

# ANNUAL REPORT 2002

Year ended March 31, 2002



八十二銀行

THE HACHIJUNI BANK, LTD.

# PROFILE

The Hachijuni Bank, Ltd. is one of the leading regional banks in Japan. We are based in Nagano Prefecture, which is located in the center of Japan and is noted for the coexistence of beautiful nature and advanced industries.

Since its establishment in 1931 in Nagano City, Hachijuni has consistently maintained sound management policies, and is now considered to be one of the financially soundest Japanese banks. As of August 1, 2001, Hachijuni Bank greets the 70th anniversary of establishment, which is due to the support by the local communities for many years.

Branches of Hachijuni Bank can be found in Nagano, Gunma, Saitama and Niigata prefectures, as well as in the Tokyo, Osaka and Nagoya metropolitan areas. We also have overseas branch in Hong Kong, as well as the New York Representative office, the Singapore Representative Office, the Shanghai Representative Office and Hachijuni Asia Limited, a subsidiary in Hong Kong.



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# Message from the Management

## Summary of Business Performance

Trend of slowdown of the economy in Nagano prefecture, which is the primary business territory for the Bank, has become eminent in the current fiscal term, as productions by manufacturing industry, a basic industry in the prefecture, have been severely deteriorated by a decrease in export to the U.S., due mainly to a drastic decline in demand from IT industries. Business environment has become severer than ever, as the deflations have never stopped getting serious. Companies have been urged to implement their restructuring such as cost cutting or shifting of their production facilities to overseas. Besides, the employment conditions have precipitously worsened due to such economic downturn, which further weakened personal consumptions.

Stock prices also have drastically declined and stayed anemic as a result of which Nikkei Stock Average has continued to be in the level of less than ¥10,000 although it returned to ¥11,000 at the end of the current term.

Under these economic conditions, **the consolidated business results** of the Bank are as follows:

Although restructuring effort in overall management including effective fund investment and financing has been strenuously made, an operating loss of ¥25,293 million and a net loss of ¥15,545 million are posted for the current fiscal year primarily due to a booking of a non-consolidated net loss.

**Non-consolidated business results**, which account for major portion of the consolidated results, are as follows:

Concerning bad debt disposals, necessary and adequate write-off of loans and provision for possible loan losses had been executed in order to secure sound and healthy assets. However, during the current term, substantial additional amount of provision for possible loan losses has been made, as the extent of deterioration of borrowers business conditions have expanded due to the prolonged depression. Losses on impairment of securities value have also been strictly booked continuously and substantial amounts of valuation loss on stocks and other equity securities, etc. are recorded.

As a result, provision for possible loan losses totals ¥41,702 million and valuation loss on stocks and other equity securities totals ¥15,864 million, which resulted in an operating loss and net loss of ¥25,082 million and ¥15,267 million respectively.

**Business result by type of business:** Banking business sector shows an operating loss of ¥25,640 million worsened by ¥47,580 million compared with the previous term because of posting of non-consolidated operating loss. While leasing business records an operating profit of ¥1,137 million and other businesses posts an operating loss of ¥798 million.

**Projections of consolidated earnings for the fiscal year ending March 31, 2003:** Consolidated operating profit and consolidated net income are projected to increase by ¥42,200 million and ¥24,700 million from the current term to ¥17,000 million and ¥9,200 million respectively owing to the projected improvement in non-consolidated earnings.

**Projections of non-consolidated earnings for the fiscal year ending March 31, 2003:** Non-consolidated operating profit and net income are projected to increase by ¥40,000 million and ¥24,200 million from the current term to ¥15,000 million and ¥9,000 million respectively, as amounts of bad debt disposal and impairment losses on securities, which are substantial in the current fiscal year, are expected to decrease in the next fiscal year.

## Summary of Financial Standings

**Results of consolidated main accounts** are as follows:

**Outstanding balance of deposits** increased by ¥17.2 billion centering on personal deposits to ¥5,142.5 billion with expectation by depositors of the implementation by the government of a 10 million yen cap on deposit protection in April 2002.

**Outstanding balance of loans and bills discounted** increased by ¥40.6 billion from the previous term to ¥3,810.9 billion with the emphasis being placed on reinforcement of lending activities.

**Outstanding balance of securities** increased by ¥135.5 billion to ¥1,388.7 billion by proceeding with diversification of investment portfolio under the continued low interest rate environment.

**Results of non-consolidated major accounts** are as follows:

**Outstanding balance of deposits** increased by ¥14.5 billion to ¥5,150.3 billion.

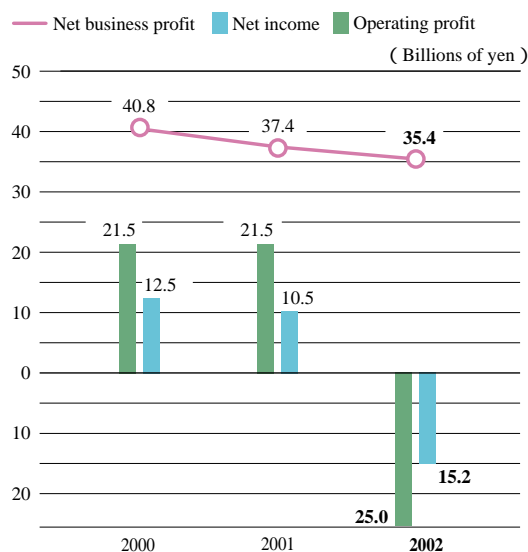
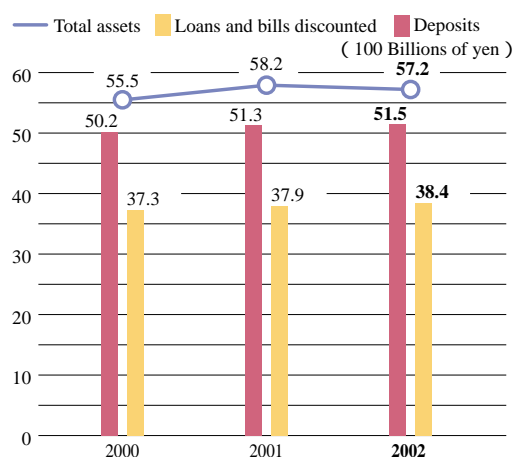
**Outstanding balance of loans and bills discounted** increased by ¥52.6 billion to ¥3,845.7 billion.

**Outstanding balance of securities** increased by ¥136.2 billion to ¥1,377.0 billion.

**Consolidated cash flows:** Cash flows provided from operating activities are ¥187,253 million, an increase of ¥174,336 million compared with the previous term due to a decrease in due from banks and others. Cash flows used in investment activities are ¥205,015 million, an increase of ¥189,707 million from the previous term mainly used for acquisition of securities. Cash flows used in financing activities are ¥15,311 million, which is an increase of ¥1,218 million from the previous year due mainly to repayment of loans with subordinated supplementary contracts and acquisition of treasury stocks for stock option system. As a result, outstanding balance of cash and cash equivalents decreased by ¥33,049 million to ¥99,077 million.

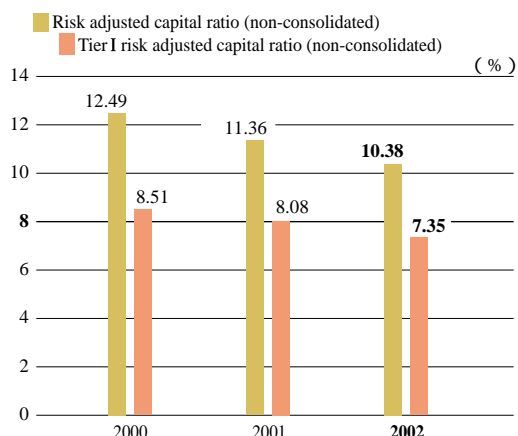
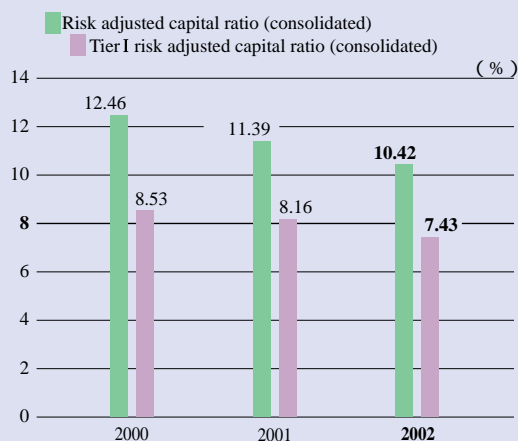
**Risk adjusted capital ratio (BIS standard)** is 10.42% for consolidated basis and 10.38% for non-consolidated basis.

Consolidated and non-consolidated risk adjusted capital ratio decreased by 0.97% and 0.98% respectively from the previous term, as Tier I and Tier II capital ratios used as a numerator for calculation of risk adjusted capital ratio decreased due to a booking of net loss, acquisition of treasury stocks for stock option system and decrease in latent securities valuation gains, while risk assets as a denominator increased centering on loans and bills discounted.



The total consolidated and non-consolidated outstanding balances of **assets under risk management** such as loans to customers in bankruptcy and past due loans and others increased by ¥107,600 million and ¥104,300 million to ¥352,700 million and ¥338,000 million respectively.

From the current fiscal year, loans to customers classified as “Legal bankruptcy”, “Virtual bankruptcy” and “Possible bankruptcy” in accordance with Self assessment of asset quality rules have been classified as either loans to customers in bankruptcy or past due loans regardless of whether their interests are accrued or not. As a result, these assets under risk management increased by ¥55,800 million for both consolidated and non-consolidated basis compared with the amount calculated under the previous standards.



### Financial Highlights (Consolidated)

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>For the year:</b>			
Total income	¥ 179,487	¥ 207,149	\$ 1,346,999
Total expenses	205,093	187,717	1,539,161
Income before income taxes and Minority interest	(25,605)	19,431	(192,162)
Net income	(15,545)	10,381	(116,666)
<b>Per share of common stock (in yen and dollars):</b>			
Net income	¥ (28.71)	¥ 18.96	\$ (0.21)
<b>At year-end:</b>			
Deposits	¥ 5,167,114	¥ 5,202,616	\$ 38,777,594
Loans and bills discounted	3,810,902	3,770,262	28,599,640
Securities	1,388,772	1,253,185	10,422,311
Total assets	5,801,974	5,902,435	43,542,025
Stockholders' equity	353,311	385,748	2,651,493
Risk-adjusted Capital Ratio (BIS Standards)	10.42%	11.39%	

Notes: 1. Yen figures have been rounded down to the nearest million yen.

2. The United States dollar amounts represent translations of Japanese yen at the exchange rate of ¥133.25 to US\$1.00 on March 31, 2002.

3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

In recognition of the substantial negative earning of the current fiscal year, we want to set up and commit to the objective aiming toward improvement in future earnings. We will implement and achieve such objective rapidly and steadily, enhance our management transparency through proactive disclosure of information and contribute to prosperity of the regional community as a bank that can earn more of the trust of the community and provide better service to customers. We know that our responsibilities are not only to provide financial services but also to contribute to the prosperity of the regional economy and society. This requires every employee and officer of our bank to make their fullest effort to reform their views and acts so that we can respond to the trust and expectations of customers and people in the community.

*Minoru Chino*

Minoru Chino  
Chairman

*Kazuyuki Narusawa*

Kazuyuki Narusawa  
President

# Management Policies

## Basic Management Policies

We strive earn the trust and reliability of our customers by giving highest priority to them under our management philosophy to “stick to the sound and healthy banking thereby contributing to the prosperity of the regional communities”.

## Summary and Target Indexes of the Long-term Management Plan

The management slogans set forth in the long-term management plan covering a period from April 2001 to March 2004 are “~Aggressive entry into new market and expansion of contact opportunities with customers~ namely (1) Reinforcement in making inroads into the retail market, (2) Development of new service channel, and (3) Proactive entry into e-Business”. With these slogans, the Bank strives for establishing a solid business and earning foundation to ensure survival in this turbulent era. Under this plan, the Bank had established target indexes focusing more on reinforcement of profitability and had aimed to achieve these initial goals. However, as the economic and financial conditions has substantially changed from the time (during the fiscal year ended March 31, 2000) these target data was initially drawn up, the Bank has reviewed its recent business performances and revised its target indexes with a great regret as follows. The Bank considers the newly formulated goals are the minimum target to achieve and it will commit to attain every target indexes by implementing various projects steadily but promptly.

### Goals to be achieved by March 31, 2004

(1) Tier I Capital Adequacy Ratio .....	7.6%
(2) Return on Assets (ROA), excluding General Reserve for Possible Loan Losses .....	0.7%
(3) General and Administrative Expenses as a Percentage of Profit on Business Transactions (OHR) ...	62%
ROE as the result of the above .....	4~5%

## Basic Policies on Profit Sharing

The Bank puts special emphasis on maintaining sound management in the light of the public nature of banking businesses. It is the Bank's basic policy to continue to pay stable dividends to shareholders as well as to strengthen its financial standings keeping sufficient retained earnings.

The Bank regrettably posted a negative net income for the fiscal year ended March 31, 2002 but it determined to pay the fiscal year end dividend for ¥2.50 pursuant to the above mentioned policies.

In addition, during the fiscal years ended March 31, 2000 and 2001, the Bank acquired and retired 27,847,000 shares of treasury stocks in order to improve return on equity and per share profit. And during this fiscal year ended March 31, 2002 the Bank implemented a stock option system for which it acquired 5,555,000 shares of ordinary stocks in order to execute management more precisely cognizant of a linkage of stock price and business results.

