Capital Position [Disclosure under Basel II Pillar III]

A STRONG CAPITAL BASE FOUNDED ON THE STRENGTH OF THE COOPERATIVE MEMBERSHIP

Capital Adequacy Ratio

As the Bank diversifies its asset management activities in global markets, the Bank has positioned the strengthening of its capital as a top management priority to meet the diverse needs of cooperative organizations and other customers as well as to expand the scope and enhance the stability of earnings-generation operations. As of March 31, 2007, the Bank's capital adequacy ratio for both consolidated (based on the 13 consolidated entities) and non-consolidated basis was 12.84%.

Expanding the Bank's Capital and Base of Operations

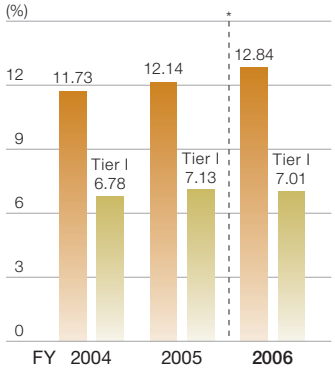
On September 28, 2006, the Bank raised approximately ¥342.7 billion (as of the date of the issue) from the issuance of dated subordinated bonds in the Euromarket through an overseas special-purpose company. The Bank undertook this issue based on its decision that an increase in capital would be necessary to respond effectively to the increasingly competitive environment in the financial services industry and to strengthen substantially its asset management capabilities as well as to create more sustainable operating systems.

To raise capital, dated subordinated bonds in three currencies (euros, U.K. pounds and yen) were issued through the Bank's wholly-owned overseas special purpose company. When calculating the Bank's capital adequacy ratio these subordinated bonds can be included in capital as Tier II capital and in effect, it strengthens the Bank's capital base.

In addition, in fiscal 2007 the Bank is moving forward with preparations to raise approximately ¥500 billion through the issue of lower dividend rate stock and an approximate additional ¥400 billion in perpetual subordinated loans with the cooperation of cooperative members to meet the requirements for the expansion of capital needed to participate in international financial markets and to strengthen further the Bank's financial position. Along with these fund-raising activities, the Bank is also making preparations during fiscal 2007 to repay ahead of schedule the ¥521.6 billion in outstanding dated subordinated loans.

The Bank regards further improvement in the quality and volume of its capital as a task of high priority required to secure management soundness going forward, and to respond to the needs and trust of the cooperative organizations, other customers as well as Japanese and overseas markets. Accordingly, the Bank will make every effort to increase its retained earnings and implement measures to expand its capital, while securing the understanding and cooperation of members of the cooperative organizations, as opportunities present themselves.

Capital Adequacy Ratio (Consolidated)



* Change in method of calculating the capital adequacy ratio following the implementation of new BIS standards

Strong Capital Base

The Bank is rated highly by the two largest rating agencies in the United States—Standard & Poor's and Moody's Investors Service—and has received top-tier ratings among Japanese financial institutions. One of the main factors behind these high ratings is the strong capital base afforded by the membership of the cooperative system. As further evidence of the Bank's solid capital base, financial and other strengths, while major commercial banks in Japan have accepted injections of public funds to rejuvenate their financial capabilities and to ensure the smooth provision of credit, the Bank has yet to apply for one.

Outline of Methods for Raising Capital

The Bank's paid-in capital is derived from the following sources.

	Common Stocks		Preferred Stocks
Investors	Members, as specified in the Norinchukin Bank Law		No restrictions
Voting rights	Yes		No
Par value/Issue price	¥100/Issued at par value		¥100/Issued at market value
Dividends		For lower dividend rate stocks:	
	Dividend rates are decided at the Council of Delegates. Dividends are paid after the payment of dividends on preferred stocks. When dividends are paid on common stocks, participatory dividends are paid to holders of preferred stocks.	Dividend rates are decided at the Council of Delegates. The seniority hierarchy for dividends is the same as for common stocks. Under the Bank's Articles of Association, dividends on lower dividend rate stocks have a lower order of priority than common stocks.	Dividend rates are decided at the Council of Delegetes. Dividends on preferred stocks are composed of preferred dividends and participatory dividends. The seniority hierarchy for participatory dividends is the same as for common stocks.
	For years ending March 31, FY2005: 4% FY2006: 4%	For years ending March 31, FY2005: 1% FY2006: 2%	For years ending March 31, FY2005: 11% FY2006: 11%

Risk Management

Approach to Risk Management

Essential tasks in the management of financial institutions are to generate stable profits as well as construct an optimal portfolio, while confronting various types of risk arising from fluctuations in economic conditions and financial markets. In addition, financial institutions must maintain a high level of confidence from the public by providing reliable services and by maintaining financial soundness.

The Bank, as the central cooperative bank of Japan for agriculture, forestry, and fishery, has the mission of providing profits and offering services for the member cooperatives while maintaining a sound financial base. To fulfill its mission, the Bank engages in a diverse range of investment activities based on the concept of globally diversified investment. Accordingly, the enhancement of its risk management framework is an extremely important issue.

Specific initiatives by the Bank have included the establishment of its Risk Management Policy, which specifies the types of risks to be managed and a basic framework for risk management, including organizational structure and management methodology. Based on this policy, the Bank divides risk that must be managed into two broad categories: "risks that are taken actively to generate profits" (i.e., credit risk, market risk and liquidity risk) and "operational risks," which arise in the course of the conduct of operations. The Bank conducts risk management activities taking account of the special characteristics of each type of risk and measures the overall magnitude of these risks, making use of quantitative methods, and conducts integrated risk management by comparing the amount of risk with the Bank's management strengths and financial resources.

To implement integrated risk management, the Bank has created a number of organizational units to manage individual types of risk with the clear definition of the roles and responsibilities of these units, as well as a unit to manage the risks from an enterprise-level, integrated perspective. In addition, several committees composed of board members have been formed to discuss and make decisions regarding risk-related issues, including conducting checks whether the overall risk amount is within the limits of management resources (within the Risk-Bearing Capacity, including equity capital). Together with the flexible portfolio management reacting to the change in the financial markets and economic conditions, such organizational structure, as explained above, works toward achieving an optimal balance among risk, earnings, and capital, and thereby enhancing the soundness and profitability of the Bank's activities.

Complying with Basel II

Basel II (the new capital adequacy regulations), which went into effect in Japan in fiscal 2006, requests to comply with three pillars. Pillar I is the introduction of a risk sensitive computational formula for capital adequacy. Pillar II is financial institution's internal capital adequacy assessment process, according to its risk profile, followed by supervisory review and an evaluation process. Pillar III is proactive disclosure to secure the proper evaluation of the effectiveness of Pillar I and Pillar II by the market. The Bank has taken initiatives in the past several years to address issues relating to these three pillars.

Especially as regards to credit risk management, the Bank has worked to enhance and make full use of its existing internal credit rating system (which rates borrowers and other obligors both on the basis of a quantitative assessment of financial and other data making use of a statistical model, and on the basis of qualitative analysis). Other related initiatives aimed at enhancing credit risk management have included the introduction of a method for computing risk based on estimates of the probability of defaults for obligors in various credit quality categories, based on past records of actual defaults. For operational risk (including risks of clerical errors, system defects as well as legal action and other risks arising passively from operating activities), the Bank has strengthened its comprehensive management systems through the conduct of Risk and Control Self-Assessment (RCSA), which involve identifying risk inherent in various business processes and the assessment of the effectiveness of internal controls. In the computation of the capital adequacy ratio at the end of fiscal 2006, the Bank adopted "Foundation Internal Ratings-Based Approach (F-IRB)" for credit risk and "The Standardized Approach (TSA)" for operational risk, based on the Norinchukin Bank Law Notification regarding Basel II.

Internal Capital Adequacy Assessment Process

The Bank implements the Internal Capital Adequacy Assessment Process (ICAAP), an assessment process based on "International Convergence of Capital Measurement and Capital Standards: a Revised Framework" of the Basel Committee, to manage return along with risk and capital, in a consistent and efficient manner.

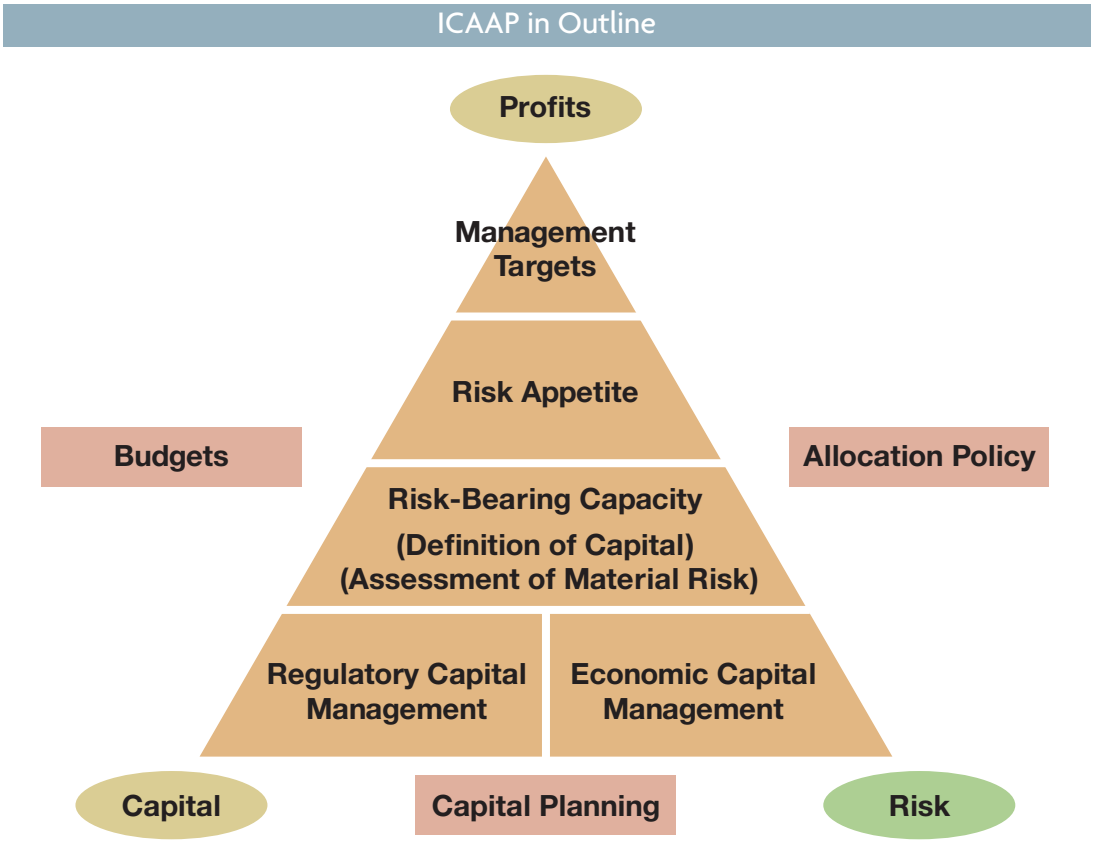
The ICAAP is the process to prove the Bank's capital adequacy by demonstrating the appropriateness of its risk management practices, which are employed to manage all the risks belonging to the business objectives to achieve. The purpose of ICAAP is to provide strong confidence about the Bank's sound business management with its various stakeholders.

The Bank's ICAAP is beyond the framework of controlling just capital and risk. It intends to meet simultaneously two distinct management goals: capital adequacy and profitability. Consequently, Norinchukin's ICAAP recognizes its capital adequacy as the "triangular" relationship among profit, capital and risk with consistency. The Bank places this framework as the core concept of the ICAAP.

Specifically, the ICAAP demonstrates the consistency between "Risk Appetite," which is presented quantitatively as the amount of risk, and "Risk-Bearing Capacity," which is presented quantitatively as the amount of capital, through two different types of framework to maintain capital adequacy: regulatory capital management and economic capital management (to be discussed later) .

■ Risk Appetite

In implementing the Bank's strategies for attaining its management goals, Risk Appetite reflects its specific views regarding risk-taking, and defines what types of risk and how much of such risk the Bank is willing to take. The level at which risk will be controlled is determined by various related indicators, both qualitative and quantitative. In other words, setting Risk Appetite requires being aware of and making linkages among management objectives (management strategy), risk, and capital within a single framework.



■ Setting Risk-Bearing Capacity

The Bank sets the scope of the material risks it comprehensively manages, such as market risk, credit risk, and operational risk. For such risks, the Bank defines the methods for quantitative measurement. The Bank then defines Risk-Bearing Capacity as "maximum tolerable risk", and the Bank manages the level of risk within Risk-Bearing Capacity. When setting Risk-Bearing Capacity, the Bank clarifies the relationship between the types of internal capital, and types of risk that such capital should cover.

■ Confirmation of Consistency between Risk Amount and Risk-Bearing Capacity

This confirmation involves verifying that the amount of risk, recognized based on Risk Appetite, does not exceed "Risk-Bearing Capacity" and that there is no concern that risk may exceed Risk-Bearing Capacity. To maintain the above condition through day-to-day operations, the Bank has set the checkpoint within the framework of the regulatory capital management (capital adequacy ratio). In addition, by conducting a set of stress testing and preparing capital planning, the Bank aims to secure the soundness of operations.

The checkpoint provides a framework for ensuring that the capital adequacy ratio, which is constantly fluctuating due to various factors, is maintained above a predetermined level, mainly through monitoring of factors causing fluctuations and providing for necessary countermeasures at an early stage. A specific checkpoint is decided based on the Bank's risk profiles, which include the characteristic nature of volatilities of unrealized gains and losses on securities. The checkpoint is an integral part of maintaining the Bank's capital adequacy ratio above the specific standard, through the daily monitoring of the level of unrealized gains and losses.

Integrated Risk Management

The Bank has enacted the Risk Management Policy and established the core risk management framework that quantifies and manages risk comprehensively in comparison with capital, which represents the Bank's management strength. The Bank has developed further this framework in the context of capital adequacy into the ICAAP (Internal Capital Adequacy Assessment Process) described previously. The Bank conducts the integrated risk management, which covers risks beyond Pillar I.

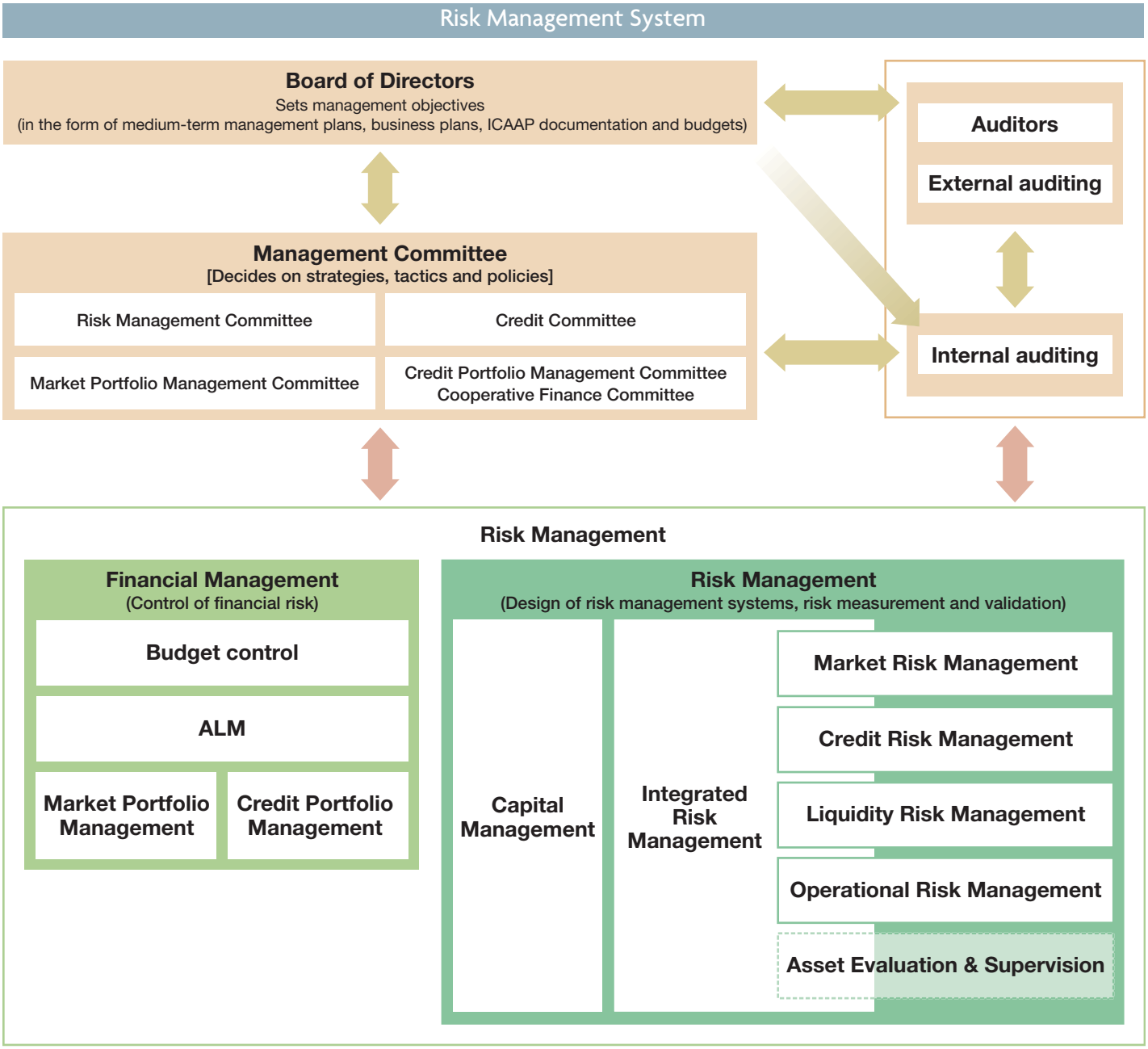
The central function within the management process is "Economic Capital Management." Under Economic Capital Management, all the risks to be covered by capital are quantified, and the total of these risks is managed by allocating economic capital to each category of risk as the upper limit that the Bank will allow. The Bank has begun to apply this method to monitor risk on a consolidated basis.

Concerning the organizational structure that governs the risk management framework, beginning in fiscal 2007, the Risk Management Committee (chaired by the director in charge of the Risk Management Division) has been established to make decisions regarding important matters relating to integrated risk management, including economic capital management, and other material issues relating to the management of capital including major policies for capital adequacy. The Market Risk Management Committee and the Credit Risk Management Committee, which treated risk-related matters previously, were reformed into the Market Portfolio Management Committee and the Credit Portfolio Management Committee. These committees currently focus on portfolio management issues, thereby mutual checking functions between these committees and the Risk Management Committee have been reinforced.

Under economic capital management, fluctuations in the risk amount (risk capital) that take place along with market fluctuations and additional risk positioning are controlled within the economic capital allocation limits. The resource of economic capital is Tier I capital, as used in the computation of the capital adequacy ratio for regulatory purposes. The Bank defines the material risk types managed by economic capital management as market risk, credit risk and operational risk. The Bank adopts the economic capital management methodology suitable for the Bank's business model, that is characterized as its globally diversified investment strategy. Actually, the Bank allocates and manages the risk capital regardless of asset categories or divisions based on the globally diversified investment concept. Allocation of economic capital to each risk category is determined by the Board of Directors semiannually, taking into account the allocation policy of the market risk portfolio and other investment projects. The middle section is responsible for

measuring trends in the risk amount, and they make periodic reports to management. Note that the risk amount of market assets are measured, monitored and managed on a daily basis.

The Board of Directors is responsible for making decisions regarding economic capital allocation, but related matters are discussed in advance among experts in the Risk Management Committee from an enterprise level risk management perspective.



