RESONA

RESONA HOLDINGS, INC.

ANNUAL REPORT 2005

RESONA

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PROFILE

Company Name	Resona Holdings, Inc.
Lines of Business	Management and supervision of banking and other subsidiaries as well as other related activities
Osaka Head Office	2-1, Bingomachi 2-chome, Chuo-ku, Osaka 540-8608, Japan
Tokyo Head Office	1-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8107, Japan
Day of Establishment	December 12, 2001
Paid-in Capital	¥327.2 billion (As of March 31, 2005)

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Concerning Forward-Looking Statements: This material contains forward-looking statements regarding the Group's operations. These statements are not intended to provide any guarantees of the Group's future performance, which will be subject to risks and uncertainties. Please note that future performance may differ from targets and plans because of changes in the operating environment and other factors.

Goal of the Resona Group—From “Recovery” to “Leap Forward”

Resona Holdings, Inc.
Eiji Hosoya, Chairman

Interviewer: **Yukie Sakai**
Freelance Announcer

What are the goals of the Resona Group? What kind of financial institution is it working to become? Also, in view of the infusion of public funds several years ago, what are the prospects for the Group? We asked freelance announcer Yukie Sakai to pose these questions to Eiji Hosoya, Chairman of Resona Holdings.

Just after Resona Bank came into being in March 2003, it received additional capital from public sources. At that time, Mr. Hosoya, you held the position of Vice President of East Japan Railway Co. What motivated you to move to the Resona Group as Chairman, and what did you do first?

Hosoya: Leading members of the business community in Japan convinced me that if the infusion of public funds for the “Resona revitalization” were to fail, the Japanese financial system would collapse. Also, 18 years before that, at the time of the reforms of the Japanese National Railways, we received assistance from many sources in Japan. So, I accepted this position in part because I wanted to show gratitude for the help we received at that time. Since joining the Resona Group, I have spent considerable time and effort studying banking. Also, since then, I have felt strongly that many things that are taken for granted in the banking industry, such as closing the doors and shutters of banks at 3:00 in the afternoon, are not taken for granted by the public at large.

I agree with that. It seems to be an obvious point.

Hosoya: One of the first messages I gave when I joined the Group was “Let’s become a regular company. Let’s be aware that banking is a service industry.”

I thought at that time that the basis of management reforms would be to eliminate one by one the reasons for the deterioration in the Group’s performance. So, I decided to address the structural problems confronting the Group, including dealing with non-performing loans, dissolving cross-holdings of shares held for relationship purposes, and the Group’s high cost structure.

At the same time, since banking is a service industry, I appealed to management and staff, by saying that we must work to be “the bank that customers like the best” and announced policies for reforming our services to all personnel.

Since customers felt the greatest dissatisfaction with having to wait for services at our branches, I set a goal of bringing waiting time down to zero. Also, since closing branches at 3 p.m. did not make any sense, we extended business hours to 5 p.m. on weekdays and to 7 p.m. on Fridays.

Yukie Sakai

Joined Fuji Television Network, Inc., in 1975 as an announcer and subsequently became a freelance announcer. At present, serves as emcee, interviewer, and symposium coordinator for television and radio programs covering a wide range of topics, from politics to the performing arts, while also giving lectures and writing. Because of her interest in increasing the understanding of Japanese culture, she is currently director of the Japan Inter-Culture Foundation and serves as instructor in Japanese one day a week on a voluntary basis.

I think that, thus far, there has been a kind of "distance" between banks and their customers. Certainly, banks do not have the image of being a service industry.

Hosoya: By continuing to provide the down-to-earth services that people really want, we have been gratified that our customers are saying "Resona has changed." We have also been able to steadily repair our brand, which was damaged at the time of the infusion of public funds. Next, we took a close look at the factors that led to deterioration in the Group's performance, and, since then, our earnings structure has gradually improved. As our performance for the fiscal year ended March 31, 2005, shows, we have accomplished our objective of making the transition to a sustainable earnings base.

How will the Resona Group continue to evolve in the years ahead?

Hosoya: We are summarizing what we want to accomplish in the catchphrase, "From Recovery to Leap Forward." However, I believe there are additional matters we must address to improve our business and financial position to become a group of financial institutions with the strong earnings power and the powerful brand we need to repay the public funds we have received.

If we think of the "Resona revitalization" as a "hop, step, jump" game, the "hop" phase lasted through March 31, 2005, and we exceeded our revitalization plan targets. To move to the "jump" phase, where we become a highly profitable bank with a strong brand, the next two-to-three years will be crucial.

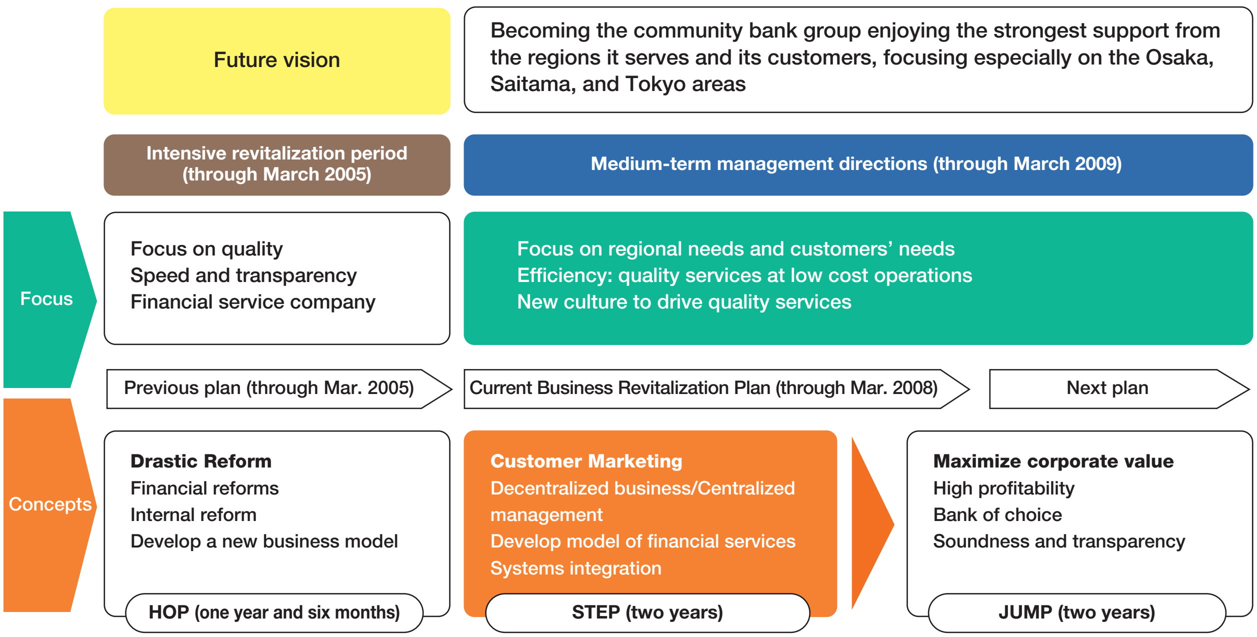
As you move from the revitalization phase to make dramatic advances in performance, will the role of Resona Holdings change in any way?

Hosoya: Since the Group has received an infusion of public funds, during the revitalization phase, Resona Holdings and Resona Bank were managed together. When we take the next steps of making dramatic advances in performance, Resona Holdings will refocus on its roles as a holding company. In other words, it will concentrate on strengthening management supervision and functions that are common across Group companies. On the other hand, Group banks will commit themselves to offering even better services to their customers and improving profitability.

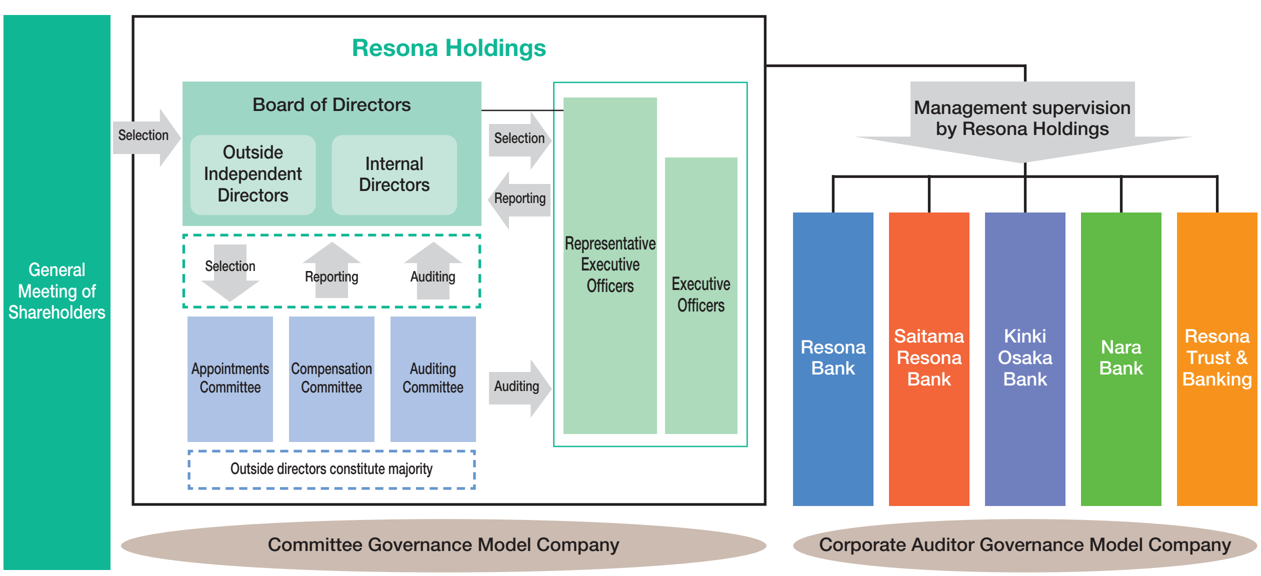
In other words, you have addressed the structural issues that led to deterioration in the Group's performance, and now you are beginning to address the issue of how to increase profitability.

Hosoya: Thus far, we have placed priority on restructuring to improve profits, but next we will take an "offensive stance" and work to strengthen our marketing capabilities. To do this, we will take a thorough look at our back-office operations, which provide operational support for our branches, and work to use our human and financial resources even more efficiently.

● **Management Directions (Positioning of the Current Business Revitalization Plan)**



● **The Group's Future Management Systems**



Our idea is to strengthen our marketing activities through our "Area Management System," which means working closely with the communities where the Group's offices are located and becoming a brand that is close to and well known to our customers. Also, through March 2005, we sold the Group's securities and leasing companies, thus creating a leaner and more streamlined Group structure. By forging alliances with top companies in various businesses, we are offering products and services that respond to a wide range of customer needs.

A few moments ago, you mentioned you had used the phrase, "Let's be aware that banking is a service industry." How have you changed the level of service at Resona?

Hosoya: I do not think the level of banking services has reached the average for service industries in Japan. Therefore, it is important to learn from service industries in Japan that are well known for having highly regarded, top-quality services and apply these to the Resona Group. Thus far, we have held training sessions at such service companies as theme parks, department stores, and leading hotels and are trying to spread this know-how within Group banks.

Looking ahead, you will be able to defy the common wisdom of the banking industry, won't you?

Hosoya: I always describe it as "staying half a lap ahead of other banks." To stay ahead, it is extremely important that we learn from the best service companies and that we proactively adopt what is good from the outside.

Organizationally speaking, I see you are doing some epoch-making things. For example, what was your objective in adopting the "Area Management System?"

Hosoya: Among the things that customers want is "speed."

Thus far, banks have been run from their head offices. However, to respond quickly to customer requests, we have delegated authority to regional areas, and, to take account of local needs, we fine-tune our services and products to win customer support. We started with this as an objective, but as we made the transition to this way of doing things, different regions began to compete with one another. This drive to provide better services than other regions had an important positive impact on Group reforms.

On the other hand, we have spread throughout the Group the methods developed by different regions and by the Group banks as a whole for strengthening customer relationships and their skills in providing services. Thus, while aiming for synergies, we are working to further upgrade our services for customers.

What do you think are the Group's unique and superior strengths compared with the megabanks and regional banks?

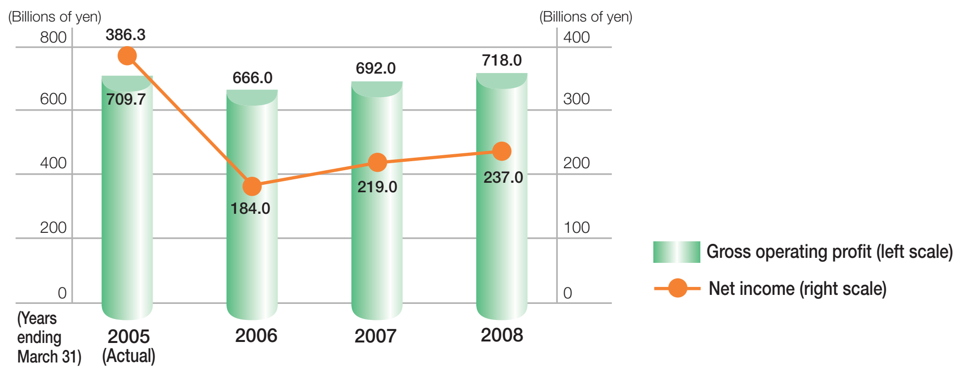
Hosoya: One major strength is our closeness to regional communities. Also, I am convinced that our relationships with our customers will give us a competitive advantage over the megabanks. The Resona Group's road to survival and success is identifying niches where the Group can provide services and products that the megabanks and the leading regional banks cannot. Compared with the megabanks, we are much closer to the regions and the customers we serve, but, also compared to the leading regional banks, we have capabilities for providing financial solutions through our nationwide network. We are therefore using these strengths to differentiate our services. Moreover, we intend to become a bank that will provide tailor-made solutions to the issues that our customers find the toughest to address.

In other words, you are aiming to use what sets Resona apart from other financial institutions to fullest advantage in managing your banking activities, correct?

Hosoya: Yes, exactly. The markets for individuals and small and medium-sized enterprises are going to become battlegrounds for the banking industry. To compete effectively in these markets, we want the Group to foster the development of strong service divisions and build a powerful brand. By taking up the challenge of providing new services, this will, of course, bring increases in costs, but, by sparing no efforts to improve back-office efficiency, we intend to provide the necessary funds and human resources. We intend to be the bank that is staying half a lap ahead because of its service and cost control capabilities.

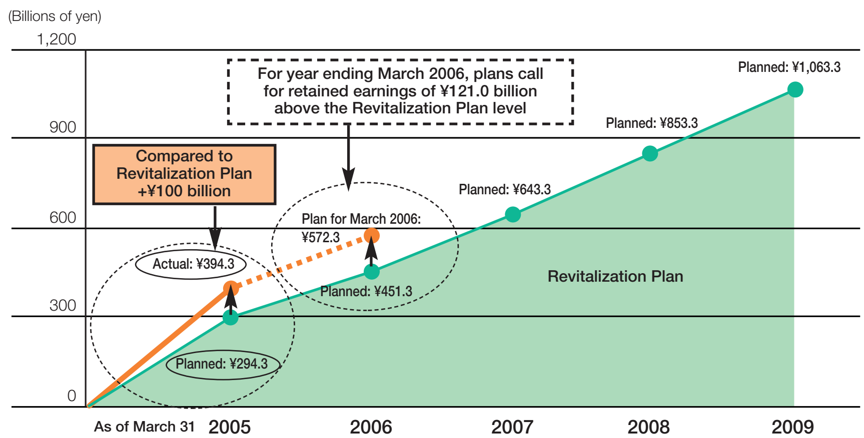
I believe that a service company will not win the approval and support of its customers unless if it pays close attention to the working level and the interface with customers. Therefore, I want the Group bank outlets to be places where the staff serving our customers can take a

● Profit Plans (Pro forma sum of Group banks)



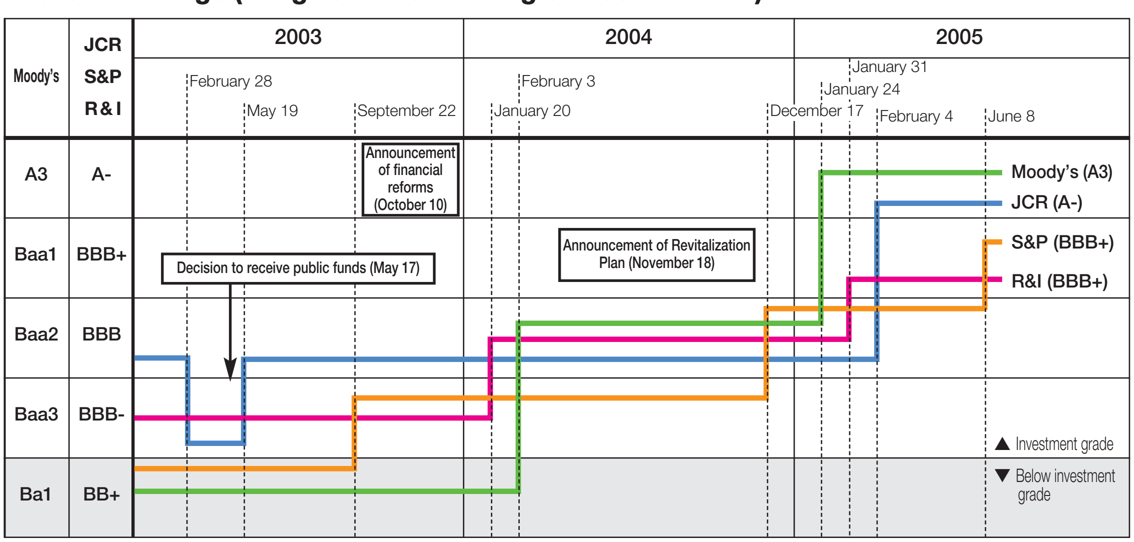
● Retained Earnings of Resona Holdings and Its Group Banks

(Pro forma sum on a non-consolidated basis)



Note: This computation assumes the performances of Group banks will remain the same for the years ending March 31, 2008 and 2009.

● Credit Ratings (Long-term debt rating of Resona Bank)



Sources of ratings: Moody's Investors Service; Japan Credit Rating Agency, Ltd.; Standard & Poor's; Rating and Investment Information, Inc.

proactive role. Moreover, I believe it is important for top management to learn as much about the working level as they can; so, I have worked to create a flatter organization. Also, since women account for more than half of the staff who are responsible for serving customers directly, I want to have them make the most of their abilities. That is why I am communicating the message to employees that this is a financial institution where women can play an active role and a bank that wants to be No. 1 in terms of earning the support of women.

One of the results is the "Love Me!" investment trust, right?

Hosoya: "Love Me!" is a financial product developed by women for women. We received many inquiries about it and sold more than we had forecasted we would. It really made me happy, too, when the women who participated in the development of this investment trust said, "This is the first time I have had so much fun since I joined the Bank."

Thinking of Resona's future, how you make the best use of human resources will be a key point, won't it?

Hosoya: The infrastructure of a bank is its systems and its people. In systems, we will complete integration by the end of September 2005, and the next step will be to further upgrade the level of our systems. The rest of the infrastructure is human resources; so, we are working to improve our training programs and reinforce our staff.

The results of these efforts will be the targets you are aiming to reach by March 2008, correct? By the way, what are the reasons for forecasting a decline in profitability for the year ending March 2006?

Hosoya: The capabilities of the Resona Group are on a steady upward trend. For the fiscal year ended March 2005, as a result of the sweeping financial reforms implemented when I took the position of Chairman, we were able to report net income substantially above our targets as a result of a number of special factors, including profits on the reversal of reserves for non-performing loans. In this sense, in the current fiscal year that will end March 2006, we have shifted to cruising speed. The figures for the year ending March 2006 make it difficult to see the real earnings power of the Group, in part because of the impact of the costs of systems integration. However, for the next fiscal year, ending March 31, 2007, we are looking for a resumption in growth. Even given this as a background, I believe the fact that we were able to report results above our target for the year ended March 31, 2005, will provide momentum to trigger the next stage in growth.

Your next big challenge will be to return the capital infusion provided by the public sector. How do you view the prospects for this?

Hosoya: I want Resona to rise to the challenge of repaying the public funds as quickly as possible. Over the next one-year period, the issue will be to create an earnings structure that will make this possible. The most important point related to the repayment of public funds will be to earn profits above the levels indicated in the Group's Business Revitalization Plan to build up sufficient retained earnings for repayment. It is important for the Group to show it can do this to be highly evaluated by the stock and bond markets. For example, if our rating is revised upward, we will be able to raise funds on more favorable terms. Refinancing at lower rates and an accelerated pace of accumulating retained earnings will open the way to the repayment of public funds.

For my last question, could you please express your commitment to making what you have termed "dramatic advances in performance?"

Hosoya: As the term "overbanking" suggests, the banking industry is entering an era of strong competition. On the other hand, however, as a result of deregulation, banks will be able to provide a wider range of services. However, amid this operating environment, banks that just do the same things as other banks will not be able to survive. Banking is a service industry, and we have to stay constantly ahead in sensing customer needs and requirements and thinking of ways to satisfy these. If we focus first and foremost on our customers, we can win their support through continuing to reform our activities, and become their bank of choice, I am confident that in three-to-five years, the Resona Group will be highly evaluated as a member in the winner's circle of Japan's financial institutions.

Overview of the Intensive Revitalization Period

The Resona Group, after receiving an infusion of public funds in June 2003, positioned the time through the end of March 2005 as the Intensive Revitalization Period and implemented a range of reform measures. As a consequence, at the end of the Intensive Revitalization Period, the total net income of the Resona Group banking subsidiaries for the fiscal year ended March 31, 2005, amounted to ¥386.3 billion. This was first total profit the Group banks have shown in five fiscal years as well as the highest in their history.

This return to profitability was due to two major factors. The first was a substantial reduction in downside risks to profitability. The Group banks implemented very sweeping financial reforms and successfully reduced the major risk factors inherent in their balance sheets. The second was the achievement of low-cost operations through thoroughgoing cost reductions. The key points of balance sheet reforms and cost reductions are described in the following sections.

Progress toward Balance Sheet Reforms

As a result of sweeping financial reforms at all of the Group banks, major progress was recorded toward balance sheet reforms. For example, the ratio of non-performing loans (NPLs) to total loans and bills discounted—which was one of the most important issues the Group has had to address—stood at 11.19% as of September 30, 2003, but had been reduced to 3.39% at March 31, 2005. The Group is moving forward with policies to further enhance the quality of its loan portfolio and is aiming for a non-performing loan ratio of less than 3% by the end of the current fiscal year, ending March 31, 2006.

Moreover, thanks to measures to improve risk control through the dispersal of credit risk over a portfolio of smaller loans to a larger number of borrowers, the quality of the Group's credit portfolio has improved significantly. For example, for Resona Bank, we reduced the value of claims of ¥10 billion or more to borrowers in the "Other Watch Obligors" category or lower in credit quality to less than one-fifth the level two years ago. Over this period, the ratio of housing loans to total loans was increased to approximately 40%, thus representing major progress toward diversifying credit exposure over a larger number of smaller loans, which is one of the fundamental objectives of effective credit risk control.

To reduce the downside risk of fluctuations in equity holdings, the Group banks have negotiated with their corporate customers to gain their understanding and approval for the sale of shares held for relationship

● What We Have Achieved in the Intensive Revitalization Period: Financial Reforms for Sustainable Profitability

Improved Quality of Balance Sheet			March '03	March '05
Loans	NPL cleanup	NPL ratio	11.19% (Sept. '03)	3.39%
		Reserve ratio[1]	In need of special attention 27.8% Doubtful 62.5%	In need of special attention 56.3% Doubtful 94.8%
		Exposures to ¥10 billion and higher borrowers[2]	65 companies ¥2.54 trillion	21 companies ¥0.45 trillion
	Portfolio diversification/ dispersal	Housing loan ratio	28.9%	39.9%
Securities	Reduction of stocks	Cross-shareholdings[3]	¥1,397.0 billion	¥397.8 billion
		Break-even Nikkei average	About ¥8,700 [4]	About ¥6,600
	Bond portfolio	Interest rate sensitivity[5] (BPV)	¥(1.57) billion	¥(1.02) billion
Deferred Tax Assets (DTAs)	Conservative approach	Dependence on DTAs (DTAs/Tier I)	99.5%	3.8%
Pension Liabilities	Restoring soundness	Pension liabilities	¥ 800.0 billion	¥345.9 billion
		Unfunded obligation	¥(456.4) billion	¥(89.2) billion
Capital	Capital improvement	Capital adequacy ratio	3.78%	9.74%

(1) Reserve ratio for unsecured portion
(2) Exposures to "Other Watch Obligors" and lower categories of borrowers (Resona Bank)
(3) Include trust account
(4) After write-down
(5) Basis point value (BPV) for domestic bonds

purposes. As a consequence, the Group banks were able to attain their objective of reducing the balance of such holdings to ¥400 billion. In addition, the quality of the Group banks' equity portfolio has been enhanced to the point where unrealized losses will not emerge unless the Nikkei stock price average declines to ¥6,600 or less, thus greatly reducing the risk of equity price fluctuations.

Moreover, in the management of their bond portfolios, Group banks have adopted a conservative stance, under the assumption that interest rates may rise going forward, and shifted the composition of its bond holdings toward shorter durations.

The Group banks have also adopted a very conservative approach to deferred tax assets and included only the portion equivalent to one-year taxable income. Although it will be necessary to confirm trends in regulations related to the setting of an upper limit on deferred tax assets, looking ahead, when the earnings power of Group banks has been fully stabilized through additional progress under the current Business Revitalization Plan, the Group will move forward with due caution toward a review of criteria for the computation of deferred tax assets.

The Group has also made significant reforms in its pension system, including the return of the proxy portion of the employees' pension plan and the lump-sum amortization of unfunded obligations. Thanks to these reforms, the balance of retirement benefit obligations has been reduced by half over the past two years, and the unfunded portion of these liabilities has been lowered substantially to one-fifth the level of two years ago.

Reductions in Operating Costs

The Group has recorded major progress toward creating a low-cost operational structure, which was another major issue to be addressed during the Intensive Revitalization Period. Principal measures have included reducing the number of employees and the level of personnel costs, reforming pension systems, reviewing business operations subcontracted to subsidiaries and affiliated companies along with measures to directly streamline their operations, and stepping up the level of outsourcing of computer system operations. As a result of these measures, operating expenses, which amounted to ¥455.8 billion for the year ended March 31, 2003, were cut by ¥110 billion, or 24%, over the past two years. In addition, the expense ratio was lowered to 48.6%, the lowest level to date.

Forging Ahead to Create a Distributor Model

The Resona Group has set the goal of creating a new business model that will enable it to focus on performing the role of a "distributor" in the financial services industry. Under this model, the Group will work to improve the quality and breadth of products and services in fields where it is strong and deliver these with a speed and responsiveness that competitors cannot match. The Group has taken several steps in the Intensive Revitalization Period toward this objective.

First, in the retail financial services field, where the Group has clear strengths, efforts have been under way to concentrate management resources more effectively. For example, in addition to its banking subsidiaries, the Group previously had 50 subsidiaries and affiliates in Japan, but these have basically been concentrated into 11 companies. Also, through proactive steps to form alliances with leading companies in various fields, the Group has expanded the range of products and services to offer the best in each field to its customers. For example, through an alliance with Credit Saison in the credit card field, Group banks launched a new type of card that attracted more than 180,000 customers just in the initial six months between October 2004 and the end of March 2005.

Moreover, to build even closer ties with the regional communities that are served by Group banks, Resona Bank and Saitama Resona Bank adopted their "Area Management System" approach in April 2004, which features a speedy and effective management style. Under this approach, two banks have delegated greater authority and clarified responsibility for generating profits to their Area CEOs, and the number of examples of the success of this approach is growing. For example, in November 2004, the Group opened a pilot, next-generation branch incorporating the many ideas generated by quality control circle activities at its offices and is making plans to expand the application of these new ideas more widely beginning in the second half of the current fiscal year.

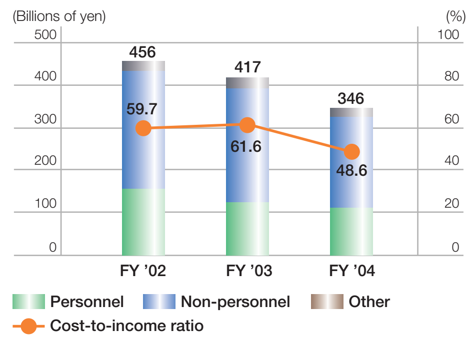
In other areas where the Resona Group has strengths, including the marketing of investment trusts, housing loans, and real estate operations, the Group plans to move forward with sharing information on examples of business successes and best practices and build its operations in these areas to top-class levels, even in comparison with the megabanks.

● What We Have Achieved in the Intensive Revitalization Period: Improvement in Cost Structure

Reduced expenses by approximately ¥110 billion (24%) in two years and cost-to-income ratio went down to less than 50%

Measures taken to gain cost-competitiveness

- **Reduced employees and personnel costs**
  - Reduced number of employees by 4,607 in two years
    - * Number of employees as of March 2005: 14,700
  - Implementation of early retirement policy and review of employees' salaries
- **Implemented pension system reform**
  - Returned the proxy portion of employees' pension plan
  - Lump-sum amortization of unfunded obligations
  - Reduced pension benefits for former employees
- **Reduced non-personnel expenses**
  - Reviewed businesses subcontracted to affiliated companies
- **Reduced systems costs**
  - Off-balance IT assets
  - Outsourced systems development and maintenance functions of the former Asahi Bank to a third party, etc.



● What We Have Achieved in the Intensive Revitalization Period: Transform into a "Distributor Model"

Alliance strategy

- **Domestic subsidiaries and affiliates narrowed down to core areas**
  - Number of domestic subsidiaries and affiliates [Mar. '03] 50 → [Mar. '05] 11
- **Tie-up with industry's top players to provide best service and products**

Channel reform

- **Introduced "Area Management System"**
  - "Area CEOs": delegation of decision-making authority and profit responsibilities
- **Launched pilot-testing branch**
  - Enabled strengthening of marketing and low-cost operations simultaneously
- **Expansion of service channels by introducing low-cost manned branches (Resona Personal Stations)**

Marketing know-how and business infrastructure

- **Identify and share success patterns and best practices**
  - Sales of investment products by "fund management consultants" who are ex-securities brokers
  - Origination of housing loans through well-established relationship with house developers and sales agents
  - Expansion of real estate functions in the Tokyo metropolitan area (Exploration of new markets)

Examples of accomplishments

- Joint brand credit cards launched with Credit Saison
- Issuance of new cards in the second half of fiscal 2004: 184,000

- Pilot-testing implemented at Resona Bank's branch offices
- Sale volume of foreign currency deposits and investment trusts more than tripled.

- Investment trusts sold in FY04 Group total: Approximately ¥680 billion
- Increase in housing loans in FY 04 (Term-end balance) Group total: Approximately ¥800 billion

Performance in Fiscal 2004

During the Intensive Revitalization Period through the end of March 2005, the Resona Group undertook a wide range of proactive reform measures. These included making sweeping financial reforms and implementing restructuring and other internal reform measures. The Group also took up the challenge of carrying out various measures in its operations to evolve toward becoming a financial services enterprise in the true sense. Moreover, to accelerate decision making within the Group, secure a broader range of options, and prepare for maximizing net income under the consolidated taxation system, the Group made Resona Trust & Banking a wholly owned subsidiary. In addition, by increasing the capital of Saitama Resona Bank by ¥40 billion, the Group prepared the way for the expected rise in loans of that bank and attained the goal of securing a stable capital base. The Group's financial position and management performance on a consolidated basis for the year under review are described in the following paragraphs.

Consolidated Balance Sheets

Total assets amounted to ¥39,563.3 billion, ¥278.4 billion lower than at the end of the previous fiscal year.

Among fund uses, loans and bills discounted were ¥25,315.7 billion, ¥687.1 billion lower than at the previous fiscal year-end. Securities amounted to ¥7,278.6 billion, ¥357.5 billion lower than for the previous fiscal year.

On the funding side, deposits totaled ¥31,975.1 billion, ¥576.8 billion lower than at the end of the previous fiscal year. Negotiable certificates of deposit stood at ¥1,028.3 billion, ¥235.4 billion higher than for a year earlier. Corporate bonds increased ¥192.8 billion from the previous fiscal year-end, to ¥555.9 billion. Time deposits on a consolidated basis amounted to ¥12,432.9 billion, ¥639.0 billion lower than at the previous fiscal year-end.

Shareholders' equity amounted to ¥1,186.4 billion, representing an addition of ¥373.4 billion over the prior year-end. This was due to the higher-than-anticipated rise in consolidated net income for the fiscal year under review.

Consolidated Operating Results

Consolidated total income was ¥1,125.5 billion, ¥47.5 billion lower than for the previous fiscal year. By principal item, interest income amounted to ¥601.9 billion, ¥30.5 billion below the level for the previous fiscal year, while fees and commissions totaled ¥184.2 billion, approximately the same as for the prior fiscal year. Other operating income on a consolidated basis totaled ¥67.2 billion, which was ¥11.1 billion lower than for the previous fiscal year. In addition, among other income, principal items were ¥110.1 billion in gains on sales of stocks, a reversal of a portion of the reserve for possible loan losses amounting to ¥21.3 billion, and recoveries of written-off claims totaling ¥20.3 billion.

Consolidated total expenses amounted to ¥736.0 billion, ¥1,731.0 billion lower than in the prior year. By principal item, interest expenses on a consolidated basis were ¥59.5 billion, ¥11.6 billion lower than in the previous fiscal year. Expenses related to fees and commissions were down ¥1.2 billion, to ¥63.1 billion, and other operating expenses amounted to ¥23.4 billion, ¥18.8 billion lower than in the prior fiscal year. As a result of measures to make major reductions in personnel expenses, including retirement benefits, and non-personnel costs, general and administrative expenses declined ¥128.0 billion, to ¥382.0 billion. Other expenses plummeted ¥1,571.3 billion, to ¥207.8 billion. This steep decline was due to sweeping measures to improve the Group's financial position in the previous year by disposing of NPLs as part of the broader financial reform package. As a result of these measures in the prior year, credit-related costs were markedly lower in the fiscal year under review. Other expenses for the fiscal year under review also include losses on business restructuring of the Group, which included additional pension liability expenses for a portion of beneficiaries following the revision of the adopted pension system.

Net income after income taxes and minority interests in net income amounted to ¥365.5 billion. Net income per share was ¥30.4.

Resona Holdings on a non-consolidated basis reported operating income of ¥74.5 billion, ¥42.0 billion higher than for the prior fiscal year. Operating profit was ¥56.5 billion, ¥37.1 billion higher than in the previous year. This increase was due to the receipt of interim dividends from subsidiary banks during the fiscal year under review. Although the Company reported a non-operating expense of ¥1,480.3 billion in the previous fiscal year because of devaluation of investments in subsidiaries due to the erosion of net assets in connection with the loss incurred for the financial reforms at the subsidiary bank level, such losses declined to ¥12.0 billion during the fiscal year under review. As a consequence, Resona Holdings reported net income of ¥44.5 billion.

The Group's consolidated risk-adjusted capital ratio (under the Japanese domestic standard) was 9.74% at fiscal year-end.

Cash Flow

On a consolidated basis, net cash used in operating activities amounted to ¥555.4 billion, ¥206.9 billion lower than for the previous fiscal year. Principal factors affecting cash used in operations included an inflow of approximately ¥340 billion, which was the net result of declines in loans and deposits and an increase in negotiable CDs, which was offset by an outflow of approximately ¥820 billion, owing to changes in deposits held, call loans, and other market-linked cash items.

Net cash provided by investing activities amounted to ¥544.8 billion, compared with net cash provided by investing activities of ¥817.1 billion for the previous fiscal year, owing to the sale of securities, redemption of securities, and other factors.

Net cash provided by financing activities amounted to ¥71.2 billion, significantly below the level for the previous fiscal year. Although the Group raised funds through issuing subordinated debt during the fiscal year under review, net cash provided by financing activities was ¥1,841.4 billion lower than in the previous fiscal year because of the absence of a cash inflow from the issuance of shares and other factors.

As a result of these cash flows, cash and cash equivalents at the end of the fiscal year under review amounted to ¥2,744.2 billion, ¥60.7 billion higher than at the end of the previous fiscal year.

Dividend Policy

The Group is implementing measures to increase its corporate value by substantially improving its financial position and profitability; however, to stabilize its financial position through accumulating retained earnings and securing the resources needed for the repayment of public funds, the Group has decided to restrain outflows of profits.

Based on this policy, the Group resumed the payment of dividends on its preferred shares applicable to the year ended March 31, 2005, but has decided to continue the suspension of dividends on common shares.

In view of the completion of the Intensive Revitalization Period and entry into the stage where the Group will aim for advances in earnings, the Group is working to resume its dividends on common shares for the year ending March 31, 2006.

The Group will continue to give highest priority to repaying public funds. Conditions for the resumption of dividends on common shares will include evidence that the Group's prospects for repaying these funds are substantially better, that the Group is steadily and successfully implementing the measures required to improve profitability as provided for in its Business Revitalization Plan, and that the Group's earned surplus is above the level set in the Business Revitalization Plan. If these conditions are satisfied, the Group will be in a position to use the earned surplus above plan targets for paying dividends.

The issues of payment of dividends on common stock, the amount, and other related matters will be discussed and decided at the meeting of the Board of Directors held to review and approve the financial statements for the year ending March 31, 2006.