## Management Plan for the Fiscal Year ending March 31, 2004

### 1. Expansion of Profit Sources

- (1) Increase in interest income
- (2) Increase in fees and commissions

### 2. Commitment to Better Quality Assets

- (1) Improvement of borrowers classification (credit rating)
- (2) Promotion of collection and keeping-off-from-B/S of claims subject to resolution
- (3) Contraction of risk exposures related to securities

### 3. Establishment of Independency-minded Organizations and Corporate Culture

- (1) Reform of profit management system
- (2) Improvement of business promotion/management system
- (3) Reform of personnel system

More specifically, profitability improvement will be fulfilled by “expansion of profit sources” by firmly earning proper interest for loans, enhancing the entry to new markets, increasing market share in loan businesses, and working proactively to increase fees and commissions, as well as by full-fledged cost reduction. Included in measures to be positively taken in order to improve assets quality are enhancement of support provided to customers for their management improvement and reconstructions, aggressive collection and keeping-off-from-B/S of claims subject to resolution, and enhancement of risk management for securities investment. We will also proceed with reform of organizations and corporate culture, for instance, by amending profit management scheme so that branch performance can be more properly evaluated and by making sweeping revision of personnel system. In addition, we are resolved to make further effort to execute accurate disclosure of information and enhance management transparency and reliability.

## Short-term Management Plan

In order to achieve the Bank's long-term plan, we make it a rule to formulate a short-term plan for each year and tries very hard to accomplish it. In the fiscal year ending March 31, 2003, amid drastic changes in the financial environment including the expected termination of unlimited government guarantee on bank deposits, further management reform is required to be implemented. In recognition of substantial negative earnings for the fiscal year ended March 31, 2002, we have established management policies specifying such goals as “expansion of profit sources”, “commitment to better quality assets”, and “establishment of independency-minded organizations and corporate culture”. All of employees and officers will work hard as a group to achieve these goals.

## Issues to Take Measure for and Implementation Status

### Improvement in Net Profit on Core Business Transactions

#### A. Loan Businesses

- (a) Regarding the loan businesses, which are a pillar of banking business as a whole, the Bank continues to aim toward construction of interest rate system reflecting credit risks and try to expand product lines and services to respond various needs from many customers.
- (b) For consumer loan customers, in addition to the product “Free loan service” named “Hachini-no Kantakun” launched in April 2001, the Bank also started to sell “Hachini-no Kantakun Card” which is added with features of more convenience in June 2002. With regard to housing loan products, the Bank continues effort to review loan conditions to make the product more convenient for customers to use and has started to hold a “Saturday Loan Consulting Meeting”, which is held on the second Saturday of every month in 15 branches where customers are able to get consultations from the Bank staffs and has also instituted a “Housing Loan Preliminary Consultation Service”. “Hachini-no Kantakun” continues to gain customers’ favor and the outstanding balance as of March 31, 2002 has exceeded ¥4,000 million.
- (c) Also with regard to corporate business loans, the Bank tries to reinforce the system to promptly respond to customers’ needs. Since July 2000, a product named “Start-Up”, which is for providing fund for new business start-up, and October 2000, “Speed-Up” to meet unexpected financial needs of customers has been launched. And in October 2001, the Bank began to sell a product called “Hachijuni Business Loan ‘Kamon’ ”. In addition, the Bank launched “Hachijuni Card Loan <Kamon>” in January 2002. The Bank will further make efforts to institute the system to make products available for customers to use in “quicker-easier-simpler” ways than now.

#### B. Market Investment Businesses

- (a) Decline in yields continues to be expected due to redemptions of high yield securities at maturity. In addition to investments centering on Japanese government bonds and local government bonds, the Bank will try to make shift to diversified investments including an execution of outsourcing of a certain portion of portfolios, thereby aiming to secure profit on investments.
- (b) The Bank started to operate “Market Risk Evaluation/Analysis System” in the second half of fiscal year ended March 31, 2002 thereby having strengthened measures to cope with the market fluctuation risk including risk exposure of policy-related investment stocks.

#### C. Improvement in Fees and Commissions

- (a) In order to make these income sources the second pillar of the Bank’s profit, the Bank has established various new fee schedules and reviewed them and also proactively enters into banking related businesses that generate fee income.
- (b) The latest performances in this regard are that a money transfer fee schedule has been revised since August 2001 and that a new fee schedule for yen currency change services has been established since November 2001.

### Reform of Business Organization

- A.** The Bank will transform its business organization to a cost and profit oriented structure placing importance on “Reinforcement of investment competency and improvement of profitability”. With the shift to a branch management system focusing on profitability, the Bank will re-assign human resources competent in business operations to wherever profit opportunities exist, implementing for instances an assignment to branches of staffs specialized in and responsible for investment oriented products such as investment trust, foreign currency deposit, and public debt securities which will likely to generate fee income. In addition, the Bank establishes Business Promotion Department in Head Quarter and reinforces the department with specialized staffs to promptly respond to sophisticated and diversified needs of customers such as consultation.
- B.** Branching system and outside-of-branch quick service corners are now being reviewed. Concerning branch network, the Bank merged Higashimachi Branch with Fukashi Branch in July 2001, and integrated Murayama Representative Office into Suzakaekimae Branch in October 2001. Besides, it made 12 neighboring branches in Nagano prefecture an allied branch in order to have them reinforce and boost efficiency of business promotion functions cooperating with each other. With regard to outside-of-branch quick service corners, the Bank is now proceeding with the plan to have ATMs in outfits of Lawson, Inc. substitute them by having entered an alliance agreement with Lawson ATM Networks Co., Ltd. During the current fiscal year, the Bank has installed joint ATMs in 39 outfits of Lawson, Inc., while has abolished 26 outside-of-branch quick service corners.
- C.** As new service channels, the Bank established “82 (Hachijuni) Plaza Nagano” as a consultation specialty corner in May 2001, and a Housing Loan Center in Iida district in April 2002. The Bank will establish Housing Loan Centers subsequently in gradual order in the cities of Nagano and Matsumoto. Direct service channels will be further reinforced and the Bank plans to make them strong foundations as efficient business promotion channels. The outstanding subscriptions the Bank won for Telephone Banking Services are about 34,000 as of March 31, 2002 and the Bank has also succeeded in signing more than about 20 thousand contracts for the Internet Banking Services by March 31, 2002, with the effect of including in its services a function of receiving applications for opening time deposits, provision of e-mail noticing services and others in addition to its convenient 24 hours a day, 365 days a year services. The number of transactions using the Internet Banking Services has exceeded 100 thousands monthly.

## Reinforcement of Profit Base

- A.** In order to improve profitability, the Bank work positively toward expansion of business areas. Included in such areas are sales of investment type products such as investment trust, defined contribution pension system business, entrant to insurance business, business start-up support through the group companies and others. With regard to the investment trust related products, the Bank launched the Bank's first special fund named "Shokokumanyu (means travel all over the country)" and Four Banks (members of Kanto Regional Banking Service Research Council) Special Fund named "Tawawa (means heavily laden)".
- B.** Concerning asset management business, the Bank has developed and implemented "new self-assessment system" which makes available a prompt and highly sophisticated credit risk management. This system enables synchronized execution of "borrowers rating" to objectively evaluate credit risks and "self-assessment of loan assets" for the purpose of making proper charge-offs and provision of reserves for possible loan losses. With this system, it is possible to reinforce credit risk management by promptly grasping trends of borrowers creditworthiness. The Bank will proceed with credit risk quantification with this system and make effort to implement pricing projects or portfolio management plans to ensure that the Bank can gain its interest revenue conforming to the risk exposures.
- C.** In order to further reinforce services to assist customers mired with business deterioration for their restructuring and management improvement efforts, the Bank established "Business Management Supporting Team" in the Loan Supervision Department II in November 2001. With regard to bad debt disposals, "Yamabiko Services Co., Ltd.", a subsidiary specialized in credit collection management and started its operation in August 2000, is now providing services to support prompt disposal and collection of bad debts.
- D.** The Bank is also working proactively for the cost reduction. The Bank started short-term intensive project to sweepingly review non-personnel expenses. Personnel reduction plan has also been restudied and a reduction of 250 employees, which is 110 employees more than the initial plan, is made a goal to be accomplished within the period from April 2001 to March 2004.
- E.** Concerning an operation system of the Bank, "Juudan-kai" organized by seven regional banks (Hachijuni Bank, Ryukyu Bank, Shinwa Bank, Yamagata Bank, Awa Bank, Miyazaki Bank, and Kanto Bank) which share the same host system is now working toward a joint project with a scheme enabling each of the participating bank to use a shared version of the host system the Bank has developed. The development of the shared version of the system has been completed and each bank is now under the process of migrating the presently using system to such lately developed shared version of the system, whereby substantial reduction of system development cost can be expected. In addition "Kanto Regional Banking Service Research Council (Hachijuni Bank, Joyo Bank, Gunma bank, and Yamanashi Chuo Bank)" had conducted joint research and development works concerning various financial businesses, clerical works, systems, financial products and services. The council has materialized a joint outsourcing of check clearance clerical works, and development and sale of shared investment trust products.
- F.** The Bank also proactively works toward reinforcement of internal control system to ensure that the Bank can secure profit conforming to risk exposures by implementing reinforcement and expansion of risk management and profit management systems to control risk exposures under an appropriate level.

## Corporate Governance

- A.** Regarding corporate governance, a corporate officer system was introduced in October 1999. In June 2000, corporate officers were selected while two director positions were abolished, whereby the board of directors was made to be composed of nine members. The frequency of holding board meetings and management meetings was also raised in order to enable prompter decision-making and reinforcement of functions to monitor and supervise business execution management.
- B.** In order to further promote and implement reinforcement of risk management system, the Bank established Risk Management Department in the Head Quarter in June 2002.





# The Objectives and Commitment of the Hachijuni Bank

## Efforts to Deal with Bad Debts for the Fiscal Year ended March 31, 2002

Concerning bad debts disposal, the Bank has been providing adequate and appropriate reserves for possible write-offs and loan losses, estimating the amount by the degree of collectibility and impairment of values of the Bank's assets based upon the results of self-assessment.

The Bank either provides reserves for or writes-off, total amounts of claims not secured by collaterals or guarantees to debtors who are legally bankrupt and virtually bankrupt, and total amounts of claims not secured by collaterals or guarantees multiplied by historical loan loss rates to debtors who are not virtually bankrupt but likely to become bankrupt. In order to prepare for future loan loss risk exposure, general reserve is provided for estimated loss amounts for two years based upon historical loss experience for claims to "debtors in normal operations", and for estimated loss amounts for a period corresponding to an average loan outstanding period based upon historical loss experience for claims to "debtors to be monitored" and "general debtors to be closely watched other than debtors to be monitored" by dividing these debtors in juridical persons and natural persons.

The amounts of bad debts disposed of for the fiscal year ended March 31, 2002 increased by ¥23.8 billion from the previous period to ¥39.5 billion, as a result of having continuously taken necessary and proper measures responding to declined collateral values caused by fall of land prices and deterioration of debtors' business conditions.

Every time a debt is defaulted, the Bank sets aside the necessary amount of money in additional reserves for possible loan losses, and therefore no shortage of reserve is reported.

### Regarding Terminologies:

#### Prompt Corrective Action

Administrative measures taken by regulatory authorities instructing financial institutions to take actions to correct management. Orders for preparation and implementation of business improvement plan, or for business suspension will be issued to those banks whose capital adequacy ratios go below a certain required level.

#### Claims under Risk Management

Banks are required by the Banking Law and its relevant Enforcement Regulations to disclose matters regarding their businesses and financial conditions in each fiscal year. Amounts of loans to customers in bankruptcy, past due loans, loans contractually past

due 3 months or more, and structured loans are included in such matters to be disclosed.

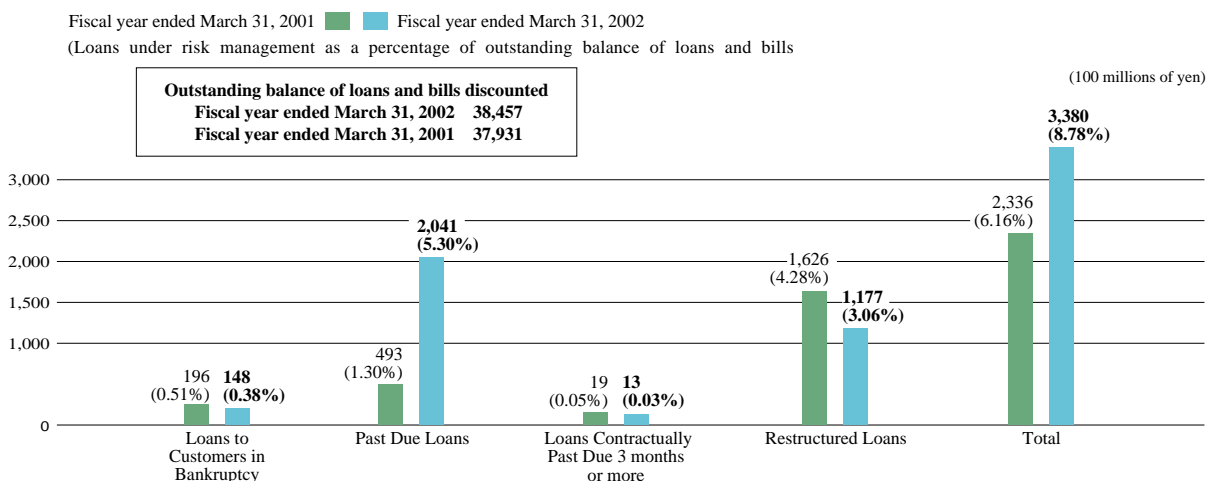
#### Law concerning Emergency Measures for the Revitalization of the Function of the Financial System

This is a law stipulating principles concerning disposal of bad debts by financial institutions for the purpose of revitalization and reconstruction of financial functions. Article 7 of the law stipulates that when financial institutions conduct self-assessment of their assets, total amount of classified assets based upon debtors' financial conditions and business results are required to be disclosed.

