

## FY2011 Interim Results Meeting Main Q&A

Q. Do you see the credit contraction in the U.S. and Europe as a risk, or as an opportunity? Also, with regards to overseas acquisitions and investments, on which regions are you focusing?

A. Although we recognize both risks and opportunities, we believe the credit contraction presents several opportunities for us. With regards to potential acquisitions of assets and investments, we intend to actively consider attractive opportunities if they meet our internal investment standards. Conversely, we do not plan to consider investments in any project that does not satisfy our standards — we will be prudent.

With respect to regional focus, I would like to say that we will focus on Asia, but there are many regulatory challenges and other restrictions in Asia. The United States is attractive because of the vast size of its economy and the relative ease in managing business. Europe could be attractive as well, depending on the particular opportunity. Overall, I would say that we are not particularly focused on any specific region.

Q. Your holdings of domestic bonds now exceed 50 trillion yen. How do you view the risks presented by government bond investment? Do you have any plans to fund US dollars using excessive Yen?

A. While it would be preferable for our loan balance to increase, achieving that in reality is not so simple. Therefore we cannot help but concentrate our funds in JGB investment as it provides a steady yield with zero risk weighting. Furthermore, while our strategic equity holdings are still high on an absolute level, we hold JGB as a counterbalance, taking into account the general inverse correlation between equities and bonds.

With regards to funding US dollars using excessive Yen, we are currently funding a certain amount. Increasing beyond the current level, however, raises concerns about whether the swap market can maintain sufficient liquidity even within an environment characterized by high market risk. In our next medium-term business plan, we will pursue our growth strategy while placing the risk management as one of core components of the plan.

Q. You explained that you have made satisfactory progress in complying with new capital regulations. Now, what do you intend to do in terms of enhancing shareholder returns over the medium term, that is, over the next two or three years?

A. We always place great emphasis on shareholder returns, and we believe we are making very good progress in meeting the applicable capital adequacy regulations. However, we recognize that the business environment is changing drastically and uncertain situation still continues. Given the significant uncertainty about the future, we temporarily need to pay special attention to building up our retained earnings. Once capital reaches a certain level and also we have confidence in the future earnings, we will consider additional ways to enhance shareholder returns such as dividend increases and share buybacks.

Q. Your exposure to the GIIPS is less than that of Western banks but the highest of any Japanese bank. What do you plan to do going forward with regards to hedging, reducing your outstanding balances, or bolstering provisions?

A. We believe we are appropriately hedged and would have to consider further hedging carefully, as it would entail additional costs. According to our credit standards, it is difficult to set aside further provisions to companies which have ample cash flow and do not face any problems. With regards to GIIPS government bond holdings, most of them are in held to maturity account. While something may happen in the GIIPS situation in the future, we are not planning any preemptive measures at this time.

- Q. On Page 20 of the presentation, you show the lending spread on overseas corporate loans. While it is somewhat higher than that on domestic corporate loans, it seems it's trending downward. Could you tell us what measures you have in mind to raise overseas lending spreads?
- A. Our overseas lending is generally to blue chip borrowers, meaning large, well-established corporations. Rather than focusing solely on spreads, we focus on cross-selling and the overall potential for earnings growth on a comprehensive basis that includes tie-ins to DCM, ECM, transaction banking, and other services. We are not in the business for the spreads of commercial bank alone, but rather we are working to develop our overseas business on a group-wide basis, including collaboration with our securities subsidiaries and Morgan Stanley.