

# Financial Information

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# Financial Review

## SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2002

Net interest income rose ¥57 billion over the previous fiscal year, to ¥155 billion, equivalent to US\$1,164 million, owing to the decline in funding costs as a result of the drop in interest rates. Net income on securities increased ¥40 billion on a year-on-year basis, to ¥154 billion, due to increased earnings from Japanese government bonds. Net income from fees and commissions, however, declined ¥15 billion from the previous year, to ¥15 billion.

General and administrative expenses rose ¥5 billion on a year-on-year basis, to ¥112 billion. Credit costs increased ¥84 billion, to ¥115 billion, as the Bank appropriately wrote off nonperforming loans and added to its reserve for possible loan losses in line with the strict self-assessment of its assets. The addition to the reserve for possible loan losses was ¥80 billion.

As a result, on a consolidated basis, the Bank's net income in fiscal 2001 was ¥70 billion, equivalent to US\$530 million.

### Principal Statement of Income Items

Fiscal years ended March 31	Millions of Yen		
	2002	2001	Difference
Net Interest Income	<b>¥155,185</b>	¥ 97,620	¥ 57,565
Net Income on Securities	<b>154,515</b>	113,628	40,887
Net Income from Fees and Commissions	<b>15,630</b>	30,791	(15,161)
General and Administrative Expenses	<b>112,838</b>	107,000	5,838
Credit Costs	<b>115,885</b>	31,186	84,699
Transfer to Reserve for Possible Loan Losses	<b>80,003</b>	(24,578)	104,581
Write-off of Loans	<b>34,062</b>	24,272	9,790
Other	<b>1,819</b>	31,492	(29,673)
Other	<b>(5,826)</b>	37,302	(43,128)
Income before Income Taxes	<b>90,781</b>	141,155	(50,374)
Income Taxes	<b>19,702</b>	22,999	(3,297)
Current	<b>41,353</b>	778	40,575
Deferred	<b>(21,651)</b>	22,221	(43,872)
Net Income	<b>70,608</b>	117,504	(46,896)

## REVIEW OF BALANCE SHEET ITEMS

### Funding

Deposits, excluding negotiable certificates of deposit (NCDs), rose to ¥38,068 billion, equivalent to US\$285 billion, up ¥2,073 billion from the previous year, as a result of an increase in deposits at the prefectural level. The deposits from cooperatives are allocated in compliance with applicable laws as follows:

- Two-thirds of the funds, after loans are deducted from deposits of JA and Gyokyo, are deposited with Shinnoren and Shingyoren.
- One-half of the funds, after loans are deducted from deposits at the Shinnoren and Shingyoren levels, are deposited with the Bank.

This system provides a stable source of funding for the Bank.

### Breakdown of Deposits (On a Non-Consolidated Basis)

As of March 31	Billions of Yen	
	2002	2001
Organizations Which Have Capital Subscription in the Bank	¥34,244	¥31,582
Financial Institutions and Public Funds	2,702	3,112
Other	1,121	1,300
<b>Total</b>	<b>¥38,068</b>	<b>¥35,995</b>

Note: The above figures exclude NCDs.

### Loans and Bills Discounted

By focusing on a lending policy that takes risk-return into account, the Bank's loans and bills discounted on a consolidated basis totaled ¥23,985 billion, equivalent to US\$180 billion, an increase of ¥1,180 billion from the previous fiscal year. Risk-managed loans on a consolidated basis rose ¥56 billion, to ¥823 billion, from the previous year as a result of deterioration in corporate performance. The reserve for possible loan losses stood at ¥367 billion, up ¥49 billion from the previous year.

### Breakdown of Loans by Industry (On a Consolidated Basis)

As of March 31	Billions of Yen (%)	
	2002	2001
Foods	¥ 554 ( 2.3%)	¥ 558 (2.4%)
Pulp and Paper	231 (0.9)	233 (1.0)
Chemicals	403 (1.6)	388 (1.7)
Other Manufacturing	971 (4.0)	879 (3.8)
Agriculture, Forestry and Fisheries	184 (0.7)	202 (0.8)
Construction	236 (0.9)	270 (1.1)
Electricity, Gas and Water	270 (1.1)	274 (1.2)
Transportation and Telecommunications	944 (3.9)	840 (3.6)
Wholesale, Retail and Restaurant	2,056 (8.5)	2,102 (9.2)
Services	1,579 (6.5)	1,377 (6.0)
Finance and Insurance	9,880 (41.1)	11,151 (48.8)
Other Non-Manufacturing	6,672 (27.8)	4,525 (19.8)
<b>Total</b>	<b>¥23,985 (100.0%)</b>	<b>¥22,805 (100.0%)</b>

### Risk-Managed Loans (On a Consolidated Basis)

As of March 31	Billions of Yen	
	2002	2001
Loans to Borrowers under Bankruptcy Proceedings	¥ 24	¥ 6
Loans with Principal or Interest Payments More Than Six Months in Arrears	357	344
Loans with Principal or Interest Payments More Than Three Months in Arrears	1	3
Restructured Loans	439	414
<b>Total</b>	<b>¥823</b>	<b>¥767</b>

### Risk-Managed Loans (On a Non-Consolidated Basis)

As of March 31	Billions of Yen	
	2002	2001
Loans to Borrowers under Bankruptcy Proceedings	¥ 23	¥ 5
Loans with Principal or Interest Payments More Than Six Months in Arrears	345	330
Loans with Principal or Interest Payments More Than Three Months in Arrears	1	0
Restructured Loans	423	398
<b>Total</b>	<b>¥793</b>	<b>¥735</b>

Notes: 1. Loans to Borrowers under Bankruptcy Proceedings are loans for which payment of principal or interest has not been received for a substantial period and, for this and other reasons, there are no prospects for recovery or repayment of the principal or interest, and thereby no interest has been accrued (excluding loans written off and hereinafter referred to as non-accrual loans), which are subject to the Implementation Ordinances for the Corporation Tax Law (Government Ordinance No. 97, 1965), items (i) through (v) of Article 96, Section 1, Part 3 or Part 4 of the same article. Loans with Principal or Interest Payments More Than Six Months in Arrears are non-accrual loans other than Loans to Borrowers under Bankruptcy Proceedings and other loans for which interest payments have been rescheduled to assist the borrowers' restructuring (Restructured Loans).

2. Loans with Principal or Interest Payments More Than Three Months in Arrears are defined as loans for which principal or interest has been in arrears for three months or more from the day following the contract payment date. They exclude Loans to Borrowers under Bankruptcy Proceedings and Loans with Principal or Interest Payments More Than Six Months in Arrears.

3. Restructured Loans are those for which the terms and conditions of the original loan agreement are redrawn for the favor of the borrower, including reducing interest rates, rescheduling interest and principal payments or waiving claims on the borrower. Such loans exclude Loans to Borrowers under Bankruptcy Proceedings, Loans with Principal or Interest Payments More Than Six Months in Arrears and Loans with Principal or Interest Payments More Than Three Months in Arrears.

### Disclosed Claims by the Financial Revitalization Law (On a Non-Consolidated Basis)

As of March 31	Billions of Yen	
	2002	2001
Claims on Obligors under Legal Bankruptcy Proceedings and Obligors Substantially in Bankruptcy	¥ 29	¥ 11
Claims on Obligors with Bankruptcy Imminent	339	324
Claims on Obligors under Close Observation	428	404
<b>Total</b>	<b>¥ 797</b>	<b>¥ 740</b>
Claims on Ordinary Obligors	¥23,818	¥22,706

Note: Under Article 6 of the Law Concerning Emergency Measures for Early Stabilization of Financial Functions (Law No. 132, 1998), banks are required to classify obligors regarding: Securities Lent, Loans and Bills Discounted, Foreign Exchange Assets, Unaccrued Interest and Suspense Payments of Other Assets and Customers' Liabilities for Acceptances and Guarantees, according to their financial conditions and management performance. The definition of the classifications is as follows:

Although the Bank is not subject to the provisions of this law, it classifies its obligors and discloses the value of claims on each obligor in accordance with the law.

(1) Claims on Obligors under Legal Bankruptcy Proceedings and Obligors Substantially in Bankruptcy

Claims on obligors who are bankrupt or in the process of bankruptcy, reorganization or similar financial restructuring procedures as well as those in a similar condition.

(2) Claims on Obligors with Bankruptcy Imminent

Claims on obligors who are not yet bankrupt but whose financial position and management performance are deteriorating. It is highly likely that the principal and interest will become uncollectible.

(3) Claims on Obligors under Close Observation

Claims in this category basically include Loans with Principal or Interest Payments More Than Three Months in Arrears and Restructured Loans.

(4) Claims on Ordinary Obligors

Claims on obligors with no particular financial or operating problems and include all claims other than those under (1) through (3) above.

### Reserve for Possible Loan Losses (On a Consolidated Basis)

As of March 31	Billions of Yen	
	2002	2001
Reserve for Possible Loan Losses	¥367	¥318

### Reserve for Possible Loan Losses (On a Non-Consolidated Basis)

As of March 31	Billions of Yen	
	2002	2001
General	¥174	¥157
Specific	195	157
Provision for Losses on Specified Overseas Debts	5	7
<b>Total</b>	<b>¥375</b>	<b>¥323</b>

## Shareholders' Equity

The Bank's capital adequacy ratio as of March 31, 2002, was 10.02% on a consolidated basis, and 10.22% on a non-consolidated basis. The most noteworthy feature of the Bank's capital structure is a high percentage of Tier I capital—the most basic component of capital, including paid-in capital and earned surplus—which is made possible through the strong support of the cooperative membership system. On both a consolidated and non-consolidated basis, the Tier I capital ratio, which is regarded as a measure of the quality of a financial institution's capital, was close to 7%. The Bank held ¥1 trillion in lower dividend rate stocks in Tier I capital from Shinnoren and Shingyoren, and its subordinated loan balance in Tier II capital stood at ¥0.49 trillion at the fiscal year-end. Overall, the Bank's capital position has been strengthened.

The capital adequacy ratio of the Bank in line with the BIS's capital adequacy requirements is as follows.

### BIS Capital Adequacy Ratio (On a Consolidated Basis)

As of March 31	Billions of Yen, %	
	2002	2001
Shareholders' Equity:		
Tier I	¥ 1,691	¥ 1,649
Tier II	771	1,016
Amount to be Deducted*	1	1
Total	<u>¥ 2,460</u>	<u>¥ 2,664</u>
Risk-Adjusted Assets:		
On-Balance-Sheet	¥22,170	¥21,104
Off-Balance-Sheet	707	645
Assets Equivalent to Market Risk	1,673	2,336
Total	<u>¥24,550</u>	<u>¥24,086</u>
BIS Capital Adequacy Ratio (%):		
Tier I	6.88%	6.84%
Tier I + Tier II	10.02	11.06

*Note: The capital adequacy ratio of the Bank is based on the computational formula specified in Directive No. 15, Criteria for Judging the Management Soundness of the Norinchukin Bank, issued in 2001 by the Financial Services Agency and Ministry of Agriculture, Forestry and Fisheries (hereinafter, the Directive). The Bank observes BIS capital adequacy requirements and has been in compliance with market risk regulations.*

*\* This amount is equivalent to the investment stipulated in Directive 7, Clause 1, Section 2.*

BIS Capital Adequacy Ratio (On a Non-Consolidated Basis)

As of March 31	Billions of Yen, %	
	2002	2001
Shareholders' Equity:		
Tier I	¥ 1,670	¥ 1,634
Tier II	785	1,028
Amount to be Deducted*	0	0
Total	<u>¥ 2,455</u>	<u>¥ 2,662</u>
Risk-Adjusted Assets:		
On-Balance-Sheet	¥21,770	¥20,751
Off-Balance-Sheet	607	624
Assets Equivalent to Market Risk	1,631	2,294
Total	<u>¥24,009</u>	<u>¥23,670</u>
BIS Capital Adequacy Ratio (%):		
Tier I	6.95%	6.90%
Tier I + Tier II	10.22	11.24

Note: The capital adequacy ratio of the Bank is based on the computational formula specified in Directive No. 15, Criteria for Judging the Management Soundness of the Norinchukin Bank, issued in 2001 by the Financial Services Agency and Ministry of Agriculture, Forestry and Fisheries (hereinafter, the Directive). The Bank observes BIS capital adequacy requirements and has been in compliance with market risk regulations.

\* This amount is equivalent to the investment stipulated in Directive 7, Clause 1, Section 2.

# Risk Management

The business environment for financial institutions has changed drastically in recent years. Under this environment, prompted by the growing diversity of their operations, such institutions are required to establish optimal risk management systems in order to perform their social responsibilities as they maintain and improve the soundness of their operations.

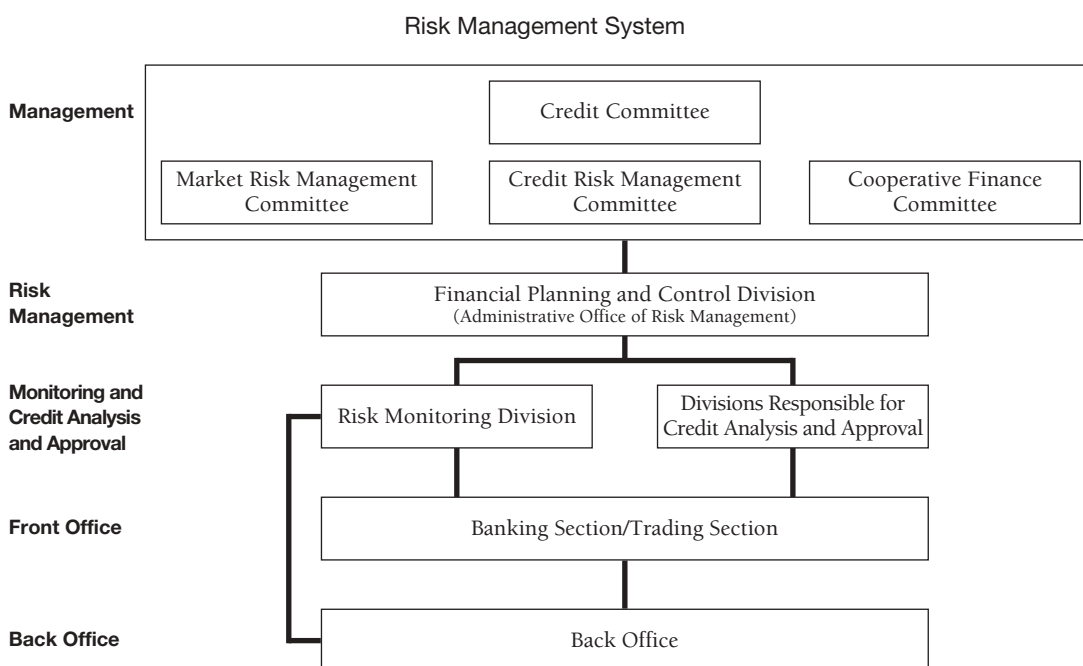
The Bank has structured its risk management systems, which are intended to effectively control credit risk, market risk, and other various risks in management operations with the following three key objectives in mind. The first is to make accurate decisions through committees comprised of management and the general managers of various divisions, i.e., the Credit Risk Management Committee, Market Risk Management Committee, and Credit Committee. The second is to carry out the Bank's business promptly and efficiently. The third is to properly monitor risk management activities and provide feedback on quantitative data on risk volumes so as to reflect these in decision making.

