

# CONSOLIDATED FINANCIAL STATEMENTS

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheets

| 1)<br>March 31, 1999 and 1998  | Millions of yen |             | Thousands of<br>U.S. dollars (Note |
|--|-----------------|-------------|------------------------------------|
|  | 1999            | 1998        | 1999                               |
| <b>Assets:</b>   |                 |             |                                    |
| Cash and due from banks  | ¥ 490,401       | ¥ 559,367   | \$ 4,068,030                       |
| Call loans   | 976             | 46,876      | 8,096                              |
| Commercial paper and other debt purchased                            | 23,003          | 4,138       | 190,817                            |
| Trading assets (Note 3)  | 52,909          | 148,428     | 438,897                            |
| Money held in trust  | 40,030          | 25,833      | 332,061                            |
| Investment securities (Note 4)                                       | 1,462,075       | 1,594,880   | 12,128,370                         |
| Loans and bills discounted (Note 5)                                  | 8,132,302       | 8,037,192   | 67,459,992                         |
| Foreign exchanges (Note 6)   | 10,729          | 27,039      | 89,001                             |
| Other assets (Note 7)  | 133,245         | 117,816     | 1,105,309                          |
| Premises and equipment (Note 8)                                      | 267,371         | 185,808     | 2,217,926                          |
| Deferred income taxes  | 193,003         | 128,781     | 1,601,020                          |
| Customers' liabilities for acceptances and guarantees (Note 9)       | 453,504         | 383,544     | 3,761,958                          |
| Total  | ¥11,259,548     | ¥11,259,702 | \$93,401,477                       |
| <b>Liabilities:</b>  |                 |             |                                    |
| Deposits (Note 10)   | ¥ 8,866,637     | ¥ 8,962,955 | \$73,551,530                       |
| Call money   | 217,268         | 320,934     | 1,802,306                          |
| Commercial paper   | 15,000          |             | 124,430                            |
| Trading liabilities  | 4,760           | 2,144       | 39,486                             |
| Borrowed money (Note 11)   | 443,479         | 374,319     | 3,678,797                          |
| Foreign exchanges (Note 6)   | 82              | 505         | 680                                |
| Subordinated bonds   | 146,944         | 153,570     | 1,218,947                          |
| Convertible bonds (Note 12)  | 3,274           | 3,274       | 27,159                             |
| Other liabilities (Note 13)  | 271,169         | 298,126     | 2,249,432                          |
| Reserve for possible loan losses                                     | 349,138         | 254,434     | 2,896,209                          |
| Reserve for retirement allowances                                    | 15,675          | 15,499      | 130,029                            |
| Reserve for possible losses on collateralized real estate loans sold | 30,846          | 26,042      | 255,877                            |
| Reserve for contingent liabilities                                   | 2,449           |             | 20,315                             |
| Other reserves   | 1               | 2           | 8                                  |
| Acceptances and guarantees (Note 9)                                  | 453,504         | 383,544     | 3,761,958                          |
| Deferred tax liabilities for land revaluation excess                 | 24,793          |             | 205,666                            |
| Land revaluation excess  |                 | 59,204      |                                    |
| Total liabilities  | 10,845,019      | 10,854,552  | 89,962,829                         |
| <b>Minority interests</b>  | 9,295           |             | 77,105                             |
| <b>Stockholders' equity:</b>   |                 |             |                                    |
| Capital stock (Note 14):   |                 |             |                                    |
| Common stock   | 134,547         | 134,547     | 1,116,109                          |
| Preferred stock  | 50,000          |             | 414,766                            |
| Capital surplus (Note 14)  | 146,024         | 96,024      | 1,211,315                          |
| Land revaluation excess  | 34,252          |             | 284,131                            |
| Earned surplus (Notes 15 and 22)                                     | 44,457          | 174,579     | 368,785                            |
| Treasury stock   | (4,046)         | (0)         | (33,563)                           |
| Total stockholders' equity   | 405,234         | 405,150     | 3,361,543                          |
| Total  | ¥11,259,548     | ¥11,259,702 | \$93,401,477                       |

See notes to consolidated financial statements.

