Capital Adequacy (Consolidated)

Disclosure Regarding Capital Adequacy (Basel II Pillar III Disclosure)

Basel II, applied to Japanese banks since March 31, 2007, comprises three pillars. Pillar I is a method for calculating capital adequacy ratios. Pillar II is composed of internal capital adequacy assessment process by bank management and the supervisory review process. Pillar III is a set of disclosure requirements which will allow market participants to assess capital adequacy fairly. The disclosure requirements for the Bank are provided in Article 112 (public inspection of explanatory documents on business and property status) of the Ordinance for Enforcement of The Norinchukin Bank Law. The Item 5-d of that Article stipulates "items related to capital adequacy shall be separately provided by the Minister of Agriculture, Forestry and Fisheries and the head of Japan's Financial Services Agency" and thus refers to the Notification Regarding Basel II Pillar III Disclosure. The Bank discloses qualitative items and quantitative items once a year (as of March 31 (the original Japanese version of this document)). In addition, the Bank issues quantitative disclosure on a quarterly basis. (Please note that disclosed items are limited only to the capital adequacy ratios and other principal indicators for the quarterly periods ending on June 30 and December 31).

Under Basel II Pillar III Disclosure, the principal contents are (1) information related to Pillar I, including the balances of each asset category used as the basis for calculation of capital adequacy ratios (quantitative items) and (2) information related to Pillar II, including interest rate risk and explanation of risk management policies (qualitative items). Risk categories to calculate regulatory required capital under Basel II are credit risk, market risk and operational risk. Furthermore, credit risk includes corporate exposure that are subject to Internal Ratings-Based Approach (IRB), securitization exposure, exposure subject to risk weighted asset calculation for investment fund (indirect holdings of assets such as money in trust other than money trusts under the Bank's own management and investments in funds). As for quantitative items, the Bank discloses exposure, exposure at default (EAD) and regulatory required capital based on each definition. (For details, please refer to the Glossary of Terms below and on the following page.) For the convenience of readers of this report, qualitative items are described in the relevant sections of this report, namely Capital Position, Risk Management as well as Capital Adequacy (Consolidated). Please note that the Notification Regarding Basel II Pillar III Disclosure, requires disclosure of qualitative items both on a consolidated basis and on a non-consolidated basis. However, since the Bank conducts its primary businesses on a non-consolidated basis, the Bank is providing relevant information generally on a non-consolidated basis. (For consolidated subsidiaries, information is provided in the section "Risk Management of Consolidated Subsidiaries.")

The objective of this detailed disclosure, under Basel II Pillar III, is to inform readers how the main categories of the Bank's assets, the components of the denominator of capital adequacy ratio, are managed and calculated, and thus to provide them with a better understanding of the Bank's risk management activities. Going forward, in addition to the accounting information, which is a primary component of disclosure, the Bank continues to enhance its disclosure under Basel II Pillar III of risk-related information and has taken initiatives to enhance convenience for users of disclosed information throughout its disclosure activities.

■ Glossary of Terms

Exposure

Exposure is defined as the corresponding credit amount (before credit risk mitigation) of assets recognized on-balance sheet, plus those of off-balance sheet items.

Risk-Weighted Asset for Credit Risk (RA)

RA is the amount of credit risk computed from exposure in accordance with the relevant credit risk volume. RA is applied to 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 required for calculating the amount of RAs.

Probability of Default (PD)

Probability of default is the likelihood 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 are incurred from the exposure in default. The loss referred to herein is economic loss, including costs of recovering the claim. In addition, discount effect with respect to the relevant collection period is also taken into account.

Exposure at Default (EAD)

EAD is the amount of the exposure at the time of default. Since the Bank adopts the F-IRB, it is required to estimate EAD for retail exposure. Regarding corporate, sovereign, and bank exposure, however, the Bank computes EAD using the calculation method described in the Notification Regarding Capital Adequacy.

Risk Weight (RW)

RW indicates the ratio of RA to EAD. The following formula applies:

EAD x RW (%) = RA

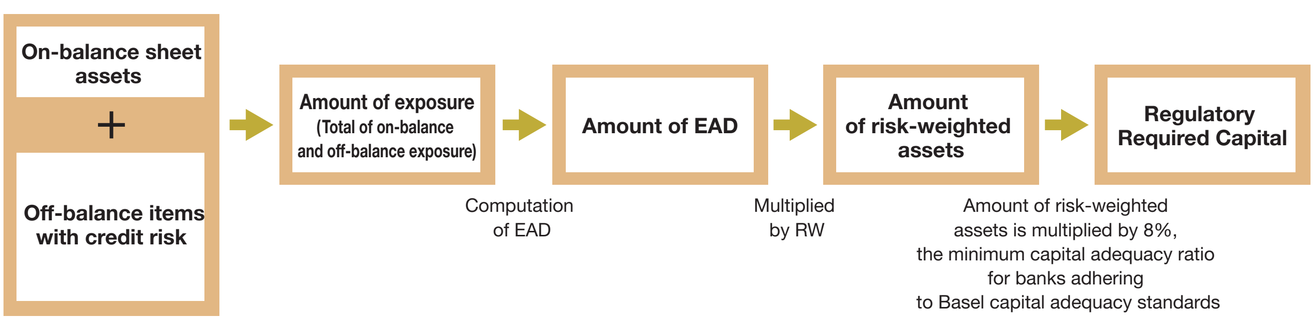
As the Bank adopts F-IRB, with regard to the most of the Bank's assets, RW is determined by parameters, including PD which corresponds to the grade of the internal credit rating.

Regulatory Required Capital

Regulatory required capital is the amount, calculated from the amount of risk, the denominator of the capital adequacy ratio, multiplied by 8%. The 8% figure is the minimum capital adequacy ratio that banks with international operations must maintain. Required regulatory capital is computed according to the following formula:

RA 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:

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■ 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.

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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.

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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, 2011 and 2010, was computed according to Basel II.

As of March 31

Items			Millions of yen		Millions of U.S. dollars
			2011	2010	**2011**
Tier I capital	Capital stock		**3,425,909**	3,425,909	**41,201**
	Included as non-cumulative, perpetual preferred stock		**24,999**	24,999	**300**
	Deposit for subscription to preferred stock		**—**	—	**—**
	Capital surplus		**25,020**	25,020	**300**
	Earned surplus		**950,962**	837,439	**11,436**
	Less: Amount corresponding to the decrease in capital due to merger of subsidiaries		**—**	—	**—**
	Less: Treasury stock		**150**	150	**1**
	Deposit for subscription to treasury stock		**—**	—	**—**
	Unrealized loss on other securities		**(222,205)**	(406,871)	**(2,672)**
	Foreign currency transaction adjustment		**(39)**	(26)	**0**
	Stock acquisition rights		**—**	—	**—**
	Minority interest of consolidated subsidiaries		**5,952**	5,868	**71**
	Including preferred securities issued by overseas special-purpose corporations		**—**	—	**—**
	Less: Amount corresponding to operating rights		**—**	—	**—**
	Less: Amount corresponding to consolidated adjustments		**—**	—	**—**
	Less: Intangible assets acquired via business combination		**—**	—	**—**
	Less: Goodwill and others		**—**	—	**—**
	Less: Amount corresponding to the increase in capital due to securitization transactions		**—**	—	**—**
	Less: Amount equivalent to 50% expected losses in excess of qualifying allowance		**44,249**	74,206	**532**
	Subtotal	(A)	**4,141,199**	3,812,984	**49,803**
	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		**—**	—	**—**
	45% of unrealized gains on land		**19,218**	22,684	**231**
	General reserve for possible loan losses		**27**	33	**0**
	Qualifying subordinated debt		**1,740,373**	1,751,813	**20,930**
	Included as perpetual subordinated bonds and loans		**1,486,007**	1,486,007	**17,871**
	Included as dated subordinated bonds, loans, and preferred stock		**254,366**	265,806	**3,059**
	Subtotal		**1,759,618**	1,774,531	**21,161**
	Tier II capital included as qualifying capital	(B)	**1,759,618**	1,774,531	**21,161**
Tier III capital	Short-term subordinated debt		**—**	—	**—**
	Including amount added to capital	(C)	**—**	—	**—**
Deductions	Deductions	(D)	**330,285**	358,872	**3,972**
Total Capital	(A)+(B)+(C)-(D)	(E)	**5,570,532**	5,228,643	**66,993**
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	**22,741,078**	25,257,242	**273,494**
	Including on-balance sheet		**21,665,186**	23,892,729	**260,555**
	Including off-balance sheet		**1,075,892**	1,364,513	**12,939**
	Assets equivalent to market risk (H)/8%	(G)	**1,391,085**	1,400,525	**16,729**
	(For reference: actual market risk volume)	(H)	**111,286**	112,042	**1,338**
	Amount corresponding to operational risk (J)/8%	(I)	**431,206**	553,334	**5,185**
	(For reference: amount corresponding to operational risk)	(J)	**34,496**	44,266	**414**
	Total risk-weighted assets (F)+(G)+(I)	(K)	**24,563,370**	27,211,103	**295,410**
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) × 100%			**22.67%**	19.21%	**22.67%**
Tier I ratio = (A)/(K) × 100%			**16.85%**	14.01%	**16.85%**
Consolidated required capital (K) × 8%			**1,965,069**	2,176,888	**23,632**

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 & Young ShinNihon LLC 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 a review on agree-upon procedures on internal control of capital adequacy calculation. Accordingly, Ernst & Young ShinNihon LLC does not address any opinion as a result of the review.

