



---

**Nomura Investment Forum 2004**

**Second Stage: From “Recovery” to “Leap Forward”  
-To be a financial services company-**

December 7, 2004

Eiji Hosoya

Director, Chairman and Representative Executive Officer

Resona Holdings, Inc.

---

# CONTENTS

---

## Review of Intensive Revitalization Period

### Overview of the new plan

- (1) Concept of the new plan
- (2) Targets in the new plan
- (3) Outline of the earnings plan

### Resona's focus businesses

- (1) Five focus areas
- (2) Strengthen interest income
- (3) Loan portfolio management (Total of four banks)
- (4) Fee business (Total of four banks)
- (5) Alliance

### Low-cost operation and strategic investments

### Enhance marketing and low-cost operations

### Decentralized business and centralized management

### Exit policy on public funds

#### [Reference]

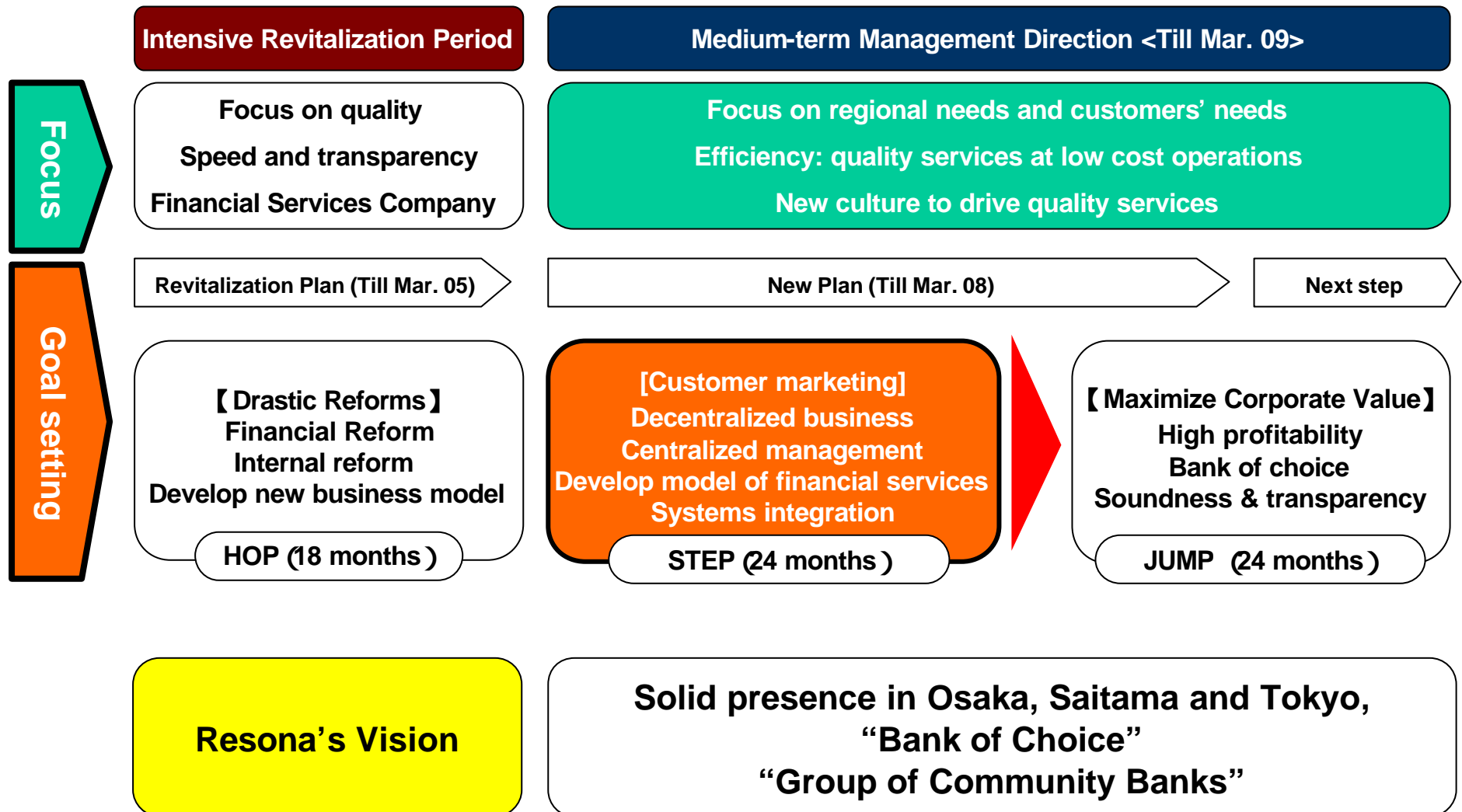
- Strengthen marketing staff significantly (Resona Bank)
  - Layout of new office
  - Realignments of subsidiary banks
  - Earnings plan (Total of five banks)
-

# Review of Intensive Revitalization Period

**Steady progress to transform the company**

	Sep 03	Mar 05 (Est.)	Notes
<b>NPL Ratio</b>	11.2%	below 4%	Achieved the target of halving the ratio (Sep 04 : 4.8%)
<b>Crossholding shares</b>	JPY 990 bn.	JPY 400 bn.	Within regulatory limit (Sep 04 : JPY 570 bn.)
<b>Cost-to-income Ratio (OHR)</b>	63%	51%	12% improvement (Sep 04 : 46.7%)
<b>Subsidiaries &amp; Affiliates</b>	45	11	Risk factors reduced significantly

# Overview of the new plan (1) Concept of the new plan



# Overview of the new plan (2) Targets in the new plan

## Resona's Performance Targets

		Items	FY2004		FY2007
Total of 5 Banks	Profitability	Income before income taxes	JPY 170 bil.*	Trend of sustained growth	JPY 260 bil.
	Productivity	Per Head Gross Operating Profits	Approx. JPY 45 mil.	Strengthened marketing and low cost operations	Approx. JPY 50 mil.
	Soundness	NPL Ratio	Below 4%	Stabilization	Approx. 3%

\* Adjusted to exclude one-time gains

### (Reference)

		Items	FY2004		FY2007
Consolidated	Efficiency	ROE	15% level	Efficiency of capital maintained through generation of higher profits	15% level
	Efficiency	ROA	Approx. 0.4%	Improvement in efficiency of asset	Approx. 0.6%

Achieve Sustainable Growth

# Overview of the new plan (3) Outline of the Earnings Plan

Steady profits secured through an increase in gross operating profits and stabilization in credit costs

	Intensive Revitalization Period				New Plan			Target
	FY2003 (Actual)	FY2004 (Plan)	1st Half (Actual)	2nd Half (Plan)	FY2005 (Plan)	FY2006 (Plan)	FY2007 (Plan)	FY2008
(Billions of Yen)								
Gross operating profits	672.7	690.0	357.0	333.0	666.0	692.0	718.0	760.0
Net interest income	544.1	534.0	280.0	254.0	524.0	542.0	566.0	
Trust fees	32.7	34.0	14.0	20.0	35.0	34.0	34.0	
Fees and commissions*	71.5	70.0	36.0	34.0	69.0	73.0	78.0	
Operating expenses	416.8	353.0	167.0	186.0	374.0	364.0	364.0	360.0
Actual net operating profits	260.3	338.0	191.0	147.0	292.0	328.0	354.0	400.0
Credit-related expenses	1,328.4	(2.0)	(18.0)	16.0	76.0	74.0	74.0	
Income before income taxes	(1,331.6)	305.0	212.0	93.0	194.0	229.0	261.0	
Net Income	(1,692.7)	288.0	205.0	83.0	184.0	219.0	237.0	300.0
*Fees and commissions (excluding housing loan-related exp.)	109.5	110.0	54.0	56.0	115.0	123.0	133.0	
Cost-to-income ratio (OHR)	62.0%	51.2%	46.8%	55.9%	56.2%	52.6%	50.7%	

Gross operating profits  
(FY 2007 compared with FY2004)

	FY 2007
Gross operating profits *1	+28.0
Net interest income	+32.0
Trust fees + fees and commissions*2	+8.0

\*1. Gross operating profits of FY 2004 include approx. JPY18 bil. of one-time gains (dividends and others). If these one-time gains were adjusted, gross operating profits would increase approx. JPY 46 bil. during the new plan period.

