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The Industrial Bank of Japan, Limited

Annual Report 1999

Year ended March 31, 1999

IBJ

Introduction

IBJ was originally founded as a public-sector bank under the Industrial Bank of Japan Act of 1902. At that time, Japan was in the throes of its industrial revolution, and there was a strong demand for long-term investment capital. IBJ raised funds by issuing bank debentures.

The Bank also acted as the trustee in corporate debenture issues—notably, the major Japanese railway company issue of 1906 in London, amounting to the then-enormous sum of £1 million. These activities contributed to the building of the domestic securities market and to the generating of a higher profile for Japanese borrowers in the international market.

This early experience of a sophisticated mix of corporate and investment banking with exposure to trust work is unique to the Bank among Japanese banks. In the original Act, there was the wording, "trust business related to local government bonds, corporate bonds, and equities". This was the first time for the term "trust", or "*shintaku*", to appear in the Japanese statute book.

The 1918 amendment to the IBJ Act permitted the underwriting and offering of equities. At that point, the Bank had the full capabilities for what is now termed investment banking. However, that was at what proved to be the peak of the demand created for Japanese products by the First World War and the consequent economic boom.

Thereafter, the next 30 years of Japanese history encompassed many adversities for society in general and for financial institutions in particular: the Great Kanto Earthquake, the Showa Financial Panic, and, finally, the Second World War and the postwar recovery.

The Bank became a private-sector bank in 1950 and took on its current legal form under the Long-Term Bank Act of 1952. However, the Act was framed within the terms of the U.S.-led Occupation policy of compartmentalizing financial services. IBJ was forced to retreat from much of its former investment banking activities and return principally to long-term lending funded by issuing bank debentures.

During the high-growth period of the Japanese economy in the 1960s, the Bank was particularly active in financing steel production, shipping, shipbuilding, and vehicle manufacturing. Following the first oil crisis, Japan moved to a pattern of lower growth as a mature economy, and the Bank expanded its customer base at home and started the process of expansion overseas.

Domestically, the wholesaling of bank debentures to major financial institutions and the regional banks led to a network of strong relationships. This was all supported by the fact that, originally a public-sector bank, the Bank had no *keiretsu* affiliations: the Bank has always been independent of the large corporate groupings characteristic of Japan. Internationally, the Bank was free to pursue its investment banking ambitions.

The current round of liberalization, Japan's Big Bang, is enabling the Bank to return to its domestic investment banking roots and more fully explore the benefits of its independence and relationship networks.

Contents

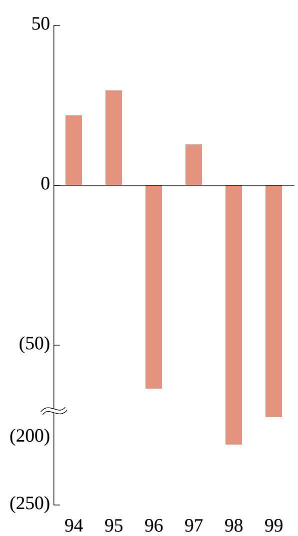
Financial Highlights

	(in millions of yen) 1999	1998	(in thousands of U.S. dollars)** 1999
For the Years Ended March 31			
Total Income	**¥ 3,386,760**	¥ 3,321,902	**$ 28,094,239**
Total Expense	**3,642,993**	3,635,020	**30,219,769**
Loss before Income Taxes and Others	**(256,232)**	(313,118)	**(2,125,530)**
Net Loss	**(181,276)**	(202,660)	**(1,503,748)**
At March 31			
Total Assets	**46,166,409**	49,229,785	**382,964,825**
Loans and Bills Discounted	**23,327,907**	24,001,429	**193,512,295**
Investment Securities	**8,942,151**	8,847,249	**74,177,945**
Debentures	**20,461,865**	20,840,941	**169,737,583**
Deposits	**8,116,321**	10,053,551	**67,327,432**
Total Shareholders' Equity	**1,561,350**	1,320,019	**12,951,888**

	(in yen) 1999	1998	(in U.S. dollars)** 1999
For the Years Ended March 31			
Per Common Stock			
Net Loss	**¥ (70.64)**	¥ (79.80)	**$ (0.586)**
Cash Dividends	**7.00**	8.50	**0.058**
Return on Equity	**(14.3%)**	(14.2%)	
At March 31			
BIS Capital Adequacy Ratio	**11.30%**	10.26%	

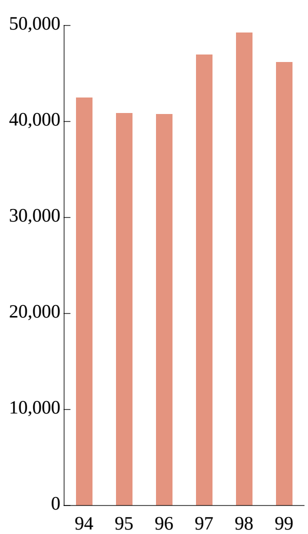
** All figures are on a consolidated basis, unless stated otherwise.*
*** U.S. dollar amounts are converted, for convenience only, at ¥120.55 per dollar (interbank rate in Tokyo at March 31, 1999).*

Net Income (Loss)
(¥ billion)

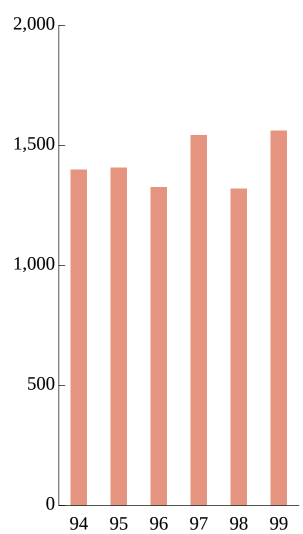


(Years ended March 31)

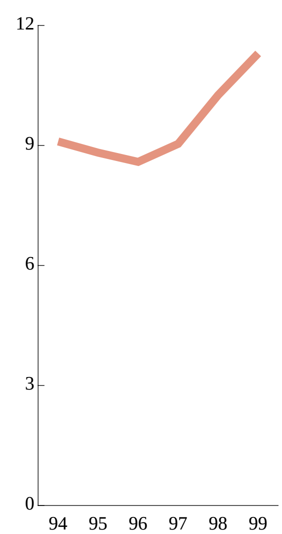
Total Assets
(¥ billion)



Total Shareholders' Equity
(¥ billion)



BIS Capital Adequacy Ratio
(%)



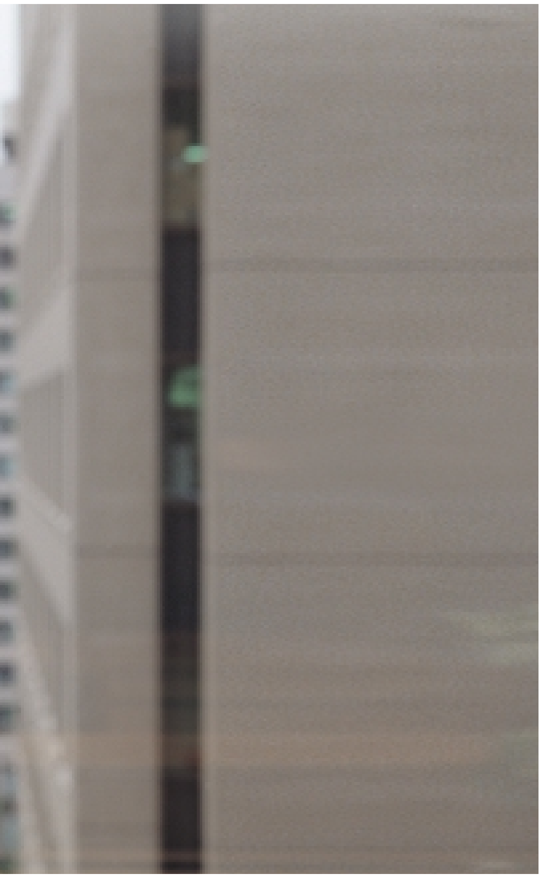
I would like to thank all our friends for their interest and support during the past year. We are at a crucial stage in implementing our strategy of focusing our resources in commercial banking, investment banking, treasury operations, and securities and asset management, while selectively strengthening international banking operations and substantially enhancing our capabilities for the development of sophisticated financial technologies. We are also taking steps to increase our competitiveness by rationalizing our cost structure and strengthening our capital base. Achieving these aims will ideally position us to take the maximum advantage of opportunities presented by Japan's Big Bang and to be a player in the fast-changing global market.

Operating Environment

Fiscal 1998, ended March 31, 1999, was marked by a number of important developments. Japan's financial Big Bang was formally launched, with a series of new laws and administrative measures. These included the enactment in April 1998 of a revised foreign exchange law and the authorization in December of investment trust sales at bank offices. The year also saw decisions on the timing of other important Big Bang measures to be introduced over the next few years. For example, the government decided to allow bank-related securities companies to begin handling equities from October 1999.

Another important legal development of the year was the enactment of a series of laws and other measures to provide a safety net as well as to reform and strengthen the Japanese banking system. In October, the Diet approved a proposal for public funds to be used to strengthen the capital base of banks. This resulted in ¥7.5 trillion in public funds being invested in preferred shares and subordinated liabilities of the 15 largest Japanese banks before the end of March 1999. IBJ was the first among these banks to announce its willingness to cooperate with the government's restructuring program.

In response to these developments, not only banks but also other financial institutions, including securities companies and life insurance companies in Japan and overseas, embarked on a series of business tie-ups and mergers to maintain and strengthen their competitiveness as well as provide the services required in the new financial environment. IBJ remains one of the most active players in this area and has concluded alliances with the Nomura Securities Co., Ltd., and the Dai-ichi Mutual Life Insurance Company.



Masao Nishimura
President and Chief Executive Officer

Business Results for Fiscal 1998

Anticipating these developments, in April 1998, we identified five principal tasks to substantially reform the management of our operations in the year ended March 31, 1999, and the year ending March 31, 2000. These were to

- conduct a thorough review of our business and financial positions,
- take decisive steps to dispose of non-performing loans,
- proceed with the restructuring of our operations,
- strengthen our position in core businesses, and
- respond effectively to the Big Bang and the reorganization of Japan's financial sector.

As part of our efforts to fulfill these tasks, we adopted aggressive measures to make our final write-off of non-performing loans and provided conservatively for the reserve for possible loan losses. We accordingly reported the highest level of credit costs in IBJ's history, ¥924.3 billion. As a result of this and other factors, we reported a net loss for the second consecutive year, of ¥195.7 billion, on a non-consolidated basis.

With a view to maintaining our BIS capital adequacy ratio at a level appropriate for a leading international bank, we made a third-party capital allocation of ¥67.0 billion to Dai-ichi Mutual Life Insurance and issued ¥176.0 billion in preferred shares through overseas subsidiaries and ¥64.0 billion in subordinated bonds, for a total of ¥307.0 billion in new capital raised through our own efforts. In addition, we received ¥600.0 billion in public funds through the issuance of convertible bond-type preferred stocks and perpetual subordinated bonds. As a consequence of these measures, we were able to raise our BIS capital adequacy ratio on a consolidated basis from 9.22% before introducing public funds to 11.30% at March 31, 1999, comfortably above the 10% level.

Organizational Changes Responding to the Big Bang

One of the principal results of the Big Bang will be to allow financial institutions to offer a wider range of services to customers instead of being confined to specific financial service sectors. The IBJ Group began to make preparations for deregulation more than 10 years ago. As deregulation accelerates, to establish IBJ as a "First Call Bank" capable of providing a broad range of the highest-quality services, we have made a number of internal organizational changes and established new subsidiaries and joint ventures. Some of the most important changes were as follows:

- We organized our customer-related business into four sectors: the Corporate Banking Unit, the Investment Banking Unit, the Treasury Unit, and the Securities and Asset Management Unit, with a view to having these develop into autonomous profit centers.

- We raised the division in charge of planning for the IBJ Group to departmental status—the Business Planning Department (IBJ Group)—to coordinate the development of an expanded range of financial services offered by the Group.
- We established the Risk Management Department to oversee credit, market, and liquidity risk comprehensively.

In addition to these organizational changes, we are adopting measures to reform our operations. These include reviewing our operations and office network to increase efficiency and creating personnel management systems that make it possible to fully utilize the services of more specialized and efficient personnel.

In May 1998, to expand the scope of services in response to Japan's Big Bang, we announced the formation of several joint ventures with Nomura Securities. These companies will engage in promising growth areas, including derivatives, asset management and administration business, especially record-keeping for Japanese-style 401(k) defined contribution pension schemes, and asset management advisory services. In parallel with these activities, we reached an agreement with Dai-ichi Mutual Life Insurance in October 1998 on the formation of an across-the-board alliance. Thus far, we have cooperated in lending and other financing activities, the joint development of real estate securitization programs, the cross-selling of investment trusts, and the development of financial technologies and instruments through the establishment of a joint venture for this purpose. Moreover, we have decided to merge our asset management companies and operate the merged company as a joint venture in October 1999.

Management Strategy and Directions

For almost two decades, IBJ has recognized that it must move beyond its role as a long-term credit bank primarily engaged in financing the development of Japanese industry. To that end, we have prepared a series of management plans, the first of which started in 1988. Our Fourth Medium-Term Management Plan, which began in April this year and will extend through the year ending March 31, 2002, sets a number of concrete goals, namely,

- focusing on the needs of our customers and providing high-value-added services that win customer satisfaction and trust,
- developing and applying the most advanced financial technologies,
- training of personnel and encouraging them to realize their full potential, and
- contributing to society and encouraging an awareness of social responsibility.

Based on these goals, we plan to continue developing our industrial finance activities, centering around commercial and investment banking, and offering our customers a diverse range of high-value-added financial services that meet their needs promptly and accurately. It is our aim to become Japan's leading "First Call Bank."

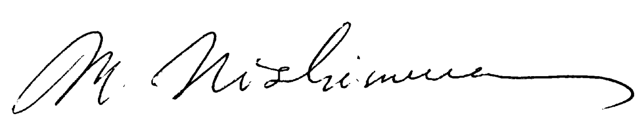
To this end, we have made three additional major reforms in our management framework. The first is the introduction of the Executive Director System that clarifies authority and responsibility in various operating units. The second is the appointment of an Advisory Board made up of prominent individuals from various fields to provide frank advice to IBJ management. The third is the establishment of the business unit system that we envision will lead eventually to the management of core businesses as profit centers. In addition to these reforms, we are planning to establish a financial holding company in the autumn of 2000, which is expected to enable IBJ Group companies to pursue greater specialization and allow us to realize the full potential of our management resources in providing a broad range of services for our customers.

The introduction of a fully consolidated Group structure, for financial and management accounting purposes, should raise the levels of responsibility and transparency to global standards.

And, further, on August 20, 1999, IBJ agreed to consolidate its operations with those of the Dai-Ichi Kangyo Bank, Limited, and the Fuji Bank, Limited, on an equal basis under a holding company to be established, subject to regulatory and shareholders' approval (Please refer to the appendix for your inquiries.). In this way, we plan to fulfill our responsibility for building a strong earnings base and achieving an early recovery in performance.

Realizing all of our aims in the coming years will be a major challenge, but we are sure that, with your support, we can continue to make progress in building a new IBJ for the 21st century.

August 1999



Masao Nishimura
President and Chief Executive Officer

Management Rationale and Strategy at IBJ

Frequently Asked Questions

Rationale

Q *What type of bank is IBJ attempting to become?*

A ***IBJ is aiming to become the leading "First Call Bank"—the first bank to be contacted—for the wholesale financial requirements of Japanese corporations, both financial and non-financial.***

That means being able to offer Japanese corporations, both financial and non-financial, the right product at the right time. In the globalized financial markets of today, that means providing competitively priced value-added service as and when the demand arises. As a non-*keiretsu* bank with a long tradition of independence, the Bank is surprisingly well placed to achieve its aim.

In specific terms, being a "First Call Bank" means not only providing the standard commercial banking products of deposits, lending, and forex, but also the investment banking products of the securitization of assets and receivables, the syndication of issues, M&A advisory services, balance sheet restructurings, and other similarly highly specialized professional services, such as securities and asset management related services, which require financial engineering expertise and IT-related database know-how. The long history of the Bank and its large customer base mean that if such services and products are provided competitively and in a timely fashion, the Bank should indeed become the "First Call Bank" of much of non-financial corporate Japan.

Because of its peculiar history among the major Japanese financial institutions, the Bank maintains a unique independence from any *keiretsu* grouping. Also, the Bank's long use of bank debentures as a means of funding has created an extensive network of relationships with many financial institutions, principally regional banks and investing institutions. The wholesale orientation should enable IBJ to make the "First Call Bank" concept also apply to financial corporate Japan. In particular, the network should prove useful in the retailing of asset management related products wholesaled by the Bank.

Steps to "First Call Bank" status

Q *To achieve "First Call Bank" status, what fundamental steps are being taken?*

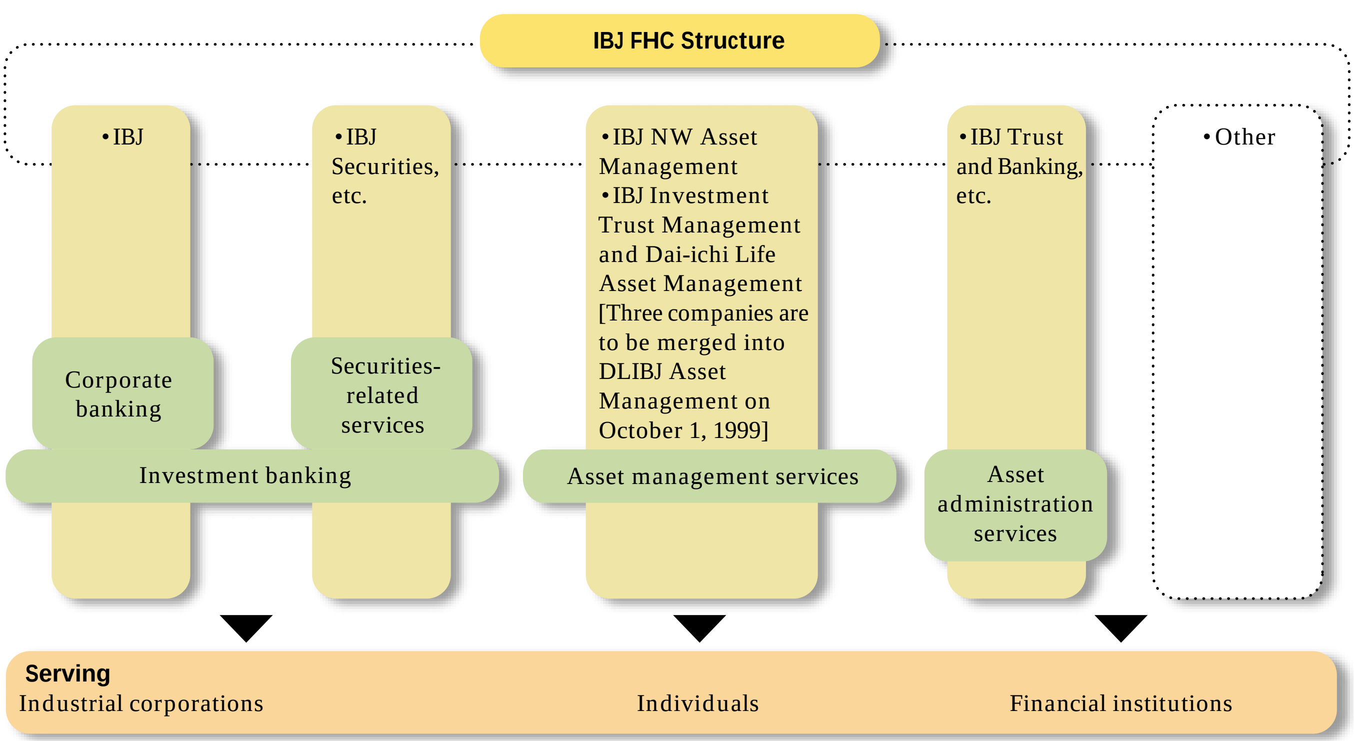
A ***The current medium-term management plan running from the year ending March 31, 2000 to 2003, is now being acted on.***

The three key points of this plan are: 1. Efficiency: an improved return on equity and an improved balance sheet position, 2. Accountability: restructured corporate governance, and 3. Transparency: clearly enunciated management strategies. The aim is to become a bank that is clear in its thinking, speedy in its execution, and creative in its product and service development. Only in these ways will IBJ achieve the vital "First Call Bank" status.

Efficiency, an improved return on equity and an improved balance sheet position require that there has to be an increase in profitability, a restructured balance sheet, and considerable rationalization of operations. Profitability means being able to provide value-added services efficiently and being able to market these aggressively. Balance sheet restructuring depends on being able to write off non-performing loans and provide adequately for doubtful loans as well as on being able to liquidate the capital locked up in IBJ's large portfolio of equities held for purely relationship reasons. The painful process of rationalization requires the Bank to consolidate its branch network at home and overseas, to reduce the size of the Board, and to improve performance.

Senior management is emphasizing the detailed management of risk and return to minimize volatility in revenues. Senior management is also positioning the IBJ Group to take advantage, as soon as practicable, of the new financial holding company (FHC) structure in the quest for greater efficiency, accountability, and transparency. The IBJ Group is working to increase ROE on a core business profit basis from the forecast result of 11.8% for the year ending March 31, 2000, to 14.8% for 2003: the period of the current medium-term management plan.

● **The New IBJ Group in Summary**



Corporate governance

Q *How is IBJ reforming its system of corporate governance to meet global standards for greater accountability?*

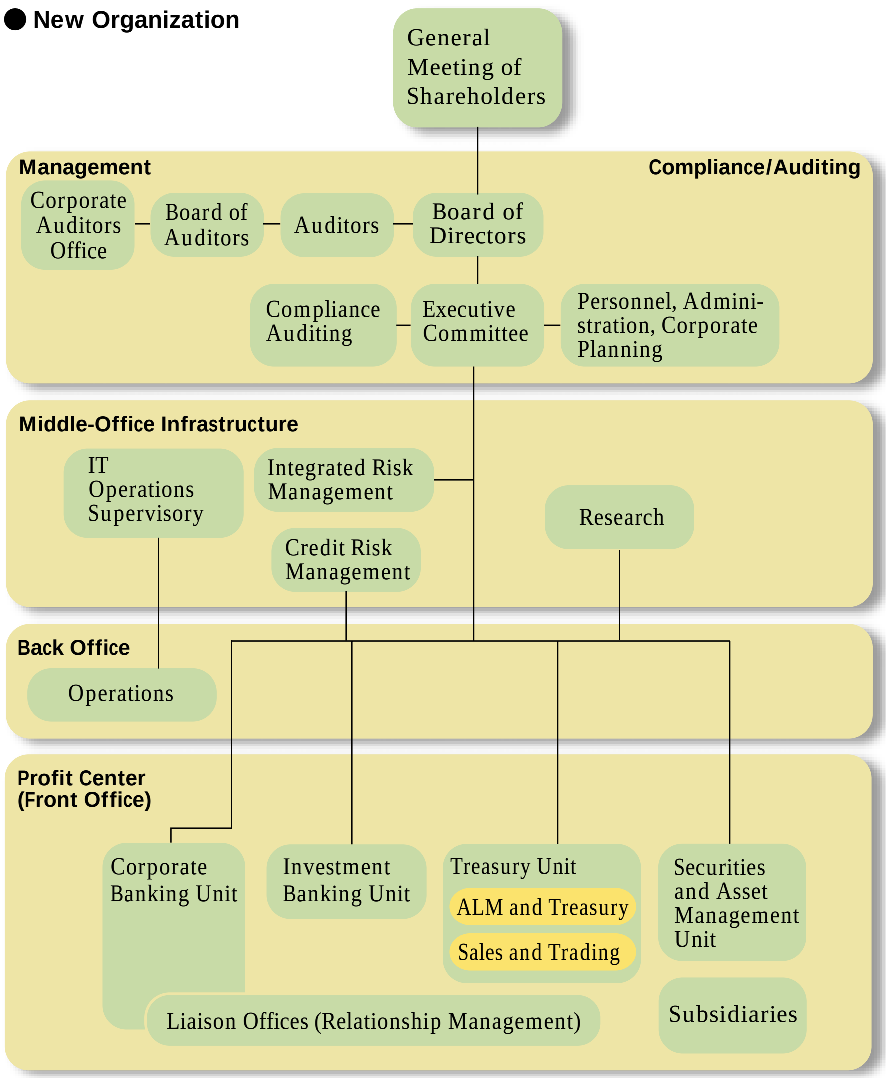
A ***Despite the various conventional and legal constraints in this respect, management is putting into place a system of clear responsibility by business units, each headed by a managing director and reporting to an executive board, the Executive Committee, and this executive board is then accountable to a policy board, the Board of Directors, acting as a supervisory board responsible to the shareholders.***

It is now widely recognized that the conventional Japanese extended board of directors leads to confusion and conflicts of interest regarding its function as the senior management body deciding strategic policy with final responsibility to the shareholders and its function as the forum for day-to-day operational decision making by the directors as senior management employees. The separation of the day-to-day management of the execution of business in the Executive Committee and the long-term determination of policy and the monitoring of its implementation by the Board of Directors resolves the conflict.

In June 1999, the Executive Director System was established with 27 members, and the Board of Directors is to be reduced from 30 members for the year ended March 31, 1999, to approximately 13 members by March 2003. Currently, many individuals are members of both the executive and the policy board; however, this is an inescapable transitional measure. It is IBJ's intention to isolate membership of the Executive Committee as much as possible from membership of the Board of Directors. The committee would then be fully and clearly accountable for the implementation of policy as laid down by the Board, and the Board itself would in turn be composed of a limited number of directors approved by, and fully and clearly accountable to, the shareholders.

Also in June 1999, an advisory board comprising external opinion leaders was established to meet quarterly as the Advisory Board and review the business of the Bank. The intention is to expand this advisory process into a fully functioning system of external nonexecutive directors as members of the Board of Directors and therefore achieve global standards of accountability, delegation of authority, and corporate governance.

New Organization



While these changes appear complex and involved, they form the only practicable route possible from Japanese standards to global standards within the restrictions of current conventions and legislation. It is the intention of the IBJ Group to take advantage of the newly permitted financial holding company (FHC) structure as soon as possible. The IBJ Group should move to an FHC structure in the autumn of 2000, with its strategic specialist subsidiaries fully included for maximum efficiency. The four core business units—corporate banking, investment banking, treasury, and securities and asset management—now report independently for the purposes of management accounts. They could then take advantage of legislative developments in company law, anticipated to be enacted shortly, and incorporate themselves as fully stand-alone subsidiaries and therefore will completely separate risk, personnel, and budget management.

In the continuing consolidation of the Japanese financial services industry, it is likely that attractive and complementary financial players will become available from time to time. The FHC structure would obviously make the opportunistic incorporation of such players into the Group eminently practicable. The IBJ Group would then be increasingly better able to offer products and services in its key competencies.

Transparency in the management strategy

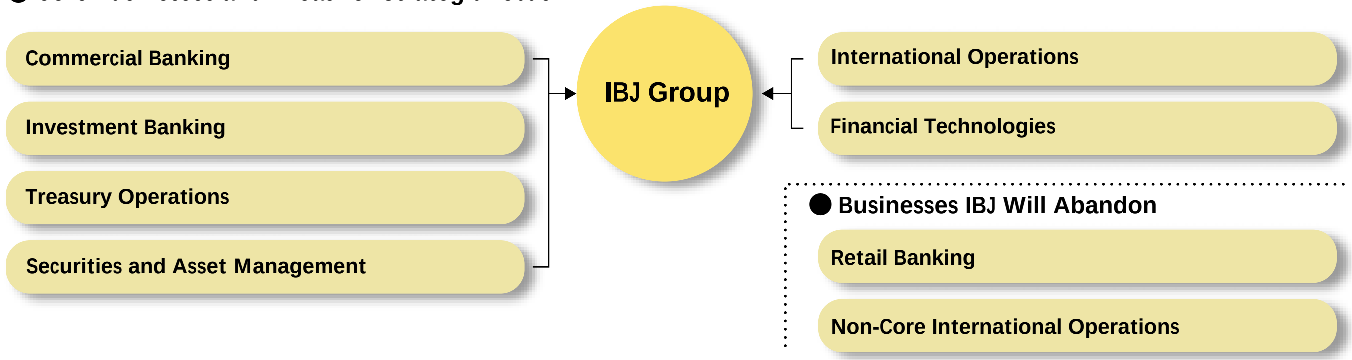
Q *What is meant by "transparency" in the management strategy?*

A ***To raise ROE and to enhance shareholder value, senior management has to adopt a clear and logical evaluation of business operations: the IBJ Group can no longer afford to try to do everything.***

The core businesses of the IBJ Group have been determined as 1. Commercial banking, 2. Investment banking, 3. Treasury operations, and 4. Securities and asset management. To support these four core businesses, it is necessary to build strength in the two related areas of international operations and financial engineering. However, IBJ is withdrawing from all other areas that are non-core, such as retail banking for individual customers and international operations outside the four core businesses.

The "New IBJ" structure is set out conceptually below: the four core businesses supported by international operations plus financial technologies. The current financial product retailing will be withdrawn from, and emphasis will be placed on product wholesaling via cooperating financial institutions. International activity superfluous to the core businesses will also be abandoned.

● **Core Businesses and Areas for Strategic Focus**



IBJ's future-oriented business strategy

Q *What strategy is the management of IBJ adopting for the future?*

A ***Taking full advantage of the wave of liberalization in Japan, IBJ is building a broadly based but targeted financial services provider capability.***

The liberalization of the Japanese financial services industry started with the impetus of the U.S.-Japan bilateral agreement of 1984. One consequence was the legislation that made it possible, through so-called cross-over subsidiaries, for banks and other institutions to enter into the securities and trust banking businesses, while the securities companies could enter the new fields of banking and trust banking.

Foreseeing the long-term impact of these various liberalization measures, the Bank expanded the Industrial Bank of Japan (Germany) and IBJ International plc presences in securities operations, acquired the U.S. banking operation of Schroders US Holdings Inc. and the U.S. primary dealer, Aubrey G. Lanston, and established The Bridgeford Group as a specialist M&A boutique subsidiary in the United States. In the domestic market, the Bank established these important strategic subsidiaries: IBJ Securities Co., Ltd.; IBJ NW Asset Management Co., Ltd.; IBJ Investment Trust Management Co., Ltd.; IBJ Trust and Banking Co., Ltd.; and IBJ-DL Financial Technology Co., Ltd.

Further, New Japan Securities Co., Ltd., and Wako Securities Co., Ltd., are to be merged, and the IBJ Group's interest in the new company, Shinko Securities Co., Ltd., will be raised to 25%, and the share capital of IBJ Securities has already been increased. In this fashion, the IBJ Group will take a significant position in both wholesale and retail securities.

Further in line with developments among other world-leading financial institutions, a product-oriented matrix organization, rather than the previous region /corporate entity oriented management organization, has been constructed, within which these specialist subsidiaries fit naturally.

Differentiation with other leading domestic banks

Q *Other leading Japanese banks are emphasizing retail operations, and, in a disintermediating financial economy, retail business is generally thought to be more profitable than wholesale business. Is the right decision being made?*

A ***IBJ has quite different origins from other leading Japanese banks. It is clear and logical to use a fundamentally different strategy.***

In the current environment of liberalization associated with Japan's Big Bang, each bank is attempting to refocus its strategy on its inherent strengths. The other leading banks are being forced to go back to providing retail banking services to individuals and smaller businesses. The regional banks are being forced to re-emphasize their local connections. In all this, the Bank is positioned with a uniquely corporate orientation and has comparatively strong overseas capabilities. Specialization in the wholesale business rather than in the retail business makes perfect sense.

Being wholesale means that it is possible to distribute products through the retail network of other banks: the independence of the Bank makes that practicable. It is the long-term aim of the Bank to exploit the networks of those banks specializing in retail both in Japan and overseas.

● IBJ's Position by Customer Segment

As of March 31, 1998

	Ranking of shares among individual financial institutions	Number of companies (including customer group companies)	Average outstanding balance of transactions (¥ trillion)
Core customer segments		3,365	10.9
Japanese blue chips	Second	275	2.7
Foreign blue chips	First	458	1.1
Large companies with credit ratings from A to BBB	First	1,807	5.7
Other core customers	First	825	1.4
Other customers		6,289	10.3
Total		9,654	21.3

Note: Core customers are those companies that make use of IBJ as their "First Call Bank" and include many of the internationally best-known Japanese companies.
Source: IBJ survey

Competition with leading foreign banks

Q *Emphasizing the areas of commercial banking, investment banking, treasury operations, and securities and asset management is going to bring IBJ into direct competition with leading foreign banks. Will its profitability suffer?*

A ***IBJ has already started the process of emphasizing its core businesses, and, as a matter of fact, this is already improving profitability.***

Investment banking and securities and asset management have been receiving the preferential investment of funds and personnel, and this process is leading to overall improved profitability. IBJ is fully capable in financial engineering products, such as structured finance, and that type of specialist knowledge is absolutely imperative in the provision of value-added services to its corporate customer base.

As a consequence of the Big Bang liberalization measures, the old compartmentalized separations of financial services providers are disappearing, and the four core businesses and their various support operations should eventually be reorganized as IBJ Group subsidiaries under a financial holding company (FHC) consolidated structure.

These Big Bang processes mean that the previously existing institutional brakes on the competitiveness of Japanese institutions are being removed. Their competitiveness should rise over the longer term, and the first-tier Japanese banks should eventually be fully on a par with the leading European and U.S. banks. The IBJ Group, which has the aim of serving its corporate customers with such sophisticated products as a "Problem Solution Provider," should be at the forefront of these developments.

Specialist subsidiaries and affiliates

Q *Recently, a number of specialist subsidiaries have been formed. What is the strategy?*

A ***The strategy is to build the IBJ Group into a financial services institution that is the "First Call Bank" in its key competencies.***

Customer requirements are becoming more demanding and varied, and it is necessary to set up a number of specialized subsidiaries and affiliates in such areas as securities, asset management, defined contribution pension related record-keeping, and other areas. The wholly owned subsidiary IBJ Securities Co., Ltd., was incorporated in 1993 and has been successful in carving out a large market share in corporate straight bonds. In the secondary markets, it has also taken market share in sales and trading. Up until now, IBJ Securities had one arm tied behind its back: it was largely restricted to public and corporate entity straight bonds. In the autumn of this year, the restriction on entering equities is scheduled to be lifted. Ahead of that deregulation, the capital and staffing of IBJ Securities have been increased.

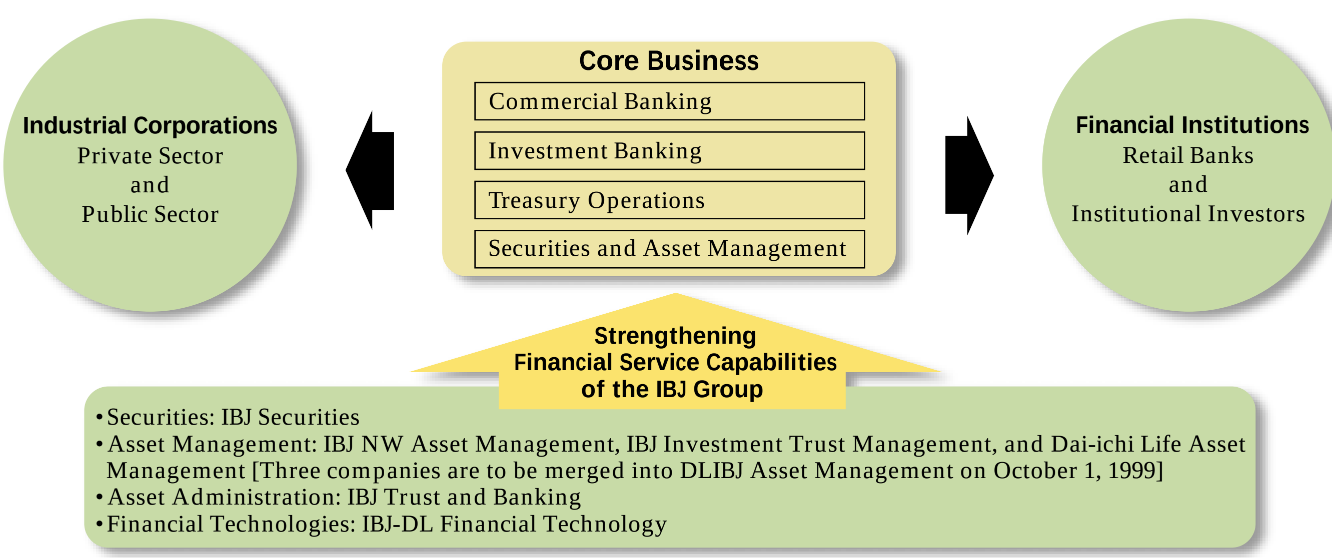
IBJ Securities is active in the international markets and becoming fully able to satisfy the requirements of customers at home and overseas. This process will be accelerated with the scheduled merger of two securities affiliates, Wako Securities Co., Ltd., and New Japan Securities Co., Ltd., into Shinko Securities Co., Ltd. The IBJ Group should further establish a major presence in the securities business.

In asset management, in 1985, IBJ NW Asset Management Co., Ltd., was incorporated, and in 1994 and 1995, IBJ Investment Trust Management Co., Ltd., and IBJ Trust and Banking Co., Ltd., were incorporated, respectively. The Japanese asset management industry is facing substantial liberalization and deregulation, and these companies are playing a significant role in the process. In particular, the introduction of Japanese-style 401(k) defined contribution pension schemes is likely to have a major impact on the market.

IBJ has entered into an alliance agreement with Dai-ichi Mutual Life Insurance Company, and both companies' asset management subsidiaries are to be merged into DLIBJ Asset Management Co., Ltd., on October 1, 1999. The considerable merits of scale of the merger should position the IBJ / Dai-ichi alliance well.

Also, the introduction of defined contribution pension schemes is likely to lead to an immense demand for the back-office services associated with such schemes. IBJ and Nomura Securities Co., Ltd., have formed a joint venture, Nomura-IBJ Investment Services Co., Ltd. (NIIS), and this company is to play an important role in the system that is being currently put into place: the so-called Japanese-style 401(k) defined contribution pension schemes.

Behind these specialist subsidiaries lies the basic rationale of moving the IBJ Group toward value-added wholesale products and services: as an independent group of financial institutions that has targeted and fully restructured its chosen business areas of competence and can truly aspire to be the "First Call Bank" of choice.



Funding reliance on bank debentures

Q *It is thought probable that ordinarily licensed banks will be permitted to issue straight bonds and that five-year Japanese governmental bonds ("JGBs") will also be issued. What is going to be the impact on the Bank and its reliance on funding by the issue of five-year bank debentures?*

A ***The impact on IBJ funding of apparently competing and substitute bonds has been minimal to date. With different terms, there is no real substitution effect.***

The bank debenture market has been limited to the long-term credit banks and a limited number of other special-purpose financial institutions.

