,301</b>
Other	<b>15,176</b>	19,775	<b>142,968</b>
Total	<b>¥25,048</b>	¥25,318	<b>\$235,971</b>

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**Note 21****Other Income**

Other income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Gain on Sales of Stocks and Other Securities	<b>¥136,646</b>	¥ 6,605	<b>\$1,287,296</b>
Gain on Money Held in Trust	<b>2,516</b>	724	<b>23,711</b>
Other	<b>3,340</b>	3,334	<b>31,470</b>
Total	<b>¥142,503</b>	¥10,664	<b>\$1,342,477</b>

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**Note 22****Other Interest Expense**

Other interest expense for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Interest on Convertible Bonds	<b>¥ 423</b>	¥ 183	<b>\$ 3,991</b>
Interest on Interest Swaps	<b>16,267</b>	18,158	<b>153,252</b>
Other	<b>9,002</b>	10,726	<b>84,812</b>
Total	<b>¥25,694</b>	¥29,068	<b>\$242,055</b>

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**Note 23****Other Operating Expenses**

Other operating expenses for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Loss on Sales of Bonds	<b>¥4,285</b>	¥5,877	<b>\$40,371</b>
Loss on Redemption of Bonds	<b>1,058</b>	1,350	<b>9,972</b>
Other	<b>254</b>	171	<b>2,402</b>
Total	<b>¥5,598</b>	¥7,399	<b>\$52,745</b>

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**Note 24****General and Administrative Expenses**

The composition of general and administrative expenses for the years ended March 31, 2000 and 1999, is as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Salaries and Welfare Expenses	<b>¥38,285</b>	¥31,769	<b>\$360,669</b>
Retirement Benefits	<b>3,486</b>	1,235	<b>32,846</b>
Depreciation	<b>1,517</b>	1,384	<b>14,296</b>
Rent and Lease Expenses	<b>10,944</b>	8,797	<b>103,103</b>
Tax and Public Impositions	<b>2,730</b>	2,026	<b>25,720</b>
Other	<b>28,524</b>	27,068	<b>268,719</b>
Total	<b>¥85,488</b>	¥72,281	<b>\$805,353</b>

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**Note 25****Other Expenses**

Other expenses for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Provision for Possible Loan Losses	<b>¥ 33,788</b>	¥ 39,222	<b>\$ 318,307</b>
Loss on Money Held in Trust	<b>13,115</b>	559	<b>123,561</b>
Loss on Devaluation of Stocks and Other Securities	<b>3,112</b>	9,485	<b>29,322</b>
Loss on Sales of Stocks and Other Securities	<b>4,188</b>	5,030	<b>39,454</b>
Loss on Write-off of Loans and Bills Discounted	<b>16,418</b>	37,729	<b>154,676</b>
Other	<b>98,815</b>	42,402	<b>930,906</b>
Total	<b>¥169,439</b>	¥134,430	<b>\$1,596,226</b>

## Note 26

### Income Taxes

Chuo Trust is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41% for the years ended March 31, 2000 and 1999.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
<b>Deferred Tax Assets:</b>			
Reserve for Possible Loan Losses	<b>¥50,474</b>	¥46,952	<b>\$475,502</b>
Reserve for Possible Foreign Exchange Losses on Trust Account Investments	<b>18,712</b>	—	<b>176,286</b>
Reserve for Retirement Allowances	<b>2,181</b>	2,269	<b>20,554</b>
Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	<b>1,432</b>	2,788	<b>13,496</b>
Tax Loss Carryforwards	—	10,379	—
Other	<b>7,288</b>	6,502	<b>68,659</b>
Deferred Tax Assets	<b>¥80,089</b>	¥68,892	<b>\$754,498</b>
<b>Deferred Tax Liabilities:</b>			
Other	<b>¥ 16</b>	¥ 7	<b>\$ 156</b>
Deferred Tax Liabilities	<b>¥ 16</b>	¥ 7	<b>\$ 156</b>
Net Deferred Tax Assets	<b>¥80,073</b>	¥68,884	<b>\$754,341</b>

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000, and the actual effective tax rates reflected in the accompanying non-consolidated statement of operation is as follows:

	Year ended March 31, 2000
Normal Effective Statutory Tax Rate	<b>40.86%</b>
Effect of Tax Rate Reduction	<b>14.39</b>
Expenses Not Deductible for Income Tax Purposes	<b>2.42</b>
Taxation on per Capita Basis	<b>1.15</b>
Income Not Recognized for Income Tax Purposes	<b>(6.82)</b>
Other—Net	<b>(2.67)</b>
Actual Effective Tax Rate	<b>49.33%</b>

On March 31, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in the Tokyo Metropolis” (Ordinance 145 of the Tokyo Metropolis issued on April 1, 2000) was approved and enacted in Japan, which decreases the normal effective statutory tax rate by 1.57%, effective for years beginning April 1, 2000. The effect of this change is to reduce deferred tax assets in the Non-Consolidated Statements of Operation for the year ended March 31, 2000, by approximately ¥3,199 million (\$30,143 thousand).

On June 9, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in the Osaka Prefecture” (Ordinance 131 of the Osaka Prefecture issued on June 9, 2000) was promulgated in Japan, which will decrease the normal effective statutory tax rate by 0.22%, effective for years beginning April 1, 2001. The effect of this change is to reduce deferred tax assets in the Non-Consolidated Statements of Operation for the year ended March 31, 2000, by approximately ¥448 million (\$4,224 thousand).

## Note 27

### Leases

Total lease payments under finance lease arrangements that do not transfer ownership of the leased equipment to the lessee are ¥1,811 million (\$17,063 thousand) and ¥1,146 million for the years ended March 31, 2000 and 1999, respectively.

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Pro forma information on leased equipment such as acquisition cost, accumulated depreciation obligation under finance leases that do not transfer ownership of the leased equipment to the lessee on an “as if capitalized” basis for the years ended March 31, 2000 and 1999, are as follows:

	Equipment		Thousands of U.S. dollars
	Millions of yen		
	2000	1999	2000
Acquisition Cost	<b>¥8,696</b>	¥5,008	<b>\$81,926</b>
Accumulated Depreciation	<b>3,173</b>	2,183	<b>29,894</b>
Net Leased Property	<b>¥5,523</b>	¥2,824	<b>\$52,031</b>

	Other		Thousands of U.S. dollars
	Millions of yen		
	<b>2000</b>	1999	<b>2000</b>
Acquisition Cost	<b>¥533</b>	¥238	<b>\$5,023</b>
Accumulated Depreciation	<b>175</b>	84	<b>1,656</b>
Net Leased Property	<b>¥357</b>	¥154	<b>\$3,367</b>

Obligations under financial leases as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2000</b>	1999	<b>2000</b>
Due within One Year	<b>¥1,636</b>	¥ 955	<b>\$15,420</b>
Due after One Year	<b>4,576</b>	2,432	<b>43,113</b>
Total	<b>¥6,213</b>	¥3,387	<b>\$58,532</b>

Depreciation expense and interest expense under finance leases as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2000</b>	1999	<b>2000</b>
Depreciation Expense	<b>¥1,472</b>	¥ 928	<b>\$13,876</b>
Interest Expense	<b>291</b>	209	<b>2,745</b>
Total	<b>¥1,764</b>	¥1,137	<b>\$16,621</b>

Depreciation and interest expenses, which are not reflected in the accompanying non-consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2000</b>	1999	<b>2000</b>
Due within One Year	<b>¥ 63</b>	¥ 63	<b>\$ 598</b>
Due after One Year	<b>248</b>	312	<b>2,344</b>
Total	<b>¥312</b>	¥375	<b>\$2,942</b>

## Note 28

### Market Value Information

Carrying amounts and aggregate market values of Investment Securities, excluding securities for which a market value cannot be established, at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount	Aggregate market value	Carrying amount	Aggregate market value
<b>Investment Securities:</b>				
(2000):				
Marketable Bonds	<b>¥ 90,989</b>	<b>¥ 86,874</b>	<b>\$ 857,183</b>	<b>\$ 818,414</b>
Marketable Stocks	<b>706,465</b>	<b>650,148</b>	<b>6,655,350</b>	<b>6,124,808</b>
Other Marketable Securities	<b>9,599</b>	<b>8,844</b>	<b>90,432</b>	<b>83,320</b>
Total	<b>¥807,054</b>	<b>¥745,867</b>	<b>\$7,602,966</b>	<b>\$7,026,542</b>

(1999):

Marketable Bonds	¥102,611	¥100,179
Marketable Stocks	570,040	532,200
Other Marketable Securities	17,908	14,546
Total	<u>¥690,560</u>	<u>¥646,926</u>

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**Note 29****Derivatives Information****1. Derivative Transactions**

(for the fiscal year ended March 31, 2000)

**(1) Instruments**

Chuo Trust trades financial instruments, such as swaps and options, which are derived from interest rates, foreign exchange rates, etc. The Bank's derivative transactions include interest rate futures, interest rate options, forward rate agreements, interest rate swaps, currency swaps, forward foreign exchange, currency options, bond futures, bond options, and stock price index futures.

**(2) Transaction Policy**

Chuo Trust uses derivative transactions as a vital tool to meet the developing and diversifying financial needs of clients and to keep the Bank's own market risk exposure at a level commensurate with the Bank's risk-management ability. However, derivative transactions involve various risks, including market risk, resulting from changing interest rates as well as price fluctuations, and the Bank must therefore evaluate the characteristics and volume of such risks and establish a strict risk-management system to hedge such risks effectively.

**(3) Transaction Purpose**

The Bank utilizes derivative transactions in its banking account to manage asset and liability risks and in its trading account to benefit from primarily short-term price fluctuations. The Bank also offers a wide variety of derivative-embedded, high-value-added products and financial risk-management measures to assist clients in their financing requirements.

**(4) Contents of Risks for Derivative Transactions**

Risks such as market risk and credit risk are inherent in derivative transactions. Market risk is the possibility of loss from fluctuations in the fair value of financial instruments or portfolios, due to changes in market volatility or the market prices of traded products, such as interest rates and foreign exchange rates. Credit risk is the possibility of loss from the decrease in fair value on financial instruments or portfolios, due to the worsening credit status of a transaction counterparty, or the inability for a transaction counterparty to meet contractual obligations, due to bankruptcy, etc. The Bank estimated Value at Risk (confidence level, 99%; maximum possible loss over 10-day holding period) in its trading account at ¥394 million (\$3,712 thousand), as of March 31, 2000.

The market risk equivalent value, based on the capital adequacy ratio (domestic standard), was ¥7,051 million (\$66,425 thousand) at March 31, 2000.

The Bank does not enter transactions involving certain types of special derivatives, such as leveraged derivatives, for which the rate of variation in their fair market prices is significant in comparison with those price fluctuations.

**(5) Risk Management System for Derivative Transactions**

The Bank clearly separates front office and back office duties for marketable transactions, including derivative transactions, and ensures the appropriateness of activities through a double-checking system. In addition, the Treasury Planning Office in the General Planning Department acts independently from front and back offices as a risk management unit that monitors them and exerts blanket control over market risk. The Treasury Planning Office formulates market risk management techniques, determines risk limits and allocation of risk, drafts risk management-related rules and ascertains the status of related compliance, measures and analyzes risk and trading performance, and reports its findings to senior management.

Divisions responsible for marketable transactions operate in accordance with strict management reporting channels about specific transaction targets and transaction limits. In particular, trading positions, including derivatives, adhere to a system that enables identification of risk volume through Value at Risk and market price evaluation of positions, in addition to real-time measurement of various management indicators, such as delta, gamma and other option risk factors.

All information on the status of risk and profits and losses from derivative transactions is provided to the Treasury Planning Office on a daily basis. This information is compiled in a companywide consolidation of risk management data and reported to the management. Information is provided to the ALM Committee and the Executive Committee on a monthly basis.

For credit risk, the Credit Supervision Department establishes credit lines and undertakes appropriate risk management.

The Bank seeks to better control the complex risks inherent in derivative transactions through such efforts as the introduction of new management systems and greater sophistication in hedging methods.

**(6) Supplementary Information on Issues Related to Market Prices of Transactions**

In regard to the contract amounts noted in 2. Issues Related to Market Prices of Transactions, the amounts themselves do not represent the related volume of market risk or credit risk inherent in such derivative transactions.



## Interest Rate Transactions

	Millions of yen			
	<b>2000</b>			
	Contract or Notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			
<b>Non-Listed:</b>				
Interest Rate Swaps:				
Fixed Rate Receipt, Floating Rate Payment	<b>¥429,586</b>	<b>¥174,593</b>	<b>¥4,843</b>	<b>¥4,843</b>
Floating Rate Receipt, Fixed Rate Payment	<b>522,363</b>	<b>180,810</b>	<b>(2,496)</b>	<b>(2,496)</b>
<b>Others:</b>				
Buying	<b>130,000</b>	—	<b>0</b>	<b>(504)</b>
	<b>[504]</b>			

	Thousands of U.S. dollars			
	<b>2000</b>			
	Contract or Notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			
<b>Non-Listed:</b>				
Interest Rate Swaps:				
Fixed Rate Receipt, Floating Rate Payment	<b>\$4,046,972</b>	<b>\$1,644,781</b>	<b>\$45,627</b>	<b>\$45,627</b>
Floating Rate Receipt, Fixed Rate Payment	<b>4,920,999</b>	<b>1,703,353</b>	<b>(23,514)</b>	<b>(23,514)</b>
<b>Others:</b>				
Buying	<b>1,224,682</b>	—	<b>0</b>	<b>(4,755)</b>
	<b>[4,755]</b>			

	Millions of yen			
	1999			
	Contract or Notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			
<b>Listed:</b>				
Interest Rate Futures:				
Selling	¥278,188	¥ —	¥278,318	¥ (129)
Buying	263,497	—	263,695	198
<b>Non-Listed:</b>				
Interest Rate Swaps:				
Fixed Rate Receipt, Floating Rate Payment	261,501	77,527	9,109	9,109
Floating Rate Receipt, Fixed Rate Payment	282,217	93,926	(12,232)	(12,232)
Floating Rate Receipt, Floating Rate Payment	500	—	(1)	(1)
<b>Others:</b>				
Buying	130,000	130,000	16	(1,500)
	<b>[1,516]</b>			

- Notes: 1. Estimate of fair value: For instruments listed on exchanges, the closing prices at March 31 on the Tokyo International Financial Futures Exchange and other exchanges were used.
2. The amount in brackets represents the option amount recognized in the Balance Sheet.
3. Others primarily include the cap/floor trading.

Details of interest rate swaps contracts such as notional principal amount and average interest rate (receipt and payment) are described as follows:

	Millions of yen/percent		
	<b>2000</b>		
	Within one year	One to three years	Over three years
<b>Remaining Term:</b>			
Fixed Rate Receipt Swaps			
Notional Amount	<b>¥254,992</b>	<b>¥152,987</b>	<b>¥21,615</b>
Average Fixed Rate (Receipt)	<b>5.77%</b>	<b>4.46%</b>	<b>4.81%</b>
Average Floating Rate (Payment)	<b>3.95%</b>	<b>0.30%</b>	<b>3.06%</b>
Fixed Rate Payment Swaps			
Notional Amount	<b>¥341,553</b>	<b>¥139,128</b>	<b>¥41,682</b>
Average Fixed Rate (Payment)	<b>1.98%</b>	<b>0.60%</b>	<b>1.23%</b>
Average Floating Rate (Receipt)	<b>5.87%</b>	<b>4.99%</b>	<b>3.70%</b>
Total	<b>¥596,545</b>	<b>¥292,116</b>	<b>¥63,297</b>

	Thousands of U.S. dollars		
	<b>2000</b>		
	Within one year	One to three years	Over three years
Fixed Rate Receipt Swaps			
Notional Amount	<b>\$2,402,190</b>	<b>\$1,441,239</b>	<b>\$203,627</b>
Fixed Rate Payment Swaps			
Notional Amount	<b>3,217,646</b>	<b>1,310,682</b>	<b>392,671</b>
Total	<b>\$5,619,836</b>	<b>\$2,751,921</b>	<b>\$596,298</b>

	Millions of yen/percent		
	1999		
	Within one year	One to three years	Over three years
<b>Remaining Term:</b>			
Fixed Rate Receipt Swaps			
Notional Amount	¥183,974	¥ 71,527	¥ 6,000
Average Fixed Rate (Receipt)	5.27%	2.27%	4.54%
Average Floating Rate (Payment)	3.44%	0.73%	0.47%
Fixed Rate Payment Swaps			
Notional Amount	¥188,290	¥ 66,160	¥27,765
Average Fixed Rate (Payment)	4.66%	3.29%	4.05%
Average Floating Rate (Receipt)	2.99%	1.16%	1.93%
Floating Rate Swaps			
Notional Amount	¥ 500	¥ —	¥ —
Average Floating Rate (Receipt)	0.42%	—	—
Average Floating Rate (Payment)	0.93%	—	—
Total	<u>¥372,764</u>	<u>¥137,688</u>	<u>¥33,765</u>

The average rate column is an average of all currencies.

- Notes: 4. Interest rate futures and interest rate future options traded on exchanges: The amount of these transactions has recently risen, although over-the-counter transactions are declining due to the concern for liquidity and credit risks.
5. Interest rate swaps: This is not only a core product of the dealing business of Chuo Trust, but a major risk management tool in terms of its ALM as a whole. As of the end of March, fixed rate payments exceed receipts, indicating that their overall operation is prepared for the risk of rising interest rates. The trading amount has remained stable for the past several years.
6. Derivative transactions for trading purposes included in "Trading Assets" or "Trading Liabilities" are stated at market value. Therefore, these accounts are not included in the above table. Detail of such transactions for trading purposes, such as contract or notional amounts, fair value and average interest rate are described as follows:

	2000			
	Millions of yen		Thousands of U.S. dollars	
	Contract or Notional amount	Fair value	Contract or Notional amount	Fair value
<b>Non-Listed:</b>				
Interest Rate Swaps	<b>¥44,025</b>	<b>¥548</b>	<b>\$414,743</b>	<b>\$5,168</b>
Fixed Rate Receipt, Floating Rate Payment	<b>41,291</b>	<b>(391)</b>	<b>388,987</b>	<b>(3,687)</b>
Floating Rate Receipt, Fixed Rate Payment				
<b>Others:</b>				
Selling	<b>40,768</b>	<b>242</b>	<b>384,060</b>	<b>2,888</b>
	<b>[293]</b>		<b>[2,762]</b>	
Buying	<b>40,568</b>	<b>254</b>	<b>382,176</b>	<b>2,396</b>
	<b>[253]</b>		<b>[2,383]</b>	
	1999			
	Millions of yen			
	Contract or Notional amount	Fair value		
<b>Listed:</b>				
Interest Rate Futures:				
Selling	¥ 47,990	¥48,131		
Buying	37,216	37,321		
<b>Non-Listed:</b>				
Interest Rate Swaps				
Fixed Rate Receipt, Floating Rate Payment	¥104,090	¥ 1,531		
Floating Rate Receipt, Fixed Rate Payment	105,668	(1,757)		
<b>Others:</b>				
Selling	45,900	98		
	[198]			
Buying	45,700	249		
	[282]			

## Currency Transactions

	Millions of yen			
	2000			
	Contract or Notional amount	Over one year	Fair value	Unrealized profit (loss)
<b>Non-Listed:</b>				
Currency Swaps	<b>¥181,232</b>	<b>¥—</b>	<b>¥(1,686)</b>	<b>¥(1,686)</b>
U.S. Dollar	<b>181,232</b>	<b>—</b>	<b>(1,686)</b>	<b>(1,686)</b>
	Thousands of U.S. dollars			
	2000			
	Contract or Notional amount	Over one year	Fair value	Unrealized profit (loss)
<b>Non-Listed:</b>				
Currency Swaps	<b>\$1,707,328</b>	<b>\$—</b>	<b>\$(15,885)</b>	<b>\$(15,885)</b>
U.S. Dollar	<b>1,707,328</b>	<b>—</b>	<b>(15,885)</b>	<b>(15,885)</b>
	Millions of yen			
	1999			
	Contract or Notional amount	Over one year	Fair value	Unrealized profit (loss)
<b>Non-Listed:</b>				
Currency Swaps	¥194,313	¥—	¥(1,290)	¥(1,290)
U.S. Dollar	194,313	—	(1,290)	(1,290)

Notes: 1. Currency futures contracts and currency options are excluded from the above schedule, as their carrying amounts are repriced at the end of the term, and their gains and losses are included in the non-consolidated statements of operations.

The contract amount of currency-related derivative transactions under repricing are as described in the following:

	Millions of yen		Thousands of U.S. dollars
	<b>2000</b>	1999	<b>2000</b>
	Contract or notional amount	Contract or notional amount	Contract or notional amount
<b>Listed:</b>			
Currency Options:			
Selling:			
Call	—	¥ 4,834	—
	[—]	[37]	[—]
Put	—	4,822	—
	[—]	[2]	[—]
Buying:			
Call	—	4,822	—
	[—]	[37]	[—]
Put	—	4,822	—
	[—]	[2]	[—]
<b>Non-Listed:</b>			
Foreign Exchange			
Forward Contracts:			
Selling	<b>¥303,076</b>	¥ 96,806	<b>\$2,855,169</b>
Buying	<b>268,216</b>	137,971	<b>2,526,773</b>
Currency Options:			
Selling:			
Call	<b>3,184</b>	—	<b>30,000</b>
	<b>[18]</b>	[—]	<b>[177]</b>
Put	<b>3,184</b>	—	<b>30,000</b>
	<b>[61]</b>	[—]	<b>[578]</b>
Buying:			
Call	<b>3,184</b>	—	<b>30,000</b>
	<b>[18]</b>	[—]	<b>[177]</b>
Put	<b>3,184</b>	—	<b>30,000</b>
	<b>[61]</b>	[—]	<b>[578]</b>

- Notes: 1. For option transactions, the option premium summed up in the non-consolidated balance sheets is entered in parentheses below the contract amount.  
2. There are no derivative currency transactions for trading purposes.

