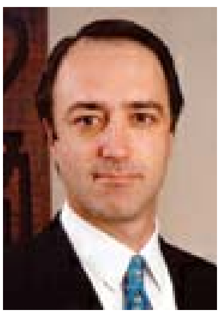
JPMorgan

Thinking Globally, Acting Locally

An Interview with Todd Marin, Managing Director, Co-head, Investment Banking and Head of M&A, JPMorgan, Asia Pacific, and Sean R. Wallace, Managing Director, Co-head, Investment Banking, JPMorgan, Asia Pacific



Todd Marin

Sean R. Wallace

EDITORS' NOTE *After earning a B.S. in aerospace engineering from Syracuse University and an M.B.A. from the University of Virginia Business School, Todd Marin worked as an engineer before joining JPMorgan in 1989. During his distinguished career with the company, Marin has led both the aerospace/defense mergers-and-acquisitions (M&A) practice and the technology M&A group, providing services to major international clients in these industries. In 2002 he relocated from New York to Asia to assume his current positions.*

With an A.B. in history and economics cum laude from Harvard College and an M.B.A. from Harvard Business School, Sean Wallace worked at Merrill Lynch and Bear Stearns before joining JPMorgan in 1998 as co-head of the telecommunications investment-banking group in North America. He was appointed to his present post in July 2001.

COMPANY BRIEF *Headquartered in New York, JPMorgan Chase & Company is a leading global financial-services firm, with assets of $741 billion and operations in more than 50 countries. Maintaining relationships with more than 990 of the* Fortune *1,000 companies, the firm is a leader in investment banking, asset management, private banking, private equity, custody and transaction services, and retail and middle-market financial services. A component of the Dow Jones Industrial Average and listed on the NYSE as JPM, JPMorgan Chase (www.jpmorganchase.com) serves more than 30 million consumers and employs about 96,000 people. The company reported total revenues of $31 billion and net income of $6.72 billion in 2003.*

In Asia, JPMorgan Chase has 24 offices in 15 countries and approximately 6,500 employees. The company offers a full suite of wholesale financial-services products throughout the region, including investment banking, treasury and securities services, investment management, and private banking.

Can you describe JPMorgan's product portfolio for Asia?

Wallace: We are a leading global financial-services firm with a platform of products, expertise, and physical presence that allows us to deliver more than one part of the firm to meet client needs across the region, and for that matter, anywhere in the world. We offer clients an integrated combination of debt, equity, and risk management capabilities that is unparalleled in its geographic scope and depth. The value to clients is increasingly recognized as the number of products used by our clients continues to grow.

Marin: In addition to providing the financial services Sean mentioned, we operate in an advisory role, helping clients acquire, divest, or restructure their businesses. Thanks to the breadth of our platform in Asia, as well as in Europe and North America, we are able to assist clients not only with their domestic transactions, but also with their international or cross-border activities. For example, we recently advised the largest noncarbonated-beverage firm in China in a sale to a Japanese company. At a value of nearly $1 billion, it was one of the largest transactions ever between a China-based company and a firm from outside the country. We have also worked with non-Asian clients, such as Motorola, SAB Miller, and Emerson, on their transactions in China. So an increasing amount of our business is cross-border transactions involving Asia-based clients and western counterparts.

Everyone seems to be talking about China. Is that JPMorgan's key market?

Wallace: We have experienced tremendous growth in Greater China, but we see similar growth patterns virtually across the board – in places like Australia, Southeast Asia, Japan, and India. I think we are blessed in Asia as a result of some solid underpinnings, such as the increased integration of the region with the rest of the world and the cyclical recovery in Japan and elsewhere. Over the last few years, the manufacturing base of the world has shifted to Asia, which is not only a low-cost area, but also one that increasingly offers innovation, high quality, and the ability to produce excellent goods effectively. India's increasingly recognized position as a services center is also exciting. The development of the services economy has helped push India's projected growth rates over 8 percent this year. These trends will further help in producing heady growth for us over the next several years.

