

## **Year 2000 Compliance**

as of the end of September, 1999

- What is the Year 2000 problem? -

The Year 2000 problem ("the Y2K problem") stems from the two digit format for the year used by computers and is a serious concern because it can cause major computing errors or even complete system failure when the year 2000 arrives.

A few decades ago, when the use of computers became popular, only the last two digits were generally used to identify the year in order to save space for programs and data. Unfortunately, that method is still embedded in many of the computers and software programs in use today. While satisfactory up to this year, this method is wholly inadequate for 2000 and beyond, because when 2000 starts, computers will assume the year is 1900. In addition, Y2K problems can occur even before January 1, 2000, when computers process data containing dates in the year 2000.

### 1. Policy

#### (1) Our Basic Policy

LTCB has recognized the implications of the Year 2000 problem and positioned it among the bank's most important business issues to be resolved.

While each line of business is responsible for implementing the Year 2000 program within its own area of operation, LTCB's Year 2000 Project Team, which consists of representatives from each business and staff function as well as representatives from the IT area, is coordinating and monitoring the overall progress of the program throughout the bank. The head of the Year 2000 project is the Deputy President who also supervises LTCB's Year 2000 Project Team.

#### (2) Management

LTCB's senior management is fully aware of the Y2K problem. In addition, the Project Team is providing senior management with monthly progress reports on the Y2K program. Senior management can, therefore, consistently maintain a thorough

understanding of the related issues and progress made to date.

### (3) Inventory of Systems

In addition to the IT division's assessment of all the systems for which it is responsible, all divisions / offices across the bank have assessed the systems and equipment they have independently installed. Divisions / offices have also contacted the vendors of their systems to ensure that they are taking appropriate actions to make those systems Year 2000 compliant.

### (4) Allocation of Resources

To ensure that a sufficient quantity of human resources is available to address the Year 2000 problem, personnel have already been allocated internally. LTCB has also budgeted a sufficient amount to address the Y2K issue.

## 2. Progress to date

(1) As far as LTCB's core systems are concerned, all the necessary renovation of programs, unit testing and system testing were completed by the end of 1998. Furthermore, we conducted integration testing from December 1998 through March 1999, found no significant program bugs or errors, and validated that systems are functioning correctly.

Testing of the accuracy of system communications exchanged a) between our systems and outside networks (e.g., the BOJ-NET(Bank of Japan Financial Network Service), the Zengin-System (Domestic Remittance Network)) and b) between our systems and counterparties was completed by the end of June 1999. Testing of system interfaces with the SWIFT network and the ATM alliance network was completed a few months before.

(2) LTCB will conduct further Year 2000 testing on new systems placed into operation after April 1999.

It should also be noted that we plan to put off all nonessential system changes (installation of new systems / modifications to existing systems) from November 1999 through January 2000.

### 3. Definition of "Year 2000 compliant"

LTCB will consider systems "Year 2000 compliant" when the following conditions are fully satisfied.

1. Systems operate normally and are able to process data as originally designed, even on and after January 1, 2000.
2. Systems operate normally and are able to process data as originally designed, even if that data includes the date January 1, 2000 or any date thereafter.
3. Systems are able to recognize 2000 as a leap year.

\* As used here, the term "system" includes hardware, software (operating systems, communications software, databases, etc.) and related equipment. Accordingly, the phrase "systems operate normally" refers not only to hardware but also to the functions / operations performed by those systems, database and system resource maintenance programs, etc.

### 4. Contingency Plan

As indicated above, LTCB is making every effort to be ready for Year 2000. However, we also believe it is necessary to formulate a plan to address unexpected events that could adversely affect our business (e.g., disruptions to public services or to the operations of service suppliers, or computer malfunctions caused by mistakes of any kind).

For this reason, LTCB has formulated its Year 2000 problem contingency plan by appropriately modifying the bank's existing disaster recovery manual. The final draft of the plan was completed by the end of June 1999 and approved in a resolution passed at the board of directors' meeting held in July.

Additionally, LTCB plans to carry out contingency drills in preparation for potential disruptions and calculation errors in computer systems. Special shifts, including lodging arrangements and holiday attendance at the end of 1999 and the beginning of 2000, have also been drawn up.

## 5. Others

### (1) Action taken with respect to venders / suppliers of systems or equipment

LTCB's core systems are basically developed internally. For the vender dependent elements of systems, we attempt to identify problem sources and solutions through closer communication with venders. Furthermore, we request those venders to provide us with written reports on their respective Year 2000 problem remedial measures.

### (2) Actions taken with respect to customers

We provided a written explanation of our program for addressing the Year 2000 problem to both our financial and non-financial customers, especially those representing major relationships or exchanging data with us. At the same time we asked them to complete and return to us special questionnaires prepared by LTCB for the purpose of assessing their Year 2000 compliance.

- Attention -

This statement was prepared solely for the purpose of explaining the current status of our program to address the Year 2000 problem, and is not to be construed as any kind of guarantee, obligation or abandonment of rights relating thereto.