## Bond Transactions

	Millions of yen		
	<b>2000</b>		
	Contract amount	Fair value	Unrealized profit (loss)
<b>Listed:</b>			
Bond Futures:			
Selling	¥ —	¥ —	¥ —
Buying	—	—	—
	Thousands of U.S. dollars		
	<b>2000</b>		
	Contract amount	Fair value	Unrealized profit (loss)
<b>Listed:</b>			
Bond Futures:			
Selling	\$ —	\$ —	\$ —
Buying	—	—	—
	Millions of yen		
	1999		
	Contract amount	Fair value	Unrealized profit (loss)
<b>Listed:</b>			
Bond Futures:			
Selling	¥8,018	¥8,000	¥ 18
Buying	8,790	8,726	(63)

- Notes: 1. Estimate of fair value: For exchange listed instruments, the closing prices at March 31, on the Tokyo Stock Exchange and other exchanges were used.  
2. The amount in brackets represents the option amount recognized in the Balance sheets.  
3. During the fiscal year ended March 31, 2000, Chuo Trust had no trading-related bond transactions.

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**Note 30****Subsequent Events****a. Appropriations of Earned Surplus**

The following appropriations of unappropriated earned surplus were approved at the General Common Shareholders' Meeting held on June 29, 2000.

	Millions of yen	Thousands of U.S. dollars
Transfer to Legal Reserve	<b>¥ 365</b>	<b>\$ 3,440</b>
Year-end First Series Class-A Preferred Stock Cash Dividends, ¥20.00 per Share	<b>400</b>	<b>3,768</b>
Year-end Second Series Class-A Preferred Stock Cash Dividends, ¥7.20 per Share	<b>675</b>	<b>6,359</b>
Year-end Common Stock Cash Dividends, ¥2.50 per Share	<b>750</b>	<b>7,071</b>
Total	<b>¥2,190</b>	<b>\$20,638</b>

**b. Merger**

In accordance with the merger agreement approved at the meetings of the preferred shareholders of Chuo Trust and of Mitsui Trust held on June 22, 1999, and at the annual general meetings of Chuo Trust and of Mitsui Trust held on June 29, 1999. Chuo Trust merged with The Mitsui Trust and Banking Co., Ltd. ("Mitsui Trust"), on April 1, 2000.

Chuo Trust acquired all assets and assumed all liabilities of Mitsui Trust. Chuo Trust then changed its name to The Chuo Mitsui Trust and Banking Company, Limited.

# Consolidated Financial Statements (Banking Account)

The Chuo Trust and Banking Company, Limited, and Subsidiaries

## Balance Sheets

As of March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Assets</b>	Cash and Cash Equivalents (Note 7)	¥ 281,218	¥ 151,887	\$ 2,649,252
	Due from Banks Other than Due from Bank of Japan	149,348	79,388	1,406,953
	Call Loans and Bills Bought	63,500	120,000	598,210
	Monetary Claims Bought	14,232	33,300	134,077
	Trading Assets	949	23,192	8,941
	Investment Securities (Note 7)	1,467,139	1,520,738	13,821,384
	Money Held in Trust	63,347	67,300	596,772
	Loans and Bills Discounted (Note 6)	2,846,990	2,299,363	26,820,444
	Foreign Exchange	9,850	17,354	92,797
	Other Assets	72,107	214,007	679,297
	Premises and Equipment	119,060	109,876	1,121,622
	Deferred Tax Assets (Notes 4c and 9)	80,339	69,175	756,851
	Customers' Liabilities for Acceptances and Guarantees	375,489	532,725	3,537,352
	Reserve for Possible Loan Losses (Note 4a)	(69,934)	(54,240)	(658,829)
	Reserve for Possible Investment Losses	(536)	(667)	(5,056)
	<b>Total Assets</b>	<b>¥5,473,101</b>	<b>¥5,183,404</b>	<b>\$51,560,067</b>
<b>Liabilities</b>	Deposits (Note 7)	¥3,389,068	¥3,065,038	\$31,927,166
	Call Money and Bills Sold (Note 7)	85,000	74,433	800,754
	Trading Liabilities	773	2,199	7,286
	Borrowed Money	123,795	172,965	1,166,232
	Foreign Exchange	19	522	183
	Subordinated Bonds	—	10,419	—
	Convertible Bonds	34,260	34,260	322,751
	Payable to Trust Accounts	983,014	754,336	9,260,621
	Other Liabilities	65,994	165,603	621,711
	Reserve for Retirement Allowances	8,200	8,840	77,258
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	3,646	6,825	34,350
	Reserve for Possible Foreign Exchange Losses on Trust Account Investments	47,627	—	448,680
	Other Reserves	0	0	0
	Acceptances and Guarantees	375,489	532,725	3,537,352
	<b>Total Liabilities</b>	<b>¥5,116,890</b>	<b>¥4,828,169</b>	<b>\$48,204,342</b>
	<b>Minority Interest</b>	<b>1,322</b>	<b>613</b>	<b>12,456</b>
<b>Shareholders' Equity</b>	Common Stock	79,966	79,966	753,332
	Preferred Stock	91,000	91,000	857,277
	Capital Surplus	160,851	160,851	1,515,320
	Earned Surplus (Note 4b)	23,072	22,806	217,355
	Treasury Stock	(1)	(2)	(15)
	<b>Total Shareholders' Equity</b>	<b>354,887</b>	<b>354,621</b>	<b>3,343,269</b>
	<b>Total Liabilities and Shareholders' Equity</b>	<b>¥5,473,101</b>	<b>¥5,183,404</b>	<b>\$51,560,067</b>

See Notes to Consolidated Financial Statements (Banking Account).

## Consolidated Statements of Operations

Years ended March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Income</b>	Interest Income:			
	Interest on Loans and Bills Discounted	¥ 44,211	¥ 39,156	\$ 416,501
	Interest and Dividends on Securities	27,958	22,218	263,388
	Interest on Call Loans and Bills Bought	509	1,819	4,798
	Other Interest Income	12,024	10,572	113,287
	Trust Fees	47,272	64,934	445,334
	Fees and Commissions	28,983	26,485	273,041
	Trading Gains	16	268	157
	Other Operating Income	22,032	25,380	207,564
	Other Income	161,934	25,463	1,525,521
	<b>Total</b>	<b>344,944</b>	<b>216,300</b>	<b>3,249,590</b>
<b>Expenses</b>	Interest Expense:			
	Interest on Deposits	23,626	27,932	222,576
	Interest on Borrowings and Bills Sold	4,980	6,128	46,916
	Other Interest Expense	25,871	29,148	243,723
	Fees and Commissions	3,240	2,946	30,524
	Trading Losses	3	—	36
	Other Operating Expenses	5,949	7,383	56,046
	General and Administrative Expenses	85,146	73,609	802,134
	Other Expenses	186,388	150,383	1,755,896
	<b>Total</b>	<b>335,205</b>	<b>297,532</b>	<b>3,157,850</b>
	Income (Loss) before Income Taxes and Minority Interest	9,738	(81,232)	91,740
<b>Income Taxes</b> (Note 9)	Current	15,988	216	150,620
	Deferred	(11,180)	(19,234)	(105,330)
	Minority Interest in Net Income	408	89	3,851
	<b>Net Income (Loss)</b>	<b>¥ 4,521</b>	<b>¥(62,304)</b>	<b>\$ 42,599</b>
			Yen	U.S. dollars (Note 1)
		2000	1999	2000
	Per Share of Common Stock			
	Net Income (Loss)	¥7.89	¥(267.01)	\$0.74
	Diluted Net Income	6.49	—	0.61

See Notes to Consolidated Financial Statements (Banking Account).

## Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000 and 1999

	Thousands		Millions of yen			
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Earned Surplus
			Common Stock	Preferred Stock		
Balance, April 1, 1998	230,538	20,000	¥61,215	¥16,000	¥ 67,100	¥88,411
Net Loss						(62,304)
Cash Dividends, ¥9.0 per Common Share and ¥20.00 per Preferred Share						(2,474)
Adjustment of Earned Surplus for Newly Consolidated Subsidiaries						(677)
Adjustment of Earned Surplus for Newly Applied Accounting for Tax Allocation						232
Decrease by Liquidating Previously Consolidated Subsidiaries						(380)
Issuance of Common Stock	69,707		18,751		18,751	
Issuance of Preferred Stock		93,750		75,000	75,000	
Balance, March 31, 1999	300,245	113,750	79,966	91,000	160,851	22,806
Net Income						4,521
Cash Dividends, ¥5.0 per Common Share and ¥47.24 per Preferred Share						(2,979)
Decrease by Liquidating Previously Consolidated Subsidiaries						(1,276)
<b>Balance, March 31, 2000</b>	<b>300,245</b>	<b>113,750</b>	<b>¥79,966</b>	<b>¥91,000</b>	<b>¥160,851</b>	<b>¥23,072</b>

	Thousands of U.S. dollars			
	Capital Stock		Capital Surplus	Earned Surplus
	Common Stock	Preferred Stock		
Balance, March 31, 1999	\$753,332	\$857,277	\$1,515,320	\$214,853
Net Income				42,599
Cash Dividends, ¥5.0 per Common Share and ¥47.24 per Preferred Share				(28,073)
Decrease by Liquidating Previously Consolidated Subsidiaries				(12,024)
<b>Balance, March 31, 2000</b>	<b>\$753,322</b>	<b>\$857,277</b>	<b>\$1,515,320</b>	<b>\$217,355</b>



## Consolidated Statements of Cash Flows

Year ended March 31, 2000

		Millions of yen	Thousands of U.S. dollars (Note 1)
		<u>2000</u>	<u>2000</u>
<b>Operating Activities</b>	Income Before Income Taxes and Minority Interest	¥ 9,738	\$ 91,740
	Adjustments for:		
	Income Taxes Paid	(1,943)	(18,311)
	Depreciation and Amortization	7,921	74,626
	Equity in Losses of Affiliates	369	3,477
	Provision for Reserve for Possible Loan Losses	15,863	149,445
	Provision for Reserve for Losses on Investment Securities	(130)	(1,232)
	Provision for Reserve for Possible Losses from Loans Sold to CCPC	(3,178)	(29,947)
	Provision for Retirement Allowances	(639)	(6,020)
	Provision for Reserve for Possible Foreign Exchange Losses on Trust Account Investments	47,627	448,680
	Investment Securities Gains—Net	(128,178)	(1,207,525)
	Losses on Money Held in Trust	10,196	96,062
	Foreign Exchange Losses—Net	4,453	41,959
	Losses on Disposal of Premises and Equipment	375	3,541
	Changes in Assets and Liabilities, Net of Effects from Previously Consolidated Subsidiaries:		
	Decrease in Trading Assets	22,243	209,547
	Decrease in Trading Liabilities	(1,426)	(13,436)
	Increase in Loans and Bills Discounted	(546,788)	(5,151,090)
	Increase in Deposits	320,207	3,016,560
	Decrease in Borrowed Money (Excluding Subordinated Borrowings)	(24,433)	(230,180)
	Increase in Interest-Earning Deposits in Other Banks	(69,959)	(659,065)
	Decrease in Call Loans and Others	75,567	711,895
	Increase in Call Money and Others	10,567	99,548
	Increase in Payables under Securities Lending Transactions	56,255	529,961
	Decrease in Foreign Exchange (Assets)	7,504	70,696
	Decrease in Foreign Exchange (Liabilities)	(504)	(4,751)
	Increase in Payable to Trust Account	228,678	2,154,299
	Other—Net	(27,717)	(261,115)
	Net Cash Provided by Operating Activities	<u>12,670</u>	<u>119,361</u>
<b>Investing Activities</b>	Purchases of Investment Securities	(6,569,545)	(61,889,264)
	Proceeds from Sales of Investment Securities	6,409,968	60,385,947
	Proceeds from Redemption of Investment Securities	338,800	3,191,716
	Increase in Monetary Trust Funds	(38,238)	(360,230)
	Decrease in Monetary Trust Funds	29,315	276,168
	Purchases of Premises and Equipment	(17,631)	(166,103)
	Proceeds from Sales of Premises and Equipment	447	4,220
	Net Cash Provided by Investing Activities	<u>153,116</u>	<u>1,442,454</u>
<b>Financing Activities</b>	Increase in Subordinated Borrowings	5,000	47,103
	Decrease in Subordinated Borrowings	(27,500)	(259,067)
	Decrease in Subordinated Bonds and Convertible Bonds	(10,419)	(98,155)
	Dividends Paid	(2,979)	(28,073)
	Net Cash Used in Financing Activities	<u>(35,899)</u>	<u>(338,193)</u>
	Effect of Exchange Rate Changes on Cash and Cash Equivalents	(310)	(2,924)
	Net Increase in Cash and Cash Equivalents	¥ 129,577	\$ 1,220,699
	Cash and Cash Equivalents at the Beginning of Year	151,887	1,430,878
	Decrease of Cash and Equivalents Due to the Change of Scope of Consolidated Subsidiaries	(246)	(2,325)
	Cash and Cash Equivalents at the End of Year	<u>¥ 281,218</u>	<u>\$ 2,649,252</u>
	Additional Cash Flow Information:		
	Interest and Dividends Received	¥ 82,068	\$ 773,142
	Interest Paid	(46,674)	(439,702)

See Notes to Consolidated Financial Statements (Banking Account).

# Notes to Consolidated Financial Statements (Banking Account)

The Chuo Trust and Banking Company, Limited, and Subsidiaries  
Years ended March 31, 2000 and 1999

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## **Note 1**

### **Basis of Presentation of Financial Statements**

The accompanying consolidated financial statements (Banking Account) have been prepared from the accounts maintained by The Chuo Trust and Banking Company, Limited (“Chuo Trust”), and consolidated subsidiaries, in accordance with accounting principles and practices generally accepted in Japan, the Uniform Accounting Standards for Banks issued by the Japanese Bankers Association and the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective April 1, 1999, consolidated statement of cash flows is required to be prepared under Japan accounting standards. The statement of cash flows for the year ended March 31, 2000, is presented herein. Such statement for the year ended March 31, 1999, is not presented, as Japanese accounting standards do not require retroactive preparation or presentation for prior years’ financial statements.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to Chuo Trust’s financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The accompanying notes have been summarized and rearranged for the convenience of readers outside Japan.

All amounts expressed in yen have been rounded down to the nearest million yen, and all amounts expressed in U.S. dollars have been rounded off to the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to US\$1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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## **Note 2**

### **Principles of Consolidation**

The consolidated financial statements as of March 31, 2000, include the accounts of Chuo Trust and its significant 11 (15 for the year ended March 31, 1999) subsidiaries.

Effective April 1, 1998, Chuo Trust changed its consolidation scope from the application of the ownership concept to the control concept. Under the control concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are to be fully consolidated.

The change of retained earnings arising from the change in the consolidation scope is recognized as “Adjustment of earned surplus for newly consolidated subsidiaries” in the consolidated statements of shareholders’ equity for the year ended March 31, 2000.

In fiscal 1999, Chuo Trust Asia Ltd. and Chuo Credit Company, Limited (now “Chuo Mitsui Guarantee Co., Ltd.”), were excluded from consolidation as a result of the company’s liquidation and a change in the ownership percentage by the merger, respectively.

Chuo Card Service Co., Limited (now “Chuo Mitsui Card Co., Ltd.”), and Chushin Capital Management Co., Ltd. (now “Chuo Mitsui Asset Management Co., Ltd.”), that previously have been fully consolidated, are now accounted for by the equity method, as a result of those ownership changes by the merger.

All significant intercompany transactions, balances and unrealized profits have been eliminated in consolidation.

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## **Note 3**

### **Translation of Foreign Currency Accounts**

The financial statements of foreign consolidated subsidiaries are translated into Japanese yen at exchange rates as of each balance sheet date, except for shareholders’ equity, which is translated at the historical exchange rate. The differences arising from such translation are shown as “Other Assets” in the consolidated balance sheets.

Assets and liabilities denominated in foreign currencies held by Chuo Trust at the year end are translated into Japanese yen at exchange rates prevailing at the end of each fiscal year except that certain special accounts are translated at historical rates.

Foreign currency accounts held by the consolidated foreign subsidiaries are translated into the currencies of the subsidiaries at the respective year-end exchange rates.

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**Note 4****Significant Accounting Policies of Chuo Trust**

Refer to Note 2 of the notes to non-consolidated financial statements.

**a. Reserve for Loan Losses**

With respect to loans with collateral and/or guarantees extended to borrowers in bankruptcy or borrowers effectively in bankruptcy, the unrecoverable amount is estimated by deducting the realizable value of collateral or the amount likely to be recovered based on guarantee from the loan amount. The outstanding amount thus determined is then directly written off from the loan amount as the amount that is not likely to be recovered, which is ¥160,727 million (\$1,514,155 thousand) and ¥153,722 million in 2000 and 1999, respectively.

Each of the consolidated subsidiaries maintains a reserve for possible loan losses which is provided at amounts deemed necessary to cover such losses, based on their past experiences in estimates of future recoverability. Each of the domestic consolidated subsidiaries maintains a reserve for possible loan losses which is provided by the same manner as Chuo Trust.

**b. Retained Earnings**

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve amount, which is included in retained earnings, totaled ¥5,955 million (\$56,080 thousand) and ¥5,364 million as of March 31, 2000 and 1999, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

**c. Income Taxes**

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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**Note 5****Significant Accounting Policies of the Consolidated Subsidiaries**

Certain consolidated subsidiaries apply accounting policies which may differ from Chuo Trust's policies in certain

respects. The straight-line method is applied for depreciation of premises and equipment of consolidated subsidiaries. These policy differences did not have a significant effect on Chuo Trust's consolidated financial statements.

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**Note 6****Loans and Bills Discounted****"Nonaccrual Loans"**

Loans to borrowers in bankruptcy are included in loans and bills discounted, and total ¥15,387 million (\$144,958 thousand) and ¥26,396 million at March 31, 2000 and 1999, respectively.

Loans are generally placed on nonaccrual status when substantial doubt is judged to exist as to the ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons.

Loans to borrowers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law.

Past due loans are included in loans and bills discounted, and totaled ¥115,620 million (\$1,089,214 thousand) and ¥22,577 million at March 31, 2000 and 1999, respectively.

Past due loans are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payment is deferred in order to assist the financial recovery of debtor in financial difficulties.

**"Accruing Loans Contractually Past Due Three Months or More"**

Accruing loans contractually past due three months or more are included in loans and bills discounted, and total ¥3,500 million (\$32,976 thousand) and ¥12,594 million at March 31, 2000 and 1999, respectively. Loans classified as loans to borrowers in bankruptcy or past due loans are excluded.

**"Restructured Loans"**

Restructured loans are included in loans and bills discounted, and totaled ¥84,826 million (\$799,115 thousand) and ¥84,781 million, at March 31, 2000 and 1999, respectively. Such restructured loans are loans on which Chuo Trust granted concessions (e.g., reduction of the face amount or maturity amount of the debt or accrued interest) to the debtors in financial difficulties to assist them in their financial recovery so they would eventually be able to pay their creditors. Loans classified as loans to borrowers in bankruptcy or past due loans or accruing loans contractually past due three months or more are excluded.

Nonaccrual loans, accruing contractually past due three months or more and restructured loans totaled ¥219,333 million (\$2,066,263 thousand) and ¥146,349 million at March 31, 2000 and 1999, respectively.

The amount of claims above in 2000 and in 1999 are the ones before the reserve for possible loan losses is deducted.

## Note 7 Collateral

The carrying amounts of assets pledged as collateral and the related collateralized debt at March 31, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
Securities	<b>¥41,231</b>	<b>\$388,427</b>
Due from Banks	<b>1</b>	<b>9</b>
Total	<b>¥41,232</b>	<b>\$388,437</b>
Deposits	<b>¥14,537</b>	<b>\$136,949</b>
Call Money	<b>15,000</b>	<b>141,309</b>
Total	<b>¥29,537</b>	<b>\$278,259</b>

In addition, the following assets are deposited with respect to foreign exchange settlements and derivatives at March 31, 2000.

	Millions of yen	Thousands of U.S. dollars
Securities	<b>¥170,681</b>	<b>\$1,607,923</b>

The information on collateral was not required to be disclosed in 1999.

## Note 8 Contingent Liabilities

Under certain trust agreements, repayments of the principal of the customers' trust assets are guaranteed by Chuo Trust, and such guaranteed principal at March 31, 2000 and 1999, were ¥2,509,682 million (\$23,642,795 thousand) and ¥2,735,643 million, respectively.

## Note 9 Income Taxes

Chuo Trust and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41% for the years ended March 31, 2000 and 1999.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 1, 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Deferred Tax Assets:			
Reserve for Possible Loan Losses	<b>¥50,596</b>	¥47,044	<b>\$476,649</b>
Reserve for Possible Foreign Exchange Losses on Trust Account Investments	<b>18,712</b>	—	<b>176,286</b>
Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	<b>1,432</b>	2,788	<b>13,496</b>
Reserve for Retirement Allowance	<b>2,181</b>	2,269	<b>20,554</b>
Tax Loss Carryforwards	—	10,487	—
Other	<b>7,432</b>	6,593	<b>70,020</b>
Deferred Tax Assets	<b>¥80,356</b>	¥69,183	<b>\$757,006</b>
Deferred Tax Liabilities:			
Other	<b>¥ 16</b>	¥ 7	<b>\$ 156</b>
Deferred Tax Liabilities	<b>¥ 16</b>	¥ 7	<b>\$ 156</b>
Net Deferred Tax Assets	<b>¥80,339</b>	¥69,175	<b>\$756,851</b>

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

Normal Effective Statutory Tax Rate	<b>40.86%</b>
Effect of Tax Rate Reduction	<b>14.39</b>
Expenses not Deductible for Income Tax Purposes	<b>2.48</b>
Taxation on per Capita Basis	<b>1.18</b>
Income not Deductible for Income Tax Purposes	<b>(6.82)</b>
Other—Net	<b>(2.73)</b>
Actual Effective Tax Rate	<b>49.36%</b>

On March 31, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in the Tokyo Metropolis” (Ordinance 145 of the Tokyo Metropolis issued on April 1, 2000) was approved and enacted in Japan, which would decrease the normal effective statutory tax rate by 1.57%, effective for years beginning April 1, 2000. The effect of this change is to reduce deferred tax asset in the Consolidated Statements of Operation for the year ended March 31, 2000, by approximately ¥3,199 million (\$30,143 thousand).