Marin: I agree. Most economies and businesses have had to deal with a global business slowdown post 2000, however, the economies of many Asian countries have fared well, especially vis-à-vis North America. Having said that, the recovering economy in North America has been helpful to business in Asia as well.

It must be challenging to compete in such an enormous market. How does JPMorgan distinguish itself from its competition?

Wallace: It's an extremely competitive market, because there are local players and also global ones. So there is much more competition than what you might find in the United States or Europe. It is, however, possible to differentiate. We do that by delivering a full suite of products, and by having superior local and global capability. We like to think of ourselves as a one-stop shop for all the products on a global basis. Whether we're helping to raise capital on the debt or equity side, or offering advice on M&A or risk management, we deliver all our services to clients effectively – both locally and globally. We also leverage the power of our strong global reach to bring clients unique business connections and services. This is what makes us unique.

How are you able to maintain a high level of efficiency locally in so many countries and at the same time be effective on a global scale?

Wallace: We have senior partners who oversee various industries. In concert with their partners around the globe, their job is to understand where industries are going. We then use that information – be it strategic or financial – to benefit our clients here in Asia. And the same network helps clients in Europe and North America get a sense of what the opportunities are on this continent. We have 24 offices in 15 countries. That type of presence on the ground in Asia shows major western companies that we have local relationships and local knowledge, so we understand how to tap the opportunities in any particular country. If you're a major western company looking to do a deal in China, Vietnam, Malaysia, or Indonesia, you will want to work with someone who can provide the same type of service you'd get locally if you were based in that country. We can do that.

Have you been able to find sufficient local talent to deliver the high standard of service that JPMorgan is known for?

Wallace: In virtually every country that we operate in, our staff is dominated by locals. In Korea, I believe we have the largest team of locals of any international investment bank. In fact, they're all Korean. So, entirely consistent with the theme of having a local presence with global capabilities, we seek out the best local players. We train them to deliver the high standards and capabilities that we expect at JPMorgan. So we employ a great deal of local talent, and I would say that our hiring of local staff has accelerated over the last 18 months.

Marin: Local talent is obviously critical to our operation. What's particularly important is that those local employees have global experience. Let me give an example. We hired an individual who spent the first 20 years of his life in Shanghai, was educated in the West, and worked for 7 years on Wall Street. He's now managing our China M&A practice. This type of hire is not only enormously important in dealing domestically in China, but it's key to our success in the cross-border business I mentioned earlier. Why? Because we can offer western clients an M&A operative in China who speaks their language. And I don't mean English; I mean their language of business. He understands the western way of looking at an M&A opportunity, but at the same time, because of his background, he understands how an M&A process and transaction is viewed by the company in China. This combination has proven to be a tremendous advantage to our clients both in China and in the West.

How do you feel about sharing the position of co-head of investment banking? How do you define your roles?

Wallace: Asia is a huge place. It's physically much larger than the United States or Europe. For example, traveling from Hong Kong to Sydney takes 11 hours by plane. When I go to Mumbai, it takes me 8 hours to get there. So the distances are materially greater, and it's a much bigger market as well. There are 3.5 billion people in Asia – North America and Europe pale in comparison – so I'm quite happy to have a co-head. In terms of splitting up the territory, Todd and I tend to focus individually on the things that we each do better. Todd is probably the best M&A guy in Asia, while I spend a bit more of my time on the equity and debt side. So it's a nice fit.

It doesn't matter whether you are in New York, Tokyo, or Hong Kong, you have to work with a consistent set of ethics.

Marin: Sean's absolutely right. It is a massive region, and if you're going to be effective, you need to spend time in each of the countries. Even though there are two of us, we're still on the road a lot. I'm seldom here in Hong Kong. But we're able to provide much better coverage by sharing the responsibility.

Following the high-profile corporate scandals in North America, public perception of business has gone sour when it comes to integrity and honesty. Has that affected corporations overseas?