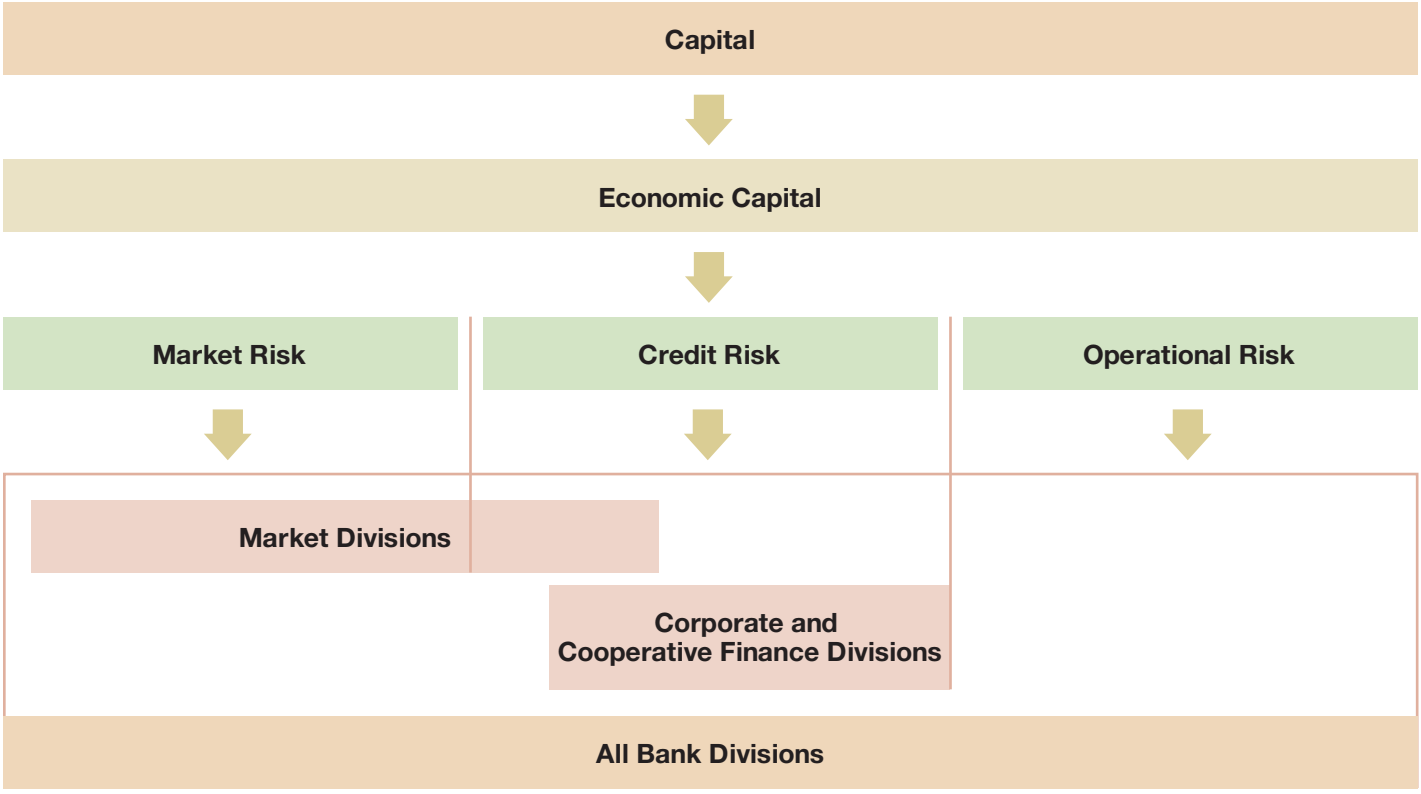
Market risk is measured through the value-at-risk (VaR) method, using a historical simulation model, with a 99.50% confidence interval and one-year holding period. Credit risk is measured through the value-at-risk (VaR) method, using a Monte Carlo simulation model (mark-to-market method), with a 99.50% confidence interval and one-year holding period. Credit risk capital is defined as the credit risk amount measured by the above method minus the expected loss. Operational risk is measured through the Standardized Approach, from a regulatory perspective, and equaled to risk capital. The Bank has enforced operational risk management collecting historical loss data to sophisticate the way of quantification of the operational risk.

Through these various initiatives, the Bank is working to manage risk in an integrated way and will continue to substantially increase the sophistication of these activities.

Integrated Risk Management along with Financial Management

The Bank's integrated risk management framework is conducted along with its financial management framework to optimize and enhance simultaneously its soundness and profitability. As one core component of the integrated risk management framework, the Bank has established the market risk management system, which can correspond to the conditions of financial markets swiftly. To ensure the system, the Bank conducts a wide range of analysis, including static and dynamic interest rate sensitivity analyses toward the profit/loss impact and the assets valuation impact. In addition, as a part of asset and liability management, the Bank measures the risk amount, taking account of fluctuations in prices of bonds and stocks and in foreign currency exchange rates, and conducts scenario simulations under various stress conditions. Through these activities, which are aimed at measuring the impact of changes in market conditions on its assets, the Bank is endeavoring to structure a flexible financial position.

The Image of Economic Capital Allocation



Credit Risk Management

For the Bank, transactions involving credit risk are one of the most strategically important sources of earnings. In addition to making assessments of the risks inherent in individual loans and other assets, the Bank conducts comprehensive risk management from the perspective of its overall credit risk portfolio. In this way, the Bank works to generate earnings commensurate with the level of credit risk it takes.

■ Credit Risk Management System

The Bank's credit risk management system comprises four committees that are managed by the top related directors and general managers. These committees decide the risk management framework as well as lending and investment policy. Front-office divisions offer loans and make investments based on the policy within the limits set by the committees. Middle-office divisions, which are independent from the front-office divisions, monitor changes in the credit risk portfolio and report them to the committees. Results of these activities then become useful for establishing future plans and policies regarding credit risk management.

Among the four committees, the Risk Management Committee is responsible for the deliberation of the basic framework for overall risk management, including the Bank's internal credit rating system, the self-assessment system, and the economic capital management system. The Credit Portfolio Management Committee and the Cooperative Finance Committee (chaired by the director in charge of the Financial Planning & Control Div.) discuss basic policies and strategies for each risk transaction and make a decision for the exercise of each proposed major and/or large-scale transaction. In addition, the Credit Committee (chaired by the director in charge of the Financial Planning & Control Div.) is primarily responsible for deliberating on a design of the system for various ceilings, and the Cooperative Finance Committee and the Credit Portfolio Management Committee discuss specific policies based on this system.

The Risk Monitoring Division, which is categorized as a middle-office division that is independent of front-office divisions, monitors the condition of the credit risk portfolio.

■ Credit Analysis System

As a result of the Bank's continuing efforts to further improve its credit analysis capabilities, the Bank performs highly expert examinations for each standing loan by taking a borrower's characteristics—such as a cooperative, a private corporation, a public entity, or a non-resident corporation—into account. Credit analyses on private corporations and public corporations are performed in a section separate from business management and strategy sections. The Credit Risk Assessment Division prepares credit analyses by industry type through fully drawing on its financing know-how, which the Bank has accumulated over the years. To perform accurate analyses, a senior credit administrator in charge of a certain industry type reviews each debtor or each business condition in the industry. Moreover, the Bank implements a scheme that enables it to determine the most appropriate assessment possible for the debtor or the business condition through comparisons with other companies in the same industry utilizing its superior research. In analyses of loans to non-resident corporations, the country ceiling system is effectively applied to incorporate risks, which are not found in assessment of loans to resident corporations. The Bank also considers country risks and appoints several senior credit administrators specializing in various locations to evaluate loan applications to carry out appropriate credit risk management.

For the recent rapid increase in securitization/liquidation products which are backed by assets such as account receivables and real estate, a senior credit administrator specialized in assessing structured investment products takes a role to grasp understanding of risks and to perform regular monitoring and reviewing of such investment products.

Under this credit analysis system, the Bank conducts high-level credit risk management based on strict assessment standards, the Bank's unique analyses on financial positions and cash flows of debtors, as well as follow-up monitoring.

In addition to making constant efforts in further strengthening the analysis system, the Bank sets credit limits and interest rates in accordance with debtors' internal ratings and controls certain risks through corporate ceiling management to earn an appropriate profit.

The Bank's Internal Credit Rating System

Outline of the Internal Credit Rating System and Special Features

In addition to the Bank's traditional lending activities as a financial institution specialized in the agricultural, forestry, and fisheries industries, the Bank adopts a management strategy of structuring a portfolio, combining a diversity of assets by region and industry through the global diversification of its investments. Accordingly, the Bank manages the credit risk of its exposure from an integrated perspective, and the basic issues are to strengthen its profitability and to ensure management soundness through the implementation of risk taking and appropriate capital management.

The Bank's internal rating system is designed to assess and measure the Bank's credit risk portfolio in a unified manner, and, as a core tool for the integrated management of credit risk, it has an important role in daily credit risk management and portfolio management.

Structure of the Internal Rating System

The Bank has 15 borrower grades: 10 borrower grades for non-defaulted borrowers and 5 for those that have defaulted.

For certain assets in risk-weighted asset calculation for the investment fund, the Bank assigns its internal ratings by using external ratings as the primary factor, those of Standard & Poor's (S&P) and Moody's Investors Service (Moody's). When the Bank maps clearly its internal grades to the scale used by external credit assessment institutions (for example, internal grade "1-1" is associated to the external grade "AAA" and "Aaa"), this mapping is based on comparisons of internal rating criteria to the criteria used by the external institution, on a comparison of the internal and external ratings of any common borrowers, and on a comparison of the internal default rate and the external one.

In the measurement of credit risk of economic capital management, the Bank uses the same probability of default that is used in the regulatory capital adequacy ratio, and the internal management is consistent with the IRB Approach.

Management of the Internal Rating System and Validation Procedures

Management of the internal rating system is based on the Rules of the Internal Rating, which has been approved by the Board of Directors, and these principles state the objectives of the internal rating, definitions of grades, allocations of assessment methods, limits of authority, review, and validation.

Detailed directions for the implementation of the Rules of the Internal Rating are established in each area, such as rating system design, operation, estimation of parameters, and validation.

Moreover, the Risk Management Division is an independent credit risk control unit that is responsible for management of the internal rating system, testing and monitoring internal grades.

In addition, the Internal Audit Division reviews periodically the management of the rating system including appropriate estimation of parameters such as probability of default, compliance with the minimum requirements for the IRB Approach and other matters, also making reports to the Board of Directors.

Self-Assessments

The Bank conducts a self-assessment four times each year: in March, June, September, and December.

The self-assessment process first involves categorizing debtors according to the Bank's internal ratings. There are five such categories: standard debtors, substandard debtors, doubtful debtors, debtors in default, and debtors in bankruptcy. Next, within each of these categories, individual credit customer obligations are ranked according to the risk of impairment in one of four asset categories: I, II, III, and IV.

■ Matters Related to Internal Ratings, Self-Assessments, and Claims Disclosed under the Financial Revitalization Law

Internal Ratings	Self-Assessments: Debtor classification	Self-Assessments: Asset category	Self-Assessments: Asset classification	Claims disclosed under the Financial Revitalization Law
1-1 4 1-2 5 2 6 3 7	Standard debtors	Category I	Debtors who are experiencing favorable operating conditions and attested to have no particular financial difficulties. Internal ratings 1-1 to 4 correspond to investment grade ratings of external rating agencies.	Normal claims
8-1 8-2 8-3 8-4	Substandard debtors Other substandard debtors Debtors under requirement of control	II	Debtors requiring close monitoring going forward	Special attention claims
9	Doubtful debtors	III	Debtors who are highly likely to fall into bankruptcy	Doubtful claims
10-1	Debtors in default	IV	Debtor who have effectively fallen into bankruptcy, although no facts have emerged to indicate legal or formal bankruptcy	Bankrupt or de facto bankrupt
10-2	Debtors in bankruptcy	IV	Debtors who are legally and formally bankrupt	Bankrupt or de facto bankrupt

The Norinchukin Bank's Debtor Classification and Reserves for Possible Loan Losses (As of March 31, 2007)

(On a Non-Consolidated Basis)

(Billions of Yen)

Self-Assessments: Debtor classification	Category I	Category II	Category III	Category IV	Reserves for possible loan losses	Claims disclosed under the Financial Revitalization Law	Risk-managed loans (Note 2)
Debtors in bankruptcy Debtors in default	Portion deemed to be recoverable through collateral or guarantees		Provisions are made to cover the entire amount.	Full amount written off or provisions made	Specific reserve for possible loan losses 105	Bankrupt or De facto bankrupt 8	Loans to borrowers under bankruptcy proceedings 7
Doubtful debtors	Portion deemed to be recoverable through collateral or guarantees		Provision ratio: 93.0%			Doubtful 161	Delinquent loans 161
Substandard debtors: Special attention	Provision ratio of the uncovered portion: 43.3%				General reserve for possible loan losses 96 (Note 1)	Special attention 110	Loans with principal or interest payments three months or more in arrears —
Substandard debtors: (Claims on debtors under requirement of control) Substandard debtors: Other substandard debtors	Claims on substandard debtors other than "Special Attention"					Standard loans 13,089	Restructured loans 109
Standard debtors							

Notes: 1. The expected default ratios for computing the provisions to the general reserve for possible loan losses are 0.26% for standard debtors, 4.08% for substandard debtors (excluding claims under requirement of control), and 12.41% for claims under requirement of control.
2. The difference between the total of claims disclosed under the Financial Revitalization Law and the total of risk-managed loans is the inclusion of claims other than loans.

■ Criteria for Write-Offs and Additions to Reserves

Write-offs and reserve provisions are made in accordance with the standards set by the Bank for each category of obligors as determined by self-assessments. For claims on standard debtors and substandard debtors, the Bank makes provisions to the general reserve for possible loan losses based on the projected loss rate, which is calculated from historical data on losses, including defaults, for each group. In addition, for those debtors within the substandard category to which the Bank has substantial credit exposure and are classified as being in need of control, reserves are provisioned on an individual basis using the discounted cash flow (DCF) method. Moreover, for claims on doubtful debtors and below, reserves are provisioned for individual loans based on the calculation of the amount deemed necessary for exposure in Category III and Category IV that are not covered by guarantees or collateral, or the amounts are written off directly.

■ Criteria for Write-Offs and Reserves

Debtor classification	Criteria for write-offs and reserves	Ratio of reserves as of March 31, 2007
Standard debtors	Provisions the estimated loss amount, which is derived from multiplying the total credit by the estimated loss ratio that is based on the past default ratio to the general reserve for possible loan losses	0.26%
Substandard debtors	First categorize debtors into two groups: "Debtors under requirement of control" or "Other substandard debtors," in accordance with credibility of debtors. Debtors in the latter group are further segmented.	
Other substandard debtors	Applies DCF method for a big debtor classified under "Debtors under requirement of control"	4.08%
Debtors under requirement of control	Provisions the estimated loss amount, which is derived from multiplying the total credit by the estimated loss ratio that is based on the default ratio for a group in which the debtors are categorized	12.41% (Excluding loans where the DCF method is applied)
Doubtful debtors	Provisions the necessary amount estimated from the amount in Category III, which is determined for each debtor (a part which is unexpected to be recovered from collateral or guarantees) to the specific reserve for possible loan losses	93.00% of the unrecoverable portion
Debtors in default	Provisions the entire amount of Category III to the specific reserve for possible loan losses, and directly depreciates, principally under financial accounting, the amount in Category IV, which is determined for each debtor (a part which is determined to be uncollectible or valueless), regardless of it being a target for a tax-deductible write-off in tax law	The full amount of the unrecoverable portion is written off or provisioned.
Debtors in bankruptcy		

Credit Costs in Fiscal 2006 (On a Non-Consolidated Basis)

	Billions of Yen
Loan write-offs	¥ 2
Provisions to specific reserve for possible loan losses	12
Provisions to general reserve for possible loan losses	(25)
Provisions to reserve for specified overseas debts	(0)
Other	0
Total credit costs	¥(10)

Quantifying Credit Risk

Through the application of various ceiling systems and credit analysis for each transaction, credit risk is managed to prevent concentration in a specific industry, company, or product to enable balanced portfolio management. At the same time, the Bank measures risk volumes using statistical methods as described in the following section.

Methods for Estimating Credit Risk

Credit risk encompasses the various economic losses that may be incurred due to the decline of market prices for corporate bonds and losses in connection with the inability of borrowers to meet their interest and loan repayments as scheduled owing to deterioration of their corporate condition or other circumstances. The Bank works to measure the volumes of such credit risks.

Credit risk is measured for loans, guarantees, foreign exchange, and securities, such as corporate bonds, as well as for swaps and other off-balance-sheet transactions.

Based on estimates of the total credit extended, the Bank uses information related to credit risk—such as rating migration ratios that measure the probability of rating changes and are computed based on background history and future business prospects, probability of default ratios by rating, recovery ratios in the event of default and correlations among the creditworthiness of corporations and other entities to conduct tens of thousands of simulated scenarios, under various assumptions regarding defaults and rating changes for its customers and their products—to determine the distribution of potential losses.

For the estimated potential losses, the Bank calculates two risk volumes: the "expected loss" that corresponds to the loss that can be expected on average over the next year and the "probable maximum loss," defined as a loss that can be expected under the worst-case scenario. This enables the Bank to monitor the condition of usage of allocated risk capital and check on the profitability against risk.

Image of the Computation of Credit Risk

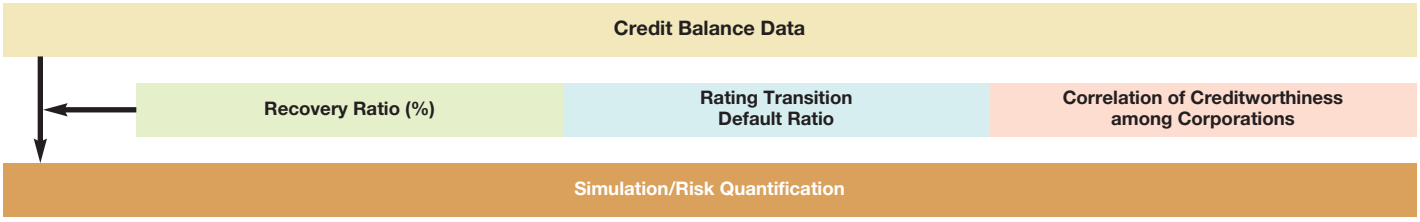
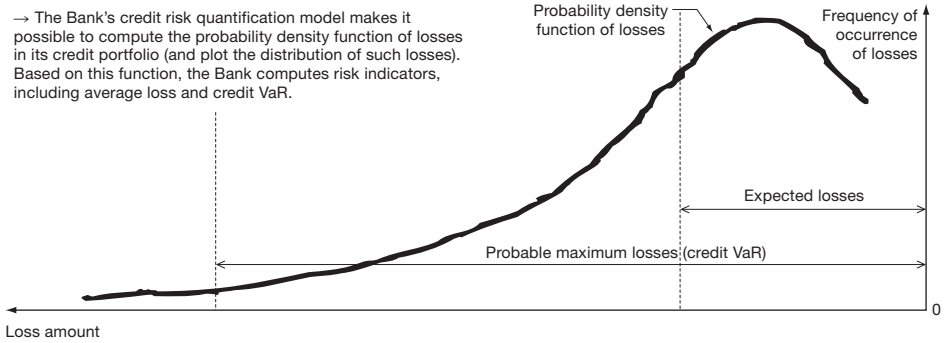


Image of the Credit Risk Quantification Model



Market Risk Management

The Bank recognizes its investments in assets that contain market risk, such as bonds and equities, as one of the major sources of profit. By proactively taking risks in these investments, the Bank seeks to construct an efficient portfolio and intends to secure a stable realization of profit from its investment portfolio. When taking risks, the Bank positions the construction of the globally diversified investment as its fundamental objective and takes into consideration the risk amount of the overall portfolio, the risk and return characteristics of various asset classes, and correlations among asset classes to attain a balance of risk in its overall portfolio. Asset allocation is made after considering the Bank's financial position, the market environment, and other factors.