Consolidated Financial Summary

Resona Holdings, Inc.	Millions of yen		Millions of U.S. dollars
Years ended March 31	**2005**	2004	**2005**
Income statement data			
Income			
Interest income	**¥ 601,900**	¥ 632,453	**$ 5,604**
Trust fees	**35,186**	32,763	**327**
Fees and commissions	**184,258**	184,330	**1,715**
Trading profits	**20,650**	24,957	**192**
Other operating income	**67,258**	78,410	**626**
Other income	**216,340**	220,242	**2,014**
Total Income	**1,125,594**	1,173,159	**10,481**
Expenses			
Interest expenses	**59,523**	71,177	**554**
Fees and commissions	**63,147**	64,433	**588**
Trading losses	**47**	20	**0**
Other operating expenses	**23,402**	42,217	**217**
General and administrative expenses	**382,081**	510,085	**3,557**
Other expenses	**207,861**	1,779,170	**1,935**
Total Expenses	**736,064**	2,467,103	**6,854**
Income/(loss) before income taxes and minority interests	**389,530**	(1,293,944)	**3,627**
Income taxes–current	**9,035**	7,985	**84**
Income taxes–deferred	**2,301**	357,956	**21**
Minority interests in net income	**12,600**	4,077	**117**
Net income/(loss)	**¥ 365,592**	¥ (1,663,964)	**$ 3,404**
Balance sheet data			
Total assets	**¥39,563,362**	¥39,841,837	**$368,408**
Total liabilities	**38,090,511**	38,732,132	**354,693**
Minority interests in consolidated subsidiaries	**286,387**	296,649	**2,666**
Total shareholders' equity	**1,186,463**	813,055	**11,048**
Deposits and negotiable certificates of deposit	**33,003,560**	33,344,971	**307,324**
Loans and bills discounted	**25,315,798**	26,002,922	**235,737**
Securities	**7,278,662**	7,636,189	**67,777**
	Yen		U.S. dollars
Per common share information			
Net income/(loss) per share (basic)	**¥ 30.40**	¥ (181.05)	**$ 0.28**
Net income/(loss) per share (diluted)	**14.03**	—	**0.13**

Non-Performing Exposure

Breakdown of Disposal of Non-Performing Loans (Consolidated)

(Billions of yen)

Year ended March 31	2005	2004
Disposal of non-performing loans in the Trust Account (A)	**¥ 1.1**	¥ 4.4
Provision to the general reserve for possible loan losses (B)	**—**	(8.3)
Disposal of non-performing loans (C)	**82.0**	1,409.9
Write-off of loans	**64.1**	472.0
Provision to specific reserve for possible loan losses	**—**	464.5
Provision to reserve for possible losses on loans sold	**—**	(0.0)
Provision to reserve for the specific borrowers under support	**—**	1.9
Losses on sales of claims to CCPC	**—**	0.8
Provision to special reserve for certain overseas loans	**—**	(0.2)
Other disposal of non-performing loans	**17.8**	471.0
Reversal of credit costs (D)	**(41.6)**	—
Reversal of reserve for possible loan losses	**(21.3)**	—
Recoveries of written-off claims	**(20.3)**	—
Total credit costs (A) + (B) + (C) + (D)	**¥41.5**	¥1,406.0

Notes: 1. When the amount of reversal exceeds the amount of provision to the general reserve for possible loan losses, the specific reserve for possible loan losses, and the special reserve for certain overseas loans, the difference is accounted for as extraordinary gains and is entered in the reversal of the reserves for possible loan losses.
2. Figures in parentheses indicate a net gain (profit) on reversal, which reduces total credit costs.

Claims Disclosure according to the Financial Reconstruction Law (Total of the four banks)

(Includes Jointly Operated Designated Money Trusts, of which the principal is guaranteed by a Group bank. Figures are after partial direct write-offs.)

(Billions of yen)

March 31	2005	2004
Unrecoverable or valueless claims	**¥ 97.5**	¥ 203.7
Risk claims	**401.4**	798.9
Claims in need of special attention	**419.8**	881.5
Financial Reconstruction Law subtotal	**918.8**	1,884.1
Nonclassified claims	**26,197.8**	26,054.2
Financial Reconstruction Law total	**¥27,116.7**	¥27,938.4

Note: The total of the four banks is the sum of non-consolidated figures for Resona Bank, Saitama Resona Bank, Kinki Osaka Bank, and Nara Bank.

Risk Management Loans (Consolidated)

(Includes Jointly Operated Designated Money Trusts, of which the principal is guaranteed by a Group bank. Figures are after partial direct write-offs.)

(Billions of yen)

	2005		2004	
March 31	Risk management loans	Ratio to total loans	Risk management loans	Ratio to total loans
Loans to borrowers in legal bankruptcy	**¥ 20.0**	**0.07%**	¥ 43.9	0.16%
Past due loans	**489.7**	**1.91%**	945.8	3.60%
Loans past due three months or more	**26.0**	**0.10%**	48.5	0.18%
Restructured loans	**419.3**	**1.64%**	836.2	3.18%
Total	**¥955.2**	**3.74%**	¥1,874.5	7.14%

Reserve for Possible Loan Losses (Consolidated)

(Billions of yen)

March 31	2005	2004
General reserve for possible loan losses	**¥371.2**	¥ 478.0
Specific reserve for possible loan losses	**255.7**	542.2
Special reserve for certain overseas loans	**0.0**	0.2
Total reserve for possible loan losses	**¥627.0**	¥1,020.5
Reserve for the specific borrowers under support	**¥ —**	¥ 1.9
Reserve provided in preparation for write-offs in trust account	**0.6**	0.7

Percentage of Reserves to Total Risk Management Loans (Consolidated)

(%)

March 31	2005	2004
After partial direct write-off	**65.70**	54.58

Percentage of reserves = (Total reserve for possible loan losses + Reserve for the specific borrowers under support + Reserve provided in preparation for write-offs in trust account) / Total risk management loans

Risk Management Loans (Total of the four banks)

(Includes Jointly Operated Designated Money Trusts, of which the principal is guaranteed by a Group bank. Figures are after partial direct write-offs.)

(Billions of yen)

	2005		2004	
March 31	Risk management loans	Ratio to total loans	Risk management loans	Ratio to total loans
Loans to borrowers in legal bankruptcy	**¥ 17.7**	**0.06%**	¥ 42.2	0.15%
Past due loans	**467.7**	**1.81%**	938.9	3.54%
Loans past due three months or more	**26.0**	**0.10%**	46.7	0.17%
Restructured loans	**393.8**	**1.53%**	834.7	3.15%
Total	**¥905.2**	**3.52%**	¥1,862.6	7.03%
Partial direct write-offs	**¥585.5**		¥1,035.7	

Reserve for Possible Loan Losses (Total of the four banks)

(Billions of yen)

March 31	2005	2004
General reserve for possible loan losses	**¥288.4**	¥449.2
Specific reserve for possible loan losses	**247.4**	514.4
Special reserve for certain overseas loans	**0.1**	0.6
Total reserve for possible loan losses	**¥536.0**	¥964.3
Reserve for the specific borrowers under support	**¥ —**	¥ 1.9
Reserve provided in preparation for write-offs in trust account	**0.6**	0.7

Percentage of Reserves to Total Risk Management Loans (Total of the four banks)

(%)

March 31	2005	2004
Before partial direct write-off	**75.27**	69.09
After partial direct write-off	**59.28**	51.91

Percentage of reserves = (Total reserve for possible loan losses + Reserve for the specific borrowers under support + Reserve provided in preparation for write-offs in trust account) / Total risk management loans

Problem Exposure Cleared from the Balance Sheets

Claims to Obligors Classified as Doubtful or Lower Obligor Categories in the Self-Assessment of Asset Quality (Total of the four banks)

(Includes Jointly Operated Designated Money Trusts, of which the principal is guaranteed by a Group bank. Figures are after partial direct write-offs.) (Billions of yen)

	End of March 2005	Clearance Ratios	End of September 2004	End of March 2004	End of September 2003	End of March 2003	End of September 2002	End of March 2002	End of September 2001	End of March 2001	End of September 2000
Portion in or prior to the first half of fiscal 2000											
Total	**¥ 22.3**	**98.5%**	¥ 42.5	¥ 71.6	¥ 193.5	¥ 258.4	¥ 528.0	¥ 610.1	¥ 868.7	¥1,096.7	¥1,554.9
Unrecoverable or valueless claims	**11.9**	—	24.2	40.5	129.4	144.0	199.3	238.3	292.9	373.0	419.6
Risk claims	**10.3**	—	18.2	31.0	64.1	114.4	328.6	371.7	575.8	723.7	1,135.3
Portion in the latter half of fiscal 2000											
Total	**7.9**	**98.2%**	14.2	21.9	86.0	121.9	172.8	311.5	372.1	459.7	
Unrecoverable or valueless claims	**2.9**	—	6.3	8.6	17.9	38.2	51.0	38.0	34.1	57.9	
Risk claims	**4.9**	—	7.9	13.3	68.1	83.6	121.8	273.5	337.9	401.8	
Portion in the first half of fiscal 2001											
Total	**5.3**	**97.3%**	8.6	22.2	42.4	62.7	91.2	120.6	202.7		
Unrecoverable or valueless claims	**1.2**	—	3.5	4.9	19.0	25.4	31.8	38.0	54.2		
Risk claims	**4.0**	—	5.0	17.2	23.4	37.3	59.3	82.5	148.4		
Portion in the latter half of fiscal 2001											
Total	**16.9**	**98.3%**	54.7	82.9	188.5	321.3	710.6	998.3			
Unrecoverable or valueless claims	**6.6**	—	31.2	42.8	92.5	94.9	103.5	128.0			
Risk claims	**10.2**	—	23.5	40.1	96.0	226.3	607.1	870.3			
Portion in the first half of fiscal 2002											
Total	**10.1**	**94.5%**	23.6	38.1	82.2	130.7	187.3				
Unrecoverable or valueless claims	**4.3**	—	10.9	16.3	29.7	34.3	46.7				
Risk claims	**5.7**	—	12.7	21.7	52.5	96.4	140.5				
Portion in the latter half of fiscal 2002											
Total	**26.7**	**89.1%**	49.0	74.8	142.6	246.3					
Unrecoverable or valueless claims	**7.2**	—	14.3	23.9	46.9	51.7					
Risk claims	**19.5**	—	34.7	50.9	95.6	194.5					
Portion in the first half of fiscal 2003											
Total	**137.9**	**87.7%**	234.4	445.9	1,124.5						
Unrecoverable or valueless claims	**16.1**	—	27.6	41.1	307.8						
Risk claims	**121.8**	—	206.7	404.7	816.6						
Portion in the latter half of fiscal 2003											
Total	**52.1**	**78.7%**	127.7	244.9							
Unrecoverable or valueless claims	**9.0**	—	17.1	25.2							
Risk claims	**43.0**	—	110.5	219.6							
Portion in the first half of fiscal 2004											
Total	**62.6**	**73.7%**	238.4								
Unrecoverable or valueless claims	**14.2**	—	18.6								
Risk claims	**48.4**	—	219.7								
Portion in the latter half of fiscal 2004											
Total	**156.9**	—									
Unrecoverable or valueless claims	**23.6**	—									
Risk claims	**133.2**	—									
Total	**¥499.0**	—	¥793.4	¥1,002.6	¥1,860.0	¥1,141.7	¥1,690.1	¥2,040.7	¥1,443.6	¥1,556.5	¥1,554.9

Note: Clearance ratios are the percentages of exposure outstanding as of the end of March 2005 compared with the balance at the end of the period when such exposure was newly classified.

Statement of Self-Assessment of Asset Quality (Total of the four banks)

(Billions of yen)

Categories of Claims / Obligor Classification	Disclosure Categories under the Financial Reconstruction Law	Disclosure Categories under Self-Assessment of Asset Quality: Normal Claims	Category II Claims	Category III Claims	Category IV Claims	Coverage	Coverage Ratio under Financial Reconstruction Law Criteria
Bankrupt and Effectively Bankrupt (Total 97.5)	Unrecoverable or Valueless Claims 97.5	46.3	51.2	Reserve Ratio 100%	Direct Write-Offs	Reserves (8.7) Collateral/Guarantees (88.8)	Unrecoverable or Valueless Claims 100%
Doubtful (Total 401.4)	Risk Claims 401.4	262.1	127.9	11.3 Reserve Ratio 94.80%		Reserves (206.1) Collateral/Guarantees (183.9)	Risk Claims 97.18%
Watch: Special Attention (Total 557.9)	Claims in Need of Special Attention 419.8 Subtotal 918.8	78.7	479.2			Reserves (128.5) Collateral/Guarantees (186.2)	Claims in Need of Special Attention 74.98%
Watch: Other Watch (Total 1,798.4)	Nonclassified Claims 26,197.8	397.0	1,401.3				
Normal (Total 24,261.3)		24,261.3					Coverage Ratio against Total Claims 87.34%
Total 27,116.7	Total 27,116.7	Normal Claims 25,045.6	Category II Claims 2,059.7	Category III Claims 11.3	Category IV Claims —		

Basic Approach to Corporate Governance

The basic policy of the Resona Group is to strengthen its corporate governance by establishing responsible management systems and strengthening supervision as well as surveillance functions, while working to improve the transparency of management. In view of the infusion of public funds into Resona Bank in June 2003, the Group became the first banking institution in Japan to adopt the Committees Governance Model with the goals of securing management transparency and efficiency and practicing sound and effective conduct of its activities. Resona Holdings increased management transparency through appointing a majority of independent Directors not only to the Appointments Committee, Compensation Committee, and Auditing Committee but also to the Board of Directors. The Group also assigned the functions of management surveillance to the Board of Directors and the execution of operations to the Executive Officers. To accelerate decision making, authority was delegated to the Executive Officers so that the Group can strengthen the management surveillance functions of the Board of Directors to enhance transparency and objectivity, in accordance with the Group's Corporate Philosophy.

Activities of the Board of Directors and Committees

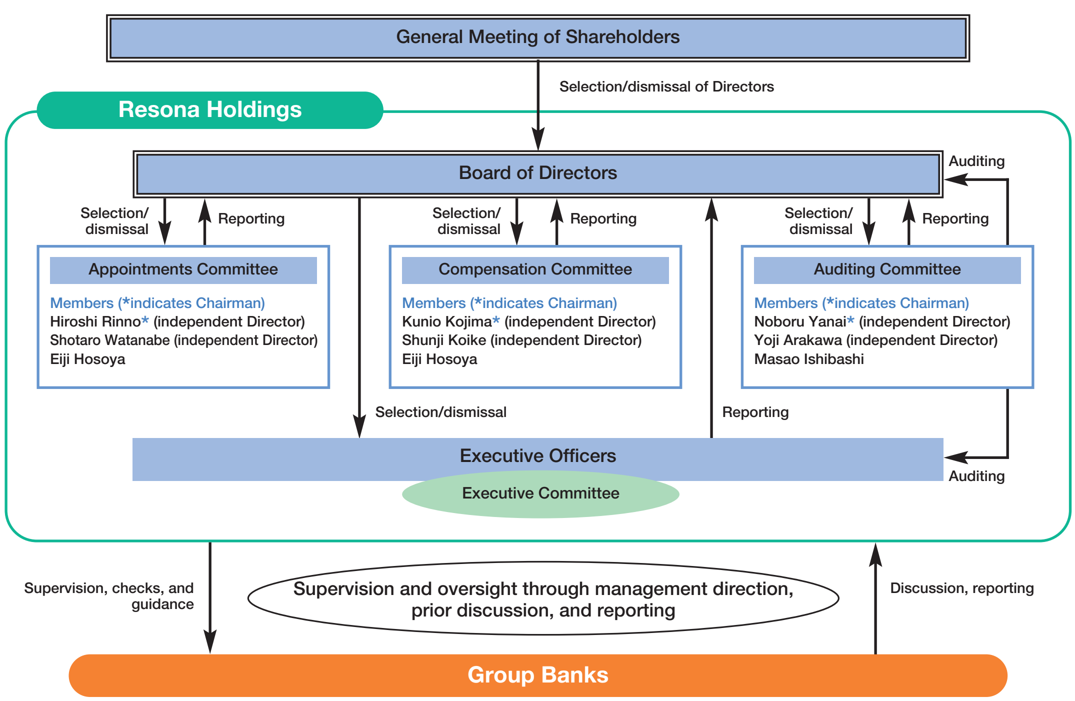
Board of Directors

The Board is responsible for making decisions on important matters and for supervising the conduct of business activities by the Executive Officers. Of the nine members of the Board, six are independent Directors. The objectives of this Board structure are to ensure the transparency of management and to stimulate members to engage in active discussions from a broad perspective. The Board met 20 times during the fiscal year ended March 31, 2005 (fiscal 2004), with all directors, including independent Directors, attending almost all such meetings. In addition, the directors held other meetings as necessary from time to time. The presidents of all Group banks concurrently serve as executive officers of Resona Holdings and make regular reports to the Board.

Appointments Committee

The Appointments Committee is composed of three Directors, with the committee chairman and one other member being independent Directors, and is responsible for making decisions on proposals for the appointment and

● Resona's Corporate Governance Structure



dismissal of Directors that are submitted to the General Meeting of Shareholders. The Appointments Committee met on three occasions during fiscal 2004, and, based on the specific qualities that the Group should seek in its Directors discussed and decided at the committee's meetings in fiscal 2003, deliberated, and made decisions regarding proposals for the selection and dismissal of Directors.

Compensation Committee

The Compensation Committee consists of three Directors, including two independent Directors, with one such independent Director acting as chairman of the committee. Its functions include setting policies for the compensation received by Directors and Executive Officers and decisions on individual compensation. The Compensation Committee held meetings three times in fiscal 2004. In addition to discussing the compensation of individual Directors and Executive Officers, the committee abolished the system for paying retirement allowances to Directors and introduced a compensation plan based on the Group's performance. The committee also deliberated and made decisions on compensation payments based on management conditions and corporate performance.

Auditing Committee

The Auditing Committee is comprised of three Directors, including two independent Directors, one of whom serves as chairman. The roles of this committee are to supervise the conduct of management by the Directors and Executive Officers and to make decisions on and attend to other matters related to the appointment and dismissal of accounting auditors. The Auditing Committee convened meetings on 19 occasions in fiscal 2004. Activities included making suggestions and requests through the Board of Directors and other venues for making substantial improvements in internal control systems and strengthening internal supervision systems, from the perspectives of the management of a bank holding company and accountability to shareholders and other stakeholders. In addition, to upgrade and strengthen the accounting audit system, the Group appointed an additional accounting auditor at the Regular General Meeting of Shareholders held in June 2004 and took steps to implement joint auditing activities.

Executive Committee

In the process of executing operations, in principle, the Executive Committee is responsible for discussing matters that are to be brought before the Board of Directors and major decisions to be made by the Executive Officers. This committee is composed of Representative Executive Officers and Executive Officers in charge of various operational areas, and its objectives include providing a venue for officers to proactively discuss business issues and ensure the transparency of decision making on important matters.

Management Supervision of Group Banks

Resona Holdings, as the Group holding company, supervises the management of its subsidiaries and certain other companies, with the objective of enhancing the Group's corporate value. Regarding decision making and the execution of operations at subsidiaries, Resona Holdings has specified the items that require prior discussion with the holding company and items that must be reported. This system allows for the control and supervision of Group members.

Internal Auditing Systems

Definition of Internal Auditing

The Resona Group defines "internal auditing" to mean the activities of internal auditing units, which are independent of the operating divisions at head offices, branches, and other operating units. The activities of these auditing units include making objective and fair examinations and evaluations of the appropriateness as well as the effectiveness of operational systems and functions, and, when necessary, offering advice on addressing any problems that arise.

As may be necessary, these internal auditing units may point out issues, make proposals, and give recommendations to the units they are responsible for supervising as well as require them to prepare plans for improvement. They may also monitor the progress toward addressing the issues they have pointed out. In addition, these internal auditing units analyze the results of their audits and, as necessary, ask operating units other than the ones they are auditing for their opinions and suggestions.

Organization

We believe that the role the internal auditing units play in working to attain the Resona Group's management objectives of "responding to the trust of customers" and "conducting transparent management" is extremely important. Accordingly, we have created the following organizational structure for internal auditing.

In Resona Holdings, which has adopted the corporate governance committee model, we have formed the Internal Audit Division that reports to the Representative Executive Officers and the Executive Officers in charge of internal auditing who are not in charge of executive departments. Moreover, we have formed an Internal Auditing Council, which is separate from the Executive Committee. Membership of the Internal Auditing Council includes all Representative Executive Officers, the Executive Officer in charge of the Internal Audit Division, and a general manager of the Internal Audit Division.

The Group's banking subsidiaries have adopted the corporate auditor governance model and have established an Internal Audit Division under the direction of the boards of directors of the respective banks. Of these banks, Resona Bank, Saitama Resona Bank, and Kinki Osaka Bank have formed "auditing councils," which report directly to the boards of directors of those three banks for the purpose of making decisions on major, basic matters related to internal auditing.

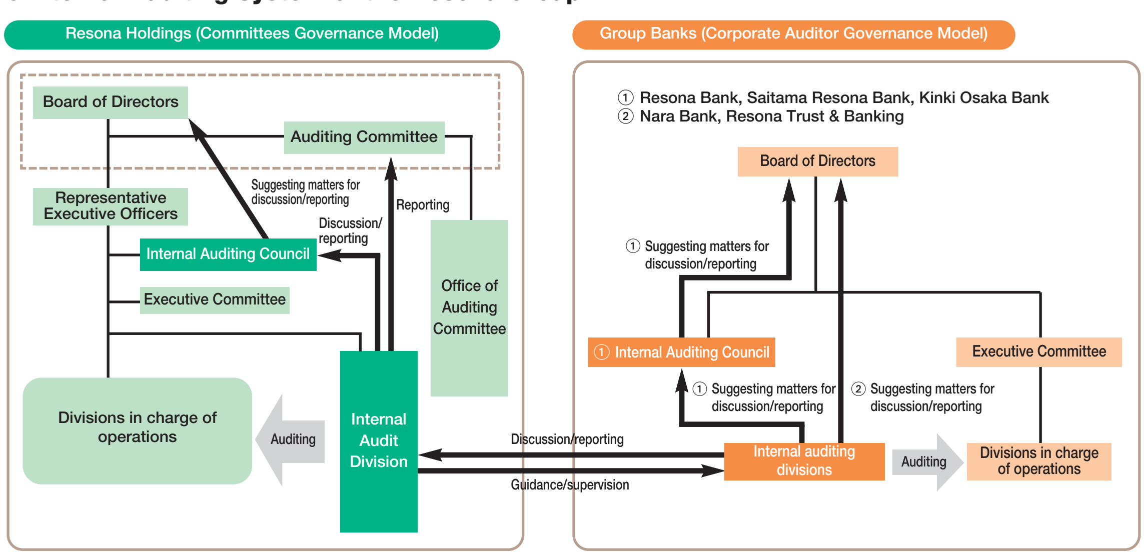
Roles and Functions

To guide the preparation of specific plans for internal auditing, the Internal Audit Division of Resona Holdings prepared the *Basic Plan for Internal Auditing,* a manual containing the Group's policies, a statement of issues subject to auditing, and other major items. This manual is to be approved by the Board of Directors of Resona Holdings.

The internal auditing departments of each of the Group's banks also prepare basic plans for internal auditing in discussion with the Internal Audit Division of Resona Holdings. These plans are to be approved by the boards of directors of the respective banks. The Internal Audit Division of Resona Holdings reports these plans to the Representative Executive Officers of Resona Holdings.

Resona Holdings and each of the Group banks conduct their internal supervision activities based on their respective basic plans for internal auditing.

● Internal Auditing System of the Resona Group

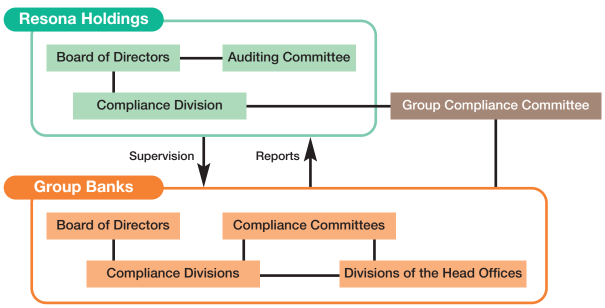


Compliance Systems of the Resona Group

Outline of Group Compliance Systems

Resona Holdings has established a Compliance Division to be in overall charge of compliance matters for the Group. This division works with the compliance divisions of Group banks to strengthen compliance systems for the Group as a whole. In addition, we have created the Group Compliance Committee to consider and evaluate matters related to compliance within the Group.

● Resona Group Compliance Systems



Compliance Guidelines

The Resona Group has issued three statements that form the basis for its compliance systems. The first of these is the Resona Group's *Corporate Mission,* which contains standards for judgment and behavior for directors and employees. Along with this, we issued *Resona Way (Resona Group Corporate Promises),* which specifies the basic attitude of all Group personnel toward each of our stakeholders. Thereafter, we issued the *Resona Standards,* a set of written guidelines for behavior that indicates the behavior expected of directors and employees, based on the *Corporate Mission* and *Resona Way*. The *Corporate Mission, Resona Way,* and *Resona Standards* apply to all Group banks and other Group companies, and we are working to achieve uniformity in compliance matters across the Group.

Moreover, Resona Holdings and the Group banks have prepared a *Basic Compliance Policy,* which makes clear, from the point of view of compliance, the roles of directors and employees as well as a basic framework for organizational systems based on the *Corporate Mission* and other statements. To put compliance into action, we have also prepared a *Compliance Manual* and distributed it to employees.

Compliance Programs

The members of the Resona Group have prepared Compliance Programs for putting guidelines into everyday action. Progress reports on compliance matters are made periodically to the boards of directors of Group member companies, and activities are under way to systematically strengthen compliance systems. In preparing these programs, responsibility for identifying and dealing with compliance issues rests not only with specific compliance-related units but also with each department. The programs also contain policies for dealing with compliance matters and the timing of actions to be taken.

Resona Standards (Resona Group Behavior Guideline)

To assure the sustainability of the Resona Group and increase its corporate value, the Resona Group *Corporate Mission,* the *Resona Way,* and *Resona Standards* have been prepared to provide standards for judgment and action. We believe that continuing to apply and follow these standards is crucial.

To ensure that these standards are understood and observed, we have prepared booklets that summarize the content as well as small pamphlets containing checklists that can be easily carried around for quick reference. We have distributed these to all directors and employees, and we conduct training programs based on these publications.

Compliance Advisory Resources

We are fully aware that creating a strong compliance system requires a good understanding of compliance issues among all personnel as well as open communication. To this end, we have created our Resona Legal Counsel Hotline and the Resona Compliance Hotline to provide all personnel with access to compliance consultation and reporting systems.

We have taken steps to make these systems as easy to use as possible and enable all personnel throughout the Group to report and express their views.

Responding to the Personal Information Protection Act

In April 2005, the Personal Information Protection Act was fully implemented. Even prior to the enactment of this law, the Resona Group had placed restrictions on Group employees for divulging customer information outside and had developed systems for managing this information. However, along with the enactment of the Personal Information Protection Act, the Group reaffirmed its commitment to treating such information appropriately and issued its Personal Information Protection Declaration, which applies to the entire Resona Group.

Risk Management Systems of the Resona Group

Basic Approach to Risk Management

In May 2003, the Resona Group applied for an infusion of public funds and received additional capital of approximately ¥2 trillion from the public sector. We are fully aware of the major concern and inconvenience this may have caused for the people of Japan, our customers, and other stakeholders. We believe the reasons for this were excessive risks and the inadequacy of risk management systems.

Based on our analysis of these issues, we have established the following three basic principles and, as we put these into practice, are working to create a corporate culture that places strong emphasis on risk management.

1. We will not assume levels of risk in excess of our management strengths.
2. We will deal promptly with losses that we have incurred or expect to incur.
3. We will take risks appropriate for our earnings power.

Group Risk Management Systems

● Resona Holdings

The Resona Group has prepared its Group Risk Management Policy, which states its basic risk management policies. In addition, we have formed a division for corporate risk management and risk management divisions for each type of risk. The roles of these divisions include monitoring the levels of risk incurred by Group banks and providing guidance and advice.

● Group Banks

Based on the Group Risk Management Policy, each member of the Group has established its own risk management policies suited to the nature of its exposure to risks and its activities.

In addition, each of the Group banks has created corporate risk management divisions as well as risk management divisions for each type of risk. In line with the policies and guidance provided by Resona Holdings, each of the Group banks manages risk taking into account the nature of its activities and the level of risk it takes. Moreover, when deciding on major issues related to risk management, Group banks confer with Resona Holdings in advance and periodically provide reports on risk volumes and related matters.

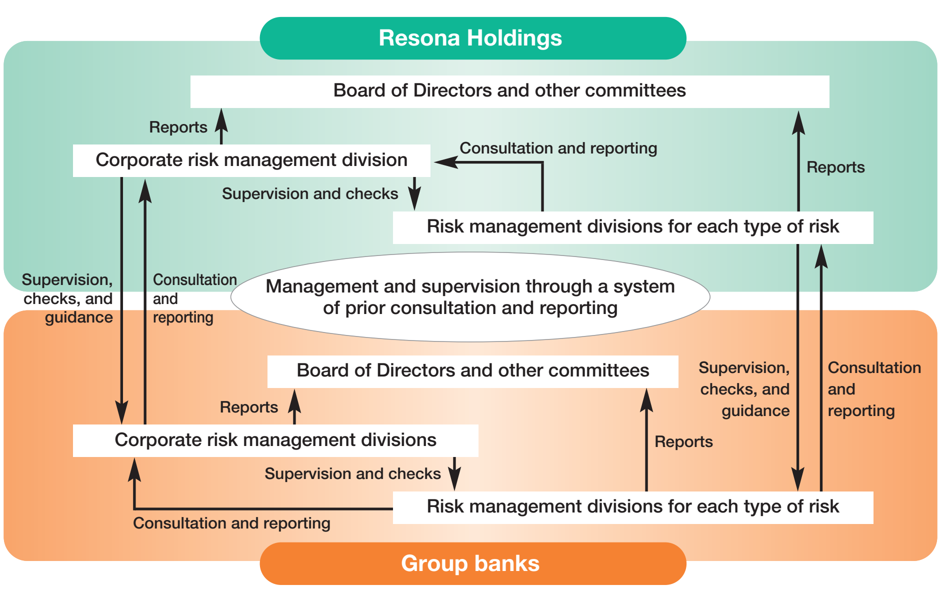
Credit Risk Management

Basic Policies

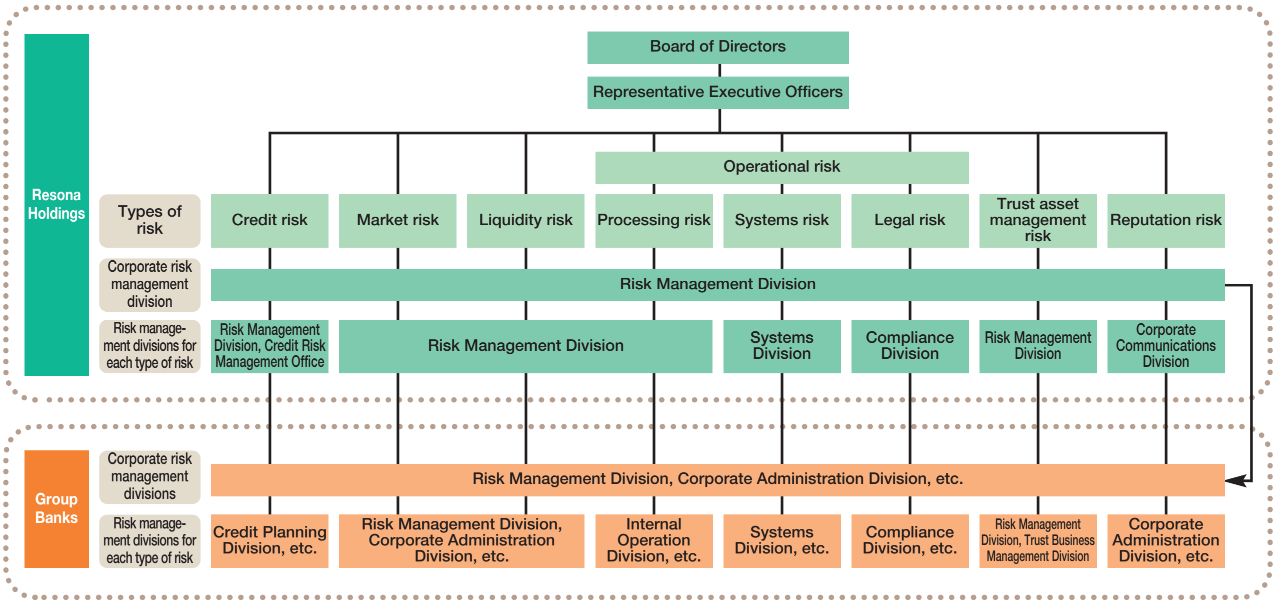
Credit risk is the most important type of risk that arises in banking operations. According to the Group's definition, "credit risk arises when the value of assets declines or is destroyed as a result of the deterioration of the financial position of obligors."

Resona Holdings has prepared the Group Risk Management Policy, which sets forth the basic approach of the Group toward risk management. In addition, in December 2003, the Group issued its Group Credit Policy, which states a standard set of basic principles for

● Relationships between Resona Holdings and Group Banks



● **Outline of Group Risk Management Systems**



credit management for the Group as a whole. With these policies as a basis, members of the Group are continuing to enhance their credit risk management systems.

In reviewing and analyzing the developments that led to the need for a major infusion of public funds, we have concluded that the Group's approach to managing credit risk for individual borrowers was inadequate and that there were excessive concentrations of risk in particular borrowers and in industries. Accordingly, the Group Credit Policy returns to basic principles and places top priority on the concepts of "credit analysis" and "credit portfolio management" based on the dispersal of risk.

In the credit analysis and approval process, Group banks assess the creditworthiness of borrowers based on credit rating and self-assessment systems. In addition, when credit applications are considered, Group banks look into borrowers' plans for the usage of funds, how they will be repaid, and other related issues to determine the appropriateness of approving loan requests.

Moreover, Group banks endeavor to build high quality loan portfolios by exercising caution to disperse risk through the strict observance of credit ceilings and obtaining sufficient loan spreads to cover risk.

Market Risk

Basic Policies

Market risk is the risk of losses arising when the value of assets held declines owing to fluctuations in short- and long-term interest rates, prices of bonds and stocks, foreign currency exchange rates, and other asset prices. Market risk also includes the risk of losses arising from fluctuations in interest rates owing to the differences in contractual interest rate periods, times of contracts, or the base rates that are applicable to certain assets and liabilities.

Market risk is managed by computing positions, value at risk (VaR), profit/loss, and other measures and then setting limits for these measures.

The Group holds the view that the risk of fluctuations in stock prices is one of the major risks it must manage. Based on this awareness, the Group is taking steps to reduce its holdings of stocks held for client relationship purposes. Through March 31, 2005, the Group is on target for achieving reductions in equity holdings (For the Group as a whole, ¥400 billion, and for Resona Bank, ¥300 billion).

Resona Holdings provides Group banks with guidance and advice in order for them to set their respective market risk limits and examines the appropriateness of their market risk policies and regulations. In addition, Resona Holdings is responsible for monitoring and supervising the Group banks' VaR, risk positions, and other indicators, including profit and loss on market transactions and their adherence to the various predetermined risk limits, and for reporting on these matters to management.

Each of the banks of the Resona Group is responsible for clarifying the positioning of their market-related operations and for maintaining and upgrading risk management systems that are appropriate to the size and characteristics of their operations. Group banks adopt a mutual checking system by establishing a middle office, which is responsible for risk management and independent from front and back offices executing and supervising transactions. The middle office monitors VaR, risk positions, and other indicators, while collecting information on profit and loss on market transactions as well as compliance with various risk limits, and reports to management on these matters.

Liquidity Risk

Liquidity risk is the risk of loss arising when necessary liquidity cannot be obtained and cash needed for the conduct of operations is unavailable because of a deterioration in financial position and other circumstances. Liquidity risk also applies to situations where losses are incurred because of the need to borrow funds at substantially higher interest rates than during a normal period.

The Group is aware that liquidity risk is one of the most basic and important risks for management systems as a whole. Accordingly, the Group manages risk by preparing estimates of cash inflow and cash outflow in advance of the implementation of business strategies. When preparing strategies and goals, the Group banks give full attention to liquidity risk, and operations are conducted in accord with cash positions.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk is defined to include the following three types of risk: processing, systems, and legal risk.

Processing Risk

Processing risk is the risk of loss arising from failures in processing due to mistakes, negligence, accidents, or fraud by Directors and other personnel.

The Group is engaged in continuing efforts to improve its processing activities through simplification, centralization, and systems improvements. In addition, the Group is working to enhance its educational and training programs in this area, while creating management systems for outsourcing certain processing operations.

Moreover, the Group periodically monitors the occurrence of processing errors and misconduct and, after conducting comprehensive analyses of the causes and nature of these risks, uses the results to prevent recurrences of such issues and reduce processing risk.

Systems Risk

Systems risk is the risk of loss arising when computer systems fail, function improperly, or are defective. This type of risk also includes losses arising when computer systems are used improperly.

The Resona Group does not perceive systems risk as simply a technical issue but is fully aware of the impact on society and consequences for management if systems-related problems occur. For this reason, the holding company and Group banks work to minimize systems risk by establishing standardized policies to prevent failure errors as well as the improper use of computer and other systems. In addition, the Group prepares and updates contingency plans to deal with systems failure, with the aim of minimizing systems risk.

Moreover, as the Group works to secure the smooth integration of systems of its member companies, it is developing crisis management systems to deal with unexpected situations and implementing measures to strengthen its management systems to lessen systems risk.

Legal Risk

Legal risk is the risk of loss when laws and legal contracts are violated or breached, when improper contracts are concluded, and when other adverse circumstances arise for legal reasons.

The Resona Group is aware that legal risks are inherent in all of its operations and conducts its activities in strict compliance with laws and regulations. The Group's risk management divisions conduct checks to confirm legal compliance and, through systematic legal training and the provision of guidance and advice, work to avoid and minimize the emergence of legal risks.

Risk management divisions are responsible for compiling information on litigation and other legal matters to maintain an accurate understanding of the legal risks the Group confronts and for strengthening legal risk management systems.

Management Risk Related to Assets in Trust

Management risk related to assets placed in trust with the Group arises when, in the course of managing these assets, circumstances arise as a result of failure of the Group to perform its duties faithfully and with utmost attention that ultimately results in losses, or the loss of potential profit, for customers that may be recognized as the fault of the Group now or at some future time.

The Group endeavors to fulfill its fiduciary responsibilities to trust beneficiaries through proper asset management that best serves the interests of beneficiaries by creating management systems that will enable the proper understanding and management of various risks. These include, but are not limited to, market risk, credit risk, liquidity risk, and operational risk.

Reputation Risk

Reputation risk arises when a bank's reputation is damaged due to the content of media reports, rumors in the market, and other circumstances or problems that may affect its reputation. Because of potential links between reputation risk and other forms of risk, it may involve unexpectedly serious economic damage depending on how it is managed. Accordingly, it ranks high in importance among various risk factors. The Group works to prevent the emergence of reputation risk through its public relations and investor relations, which are intended to inform society at large, customers, and shareholders about its operations and gain their understanding and trust.

Resona Holdings has established channels for receiving reports on information from Group companies regarding information that may have a material impact on the Group's management and thus might give rise to reputation risk. By managing this information on a centralized basis, Resona Holdings is creating appropriate systems for taking measures quickly when appropriate.

Crisis Management

Crisis management involves, first, analyzing the causes and lessons to be learned from previous crises and developing as well as implementing measures at all times to prevent the recurrence of such contingencies, while making preparations to respond effectively and minimize damage from any crises that may occur.

