

## PROGRESS IN RESTRUCTURING

The essence of our restructuring plan is to reallocate operating resources as a means of heightening our cost competitiveness. This will involve reorganizing operations and reallocating resources in line with the objectives of our new marketing plan, as well as conducting further business process re-engineering to fine-tune our branch network and human resource systems. The result should be a more streamlined, effective organization.

We propose to reduce our work force from fiscal year 1997 levels by approximately 2,000 people by fiscal year 2001. We will make our corporate services more efficient by concentrating staff in the recently established Corporate Banking departments. We also expect to decrease staff levels through further introduction of automation and IT, and by offering an early retirement incentive system.

We are significantly revamping our domestic branch network, which has consisted of full-service branches to date. Under our “scrap and rebuild program,” we are setting up new branches that specialize in either the individual or corporate customer segment to better focus on each market’s particular needs. This will result in 40 fewer branches by fiscal year 2001 compared with the fiscal year 1997 total. Over the same period, we will concentrate functions in fewer branches and raise efficiency to enable us to close 22 overseas branches, mostly in the Americas and Europe. Effective March 1999, we also closed almost all of the directly managed sports and other recreational facilities provided as benefits to employees.

By taking the above measures, we are moving toward a 10% reduction in total operating expenses by fiscal year 2001, including both personnel and other general costs, from the peak of ¥373.7 billion reached in fiscal year 1997. During fiscal year 1998, we lowered costs to ¥353.8 billion, a 5.3% decrease from the previous term’s level.

