Q&A for the 1st Quarter ended June 30, 2004

Q Please discuss your business results for the first quarter of fiscal 2004.

A We recorded ordinary profit of ¥104.2 billion and net income of ¥82.0 billion for the first quarter of fiscal 2004. Although these figures comprise only 33.6% and 48.2%, respectively, of our projected figures for the first half of fiscal 2004 (ordinary profit of ¥310.0 billion and net income of ¥170.0 billion), we believe this is largely in line with our business plan, since trust fee income is expected to be accounted for primarily in September and fees from investment banking activities (e.g., derivatives transactions) typically increase toward the end of the first half. We currently do not expect any change in our earning projections for the first half of fiscal 2004.

Q Is the self assessment of assets at the end of the first quarter conducted using the same standards as the half-year and full-year assessments? Also, does your self-assessment reflect the business results of borrowers with a March fiscal year-end?

A In principle, and with the exception of certain less important assets (which are less influential on our financial figures), quarterly self assessments of assets are conducted using materially the same standards as the half-year and full-year assessments. Some borrowers with a March fiscal year-end have only just announced their business results and we are in the progress of reviewing our borrower classifications for the first quarter of fiscal 2004. We make appropriate revisions to our borrower classifications and reflect such changes in our business results accordingly, if we notice a significant deterioration in their business condition, or for other reasons as necessary.
Q Please discuss your credit related expenses for the first quarter of fiscal 2004.

A In the first quarter, we recorded a net gain on credit related expenses of approximately ¥8.4 billion, mainly due to the low level of new non-performing loans and reversals on loan reserves resulting from upgrades in the classifications of borrowers whose financial condition have improved. We currently do not expect any change in our target for credit related expenses for the current fiscal year.

Q How is the business revitalization of Mitsubishi Motors Corporation (MMC) proceeding?

A During June and July 2004, MMC completed a capital increase totaling ¥496 billion, exceeding its original plan to raise ¥450 billion. The first meeting of the Mitsubishi Motors Business Ethics Committee was held on July 22nd as part of efforts to initiate drastic improvements in compliance. We consider it critical for MMC to revitalize its operations using their business revitalization plan, and going forward we intend to follow the progress of MMC’s business revitalization plan closely.