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. Those are items of Deductions: (1) the total amount of the value corresponding to intentional holdings of capital investments 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 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 amount 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) REMARKS ON COMPUTATION OF THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Companies with Their Capital Less than the Regulatory Required Capital and the Amount of Shortfall

With regard to the group companies that are subject to capital deduction as provided for in the Notification Regarding Capital Adequacy, Article 8-1-2 a and b, names of those companies whose capital are less than the regulatory required capital and the total amount of shortfalls in their capitals.

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, 2011, the Bank had eight consolidated subsidiaries. The names and principal lines of business of the primary subsidiaries are as follows:

1. Norinchukin Trust & Banking Co., Ltd.: Trust and banking business
2. Kyodo Housing Loan Co., Ltd.: Loans and guarantees 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, 2011, there was one company that was conducting 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 transfer of funds and capital among the members of the Consolidated Group.

2. 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, 2011		As of March 31, 2010	
	EAD	Regulatory Required Capital	EAD	Regulatory Required Capital
Amount of regulatory required capital for credit risk	**80,636**	**2,296**	81,620	2,585
Exposure subject to Internal Ratings-Based Approach	**80,590**	**2,295**	81,572	2,584
Corporate exposure (excluding Specialized Lending)	**5,267**	**382**	5,462	498
Corporate exposure (Specialized Lending)	**463**	**93**	777	150
Sovereign exposure	**36,502**	**0**	37,264	0
Bank exposure	**13,444**	**100**	13,005	89
Retail exposure	**647**	**27**	590	27
Retail exposure secured by residential properties	**606**	**22**	550	21
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**40**	**5**	39	5
Securitization exposure	**4,216**	**309**	5,455	300
Equity portfolios	**688**	**130**	787	148
Equity portfolios subject to PD/LGD approaches	**91**	**12**	109	17
Equity portfolios subject to simple risk-weighted method	**27**	**9**	37	12
Equities under the internal models approach	**256**	**81**	276	87
Grandfathered equity exposure	**313**	**26**	364	30
Exposure subject to risk-weighted asset calculation for investment fund	**18,903**	**1,225**	17,628	1,332
Other debt purchased	**36**	**1**	47	4
Other exposures	**419**	**25**	553	31
Exposure subject to Standardized Approach	**46**	**0**	47	0
Assets subject to Standardized Approach on a non-consolidated basis	**6**	**0**	5	0
Assets subject to Standardized Approach in consolidated companies (excluding securitization exposure)	**39**	**0**	42	0
Assets subject to Standardized Approach in consolidated companies (securitization exposure)	**0**	**0**	0	0
Amount of regulatory required capital for market risk	**/**	**111**	/	112
Standardized Approach	**/**	**110**	/	111
Interest rate risk category	**/**	**—**	/	—
Equity risk category	**/**	**—**	/	—
Foreign exchange risk category	**/**	**110**	/	111
Commodity risk category	**/**	**—**	/	—
Option transactions	**/**	**—**	/	—
Internal models Approach	**/**	**0**	/	0
Amount of regulatory required capital for operational risk	**/**	**34**	/	44
Offsets on consolidation	**/**	**2,441**	/	2,741

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. Credit Risk (Consolidated)

(Funds and securitization exposures are excluded.)

(1) CREDIT RISK EXPOSURE

For Fiscal 2010, ended March 31, 2011

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	16,007	15,873	8	2,625	34,514	265
Asia except Japan	61	91	—	741	895	—
Europe	25	3,803	0	2,543	6,372	—
The Americas	312	9,857	3	5,493	15,667	0
Other areas	21	730	0	423	1,175	—
Amounts held by consolidated subsidiaries	660	33	—	32	726	16
Total	17,089	30,390	11	11,859	59,351	282

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)
Manufacturing	2,312	252	1	0	2,565	50	1
Agriculture	46	0	—	0	46	8	0
Forestry	30	—	—	—	30	0	—
Fishing	28	—	—	0	28	21	0
Mining	5	—	—	0	5	—	—
Construction	130	7	—	0	138	3	0
Utility	141	14	0	0	156	1	—
Information/telecommunications	62	8	0	0	70	5	0
Transportation	785	57	3	0	846	3	—
Wholesaling, retailing	1,619	48	0	0	1,668	28	0
Finance and insurance	1,390	6,679	7	11,401	19,478	19	0
Real estate	600	173	—	0	774	106	—
Services	1,119	66	0	1	1,186	14	0
Municipalities	205	12	—	—	217	—	—
Other	7,951	23,035	—	422	31,409	0	—
Amounts held by consolidated subsidiaries	660	33	—	32	726	16	1
Total	17,089	30,390	11	11,859	59,351	282	4

Note: "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	**12,775**	**9,175**	**2**	**11,362**	**33,316**
Over 1 year to 3 years	**1,675**	**5,796**	**3**	**0**	**7,475**
Over 3 years to 5 years	**1,338**	**2,647**	**1**	**0**	**3,988**
Over 5 years to 7 years	**302**	**1,523**	**1**	**—**	**1,827**
Over 7 years	**276**	**10,463**	**3**	**—**	**10,742**
No term to maturity	**59**	**751**	**—**	**463**	**1,274**
Amounts held by consolidated subsidiaries	**660**	**33**	**—**	**32**	**726**
Total	**17,089**	**30,390**	**11**	**11,859**	**59,351**

Notes: 1. The explanation about the substantial difference between the amount of credit exposure at the end of the periods and the average-risk position during fiscal 2010.

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 ¥46.4 billion.

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

For Fiscal 2009, ended March 31, 2010

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	15,124	14,958	5	3,164	33,252	290
Asia except Japan	54	32	0	825	912	—
Europe	22	4,325	0	3,614	7,962	0
The Americas	258	10,859	2	5,621	16,741	0
Other areas	23	719	0	0	743	—
Amounts held by consolidated subsidiaries	605	30	—	38	674	18
Total	16,087	30,926	8	13,264	60,287	309

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)
Manufacturing	2,314	295	1	0	2,611	56	1
Agriculture	47	0	—	0	48	7	0
Forestry	37	—	—	—	37	1	0
Fishing	32	—	—	0	32	24	0
Mining	8	—	—	0	8	—	—
Construction	139	17	—	0	156	5	—
Utility	134	15	0	0	149	—	—
Information/telecommunications	82	14	—	0	96	9	11
Transportation	691	64	2	0	758	2	6
Wholesaling, retailing	1,585	61	0	0	1,647	27	0
Finance and insurance	1,411	6,670	3	12,668	20,754	26	—
Real estate	491	379	—	0	872	102	0
Services	1,248	75	0	1	1,326	27	0
Municipalities	264	12	—	—	277	—	—
Other	6,992	23,287	—	555	30,835	0	—
Amounts held by consolidated subsidiaries	605	30	—	38	674	18	1
Total	16,087	30,926	8	13,264	60,287	309	21

Note: "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	11,813	9,017	0	11,593	32,425
Over 1 year to 3 years	1,540	6,614	2	56	8,213
Over 3 years to 5 years	1,480	4,033	1	2	5,517
Over 5 years to 7 years	366	935	1	—	1,303
Over 7 years	266	9,456	3	—	9,726
No term to maturity	15	838	—	1,574	2,427
Amounts held by consolidated subsidiaries	605	30	—	38	674
Total	16,087	30,926	8	13,264	60,287

Notes: 1. The amount of credit exposure at the end of the period does not substantially differ from the average-risk position during fiscal 2009.
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 ¥47.6 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, 2011	As of March 31, 2010	Increase/(decrease)
General reserve for possible loan losses	**51**	73	**(21)**
Specific reserve for possible loan losses	**123**	136	**(12)**
Japan	**123**	135	**(12)**
Asia except Japan	**—**	—	**—**
Europe	**—**	0	**(0)**
The Americas	**—**	—	**—**
Other areas	**—**	—	**—**
Amounts held by consolidated subsidiaries	**9**	10	**(0)**
Offsets on consolidation	**(2)**	(3)	**0**
Specified reserve for loans to countries with financial problems	**—**	—	**—**
Total	**182**	216	**(34)**

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, 2011	As of March 31, 2010	Increase/(decrease)
General reserve for possible loan losses	**51**	73	**(21)**
Specific reserve for possible loan losses	**123**	136	**(12)**
Manufacturing	**20**	19	**0**
Agriculture	**5**	4	**0**
Forestry	**0**	0	**0**
Fishing	**9**	11	**(1)**
Mining	**—**	—	**—**
Construction	**0**	1	**(1)**
Utility	**1**	—	**1**
Information/telecommunications	**1**	7	**(5)**
Transportation	**1**	1	**0**
Wholesaling, retailing	**4**	5	**(1)**
Finance and insurance	**8**	14	**(6)**
Real estate	**58**	58	**(0)**
Services	**9**	9	**0**
Municipalities	**—**	—	**—**
Other	**0**	0	**0**
Others	**—**	—	**—**
Amount held by consolidated subsidiaries	**9**	10	**(0)**
Offsets on consolidation	**(2)**	(3)	**0**
Specified reserve for loans to countries with financial problems	**—**	—	**—**
Total	**182**	216	**(34)**

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

Types of Exposure by Portfolio and Overview of Procedures for the Internal Rating

■ 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, depending on location of head office.