Looking forward, the Bank will place a top priority on sophistication of individual and integrated risk management, and continue to pursue the policy of substantially enhancing its risk management systems.

## CREDIT RISK MANAGEMENT

The Bank defines credit risk transactions as an important source of earnings in terms of corporate strategy. For all credit risk assets, including loans, the Bank conducts credit risk analyses on individual transactions and manages its credit risk portfolio from an overall perspective to secure earnings that counterbalance the credit risk.

Three committees are the center of the Bank's credit risk management system. The first of these, the Credit Committee, is a venue for the deliberation of the basic framework of credit risk management. The basic framework entails the credit ceiling system by country and individual company, internal rating system, and self-assessment. The Credit Committee reviews policies on the integrated management of credit risks in response to the basic framework and measures to be taken in an event of a contingency. The Credit Risk Management Committee debates specific policies for credit risk transactions other than those related to cooperative lending. The Cooperative Finance Committee deliberates specific policies on credit risk transactions for cooperative lending in order to fulfill the Bank's mission of providing effective and efficient financing.





The specific policies that are discussed by the Credit Risk Management Committee, the Cooperative Finance Committee, and the Market Risk Management Committee (mentioned below) must follow the basic framework of credit risk management.

The Risk Monitoring Division, independent from the front offices, monitors the credit risk portfolio.

The Bank has been strengthening its credit analysis capabilities and has set up several divisions in charge of analyzing members of the cooperative system, primary-sector-related industries and public entities, and non-resident clients. These divisions exchange information when necessary and collaborate with one another to maintain internal cooperation.

To conduct credit analyses on corporations that are mainly primary-sector-related industries and public corporations, the Bank has established the Corporate Credit Risk Management Division, which is separated from the Corporate Business Management and Strategy Division. The division conducts industry-based credit analyses, making full use of the Bank's expertise it has cultivated in industry finance.

Specifically, to realize greater accuracy, each credit administrator in charge of a certain industry assesses each client and business through comparisons with competitors in the same business, a method that makes active use of industry research functions. With regard to the credit of non-resident borrowers, the Bank has adopted a country ceiling system that takes into account risks that differ from those of domestic loans, such as analyses of political and social conditions of each country. In addition to a business-type-based credit administration by the International Credit Risk Management Division, a special region-based credit administrator evaluates loan applications, thereby carrying out optimal risk management.

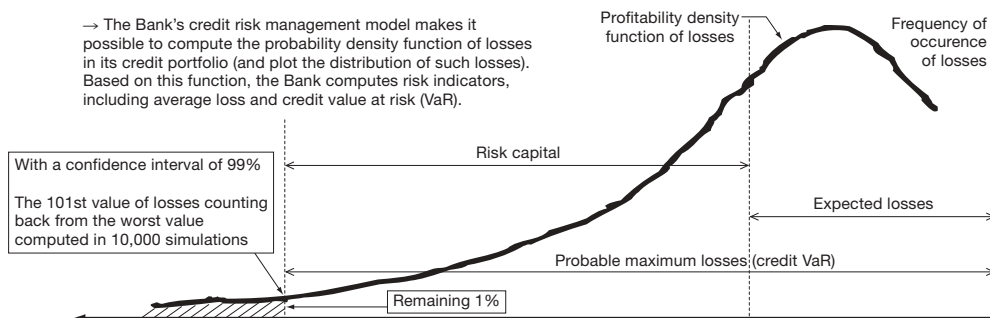
Markets for so-called products involving the liquidation of assets, which are backed by account receivables, real estate, and other assets, have been expanding in recent years. Aside from credit risk examination of individual borrowers, credit administrators specializing in the structure of investment products have been assigned and are focusing on a proper understanding of the risks associated with such products.

Under these credit administrations, the Bank conducts optimal credit risk management based on strict screening standards and its own methods for analyses of financial position and cash flow. By implementing a full training curriculum, the Bank seeks to better the credit risk management skills of credit analysts, who carry out primary credit analysis at business offices.

While strengthening conventional credit analysis methods, the Bank also introduces management methods that examine the overall portfolio in order to attain an optimal structure. Specifically, the Bank sets credit limits based on its internal credit ratings and controls risk volume by observing company ceilings. It also aims at setting lending rates according to internal credit ratings and the collateralization of loans in order to counterbalance the credit risk.

As in the case of market risks, the Bank also promotes activities to use statistical methods to calculate the risk volume of credit risks and further enhances its risk management by using a management method based on risk-return.

### Basic Outline of the Bank's Credit Risk Management Model



### **Measurement of Credit Risk**

Credit risk refers to losses incurred by a lender, whose asset values (including off-balance-sheet assets) lessen or disappear as a result of a deterioration in the financial conditions of its borrowers.

For credit risk associated with lending and corporate bond investment, the Bank manages such risk by examining how its credit exposure is distributed according to the credit standing of its borrowers and confirms that there are no excessive concentrations of risk in its assets. It is important for the Bank to ensure a return on its earning assets that counterbalances the risk and costs involved. With this in mind, the Bank monitors the overall distribution of its credit exposure and profitability, while setting credit limits based on credit ratings to structure an appropriate asset portfolio.

As with market risk, the Bank also addresses an econometric model of risk that incorporates statistical methods. Based on CreditMetrics™ developed by J.P. Morgan Chase & Co., the Bank has introduced a model that suits the Japanese economic structure and characteristics of its credit transactions. The Bank has also been organizing credit-related data, including the historic trends of credit ratings, default ratios, and percentages of debt collection. The Bank sought the distribution of loss frequency that could be obtained by simulations related to the current credit risk portfolio and calculated the risk volume of both expected loss and probable maximum loss. Making use of these risk indicators, the Bank conducts integrated management of all its credit risk assets from a portfolio perspective and aims to enhance its overall performance.

External consultants have given quantitative and qualitative evaluations on these systems for measuring risk volume and have proven their effectiveness.

Together with these schemes, the Bank has been building an infrastructure related to credit risk management using sophisticated system technology.

As for off-balance-sheet transactions, the Bank measures the following exposures on a daily basis:

- The current exposure, i.e., the cost to reconstruct the transactions in case the counterparty of the transaction declares default due to bankruptcy
- The potential exposure, i.e., the deemed additional amount corresponding to the increased risk of the current exposure in the future

As seen above, the Bank comprehensively manages credit risks for both on-balance and off-balance-sheet transactions.

## **MARKET RISK MANAGEMENT SYSTEM**

The Bank defines financial market operations as an important source of income as well as a means to hedge risks. Interest rate and price fluctuation risks are properly controlled using comprehensive risk management systems in order to generate profits and stabilize financial positions.

To insure the implementation of these management strategies, the Bank has created a mutual checking system where decision-making functions, execution, and monitoring are systematically separated and organized into independent units. These activities are carried out to realize sufficient risk management.

### **Asset-Liability Management**

The optimal management of risks in banking operations is indispensable for the stability of financial institutions. The Bank began risk management at an early stage through asset-liability management (ALM) that places emphasis on a balance of maintaining financial soundness and strengthening profitability. Both static and dynamic interest rate sensitivities of cash flow are analyzed, and basis point values are calculated. Based on the analyses conducted from various angles, the Bank makes an effort to build a flexible financial structure that can respond promptly to changes in financial conditions.

## **Market Portfolio**

In banking operations, the Bank places special emphasis on analyzing and managing market risk in view of the importance of its market portfolio for securities.

Important decisions on market transactions are made at the managerial level. The Market Risk Management Committee, composed of members of management as well as the general managers of related divisions, considers, discusses, and authorizes final decisions concerning specific policies related to market transactions.

Divisions managing market portfolios buy and sell securities and hedge risks based on policies set by the Market Risk Management Committee. These activities are efficiently executed while monitoring market trends to enable new proposals for trading strategies.

The Risk Monitoring Division measures whether the operations conducted by the front offices follow policies set by the Market Risk Management Committee. In addition to measuring the risk potential, the division is also responsible for monitoring transactions. Monitoring results, carried out on a daily basis, are reported to management.

The Bank has adopted an alarm system, called the “Check Point System,” as a tool for risk management. This system requires the Market Risk Management Committee, including the management, to discuss actions when the risk volume in the overall portfolio reaches a certain level stipulated in the Bank’s tolerance limits. An alarm is activated when the risk volume radically changes in the short term and exceeds a certain level. In such cases, it is obligatory that the committee should meet and discuss appropriate actions. This system enables the Bank to manage risk quickly and properly, and we are committed to establishing an even more optimal risk management system in the future.

## **Methods for Measuring Market Risk of Market Portfolio**

Balancing cash flows in line with interest rate fluctuations is important in banking operations. The Bank calculates the interest rate sensitivity of its assets and liabilities and measures cash flow fluctuations of assets and liabilities (as measured by the changes in interest margins or unrealized gains and losses in the case where the standard interest rate moves by one percentage point). This scheme is combined with scenario-based simulation methods to measure the impact of interest rate changes on cash flows in overall banking operations (accounts).

In addition, the Bank regularly carries out measurement of the risk volume by taking account of price fluctuation risk involved with bonds, stocks, foreign currency exchange, and simulations under stress conditions for the overall banking account to determine the impact of market changes on the value of held assets.

## **Trading**

Front offices carry out transactions within predetermined positions and loss limits in terms of risk-return to achieve profit targets in trading activities conducted for the purpose of realizing profits from short-term market fluctuations.

When positions or losses exceed predetermined limits, a warning is issued from the Risk Monitoring Division to the front offices and, depending on the level of excess, measures are taken to improve the situation, reduce the volume of transactions, or suspend transactions altogether.

## **Methods for Measuring Market Risk of Trading**

The Bank measures the risk in its trading operations by employing such methods as basis point value (BPV), slope point value (SPV), option risk parameters, and VaR, to monitor compliance with risk limits.

The internal model for measuring risk volumes was developed by the Bank and is used to measure the level of market risk and capital required by the BIS's capital adequacy requirements. The validity of the model has been proven by objective quantitative and qualitative audits conducted by an external certified public accounting firm.

## OTHER RISK MANAGEMENT SYSTEMS

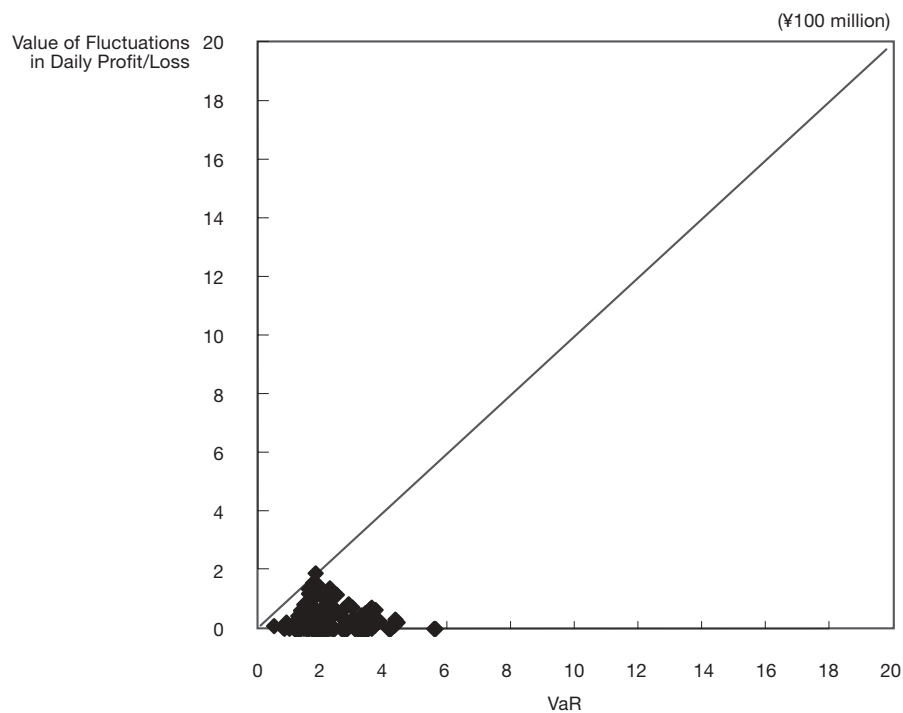
The Bank's management of liquidity risk is based on its stable funding capabilities and its holdings of assets with high liquidity. The Bank implements policies for yen and foreign currencies to take all possible measures depending on financial conditions, in accordance with the procedures stipulated in its *Risk Management Policy*.

Other than the above, there are a number of other inherent risks that may have a major impact on management, such as settlement risk in financial transactions and operational risks. Necessary management in line with each type of risk property is based on methods and approaches stipulated in the *Risk*

Changes of Interest Rate VaR (1 day) of the Trading Division

	VaR (¥100 Million)
June 29, 2001	¥3.0
September 28, 2001	2.0
December 28, 2001	1.8
March 29, 2002	1.8

Results of Back Testing (Trading Divisions, Interest Rate VaR (1 day))



From April 1, 2001, to March 31, 2002 (consisting of 245 business days), the negative value of daily profit and loss did not exceed VaR (1-day holding period) on any day, as shown in the diagram above. (No dots are marked above the 45-degree line.) The model has been proven valid within the specified probability range (one-tailed confidence interval of 99% and two-tailed confidence interval of 98%).

*Management Policy.* The Bank is committed to further explore this area to take further steps to strengthen risk management systems.

## INTERNAL AUDIT SYSTEMS

The Bank established the Internal Audit Division, which is responsible for verifying and evaluating management and operations of overall managerial activities in progress in terms of appropriateness and effectiveness of internal controls. Based on the division's reports on these verifications and evaluations, the Bank contributes to maintain and improve the appropriateness of its business operations.

These internal audits are conducted not only in each one of the Bank's divisions but also in consolidated subsidiaries. To implement highly efficient and effective internal audits, the Internal Audit Division may decide on the frequency and depth of the internal audit depending on the subject and the types and levels of risk involved.

These internal audits particularly examine compliance with laws, the current status and challenges related to risk management, the execution system and status of operations, the condition of systems, and the clerical processing status. Along with these activities, the Internal Audit Division is working to enhance its specialist capabilities.

## BASIC POLICIES AND OPERATING PROCEDURES FOR COMPLIANCE

To secure further confidence and trust from society, the Bank makes incessant efforts to ensure its compliance with ordinances and maintains a high level of transparency in its operations through disclosure and accountability. These efforts are based on the principle of self-discipline and self-reliance.

Since the Ethical Charter was enacted in March 1998, the Bank has been actively promoting compliance. To provide a manual for implementing the *Ethical Charter and the Code of Conduct* in daily business, the Bank enacted the *Code of Conduct for the Bank's Management and Staff*, the contents of which were disseminated within the Bank. In addition, the *Comments on Ordinances to Be Observed by the Bank's Management and Staff* and the *Summary of the Bank's Compliance Arrangements* were organized and included in the *Compliance Manual*. This manual was also distributed to all members of the management and staff.

The Bank's compliance arrangements are mainly managed by the Compliance Committee, the division in charge of compliance (the Compliance Management Department of the Legal Division), and personnel in charge of compliance assigned to each division or branch of the Bank.

The Compliance Committee (chaired by the Deputy President & Co-CEO) deliberates on basic matters related to the compliance of the Bank. The matters deliberated at the Compliance Committee are discussed and approved by the Board of Directors.