To ensure the effectiveness of risk management, when conducting its investment activities, the Bank maintains a distinct organizational separation between decisions (planning) on allocation policy, execution of individual transactions, and risk monitoring. Specifically, the Risk Management Committee is responsible for overall risk management, the Market Portfolio Management Committee (chaired by the director in charge of the Financial Planning & Control Division) sets allocation policy, the front sections carry out the execution of individual transactions, and the middle section conducts monitoring. Matters relating to the market risk portfolio management activity (such as market conditions, major investment decisions made by the Market Portfolio Management Committee, condition of the market risk portfolio, and views of how the market risk portfolio will be managed) are reported to the Board of Directors on a monthly basis.

Going forward, the Bank will be working substantially to enhance its market risk management infrastructure, including the expansion of the number of personnel, the upgrade of its systems, and the improvement of the technical capabilities concerning the analysis of the Bank's market risk profile.

■ Market Portfolio Management

The Bank places special emphasis on analyzing and managing its market risk portfolio.

The basis for the Bank's market risk management is the risk control within its economic capital management framework. Risk management related to the market portfolio aims for attaining efficient portfolio management within the limits of the economic capital allocated to market risk. The objective of the market risk management is the control of the overall risk balance of the portfolio and the level of profits and losses appropriate to the Bank's financial position, by adjusting the risk balance among asset classes, depending on the economic and financial environment. In specific terms, this involves checking the condition of the market risk portfolio by following the amount of positions in each asset class, monitoring VaR, basis point value (BPV) and other risk indicators, and correlations among asset classes. It also involves making simulations of the level of the Bank's profits and losses, unrealized gains and losses, and the capital adequacy ratio, reflecting the outlook for economic and financial conditions based on analyses of the macro-economy and financial markets.

The principal elements of the framework for market portfolio management are described in the following section.

Decision Making

Important decisions on market risk investments are made at the Board level. The Market Portfolio Management Committee—which is composed of board members as well as the general managers of related divisions—examines, discusses, and makes decisions concerning specific policies related to market risk investments.

When decisions are made, in addition to examining the investment environment, such as financial markets and the economic outlook, this Committee makes appropriate judgments, giving due consideration to the current condition of the Bank's ALM and securities portfolio. The Market Portfolio Management Committee holds meetings almost every week and on an ad-hoc basis when necessary, to enable flexible responses to market change. Moreover, to facilitate the close exchange of day-to-day information related to the market environment, board members and the general managers of related divisions hold weekly meetings to share information, stay informed and are ready to make swift and appropriate decisions.

Execution

Based on the investment decisions made by the Market Portfolio Management Committee, orders for buying and selling securities as well as hedging risks are executed by the front sections. Front sections also closely watch markets and offer

proposals for new investment strategies as well as other suggestions to the Market Portfolio Management Committee.

Monitoring

The monitoring functions include checking on whether the front sections are appropriately executing transactions based on the investment decisions made by the Market Portfolio Management Committee, and measuring the amount of risk in the Bank's investment portfolio. The results of the monitoring are reported on a daily basis to the board level. The risk monitoring reports are used by the Market Portfolio Management Committee as the basis for checking the risk condition of the Bank's market risk portfolio and for exploring upcoming investment strategies.

Alarm System

For its market risk portfolio management, the Bank has adopted two alarm systems based on the fluctuation of unrealized profits of investment securities. The first is called the "Regulatory Capital Checkpoint System," and its function is to maintain the Bank's capital adequacy ratio above a specified level. Further details on this system may be found in the Internal Capital Adequacy Assessment Process section on pages 54 and 55.

The second alarm system gives a warning when a sudden increase in market volatility exceeds a certain level. When this system provides a warning, the Market Portfolio Management Committee reviews the current allocation policy and other related matters, including the condition of the regulatory capital and the economic capital, and discusses appropriate action.

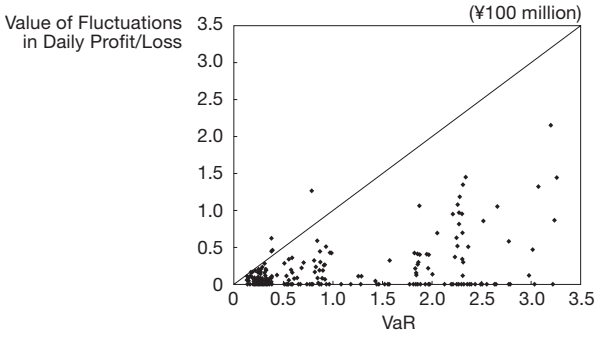
The Bank strives for prompt and appropriate risk management activities through theses alarm systems, and the Bank is committed to establishing an even more efficient risk management framework.

Trading Operations

The Bank's trading operations are conducted with the aim of generating profits from short-term market fluctuations. The Bank maintains a distinct organizational separation between those front sections engaged in trading and other units undertaking other kinds of transactions. The front sections conduct their operations within a trading framework, which includes predetermined position limits and loss limits, and aim to attain profit targets.

The Bank manages the risk of trading operations within the market risk management framework, centered on economic capital management with its integrated risk management framework. From a procedural perspective, the front sections

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



During the most recent 250 business days, including March 30, 2007, the negative value of fluctuations in daily profit and loss exceeded VaR (for a one-day holding period) four times. Of this total, it was determined that special market conditions accounted for this result on three occasions and were not due to excesses resulting from the performance of the model. The model is, therefore, deemed to have been proven valid within the specified probability range (one-tailed confidence interval of 99%).

Trends in Interest Rate Risk (for a one-day holding period) in the Trading Divisions

	VaR (¥100 million)
June 30, 2006	*0.3*
September 29, 2006	*2.6*
December 29, 2006	*2.2*
March 30, 2007	*0.3*

exercising trades for the Trading accounts are clearly separated from the front sections exercising trades for the Banking accounts. Goals for profits, position limits, and loss limits are reset every six months. Monitoring regarding whether the front sections are working properly to attain their profit targets within the specified limits is conducted on a daily basis.

When positions or losses exceed the specified limits, the middle sections notify and alert the front sections, and front sections are then obligated to take corrective action, reduce trading volume, suspend trading, or take other remedial action.

Risk Measurement Methods

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

The Bank uses an internally developed VaR model for measuring risk on a daily basis. The model is a variance-covariance type and is operated with a one-tailed confidence interval of 99% and the assumption of a 10 business day holding period. Since the Bank's model was developed internally, the middle section self-assesses the model. In addition, the Bank's internal audit sections validate the model, and it is periodically verified quantitatively and qualitatively for its appropriateness by an External Auditor. The Bank is continuing to make use of the latest financial and information technology to increase the sophistication of its risk measurement methods.

Moreover, to test the appropriateness of the Bank's internal model, the estimates of risk volume computed by the model are compared with actual profit and loss on a daily basis (known as back testing). When divergences between the model's estimates and actual results rise above the set level, analyses of the causes of this divergence are conducted, and, depending on the results of the analyses, the model is reviewed and revised as necessary. In addition, the Bank conducts stress tests on a monthly basis, which involves simulating the results under the assumption of extreme conditions, such as when interest rates fluctuate by the largest margin that has been observed over the past five years. Whether the results of stress tests fall within the maximum loss tolerance (that is, within the portion of the Bank's capital allocated to the trading activities) is also monitored on a monthly basis.

Glossary of Terms

• BPV (basis point value)

BPV indicates the change in the value of a current position given a 0.01% change in interest rates. The Bank uses total delta as the indicator of the impact assuming a parallel shift in the yield curve.

• SPV (slope point value)

SPV is an indicator of the impact assuming a non-parallel shift in the yield curve. Because each yield curve grid is a compilation of absolute value for BPV, SPV indicates the changes in value of the Bank's positions when the interest rate moves against the Bank's positions by 0.01% in each grid.

• Optional Risk Parameters

Optional risks occur, for example, when the volume and value of bond and other options or financial instruments change because of fluctuations in base interest rates or other indicators and owing to market volatility. The Bank uses delta (the ratio of changes in the level of indicators versus changes in the prices of such options), gamma (the ratio of changes in the level of indicators versus changes in the volume of option positions) and vega (changes in the volatility versus changes in option prices) to evaluate the degree of correlation and sensitivity between the value of options and market indicators.

•VaR (value at risk)

VaR is the maximum possible loss over a specified holding period and for a specified confidence interval. The Bank calculates VaR using a variance-covariance matrix with two distinct holding periods (one day and 10 business days) and a 99% one-tailed confidence interval (standard deviation of 2.33).

Liquidity Risk Management

The Bank manages liquidity risk as stipulated in its Policy and Procedures for Liquidity Risk Management using the following definitions: (1) Market Liquidity Risk—the risk which cannot take or liquidate positions quickly and at appropriate prices due to the rapid changes in the market environment—and (2) Cash Flow Risk—the risk of disrupting the settlement of transactions due to a reduced volume of liquidity or incurring losses as a result of having no alternative but to procure funds at interest rates much higher than normal.

The Bank regards market liquidity risk as a major factor in making its investment decisions and, after investigating the liquidity (marketability) of each investment product, takes market liquidity risk fully into account when formulating specific investment strategies.

Since proper cash flow management is essential for ongoing operations and stable portfolio management, the Bank manages cash flow risk on a daily basis for each currency, product, and office from the perspectives of both funds management and procurement. Based on daily and monthly cash flow planning, the Bank works to maintain a stable level of liquidity while taking into account market movements.

Operational Risk Management

The Bank defines operational risk as including all types of risk that arise in the course of business activities, after the exclusion of market risk, credit risk, and liquidity risk, which are incurred when proactively seeking to generate profits. The Bank manages operational risk according to its Operational Risk Management Policy.

In managing operational risk, the Bank prioritizes processing risk, systems risk, legal risk, and other forms of operational risk that occur passively in the course of conducting business to make it possible to allocate limited management resources rationally. The basic objective of operational risk management is to minimize the possibilities of risks that are not incurred to make a profit and the estimated losses from such risks.

Operational risk management is divided into two areas: (1) management of risks where the occurrence of the risk itself can be controlled and (2) management of risks that must be controlled and contained once it occurs. Each of these types of risk is managed separately, depending on their special characteristics and the effectiveness of control measures by each risk's policy and procedure.

Moreover, taking account of the definition of operational risk in Basel II, for five types of operational risk (namely, processing risk, legal risk, systems risk, personnel risk, and physical assets risk), the Bank not only manages these forms of risk individually but also applies common risk management methods, as noted below, including the gathering and analyzing of information on losses arising from these risks and the application of the Risk & Control Self-Assessment (RCSA) process to manage these risks comprehensively.

(1) Gathering and analyzing information on losses to identify operational risks and develop countermeasures

The Bank gathers and analyzes information on losses arising from various loss events such as accidents, mistakes, and system failures that are considered a manifestation of operational risks to identify operational risks that are inherent in each business process and develop countermeasures.

(2) Implementation of RCSA for inherent risks, control measures, and residual risks

RCSA is a series of procedures conducted by each business unit itself to identify operational risks inherent in their business processes, identify control measures for the risks, evaluate

effectiveness of the control measures and residual risks, and clarify problems to be improved.

Loss information, residual risks, and problems to be improved that are identified and analyzed by the above two methods are compiled in reports and presented to board members. These reports are then reflected in the preparation of the Operational Risk Management Plan, the Systems Risk Management Plan and the Processing Risk Management Plan, and thereby are used in the management and mitigation of risk.

The resulting Operational Risk Management Plan and other matters related to operational risk management are discussed by the Operational Risk Management Committee, which is composed of the related directors and general managers, and final decisions are made by the Board of Directors.

There are some initiatives aimed at improving the effectiveness of operational risk management. To provide for the assessment of whether these plans and other initiatives are being implemented properly, the Risk Management Division monitors these activities as the organizational unit having overall responsibility for operational risk management. In addition, the Internal Audit Division, as the unit responsible for internal auditing, audits the activities involved in the operational risk management process and implements initiatives aimed at improving the effectiveness of operational risk management.

Please note that the method used by the Bank for calculating operational risk capital charges, as required in Basel II, is the Standardized Approach (TSA).

■ Processing Risk Management

The Bank defines processing risk as the risk of losses arising when the activities of management and staff in the course of conducting operations are inappropriate. Specifically, processing risk may occur when there is a failure to process matters according to established procedures, when losses are incurred because of accidents or unethical behavior, and when proper processing of operational matters cannot be carried out because procedural regulations are insufficient or there are faults in the prescribed operating processes themselves. The Bank manages processing risk according to its Policy for Processing Operations Risk Management.

Specifically, results of processing risk RCSA and information on losses resulting from accidents, mistakes, and other circumstances are collected and analyzed. Based on this analysis, the Bank prepares a Processing Risk Management Plan containing risk mitigation measures and measures for increasing the sophistication of processing risk management.

Reports are provided to board members on progress toward implementation of this Plan periodically. Along with this, continuing initiatives include taking measures to prevent recurrence of individual accidents and mistakes, making improvement in procedures, conducting autonomous inspections and implementing training programs, all with the objective of preventing recurrence of processing risk. Through these activities as well as appropriate responses when there are changes in the operating environment that have an impact on processing operations, such as implementation of final integration with Shinnoren, the Bank aims at perfection of processing risk management.

■ Legal Risk Management

The Bank defines legal risk as risks brought about by legal violations or inappropriate agreements concerning business judgments or individual operations that cause damage or transaction troubles for the Bank. The Bank manages legal risk as prescribed in its Policy for Legal Risk Management.

As the Bank, in addition to providing conventional financial services, strives toward the realignment of the cooperative credit system, offers new financial services and engages actively in investment activities, legal risk management has been positioned as a key management issue in all of its offices and sustained efforts are made to upgrade legal risk management procedures.

Specifically, the Bank has developed the database that enables the Bank's staff to search laws and regulations governing the Bank's business activities from division/department name or type of business. By using the database, the Bank's staff can recognize enactment, revision and repeal of relevant laws and regulations promptly and reflect the changes in their business operations accurately. Moreover, to minimize legal risk, the Bank's legal divisions offer their full support to departments and offices of the Bank in conducting legal checks of individual transactions as well as in preparing and reviewing contractual documents, while endeavoring to develop closer ties with units in charge of compliance.

Systems Risk Management

There are growing requirements for more sophisticated systems risk management. In addition to the traditional mission of assuring the stable provision of financial services as an integral part of the social infrastructure, the Bank is now expected to ensure information security including personal information protection and countermeasures for fake or stolen cash cards. On the other hand, to meet operational risk management requirements under Basel II, as well as the requirements of Japan's version of the Sarbanes-Oxley corporate reform law, improvements in internal control systems related to information systems have become necessary.

The Bank conducts comprehensive assessments of all its main IT systems based on the safety criteria established by the Center for Financial Industry Information Systems (FISC) periodically, and develops the Systems Risk Management Plan, which aims at the enhancement of its IT systems, based on the results of the assessments.

In view of the changing requirements of society, the Bank is continuing to review its risk management systems and practices and upgrade its various other internal policies and procedures, such as the Policy for Systems Risk Management, with the aim of substantially strengthening its internal control systems.

Risk Management in the Bank's Consolidated Subsidiaries

The Bank's consolidated subsidiaries are managed in accordance with the Bank's Group Company Operating and Administrative Regulations. Each of these subsidiaries prepares a workable and effective basic risk management policy and framework, taking account of the Bank's Basic Risk Management Policy as well as the nature of its own business activities and the characteristics of the risks it must manage. The Bank and each of its consolidated subsidiaries then confer and determine a basic policy for risk management for each subsidiary, taking into consideration the nature of the risks the subsidiary must manage. This basic policy identifies the risks to be managed and establishes a risk management framework and system.

More specifically, Norinchukin Trust & Banking Co., Ltd., Kyodo Housing Loan Co., Ltd., and certain other consolidated subsidiaries manage market risk, credit risk, liquidity risk, and operational risk. The remaining consolidated subsidiaries manage various forms of operational risk. In addition, to comprehensively assess and measure the risks that consolidated subsidiaries must manage, at present, the Group is working toward the introduction of the economic capital allocation approach that has been adopted by the Bank on a non-consolidated basis. In addition, the monitoring to confirm that risk volumes on a consolidated basis are within the limits of Tier I capital was introduced in the latter half of fiscal 2006. Furthermore, the Group Strategy Office of the Corporate Planning Division, which is responsible for managing the Bank's subsidiaries, is cooperating with the Risk Management Division and other related units to work toward uniform risk management and compliance throughout the Group and is implementing day-to-day management. When necessary, meetings are held with the top management of Group companies and with working-level personnel. Moreover, the Internal Audit Division of the Bank conducts audits of the risk management systems and business operations of consolidated subsidiaries, based on the Group's operating and audit regulations for subsidiaries. In addition, audits are periodically conducted by external auditors.

Through the various activities described above, the Bank is striving to enhance the sophistication of the risk management activities of the Group as a whole.

Capital Adequacy (Consolidated) [Disclosure under Basel II Pillar III]

Disclosure Regarding Capital Adequacy (Basel II Pillar III)

Basel II, applied from fiscal 2007, comprises three pillars. Pillar I is a new method for computing bank capital adequacy ratios. Pillar II is composed of an internal capital adequacy assessment process by industry and a supervisory review and evaluation process. Pillar III is appropriate disclosure regarding capital adequacy to be evaluated fairly by the market. The requirements for the Bank relating to disclosure are contained in Article 112 of the Implementation Ordinances of the Norinchukin Bank Law (Specific Content to Be Covered in the Bank's Disclosure Document) and in Item 5-2 of that Article, "Items to Be Specified Separately by the Minister of Agriculture, Forestry and Fisheries and the head of Japan's Financial Services Agency: Disclosure Regarding Capital Adequacy," which is specified in a separate notification related to Basel II. The Bank makes qualitative disclosures (this document) once a year (for the fiscal year ended March 31, which is released by July 31) and quantitative disclosure twice a year, once for the interim period ended September 30 (released by the end of January of the immediate following year) and once for the end of the fiscal year on March 31, which is released by July 31 (this document). In addition, the Bank issues quantitative disclosure on a quarterly basis (which includes information on the capital adequacy ratio and other principal indicators), once for the quarterly period ending June 30, which is released by October 31, and once for the quarterly period ending December 31, which is released by April 30.

Under Basel II Pillar III, the principal content disclosed is as follows: (1) information related to Pillar I (namely, the balances of the asset item used as the basis for computation of the capital adequacy ratio) and (2) information related to Pillar II (namely, information on interest rate risk and an explanation of risk management policy). The information related to assets to be released in compliance with Basel II Pillar III includes credit risk exposure, including assets that are subject to Internal Ratings-Based Approach (IRB), securitization exposures, exposure in the form of assets considered to be properly included in the capital adequacy calculation (money in trust other than money trusts under the reporting bank's management, investments in funds and other assets held in some form, but not directly) and assets subject to market risk, operational risk or some other risk. The Bank discloses exposure, exposure at default (EAD) and the definition of regulatory required capital. (For details, please refer to the Glossary of Terms below and on the following page.) Please note that for disclosures under Basel II Pillar III, both consolidated and non-consolidated items have been specified for disclosure in the qualitative explanation of the risk management policy, etc., but since the Bank conducts its principal businesses on a non-consolidated basis, the Bank has disclosed related information by focusing explanations primarily on non-consolidated information. (For consolidated subsidiaries, information is given in the section "Risk Management of Consolidated Subsidiaries.") In addition, for the convenience of readers of this document, we have included the relevant information in the sections Capital Position and Risk Management as well as Capital Adequacy (Consolidated).

The objective of this detailed disclosure under Basel II Pillar III is to inform readers how the principal asset items, the main part of the denominator of capital adequacy ratio, are managed and calculated to provide them with a better understanding of the Bank's risk management activities. Going forward, in addition to the information disclosure provided thus far, which centered on accounting information, the Bank has expanded its disclosure under Basel II Pillar III of risk-related information and, throughout the Disclosure Document, has taken initiatives to enhance convenience for readers of this document.

■ Glossary of Terms

Exposure

Exposure is defined as those amounts (before credit risk mitigation) shown as the assets on-balance sheet, subject to the credit risk, plus amounts (before credit risk mitigation) subject to the credit risk off-balance sheet.