Based on the Group's crisis management policies, Resona Holdings prepares contingency plans for dealing with a range of possible crisis situations, including natural disasters, terrorism, system failures, deterioration in liquidity position, and the spreading of negative rumors.

Responding to Basel II Regulations

The Basel Committee on Banking Supervision of the Bank for International Settlements has been considering the Basel II regulations (so-called "new BIS regulations"), and, currently, the monetary authorities and individual financial institutions are making preparations to comply with these new requirements.

The Basel II Framework sets out the details for adopting more risk-sensitive minimum capital requirements for banking organizations. The new framework reinforces these risk-sensitive requirements by laying out principles for banks to assess the adequacy of their capital and for supervisors to review such assessments to ensure banks have adequate capital to support their risks. It also seeks to strengthen market discipline by enhancing transparency in banks' financial reporting. Since the regulations will be founded on these three pillars, the basic concept will be to maintain the stability and soundness of the financial system. For this reason, the new regulations better reflect the content of risks that banks must deal with and allow banks to monitor their individual risk conditions and management methods, then select the methods for computing the level of capital they need.

The Group believes that responding proactively to Basel II will contribute to increasing the sophistication of its risk management systems and is moving forward with improvements in methods of computation and management not only for credit risk, which has been the focus of regulations to date, but also for operational risk, which will be covered in the new regulations.

The Resona Group's CSR Management

The basic elements of the Group's CSR management are contained in its *Corporate Mission* and *Resona Way (Resona Group Corporate Promises)*. In brief, for the Group to be accepted by society and realize sustainable growth, it must maintain the support of all stakeholders and place a high value on "the trust of its customers," "relationships with shareholders," "ties with society," and "the humanity of its personnel," as outlined in the *Corporate Mission* and *Resona Way*.

Based on this philosophy, a Group CSR Committee has been formed with the mission of putting CSR management into practice. The committee is headed by the chairman of Resona Holdings, and members are the presidents of Resona Holdings and Group banks.

Customers and Resona

Being the Bank Customers Like the Best

To become the bank of choice among customers, the Group has set the goal of "being the bank customers like the best" and is working to provide services that feature both "speed" and "fine attunement" to customer needs. Thus far, we have taken a number of initiatives to better meet customer requirements, including a campaign to reduce customers' waiting time to zero and extending business hours at our branches. Going forward, we intend to place a high value on "hospitality," which we believe is one of the key aspects of businesses in the service industry, and respond to customer needs by offering sincere and conscientious services with a personal touch.

Group Management Discussion Forum

To help the Resona Group better focus on the communities it serves and maintain transparent management, a Group Management Discussion Forum was created in December 2004 to provide advice to the Representative Directors of Resona Holdings. Members are drawn from the management of leading customer enterprises operating in regional communities that Resona Group banks serve. Two meetings have been held thus far, and members have engaged in lively discussions, providing management advice to the Group and deepening their understanding of management policies.

Services Improvement Division (Office)

To accelerate the Group's evolution toward providing financial services that are customer-driven and locally inspired, the Resona Bank, Saitama Resona Bank, and Kinki Osaka Bank newly formed the Services Improvement Division (Office) at each respective bank in April 2005. These divisions will operate across the organizational lines of the three banks and will have the responsibility for formulating plans for improving service quality, increasing customer satisfaction (CS), and working to infuse a spirit of hospitality into banking services.

Shareholders and Resona

Disclosure Policy and Disclosure Committee

In view of the groundswell toward winning the trust of investors and attaining greater transparency in securities markets, the Resona Group has prepared a basic policy for disclosure, entitled *Resona Group Disclosure Guidelines*, with the objective of promoting proper disclosure practices. In addition, to provide a forum for the discussion of the entire disclosure process, a Disclosure Committee has been created within Resona Holdings.

Proactive Disclosure

The Group goes beyond the mandatory disclosure items set forth in the timely disclosure rules of the stock exchanges and provides shareholders, investors, and customers with timely and up-to-date management information through a wide range of media. These disclosure activities include briefings and press conferences conducted by the top management of the Group and a full program of investor relations activities.

Corporate Governance Score Received

To continue to enhance the quality of the Group's corporate governance, Resona Holdings became the first banking institution in Japan to receive a corporate governance score* from Standard & Poor's, which is recognized for the impartiality of its governance evaluations. The overall score received was +6. The Group is committed to continuing to improve and increase the quality of its corporate governance.

* Corporate governance scores are based on Standard & Poor's evaluation of the extent to which corporations being rated are clearly contributing to the profit of parties that have a financial interest in them and whether they adopt and observe corporate governance rules and guidelines that are clearly superior in content.

Society and Resona

Training Sessions in Finance and Economics for Children

Against a background of trends toward families with fewer children, demographic aging of the population, and little prospects for a return of high economic growth, it has become increasingly important for children to learn the basics of life and finance at an early stage. Things they need to know include the rules for financial transactions and the background for choosing financial products and services.

The Resona Group is planning to take the initiative in providing training sessions in finance and economics for the younger generations. Through the theme of training in finance and economics, which is so close to everyday life, the Group will make information available and engage in activities to contribute to society, with the aim of winning the strongest support of the local areas and customers as a community-oriented bank group.

Testamentary Trusts and Liquidation of Inheritance Property Services

To substantially expand services for customers and make contributions to society, in the field of private banking services, Resona Bank has concluded tie-ups with the Japan Guide-Dog Association, Japan UNICEF Association, the Ecosystem Conservation Society, the Association of National Trusts in Japan, and other groups. Under these tie-ups, these various associations introduce persons interested in making contributions to Resona Bank, which, in turn, offers them advice and provides them testamentary trusts and the liquidation of inheritance property services at preferential rates. In addition, Resona Bank offers preferential rates for testamentary trusts and the liquidation of inheritance property services to its customers who make donations to these associations.

These services allow the Resona Bank to make wider use of its know-how, network, and other resources in the field of private banking to respond to customers' requests for "making socially meaningful use" of their assets.

The Resona Foundation for Asia and Oceania

Since its founding in 1989, the Resona Foundation for Asia and Oceania has provided assistance for individual and joint research in Asia and Oceania that helps to deepen mutual understanding among the countries in these regions and contributes to international interchange. Activities include sponsorship and other activities related to international conferences and symposia. The results of research to date have been published as research papers and presented in academic journals.

Group Employees and Resona

Internal Opportunity Announcements

Resona offers two systems for announcing internal opportunities, the Post Challenge System and the Career Entry System. The Post Challenge System is intended to select personnel who are most suited to specific job opportunities because of their knowledge and background as well as their high degree of motivation. Specific examples include the selection of members of the Resona Revitalization Project Team, which was involved in implementing many reforms related to Resona's revitalization, and the selection of CS Advisors, who are responsible for training personnel who are taking the lead in improving customer services. The Career Entry System enables Group personnel to select and enter their next jobs and training courses, based on their own career development desires. This system offers a broad range of choices from among Head Office positions and short-term training opportunities. In addition, beginning in 2005, the Group has introduced a new Free Agent (FA) System. By using points gained along with good performance as an FA, personnel are offered the opportunity to move to the type of work, department, or other job venue they desire and thus provides chances for self-fulfillment.

Resona Women's Council

The Resona Women's Council was formed in April 2005 as an advisory group to management to assist them in taking proactive steps to enable the women of the Group to use their capabilities to the fullest. The council has 15 members who are already active in the Group. The council's suggestions thus far to management and the Group personnel departments have included systems and other frameworks for encouraging the appointment of women to various positions. The council is aiming to conduct a wide range of activities, including the formation of a women's network within the Group. For the time being, council activities are scheduled to include holding its monthly meeting, conducting opinion surveys (through questionnaires and other means) among women employees, and conducting activities at the working group level. Through these activities, the council will aim to promote the evolution of the workplace from one led primarily by men to one where women also play an active role, with the goal of creating a corporate culture where capable personnel, regardless of gender, are assigned to positions befitting their talents.

Opportunities for External Personnel

Beginning in October 2004, the Group began to recruit personnel from outside for career positions, with the objective of reforming the Group's culture. To return to the basics of the service business and offer truly useful services to customers, the Group recruited staff from a broad spectrum of industries for positions in the Head Office and branches. We were pleased to have many persons apply for positions who were especially impressed by the Group's goal of "being the bank customers like the best" and were able to employ persons from many industries, including not only finance but also manufacturing, retailing, construction, real estate, and other services. In recruiting these personnel, the Group looks for people who can show creativity by putting their knowledge into action, have communication skills that allow them to work well in teams and bring people together, and have the ability to coordinate and bring a range of ideas to focus on a single objective. The Group intends to continue to search for people from outside who have the three Cs of creativity, communication, and coordination.

Observation Tours of the Resona Head Offices

To help Group personnel, including contract employees, and their families have a better idea of what Resona stands for and what it is like to work for Resona, we organized observation tours of our Tokyo Head Office in August 2004 and a similar tour of our Osaka Head Office in December 2004. This is the first time we have offered tours of this kind, and, on the days of the tours a total of 2,500 staff and their families visited the respective head offices. Participants included not only Head Office personnel but also directors, personnel and staff from branches, and their families. To make the events more memorable and lively, integral parts of the tours included stamping the invitations of participants with the seals of various departments they visited and a chairman's interview conducted by children.

Business Risk Factors

The risk factors that may influence the management performance, stock price, and financial position of the Resona Group and therefore may have a material influence on decisions of investors are described in the following paragraphs.

Based on the Group's awareness of the possibility of these risks arising, appropriate measures are being taken to avoid and prevent the emergence of such risks.

Please note that forward-looking statements contained in this section on business risk factors are based on judgments made by the Group at the end of the fiscal year under review.

(1) Risks of Non-Performing Loans (NPLs)

Regarding NPLs, the Group has made sufficient financial provisions through its continuing activities to provide assistance to relevant client companies and secure an early revitalization of their activities as well as making thorough arrangements to clean NPLs from the balance sheets. Along with these measures, the Group is continuing to strengthen its credit risk management, including measures to monitor and prevent deterioration in the credit standing of problem borrowers as well as disperse risk.

However, there is a risk that—depending on future trends in the domestic economy, fluctuations in real estate and stock prices, and changes in the management condition of borrowers—the Group may have to make loan write-offs and provisions larger than is currently expected. This would have a detrimental effect on the Group's performance, financial position, and its shareholders' equity.

(a) Deterioration in Conditions of Borrowers

As a result of the substantial reduction in NPLs during the Group's Intensive Revitalization Period, the Group attained the goal, set by the Japanese government in the Financial Revitalization Program and other documents, of reducing the ratio of NPLs to half the former level. As a result, the soundness of the Group's credit portfolio has improved significantly, as evidenced by the decline in the ratio of NPLs to total loans and bills discounted to 3.39% as of March 31, 2005, and other indicators. However, the Group has a balance of claims disclosed under the criteria of the Financial Reconstruction Law of ¥918.8 billion (the total for the Group's four banking subsidiaries), and there are latent risks that certain claims now classified as Normal may become non-performing. Accordingly, the Group is conducting accurate self-assessments and is making appropriate write-offs and additions to reserves.

However, the Group's exposure includes loans to certain large borrowers in industries showing lackluster performance, such as real estate, construction, non-bank financial services, and wholesale/retailing. The Group's exposure also includes the claims to those borrowers who have received financial assistance from their correspondent banks, such as forfeiture of claims, debt-equity swaps, and the subscription of shares for a capital increase to facilitate their restructuring efforts. The operating environment for such borrowers may change as a result of trends in economic conditions and changes in the policies of their principal financial institutions. As a result, these borrowers may request additional financial assistance, the number of borrowers experiencing deterioration in credit standing may increase, and other adverse developments may occur. These circumstances may have an impact on the Group's balance of NPLs and the level of its credit costs.

In addition, the Group's credit portfolio includes a relatively high percentage of loans to small and medium-sized enterprises (SMEs) and loans to individuals, principally owner-occupied housing loans. The risk of these loans is widely dispersed among a large number of borrowers, but, depending on domestic economic trends, there is a possibility that the Group's NPLs and credit costs may exceed the expected levels. Moreover, in the event that interest rates increase, the number of borrowers who are unable to make higher interest payments may rise, thus giving rise to the possibility that the Group's NPLs and credit costs may increase.

(b) Condition of Loan Loss Reserves

In making write-offs and provisions, the Group makes strict evaluations of collateral, under the assumption that the collateral will actually be sold in the market. However, depending on future fluctuations in real estate and stock prices, there is a risk that the levels of NPLs and credit costs may increase.

(c) Increase in Bankruptcies due to Deterioration in Local Economies

The Group's principal bases of operations are the Kanto metropolitan area, centered on the metropolis of Tokyo and Saitama Prefecture, and the Kansai metropolitan area, centered around the city of Osaka. These two areas account for a high percentage of the Group's credit portfolio. If economic conditions deteriorate in these areas, there is a possibility that the Group's NPLs and credit costs may rise, as a result of an increase in the number of bankruptcies, a decline in the value of collateral, and other adverse circumstances.

In addition, because of the prolonged lackluster economic conditions and other factors, the performances of public-sector enterprises with private participation and public-sector enterprises have shown signs of rising instability. Depending on future trends, there is a possibility that the Group's NPLs and credit costs arising from exposure to these enterprises may increase. Moreover, as a result of the deterioration in local economies, there is a risk that the financial position of local credit guarantee associations may decline. If the impact of this decline is substantial, it is possible that this would present an obstacle to the Group's efforts to deal with NPLs because of delays in receiving compensation under guarantees provided to the Group by these associations. There is also a possibility that the Group's costs would rise because of the need for higher contributions from the Group to support these associations.

(d) Increase in Credit Costs Accompanying Resolution of the NPL Issue

During the Intensive Revitalization Period, the Group was able to make major reductions in its NPLs, but, to maintain and increase the soundness of its credit portfolio, the Group will continue to take early steps to restructure and support its customers and take rapid measures to dispose of NPLs. The Group makes appropriate write-offs and provisions, but, in the course of revitalizing certain customers and disposing of NPLs, credit losses may exceed provisions, thus giving rise to additional losses. As a result, there is a possibility that credit costs may increase.

(2) Market Operations Risk

The members of the Group handle financial products whose value is influenced by movements in market indicators, including long- and short-term interest rates, bond yields, foreign currency rates, and stock prices. In particular, the Group has major investments in bonds, principally Japanese government bonds (JGBs). In addition, the Group may be exposed to risk arising from the gap between long-term and short-term interest rates that may occur when there are differences between the timing of changes in deposit and lending rates as well as other interest rates. To manage this risk, the Group has established strict risk management systems, including setting risk position limits that take into account computations of value at risk (VaR), which are based on historical data on market fluctuations and calculated using statistical techniques. As deemed necessary, the Group sells from and restructures its bond portfolio, uses derivatives and other risk hedging techniques, and adopts other risk control measures.

Nevertheless, when market fluctuations substantially exceed the forecast range, due to changes in monetary policy, market trends, or other factors, and especially in the case of sharp rises in interest rates, the value of bond holdings may decline significantly more than anticipated, leading to unexpectedly large losses. Under these circumstances, there is a possibility that the Group's performance and financial condition will be seriously affected.

(3) Funding and Liquidity Risks

To maintain stability in cash inflow and outflow, the Group takes appropriate measures, including the setting of upper limits to restrain excessive dependence on market funding and short-term borrowings and monitoring trends in deposits and loans as well as movements in the market environment. In addition, with the placing of limits on government bank deposit guarantees, beginning in April 2005, the Group is aware of the greater susceptibility of trends in deposits and other financial flows to a wide range of developments. Accordingly, the Group is working to proactively disclose information related to management matters to promote a better understanding of the Group's condition and activities among its customers.

Nevertheless, when major uncertainties emerge regarding the financial system and Japan's financial institutions, including the Group, and rumors regarding the Group are spread with ill intent, there is a possibility that the Group may experience liquidity difficulties and may be obliged to raise funds at much higher interest rates than in normal times, may encounter difficulty in securing sufficient funds from the markets, and may experience larger-than-expected withdrawals of customer deposits. As a result of such circumstances, the Group may experience deterioration in its performance and financial position.

(4) Risk of Declines in Stock Prices

For the Group to eliminate the potential impact of stock price declines on its performance and fully establish a sustainable earnings base, the Group reduced its holdings of stocks for relationship purposes to less than ¥400 billion by March 31, 2005, and took other measures to reduce the risk of stock price declines to the greatest extent possible. In addition, the Group reported an evaluation gain on the value of its stock portfolio on a consolidated basis for the fiscal year under review.

However, during times of extreme fluctuations in stock prices, there is a possibility that the performance and financial position of the Group may be adversely impacted by impairment and evaluation losses on its stockholdings.

(5) Risk of Impairment of Fixed Assets

The Group introduced fixed asset impairment accounting standards, which became obligatory in fiscal 2005, in its fiscal 2003 financial statements, with the goals of increasing the transparency of its management and enhancing its financial capabilities for responding to changes in the external environment.

However, there is a possibility that further reductions in the book value of fixed assets may be necessary, depending on trends in the economic environment, changes in real estate prices, and other factors, and this may have an adverse impact on the Group's performance and financial position.

(6) Operational Risk

In addition to banking operations that include deposits, exchanges, loans, and other services, the Group offers a wide range of trust, investment, asset management, and other services. In conducting this diverse range of activities, the Group may be exposed to operational risk when management and staff fail to conduct their operations accurately and when accidents and improper conduct occur. To prevent operational risk, the Group is implementing measures to simplify, centralize, and systematize operating processes and clerical procedures, while also continuing its educational and training activities. Moreover, the Group is upgrading its systems for subcontracting and supervising certain operations.

Additionally, the Group identifies operational errors and unethical behavior and analyzes comprehensively where operational risk may be found, its causes, and its characteristics as well as makes use of the findings of this analysis in developing policies for preventing the recurrence and lessening the impact of such issues.

Nevertheless, despite these countermeasures, if major operational risks arise, there is a possibility such risks may have a detrimental impact on the Group's performance and financial position.

(7) Risk of Operational Disruptions Arising from System Disruptions and Other Contingencies

The Group regards system risk—manifested by disruptions, breakdowns, and improper conduct—as more than a technical issue and is fully aware that the emergence of such problems may have an impact on society as a whole, and this risk may have a serious detrimental effect on its operations. Based on this awareness, the Group has prepared risk management standards in the form of measures to prevent disruptions and breakdowns as well as improper and unethical usage of systems. The Group has also prepared contingency plans to deal with system disruptions and is working to minimize the impact of system risk.

Moreover, certain of the Group's banking subsidiaries will implement step-by-step integration of their systems beginning in May 2005 (a part of such integration also planned in January 2006 accompanying the scheduled merger of certain subsidiaries). To implement these integration projects, the Group formed a management structure giving overall responsibility to a representative executive officer for project implementation.

Also, to prepare for unexpected computer system failures and such problems as inaccurate operations that might occur around the time of the systems integration, the Group has formed a Systems Integration Committee headed by the Representative Executive Officers of the Group, which will have responsibility for creating the appropriate systems for managing this transition, monitoring progress, and taking quick and appropriate action when needed.

However, despite all these various measures, if a major disruption of systems occurs that leads to a breakdown in customer services, there is a possibility that this may have an adverse impact on the Group's customer base and thereby have a detrimental effect on the Group's performance and financial position.

(8) Legal Risk

The Group implements the centralized supervision and management of lawsuits and aims to restrain Group legal risk to the maximum extent possible. At present, no legal actions have been brought against the Group that would have a material impact on its operations.

However, if, in the course of operations, major damage suits are brought against the Group going forward, depending on the outcome, there is a possibility that such legal actions may have an adverse impact on the Group's performance and financial position.

(9) Risk of Information Leakage

The Group handles a vast amount of information, including data on its customers. To store and manage this information, the Group has prepared policies and rules for information management and implements staff training and system security measures.

Nevertheless, in the event that customer data is leaked from the Group or subcontractors serving the Group because of human error, improper conduct, or for other reasons, the Group may be subject to damage suits, and the conditions for operations may deteriorate because of the decline in or loss of public confidence. In such cases, the Group's performance and financial position may suffer.

Going forward, another possible risk is that the costs of security measures to prevent the risk of information leakage will lead to an increase in costs.

(10) Risk of Operational Difficulties due to Disasters and Other Circumstances

The Group maintains branches, computer centers, and other facilities in Japan and overseas. To ensure the continued, stable operation of these facilities, the Group takes steps to upgrade the buildings, equipment, and other aspects of these facilities as well as works to monitor their age and properly maintain and supervise them.

However, if major disasters or criminal acts of unforeseen magnitude occur, and the Group's facilities sustain major damage, this may have a serious impact on the Group's operations, its performance, and financial position.

(11) Risk of Loss of Confidence due to the Spread of Inaccurate Stories and Rumors

Through its proactive corporate communications and investor relations programs, the Group is working to prevent the spread of inaccurate information and rumors and to win the understanding and confidence of society, customers, investors, and other stakeholders.

Notwithstanding this, as a result of the dramatic spread of the use of the communication tools as typified by the Internet, it has become much easier to spread inaccurate information and rumors that may create understanding and awareness regarding the Group among customers, investors, and others, that are not founded in fact. If this leads to a loss of confidence in the Group, then it may have a detrimental impact on the Group's performance and financial position.

(12) Risk Accompanying Business Strategy

Conditions surrounding the Group's operations have become more competitive along with deregulation and the entry of competitors from other industries. To respond to these developments, the Group is working to make the transition from being a bank to a financial services company. In addition, to meet the increasingly diverse needs of customers, the Group must have capabilities to provide financial products and services that can win in competition with those of other market participants. To this end, the Group is implementing many business strategies, including creating alliances and establishing joint businesses with other companies to strengthen its earnings power.

However, circumstances may arise where the alliances and joint businesses may not generate sufficient earnings because of changes in the economic environment and an increase in competition. As a result, the Group may be obliged to dissolve such alliances and withdraw or liquidate joint businesses, which, in turn, may result in losses. As a consequence, the Group's performance and financial position may be adversely affected.

(13) Risk of Regulatory Changes

The Group conducts its activities in compliance with relevant laws and regulations. Therefore, in the event that changes occur in government policies, laws, business practices, and their interpretations or new regulations are introduced and such developments are beyond the Group's control, they may have an adverse impact on the Group's performance and financial position.

(14) Deferred Tax Assets

The Group makes conservative estimates of its future taxable income in computing the reported value of its deferred tax assets, but this computation of deferred tax assets is based on many forecasts and assumptions, in addition to the value of future taxable income, and there is a possibility that the forecasts and assumptions may differ from actual outcomes. As a result, there is concern that this may have a detrimental effect on the Group's performance, financial position, and shareholders' equity (capital) ratio.

(15) Compensation for Trust Products with Contractual Principal Compensation Features

Resona Bank, Ltd., a subsidiary of Resona Holdings, Inc., has concluded compensation contracts covering the principal amount of certain trust products: namely, those entrusted in certain jointly operated designated money trusts. The funds placed in these trust products are used for making loans, purchasing securities, and other investment purposes. When loans made from these trust products become impaired or investment losses arise, even if allowances for covering write-offs of claims are drawn on, if the principal entrusted in those trust accounts with contractual principal compensation features is lost, it will be necessary to make compensation payments.

In addition, although the ratio of dividends paid on a half-yearly basis to beneficiaries of jointly operated designated money trusts (the scheduled dividend rate) is reviewed every six months, if the investment environment deteriorates, the trust fees received by Resona Bank from such jointly operated designated money trusts decrease, and this may result in deterioration in the Group's performance.

(16) Retirement Benefit Obligations

An unrecognized actuarial difference may arise in the event of one or more of the following: (1) the market value of the Group's pension assets declines, (2) the rate of return on plan assets falls below the expected level, or (3) the assumptions and estimates that form the basis for calculating retirement benefit obligations change. In addition, retirement benefit obligations for employees' prior service may arise as a result of changes in the retirement and pension systems.

(17) Risks Borne by the Holding Company

Since Resona Holdings is a bank holding company, the dividends it receives from its banking subsidiaries under specified circumstances are subject to a number of regulations and contractual restrictions. Therefore, in certain cases, the amount of dividends that the banking subsidiaries can pay to the holding company may be restricted. In addition, if the subsidiaries cannot generate sufficient profit, the holding company may not receive any dividends, and the holding company, in turn, may have to suspend its dividend payments.

(18) Capital Ratio

Resona Holdings is required to maintain a consolidated capital ratio of 4% or more based on the domestic criteria and methods of computation stipulated in Ministry of Finance Notification No. 62 (1998), based on Standards for Consolidated Capital Ratios contained in Article 52-25 of Japan's Banking Law. In addition, the Company's consolidated subsidiaries—namely, Resona Bank, Saitama Resona Bank, Kinki Osaka Bank, Nara Bank, and Resona Trust & Banking—are required to maintain non-consolidated capital ratios of 4% or more based on the domestic criteria and methods of computation stipulated in the Ministry of Finance's Notification No. 55 (1993), based on Standards for Capital Ratios contained in Article 14-2 of Japan's Banking Law.

There is a possibility that the emergence of the various risks described in this section, Business Risk Factors, may be principal factors resulting in the decline of the capital ratios of the Resona Holdings and its subsidiary banks. As a result, there is a possibility that such a decline may have an adverse impact on the performance and financial position of the Group.

Moreover, capital ratio regulations applicable to the Group and its subsidiary banks are under consideration from a wide range of perspectives, and new capital ratio regulations are scheduled to be introduced in fiscal 2006. These new regulations are expected to incorporate major changes compared with previous regulations, and there is a possibility that the capital ratios of the Group and its subsidiary banks may change substantially following the introduction of the new regulations.

Since March 1998, the Group has received infusions of public funds amounting to ¥3,128.0 billion (with ¥296.4 billion invested in common stock, ¥2,531.6 billion in preferred stock, and ¥300 billion in subordinated loans). Accompanying this investment of public funds, the Group has submitted its Plan for Business Revitalization (Business Revitalization Plan) to Japan's Financial Services Agency and reports on a semiannual basis on progress toward the goals of the plan. Depending on progress under the plan, the Group may be subject to Business Reform Orders and other government orders, which may have an impact on the Group's performance and financial position.

(19) Risks Associated with Credit Ratings

Resona Holdings and certain of its banking subsidiaries receive credit ratings from various rating agencies. The Resona Group is implementing various policies to strengthen earnings power and improve its financial position, but credit ratings are assigned to the Group on the basis of information provided and information collected by the rating agencies on their own initiatives. Therefore, these ratings are constantly being reviewed by the respective agencies.

The ratings of the Resona Group and its subsidiary banks may be subject to downgrading based on the various factors, separately and in combination, described previously in this section, Business Risk Factors, and other factors, including the ratings assigned to Japanese government bonds and the evaluation of Japan's financial system as a whole.

If the Group's ratings are lowered, Group members may be confronted with a need to pay higher interest rates and may not be able to raise required funds from financial markets, thus resulting in insufficient liquidity. As a consequence of such circumstances, the conduct of operations, performance, and financial position may be adversely affected.

Report of Independent Auditors

Deloitte.

ERNST & YOUNG SHINNIHON

The Board of Directors
Resona Holdings, Inc.:

We have audited the accompanying consolidated balance sheet of Resona Holdings, Inc. (the "Company") and consolidated subsidiaries as of March 31, 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries as of March 31, 2005, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2005

Ernst & Young ShinNihon

June 28, 2005

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Report of Independent Auditors

The Board of Directors
Resona Holdings, Inc.

We have audited the accompanying consolidated balance sheet of Resona Holdings, Inc. and consolidated subsidiaries as of March 31, 2004 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resona Holdings, Inc. and consolidated subsidiaries at March 31, 2004 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted and in Japan.

As described in Note 2 to the consolidated financial statements, the transition difference at the accounting change for employees` retirement benefits of certain consolidated banking subsidiaries had been formerly amortized over mainly 10 years. However, due to decreases in the number of employees and salaries, the components of retirement benefits obligations were changed significantly from those at the time of the initial application of the accounting and the amount of the unrecognized transition difference at this interim consolidated balance sheet date did not represent substance of the obligations. Accordingly, the remaining unrecognized transition difference at the accounting change was charged to operations for the year ended March 31, 2004.

As described in Note 2 to the consolidated financial statements, the Company and consolidated subsidiaries adopted accounting standards for impairment of fixed assets for the year ended March 31, 2004.

Shin Nihon & Co.

June 25, 2004

Consolidated Balance Sheets

Resona Holdings, Inc.
Years ended March 31, 2005 and 2004

	Millions of yen		Millions of U.S. dollars (Note 1)
	2005	2004	**2005**
Assets			
Cash and due from banks (Notes 3 and 11)	**¥ 3,024,231**	¥ 2,835,040	**$ 28,161**
Call loans and bills bought (Note 4)	**667,842**	268,150	**6,218**
Deposits paid for bonds borrowing transactions	**36,608**	12,280	**340**
Monetary claims bought	**105,089**	8,339	**978**
Trading assets (Notes 5 and 11)	**708,335**	556,829	**6,595**
Money held in trust (Note 6)	**—**	70,500	**—**
Securities (Notes 6 and 11)	**7,278,662**	7,636,189	**67,777**
Loans and bills discounted (Notes 7, 11 and 12)	**25,315,798**	26,002,922	**235,737**
Foreign exchange assets (Note 8)	**80,729**	105,938	**751**
Other assets (Notes 9 and 11)	**690,929**	871,329	**6,433**
Premises and equipment (Notes 10, 11 and 18)	**452,994**	490,600	**4,218**
Deferred tax assets (Note 24)	**45,554**	52,913	**424**
Consolidation differences	**35,781**	—	**333**
Customers' liabilities for acceptances and guarantees (Note 17)	**1,762,069**	1,965,212	**16,408**
Reserve for possible loan losses	**(627,035)**	(1,020,536)	**(5,838)**
Reserve for possible losses on investments	**(14,231)**	(13,871)	**(132)**
Total Assets	**¥39,563,362**	¥39,841,837	**$368,408**
Liabilities			
Deposits (Notes 11 and 13)	**¥31,975,170**	¥32,552,004	**$297,748**
Negotiable certificates of deposit	**1,028,390**	792,966	**9,576**
Call money and bills sold (Notes 4 and 11)	**823,174**	918,143	**7,665**
Bills sold under repurchase agreements (Note 11)	**351,291**	323,085	**3,271**
Deposits received for bonds lending transactions (Note 11)	**65,069**	69,896	**605**
Trading liabilities (Note 5)	**39,073**	45,517	**363**
Borrowed money (Notes 11 and 14)	**498,464**	578,327	**4,641**
Foreign exchange liabilities (Note 8)	**9,294**	7,519	**86**
Bonds (Note 15)	**555,999**	363,159	**5,177**
Due to trust account	**393,166**	403,849	**3,661**
Other liabilities (Notes 11 and 16)	**532,661**	641,449	**4,960**
Reserve for employees' retirement benefits (Note 27)	**5,626**	9,138	**52**
Reserve for specific borrowers under support	**—**	1,925	**—**
Reserve for business restructuring	**301**	13,232	**2**
Reserve for reorganization of branch office channel	**2,932**	—	**27**
Other reserves	**0**	327	**0**
Deferred tax liabilities (Note 24)	**2,291**	314	**21**
Deferred tax liabilities on land revaluation	**45,535**	45,088	**424**
Consolidation differences	**—**	975	**—**
Acceptances and guarantees (Note 17)	**1,762,069**	1,965,212	**16,408**
Total Liabilities	**38,090,511**	38,732,132	**354,693**
Minority Interests			
Minority interests in consolidated subsidiaries	**286,387**	296,649	**2,666**
Shareholders' Equity (Note 19)			
Capital stock	**327,201**	1,288,473	**3,046**
Capital surplus	**263,492**	1,026,439	**2,453**
Retained earnings/(Accumulated deficit)	**384,839**	(1,707,754)	**3,583**
Revaluation reserve for land (Note 18)	**63,406**	65,912	**590**
Net unrealized gains on available-for-sale securities (Note 6)	**149,916**	142,275	**1,395**
Foreign currency translation adjustments	**(2,331)**	(2,089)	**(21)**
Treasury stock	**(60)**	(200)	**(0)**
Total Shareholders' Equity	**1,186,463**	813,055	**11,048**
Total Liabilities, Minority Interests and Shareholders' Equity	**¥39,563,362**	¥39,841,837	**$368,408**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Resona Holdings, Inc.
Years ended March 31, 2005 and 2004

	Millions of yen		Millions of U.S. dollars (Note 1)
	2005	2004	**2005**
Income			
Interest income (Note 20)	**¥ 601,900**	¥ 632,453	**$ 5,604**
Trust fees	**35,186**	32,763	**327**
Fees and commissions	**184,258**	184,330	**1,715**
Trading profits (Note 21)	**20,650**	24,957	**192**
Other operating income (Note 22)	**67,258**	78,410	**626**
Other income (Note 23)	**216,340**	220,242	**2,014**
Total Income	**1,125,594**	1,173,159	**10,481**
Expenses			
Interest expenses (Note 20)	**59,523**	71,177	**554**
Fees and commissions	**63,147**	64,433	**588**
Trading losses	**47**	20	**0**
Other operating expenses (Note 22)	**23,402**	42,217	**217**
General and administrative expenses	**382,081**	510,085	**3,557**
Other expenses (Note 23)	**207,861**	1,779,170	**1,935**
Total Expenses	**736,064**	2,467,103	**6,854**
Income/(loss) before income taxes and minority interests	**389,530**	(1,293,944)	**3,627**
Income taxes–current	**9,035**	7,985	**84**
Income taxes–deferred	**2,301**	357,956	**21**
Minority interests in net income	**12,600**	4,077	**117**
Net income/(loss)	**¥ 365,592**	¥(1,663,964)	**$ 3,404**

Per common share information (Note 28)	Yen		U.S. dollars
Net income/(loss) per share (basic)	**¥30.40**	¥(181.05)	**$0.28**
Net income per share (diluted)	**14.03**	—	**0.13**
Cash dividends declared per share	**—**	—	**—**

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity

Resona Holdings, Inc.
Years ended March 31, 2005 and 2004

	Issued number of shares of common stock (Thousands)	Issued number of shares of preferred stock (Thousands)	Millions of yen						
			Capital stock	Capital surplus	Retained earnings/ (Accumulated deficit)	Revaluation reserve for land	Net unrealized gains/(losses) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance as of April 1, 2003	5,653,589	1,131,310	¥ 720,499	¥ 322,713	¥ (754,826)	¥82,211	¥(28,234)	¥(9,531)	¥(21,989)
Issuance of preferred stock	—	8,317,807	980,000	980,000	—	—	—	—	—
Stock exchange between the Company and the Resona Bank, Limited, and conversion of preferred stock into common stock	5,721,480	(5,184)	—	—	—	—	—	—	—
Transfer from capital stock to cover accumulated deficit	—	—	(412,025)	40,000	372,025	—	—	—	—
Profit on sales of treasury stock	—	—	—	6,439	—	—	—	—	—
Transfer from capital surplus to cover accumulated deficit	—	—	—	(322,713)	322,713	—	—	—	—
Deconsolidation of subsidiaries	—	—	—	—	182	—	—	—	—
Merger of consolidated subsidiaries	—	—	—	—	3	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	16,110	(16,110)	—	—	—
Transfer to deferred tax liabilities on land revaluation	—	—	—	—	—	(189)	—	—	—
Net change in net unrealized gains/(losses) on available-for-sale securities	—	—	—	—	—	—	170,510	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	—	—	7,441	—
Net loss	—	—	—	—	(1,663,964)	—	—	—	—
Change in treasury stock	—	—	—	—	—	—	—	—	21,789
Balance as of March 31, 2004	11,375,069	9,443,933	¥1,288,473	¥1,026,439	¥(1,707,754)	¥65,912	¥142,275	¥(2,089)	¥ (200)
Conversion of preferred stock into common stock	40	(10)	—	—	—	—	—	—	—
Transfer from capital stock to cover accumulated deficit	—	—	(961,272)	40,000	921,272	—	—	—	—
Transfer from capital surplus to cover accumulated deficit	—	—	—	(802,628)	802,628	—	—	—	—
Loss on sales of treasury stock	—	—	—	(317)	—	—	—	—	—
Net income	—	—	—	—	365,592	—	—	—	—
Deconsolidation of subsidiaries	—	—	—	—	1,878	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	1,222	(1,222)	—	—	—
Transfer to deferred tax liabilities on land revaluation	—	—	—	—	—	(1,283)	—	—	—
Net change in net unrealized gains/(losses) on available-for-sale securities	—	—	—	—	—	—	7,641	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	—	—	(242)	—
Change in treasury stock	—	—	—	—	—	—	—	—	139
Balance as of March 31, 2005	**11,375,110**	**9,443,923**	**¥ 327,201**	**¥ 263,492**	**¥ 384,839**	**¥63,406**	**¥149,916**	**¥(2,331)**	**¥ (60)**

	Millions of U.S. dollars (Note 1)						
	Capital stock	Capital surplus	Retained earnings/ (Accumulated deficit)	Revaluation reserve for land	Net unrealized gains/(losses) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance as of March 31, 2004	$11,998	$9,558	$(15,902)	$613	$1,324	$(19)	$(1)
Conversion of preferred stock into common stock	—	—	—	—	—	—	—
Transfer from capital stock to cover accumulated deficit	(8,951)	372	8,578	—	—	—	—
Transfer from capital surplus to cover accumulated deficit	—	(7,473)	7,473	—	—	—	—
Loss on sales of treasury stock	—	(2)	—	—	—	—	—
Net income	—	—	3,404	—	—	—	—
Deconsolidation of subsidiaries	—	—	17	—	—	—	—
Reversal of revaluation reserve for land	—	—	11	(11)	—	—	—
Transfer to deferred tax liabilities on land revaluation	—	—	—	(11)	—	—	—
Net change in net unrealized gains/(losses) on available-for-sale securities	—	—	—	—	71	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	(2)	—
Change in treasury stock	—	—	—	—	—	—	1
Balance as of March 31, 2005	**$ 3,046**	**$2,453**	**$ 3,583**	**$590**	**$1,395**	**$(21)**	**$(0)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Resona Holdings, Inc.
Years ended March 31, 2005 and 2004

	Millions of yen		Millions of U.S. dollars (Note 1)
	2005	2004	**2005**
Cash flows from operating activities			
Income/(loss) before income taxes and minority interests	**¥ 389,530**	¥(1,293,944)	**$ 3,627**
Adjustments for:			
Depreciation and amortization	**20,570**	74,409	**191**
Impairment losses on premises and equipment	**3,675**	27,976	**34**
Amortization of consolidation differences	**(562)**	2,849	**(5)**
Equity in earnings of investments in affiliated companies	**(452)**	(360)	**(4)**
Increase/(decrease) in reserve for possible loan losses	**(392,485)**	239,243	**(3,654)**
Increase in reserve for possible losses on investments	**360**	14,107	**3**
Decrease in reserve for possible losses on loans sold	**—**	(10,115)	**—**
Increase/(decrease) in reserve for specific borrowers under support	**(1,925)**	1,925	**(17)**
Increase/(decrease) in reserve for business restructuring	**(12,931)**	13,232	**(120)**
Decrease in reserve for employees' bonuses	**—**	(8,112)	**—**
Decrease in reserve for employees' retirement benefits	**(3,330)**	(1,314)	**(31)**
Interest income	**(601,900)**	(632,453)	**(5,604)**
Interest expenses	**59,523**	71,177	**554**
Net gains on securities	**(115,981)**	(87,269)	**(1,079)**
Net gains on money held in trust	**(15)**	(406)	**(0)**
Net foreign exchange (gains)/losses	**(18,366)**	13,094	**(171)**
Net losses on sales of premises and equipment	**206**	14,631	**1**
Net increase in trading assets	**(169,823)**	(44,099)	**(1,581)**
Net increase/(decrease) in trading liabilities	**(22,439)**	21,313	**(208)**
Net decrease in loans and bills discounted	**684,407**	3,076,797	**6,373**
Net decrease in deposits	**(576,833)**	(2,329,987)	**(5,371)**
Net increase in negotiable certificates of deposit	**235,423**	364,299	**2,192**
Net increase/(decrease) in borrowed money (excluding subordinated borrowed money)	**(80,682)**	152,311	**(751)**
Net increase in due from banks (excluding those deposited with the Bank of Japan)	**(140,869)**	(65,031)	**(1,311)**
Net increase in call loans, bills bought and monetary claims bought	**(496,442)**	(151,682)	**(4,622)**
Net increase in deposits paid for bonds borrowing transactions	**(31,957)**	(5,931)	**(297)**
Net decrease in call money, bills sold and bills sold under repurchase agreements	**(66,763)**	(1,079,859)	**(621)**
Net decrease in commercial paper	**—**	(6,000)	**—**
Net increase/(decrease) in deposits received for bonds lending transactions	**(4,827)**	37,932	**(44)**
Net decrease in foreign exchange assets	**25,208**	75,534	**234**
Net increase/(decrease) in foreign exchange liabilities	**1,774**	(146)	**16**
Net increase in bonds issued	**80,000**	—	**744**
Net increase/(decrease) in due to trust account	**(10,682)**	136,248	**(99)**
Interest receipts	**618,962**	637,858	**5,763**
Interest payments	**(64,488)**	(74,936)	**(600)**
Other–net	**148,067**	69,493	**1,378**
Subtotal	**(546,050)**	(747,210)	**(5,084)**
Income taxes paid	**(9,356)**	(15,123)	**(87)**
Net cash used in operating activities	**(555,407)**	(762,333)	**(5,171)**
Cash flows from investing activities			
Purchases of securities	**(14,646,059)**	(11,791,089)	**(136,381)**
Proceeds from sales of securities	**13,007,475**	10,282,205	**121,123**
Proceeds from maturity of securities	**2,079,281**	728,814	**19,361**
Payments associated with increase in money held in trust	**—**	(81,486)	**—**
Proceeds from decrease in money held in trust	**70,500**	81,842	**656**
Purchases of premises and equipment	**(9,233)**	(99,173)	**(85)**
Proceeds from sales of premises and equipment	**13,884**	52,737	**129**
Payments for purchases of equity investments in consolidated subsidiaries	**—**	(173)	**—**
Proceeds from sales of equity investments in consolidated subsidiaries	**28,951**	9,160	**269**
Net cash provided by/(used in) investing activities	**544,800**	(817,162)	**5,073**
Cash flows from financing activities			
Proceeds from subordinated borrowed money	**12,000**	—	**111**
Repayment of subordinated borrowed money	**(5,000)**	(57,000)	**(46)**
Proceeds from issuance of subordinated bonds	**160,030**	—	**1,490**
Repayment of subordinated bonds	**(51,276)**	(16,200)	**(477)**
Proceeds from issuance of stocks	**—**	1,960,000	**—**
Proceeds from issuance of subsidiary's securities to minority shareholders	**1,100**	—	**10**
Dividends paid to minority shareholders	**(2,088)**	(2,333)	**(19)**
Payments related to acquisition of treasury stock	**(10,703)**	(84)	**(99)**
Payments for acquisition of stock from minority shareholders	**(32,812)**	—	**(305)**
Proceeds from sales of treasury stock	**15**	28,320	**0**
Net cash provided by financing activities	**71,263**	1,912,702	**663**
Foreign currency translation adjustments on cash and cash equivalents	**60**	(198)	**0**
Increase in cash and cash equivalents	**60,717**	333,007	**565**
Cash and cash equivalents at beginning of the year	**2,683,520**	2,350,512	**24,988**
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	**(10)**	—	**(0)**
Increase in cash and cash equivalents due to merger of subsidiaries	**—**	0	**—**
Cash and cash equivalents at end of year (Note 3)	**¥ 2,744,227**	¥ 2,683,520	**$ 25,553**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Resona Holdings, Inc.
Years ended March 31, 2005 and 2004

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared from the accounts maintained by Resona Holdings, Inc. (the “Company”) and its consolidated subsidiaries (together, the “Group”) in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects, as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications have been made to the 2004 financial statements to conform to the classifications used in 2005. In addition, the notes to the consolidated financial statements include information, which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the readers outside Japan and has been made at the rate of ¥107.39 to U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2005. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

Amounts of less than one million yen and one million U.S. dollars have been rounded down to the nearest million in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation

Under the control or influence concept, those entities in which the Group, directly or indirectly, is able to exercise control over operations are fully consolidated, and those entities over which the Group has the ability to exercise significant influence are generally accounted for by the equity method.

