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

Disclosure Regarding Capital Adequacy (Basel II Pillar III)

Basel II, applied from fiscal 2006 (ended March 31, 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," the Notification Regarding Basel II Pillar III Disclosure. The Bank makes qualitative disclosures (the original Japanese version of 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 (the original Japanese version of 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 disclosed 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 qualitative disclosure requirements under the Notification Regarding Basel II Pillar III disclosure, on a consolidated and non-consolidated basis, have been specified, such as explanations of the risk management policy, etc. However, 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 focused on accounting information, the Bank continues to enhance 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 on-balance sheet assets, subject to the credit risk, plus amounts (before credit risk mitigation) shown as the off-balance items, subject to credit risk.

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. 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 Regarding Capital Adequacy 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 exhaustively, the Bank makes certain adjustments, including the addition of the credit risk amounts corresponding to commitment lines, as off-balance items on the financial statements.

Risk Weights (RW)

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

EAD x RW (%) = Risk-weighted assets

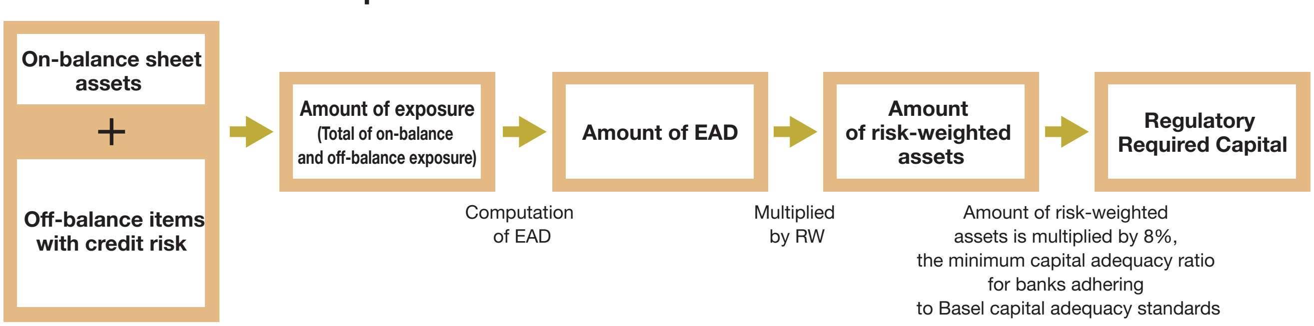
The Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB). RW may differ as the PD varies according to the grade of the internal credit rating.

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 exposure classification used under Basel II is as follows:

<table>
<tr><td rowspan="12">Assets subject to computation as risk-weighted assets for credit risk</td><td rowspan="12">Assets for which Internal Ratings-Based Approach (IRB) can be applied</td><td rowspan="10">Assets to which Internal Ratings-Based Approach (IRB) are applied</td><td rowspan="5">Corporate, sovereign and bank exposure</td><td rowspan="2"></td><td colspan="2">Sovereign exposure</td></tr>
<tr><td colspan="2">Bank exposure</td></tr>
<tr><td rowspan="3">Corporate exposure</td><td rowspan="2">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 fund (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 (goodwill, 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 Adequacy

Contents of principal capital items are described as follows.

<table>
<tr><th colspan="2">Items</th><th>Content of principal quantitative disclosure</th><th>Consolidated disclosure (Page)</th><th>Non-consolidated disclosure (Page)</th></tr>
<tr><td rowspan="2">Items related to composition of capital</td><td>Capital adequacy ratio</td><td>Detailed components of Tier I capital and Tier II capital</td><td>115</td><td>145</td></tr>
<tr><td>Explanation of computation of capital adequacy ratio</td><td>Scope of consolidation.</td><td>117</td><td>—</td></tr>
<tr><td colspan="2">Items relating to capital adequacy</td><td>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.</td><td>118</td><td>147</td></tr>
</table>

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, Risk-weighted asset calculation for investment fund and interest rate risk), which form the basis for the computation of the capital adequacy ratio. This section also describes factors that affect the risk profiles, such as credit risk mitigation.

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	119	148
	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	124	152
		Retail exposure	Details on PD, LGD, RW and EAD	127	154
		Actual losses, etc., on exposure to corporate, sovereign, bank and retail	Actual losses, long-term comparison between estimated losses and actual losses	129	156
		Exposure to Specialized Lending subject to supervisory slotting criteria	Amount of exposure by RW	130	157
		Equity exposure subject to the simple risk-weighted method	Amount of exposure by RW	130	157
	Exposure subject to Standardized Approach		Amount of exposure by RW	131	158
Items with respect to credit risk mitigation			Coverage/application of collateral, guarantees, etc.	132	159
Items related to counterparty risk in derivative transactions			Derivative transaction activity	135	160
Items related to securitization exposure			Details on securitization exposure	137	161
Items related to market risk			VaR and amount of market risk in trading account	140	163
Items related to equity exposure			Details of equity exposure those directly held	141	164
Items related to exposure subject to risk-weighted asset calculation for investment fund			Risk-weighted assets for investment fund	143	166
Items related to interest rate risk			Interest rate risk for internal management purposes	144	167

1. Capital Structure (Consolidated)

(1) 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, 2008 and 2007, was computed according to Basel II.

As of March 31

Items			Millions of yen		Millions of U.S. dollars
			2008	2007	**2008**
Tier I capital	Capital stock		**2,016,033**	1,484,017	**20,120**
	Included as non-cumulative, perpetual preferred stock		**24,999**	24,999	**249**
	Deposit for subscription to preferred stock		**—**	—	**—**
	Capital surplus		**25,020**	25,020	**249**
	Earned surplus		**1,372,019**	1,167,265	**13,692**
	Amount correspanding to the decrease in capital due to merger of subsidiaries		**—**	—	**—**
	Treasury stock		**—**	—	**—**
	Deposit for subscription to treasury stock		**—**	—	**—**
	Unrealized loss on other securities		**(296,724)**	—	**(2,961)**
	Foreign currency transaction adjustment		**(16)**	0	**(0)**
	Stock aquisition rights		**—**	—	**—**
	Minority interest of consolidated subsidiaries		**5,970**	5,692	**59**
	Including preferred securities issued by overseas special-purpose corporations		**—**	—	**—**
	Amount corresponding to operating rights		**—**	0	**—**
	Amount corresponding to consolidated adjustments		**—**	124	**—**
	Intangible assets aquired via business combination		**—**	—	**—**
	Goodwill and others		**—**	—	**—**
	Amount corresponding to the increase in capital due to securitization transactions		**—**	—	**—**
	Amount equivalent to 50% expected losses in excess of qualifying allowance		**81,416**	63,428	**812**
	Subtotal	(A)	**3,040,886**	2,618,442	**30,348**
	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		**—**	1,094,711	**—**
	45% of unrealized gains on land		**24,147**	32,788	**240**
	General reserve for possible loan losses		**34**	1,974	**0**
	Qualifying subordinated debt		**1,301,395**	1,458,629	**12,987**
	Included as perpetual subordinated bonds and loans		**963,700**	579,900	**9,617**
	Included as dated subordinated bonds, loans, and preferred stock		**337,695**	878,729	**3,370**
	Subtotal		**1,325,577**	2,588,103	**13,229**
	Tier II capital included as qualifying capital	(B)	**1,325,577**	2,588,103	**13,229**
Tier III capital	Short-term subordinated debt		**—**	—	**—**
	Including amount added to capital	(C)	**—**	—	**—**
Deductions	Deductions	(D)	**327,619**	412,290	**3,269**
Total Capital	(A)+(B)+(C)-(D)	(E)	**4,038,844**	4,794,256	**40,307**
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	**29,254,774**	33,170,062	**291,963**
	Including on-balance sheet		**27,235,216**	31,008,984	**271,808**
	Including off-balance sheet		**2,019,557**	2,161,078	**20,155**
	Assets equivalent to market risk	(G)	**2,076,684**	3,195,818	**20,725**
	(For reference: actual market risk volume)	(H)	**166,134**	255,665	**1,658**
	Amount corresponding to operational risk (J)/8%	(I)	**1,051,386**	954,137	**10,492**
	(For reference: amount corresponding to operational risk)	(J)	**84,110**	76,330	**839**
	Total risk-weighted assets (F)+(G)+(I)	(K)	**32,382,844**	37,320,017	**323,182**
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) x 100%			**12.47%**	12.84%	**12.47%**
Tier I ratio = (A)/(K) x 100%			**9.39%**	7.01%	**9.39%**
Consolidated required capital			**2,590,627**	2,985,601	**25,854**

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. Regarding the calculation of capital adequacy ratio, certain procedures were performed by Ernst & Yang ShinNihon pursuant to "Treatment of Inspection of Capital Ratio Calculation Framework Based on Agree-upon Procedures" (JICPA Industry Committee Report No. 30). It does not constitute a part of the audit on financial statements by law, but agree-upon procedures on internal control of capital adequacy calculation. Accordingly, Ernst & Young ShinNihon is not required to express its opinion on the Bank's capital adequacy.

