
Progress of Efforts Towards Revitalization of Resona Group

-Achievements in FY 2003 and Prospect for FY 2004-



RESONA

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Resona Holdings, Inc.

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Back to Profits in the 2nd Half of FY 2003

Implemented sweeping “financial reforms” in the 1st half of FY 2003

- > Eliminated transactions with “closely-related” borrowers and withdrew from nonbank business
- > Strengthened loan loss reserves primarily against large borrowers
- > Recognized future costs in advance to reduce operating expenses

Posted consolidated net interim loss of ¥1,769.6 bil.

Made significant progress towards transformation to sustainable profitability

Registered higher-than-planned profits in the 2nd half and completed the first phase of revitalization

Financial reforms in the 1st half

Minimizing risk factors

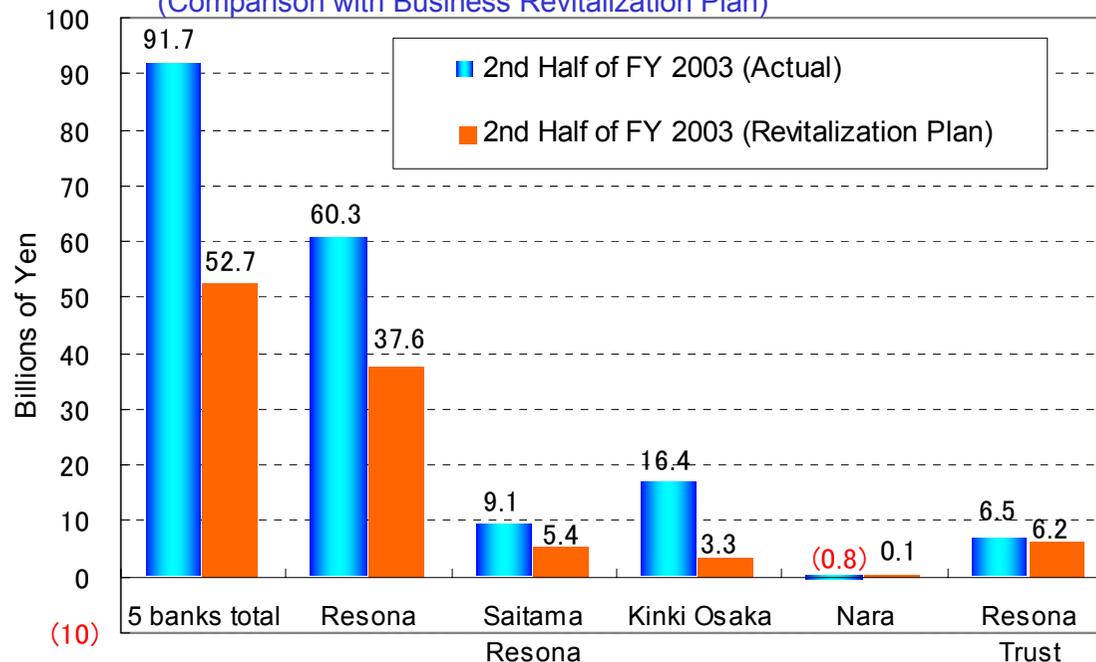
Elimination of excessive risks

Rectifying high cost structure

Recognition of future costs in advance

<Net Income for the 2nd Half>

(Comparison with Business Revitalization Plan)

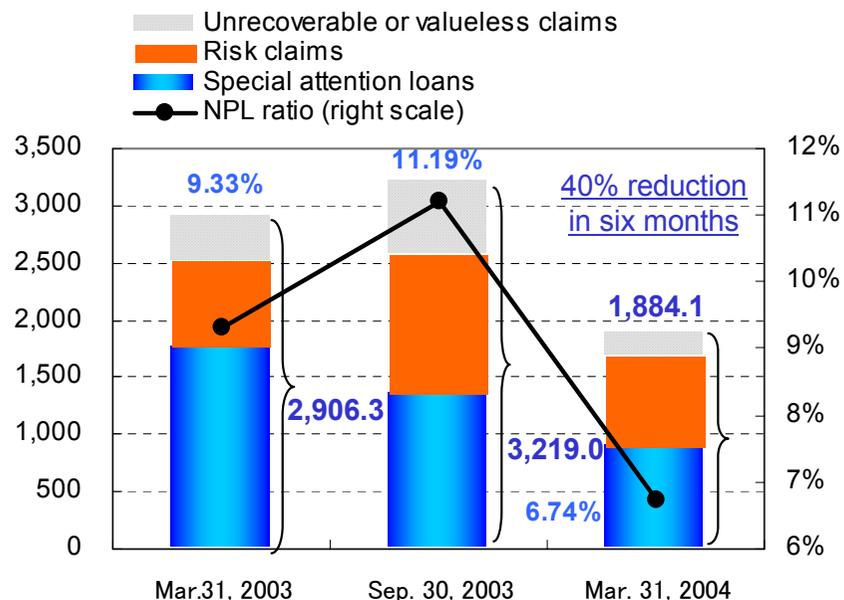


Transformation to Sustainable Profitability (1)

<Minimization of Risk Factors> Clean-up of NPLs

[Balance of NPLs under FRL criteria] (Total of 4 Banks, ¥bil.)

