RESONA

RESONA HOLDINGS, INC.

ANNUAL REPORT 2006

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, 2006)

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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.

Interview with Top Management

New Quality with New Speed
Building a Compelling Resona

Eiji Hosoya
Chairman,
Resona Holdings, Inc.

Breaking Away from Conventional Wisdom

I've conducted interviews with people from all sorts of companies, and I've developed the impression that the financial industry is quite different from other industries. Did you have such an impression when you were first appointed as Chairman?

Hosoya: People in banking have a tendency to think that they're in a special industry. I've seen this manifest itself in many ways. For example, banks have not adhered to the basics of the service industry, as demonstrated by the closing of shutters at 3 o'clock in the afternoon. So, one of the first messages I gave to all employees when I joined the Resona Group was, "Let's become a regular company. Let's be aware that banking is a service industry." I continue to hammer away on these points even now.

Isn't it difficult to change?

Hosoya: Yes it is. Banks enjoyed a time of prosperity and success, so it's very difficult for those in such an organization to find fault with it.

So what did you do then?

Hosoya: Banks up until recently had a pyramid structure, where everything revolved around the decisions made by the top executives or the headquarters. However, I've been trying to have the people on the front lines take the central role in our operations. Inherent in front line operations is regular and close contact with customers. Accordingly, front line operations are among the most important of a bank's overall activities. We've been trying to create a bank where ideas and visions from the front lines are brought to fruition. We also broke away from practices, one by one, that were felt to be the conventional wisdom for banks. At first when such a policy is proposed, there are all sorts of reasons put forth as to why it "can't be done." It has taken time, but I've been able to persuade people as we've tackled issues one by one. I kept telling our people that something is not necessarily right just because the world says, "this is the way it is done."

So you're making an inverse pyramid?

Hosoya: I always espouse creating an inverse pyramid. The top is the customer and I'm at the very bottom to support everyone else.

Kumi Fujisawa

Interviewer
Vice President, Sophia Bank

1989: Graduated from Osaka City University and began working at domestic and foreign investment management firms.

1996: Founded IFIS Limited, Japan's first investment trust rating company. President.

1999: Sold IFIS Limited to world-renowned ratings company Standard & Poor's. Assumed position of Director at Standard & Poor's.

2000: Participated in establishment of the think tank, Sophia Bank. Appointed as Director.

2003: Established the Japan Social Entrepreneur Forum, an organization to support social entrepreneurs. Vice President.

2004: Conducted management buy-out of the think tank, Sophia Bank. Vice President.

2005: Took position as associate professor of the Hosei Business School of Innovation Management.

Do you go to the front lines and talk with people directly?

Hosoya: Management's will doesn't connect with people only through email or some other written document. I've been making time to get to the front lines and communicate my thoughts directly, and to hear direct accounts of what is happening out there. A lot of the women working on the front lines feel some dissatisfaction at first, but once they've received gratitude from customers they begin to change. In that respect, we worked to change the consciousness of the women working on the front lines first, rather than mid-level management.

I get the impression that female employees are flourishing at Resona. What are you doing to make this happen?

Hosoya: I don't think that companies in which women cannot flourish will survive in the future. Banks as organizations are often under old constraints, but if we can allow women who are not under such constraints to flourish, I'm certain we can change the culture of our banks.

Heart-to-Heart Communication with Customers

How do you think financial institutions have to conduct business from now on?

Hosoya: The banking industry is entering a period of more severe competition, so providing high quality services suited to customer needs is important. Banks must offer proposals and consulting services that accurately match customers' goals and needs. At the same time, Japan is on the verge of becoming a "mature society," which means that we're entering an era when pursuing quality over quantity is essential. Stated another way, the mental is becoming just as important as the material, and customers won't choose services that don't suit their sentiments. I think the retail, restaurant and hotel industries are rapidly moving in this direction. These are the sorts of reasons why I want to aim to be a banking group that appeals to the psychology and sentiments of its customers and that possesses the ability to establish contact with customers on an equal footing, for

Women's IR Seminar "Money Recipe for Women"

Resona hosted its first IR seminar for women on March 22, 2006. Aiming to develop a familiarity with Resona among hard-working women, the first part of the seminar covered basic approaches to investment. The second part featured a dialog between Kumi Fujisawa, Vice President of the think tank, Sophia Bank, and Eiji Hosoya, Chairman of the Resona Group. The seminar concluded with a clinic on skin care.

(The dialog featured in this annual report was excerpted from the dialog held at the seminar.)

heart-to-heart communication. To make this possible, each and every Resona Group employee must develop a mindset geared toward hospitality, so that customers will think, "I want to stick with Resona," or "I want to consult with this person." This, I believe, is a key point to becoming a bank that is one rank above the rest.

The sensitivity of each individual employee is very important then, isn't it?

Hosoya: I believe that's the type of era that we have entered. That's why we've created the slogan "New Quality with New Speed."

Are you saying that it's essential to create a workplace where employees polish their congeniality in addition to increasing their knowledge?

Hosoya: That's correct. Certainly we must learn the latest techniques and financial knowledge, but the Resona brand is also distinguished by its service culture and the service mindset of its employees. I'd like Resona to be a bank that is truly "for the people"—a bank whose employees have a reputation as being different from workers at other banks.

This is easy for investors to understand, too. Visiting a Resona branch, one comes away thinking that Resona is growing, and that there's more growth lying ahead.

Hosoya: In the service industry, one bad employee can cause terrible damage. Our ambitions are high, but I believe that we can gain the trust of customers if we continue to adhere to these challenges.

As Resona's business structure continues to be strengthened, do you feel that expectations from those around you are also rising?

Hosoya: Resona was in the red before I came on board, but fortunately we are now ¥300 billion in the black. Having achieved this turnaround in just under three years, There are strong expectations that Resona will continue to improve, both in reputation and in substance. This puts quite a lot of pressure on me.

