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## **Merrill Lynch Japan Conference – A New Dawn**

**Second Phase of Our Revitalization Efforts:  
From “Recovery” to “Leap Forward”  
-Toward becoming a service company-**

September 8, 2004

Eiji Hosoya

Director, Chairman and Representative Executive Officer

Resona Holdings, Inc.

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## **Progress of Reforms Since Infusion of Public Funds**

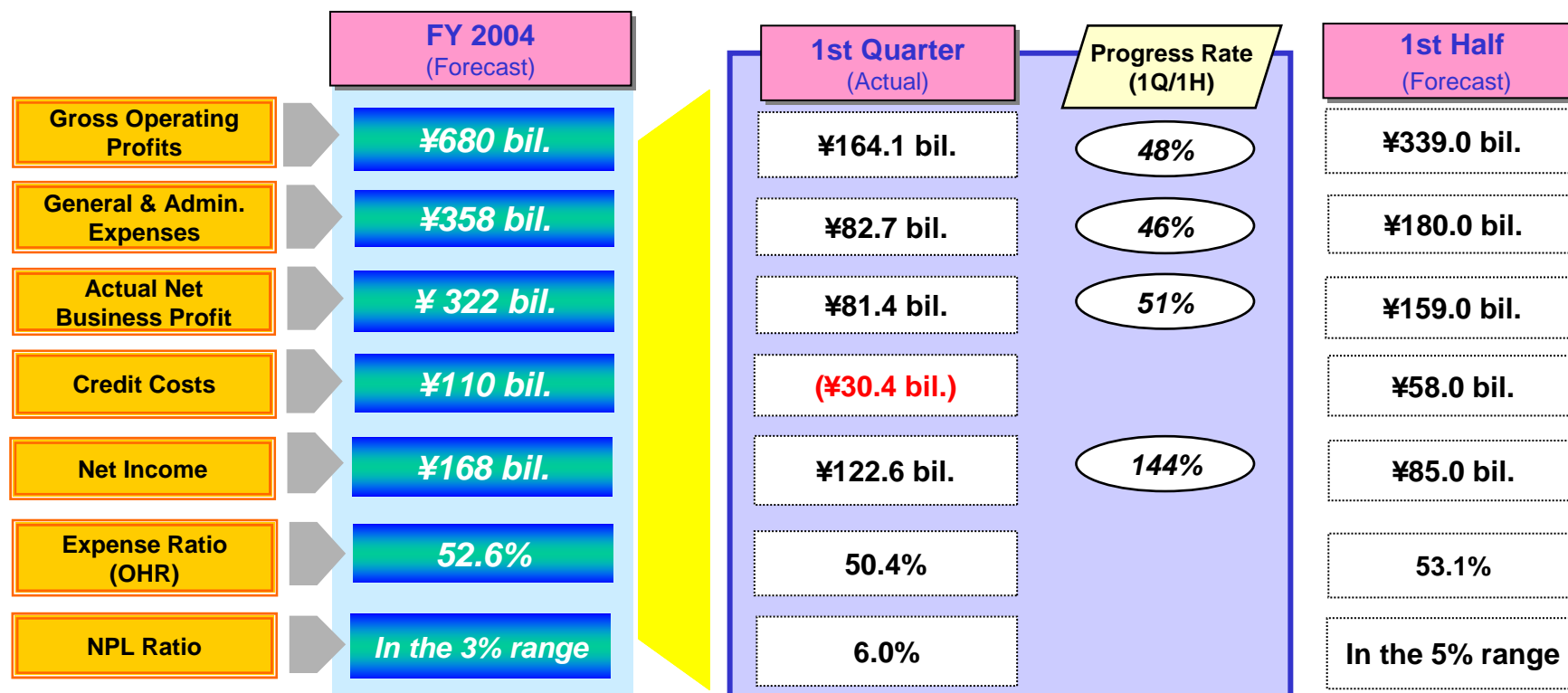
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# Toward Achieving the Plan for Current Fiscal Year:

## (1) Progress of the Earnings Plan for Fiscal 2004

**Finishing up the financial reforms and attaining a shift from “quantity” to “quality”**

- Negative impact from a decline in the volume of loans offset by a steady growth of non-interest income
- Accelerated pace of cost reduction among all group banks
- Credit costs significantly lower than the forecasted level reflecting improving performances of corporate borrowers, etc
- Reduction of NPL progressing as planned (NPL ratio in the 5% range looks achievable by the end of the 1st half)



[Underlying Assumptions]

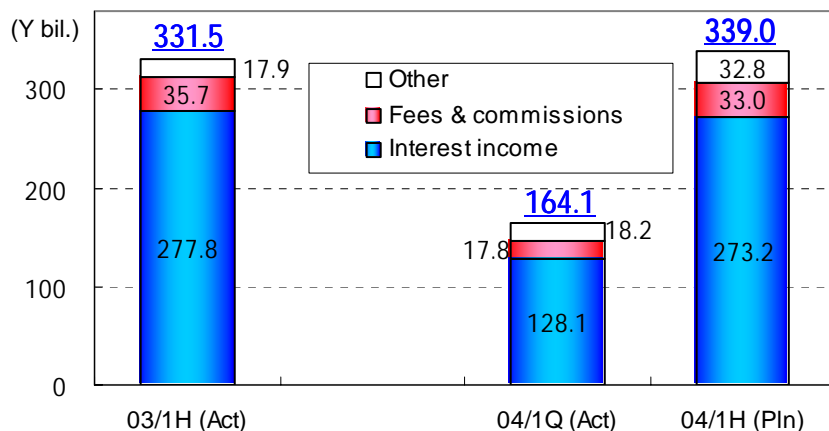
(Short-term Interest Rate) Zero interest rate policy will be maintained and STIR will stay at the current level.  
 (Long-term Interest Rate) Around 10bp rise in the 2nd half.

