[TRANSLATION]

Memorandum of Understanding

This Memorandum of Understanding (the "MOU") is made and entered into by New LTCB Partners C.V., a limited partnership established in the Kingdom of the Netherlands with its principal office at Amsterdam, the Kingdom of the Netherlands as one party (the "Purchaser"), and the Deposit Insurance Corporation of Japan (*Yokin Hoken Kiko*) (the "Seller") and the Long-Term Credit Bank of Japan, Ltd. ("LTCB") as the other party.

NOW THEREFORE, it is hereby agreed as follows:

1 (Purposes of this MOU)

The Seller and the Purchaser would make good faith efforts to conclude, as soon as possible, the Basic Agreement in connection with the transaction (the "Transaction") contemplated in "The Summary of the Conditions for the Acquisition of LTCB by New LTCB Partners" dated September 28, 1999 attached to this MOU as Exhibit 1. The Seller, in pursuing the negotiation of the Basic Agreement, will continue to be subject to the instructions and supervision set forth by the Financial Reconstruction Commission.

2 (Priority)

The Seller shall negotiate the Transaction solely with the Purchaser during the period between the date of execution of this MOU and November 30, 1999 so long as good faith negotiation continues in accordance with paragraph 1; provided, however, that the Seller may extend such period for which the Purchaser has been given priority in negotiation.

3 (Information Disclosure)

Upon prior notice from the Purchaser, the Seller would disclose to the Purchaser information relating to LTCB in such a way and to such an extent as reasonably necessary to carry out the Transaction; provided, however, that the specific procedures would be determined in consultation between the Purchaser and LTCB.

4 (Confidentiality)

(1) That certain Confidentiality Agreement dated April 9, 1999 and executed between Timothy C. Collins, J. Christopher Flowers and Masamoto Yashiro and LTCB shall apply to all information obtained by the Purchaser in connection with the Transaction. The Purchaser shall have the same obligations to the Seller and LTCB as those owed by Timothy C. Collins, J. Christopher Flowers and Masamoto Yashiro to LTCB under the Confidentiality Agreement.

(2) This paragraph shall continue to bind the parties regardless of the termination of negotiations pursuant to this MOU, unless otherwise agreed among the parties.

5 (Termination of Negotiations)

The Seller and the Purchaser may terminate negotiations pursuant to this MOU by giving written notice to the other party only if:

i) the other party materially breaches this MOU; or

ii) the Basic Agreement has not been concluded during the period for which the Purchaser has been given priority in negotiation as set forth in paragraph 2.

6 (Expenses)

Any costs and expenses incurred by either party in connection with the Transaction shall be born by such party.

7 (Governing Law)

This MOU shall be governed by Japanese law.

8 (Language)

The Japanese language will be the governing language for this MOU and the Basic Agreement.

9 (Binding Effect)

This MOU declares the intentions of the parties and has no binding effect upon the parties except for Article 2, Article 4 and Articles 6 through 8.

September 28, 1999

New LTCB Partners C.V.

Masamoto Yashiro
Representative

Timothy C. Collins
Representative

J. Christopher Flowers
Representative

The Deposit Insurance Corporation of Japan

Noboru Matsuda
Commissioner

The Long-Term Credit Bank of Japan, Ltd.

Takashi Anzai
Representative Director and President

[Tentative Translation]

(Exhibit 1)

Summary of the Conditions for the Acquisition of LTCB by New LTCB Partners

September 28, 1999

1. Purchase Method / Purchase Amount

(1) New LTCB Partners ("NLP") will purchase all of the issued and outstanding common shares of LTCB for consideration of 1 billion yen from the Deposit Insurance Corporation ("DIC"). (LTCB has issued 2.4 billion common shares and 100 million preferred shares.(*))

(2) DIC will continue to own approx. 73.4 million preferred shares of LTCB which it presently owns, while canceling the balance of LTCB's other approx. 26.6 million existing preferred shares without compensation.

