

Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 11.24% on a non-consolidated basis and 11.72% on a consolidated basis.

In both cases, the Bank's capital ratio exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic Standards	11.24%	11.72%
<Reference>		
	Non-consolidated	Consolidated
International Uniform Standards	24.02%	24.42%

Self-Assessment of Assets, Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosed Assets Based on the Financial Reconstruction Law

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

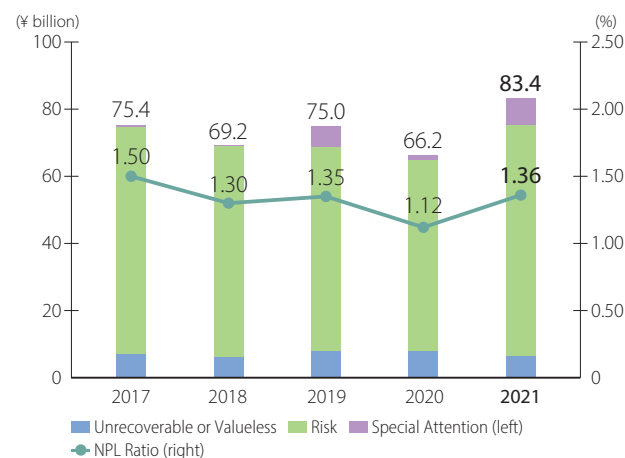
At the end of fiscal 2020, the Bank's total disclosed assets, excluding normal assets, amounted to ¥83.4 billion (\$753 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 59.8%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 86.1%, which we consider to be a sufficient level.

Financial Reconstruction Law Standard (Non-Consolidated)

	(Billions of yen)		
	2021/3	Change from Mar. 31, 2020	2020/3
Unrecoverable or Valueless	¥ 6.5	¥ (1.4)	¥ 7.9
Risk	68.6	11.7	56.9
Special Attention	8.2	7.0	1.2
Subtotal (A)	83.4	17.2	66.2
Normal	6,051.8	231.5	5,820.3
Total	¥6,135.3	¥248.8	¥5,886.5

Notes:

- From the end of March 2009, we have been calculating Special Attention by standards that reflect the "Measure for facilitation of financing for SMEs through eased lending terms" (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
- The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Special Attention comprise only loans and bills discounted.

Financial Reconstruction Law Standard (Non-Consolidated)

Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

	(Billions of yen)		
	2021/3	Change from Mar. 31, 2020	2020/3
Allowance for Loan Losses (B)	¥17.2	¥6.8	¥10.4
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	54.6	6.2	48.4
Coverage Ratio (B)+(C)/(A)	86.1%	(2.7)%	88.8%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

	(Billions of yen)		
	2021/3	Change from Mar. 31, 2020	2020/3
Loans in Legal Bankruptcy	¥ 2.7	¥ (1.4)	¥ 4.1
Nonaccrual Loans	72.7	11.4	61.3
Accruing Loans			
Three Months or More	—	—	—
Restructured Loans	8.2	7.0	1.2
Total	¥ 83.8	¥ 17.0	¥ 66.8
Total Loans Outstanding (term-end balance)	¥6,059.4	¥241.1	¥5,818.3