\*2. If housing loan-related expenses were adjusted, the growth during the plan period would be approx. JPY 23 bil.

## (1) Net interest income (+ 32 bil.)

- <Loans to corporations and other>  
Increase in term-end bal.  
JPY 1 tri. / 3 years
- <Loans to individuals>  
Increase in term-end bal.  
JPY 1.7 tri. / 3 years

## (2) Trust fees + fees and commissions (+23 bil.\*)

\* Comparison with the figure before a deduction of housing loan-related expenses

- <Investment trusts>  
Sale amount JPY 2.4 tril. / 3 years  
Increase in outstanding balance JPY 1.0 tri./ 3 years
- <Insurance>  
Sale amount JPY 710 bil. / 3 years
- <Real estate business>  
Related income JPY11 bil. (FY2004)  
JPY15 bil. (FY2007)

## Operating expenses

A temporary increase is anticipated due to such factors as planned systems integration, hiring of new staff to strengthen the sales force, and reconfigurations of branch network

## Credit-related expenses

Credit cost is expected to stabilize at 30 bps or lower (approx. JPY 75 bil.) level.

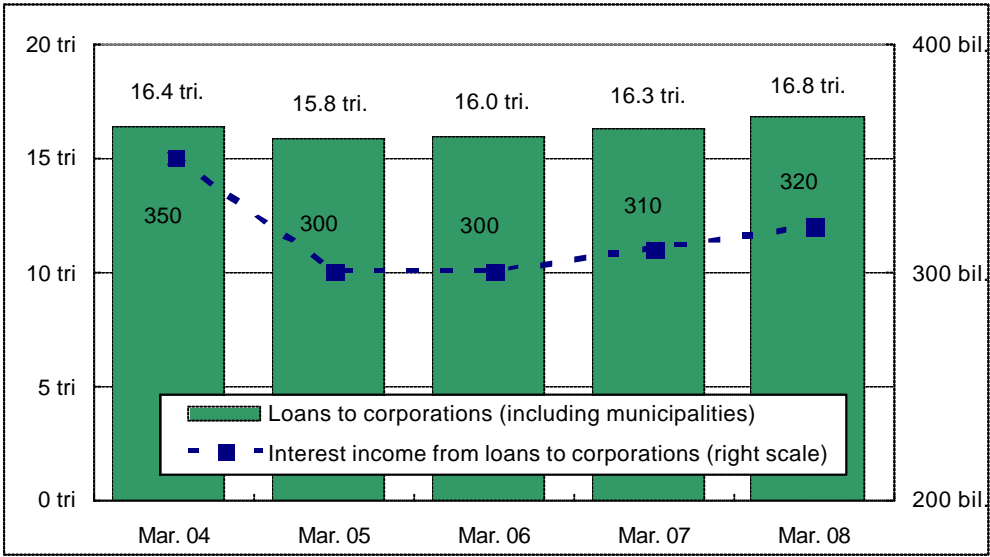
# Resona's focus businesses (1) Five focus areas

Resona's focus businesses	
<b>SME business</b>	<ul style="list-style-type: none"><li>✍ <b>Providing better solutions for clients</b><ul style="list-style-type: none"><li>- Transactions with business owners, utilization of alliance partners</li></ul></li><li>✍ <b>SME Support Centers to promote small loans</b></li><li>✍ <b>Acquire new customers by frequent contacts, utilizing nationwide network</b></li><li>✍ <b>Market-oriented indirect financing</b></li></ul>
<b>Retail loans</b>	<ul style="list-style-type: none"><li>✍ <b>Further promote housing loans</b><ul style="list-style-type: none"><li>- Collaborative relationships with house developers</li><li>- Development of new products, securitizations</li></ul></li><li>✍ <b>Renew business process</b> (Sophistication in screening and back-office operations )</li><li>✍ <b>Promote consumer loans</b> (introduction of new products, effective utilization of CRM)</li></ul>
<b>Sale of financial products</b>	<ul style="list-style-type: none"><li>✍ <b>Cross selling based on CRM, multi-channels for customer access</b></li><li>✍ <b>Wider variety of products through alliances with industry top players</b></li><li>✍ <b>Develop new marketing methods based on renewed customer segmentation</b></li></ul>
<b>Real Estate</b>	<ul style="list-style-type: none"><li>✍ <b>Only commercial bank with real estate business license</b><ul style="list-style-type: none"><li>- Broader network than designated trust banks</li></ul></li><li>✍ <b>Real estate trust business , securitization, non-recourse loans, equity investments</b></li></ul>
<b>Corporate Pension</b>	<ul style="list-style-type: none"><li>✍ <b>Group banks as marketing agents for Resona Trust &amp; Banking</b></li><li>✍ <b>Promote DC and DB plans for SMEs considering an adoption of new pension plans</b></li></ul>

# Resona's focus businesses (2) Strengthen interest income

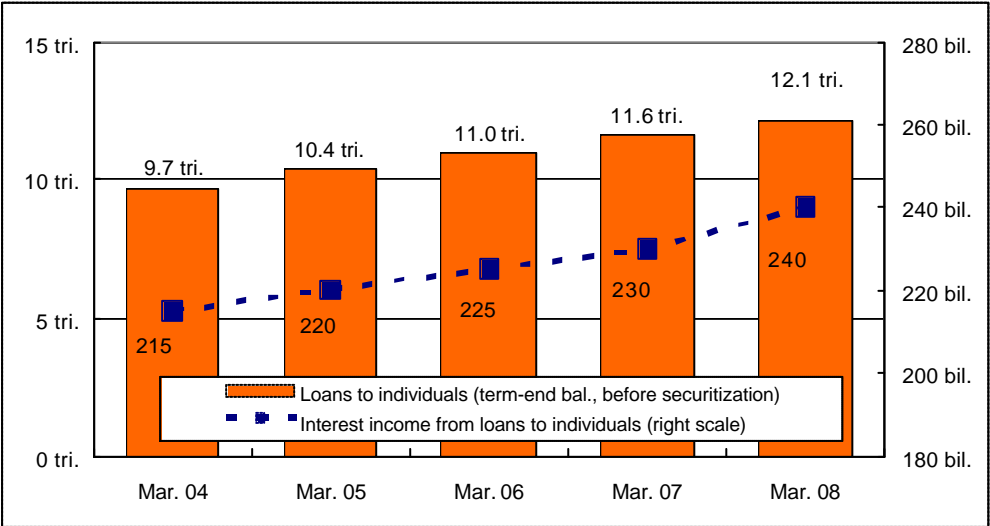
## Strengthen interest income (Total of four banks)