(*) The then Resolution and Collection Bank subscribed for the existing preferred shares under the repealed Financial System Stabilization Law at the cost of 130 billion yen. The DIC purchased them for consideration of 0 yen at the commencement of the Temporary Nationalization. The existing terms of the preferred shares are shown below:

- 1% annual dividend
- They are convertible to common shares. The conversion price will be 180 yen per share on or after October 1, 1999.
- They will be mandatorily converted in 2008 but the holder may convert the preferred shares anytime before 2008.

2. New Capital Increase / Capital Adequacy Ratio

(1) NLP will subscribe for 300 million newly-issued common shares of New LTCB for the consideration of 120 billion yen(400 yen per share).

(2) New LTCB will request the Government to subscribe for 600 million newly-issued non-voting, preferred, and non-par value shares of New LTCB in the amount of 240 billion yen (400 yen per share) under the Financial Function Early Strengthening Law. Other main terms are shown below:

- The holder may convert the preferred shares into common shares on or after the 4th anniversary of the Closing Date.
- The conversion price shall be adjusted to the lower of 400 yen per share or the market price (or the net asset value per share before IPO). (The conversion price cannot be less than 300 yen per share.)
- They will be mandatorily converted on the 6th anniversary date of the Closing Date.

(note) The maximum percentage of the shares held by the DIC is 33.0%, considering both 1-(2) and 2-(2) shares after conversion.

(3) Total capital adequacy ratio will be about 13%. (after realization of an unrealized gain of the shares portfolio described below)

(Exhibit 1)

3. Treatment of Shares Portfolio presently held by LTCB (Retained Shares needed for LTCB's business)

LTCB (or New LTCB) will:

(1) Sell the shares which have an unrealized gain of around 250 to 275 billion yen after the Closing Date in accordance with (2) and (3) shown below to realize the gain and apply it to reinforce capital of New LTCB.

(2) Sell shares at fair prices that are necessary for LTCB's business to the DIC before the Closing Date (in case that an unrealized gain of the shares would not be realized) or after the Closing Date (in case that an unrealized gain of the shares would be realized). The DIC would deposit the sold shares with LTCB Trust & Banking. The DIC will not dispose of the sold shares without New LTCB's approval for five years after the Closing Date, and LTCB Trust & Banking will retain nominal title and voting rights with respect to sold shares. New LTCB would have the option for said five years to repurchase any sold shares at fair prices at the time of repurchase, basically anytime. (The DIC has an option to elect not to resell the relevant shares but if the DIC take the option after the 3rd anniversary of the Closing Date, the trust period would be extended until the first anniversary of the date of such election. The same rule will be applied to the case of such election in the extended period.)

(3) Sell shares at fair prices that are not necessary for LTCB's business to the market or the DIC (case (4) described below) before the Closing Date (in case that an unrealized gain of the shares would not be realized) or after the Closing Date (in case that an unrealized gain of the shares would be realized). (If the DIC purchases these shares, the trust arrangement described above will not be used.)

(4) Consult with the DIC in advance in case of the sale of the shares before or within 5 years after the Closing Date. Although the DIC will not oppose the proposed sale itself , it will have the right to specify the DIC as purchaser in light of the then stock market and purchase the shares at fair prices.

4. Sale of DIC's Interest in New LTCB

(1) If the aggregate market value of the DIC's investment in New LTCB exceeds ¥500 to ¥525 billion, New LTCB may request the DIC for its consent of sale of a certain number of its shares of New LTCB at the fair market price in the public market.

(Note 1) When New LTCB common share is priced at ¥443(465), the aggregate market value of the DIC's investment in New LTCB will reach ¥500(525) billion, if all the preferred shares held by DIC are converted into common shares.

(Note 2) When New LTCB common share is priced at ¥472(519), the DIC's aggregate capital gain from the investment of the existing preferred shares will be ¥250(275) billion, if all the existing preferred shares referred to in section 1.(2) are converted into common shares and sold.