The Compliance Management Department of the Legal Division, which was established in October 2000, acts as the secretariat for the Compliance Committee, contacts and consults with personnel in charge of compliance at each division or branch, and carries out education and training within the Bank. The Bank formulates the "Compliance Program," specific action plans to realize compliance, including promotional and educational activities through the creation of and training for compliance arrangements. The Bank annually reviews the program upon approval from the Board of Directors to enable more-systematic compliance activities that are an integral part of the Bank's operations.

The Bank, as a financial institution always trusted and respected by its clients, will continue to further enhance its compliance activities in the future.

# Consolidated Financial Statements

The Norinchukin Bank and Its Subsidiaries

## Consolidated Balance Sheets

As of March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
<b>ASSETS</b>			
Cash and Due from Banks	¥ 3,907,483	¥ 5,748,472	\$ 29,324
Call Loans and Bills Purchased	411,236	854,602	3,086
Receivables under Resale Agreements	42,106	—	316
Commercial Paper and Other Debt Purchased	477,849	401,074	3,586
Trading Assets	1,374,769	2,277,541	10,317
Money Held in Trust	2,403,131	2,179,160	18,035
Securities	23,224,644	22,643,155	174,294
Loans and Bills Discounted (Note 4)	23,985,896	22,805,905	180,007
Foreign Exchange Assets	19,460	16,616	146
Other Assets	1,434,038	2,977,570	10,763
Premises and Equipment	222,803	222,996	1,672
Deferred Debenture Discounts	457	2,173	3
Deferred Tax Assets	108,855	7,908	817
Customers' Liabilities for Acceptances and Guarantees	335,001	358,593	2,514
Reserve for Possible Loan Losses	(367,748)	(318,921)	(2,760)
<b>Total Assets</b>	<b>¥57,579,985</b>	<b>¥60,176,848</b>	<b>\$432,120</b>

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
<b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Deposits	¥38,255,219	¥36,579,290	\$287,094
Debentures	5,906,480	6,535,129	44,326
Call Money and Bills Sold	3,359,646	4,015,342	25,213
Payables under Repurchase Agreements	3,135,033	—	23,527
Trading Liabilities	213,298	223,562	1,601
Borrowings (Note 8)	871,438	903,676	6,540
Foreign Exchange Liabilities	2,323	2,090	17
Other Liabilities	3,554,970	9,179,230	26,680
Group Mutual Aid Reserves	18,832	35,605	141
Reserve for Retirement Benefits	9,380	8,621	70
Other Reserves	8	9	0
Deferred Tax Liabilities	—	79,493	—
Deferred Tax Liabilities Related to Land Revaluation	34,788	35,277	261
Acceptances and Guarantees	335,001	358,593	2,514
<b>Total Liabilities</b>	<b>55,696,422</b>	<b>57,955,924</b>	<b>417,984</b>
<b>Minority Interests</b>			
Minority Interests	1,816	1,339	14
<b>Total Minority Interests</b>	<b>1,816</b>	<b>1,339</b>	<b>14</b>
<b>Shareholders' Equity</b>			
Paid-in Capital	1,124,999	1,124,999	8,443
Capital Surplus	25,020	25,020	188
Land Revaluation Excess	82,700	83,863	621
Retained Earnings	573,017	532,938	4,300
Net Unrealized Gains on Securities, net of Taxes	76,772	455,326	576
Cumulative Translation Adjustment	(764)	(2,564)	(6)
<b>Total Shareholders' Equity</b>	<b>1,881,745</b>	<b>2,219,584</b>	<b>14,122</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>¥57,579,985</b>	<b>¥60,176,848</b>	<b>\$432,120</b>

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Income

For the fiscal years ended March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
<b>Income</b>			
Interest and Dividend Income:			
Interest on Loans and Discounts	¥ 209,251	¥ 258,722	\$ 1,570
Interest on and Dividends from Securities	681,464	684,662	5,114
Other	132,923	226,682	998
Fees and Commissions	23,366	252,750	175
Trading Revenue	1,212	5,538	9
Other Operating Income	459,044	151,761	3,445
Other Income	111,981	163,381	841
<b>Total Income</b>	<b>1,619,244</b>	<b>1,743,499</b>	<b>12,152</b>
<b>Expenses</b>			
Interest Expense:			
Interest on Deposits	132,164	190,233	992
Interest on Debentures	67,061	80,053	503
Interest on Borrowings and Rediscounts	12,954	122,759	97
Amortization of Discounts on Debentures	2,739	4,149	21
Other	653,535	675,250	4,904
Fees and Commissions	7,736	221,959	58
Trading Losses	760	2,422	6
Other Operating Expenses	290,699	80,405	2,182
General and Administrative Expenses	112,838	107,000	847
Other Expenses	247,973	118,108	1,861
<b>Total Expenses</b>	<b>1,528,463</b>	<b>1,602,343</b>	<b>11,471</b>
Income before Income Taxes and Minority Interests	90,781	141,155	681
Income Taxes:			
Current	41,353	778	310
Deferred	(21,651)	22,221	(162)
	19,702	22,999	148
Minority Interests	470	651	3
<b>Net Income</b>	<b>¥ 70,608</b>	<b>¥ 117,504</b>	<b>\$ 530</b>

	Yen		U.S. Dollars (Note 1)
	2002	2001	2002
Net Income per Share	¥60.28	¥107.17	\$0.45

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Retained Earnings

For the fiscal years ended March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Balance at the Beginning of the Year	¥532,938	¥446,631	\$3,999
Additions:			
Transfer from Land Revaluation Excess	1,163	37	9
Deductions:			
Dividends	31,691	31,235	238
Net Income for the Year	70,608	117,504	530
Balance at the End of the Year	¥573,017	¥532,938	\$4,300

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
<b>Cash Flows from Operating Activities:</b>			
Income before Income Taxes and Minority Interests	¥ 90,781	¥ 141,155	\$ 681
Depreciation of Premises and Equipment	7,813	7,203	59
Depreciation of Leased Assets	192,173	181,546	1,442
Equity in Earnings of Affiliates	(95)	(191)	(1)
Increase (Decrease) in Reserve for Possible Loan Losses	48,826	(539,382)	366
(Decrease) Increase in Group Mutual Aid Reserves	(16,773)	15,611	(126)
Decrease in Reserve for Contingent Losses Related to Loans Sold	—	(505)	—
Decrease in Reserve for Supporting Specific Borrowers	—	(840)	—
Decrease in Reserve for Possible Losses on Securities	—	(189)	—
Decrease in Reserve under Special Laws	(1)	(3)	(0)
Increase (Decrease) in Reserve for Retirement Benefits	758	(10,485)	6
Interest Income Recognized in Statement of Income	(1,023,640)	(1,170,066)	(7,682)
Interest Expense Recognized in Statement of Income	868,455	1,072,446	6,517
Gains on Securities	(98,906)	(79,971)	(742)
Losses (Gains) on Money Held in Trust	16,399	(20,174)	123
Foreign Exchange Gains	(739,946)	(1,244,447)	(5,553)
Losses on Sales of Premises and Equipment	589	933	4
(Gains) Losses on Sales of Leased Assets	(2,675)	1,244	(20)
Net Decrease (Increase) in Trading Assets	902,772	(564,534)	6,775
Net (Decrease) Increase in Trading Liabilities	(10,263)	28,726	(77)
Net Increase in Loans	(1,179,991)	(1,252,175)	(8,855)
Net Increase in Deposits	2,050,936	2,608,761	15,392
Net (Decrease) Increase in Negotiable Certificates of Deposit	(374,907)	484,244	(2,814)
Net Decrease in Debentures	(628,649)	(434,587)	(4,718)
Net Decrease in Borrowings (Excluding Subordinated Borrowings)	(32,237)	(159,322)	(242)
Net Decrease in Interest-Bearing Due from Banks	1,798,128	351,963	13,494
Net Decrease in Call Loans and Bills Purchased and Other	324,461	1,900,939	2,435
Net Decrease in Cash Collateral Paid under Bond Borrowing Transactions	68,486	95,048	514
Net Increase in Call Money and Bills Sold and Other	2,479,336	2,769,623	18,607
Net (Decrease) Increase in Short-Term Entrusted Fund	(2,741,493)	1,042,056	(20,574)
Net (Decrease) Increase in Cash Collateral Received under Bond Lending Transactions	(428,451)	1,040,018	(3,215)
Net (Increase) Decrease in Foreign Exchanges Assets	(2,844)	9,231	(21)
Net Increase in Foreign Exchanges Liabilities	233	945	2
Interest Income (Cash Basis)	1,140,293	1,229,623	8,558
Interest Expense (Cash Basis)	(964,911)	(1,076,996)	(7,241)
Other—Net	(945,452)	321,338	(7,096)
Subtotal	799,206	6,748,788	5,998
Income Taxes	(4,490)	(38,859)	(34)
Net Cash Provided by Operating Activities	¥ 794,716	¥ 6,709,928	\$ 5,964
<b>Cash Flows from Investing Activities:</b>			
Purchase of Securities	(8,910,198)	¥(16,753,548)	(66,868)
Proceeds from Sales of Securities	4,831,042	5,209,447	36,255
Proceeds from Redemption of Securities	3,802,648	5,569,048	28,538
Increase in Money Held in Trust	(1,564,450)	(1,160,811)	(11,741)
Decrease in Money Held in Trust	1,260,547	495,350	9,460
Purchases of Premises and Equipment	(12,401)	(13,174)	(93)
Proceeds from Sales of Premises and Equipment	2,198	6,687	16
Purchase of Leased Assets	(226,161)	(209,733)	(1,697)
Proceeds from Sales of Leased Assets	11,085	11,420	83
Purchase of Stocks of Subsidiaries (effecting changes in the scope of consolidation)	(60)	—	(0)
Net Cash Used in Investing Activities	¥ (805,749)	¥ (6,845,314)	\$ (6,047)
<b>Cash Flows from Financing Activities:</b>			
Dividend Paid	¥ (31,691)	¥ (31,235)	\$ (237)
Dividend Paid to Minority Interests	—	(1)	—
Net Cash Used in Financing Activities	¥ (31,691)	¥ (31,236)	\$ (237)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	¥ 28	¥ 56	\$ 0
<b>Net Decrease in Cash and Cash Equivalents</b>	(42,696)	(166,565)	(320)
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	295,161	461,727	2,215
<b>Cash and Cash Equivalents at the End of the Year</b>	¥ 252,465	¥ 295,161	\$ 1,895

The accompanying notes are an integral part of the financial statements.



# Notes to the Consolidated Financial Statements

The Norinchukin Bank and its Consolidated Subsidiaries

## 1. Basis of Presentation

The consolidated financial statements have been prepared based on the accounting records maintained by The Norinchukin Bank (“the Bank”) and its consolidated subsidiaries in accordance with the provisions set forth in The Norinchukin Bank Law and in conformity with accounting principles and practices generally accepted in Japan, that are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Agriculture, Forestry and Fisheries of Japan have been reclassified for the convenience of readers.

The consolidated financial statements are intended only to present the consolidated financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in Japan.

Amounts in U.S. dollars are included solely for the convenience of readers. The exchange rate of ¥133.25=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2002, has been used for translation purposes. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the aforementioned rate or at any other rate.

The yen figures disclosed in the consolidated financial statements are expressed in millions of yen and have been rounded down. Consequently, differences may exist between the sum of rounded figures and the totals listed in the annual report.

Certain amounts in prior periods have been reclassified to conform to the current presentation.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

#### Scope of Consolidation

##### *Subsidiaries*

Subsidiaries are, in general, the companies in which the Bank 1) holds, directly and/or indirectly, more than 50% of the voting shares; 2) holds, directly and/or indirectly, 40% or more of the voting shares and, at the same time, exercises effective control over the decision-making body by directing business policy, deciding on financial and operating policies; or 3) holds more than 50% of the voting shares together with those entities that would vote or agree to vote with the Bank due to their close relationship with the Bank through sharing of personnel, provision of finance and technology and other relationships and, at the same time, has effective control over the decision-making body, unless evidence exists which shows that the Bank does not have such control.

The number of subsidiaries as of March 31, 2002 increased to 13, following the establishment of a new subsidiary. All subsidiaries are consolidated. The major consolidated subsidiaries are as follows:

Norinchukin Securities Co., Ltd.

The Norinchukin Trust & Banking Co., Ltd.

Norinchukin International plc

The Co-op Leasing Co., Ltd.

##### *Affiliates*

Affiliates are, in general, the companies other than subsidiaries in which the Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares; 2) holds, directly and/or indirectly, 15% or more of the voting shares and also is able to influence the decision-making body through sharing of personnel, provision of finance and technology, and other relationships; or 3) holds more than 20% of the voting shares together with those entities that would vote or agree to vote with the Bank due to their close relationship with the Bank through sharing of personnel, provision of finance and technology and other relationships and, at the same time, is able to influence the decision-making body in a material degree, unless evidence exists which shows that the Bank does not have such influence.

The number of affiliates as of March 31, 2002 was 3, of which, Norinchukin-Zenkyoren Asset Management Co., Ltd. and The Cooperative Servicing Co., Ltd. are accounted for under the equity method. The remaining immaterial affiliate is carried at cost.

Any difference between the fair value of net assets acquired and acquisition cost is charged or credited to income in the year of acquisition.

The consolidated financial statements include the accounts of the Bank and its subsidiaries, after the elimination of all significant intercompany transactions, balances, and unrealized gains and losses.

The financial statements of a consolidated subsidiary, whose fiscal year-end is December 31, are included in the consolidated financial statements on the basis of its respective fiscal year after making appropriate adjustments for significant transactions during the period from its fiscal year-end to the date of the Bank's fiscal year-end.

All other subsidiaries' fiscal year-ends are March 31.

## **(2) Transactions for Trading Purposes**

Transactions that are influenced by short-term fluctuations in market and other indicators, such as interest rates, foreign exchange rates and securities markets and transactions such as those that are undertaken to take advantage of inter-market and other differences (hereinafter referred to as "Transactions for Trading Purposes") are recorded as Trading Assets and Trading Liabilities in the Consolidated Balance Sheet on a trade date basis.

Gains and losses arising from Transactions for Trading Purposes are recorded on a trade date basis.

Securities, monetary claims and certain other items held for trading purposes are valued at the market price prevailing at the end of the fiscal year. Derivatives held for trading purposes, such as swaps, futures and options, are valued on the assumption that they were settled at the end of the fiscal year.

Trading Revenue and Trading Losses include interest received and paid during the fiscal year, gains or losses resulting from any change in the value of securities and monetary claims between the end of the previous fiscal year and the end of this fiscal year, and gains or losses resulting from any change in the value of derivatives between the end of the previous fiscal year and the end of this fiscal year, assuming they were settled at the end of the fiscal year.

## **(3) Financial Instruments**

### **(a) Securities**

Held-to-maturity debt securities are valued at amortized cost, as determined by the moving average method. Other securities that have a market quotation are valued at the market price prevailing at the end of the fiscal year (the attributable cost of securities sold is determined by the moving average method). Other securities without a market quotation are valued at cost as determined by the moving average method or are valued at amortized cost. Investments in affiliates that are not accounted for by the equity method are valued at cost, as determined by the moving average method. The value of money held in trust, primarily held for the purpose of investing in securities, was calculated consistently with the previous fiscal year, by valuing the underlying securities held using the same methods employed to value Securities directly held by the Bank.

The net unrealized gain or loss on other securities and other money held in trust is reported separately in Shareholders' Equity, on a net-of-tax basis.

