Towards a Sounder Financial Position

One of the most important management priorities in the creation of a sounder financial position is the reduction of non-performing loans (NPLs) and the improvement of our capital adequacy.

NPL ratio

The Bank took a stricter stance on bad debt write-offs and provisions to reserves to more faithfully reflect the Bank's self-assessment of assets. As of the end of March 2008, the balance of loans subject to mandatory disclosure under the Financial Reconstruction Law rose ¥6.3 billion year-on-year to ¥216.4 billion. The NPL ratio increased 3 basis points to 4.52%.

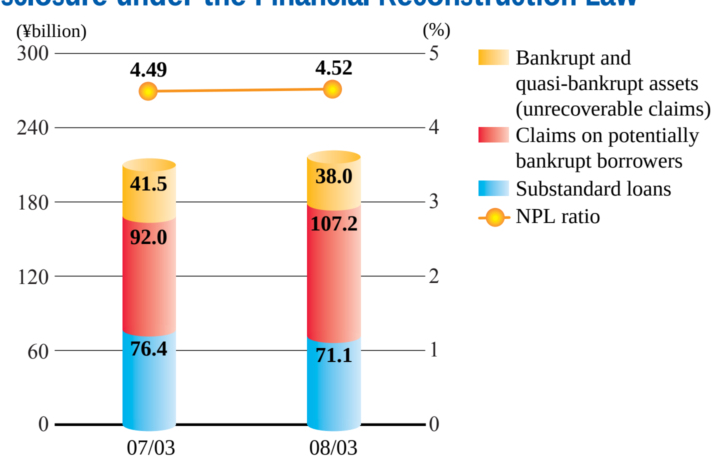
The coverage ratio for loans subject to mandatory disclosure is 80.58%, through collateral, guarantees and the reserve for possible loan losses. Coverage for bankrupt and quasi-bankrupt assets is 100%.

Capital ratio

As of March 31, 2008, our capital ratio stood at 9.23% on both a consolidated and non-consolidated basis. This figure marks a decline of 2 basis points on a non-consolidated basis, and a decrease of 7 basis points on a consolidated basis, but the level is far above the 4.0% capital adequacy requirement for banks operating solely in Japan. Under our new medium-term management plan, we are targeting the mid-9% range.

Our core Tier I ratio stood at 6.05% on a non-consolidated basis, and 5.89% on a consolidated basis, with both figures marking improvements over the previous fiscal year. From fiscal 2008 onward, we are taking steps to further improve our capital adequacy and raise our capital ratio.

Balance of NPLs and ratio of loans subject to mandatory disclosure under the Financial Reconstruction Law



*Including claims held by new subsidiaries created to undertake the disposal of bad debt

Capital ratios