Scope of consolidation

The number of consolidated subsidiaries as of March 31, 2005 and 2004 was 36 and 49, respectively. The principal subsidiaries were Resona Bank, Limited, Saitama Resona Bank, Ltd., The Kinki Osaka Bank, Ltd., The Nara Bank, Ltd. and Resona Trust & Banking Co., Ltd. Changes in the number of consolidated subsidiaries for the years ended March, 31 2005 and 2004 were as follows:

	2005	2004
At the beginning of the year	**49**	64
Increase:		
Acquisition	**—**	1
Decrease:		
Merger	**6**	6
Sales of equity	**5**	9
Liquidation	**2**	1
At the end of the year	**36**	49

Changes in consolidated subsidiaries, including mergers and deconsolidations, are recorded by adjusting the retained earnings in the period of the change. Financial statements for prior periods are not restated.

The Group excludes accounts of certain subsidiaries, because the total assets, total income, net income and retained earnings of these subsidiaries would not have had a material effect on the consolidated financial statements.

Application of the equity method

The number of affiliates accounted for by the equity method as of March 31, 2005 and 2004 was 2 and 4, respectively.

The equity method of accounting has not been applied to investments in non-consolidated subsidiaries and affiliates, including Asahi Servicos e Reprensentacoes Ltda. and Arise Capital Partners, Inc., which are immaterial in relation to the net income or loss and retained earnings of the consolidated financial statements.

The non-consolidated subsidiaries and affiliates include investment funds in the form of Toshi-Jigyo-Kumiai, an unincorporated entity similar to an investment partnership.

Fiscal year ending dates for consolidated subsidiaries

The fiscal year ending dates for the consolidated subsidiaries as of March 31, 2005 and 2004 were as follows:

	2005	2004
December 31	**5**	7
March 31	**31**	42
Total	**36**	49

All consolidated subsidiaries have been consolidated based on their accounts at their respective balance sheet dates with appropriate adjustments made for significant transactions during the period from the ending dates of the fiscal year to the date of the consolidated financial statements.

Business combination

In December 2001, the Company (formerly, Daiwa Bank Holdings, Inc.) was established as a holding company by way of stock transfers for three banks: The Daiwa Bank, Limited ("Daiwa Bank"), The Kinki Osaka Bank, Ltd. and The Nara Bank, Ltd. In March 2002, The Asahi Bank, Ltd. ("Asahi Bank") joined the Group through an exchange of shares and became a wholly owned subsidiary of the Company. The formation of the Group was accounted for mainly using the pooling-of-interests method in accordance with "Accounting for the Consolidation of the Holding Company Established by Stock Exchange or Stock Transfer," issued by the Japanese Institute of Certified Public Accountants (the "JICPA" Accounting Committee Research Report No. 6).

Consolidation difference

Assets and liabilities of consolidated subsidiaries are measured at fair value when they are first included in the scope of consolidation. The differences between the cost and underlying net equity of investments in consolidated subsidiaries are presented as consolidation differences. Consolidation differences are amortized by the straight-line method over a period of five years or if not significant, such differences are charged to operations when incurred.

Eliminations of intercompany transactions

All significant intercompany transactions, related account balances and unrealized profits and losses have been eliminated in consolidation.

Trading assets and trading liabilities

Transactions whose purposes are to earn a profit by taking advantage of short-term fluctuations or market gaps in interest rates, currency exchange rates, share prices or other market indices ("transactions for trading purposes") are included in "Trading assets" or "Trading liabilities" on the consolidated balance sheets on a trade-date basis.

Securities and monetary claims held for trading purposes are stated at fair value as of the consolidated balance sheet date. Derivatives including swaps, futures and options held for trading purposes are stated at their settlement amounts, assuming the respective contracts are settled at the consolidated balance sheet date.

Trading profits and trading losses

Profits and losses on transactions for trading purposes are included in "Trading profits" or "Trading losses" on the consolidated statements of operations on a trade-date basis.

Trading profits and trading losses include interest received and paid during the year, net changes in the valuation gains/losses on securities, monetary claims and the gains and losses on derivatives, as if the settlement has been made during the current year.

Securities

Securities other than investments in non-consolidated subsidiaries and affiliates which are accounted for by the equity method are classified and accounted for, depending on management's intent, as follows:

(i) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are reported at amortized cost (the straight-line method).

(ii) investments in non-consolidated subsidiaries and affiliates which are not accounted for by the equity method are stated at cost, with the cost of securities sold being calculated by the moving-average method.

(iii) marketable available-for-sale securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The fair values of domestic equity securities with quoted market prices are determined based on the average quoted market prices over the period of one month immediately preceding the balance sheet date. The fair values of securities other than domestic equity securities with quoted market prices are determined at the respective quoted market prices or other reasonably estimated value at the balance sheet date (the cost of securities sold is calculated by the moving-average method).

Non-marketable available-for-sale securities are stated at cost, with the cost of securities sold being calculated by the moving-average method.

Investment securities other than trading securities are written down to estimated fair value when the decline in fair value is determined to be other-than-temporary based on consideration of the severity and duration of the decline in value, the issuers' credit standing and certain other factors. Impairment losses are recognized by a charge against operations.

Securities held as assets in individually managed money trust, whose principal objective is portfolio management, are stated at fair value.

Derivatives and hedge accounting

Derivative financial instrument are classified and accounted for as follows:

(i) all derivatives other than those used for hedging purpose are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized currently in the consolidated statements of operations.

(ii) derivatives used for hedging purpose, if they meet certain hedging criteria, including high correlation and effectiveness between the hedging instruments and the hedged items, are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivatives used for hedging purposes are generally deferred over the terms of the hedged items and are charged to operations when gains and losses on the hedged item are recognized.

Net unrealized gains or losses on qualifying hedges are deferred and included in "other liabilities" or "other assets," as appropriate. Gross deferred hedge gains and losses as of March 31, 2005 and 2004 amounted to ¥46,561 million ($433 million) and ¥31,281 million ($291 million), and ¥59,271 million and ¥48,872 million, respectively.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria, requiring certain critical terms of the swaps and the hedged items to be substantially the same, are not remeasured at fair value and the interest differentials paid or received are recognized over the term of the swap agreements and netted with the interest expenses or income of the hedged transactions in the consolidated statements of operations.

Hedges of interest rate risk

Consolidated domestic banking subsidiaries apply deferral accounting to hedges of interest rate risk associated with financial assets and liabilities in accordance with the Industry Audit Committee Report No. 24, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," issued by the JICPA (the "JICPA Industry Audit Committee Report No. 24").

Under the JICPA Industry Audit Committee Report No. 24, hedges to offset changes in fair value of fixed rate instruments (such as loans or deposits) ("fair value hedges") and changes in anticipated cash flows from variable rate instruments ("cash flow hedges") are applied by grouping hedging instruments and hedged items by their maturities.

For fair value hedges, a group of hedging instruments is designated as a hedge of a group of hedged assets or liabilities which are grouped by their maturities in the same manner as the group of hedging instruments. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

For cash flow hedges, the hedging instruments and hedged items are grouped based on their index repricing dates and/or maturities. A regression analysis is employed to test the correlation between interest rate indices underlying the hedging instruments and indices underlying the hedged items to determine the effectiveness of the hedge. Hedge effectiveness is assumed and testing is not performed when the interest rate indices are the same for each of the hedging instruments and hedged items, and the repricing dates and periods are substantially identical for the hedging instruments and hedged items.

Prior to April 1, 2003, consolidated domestic banking subsidiaries applied the macro-hedge accounting for interest rate-related derivatives to manage interest rate risk from various financial assets and liabilities as a whole, in accordance with the Industry Audit Committee Report No. 15, "Provisional Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" ("JICPA Industry Audit Committee Report No. 15"). Under the macro-hedges, gains and losses on the derivatives were deferred and amortized by the straight-line method over a defined period pursuant to their internal risk management policies.

In accordance with the transitional treatment in JICPA Industry Audit Committee Report No. 24, which superseded the JICPA Industry Audit Committee Report No. 15, deferred hedge gains or losses recorded in the previous periods under macro hedges were charged to operations as interest income or expense over a period not exceeding 10 years from the fiscal year ended March 31, 2004, based on the remaining terms and notional amounts of the hedging instruments. As of March 31, 2005 and 2004, deferred hedge gains and losses on macro hedges were ¥35,380 million ($329 million) and ¥23,147 million ($215 million), and ¥61,813 million and ¥44,147 million, respectively.

Hedges of foreign currency risk

As described in "Translation of foreign currencies" below, consolidated domestic banking subsidiaries apply deferral hedge accounting to hedges of foreign currency risk associated with foreign-currency-denominated financial assets and liabilities in accordance with "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

In accordance with JICPA Industry Audit Committee Report No. 25, consolidated domestic banking subsidiaries designate certain currency swaps and foreign exchange swaps as hedges for the exposure to changes in foreign exchange rates associated with foreign-currency-denominated receivables or payables when the foreign currency positions of the hedged receivables or payables and the related accrued interest are expected to exceed the principal and related accrual on the hedging interests over the term of the hedging instruments. Hedges are assessed as effective when it is determined that an entity holds foreign currency positions corresponding to the positions of the hedged items denominated in foreign currencies.

For hedges of foreign-currency-denominated available-for-sale securities (other than bonds), deferral hedge accounting and fair value hedge accounting are adopted on a portfolio basis to hedge the foreign currency risk attributable to such securities. The hedging criteria include specific designation of the hedged securities and foreign-currency-denominated on- and off-balance sheet liability positions covering the costs of the hedged securities measured in the same foreign currencies.

Inter- and intra-company derivative transactions

For inter- and intra-company derivative transactions ("internal derivatives"), including currency and interest rate swaps, consolidated domestic banking subsidiaries recognize gains and losses on internal derivatives or defer them as assets or liabilities without elimination in accordance with the JICPA Industry Audit Committee Report No. 24 and No. 25, which permit a bank to retain the gains and losses on internal derivatives without elimination if the bank establishes and follows the strict hedging criteria for external transactions, requiring mirror-image offsetting transactions to be entered into within three business days with external parties after the designation of the internal derivatives as hedging instruments.

Depreciation

Premises and equipment

Depreciation of premises and equipment is mainly computed by the straight-line method for buildings and by the declining-balance method for equipment over the estimated useful lives. The estimated useful lives of major premises and equipment are as follows:

- Buildings: 2 to 50 years
- Equipment: 2 to 20 years

Software

Costs of software developed and obtained for internal use are capitalized and amortized by the straight-line method over the estimated useful lives (mainly 5 years).

Impairment of long-lived assets

In August 2002, the Business Accounting Deliberation Council issued Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003, the Accounting Standards Board of Japan ("ASBJ") issued ASB Guideline No. 6, " Guidance for Accounting Standards for Impairment of Fixed Assets". The Group has early adopted these new accounting pronouncements for impairment of long-lived assets and conducted a review for impairment as of March 31, 2004. As a result, the effect of this early adoption was to increase the net loss before income taxes by ¥27,976 million.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Deferred charges

Premiums and discounts on bonds are deferred and amortized by the straight-line method over the remaining period for the bonds.

Stock and bond issuance costs are charged to operation as incurred.

Dormant deposits

Certain consolidated domestic banking subsidiaries forfeit the balances of customer deposits and recognize a gain when they determine that the deposit account has been dormant for a period of more than 5 years and they are not able to identify any claimants for the balances after reasonable efforts.

For the year ended March 31, 2005, the dormant period was changed from 10 years to 5 years based on historical experience. The gain recognized under the 5 year dormant period for the year ended March 31, 2005 was ¥25,121 million ($233 million), whereas the gain recognized under the 10 year dormant period for the year ended March 31, 2004 was ¥2,854 million.

Any payouts of the deposits in response to legitimate claims after the period of forfeitures are charged to operations.

Reserve for possible loan losses

The principal consolidated subsidiaries have provided reserves for possible loan losses in accordance with their internal standards for write-offs and reserves as follows:

For claims to insolvent borrowers who are undergoing bankruptcy or special liquidation ("borrowers under bankruptcy proceedings") or who are in a substantially the same deteriorating financial condition although not yet in formal bankruptcy proceedings ("borrowers substantially in bankruptcy"), a reserve is provided at the full amount of claims after deducting any direct write-offs and excluding the amounts collectible from the disposal of collateral and the amounts recoverable from guarantees.

For claims to borrowers who are not currently in the above circumstances but with a high probability of becoming insolvent ("borrowers with high probability of becoming insolvent") or claims to borrowers with restructured loan terms ("restructured loans"), the discounted cash flow method (the "DCF method") is applied for claims in amounts exceeding the pre-established threshold. The DCF method is applied when future cash flows from the collection of principal and interest are reasonably estimable. Under the DCF method, a reserve is provided for the difference between future cash flows discounted at the original interest rate and the carrying value of the claim.

For claims to borrowers with a high probability of becoming insolvent which are not subject to the DCF method, a reserve is provided for the estimated uncollectible amounts determined by considering the amount collectible from the disposal of collateral, guarantees and the borrower.

For claims to other borrowers, a reserve is computed by using the historical loan loss rates observed for a specified period.

For claims to certain foreign borrowers, a reserve is provided for the estimated losses determined by considering the political and economic situations of the respective countries.

The operating divisions assess all claims based on the internal standards for self-assessment of asset quality. The Internal Audit Division, which is independent from the operating divisions, examines these assessments. The reserves for possible loan losses are provided based on the results of these assessments and the examination of the Internal Audit Division.

For collateralized or guaranteed claims to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy, uncollectible amounts (book value minus the amounts collectible from the disposal of collateral and guarantees) is directly written off. The amounts of write-off for the years ended March 31, 2005 and 2004 were ¥653,933 million ($6,089 million) and ¥1,116,222 million, respectively.

Other consolidated subsidiaries mainly provide a general reserve at the amounts deemed necessary based on historical loan loss experience, and a reserve for specific claims individually determined to be uncollectible.

Reserve for possible losses on investments

A reserve for possible losses on investments is provided for the estimated losses on certain non-marketable equity securities based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in fair values of the investments.

Reserve for employees' retirement benefits

The principal consolidated subsidiaries have provided for the payment of retirement benefits to employees in the amount deemed necessary based on the projected benefit obligation and the fair value of plan assets as of the balance sheet date.

Past service cost is charged to operations as it is incurred.

Unrecognized actuarial gains and losses are amortized from the next fiscal year after incurrence by the straight-line method over the average remaining service periods of eligible employees (10 to 12 years).

The difference between the projected benefit obligation and the fair value of plan assets of consolidated banking subsidiaries at accounting change ("transition difference") had been formerly amortized over mainly 10 years. However, due to decreases in the number of employees and salaries, the components of retirement benefits obligations were changed significantly from those at the time of the initial application of the accounting and the amount of the unrecognized transition difference as of September 30, 2003 did not represent substance of the obligations. Accordingly, the remaining unrecognized transition difference at the accounting change was charged to operations as of September 30, 2003. As a result, "Other assets" decreased by ¥51,754 million, and "Reserve for employees' retirement benefits" and "Loss before income taxes and minority interests" increased by ¥8,471 million and ¥60,225 million, respectively for the year ended March 31, 2004.

As a result of the enactment of the Contributed Pension Benefit Plan Law, consolidated banking subsidiaries obtained approvals from the Minister of Health, Labor and Welfare on August 29, 2003 for exemption from benefit obligations for future employee services. Consolidated banking subsidiaries applied the transitional measure as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Retirement Benefits Accounting (Interim Report)," and the retirement benefits obligation and the pension assets in relation to the entrusted government's portion were de-recognized on the date of approval for the exemption from such future obligation. As a result of the exemption, "Loss before income taxes and minority interests" increased by ¥23,850 million for the year ended March 31, 2004, and the fund assets to be provided to the government (amount corresponding to the Minimum Reserve Fund), measured as of March 31, 2004, was ¥140,934 million.

In August 2004, the Group amended its pension plans to reduce the defined benefit for certain beneficiaries. Certain of these beneficiaries elected withdrawal from the pension plan by receiving lump-sum cash settlement from the plan assets. The Group recognized a loss for the amount by which the lump-sum cash settlement exceeded the amount of the reduction of the related projected benefit obligation. The effect of this negative amendment was to decrease income before income taxes and minority interests by ¥43,456 million ($404 million) for the year ended March 31, 2005.

Reserve for specific borrowers under support

A reserve for specific borrowers under support has been provided for the expenses and losses that are reasonably estimated to have been incurred to support the specified borrowers which are in the situation of financial difficulty.

Reserve for business restructuring

A reserve for business restructuring has been provided for the expenses and losses that are reasonably estimated to have been incurred from the disposal of information systems, the renewal and integration of branch offices and the disposal of unrealized losses on securities in jointly operated money in trusts under the initiative of structural reorganization during the intensive revitalization period from April 1, 2003 to March 31, 2005.

Reserve for reorganization of branch office channel

A reserve for the reorganization of the branch office channel has been provided by certain consolidated domestic banking subsidiaries for the expenses and losses that are reasonably estimated to have been incurred from the relocation, integration and change in form of branch offices in order to reorganize and reconstruct the branch office channel, and maintain and strengthen the current base of income while achieving lower-cost operations.

Other reserves

Other reserves represents the reserve for contingent liabilities from the securities transactions required under the Securities and Exchange Law of Japan.

Translation/transaction of foreign currencies

The financial statements of foreign subsidiaries are translated into yen at the exchange rates as of the respective balance sheet dates, except for equity accounts, which are translated at historical exchange rates. Differences arising from such translations are shown as "Foreign currency translation adjustments" as a separate component of shareholders' equity.

Consolidated domestic banking subsidiaries translate foreign-currency-denominated assets and liabilities into yen primarily at the exchange rates at the balance sheet date, with the exception of investments in affiliates which are translated at historical exchange rates.

Foreign-currency-denominated assets and liabilities of other consolidated subsidiaries are translated into yen at the exchange rates at the respective balance sheet dates.

Until the year ended March 31, 2003, consolidated domestic banking subsidiaries have adopted the transitional treatment of the "Treatment in Accounting and Auditing Concerning the Accounting Treatment of Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee, Report No. 25) regarding the accounting for foreign currency transactions. Effective for the year ended March 31, 2004, consolidated domestic banking subsidiaries have applied hedge accounting to "currency swap transactions", "foreign exchange swap transactions," and similar transactions, in accordance with the standard treatment in Report No. 25, which are carried out to hedge risks of borrowing and lending in different currencies by swapping the borrowing currency for the lending currency. The description of the hedge accounting applied to these transactions is described in "Derivatives and hedge accounting" above. As a result of this accounting, consolidated domestic banking subsidiaries started recording these transactions on the consolidated balance sheets at their fair value. As a result of this change, "Trading assets," "Other assets" and "Trading liabilities" increased by ¥2,450 million, ¥5,456 million, and ¥13,143 million, respectively, and "Other liabilities" decreased by ¥5,236 million, as compared to the corresponding amount under the previous method. There was no impact on profit related to this change. The fair value of forward foreign currency exchange contracts and similar transactions are reported on the consolidated balance sheets on a gross basis in accordance with the JICPA Industry Audit Committee Report No. 25, as "Other assets–Derivatives" and "Other Liabilities–Derivatives" although they were previously stated on a net basis as "Other assets–other" or "Other Liabilities–other." As a result of this change, "Other assets" and "Other Liabilities increased by ¥7,119 million and ¥7,119 million, respectively, compared to the corresponding amounts under the previous method.

Income taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Group assesses the realizability of deferred tax assets based on consideration of the available evidence, including future taxable income, future reversal of existing temporary differences and tax planning strategies. The Group reduces the carrying amount of a deferred tax asset to the extent that it is not probable that sufficient taxable income will be available to allow the benefit of part or all of that deferred tax assets to be realized. Such reduction may be reversed to the extent that it becomes probable that sufficient taxable income will be available and warrant the realization of tax benefits.

The Company filed with the Japanese tax authorities a national income tax return under the consolidated corporate-tax system from the fiscal year beginning on April 1, 2005, which allows companies to base national income tax payments on the combined profits or losses of the Company and its wholly owned domestic subsidiaries. As of March 31, 2005, deferred taxes were measured based on the future tax benefits expected to be realized in consideration of the expected combined profits or losses of eligible companies in accordance with the consolidated corporate-tax system.

Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

Accounting for consumption tax

The Company and domestic consolidated subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method whereby receipts and payments of consumption taxes are not included in the transaction amounts, and accordingly, consumption tax amounts do not affect the measurement of profits or losses on the transaction.

Appropriations of retained earnings

Appropriations of retained earnings at the Company and consolidated subsidiaries at each year end are reflected in the consolidated financial statements for the following year upon shareholders' approval or resolution of the Board of Directors.

Cash and cash equivalents

Cash and cash equivalents generally include cash and short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash and cash equivalents on the consolidated statements of cash flows include cash and the balances due from the Bank of Japan.

Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the year, retroactively adjusted for any stock splits.

Diluted net income per share reflects the potential dilutive effect of outstanding warrants and convertible securities, which would occur if such warrants or conversion options were exercised and the securities were converted into common stock. Diluted net income per share of common stock assumes full conversion of outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance, if the securities were issued during the year) with applicable adjustments for related interest expense, net of tax, and full exercise of outstanding conversion rights. Diluted net income per share for the year ended March 31, 2005 was computed reflecting the potential dilutive effect of outstanding convertible preferred stock, which was assumed to be fully converted into common stock at the beginning of the year, with an applicable adjustment for related preferred dividends. Diluted net income per share for the year ended March 31, 2004 is not disclosed due to a loss position (anti-dilutive).

Cash dividends per share presented in the accompanying consolidated statements of operations include dividends applicable to respective fiscal years, including dividends to be paid after the end of the fiscal year.

New accounting pronouncements

Employees' retirement benefits

In March 2005, ASBJ issued Accounting Standard No. 3, "Partial Revision of Accounting Standard for Retirement Benefits" and the Accounting Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits".

This new pronouncement is effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for the year ended March 31, 2005.

The new pronouncement effectively nullified the provision in Accounting Standard for Retirement Benefits issued by the Business Accounting Council, which had prohibited income recognition for any portion of plan assets exceeding the projected benefit obligations attributable to an excess of the actual return on plan assets over the expected return and a reduction of benefit payments. The new pronouncement, however, allows income recognition for plan assets in excess of the projected benefit obligations in the same manner as the amortization of unrecognized actuarial gains and losses on the project benefit obligations in the fiscal years beginning on or after April 1, 2005.

The Group expects to adopt this pronouncement in the year beginning on April 1, 2005 and is currently in the process of assessing the effects of adoption on the financial position and results of operations.

3. CASH AND CASH EQUIVALENTS

The reconciliation between "cash and cash equivalents" in the consolidated statements of cash flows and "cash and due from banks" in the consolidated balance sheets as of March 31, 2005 and 2004 is as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Cash and due from banks	**¥3,024,231**	¥2,835,040	**$28,161**
Due from banks except for the Bank of Japan	**(280,003)**	(151,519)	**(2,607)**
Cash and cash equivalents	**¥2,744,227**	¥2,683,520	**$25,553**

The assets and liabilities of companies, which were deconsolidated in the years ended March 31, 2005 and 2004 due to the sales of their stock, were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Assets	**¥136,042**	¥341,894	**$1,266**
(Trading assets)	**8,757**	—	**81**
(Securities)	**3,252**	—	**30**
(Loans and bills discounted)	**—**	28,816	**—**
(Premises and equipment)	**2,742**	228,853	**25**
Liabilities	**(101,038)**	(325,979)	**(940)**
(Trading liabilities)	**(3,579)**	—	**(33)**
(Borrowed money)	**(6,181)**	(240,133)	**(57)**

Significant non-cash transactions were as follows:

Conversion of loans and bills discounted into the stocks of the debtor in a debt-for-equity swap transaction for the years ended March 31, 2005 and 2004 were ¥2,125 million ($19 million) and ¥55,331 million, respectively.

4. CALL LOANS AND BILLS BOUGHT/CALL MONEY AND BILLS SOLD

Call loans and bills bought as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Call loans	**¥392,142**	¥164,950	**$3,651**
Bills bought	**275,700**	103,200	**2,567**
Total	**¥667,842**	¥268,150	**$6,218**

Call money and bills sold as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Call money	**¥406,674**	¥723,543	**$3,786**
Bills sold	**416,500**	194,600	**3,878**
Total	**¥823,174**	¥918,143	**$7,665**

5. TRADING ASSETS AND TRADING LIABILITIES

Trading assets and liabilities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Trading assets:			
Trading securities	**¥ 19,937**	¥ 17,012	**$ 185**
Trading-related financial derivatives	**65,257**	54,510	**607**
Commercial paper	**623,140**	485,282	**5,802**
Other trading assets	**—**	23	**—**
Total	**¥708,335**	¥556,829	**$6,595**
Trading liabilities:			
Trading securities sold for short sales	**¥ —**	¥ 8,137	**$ —**
Trading-related financial derivatives	**39,053**	37,332	**363**
Other trading liabilities	**19**	48	**0**
Total	**¥ 39,073**	¥ 45,517	**$ 363**

6. SECURITIES

Securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Japanese government bonds	**¥3,966,592**	¥4,495,653	**$36,936**
Japanese local government bonds	**303,827**	284,901	**2,829**
Japanese corporate bonds	**1,366,721**	1,286,573	**12,726**
Japanese stocks	**858,731**	1,108,835	**7,996**
Other securities	**782,789**	460,225	**7,289**
Total	**¥7,278,662**	¥7,636,189	**$67,777**

As of March 31, 2005 and 2004, securities included equity investments in non-consolidated subsidiaries and affiliates, accounted for by the equity method or cost method, of ¥18,254 million ($169 million) and ¥17,921 million, respectively. As of March 31, 2005 and 2004, capital subscriptions to entities such as limited liability companies were ¥11,723 million ($109 million) and ¥12 million, respectively.

The carrying amounts and aggregate fair values of held-to-maturity debt securities as of March 31, 2005 and 2004, which are included in the above table, were as follows:

	Millions of yen				
	Amortized cost	Fair value	Net unrealized gains/(losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2005					
Held-to-maturity debt securities:					
Bonds:					
Japanese local government bonds	**¥73,482**	**¥74,595**	**¥1,113**	**¥1,113**	**¥—**
Japanese corporate bonds	**500**	**505**	**5**	**5**	**—**
Other	**1,899**	**1,891**	**(8)**	**39**	**47**
Total	**¥75,881**	**¥76,991**	**¥1,109**	**¥1,157**	**¥47**
As of March 31, 2004					
Held-to-maturity debt securities:					
Bonds:					
Japanese government bonds	¥ 9	¥ 9	¥ (0)	¥—	¥ 0
Japanese local government bonds	26,360	26,037	(322)	—	322
Japanese corporate bonds	500	500	0	0	—
Other	1,898	1,879	(19)	32	52
Total	¥28,769	¥28,427	¥(341)	¥32	¥374

	Millions of U.S. dollars				
	Amortized cost	Fair value	Net unrealized gains/(losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2005					
Held-to-maturity debt securities:					
Bonds:					
Japanese local government bonds	**$684**	**$694**	**$10**	**$10**	**$—**
Japanese corporate bonds	**4**	**4**	**0**	**0**	**—**
Other	**17**	**17**	**(0)**	**0**	**0**
Total	**$706**	**$716**	**$10**	**$10**	**$ 0**

The carrying amounts and aggregate fair values of available-for-sale securities as of March 31, 2005 and 2004, which are included in the above table, were as follows:

	Millions of yen				
	Amortized cost	Fair value	Net unrealized gains/(losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2005					
Available-for-sale securities:					
Japanese stocks	**¥ 399,664**	**¥ 633,508**	**¥233,843**	**¥237,929**	**¥4,085**
Bonds:					
Japanese government bonds	**3,955,852**	**3,966,592**	**10,740**	**11,288**	**548**
Japanese local government bonds	**229,040**	**230,344**	**1,304**	**1,708**	**404**
Japanese corporate bonds	**841,093**	**844,237**	**3,144**	**3,272**	**128**
Total bonds	**5,025,985**	**5,041,174**	**15,188**	**16,270**	**1,081**
Other	**784,831**	**796,058**	**11,227**	**15,093**	**3,865**
Total	**¥6,210,482**	**¥6,470,741**	**¥260,259**	**¥269,292**	**¥9,032**
As of March 31, 2004					
Available-for-sale securities:					
Japanese stocks	¥ 630,128	¥ 861,722	¥231,593	¥241,017	¥ 9,423
Bonds:					
Japanese government bonds	4,499,356	4,495,643	(3,712)	8,291	12,004
Japanese local government bonds	258,352	258,541	188	2,287	2,098
Japanese corporate bonds	906,117	907,799	1,681	2,639	957
Total bonds	5,663,827	5,661,984	(1,842)	13,218	15,061
Other	420,823	432,401	11,577	13,839	2,262
Total	¥6,714,779	¥6,956,108	¥241,328	¥268,075	¥26,746

	Millions of U.S. dollars				
	Amortized cost	Fair value	Net unrealized gains/(losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2005					
Available-for-sale securities:					
Japanese stocks	**$ 3,721**	**$ 5,899**	**$2,177**	**$2,215**	**$38**
Bonds:					
Japanese government bonds	**36,836**	**36,936**	**100**	**105**	**5**
Japanese local government bonds	**2,132**	**2,144**	**12**	**15**	**3**
Japanese corporate bonds	**7,832**	**7,861**	**29**	**30**	**1**
Total bonds	**46,801**	**46,942**	**141**	**151**	**10**
Other	**7,308**	**7,412**	**104**	**140**	**35**
Total	**$57,831**	**$60,254**	**$2,423**	**$2,507**	**$84**

For the years ended March 31, 2005 and 2004, impairment losses of ¥484 million ($4 million) and ¥50 million, respectively, were recorded with respect to available-for-sale securities. A substantial decline in fair value is determined, considering the classification of the security issuer which is used in the self-assessment of asset quality for loan loss reserving, as follows:

1) For issuers which are classified as borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, borrowers with a high probability of becoming insolvent and borrowers under monitoring: where the fair value declined by 30% or more compared to the acquisition cost.
2) Others: where the fair value declined by 50% or more compared to the acquisition cost.

Securities received under unsecured borrowing agreements or with cash collateral, and securities received under resell agreements, which were pledged to third parties as collateral as permitted under these agreements, amounted to ¥36,270 million ($337 million) and ¥4,100 million as of March 31, 2005 and 2004, respectively.

As of March 31, 2004, ¥9,683 million of loaned securities under agreements, which permit the borrowers to sell and repledge the securities, were included in "Japanese stocks" of "Securities." There were no such arrangements as of March 31, 2005.

Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses were as follows:

	Millions of yen		
	Proceeds from sales	Gross realized gains	Gross realized losses
For the year ended March 31, 2005			
Available-for-sale securities	**¥13,007,475**	**¥134,571**	**¥31,172**
For the year ended March 31, 2004			
Available-for-sale securities	¥10,282,205	¥156,004	¥70,342

	Millions of U.S. dollars		
	Proceeds from sales	Gross realized gains	Gross realized losses
For the year ended March 31, 2005			
Available-for-sale securities	**$121,123**	**$1,253**	**$290**

Securities whose fair values were not readily determinable as of March 31, 2005 and 2004, were mainly as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Held-to-maturity debt securities:			
Unlisted Japanese corporate bonds	**¥ 12,089**	¥ 7,229	**$ 112**
Negotiable certificates of deposit	**—**	4,561	**—**
Available-for-sale securities:			
Unlisted Japanese corporate bonds	**509,894**	370,544	**4,748**
Unlisted Japanese corporate stocks	**206,970**	229,121	**1,927**
Unlisted foreign securities	**20,969**	20,759	**195**

The carrying amounts of securities classified as available-for-sale by contractual maturities and held-to-maturity debt were as follows:

	Millions of yen			
	One year or less	One to five years	Five to ten years	Over ten years
As of March 31, 2005				
Bonds:				
Japanese government bonds	**¥539,742**	**¥2,510,226**	**¥179,954**	**¥736,668**
Japanese local government bonds	**3,114**	**168,103**	**132,608**	**—**
Japanese corporate bonds	**303,695**	**1,010,142**	**51,618**	**1,264**
Subtotal	**846,553**	**3,688,473**	**364,182**	**737,932**
Other	**2,620**	**204,367**	**155,529**	**185,158**
Total	**¥849,173**	**¥3,892,840**	**¥519,711**	**¥923,091**
As of March 31, 2004				
Bonds:				
Japanese government bonds	¥691,109	¥3,166,935	¥301,784	¥335,823
Japanese local government bonds	4,338	191,880	88,682	—
Japanese corporate bonds	237,549	994,202	44,277	10,544
Subtotal	932,997	4,353,019	434,744	346,368
Other	9,122	240,996	9,825	39,903
Total	¥942,119	¥4,594,015	¥444,569	¥386,271

	Millions of U.S. dollars			
	One year or less	One to five years	Five to ten years	Over ten years
As of March 31, 2005				
Bonds:				
Japanese government bonds	**$5,025**	**$23,374**	**$1,675**	**$6,859**
Japanese local government bonds	**28**	**1,565**	**1,234**	**—**
Japanese corporate bonds	**2,827**	**9,406**	**480**	**11**
Subtotal	**7,882**	**34,346**	**3,391**	**6,871**
Other	**24**	**1,903**	**1,448**	**1,724**
Total	**$7,907**	**$36,249**	**$4,839**	**$8,595**

A reconciliation of unrealized gain to "Net unrealized gains on available-for-sale securities" on the consolidated balance sheets is as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Unrealized gains	**¥260,259**	¥241,328	**$2,423**
Embedded derivative gains credited to operations	**(1,727)**	—	**(16)**
Fair-value hedge gains credited to operations	**(3,730)**	(321)	**(34)**
Deferred tax liabilities	**(103,405)**	(97,703)	**(962)**
Unrealized gains on available-for-sale securities (before adjustment)	**151,396**	143,303	**1,409**
Less Minority interests	**1,471**	1,021	**13**
Less: The Company's portion of unrealized losses of affiliates	**8**	7	**0**
Net unrealized gains on available-for-sale securities	**¥149,916**	¥142,275	**$1,395**

Money held in trust without a readily determinable fair value was stated at the acquisition cost of ¥70,500 million as of March 31, 2004.