> NPLs decreased more than 40% during the 2nd half
Also, NPL ratio declined to 6.7%



[Reduction of exposures to large borrowers] (Resona Bank)

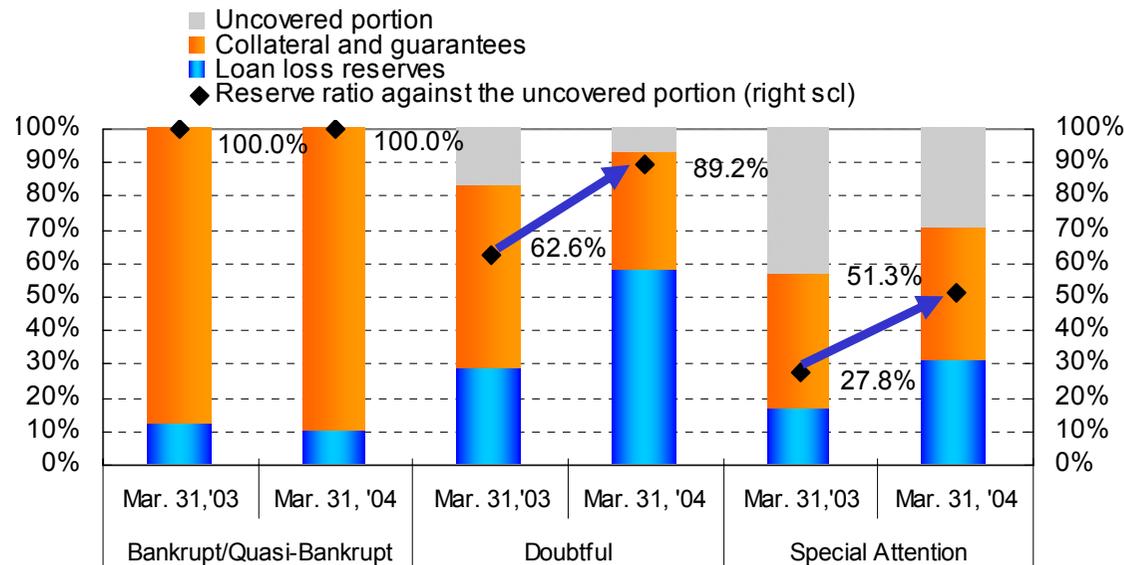
("Other watch" and below obligors with more than ¥10 bil. loans)

> Halved the exposures to "other watch" and lower obligors with more than ¥10 bil. loans in one year

(Billions of Yen)		Mar. 31, '03	Sep. 30, '03	Mar. 31, '04
"Other watch" and lower obligors (with more than ¥10.0 bil. loans)	A	65	61	44
Outstanding loan exposures to such borrowers	B	2,536.0	2,149.4	1,220.4
Loan exposure amount per borrower (B/A)		39.0	35.2	27.7

[Change in reserve and coverage ratios] (Total of 4 Banks)

> Strengthened loan loss reserves significantly



* Reserve ratio against "other watch" borrowers (uncovered portion):
1.6% (End March 2003) → 3.9% (End March 2004)

[Realignment of subsidiaries and affiliates, and reduction of loan exposures to closely-related borrowers]

> Realignments of subsidiaries and affiliates

Number of subsidiaries and affiliates / Outstanding balance of Group banks' loan exposures to them as of April 1, 2004
Effectively 13 companies / Approx. ¥150.0 bil.
(Reduction from March 2003: 37 companies / ¥510 bil.)

> Reduction of loan exposures to "closely-related" borrowers

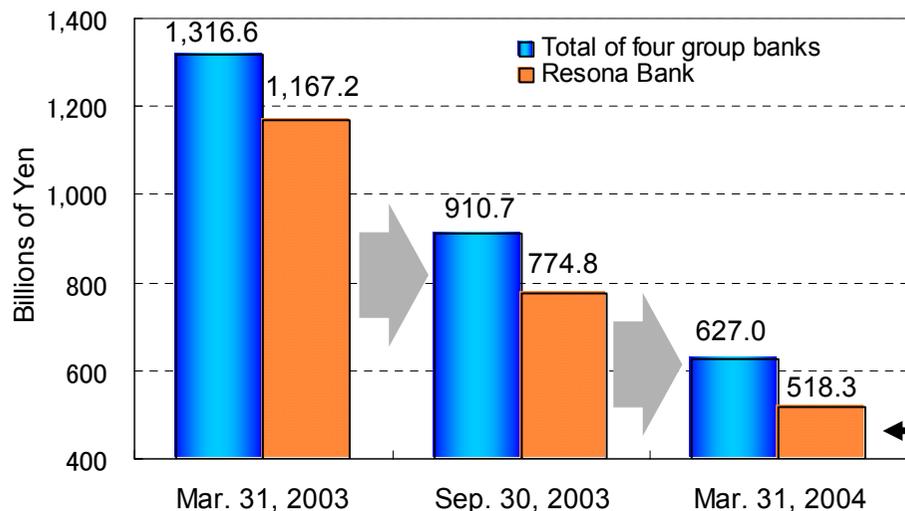
End of March 2003: 35 companies / Approx. ¥800 bil.
End of March 2004: 23 companies / Approx. ¥380.0 bil.
(Of which, 13 companies/about ¥160 bil. of loan exposures were either provided with loan loss reserves or written-off as of the end of March 2004)

Transformation to Sustainable Profitability (2)

<Minimization of Risk Factors> Reduction of stockholdings

[Change in the balance of stockholdings*] (Total of group banks, Resona Bank)

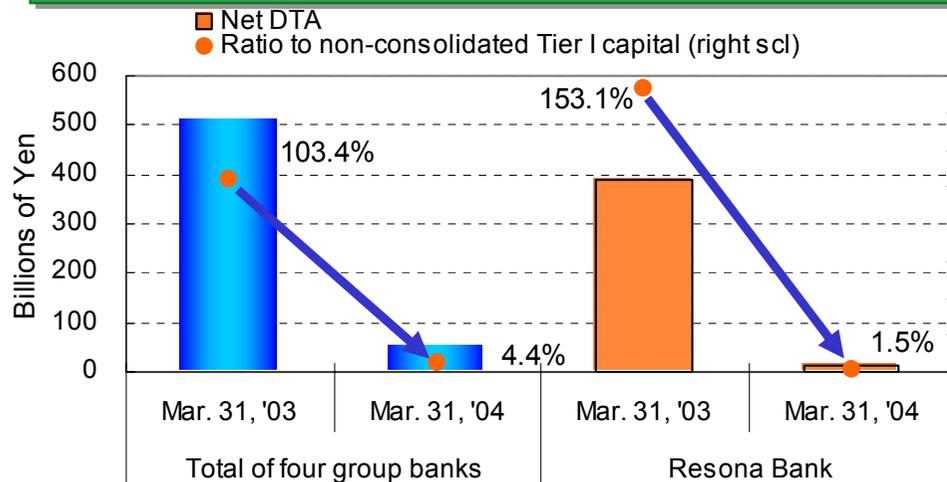
*Term-end balance of stocks to which the Tier I capital/stockholdings regulation is applicable