### Loans to corporations



- ✍ **Transactions with SME owners**
  - Offering comprehensive solutions (corporate and personal finance needs)
  - Strengthen HQ support and training
  - Top approach by branch GMs
- ✍ **Promote small loans**
  - Unsecured loans in alliance with community groups such as COC
- ✍ **Acquire new customers**
  - Maintain good client relationships
  - Solutions offered through nationwide network
- ✍ **Raise spreads for lower rated borrowers**

### Loans to individuals



- ✍ **Long-term fixed rate loan, apartment loans**
- ✍ **Housing Loan Centers**
- ✍ **Collaborations with house developers**
- ✍ **High retention of mortgage clients**
- ✍ **Securitization**
- ✍ **Related income (fire insurance, etc.)**
- ✍ **ATM loans**



# Resona's focus businesses (3) Loan portfolio management

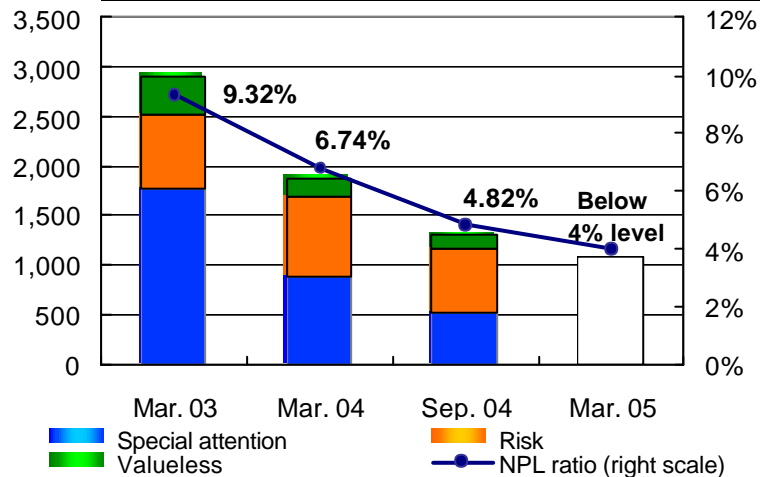
## Loan portfolio management (Total of four banks)

**Asset quality improved**

**[NPL under the Financial Reconstruction Law criteria]**  
(Total of 4 banks)

NPL declined to JPY 1.3 tri. (55% reduction from Mar.03)  
NPL ratio also declined to 4.8%

(Billions of Yen)	Mar. 03	Mar. 04	Sep. 04
NPL bal.	2,906.3	1,884.1	1,314.7



**[Reduction in large exposures] (Resona Bank)**

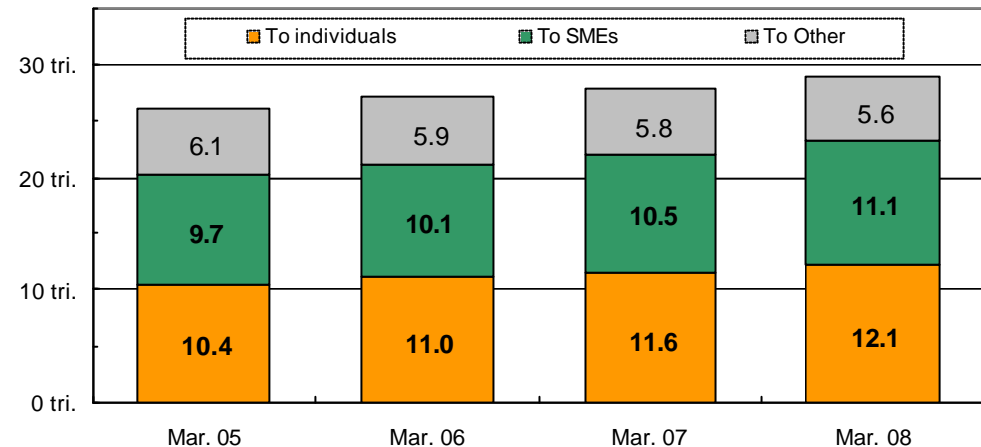
Exposures to "other watch" or lower borrowers to which the Bank has JPY 10 bil. or higher exposure were reduced to one-third in 18 months

(Billions of Yen)		Mar. 03	Mar. 04	Sep. 04
"Other watch" and lower obligors (with more than Y10.0 bil. loans)	A	65	44	31
Outstanding loan exposures to such borrowers	B	2,536.0	1,220.4	789.3
Loan exposure amount per borrower (B/A)		39.0	27.7	25.5

**Future plan**

**[Loan portfolio] (4 banks)**

	Mar. 05	Mar. 06	Mar. 07	Mar. 08
To individuals	40.0%	41.0%	41.5%	42.0%
To SMEs	37.0%	37.5%	38.0%	38.5%



**<Plan forward>**

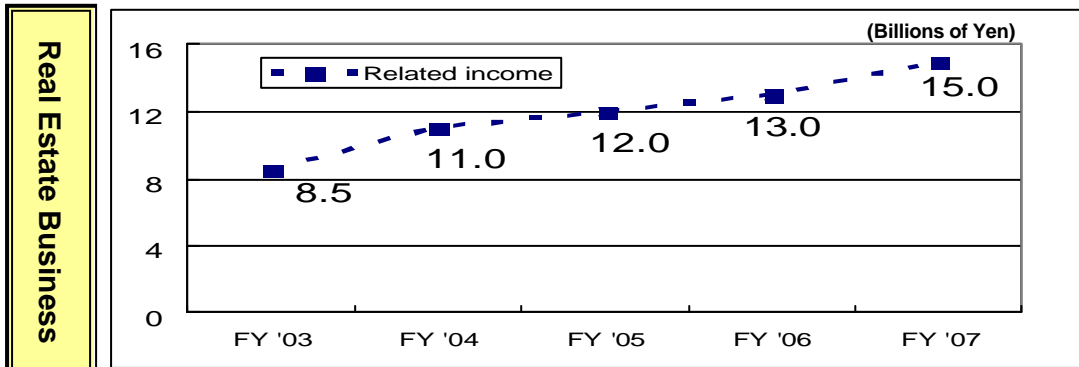
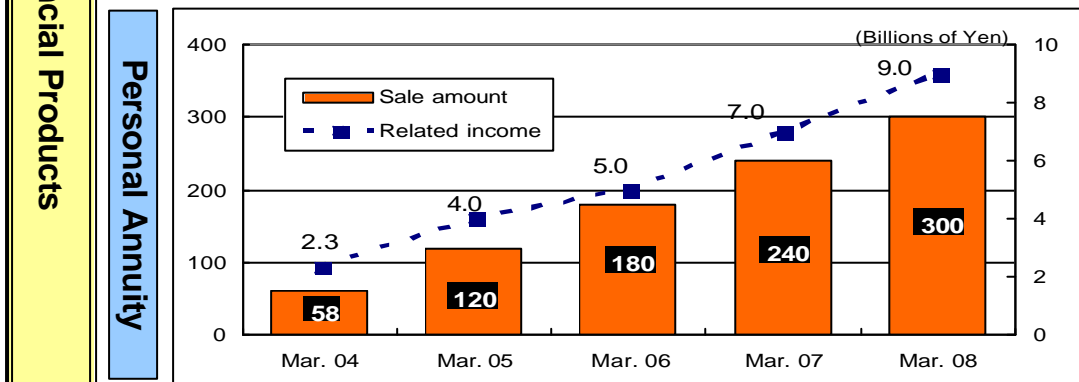
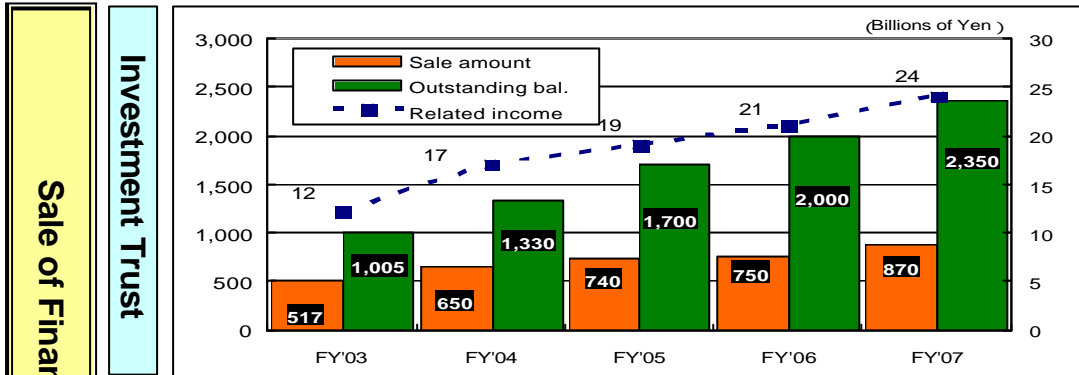
**Pricing of loans to reflect risk of each loan**