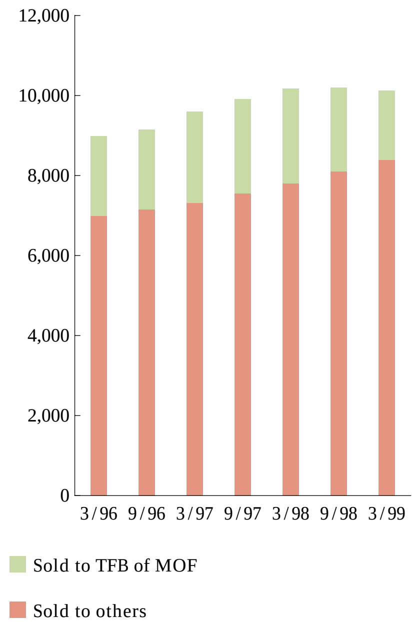
The market is worth around ¥60.0 trillion and is second only to the JGB market itself. The IBJ issue accounts for some ¥20.0 trillion of the total ¥60.0 trillion, and there has been steady demand from a variety of customers, such as financial institutions and institutional investors. This has been on account of the liquidity and size of the market with its wide variety of maturity dates available in the secondary market. If the special factors of the currently abnormally low interest rates and the reaction to the enormous success of the high coupon product, "Wide," in 1990 maturing in 1995 are ignored, the basic trend has been for the IBJ issue balance to rise. In the previous year, the balance of bank debentures outstanding fell by ¥373.0 billion on account of the Ministry of Finance (MOF)'s Trust Fund Bureau (TFB) reducing its exposure. However, the Bank has had a history of nearly 100 years of issuing bank debentures and has very strong distribution channels. Thus, despite the adverse environment during the previous fiscal year, IBJ's balance of five-year bank debentures rose by ¥590.0 billion, and the number of active customer accounts increased.

The ordinarily licensed banks have exploited their large branch networks to gather deposits and used this deposit base for funding their operations. The Bank and other special-purpose banks have a limited network of branches, and, hence, the privilege of issuing bank debentures is an important source of funds. However, for those banks not accustomed to the process of issuing bonds, there should be little enthusiasm for straight bond issues on account of the various entry barriers to such a novel funding route. Bond issues are therefore likely to be only a supplementary form of funding. The issue amounts are likely to be limited and the issue timetable irregular. Given the structural weakness of the domestic straight bond market, there is unlikely to be much investor enthusiasm for the product. The impact on the Bank's issue program is therefore expected to be extremely limited.

With regard to five-year JGBs, there is as yet no clear outline available, as the matter is still under discussion and debate within the government and in the Diet. However, there are already four- and six-year JGBs out in the market, and these have not had any appreciable impact on the IBJ bank debenture market. The five-year JGB is again likely to attract a very different type of investor on account of its different terms. Accordingly, if the Bank continues to issue bank debentures with due concern for market conditions, there should be little negative impact on funding.

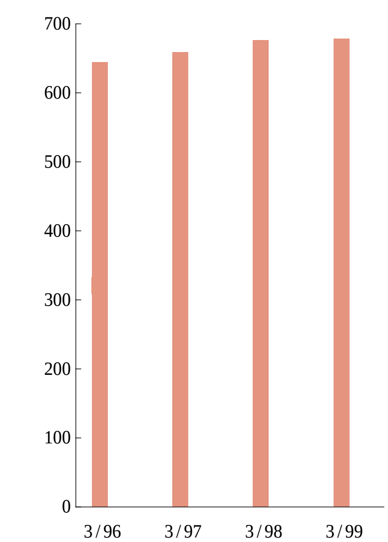
● Trends in IBJ's Five-Year Debenture Issues

(¥ billion)



● Number of Regular Institutional Investor Purchasers of the Bank's Five-Year Debentures

(Number of purchasers)



Non-performing loans

Q *What is IBJ's exposure to non-performing loans? In what case does IBJ make loan forgiveness to a customer?*

A ***As of March 31, 1999, on an IBJ-only basis, Loans under Special Risk Review amounted to ¥1,844.1 billion—namely, Bankruptcy Loans were ¥45.2 billion, Nonaccrual Loans were ¥1,236.0 billion, Accruing Loans Past Due 3 Months or More were ¥8.4 billion, and Restructured Loans were ¥554.4 billion. As of March 31, 1999, on an IBJ-only basis, Claims Subject to the Financial Reconstruction Law (FRL) Disclosure Requirements were ¥1,872.3 billion—namely, Claims under Bankruptcy or Virtual Bankruptcy were ¥111.6 billion, Claims under High Risk were ¥1,197.7 billion, and Claims under Close Observation were ¥562.9 billion. The main reason for the increase in Nonaccrual Loans is the change in the nonaccrual standard. Accruing Loans Past Due 3 Months or More, Restructured Loans, and Claims under Close Observation are not necessarily irrecoverable. Therefore, the two totals, Loans under Special Risk Review and Claims Subject to FRL Disclosure Requirements, should not be viewed as measures of the non-performing loan position.*** ***(See pages 52~57.)***

In fiscal 1998, IBJ took decisive measures to substantially improve the soundness of its asset portfolio, adopting measures to deal with ¥857.8 billion in non-performing loans (¥924.3 billion, if additions to the General Reserve for Possible Loan Losses are included), the highest level of credit losses in the Bank's history.

As of March 31, 1999, the Coverage Ratios* for Claims Subject to FRL Disclosure Requirements were 100% for Claims under Bankruptcy or Virtual Bankruptcy, 83.8% for Claims under High Risk, and 52.7% for Claims under Close Observation. Management believes that these levels of write-offs and provisioning are fully adequate. The possibility of a further increase in the level of credit losses should be quite limited, as the Bank has also introduced stricter credit risk control procedures.

** Coverage Ratio = (Collateral + Third Parties' Guarantees + Reserves for Possible Loan Losses)/Claims*

The loan forgiveness made by a bank to a customer is, in principle, impermissible. However, there may be some exceptions where the social consequences of rigidly applying the principle may result in excessive disruption and damage to the overall economy.

For example, there may be exceptional cases where a company's technology, production capacity, or marketing network are recognized as a general social good. Other cases are where the bankruptcy of a company could lead to a series of bankruptcies of subcontractors,

Loan Losses

(¥ billion)

For the years ended March 31	1996	1997	1998	**1999**	Total
Write-offs, Specific Provisioning and Bulk Sale, etc. (net)	856.0	261.2	633.8	**857.8**	2,608.9
General Provisioning (net)	0.4	21.1	14.0	**66.5**	102.1
Total	856.4	282.3	647.8	**924.3**	2,711.1

Loans under Special Risk Review

(¥ billion)

At March 31	1998	**1999**	Change
Bankruptcy Loans	64.2	**45.2**	(19.0)
Nonaccrual Loans	209.5	**1,236.0**	1,026.4
Accruing Loans Past Due 3 Months or More	14.5	**8.4**	(6.0)
Restructured Loans	820.6	**554.4**	(266.2)
Total	1,109.0	**1,844.1**	735.1

Notes: 1. Bankruptcy Loans and Nonaccrual Loans are net of uncollectable portion.
2. The deducted amounts of Bankruptcy Loans at March 31, 1999 and 1998, were ¥100.9 billion and ¥235.4 billion, respectively.
3. The deducted amounts of Nonaccrual Loans at March 31, 1999 and 1998, were ¥146.2 billion and ¥225.0 billion, respectively.

Claims Subject to FRL Disclosure Requirements

(¥ billion)

At March 31	1999	Coverage Ratio	Reserve Ratio
Claims under Bankruptcy or Virtual Bankruptcy	111.6	100.0%	100.0%
Claims under High Risk	1,197.7	83.8%	77.1%
Claims under Close Observation	562.9	52.7%	15.0%
Total	1,872.3	75.4%	60.7%

Notes: 1. Claims under Bankruptcy or Virtual Bankruptcy are net of uncollectable portion.
2. The deducted amounts at March 31, 1999, are ¥272.4 billion.

an increase in unemployment, and severe economic impact for a particular regional economy.

If such a company develops a restructuring plan and the senior management takes responsibility, then it may be reasonable for banks to assist the company through the restructuring process.

In such cases, for the banks to insist on the repayment of the loan may be unreasonable, as it would only force an otherwise sound business into unnecessary bankruptcy and it would be to no one's advantage. Forgiveness may even be a means for reducing the bad loan exposure of the Bank in the long run.

The senior management of IBJ considers the situation carefully and agrees to forgiveness if it is more appropriate and results in greater overall benefits for IBJ.

Emerging market exposure

Q *Please explain IBJ's lending exposure to emerging markets.*

A ***IBJ's exposure on a consolidated basis at the end of March 1999 was ¥778.3 billion to Asia, ¥102.4 billion to Latin America, and ¥8.7 billion to Russia and Eastern Europe.***

On a Financial Reconstruction Law Disclosure Requirements basis, disclosed problem loans to Asia amounted to ¥83.1 billion. Such loans to Latin America were only ¥0.1 billion, and those to Russia and Eastern Europe were ¥3.2 billion.

The outlook of the markets remains uncertain, and the Bank will continue to review the situation carefully. With continuing cooperation with international financial institutions and with the expectation of a prompt return to a vital economy as soon as possible, the Bank intends to play a responsible role.

● Balance of Exposure to Emerging Markets (Consolidated basis as of March 31, 1999)

(¥ billion)

	Thailand	China	Hong Kong	Korea	Indonesia	Singapore	Malaysia	The Philippines	Sub-total	Taiwan	India	Others	Total
Japanese Borrowers	56.7	45.3	39.0	0.0	18.9	44.4	7.7	0.0	212.2	0.0	0.0	0.0	212.2
(IBJ only)	(47.3)	(34.5)	(35.5)	(0.0)	(16.1)	(35.8)	(6.1)	(0.0)	(175.6)	(0.0)	(0.0)	(0.0)	(175.6)
Non-Japanese Borrowers	109.2	93.4	91.8	94.3	63.1	21.8	36.4	4.5	514.8	25.1	24.3	1.6	566.1
(IBJ only)	(97.6)	(85.3)	(88.7)	(94.2)	(37.8)	(19.0)	(32.7)	(4.5)	(460.2)	(21.9)	(23.6)	(1.6)	(507.5)
Total	165.9	138.7	130.9	94.3	82.0	66.3	44.1	4.5	727.1	25.1	24.3	1.6	778.3
(IBJ only)	(145.0)	(119.9)	(124.2)	(94.2)	(54.0)	(54.8)	(38.9)	(4.5)	(635.9)	(21.9)	(23.6)	(1.6)	(683.1)

	Chile	Colombia	Mexico	Brazil	Other	Total	Russia	Others	Total
Japanese Borrowers	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0
(IBJ only)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(0.3)	(0.0)	(0.0)	(0.0)
Non-Japanese Borrowers	29.2	24.9	22.4	7.2	18.2	102.1	1.3	7.4	8.7
(IBJ only)	(28.2)	(23.7)	(21.2)	(7.2)	(15.4)	(95.8)	(1.3)	(3.4)	(4.8)
Total	29.2	24.9	22.4	7.2	18.5	102.4	1.3	7.4	8.7
(IBJ only)	(28.2)	(23.7)	(21.2)	(7.2)	(15.7)	(96.1)	(1.3)	(3.4)	(4.8)

Notes: 1. Exposure includes loans as well as acceptances and guarantees. Conversions to yen were made at the rate of ¥120.55 per U.S. dollar (interbank rate in Tokyo at March 31, 1999).
2. Japanese borrowers are companies in Asia that are 50% or more owned by Japanese companies (excluding companies for which the Bank has obtained guarantees from the parent company).

Year 2000 problem

Q *What measures are being taken to deal with the Year 2000 Problem?*

A ***IBJ regards the Year 2000 (Y2K) Problem as a very serious management issue and a top priority for the Group. The managing director responsible for the Information Technology Department and the managing director responsible for the Corporate Planning Department head up the Year 2000 Committee that includes the heads of all 14 affected departments. The committee is in charge of dealing with the problem and reporting the progress made in resolving the various issues to the Board.***

The possibility of failure of IT systems has been thoroughly investigated, with programs checked and rewritten and tested on a comprehensive basis. There is also a backup crisis control plan in the unlikely event of IT failure.

By March 1999, most core systems related to business operations were Y2K compliant, and, by the end of June 1999, all systems, facilities, and environmental equipment were compliant. For external systems connected to the IBJ Group's IT systems, there has been a series of financial industrywide tests involving the Bank of Japan network and the *Zengin* (the Japan Bankers' Federation) system.

As systems are certified Y2K compliant, their configurations are tightly managed, and further alterations are restricted in the interest of maintaining compliance until March 2000.

In the area of customer Y2K readiness, the Bank is tracking its counterparty risk by considering a number of factors: the commitment of the senior management to the problem, the extent of the response to the problem, the progress made in ensuring compliance, and the progress made in preparing a crisis management program.

The Bank had prepared a crisis management program, the Contingency Plan, by the end of June 1999 to deal with the possibility that the social infrastructure necessary for the Bank's operations may fail, for example, electricity, gas, telecommunications, water supply, transportation systems, and financial settlement infrastructure, and that there may be associated credit risk, liquidity risk, legal risk, reputation risk, and other types of risk. Measures to reduce risk in advance, measures to ensure the normal functioning of the Bank despite possible system failures, and a command center strategy have been determined, and a staff training program has been put in place, which commenced in July.

The total cost of dealing with the Y2K Problem has been estimated at ¥12.1 billion, including all ancillary charges and costs.

The Y2K Problem is under the constant surveillance of the internal audit team, which receives updates of the implicit legal risk from the legal section.

For all account holders with the Bank, pamphlets have been prepared to answer concerns and questions, and these have been distributed to all branches for availability.

For those readers of this annual report interested in the details concerning this problem, the IBJ Web site at www.ibjbank.co.jp should be visited for the latest information.

Preparing for Heightened Competition in the Post-Big Bang Era

Revenue Plan

In March 1999, the Bank published the *Plan to Revitalize Management* in connection with the application for the injection of public funds. This plan has core business profit rising from the forecast result of ¥162.8 billion for the year ending March 31, 2000, on a non-consolidated basis to ¥215.5 billion for the year ending March 31, 2003, with the new subsidiaries' contribution at that point being approximately ¥45.0 billion, making the total in excess of ¥260.0 billion.

The basis of these revenue projections is the strength of the commercial banking, investment banking, and securities and asset management businesses as well as the new and growing emphasis on asset-liability management (ALM) in the area of exposure to market risks at the parent company in treasury plus the growing strength of subsidiary operations.

Within commercial banking, it is imperative to assess risk correctly and ensure that the loan book quality is raised. Investment banking and securities and asset management businesses are important strategic areas of emphasis for management and should see higher revenues as increased resources are applied. Market risk control using ALM techniques should lead to greater stability in revenues from treasury operations. Strategic subsidiaries, such as IBJ-DL Financial Technology Co., Ltd. (IBJ-DL FT), and IBJ Nomura Financial Products Co., Ltd. (INFP), are active in financial engineering development, and their new and sophisticated techniques should

Profit by Business Line

(¥ billion)

For the years ended	March 31, 1997 (Actual)	March 31, 1998 (Actual)	March 31, 1999 (Actual)	March 31, 2000 (Projected)	March 31, 2001 (Projected)	March 31, 2002 (Projected)	March 31, 2003 (Projected)
Domestic Business	222.4	239.5	250.6	182.2	195.8	210.0	215.8
Customer-related	122.1	155.0	140.8	126.3	140.9	151.8	161.1
Treasury-related	100.3	84.5	109.8	55.9	54.9	58.2	54.7
International Business	22.8	26.7	65.6	31.0	34.2	36.8	33.1
Customer-related	8.8	4.3	(5.6)	3.4	6.1	10.2	15.4
Treasury-related	14.0	22.4	71.2	27.6	28.1	26.6	17.7
Investment Banking Related Business (Note 1)	—	2.5	2.2	5.8	8.3	14.5	21.6
Capital Cost of Group Companies (Note 2)	(7.3)	(8.5)	(6.3)	(9.0)	(8.2)	(8.6)	(6.9)
Headquarters (Note 3)	(29.4)	(38.2)	(43.7)	(46.9)	(45.4)	(45.8)	(45.2)
Virtual Core Business Profit (Note 4)	225.8	244.7	278.6	162.8	184.4	206.8	215.5
IBJ Group Companies	13.5	1.1	21.2	19.7	30.8	43.2	46.5
Including IBJ Securities	2.9	3.2	9.8	5.1	8.7	11.7	14.3
Group Income	239.3	245.8	299.8	182.5	215.2	250.0	262.0
Group ROE	18.3%	19.6%	22.3%	11.8%	13.4%	14.9%	14.8%

Notes: 1. Non-interest income from investment banking business (structured finance, M&A, and project finance)
2. Amount of the parent bank's capital cost in securities-related subsidiaries and other companies
3. Overhead costs of the general administration headquarters, expenses related to seconding personnel, welfare, and other expenses
4. The difference between the total profit and loss by business line is the other adjustment item.

provide a solutions-based approach to customer requirements and themselves contribute strongly to revenues. The re-orientation and restructuring of the overseas operations should also assist in revenue growth.

The ROE should rise from the forecast for the year ending March 31, 2000, of 11.8% to the projected result for the year ending March 31, 2003, of 14.8%, a 3.0 percentage point increase.

The plan is based on the Bank's current medium-term management plan, which is based on input from the various divisions of the Bank. In the past, this style of forecast has proven very reliable and conservative, with the achieved results of the last three years surpassing those of the original plan results. The revenue plan as published should be seen as being realistic, achievable targets.

Rationalization

IBJ has always been a small and focused organization. However, in the changing environment of the financial services industry in Japan, and especially since the year ended March 31, 1996, there have had to be further focusing and accompanying rationalization measures. These rationalization measures include the reduction in the number of board members, the abolition of the counselors' system, the reduction of directors' remuneration and bonuses, the outsourcing of administrative functions where possible, and the closing of excessive staff welfare and recreation facilities.

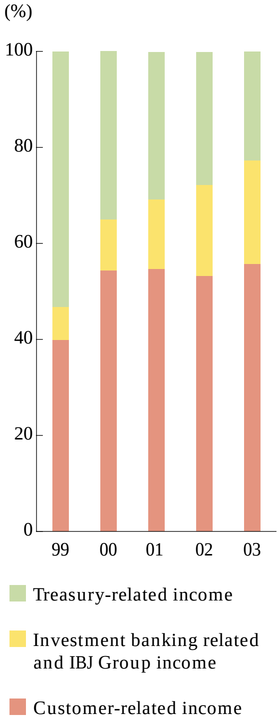
Further rounds of rationalization will be necessary, as a result of the impact of the continuing processes of financial services liberalization and Japan's Big Bang reforms.

For example, there is a review of the domestic branch network and current marketing structures. The intention is to improve efficiency and reduce costs. Similarly, overseas, while the overall structure of the IBJ international network will be maintained, from the year ended March 31, 1998 through the year ending March 31, 2003, 30% of the branches will be closed, and the efficiency of the remaining operations improved.

With the introduction of the Executive Committee system, from the year ended March 31, 1998 through the year ending March 31, 2003, the number of members of the Board of Directors should be reduced from 35

Projected Profit by Business Line

(Years Ended/Ending March 31)



to approximately 13. Overall staff numbers should fall by 10% over the same period. Back-office administrative functions in areas such as forex and retail deposit-taking will be outsourced whenever possible.

In this fashion, it should be possible to reduce personnel and non-personnel expenses to ¥141.9 billion as mandated by the current medium-term management plan to the year ending March 31, 2003, and this represents a reduction in costs of 8% from the year ended March 31, 1998. It must be stressed that this is being done while due attention is given to efficiency and improving services and products.

Plans for Restructuring

	March 31, 1997 (Actual)	March 31, 1998 (Actual)	March 31, 1999 (Actual)	March 31, 2000 (Projected)	March 31, 2001 (Projected)	March 31, 2002 (Projected)	March 31, 2003 (Projected)
Number of Directors	35	35	30	21	19	15	13
Number of Staff	5,175	4,971	4,752	4,599	4,545	4,496	4,482

Note: The number of staff include operational and general affairs personnel. Staff seconded to other companies are also included. Contract and part-time staff are excluded.

	March 31, 1997 (Actual)	March 31, 1998 (Actual)	March 31, 1999 (Actual)	March 31, 2000 (Projected)	March 31, 2001 (Projected)	March 31, 2002 (Projected)	March 31, 2003 (Projected)
Number of Domestic and Overseas Offices	50	50	48	38	38	38	38
Head Office and Domestic Branches (Note 1)	28	28	27	24	24	24	24
Overseas Branches and Agencies (Note 2)	22	22	21	14	14	14	14
(For reference: Overseas subsidiaries) (Note 3)	(15)	(16)	(16)	(15)	(15)	(14)	(14)

Notes: 1. Excludes sub-branches and agencies
2. Excludes loan production office and representative offices
3. Overseas subsidiaries are defined as companies in which the Bank has a majority ownership.

For the years ended	March 31, 1997 (Actual)	March 31, 1998 (Actual)	March 31, 1999 (Actual)	March 31, 2000 (Projected)	March 31, 2001 (Projected)	March 31, 2002 (Projected)	March 31, 2003 (Projected)
Personnel Expenses (¥ billion)	72.9	74.3	68.0	70.6	68.1	68.0	68.0
(Salaries and Bonuses (¥ billion))	(36.8)	(36.3)	(33.4)	(33.4)	(32.7)	(32.5)	(32.2)
Average Monthly Salary (¥ thousand)	489	482	482	488	489	490	490

(¥ million)

For the years ended	March 31, 1997 (Actual)	March 31, 1998 (Actual)	March 31, 1999 (Actual)	March 31, 2000 (Projected)	March 31, 2001 (Projected)	March 31, 2002 (Projected)	March 31, 2003 (Projected)
Directors' Remuneration and Bonuses (Note 1)	1,171	1,249	778	704	601	658	589
(Directors' Bonuses)	(1,036)	(1,102)	(713)	(672)	(601)	(658)	(589)
(Directors' Remuneration)	(135)	(147)	(64)	(32)	(0)	(0)	(0)
Average Directors' Compensation and Bonuses	30	32	22	28	28	27	27
Average Retirement Allowance for Directors (Note 2)	33	70	40	42	41	41	41

Notes: 1. Total for personnel expenses and directors' bonuses within Statements of Retained Earnings. When directors have responsibilities as employees, the compensation for performance of those responsibilities is included.
2. Anticipated actual amount for year ending March 31, 2000. The figures for the period from the years ending March 31, 2001, and March 31, 2002, assume a 10% reduction from the level over average retirement allowances for the previous four years.

(¥ billion)

For the years ended	March 31, 1997 (Actual)	March 31, 1998 (Actual)	March 31, 1999 (Actual)	March 31, 2000 (Projected)	March 31, 2001 (Projected)	March 31, 2002 (Projected)	March 31, 2003 (Projected)
Non-Personnel Expenses	74.3	79.2	79.6	79.4	76.8	74.7	73.9
(Costs Related to Purchases of Laborsaving Machinery and Equipment)	(11.3)	(14.2)	(18.4)	(23.6)	(26.4)	(24.8)	(24.1)

Personnel policy

To prepare for the impact of Japan's financial liberalization, Japan's Big Bang, and for the increased competition between financial institutions, both domestic and foreign, and to attain the objectives of long-term management, IBJ has made major changes in personnel policy since the second half of 1997. First, IBJ is placing greater emphasis on the suitability of the individual for a job; second, the Bank is securing a wider variety of personnel and educating and training them more systematically; and, third, the personnel system has been designed to draw the best from each staff member.

Changes in the personnel system have been made in many areas, and important examples are given below. For example, the prior emphasis on an undifferentiated style of internal training for professional entry staff in their early years in the Bank and on-the-job rotation has been changed. The rapid advance in the specialization in financial techniques and the increasing sophistication of the financial services industry have meant that changes have to be made in the overall pattern of early training.

Professional-entry staff are given one year in the corporate banking sections in the Head Office and domestic branches to orient themselves to the environment of general corporate finance, and then they spend the next five years in two departments, one market-related and one special-skills-related, such as investment banking, securities, or research. The previous system of initial training, which was spread over three years, has been reduced to a concentrated one year. This is to ensure that the necessary know-how is assimilated at the earliest possible opportunity. Then, in the seventh year of employment, the staff member is assigned an appropriate responsibility that is of a more-extended duration than previously.

To facilitate the growth of greater specialization, two new career paths have been made available since July 1998. The first new path is the "Professional Staff S Course," a specialist course for full-time contract employees, which has been set up for those professional staff who wish to pursue a career on the basis of specialization and performance-based bonuses. The second new path is the "Specialist Course," a specialist course for short-term contract employees that has been set up for those professionals in the market who wish to join the Bank on a strictly market-based salary or for those existing full-time contract employees who wish to move over to a strictly market value remuneration system as short-term contract employees.

These are practicable steps in providing flexibility to the previous remuneration system based on the number of years of service as part of the Japanese “lifetime employment” system and in moving toward individual career paths as well as placing greater emphasis on performance-related remuneration. However, to restrain overall personnel costs, at the same time, the old system of salary increases determined by the number of years of service has been largely replaced in favor of higher emphasis placed on capability and responsibility. The system of salary based on the responsibility of the position assigned was introduced for managers and above. The general managers of departments and branches now have authority to determine the performance element of bonuses paid to their subordinates. Those staff members on both the Professional Staff S Course and the Specialist Course are subject to a system of internal evaluation from those staff members that they serve, irrespective of departmental location. This is to ensure that there is also continuing teamwork within the shift to specialization.

Individual career paths are being made possible by a system of internal consultation and guidance by one-on-one interviews with Personnel Department staff at the stages of 6 years, 12 years, and 20 years of employment at the Bank. These changes in the personnel practices of the Bank are in line with the intentions of the current medium-term management plan to achieve maximum capabilities within an overall personnel budget. Also, it is particularly important to ensure that there is adequate synergy between the various strategic subsidiaries and the other member companies of the IBJ Group.

Strategic alliances

Given the foreseen demands of the post-Big Bang environment, it is necessary for the IBJ Group not just to rely on its own in-house capabilities, but also to bring in capabilities from outside. In connection with this, the alliances with Nomura Securities Co., Ltd. (Nomura) and Dai-ichi Mutual Life Insurance Company (Dai-ichi) are described in some detail as follows.

In May 1998, IBJ and Nomura agreed to set up several joint venture companies in promising growth areas, including derivatives and asset management related business. These are areas where competition is particularly intense and involve not only domestic but also foreign institutions. It was judged most appropriate to combine the strengths of the two partners in these several joint ventures in the interests of providing customers with the optimum services.

First, in derivatives, IBJ Nomura Financial Products plc (INFP) has been incorporated, and it has already started to provide customers with novel financial products. Second, in asset management related business, three new companies have been formed: Nomura-IBJ Investment Services Co., Ltd. (NIIS), Japan Investor Solutions & Technologies Co., Ltd. (JIS&T), and Nomura IBJ Global Investment Advisors, Inc. (NI-GIA).

NIIS offers consulting advice and its affiliate JIS&T offers record-keeping services for Japanese-style 401(k) defined contribution pension schemes that will shortly be introduced. A successful campaign is under way to invite other foreign and domestic financial institutions to equity participation in JIS&T to enjoy further economies of scale. NI-GIA engages in funds evaluation to structure funds of funds and to offer asset management advisory services.

In regard to the alliance with Dai-ichi, an agreement was made in October 1998 to cooperate on a comprehensive basis. The nature of this agreement reflects the complementarity of the two organizations: IBJ, strong in the wholesaling of financial products and services to corporate customers, and Dai-ichi, strong in the retailing of insurance and pension products to individuals. This complementarity means that both companies' management resources and capabilities will be efficiently exploited, and customers will receive a value-added integrated service. There are many examples of immediate application of the complementarity: IBJ will be

Joint press conference with the Nomura Securities Co., Ltd.
(Right, Junichi Ujiie, President & CEO, The Nomura Securities Co., Ltd.; Left, Masao Nishimura, President & CEO, IBJ)

Joint press conference with the Dai-ichi Mutual Life Insurance Company
(Right, Tomijiro Morita, President, The Dai-ichi Mutual Life Insurance Company; Left, Masao Nishimura, President & CEO, IBJ)

R&D Organization of IBJ-DL Financial Technology

Name of department	Area of responsibility
Financial Technology Department No. 1	Financial technologies related to credit, market risk management, and credit derivatives
Financial Technology Department No. 2	Technologies for interest rate derivatives and related analysis, computation, and systems technology development
Financial Technology Department No. 3	Technologies for currency, commodity, equity, and climate and earthquake risks derivatives
Investment Technology Department	Investment technologies for stocks and bonds
Financial and Actuarial R&D Department	Technologies related to pensions and insurance as well as investment management
Emerging Financial Technology Department	Technologies related to structured finance and information
President's Office	Global-warming issues (including emission rights transactions), educational software for financial technology, and other matters

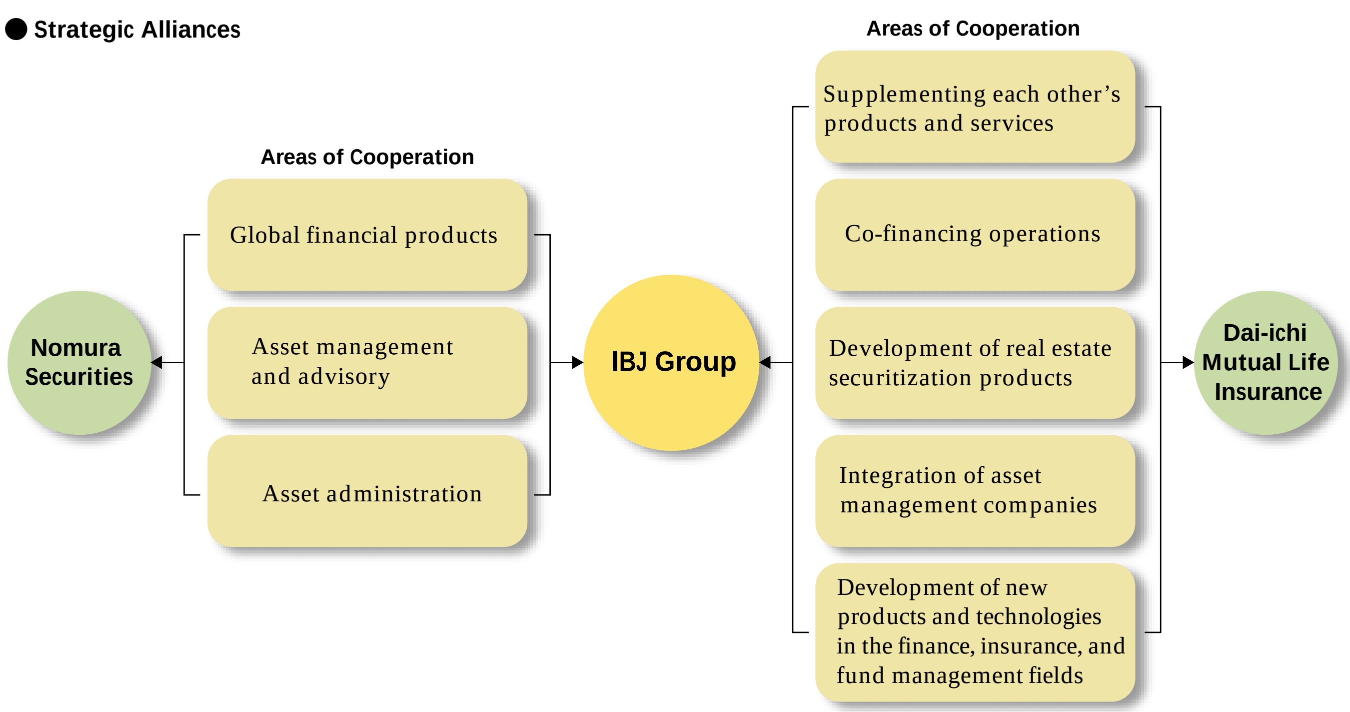
able to apply its securitization know-how to the Dai-ichi portfolio of office buildings, and the two alliance partners have experience in the cross-selling of each other's investment trust products, quite apart from the existing history of the two companies having already cooperated in syndicated loans work.

Another important agreement with Dai-ichi covers IBJ's originally 100%-owned strategic subsidiary IBJ Financial Technology Co., Ltd., incorporated in April 1998. In April 1999, the subsidiary became a joint venture with Dai-ichi, and the name was changed to IBJ-DL Financial Technology Co., Ltd. The joint venture acts as the core of the whole Group R&D of applied technology in the fields of derivatives, risk management, and investment technology.

In October 1999, it is planned to merge the asset management operations of IBJ NW Asset Management, IBJ Investment Trust Management, and Dai-ichi Life Asset Management into DLIBJ Asset Management Co., Ltd.

IBJ intends to pursue a similar course with other leading financial institutions, both at home and abroad, to build a leading financial products group.

Strategic Alliances



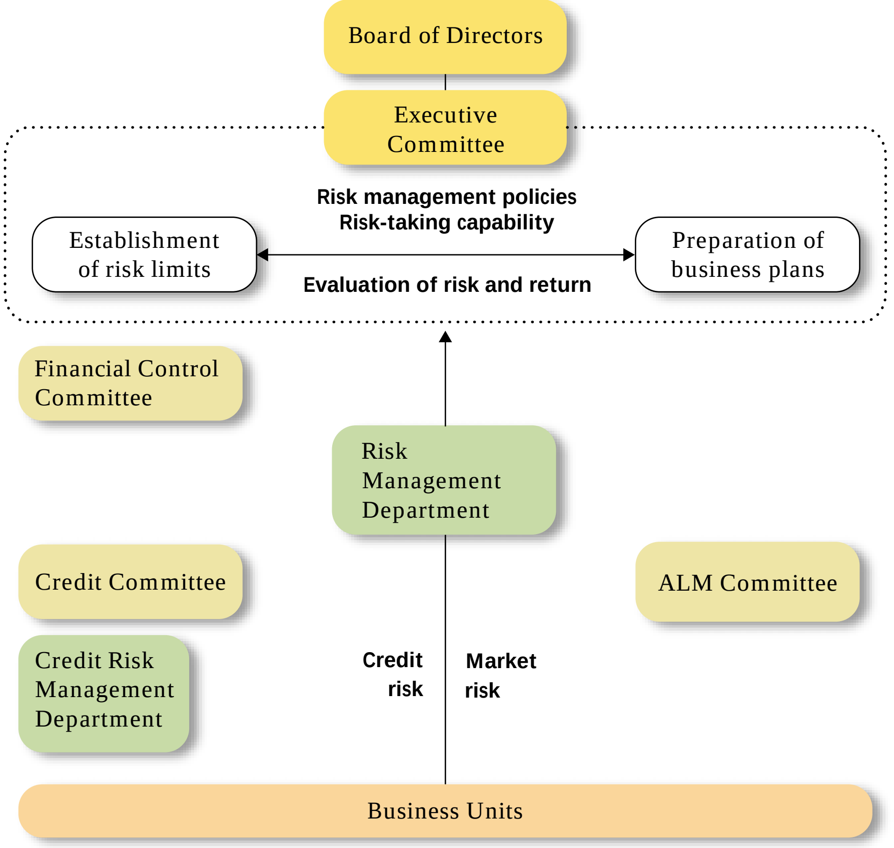
Controlling Risk and Ensuring Compliance

Risk

IBJ faces a variety of risks in its business: credit risk, market risk, liquidity risk, operational risk, systems risk, legal risk, and other risks, and with the growth of financial engineering techniques, the importance of risk control and compliance systems is growing rapidly.

To have integrated control of risk, the various forms of risk have to be reduced to one single measure. In June 1999, the Risk Management Department was established to cover credit, market, and liquidity risk comprehensively as well as plans to employ a quantitative methodology for determining credit and market risk.

● Integrated Risk Management Structure



Credit risk

Credit risk is the risk that the credit extended will not be recovered and that the Bank will sustain a loss. It is necessary to control the extent and the size of the exposure to credit risk; otherwise, the assets of the Bank cannot be secured, an adequate return on the assets cannot be achieved, and the fiduciary duty to the shareholders cannot be performed.

The credit evaluation process of the Bank involves not only an analysis of the financial standing of the borrower but also a full understanding of the underlying business and of the industry prospects. Such an impartial evaluation process gives the Bank a clear view of the situation of the prospective borrower. It is therefore possible to make informed credit decisions and to assist the customer with appropriate advice.

In concrete terms, the Credit Risk Management Department has been established independent of the Corporate Banking Unit and is responsible for credit risk control of the Bank on a fully integrated basis. The responsibility is the investigation and evaluation of specific risks and research into improved systems of credit control. Whether originating in Japan or overseas, all proposals, borrowers, internal credit rating procedures, internal loan audit functions, credit approval guidelines and policy, and loan portfolio management are supervised by the department.

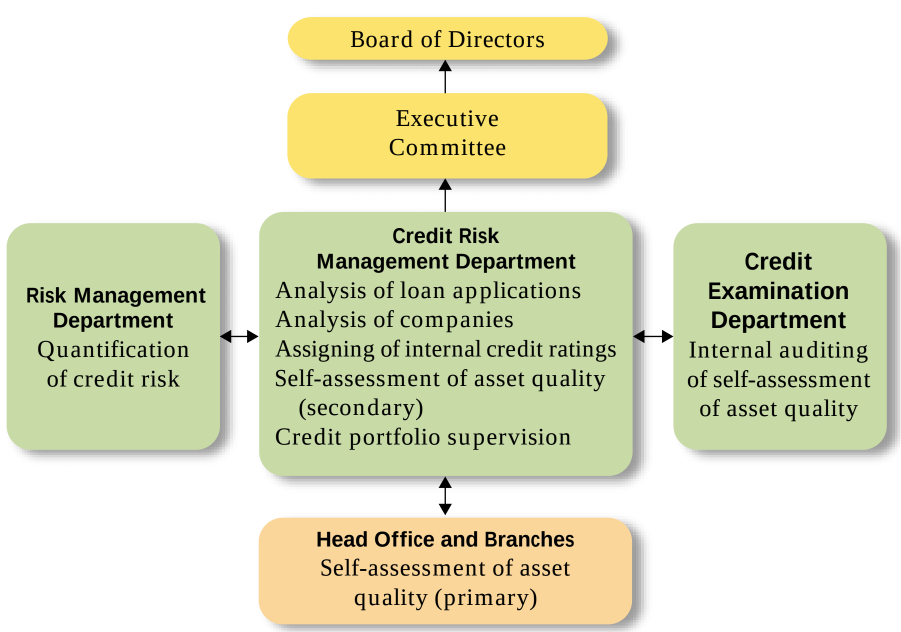
In particular, the internal credit rating system gives a clear indication of the creditworthiness of the borrower on an objective quantitative basis as well as qualitative basis using a 10-point scale. This is used not only to decide the initial level of the credit risk acceptable but also to continuously monitor the credit risk, particularly during the self-assessment process, and to measure the quantitative level of the credit risk.

In the process of marketing corporate banking services, loan applications are received and the first-stage credit evaluation is made. The proposed terms are agreed to at the working level, and this is part of the application for approval from the Credit Risk Management Department. The department reviews the application, conducts the second-stage credit evaluation, and gives or withholds approval for the loan to be made. There is then a process of regular review of the loan portfolio at the working level and at the Credit Risk Management Department level. The Credit Examination Department is responsible for monitoring the process in a third-stage check function.

In addition to the above process, the Risk Management Department quantifies and monitors the level of credit risk borne by the Bank as a whole periodically to check the aggregated level of risk and the effect of concentration of the portfolio.

