Fiscal 2004 Interim Results Meeting: Main Q&A

Q MTFG’s net interest margin (the difference between the cost of funds and the return on funds) seems to be lower than that of other Japanese banking groups. What is the reason for this?

A One reason is narrower spreads on loans. This is mainly due to our high ratio of loans to large companies. We have strengthened our lending to small and medium sized enterprises (SMEs) and increased our lending balance, but our share of lending to SMEs is still low compared to that of other Japanese banking groups. We are continuing our efforts to widen the net interest margin as an important part of our strategy.

Q Please tell us about your initiatives in the securities intermediation business. Would it be correct to assume that you intend to concentrate your efforts on the sale of foreign bonds and structured bonds?

A With regard to the securities intermediation business, BTM has already begun broking equities, foreign bonds and structured bonds at about 31 branches. We are promoting the securities intermediation business through a tie-up with Mitsubishi Securities. We are utilizing staffs seconded from Mitsubishi Securities and promoting securities intermediation business in order to provide customers with appropriate and sufficient explanation of the products we handle.

Q Lending is growing at MTFG, however, there is still a continuing excess of deposits. You have accumulated both deposits and government bonds, but how do you plan to increase profits from these excess funds?

A Many Japanese banks, including MTFG, are experiencing an excess of deposits which is difficult to resolve right away. However, through management integration with UFJ Group, we will leverage the two banks’ complementary business and regional networks and change our business portfolio by putting more emphasis on retail and SME transactions. We aim to expand earnings by promoting a shift of retail deposits to investment products such as investment trusts and variable annuities, and also by strengthening finance to SMEs.