In Europe and the United States, banks that have shifted their focuses onto individuals and small- to mid-sized companies have received high marks. In Japan, too, I believe there is growing expectation that Resona can win the No. 1 position in retail banking. All of us at Resona have to band together to be able to meet this expectation.

You have a big responsibility placed upon you, don't you?

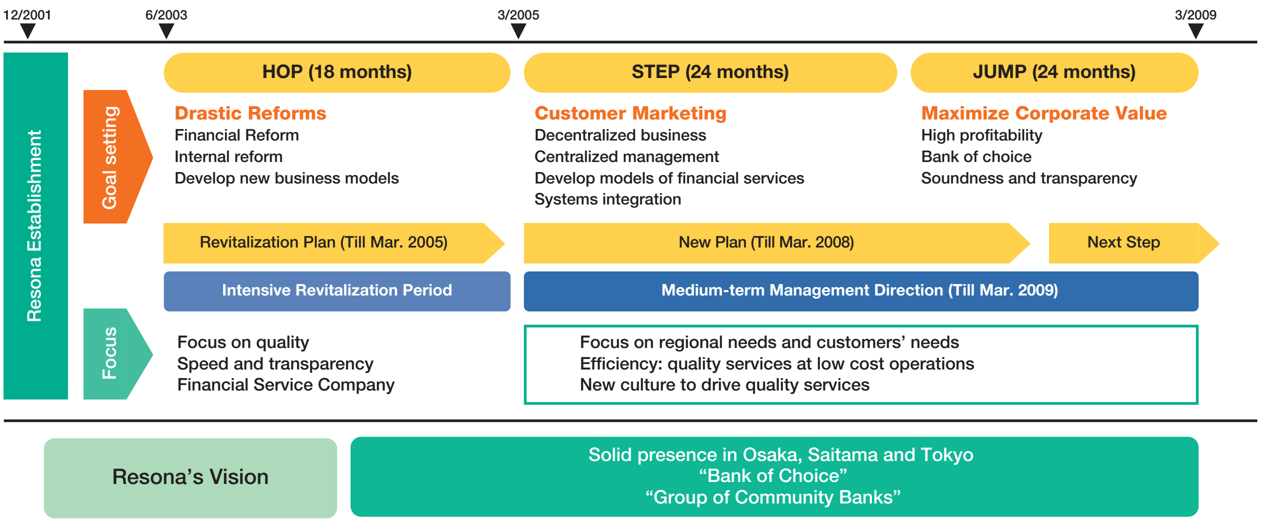
Hosoya: Executives always have to overcome this sort of pressure. Though our goals are high, they are not unattainable if all of us in the Resona Group unite as one. In the end, I am confident that if we transform our mindset, we as a company can achieve results even beyond our own expectations. This, I believe, is the key to Resona's management.

Overview of Resona's Management and Operations

Resona's Management Direction

Since receiving nearly ¥2 trillion in public funds in June 2003, the Resona Group has been undertaking a sweeping structural reform plan, using the analogy of triple-jumping to define the major processes in the plan respectively as a "hop," "step" and "jump." Resona completed the "hop" phase of the plan, 18 months marked as an Intensive Revitalization Period during which an array of drastic reform measures were implemented, in the fiscal year ended March 31, 2005. We are now in the midst of the "step" phase, during which one of our primary objectives is to strengthen our marketing capabilities. This will enable us to prepare for the "jump" phase from April 2007 through March 2009, in which we will aim to maximize corporate value.

■ Resona's Management Milestones



Resona has already made significant progress in its business restructuring initiatives. Through drastic reforms, the Group has worked to eliminate excessive risk factors by accomplishing a cleanup of the balance sheet, and accelerated financial reforms to achieve sustainable profitability driven by the growth of its core businesses. In terms of balance sheet cleanup, Resona cut its non-performing loan (NPL) ratio from 11.19% in September 2003 to 2.56% in March 2006. Over the same time period, we have also made strides in diversifying our loan portfolio, increasing our housing loan ratio from 28.9% to 41.1%. We have also recorded sound performance growth in each of our core businesses, namely housing loans, financial products sales, real estate, and corporate pensions.

■ Improved Quality of Balance Sheet and Growth of Core Business

		(Total of group banks)	End of March 2003 (Fiscal Year 2002)	End of March 2006 (Fiscal Year 2005)
Elimination of excessive risk factors	Cleanup of NPLs	NPL ratio	11.19% (End of Sep. 2003)	2.56%
		Reserve ratio (against uncovered portion)	Special attention: 27.8% Doubtful: 62.5%	Special attention: 50.7% Doubtful: 95.5%
	Diversification of loan portfolio	Housing loan ratio	28.9%	41.1%
	Deferred tax assets (DTA)	DTA dependence(1) (DTA/Tier I)	99.5%	0.2%
Growth of core areas	Housing loans	Housing loan balance	¥8.52 trillion	¥10.86 trillion
	Sale of financial products	Balance of financial products(2) sold to individuals	¥0.63 trillion	¥ 2.64 trillion
	Real estate	Income from real estate business (Resona Bank)	¥8.5 billion	¥12.1 billion
	Corporate pensions	Entrusted pension assets (Resona Trust & Banking)	¥5.37 trillion	¥6.18 trillion

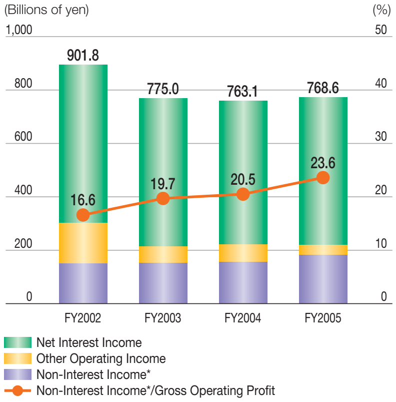
(1) Resona Holdings' consolidated basis
(2) Investment trusts, public bonds and personal annuity products sold to individuals.