3. 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.

4. 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)

5. 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.

(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 amounts of 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, 2008, the Bank had nine consolidated subsidiaries. The names and principal lines of business of the important 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, 2008, 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)

Regulatory Required Capital

(Billions of yen)

Items	As of March 31, 2008		As of March 31, 2007	
	EAD	Regulatory Required Capital	EAD	Regulatory Required EAD
Amount of regulatory required capital for credit risk	**73,707**	**2,728**	82,592	3,091
Exposure subject to Internal Ratings-Based Approach	**73,653**	**2,726**	82,269	3,077
Corporate exposure (excluding Specialized Lending)	**7,047**	**419**	7,637	411
Corporate exposure (Specialized Lending)	**742**	**71**	656	72
Sovereign exposure	**19,226**	**0**	26,972	0
Bank exposure	**14,291**	**111**	13,017	101
Retail exposure	**344**	**23**	5	0
Retail exposure secured by residential properties	**306**	**18**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**37**	**4**	5	0
Securitization exposure	**6,039**	**112**	4,318	115
Equity portfolios	**807**	**121**	1,202	185
Equity portfolios subject to PD/LGD approaches	**73**	**9**	82	24
Equity portfolios subject to simple risk-weighted method	**90**	**30**	78	26
Equities under the internal models approach	**162**	**40**	355	76
Grandfathered equity exposure	**480**	**40**	687	58
Exposure subject to risk-weighted asset calculation for investment fund	**24,621**	**1,840**	28,040	2,172
Other debt purchased	**83**	**2**	132	3
Other exposures	**451**	**24**	286	13
Exposure subject to Standardized Approach	**53**	**1**	323	14
Assets subject to Standardized Approach on a non-consolidated basis	**10**	**0**	6	0
Assets subject to Standardized Approach in consolidated companies (excluding securitization exposure)	**41**	**0**	317	13
Assets subject to Standardized Approach in consolidated companies (securitization exposure)	**2**	**0**	—	—
Amount of regulatory required capital for market risk	**/**	**166**	/	255
Standardized Approach	**/**	**165**	/	254
Interest rate risk category	**/**	**—**	/	0
Equity risk category	**/**	**—**	/	—
Foreign exchange risk category	**/**	**165**	/	254
Commodity risk categor	**/**	**—**	/	—
Option transactions	**/**	**—**	/	—
Internal models Approach	**/**	**0**	/	0
Amount of regulatory required capital for operational risk	**/**	**84**	/	76
Offsets on consolidation	**/**	**2,978**	/	3,423

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital

2. "Risk-weighted asset calculation for investment fund" is risk-weighted assets as calculated according to the method specified in Notification Regarding Capital Adequacy, Article 144.

3. Article 13 of the Notification Regarding Capital Adequacy contains a grand fathering provision for computing the amount of risk assets related to equity exposures that meet specified criteria.

4. 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 2007, ended March 31, 2008

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	12,472	9,404	88	4,906	26,872	214
Asia except Japan	70	27	9	1,528	1,635	—
Europe	113	3,224	485	3,148	6,972	1
The Americas	289	5,827	273	2,165	8,556	—
Other areas	30	19	3	0	54	—
Amounts held by consolidated subsidiaries	365	20	—	51	437	14
Total	13,342	18,525	860	11,800	44,528	231

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	592	132	0	0	725	14	—
Pulp and paper	210	34	0	0	245	4	—
Chemicals	527	118	0	0	646	12	—
Other manufacturing	912	145	0	0	1,059	13	3
Total for manufacturing	2,243	431	1	0	2,676	45	3
Agriculture, forestry and fishing	128	0	—	0	128	38	0
Construction	161	12	—	0	173	1	—
Utility	146	56	0	0	202	—	—
Information/telecommunications, transportation	771	132	2	0	906	13	—
Wholesaling, retailing	1,668	78	1	0	1,747	26	0
Services	1,300	57	0	1	1,359	48	2
Finance and insurance	1,552	5,416	854	10,682	18,452	4	—
Other non-manufacturing	5,003	12,320	0	1,119	18,442	39	—
Total for non-manufacturing	10,733	18,072	858	11,749	41,414	171	3
Amounts held by consolidated subsidiaries	365	20	—	51	437	14	2
Total	13,342	18,525	860	11,800	44,528	231	9

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, commit-ments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure
In 1 year	**9,448**	**452**	**146**	**9,688**	**19,735**
Over 1 year to 3 years	**1,659**	**2,468**	**708**	**—**	**4,837**
Over 3 years to 5 years	**1,155**	**2,991**	**0**	**57**	**4,205**
Over 5 years to 7 years	**337**	**1,218**	**0**	**3**	**1,560**
Over 7 years	**358**	**10,604**	**3**	**661**	**11,627**
No term to maturity	**17**	**769**	**—**	**1,337**	**2,124**
Amounts held by consolidated subsidiaries	**365**	**20**	**—**	**51**	**437**
Total	**13,342**	**18,525**	**860**	**11,800**	**44,528**

Notes: 1. The amount of credit exposure at the end of the period does not substantially differ from the average-risk position during fiscal 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 ¥53.7 billion.
4. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

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, commit-ments, 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 ¥335.1 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, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Japan	**84**	101	(16)
Asia except Japan	**—**	—	—
Europe	**1**	—	1
The Americas	**—**	4	(4)
Other areas	**—**	—	—
Amounts held by consolidated subsidiaries	**7**	6	0
Offsets on consolidation	**(4)**	(4)	0
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**129**	173	(43)

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, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Manufacturing:	**9**	11	(1)
Food products	**6**	6	(0)
Pulp and paper	**1**	1	0
Chemicals	**—**	—	—
Other manufacturing	**2**	2	(0)
Non-manufacturing	**76**	94	(17)
Agriculture, forestry and fishing	**19**	14	4
Construction	**0**	0	0
Utility	**—**	—	—
Information/telecommunications, transportation	**9**	10	(0)
Wholesaling, retailing	**17**	27	(10)
Services	**14**	21	(6)
Finance and insurance	**0**	20	(19)
Other non-manufacturing	**15**	0	15
Others	**—**	—	—
Amount held by consolidated subsidiaries	**7**	6	0
Offsets on consolidation	**(4)**	(4)	0
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**129**	173	(43)

(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.

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 Rating Procedure

Assigning internal ratings to the obligor of corporate exposure follows the procedure as follows. The front sections prepare a draft proposal for the internal ratings. The draft proposal is then reviewed and decided by a credit risk management division. Specifically, this process is in accordance with manuals prepared for various types of exposure by corporate, sovereign, bank and Specialized Lending.

Work Flow for Assigning Internal Ratings

All the latest, relevant and important information that can be obtained is taken into consideration when internal ratings are assigned. In addition, internal 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 affect internal 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 thoroughly, supplementary assessments are made.
3	Qualitative assessments	When there are important matters related to the assessment of creditworthiness, that may not be captured 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 ceiling 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 rating from credit rating agencies and trends in stock prices and other indicators that have not been factored into 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 internal 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

Internal ratings are assigned to equity exposure, according to the same process as in assigning ratings to corporate exposure.

