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Director, Senior Executive Officer



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Business Operations

To help our customers maximize their corporate value, we offer a broad range of loans apart from conventional corporate loans, such as “market-based loans” structured in domestic and overseas financial markets including syndicated loans and real estate non-recourse loans. We also provide services for asset securitization arrangements, M&A advisory, corporate consulting and stock transfer agency.

Basic Strategy

1. Strategy for Creating Customers’ Corporate Value

Based on a precise understanding of our customers’ business challenges, we provide high value-added proposals and financial services designed to solve management problems and boost corporate value.

Making full use of our strength in commercial banking, trust and real estate services, we seek to provide highly effective solutions and to build closer relationships with our customers through our newly established Corporate Advisory Department (set up in June 2006). With this Department, we intend to meet the needs of our customers in such areas as the acquisition of companies for reorganization purposes or as part of an anti-takeover strategy.

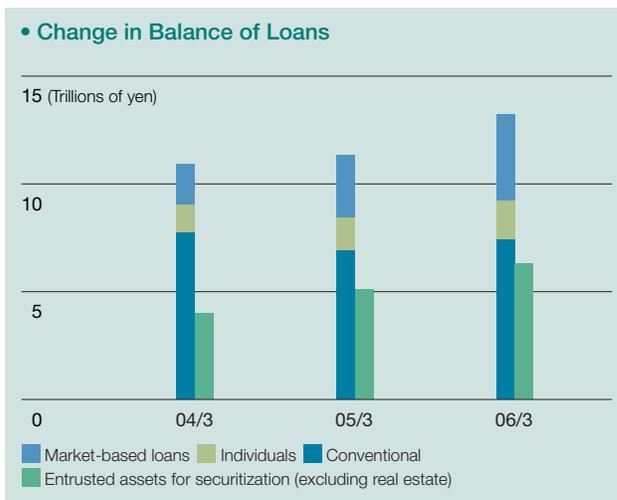
2. Financial Business Strategy

The lease, credit and other finance services provided by affiliated companies, including Sumishin Matsushita

Financial Services Co., Ltd. and First Credit Corporation, which have joined our group in fiscal year 2005, enable us to introduce a wide array of finance options to our Group’s customers. Moreover, we provide our Group’s products and services to the customers of these subsidiaries and affiliated companies, as well as the customers of our partners (financial institutions and corporations).

3. “Investment Banking Leveraging Trust Functions” Strategy

We enhance the scope of our business model i.e. “investment banking leveraging our trust functions” designed to manage risks and at the same time generate greater profits by utilizing our investment capabilities, know-how, expertise in risk-return analysis and risk



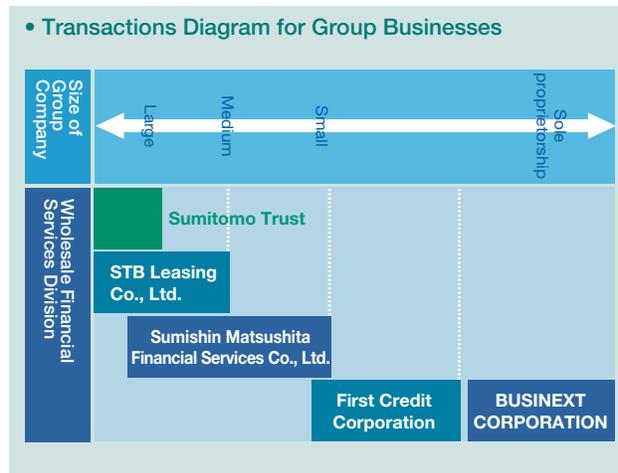


control, and other strengths, to enlarge our base of customers and the class of investment assets. To this end, we focus on two business areas in particular: (1) investment banking (arrangement of real estate & asset securitization-related funds, sales of securitized products to investors, etc.), and (2) investment operations (investments in various kinds of equity & credit assets on our own account).