Risk-Weighted Assets for Credit Risk (RA)

RA is the amount of credit risk computed from exposure, in accordance with the credit risk volume and used in the computation of the capital adequacy ratio. Since the Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB), certain parameters—namely, probability of default (PD), loss-given default (LGD) and exposure at default (EAD)—are used in calculating the amount of risk-weighted assets for credit risk.

Probability of Default (PD)

The probability of default is the possibility that the obligor will be in default in a one-year period.

Loss-Given Default (LGD)

Loss-given default is the percentage of losses that will arise from the exposure in default. The loss referred here is the economic loss, and the cost of recovering the exposure should be included. In addition, the discount effect over the period required for recovery is also taken into account.

Exposure at Default (EAD)

EAD is the amount of the exposure at the time of default. It is necessary for banks that adopted the Advanced Internal Ratings-Based Approach (A-IRB) to estimate EAD by considering the possibility that the obligor may draw down facilities into consideration. However, since the Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB), the Bank does not estimate EAD for corporate, sovereign, and bank exposure, but uses the computational method shown in the notification to compute EAD. For retail exposure, the Bank uses the estimated EAD, the same as estimated PD, in its computations of capital adequacy. In computing EAD, the Bank takes the asset amounts shown on its balance sheet as a basis, but to cover credit risk volumes comprehensively, the Bank makes certain adjustments, including the addition of the credit risk amounts corresponding to commitment lines, as described in the footnotes of the financial statements.

Risk Weights (RW)

RW indicates the ratio of the credit risk-weighted asset within EAD. The following formula works:

EAD x RW (%) = Sum of risk-weighted assets

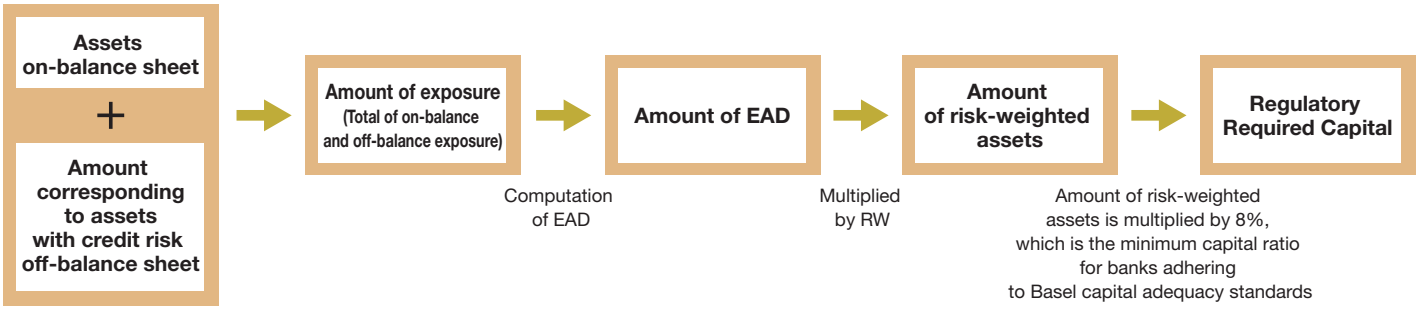
The Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB), so RW may change as the PD varies with the level of the internal credit rating.

Regulatory Required Capital

Regulatory required capital is the amount at risk, calculated by the denominator of the capital adequacy ratio, times 8%. The 8% figure is the minimum capital adequacy ratio that banks adhering to Basel capital adequacy standards must maintain. Required regulatory capital is computed according to the following formula with the amounts of risk-weighted assets:

Amount of risk-weighted assets x 8% = Regulatory required capital

■ Outline of the Computation Process



■ Exposure Classification under Basel II

The Bank's asset classification used under Basel II is as follows:

<table>
<tr><td rowspan="10">Assets subject to computation as risk-weighted assets for credit risk</td><td rowspan="10">Assets for which Internal Ratings-Based Approach (IRB) can be applied</td><td rowspan="8">Assets to which Internal Ratings-Based Approach (IRB) are applied</td><td colspan="3">Applied to corporate, sovereign and bank exposure</td><td>Applied to sovereign exposure</td></tr>
<tr><td colspan="3"></td><td>Applied to bank exposure</td></tr>
<tr><td rowspan="3">Applied to corporate exposure</td><td rowspan="2">Applied to corporate exposure</td><td>Resident corporate</td></tr>
<tr><td>Non-resident corporate</td></tr>
<tr><td colspan="2">Specialized Lending (SL)</td></tr>
<tr><td colspan="4">Retail exposure</td></tr>
<tr><td colspan="4">Equity exposure</td></tr>
<tr><td colspan="4">Securitization exposure</td></tr>
<tr><td colspan="4">Risk-weighted assets for investment funds (look-through approach, etc.)</td></tr>
<tr><td colspan="4">Other assets (cash, fixed assets, etc.)</td></tr>
<tr><td colspan="5">Roll-out assets from Standardized Approach to F-IRB Approach</td></tr>
<tr><td colspan="5">Non-IRB applicable assets (assets for Standardized Approach)</td></tr>
<tr><td colspan="7">Assets subject to evaluation at market risk (Trading account)</td></tr>
<tr><td colspan="7">Amounts deducted from capital (operating rights, etc.)</td></tr>
<tr><td colspan="7">Assets not subject to risk computations</td></tr>
</table>

■ Items for Quantitative Disclosure Related to Capital Adequacy Condition (Basel II Pillar III)

Capital adequacy conditions of the Bank in line with Basel II are described on the following pages.

Capital

Contents of principal capital items are described as follows.

Items		Content of principal quantitative disclosure	Consolidated disclosure (Page)	Non-consolidated disclosure (Page)
Items related to composition of capital	Capital adequacy ratio	Detailed components of Tier I capital and Tier II capital	073	102
	Explanation of computation of capital adequacy ratio	Scope of consolidation.	076	—
Items relating to capital adequacy		For the purpose of capital adequacy assessment, the contents of the capital adequacy ratio (being above the regulatory minimum of 8%), total amounts of regulatory required capital and details of principal exposure (credit risk exposure, market risk, operational risk, etc.) are disclosed by item.	077	105

Risk Exposures

This section describes detailed amounts of the Bank's various risks and exposures (including credit risk exposure, securitization exposure, market risk, equity exposure, funds and interest rate risk), which form the basis for the computation of the capital adequacy ratio. This section also describes credit risk mitigation and others that affect the risk profiles.

Items			Content of principal quantitative disclosure	Consolidated disclosure (Page)	Non-consolidated disclosure (Page)
Items related to credit risk	Credit risk exposure		Credit risk exposure (excluding securitization exposure and funds), details on the reserve for possible loan losses by region and industry	079	107
	Exposure subject to Internal Ratings-Based Approach (IRB)	Corporate, sovereign, and bank exposure	Details on PD, LGD, RW and EAD for corporate, sovereign, bank, and equity subject to the PD/LGD approach	082	109
		Retail exposure	Details on PD, LGD, RW and EAD	084	111
		Actual losses, etc., on exposure to corporate, sovereign, bank and retail	Actual losses, estimated losses depend on historical long-term results, comparison with actual losses	087	113
		Exposure to Specialized Lending subject to supervisory slotting criteria	Amount of exposure by RW	088	114
		Equity exposure subject to the simple risk-weighted method	Amount of exposure by RW	088	115
	Exposure subject to Standardized Approach		Amount of exposure by RW	089	115
Items with respect to credit risk mitigation			Coverage/application of collateral, guarantees, etc.	091	116
Items related to counterparty risk in derivative transactions			Derivative transaction activity	094	117
Items related to securitization exposure			Details on securitization exposure	096	118
Items related to market risk			VaR and amount of market risk in trading account	097	119
Items related to equity exposure			Details of equity exposure those directly held	098	120
Items related to exposure subject to risk-weighted asset calculation for investment fund			Risk-weighted assets for investment funds	100	121
Items related to interest rate risk			Interest rate risk for internal management purposes	101	122

1. Capital Structure (Consolidated)

(I) CAPITAL ADEQUACY RATIO (CONSOLIDATED)

Consolidated Capital Adequacy Ratio (Basel capital adequacy standards) (Basel II)

Note: The Bank's capital adequacy ratio for the fiscal year ended March 31, 2007, was computed according to Basel II.

Fiscal Year 2006

Items			Millions of yen	Millions of U.S. dollars
Tier I capital	Capital stock	(1)	1,484,017	12,576
	Included as non-cumulative, perpetual preferred stock		24,999	211
	Deposit for subscription to preferred stock	(2)	—	—
	Capital surplus	(3)	25,020	212
	Earned surplus	(4)	1,167,265	9,892
	Minority interest of consolidated subsidiaries	(5)	5,692	48
	Including preferred securities issued by overseas special-purpose corporations		—	—
	Tier I capital not corresponding to the preceding items (1) to (5)		0	0
	Unrealized loss on other securities	(6)	—	—
	Items excluded from Tier I capital under Article 5-1-1 through Article 5-1-5 of the Notification Regarding Capital Adequacy	(7)	124	1
	Items excluded from Tier I capital under Article 5-1-6 of the Notification Regarding Capital Adequacy	(8)	63,428	537
	Subtotal	(A)	2,618,442	22,190
	Including preferred securities with interest rate step-up clause		—	—
	(Ratio of the value of such preferred securities to Tier I capital)		—	—
Tier II capital	45% of unrealized gains on other securities*1		1,094,711	9,277
	45% of unrealized gains on land*2		32,788	277
	General reserve for possible loan losses		1,974	16
	Qualifying subordinated debt		1,458,629	12,361
	Included as perpetual subordinated bonds and loans		579,900	4,914
	Included as dated subordinated bonds, loans, and preferred stock		878,729	7,446
	Subtotal		2,588,103	21,933
	Tier II capital included as qualifying capital	(B)	2,588,103	21,933
Tier III capital	Short-term subordinated debt		—	—
	Including amount added to capital	(C)	—	—
Deductions	Deductions	(D)	412,290	3,493
Total Capital	(A)+(B)+(C)-(D)	(E)	4,794,256	40,629
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	33,170,062	281,102
	Including on-balance sheet		31,008,984	262,788
	Including off-balance sheet		2,161,078	18,314
	Assets equivalent to market risk	(G)	3,195,818	27,083
	(For reference: actual market risk volume)	(H)	255,665	2,166
	Amount corresponding to operational risk (J)/8%	(I)	954,137	8,085
	(For reference: amount corresponding to operational risk)	(J)	76,330	646
	Total risk-weighted assets (F)+(G)+(I)	(K)	37,320,017	316,271
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) x 100%			12.84%	12.84%

Notes: 1. The Bank's capital adequacy ratio was computed according to the stipulations outlined in Notification No. 4 of the 2006 Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries of Japan (Standard for Judging the Management Soundness of the Norinchukin Bank) (hereinafter, Notification Regarding Capital Adequacy). Note that the Bank adopts Foundation Internal Ratings-Based Approach (F-IRB) in computing risk-weighted assets for credit risk and the Standardized Approach (TSA) in computing the amount corresponding to operational risk.

2. According to the provisions of the Notification Regarding Capital Adequacy, Article 5-1-1 through Article 5-1-5, the items deduced from Tier I capital were as follows: The amount corresponding to operating rights (Notification Regarding Capital Adequacy, Article 5-1-1), the amount corresponding to the consolidated adjustment account (Notification Regarding Capital Adequacy, Article 5-1-2), intangible assets recorded as a result of business combinations or additional purchases of the stock of subsidiaries (Notification Regarding Capital Adequacy, Article 5-1-6), the amount corresponding to goodwill (Notification Regarding Capital Adequacy, Article 5-1-4), and the amount corresponding to the increase in capital due to securitization transactions (Notification Regarding Capital Adequacy, Article 5-1-5).

3. Amounts deducted from Tier I capital under the provisions of the Notification Regarding Capital Adequacy, Article 5-1-6, were as follows: 50% of the excess of the value corresponding to expected losses on exposure to corporate, sovereign and bank, and expected losses on retail exposure over the value of qualified reserves.

4. The Tier II capital item "general reserve for possible loan losses" is limited to the amount corresponding to assets which is calculated according to a Standardized Approach in terms of risk-weighted assets for credit risk.

5. Deductions are the total of the following: (1) the total amount of the value corresponding to deliberate holdings of instruments for raising capital issued by other financial institutions, (2) holdings of instruments issued for raising capital, issued by affiliated corporations conducting financial service businesses, (3) 50% of the expected value of losses on exposure to corporate, sovereign and bank, and expected losses on retail exposure over the value of qualified reserves, (4) expected losses on equity exposure, and (5) securitization exposure subject to deduction from capital. (Notification Regarding Capital Adequacy, Article 8)

6. In computing risk-weighted assets for credit risk, the Bank has applied a scaling factor of 1.06 to the value of risk-weighted assets for credit risk computed based on its Foundation Internal Ratings-Based Approach (F-IRB), as provided for in the Notification Regarding Capital Adequacy, Article 129.

Consolidated Capital Adequacy Ratio (Basel capital adequacy standards) (Basel I)

Fiscal Year 2005

Items			Millions of yen	Millions of U.S. dollars
Tier I capital	Capital stock		1,465,017	12,479
	Included as non-cumulative, perpetual preferred stock		24,999	213
	Deposit for subscription to preferred stock		—	—
	Capital surplus		25,020	213
	Earned surplus		992,096	8,451
	Minority interest of consolidated subsidiaries		5,999	51
	Including preferred securities issued by overseas special-purpose corporations		—	—
	Unrealized loss on other securities		—	—
	Foreign currency translation adjustments		—	—
	Goodwill and others		—	—
	Amount corresponding to consolidated adjustments		—	—
	Subtotal	(A)	2,488,134	21,194
	Including preferred securities with interest rate step-up clause		—	—
Tier II capital	45% of unrealized gains on other securities		892,968	7,606
	45% of unrealized gains on land		33,129	282
	General reserve for possible loan losses		122,759	1,046
	Qualifying subordinated debt		1,101,532	9,383
	Included as perpetual subordinated loans		579,900	4,940
	Included as dated subordinated loans and preferred stock		521,632	4,443
	Subtotal		2,150,389	18,317
	Tier II capital included as qualifying capital	(B)	2,150,389	18,317
Tier III capital	Short-term subordinated debt		—	—
	Including amount added to capital	(C)	—	—
Deductions	Deductions	(D)	402,649	3,430
Total Capital	(A)+(B)+(C)-(D)	(E)	4,235,873	36,081
Risk-weighted assets	On-balance sheet		30,989,677	263,966
	Off-balance sheet		1,007,175	8,579
	Risk-weighted assets for credit risk	(F)	31,996,853	272,546
	Assets equivalent to market risk ((E)/8%)	(G)	2,883,662	24,563
	(For reference: actual market risk volume)	(H)	230,693	1,965
	Total risk-weighted assets (F)+(G)	(I)	34,880,515	297,108
Basel I Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(I) x 100%			12.14%	12.14%

Note: The Bank's capital adequacy ratio was computed according to the stipulations outlined in Notification No. 7 of the 2003 Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries Japan (Criteria for Judging the Management Soundness of the Norinchukin Bank). The Basel capital adequacy standards apply to the Norinchukin Bank, and it has introduced market risk restrictions.

(2) EXPLANATION OF COMPUTATION OF THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Names of Companies with Less than the Regulatory Required Capital and the Amounts

Among those companies that are subject to capital deduction as provided for in the Notification Regarding Capital Adequacy, Article 8-1-2 a and b, the name of those companies whose capital is below the regulatory required capital and the overall shortfall in capital.

None of the Bank's Group companies fall under this category.

Scope of Consolidation

There are no discrepancies between the companies belonging to the Bank's Group that are required to compute a consolidated capital adequacy ratio, as specified in the Notification Regarding Capital Adequacy, Article 3, (hereinafter, the Consolidated Group) and the companies to be included in the scope of consolidation, based on regulations relating to terminology, format, methods of preparation of the consolidated financial statements (under Ministerial Ordinance No. 28, issued by the Ministry of Finance in 1976).

As of March 31, 2007, the Bank had nine consolidated subsidiaries. The names and principal lines of business of these subsidiaries are as follows:

1. Norinchukin Trust & Banking Co., Ltd.: Trust and banking business
2. Kyodo Housing Loan Co., Ltd.: Loans for housing and related purposes

The Bank has no companies that are subject to capital deduction under the Notification Regarding Capital Adequacy, Article 8-1-2 a and b.

There were no associated companies that conducted financial service business that were subject to the provisions of the Notification Regarding Capital Adequacy, Article 9.

As of March 31, 2007, there was one company that conducted closely related business activities, as specified in Article 72-1-8 and 9 of the Norinchukin Bank Law (Law No. 93, 2001), but was not included in the scope of consolidation.

The company was Daiichi Life Norinchukin Building Management Co., Ltd. There are no restrictions on the movement of funds and capital among the members of the Consolidated Group.

2. Items for Capital Adequacy (Consolidated)

(Minimum amount of regulatory required capital and breakdown for each risk category as required under Basel II)

Consolidated Capital Adequacy Ratio and Ratio of Tier I Capital (Consolidated)

● Explanation

As of March 31, 2007, the Bank's consolidated capital adequacy ratio was 12.84%, above the minimum capital adequacy ratio of 8% required under Basel capital adequacy standards.

Items	As of March 31, 2007
Consolidated capital adequacy ratio	12.84%
Consolidated capital adequacy ratio of Tier I capital	7.01%

Note: The "Consolidated capital adequacy ratio of Tier I capital" is the ratio of Tier I capital to the denominator of the consolidated capital adequacy ratio computed as specified in the Notification Regarding Capital Adequacy, Article 2.

Total Consolidated Regulatory Required Capital

(Billions of yen)

Item	As of March 31, 2007
Total consolidated regulatory required capital	2,985

Note: "Total consolidated regulatory required capital" is 8% of the denominator of the consolidated capital adequacy ratio computed as specified in the Notification Regarding Capital Adequacy, Article 2.

Regulatory Required Capital for Credit Risk

(Excludes equity exposures to which the Bank applies Internal Ratings-Based Approach and funds).

(Billions of yen)

Items	As of March 31, 2007
Amount of regulatory required capital for credit risk	719
Including exposure subject to Internal Ratings-Based Approach	705
Corporate exposure	487
Sovereign exposure	0
Bank exposure	101
Retail exposure secured by residential properties	—
Qualifying revolving retail exposure	—
Other retail exposure	0
Securitization exposure	115
Exposure subject to Standardized Approach	14
Assets subject to Standardized Approach on a non-consolidated basis	0
Assets subject to Standardized Approach in consolidated companies	13

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital
2. "funds" are risk-weighted assets as calculated according to the method specified in Notification Regarding Capital Adequacy, Article 144.

Regulatory Required Capital for Credit Risk of Equity Exposure Subject to the Internal Ratings-Based Approach

(Billions of yen)

Items	As of March 31, 2007
Equity portfolios subject to the market-based approach	103
Equity portfolios subject to simple risk-weighted method	26
Equities under the internal models approach	76
Equity portfolios subject to PD/LGD approaches	24
Equity portfolios subject to the provisions of Notification Regarding Capital Adequacy, Article 13	58
Total	186

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets + Expected losses + Deductions from capital
2. Article 13 of the Notification Regarding Capital Adequacy contains a transitional method for computing the amount of risk assets related to equity exposures that meet specified criteria.

Regulatory Required Capital for Credit Risk of Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

(Billions of yen)

Item	As of March 31, 2007
Exposure subject to risk-weighted asset calculation for investment fund	2,172

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital
2. "Computations treating exposure as credit risk assets" are calculations of the credit risk-weighted asset amounts as specified in the Notification Regarding Capital Adequacy, Article 144.