Concerning credit risk quantification methodology, IBJ-DL Financial Technology Co., Ltd., has provided a sophisticated methodology as packaged software, Credit Scope, jointly developed with NTT DATA CORPORATION. To date, over 60 banks have already adopted the software.

● Credit Risk Management Structure

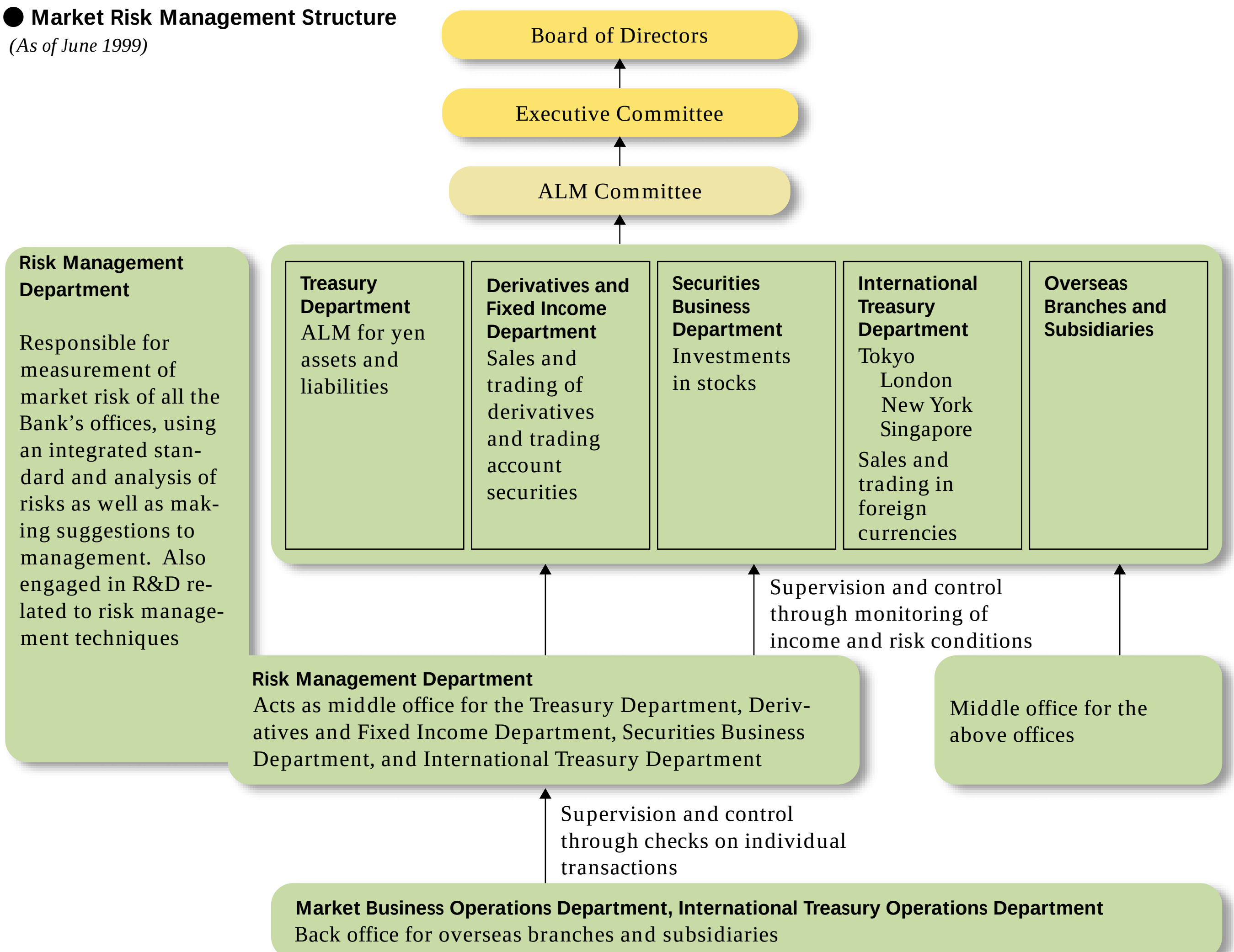


Market risk

Market risk arises when fluctuations in interest rates, stock prices, foreign exchange rates, and other market variables result in changes in the value of financial assets and liabilities, including derivatives.

Market Risk Management System | At all of the Bank's offices that are engaged in market transactions, in addition to the units engaged in actual transactions (the front offices), independent units (the middle offices) have been established to be in charge of measuring net income and risk. In addition, the Risk Management Department in the Bank's Head Office is responsible for measuring the maximum expected loss, or Value at Risk (VaR) for the Bank as a whole. This department is in

● **Market Risk Management Structure**
(As of June 1999)



charge of analyzing risks borne by the Bank from a multiplicity of perspectives and reporting the results to management. Besides monthly reports presented at meetings of the Board of Directors, the Executive Committee, and the ALM Committee, the department also prepares daily reports. At the meetings of the Board of Directors, the Executive Committee, and the ALM Committee, participants discuss the Bank's risk positions and set policies for risk-taking activities.

Methods for Managing Market Risk

The Bank uses VaR as the unified measure of risk for all its operations. In addition to computing VaR, the Bank establishes limits on the extent of the impact of market fluctuations as outlined in Table A and, through tests, monitors and controls the level of risk.

The Bank's risk management activities are based on an understanding of the most advanced financial theories, and staff well versed in this area have been assigned to risk management and are engaged in R&D related to risk management techniques.

The principal methods for risk monitoring and control are shown in Table A, but, in addition to these approaches, other methods are employed that are suited to the nature of individual types of risk.

Risk Measurement Methodology and the Bank's Risk Position

Value at Risk The market risk exposure of the Bank's trading activities at its Head Office, branches, and consolidated subsidiaries (hereafter referred to as all trading offices) is measured by the VaR approach utilizing the Bank's internal model. VaR is defined as the maximum potential loss of a portfolio with a given probability over a given period of time. It is calculated based on parameters (volatility and correlation coefficients) that estimate the future movements in interest rates, foreign currency rates, and other risk factors based on the analysis of past data on market fluctuations.

IBJ's model employs simultaneously the variance-covariance method and the Monte Carlo Simulation Method, and the model incorporates about 200 market data series, such as yen interest rates and yen-dollar exchange rates, representing various risk factors.

Table A
● Methods Currently Used to Monitor Market Risk and Specific Content

VaR	Calculation of maximum losses within a specified probability limit (IBJ uses 99%) due to future fluctuations in interest rates, currency rates, and other indicators is made based on statistical analysis of past data.
Stress Tests	To prepare for times when market rates diverge substantially from statistical fluctuations assumed by VaR analysis, computations of losses are made assuming extreme market fluctuations (stress scenarios).
Interest Rate Sensitivity (Delta)	Delta shows the amount that the Bank's portfolio would change in value if interest rates should move by a certain percentage (usually one basis point, or 0.01 percentage point). Upper position limits for each interest-related position are usually set for detailed management.
Gamma	Gamma is the change in delta for only a one basis point change in interest rates. Upper limits are set when managing option positions.
Vega	Vega indicates the change in value of assets and liabilities when volatility brings a one percentage point change. Upper limits are set when managing option positions. (Note: Volatility is the expected rate of change in market rates during a specified future period.)
Position Limits by Financial Instrument	As there are differences in the volume of financial instruments of specified types that can be purchased in the market at one time, when necessary, limits are placed on positions in individual financial instruments.
Loss Limits	For each position limit, the Bank sets upper limits on accumulated losses that can be sustained over a specified interval.

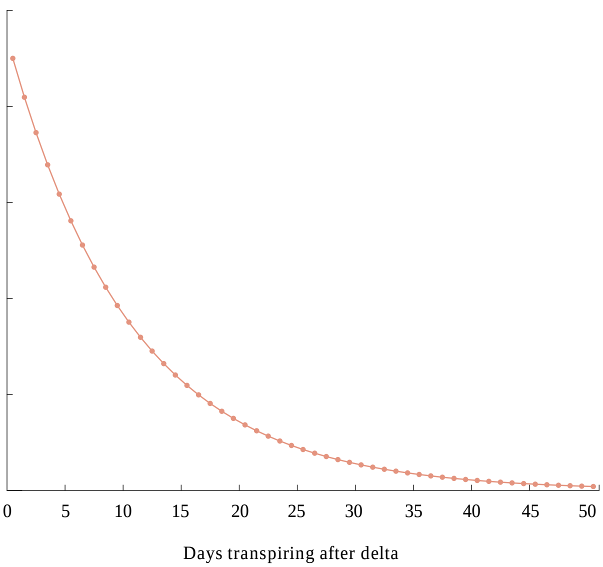
Table B
● Actual VaR for the Year Ended March 31, 1999

	(¥ billion)
Daily average	3.20
Maximum on daily basis	6.10
Minimum on daily basis	1.45
Year-end	2.83

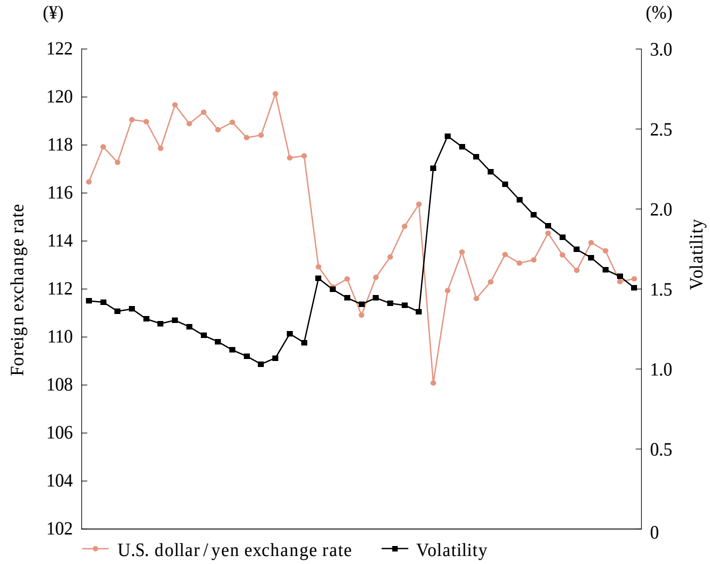
When parameters are estimated based on past data on market movements, greater weight is given to more recent data, and less emphasis is placed on historical data to ensure that the parameters better reflect recent market trends. (See graphs 1 and 2.)

Trends in VaR for all trading offices for the year ended March 31, 1999, are shown in Graph 3 and Table B. (These estimates assume a holding period of one day and a confidence level of 99%. When VaR at all trading offices is computed, positions held by various offices are netted out.) Graph 4 shows the impact of individual risk factors on VaR as of March 31, 1999.

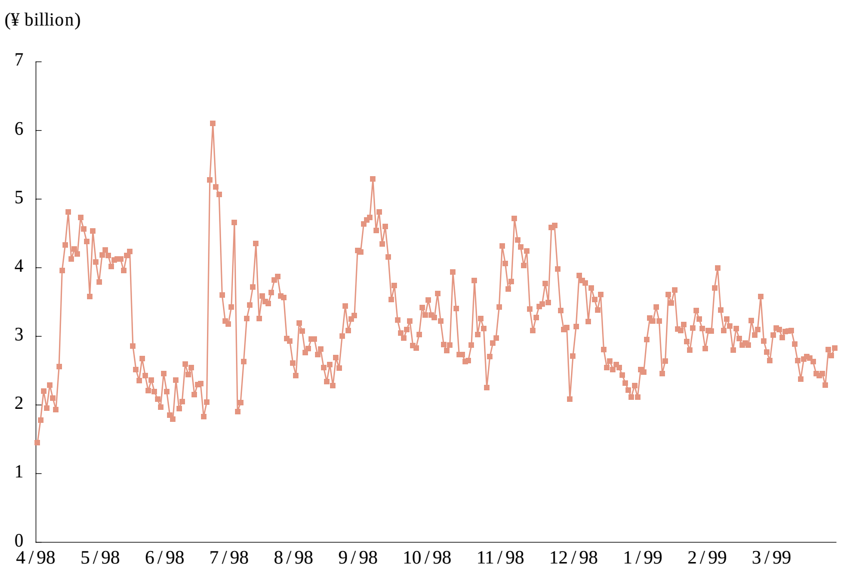
● Graph 1: Weight



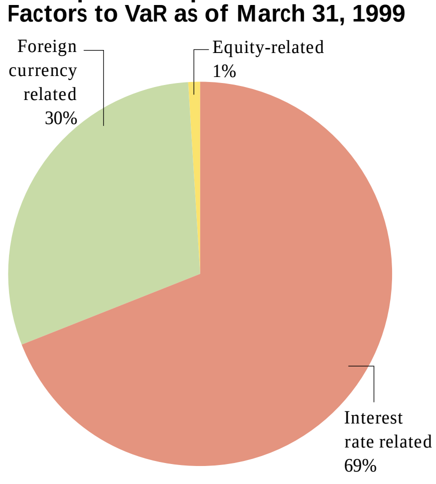
● Graph 2: Image Simulation of Market Trends Accompanying Volatility



● Graph 3: Trends in VaR for All Trading Offices for the Year Ended March 31, 1999



● Graph 4: Composition of Risk Factors to VaR as of March 31, 1999



Back Testing The Bank tests the accuracy of its internal model through back testing, which involves comparing the daily profit / loss statements of all trading offices with the estimated VaR to determine whether actual profit or loss exceeds maximum expected loss (VaR).

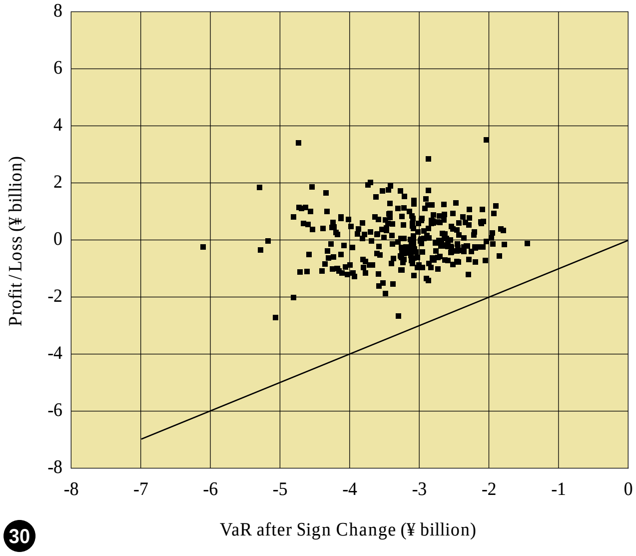
Graph 5 shows the results of back testing for the year ended March 31, 1999. All points above the slanted line in the graph show the days when actual profit or loss was below the VaR. On the 260 business days in the year ended March 31, 1999, there were no instances when actual loss exceeded VaR. These results verify the accuracy of the Bank's internal model.

Stress Testing The VaR method indicates the maximum expected loss that may occur in a normal market environment. In addition to VaR, the Bank also employs stress testing to estimate the impact of unusual market movements on the Bank's trading profit / loss statement that cannot be measured by VaR. Under the Bank's stress testing, which is called the "Steepest Descent Model," maximum loss is derived by estimating the worst market scenario based on the characteristics of the Bank's trading portfolio, taking into account the volatility and correlation of approximately 200 risk factors, such as yen interest rates and dollar / yen exchange rates. Graph 6 is a plot of the Bank's stress testing in cases where there are only two risk factors.

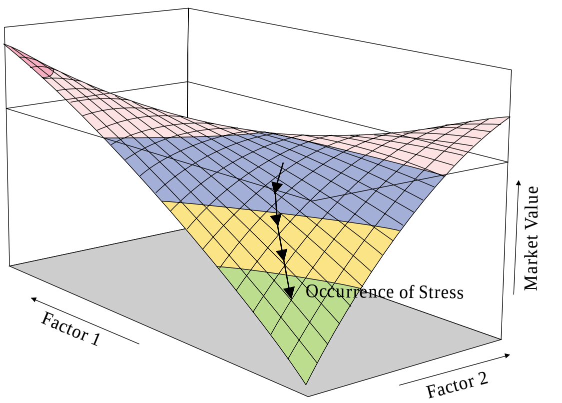
The results of stress testing for positions held by all trading offices as of March 31, 1999, show a maximum loss of ¥9.04 billion, compared with VaR of ¥2.83 billion on the same date.

● Graph 5: Results of Back Testing for All Trading Offices for the Year Ended March 31, 1999

Assumptions for VaR calculations
Holding period: One-day confidence interval: 99%



● Graph 6: Image of the Results of a Stress Scenario with Two Risk Factors



Notes: 1. The Bank's method corresponds to the stress test cited in the *Amendment to the Capital Accord to Incorporate Market Risk*, prepared by the Basle Committee on Banking Supervision (January 1996) as the "Scenarios developed by the Bank itself to capture the specific characteristics of its portfolio."
2. The Bank's stress tests measure the maximum loss that may occur with a holding period of one day.

Liquidity risk

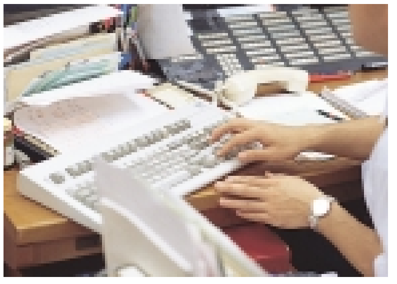
Liquidity risk management is an important aspect of ALM that ensures that sufficient cash flow is available at any time to meet the various financial needs of IBJ's customers. The Bank's primary source of funding is coupon and discount debentures, which are issued every month. The Bank's strong distribution network, based on close contact with various institutional investors, provides the Bank with a competitive edge in managing its liquidity. In addition, the Bank has wide access to various funding instruments, investors, and money markets around the world. This ensures that the Bank has alternative funding sources to maintain sufficient liquidity, even if a liquidity crisis occurs in a specific market. The Bank continuously attempts to maintain and expand the investor network for its debentures and works to enhance its presence in the short-term money markets around the world.

In managing liquidity, the Bank places limits on the amount of its overnight money position (the necessary amount of overnight funding for balance sheet equilibrium) as well as on the amount of positions in certain financial instruments. The overnight money position is measured on a daily basis by projecting the cash flow of current assets and liabilities and that of anticipated future transactions. This limit is monitored on a global basis by aggregating the cash position of both the Bank's foreign offices and subsidiaries, thus allowing the centralized assessment and control of the Bank's liquidity profile. Also, the Bank holds a certain amount of highly marketable assets, such as government bonds that can be easily liquidated when necessary. In addition to this conservative process as adopted in normal market situations, various contingency plans exist to cope with severe liquidity problems.

Operational risk

Operational risk means the risk of loss caused by mistakes in the conduct of businesses or by the occurrence of irregularities or similar incidents. The Operations Supervisory Department is responsible for ensuring that operating standards contained in the *'Procedures Manual'* are properly established and, consequently, operational risk is minimized. The Auditing Department conducts an independent check approximately once a year to ensure that the *Procedures Manual* is being correctly followed in all operational areas.

In line with the increasing variety and complexity of banking transactions, the Operations Supervisory Department is conducting the continual revision and provision of the *Procedures Manual* and other related documents. To foster improvement in the operational quality of the Bank, the Operations Supervisory Department is also managing the proper observance of the *Procedures Manual*, and promotes training and gives guidance to the staff.



Systems risk

Systems risk means the risk that damage and loss may be incurred by the Bank due to a total failure of IT systems, by IT systems operating incorrectly, or by IT systems being accessed illegally and manipulated. The Information Technology Department is responsible for systems risk. For example, there is the danger of earthquake disruption of IT systems. Under these circumstances, backup systems are relied upon and are located in Osaka, some 500 kilometers from Tokyo. As for unauthorized access to the system, there are a variety of control barriers in place to prevent such access.

Legal risk

Legal risk is either the risk of direct financial loss or indirect financial loss, through disputed transactions with customers, outright illegalities by the Bank, or the conclusion of inappropriate contractual agreements by the Bank in the course of operational transactions or management decisions.

It is the responsibility of the Legal Department to control legal risk. Both at home and overseas, this involves close cooperation with leading law offices and legal specialists to ensure that, on a global basis, the legal position of the Bank is not prejudiced. There is always a danger that operations staff may regard legal affairs purely as the responsibility of the department. To avoid this, all responsible staff are required to attend courses on legal affairs so that, at all times, there is an acute awareness of the legal dimension of all operations involving the Bank.

The Legal Department controls legal risk by using its full understanding of the various laws and regulations applicable to the Bank and by considering all possible legal risk that may develop in the management and operation of the Bank. In the globalization and increasing complexity of the Bank's business, it is also necessary to have the capability of avoiding court actions and, if reluctantly entered into, the capability of dealing with the action expeditiously and favorably in the Bank's interests.

In all this, it is essential for the department to maintain a very close working relationship with the operating departments and be able to understand the essential legal issues involved in each case.

Internal control

To ensure compliance with internal accounting and procedural requirements and thereby prevent irregularities, the Bank's Auditing Department is responsible for the auditing of the Head Office and all the branches. With the increasing scope and sophistication of the Bank's operations, all operating units are subject to surprise audits approximately once a year. In particular, with the growing importance of IT systems, audits on IT operations and IT system programs are conducted by a special IT team.

Recent revisions to the Banking Law have introduced the provisions for "Prompt Corrective Action" when a bank is judged to have insufficient capital adequacy, and the Credit Examination Department is responsible for auditing and monitoring the loan portfolio.

In U.S. operations, the Americas Division works independently to ensure that internal auditing standards are maintained, the loan portfolio is adequately monitored, and local U.S. legal requirements are fully observed.

Compliance

Compliance issues are of great importance to senior management. Compliance not only represents compliance with financial regulatory laws and other laws but also compliance with generally accepted social values. The management believes that this broader view of compliance is important, given the Bank's unique position as a leader of the Japanese financial community.

From this perspective, it is necessary not only to accommodate the rapidly changing regulatory framework surrounding banking in Japan but also to accommodate the rapid change in social attitudes. To prevent breaches of compliance, it is necessary for all staff to understand the importance of the compliance function and to have a detailed understanding of the regulatory situation. If compliance is ever breached, then it is necessary to be able to detect the breach, immediately deal with the consequences, and prevent any further occurrence.

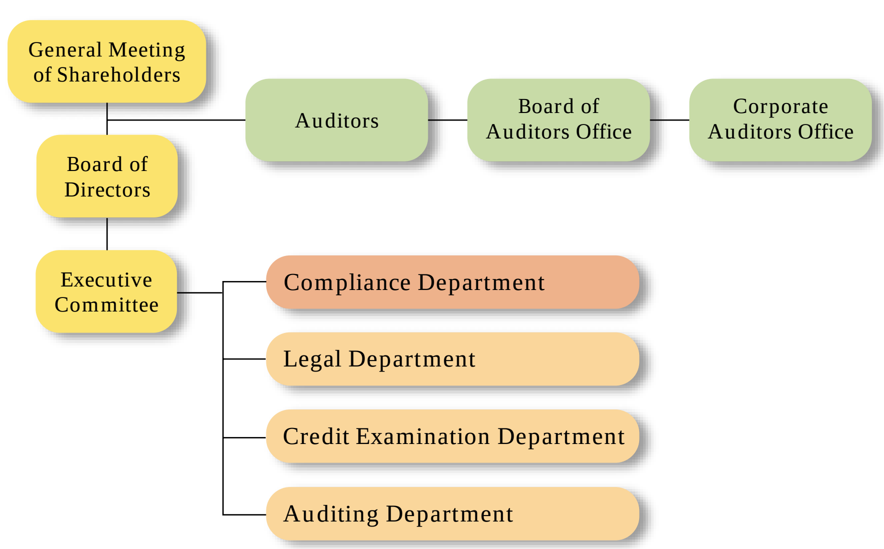
To achieve these various goals, the Compliance Division was set up in February 1998. A compliance manual was prepared and has been used extensively in internal education and training programs, and a compliance audit process has been launched.

Not only is the environment in which the Bank operates changing rapidly and the regulatory environment similarly changing with the implementation of Japan's Big Bang, but there is also the impact of new strategic subsidiaries entering entirely new areas of financial activity. In line with the overall reorganization conducted in June 1999, the Compliance Division was raised to departmental status, and it was further expanded and made fully independent to guarantee its compliance function. The Legal Department, the Credit Examination Department, and the Auditing Department have been placed together under the Compliance Department as an independent group to oversee compliance.

The Compliance Department is responsible in this position for planning and promoting the objective and verifiable level of compliance throughout the Bank. This means that the Compliance Department must draw up the program for compliance supervision and ensure its execution.

To ensure the thoroughgoing institution of a compliance culture in the Bank, each business unit has been taking an overall compliance responsibility in its area, and in each section of the Bank and in each of its branches, one staff member has been made responsible for enforcing compliance. There is a reporting and monitoring system in place to ensure that the Compliance Department can immediately give advice and warnings as needed.

● Compliance Structure



OPERATIONS IN OUTLINE

Balancing the Center and the Periphery

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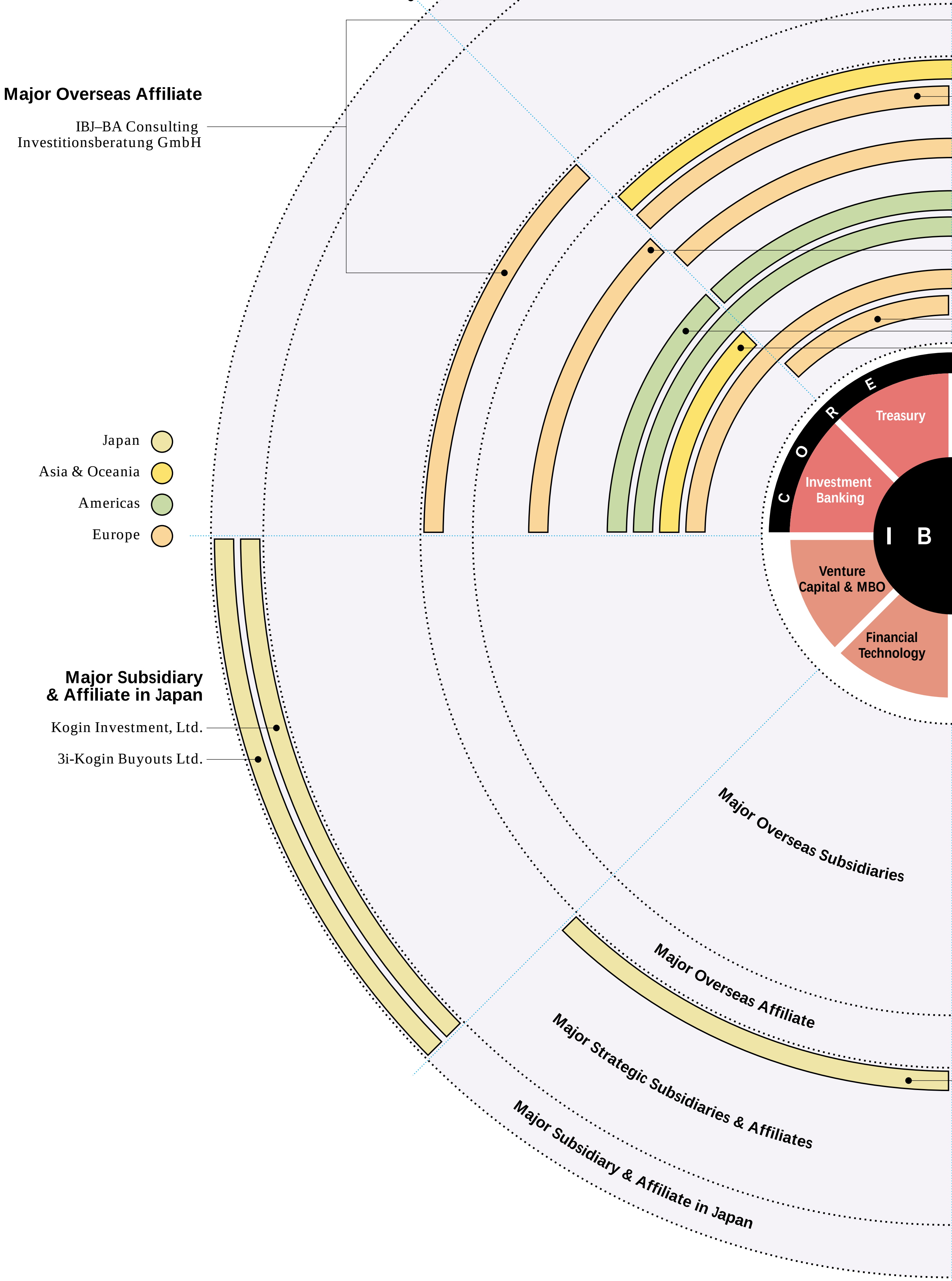
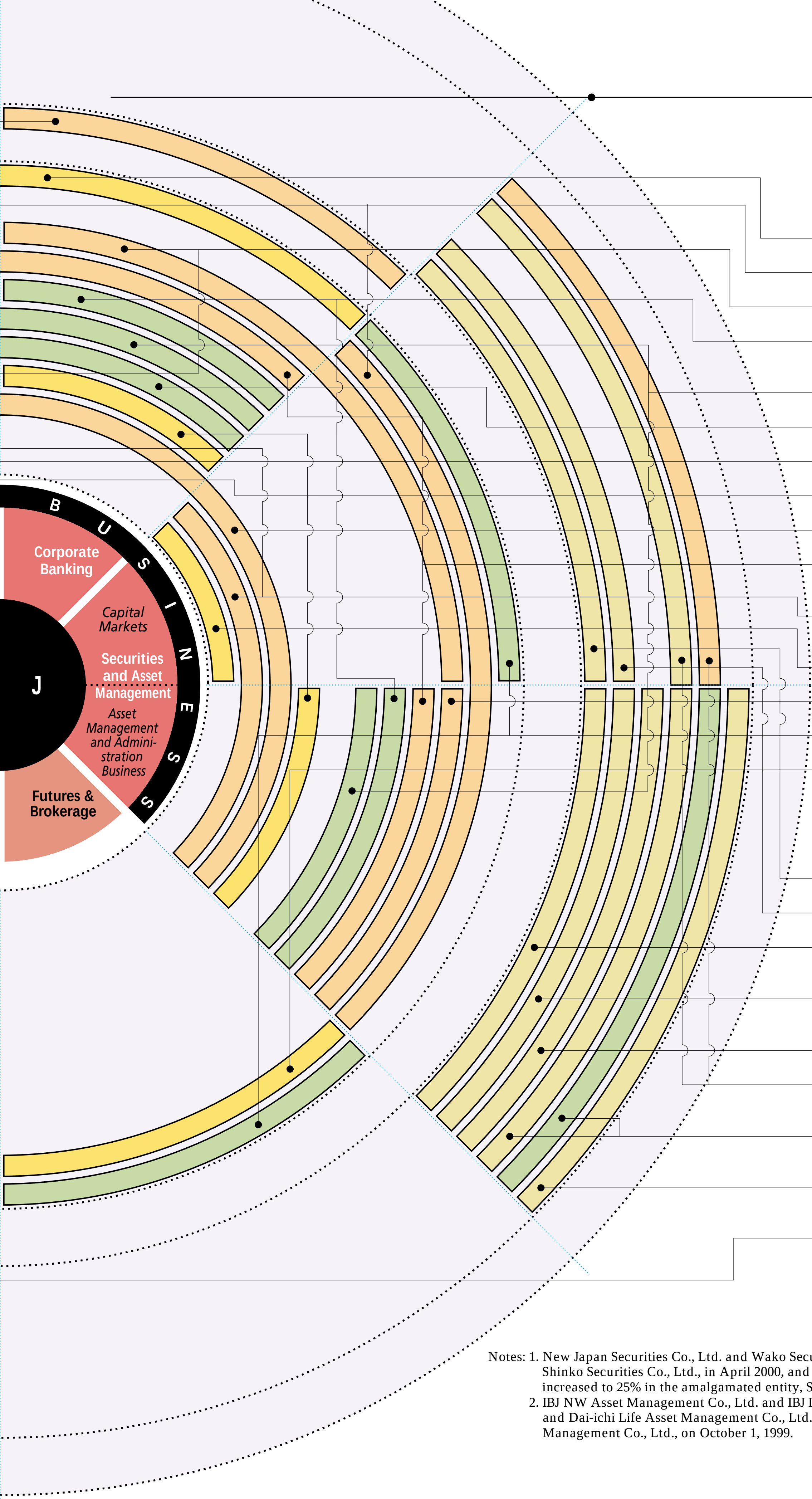
The IBJ Group at a Glance





Major Overseas Subsidiaries

- PT. Bank IBJ Indonesia
- IBJ International plc
- Banque IBJ (France) S.A.
- The Industrial Bank of Japan Trust Company
- IBJ Whitehall Bank & Trust Company
- The Industrial Bank of Japan (Canada)
- The Bridgeford Group
- IBJ Australia Bank Limited
- The Industrial Bank of Japan (Germany)
- The Industrial Bank of Japan (Luxembourg) S.A.
- The Industrial Bank of Japan - NJ (Switzerland) Limited
- IBJ Asia Securities Limited
- IBJ Asset Management International Ltd
- Aubrey G. Lanston & Co. Inc.
- IBJ Lanston Futures Pte. Ltd.

Major Strategic Subsidiaries & Affiliates

- IBJ Securities Co., Ltd.
- Shinko Securities Co., Ltd. (Note 1)
- IBJ NW Asset Management Co., Ltd. (Note 2)
- IBJ Investment Trust Management Co., Ltd. (Note 2)
- IBJ Trust and Banking Co., Ltd.
- IBJ Nomura Financial Products plc (INFP)
- Nomura IBJ Global Investment Advisors, Inc. (NI-GIA)
- Nomura-IBJ Investment Services Co., Ltd. (NIIS)
- IBJ-DL Financial Technology Co., Ltd.

Notes: 1. New Japan Securities Co., Ltd. and Wako Securities Co., Ltd. are due to be merged into Shinko Securities Co., Ltd., in April 2000, and IBJ Group companies' interest is set to be increased to 25% in the amalgamated entity, Shinko Securities.
2. IBJ NW Asset Management Co., Ltd. and IBJ Investment Trust Management Co., Ltd., and Dai-ichi Life Asset Management Co., Ltd., are due to be merged into DLIBJ Asset Management Co., Ltd., on October 1, 1999.

Corporate Banking Unit

This unit provides a full range of corporate banking services to the corporate customer base of IBJ: corporate banking, including corporate deposit-taking and lending, forex, and other commercial banking services. These are provided to foreign and domestic blue chip majors, medium and small-sized growth businesses, other financial institutions, institutional investors, and public-sector entities.

From the very early days of the Bank, it has been involved in the financing of industrial capital investment as its very name implies. Management has always taken an aggressive approach to the funding of the legitimate capital investment requirements of first-rate companies. This has meant the provision of long-term credit at fixed rates of interest for the funding of plant investment and the provision of shorter-term funds to finance working capital requirements. Exceptionally for a commercial bank, IBJ has always been active in the underwriting of public-sector entity bonds for historical reasons.

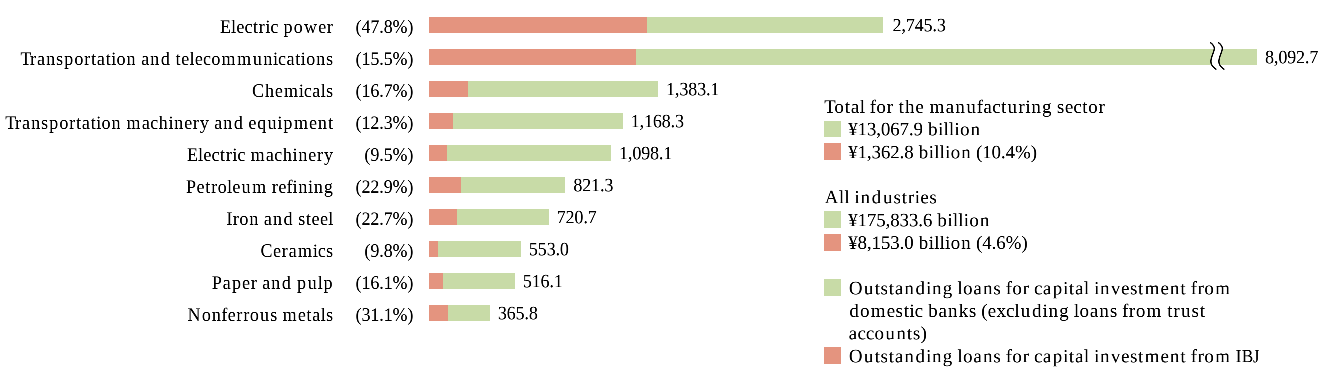
For private-sector bonds, the Bank has always been active in the trustee and administrative work of corporate bond issues as the “commissioned bank,” with the Bank acting as the trustee of bondholders and protecting their interests.

On account of this long experience in dealing with bonds, both public-entity and corporate bonds, the Bank has underwritten many government-guaranteed bonds and local government bonds, including those of the Tokyo metropolitan government.

The range of funding methods for customers is now so much more than simple bank borrowing, and many more customers are employing straight bonds and commercial paper. At the Bank, there is a long history of experience in the bond market and the process from issue to redemption can be carried out smoothly and efficiently, thus protecting both the interests of the investing customer and the borrower.

This long history and the pivotal role of the operation within the Bank historically means that the account executive for each customer is based in the unit as it has now become. These account executives are responsible for keeping abreast of customer

● Loans Outstanding for Plant and Equipment Investment by Industry (¥ billion)



Note: Figures in parentheses are the Bank’s share of the total.

(As of March 31, 1999)

requirements and ensuring that the IBJ Group responds to these requirements in a timely and appropriate fashion.

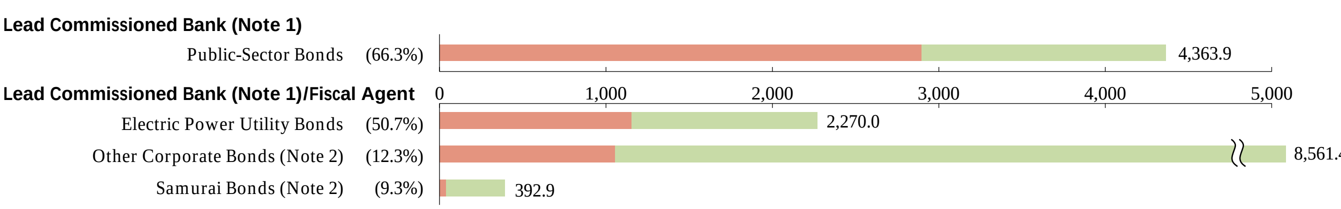
In March 1998, legislation providing for the opening of commitment lines has meant that another item has been added to the IBJ menu of financial services the Bank provides to its corporate customer base. Also, the syndicated loan product, which enables a variety of financial institutions and institutional investors to participate in the financing of a single customer, is now attracting much attention and offers new avenues of customer financing for the unit.

Liberalization is having a large number of follow-on effects. For example, the recent amendment to the Foreign Exchange Act and the International Accounting Standards guidelines on consolidation are causing much interest in Cash Management Services (CMS) among major Japanese companies. The senior management is now concerned about the global management of cash resources in the consolidated balance sheet on a worldwide basis in a variety of currencies.