7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Bills discounted	**¥ 297,621**	¥ 432,330	**$ 2,771**
Loans on notes	**1,762,953**	2,529,711	**16,416**
Loans on deeds	**20,424,496**	19,852,190	**190,189**
Overdrafts	**2,830,727**	3,188,689	**26,359**
Total	**¥25,315,798**	¥26,002,922	**$235,737**

The following loans were included in loans and bills discounted.

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Loans to borrowers in legal bankruptcy	**¥ 20,007**	¥ 43,566	**$ 186**
Past due loans	**486,520**	937,552	**4,530**
Loans past due 3 months or more	**25,913**	47,738	**241**
Restructured loans	**397,245**	813,271	**3,699**
Total	**¥929,688**	¥1,842,129	**$8,657**

The above amounts are stated before the deduction of reserve for possible loan losses.

"Loans to borrowers in legal bankruptcy" are nonaccrual loans which are highly probable to become unrecoverable.

Specific conditions for inclusion in this category are;

(1) borrowers have made application for procedures under the Corporate Reorganization Law, Civil Rehabilitation Law, Bankruptcy Law, liquidation under the Commercial Code, or liquidation under other legal provisions

(2) exchange of notes or bills issued by the borrower is suspended.

"Past due loans" are loans on which accrued interest income is not recognized, excluding Loans to borrowers in legal bankruptcy and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

"Loans past due 3 months or more" are loans on which the principal or interest is past due for three months or more, excluding "Loans to borrowers in legal bankruptcy" and "Past due loans."

"Restructured loans" are loans of which terms and conditions have been amended for the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "Loans to borrowers in legal bankruptcy," "Past due loans" and "Loans past due 3 months or more."

Bills discounted are recorded as lending transactions in accordance with the JICPA Industry Audit Committee Report No. 24. Consolidated banking subsidiaries have a right to sell or pledge as collateral such discounted bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, which were obtained at a discount, was ¥320,900 million ($2,988 million) and ¥469,266 million as of March 31, 2005 and 2004, respectively.

8. FOREIGN EXCHANGE ASSETS AND LIABILITIES

Foreign exchange assets and liabilities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Assets:			
Due from foreign banks	**¥22,722**	¥ 30,787	**$211**
Loans to foreign banks	**18**	0	**0**
Foreign bills of exchange bought	**23,278**	36,081	**216**
Foreign bills of exchange receivable	**34,710**	39,068	**323**
Total	**¥80,729**	¥105,938	**$751**
Liabilities:			
Due to foreign banks	**¥ 3,640**	¥ 2,704	**$ 33**
Foreign bills of exchange sold	**3,438**	3,817	**32**
Foreign bills of exchange payable	**2,214**	998	**20**
Total	**¥ 9,294**	¥ 7,519	**$ 86**

9. OTHER ASSETS

Other assets as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Prepaid expenses	**¥ 5,515**	¥ 5,816	**$ 51**
Accrued income	**78,954**	75,656	**735**
Initial margins for futures transactions	**1,890**	440	**17**
Variation margins for futures transactions	**1,820**	12	**16**
Securities in custody and other	**—**	4,595	**—**
Financial derivatives principally including option premiums and deferred hedge losses	**114,520**	129,697	**1,066**
Other	**488,228**	655,110	**4,546**
Total	**¥690,929**	¥871,329	**$6,433**

10. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Land, buildings and equipment	**¥631,254**	¥677,643	**$5,878**
Construction in progress	**465**	786	**4**
Guarantee deposit	**34,425**	48,122	**320**
Subtotal	**666,145**	726,551	**6,203**
Accumulated depreciation	**(213,150)**	(235,951)	**(1,984)**
Total	**¥452,994**	¥490,600	**$4,218**

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and debts collateralized as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Assets pledged as collateral:			
Call loans and bills bought	**¥ 25,700**	¥ —	**$ 239**
Trading assets	**351,277**	318,805	**3,271**
Securities	**3,296,598**	3,814,417	**30,697**
Loans and bills discounted	**340,667**	450,256	**3,172**
Other assets	**8**	—	**0**
Debts collateralized:			
Deposits	**81,477**	38,381	**758**
Call money and bills sold	**402,400**	613,000	**3,747**
Bills sold under repurchase agreements	**351,291**	313,087	**3,271**
Deposits received for bonds lending transactions	**65,069**	69,896	**605**
Borrowed money	**19,270**	9,625	**179**
Other liabilities	**503**	31,184	**4**

In addition to the pledged assets shown above, "Cash and due from banks," "Securities" and "Other assets," amounting to ¥921 million ($8 million), ¥726,356 million ($6,763 million) and ¥36,079 million ($335 million), respectively, were pledged as collateral for settlements of foreign exchanges, derivatives transactions or for dealing in futures as of March 31, 2005. "Cash and due from banks", "Trading assets," "Securities" and "Other assets," amounting to ¥1,158 million, ¥279 million, ¥770,160 million and ¥27,932 million, respectively, were pledged as collateral for settlements of foreign exchanges, derivatives transactions or for dealing in futures as of March 31, 2004.

"Premises and equipment" included the guarantee deposit of ¥34,425 million ($320 million) and ¥48,122 million as of March 31, 2005 and 2004, respectively.

"Other assets" included the initial margins for futures transactions in the amount of ¥1,890 million ($17 million) and ¥440 million as of March 31, 2005 and 2004, respectively.

12. COMMITMENT-LINE AGREEMENTS

Overdraft agreements and commitment-line agreements for loans are agreements to extend loans up to the prearranged amount at the customers' request, as long as customers are not in breach or violation of any terms or conditions in the agreement.

Unused balances related to these agreements as of March 31, 2005 and 2004 amounted to ¥8,628,824 million ($80,350 million) and ¥7,521,427 million, including ¥8,571,721 million ($79,818 million) and ¥7,452,507 million related to agreements with original terms of one year or less or where the agreements are unconditionally cancellable at any time without penalty as of March 31, 2005 and 2004, respectively.

The unused balance does not necessarily affect future cash flows of the Group because most of these agreements are expected to expire without being exercised. In addition, most agreements contain provisions, which stipulate that the Group may decline to extend loans or reduce the prearranged commitment amount when there are adverse changes in the financial condition of the borrowers or for other reasons.

When extending loans to customers, the Group may request collateral or guarantees such as real estate and securities if deemed necessary. After originating loans, the Group periodically checks the financial condition of the borrowers based on its internal rules and, if necessary, takes certain measures to ensure the security of the loans.

13. DEPOSITS

Deposits as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Current deposits	**¥ 2,552,896**	¥ 2,301,940	**$ 23,772**
Ordinary deposits	**15,278,734**	15,851,569	**142,273**
Savings deposits	**521,994**	563,664	**4,860**
Notice deposits	**168,213**	191,797	**1,566**
Time deposits	**12,437,251**	13,082,913	**115,813**
Other deposits	**1,016,081**	560,119	**9,461**
Total	**¥31,975,170**	¥32,552,004	**$297,748**

14. BORROWED MONEY

As of March 31, 2005 and 2004, the weighted average annual interest rates applicable to borrowed money was 2.31% and 2.65%.

Borrowed money includes rediscounted bills and borrowings from the Bank of Japan and other financial institutions.

In addition, as of March 31, 2005 and 2004 borrowed money included subordinated borrowings of ¥434,000 million ($4,041 million) and ¥427,000 million, respectively.

The following is a summary of maturities of borrowed money subsequent to March 31, 2005:

Year ending March 31, 2005	Millions of yen	Millions of U.S. dollars
2006	¥ 36,609	$ 340
2007	5,863	54
2008	19,969	185
2009	1,433	13
2010	550	5
2011 and thereafter	434,040	4,041
Total	¥498,464	$4,641

15. BONDS

Bonds as of March 31, 2005 were comprised of the following:

	Rate	Maturity	Millions of yen	Millions of U.S. dollars
Issuer: The Company:				
Straight bond	1.28%	August 12, 2009	¥ 50,000	$ 465
Straight bond	0.84%	December 17, 2009	30,000	279
Issuer: Resona Bank, Limited:				
Subordinated bonds(*1)	0.55% to 3.75%	June 15, 2010 to April 15, 2015	205,060	1,909
Straight bond	1.57%	September 12, 2005	34,900	324
Straight bond	1.35%	December 19, 2005	33,800	314
Issuer: Daiwa PB Limited:				
Subordinated bonds	1.07% to 5.10%	Perpetual	40,700	378
Issuer: Asahi Finance (Cayman) Ltd.:				
Subordinated bonds(*2)	0.70% to 4.88%	May 10, 2010 to perpetual	161,539	1,504
Total			¥555,999	$5,177

Notes: 1. There was no collateral or guarantees for any of the above transactions.
2. Bonds included foreign currency denominated bonds;
(*1) The amount included the balance of EUR 1,000 million in original currency of the foreign currency bonds.
(*2) The amount included the balance of U.S. $ 100 million in original currency of the foreign currency bonds.

The following is a summary of maturities of bonds subsequent to March 31, 2005:

Year ending March 31, 2005	Millions of yen	Millions of U.S. dollars
2006	¥ 68,700	$ 639
2007	—	—
2008	—	—
2009	—	—
2010	80,000	744
2011 and thereafter	407,299	3,792
Total	¥555,999	$5,177

Bonds as of March 31, 2004 were comprised of the following:

	Rate	Maturity	Millions of yen
Issuer: Resona Bank, Limited:			
Subordinated bonds	1.56% to 3.60%	January 28, 2010 to September 26, 2011	¥ 70,000
Straight bond	1.57%	September 12, 2005	34,900
Straight bond	1.35%	December 19, 2005	33,800
Issuer: Daiwa International Finance (Cayman) Limited:			
Subordinated bonds	5.00%	December 29, 2004 to March 17, 2005	17,000
Issuer: Daiwa PB Limited:			
Subordinated bonds	1.08% to 5.10%	Perpetual	46,090
Issuer: Asahi Finance (Cayman) Ltd.:			
Subordinated bonds(*1)	0.70% to 4.25%	May 10, 2010 to perpetual	161,369
Total			¥363,159

Notes: 1. There was no collateral or guarantees for any of the above transactions.
2. Bonds included foreign currency denominated bonds;
(*1) The amount included the balance of U.S. $ 100 million in original currency of the foreign currency bonds.

16. OTHER LIABILITIES

Other liabilities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Unsettled exchange payables	**¥ 383**	¥ 815	**$ 3**
Accrued income taxes	**7,227**	7,614	**67**
Accrued expenses	**76,232**	72,833	**709**
Unearned income	**27,455**	29,900	**255**
Deposits for futures transactions	**477**	422	**4**
Financial derivatives, principally including premiums and deferred hedge gains	**86,788**	106,934	**808**
Other	**334,095**	422,928	**3,111**
Total	**¥532,661**	¥641,449	**$4,960**

17. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the asset side of the consolidated balance sheets representing the Company's right of indemnity from the applicants.

Certain consolidated subsidiaries provides guarantees for the repayment of the principal of money in trust and the contract amounts of such guarantees were ¥557,833 million ($5,194 million) and ¥569,057 million as of March 31, 2005 and 2004, respectively.

18. REVALUATION RESERVE FOR LAND

Effective March 31, 1998, certain consolidated domestic subsidiaries adopted a special one-time measure to revalue its land used in operations in accordance with the Law Concerning Land Revaluation (Law 34, announced on March 31, 1998). The land revaluation differences have been recorded in "Revaluation reserve for land" as a separate component of shareholders' equity with the related income taxes included in "Deferred tax liabilities on land revaluation."

In accordance with Article 3-3 of the Law, the revaluation was based on the official notice prices stated in the Law of Public Notice of Land Prices (assessment date, January 1, 1998) as stipulated in Article 2-1 of the Ordinance for the Law Concerning Land Revaluation (Government Ordinance No. 119, announced on March 31, 1998) after making reasonable adjustments for the location and quality of the sites.

The total carrying value of the land after one-time revaluation exceeded the total fair values of the land at the balance sheet dates that was determined based on Article 10 of the Law by ¥42,919 million ($399 million) and ¥41,995 million as of March 31, 2005 and 2004, respectively, which was not reflected in the consolidated balance sheets.

19. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% capital stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the capital stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the stated capital by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and to dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of capital stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥84,140 million ($783 million) as of March 31, 2005, based on the amount recorded in the Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

After the June 2003 annual general meeting of common shareholders, the Company adopted a Company with Committees board model as stipulated in the Code. In this model, the appropriation of retained earnings is approved by the Board of Directors with notification to common shareholders at the general meeting of common shareholders without their approval which is otherwise required.

Under the Banking Law of Japan, the consolidated banking subsidiaries are required to appropriate an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period as a legal reserve until such reserve and additional paid-in capital equals 100% of capital stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of the capital stock may be available for dividends by resolution of the shareholders.

Common stock and preferred stock as of March 31, 2005 were as follows:

	Number of shares		Per share (yen)						
Class of stock	Authorized	Issued and outstanding	Interim cash dividend	Year-end cash dividend	Liquidation value	Convertible or not	Convertible period	Voting right	Conversion ratio or price
Common stock	73,000,000,000	11,375,110,143	¥—	¥ —	¥ —	No	Not applicable	Yes	Not applicable
Class A No. 1 preferred stock	5,970,000	5,970,000	—	24.75	1,000	Yes	December 12, 2001 to July 25, 2025	No	4.000
Class B No. 1 preferred stock	680,000,000	680,000,000	—	6.36	600	Yes	December 12, 2001 to March 31, 2009	No	2.956
Class C No. 1 preferred stock	120,000,000	120,000,000	—	6.80	500	Yes	January 1, 2002 to March 31, 2015	No	¥180.90
Class D No. 1 preferred stock	146,000	146,000	—	10.00	2,000	Yes	March 1, 2002 to July 31, 2007	No	¥496.30
Class E No. 1 preferred stock	240,000,000	240,000,000	—	14.38	1,250	Yes	July 1, 2002 to November 30, 2009	No	¥359.70
Class F No. 1 preferred stock	80,000,000	80,000,000	—	18.50	1,250	Yes	July 1, 2003 to November 30, 2014	No	¥359.70
Class one No. 1 preferred stock	2,750,000,000	2,750,000,000	—	1.178	200	Yes	On or after July 1, 2006	Yes	(*1)
Class two No. 1 preferred stock	2,817,807,861	2,817,807,861	—	1.178	200	Yes	On or after July 1, 2008	Yes	(*2)
Class three No. 1 preferred stock	2,750,000,000	2,750,000,000	—	1.178	200	Yes	On or after July 1, 2010	Yes	(*3)

Notes: 1. The initial conversion price of Class one No. 1 preferred stock will be determined based on the average market prices observed over the specific period of the Company's common stock on the Tokyo Stock Exchange on July 1, 2006, where the minimum initial conversion price is ¥28.

2. The initial conversion price of Class two No. 1 preferred stock will be determined based on the average market prices observed over the specific period of the Company's common stock on the Tokyo Stock Exchange on July 1, 2008, where the minimum initial conversion price is ¥20.

3. The initial conversion price of Class three No. 1 preferred stock will be determined based on the average market prices observed over the specific period of the Company's common stock on the Tokyo Stock Exchange on July 1, 2010, where the minimum initial conversion price is ¥17.

Holders or registered pledges of preferred stocks are entitled to receive annual dividends, and distribution of residual assets in priority to holders of common stocks but *pari passu* among themselves. The Company may pay up to one-half the annual dividends payable on each class of preferred stock as an interim dividend. Dividends on the preferred stocks are not cumulative. Holders of preferred stocks (Class A No.1 preferred stock to Class F No.1 preferred stock) are not entitled to vote at a general meeting of shareholders except where the articles of incorporation entitle holders of Preferred Stocks to vote.

Each preferred stock is convertible into common stock at the option of the holder. Conversion prices or ratios are determined based on the market price of the Company's common stock multiplied by certain conversion ratios which are subject to certain reset provisions.

During the year ended March 31, 2005, 10,000 shares of Class D No. 1 preferred stock were converted to common stock at the option of the preferred shareholders.

Common stock and preferred stock as of March 31, 2004 were as follows:

	Number of shares		Per share (yen)					
Class of stock	Authorized	Issued and outstanding	Interim cash dividend	Year-end cash dividend	Liquidation value	Convertible or not	Convertible period	Voting right
Common stock	73,000,000,000	11,375,069,845	¥—	¥—	¥ —	No	Not applicable	Yes
Class A No. 1 preferred stock	5,970,000	5,970,000	—	—	1,000	Yes	December 12, 2001 to July 25, 2025	No
Class B No. 1 preferred stock	680,000,000	680,000,000	—	—	600	Yes	December 12, 2001 to March 31, 2009	No
Class C No. 1 preferred stock	120,000,000	120,000,000	—	—	500	Yes	January 1, 2002 to March 31, 2015	No
Class D No. 1 preferred stock	156,000	156,000	—	—	2,000	Yes	March 1, 2002 to July 31, 2007	No
Class E No. 1 preferred stock	240,000,000	240,000,000	—	—	1,250	Yes	July 1, 2002 to November 30, 2009	No
Class F No. 1 preferred stock	80,000,000	80,000,000	—	—	1,250	Yes	July 1, 2003 to November 30, 2014	No
Class one No. 1 preferred stock	2,750,000,000	2,750,000,000	—	—	200	Yes	On or after July 1, 2006	Yes
Class two No. 1 preferred stock	2,817,807,861	2,817,807,861	—	—	200	Yes	On or after July 1, 2008	Yes
Class three No. 1 preferred stock	2,750,000,000	2,750,000,000	—	—	200	Yes	On or after July 1, 2010	Yes

20. INTEREST INCOME AND EXPENSES

Interest income and expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	2005
Interest income:			
Interest on loans and bills discounted	¥525,808	¥572,636	$4,896
Interest and dividends on securities	57,514	49,614	535
Interest on call loans and bills bought	1,025	516	9
Interest on due from banks	4,218	2,018	39
Other interest income	13,333	7,667	124
Total	¥601,900	¥632,453	$5,604
Interest expenses:			
Interest on deposits	¥ 32,857	¥ 38,909	$ 305
Interest on negotiable certificates of deposit	433	368	4
Interest on call money and bills sold	577	402	5
Interest on bills sold under repurchase agreements	26	33	0
Interest on borrowed money	13,362	17,661	124
Interest on bonds	7,726	4,558	71
Other interest expenses	4,540	9,242	42
Total	¥ 59,523	¥ 71,177	$ 554

21. TRADING PROFITS

Trading profits for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	2005
Trading profits:			
Income from trading securities	¥ 911	¥ 4,550	$ 8
Income from trading-related financial derivatives	19,724	20,285	183
Other trading profits	14	121	0
Total	¥20,650	¥24,957	$192

Trading profits included net valuation gains of ¥74 million ($0 million) and ¥70 million for the years ended March 31, 2005 and 2004.

22. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	2005
Other operating income:			
Gains on foreign exchange transactions	¥23,002	¥ 6,909	$214
Gains on sales of Japanese government bonds and other	37,058	30,330	345
Income from financial derivatives	—	3,970	—
Other	7,197	37,199	67
Total	¥67,258	¥78,410	$626
Other operating expenses:			
Losses on sales of Japanese government bonds and other	¥18,704	¥34,330	$174
Impairment losses on Japanese government bonds and other	971	2,667	9
Expenses for financial derivatives	3,680	146	34
Other	45	5,072	0
Total	¥23,402	¥42,217	$217

23. OTHER INCOME AND EXPENSES

Other income and expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Other income:			
Gains on sales of stocks and other securities	**¥110,188**	¥ 129,270	**$1,026**
Gains on dormant deposits	**25,121**	2,854	**233**
Gains on dispositions of premises and equipment	**5,685**	4,016	**52**
Recoveries of written-off claims	**20,345**	9,825	**189**
Reversal of reserve for possible loan losses	**21,321**	—	**198**
Other	**33,680**	74,276	**313**
Total	**¥216,340**	¥ 220,242	**$2,014**
Other expenses:			
Net addition to reserve for possible loan losses	**¥ —**	¥ 455,954	**$ —**
Write-off of loans	**64,190**	472,010	**597**
Losses on sales of claims	**30,029**	333,790	**279**
Losses on abandonment of claims	**5,984**	127,518	**55**
Losses on sales of stocks and other securities	**12,513**	38,005	**116**
Impairment losses on stocks and other securities	**6,190**	19,829	**57**
Provision for reserve for possible losses on investments	**—**	13,871	**—**
Provision for reserve for business restructuring	**—**	13,232	**—**
Losses on dispositions of premises and equipment	**5,892**	18,647	**54**
Impairment losses on fixed assets	**3,675**	27,976	**34**
Losses on business restructuring	**—**	66,761	**—**
Loss on settlements with certain beneficiaries due to negative amendment to the retirement benefits plan	**43,456**	—	**404**
Write-off of the transition difference at accounting change upon application of employees' retirement benefit accounting	**—**	64,923	**—**
Loss on exemption from the entrusted government's portion of social welfare pension fund	**—**	23,850	**—**
Other	**35,932**	102,804	**334**
Total	**¥207,861**	¥1,779,170	**$1,935**

Notes: 1. The Group recognized impairment losses of ¥27,976 million, including losses on fixed assets of operating branches in the amount of ¥627 million and unused fixed assets or closed branches in the amount of ¥27,349 million for the year ended March 31, 2004, because their carrying amounts were not recoverable. Such impairment losses included losses on land, buildings, equipment, guarantee deposit, and other assets in the amount of ¥20,554 million, ¥6,778 million, ¥375 million, ¥244 million, and ¥23 million, respectively.

2. "Write-off of loans" and "Losses on sales of claims" were attributable to the disposition of restructured loans, partially offset with the reversal of reserve for possible loan losses established with the DCF method of ¥73,451 million ($683 million) for the year ended March 31, 2005.

3. Asset grouping and other detailed impairment test procedures are as follows: For the year ended March 31, 2004, operating fixed assets mostly consisting of branch premises were grouped with other assets within the same geographic area when these assets are deemed to be supplemental in generating the distinguishable cash flows. Unused premises and equipment or closed branches were not included in the grouped assets. The recoverable amounts were determined primarily at net realizable value calculated based on real estate appraisal values less estimated disposal costs. Recoverable amounts for certain branch premises were determined based on future cash flows generated by the premises discounted at an annual interest rate of 5.7%.

24. DEFERRED TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.67% for the year ended March 31, 2005.

With the enactment of the "Revision of Law regarding Regional Taxation, etc." (Law No. 9 of March 2003) on March 31, 2003, the tax basis of the enterprise taxes has been changed to include "added value" and "amount of capital," as defined, effective for fiscal years beginning on April 1, 2004. As a result, for the year ended March 31, 2005, the enterprise taxes based on "added value" and "amount of capital" are included in "General and administrative expenses" on the consolidated statement of operations in accordance with the Practical Issues No. 12, "Practical Treatment of Presentation of External Standards Taxation Portion of Enterprise Taxes on the Statement of Operations," issued by ASBJ.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Tax loss carryforwards	**¥1,490,500**	¥1,336,840	**$13,879**
Reserve for possible loan losses and write-offs of loans	**331,015**	598,191	**3,082**
Write-down of securities	**984,217**	1,038,408	**9,164**
Reserve for employees' retirement benefits	**29,359**	32,681	**273**
Unrealized differences of available-for-sale securities	**0**	1	**0**
Other	**74,533**	47,649	**694**
Gross deferred tax assets	**2,909,626**	3,053,773	**27,094**
Less: valuation allowance	**(2,733,593)**	(2,871,220)	**(25,454)**
Total deferred tax assets	**176,033**	182,553	**1,639**
Deferred tax liabilities:			
Gains on securities transferred to employees' retirement benefit trust	**(20,268)**	(25,294)	**(188)**
Dividends receivable	**(1,703)**	(2,064)	**(15)**
Unrealized differences of available-for-sale securities	**(102,369)**	(97,705)	**(953)**
Other	**(8,428)**	(4,889)	**(78)**
Total deferred tax liabilities	**(132,770)**	(129,953)	**(1,236)**
Net deferred tax assets	**¥ 43,262**	¥ 52,599	**$ 402**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2005 is as follows:

	2005
Statutory tax rate	40.67%
Valuation allowance	(35.70)
Effect of tax rates of domestic subsidiaries	(1.58)
Dividends exempted for income tax purpose	(1.15)
Other	0.67
Effective tax rate	2.91%

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate in the accompanying consolidated statement of operations for the year ended March 31, 2004 is not presented, since the net loss was reported in the consolidated statement of operations.

25. LEASES

Lessee

Finance Leases

The Group leases certain equipment and other assets.

Total lease payments under finance lease agreements that do not transfer ownership of the leased property to the lessee were ¥6,414 million ($59 million) and ¥6,493 million for the years ended March 31, 2005 and 2004, respectively.

Pro forma information of leased property such as acquisition, cost accumulated depreciation, and obligations under finance leases as of March 31, 2005 and 2004, and the related depreciation expense and interest expense under finance leases for the years ended March 31, 2005 and 2004, on an "as if capitalized" basis, were as follows:

Notional equivalent acquisition cost, accumulated depreciation and net book value of the leased assets:

	Millions of yen						Millions of U.S. dollars		
	2005			2004			**2005**		
	Equipment	Other	Total	Equipment	Other	Total	Equipment	Other	Total
Acquisition costs	**¥27,485**	**¥1,833**	**¥29,319**	¥36,723	¥1,895	¥38,619	**$255**	**$17**	**$273**
Accumulated depreciation	**12,231**	**948**	**13,180**	22,886	851	23,738	**113**	**8**	**122**
Net book value	**¥15,254**	**¥ 885**	**¥16,139**	¥13,836	¥1,043	¥14,880	**$142**	**$ 8**	**$150**

Future minimum lease payments excluding interests:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 5,012**	¥ 6,058	**$ 46**
Due after one year	**11,671**	9,799	**108**
Total	**¥16,684**	¥15,858	**$155**

Notional equivalent depreciation and interest expense:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Depreciation	**¥5,968**	¥6,084	**$55**
Interest expenses	**490**	369	**4**

Computation of notional equivalent depreciation:

Notional equivalent depreciation is computed by the straight-line method over the lease term of the respective assets without residual value.

Computation of notional equivalent interest expense:

The difference between total minimum lease payments and acquisition cost of the asset is considered as notional equivalent interest expense. The effective interest method is used to allocate the interest over the lease term.

Operating Leases

As of March 31, 2005 and 2004, future minimum lease payments, including interest expenses under non-cancelable operating leases, were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥22**	¥28	**$0**
Due after one year	**6**	21	**0**
Total	**¥28**	¥49	**$0**

Lessor

Finance Leases

The Daiwa Factor and Leasing Co., Ltd., Kinki Osaka Lease Co., Ltd., and Asahigin Leasing Co., Ltd., were deconsolidated in the year ended March 31, 2004. As a result, there were no consolidated balance sheet accounts, which related to finance leases, as of March 31, 2004.

Lease fees received, depreciation and interest income for the year ended March 31, 2004, which related to finance leases, except for lease agreements, which stipulate the transfer of ownership of the leased assets to the lessee, were as follows:

As of March 31, 2004	Millions of yen
Lease fees received	¥42,376
Depreciation	37,608
Interest income	4,259

Computation of notional equivalent to interest income:
The difference between total lease receipts and acquisition cost of the asset is considered as interest income. The effective interest method is used to allocate the interest over the lease term.

26. DERIVATIVES

Risk control

Type of derivative instruments
The Group transacts primarily in the following derivative instruments:
(i) Interest rate-related products, swaps, options, futures, futures options, and forward rate agreements
(ii) Currency-related products, including forward exchange contracts, options and swaps
(iii) Bond-related products, including futures, futures options, and over-the-counter options
(iv) Stock-related products, including index futures and index options, and over-the-counter stock options

Purpose and policies for using derivative instruments
Use of derivative instruments is essential to satisfy customers' diverse needs and to manage various risks associated with financial assets and liabilities. The Group executes derivative transactions under the risk management structure appropriately established based on its business strategy and resources, and monitors the risk associated with these transactions. The principal purposes of the derivative transactions are as follows:
(i) Customers' financial needs
Customers are exposed to various financial risks and, accordingly, their need to hedge these risks are fundamental and diverse. One of the principal uses of derivative instruments is to provide financial products responding to the customers' financial needs. The Group provides various high-quality financial products to respond to the needs of its customers. Derivative transactions may result in significant losses to customers depending on the design and nature of the products. Accordingly, in offering such products to customers, the Group follows the guidelines to ensure that:
- Customers are given sufficient explanation of the nature of products and their risks in writing. A description of the product, mechanism, market risk and credit risk associated with the product are required to be included in the explanation documents.
- Customers are ready to take responsibility for the products fully, and are capable and willing to enter into the transactions based on their own judgment.
- Customers are provided with relevant fair value information (i.e., unrealized gains and losses on customers' positions) to assist them in evaluating the products and transactions, periodically or whenever considered necessary.

(ii) Hedging risks on existing financial assets and liabilities
The Group uses derivative transactions to manage interest rate risk associated with various financial assets and liabilities, such as loans and deposits. It uses fair value hedges to protect the fair value of assets and liabilities against such risks as interest rate fluctuations, and cash flow hedges to insure future cash flows from their variability. Hedges are conducted on an individual and portfolio basis in accordance with the relevant hedge accounting guidelines. In addition, the Group establishes guidelines to determine the effectiveness of hedges periodically.
(iii) Trading activities
The Group engages in trading activities to earn a profit by taking advantage of short-term fluctuations in market indices or market gaps.

Nature of risks and risk management structure
Risks involving derivative transactions primarily consist of market risk and credit risk.

Market risk refers to the risk of loss arising from fluctuations in market risk factors such as interest rates, foreign exchange rates and bond and stock prices. Market risk is managed in accordance with the "Basic Policies for Market Risk Management", which outlines overall risk management of the Group and approved by the Board of Directors in accordance with the "Group Risk Management Policy."

The Risk Management Division, independent from market divisions, conducts strict risk assessment. As to overall market risk, the Group establishes certain risk limits based on an approach using Value at Risk ("VaR"), a statistical measure for the maximum loss in a portfolio resulting from the potential adverse changes in market with a given confidence interval. The Risk Management Division calculates the VaR daily, monitors market risk and reports to management.

Credit risk refers to the risk of loss arising from the counterparties' inability to fulfill their obligations due to bankruptcy or other reasons. The Group periodically measures risk by the current exposure method, where replacement costs to replicate the cash flows arising from the derivative contracts in the market and potential changes in such replacement costs affected by market fluctuations are considered. The Loan and Credit Division, independent of market divisions and operation divisions, is responsible for monitoring and managing the credit risk associated with derivative transactions. The division revises transaction and credit limits with each counterparty, on an on-going basis, in response to the changes in creditworthiness of the counterparties.

The contract or notional principal amounts, fair values and unrealized gains or losses on derivative financial instruments were as follows:

Interest rate related transactions

			Millions of yen			
			Contract value			
			Total	Over 1 year	Fair value	Unrealized gains/(losses)
As of March 31, 2005						
Listed	Futures					
		Sold	**¥ 457,665**	**¥ 240,785**	**¥ (137)**	**¥ (137)**
		Bought	**364,946**	**23,972**	**72**	**72**
Over-the-counter	Swaps					
		Receive fixed/Pay floating	**4,161,518**	**3,259,974**	**65,978**	**49,446**
		Receive floating/Pay fixed	**4,045,790**	**2,925,062**	**(47,151)**	**(28,370)**
		Receive floating/Pay floating	**1,577,810**	**1,256,810**	**(565)**	**(565)**
	Caps					
		Sold	**251,938**	**153,956**	**454**	**2,379**
		Bought	**159,318**	**86,273**	**430**	**(300)**
	Floors					
		Sold	**10,300**	**300**	**317**	**(216)**
		Bought	**15,250**	**4,968**	**332**	**220**
	Swaptions					
		Sold	**5,085**	**—**	**19**	**153**
		Bought	**7,399**	**—**	**44**	**(53)**
Total					**¥18,210**	**¥22,628**
As of March 31, 2004						
Listed	Futures					
		Sold	¥ 162,240	¥ 28,769	¥ 2	¥ 2
		Bought	113,087	17,097	(0)	(0)
Over-the-counter	Swaps					
		Receive fixed/Pay floating	4,197,514	2,946,447	67,005	11,993
		Receive floating/Pay fixed	4,207,128	2,804,287	(45,949)	17,021
		Receive floating/Pay floating	823,310	607,810	(200)	(200)
	Caps					
		Sold	285,874	179,133	891	1,608
		Bought	216,044	138,544	788	(170)
	Floors					
		Sold	10,000	10,000	323	(293)
		Bought	15,424	15,206	459	296
	Swaptions					
		Sold	5,185	5,185	106	70
		Bought	6,144	6,044	119	28
Total					¥20,904	¥30,356

			Millions of U.S. dollars			
			Contract value		Fair	Unrealized
			Total	Over 1 year	value	gains/(losses)
As of March 31, 2005						
Listed	Futures					
		Sold	**$ 4,261**	**$ 2,242**	**$ (1)**	**$ (1)**
		Bought	**3,398**	**223**	**0**	**0**
Over-the-counter	Swaps					
		Receive fixed/Pay floating	**38,751**	**30,356**	**614**	**460**
		Receive floating/Pay fixed	**37,673**	**27,237**	**(439)**	**(264)**
		Receive floating/Pay floating	**14,692**	**11,703**	**(5)**	**(5)**
	Caps					
		Sold	**2,346**	**1,433**	**4**	**22**
		Bought	**1,483**	**803**	**4**	**(2)**
	Floors					
		Sold	**95**	**2**	**2**	**(2)**
		Bought	**142**	**46**	**3**	**2**
	Swaptions					
		Sold	**47**	**—**	**0**	**1**
		Bought	**68**	**—**	**0**	**0**
Total					**$169**	**$210**

Notes: 1. The above transactions are stated at fair value and unrealized gains/losses are charged to income or expense in the consolidated statement of operations. Derivative transactions used for the hedge accounting have been excluded from the above table.

2. Fair value of listed contracts is based on the closing prices on the Tokyo International Financial Futures Exchange and other exchanges. The fair value of over-the-counter contracts is based on the discounted value of their future cash flows, option exchanges or option pricing models.

Currency-related transactions

			Millions of yen			
			Contract value		Fair	Unrealized
			Total	Over 1 year	value	gains/(losses)
As of March 31, 2005						
Over-the-counter	Currency swaps		**¥1,203,725**	**¥970,273**	**¥ 8,408**	**¥13,556**
	Forward contracts					
		Sold	**304,676**	**28,300**	**(582)**	**(582)**
		Bought	**509,403**	**208,580**	**775**	**775**
	Currency options					
		Sold	**744,375**	**449,379**	**30,957**	**6,960**
		Bought	**812,995**	**449,035**	**42,483**	**4,428**
Total					**¥20,126**	**¥25,137**
As of March 31, 2004						
Over-the-counter	Currency swaps		¥ 916,976	¥772,751	¥(2,828)	¥ 7,863
	Forward contracts					
		Sold	281,831	16,430	5,571	5,571
		Bought	379,075	77,250	(6,793)	(6,793)
	Currency options					
		Sold	1,528,616	284,071	44,015	(2,106)
		Bought	1,549,010	280,276	48,908	14,827
Total					¥ 842	¥19,362

			Millions of U.S. dollars			
			Contract value		Fair	Unrealized
			Total	Over 1 year	value	gains/(losses)
As of March 31, 2005						
Over-the-counter	Currency swaps		**$11,208**	**$9,035**	**$ 78**	**$126**
	Forward contracts					
		Sold	**2,837**	**263**	**(5)**	**(5)**
		Bought	**4,743**	**1,942**	**7**	**7**
	Currency options					
		Sold	**6,931**	**4,184**	**288**	**64**
		Bought	**7,570**	**4,181**	**395**	**41**
Total					**$187**	**$234**

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expenses in the consolidated statements of operations.
Derivative transactions under hedge accounting, transactions reflected in financial assets and liabilities denominated in foreign currencies and recognized in the consolidated balance sheets, or transactions denominated in foreign currencies which have been eliminated in the consolidation have been excluded from the above table.
2. Fair value is based on the discounted value of future cash flows.
3. Currency swap transactions and other transactions, for which hedge accounting is applied in accordance with the JICPA Industry Audit Committee Report No. 25, have been excluded from the table.

Stock-related transactions

			Millions of yen			
			Contract value		Fair	Unrealized
			Total	Over 1 year	value	gains/(losses)
As of March 31, 2004						
Listed	Index futures					
		Sold	¥720	¥—	¥(21)	¥(21)
		Bought	—	—	—	—
	Index options					
		Sold	—	—	—	—
		Bought	110	—	0	(0)
Total					¥(20)	¥(21)

Notes: 1. There are no transactions as of March 31, 2005.
2. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expense in the consolidated statement of operations. Derivative transactions under hedge accounting have been excluded from the above table.
3. Fair value of listed contracts is based on the closing prices on the Tokyo Stock Exchange and other exchanges.

Bond-related transactions

			Millions of yen			
			Contract value or notional principal amount		Fair	Unrealized
			Total	Over 1 year	value	gains/(losses)
As of March 31, 2005						
Listed	Futures					
		Sold	**¥167,038**	**¥—**	**¥(1,580)**	**¥(1,580)**
Total					**¥(1,580)**	**¥(1,580)**
As of March 31, 2004						
Listed	Futures					
		Sold	¥2,768	¥—	¥17	¥17
		Bought	3,325	—	(24)	(24)
	Futures options					
		Sold	—	—	—	—
		Bought	1,360	—	4	0
Total					¥(2)	¥(5)

As of March 31, 2005		Millions of U.S. dollars: Contract value or notional principal amount, Total	Over 1 year	Fair value	Unrealized gains/(losses)
Listed	Futures				
	Sold	$1,555	$—	$(14)	$(14)
Total				$(14)	$(14)

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expense in the consolidated statement of operations. Derivative transactions under hedge accounting have been excluded from the above table.
2. Fair value of listed contracts is based on the closing prices on the Tokyo Stock Exchange and other exchanges.