Regulatory Required Capital for Market Risk

(Billions of yen)

Items	As of March 31, 2007
Standardized Approach: Interest rate risk category	0
Standardized Approach: Equity risk category	—
Standardized Approach: Foreign exchange risk category	254
Standardized Approach: Commodity risk category	—
Standardized Approach: Option transactions	—
Standardized Approach total	254
Internal models Approach	0
Regulatory required capital for market risk	255

Regulatory Required Capital for Operational Risk

(Billions of yen)

Item	As of March 31, 2007
The Standardized Approach (TSA)	76

Note: Under "The Standardized Approach (TSA)," which is a method for computing the amount corresponding to operational risk, the gross profit for one year is allocated among the business activities as specified in Appendix Table 1 of the Notification Regarding Capital Adequacy. The multiplier specified for each business activity classification is multiplied by the gross profit, and the average of the annual totals for the past three years is taken to be the amount corresponding to operational risk. (Notification Regarding Capital Adequacy, Article 282)

3. Items for Credit Risk (Consolidated)

(Funds and securitization exposures are excluded.)

(1) CREDIT RISK EXPOSURE

For Fiscal 2006, ended March 31, 2007

Geographic Distribution of Exposure, Details in Significant Areas by Major Types of Credit Exposure

(Billions of yen)

Region	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure
Japan	15,704	12,816	27	5,144	33,692	306
Asia except Japan	72	23	11	912	1,020	—
Europe	604	3,379	117	2,627	6,728	—
The Americas	531	8,017	34	2,095	10,678	8
Other areas	43	13	0	0	57	—
Amounts held by consolidated subsidiaries	274	20	0	41	336	12
Total	17,231	24,271	190	10,821	52,514	326

Industry Distribution of Exposure, Details by Major Types of Credit Exposure

(Billions of yen)

Industry	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure	Write-off of loans (amounts of partial direct write-off)
Food products	709	161	0	0	871	49	0
Pulp and paper	190	49	0	0	239	1	—
Chemicals	547	170	0	0	718	12	—
Other manufacturing	1,056	187	1	0	1,245	24	0
Total for manufacturing	2,503	568	1	0	3,074	88	0
Agriculture, forestry and fishing	126	0	—	0	126	36	3
Construction	170	16	0	0	187	1	—
Utility	170	67	0	0	238	—	—
Information/telecommunications, transportation	838	157	1	0	998	13	—
Wholesaling, retailing	1,848	122	0	0	1,971	69	2
Services	1,428	119	0	0	1,549	60	2
Finance and insurance	2,494	5,569	186	10,038	18,288	43	—
Other non-manufacturing	7,377	17,628	0	739	25,745	0	—
Total for non-manufacturing	14,453	23,682	188	10,779	49,103	226	7
Amounts held by consolidated subsidiaries	274	20	0	41	336	12	3
Total	17,231	24,271	190	10,821	52,514	326	11

Notes: 1. "Other non-manufacturing" includes the central government, local governments and related entities

2. "Others" within "Finance and insurance" includes repo-type transactions, call loans, and certain other items

Residual Contractual Maturity Breakdown of Credit Risk Exposure

(Billions of yen)

Term to maturity	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure
In 1 year	12,186	439	80	9,244	21,951
Over 1 year to 3 years	2,304	2,246	104	—	4,655
Over 3 years to 5 years	1,555	2,722	1	80	4,360
Over 5 years to 7 years	460	3,222	0	6	3,690
Over 7 years	436	14,447	3	743	15,630
No term to maturity	13	1,171	—	704	1,889
Amounts held by consolidated subsidiaries	274	20	0	41	336
Total	17,231	24,271	190	10,821	52,514

Notes: 1. In consideration of accuracy of disclosure, the Bank will begin to disclose the average-risk position for the period when it differs substantially from the amount at the end of the period, beginning for the interim period ending September 30, 2007.

2. The amounts of credit-risk exposure held by consolidated subsidiaries are less than 1% of consolidated risk exposure, so only the total amounts held by these subsidiaries are shown.

3. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥325.4 billion.

4. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

(2) RESERVES FOR POSSIBLE LOAN LOSSES

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specific Reserve for Loans to Countries with Financial Problems by Region

(Billions of yen)

Region	As of March 31, 2007
Japan	101
Asia except Japan	0
Europe	—
The Americas	4
Other areas	65
Amounts held by consolidated subsidiaries	6
Offsets on consolidation	(4)
Total	173

Note: Giving due consideration to the accuracy of information disclosure, the Bank will include year-to-year comparison data for increases and decreases beginning for the years following the year ended March 31, 2007, the date when the Basel II standards went into effect. Therefore, comparison data are scheduled to be disclosed starting with the year ending March 31, 2008.

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specified Reserve for Loans to Countries with Financial Problems by Industry

(Billions of yen)

Industry	As of March 31, 2007
Food products	6
Pulp and paper	1
Chemicals	—
Other manufacturing	2
Total for manufacturing	11
Agriculture, forestry and fishing	14
Construction	0
Utility	—
Information/telecommunications, transportation	10
Wholesaling, retailing	27
Services	21
Finance and insurance	20
Other non-manufacturing	0
Total for non-manufacturing	94
Others	65
Amount held by consolidated subsidiaries	6
Offsets on consolidation	(4)
Total	173

Note: Giving due consideration to the accuracy of information disclosure, the Bank will include year-to-year comparison data for increases and decreases beginning for the years following the year ended March 31, 2007, the date when the Basel II standards went into effect. Therefore, comparison data are scheduled to be disclosed starting with the year ending March 31, 2008.

(3) EXPOSURE SUBJECT TO THE INTERNAL RATINGS-BASED APPROACH

Types of Exposure by Portfolio and Outline of the Internal Rating Procedure

■ Corporate, Sovereign and Bank Exposure

Types of Exposure

Corporate, sovereign and bank exposure include exposure to corporate, sovereign, bank and Specialized Lending.

Within these categories, corporate is subdivided into resident and non-resident corporate. In addition, Specialized Lending is subdivided into Income-Producing Real Estate (IPRE), High-volatility Commercial Real Estate (HVCRE), Object Finance (OF) and Project Finance (PF).

Outline of Internal Credit Rating Procedure

Assigning internal credit ratings to the obligor of corporate exposure involves having the front sections prepare a draft proposal for the internal ratings, which is then reviewed and decided by a credit risk management division. Specifically, this process is based on manuals prepared for various types of exposure by corporate, sovereign, bank and Specialized Lending.

Work Flow for Assigning Credit Ratings

All the latest, relevant and important information that can be collected is taken into consideration when credit ratings are assigned. In addition, credit ratings are subject to more than annual "regular reviews", when the latest financial results of the borrower are reflected in the revised ratings. When there are events that may change credit ratings, the Bank conducts an "ad-hoc review."

	Items for Review	Content of Review
1	Financial rating	The Bank employs a model to prepare a risk profile based on the quantitative information in the borrower's financial statement to assign a rating.
2	Adjustments in financial rating	To evaluate the actual state of the financial rating of the borrower more effectively, supplementary assessments are made.
3	Qualitative assessments	When there are important matters related to the assessment of creditworthiness that cannot necessarily be assessed to a sufficient degree quantitatively, qualitative evaluations are conducted.
4	Country adjustments	Adjustments are conducted to make the credit rating of the country where the borrower's initial risks are located as the upper limit on the rating the Bank will assign.
5	Taking account of external information	Adjustments are conducted in ratings to take account of circumstances, which may be evident from the external credit assessment and trends in stock prices and other indicators that have not been considered in quantitative and qualitative assessments.
6	Judgments regarding the debtor classification	When self-assessments are conducted according to procedures, judgments are conducted regarding the debtor classification.
7	Overall judgments on ratings	In addition to the assessment processes mentioned previously, when there are matters that have an effect on ratings, such matters are included in this item, and then a final decision is made on the credit rating.

Note that the internal auditing units of the Bank, which are independent of the front sections and the credit risk management sections, also audit the ratings to ensure the appropriateness of the internal ratings and the accuracy of internal rating results.

■ Equity Exposure

Credit ratings are assigned to equity exposure, according to the same process as in assigning ratings to business corporations.

■ Retail Exposure

For retail exposure, the procedures for assigning retail internal ratings involve setting criteria for exposure eligible for management in retail pools that have similar risk characteristics, such as retail exposure secured by residential properties, qualifying revolving retail exposure and other retail exposure, and ratings are assigned to these pools (corresponding to the rating of exposure to corporate, sovereign and bank). Ratings for individual retail exposure are assigned, according to the pool rating based on the manual for internal credit ratings of retail exposure.

a. Corporate, Sovereign and Bank Exposure

Internal Ratings and Estimation of Parameters

The table of probability of default for various credit ratings is divided into four classifications: resident corporate, non-resident corporate, sovereign and bank. The methods for estimating these probabilities of default are (a) internal default experience: the Bank estimates probability of default based on the long-term averaged default rate for each rating grade and (b) mapping: the Bank maps internal grades to the scale used by an external credit assessment institution and then attributes the default rate of that institution to the Bank's grades.

Note that the Bank's definition of default used in estimating the probability of default and in validation meets the conditions of minimum requirements for the IRB approach.

Note that for Specialized Lending, the Bank uses slotting criteria to compute risk-weighted assets.

Fiscal 2006 (Ended March 31, 2007)

Corporate Exposure

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.14%	38.85%	28%	4,302	1,697
5 to 7	1.80%	44.64%	115%	1,032	136
8-1 to 8-2	16.88%	43.96%	329%	202	13
Subtotal	0.89%	39.92%	51%	5,537	1,847
8-3 to 10-2	100.00%	44.39%	558%	243	9
Total	4.17%	40.07%	67%	5,780	1,856

Sovereign Exposure

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.00%	45.82%	0%	26,229	742
5 to 7	7.78%	45.00%	226%	0	—
8-1 to 8-2	—	—	—	—	—
Subtotal	0.00%	45.82%	0%	26,229	742
8-3 to 10-2	100.00%	45.00%	562%	0	—
Total	0.00%	45.82%	0%	26,229	742

Bank Exposure

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.04%	20.11%	9%	5,342	7,638
5 to 7	2.07%	45.00%	138%	21	5
8-1 to 8-2	7.07%	16.61%	87%	8	0
Subtotal	0.05%	20.16%	10%	5,372	7,644
8-3 to 10-2	100.00%	45.00%	563%	0	0
Total	0.05%	20.16%	10%	5,372	7,644

Equity Exposure for Credit Risk Using Internal Ratings; PD/LGD Approach

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.08%	90.00%	205%	63	—
5 to 7	0.84%	90.00%	255%	0	—
8-1 to 8-2	17.24%	90.00%	738%	7	—
Subtotal	1.87%	90.00%	261%	71	—
8-3 to 10-2	100.00%	90.00%	1,125%	10	—
Total	13.97%	90.00%	368%	82	—

Notes: 1. Weighted averages of PD, LGD and risk weights are computed based on EAD (including on-balance and off-balance items).
2. Risk weights are equivalent to 8% of the total of the amount of risk-weighted assets and expected loss, divided by EAD.
3. These figures do not include funds exposure.
4. "Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach" does not take account of Rider No. 13 to the Notification Regarding Capital Adequacy (regarding provisional measures for equity exposure).

b. Retail Exposure

Retail Pools and Risk Components

On retail exposure, the Bank estimates PD, LGD, and EAD for each pool. PD is estimated by reviewing our internal historical default record. LGD is also estimated by reviewing our internal actual loss and recovery data. EAD is supposed to be the current balance, since the Bank has no exposure for revolving products.

On-balance sheet retail exposure consists of exposure to residential real estate and other retail exposure, and the average risk weight is 60%. Off-balance sheet retail exposure consists only of other retail exposure, and the average risk weight is 125%. Note that exposure for which the PD is 10% to 100% is managed separately from exposure to standard debtors as past due exposure.

Note that the Bank's definition of default used in estimating the probability of default and in validation meets the conditions of the minimum requirements for the IRB Approach.

Fiscal 2006 (Ended March 31, 2007)

Details on PD, LGD, RW and EAD On-Balance Sheet Assets

(Billions of yen)

Type of exposure	PD less than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	0.37%	40.87%	28%	396
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	1.05%	40.43%	45%	104

(Billions of yen)

Type of exposure	PD less than 100% but equal to or greater than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	20.31%	39.84%	323%	17
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	17.13%	40.11%	169%	6

(Billions of yen)

Type of exposure	PD less than 100%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	1.21%	40.82%	40%	413
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	1.94%	40.41%	52%	110
Subtotal	1.36%	40.74%	43%	524

(Billions of yen)

Type of exposure	PD = 100%				
	Weighted-average PD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	100.00%	78.17%	72.38%	977%	8
Qualifying revolving retail exposure	—	—	—	—	—
Other retail exposure	100.00%	46.30%	43.62%	579%	2

(Billions of yen)

Type of exposure	Total					
	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	3.22%	40.82%	78.17%	72.38%	59%	422
Qualifying revolving retail exposure	—	—	—	—	—	—
Other retail exposure	4.30%	40.41%	46.30%	43.62%	64%	113
Subtotal	3.45%	40.74%	70.50%	65.46%	60%	535

Details on PD, LGD, RW and EAD Off-Balance Sheet Assets

(Billions of yen)

Type of exposure	PD less than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	1.76%	53.53%	78%	4

(Billions of yen)

Type of exposure	PD less than 100% but equal to or greater than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	48.60%	48.68%	393%	0

(Billions of yen)

Type of exposure	PD less than 100%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	2.21%	53.48%	81%	4
Subtotal	2.21%	53.48%	81%	4

(Billions of yen)

Type of exposure	PD = 100%				
	Weighted-average PD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—	—
Other retail exposure	100.00%	93.65%	81.99%	1,171%	0

(Billions of yen)

Type of exposure	Total					
	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—	—	—
Other retail exposure	6.17%	53.48%	93.65%	81.99%	125%	5
Total	6.17%	53.48%	93.65%	81.99%	125%	5

Notes: 1. Most of the retail exposure held by the Bank as of March 31, 2007, was related to purchased retail receivables. These assets are subject to investment funds, so in view of the need to disclose appropriately the results of the estimate of parameters related to retail exposure, investment funds have been included in the quantitative disclosure of these items.

2. Risk weights are equivalent to the total of the risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

3. For assets for which the PD is 100%, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).

4. As of March 31, 2007, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

c. Actual Losses to Corporate, Sovereign, Bank, and Retail Exposure

Actual Losses for the Previous Period, Comparison with the Year before Last Results and Analysis of Causes

(Billions of yen)

Type of exposure	As of March 31, 2007
Corporate exposure	20
Sovereign exposure	—
Bank exposure	—
Equity exposure subject to PD/LGD approach	0
Retail exposure secured by residential properties	—
Qualifying revolving retail exposure	—
Other retail exposure	0

Notes: 1. Giving due consideration to the accuracy of information disclosure, the Bank will include year-to-year comparison data for actual losses, past results and analysis of causes beginning the year following the year ended March 31, 2007, when Basel II went into effect. Comparison data are, therefore, scheduled to be disclosed starting with the year ending March 31, 2008.

2. Actual losses are defined as losses due to direct write-offs, partial direct write-offs, general reserves for possible loan losses and loan sales of exposure that defaulted up to the end of the previous period.

Estimated Losses Depend on Historical Long-Term Results, Comparison with Actual Losses

(Billions of yen)

Type of exposure	As of March 31, 2007	
	Estimated losses	Actual losses
Corporate exposure	27	20
Sovereign exposure	1	—
Bank exposure	0	—
Equity exposure subject to PD/LGD approach	0	0
Retail exposure secured by residential properties	1	—
Qualifying revolving retail exposure	—	—
Other retail exposure	0	0

Notes: 1. In consideration of the accuracy of information disclosure, comparisons of estimated and actual long-term losses for 10 years accumulatively are scheduled to be disclosed from the year following the application of Basel II (the year ending March 31, 2007).

2. The scope of actual and estimated losses includes the following accounts on balance sheet: loans, foreign exchange, accrued interests in other assets, suspense payable and customers' liabilities for acceptances and guarantees, as well as securities without quoted market values, money trusts without quoted market values, and monetary claims purchased.

3. Most of the retail exposure held by the Bank as of March 31, 2007, was related to purchased retail receivables. These assets are subject to risk-weighted assets for investment funds, so in view of the need to disclose appropriately the results of the estimate of parameters related to retail exposure, in the quantitative disclosure of these items, such assets have been included as funds.

d. Exposure to Specialized Lending Products Subject to Supervisory Slotting Criteria by RW

Amount of Specialized Lending Exposure Subject to Supervisory Slotting Criteria by RW

(Billions of yen)

Classification	As of March 31, 2007
Specialized Lending exposure subject to supervisory slotting criteria	956
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	855
Risk weight of 50%	49
Risk weight of 70%	539
Risk weight of 90%	187
Risk weight of 115%	18
Risk weight of 250%	15
Risk weight of 0% (default)	45
High-Volatility Commercial Real Estate (HVCRE)	100
Risk weight of 70%	0
Risk weight of 95%	19
Risk weight of 120%	60
Risk weight of 140%	—
Risk weight of 250%	20
Risk weight of 0% (default)	—

Notes: 1. "Specialized Lending" refers to loans for Project Finance (PF), Object Finance (OF), Commodity Finance (CF) and Income-Producing Real Estate (IPRE) (as defined in the Notification Regarding Capital Adequacy, Article 1-1-41).

2. "High-Volatility Commercial Real Estate (HVCRE)" refers to loans that are the financing of commercial real estate that exhibits a higher rate of loss volatility compared to other types of Specialized Lending, as specified in the Notification Regarding Capital Adequacy, Article 1-1-43.

3. "Specialized Lending exposure subject to supervisory slotting criteria" refers to the amounts of Specialized Lending, subject to the Bank's internal rating system, and have been allotted to the risk asset classifications given in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5, after taking account of risk weights.

4. For risk weights, the Bank has applied the stipulations contained in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5.

e. Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach by RW

Amount of Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach

(Billions of yen)

Classification	As of March 31, 2007
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	79
Risk weight of 300%	—
Risk weight of 400%	79

Note: The "simple risk-weighted method of the market-based approach by RW" is a method for computing the amount of risk-weighted assets of equity and other investments. Under this method, the market value of listed stocks is multiplied by a risk weight of 300%, and the estimated value of unlisted stocks is multiplied by a risk weight of 400% (Notification Regarding Capital Adequacy, Article 143-4).

(4) EXPOSURE SUBJECT TO STANDARDIZED APPROACH BY RW

Outline

The Bank adopts its internal rating system in computing risk assets; however, for the assets listed below, the percentage of such assets in credit risk assets is extremely small, and they are not regarded as material from a perspective of credit risk management. Accordingly, for a portion of these assets, the Bank employs the Standardized Approach and is not scheduled to adopt the IRB Approach for it.

- The on-balance sheet and off-balance sheet assets of its consolidated subsidiaries, with the exception of Kyodo Housing Loan Co., Ltd.
- The following assets are held by the Bank and Kyodo Housing Loan: Suspense payable (with the exception of payable account for securities), prepayment costs, among foreign currency forward contracts those for foreign currency deposits of cooperative organizations and current account overdrafts (to holders of the Bank's debentures).

Please note that Kyodo Housing Loan is planning to step up implementation for the Foundation Internal Ratings-Based Approach (F-IRB) and is scheduled to be in effect as of March 31, 2008.

The Bank uses the ratings of five qualified rating agencies (External Credit Assessment Institution (ECAI)) in computing its risk assets: Standard & Poor's, Moody's Investors Service, Fitch Ratings, Ltd., Rating & Investment Information, Inc. and Japan Credit Rating Agency, Ltd. The Bank, based on the Notification Regarding Capital Adequacy, Article 44, applies a risk weight of 100% to its exposure to corporate and others (excluding exposure three months or more past due), regardless of the ratings assigned by these qualified rating agencies.

Amount of Exposure Subject to Standardized Approach

(Billions of yen)

Classification	As of March 31, 2007
Exposure subject to Standardized Approach	325
Risk weight of 0%	19
Risk weight of 10%	5
Risk weight of 20%	13
Risk weight of 35%	143
Risk weight of 50%	0
Risk weight of 75%	66
Risk weight of 100%	74
Risk weight of 150%	0
Risk weight of more than 150%	0
Amount deducted from capital	0

Note: For exposure computed by the Standardized Approach, the Bank does not refer to external ratings in applying risk weight in any case.