- > Combined balance of stocks as of the end of March 2004: ¥627 bil. (Achieved the target balance of ¥700 bil.)
- > All group banks cleared the Tier I capital/stockholdings regulation
- > Unrealized gains on stocks on a group consolidated basis amounted to ¥231.5 bil. (Recovered from an unrealized loss of ¥51.6 bil. at the end of March 2003)
- > Further reducing the combined balance to ¥400 bil. by the end of March 2005 (Target balance of Resona Bank alone: ¥300 bil.)

[Reference]
Consolidated Tier I capital of Resona Holdings
at the end of March 2004: ¥898.3 bil.

<Minimization of Risk Factors> Lowered dependence on deferred tax assets (DTA)



- > Resona Bank, Kinki Osaka Bank and Nara Bank reduced their DTA significantly to the amounts equivalent to their one year's worth of taxable income in the first half of FY 2003.
- > The ratio of DTA to non-consolidated Tier I capital declined to 4.4% at the end of March 2004 on a total of four group bank basis. (The same ratio for Resona Bank alone declined to 1.5%)
- > Quality of capital improved noticeably.

Transformation to Sustainable Profitability (3)

<Improvement in Cost Structure>

[Reduction of expenses in FY 2003] (Business Revitalization Plan Basis)

(Billions of Yen)	Total of Five Banks		Resona+Saitama Resona		Kinki Osaka	
	FY 2003	Year on year change	FY 2003	Year on year change	FY 2003	Year on year change
	Expenses	416.8	(39.0)	349.7	(29.3)	53.7
Personnel	123.7	(32.6)	97.7	(26.0)	20.7	(5.9)
Non-personnel	267.3	(8.8)	229.7	(5.7)	29.6	(4.0)

[OHR: Result and plan] (Total of five banks)

	1H of FY 2003	FY 2003		FY 2004
	(Actual)	(Actual)	(Plan)	(Plan)
Expense Ratio (OHR)	63.30%	61.56%	63.90%	52.59%

*OHR = Expenses/Gross operating profits before NPL disposal in the trust account

Measures for cutting expenses taken in FY 2003

Took proactive measures to raise cost-competitiveness by recognizing future costs in advance

- > Reduction of personnel through early retirement, review of employees' salary, etc.
More than 20% reduction in personnel expenses year on year
 - >> Term-end number of employees (total of five banks): 16,089 (Reduction of 3,218 employees year on year)
 - 518 employees reduced additionally on top of the planned reduction for the year
- > Pension system reform (Return of the proxy portion of employees' pension plan, lump-sum amortization of unfunded liabilities, reduction of pension benefit for former employees)
 - >> Amount of unfunded liabilities at the beginning of FY 2004 is ¥300 bil. lower than the amount a year before. (Resona Bank, Saitama Resona Bank and Kinki Osaka Bank combined)
 - >> Cost for FY 2004 of amortizing unfunded liabilities is estimated to be around ¥20 bil. (Actual cost for FY 2002 was ¥44 bil.)
- > Non-personnel expenses were reduced by ¥8.8 bil. through such measures as a review of the businesses subcontracted to affiliated companies, etc.
- > Measures to reduce systems-related expenses
 - >> By virtue of such measures as off-balancing of IT assets, outsourcing of systems development and maintenance functions of the former Asahi Bank to a third party, systems-related expenses for FY 2004 are estimated to be reduced by more than ¥20 bil. compared with the same expenses previous year.