## The Present Status of Bad Debts

Loans under risk management as of March 31, 2002 are disclosed as follows:

The amounts of "loans to customers in bankruptcy", "past due loans", "loans contractually past due 3 months or more" and "restructured loans" are ¥14.8 billion, ¥204.1 billion, ¥1.3 billion and ¥117.7 billion respectively.



Note 1: Partial direct charge-off of claims has not been carried out.

Note 2: Possible amounts of recoveries through disposition of collaterals pledged to the Bank are not included in the foregoing disclosed amounts. Therefore the disclosed amounts do not necessarily represent actual future loss amounts of the Bank.

Note 3: From the current fiscal year, loans to customers classified as "Legal bankruptcy", "Virtual bankruptcy" and "Possible bankruptcy" pursuant to self assessment of asset quality rules have been classified as either loans to customers in bankruptcy or past due loans regardless of whether their interests are accrued or not.

### Regarding Terminologies:

#### Loans to Customers in Bankruptcy

Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers who are alleged to commence legal corporate rearrangement procedures under Company Rehabilitation Law, Bankruptcy Law, Civil Rehabilitation Law, Commercial Code of Japan and other related laws, and/or to customers whose transactions with banks are suspended by the rules of clearing house.

#### Past Due Loans

Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers other than customers in bankruptcy and customers on

which the Bank granted concessions such as deferral of interest payments in order to support for their management reconstruction.

#### Loans Contractually Past Due 3 months or more

Loans, either principal or interest payment of which is contractually past due for 3 months or more, excluding loans to customers in bankruptcy and past due loans.

#### Restructured Loans

Loans to customers on which the Bank granted concessions such as reduction of the stated interest rate, deferral of interest payments, extension of maturity date, debt forgiveness and other arrangements favoring customers to support for their management reconstruction, excluding loans to customers in bankruptcy, past due loans and loans contractually past due 3 months or more.

## Risk Management

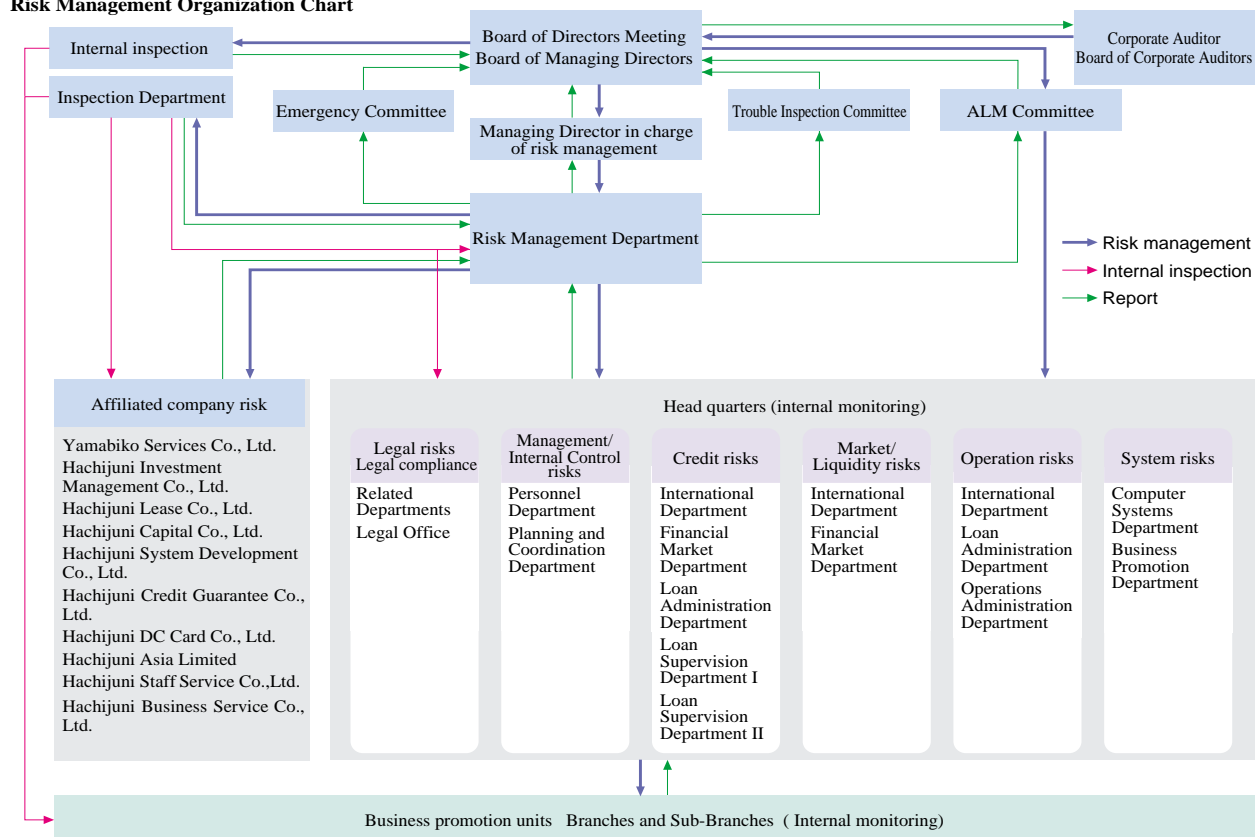
### Comprehensive Risk Management Systems

Each department and branch at the Bank that handles lending operations, market operations and clerical operations and others properly manage various risks involving their respective businesses and also monitor processes of their works by themselves in accordance with the Internal Monitoring System. The Risk Management Department conducts centralized monitoring of the risk management activities of these departments and branches to understand and control risks. Critical information regarding risk exposures involving all such businesses, markets and financial products is stored at the Risk Management Department, and is used by the top management in decision-making.

The Bank has established ALM Committee, members of which are mostly executive officers, in order to control quantifiable risks (particularly those involving market business operations) and properly maintain balances of risks and returns.

In addition, the Bank has established a system that the Inspection Department, which is made responsible for internal control independent from departments in charge of actual business operations, performs inspections of business operation status of each department and branch and their risk management performances and makes recommendations for corrections for matters to be improved according to their independent judgment.

**Risk Management Organization Chart**



## Credit Risk Management

The Loan Administration Department, the International Department and the Financial Market Department are responsible for credit risk management of domestic loans, foreign loans, and bonds and securities respectively. Especially in the case of credit risk management of domestic loans, the Bank has proactively improved its domestic credit supervision system to maintain the soundness of its assets. This was done by strengthening loan supervisory abilities through the accumulation of expertise in a wide variety of fields. The domestic credit risk management system at the Head Office consists of the Loan Administration Department, which plans basic credit risk management policies and plans and supervises credit ratings and self-assessment; the Business Promotion Department, which is in charge of actual business development; and two Loan Supervision Departments, which analyze and examine the financial status of each customer and specific loan application. These departments are independent of each other and serve to monitor each other's activities. Loans to be handled by branches are inspected in multiple stages between the receipt of applications and the final decision for implementation.

Concerning the credit risk's quantification system, the Bank participated in the development of Regional Bank's Shared Risk Management System, and commenced accumulation of the relevant data in July 1999. The Bank will continue to proceed with the quantified credit risk analysis and aim to make the analysis result reflect on management strategies.

## Market Risk Management

To maintain a proper balance between risks and returns and to regulate risk-taking to a proper level, the Bank determines market operation policies for each fiscal year in consideration of market environment, management capabilities, and other factors. Furthermore, maximum quantity of risks and loss limits allowable for each transaction item and for each customer are determined with the approval of the Board of Managing Directors. Each department responsible for transactions conducts operations within these limits and reports risk status to executive officers in charge on a daily basis. As these processes indicate, quick and appropriate responses to market risks are implemented.

In business management, checks and balances are also ensured through a system which precisely divides the functions of the front office (which conducts business operations) and the back office (which handles office processing for the related business transactions), as well as establishment of the middle office responsible for risk control and management. In addition, to control risks more properly, the Bank has started operation of integrated market risk evaluation/analysis system from the current fiscal year to cope with the recent tumultuous changes of financial market environment.

## Compliance Challenges

“Compliance” means the act of observing general laws, and/or internal rules and standards as well as any social code of conducts, which is considered the base of any socially desirable conducts.

Considering the public missions of banks to maintain orderly credit system, which is the foundation of the economy, no matter how intensive the competition is and how complex and diversified relevant rules and regulations are, any acts not in compliance with rules will make the Bank damage its social reputation and may even shake its own management foundation.

Under the recognition that corporate “Compliance” failure may quake management foundation of the Bank itself, it has regarded “Establishment of Compliance System” as a priority issue, whereby aiming toward materialization of sound and highly transparent management.

## Basic Policy for Compliance

- **“Any employee should thoroughly understand and comply with laws and internal rules and regulations”**

The first step to implement “Compliance” is to be thoroughly familiarized with laws necessary for and related to business operations and internal rules and regulations, as well as what is required by social codes of conducts.

- **“Any employee should always act with good and sound judgment as a member of the Hachijuni Bank”**

As a member engaging in businesses deeply involved with prosperity of the regional community and public interests, each employee should always control himself or herself based upon common sense prevailing in the society.

- **“When making decisions, any employee should always give priority to laws and social codes rather than the interest of the Hachijuni Bank”**

If any effort to earn profits for the Bank contradicts to acts of observing “Compliance” rules, employees should not hesitate to give priority to social codes and/or public interests in order to emphasize fair corporate activities.

## Compliance System

The Bank positions the Legal Office in the General Affairs Department as an “Office in charge of Compliance”. The Legal Office conducts centralized control and research, study and training regarding every legal matter in relation to compliance requirement, and tries to nurture compliance-oriented corporate culture in coordination with “Compliance Officer” assigned at every branch.

The Bank also established a system that every employee can directly inform the Office in charge of Compliance of any acts breaching compliance and consult with the Office. As indicated in the foregoing paragraph, enhancement of the internal checks and balances system and measures preventing acts breaching compliance are well implemented.



# Environmental Conservation Activities (Environmental Report)

With an increasing sense of crisis toward global environmental problems, reviews of conventional socio-economic activities have recently become an urgent necessity. Achieving symbiosis with natural surroundings by converting from a mass consumption and waste-producing society to a recycling-oriented society has become an important theme for corporations and individuals. Hachijuni Bank has recognized that considerations to environmental problems are our social responsibility as a corporate citizen. We also believe that it is our duty as a company that consumes resources to alleviate environmental loads. We are committed to actively tackling environmental problems.

## Hachijuni Bank Environmental Policies

All executives and regular employees of Hachijuni Bank will pursue environmental conservation activities while recognizing that considerations to environmental preservation are our social responsibility as a corporate citizen and that it is our duty as a company that consumes resources to alleviate environmental loads.

1. We will continuously improve our environmental management system and prevent pollution by having an accurate grasp of environmental impacts of Hachijuni Bank's activities, setting and achieving environmental targets and goals and reviewing them on a regular basis.
2. We will abide by relevant environmental laws, other requirements that Hachijuni Bank agrees to and voluntary standards.
3. We will endeavor to conserve resources and energy.
4. As a bank with many customers, we will strive to contribute to improving community environments by supporting our customers engaging in environmental conservation through the provision of financial products, information, etc.
5. We will promote enlightening activities so that all executives and regular employees will raise their awareness of environmental problems and practice such activities.

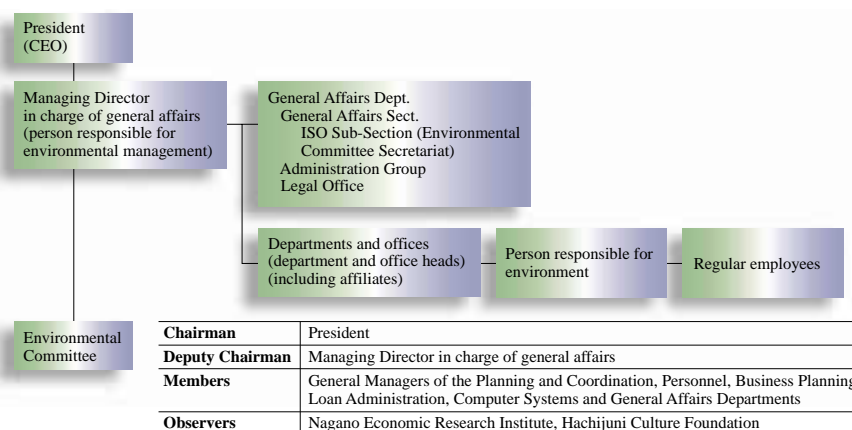
- These environmental policies will be announced both within and outside of the company. -

## Establishment of the Office Responsible for Environmental Management

The Bank, as a corporate citizen, received ISO 14001 certification as Japan's first regional bank in 1999 and the coverage of the ISO 14001 certification was expanded to include all domestic branches in the fiscal year ended March 31, 2002.

With such expansion of the coverage of ISO 14001 certification, the number of units covered now reached 170 (141 branches, 7 regional centers, 18 departments in the Head Office and 4 affiliated companies) and the number of employees involved is a little over 5000. The Bank established "Environmental Committee" which is assigned to work out commitment policy of the whole bank to environmental problems. The Bank also assigned promotion leader (responsible for environment issues) to each branch and department.