On June 9, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking business operating in the Osaka Prefecture” (Ordinance 131 of the Osaka prefectures issued on June 9, 2000) was promulgated

in Japan, which will decrease the normal effective statutory tax rate by 0.22%, effective for years beginning April 1, 2001.

The effect of this change is to reduce deferred tax asset in the Consolidated Statements of Operation for the year ended March 31, 2000, by approximately ¥448 million (\$4,224 thousand).

## Note 10

### Leases

Total leases payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥110 million (\$1,039 thousand) and ¥82 million for the years ended March 31, 2000 and 1999, respectively.

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

### Lessee

	Millions of yen		
	<b>2000</b>		
	Equipment	Other	Total
Acquisition Cost	<b>¥398</b>	<b>¥—</b>	<b>¥398</b>
Accumulated Depreciation	<b>243</b>	<b>—</b>	<b>243</b>
Net Leased Property	<b>¥155</b>	<b>¥—</b>	<b>¥155</b>

	Thousands of U.S. dollars		
	<b>2000</b>		
	Equipment	Other	Total
Acquisition Cost	<b>\$3,756</b>	<b>\$—</b>	<b>\$3,756</b>
Accumulated Depreciation	<b>2,291</b>	<b>—</b>	<b>2,291</b>
Net Leased Property	<b>\$1,465</b>	<b>\$—</b>	<b>\$1,465</b>

	Millions of yen		
	1999		
	Equipment	Other	Total
Acquisition Cost	¥404	¥—	¥404
Accumulated Depreciation	152	—	152
Net Leased Property	¥251	¥—	¥251

Obligations under financial leases as of March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2000</b>	1999	<b>2000</b>
Due within One Year	<b>¥ 78</b>	¥ 96	<b>\$ 741</b>
Due after One Year	<b>76</b>	156	<b>724</b>
Total	<b>¥155</b>	¥252	<b>\$1,465</b>

Depreciation and interest expenses under finance leases as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2000</b>	1999	<b>2000</b>
Depreciation Expense	<b>¥ 95</b>	¥69	<b>\$ 901</b>
Interest Expense	<b>14</b>	12	<b>141</b>
Total	<b>¥110</b>	¥82	<b>\$1,042</b>

Depreciation and interest expenses, which are not reflected in the accompanying consolidated statements of operations, were computed using the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2000</b>	1999	<b>2000</b>
Due within One Year	<b>¥0</b>	¥0	<b>\$0</b>
Due after One Year	<b>—</b>	0	<b>—</b>
Total	<b>¥0</b>	¥0	<b>\$0</b>

### Lessor

	Millions of yen		
	<b>2000</b>		
	Equipment	Other	Total
Acquisition Cost	<b>¥19,096</b>	<b>¥1,730</b>	<b>¥20,826</b>
Accumulated Depreciation	<b>8,687</b>	<b>766</b>	<b>9,454</b>
Net Leased Property	<b>¥10,409</b>	<b>¥ 963</b>	<b>¥11,372</b>

	Thousands of U.S. dollars		
	<b>2000</b>		
	Equipment	Other	Total
Acquisition Cost	<b>\$179,902</b>	<b>\$16,301</b>	<b>\$196,202</b>
Accumulated Depreciation	<b>81,841</b>	<b>7,221</b>	<b>89,063</b>
Net Leased Property	<b>\$ 98,060</b>	<b>\$ 9,079</b>	<b>\$107,139</b>

	Millions of yen		
	1999		
	Equipment	Other	Total
Acquisition Cost	¥17,613	¥1,460	¥19,074
Accumulated Depreciation	6,701	558	7,259
Net Leased Property	¥10,912	¥ 902	¥11,814

Obligations under financial leases as of March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Due within One Year	<b>¥ 4,050</b>	¥ 4,710	<b>\$ 38,154</b>
Due after One Year	<b>7,502</b>	8,350	<b>70,674</b>
Total	<b>¥11,552</b>	¥13,061	<b>\$108,829</b>

Depreciation expense and interest income under finance leases as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Depreciation Expense	<b>¥4,497</b>	¥3,685	<b>\$42,368</b>
Interest Income	<b>2,810</b>	524	<b>26,478</b>
Total	<b>¥5,639</b>	¥4,201	<b>\$68,846</b>

The minimum rental commitments under noncancellable operating leases at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Due within One Year	<b>¥ 68</b>	¥ 97	<b>\$645</b>
Due after One Year	<b>29</b>	66	<b>279</b>
Total	<b>¥ 98</b>	¥163	<b>\$924</b>

## Note 11

### Segment Information

Chuo Trust and its subsidiaries operate predominantly in the banking and trust business and certain subsidiaries deal in securities although those operations comprise a minor share of Chuo Trust's total business.

Domestic (Japan) total income and total assets by geographic segmentation for fiscal 2000 and 1999 represented more than 90% of the consolidated total income and total assets of each respective year. Accordingly, segment information by geographic area was not required to be disclosed.

## Note 12

### Subsequent Event

In accordance with the merger agreement approved at the meetings of the preferred shareholders of Chuo Trust and of Mitsui Trust held on June 22, 1999, and at the annual general meetings of Chuo Trust and of Mitsui Trust held on June 29, 1999, Chuo Trust merged with The Mitsui Trust and Banking Company, Limited ("Mitsui Trust"), on April 1, 2000.

Chuo Trust acquired all assets and assumed all liabilities of Mitsui Trust. Chuo Trust then changed its name to The Chuo Mitsui Trust and Banking Company, Limited.

# Independent Auditors' Report



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To the Board of Directors and Shareholders of  
The Chuo Mitsui Trust and Banking Company, Limited (Formerly Chuo Trust and Banking Company, Limited):

We have audited the accompanying Non-Consolidated Balance Sheets of the Banking Account of The Chuo Mitsui Trust and Banking Company, Limited (formerly Chuo Trust and Banking Company, Limited), as of March 31, 2000 and 1999, and the related Non-Consolidated Statements of Operations and Shareholders' Equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, procedures and practices in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Banking Account of The Chuo Mitsui Trust and Banking Company, Limited (formerly Chuo Trust and Banking Company, Limited), as of March 31, 2000 and 1999, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

The Consolidated Financial Statements of The Chuo Mitsui Trust and Banking Company, Limited (formerly Chuo Trust and Banking Company, Limited), and its consolidated subsidiaries as of March 31, 2000 and 1999, have been subjected to the same auditing procedures and, in our opinion, present fairly, in all material respects, the financial position of The Chuo Mitsui Trust and Banking Company, Limited (formerly Chuo Trust and Banking Company, Limited), and its consolidated subsidiaries as of March 31, 2000 and 1999, and the results of operations for the years then ended, and the cash flows for the year ended March 31, 2000, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

The accompanying Non-Consolidated and Consolidated Financial Statements expressed in U.S. dollars have been translated into dollars solely for the convenience of readers. We have reviewed the translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into U.S. dollars on the basis described in Note 1 of both the Non-Consolidated and Consolidated Financial Statements.

*Century Ota Showa & Co.*

Tokyo, Japan  
June 29, 2000

(Formerly Century Audit Corporation)

*The Chuo Mitsui Trust and Banking Company, Limited (formerly Chuo Trust and Banking Company, Limited), has prepared its Non-Consolidated and Consolidated Financial Statements for the year ended March 31, 2000, in conformity with new standards for research and development costs as described in Note 2 to the Non-Consolidated and Note 4 to the Consolidated Financial Statements.*



Member Firm of  
KPMG International

# Non-Consolidated Financial Statements (Trust Account—Unaudited)

The Chuo Trust and Banking Company, Limited

## Balance Sheets

As of March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Assets</b>				
	Loans and Bills Discounted (Note 2)	¥ 1,395,099	¥ 1,842,105	\$ 13,142,719
	Securities (Note 3)	7,485,916	7,158,421	70,522,059
	Securities Held for Investment Trusts	3,910,096	3,506,073	36,835,579
	Foreign Investment Held for Investment Trusts	35,005	70,400	329,769
	Beneficiary Rights	61,727	87,129	581,511
	Securities Held in Custody Accounts	2,656	4,604	25,023
	Securities Lent	16,636	90,008	156,730
	Monetary Claims	489,061	658,242	4,607,272
	Premises and Equipment	202,702	211,845	1,909,590
	Other Claims	41,273	38,681	388,820
	Bills Bought	—	1,498	—
	Call Loans	553,702	484,757	5,216,222
	Due from Banking Account	983,014	754,336	9,260,621
	Cash and Due from Banks	250,000	330,807	2,355,158
	<b>Total Assets</b>	<b>¥15,426,893</b>	<b>¥15,238,911</b>	<b>\$145,331,075</b>
<b>Liabilities</b>				
	Money Trusts (Note 4)	¥ 5,771,397	¥ 5,463,932	\$ 54,370,211
	Pension Trusts	1,895,272	1,855,193	17,854,659
	Property Formation Trusts	2,691	2,932	25,359
	Loan Trusts (Note 5)	1,907,316	2,250,646	17,968,123
	Securities Investment Trusts	4,562,101	4,251,224	42,977,880
	Money in Trust Other than Money Trusts	358,230	404,853	3,374,757
	Securities in Trust	19,298	22,816	181,808
	Money Claims in Trust	676,970	755,136	6,377,489
	Equipment Trusts	97	137	923
	Real Estate Trusts	20,286	21,561	191,108
	General Trusts	213,229	210,474	2,008,756
	<b>Total Liabilities</b>	<b>¥15,426,893</b>	<b>¥15,238,911</b>	<b>\$145,331,075</b>

See Notes to Non-Consolidated Financial Statements (Trust Account).



# Notes to Non-Consolidated Financial Statements (Trust Account—Unaudited)

The Chuo Trust and Banking Company, Limited  
Years ended March 31, 2000 and 1999

## Note 1

### Trust Accounts

Under the Trust Law of Japan, trust activities must be administered separately from a commercial banking business. As a result, assets accepted in trust must be segregated from other assets. Within the general category of trust accounts, each trust account is segregated from other trust assets. Accordingly, the financial statements of The Chuo Trust and Banking Company, Limited (“Chuo Trust”), do not reflect Chuo Trust’s records as to assets accepted in trust, which are maintained separately under the Trust Account.

Under certain trust agreements, repayments of the principal of the customers’ trust assets are guaranteed by Chuo Trust, and such guaranteed principal at March 31, 2000 and 1999, were ¥2,509,682 million (\$23,642,795 thousand) and ¥2,735,643 million, respectively.

All amounts expressed in yen have been rounded down to the nearest million yen, and all amounts expressed in U.S. dollars have been rounded off to the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to US\$1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## Note 2

### Loans and Bills Discounted

Loans and bills discounted at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Loans on Deeds	<b>¥1,304,844</b>	¥1,585,892	<b>\$12,292,461</b>
Loans on Notes	<b>90,254</b>	256,213	<b>850,258</b>
Total	<b>¥1,395,099</b>	¥1,842,105	<b>\$13,142,719</b>

Under certain trust agreements, repayments of the principal of the customers’ trust assets guaranteed by Chuo Trust include the following loans:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Loans to Borrowers in Bankruptcy	<b>¥ 7,612</b>	¥12,052	<b>\$ 71,717</b>
Past Due Loans	<b>29,871</b>	35,084	<b>281,406</b>
Accruing Loans Contractually Past Due Three Months or More	<b>6,507</b>	7,169	<b>61,302</b>
Restructured Loans	<b>1,876</b>	2,984	<b>17,675</b>
Total	<b>¥45,867</b>	¥57,291	<b>\$432,101</b>

## Note 3

### Securities

Listed stocks, convertible bonds and bonds with stock purchase warrants are carried at the lower of cost or market.

Other securities are stated at cost.

Securities held at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Government Bonds	<b>¥1,773,217</b>	¥1,715,072	<b>\$16,704,825</b>
Municipal Bonds	<b>99,009</b>	94,761	<b>932,730</b>
Corporate Bonds	<b>895,102</b>	881,804	<b>8,432,431</b>
Stocks	<b>2,732,966</b>	2,919,782	<b>25,746,270</b>
Foreign Securities	<b>1,883,359</b>	1,482,652	<b>17,742,439</b>
Other Securities	<b>102,261</b>	64,348	<b>963,364</b>
Total	<b>¥7,485,916</b>	¥7,158,421	<b>\$70,522,059</b>

#### Note 4

##### Balance of Jointly Operated Designated Money Trusts

Jointly operated designated money trusts are included in money trusts and the balances of these accounts are as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
<b>Assets</b>			<b>2000</b>
Loans and Bills			
Discounted	<b>¥ 48,381</b>	¥ 72,315	<b>\$ 455,786</b>
Securities	<b>227,297</b>	180,130	<b>2,141,285</b>
Other	<b>206,876</b>	119,387	<b>1,948,903</b>
Total	<b>¥482,555</b>	¥371,832	<b>\$4,545,974</b>
<b>Liabilities</b>			
Principal	<b>¥488,526</b>	¥373,376	<b>\$4,602,228</b>
Reserve for Possible			
Loan Losses	<b>151</b>	219	<b>1,432</b>
Other	<b>(6,123)</b>	(1,763)	<b>(57,687)</b>
Total	<b>¥482,555</b>	¥371,832	<b>\$4,545,974</b>

In the case of jointly operated designated money trusts, the principal amount is guaranteed and, as the above table indicates, reserve for possible loan losses is set aside by Chuo Trust. The figures of the table include funds reinvested from the other trusts managed by Chuo Trust.

#### Note 5

##### Balance of Loan Trusts

The balance of loan trusts is as follows (the figures include funds reinvested from other trusts managed by Chuo Trust):

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
<b>Assets</b>			
Loans and Bills			
Discounted	<b>¥1,302,213</b>	¥1,683,432	<b>\$12,267,670</b>
Securities	<b>348,564</b>	309,748	<b>3,283,698</b>
Other*	<b>403,987</b>	417,425	<b>3,805,819</b>
Total	<b>¥2,054,765</b>	¥2,410,605	<b>\$19,357,188</b>
<b>Liabilities</b>			
Principal	<b>¥2,021,156</b>	¥2,362,266	<b>\$19,040,567</b>
Special Reserve Funds	<b>10,870</b>	12,614	<b>102,411</b>
Other	<b>22,738</b>	35,724	<b>214,210</b>
Total	<b>¥2,054,765</b>	¥2,410,605	<b>\$19,357,188</b>

\*Mainly due from banking accounts.

As in jointly operated designated money trusts, the principal amount of loan trusts is guaranteed and, as the above table indicates, special reserve funds are set aside by Chuo Trust.

# Non-Consolidated Financial Statements (Banking Account)

The Mitsui Trust and Banking Company, Limited

## Non-Consolidated Balance Sheets

As of March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Assets</b>	Cash and Cash Equivalents	¥ 144,823	¥ 62,832	\$ 1,364,326
	Due from Banks Other than Due from the Bank of Japan	418,351	480,571	3,941,136
	Call Loans and Bills Bought	184,000	130,500	1,733,396
	Trading Assets	13,440	23,909	126,622
	Investment Securities (Notes 3, 8 and 28)	3,511,932	3,240,464	33,084,624
	Money Held in Trust	94,879	103,518	893,829
	Loans and Bills Discounted (Notes 4 and 8)	4,913,686	4,668,738	46,290,028
	Foreign Exchanges (Note 5)	3,242	2,544	30,547
	Other Assets (Note 6)	218,229	215,891	2,055,855
	Premises and Equipment (Note 7)	117,964	123,021	1,111,297
	Deferred Tax Assets (Note 26)	176,659	243,561	1,664,240
	Customers' Liabilities for Acceptances and Guarantees (Note 9)	113,196	142,612	1,066,380
	Reserve for Possible Loan Losses	(156,857)	(208,150)	(1,477,700)
	Reserve for Possible Investment Losses	(2,383)	(1,382)	(22,450)
	<b>Total Assets</b>	<b>¥9,751,165</b>	<b>¥9,228,633</b>	<b>\$91,862,134</b>
<b>Liabilities</b>	Deposits (Note 10)	¥4,528,669	¥3,779,748	\$42,662,928
	Call Money	50,046	53,512	471,471
	Trading Liabilities	11,480	20,695	108,151
	Borrowed Money (Note 11)	340,321	355,253	3,206,047
	Foreign Exchanges (Note 5)	48	5,847	459
	Subordinated Bonds	100,000	100,000	942,063
	Convertible Bonds (Note 12)	3,485	17,435	32,830
	Payable to Trust Account	3,609,741	3,736,852	34,006,042
	Other Liabilities (Note 13)	173,920	237,401	1,638,445
	Reserve for Retirement Allowances	13,294	14,801	125,241
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	12,217	8,540	115,095
	Deferred Tax Liabilities for Land Revaluation Excess	3,430	6,364	32,313
	Acceptances and Guarantees (Note 9)	113,196	142,612	1,066,380
	<b>Total Liabilities</b>	<b>8,959,853</b>	<b>8,479,066</b>	<b>84,407,470</b>
<b>Shareholders' Equity</b>	Capital Stock (Note 15)	388,790	383,430	3,662,652
	Capital Surplus (Note 15)	277,854	272,494	2,617,564
	Legal Reserve (Note 16)	35,158	33,313	331,218
	Land Revaluation Reserve (Note 2i)	5,168	8,770	48,693
	Earned Surplus (Note 17)	84,339	51,558	794,533
	<b>Total Shareholders' Equity</b>	<b>791,312</b>	<b>749,567</b>	<b>7,454,663</b>
	<b>Total Liabilities and Shareholders' Equity</b>	<b>¥9,751,165</b>	<b>¥9,228,633</b>	<b>\$91,862,134</b>

See Notes to Non-Consolidated Financial Statements (Banking Account).

## Non-Consolidated Statements of Operations

Years ended March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Income</b>	Interest Income:			
	Interest on Loans and Bills Discounted	¥ 101,189	¥ 132,883	\$ 953,265
	Interest and Dividends on Securities	96,551	112,541	909,572
	Interest on Call Loans and Bills Bought	417	685	3,930
	Other Interest Income (Note 18)	93,980	166,197	885,352
	Trust Fees (Note 19)	79,213	90,966	746,237
	Fees and Commissions	22,188	22,817	209,031
	Trading Gains	1	95	15
	Other Operating Income (Note 20)	24,730	41,301	232,973
	Other Income (Note 21)	206,659	174,158	1,946,858
	<b>Total Income</b>	<b>624,930</b>	<b>741,647</b>	<b>5,887,235</b>
<b>Expenses</b>	Interest Expense:			
	Interest on Deposits	¥ 40,328	¥ 62,069	\$ 379,923
	Interest on Borrowings and Bills Sold	10,443	10,832	98,385
	Other Interest Expense (Note 22)	175,164	278,818	1,650,161
	Fees and Commissions	4,654	4,612	43,849
	Trading Losses	1,706	1,014	16,080
	Other Operating Expenses (Note 23)	19,114	29,990	180,071
	General and Administrative Expenses (Note 24)	111,010	127,023	1,045,786
	Other Expenses (Note 25)	152,210	481,317	1,433,918
	<b>Total Expenses</b>	<b>514,634</b>	<b>995,677</b>	<b>4,848,177</b>
	Income (Loss) before Income Taxes	110,296	(254,029)	1,039,058
	Income Taxes (Note 26):			
	Current	1,086	1,128	10,235
	Deferred	64,154	(111,135)	604,375
	<b>Net Income (Loss)</b>	<b>¥ 45,055</b>	<b>¥(144,021)</b>	<b>\$ 424,447</b>
		Yen		U.S. dollars (Note 1)
		2000	1999	2000
<b>Per Share of Common Stock</b> (Note 2r)				
	Net Income (Loss)	¥24.58	¥(110.14)	\$0.23
	Diluted Net Income	13.52	—	0.12

## Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000 and 1999

	Thousands		Millions of yen					
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Legal Reserve	Land Revaluation Excess	Earned Surplus
			Common Stock	Preferred Stock				
Balance, March 31, 1998	1,198,296		¥169,483		¥122,897	¥32,114		¥ 70,344
Net Loss								(144,021)
Cash Dividends, ¥5.0 per Share								(5,991)
Transfer to Legal Reserve						1,199		(1,199)
Land Revaluation Excess							8,770	
Adjustment of Earned Surplus for Newly Applied Accounting for Tax Allocation								132,426
Conversion of Convertible Bonds	259,984		42,897		42,897			
Issuance of Common Stock	229,154		13,749		13,749			
Issuance of Preferred Stock		715,000		157,300	92,950			
Balance, March 31, 1999	1,687,435	715,000	226,130	157,300	272,494	33,313	8,770	51,558
Net Income								45,055
Cash Dividends, ¥4.5 per Common Stock and ¥2.21 per Preferred Stock								(9,210)
Transfer to Legal Reserve						1,845		(1,845)
Reversal of Land Revaluation Excess							(3,787)	3,787
Change in the Normal Effective Statutory Tax Rate							185	
Merger Cash Dividends, ¥2.00 per Common Stock and ¥2.19 per Preferred Stock								(5,005)
Conversion of Convertible Bonds	32,484		5,360		5,360			
<b>Balance, March 31, 2000</b>	<b>1,719,920</b>	<b>715,000</b>	<b>¥231,490</b>	<b>¥157,300</b>	<b>¥277,854</b>	<b>¥35,158</b>	<b>¥5,168</b>	<b>¥ 84,339</b>