Performance Highlights in FY 2005

The Resona Group achieved sound results in fiscal 2005 (the fiscal year ended March 31, 2006) as measured by several key indicators. Gross operating profit, which is a top-line income, increased ¥5.5 billion year on year to ¥768.6 billion. Resona successfully raised its ratio of non-interest income to 23.6% as a result of stronger financial product sales and income from real estate business, demonstrating the Group's progress in diversifying revenue sources for a lesser degree of reliance on asset growth.

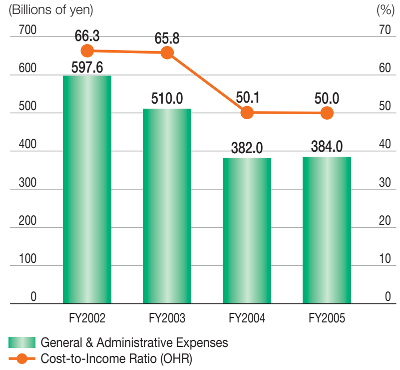
■ Outline of Financial Results for FY2005

Gross Operating Profit

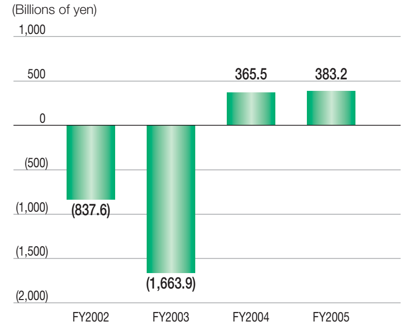


* Includes income from Fees and Commissions and Trust Fees.
Resona Holdings' consolidated basis

General & Administrative Expenses



Net Income

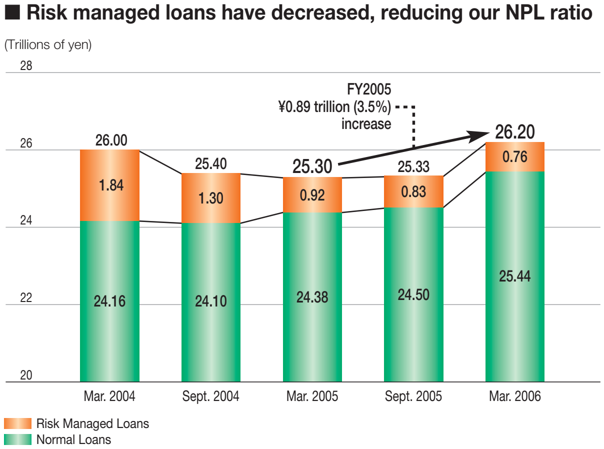


Resona also continued to enhance efficiency. Though a nominal ¥1.9 billion year-on-year increase in operating expenses led to a total of ¥384.0 billion, this figure represented a decrease of approximately ¥210 billion in operating expenses compared with fiscal 2002. Moreover, the cost to income ratio declined for the fourth consecutive year, finishing at 50.0% for fiscal 2005.

Consolidated net income for fiscal 2005 reached a record ¥383.2 billion, indicating a trend of stabilization in Resona's earnings.

■ Resona Holdings' Consolidated Loan Balance Hit the Bottom in FY2005

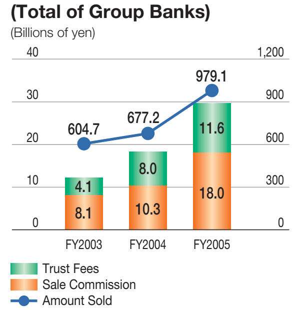
■ Achieved an increase in our loan balance in FY2005
■ Risk managed loans have decreased, reducing our NPL ratio



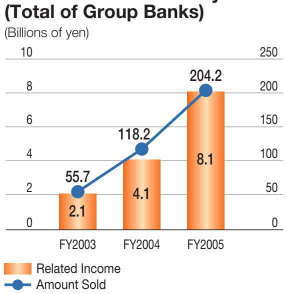
Resona's loan balance at the end of fiscal 2005 was ¥26.2 trillion, up ¥0.89 trillion, or 3.5%, from a year earlier. Risk-managed loans as a portion of total loans decreased, while normal loans increased, improving Resona's loan portfolio in terms of both quality and volume. In addition, the ratio of housing loans as a percentage of total loans exceeded 40%, marking progress in efforts to diversify the loan portfolio.

■ Trend of Fee Income by Source

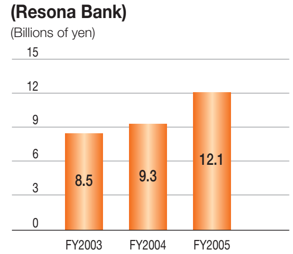
Sale of Investment Trusts (Total of Group Banks)



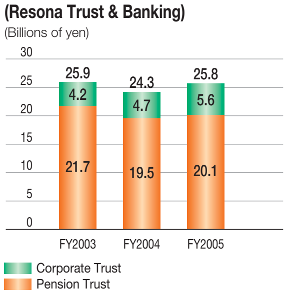
Sale of Personal Annuity (Total of Group Banks)



Income from Real Estate Business (Resona Bank)



Income from Wholesale Trust Business (Resona Trust & Banking)



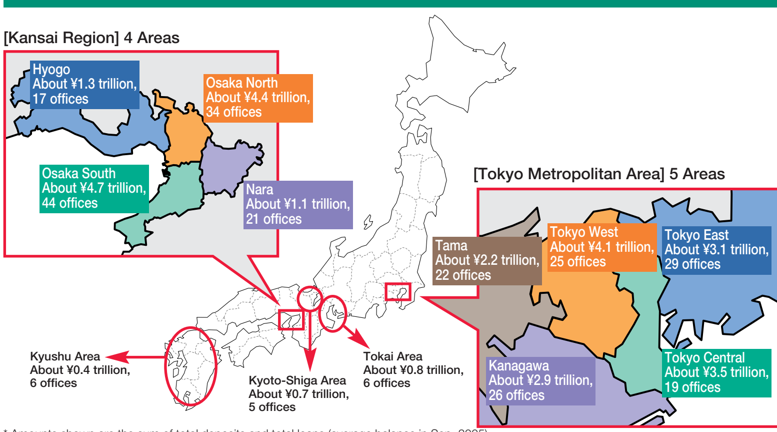
Our major businesses generating fee income exhibited significant growth in fiscal 2005. Chief among these was our investment trust business, in which the total amount sold was ¥979.1 billion, while related fee income amounted to ¥29.6 billion. Primary factors for this noticeable growth included the introduction of 13 close-end risk diversified funds, as well as the launch of six open-end funds that each contributed substantially to sales increases. In other businesses generating fee income, related income in personal annuities was ¥8.1 billion, up from ¥4.1 billion a year earlier, income from the real estate business reached ¥12.1 billion, up from ¥9.3 billion a year earlier, and income from the wholesale trust business (pension trusts and corporate trusts) was ¥25.8 billion, up from ¥24.3 billion a year earlier.