**Disperse loan portfolio into small lots by increasing loans to SMEs and individuals**

**Stricter application of the ceiling system  
Sophistication in credit risk management**

# Resona's focus businesses (4) Fee business

Expect steady growth in fee businesses (Total of four banks)

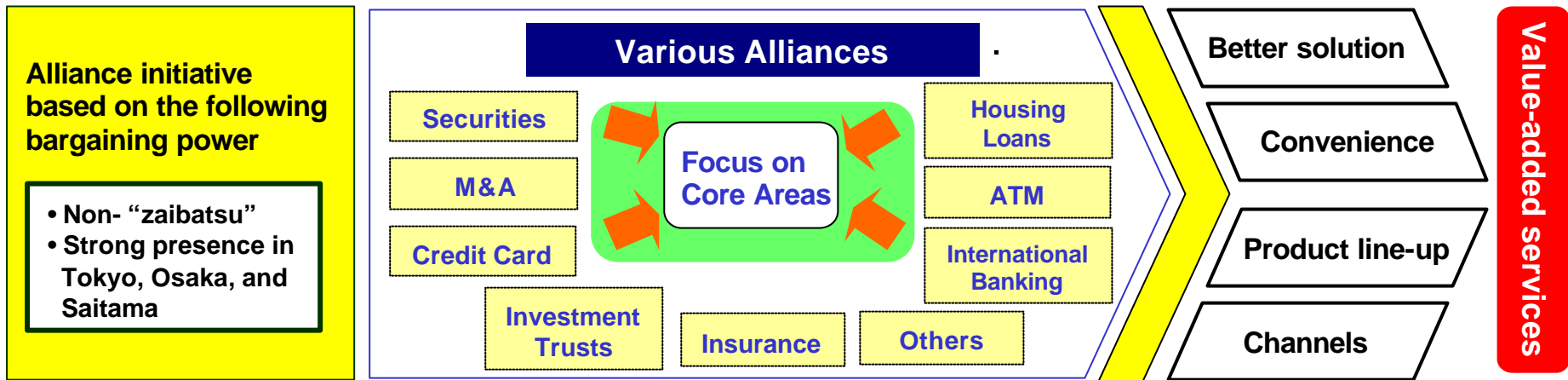


- <Actions to achieve income growth>**
- ✈ Renew promotion
    - Add Fund Management Consultants
    - Assign brokerage specialists
    - Training through alliance partners
    - Multi channel customer approach
  - ✈ Pull-marketing e.g. seminars
  - ✈ Product line-ups
    - Retail JGB, muni-bonds
    - Securities intermediary business
    - Procure wider variety of annuity products

- <Actions to achieve income growth >**
- ✈ Business resources to be shifted to Tokyo area
  - ✈ Increase RE specialists
  - ✈ Collaborations within group companies
- \* Real estate business is handled by Resona Bank only.

# Resona's focus businesses (5) Alliances

Best products and services procured through alliances with industry-top players



## [Major alliances announced]

Objective	Alliance area	Partners	Outline of Alliances
Solution	Securities	Nomura Securities	Securities intermediation services
		Matsui Securities	Handling of applications from Resona customers for opening securities accounts at Matsui Securities
		D-Brain Securities, IPO Securities	Supports to venture businesses in Saitama Prefecture
	M&A	Mizuho Securities	Advisory services for M&A business
	International Banking	Bank of East Asia, Bangkok Bank, Bank of Tokyo Mitsubishi, etc.	Financial services functions in the Asian region procured through alliances
Convenience	Credit Card	Alico Japan, etc.	Providing group banks with annuity insurance products
	Network	Credit Saison	Development and issuance of new joint cards
	Other	IY Bank, Lawson	ATM tie-up
Product line-up	Investment Trust	Japan Travel Bureau (JTB)	Handling of applications for JTB's installment travel savings at branch counters
	Private Banking	Credit Agricole, etc.	Providing group banks with investment trust products
	Housing Loan	Shinwa Art Auction, etc.	Mutual introduction of customers
Channel	Other	Art Corporation	Special package of house removal service offered to Resona housing loan customers
	Other	Yoshinoya D&C	Acquisition of know-how relating to branch office location
		Tully's Coffee	Branch office space utilization

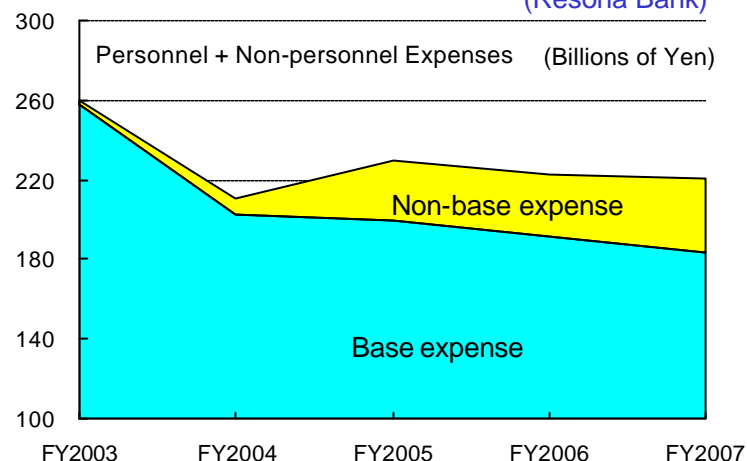
# Low-cost operation and strategic investments