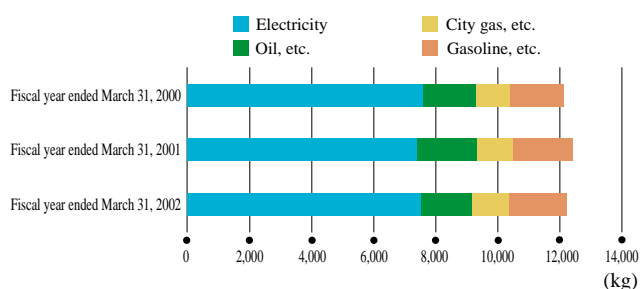
In addition, in April 2002, taking opportunity that every domestic branch have obtained ISO 14001 certification, the Bank established the Environmental Office in the General Affairs Section of the General Affairs Department in charge of centralized control of environmental activities whereby enhancing the system to pursue environment conservation.



## Responses to Global Warming Problems

Electric power consumption of the Bank in the fiscal year ended March 31, 2002 increased by 2% from the previous period due to extension of ATM available hours and increased installation of servers at all over the branches in line with the spread of office automation. However thanks to the energy savings effort made by the whole bank, carbon dioxide emissions decreased by 1.2% from the previous fiscal year.

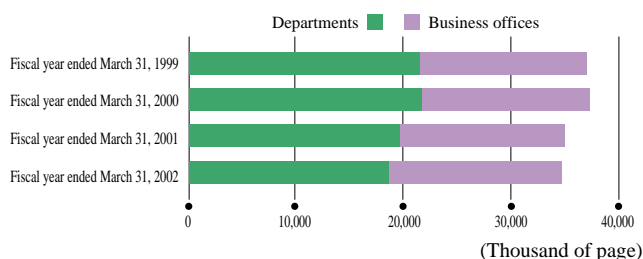
**Carbon Dioxide Emissions by Type of Energy**



## Reduction of Paper Volume consumed

By performing thoroughgoing double-sided printing and reuse of the backside of copied paper, the Bank reduced its consumption of papers including papers for copying by 0.9% compared with the previous period. Since 1992, the Bank has been engaging in recycling of used papers and has been using recycled paper as toilet paper and tissue paper internally and also as giveaway gifts to customers.

**Consumption Volume of Papers for Copying, etc. of Whole Bank**



## Promotion of Environmental Conservation Type Loans

The Bank has started introduction of and advertisement for environmental conservation type loan products and the number of transactions and outstanding balance of such loans reached 574 and ¥733 million respectively in the fiscal year ended March 31, 2002. The Bank considers that these products contribute to environmental conservation of the regional community.

**Results of Environmental Conservation Type Loans for Fiscal Year ended March 31, 2002**

Loan Products	Number of Transactions	Loaned Amount (Thousand of yen)
Eco-merit	20	45,000
New Wave	5	14,000
Sewerage Loan	526	386,870
Solar Loan	13	25,402
Institutional Fund for Prefectural Environmental Measures	10	261,900

# International Operations

As internationalization has progressed in social and economic affairs, international operations have gained more importance not only for us but also for our customers.

Nagano Prefecture, which is the major business base for Hachijuni Bank, has developed as an advanced region in Japan in terms of foreign trade and international business operations. The history of foreign trade in the region began with the export of silk in Meiji era (1868-1912). After World War II, major export items from Nagano Prefecture were watches, music boxes and other products from the precision machinery industry. Export shipments now account for nearly 20% of the total shipment value of manufactured products, centering on those from the electrical and nonelectrical machinery industries.

Now more than 800 customers of Hachijuni Bank also have bases in other countries, primarily in Asia.

Since the launch of its foreign exchange business in January of 1962, Hachijuni Bank has expanded its international operations to meet the growing needs of its customers who operate on the global economy.

Currently, we have one overseas branch — Hong Kong — three representative offices — New York, Singapore and Shanghai — and one local subsidiary in Hong Kong.



## Opening of the Shanghai Representative Office (May 2002)

As a second Chinese facility following Hong Kong Branch, the Bank obtained a permit to open Shanghai Representative Office in March this year and started activities in May. China, which is one of countries attracting the hottest attention from all over the world, is expected to further develop as it has obtained a WTO membership. Companies in Nagano Prefecture are proactively establishing manufacturing and sales facilities in China, and especially their inroads to the south eastern region (such as the city of Shanghai, and Provinces of Jiangsu and Zhejiang) are remarkable. The Bank will support its customers in their making inroads to China from various aspects and try to provide them with every kind of information from the city of Shanghai, which is the largest business city as well as a center of the economy and finance in China.

## Hong Kong Branch

Many of our customers have established production/sales operations in Asia. In China (including Hong Kong) alone, almost 220 of our corporate customers operate businesses.

Since its opening in May 1991, the Hong Kong Branch has been improving the financial services offered to these companies. As a result, Hachijuni Bank now handles the largest foreign exchange volume of any Japanese regional bank with a Hong Kong branch. Furthermore, the Hong Kong Branch offers a wide variety of services, such as supporting customers planning to expand business in China and other Asian countries, providing various information, and coordinating a business association of our customers in the city.

Hachijuni Asia Limited (HAL), our wholly owned subsidiary in Hong Kong, underwrites and sells Euro bonds and serves as the managing underwriter of foreign currency bonds issued by our customers in Japan, as well as offering other securities services. Through these activities, HAL responds to the direct financing needs of our customers.

We will offer a wider variety of financial services through the aforementioned activities and help strengthen economic ties among Japan, Hong Kong and other parts of Asia.



**As the number of our customers operating in Hong Kong and other parts of China increases, the need for expanded services provided by our Hong Kong Branch and our wholly-owned subsidiary grows.**



**Our Singapore Representative Office gathers and supplies local information to meet the diverse needs and interests of our customers there and throughout Southeast Asia.**

## Singapore Representative Office

Southeast Asia, together with China, has always attracted the attention of our customers as a region with strong growth potential. Currently, almost 180 of our customers are actively developing new business opportunities based in ASEAN countries.

Singapore is the distribution, financial and economic center of Southeast Asia. Hachijuni Bank established a representative office there in 1997. The office collects and analyzes information on the rapidly changing social, financial and economic conditions in the region, and offers the latest information to local customers. The Singapore Representative Office also cooperates with Hachijuni's head office and branches in Japan to help customers expand their business in Southeast Asia.

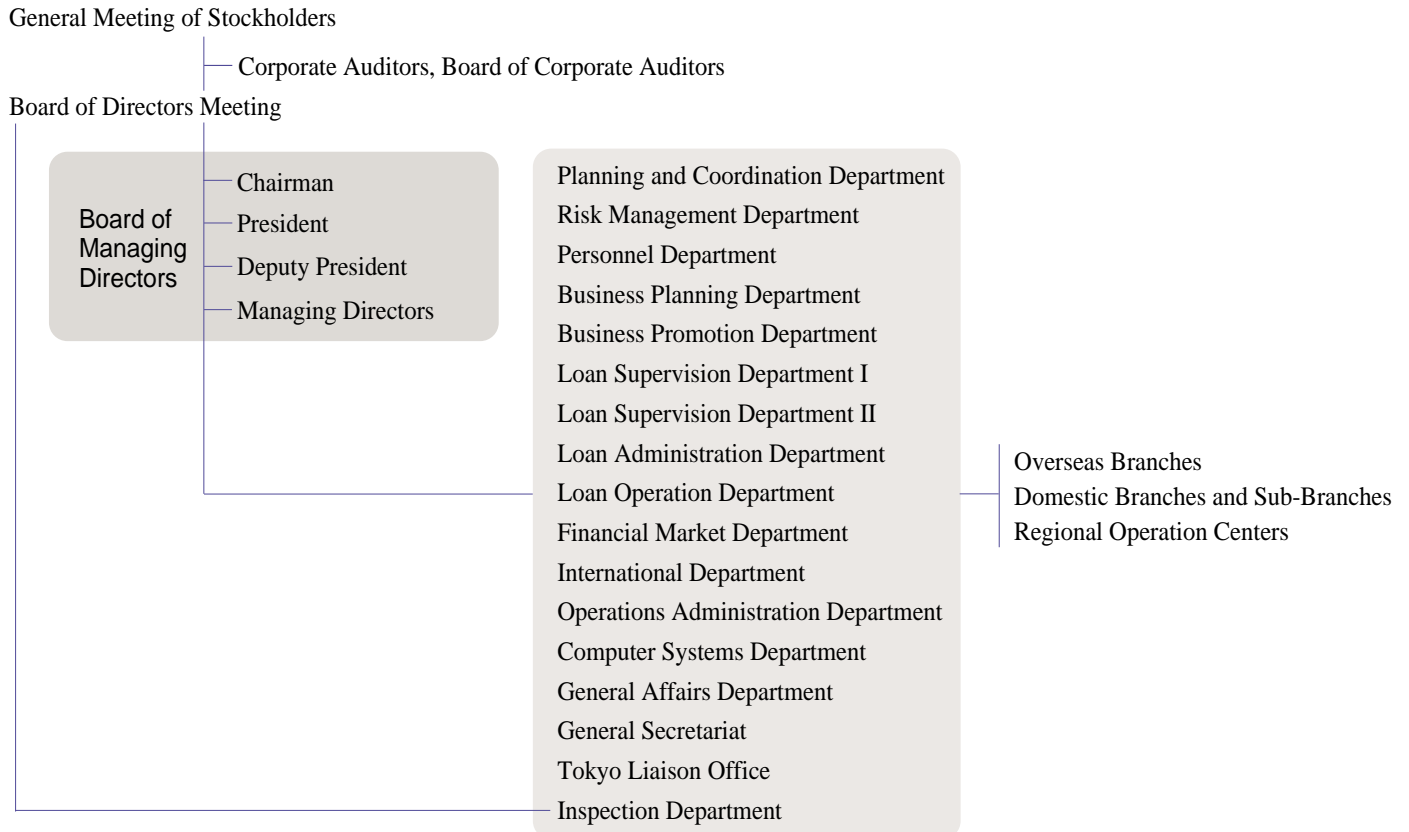
## New York Representative Office

Since its establishment in October 1984, our New York Representative Office has supported the activities of our customers in the U.S. We offered various financial services as a branch from 1987 to 1999. We are currently collecting financial information on the New York market, and other business-related information, to provide to our customers as a representative office. A number of Nagano companies have made inroads into the U.S., and the development of various industries in the country is attracting significant attention. Through this office's activities, Hachijuni Bank will continue to serve as a bridge between Nagano Prefecture and the U.S.



**We will continue to collect vital, up-to-date financial information through the New York Representative Office, which is replacing our New York Branch.**

# Organization



## International Banking Group

International Department	Hong Kong Branch	New York Representative Office	Singapore Representative Office	Shanghai Representative Office
Tatsuo Momose General Manager	Naofumi Takada General Manager	Yukihide Noguchi Chief Representative	Makoto Ota Chief Representative	Katsuhiko Sato Chief Representative



# Board of Directors



Minoru Chino  
Chairman



Kazuyuki Narusawa  
President



Kazuo Ishii  
Deputy President



Mitsuru Warita  
Managing Director



Yoshiyuki Yamaura  
Managing Director



Naoaki Yoshizawa  
Managing Director



Haruo Kobayashi  
Managing Director



Tadashige Maeyama  
Managing Director



Takashi Sarashina  
Managing Director

# Corporate Auditors



Tsuyoshi Ito  
Corporate Standing Auditor



Teruhiko Ozawa  
Corporate Standing Auditor



Kensuke Kosaka  
Corporate Auditor



Yuji Hirayama  
Corporate Auditor

# Independent Auditors' Report

**Tohatsu & Co.**

MS Shibaura Building  
13-23, Shibaura 4-chome  
Minato-ku, Tokyo 108-8530, Japan

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Fax :+81 -3-3457-1694  
www.tohatsu.co.jp

**Deloitte  
Touche  
Tohatsu**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
The Hachijuni Bank, Ltd.:

We have examined the consolidated balance sheets of The Hachijuni Bank, Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Hachijuni Bank, Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

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

*Deloitte Touche Tohatsu*

June 27, 2002

# Financial Section

## Consolidated Balance Sheets

March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
<b>ASSETS:</b>			
Cash and due from banks (Note 3)	¥ 173,848	¥ 456,455	\$ 1,304,682
Call loans and bills bought	160,948	139,754	1,207,871
Commercial paper and other debt purchased	24,003	17,859	180,139
Trading assets (Note 4)	14,848	6,056	111,430
Money held in trust (Note 5)	76,313	97,875	572,711
Securities (Notes 6 and 12)	1,388,772	1,253,185	10,422,311
Loans and bills discounted (Notes 7 and 25)	3,810,902	3,770,262	28,599,640
Foreign exchanges (Note 8)	13,469	12,695	101,081
Other assets (Note 9)	71,542	63,156	536,905
Premises and equipment net (Note 10)	130,449	121,428	978,985
Deferred tax assets (Note 22)	7,132	2,397	53,530
Customers' liabilities for acceptances and guarantees (Note 11)	76,819	77,354	576,508
Allowance for possible loan losses	(146,830)	(115,789)	(1,101,917)
Allowance for possible investment losses	(247)	(257)	(1,854)
<b>TOTAL</b>	<b>¥ 5,801,974</b>	<b>¥ 5,902,435</b>	<b>\$ 43,542,025</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits (Notes 12 and 13)	¥ 5,167,114	¥ 5,202,616	\$ 38,777,594
Call money and bills sold (Note 12)	28,438	34,550	213,424
Trading liabilities (Note 4)	6,643	2,669	49,858
Borrowed money (Note 14)	47,527	57,148	356,678
Foreign exchanges (Note 8)	981	948	7,363
Other liabilities (Notes 12 and 15)	99,456	103,340	746,387
Liability for employee retirement benefits (Note 16)	15,838	15,633	118,860
Deferred tax liabilities (Note 22)		15,725	
Acceptances and guarantees (Note 11)	76,819	77,354	576,508
<b>Total liabilities</b>	<b>5,442,819</b>	<b>5,509,989</b>	<b>40,846,675</b>
<b>MINORITY INTERESTS</b>	<b>5,843</b>	<b>6,696</b>	<b>43,856</b>
<b>STOCKHOLDERS' EQUITY (Note 17):</b>			
Common stock authorized, 1,972,153 thousand shares; issued, 546,303 thousand shares in 2002 and 546,303 thousand shares in 2001	¥ 52,243	¥ 52,243	\$ 392,068
Additional paid-in capital	28,509	28,509	213,954
Retained earnings	192,578	211,978	1,445,245
Unrealized gain on available-for-sale securities	83,828	93,770	629,107
Foreign currency translation adjustments	162	(225)	1,221
Treasury stock 5,627 thousand shares in 2002 and 7 thousand shares in 2001	(3,489)	(4)	(26,184)
Parent's common stock owned by consolidated subsidiaries	(522)	(522)	(3,919)
<b>Total stockholders' equity</b>	<b>353,311</b>	<b>385,748</b>	<b>2,651,493</b>
<b>TOTAL</b>	<b>¥ 5,801,974</b>	<b>¥ 5,902,435</b>	<b>\$ 43,542,025</b>

See notes to consolidated financial statements.