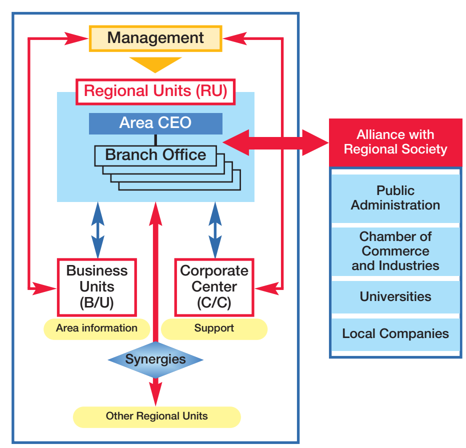
Resona's Key Initiatives

One of Resona's key differentiation strategies is its "Area Management System," by which Resona identifies 12 distinct areas of Japan. In an aim to improve service quality, an Area CEO is appointed over each area and given authority to make decisions for various aspects of operations, which previously were carried out by the head office. Each area has autonomy with responsibility, meaning their performance is measured on a monthly basis in terms of net income after deducting general operating expenses and expected credit costs. As a result of implementing this new system, the quality of services and speed of operations have been greatly enhanced. Resona also intends to put in place a principle of competition among area marketing units. Moreover, the system makes for more effective communication among management, with intentions of top management more easily conveyed to 12 CEOs rather than a number of branch managers.

■ Our Differentiation Strategy: Area Management System (Resona Bank)

Structure of Area Management System

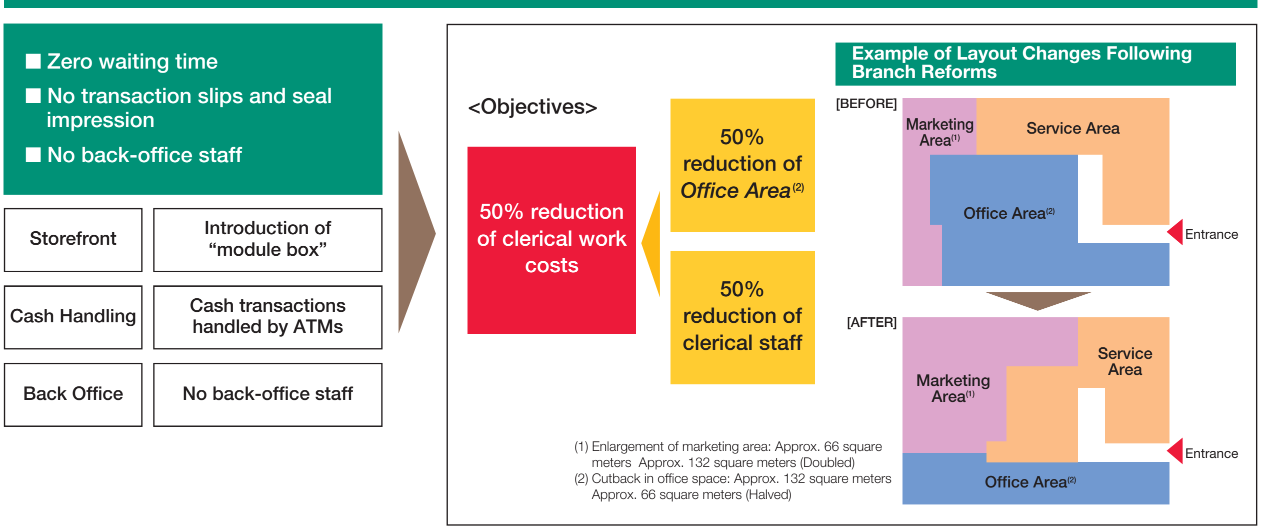




* Amounts shown are the sum of total deposits and total loans (average balance in Sep. 2005)
* Number of offices include those of Nara Bank. Amounts include Nara Bank's loans and deposits at the end of Sep. 2005

■ Our Differentiation Strategy: Branch Reform (Resona Bank)

Business Processing Reformation (BPR) in Branch Offices



Another of Resona's key differentiation strategies is the implementation of Business Process Reforms, a major component of which is the introduction of next generation branch offices with expanded use of the latest banking, finance and other IT. The new branches reduce clerical office space by half, and double the sales area for product sales and consultations. The front office area has been redefined as an area for client service and marketing, a measure which has increased sales per employee and sales per month of financial products by as much as three times at certain branches. Permanent employees relieved of clerical work are also being shifted to marketing activities in an effort to increase earnings at each branch. Resona Bank had refurbished approximately 90 branches as of June 30, 2006, and plans to increase the number to 200 by May 31, 2007.

■ Our Differentiation Strategy: Layout of Next Generation Branch Offices

The third differentiation strategy calls for focusing on core strengths and forging alliances. Resona is focusing its resources on its core areas of strength, including small- and medium-enterprise transactions, housing loans, financial product sales, real estate and corporate pensions. In other areas, Resona is taking the initiative in establishing strategic alliances with leading firms in respective areas to more effectively serve clients with competitive products and services.