Wallace: Honesty and integrity is like music that bridges international language barriers. It is something that works on a global basis. So it doesn't matter whether you are in New York, Tokyo, or Hong Kong, you have to work with a consistent set of ethics. Clearly, business has taken it on the chin, and I chalk that up to the nature of capitalism, which has had booms and busts throughout its history. I do think firms were working way too aggressively to deliver short-term quarterly earnings reports that would impress, and that gave rise to certain behavior that was unfortunate. But the marketplace has recognized this, and it's encouraging that the system has corrected itself in a very short time frame. So I feel that within the next several years we're going to see the public's perception of businesspeople change for the better again.

What will be JPMorgan's key priorities and challenges in Asia in the next three to five years?

Wallace: Over the past 24 months, Todd and I have methodically and consistently recruited great people to the firm, and we've given them responsibility, leadership, and support. That has been transformational for our business. So the biggest and most important challenge over the next several years is to continue to execute on our strategy flawlessly: managing costs, investing wisely in new opportunities, and attracting, retaining, and motivating great people to work in our firm.

Marin: It's true. JPMorgan is, by and large, a services business. It's a people business. Consequently, putting together a team of good people and then creating a system that gives them the right opportunities and rewards, and provides a positive environment for them to work in, is fundamental to the business. And you can really feel the difference when that system functions smoothly. The clients feel it as well. So I think Sean's absolutely right. We've had great luck in Asia attracting talent and keeping it. And as we look out into the future, this is a major focus.

Todd, what's it like to work with Sean?

Marin: The great thing about Sean is his creativity and his idea generation. When we sit down and try to think of a solution to a client's problem, Sean comes up with rapid-fire ideas. I admire his ability to do that. I spend more time studying something and thinking about the solution. So Sean and I have very different styles in that regard, but that's why we complement each other.

And Sean, what would you say about Todd?

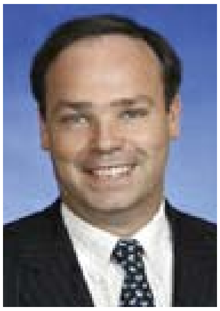
Wallace: Todd has one of the most selfless attitudes toward managing and helping people in the organization. Here's an example: We have all had a challenging time over the past 18 months. During this period, we had to, let's call it "optimize" the organization. Well, Todd has gone way out of his way to make sure that people are transitioned in the best possible trajectory, so that they can land on their feet. And as a result, a substantial number of people who are no longer with the organization are now clients or friends of the firm. This is entirely because of the way Todd approached it. It's a reflection of his character and capability.

On the business side, Todd rolls up his sleeves extraordinarily high – way, way up past his elbows – and works incredibly hard. He and his team built our M&A practice out here almost alone, and it is probably the envy of the industry. So I'm a big fan. He's a very talented guy. ●

The Asian Phenomenon in Action

An Interview with Nicholas Andrews and David Hancock, Managing Directors and Co-heads of Institutional Equities, JPMorgan, Asia Pacific

Nicholas Andrews



David Hancock

EDITORS' NOTE *Bringing with him more than 15 years of experience in corporate finance, mergers and acquisitions, and equity capital markets, Nick Andrews joined JPMorgan in 2002. Directly prior to that appointment, he served as managing director and head of Credit Suisse First Boston's Equity Capital Markets in non-Japan Asia. Andrews received a B.Sc. in chemical engineering from Imperial College, University of London, and qualified as a chartered accountant with Price Waterhouse in London in 1987.*

Before joining JPMorgan in April 2001, David Hancock served as managing director/head of investment banking at Salomon Smith Barney Australia, and head of derivatives/corporate stock broking at the same firm and its forerunner, County Natwest Australia. A current board member of the Securities & Derivatives Industry Association, he holds a bachelor of business administration degree in marketing and economics from the Queensland University of Technology and a graduate diploma in finance from the Securities Institute of Australia.

Can you highlight some of your key products in the Asian market? Are you planning any changes to your portfolio in the near future?