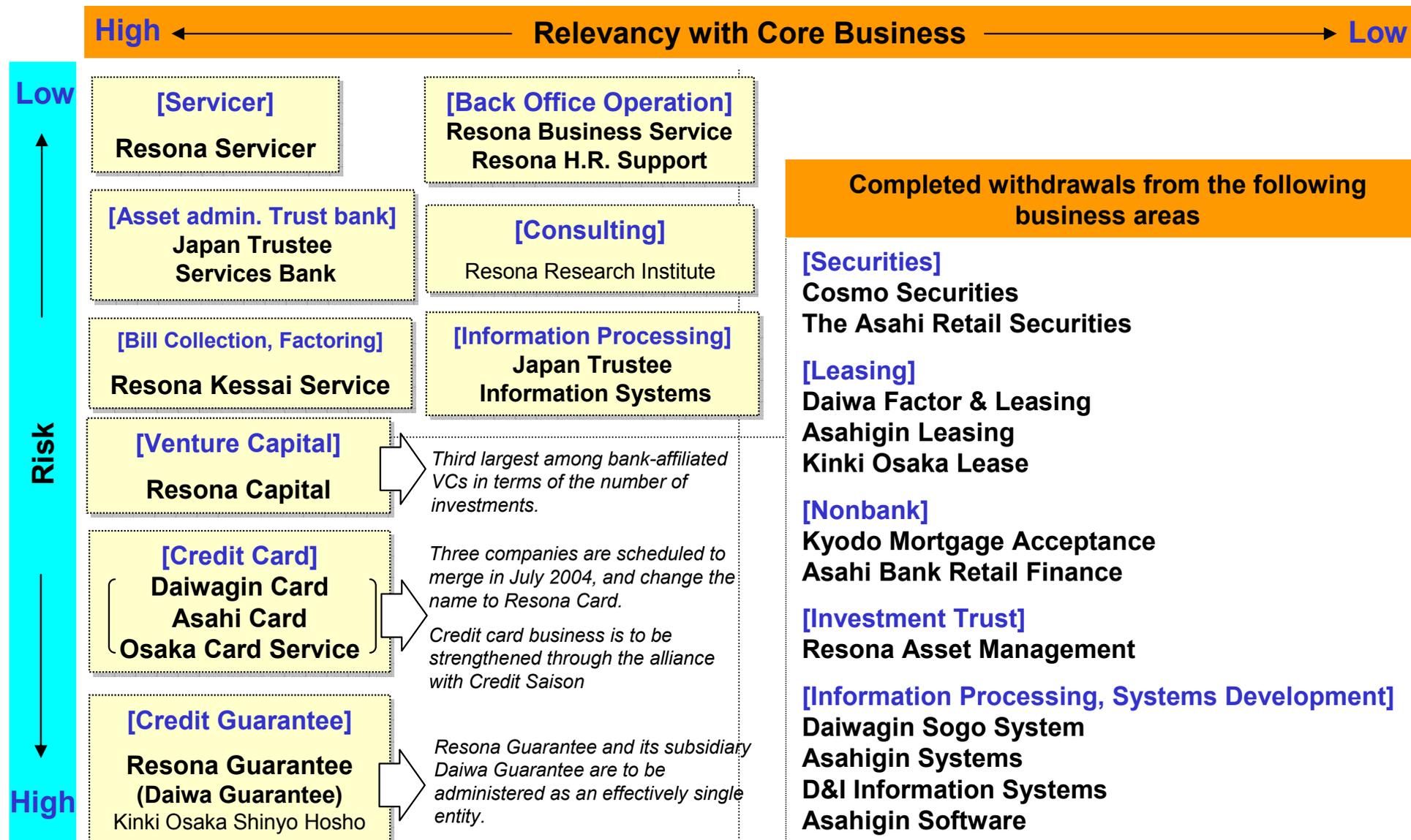


Target expense for FY 2004: ¥358 bil.
(Further reduction of ¥58.8 bil. from the result of FY 2003)

Transformation to Sustainable Profitability (4)

Concentrating management resources in core areas and rectifying high cost structure

Domestic subsidiaries and affiliates were narrowed down to the following business areas



Implementing Internal Reforms to Revitalize Corporate Culture

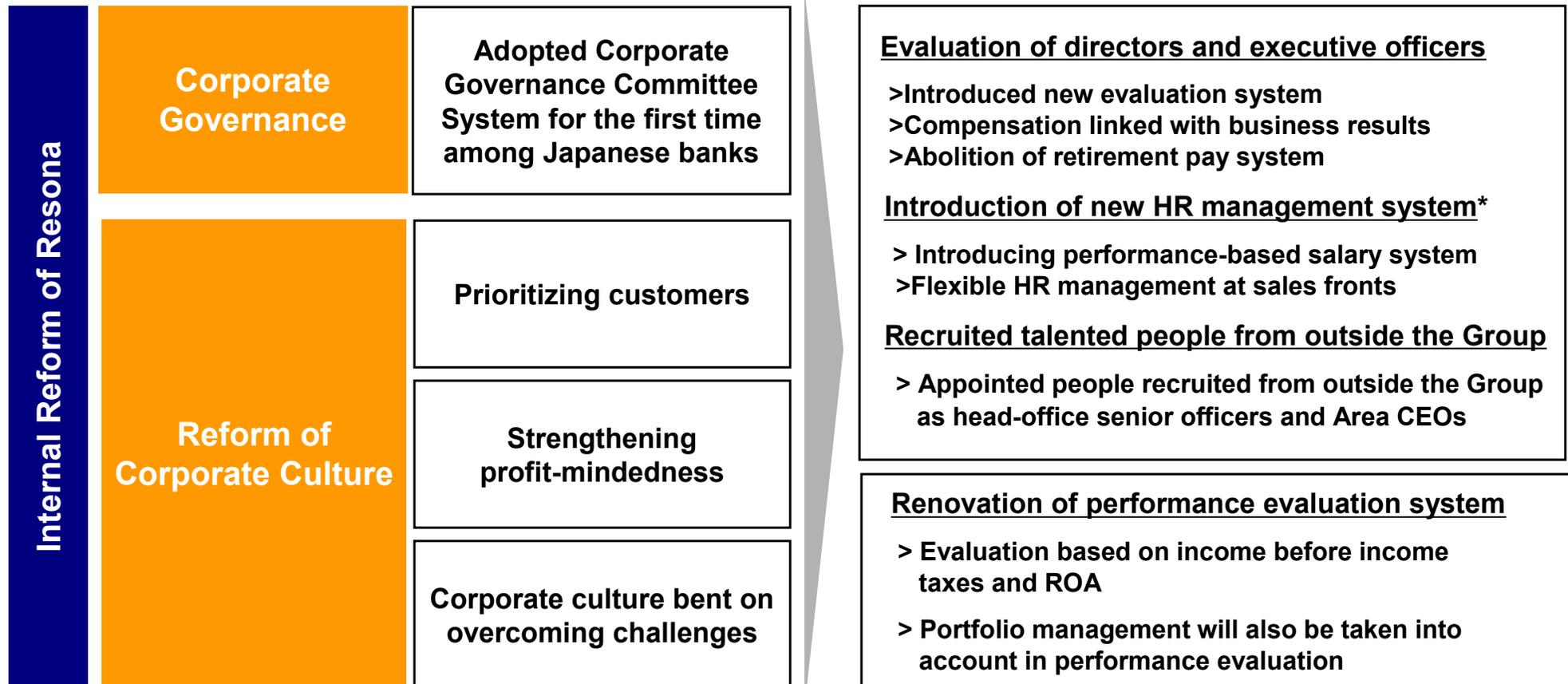
Continuing internal reforms to create an organizational climate fostering self-reform

[1st Phase]

“Mind Reset” to become
An “Ordinary Company”

[2nd Phase]

Nurturing corporate culture that
is bent on competing and
overcoming challenges



*Details of the new HR management system will be determined after discussions with the employees' union.