■ Our Differentiation Strategy: Selection and Focus through Alliance

Focus on Core Strength

- Transactions with SMEs
- Sale of Financial Products
- Housing Loans
- Real Estate
- Corporate Pensions

Alliance

Examples of Business Alliances

- **Securities Intermediary**
  - Nomura
  - Nikko Cordial
  - Goldman Sachs
- **Housing Loans**
  - All Japan Real Estate Federation
  - Art Corporation
- **Personal Annuity**
  - Alico Japan
  - The Dai-ichi Mutual Life
- **M&A**
  - Mizuho Securities
- **Credit Cards**
  - Credit Saison
- **Investment Trusts**
  - Credit Agricole
- **Royalty Point Exchange**
  - IY Card Service
  - NTT DoCoMo
  - T Card & Marketing
- **Network Coverage**
  - Seven Bank
  - Lawson ATM
  - JR East
- **International Banking**
  - Bank of East Asia
  - Bangkok Bank
  - Bank of Tokyo-Mitsubishi UFJ

Local Organizations

- Local Governments
- Local Shopping Streets
- Universities

Pathway to Repayment of Public Funds

The Resona Group is working towards the early repayment of public funds and made concrete progress on the path to this goal in fiscal 2005. Resona's approach toward repayment calls for the accumulation of ¥1 trillion in retained earnings, the main resource for repayment, before March 31, 2007. Our basic policy is to repurchase and cancel existing public fund preferred stocks by using these accumulated retained earnings and the proceeds from new issues of preferred stocks.

■ Capital Policy Towards Early Repayments of Public Funds

Progress in FY2005

- ■ **Retained earnings well above the target in the Business Revitalization Plan**
- ■ **Strengthened regulatory capital through issuance of capital securities**
- ■ **Active control of capital costs....pricing reflecting improvements in credit ratings**

FY2006: A year to move into high gear for repayments of public funds

Resona Group intends to act in accordance with the following guiding principles in repaying public funds:

- ■ **To secure the retained earnings necessary for repayments as early as possible**
- ■ **To manage the capital adequacy ratio in an appropriate manner, and**
- ■ **To prevent, to the extent possible, the dilution for common shareholders**

As of March 31, 2006, Resona had combined retained earnings of ¥756.8 billion, which was ¥305.5 billion above the target of the Business Revitalization Plan. Credit rating upgrades obtained as a result of initiatives in the Intensive Revitalization Period enabled Resona to raise approximately ¥420 billion in regulatory capital in international and domestic markets in fiscal 2005. These credit rating upgrades were clearly reflected in the pricing of the issuance of capital securities, and as a result Resona was able to repay ¥200.0 billion in public fund subordinated loans, as well as ¥264.2 billion in extant preferred securities. Fiscal 2005 was a year of positive progress in repaying public funds, and Resona has identified fiscal 2006 as a year to move into higher gear in the repayment of public funds.

At the fifth Annual General Meeting of Shareholders, Resona received approval to repurchase up to ¥250 billion in public fund preferred stocks during the fiscal year ending March 31, 2007, and to amend its Articles of Incorporation to enable the issuance of new preferred stocks.

■ List of Public Funds Received and Approaches for Repayment

(Billions of yen)

	Time of Issuance	Mandatory Conversion (1st call date)	Balance Sep. 30, 2005 (1)	Balance Mar. 31, 2006 (2)	Repaid (2) - (1)	
Public Funds Received			¥3,128.0	¥2,925.2	¥(202.8)	
Preferred Stocks			2,531.5	2,531.5	—	
Early Strengthening Law			868.0	868.0	—	
Class B, No.1	1999/03	2009/04	408.0	408.0	—	Repurchase of up to ¥250 billion is planned in fiscal 2006
Class C, No.1	2001/04	2015/04	60.0	60.0	—	
Class E, No.1	1999/03	2009/12	300.0	300.0	—	
Class F, No.1	1999/03	2014/12	100.0	100.0	—	
Deposit Insurance Law			1,663.5	1,663.5	—	
Class One, No.1	2003/07	Not attached	550.0	550.0	—	
Class Two, No.1	2003/07	Not attached	563.5	563.5	—	
Class Three, No.1	2003/07	Not attached	550.0	550.0	—	
Subordinated Loans			300.0	100.0	(200.0)	
Stabilization Law			200.0	—	(200.0)	
Former Daiwa Bank	1998/03	Repaid	100.0	—	(100.0)	Already fully repaid
Former Asahi Bank	1998/03	Repaid	100.0	—	(100.0)	
Early Strengthening Law	1999/03	2009/03	100.0	100.0	—	
Common Stock	2003/07	Not attached	296.4	293.7	(2.7)	

Subordinated loans

Entire amount to be repaid by end of March 2009 (the call date).

Common stocks held by DIC

Consultation with competent authorities with respect to the timing and specific scheme will take place after necessary conditions are met.