# Toward Achieving the Plan for Current Fiscal Year:

## (2) Gross Operating Profits

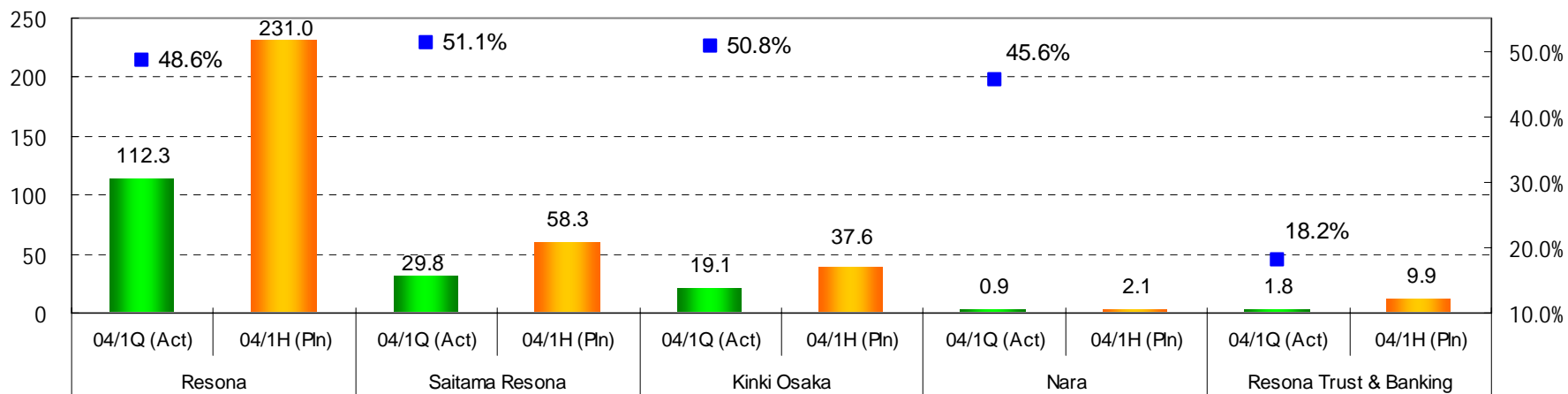
**Gross operating profits are keeping pace with the plan**

**[Gross Operating Profits]** (Total of 5 Banks)



- Gross operating profits of the 1st quarter was 48.4% of the planned figure for the 1st half.
- Non-interest income (especially fees and commissions and trading income) was in good shape and covered a decline of interest income due to a reduction in the volume of loans - Growth of trading income is attributable to an increase in income from derivatives transactions with customers.
- Plan figure of Y339.0 bil. (total of 5 group banks) for the 1st half looks achievable.

**[Gross Operating Profits of Group Banks]** (■ represents a progress rate against the planned GOP for the 1st half, right scale)

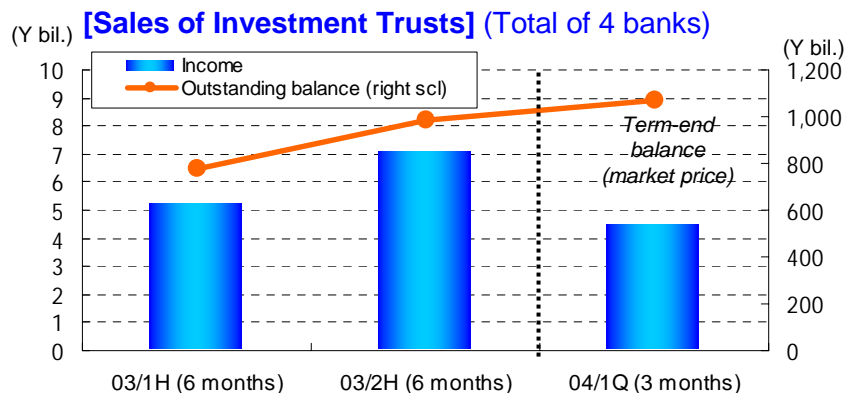


\* Progress rate of Resona Trust & Banking is low since its trust fee income, which is a principal component of its gross operating profits, tends to be generated in September and March.

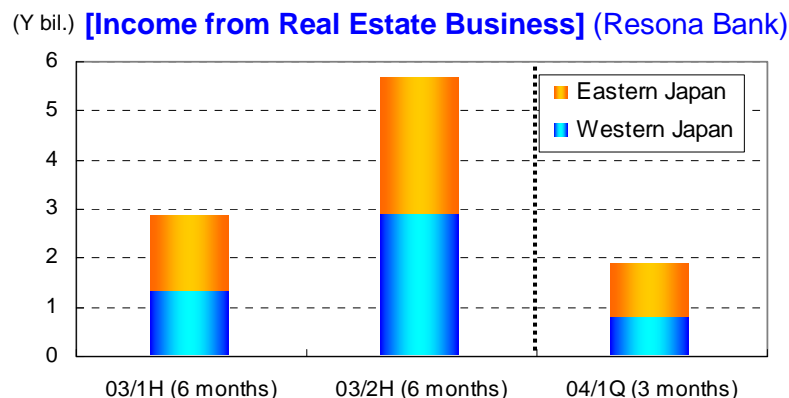
# Toward Achieving the Plan for Current Fiscal Year:

## (3) Non-interest Income

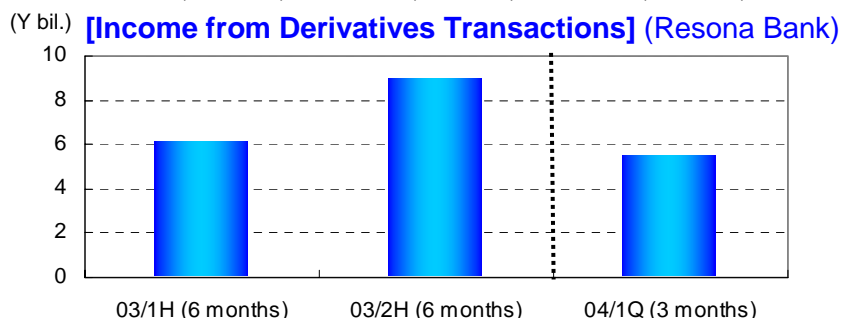
**Growth in non-interest income is greater than planned**