Business Environment and Principal Strategy & Results in Fiscal Year 2005

Despite sentiment that the economy had hit bottom, demand for corporate financing remained weak and intense lending competition pushed gross margin down to low levels. Continuing from fiscal year 2004, we focused on a “portfolio reallocation strategy” designed to compensate for a decline in conventional corporate loans by actively extending market-based loans such as real estate non-recourse loans and domestic ABS & overseas investment. As a result, we achieved a steady expansion of the financing balance and profits. At the same time, we succeeded in increasing the number of our customers by offering trustee services for securitization, and cultivating new customers in need of financing.

Consolidated net business profit before credit costs increased by 27.9% from last year to ¥93.1 billion. Under the “portfolio reallocation strategy”, the outstanding amount for market-based loan increased by 41.3% to ¥4 trillion and the accompanying fee revenue from the service reached ¥10.1 bil-



lion. In addition, overall loans reached ¥13.2 trillion. This is partly due to our efforts to increase new customers for the traditional loan business. For fiscal year 2005, we have focused our efforts mainly in the following areas:

Business Sectors Where We Have a Competitive Edge

As in fiscal year 2004, we continued with our efforts to expand both our business base and earning opportunities by promoting capital tie-ups and various kinds of strategic investments to companies in non-banking sectors. Based on various marketing efforts through proposals, our group managed a steady increase in the balance of financing. Moreover, we made Matsushita Leasing & Credit a consolidated subsidiary in April 2005 and was renamed it Sumishin Matsushita Financial Services Co., Ltd. In November, we acquired First Credit Corporation, a major real estate secured loan company, which will help expand the range of products and services. Furthermore, we expanded our business in real estate non-recourse loans and ship financing, two market areas where we have established ourselves as a leading player.

Domestic Market-Based Loans

In the area of providing “syndicated loans” to corporate borrowers, in which a group of participating banking institutions (led by a lead bank [the “Arranger”]) form a syndicated group to jointly supply funds under the same conditions, large syndications and other positive developments resulted in major increases in the loan amounts handled and arranged.

Overseas Credit Business

We are also making a focused effort in overseas credit investments. We have increased the outstanding balances for fiscal year 2005 by further strengthening our efforts, particularly in our North American and European high-yield loan operations, where we have already been successful. Also, we pursued a “credit barbell portfolio” strategy based on ABS investments centered mainly on high-rating assets in addition to the high-yield loan operations, which produced greater capital efficiency and profitability.

Growth Strategy

Business Environment

In March 2006 the Bank of Japan ended its quantitative easing monetary policy, a move expected to lead to higher market interest rates. Also, because a favorable turnaround in corporate business results and improved corporate financial fundamentals have led to more activity on the capital investment, business acquisition and M&A front, demand for corporate financing is increasing. Moreover, a series of revisions to the Commercial Code, the Corporation Law and other parts of the legal system have made increasing shareholder value a more important issue. In the midst of these developments, corporations are no longer clinging to their traditional “main bank” system. They are drawn to forming business partnerships with financial institutions capable of providing optimized solutions designed to increase corporate value such as business acquisitions, restructuring, expertise in anti-takeover strategies and delisting.

Growth Strategy in Fiscal Year 2006

In the face of this business environment, the Wholesale Financial Services Division will be guided by the fundamental features of its Corporate Value Creation Strategy, Financing Business Strategy and “Investment Banking Leveraging Trust Functions” Strategy, described below.

1. Corporate Value Creation Strategy

We are strengthening the Group’s consulting functions and ties with other divisions both inside and outside our company, given the growing need for busi-



ness restructuring, anti-takeover strategies, shareholder policies and other forms of business assistance tied to M&A and management buyout strategies. We believe that this will enable us to obtain new business and provide our customers with high value-added solutions. Specifically, in June 2006, we established a “Corporate Advisory Department” to serve as the center of our efforts to provide enhanced consulting functions, such as helping to identify our customers’ needs with regard to an M&A, buyout financing (financing the acquisition funds needed to purchase a company or business division, etc.) or anti-takeover strategy. Also, while forming stronger partnerships with foreign securities companies and investment funds, we intend to boost our clients’ corporate value through investments in securitized real estate equity and buyouts.