Increase in non-base expense such as systems integration costs is partly offset by a reduction in base expense

[Total of 5 Banks] (Billions of Yen)	FY2003	FY2004	FY2005	FY2006	FY2007	Change (B)-(A)
	(ACT)	(PLN) (A)	(PLN)	(PLN)	(PLN) (B)	
Personnel expense	123.7	109.0	122.0	122.0	121.0	12.0
Non-personnel expense	267.3	222.0	230.0	230.0	221.0	(1.0)
Personnel + non-personnel expenses	391.0	331.0	352.0	352.0	342.0	11.0

[Resona Bank] (Billions of Yen)	FY2003	FY2004	FY2005	FY2006	FY2007	Change (B)-(A)
	(ACT)	(PLN) (A)	(PLN)	(PLN)	(PLN) (B)	
Personnel expense	77.5	66.0	74.0	72.0	71.5	5.5
Base expense	75.6	61.3	64.7	61.5	59.4	(1.9)
Non-personnel expense	181.9	144.0	156.0	150.0	149.0	5.0
Base expense	181.9	141.1	135.3	130.2	124.7	(16.4)
Non-base expense	0.0	2.8	20.6	19.8	24.3	21.5
Systems integration		2.7	15.0	10.8	11.2	8.5
Business process and channel restructuring		0.1	3.4	5.5	7.3	7.2
Measures to strengthen marketing			2.2	3.5	5.8	5.8
Personnel + non-personnel expenses	259.4	210.0	230.0	222.0	220.5	10.5

## [Analysis of an increase in operating expenses] (Resona Bank)



## [Personnel expense]

> Personnel expense for FY2007 is JPY5.5 bil. higher than FY 2004

(Factors accounting for the increase)

Recruitment of new staff, incentive salaries for employees, etc.

> Base expense will be restrained through business process reengineering

## [Non-personnel expense]

> Expecting non-base expenses totaling JPY65 bil. during the three years, the largest of which is systems integration cost

> However, the base expense for FY 2007 will be JPY16 bil. lower than the estimate for FY2004.

# Enhance marketing and low cost operations

## Enhancement of marketing

### Increase sales forces

- Relocate staff from back office to sales front by reviewing business processes  
(Composition of back-office staff: sales staff = 7 : 3    5 : 5)
- Strengthen sales force through new hiring  
(Mar. 04/ Approx. 3,900    Mar. 09/ Approx. 5,600)
- Streamline HQ and relocate HQ staff to branch offices  
(Approx. 300 staffs to be relocated by Mar. 08)

### Personnel Reform

- Performance-based pay system
- Improve training of sales skills
- Active recruitment of outside staff

### Operational Reform

- Halve operational costs of branch offices by improving efficiency of back-office work (Started pilot test)
- Streamline back-office work of loan business  
(Expected cost reduction: JPY 5.2bn per year)

### Channel Reform

- Establish hub-and-spoke branch network by region
- Reduce full-service branches and introduce specialized branches  
(% of full-service branches: 75% at 05/3(E)    50% at 07/3 (Plan))
- Cut of non-personnel expense by reduction of full-service branches

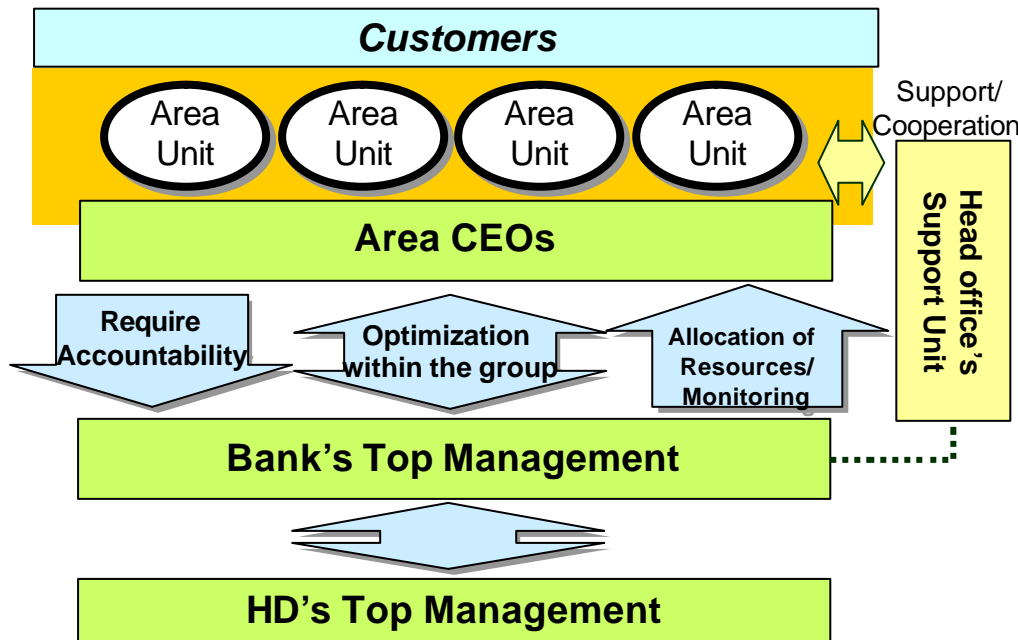
## Low cost operation

# Decentralized business and centralized management

**Streamline corporate structure and enhance centralized management system to foster decentralized business model**

	Establishment of decentralized business model
	HD's focus on governance function and centralized management
	Higher efficiency realized through sharing of business infrastructure
	Suspend major reorganization to focus on enhancing marketing

## Centralized management by HD and decentralized business model (To be fully launched in Apr. 07)



Delegate management to regional units  
# of area units to be reduced

Regional CEOs connected directly with top management of the Bank without HQ divisions

HQ concentrates on providing each area unit with necessary supports

Centralized management by HD (small holding company)  
RTB and other major strategic group companies rendered to be HD's 100% subs.

# Exit policy on public funds

## Plan for repayment of public funds

### [Exit policy]

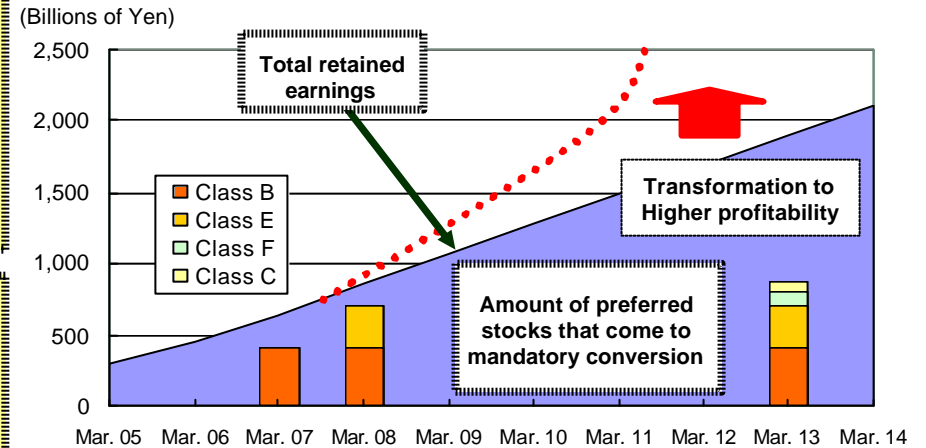
- ✦ Make every effort for the Government to collect the public funds (in total JPY 3,128 bil. ) as early as possible by accumulating as much retained earnings as possible and maximizing corporate value
- ✦ Under the new plan, Resona Group is committed to improving profitability by focusing on strengthening marketing ability.
- ✦ Give considerations to redeeming JPY 300 bil. subordinated loans while carefully managing capital ratio and exploring refinancing opportunities.