- Outstanding balance exceeded Y1.0 tril. during the 1Q. (Amount sold during the 1Q: Over Y170 bil.)
- Income from sales of investment trusts (total of sale commissions and trust fees) for fiscal 2003 amounted to approx. Y12 bil. [Targets for fiscal 2004] Sale: Y630 bil., Income: Y15 bil.
- Marketing activities by fund management consultants, more diverse line-up of products and other measures are expected to contribute to a further growth of the business



- Income from real estate business has been growing steadily from Y6.0 bil. for fiscal 2002 to Y8.5 bil. for fiscal 2003.
- Capturing more transaction opportunities by offering the real estate-related functions to the former Asahi Bank's clients.
  - > Relocated some of the authorized offices to Tokyo area
- Seeking to generate more than Y10 bil. of income from real estate business this fiscal year



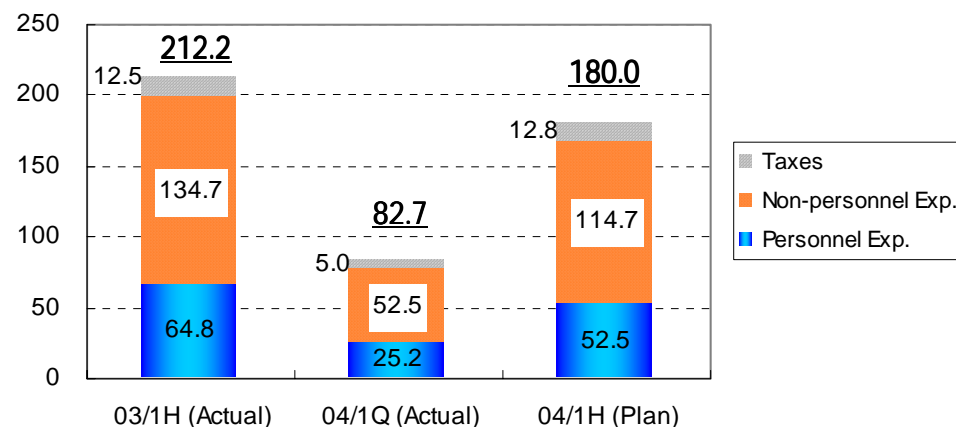
- Reflecting the needs among customers of hedging the risk of interest rate rise, income from interest rate-related derivatives such as interest rate swaps and caps is increasing steadily.
- Reflecting the needs among import companies of hedging the risk of yen depreciation, income from currency-related derivatives such as coupon swaps and currency options is on the rise, too.

# Toward Achieving the Plan for Current Fiscal Year:

## (4) Rectifying High Cost Structure

Planned cost reduction is achievable through the cost-cutting measures implemented previous year

(Y bil.) **[General & Administrative Expenses]** (Total of 5 Banks)



**[Expense Ratio (OHR)]** (Total of 5 Banks)

➤ Pace of cost reduction is faster than planned

	03/1H (Actual)	04/1Q (Actual)	04/1H (Plan)
Expense Ratio (OHR)	64.0%	50.4%	53.1%

### Plans to reduce G&A expenses by Y58.8 bil. in fiscal 2004

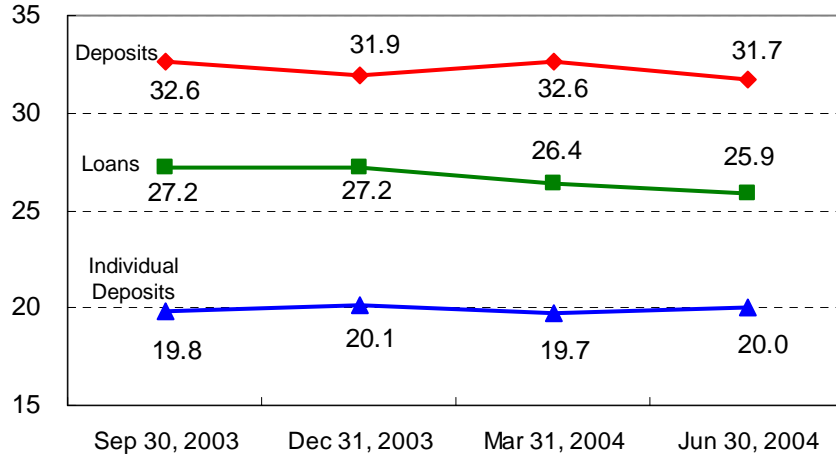
- Personnel Expenses  
Cut in work force (approx. 3,200 employees), review of employees' salary and other measures, which were implemented in the previous year, are expected to bring down the personnel expenses for this fiscal year by more than 20%.
- Systems-related Expenses  
Implemented off-balancing of IT assets and outsourced systems development and maintenance functions of the former Asahi Bank to a third party in the previous fiscal year. Combined with other cost-cutting measures, these arrangements will lead to a reduction of more than Y20 bil. of systems-related expenses.
- Real Estate-related Expenses  
Concentrated the dispersed head-office functions in Tokyo and Osaka head-office buildings, reconfigured branch network, and sold idle properties
- Subcontract Cost  
Through reviews of the business processes and the scope of businesses subcontracted to affiliated companies and other measures, subcontract costs are to be reduced.