■ 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 internal ratings is divided into four classifications: resident corporate, non-resident corporate, sovereign and bank. The methods for estimating these probabilities of default are (a) the internal default experience method: the Bank estimates probability of default based on the long-term averaged default rate for each rating grade and (b) mapping technique: the Bank maps internal grades to the scale used by a credit rating agency and then attributes the default rate of that agency 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 2007 (Ended March 31, 2008)

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD		
					EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure	4.05%	38.93%	74%	7,047	5,099	1,947
1-1 to 4	0.16%	37.14%	28%	5,337	3,542	1,794
5 to 7	1.69%	44.49%	110%	1,101	994	107
8-1 to 8-2	19.21%	44.63%	353%	432	391	41
Subtotal	1.60%	38.79%	62%	6,871	4,928	1,943
8-3 to 10-2	100.00%	44.72%	560%	175	171	3
Sovereign Exposure	0.00%	46.15%	0%	19,226	18,131	1,094
1-1 to 4	0.00%	46.15%	0%	19,225	18,131	1,094
5 to 7	7.78%	45.00%	218%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	46.15%	0%	19,226	18,131	1,094
8-3 to 10-2	—	—	—	—	—	—
Bank Exposure	0.05%	25.74%	10%	14,291	6,737	7,554
1-1 to 4	0.04%	25.71%	9%	14,263	6,716	7,546
5 to 7	2.50%	45.00%	157%	16	10	6
8-1 to 8-2	7.07%	27.86%	142%	10	10	0
Subtotal	0.04%	25.74%	10%	14,290	6,736	7,554
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	0.34%	90.00%	165%	73	73	—
1-1 to 4	0.18%	90.00%	156%	69	69	—
5 to 7	2.06%	90.00%	304%	3	3	—
8-1 to 8-2	19.91%	90.00%	783%	0	0	—
Subtotal	0.34%	90.00%	165%	73	73	—
8-3 to 10-2	—	—	—	—	—	—

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. "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).

Fiscal 2006 (Ended March 31, 2007)

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD		
					EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure	4.17%	40.07%	67%	7,637	5,780	1,856
1-1 to 4	0.14%	38.85%	28%	5,999	4,302	1,697
5 to 7	1.80%	44.64%	115%	1,168	1,032	136
8-1 to 8-2	16.88%	43.96%	329%	215	202	13
Subtotal	0.89%	39.92%	51%	7,384	5,537	1,847
8-3 to 10-2	100.00%	44.39%	558%	252	243	9
Sovereign Exposure	0.00%	45.82%	0%	26,972	26,229	742
1-1 to 4	0.00%	45.82%	0%	26,971	26,229	742
5 to 7	7.78%	45.00%	226%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	45.82%	0%	26,972	26,229	742
8-3 to 10-2	100.00%	45.00%	562%	0	0	—
Bank Exposure	0.05%	20.16%	10%	13,017	5,372	7,644
1-1 to 4	0.04%	20.11%	9%	12,980	5,342	7,638
5 to 7	2.07%	45.00%	138%	27	21	5
8-1 to 8-2	7.07%	16.61%	87%	8	8	0
Subtotal	0.05%	20.16%	10%	13,016	5,372	7,644
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	13.97%	90.00%	368%	82	82	—
1-1 to 4	0.08%	90.00%	205%	63	63	—
5 to 7	0.84%	90.00%	255%	0	0	—
8-1 to 8-2	17.24%	90.00%	738%	7	7	—
Subtotal	1.87%	90.00%	261%	71	71	—
8-3 to 10-2	100.00%	90.00%	1,125%	10	10	—

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. "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 data. LGD is also estimated by reviewing our internal actual loss and recovery data. EAD is supposed to be the end balance, since the Bank has no exposure for revolving products.

As for the weighted average risk weight of the Retail exposure, as for 71%, the weighted average risk weight of the other retail exposure, 119%, the weighted average risk weight in the whole retail exposure become 75%.

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 2007 (Ended March 31, 2008)
Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	2.88%	49.01%	89.15%	82.61%	71%	680	518	161
Not default Not delinquent	0.45%	49.03%	/	/	41%	647	486	160
Not default Delinquent	24.12%	48.54%	/	/	427%	20	20	0
Not default Subtotal	1.18%	49.01%	/	/	53%	668	507	161
Default	100.00%	/	89.15%	82.61%	1,114%	11	11	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	7.49%	57.03%	73.66%	67.25%	119%	66	58	7
Not default Not delinquent	1.23%	57.20%	/	/	64%	60	52	7
Not default Delinquent	20.96%	52.66%	/	/	260%	2	2	0
Not default Subtotal	1.96%	57.03%	/	/	71%	62	55	7
Default	100.00%	/	73.66%	67.25%	921%	3	3	0
Total	3.29%	49.73%	85.39%	78.89%	75%	746	577	169
Not default Not delinquent	0.52%	49.72%	/	/	43%	708	539	168
Not default Delinquent	23.80%	48.96%	/	/	410%	22	22	0
Not default Subtotal	1.25%	49.70%	/	/	54%	731	562	168
Default	100.00%	/	85.39%	78.89%	1,067%	15	15	0

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.
2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.
3. 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).
4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).
5. As of March 31, 2008, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

Fiscal 2006 (Ended March 31, 2007)

Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	3.22%	40.82%	78.17%	72.38%	59%	422	422	—
Not default Not delinquent	0.37%	40.87%	/	/	28%	396	396	—
Not default Delinquent	20.31%	39.84%	/	/	323%	17	17	—
Not default Subtotal	1.21%	40.82%	/	/	40%	413	413	—
Default	100.00%	/	78.17%	72.38%	977%	8	8	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	4.38%	40.97%	49.65%	46.32%	67%	118	113	5
Not default Not delinquent	1.39%	40.98%	/	/	48%	111	106	4
Not default Delinquent	17.56%	40.76%	/	/	174%	3	3	—
Not default Subtotal	1.96%	40.97%	/	/	53%	115	110	4
Default	100.00%	/	49.65%	46.32%	621%	2	2	0
Total	3.47%	40.86%	70.92%	65.76%	61%	540	535	5
Not default Not delinquent	0.60%	40.89%	/	/	32%	507	502	4
Not default Delinquent	19.80%	40.01%	/	/	295%	21	21	0
Not default Subtotal	1.37%	40.86%	/	/	43%	529	524	4
Default	100.00%	/	70.92%	65.76%	886%	11	11	0

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.

2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.

3. 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).

4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default)

5. 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 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, 2008	As of March 31, 2007	Increase/(decrease)
Corporate exposure	**7**	18	(11)
Sovereign exposure	**—**	—	—
Bank exposure	**—**	—	—
Equity exposure subject to PD/LGD approach	**0**	0	(0)
Retail exposure secured by residential properties	**0**	—	0
Qualifying revolving retail exposure	**—**	—	—
Other retail exposure	**0**	0	0

Note: 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, 2008		As of March 31, 2007	
	Estimated losses	Actual losses	Estimated losses	Actual losses
Corporate exposure	**29**	**7**	27	18
Sovereign exposure	**1**	**—**	1	—
Bank exposure	**0**	**—**	0	—
Equity exposure subject to PD/LGD approach	**1**	**0**	0	0
Retail exposure secured by residential properties	**1**	**0**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**0**	**0**	0	0

Notes: 1. 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. Estimated losses of each year are amount of expected losses.

Year-on-year comparison of actual losses and factor analysis of difference between estimated losses and actual losses

For fiscal 2007 (ended March 31, 2008) the actual loss amount substantially declined year-on-year due to a decrease in losses arising from defaults by corporate borrowers.

Actual loss amounts have remained at levels generally below the estimated losses at the beginning of the term, both for fiscal 2007 and 2006.