### [Accumulation of retained earnings]

- ✦ Plan to retain JPY 1,060 bil. by Mar. 09., well above the amount (JPY 868 bil.) of preferred shares issued in 1999 under the Early Strengthening Law.
- ✦ Further continue to accumulate retained earnings to foresee redemption of JPY 1,960 bil. of common and preferred shares issued in 2003 under the Deposit Insurance Law.

[Preferred stocks issued under the Early Strengthening Law in 1999]

	Class B, #1	Class E, #1	Class F, #1	Class C, #1
Issue amount (bil)	408	300	100	60
Conversion date	Apr. 2009	Dec. 2009	Dec. 2014	Apr. 2015
Deadline for RE	Mar. 2008	Mar. 2009	Mar. 2014	Mar. 2014



<Assumptions>

- Consolidated tax filing to apply from Mar. 06
- Profits assumed to remain at Mar. 08 level from Mar. 09.

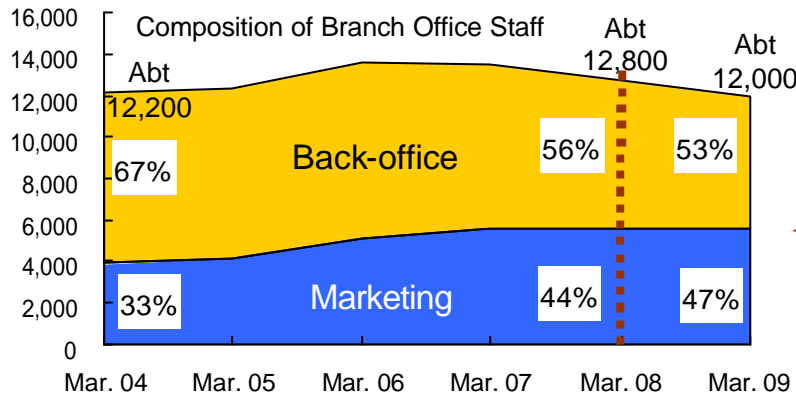
## Dividends Policy

- ✦ Plan to resume dividends on preferred shares.
- ✦ No dividends planned on common shares for Mar 05. Dividends to be determined according to profitability of the group thereafter.

# <Reference>

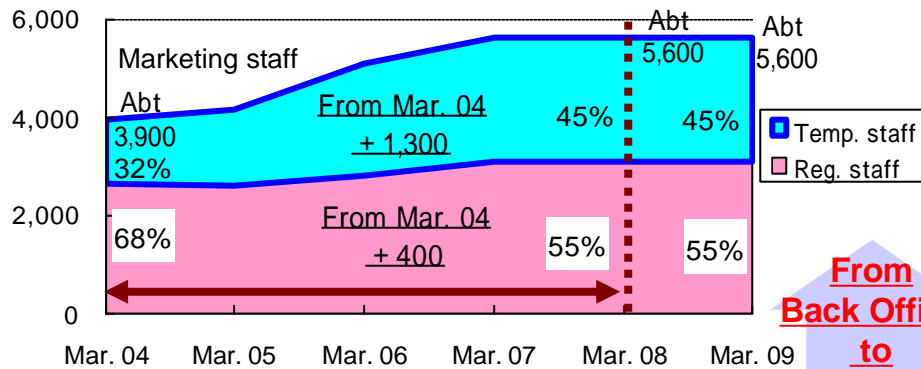
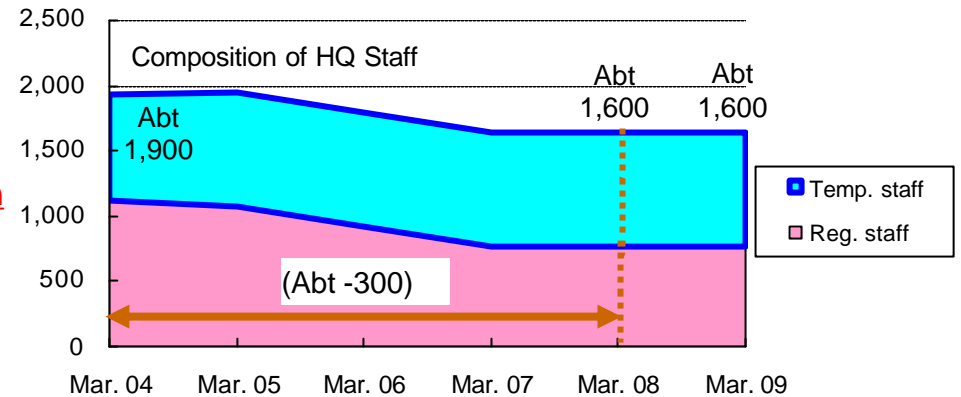
## Strengthen marketing staff significantly (Resona Bank)

### Branch office (including HQ front-office personnel)

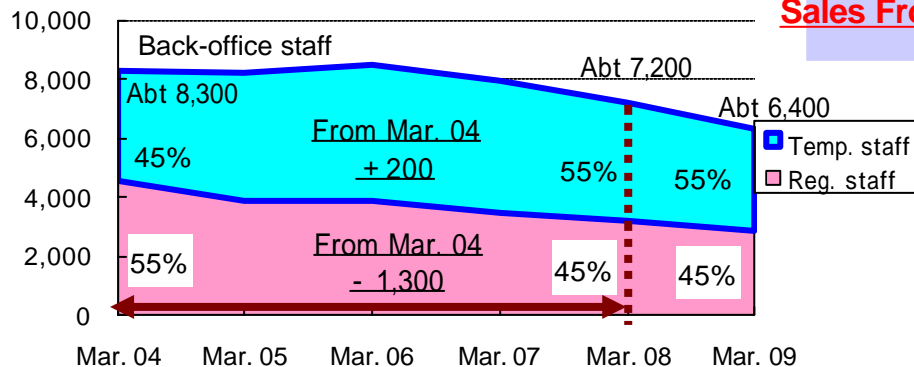


From HQ to Branch Office

### HQ ( back-office personnel)



From Back Office to Sales Front



Marketing staff will be strengthened significantly to generate higher top-line income  
( From Mar. 04: Regular staff +400, Temp. staff +1,300)

Marketing staff procured through the following sources

- 1) Reduction in HQ headcounts
- 2) Relocation of back-office staff of branch offices
- 3) Recruitments of regular and temp. staffs