# Toward Achieving the Plan for Current Fiscal Year:

## (5) Deposits and Loans

Quality of loan portfolio is improving through off-balancing of NPLs and growth of housing loans

(Y tril.) **[Loans and Deposits]** (Total of 5 banks)



- Individual deposits increased approx. Y280 bil. during the 1Q.
- Loans decreased due to off-balancing of NPLs and collections of loans to “watch” and lower obligors.
- Resona Bank maintained a steady pace of improvements in its loan spread as shown below (trend in spreads on domestic loans)

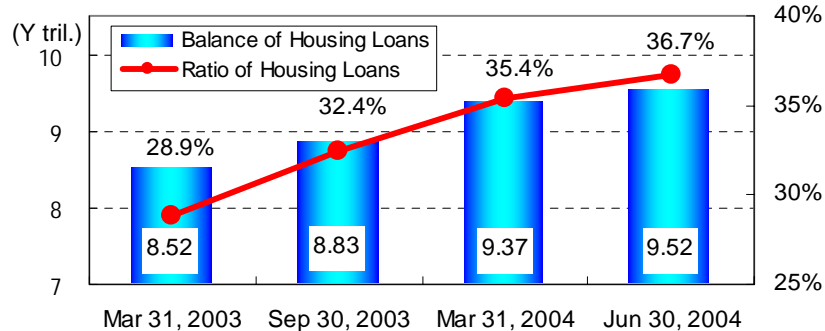
2nd Half of Fiscal 2003 (%)	2nd Half of Fiscal 2003						6 Months
	Oct/03	Nov/03	Dec/03	Jan/04	Feb/04	Mar/04	
Domestic loans	1.622	1.626	1.634	1.635	1.638	1.646	1.633
Corporate and other	1.612	1.619	1.628	1.627	1.633	1.647	1.627
Consumers	1.753	1.751	1.752	1.760	1.759	1.756	1.755

1st Half of Fiscal 2004 (%)	1st Half of Fiscal 2004				4 Months
	Apr/04	May/04	Jun/04	Jul/04	
Domestic loans	1.644	1.646	1.644	1.649	1.646
Corporate and other	1.649	1.656	1.654	1.665	1.656
Consumers	1.741	1.733	1.730	1.722	1.731

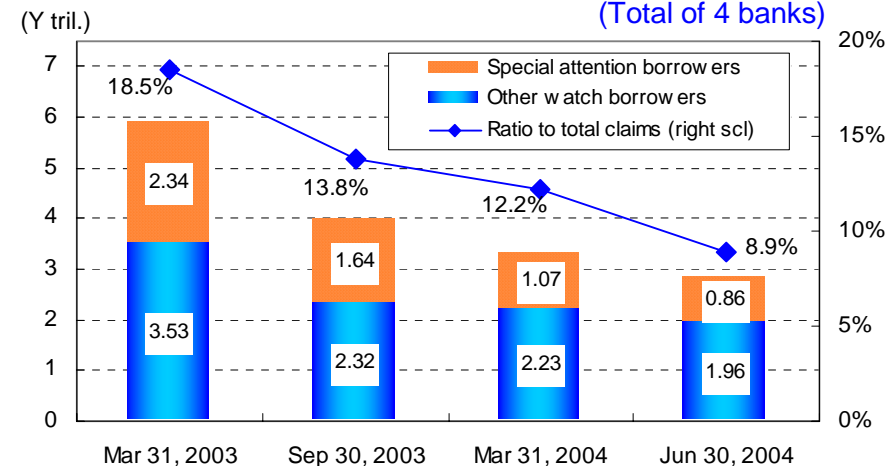
\* On an administrative accounting basis

**[Housing Loans]** (Total of 4 Banks)

- Term-end balance increased approx. Y150 bil. during the 1Q.
- Plans to increase the term-end balance by approx. Y800 bil. during the current fiscal year



**[Exposures to “other watch” and “special attention” borrowers]** (Total of 4 banks)



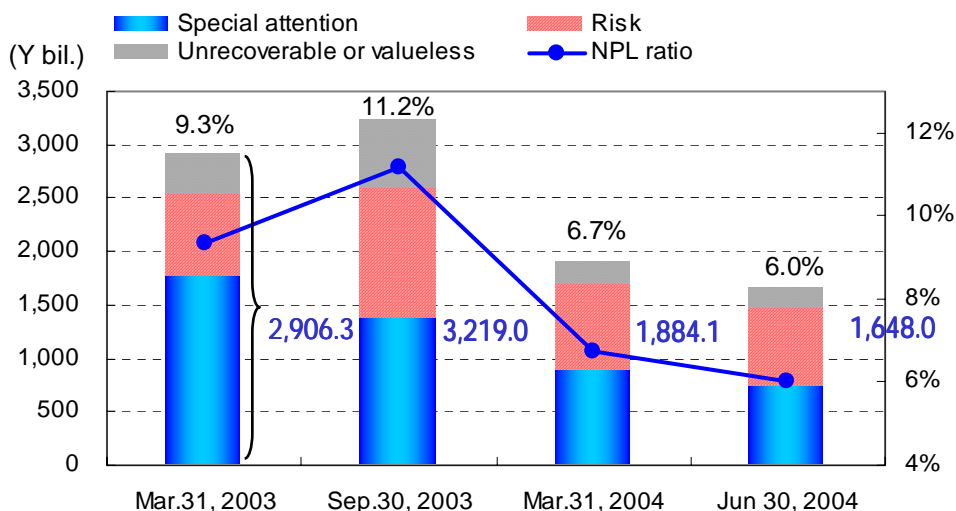


# Toward Achieving the Plan for Current Fiscal Year:

## (6) Elimination of Excessive Risks

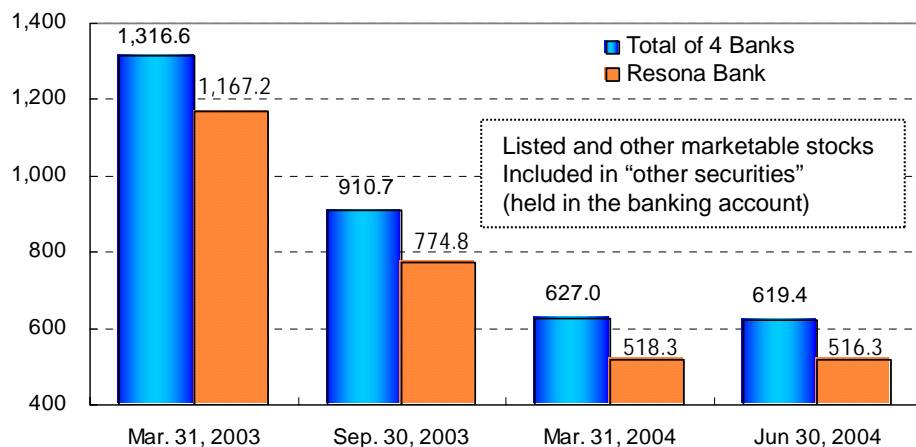
**Reduction of excessive risks is in the final phase**