The globalization of business continues apace and the trend toward the liberalization of capital flows is making greater demands on companies' treasury operations. To respond to such customer needs, the IBJ Global CMS product was launched in November 1998 and is the first such CMS product to be Internet based. The customer can keep track of balances, remittances, and netting of debtor and creditor balances by currency. This system has a number of highly sophisticated technical features, including the use of a "virtual private network" function to ensure the integrity of information despite its transmission over the Internet.

One further impact of globalization is the growing emphasis on open market evaluations of companies, such as published credit ratings and stock prices. There is therefore growing work in advising companies on achieving higher levels of shareholder value. As the unit having the account executive responsible for overall contact with the customer, it is active in promoting IBJ as the "Problem Solution Provider" through such activities as the unlocking of balance sheet assets, the restructuring of Japanese multinationals, the provision of M&A advisory services, as well as methods to solve the problem of underfunded corporate pension schemes.

● Commissioned Bank/Fiscal Agent Activities of IBJ (¥ billion)



Amount for which IBJ acted as Lead Commissioned Bank (Note 1)

Notes: 1. Includes acting as registrar and fiduciary agent
2. Includes asset-backed securities
3. Figures in parentheses are the Bank's share of the total.

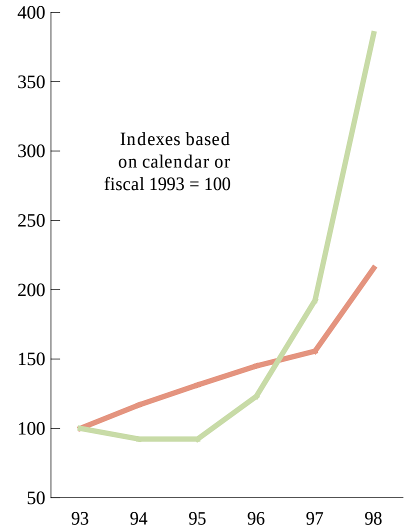
With the changing legal and accounting environment in Japan, the Bank's customers require ever more sophisticated balance sheet advisory services. This type of advisory work then extends into such issues as the concentration of management resources on certain selected strategic core businesses and the downsizing and disposal of non-core businesses. There is much advisory work now being done in the general area of corporate restructuring and M&A.

Much attention is now being given to the Private Finance Initiative type of funding vehicle that involves the basic principles of project finance. To provide solutions to customers' requirements requires a wide-ranging, sophisticated, and integrated set of capabilities within the unit. The unit is managed on a global basis, around the three competencies of structured finance, M&A, and project finance. These competencies are supported by the other capabilities within the IBJ Group, such as derivatives, research, and distribution, and the unit is clearly positioned as the "Problem Solution Provider" for the customers of the Bank. In this way, the unit is assisting the Bank in achieving its "First Call Bank" status.

The Bank has developed itself to structuring new financing schemes that meet the needs of individual customers and to creating new products and services that are tailor-made for particular customers. Using such schemes as the securitization of financial assets and real estate, and lease financing, for example, IBJ provides customers with a greater variety of fund-raising options while also helping them to improve their financial ratios and providing financial techniques that meet their financing requirements.

One unusual structuring was the pension trust scheme provided to Sony Corporation, which faced the problem of an actuarially underfunded corporate defined-benefit scheme for its employees. Relationship holdings of equities held by Sony were settled in a trust for the benefit of the pension fund, and this made a major contribution to resolving the problem of underfunding.

● M&A Advisory Mandates Newly Won



M&A advisory mandates won by IBJ (fiscal-year basis ended March 31)

Japanese M&A deals disclosed (calendar-year basis ended December 31)

Source: IBJ survey

April 25, 1999

● Project Finance: Recent Examples of Large-Scale Projects with Major IBJ Involvement

Resources & Energy
- Premier Transco Gas Pipeline (U.K.)
- Minera Los Pelambres Copper Mining (Chile)
- Oleoducto Central S.A. Pipeline (Colombia)
- Ras Laffan LNG (Qatar): 1996 Middle East Deal of the Year award from *Project Finance International* magazine

Petrochemicals & Manufactured Products
- Eastern Petrochemical (“Sharq”) (Saudi Arabia)
- Al-Jubail Petrochemical (“Kemya”) (Saudi Arabia)
- Ibn Rushd Petrochemical (Saudi Arabia)
- SUS Cold Mill (Thailand)

Power Generation
- Shandong Zhonghua Power Plant (China): 1998 Power Deal of the Year award from *Project Finance* magazine
- AES Barry Power Plant (U.K.): 1997 Power Deal of the Year award from *Project Finance* magazine
- KEGCO Power Plant (Thailand)

Other Infrastructure Projects
- Autolink (M6) (U.K.)
- Autolink (A19) (U.K.)
- Hong Kong Air Cargo Terminal (Hong Kong)

Shandong Zhonghua Power Plant

The U.S.-based M&A boutique, The Bridgeford Group, is an IBJ subsidiary and contributes to the IBJ global network of M&A information flows. IBJ offers a customer-centered, long-term view in its advisory services to the large customer base of companies that has been built up over the years. In particular, in April 1999, IBJ and the leading U.K. venture capital company, 3i Group plc, formed a joint venture, 3i-Kogin Buyouts Ltd., to concentrate on opportunities in the Japanese management buyout (MBO) market, and the first fund of ¥20 billion is being set up.

The graph on page 40 shows the index trend of advisory mandates won by the Bank and the number of disclosed M&A transactions year by year set at 100. Clearly, the Japanese M&A market is growing, albeit slowly, while the leading indicator of advisory mandates won by the leading bank, IBJ, is growing more rapidly.

A specific example of an M&A transaction the Bank conducted is the high-profile case of the unusual troika equity agreement between AT&T Corp., British Telecommunications plc, and Japan Telecom Co., Ltd., where the Bank advised Japan Telecom. Attention was drawn to the Bank’s success in resolving the different corporate management philosophies in the United Kingdom, the United States, and Japan in a single deal.

Project finance—the financing of large-scale projects in such industries as energy, basic materials, and infrastructure construction / development—requires the maintenance of a broad intelligence network to successfully assist customers from the early stages of project discussions. It also requires being able to propose innovative financial solutions to often exceptionally complicated situations. In the case of the AES Barry Power Plant project, attention was drawn to IBJ’s solution to the risk inherent in supplying electricity to a competitive market and the price volatility associated with such an environment. In the case of the Shandong Zhonghua Power Plant project, the Bank was lauded for its capability in carrying the financing structuring through the turmoil of the recent Asian currency crisis.

Operations in Outline

This unit encompasses the Bank's ALM operations, investment portfolio management, and trading activities. The unit has operations in major international markets and handles a variety of products, including foreign exchange, swaps, options, and futures.

The ALM operations are responsible for optimizing the interest rate risk associated with the Bank's lending and funding activities. The Bank continually issues five-year debentures as the main funding source and attributes such funds to long-term fixed loans to meet our customers' financing needs. Due to the long-term nature of the Bank's assets and liabilities, we have developed, over the long run, an ALM methodology specifically tailored to control the sensitivity risk associated with the fluctuation of long-term interest rates. The important concepts of our ALM methodology include

- the elaborate matching operations of our customer-related assets with liabilities to ensure a sufficient net spread is maintained in the future,
- the dynamic control of the sensitivity gap utilizing flexible instruments, such as swaps and government bonds aimed at enhancing the long-term economic value of our balance sheet, and
- the enhancement of profitability of the net fair value of total assets and liabilities.

To facilitate the ALM methodology described above, we have created an ALM system which measures various risk parameters, such as PVBP (basis-point value), gamma, and VaR (Value at Risk).

PVBP represents the marginal change in the fair value of all assets and liabilities as a result of a one basis point change in the interest rate. Total PVBP is distributed to the respective time band based on the remaining contractual maturity or repricing period of assets and liabilities, which allows us to

● Quarterly VaR and 10-Year Government Bonds

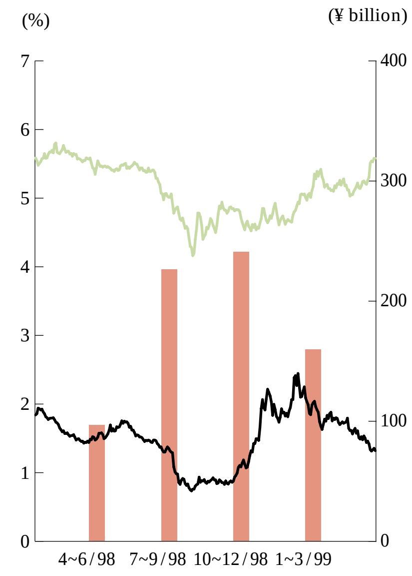


Table A

● PVBP as of March 31, 1998 and 1999

(¥ million)

	Total	Within 1 year	Over 1 year and within 5 years	Over 5 years
March 31, 1998	(1,500)	0	(500)	(1,000)
Lending and Debenture Block	(600)	100	0	(700)
Risk Management Block	(900)	(100)	(500)	(300)
March 31, 1999	**(2,900)**	**0**	**(1,300)**	**(1,600)**
Lending and Debenture Block	**(400)**	**200**	**100**	**(700)**
Risk Management Block	**(2,400)**	**(100)**	**(1,400)**	**(900)**

Table B

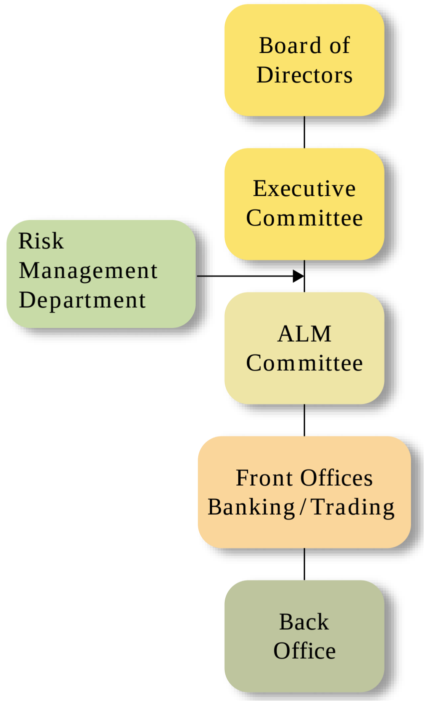
● VaR as of March 31, 1998 and 1999

(¥ billion)

	March 31, 1998	**March 31, 1999**
VaR	61.6	**162.4**

*Holding period one month, 99% confidence level
*Both delta and VaR exclude real estate, equipment, and equity holdings, which are funded by capital.

Risk Management Flow



analyze the yield curve risk. Table A shows the PVBP of our ALM book at March 31, 1998 and 1999. A negative amount reflects a potential decrease in fair value when the interest rate increases by one basis point. On the other hand, a positive amount reflects a potential increase in fair value when the interest rate increases by one basis point. VaR is a statistical approach to capture the maximum potential loss from adverse market movements. Table B shows the VaR of our ALM book at March 31, 1998 and 1999.

During fiscal 1998, "flight to quality" triggered by global deflation and the Russian crisis led to a downtrend in yen long-term interest rates in the first half. Also, the cut in the overnight target rate by the BOJ reinforced this move. However, in December, long-term interest rates rose immediately as fear of large issues of Japanese Government Bonds (JGBs) appeared on the horizon. Thereafter, starting from February 1999, they resumed the downtrend after the easing of the overnight target rate by the BOJ and decreases in new JGB issues.

In the U.S. financial market, the Russian crisis caused money to flow into U.S. treasuries from all over the world, leading to historically low yields. In autumn, the outbreak of the hedge-fund crisis provoked a global credit crunch and high volatility in financial markets. To stabilize the crisis, the FRB eased its targeted federal fund rate three consecutive times. The U.S. stock market recovered, and the turmoil in financial markets subsided. Under these market conditions, IBJ has increased its VaR gradually during the second quarter, expecting a decline in interest rates. In the fourth quarter, the Bank operated moderately and decreased its VaR. As a result, a high level of profitability was realized for the fiscal year, and the net fair value of total assets and liabilities amounted to ¥190.0 billion as of March 31, 1999 (this amount excludes the present value of real estate and equity holdings funded by capital, the evaluation of credit risk premiums, and various fee revenues).

The other important function of the Treasury Unit is trading. Trading activities involve customer-related and proprietary activities. The unit develops and provides various kinds of customized products at competitive prices to help customers manage risk. In proprietary activities, the unit emphasizes a relative-value approach, trying to capture arbitrage opportunities in related markets as well as distortions between the theoretical and actual market prices of certain instruments. For the fiscal year under review, revenue from our trading activities resulted in a profit of ¥71.0 billion, which included profit of ¥17.1 billion from foreign-exchange activities on a consolidated basis. With respect to the risk profile of the trading operations, please refer to pages 27~30.

Securities and Asset Management Unit

This unit encompasses many of the new strategic subsidiaries, and for the benefit of the reader, the chart below sets out the overall structure.

In the field of wholesale securities, IBJ Securities Co., Ltd., was established as a fully owned subsidiary in July 1993 and has been active in those areas permitted for bank cross-over subsidiaries, principally corporate finance, bond sales and trading, and certain equity-related businesses. Following the liberalization scheduled for October 1999, this subsidiary will be able to enter the equity business without restriction. Ahead of this, the capital of the subsidiary was increased by ¥35 billion, to ¥70 billion, in March.

IBJ Securities has a record of underwriting domestically issued corporate straight bonds that now already rivals that of the major and long-established securities houses. Working in close cooperation with IBJ Securities, the two long-established European subsidiaries, IBJ International plc in London and The Industrial Bank of Japan-NJ (Switzerland) Limited in Zurich, provide a wide range of securities services in the overseas primary and secondary markets.

In November 1998, a joint venture was established in the United Kingdom between IBJ and Nomura Securities Co., Ltd., and IBJ Nomura Financial Products Holding plc, and this venture has a securities subsidiary (INFP) that opened a Tokyo branch in January 1999. After approval by the regulatory authorities in Japan and the United Kingdom, the branch opened for business in April. It is intended that this branch will offer derivatives and structured products to customers in Japan.

In retail securities, the two IBJ affiliates, New Japan Securities Co., Ltd., and Wako Securities Co., Ltd., are due to be merged in April 2000, and the IBJ Group companies' interest is set to be increased to 25% into the merged entity, Shinko Securities Co., Ltd.

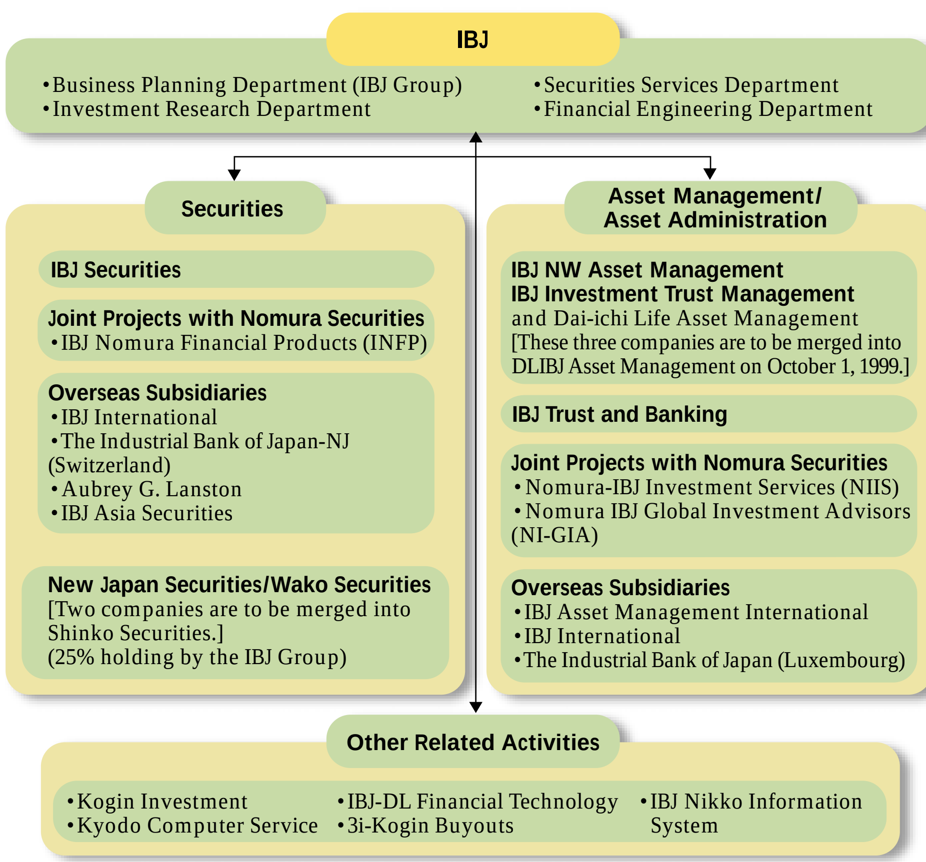
● Lead Manager League Table for Straight Bond Issues in Japan for the year ended March 31, 1999

(¥ billion, %)

Ranking	Underwriter	Number of issues	Value of issues as lead manager	Share
1	Nomura Securities	139	2,758	25.4
2	Daiwa Securities	85	1,488	13.7
3	Nikko Salomon Smith Barney	93	1,325	12.2
4	**IBJ Securities**	**54**	**1,055**	**9.7**
5	DKB Securities	45	641	5.9
6	Sakura Securities	34	603	5.5
7	Tokyo-Mitsubishi Securities	60	586	5.4
8	Fuji Securities	38	556	5.1
9	Sumitomo Capital Securities	35	361	3.3
10	Sanwa Securities	38	332	3.0

Source: THOMSON DealWatch League Tables

● Securities and Asset Management Unit



Financial Results of IBJ Securities

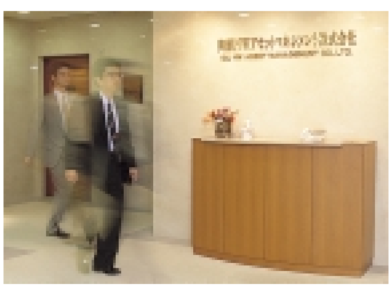
(¥ million)

For the years ended March 31	1998	**1999**
Operating Revenue	20,202	**22,805**
Income before Income Taxes	1,723	**10,175**
Net Income	204	**5,310**
At March 31	1998	**1999**
Shareholders' Equity	25,000	**50,000**
Total Assets	3,308,249	**3,274,479**

Financial Results of IBJ NW Asset Management

(¥ million, except as indicated)

For the years ended March 31	1998	**1999**
Operating Revenue	2,900	**3,000**
Income before Income Taxes	441	**150**
Net Income	231	**72**
At March 31	1998	**1999**
Shareholders' Equity (¥ billion)	0.4	**0.4**
Assets under Management (¥ billion)	2,084.7	**2,250.9**



Results of IBJ Investment Trust Management

(¥ million, except as indicated)

For the years ended March 31	1998	**1999**
Operating Revenue	1,958	1,658
Income (Loss) before Income Taxes	1	(249)
Net Loss	(5)	(250)
At March 31	1998	**1999**
Shareholders' Equity (¥ billion)	1.5	**1.5**
Total Assets (¥ billion)	274.1	**244.0**

Results of IBJ Trust and Banking

(¥ million, except as indicated)

For the years ended March 31	1998	**1999**
Operating Revenue	1,643	**2,514**
Income before Income Taxes	269	**1,097**
Net Income	265	**505**
At March 31	1998	**1999**
Shareholders' Equity (¥ billion)	15.0	**15.0**
Trust Assets (¥ billion)	4,148.6	**4,165.5**

IBJ NW Asset Management Co., Ltd., incorporated in 1985, is an investment management company with a full discretionary license and is active in the management of portfolio assets of a large number of institutional investors, including leading Japanese pension funds. Currently, there is over ¥2 trillion under management, and it is one of Japan's leading investment management companies.

In July 1994, IBJ Investment Trust Management Co., Ltd., was set up to manage securities investment trust products for both the retail and the wholesale markets. Major products being marketed are "IBJ ITM Japan Selection," "Global Bond Portfolio," and "Prime One" to cater to a variety of risk/return profile preferences.

In October 1995, IBJ Trust and Banking Co., Ltd., was established as a wholly owned subsidiary in response to growing interest among customers in financial products utilizing trust structures. In addition to the acceptance and administration of the usual monetary claims, IBJ Trust and Banking provides administrative services related to securitization, including services in connection with the issuance of asset-backed securities, asset-backed CP, and other securities.

On account of a number of factors, such as the selling of investment trusts by banks from December 1998, the underwriting of investment trusts by private issues from the same month, the likely introduction of defined contribution pension schemes, and the rapid maturation of Japanese demographics, there is considerable interest in the asset management market as it is set to grow very strongly over the long term. In fact, IBJ and The Dai-ichi Mutual Life Insurance Company have agreed to merge the two IBJ asset management companies, IBJ NWAsset Management and IBJ Investment Trust Management, with Dai-ichi Life Asset Management Co., Ltd., into DLIBJ Asset Management Co., Ltd. The intention, as part of the strategic alliance between the Bank and Dai-ichi, is to form the leading asset management company in Japan based on the two parent companies' long experience and know-how in the field.

Also of note is joint venture Nomura-IBJ Investment Services Co., Ltd. (NIIS), formed between Nomura and IBJ in the area of pension consulting services and Japan Investor Solutions & Technologies Co., Ltd. (JIS&T), formed among many major financial institutions, including IBJ, in record-keeping services. It is anticipated that a Japanese-style 401(k) defined contribution type of pension scheme will be introduced into Japan by autumn 2000.

While IBJ expanded its overseas network vigorously during the last 20 years, there is now a requirement to retrench and to achieve greater efficiency in overseas operations. In the three regions of the Americas, Europe, and Asia / Oceania, the Bank is re-concentrating on the major offices and on more sophisticated products, such as project and structured finance. IBJ senior management is convinced that maintaining a fully competitive international presence is a *sine qua non* to be a major global player in financial markets.

In the Americas, IBJ offers both Japanese and non-Japanese corporations commercial and investment banking services. Substantial investments have been made in improving the IT system based on the New York office and the other five offices in the competitive U.S. market—the system went online in May 1999. IBJ continues to work to offer its many customers in the United States the first-rate service that they deserve.

In Europe, the introduction of the single currency among the 11 Euroland member states has created an economic entity the size of the U.S. and is clearly propelling EU industry toward greater consolidation via M&A. Exploiting the investment banking strengths of the London Branch and the wide spread of the continental European branch network, IBJ is offering value-added financial services throughout Europe. The EU market is of great importance.

In Asia /Oceania, which continues to be strategically important for IBJ, the countries in the region are recovering from the recent currency crisis and endeavoring to regain strong economic growth. In early 1999, IBJ placed a project finance team in Hong Kong and a treasury team in Singapore. From these two new specialist centers, IBJ is offering value-added services throughout the region via its strong branch network. IBJ has close links with China and has a wide network of cooperation and training agreements. With over 20 years' experience in this country, the Bank can carefully weigh business opportunities and risks in what is both a challenging and promising market.

One of the most important tasks of a full-line financial institution is its research efforts. Only with relevant and up-to-date information can senior management decisions be made.

Employing the global network of the IBJ Group, macro- and microeconomic information is gathered and analyzed related to economies, fiscal and financial issues, capital markets, financial institutions, and industries. This data is used internally and is provided to customers in policy proposals and for other purposes. In certain cases, the data is published as promotional material for use in marketing. For example, the semi-annual survey of capital expenditure plans has the widest coverage of any private-sector research organization and is generally regarded as important primary data for economic forecasting.

The Industrial Research Department specializes in research on Japan's major industries. Results of this research are used in the Bank's various customer-oriented proposals. In the area of infrastructure projects, the department is going to be of increasing importance because of the growing interest in such new structures as PFI (Private Finance Initiative) and real estate securitization.

U IBJ Major Publications

Name of Publication	Frequency	Description of Content
In English		
IBJ Monthly Report	Monthly	IBJ's monthly report on the economy and industries
Outlook for the Japanese Economy	Quarterly	IBJ's forecast for the Japanese economy for approximately the next one-year period
IBJ Industry Research	Annually	IBJ's special report on trends and outlook in Japanese major industries
In Japanese		
Kogin Chosa	Occasionally	IBJ's industrial report. Each issue focuses on a specific industry.

The information technology departments of the Bank are responsible for vital support for business improvement, analysis of profit and risk information for senior management, and dissemination of this information speedily and accurately.

In June 1997, IBJ divided the IT function in each business division to deal efficiently with business action and instituted the post of Chief Information Officer (CIO), a managing director, to integrate the IT function. Then, IBJ established the Information Technology Department to support the CIO and to be responsible for ensuring that the department efficiently coordinates the IT function across the various business divisions. In this fashion, the IT requirements can be integrated over the entire IBJ Group to obtain maximum coordination and thereby achieve economies of scale by the avoidance of unnecessary IT duplications.

In light of the rapid changes characterizing the Bank's business environment, the information technology departments will be called on to perform systems development with a tighter focus on strategically emphasized projects and with even greater timeliness. One of the fields that IBJ recognizes is new business projects, such as the introduction of Japanese-style 401(k) pension schemes. The Bank is giving high priority to promote the sound development of such new businesses by building systems for the more-detailed management of risks and profits.

To realize such investment programs, IBJ will proceed further with moves to reduce fixed costs and free up funds for investment through the scrapping of existing systems and to increase the efficiency of systems development through the upgrading of development technologies.

FINANCIAL SECTION

Contents

Six-Year Summary

Statements of Income (in millions of yen)

(for the years ended March 31)	1999	1998	1997	1996	1995	1994
Total Income	**¥3,386,760**	¥3,321,902	¥3,403,347	¥3,731,847	¥3,087,404	¥3,063,399
Total Expense	**3,642,993**	3,635,020	3,358,870	3,838,173	3,032,577	3,017,877
Income (Loss) before Income Taxes and Others	**(256,232)**	(313,118)	44,477	(106,325)	54,826	45,521
Net Income (Loss)	**(181,276)**	(202,660)	12,740	(63,551)	29,685	21,897

Per Common Stock (in yen)

(for the years ended March 31)	1999	1998	1997	1996	1995	1994
Net Income (Loss)	**¥(70.64)**	¥(79.80)	¥5.24	¥(27.02)	¥12.62	¥9.31

(in millions of yen)

Balance Sheets (at March 31)	1999	1998	1997	1996	1995	1994
Total Assets	**¥46,166,409**	¥49,229,785	¥46,966,968	¥40,737,733	¥40,858,245	¥42,488,374
Cash and Due from Banks	**806,910**	553,203	2,318,157	2,987,739	3,951,856	4,549,916
Trading Assets	**3,729,005**	3,466,255	—	—	—	—
Trading Account Securities	**—**	—	943,457	537,932	726,995	977,715
Investment Securities	**8,942,151**	8,847,249	6,808,045	6,686,872	6,351,897	6,382,275
Loans and Bills Discounted	**23,327,907**	24,001,429	25,518,440	24,267,385	23,808,552	24,023,625
Total Liabilities	**44,308,984**	47,909,766	45,422,988	39,412,622	39,449,385	41,089,687
Debentures	**20,461,865**	20,840,941	22,137,519	21,470,815	21,658,109	22,790,004
Deposits	**8,116,321**	10,053,551	10,871,309	8,960,767	9,273,126	9,421,241
Trading Liabilities	**2,854,950**	2,286,959	—	—	—	—
Reserves	**1,167,976**	993,292	649,985	556,791	383,999	328,339
Acceptances and Guarantees	**1,516,602**	2,024,337	2,382,608	2,331,153	2,144,478	2,578,011
Total Shareholders' Equity	**1,561,350**	1,320,019	1,543,979	1,325,110	1,408,860	1,398,686

Capital Adequacy Ratio (at March 31)	1999	1998	1997	1996	1995	1994
BIS Capital Adequacy Ratio	**11.30%**	10.26%	9.04%	8.59%	8.82%	9.10%

All figures are on a consolidated basis.

Summary

In the year ended March 31, 1999 ("fiscal 1998"), IBJ and its subsidiaries ("IBJ Group") reported a net loss of ¥181.2 billion, or ¥70.64 per common stock, compared with a net loss of ¥202.6 billion, or ¥79.80 per common stock in the year ended March 31, 1998. This was the second consecutive net loss for the IBJ Group even though some subsidiaries reported increased profits. This net loss is principally due to the disposal of and provisions for conservative reserves for non-performing loans by IBJ.

For IBJ only, Core Business Profit before Transfer to General Reserve amounted to ¥278.6 billion. This was an increase of ¥33.9 billion from the previous year and was the highest figure in IBJ's history. However, to improve the quality of assets, IBJ disposed of and conservatively provided reserves for non-performing loans, which in total amounted to ¥857.8 billion. Together with Transfer to General Reserve for Possible Loan Losses, the total for loan losses amounted to ¥924.3 billion.

As a result, IBJ recorded a non-consolidated Loss before Income Taxes of ¥345.4 billion. Net Loss for the year reached ¥195.7 billion.

In compiling fiscal 1998 business results, IBJ introduced important accounting changes as listed below.

IBJ adopted the effective-control standard, replacing the percentage-of-ownership standard in the classification and identification of its subsidiaries and affiliates. The effective-control standard takes into account management relationships as well as the extent of IBJ's shareholdings in companies. For example, if IBJ sends staff to help manage a company, it may be classified as a subsidiary or an affiliate regardless of IBJ's ownership percentage. Because of this new standard and establishment of new companies, the number of consolidated subsidiaries increased by 25, to 67. The number of affiliates being accounted for under the equity method increased to 14. No affiliates were accounted for under the equity method in the previous year.

■ ***Number of Consolidated Subsidiaries and Affiliates being accounted for under the Equity Method***

	March 31, 1999 (a)	March 31, 1998 (b)	March 31, 1997	(a)–(b)
Consolidated Subsidiaries	**67**	42	36	25
Affiliates being accounted for under the Equity Method	**14**	0	0	14
Total	**81**	42	36	39

Effective as of March 31, 1999, Investment Securities of IBJ are stated at cost. As of and prior to March 31, 1998, corporate bonds, stocks and shares, and other securities listed on stock exchanges were stated at the lower of cost or market, and Japanese national and local government bonds were stated at cost. As a result of this change, Other Expense and Loss before Income Taxes and Others decreased by ¥190.4 billion for fiscal 1998.

In fiscal 1998, IBJ adopted the balance sheet method of accounting for income taxes. This method recognizes Deferred Tax Assets and Liabilities for temporary differences in recognition of gains and losses between reporting purposes and income tax purposes. This method has already been adopted for consolidated financial statements.

Income Analysis

IBJ Group

The following is an analysis of income by principal components. Net Interest Income rose by ¥11.7 billion from the previous year's level, to ¥301.8 billion. This reflected better performances by both the parent company and by subsidiaries. Net Fees and Commissions, on the other hand, declined by ¥19.8 billion, to ¥83.2 billion. Subsidiaries reported higher net fees and commissions. On the other hand, IBJ recorded decreased net fees and commissions as a result of lower loan related charges. Other Business Profit increased by ¥17.7 billion, to ¥59.2 billion, mainly due to the increased gains on sales of bonds by IBJ.

Efforts were made throughout the Group to cut costs, but the increase in the number of consolidated subsidiaries, due to the adoption of the effective-control standard, caused General and Administrative Expenses to rise by ¥5.3 billion, to ¥222.7 billion. In addition, disposing of and providing for conservative reserves for non-performing loans resulted in Other Operating Losses of ¥531.6 billion. As a result, Loss before Income Taxes and Others amounted to ¥256.2 billion. Net Loss amounted to ¥181.2 billion.

■ Summary of Consolidated Statements of Income

(in billions of yen)

	Fiscal 1998 (a)	Fiscal 1997 (b)	Fiscal 1996	(a)–(b)
Net Interest Income	**¥ 301.8**	¥ 290.0	¥323.3	¥11.7
Net Fees and Commissions	**83.2**	103.1	57.2	(19.8)
Trading Profit	**53.9**	1.0	—	52.9
Other Business Profit	**59.2**	41.5	24.3	17.7
General and Administrative Expenses	**222.7**	217.4	202.8	5.3
Others	**(531.6)**	(531.3)	(157.6)	(0.4)
Income (Loss) before Income Taxes and Others	**(256.2)**	(313.1)	44.4	56.8
Income Taxes Expense (Benefit)	**(83.2)**	(110.7)	30.6	27.4
Minority Interests in Net Income	**8.3**	0.1	1.1	8.1
Amortization of Consolidation Difference	**—**	0.1	0	(0.1)
Net Income (Loss)	**¥(181.2)**	¥(202.6)	¥ 12.7	¥21.3

■ Loan Losses

(in billions of yen)

	Fiscal 1999
Written-off Claims	**¥140.6**
Transfer to Specific Reserve for Possible Loan Losses	**543.2**
Transfer to Reserve for Loans to Restructuring Countries	**8.6**
Transfer to Reserve for Contingent Losses relating to Loans Sold to CCPC	**44.0**
Losses on Sales of Loans to CCPC	**2.1**
Other Losses on Sales of Loans	**62.4**
Subtotal	**801.2**
Transfer to General Reserve for Possible Loan Losses	**70.4**
Total	**¥871.7**

IBJ Only

Core Business Profit declined by ¥18.6 billion, to ¥212.0 billion, because of a conservative provision to General Reserve for Possible Loan Losses. However, as stated previously, IBJ recorded ¥278.6 billion in Core Business Profit before Transfer to General Reserve, the highest level in IBJ's history. This result reflects good performances from trading divisions and a reduction in expenses in a number of areas.

A breakdown of profits by business activity is as follows: Net Interest Income from domestic operations declined by ¥3.9 billion, to ¥236.7 billion. This is attributed to a reduction in the average loan balance, despite overall increases in loan spreads. On the other hand, net interest income from international operations increased by ¥4.4 billion, to ¥61.5 billion. Taken together, the total net interest income amounted to ¥298.2 billion for fiscal 1998, a small increase from fiscal 1997.

Net Profit related to Bonds increased by ¥21.6 billion, to ¥55.9 billion. This was the result of an increase in gains on sales of bonds. Net Fees and Commissions declined by ¥26.4 billion, to ¥50.5 billion, mainly because of a decrease in loan-related charges. Trading Profit amounted to ¥22.1 billion, an increase of ¥28.3 billion from the previous year. This was a result of a timely response to market movements.

General and Administrative Expenses fell by ¥9.6 billion, to ¥156.8 billion, for fiscal 1998. This reduction was achieved despite an increase in systems-related costs from Japan's financial Big Bang, Y2K compliance measures, and re-orientation. Savings were obtained by reducing directors' salaries, lowering staff bonuses, and cutting special allowances and entertainment costs. Transfer to General Reserve for Possible Loan Losses increased by ¥52.5 billion, to ¥66.5 billion, since a more conservative standard for estimating possible losses was established in accordance with guidelines laid down by the Financial Supervisory Agency and the Financial Reconstruction Commission.

Despite Core Business Profit of ¥212.0 billion, IBJ recorded a Loss before Income Taxes of ¥345.4 billion, the second consecutive year of Net Loss. The loss resulted from the large-scale loan losses based on the adoption of conservative standards. In dealing with non-performing loans, IBJ conformed to Standards for Self-Assessments of Assets and Standards for Write-offs and Provisions, which were internally established in conformity with the Accounting Standards for Banks. In accordance with these standards, IBJ charged to income for non-performing loans totaling ¥857.8 billion (¥924.3 billion, when combined with Transfer to General Reserve for Possible Loan Losses).

The ¥857.8 billion charges include Transfer to Reserve for Possible Loan Losses of ¥656.2 billion, consisting of ¥603.6 billion for the transfer to the specific reserve for possible loan losses based on overall solvency analysis, ¥44.0 billion for the reserve for possible losses on claims sold to the Cooperative Credit Purchasing Company, Limited ("CCPC"), and ¥8.6 billion for the specific reserve for loans to borrowers in restructuring countries.

Losses related to the disposal of unrecoverable loans totaled ¥201.5 billion, consisting of ¥138.9 billion in forgiveness of claims, ¥2.1 billion in losses on sales of claims to the CCPC, and ¥60.4 billion in losses from bulk sales of loans.

Net Profit related to Stocks in fiscal 1998 rose ¥250.2 billion from fiscal 1997, to ¥318.1 billion. This is due to a decrease in the devaluation of stocks caused by the change in accounting policy for listed securities from the lower of cost or market method to the cost method. Net Profit related to Stocks consists of the net of gains on sales of stocks, losses on sales of stocks, and losses on devaluation of stocks. In addition, IBJ recorded ¥7.4 billion from Gains on Sales of Premises and Equipment.

IBJ incurred a Net Loss of ¥195.7 billion, the second consecutive annual Net Loss. The adoption of the balance-sheet method of accounting for income taxes resulted in an Income Taxes Benefit of ¥149.6 billion.

■ *Summary of Non-Consolidated Statements of Income*

(in billions of yen)

	Fiscal 1998 (a)	Fiscal 1997 (b)	Fiscal 1996	(a)–(b)
Net Interest Income:				
Domestic Operations	**¥ 236.7**	¥ 240.6	¥248.8	¥ (3.9)
International Operations	**61.5**	57.1	87.6	4.4
Net Profit (Loss) related to Bonds	**55.9**	34.3	(5.2)	21.6
Net Fees and Commissions	**50.5**	76.9	36.9	(26.4)
Trading Profit (Loss)	**22.1**	(6.2)	—	28.3
Gains on Foreign Exchange Transactions	**16.6**	11.7	16.2	4.9
Other Core Business Profit (Loss)	**(3.1)**	3.7	9.2	(6.8)
Gross Core Business Profit	**440.3**	418.2	393.7	22.1
General and Administrative Expenses:				
Personnel Expenses	**68.0**	74.3	72.9	6.3
Others	**87.7**	91.1	84.3	3.4
Debenture Cost	**5.9**	8.0	10.6	2.1
Core Business Profit before Transfer to General Reserve	**278.6**	244.7	225.8	33.9
Transfer to General Reserve for Possible Loan Losses	**66.5**	14.0	21.1	52.5
Core Business Profit	**212.0**	230.6	204.6	(18.6)
Funding Cost of Money Trusts	**13.5**	20.5	32.9	(7.0)
Loan Losses	**857.8**	633.8	261.2	224.0
Net Profit related to Stocks	**318.1**	67.9	103.1	250.2
Others	**(4.2)**	14.1	27.6	(18.2)
Income (Loss) before Income Taxes	**(345.4)**	(341.7)	41.2	(3.6)
Income Taxes Expense (Benefit)	**(149.6)**	0.1	0.1	(149.8)
Net Income (Loss)	**¥(195.7)**	¥(341.9)	¥ 41.1	¥146.2

Financial Section

■ Loan Losses

			(in billions of yen)
	Fiscal 1998 (a)	Fiscal 1997 (b)	(a)–(b)
Written-off Claims	**¥138.9**	¥ 61.1	¥ 77.8
Transfer to Specific Reserve for Possible Loan Losses	**603.6**	530.3	73.3
Transfer to Reserve for Loans to Restructuring Countries	**8.6**	—	8.6
Transfer to Reserve for Contingent Losses relating to Loans Sold to CCPC	**44.0**	15.8	28.2
Losses on Sales of Loans to CCPC	**2.1**	17.3	(15.2)
Other Losses on Sales of Loans	**60.4**	9.1	51.3
Subtotal	**857.8**	633.8	224.0
Transfer to General Reserve for Possible Loan Losses	**66.5**	14.0	52.5
Total	**¥924.3**	¥647.8	¥276.5

Balance Sheet Analysis

IBJ Group

Total assets at March 31, 1999, amounted to ¥46,166.4 billion. This was a ¥3,063.3 billion decrease from March 31, 1998. The decrease was caused in part by a depreciation in the value of foreign currency assets resulting from a stronger yen exchange rate. Assets related to repo transactions by IBJ also decreased. Repo transactions represent lending and the borrowing of bonds against the cash collateral.