### **(b) Derivatives and Hedge Accounting**

The Bank utilizes a macro hedging methodology using derivatives to manage the overall interest rate risk arising on various financial assets and liabilities held, such as loans and deposits. This macro hedging methodology is the risk management method, the "Risk Adjusted Approach" described in the "Tentative Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 15), under which the deferral method of hedge

accounting is used. Hedge effectiveness is assessed by checking (1) whether the total market risk arising on derivative instruments used for hedging purposes is within the established risk limit as set out in the risk management policy and (2) whether interest rate risk from hedged items has been mitigated.

In accordance with the “Tentative Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 20), the fair value method for hedge accounting is applied for hedges of foreign currency risk arising from other securities denominated in foreign currency (other than debt securities), provided that (1) the securities denominated in foreign currency are identified as hedged items in advance and (2) spot and forward liabilities that exceed acquisition costs of the foreign currency securities designated as hedged items exist on a foreign currency basis.

For certain other assets or liabilities, the Bank applies the deferral method, fair value method or the accruals method specifically allowed for certain interest rate swaps. Under the deferral method, the recognition of income or expenses arising on a hedging instrument is deferred to when the income or expenses arising on the hedged item is recognized. Under the fair value method, any change in the fair value of the hedged item or hedging instrument is recognized as income or expenses.

The Bank’s consolidated subsidiaries do not adopt hedge accounting.

#### **(c) Securities Purchased under Resale Agreements and Securities Sold under Repurchase Agreements**

Effective from this fiscal year, the Bank and its consolidated subsidiaries adopted the new Japanese accounting standard for financial instruments, “The Opinion Concerning the Establishment of an Accounting Standard for Financial Instruments” issued by the Business Accounting Deliberation Council in January 22, 1999 (the “New Financial Instruments Standard”).

Securities purchased under resale agreements and securities sold under repurchase agreements were previously accounted for as purchase or sale transactions. Under the New Financial Instruments Standard they are accounted for as finance transactions and disclosed as Receivables under Resale Agreements and Payables under Repurchase Agreements, respectively. As a result, Other Liabilities has decreased by ¥362,499 million as compared with the amount that would have been reported if the New Financial Instruments Standard had not been applied. Those transactions executed overseas, which were previously included in Call Loans and Bills Purchased and/or Call Money and Bills Sold as financing transactions are included in Receivables under Resale Agreements and/or Payables under Repurchase Agreements, respectively from this fiscal year.

#### **(4) Premises and Equipment**

Depreciation of premises and equipment of the Bank is calculated using the reducing-balance method.

However, in accordance with the revision to Article 48-1 of the Corporate Tax Laws, depreciation on buildings acquired after April 1, 1998 (excluding annex facilities of buildings) is to be calculated on a straight-line basis.

The useful lives of premises and equipment are as follows:

Buildings: 15–50 years

Equipment: 5–15 years

The estimated useful life of computers of the Bank was previously 6 years. Personal computers (other than those utilized for servers) are depreciated over 4 years and other computers are depreciated over 5 years from this fiscal year. This change has no material impact on Income before Income Taxes and Minority Interests.

Depreciation of premises and equipment of the consolidated subsidiaries is calculated using mainly the reducing-balance method over the estimated economic useful lives.

In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for business purposes has been revalued as of March 31, 1998. The unrealized gain arising on revaluation, net of deferred tax was reported as Land Revaluation Excess and included in Shareholders' Equity on the Consolidated Balance Sheet. The related deferred tax liability is included in Liabilities as Deferred Tax Liabilities Related to Land Revaluation.

The land price used for the revaluation was determined based on third-party appraisals in accordance with Article 2-5 of the enforcement ordinance for the Law Concerning the Revaluation of Land.

The difference (unrealized loss) between the book value of land after the revaluation undertaken in accordance with Article 10 of the Law Concerning the Revaluation of Land and the fair value was ¥29,740 million and ¥27,127 million as of March 31, 2002 and March 31, 2001, respectively.

#### **(5) Costs of Computer Software Developed or Obtained for Internal Use**

The cost of computer software developed or obtained for internal use is capitalized and amortized using the straight-line method over its estimated useful life of 5 years.

#### **(6) Debentures**

Discounts on debentures are amortized over the life of the debenture. Debenture expenses are charged to income as incurred.

#### **(7) Foreign Currency Translation**

Assets/liabilities denominated in foreign currency and accounts of overseas branches in the Bank are translated into Japanese yen primarily using the exchange rates in effect at the consolidated balance sheet date.

Up to the previous fiscal year, the Bank had followed Accounting Standards relating to Foreign Currency Transactions for Banks in accordance with the "Tentative Auditing Treatment relating to Continuous Adoption of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (JICPA April 10, 2000). However, from this fiscal year the Bank has adopted the revised "Accounting Standards for Foreign Currency Transactions" (Business Accounting Deliberation Council October 22, 1999) except for the application of the "Tentative Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 20). This change has no material impact on Income before Income Taxes and Minority Interests.

In accordance with the JICPA Industry Audit Committee Report No. 20, regarding foreign currency swaps relating to funding transactions, the swap nominal amounts are translated into yen using the exchange rates in effect at the consolidated balance sheet date and are disclosed in the Consolidated Balance Sheet on a net basis. Premiums or discounts reflecting interest rate differentials between the two currencies are charged to or credited to the Consolidated Statement of Income on an accrual basis over the period from the spot transaction's settlement date to the forward transaction's settlement date, and disclosed as accrued income or accrued expenses on the Consolidated Balance Sheet included in Other Assets and Other Liabilities.

Such foreign currency swaps are entered into for the purpose of funding or investment, where (1) the nominal amounts of funding or investment are equal to the amounts of foreign exchange purchased or sold as spot transactions and (2) future payments or proceeds from investment or funding respectively, together with the contractual interest payment or receipt denominated in foreign currency, are equal to the amounts of foreign exchange sold or purchased forward.

Assets/liabilities denominated in foreign currency of consolidated subsidiaries are translated into Japanese yen using respective exchange rates in effect at the balance sheet date.

#### **(8) Reserve for Possible Loan Losses**

The Reserve for Possible Loan Losses of the Bank is computed as follows:

- a. The reserve for loans to debtors that are legally or substantially bankrupt is provided based on the remaining amount of the loans after the direct write-off described below and the deduction of the amount expected to be collected through the disposal of collateral or the execution of guarantees. With respect to loans secured with collateral or guarantees to borrowers who are legally or substantially in bankruptcy, the remaining amount of the loan after the deduction of the amount of collateral or the execution of guarantees is directly written off. The amount of such direct write-offs was ¥125,563 million for the fiscal year ended March 31, 2002.
- b. The reserve for loans to debtors who are not currently bankrupt, but are likely to become bankrupt, is provided based on the amount necessary, taking into account the overall solvency assessment of the debtor and after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- c. The reserve for loans other than the above is provided primarily based on the default rate which the Bank has calculated based on actual defaults experienced in the past.
- d. The specific reserve for loans to countries with financial problems is provided based on the expected amount of losses taking into account the political, economic and other conditions in each country.

All claims are assessed by Business Units based on the Bank's internal rules for the self-assessment of asset quality. The Asset Audit Department, which is independent from Business Units, audits these self-assessments. The reserves described above are determined based upon the results of these audits.

The Reserve for Possible Loan Losses determined by the Bank's consolidated subsidiaries is computed primarily in the same method employed by the Bank.

#### **(9) Group Mutual Aid Reserves**

In accordance with Article 6-2 of the enforcement ordinance of The Norinchukin Bank Law, the Group Mutual Aid Reserves serve as stabilization funds for use in the event of a cooperative credit institution experiencing financial distress. The reserves correspond to the total amount of deposits held at agricultural cooperatives and other factors specified under the National Agricultural Cooperatives Credit Business Mutual Aid System.

#### **(10) Reserve for Retirement Benefits**

The Reserve for Retirement Benefits, which is provided for the payment of employees' retirement benefits, represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets taking into account adjustments for unrecognized prior year service costs and unrecognized actuarial differences at the end of the fiscal year.

Any change in plan benefits that impacts the benefit plan is charged to income in the year of change. Any actuarial differences are amortized over 10 years beginning one fiscal year after the year when the difference is identified.

#### **(11) Accounting for Finance Leases**

Accounting for finance leases where the ownership of assets is not transferred to the lessee is consistent with the same accounting principles as for operating leases. Rental expenses under operating leases are charged to income.

#### **(12) Consumption Taxes**

Consumption tax and local consumption tax incurred by the Bank and its consolidated subsidiaries are excluded from transaction amounts.

**(13) Income Taxes**

The income taxes of the Bank comprise corporate income taxes, local inhabitant taxes and enterprise taxes. Deferred income taxes are provided for in respect of temporary differences between the tax and accounting basis of recording assets and liabilities in the financial statements.

**(14) Scope of Cash and Cash Equivalents in the Consolidated Statement of Cash Flows**

In the Consolidated Statement of Cash Flows, Cash and Cash Equivalents comprise cash and non-interest-bearing due from banks, included in Cash and Due from Banks on the Consolidated Balance Sheet.

**(15) Enterprise Taxes**

Enterprise taxes, other than those taxes determined by an assessment of profit, are recorded in Other Expenses.

**(16) Net Income per Share**

Net Income per Share is computed based upon the weighted average number of shares outstanding during the fiscal year.

The total dividend for Lower Dividend Rate Stock and Preferred Stock is deducted from the numerator and the aggregate number of these stocks is deducted from the denominator in the calculation of net income per share.

**3. Securities**

The maturity profile of other securities is as follows:

	Millions of Yen			
	1 Year or Less	Over 1 Year– 5 Years	Over 5 Years– 10 Years	Over 10 Years
Bonds	¥2,456,728	¥2,975,538	¥3,669,849	¥ 966,458
Japanese Government Bonds	2,312,575	2,084,427	3,266,058	937,316
Municipal Government Bonds	15,529	316,160	86,240	904
Corporate Bonds	128,623	574,950	317,550	28,238
Other	362,312	2,037,044	3,842,654	2,023,275
Total	¥2,819,040	¥5,012,583	¥7,512,504	¥2,989,734

	Millions of U.S. Dollars			
	1 Year or Less	Over 1 Year– 5 Years	Over 5 Years– 10 Years	Over 10 Years
Bonds	\$18,437	\$22,331	\$27,541	\$ 7,253
Japanese Government Bonds	17,355	15,643	24,511	7,034
Municipal Government Bonds	117	2,373	647	7
Corporate Bonds	965	4,315	2,383	212
Other	2,719	15,287	28,838	15,184
Total	\$21,156	\$37,618	\$56,379	\$22,437

**4. Loans and Bills  
Discounted**

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Loans on Deeds	<b>¥11,825,794</b>	¥ 8,941,589	<b>\$ 88,749</b>
Promissory Notes	<b>9,085,594</b>	10,727,510	<b>68,185</b>
Overdrafts	<b>2,995,699</b>	3,029,984	<b>22,482</b>
Bills Discounted	<b>78,807</b>	106,820	<b>591</b>
Total	<b>¥23,985,896</b>	¥22,805,905	<b>\$180,007</b>

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Loans to Borrowers under Bankruptcy Proceedings	<b>¥ 24,568</b>	¥ 6,145	<b>\$ 184</b>
Loans with Principal or Interest Payments More Than Six Months in Arrears	<b>357,239</b>	344,118	<b>2,681</b>
Loans with Principal or Interest Payments More Than Three Months in Arrears	<b>1,859</b>	3,225	<b>14</b>
Restructured Loans	<b>439,410</b>	414,240	<b>3,298</b>
Total	<b>¥823,078</b>	¥767,732	<b>\$6,177</b>

(1) The Bank does not accrue interest on “Loans to Borrowers under Bankruptcy Proceedings” and “Loans with Principal or Interest Payments More Than Six Months in Arrears”.

(2) “Loans with Principal or Interest Payments More Than Three Months in Arrears” are loans which are past-due by 3 months or more and which are other than “Loans to Borrowers under Bankruptcy Proceedings” and “Loans with Principal or Interest Payments More Than Six Months in Arrears”.

(3) “Restructured Loans” are loans whereby, in order to support the borrowers’ rehabilitation and facilitate the collection of the loan, the terms of the loans are restructured in favor of the borrowers by reducing the interest rate, suspending payments of interest or principal, waiving principal repayments, etc.

**5. Assets  
Pledged**

Assets pledged as collateral comprise the following:

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Trading Assets	<b>¥ 650,929</b>	¥ —	<b>\$ 4,885</b>
Securities	<b>3,919,445</b>	2,279,670	<b>29,414</b>
Other Assets	<b>139,408</b>	149,853	<b>1,046</b>

Liabilities related to the above pledged assets are as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Call Money and Bills Sold	<b>¥ 182,600</b>	¥2,317,761	<b>\$ 1,370</b>
Payables under Repurchase Agreements	<b>3,135,033</b>	—	<b>23,527</b>
Borrowings	<b>102,041</b>	114,180	<b>766</b>
Other Liabilities	<b>1,292,757</b>	—	<b>9,702</b>

In addition, Securities totaling ¥4,150,444 million and ¥3,449,421 million as of March 31, 2002 and March 31, 2001, respectively, were pledged as collateral for settlement of exchange and derivative transactions or as variation margin for futures transactions.

**6. Accumulated Depreciation on Premises and Equipment** The amount of accumulated depreciation on premises and equipment was ¥101,434 million and ¥93,444 million as of March 31, 2002 and March 31, 2001, respectively.

**7. Commitments to Overdrafts and Loans** Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the commitment agreement exists. The amount of undrawn commitments in relation to such agreements is ¥3,993,897 million. The amount, which the Bank and its consolidated subsidiaries could cancel at any time without penalty, is ¥2,494,932 million.

The amount of undrawn commitments does not necessarily affect the future cash flow of the Bank and its consolidated subsidiaries because the majority of such agreements are terminated without being exercised. Most of these agreements have provisions which stipulate that the Bank and its consolidated subsidiaries may not extend the loan or may decrease the commitment when there are certain changes in the financial condition of the borrower, certain issues relating to collateral and other reasons. At the time of extending loans to customers, the Bank and its consolidated subsidiaries are able to request collateral in the form of premises or securities as necessary. After extending loans, the Bank periodically checks the financial condition of its customers based on its internal rules and acts to secure loans as necessary.

**8. Borrowings** Borrowings include subordinated loans of ¥490,143 million as of March 31, 2002 and March 31, 2001, respectively.

**9. Reconciliation to Cash and Cash Equivalents** The reconciliation of Cash and Due from Banks in the Consolidated Balance Sheets to Cash and Cash Equivalents at the end of year is as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Cash and Due from Banks	<b>¥3,907,483</b>	¥5,748,472	<b>\$29,324</b>
Less:			
Due from Banks except Non-interest-bearing			
Due from Banks	<b>3,655,018</b>	5,453,311	<b>27,429</b>
Cash and Cash Equivalents at the End of the Year	<b>¥ 252,465</b>	¥ 295,161	<b>\$ 1,895</b>

**10. Securities Loaned** Securities Loaned under unsecured short-term financing agreements (Saiken Taishaku Torihiki) totaling ¥840,978 million, are included in Securities.

Securities Borrowed under unsecured short-term financing agreements (Saiken Taishaku Torihiki) that can be sold or repledged by the Bank, securities repledged out, securities loaned, and securities held were ¥1,302,095 million, ¥37,126 million and ¥178,878 million, respectively as of March 31, 2002.