**[Balance of NPLs under FRL criteria] (Total of 4 Banks)**



- During the 1Q, the balance of NPLs (total of 4 group banks) decreased approximately by Y240 bil.
- NPL ratio also declined to 6.0%  
NPL ratio is to be reduced further  
-In the 5% range by the end of September 2004  
-In the 3% range by the end of March 2005

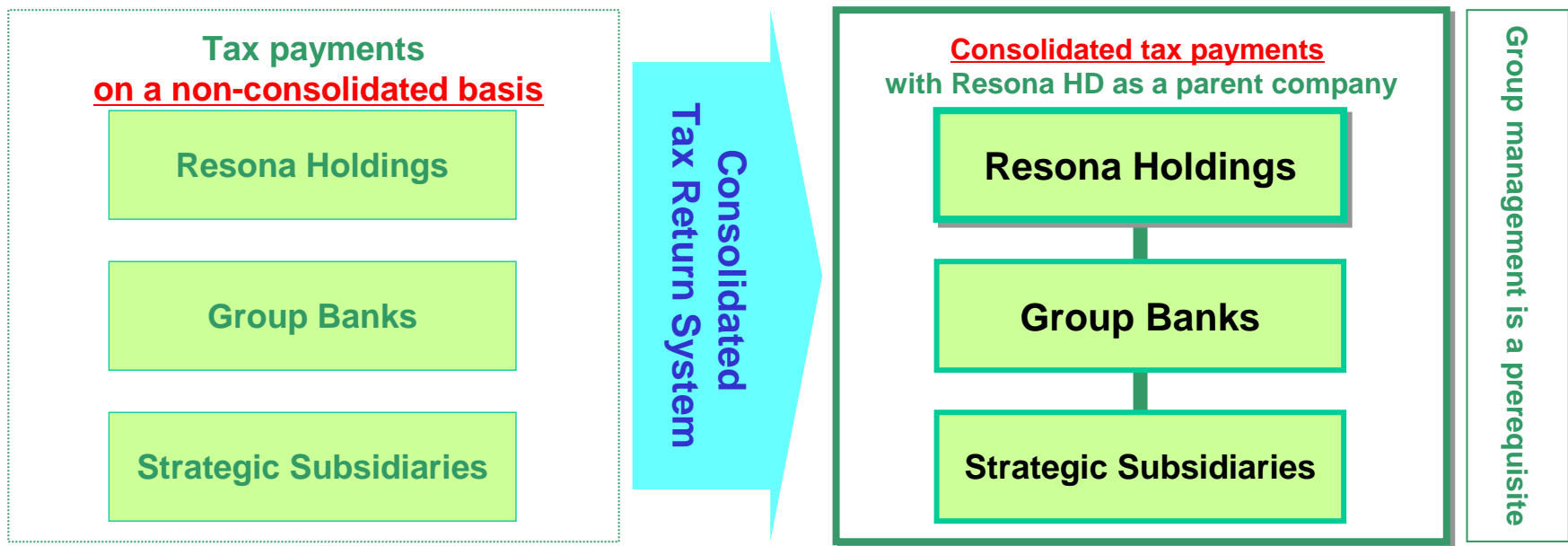
**[Balance of Stockholdings] (Total of 4 Banks)**



- The balance of stockholdings (total of 4 group banks) was brought down to approximately Y620 bil. by the end of June 2004. (Stocks sold during the 1Q: Approx. Y60 bil.)
- Combined balance to be reduced further to Y400 bil. by the end of March 2005. (Target balance of Resona Bank alone: Y300 bil.)

# Adoption of Consolidated Tax Return System

-- Plans to introduce from fiscal 2005



Further reinforcement of corporate governance

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## **Laying Foundation for Differentiation Strategy**

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## Basic Course of Our Strategy

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**\* Management environment is likely to undergo radical changes in the coming several years, resulting in polarization**

