

Major Questions and Answers
(Mainly from the Financial Results Presentations held on May 30, 2002)

Q. What is your basic policy for off-balancing problem assets?

A. As for the problem assets categorized as bankrupt and quasi-bankrupt assets and doubtful assets, we have off-balanced 696.7 billion yen in the first half of fiscal year 2001 and 584.5 billion yen in the second half. For this fiscal year, we are planning to accelerate off-balancing, and would like to exceed the amount in fiscal 2001.

Q. What are the aims and ideas behind the reexamination of domestic lending practices?

A. On the premise that the bank and the customer will share the recognition of the customer's credit risk, we would like to change the terms and conditions, the lending style and the loan margin so that both of us will consent to the new agreement. We will emphasize the provision of financial solution services that will increase the customer's corporate value, and then, we will review our lending style to make it more suitable to the use of proceeds and source of repayment of the loan, and we would like to strictly apply the loan margin that reflects the internal credit rating, the due date and the source of repayment.

Through the reexamination of domestic lending practices, we would like to revise the loan margin to a reasonable level in accordance with the risk-return profile of customers. And with the aim of improving the profitability and soundness of lending business, we will strengthen our ability in taking greater risks.

Q. What is "new standard interest rate"?

A. "New standard interest rate" is the bank's unique interest rate standard that is determined for each of the five credit rating grades. It is introduced to appropriately reflect the borrowers' credit status and lending terms.

"New standard interest rate" is calculated by adding expected credit cost, cost of capital, expected return rate, etc. to the short-term prime rate.

Q. Is there any negative impact from the decrease in loan volume by the reexamination of lending practices?

A. In the process of reexamining lending practices, we try to gain our customers' understanding by explaining the purpose very carefully as well as offering concrete "financial solutions" to improve customers' financial conditions. Thus, we think that the negative impact from decrease in loan volume arising from the customers' shift is not so large. We shall meet customers' funding requirements by taking greater credit risks under rigorous risk management.

Q. What is the progress in systems integration?

A. We set up the bridge systems connecting the former Sakura's and Sumitomo's domestic accounting systems at the beginning of our merger in April last year. Now we are at the final stage of systems integration in shifting bridge systems to the unified systems, which is scheduled to be completed by the end of July this year.