## Consolidated Statements of Operations

| 1)<br>Years ended March 31, 1999 and 1998             | Millions of yen   |                  | Thousands of<br>U.S. dollars (Note |
|---|-------------------|------------------|------------------------------------|
|   | 1999              | 1998             | 1999                               |
| <b>Income:</b>  |                   |                  |                                    |
| Interest on:  |                   |                  |                                    |
| Loans and discounts                                   | ¥ 194,392         | ¥210,593         | \$ 1,612,542                       |
| Securities  | 40,276            | 47,711           | 334,103                            |
| Other   | 41,759            | 96,672           | 346,404                            |
| Fees and commissions                                  | 34,375            | 43,010           | 285,151                            |
| Trading profits                                       | 555               | 924              | 4,604                              |
| Other income (Note 16)                                | 74,968            | 91,888           | 621,883                            |
| <b>Total income</b>                                   | <b>386,325</b>    | <b>490,798</b>   | <b>3,204,687</b>                   |
| <b>Expenses:</b>                                      |                   |                  |                                    |
| Interest on:  |                   |                  |                                    |
| Deposits  | 53,151            | 101,516          | 440,904                            |
| Borrowings and rediscounts                            | 16,532            | 19,776           | 137,138                            |
| Other   | 47,120            | 73,348           | 390,875                            |
| Fees and commissions                                  | 8,856             | 10,023           | 73,463                             |
| Trading losses  | 159               | 28               | 1,319                              |
| General and administrative expenses                   | 112,544           | 139,735          | 933,588                            |
| Other expenses (Note 17)                              | 330,784           | 182,588          | 2,743,957                          |
| <b>Total expenses</b>                                 | <b>569,146</b>    | <b>527,014</b>   | <b>4,721,244</b>                   |
| <b>Loss before income taxes and minority interest</b> | <b>(182,821)</b>  | <b>(36,216)</b>  | <b>(1,516,557)</b>                 |
| <b>Income taxes</b> (Note 18):                        |                   |                  |                                    |
| Current   | 1,159             | 540              | 9,614                              |
| Deferred  | (61,259)          | (20,712)         | (508,162)                          |
| <b>Total income taxes</b>                             | <b>(60,100)</b>   | <b>(20,172)</b>  | <b>(498,548)</b>                   |
| <b>Minority interest in net income</b>                | <b>365</b>        |                  | <b>3,028</b>                       |
| <b>Net loss</b>                                       | <b>¥(122,356)</b> | <b>¥(16,044)</b> | <b>\$ (1,014,981)</b>              |
|   |                   | Yen              | J.S. dollars                       |
| <b>Net loss per share</b> (Note 2)                    | <b>¥(108.93)</b>  | <b>¥(14.10)</b>  | <b>\$ (0.90)</b>                   |

See notes to consolidated financial statements.

## Consolidated Statements of Earned Surplus

| 1)<br>Years ended March 31, 1999 and 1998  | Millions of yen  |                 | Thousands of<br>U.S. dollars (Note |
|--|------------------|-----------------|------------------------------------|
|  | 1999             | 1998            | 1999                               |
| <b>Balance, beginning of year</b>  | <b>¥174,579</b>  | <b>¥196,313</b> | <b>\$1,448,187</b>                 |
| <b>Decrease due to consolidation of subsidiaries<br/>not consolidated in the previous year</b> | <b>(2,378)</b>   |                 | <b>(19,726)</b>                    |
| <b>Appropriations—dividends</b>  | <b>(5,621)</b>   | <b>(5,690)</b>  | <b>(46,628)</b>                    |
| <b>Adjustment of retained earnings for newly applied<br/>accounting for tax allocation</b>     | <b>233</b>       |                 | <b>1,933</b>                       |
| <b>Net loss</b>  | <b>(122,356)</b> | <b>(16,044)</b> | <b>(1,014,981)</b>                 |
| <b>Balance, end of year</b>  | <b>¥ 44,457</b>  | <b>¥174,579</b> | <b>\$ 368,785</b>                  |