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 is in accordance with the following procedure. A front section prepare a draft proposal for the internal rating. The draft proposal is then reviewed and approved by the credit risk management section. Specifically, this process is stipulated in Internal Rating Manuals prepared for each type of exposure, such as corporate, sovereign, bank and Specialized Lending.

Work Flow for Assigning Internal Ratings

All the available, important and relevant information which are the most recent is considered when internal ratings are assigned. In addition, each internal rating is subject to "periodic reviews," at least once a year in order to reflect the latest financial results of the borrower are reflected in the revised ratings. When there are events that may trigger the changes in internal ratings, the Bank also conducts an "ad-hoc review."

	Items for Review	Content of Review
1	Financial rating	Based on qualitative data of an obligor, including financial statements, the relevant quantitative model according to the risk profile of the obligor is applied to assign a financial rating.
2	Adjustments in financial rating	In addition to the process stated above, the Bank takes account of the events which should affect the obligor, and adjusts the financial rating.
3	Qualitative evaluation	Among significant elements to evaluate creditworthiness of the obligor, those elements which are not captured fully by quantitative evaluation are evaluated.
4	Country adjustments	A rating of obligor is adjusted not to exceed the rating of the country to which substantial risk of obligor belongs to as the ceiling on the rating the Bank will assign.
5	Consideration of external information	Supplemental to quantitative and qualitative evaluation, the Bank may consider other elements, such as changes in agency rating, or stock price, and adjust the rating.
6	Determination of debtor classification	Determine the classification of an obligor in accordance with Procedure for Self-Assessment Exercise.
7	Final ratings	To reflect the situation of the obligor more accurately, supplemental evaluation may be conducted before the final decision of the internal rating.

Please 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 whenever possible.

■ Retail Exposure

For retail exposure, eligible criteria for retail pool, the pool which requires risk management framework for retail exposure, is stipulated in Procedures for Internal Rating of Retail Exposure. For each type of retail exposure, having residential properties, qualifying revolving retail exposure as underlying, clustering of exposures into the pools (equivalent to the rating of corporate, sovereign and bank exposures) is determined according to risk profile. Ratings for individual retail exposure are assigned in accordance with Internal Rating Manual for 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 categories: resident corporate, non-resident corporate, sovereign and bank. The methods for estimating these probabilities of default are (a) the internal estimate method: the Bank estimates the long-term average for probability of default according to internal rating grades based on internal default data of the Bank and (b) mapping technique: the Bank maps internal grades to rating grades used by a credit rating agency and applies the default rate for a rating grade of the agency to a corresponding grade of internal rating of the Bank.

Please note that the Bank's definition of default used in estimating the probability of default and in validation satisfies the criteria stipulated in the Notification Regarding Capital Adequacy.

Please note that for Specialized Lending, the Bank applies slotting criteria to compute risk-weighted assets.

Fiscal 2010 (Ended March 31, 2011)

(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	4.98%	44.92%	91%	5,267	4,585	681
1-1 to 4	0.18%	44.95%	39%	3,914	3,324	589
5 to 7	1.71%	44.85%	113%	718	674	43
8-1 to 8-2	15.92%	44.96%	321%	466	418	47
Subtotal	1.84%	44.94%	75%	5,098	4,417	680
8-3 to 10-2	100.00%	44.53%	559%	168	167	0
Sovereign Exposure	0.00%	44.99%	0%	36,502	34,990	1,511
1-1 to 4	0.00%	44.99%	0%	36,502	34,990	1,511
5 to 7	0.70%	45.00%	122%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	44.99%	0%	36,502	34,990	1,511
8-3 to 10-2	—	—	—	—	—	—
Bank Exposure	0.05%	23.11%	9%	13,444	6,388	7,055
1-1 to 4	0.05%	23.08%	9%	13,427	6,377	7,049
5 to 7	1.21%	39.97%	111%	15	9	5
8-1 to 8-2	7.07%	45.00%	242%	1	1	0
Subtotal	0.05%	23.11%	9%	13,444	6,388	7,055
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	0.86%	90.00%	174%	91	91	—
1-1 to 4	0.14%	90.00%	127%	77	77	—
5 to 7	4.61%	90.00%	422%	14	14	—
8-1 to 8-2	16.23%	90.00%	720%	0	0	—
Subtotal	0.84%	90.00%	173%	91	91	—
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 2009 (Ended March 31, 2010)

(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	6.63%	44.91%	114%	5,462	4,744	717
1-1 to 4	0.22%	44.99%	43%	3,727	3,151	575
5 to 7	2.52%	44.75%	127%	835	752	83
8-1 to 8-2	19.29%	44.70%	351%	701	644	56
Subtotal	3.12%	44.92%	97%	5,264	4,548	715
8-3 to 10-2	100.00%	44.64%	560%	197	195	1
Sovereign Exposure	0.00%	44.99%	0%	37,264	34,049	3,215
1-1 to 4	0.00%	44.99%	0%	37,264	34,049	3,215
5 to 7	—	—	—	—	—	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	44.99%	0%	37,264	34,049	3,215
8-3 to 10-2	—	—	—	—	—	—
Bank Exposure	0.06%	23.77%	9%	13,005	6,323	6,682
1-1 to 4	0.05%	23.74%	8%	12,985	6,310	6,674
5 to 7	3.04%	41.55%	157%	14	8	6
8-1 to 8-2	7.07%	29.66%	142%	5	4	0
Subtotal	0.06%	23.77%	9%	13,005	6,323	6,682
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	1.41%	90.00%	196%	109	107	2
1-1 to 4	0.14%	90.00%	127%	84	84	—
5 to 7	3.81%	90.00%	385%	21	19	2
8-1 to 8-2	19.91%	90.00%	783%	2	2	—
Subtotal	1.41%	90.00%	196%	109	107	2
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).

b. Retail Exposure

Retail Pools and Risk Components

On retail exposure, the Bank estimates parameters, namely PD, LGD, and EAD for each retail pool. Each of those parameters is estimated based on observed data of defaults and losses net of recovered amounts. Please note that applicable EAD is the end-of-period balance, since the Bank has no exposure for revolving products, with which balances may be changed within the predetermined credit lines at discretions of the obligors.

The weighted average risk weight of the overall residential properties retail exposure is 66%. The weighted average risk weight of the other retail exposure is 150%. The weighted average risk weight in the overall retail exposure becomes 70%.

Please note that the Bank's definition of default used in estimating and validating the parameters satisfies the criteria stipulated in the Notification Regarding Capital Adequacy.

Fiscal 2010 (Ended March 31, 2011)

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	2.65%	49.14%	90.97%	78.23%	66%	863	390	473
Not default Not delinquent	0.46%	49.17%	/	/	40%	829	358	471
Not default Delinquent	28.58%	48.13%	/	/	452%	20	18	1
Not default Subtotal	1.13%	49.14%	/	/	50%	849	376	472
Default	100.00%	/	90.97%	78.23%	1,137%	13	13	0
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	7.29%	61.92%	107.82%	98.29%	150%	42	36	6
Not default Not delinquent	0.95%	61.97%	/	/	69%	39	33	5
Not default Delinquent	25.09%	56.56%	/	/	316%	0	0	0
Not default Subtotal	1.19%	61.92%	/	/	72%	39	33	5
Default	100.00%	/	107.82%	98.29%	1,348%	2	2	0
Total	2.87%	49.74%	93.75%	81.54%	70%	905	426	479
Not default Not delinquent	0.48%	49.75%	/	/	41%	869	392	477
Not default Delinquent	28.51%	48.30%	/	/	450%	20	18	1
Not default Subtotal	1.13%	49.72%	/	/	51%	889	410	478
Default	100.00%	/	93.75%	81.54%	1,172%	15	15	0

Notes: 1. Purchased retail receivables in investment funds using estimated parameters have been included in the amount subject to quantitative disclosure.
2. "Not default Delinquent" does not fall under the 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, 2011, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

Fiscal 2009 (Ended March 31, 2010)