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, 2008**	As of March 31, 2007
Specialized Lending exposure subject to supervisory slotting criteria	**917**	956
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	**742**	855
Risk weight of 50%	**117**	49
Risk weight of 70%	**419**	539
Risk weight of 90%	**151**	187
Risk weight of 115%	**12**	18
Risk weight of 250%	**0**	15
Risk weight of 0% (default)	**41**	45
High-Volatility Commercial Real Estate (HVCRE)	**174**	100
Risk weight of 70%	**41**	0
Risk weight of 95%	**69**	19
Risk weight of 120%	**10**	60
Risk weight of 140%	**42**	—
Risk weight of 250%	**11**	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, 2008**	As of March 31, 2007
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	**92**	79
Risk weight of 300%	**—**	—
Risk weight of 400%	**92**	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 RISK WEIGHT

Outline

The Bank employs its internal rating approach 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 applies the Standardized Approach and does not plan to apply the IRB Approach.

- The on-balance sheet assets and off-balance sheet items of its consolidated subsidiaries, with the exception of Kyodo Housing Loan Co., Ltd.
- The following assets 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 has adopted the Foundation Internal Ratings-Based Approach (F-IRB) from March 31, 2008.

The Bank uses the ratings of five qualified credit 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 past due exposure for three months or more), 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, 2008		As of March 31, 2007	
	Exposure	Refer to ECAI	Exposure	Refer to ECAI
Exposure subject to Standardized Approach	**53**	**—**	335	—
Risk weight of 0%	**14**	**—**	19	—
Risk weight of 10%	**—**	**—**	5	—
Risk weight of 20%	**21**	**—**	13	—
Risk weight of 35%	**—**	**—**	143	—
Risk weight of 50%	**1**	**1**	0	—
Risk weight of 75%	**—**	**—**	66	—
Risk weight of 100%	**14**	**—**	74	—
Risk weight of 150%	**—**	**—**	0	—
Amount deducted from capital	**—**	**—**	—	—
Others	**1**	**—**	0	—

Notes: 1. Others are including risk weight to measure credit risk asset by look-through approach and the assets which are more than 150% risk weight.
2. 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 normal 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 applies in which collateral evaluation methods to avoid a situation actual recoveries from collateral are 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, assessments 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 for possible loan losses. 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 assigns internal ratings. After assessing a guarantor's creditworthiness, the Bank determines the value the Bank applies 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, and corporates with high credit ratings. Note that no transactions have been made 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 consider 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 pledge as collateral as a means of mitigating credit risk.

Legally Binding Netting Contracts for Derivatives and Repo-Style Transactions

The Bank considers legally binding bilateral netting contracts for derivatives as a means of mitigating credit risk.

The Bank has a policy of entering into derivative transactions, in principle, only with counterparties with legally binding netting contracts.

In its administration of legally binding netting contracts, the Bank confirms the scope of transactions as and when necessary.

Also, the Bank calculates the amount of credit risk exposure regarding transactions made under the International Swap and Derivatives Association (ISDA) Master Agreement as transactions under legally binding netting agreements.

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

■ Information about (Market or Credit) Risk Concentrations arising from Credit Risk Mitigations

For exposure where the credit risk has been transferred from the party being guaranteed to the party making the guarantee, as a result of credit risk mitigation techniques, the Bank monitors whether there are concentrations of credit risk, and manages this exposure accordingly. Regarding market risk, there is no exposure of 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, Guarantees, Credit Derivatives)

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Foundation Internal Ratings-Based Approach	**6,557**	7,786
Eligible financial collateral	**6,263**	7,368
Corporate exposure	**926**	825
Sovereign exposure	**—**	—
Bank exposure	**5,337**	6,543
Other eligible IRB collateral	**—**	—
Corporate exposure	**—**	—
Sovereign exposure	**—**	—
Bank exposure	**—**	—
Guarantees, credit derivatives	**293**	418
Corporate exposure	**260**	371
Sovereign exposure	**33**	47
Bank exposure	**—**	—
Retail exposure secured by residential properties	**—**	—
Qualifying revolving retail exposure	**—**	—
Other retail exposure	**—**	—
Standardized Approach	**—**	—
Eligible financial collateral	**—**	—
Guarantees, Credit Derivatives	**—**	—

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.

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 with a Long Settlement Period

■ 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 according to the creditworthiness of the counterparty. The Bank sets a ceiling on unsecured exposure to financial institution groups according to the Bank's internal ratings and sectors of those groups. The Bank manages its total unsecured exposure to such groups, including the credit risk amount in derivative transactions, within the ceiling. This ceiling system 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 entity within the group and by type of transaction (such as derivatives, loans, money market transactions). Exposures are managed so as not to exceed risk limits, including derivative transactions. Note that under the bank ceiling system, the exposure amounts of derivatives to be managed are included in "replacement costs," one component of current exposure in the BIS framework. The ceiling on unsecured exposure, by internal rating and sector, is approved by the Bank's Credit Committee, including the member of the board in charge of risk management as a member of the committee. When the internal rating of the financial institution counterparty is downgraded due to a decline in creditworthiness, the ceiling may be automatically lowered. Compliance with the ceiling is monitored on a daily basis by the Risk Monitoring Division. 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 relevant divisions consider and implement countermeasures. However, when prompt action is required, discussion with the relevant divisions is waived, and the Credit Risk Management Division exercises its authority to take measures immediately, such as ordering the front section to suspend all new transactions.

■ Policy for Calculating the Value of Collateral as Security for Claims and Reserve for Possible Loan Losses

For derivative transactions, the Bank has concluded a Credit Support Annex (CSA) with its major counterparty among financial institutions. In some cases, the Bank receives collateral from these financial institution counterparties. The collateral to be used differs according to the condition of the CSA, but it mainly consists of Japanese government bonds (JGBs), yen cash, U.S. Treasury bonds, and U.S. dollar cash. Regarding replacement costs, the Bank conducts self-assessment exercises and makes provisions to reserves for possible loan losses against possible replacement costs according to the internal rating of the financial institution counterparty.

■ 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. If the Bank's credit rating declines, it will be required to provide collateral in accordance with 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 constantly monitors the level of these assets. 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, 2008	As of March 31, 2007
Total gross replacement costs (limited to items with a value of greater than zero)	(A)	**994**	124
Total gross add-ons	(B)	**517**	310
Gross credit exposure	(C) = (A)+(B)	**1,512**	434
Including, foreign exchange related		**1,450**	374
Including, interest rate related		**54**	57
Including, equity related		**3**	3
Including, credit derivatives		**3**	—
Amount of credit exposure before taking into account credit risk mitigation techniques due to collateral	(D)	**180**	191
Reduction in credit exposure due to netting contracts	(C)–(D)	**1,331**	243
Amount of collateral		**0**	0
Including eligible financial collateral		**0**	0
Amount of credit exposure after taking into account credit risk mitigation techniques du to collateral		**1,331**	243

Notes: 1. Derivatives transactions included in risk-weighted assets calculation for investment funds are not included.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 56-1, the amount of credit exposure not computed has not been included.

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

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
To buy protection	**—**	—
Including credit default swaps	**—**	—
To sell protection	**79**	—
Including credit default swaps	**79**	—
Notional principal amount of credit derivatives taking into consideration the effect of credit risk mitigation techniques	**—**	—

Notes: 1. Credit derivatives included in risk-weighted assets for investment funds have not been taken into consideration.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 10 and Article 56, the amount of credit risk assets not computed has not been included.

6. Items for Securitization Exposure (Consolidated)

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 have a certain type of assets as the underlying assets and make it possible to effectively and efficiently mitigate and acquire credit risk and other forms of risk. Transactions in the market for securitized instruments have expanded in recent years. While conducting appropriate risk management, the Bank also has a policy of continuously investing in these instruments.

The Bank invests in securitization exposure as part of its policy of effectively generating earnings, globally and from credit to individuals and corporates as underlying assets. 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 has established the risk management infrastructure such as credit ceiling, internal rating, self-assessment, and economic capital allocation. Risk management of securitized instruments mainly consists of the cycle of investment policy setting, execution, and monitoring.

