

FY2006 Interim Results Meeting

Main Questions and Answers

Q. The balance of domestic corporate loans have been declining. What impact has share adjustments by borrowers had on this?

A. We see the impact of share adjustment as having almost run its course. Furthermore, since the impact from the reduction in non-performing loans is also decreasing, we believe there are few factors that reduce our loan balance significantly in the second half of the fiscal year and onward.

Q. It seems overseas loans are growing. Is this because you are increasing new lending? Also, the overseas loan spread is falling substantially. What are your forecasts for this?

A. In the first half of fiscal 2006 overseas loans increased by 800.0 billion yen, with growth well balanced between Japanese borrowers and non-Japanese borrowers. The loan spread is falling, but the deposit spread is rising, and the overall spread which is the sum of loan spread and deposit spread has risen slightly from the interim period of fiscal 2005.

Q. The domestic loan-deposit spread has fallen six basis points from the interim period of last fiscal year. What are your views on this?

A. For short-term prime rate based loans, we have been able to raise rates broadly as planned. However, there have also been cases where the spread decreased due to negotiations with customers, as a result of the inter-bank competition and other factors. As regards our future expectations, we cannot be complacent, but we believe that the situation will get better in the second half of the fiscal year compared to the first half.

It should also be noted that the loan-deposit spread for the first half of this fiscal year only fell about one basis point from the second half of last fiscal year, indicating that the degree of reduction is declining.

Q. Growth in retail customer assets seems to be slackening. Do you have any comments on this?

A. Investment trusts and annuity insurance saw somewhat slower growth in the first half of this fiscal year, due to the impact of market conditions and other factors. However, securities intermediation showed high growth, supported by increased staff as part of our policy of increasing the number of securities staff seconded to the bank to 1,000 this fiscal year and other factors, so we believe that it is still too early to say that sales of investment products have peaked.

Q. What was the amount of one-off integration costs included in operating expenses in the first half of this fiscal year? Also, what are your forecasts for integration costs in the second half?

A. Integration costs included in operating expenses were approximately 40.0 billion yen, an increase of about 20.0 billion yen from the interim period of the last fiscal year. These integration costs include systems depreciation expenses and outsourcing costs and are expected to be about 70.0 billion yen for the full year of fiscal 2006.

Q. Will the investment losses regarding ACOM have any impact in the fiscal second half and beyond?

A. Since ACOM and UFJ Nicos made substantial additions to reserves in the first half of the fiscal year, we believe that there will be no new impact in the second half.

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