Differentiating Ourselves from Mega Banks and Regional Banks

Area Management System and Alliance Strategy

Realizing low-cost operation and strengthened relationships with customers simultaneously

Significant authorities delegated to sales fronts
Utilizing the strong relationships with local customers

Customers in Area

- * Introducing products and services satisfying the needs of customers
- * Renovating channels towards fulfilling broader interface with customers and low-cost operation



Area Management System
Decisions to be made closer to customers

- * New HR Management System
- * Performance evaluation based on quality rather than on quantity

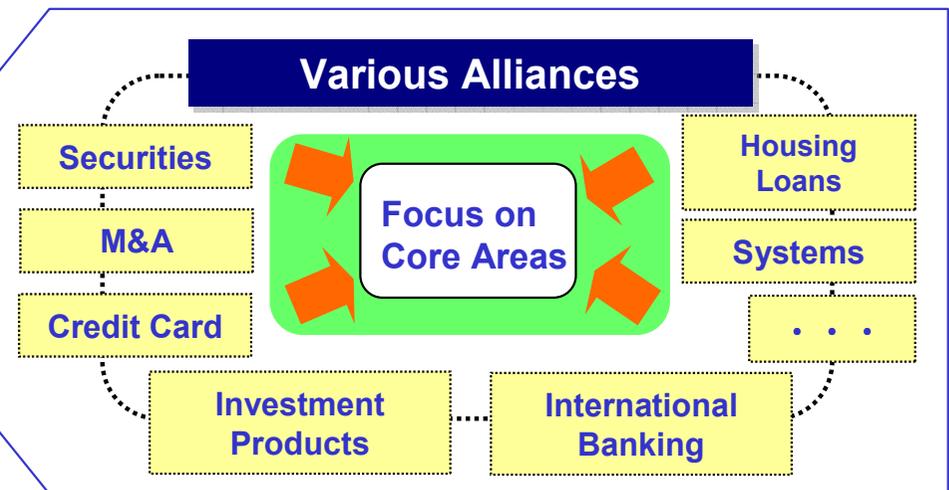
* Significant decision-making authorities delegated to area CEOs.

Head Office → Flat and slim organization

Farewell to universal banking strategy

Strengthening solution-offering capability through alliances with best companies

Procurements through alliances with best companies



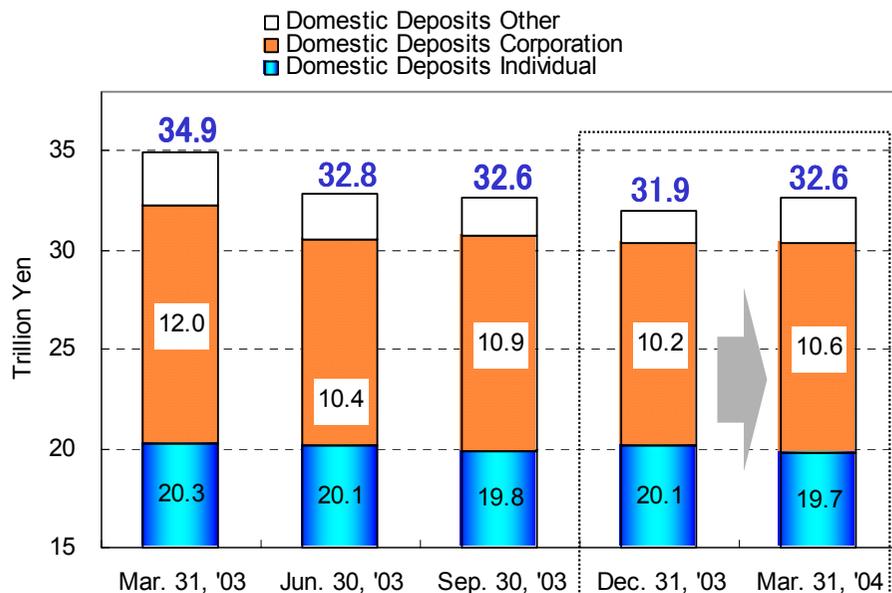
Recent Examples of Business Alliances

- May '04 Art Corporation (Housing loan field)
- Apr. '04 Matsui Securities (Handling of applications from Resona customers for opening accounts at Matsui Securities)
- Shinwa Art Auction (Private banking business field)
- Mar. '04 Mizuho Securities (M&A field)
- Feb. '04 Credit Saison (Credit card business field)

From “Quantity” to “Quality”: Trend in Deposits and Loans

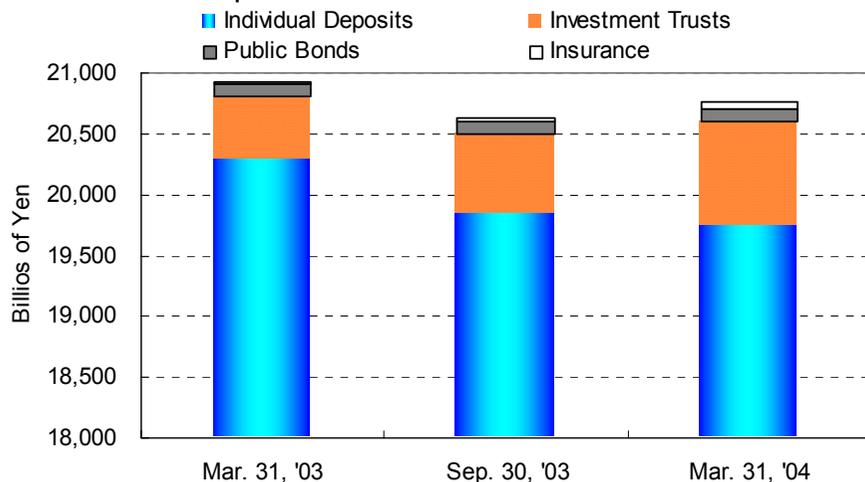
[Term-end balance of deposits] (Total of 5 banks)

> Deposits bottomed out in December 2003.