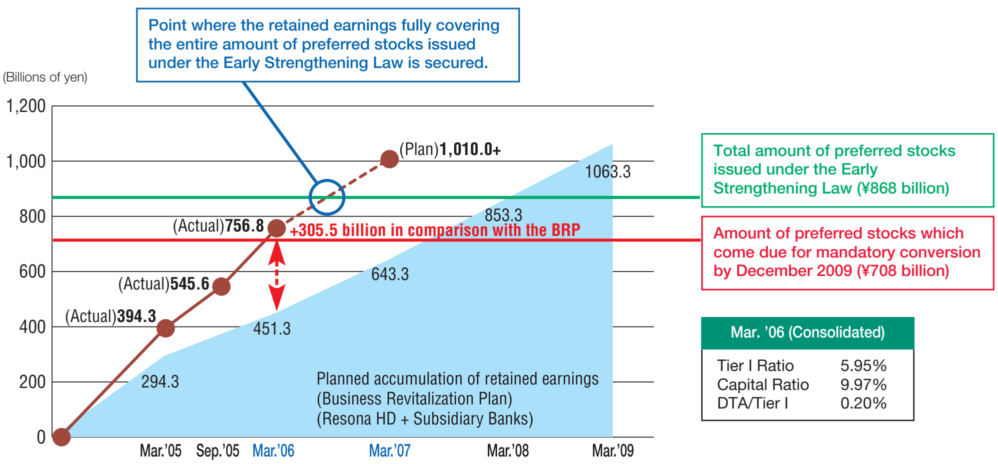
Preferred stocks

- ■ **Resona Holdings and its operating banks combined can accumulate sufficient retained earnings to fully cover the entire amount of preferred stocks issued under the Early Strengthening Law by the end of March 2007**
- ■ **Basic approach for repayments is repurchase and cancellation of these securities utilizing the retained earnings plus the proceeds from the issuance of new preferred stocks**
- ■ **The following related agenda was passed in the fifth Annual General Meeting of Shareholders:**
  - • **Agenda to set up an upper limit of ¥250 billion for repurchase of public funds preferred stocks in fiscal 2006**
  - • **Agenda to amend the Articles of Incorporation to enable the issuance of new preferred stocks**

Based upon projected earnings for the fiscal year ending March 31, 2007, the combined retained earnings is expected to exceed ¥1 trillion, sufficient to fully cover the entire amount of preferred stocks issued under the Early Strengthening Law.

■ Progress in Accumulation of Combined Retained Earnings

Accumulation of retained earnings faster than the targets in the Business Revitalization Plan



Mar. '06 (Consolidated)	
Tier I Ratio	5.95%
Capital Ratio	9.97%
DTA/Tier I	0.20%

In addition, amendments to the Articles of Incorporation grant the board of directors with decision-making authority to repurchase own stocks, as well as enabling the issuance of new preferred stocks. Issuing preferred stocks will help to establish a flexible framework that provides access to a broad range of investors.

■ Amendments to the Articles of Incorporation Relating to Capital Policy

Board of directors to be given decision making authorities for dividends payments and repurchase of own stocks

- **Dividends payments to be determined by the board of directors (same as before)**
- **Board of directors to be given authority to make a decision on repurchase of own stocks**

Amendments to enable the board of directors the issuance of new preferred stocks

- **Authorization to be given to the board of directors for the issuance of new preferred stocks**

	Type	Number of Shares (Upper limit)	Issue Price per Share (Upper limit)	Voting Rights	Right to Request Conversion	Mandatory Conversion	Issuer's Right to Acquire the Shares	Features
Class 4 Class 5 Class 6 Class 7 Class 8	Non-convertible preferred stock	Up to 100,000 shares per each class	¥3,500,000	Only when dividends are not paid	No	No	Yes (with cash)	*Holders not having any rights to request conversion into common shares*
Class 9	Convertible preferred stock	Up to 100,000 shares	¥3,500,000	No	Yes	No	Yes (with cash and common shares)	*Holders having a right to request conversion into common shares. However, issuer is allowed to exercise a right to redeem the shares with cash (up to par value, or issue price) and common shares (premium, or over par portion).*
Total		600,000 shares	—	—	—	—	—	—

Non-Performing Exposure

Breakdown of Disposal of Non-Performing Loans (Consolidated)

(Billions of yen)

Year ended March 31	2006	2005
Disposal of non-performing loans in the Trust Account (A)	**¥ 0.0**	¥ 1.1
Provision to the general reserve for possible loan losses (B)	**(10.7)**	—
Disposal of non-performing loans (C)	**74.2**	82.0
Write-off of loans	**45.9**	64.1
Provision to specific reserve for possible loan losses	**28.9**	—
Provision to special reserve for certain overseas loans	**(0.0)**	—
Other disposal of non-performing loans	**(0.6)**	17.8
Reversal of credit costs (D)	**(57.2)**	(41.6)
Reversal of reserve for possible loan losses	**—**	(21.3)
Recoveries of written-off claims	**(57.2)**	(20.3)
Total credit costs (A) + (B) + (C) + (D)	**¥ 6.2**	¥41.5

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 three 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	2006	2005
Unrecoverable or valueless claims	**¥ 63.4**	¥ 97.5
Risk claims	**292.6**	401.4
Claims in need of special attention	**354.7**	419.8
Financial Reconstruction Law subtotal	**710.8**	918.8
Nonclassified claims	**27,088.5**	26,197.8
Financial Reconstruction Law total	**¥27,799.3**	¥27,116.7

*The figures for March 31, 2006 are the sum of non-consolidated figures for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank. The figures for March 31, 2005 are the sum of non-consolidated figures of four group banks including 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)

	2006		2005	
March 31	Risk management loans	Ratio to total loans	Risk management loans	Ratio to total loans
Loans to borrowers in legal bankruptcy	**¥ 13.3**	**0.05%**	¥ 20.0	0.07%
Past due loans	**355.7**	**1.34%**	489.7	1.91%
Loans past due three months or more	**15.6**	**0.05%**	26.0	0.10%
Restructured loans	**407.6**	**1.54%**	419.3	1.64%
Total	**¥792.4**	**3.00%**	¥955.2	3.74%

Reserve for Possible Loan Losses (Consolidated)

(Billions of yen)

March 31	2006	2005
General reserve for possible loan losses	**¥354.1**	¥371.2
Specific reserve for possible loan losses	**184.2**	255.7
Special reserve for certain overseas loans	**0.0**	0.0
Total reserve for possible loan losses	**¥538.4**	¥627.0
Reserve for the specific borrowers under support	**¥ —**	¥ —
Reserve provided in preparation for write-offs in trust account	**0.5**	0.6

Percentage of Reserves to Total Risk Management Loans (Consolidated)

(%)

March 31	2006	2005
After partial direct write-off	**68.01**	65.70

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 three 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)

	2006		2005	
March 31	Risk management loans	Ratio to total loans	Risk management loans	Ratio to total loans
Loans to borrowers in legal bankruptcy	**¥ 11.5**	**0.04%**	¥ 17.7	0.06%
Past due loans	**336.0**	**1.27%**	467.7	1.81%
Loans past due three months or more	**15.5**	**0.05%**	26.0	0.10%
Restructured loans	**339.2**	**1.28%**	393.8	1.53%
Total	**¥702.4**	**2.66%**	¥905.2	3.52%
Partial direct write-offs	**¥403.1**		¥585.5	

*The figures for March 31, 2006 are the sum of non-consolidated figures for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank. The figures for March 31, 2005 are the sum of non-consolidated figures of four group banks including Nara Bank.