4. Items for Methods of Credit Risk Mitigation Techniques (Consolidated)

Outline of Risk Management Policy and Procedures Related to Credit Risk Mitigation Techniques

■ Outline of Evaluation, Administrative Policy and Procedures for Collateral

The Bank regards future cash flows from the businesses it lends to as the basic source of funds for recovery of its claims on those businesses. Collateral is viewed only as a supplement to cash flow. The recovery of claims through the seizure of collateral occurs when the debtor experiences difficulty in meeting its obligations, thus the Bank employs methods of evaluating collateral to avoid the actual recoveries from collateral being less than the valuation of the collateral.

The Bank evaluates collateral based on such objective measurements as reports of appraisers, official land valuations for inheritance tax purposes, and market value. The Bank has established internal procedures for such evaluations to avoid wide variations in assessments. In addition, procedures have been established for the frequency of reviews of evaluations that depend on the type of collateral and the credit condition of the borrower, and evaluations are adjusted to reflect fluctuations in prices. To ensure such reviews are conducted appropriately, confirmations are conducted when policies for specific borrowers are prepared and at the time of self-assessments. Depending on the type of asset, the Bank reflects the objectively determined value of collateral in specific coefficients multiplied by the value of assets to estimate the disposal value of collateral. The expected recovery value of the collateral is regarded as security for the Bank's claims and is taken into consideration in making credit decisions and provisions to reserves. Even in the case of evaluations of real estate, which may vary depending on the accuracy of the methods employed, adjustments are made in coefficients.

In addition, when evaluating the credit standing of guarantors, in principle, the Bank employs its internal credit rating system, and, after assessing the guarantor's creditworthiness, determines the value the Bank assigns to the guarantee as security for its claims.

In administering collateral, procedures have been established to maintain legal efficacy and to take the necessary measures to exercise rights to collateral. The related documentation is reviewed not only at the time the collateral is pledged but also periodically thereafter.

■ Principal Types of Collateral

The principal types of collateral are securities, commercial notes and real estate.

■ Types of Guarantors and Principal Counterparties in Credit Derivatives and Explanation of Their Credit Standing

The principal types of guarantors in such transactions are mainly sovereigns, including central governments and local governments corporations with high credit ratings. Note that no transactions have been employed to mitigate the credit risk of credit derivatives.

■ Credit Risk Mitigation Techniques

The principal methods adopted by the Bank to mitigate credit risk are as follows.

Eligible Financial Collateral

Taking account of the conditions stated in the Notification Regarding Capital Adequacy (the Notification) and the Bank's operating practices, the Bank adopts the following methods for accepting monetary assets as collateral to mitigate credit risk: (1) Taking repo-type transactions as collateral, following the stipulations of the Notification and (2) aside from repo-type transactions, taking deposits with the Bank (including Norinchukin Bank Debentures) and stocks as collateral. No other monetary assets are accepted as collateral to mitigate credit risk.

Other Eligible IRB Collateral

Taking account of the conditions stated in the Notification Regarding Capital Adequacy (the Notification) and the Bank's operating practices, the Bank does not accept real estate, commercial notes, and certain other assets as collateral to mitigate credit risk.

On-Balance Sheet Netting for Loans and Deposits

Taking account of the provisions of the Notification and the Bank's operating practices, the Bank does not take deposits held with the Bank without legal contracts as collateral as a means to mitigate credit risk.

Legally Binding Netting Contracts for Derivatives and Repo-Style Transactions

The Bank considers legally binding netting contracts for derivatives as a means of mitigating credit risk. However, taking account of the provisions of the Notification and the Bank's operating practices, the Bank does not consider repo-style transactions as a means of mitigating credit risk.

In principle, the Bank's policy is to adopt legally binding netting contracts and derivative transactions as a means of mitigating credit risk. In its administration of legally binding netting contracts, the Bank confirms the scope of transactions on an ad-hoc basis, when necessary.

Also, the Bank computes the value corresponding to the credit risk amount as a transaction under legally binding netting agreements only for transactions conducted under the International Swap and Derivatives Association (ISDA) Master Agreement.

On the other hand, for repo-style transactions, although the Bank has concluded legally binding netting agreements with its principal customers, taking account of the stipulations of the Notification and the Bank's operating practices, the Bank does not employ these agreements as a means of mitigating credit risk.

■ Information about (Market or Credit) Risk Concentrations within the Risk Mitigations

For exposure where the credit risk of the exposure guaranteed has been shifted from the party being guaranteed to the party making the guarantee, as a result of credit risk mitigation techniques, the Bank confirms whether there are concentrations of credit risk, and manages this exposure. Regarding market risk, there are no credit derivatives included in the Bank's trading accounts.

Amount of Exposure Subject to Credit Risk Mitigation Techniques (Eligible Financial Collateral, Other Eligible IRB Collateral)

(Billions of yen)

Classification	As of March 31, 2007
Foundation Internal Ratings-Based Approach	7,368
Eligible financial collateral	7,368
Corporate exposure	825
Sovereign exposure	—
Bank exposure	6,543
Other eligible IRB collateral	—
Corporate exposure	—
Sovereign exposure	—
Bank exposure	—
Standardized Approach	—
Eligible financial collateral	—

Notes: 1. The amount of exposure for which credit risk mitigation techniques have been used is limited to the portion for which such effects have been taken into account.
2. Exposure subject to treatment as credit risk exposure is not included.

Amount of Exposure Subject to Credit Risk Mitigation Techniques (Guarantees, Credit Derivatives)

(Billions of yen)

Classification	As of March 31, 2007
Foundation Internal Ratings-Based Approach	418
Corporate exposure	371
Sovereign exposure	47
Bank exposure	—
Retail exposure secured by residential properties	—
Qualifying revolving retail exposure	—
Other retail exposure	—
Standardized Approach	—

Notes: 1. The amount of exposure for which credit risk mitigation techniques have been used is limited to the portion for which such methods have been taken into account.
2. Exposure subject to risk-weighted asset calculation for investment funds is not included.

5. Items for Counterparty Credit Risk in Derivative Transactions (Consolidated)

Outline of Risk Management Policy and Procedures for Counterparty Credit Risk in Derivatives and Transactions

■ Policy for Allocation of Risk Capital and Credit Lines

To manage the credit risk involved in derivative transactions where the counterparty is a financial institution, the Bank places a ceiling on risk appropriate to the internal credit rating of the financial institution counterparty. The Bank sets an upper limit on uncollateralized exposure to financial institution groups based on the Bank's internal credit ratings and business activities of those groups. The Bank then manages its total uncollateralized exposure to such groups, including the credit risk amount in derivative transactions, within the upper limit. This upper limit is known as the "bank ceiling system." Within the limits of this ceiling, each of the front sections is allocated a position limit by the company within the group and by type of transaction (including derivatives, loans, money market transactions and other transactions). Activities are managed so as not to exceed risk limits, including derivative transactions. Note that under the bank ceiling system, the amounts related to derivatives subject to management are included in "replacement costs," one component of current exposure in the BIS framework. The upper limit on uncollateralized credit, by internal credit rating grade and industry, is decided by the Bank's Credit Committee, chaired by the member of the board in charge of risk management. In addition, when the internal credit rating of the financial institution counterparty is downgraded because of a decline in creditworthiness, the ceiling may be automatically lowered. Compliance with the upper limit is monitored on a daily basis by the Risk Monitoring Division, and, when the total exposure is over a certain percentage of the limit, the Risk Monitoring Division sends a notice to the front section in charge and the Credit Risk Management Division. After receiving this notice, the Credit Risk Management Division and the related department consider and implement countermeasures. However, when immediate action is required, discussion with the related department is omitted, and the Credit Risk Management Division exercises its authority to take measures directly, such as ordering the front section to stop new transactions.

■ Policy for Calculating the Value of Collateral as Security for Claims and Reserve Provisions

For derivative transactions, the Bank has concluded a Credit Support Annex (CSA) with its major clients among financial institutions, and, in some cases, the Bank receives collateral from these financial institution counterparties. The collateral to be used differs according to the content of the CSA, but it includes mainly Japanese government bonds (JGBs), yen cash, U.S. Treasury bonds, and U.S. dollar cash. Regarding replacement costs, the Bank may conduct a self-assessment, depending on the internal credit rating of the financial institution counterparty. Depending on the debtor category the financial institution is assigned to, the Bank may set aside a reserve for possible replacement costs.

■ Explanation of Impact If Necessary to Provide Additional Collateral when the Bank's Credit Standing Deteriorates

In general terms, if the Bank's credit rating declines and its creditworthiness deteriorates, financial institutions dealing with the Bank will reduce their credit risk limits and may request collateral from the Bank. Especially under many CSA agreements, when the external credit rating of a bank declines, the credit risk limits applicable to that bank are reduced. Therefore, if the Bank's credit rating declines, it will be required to provide collateral based on its agreements. However, if the Bank has large holdings of liquid financial instruments, such as government bonds, it will have a sufficient level of assets to offer as collateral, and the Bank's Market Portfolio Management Committee will confirm the level of these assets, whenever necessary. For this reason, even if the Bank is required to provide additional collateral, the impact on the Bank's activities will be minimal.

■ Methods Used for Calculating Amount of Credit Exposure

The current exposure method is adopted.

Breakdown of the Amount of Credit Exposure

(Billions of yen)

Classification		As of March 31, 2007
Total gross replacement costs (limited to items with a value of greater than zero)	(A)	124
Total gross add-ons	(B)	310
Gross credit exposure	(C) = (A)+(B)	434
Including, foreign exchange related		374
Including, interest rate related		57
Including, equity related		3
Amount of credit exposure before taking into account credit risk mitigation techniques due to collateral	(D)	191
Reduction in credit exposure due to netting contracts	(C)–(D)	243

Amounts of Collateral by Type

In computing the capital adequacy ratio, the effect of credit risk mitigation techniques due to collateral has not been taken into account.

Credit Exposure after Taking Account of the Effect of the Credit Risk Mitigation Techniques due to Acceptance of Collateral

In computing the capital adequacy ratio, the effect of the credit risk mitigation techniques due to collateral has not been taken into account.

Notional Principal Amount of Credit Derivatives Included in Computation of Credit Exposure

(Billions of yen)

Classification	As of March 31, 2007
To buy protection	—
To sell protection	—

Note: Credit derivatives included in risk-weighted assets for investment funds have not been taken into consideration.

Notional Principal Amount of Credit Derivatives Taking into Consideration the Effect of Credit Risk Mitigation Techniques

(Billions of yen)

Classification	As of March 31, 2007
Notional principal amount	—

Note: Under the stipulations of the Notification Regarding Capital Adequacy, Article 10-2 and Article 10-3, the amount of credit risk assets not computed has not been included.

6. Items for Securitization Exposure

Outline of Risk Management Policy and Procedures for Securitization Exposure

As part of its credit risk transactions, the Bank conducts transactions in securitized (structured finance) instruments. Securitized transactions are based on specified underlying assets and make it possible to effectively and efficiently mitigate and acquire credit risk and other forms of risk. As a result, transactions in the market for securitized instruments have expanded rapidly in recent years. While conducting appropriate risk management, the Bank also has a policy of actively investing in these instruments. Note that the Bank's subsidiaries basically do not engage in transactions in securitized instruments.

The Bank invests in securitization exposure as part of its policy of generating earnings from the effective, global acquisition and management of risks, ranging from granting credit to individuals to corporations. In making investments in these instruments, the Bank takes account of its market risk asset position as well as its loans and other credit risk asset portfolio and, based on its overall asset allocation policy, engages flexibly in transactions in these instruments while constantly taking account of the market environment. To manage the risk of these investments, the Bank adheres to the credit risk and market risk management frameworks it has established. Specifically, the Bank sets investment ceilings, prepares internal credit ratings, conducts self-assessments and manages these investments within limits set by the economic capital allocation system. The cycle of investments in securitized instruments focuses decisions on transactions policy, execution and monitoring.

In view of the risk characteristics of securitization exposure, the Bank sets limits on investment by credit rating, and, where the securitized investment instruments are based on underlying assets other than loans, the Bank conducts a risk evaluation process to make correct judgments regarding risk and return on these investments.

Moreover, the Bank implements monitoring and reviews on a continuing basis of the credit condition of these investment products. Going beyond analysis of the securitized instruments themselves, the Bank also analyzes trends and other issues related to the investment assets underlying these instruments, including analysis and assessment of market trends. Also, regarding its securitization exposure, the Bank conducts appropriate credit risk assessments based on the Notifications of the financial authorities, while, as part of its integrated risk management, it examines migrations in credit ratings. In addition, based on the risk properties of the securitization exposure, the Bank computes risk volumes and engages in other initiatives to enhance the accuracy and sophistication of its risk management.

Please note that, as of March 31, 2007, the Bank has not been an originator of securitized transactions, having effects of credit risk mitigation from a regulatory perspective.

Computation of Risk-Weighted Assets for Credit Risk in Securitization Exposure

The Bank computes the amount of risk-weighted assets for securitization exposure by employing the "Ratings-Based Approach (RBA)," "Supervisory Formula (SF)" and "deduction from capital."

The Bank accounts for its transactions in securitized instruments based on the "Accounting Standards for Financial Products" and "Practical Guidelines for Accounting for Financial Products."

In making judgments regarding risk weights to assign to its securitization exposure, the Bank uses five qualified rating agencies (External Credit Assessment Institution (ECAI)): Standard & Poor's, Moody's Investors Service, Fitch Ratings, Ltd., Rating & Investment Information, Inc., and Japan Credit Rating Agency, Ltd.

The Amount of Underlying Assets Securitized by the Bank by Asset Type

As of March 31, 2007, the Bank has not been an originator for securitization exposure, having effects of credit risk mitigation.

Details of Securitization Exposure Held as Investor by Exposure Type

(Billions of yen)

Classification	As of March 31, 2007
Amount of securitization exposure	4,331
Business corporations	1,555
Individuals	1,708
Real estate	889
Other	177

Amount of Securitization Exposure Held as Investor and Regulatory Required Capital by Risk-Weighted Category

(Billions of yen)

Classification	As of March 31, 2007	
	Amount of exposure	Regulatory Required Capital
Amount of securitization exposure	4,331	115
Risk weight: 25% or less	3,746	39
Risk weight: 25.01% to 100.00%	529	27
Risk weight: 100.01% to 425%	8	1
Risk weight: 425.01% to 1,250%	3	2
Deductions from capital	44	44

Amount of Securitization Exposure Deducted from Capital and Details by Exposure Type (Under the stipulations of the Notification Regarding Capital Adequacy, Article 224)

(Billions of yen)

Classification	As of March 31, 2007
Amount of securitized exposure deducted from capital	44
Business corporations	15
Individuals	—
Real estate	2
Other	26

Risk-Weighted Assets Computed through Application of Appendix Article 15 of the Notification Regarding Capital Adequacy

Not applicable

7. Items for Market Risk (Consolidated)

Methods for Computation of Market Risk Amount and Appropriate Assessment

The Bank uses an internal models approach to measure "general market risk in a trading account." The Bank employs the standardized method for measuring "individual risks in a trading account," "foreign currency exchange risk," "commodity risk," "assets and liabilities related to a trading account in consolidated subsidiaries" and "foreign currency exchange risk and commodity risk in consolidated subsidiaries."

The financial products handled in a trading account, where the internal models approach is employed to measure general market risk, are limited to products and transactions that have a high degree of liquidity. These include government bonds, interest rate futures, bond futures, interest rate swaps and other items. In computing the amount of market risk within "general market risk in a trading account," the Bank takes account of the special characteristics of the products handled and assumes a holding period of 10 business days.

Computation of the Market Risk Amount Using the Internal Models Approach

■ Scope of Market Risk Amounts Computed by the Internal Models Approach

The model deals with general market risk within a trading account, and the scope is the same on a consolidated and non-consolidated basis. In addition, the following risks are computed according to the standardized method: individual risks in a trading account, foreign currency exchange risk, commodity risk and all the market risks with consolidated subsidiaries.

■ Specifications of the Internal Models Approach

(1) Form: Variance, co-variance matrix

(2) Holding period: 10 business days

(3) Confidence interval: Computations assume a standard normal distribution, a one-tailed confidence interval of 99%. (Computed for a holding period of one business day by multiplying by the square root of 10)

■ VaR

(Millions of yen)

	Fiscal 2006			
	Base date of computation	For the most recent 60 business days		
		Maximum	Minimum	Average
VaR	March 30, 2007	730	103	270

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2006
For the portion computed with the internal models approach (B)+(E)	(A)	810
Value at Risk (MAX (C, D))	(B)	810
Amount on base date of computation	(C)	105
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	810
Additional amount at the time of measuring individual risk	(E)	0
(Multiplier)	(F)	3.00
(Times exceeding VaR in back testing)	(G)	4

8. Items for Equity Exposure (Consolidated)

(Includes items such as shares, excludes items in a trading account)

Outline of Risk Management Policy and Procedures Related to Equity Exposure

The Bank's exposure to equity comprises stocks classified as securities available for sale and stocks of subsidiaries and other associated companies. The amounts of risk-weighted assets for credit risk are computed by the methods specified by the Notifications of the financial authorities, but for internal management purposes, the Bank conducts integrated risk management within its economic capital management framework, as prescribed in "Norinchukin Risk Management."

■ Equities Classified as Other Securities

Risk management of equities classified among securities available for sale is conducted properly, principally as part of overall market risk (including interest rate risk and foreign currency exchange risk) that focuses on management within limits set in the economic capital management framework. Further details may be found in "Norinchukin Risk Management."

■ Stocks of Subsidiaries and Other Associated Companies

The stocks of subsidiaries and other associated companies are recognized as credit risk assets and managed within the economic capital management framework.

■ Principal Accounting Policies

For accounting purposes, among exposure to equity and other investments, stocks of subsidiaries and other associated companies are accounted for under the original cost, moving-average method. Exposure to equity and other investments classified in other securities is accounted for by the market value method on the date of the closing of accounts, in the case of equities with quoted market values (with book values computed according to the moving-average method). Equities without market values are accounted for by the original cost, moving-average method. In addition, the valuation difference on other securities is entered directly in the net assets account.

■ Computation of Risk-Weighted Assets Using the Internal Models Method

The Bank computes the value of risk-weighted assets in its equity exposure using the PD/LGD approach, under the market-based approach, using the simple risk-weight method, and the internal models method.

Amounts on the Balance Sheet and Market Value

(Billions of yen)

Classification	As of March 31, 2007	
	Amounts on the balance sheet	Market value
Equity exposure	1,204	1,204
Exposure to publicly traded equity	1,051	1,051
Exposure to privately held equity	152	152

Notes: 1. No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately as specified in the Notification Regarding Capital Adequacy, Article 8-1-1.

2. Regarding "market value," equities with quoted market values are evaluated at market, and those without market values are valued using the total amounts entered in the balance sheet.

Amount of Gain (Loss) due to Sale or Write-Off

(Billions of yen)

Item	Fiscal 2006		
	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.
Equity exposure	32	8	0

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2007	
	Amount of valuation gain (loss) recognized on the balance sheet and not recognized in the statements of operations	Amount of valuation gain (loss) not recognized on the balance sheet nor the statements of operations
Equity exposure	330	—

Note: No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately, as specified in the Notification Regarding Capital Adequacy, Article 8-1-1.

Amount Included in Supplementary Capital (Tier II) Under Stipulations of the Notification Regarding Capital Adequacy, Article 6-1-1

(Billions of yen)

Item	As of March 31, 2007
Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 6-1-1	148

Note: "Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 6-1-1" is 45% of the total value of exposure to equity and other investments (excluding equities, etc., that are fund-raising instruments of other financial institutions that the Bank holds deliberately, as specified in the Notification Regarding Capital Adequacy, Article 8-1-1) classified under other securities at market value, minus the total book value of these securities.