27. RETIREMENT BENEFIT PLANS

The Company does not have a retirement benefit plan. Certain domestic consolidated subsidiaries have lump-sum retirement benefit plans and contributory funded defined benefit pension plans. Other domestic consolidated subsidiaries have lump-sum retirement benefit plans. In addition, supplemental benefits may be provided upon an employee's retirement.

The Group maintains certain plan assets in a segregated retirement benefit trust established outside of the Group to fund its lump-sum retirement benefit plans and defined pension plans.

The reserve for employees' retirement benefits as of March 31, 2005 and 2004 was analyzed as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥(347,488)**	¥(557,043)	**$(3,235)**
Pension plan assets at fair value	**415,778**	562,070	**3,871**
Projected retirement benefit obligation with excess of plan assets at fair value	**68,290**	5,027	**635**
Unrecognized pension assets	**(48,614)**	(19,608)	**(452)**
Unrecognized actuarial loss	**89,075**	157,393	**829**
Unrecognized past service cost	**—**	1,433	**—**
Net retirement benefit obligation	**108,751**	144,246	**1,012**
Prepaid pension cost	**114,378**	153,384	**1,065**
Reserve for employees' retirement benefits	**¥ (5,626)**	¥ (9,138)	**$ (52)**

Note: Supplemental benefits are not reflected in the actuarial calculation of the projected benefit obligation.

Components of retirement benefit expenses for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Service cost	**¥12,020**	¥ 18,472	**$111**
Interest cost	**8,454**	16,217	**78**
Expected return on plan assets	**(5,731)**	(8,539)	**(53)**
Amortization of past service cost	**(2,711)**	247	**(25)**
Amortization of actuarial loss	**15,018**	30,251	**139**
Amortization of transition differences at accounting change	**—**	6,811	**—**
Other (such as supplemental retirement benefit)	**10**	322	**0**
Retirement benefit expenses	**¥27,060**	¥ 63,783	**$251**
Reversal of overamortized past service cost with the negative amendments of defined benefit pension plans	**(497)**	—	**(4)**
Loss on settlements with certain beneficiaries due to negative amendment to the retirement benefits plan	**43,456**	—	**404**
Loss on exemption from the entrusted government's portion of social welfare pension fund	**—**	23,850	**—**
Write-off of the transition difference at accounting change upon application of employees' retirement benefit accounting	**—**	64,923	**—**
Total	**¥70,020**	¥152,557	**$652**

Notes: 1. Contributions by employees to the Welfare Pension Fund have been excluded.
2. Retirement benefit expenses of the consolidated subsidiaries calculated under the simplified method have been included in service cost.

The assumptions used in accounting for the plans in the years ended March 31, 2005 and 2004:

	2005	2004
Discount rates	**2.0%**	2.0%
Expected rates of return on plan assets	**2.5%**	2.5 to 3.5%
Method of attributing retirement benefits to periods of services	**Straight-line**	Straight-line
The amortization period of past service cost	**1 year**	1 to 10 years
The amortization period of unrecognized actuarial gains/losses	**10 to 12 years**	5 to 15 years
The amortization period of transition differences at accounting change	**—**	Note 3

Notes: 1. Past service cost is charged to operations as it incurs. Until previous year, past service cost is charged to operations by the straight-line method for a period within the average remaining years of service of the eligible employees at the time when the liabilities were recognized.
2. Unrecognized actuarial gains/losses is charged to operations commencing from the next fiscal year using the straight-line method for a period defined within the average remaining years of service of the eligible employees at the time when the gains/losses were incurred.
3. The transition difference at the accounting change upon the initial adoption of employees' retirement benefit accounting of certain consolidated banking subsidiaries had been formerly amortized over mainly 10 years. However, due to decreases in the number of employees and salaries, the components of retirement benefits obligations were changed significantly from those at the time of the initial application of the accounting, and the amount of the unamortized transition difference did not represent substance of the benefit obligations. Accordingly, the remaining unrecognized transition difference at the accounting change, amounting to ¥64,923 million, was charged to operations in the year ended March 31, 2004.

28. PER COMMON SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2005 and 2004 were as follows:

	Net income (Millions of yen)	Weighted-average shares (Thousands of shares)	EPS (Yen)	EPS (U.S. dollars)
For the year ended March 31, 2005				
Basic EPS:				
Net income available to common stock	**¥345,572**	**11,366,353**	**¥30.40**	**$0.28**
Effect of dilutive securities:				
Preferred stock	**20,019**	**14,679,838**		
Diluted EPS:				
Net income for computation	**365,592**	**26,046,191**	**14.03**	**0.13**
For the year ended March 31, 2004				
Basic EPS:				
Net income available to common stock	¥(1,663,964)	9,190,570	¥(181.05)	
Effect of dilutive securities:				
Preferred stock	—	—		
Diluted EPS:				
Net income for computation	—	—	—	

Note: Diluted net income per share for the year ended March 31, 2004 is not disclosed due to a loss position (anti-dilutive).

29. SEGMENT INFORMATION

Business segment information

The Group's operations consist of three segments: "banking and trust banking," "securities" and "other financial services."

The banking and trust banking segment includes business related to banking and trust banking, loan guarantee services and system engineering. The securities segment includes underwriting, brokerage and other securities-related businesses. Other financial service segment includes credit card administration, leasing, venture capital investing and other financial services.

For the year ended March 31, 2005

Since the Group discontinued the securities business and certain other financial services by the sales of subsidiaries' stocks etc, resulting in deconsolidation, the "ordinary income", "ordinary profits" and total assets of the "banking and trust banking" segment became more than 90% of the totals of all segments. Therefore business segment information for the year ended March 31, 2005 is not presented.

Ordinary income and ordinary profits are defined as follows:

- "Ordinary profits (losses)" means "Ordinary income" less "Ordinary expenses".
- "Ordinary income" means total income less certain special income included in other income in the consolidated statement of operations.
- "Ordinary expenses" means total expenses less certain special expenses included in other expenses in the consolidated statement of operations.

For the year ended March 31, 2004

	Millions of yen					
	Banking and trust banking	Securities	Other financial services	Total	Elimination & General corporate	Consolidated
I. Ordinary income and Ordinary profit						
Ordinary income						
(1) Ordinary income to outside customers	¥ 1,021,087	¥ 19,908	¥ 97,203	¥ 1,138,199	¥ —	¥ 1,138,199
(2) Inter-segment ordinary income	8,000	82	7,773	15,856	(15,856)	—
Total	1,029,088	19,990	104,977	1,154,055	(15,856)	1,138,199
Ordinary expenses	2,103,475	16,385	233,731	2,353,593	(103,516)	2,250,076
Ordinary profits (losses)	(1,074,387)	3,604	(128,754)	(1,199,537)	87,659	(1,111,877)
II. Assets, Depreciation, and Capital expenditure						
Assets	39,716,732	138,941	474,346	40,330,019	(488,181)	39,841,837
Depreciation	42,900	459	31,049	74,409	—	74,409
Impairment losses	27,976	—	0	27,976	—	27,976
Capital expenditure	104,953	445	26,070	131,469	—	131,469

Note: Capital expenditure includes the investments related to computer systems and other related equipment.

Geographic segment information

Since the ordinary income and total assets of the "Japan" segment is more than 90% of the totals of all geographic segments, geographical segment information for the years ended March 31, 2005 and 2004 is not presented.

Overseas ordinary income

Since overseas ordinary income is less than 10% of the total ordinary income, overseas ordinary income for the years ended March 31, 2005 and 2004 is not presented.

30. SUBSEQUENT EVENTS

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2005 was approved at the Company's Board of Directors held on May 25, 2005:

	Millions of yen	Millions of U.S. dollars
Year-end cash dividends:		
Class A No. 1 preferred stock, ¥24.75 ($0.23) per share	¥ 147	$ 1
Class B No. 1 preferred stock, ¥6.36 ($0.05) per share	4,324	40
Class C No. 1 preferred stock, ¥6.80 ($0.06) per share	816	7
Class D No. 1 preferred stock, ¥10.00 ($0.09) per share	1	0
Class E No. 1 preferred stock, ¥14.38 ($0.13) per share	3,451	32
Class F No. 1 preferred stock, ¥18.50 ($0.17) per share	1,480	13
Class one No. 1 preferred stock, ¥1.178 ($0.01) per share	3,239	30
Class two No. 1 preferred stock, ¥1.178 ($0.01) per share	3,319	30
Class three No. 1 preferred stock, ¥1.178 ($0.01) per share	3,239	30
Total	¥20,019	$186

Reverse stock split

For the purpose of maintaining an appropriate number of issued shares, the Company revised the articles of incorporation to provide for a reverse stock split, abolition of the unit share system and adoption of the odd-lot stock system (the "reverse stock split"). This revision was approved by the Board of Directors at the meeting held on May 25, 2005 and by the general shareholders at the meeting held on June 28, 2005.

Under of the reverse stock split, each 1,000 shares are combined to one share for all issued common stock and preferred stock.

Additionally, the unit rule (one unit equals to one thousand shares) has been abolished. The odd-lot stock system has been adopted (one share could be one thousand odd-lot stocks).

Shareholders are required to submit their shares in the specified period from June 29, 2005 to August 1, 2005 in order to effect the reverse stock split on August 2, 2005.

The pro forma earnings per share ("EPS") information after giving effect to the reverse stock split is as follows:

	Yen	
	2005	2004
EPS (basic)	**¥30,403.15**	¥(181,051.21)
Weighted-average shares (thousands of shares)	**11,366**	9,190
EPS (diluted)	**14,036.31**	—
Weighted-average shares (thousands of shares)	**26,046**	—

As of August 2, 2005, the number of shares of common stock and preferred stock and the conversion conditions of preferred stock will be amended by the above reverse stock split as follows:

	Number of shares		
Class of stock	Authorized	Issued and outstanding	Conversion ratio or price
Common stock	73,000,000	11,375,110	Not applicable
Class A No. 1 preferred stock	5,970	5,970	4.000
Class B No. 1 preferred stock	680,000	680,000	2.956
Class C No. 1 preferred stock	120,000	120,000	¥180,900
Class D No. 1 preferred stock	146	146	¥496,300
Class E No. 1 preferred stock	240,000	240,000	¥359,700
Class F No. 1 preferred stock	80,000	80,000	¥359,700
Class one No. 1 preferred stock	2,750,000	2,750,000	(*1)
Class two No. 1 preferred stock	2,817,807	2,817,807	(*2)
Class three No. 1 preferred stock	2,750,000	2,750,000	(*3)

Notes: 1. The initial conversion price of Class one No. 1 preferred stock will be determined based on the average market prices observed over the specific period of the Company's common stock on the Tokyo Stock Exchange on July 1, 2006, where the minimum initial conversion price is ¥28,000.

2. The initial conversion price of Class two No. 1 preferred stock will be determined based on the average market prices observed over the specific period of the Company's common stock on the Tokyo Stock Exchange on July 1, 2008, where the minimum initial conversion price is ¥20,000.

3. The initial conversion price of Class three No. 1 preferred stock will be determined based on the average market prices observed over the specific period of the Company's common stock on the Tokyo Stock Exchange on July 1, 2010, where the minimum initial conversion price is ¥17,000.

Supplementary Financial Information of the Group and Corporate Data

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Risk-Adjusted Capital Ratio (Consolidated, Domestic Standard)

Resona Holdings, Inc. March 31			Billions of yen 2005	2004
Tier I capital	Capital stock		¥ **327.2**	¥ 1,288.4
	Non-cumulative perpetual preferred stock (Note 1)		**—**	—
	Capital surplus		**263.4**	259.4
	Retained earnings		**364.8**	(940.7)
	Minority interests in consolidated subsidiaries		**275.5**	293.5
	Preferred securities issued by special-purpose company overseas*		**264.2**	264.2
	Revaluation loss on other securities		**—**	—
	Treasury stock		**(0.0)**	(0.2)
	Foreign currency translation adjustments, net of taxes		**(2.3)**	(2.0)
	Goodwill		**—**	(0.0)
	Consolidation differences		**(35.7)**	—
	Total qualifying Tier I capital	(A)	**1,192.8**	898.3
	Preferred securities with interest step-up conditions (Note 2)		**70.6**	70.6
Tier II capital	45% of the difference between land after revaluation and the book value immediately before revaluation		**49.0**	49.9
	General reserve for possible loan losses		**141.3**	143.0
	Qualifying subordinated debt		**831.0**	692.6
	Perpetual subordinated bonds (Note 3)		**476.1**	481.3
	Subordinated bonds with maturity dates and preferred stocks with maturity dates (Note 4)		**354.9**	211.3
	Subtotal		**1,021.4**	885.6
	Tier II capital included as qualifying capital	(B)	**1,021.4**	885.6
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions (Note 5)	(C)	**10.8**	10.5
Total qualifying capital	(A)+(B)–(C)	(D)	¥ **2,203.4**	¥ 1,773.5
Risk-adjusted assets	On-balance-sheet items		**¥21,555.8**	¥21,685.9
	Off-balance-sheet items		**1,058.1**	1,201.9
Total risk-adjusted assets		(E)	**¥22,614.0**	¥22,887.8
Risk-adjusted capital ratio	(D)/(E) x 100%		**9.74%**	7.74%

Notes: 1. Since the holding company's shares cannot be classified by type, the amounts of non-cumulative, perpetual preferred stocks are not shown.

2. Securities specified in Article 13-2 of the Public Ministerial Announcement (*kokuji*) are stocks with special interest step-up conditions and other features, which may be subject to call and amortization (including preferred securities issued by special-purpose companies overseas).

3. Financial instruments for raising capital similar in characteristics to liabilities, as specified in Article 14-1-3 of the Public Ministerial Announcement (*kokuji*), having all of the following characteristics:
(1) Uncollateralized, lower in seniority than other liabilities and already paid in,
(2) Cannot be called or amortized, except under specified conditions,
(3) Can be used to offset losses while operations are continuing, and
(4) For which the duty to pay interest may be postponed.

4. Securities specified in Article 14-1-4 and Article 14-1-5 of the Public Ministerial Announcement (*kokuji*). However, subordinated liabilities with maturity dates are limited to those with amortization periods of over five years at the time of the contract.

5. The amounts corresponding to financial instruments, as specified in Article 15-1-1 of the Public Ministerial Announcement (*kokuji*), issued by other financial institutions for the purpose of raising capital, which are held deliberately and the amounts of investments corresponding to those specified in Article 15-1-2 of the Public Ministerial Announcement (*kokuji*).

***Outline of Preferred Securities**

The Company has issued through its overseas special-purpose companies the preferred securities for the purpose of capital enhancement as described below, and has posted them in its Tier I capital for the purpose of calculating its consolidated capital adequacy ratio (Domestic standard).

Issuer	Resona Preferred Capital (Cayman) 1 Limited
Type of securities	Non-cumulative perpetual preferred securities
Maturity	None (perpetual)
Optional redemption	The preferred securities may be redeemed at the option of the issuer on any dividend payment date in or after July 2013, subject to the prior approval of the Financial Services Agency.
Amount of issue	¥67.9 billion
Date for payment of the issue price	September 27, 2002
Dividend rate	Dividends on the preferred securities will be payable at a fixed rate through the dividend payment date in July 2013. After this date, the dividend rate will become variable, without step-up.
Mandatory dividend	When dividends are paid on the Company's common stock for any accounting period, the full amount of dividends on the preferred securities described here must be paid following the conclusion of such accounting period and on the due date for dividends (mandatory dividend payment date). However, this will be subject to the following conditions. (1) A loss Absorption Certificate (See note 1 below.) has not been submitted. (2) No Preferred Stock Dividend Limitation is in effect. (If such limitation is in effect, dividends can be paid only up to the applicable limit.) (3) A Distributable Profits Limitation Certificate (See note 2 below.) has not been submitted. (If such a certificate has been submitted, dividends can be paid only up to the applicable limit.)
Dividend payment date	July 5 of each year, provided that if this date in any year falls on a day that is not a business day, payment will be made on the next business day.
Preferred stock dividend limitation	If the dividends paid on the Company's preferred stock (See note 3 below.) are reduced, dividends on these preferred securities will be reduced by the same percentage.
Distributable profits limitation	If there are insufficient Available Distributable Profits (See note 4 below.) (in the case where the Available Distributable Profits are less than the total amount of dividends to be paid), dividends on these preferred securities will be limited to the amount of Available Distributable Profits.
Conditions for suspension of dividends	If any one of the following events occurs, payment of dividends will be suspended. Unpaid dividends will not accrue in the subsequent periods: (1) If a Loss Absorption Certificate is delivered by the Company to the issuer; (2) If dividends are not paid on the Company's preferred stock; (3) If the Company does not have Available Distributable Profits; (4) If the Company delivers a Dividend Instruction instructing not to pay dividends on the dividend payment date.
Liquidation preference	The preferred securities rank *pari passu* with the Company's preferred shares as to liquidation preference.

Notes: 1. Loss Absorption Certificate: This Certificate is submitted by the Company to issuers when specified conditions (Loss Absorption Event) become applicable accompanying a financial crisis or potential financial crisis in the Company. (However, when the Loss Absorption Event described in (4) below prevails, submission is at the discretion of the Company.) Loss Absorption Events are said to exist when the Company is in the following circumstances.

(1) When liquidation begins (commencement of liquidation proceedings, declaration of bankruptcy, permission is granted for preparation of reorganization plans that involve liquidation, and presentation of rehabilitation plans that involve liquidation).

(2) When the decision has been made to begin reorganization proceedings under corporate reorganization laws; the decision has been made to begin arrangement proceedings under the Commercial Code; or the decision has been made to begin rehabilitation proceedings under civil rehabilitation laws. In addition, such circumstances will prevail when notice of the convening of a meeting of creditors for obligatory settlement under bankruptcy laws has been delivered to creditors.

(3) When government authorities having jurisdiction over the Company declare that the Company is unable to meet its payment obligations or has a net capital deficiency, or has been placed under public administration, or has declared the Company will be assigned to third parties.

(4) When the Company's consolidated capital ratio or core capital ratios decline below the minimum required by applicable bank regulations, or if payment of the dividends in question will lead to such a decline.

(5) When the Company fails to meet its obligations or there is concern that it may fail to meet its obligations, or when there is concern that it may fail to meet such obligations as a result of payment of the dividends in question.

(6) When the Company's accounts are in net capital deficit or such a situation may arise if the dividends in question are paid.

2. Distributable Profits Limitation Certificate: When the amount of Available Distributable Profits of the Company for any accounting year is less than the amount of dividends on these preferred securities coming due on the dividend payment date during the year, the Company must submit a Distributable Profits Limitation Certificate to issuers showing the amount of Available Distributable Profits.

3. The Company's preferred stock: The Company's preferred stock which has been issued directly by the Company and has the highest priority for the payment of dividends among preferred stock.

4. Available Distributable Profits: Available Distributable Profits are defined as the amount of Available Distributable Profits applicable to the accounting year immediately prior to the current year less the sum of the amount of dividends paid on the Company's preferred stock thus far during the current year and the amount of dividends to be paid on preferred stock for the remainder of the current year. (However, the interim dividend paid on the Company's preferred stock in the current year is not considered in the computation of Available Distributable Profits.) However, when there are securities issued by subsidiaries of the Company, rights to dividends, voting rights, and rights exercisable in the event of liquidation of which are determined by reference to the Company's financial position and operating performance and which have the same seniority for their issuer as these preferred securities do for their issuer, adjustments are made in Available Distributable Profits.

Issuer	Resona Preferred Securities (Cayman) 1 Limited
Type of securities	Non-cumulative perpetual preferred securities
Maturity	None (perpetual)
Optional redemption	The preferred securities may be redeemed at the option of the issuer on any dividend payment date in or after July 2012, subject to the prior approval of the Financial Services Agency.
Amount of issue	¥70.6 billion
Date for payment of the issue price	March 26, 2002
Dividend rate	Dividends on the preferred securities will be payable at a fixed rate through the dividend payment date in July 2012. After this date, the dividend rate will become variable and a step-up dividend will be added.
Mandatory dividend	When dividends are paid on the Company's common stock for any accounting period, the full amount of dividends on the preferred securities described here must be paid following the conclusion of such accounting period and on the due date for dividends (mandatory dividend payment date). However, this will be subject to the following conditions. (1) A loss Absorption Certificate (See note 1 below.) has not been submitted. (2) No Preferred Stock Dividend Limitation is in effect. (If such limitation is in effect, dividends can be paid only up to the applicable limit.) (3) A Distributable Profits Limitation Certificate (See note 2 below.) has not been submitted. (If such a certificate has been submitted, dividends can be paid only up to the applicable limit.)
Dividend payment date	July 5 of each year, provided that if this date in any year falls on a day that is not a business day, payment will be made on the next business day.
Preferred stock dividend limitation	If the dividends paid on the Company's preferred stock (See note 3 below.) are reduced, dividends on these preferred securities will be reduced by the same percentage.
Distributable profits limitation	If there are insufficient Available Distributable Profits (See note 4 below.) (in the case where the Available Distributable Profits are less than the total amount of dividends to be paid), dividends on these preferred securities will be limited to the amount of Available Distributable Profits.
Conditions for suspension of dividends	If any one of the following events occurs, payment of dividends will be suspended. Unpaid dividends will not accrue in the subsequent periods: (1) If a Loss Absorption Certificate is delivered by the Company to the issuer; (2) If dividends are not paid on the Company's preferred stock; (3) If the Company does not have Available Distributable Profits; (4) If the Company delivers a Dividend Instruction instructing not to pay dividends on the dividend payment date.
Liquidation preference	The preferred securities rank *pari passu* with the Company's preferred shares as to liquidation preference.

Notes: 1. Loss Absorption Certificate: This Certificate is submitted by the Company to issuers when specified conditions (Loss Absorption Event) become applicable accompanying a financial crisis or potential financial crisis in the Company. (However, when the Loss Absorption Event described in (4) below prevails, submission is at the discretion of the Company.) Loss Absorption Events are said to exist when the Company is in the following circumstances.

(1) When liquidation begins (commencement of liquidation proceedings, declaration of bankruptcy, permission is granted for preparation of reorganization plans that involve liquidation, and presentation of rehabilitation plans that involve liquidation).

(2) When the decision has been made to begin reorganization proceedings under corporate reorganization laws; the decision has been made to begin arrangement proceedings under the Commercial Code; or the decision has been made to begin rehabilitation proceedings under civil rehabilitation laws. In addition, such circumstances will prevail when notice of the convening of a meeting of creditors for obligatory settlement under bankruptcy laws has been delivered to creditors.

(3) When government authorities having jurisdiction over the Company declare that the Company is unable to meet its payment obligations or has a net capital deficiency, or has been placed under public administration, or has declared the Company will be assigned to third parties.

(4) When the Company's consolidated capital ratio or core capital ratios decline below the minimum required by applicable bank regulations, or if payment of the dividends in question will lead to such a decline.

(5) When the Company fails to meet its obligations or there is concern that it may fail to meet its obligations, or when there is concern that it may fail to meet such obligations as a result of payment of the dividends in question.

(6) When the Company's accounts are in net capital deficit or such a situation may arise if the dividends in question are paid.

2. Distributable Profits Limitation Certificate: When the amount of Available Distributable Profits of the Company for any accounting year is less than the amount of dividends on these preferred securities coming due on the dividend payment date during the year, the Company must submit a Distributable Profits Limitation Certificate to issuers showing the amount of Available Distributable Profits.

3. The Company's preferred stock: The Company's preferred stock which has been issued directly by the Company and has the highest priority for the payment of dividends among preferred stock.

4. Available Distributable Profits: Available Distributable Profits are defined as the amount of Available Distributable Profits applicable to the accounting year immediately prior to the current year less the sum of the amount of dividends paid on the Company's preferred stock thus far during the current year and the amount of dividends to be paid on preferred stock for the remainder of the current year. (However, the interim dividend paid on the Company's preferred stock in the current year is not considered in the computation of Available Distributable Profits.) However, when there are securities issued by subsidiaries of the Company, rights to dividends, voting rights, and rights exercisable in the event of liquidation of which are determined by reference to the Company's financial position and operating performance and which have the same seniority for their issuer as these preferred securities do for their issuer, adjustments are made in Available Distributable Profits.

Issuer	Resona Preferred Capital (Cayman) 4 Limited
Type of securities	Non-cumulative perpetual preferred securities
Maturity	None (perpetual)
Optional redemption	The preferred securities may be redeemed at the option of the issuer on any dividend payment date in or after July 2008, subject to the prior approval of the Financial Services Agency.
Amount of issue	Series A: ¥33.0 billion Series B: ¥20.2 billion
Date for payment of the issue price	March 28, 2003
Dividend rate	Series A: Dividends on the preferred securities will be payable at a fixed rate through the dividend payment date in July 2008. After this date, the dividend rate will become variable, without step-up. Series B: A variable dividend rate will apply. No step-up.
Mandatory dividend	When dividends are paid on the Company's common stock for any accounting period, the full amount of dividends on the preferred securities described here must be paid following the conclusion of such accounting period and on the due date for dividends (mandatory dividend payment date). However, this will be subject to the following conditions. (1) A loss Absorption Certificate (See note 1 below.) has not been submitted. (2) No Preferred Stock Dividend Limitation is in effect. (If such limitation is in effect, dividends can be paid only up to the applicable limit.) (3) A Distributable Profits Limitation Certificate (See note 2 below.) has not been submitted. (If such a certificate has been submitted, dividends can be paid only up to the applicable limit.)
Dividend payment date	July 5 of each year, provided that if this date in any year falls on a day that is not a business day, payment will be made on the next business day.
Preferred stock dividend limitation	If the dividends paid on the Company's preferred stock (See note 3 below.) are reduced, dividends on these preferred securities will be reduced by the same percentage.
Distributable profits limitation	If there are insufficient Available Distributable Profits (See note 4 below.) (in the case where the Available Distributable Profits are less than the total amount of dividends to be paid), dividends on these preferred securities will be limited to the amount of Available Distributable Profits.
Conditions for suspension of dividends	If any one of the following events occurs, payment of dividends will be suspended. Unpaid dividends will not accrue in the subsequent periods: (1) If a Loss Absorption Certificate is delivered by the Company to the issuer; (2) If dividends are not paid on the Company's preferred stock; (3) If the Company does not have Available Distributable Profits; (4) If the Company delivers a Dividend Instruction instructing not to pay dividends on the dividend payment date.
Liquidation preference	The preferred securities rank *pari passu* with the Company's preferred shares as to liquidation preference.

Notes: 1. Loss Absorption Certificate: This Certificate is submitted by the Company to issuers when specified conditions (Loss Absorption Event) become applicable accompanying a financial crisis or potential financial crisis in the Company. (However, when the Loss Absorption Event described in (4) below prevails, submission is at the discretion of the Company.) Loss Absorption Events are said to exist when the Company is in the following circumstances.

(1) When liquidation begins (commencement of liquidation proceedings, declaration of bankruptcy, permission is granted for preparation of reorganization plans that involve liquidation, and presentation of rehabilitation plans that involve liquidation).

(2) When the decision has been made to begin reorganization proceedings under corporate reorganization laws; the decision has been made to begin arrangement proceedings under the Commercial Code; or the decision has been made to begin rehabilitation proceedings under civil rehabilitation laws. In addition, such circumstances will prevail when notice of the convening of a meeting of creditors for obligatory settlement under bankruptcy laws has been delivered to creditors.

(3) When government authorities having jurisdiction over the Company declare that the Company is unable to meet its payment obligations or has a net capital deficiency, or has been placed under public administration, or has declared the Company will be assigned to third parties.

(4) When the Company's consolidated capital ratio or core capital ratios decline below the minimum required by applicable bank regulations, or if payment of the dividends in question will lead to such a decline.

(5) When the Company fails to meet its obligations or there is concern that it may fail to meet its obligations, or when there is concern that it may fail to meet such obligations as a result of payment of the dividends in question.

(6) When the Company's accounts are in net capital deficit or such a situation may arise if the dividends in question are paid.

2. Distributable Profits Limitation Certificate: When the amount of Available Distributable Profits of the Company for any accounting year is less than the amount of dividends on these preferred securities coming due on the dividend payment date during the year, the Company must submit a Distributable Profits Limitation Certificate to issuers showing the amount of Available Distributable Profits.

3. The Company's preferred stock: The Company's preferred stock which has been issued directly by the Company and has the highest priority for the payment of dividends among preferred stock.

4. Available Distributable Profits: Available Distributable Profits are defined as the amount of Available Distributable Profits applicable to the accounting year immediately prior to the current year less the sum of the amount of dividends paid on the Company's preferred stock thus far during the current year and the amount of dividends to be paid on preferred stock for the remainder of the current year. (However, the interim dividend paid on the Company's preferred stock in the current year is not considered in the computation of Available Distributable Profits.) However, when there are securities issued by subsidiaries of the Company, rights to dividends, voting rights, and rights exercisable in the event of liquidation of which are determined by reference to the Company's financial position and operating performance and which have the same seniority for their issuer as these preferred securities do for their issuer, adjustments are made in Available Distributable Profits.

Issuer	Resona Preferred Securities (Cayman) 4 Limited
Type of securities	Non-cumulative perpetual preferred securities
Maturity	None (perpetual)
Optional redemption	The preferred securities may be redeemed at the option of the issuer on any dividend payment date in or after July 2008, subject to the prior approval of the Financial Services Agency.
Amount of issue	Series A: ¥32.6 billion Series B: ¥24.9 billion
Date for payment of the issue price	March 28, 2003
Dividend rate	Series A: Dividends on the preferred securities will be payable at a fixed rate through the dividend payment date in July 2008. After this date, the dividend rate will become variable, without step-up. Series B: A variable dividend rate will apply. No step-up.
Mandatory dividend	When dividends are paid on the Company's common stock for any accounting period, the full amount of dividends on the preferred securities described here must be paid following the conclusion of such accounting period and on the due date for dividends (mandatory dividend payment date). However, this will be subject to the following conditions. (1) A loss Absorption Certificate (See note 1 below.) has not been submitted. (2) No Preferred Stock Dividend Limitation is in effect. (If such limitation is in effect, dividends can be paid only up to the applicable limit.) (3) A Distributable Profits Limitation Certificate (See note 2 below.) has not been submitted. (If such a certificate has been submitted, dividends can be paid only up to the applicable limit.)
Dividend payment date	July 5 of each year, provided that if this date in any year falls on a day that is not a business day, payment will be made on the next business day.
Preferred stock dividend limitation	If the dividends paid on the Company's preferred stock (See note 3 below.) are reduced, dividends on these preferred securities will be reduced by the same percentage.
Distributable profits limitation	If there are insufficient Available Distributable Profits (See note 4 below.) (in the case where the Available Distributable Profits are less than the total amount of dividends to be paid), dividends on these preferred securities will be limited to the amount of Available Distributable Profits.
Conditions for suspension of dividends	If any one of the following events occurs, payment of dividends will be suspended. Unpaid dividends will not accrue in the subsequent periods: (1) If a Loss Absorption Certificate is delivered by the Company to the issuer; (2) If dividends are not paid on the Company's preferred stock; (3) If the Company does not have Available Distributable Profits; (4) If the Company delivers a Dividend Instruction instructing not to pay dividends on the dividend payment date.
Liquidation preference	The preferred securities rank *pari passu* with the Company's preferred shares as to liquidation preference.

Notes: 1. Loss Absorption Certificate: This Certificate is submitted by the Company to issuers when specified conditions (Loss Absorption Event) become applicable accompanying a financial crisis or potential financial crisis in the Company. (However, when the Loss Absorption Event described in (4) below prevails, submission is at the discretion of the Company.) Loss Absorption Events are said to exist when the Company is in the following circumstances.

(1) When liquidation begins (commencement of liquidation proceedings, declaration of bankruptcy, permission is granted for preparation of reorganization plans that involve liquidation, and presentation of rehabilitation plans that involve liquidation).

(2) When the decision has been made to begin reorganization proceedings under corporate reorganization laws; the decision has been made to begin arrangement proceedings under the Commercial Code; or the decision has been made to begin rehabilitation proceedings under civil rehabilitation laws. In addition, such circumstances will prevail when notice of the convening of a meeting of creditors for obligatory settlement under bankruptcy laws has been delivered to creditors.

(3) When government authorities having jurisdiction over the Company declare that the Company is unable to meet its payment obligations or has a net capital deficiency, or has been placed under public administration, or has declared the Company will be assigned to third parties.

(4) When the Company's consolidated capital ratio or core capital ratios decline below the minimum required by applicable bank regulations, or if payment of the dividends in question will lead to such a decline.

(5) When the Company fails to meet its obligations or there is concern that it may fail to meet its obligations, or when there is concern that it may fail to meet such obligations as a result of payment of the dividends in question.

(6) When the Company's accounts are in net capital deficit or such a situation may arise if the dividends in question are paid.

2. Distributable Profits Limitation Certificate: When the amount of Available Distributable Profits of the Company for any accounting year is less than the amount of dividends on these preferred securities coming due on the dividend payment date during the year, the Company must submit a Distributable Profits Limitation Certificate to issuers showing the amount of Available Distributable Profits.

3. The Company's preferred stock: The Company's preferred stock which has been issued directly by the Company and has the highest priority for the payment of dividends among preferred stock.

4. Available Distributable Profits: Available Distributable Profits are defined as the amount of Available Distributable Profits applicable to the accounting year immediately prior to the current year less the sum of the amount of dividends paid on the Company's preferred stock thus far during the current year and the amount of dividends to be paid on preferred stock for the remainder of the current year. (However, the interim dividend paid on the Company's preferred stock in the current year is not considered in the computation of Available Distributable Profits.) However, when there are securities issued by subsidiaries of the Company, rights to dividends, voting rights, and rights exercisable in the event of liquidation of which are determined by reference to the Company's financial position and operating performance and which have the same seniority for their issuer as these preferred securities do for their issuer, adjustments are made in Available Distributable Profits.

Issuer	Resona Preferred Finance (Cayman) Limited
Type of securities	Non-cumulative perpetual preferred securities
Maturity	None (perpetual)
Optional redemption	The preferred securities may be redeemed at the option of the issuer on any dividend payment date in or after July 2008, subject to the prior approval of the Financial Services Agency.
Amount of issue	¥15.0 billion
Date for payment of the issue price	March 28, 2003
Dividend rate	Dividends on the preferred securities will be payable at a fixed rate through the dividend payment date in July 2008. After this date, the dividend rate will become variable, without step-up.
Mandatory dividend	When dividends are paid on the Company's common stock for any accounting period, the full amount of dividends on the preferred securities described here must be paid following the conclusion of such accounting period and on the due date for dividends (mandatory dividend payment date). However, this will be subject to the following conditions. (1) A loss Absorption Certificate (See note 1 below.) has not been submitted. (2) No Preferred Stock Dividend Limitation is in effect. (If such limitation is in effect, dividends can be paid only up to the applicable limit.) (3) A Distributable Profits Limitation Certificate (See note 2 below.) has not been submitted. (If such a certificate has been submitted, dividends can be paid only up to the applicable limit.)
Dividend payment date	July 5 of each year, provided that if this date in any year falls on a day that is not a business day, payment will be made on the next business day.
Preferred stock dividend limitation	If the dividends paid on the Company's preferred stock (See note 3 below.) are reduced, dividends on these preferred securities will be reduced by the same percentage.
Distributable profits limitation	If there are insufficient Available Distributable Profits (See note 4 below.) (in the case where the Available Distributable Profits are less than the total amount of dividends to be paid), dividends on these preferred securities will be limited to the amount of Available Distributable Profits.
Conditions for suspension of dividends	If any one of the following events occurs, payment of dividends will be suspended. Unpaid dividends will not accrue in the subsequent periods: (1) If a Loss Absorption Certificate is delivered by the Company to the issuer; (2) If dividends are not paid on the Company's preferred stock; (3) If the Company does not have Available Distributable Profits; (4) If the Company delivers a Dividend Instruction instructing not to pay dividends on the dividend payment date.
Liquidation preference	The preferred securities rank *pari passu* with the Company's preferred shares as to liquidation preference.

Notes: 1. Loss Absorption Certificate: This Certificate is submitted by the Company to issuers when specified conditions (Loss Absorption Event) become applicable accompanying a financial crisis or potential financial crisis in the Company. (However, when the Loss Absorption Event described in (4) below prevails, submission is at the discretion of the Company.) Loss Absorption Events are said to exist when the Company is in the following circumstances.

(1) When liquidation begins (commencement of liquidation proceedings, declaration of bankruptcy, permission is granted for preparation of reorganization plans that involve liquidation, and presentation of rehabilitation plans that involve liquidation).

(2) When the decision has been made to begin reorganization proceedings under corporate reorganization laws; the decision has been made to begin arrangement proceedings under the Commercial Code; or the decision has been made to begin rehabilitation proceedings under civil rehabilitation laws. In addition, such circumstances will prevail when notice of the convening of a meeting of creditors for obligatory settlement under bankruptcy laws has been delivered to creditors.

(3) When government authorities having jurisdiction over the Company declare that the Company is unable to meet its payment obligations or has a net capital deficiency, or has been placed under public administration, or has declared the Company will be assigned to third parties.

(4) When the Company's consolidated capital ratio or core capital ratios decline below the minimum required by applicable bank regulations, or if payment of the dividends in question will lead to such a decline.

(5) When the Company fails to meet its obligations or there is concern that it may fail to meet its obligations, or when there is concern that it may fail to meet such obligations as a result of payment of the dividends in question.

(6) When the Company's accounts are in net capital deficit or such a situation may arise if the dividends in question are paid.

2. Distributable Profits Limitation Certificate: When the amount of Available Distributable Profits of the Company for any accounting year is less than the amount of dividends on these preferred securities coming due on the dividend payment date during the year, the Company must submit a Distributable Profits Limitation Certificate to issuers showing the amount of Available Distributable Profits.

3. The Company's preferred stock: The Company's preferred stock which has been issued directly by the Company and has the highest priority for the payment of dividends among preferred stock.

4. Available Distributable Profits: Available Distributable Profits are defined as the amount of Available Distributable Profits applicable to the accounting year immediately prior to the current year less the sum of the amount of dividends paid on the Company's preferred stock thus far during the current year and the amount of dividends to be paid on preferred stock for the remainder of the current year. (However, the interim dividend paid on the Company's preferred stock in the current year is not considered in the computation of Available Distributable Profits.) However, when there are securities issued by subsidiaries of the Company, rights to dividends, voting rights, and rights exercisable in the event of liquidation of which are determined by reference to the Company's financial position and operating performance and which have the same seniority for their issuer as these preferred securities do for their issuer, adjustments are made in Available Distributable Profits.