**\* First key for winning a survival race: [Cost Competitiveness](#)**

**>> Low-cost operation is a requisite**

**\* Second key for winning a survival race: [Differentiation with Service Quality](#)**

**>> Constant improvements in service quality**

**>> Speed and timing**

**>> Targeting**

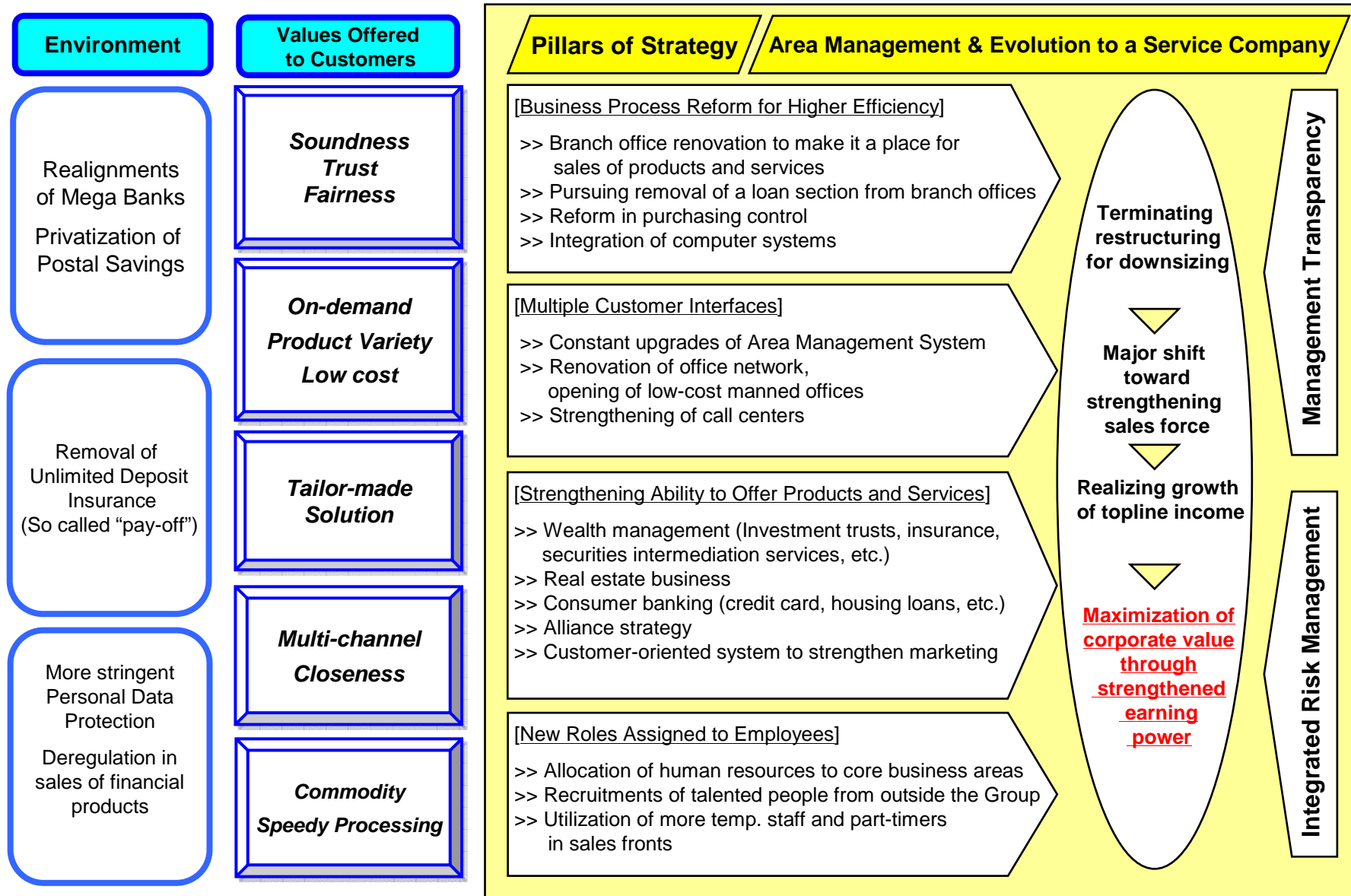
**\* Third key for winning a survival race: [Transparency in Management](#)**

**>> Removal of unlimited deposit insurance (so called “payoff” system)**

**- Soundness and trustworthiness become yardsticks for selection**

**>> Highly transparent management visible to every stakeholder**

# Strategy Map



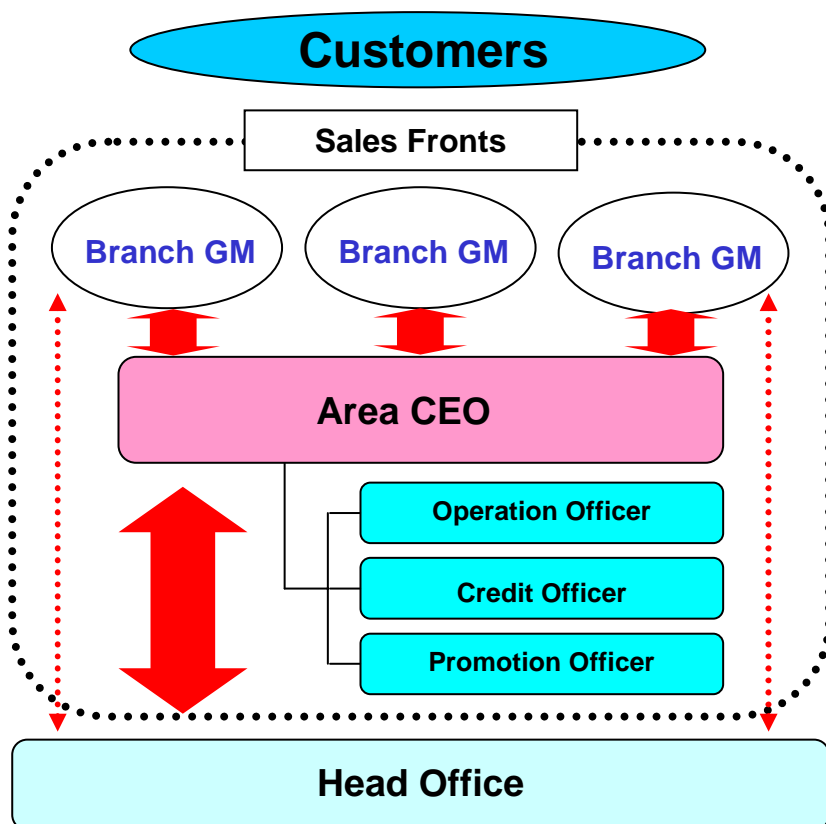
# Evolving into a Service Company:

## (1) Outline of Area Management System

Drastically reviewed the old system and practices with a concept of “Market In”

### [Basic Concept]

- \* *Prioritizing viewpoints of customers and each area*
- \* *Inverted pyramid-type decentralized management system*
- \* *On-site training opportunities for future management*