Equity Exposure Subject to Treatment Under the Notification Regarding Capital Adequacy, Appendix Article 13

(Billions of yen)

Classification	As of March 31, 2007
	Amounts on the balance sheets
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	687
Corporate	664
Bank	17
Sovereign	4

Note: Appendix Article 13 of the Notification Regarding Capital Adequacy specifies provisional methods for calculating the value of credit risk assets in exposure to equity and other investments that meets certain specified standards.

9. Items for Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund (Consolidated)

Overview of Risk Management and Procedures Related to Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

Exposure subject to risk-weighted asset calculation for the investment fund consists mainly of assets managed in investment trusts and money trusts. These assets include equities, bonds and credit assets, which are the Bank's principal investment assets. Risk management policies are determined according the categories of the underlying assets, and an outline is provided in the section Norinchukin Risk Management. In addition to internal management, these assets are managed as funds. Relevant procedures are described in "Policies and Procedures for Management of Fund Investments," and risk is managed by applying methods appropriate for various asset categories. When these assets are entrusted with managers, the Bank examines in detail the operating systems, risk management systems, compliance systems, management philosophy and strategies as well as past performance of the managers to be chosen before making decisions regarding their selection. In addition, after entrusting these assets to managers, the Bank monitors their performance from quantitative and qualitative perspectives and conducts reviews of performance on a continuing basis to decide whether to continue or terminate individual managers.

Amount of Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

(Billions of yen)

Classification	As of March 31, 2007	
	Exposure	(For reference) Weighted-average risk weight
Look-through approach	18,781	60%
Majority approach	1,032	350%
Mandate approach	—	—
Market-based approach	4,045	187%
Others (simple approach)	550	505%
Total	24,410	97%

Notes: 1. The "Look-through approach" is a method for computing the risk-weighted assets in fund by totaling the amount of risk-weighted assets for credit risk in individual asset categories. (Please refer to Notification Regarding Capital Adequacy, Article 144-1.)

2. The "Majority approach" is a method for computing the risk-weighted assets in fund by applying risk weight to the fund as well as equity exposure when the exposure of equity, in terms of value, is major in a fund. (Please refer to the Notification Regarding Capital Adequacy, Article 144-2.)

3. The "Mandate approach" is a method for computing the risk-weighted assets in fund where only the investment mandate of the fund is known. The risk-weighted assets are computed as follows; It is assumed that the fund first invests, to the maximum extent allowed under its mandate, in the asset classes attracting the highest capital requirement, and then continues making investments in descending order until the maximum total investment level is reached. (Please refer to the Notification Regarding Capital Adequacy, Article 144-3.)

4. The "Market-based approach" is a method for computing the credit risk of exposure regarded as credit risk assets using the Bank's internal model (which is a value-at-risk (VaR) model based on the historical simulation method). (Please refer to the Notification Regarding Capital Adequacy, Article 144-4.)

5. The "Others (simple approach)" is a method for computing the risk-weighted assets in fund by applying risk weight of 400%, when it is judged the probability that the weighted-average risk weight will be less than 400%. In all other cases, risk weight of 1,250% is applied to funds. (Please refer to the Notification Regarding Capital Adequacy, Article 144-5.)

6. The items "(For reference) Weighted-average risk weight" is computed as follows: calculating the total risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

10. Items for Interest-Rate Risk (Consolidated)

(Interest-rate risk (excluding trading account) is the gain or loss from interest-rate shocks or the increase or decrease in economic value used for internal management purposes.)

Outline of Risk Management and Procedures for Interest-Rate Risk

As stated in the section entitled Norinchukin Risk Management, in its economic capital management, which is the core of the Bank's risk management activities, the principal business model is the global diversification of investments. Accordingly, the Bank manages risk by taking into account various asset classes, principally bonds, equities, credit assets, and correlations in each asset class and diversification effects among asset classes.

In managing "interest-rate risk," the Bank analyzes interest-rate risk by running profit-and-loss impact simulations based on many types of scenarios and carries out various types of interest-rate sensitivity analysis, including BPV and yield-curve risk. In addition, the Bank conducts static and dynamic profit-and-loss impact analyses in major currencies. In addition, the Bank manages interest-rate risk in the banking book through a framework to properly grasp the multifaceted impact of interest-rate risk.

Combining this type of interest-rate risk management with the management of other major risks, the Bank has established checkpoints for application within the framework of its Internal Capital Adequacy Assessment Process (ICAAP), and, by conducting sets of stress testing and implementing other measures, it is in a position to confirm the proper operation of risk management activities at all times, from the point of view of the assessment of capital adequacy as well.

Principal Assumptions for Interest-Rate Risk Management, Frequency of Risk Measurement

As mentioned previously, the core of the Bank's risk management activities is economic capital management, and the Bank measures the risk of its securities portfolio on a daily basis. In the banking book, the Bank's internal management activities, which make use of interest-rate risk criteria, involve the monthly management of declines in economic value calculated with the assumption of a holding period of one year and employ interest-rate fluctuations, over at least five years, that lie in the first percentile and 99th percentile. Note that in principle, these activities cover all financial assets and liabilities, while the measurement process does not take account of inter-grid factors and correlations with other assets at all.

Interest-Rate Risk Volume Computed with the Internal Model in Core Business Accounts (The Banking Accounts)

(Billions of yen)

Classification	As of March 31, 2007
Interest-rate risk[1]	1,994
Yen interest-rate risk	131
U.S. dollar interest-rate risk	1,633
Euro interest-rate risk	203
Interest-rate risk in other currencies	26

Notes: 1. Interest-rate risk in consolidated subsidiaries is limited in view of the size of their assets, so the interest-rate risk volume for the Bank on a non-consolidated basis is shown here.

2. Regarding core deposits, since the balances of deposits, etc., without maturity dates are limited, the Bank does not currently measure their risk volume. In addition, regarding repayments of mortgage-backed securities and callable securities before maturity, risk volume is measured after taking account of negative convexity and option vega due to call conditions and other factors.

Capital Adequacy (Non-Consolidated) [Disclosure under Basel II Pillar III]

1. Capital Structure (Non-Consolidated)

CAPITAL ADEQUACY RATIO (NON-CONSOLIDATED)

Non-Consolidated Capital Adequacy Ratio (Basel capital adequacy standards) (Basel II)

Note: The Bank's capital adequacy ratio for the fiscal year ended March 31, 2007, was computed according to Basel II.

Fiscal Year 2006

Items			Millions of yen	Millions of U.S. dollars
Tier I capital	Capital stock	(1)	1,484,017	12,576
	Included as non-cumulative, perpetual preferred stock		24,999	211
	Deposit for subscription to preferred stock	(2)	—	—
	Capital reserves	(3)	24,999	211
	Other capital surplus	(4)	20	0
	Earned surplus reserve	(5)	374,966	3,177
	Other reserves	(6)	707,233	5,993
	Tier I capital not corresponding to the preceding items (1) to (6)	(7)	68,852	583
	Earned surplus brought forward		68,852	583
	Unrealized loss on other securities		—	—
	Items excluded from Tier I capital under Article 17-1-1 through Article 17-1-3 of the Notification Regarding Capital Adequacy	(8)	—	—
	Items excluded from Tier I capital under Article 17-1-4 of the Notification Regarding Capital Adequacy	(9)	63,238	535
	Subtotal	(A)	2,596,852	22,007
	Including preferred securities with interest rate step-up clause		—	—
	(Ratio of the value of such preferred securities to Tier I capital)		—	—
Tier II capital	45% of unrealized gains on other securities*1		1,094,704	9,277
	45% of unrealized gains on land*2		32,788	277
	General reserve for possible loan losses		17	0
	Qualifying subordinated debt		1,458,629	12,361
	Included as perpetual subordinated bonds and loans		579,900	4,914
	Included as dated subordinated bonds, loans, and preferred stock		878,729	7,446
	Subtotal		2,586,139	21,916
	Tier II capital included as qualifying capital	(B)	2,586,139	21,916
Tier III capital	Short-term subordinated debt		—	—
	Including amount added to capital	(C)	—	—
Deductions	Deductions	(D)	397,749	3,370
Total Capital	(A)+(B)+(C)-(D)	(E)	4,785,242	40,552
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	33,121,173	280,687
	Including on-balance sheet		30,990,439	262,630
	Including off-balance sheet		2,130,734	18,057
	Assets equivalent to market risk	(G)	3,195,818	27,083
	(For reference: actual market risk volume)	(H)	255,665	2,166
	Amount corresponding to operational risk (J)/8%	(I)	932,154	7,899
	(For reference: amount corresponding to operational risk)	(J)	74,572	631
	Total risk-weighted assets (F)+(G)+(I)	(K)	37,249,145	315,670
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) x 100%			12.84%	12.84%

Notes: 1. The Bank's capital adequacy ratio was computed according to the stipulations outlined in Notification No. 4 of the 2006 Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries of Japan (Standard for Judging the Management Soundness of the Norinchukin Bank) (hereinafter, Notification Regarding Capital Adequacy). Note that the Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB) in computing risk-weighted assets for credit risk and the Standardized Approach (TSA) in computing the amount corresponding to operational risk.

2. The Bank's non-consolidated capital adequacy ratio was computed based on the financial statements, which consolidated the overseas special-purpose corporation established for capital funding purposes. (Notification Regarding Capital Adequacy, Article 15).

3. According to the provisions of the Notification Regarding Capital Adequacy, Article 17-1-1 through Article 17-1-3, the items deduced from Tier I capital were as follows: The amount corresponding to operating rights (Notification Regarding Capital Adequacy, Article 17-1-1), intangible assets recorded as a result of business combinations or additional purchases of the stock of subsidiaries (Notification Regarding Capital Adequacy, Article 17-1-2), and the amount corresponding to the increase in capital due to securitization transactions (Notification Regarding Capital Adequacy, Article 17-1-3)

4. Amounts deducted from Tier I capital under the provisions of the Notification Regarding Capital Adequacy, Article 17-1-4, were as follows: 50% of the excess of the value corresponding to expected losses on exposure to corporate, sovereign and bank, and expected losses on retail exposure over the value of qualified reserves.

5. The Tier II capital item "general reserve for possible loan losses" is limited to the amount corresponding to assets which is calculated according to the Standardized Approach in terms of risk-weighted assets for credit risk.

6. Deductions are the total of the following: (1) the total amount of the value corresponding to deliberate holdings of instruments for raising capital issued by other financial institutions, (2) holdings of instruments issued for raising capital, issued by affiliated corporations conducting financial service businesses, (3) 50% of the expected value of losses on exposure to corporate, sovereign and bank, and expected losses on retail exposure over the value of qualified reserves, (4) expected losses on equity exposure, and (5) securitization exposure subject to deduction from capital. (Notification Regarding Capital Adequacy, Article 20)

7. In computing risk-weighted assets for credit risk, the Bank has applied a scaling factor of 1.06 to the value of risk-weighted assets for credit risk computed based on its Foundation Internal Ratings-Based Approach (F-IRB), as provided for in the Notification Regarding Capital Adequacy, Article 129.

Non-Consolidated Capital Adequacy Ratio (Basel capital adequacy standards) (Basel I)

Fiscal Year 2005

Items			Millions of yen	Millions of U.S. dollars
Tier I capital	Capital stock		1,465,017	12,479
	Included as non-cumulative, perpetual preferred stock		24,999	213
	Deposit for subscription to preferred stock		—	—
	Capital reserve		24,999	213
	Other capital surplus		20	0
	Earned surplus reserve		324,066	2,760
	Voluntary reserves		597,950	5,093
	Earned surplus brought forward		56,052	478
	Unrealized loss on other securities		—	—
	Goodwill and others		—	—
	Subtotal	(A)	2,468,107	21,023
	Including preferred securities with interest rate step-up clause		—	—
Tier II capital	45% of unrealized gains on other securities		892,957	7,606
	45% of unrealized gains on land		33,129	282
	General reserve for possible loan losses		121,239	1,033
	Qualifying subordinated debt		1,101,532	9,383
	Included as perpetual subordinated loans		579,900	4,940
	Included as dated subordinated loans and preferred stock		521,632	4,443
	Subtotal		2,148,858	18,304
	Tier II capital included as qualifying capital	(B)	2,148,858	18,304
Tier III capital	Short-term subordinated debt		—	—
	Including amount added to capital	(C)	—	—
Deductions	Deductions	(D)	388,351	3,308
Total Capital	(A)+(B)+(C)-(D)	(E)	4,228,615	36,019
Risk-weighted assets	On-balance sheet		31,050,342	264,483
	Off-balance sheet		1,006,978	8,577
	Risk-weighted assets for credit risk	(F)	32,057,321	273,061
	Assets equivalent to market risk ((E)/8%)	(G)	2,883,642	24,563
	(For reference: actual market risk volume)	(H)	230,691	1,965
	Total risk-weighted assets (F)+(G)	(I)	34,940,964	297,623
Basel I Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(I) x 100%			12.10%	12.10%

Note: The Bank's capital adequacy ratio was computed according to the stipulations outlined in Notification No. 7 of the 2003 Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries Japan (Criteria for Judging the Management Soundness of the Norinchukin Bank). The Basel capital adequacy standards apply to the Norinchukin Bank, and it has introduced market risk restrictions.

2. Items for Capital Adequacy (Non-Consolidated)

(Minimum amount of regulatory required capital and breakdown for each risk category as required under Basel II)

Non-Consolidated Capital Adequacy Ratio and Ratio of Tier I Capital (Non-Consolidated)

● Explanation

As of March 31, 2007, the Bank's non-consolidated capital adequacy ratio was 12.84%, above the minimum capital adequacy ratio of 8% required under Basel capital adequacy standards.

Items	As of March 31, 2007
Non-consolidated capital adequacy ratio	12.84%
Non-consolidated capital adequacy ratio of Tier I capital	6.97%

Note: The "Non-consolidated capital adequacy ratio of Tier I capital" is the ratio of Tier I capital to the denominator of the non-consolidated capital adequacy ratio computed as specified in the Notification Regarding Capital Adequacy, Article 14.

Total Non-Consolidated Regulatory Required Capital

(Billions of yen)

Item	As of March 31, 2007
Total non-consolidated regulatory required capital	2,979

Note: "Total non-consolidated regulatory required capital" is 8% of the denominator of the non-consolidated capital adequacy ratio computed as specified in the Notification Regarding Capital Adequacy, Article 14.

Regulatory Required Capital for Credit Risk

(Excludes equity exposure to which the Bank applies the Internal Ratings-Based Approach and funds)

(Billions of yen)

Items	As of March 31, 2007
Amount of regulatory required capital for credit risk	707
Including exposure subject to Internal Ratings-Based Approach	707
Corporate exposure	489
Sovereign exposure	0
Bank exposure	101
Retail exposure secured by residential properties	—
Qualifying revolving retail exposure	—
Other retail exposure	0
Securitization exposure	115
Exposure subject to Standardized Approach	0
Overdrafts (toward Norinchukin debenture holders)	0
Prepaid expenses	0
Suspense payable	0
Others	0

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital
2. "funds" are risk-weighted assets, as calculated according to the method specified in Notification Regarding Capital Adequacy, Article 144.

Regulatory Required Capital for Credit Risk of Equity Exposure Subject to the Internal Ratings-Based Approach

(Billions of yen)

Items	As of March 31, 2007
Equity portfolios subject to the market-based approach	103
Equity portfolios subject to simple risk-weighted method	26
Equities under the internal models approach	76
Equity portfolios subject to PD/LGD approaches	28
Equity portfolios subject to the provisions of Notification Regarding Capital Adequacy, Article 13	61
Total	193

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets + Expected losses + Deductions from capital
2. Article 13 of the Notification Regarding Capital Adequacy contains a transitional method for computing the amount of risk assets related to equity exposure that meet specified criteria.

Regulatory Required Capital for Credit Risk of Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

(Billions of yen)

Item	As of March 31, 2007
Exposure subject to risk-weighted asset calculation for investment fund	2,172

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital
2. "Computations treating exposure as credit risk assets" are calculations of the credit risk-weighted asset amounts, as specified in the Notification Regarding Capital Adequacy, Article 144.

Regulatory Required Capital for Market Risk

(Billions of yen)

Items	As of March 31, 2007
Standardized Approach: Interest rate risk category	0
Standardized Approach: Equity risk category	—
Standardized Approach: Foreign exchange risk category	254
Standardized Approach: Commodity risk category	—
Standardized Approach: Option transactions	—
Standardized Approach total	254
Internal models Approach	0
Regulatory required capital for market risk	255

Regulatory Required Capital for Operational Risk

(Billions of yen)

Item	As of March 31, 2007
The Standardized Approach (TSA)	74

Note: Under "The Standardized Approach (TSA)," which is a method for computing the amount corresponding to operational risk, the gross profit for one year is allocated among the business activities as specified in Appendix Table 1 of the Notification Regarding Capital Adequacy. The multiplier specified for each business activity classification is multiplied by the gross profit, and the average of the annual totals for the past three years is taken to be the amount corresponding to operational risk. (Notification Regarding Capital Adequacy, Article 282)

3. Items for Credit Risk (Non-Consolidated)

(Funds and securitization exposures are excluded.)

(I) CREDIT RISK EXPOSURE

For Fiscal 2006, ended March 31, 2007

Geographic Distribution of Exposure, Details in Significant Areas by Major Types of Credit Exposure

(Billions of yen)

Region	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure
Japan	15,704	12,816	27	5,144	33,692	306
Asia except Japan	72	23	11	912	1,020	—
Europe	604	3,379	117	2,627	6,728	—
The Americas	531	8,017	34	2,095	10,678	8
Other areas	43	13	0	0	57	—
Total	16,957	24,250	190	10,779	52,177	314

Industry Distribution of Exposure, Details by Major Types of Credit Exposure

(Billions of yen)

Industry	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure	Write-off of loans (amounts of partial direct write-off)
Food products	709	161	0	0	871	49	0
Pulp and paper	190	49	0	0	239	1	—
Chemicals	547	170	0	0	718	12	—
Other manufacturing	1,056	187	1	0	1,245	24	0
Total for manufacturing	2,503	568	1	0	3,074	88	0
Agriculture, forestry and fishing	126	0	—	0	126	36	3
Construction	170	16	0	0	187	1	—
Utility	170	67	0	0	238	—	—
Information/telecommunications, transportation	838	157	1	0	998	13	—
Wholesaling, retailing	1,848	122	0	0	1,971	69	2
Services	1,428	119	0	0	1,549	60	2
Finance and insurance	2,494	5,569	186	10,038	18,288	43	—
Other non-manufacturing	7,377	17,628	0	739	25,745	0	—
Total for non-manufacturing	14,453	23,682	188	10,779	49,103	226	7
Total	16,957	24,250	190	10,779	52,177	314	8

Notes: 1. "Other non-manufacturing" includes the central government, local governments and related entities.
2. "Others" within "Finance and insurance" includes repo-type transactions, call loans, and certain other items.

Residual Contractual Maturity Breakdown of Credit Risk Exposure

(Billions of yen)

Term to maturity	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure
In 1 year	12,186	439	80	9,244	21,951
Over 1 year to 3 years	2,304	2,246	104	—	4,655
Over 3 years to 5 years	1,555	2,722	1	80	4,360
Over 5 years to 7 years	460	3,222	0	6	3,690
Over 7 years	436	14,447	3	743	15,630
No term to maturity	13	1,171	—	704	1,889
Total	16,957	24,250	190	10,779	52,177

Notes: 1. In consideration of accuracy of disclosure, the Bank will begin to disclose the average-risk position for the period when it differs substantially from the amount at the end of the period, beginning for the interim period ending September 30, 2007.
2. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥6 billion.
3. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

(2) RESERVES FOR POSSIBLE LOAN LOSSES

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specific Reserve for Loans to Countries with Financial Problems by Region

(Billions of yen)

Region	As of March 31, 2006
Japan	101
Asia except Japan	0
Europe	—
The Americas	4
Other areas	65
Total	171

Note: Giving due consideration to the accuracy of information disclosure, the Bank will include year-to-year comparison data for increases and decreases beginning for the years following the year ended March 31, 2007, the date when the Basel II standards went into effect. Therefore, comparison data is scheduled to be disclosed starting with the year ending March 31, 2008.