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	2.59%	47.94%	89.40%	81.50%	64%	843	431	411
Not default Not delinquent	0.45%	47.95%	/	/	39%	811	400	410
Not default Delinquent	27.57%	47.39%	/	/	440%	19	18	0
Not default Subtotal	1.07%	47.94%	/	/	48%	830	418	411
Default	100.00%	/	89.40%	81.50%	1,117%	12	12	0
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	8.95%	67.46%	106.84%	97.42%	177%	42	35	7
Not default Not delinquent	1.03%	67.48%	/	/	76%	38	31	6
Not default Delinquent	25.95%	66.54%	/	/	376%	0	0	0
Not default Subtotal	1.39%	67.46%	/	/	81%	38	32	6
Default	100.00%	/	106.84%	97.42%	1,336%	3	3	0
Total	2.89%	48.87%	92.90%	84.70%	70%	885	466	418
Not default Not delinquent	0.48%	48.84%	/	/	40%	849	431	417
Not default Delinquent	27.52%	47.94%	/	/	438%	19	18	1
Not default Subtotal	1.09%	48.82%	/	/	49%	869	450	418
Default	100.00%	/	92.90%	84.70%	1,161%	16	15	0

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

2. "Not default Delinquent" does not fall under the 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, 2010, 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, 2011	As of March 31, 2010	Increase/(decrease)
Corporate exposure	**7**	43	**(35)**
Sovereign exposure	**—**	—	**—**
Bank exposure	**—**	—	**—**
Equity exposure subject to PD/LGD approach	**0**	0	**(0)**
Retail exposure secured by residential properties	**0**	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, specific reserve for possible loan losses, general reserve 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, 2011		As of March 31, 2010		As of March 31, 2009		As of March 31, 2008		As of March 31, 2007	
	Estimated losses	Actual losses	Estimated losses	Actual losses	Estimated losses	Actual losses	Estimated losses	Actual losses	Estimated losses	Actual losses
Corporate exposure	**73**	**7**	55	43	46	25	29	7	27	18
Sovereign exposure	**0**	**—**	0	—	1	—	1	—	1	—
Bank exposure	**0**	**—**	0	—	0	—	0	—	0	—
Equity exposure subject to PD/LGD approach	**3**	**0**	1	0	0	0	1	0	0	0
Retail exposure secured by residential properties	**1**	**0**	1	0	1	0	1	0	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—	—	—	—	—	—	—
Other retail exposure	**0**	**0**	0	0	0	0	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 2010 (ended March 31, 2011) the actual loss amount decreased year-on-year due to a decrease in losses due to defaults of corporate borrowers. Actual loss amounts have basically maintained at lower levels than the estimated losses at the beginning of the term, for fiscal years stated above.

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, 2011	As of March 31, 2010
Specialized Lending exposure subject to supervisory slotting criteria	**464**	777
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	**360**	609
Risk weight of 50%	**47**	7
Risk weight of 70%	**190**	252
Risk weight of 90%	**7**	2
Risk weight of 115%	**3**	159
Risk weight of 250%	**52**	93
Risk weight of 0% (default)	**58**	94
High-Volatility Commercial Real Estate (HVCRE)	**104**	167
Risk weight of 70%	**2**	2
Risk weight of 95%	**13**	—
Risk weight of 120%	**19**	—
Risk weight of 140%	**—**	75
Risk weight of 250%	**21**	79
Risk weight of 0% (default)	**48**	10

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, 2011	As of March 31, 2010
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	**27**	37
Risk weight of 300%	**—**	—
Risk weight of 400%	**27**	37

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

Overview

The Bank adopts Internal Rating Based Approach in computing risk assets. However, for the assets listed below, the Bank considers that the percentage of such assets in overall credit risk assets is minuscule and that they are not regarded as significant from a credit risk management perspective. Accordingly, the Bank partially applies the Standardized Approach specifically to those assets and does not plan to apply the IRB Approach to them.

- The on-balance sheet assets and off-balance sheet items of the Bank's consolidated subsidiaries, with the exception of Kyodo Housing Loan Co., Ltd.
- The following assets held by the Bank and Kyodo Housing Loan: Suspense payments (with the exception of the account for securities), prepaid expenses, foreign currency forward contracts 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 applies the ratings of five qualified credit rating agencies (External Credit Assessment Institution (ECAI)) in computing its risk assets, namely Moody's Investors Service, Standard & Poor's, Fitch Ratings, Ltd., Rating & Investment Information, Inc. and Japan Credit Rating Agency, Ltd. The Bank, applies a risk weight of 100% to its exposure to corporate, sovereign and bank exposure (excluding past due exposure for three months or more) in accordance with the Notification Regarding Capital Adequacy, Article 44, 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, 2011		As of March 31, 2010	
	Exposure	Refer to ECAI	Exposure	Refer to ECAI
Exposure subject to Standardized Approach	**46**	**—**	47	—
Risk weight of 0%	**32**	**—**	34	—
Risk weight of 10%	**—**	**—**	—	—
Risk weight of 20%	**3**	**—**	3	—
Risk weight of 35%	**—**	**—**	—	—
Risk weight of 50%	**—**	**—**	—	—
Risk weight of 75%	**—**	**—**	—	—
Risk weight of 100%	**9**	**—**	9	—
Risk weight of 150%	**—**	**—**	—	—
Amount deducted from capital	**—**	**—**	—	—
Others	**0**	**—**	0	—

Note: Others include investment funds which are measured credit risk assets by look-through approach and the assets which are more than 150% risk weight.

4. Credit Risk Mitigation Techniques (Consolidated)

Overview 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 generated from businesses of the debtors 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 from collateral occurs when the debtor experiences difficulty in meeting its obligations. Thus, the Bank applies the collateral evaluation methods to ensure that the valuation of the collateral would not fall below actual recoveries from the collateral.

The Bank evaluates collateral in line with the objective evidence such as reports of appraisers, official land valuations for inheritance tax purposes, and market value. The Bank has established procedures for such evaluations to avoid discrepancies in assessments. In addition, the procedures also stipulate the frequency of reviewing collateral valuation according to types of collateral and the credit condition of obligors. The Bank ensures the timely reviewing, at every opportunities of self-assessment exercise or management plan update exercise for each obligor. The Bank applies haircut to the result of collateral valuation to calculate the estimate for recoverable amount from the collateral, and uses that estimate as a secured amount for the purpose of credit analysis or write-off and provision for possible loan losses. Even in the case of valuations of real estate, the type of collateral for which precision of valuation may vary according to the methods employed, the result of valuation is done by adjusting haircut.

In addition, when evaluating the creditworthiness of guarantors, the Bank basically assigns internal ratings. Based on the assigned rating, the Bank determines the value the Bank applies to the guarantee as security for its claims.

As a part of collateral management, the Bank stipulates the procedures of reviewing the legal efficacy and enforceability of collateral not only at the time of the collateral pledge but also periodically through the term of contract.

■ Principal Types of Collateral

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

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

The types of guarantors in such transactions are mainly sovereigns, including central governments and local governments, and high grade corporates. Please note that there is no transaction which uses credit derivatives for the credit risk mitigation.

■ Credit Risk Mitigation Techniques

Taking account of the conditions stated in the Notification Regarding Capital Adequacy and the Bank's operating practices, the Bank adopts Credit Risk Mitigation (the "CRM") techniques as follows.

Eligible Financial Collateral

(1) for repo-type transactions, the Bank recognizes the effectiveness of CRM as stipulated in the Notification Regarding Capital Adequacy and (2) other than repo-type transactions, the Bank recognizes the effectiveness of CRM only in case if deposits with the Bank (including Norinchukin Bank Debentures) or stocks are pledged as collateral. No other financial instruments are used for CRM.

Other Eligible IRB Collateral

The Bank does not use the effects of CRM for collateral such as real estate, commercial bills, and other eligible assets.

Set Off for Loans and Deposits

The Bank does not use the effects of CRM for deposits held with the Bank unless pledged as collateral.

Legally Binding Netting Contracts for Derivatives and Repo-Style Transactions

The Bank considers legally binding bilateral netting contracts for derivatives as a means of CRM.

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

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

As to the management of legally binding netting contract, necessity of the contract itself and scope of transactions therein are reviewed at all times.

Regarding repo-style transactions, although the Bank has concluded legally binding netting agreements with its major counterparties, taking account of the stipulations of the Notification Regarding Capital Adequacy 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 a guaranteed party to a guarantor, as a result of CRM techniques, the Bank monitors the concentrations of credit risk, and manages exposures accordingly. Regarding market risk, there is no exposure of credit derivatives 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, 2011	As of March 31, 2010
Foundation Internal Ratings-Based Approach	**7,844**	7,381
Eligible financial collateral	**6,051**	5,703
Corporate exposure	**8**	10
Sovereign exposure	**3**	3
Bank exposure	**6,038**	5,689
Other eligible IRB collateral	**—**	—
Corporate exposure	**—**	—
Sovereign exposure	**—**	—
Bank exposure	**—**	—
Guarantees, Credit Derivatives	**1,793**	1,677
Corporate exposure	**137**	129
Sovereign exposure	**154**	47
Bank exposure	**1,500**	1,501
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. Counterparty Credit Risk in Derivative Transactions (Consolidated)

Overview 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 (an upper limit for unsecured exposure) to each financial institution group according to the Bank's internal ratings. The Bank manages its total unsecured exposure to such a group, including the credit risk amount in derivative transactions, within the ceiling. This management system is named as the "Bank Ceiling System." Within the limits of this ceiling, each of the front sections is allocated a position limit on the basis of each entity within the group and each type of transaction (such as derivatives, loans, money market transactions). Exposures are managed so as not to exceed such limits, including derivative transactions. Please note that under the bank ceiling system, replacement costs, one component of current exposure in the BIS framework, are considered as the exposure amounts of derivatives to be managed. The ceiling on unsecured exposure, according to internal rating and sector, is approved by Risk Management 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 by the Risk Monitoring Division on a daily basis. When the total exposure exceeds a preset percentage of the limit, the Risk Monitoring Division sends a notice to the front section in charge and the Credit Risk Management Division. Based on this notice, Credit Risk Management Division and the relevant divisions consider and implement action plans. However, when an immediate action is required, instead of having discussion with the relevant divisions, Credit Risk Management Division exercises its authority and takes immediate actions, such as ordering the front section to suspend any new transaction.