Hancock: JPMorgan is a universal bank, with a global equity research team; as such, we currently offer a broad range of products, especially in equity derivatives. We will continue to develop our products in line with market needs and leverage technology investments to drive down the costs of transactions. Much of the new technology we will bring into Asia will enhance connectivity to ensure our clients always have the best access to markets.

You operate in a very competitive market, and services can sound rather similar from one company to the next. How difficult is it to differentiate, and what makes JPMorgan unique?

Hancock: While it might seem from afar that we operate in a very commoditized market, we are unique in several ways: our size, our research, our service, and our ability to provide up-to-date products.

Because of the power of our footprints, we can serve a number of large global clients well with on-the-ground advisory and execution. We can also provide them with all the information they want about Asia and the rest of the world. In terms of country research, I believe we have one of the largest footprints in Asia. In addition, our ability to keep our products current through our focus on product innovation and close monitoring of client feedback makes us unique.

Andrews: Having a broad geographic footprint – being in every country in the region in a meaningful way, rather than covering the countries from hubs – is what sets us apart from the competition. Additionally, covering the full spectrum of banking products and services also differentiates us in this competitive market.

How closely does JPMorgan's equity operation in Asia coordinate with the firm's offices elsewhere in the world?

Andrews: We work very closely together. We talk on a daily basis to our colleagues around the globe, and that's particularly useful for our derivative business where JPMorgan has been a market leader in equity and credit derivatives, largely because it is a global business. As David mentioned, our great emphasis on product innovation drives us to work closely with our clients, who typically operate in many countries. If they're doing something in the United States, they will probably also be doing something in Asia. So we work very closely with our other offices to provide clients with global support, fully playing to JPMorgan's greatest strengths.

You mentioned the need to stay on top of the latest high-tech developments. Is technology playing a major role in the delivery of your services in the region?

Hancock: Yes, technology is another of our key strengths. We have tremendous technology platforms across the board, from the management of risk to the way we communicate internally and our delivery of information. There is no doubt that technology is fundamental to our equities business going forward, and that requires significant investment. If you stop making considerable investments in new technology every year, you are not going to be in the game for long.

Andrews: Any company that is not up-to-date with the latest technology will be left behind. Our institutional clients are under increasing pressure to improve their own efficiencies, which in turn puts pressure on us to provide them with cost-effective technological advantages.

Can the market sustain small niche players, or will they disappear with further consolidation?

Andrews: I think there will always be a role for niche players, but in this market, I would rather be a large global bank than a niche player. The spectrum of solutions a bank of JPMorgan's size can offer makes it difficult for niche players to compete. So, I think consolidation will continue, but some smaller companies will, nevertheless, survive.

Hancock: It can be particularly difficult for the mid-tier players to establish a strategic position or show a competitive advantage. In my opinion, these mid-tier firms should consolidate or withdraw. It is just not economical for them to operate.

Andrews: Nor is the consolidation trend exclusive to the equity business in Asia; rather, it applies to the investment-banking industry as a whole.

The global economic slowdown affected companies across all industries. How did it impact your business, and what is your outlook for growth?

Andrews: SARS and the Iraqi war affected the global economy in the first part of 2003. Things started to turn around in the middle of last year, thanks, in part, to improvements in the U.S. economy. We're expecting a very positive year in 2004 for the equity markets in Asia.

Hancock: The global economic conditions supported significant growth for Asian equities, and that trend is continuing. Our broad platform helped us capture the associated opportunities, and as a result, our clients are very well placed to take advantage of future growth. Our business flows in the first few weeks of this year were significantly better than our business flows in the same period last year. The difference is like night and day.

Which countries offer the best business opportunities in Asia?

Hancock: There are a number of countries that offer tremendous opportunities for JPMorgan and our clients. Japan is an excellent example. It has been in a difficult down cycle for a long period of time, but that seems to be passing now, and as a result, we think Japan is a very exciting market. India is another example due to its large population and significant growth potential. We own 100 percent of our Indian operations, so we are looking forward to pursuing opportunities there. Because of the technology outsourcing that is taking place in India, it will continue to be an interesting market for investors. Then, of course, there is China, where we will continue to invest. In fact, we will be growing our presence in Shanghai and Beijing.