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

| 1)<br>Years ended March 31, 1999 and 1998  | Millions of yen |            | Thousands of<br>U.S. dollars (Note |
|--|-----------------|------------|------------------------------------|
|  | 1999            | 1998       | 1999                               |
| <b>Operating activities:</b>   |                 |            |                                    |
| Net loss   | ¥(122,356)      | ¥ (16,044) | \$ (1,014,981)                     |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities:                              |                 |            |                                    |
| Provision for possible loan losses   | 183,699         | 101,774    | 1,523,841                          |
| Provision for possible losses on collateralized real estate loans sold   | 13,635          | 17,924     | 113,107                            |
| Provision for contingent liabilities   | 2,449           |            | 20,315                             |
| Depreciation and amortization  | 38,990          | 10,327     | 323,434                            |
| Deferred income taxes  | (61,259)        | (20,712)   | (508,163)                          |
| Net loss on premises and equipment   | 1,972           | 537        | 16,358                             |
| Net loss (gain) on investment securities   | 8,095           | (58,493)   | 67,151                             |
| Loss on write-down of investment securities  | 25,034          | 13,748     | 207,665                            |
| Net gain on trading accounts   | (396)           | (896)      | (3,285)                            |
| Net loss (gain) on money held in trust   | 539             | (133)      | 4,471                              |
| Net loss on sales of loans and bills discounted  | 6,600           | 11,511     | 54,749                             |
| Loss on write-down of loans  | 3,763           | 1,427      | 31,215                             |
| Provision for retirement allowances  | 1,422           | 1,599      | 11,796                             |
| Other—net  | (387)           | (301)      | (3,210)                            |
| Changes in operating assets and liabilities, net of effects from consolidating previously unconsolidated subsidiaries: |                 |            |                                    |
| Net change in trading assets   | 95,915          | (128,128)  | 795,645                            |
| Net change in trading liabilities  | 2,616           | 2,144      | 21,701                             |
| Net change in other assets   | 29,564          | (51,089)   | 245,242                            |
| Net change in other liabilities and other  | (1,936)         | 457        | (16,060)                           |
| Net cash provided by (used in) operating activities  | 227,959         | (114,348)  | 1,890,991                          |
| <b>Investing activities:</b>   |                 |            |                                    |
| Purchases of investment securities   | (774,784)       | (855,942)  | (6,427,076)                        |
| Sales and maturities of investment securities  | 874,217         | 879,508    | 7,251,904                          |
| Purchases of money held in trust   | (30,640)        | (15,750)   | (254,168)                          |
| Sales of money held in trust   | 15,904          | 45,086     | 131,929                            |
| Purchases of premises and equipment  | (34,417)        | (14,581)   | (285,500)                          |
| Sales of premises and equipment  | 9,128           | 4,806      | 75,719                             |
| Net change in call loans   | 45,900          | (42,886)   | 380,754                            |
| Loan originations, net of repayments   | (169,476)       | 323,851    | (1,405,856)                        |
| Net change in commercial paper and other debt purchased  | (7,248)         | (323)      | (60,124)                           |
| Net cash provided by (used in) investing activities  | (71,416)        | 323,769    | (592,418)                          |
| <b>Financing activities:</b>   |                 |            |                                    |
| Issuance of preferred stock  | 100,000         |            | 829,531                            |
| Net change in deposits   | (78,837)        | (695,419)  | (653,978)                          |
| Net change in call money   | (103,666)       | (229,903)  | (859,941)                          |
| Net change in commercial paper   | 15,000          |            | 124,430                            |
| Proceeds from subordinated loans   | 252,145         | 20,000     | 2,091,622                          |
| Repayments of subordinated loans   | (26,198)        |            | (217,321)                          |
| Proceeds from subordinated bonds   |                 | 9,963      |                                    |
| Repayments of subordinated bonds   | (6,626)         |            | (54,965)                           |
| Net change in other borrowed money   | (287,533)       | 78,568     | (2,385,176)                        |
| Net change in margin money received under securities lending transactions  | (87,321)        | 137,619    | (724,355)                          |
| Dividends paid   | (5,621)         | (5,690)    | (46,628)                           |
| Net cash used in financing activities  | (228,657)       | (684,862)  | (1,896,781)                        |
| <b>Cash and cash equivalents of newly consolidated subsidiaries, beginning of year</b>                                 | 3,148           |            | 26,114                             |
| <b>Net decrease in cash and cash equivalents</b>   | (68,966)        | (475,441)  | (572,094)                          |
| <b>Cash and cash equivalents, beginning of year</b>  | 559,367         | 1,034,808  | 4,640,124                          |
| <b>Cash and cash equivalents, end of year</b>  | ¥ 490,401       | ¥ 559,367  | \$ 4,068,030                       |
| <b>Additional cash flow information:</b>   |                 |            |                                    |
| Interest paid  | ¥ 126,424       | ¥ 208,213  | \$ 1,048,731                       |
| Income taxes paid  | 1,141           | 827        | 9,461                              |
| <b>Noncash investing and financing activities:</b>   |                 |            |                                    |
| Assets increased by consolidation of subsidiary previously unconsolidated  | 107,038         |            | 887,913                            |
| Liabilities increased by consolidation of subsidiary previously unconsolidated   | 130,746         |            | 1,084,579                          |

See notes to consolidated financial statements.