	Thousands of U.S. dollars							
	Capital Stock		Capital Surplus	Legal Reserve	Land Revaluation Excess	Earned Surplus		
	Common Stock	Preferred Stock						
Balance, March 31, 1999			\$2,130,293	\$1,481,865	\$2,567,069	\$313,833	\$82,624	\$485,711
Net Income								424,447
Cash Dividends, ¥4.5 per Common Stock and ¥2.21 per Preferred Stock								(86,764)
Transfer to Legal Reserve						17,385		(17,385)
Reversal of Land Revaluation Excess							(35,680)	35,680
Change in the Normal Effective Statutory Tax Rate							1,749	
Merger Cash Dividends, ¥2.00 per Common Stock and ¥2.19 per Preferred Stock								(47,156)
Conversion of Convertible Bonds			50,494		50,494			
<b>Balance, March 31, 2000</b>			<b>\$2,180,787</b>	<b>\$1,481,865</b>	<b>\$2,617,564</b>	<b>\$331,218</b>	<b>\$48,693</b>	<b>\$794,533</b>

## Non-Consolidated Statements of Cash Flows

Years ended March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Operating Activities</b>	Income (Loss) Before Income Taxes	¥ <b>110,296</b>	¥ (254,029)	\$ <b>1,039,058</b>
	Adjustments for:			
	Income Taxes Paid	(3,300)	(3,345)	(31,096)
	Depreciation and Amortization	5,554	5,561	52,322
	Provision for Reserve for Possible Loan Losses	(51,292)	299,531	(483,212)
	Provision for Reserve for Possible Investment Losses	1,000	1,382	9,429
	Provision for Possible Losses from Loans Sold to CCPC	3,676	3,368	34,639
	Provision for Retirement Allowances	(1,507)	(2,831)	(14,199)
	Net Gain on Investment Securities	(146,709)	(75,097)	(1,382,092)
	Losses on Money Held in Trust	(16,819)	(5,915)	(158,453)
	Foreign Exchange Losses—Net	55,070	54,043	518,800
	Net Loss on Disposals of Premises and Equipment	965	1,092	9,099
	Changes in Assets and Liabilities:			
	Decrease (Increase) in Trading Assets	10,468	(9,633)	98,622
	(Decrease) Increase in Trading Liabilities	(9,215)	12,889	(86,812)
	(Increase) Decrease in Loans and Bills Discounted	(244,948)	755,277	(2,307,566)
	Increase (Decrease) in Deposits	683,634	(262,623)	6,440,268
	Increase (Decrease) in Negotiable Certificates of Deposits	65,286	(285,055)	615,040
	Decrease in Borrowed Money (Excluding Subordinated Loans)	(14,485)	(18,406)	(136,458)
	Decrease in Interest-Earning Deposits in Other Banks	62,219	79,352	586,148
	(Increase) Decrease in Call Loans and Bills Bought	(53,500)	444,760	(504,003)
	Decrease in Call Money and Bills Sold	(3,465)	(305,718)	(32,645)
	Decrease in Bond Repurchase Liabilities	(45,342)	(365,637)	(427,157)
	(Increase) Decrease in Foreign Exchanges (Assets)	(698)	13,294	(6,580)
	(Decrease) Increase in Foreign Exchanges (Liabilities)	(5,798)	5,451	(54,627)
	Decrease in Bonds	(3,230)	(39,820)	(30,437)
	Decrease in Payable to Trust Account	(127,111)	(1,208,404)	(1,197,468)
	Other—Net	(29,430)	(36,490)	(277,258)
	Net Cash Provided by (Used in) Operating Activities	241,317	(1,197,003)	2,273,358
<b>Investing Activities</b>	Purchases of Investment Securities	(2,967,815)	(1,739,108)	(27,958,696)
	Proceeds from Sales of Investment Securities	2,240,216	1,819,990	21,104,254
	Proceeds from Redemption of Investment Securities	547,609	640,523	5,158,829
	Increase in Monetary Trust Funds	(56,897)	(112,795)	(536,008)
	Decrease in Monetary Trust Funds	82,355	96,449	775,841
	Purchases of Premises and Equipment	(5,323)	(8,600)	(50,155)
	Proceeds from Sales of Premises and Equipment	9,738	1,899	91,746
	Net Cash (Used in) Provided by Investing Activities	(150,116)	698,357	(1,414,188)
<b>Financing Activities</b>	Increase in Subordinated Loans	—	150,000	—
	Issuance of Stock	—	277,747	—
	Dividends Paid	(9,210)	(5,991)	(86,764)
	Net Cash (Used in) Provided by Financing Activities	(9,210)	421,756	(86,764)
	Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	(2)	(5)
	Net Increase (Decrease) in Cash and Cash Equivalents	¥ 81,990	¥ (76,890)	\$ 772,400
	Cash and Cash Equivalents, Beginning of Year	¥ 62,832	¥ 139,723	\$ 591,925
	Cash and Cash Equivalents, End of Year	¥ 144,823	¥ 62,832	\$ 1,364,326
	Additional Cash Flow Information:			
	Non-Cash Investing and Financing Activities:			
	Capital Stock Increased by Conversion of Convertible Bonds	¥ 5,360	¥ —	\$ 50,494
	Capital Surplus Increased by Conversion of Convertible Bonds	5,360	¥ —	\$ 50,494
	Convertible Bonds Decreased by Conversion	¥ 10,720	¥ —	\$ 100,989
	Interest and Dividends Received	¥ 330,332	¥ 473,550	\$ 3,111,940
	Interest Paid	(250,226)	(394,198)	(2,357,293)

See Notes to Non-Consolidated Financial Statements (Banking Account).

# Notes to Non-Consolidated Financial Statements (Banking Account)

The Mitsui Trust and Banking Company, Limited  
Years ended March 31, 2000 and 1999

## **Note 1**

### **Basis of Presentation of Financial Statements**

The accompanying non-consolidated financial statements (Banking Account) have been prepared from the accounts maintained by The Mitsui Trust and Banking Company, Limited ("Mitsui Trust") in accordance with accounting principles and practices generally accepted in Japan, the Uniform Accounting Standards for Banks issued by the Japanese Bankers Association and the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of the International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The non-consolidated statements of cash flows are not required, as part of the basic financial statements in Japan, but are presented herein as additional information. Effective April 1, 1999, Mitsui Trust adopted the new accounting standards for cash flows, which differed from those applied up to the year ended March 31, 1999; accordingly, the non-consolidated statement of cash flows for the year ended March 31, 1999 was restated to be in conformity with the new standards.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to Mitsui Trust's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

All amounts expressed in yen have been rounded down to the nearest million yen, and all amounts expressed in U.S. dollars have been rounded down to the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to US\$1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## **Note 2**

### **Summary of Significant Accounting Policies**

#### **a. Non-Consolidation**

The accompanying non-consolidated financial statements include only the accounts of Mitsui Trust. Investments in

subsidiaries are stated at cost and the equity method of accounting has not been adopted.

#### **b. Cash and Cash Equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include due from the Bank of Japan.

The scope of cash and cash equivalents in 1999 was changed from cash and due from banks to conform with the presentation in 2000.

#### **c. Mark-to-Market Accounting for Trading Purpose Transactions**

"Transactions for Trading Purposes" (the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading Assets" and "Trading Liabilities" on a trade-date basis. Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value and trading-related financial derivatives are at the amounts that would be settled if they were terminated at the end of the fiscal year.

#### **d. Translation of Foreign Currency Accounts**

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at each balance sheet date, except that certain special accounts specified by the Uniform Accounting Standards for Banks, are translated at the historical rates. Unrealized gains or losses arising from the above translation procedures are reflected in current operations for the period.

The forward exchange contracts, except for the swap transactions described below, are valued at prevailing market rates at the end of the fiscal year in accordance with the Uniform Accounting Standards for Banks. The gain or loss resulting from long-term contracts with remaining lives of more than one year are reported on a net present value basis. The discount or premium on a forward exchange contract that is intended to hedge an identifiable foreign currency asset or liability is accounted for separately in determining net income over the life of the swap transaction. The interest income or expense with regard to currency swaps are accrued over the life of the swap transaction. Foreign currency futures and option contracts are valued at market rates prevailing at year-end.

#### **e. Option Premiums**

Option premiums are accounted for as income or expense items at the option expiration date, rights execution date or

rights expiration date, until which time they are accounted for as “Other Assets” or “Other Liabilities” in the non-consolidated balance sheets.

#### **f. Investment Securities**

All investment securities are stated at cost. Cost of securities sold is determined by the moving-average method. When the market price of investment securities is substantially less than cost and the decline in the market price is considered to be permanent, the investment securities are valued at the market price.

The valuation method of securities held in individually managed money trusts for asset management purposes are stated at cost.

#### **g. Premises and Equipment**

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 20 to 50 years for buildings, from 5 to 12 years for equipment and from 3 to 10 years for furniture and fixtures.

#### **h. Software**

Effective April 1, 1999, the purchased software costs are depreciated over the estimated useful lives of the software (principally five years) in accordance with the new accounting standard for research and development costs while these costs incurred before April 1, 1999, were charged to income as incurred.

#### **i. Land Revaluation**

Under the new “Law of Land Revaluation,” promulgated and revised on March 31, 1998 and 1999, respectively, Mitsui Trust elected the one-time revaluation for its own-use land to a value based on real estate appraisal information as of March 31, 1998.

Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. The details of the one-time revaluation as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Land before Revaluation	<b>¥53,647</b>	¥54,250	<b>\$505,395</b>
Land after Revaluation	<b>62,246</b>	69,384	<b>586,403</b>
Land Revaluation Excess	<b>8,598</b>	15,134	<b>81,007</b>
(Net of Income Taxes)	<b>(5,168)</b>	(8,770)	<b>(48,693)</b>

As at March 31, 2000 and 1999, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥12,995 million (\$122,424 thousand) and ¥8,561 million, respectively.

#### **j. Stock Issue Expenses**

Stock issue expenses are charged to income when paid.

#### **k. Reserve for Possible Loan Losses**

The amounts of the provision for reserve for possible loan losses is determined based on management’s judgment and assessment of future losses based on the self assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

Mitsui Trust has implemented the self assessment system for its asset quality. The quality of all loans are assessed by branches and the loan supervisory division with a subsequent audit by the asset assessment division in accordance with Mitsui Trust’s policy and rules for self assessment of asset quality.

Mitsui Trust has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self assessment of asset quality. All loans are classified into five categories for self assessment purpose such as “normal,” “caution,” “possible bankruptcy,” “virtual bankruptcy” and “legal bankruptcy.”

Reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including value of future cash flows for other self assessment categories.

In addition, provisions for possible loan losses relating to restructuring countries are recorded in accordance with the Uniform Accounting Standards for Banks.

With respect to loans with collateral and/or guarantees extended to borrowers in bankruptcy or borrowers effectively in bankruptcy, the unrecoverable amount is estimated by deducting from the loan amount the realizable value of collateral or the amount likely to be recovered based on guarantees. The outstanding amount thus determined is then directly written off from the loan amount as the unrecoverable amount. Such loans amounted to ¥457,090 million (\$4,306,079 thousand) and ¥417,427 million at March 31, 2000 and 1999, respectively.

#### **l. Reserve for Retirement Allowances and Pension Plans**

The Reserve for Retirement Allowances is provided and represents the amount that would be required if all employees were



to voluntarily terminate their employment at the end of each year. Mitsui Trust has adopted a non-contributory funded pension plan to replace a part of the existing unfunded retirement benefit plan. The replacement percentage was changed to 40% from 30%, on October 1, 1998. Prior service costs are accrued as incurred.

In addition, Mitsui Trust has a contributory pension plan covering all employees.

**m. Reserve for Possible Losses on Collateralized Real Estate Sold to CCPC**

The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company (“CCPC”) is provided at an amount deemed necessary to cover possible losses based on the estimated fair value of real estate. In accordance with the terms of the loans collateralized by real estate sales contracts, Mitsui Trust is required to cover certain portions of losses incurred as defined in the contract, when CCPC disposes of real estate in satisfaction of the related debt.

**n. Reserve for Possible Investment Losses**

Reserve for possible investment losses is provided for the possible losses arising from the investment in borrowers classified as a “possible bankruptcy” category as defined by the self assessment system.

**o. Income Taxes**

Effective April 1, 1998, Mitsui Trust adopted accounting for allocation of income taxes based on the asset and liability method. The cumulative effect of the application of inter-period tax allocation in prior years in the amount of ¥132,426 million is included as an adjustment to earned surplus as of April 1, 1998.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**p. Leases**

All leases are accounted for as operating leases. In accordance with Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as operating leases if certain “as if capitalized” information is disclosed in the notes to the lessee’s non-consolidated financial statements.

**q. Cash Dividends**

Cash dividends are paid semiannually. Interim dividends may be paid after the end of the semiannual period, by resolution of the Board of Directors, while year-end dividends are authorized after the close of each period to which they relate and are reflected in the non-consolidated statements of shareholders’ equity when duly declared and paid.

**r. Per Share Information**

Net income (loss) per share of common stock calculation represents net income (loss) dividends on preferred shares, divided by the average number of common shares outstanding in the respective fiscal years.

Diluted net income per common share assumes full conversion of outstanding convertible bonds at the beginning of the year with an applicable adjustment for related net-of-tax interest expense.

Diluted net income per share is not disclosed because of the net loss position in 1999.

**Note 3**

**Investment Securities**

Investment securities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Government Bonds	¥1,002,221	¥ 474,160	\$ 9,441,559
Municipal Bonds	78,326	161,611	737,888
Corporate Bonds	260,288	387,148	2,452,084
Stocks	1,509,854	1,597,514	14,223,782
Other Securities	661,006	619,795	6,227,102
Securities Lent	234	234	2,206
Total	¥3,511,932	¥3,240,464	\$33,084,624

**Note 4**

**Loans and Bills Discounted**

Loans and bills discounted at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Bills Discounted	¥ 27,341	¥ 25,730	\$ 257,574
Loans on Notes	1,556,759	1,554,005	14,665,653
Loans on Deeds	2,900,867	2,802,589	27,327,998
Overdrafts	428,718	286,412	4,038,801
Total	¥4,913,686	¥4,668,738	\$46,290,028

### “Nonaccrual Loans”

Loans to borrowers in bankruptcy are included in loans and bills discounted, and totaled ¥31,504 million (\$296,794 thousand) and ¥39,842 million at March 31, 2000 and 1999, respectively.

Loans are generally placed on nonaccrual status when substantial doubt is judged to exist as to the ultimate collectibility of either principal or interest if they are past due for a certain period or for other reasons.

Loans to borrowers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt, which is defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law.

Past due loans are included in loans and bills discounted, and totaled ¥353,487 million (\$3,330,077 thousand) and ¥452,308 million at March 31, 2000 and 1999, respectively.

Past due loans are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payment is deferred in order to assist the financial recovery of a debtor in financial difficulties.

### “Accruing Loans Contractually Past Due Three Months or More”

Accruing loans contractually past due three months or more are included in loans and bills discounted, and total ¥854 million (\$8,050 thousand) and ¥5,267 million at March 31, 2000 and 1999, respectively. Loans classified as loans to borrowers in bankruptcy or past due loans are excluded.

### “Restructured Loans”

Restructured loans are included in loans and bills discounted, and totaled ¥138,130 million (\$1,301,280 thousand) and ¥153,290 million at March 31, 2000 and 1999, respectively. Such restructured loans are loans on which Mitsui Trust granted concessions (e.g., reduction of the face amount or maturity amount of the debt or accrued interest) to the debtors in financial difficulties to assist them in their financial recovery and eventually their ability to pay creditors. Loans classified as loans to borrowers in bankruptcy or past due loans or accruing loans contractually past due three months or more are excluded.

Nonaccrual loans, accruing loans contractually past due three months or more and restructured loans totaled ¥523,978 million (\$4,936,203 thousand) and ¥650,709 million at March 31, 2000 and 1999, respectively.

The amount of claims included above for 2000 are amounts before the reserve for possible loan losses is deducted.

## Note 5

### Foreign Exchanges

Foreign exchanges at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Assets</b>			
Due from Foreign Banks	<b>¥3,181</b>	¥1,028	<b>\$29,973</b>
Advances to Foreign Banks	<b>60</b>	69	<b>574</b>
Foreign Exchange Bills Purchased	—	1,446	—
Total	<b>¥3,242</b>	¥2,544	<b>\$30,547</b>
<b>Liabilities</b>			
Due to Foreign Banks	<b>¥ 43</b>	¥5,839	<b>\$ 408</b>
Foreign Exchange Bills Sold	<b>4</b>	3	<b>43</b>
Foreign Exchange Bills Payable	<b>0</b>	4	<b>8</b>
Total	<b>¥ 48</b>	¥5,847	<b>\$ 459</b>

## Note 6

### Other Assets

Other assets at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Prepaid Expenses	<b>¥ 129</b>	¥ 261	<b>\$ 1,224</b>
Accrued Income	<b>83,384</b>	122,025	<b>785,535</b>
Other	<b>134,714</b>	93,604	<b>1,269,096</b>
Total	<b>¥218,229</b>	¥215,891	<b>\$2,055,855</b>

## Note 7

### Premises and Equipment

Premises and equipment at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Land	<b>¥ 62,246</b>	¥ 69,384	<b>\$ 586,403</b>
Buildings	<b>29,912</b>	22,944	<b>281,799</b>
Equipment	<b>9,767</b>	11,771	<b>92,012</b>
Construction in Progress	—	2,225	—
Other	<b>16,037</b>	16,694	<b>151,082</b>
Total	<b>¥117,964</b>	¥123,021	<b>\$1,111,297</b>

Accumulated depreciation amounted to ¥74,130 million (\$698,352 thousand) and ¥79,228 million at March 31, 2000 and 1999, respectively.

## Note 8 Collaterals

The carrying amounts of assets pledged as collateral and the above collateralized debt at March 31, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
Securities	<b>¥175,520</b>	<b>\$1,653,509</b>
Loans	<b>251,520</b>	<b>2,369,478</b>
Total	<b>¥427,040</b>	<b>\$4,022,988</b>
Call Money	<b>1,000</b>	<b>9,420</b>

In addition, the following assets are deposited with respect to foreign exchange settlements and derivatives at March 31, 2000.

	Millions of yen	Thousands of U.S. dollars
Securities	<b>¥221,925</b>	<b>\$2,090,677</b>
Loans	<b>41,536</b>	<b>391,302</b>
Total	<b>¥263,462</b>	<b>\$2,481,981</b>

The information about collateral is not required to be disclosed for 1999.

## Note 9 Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and Guarantees." As a contra account, "Customers' Liabilities for Acceptances and Guarantees" is shown on the asset side of the balance sheets representing Mitsui Trust's right of indemnity from the applicant.

## Note 10 Deposits

Deposits at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Current Deposits	<b>¥ 82,451</b>	¥ 105,005	<b>\$ 776,746</b>
Ordinary Deposits	<b>413,394</b>	340,902	<b>3,894,432</b>
Deposits at Notice	<b>64,261</b>	94,725	<b>605,385</b>
Time Deposits	<b>3,223,364</b>	2,660,230	<b>30,366,127</b>
Negotiable Certificates of Deposit	<b>368,744</b>	303,457	<b>3,473,801</b>
Other	<b>376,454</b>	275,427	<b>3,546,434</b>
Total	<b>¥4,528,669</b>	¥3,779,748	<b>\$42,662,928</b>

## Note 11 Borrowed Money

Borrowed money at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Borrowed Money	<b>¥ 39,031</b>	¥ 53,516	<b>\$ 367,699</b>
Subordinated Loans	<b>301,290</b>	301,737	<b>2,838,348</b>
Total	<b>¥340,321</b>	¥355,253	<b>\$3,206,047</b>

## Note 12 Convertible Bonds

Convertible bonds at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
2.375% U.S. Dollar Convertible Bonds due 2001	<b>¥ —</b>	¥ 3,230	<b>\$ —</b>
0.5% Japanese Yen Subordinated Convertible Bonds due 2007	<b>3,485</b>	14,205	<b>32,830</b>
Total	<b>¥3,485</b>	¥17,435	<b>\$32,830</b>

The aforementioned bonds are convertible into common stock of Mitsui Trust at the conversion prices (set forth below), subject to adjustment under certain circumstances.

The conversion prices per share are as follows:

	Conversion price per share March 31, 2000
0.5% Japanese Yen Subordinated Convertible Bonds due 2007	<b>¥330.00</b>

## Note 13 Other Liabilities

Other liabilities at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Accrued Expenses	<b>¥ 75,304</b>	¥100,531	<b>\$ 709,411</b>
Unearned Income	<b>5,072</b>	4,488	<b>47,786</b>
Cash Collateral in Exchange for Japanese Government Securities Lent	<b>68,544</b>	113,887	<b>645,734</b>
Other	<b>24,999</b>	18,493	<b>235,512</b>
Total	<b>¥173,920</b>	¥237,401	<b>\$1,638,445</b>

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**Note 14****Contingent Liabilities**

Under certain trust agreements, repayments of the corpora of the customers' trust assets are guaranteed by Mitsui Trust, and such guaranteed corpora at March 31, 2000 and 1999, total ¥5,905,245 million (\$55,631,140 thousand) and ¥6,813,833 million.

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**Note 15****Capital Stock and Capital Surplus**

Common stock has a par value of ¥50 per share. Preferred stock has no par value per share. Authorized common stock was 5,000 million and authorized preferred stock 800 million shares at March 31, 2000 and 1999.

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value, is to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to capital surplus. Mitsui Trust may transfer portions of capital surplus to stated capital by resolution of the Board of Directors.

Mitsui Trust may also transfer portions of unappropriated retained earnings to stated capital by resolution of the shareholders.