Andrews: There is also a lot of interest in Indonesia, which offers increasing opportunities for investors.

We have noticed that interest spans the entire region, and investors are looking at opportunities across Asia, rather than focusing on one country. We are seeing Asia-wide trends and opportunities, which are terrific and have certainly played to our strength of having expertise in most Asian countries.

The JPMorgan Asia Pacific headquarters in Hong Kong

Do you focus primarily on the large global players in the market?

Hancock: Not entirely. For example, we just did a relatively small transaction for an Australian company. We went ahead with that deal because we believed it would bring value to the domestic market in Australia. So our business is certainly not confined to large corporate clients.

On the people side, have you been happy with the human resources in the area? Are there enough skilled workers in Asia to maintain the company's high standards?

Hancock: Finding and retaining talented professionals is becoming increasingly easy, thanks to the momentum currently driving the business in Asia. In fact, we have made a number of new hires this year already.

Because of the scope of your business in Asia, you are both pulled in a number of different directions. How much of a priority is spending face time with clients?

Hancock: This business is all about the clients. Everything Nick and I do on a daily basis revolves around our clients, whether it is meeting them face-to-face or talking about them to staff. We love being in the client business; we consider feedback from clients – both positive and negative – invaluable. It is important to listen to constructive client feedback because this business is all about the clients, and that is the message we communicate to our staff.

Andrews: Having said that, it is a big region, so it is not always easy to meet clients face-to-face. For example, flying from Australia to Japan, or from India to Hong Kong, is time-consuming, so we never get to spend as much time pitching business to clients as we would like. I might be in Taiwan one day, in Japan the next, and in Australia the day after. The airlines benefit, that's for sure.

Hancock: That's why my three-year-old thinks I'm a pilot.

You have worked with each other for some time and clearly know each other well. Nick, what is it like working with David?

Andrews: I am enormously grateful that I have someone like David to bounce ideas off. Because of our different backgrounds, he and I tend to bring different perspectives, which I think is a good thing. David has extensive experience in the Australian market, while I have been based mainly in Asia for the last decade. So from a geographic and product perspective, we are complementary. Asia is a huge region, and it is a big enough challenge to try to cover it with two people. If I were covering it alone, it would be far more difficult. I think our partnership works extremely well.

And David, what is it like working with Nick?

Hancock: Having a partner with whom one can sit down and have an honest, senior-level dialogue is fundamental. I am very thankful that I have a partner in the business whom I trust implicitly. I also appreciate the diversity of our views on various issues. On a personal note, it is just great to draw off someone else's energy, and Nick has tremendous energy and an evenness of character, which provide some balance for me.

So, all in all, I am very happy with our working relationship, and so are our staff and clients. Very few people spend time thinking about the co-head structure, but we invest a lot of time and effort into it. We believe that makes a difference.

Andrews: Because of that effort, we are able to speak as one, which helps make the business run more smoothly. If people have a question, they do not have to come to both of us. ●

JPMorgan

China: The Race to Success in a Growth Economy

An Interview with Charles Li, Managing Director, Chairman and Chief Executive Officer, JPMorgan Chase, China

EDITORS' NOTE *Prior to assuming his current posts in April 2003, Charles Li was managing director and president of Merrill Lynch China. He holds a J.D. from Columbia Law School, an M.A. from the University of Alabama, and a B.A. from Xiamen University in China.*


Charles Li

How have recent events – such as the global economic downturn, the SARS outbreak, and the war in Iraq – affected your business and your outlook for JPMorgan's growth in China?

Over the past few years, we have seen growth in both China's underlying economics and in our particular market, so we have not been adversely affected by fluctuations in the global economy. In fact, the Chinese market is as strong as it has ever been, and the equity and IPO-privatization businesses, in particular, are as strong as they've been since I began working in this industry.