Loans and Bills Discounted declined to ¥23,327.9 billion. Trading Assets rose by ¥262.7 billion, to ¥3,729.0 billion. This was the result of an increase in IBJ's trading assets and the introduction of the mark-to-market valuation at a domestic securities subsidiary. Deferred Tax Assets rose by ¥114.2 billion, to ¥400.1 billion. This was the result of charges relating to non-performing loans by IBJ which gave rise to deductible temporary differences. Other Assets totaled ¥3,923.2 billion, down ¥1,610.2 billion from the previous year's level. The main reason for this was a decrease in assets related to IBJ's repo transactions, as explained above.

Liabilities totaled ¥44,308.9 billion, down by ¥3,600.7 billion from the previous year-end. The decline was mainly caused by decreases in borrowed securities related to repo transactions, debentures, and deposits by IBJ. This decline is related to IBJ's asset-liability management. Minority Interests in Consolidated Subsidiaries, which was previously included in Liabilities, now appears as a separate item after Liabilities and before Shareholders' Equity in the balance sheets.

Shareholders' Equity totaled ¥1,561.3 billion. This was an increase of ¥241.3 billion from the previous year's level. The main reasons for the increase were the issuances of Preferred Stock and Common Stock.

■ *Summary of Consolidated Balance Sheets*

(in billions of yen)

	March 31, 1999 (a)	March 31, 1998 (b)	March 31, 1997	(a)–(b)
Total Assets	**¥46,166.4**	¥49,229.7	¥46,966.9	¥(3,063.3)
Trading Assets	**3,729.0**	3,466.2	—	262.7
Investment Securities	**8,942.1**	8,847.2	6,808.0	94.9
Loans and Bills Discounted	**23,327.9**	24,001.4	25,518.4	(673.5)
Deferred Tax Assets	**400.1**	285.9	126.8	114.2
Total Liabilities	**44,308.9**	47,909.7	45,422.9	(3,600.7)
Debentures	**20,461.8**	20,840.9	22,137.5	(379.0)
Deposits	**8,116.3**	10,053.5	10,871.3	(1,937.2)
Trading Liabilities	**2,854.9**	2,286.9	—	567.9
Minority Interests in Consolidated Subsidiaries	—	135.2	3.2	(135.2)
Minority Interests in Consolidated Subsidiaries	**296.0**			296.0
Shareholders' Equity	**1,561.3**	1,320.0	1,543.9	241.3
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	**¥46,166.4**	¥49,229.7	¥46,966.9	¥(3,063.3)

IBJ Only

Total assets fell by ¥3,051.5 billion, to ¥42,089.3 billion. The decrease was caused partly by a sharp increase in the value of the yen from the fiscal 1997 level. A second major factor was a decrease of ¥2,296.2 billion in Other Assets, including collateral related to repo transactions, which decreased by ¥1,111.4 billion. Repo transactions represent lending and borrowing of bonds against cash collateral. The decrease in repo transactions will reduce the balances for "Cash Placed as Collateral on Securities Borrowed" and "Securities in Custody", both of which are in Other Assets.

Loans and Bills Discounted totaled ¥22,872.0 billion, a decrease of ¥369.5 billion from the previous year's level. The decline was caused partly by the impact of yen appreciation on foreign currency loans and the securitization of certain loan assets. Also, to improve the quality of assets, IBJ sold or otherwise disposed of non-performing loans. However, IBJ remains committed to meeting the need for funds from financially sound customers.

On the basis of the Bank of Japan (BOJ)'s industrial-sector definitions, loans to the finance and insurance industry totaled ¥3,990.3 billion, or 19.6% of all loans issued by IBJ's domestic offices. This rather high ratio includes loans to finance companies of IBJ's customers in such industries as electrical machinery, steel, automobiles, and trading. These companies are classified by the BOJ as part of the financial sector.

IBJ's Investment Securities portfolio was ¥9,024.5 billion, up by ¥324.9 billion from the previous year's level. This includes unrealized gains on listed securities of ¥12.3 billion. Assets related to trading transactions totaled ¥2,197.0 billion, an increase of ¥77.4 billion from the previous year-end. It includes positions in derivative financial instruments, such as interest rate swaps designed to meet customers' needs as well as to seek short-term gains. IBJ applies the mark-to-market valuation for these positions.

As explained previously, IBJ adopted the balance-sheet method of accounting for income taxes in fiscal 1998. This resulted in the recognition of Deferred Tax Assets amounting to ¥406.2 billion.

Liabilities fell by ¥3,608.6 billion, to ¥40,465.3 billion. Debentures fell by ¥372.9 billion, to ¥19,866.8 billion, as a result of a decline in the issuance of debentures. The balances for outstanding coupon debentures and discount debentures were ¥14,067.8 billion and ¥5,799.0 billion, respectively. Deposits totaled ¥8,175.0 billion. This figure includes certificates of deposit, which totaled ¥2,482.6 billion. Trading Liabilities totaled ¥1,465.1 billion.

Securities borrowed included in Other Liabilities decreased by ¥1,099.3 billion. This resulted from the decline in repo transactions as mentioned above.

Presentation of land revaluation was changed in accordance with the revision of the Land Revaluation Law. At March 31, 1998, Surplus from Land Revaluation was included in Liabilities. At March 31, 1999, the income tax liability portion of the surplus of ¥72.5 billion is presented as Deferred Tax Liabilities related to Land Revaluation and is included in Liabilities. The remaining balance of ¥98.9 billion is presented as Surplus from Land Revaluation and is included in Shareholders' Equity.

Shareholders' Equity increased by ¥557.0 billion, to ¥1,623.9 billion, in fiscal 1998. This increase is attributed to the following: the issuance of preferred stock to the Resolution and Collection Bank for ¥350.0 billion; the issuance of common stock to Dai-Ichi Mutual Life Insurance Company for ¥67.0 billion; the adoption of the balance sheet method of accounting for income taxes with the cumulative effect of a change in accounting of ¥256.4 billion; the reclassification from liabilities of Surplus from Land Revaluation of ¥98.9 billion; and Net Loss of ¥195.7 billion, due, in large part, to the charges of non-performing loans for ¥857.8 billion.

■ *Summary of Non-Consolidated Balance Sheets*

(in billions of yen)

	March 31, 1999 (a)	March 31, 1998 (b)	March 31, 1997	(a)–(b)
Total Assets	**¥42,089.3**	¥41,140.8	¥43,450.0	¥(3,051.5)
Trading Assets	**2,197.0**	2,119.6	—	77.4
Investment Securities	**9,024.5**	8,699.6	6,827.6	324.9
Loans and Bills Discounted	**22,872.0**	23,241.5	24,713.5	(369.5)
Total Liabilities	**40,465.3**	44,073.9	42,019.5	(3,608.6)
Debentures	**19,866.8**	20,239.7	21,559.6	(372.9)
Deposits	**8,175.0**	10,139.9	10,716.2	(1,964.8)
Trading Liabilities	**1,465.1**	1,738.7	—	(273.6)
Shareholders' Equity	**1,623.9**	1,066.9	1,430.5	557.0
Total Liabilities and Shareholders' Equity	**¥42,089.3**	¥45,140.8	¥43,450.0	¥(3,051.5)

Loans under Special Risk Review

IBJ Group

The total balance of Loans under Special Risk Review reached ¥1,771.4 billion. This figure consists of the following four categories.

(1) Bankruptcy Loans

Nonaccrual loans to borrowers who are legally bankrupt as defined in Articles 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation (Article 97 of 1965 Cabinet Order)

(2) Nonaccrual Loans

Nonaccrual loans other than (i) Bankruptcy Loans and (ii) loans for which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties

(3) Accruing Loans Past Due 3 Months or More

Accruing Loans for which payments of principal or interests are past due for more than 3 months. Bankruptcy Loans and Nonaccrual Loans, both of which are non-accruing, are not included in this category.

(4) Restructured Loans

Loans on which contracts were amended in favor of borrowers (e.g., the reduction of or exemption from stated interest, the deferral of interest payments, the extension of maturity dates, the renunciation of claims) in order to assist or facilitate the restructuring of borrowers in financial difficulties

■ *Loans under Special Risk Review*

(in billions of yen)

	March 31, 1999
Bankruptcy Loans	**¥ 46.8**
Nonaccrual Loans	**1,160.9**
Accruing Loans Past Due 3 Months or More	**8.9**
Restructured Loans	**554.6**
Total	**¥1,771.4**

Note: Bankruptcy Loans and Nonaccrual Loans are net of uncollectable portion. The deducted amounts from Bankruptcy Loans and Nonaccrual Loans at March 31, 1999, were ¥100.9 billion and ¥146.2 billion, respectively.

This disclosure includes loans that require a certain degree of special risk review but do not raise concern as to recovery of the principal. Accordingly, not all of the loans in these categories are non-performing.

Reserves at March 31, 1999, for all claims are shown in the following table:

■ *Reserve for Possible Loan Losses*

(in billions of yen)	March 31, 1999
General Reserve for Possible Loan Losses	**¥ 189.1**
Specific Reserve for Possible Loan Losses	**870.0**
Reserve for Loans to Restructuring Countries	**7.5**
Total	**¥1,066.7**

IBJ Only

■ *Loans under Special Risk Review*

(in billions of yen)	March 31, 1999 (a)	March 31, 1998 (b)	(a)–(b)
Bankruptcy Loans	**¥ 45.2**	¥ 64.2	¥ (19.0)
Nonaccrual Loans	**1,236.0**	209.5	1,026.4
Accruing Loans Past Due 3 Months or More	**8.4**	14.5	(6.0)
Restructured Loans	**554.4**	820.6	(266.2)
Total	**¥1,844.1**	¥1,109.0	¥ 735.1

Note: Bankruptcy Loans and Nonaccrual Loans are net of uncollectable portion.
The deducted amounts from Bankruptcy Loans at March 31, 1999 and 1998 were ¥100.9 billion and ¥235.4 billion, respectively.
The deducted amounts from Nonaccrual Loans at March 31, 1999 and 1998 were ¥146.2 billion and ¥225.0 billion, respectively.

In previous years, IBJ accrued interest income on loans until principal payments became overdue beyond final maturity or interest payments became more than six months past due regardless of the borrower's financial condition. Starting in fiscal 1998, loans are classified as nonaccrual if the borrowers are determined to be Insolvent, Unrecoverable or To Be Insolvent based on the result of self-assessment, regardless of whether the loan is overdue or not.

■ *Ratio of Loans and Bills Discounted*

(in billions of yen)	March 31, 1999 (a)	March 31, 1998 (b)	(a)–(b)
Balance of Loans and Bills Discounted	**¥22,624.8**	¥22,781.1	¥ (156.2)
Average Balance of Loans and Bills Discounted	**23,026.7**	25,012.5	(1,985.8)
Ratio to Balance of Loans and Bills Discounted	**8.2%**	4.9%	3.3%
Ratio to Average Balance of Loans and Bills Discounted	**8.0%**	4.4%	3.6%

Note: Figures are net of uncollectable portion.

■ *Reserve Ratio*

(in billions of yen)	March 31, 1999 (a)	March 31, 1998 (b)	(a)–(b)
Reserve Ratio (before net of uncollectable portion)	**53.4%**	57.3%	(3.9%)
Reserve Ratio (after net of uncollectable portion)	**45.8%**	39.6%	6.2%
Reserve for Possible Loan Losses (after net of uncollectable portion)	**¥843.8**	¥439.4	¥404.3

Note: Reserve Ratio=Reserve for Possible Loan Losses / Loans under Special Risk Review

The Financial Reconstruction Law ("FRL") Disclosure Requirements

The FRL, enacted by the Diet in October 1998, introduced a new series of disclosure requirements for problem claims at the parent company level.

The FRL establishes the following four categories of claims:

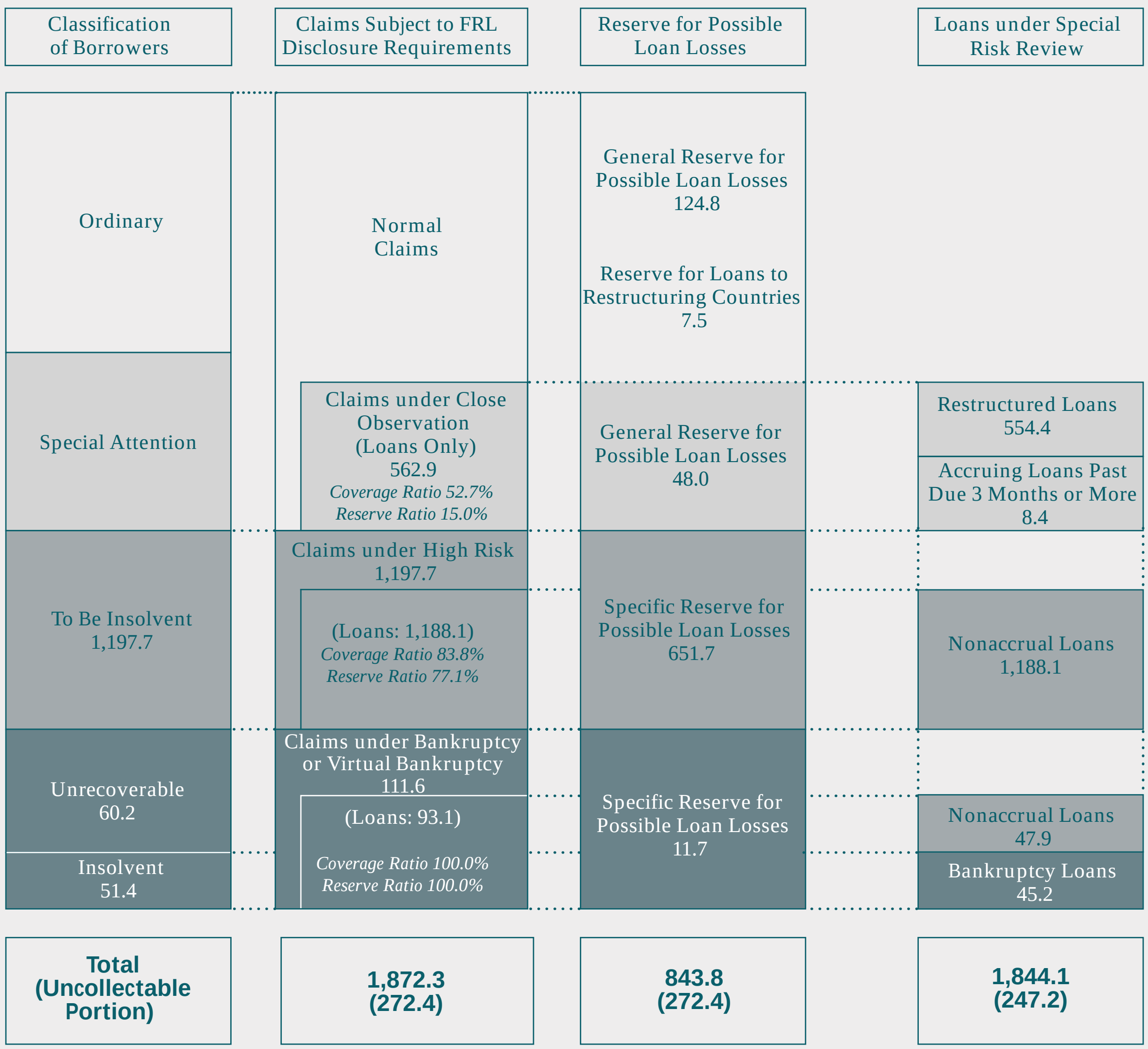
(1) Claims under Bankruptcy or Virtual Bankruptcy
(2) Claims under High Risk
(3) Claims under Close Observation
(4) Normal Claims

The amount of such claims held by IBJ at March 31, 1999, was ¥1,872.3 billion, consisting of Claims under Bankruptcy or Virtual Bankruptcy, Claims under High Risk, and Claims under Close Observation.

Since the change in the criteria for accruing unpaid interest, IBJ's disclosure for Loans under Special Risk Review corresponds closely to the FRL disclosure (See figure below.).

■ *Disclosed Loans*

(in billions of yen)



Coverage Ratio=(Collateral+Third Party's Guarantees+Reserves for Possible Loan Losses)/Claims
Reserve Ratio=Reserve for Possible Loan Losses/Unsecured Portion of Claims

Claims under Bankruptcy or Virtual Bankruptcy by FRL classification corresponds to the sum of Bankruptcy Loans and Nonaccrual Loans to borrowers who are classified as Unrecoverable. Claims under High Risk by FRL classification corresponds to Nonaccrual Loans to borrowers who are in To Be Insolvent. Claims under Close Observation by the FRL classification corresponds to the sum of Accruing Loans Past Due 3 Months or More and Restructured Loans.

Not all claims subject to the FRL disclosure requirements raise immediate concern as to recoverability of the principal amounts.

IBJ significantly increased Transfer to Reserve for Possible Loan Losses in fiscal 1998. As a result, the ratios of the reserve to the unsecured portion under the FRL classification are as follows: 100% for Claims under Bankruptcy or Virtual Bankruptcy, 77.1% for Claims under High Risk, and 15.0% for Claims under Close Observation. These reserve levels satisfy guidelines established by the Financial Reconstruction Commission.

In addition to providing conservative reserves for the unsecured portion of the claims, IBJ sought to increase the secured portion. As a result, 100% of Claims under Bankruptcy or Virtual Bankruptcy, 83.8% of Claims under High Risk, and 52.7% of Claims under Close Observation were either secured or reserved. IBJ believes that these levels are fully adequate. Having tightened its credit risk management, IBJ believes that the losses related to non-performing loans will decrease significantly in the future.

■ *Claims Subject to FRL Disclosure Requirements*

(in billions of yen)

	March 31, 1999
Claims under Bankruptcy or Virtual Bankruptcy	¥ 111.6
Claims under High Risk	1,197.7
Claims under Close Observation	562.9
Subtotal	1,872.3
Normal Claims	25,437.5
Total	¥27,309.8

Note: Claims under Bankruptcy or Virtual Bankruptcy is net of uncollectable portion.
The deducted amounts at March 31, 1999, were ¥272.4 billion.

■ *Reserve Ratio*

(in billions of yen)

	March 31, 1999
Reserve Ratio (before net of uncollectable portion)	52.0%
Reserve Ratio (after net of uncollectable portion)	45.1
Reserve for Possible Loan Losses (after net of uncollectable portion)	¥843.8

Note: Reserve Ratio=Reserve for Possible Loan Losses / (Claims under Bankruptcy or Virtual Bankruptcy + Claims under High Risk + Claims under Close Observation)

■ *Coverage Ratio*

	March 31, 1999
Claims under Bankruptcy or Virtual Bankruptcy	100.0%
Claims under High Risk	83.8
Claims under Close Observation	52.7
Total	75.4

Note: Figures are net of uncollectable portion.
Coverage Ratio=(Collateral + Third Party's Guarantees + Reserves for Possible Loan Losses) / Claims

Reserve Ratio to Unsecured Portion

	March 31, 1999
Claims under Bankruptcy or Virtual Bankruptcy	100.0%
Claims under High Risk	77.1
Claims under Close Observation	15.0
Total	60.7

Note: Figures are net of uncollectable portion.
Reserve Ratio to Unsecured Portion=Reserve for Possible Loan Losses / Unsecured Portion of Claims

Reserve Ratio to Normal Claims

	March 31, 1999
Claims to Special Attention Borrowers not Classified as Claims under Close Observation	3.98%
Claims to Ordinary Borrowers	0.08

Note: Reserve Ratio to Normal Claims=General Reserve for Possible Loan Losses / Claims

Breakdown of Claims Subject to FRL Disclosure Requirements by Industries of Borrowers

(in billions of yen)

	March 31, 1999
Manufacturing	¥ 57.0
Construction	129.8
Finance and Insurance	153.2
Real Estate	740.1
Other Industries	712.4
Domestic Offices	1,792.7
Overseas Offices	79.6
Total	¥1,872.3

Note: Figures are net of uncollectable portion.

Breakdown of Claims Subject to FRL Disclosure Requirements by Nationality of Borrowers

(in billions of yen)

	March 31, 1999
Asia	¥ 83.1
Europe*	28.5
North America	32.8
Central & South America	0.1
Overseas	144.6
Japan	1,727.7
Total	¥1,872.3

Note: Figures are net of uncollectable portion.
* It includes the amount for Russia / East Europe of ¥3.2 billion.

Reserves at March 31, 1999, for all claims are shown in the following table:

Reserve for Possible Loan Losses

(in billions of yen)

	March 31, 1999 (a)	March 31, 1998 (b)	(a)–(b)
General Reserve for Possible Loan Losses	**¥ 172.8**	¥106.2	¥ 66.5
Specific Reserve for Possible Loan Losses	**935.8**	793.3	142.4
Reserve for Loans to Restructuring Countries	**7.5**	0.2	7.3
Total	**¥1,116.2**	¥899.8	¥216.3

Capital Adequacy Ratio

IBJ Group

To ensure the stability of the world's financial system, the BIS maintains a set of standards which require banks to maintain capital ratios in relation to assets at a certain level. The current system includes off-balance-sheet transaction items in the category of risk assets and is applied on a consolidated basis.

These standards incorporate risk asset ratios, the inclusion of off-balance-sheet transactions in risk assets, and an overall evaluation on a consolidated basis. Japanese banks involved in international business have been required to maintain a capital asset ratio of at least 8% since March 1993. The BIS standard originally identified only credit risks. However, market risks have also been taken into consideration following the introduction of new regulations in March 1998. Market risk includes possible losses resulting from price changes in both on-balance-sheet and off-balance-sheet transactions.

At March 31, 1999, the IBJ Group's capital adequacy ratio was 11.30%, compared with 10.26% at March 31, 1998. The Tier I capital adequacy ratio was 6.03%, and the Tier II capital adequacy ratio was 5.26%. Efforts were made to strengthen capital as follows: a third-party capital allocation of ¥67.0 billion; the issuance of preferred shares through overseas subsidiaries of ¥176.0 billion; and the issuance of subordinated bonds of ¥64.0 billion.

In addition, IBJ received ¥600.0 billion in public funds. This consisted of ¥350.0 billion of preferred stock and ¥250.0 billion of subordinated bonds. As a result, IBJ Group's capital increased by ¥429.3 billion, to ¥3,273.4 billion, at the year-end. Within this total, Tier I capital amounted to ¥1,749.2 billion. Tier II capital totaled ¥1,524.2 billion.

Risk assets totaled ¥28,963.5 billion, an increase of ¥1,246.6 billion during the year. The increase breaks down into the following elements: on-balance-sheet exposure increased by ¥1,435.4 billion, while off-balance-sheet exposure decreased by ¥361.3 billion. Market risk related exposure increased by ¥172.5 billion.

■ *BIS Capital Adequacy Ratios (Uniform International Standards)*

(in billions of yen)

	March 31, 1999	March 31, 1998	March 31, 1997
Preferred Stock	**¥ 175.0**		
Common Stock	**498.6**		
Capital Surplus	**570.1**		
Retained Earnings	**209.4**		
Minority Interests:			
Preferred Stocks Issued by SPCs	**291.7**		
Others	**4.3**		
Total Tier I Capital (A)	**1,749.2**	¥ 1,444.4	¥ 1,536.3
45% Unrealized Gains on Securities	**—**	183.4	384.4
45% Unrealized Gains on Land Used in Business	**77.1**	81.2	
General Reserve for Possible Loan Losses	**189.1**	116.4	104.2
Subordinated Debt	**1,257.9**	1,074.6	853.6
Sub-total	**1,524.2**	1,455.8	1,342.2
Total Tier II Capital (B)	**1,524.2**	1,399.7	1,342.2
Total Tier III Capital (C)	**—**	—	—
Capital (D) = (A) + (B) + (C)	**3,273.4**	2,844.1	2,878.6
On-Balance-Sheet Exposure	**25,556.6**	24,121.1	28,107.1
Off-Balance-Sheet Exposure	**3,023.9**	3,385.3	3,723.5
Credit Risk Asset (E)	**28,580.6**	27,506.5	31,830.6
Market Risk Related Exposure (F)	**382.8**	210.2	
Total (G) = (E) + (F)	**¥28,963.5**	¥27,716.8	¥31,830.6
BIS Capital Adequacy Ratios (Uniform International Standards) = (D) / (G) x100	**11.30%**	10.26%	9.04%

Note: The components of Tier I were disclosed starting from March 31, 1999.

■ *Financial Derivatives and Forward Foreign Exchange*

(in billions of yen)

	March 31, 1999		March 31, 1998		March 31, 1997	
	Notional principal amount	**Credit equivalent amount**	Notional principal amount	Credit equivalent amount	Notional principal amount	Credit equivalent amount
Interest Rate Swaps	**¥ 89,495.7**	**¥2,222.7**	¥ 77,978.2	¥1,763.1	¥ 67,955.4	¥1,269.2
Currency Swaps	**4,633.9**	**454.8**	6,177.5	736.7	6,140.8	647.8
Forward Foreign Exchange	**17,943.9**	**702.7**	31,712.6	1,777.7	40,375.3	1,887.1
Interest Rate Options (Purchased)	**4,666.3**	**44.5**	4,904.0	46.7	4,298.5	33.6
Currency Options (Purchased)	**3,118.9**	**101.2**	717.5	30.1	1,620.1	90.1
Other Derivative Instruments	**5,680.2**	**49.5**	5,392.3	39.1	2,515.7	4.9
Impact of Master Netting Instruments	**—**	**(1,242.8)**	—	(948.1)	—	—
Total	**¥125,593.2**	**¥2,332.8**	¥126,882.3	¥3,445.4	¥122,906.1	¥3,932.8

Notes: 1. Figures listed above are on a consolidated basis and are calculated in accordance with the BIS guidelines.
2. In computing the credit equivalent amount, the current exposure method was used (From March 31, 1997, the original exposure method was used in some cases.).
3. The impact of netting agreements was taken into account from March 31, 1997, and was separately disclosed from March 31, 1998.
4. The amounts of transactions that are excluded for capital adequacy guidelines are public exchange transactions and foreign exchange related transactions for which the original contract has a duration of 14 days or less as shown below.

(in billions of yen)

	March 31, 1999	March 31, 1998	March 31, 1997
	Notional principal amount	Notional principal amount	Notional principal amount
Forward Foreign Exchange	**¥ 3,677.1**	¥ 5,560.2	¥ 2,342.9
Interest Rate Options (Written)	**18,628.0**	9,898.0	14,233.9
Interest Rate Options (Purchased)	**10,725.7**	5,647.1	8,765.2
Currency Options (Written)	**58.4**	887.0	1,107.1
Currency Options (Purchased)	**57.8**	1.6	16.3
Other Derivative Instruments	**86,959.5**	83,388.6	73,956.3
Total	**¥120,106.9**	¥105,382.8	¥100,421.9

IBJ Only

Changes in the Bank Law, which took effect on December 1, 1998, require banks involved in international transactions to meet the BIS standards at the parent company and the consolidated level effective on and after March 31, 1999.

IBJ's capital adequacy ratio at the parent company level at March 31, 1999, was 11.53%. Capital amounted to ¥3,316.0 billion, consisting of Tier I capital of ¥1,807.4 billion and Tier II capital of ¥1,508.5 billion. Risk assets totaled ¥28,737.9 billion, consisting of credit risk assets of ¥28,516.6 billion and market risk equivalents of ¥221.2 billion.

Core capital of ¥1,807.4 billion includes Preferred Stock of ¥175.0 billion, Common Stock of ¥498.6 billion, Capital Surplus of ¥570.1 billion, Legal Reserve of ¥82.2 billion, and Retained Earnings of ¥189.8 billion, and preferred shares issued by overseas special-purpose companies (SPCs) totaled ¥291.7 billion.

Consolidated Balance Sheets

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Assets			
Cash and Due from Banks (Note 2)	**¥ 806,910**	¥ 553,203	**$ 6,693,579**
Call Loans and Bills Purchased	**2,712,690**	3,646,837	**22,502,621**
Commercial Paper and Other Debt Purchased	**133,008**	14,491	**1,103,345**
Trading Assets (Notes 1 (d) and 3)	**3,729,005**	3,466,255	**30,933,268**
Money Held in Trust (Note 33)	**54,331**	171,157	**450,694**
Investment Securities (Notes 1 (e), 4 and 32)	**8,942,151**	8,847,249	**74,177,945**
Loans and Bills Discounted (Note 5)	**23,327,907**	24,001,429	**193,512,295**
Foreign Exchanges (Note 6)	**290,585**	373,592	**2,410,502**
Other Assets (Note 7)	**3,923,235**	5,533,487	**32,544,465**
Premises and Equipment (Notes 1 (g) and 8)	**313,726**	295,762	**2,602,460**
Deferred Debenture Charges (Note 9)	**16,055**	15,994	**133,185**
Deferred Tax Assets (Note 10)	**400,198**	285,987	**3,319,774**
Customers' Liabilities for Acceptances and Guarantees (Note 18)	**1,516,602**	2,024,337	**12,580,692**
Total Assets	**¥46,166,409**	¥49,229,785	**$382,964,825**

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity			
Liabilities			
Debentures (Note 11)	**¥20,461,865**	¥20,840,941	**$169,737,583**
Deposits (Note 12)	**8,116,321**	10,053,551	**67,327,432**
Call Money and Bills Sold	**4,857,493**	4,251,988	**40,294,431**
Commercial Paper	**30,000**	—	**248,859**
Borrowed Money (Note 13)	**1,390,208**	1,804,335	**11,532,213**
Trading Liabilities (Notes 1 (d) and 3)	**2,854,950**	2,286,959	**23,682,709**
Foreign Exchanges (Note 6)	**23,399**	12,953	**194,102**
Other Liabilities (Note 14)	**3,810,402**	5,325,539	**31,608,486**
Reserve for Possible Loan Losses (Note 15)	**1,066,714**	922,235	**8,848,732**
Reserve for Retirement Allowances	**53,088**	50,802	**440,385**
Reserve for Contingent Losses relating to Loans Sold	**48,144**	19,776	**399,371**
Other Reserves (Note 16)	**29**	478	**244**
Deferred Tax Liabilities (Note 10)	**7,245**	—	**60,101**
Deferred Tax Liabilities related to Land Revaluation (Note 8)	**72,518**	—	**601,564**
Minority Interests in Consolidated Subsidiaries (Notes 1 (n) and 17)	**—**	135,218	**—**
Acceptances and Guarantees (Note 18)	**1,516,602**	2,024,337	**12,580,692**
Surplus from Land Revaluation (Note 1 (g))	**—**	180,648	**—**
Total Liabilities	**44,308,984**	47,909,766	**367,556,904**
Minority Interests in Consolidated Subsidiaries (Notes 1 (n) and 17)	**296,074**	—	**2,456,033**
Shareholders' Equity			
Preferred Stock (Note 19)	**175,000**	—	**1,451,680**
Common Stock (Note 20)	**498,605**	465,105	**4,136,087**
Capital Surplus	**570,132**	361,632	**4,729,424**
Surplus from Land Revaluation (Note 8)	**98,920**	—	**820,574**
Retained Earnings (Note 21)	**218,694**	493,287	**1,814,142**
Treasury Stock	**(2)**	(5)	**(19)**
Total Shareholders' Equity	**1,561,350**	1,320,019	**12,951,888**
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	**¥46,166,409**	¥49,229,785	**$382,964,825**

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.

Consolidated Statements of Income

	Fiscal 1998*	Fiscal 1997*	Fiscal 1996*	Fiscal 1998*
		(in millions of yen)		(in thousands of U.S. dollars)
Income				
Interest Income (Note 22)	**¥1,974,674**	¥2,305,998	¥2,518,077	**$16,380,545**
Fees and Commissions	**97,505**	122,849	75,276	**808,836**
Trading Income (Note 23)	**53,936**	9,467	—	**447,420**
Other Operating Income (Note 24)	**854,050**	473,434	563,997	**7,084,614**
Other Income (Note 25)	**406,143**	397,938	245,997	**3,369,088**
Transfer from Other Reserves	**450**	12,213	0	**3,735**
Total Income	**3,386,760**	3,321,902	3,403,347	**28,094,239**
Expense				
Interest Expense (Note 22)	**1,645,753**	1,981,009	2,142,314	**13,652,042**
Amortization of Debenture Discounts	**27,117**	34,952	52,401	**224,948**
Fees and Commissions	**14,264**	19,738	18,068	**118,330**
Trading Expense (Note 23)	**—**	8,452	—	**—**
Other Operating Expense (Note 26)	**794,768**	431,913	539,661	**6,592,850**
General and Administrative Expenses	**222,792**	217,453	202,847	**1,848,132**
Other Expense (Note 27)	**938,295**	941,497	402,544	**7,783,459**
Transfer to Other Reserves	**0**	3	1,031	**8**
Total Expense	**3,642,993**	3,635,020	3,358,870	**30,219,769**
Income (Loss) before Income Taxes and Others	**(256,232)**	(313,118)	44,477	**(2,125,530)**
Income Taxes Expense (Benefit) (Note 28):				
Current	**10,816**	3,935	5,628	**89,727**
Deferred	**(94,093)**	(114,695)	25,049	**(780,537)**
Minority Interests in Net Income	**8,321**	169	1,137	**69,028**
Amortization of Consolidation Difference (Note 1 (n))	**—**	131	(76)	**—**
Net Income (Loss)	**¥ (181,276)**	¥ (202,660)	¥ 12,740	**$ (1,503,748)**

Per Common Stock (Note 29)			(in yen)	(in U.S. dollars)
Net Income (Loss)	**¥ (70.64)**	¥ (79.80)	¥ 5.24	**$ (0.586)**
Cash Dividends	**7.00**	8.50	8.50	**0.058**

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.
** Fiscal 1998, 1997 and 1996 represent the fiscal years ended March 31, 1999, 1998 and 1997, respectively.*

Consolidated Statements of Shareholders' Equity

(in millions of yen)

	Preferred Stock (Note 19)	Common Stock (Note 20)	Capital Surplus	Surplus from Land Revaluation (Note 8)	Retained Earnings (Note 21)	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 1996	¥ —	¥352,045	¥248,572	¥ —	¥724,500	¥ (7)	¥1,325,110
Issuance of Common Stock	—	113,060	113,060	—	—	—	226,120
Cash Dividends	—	—	—	—	(19,987)	—	(19,987)
Net Income for Fiscal 1996	—	—	—	—	12,740	—	12,740
Treasury Stock Transactions	—	—	—	—	—	(5)	(5)
Balance at March 31, 1997	—	465,105	361,632	—	717,253	(12)	1,543,979
Initial Consolidation of a Subsidiary Not Consolidated in the Previous Year	—	—	—	—	280	—	280
Cash Dividends	—	—	—	—	(21,586)	—	(21,586)
Net Loss for Fiscal 1997	—	—	—	—	(202,660)	—	(202,660)
Treasury Stock Transactions	—	—	—	—	—	7	7
Balance at March 31, 1998	—	465,105	361,632	—	493,287	(5)	1,320,019
Issuance of Preferred Stock	**175,000**	**—**	**175,000**	**—**	**—**	**—**	**350,000**
Issuance of Common Stock	**—**	**33,500**	**33,500**	**—**	**—**	**—**	**67,000**
Transfer from Liabilities	**—**	**—**	**—**	**98,920**	**—**	**—**	**98,920**
Cash Dividends	**—**	**—**	**—**	**—**	**(19,681)**	**—**	**(19,681)**
Initial Consolidation of Subsidiaries Not Consolidated in the Previous Year (Note 1 (b))	**—**	**—**	**—**	**—**	**(20,900)**	**—**	**(20,900)**
Initial Adoption of Equity Method of Affiliates Stated at Cost in the Previous Year (Note 1 (b))	**—**	**—**	**—**	**—**	**(52,733)**	**—**	**(52,733)**
Net Loss for Fiscal 1998	**—**	**—**	**—**	**—**	**(181,276)**	**—**	**(181,276)**
Treasury Stock Transactions	**—**	**—**	**—**	**—**	**—**	**3**	**3**
Balance at March 31, 1999	**¥175,000**	**¥498,605**	**¥570,132**	**¥98,920**	**¥218,694**	**¥ (2)**	**¥1,561,350**

(in thousands of U.S. dollars)

	Preferred Stock (Note 19)	Common Stock (Note 20)	Capital Surplus	Surplus from Land Revaluation (Note 8)	Retained Earnings (Note 21)	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 1998	$ —	$3,858,194	$2,999,851	$ —	$4,091,973	$(43)	$10,949,975
Issuance of Preferred Stock	**1,451,680**	**—**	**1,451,680**	**—**	**—**	**—**	**2,903,360**
Issuance of Common Stock	**—**	**277,893**	**277,893**	**—**	**—**	**—**	**555,786**
Transfer from Liabilities	**—**	**—**	**—**	**820,574**	**—**	**—**	**820,574**
Cash Dividends	**—**	**—**	**—**	**—**	**(163,266)**	**—**	**(163,266)**
Initial Consolidation of Subsidiaries Not Consolidated in the Previous Year (Note 1 (b))	**—**	**—**	**—**	**—**	**(173,376)**	**—**	**(173,376)**
Initial Adoption of Equity Method of Affiliates Stated at Cost in the Previous Year (Note 1 (b))	**—**	**—**	**—**	**—**	**(437,441)**	**—**	**(437,441)**
Net Loss for Fiscal 1998	**—**	**—**	**—**	**—**	**(1,503,748)**	**—**	**(1,503,748)**
Treasury Stock Transactions	**—**	**—**	**—**	**—**	**—**	**24**	**24**
Balance at March 31, 1999	**$1,451,680**	**$4,136,087**	**$4,729,424**	**$820,574**	**$1,814,142**	**$(19)**	**$12,951,888**

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.
** Fiscal 1998, 1997 and 1996 represent the fiscal years ended March 31, 1999, 1998 and 1997, respectively.*

Consolidated Statements of Cash Flows

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998*	Fiscal 1997*	Fiscal 1996*	**Fiscal 1998***
Cash Flows from Operating Activities:				
Net Income (Loss)	**¥ (181,276)**	¥ (202,660)	¥ 12,740	**$ (1,503,748)**
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization	**7,284**	8,401	8,359	**60,423**
Net Transfer to Reserve for Possible Loan Losses	**613,741**	522,358	214,377	**5,091,174**
Written-off Claims	**77,434**	11,885	11,904	**642,339**
Losses on Sales of Loans	**63,232**	50,583	36,721	**524,529**
Investment Securities Gains, Net	**(381,555)**	(368,774)	(99,142)	**(3,165,108)**
Deferred Tax Assets / Liabilities	**(94,093)**	(114,695)	25,049	**(780,537)**
Minority Interests in Net Income	**8,321**	169	1,137	**69,028**
Net Change in Trading Account Securities (Note 1 (d))	**—**	—	(405,525)	**—**
Net Change in Trading Assets / Liabilities (Note 1 (d))	**478,871**	(235,839)	—	**3,972,395**
Net Change in Accruals and Others, Net	**325,261**	676,418	(1,143,386)	**2,698,165**
Net Cash Provided by (Used in) Operating Activities	**917,224**	347,847	(1,337,766)	**7,608,660**
Cash Flows from Investing Activities:				
Net Change in Call Loans	**934,147**	(799,877)	(1,454,534)	**7,749,042**
Net Change in Commercial Paper and Other Debt Purchased	**(118,517)**	(9,339)	17,846	**(983,136)**
Net Change in Money Held in Trust	**116,816**	503,770	(199,945)	**969,025**
Net Change in Loans and Bills Discounted	**(509,492)**	1,275,023	(1,435,402)	**(4,226,396)**
Proceeds from Sales of Investment Securities	**3,542,258**	1,123,981	783,468	**29,384,139**
Proceeds from Maturities of Investment Securities	**94,317**	72,073	75,843	**782,389**
Purchase of Investment Securities	**(3,276,090)**	(3,527,041)	(815,150)	**(27,176,192)**
Purchase of Premises and Equipment, Net	**1,783**	(9,833)	(29,500)	**14,791**
Others, Net	**75,966**	62,582	(87,719)	**630,162**
Net Cash Provided by (Used in) Investing Activities	**861,188**	(1,308,661)	(3,145,092)	**7,143,824**
Cash Flows from Financing Activities:				
Net Change in Deposits	**(1,937,230)**	(817,758)	1,910,542	**(16,069,929)**
Net Change in Call Money	**605,505**	848,126	867,884	**5,022,854**
Net Change in Borrowed Money, Other than Subordinated Borrowed Money	**(368,827)**	418,203	92,065	**(3,059,535)**
Net Change in Subordinated Borrowed Money	**(140,000)**	—	10,000	**(1,161,344)**
Proceeds from Issuance of Debentures	**9,465,519**	10,392,563	13,796,654	**78,519,444**
Repayment of Debentures	**(9,769,629)**	(11,776,972)	(13,112,910)	**(81,042,132)**
Proceeds from Issuance of Common Stock	**67,000**	—	226,120	**555,786**
Proceeds from Issuance of Preferred Stock	**350,000**	—	—	**2,903,360**
Issuance of Preferred Shares by Consolidated Subsidiaries	**176,000**	131,847	—	**1,459,975**
Dividends Paid	**(19,681)**	(21,586)	(19,987)	**(163,266)**
Others, Net	**40,446**	1,775	(4,047)	**335,525**
Net Cash Provided by (Used in) Financing Activities	**(1,530,896)**	(823,801)	3,766,320	**(12,699,262)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**6,190**	19,662	46,956	**51,348**
Net Change in Cash and Cash Equivalents	**253,707**	(1,764,954)	(669,582)	**2,104,570**
Cash and Cash Equivalents at the Beginning of Year	**553,203**	2,318,157	2,987,739	**4,589,009**
Cash and Cash Equivalents at the End of Year	**¥ 806,910**	¥ 553,203	¥ 2,318,157	**$ 6,693,579**

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.
** Fiscal 1998, 1997 and 1996 represent the fiscal years ended March 31, 1999, 1998 and 1997, respectively.*

1. Basis of Presentation and Summary of Significant Accounting Policies

The Industrial Bank of Japan, Limited ("IBJ") is a long-term credit bank under the Long-Term Credit Bank Law in Japan, providing global financial services together with its subsidiaries ("IBJ Group") . The subsidiaries of IBJ includes IBJ Securities Co., Ltd. (a domestic corporation) , IBJ Trust and Banking Co., Ltd. (a domestic corporation), The Industrial Bank of Japan Trust Company (a U.S. corporation), IBJ Whitehall Bank & Trust Company (a U.S. corporation, formerly IBJ Schroder Bank & Trust Company), Aubrey G. Lanston & Co. Inc. and IBJ International plc (a U.K. corporation).