## Consolidated Statements of Operations

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
<b>INCOME:</b>			
Interest income:			
Interest on loans and discounts	¥ 78,338	¥ 83,618	\$ 587,907
Interest and dividends on securities	28,286	31,754	212,282
Other interest income	2,969	4,137	22,284
Fees and commissions	16,812	16,329	126,169
Trading income	245	153	1,841
Other operating income (Note 18)	41,837	43,241	313,979
Other income (Note 19)	10,997	27,912	82,533
<b>Total income</b>	<b>¥ 179,487</b>	<b>¥ 207,149</b>	<b>\$ 1,346,999</b>
<b>EXPENSES:</b>			
Interest expense:			
Interest on deposits	¥ 7,777	¥ 12,287	\$ 58,366
Interest on borrowings and rediscounts	1,976	3,225	14,836
Other interest expenses	7,626	9,171	57,237
Fees and commissions	3,341	3,037	25,074
Other operating expenses (Note 20)	37,688	38,726	282,841
General and administrative expenses	70,548	67,448	529,440
Provision for possible loan losses	43,831	20,773	328,938
Other expenses (Note 21)	32,303	33,046	242,426
<b>Total expenses</b>	<b>¥ 205,093</b>	<b>¥ 187,717</b>	<b>\$ 1,539,161</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>(25,605)</b>	<b>19,431</b>	<b>(192,162)</b>
<b>INCOME TAXES (Note 22):</b>			
Current	3,926	15,014	29,463
Deferred	(13,302)	(6,748)	(99,829)
<b>Total income taxes</b>	<b>(9,376)</b>	<b>8,266</b>	<b>(70,365)</b>
<b>MINORITY INTERESTS IN NET INCOME (LOSS)</b>	<b>(683)</b>	<b>783</b>	<b>(5,130)</b>
<b>NET INCOME (LOSS)</b>	<b>¥ (15,545)</b>	<b>¥ 10,381</b>	<b>\$ (116,666)</b>
	<b>Yen</b>		<b>U.S. Dollars</b>
<b>PER SHARE OF COMMON STOCK (Note 2.q):</b>			
Net income (loss)	¥ (28.71)	¥ 18.96	\$ (0.21)
Cash dividends applicable to the year	5.00	7.00	0.03

See notes to consolidated financial statements.

## Consolidated Statements of Stockholders' Equity

Years Ended March 31, 2002 and 2001

	Thousands		Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Parent's Common Stock Owned by Consolidated Subsidiaries
<b>BALANCE, APRIL 1, 2000</b>	550,203	¥ 52,243	¥ 28,509	¥ 206,612				¥ (493)
Repurchase of treasury stock (3,900 thousand shares)				(2,299)			¥ (2,299)	
Cancellation of treasury stock	(3,900)			10,381			2,299	
Net income				73				
Reversal of unrealized losses on securities of foreign consolidated subsidiary				(2,738)				
Cash dividends, ¥5.00 per share				(50)				
Bonuses to directors and corporate auditors								
Net decrease in foreign currency translation adjustments						¥ (225)		
Unrealized gain on available-for-sale securities					¥ 93,770			
Repurchase of treasury stock—net (5 thousand shares)								(4)
Net change in Parent's common stock owned by consolidated subsidiaries								(28)
<b>BALANCE, MARCH 31, 2001</b>	546,303	52,243	28,509	211,978	93,770	(225)	(4)	(522)
Repurchase of treasury stock (5,555 thousand shares) (Note 17)				(15,545)			(3,444)	
Net loss				(3,803)				
Cash dividends, ¥7.00 per share				(50)				
Bonuses to directors and corporate auditors								
Net decrease in unrealized gain on available-for-sale securities					(9,942)			
Net increase in foreign currency translation adjustments						388		
Repurchase of treasury stock—net (65 thousand shares)								(40)
<b>BALANCE, MARCH 31, 2002</b>	546,303	¥ 52,243	¥ 28,509	¥ 192,578	¥ 83,828	¥ 162	¥ (3,489)	¥ (522)
Thousands of U.S. Dollars (Note 1)								
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Parent's Common Stock Owned by Consolidated Subsidiaries
<b>BALANCE, MARCH 31, 2001</b>	\$ 392,068	\$ 213,954	\$ 1,590,829	\$ 703,720	\$ (1,695)	\$	\$ (33)	\$ (3,919)
Repurchase of treasury stock (5,555 thousand shares) (Note 17)				(116,666)			(25,848)	
Net loss				(28,540)				
Cash dividends, \$0.05 per share				(377)				
Bonuses to directors and corporate auditors								
Net decrease in unrealized gain on available-for-sale securities					(74,613)			
Net increase in foreign currency translation adjustments						2,916		
Repurchase of treasury stock—net (65 thousand shares)								(302)
<b>BALANCE, MARCH 31, 2002</b>	\$ 392,068	\$ 213,954	\$ 1,445,245	\$ 629,107	\$ 1,221	\$ (26,184)	\$ (3,919)	

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
<b>OPERATING ACTIVITIES:</b>			
Income (loss) before income taxes and minority interests	¥ (25,605)	¥ 19,431	\$ (192,162)
Depreciation and amortization	34,203	32,211	256,687
Increase in allowance for possible loan losses	31,041	8,438	232,953
Interest income (accrual basis)	(109,594)	(119,511)	(822,474)
Interest expenses (accrual basis)	17,381	24,685	130,439
Interest income (cash basis)	113,041	123,371	848,345
Interest expenses (cash basis)	(20,041)	(28,016)	(150,403)
Income taxes paid	(11,403)	(16,658)	(85,577)
Net increase in loans and bills discounted	(40,639)	(47,818)	(304,984)
Net decrease in borrowed money, excluding subordinated borrowings	(1,621)	(9,894)	(12,167)
Net increase (decrease) in deposits	(36,435)	138,696	(273,434)
Net increase in call loans and bills bought	(27,339)	(49,931)	(205,171)
Net decrease in call money and bills sold	(6,111)	(8,475)	(45,868)
Net decrease (increase) in due from banks, excluding due from the Bank of Japan	249,557	(44,684)	1,872,848
Others—net	20,819	(8,927)	156,246
<b>Net cash provided by operating activities</b>	<b>187,253</b>	<b>12,916</b>	<b>1,405,275</b>
<b>INVESTING ACTIVITIES:</b>			
Purchases of investment securities	(437,323)	(359,972)	(3,281,976)
Proceeds from sales of investment securities	124,869	180,113	937,105
Proceeds from maturities of investment securities	126,373	173,493	948,396
Increase in money held in trust	(9,126)	(9,650)	(68,488)
Decrease in money held in trust	30,279	34,466	227,235
Proceeds from sales of premises and equipment	534	554	4,012
Purchases of premises and equipment	(40,622)	(34,302)	(304,861)
Purchases of shares of consolidated subsidiaries		(10)	
<b>Net cash used in investing activities</b>	<b>(205,015)</b>	<b>(15,308)</b>	<b>(1,538,575)</b>
<b>FINANCING ACTIVITIES:</b>			
Repurchases of treasury stock	(3,520)	(2,392)	(26,418)
Proceeds from sales of treasury stock	35	63	267
Repayment of subordinated borrowings	(8,000)	(9,000)	(60,037)
Dividends paid	(3,803)	(2,738)	(28,540)
Dividends paid to minority interests	(23)	(25)	(179)
<b>Net cash used in financing activities</b>	<b>(15,311)</b>	<b>(14,092)</b>	<b>(114,907)</b>
<b>FOREIGN CURRENCY TRANSLATION</b>			
<b>ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>24</b>	<b>48</b>	<b>181</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(33,049)</b>	<b>(16,435)</b>	<b>(248,025)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 3)</b>	<b>132,126</b>	<b>148,562</b>	<b>991,569</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)</b>	<b>¥ 99,077</b>	<b>¥ 132,126</b>	<b>\$ 743,543</b>

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

Years Ended March 31, 2002 and 2001

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Hachijuni Bank, Ltd. (the "Bank") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulation and the Enforcement Regulation for the Banking Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

In conformity with the Japanese Commercial Code (the "Code") and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.25 to \$1, the rate of exchange at March 31, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements include the accounts of the Bank and its significant subsidiaries (ten in 2002 and 2001) (together the "Group").

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of cost over net assets of subsidiaries acquired is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

**b. Cash Equivalents**—For the purpose of the consolidated statements of cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

**c. Trading Assets and Liabilities**—Transactions for "Trading purposes" (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade date basis. Profits and losses on trading transactions are shown as "Trading income" or "Trading losses" on a trade date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value at the balance sheet date. Trading-related financial derivatives such as swaps, futures or options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the balance sheet date.

**d. Securities**—All applicable securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are stated at amortized cost computed by straight-line method and (2) securities not classified as held-to-maturity debt securities are classified as available-for-sale securities. Marketable available-for-sale securities are stated at market value with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity. Available-for-sale securities for which market value is not readily determined are stated at cost computed by the moving-average method.

When the market price of securities is substantially less than cost and the decline in the market price is considered to be permanent, the securities are written down to market price.

**e. Securities in Money Held in Trust**—Securities included in "Money held in trust" are stated using the same method as described in c. and d. above.

**f. Premises and Equipment—Net**—Premises and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at rates based on the estimated useful lives, which are principally from 2 to 50 years for buildings and from 2 to 20 years for equipment.

Depreciation for buildings and equipment held by consolidated subsidiaries is computed as follows:

Leased assets: Straight-line method over the lease period  
Others: Mainly by declining-balance method

**g. Software**—Software developed or obtained for internal use is depreciated using the straight-line method over its useful life (mostly 5 years).

**h. Allowance for Possible Loan Losses**—The provision for possible loan losses is determined based on management's judgment and assessment of future losses based on the self assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indications.

The Bank implements self assessment for its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division in accordance with the Bank's policy and rules for self assessment of asset quality.

The Bank established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self assessment of asset quality. All loans are classified into five categories for self assessment purposes such as "normal," "requiring caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

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

The consolidated subsidiaries provide the "Allowance for possible loan losses" at the amount deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio.

**i. Allowance for Possible Investment Losses**—The allowance for possible investment losses is provided at an amount deemed necessary based on the estimate of possible future losses.

**j. Liability for Employee Retirement Benefits**—The Bank and consolidated subsidiaries have a contributory funded pension plan and non-contributory unfunded retirement benefit plans.

Effective April 1, 2000, the Bank and domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional retirement benefit obligation (¥24,369 million) at the adoption of the new accounting standard was fully amortized for the year ended March 31, 2001, and included in other expenses.

Net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence.

In August 2000, the Bank contributed certain available-for-sale securities with a market value of ¥20,342 million to an employee retirement benefit trust for the Bank's contributory pension plans, and recognized a non-cash gain of ¥17,834 million. The securities held in this trust are qualified as plan assets.

**k. Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

**l. Income Taxes**—The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**m. Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the financial statements for the following year upon stockholders' approval.

**n. Foreign Currency Transactions**—Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into yen generally at the exchange rates prevailing on the balance sheet date.

**o. Foreign Currency Financial Statements**—The balance sheet, and revenue and expense accounts of the consolidated overseas subsidiary are translated into yen at the current exchange rates as of the balance sheet date except for stockholders' equity, which is translated at the historical exchange rate.

**p. Derivatives and Hedging Activities**—Derivatives are classified and accounted for as follows: (a) all derivatives be recognized as either assets or liabilities and measured at market value, and gains or losses on derivative transactions are recognized in the statement of operations, and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The method of hedge accounting is a "macro hedge" in which the Bank manages interest rate risks arising from various assets and liabilities with derivatives transactions as a whole. The Bank applies a risk adjustment approach based on the report issued by Japanese Institute of Certified Public Accountants "Tentative Treatments in Accounting and Audit for Banks on Application of Accounting Standard for Financial Instruments." The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

The effectiveness of the macro hedge is reviewed for a reduction in interest rate risk exposure and for the actual risk amount of derivatives within the permitted risk amount under the Bank's risk control policies.