Under the Code, Mitsui Trust may issue new shares of its common stock to the existing shareholders without consideration pursuant to resolution of the Board of Directors as a stock split. Mitsui Trust may make such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by par value per share does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

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**Note 16****Legal Reserve**

Under the Banking Law of Japan, Mitsui Trust is required to appropriate as a legal reserve portions of unappropriated earned surplus in the amount not less than 20% of cash payments, including cash dividends and bonuses to directors and corporate auditors, appropriated in each financial period, until such reserve equals 100% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to common stock.

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**Note 17****Earned Surplus**

Earned surplus at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
General Reserve	<b>¥41,376</b>	¥ 61,676	<b>\$389,793</b>
Unappropriated Earned Surplus	<b>42,963</b>	(10,118)	<b>404,740</b>
Total	<b>¥84,339</b>	¥ 51,558	<b>\$794,533</b>

Under the Code, the General Reserve is available for future dividends subject to approval by shareholders.

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**Note 18****Other Interest Income**

Other interest income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Interest on Deposits			
with Banks	<b>¥ 5,525</b>	¥ 19,682	<b>\$ 52,054</b>
Interest on Interest Swaps	<b>87,352</b>	135,424	<b>822,912</b>
Other	<b>1,102</b>	11,090	<b>10,384</b>
Total	<b>¥93,980</b>	¥166,197	<b>\$885,352</b>

## Note 19

### Trust Fees

Mitsui Trust receives fees for controlling and managing trust properties held under trust agreements between Mitsui Trust and its clients.

## Note 20

### Other Operating Income

Other operating income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Gain on Foreign Exchange	<b>¥ 4,955</b>	¥ 3,268	<b>\$ 46,686</b>
Gain on Sales and Redemption of Bonds	<b>19,386</b>	37,187	<b>182,634</b>
Other	<b>387</b>	845	<b>3,651</b>
Total	<b>¥24,730</b>	¥41,301	<b>\$232,973</b>

## Note 21

### Other Income

Other income for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Gain on Sales of Stocks and Other Securities	<b>¥161,406</b>	¥161,592	<b>\$1,520,547</b>
Gain on Money Held in Trust	<b>17,108</b>	6,149	<b>161,170</b>
Other	<b>28,144</b>	6,416	<b>265,141</b>
Total	<b>¥206,659</b>	¥174,158	<b>\$1,946,858</b>

## Note 22

### Other Interest Expense

Other interest expense for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Interest on Interest Swaps	<b>¥129,735</b>	¥172,047	<b>\$1,222,190</b>
Interest on Payable to Trust Account	<b>32,448</b>	48,865	<b>305,689</b>
Other	<b>12,980</b>	57,905	<b>122,281</b>
Total	<b>¥175,164</b>	¥278,818	<b>\$1,650,161</b>

## Note 23

### Other Operating Expenses

Other operating expenses for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Loss on Sales of Bonds	<b>¥ 7,101</b>	¥12,467	<b>\$ 66,901</b>
Loss on Redemption of Bonds	<b>11,098</b>	16,577	<b>104,553</b>
Other	<b>914</b>	944	<b>8,615</b>
Total	<b>¥19,114</b>	¥29,990	<b>\$180,071</b>

## Note 24

### General and Administrative Expenses

The composition of general and administrative expenses for the years ended March 31, 2000 and 1999, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Salaries and Welfare Expenses	<b>¥ 47,871</b>	¥ 52,047	<b>\$ 450,975</b>
Retirement Benefits	<b>5,126</b>	2,423	<b>48,290</b>
Depreciation	<b>5,554</b>	5,561	<b>52,322</b>
Rent and Lease Expenses	<b>10,441</b>	15,173	<b>98,365</b>
Tax and Public Impositions	<b>4,132</b>	4,217	<b>38,935</b>
Other	<b>37,884</b>	47,600	<b>356,896</b>
Total	<b>¥111,010</b>	¥127,023	<b>\$1,045,786</b>

## Note 25

### Other Expenses

Other expenses for the years ended March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Provision for Possible Loan Losses	<b>¥ 27,951</b>	¥299,531	<b>\$ 263,319</b>
Loss on Devaluation of Stocks and Other Securities	<b>6,856</b>	17,137	<b>64,588</b>
Loss on Sales of Loans and Bills Discounted (Including Losses on Sales of Loans to CCPC)	<b>25,810</b>	79,884	<b>243,155</b>
Other	<b>91,592</b>	84,764	<b>862,854</b>
Total	<b>¥152,210</b>	¥481,317	<b>\$1,433,918</b>

## Note 26

### Income Taxes

Mitsui Trust is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% and 47% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
<b>Deferred Tax Assets:</b>			
Reserve for Possible Loan Losses	<b>¥151,234</b>	¥149,291	<b>\$1,424,725</b>
Write-down of Investment Securities	—	31,846	—
Tax Loss Carryforwards	<b>7,130</b>	16,299	<b>67,177</b>
Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	<b>4,873</b>	—	<b>45,911</b>
Other	<b>20,552</b>	46,125	<b>193,612</b>
Total	<b>¥183,791</b>	¥243,562	<b>\$1,731,427</b>
Unrecovered Amount	<b>(7,130)</b>	—	<b>(67,177)</b>
Deferred Tax Assets	<b>¥176,660</b>	¥243,562	<b>\$1,664,250</b>
<b>Deferred Tax Liabilities:</b>			
Other Reserve	<b>¥ 1</b>	¥ 1	<b>\$ 10</b>
Deferred Tax Liabilities	<b>¥ 1</b>	¥ 1	<b>\$ 10</b>
Net Deferred Tax Assets	<b>¥176,659</b>	¥243,561	<b>\$1,664,240</b>

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000, and the actual effective tax rates reflected in the accompanying consolidated statement of operation is as follows:

	Year ended March 31, 2000
Normal Effective Statutory Tax Rate	<b>42.05%</b>
Effect of Tax Rate Reduction	<b>8.43</b>
Write-off of Tax Loss Carryforwards	<b>6.81</b>
Other—Net	<b>1.86</b>
Actual Effective Tax Rate	<b>59.15%</b>

On March 31, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in the Tokyo Metropolis” (Ordinance 145 of the Tokyo Metropolis of April 1, 2000) was approved and enacted in Japan, which would decrease the normal effective statutory tax rate by 2.16%, effective for years beginning

April 1, 2000. The effect of this change on deferred taxes in the Non-Consolidated Statements of operation for the year ended March 31, 2000, is approximately ¥9,301 million (\$87,630 thousand).

On June 9, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in the Osaka Prefecture” (Ordinance 131 of the Osaka Prefecture of June 9, 2000) was promulgated in Japan, which might decrease the normal effective statutory tax rate by 0.56%, effective for fiscal years beginning April 1, 2001.

## Note 27

### Leases

Total lease payments under finance lease arrangements that do not transfer ownership of the leased equipment to the lessee are ¥531 million (\$5,003 thousand) and ¥1,021 million for the years ended March 31, 2000 and 1999, respectively.

Pro forma information of leased equipment such as acquisition cost, accumulated depreciation obligation under finance leases that do not transfer ownership of the leased equipment to the lessee on an “as if capitalized” basis for the years ended March 31, 2000 and 1999, are as follows:

	Equipment		Thousands of
	Millions of yen	1999	U.S. dollars
	<b>2000</b>		<b>2000</b>
Acquisition Cost	<b>¥1,225</b>	¥3,250	<b>\$11,544</b>
Accumulated Depreciation	<b>747</b>	2,340	<b>7,043</b>
Net Leased Property	<b>¥ 477</b>	¥ 910	<b>\$ 4,501</b>

Obligations under financial leases as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Due within One Year	<b>¥236</b>	¥495	<b>\$2,225</b>
Due after One Year	<b>265</b>	469	<b>2,503</b>
Total	<b>¥502</b>	¥965	<b>\$4,729</b>

Depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Depreciation Expense	¥467	¥888	\$4,406
Interest Expense	30	58	290
Total	¥498	¥947	\$4,696

Depreciation and interest expenses, which are not reflected in the accompanying non-consolidated statements of operations, were computed using the straight-line method and the interest method, respectively.

## Note 28

### Market Value Information

Carrying amounts and aggregate market values of Investment Securities, excluding securities for which a market value cannot be established, at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount	Aggregate market value	Carrying amount	Aggregate market value
<b>Investment Securities:</b>				
(2000):				
Marketable Bonds	¥1,180,069	¥1,155,123	\$11,116,996	\$10,881,991
Marketable Stocks	1,472,812	1,444,887	13,874,818	13,611,751
Other Marketable Securities	342,284	320,919	3,224,534	3,023,266
Total	¥2,995,165	¥2,920,930	\$28,216,350	\$27,517,008
(1999):				
Marketable Bonds	¥ 894,711	¥ 903,101		
Marketable Stocks	1,526,706	1,418,279		
Other Marketable Securities	224,003	198,657		
Total	¥2,645,421	¥2,520,038		

## Note 29

### Derivatives Information

#### 1. Non-Consolidated Derivative Transactions

(from April 1, 1999, to March 31, 2000)

##### (1) Instruments

Mitsui Trust executes transactions using interest rate derivatives (interest rate futures, interest rate swaps, interest rate options, caps, floors and swaptions), currency derivatives (exchange contracts, currency swaps and currency options), and bond derivatives (bond futures, bond future options, and over-the-counter bond options).

##### (2) Purpose and Policies on Derivative Transactions

In the banking account, derivative transactions function as an excellent tool in controlling interest rate and foreign exchange rate risks on the Bank's own assets and liabilities.

In the trading account, derivative transactions serve to secure profit through short-term fluctuations and margins between markets linked to interest rates, foreign currencies and other elements of the securities market. Mitsui Trust also integrates derivative transactions into a diverse assortment of financial products to meet the financing needs of clients, and strives to ensure that clients fully understand derivative-imbedded products and the risk that accompanies derivative transactions.

Mitsui Trust does not engage in transactions, such as highly leveraged derivatives, for which transaction values fluctuate wildly compared with the price movement of the underlying products.

##### (3) Contents of Risks for Derivative Transactions

The primary risks inherent in derivative transactions are presented below:

###### (a) Market Risk

This is the risk of possible loss resulting from future fluctuations in the market price of traded financial instruments, such as interest rates, foreign exchange rates and bond values. The Bank measures risk volume through such means as basis point value (BPV)<sup>1</sup> and value at risk (VaR)<sup>2</sup>.

VaR for the term to March 31, 2000<sup>3</sup>, in the trading account on a consolidated basis is provided below.

Millions of yen			
Maximum	Minimum	Average	End of Year
1,186	173	555	441

1. The change in fair value of financial instruments when interest rates change by 1 basis point (0.01%).
2. A method to statistically estimate maximum portfolio loss at a certain probability during a given holding period, which enables standardized measurement of risk across different products, including interest rates, foreign exchange rates and bonds.
3. Measurement assumes a confidence level of 99% and a holding period of 10 days.

**(b) Credit Risk**

Generally, credit risk is the risk of potential reduction or complete elimination of fair value on financial instruments, due to the worsening financial position of a borrower.

In the case of derivative transactions, credit risk is not the loss of the assumed principal but the cost, or reconstruction cost, extended to conclude an agreement with a third party with cash flow equivalent to the amount at the time the original counterparty defaulted.

The Bank's credit equivalent—as determined on a consolidated basis according to BIS capital adequacy standards—comprises latent credit exposure plus reconstruction costs. This amount is detailed below.

Item	Millions of yen March 31, 2000
Interest Rate Swaps	<b>¥139,141</b>
Currency Swaps	<b>45,204</b>
Foreign Exchange	<b>15,602</b>
Interest Rate Options (Buying)	<b>263</b>
Currency Options (Buying)	<b>203</b>
Effect of Close-Out Netting Agreements which Reduce the Bank's Credit Risk Exposure	<b>(5,204)</b>
Total	<b>¥195,211</b>

**(4) Risk Management for Derivative Transactions**

Mitsui Trust formulated Rules for Risk Management to serve as the basic building blocks for effective risk management and picked one rule—to secure sound operations—to symbolize Mitsui Trust's risk-management goals. Mitsui Trust seeks to pinpoint all types of risk that require control, identify methods for hedging risk and clarify the structure and respective authority necessary for appropriate risk management. Under the supervision of the Board of Directors, the Internal Control Executive Committee, which has the participation of executives at the position of managing director or above, drafts and reviews guidelines for each type of risk. This committee also determines suitable allocation of management

resources, according to established risk limits, and quantitatively ascertains the Bank's level of risk in each category.

In line with Bylaws for Market Risk Management, which outlines a direction for market risk management at the Bank, Mitsui Trust established Rules for Market Risk Management to facilitate techniques for measuring and limiting market risk and to separate the operating structure into front, middle and back offices. The Bank thus executes risk management activities that conform to these bylaws and subsequent rules.

For example, upper limits on market risk are decided by the Internal Control Executive Committee, and the Corporate Risk Management Department, in its capacity as the bankwide middle office, identifies and analyzes overall market risks independently from the front offices. The division reports to the senior management on a daily basis and to the Internal Control Executive Committee on a monthly basis.

Mitsui Trust formulated Rules for Credit Risk Management to provide a direction for controlling credit risk from transaction counterparties involved in lending, fund transactions and derivative transactions. The Loan Planning Department maintains close ties with credit-related departments to manage and improve overall credit risk capabilities.



## Interest Rate Transactions

	Millions of yen			
	<b>2000</b>			
	Contract or notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			
<b>Non-Listed:</b>				
Interest Rate Swaps:				
Fixed Rate Receipt, Floating Rate Payment	<b>¥3,512,824</b>	<b>¥2,355,038</b>	<b>¥ 72,501</b>	<b>¥ 72,501</b>
Floating Rate Receipt, Fixed Rate Payment	<b>3,769,490</b>	<b>2,363,662</b>	<b>(100,670)</b>	<b>(100,670)</b>
Floating Rate Receipt, Floating Rate Payment	<b>58,670</b>	<b>5,000</b>	<b>42,030</b>	<b>42,030</b>
<b>Others:</b>				
Selling	<b>97,963</b>	<b>66,464</b>		
	<b>[1,510]</b>		<b>949</b>	<b>560</b>
Buying	<b>170,249</b>	<b>50,800</b>		
	<b>[978]</b>		<b>66</b>	<b>(912)</b>

Thousands of U.S. dollars

	<b>2000</b>			
	Contract or notional amount		Fair value	Unrealized profit (loss)
	Total	Over one year		
<b>Non-Listed:</b>				
Interest Rate Swaps:				
Fixed Rate Receipt, Floating Rate Payment	<b>\$33,093,020</b>	<b>\$22,185,947</b>	<b>\$683,010</b>	<b>\$683,010</b>
Floating Rate Receipt, Fixed Rate Payment	<b>35,510,984</b>	<b>22,267,188</b>	<b>(948,379)</b>	<b>(948,379)</b>
Floating Rate Receipt, Floating Rate Payment	<b>552,708</b>	<b>47,103</b>	<b>395</b>	<b>395</b>
<b>Others:</b>				
Selling	<b>922,873</b>	<b>626,132</b>		
	<b>[14,230]</b>		<b>8,945</b>	<b>5,284</b>
Buying	<b>1,603,853</b>	<b>478,568</b>		
	<b>[9,221]</b>		<b>629</b>	<b>(8,592)</b>

	Millions of yen			
	1999			
	Contract or notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			
<b>Listed:</b>				
Interest Rate Futures:				
Buying	¥ 145,290	¥ —	¥144,938	¥ (352)
<b>Non-Listed:</b>				
Interest Rate Swaps:				
Fixed Rate Receipt, Floating Rate Payment	5,539,274	3,357,237	228,539	228,539
Floating Rate Receipt, Fixed Rate Payment	5,198,048	3,112,195	(222,618)	(222,618)
Floating Rate Receipt, Floating Rate Payment	148,730	58,670	275	275
<b>Others:</b>				
Selling	78,104	63,113	582	658
	[1,241]			
Buying	206,784	170,281	279	(2,252)
	[2,532]			

- Notes: 1. Estimate of fair value: For the instruments listed on exchanges, the closing prices at March 31 at the Tokyo International Financial Futures Exchange and other exchanges were applied.
2. The contract amount column is a notional principal amount for swap transactions, futures, options and other transactions. As for option transactions, the option premium included on the balance sheets is entered in parentheses below the contract amount.
3. Others primarily include the cap/floor trading.
4. Details of interest rate swaps contracts such as notional principal amount and average interest rate (receipt and payment) are as described in the following:

	Millions of yen, percent		
	<b>2000</b>		
	Within one year	One to three years	Over three years
<b>Remaining Term:</b>			
Fixed Rate Receipt Swaps			
Notional Amount	<b>¥1,157,785</b>	<b>¥1,459,126</b>	<b>¥ 895,912</b>
Average Fixed Rate (Receipt)	<b>4.64%</b>	<b>3.82%</b>	<b>3.60%</b>
Average Floating Rate (Payment)	<b>3.02%</b>	<b>2.32%</b>	<b>2.52%</b>
Fixed Rate Payment Swaps			
Notional Amount	<b>1,405,828</b>	<b>1,637,102</b>	<b>726,559</b>
Average Fixed Rate (Payment)	<b>4.17%</b>	<b>4.23%</b>	<b>4.30%</b>
Average Floating Rate (Receipt)	<b>2.30%</b>	<b>2.38%</b>	<b>2.58%</b>
Floating Rate Swaps			
Notional Amount	<b>53,670</b>	<b>5,000</b>	—
Average Floating Rate (Receipt)	<b>2.02%</b>	<b>0.65%</b>	—
Average Floating Rate (Payment)	<b>1.93%</b>	<b>0.65%</b>	—
<b>Total</b>	<b>¥2,617,284</b>	<b>¥3,101,228</b>	<b>¥1,622,471</b>

	Thousands of U.S. dollars		
	<b>2000</b>		
	Within one year	One to three years	Over three years
Fixed Rate Receipt Swaps			
Notional Amount	<b>\$10,907,072</b>	<b>\$13,745,889</b>	<b>\$ 8,440,058</b>
Fixed Rate Payment Swaps			
Notional Amount	<b>13,243,795</b>	<b>15,422,541</b>	<b>6,844,646</b>
Floating Rate Swaps			
Notional Amount	<b>505,605</b>	<b>47,103</b>	—
<b>Total</b>	<b>\$24,656,473</b>	<b>\$29,215,534</b>	<b>\$15,284,705</b>

	Millions of yen, percent		
	1999		
	Within one year	One to three years	Over three years
<b>Remaining Term:</b>			
Fixed Rate Receipt Swaps			
Notional Amount	¥2,182,036	¥2,052,741	¥1,304,496
Average Fixed Rate (Receipt)	5.04%	4.55%	4.01%
Average Floating Rate (Payment)	3.24%	2.62%	2.39%
Fixed Rate Payment Swaps			
Notional Amount	2,085,853	2,312,362	799,833
Average Fixed Rate (Payment)	4.54%	4.12%	3.67%
Average Floating Rate (Receipt)	2.39%	2.04%	1.39%
Floating Rate Swaps			
Notional Amount	90,060	58,670	—
Average Floating Rate (Receipt)	2.13%	1.97%	—
Average Floating Rate (Payment)	2.31%	2.07%	—
<b>Total</b>	<b>¥4,357,950</b>	<b>¥4,423,773</b>	<b>¥2,104,329</b>

For the average rate column, all currency average is entered.