In view of the risk profiles of securitization exposure, the Bank sets limits on investment by credit rating. 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. The Bank monitors the credit condition of these investment products on a continuous basis and conducts analysis and assessment of market environments, including changes in underlying assets for securitization exposure. Regarding its securitization exposure, the Bank appropriately calculates the amounts of credit risk assets based on the Notifications of the financial authorities. 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, 2008, 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 applying the “Ratings-Based Approach (RBA),” “Supervisory Formula (SF)” and “deduction from capital.”

The Bank’s accounting treatments for securitized instruments are based on the “Accounting Standards for Financial Products” and “Practical Guidelines for Accounting for Financial Products.”

To determine risk weights assigned 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.

Detail of Securitization Exposure Held as Originator

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Total amount of underlying assets	**—**	—
Amounts of securitization exposure	**—**	—
Increase in capital due to securitization transactions	**—**	—
Deducted from capital	**—**	—
Amounts of securitized exposure	**—**	—
Gains (losses) on sales of securitization transactions	**—**	—

As of March 31, 2008, 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, 2008	
	Amount of exposure	Deductions from capital
Total amount of securitization exposure	**6,042**	**23**
Individuals		
Asset-Backed Securities (ABS)	**1,841**	**—**
Residential Mortgage-Backed Securities (RMBS)	**847**	**1**
Real estate		
Commercial Mortgage-Backed Securities (CMBS)	**751**	**—**
Corporates		
Subtotal of CDOs (CLO, ABS-CDO, CBO)	**2,515**	**0**
Collateralized Loan Obligations (CLO)	**1,997**	**—**
Asset-Backed Securities CDOs (ABS-CDO)	**412**	**0**
Collateralized Bond Obligations (CBO)	**105**	**—**
Others	**86**	**21**

(Billions of yen)

Classification	As of March 31, 2007	
	Amount of exposure	Deductions from capital
Amount of securitization exposure	4,331	44
Corporates	1,555	15
Individuals	1,708	—
Real estate	889	2
Other	177	26

Note: "Deduction from capital" is equity exposure deducted from capital under Article 224 of the Notification Regarding Capital Adequacy.

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

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amount of exposure	Regulatory Required Capital	Amount of exposure	Regulatory Required Capital
Amount of securitization exposure	**6,042**	**112**	4,331	115
Risk weight: 20% or less	**5,441**	**48**	3,606	36
Risk weight: exceeding 20% to 50% or less	**249**	**7**	377	10
Risk weight: exceeding 50% to 100% or less	**266**	**18**	291	20
Risk weight: exceeding 100% to 250% or less	**48**	**9**	7	1
Risk weight: exceeding 250% to less than 1,250%	**13**	**6**	4	2
Deductions from capital	**23**	**23**	44	44

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 applies 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 applied 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. The scope is the same on a consolidated and non-consolidated basis. 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-covariance matrix
(2) Holding period: 10 business days
(3) Confidence interval: Computations assume a standard normal distribution, a 99th percentile, one-tailed confidence interval. (Computed for a holding period of one business day by multiplying by the square root of 10)

■ VaR

(Millions of yen)

	Fiscal 2007	Fiscal 2006
Base date of computation	**2008. 3. 31**	2007. 3. 30
VaR (For the most recent 60 business days)		
Base date of computation	**170**	105
Maximum	**532**	730
Minimum	**137**	103
Average	**252**	270

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2007	Fiscal 2006
For the portion computed with the internal models approach (B)+(E)	(A)	**859**	810
Value at Risk (MAX (C, D))	(B)	**859**	810
Amount on base date of computation	(C)	**170**	105
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	**859**	810
Additional amount at the time of measuring individual risk	(E)	**0**	0
(Multiplier)	(F)	**3.4**	3.0
(Times exceeding VaR in back testing)	(G)	**5**	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 other securities 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 Regarding Capital Adequacy. However for internal management purposes, the Bank conducts integrated risk management within its economic capital management framework, as described in "Norinchukin Risk Management."

■ Equities Classified as Other Securities

Risk management of equities classified as other securities 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 can 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 valued at cost, determined by the moving average method. Exposure to equity and other investments classified in other securities is valued at the market value prevailing on the date of the closing of accounts, in the case of equities with quoted market values (with book values mainly determined by the moving average method). Equities without market values are valued at cost, determined by the 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 Approach

The Bank applies the PD/LGD approach to calculation of risk-weighted assets for equity exposures, and the simple risk-weight method and internal model method for calculation under the market-based approach.

Amounts on the Balance Sheet and Market Value

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amounts on the balance sheet	Market value	Amounts on the balance sheet	Market value
Equity exposure	**825**	**825**	1,198	1,198
Exposure to publicly traded equity	**650**	**650**	1,051	1,051
Exposure to privately held equity	**175**	**175**	147	147

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 2007			Fiscal 2006		
	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.
Equity exposure	**53**	**0**	**72**	32	8	0

Note: Amounts reflect relevant figures posted in the consolidated income statements

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2008	As of March 31, 2007
Amount of valuation gain (loss) recognized on the balance sheet and not recognized in the statements of operations	**174**	330

Notes: 1. Exposure is to equity shares issued by both domestic and overseas companies.
2. 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.

Unrealized Gains (Losses) Not Recognized on Consolidated Balance Sheets or Consolidated Statements of Income

Not applicable

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, 2008	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, 2008	As of March 31, 2007
	Amounts on the balance sheets	Amounts on the balance sheets
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	**495**	687
Corporate	**480**	664
Bank	**9**	17
Sovereign	**5**	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 to the asset classes. An outline is provided in the section Norinchukin Risk Management. In addition to direct investment, the Bank allocates investments to funds. Relevant procedures are described in "Policies and Procedures for Management of Fund Investments." Risk is managed by applying methods appropriate for various asset categories. When these assets are entrusted with managers, the Bank conducts through due-diligence, including on 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 for manager 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 continuous basis to assess whether to continue or replace individual managers.

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

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Exposure	**(For reference) Weighted-average risk weight**	Exposure	(For reference) Weighted-average risk weight
Look-through approach	**17,608**	**64%**	18,786	60%
Majority approach	**861**	**365%**	1,027	349%
Mandate approach	**—**	**—**	—	—
Market-based approach	**2,873**	**184%**	4,045	187%
Others (simple approach)	**381**	**459%**	550	505%
Total	**21,725**	**94%**	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 described in the Norinchukin Risk Management section, in its economic capital management, which is the core of the Bank's risk management framework, the principal business model is the globally diversified investments. Accordingly, the Bank manages risk by taking into account correlation among or within asset classes, principally bonds, equities, credit assets, 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. The Bank manages interest-rate risk in the banking book through a framework to properly capture the impact from interest-rate risk arising from various factors.

Combining this type of interest-rate risk management with the management of other major risks, the Bank has established checkpoints for application of its Internal Capital Adequacy Assessment Process (ICAAP). By conducting sets of stress testing and implementing other measures, the Bank always ensures the proper operation of risk management at all times, from the point of view of the assessment of capital adequacy as well.

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

As mentioned in the previous section, the core of the Bank's risk management activities is economic capital management. The Bank measures the risk of its securities portfolio on a daily basis. In the banking book, the Bank's internal rule applies one year holding period and five year historical observation period as criteria for interest-rate risk volatility measurements. The Bank calculates the declines in economic value on a monthly basis by taking the first and 99th percentile risk measure. Note that in principle, these measurements 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, 2008**	As of March 31, 2007
Interest-rate risk	**1,290**	1,994
Yen interest-rate risk	**(62)**	131
U.S. dollar interest-rate risk	**1,214**	1,633
Euro interest-rate risk	**114**	203
Interest-rate risk in other currencies	**23**	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.

1. Capital Structure (Non-Consolidated)

(1) 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, 2008 and 2007, was computed according to Basel II.