(a) Basis of Presentation: The accompanying consolidated financial statements have been prepared from the accounts maintained by IBJ and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, such as the Accounting Standards for Banks as prescribed by the Japanese Bankers Association (the "Accounting Standards for Banks"), which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Finance (the "MOF") in Japan are reclassified for the convenience of readers outside Japan. In addition, the Consolidated Statements of Shareholders' Equity and the Consolidated Statements of Cash Flows are prepared and included in consolidated financial statements, though they are not required to be filed with the MOF. In place of the Consolidated Statements of Shareholders' Equity, the Consolidated Statements of Retained Earnings are filed with the MOF, the information of which are all included in the Consolidated Statements of Shareholders' Equity.

The amounts indicated in millions of yen are rounded down by truncating the figures below one million. Totals may not add up exactly because of such truncation.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.55 = US$1.00, the rate of exchange on March 31, 1999, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

(b) Principles of Consolidation: The consolidated financial statements include the accounts of IBJ and its subsidiaries. The number of the consolidated subsidiaries for fiscal 1998, 1997 and 1996 was 67, 42 and 36, respectively.

Investments in affiliates, except for those immaterial to the consolidated financial statements which are carried at cost, are accounted for under the equity method. The number of the affiliates being accounted for under the equity method was 14 for fiscal 1998. No affiliate was accounted for under the equity method for fiscal 1997 and 1996. These investments are included in Investment Securities, and the net loss from these investments is included in Other Expense.

In fiscal 1998, in determining subsidiaries and affiliates, IBJ has adopted "Implementation Guideline on Revised Definition of Subsidiaries and Affiliates under Reporting System of Consolidated Financial Statements" issued by the Business Accounting Deliberation Council in Japan in October 30, 1998 . Under this new guideline, companies controlled by IBJ are accounted for as subsidiaries regardless of the ownership percentage by IBJ, and companies influenced by IBJ in material degree on their financial and operating or business policies through investment, personnel, finance, technology, trading or other relationship, are accounted for as affiliates regardless of the ownership percentage by IBJ. Before fiscal 1997, IBJ determined subsidiaries and affiliates only by ownership.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary is allocated to the applicable accounts, where identifiable, and the remaining portion is charged or credited to income, as the case may be, in the year in which it occurs.

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

The majority of domestic subsidiaries are consolidated based on the fiscal years ended March 31, and the majority of foreign subsidiaries are consolidated based on the fiscal years ended December 31.

(c) Cash Flows: For the purpose of the Consolidated Statements of Cash Flows, Cash and Cash Equivalents consists of Cash and Due from Banks on the Consolidated Balance Sheets.

(d) Trading Assets and Liabilities: From fiscal 1997, trading transactions intended to take advantage of short-term fluctuations and arbitrage in interest rates, currency exchange rates, market prices of securities and related indices are recognized on the transaction date basis and recorded in Trading Assets or Trading Liabilities on the Consolidated Balance Sheets.

Securities and other short-term credit instruments held for trading purposes are stated at fair value at the balance sheet date. Derivative financial products such as swaps, forward contracts and option transactions are stated at their hypothetical termination values, assuming that such transactions were terminated and settled at the balance sheet date.

Trading Income and Trading Expense are recorded as interest income or expense actually paid or received plus:

Marketable securities and commercial paper

The difference in valuation gains or losses between the beginning balance and the ending balance; or

Derivative financial products

The difference in hypothetical settlement gains or losses between the beginning balance and the ending balance

In fiscal 1997, IBJ modified the format for its consolidated financial statements in accordance with the revision of the Enforcement Regulation of the Long-Term Credit Bank Law.

The format for the Consolidated Statements of Income for fiscal 1998 and 1997 was modified as follows:

(1) “Trading Income” and “Trading Expense” included the following income or expense from Trading Securities:

(i) Gains or losses on sales and losses on devaluation of Trading Securities, previously included in “Other Operating Income” or “Other Operating Expense”

(ii) Interest and dividends received from Trading Securities, previously included in “Interest and Dividends on Securities”

(iii) Interest expense on Trading Securities, previously included in “Interest Expense on Others”

(iv) Exchange taxes on transacting Trading Securities, previously included in “General and Administrative Expenses”

(v) Commission income from underwriting agreements, previously included in “Fees and Commissions”

(2) "Trading Income" and "Trading Expense" included the following income or expense from Securities held to hedge Trading Transactions:

(i) Gains or losses on sales, redemption or devaluation of bonds held to hedge trading transactions, previously included in "Other Operating Income" or "Other Operating Expense"

(ii) Interest and dividends received from bonds held to hedge trading transactions, previously included in "Other Operating Income" or "Other Operating Expense"

(iii) Exchange taxes on transacting Securities Held to Hedge trading transactions, previously included in "General and Administrative Expenses"

(3) "Trading Income" and "Trading Expense" included the following income or expense from derivative financial products for trading transactions:

(i) Interest income, interest expense or valuation gains or losses from derivative financial products for trading transactions, previously included in "Interest Income on Others" and "Interest Expense on Others"

(ii) Exchange taxes on transacting derivative financial products for trading transactions, previously included in "General and Administrative Expenses"

(4) "Trading Income" and "Trading Expense" included the following income or expense from other trading transactions:

(i) Interest income, interest expense or valuation gains or losses on certificates of deposit and commercial paper held for trading transactions, previously included in "Interest Income on Others" or "Interest Expense on Others".

Establishing trading accounts in accordance with the Bank Law, Article 17-2, referred by the Long-Term Credit Bank Law, Article 17, had the following effect on the Consolidated Statements of Income for fiscal 1997:

Net decrease in Total Income:		¥97,372 million
Decrease in Interest Income	¥121,926 million	
Increase in Trading Income	¥ 24,553 million	
Net decrease in Total Expense:		¥115,525 million
Decrease in Interest Expense	¥117,194 million	
Increase in Trading Expense	¥ 1,669 million	
Decrease in Loss before Income Taxes and Others		¥18,152 million

Some elements in Trading Income and Trading Expense were offset in the presentation of the Consolidated Statements of Income.

The consolidated subsidiaries record trading transactions and other similar transactions in the same manner as IBJ.

Financial Section

(e) Investment Securities: Effective March 31, 1999, Investment Securities are stated at cost, cost being determined by the moving-average method. As of and prior to March 31, 1998, corporate bonds, stocks and shares and other securities listed on stock exchanges were stated at the lower of cost or market, and Japanese national and local government bonds were stated at cost, cost being determined by the moving-average method. As a result of this change, Other Expense and Loss before Income Taxes and Others decreased by ¥190,464 million for fiscal 1998.

Corporate bonds, stocks and shares and other listed securities in Money Held in Trust for short-term investments in designated securities are stated at the lower of cost or market: cost being determined by the moving-average method. Non-listed securities in Money Held in Trust are stated at cost, cost being determined by the moving-average method.

Investment Securities held by the consolidated subsidiaries are principally valued at cost as determined by the specific identification method.

(f) Translation of Foreign Currencies: (1) Assets and liabilities denominated in foreign currencies as well as assets and liabilities of foreign branches are translated into yen primarily using the exchange rates in effect at the balance sheet date. Certain assets and liabilities denominated in foreign currencies, including certain investments in foreign companies, are valued at historical exchange rates prevailing at the transaction dates if funded in Japanese yen.

Forward foreign contracts except for those relating to funding transactions are valued at the forward rates prevailing at the balance sheet date for the remaining maturity of the contract. Gains and losses on these forward foreign exchange contracts are recognized in Other Operating Income in the Consolidated Statements of Income. Premiums or discounts on spot and forward exchange swaps related to funding transactions are recognized as part of interest income or expense over the life of the contract.

(2) Foreign currency accounts of the consolidated overseas subsidiaries are translated into their home currencies at the respective exchange rates in effect at the balance sheet date.

The financial statements of the consolidated overseas subsidiaries are translated into yen at the exchange rates in effect at the balance sheet date, except for accounts in shareholders' equity which are translated at the historical rates. Translation differences resulting from the changes in the exchange rates from year to year are accumulated in Other Assets in the Consolidated Balance Sheets.

(g) Premises and Equipment: Premises and Equipment is stated at cost less accumulated depreciation. In accordance with the Accounting Standards for Banks, depreciation of IBJ is computed as follows:

Buildings: Depreciation of buildings, excluding building equipment and structures, acquired on or after April 1, 1998, is computed using the straight-line method in accordance with the Japanese Tax Law and the Japanese Tax Law Enforcement Regulation Article 48-1 as amended. For other buildings, the declining-balance method is used at rates prescribed under the Japanese Tax Law. This change of method in accordance with the Japanese Tax Law Enforcement Regulation as amended resulted in a decrease in Loss before Income Taxes and Others by ¥6 million for fiscal 1998. The Japanese Tax Law was also amended in fiscal 1998 to shorten depreciation periods for buildings. This change in line with the amendment resulted in an increase in Loss before Income Taxes and Others by ¥202 million for fiscal 1998.

Equipment: Depreciation of equipment is computed using the declining-balance method, based on rates prescribed under the Japanese Tax Law.

Other premises and equipment: Depreciation of other premises and equipment is computed in accordance with methods prescribed under the Japanese Tax Law.

Until fiscal 1996, depreciation expenses for buildings was calculated under the declining-balance method at 160% of rates under the Japanese Tax Law. IBJ changed the depreciation rates for buildings in fiscal 1997 reflecting the revision in the Accounting Standards for Banks. This change resulted in a decrease in Loss before Income Taxes and Others by ¥2,306 million.

Premises and Equipment of the consolidated subsidiaries are depreciated principally by the straight-line method over the estimated useful lives.

(h) Deferred Debenture Charges: Deferred Debenture Charges represents discounts and issuance costs of debentures which have been deferred and amortized over the term of the debenture using the straight-line method. The costs of issuing new stocks are expensed as incurred.

(i) Reserve for Possible Loan Losses: Reserve for Possible Loan Losses of IBJ at March 31, 1999 and 1998 is maintained in accordance with the Standards for Write-offs and Provisions which were internally established in conformity with the Accounting Standards for Banks.

—For credits extended to borrowers who are in legal or de facto bankruptcy, reserves are maintained for 100% of the said credits less amounts recoverable from collateral and guarantees.

—For credits extended to borrowers who are likely to become legally insolvent, reserves are maintained for the amount deemed necessary based on overall solvency analyses less amounts recoverable from collateral and guarantees.

—For credits extended to other borrowers, reserves are maintained at rates formulated from historical credit loss experiences.

—Reserves for credits extended to specific foreign borrowers are maintained in order to cover possible losses based on analyses of political and economic climates of the countries.

All credits are assessed by each credit origination department, and a result of the assessments is verified and audited by an independent examination department. Reserve for Possible Loan Losses is provided on the basis of such audited assessments.

Reserve for Possible Loan Losses of IBJ at March 31, 1997 consisted of: (i) a general provision calculated by multiplying the outstanding amount of loans by a rate (current 0.3%) specified in the Accounting Standard for Banks; (ii) a further provision based on the consideration of the possibility of specific loan losses; and (iii) a provision to cover potential losses from loans to certain restructuring countries in accordance with the Accounting Standard for Banks.

Reserve for Possible Loan Losses of the consolidated subsidiaries is provided at the amount considered necessary based on the management's risk assessment of the loan portfolio.

(j) Reserve for Contingent Losses relating to Loans Sold: Reserve for Contingent Losses relating to Loans Sold is maintained to cover contingent losses on loans sold to the Cooperative Credit Purchasing Company, Limited, taking into account the value of collateral pledged. This reserve is provided in accordance with Article 287-2 of the Code.

(k) Reserve for Retirement Allowances and Pension Plan: In accordance with the Accounting Standards for Banks, Reserve for Retirement Allowances of IBJ is provided for payments to employees based on the amount that would have been required assuming the voluntary retirement of all employees on the date of the balance sheet. In addition, IBJ has a non-contributory funded pension plan for eligible employees. IBJ's policy for the plan is to fund and charge to income normal costs as accrued on the basis of an actuarial method accepted in Japan.

The consolidated subsidiaries principally have funded pension plans for their employees.

(l) Income Taxes: Accounting for allocation of income taxes, which is corporate income tax, inhabitant tax and enterprise tax, is adopted. The asset and liability method is applied to provide income taxes on all transactions recorded in the consolidated financial statements. Deferred Tax Assets and Deferred Tax Liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates which will be in effect when the differences are expected to reverse. The aggregate tax rates were approximately 42.3% for fiscal 1998, 47.9% for fiscal 1997 and 51.6% for fiscal 1996.

(m) Lease Transactions: Accounting principles applicable to operating leases are applied for finance leases of IBJ and its domestic subsidiaries that do not involve transferring of ownership to the lessees at the end of lease terms.

(n) Changes in Presentation: Due to the change of the Rules for the Consolidated Financial Statements, effective March 31, 1999, IBJ has changed the format of consolidated financial statements as follows:

(1) Legal Reserve is included in Retained Earnings in the Consolidated Balance Sheets and the Consolidated Statements of Shareholders' Equity. The amounts at March 31, 1998 and prior have been reclassified to conform to the presentation at March 31, 1999.

(2) Minority Interests in Consolidated Subsidiaries is presented after Liabilities and before Shareholders' Equity in the Consolidated Balance Sheets. It was included in Liabilities at March 31, 1998.

(3) Enterprise Taxes is included in Income Taxes Expense (Benefit). It was previously included in Other Expense in the Consolidated Statements of Income for fiscal 1997 and 1996.

(4) Amortization of Consolidation Difference is included in General and Administration Expenses. It was presented as the item of increase/decrease of Income (Loss) before Income Taxes and Others in the Consolidated Statements of Income for fiscal 1997 and 1996.

2. Cash and Due from Banks

Cash and Due from Banks included certificates of deposit outstanding.

3. Trading Assets and Liabilities

Trading Assets and Liabilities at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Trading Assets:			
Trading Securities	**¥1,635,269**	¥1,620,929	**$13,565,074**
Derivatives for Trading Securities	**112,762**	34	**935,400**
Securities Held to Hedge Trading Transactions	**23,193**	40,213	**192,395**
Derivatives for Securities Held to Hedge Trading Transactions	**143**	64	**1,192**
Derivatives for Trading Transactions	**1,443,051**	1,637,121	**11,970,563**
Other Trading Assets	**514,585**	167,892	**4,268,644**
Total	**¥3,729,005**	¥3,466,255	**$30,933,268**
Trading Liabilities:			
Trading Securities Oversold	**¥ 746,636**	¥ 786,972	**$ 6,193,583**
Derivatives for Trading Securities	**689,469**	17	**5,719,365**
Securities Oversold to Hedge Trading Transactions	**24,375**	3,567	**202,205**
Derivatives for Securities Held to Hedge Trading Transactions	**108**	127	**898**
Derivatives for Trading Transactions	**1,394,360**	1,496,275	**11,566,658**
Total	**¥2,854,950**	¥2,286,959	**$23,682,709**

4. Investment Securities

Investment Securities at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Japanese National Government Bonds	**¥3,321,912**	¥3,513,430	**$27,556,306**
Japanese Local Government Bonds	**167,675**	131,430	**1,390,920**
Corporate Bonds	**362,710**	348,382	**3,008,799**
Stocks and Shares (1)	**2,661,519**	2,428,820	**22,078,137**
Others (2)	**2,428,333**	2,425,185	**20,143,783**
Total	**¥8,942,151**	¥8,847,249	**$74,177,945**

(1) Stocks and Shares included investments in affiliates of ¥8,416 million at March 31, 1999 and investments in unconsolidated subsidiaries and affiliates of ¥6,363 million at March 31, 1998.

(2) Others included investments in affiliates of ¥1,577 million and ¥486 million at March 31, 1999 and 1998, respectively.

5. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Bills Discounted	**¥ 133,341**	¥ 166,932	**$ 1,106,106**
Loans on Notes	**4,528,129**	4,673,142	**37,562,251**
Loans on Deeds	**15,769,648**	16,868,577	**130,814,177**
Overdrafts	**2,896,787**	2,292,776	**24,029,761**
Total	**¥23,327,907**	¥24,001,429	**$193,512,295**

Loans and Bills Discounted at March 31, 1999 included the following:

	(in millions of yen)	(in thousands of U.S. dollars)
	March 31, 1999	**March 31, 1999**
Bankruptcy Loans (1)	**¥ 147,785**	**$ 1,225,923**
Nonaccrual Loans (2)	**1,307,274**	**10,844,253**
Accruing Loans Past Due 3 Months or More	**8,944**	**74,194**
Restructured Loans (3)	**554,669**	**4,601,158**
Total	**¥2,018,673**	**$16,745,527**

(1) Bankruptcy Loans represent nonaccrual loans to borrowers who are legally bankrupt as defined in Article 96-1-3 and 4 of the Japanese Tax Law Enforcement Regulation (Article 97 of 1965 Cabinet Order).

(2) Nonaccrual Loans represent nonaccrual loans other than (i) Bankruptcy Loans and (ii) loans of which payments of interest are deferred in order to assist or facilitate the restructuring of borrowers in financial difficulties.

(3) Restructured Loans represent loans on which contracts were amended in favor of borrowers (e.g., the reduction of or exemption from stated interest, the deferral of interest payments, the extension of maturity dates, the renunciation of claims) in order to assist or facilitate the restructuring of borrowers in financial difficulties.

6. Foreign Exchange Assets and Liabilities

Foreign Exchange Assets and Liabilities at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Foreign Exchange Assets:			
Foreign Bills Bought	**¥124,974**	¥167,250	**$1,036,702**
Foreign Bills Receivable	**77,171**	138,264	**640,164**
Advance to Foreign Banks	**33,292**	10,789	**276,173**
Due from Banks (Foreign)	**55,147**	57,287	**457,463**
Total	**¥290,585**	¥373,592	**$2,410,502**
Foreign Exchange Liabilities:			
Foreign Bills Sold	**¥ 10**	¥ 5	**$ 85**
Foreign Bills Payable	**1,253**	791	**10,401**
Advance from Foreign Banks	**4,564**	1,821	**37,861**
Due to Banks (Foreign)	**17,570**	10,334	**145,755**
Total	**¥ 23,399**	¥ 12,953	**$ 194,102**

7. Other Assets

Other Assets at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Accrued Income	**¥ 422,080**	¥ 577,388	**$ 3,501,288**
Prepaid Expense	**9,509**	10,578	**78,887**
Cash Placed as Collateral on Securities Borrowed	**1,326,515**	2,205,802	**11,003,866**
Securities in Custody and Other (1)	**1,347,016**	2,111,931	**11,173,922**
Others (2)	**818,112**	627,785	**6,786,503**
Total	**¥3,923,235**	¥5,533,487	**$32,544,465**

(1) Securities in Custody and Other represents securities borrowed from financial institutions under contracts which allow IBJ to use these securities for the settlement of securities sold and securities deposited by customers as collateral for margin.

(2) Others at March 31, 1999 and 1998 included provisional tax payments of ¥222,682 million. IBJ made these payments upon receipt of the Correction Notice from the Tokyo Regional Taxation Bureau on August 23, 1996 in connection with the write-off of credits due from Japan Housing Loan, Inc., amounting to ¥376,055 million recorded in fiscal 1996. IBJ disputed the rationale for the proposed correction and filed an application seeking to void the proposed correction to the National Tax Tribunal for administrative review, which was dismissed on October 28, 1997. IBJ filed a lawsuit at Tokyo District Court on October 30, 1997.

8. Premises and Equipment

Premises and Equipment at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Land	**¥212,167**	¥206,077	**$1,759,992**
Buildings	**131,183**	114,811	**1,088,206**
Equipment	**50,178**	53,999	**416,247**
Others	**42,484**	34,634	**352,419**
Subtotal	**436,012**	409,521	**3,616,864**
Less: Accumulated Depreciation	**122,286**	113,759	**1,914,404**
Total	**¥313,726**	¥295,762	**$2,602,460**

In accordance with the Land Revaluation Law, land used for business operations of IBJ was revalued as follows:

Date of revaluation: March 31, 1998

Method of revaluation set forth in Article 3-3 of the above law:

In accordance with Article 119 of 1998 Cabinet Order - Article 2-4 of the Enforcement Ordinance relating to the Land Revaluation Law, revaluation is performed by the method of calculating land value for a taxable basis of Land Value Tax amounts along with reasonable adjustments, such as shape of land and accessibility. This method is established and published by the Director General of National Tax Administration.

The difference between total fair value of land used in business at the year-end and the total book value after revaluation of said land used in business in accordance with Article 10 of the above law: ¥3,148 million

At March 31, 1998, the entire excess on revaluation was presented as Surplus from Land Revaluation included in Liabilities. At March 31, 1999, due to the revision of the above law on March 31, 1999, the taxable portion of the excess on revaluation is presented as Deferred Tax Liabilities Related to Land Revaluation which is included in Liabilities, and the remainder, net of income taxes portion of the excess on revaluation, is presented as Surplus from Land Revaluation which is included in Shareholders' Equity. As a result of this change, Total Liabilities decreased by ¥98,920 million and Total Shareholders' Equity increased by ¥98,920 million.

9. Deferred Debenture Charges

Deferred Debenture Charges at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Deferred Discounts of Debentures	**¥13,191**	¥13,920	**$109,431**
Deferred Debenture Issuance Costs	**2,863**	2,074	**23,754**
Total	**¥16,055**	¥15,994	**$133,185**

10. Deferred Tax Assets and Liabilities

The components of Deferred Tax Assets and Liabilities at March 31, 1999 were as follows:

	(in millions of yen)	(in thousands of U.S. dollars
	March 31, 1999	**March 31, 1999**
Deferred Tax Assets:		
Reserve for Possible Loan Losses	**¥246,077**	**$2,041,288**
Net Loss Carryforwards	**55,506**	**460,441**
Investments in Subsidiaries and Affiliates	**31,221**	**258,991**
Reserve for Losses on Sales of Loans relating to Loans Sold	**20,365**	**168,934**
Reserve for Retirement Allowances	**15,531**	**128,838**
Investments in Stocks and Others	**11,308**	**93,804**
Others	**20,189**	**167,478**
Total	**¥400,198**	**$3,319,774**
Deferred Tax Liabilities:		
Depreciation and Others	**¥ 7,245**	**$ 60,101**

The disclosure of the above components was not required at March 31, 1998.

11. Debentures

Debentures at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
One-Year Discount Debentures (1)	**¥ 5,799,005**	¥ 6,467,524	**$ 48,104,567**
Long-Term Coupon Debentures (1)	**13,684,919**	13,617,861	**113,520,689**
Others (Principally Overseas) (2)	**977,940**	755,555	**8,112,327**
Total	**¥20,461,865**	¥20,840,941	**$169,737,583**

(1) One-Year Discount Debentures and Long-Term Coupon Debentures are principally yen-denominated and issued in Japan by IBJ on a regular and continuing basis.

(2) Others included subordinated debentures of ¥692,973 million and ¥383,598 million at March 31, 1999 and 1998, respectively.

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12. Deposits

Deposits at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Current Deposits	**¥ 359,531**	¥ 401,769	**$ 2,982,427**
Ordinary Deposits	**680,482**	599,307	**5,644,816**
Deposits at Notice	**287,710**	247,158	**2,386,649**
Time Deposits	**2,711,244**	3,749,662	**22,490,620**
Certificates of Deposit	**2,545,055**	3,408,696	**21,112,035**
Other Deposits	**1,532,297**	1,646,957	**12,710,885**
Total	**¥8,116,321**	¥10,053,551	**$67,327,432**

13. Borrowed Money

Borrowed Money included subordinated debt of ¥752,000 million and ¥892,000 million at March 31, 1999 and 1998, respectively.

14. Other Liabilities

Other Liabilities at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Accrued Expense	**¥ 404,644**	¥ 501,332	**$ 3,356,656**
Unearned Income	**27,131**	32,391	**225,063**
Income Taxes Payable	**16,856**	15,433	**139,829**
Cash Received as Collateral on Securities Lent	**831,214**	1,147,884	**6,895,186**
Securities Borrowed	**1,313,737**	561,600	**10,897,861**
Others	**1,216,818**	3,066,898	**10,093,891**
Total	**¥3,810,402**	¥5,325,539	**$31,608,486**

15. Reserve for Possible Loan Losses

Reserve for Possible Loan Losses at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
General Reserve for Possible Loan Losses	**¥ 189,120**	¥116,498	**$1,568,814**
Specific Reserve for Possible Loan Losses	**870,008**	802,884	**7,216,990**
Reserve for Loans to Restructuring Countries	**7,586**	2,853	**62,928**
Total	**¥1,066,714**	¥922,235	**$8,848,732**

16. Other Reserves

Other Reserves at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Reserve for Losses on Sales of Trading Account Securities	**¥—**	¥450	**$ —**
Reserve for Contingent Liabilities from Futures Transactions	**13**	12	**108**
Reserve for Contingent Liabilities from Securities Transactions	**16**	16	**136**
Total	**¥29**	¥478	**$244**

17. Minority Interests in Consolidated Subsidiaries

Minority Interests in Consolidated Subsidiaries included preferred stocks issued by the IBJ subsidiaries of ¥291,700 million and ¥132,100 million at March 31, 1999 and 1998, respectively. These stocks are preferred as to distribution at liquidation of the issuing subsidiaries.

18. Acceptances and Guarantees

All commitments and contingent liabilities of a material nature resulting from guarantees or otherwise are included in the contra-accounts “Acceptances and Guarantees” and “Customers’ Liabilities for Acceptances and Guarantees”.

Outstanding commitments and contingent liabilities at March 31, 1999 and 1998 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Acceptances	**¥ 3,670**	¥ 11,859	**$ 30,446**
Letters of Credit	**75,205**	161,901	**623,857**
Guarantees	**1,437,726**	1,850,577	**11,926,389**
Total	**¥1,516,602**	¥2,024,337	**$12,580,692**

19. Preferred Stock

In connection with the Financial Function Early Strengthening Law, IBJ issued 140,000,000 shares of Series II (1) Preferred Stock and 140,000,000 shares of Series II (2) Preferred Stock to the Resolution and Collection Bank at March 31, 1999.

The Series II (1) Preferred Stock has no par value, is entitled to a non-cumulative annual dividend of ¥17.50, has a liquidation preference of ¥1,250, and is convertible to common stock from September 1, 2003 to August 31, 2009, at which time all remaining shares will be converted to common stock.

The Series II (2) Preferred Stock has no par value, is entitled to a non-cumulative annual dividend of ¥5.80, has a liquidation preference of ¥1,250, and is convertible to common stock from July 1, 2003 to August 31, 2009, at which time all remaining shares will be converted to common stock.

The number of authorized, issued and outstanding shares of Preferred Stock at March 31, 1999 was as follows:

	(shares)
	March 31, 1999
Authorized Shares:	
Preferred Stock, Series I	**200,000,000**
Preferred Stock, Series II	**400,000,000**
Issued and Outstanding Shares:	
Preferred Stock, Series I	**—**
Preferred Stock, Series II	**280,000,000**

(1) Cash dividend per Series II (1) Preferred Stock for Fiscal 1998 was ¥0.05.

(2) Cash dividend per Series II (2) Preferred Stock for Fiscal 1998 was ¥0.02.

20. Common Stock

In connection with the mutual business corporation agreement, IBJ issued 100,000,000 shares of Common Stock to Dai-Ichi Mutual Life Insurance Company at ¥670 per share at December 25, 1998.

The number of authorized, issued and outstanding shares of Common Stock at March 31, 1999 and 1998 was as follows:

		(shares)
	March 31, 1999	March 31, 1998
Authorized Shares	6,000,000,000	4,000,000,000
Issued and Outstanding Shares	2,639,579,392	2,539,579,392

21. Retained Earnings

Retained Earnings includes the legal reserve. In accordance with the Long-Term Credit Banking Law, IBJ is required to appropriate as the legal reserve an amount equivalent to at least 20% of the amount of cash disbursements until such reserve equals 100% of its common stock.

The legal reserve is not available for dividends but may be used to reduce a deficit by approval at the shareholders' meeting or may be capitalized by resolution of the Board of Directors.

The legal reserve, totaling ¥80,369 million and ¥76,431 million at March 31, 1999 and 1998, respectively, is included in Retained Earnings.

22. Interest Income and Expense

Interest Income and Expense for fiscal 1998, 1997 and 1996 consisted of the following:

			(in millions of yen)	(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Interest Income:				
Interest on Loans and Discounts	**¥ 700,371**	¥ 859,112	¥ 901,477	**$ 5,809,799**
Interest and Dividends on Securities	**279,617**	243,380	212,443	**2,319,513**
Interest on Call Loans and Bills Purchased	**260,098**	186,133	143,223	**2,157,602**
Interest on Due from Banks	**40,539**	79,123	130,939	**336,285**
Interest on Interest Swap	**617,258**	814,933	1,079,398	**5,120,348**
Others	**76,790**	123,316	50,594	**636,998**
Total	**¥1,974,674**	¥2,305,998	¥2,518,077	**$16,380,545**
Interest Expense:				
Interest on Debentures	**¥ 309,620**	¥ 374,840	¥ 430,254	**$ 2,568,401**
Interest on Deposits	**244,686**	352,186	382,598	**2,029,748**
Interest on Borrowed Money	**51,506**	53,153	67,195	**427,259**
Interest on Commercial Paper	**91**	—	—	**762**
Interest on Call Money and Bills Sold	**356,006**	268,435	175,944	**2,953,189**
Interest on Interest Swap	**592,524**	800,983	991,052	**4,915,178**
Others	**91,317**	131,409	95,269	**757,505**
Total	**¥1,645,753**	¥1,981,009	¥2,142,314	**$13,652,042**
Net	**¥ 328,920**	¥ 324,989	¥ 375,762	**$ 2,728,503**

23. Trading Income and Expense

Trading Income and Expense for fiscal 1998 and 1997 consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	**Fiscal 1998**
Trading Income:			
Net Gains on Trading Securities and Derivatives	**¥22,995**	¥8,630	**$190,753**
Net Gains on Securities Held to Hedge Trading Transactions	**5,280**	—	**43,800**
Net Gains on Derivatives for Trading Transactions	**21,669**	—	**179,757**
Other Trading Income	**3,991**	837	**33,100**
Total	**¥53,936**	¥9,467	**$447,420**
Trading Expense:			
Net Losses on Securities Held to Hedge Trading Transactions	**¥ —**	¥ 401	**$ —**
Other Trading Expense	**—**	8,051	**—**
Total	**¥ —**	¥8,452	**$ —**
Net	**¥53,936**	¥1,014	**$477,420**

24. Other Operating Income

Other Operating Income for fiscal 1998, 1997 and 1996 consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Gains on Foreign Exchange Transactions	**¥ 17,127**	¥ 12,066	¥ 16,731	**$ 142,076**
Gains on Trading Account Securities Transactions	**—**	—	19,918	**—**
Gains on Sales of Bonds	**817,294**	444,595	503,017	**6,779,715**
Gains on Redemption of Bonds	**10,635**	11,372	6,317	**88,221**
Others	**8,993**	5,400	18,013	**74,602**
Total	**¥854,050**	¥473,434	¥563,997	**$7,084,614**

25. Other Income

Other Income for fiscal 1998, 1997 and 1996 consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Gains on Sales of Stocks and Other Securities	**¥383,365**	¥373,162	¥212,482	**$3,180,137**
Gains on Money Held in Trust	**201**	8,751	17,089	**1,673**
Gains on Sales of Premises and Equipment	**7,506**	5,418	508	**62,272**
Others	**15,069**	10,606	15,916	**125,006**
Total	**¥406,143**	¥397,938	¥245,997	**$3,369,088**

26. Other Operating Expense

Other Operating Expense for fiscal 1998, 1997 and 1996 consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Amortization of Debenture Issuance Costs	**¥ 5,132**	¥ 6,849	¥ 9,450	**$ 42,572**
Losses on Sales of Bonds	**768,513**	418,194	508,168	**6,375,060**
Losses on Redemption of Bonds	**9,144**	2,234	2,664	**75,853**
Losses on Devaluation of Bonds	**69**	2,058	2,563	**580**
Others	**11,908**	2,577	16,814	**98,785**
Total	**¥794,768**	¥431,913	¥539,661	**$6,592,850**

27. Other Expense

Other Expense for fiscal 1998, 1997 and 1996 consisted of the following:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Transfer to Reserve for Possible Loan Losses	**¥613,741**	¥522,358	¥214,379	**$5,091,182**
Written-off Claims	**140,667**	62,468	11,904	**1,166,881**
Losses on Sales of Stocks and Other Securities	**35,356**	35,297	5,158	**293,291**
Losses on Devaluation of Stocks and Other Securities	**12,416**	267,247	104,118	**103,002**
Losses on Money Held in Trust	**300**	1,187	1,167	**2,492**
Enterprise Taxes (1)	**—**	(34,416)	7,018	**—**
Losses on Disposal of Premises and Equipment	**1,016**	1,585	2,004	**8,431**
Others (2)	**134,796**	85,768	56,793	**1,118,180**
Total	**¥938,295**	¥941,497	¥402,544	**$7,783,459**

(1) Enterprise Taxes for fiscal 1998 were included in Income Taxes Expense (Benefit) in the Consolidated Statements of Income. Enterprise Taxes for fiscal 1997 had credit balances due to recognition of deferred income taxes.

(2) Others included the following IBJ losses:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Losses on Sales of Loans to CCPC	**¥ 2,158**	¥21,701	¥10,190	**$ 17,909**
Transfer to Reserve for Contingent Losses relating to Loans Sold	**44,026**	15,805	11,115	**365,216**
Other Losses on Sales of Loans	**60,471**	28,882	26,216	**501,634**

28. Income Taxes Expense (Benefit)

From fiscal 1998, the reconciliation of the difference between the statutory tax rate and effective tax rate was prepared under the new disclosure requirement as follows:

	Fiscal 1998
Statutory Tax Rate	47.9%
Influence of the Change of Tax Rate (1)	(16.3%)
Others	0.9%
Effective Tax Rate	32.5%

(1) Adjustments due to the change of tax rate resulted in the decrease of Deferred Tax Assets of ¥27,652 million at March 31, 1999.

Financial Section

29. Net Income (Loss) and Cash Dividends per Common Stock

Net Income (Loss) per common stock is computed by dividing net income (loss) applicable to common stock by weighted average number of common stock outstanding during each year. Cash dividends per common stock shown for each year in the Consolidated Statements of Income represent dividends declared as applicable to the respective periods.

Net Income (Loss) per Common Stock for fiscal 1998, 1997 and 1996 were computed as follows:

	(in millions of yen except per share, thousands of shares)			(in thousands of U.S. dollars except per share, thousands of shares)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Net Income (Loss)	**¥ (181,276)**	¥ (202,660)	¥ 12,740	**$(1,503,748)**
Less: Preferred Stock Dividends	**9**	—	—	**82**
Net Income (Loss) Applicable to Common Stock	**¥ (181,286)**	¥ (202,660)	¥ 12,740	**$(1,503,830)**
Weighted Average Number of Common Stock Outstanding	**2,566,154**	2,539,572	2,431,309	—
Net Income (Loss) per Common Stock	**¥ (70.64)**	¥ (79.80)	¥ 5.24	**$ (0.586)**

30. Subsequent Events

The following appropriation of Retained Earnings of IBJ was approved at the shareholders' meeting held on June 26, 1999:

	(in millions of yen)	(in thousands of U.S. dollars)
Cash Dividends:		
Series II (1) Preferred Stock	¥ 7	$ 58
Series II (2) Preferred Stock	2	23
Common Stock	9,238	76,636

31. Segment Information

(a) Segment Information by Type of Business: The IBJ Group is engaged in securities, trust, leasing and other activities. Such segment information, however, has not been presented, as the percentages of those activities are insignificant.