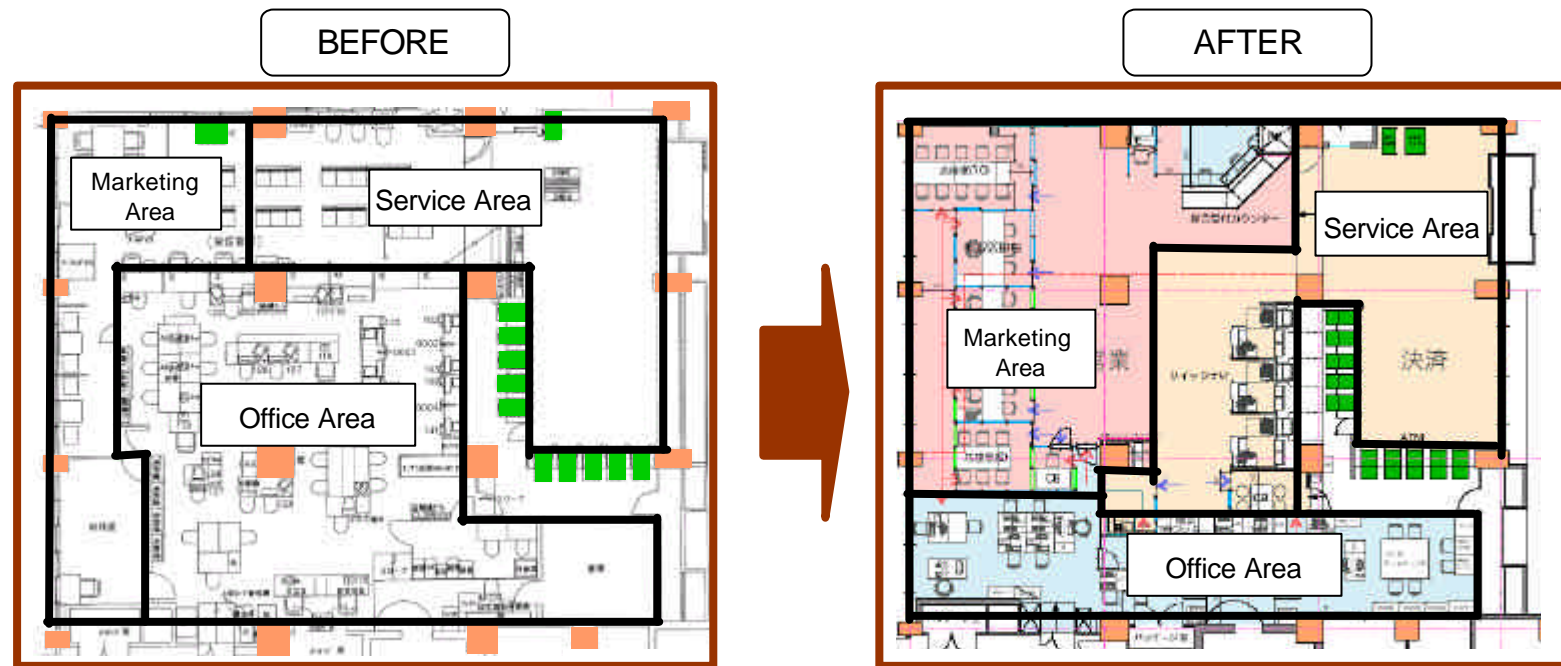
Through business process reengineering, more staffs will be relocated from cost center to profit center.  
Higher productivity achieved through higher per head gross operating profits



# <Reference> Layout of new office

## (Reference) Layout at a pilot office

[Comparison of office layouts before and after the modification (Takenozuka Branch)]



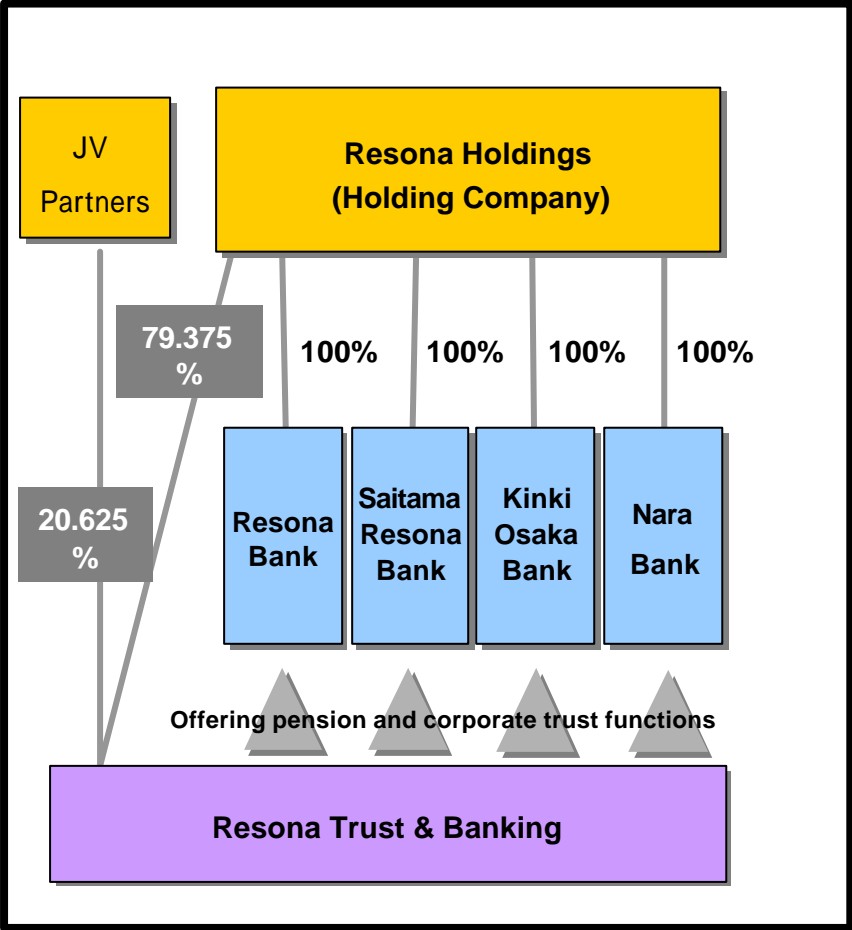
\* Enlargement of marketing space: Approx. 66 square meters  $\rightarrow$  Approx. 132 square meters (Doubled)

\* Cutback in office space: Approx. 132 square meters  $\rightarrow$  Approx. 66 meters (Halved)