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specific Reserve for Loans to Countries with Financial Problems by Industry

(Billions of yen)

Industry	As of March 31, 2007
Food products	6
Pulp and paper	1
Chemicals	—
Other manufacturing	2
Total for manufacturing	11
Agriculture, forestry and fishing	14
Construction	0
Utility	—
Information/telecommunications, transportation	10
Wholesaling, retailing	27
Services	21
Finance and insurance	20
Other non-manufacturing	0
Total for non-manufacturing	94
Others	65
Total	171

Note: Giving due consideration to the accuracy of information disclosure, the Bank will include year-to-year comparison data for increases and decreases beginning for the years following the year ended March 31, 2007, the date when the Basel II standards went into effect. Therefore, comparison data is scheduled to be disclosed starting with the year ending March 31, 2008.

(3) EXPOSURE SUBJECT TO THE INTERNAL RATINGS-BASED APPROACH

a. Corporate, Sovereign and Bank Exposure

Fiscal 2006 (Ended March 31, 2007)

Corporate Exposure

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.14%	39.02%	28%	4,465	1,697
5 to 7	1.80%	44.64%	115%	1,032	136
8-1 to 8-2	16.88%	43.96%	329%	202	13
Subtotal	0.87%	40.03%	50%	5,700	1,847
8-3 to 10-2	100.00%	44.39%	558%	243	9
Total	4.09%	40.17%	66%	5,944	1,856

Sovereign Exposure

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.00%	45.82%	0%	26,229	742
5 to 7	7.78%	45.00%	226%	0	—
8-1 to 8-2	—	—	—	—	—
Subtotal	0.00%	45.82%	0%	26,229	742
8-3 to 10-2	100.00%	45.00%	562%	0	—
Total	0.00%	45.82%	0%	26,229	742

Bank Exposure

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.04%	20.11%	9%	5,342	7,638
5 to 7	2.07%	45.00%	138%	21	5
8-1 to 8-2	7.07%	16.61%	87%	8	0
Subtotal	0.05%	20.16%	10%	5,372	7,644
8-3 to 10-2	100.00%	45.00%	563%	0	0
Total	0.05%	20.16%	10%	5,372	7,644

Equity Exposure for Credit Risk Using Internal Ratings; PD/LGD Approach

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD (on-balance sheet)	EAD (off-balance sheet)
1-1 to 4	0.08%	90.00%	230%	82	—
5 to 7	0.84%	90.00%	255%	0	—
8-1 to 8-2	17.24%	90.00%	738%	7	—
Subtotal	1.51%	90.00%	272%	90	—
8-3 to 10-2	100.00%	90.00%	1,125%	10	—
Total	11.45%	90.00%	359%	100	—

Notes: 1. Weighted averages of PD, LGD and risk weights are computed based on EAD (including on-balance and off-balance items).

2. Risk weights are equivalent to 8% of the total of the amount of risk-weighted assets and expected loss, divided by EAD.

3. These figures do not include funds exposure.

4. "Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach" does not take account of Rider No. 13 to the Notification Regarding Capital Adequacy (regarding provisional measures for equity exposure).

b. Retail Exposure

Fiscal 2006 (Ended March 31, 2007)

Details on PD, LGD, RW and EAD On-Balance Sheet Assets

(Billions of yen)

Type of exposure	PD less than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	0.37%	40.87%	28%	396
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	1.05%	40.43%	45%	104

(Billions of yen)

Type of exposure	PD less than 100% but equal to or greater than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	20.31%	39.84%	323%	17
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	17.13%	40.11%	169%	6

(Billions of yen)

Type of exposure	PD less than 100%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	1.21%	40.82%	40%	413
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	1.94%	40.41%	52%	110
Subtotal	1.36%	40.74%	43%	524

(Billions of yen)

Type of exposure	PD = 100%				
	Weighted-average PD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	100.00%	78.17%	72.38%	977%	8
Qualifying revolving retail exposure	—	—	—	—	—
Other retail exposure	100.00%	46.30%	43.62%	579%	2

(Billions of yen)

Type of exposure	Total					
	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	3.22%	40.82%	78.17%	72.38%	59%	422
Qualifying revolving retail exposure	—	—	—	—	—	—
Other retail exposure	4.30%	40.41%	46.30%	43.62%	64%	113
Subtotal	3.45%	40.74%	70.50%	65.46%	60%	535

Details on PD, LGD, RW and EAD Off-Balance Sheet Assets

(Billions of yen)

Type of exposure	PD less than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	1.76%	53.53%	78%	4

(Billions of yen)

Type of exposure	PD less than 100% but equal to or greater than 10%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	48.60%	48.68%	393%	0

(Billions of yen)

Type of exposure	PD less than 100%			
	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—
Other retail exposure	2.21%	53.48%	81%	4
Subtotal	2.21%	53.48%	81%	4

(Billions of yen)

Type of exposure	PD = 100%				
	Weighted-average PD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—	—
Other retail exposure	100.00%	93.65%	81.99%	1,171%	0

(Billions of yen)

Type of exposure	Total					
	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD
Retail exposure secured by residential properties	—	—	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—	—	—
Other retail exposure	6.17%	53.48%	93.65%	81.99%	125%	5
Total	6.17%	53.48%	93.65%	81.99%	125%	5

Notes: 1. Most of the retail exposure held by the Bank as of March 31, 2007, was related to purchased retail receivables. Since these assets are subject to investment funds, in view of the need to appropriately disclose the content of results of the estimate of parameters related to retail exposure, investment funds have been included in the quantitative disclosure of these items.

2. Risk weights are equivalent to the total of the risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

3. For assets for which the PD is 100%, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).

4. As of March 31, 2007, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

c. Actual Losses on Exposure to Corporate, Sovereign, Bank and Retail

Actual Losses for the Previous Period, Comparison with the Year before Last Results and Analysis of Causes

(Billions of yen)

Type of exposure	As of March 31, 2007
Corporate exposure	20
Sovereign exposure	—
Bank exposure	—
Equity exposure subject to PD/LGD approach	0
Retail exposure secured by residential properties	—
Qualifying revolving retail exposure	—
Other retail exposure	0

Notes: 1. Giving due consideration to the accuracy of information disclosure, the Bank will include year-to-year comparison data for actual losses, past results and analysis of causes beginning for the year following the year ended March 31, 2007, when the Basel II went into effect. Comparison data are, therefore, scheduled to be disclosed starting with the year ending March 31, 2008.

2. Actual losses are defined as losses due to direct write-offs, partial direct write-offs, general reserves for possible loan losses and loan sales of exposure that defaulted up to the end of the previous period.

Estimated Losses Depend on Historical Long-Term Results, Comparison with Actual Losses

(Billions of yen)

Type of exposure	As of March 31, 2007	
	Estimated losses	Actual losses
Corporate exposure	27	20
Sovereign exposure	1	—
Bank exposure	0	—
Equity exposure subject to PD/LGD approach	0	0
Retail exposure secured by residential properties	1	—
Qualifying revolving retail exposure	—	—
Other retail exposure	0	0

Notes: 1. In consideration of the accuracy of information disclosure, comparisons of estimated and actual long-term losses for 10 years accumulatively are scheduled to be disclosed from the year following the application of the Basel II (the year ending March 31, 2007).

2. The scope of actual and estimated losses includes the following accounts on balance sheet: loans, foreign exchange, accrued interests in other assets, suspense payable and customers' liabilities for acceptances and guarantees as well as securities without quoted market values, money trusts without quoted market values, and monetary claims purchased.

3. Most of the retail exposure held by the Bank as of March 31, 2007, was related to purchased retail receivables. Since these assets are subject to risk-weighted assets for investment funds, in view of the need to appropriately disclose the content of results of the estimate of parameters related to retail exposure, in the quantitative disclosure of these items, such assets have been included as funds.

d. Exposure to Specialized Lending Products Subject to Supervisory Slotting Criteria by RW

Amount of Specialized Lending Exposure Subject to Supervisory Slotting Criteria by RW

(Billions of yen)

Classification	As of March 31, 2007
Specialized Lending exposure subject to supervisory slotting criteria	956
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	855
Risk weight of 50%	49
Risk weight of 70%	539
Risk weight of 90%	187
Risk weight of 115%	18
Risk weight of 250%	15
Risk weight of 0% (default)	45
High-Volatility Commercial Real Estate (HVCRE)	100
Risk weight of 70%	0
Risk weight of 95%	19
Risk weight of 120%	60
Risk weight of 140%	—
Risk weight of 250%	20
Risk weight of 0% (default)	—

Notes: 1. "Specialized Lending" refers to loans for Project Finance (PF), Object Finance (OF), Commodity Finance (CF) and Income-Producing Real Estate (IPRE) (as defined in the Notification Regarding Capital Adequacy, Article 1-1-41).

2. "High-Volatility Commercial Real Estate (HVCRE)" refers to loans that are the financing of commercial real estate that exhibits higher rate of loss volatility compared to other types of Specialized Lending, as specified in the Notification Regarding Capital Adequacy, Article 1-1-43.

3. "Specialized Lending exposure subject to supervisory slotting criteria" refers to the amounts of Specialized Lending, which are subject to the Bank's internal rating system and have been allotted to the risk asset classifications given in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5, after taking account of risk weights.

4. For risk weights, the Bank has applied the stipulations contained in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5.

e. Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach by RW

Amount of Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach

(Billions of yen)

Classification	As of March 31, 2007
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	79
Risk weight of 300%	—
Risk weight of 400%	79

Note: The "simple risk-weighted method of the market-based approach by RW" is a method for computing the amount of risk-weighted assets of equity and other investments. Under this method, the market value of listed stocks is multiplied by a risk weight of 300%, and the estimated value of unlisted stocks is multiplied by a risk weight of 400% (Notification Regarding Capital Adequacy, Article 143-4).

(4) EXPOSURE SUBJECT TO STANDARDIZED APPROACH BY RW

Amount of Exposure Subject to Standardized Approach

(Billions of yen)

Classification	As of March 31, 2007
Exposure subject to Standardized Approach	6
Risk weight of 0%	—
Risk weight of 10%	—
Risk weight of 20%	—
Risk weight of 35%	—
Risk weight of 50%	—
Risk weight of 75%	—
Risk weight of 100%	6
Risk weight of 150%	—
Risk weight of more than 150%	—
Amount deducted from capital	—

Note: For exposure computed by the Standardized Approach, the Bank does not refer to external ratings in applying risk weights in any case.

4. Items for the Methods of Credit Risk Mitigation Techniques (Non-Consolidated)

Amount of Exposure Subject to Credit Risk Mitigation Techniques (Eligible Financial Collateral, Other Eligible IRB Collateral)

(Billions of yen)

Classification	As of March 31, 2007
Foundation Internal Ratings-Based Approach	7,368
Eligible financial collateral	7,368
Corporate exposure	825
Sovereign exposure	—
Bank exposure	6,543
Other eligible IRB collateral	—
Corporate exposure	—
Sovereign exposure	—
Bank exposure	—
Standardized Approach	—
Eligible financial collateral	—

Notes: 1. The amount of exposure for which credit risk mitigation techniques have been used is limited to the portion for which such effects have been taken into account.
2. Exposure that is subject to treatment as credit risk exposure is not included.

Amount of Exposure Subject to Credit Risk Mitigation Techniques (Guarantees, Credit Derivatives)

(Billions of yen)

Classification	As of March 31, 2007
Foundation Internal Ratings-Based Approach	418
Corporate exposure	371
Sovereign exposure	47
Bank exposure	—
Retail exposure secured by residential properties	—
Qualifying revolving retail exposure	—
Other retail exposure	—
Standardized Approach	—

Notes: 1. The amount of exposure for which credit risk mitigation techniques have been used is limited to the portion for which such methods have been taken into account.
2. Exposure that is subject to treatment as credit risk exposure is not included.

5. Items for Counterparty Credit Risk in Derivative Transactions (Non-Consolidated)

■ Methods Used for Calculating Amount of Credit Exposure

The current exposure method is adopted.

Breakdown of the Amount of Credit Exposure

(Billions of yen)

Classification		As of March 31, 2007
Total gross replacement costs	(A)	124
Total gross add-ons	(B)	310
Gross credit exposure	(C) = (A)+(B)	434
Including, foreign exchange related		374
Including, interest rate related		57
Including, equity related		3
Amount of credit exposure before taking into account of credit risk mitigation techniques due to collateral	(D)	191
Reduction in credit exposure due to netting contracts	(C)–(D)	243

Amounts of Collateral by Type

In computing the capital adequacy ratio, the effect of the credit risk mitigation techniques due to collateral has not been taken into account.

Credit Exposure after Taking Account of the Effect of the Credit Risk Mitigation Techniques due to Acceptance of Collateral

In computing the capital adequacy ratio, the effect of the credit risk mitigation techniques due to collateral has not been taken into account.

Notional Principal Amount of Credit Derivatives Included in Computation of Credit Exposure

(Billions of yen)

Classification	As of March 31, 2007
To buy protection	—
To sell protection	—

Note: Credit derivatives included in risk-weighted assets for investment funds have not been taken into consideration.

Notional Principal Amount of Credit Derivatives Taking into Consideration the Effect of Credit Risk Mitigation Techniques

(Billions of yen)

Classification	As of March 31, 2007
Notional principal amount	—

Note: Under the stipulations of the Notification Regarding Capital Adequacy, Article 21-2 and Article 21-3, the amount of credit risk assets not computed has not been included.

6. Items for Securitization Exposure

The Amount of Underlying Assets Securitized by the Bank by Asset Type

As of March 31, 2007, the Bank has not been an originator for securitization exposure, having effects of credit risk mitigation.

Details of Securitization Exposure Held as Investor by Exposure Type

(Billions of yen)

Classification	As of March 31, 2007
Amount of securitization exposure	4,331
Business corporations	1,555
Individuals	1,708
Real estate	889
Other	177

Amount of Securitization Exposure Held as Investor and Regulatory Required Capital by Risk-Weighted Category

(Billions of yen)

Classification	As of March 31, 2007	
	Amount of exposure	Regulatory Required Capital
Amount of securitization exposure	4,331	115
Risk weight: 25% or less	3,746	39
Risk weight: 25.01% to 100.00%	529	27
Risk weight: 100.01% to 425%	8	1
Risk weight: 425.01% to 1,250%	3	2
Deductions from capital	44	44

Amount of Securitization Exposure that Was Deducted from Capital and Details by Exposure Type (Under the stipulations of the Notification Regarding Capital Adequacy, Article 224)

(Billions of yen)

Classification	As of March 31, 2007
Amount of securitized exposure deducted from capital	44
Business corporations	15
Individuals	—
Real estate	2
Other	26

Risk-Weighted Assets Computed through the Application of Appendix Article 15 of the Notification Regarding Capital Adequacy

Not applicable

7. Items for Market Risk (Non-Consolidated)

Computation of the Amount of Market Risk Using the Internal Models Approach

■ VaR

(Millions of yen)

	Fiscal 2006			
	Base date of computation	For the most recent 60 business days		
		Maximum	Minimum	Average
VaR	March 30, 2007	730	103	270

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2006
For the portion computed with the internal models approach (B)+(E)	(A)	810
Value at Risk (MAX (C, D))	(B)	810
Amount on base date of computation	(C)	105
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	810
Additional amount at the time of measuring individual risk	(E)	0
(Multiplier)	(F)	3.00
(Times exceeding VaR in back testing)	(G)	4

8. Items for Equity Exposure (Non-Consolidated)

(Includes items such as shares, excludes items in trading account)

Amounts on the Balance Sheet and Market Value

(Billions of yen)

Classification	As of March 31, 2007	
	Amounts on the balance sheet	Market value
Equity exposure	1,260	1,260
Exposure to publicly traded equity	1,051	1,051
Exposure to privately held equity	208	208

Notes: 1. No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately as specified in the Notification Regarding Capital Adequacy, Article 20-1-1.

2. Regarding "market value," equities with quoted market values are evaluated at market, and those without market values are valued using the total amounts entered in the balance sheet.

Amount of Gain (Loss) due to Sale or Write-Off

(Billions of yen)

Item	Fiscal 2006		
	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.
Equity exposure	32	8	0

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2007	
	Amount of valuation gain (loss) recognized on the balance sheet and not recognized in the statements of operations	Amount of valuation gain (loss) not recognized on the balance sheet nor the statements of operations
Equity exposure	330	—

Note: No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately as specified in the Notification Regarding Capital Adequacy, Article 20-1-1.

Amount Included in Supplementary Capital (Tier II) Under the Stipulations of the Notification Regarding Capital Adequacy, Article 18-1-1

(Billions of yen)

Item	As of March 31, 2007
Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 18-1-1	148

Note: "Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 18-1-1" is 45% of the total value of exposure to equity and other investments (excluding equities, etc., that are fund-raising instruments of other financial institutions that the Bank holds deliberately as specified in the Notification Regarding Capital Adequacy, Article 20-1-1) classified under other securities at market value minus the total book value of these securities.

Equity Exposure Subject to Treatment Under the Notification Regarding Capital Adequacy, Appendix Article 13

(Billions of yen)

Classification	As of March 31, 2007
	Amounts on the balance sheets
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	724
Corporate	682
Bank	37
Sovereign	4

Note: Appendix Article 13 of the Notification Regarding Capital Adequacy specifies provisional methods for calculating the value of credit risk assets in exposure to equity and other investments that meets certain specified standards.

9. Items for Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund (Non-Consolidated)

Amount of Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

(Billions of yen)

Classification	As of March 31, 2007	
	Exposure	(For reference) Weighted-average risk weight
Look-through approach	18,781	60%
Majority approach	1,032	350%
Mandate approach	—	—
Market-based approach	4,045	187%
Others (simple approach)	550	505%
Total	24,410	97%

Notes: 1. The "Look-through approach" is a method for computing the risk-weighted assets in funds by totaling the amount of risk-weighted assets for credit risk in individual asset categories. (Please refer to Notification Regarding Capital Adequacy, Article 144-1.)

2. The "Majority approach" is a method for computing the risk-weighted assets in funds by applying risk weight to the funds as well as equity exposure when the exposure of equity, in terms of value, is major in the funds. (Please refer to the Notification Regarding Capital Adequacy, Article 144-2.)

3. The "Mandate approach" is a method for computing the risk-weighted assets in funds where only the investment mandate of the fund is known. The risk-weighted assets are computed as follows: It is assumed that the fund first invests, to the maximum extent allowed under its mandate, in the asset classes attracting the highest capital requirement, and then continues making investments in descending order until the maximum total investment level is reached. (Please refer to the Notification Regarding Capital Adequacy, Article 144-3.)

4. The "Market-based approach" is a method for computing the credit risk of exposure regarded as credit risk assets using the Bank's internal model (which is a value-at-risk (VaR) model based on the historical simulation method). (Please refer to the Notification Regarding Capital Adequacy, Article 144-4.)

5. "Others (simple approach)" is a method for computing the risk-weighted assets in funds by applying a risk weight of 400%, when it is judged that the probability that the weighted-average risk weight will be less than 400%. In all other cases, a risk weight of 1,250% is applied to funds. (Please refer to the Notification Regarding Capital Adequacy, Article 144-5.)

6. The items "(For reference) Weighted-average risk weight" is computed as follows: calculating the total of the risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

10. Items for Interest-Rate Risk (Non-Consolidated)

(Interest-rate risk (excluding trading account) is the gain or loss from interest-rate shocks or the increase or decrease in economic value used for internal management purposes.)

Interest-Rate Risk Volume Computed with the Internal Model in Its Core Business Accounts (The Banking Accounts)

(Billions of yen)

Classification	As of March 31, 2007
Interest-rate risk	1,994
Yen interest-rate risk	131
U.S. dollar interest-rate risk	1,633
Euro interest-rate risk	203
Interest-rate risk in other currencies	26