[Balance of personal financial assets] (Total of 4 banks)

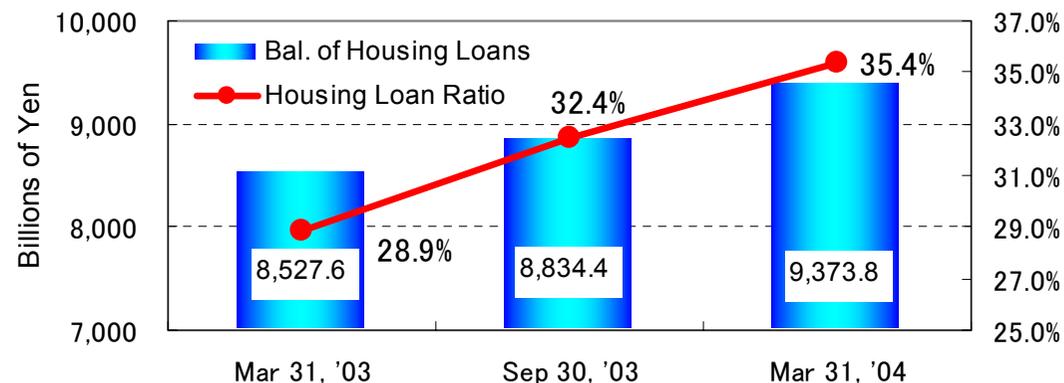
> Emphasis is being placed on sales of such profitable investment products as investment trusts



[Term-end balance of loans and bills discounted] (Total of 4 banks)

(Billions of Yen)	Mar. 31, '03	Sep. 30, '03 (A)	Dec 31, '03	Mar 31, '04 (B)	Change (B) - (A)
Total of 4 banks	29,545.1	27,237.9	27,200.7	26,475.3	(762.6)
Resona	21,704.2	19,765.3	19,609.2	18,819.8	(945.5)
Saitama Resona	4,710.3	4,674.5	4,829.5	4,980.3	305.8
Kinki Osaka	3,000.9	2,670.8	2,625.7	2,541.5	(129.3)
Nara	129.6	127.2	136.1	133.6	6.4

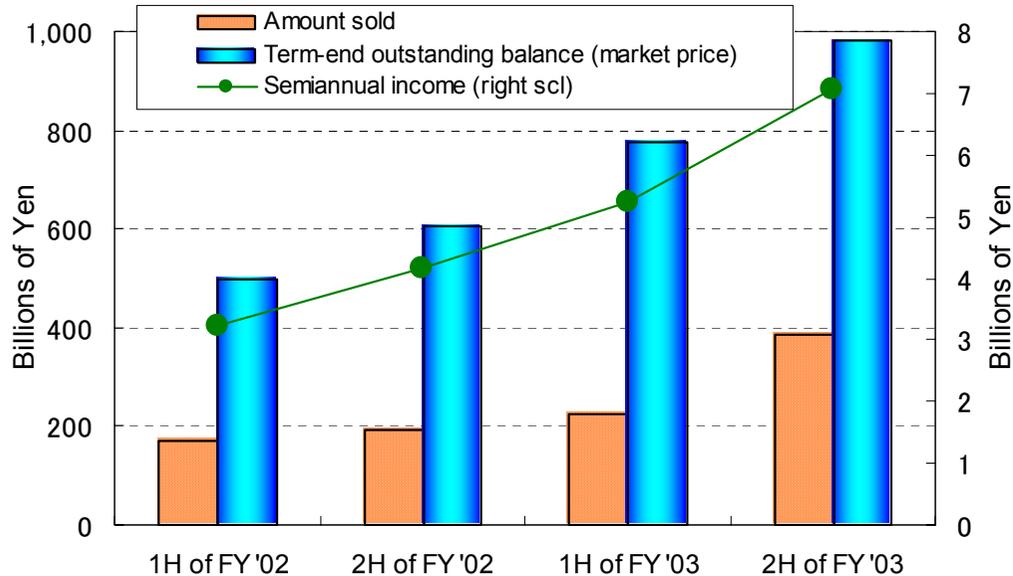
- > Loans and bills discounted decreased by ¥762.6 bil. during the 2nd half.
- > Interest rate on loans improved in the 2nd half (Total of 4 banks)
FY 2003 (full year) 2.05%, 1st half 2.04%, 2nd half 2.07%
- > Resona Bank's ¥945.5 bil. decrease is attributable to the off-balancing of NPLs (in the amount of ¥1.15 tril.) in the Revival Account.
Loans and bills discounted in the New Account increased by approx. ¥200 bil. primarily through an increase in housing loans
- > Kinki Osaka Bank's ¥129.3 bil. decrease is attributable to the off-balancing of NPLs (in the amount of approx. ¥140 bil). If such off-balancing is adjusted, loans and discounts increased by more than ¥10 bil.
- > Saitama Resona Bank steadily increased its loans to corporations (+¥115.6 bil. in the 2nd half) and loans to individuals (+ ¥147.0 bil. in the 2nd half).
- > Housing loans increased by approx. ¥850 bil. during FY 2003. (Total of 4 banks)