Looking ahead, I think this year is going to be tremendous, given the strong economic growth I mentioned, certain significant government initiatives for the banking sector, and the rest of the world's general enthusiasm for the Chinese market. A lot of companies have accelerated their plans to undertake mergers-and-acquisitions [M&A] activities in order to take advantage of the positive economic environment. In short, China has been, and will continue to be, a growth economy.

How difficult is it to differentiate in the Chinese market?

On the one hand, many companies are focusing their efforts and resources on China at the moment, and this creates a tighter, more competitive environment. On the other hand, that motivates us to differentiate ourselves all the more effectively, and we put a lot of thought into finding creative ways to do that. It's no longer just a matter of chasing relationships.

Are your clients primarily large companies?

Our primary role in the M&A business is to act as a facilitator or advisor to many major multinationals and some major Chinese corporations in their cross-border activities. Our clients in this segment tend to be either international companies buying into China, Chinese companies buying into companies outside China, or Chinese companies injecting assets across borders into their offshore entities. That requires us to have extensive knowledge of the industries in which our clients operate, and to be able to add value by bringing people together and by bringing ideas and solutions to bear.

The second part of our business is principally a financing business, and here, our clients tend to be large and occasionally mid-sized Chinese companies. They are predominantly state-owned, but an increasing number are privately owned. We work with these clients on initial public offerings, equity or convertible issues, and straight bond issues. Occasionally we do very large bond offerings for the sovereign and for some of the major government entities. That business requires a significant understanding of the sector and good distribution capabilities.

Have you been able to attract and retain the best employees in China's talent pool?

Yes, I believe so. I joined JPMorgan not too long ago myself, and we have built an excellent team over the past three years. That process will continue going forward. Every company in China is looking for the best people, so it's difficult to compete. However, we see a clear trend in favor of large, strong players like JPMorgan that have communicated a commitment to China through their choice of senior managers and their distribution of resources. Prospective employees are also interested in companies with integrated product platforms, so we have an advantage in that respect too.

How does technology facilitate JPMorgan's operation in China?

Through technology, JPMorgan offers a total solutions package. We use technology to enhance our expertise, our price competitiveness, and our product differentiation. In short, we use it to capture more business. So technology is crucial to our operation.

How important are client relationships in your business?

The client relationship is the first and last mile of an investment bank's race to success. It is vitally important to maintain and update relationships with clients in this market in particular because, relatively speaking, it is a lot more dynamic than many Western markets. Chinese society is still dominated by state-owned enterprises, many of which are going through huge transformations. Many of the leaders of those enterprises used to be part of the government's infrastructure and they now need to stand on their own or be moved out. This process of transformation is being magnified by the rapid growth of the Chinese economy. Everything that has happened in China over the last 2 to 3 years usually takes about 10 years in other countries. So the dynamics are such that we have to keep our client contact fresh. We must never become complacent, and must continue to develop new relationships. After all, we may have contact with one person in an organization, and then the next week find out he has moved on to something else. In that case, we would have a whole new group of people to get to know in a short amount of time. That can be extremely challenging.

Why did you decide to join JPMorgan Chase in April 2003?

I am extraordinarily glad that I made that decision, although I struggled with it at the time. I enjoyed working at Merrill Lynch, so I had a lot of mixed feelings about leaving. However, I became convinced that JPMorgan had a fresh perspective on China. I saw the company's conviction, determination, and commitment to doing things right. The JPMorgan business model is one of a major global player, and the firm defines success by its long-term goals. So I feel very privileged to be here. I could have easily decided not to come, and that would have been a huge mistake on my part. ●

Driving Economic Recovery in Japan

An Interview with Tetsuya Kawano, President, J.P. Morgan Securities Asia Pte. Limited, Japan, and Keiichi Miki, President, J.P. Morgan Trust Bank Ltd., Japan

Tetsuya Kawano

Keiichi Miki

EDITORS' NOTE *With an M.B.A. from Keio University's Graduate School of Business Administration in Tokyo, Tetsuya Kawano began his career with Merrill Lynch in New York in 1986, holding positions of increasing responsibility until 1994, when he moved to the Tokyo office of Goldman Sachs. He held executive positions in Goldman Sachs (1994-2002) prior to joining the Tokyo branch of JPMorgan Securities Asia Pte. Limited as president and head of investment banking in April 2002. He was appointed director and representative in Japan of JPMorgan in December 2003.*