■ 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 posted may vary depending on the condition of a CSA entered, 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.

■ Remarks on Impact in case the Bank is Required to Post Additional Collateral when the Bank's Credit Standing Deteriorates

In general, if the Bank's creditworthiness deteriorates, such as downgrading by credit rating agency, financial institution counterparty dealing with the Bank will reduce their credit risk limits and may request the Bank to post collateral. Especially under CSA agreements, the credit risk limits applicable to that bank are automatically adjusted according to the credit rating of a bank assigned by a rating agency. If the Bank's credit rating declines, it will be required to post collateral in accordance with its agreements. However, since the Bank has abundant holdings of liquid financial instruments, such as government bonds, it will have a sufficient level of assets to post as collateral, and Market Portfolio Management Committee monitors the level of these assets ongoing basis. For this reason, even if the Bank is required to post 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, 2011	As of March 31, 2010
Total gross replacement costs (limited to items with a value of greater than zero)	(A)	**60**	76
Total gross add-ons	(B)	**277**	287
Gross credit exposure	(C) = (A)+(B)	**338**	364
Including, foreign exchange related		**267**	304
Including, interest rate related		**68**	57
Including, equity related		**2**	2
Including, credit derivatives		**—**	—
Including, transactions with a long settlement period		**—**	0
Reduction in credit exposure due to netting contracts	(D)	**208**	233
Amount of credit exposure before taking into account credit risk mitigation techniques due to collateral	(E) = (C)–(D)	**129**	130
Amount of collateral		**157**	0
Including eligible financial collateral		**157**	0
Amount of credit exposure after taking into account credit risk mitigation techniques due to collateral		**129**	130

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, 2011	As of March 31, 2010
To buy protection	**—**	—
Including credit default swaps	**—**	—
To sell protection	**—**	—
Including credit default swaps	**—**	—
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. 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. The Bank's policy is to continuously invest in such instruments while managing the risk arising from those transactions appropriately.

The Bank invests in securitization exposure as part of its policy of effectively generating earnings from credit risk, globally from the geographical perspective and ranging from retail to corporate from the perspective of type of underlying assets. In terms of risk management framework for these investments, the Bank has established a risk management infrastructure of credit and market risk. According to that framework, the Bank implements the cycle mainly consists of investment policy setting, due diligence (individual analysis at the time of initial investment), credit analysis, execution, monitoring and investment policy reviewing.

In view of the risk profiles of securitization exposure, the Bank has established the process of risk evaluation, including the differentiation of approval limits on investment according to credit rating, grasp of methodology adopted by credit rating agency and quantitative analysis for repayment capability of the exposure. The Bank monitors and reviews the credit condition of each investment ongoing basis and performs analysis and assessment of market environments for each asset class, considering performance of underlying assets.

Regarding its securitization exposure, the Bank appropriately calculates the amounts of credit risk assets based on the Notification Regarding Capital Adequacy. As part of its integrated risk management, based on the risk properties of the securitization exposure, the Bank computes risk amounts and engages in other initiatives to enhance the accuracy and sophistication of its risk management.

Please note that, as of March 31, 2011, the Bank has no securitization transaction in which the Bank acts as an originator and recognized effects of credit risk mitigation for a regulatory purpose.

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 treats securitized instruments in accordance with the "Accounting Standards for Financial Products" and "Practical Guidelines for Accounting for Financial Products" for accounting purpose.

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

Detail of Securitization Exposure Held as Originator

(Billions of yen)

Classification	As of March 31, 2011	As of March 31, 2010
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, 2011, 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, 2011		As of March 31, 2010	
	Amount of exposure	Deductions from capital	Amount of exposure	Deductions from capital
Total amount of securitization exposure	**4,216**	**179**	5,457	162
Individuals				
Asset-Backed Securities (ABS)	**1,976**	**0**	2,531	0
Residential Mortgage-Backed Securities (RMBS)	**470**	**42**	549	21
Real estate				
Commercial Mortgage-Backed Securities (CMBS)	**352**	**20**	482	20
Corporates				
Subtotal of CDOs (CLO, ABS-CDO, CBO)	**1,303**	**108**	1,800	111
Collateralized Loan Obligations (CLO)	**1,133**	**70**	1,568	83
Asset-Backed Securities CDOs (ABS-CDO)	**145**	**38**	202	28
Collateralized Bond Obligations (CBO)	**24**	**0**	28	—
Others	**114**	**7**	93	8

Note: “Deductions 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, 2011		As of March 31, 2010	
	Amount of exposure	Regulatory required capital	Amount of exposure	Regulatory required capital
Amount of securitization exposure	**4,216**	**309**	5,457	300
Risk weight: 20% or less	**3,327**	**24**	4,473	33
Risk weight: exceeding 20% to 50% or less	**283**	**8**	391	11
Risk weight: exceeding 50% to 100% or less	**173**	**11**	177	12
Risk weight: exceeding 100% to 250% or less	**135**	**27**	92	19
Risk weight: exceeding 250% to less than 1,250%	**118**	**58**	159	61
Deductions from capital	**179**	**179**	162	162

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

Not applicable

7. Market Risk (Consolidated)

Methods for Computation of Market Risk Amount and Appropriate Valuation Method

The Bank utilizes 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, for which the internal models approach is applied to measure general market risk, are limited to products and transactions with abundant liquidity, such as government bonds and derivatives (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 profiles of the products handled and assumes a holding period of 10 business days.

Computation of the Market Risk Amount by the Internal Models Approach

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

The model covers 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.

■ Descriptions of the Internal Models Approach

(1) Applied Method: 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 2010	Fiscal 2009
Base date of computation	**2011. 3. 31**	2010. 3. 31
VaR (For the most recent 60 business days)		
Base date of computation	**82**	259
Maximum	**264**	283
Minimum	**73**	96
Average	**147**	173

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2010	Fiscal 2009
For the portion computed with the internal models approach (B)+(E)	(A)	**442**	519
Value at Risk (MAX (C, D))	(B)	**442**	519
Amount on base date of computation	(C)	**82**	259
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	**442**	519
Additional amount at the time of measuring individual risk	(E)	**0**	0
(Multiplier)	(F)	**3.0**	3.0
(Times exceeding VaR in back testing)	(G)	**1**	2

Note: With regard to validation of the Bank's internal model, the amount of risk calculated by the model is compared with the volatilities in actual profit and loss on a daily basis (known as back testing). When discrepancies between the model's estimates and actual results due to the designs of the model go beyond a certain level, the Bank scrutinizes the relevant model factors and revises the model if necessary.

8. Equity Exposure (Consolidated)

(Includes items such as equity investments, 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 Notification Regarding Capital Adequacy. However, for internal management purposes, the Bank conducts comprehensive risk management within its economic capital management framework, as described in the section, "Risk Management."

■ Equities Classified as Other Securities

Risk management of equities classified as other securities is managed under a framework of overall market risk management (including interest rate risk and foreign currency exchange risk). That framework mainly consists of the economic capital management framework. Further details can be found in "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 which are extremely difficult to determine the fair value 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, 2011		As of March 31, 2010	
	Amounts on the balance sheet	Market value	Amounts on the balance sheet	Market value
Equity exposure	**745**	**745**	839	839
Exposure to publicly traded equity	**602**	**602**	679	679
Exposure to privately held equity	**143**	**143**	160	160

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 2010			Fiscal 2009		
	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	**22**	**0**	**11**	15	2	55

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

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2011	As of March 31, 2010
Amount of valuation gains (losses) recognized on the balance sheet and not recognized in the statements of operations	**56**	98

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, 2011	As of March 31, 2010
Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 6-1-1	**—**	—

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, 2011	As of March 31, 2010
	Amounts on the balance sheets	Amounts on the balance sheets
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	**326**	377
Corporate	**315**	364
Bank	**5**	7
Sovereign	**5**	5

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. 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. Assets under management include equities, bonds and credit assets, which are the Bank's primary investment assets. Risk management policies are stipulated for each risk of the assets. An outline is provided in the section "Risk Management." In addition to assets managed by the Bank itself, the Bank utilizes investment funds in which asset management is entrusted with management firms. Under the relevant procedures described in "Policies and Procedures for Management of Fund Investments," risk is managed by applying method appropriate for each type of funds. In order to select a manager and entrust assets, the Bank performs thorough due-diligence on the manager's ability, including operating organization, risk management, compliance framework, management philosophy and strategies as well as past performance. In addition, during entrusting 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 maintain or replace individual managers.

