Update on Credit Derivatives, etc. as of September 30, 2009

We have prepared herewith a further update on “Credit Derivatives” and “Reinsurance Ceded from US Monolines”. For the status as of September 30, 2009, please see the following Q and A’s.

◆Credit Derivatives

Q1: Tell us about the breakdown of outstanding notional amount as of September 30, 2009.

A1:

＜Breakdown of Gross Nationals as of September 30, 2009＞

Credit Derivatives （Y511.1 bn）

↓ **Corporate CDSs（Y133.7bn）**

↓ **CDOs （Y377.4bn）**

↓ **Corporate CDOs （Y376.5bn）**

↓ **ABS-CDOs （Y0.9bn）※**

※Containing no US subprime

- The total notional amount is ¥511.1 billion. Of this total, the exposure to CDSs, where credit risks of companies have been individually underwritten, is ¥133.7 billion. The notional amount of CDO tranches underwritten is ¥377.4 billion.
- Of the ¥377.4 billion for CDO tranches, ¥376.5 billion is for corporate CDOs, and ¥0.9 billion is for ABS-CDOs.
- The gross notionals under Credit Derivatives, 99.8% of which are for credit risk of corporations, contain no US-subprime risk.

Q2: What about the outstanding notional amount by ratings?

A2:

CDSs (Y bn)

Rating	National amount(% of total)	Domestic companies	Overseas companies	of which financial institutions
AAA	2.7 (2.0%)	2.7 (2.3%)	- (-)	-
AA	72.0 (53.9%)	67.1 (58.2%)	4.9 (26.9%)	-
A	51.5 (38.6%)	43.6 (37.8%)	7.9 (43.5%)	-
BBB	3.8 (2.8%)	2.0 (1.7%)	1.8 (9.9%)	-
BB or lower	3.6 (2.7%)	- (-)	3.6 (19.7%)	3.6
Total	133.7 (100%)	115.4 (100%)	18.3 (100%)	3.6

CDOs (Y bn)

Rating	National amount (% of total)
AAA	337.0 (89.3%)
AA	26.7 (7.1%)
A	4.5 (1.2%)
BBB	- (-)
BB or lower	9.0 (2.4%)
Total	377.4 (100%)

- Please see the table presented above. As for the CDSs, the exposure to companies of “A” rating or higher accounts for 94% of the portfolio.
- As for the exposure for CDOs, 89% remains at “AAA” rating, and 96% “AA” or above.

Q3: Will you brief us on the diversity of the "corporate CDSs" portfolio?

A3:

- The number of companies, domestic and overseas, whose corporate risk is individually underwritten is 64 and 11, respectively.
- The average notional amount per company is ¥1.8 billion.

Q4: What is the average subordination ratio for CDO tranches?

A4

- The average subordination ratio weighted by guaranteed amount is 17 %.

Q5: What's the mark-to-market unrealized gains/losses booked for credit derivatives for the fiscal 2nd quarter cumulative period of FY 2009?

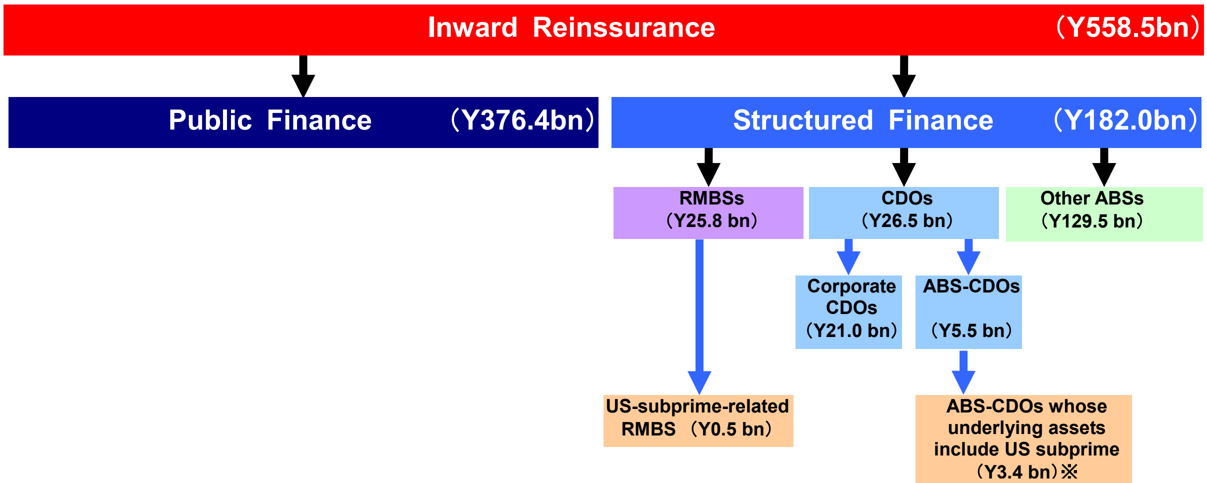
A5:

- It's ¥17.2 billion in gains: ¥4.3 billion gain for CDSs and ¥12.8 billion gain for Corporate CDOs.

◆Reinsurance Ceded from US Monolines

Q1: Tell us about the breakdown of outstanding reinsured par amount as of September 30, 2009.

＜Breakdown of Outstanding Guaranteed Balance as of September 30, 2009>



※However, material exposure to US subprime is Y0.2 bn.

A1:

- The total outstanding amount is ¥558.5 billion. Of this total, the exposure to "public finance" is ¥376.4 billion. The exposure to "structured finance" is ¥182.0 billion.
- Of the ¥182.0 billion for "structured finance", ¥25.8 billion is for RMBSs, ¥26.5 billion is for CDOs, and ¥129.5 billion is for ABSs in general.
- As for US-subprime, part of RMBSs and ABS-CDOs contain US-subprime risk. However, our exposure to US-subprime here is virtually ¥0.7 billion.

Q2: Why is it that the CDOs, especially ABS-CDOs, accounts for way lower percentage in your "Inward Reinsurance" portfolio than that in the original portfolio of primary insurers (i.e. US monolines) in general?

A2:

- It's true that the main activity of our reinsurance business in Financial Services domain is to underwrite part of the original risk from US monolines mostly through reinsurance treaties. However, terms and conditions have been set to the treaties to see that the future portfolio reinsured be in line with our underwriting policy.
- That's the reason why the proportion of CDOs (ABS-CDOs, among other things) representing in our "Inward Reinsurance" portfolio is low.
- Our "Inward Reinsurance" portfolio is, therefore, not quite similar to original portfolios of primary insurers (i.e. US monolines) from a geometric perspective.

Q3: Tell us about the outstanding reinsured par amount by ratings.

A3: (Y bn)

Rating	Balance underwritten	(% of total)
AAA	50.0	(9.0%)
AA	149.1	(26.7%)
A	211.5	(37.9%)
BBB	123.7	(22.2%)
BB or lower	23.9	(4.3%)
Total	558.5	(100%)

- As exhibited above, 74% of the portfolio underwritten is rated "A" or higher, and 96% "BBB" or higher, maintaining a strong credit position as a whole.

Q4: Do the downgrades to US monolines have any adverse effect on the quality of your portfolio of reinsurance?

A4:

- It is not the credit risk of monolines that we have underwritten through inward reinsurance but the credit risk of municipal bonds, ABSs, etc. which the monolines have underwritten.
- Therefore, the downgrades to monolines (primary insurers) do not have any adverse effects on the nature or quality of the risk we have underwritten through inward reinsurance.

(ref.) The following is our credit exposure to US monolines as of September 30, 2009.

- credit derivatives (notional amount: ¥2.7 billion) for which the single reference entity is a monoline.
- ¥9.5 billion for guarantees/underwriting in relation to bonds guaranteed by monolines, and ¥1.0 billion investments in bonds guaranteed by

monolines.

(Note that, as for these guarantees and investments, it is only when both the "underlying bond" and the "guaranteeing monoline" go into default that we become liable to pay.)

Q5: What's the amount of the loss incurred during the fiscal 2nd quarter cumulative period of FY 2009 with regard to reinsurance ceded from US monolines?

A5:

- ¥1.3 billion loss (i.e. total of payout and outstanding claims) was booked for the period (i.e. 1st and 2nd quarters of FY2009).

Q6: On what base were the "outstanding claims" booked?

A6:

- They were booked based on the amount that the primary insurers (i.e. MBIA and FSA) have computed taking into consideration also probable losses down the road.

-- end of Q and A's --