A 20-year veteran of the investment-management industry, Keiichi Miki worked at Daiwa Securities in Tokyo (1982-1984) and Hambro Pacific Fund Management in Hong Kong (1984-1990) before joining Jardine Fleming Investment Advisers in Tokyo as a senior fund manager. In 1994 he was appointed director of Jardine Fleming Investment Management Limited, and in June 2000 he assumed the presidency of Jardine Fleming Investment Trust and Advisory Co. Ltd. A graduate of Kobe University with a B.A. in business administration, Miki was named to his current post in January 2001.

What products and services does JPMorgan offer in Japan?

Kawano: Specifically, our services range from raising capital for clients from investors around the world, to providing strategic advice in a number of areas. Our ability to provide the highest-quality services in a seamless manner adds tremendous value for our clients.

Miki: In addition to our strong investment-banking capabilities, including M&A advisory, corporate finance, equities, credit and rates, and foreign exchange, in Japan we conduct business such as investment management and treasury and securities services with a broad and deep client base. Looking at market trends in the investment-management business, we are seeing a tremendous growth in some of the newer types of product, such as hedge funds, global CB funds, China equity funds, currency management, and all kinds of absolute-return products. In these areas, too, we are one of the strongest players in the market.

How is the firm set apart from its competitors?

Kawano: Simply put, JPMorgan is the investment bank that is most capable of serving its clients with a broad range of innovative, cutting-edge products and services. We compete on all fronts and provide our clients with total solutions. Our ability to do that better than any of our competitors differentiates us in the market.

Furthermore, our global platform is another differentiating factor. We provide seamless services, both in Japan and globally, and we serve clients better than anyone else. Our ability to execute global transactions effectively and efficiently reduces the uncertainty our clients face in executing cross-border transactions.

Miki: The ability to coordinate between our Japanese operation and the rest of the world is central to JPMorgan's success. The combination of our global network and our ability to deliver locally give us a clear competitive edge over our domestic competitors.

There's no doubt that we are also distinguished by the strength of our product. We have been successful in consistently delivering excellent investment performance, and that's really the most important element to our business.

In light of Japan's challenged economy, are you optimistic for growth in the short term?

Miki: From the second half of 2003, we have seen an improvement in business and in the delivery of revenue. The underlying momentum is very strong at the moment, mainly thanks to two factors: First, Japan's business environment for investment management has generally improved; and second, JPMorgan has become a stronger player vis-à-vis our competition.

Kawano: Various economic indicators are showing signs of recovery in the Japanese market, and consequently, we are expecting strong growth also in our investment-banking business in Japan. Many of our clients have been taking a careful look at their strategies and have determined how they want to be positioned in the global market. They are now ready to execute their plans, and JPMorgan is very well positioned to help them.

What will be your principal priorities over the next year or two?

Miki: JPMorgan in Japan has gone through a period of integration following a merger, and we have dealt effectively with the tough business environment. So it is now time for execution, and we see signs that we've been executing well since the middle of 2003. One of our main challenges is keeping that momentum going over the next few years. Our target is to double our revenue, and if we execute as we have planned, we will do so, perhaps within the next two to three years.

Because Japan's debt problem seems to have been dealt with, and the economy is picking up, there are a number of business opportunities that we predict will grow quickly over the next few years. One is that Japanese financial institutions will continue to unload their equity holdings, thereby creating an opportunity for equity business. Their appetite for credit risk may also increase substantially. If Japanese banks invest more in the credit area, and in alternative investment vehicles, another massive business opportunity will be created. Furthermore, the volatility of the market will probably increase, and that will create opportunities for us to make money through trading. These factors combined will create more business for our treasury and security services division. It's going to be an exciting couple of years for Japan. ●