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

(Billions of yen)

Classification	As of March 31, 2011		As of March 31, 2010	
	Exposure	(For reference) Weighted-average risk weight	Exposure	(For reference) Weighted-average risk weight
Look-through approach	**15,144**	**53%**	13,178	62%
Majority approach	**461**	**331%**	498	324%
Mandate approach	**—**	**—**	—	—
Market-based approach	**1,552**	**237%**	1,741	249%
Others (simple approach)	**234**	**479%**	253	472%
Total	**17,392**	**81%**	15,672	95%

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. (For reference) Weighted-average risk weight = {Total risk-weighted assets + (Expected losses + Deductions from capital) / 8%} / EAD

10. 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.)

Overview of Risk Management and Procedures for Interest-Rate Risk

As described in the section of "Risk Management," in its economic capital management, the core concept 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.

In managing "interest-rate risk," the Bank analyzes interest-rate risk by performing scenario analysis on 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 revenue and expenditure impact analyses by 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.

The Bank always ensures the proper operation of interest-rate risk management at all times, besides the management of other major risks, from the point of view of the assessment of capital adequacy by monitoring checkpoints for the Bank's capital management and conducting sets of stress testing.

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. Please 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, 2011	As of March 31, 2010
Interest-rate risk	**1,618**	1,337
Yen interest-rate risk	**107**	18
U.S. dollar interest-rate risk	**1,411**	1,181
Euro interest-rate risk	**96**	133
Interest-rate risk in other currencies	**2**	4

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, 2011 and 2010, was computed according to Basel II.

As of March 31

Items			Millions of yen		Millions of U.S. dollars
			2011	2010	**2011**
Tier I capital	Capital stock		**3,425,909**	3,425,909	**41,201**
	Included as non-cumulative, perpetual preferred stock		**24,999**	24,999	**300**
	Deposit for subscription to preferred stock		**—**	—	**—**
	Capital surplus		**25,020**	25,020	**300**
	Earned surplus		**947,481**	819,450	**11,394**
	Less: Amount corresponding to the decrease in capital due to merger of subsidiaries		**—**	—	**—**
	Less: Treasury stock		**—**	—	**—**
	Deposit for subscription to treasury stock		**—**	—	**—**
	Unrealized loss on other securities		**(221,641)**	(406,661)	**(2,665)**
	Foreign currency transaction adjustment		**(39)**	(26)	**0**
	Stock acquisition rights		**—**	—	**—**
	Less: Amount corresponding to operating rights		**—**	—	**—**
	Less: Goodwill and others		**—**	—	**—**
	Less: Amount corresponding to the increase in capital due to securitization transactions		**—**	—	**—**
	Less: Amount equivalent to 50% expected losses in excess of qualifying allowance		**43,114**	72,828	**518**
	Subtotal	(A)	**4,133,616**	3,790,864	**49,712**
	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		**—**	—	**—**
	45% of unrealized gains on land		**19,218**	22,684	**231**
	General reserve for possible loan losses		**15**	16	**0**
	Qualifying subordinated debt		**1,740,373**	1,751,813	**20,930**
	Included as perpetual subordinated bonds and loans		**1,486,007**	1,486,007	**17,871**
	Included as dated subordinated bonds, loans, and preferred stock		**254,366**	265,806	**3,059**
	Subtotal		**1,759,607**	1,774,514	**21,161**
	Tier II capital included as qualifying capital	(B)	**1,759,607**	1,774,514	**21,161**
Tier III capital	Short-term subordinated debt		**—**	—	**—**
	Including amount added to capital	(C)	**—**	—	**—**
Deductions	Deductions	(D)	**294,997**	304,823	**3,547**
Total Capital	(A)+(B)+(C)-(D)	(E)	**5,598,225**	5,260,555	**67,326**
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	**22,792,210**	25,378,556	**274,109**
	Including on-balance sheet		**21,826,429**	24,111,417	**262,494**
	Including off-balance sheet		**965,780**	1,267,138	**11,614**
	Assets equivalent to market risk (H)/8%	(G)	**1,391,085**	1,400,525	**16,729**
	(For reference: actual market risk volume)	(H)	**111,286**	112,042	**1,338**
	Amount corresponding to operational risk (J)/8%	(I)	**410,602**	528,504	**4,938**
	(For reference: amount corresponding to operational risk)	(J)	**32,848**	42,280	**395**
	Total risk-weighted assets (F)+(G)+(I)	(K)	**24,593,898**	27,307,586	**295,777**
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) × 100%			**22.76%**	19.26%	**22.76%**
Tier I ratio = (A)/(K) × 100%			**16.80%**	13.88%	**16.80%**
Non-consolidated required capital (K) × 8%			**1,967,511**	2,184,606	**23,662**

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 & Young ShinNihon LLC 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 a review on agree-upon procedures on internal control of capital adequacy calculation. Accordingly, Ernst & Young ShinNihon LLC does not address any opinion as a result of the review.

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. Those are items of Deductions: (1) the total amount of the value corresponding to intentional holdings of capital investments issued by other financial institutions, (2) 50% of the expected losses on exposure to corporate, sovereign and bank, and expected losses on retail exposure over the value of qualified reserves, (3) expected losses on equity exposure, and (4) 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 amount 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. 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, 2011		As of March 31, 2010	
	EAD	Regulatory Required Capital	EAD	Regulatory Required Capital
Amount of regulatory required capital for credit risk	**80,130**	**2,291**	81,195	2,586
Exposure subject to Internal Ratings-Based Approach	**80,124**	**2,290**	81,189	2,585
Corporate exposure (excluding Specialized Lending)	**5,352**	**384**	5,571	501
Corporate exposure (Specialized Lending)	**463**	**93**	777	150
Sovereign exposure	**36,500**	**0**	37,263	0
Bank exposure	**13,443**	**100**	13,005	89
Retail exposure	**5**	**2**	6	2
Retail exposure secured by residential properties	**—**	**—**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**5**	**2**	6	2
Securitization exposure	**4,216**	**309**	5,455	300
Equity portfolios	**786**	**149**	885	172
Equity portfolios subject to PD/LGD approaches	**152**	**29**	170	37
Equity portfolios subject to simple risk-weighted method	**27**	**9**	37	12
Equities under the internal models approach	**256**	**81**	276	87
Grandfathered equity exposure	**349**	**29**	401	34
Exposure subject to risk-weighted asset calculation for investment fund	**18,902**	**1,225**	17,627	1,332
Other debt purchased	**36**	**1**	47	4
Other exposures	**416**	**25**	549	31
Exposure subject to Standardized Approach	**6**	**0**	5	0
Overdrafts	**—**	**—**	0	0
Prepaid expenses	**1**	**0**	1	0
Suspense payments	**5**	**0**	3	0
Other	**—**	**—**	—	—
Amount of regulatory required capital for market risk	**/**	**111**	/	112
Standardized Approach	**/**	**110**	/	111
Interest rate risk category	**/**	**—**	/	—
Equity risk category	**/**	**—**	/	—
Foreign exchange risk category	**/**	**110**	/	111
Commodity risk category	**/**	**—**	/	—
Option transactions	**/**	**—**	/	—
Internal models Approach	**/**	**0**	/	0
Amount of regulatory required capital for operational risk	**/**	**32**	/	42
Offsets on consolidation	**/**	**2,435**	/	2,740

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. Credit Risk (Non-Consolidated)

(Funds and securitization exposures are excluded.)

(1) CREDIT RISK EXPOSURE

For Fiscal 2010, ended March 31, 2011

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	16,007	15,873	8	2,625	34,514	265
Asia except Japan	61	91	—	741	895	—
Europe	25	3,803	0	2,543	6,372	—
The Americas	312	9,857	3	5,493	15,667	0
Other areas	21	730	0	423	1,175	—
Total	16,428	30,356	11	11,827	58,624	265

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)
Manufacturing	2,312	252	1	0	2,565	50	1
Agriculture	46	0	—	0	46	8	0
Forestry	30	—	—	—	30	0	—
Fishing	28	—	—	0	28	21	0
Mining	5	—	—	0	5	—	—
Construction	130	7	—	0	138	3	0
Utility	141	14	0	0	156	1	—
Information/telecommunications	62	8	0	0	70	5	0
Transportation	785	57	3	0	846	3	—
Wholesaling, retailing	1,619	48	0	0	1,668	28	0
Finance and insurance	1,390	6,679	7	11,401	19,478	19	0
Real estate	600	173	—	0	774	106	—
Services	1,119	66	0	1	1,186	14	0
Municipalities	205	12	—	—	217	—	—
Other	7,951	23,035	—	422	31,409	0	—
Total	16,428	30,356	11	11,827	58,624	265	3