(2) Such consent shall not be unreasonably withheld by DIC

5. Transfer of Loan Assets

(1) All the existing loan assets will be transferred to New LTCB which are classified as "Appropriate" by the Financial Reconstruction Commission.

(2) New LTCB will continue to lend in an appropriate manner to the borrowers of the transferred loan assets. Specifically, during the three years from the Closing Date, New LTCB will not, unless compelling reasons otherwise require, sell the loans nor collect abruptly, and meet the proper finance need of customers-borrowers by, for example, renewals.

6. Initial Loan Loss Reserve

Initial reserve will be appropriately established as of the Closing Date in accordance with the self-assessment guidance based on the FSA inspection manual and the practical guidance provided by the Japanese Institute of Certified Public Accountants.

7. Assurance against Defect of Loan-Related Assets

(1) DIC is deemed to have transferred the loans to New LTCB as of the Closing Date.

(2) New LTCB may cancel a portion of sale of the loans, if a defect is found and 20% reduction of value is recognized in association with the loans during the three years after the Closing Date

(3) In such a cancellation case, the DIC shall pay back to New LTCB the initial book value (minus the initial loan loss reserve) of the loan (minus repayment, if any).

(4) 20% reduction referred to in (2) means that the aggregate book value (minus the loan loss reserves at such time) for all loans to a borrower is reduced by 20% or more from the aggregate initial book value

(5) Defect referred to in (2) means a case where, for those loans judged to be "Appropriate" by the FRC, the basis of such judgment as "Appropriate" (which will be furnished by FRC to New LTCB Partners), turns out to have changed or become untrue within 3 years from the Closing Date. The cases are not regarded as the defect where the book value reduction is caused by any reason attributable solely to New LTCB Partners, or New LTCB after the Closing Date.

(6) If New LTCB waives or forgives a loan after it receives a formal request from a borrower, New LTCB will not have a cancellation right with respect to that loan.

(7) The loans which can be cancelled are the loans whose aggregate principal amount shall be ¥100 million or more on the basis of a single borrower. Renewals and roll-overs of such loan and any other loan which is substantially similar to such loan are included, but any new loans are excluded.

(8) If financial condition of borrowers is deteriorated by a force majeure event such as war, natural disaster and big economic turmoil during the three years after the Closing Date, New LTCB and DIC shall discuss in a good faith as to how and to what extent the warranty payment will be made equitably.

[Tentative Translation]

Summary of Business Plan and Conditions for the Acquisition of LTCB by New LTCB Partners

September 28, 1999

I. Business Plan

1. Shareholders / Management

(1) Acquirer: New LTCB Partners ("NLP")

(2) Proposed Investors in NLP: Foreign financial institutions such as Ripplewood Holdings LLC, General Electric Capital Corporation, Mellon Bank Corporation, Paine Webber Incorporated, ABN-Amro Bank, Deutsche Bank, Travelers Insurance (Citigroup), The Bank of Nova Scotia, etc.
(NLP will consider offering Japanese corporations the opportunity to acquire an interest in New LTCB through a partnership.

(3) Investment Horizon: Indefinite
(NLP thinks it is likely that many of the investors will hold their shares for 10 to 15 years, or more.)

(4) Management of New LTCB

- The Board of Directors will consist of about 15 members, of which the majority will be Japanese persons. New LTCB will invite experts on finance and representatives of investors as directors in order that the Board could operate appropriately based on the principle of corporate governance.
- Mr. Yashiro will serve as Chairman, President, and Chief Executive Officer.
- Mr. Volcker (Former Chairman of FRB) has accepted the offer to serve as a Senior Advisor.
- NLP have invited Messrs. Imai and Higuchi to serve as directors.