**q. Per Share Information**—The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The average number of shares used in the computation was 541,447 thousand shares and 547,280 thousand shares for the years ended March 31, 2002 and 2001, respectively.

Diluted net loss per share is not disclosed because it is the Bank's net loss position for the year ended March 31, 2002 and anti-dilutive for the year ended March 31, 2001.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

### 3. CASH AND DUE FROM BANKS

"Cash and due from banks" on the consolidated balance sheets as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cash and cash equivalents	¥ 99,077	¥ 132,126	\$ 743,543
Due from banks, excluding due from the Bank of Japan	74,771	324,328	561,138
Cash and due from banks	¥ 173,848	¥ 456,455	\$ 1,304,682

### 4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Trading assets:			
Trading securities	¥ 8,125	¥ 3,341	\$ 60,980
Financial derivatives	6,722	2,714	50,449
Total	¥ 14,848	¥ 6,056	\$ 111,430
Trading liabilities			
—Financial derivatives	¥ 6,643	¥ 2,669	\$ 49,858

### 5. MONEY HELD IN TRUST

Carrying amount and aggregate market value of money held in trust which is listed on stock exchanges or over-the-counter market as of March 31, 2002 and 2001 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Market Value
March 31, 2002				
Money held in trust:				
Trading				¥ 40,310
Held-to-maturity	¥ 36,002	¥ 121	¥ 3	36,121
March 31, 2001				
Money held in trust:				
Trading				34,589
Held-to-maturity	¥ 63,285	423		63,709

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Market Value
March 31, 2002				
Money held in trust:				
Trading				\$ 302,519
Held-to-maturity	\$ 270,191	\$ 909	\$ 23	271,076

### 6. SECURITIES

Securities as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Securities:			
National government bonds	¥ 477,882	¥ 330,099	\$ 3,586,356
Local government bonds	184,297	210,795	1,383,094
Corporate bonds	200,320	236,841	1,503,343
Stocks	232,470	269,494	1,744,621
Other securities	293,802	205,955	2,204,894
Total	¥ 1,388,772	¥ 1,253,185	\$ 10,422,311

The carrying amounts and aggregate market value of the securities as of March 31, 2002 and 2001 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Market Value
March 31, 2002				
Securities classified as:				
Available-for-sale:				
Equity securities	¥102,557	¥125,429	¥ 5,985	¥222,001
Debt securities	784,578	27,400	406	811,572
Other securities	271,137	2,022	5,364	267,795
Held-to-maturity	52,242	1,094	76	53,260
March 31, 2001				
Securities classified as:				
Available-for-sale:				
Equity securities	¥130,994	¥132,211	¥ 4,707	¥258,499
Debt securities	677,154	36,410	72	713,492
Other securities	171,060	2,032	5,500	167,592
Held-to-maturity	51,344	892	61	52,175

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Market Value
March 31, 2002				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 769,663	\$ 941,312	\$ 44,922	\$1,666,054
Debt securities	5,888,022	205,629	3,052	6,090,598
Other securities	2,034,802	15,178	40,257	2,009,723
Held-to-maturity	392,063	8,214	575	399,702



Significant available-for-sale securities and held-to-maturity securities whose market value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Available-for-sale:			
Equity securities	¥ 10,469	¥ 10,917	\$ 78,573
Debt securities	535	11,305	4,019
Held-to-maturity	23,955	29,659	179,777

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥136,607 million (\$1,025,196 thousand) and ¥175,726 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥4,530 million (\$33,997 thousand) and ¥11,062 million (\$83,019 thousand), respectively, for the year ended March 31, 2002 and ¥7,430 million and ¥3,047 million, respectively, for the year ended March 31, 2001.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturities at March 31, 2002 were as follows:

	Millions of Yen			
	Due in 1 Year or Less	Due from 1 to 5 Years	Due from 5 to 10 Years	Due after 10 Years
Bonds	¥ 95,750	¥ 562,224	¥ 146,160	¥ 58,364
Others	40,058	143,813	35,842	2,962
<b>Total</b>	<b>¥ 135,808</b>	<b>¥ 706,038</b>	<b>¥ 182,002</b>	<b>¥ 61,327</b>

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due from 1 to 5 Years	Due from 5 to 10 Years	Due after 10 Years
Bonds	\$ 718,574	\$ 4,219,322	\$ 1,096,888	\$ 438,008
Others	300,627	1,079,273	268,986	22,234
<b>Total</b>	<b>\$ 1,019,202</b>	<b>\$ 5,298,596</b>	<b>\$ 1,365,874</b>	<b>\$ 460,242</b>

#### 7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
	Bills discounted	¥ 98,817	¥ 134,079
Loans on bills	651,883	709,364	4,892,180
Loans on deeds	2,268,972	2,162,198	17,027,938
Overdraft	791,228	764,620	5,937,924
<b>Total</b>	<b>¥ 3,810,902</b>	<b>¥ 3,770,262</b>	<b>\$ 28,599,640</b>

Of total loans, loans to customers in bankruptcy which represent nonaccrual loans and were included in loans and bills discounted, amounted to ¥15,291 million (\$114,756 thousand) and ¥20,087 million as of March 31, 2002 and 2001, respectively; past due loans which represent nonaccrual loans other than loans to customers in bankruptcy amounted to ¥214,495 million (\$1,609,724 thousand) and ¥56,582 million as of March 31, 2002 and 2001, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥1,398 million (\$10,495 thousand) and ¥2,019 million as of March 31, 2002 and 2001, respectively. Loans classified as nonaccrual loans were excluded.

Of total loans, restructured loans amounted to ¥121,517 million (\$911,953 thousand) and ¥166,315 million as of March 31, 2002 and 2001, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded.

Effective March 31, 2002, loans and bills discounted under "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy" based on self assessment of asset quality, regardless of the accrued interest, are classified as "loans to customers in bankruptcy" or "past due loans." Consequently, "loans to customers in bankruptcy," "past due loans" and "accruing loans contractually past due three months or more" increased by ¥2,144 million (\$16,091 thousand), ¥142,787 million (\$1,071,577 thousand) and ¥778 million (\$5,839 thousand), respec-

tively, and "restructured loans" decreased by ¥89,812 million (\$674,018 thousand) as of March 31, 2002.

#### 8. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
	Assets:		
Due from foreign banks	¥ 3,748	¥ 2,137	\$ 28,131
Foreign exchange bills bought	7,728	8,176	58,003
Foreign exchange bills receivable	1,991	2,381	14,947
<b>Total</b>	<b>¥ 13,469</b>	<b>¥ 12,695</b>	<b>\$ 101,081</b>
Liabilities:			
Overdraft from foreign banks	¥ 31		\$ 235
Foreign exchange bills sold	824	¥ 752	6,189
Foreign exchange bills payable	124	196	937
<b>Total</b>	<b>¥ 981</b>	<b>¥ 948</b>	<b>\$ 7,363</b>

#### 9. OTHER ASSETS

Other assets as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
	Domestic exchange settlement account	¥ 742	¥ 1,165
Prepaid expenses	1,107	1,284	8,314
Accrued income	11,007	12,022	82,607
Other	58,684	48,683	440,407
<b>Total</b>	<b>¥ 71,542</b>	<b>¥ 63,156</b>	<b>\$ 536,905</b>

#### 10. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2002 and 2001, net of accumulated depreciation of ¥185,808 million (\$1,394,933 thousand) and ¥182,634 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
	Land	¥ 18,466	¥ 18,551
Depreciable assets	108,520	98,322	814,409
Construction in progress	1,295	2,378	9,724
Other	2,167	2,176	16,265
<b>Total</b>	<b>¥ 130,449</b>	<b>¥ 121,428</b>	<b>\$ 978,985</b>

As of March 31, 2002 and 2001, deferred gains for the tax purposes of ¥8,801 million (\$66,055 thousand) and ¥8,633 million, respectively, on premises and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired premises and equipment.

#### 11. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills and issuances of guarantees, etc. The contra account included on the assets side of the consolidated balance sheets represents the Bank's potential claim against applicants.

#### 12. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
	Assets pledged—Securities	¥ 271,085	¥ 256,367
Related liabilities:			
Deposits	¥ 25,543	¥ 26,667	\$ 191,697
Call money and bills sold	11,540		86,606
Other liabilities	5,995		44,996
<b>Total</b>	<b>¥ 43,079</b>	<b>¥ 26,667</b>	<b>\$ 323,301</b>

In addition to the above, securities of ¥109,235 million (\$819,776 thousand) and ¥145,299 million as of March 31, 2002 and 2001, respectively, were pledged as collateral for settlement of exchange and derivative transactions or as substitutes for futures transaction margins.

### 13. DEPOSITS

Deposits as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current deposits	¥ 181,070	¥ 187,436	\$ 1,358,876
Ordinary deposits	1,798,167	1,478,876	13,494,693
Savings deposits	108,801	118,316	816,520
Deposits at notice	27,050	43,700	203,007
Time deposits	2,826,898	3,141,184	21,214,998
Other deposits	200,595	155,841	1,505,406
Negotiable certificates of deposits	24,530	77,260	184,090
<b>Total</b>	<b>¥ 5,167,114</b>	<b>¥ 5,202,616</b>	<b>\$ 38,777,594</b>

### 14. BORROWED MONEY

Borrowed money as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Borrowings from banks and other	¥ 47,527	¥ 49,148	\$ 356,678
Subordinated loans		8,000	
<b>Total</b>	<b>¥ 47,527</b>	<b>¥ 57,148</b>	<b>\$ 356,678</b>

Future lease payments to be received as collateral for borrowed money were ¥40,323 million (\$302,616 thousand) and ¥39,833 million as of March 31, 2002 and 2001, respectively.

### 15. OTHER LIABILITIES

Other liabilities as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Domestic exchange settlement account	¥ 33	¥ 185	\$ 250
Accrued income taxes	452	7,928	3,393
Accrued expenses	9,897	12,585	74,279
Unearned income	3,335	3,679	25,031
Employees' deposits	7,293	7,639	54,732
Other	78,444	71,320	588,700
<b>Total</b>	<b>¥ 99,456</b>	<b>¥ 103,340</b>	<b>\$ 746,387</b>

### 16. EMPLOYEE RETIREMENT BENEFITS

The Bank and domestic consolidated subsidiaries have a contributory funded pension plan and non-contributory unfunded retirement benefit plans.

The liabilities for employee retirement benefits at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligation	¥ (84,990)	¥ (83,250)	\$ (637,824)
Market value of plan assets	57,537	58,017	431,804
Projected benefit obligation in excess of plan assets	(27,452)	(25,233)	(206,020)
Unrecognized net actuarial loss	12,596	10,706	94,535
Net liability recognized	(14,855)	(14,526)	(111,485)
Prepaid pension cost	(982)	(1,107)	(7,375)
Liability for employee retirement benefits	¥ (15,838)	¥ (15,633)	\$ (118,860)

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost	¥ 2,785	¥ 2,516	\$ 20,901
Interest cost	2,436	2,414	18,288
Expected return on plan assets	(1,376)	(1,455)	(10,328)
Amortization of prior service cost		(1,189)	
Amortization of net actuarial loss	1,095		8,222
Amortization of transitional retirement benefit obligation		24,369	
Other cost	270		2,027
<b>Net periodic benefit costs</b>	<b>¥ 5,211</b>	<b>¥ 26,655</b>	<b>\$ 39,111</b>

Assumptions used for the years ended March 31, 2002 and 2001, were as follows:

	2002	2001
Discount rate	3.0%	3.0%
Expected rate of return on plan assets	1.0%~3.0%	1.0%~3.0%
Amortization period of prior service cost		Fully amortized in the same fiscal year as incurred
Amortization period of actuarial gain (loss)	10 years	10 years
Amortization period of transitional retirement benefit obligation		Fully amortized in the initial fiscal year

### 17. STOCKHOLDERS' EQUITY

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Banking Law of Japan (the "Banking Law") provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 100% of stated capital. Effective October 1, 2001, the revised Banking Law allows for such appropriations to be set aside as a legal reserve until the total of additional paid-in capital and legal reserve equals 100% of stated capital. The amount of additional paid-in capital and legal reserve which exceeds 100% of stated capital can be transferred to other capital surplus or retained earnings by resolution of the stockholders. The Bank's legal reserve amount, which is included in retained earnings, totals ¥47,610 million (\$357,310 thousand) and ¥47,010 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing stockholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved by the stockholders at the general stockholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the stockholders.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

The Bank repurchased 3,900 thousand shares for ¥2,299 million for the year ended March 31, 2001, of the Bank's stock for the purpose of canceling the shares.

On June 28, 2001, the Bank's stockholders authorized a stock option plan for the Bank's directors and key employees.

The stock option plan provides options for an aggregate maximum amount of 160 thousand shares for 9 directors and 5,422 thousand shares for 1,655 key employees of the Bank. The exercise period of the stock options is from July 1, 2003 to March 31, 2006. The exercise price of the stock option is ¥675 per share, which is subject to adjustments for stock issuance below fair value and stock splits. The Bank repurchased 5,555 thousand shares of the Bank's common stock

for ¥3,444 million (\$25,848 thousand) during the year ended March 31, 2002 for the purpose of this stock option plan.

