

Major Questions and Answers about  
The Financial Results of Fiscal 2001

1. Performance overview (P/L)

Q. What are the major factors contributing to the significant increase in Banking Profit compared to the forecast announced in November 2001?

A. The major factors contributing to the significant increase in Banking Profit are as follows:

-Gross Banking Profit increased by 116.5 billion yen, primarily, thanks to the good performance in foreign currency treasury profits, and the increase in dividends received from both domestic and overseas subsidiaries.

-Expenses decreased by 16.9 billion yen because we continued to implement further broad-based cost-cutting initiatives.

Q. What progress has been made in rationalization in this first fiscal year as a merged bank?

A. Expenses for fiscal 2001 fell year-over-year by 30.0 billion yen, despite absorbing the rise in merger-related expenses. Personnel Expenses decreased by 22.2 billion yen, largely due to a reduction in employees. And Non-personnel Expenses decreased by 4.0 billion yen mostly due to the integration of both domestic and overseas branches.

As for the number of employees, we reduced the headcount by 2,115 from March 31, 2001 to 25,027 as of March 31, 2002.

The number of domestic branches as of March 31, 2002 stood at 564 branches, a decrease of 14 branches from March 31, 2001.

The number of overseas branches and overseas subsidiaries as of March 31, 2002 stood at 46, a decrease of 21 from March 31, 2001.

2. Performance overview (B/S)

Q. What is the reason for the increase in Deposits?

A. The balance of Deposits as of the end of March 2002 increased by 2,010.5 billion yen from the end of March 2001.

This was mainly due to the increase in the balance of deposits of both individuals and corporations, most of which occurred in the second fiscal half.

Q. What are the reasons for the significant increase in credit costs in fiscal 2001 compared to the forecast announced in November 2001?

A. Credit costs in fiscal 2001 increased by approximately 550.0 billion yen compared to the forecast in November 2001. This increase occurred mainly from the credit cost to cope with the potential risk on claims to Borrowers Requiring Caution. Of this 550.0 billion yen increase, approximately 250.0 billion yen was due to the fact that we raised the reserve ratio for them, while approximately 300.0 billion yen of the remainder was due to the fact that we increased reserves to prepare for the cost of reorganization of borrowers and reexamination of the category of borrowers.

In detail, we took the following actions:

-We largely raised the reserve ratio reflecting the more recent deterioration of assets in consideration of the current economic conditions and continued corporate reorganization.

-We have increased the amount of reserves to further prepare for the cost related to the reorganization of borrowers with large exposures. And in order to cope with the potential risk, we broadened the scope of restructured loans by reexamining the financial conditions of the borrowers and the actual status of loans, while we re-categorized downward borrowers, who need substantial time to financially recover.

Q. What was the reserve ratio status for Borrowers Requiring Caution?

A. In fiscal 2001, in order to be fully prepared for the potential risks arising from the deterioration of assets mostly in Borrowers Requiring Caution, we raised the reserve ratio reflecting the recent default ratio and the current economic conditions, and increased the amount of reserves to Substandard Loans by broadening the scope of restructured loans. As a result, the reserve ratio to Borrowers Requiring Caution (excluding the portion secured by collateral or guarantees) stood at 12.9%, which was 2.7 times that at the end of September 2001.

Q. What are the reasons for the significant increase in problem assets based on the Financial Reconstruction Law ?

A. The problem assets based on the Financial Reconstruction Law increased by 3,077.6 billion yen compared to the end of March 2001. This consisted of the increase in Doubtful Assets (+1,027.1 billion yen) and Substandard Loans (+2,146.9 billion yen), while Bankrupt and Quasi-Bankrupt Assets decreased by 96.4 billion yen.

The increase was due to the following reasons:

-We took actions toward borrowers with large exposures considering the progress of their restructuring plans.

-In order to accelerate the disposal of problem assets, we re-categorized borrowers, who need substantial time to financially recover, to Potential Bankrupt Borrowers, and broadened the scope of restructured loans within Substandard Loans by reexamining the borrowers' condition and loan terms.

Though the outstanding balance of problem assets based on the Financial Reconstruction Law increased as mentioned above, a certain number of borrowers with large exposures, who implemented the restructuring plans, are included among them, and we will reexamine their category in accordance with the progress of their plans.

And, needless to say, we plan to accelerate the work-out of problem assets.

Q. What is the result of sales of cross-shareholdings in fiscal 2001 ?  
And what is your plan for the future ?

A. We sold cross-shareholdings amounting to approximately 610 billion yen in fiscal 2001. As the Japanese government limit on bank stockholdings will take effect in fiscal 2004, we have continuously aimed to reduce the size of our stock portfolio to achieve this target.

### 3. Consolidated financial results

Q. What are the major factors for the differences between parent results and consolidated results in Operating profit and Net income?

A. As for fiscal 2001, the difference (consolidated result minus parent result) in Operating profit was (58.5) billion yen, and the difference in Net income was (141.0) billion yen.

During this fiscal year, our consolidated subsidiaries and affiliates paid dividends to the parent bank, but since these dividend payments are internal transactions within the group, they have no effect on the consolidated financial results.

Therefore, regarding the accounting treatment of these dividend payments, the profit (Banking profit) of the parent bank increased by the amount of dividends, but on the other hand, they were subtracted from the contribution of subsidiaries and affiliates (in Operating profit) by the same amount.

Given this factor, the contribution of subsidiaries and affiliates to the consolidated results ended negative in fiscal 2001.

### 4. Financial forecast of fiscal 2002

Q. Why do you expect a decrease in Banking Profit (excluding transfer to general reserves for possible loan losses) for fiscal 2002 compared to the previous year?

A. We project a Banking Profit of 850.0 billion yen in fiscal 2002, which is approximately 330.0 billion yen less than that for fiscal 2001. This decrease may be attributed to the following factors.

-A decrease of approximately 400.0 billion yen in Banking Profit will be from a decrease in treasury profits which were very favorable in fiscal 2001 and the dividends received from both domestic and overseas subsidiaries.

-We expect an increase of approximately 70.0 billion yen in Banking Profit led by the improvement of the interest rate spread, an increase in fee income mainly through investment banking, and further cost reductions.

Q. What do you estimate for the credit cost in fiscal 2002?

A. As we cannot expect a vast improvement in the macro economy for the time being, in fiscal 2002, we are assuming that the a deterioration in the financial condition of borrowers or a decline in the collateral value will occur at the same level as fiscal 2001. But, as we have taken the necessary actions toward Borrowers Requiring Caution, like, raising the reserve ratio for them, increasing reserves to prepare for the cost of reorganization of borrowers with large exposures, and reexamination of the category of borrowers, who need substantial time to financially recover, the amount of credit cost arising from those assets will be reduced. On the other hand, we expect to incur costs in the final off-balancing of problem assets. Accordingly, we estimate the total credit cost for fiscal 2002 will be approximately 500.0 billion yen.