2. Financing Business Strategy

In addition to STB Leasing Co., Ltd. and BUSINEXT CORPORATION, Sumishin Matsushita Financial Services Co., Ltd. and First Credit Corporation joined our group in fiscal year 2005, which has further increased the company’s non-banking business capabilities and the size of its customer base (in terms of corporate scale and number). Leveraging this base, we will provide our group’s upgraded non-banking functions, such as sales financing, cooperative loans for housing renovation, real estate secured financing, leases and affinity/co-brand cards, to a larger number of customers. Also, the Group

is now in a better position to form more alliances with other companies in the industry.

3. “Investment Banking Leveraging Trust Functions” Strategy

We will meet our customers’ needs for fund raising and asset management and servicing. In addition to delivering solutions to customers based on business partnerships, which include risk-sharing investments from our own accounts, we will provide domestic and overseas institutional investors and other customers with asset management-related services. Using the expertise in risk-return analysis and risk control we have developed in such areas as credit investments, which includes investment of our own principal (own-account investments in equities and various other assets) and domestic/overseas ABS, in the current fiscal year we are preparing to initiate a master fund which focuses on equity investments in North American high-yield loan CLOs*. We plan to provide products related to this fund to domestic institutional investors. Also, we are moving to upgrade our ability to create products in cooperation with other divisions inside our company.

* CLO (collateralized loan obligation): A type of asset-backed security. CLO is constructed by securitizing a number of loans. The principal and interest is used as the collateral, and securities with different classes i.e. senior, mezzanine, and subordinate are generally issued. This securitization of loans result in relatively higher liquidity.

4. Stock Transfer Agency

Nowadays it is vital to take such actions as finalizing the shareholder register at an early date, not only due to the growing need for a corporate defense against hostile takeover, but also due to that for earlier holding of general shareholders’ meetings and earlier payments of dividends. Against this backdrop, corporations are already paying more attention to stock transfer agencies. Our next-generation stock transfer agency service system, NEO-CAROL, boasts one of the fastest processing speeds in the industry, which gives it an overwhelming competitive advantage in performing such tasks as early finalization of shareholder registration. By adding investor relations support services to this system, we believe we can continue to increase our number of corporate customers.

Fiscal Year 2006 Investment and Lending Strategy

Our policies in regard to investment and financing are as follows:

1. Additional Conventional Corporate Loans

The entire Group will focus on increasing loans to large, mid-sized and small companies as well as financing for real estate, etc. Furthermore, in view of the introduction of new BIS capital rules (Basel II) in March 2007, we will make further effort to achieve more optimized risk-return profile.

2. Moving Forward with Market-based Loans

Using our abilities to access a wide range of information, and arrange and supply products to investors, we will continue to aggressively compete on the strength of our real estate non-recourse loans, syndicated loans, ABS and other forms of market-based loans. Also, we will pursue the total optimization of our portfolio by utilizing our current and new assets liquidation and securitization scheme, taking into consideration the change in market environment and the efficient use of capital for real estate non-recourse loans and high-yield loans that feature comparative superiority in terms of profitability, capital efficiency, and liquidity. At the same time, we will provide products consistent with the asset management needs of our customers.

3. Enhancing Our Business Base through Alliances

As of the end of March 2006, we had sales distribution arrangements with 57 financial institutions, companies and incorporated foundations. These arrangements allow us to provide customers with a variety of products, starting with trust services such as pension trusts, stock transfer agency services and will trusts. Together with our plan to increase the distribution arrangements especially with regional banks, we intend to conduct various measures to enhance product development to expand the benefits of our alliances.