#### 18. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Gains on foreign exchange transactions	¥ 888	¥ 1,009	\$ 6,665
Gains on sales of bonds	781	4,396	5,863
Other	40,168	37,835	301,449
<b>Total</b>	<b>¥ 41,837</b>	<b>¥ 43,241</b>	<b>\$ 313,979</b>

#### 19. OTHER INCOME

Other income for the years ended March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Gains on sales of stocks and other securities	¥ 3,775	¥ 3,080	\$ 28,330
Gains on money held in trust	2,214	2,818	16,619
Gain on contribution of securities to employee retirement benefit trust		17,834	
Other	5,008	4,179	37,584
<b>Total</b>	<b>¥ 10,997</b>	<b>¥ 27,912</b>	<b>\$ 82,533</b>

#### 20. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loss on sales of bonds	¥ 251	¥ 217	\$ 1,884
Loss on redemption of bonds		1,293	
Valuation loss on bonds		3,131	
Other	37,437	34,083	280,957
<b>Total</b>	<b>¥ 37,688</b>	<b>¥ 38,726</b>	<b>\$ 282,841</b>

#### 21. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Write-off of loans	¥ 412	¥ 70	\$ 3,093
Losses on sales of stocks and other equity securities	10,813	2,873	81,152
Valuation loss on stocks and other equity securities	16,262	1,966	122,044
Loss on money held in trust	2,623	2,118	19,686
Loss on sales of real estate	825	258	6,193
Amortization of transitional retirement benefit obligation		24,369	
Other	1,366	1,388	10,256
<b>Total</b>	<b>¥ 32,303</b>	<b>¥ 33,046</b>	<b>\$ 242,426</b>

#### 22. INCOME TAXES

The Bank and domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.3% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences which resulted in net deferred tax assets and liabilities as of March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>Deferred tax assets:</b>			
Allowance for possible loan losses	¥ 54,324	¥ 40,783	\$ 407,691
Liability for employee retirement benefits	13,484	13,133	101,200
Unrealized losses on available-for-sale securities	4,856	4,242	36,448
Valuation loss on stocks and other equity securities	4,193	3,211	31,470
Premises and equipment	3,216	2,417	24,138
Tax loss carryforwards	105	712	794
Others	2,511	3,150	18,851
Less valuation allowance	(3,903)	(2,796)	(29,297)
<b>Total</b>	<b>78,790</b>	<b>64,854</b>	<b>591,299</b>
<b>Deferred tax liabilities:</b>			
Unrealized gains on available-for-sale securities	64,028	70,572	480,513
Gain on contribution of securities to employee retirement benefit trust	7,330	7,378	55,010
Others	299	231	2,244
<b>Total</b>	<b>71,657</b>	<b>78,181</b>	<b>537,768</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥ 7,132</b>	<b>¥ (13,327)</b>	<b>\$ 53,530</b>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2002 was as follows:

Normal effective statutory tax rate	(41.3)%
Valuation allowance	3.4
Income not taxable for income tax purposes	(2.6)
Deferred tax assets in the past years	1.8
Expenses not deductible for income tax purposes	0.8
Inhabitants' tax (per capita basis)	0.3
Others	0.9
<b>Actual effective tax rate</b>	<b>(36.6)%</b>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the year ended March 31, 2001 is not required under Japanese accounting standards because the differences between them were immaterial.

#### 23. LEASES

##### a. Lessee

The Bank and consolidated subsidiaries lease equipment.

Lease payments under finance leases for the years ended March 31, 2002 and 2001, amounted to ¥259 million (\$1,950 thousand) and ¥279 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expenses and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Acquisition cost	¥ 971	¥ 1,283	\$ 7,292
Accumulated depreciation	842	918	6,319
<b>Net leased property</b>	<b>¥ 129</b>	<b>¥ 365</b>	<b>\$ 972</b>

Obligations under finance leases as of March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥ 139	¥ 251	\$ 1,046
Due after one year		139	
<b>Total</b>	<b>¥ 139</b>	<b>¥ 391</b>	<b>\$ 1,046</b>

Depreciation expenses and interest expense under finance leases for the years ended March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Depreciation expenses	¥ 235	¥ 259	\$ 1,770
Interest expense	8	16	60

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

#### b. Lessor

A consolidated subsidiary leases equipment and other assets to various customers.

Lease receipts under finance leases for the years ended March 31, 2002 and 2001, were ¥33,398 million (\$250,648 thousand) and ¥31,767 million, respectively.

The information of leasing property such as acquisition cost, accumulated depreciation, receivable under finance leases and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2002 and 2001, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Acquisition cost	¥ 163,790	¥ 154,170	\$ 1,229,195
Accumulated depreciation	76,686	73,633	575,510
Net book value	¥ 87,103	¥ 80,536	\$ 653,684

Receivables under finance leases as of March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥ 26,957	¥ 25,283	\$ 202,307
Due after one year	63,758	58,263	478,491
Total	¥ 90,716	¥ 83,547	\$ 680,798

Depreciation expenses under finance leases for the years ended March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Depreciation expenses	¥ 29,140	¥ 26,820	\$ 218,693

The minimum rental commitments under noncancelable operating leases as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥ 1,232	¥ 740	\$ 9,251
Due after one year	1,616	1,349	12,132
Total	¥ 2,849	¥ 2,089	\$ 21,383

## 24. DERIVATIVES

The Bank and certain subsidiaries enter into derivatives to "hedge risk associated with certain assets and liabilities," to "respond to the diverse needs of customers" and as a part of "trading activities."

The details of purposes are as follows: (a) for the purpose of properly reducing market risks associated with assets and liabilities of the Bank and certain subsidiaries, interest swaps are used to hedge interest rate exposures for loans and deposits, and bond futures contracts, interest rate swaps and foreign currency swaps are used to hedge interest and exchange rate exposures for securities investment, (b) in response to the diverse needs of customers, foreign currency forward contracts, foreign currency options and foreign currency swaps for managing foreign exchange exposures and interest rate swaps for interest rate exposures are provided to customers, and (c) for the purpose of trading activities, the Bank enters into agreements for derivatives such as interest forward contracts, foreign exchange forward contracts, bond forward contracts and bond future options.

The policies to use derivatives are as follows:

The Bank and certain subsidiaries use derivatives to hedge risk for the purpose of reducing market risks based on the Market Risk Management Rules established by the Bank. The Bank applies "macro hedge" to risk-hedge derivatives, and provides hedging methods, items to be hedged and assessment method of effectiveness of the hedge in its risk hedge policy.

In response to the diverse needs of customers, the Bank carefully explains to customers the details of products and ensures customers understand the risk profile of the products. At the time the Bank enters into transactions with customers, the Bank makes it a rule to execute reverse transactions to reduce market risks.

The Bank trades derivatives for trading activities in accordance with internal policies, which regulate the authorized limit amounts on position or loss.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates or price of bonds. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

The amount of credit risk on derivatives calculated by the current exposure method prescribed by the Bank for International Settlements is ¥10,047 million (\$75,405 thousand) as of March 31, 2002.

The Bank comprehensively controls risks of derivatives of the Bank and consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The amounts of positions, market values and market risks are reported periodically to the responsible executive officers and to the ALM (asset and liabilities management) Committee, where evaluation and analysis of derivatives are made.

Risk control of derivatives is the responsibility of the middle section (Risk Management Section) independent from the front section (section to execute transactions in the market). The Financial Management Department is also in charge of controlling market risks in order to make the risk control system work effectively.

The Bank regularly improves the system to avoid excessive market risks. In order to properly control market risks of derivatives for "risk hedge," the Bank analyzes the related assets and liabilities, to verify the effectiveness of the executed risk hedges. The evaluation of effectiveness of the hedge for hedge accounting is made at the end of March, June, September and December. Derivatives for "trading activities" are strictly controlled in accordance with rules of loss-cut and limit amount which are regulated in the authorized investment control criteria, and by checking daily whether such criteria is complied with. The market risk is measured using the basis point value method and the value at risk method.

The Bank makes it a rule that derivative transactions are limited to transactions traded on the market exchange and over-the-counter transactions with highly rated financial institutions. In order to reduce risks, the transaction limit is established for each institution and is reviewed from time to time depending upon changes in circumstances and the credit risk amount of derivatives is measured daily and monthly.

The Bank had the following derivatives contracts outstanding at March 31, 2002:

	Millions of Yen		
	Contract or Notional Amount	Market Value	Unrealized Gain/Loss

#### Interest Rate-related Transactions

Over-the-counter—Interest rate swap — receipt floating—payments fixed	¥ 650	¥ (36)	¥ (36)
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#### Currency-related Transactions

Over-the-counter—Currency swap	33,236	78	78
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	Thousands of U.S. Dollars		
	Contract or Notional Amount	Market Value	Unrealized Gain/Loss

#### Interest Rate-related Transactions

Over-the-counter—Interest rate swap — receipt floating—payments fixed	\$ 4,880	\$ (270)	\$ (270)
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#### Currency-related Transactions

Over-the-counter—Currency swap	249,431	590	590
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The Bank had the following derivatives contracts outstanding at March 31, 2001:

	Millions of Yen		
	Contract or Notional Amount	Market Value	Unrealized Gain/Loss
<b>Interest Rate-related Transactions</b>			
Over-the-counter—Interest rate swap—receipt floating—payments fixed	¥ 1,195	¥ (71)	¥ (71)
<b>Currency-related Transactions</b>			
Over-the-counter—Currency swap	13,381	45	45

Derivatives which qualify for hedge accounting for the years ended March 31, 2002 and 2001 and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheets as of March 31, 2002 and 2001, are excluded from disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

## 25. LOAN COMMITMENTS

Contracts for overdraft facilities and loan commitments relate to loans to customers up to prescribed limits in response to customers' loan applications as long as there are no violation of any contract terms. Unused amounts relating to these contracts totaled ¥1,089,014 million (\$8,172,714 thousand) and ¥1,063,278 million as of March 31, 2002 and 2001, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank and consolidated subsidiaries can refuse a customer's loan application or decrease the contract limits with proper reasons (e.g., changes in financial situation and deterioration in customers' creditworthiness). At the inception of contracts, the Bank and consolidated subsidiaries obtain real estate, securities and other assets as collateral, if necessary. Subsequently, the Bank and consolidated subsidiaries perform periodic reviews of the customers' business results based on internal rules, and take necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

## 26. SUBSEQUENT EVENT

On June 27, 2002, the Bank's stockholders authorized the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥2.50 (\$0.02) per share	¥ 1,351	\$ 10,144

## 27. SEGMENT INFORMATION

The Bank and consolidated subsidiaries operate in banking, leasing and others industries. Main businesses in each industry segment are as follows:

Banking—banking and credit card business  
Leasing—leasing business  
Others—venture capital and investment management business

Information about industry segments of the Bank and consolidated subsidiaries for the years ended March 31, 2002 and 2001, was as follows:

Ordinary income and expenses represent total income and expenses less certain special income and expenses included in other income and expenses in the consolidated statements of operations.

The domestic shares of both ordinary income and total assets exceed 90% of ordinary income and total assets, respectively. Thus, segment information by geographic area is omitted.

The share of ordinary income from overseas operations is under 10% of ordinary income. Thus, ordinary income from overseas operations is omitted.

## Industry Segments

<2002>

### a. Ordinary Income

	Millions of Yen				
	Banking	Leasing	Others	Eliminations/Corporate	Consolidated
<b>Ordinary income:</b>					
Outside customers	¥ 138,533	¥ 39,701	¥ 739		¥ 178,974
Intersegment	774	1,099	69	¥ (1,943)	
<b>Total</b>	<b>139,308</b>	<b>40,800</b>	<b>809</b>	<b>(1,943)</b>	<b>178,974</b>
<b>Ordinary expenses</b>	<b>164,948</b>	<b>39,663</b>	<b>1,607</b>	<b>(1,951)</b>	<b>204,268</b>
<b>Ordinary income (loss)</b>	<b>¥ (25,640)</b>	<b>¥ 1,137</b>	<b>¥ (798)</b>	<b>¥ 8</b>	<b>¥ (25,293)</b>

	Thousands of U.S. Dollars				
	Banking	Leasing	Others	Eliminations/Corporate	Consolidated
<b>Ordinary income:</b>					
Outside customers	\$ 1,039,653	\$ 297,948	\$ 5,550		\$ 1,343,151
Intersegment	5,812	8,249	522	\$ (14,583)	
<b>Total</b>	<b>1,045,465</b>	<b>306,197</b>	<b>6,072</b>	<b>(14,583)</b>	<b>1,343,151</b>
<b>Ordinary expenses</b>	<b>1,237,890</b>	<b>297,662</b>	<b>12,061</b>	<b>(14,646)</b>	<b>1,532,968</b>
<b>Ordinary income (loss)</b>	<b>\$ (192,425)</b>	<b>\$ 8,535</b>	<b>\$ (5,989)</b>	<b>\$ 62</b>	<b>\$ (189,816)</b>

### b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	Banking	Leasing	Others	Eliminations/Corporate	Consolidated
<b>Assets</b>	<b>¥ 5,727,946</b>	<b>¥ 109,138</b>	<b>¥ 26,840</b>	<b>¥ (61,950)</b>	<b>¥ 5,801,974</b>
<b>Depreciation</b>	<b>4,749</b>	<b>29,447</b>	<b>6</b>		<b>34,203</b>
<b>Capital expenditures</b>	<b>9,139</b>	<b>37,726</b>	<b>34</b>		<b>46,900</b>

	Thousands of U.S. Dollars				
	Banking	Leasing	Others	Eliminations/Corporate	Consolidated
<b>Assets</b>	<b>\$ 42,986,465</b>	<b>\$ 819,050</b>	<b>\$ 201,426</b>	<b>\$ (464,917)</b>	<b>\$ 43,542,025</b>
<b>Depreciation</b>	<b>35,644</b>	<b>220,997</b>	<b>46</b>		<b>256,687</b>
<b>Capital expenditures</b>	<b>68,585</b>	<b>283,128</b>	<b>258</b>		<b>351,973</b>