Note: "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	**12,775**	**9,175**	**2**	**11,362**	**33,316**
Over 1 year to 3 years	**1,675**	**5,796**	**3**	**0**	**7,475**
Over 3 years to 5 years	**1,338**	**2,647**	**1**	**0**	**3,988**
Over 5 years to 7 years	**302**	**1,523**	**1**	**—**	**1,827**
Over 7 years	**276**	**10,463**	**3**	**—**	**10,742**
No term to maturity	**59**	**751**	**—**	**463**	**1,274**
Total	**16,428**	**30,356**	**11**	**11,827**	**58,624**

Notes: 1. The amount of credit exposure at the end of the period does not substantially differ from the average-risk position during fiscal 2010.
2. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥6.2 billion.
3. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

For Fiscal 2009, ended March 31, 2010

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	15,124	14,958	5	3,164	33,252	290
Asia except Japan	54	32	0	825	912	—
Europe	22	4,325	0	3,614	7,962	0
The Americas	258	10,859	2	5,621	16,741	0
Other areas	23	719	0	0	743	—
Total	15,482	30,895	8	13,226	59,613	291

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)
Manufacturing	2,314	295	1	0	2,611	56	1
Agriculture	47	0	—	0	48	7	0
Forestry	37	—	—	—	37	1	0
Fishing	32	—	—	0	32	24	0
Mining	8	—	—	0	8	—	—
Construction	139	17	—	0	156	5	—
Utility	134	15	0	0	149	—	—
Information/telecommunications	82	14	—	0	96	9	11
Transportation	691	64	2	0	758	2	6
Wholesaling, retailing	1,585	61	0	0	1,647	27	0
Finance and insurance	1,411	6,670	3	12,668	20,754	26	—
Real estate	491	379	—	0	872	102	0
Services	1,248	75	0	1	1,326	27	0
Municipalities	264	12	—	—	277	—	—
Other	6,992	23,287	—	555	30,835	0	—
Total	15,482	30,895	8	13,226	59,613	291	20

Note: “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	11,813	9,017	0	11,593	32,425
Over 1 year to 3 years	1,540	6,614	2	56	8,213
Over 3 years to 5 years	1,480	4,033	1	2	5,517
Over 5 years to 7 years	366	935	1	—	1,303
Over 7 years	266	9,456	3	—	9,726
No term to maturity	15	838	—	1,574	2,427
Total	15,482	30,895	8	13,226	59,613

Notes: 1. The amount of credit exposure at the end of the period does not substantially differ from the average-risk position during fiscal 2009.
2. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥5.2 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, 2011	As of March 31, 2010	Increase/(decrease)
General reserve for possible loan losses	**51**	73	**(21)**
Specific reserve for possible loan losses	**123**	136	**(12)**
Japan	**123**	135	**(12)**
Asia except Japan	**—**	—	**—**
Europe	**—**	0	**(0)**
The Americas	**—**	—	**—**
Other areas	**—**	—	**—**
Specified reserve for loans to countries with financial problems	**—**	—	**—**
Total	**174**	209	**(34)**

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, 2011	As of March 31, 2010	Increase/(decrease)
General reserve for possible loan losses	**51**	73	**(21)**
Specific reserve for possible loan losses	**123**	136	**(12)**
Manufacturing	**20**	19	**0**
Agriculture	**5**	4	**0**
Forestry	**0**	0	**0**
Fishing	**9**	11	**(1)**
Mining	**—**	—	**—**
Construction	**0**	1	**(1)**
Utility	**1**	—	**1**
Information/telecommunications	**1**	7	**(5)**
Transportation	**1**	1	**0**
Wholesaling, retailing	**4**	5	**(1)**
Finance and insurance	**8**	14	**(6)**
Real estate	**58**	58	**(0)**
Services	**9**	9	**0**
Municipalities	**—**	—	**—**
Other	**0**	0	**0**
Others	**—**	—	**—**
Specified reserve for loans to countries with financial problems	**—**	—	**—**
Total	**174**	209	**(34)**

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

a. Corporate, Sovereign and Bank Exposure

Fiscal 2010 (Ended March 31, 2011)

(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	4.68%	44.92%	90%	5,352	4,671	681
1-1 to 4	0.18%	44.95%	39%	3,914	3,324	589
5 to 7	1.72%	44.87%	112%	819	775	43
8-1 to 8-2	15.92%	44.96%	321%	464	416	47
Subtotal	1.83%	44.94%	76%	5,197	4,516	680
8-3 to 10-2	100.00%	44.48%	558%	155	154	0
Sovereign Exposure	0.00%	44.99%	0%	36,500	34,988	1,511
1-1 to 4	0.00%	44.99%	0%	36,500	34,988	1,511
5 to 7	0.70%	45.00%	122%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	44.99%	0%	36,500	34,988	1,511
8-3 to 10-2	—	—	—	—	—	—
Bank Exposure	0.05%	23.10%	9%	13,443	6,388	7,055
1-1 to 4	0.05%	23.08%	9%	13,426	6,377	7,049
5 to 7	1.21%	39.97%	111%	15	9	5
8-1 to 8-2	7.07%	45.00%	242%	1	1	0
Subtotal	0.05%	23.10%	9%	13,443	6,388	7,055
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	1.81%	90.00%	240%	152	152	—
1-1 to 4	0.14%	90.00%	127%	77	77	—
5 to 7	1.96%	90.00%	317%	67	67	—
8-1 to 8-2	16.23%	90.00%	720%	7	7	—
Subtotal	1.70%	90.00%	239%	152	152	—
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 2009 (Ended March 31, 2010)

(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	6.27%	44.91%	113%	5,571	4,854	717
1-1 to 4	0.22%	44.99%	43%	3,727	3,151	575
5 to 7	2.41%	44.78%	125%	963	879	83
8-1 to 8-2	19.28%	44.69%	351%	698	641	56
Subtotal	3.08%	44.92%	97%	5,388	4,672	715
8-3 to 10-2	100.00%	44.62%	559%	183	181	1
Sovereign Exposure	0.00%	44.99%	0%	37,263	34,048	3,215
1-1 to 4	0.00%	44.99%	0%	37,263	34,048	3,215
5 to 7	—	—	—	—	—	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	44.99%	0%	37,263	34,048	3,215
8-3 to 10-2	—	—	—	—	—	—
Bank Exposure	0.06%	23.77%	9%	13,005	6,323	6,682
1-1 to 4	0.05%	23.74%	8%	12,984	6,310	6,674
5 to 7	3.04%	41.55%	157%	14	8	6
8-1 to 8-2	7.07%	29.66%	142%	5	4	0
Subtotal	0.06%	23.76%	9%	13,004	6,322	6,682
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	2.84%	90.00%	278%	170	168	2
1-1 to 4	0.14%	90.00%	127%	84	84	—
5 to 7	4.30%	90.00%	409%	81	79	2
8-1 to 8-2	19.91%	90.00%	783%	3	3	—
Subtotal	2.55%	90.00%	276%	169	167	2
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).

b. Retail Exposure

Fiscal 2010 (Ended March 31, 2011)

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	6.84%	46.41%	87.97%	74.42%	119%	256	256	—
Not default Not delinquent	0.66%	46.43%	/	/	48%	228	228	—
Not default Delinquent	29.59%	46.15%	/	/	440%	16	16	—
Not default Subtotal	2.63%	46.41%	/	/	75%	245	245	—
Default	100.00%	/	87.97%	74.42%	1,100%	11	11	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	24.18%	70.97%	102.80%	98.38%	375%	7	3	3
Not default Not delinquent	1.71%	71.42%	/	/	107%	5	1	3
Not default Delinquent	27.21%	44.29%	/	/	268%	0	0	0
Not default Subtotal	2.14%	70.97%	/	/	110%	5	1	3
Default	100.00%	/	102.80%	98.38%	1,285%	1	1	0
Total	7.31%	47.09%	89.87%	77.49%	126%	263	259	3
Not default Not delinquent	0.68%	47.02%	/	/	50%	233	230	3
Not default Delinquent	29.58%	46.14%	/	/	439%	16	16	0
Not default Subtotal	2.62%	16.96%	/	/	76%	250	246	3
Default	100.00%	/	89.87%	77.49%	1,123%	12	12	0

Notes: 1. As of March 31, 2011, most of the retail exposures are purchased retail receivables in investment funds. Those using estimated parameters have been included in the amount subject to quantitative disclosure.

2. "Not default Delinquent" does not fall under the 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, 2011, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

Fiscal 2009 (Ended March 31, 2010)
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	5.51%	44.06%	85.90%	78.24%	96%	291	291	—
Not default Not delinquent	0.54%	44.08%	/	/	39%	266	266	—
Not default Delinquent	28.01%	43.80%	/	/	409%	15	15	—
Not default Subtotal	2.05%	44.06%	/	/	60%	281	281	—
Default	100.00%	/	85.90%	78.24%	1,074%	10	10	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	25.61%	80.71%	106.10%	97.56%	403%	8	4	4
Not default Not delinquent	1.60%	80.72%	/	/	105%	6	2	4
Not default Delinquent	29.02%	80.45%	/	/	469%	0	0	0
Not default Subtotal	1.95%	80.71%	/	/	110%	6	2	4
Default	100.00%	/	106.10%	97.56%	1,326%	2	1	0
Total	6.09%	45.12%	89.30%	81.49%	104%	300	295	4
Not default Not delinquent	0.56%	44.95%	/	/	41%	272	268	4
Not default Delinquent	28.01%	44.00%	/	/	409%	15	15	0
Not default Subtotal	2.05%	44.90%	/	/	61%	288	283	4
Default	100.00%	/	89.30%	81.49%	1,116%	12	12	0

Notes: 1. As of March 31, 2010, most of the retail exposures are purchased retail receivables in investment funds. Those using estimated parameters have been included in the amount subject to quantitative disclosure.