- Notes: 5. Interest rate futures and interest rate future options traded on exchanges: The amount of these transactions has recently risen, although over-the-counter transactions are declining due to the concern for liquidity and credit risks.
6. Interest rate swaps: This is not only a core product of the dealing business of Mitsui Trust, but a major risk management tool in terms of its ALM as a whole. As of the end of March, fixed rate payments exceed receipts, indicating that their overall operation is prepared for the risk of rising interest rates. The trading amount has remained stable for the past several years.
7. Derivative transactions for trading purposes in "Trading Assets" or "Trading Liabilities" are stated at market value. Therefore, these accounts are not included in the above table. Detail of such transactions for trading purposes, such as contract or notional amounts, fair value and average interest rate are as described in the following:

	2000			
	Millions of yen		Thousands of U.S. dollars	
	Contract or notional amount	Fair value	Contract or notional amount	Fair value
<b>Listed:</b>				
Interest Rate Futures:				
Selling	¥ 102,945	¥102,958	\$ 969,809	\$969,930
Buying	24,587	24,588	231,626	231,635
Interest Rate Options:				
Selling	921,600		8,682,053	
	[251]	116	(2,371)	1,096
Buying	1,090,000		10,268,487	
	[316]	188	(2,982)	1,774
<b>Non-Listed:</b>				
Interest Rate Swaps	2,082,528	834	19,618,734	7,858
Others:				
Selling	16,999		160,141	
	[252]	78	(2,374)	736
Buying	20,664		194,671	
	[407]	225	(3,839)	2,128
	1999			
	Millions of yen			
	Contract or notional amount	Fair value		

<b>Listed:</b>		
Interest Rate Futures:		
Selling	¥ 130,672	¥130,739
Buying	18,020	18,055
Interest Rate Options:		
Selling	1,215,000	
	[267]	133
Buying	1,476,000	
	[271]	313
<b>Non-Listed:</b>		
Interest Rate Swaps	1,694,406	1,440
Others:		
Selling	41,974	
	[510]	383
Buying	31,585	
	[561]	422

	Millions of yen, percent		
	2000		
	Within one year	One to three years	Over three years
<b>Remaining Term:</b>			
Fixed Rate Receipt Swaps			
Notional Amount	¥225,117	¥424,915	¥361,411
Average Fixed Rate (Receipt)	3.90%	2.34%	2.78%
Average Floating Rate (Payment)	3.66%	1.66%	2.08%
Fixed Rate Payment Swaps			
Notional Amount	296,445	431,187	343,301
Average Fixed Rate (Payment)	2.94%	2.28%	2.80%
Average Floating Rate (Receipt)	2.77%	1.62%	2.08%
Floating Rate Swaps			
Notional Amount	150	—	—
Average Floating Rate (Receipt)	0.23%	—	—
Average Floating Rate (Payment)	1.15%	—	—
Total	¥521,713	¥856,102	¥704,712
	Thousands of U.S. dollars		
	2000		
	Within one year	One to three years	Over three years
Fixed Rate Receipt Swaps			
Notional Amount	\$2,120,751	\$4,002,969	\$3,404,727
Fixed Rate Payment Swaps			
Notional Amount	2,792,701	4,062,060	3,234,112
Floating Rate Swaps			
Notional Amount	1,413	—	—
Total	\$4,914,865	\$8,065,029	\$6,638,839

	Millions of yen, percent		
	1999		
	Within one year	One to three years	Over three years
<b>Remaining Term:</b>			
Fixed Rate Receipt Swaps			
Notional Amount	¥326,418	¥221,590	¥319,944
Average Fixed Rate (Receipt)	5.94%	2.39%	2.53%
Average Floating Rate (Payment)	5.07%	1.85%	1.70%
Fixed Rate Payment Swaps			
Notional Amount	308,369	207,715	310,219
Average Fixed Rate (Payment)	6.03%	2.58%	2.46%
Average Floating Rate (Receipt)	5.03%	1.98%	1.70%
Floating Rate Swaps			
Notional Amount	—	150	—
Average Floating Rate (Receipt)	—	0.74%	—
Average Floating Rate (Payment)	—	1.15%	—
<b>Total</b>	<b>¥634,787</b>	<b>¥429,456</b>	<b>¥630,163</b>

## Currency Transactions

	Millions of yen			
	2000			
	Contract or notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			
<b>Non-Listed:</b>				
Currency Swaps	<b>¥692,783</b>	<b>¥116,288</b>	<b>¥(5,662)</b>	<b>¥(5,662)</b>
U.S. Dollar	<b>619,729</b>	<b>166,288</b>	<b>(5,554)</b>	<b>(5,554)</b>
Sterling Pound	<b>7,612</b>	—	<b>(46)</b>	<b>(46)</b>
Other	<b>10,791</b>	—	<b>(61)</b>	<b>(61)</b>

	Thousands of U.S. dollars			
	2000			
	Contract or notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			
<b>Non-Listed:</b>				
Currency Swaps	<b>\$6,526,453</b>	<b>\$1,095,514</b>	<b>\$(53,341)</b>	<b>\$(53,341)</b>
U.S. Dollar	<b>5,838,239</b>	<b>1,095,514</b>	<b>(52,323)</b>	<b>(52,323)</b>
Sterling Pound	<b>71,711</b>	—	<b>(435)</b>	<b>(435)</b>
Other	<b>616,502</b>	—	<b>(582)</b>	<b>(582)</b>

	Millions of yen			
	1999			
	Contract or notional amount		Fair value	Unrealized profit (loss)
Total	Over one year			

## Non-Listed:

Currency Swaps	¥866,906	¥336,322	¥(11,323)	¥(11,323)
U.S. Dollar	834,532	333,746	(11,799)	(11,799)
Sterling Pound	15,080	—	(168)	(168)
Other	17,293	2,576	644	644

- Notes: 1. More than 90% of the currency swap transactions, which are mainly composed of transactions with clients and their hedge transactions, are denominated in U.S. dollars on either side of the obligations.
2. Currency futures contracts and currency options are excluded from the above schedule, as their carrying amounts are repriced at the end of the term, and their profit and loss are stated in the non-consolidated statements of operations.

The contract amount of currency-related derivative transactions under repricing are as described in the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Contract or notional amount	Contract or notional amount	Contract or notional amount	Contract or notional amount

## Non-Listed:

Foreign Exchange			
Forward Contracts:			
Selling	<b>¥472,075</b>	¥629,885	<b>\$4,447,250</b>
Buying	<b>534,939</b>	454,621	<b>5,039,467</b>
Currency Options:			
Selling	<b>2,653</b>	68,987	<b>25,000</b>
	<b>[34]</b>	[1,151]	<b>[324]</b>
Buying	<b>2,653</b>	64,061	<b>25,000</b>
	<b>[34]</b>	[1,628]	<b>[324]</b>

- Notes: 1. For option transactions, the option premium summed up in the non-consolidated balance sheets is entered in parentheses below the contract amount.
2. Although Mitsui Trust has, as a market maker, been positively engaged in forward foreign exchange transactions, the term-end balance of contracts has continued to show a slight decline for the past several years, reflecting a drop in the trading volume in the market.
3. There are no derivative currency transactions for trading purposes.

## Bond Transactions

	Millions of yen		
	2000		
Contract amount	Fair value	Unrealized profit (loss)	

## Listed:

Bond Futures:			
Selling	<b>¥131,464</b>	<b>¥131,500</b>	<b>¥(35)</b>
Buying	<b>2,239</b>	<b>2,234</b>	<b>(3)</b>

	Thousands of U.S. dollars		
	<b>2000</b>		
	Contract amount	Fair value	Unrealized profit (loss)
<b>Listed:</b>			
Bond Futures:			
Selling	<b>\$1,238,482</b>	<b>\$1,238,813</b>	<b>\$(330)</b>
Buying	<b>21,093</b>	<b>21,059</b>	<b>(33)</b>

	Millions of yen		
	1999		
	Contract amount	Fair value	Unrealized profit (loss)
<b>Listed:</b>			
Bond Futures:			
Selling	¥3,950	¥3,975	¥(24)
Buying	3,003	2,991	(12)

- Notes: 1. Estimate of fair value: For exchange listed instruments, the closing prices at March 31, at the Tokyo Stock Exchange and other exchanges were applied.
2. Bond futures transactions are used mainly as a tool to control interest risk concerning the dealer business.
3. Derivative transactions for trading purposes in "Trading Assets" or "Trading Liabilities" are stated at market value. Therefore, these accounts are not included in the above table. Their contract or notional amounts and fair value are as described in the following:

	<b>2000</b>			
	Millions of yen		Thousands of U.S. dollars	
	Contract or notional amount	Fair value	Contract or notional amount	Fair value
<b>Listed:</b>				
Bond Futures:				
Selling	¥ —	¥ —	\$ —	\$ —
Buying	—	—	—	—
Bond Future Options:				
Selling	—	—	—	—
Buying	—	—	—	—

	1999	
	Millions of yen	
	Contract or notional amount	Fair value
<b>Listed:</b>		
Bond Futures:		
Selling	¥ 927	¥ 927
Buying	1,853	1,855
Bond Future Options:		
Selling	17,361 [101]	91
Buying	18,546 [132]	138

### **Note 30**

#### **Subsequent Event**

#### **Merger**

In accordance with the merger agreement approved at the meetings of the preferred shareholders and the common shareholders of Mitsui Trust held on June 22 and 29, 1999, respectively. Mitsui Trust was merged into The Chuo Trust and Banking Company, Limited, ("Chuo Trust"), on April 1, 2000.

Chuo Trust acquired all assets and assumed all liabilities of Mitsui Trust. Chuo Trust then changed its name to The Chuo Mitsui Trust and Banking Company, Limited.

# Independent Auditors' Report

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**Deloitte  
Touche  
Tohmatsu**

To the Board of Directors and Shareholders of  
The Chuo Mitsui Trust and Banking Company, Limited:

We have examined the Non-Consolidated Balance Sheets ("Banking Account") of The Mitsui Trust and Banking Company, Limited, as of March 31, 2000 and 1999, and the related Non-Consolidated Statements of Operations, Shareholders' Equity and Cash Flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied 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 financial position of The Mitsui Trust and Banking Company, Limited, as of March 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective April 1, 1999, the non-consolidated financial statements have been prepared in accordance with new accounting standards for research and development costs.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

As discussed in Note 30, the Mitsui Trust and Banking Company, Limited, was merged into The Chuo Trust and Banking Company, Limited, on April 1, 2000.

*Deloitte Touche Tohmatsu*

June 29, 2000

# Consolidated Financial Statements (Banking Account)

The Mitsui Trust and Banking Company, Limited, and Subsidiaries

## Balance Sheets

As of March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Assets</b>	Cash and Cash Equivalents	¥ 160,299	¥ 74,307	\$ 1,510,124
	Due from Banks Other than Due from the Bank of Japan	418,351	480,571	3,941,136
	Call Loans and Bills Bought	184,000	130,610	1,733,396
	Trading Assets	13,440	23,909	126,622
	Investment Securities (Note 7)	3,509,501	3,237,044	33,061,722
	Money Held in Trust	97,144	103,518	915,165
	Loans and Bills Discounted (Notes 6 and 7)	4,893,476	4,624,819	46,099,637
	Foreign Exchanges	3,181	2,478	29,973
	Other Assets (Note 7)	254,317	259,574	2,395,827
	Premises and Equipment	187,596	221,906	1,767,275
	Deferred Tax Assets (Note 9)	178,362	244,866	1,680,291
	Customers' Liabilities for Acceptances and Guarantees	87,904	117,505	828,117
	Reserve for Possible Loan Losses	(160,758)	(200,882)	(1,514,449)
	Reserve for Possible Investment Losses	(2,383)	(1,382)	(22,450)
	<b>Total Assets</b>	<b>¥9,824,436</b>	<b>¥9,318,848</b>	<b>\$92,552,391</b>
<b>Liabilities</b>	Deposits	¥4,521,164	¥3,777,803	\$42,592,221
	Call Money and Bills Sold	50,046	53,512	471,471
	Trading Liabilities	11,480	20,695	108,151
	Borrowed Money	386,457	425,032	3,640,671
	Foreign Exchanges	44	6,336	420
	Subordinated Bonds	124,290	124,586	1,170,896
	Convertible Bonds	3,485	17,435	32,830
	Payable to Trust Account	3,609,741	3,736,852	34,006,042
	Other Liabilities	209,158	267,762	1,970,404
	Reserve for Retirement Allowances	13,583	15,002	127,963
	Reserve for Possible Losses on Collateralized Real Estate Loans Sold to CCPC	12,217	8,540	115,095
	Deferred Tax Liabilities for Land Revaluation Excess	3,430	6,364	32,313
	Acceptances and Guarantees	87,904	117,505	828,117
	<b>Total Liabilities</b>	<b>9,033,004</b>	<b>8,577,429</b>	<b>85,096,601</b>
	<b>Minority Interest</b>	<b>6,328</b>	<b>4,667</b>	<b>59,620</b>
<b>Shareholders' Equity</b>	Capital Stock	388,790	383,430	3,662,652
	Capital Surplus	277,854	272,494	2,617,564
	Land Revaluation Reserve	5,168	8,770	48,693
	Earned Surplus (Note 4)	115,866	75,271	1,091,539
	Treasury Stock	(2,577)	(3,214)	(24,281)
	<b>Total Shareholders' Equity</b>	<b>785,103</b>	<b>736,752</b>	<b>7,396,169</b>
	<b>Total Liabilities and Shareholders' Equity</b>	<b>¥9,824,436</b>	<b>¥9,318,848</b>	<b>\$92,552,391</b>

See Notes to Consolidated Financial Statements (Banking Account).

## Consolidated Statements of Operations

Years ended March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Income</b>	Interest Income:			
	Interest on Loans and Bills Discounted	<b>¥102,046</b>	¥ 134,189	<b>\$ 961,341</b>
	Interest and Dividends on Securities	<b>96,700</b>	109,642	<b>910,977</b>
	Interest on Call Loans and Bills Bought	<b>490</b>	687	<b>4,618</b>
	Other Interest Income	<b>94,590</b>	166,265	<b>891,099</b>
	Trust Fees	<b>79,574</b>	91,159	<b>749,638</b>
	Fees and Commissions	<b>28,274</b>	28,201	<b>266,359</b>
	Trading Gains	<b>16</b>	463	<b>151</b>
	Other Operating Income	<b>24,755</b>	41,392	<b>233,214</b>
	Other Income	<b>239,820</b>	217,446	<b>2,259,256</b>
	<b>Total</b>	<b>666,267</b>	789,448	<b>6,276,658</b>
<b>Expenses</b>	Interest Expense:			
	Interest on Deposits	<b>40,208</b>	62,234	<b>378,788</b>
	Interest on Borrowings, Call Money and Bills Sold	<b>12,167</b>	13,391	<b>114,624</b>
	Other Interest Expense	<b>175,705</b>	279,559	<b>1,655,255</b>
	Fees and Commissions	<b>4,631</b>	4,542	<b>43,627</b>
	Trading Losses	<b>1,706</b>	1,014	<b>16,080</b>
	Other Operating Expenses	<b>19,127</b>	30,169	<b>180,197</b>
	General and Administrative Expenses	<b>116,008</b>	135,173	<b>1,092,874</b>
	Other Expenses	<b>186,596</b>	515,927	<b>1,757,852</b>
	<b>Total</b>	<b>556,151</b>	1,042,012	<b>5,239,299</b>
	Income (Loss) before Income Taxes and Minority Interest	<b>110,115</b>	(252,564)	<b>1,037,358</b>
<b>Income Taxes</b>	Current	<b>2,318</b>	2,331	<b>21,845</b>
	Deferred	<b>63,636</b>	(78,414)	<b>599,498</b>
	Minority Interest in Net Income	<b>865</b>	(161)	<b>8,157</b>
	<b>Net Income (Loss)</b>	<b>¥ 43,293</b>	¥ (176,319)	<b>\$ 407,856</b>
		Yen		U.S. dollars (Note 1)
		2000	1999	2000
	Per Share of Common Stock			
	Net Income (Loss)	<b>¥23.87</b>	¥(135.89)	<b>\$0.22</b>
	Diluted Net Income	<b>13.08</b>	—	<b>0.12</b>

See Notes to Consolidated Financial Statements (Banking Account).



## Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000 and 1999

	Thousands		Millions of yen				
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Capital Stock		Capital Surplus	Land Revaluation Excess	Earned Surplus
			Common Stock	Preferred Stock			
Balance, March 31, 1998	1,198,296		¥169,483		¥122,897		¥273,016
Net Loss							(176,319)
Cash Dividends, ¥5.0 per Share							(5,976)
Land Revaluation Excess						8,770	
Adjustment of Earned Surplus for Newly Consolidated Subsidiaries							(10,966)
Adjustment of Earned Surplus for Newly Associated Companies							63
Adjustment of Earned Surplus for Newly Applied Accounting for Tax Allocation							718
Decrease by Liquidating Previously Consolidated Subsidiaries							(5,263)
Conversion of Convertible Bonds	259,984		42,897		42,897		
Issuance of Common Stock	229,154		13,749		13,749		
Issuance of Preferred Stock		715,000		157,300	92,950		
Balance, March 31, 1999	1,687,435	715,000	226,130	157,300	272,494	8,770	75,271
Net Income							43,293
Cash Dividends, ¥4.5 per Common Stock and ¥2.21 per Preferred Stock							(9,102)
Reversal of Land Revaluation Excess						(3,787)	3,787
Change in the Normal Effective Statutory Tax Rate						185	
Take-over of Earning Surplus for Merger of Consolidated Subsidiaries							53
Adjustment of Earned Surplus for Previously Consolidated Subsidiaries							7,481
Adjustment of Earned Surplus for Previously Associated Companies							813
Decrease by Liquidating Previously Consolidated Subsidiaries							(726)
Merger Cash Dividends, ¥2.0 per Common Stock and ¥2.19 per Preferred Stock							(5,005)
Conversion of Convertible Bonds	32,484		5,360		5,360		
<b>Balance, March 31, 2000</b>	<b>1,719,920</b>	<b>715,000</b>	<b>¥231,490</b>	<b>¥157,300</b>	<b>¥277,854</b>	<b>¥5,168</b>	<b>¥115,866</b>

	Thousands of U.S. dollars				
	Capital Stock		Capital Surplus	Land Revaluation Excess	Earned Surplus
	Common Stock	Preferred Stock			
Balance, March 31, 1999	\$2,130,293	\$1,481,865	\$2,567,069	\$82,624	\$ 709,103
Net Income					407,856
Cash Dividends, ¥4.5 per Common Stock and ¥2.21 per Preferred Stock					(85,752)
Reversal of Land Revaluation Excess				(35,680)	35,680
Change in the Normal Effective Statutory Tax Rate				1,749	
Take-over of Earning Surplus for Merger of Consolidated Subsidiaries					508
Adjustment of Earned Surplus for Previously Consolidated Subsidiaries					70,478
Adjustment of Earned Surplus for Previously Associated Companies					7,667
Decrease by Liquidating Previously Consolidated Subsidiaries					(6,845)
Merger Cash Dividends, ¥2.0 per Common Stock and ¥2.19 per Preferred Stock					(47,156)
Conversion of Convertible Bonds			50,494		50,494
<b>Balance, March 31, 2000</b>	<b>\$2,180,787</b>	<b>\$1,481,865</b>	<b>\$2,617,564</b>	<b>\$48,693</b>	<b>\$1,091,539</b>

## Consolidated Statements of Cash Flows

Years ended March 31, 2000 and 1999

Thousands of  
U.S. dollars (Note 1)

		Millions of yen		
		2000	1999	2000
<b>Operating Activities</b>	Income (Loss) Before Income Taxes and Minority Interests	<b>¥ 110,115</b>	¥ (252,564)	<b>\$ 1,037,358</b>
	Adjustments for:			
	Income Taxes Paid	(4,341)	(4,549)	(40,895)
	Depreciation and Amortization	26,669	27,050	251,246
	Equity in Losses on Affiliates	109	768	1,030
	Provision for Reserve for Possible Loan Losses	(64,145)	297,072	(604,294)
	Provision for Reserve for Losses on Investment Securities	1,000	1,331	9,429
	Provision for Possible Losses from Loans Sold to CCPC	3,676	3,368	34,639
	Provision for Retirement Allowances	(1,403)	(2,824)	(13,225)
	Net Gain on Investment Securities	(162,011)	(74,342)	(1,526,254)
	Losses on Money Held in Trust	(16,819)	(5,915)	(158,453)
	Foreign Exchange Losses—Net	56,660	59,006	533,781
	Net Loss on Disposals of Premises and Equipment	1,431	1,394	13,486
	Change in Assets and Liabilities, Net of Effects from Previously Consolidated Subsidiaries:			
	Decrease (Increase) in Trading Assets	10,468	(9,633)	98,622
	(Decrease) Increase in Trading Liabilities	(9,215)	8,851	(86,812)
	(Increase) Decrease in Loans and Bills Discounted	(211,347)	761,254	(1,991,024)
	Increase (Decrease) in Deposits	676,454	(247,737)	6,372,629
	Increase (Decrease) in Negotiable Certificates of Deposits	65,286	(285,055)	615,040
	Decrease in Borrowed Money (Excluding Subordinated Loans)	(33,250)	(43,136)	(313,237)
	Decrease in Interest-Earning Deposits in Other Banks	62,219	74,745	586,148
	(Increase) Decrease in Call Loans and Bills Bought	(53,389)	441,347	(502,966)
	Decrease in Call Money and Bills Sold	(3,465)	(305,718)	(32,645)
	Decrease in Bond Repurchase Liabilities	(45,342)	(365,637)	(427,157)
	(Increase) Decrease in Foreign Exchanges (Assets)	(703)	13,360	(6,626)
	(Decrease) Increase in Foreign Exchanges (Liabilities)	(6,291)	4,984	(59,271)
	Decrease in Bonds	(3,230)	(40,266)	(30,437)
	Decrease in Payable to Trust Account	(127,111)	(1,208,404)	(1,197,468)
	Other—Net	(2,607)	(4,680)	(24,559)
	Net Cash Provided by (Used in) Operating Activities	<b>269,417</b>	(1,155,932)	<b>2,538,079</b>
<b>Investing Activities</b>	Purchases of Investment Securities	(2,979,537)	(1,893,779)	(28,069,123)
	Proceeds from Sales of Investment Securities	2,242,166	1,973,996	21,122,624
	Proceeds from Redemption of Investment Securities	557,604	640,536	5,252,982
	Increase in Monetary Trust Funds	(56,897)	(112,780)	(536,008)
	Decrease in Monetary Trust Funds	82,355	96,449	775,841
	Purchases of Premises and Equipment	(35,956)	(22,948)	(338,731)
	Proceeds from Sales of Premises and Equipment	15,877	3,888	149,576
	Proceeds from Sales of Investment Securities of Previously Consolidated Subsidiaries	8	—	80
	Net Cash (Used in) Provided by Investing Activities	<b>(174,378)</b>	685,363	<b>(1,642,759)</b>
<b>Financing Activities</b>	Increase in Subordinated Borrowings	—	150,000	—
	Issuance of Stock	—	277,747	—
	Dividends Paid	(9,102)	(5,976)	(85,752)
	Dividends Paid for Minority Interests	(8)	(5)	(81)
	(Decrease) Increase in Treasury Stock	637	(3,212)	6,003
	Net Cash (Used in) Provided by Financing Activities	<b>(8,474)</b>	418,552	<b>(79,830)</b>
	Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	(2)	(5)
	Net Increase (Decrease) in Cash and Cash Equivalents	<b>¥ 86,563</b>	¥ (52,016)	<b>\$ 815,483</b>
	Cash and Cash Equivalents, Beginning of Year	74,307	139,758	700,024
	Cash and Cash Equivalents of Newly Consolidated Subsidiaries, Beginning of Year	—	700	—
	Cash and Cash Equivalents Acquired by Consolidated Subsidiaries' Merger	765	—	7,211
	Cash and Cash Equivalents of Previously Consolidated Subsidiaries, Beginning of Year	(1,336)	(14,133)	(12,595)
	Cash and Cash Equivalents, End of Year	<b>¥ 160,299</b>	¥ 74,309	<b>\$ 1,510,124</b>
	Additional Cash Flow Information:			
	Non-Cash Investing and Financing Activities:			
	Capital Stock Increased by Conversion of Convertible Bonds	¥ 5,360	¥ —	\$ 50,494
	Capital Surplus Increased by Conversion of Convertible Bonds	5,360	—	50,494
	Convertible Bonds Decreased by Conversion	¥ 10,720	¥ —	\$ 100,989
	Interest and Dividends Income	¥ 336,267	¥ 560,949	\$ 3,167,852
	Interest Paid	(257,177)	(497,362)	(2,422,775)

# Notes to Consolidated Financial Statements (Banking Account)

The Mitsui Trust and Banking Company, Limited, and Subsidiaries  
Years ended March 31, 2000 and 1999

## **Note 1**

### **Basis of Presentation of Financial Statements**

The accompanying consolidated financial statements (Banking Account) have been prepared from the accounts maintained by The Mitsui Trust and Banking Company, Limited ("Mitsui Trust"), and consolidated subsidiaries, in accordance with accounting principles and practices generally accepted in Japan, the Uniform Accounting Standards for Banks issued by the Japanese Bankers Association and the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of the International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated statements of cash flows are not required as part of the basic financial statements in Japan, but are presented herein as additional information. Effective April 1, 1999, Mitsui Trust adopted the new accounting standards for cash flows, which differed from those applied up to the year ended March 31, 1999; accordingly, the consolidated statement of cash flows for the year ended March 31, 1999, was restated to be in conformity with the new standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to Mitsui Trust's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The accompanying notes have been summarized and rearranged for the convenience of readers outside Japan.