<2001>

### a. Ordinary Income

	Millions of Yen				
	Banking	Leasing	Others	Eliminations/Corporate	Consolidated
<b>Ordinary income:</b>					
Outside customers	¥ 148,727	¥ 37,393	¥ 1,536		¥ 187,657
Intersegment	691	1,059	72	¥ (1,823)	
<b>Total</b>	<b>149,418</b>	<b>38,452</b>	<b>1,609</b>	<b>(1,823)</b>	<b>187,657</b>
<b>Ordinary expenses</b>	<b>127,478</b>	<b>36,305</b>	<b>1,207</b>	<b>(1,901)</b>	<b>163,089</b>
<b>Ordinary income</b>	<b>¥ 21,939</b>	<b>¥ 2,147</b>	<b>¥ 402</b>	<b>¥ 78</b>	<b>¥ 24,567</b>

### b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	Banking	Leasing	Others	Eliminations/Corporate	Consolidated
<b>Assets</b>	<b>¥ 5,827,475</b>	<b>¥ 99,144</b>	<b>¥ 28,681</b>	<b>¥ (52,866)</b>	<b>¥ 5,902,435</b>
<b>Depreciation</b>	<b>4,402</b>	<b>27,807</b>			<b>32,211</b>
<b>Capital expenditures</b>	<b>5,767</b>	<b>32,822</b>			<b>38,589</b>

## Non-consolidated Five-Year Summary

Years Ended March 31- Unaudited

	Millions of Yen				
	2002	2001	2000	1999	1998
<b>RESULTS FOR THE YEAR:</b>					
Income:					
Interest on loans and discounts	¥ 77,992	¥ 83,246	¥ 84,548	¥ 91,763	¥ 94,893
Interest and dividends on securities	27,774	31,059	37,478	40,335	43,947
Other income	29,871	50,668	31,088	55,351	34,934
<b>Total income</b>	<b>135,638</b>	<b>164,979</b>	<b>153,115</b>	<b>187,450</b>	<b>173,775</b>
Expenses:					
Interest on deposits	7,736	12,346	14,458	25,197	34,534
Interest on borrowings and rediscounts	1,226	2,282	2,492	2,795	1,943
Other expenses	152,075	132,753	114,454	148,372	113,083
<b>Total expenses</b>	<b>161,038</b>	<b>147,381</b>	<b>131,405</b>	<b>176,365</b>	<b>149,560</b>
Income before income taxes	(25,399)	17,598	21,710	11,085	24,214
Income taxes	(10,131)	7,061	9,193	7,618	15,929
<b>Net income</b>	<b>¥ (15,267)</b>	<b>¥ 10,536</b>	<b>¥ 12,517</b>	<b>¥ 3,467</b>	<b>¥ 8,284</b>
<b>YEAR-END FINANCIAL POSITION:</b>					
Deposits	¥5,176,111	¥ 5,213,099	¥ 5,076,303	¥ 5,036,829	¥ 4,986,468
Loans and bills discounted	3,845,765	3,793,103	3,734,700	3,918,844	3,935,759
Securities	1,377,054	1,240,756	1,046,309	1,069,180	1,052,556
<b>Total assets</b>	<b>5,721,501</b>	<b>5,820,963</b>	<b>5,559,221</b>	<b>5,638,678</b>	<b>5,626,839</b>
Stockholders' equity	350,314	382,844	283,704	291,240	270,821
Common stock	52,243	52,243	52,243	52,243	52,243
<b>PER SHARE DATA (in yen) :</b>					
Net income	¥ (28.14)	¥ 19.21	¥ 22.15	¥ 6.03	¥ 14.42
Cash dividends applicable to the year	5.00	7.00	5.00	5.00	5.00
Stockholders' equity	647.91	700.79	515.63	507.25	471.69
<b>OTHER DATA:</b>					
Number of offices	156	156	156	157	159
Number of employees	3,318	3,384	3,503	3,762	3,854

**Non-consolidated Balance Sheets**  
**March 31, 2002 and 2001—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>ASSETS:</b>			
Cash and due from banks	¥ 178,353	¥ 461,353	\$ 1,338,490
Call loans and bills bought	160,948	139,754	1,207,871
Commercial paper and other debt purchased	24,003	17,859	180,139
Trading assets	14,848	6,056	111,430
Money held in trust	76,306	97,875	572,654
Securities	1,377,054	1,240,756	10,334,364
Loans and bills discounted	3,845,765	3,793,103	28,861,281
Foreign exchanges	13,469	12,695	101,081
Other assets	40,081	37,030	300,801
Premises and equipment—net	46,220	44,014	346,867
Deferred tax assets	4,335		32,539
Customers' liabilities for acceptances and guarantees	76,819	77,354	576,508
Allowance for possible loan losses	(136,523)	(106,652)	(1,024,564)
Allowance for possible investment losses	(182)	(237)	(1,366)
<b>TOTAL</b>	<b>¥ 5,721,501</b>	<b>¥ 5,820,963</b>	<b>\$ 42,938,100</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits	¥ 5,176,111	¥ 5,213,099	\$ 38,845,113
Call money and bills sold	28,438	34,550	213,424
Trading liabilities	6,643	2,669	49,858
Borrowed money	884	9,121	6,637
Foreign exchanges	981	949	7,363
Other liabilities	67,222	70,644	504,483
Liability for employee retirement benefits	14,085	14,150	105,708
Deferred tax liabilities		15,578	
Acceptances and guarantees	76,819	77,354	576,508
<b>Total liabilities</b>	<b>¥ 5,371,187</b>	<b>¥ 5,438,119</b>	<b>\$ 40,309,098</b>
<b>STOCKHOLDERS' EQUITY :</b>			
Common stock	¥ 52,243	¥ 52,243	\$ 392,068
Additional paid-in capital	28,509	28,509	213,954
Legal reserve	47,610	47,010	357,301
Retained earnings	141,656	161,384	1,063,087
Unrealized gains on available-for-sale securities	83,784	93,696	628,773
Treasury stock	(3,489)		(26,184)
<b>Total stockholders' equity</b>	<b>350,314</b>	<b>382,844</b>	<b>2,629,002</b>
<b>TOTAL</b>	<b>¥ 5,721,501</b>	<b>¥ 5,820,963</b>	<b>\$ 42,938,100</b>

**Non-consolidated Statements of Operations**  
**Years Ended March 31, 2002 and 2001—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>INCOME:</b>			
Interest income:			
Interest on loans and discounts	¥ 77,992	¥ 83,246	\$ 585,311
Interest and dividends on securities	27,774	31,059	208,436
Other interest income	3,189	4,585	23,932
Fees and commissions	13,773	13,327	103,367
Trading income	245	153	1,841
Other operating income	1,672	5,404	12,549
Other income	10,991	27,201	82,489
<b>Total income</b>	<b>¥ 135,638</b>	<b>¥ 164,979</b>	<b>\$ 1,017,928</b>
<b>EXPENSES:</b>			
Interest expense:			
Interest on deposits	¥ 7,736	¥ 12,346	\$ 58,056
Interest on borrowings and rediscounts	1,226	2,282	9,202
Other interest expenses	7,487	9,011	56,192
Fees and commissions	3,917	3,688	29,397
Other operating expenses	295	4,784	2,214
General and administrative expenses	67,461	64,873	506,275
Provision for possible loan losses	41,702	19,269	312,962
Other expenses	31,212	31,126	234,240
<b>Total expenses</b>	<b>¥ 161,038</b>	<b>¥ 147,381</b>	<b>\$ 1,208,541</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>¥ (25,399)</b>	<b>¥ 17,598</b>	<b>\$ (190,613)</b>
<b>INCOME TAXES :</b>			
Current	2,764	13,204	20,746
Deferred	(12,895)	(6,143)	(96,779)
<b>Total income taxes</b>	<b>(10,131)</b>	<b>7,061</b>	<b>(76,032)</b>
<b>NET INCOME (LOSS)</b>	<b>¥ (15,267)</b>	<b>¥ 10,536</b>	<b>\$ (114,581)</b>



## Non-consolidated Statements of Stockholders' Equity

Years Ended March 31, 2002 and 2001 – Unaudited

	Thousands		Millions of Yen				
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2000	¥ 550,203	¥ 52,243	¥ 28,509	¥ 46,236	¥ 156,714		
Net income					10,536		
Cash dividends, ¥5.00 per share					(2,743)		
Bonuses to directors and corporate auditors					(50)		
Cancellation of treasury stock		(3,900)			(2,299)		
Transfer to legal reserve				773	(773)		
Unrealized gain on available-for-sale securities						¥ 93,696	
BALANCE, MARCH 31, 2001	546,303	52,243	28,509	47,010	161,384	93,696	
Repurchase of treasury stock (5,555 thousand shares)					(15,267)		¥ (3,444)
Net loss					(3,810)		
Cash dividends, ¥7.00 per share					(50)		
Bonuses to directors and corporate auditors					(600)		
Transfer to legal reserve				600			
Net decrease in unrealized gain on available-for-sale securities						(9,912)	
Increase in treasury stock—net (72 thousand shares)							(44)
BALANCE, MARCH 31, 2002	¥ 546,303	¥ 52,243	¥ 28,509	¥ 47,610	¥ 141,656	¥ 83,784	¥ (3,489)
	Thousands of U.S. Dollars						
BALANCE, MARCH 31, 2001		\$ 392,068	\$ 213,954	\$ 352,798	\$ 1,211,140	\$ 703,163	\$ (25,848)
Repurchase of treasury stock (5,555 thousand shares)							(114,581)
Net loss							(28,594)
Cash dividends, \$0.05 per share							(375)
Bonuses to directors and corporate auditors							(4,502)
Transfer to legal reserve				4,502			
Net decrease in unrealized gain on available-for-sale securities						(74,389)	
Increase in treasury stock—net (72 thousand shares)							(335)
BALANCE, MARCH 31, 2002		\$ 392,068	\$ 213,954	\$ 357,301	\$ 1,063,087	\$ 628,773	\$ (26,184)

# Corporate Data

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## Head Office

178-8, Okada, Nagano 380-8682, Japan  
Phone: (026)227-1182  
<http://www.82bank.co.jp/>

## International Department

(Nagano Main Office)  
178-8, Okada, Nagano 380-8682, Japan  
Phone: (026)224-5791  
Facsimile: (026)226-5077

## International Department

(Tokyo Office)  
1-22, Nihonbashi Muromachi 4-chome,  
Chuo-ku, Tokyo 103-0022, Japan  
Phone: (03)3242-0082  
Facsimile: (03)3277-0146  
Telex: J23763 HATINIBK  
SWIFT Address: HABK JPJT

## Hong Kong Branch

Suite 301-303, Three Exchange Square,  
8 Connaught Place, Central, Hong Kong  
Phone: 852-2845-4188  
Facsimile: 852-2537-1757  
Telex: 80709 HACHK HX

## New York Representative Office

444 Madison Avenue, 35th Floor New  
York, N.Y. 10022, U.S.A.  
Phone: 1-212-557-1182  
Facsimile: 1-212-557-8026

## Singapore Representative Office

6 Battery Road, Standard Chartered Bldg.  
#11-5 Singapore 049909  
Phone: 65-221-1182  
Facsimile: 65-221-0556

## Shanghai Representative Office

8/F, HSBC Tower, 101 Yin Cheng East Rd,  
Pudong, Shanghai, P.C. 200120, China  
Phone: 86-21-6841-1882  
Facsimile: 86-21-6841-2118

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## Major Stockholders (Number of shares in thousands):

The Bank of Tokyo-Mitsubishi, Ltd.	26,972 (4.93%)	The Dai-Ichi Mutual Life Insurance Company	8,618 (1.57%)
The Industrial Bank of Japan, Limited	17,141 (3.13%)	The Tokio Marine and Fire	
The Meiji Mutual Life Insurance Company	15,517 (2.84%)	Insurance Co., Ltd.	8,569 (1.56%)
Nippon Life Insurance Company	13,747 (2.51%)	Japan Trustee Services Bank, Ltd.	8,325 (1.52%)
Showa Shoji Co., Ltd.	9,561 (1.75%)	Asahi Mutual Life Insurance Company	8,311 (1.52%)
The Gunma Bank, Ltd.	8,861 (1.62%)		

(as of March 31, 2002)

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## Major Affiliated Companies:

Hachijuni Business Service Co., Ltd.  
Date of establishment: August 1981  
Line of business: Collection and delivery of materials and cash,  
printing

Hachijuni System Development Co., Ltd.  
Date of establishment: December 1983  
Line of business: Development of computer systems

Hachijuni Staff Service Co., Ltd.  
Date of establishment: September 1986  
Line of business: Placement of temporary working staff

Hachijuni Lease Co., Ltd.  
Date of establishment: June 1974  
Line of business: Leasing

Hachijuni DC Card Co., Ltd.  
Date of establishment: August 1982  
Line of business: Credit card business

Hachijuni Credit Guarantee Co., Ltd.  
Date of establishment: December 1983  
Line of business: Guarantee to consumer loan

Hachijuni Capital Co., Ltd.  
Date of establishment: September 1984  
Line of business: Venture capital for high-tech companies

Hachijuni Investment Management Co., Ltd.  
Date of establishment: May 1986  
Line of business: Investment advisory services

Hachijuni Asia Limited  
Date of establishment: January 1989  
Line of business: Deposit, loan, trading, underwriting of bonds

Yamabiko Services Co., Ltd.  
Date of establishment: August 2000  
Line of business: Credit collection and management

(as of March 31, 2002)



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