

Fiscal 2005 Interim Results Meeting

Main Q&A

Q. The balance of domestic loans and the interest rate spread are each decreasing. What is your outlook for these?

A. We don't expect economic recovery to cause an expansion of lending immediately. For large companies, rather than expanding our lending, we intend to meet their investment banking needs. For SMEs, we aim to expand lending through our initiatives in developing new products. We are already achieving results, for example, through developing new loan products characterized by quick response using systems such as our standardized assessment model, through our alliances with TKC (Association of Certified Tax Accountants) and Daido Life Insurance.

Regarding the interest rate spread, we are making progress with new loan products for SMEs, however, it will be difficult to raise the overall interest rate spread for the time being.

Q: I have heard that borrowers may adjust their shares of borrowing following the merger of two commercial banks. What degree of negative effect do you expect and when?

A. Regarding the first half, we are not aware of a large negative effect from lending share adjustments and this may be partly due to the delay in the merger of the commercial banks. Still, our plans are based upon the assumption of an adjustment of about ¥1 trillion to the loan balance over the next few years.

Q. What do you intend to do with the treasury stock that you acquired through the repayment of public funds?

A. At this stage, we have not decided a specific policy on this.

Q. How will you use your net income to provide returns to shareholders?

A. Returning capital to stakeholders is one of the effective way to enhance capital efficiency. However, we must also make the necessary investments for the future expansion at the same time. For the time being, we consider the repayment of public funds as one of the most important issues, and we will consider various possibilities after the repayment.