All amounts expressed in yen have been rounded down to the nearest million yen, and all amounts expressed in U.S. dollars have been rounded down to the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to US\$1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## **Note 2**

### **Principles of Consolidation**

The consolidated financial statements as of March 31, 2000, include the accounts of Mitsui Trust and its significant 16 (24 for the year ended March 31, 1999) subsidiaries.

Sanshin Capital Co., Ltd., was established in March 2000 and is included in the consolidation.

In fiscal 1999, MTB Wing Finance B.V. and Mitsui T&B Options Inc. were excluded from consolidation as a result of liquidation.

Tohsin Real Estate Co., Ltd., and six subsidiaries were excluded from consolidation as a result of ownership changes in the second half of the fiscal 1999. Therefore, the consolidated statements of operations for the year ended March 31, 2000, includes the semi-annual statements of operations of these subsidiaries.

Effective April 1, 1998, the Companies changed their consolidation scope from the application of the ownership concept to the control concept. Under the control concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are to be fully consolidated.

The change of retained earnings arising from the change in the consolidation scope is recognized as "Adjustment of retained earnings for newly consolidated subsidiaries" in the consolidated statements of shareholders' equity for the year ended March 31, 1999.

Two affiliated companies (20% to 50% ownership), including Prudential-Mitsui Trust Investments, were accounted for by the equity method of accounting until the first half of the fiscal 1999. However, as a result of those ownership changes, these companies are stated at cost as of March 31, 2000.

The consolidated financial statements do not include the accounts of Sanshin Create Co., Ltd. (a Japanese corporation), and 26 other subsidiaries in 2000 (40 subsidiaries in 1999), because the combined total assets, total income, net income and earned surplus would not have had a material effect on the consolidated financial statements.

Investments in these 27 unconsolidated subsidiaries and three other affiliates (four affiliates in 1999) are stated at cost. If the equity method of accounting had been applied to the investment in that company, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany transactions, balances and unrealized profits have been eliminated in consolidation.

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**Note 3****Translation of Foreign Currency Accounts**

The financial statements of foreign consolidated subsidiaries are translated into Japanese yen at exchange rates as of each balance sheet date, except for shareholders' equity, which is translated at the historical exchange rate. The differences arising from such translations are shown as "Other Assets" in the consolidated balance sheet.

Assets and liabilities denominated in foreign currencies held by Mitsui Trust at year-end are translation into Japanese yen at exchange rates prevailing at the end of each fiscal year except for certain special accounts which are translated at historical rates.

Foreign currency accounts held by the consolidated foreign subsidiaries are translated into the currencies of the subsidiaries at the respective year-end exchange rates.

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**Note 4****Significant Accounting Policies of Mitsui Trust**

Refer to Note 2 of the notes to non-consolidated financial statements.

**a. Software**

Effective April 1, 1999, the purchased software costs are depreciated over the estimated useful lives of the software (principally five years) in accordance with the new accounting standard for research and development costs while those costs incurred before April 1, 1999, were charged to income as incurred.

**b. Reserve for Loan Losses**

With respect to loans with collateral and/or guarantees extended to borrowers in bankruptcy or borrowers effectively in bankruptcy, the unrecoverable amount is estimated by deducting from the loan amount the realizable value of collateral or the amount likely to be recovered based on guarantee. The outstanding amount thus determined is then directly written off from the loan amount as the amount that is not likely to be recovered, which is ¥467,012 million (\$4,399,547 thousand) and ¥417,427 million in 2000 and 1999, respectively.

Each of the consolidated subsidiaries maintains a reserve for possible loan losses which is provided at amounts deemed necessary to cover such losses, based on their past experiences in estimates of future recoverability. Each of the domestic consolidated subsidiaries maintains a reserve for possible loan losses which is provided by the same manner as Mitsui Trust.

**c. Retained Earnings**

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve amount, which is included in retained earnings, totaled ¥33,313 million (\$276,345 thousand) and ¥32,114 million as of March 31, 1999 and 2000, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of shareholders.

**d. Income Taxes**

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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**Note 5****Significant Accounting Policies of the Consolidated Subsidiaries**

Certain consolidated subsidiaries apply accounting policies which may differ from Mitsui Trust's policies in certain respects, such as the straight-line method for depreciation of premises and equipment. These policy differences did not have a significant effect on Mitsui Trust's consolidated financial statements.

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**Note 6****Loans and Bills Discounted****"Nonaccrual Loans"**

Loans to borrowers in bankruptcy are included in loans and bills discounted, and total ¥31,856 million (\$297,560 thousand) and ¥51,391 million at March 31, 2000 and 1999, respectively.

Loans are generally placed on nonaccrual status when substantial doubt is judged to exist as to ultimate collectibility of either principal or interest if they are past due for a certain period or other reasons.

Loans to borrowers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims deemed uncollectible, to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law.

Past due loans are included and bills discounted, and totaled ¥364,257 million (\$3,431,535 thousand) and ¥466,093 million at March 31, 2000 and 1999, respectively.

Past due loans are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payment is deferred in order to assist the financial recovery of a debtor in financial difficulties.

**“Accruing Loans Contractually Past Due Three Months or More”**  
Accruing loans contractually past due three months or more are included in loans and bills discounted, and total ¥854 million (\$8,050 thousand) and ¥5,292 million at March 31, 2000 and 1999, respectively. Loans classified as loans to borrowers in bankruptcy or past due loans are excluded.

**“Restructured Loans”**

Restructured loans are included in loans and bills discounted, and totaled ¥139,158 million (\$1,310,959 thousand) and ¥154,371 million, at March 31, 2000 and 1999, respectively. Such restructured loans are loans on which Mitsui Trust granted concessions (e.g., reduction of the face amount or maturity amount of the debt or accrued interest) to the debtors in financial difficulties to assist them in their financial recovery and eventually their ability to pay creditors. Loans classified as loans to borrowers in bankruptcy or past due loans or accruing loans contractually past due three months or more are excluded.

Nonaccrual loans, accruing contractually past due three months or more and restructured loans totaled ¥535,856 million (\$5,048,106 thousand) and ¥677,147 million at March 31, 2000 and 1999, respectively.

The amounts of claims included above for 2000 are amounts before the reserve for possible loan losses is deducted.

**Note 7**

**Collaterals**

The carrying amounts of assets pledged as collateral and the above collateralized debt at March 31, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
Securities	<b>¥175,520</b>	<b>\$1,633,509</b>
Loans	<b>251,520</b>	<b>2,369,478</b>
Other Assets	<b>2,547</b>	<b>24,003</b>
Total	<b>¥429,588</b>	<b>\$4,046,991</b>
Borrowed Money	<b>¥ 26,626</b>	<b>\$ 250,836</b>
Call Money	<b>1,000</b>	<b>9,420</b>
Total	<b>¥ 27,626</b>	<b>\$ 260,256</b>

In addition, the following assets are deposited with respect to foreign exchange settlements and derivatives at March 31, 2000.

	Millions of yen	Thousands of U.S. dollars
Securities	<b>¥221,925</b>	<b>\$2,090,677</b>
Loans	<b>41,536</b>	<b>391,302</b>
Total	<b>¥263,462</b>	<b>\$2,481,980</b>

The information about collateral is not required to be disclosed for 1999.

**Note 8**

**Contingent Liabilities**

Under certain trust agreements, repayments of the corpora of the customers' trust assets are guaranteed by Mitsui Trust, and such guaranteed corpora at March 31, 2000 and 1999, were ¥5,905,245 million (\$55,631,140 thousand) and ¥6,813,833 million, respectively.

**Note 9**

**Income Taxes**

Mitsui Trust and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 42% and 47% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Deferred Tax Assets:			
Reserve for Possible Loan Losses	<b>¥151,511</b>	¥148,841	<b>\$1,427,334</b>
Write-down of Investment	—	31,846	—
Securities			
Tax Loss Carryforwards	<b>7,130</b>	17,246	<b>67,177</b>
Reserve for Possible Losses on Collateralized Real Estate			
Loans Sold to CCPC	<b>4,873</b>	—	<b>45,911</b>
Other	<b>21,978</b>	46,932	<b>207,055</b>
Total	<b>¥185,494</b>	¥244,867	<b>\$1,747,478</b>
Unrecovered Amount	<b>(7,130)</b>	—	<b>(67,177)</b>
Deferred Tax Assets	<b>¥178,363</b>	¥244,867	<b>\$1,680,301</b>
Deferred Tax Liabilities:			
Other Reserve	<b>¥ 1</b>	¥ 1	<b>\$ 10</b>
Deferred Tax Liabilities	<b>¥ 1</b>	¥ 1	<b>\$ 10</b>
Net Deferred Tax Assets	<b>¥178,362</b>	¥244,866	<b>\$1,680,291</b>

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000 and 1999, and the actual effective tax rates reflected in the accompanying consolidated statements of operations are as follows:

	2000	1999
Normal Effective Statutory Tax Rate	42.05%	42.05%
Tax Benefits not Recognized on Operating Losses of Subsidiaries	—	(0.24)
Reexamination of Deferred Tax Assets	—	(0.98)
Effect of Tax Rate Reduction	8.44	(11.64)
Write-off of Tax Loss Carryforwards	6.83	—
Other—Net	2.58	0.93
Actual Effective Tax Rate	<u>59.90%</u>	<u>30.12%</u>

On March 31, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in the Tokyo Metropolis” (Ordinance 145 of the Tokyo Metropolis of April 1, 2000) was approved and enacted in Japan, which would decrease the normal effective statutory tax rate by 2.16%, effective for years beginning April 1, 2000. The effect of this change on deferred taxes in the Consolidated Statements of Operations for the year ended March 31, 2000, is approximately ¥9,296 million (\$8,582 thousand).

On June 9, 2000, the “Ordinance relating to the special case for tax standards regarding the business tax on banking businesses operating in the Osaka Prefecture” (Ordinance 131 of the Osaka Prefecture of June 9, 2000) was promulgated in Japan, which might decrease the normal effective statutory tax rate by 0.56%, effective for fiscal years beginning April 1, 2001.

## Note 10

### Leases

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥360 million (\$3,398 thousand) and ¥1,047 million for the years ended March 31, 2000 and 1999, respectively.

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

### Lessee

	Millions of yen		
	2000		
	Premises	Equipment	Total
Acquisition Cost	¥466	¥—	¥466
Accumulated Depreciation	289	—	289
Net Leased Property	<u>¥176</u>	<u>¥—</u>	<u>¥176</u>

	Thousands of U.S. dollars		
	2000		
	Premises	Equipment	Total
Acquisition Cost	\$4,392	\$—	\$4,392
Accumulated Depreciation	2,729	—	2,729
Net Leased Property	<u>\$1,662</u>	<u>\$—</u>	<u>\$1,662</u>

	Millions of yen		
	1999		
	Premises	Equipment	Total
Acquisition Cost	¥3,321	¥54	¥3,375
Accumulated Depreciation	2,365	18	2,384
Net Leased Property	<u>¥ 955</u>	<u>¥36</u>	<u>¥ 991</u>

Obligations under financial leases as of March 31, 2000 and 1999, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Due within One Year	¥ 85	¥ 519	\$ 803
Due after One Year	100	529	950
Total	<u>¥186</u>	<u>¥1,049</u>	<u>\$1,753</u>

Depreciation expense and interest expense under financial leases:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Depreciation Expense	¥314	¥912	\$2,962
Interest Expense	14	61	134
Total	<u>¥328</u>	<u>¥973</u>	<u>\$3,096</u>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, were computed using the straight-line method and the interest method, respectively.

## Lessor

	Premises		Thousands of U.S. dollars
	Millions of yen		
	2000	1999	
Acquisition Cost	<b>¥149,936</b>	¥130,071	<b>\$1,412,493</b>
Accumulated Depreciation	<b>87,838</b>	73,375	<b>827,492</b>
Net leased Property	<b>¥ 62,097</b>	¥ 56,696	<b>\$ 585,001</b>

Obligations under financial leases as of March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	Millions of yen		
	2000	1999	
Due within One Year	<b>¥21,954</b>	¥20,985	<b>\$206,821</b>
Due after One Year	<b>48,098</b>	44,772	<b>453,115</b>
Total	<b>¥70,052</b>	¥65,757	<b>\$659,936</b>

Depreciation expense under financial leases:

	Millions of yen		Thousands of U.S. dollars
	Millions of yen		
	2000	1999	
Depreciation Expense	<b>¥20,639</b>	¥20,431	<b>\$194,437</b>

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## Note 11

### Segment Information

Mitsui Trust and its subsidiaries operate predominantly in the banking and trust business and certain subsidiaries deal in securities, although, those operations comprise a minor share of Mitsui Trust's total business.

Domestic (Japan) total income and total assets by geographic segmentation for fiscal 2000 and 1999 represented more than 90% of the consolidated total income and total assets of each respective year. Accordingly, segment information by geographic area was not required to be disclosed.

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## Note 12

### Subsequent Event

#### Merger

In accordance with the merger agreement approved at the meeting of the preferred shareholders and the common shareholders of Mitsui Trust held on June 22 and 29, 1999, respectively, Mitsui Trust was merged into The Chuo Trust and Banking Company, Limited, ("Chuo Trust") on April 1, 2000.

Chuo Trust acquired all assets and assumed all liabilities of Mitsui Trust. Chuo Trust then changed its name to The Chuo Mitsui Trust and Banking Company, Limited.

# Independent Auditors' Report

Tohmatu & Co.  
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**Deloitte  
Touche  
Tohmatu**

To the Board of Directors and Shareholders of  
The Chuo Mitsui Trust and Banking Company, Limited:

We have examined the Consolidated Balance Sheets ("Banking Account") of The Mitsui Trust and Banking Company, Limited and consolidated subsidiaries as of March 31, 2000 and 1999, the related Consolidated Statements of Operations, Shareholders' Equity and Cash Flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied 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 financial position of The Mitsui Trust and Banking Company, Limited, and consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 4, effective April 1, 1999, the Consolidated Financial Statements have been prepared in accordance with new accounting standards for consolidated financial statements, research and development costs.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

As discussed in Note 12, the Mitsui Trust and Banking Company, Limited, was merged into The Chuo Trust and Banking Company, Limited, on April 1, 2000.

*Deloitte Touche Tohmatu*

June 29, 2000



# Non-Consolidated Financial Statements (Trust Account—Unaudited)

The Mitsui Trust and Banking Company, Limited

## Balance Sheets

As of March 31, 2000 and 1999

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2000	1999	2000
<b>Assets</b>	Loans and Bills Discounted (Note 2)	¥ 2,578,355	¥ 3,118,802	\$ 24,289,739
	Securities (Note 3)	14,514,512	14,607,629	136,735,869
	Securities Held for Investment Trusts	1,676,924	1,380,603	15,797,689
	Securities Lent	1,800	2,300	16,957
	Call Loans and Bills Bought	935,410	1,391,794	8,812,152
	Other Assets	9,271,039	9,054,046	87,339,045
	<b>Total Assets</b>	<b>¥28,978,042</b>	<b>¥29,555,177</b>	<b>\$272,991,450</b>
<b>Liabilities</b>	Money Trusts (Note 4)	¥16,926,845	¥16,325,241	\$159,461,572
	Pension Trusts	4,150,020	4,335,828	39,095,813
	Property Formation Benefit Trusts	18,124	17,941	170,741
	Loan Trusts (Note 5)	4,284,799	5,185,264	40,365,519
	Securities Investment Trusts	2,473,513	2,452,379	23,302,059
	Money in Trust Other than Money Trusts	646,868	834,012	6,093,911
	Securities in Trust	3,007	3,714	28,336
	Money Claims in Trust	45,340	50,063	427,132
	Equipment Trusts	1,610	2,138	15,175
	Real Estate Trusts	103,034	104,969	970,645
	General Trusts	324,876	243,621	3,060,545
<b>Total Liabilities</b>	<b>¥28,978,042</b>	<b>¥29,555,177</b>	<b>\$272,991,453</b>	

See Notes to Non-Consolidated Financial Statements (Trust Account).

# Notes to Non-Consolidated Financial Statements (Trust Account—Unaudited)

The Mitsui Trust and Banking Company, Limited  
Years ended March 31, 2000 and 1999

## Note 1

### Trust Accounts

Under the Trust Law of Japan, trust activities must be administered separately from a commercial banking business. As a result, assets accepted in trust must be segregated from other assets. Within the general category of trust accounts, each trust account is segregated from other trust assets. Accordingly, the financial statements of The Mitsui Trust and Banking Company, Limited ("Mitsui Trust") do not reflect Mitsui Trust's records as to the assets accepted in trust, which are maintained separately under the Trust Account.

Under certain trust agreements, repayments of the corpora of the customers' trust assets are guaranteed by Mitsui Trust, and such guaranteed corpora at March 31, 2000 and 1999, were ¥5,905,245 million (\$55,631,149 thousand) and ¥6,813,833 million, respectively.

All amounts have been rounded down to the nearest million yen, and the nearest thousand dollars.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to US\$1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## Note 2

### Loans and Bills Discounted

Loans and bills discounted at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Loans on Deeds	<b>¥2,299,943</b>	¥2,658,269	<b>\$21,666,923</b>
Loans on Notes	<b>278,293</b>	460,097	<b>2,621,697</b>
Bills Discounted	<b>118</b>	435	<b>1,119</b>
Total	<b>¥2,578,355</b>	¥3,118,802	<b>\$24,289,739</b>

Under certain trust agreements, repayments of the corpora of the customers' trust assets are guaranteed by Mitsui Trust, and loans on such guaranteed trust included the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Loans to Borrowers in			
Legal Bankruptcy	<b>¥17,453</b>	¥ 7,391	<b>\$164,427</b>
Past Due Loans	<b>51,519</b>	75,988	<b>485,346</b>
Accruing Loans			
Contractually Past Due			
Three Months or More	<b>1,395</b>	2,535	<b>13,142</b>
Restructured Loans	<b>9,574</b>	25,557	<b>90,193</b>
Total	<b>¥79,942</b>	¥111,471	<b>\$753,109</b>

## Note 3

### Securities

Listed stocks, convertible bonds and bonds with stock purchase warrants are carried at the lower of cost or market.

Other securities are stated at cost.

Securities held at March 31, 2000 and 1999, consisted of the following:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
Government Bonds	<b>¥ 2,890,158</b>	¥ 3,246,496	<b>\$ 27,227,112</b>
Municipal Bonds	<b>203,983</b>	226,442	<b>1,921,654</b>
Corporate Bonds	<b>1,224,856</b>	1,157,709	<b>11,538,921</b>
Stocks	<b>5,951,750</b>	6,326,478	<b>56,069,244</b>
Foreign Securities	<b>4,120,804</b>	3,624,134	<b>38,820,581</b>
Other Securities	<b>122,959</b>	26,368	<b>1,158,355</b>
Total	<b>¥14,514,512</b>	¥14,607,629	<b>\$136,735,869</b>

#### Note 4

##### Balance of Jointly Operated Designated Money Trusts

Jointly operated designated money trusts are included in money trusts and the balances of these accounts are as follows:

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
<b>Assets:</b>			
Loans and Bills			
Discounted	<b>¥ 689,809</b>	¥ 793,914	<b>\$ 6,498,440</b>
Securities	<b>8,207</b>	21,039	<b>77,316</b>
Other	<b>503,416</b>	428,784	<b>4,742,503</b>
Total	<b>¥1,201,433</b>	¥1,243,738	<b>\$11,318,260</b>
<b>Liabilities:</b>			
Principal	<b>¥1,198,753</b>	¥1,240,571	<b>\$11,293,016</b>
Reserve for Possible			
Loan Losses	<b>1,197</b>	1,381	<b>11,283</b>
Other	<b>1,481</b>	1,785	<b>13,959</b>
Total	<b>¥1,201,433</b>	¥1,243,738	<b>\$11,318,260</b>

In the case of jointly operated designated money trusts, the principal amount is guaranteed and, as the above table indicates, the reserve for possible loan losses is set aside by Mitsui Trust. The figures of the table include funds reinvested from the other trusts managed by Mitsui Trust.

#### Note 5

##### Balance of Loan Trusts

The balance of loan trusts is as follows (the figures include funds reinvested from other trusts managed by Mitsui Trust):

	Millions of yen		Thousands of
	2000	1999	U.S. dollars
<b>Assets</b>			
Loans and Bills			
Discounted	<b>¥1,782,380</b>	¥2,205,150	<b>\$16,791,151</b>
Securities	<b>125,592</b>	332,971	<b>1,183,163</b>
Other*	<b>2,878,310</b>	3,149,440	<b>27,115,498</b>
Total	<b>¥4,786,283</b>	¥5,687,563	<b>\$45,089,813</b>
<b>Liabilities</b>			
Principal	<b>¥4,706,491</b>	¥5,573,261	<b>\$44,338,123</b>
Special Reserve Funds	<b>24,933</b>	29,979	<b>234,893</b>
Other	<b>54,857</b>	84,322	<b>516,796</b>
Total	<b>¥4,786,283</b>	¥5,687,563	<b>\$45,089,813</b>

\*Mainly due from banking accounts.