### [Scope of Authorities Given to Area CEOs]

Field	Area CEOs	Head Office
HR management	Human resources management within the area	Inter-area HR management, Supporting area CEOs on HR matters, etc.
Credit authorization limit	Credit authorization limit set higher than those given to general managers of branch offices	Overall control over loan business, Integrated credit risk management, Credit authorization for large borrowers
Branch offices	Decision-making authority to restructure area branch offices	Formulating bank-wide branch network strategy, Providing area CEOs with assistance on network issue
Marketing	Planning marketing activities in the area and implementing the plan	Providing assistance for each area to implement its marketing plan
Office management	Office work management from a viewpoint of efficiency	Bank-wide office work administration, Providing supports for rationalization

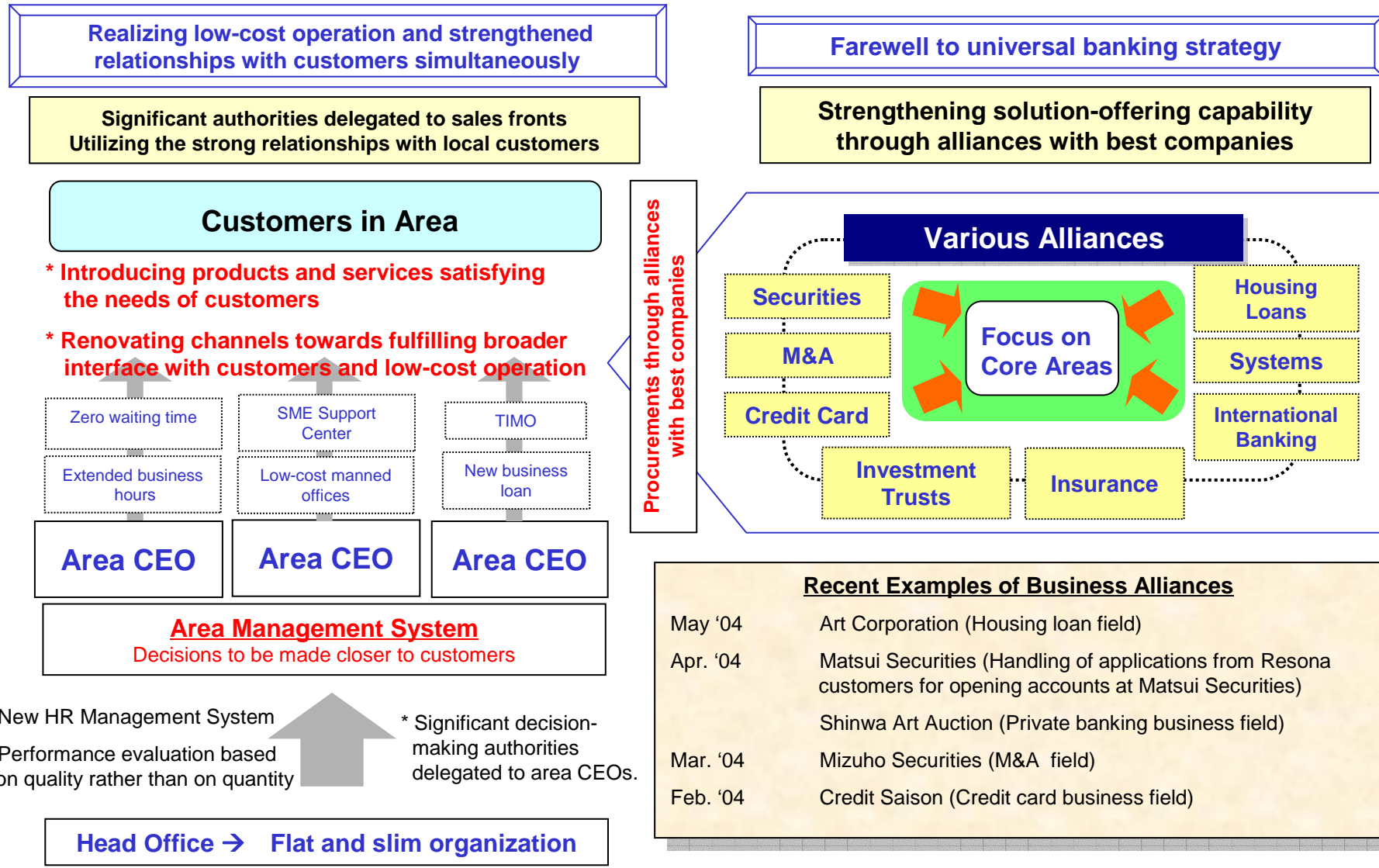
### [Criteria for Evaluation of Area CEOs]

Quantitative	Income before income taxes, Introducing evaluation based on ROA
Qualitative	Setting up an evaluation committee, 360-degree evaluation
Term of office	In principle 3 years

# Evolving into a Service Company:

## (2) Alliance Strategy

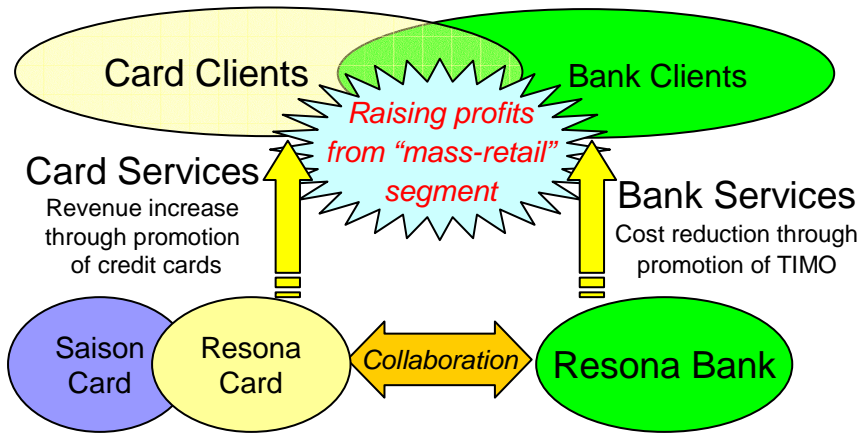
### Area Management System and Alliance Strategy