As of March 31

Items			Millions of yen		Millions of U.S. dollars
			2008	2007	2008
Tier I capital	Capital stock		2,016,033	1,484,017	20,120
	Included as non-cumulative, perpetual preferred stock		24,999	24,999	249
	Deposit for subscription to preferred stock		—	—	—
	Capital surplus		25,020	25,020	249
	Earned surplus		1,353,122	1,151,052	13,504
	Amount correspanding to the decrease in capital due to merger of subsidiaries		—	—	—
	Treasury stock		—	—	—
	Deposit for subscription to treasury stock		—	—	—
	Unrealized loss on other securities		(296,521)	—	(2,959)
	Foreign currency transaction adjustment		(16)	0	(0)
	Stock aquisition rights		—	—	—
	Amount corresponding to operating rights		—	—	—
	Goodwill and others		—	—	—
	Amount corresponding to the increase in capital due to securitization transactions		—	—	—
	Amount equivalent to 50% expected losses in excess of qualifying allowance		77,767	63,238	776
	Subtotal	(A)	3,019,870	2,596,852	30,138
	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		—	1,094,704	—
	45% of unrealized gains on land		24,147	32,788	240
	General reserve for possible loan losses		17	17	0
	Qualifying subordinated debt		1,301,395	1,458,629	12,987
	Included as perpetual subordinated bonds and loans		963,700	579,900	9,617
	Included as dated subordinated bonds, loans, and preferred stock		337,695	878,729	3,370
	Subtotal		1,325,560	2,586,139	13,229
	Tier II capital included as qualifying capital	(B)	1,325,560	2,586,139	13,229
Tier III capital	Short-term subordinated debt		—	—	—
	Including amount added to capital	(C)	—	—	—
Deductions	Deductions	(D)	304,516	397,749	3,039
Total Capital	(A)+(B)+(C)-(D)	(E)	4,040,915	4,785,242	40,328
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	29,096,583	33,121,173	290,385
	Including on-balance sheet		27,112,682	30,990,439	270,585
	Including off-balance sheet		1,983,900	2,130,734	19,799
	Assets equivalent to market risk	(G)	2,076,684	3,195,818	20,725
	(For reference: actual market risk volume)	(H)	166,134	255,665	1,658
	Amount corresponding to operational risk (J)/8%	(I)	1,024,690	932,154	10,226
	(For reference: amount corresponding to operational risk)	(J)	81,975	74,572	818
	Total risk-weighted assets (F)+(G)+(I)	(K)	32,197,957	37,249,145	321,336
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) x 100%			12.55%	12.84%	12.55%
Tier I ratio = (A)/(K) x 100%			9.37%	6.97%	9.37%
Non-Consolidated required capital			2,575,836	2,979,931	25,706

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. Regarding the calculation of capital adequacy ratio, certain procedures were performed by Ernst & Yang ShinNihon pursuant to "Treatment of Inspection of Capital Ratio Calculation Framework Based on Agree-upon Procedures" (JICPA Industry Committee Report No. 30). It does not constitute a part of the audit on financial statements by law, but agree-upon procedures on internal control of capital adequacy calculation. Accordingly, Ernst & Young ShinNihon is not required to express its opinion on the Bank's capital adequacy.

3. 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.

4. 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)

5. 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.

2. Items for Capital Adequacy (Non-Consolidated)

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

Regulatory Required Capital

(Billions of yen)

Items	As of March 31, 2008		As of March 31, 2007	
	EAD	Regulatory Required Capital	EAD	Regulatory Required EAD
Amount of regulatory required capital for credit risk	**73,492**	**2,704**	82,495	3,087
Exposure subject to Internal Ratings-Based Approach	**73,482**	**2,703**	82,489	3,087
Corporate exposure (excluding Specialized Lending)	**7,158**	**412**	7,800	413
Corporate exposure (Specialized Lending)	**742**	**71**	656	72
Sovereign exposure	**19,226**	**0**	26,972	0
Bank exposure	**14,290**	**111**	13,017	101
Retail exposure	**5**	**0**	5	0
Retail exposure secured by residential properties	**—**	**—**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**5**	**0**	5	0
Securitization exposure	**6,039**	**112**	4,318	115
Equity portfolios	**869**	**127**	1,258	193
Equity portfolios subject to PD/LGD approaches	**97**	**12**	100	28
Equity portfolios subject to simple risk-weighted method	**91**	**30**	78	26
Equities under the internal models approach	**162**	**40**	355	76
Grandfathered equity exposure	**518**	**43**	724	61
Exposure subject to risk-weighted asset calculation for investment fund	**24,619**	**1,839**	28,040	2,172
Other debt purchased	**83**	**2**	132	3
Other exposures	**447**	**24**	286	13
Exposure subject to Standardized Approach	**10**	**0**	6	0
Overdrafts	**0**	**0**	0	0
Prepaid expenses	**6**	**0**	3	0
Suspense payments	**3**	**0**	2	0
Other	**—**	**—**	0	0
Amount of regulatory required capital for market risk	**/**	**166**	/	255
Standardized Approach	**/**	**165**	/	254
Interest rate risk category	**/**	**—**	/	0
Equity risk category	**/**	**—**	/	—
Foreign exchange risk category	**/**	**165**	/	254
Commodity risk categor	**/**	**—**	/	—
Option transactions	**/**	**—**	/	—
Internal models Approach	**/**	**0**	/	0
Amount of regulatory required capital for operational risk	**/**	**81**	/	74
Offsets on consolidation	**/**	**2,952**	/	3,418

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital

2. "Risk-weighted asset calculation for investment fund" is risk-weighted assets as calculated according to the method specified in Notification Regarding Capital Adequacy, Article 144.

3. Article 13 of the Notification Regarding Capital Adequacy contains a grandfathering provision for computing the amount of risk assets related to equity exposures that meet specified criteria.

4. 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.)

(1) CREDIT RISK EXPOSURE

For Fiscal 2007, ended March 31, 2008

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	12,472	9,404	88	4,906	26,872	214
Asia except Japan	70	27	9	1,528	1,635	—
Europe	113	3,224	485	3,148	6,972	1
The Americas	289	5,827	273	2,165	8,556	—
Other areas	30	19	3	0	54	—
Total	12,977	18,504	860	11,749	44,091	216

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	592	132	0	0	725	14	—
Pulp and paper	210	34	0	0	245	4	—
Chemicals	527	118	0	0	646	12	—
Other manufacturing	912	145	0	0	1,059	13	3
Total for manufacturing	2,243	431	1	0	2,676	45	3
Agriculture, forestry and fishing	128	0	—	0	128	38	0
Construction	161	12	—	0	173	1	—
Utility	146	56	0	0	202	—	—
Information/telecommunications, transportation	771	132	2	0	906	13	—
Wholesaling, retailing	1,668	78	1	0	1,747	26	0
Services	1,300	57	0	1	1,359	48	2
Finance and insurance	1,552	5,416	854	10,628	18,452	4	—
Other non-manufacturing	5,003	12,320	0	1,119	18,442	39	—
Total for non-manufacturing	10,733	18,072	858	11,749	41,414	171	3
Total	12,977	18,504	860	11,749	44,091	216	6

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	**9,448**	**452**	**146**	**9,688**	**19,735**
Over 1 year to 3 years	**1,659**	**2,468**	**708**	**—**	**4,837**
Over 3 years to 5 years	**1,155**	**2,991**	**0**	**57**	**4,205**
Over 5 years to 7 years	**337**	**1,218**	**0**	**3**	**1,560**
Over 7 years	**358**	**10,604**	**3**	**661**	**11,627**
No term to maturity	**17**	**769**	**—**	**1,337**	**2,124**
Total	**12,977**	**18,504**	**860**	**11,749**	**44,091**

Notes: 1. The amount of credit exposure at the end of the period does not substantially differ from the average-risk position during fiscal 2007.
2. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥10.3 billion.
3. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

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 ¥6.0 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, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Japan	**84**	101	(16)
Asia except Japan	**—**	—	—
Europe	**1**	—	1
The Americas	**—**	4	(4)
Other areas	**—**	—	—
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**126**	171	(44)

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, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Manufacturing:	**9**	11	(1)
Food products	**6**	6	(0)
Pulp and paper	**1**	1	0
Chemicals	**—**	—	—
Other manufacturing	**2**	2	(0)
Non-manufacturing	**76**	94	(17)
Agriculture, forestry and fishing	**19**	14	4
Construction	**0**	0	0
Utility	**—**	—	—
Information/telecommunications, transportation	**9**	10	(0)
Wholesaling, retailing	**17**	27	(10)
Services	**14**	21	(6)
Finance and insurance	**0**	20	(19)
Other non-manufacturing	**15**	0	15
Others	**—**	—	—
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**126**	171	(44)

