

FY2018 Interim Results Presentation: Main Q&A

Q: Please tell us the reason why Net Business Profits improved significantly on a YoY basis in the first half of Fiscal 2018?

A: Even though one of the reasons is that compared with Net Business Profits in the first quarter of the last fiscal year which was exceptionally low there was a kind of rebound effect, I believe the major reason is that our fundamental earnings power has been improving steadily since the second half of last year, thanks to various efforts made by the executives and staff who share a sense of crisis.

As for General and Administrative Expenses (excluding Non-Recurring Losses) it has increased on a YoY basis, however, it is well-controlled and is still less than our budget, as we have been strengthening cost control. In addition, GA Expenses on a 2 Banks basis was reduced, thanks to cost control.

Q: Please tell us about the policy for cross-shareholdings disposal.

A: With regards to the current disposal target of JPY 550 billion by March 31st, 2019, we disposed of JPY 461.6 billion by September 30th, 2018.

We would like to make sure first that we can dispose of the remaining JPY 88.3 billion and achieve the current target.

We will decide the details for the following years, however, we believe that we should continue reducing the cross-shareholding further in view of the Corporate Governance Code and the ratio against CET 1 Capital, etc.

Q: Please tell us about the inorganic growth strategy based on the capital level?

A: The CET 1 ratio reflecting the impact of Basel III finalization was in the lower 8% range excluding Net Unrealized Gains on Other Securities. Even though it is above the regulatory requirement, we think it is not an adequate level yet, compared with the level of other competitors.

We would like to put together our thoughts on the adequacy of capital through conducting multifaceted analysis of our risk profile.

We will think about the inorganic strategy as one of the options to utilize capital when the capital has reached an adequate level. To cope with the changing business environment, we would like to move fast giving priority to the ones that can establish the profit base in our growth areas.

EOM