2. Business Overview of New LTCB

(1) Type of Bank: Long-term Credit Bank (operating as a Japanese bank incorporated in Japan)

(2) Objectives

- Restore LTCB basically by focusing on the domestic business development based upon the existing customer base
- Focus on the already established long-term relationship with general corporations, financial institutions, and retail customers and provide innovative products and services which will meet customers' financial needs
- Focus on long-term profitability and return New LTCB to go public again

(3) Characteristics of Operation: Provide innovative financial products / services by adopting the first-class Western know-how, centering on Japanese banking business

(4) Business Strategy:

- Aim to be a financial institution with high credibility from customers, which offers a stable credit business along with a sound funding ability.

- Focus on more value-added areas to differentiate New LTCB from its peers

- Proposed investors in NLP will consider establishing a joint venture with New LTCB by each business area. GECC, PaineWebber and Ripplewood Holdings LLC have already shown their interest in establishing a joint venture with New LTCB in the following areas.

  Business Area: Secured lending, leasing business, corporate pension plan-related business including 401k plan, private banking business, investment trust business, securitization, loan (LBO, etc.), principal investment business, etc.

  New LTCB will consider a joint venture not only with investors in NLP but also with other financial institutions actively.

II. Summary of Acquisition Proposal

1. Purchase Method / Purchase Amount

   (1) NLP will purchase 2.4 billion common shares of LTCB which constitute all of the issued and outstanding common shares of LTCB for consideration of 1 billion yen from the Deposit Insurance Corporation ("DIC").

   (2) DIC will continue to own approx. 73.4 million convertible preferred shares of LTCB which it presently owns, while canceling the balance of LTCB's other approx. 26.6 million existing preferred shares without compensation.

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   (2) New LTCB will request the Government to subscribe for 600 million newly-issued preferred shares of LTCB in the amount of 240 billion yen (400 yen per share) under the Financial Function Early Strengthening Law.

   (Note) The maximum percentage of the shares held by the DIC is 33.0%, considering the existing and newly-issued preferred shares after conversion.

   (3) Total capital adequacy ratio will be about 13%. (after realization of an unrealized gain of the shares portfolio described below)

3. Treatment of Shares Portfolio presently held by LTCB

   LTCB (or New LTCB) will:

   (1) Sell the shares which have an unrealized gain of around 250 to 275 billion yen after the Closing Date in accordance with (2) and (3) shown below to realize the gain and apply it to reinforce capital of New LTCB

   (2) Sell shares that are necessary for LTCB's business to the DIC before/after the Closing Date. The DIC would deposit the sold shares with LTCB Trust & Banking without name transfer. The DIC will not dispose of the sold shares without LTCB's approval for five years after the Closing Date, and LTCB would have the option for said five years to repurchase any sold shares basically anytime.

(3) Sell shares that are not necessary for LTCB's business before/after the Closing Date. (IF the DIC purchases these shares in the manner at (4), the trust arrangement described above will not be used.)

(4) Consult with the DIC in advance in case of the sale of the shares before or within 5 years after the Closing Date. The DIC will have the right to specify DIC as purchaser in light of the then stock market. (but DIC will not oppose the proposed sale itself.)

4. Sale of DIC's interest in New LTCB

(1) If the aggregate market value of the DIC's investment in New LTCB exceeds ¥500 to ¥525 billion, New LTCB may request the DIC for its consent of sale of a certain number of its shares of New LTCB in the public market.

(2) Such consent shall not be unreasonably withheld by DIC

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(1) All the existing loan assets will be transferred to New LTCB which are classified as "Appropriate" by the Financial Reconstruction Commission.

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Initial reserve will be appropriately established as of the Closing Date in accordance with the self-assessment guidance based on the FSA inspection manual and the practical guideline provided by the Japanese Institute of Certified Public Accountants.

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(1) DIC is deemed to have transferred the loans to New LTCB as of the Closing Date. New LTCB may cancel a portion of sale of the loans, if a defect is found and 20% reduction of value is recognized in association with the loans during the three years after the Closing Date

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