Statements of Trust Assets and Liabilities (Unaudited)

Based on the Law Concerning Concurrent Conduct of Trust Business Operations by Financial Institutions, the amounts of trust assets are the simple totals of such assets held by consolidated subsidiaries in their trust operations.

Resona Holdings, Inc.	Millions of yen		Millions of U.S. dollars
March 31, 2005 and 2004	2005	2004	2005
Assets			
Loans and bills discounted	**¥ 205,527**	¥ 235,055	**$ 1,913**
Securities	**4,775,580**	3,450,013	**44,469**
Trust beneficiary certificates	**21,167,280**	20,633,616	**197,106**
Securities held in custody account	**28**	28	**0**
Monetary claims	**490,829**	585,963	**4,570**
Premises and equipment	**348,995**	365,527	**3,249**
Land lease rights	**1,857**	1,977	**17**
Other claims	**16,555**	13,743	**154**
Due from banking account	**393,166**	403,849	**3,661**
Cash and due from banks	**35,603**	30,090	**331**
Total assets	**¥27,435,424**	¥25,719,866	**$255,474**
Liabilities			
Money trusts	**¥10,981,673**	¥ 9,495,175	**$102,259**
Pension trusts	**4,438,919**	5,355,689	**41,334**
Asset formation benefit trusts	**1,989**	2,115	**18**
Securities investment trusts	**10,278,317**	9,000,857	**95,710**
Pecuniary trusts other than money trusts	**117,577**	235,731	**1,094**
Securities trusts	**312,874**	218,960	**2,913**
Monetary claim trusts	**514,155**	607,066	**4,787**
Real estate trusts	**192,486**	218,654	**1,792**
Land lease trusts	**4,926**	4,919	**45**
Composite trusts	**592,503**	580,695	**5,517**
Total liabilities	**¥27,435,424**	¥25,719,866	**$255,474**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.
3. Consolidated subsidiaries included in the summation
Previous fiscal year-end: Resona Bank and Resona Trust and Banking
Fiscal year under review: Same
4. The trusts which were re-entrusted for asset management purposes were excluded.
5. Trust beneficiary certificates worth ¥21,164,752 million ($197,083 million) and ¥20,630,112 million on March 31, 2005 and 2004, respectively, were re-entrusted for asset administration purposes.
6. Co-managed trust funds under other trust banks' administration amounted to ¥3,438,609 million ($32,019 million) and ¥4,744,373 million on March 31, 2004 and 2005, respectively.

Jointly Operated Designated Money Trusts (JOMTs)

Resona Holdings, Inc.	Millions of yen		Millions of U.S. dollars
March 31, 2005 and 2004	2005	2004	2005
Assets			
Loans and bills discounted	**¥200,989**	¥229,307	**$1,871**
Securities	**30,973**	102,000	**288**
Other	**326,735**	238,052	**3,042**
Total assets	**¥558,698**	¥569,359	**$5,202**
Liabilities			
Principal	**¥557,833**	¥569,057	**$5,194**
Reserve provided in preparation for write-offs in trust account	**605**	700	**5**
Other	**259**	(397)	**2**
Total liabilities	**¥558,698**	¥569,359	**$5,202**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Non-consolidated Balance Sheets

Resona Holdings, Inc.

March 31, 2005 and 2004	Millions of yen 2005	Millions of yen 2004	Millions of U.S. dollars 2005
Assets			
Current assets	**¥ 15,851**	¥ 9,609	**$ 147**
Cash and cash equivalents	**3,987**	6,024	**37**
Prepaid expenses	**353**	285	**3**
Accrued income	**1,309**	1,317	**12**
Other	**10,201**	1,981	**94**
Non-current assets	**1,413,462**	1,336,123	**13,161**
Tangible fixed assets	**23**	25	**0**
Furniture and fixtures	**23**	24	**0**
Other	**—**	0	**—**
Intangible fixed assets	**112**	121	**1**
Trademark	**89**	98	**0**
Software	**22**	22	**0**
Investments and other assets	**1,413,326**	1,335,976	**13,160**
Investment in subsidiaries	**1,113,319**	1,035,952	**10,367**
Long-term loans to subsidiaries	**300,000**	300,000	**2,793**
Long-term prepaid expenses	**—**	22	**—**
Other	**7**	1	**0**
Deferred charges	**114**	228	**1**
Organization costs	**114**	228	**1**
Total Assets	**¥1,429,428**	¥1,345,960	**$13,310**
Liabilities			
Current liabilities	**¥ 44,864**	¥ 5,728	**$ 417**
Short-term debt	**40,612**	—	**378**
Annual maturities of long-term debt	**—**	1,500	**—**
Accrued expenses	**4,151**	4,122	**38**
Income tax payable	**89**	9	**0**
Consumption tax payable	**—**	76	**—**
Other	**11**	19	**0**
Non-current liabilities	**646,020**	646,020	**6,015**
Bonds	**95,020**	15,020	**884**
Long-term debt	**331,000**	331,000	**3,082**
Long-term debt to subsidiaries	**220,000**	300,000	**2,048**
Total Liabilities	**690,884**	651,748	**6,433**
Shareholders' Equity			
Capital stock	**327,201**	1,288,473	**3,046**
Capital surplus	**366,883**	869,830	**3,416**
Capital reserve	**327,201**	829,829	**3,046**
Other capital surplus	**39,682**	40,001	**369**
Deduction of capital and capital reserve	**39,682**	40,000	**369**
Gain from disposal of treasury stock	**—**	1	**—**
Retained earnings (Accumulated deficit)	**44,519**	(1,463,902)	**414**
Unappropriated profit (undisposed loss)	**44,519**	(1,463,902)	**414**
Treasury stock	**(60)**	(190)	**(0)**
Total Shareholders' Equity	**738,543**	694,212	**6,877**
Total Liabilities and Shareholders' Equity	**¥1,429,428**	¥1,345,960	**$13,310**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Non-consolidated Statements of Operations

Resona Holdings, Inc.

March 31, 2005 and 2004	Millions of yen 2005	Millions of yen 2004	Millions of U.S. dollars 2005
Operating income	**¥ 74,594**	¥ 32,566	**$ 694**
Dividends from subsidiaries	**63,411**	19,119	**590**
Fees from subsidiaries	**4,671**	6,903	**43**
Interest on loans to subsidiaries	**6,512**	6,543	**60**
Operating expenses	**18,008**	13,151	**167**
Interest expenses	**12,922**	8,901	**120**
Interest on bonds	**1,013**	—	**9**
Bond issuance costs	**415**	—	**3**
General and administrative expenses	**3,656**	4,249	**34**
Operating profit	**56,586**	19,415	**526**
Non-operating profit	**148**	117	**1**
Interest income	**3**	0	**0**
Commission received	**143**	115	**1**
Other	**1**	2	**0**
Non-operating expenses	**12,211**	1,483,426	**113**
Devaluation of investment in subsidiaries	**12,045**	1,480,358	**112**
Interest expense	**—**	829	**—**
Interest on bonds	**—**	539	**—**
Amortization of organization cost	**114**	114	**1**
Stock issuance costs	**—**	1,554	**—**
Attorney fee	**37**	—	**0**
Other	**14**	30	**0**
Income (loss) before income taxes	**44,524**	(1,463,894)	**414**
Income taxes—current	**4**	8	**0**
Net income (loss)	**44,519**	(1,463,902)	**414**
Loss carried forward from previous year	**921,272**	372,025	**8,578**
Transfer from capital to cover deficit	**921,272**	372,025	**8,578**
Unappropriated profit (undisposed loss) at end of the year	**¥ 44,519**	¥(1,463,902)	**$ 414**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Financial Information of Resona Bank, Ltd.

Non-consolidated Balance Sheet

Resona Bank, Ltd. March 31, 2005 and 2004	Millions of yen 2005	2004	Millions of U.S. dollars 2005
Assets			
Cash and due from banks	**¥ 2,616,724**	¥ 2,216,761	**$ 24,366**
Call loans and bills bought	**613,886**	160,702	**5,716**
Deposits paid for bonds borrowing transactions	**—**	4,651	**—**
Monetary claims bought	**19,816**	16,295	**184**
Trading assets	**691,997**	544,340	**6,443**
Securities	**5,104,791**	5,501,412	**47,535**
Loans and bills discounted	**17,551,865**	18,590,575	**163,440**
Foreign exchange	**66,063**	84,004	**615**
Other assets	**511,309**	575,284	**4,761**
Premises and equipment	**341,342**	360,249	**3,178**
Deferred tax assets	**32,052**	13,466	**298**
Customers' liabilities for acceptances and guarantees	**1,195,694**	1,348,120	**11,134**
Reserve for possible loan losses	**(421,459)**	(790,243)	**(3,924)**
Reserve for possible losses on investment	**(13,058)**	(13,118)	**(121)**
Total Assets	**¥28,311,025**	¥28,612,504	**$263,628**
Liabilities			
Deposits	**¥19,832,385**	¥20,328,898	**$184,676**
Negotiable certificates of deposit	**1,099,450**	847,076	**10,237**
Call money and bills sold	**2,982,824**	3,138,766	**27,775**
Bills sold under repurchase agreements	**345,291**	323,085	**3,215**
Deposits received for bonds lending transactions	**—**	3,109	**—**
Trading liabilities	**39,988**	42,534	**372**
Borrowed money	**505,955**	605,899	**4,711**
Foreign exchange	**20,594**	22,286	**191**
Bonds	**529,120**	394,060	**4,927**
Due to trust account	**393,166**	403,849	**3,661**
Other liabilities	**229,376**	276,292	**2,135**
Reserve for specific borrowers under support	**—**	1,925	**—**
Reserve for possible losses on business restructuring	**266**	12,727	**2**
Reserve for reorganization of branch office channel	**2,932**	—	**27**
Other reserves	**0**	0	**0**
Deferred tax liabilities on land revaluation	**45,535**	45,088	**424**
Acceptances and guarantees	**1,195,694**	1,348,120	**11,134**
Total Liabilities	**27,222,582**	27,793,721	**253,492**
Shareholders' Equity			
Capital stock	**279,928**	279,928	**2,606**
Capital surplus	**352,208**	1,751,871	**3,279**
Retained earnings (Accumulated deficit)	**282,676**	(1,399,662)	**2,632**
Revaluation reserve for land	**63,406**	65,912	**590**
Net unrealized gains on available-for-sale securities	**110,223**	120,732	**1,026**
Total Shareholders' Equity	**1,088,443**	818,782	**10,135**
Total Liabilities and Shareholders' Equity	**¥28,311,025**	¥28,612,504	**$263,628**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Non-consolidated Statement of Operations

Resona Bank, Ltd.

Years ended March 31, 2005 and 2004	Millions of yen **2005**	2004	Millions of U.S. dollars **2005**
Income			
Interest income	**¥425,419**	¥ 441,343	**$3,961**
Interest on loans and bills discounted	**353,611**	390,128	**3,292**
Interest and dividends on securities	**55,612**	43,837	**517**
Trust fees	**7,297**	4,619	**67**
Fees and commissions	**110,991**	112,529	**1,033**
Trading income	**22,013**	21,819	**204**
Other operating income	**55,594**	22,936	**517**
Other income	**246,917**	168,588	**2,299**
Total Income	**868,233**	771,837	**8,084**
Expenses			
Interest expenses	**59,441**	66,321	**553**
Interest on deposits	**20,666**	23,730	**192**
Fees and commissions	**56,252**	57,631	**523**
Trading expenses	**47**	—	**0**
Other operating expenses	**17,924**	34,244	**166**
General and administrative expenses	**233,337**	313,357	**2,172**
Other expenses	**201,326**	1,430,746	**1,874**
Total Expenses	**568,330**	1,902,301	**5,292**
Income/(loss) before income taxes	**299,903**	(1,130,463)	**2,792**
Income taxes—current	**681**	665	**6**
Income/(loss) taxes—deferred	**(12,233)**	284,643	**(113)**
Net income/(loss)	**311,455**	(1,415,772)	**2,900**
Loss carried forward from previous year	**—**	371,359	**—**
Transfer from capital to cover deficit	**—**	371,359	**—**
Reversal of revaluation reserve for land	**1,222**	16,110	**11**
Interim dividend paid	**30,001**	—	**279**
Unappropriated profit (undisposed loss) at end of the year	**¥282,676**	¥(1,399,662)	**$2,632**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.
3. Unappropriated profit at the end of March 2005 was ¥282,676 million. Of this amount, the Bank decided to pay ¥177,196 million as dividends to its common and preferred stocks. As a result of the profit appropriation, the remainder of ¥105,480 million is to be carried forward to the next year as unappropriated profit.
The Commercial Code of Japan imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code and the Banking Law of Japan was ¥320,785 million as of March 31, 2005, based on the amount recorded in the Bank's general books of account.

Statement of Trust Assets and Liabilities

Resona Bank, Ltd.

March 31, 2005 and 2004	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Assets			
Loans and bills discounted	**¥ 205,527**	¥ 235,055	**$ 1,913**
Securities	**50,973**	102,500	**474**
Trust beneficiary certificates	**2,528**	3,504	**23**
Securities held in custody account	**28**	28	**0**
Monetary claims	**490,829**	585,963	**4,570**
Premises and equipment	**348,995**	365,527	**3,249**
Land lease rights	**1,857**	1,977	**17**
Other claims	**14,630**	13,349	**136**
Due from banking account	**393,166**	403,849	**3,661**
Cash and due from banks	**26,308**	26,993	**244**
Total assets	**¥1,534,845**	¥1,738,749	**$14,292**
Liabilities			
Money trusts	**¥ 617,028**	¥ 714,328	**$ 5,745**
Asset formation benefit trusts	**1,989**	2,115	**18**
Pecuniary trusts other than money trusts	**0**	0	**0**
Securities trusts	**28**	28	**0**
Monetary claim trusts	**514,155**	607,066	**4,787**
Real estate trusts	**192,486**	218,654	**1,792**
Land lease trusts	**4,926**	4,919	**45**
Composite trusts	**204,228**	191,637	**1,901**
Total liabilities	**¥1,534,845**	¥1,738,749	**$14,292**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.
3. Co-managed trust funds under other trust banks' administration amounted to ¥76,773 million ($714 million) and ¥76,329 million on March 31, 2005 and 2004, respectively.
4. Loans and bills discounted funded by Jointly Operated Designated Money Trust account funds that the Bank guarantees the principal amounting to ¥200,989 million ($1,871 million) and ¥229,307 million on March 31, 2005 and 2004, respectively, included the following:

	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Loans to borrowers in legal bankruptcy	**¥ 41**	¥ 383	**$ 0**
Past due loans	**3,276**	8,273	**30**
Loans past due three months or more	**120**	849	**1**
Restructured loans	**22,084**	22,933	**205**
Total	**¥25,532**	¥32,438	**$237**

Deposits and Negotiable Certificates of Deposit (Non-consolidated)

Resona Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Liquid deposits	**¥12,231.5**	¥12,355.4
Time deposits	**6,867.8**	7,213.4
Other deposits	**1,832.4**	1,607.0
Total	**¥20,931.8**	¥21,175.9

Note: Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice

Deposits by Type of Depositor (Non-consolidated)

Resona Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Individuals	**¥10,360.3**	¥10,301.9
Corporations, other	**9,465.0**	10,023.2
Total	**¥19,825.3**	¥20,325.1

Note: Domestic depositors only and excluding negotiable certificates of deposit

Loans to SMEs and Individuals (Non-consolidated)

Resona Bank, Ltd.	Billions of yen		Ratio to total loans	
March 31	**2005**	2004	**2005**	2004
Banking account	**¥13,903.3**	¥14,303.8	**79.2%**	77.0%
Banking and trust accounts	**14,066.9**	14,494.8	**79.2%**	77.1%

Loans to Individuals (Non-consolidated, Banking and Trust Accounts)

Resona Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Consumer loans total	**¥6,494.4**	¥6,049.6
Housing loans	**6,234.0**	5,762.8

Note: Amount after securitization of housing loans

Loans and Bills Discounted by Industry (Non-consolidated, Banking Account)

Resona Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Domestic operations		
Manufacturing	**¥ 2,090.7**	¥ 2,435.8
	11.92%	13.12%
Agriculture	**12.5**	13.8
	0.07%	0.07%
Forestry	**3.8**	3.3
	0.02%	0.02%
Fishing	**2.9**	3.1
	0.01%	0.02%
Mining	**22.2**	22.6
	0.12%	0.12%
Construction	**622.2**	780.0
	3.54%	4.20%
Electric power, gas, and other public enterprises	**65.2**	70.0
	0.37%	0.38%
Information and communications	**289.4**	301.5
	1.65%	1.62%
Transportation	**539.0**	647.6
	3.07%	3.49%
Wholesale and retail	**2,217.3**	2,434.8
	12.64%	13.12%
Financial services	**1,137.8**	1,327.0
	6.48%	7.15%
Real estate	**2,018.0**	2,281.8
	11.50%	12.29%
Services	**1,843.1**	1,900.0
	10.50%	10.24%
Local governments	**361.1**	348.1
	2.05%	1.88%
Other	**6,312.5**	5,992.6
	35.99%	32.28%
Subtotal	**¥17,538.4**	¥18,562.5
	100.00%	100.00%
Japan Offshore Banking Account		
Governments	**¥ 3.8**	¥ 5.6
	28.35%	20.15%
Financial institutions	**6.0**	12.8
	44.77%	45.88%
Other	**3.5**	9.5
	26.11%	33.97%
Subtotal	**¥ 13.4**	¥ 28.0
	100.00%	100.00%
Total	**¥17,551.8**	¥18,590.5

Risk Management Loans (Banking and Trust Accounts)

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Loans to borrowers in legal bankruptcy	¥ 9.5	¥ (16.7)	¥ 26.2
Past due loans	306.4	(398.5)	705.0
Loans past due three months or more	15.9	(13.9)	29.9
Restructured loans	293.9	(418.5)	712.5
Total*	¥ 625.9	¥ (847.8)	¥ 1,473.7
Total loans and bills discounted	¥17,752.8	¥(1,067.0)	¥18,819.8
Ratio of risk management loans to total loans and bills discounted (%)	3.52	(4.31)	7.83

* Amounts are net of partial direct write-offs.

Disclosure according to the Financial Reconstruction Law (Banking and Trust Accounts)

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Unrecoverable or valueless claims	¥ 57.4	¥ (71.1)	¥ 128.5
Risk claims	269.4	(348.2)	617.6
Claims in need of special attention	309.9	(432.5)	742.5
Financial Reconstruction Law subtotal	636.8	(851.8)	1,488.6
Nonclassified claims	18,383.1	(260.8)	18,643.9
Financial Reconstruction Law total*	¥19,019.9	¥(1,112.7)	¥20,132.6
Coverage ratio (%)	85.38	(5.17)	80.21

* Amounts are net of partial direct write-offs.

Reserve for Possible Loan Losses (Banking and Trust Accounts)

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Reserves for possible loan losses	¥421.4	¥(368.7)	¥790.2
General reserve for possible loan losses	224.2	(150.5)	374.7
Specific reserve for possible loan losses	197.0	(217.7)	414.8
Special reserve for certain overseas loans	0.1	(0.5)	0.6
Reserve for the specific borrowers under support	—	(1.9)	1.9
Reserve provided in preparation for write-offs in trust account	0.6	(0.0)	0.7

Securities

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2005	2004
National and local government bonds	¥3,123.6	¥3,375.3
Corporate bonds	781.4	764.4
Corporate stocks	695.8	1,028.3
Other securities	503.7	333.3
Total book value	¥5,104.7	¥5,501.4

Risk-Adjusted Capital Ratio

(1) Consolidated Capital Ratio (Domestic Standard)

Resona Bank, Ltd.			Billions of yen	
March 31			2005	2004
Tier I capital	Capital		¥ 279.9	¥ 279.9
	Non-cumulative perpetual preferred stock		—	—
	Capital surplus		404.4	404.4
	Earned surplus		61.1	(39.2)
	Minority interests in consolidated subsidiaries		261.9	274.7
	Preferred securities issued by special-purpose company overseas		249.2	249.2
	Revaluation loss on other securities		—	—
	Foreign currency translation adjustments, net of taxes		(2.3)	(2.0)
	Consolidation differences		0	—
	Total qualifying Tier I capital	(A)	1,005.0	917.7
	Preferred securities with interest step-up conditions		70.6	70.6
Tier II capital	45% of the difference between land after revaluation and the book value immediately before revaluation		49.0	49.9
	General reserve for possible loan losses		114.9	117.4
	Qualifying subordinated debt		694.3	567.9
	Subtotal		858.3	735.3
	Tier II capital included as qualifying capital	(B)	858.3	735.3
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	238.6	310.4
Total qualifying capital	(A)+(B)–(C)	(D)	¥ 1,624.7	¥ 1,342.5
Risk-adjusted assets	On-balance-sheet items		¥15,823.0	¥16,414.5
	Off-balance-sheet items		2,576.0	2,384.8
Total risk-adjusted assets		(E)	¥18,399.1	¥18,799.4
Risk-adjusted capital ratio	(D)/(E) x 100%		8.83%	7.14%

(2) Non-consolidated Capital Ratio (Domestic Standard)

Resona Bank, Ltd.			Billions of yen	
March 31			2005	2004
Tier I capital	Capital		¥ 279.9	¥ 279.9
	Non-cumulative perpetual preferred stock		—	—
	Capital reserve		279.9	279.9
	Other capital surplus		72.2	72.2
	Voluntary reserve		—	—
	Earned surplus carried forward to the next year		106.1	10.6
	Other		249.1	249.1
	Revaluation loss on other securities		—	—
	Total qualifying Tier I capital	(A)	987.4	891.9
	Preferred securities with interest step-up conditions		70.6	70.6
Tier II capital	45% of the difference between land after revaluation and the book value immediately before revaluation		49.0	49.9
	General reserve for possible loan losses		102.4	106.3
	Qualifying subordinated debt		694.3	567.9
	Subtotal		845.7	724.2
	Tier II capital included as qualifying capital	(B)	845.7	724.2
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	255.1	327.3
Total qualifying capital	(A)+(B)–(C)	(D)	¥ 1,578.0	¥ 1,288.7
Risk-adjusted assets	On-balance-sheet items		¥15,558.1	¥16,066.8
	Off-balance-sheet items		829.1	947.9
Total risk-adjusted assets		(E)	¥16,387.2	¥17,014.8
Risk-adjusted capital ratio	(D)/(E) x 100%		9.62%	7.57%

Note: In conformity with the guidelines established by the Ministry of Finance of Japan based on Article 14-2 of the Banking Law of Japan, both consolidated and non-consolidated capital adequacy ratios are calculated.

Financial Information of Saitama Resona Bank, Ltd.

Non-consolidated Balance Sheet

Saitama Resona Bank, Ltd.	Millions of yen		Millions of U.S. dollars
March 31, 2005 and 2004	**2005**	2004	**2005**
Assets			
Cash and due from banks	**¥ 299,320**	¥ 462,786	**$ 2,787**
Call loans and bills bought	**2,501,449**	2,640,423	**23,293**
Monetary claims bought	**69,427**	1,500	**646**
Trading assets	**19,129**	5,277	**178**
Securities	**1,120,851**	1,162,625	**10,437**
Loans and bills discounted	**5,322,327**	4,980,307	**49,560**
Foreign exchange	**13,335**	19,244	**124**
Other assets	**52,976**	46,167	**493**
Premises and equipment	**65,924**	72,484	**613**
Deferred tax assets	**3,545**	30,881	**33**
Customers' liabilities for acceptances and guarantees	**65,845**	53,899	**613**
Reserve for possible loan losses	**(36,170)**	(45,175)	**(336)**
Total Assets	**¥9,497,962**	¥9,430,422	**$88,443**
Liabilities			
Deposits	**¥8,666,411**	¥8,631,425	**$80,700**
Negotiable certificates of deposit	**81,440**	15,890	**758**
Call money and bills sold	**254,171**	316,857	**2,366**
Bills sold under repurchase agreements	**5,999**	—	**55**
Deposits received for bonds lending transactions	**—**	66,786	**—**
Borrowed money	**137,000**	125,002	**1,275**
Foreign exchange	**272**	481	**2**
Other liabilities	**44,401**	48,926	**413**
Acceptances and guarantees	**65,845**	53,899	**613**
Total Liabilities	**9,255,543**	9,259,270	**86,186**
Shareholders' Equity			
Capital stock	**70,000**	50,000	**651**
Capital surplus	**100,000**	80,000	**931**
Retained earnings	**43,510**	24,986	**405**
Net unrealized gains on available-for-sale securities	**28,908**	16,165	**269**
Total Shareholders' Equity	**242,419**	171,151	**2,257**
Total Liabilities and Shareholders' Equity	**¥9,497,962**	¥9,430,422	**$88,443**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Non-consolidated Statement of Operations

Saitama Resona Bank, Ltd.

Years ended March 31, 2005 and 2004	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Income			
Interest income	**¥115,869**	¥109,235	**$1,078**
Interest on loans and bills discounted	**105,518**	102,284	**982**
Interest and dividends on securities	**7,506**	4,363	**69**
Fees and commissions	**33,661**	30,490	**313**
Other operating income	**6,931**	4,281	**64**
Other income	**10,113**	5,913	**94**
Total Income	**166,576**	149,920	**1,551**
Expenses			
Interest expenses	**9,878**	12,004	**91**
Interest on deposits	**7,403**	9,693	**68**
Fees and commissions	**16,771**	16,639	**156**
Other operating expenses	**5,874**	2,938	**54**
General and administrative expenses	**72,516**	74,543	**675**
Other expenses	**20,304**	36,149	**189**
Total Expenses	**125,346**	142,275	**1,167**
Income before income taxes	**41,230**	7,645	**383**
Income taxes—current	**165**	144	**1**
Income taxes—deferred	**18,730**	3,320	**174**
Net income	**22,334**	4,181	**207**
Profit carried forward from previous year	**4,973**	792	**46**
Interim dividend paid	**3,810**	—	**35**
Unappropriated profit at the end of the year	**¥ 23,498**	¥ 4,973	**$ 218**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Deposits and Negotiable Certificates of Deposit

Saitama Resona Bank, Ltd.	Billions of yen	
March 31	2005	2004
Liquid deposits	**¥4,907.4**	¥4,807.2
Time deposits	**3,520.9**	3,668.3
Other deposits	**319.5**	171.6
Total	**¥8,747.8**	¥8,647.3

Note: Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice

Deposits by Type of Depositor

Saitama Resona Bank, Ltd.	Billions of yen	
March 31	2005	2004
Individuals	**¥6,535.0**	¥6,496.9
Corporations	**1,501.1**	1,373.7
Other	**630.1**	760.7
Total	**¥8,666.4**	¥8,631.4

Note: Domestic depositors only and excluding negotiable certificates of deposit

Loans to SMEs and Individuals (Non-consolidated)

Saitama Resona Bank, Ltd.	Billions of yen		Ratio to total loans	
March 31	2005	2004	2005	2004
Loans to SMEs and individuals	**¥4,575.1**	¥4,237.7	**85.9%**	85.0%

Loans to Individuals (Non-consolidated)

Saitama Resona Bank, Ltd.	Billions of yen	
March 31	2005	2004
Consumer loans total	**¥2,942.4**	¥2,676.2
Housing loans	**2,859.8**	2,594.1

Note: Amount after securitization of housing loans

Loans and Bills Discounted by Industry

Saitama Resona Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Domestic operations		
Manufacturing	**¥ 359.5**	¥ 342.1
	6.76%	6.87%
Agriculture	**7.7**	7.5
	0.15%	0.15%
Forestry	**0.4**	0.8
	0.01%	0.02%
Fishing	**—**	—
	—%	—%
Mining	**2.7**	2.1
	0.05%	0.04%
Construction	**179.8**	175.5
	3.38%	3.52%
Electric power, gas, and other public enterprises	**8.4**	8.9
	0.16%	0.18%
Information and communications	**9.8**	12.7
	0.18%	0.26%
Transportation	**132.5**	123.4
	2.49%	2.48%
Wholesale and retail	**334.6**	316.1
	6.29%	6.35%
Financial services	**17.4**	21.7
	0.33%	0.44%
Real estate	**418.7**	421.6
	7.87%	8.46%
Services	**387.0**	348.9
	7.27%	7.01%
Local governments	**412.1**	415.8
	7.74%	8.35%
Other	**3,050.8**	2,782.5
	57.32%	55.87%
Total	**¥5,322.3**	¥4,980.3
	100.00%	100.00%

Risk Management Loans

Saitama Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Loans to borrowers in legal bankruptcy	**¥ 2.4**	**¥ (1.2)**	¥ 3.6
Past due loans	**54.0**	**(21.6)**	75.6
Loans past due three months or more	**6.0**	**(3.9)**	10.0
Restructured loans	**43.3**	**(19.9)**	63.3
Total*	**¥ 105.8**	**¥ (46.8)**	¥ 152.7
Total loans and bills discounted	**¥5,322.3**	**¥(342.0)**	¥4,980.3
Ratio of risk management loans to total loans and bills discounted (%)	**1.98**	**(1.08)**	3.06

* Amount is net of partial direct write-offs.

Disclosure according to the Financial Reconstruction Law

Saitama Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Unrecoverable or valueless claims	**¥ 12.4**	**¥ (6.4)**	¥ 18.9
Risk claims	**44.3**	**(16.3)**	60.7
Claims in need of special attention	**49.3**	**(23.9)**	73.3
Financial Reconstruction Law subtotal	**106.2**	**(46.7)**	153.0
Nonclassified claims	**5,300.0**	**394.7**	4,905.3
Financial Reconstruction Law total*	**¥5,406.3**	**¥347.9**	5,058.3
Coverage ratio (%)	**86.38**	**(0.80)**	87.18

* Amount is net of partial direct write-offs.

Reserve for Possible Loan Losses

Saitama Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Reserves for possible loan losses	**¥36.1**	**¥(9.0)**	¥45.1
General reserve for possible loan losses	**21.9**	**(2.4)**	24.3
Specific reserve for possible loan losses	**14.1**	**(6.5)**	20.7

Securities

Saitama Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2005	2004
National and local government bonds	**¥ 675.4**	¥ 863.8
Corporate bonds	**263.2**	167.8
Corporate stocks	**139.0**	123.4
Other securities	**43.1**	7.4
Total book value	**¥1,120.8**	¥1,162.6

Risk-Adjusted Capital Ratio (Non-consolidated, Domestic Standards)

Saitama Resona Bank, Ltd.

			Billions of yen	
			2005	2004
Tier I capital	Capital		**¥ 70.0**	¥ 50.0
	Non-cumulative perpetual preferred stock		**—**	—
	Capital reserve		**100.0**	80.0
	Legal reserve		**20.0**	20.0
	Voluntary reserve		**—**	—
	Earned surplus carried forward to the next year		**8.6**	4.9
	Other		**—**	—
	Revaluation losses on other securities		**—**	—
	Total qualifying Tier I capital	(A)	**198.6**	154.9
Tier II capital	General reserve for possible loan losses		**21.9**	24.3
	Qualifying subordinated debt		**137.0**	125.0
	Subtotal		**158.9**	149.3
	Tier II capital included as qualifying capital	(B)	**158.9**	149.3
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	**—**	—
Total qualifying capital	(A)+(B)–(C)	(D)	**¥ 357.6**	¥ 304.3
Risk-adjusted assets	On-balance-sheet items		**¥4,223.8**	¥3,876.5
	Off-balance-sheet items		**90.1**	98.6
Total risk-adjusted assets		(E)	**¥4,313.9**	¥3,975.1
Risk-adjusted capital ratio	(D)/(E) x 100%		**8.29%**	7.65%

Note: The non-consolidated capital adequacy ratio is calculated in conformity with the guidelines established by the Ministry of Finance of Japan based on Article 14-2 of the Banking Law of Japan.

Financial Information of The Kinki Osaka Bank, Ltd.

Non-consolidated Balance Sheets

The Kinki Osaka Bank, Ltd.	Millions of yen		Millions of U.S. dollars
March 31, 2005 and 2004	**2005**	2004	**2005**
Assets			
Cash and due from banks	**¥ 101,065**	¥ 137,496	**$ 941**
Monetary claims bought	**30,070**	4,560	**280**
Trading assets	**239**	565	**2**
Securities	**1,019,865**	1,021,195	**9,496**
Loans and bills discounted	**2,484,226**	2,541,554	**23,132**
Foreign exchange	**7,529**	7,889	**70**
Other assets	**14,153**	20,275	**131**
Premises and equipment	**37,711**	45,722	**351**
Deferred tax assets	**10,620**	6,384	**98**
Customers' liabilities for acceptances and guarantees	**48,462**	51,302	**451**
Reserve for possible loan losses	**(76,131)**	(125,618)	**(708)**
Reserve for possible losses on investment	**—**	(2,549)	**—**
Total Assets	**¥3,677,813**	¥3,708,779	**$34,247**
Liabilities			
Deposits	**¥3,368,496**	¥3,493,690	**$31,366**
Call money and bills sold	**—**	1,056	**—**
Deposits received for bonds lending transactions	**65,069**	—	**605**
Borrowed money	**40,263**	45,284	**374**
Foreign exchange	**99**	132	**0**
Other liabilities	**13,835**	10,896	**128**
Reserve for employees' retirement benefits	**4,123**	7,551	**38**
Reserve for possible losses on loans sold	**—**	—	**—**
Reserve for possible losses on business restructuring	**35**	457	**0**
Acceptances and guarantees	**48,462**	51,302	**451**
Total Liabilities	**3,540,385**	3,610,371	**32,967**
Shareholders' Equity			
Capital stock	**38,971**	38,971	**362**
Capital surplus	**55,439**	344,051	**516**
Retained earnings (Accumulated deficit)	**34,586**	(288,611)	**322**
Net unrealized gains on available-for-sale securities	**8,431**	3,997	**78**
Total Shareholders' Equity	**137,427**	98,407	**1,279**
Total Liabilities and Shareholders' Equity	**¥3,677,813**	¥3,708,779	**$34,247**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Non-consolidated Statements of Operations

The Kinki Osaka Bank, Ltd.

Years ended March 31, 2005 and 2004	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Income			
Interest income	**¥ 68,302**	¥ 75,418	**$ 636**
Interest on loans and bills discounted	**59,484**	67,720	**553**
Interest and dividends on securities	**8,242**	7,219	**76**
Fees and commissions	**12,754**	12,397	**118**
Other operating income	**4,329**	12,619	**40**
Other income	**23,171**	14,673	**215**
Total Income	**108,557**	115,108	**1,010**
Expenses			
Interest expenses	**5,479**	6,809	**51**
Interest on deposits	**4,374**	5,012	**40**
Fees and commissions	**8,819**	7,741	**82**
Other operating expenses	**962**	330	**8**
General and administrative expenses	**41,418**	53,843	**385**
Other expenses	**15,487**	269,060	**144**
Total Expenses	**72,167**	337,784	**672**
Income/(loss) before income taxes	**36,389**	(222,676)	**338**
Income taxes—current	**70**	68	**0**
Income taxes—deferred	**(7,270)**	65,867	**(67)**
Net income (loss)	**43,589**	(288,611)	**405**
Loss carried forward from previous year	**—**	48,351	**—**
Interim dividend paid	**9,003**	—	**83**
Transfer from capital to cover deficit	**—**	48,351	**—**
Unappropriated profit (undisposed loss) at the end of the year	**¥ 34,586**	¥(288,611)	**$ 322**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Deposits and Negotiable Certificates of Deposit

The Kinki Osaka Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Liquid deposits	**¥1,370.6**	¥1,356.4
Time deposits	**1,955.3**	2,098.1
Other deposits	**42.4**	39.0
Total	**¥3,368.4**	¥3,493.6

Note: Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice
Time deposits = Time deposits + Periodic time deposits

Deposits by Type of Depositor

The Kinki Osaka Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Individuals	**¥2,716.6**	¥2,818.6
Corporations	**623.8**	620.1
Other	**28.0**	54.9
Total	**¥3,368.4**	¥3,493.6

Note: Domestic depositors only and excluding negotiable certificates of deposit

Loans to SMEs and Individuals (Non-consolidated)

The Kinki Osaka Bank, Ltd.	Billions of yen		Ratio to total loans	
March 31	**2005**	2004	**2005**	2004
Loans to SMEs and individuals	**¥2,309.2**	¥2,382.0	**92.9%**	93.7%

Loans to Individuals (Non-consolidated)

The Kinki Osaka Bank, Ltd.	Billions of yen		
March 31	**2005**	2004	Change
Consumer loans total	**¥1,115.6**	¥1,080.5	¥35.0
Housing loans	**881.7**	850.8	30.8

Loans and Bills Discounted by Industry

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen 2005	2004
Domestic operations		
Manufacturing	**¥ 318.3**	¥ 326.9
	12.81%	12.87%
Agriculture	**0.4**	0.6
	0.02%	0.02%
Forestry	**0.2**	0.2
	0.01%	0.01%
Fishing	**0.6**	0.6
	0.03%	0.03%
Mining	**0.5**	0.3
	0.02%	0.01%
Construction	**116.9**	138.9
	4.71%	5.47%
Electric power, gas, and other public enterprises	**0.0**	0.1
	0.00%	0.01%
Information and communications	**10.5**	10.8
	0.43%	0.43%
Transportation	**53.9**	48.1
	2.17%	1.89%
Wholesale and retail	**289.5**	298.6
	11.65%	11.75%
Financial services	**72.3**	71.0
	2.91%	2.80%
Real estate	**241.8**	262.1
	9.74%	10.31%
Services	**212.5**	245.0
	8.56%	9.64%
Local governments	**19.1**	18.3
	0.77%	0.72%
Other	**1,146.7**	1,119.1
	46.17%	44.04%
Subtotal	**¥2,484.0**	¥2,541.3
	100.00%	100.00%
Japan Offshore Banking Account		
Other	**¥ 0.1**	¥ 0.1
	100.00%	100.00%
Subtotal	**¥ 0.1**	¥ 0.1
	100.00%	100.00%
Total	**¥2,484.2**	¥2,541.5

Risk Management Loans

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Loans to borrowers in legal bankruptcy	**¥ 5.0**	**¥ (6.4)**	¥ 11.5
Past due loans	**101.9**	**(50.9)**	152.8
Loans past due three months or more	**3.8**	**(2.7)**	6.6
Restructured loans	**55.1**	**(0.6)**	55.8
Total*	**¥ 165.9**	**¥(60.9)**	¥ 226.9
Total loans and bills discounted	**¥2,484.2**	**¥(57.3)**	¥2,541.5
Ratio of risk management loans to total loans and bills discounted (%)	**6.68**	**(2.24)**	8.92

* Amounts are net of partial direct write-offs.
** Percentage points

Disclosure according to the Financial Reconstruction Law

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Unrecoverable or valueless claims	**¥ 25.8**	**¥(28.2)**	¥ 54.1
Risk claims	**83.4**	**(33.1)**	116.5
Claims in need of special attention	**59.0**	**(3.4)**	62.5
Financial Reconstruction Law subtotal	**168.3**	**(64.8)**	233.2
Nonclassified claims	**2,374.9**	**(0.3)**	2,375.3
Financial Reconstruction Law total*	**¥2,543.2**	**¥(65.2)**	¥2,608.5
Coverage ratio (%)	**95.20**	**(3.34)**	98.54

* Amounts are net of partial direct write-offs.
** Percentage points

Reserve for Possible Loan Losses

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Reserves for possible loan losses	**¥76.1**	**¥(49.4)**	¥125.6
General reserve for possible loan losses	**41.3**	**(7.1)**	48.5
Specific reserve for possible loan losses	**34.7**	**(42.3)**	77.1

Securities

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2005	2004
National and local government bonds	**¥ 432.4**	¥ 506.0
Corporate bonds	**314.8**	345.9
Corporate stocks	**24.4**	28.2
Other securities	**248.2**	140.9
Total book value	**¥1,019.8**	¥1,021.1

Risk-Adjusted Capital Ratio

(1) Consolidated Capital Ratio (Domestic Standard)

The Kinki Osaka Bank, Ltd.			Billions of yen	
March 31			**2005**	2004
Tier I capital	Capital		**¥ 38.9**	¥ 38.9
	Non-cumulative perpetual preferred stock		**—**	—
	Additional payment for unissued share		**—**	—
	Capital reserve		**—**	—
	Capital surplus		**55.4**	344.0
	Earned surplus		**15.3**	(286.5)
	Minority interests in consolidated subsidiaries		**0.0**	—
	Revaluation losses on other securities		**—**	—
	Foreign currency translation adjustments, net of taxes		**—**	—
	Goodwill		**—**	0.0
	Consolidation differences		**—**	—
	Total qualifying Tier I capital	(A)	**109.7**	96.4
Tier II capital	General reserve for possible loan losses		**48.9**	49.4
	Qualifying subordinated debt		**40.0**	40.0
	Subtotal		**88.9**	89.4
	Tier II capital included as qualifying capital	(B)	**52.4**	51.8
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	**0.0**	0.2
Total qualifying capital	(A)+(B)–(C)	(D)	**¥ 162.1**	¥ 147.9
Risk-adjusted assets	On-balance-sheet items		**¥1,962.8**	¥1,861.3
	Off-balance-sheet items		**24.6**	30.0
Total risk-adjusted assets		(E)	**¥1,987.5**	¥1,891.3
Risk-adjusted capital ratio	(D)/(E) x 100%		**8.15%**	7.82%

(2) Non-consolidated Capital Ratio (Domestic Standard)

The Kinki Osaka Bank, Ltd.			Billions of yen	
March 31			**2005**	2004
Tier I capital	Capital		**¥ 38.9**	¥ 38.9
	Non-cumulative perpetual preferred stock		**—**	—
	Additional payment for unissued share		**—**	—
	Capital reserve		**38.9**	38.9
	Other capital surplus		**16.4**	305.0
	Legal reserve		**—**	—
	Earned surplus carried forward to the next year		**15.3**	(288.6)
	Revaluation losses on other securities		**—**	—
	Goodwill		**—**	(0.0)
	Total qualifying Tier I capital	(A)	**109.7**	94.3
Tier II capital	General reserve for possible loan losses		**41.3**	48.5
	Qualifying subordinated debt		**40.0**	40.0
	Subtotal		**81.3**	88.5
	Tier II capital included as qualifying capital	(B)	**52.3**	51.7
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	**0.0**	0.0
Total qualifying capital	(A)+(B)–(C)	(D)	**¥ 162.0**	¥ 146.1
Risk-adjusted assets	On-balance-sheet items		**¥1,961.2**	¥1,859.2
	Off-balance-sheet items		**21.4**	26.4
Total risk-adjusted assets		(E)	**¥1,982.7**	¥1,885.6
Risk-adjusted capital ratio	(D)/(E) x 100%		**8.17%**	7.74%

Note: In conformity with the guidelines established by the Ministry of Finance of Japan based on Article 14-2 of the Banking Law of Japan, both consolidated and non-consolidated capital adequacy ratios are calculated.