As in jointly operated designated money trusts, the principal amount of loan trusts is guaranteed and, as the above table indicates, the special reserve funds are set aside by Mitsui Trust.

# Six-Year Summary (Chuo Trust)

The Chuo Trust and Banking Company, Limited

	Millions of yen					
	2000	1999	1998	1997	1996	1995
<b>Banking Account</b> (As of March 31)						
<b>Total Assets:*</b>	<b>¥ 5,462,458</b>	¥ 5,210,380	¥ 3,704,007	¥ 3,814,105	¥ 4,219,418	¥ 4,541,263
Cash and Due from Banks	<b>428,707</b>	228,748	65,820	139,492	384,060	324,933
Call Loans and Bills Bought	<b>63,500</b>	120,000	369,044	15,102	12,579	15,603
Investment Securities	<b>1,465,712</b>	1,518,203	1,045,975	1,243,806	1,336,169	1,576,754
Loans and Bills Discounted	<b>2,872,400</b>	2,320,032	1,753,643	1,982,748	2,049,280	2,111,657
Foreign Exchanges	<b>9,850</b>	17,354	8,183	34,160	36,695	58,003
Customers' Liabilities for Acceptances and Guarantees	<b>375,489</b>	532,725	64,838	77,337	79,956	119,759
<b>Total Liabilities:*</b>	<b>¥ 5,107,574</b>	¥ 4,857,116	¥ 3,522,856	¥ 3,676,585	¥ 4,086,442	¥ 4,331,962
Deposits	<b>3,393,018</b>	3,072,304	1,786,793	1,978,163	1,865,834	1,972,814
Call Money	<b>70,000</b>	74,433	52,263	102,814	227,903	223,272
Borrowed Money	<b>116,036</b>	157,172	148,615	120,334	120,386	126,607
Foreign Exchanges	<b>20</b>	524	74	42	29	65
Acceptances and Guarantees	<b>375,489</b>	532,725	64,838	77,337	79,956	119,759
<b>Total Shareholders' Equity</b>	<b>¥ 354,883</b>	¥ 353,263	¥ 181,150	¥ 137,520	¥ 132,975	¥ 209,300
<b>Trust Account</b> (As of March 31)						
<b>Total Assets:</b>	<b>¥15,426,893</b>	¥15,238,911	¥15,064,757	¥17,089,061	¥16,866,122	¥16,683,136
Loans and Bills Discounted	<b>1,395,099</b>	1,842,105	2,030,853	2,337,595	2,478,366	2,530,751
Securities	<b>7,485,916</b>	7,158,421	6,753,755	6,824,411	6,237,825	6,226,980
Securities Held for Investment Trusts	<b>3,910,096</b>	3,506,073	3,455,016	4,822,287	4,405,951	3,573,450
Call Loans and Bills Bought	<b>553,702</b>	486,256	759,192	1,229,331	1,488,080	1,738,949
<b>Total Liabilities:</b>	<b>¥15,426,893</b>	¥15,238,911	¥15,064,757	¥17,089,061	¥16,866,122	¥16,683,136
Money Trusts	<b>5,771,397</b>	5,463,932	4,954,659	4,891,314	4,747,815	4,572,680
Pension Trusts	<b>1,895,272</b>	1,855,193	1,937,244	1,852,087	1,751,016	1,688,760
Property Formation Benefit Trusts	<b>2,691</b>	2,932	3,071	3,085	2,855	2,950
Loan Trusts	<b>1,907,316</b>	2,250,646	2,746,201	3,215,882	3,549,613	3,844,562
Securities Investment Trusts	<b>4,562,101</b>	4,251,224	4,407,757	5,669,797	5,271,791	4,329,058
<b>Statements of Income</b> (Years ended March 31)						
<b>Total Income</b>	<b>¥ 326,897</b>	¥ 198,973	¥ 275,254	¥ 332,673	¥ 318,215	¥ 320,165
<b>Total Expenses</b>	<b>317,817</b>	280,681	262,871	326,914	389,534	315,440
<b>Income (Loss) before Income Taxes</b>	<b>9,079</b>	(81,708)	12,382	5,759	(71,319)	4,725
<b>Net Income (Loss)</b>	<b>¥ 4,600</b>	¥ (48,697)	¥ 12,321	¥ 5,697	¥ (74,892)	¥ 2,715

\*Owing to a change in calculation, Total Assets and Total Liabilities for the year ended March 31, 2000, exclude Reserve for Possible Loan Losses and Reserve for Possible Investment Losses.

Several accounting terms used throughout this annual report are peculiar to Japanese trust banks and are defined below and on the following page:

$$\text{Total Funds} = \left( \begin{array}{l} \text{Banking} \\ \text{Account:} \end{array} \text{deposits} \right) + \left( \begin{array}{l} \text{Trust} \\ \text{Account:} \end{array} \text{money trusts} + \text{pension trusts} + \text{property formation benefit trusts} + \text{loan trusts} \right)$$

Notes: 1. All figures are based on the Non-Consolidated Financial Statements.  
2. All figures have been rounded down to the nearest million yen.

# Six-Year Summary (Mitsui Trust)

The Mitsui Trust and Banking Company, Limited

Millions of yen

	2000	1999	1998	1997	1996	1995
<b>Banking Account</b> (As of March 31)						
<b>Total Assets:*</b>	<b>¥ 9,751,165</b>	¥ 9,438,166	¥12,056,927	¥12,234,167	¥13,776,372	¥13,662,552
Cash and Due from Banks	<b>563,174</b>	543,404	699,647	831,064	2,357,396	2,302,631
Call Loans and Bills Bought	<b>184,000</b>	130,500	575,260	7,982	157,661	12,960
Investment Securities	<b>3,511,932</b>	3,240,464	3,948,742	3,629,224	3,867,711	4,266,177
Loans and Bills Discounted	<b>4,913,686</b>	4,668,738	6,105,012	6,889,939	6,452,617	6,162,290
Foreign Exchanges	<b>3,242</b>	2,544	15,838	33,416	35,929	32,127
Customers' Liabilities for Acceptances and Guarantees	<b>113,196</b>	142,612	202,319	279,620	323,777	311,149
<b>Total Liabilities:*</b>	<b>¥ 8,959,853</b>	¥ 8,688,599	¥11,662,087	¥11,840,841	¥13,388,210	¥13,012,229
Deposits	<b>4,528,669</b>	3,779,748	4,327,427	4,157,546	4,694,543	3,833,864
Call Money	<b>50,046</b>	53,512	264,030	558,194	596,476	470,501
Borrowed Money	<b>340,321</b>	355,253	224,017	214,867	200,239	245,725
Foreign Exchanges	<b>48</b>	5,847	395	758	404	383
Acceptances and Guarantees	<b>113,196</b>	142,612	202,319	279,620	323,777	311,149
<b>Total Shareholders' Equity</b>	<b>¥ 791,312</b>	¥ 749,567	¥ 394,840	¥ 393,325	¥ 388,162	¥ 650,323
<b>Trust Account</b> (As of March 31)						
<b>Total Assets:</b>	<b>¥28,978,042</b>	¥29,555,177	¥31,007,345	¥33,092,456	¥30,539,214	¥30,806,247
Loans and Bills Discounted	<b>2,578,355</b>	3,118,802	3,542,139	3,947,848	4,987,796	5,259,960
Securities	<b>14,514,512</b>	14,607,629	13,913,961	13,369,113	11,923,333	10,688,466
Securities Held for Investment Trusts	<b>1,676,924</b>	1,380,603	2,230,289	3,133,276	3,074,542	2,932,369
Call Loans and Bills Bought	<b>935,410</b>	1,391,794	1,592,610	1,692,369	1,627,277	2,371,595
<b>Total Liabilities:</b>	<b>¥28,978,042</b>	¥29,555,177	¥31,007,345	¥33,092,456	¥30,539,214	¥30,806,247
Money Trusts	<b>16,926,845</b>	16,325,241	14,469,996	13,489,524	10,105,525	9,229,774
Pension Trusts	<b>4,150,020</b>	4,335,828	4,331,127	4,108,078	3,827,192	3,638,090
Property Formation Benefit Trusts	<b>18,124</b>	17,941	19,773	19,099	19,221	18,733
Loan Trusts	<b>4,284,799</b>	5,185,264	6,461,512	7,951,702	9,192,580	10,459,145
Securities Investment Trusts	<b>2,473,513</b>	2,452,379	3,827,490	5,070,750	5,013,452	4,771,693
<b>Statements of Income</b> (Years ended March 31)						
<b>Total Income</b>	<b>¥ 624,930</b>	¥ 741,647	¥ 871,489	¥ 1,059,376	¥ 1,054,085	¥ 1,034,937
<b>Total Expenses</b>	<b>514,634</b>	995,677	861,932	1,047,073	1,301,367	1,021,455
<b>Income (Loss) before Income Taxes</b>	<b>110,296</b>	(254,029)	9,445	12,303	(247,281)	13,482
<b>Net Income (Loss)</b>	<b>¥ 45,055</b>	¥ (144,021)	¥ 7,506	¥ 11,154	¥ (253,702)	¥ 10,554

\* Owing to a change in calculation, Total Assets and Total Liabilities for the year ended March 31, 2000, exclude Reserve for Possible Loan Losses and Reserve for Possible Investment Losses.

$$\text{Total Loans and Bills Discounted} = \left( \begin{array}{c} \text{Banking} \\ \text{Account:} \end{array} \text{ loans and bills discounted} \right) + \left( \begin{array}{c} \text{Trust} \\ \text{Account:} \end{array} \text{ loans and bills discounted} \right)$$

$$\text{Total Securities Portfolio} = \left( \begin{array}{c} \text{Banking} \\ \text{Account:} \end{array} \text{ investment securities} \right) + \left( \begin{array}{c} \text{Trust} \\ \text{Account:} \end{array} \text{ securities} \right)$$

$$\text{Capital and Reserves} = \left( \begin{array}{c} \text{Banking} \\ \text{Account:} \end{array} \text{ total shareholders' equity} \right) + \left( \begin{array}{c} \text{reserve for} \\ \text{possible} \\ \text{loan losses} \end{array} \right) + \left( \begin{array}{c} \text{reserve for} \\ \text{retirement} \\ \text{allowances} \end{array} \right) + \left( \begin{array}{c} \text{other} \\ \text{reserves} \end{array} \right) + \left( \begin{array}{c} \text{Trust} \\ \text{Account:} \end{array} \text{ reserve for possible loan losses} \right) + \left( \begin{array}{c} \text{special} \\ \text{reserve} \\ \text{funds} \end{array} \right) - \left( \begin{array}{c} \text{dividends} \end{array} \right) - \left( \begin{array}{c} \text{bonuses to} \\ \text{directors} \\ \text{and corporate} \\ \text{auditors} \end{array} \right)$$

# Directors, Corporate Auditors and Executive Officers

As of June 29, 2000

## Chairman of the Board

Hisao Muramoto

## President

Kiichiro Furusawa

## Deputy President

Hideei Hirakawa

Akira Okada

## Senior Managing Directors

Hiroshi Sugano

Kazuo Tanabe

Shunpei Kazama

Tomohiro Ito

## Managing Directors

Akira Yamaguchi

Michio Taki

Masaharu Kodaka

Hiroshi Yamaguchi

Toshiaki Kamimura

Sanpei Hamada

Yoshihumi Tanaka

Kojiro Kadohira

## Corporate Auditors

Yoshimasa Konishi

Makoto Yamakami

Kazuhiro Tokuno

Kazuho Oda

Shunji Higuchi

Hiroshi Yamada

## Senior Executive Officers

Tamotsu Ogawa

Hiromu Matsuda

Tadashi Kawai

Katsuro Ouchi

## Executive Officers

Shinichi Miya

Kimihiro Funahashi

Osamu Muramatsu

Teruo Watanabe

Yoshinobu Tsumori

Takeshi Tomita

Motomu Ueda

Jun Okuno

Takashi Endo

Ken Sumida

Yutaka Shimizu

Shunichi Takahashi

Toshiro Harada

Itaru Masuda

Masahiro Kajimura

Norihide Kirihara

Ryuichi Takai

Masuhisa Kitao

Kazuo Takeda

Masazumi Kakei

Tetsuji Tada

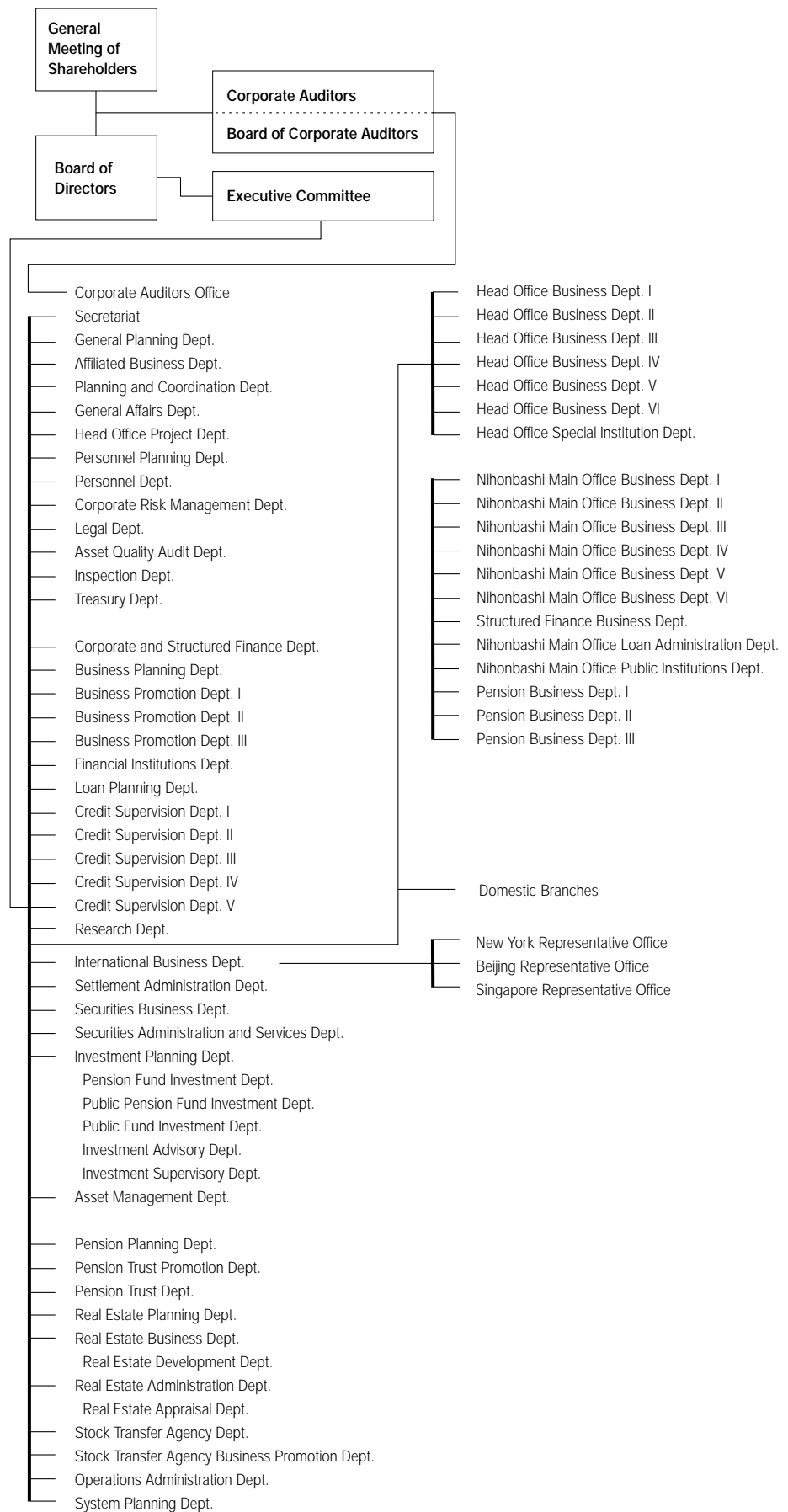
Koichi Suzuki

Norimasa Takeda

Yoshikazu Kiriya

# Organization

As of August 1, 2000



## Major Affiliated Companies

	Service	Capital (Millions of yen)
Chuo Mitsui Guarantee Co., Ltd.	Credit guarantee services	¥ 301
Chushin Leasing Co., Ltd.	Leasing	100
MTB Leasing Co., Ltd.	Leasing	500
Chuo Mitsui Stock Transfer Agency Business Co., Ltd.	Stock transfer agency services	100
Chuo Mitsui Card Co., Ltd.	Credit card services	300
Chuo Mitsui Information Technology Co., Ltd.	Computer-related services	200
Chuo Mitsui Asset Management Co., Ltd.	Investment advisory	300
Sanshin Realty Co., Ltd.	Real estate brokerage	100
Chushin Housing Services Co., Ltd.	Real estate brokerage	100
Sanshin Tatemono Kanri Co., Ltd.	Real estate management services	3,100
Chuo Mitsui Business Co., Ltd.	Staffing services	200

## Overseas Network

As of August 1, 2000

### Representative Offices

#### New York Representative Office

*Satoshi Kikuchihara*

*Chief Representative*

Two World Trade Center, Suite 8322

New York, NY 10048, U.S.A.

Telephone: 1-(212)-333-3100

Telefax: 1-(212)-790-5435

#### Beijing Representative Office

*Mamoru Ushio*

*Chief Representative*

Room 7009, Chang Fu Gong Office

Building,

A-26, Jian Guo Men Wai Da Jie,

Chao Yang District,

Beijing 100022, PRC

Telephone: 86-(10)-6513-9234

Telex: 22741 MTBBJ CN

Telefax: 86-(10)-6513-9235

#### Singapore Representative Office

*Satoshi Osako*

*Chief Representative*

20 Cecil Street

#22-01 The Exchange

Singapore 049705

Republic of Singapore

Telephone: 65-532-2353

Telefax: 65-532-6155

### Overseas Subsidiaries

#### Chuo Mitsui Trust Company (U.S.A.)

*Mitsuhiro Yoshizaki*

*President*

Two World Trade Center,

Suite 8322, New York, NY 10048, U.S.A.

Telephone: 1-(212)-790-5500

Telex: 147245 MTB (USA)

Telefax: 1-(212)-790-5590

#### Chuo Mitsui Trust International Ltd.

*Yuji Yamagiwa*

*Managing Director*

7th Floor, Triton Court,

14 Finsbury Square,

London EC2A, 1BR, U.K.

Telephone: 44-(20)-7847-8400

Telex: 945831 MTINTL G

Telefax: 44-(20)-7847-8500

#### MTI Finance (Cayman) Ltd.

P.O. Box 309, George Town,

Grand Cayman,

Cayman Islands, B.W.I.

#### MTI Capital (Cayman) Ltd.

P.O. Box 309, George Town,

Grand Cayman,

Cayman Islands, B.W.I.

#### Chuo Finance (Cayman) Ltd.

P.O. Box 309, George Town,

Grand Cayman,

Cayman Islands, B.W.I.

#### Westcoast DL Corporation

725 South Figueroa Street, Suite 1700,

Los Angeles, CA 90017, U.S.A.

# Investor Information

As of April 1, 2000

## The Chuo Mitsui Trust and Banking Company, Limited

### Registered Head Office

7-1, Kyobashi 1-chome,  
Chuo-ku, Tokyo 104-8345, Japan  
Telephone: 81-3-3567-1451  
Telefax: 81-3-3562-6902  
Telex: J26397  
S.W.I.F.T. Address: MTRB JPJT  
Web site: <http://www.chuomitsui.co.jp/>

### Date of Establishment

May 26, 1962

### Capital Stock

¥321,889 million

### Number of Shares Authorized

4,315,458 thousand shares  
Common: 3,911,104 thousand shares  
Class-A Preferred: 382,941.5 thousand  
Class-B Preferred: 21,412.5 thousand

### Number of Shares Issued

Common: 816,221 thousand  
Class-A First Series Preferred: 20,000 thousand  
Class-A Second Series Preferred: 93,750 thousand  
Class-A Third Series Preferred: 156,406 thousand

### Number of Shareholders

Common: 57,013  
Preferred: 1

## Major Shareholders

### Common

Name	Number of Shares Held (Thousands)	Percentage of Total Shares (%)
Nagoya Railroad Co., Ltd.	24,690	3.02
Mitsui Mutual Life Insurance Co.	18,809	2.30
Japan Securities Agents, Ltd.	18,557	2.27
Mitsui Fudosan Co., Ltd.	17,724	2.17
State Street Bank and Trust Company	15,857	1.94
Toyota Motor Corporation	15,226	1.86
The Dai-Ichi Kangyo Bank, Ltd.	13,761	1.68
The Sakura Bank, Ltd.	13,194	1.61
Mitsui & Co., Ltd.	12,348	1.51
The Tokai Bank, Ltd.	11,451	1.40
Total	161,622	19.80

The Resolution and Collection Corporation maintains all of the Company's Class-A shares.

Name	Number of Shares Held (Thousands)	Percentage of Total Shares (%)
Class-A First Series	20,000	100.00
Class-A Second Series	93,750	100.00
Class-A Third Series	156,406	100.00

## Certified Public Accountants

Deloitte Touche Tohmatsu

## Further Information

For further information, please contact:

Investor Relations  
General Planning Department  
The Chuo Mitsui Trust and Banking Company, Limited  
1-1, Nihonbashi-Muromachi 2-chome,  
Chuo-ku, Tokyo 103-0022, Japan