# Tie-up with Credit Saison and Issuance of New Joint Credit Cards

## Strengthen Group's credit card business through business tie-up with Credit Saison

### Strategic tie-up in credit card business



### Outline of the Tie-up

- Mutual Exchange of People (March 2004)**  
Saison: Dispatched deputy president, executive officer and 3 staffs  
Resona Card: Dispatched 3 staffs
- Capital Participation (August 2004)**  
Credit Saison acquired a 10% stake in Resona Card.
- Joint Development of New Card (Start offering the new card from October 4, 2004)**
- Ads of Resona's products will be sent to Credit Saison's card members (planned)**  
Ads (loans, will trusts, etc.) will be sent to Credit Saison's 16 million members

### Service Frame of New Joint Card "Resona + S"





# Tie-up with Credit Saison and Issuance of New Joint Credit Cards

<Front Face of Ordinary Card>



<Front Face of Design Card>



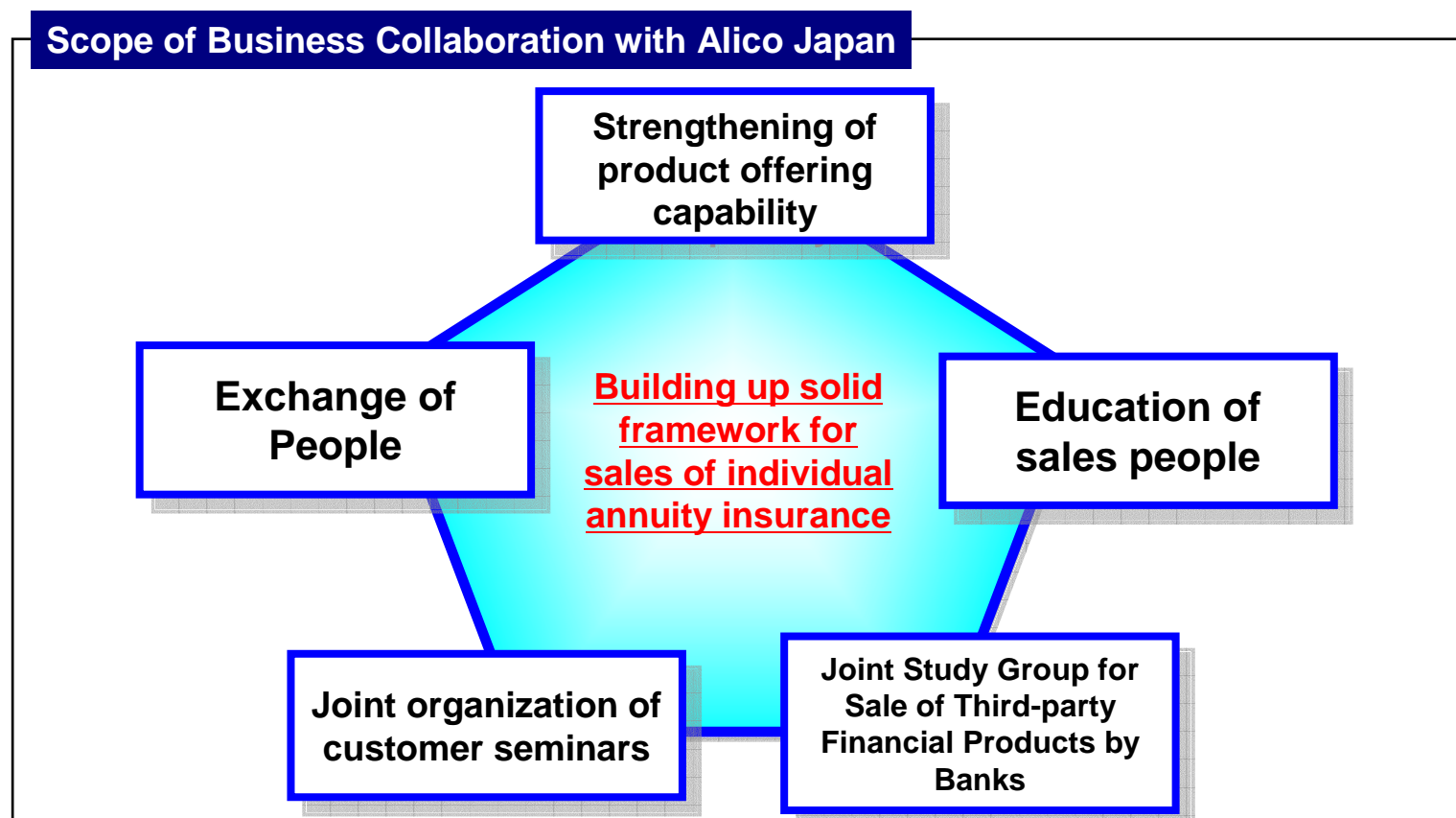
<Reverse Face>



# Business Collaboration with Alico Japan in the Field of Individual Annuity Insurance

## Business collaboration with Alico Japan starting from September 2004

- Strengthening business collaboration with Alico Japan which has a No.1 share in the sale of individual annuity insurance via bank offices in Japan
- Building up solid framework for sales of individual annuity insurance products, utilizing the Alico Japan's support systems for business promotion and human resources development
- Strengthening collaborations with other close life insurance companies, too.



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*The forward-looking statements contained in this presentation may be subject to material change due to the following factors.*

*These factors may include changes in the level of stock price in Japan, any development and change related to the government's policies, laws, business practices and their interpretation, emergence of new corporate bankruptcies, changes in the economic environment in Japan and abroad and any other factors which are beyond control of the Resona Group.*

*These forward-looking statements are not intended to provide any guarantees of the Group's future performance. Please also note that the actual performance may differ from these statements.*