2. "Not default Delinquent" does not fall under the 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, 2010, 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, 2011	As of March 31, 2010	Increase/(decrease)
Corporate exposure	7	42	(35)
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, specific reserve for possible loan losses, general reserve 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, 2011		As of March 31, 2010		As of March 31, 2009		As of March 31, 2008		As of March 31, 2007	
	Estimated losses	Actual losses	Estimated losses	Actual losses	Estimated losses	Actual losses	Estimated losses	Actual losses	Estimated losses	Actual losses
Corporate exposure	73	7	55	42	45	23	28	6	27	18
Sovereign exposure	0	—	0	—	1	—	1	—	1	—
Bank exposure	0	—	0	—	0	—	0	—	0	—
Equity exposure subject to PD/LGD approach	3	0	1	0	0	0	1	0	0	0
Retail exposure secured by residential properties	—	—	—	—	—	—	—	—	—	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—	—	—
Other retail exposure	0	0	0	0	0	0	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 2010 (ended March 31, 2011) the actual loss amount decreased year-on-year due to a decrease in losses due to defaults of corporate borrowers. Actual loss amounts have basically maintained at lower levels than the estimated losses at the beginning of the term, for fiscal years stated above.

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, 2011	As of March 31, 2010
Specialized Lending exposure subject to supervisory slotting criteria	**464**	777
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	**360**	609
Risk weight of 50%	**47**	7
Risk weight of 70%	**190**	252
Risk weight of 90%	**7**	2
Risk weight of 115%	**3**	159
Risk weight of 250%	**52**	93
Risk weight of 0% (default)	**58**	94
High-Volatility Commercial Real Estate (HVCRE)	**104**	167
Risk weight of 70%	**2**	2
Risk weight of 95%	**13**	—
Risk weight of 120%	**19**	—
Risk weight of 140%	**—**	75
Risk weight of 250%	**21**	79
Risk weight of 0% (default)	**48**	10

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, 2011	As of March 31, 2010
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	**27**	37
Risk weight of 300%	**—**	—
Risk weight of 400%	**27**	37

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, 2011		As of March 31, 2010	
	Exposure	Refer to ECAI	Exposure	Refer to ECAI
Exposure subject to Standardized Approach	6	—	5	—
Risk weight of 0%	—	—	—	—
Risk weight of 10%	—	—	—	—
Risk weight of 20%	—	—	—	—
Risk weight of 35%	—	—	—	—
Risk weight of 50%	—	—	—	—
Risk weight of 75%	—	—	—	—
Risk weight of 100%	6	—	5	—
Risk weight of 150%	—	—	—	—
Amount deducted from capital	—	—	—	—
Others	—	—	—	—

4. 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, 2011	As of March 31, 2010
Foundation Internal Ratings-Based Approach	**7,844**	7,381
Eligible financial collateral	**6,051**	5,703
Corporate exposure	**8**	10
Sovereign exposure	**3**	3
Bank exposure	**6,038**	5,689
Other eligible IRB collateral	**—**	—
Corporate exposure	**—**	—
Sovereign exposure	**—**	—
Bank exposure	**—**	—
Guarantees, Credit Derivatives	**1,793**	1,677
Corporate exposure	**137**	129
Sovereign exposure	**154**	47
Bank exposure	**1,500**	1,501
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. 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, 2011	As of March 31, 2010
Total gross replacement costs (limited to items with a value of greater than zero)	(A)	**60**	76
Total gross add-ons	(B)	**277**	287
Gross credit exposure	(C) = (A)+(B)	**338**	364
Including, foreign exchange related		**267**	304
Including, interest rate related		**68**	57
Including, equity related		**2**	2
Including, credit derivatives		**—**	—
Including, transactions with a long settlement period		**—**	0
Reduction in credit exposure due to netting contracts	(D)	**208**	233
Amount of credit exposure before taking into account credit risk mitigation techniques due to collateral	(E) = (C)–(D)	**129**	130
Amount of collateral		**157**	0
Including eligible financial collateral		**157**	0
Amount of credit exposure after taking into account credit risk mitigation techniques due to collateral		**129**	130

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, 2011	As of March 31, 2010
To buy protection	**—**	—
Including credit default swaps	**—**	—
To sell protection	**—**	—
Including credit default swaps	**—**	—
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 21-2 and Article 21-3, the amount of credit risk assets not computed has not been included.

6. Securitization Exposure (Non-Consolidated)

Detail of Securitization Exposure Held as Originator

(Billions of yen)

Classification	As of March 31, 2011	As of March 31, 2010
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, 2011, 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, 2011		As of March 31, 2010	
	Amount of exposure	Deductions from capital	Amount of exposure	Deductions from capital
Total amount of securitization exposure	**4,216**	**179**	5,457	162
Individuals				
Asset-Backed Securities (ABS)	**1,976**	**0**	2,531	0
Residential Mortgage-Backed Securities (RMBS)	**470**	**42**	549	21
Real estate				
Commercial Mortgage-Backed Securities (CMBS)	**352**	**20**	482	20
Corporates				
Subtotal of CDOs (CLO, ABS-CDO, CBO)	**1,303**	**108**	1,800	111
Collateralized Loan Obligations (CLO)	**1,133**	**70**	1,568	83
Asset-Backed Securities CDOs (ABS-CDO)	**145**	**38**	202	28
Collateralized Bond Obligations (CBO)	**24**	**0**	28	—
Others	**114**	**7**	93	8

Note: "Deductions 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, 2011		As of March 31, 2010	
	Amount of exposure	Regulatory required capital	Amount of exposure	Regulatory required capital
Amount of securitization exposure	**4,216**	**309**	5,457	300
Risk weight: 20% or less	**3,327**	**24**	4,473	33
Risk weight: exceeding 20% to 50% or less	**283**	**8**	391	11
Risk weight: exceeding 50% to 100% or less	**173**	**11**	177	12
Risk weight: exceeding 100% to 250% or less	**135**	**27**	92	19
Risk weight: exceeding 250% to less than 1,250%	**118**	**58**	159	61
Deductions from capital	**179**	**179**	162	162

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

Not applicable

7. Market Risk (Non-Consolidated)

Computation of the Market Risk Amount by the Internal Models Approach

■ VaR

(Millions of yen)

	Fiscal 2010	Fiscal 2009
Base date of computation	**2011. 3. 31**	2010. 3. 31
VaR (For the most recent 60 business days)		
Base date of computation	**82**	259
Maximum	**264**	283
Minimum	**73**	96
Average	**147**	173

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2010	Fiscal 2009
For the portion computed with the internal models approach (B)+(E)	(A)	**442**	519
Value at Risk (MAX (C, D))	(B)	**442**	519
Amount on base date of computation	(C)	**82**	259
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	**442**	519
Additional amount at the time of measuring individual risk	(E)	**0**	0
(Multiplier)	(F)	**3.0**	3.0
(Times exceeding VaR in back testing)	(G)	**1**	2

8. 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, 2011		As of March 31, 2010	
	Amounts on the balance sheet	Market value	Amounts on the balance sheet	Market value
Equity exposure	**785**	**785**	882	882
Exposure to publicly traded equity	**602**	**602**	679	679
Exposure to privately held equity	**182**	**182**	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 2010			Fiscal 2009		
	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	**23**	**0**	**11**	15	2	55

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

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2011	As of March 31, 2010
Amount of valuation gains (losses) recognized on the balance sheet and not recognized in the statements of operations	**56**	98

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, 2011	As of March 31, 2010
Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 18-1-1	**—**	—

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, 2011	As of March 31, 2010
	Amounts on the balance sheets	Amounts on the balance sheets
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	**349**	401
Corporate	**318**	368
Bank	**25**	27
Sovereign	**5**	5

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. 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, 2011		As of March 31, 2010	
	Exposure	(For reference) Weighted-average risk weight	Exposure	(For reference) Weighted-average risk weight
Look-through approach	**15,143**	**53%**	13,177	62%
Majority approach	**461**	**331%**	498	324%
Mandate approach	**—**	**—**	—	—
Market-based approach	**1,552**	**237%**	1,741	249%
Others (simple approach)	**233**	**479%**	253	472%
Total	**17,391**	**81%**	15,671	94%

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. (For reference) Weighted-average risk weight = {Total risk-weighted assets + (Expected losses + Deductions from capital) / 8%} / EAD

10. 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, 2011	As of March 31, 2010
Interest-rate risk	**1,618**	1,337
Yen interest-rate risk	**107**	18
U.S. dollar interest-rate risk	**1,411**	1,181
Euro interest-rate risk	**96**	133
Interest-rate risk in other currencies	**2**	4

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.