(b) Segment Information by Geographic Area: Geographic analyses of the IBJ Group's operations for fiscal 1998 and 1997 are presented based on geographic contiguity, similarities in economic activities, and relation of business operations. For fiscal 1996, overseas operations of the IBJ Group were presented in "Overseas".

Figures relating to the overseas branches of IBJ were included in "Overseas" for fiscal 1996, and were classified by the geographic areas for fiscal 1998 and 1997. The financial data presented are Operating Income and Operating Expense in lieu of sales, cost of sales and operating expense as is the case for a nonfinancial services company.

(in millions of yen)

					Fiscal 1998	**March 31, 1999**
Geographic Area	**Operating Income from Outside Customers**	**Inter-segment Operating Income**	**Operating Income**	**Operating Expense**	**Operating Profit (Loss)**	**Assets**
Japan	**¥2,455,776**	**¥22,670**	**¥2,478,446**	**¥2,690,213**	**¥(211,766)**	**¥35,802,233**
Americas	**528,673**	**3,519**	**532,192**	**508,626**	**23,566**	**6,575,174**
Europe	**270,990**	**20,451**	**291,442**	**297,542**	**(6,099)**	**3,665,924**
Asia / Oceania excluding Japan	**123,154**	**585**	**123,739**	**190,032**	**(66,292)**	**2,387,531**
Total	**3,378,594**	**47,226**	**3,425,821**	**3,686,414**	**(260,592)**	**48,430,862**
Elimination and General Corporate Assets	**—**	**(47,226)**	**(47,226)**	**(44,438)**	**(2,788)**	**(2,264,453)**
Consolidated Results	**¥3,378,594**	**¥ —**	**¥3,378,594**	**¥3,641,975**	**¥(263,381)**	**¥46,166,409**

(in millions of yen)

					Fiscal 1997	March 31, 1998
Geographic Area	Operating Income from Outside Customers	Inter-segment Operating Income	Operating Income	Operating Expense	Operating Profit (Loss)	Assets
Japan	¥2,150,983	¥37,772	¥2,188,755	¥2,488,417	¥(299,661)	¥36,334,490
Americas	512,243	20,278	532,522	514,477	18,045	7,064,997
Europe	337,136	30,609	367,745	403,542	(35,797)	5,367,504
Asia / Oceania excluding Japan	303,890	617	304,507	312,820	(8,313)	2,856,405
Total	3,304,253	89,277	3,393,530	3,719,258	(325,727)	51,623,398
Elimination and General Corporate Assets	—	(89,277)	(89,277)	(85,826)	(3,450)	(2,393,612)
Consolidated Results	¥3,304,253	¥ —	¥3,304,253	¥3,633,431	¥ (329,178)	¥49,229,785

(in millions of yen)

					Fiscal 1996	March 31, 1997
Geographic Area	Operating Income from Outside Customers	Inter-segment Operating Income	Operating Income	Operating Expense	Operating Profit	Assets
Japan	¥ 2,104,761	¥60,446	¥2,165,208	¥2,138,553	¥26,654	¥37,115,320
Overseas	1,297,773	17,829	1,315,602	1,293,269	22,333	11,929,435
Total	3,402,534	78,276	3,480,810	3,431,823	48,987	49,044,755
Elimination and General Corporate Assets	—	(78,276)	(78,276)	(75,989)	(2,287)	(2,077,787)
Consolidated Results	¥3,402,534	¥ —	¥3,402,534	¥3,355,833	¥46,700	¥46,966,968

(in thousands of U.S. dollars)

					Fiscal 1998	**March 31, 1999**
Geographic Area	**Operating Income from Outside Customers**	**Inter-segment Operating Income**	**Operating Income**	**Operating Expense**	**Operating Profit (Loss)**	**Assets**
Japan	**$20,371,433**	**$188,058**	**$20,559,491**	**$22,316,162**	**$(1,756,671)**	**$296,990,735**
Americas	**4,385,514**	**29,191**	**4,414,705**	**4,219,214**	**195,491**	**54,543,131**
Europe	**2,247,950**	**169,654**	**2,417,604**	**2,468,204**	**(50,600)**	**30,409,989**
Asia / Oceania excluding Japan	**1,021,601**	**4,859**	**1,026,460**	**1,576,380**	**(549,920)**	**19,805,319**
Total	**28,026,498**	**391,762**	**28,418,260**	**30,579,960**	**(2,161,700)**	**401,749,174**
Elimination and General Corporate Assets	**—**	**(391,762)**	**(391,762)**	**(368,629)**	**(23,133)**	**(18,784,349)**
Consolidated Results	**$28,026,498**	**$ —**	**$28,026,498**	**$30,211,331**	**$(2,184,833)**	**$382,964,825**

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(1) Operating Income represents Total Income less certain special income. Operating Expense represents Total Expense less certain special expense.

(2) Operating Profit represents Operating Income less Operating Expense.

(3) Americas includes the United States of America and Canada, etc., Europe includes the United Kingdom and Republic of France, etc., and Asia / Oceania excluding Japan includes the People's Republic of China (including Hong Kong) and the Republic of Singapore, etc.

(4) Effects of changes in accounting policies on the segment information are as follows:

(i) The change in valuation method of Investment Securities resulted in a decrease in Operating Expense of ¥189,666 million, ¥54 million, and ¥742 million for "Japan", "Europe" and "Asia / Oceania", respectively.

(ii) The change in depreciation methods and depreciable life for property and equipment resulted in an increase in Operating Expense of ¥189 million, ¥1 million, ¥2 million, and ¥2 million for "Japan", "Americas", "Europe" and "Asia / Oceania", respectively.

(c) Operating Income from International Operations: Operating Income of the IBJ Group from International Operations was analyzed as follows:

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998	Fiscal 1997	Fiscal 1996	**Fiscal 1998**
Operating Income from International Operations (1)	**¥1,429,157**	¥1,555,875	¥1,752,396	**$11,855,308**
Total Operating Income	**3,378,594**	3,304,253	3,402,534	**28,026,498**
International Operations' Ratio (2)	**42.3%**	47.0%	51.5%	

(1) Operating Income from International Operations (Net of inter-company transactions) consists of that of IBJ, consolidated domestic subsidiaries and overseas consolidated subsidiaries.

(2) International Operations' Ratio=Operating Income from International Operations / Total Operating Income.

32. Market Value of Investment Securities

The market value of Investment Securities held by IBJ at March 31, 1999 and 1998 was as follows:

(in millions of yen)

Listed Securities:	**March 31, 1999** Book Value	Market Value	Net Unrealized Gain	Unrealized Gain	Unrealized Loss	March 31, 1998 Book Value	Market Value	Net Unrealized Gain	Unrealized Gain	Unrealized Loss
Bonds	**¥1,585,383**	**¥1,582,444**	**¥(2,939)**	**¥ 12,586**	**¥ 15,525**	¥1,452,837	¥1,525,716	¥ 72,878	¥ 73,324	¥ 446
Stocks	**2,802,767**	**2,822,305**	**19,538**	**201,529**	**181,991**	2,548,056	2,935,618	387,561	387,974	412
Others	**991,381**	**987,167**	**(4,214)**	**5,032**	**9,246**	581,060	598,205	17,145	17,375	230
Total	**¥5,379,531**	**¥5,391,916**	**¥12,385**	**¥219,147**	**¥206,762**	¥4,581,955	¥5,059,540	¥477,584	¥478,674	¥1,089

(in thousands of U.S. dollars)

Listed Securities:	**March 31, 1999** Book Value	Market Value	Net Unrealized Gain	Unrealized Gain	Unrealized Loss
Bonds	**$13,151,252**	**$13,126,870**	**$ (24,382)**	**$ 104,406**	**$ 128,788**
Stocks	**23,249,830**	**23,411,901**	**162,071**	**1,671,744**	**1,509,673**
Others	**8,223,816**	**8,188,862**	**(34,954)**	**41,744**	**76,698**
Total	**$44,624,898**	**$44,727,633**	**$102,735**	**$1,817,894**	**$1,715,159**

(1) Trading Securities and Securities Held to Hedge Trading Transactions were included in Trading Assets and excluded from the following tables as they were marked to market and the valuation gains or losses were recognized in the Consolidated Statements of Income.

(2) Bonds included Japanese National Government Bonds, Japanese Local Government Bonds and Corporate Bonds.

(3) The market value of listed securities is based on the closing prices on the Tokyo Stock Exchange.

(4) Others consisted mainly of foreign securities.

(5) The estimated market value of non-listed securities held by IBJ for which it is practicable to evaluate market value was as follows:

(in millions of yen)

	March 31, 1999					March 31, 1998				
	Book Value	**Market Value**	**Net Unrealized Gain**			Book Value	Market Value	Net Unrealized Gain		
Non-listed Securities:				**Unrealized Gain**	**Unrealized Loss**				Unrealized Gain	Unrealized (Loss)
Bonds	**¥156,927**	**¥160,251**	**¥160,251**	**¥ 3,514**	**¥ 190**	¥141,253	¥144,722	¥3,468	¥ 3,553	¥ 85
Stocks	**26,693**	**34,528**	**34,528**	**10,715**	**2,881**	33,393	33,368	(25)	8,978	9,004
Others	**99,031**	**99,264**	**99,264**	**255**	**23**	77,652	75,978	(1,673)	378	2,051
Total	**¥282,651**	**¥294,042**	**¥294,042**	**¥14,484**	**¥3,094**	¥252,299	¥254,069	¥1,769	¥12,911	¥11,141

(in thousands of U.S. dollars)

	March 31, 1999				
	Book Value	**Market Value**	**Net Unrealized Gain**		
Non-listed Securities:				**Unrealized Gain**	**Unrealized Loss**
Bonds	**$1,301,759**	**$1,329,329**	**$27,570**	**$ 29,146**	**$ 1,576**
Stocks	**221,427**	**286,417**	**64,990**	**88,888**	**23,898**
Others	**821,494**	**823,423**	**1,929**	**2,117**	**188**
Total	**$2,344,680**	**$2,439,169**	**$94,489**	**$120,151**	**$25,662**

(6) The market value of non-listed securities held by IBJ is based on the following:

(i) Over-the-counter securities

Trading price table published by the Japan Securities Dealers Association.

(ii) Publicly offered non-listed securities

Securities bid-offer table published by the Japan Securities Dealers Association

(iii) Beneficiary certificates of securities investments trusts

Market prices announced by authorized fund management companies

(7) Securities excluded from above tables mainly consisted of the following:

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Publicly offered non-listed bonds with maturities within 1 year or less	**¥1,613,828**	¥1,951,401	**$13,387,209**
Domestic non-listed bonds, excluding publicly offered bonds	**331,061**	288,907	**2,746,251**
Non-listed bonds, excluding domestic bonds	**895,783**	1,085,118	**7,430,803**
Non-listed stocks of subsidiaries and affiliates	**364,280**	336,044	**3,021,820**

33. Market Value of Money Held in Trust

The market value of Money Held in Trust held by IBJ at March 31, 1999 and 1998 was as follows:

(in millions of yen)

	March 31, 1999					March 31, 1998				
	Book Value	**Market Value**	**Net Unrealized Gain**	**Unrealized Gain**	**Unrealized Loss**	Book Value	Market Value	Net Unrealized Gain	Unrealized Gain	Unrealized Loss
Money Held in Trust	**¥59,807**	**¥60,167**	**¥361**	**¥418**	**¥58**	¥172,502	¥171,334	¥(1,167)	¥637	¥1,805

(in thousands of U.S. dollars)

	March 31, 1999				
	Book Value	**Market Value**	**Net Unrealized Gain**	**Unrealized Gain**	**Unrealized Loss**
Money Held in Trust	**$496,115**	**$499,107**	**$2,992**	**$3,472**	**$480**

(1) The market value is calculated by the trustee of the money held in trust as following:

(i) The market value of listed securities is based on the closing prices on the Tokyo Stock Exchange.

(ii) The market value of over-the-counter securities is based on the Trading Price Table published by the Japan Securities Dealers Association.

34. Market Value of Derivatives

The market value of derivatives held by IBJ at March 31, 1999 and 1998 was as follows:

In the following tables:

(i) Contract value represents notional amounts for swap transactions and contract amounts for other transactions.

(ii) Amounts shown in *italic* characters represent book value of option premium assets / liabilities on the Balance Sheets.

(iii) Market value of standardized contracts is based on the closing prices of the Tokyo Stock Exchange and the Tokyo International Financial Futures Exchange and others. Market values of over-the-counter contracts are based on the discounted value of future cash flows or option pricing models.

(a) Interest Rate Related Transactions

(in millions of yen)

	March 31, 1999				March 31, 1998			
	Contract Value	**Over 1 Year**	**Market Value**	**Unrealized Gain (Loss)**	Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Standardized Contracts								
Futures								
Sold	**¥27,452,532**	**¥5,085,615**	**¥27,486,596**	**¥ (34,063)**	¥26,817,323	¥6,787,093	¥26,882,415	¥ (65,091)
Bought	**26,919,702**	**5,646,773**	**26,919,702**	**12,060**	26,043,650	7,130,200	26,088,726	45,075
Options								
Sold Call	**10,023,237**	**—**			5,158,515	—		
	2,866		**1,554**	**1,311**	*2,446*		2,027	419
Put	**7,373,561**	**—**			4,286,676	—		
	2,727		**2,192**	**534**	*2,385*		1,492	893
Bought Call	**6,356,811**	**—**			3,214,257	—		
	3,510		**2,021**	**(1,489)**	*2,396*		2,463	66
Put	**3,833,906**	**—**			2,255,226	—		
	1,929		**1,500**	**(428)**	*1,985*		1,369	(615)
Over-the-Counter Contracts								
FRAs								
Sold	**859,765**	**—**	**770**	**770**	1,567,823	11,053	635	635
Bought	**831,940**	**—**	**(831)**	**(831)**	1,623,624	35,818	(1,011)	(1,011)
Swaps Rec: Fix Pay: Flt	**23,461,497**	**17,664,012**	**831,895**	**616,321**	28,408,864	16,151,446	899,974	617,912
Rec: Flt Pay: Fix	**15,573,272**	**11,738,458**	**(787,639)**	**(669,271)**	20,841,319	12,189,007	(783,963)	(641,304)
Rec: Flt Pay: Flt	**3,110,943**	**3,028,940**	**(1,060)**	**(1,853)**	469,838	302,424	(789)	(899)
Rec: Fix Pay: Fix	**101,973**	**92,547**	**2,562**	**1,426**	185,931	140,629	3,501	1,559
Swaptions								
Sold Call	**96,296**	**13,000**			42,604	18,044		
	921		**2,068**	**(1,147)**	*915*		577	337
Put	**18,451**	**10,000**			33,389	13,389		
	250		**836**	**(586)**	*709*		2,304	(1,595)
Bought Call	**13,451**	**—**			10,389	8,389		
	95		**877**	**794**	*115*		735	656
Put	**58,943**	**26,772**			92,496	60,936		
	1,513		**169**	**(1,343)**	*1,987*		218	(1,769)
Caps								
Sold	**321,592**	**136,147**			490,406	329,231		
	1,736		**(521)**	**1,464**	*3,513*		(1,394)	3,144
Bought	**148,340**	**70,716**			196,939	154,209		
	1,141		**66**	**(1,007)**	*1,876*		(57)	(1,775)
Floors								
Sold	**22,592**	**3,193**			41,769	24,769		
	29		**169**	**(117)**	*120*		264	(170)
Bought	**88,710**	**5,607**			153,620	97,390		
	91		**490**	**270**	*467*		872	341
Total				**¥(77,186)**				¥ (43,189)

Financial Section

(in thousands of U.S. dollars)

			Contract Value	Over 1 Year	March 31, 1999 Market Value	Unrealized Gain (Loss)
Standardized Contracts						
Futures						
	Sold		$227,727,358	$ 42,186,776	$228,009,922	$ (282,564)
	Bought		223,207,319	46,841,754	223,307,363	100,044
Options						
	Sold	Call	83,145,893	—		
			23,776		12,898	10,878
		Put	61,166,005	—		
			22,623		18,188	4,435
	Bought	Call	52,731,739	—		
			29,122		16,769	(12,353)
		Put	31,803,458	—		
			16,008		12,450	(3,558)
Over-the-Counter Contracts						
FRAs						
	Sold		7,132,027	—	6,393	6,393
	Bought		6,901,204	—	(6,896)	(6,896)
Swaps		Rec: Fix Pay: Flt	194,620,466	146,528,518	6,900,836	5,112,579
		Rec: Flt Pay: Fix	129,185,171	97,374,190	(6,533,716)	(5,551,818)
		Rec: Flt Pay: Flt	25,806,251	25,126,013	(8,795)	(15,378)
		Rec: Fix Pay: Fix	845,905	767,709	21,254	11,833
Swaptions						
	Sold	Call	798,810	107,839		
			7,642		17,158	(9,516)
		Put	153,063	82,953		
			2,074		6,943	(4,869)
	Bought	Call	111,586	—		
			790		7,279	6,587
		Put	488,958	222,085		
			12,554		1,406	(11,148)
Caps						
	Sold		2,667,715	1,129,385		
			14,407		(4,323)	12,151
	Bought		1,230,533	586,613		
			9,467		553	(8,354)
Floors						
	Sold		187,414	26,487		
			241		1,410	(977)
	Bought		735,881	46,512		
			758		4,072	2,248
Total						$ (640,283)

(1) Derivatives held by IBJ included in Trading Transactions at March 31, 1999 and 1998 are excluded from the previously mentioned tables, as they are marked to market and the valuation gains or losses are recognized in the Consolidated Statements of Income. The contract value and market value of derivatives held by IBJ included in Trading Transactions at March 31, 1999 and 1998 were as follows:

					(in millions of yen)		(in thousands of U.S. dollars)
		March 31, 1999		March 31, 1998		**March 31, 1999**	
		Contract Value	**Market Value**	Contract Value	Market Value	**Contract Value**	**Market Value**
Standardized Contracts							
Futures							
Sold		**¥7,130,758**	**¥7,161,734**	¥ 9,098,772	¥9,147,044	**$59,151,875**	**$59,408,834**
Bought		**7,373,902**	**7,408,791**	8,747,833	8,799,915	**61,168,828**	**61,458,245**
Options							
Sold	Call	**819,388**		10,000		**6,797,084**	
		783	**534**	*2*	2	***6,500***	**4,434**
	Put	**411,829**		125,000		**3,416,256**	
		550	**482**	*23*	15	***4,565***	**4,002**
Bought	Call	**408,238**		—		**3,386,466**	
		754	**601**	—	—	***6,256***	**4,987**
	Put	**126,827**		—		**1,052,075**	
		628	**427**	—	—	***5,217***	**3,543**
Over-the-Counter Contracts							
FRAs							
Sold		**1,544,085**	**454**	442,051	(115)	**12,808,670**	**3,774**
Bought		**1,379,771**	**(539)**	213,007	(13)	**11,445,635**	**(4,476)**
Swaps	Rec: Fix Pay: Flt	**30,801,390**	**1,183,095**	33,157,397	1,207,777	**255,507,182**	**9,814,150**
	Rec: Flt Pay: Fix	**30,678,052**	**(1,133,162)**	31,409,699	(1,179,401)	**254,484,056**	**(9,399,937)**
	Rec: Flt Pay: Flt	**1,627,481**	**(418)**	1,242,206	(970)	**13,500,471**	**(3,470)**
	Rec: Fix Pay: Fix	**211,748**	**(5,054)**	339,742	530	**1,756,518**	**(41,925)**
Swaptions							
Sold	Call	**775,220**		740,687		**6,430,701**	
		9,704	**6,136**	*10,646*	3,365	***80,504***	**50,905**
	Put	**640,603**		579,059		**5,314,009**	
		6,466	**10,576**	*6,297*	13,056	***53,641***	**87,737**
Bought	Call	**678,451**		561,082		**5,627,964**	
		8,255	**16,694**	*8,651*	19,066	***68,480***	**138,484**
	Put	**912,399**		772,726		**7,568,639**	
		12,224	**5,869**	*12,223*	3,700	***101,407***	**48,686**
Caps							
Sold		**2,510,271**		2,955,205		**20,823,489**	
		19,020	**8,779**	*28,035*	9,971	***157,780***	**72,827**
Bought		**1,783,447**		2,200,188		**14,794,252**	
		13,471	**10,164**	*21,714*	12,788	***111,748***	**84,315**
Floors							
Sold		**832,835**		817,240		**6,908,635**	
		6,656	**13,026**	*8,678*	11,174	***55,220***	**108,057**
Bought		**942,335**		1,127,603		**7,816,964**	
		5,537	**11,236**	*6,845*	10,016	***45,935***	**93,212**

(b) Currency-Related Transactions

(in millions of yen)

Currency	March 31, 1999 Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)	March 31, 1998 Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Contracts								
Currency Swaps								
USD	¥4,392,925	¥3,521,601	¥(109,843)	¥25,055	¥5,230,761	¥4,463,793	¥(196,489)	¥41,828
GBP	101,393	89,564	(2,439)	(3,308)	111,447	108,295	(3,445)	(1,768)
DEM	223,144	193,168	3,933	(4,491)	276,829	245,431	3,858	(3,609)
CHF	200,902	160,758	3,086	(2,286)	367,991	224,076	(512)	(2,751)
FRF	62,048	62,048	2,894	(260)	220,710	67,202	6,572	(383)
AUD	160,836	142,614	(181)	(859)	205,614	185,778	(2,281)	(3,186)
Others	149,776	103,097	4,114	3,769	119,708	97,055	5,925	(1,449)
Total	¥5,291,028	¥4,272,854	¥ (98,434)	¥17,617	¥6,533,063	¥5,391,634	¥(186,372)	¥28,679

(in thousands of U.S. dollars)

Currency	March 31, 1999 Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Contracts				
Currency Swaps				
USD	$36,440,695	$29,212,791	$(911,186)	$207,842
GBP	841,094	742,967	(20,236)	(27,444)
DEM	1,851,055	1,602,394	32,633	(37,261)
CHF	1,666,552	1,333,545	25,607	(18,966)
FRF	514,714	514,714	24,010	(2,165)
AUD	1,334,188	1,183,030	(1,505)	(7,130)
Others	1,242,442	855,226	34,129	31,269
Total	$43,890,740	$35,444,667	$(816,548)	$146,145

(1) The difference between market value and unrealized gains or losses is a sum of (i) difference in rates between contract date and year-end for the currency swaps recorded on the balance sheets and (ii) accrued interest.

(2) Derivatives held by IBJ included in Trading Transactions at March 31, 1999 and 1998 are excluded from above tables, as they are marked to market and the valuation gains or losses are recognized in the Consolidated Statements of Income. The contract value and market value of derivatives held by IBJ included in Trading Transactions at March 31, 1999 and 1998 were as follows:

Currency	(in millions of yen) March 31, 1999 Contract Value	Market Value	March 31, 1998 Contract Value	Market Value	(in thousands of U.S. dollars) March 31, 1999 Contract Value	Market Value
Over-the-Counter Contracts						
Currency Swaps						
USD	¥7,678,807	¥1,428	¥ 8,732,055	¥ 8,130	$63,698,115	$11,852
GBP	186,245	(2,521)	322,171	(16,464)	1,544,961	(20,918)
DEM	471,795	(1,715)	564,850	(6,037)	3,913,689	(14,232)
CAD	146,787	224	235,699	(1,523)	1,217,649	1,865
CHF	587,645	4,992	800,178	3,557	4,874,700	41,413
FRF	87,354	(3,223)	253,457	(7,351)	724,630	(26,744)
AUD	151,951	153	168,726	1,377	1,260,483	1,274
Others	277,401	1,666	186,392	7,985	2,301,136	13,826
Total	¥9,587,988	¥1,004	¥11,263,532	¥(10,326)	$79,535,363	$ 8,336

(3) The contract value of foreign exchange forward contracts and currency options at March 31, 1999 and 1998 was as follows:

		(in millions of yen)		(in thousand of U.S. dollars)
		March 31, 1999	March 31, 1998	**March 31, 1999**
		Contract Value	Contract Value	**Contract Value**
Standardized Contracts				
Futures				
Sold		**¥ —**	¥ —	**$ —**
Bought		**—**	—	**—**
Options				
Sold	Call	**—**	—	**—**
		—	—	**—**
	Put	**—**	—	**—**
		—	—	**—**
Bought	Call	**—**	—	**—**
		—	—	**—**
	Put	**—**	—	**—**
		—	—	**—**
Over-the-Counter Contracts				
Forwards				
Sold		**9,198,980**	23,776,709	**76,308,423**
Bought		**6,694,354**	12,290,454	**55,531,768**
Options				
Sold	Call	**496,561**	497,189	**4,119,132**
		13,625	*16,506*	***113,029***
	Put	**402,778**	389,896	**3,341,175**
		10,130	*2,861*	***84,036***
Bought	Call	**419,147**	556,985	**3,476,961**
		10,702	*17,579*	***88,781***
	Put	**379,979**	240,903	**3,152,046**
		10,202	*1,683*	***84,634***

The forward contracts to exchange foreign currencies for other foreign currencies are included in the "Sold" column only in the above table.

(c) Stock-Related Transactions

(in millions of yen)

	March 31, 1999				March 31, 1998			
	Contract Value	**Over 1 Year**	**Market Value**	**Unrealized Gain (Loss)**	Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Standardized Contracts								
Index Futures								
Sold	**¥45,011**	**¥ —**	**¥46,618**	**¥(1,606)**	¥111,074	¥ —	¥107,255	¥3,818
Bought	**40,534**	**—**	**40,950**	**415**	56,481	—	54,605	(1,876)
Index Options								
Sold Call	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Put	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Bought Call	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Put	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Over-the-Counter Contracts								
Options								
Sold Call	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Put	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Bought Call	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Put	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Index Swap								
Rec: Index Pay: Flt	**—**	**—**	**—**	**—**				
Rec: Flt Pay: Index	**—**	**—**	**—**	**—**				
Others								
Sold	**—**	**—**						
	—		**—**	**—**				
Bought	**—**	**—**						
	—		**—**	**—**				
Total				**¥(1,191)**				¥1,941

			(in thousands of U.S. dollars)		
					March 31, 1999
		Contract Value		Market Value	Unrealized
			Over 1 Year		Gain (Loss)
Standardized Contracts					
Index Futures					
Sold		**$373,383**	**$—**	**$386,712**	**$(13,329)**
Bought		**336,245**	—	**339,693**	**3,448**
Index Options					
Sold	Call	—	—		
		—		—	—
	Put	—	—		
		—		—	—
Bought	Call	—	—		
		—		—	—
	Put	—	—		
		—		—	—
Over-the-Counter Contracts					
Options					
Sold	Call	—	—		
		—		—	—
	Put	—	—		
		—		—	—
Bought	Call	—	—		
		—		—	—
	Put	—	—		
		—		—	—
Index Swap					
Rec: Index Pay: Flt		—	—	—	—
Rec: Flt Pay: Index		—	—	—	—
Others					
Sold		—	—		
		—		—	—
Bought		—	—		
		—		—	—
Total					**$ (9,881)**

Financial Section

(d) Bond-Related Transactions

(in millions of yen)

	March 31, 1999				March 31, 1998			
	Contract Value	**Over 1 Year**	**Market Value**	**Unrealized Gain (Loss)**	Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Standardized Contracts								
Futures								
Sold	**¥8,714,400**	**¥—**	**¥8,846,753**	**¥(132,353)**	¥5,790,664	¥—	¥5,825,521	¥(34,857)
Bought	**7,822,534**	**—**	**7,853,570**	**31,035**	3,952,109	—	3,944,707	(7,402)
Futures Options								
Sold Call	**218,667**	**—**			211,055	—		
	1,720		**988**	**732**	*825*		661	163
Put	**423,582**	**—**			45,564	—		
	4,093		**3,798**	**295**	*159*		178	(19)
Bought Call	**137,926**	**—**			66,345	—		
	1,048		**641**	**(406)**	*244*		148	(95)
Put	**291,974**	**—**			101,709	—		
	3,185		**2,763**	**(422)**	*490*		213	(276)
Over-the-Counter Contracts								
Options								
Sold Call	**90,000**	**—**			—	—		
	1,297		**770**	**526**	—		—	—
Put	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Bought Call	**—**	**—**			—	—		
	—		**—**	**—**	—		—	—
Put	**90,000**	**—**			—	—		
	1,546		**1,803**	**256**	—		—	—
Total				**¥(100,334)**				¥(42,488)

Financial Section

(in thousands of U.S. dollars)

		March 31, 1999			
		Contract Value	Over 1 Year	Market Value	Unrealized Gain (Loss)
Standardized Contracts					
Futures					
Sold		$72,288,680	$—	$73,386,590	$(1,097,910)
Bought		64,890,374	—	65,147,826	257,452
Futures Options					
Sold	Call	1,813,911	—		
		14,275		8,200	6,075
	Put	3,513,749	—		
		33,958		31,510	2,448
Bought	Call	1,144,146	—		
		8,694		5,324	(3,370)
	Put	2,422,017	—		
		26,423		22,922	(3,501)
Over-the-Counter Contracts					
Options					
Sold	Call	746,578	—		
		10,759		6,393	4,366
	Put	—	—		
		—		—	—
Bought	Call	—	—		
		—		—	—
	Put	746,578	—		
		12,831		14,962	2,131
Total					$(832,309)

Derivatives held by IBJ included in Trading Transactions at March 31, 1999 and 1998 are excluded from the previously mentioned tables, as they are marked to market and the valuation gains or losses are recognized in the Consolidated Statements of Income. The contract values and market values of derivatives held by IBJ included in Trading Transactions at March 31, 1999 and 1998 were as follows:

		(im millions of yen)		(in thousands of U.S. dollars)	
					March 31, 1999
		Contract Value	**Market Value**	**Contract Value**	**Market Value**
Standardized Contracts					
Futures					
Sold		**¥109,095**	**¥109,696**	**$ 904,985**	**$ 909,965**
Bought		**143,611**	**144,345**	**1,191,302**	**1,197,388**
Futures Options					
Sold	Call	**21,437**		**177,828**	
		25	**18**	***212***	***153***
	Put	**12,878**		**106,829**	
		72	**78**	***599***	***653***
Bought	Call	**26,734**		**221,773**	
		108	**101**	***902***	***843***
	Put	**9,744**		**80,830**	
		33	**42**	***281***	**349**
Over-the-Counter Contracts					
Options					
Sold	Call	—		—	
		—	—	—	—
	Put	—		—	
		—	—	—	—
Bought	Call	—		—	
		—	—	—	—
	Put	—		—	
		—	—	—	—

(e) Commodity-Related Transactions

IBJ did not have any commodity-related transactions for fiscal 1998.

Report of Independent Certified Public Accountants

Coopers & Lybrand

Chuo Audit Corporation

certified public accountants

Head office:
Kasumigaseki Building
32nd Floor
3-2-5 Kasumigaseki
Chiyoda-ku
Tokyo 100-6088

telephone: (03) 3581-6281

To the Board of Directors,
The Industrial Bank of Japan, Limited:

We have audited the accompanying consolidated balance sheets of The Industrial Bank of Japan, Limited (“IBJ”) and its consolidated subsidiaries as of March 31, 1999, and 1998, and the related consolidated statements of income, shareholders’ equity and cash flows for each of the three years in the period ended March 31, 1999, all expressed in Japanese Yen. Our audits 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 consolidated financial position of IBJ and its consolidated subsidiaries at March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1999, in conformity with accounting principles and practices generally accepted in Japan (See Note 1 (a)) consistently applied during the periods, except for the change with which we concur, in the accounting for Investment Securities as described in Note 1 (e) to the accompanying consolidated financial statements.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 (a) to the accompanying consolidated financial statements.

Tokyo, Japan
June 29, 1999

Chuo Audit Corporation

Chuo Audit Corporation
Independent Certified Public Accountants

Chuo Audit Corporation is a member of Coopers & Lybrand International, a limited liability association incorporated in Switzerland.

Non-Consolidated Balance Sheets

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Assets			
Cash and Due from Banks	**¥ 1,167,336**	¥ 1,367,328	**$ 9,683,418**
Call Loans and Bills Purchased	**1,345,925**	1,860,262	**11,164,872**
Commercial Paper and Other Debt Purchased	**128,064**	8,895	**1,062,335**
Trading Assets	**2,197,033**	2,119,627	**18,225,085**
Money Held in Trust	**59,806**	172,502	**496,116**
Investment Securities	**9,024,595**	8,699,667	**74,861,843**
Loans and Bills Discounted	**22,872,065**	23,241,545	**189,730,947**
Foreign Exchanges	**277,821**	310,724	**2,304,613**
Other Assets	**2,377,508**	4,673,773	**19,722,177**
Premises and Equipment	**278,285**	283,748	**2,308,470**
Deferred Debenture Charges	**15,396**	16,729	**127,722**
Deferred Tax Assets	**406,253**	—	**3,369,998**
Customers' Liabilities for Acceptances and Guarantees	**1,939,210**	2,386,058	**16,086,359**
Total Assets	**¥42,089,303**	¥45,140,863	**$349,143,955**

	(in millions of yen)		(in thousands of U.S. dollars)
	March 31, 1999	March 31, 1998	**March 31, 1999**
Liabilities and Shareholders' Equity			
Liabilities			
Debentures	**¥19,866,858**	¥20,239,792	**$164,801,817**
Deposits	**8,175,082**	10,139,950	**67,814,871**
Call Money and Bills Sold	**3,261,224**	2,322,905	**27,052,876**
Commercial Paper	**30,000**	—	**248,859**
Borrowed Money	**1,585,575**	1,917,824	**13,152,841**
Trading Liabilities	**1,465,170**	1,738,742	**12,154,047**
Foreign Exchanges	**20,390**	11,298	**169,145**
Other Liabilities	**2,833,002**	4,166,228	**23,500,647**
Reserve for Possible Loan Losses	**1,116,278**	899,892	**9,259,876**
Reserve for Retirement Allowances	**51,888**	50,794	**430,436**
Reserve for Contingent Losses relating to Loans Sold	**48,144**	19,776	**399,371**
Other Reserves	**5**	7	**45**
Deferred Tax Liabilities related to Land Revaluation	**72,518**	—	**601,564**
Acceptances and Guarantees	**1,939,210**	2,386,058	**16,086,359**
Surplus from Land Revaluation	**—**	180,648	**—**
Total Liabilities	**40,465,350**	44,073,919	**335,672,754**
Shareholders' Equity			
Preferred Stock	**175,000**	—	**1,451,680**
Common Stock	**498,605**	465,105	**4,136,087**
Capital Surplus	**570,132**	361,632	**4,729,425**
Legal Reserve	**80,369**	76,431	**666,687**
Surplus from Land Revaluation	**98,920**	—	**820,574**
Retained Earnings	**200,926**	163,775	**1,666,749**
Total Shareholders' Equity	**1,623,953**	1,066,944	**13,471,201**
Total Liabilities and Shareholders' Equity	**¥42,089,303**	¥45,140,863	**$349,143,955**

See accompanying "Notes to Non-Consolidated Financial Statements" which are an integral part of these statements.

Non-Consolidated Statements of Income

	(in millions of yen)			(in thousands of U.S. dollars)
	Fiscal 1998*	Fiscal 1997*	Fiscal 1996*	**Fiscal 1998***
Income				
Interest Income on:				
Loans and Discounts	**¥ 656,425**	¥ 800,004	¥ 847,471	**$ 5,445,256**
Securities	**239,541**	212,073	187,303	**1,987,075**
Others	**795,316**	1,069,039	1,276,246	**6,597,396**
Fees and Commissions	**67,300**	94,774	52,599	**558,278**
Trading Income	**25,334**	2,788	—	**210,158**
Other Operating Income	**843,416**	470,977	532,904	**6,996,403**
Other Income	**398,819**	390,874	244,248	**3,308,333**
Transfer from Other Reserves	**2**	12,467	3	**19**
Total Income	**3,026,156**	3,053,000	3,140,778	**25,102,918**
Expense				
Interest Expense on:				
Debentures	**293,581**	350,756	422,415	**2,435,346**
Deposits	**231,601**	356,871	358,204	**1,921,211**
Borrowings and Rediscounts	**54,839**	162,210	110,431	**454,914**
Others	**799,432**	899,028	1,064,091	**6,631,541**
Amortization of Debenture Discounts	**27,117**	34,952	52,399	**224,948**
Fees and Commissions	**17,624**	18,744	16,656	**146,202**
Trading Expense	**3,206**	9,077	—	**26,599**
Other Operating Expense	**778,830**	428,075	521,914	**6,460,642**
General and Administrative Expenses	**156,809**	166,498	157,991	**1,300,780**
Other Expense	**1,008,522**	968,564	394,544	**8,366,009**
Transfer to Other Reserves	**0**	—	833	**—**
Total Expense	**3,371,565**	3,394,779	3,099,482	**27,968,192**
Income (Loss) before Income Taxes	**(345,408)**	(341,778)	41,295	**(2,865,273)**
Income Taxes Expense (Benefit):				
Current	**74**	190	123	**614**
Deferred	**(149,754)**	—	—	**(1,242,265)**
Net Income (Loss)	**¥ (195,727)**	¥ (341,969)	¥ 41,172	**$ (1,623,622)**

Per Common Stock			(in yen)	(in U.S. dollars)
Net Income (Loss)	**¥ (76.27)**	¥ (134.65)	¥ 16.94	**$ (0.633)**
Cash Dividends	**7.00**	8.50	8.50	**0.058**

See accompanying "Notes to Non-Consolidated Financial Statements" which are an integral part of these statements.
**Fiscal 1998, 1997 and 1996 represent the fiscal years ended March 31, 1999, 1998 and 1997, respectively.*

Non-Consolidated Statements of Shareholders' Equity

(in millions of yen)

	Preferred Stock	Common Stock	Capital Surplus	Legal Reserve	Surplus from Land Revaluation	Retained Earnings	Total Shareholders' Equity
Balance at March 31, 1996	¥ —	¥352,045	¥248,572	¥68,113	¥ —	¥514,463	¥1,183,195
Issuance of Common Stock	—	113,060	113,060	—	—	—	226,120
Transfer from Retained Earnings to Legal Reserve	—	—	—	3,998	—	(3,998)	—
Cash Dividends	—	—	—	—	—	(19,987)	(19,987)
Net Income for Fiscal 1996	—	—	—	—	—	41,172	41,172
Balance at March 31, 1997	—	465,105	361,632	72,112	—	531,649	1,430,500
Transfer from Retained Earnings to Legal Reserve	—	—	—	4,318	—	(4,318)	—
Cash Dividends	—	—	—	—	—	(21,586)	(21,586)
Net Loss for Fiscal 1997	—	—	—	—	—	(341,969)	(341,969)
Balance at March 31, 1998	—	465,105	361,632	76,431	—	163,775	1,066,944
Adoption of Accounting for Deferred Tax	**—**	**—**	**—**	**—**	**—**	**256,498**	**256,498**
Issuance of Preferred Stock	**175,000**	**—**	**175,000**	**—**	**—**	**—**	**350,000**
Issuance of Common Stock	**—**	**33,500**	**33,500**	**—**	**—**	**—**	**67,000**
Transfer from Retained Earnings to Legal Reserve	**—**	**—**	**—**	**3,937**	**—**	**(3,937)**	**—**
Transfer from Liabilities	**—**	**—**	**—**	**—**	**98,920**	**—**	**98,920**
Cash Dividends	**—**	**—**	**—**	**—**	**—**	**(19,681)**	**(19,681)**
Net Loss for Fiscal 1998	**—**	**—**	**—**	**—**	**—**	**(195,727)**	**(195,727)**
Balance at March 31, 1999	**¥175,000**	**¥498,605**	**¥570,132**	**¥80,369**	**¥98,920**	**¥200,926**	**¥1,623,953**

(in thousands of U.S. dollars)

	Preferred Stock	Common Stock	Capital Surplus	Legal Reserve	Surplus from Land Revaluation	Retained Earnings	Total Shareholders' Equity
Balance at March 31, 1998	$ —	$3,858,194	$2,999,852	$634,022	$ —	$1,358,568	$ 8,850,636
Adoption of Accounting for Deferred Tax	**—**	**—**	**—**	**—**	**—**	**2,127,734**	**2,127,734**
Issuance of Preferred Stock	**1,451,680**	**—**	**1,451,680**	**—**	**—**	**—**	**2,903,360**
Issuance of Common Stock	**—**	**277,893**	**277,893**	**—**	**—**	**—**	**555,786**
Transfer from Retained Earnings to Legal Reserve	**—**	**—**	**—**	**32,664**	**—**	**(32,664)**	**—**
Transfer from Liabilities	**—**	**—**	**—**	**—**	**820,574**	**—**	**820,574**
Cash Dividends	**—**	**—**	**—**	**—**	**—**	**(163,266)**	**(163,266)**
Net Loss for Fiscal 1998	**—**	**—**	**—**	**—**	**—**	**(1,623,622)**	**(1,623,622)**
Balance at March 31, 1999	**$1,451,680**	**$4,136,087**	**$4,729,425**	**$666,687**	**$820,574**	**$1,666,749**	**$13,471,201**

See accompanying "Notes to Consolidated Financial Statements" which are an integral part of these statements.
** Fiscal 1998, 1997 and 1996 represent the fiscal years ended March 31, 1999, 1998 and 1997, respectively.*

Notes to Non-Consolidated Financial Statements

1. Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Industrial Bank of Japan, Ltd. ("IBJ") in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, such as the Accounting Standards for Banks as prescribed by the Japanese Bankers Association which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the non-consolidated financial statements filed with the Ministry of Finance (the "MOF") in Japan are reclassified for the convenience of readers outside Japan. In addition, the Non-Consolidated Statements of Shareholders' Equity is prepared and included in non-consolidated financial statements, though they are not required to be filed with the MOF.