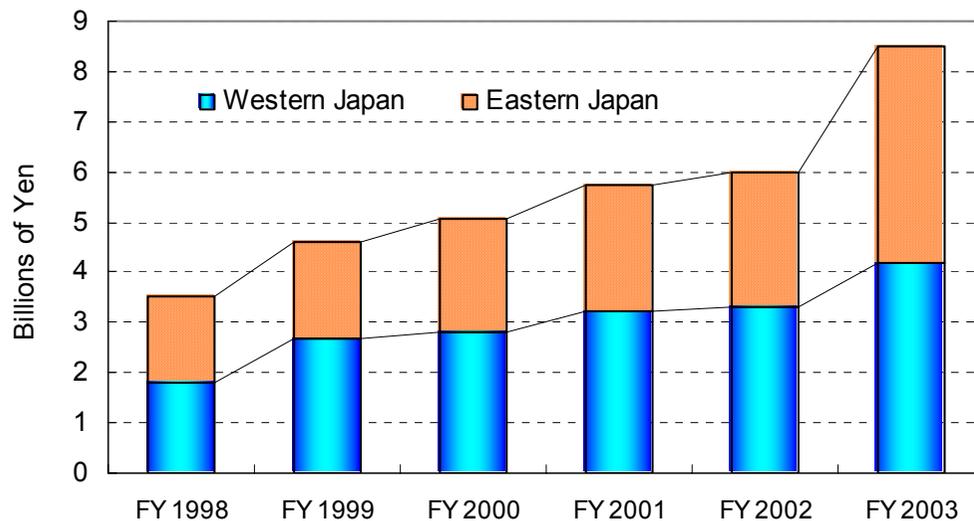
Strengthening Fee Income

Changing the composition of income towards less dependency on interest income

[Sales of Investment Trust: Outstanding Balance Sold and Semi-annual Income] (Total of four banks)



[Income from Real Estate Business] (Resona Bank)



- > Recruited around 220 people who have experiences in securities business as fund management consultants. (Total of Resona Bank and Saitama Resona Bank)
- > Fee income from sales of investment trusts (total of sale commissions and trust fees) for FY 2003 amounted to approx. ¥12 bil. (Income for the previous year was approx. ¥7 bil.)
- > Outstanding balance of investment trusts sold at the end of March 2004 was approx. ¥980 bil. (based on market price). Sales of investment trusts have grown to be a business with outstanding balance of ¥1 tril. and annual income of over ¥10 bil.
- > Through fully-fledged marketing activities by fund management consultants, strengthening of 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 ¥5.7 bil. for FY 2001, to ¥6.0 bil. for FY 2002 and ¥8.5 bil. for FY 2003.
- > Resona Bank aims at increasing the income from its real estate business further by offering various know-how and functions to more diverse customers.

Outline of the Earnings Plan for FY 2004 (Total of Five Banks)

Finishing up the financial reforms and establishing firm foundations for further leap

- > Finishing up the balance sheet reforms and attaining a shift from quantity to quality
- > Strengthening earning power
 - ┌ Increase good quality loans to SMEs and individuals
 - └ Strengthening fee income (Rectifying too much dependence on interest income)
- > Establishing highly cost-competitive business operation system
- > Setting various new measures firmly in place including area management system and laying a foundation for a significant leap forward in fiscal 2005 and after

	FY 2004 (Forecast)	FY 2003 (Actual)	FY 2003 (Revitalization Plan)	FY 2004 (Revitalization Plan)
Gross Operating Profits	¥680 bil.	¥672.7 bil.	¥666.4 bil.	¥689.8 bil.
General & Admin. Expenses	¥358 bil.	¥416.8 bil.	¥428.3 bil.	¥362.7 bil.
Actual Net Business Profit	¥ 322 bil.	¥260.3 bil.	¥242.0 bil.	¥327.1 bil.
Net Income	¥168 bil.	(¥1,692.7 bil.)	(¥1,731.8 bil.)	¥160.4 bil.
Expense Ratio (OHR)	52.6%	61.6%	63.9%	52.6%
NPL Ratio	In the 3% range	6.74%	---	In the 3% range
Consolidated Capital Ratio	Middle of 8%	7.75%	6.7%	7.5%

[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.