Up to the previous fiscal year, Securities Borrowed under unsecured short-term financing agreements and Securities Received relating to securities borrowed with cash collateral submitted were recognized as Securities in Custody in Other Assets and Securities Borrowed in Other Liabilities as the same amounts, respectively. After the adoption of the New Financial Instruments Standard, these balances are not recorded on the Consolidated Balance Sheet.



**11. Retirement Benefit Plans**

The Bank is funding a defined benefit pension plan and in addition has a lump-sum payment pension plan. Additional retirement benefits are paid to employees in certain cases. To fund the lump-sum payment pension plan the Bank has established a retirement benefit trust.

The reserve for retirement benefits as of March 31, 2002 is analyzed as follows:

As of March 31	Millions of Yen 2002	Millions of U.S. Dollars 2002
Projected Benefit Obligations	¥(71,644)	\$(537)
Plan Assets	50,277	377
Unfunded Retirement Benefit Obligations	(21,368)	(160)
Unrecognized Transition Amount	—	—
Unrecognized Prior Service Cost	—	—
Unrecognized Actuarial Differences	13,541	101
Net Amounts Reported in the Balance Sheet	(7,826)	(59)
Prepaid Pension Cost	1,554	11
Reserve for Retirement Benefits	¥ (9,380)	\$ (70)

Note: Certain consolidated subsidiaries adopt the simplified method to calculate projected benefit obligations.

Assumptions used in the above calculation are as follows:

Discount Rate	Primarily 2.5%
Expected Rate of Return on Plan Assets	4.0%
Method of Attributing the Projected Benefits to Periods of Service	Straight-line Basis
Amortization of Unrecognized Prior Service Cost	Year Incurred
Amortization of Transition Amount	Year Incurred
Amortization of Unrecognized Actuarial Differences	Primarily 10 Years

**12. Other Income and Expenses**

Up to the previous fiscal year, income and expenses relating to lease transactions conducted by the consolidated subsidiary (The Co-op Leasing Co., Ltd.) were reported as Fees and Commissions (Income) and Fees and Commissions (Expenses). This Income and Expenses is included in Other Operating Income and Other Operating Expenses from this fiscal year. Consequently, Fees and Commissions (Income) and Fees and Commissions (Expenses) decreased by ¥230,327 million and ¥211,837 million, respectively as compared with the amount that would have been reported if the basis of presentation had not been changed.

Other Expenses includes Transfer to Reserve for Possible Loan Losses of ¥80,003 million, Write-off of Loans of ¥34,062 million, Losses on Revaluation of Stocks and Other securities of ¥10,138 million and Losses on Money Held in Trust of ¥67,796 million, respectively.

### 13. Segment Information

#### (a) Segment Information by Type of Business

Fiscal year ended March 31, 2002	Millions of Yen					
	Banking Business	Leasing	Other	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income:						
(1) Ordinary Income from Third-parties	¥ 1,355,998	¥233,059	¥ 28,806	¥ 1,617,864	¥ —	¥ 1,617,864
(2) Inter-segment Ordinary Income	8,736	2,932	14,471	26,139	(26,139)	—
Total	1,364,734	235,992	43,277	1,644,004	(26,139)	1,617,864
Ordinary Expenses	1,281,554	236,010	37,864	1,555,429	(27,693)	1,527,736
Ordinary Profit (Loss)	¥ 83,180	¥ (18)	¥ 5,412	¥ 88,574	¥ 1,553	¥ 90,128
II. Assets	¥56,527,488	¥677,006	¥1,593,805	¥58,798,300	¥(1,218,314)	¥57,579,985
Depreciation	7,353	192,216	417	199,987	—	199,987
Capital Expenditure	9,088	226,658	232	235,979	—	235,979

Fiscal year ended March 31, 2001	Millions of Yen					
	Banking Business	Leasing	Other	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income:						
(1) Ordinary Income from Third-parties	¥ 1,417,662	¥229,614	¥ 43,252	¥ 1,690,529	¥ —	¥ 1,690,529
(2) Inter-segment Ordinary Income	17,815	2,836	21,181	41,833	(41,833)	—
Total	1,435,477	232,451	64,434	1,732,363	(41,833)	1,690,529
Ordinary Expenses	1,296,496	234,375	84,458	1,615,331	(41,734)	1,573,596
Ordinary Profit (Loss)	¥ 138,980	¥ (1,924)	¥ (20,024)	¥ 117,031	¥ (99)	¥ 116,932
II. Assets	¥58,945,522	¥663,047	¥1,559,343	¥61,167,913	¥(991,064)	¥60,176,848
Depreciation	6,863	181,581	304	188,750	—	188,750
Capital Expenditure	9,506	209,749	1,466	220,721	—	220,721

Fiscal year ended March 31, 2002	Millions of U.S. Dollars					
	Banking Business	Leasing	Other	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income:						
(1) Ordinary Income from Third-parties	\$ 10,176	\$ 1,749	\$ 216	\$ 12,141	\$ —	\$ 12,141
(2) Inter-segment Ordinary Income	65	22	109	196	(196)	
Total	10,241	1,771	325	12,337	(196)	12,141
Ordinary Expenses	9,618	1,771	284	11,673	(208)	11,465
Ordinary Profit (Loss)	\$ 623	\$ (0)	\$ 41	\$ 664	\$ 12	\$ 676
II. Assets	\$424,221	\$5,081	\$11,961	\$441,263	\$(9,143)	\$432,120
Depreciation	55	1,443	3	1,501	—	1,501
Capital Expenditure	68	1,701	2	1,771	—	1,771

Notes: 1. Ordinary Income represents Total Income less certain special income.

2. Ordinary Expenses represents Total Expenses less certain special expenses.

3. The Bank and its consolidated subsidiaries have organized their principal operations into "Banking Business", "Leasing", and "Other". "Other" represents securities, trust banking, non-bank and credit card businesses.

#### (b) Segment Information by Location

Fiscal year ended March 31, 2002	Millions of Yen						
	Japan	The Americas	Europe	Asia	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income:							
(1) Ordinary Income							
from Third-parties	¥ 1,485,818	¥ 18,073	¥ 70,678	¥ 43,293	¥ 1,617,864	¥ —	¥ 1,617,864
(2) Inter-segment Ordinary Income	57,492	45,398	207,531	133,899	444,323	(444,323)	—
Total	1,543,311	63,472	278,210	177,193	2,062,187	(444,323)	1,617,864
Ordinary Expenses	1,442,391	55,741	281,294	173,740	1,953,167	(425,431)	1,527,736
Ordinary Profit (Loss)	¥ 100,919	¥ 7,731	¥ (3,084)	¥ 3,453	¥ 109,019	¥ (18,891)	¥ 90,128
II. Assets	¥64,056,117	¥1,674,195	¥7,290,351	¥4,313,316	¥77,333,981	¥(19,753,995)	¥57,579,985

Fiscal year ended March 31, 2001	Millions of Yen						
	Japan	The Americas	Europe	Asia	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income:							
(1) Ordinary Income							
from Third-parties	¥ 1,468,689	¥ 36,801	¥ 121,215	¥ 63,822	¥ 1,690,529	¥ —	¥ 1,690,529
(2) Inter-segment Ordinary Income	46,114	72,651	195,204	135,879	449,850	(449,850)	—
Total	1,514,804	109,453	316,420	199,701	2,140,379	(449,850)	1,690,529
Ordinary Expenses	1,405,109	105,777	313,673	197,352	2,021,911	(448,315)	1,573,596
Ordinary Profit (Loss)	¥ 109,695	¥ 3,676	¥ 2,746	¥ 2,349	¥ 118,468	¥ (1,535)	¥ 116,932
II. Assets	¥57,003,342	¥1,982,476	¥7,170,021	¥4,770,084	¥70,925,925	¥(10,749,076)	¥60,176,848

Fiscal year ended March 31, 2002	Millions of U.S. Dollars						
	Japan	The Americas	Europe	Asia	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income:							
(1) Ordinary Income from Third-parties	\$ 11,151	\$ 135	\$ 530	\$ 325	\$ 12,141	\$ —	\$ 12,141
(2) Inter-segment Ordinary Income	431	341	1,558	1,005	3,335	(3,335)	—
Total	11,582	476	2,088	1,330	15,476	(3,335)	12,141
Ordinary Expenses	10,825	418	2,111	1,304	14,658	(3,193)	11,465
Ordinary Profit (Loss)	\$ 757	\$ 58	\$ (23)	\$ 26	\$ 818	\$ (142)	\$ 676
II. Assets	\$480,722	\$12,564	\$54,712	\$32,370	\$580,368	\$(148,248)	\$432,120

Notes: 1. Ordinary Income represents Total Income less certain special income.

2. Ordinary Expenses represents Total Expenses less certain special expenses.

3. The Bank reported "Ordinary Income" and "Ordinary Profit (Loss)" that corresponds to Sales and Operating Profit for non-financial companies, for the Bank's head office, branches and the consolidated subsidiaries according to the classification of country or region. The geographic classification was effected by geographical proximity, similarities in economic activities and inter-relationships among these activities.

4. "The Americas" includes the United States. "Europe" includes the United Kingdom and "Asia" includes Singapore.

#### Ordinary Income from International Operations

Fiscal years ended March 31	Millions of Yen		Percentage
	Ordinary Income from International Operations	Consolidated Ordinary Income	Ratio of Ordinary Income from International Operations over Consolidated Ordinary Income
2002	¥1,052,332	¥1,617,864	65.0%
2001	949,831	1,690,529	56.2%
2002	\$7,897	\$12,142	65.0%

Notes: 1. Ordinary Income represents Total Income less certain special income.

2. Ordinary Expenses represents Total Expenses less certain special expenses.

3. "Ordinary Income from International Operations" is shown in place of Overseas Sales for non-financial companies.

4. "Ordinary Income from International Operations" comprises foreign currency transactions, yen-denominated trade bills, yen-denominated transactions with non-Japanese residents, transactions in the offshore market in Japan, transactions by overseas branches of the parent and transactions by overseas consolidated subsidiaries (excluding Inter-segment Ordinary Income between consolidated entities).

The composition of this substantial volume of transactions is not broken down by counter-party. Therefore, segment information by country and region has not been presented.

#### 14. Fair Value of Securities

For the Fiscal Year Ended March 31, 2002

##### Trading Securities

March 31, 2002	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Loss Recognized as expenses	Carrying Value	Unrealized Loss Recognized as expenses
Trading Securities	¥1,306,115	¥(331)	\$9,802	\$(2)

Note: The above analysis of Trading Securities includes Trading Securities, Negotiable Certificates of Deposit and Commercial Paper disclosed as "Trading Assets" in the Consolidated Balance Sheet.

### Held-to-maturity Debt Securities that have a Fair Value

March 31, 2002	Millions of Yen				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
Japanese Government Bonds	¥8,183	¥8,346	¥163	¥163	¥—
Total	¥8,183	¥8,346	¥163	¥163	¥—

March 31, 2002	Millions of U.S. Dollars				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
Japanese Government Bonds	\$61	\$63	\$2	\$2	\$—
Total	\$61	\$63	\$2	\$2	\$—

Note: Fair value is based on fair prices at the end of the fiscal year ended March 31, 2002.

### Other Securities held at Fair Value

March 31, 2002	Millions of Yen				
	Acquisition Cost	Carrying Value	Net Unrealized Gain/Loss		
			Gain	Loss	
Stocks	¥ 375,179	¥ 484,918	¥109,739	¥126,499	¥ 16,759
Bonds	9,836,413	10,030,796	194,383	198,070	3,686
Japanese Government Bonds	8,442,712	8,600,378	157,665	158,304	638
Municipal Government Bonds	404,538	417,930	13,391	13,563	172
Corporate Bonds	989,161	1,012,488	23,326	26,202	2,875
Other	12,815,908	12,658,903	(157,004)	431,481	588,485
Total	¥23,027,500	¥23,174,618	¥147,119	¥756,051	¥608,932

March 31, 2002	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Gain/Loss		
			Gain	Loss	
Stocks	\$ 2,816	\$ 3,639	\$ 823	\$ 949	\$ 126
Bonds	73,819	75,278	1,459	1,487	28
Japanese Government Bonds	63,360	64,543	1,183	1,188	5
Municipal Government Bonds	3,036	3,136	100	102	2
Corporate Bonds	7,423	7,599	176	197	21
Other	96,179	95,001	(1,178)	3,238	4,416
Total	\$172,814	\$173,918	\$1,104	\$5,674	\$4,570

Notes: 1. The above analysis of Other Securities held at fair value includes "Securities", Negotiable Certificates of Deposit disclosed as "Cash and Due from Banks", and Commercial Paper disclosed as "Commercial Paper and Other Debt Purchased" in the Consolidated Balance Sheet.

2. Carrying values of securities held on the Consolidated Balance Sheet are stated based on the quoted market price at the end of the fiscal year ended March 31, 2002.

### Other Securities Sold during the Fiscal Year

	Millions of Yen			Millions of U.S. Dollars		
	Sales Proceeds	Gains on Sales	Losses on Sales	Sales Proceeds	Gains on Sales	Losses on Sales
March 31, 2002						
Other Securities	¥4,969,631	¥271,711	¥91,664	\$37,296	\$2,039	\$688

### Carrying Value of Securities without a Fair Value

	Millions of Yen	Millions of U.S. Dollars
March 31	2002	2002
Other Securities:		
Unlisted Stocks (excluding Over-the-counter Stocks)	¥ 12,846	\$ 96
Foreign Securities	71,723	538
Other	531,936	3,992

### For the Fiscal Year Ended March 31, 2001

#### Trading Securities

	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Gain Recognized as income	Carrying Value	Unrealized Gain Recognized as income
March 31, 2001				
Trading Securities	¥2,184,216	¥407	\$17,629	\$3

Note: The above analysis of Trading Securities includes Trading Securities, Negotiable Certificates of Deposit and Commercial Paper disclosed as "Trading Assets" in the Consolidated Balance Sheet.

#### Held-to-maturity Debt Securities that have a Fair Value

	Millions of Yen				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
March 31, 2001					
Japanese Government Bonds	¥8,121	¥8,297	¥176	¥176	¥—
Total	¥8,121	¥8,297	¥176	¥176	¥—

	Millions of U.S. Dollars				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
March 31, 2001					
Japanese Government Bonds	\$66	\$67	\$1	\$1	\$—
Total	\$66	\$67	\$1	\$1	\$—

Note: Fair value is based on fair prices at the end of the fiscal year ended March 31, 2001.

### Other Securities held at Fair Value

March 31, 2001	Millions of Yen				
	Acquisition Cost	Carrying Value	Net Unrealized Gain		
			Gain	Loss	
Stocks	¥ 395,802	¥ 566,436	¥170,634	¥ 183,260	¥ 12,626
Bonds	8,558,341	8,810,956	252,614	253,316	701
Japanese Government Bonds	7,369,823	7,573,788	203,965	204,213	247
Municipal Government Bonds	444,705	462,771	18,065	18,111	46
Corporate Bonds	743,813	774,396	30,583	30,991	407
Other	13,005,500	13,255,035	249,535	632,775	383,240
<b>Total</b>	<b>¥21,959,644</b>	<b>¥22,632,429</b>	<b>¥672,784</b>	<b>¥1,069,352</b>	<b>¥396,568</b>

March 31, 2001	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Gain		
			Gain	Loss	
Stocks	\$ 3,195	\$ 4,572	\$1,377	\$1,479	\$ 102
Bonds	69,075	71,113	2,039	2,045	6
Japanese Government Bonds	59,482	61,128	1,646	1,648	2
Municipal Government Bonds	3,589	3,735	146	146	0
Corporate Bonds	6,003	6,250	247	250	3
Other	104,968	106,982	2,014	5,107	3,093
<b>Total</b>	<b>\$177,237</b>	<b>\$182,667</b>	<b>\$5,430</b>	<b>\$8,631</b>	<b>\$3,201</b>

Notes: 1. The above analysis of Other Securities held at fair value includes "Securities," Negotiable Certificates of Deposit disclosed as "Cash and Due from Banks," and Commercial Paper disclosed as "Commercial Paper and Other Debt Purchased" in the Consolidated Balance Sheet.