The amounts indicated in millions of yen are rounded down by truncating the figures below one million. Totals may not add up exactly because of such truncation.

The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.55 =US$1.00, the rate of exchange on March 31, 1999, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

2. Significant Accounting Policies

Refer to Notes to Consolidated Financial Statements.

3. Subsequent Events

Refer to Notes to Consolidated Financial Statements.

Report of Independent Certified Public Accountants

Coopers
&Lybrand

Chuo
Audit
Corporation

Head office:
Kasumigaseki Building
32nd Floor
3-2-5 Kasumigaseki
Chiyoda-ku
Tokyo 100-6088

telephone: (03) 3581-6281

To the Board of Directors,
The Industrial Bank of Japan, Limited:

We have audited the accompanying non-consolidated balance sheets of The Industrial Bank of Japan, Limited ("IBJ") as of March 31, 1999 and 1998, and the related non-consolidated statements of income and shareholders' equity for each of the three years in the period ended March 31, 1999, all expressed in Japanese Yen. Our audits 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 non-consolidated financial position of IBJ at March 31, 1999, and 1998, and the non-consolidated results of its operations for each of the three years in the period ended March 31, 1999, in conformity with accounting principles and practices generally accepted in Japan (See Note 1) consistently applied during the periods, except for the change with which we concur, in the accounting for Investment Securities as described in Note 2 to the accompanying non-consolidated financial statements.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying non-consolidated financial statements.

Tokyo, Japan
June 29, 1999

Chuo Audit Corporation

Chuo Audit Corporation
Independent Certified Public Accountants

Chuo Audit Corporation is a member of Coopers & Lybrand International, a limited liability association incorporated in Switzerland.

■ ***Chairman of the Board of Directors***

Yoh Kurosawa

■ ***President and Chief Executive Officer***

Masao Nishimura

■ ***Deputy President***

Yoshiyuki Fujisawa

■ ***Deputy President***

Yozo Okumoto

■ ***Managing Directors Members of the Board of Directors***

Yuji Igarashi
Yuji Suzuki
Hiroshi Saito
Kisaburo Ikeda
Mitsunori Kanesaka
Shinji Kubo
Hiroshi Suzuki
Shoji Noguchi
Yuji Watanabe
Takashi Okamoto
Masayuki Yasuoka
Toshiaki Ohuchi
Ikuo Kaminishi
Takao Suzuki

■ ***Managing Directors***

Masatake Yashiro
Tsutomu Abe

■ ***Directors***

Takeo Sekihara
Hiroki Yamada
Shizuhiro Yamauchi
Ryuju Funayama
Norio Nakajima
Tsunehiro Nakayama
Mikio Nakura
Takeo Otsubo
Takashi Kusama
Makoto Fukuda
Toyohiro Ozaki

■ ***Auditors***

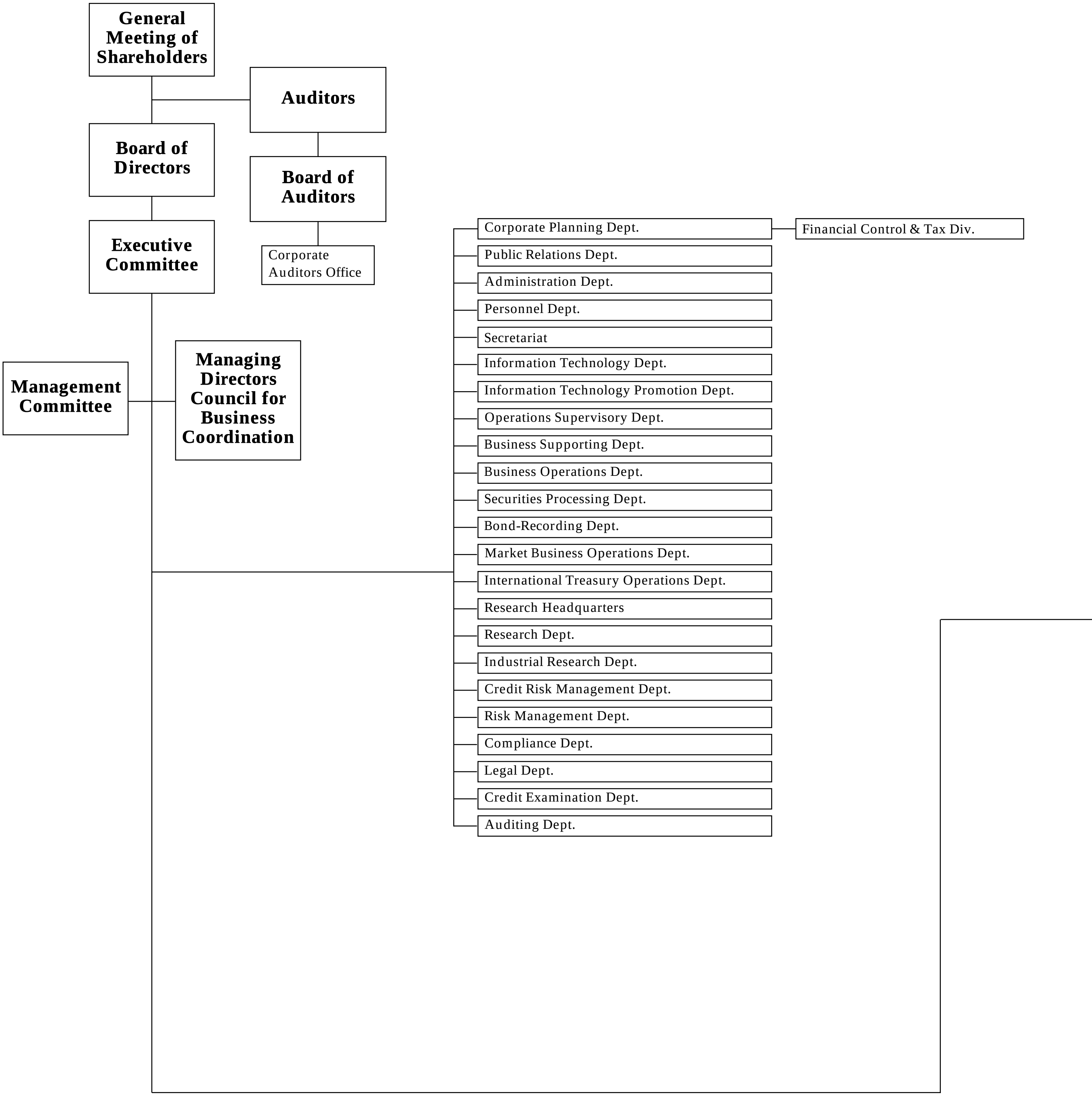
Standing Auditors

Naoyuki Hori
Yoshitada Shiratori
Shusai Nagai

Auditors

Setsuo Umezawa
Kunihisa Hama

IBJ Organization Chart



- **Corporate Banking Unit**
  - Business Co-ordination Dept.
    - Syndication Div.
  - Private Banking Promotion Dept.
  - Employee Benefit Plan Business Promotion Dept.
  - Bank Debentures Dept.
  - Financial Institutions Dept. No. 1~2
  - Corporate Banking Dept. No. 1~11
  - Corporate Banking Dept. (Media & Telecommunication)
  - Loan Dept.
  - Securities Dept.
  - Securities Business Dept.
  - Network Business Promotion Dept.
  - International Headquarters
  - America Committee
  - Europe Committee
  - Southeast Asia Committee
  - International Dept.
    - Industrial Finance Seminar Div.
  - Americas Div.
  - China Dept.
  - Corporate Banking Dept. (International)
    - International Finance Div.
  - International Loan Dept.
  - International Business Dept.
  - Tokyo Corporate Banking Dept.
    - Tokyo Corporate Banking Dept. No. 1~4
    - Tokyo Finance Dept.
  - Osaka Branch
    - Osaka Corporate Banking Dept. No. 1~3
    - Osaka Finance Dept.
    - Kansai Loan Dept.
  - Domestic Branches
  - New York Branch
    - Loan Production Office
    - Business Administration and Control Div. (Americas)
    - New York Corporate Finance Div. No. 1~2
      - Loan Production Office
  - Overseas Branches
    - Loan Production Office
    - Marketing Office
  - Representative Offices
- **Treasury Unit**
  - Treasury Dept.
  - Derivatives and Fixed Income Dept.
  - International Treasury Dept.
    - Treasury Div.
    - Forex Div.
    - London Div.
    - New York Div.
    - Singapore Div.
- **Investment Banking Unit**
  - Investment Banking Headquarters
  - Structured Finance Dept.
    - Structured Finance Dept. (Americas Div.)
  - Investment Banking Dept. (M&A, F.D.I.)
    - Asian Business Development Div.
  - Project Finance Dept.
    - Americas Div.
    - Hong Kong Div.
- **Securities & Asset Management Unit**
  - Business Planning Dept. (IBJ Group)
  - Securities Services Dept.
  - Investment Research Dept.
  - Financial Engineering Dept.

(As of August 2, 1999)

THE AMERICAS

■ *New York Branch*

Shoji Noguchi
Managing Director and General Manager

1251 Avenue of The Americas,
New York, NY 10020, U.S.A.
Phone: 1-(212) 282-3000
Telex: 420802 (420802 KOGI UI),
170998 (170998 IBJBR UT)
Cable: KOGYOGINKO NEWYORK
Fax: 1-(212) 282-4250

▼ *Chicago Branch*

Masashi Sakai
General Manager

227 West Monroe Street, Suite 2600,
Chicago, IL 60606, U.S.A.
Phone: 1-(312) 855-1111
Fax: 1-(312) 855-8200
e-mail: ibjcbd@ibjusa.com

▼ *Atlanta Office*

Minami Miura
Vice President

One Ninety One Peachtree Tower,
Suite 3600,
191 Peachtree Street, N.E.,
Atlanta, GA 30303, U.S.A.
Phone: 1-(404) 524-8770
Fax: 1-(404) 524-8509

▼ *Houston Office*

Michael N. Oakes
Senior Vice President

Three Allen Center, Suite 4850,
333 Clay Street,
Houston, TX 77002, U.S.A.
Phone: 1-(713) 651-9444
Fax: 1-(713) 651-9209

■ *Los Angeles Agency*

Kazutoshi Kuwahara
General Manager

350 South Grand Avenue, Suite 1500,
Los Angeles, CA 90071, U.S.A.
Phone: 1-(213) 628-7241
Telex: 6831123 (KOGIN LSA)
Fax: 1-(213) 488-9840
URL: http: // www.ibjla.com
e-mail: postmaster@ibjla.com

▼ *San Francisco Office*

Kensaku Iwata
Senior Vice President

555 California Street, Suite 3110,
San Francisco, CA 94104, U.S.A.
Phone: 1-(415) 981-3131
Fax: 1-(415) 982-1917

■ *Grand Cayman Branch*

Shoji Noguchi
Managing Director and General Manager

P.O. Box 1040, West Wind Building,
George Town, Grand Cayman,
Cayman Islands, B.W.I.

■ *Nassau Branch*

Shoji Noguchi
Managing Director and General Manager

NatWest Building, West Bay Street,
Nassau, Bahamas

● *Mexico Representative Office*

Masaki Oishi
Chief Representative

Edificio Omega,
Campos Eliseos No. 345-11,
Col. Chapultepec Polanco,
Deleg. Miguel Hidalgo,
11560 México, D.F., México
Phone: 52-(5) 281-5037,
52-(5) 281-3206,
52-(5) 281-5291,
52-(5) 281-5162
Fax: 52-(5) 281-5374
e-mail: yeibjmex@mpsnet.com.mx

● *São Paulo Representative Office*

Hideo Yamaura
Chief Representative

Avenida Paulista, 1842-22
Andar Conjunto 228, Edificio,
Cetenco Plaza-Torre Norte,
01310-200 São Paulo-SP, Brazil
Phone: 55-(11) 289-2666
Fax: 55-(11) 251-4241
e-mail: ibjbrsp@nethall.com.br

▲ *The Industrial Bank of Japan Trust Company*

Hajime Nakai
President and Chief Executive Officer

Head Office:
1251 Avenue of The Americas,
New York, NY 10020, U.S.A.
Phone: 1-(212) 282-3030
Telex: 425754 (425754 IBTC UI),
175598 (175598 IBJTC UT)
Cable: KOGINTRUST NEWYORK
Fax: 1-(212) 282-4252
Branch: Nassau, Bahamas
Representative Office: Atlanta, GA, U.S.A.

▲ *The Industrial Bank of Japan (Canada)*

Mitsuo Iwamoto
President and Chief Executive Officer

Head Office:
Box 29, Suite 1102, 100 Yonge Street,
Toronto, Ontario, Canada M5C 2W1
Phone: 1-(416) 365-9550
Telex: 06-219881 (IBJCDA TOR)
Fax: 1-(416) 367-3452

Vancouver Branch

Shunichiro Miyanaga
Executive Vice President and General Manager

Suite 1220, 666 Burrard Street,
Vancouver, B.C., Canada V6C 2X8
Phone: 1-(604) 682-4511
Fax: 1-(604) 688-7079
e-mail: ibjcdav@direct.ca

▲ *IBJ Whitehall Bank & Trust Company*

Dennis G. Buchert
President and Chief Executive Officer

Head Office:
One State Street,
New York, NY 10004, U.S.A.
Phone: 1-(212) 858-2000
Telex: 62820, 177754
Fax: 1-(212) 425-0542
Branch: Grand Cayman,
Cayman Islands, B.W.I.

▲ *The Bridgeford Group*

Haruhiko Masuda
President and Chief Executive Officer

399 Park Avenue, 18th Floor,
New York, NY 10022, U.S.A.
Phone: 1-(212) 705-0880
Fax: 1-(212) 755-8900

▲ *Aubrey G. Lanston & Co. Inc.*

Ralph A. Hallenborg
President and Chief Executive Officer

One Chase Manhattan Plaza,
Fifty-Third Floor,
New York, NY 10005, U.S.A.
Phone: 1-(212) 612-1600,
1-(800) 221-5750
Telex: 233746, 971272
Fax: 1-(212) 363-3423
URL: http: // www.lanston.com
e-mail: aubrey@lanston.com

◆ *Nomura IBJ Global Investment Advisors, Inc.*

Toshinori Kurihara
President

2 World Finance Center, Building B,
New York, NY 10281, U.S.A.
Phone: 1-(212) 667-9523
Fax: 1-(212) 667-1099

EUROPE AND THE MIDDLE EAST

■ *London Branch*

Hiroki Yamada
Director and General Manager

Bracken House, One Friday Street,
London EC4M 9JA, United Kingdom
Phone: 44-(171) 248-1111
Telex: 886939 (886939 KOGINL G)
Cable: KOGYOGINKO LONDON EC4
Fax: 44-(171) 248-1114

■ *Paris Branch*

Atsushi Nakajima
General Manager

Washington Plaza,
40, rue Washington,
75408 Paris Cedex 08, France
Phone: 33-(1) 53-83-40-00
Telex: 642105 (KOGPA 642105F)
Fax: 33-(1) 53-83-40-99

■ *Madrid Branch*

Yasuo Nakamura
General Manager

Torre Picasso Planta 9,
Plaza Pablo Ruiz Picasso, s / n. AZCA,
28020 Madrid, Spain
Phone: 34-91-597-2612
Telex: 44066 KGN E
Fax: 34-91-597-4697
e-mail: ibj@sarenet.es

■ *Milan Branch*

Shunsuke Imaoka
General Manager

Via Senato 14 / 16, 20121 Milan, Italy
Phone: 39-02-760861
Telex: 331541 (331541 IBJMIL)
Fax: 39-02-76015311
e-mail: ibjmilano@tin.it

■ *Frankfurt Branch*

Kazuya Yoshida
General Manager

Taunustor 2,
60311 Frankfurt am Main,
F.R. Germany
Phone: 49-(69) 27282-100
Telex: 414939 (414939 KOGIN D)
Fax: 49-(69) 27282-511
e-mail: info@ibjg.de

● *Bahrain Representative Office*

Toshihiro Kodama
Chief Representative

Manama Centre (Entrance 4, 4th Floor),
P.O. Box 5759, Manama, Bahrain
Phone: 973-228868
Telex: 9775 (9775 IBJBAH BN)
Fax: 973-224828
e-mail: ibjbahcr@batelco.com.bh

▲ *Industriebank von Japan (Deutschland) Aktiengesellschaft — The Industrial Bank of Japan (Germany) —*

Tetsuo Narukawa
Chairman of the Board of Managing Directors

Head Office:
Taunustor 2,
60311 Frankfurt am Main,
F.R. Germany
Phone: 49-(69) 27282-0
Telex: 414939 (414939 KOGIN D)
Fax: 49-(69) 27282-512
e-mail: info@ibjg.de

Düsseldorf Branch

Toshihiro Kitamura
General Manager

Immermannstr. 45,
40210 Düsseldorf,
F.R. Germany
Phone: 49-(211) 16830
Telex: 8582442
Fax: 49-(211) 365602
e-mail: info@ibjg.de

▲ *The Industrial Bank of Japan (Luxembourg) S.A.*

Akira Imai
Managing Director

(Mailing Address)
P.O. Box 68, L-2010 Luxembourg,
GD de Luxembourg

(Address) 6, rue Jean Monnet,
L-2180 Luxembourg,
GD de Luxembourg
Phone: 352-4216171
Telex: 1289 (1289 IBJLX LU)
Fax: 352-421617-489

▲ *IBJ International plc*

Nobuo Oya
Chief Executive and Managing Director

Bracken House, One Friday Street,
London EC4M 9JA, United Kingdom
Phone: 44-(171) 236-1090
Telex: 925621 (925621 IBJITA G),
266582 (266582 IBJITA G)
Cable: IBJINTL LONDON EC4
Fax: 44-(171) 236-0484

▲ *The Industrial Bank of Japan-NJ (Switzerland) Limited*

Takehiro Mikoda
President

Bahnhofstrasse 82a,
CH-8023 Zurich, Switzerland
Phone: 41-(1) 218-9595
Telex: 812298 (812298 IBJCH)
Fax: 41-(1) 218-9945

▲ *Banque IBJ (France) S.A.*

Atsushi Nakajima
President

Washington Plaza,
42, rue Washington,
75408 Paris Cedex 08, France
Phone: 33-(1) 53-83-41-00
Telex: 642247 (IBJFSA 642247F)
Fax: 33-(1) 53-83-41-69

▲ *IBJ Asset Management International Ltd.*

Toyohide Tanaka
Chief Executive

Bracken House, One Friday Street,
London EC4M 9JA, United Kingdom
Phone: 44-(171) 329-3777
Fax: 44-(171) 489-6932
e-mail: ibjami@ibj.co.uk

◆ *IBJ–BA Consulting Investitionsberatung GmbH*

Yasuji Tajima
Managing Director

Landhausgasse 4/7,
1010 Vienna, Austria
Phone: 43-(1) 5355868
Fax: 43-(1) 5355519
e-mail: ibj-ba.wien@aon.at

◆ *IBJ Nomura Financial Products Holding plc*

Shozo Nurishi
Chairman

Bracken House, One Friday Street,
London EC4M 9JA, United Kingdom
Phone: 44-(171) 762-3306
Fax: 44-(171) 762-3338

◆ *IBJ Nomura Financial Products plc*

Shozo Nurishi
Chairman

Bracken House, One Friday Street,
London EC4M 9JA, United Kingdom
Phone: 44-(171) 762-3333
Fax: 44-(171) 762-3338

ASIA AND OCEANIA

■ *Singapore Branch*

Naoki Izawa
General Manager

16 Collyer Quay,
#14-00, Hitachi Tower,
Singapore 049318, Republic of Singapore
Phone: 65-5387366
Telex: RS21880 (KOGINPO RS21880)
Cable: KOGYOGINKO SINGAPORE
Fax: 65-5387779

■ *Hong Kong Branch*

Shinichi Watanabe
General Manager

17th Floor, Two Pacific Place,
88 Queensway, Hong Kong,
S.A.R., The People's Republic of China
Phone: 852-21033000
Telex: 63035 IBJBR HX
Cable: KOGYOGINKO HONG KONG
Fax: 852-28459187

■ *Shanghai Branch*

Kiyoshige Akamatsu
General Manager

6th Floor, Shanghai Senmao
International Building,
101 Yin Cheng East Road,
Pudong New Area,
Shanghai 200120,
The People's Republic of China
Phone: 86-(21) 6841-0000
Telex: 33144 (33144 IBJSH CN)
Fax: 86-(21) 6841-0399

■ *Dalian Branch*

Taizo Watanabe
General Manager

8th Floor, Senmao Building,
147 Zhong Shan Lu,
Xi Gang Qu, Dalian 116011,
The People's Republic of China
Phone: 86-(411) 3692712
Telex: 86212 (86212 IBJDL CN)
Fax: 86-(411) 3603581

■ *Beijing Branch*

Kotaro Nakazawa
General Manager

8th Floor,
Chang-Fu-Gong Office Building,
Jia 26, Jianguomenwai Street,
Chaoyang District, Beijing 100022,
The People's Republic of China
Phone: 86-(10) 6513-9026
Telex: 22457 (22457 IBJPK CN)
Fax: 86-(10) 6512-7126

■ *Bangkok Branch*

Masatsugu Nagato
General Manager

15th Floor, Thai Obayashi Building,
161 Rajdamri Road,
Lumpini, Pathumwan,
Bangkok 10330, Thailand
Phone: 66-(2) 255-5991
Telex: 20544 (20544 IBJBKK TH)
Fax: 66-(2) 255-5990

■ *Labuan Branch*

Yasuo Sato
General Manager

Level 11 (A), Main Office Tower,
Financial Park Labuan,
Jalan Merdeka, 87000
Federal Territory of Labuan, Malaysia
Phone: 60-(87) 419115
Telex: 85061 (IBJLB MA85061)
Fax: 60-(87) 419121

Labuan Branch, Kuala Lumpur Marketing Office

Suite No. 1403, 14th Floor,
Pernas International,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia
Phone: 60-(3) 2636970
Fax: 60-(3) 2636837

● *Jakarta Representative Office*

Toru Sumiyoshi
Chief Representative

BNI Building, 23rd Floor,
Jl. Jenderal Sudirman Kav. 1,
Jakarta 10220, Indonesia
Phone: 62-(21) 251-2024~5,
62-(21) 570-1010
Telex: 65263 (65263 IBJIND IA),
65495 (65495 IBJIND IA)
Fax: 62-(21) 570-1225~6,
62-(21) 574-3581 (direct)

● *Kuala Lumpur Representative Office*

Takahiko Matsushita
Representative

Suite No. 1403, 14th Floor,
Pernas International,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia
Phone: 60-(3) 2615111
Telex: 32298 (IBJKL MA32298)
Fax: 60-(3) 2615620

● *Guangzhou Representative Office*

Kiyofumi Ota
Chief Representative

Room 1252, Garden Tower,
368 Huanshi Dong Lu,
Guangzhou 510064,
The People's Republic of China
Phone: 86-(20) 83342017
Telex: 44263 (44263 IBJGZ CN)
Fax: 86-(20) 83355847

● *Wuhan Representative Office*

Chen Jianguo
Chief Representative

Room 305,
Holiday Inn Tian-an Wuhan,
868 Jiefang Dadao,
Wuhan 430022,
The People's Republic of China
Phone: 86-(27) 8582-1155
Fax: 86-(27) 8582-1177
e-mail: ibjwuhan@public.wh.hb.cn

● *Seoul Representative Office*

Takafumi Yoshida
Chief Representative

Press Center Building, 10th Floor, 25,
Taepyung-Ro 1-Ga, Chung-Ku,
Seoul 100-101, Korea
Phone: 82-(2) 736-2684~5
Fax: 82-(2) 736-2686
e-mail: ibjseoul@chollian.dacom.co.kr

▲ *P.T. Bumi Daya—IBJ Leasing*

Hiyoshi Kozaki
President Director

BNI Building, 21st Floor,
Jl. Jenderal Sudirman Kav. 1,
Jakarta 10220, Indonesia
Phone: 62-(21) 570-2588
Telex: 65191 (65191 BDIBJL IA)
Cable: BDIBJL IA
Fax: 62-(21) 570-1218

▲ *IBJ Lanston Futures Pte. Ltd.*
(A subsidiary of Aubrey G. Lanston)

John C. Gavin
Chief Executive Officer

16 Collyer Quay,
#14-00, Hitachi Tower,
Singapore 049318,
Republic of Singapore
Phone: 65-5383400
Fax: 65-5384100

▲ *IBJ Australia Bank Limited*

Tomoo Inose
Managing Director and Chief Executive

Level 21, Colonial Centre,
52 Martin Place,
Sydney, N.S.W. 2000, Australia
Phone: 61-(2) 9377-8888
Fax: 61-(2) 9377-8884
e-mail: ibja@ibj.com.au

▲ *PT. Bank IBJ Indonesia*

Hiroo Harada
President Director

BNI Building, 23rd Floor,
Jl. Jenderal Sudirman Kav. 1,
Jakarta 10220, Indonesia
Phone: 62-(21) 570-1010
Telex: 65263 (65263 IBJIND IA),
65495 (65495 IBJIND IA)
Fax: 62-(21) 570-1225~6
e-mail: sysdept@ibjjkt.co.id

▲ *IBJ Asia Securities Limited*

Akinori Han
Acting Managing Director

17th Floor, Two Pacific Place, 88
Queensway, Hong Kong, S.A.R.,
The People's Republic of China
Phone: 852-2103-3883
Fax: 852-2103-3702

◆ *CCIC Finance Limited*

Paul S. Muther
Managing Director

38th Floor A, Bank of China Tower,
1 Garden Road, Central, Hong Kong,
S.A.R., The People's Republic of China
Phone: 852-28200888
Fax: 852-28772105

◆ *Krung Thai IBJ Leasing Co., Ltd.*

Phinyavat Chantrakantanond
President

18th Floor, Thai Obayashi Building,
161 Rajdamri Road,
Lumpini, Pathumwan,
Bangkok 10330, Thailand
Phone: 66-(2) 651-8120
Fax: 66-(2) 254-6119

Branches and Agencies ■
Loan Production Offices ▼
Representative Offices ●
Overseas Subsidiaries ▲
Overseas Affiliates ◆

All telephone numbers given are for telephone calls placed from outside the country.

(As of June 29, 1999)

IBJ’s Presence in Japan

★ *Head Office*
3-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8210, Japan
Phone: 81-(3) 3214-1111
Telex: J22325 (KOGIN J22325),
J23215 (KOGIN J23215)
Cable: KOGIN TOKYO
Fax: 81-(3) 3201-7643
SWIFT: IBJT JP JT

■ *Sapporo Branch*
2, Kita 1-joh Nishi 5-chome,
Chuo-ku, Sapporo 060-0001
Phone: 81-(11) 231-0101

■ *Sendai Branch*
4-1, Ichibancho 2-chome,
Aoba-ku, Sendai 980-0811
Phone: 81-(22) 266-3111

■ *Fukushima Branch*
6-5, Motomachi, Fukushima 960-8035
Phone: 81-(24) 523-1111

■ *Chiba Branch*
1000 Shinmachi, Chuo-ku,
Chiba 260-0028
Phone: 81-(43) 238-6111

■ *Tokyo Corporate Banking Department*
2-16, Yaesu 1-chome,
Chuo-ku, Tokyo 103-8677
Phone: 81-(3) 3272-1311

■ *Kanda Branch*
3-1, Kanda-Ogawamachi 1-chome,
Chiyoda-ku, Tokyo 101-0052
Phone: 81-(3) 3296-0111

■ *Hibiya Branch*
2-9, Nishi-Shinbashi 1-chome,
Minato-ku, Tokyo 105-0003
Phone: 81-(3) 3507-0888

■ *Shinjuku Branch*
17-1, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo 160-0023
Phone: 81-(3) 3344-6111

■ *Shibuya Branch*
24-10, Shibuya 1-chome,
Shibuya-ku, Tokyo 150-0002
Phone: 81-(3) 3498-3111

■ *Ikebukuro Branch*
12-1, Higashi-Ikebukuro 1-chome,
Toshima-ku, Tokyo 170-0013
Phone: 81-(3) 3982-0111

■ *Kichijoji Branch*
14-5, Kichijoji-Honcho 1-chome,
Musashino, Tokyo 180-0004
Phone: 81-(422) 21-0211

■ *Machida Branch*
13-15, Morino 1-chome,
Machida, Tokyo 194-0022
Phone: 81-(42) 723-2111

■ *Yokohama Branch*
4-1, Kitasaiwai 1-chome,
Nishi-ku, Yokohama 220-0004
Phone: 81-(45) 319-3320

■ *Fujisawa Branch*
20-10-101, Minami-Fujisawa,
Fujisawa 251-0055
Phone: 81-(466) 22-7111

■ *Niigata Branch*
5942 Rokubancho, Nishibori-dori,
Niigata 951-8061
Phone: 81-(25) 229-2331

■ *Toyama Branch*
5-13, Sakurabashi-dori,
Toyama 930-0004
Phone: 81-(764) 41-1111

■ *Shizuoka Branch*
5-6, Miyukicho, Shizuoka 420-8715
Phone: 81-(54) 251-2111

■ *Nagoya Branch*
11-18, Nishiki 1-chome,
Naka-ku, Nagoya 460-0003
Phone: 81-(52) 201-7151

■ *Kyoto Branch*
630 Shichikannon-cho, Rokkaku-sagaru,
Karasuma-dori, Nakagyo-ku,
Kyoto 604-8162
Phone: 81-(75) 223-1123

■ *Osaka Branch*
1-1, Koraibashi 4-chome,
Chuo-ku, Osaka 541-0043
Phone: 81-(6) 6202-2351

■ *Umeda Branch*
8-17, Umeda 1-chome,
Kita-ku, Osaka 530-0001
Phone: 81-(6) 6341-2111

■ *Nanba Branch*
4-14, Nanba 3-chome,
Chuo-ku, Osaka 542-0076
Phone: 81-(6) 6644-1123

■ *Kobe Branch*
1-1, Onoe-dori 7-chome,
Chuo-ku, Kobe 651-0088
Phone: 81-(78) 222-1101

■ *Hiroshima Branch*
1-1, Kamiyacho 2-chome,
Naka-ku, Hiroshima 730-8710
Phone: 81-(82) 247-7111

■ *Takamatsu Branch*
6-8, Bancho 1-chome,
Takamatsu 760-8677
Phone: 81-(878) 21-5051

■ *Fukuoka Branch*
13-1, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001
Phone: 81-(92) 711-1234

▲ Japan Management Systems Inc.

4-1, Yaesu 2-chome, Chuo-ku,
Tokyo 104-0028, Japan
Tel: 81-(3) 3274-1391
Fax: 81-(3) 3275-0514
e-mail: info-jms@jmsinc.co.jp

▲ IBJ Systems, Ltd.

15-1, Konan 2-chome,
Minato-ku, Tokyo 108-6008, Japan
Tel: 81-(3) 5783-7800
Fax: 81-(3) 5463-0163

▲ IBJ Card Service Co., Ltd.

4-1, Yaesu 2-chome, Chuo-ku,
Tokyo 104-0028, Japan
Tel: 81-(3) 3275-3051
Fax: 81-(3) 3275-3223

▲ Kogin Investment, Ltd.

12-2, Gobancho, Chiyoda-ku,
Tokyo 102-0076, Japan
Tel: 81-(3) 3239-5670
Fax: 81-(3) 3239-6828
e-mail: tky-3ibj@po.iijnet.or.jp

▲ IBJ Securities Co., Ltd.

5-1, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100-0004, Japan
Tel: 81-(3) 5252-3111
URL: http: // www.ibjs.co.jp
e-mail: webmaster@ibjs.co.jp

▲IBJ Trust and Banking Co., Ltd.

11-19, Nibancho, Chiyoda-ku,
Tokyo 102-0084, Japan
Tel: 81-(3) 3262-2011
Fax: 81-(3) 3262-9550

▲ IBJ-DL Financial Technology Co., Ltd.

5-1, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-0004, Japan
Tel: 81-(3) 5200-7611
Fax: 81-(3) 3201-0698

◆ IBJ NW Asset Management Co., Ltd.

** Scheduled to change the name to*
DLIBJ Asset Management Co., Ltd.
on October 1, 1999

6-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-0005, Japan
Tel: 81-(3) 5221-7700
Fax: 81-(3) 3215-3736
Telex: J33125

◆ IBJ Investment Trust Management Co., Ltd.

6-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-0005, Japan
Tel: 81-(3) 3287-3111
Fax: 81-(3) 3287-1601
e-mail: webmaster@ibjitm.co.jp

◆ Nomura-IBJ Investment Services Co., Ltd.

2-1, Marunouchi 2-chome,
Chiyoda-ku, Tokyo 100-0005, Japan
Tel: 81-(3) 5223-2101
Fax: 81-(3) 5223-2105

◆ 3i-Kogin Buyouts Ltd.

8-1, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-0004, Japan
Tel: 81-(3) 3243-1261
Fax: 81-(3) 3243-1262

Head Office ★
Branches ■
Subsidiaries ▲
Affiliates ◆

THE INDUSTRIAL BANK OF JAPAN, LIMITED

■ Head Office
3-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8210, Japan
Phone: 81-(3) 3214-1111
Telex: J22325 (KOGIN J22325),
J23215 (KOGIN J23215)
Cable: KOGIN TOKYO
Fax: 81-(3) 3201-7643
SWIFT: IBJT JP JT

■ Established
1902

■ Capital
¥673,605 million

■ Authorized Shares
6,600,000,000

■ Outstanding Shares
Common Shares: 2,637,579,392
Preferred Shares: 280,000,000

■ Number of Shareholders
38,608 (Number of shareholders holding one or more full units of 1,000 shares)

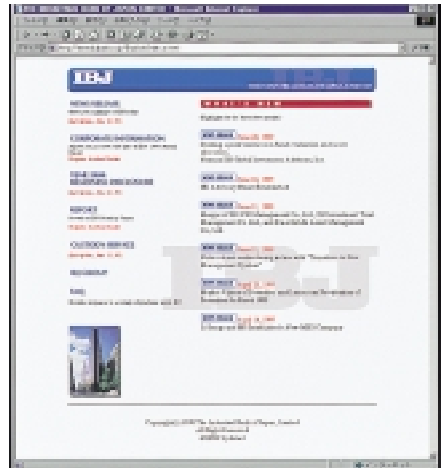
■ Stock Exchange Listings
Tokyo Stock Exchange
Osaka Securities Exchange

■ Independent Certified Public Accountants
Chuo Audit Corporation

■ Branches in Japan
26 Branches

■ Overseas Network
18 Branches and Agencies
4 Loan Production Offices
1 Marketing Office
8 Representative Offices
62 Subsidiaries and Affiliates

■ Number of Employees
Domestic employees: 4,752
Part-time, temporary: 471
Foreign employees: 1,272



URL: http://www.ibjbank.co.jp

■ Principal Shareholders

Name of Shareholder	Number of Shares Held (thousands)	Percentage of Total Shares Outstanding (%)
The Dai-ichi Mutual Life Insurance Company	164,149	6.21
Meiji Life Insurance Company	98,832	3.74
Nippon Life Insurance Company	87,847	3.32
The Sumitomo Trust and Banking Company, Limited	57,693	2.18
The Daiwa Bank, Limited	49,582	1.87
The Mitsui Trust and Banking Co., Limited	47,159	1.78
Nissan Motor Co., Ltd.	38,597	1.46
Nippon Steel Corporation	37,279	1.41
The Mitsubishi Trust and Banking Corporation	31,792	1.20
The Toyo Trust and Banking Company, Limited	28,816	1.09

■ Changes in Paid-in Capital

Date	Amount of Capital Increase	Paid-in Capital after Increase	Type of Issue (¥ million)
February 1, 1972	¥ 16,000	¥ 48,000	Allotment (Par value, 0.5 share for 1 share held)
February 1, 1975	16,000	64,000	Allotment (Par value, 1/3 share for 1 share held)
February 1, 1978	22,400	86,400	Allotment (Par value, 0.35 share for 1 share held)
August 1, 1981	17,280	103,680	Allotment (Par value, 0.2 share for 1 share held)
October 1, 1987	108,898	212,578	Allotment (Price between par and market, 0.05 share for 1 share held)
October 1, 1988	139,466	352,045	Allotment (Price between par and market, 0.08 share for 1 share held)
November 1, 1996	113,059	465,105	Allotment (Price between par and market, 0.08 share for 1 share held)
December 25, 1998	33,500	498,605	A third-party allotment of shares
March 31, 1999	175,000	673,605	A third-party allotment of shares

For further information, please contact the Public Relations Department.

(As of June 29, 1999)

IBJ

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