Reserve for Possible Loan Losses (Total of the three banks)*

(Billions of yen)

March 31	2006	2005
General reserve for possible loan losses	**¥263.9**	¥288.4
Specific reserve for possible loan losses	**176.4**	247.4
Special reserve for certain overseas loans	**0.1**	0.1
Total reserve for possible loan losses	**¥440.5**	¥536.0
Reserve for the specific borrowers under support	**¥ —**	¥ —
Reserve provided in preparation for write-offs in trust account	**0.5**	0.6

*The figures for March 31, 2006 are the sum of non-consolidated figures for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank. The figures for March 31, 2005 are the sum of non-consolidated figures of four group banks including Nara Bank.

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

(%)

March 31	2006	2005
Before partial direct write-off	**76.35**	75.27
After partial direct write-off	**62.78**	59.28

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

*The figures for March 31, 2006 are the sum of non-consolidated figures for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank. The figures for March 31, 2005 are the sum of non-consolidated figures of four group banks including Nara Bank.

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 three 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 2006	Clearance Ratios	End of September 2005	End of March 2005	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	**¥ 8.8**	**99.4%**	¥ 13.6	¥ 22.3	¥ 42.5	¥ 71.6	¥ 193.5	¥ 258.4	¥528.0	¥ 610.1	¥868.7	¥1,096.7	¥1,554.9
Unrecoverable or valueless claims	**4.1**	—	7.7	11.9	24.2	40.5	129.4	144.0	199.3	238.3	292.9	373.0	419.6
Risk claims	**4.7**	—	5.8	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	**3.4**	**99.2%**	5.5	7.9	14.2	21.9	86.0	121.9	172.8	311.5	372.1	459.7	
Unrecoverable or valueless claims	**0.9**	—	2.1	2.9	6.3	8.6	17.9	38.2	51.0	38.0	34.1	57.9	
Risk claims	**2.5**	—	3.4	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	**1.7**	**99.1%**	3.4	5.3	8.6	22.2	42.4	62.7	91.2	120.6	202.7		
Unrecoverable or valueless claims	**0.4**	—	0.8	1.2	3.5	4.9	19.0	25.4	31.8	38.0	54.2		
Risk claims	**1.3**	—	2.6	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	**8.6**	**99.1%**	12.6	16.9	54.7	82.9	188.5	321.3	710.6	998.3			
Unrecoverable or valueless claims	**2.9**	—	4.9	6.6	31.2	42.8	92.5	94.9	103.5	128.0			
Risk claims	**5.6**	—	7.7	10.2	23.5	40.1	96.0	226.3	607.1	870.3			
Portion in the first half of fiscal 2002													
Total	**5.7**	**96.9%**	6.6	10.1	23.6	38.1	82.2	130.7	187.3				
Unrecoverable or valueless claims	**2.2**	—	2.3	4.3	10.9	16.3	29.7	34.3	46.7				
Risk claims	**3.5**	—	4.2	5.7	12.7	21.7	52.5	96.4	140.5				
Portion in the latter half of fiscal 2002													
Total	**14.0**	**94.2%**	18.2	26.7	49.0	74.8	142.6	246.3					
Unrecoverable or valueless claims	**2.7**	—	4.2	7.2	14.3	23.9	46.9	51.7					
Risk claims	**11.3**	—	14.0	19.5	34.7	50.9	95.6	194.5					
Portion in the first half of fiscal 2003													
Total	**26.6**	**97.6%**	89.8	137.9	234.4	445.9	1,124.5						
Unrecoverable or valueless claims	**10.4**	—	12.8	16.1	27.6	41.1	307.8						
Risk claims	**16.2**	—	76.9	121.8	206.7	404.7	816.6						
Portion in the latter half of fiscal 2003													
Total	**25.3**	**89.6%**	37.4	52.1	127.7	244.9							
Unrecoverable or valueless claims	**6.2**	—	5.3	9.0	17.1	25.2							
Risk claims	**19.1**	—	32.1	43.0	110.5	219.6							
Portion in the first half of fiscal 2004													
Total	**23.0**	**90.3%**	42.0	62.6	238.4								
Unrecoverable or valueless claims	**3.5**	—	7.5	14.2	18.6								
Risk claims	**19.4**	—	34.4	48.4	219.7								
Portion in the latter half of fiscal 2004													
Total	**50.6**	**67.7%**	87.7	156.9									
Unrecoverable or valueless claims	**6.2**	—	9.7	23.6									
Risk claims	**44.4**	—	78.0	133.2									
Portion in the first half of fiscal 2005													
Total	**59.1**	**50.3%**	119.2										
Unrecoverable or valueless claims	**9.9**	—	12.9										
Risk claims	**49.2**	—	106.2										
Portion in the latter half of fiscal 2005													
Total	**128.5**	—											
Unrecoverable or valueless claims	**13.6**	—											
Risk claims	**114.9**	—											
Total	**¥356.0**	—	¥436.5	¥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 2006 compared with the balance at the end of the period when such exposure was newly classified.

*The figures for March 31, 2006 are the sum of non-consolidated figures for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank. The figures for March 31, 2005 are the sum of non-consolidated figures of four group banks including Nara Bank.