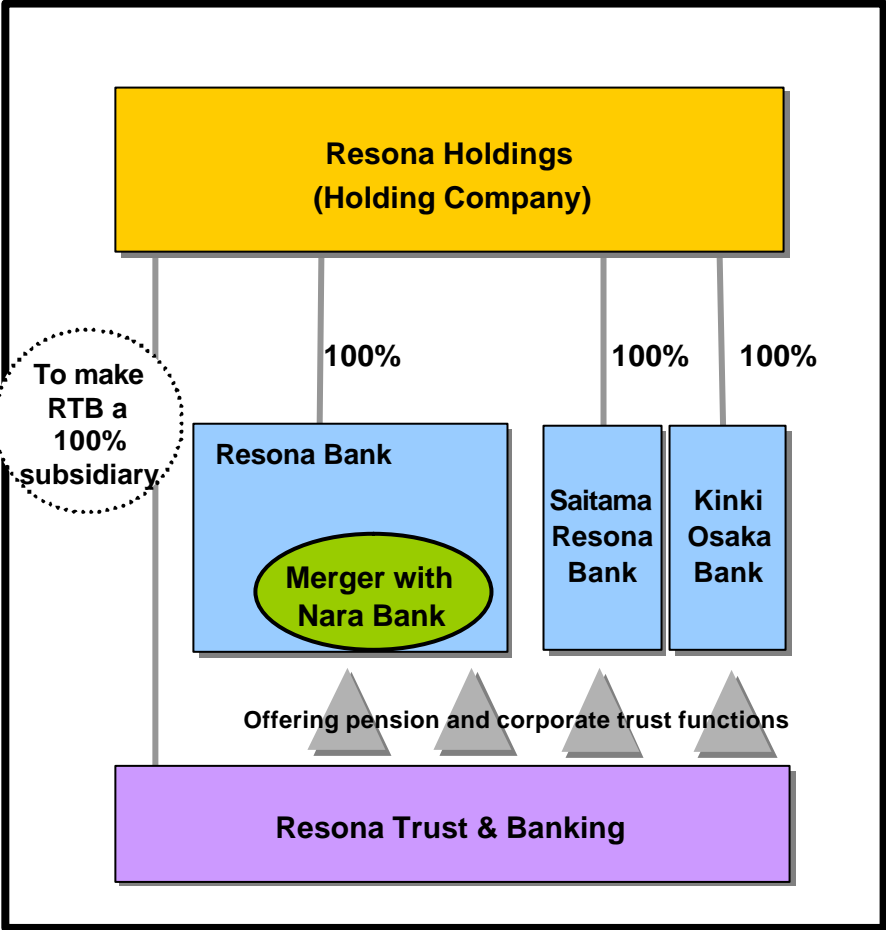
# <Reference> Realignmentments of subsidiary banks

Strengthening earnings is the top priority and large-scale realignments will be suspended

**Current State**



**After Realignment**



# <Reference> Earnings plan (Total of five banks)

(Total of Five Banks) (Billions of Yen)

	FY2003 (Actual)	FY2004 (A) (Forecast)	1st Half (Actual)	FY2005 (Plan)	FY2006 (Plan)	FY2007 (B) (Plan)	Change (B) - (A)
Gross operating profit	672.7	690.0	356.6	666.0	692.0	718.0	28.0
Trust fees	32.7	34.0	14.3	35.0	34.0	34.0	0.0
NPL disposal in trust account	4.4	1.0	0.8	0.0	0.0	0.0	(1.0)
Interest income	629.4	609.0	317.4	597.0	608.0	629.0	20.0
Interest expense	85.2	75.0	37.4	73.0	66.0	63.0	(12.0)
Net fees & commissions	71.5	70.0	35.9	69.0	73.0	78.0	8.0
Net trading income	21.8	18.0	7.8	22.0	24.0	24.0	6.0
Other operating income	2.3	34.0	18.5	16.0	19.0	16.0	(18.0)
Gains/(losses) on bonds	(6.6)	9.0	8.3	0.0	0.0	0.0	(9.0)
Actual net operating profit *	260.3	338.0	190.8	292.0	328.0	354.0	16.0
Net operating profit	275.3	341.0	193.2	292.0	328.0	354.0	13.0
Provision to general reserve	(19.4)	(4.0)	(3.3)	0.0	0.0	0.0	4.0
Expenses	416.8	353.0	166.6	374.0	364.0	364.0	11.0
Personnel expense	123.7	109.0	49.7	122.0	121.0	121.0	12.0
Non-personnel expenses	267.3	222.0	106.9	230.0	221.0	221.0	(1.0)
Disposal of NPL	1,343.4	15.0	12.2	76.0	74.0	74.0	59.0
Net gain/(loss) on stocks	(19.9)	29.0	29.4	0.0	0.0	0.0	(29.0)
Ordinary profit/(loss)	(1,152.5)	352.0	225.5	196.0	236.0	262.0	(90.0)
Extraordinary gains	36.4	29.0	32.6	0.0	0.0	0.0	(29.0)
Extraordinary losses	215.5	76.0	45.8	2.0	7.0	1.0	(75.0)
Income taxes - current	6.5	5.0	2.2	10.0	10.0	24.0	7.0
Income taxes - deferred	354.5	12.0	5.1				
Net income/(loss)	(1,692.7)	288.0	204.9	184.0	219.0	237.0	(51.0)

\* Actual net operating profit = Net operating profit before provision to general reserve and

NPL disposal in the trust account

\*1. Assets and liabilities are stated in average balance. Stockholders' equity is reported in term-end balance.

\*2. Earned surplus excluding earned surplus reserve

\*3. Management indicators other than OHR, ROE and ROA are based on the total figures of four subsidiary banks excluding Resona Trust & Banking.

(Billions of Yen)

	FY2003 (Actual)	FY2004 (A) (Forecast)	1st Half (Actual)	FY2005 (Plan)	FY2006 (Plan)	FY2007 (B) (Plan)	Change (B) - (A)
Total assets (Note.1)	43,354.2	41,560.0	41,315.4	41,180.0	40,800.0	40,640.0	(920.0)
Loans and bills discounted	27,261.4	25,720.0	25,681.3	26,620.0	27,490.0	28,500.0	2,780.0
Securities	7,031.1	7,580.0	7,538.1	7,370.0	6,680.0	6,000.0	(1,580.0)
Trading assets	534.6	890.0	720.4	980.0	980.0	980.0	90.0
DTA (term-end bal.)	51.1	46.6	53.0	40.8	37.8	21.9	(24.7)
Total liabilities (Note.1)	41,485.2	40,470.0	40,326.7	40,060.0	39,710.0	39,540.0	(930.0)
Deposits and NCDs	33,074.1	32,740.0	32,994.9	32,630.0	32,720.0	33,000.0	260.0
Trading liabilities	11.0	10.0	8.8	12.0	12.0	12.0	2.0
DTL for land revaluation (term-end bal.)	45.7	45.5	45.5	45.5	45.5	45.5	0.0
Total shareholders' equity	1,130.2	1,394.1	1,314.5	1,328.6	1,364.0	1,382.0	(12.1)
Capital stock	384.7	404.7	384.7	404.7	404.7	404.7	0.0
Capital reserve	416.3	433.8	413.8	433.8	433.8	433.8	0.0
Other capital surplus	1,777.0	88.7	88.7	88.7	88.7	88.7	0.0
Earned surplus reserve	20.0	20.0	20.0	20.0	20.0	20.0	0.0
Retained earnings (Note 2)	(1,675.6)	250.3	210.2	184.8	220.2	238.2	(12.1)
Land revaluation excess	66.8	66.6	66.5	66.6	66.6	66.6	0.0
Net unrealized gains/(losses) on other securities	140.9	130.1	130.2	130.1	130.1	130.1	0.0

(Management Indicators) (Note.3) (%)

Yield on interest earning assets (A)	1.66	1.66	1.73	1.62	1.66	1.73	0.07
Interest earned on loans and bills discounted	2.06	2.04	2.07	1.98	1.96	1.97	(0.07)
Interest on securities	0.79	0.89	1.12	0.77	0.85	0.94	0.05
Total cost of funding (B)	1.24	1.08	1.02	1.15	1.12	1.11	0.03
Interest paid on deposits and NCDs (D)	0.11	0.10	0.10	0.09	0.08	0.07	(0.03)
Overall interest spread (A) - (B)	0.41	0.57	0.70	0.47	0.54	0.61	0.04
Cost-to-income ratio (OHR)	61.56	51.08	46.62	56.15	52.60	50.69	(0.39)

---

*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.*