2. Carrying values of securities held on the Consolidated Balance Sheet are stated based on the quoted market price at the end of the fiscal year ended March 31, 2001.

### Other Securities Sold during the Fiscal Year

March 31, 2001	Millions of Yen			Millions of U.S. Dollars		
	Sales Proceeds	Gains on Sales	Losses on Sales	Sales Proceeds	Gains on Sales	Losses on Sales
Other Securities	¥5,209,352	¥171,706	¥36,922	\$42,045	\$1,386	\$298

### Carrying Value of Securities without a Fair Value

March 31	Millions of Yen	Millions of U.S. Dollars
	2001	2001
Other Securities:		
Unlisted Stocks (excluding Over-the-counter Stocks)	¥14,976	\$121
Foreign Securities	89,619	723
Other	74,239	599

**15. Fair Value of Money Held in Trust**

*For the Fiscal Year Ended March 31, 2002*

**Other Money Held in Trust (Money Held in Trust other than that held for the purpose of investment or held to maturity)**

	Millions of Yen				
	Acquisition Cost	Carrying Value	Net Unrealized Loss		
			Gain	Loss	
March 31, 2002					
Other Money Held in Trust	¥2,441,137	¥2,403,131	¥(38,005)	¥41,973	¥79,978

	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Loss		
			Gain	Loss	
March 31, 2002					
Other Money Held in Trust	\$18,320	\$18,035	\$(285)	\$315	\$600

*Note: Carrying values of other money held in trust disclosed on the Consolidated Balance Sheet are based on the quoted market price of the underlying assets as at the end of the fiscal year ended March 31, 2002.*

*For the Fiscal Year Ended March 31, 2001*

**Other Money Held in Trust (Money Held in Trust other than that held for the purpose of investment or held to maturity)**

	Millions of Yen				
	Acquisition Cost	Carrying Value	Net Unrealized Loss		
			Gain	Loss	
March 31, 2001					
Other Money Held in Trust	¥2,204,835	¥2,179,160	¥(25,675)	¥69,084	¥94,760

	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Loss		
			Gain	Loss	
March 31, 2001					
Other Money Held in Trust	\$17,795	\$17,588	\$(207)	\$558	\$765

*Note: Carrying values of other money held in trust disclosed on the Consolidated Balance Sheet are based on the quoted market price of the underlying assets as at the end of the fiscal year ended March 31, 2001.*



**16. Fair Value  
of Derivative  
Instruments**

*For the Fiscal Year Ended March 31, 2002*

**Interest Rate-Related Derivative Instruments**

March 31, 2002	Millions of Yen			
	Contract Amount or Notional Principal Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Interest Rate Futures:				
Sold	¥ 266,447	¥ —	¥ 240	¥ 240
Purchased	196,636	—	(34)	(34)
Interest Rate Options:				
Sold	—	—	—	—
Purchased	41	—	42	42
<b>Over-the-counter Transactions</b>				
Forward Rate Agreements:				
Sold	—	—	—	—
Purchased	—	—	—	—
Interest Rate Swaps:				
Rec: Fix.—Pay: Flt.	7,425,814	5,127,178	148,069	148,069
Rec: Flt.—Pay: Fix.	3,501,976	2,616,641	(158,498)	(158,498)
Rec: Flt.—Pay: Flt.	131,600	31,600	178	178
Interest Rate Options:				
Sold	24,000	15,000	(1,220)	(1,220)
Purchased	78,000	78,000	2,316	2,245
Other:				
Sold	214,400	66,900	(36)	398
Purchased	184,325	47,500	(11)	(321)
Total	¥ /	¥ /	¥ (8,953)	¥ (8,899)

March 31, 2002	Millions of U.S. Dollars			
	Contract Amount or Notional Principal Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Interest Rate Futures:				
Sold	\$ 2,000	\$ —	\$ 2	\$ 2
Purchased	1,476	—	(0)	(0)
Interest Rate Options:				
Sold	—	—	—	—
Purchased	0	—	0	0
<b>Over-the-counter Transactions</b>				
Forward Rate Agreements:				
Sold	—	—	—	—
Purchased	—	—	—	—
Interest Rate Swaps:				
Rec: Fix.—Pay: Flt.	55,728	38,478	1,111	1,111
Rec: Flt.—Pay: Fix.	26,281	19,637	(1,189)	(1,189)
Rec: Flt.—Pay: Flt.	988	237	1	1
Interest Rate Options:				
Sold	180	113	(9)	(9)
Purchased	585	585	17	17
Other:				
Sold	1,609	502	(0)	3
Purchased	1,383	356	(0)	(3)
Total	\$ /	\$ /	\$ (67)	\$ (67)

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the Consolidated Statement of Income. The above analysis excludes derivative instruments accounted for as hedges.

2. Determination of fair value: The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo International Financial Futures Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, option pricing model or other models as appropriate.

#### Currency-Related Derivative Instruments

March 31, 2002	Millions of Yen			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain
<b>Over-the-counter Transactions</b>				
Currency Swaps				
	¥89,202	¥81,861	¥2,626	¥2,626
Total	¥ /	¥ /	¥2,626	¥2,626

March 31, 2002	Millions of U.S. Dollars			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain
<b>Over-the-counter Transactions</b>				
Currency Swaps	\$669	\$614	\$20	\$20
Total	\$ /	\$ /	\$20	\$20

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the Consolidated Statement of Income. The above analysis excludes derivative instruments accounted for as hedges (see Note 3 below).

2. Determination of fair value:

Fair value is determined based on the discounted net present value of currency-related derivative instruments.

3. Currency swaps accounted for under the accrual method are excluded from the above analysis.

The Bank and its consolidated subsidiaries held no currency swaps accounted for under the accrual method, as allowed by the "Tentative Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 20), for the fiscal year ended March 31, 2002.

The above analysis excludes foreign exchange forward contracts and currency options, which are 1) revalued at the exchange rates prevailing at the end of the fiscal year ended March 31, 2002 and changes in fair value which are included in the Consolidated Statement of Income, and 2) designated to receivables or payables denominated in foreign currency and recorded on the Consolidated Balance Sheet, or eliminated for consolidation purposes.

The above mentioned transactions related to currency derivatives are as follows:

March 31, 2002	Millions of Yen	Millions of U.S. Dollars
	Contract Amount or Notional Amount	Contract Amount or Notional Amount
<b>Over-the-counter Transactions</b>		
Forwards:		
Sold	¥841,929	\$6,318
Purchased	944,174	7,086
Currency Options:		
Sold	29,430	221
Purchased	35,030	263

### Stock-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no stock-related derivative instruments during the fiscal year ended March 31, 2002.

### Bond-Related Derivative Instruments

March 31, 2002	Millions of Yen			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Bond Futures:				
Sold	¥32,373	¥—	¥(47)	¥(47)
Purchased	4,134	—	4	4
Total	¥ /	¥ /	¥(42)	¥(42)

March 31, 2002	Millions of U.S. Dollars			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Bond Futures:				
Sold	\$243	\$—	\$(0)	\$(0)
Purchased	31	—	0	0
Total	\$ /	\$ /	\$(0)	\$(0)

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the Consolidated Statement of Income. The above analysis excludes derivative instruments accounted for as hedges.

2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, option pricing model or other models as appropriate.

### Commodities-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no commodities-related derivative instruments during the fiscal year ended March 31, 2002.

### Credit Derivative Instruments

The Bank and its consolidated subsidiaries held no credit derivative instruments during the fiscal year ended March 31, 2002.

### For the Fiscal Year Ended March 31, 2001

#### Interest Rate-Related Derivative Instruments

March 31, 2001	Millions of Yen			
	Contract Amount or Notional Principal Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Interest Rate Futures:				
Sold	¥ 38,013	¥ 2,301	¥ 1,423	¥ 1,423
Purchased	53,798	10,009	749	749
<b>Over-the-counter Transactions</b>				
Interest Rate Swaps:				
Rec: Fix.—Pay: Flt.	4,414,206	3,220,510	194,282	194,282
Rec: Flt.—Pay: Fix.	4,292,797	3,206,273	(195,326)	(195,326)
Rec: Flt.—Pay: Flt.	141,978	134,975	304	304
Rec: Fix.—Pay: Fix.	2,927	2,927	588	588
Interest Rate Options:				
Sold	—	—	—	—
Purchased	40,000	40,000	1,333	1,333
Other:				
Sold	335,890	178,950	162	1,096
Purchased	323,940	173,390	(226)	(1,119)
Total	¥ /	¥ /	¥ 3,292	¥ 3,332

March 31, 2001	Millions of U.S. Dollars			
	Contract Amount or Notional Principal Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Interest Rate Futures:				
Sold	\$ 307	\$ 19	\$ 11	\$ 11
Purchased	434	81	6	6
<b>Over-the-counter Transactions</b>				
Interest Rate Swaps:				
Rec: Fix.–Pay: Flt.	35,627	25,993	1,568	1,568
Rec: Flt.–Pay: Fix.	34,647	25,878	(1,576)	(1,576)
Rec: Flt.–Pay: Flt.	1,146	1,089	2	2
Rec: Fix.–Pay: Fix.	24	24	5	5
Interest Rate Options:				
Sold	—	—	—	—
Purchased	323	323	11	11
Other:				
Sold	2,711	1,444	1	9
Purchased	2,615	1,399	(2)	(9)
Total	\$ /	\$ /	\$ 27	\$ 27

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the Consolidated Statement of Income. The above analysis excludes derivative instruments accounted for as hedges.

2. Determination of fair value: The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo International Financial Futures Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, option pricing model or other models as appropriate.

### Currency-Related Derivative Instruments

March 31, 2001	Millions of Yen			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain
<b>Over-the-counter Transactions</b>				
Currency Swaps	¥201,982	¥98,612	¥3,470	¥3,470
Total	¥ /	¥ /	¥3,470	¥3,470

March 31, 2001	Millions of U.S. Dollars			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain
<b>Over-the-counter Transactions</b>				
Currency Swaps	\$1,630	\$796	\$28	\$28
Total	\$ /	\$ /	\$28	\$28

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the Consolidated Statement of Income. The above analysis excludes derivative instruments accounted for as hedges (see Note 3 below).

2. Determination of fair value:

Fair value is determined based on the discounted net present value of currency-related derivative instruments.

3. Currency swaps accounted for under the accrual method are excluded from the above analysis.

The Bank and its consolidated subsidiaries held no currency swaps accounted for under the accrual method, as allowed by the "Accounting for the Asset Denominated in Foreign Currency and Currency Option Transactions by Banks" (issued by the Japanese Institute of Certified Public Accountants on April 10, 2000), for the fiscal year ended March 31, 2001.

The above analysis excludes foreign exchange forward contracts and currency options, which are 1) revalued at the exchange rates prevailing at the end of the fiscal year ended March 31, 2001 and changes in fair value which are included in the Consolidated Statement of Income, and 2) designated to receivables or payables denominated in foreign currency and recorded on the Consolidated Balance Sheet, or eliminated for consolidation purposes.

The above mentioned transactions related to currency derivatives are as follows:

March 31, 2001	Millions of Yen	Millions of U.S. Dollars
	Contract Amount or Notional Amount	Contract Amount or Notional Amount
<b>Over-the-counter Transactions</b>		
Forwards:		
Sold	¥531,255	\$4,288
Purchased	571,626	4,614
Currency Options:		
Sold	33,678	272
Purchased	35,080	283

### Stock-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no stock-related derivative instruments during the fiscal year ended March 31, 2001.

### Bond-Related Derivative Instruments

March 31, 2001	Millions of Yen			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Bond Futures:				
Sold	¥49,705	¥—	¥(11,459)	¥(11,459)
Purchased	39,700	—	15,487	15,487
<b>Over-the-counter Transactions</b>				
Bond Options:				
Sold	—	—	—	—
Purchased	5,500	—	16	4
Total	¥ /	¥ /	¥ 4,043	¥ 4,031

March 31, 2001	Millions of U.S. Dollars			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain (Loss)
<b>Exchange-traded Transactions</b>				
Bond Futures:				
Sold	\$401	\$—	\$(92)	\$(92)
Purchased	320	—	125	125
<b>Over-the-counter Transactions</b>				
Bond Options:				
Sold	—	—	—	—
Purchased	44	—	0	0
Total	\$ /	\$ /	\$ 33	\$ 33

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the Consolidated Statement of Income. The above analysis excludes derivative instruments accounted for as hedges.

2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, option pricing model or other models as appropriate.

#### Commodities-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no commodities-related derivative instruments during the fiscal year ended March 31, 2001.

#### Credit Derivative Instruments

The Bank and its consolidated subsidiaries held no credit derivative instruments during the fiscal year ended March 31, 2001.

## Report of Independent Accountants

The Board of Directors  
The Norinchukin Bank

We have audited the accompanying consolidated balance sheets of The Norinchukin Bank and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, retained earnings and cash flows for the years ended March 31, 2002 and 2001, all expressed in Japanese Yen. Our audits were undertaken in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

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

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

*ChuoAoyama Audit Corporation*

ChuoAoyama Audit Corporation

Tokyo, Japan  
May 16, 2002



# Non-Consolidated Financial Statements

The Norinchukin Bank

## Non-Consolidated Balance Sheets

As of March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
<b>ASSETS</b>			
Cash and Due from Banks	¥ 3,842,267	¥ 5,760,290	\$ 28,835
Call Loans and Bills Purchased	408,236	851,102	3,064
Commercial Paper and Other Debt Purchased	477,849	401,074	3,586
Trading Assets (Note 3)	1,017,604	1,754,978	7,637
Money Held in Trust	2,399,565	2,177,349	18,008
Securities (Note 4)	23,276,883	22,693,540	174,686
Loans and Bills Discounted (Note 5)	24,233,156	23,016,706	181,862
Foreign Exchange Assets (Note 7)	19,460	16,616	146
Other Assets (Note 8)	572,780	2,022,263	4,298
Premises and Equipment (Note 9)	211,228	211,684	1,585
Deferred Debenture Discounts	457	2,173	3
Deferred Tax Assets	106,817	—	802
Customers' Liabilities for Acceptances and Guarantees	336,815	361,150	2,528
Reserve for Possible Loan Losses	(375,633)	(323,408)	(2,819)
<b>Total Assets</b>	<b>¥56,527,488</b>	<b>¥58,945,522</b>	<b>\$424,221</b>

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Deposits (Note 11)	¥38,357,527	¥36,675,125	\$287,861
Debentures (Note 12)	5,946,139	6,545,736	44,624
Call Money and Bills Sold	3,359,646	3,934,842	25,213
Payables under Repurchase Agreements	2,937,023	—	22,041
Trading Liabilities (Note 13)	81,624	89,373	613
Borrowings (Note 14)	493,249	499,280	3,702
Foreign Exchange Liabilities (Note 15)	2,323	2,090	17
Other Liabilities (Note 16)	3,090,570	8,480,273	23,194
Group Mutual Aid Reserves	18,832	35,605	141
Reserve for Retirement Benefits	7,009	6,532	53
Deferred Tax Liabilities	—	74,820	—
Deferred Tax Liabilities Related to Land Revaluation	34,788	35,277	261
Acceptances and Guarantees (Note 17)	336,815	361,150	2,528
<b>Total Liabilities</b>	<b>54,665,550</b>	<b>56,740,110</b>	<b>410,248</b>
<b>Shareholders' Equity</b>			
Paid-in Capital (Note 18)	1,124,999	1,124,999	8,443
Legal Reserves	204,386	184,386	1,533
Land Revaluation Excess	82,700	83,863	621
Retained Earnings (Note 25);			
Voluntary Reserve	278,063	257,009	2,087
Unappropriated Retained Earnings	95,085	99,947	713
Net Unrealized Gains on Securities, net of Tax	76,702	455,206	576
<b>Total Shareholders' Equity</b>	<b>1,861,937</b>	<b>2,205,412</b>	<b>13,973</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>¥56,527,488</b>	<b>¥58,945,522</b>	<b>\$424,221</b>

The accompanying notes are an integral part of the financial statements.

