

Major Questions and Answers about
The Financial Results of First Half of Fiscal 2002

1. Financial Results for the Interim Period ended September 30, 2002

Q. What is the reason for a year-over-year increase of 60.9 billion yen in Banking Profit?

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

- Gross Banking Profit increased by 48.6 billion yen. This was primarily because of the approximately 120 billion yen increase in treasury profits, mainly due to the good performance in foreign currency ALM operations as a result of a decline in U.S. dollar based interest rates, as well as the increase in fee income generated from transactions such as derivative products sales and syndicated loans.
- Expenses decreased by 12.3 billion yen due to the reduction in personnel expenses and facilities-related expenses as part of restructuring.

Q. Please explain about Total Credit Cost.

A. Total Credit Cost in the first half of fiscal 2002 was 266.3 billion yen. This is approximately 7% increase from the original forecast of 250 billion yen, and almost in line with our expectation. It consisted of (1) costs associated with the acceleration of work-outs on problem assets of borrowers categorized as Potentially Bankrupt or below, and (2) the costs for the deterioration of borrowers' financial condition and the decline of collateral value. The proportion of (1) and (2) was about fifty-fifty.

Q. What is the progress in the improvement of the loan spread?

A. As of September 30, 2002, the loan spread in the Middle Market Banking Unit, which loan portfolio amounts to approximately 24 trillion yen, improved by 0.12% compared with March 31, 2002. Although the demand for loans is still weak owing to a sluggish macro economy, we believe the negotiations with customers are proceeding steadily and becoming effective for our attaining an adequate interest spread in the second half of this fiscal year, as a part of the reexamination of domestic lending practices.

Q. Is your restructuring progressing steadily?

A. With respect to a further reduction in the number of domestic branches, upon the successful completion of the integration of domestic accounting systems in July, we integrated domestic branches substantially from 564 branches as of March 31, 2002 to 545 branches as of September 30, 2002. It will result in 401 domestic branches as of March 31, 2003, a decrease of 452 branches (approximately 53% reduction) from March 31, 1991 when the number of domestic branches was the largest.

Further workforce streamlining has gone ahead steadily, and the number of employees has decreased from 25,027 employees as of March 31, 2002 to 24,650 employees as of September 30, 2002. Target number of employees as of March 31, 2003 and March 31, 2005 are 23,500 and 20,600 respectively. The target number, 20,600, is a reduction of 19,395 in headcount (approximately 48% decrease) from March 31, 1994 when the number of employees was the largest.

For further information, please take a look at pages 19 to 20 of "Financial Results First Half of Fiscal 2002 ended September 30 – Supplementary Information –".

Q. How does the fall in the stock market affect your equity portfolio?

A. Net Unrealized Losses on Other Securities were 819 billion yen at September 30, 2002, and 502.7 billion yen was deducted from Shareholders' Equity after tax basis. The impact on profit in the first half of fiscal 2002 was a loss of 175.4 billion yen for Losses on Devaluation of Stocks including 166.9 billion yen, the amount of devaluation of listed and OTC securities.

Amount of sales of cross-shareholdings during the first half of fiscal 2002 was approximately 480 billion yen. Although the market conditions have been tough, as a result of our aggressive disposal of stocks from the beginning of fiscal 2002, the sold amount of stocks was 80% of the sold amount during fiscal 2001. We believe that we realized an adequate decrease in share-holdings.

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

A. As a result of the progress in business restructuring of borrowers and aggressive off-balancing, the amount of Doubtful Assets decreased by 428.8 billion yen from March 31, 2002. However, as a portion of problem assets was still categorized as Substandard Loans even after lenders' business restructuring, and as a result of

a strict assessment of Restructured Loans, the amount of Substandard Loans increased by 210.6 billion yen from March 31, 2002. Accordingly, total problem assets based on the Financial Reconstruction Law decreased by approximately 200 billion yen from Mar. 31, 2002.

We believe that the amount of problem assets will decrease steadily as we continue off-balancing of problem assets.

Q. What are the situations of Loans and Deposits balance?

A. The balance of Loans as of September 30, 2002 decreased by approximately 1 trillion yen from March 31, 2002.

Details are as follows:

- The balance of overseas loans decreased by 700 billion yen, as a result of the reduction of assets with low profitability.
- The balance of domestic loans decreased by 300 billion yen, as a result of weak loan demand by corporations, although we have tried to increase loans focusing on small- and medium-sized corporations and individuals, including housing loans.

The balance of Deposits as of September 30, 2002 decreased by approximately 3.7 trillion yen from March 31, 2002.

Details are as follows:

- The balance of overseas deposits decreased by 2.1 trillion yen, as a result of a decrease in funding in overseas markets.
- The balance of domestic individual clients' deposits increased by 300 billion yen mainly in liquid deposits. On the other hand, the balance of domestic corporate clients' deposits decreased by 2 trillion yen, but the balance increased by 1.9 trillion yen from September 30, 2001.

2. Earnings Forecast for Fiscal 2002

Q. What is your forecast for Banking Profit (excluding non-recurring losses) and Total Credit Cost in fiscal 2002?

A. We have a negative factor, namely a decrease in dividend income from overseas subsidiaries, but with an expected increase in treasury profits mainly from the foreign currency-denominated banking (ALM operations), non-interest income from Marketing Units, and a further reduction of Expenses, we project a 100

billion yen decrease in Banking Profit compared with the amount in fiscal 2001. Excluding the extraordinary factor, namely the large decrease in dividend income, the actual Banking Profit will be 120 billion yen increase year-over-year as per the projection.

The revised projection for Total Credit Cost is 700 billion yen. This is a 200 billion yen increase compared with the original projection of 500 billion yen. This is mainly due to an increase in reserves for Substandard Loans, in accordance with the DCF method and progress in off-balancing of problem assets.