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

a. Corporate, Sovereign and Bank Exposure

Fiscal 2007 (Ended March 31, 2008)

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD		
					EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure	3.81%	39.03%	72%	7,158	5,211	1,947
1-1 to 4	0.15%	37.33%	28%	5,475	3,680	1,794
5 to 7	1.65%	44.48%	109%	1,090	983	107
8-1 to 8-2	19.20%	44.62%	353%	427	385	41
Subtotal	1.55%	38.89%	61%	6,993	5,050	1,943
8-3 to 10-2	100.00%	44.70%	560%	164	161	3
Sovereign Exposure	0.00%	46.15%	0%	19,226	18,131	1,094
1-1 to 4	0.00%	46.15%	0%	19,225	18,131	1,094
5 to 7	7.78%	45.00%	218%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	46.15%	0%	19,226	18,131	1,094
8-3 to 10-2	—	—	—	—	—	—
Bank Exposure	0.05%	25.74%	10%	14,290	6,736	7,554
1-1 to 4	0.04%	25.71%	9%	14,262	6,716	7,546
5 to 7	2.50%	45.00%	157%	16	10	6
8-1 to 8-2	7.07%	27.86%	142%	10	10	0
Subtotal	0.04%	25.73%	10%	14,290	6,736	7,554
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	0.80%	90.00%	158%	97	97	—
1-1 to 4	0.16%	90.00%	145%	92	92	—
5 to 7	2.06%	90.00%	304%	3	3	—
8-1 to 8-2	19.91%	90.00%	783%	0	0	—
Subtotal	0.28%	90.00%	153%	96	96	—
8-3 to 10-2	100.00%	90.00%	1,125%	0	0	—

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. "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).

Fiscal 2006 (Ended March 31, 2007)

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD		
					EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure	4.09%	40.17%	66%	7,800	5,944	1,856
1-1 to 4	0.14%	39.02%	28%	6,163	4,465	1,697
5 to 7	1.80%	44.64%	115%	1,168	1,032	136
8-1 to 8-2	16.88%	43.96%	329%	215	202	13
Subtotal	0.87%	40.03%	50%	7,548	5,700	1,847
8-3 to 10-2	100.00%	44.39%	558%	252	243	9
Sovereign Exposure	0.00%	45.82%	0%	26,972	26,229	742
1-1 to 4	0.00%	45.82%	0%	26,971	26,229	742
5 to 7	7.78%	45.00%	226%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	45.82%	0%	26,972	26,229	742
8-3 to 10-2	100.00%	45.00%	562%	0	0	—
Bank Exposure	0.05%	20.16%	10%	13,017	5,372	7,644
1-1 to 4	0.04%	20.11%	9%	12,980	5,342	7,638
5 to 7	2.07%	45.00%	138%	27	21	5
8-1 to 8-2	7.07%	16.61%	87%	8	8	0
Subtotal	0.05%	20.16%	10%	13,016	5,372	7,644
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	11.45%	90.00%	359%	100	100	—
1-1 to 4	0.08%	90.00%	230%	82	82	—
5 to 7	0.84%	90.00%	255%	0	0	—
8-1 to 8-2	17.24%	90.00%	738%	7	7	—
Subtotal	1.51%	90.00%	272%	90	90	—
8-3 to 10-2	100.00%	90.00%	1,125%	10	10	—

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. "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 2007 (Ended March 31, 2008)

Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	**3.75%**	**42.80%**	**84.48%**	**79.07%**	**69%**	**372**	**372**	**—**
Not default Not delinquent	**0.40%**	**42.83%**	/	/	**31%**	**347**	**347**	**—**
Not default Delinquent	**23.18%**	**42.04%**	/	/	**360%**	**16**	**16**	**—**
Not default Subtotal	**1.40%**	**42.80%**	/	/	**45%**	**363**	**363**	**—**
Default	**100.00%**	/	**84.48%**	**79.07%**	**1,056%**	**8**	**8**	**—**
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	**8.89%**	**50.28%**	**55.15%**	**51.42%**	**106%**	**34**	**29**	**5**
Not default Not delinquent	**1.49%**	**50.38%**	/	/	**56%**	**30**	**25**	**5**
Not default Delinquent	**18.47%**	**48.30%**	/	/	**214%**	**1**	**1**	**0**
Not default Subtotal	**2.34%**	**50.28%**	/	/	**64%**	**32**	**27**	**5**
Default	**100.00%**	/	**55.15%**	**51.42%**	**689%**	**2**	**2**	**0**
Total	**4.19%**	**43.44%**	**78.36%**	**73.30%**	**73%**	**407**	**401**	**5**
Not default Not delinquent	**0.49%**	**43.45%**	/	/	**33%**	**378**	**373**	**5**
Not default Delinquent	**22.75%**	**42.62%**	/	/	**346%**	**17**	**17**	**0**
Not default Subtotal	**1.48%**	**43.41%**	/	/	**47%**	**396**	**390**	**5**
Default	**100.00%**	/	**78.36%**	**73.30%**	**979%**	**11**	**10**	**0**

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.

2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.

3. 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).

4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).

5. As of March 31, 2008, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

Fiscal 2006 (Ended March 31, 2007)

Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	3.22%	40.82%	78.17%	72.38%	59%	422	422	—
Not default Not delinquent	0.37%	40.87%	/	/	28%	396	396	—
Not default Delinquent	20.31%	39.84%	/	/	323%	17	17	—
Not default Subtotal	1.21%	40.82%	/	/	40%	413	413	—
Default	100.00%	/	78.17%	72.38%	977%	8	8	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	4.38%	40.97%	49.65%	46.32%	67%	118	113	5
Not default Not delinquent	1.39%	40.98%	/	/	48%	111	106	4
Not default Delinquent	17.56%	40.76%	/	/	174%	3	3	0
Not default Subtotal	1.96%	40.97%	/	/	53%	115	110	4
Default	100.00%	/	49.65%	46.32%	621%	2	2	0
Total	3.47%	40.86%	70.92%	65.76%	61%	540	535	5
Not default Not delinquent	0.60%	40.89%	/	/	32%	507	502	4
Not default Delinquent	19.80%	40.01%	/	/	295%	21	21	0
Not default Subtotal	1.37%	40.86%	/	/	43%	529	524	4
Default	100.00%	/	70.92%	65.76%	886%	11	11	0

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.

2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.

3. 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).

4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).

5. 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 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, 2008	As of March 31, 2007	Increase/(decrease)
Corporate exposure	**6**	18	(11)
Sovereign exposure	**—**	—	—
Bank exposure	**—**	—	—
Equity exposure subject to PD/LGD approach	**0**	0	(0)
Retail exposure secured by residential properties	**—**	—	—
Qualifying revolving retail exposure	**—**	—	—
Other retail exposure	**0**	0	0

Note: 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, 2008		As of March 31, 2007	
	Estimated losses	Actual losses	Estimated losses	Actual losses
Corporate exposure	**28**	**6**	27	18
Sovereign exposure	**1**	**—**	1	—
Bank exposure	**0**	**—**	0	—
Equity exposure subject to PD/LGD approach	**1**	**0**	0	0
Retail exposure secured by residential properties	**—**	**—**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**0**	**0**	0	0

Notes: 1. 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. Estimated losses of each year are amount of expected losses.

Year-on-year comparison of actual losses and factor analysis of difference between estimated losses and actual losses

For fiscal 2007 (ended March 31, 2008) the actual loss amount substantially declined year-on-year due to a decrease in losses arising from defaults by corporate borrowers.

Actual loss amounts have remained at levels generally below the estimated losses at the beginning of the term, both for fiscal 2007 and 2006.