## Non-Consolidated Statements of Income

For the fiscal years ended March 31, 2002 and 2001

		Millions of Yen		Millions of U.S. Dollars (Note 1)
		2002	2001	2002
<b>Income</b>	Interest and Dividend Income:			
	Interest on Loans and Discounts	¥ 204,151	¥ 251,895	\$ 1,532
	Interest on and Dividends from Securities	680,154	681,395	5,104
	Other	128,074	211,410	962
	Fees and Commissions	13,736	14,794	103
	Trading Revenue (Note 19)	1,458	3,357	11
	Other Operating Income (Note 20)	226,601	161,888	1,701
	Other Income (Note 21)	111,578	150,425	837
	<b>Total Income</b>	<b>1,365,755</b>	<b>1,475,166</b>	<b>10,250</b>
<b>Expenses</b>	Interest Expense:			
	Interest on Deposits	135,117	192,567	1,014
	Interest on Debentures	67,357	80,054	505
	Interest on Borrowings and Rediscounts	7,088	114,159	53
	Amortization of Discounts on Debentures	2,739	4,149	21
	Other	645,678	651,149	4,846
	Fees and Commissions	6,960	7,366	52
	Trading Losses (Note 22)	121	232	1
	Other Operating Expenses (Note 23)	79,101	89,184	594
	General and Administrative Expenses	98,745	92,833	741
	Other Expenses (Note 24)	239,340	133,779	1,796
	<b>Total Expenses</b>	<b>1,282,250</b>	<b>1,365,477</b>	<b>9,623</b>
	Income before Income Taxes	83,504	109,689	627
	Income Taxes:			
	Current	39,691	64	298
	Deferred	(22,907)	25,110	(172)
	<b>Net Income</b>	<b>¥ 66,720</b>	<b>¥ 84,515</b>	<b>\$ 501</b>
		Yen		U.S. Dollars (Note 1)
		2002	2001	2002
Net Income per Share		¥56.39	¥74.18	\$0.42

The accompanying notes are an integral part of the financial statements.

# Notes to the Non-Consolidated Financial Statements

The Norinchukin Bank

## 1. Basis of Presentation

The non-consolidated financial statements have been prepared based on the accounting records maintained by The Norinchukin Bank (“the Bank”) in accordance with the provisions set forth in The Norinchukin Bank Law and in conformity with accounting principles and practices generally accepted in Japan, that are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the non-consolidated financial statements filed with the Ministry of Agriculture, Forestry and Fisheries of Japan have been reclassified for the convenience of readers.

The non-consolidated financial statements are intended only to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in Japan.

Amounts in U.S. dollars are included solely for the convenience of readers. The exchange rate of ¥133.25=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2002, has been used for translation purposes. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the aforementioned rate or at any other rate.

The yen figures disclosed in the non-consolidated financial statements are expressed in millions of yen and have been rounded down. Consequently, differences may exist between the sum of rounded figures and the totals listed in the annual report.

Certain amounts in prior periods have been reclassified to conform to the current presentation.

## 2. Summary of Significant Accounting Policies

### (1) Transactions for Trading Purposes

Transactions that are influenced by short-term fluctuations in market and other indicators, such as interest rates, foreign exchange rates and securities markets and transactions such as those that are undertaken to take advantage of inter-market and other differences (hereinafter referred to as “Transactions for Trading Purposes”) are recorded as Trading Assets and Trading Liabilities in the Balance Sheet on a trade date basis.

Gains and losses arising from Transactions for Trading Purposes are recorded on a trade date basis.

Securities, monetary claims and certain other items held for trading purposes are valued at the market price prevailing at the end of the fiscal year. Derivatives held for trading purposes, such as swaps, futures and options, are valued on the assumption that they were settled at the end of the fiscal year.

Trading Revenue and Trading Losses include interest received and paid during the fiscal year, gains or losses resulting from any change in the value of securities and monetary claims between the end of the previous fiscal year and the end of this fiscal year, and gains or losses resulting from any change in the value of derivatives between the end of the previous fiscal year and the end of this fiscal year, assuming they were settled at the end of the fiscal year.

### (2) Financial Instruments

#### (a) Securities

Held-to-maturity debt securities are valued at amortized cost, as determined by the moving average method. Other securities that have a market quotation are valued at the market price prevailing at the end of the fiscal year (the attributable cost of securities sold is determined by the moving average method). Other securities without a market quotation are valued at cost as determined by the moving average method or are valued at amortized cost. Investments in subsidiaries and affiliates are valued at cost, as determined by the moving average method. The value of money held in trust, primarily held for the purpose of investing in securities, was calculated consistently with the previous fiscal year, by valuing the underlying securities held using the same methods employed to value Securities directly held by the Bank.

The net unrealized gain or loss on other securities and other money held in trust is reported separately in Shareholders' Equity, on a net-of-tax basis.

#### **(b) Derivatives and Hedge Accounting**

The Bank utilizes a macro hedging methodology using derivatives to manage the overall interest rate risk arising on various financial assets and liabilities held, such as loans and deposits. This macro hedging methodology is the risk management method, the "Risk Adjusted Approach" described in the "Tentative Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 15), under which the deferral method of hedge accounting is used. Hedge effectiveness is assessed by checking (1) whether the total market risk arising on derivative instruments used for hedging purposes is within the established risk limit as set out in the risk management policy and (2) whether interest rate risk from hedged items has been mitigated.

In accordance with the "Tentative Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 20), the deferral method or the fair value method for hedge accounting is applied for hedges of foreign currency risk arising from shares in subsidiaries and affiliates and other securities denominated in foreign currency (other than debt securities), provided that (1) the securities denominated in foreign currency are identified as hedged items in advance and (2) spot and forward liabilities that exceed acquisition costs of the foreign currency securities designated as hedged items exist on a foreign currency basis.

For certain other assets or liabilities, the Bank applies the deferral method, fair value method or the accruals method specifically allowed for certain interest rate swaps. Under the deferral method, the recognition of income or expenses arising on a hedging instrument is deferred to when the income or expenses arising on the hedged item is recognized. Under the fair value method, any change in the fair value of the hedged item or hedging instrument is recognized as income or expenses.

#### **(c) Securities Purchased under Resale Agreements and Securities Sold under Repurchase Agreements**

Effective from this fiscal year, the Bank adopted the new Japanese accounting standard for financial instruments, "The Opinion Concerning the Establishment of an Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council in January 22, 1999 (the "New Financial Instruments Standard").

Securities purchased under resale agreements and securities sold under repurchase agreements were previously accounted for as purchase or sale transactions. Under the New Financial Instruments Standard they are accounted for as finance transactions and disclosed as Receivables under Resale Agreements and Payables under Repurchase Agreements, respectively. As a result, Securities has increased by ¥499,998 million and Other Liabilities has decreased by ¥362,499 million as compared with the amount that would have been reported if the New Financial Instruments Standard had not been applied. Those transactions executed overseas, which were previously included in Call Loans and Bills Purchased and/or Call Money and Bills Sold as financing transactions are included in Receivables under Resale Agreements and/or Payables under Repurchase Agreements, respectively from this fiscal year.

### **(3) Premises and Equipment**

Depreciation of premises and equipment of the Bank is calculated using the reducing-balance method.

However, in accordance with the revision to Article 48-1 of the Corporate Tax Laws, depreciation on buildings acquired after April 1, 1998 (excluding annex facilities of buildings) is calculated on a straight-line basis.

The useful lives of premises and equipment are as follows:

Buildings:	15–50 years
Equipment:	5–15 years

The estimated useful life of computers was previously 6 years. Personal computers (other than those utilized for servers) are depreciated over 4 years and other computers are depreciated over 5 years from this fiscal year. This change has no material impact on Income before Income Taxes.

In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for business purposes has been revalued as of March 31, 1998. The unrealized gain arising on revaluation, net of deferred tax was reported as Land Revaluation Excess and included in Shareholders' Equity on the Balance Sheet. The related deferred tax liability is included in Liabilities as Deferred Tax Liabilities Related to Land Revaluation.

The land price used for the revaluation was determined based on third-party appraisals in accordance with Article 2-5 of the enforcement ordinance for the Law Concerning the Revaluation of Land.

The difference (unrealized loss) between the book value of land after the revaluation undertaken in accordance with Article 10 of the Law Concerning the Revaluation of Land and the fair value was ¥29,740 million and ¥27,127 million as of March 31, 2002 and March 31, 2001, respectively.

#### **(4) Costs of Computer Software Developed or Obtained for Internal Use**

The cost of computer software developed or obtained for internal use is capitalized and amortized using the straight-line method over its estimated useful life of 5 years.

#### **(5) Debentures**

Discounts on debentures are amortized over the life of the debenture. Debenture expenses are charged to income as incurred.

#### **(6) Foreign Currency Translation**

Assets/liabilities denominated in foreign currency and accounts of overseas branches are translated into Japanese yen primarily using the exchange rates in effect at the balance sheet date, except for shares in subsidiaries and affiliates, which are translated into yen using historical exchange rates.

Up to the previous fiscal year, the Bank had followed Accounting Standards relating to Foreign Currency Transactions for Banks in accordance with the "Tentative Auditing Treatment relating to Continuous Adoption of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (JICPA April 10, 2000). However, from this fiscal year the Bank has adopted the revised "Accounting Standards for Foreign Currency Transactions" (Business Accounting Deliberation Council October 22, 1999) except for the application of the "Tentative Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 20). This change has no material impact on Income before Income Taxes.

In accordance with the JICPA Industry Audit Committee Report No. 20, regarding foreign currency swaps relating to funding transactions, the swap nominal amounts are translated into yen using the exchange rates in effect at the balance sheet date and are disclosed in the Balance Sheet on a net basis. Premiums or discounts reflecting interest rate differentials between the two currencies are charged to or credited to the Statement of Income on an accrual basis over the period from the spot transaction's settlement date to the forward transaction's settlement date, and disclosed as accrued income or accrued expenses on the Balance Sheet included in Other Assets and Other Liabilities.

Such foreign currency swaps are entered into for the purpose of funding or investment, where (1) the nominal amounts of funding or investment are equal to the amounts of foreign exchange purchased or sold as spot transactions and (2) future payments or proceeds from investment or funding respectively, together with the contractual interest payment or receipt denominated in foreign currency, are equal to the amounts of foreign exchange sold or purchased forward.

### **(7) Reserve for Possible Loan Losses**

The Reserve for Possible Loan Losses of the Bank is computed as follows:

- a. The reserve for loans to debtors that are legally or substantially bankrupt is provided based on the remaining amount of the loans after the direct write-off described below and the deduction of the amount expected to be collected through the disposal of collateral or the execution of guarantees. With respect to loans secured with collateral or guarantees to borrowers who are legally or substantially in bankruptcy, the remaining amount of the loan after the deduction of the amount of collateral or the execution of guarantees is directly written off. The amount of such direct write-offs was ¥86,837 million for the fiscal year ended March 31, 2002.
- b. The reserve for loans to debtors who are not currently bankrupt, but are likely to become bankrupt, is provided based on the amount necessary, taking into account the overall solvency assessment of the debtor and after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- c. The reserve for loans other than the above is provided primarily based on the default rate which the Bank has calculated based on actual defaults experienced in the past.
- d. The specific reserve for loans to countries with financial problems is provided based on the expected amount of losses taking into account the political, economic and other conditions in each country.

All claims are assessed by Business Units based on the Bank's internal rules for the self-assessment of asset quality. The Asset Audit Department, which is independent from Business Units, audits these self-assessments. The reserves described above are determined based upon the results of these audits.

### **(8) Group Mutual Aid Reserves**

In accordance with Article 6-2 of the enforcement ordinance of The Norinchukin Bank Law, the Group Mutual Aid Reserves serve as stabilization funds for use in the event of a cooperative credit institution experiencing financial distress. The reserves correspond to the total amount of deposits held at agricultural cooperatives and other factors specified under the National Agricultural Cooperatives Credit Business Mutual Aid System.

### **(9) Reserve for Retirement Benefits**

The Reserve for Retirement Benefits, which is provided for the payment of employees' retirement benefits, represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets taking into account adjustments for unrecognized prior year service costs and unrecognized actuarial differences at the end of the fiscal year.

Any change in plan benefits that impacts the benefit plan is charged to income in the year of change. Any actuarial differences are amortized over 10 years beginning one fiscal year after the year when the difference is identified.

### **(10) Accounting for Finance Leases**

Accounting for finance leases where the ownership of assets is not transferred to the lessee is consistent with the same accounting principles as for operating leases. Rental expenses under operating leases are charged to income.

### **(11) Consumption Taxes**

Consumption tax and local consumption tax incurred by the Bank are excluded from transaction amounts. Consumption tax and local consumption tax that were paid on the purchase of premises and equipment and that are not deductible as a tax credit are included in Other Assets and are amortized over 5 years.

### **(12) Income Taxes**

The income taxes of the Bank comprise corporate income taxes, local inhabitant taxes and enterprise taxes. Deferred income taxes are provided for in respect of temporary differences between the tax and accounting basis of recording assets and liabilities in the financial statements.

### (13) Enterprise Taxes

Enterprise taxes, other than those taxes determined by an assessment of profit, are recorded in Other Expenses.

### (14) Net Income per Share

Net Income per Share is computed based upon the weighted average number of shares outstanding during the fiscal year.

The total dividend for Lower Dividend Rate Stock and Preferred Stock is deducted from the numerator and the aggregate number of these stocks is deducted from the denominator in the calculation of net income per share.

## 3. Trading Assets

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Trading Securities	¥ 35,226	¥ 440,865	\$ 264
Derivatives of Trading Securities	—	31	—
Derivatives of Securities Related to Trading Transactions	—	17	—
Trading-Related Financial Derivatives	80,730	89,108	606
Other Trading Assets	901,647	1,224,956	6,767
<b>Total</b>	<b>¥1,017,604</b>	<b>¥1,754,978</b>	<b>\$7,637</b>

## 4. Securities

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Japanese Government Bonds	¥ 8,600,368	¥ 7,573,777	\$ 64,543
Municipal Government Bonds	418,834	463,713	3,143
Corporate Bonds	1,049,362	794,949	7,875
Stocks	558,996	640,005	4,195
Other	12,649,321	13,221,093	94,930
<b>Total</b>	<b>¥23,276,883</b>	<b>¥22,693,540</b>	<b>\$174,686</b>

Note: Investments in subsidiaries, totaling ¥77,183 million and ¥76,539 million, were included in Stocks as of March 31, 2002 and March 31, 2001, respectively.

