

Table 2 Breakdown of Factors Affecting Changes in NPLs of All Banks Based on the FRA

(trillion yen)

|   | March-03 | September-03 | March-04 | September-04 | March-05 | September-05 | March-06 | September-06 | March-07 | September-07 | March-08 |
|---|----------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|
|   |          |              |          |              |          |              |          |              |          |              |          |
| NPLs based on the FRL   | - 7.9    | - 3.7        | - 8.7    | - 2.8        | - 8.7    | - 2.0        | - 4.6    | - 1.0        | - 1.4    | - 0.1        | - 0.6    |
| (Of which,) "Special attention loans"                         | + 0.1    | - 2.9        | - 5.5    | - 4.1        | - 5.2    | - 0.7        | - 1.2    | - 0.5        | - 0.8    | - 0.3        | - 0.2    |
| [Increase factors]  |          |              |          |              |          |              |          |              |          |              |          |
| Weakened business activities                                  | + 4.7    | + 1.7        | + 3.0    | + 1.8        | + 2.1    | + 1.1        | + 1.5    | + 0.6        | + 1.0    | + 0.7        | + 1.2    |
| Upgrade from lower categories                                 | + 1.5    | + 0.4        | + 0.3    | + 0.2        | + 0.2    | + 0.2        | + 0.4    | + 0.2        | + 0.2    | + 0.2        | + 0.3    |
| Improvement of business conditions of borrowers               | + 0.6    | + 0.2        | + 0.2    | + 0.1        | + 0.2    | + 0.1        | + 0.3    | + 0.1        | + 0.1    | 0.0          | + 0.2    |
| Establishment of restructuring plans                          | + 0.9    | + 0.2        | + 0.1    | + 0.1        | + 0.1    | + 0.1        | + 0.1    | 0.0          | 0.0      | + 0.2        | + 0.2    |
| [Decrease factors]  |          |              |          |              |          |              |          |              |          |              |          |
| Exit from NPL category(*)                                     | - 2.3    | - 2.2        | - 3.8    | - 1.9        | - 3.4    | - 1.0        | - 1.5    | - 0.9        | - 1.1    | - 1.0        | - 1.3    |
| Improvement of business conditions of borrowers               | - 2.2    | - 2.0        | - 3.3    | - 1.3        | - 1.9    | - 0.8        | - 1.3    | - 0.8        | - 1.0    | - 0.9        | - 1.1    |
| Establishment of restructuring plans                          | - 0.1    | - 0.2        | - 0.6    | - 0.6        | - 1.6    | - 0.2        | - 0.2    | - 0.1        | - 0.2    | - 0.1        | - 0.2    |
| Downgrade to lower categories(*)                              | - 3.1    | - 2.7        | - 3.3    | - 4.2        | - 2.3    | - 0.8        | - 0.9    | - 0.4        | - 0.7    | - 0.4        | - 0.5    |
| Repayment, etc.(**)   | - 0.7    | 0.0          | - 1.7    | 0.0          | - 1.9    | - 0.2        | - 0.7    | + 0.1        | - 0.2    | + 0.2        | 0.0      |
| (Of which,) "Doubtful and bankrupt/ <i>de facto</i> bankrupt" | - 8.0    | - 0.8        | - 3.2    | + 1.3        | - 3.5    | - 1.3        | - 3.4    | - 0.5        | - 0.6    | + 0.2        | - 0.4    |
| [Increase factors]  |          |              |          |              |          |              |          |              |          |              |          |
| Weakened business activities                                  | + 4.0    | + 1.9        | + 3.3    | + 2.3        | + 3.1    | + 1.4        | + 1.9    | + 1.2        | + 2.7    | + 1.9        | + 2.7    |
| [Decrease factors]  |          |              |          |              |          |              |          |              |          |              |          |
| Downgrade from upper categories(*)                            | + 3.1    | + 2.7        | + 3.3    | + 4.2        | + 2.3    | + 0.8        | + 0.9    | + 0.4        | + 0.7    | + 0.4        | + 0.5    |
| Removal from B/S, etc.(**)                                    | - 15.1   | - 5.4        | - 9.8    | - 5.3        | - 8.9    | - 3.5        | - 6.3    | - 2.2        | - 4.0    | - 2.1        | - 3.6    |

Note: 1. Source of figures : survey of banks by FSA.

2. The number of financial institutions targeted as of March-08 is 121.

3. Figures are composed of City Banks, the former Long-term Credit Banks (including Shinsei Bank from September-04 onward, which changed its status to an Ordinary Bank Charter on April 1, 2006), Trust Banks and Regional Banks (including Saitama Resona Bank from March-03), which changed its status to an Ordinary Bank Charter on April 1, 2006).

4. From September-03 to March-06, the figures for Mizuho Group include those which are transferred to subsidiary companies for corporate revitalization. From March-04 onward, the figures for UFJ Bank (after March-06, Bank of Tokyo-Mitsubishi UFJ), NISHI-NIPPON Bank and Fukuoka City Bank (after March-05, NISHI-NIPPON City Bank, which NISHI-NIPPON Bank and Fukuoka City Bank merged to become) include those which are transferred to subsidiary companies for corporate revitalization. From March-05 onward, the figures for Hokuriku Bank include those which are transferred to subsidiary companies for corporate revitalization.

From September-05 onward, the figures for Shinwa Bank include those which are transferred to subsidiary companies for corporate revitalization.

For March-08, the figures for Towa Bank include those which are transferred to subsidiary companies for corporate revitalization.

From March-04 onward, Real Operating Profits of "UFJ Bank" and "UFJ Trust Bank" (after March-2006, "Bank of Tokyo-Mitsubishi UFJ" and "Mitsubishi UFJ Trust and Banking") and "Chuo Mitsui Trust and Banking" include the figures of their subsidiary companies for stockholding.

5. Figures for September are half-year figures, and figures for March are one year figures.

\* "Exit from NPL category", "Downgrade to lower categories", and "Downgrade from upper categories" are the changes from "Special Attention loans", which include those from "Normal" loans to "Need Special Attention" borrowers.

\*\* "Repayment, etc." and "Removal from B/S, etc." include balancing items.