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, 2008	As of March 31, 2007
Specialized Lending exposure subject to supervisory slotting criteria	**917**	956
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	**742**	855
Risk weight of 50%	**117**	49
Risk weight of 70%	**419**	539
Risk weight of 90%	**151**	187
Risk weight of 115%	**12**	18
Risk weight of 250%	**0**	15
Risk weight of 0% (default)	**41**	45
High-Volatility Commercial Real Estate (HVCRE)	**174**	100
Risk weight of 70%	**41**	0
Risk weight of 95%	**69**	19
Risk weight of 120%	**10**	60
Risk weight of 140%	**42**	—
Risk weight of 250%	**11**	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, 2008	As of March 31, 2007
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	**92**	79
Risk weight of 300%	**—**	—
Risk weight of 400%	**92**	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 RISK WEIGHT

Amount of Exposure Subject to Standardized Approach

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Exposure	Refer to ECAI	Exposure	Refer to ECAI
Exposure subject to Standardized Approach	**10**	**—**	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%	**10**	**—**	6	—
Risk weight of 150%	**—**	**—**	—	—
Risk weight of more than 150%	**—**	**—**	—	—
Amount deducted from capital	**—**	**—**	—	—

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

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

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Foundation Internal Ratings-Based Approach	**6,557**	7,786
Eligible financial collateral	**6,263**	7,368
Corporate exposure	**926**	825
Sovereign exposure	**—**	—
Bank exposure	**5,337**	6,543
Other eligible IRB collateral	**—**	—
Corporate exposure	**—**	—
Sovereign exposure	**—**	—
Bank exposure	**—**	—
Guarantees, credit derivatives	**293**	418
Corporate exposure	**260**	371
Sovereign exposure	**33**	47
Bank exposure	**—**	—
Retail exposure secured by residential properties	**—**	—
Qualifying revolving retail exposure	**—**	—
Other retail exposure	**—**	—
Standardized Approach	**—**	—
Eligible financial collateral	**—**	—
Guarantees, Credit Derivatives	**—**	—

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.

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, 2008	As of March 31, 2007
Total gross replacement costs (limited to items with a value of greater than zero)	(A)	**994**	124
Total gross add-ons	(B)	**517**	310
Gross credit exposure	(C) = (A)+(B)	**1,512**	434
Including, foreign exchange related		**1,450**	374
Including, interest rate related		**54**	57
Including, equity related		**3**	3
Including, credit derivatives		**3**	—
Amount of credit exposure before taking into account credit risk mitigation techniques due to collateral	(D)	**180**	243
Reduction in credit exposure due to netting contracts	(C)−(D)	**1,331**	191
Amount of collateral		**0**	0
Including eligible financial collateral		**0**	0
Amount of credit exposure after taking into account credit risk mitigation techniques du to collateral		**1,331**	191

Notes: 1. Derivatives transactions included in risk-weighted assets calculation for investment funds are not included.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 56-1, the amount of credit exposure not computed has not been included.

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

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
To buy protection	**—**	—
Including credit default swaps	**—**	—
To sell protection	**79**	—
Including credit default swaps	**79**	—
Notional principal amount of credit derivatives taking into consideration the effect of credit risk mitigation techniques	**—**	—

Notes: 1. Credit derivatives included in risk-weighted assets for investment funds have not been taken into consideration.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 4-2 and Article 21-3, the amount of credit risk assets not computed has not been included.

6. Items for Securitization Exposure (Non-Consolidated)

Detail of Securitization Exposure Held as Originator

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Total amount of underlying assets	—	—
Amounts of securitization exposure	—	—
Increase in capital due to securitization transactions	—	—
Deducted from capital	—	—
Amounts of securitized exposure	—	—
Gains (losses) on sales of securitization transactions	—	—

As of March 31, 2008, 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, 2008	
	Amount of exposure	Deductions from capital
Total amount of securitization exposure	**6,040**	**23**
Individuals		
Asset-Backed Securities (ABS)	**1,841**	**—**
Residential Mortgage-Backed Securities (RMBS)	**847**	**1**
Real estate		
Commercial Mortgage-Backed Securities (CMBS)	**749**	**—**
Corporates		
Subtotal of CDOs (CLO, ABS-CDO, CBO)	**2,515**	**0**
Collateralized Loan Obligations (CLO)	**1,997**	**—**
Asset-Backed Securities CDOs (ABS-CDO)	**412**	**0**
Collateralized Bond Obligations (CBO)	**105**	**—**
Others	**86**	**21**

(Billions of yen)

Classification	As of March 31, 2007	
	Amount of exposure	Deductions from capital
Amount of securitization exposure	4,331	44
Corporates	1,555	15
Individuals	1,708	—
Real estate	889	2
Other	177	26

Note: "Deduction from capital" is equity exposure deducted from capital under Article 224 of the Notification Regarding Capital Adequacy.

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

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amount of exposure	Regulatory Required Capital	Amount of exposure	Regulatory Required Capital
Amount of securitization exposure	**6,040**	**112**	4,331	115
Risk weight: 20% or less	**5,441**	**48**	3,606	36
Risk weight: exceeding 20% to 50% or less	**247**	**6**	377	10
Risk weight: exceeding 50% to 100% or less	**266**	**18**	291	20
Risk weight: exceeding 100% to 250% or less	**48**	**9**	7	1
Risk weight: exceeding 250% to less than 1,250%	**13**	**6**	4	2
Deductions from capital	**23**	**23**	44	44

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

Not applicable

7. Items for Market Risk (Non-Consolidated)

Computation of the Market Risk Amount Using the Internal Models Approach

■ VaR

(Millions of yen)

	Fiscal 2007	Fiscal 2006
Base date of computation	**2008. 3. 31**	2007. 3. 30
VaR (For the most recent 60 business days)		
Base date of computation	**170**	105
Maximum	**532**	730
Minimum	**137**	103
Average	**252**	270

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2007	Fiscal 2006
For the portion computed with the internal models approach (B)+(E)	(A)	**859**	810
Value at Risk (MAX (C, D))	(B)	**859**	810
Amount on base date of computation	(C)	**170**	105
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	**859**	810
Additional amount at the time of measuring individual risk	(E)	**0**	0
(Multiplier)	(F)	**3.4**	3.0
(Times exceeding VaR in back testing)	(G)	**5**	4

8. Items for Equity Exposure (Non-Consolidated)

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

Amounts on the Balance Sheet and Market Value

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amounts on the balance sheet	Market value	Amounts on the balance sheet	Market value
Equity exposure	**866**	**866**	1,254	1,254
Exposure to publicly traded equity	**650**	**650**	1,051	1,051
Exposure to privately held equity	**215**	**215**	203	203

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 2007			Fiscal 2006		
	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.
Equity exposure	**53**	**0**	**72**	32	8	0

Note: Amounts reflect relevant figures posted in the income statements

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2008	As of March 31, 2007
Amount of valuation gain (loss) recognized on the balance sheet and not recognized in the statements of operations	**170**	330

Notes: 1. Exposure is to equity shares issued by both domestic and overseas companies.
2. 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.

Unrealized Gains (Losses) Not Recognized on Non-Consolidated Balance Sheets or Non-Consolidated Statements of Income

Not applicable

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

(Billions of yen)

Item	As of March 31, 2008	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, 2008	As of March 31, 2007
	Amounts on the balance sheets	**Amounts on the balance sheets**
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	**518**	724
Corporate	**483**	682
Bank	**29**	37
Sovereign	**5**	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, 2008		As of March 31, 2007	
	Exposure	**(For reference) Weighted-average risk weight**	**Exposure**	**(For reference) Weighted-average risk weight**
Look-through approach	**17,607**	**64%**	18,786	60%
Majority approach	**861**	**365%**	1,027	349%
Mandate approach	**—**	**—**	—	—
Market-based approach	**2,873**	**184%**	4,045	187%
Others (simple approach)	**381**	**458%**	550	505%
Total	**21,724**	**93%**	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 (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 Core Business Accounts (The Banking Accounts)

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Interest-rate risk	**1,290**	1,994
Yen interest-rate risk	**(62)**	131
U.S. dollar interest-rate risk	**1,214**	1,633
Euro interest-rate risk	**114**	203
Interest-rate risk in other currencies	**23**	26

Note: 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.