Financial Information of The Nara Bank, Ltd.

Non-consolidated Balance Sheets

The Nara Bank, Ltd.

March 31, 2005 and 2004	Millions of yen 2005	Millions of yen 2004	Millions of U.S. dollars 2005
Assets			
Cash and due from banks	**¥ 6,219**	¥ 5,463	**$ 57**
Monetary claims bought	**1,370**	2,278	**12**
Securities	**27,364**	29,990	**254**
Loans and bills discounted	**142,696**	133,655	**1,328**
Other assets	**548**	456	**5**
Premises and equipment	**3,041**	3,198	**28**
Deferred tax assets	**—**	99	**—**
Customers' liabilities for acceptances and guarantees	**4,419**	5,088	**41**
Reserve for possible loan losses	**(2,270)**	(3,353)	**(21)**
Total Assets	**¥183,391**	¥176,877	**$1,707**
Liabilities			
Deposits	**¥162,073**	¥163,581	**$1,509**
Call money	**8,000**	—	**74**
Other liabilities	**999**	810	**9**
Reserve for employees' retirement benefits	**616**	619	**5**
Reserve for possible losses on business restructuring	**—**	48	**—**
Deferred tax liabilities	**64**	—	**0**
Deferred tax liabilities on land revaluation	**703**	654	**6**
Acceptances and guarantees	**4,419**	5,088	**41**
Total Liabilities	**176,876**	170,802	**1,647**
Shareholders' Equity			
Capital stock	**5,862**	5,862	**54**
Capital surplus	**—**	2,446	**—**
Accumulated deficit	**355**	3,235	**3**
Revaluation reserve for land	**913**	961	**8**
Net unrealized gains on available-for-sale securities	**94**	39	**0**
Total Shareholders' Equity	**6,514**	6,074	**60**
Total Liabilities and Shareholders' Equity	**¥183,391**	¥176,877	**$1,707**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Non-consolidated Statements of Operations

The Nara Bank, Ltd.

Years ended March 31, 2005 and 2004	Millions of yen		Millions of U.S. dollars
	2005	2004	**2005**
Income			
Interest income	**¥3,505**	¥3,440	**$32**
Interest on loans and bills discounted	**3,274**	3,175	**30**
Interest and dividends on securities	**207**	240	**1**
Fees and commissions	**711**	572	**6**
Other operating income	**69**	186	**0**
Other income	**534**	94	**4**
Total Income	**4,821**	4,294	**44**
Expenses			
Interest expenses	**160**	150	**1**
Interest on deposits	**160**	150	**1**
Fees and commissions	**286**	246	**2**
Other operating expenses	**11**	152	**0**
General and administrative expenses	**3,215**	3,739	**29**
Other expenses	**576**	2,648	**5**
Total Expenses	**4,250**	6,937	**39**
Income (loss) before income taxes	**570**	(2,642)	**5**
Income taxes—current	**11**	11	**0**
Income taxes—deferred	**126**	578	**1**
Net income (loss)	**433**	(3,232)	**4**
Loss carried forward from previous year	**788**	—	**7**
Reversal of revaluation reserve for land	**—**	3	**—**
Undisposed loss at the end of the year	**¥ 355**	¥3,235	**$ 3**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Deposits (Non-consolidated)

The Nara Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Liquid deposits	**¥ 62.7**	¥ 61.6
Time deposits	**97.0**	100.5
Other deposits	**2.2**	1.3
Total	**¥162.0**	¥163.5

Note: Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice
Time deposits = Time deposits + Periodic time deposits

Deposits by Type of Depositor (Non-consolidated)

The Nara Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Individuals	**¥127.8**	¥130.4
Corporations	**30.6**	29.1
Other	**3.5**	3.9
Total	**¥162.0**	¥163.5

Loans to SMEs and Individuals (Non-consolidated)

The Nara Bank, Ltd.	Billions of yen		Ratio to total loans	
March 31	**2005**	2004	**2005**	2004
Loans to SMEs and individuals	**¥128.3**	¥120.1	**89.9%**	89.8%

Loans to Individuals (Non-consolidated)

The Nara Bank, Ltd.	Billions of yen	
March 31	**2005**	2004
Consumer loans total	**¥46.4**	¥35.0
Housing loans	**44.5**	32.9

Loans and Bills Discounted by Industry

The Nara Bank, Ltd. March 31	Billions of yen **2005**	 2004
Domestic operations		
Manufacturing	**¥ 16.9**	¥ 13.5
	11.87%	10.15%
Agriculture	**0.1**	0.1
	0.11%	0.08%
Forestry	**—**	—
	—%	—%
Fishing	**—**	—
	—%	—%
Mining	**—**	—
	—%	—%
Construction	**8.7**	9.2
	6.14%	6.90%
Electric power, gas, and other public enterprises	**0.5**	0.4
	0.36%	0.36%
Information and communications	**0.6**	0.1
	0.46%	0.12%
Transportation	**3.1**	3.3
	2.21%	2.50%
Wholesale and retail	**14.7**	14.1
	10.34%	10.56%
Financial services	**8.6**	10.2
	6.08%	7.66%
Real estate	**17.8**	20.4
	12.50%	15.28%
Services	**17.8**	18.3
	12.53%	13.72%
Local governments	**1.5**	2.2
	1.10%	1.67%
Other	**51.7**	41.4
	36.30%	31.00%
Total	**¥142.6**	¥133.6
	100.00%	100.00%

Risk Management Loans

The Nara Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Loans to borrowers in legal bankruptcy	**¥ 0.6**	**¥(0.0)**	¥ 0.7
Past due loans	**5.3**	**0.0**	5.3
Loans past due three months or more	**0.1**	**(0.0)**	0.1
Restructured loans	**1.2**	**(1.6)**	2.9
Total*	**¥ 7.4**	**¥(1.7)**	¥ 9.1
Total loans and bills discounted	**¥142.6**	**¥ 9.0**	¥133.6
Ratio of risk management loans to total loans and bills discounted (%)	**5.21**	**(1.67)**	6.88

* Amounts are net of partial direct write-offs.
** Percentage points

Disclosure according to the Financial Reconstruction Law

The Nara Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Unrecoverable or valueless claims	**¥ 1.8**	**¥(0.3)**	¥ 2.1
Risk claims	**4.2**	**0.2**	3.9
Claims in need of special attention	**1.4**	**(1.7)**	3.1
Financial Reconstruction Law subtotal	**7.4**	**(1.7)**	9.2
Nonclassified claims	**139.7**	**10.1**	129.6
Financial Reconstruction Law total*	**¥147.2**	**¥ 8.3**	¥138.8
Coverage ratio (%)	**90.18**	**(0.92)**	91.10

* Amounts are net of partial direct write-offs.
** Percentage points

Reserve for Possible Loan Losses

The Nara Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2005	Change	2004
Reserves for possible loan losses	**¥2.2**	**¥(1.0)**	¥3.3
General reserve for possible loan losses	**0.8**	**(0.7)**	1.5
Specific reserve for possible loan losses	**1.4**	**(0.3)**	1.7

Securities

The Nara Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2005	2004
National and local government bonds	**¥18.8**	¥20.2
Corporate bonds	**6.1**	6.8
Corporate stocks	**0.3**	0.4
Other securities	**1.9**	2.4
Total book value	**¥27.3**	¥29.9

Risk-Adjusted Capital Ratio (Non-consolidated, Domestic Standard)

The Nara Bank, Ltd.			Billions of yen	
			2005	2004
Tier I capital	Capital		**¥ 5.8**	¥ 5.8
	Non-cumulative perpetual preferred stock		**—**	—
	Capital reserve		**—**	—
	Legal reserve		**—**	—
	Voluntary reserve		**—**	—
	Earned surplus carried forward to the next year		**(0.3)**	(0.7)
	Total qualifying Tier I capital	(A)	**5.5**	5.0
Tier II capital	45% of the difference between land after revaluation and the book value immediately before revaluation		**0.7**	0.7
	General reserve for possible loan losses		**0.6**	0.6
	Qualifying subordinated debt		**—**	—
	Subtotal		**1.3**	1.3
	Tier II capital included as qualifying capital (B)		**1.3**	1.3
Amount to be deducted		(C)	**—**	—
Total qualifying capital	(A)+(B)–(C)	(D)	**6.8**	6.4
Risk-adjusted assets	On-balance-sheet items		**102.0**	98.7
	Off-balance-sheet items		**4.3**	5.0
Total risk-adjusted assets		(E)	**¥106.4**	¥103.7
Risk-adjusted capital ratio	(D)/(E) x 100%		**6.47%**	6.21%

Note: The non-consolidated capital adequacy ratio is calculated in conformity with the guidelines established by the Ministry of Finance of Japan based on Article 14-2 of the Banking Law of Japan.

Non-consolidated Balance Sheets

Resona Trust & Banking Co., Ltd.

March 31, 2005 and 2004	Millions of yen 2005	Millions of yen 2004	Millions of U.S. dollars 2005
Assets			
Cash and due from banks	**¥ 4,840**	¥11,777	**$ 45**
Deposits paid for bonds borrowing transaction	**36,608**	—	**340**
Securities	**20,027**	15,010	**186**
Other assets	**21,174**	21,170	**197**
Premises and equipment	**562**	2,172	**5**
Deferred tax assets	**612**	288	**5**
Total Assets	**¥83,826**	¥50,419	**$780**
Liabilities			
Deposits	**¥ 3,222**	¥ 3,394	**$ 30**
Call money	**32,000**	—	**297**
Other liabilities	**14,184**	11,167	**132**
Total Liabilities	**49,407**	14,561	**460**
Shareholders' Equity			
Capital stock	**10,000**	10,000	**93**
Capital surplus	**14,969**	14,969	**139**
Retained earnings	**9,450**	10,889	**87**
Net unrealized losses on available-for-sale securities	**0**	0	**0**
Total Shareholders' Equity	**34,419**	35,858	**320**
Total Liabilities and Shareholders' Equity	**¥83,826**	¥50,419	**$780**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Non-consolidated Statements of Operations

Resona Trust & Banking Co., Ltd.

Years ended March 31, 2005 and 2004	Millions of yen 2005	Millions of yen 2004	Millions of U.S. dollars 2005
Income			
Interest income	**¥ 1**	¥ 2	**$ 0**
Trust fees	**27,889**	28,144	**259**
Fees and commissions	**5,944**	5,411	**55**
Other income	**5**	420	**0**
Total Income	**33,841**	33,978	**315**
Expenses			
Interest expenses	**3**	3	**0**
Fees and commissions	**9,623**	7,562	**89**
General and administrative expenses	**10,091**	9,592	**93**
Other expenses	**27**	364	**0**
Total Expenses	**19,746**	17,523	**183**
Income before income taxes	**14,095**	16,454	**131**
Income taxes—current	**5,857**	5,617	**54**
Income taxes—deferred	**(323)**	158	**(3)**
Net income	**8,560**	10,678	**79**
Profit carried forward from previous year	**889**	211	**8**
Unappropriated profit at end of the year	**¥ 9,450**	¥10,889	**$ 87**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.

Statements of Trust Assets and Liabilities

Resona Trust & Banking Co., Ltd.

March 31, 2005 and 2004	Millions of yen 2005	Millions of yen 2004	Millions of U.S. dollars 2005
Assets			
Securities	**¥ 4,724,606**	¥ 3,347,512	**$ 43,994**
Trust beneficiary certificates	**21,164,752**	20,630,112	**197,083**
Other claims	**1,924**	393	**17**
Cash and due from banks	**9,294**	3,097	**86**
Total Assets	**¥25,900,579**	¥23,981,116	**$241,182**
Liabilities			
Money trusts	**¥10,364,645**	¥ 8,780,847	**$ 96,514**
Pension trusts	**4,438,919**	5,355,689	**41,334**
Securities investment trusts	**10,278,317**	9,000,857	**95,710**
Pecuniary trusts other than money trusts	**117,577**	235,731	**1,094**
Securities trusts	**312,846**	218,931	**2,913**
Composite trusts	**388,274**	389,058	**3,615**
Total Liabilities	**¥25,900,579**	¥23,981,116	**$241,182**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥107.39=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005, has been used.
3. Trust beneficiary certificates worth ¥21,164,752 million ($197,083 million) and ¥20,630,112 million on March 31, 2005 and 2004, respectively, were re-entrusted for asset administration purposes.
4. Co-managed trust funds under other trust banks' administration amounted to ¥3,361,835 million ($31,304 million) and ¥4,668,043 million on March 31, 2005 and 2004, respectively.

Risk-Adjusted Capital Ratio (Non-consolidated, Domestic Standard)

Resona Trust & Banking Co., Ltd.

			Millions of yen 2005	Millions of yen 2004
Tier I capital	Capital		**¥10,000**	¥10,000
	Capital surplus		**14,969**	14,969
	Earned surplus carried forward to the next year		**3,450**	889
	Revaluation losses on other securities		**(0)**	(0)
	Goodwill		**(35)**	(53)
	Total qualifying Tier I capital	(A)	**28,383**	25,805
Tier II capital		(B)	**—**	—
Amount to be deducted		(C)	**—**	—
Total qualifying capital	(A)+(B)–(C)	(D)	**¥28,383**	¥25,805
Risk-adjusted assets	On-balance-sheet items		**¥22,184**	¥23,325
	Off-balance-sheet items		**—**	—
Total risk-adjusted assets		(E)	**¥22,184**	¥23,325
Risk-adjusted capital ratio	(D)/(E) x 100%		**127.94%**	110.63%

Note: The non-consolidated capital adequacy ratio is calculated in conformity with the guidelines established by the Ministry of Finance of Japan based on Article 14-2 of the Banking Law of Japan.

Directors and Executive Officers

As of June 28, 2005

■ Directors

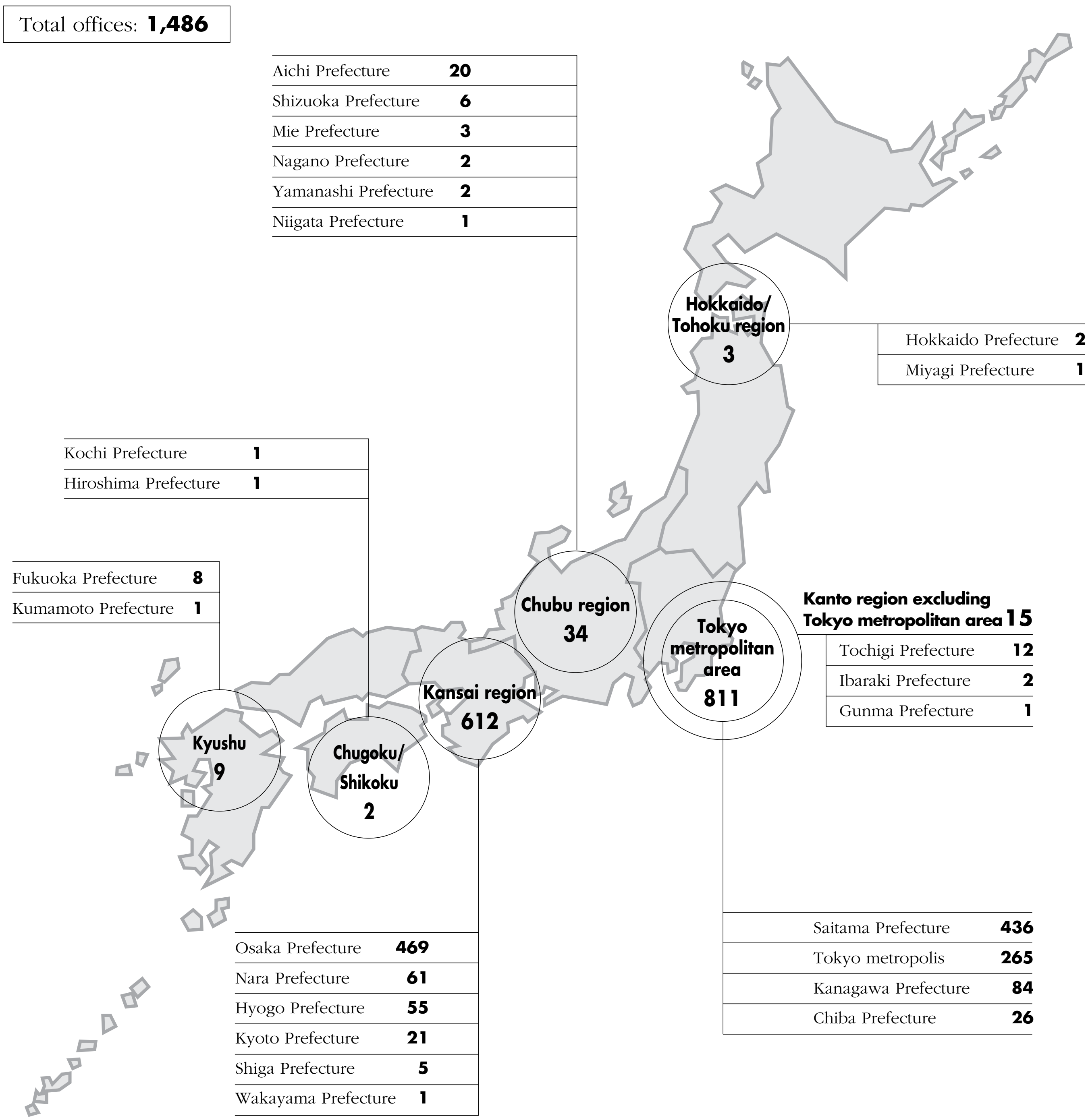
Post	Name	Concurrent Post
Director, Chairman and Representative Executive Officer Member of Appointments Committee Member of Compensation Committee	Eiji Hosoya	Representative Director and Chairman of Resona Bank, Ltd.
Director, President and Representative Executive Officer	Kenji Kawada	Director and Deputy Chairman of Resona Bank, Ltd.
Director Member of Auditing Committee	Masao Ishibashi	
Independent Director Member of Auditing Committee	Yoji Arakawa	Lawyer
Independent Director Member of Compensation Committee	Shunji Koike	President of Sunlit Sangyo Co., Ltd.
Independent Director Head of Auditing Committee	Noboru Yanai	President of Arrow Consulting
Independent Director Head of Appointments Committee	Hiroshi Rinno	President of Credit Saison Co., Ltd.
Independent Director Member of Appointments Committee	Shotaro Watanabe	Vice Chairman and President of KEIZAI DOYUKAI (Japan Association of Corporate Executives) Director of Resona Bank, Ltd. (Independent)
Independent Director Head of Compensation Committee	Kunio Kojima	Representative Director and Chairman of Japan Securities Finance Co., Ltd. Director of Mitsui O.S.K. Lines, Ltd.

■ Executive Officers

Post	Name	
Executive Officer	Masaaki Nomura	Representative Director, President and Executive Officer of Resona Bank, Ltd.
Executive Officer	Tadahiro Tone	Representative Director and President of Saitama Resona Bank, Ltd.
Executive Officer	Hiroyuki Mizuta	Representative Director and President of The Kinki Osaka Bank, Ltd.
Executive Officer	Yoshinori Kanbayashi	Representative Director, President and Executive Officer of The Nara Bank, Ltd.
Executive Officer	Nobuhiko Arai	Representative Director, President and Executive Officer of Resona Trust & Banking Co., Ltd.
Executive Officer	Seiji Higaki	
Executive Officer	Takashi Tanaka	Executive Officer of Resona Bank, Ltd.
Executive Officer	Susumu Ishii	Executive Officer of Resona Bank, Ltd.
Executive Officer	Makoto Fukai	Representative Director and President of Resona Research Institute Co., Ltd.
Executive Officer	Kazuma Yamaoka	Managing Executive Officer of Resona Bank, Ltd. Representative Director and President of Resona HR Support Co., Ltd. Director of Saitama Resona Bank, Ltd. (part-time)
Executive Officer	Yasuhiro Tamura	Executive Officer of Resona Bank, Ltd.
Executive Officer	Kazuhiro Higashi	Executive Officer of Resona Bank, Ltd. Director of Resona Trust & Banking Co., Ltd. (part-time)
Executive Officer	Kaoru Isono	Executive Officer of Resona Bank, Ltd. Director of The Nara Bank, Ltd. (part-time)
Executive Officer	Naoki Iwata	Executive Officer of Resona Bank, Ltd.
Executive Officer	Naobumi Sato	Executive Officer of Resona Bank, Ltd.
Executive Officer	Kazuyoshi Ikeda	Executive Officer of Resona Bank, Ltd. Director of The Kinki Osaka Bank, Ltd. (part-time)
Executive Officer	Masatoshi Noguchi	

Domestic Network

As of June 30, 2005



Domestic Branches

(As of June 30, 2005)

	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	Nara Bank	Resona Trust & Banking	Total of the five banks	Tokyo metropolitan area	Kansai region
Manned offices	340	111	138	16	4	609	279	298
Nonmanned offices	501	323	27	26	0	877	532	314
Total offices	841	434	165	42	4	1,486	811	612

International Network

As of August 1, 2005

Resona Bank, Ltd.

■ ASIA

Hong Kong Representative Office
Room 1102, 11th Floor,
Far East Finance Centre,
16 Harcourt Road,
Hong Kong, S.A.R.,
The People's Republic of China
Phone: 852-2532-0500
Fax: 852-2522-5378

Singapore Representative Office
3 Temasek Avenue,
#20-05 Centennial Tower,
Singapore 039190,
Republic of Singapore
Phone: 65-6333-0378
Fax: 65-6333-0797

Shanghai Representative Office
Room No. 2709,
Shanghai International
Trade Centre,
2201 Yan An Xi Lu, Shanghai,
The People's Republic of China
Phone: 86-21-6275-5198
Fax: 86-21-6275-5229

Bangkok Representative Office
31st Floor, Abdulrahim Place,
990 Rama 4 Road,
Silom, Bangrak,
Bangkok 10500,
Thailand
Phone: 66-2-636-2311
Fax: 66-2-636-2316

PT. Bank Resona Perdania

Head Office
Jl. Jend. Sudirman Kav. 40-41,
Jakarta, Indonesia
Phone: 62-21-5701958
Telex: 65658, 65195
Fax: 62-21-5701936
Cable: JOINT BANK, JAKARTA
SWIFT: BPIAIDJA

Cikarang Sub-Branch
2nd Floor,
EJIP Center Building,
EJIP Industrial Park Plot 3A,
Cikarang Selatan,
Bekasi, Indonesia
Phone: 62-21-8974940
Fax: 62-21-8974941

Karawang Sub-Branch
1st Floor, Graha KIIC,
Jl. Permata Raya Lot C-1B,
Kawasan Industri KIIC,
Karawang,
West Java, Indonesia
Phone: 62-21-89115020
Fax: 62-267-647347

Surabaya Branch
Jl. Raya Darmo No. 31,
Surabaya, East Java, Indonesia
Phone: 62-31-5671700
Fax: 62-31-5674840

Bandung Branch
Suite 204 & 205, 2nd Floor,
Graha Bumiputera,
Jl. Asia Africa No. 141-149,
Bandung, West Java, Indonesia
Phone: 62-22-4241742
Fax: 62-22-4241207

Makassar Branch
4th Floor, BII Building,
Jl. Kajaolalido No. 6, Makassar,
South Sulawesi, Indonesia
Phone: 62-411-330570
Fax: 62-411-330574

PT. Resona Indonesia Finance
5th Floor,
Bank Resona Perdania Building,
Jl. Jend. Sudirman Kav. 40-41,
Jakarta, Indonesia
Phone: 62-21-5701956
Fax: 62-21-5701961

■ JAPAN

Osaka Head Office
2-1, Bingomachi 2-chome,
Chuo-ku, Osaka 540-8610, Japan
Phone: 81-6-6271-1221
Cable: DAIBANK
SWIFT: DIWAJPJS

Tokyo Head Office
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8106,
Japan
Phone: 81-3-3287-2111
Cable: DAIBANK
SWIFT: DIWAJPJT

Internet Address
http://www.resona-gr.co.jp/
resonabank/

The Kinki Osaka Bank, Ltd.

■ JAPAN

Head Office
4-27, Shiromi 1-chome,
Chuo-ku, Osaka 540-8560, Japan
Phone: 81-6-6945-2063
SWIFT: OSABJPJS

Internet Address
http://www.kinkiosakabank.co.jp/

Saitama Resona Bank, Ltd.

■ JAPAN

Head Office
4-1, Tokiwa 7-chome,
Urawa-ku, Saitama 330-9088, Japan

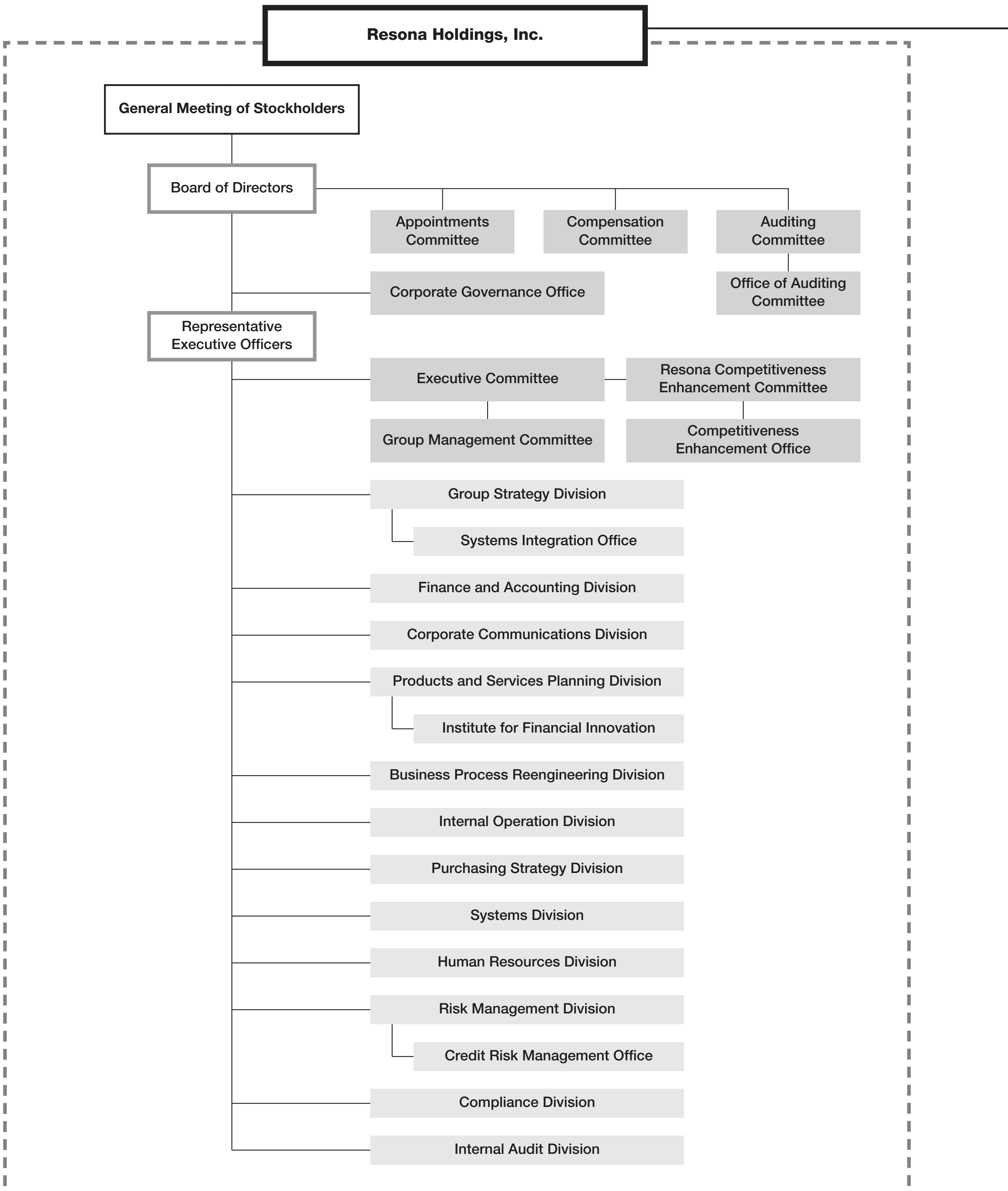
Tokyo Office
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8106, Japan

Phone: 81-48-824-2411
SWIFT: SAIBJPJT

Internet Address
http://www.resona-gr.co.jp/saitamaresona/

Organization Chart and Outline of the Group

As of August 1, 2005



Resona Holdings' Ownership: 100%	Resona Holdings' Ownership: 100%	Resona Holdings' Ownership: 100%	Resona Holdings' Ownership: 100%	Resona Holdings' Ownership: 100%	
Resona Bank, Ltd.*	**Saitama Resona Bank, Ltd.**	**The Kinki Osaka Bank, Ltd.**	**The Nara Bank, Ltd.***	**Resona Trust & Banking Co., Ltd.**	**9 other companies**
Banking and trust banking business	Banking business	Banking business	Banking business	Banking and trust banking business	

■ Principal Subsidiaries and Affiliates

Name	Address	Capital (Millions)	Operations	Established	Equity ownership by Group companies (%)
Banking and trust banking business					
■ Resona Research Institute Co., Ltd.	Chuo-ku, Osaka-shi	¥100	Business consulting services	Oct. 1, 1986	72.6
■ Resona Guarantee Co., Ltd.	Urawa-ku, Saitama-shi	¥47,800	Credit guarantee	May 8, 1975	100.0
■ Daiwa Guarantee Co., Ltd.	Chuo-ku, Osaka-shi	¥8,180	Credit guarantee	July 23, 1969	100.0
▲ Japan Trustee Services Bank, Ltd.	Chuo-ku, Tokyo	¥51,000	Banking and trust banking business	June 20, 2000	33.3
■ PT. Bank Resona Perdania	Jakarta, Indonesia	IDR 285,000	Banking business	Feb. 15, 1956	48.5
Finance-related business					
■ Resona Card Co., Ltd.	Chuo-ku, Tokyo	¥950	Credit card administration	Feb. 12, 1983	58.2
■ Resona Capital Co., Ltd.	Chuo-ku, Tokyo	¥4,500	Venture capital business	Mar. 29, 1988	75.6

■ Consolidated subsidiaries
▲ Affiliates accounted for by the equity method

* On November 18, 2004, Resona Bank, Limited, and The Nara Bank, Limited, reached basic agreement to merge on January 1, 2006.

Investor Information

As of March 31, 2005

Osaka Head Office
2-1, Bingomachi 2-chome,
Chuo-ku, Osaka 540-8608, Japan
Tel: 81-6-6268-7400

Tokyo Head Office
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8107, Japan
Tel: 81-3-3287-2131

Paid-in Capital
¥327,201 million

Number of Shareholders
(Common stock)
241,484

Common Stock (Thousands)*
Authorized: 73,000,000 shares
Issued: 11,375,110 shares

Preferred Stock (Thousands)*
Authorized: 9,443,933 shares
Issued: 9,443,923 shares

Class A No. 1	5,970 shares
Class B No. 1	680,000 shares
Class C No. 1	120,000 shares
Class D No. 1	146 shares
Class E No. 1	240,000 shares
Class F No. 1	80,000 shares
Class one No. 1	2,750,000 shares
Class two No. 1	2,817,807 shares
Class three No. 1	2,750,000 shares

Stock Exchange Listings
Tokyo, Osaka

Transfer Agent and Registrar
Daiko Shoken Business Co., Ltd.
4-6, Kitahama 2-chome, Chuo-ku,
Osaka 541-8535, Japan

Independent Accountants
Ernst & Young Shin Nihon
Deloitte Touche Tohmatsu

Number of Employees
16,260 (Consolidated)
317 (Non-consolidated)

Stock Price Range on the Tokyo Stock Exchange*

(First Section)

	2004					2005						
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
High	¥183	¥183	¥181	¥190	¥210	¥214	¥223	¥229	¥218	¥214	¥212	¥208
Low	155	158	163	170	177	196	208	211	189	196	203	195

Major Shareholders

	Number of shares held (Thousands)*	Percentage of total shares issued
Deposit Insurance Corporation of Japan	5,648,239	49.65
Japan Trustee Services Bank, Ltd.	336,716	2.96
The Master Trust Bank of Japan, Ltd.	163,572	1.43
The Dai-ichi Mutual Life Insurance Company	94,587	0.83
Nomura Holdings, Inc.	79,049	0.69
Trust & Custody Services Bank, Ltd.	77,095	0.67
State Street Bank and Trust Company (Standing Proxy: Mizuho Corporate Bank, Ltd.)	74,228	0.65
Daido Life Insurance Company	70,226	0.61
Resona Holdings Employee Stock Ownership Association	58,442	0.51
Tokio Marine & Nichido Fire Insurance Co., Ltd.	55,656	0.48
Total	6,657,813	58.52

*Note: An agenda to implement a reverse split of stocks and introduce a fractional share system was approved in the fourth general meeting of shareholders held by Resona Holdings, Inc., on June 28, 2005.
The following changes took effect on August 2, 2005.

- Reverse split of stocks
  For all common and preferred stocks, every 1,000 shares were merged into one share.
- Abolition of the unit share system and adoption of fractional share system
  The former unit share system (1,000 shares = 1 unit) was abolished.
  The fractional share system (down to 1/1,000 of one share) was newly introduced.
  All those shares totaling less than one unit before the reverse split took effect are now treated as fractional shares.

The numbers of outstanding shares after the reverse split of stocks which are calculated based on the numbers of outstanding shares as of the end of March 2005 are as follows:

Type	Before reverse split	After reverse split
Unit shares:		
Common stock	11,350,550,000	11,350,550
Class A No. 1 preferred stock	5,970,000	5,970
Class B No. 1 preferred stock	680,000,000	680,000
Class C No. 1 preferred stock	120,000,000	120,000
Class D No. 1 preferred stock	146,000	146
Class E No. 1 preferred stock	240,000,000	240,000
Class F No. 1 preferred stock	80,000,000	80,000
Class one No. 1 preferred stock	2,750,000,000	2,750,000
Class two No. 1 preferred stock	2,817,807,000	2,817,807
Class three No. 1 preferred stock	2,750,000,000	2,750,000
Fractional shares:		
Common stock	24,560,143	24,560.143
Class two No. 1 preferred stock	861	0.861

Contact:

Corporate Communications Division
Resona Holdings, Inc.
1-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8107, Japan
Tel: 81-3-3287-2131
http://www.resona-hd.co.jp

RESONA Resona Holdings

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