The maturity profile of other securities is as follows:

	Millions of Yen			
	1 Year or Less	Over 1 Year–5 Years	Over 5 Years–10 Years	Over 10 Years
Bonds	¥2,456,718	¥2,975,538	¥3,669,849	¥ 966,458
Japanese Government Bonds	2,312,565	2,084,427	3,266,058	937,316
Municipal Government Bonds	15,529	316,160	86,240	904
Corporate Bonds	128,623	574,950	317,550	28,238
Other	362,190	2,035,710	3,842,631	2,023,275
<b>Total</b>	<b>¥2,818,908</b>	<b>¥5,011,249</b>	<b>¥7,512,481</b>	<b>¥2,989,734</b>

	Millions of U.S. Dollars			
	1 Year or Less	Over 1 Year– 5 Years	Over 5 Years– 10 Years	Over 10 Years
Bonds	\$18,437	\$22,331	\$27,541	\$ 7,253
Japanese Government Bonds	17,355	15,643	24,511	7,034
Municipal Government Bonds	117	2,373	647	7
Corporate Bonds	965	4,315	2,383	212
Other	2,718	15,277	28,838	15,184
Total	\$21,155	\$37,608	\$56,379	\$22,437

## 5. Loans and Bills Discounted

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Loans on Deeds	¥11,898,195	¥ 9,005,227	\$ 89,292
Promissory Notes	9,094,404	10,743,001	68,251
Overdrafts	3,161,748	3,161,656	23,728
Bills Discounted	78,807	106,820	591
Total	¥24,233,156	¥23,016,706	\$181,862

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Loans to Borrowers under Bankruptcy Proceedings	¥ 23,910	¥ 5,335	\$ 179
Loans with Principal or Interest Payments More Than Six Months in Arrears	345,543	330,778	2,594
Loans with Principal or Interest Payments More Than Three Months in Arrears	143	1,491	1
Restructured Loans	423,889	398,056	3,181
Total	¥793,487	¥735,662	\$5,955

Notes: 1. The Bank does not accrue interest on "Loans to Borrowers under Bankruptcy Proceedings" and "Loans with Principal or Interest Payments More Than Six Months in Arrears".

2. "Loans with Principal or Interest Payments More Than Three Months in Arrears" are loans which are past-due by 3 months or more and which are other than "Loans to Borrowers under Bankruptcy Proceedings" and "Loans with Principal or Interest Payments More Than Six Months in Arrears".

3. "Restructured Loans" are loans whereby, in order to support the borrowers' rehabilitation and facilitate the collection of the loan, the terms of the loans are restructured in favor of the borrowers by reducing the interest rate, suspending payments of interest or principal, waiving principal repayments, etc.

## 6. Assets Pledged

Assets pledged as collateral comprise the following:

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Trading Assets	¥ 362,444	¥ —	\$ 2,720
Securities	3,666,436	2,242,720	27,515



Liabilities related to the above pledged assets were as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Call Money	¥ 182,600	¥2,282,761	\$ 1,370
Payables under Repurchase Agreements	2,937,023	—	22,041
Other Liabilities	986,596	—	7,404

Note: In addition, Securities totaling ¥4,088,464 million and ¥3,435,521 million as of March 31, 2002 and March 31, 2001, respectively, and Other Assets (securities in custody) totaling ¥291,937 million at March 31, 2001 were pledged as collateral for settlement of exchange and derivative transactions or as variation margin for futures transactions.

### 7. Foreign Exchange Assets

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Foreign Bills Purchased	¥ 2,687	¥ 3,251	\$ 20
Foreign Bills Receivable	12,436	10,527	93
Due from Foreign Banks	4,335	2,836	33
Total	¥19,460	¥16,616	\$146

### 8. Other Assets

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Domestic Exchange Settlement, Debit Account	¥ 20	¥ 62	\$0
Prepaid Expenses	1,614	473	12
Accrued Income	178,702	244,028	1,341
Payments for Food Account	—	115	—
Other	392,443	1,777,582	2,945
Total	¥572,780	¥2,022,263	\$4,298

### 9. Premises and Equipment

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Land	¥146,189	¥147,995	\$1,097
Buildings	48,781	49,553	366
Equipment	9,256	9,413	69
Other	7,000	4,723	53
Total Net Book Value	¥211,228	¥211,684	\$1,585
Accumulated Depreciation Deducted	¥ 91,452	¥ 86,124	\$ 686

### 10. Commitment to Overdrafts and Loans

Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the commitment agreement exists. The amount of undrawn commitments in relation to such agreements is ¥3,854,703 million. The amount, which the Bank could cancel at any time without penalty, is ¥2,333,615 million.

The amount of undrawn commitments does not necessarily affect the future cash flow of the Bank because the majority of such agreements are terminated without being exercised. Most of these agreements have provisions which stipulate that the Bank may not extend the loan or may decrease the commitment when there are certain changes in the financial condition of the borrower, certain issues relating to collateral and other reasons. At the time of extending loans to customers, the Bank is able to request collateral in the form of premises or securities as necessary. After extending loans, the Bank periodically checks the financial condition of its customers based on its internal rules and acts to secure loans as necessary.

### 11. Deposits

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Time Deposits	¥33,282,561	¥31,405,532	\$249,775
Notice Deposits	181,119	165,377	1,359
Ordinary Deposits	1,885,626	946,698	14,151
Current Deposits	166,852	160,460	1,252
Negotiable Certificates of Deposit	288,680	679,978	2,166
Other Deposits	2,552,685	3,317,077	19,158
Total	¥38,357,527	¥36,675,125	\$287,861

### 12. Debentures

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
One-Year Discount Debentures	¥ 872,749	¥1,571,347	\$ 6,550
Long-term Coupon Debentures	5,073,389	4,974,389	38,074
Total	¥5,946,139	¥6,545,736	\$44,624

### 13. Trading Liabilities

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Derivatives of Trading Securities	¥ 39	¥ —	\$ 0
Derivatives of Securities Related to Trading Transactions	7	—	0
Trading-Related Financial Derivatives	81,577	89,373	613
Total	¥81,624	¥89,373	\$613

### 14. Borrowings

Borrowings include subordinated loans of ¥490,143 million as of March 31, 2002 and March 31, 2001, respectively.

### 15. Foreign Exchange Liabilities

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Foreign Bills Sold	¥ 5	¥ 10	\$ 0
Foreign Bills Payable	216	28	1
Due to Foreign Banks	2,101	2,050	16
Total	¥2,323	¥2,090	\$17

## 16. Other Liabilities

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Advances Received for Food Account	¥ 1,286	¥ —	\$ 10
Short-term Entrusted Funds	1,249,037	3,990,557	9,374
Domestic Exchange Settlement, Credit Account	1,252	447	9
Accrued Expenses	106,389	204,471	798
Income Taxes Payable	48,059	11,659	361
Deferred Income	4,846	5,619	36
Employees' Deposits	11,310	11,112	85
Securities Borrowed	—	1,125,300	—
Collateral for Securities Transactions	986,596	1,620,172	7,404
Other	681,791	1,510,936	5,117
<b>Total</b>	<b>¥3,090,570</b>	<b>¥8,480,273</b>	<b>\$23,194</b>

## 17. Acceptances and Guarantees

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Acceptance of Bills of Exchange	¥ 20	¥ 16	\$ 0
Letters of Credit	28,361	74,978	213
Guarantees	308,433	286,156	2,315
<b>Total</b>	<b>¥336,815</b>	<b>¥361,150</b>	<b>\$2,528</b>

Note: All contingent liabilities arising in connection with customers' foreign trade and other transactions are classified under Acceptances and Guarantees. A contra account, Customers' Liabilities for Acceptances and Guarantees, is classified as an asset representing the Bank's right of indemnity from customers.

## 18. Paid-in Capital

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Common Stock	¥1,100,000	¥1,100,000	\$8,255
Preferred Stock	24,999	24,999	188
<b>Total</b>	<b>¥1,124,999</b>	<b>¥1,124,999</b>	<b>\$8,443</b>

Note: The Common Stock account includes Lower Dividend Rate Stock with a total par value of ¥1,000,000 million.

Lower Dividend Rate Stock is similar to regular common stock but has been issued on the condition that the dividend yield will be set below that relating to common stock.

## 19. Trading Revenue

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Revenue from Trading Securities and Derivatives	¥ 42	¥ 783	\$ 0
Revenue from Trading-Related			
Derivatives Transactions	290	475	2
Other Trading Revenue	1,125	2,099	9
<b>Total</b>	<b>¥1,458</b>	<b>¥3,357</b>	<b>\$11</b>

**20. Other Operating  
Income**

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Gains on Foreign Exchange Transactions	¥ 663	¥ 3,610	\$ 5
Gains on Sales of Bonds	225,026	134,405	1,689
Gains on Sales of Loans	137	197	1
Gains on Redemption of Bonds	773	23,675	6
Other	0	—	0
<b>Total</b>	<b>¥226,601</b>	<b>¥161,888</b>	<b>\$1,701</b>

**21. Other  
Income**

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Gains on Sales of Stocks and Other Securities	¥ 46,684	¥ 37,211	\$350
Gains on Money Held in Trust	62,152	72,107	466
Gains on Sales of Premises and Equipment	112	28	1
Recoveries of Claims Written-off	908	3	7
Reversal of Reserve for Possible Loan Losses	—	11,471	—
Gains Resulting from the Adoption of the New Accounting Standard for Pensions	—	27,996	—
Other	1,719	1,606	13
<b>Total</b>	<b>¥111,578</b>	<b>¥150,425</b>	<b>\$837</b>

**22. Trading  
Losses**

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Losses on Securities and Derivatives Related to Trading Transactions	¥121	¥232	\$1
<b>Total</b>	<b>¥121</b>	<b>¥232</b>	<b>\$1</b>

**23. Other Operating  
Expenses**

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Amortization of Debenture Issuance Costs	¥ 521	¥ 1,447	\$ 4
Losses on Sales of Bonds	60,185	31,797	452
Losses on Redemption of Bonds	44	42,372	0
Losses on Revaluation of Bonds	16,122	—	121
Losses on Derivative Instruments	1,606	13,504	12
Other Operating Expenses	619	60	5
<b>Total</b>	<b>¥79,101</b>	<b>¥89,184</b>	<b>\$594</b>

## 24. Other Expenses

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Transfer to Reserve for Possible Loan Losses	¥ 80,360	¥ —	\$ 603
Transfer to Group Mutual Aid Reserve	15,001	15,611	113
Write-off of Loans	26,021	18,988	195
Losses on Sales of Stocks and Other Securities	31,376	4,528	235
Losses on Revaluation of Stocks and Other Securities	9,864	1,339	74
Losses on Money Held in Trust	67,362	5,831	506
Losses on Disposals of Premises and Equipment	696	1,681	5
Donations for Financial Assistance to an Affiliated Company	—	40,639	—
Losses Resulting from the Adoption of the New Accounting Standard for Pensions	—	26,659	—
Other	8,656	18,501	65
<b>Total</b>	<b>¥239,340</b>	<b>¥133,779</b>	<b>\$1,796</b>

## 25. Proposed Appropriation of Retained Earnings

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Unappropriated Retained Earnings at Fiscal Year End	¥95,085	¥99,947	\$713
Additions:			
Transfer from Voluntary Reserve	294	34	2
Appropriations:			
Transfer to Legal Reserve	13,600	20,000	102
Transfer to Voluntary Reserve	14,585	21,088	109
Special Dividends	17,046	16,363	128
Dividends on Common Stock	5,000	5,000	38
Dividends on Lower Dividend Rate Stock	10,000	10,000	75
Dividends on Preferred Stock	328	328	2
<b>Total</b>	<b>¥60,559</b>	<b>¥72,780</b>	<b>\$454</b>
Unappropriated Retained Earnings to Be Carried Forward	¥34,819	¥27,201	\$261

Note: The Transfer to Legal Reserve, Dividends, Transfer to Other Reserves and Bonuses to Directors are recorded in the fiscal year in which the proposed appropriation of Retained Earnings is approved by the shareholders' meeting.

Pursuant to Article 77-1-5 of the Norinchukin Bank Law concerning the revaluation of net assets to fair value, the portion of Net Unrealized Gains on Securities, net of taxes, and Retained Earnings, restricted not available for distribution, amounts to ¥75,279 million and ¥475,968 million, respectively as of March 31, 2002 and March 31, 2001.

**26. Securities  
Loaned**

Securities Loaned under unsecured short-term financing agreements (Saiken Taishaku Torihiki) totaling ¥1,144,021 million, are included in Securities.

Securities Borrowed under unsecured short-term financing agreements (Saiken Taishaku Torihiki) that can be sold or repledged by the Bank, securities repledged out, securities loaned, and securities held were ¥1,185,588 million, ¥57,142 million and ¥22,025 million, respectively as of March 31, 2002.

Up to the previous fiscal year, Securities Borrowed under unsecured short-term financing agreements and Securities Received relating to securities borrowed with cash collateral submitted were recognized as Securities in Custody in Other Assets and Securities Borrowed in Other Liabilities as the same amounts, respectively. After the adoption of the New Financial Instruments Standard, these balances are not recorded on the Balance Sheet.

**27. Retirement  
Benefit Plans**

The Bank is funding a defined benefit pension plan and in addition has a lump-sum payment pension plan. Additional retirement benefits are paid to employees in certain cases. To fund the lump-sum payment pension plan the Bank has established a retirement benefit trust.

The reserve for retirement benefits as of March 31, 2002 is analyzed as follows:

	Millions of Yen	Millions of U.S. Dollars
As of March 31	2002	2002
Projected Benefit Obligations	¥(68,573)	\$(514)
Plan Assets	49,604	372
Unfunded Retirement Benefit Obligations	(18,969)	(142)
Unrecognized Transition Amount	—	—
Unrecognized Prior Service Cost	—	—
Unrecognized Actuarial Differences	13,513	101
Net Amounts Reported in the Balance Sheet	(5,455)	(41)
Prepaid Pension Cost	1,554	12
Reserve for Retirement Benefits	¥ (7,009)	\$ (53)

Assumptions used in the above calculation are as follows:

Discount Rate	2.5%
Expected Rate of Return on Plan Assets	4.0%
Method of Attributing the Projected Benefits to Periods of Service	Straight-line Basis
Amortization of Unrecognized Prior Service Cost	Year incurred
Amortization of Transition Amount	Year incurred
Amortization of Unrecognized Actuarial Differences	10 Years

## Report of Independent Accountants

The Board of Directors  
The Norinchukin Bank

We have audited the accompanying non-consolidated balance sheets of The Norinchukin Bank as of March 31, 2002 and 2001, and the related non-consolidated statements of income for the years ended March 31, 2002 and 2001, all expressed in Japanese Yen. Our audits were undertaken in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

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

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

*ChuoAoyama Audit Corporation*

ChuoAoyama Audit Corporation

Tokyo, Japan  
May 16, 2002