Reference Materials

Reference: Examples of Internal Reforms

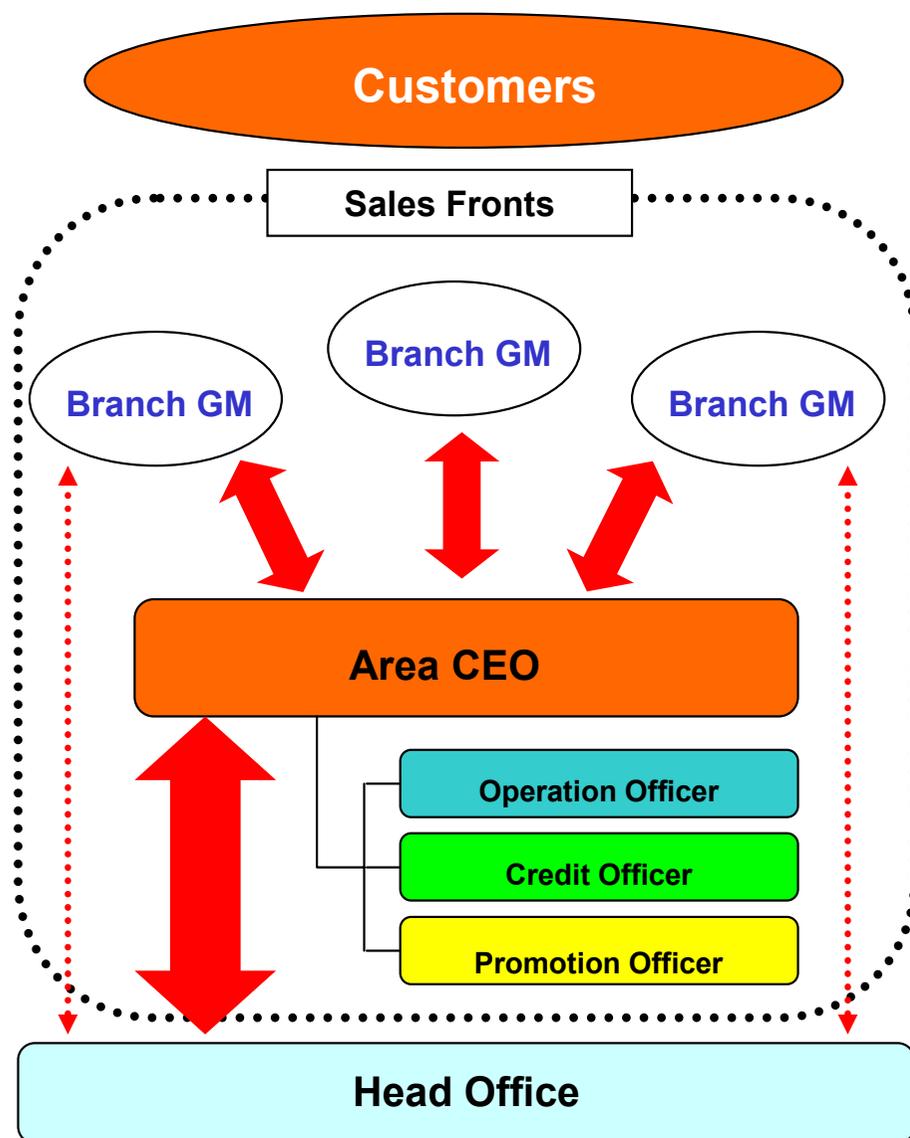
Issues	Policies	Major Progress
<p>Corporate Governance, Compliance</p>	<p>Provide for proper surveillance of management and internal checking functions</p> <p>Rejuvenation of management team</p>	<ul style="list-style-type: none"> > Resona Holdings and Resona Bank appointed young staff to posts of executive officers (Oct. 2003) > Introduced a new evaluation system for directors and executive officers (Oct. 2003) > Report on past management activities submitted by In-House Investigation Committee (Nov. 2003) > Expansion of Resona Compliance Hotline (Dec. 2003) > Resona Holdings and Resona Bank reviewed their compensation system for directors and executive officers (Mar. 2004) <ul style="list-style-type: none"> >> Compensation linked with business results >> Abolition of retirement pay for directors and executive officers
<p>Renovation of Corporate Culture</p>	<p>Prioritizing customers</p> <p>Strong emphasis on profitability and cost-consciousness</p> <p>Organizational climate fostering self-reform</p>	<ul style="list-style-type: none"> > Made head office organization flatter and slimmer (Oct. 2003) > Abolished calling each other by title (Oct. 2003) > Solicited candidates for GMs of branch offices, president and directors of a subsidiary <ol style="list-style-type: none"> 1) Resona Bank and Saitama Resona Bank appointed 8 branch GMs. (Oct. 2003) 2) Resona Capital appointed president and directors (Oct. 2003) 3) Resona Bank decided to appoint three Area CEOs (Mar. 2004) > Established the Group's new Corporate Mission, Corporate Promises (Resona Way) and Action Guideline (Resona Standard) > New Human Resources Management System <p>Resona Bank and Saitama Resona Bank plan to introduce new HR management system that gives each area more discretion over HR matters and gives high-performers more incentives (From Jul. 2004)</p> > Employed outside personnel <ol style="list-style-type: none"> 1) Outside personnel appointed as area CEOs 2) Outside personnel appointed as head office senior officers > Decided not to recruit new employees in FY 2004.

Reference: Examples of Reforms in Operation, Products and Services

Issues	Major Progress
Products and Services	<ul style="list-style-type: none">> Launched new business loans (Saitama Resona from Nov. 2003, Resona Bank from Jan. 2004) Resona Bank extended approx. ¥25 bil. during the three months up to the end of April. ("Super Retail")> Started a campaign to bring down the customers' waiting time to zero (Jan. 2004) Result: All branch average of Resona Bank: 4.0 min. in December 2003, 1.4 min. in March 2004> Simplified transaction fee table (Feb 2004)> Launched a new deposit account "TIMO" which does not issue a passbook and instead give holders various benefits such as favorable transaction fees (Mar. 2004, Resona Bank and Saitama Resona Bank)> Resona Bank and Saitama Resona Bank started offering extended business hours (3:00 pm to 5:00 pm) on weekdays from April 2004.
Channel	<ul style="list-style-type: none">> Strengthened specialized channels such as SME Support Centers and Housing Loan Centers Installed 24 SMESCs and 5 HLCs during the 2nd half of FY 2003 (Group banks combined)> Low-cost manned offices Resona Bank started opening Resona Personal Stations (Their operation costs are significantly lower than conventional offices but they still have basic banking functions)<ul style="list-style-type: none">-- 3 offices in Osaka area: Minami-Ibaraki and Izumi-Chuo (opened in Feb '04) and Kishibe (May '04)-- 3 offices in Tokyo area: Shin-Koenji (Mar.'04), Minami-Asagaya, Jiyugaoka (Apr. '04)> Resona Bank started pilot testing of new styles of operations (Feb. 2004) Examples: Tellers keep standing while serving customers, installment of general reception counters, etc. Pilot testing offices: 3 in Tokyo area and 3 in Kansai area
Operation	<ul style="list-style-type: none">> Increased credit approval authority of branch general managers (From Nov. 2003) (Resona Bank, Saitama Resona Bank and Kinki Osaka Bank)> Commenced hiring of college students for part time work on a trial basis (Jan. 2004 Resona Bank)> Introduced Area Management System in which significant decision making authorities are delegated to Area CEOs in order to respond to the needs of local customers better and more swiftly<ul style="list-style-type: none">-- Resona Bank: Divided its nationwide operation into 30 regional areas (Apr. 2004)-- Saitama Resona Bank: Divided its operation in the Saitama Prefecture into 4 regional areas.

Reference: Area Management System

Outline of Area Management System and delegation of authorities to Area CEOs



[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

The forward-looking statements contained in this presentation, including plans (objectives) of capital adequacy ratio, 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.