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

(Billions of yen)

<table>
<tr><td colspan="2"></td><td></td><td colspan="4">Disclosure Categories under Self-Assessment of Asset Quality</td><td rowspan="2">Coverage</td><td rowspan="2">Coverage Ratio under Financial Reconstruction Law Criteria</td></tr>
<tr><td colspan="2">Categories of Claims / Obligor Classification</td><td>Disclosure Categories under the Financial Reconstruction Law</td><td>Normal Claims</td><td>Category II Claims</td><td>Category III Claims</td><td>Category IV Claims</td></tr>
<tr><td colspan="2">Bankrupt and Effectively Bankrupt (Total 63.4)</td><td>Unrecoverable or Valueless Claims 63.4</td><td>26.4</td><td>36.9</td><td>Reserve Ratio 100%</td><td>Direct Write-Offs</td><td>Reserves (4.8) Collateral/Guarantees (58.6)</td><td>Unrecoverable or Valueless Claims 100%</td></tr>
<tr><td colspan="2">Doubtful (Total 292.6)</td><td>Risk Claims 292.6</td><td>181.3</td><td>104.9</td><td>6.3
Reserve Ratio 95.57%</td><td></td><td>Reserves (137.2) Collateral/Guarantees (148.9)</td><td>Risk Claims 97.83%</td></tr>
<tr><td rowspan="2">Watch</td><td>Special Attention (Total 490.0)</td><td>Claims in Need of Special Attention 354.7
Subtotal 710.8</td><td>73.3</td><td>416.6</td><td></td><td></td><td>Reserves (103.9) Collateral/Guarantees (150.4)</td><td>Claims in Need of Special Attention 71.71%</td></tr>
<tr><td>Other Watch (Total 1,560.8)</td><td rowspan="2">Nonclassified Claims 27,088.5</td><td>343.7</td><td>1,217.1</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Normal (Total 25,392.4)</td><td>25,392.4</td><td></td><td></td><td></td><td></td><td>Coverage Ratio against Total Claims 84.99%</td></tr>
<tr><td colspan="2">Total 27,799.3</td><td>Total 27,799.3</td><td>Normal Claims 26,017.3</td><td>Category II Claims 1,775.6</td><td>Category III Claims 6.3</td><td>Category IV Claims —</td><td></td><td></td></tr>
</table>

Corporate Governance

Basic Approach to Corporate Governance

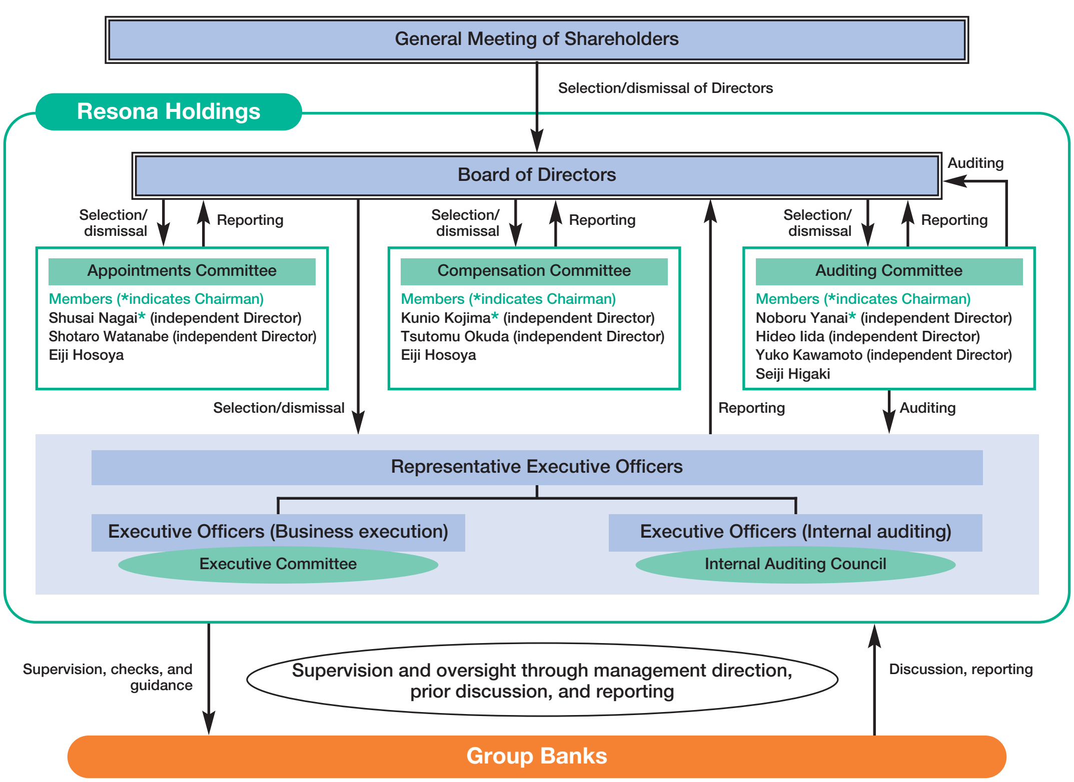
The basic policy of the Resona Group is to strengthen its corporate governance by establishing responsible management systems and strengthening supervision as well as surveillance functions, while working to improve the transparency of management. In view of the infusion of public funds into Resona Bank in June 2003, Resona Holdings 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 by 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 oversight 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

The Board of Directors

The Board of Directors is composed of 10 Directors, seven of which are independent Directors, and is responsible for making decisions on important matters and for auditing the execution of business activities by the Executive Officers. The Board of Directors also serves to stimulate practical discussions regarding operations from a broad perspective. The presidents of all Group banks have served concurrently as executive officers of Resona Holdings since June 2005, and make regular reports to the Board, in an aim to enhance auditing functions in relation to Group banks. The Board met 16 times during the fiscal year ended March 31, 2006 (fiscal 2005).

■ Resona's Corporate Governance Structure



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 dismissal of Directors that are submitted to the General Meeting of Shareholders. The Appointments Committee met on three occasions during fiscal 2005, 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. In fiscal 2004, 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. The Compensation Committee held meetings three times in fiscal 2005.

Auditing Committee

The Auditing Committee is comprised of four Directors, including three independent Directors among whom one serves as chairman. The roles of this committee are to supervise the execution of management activities by the Directors and Executive Officers, and to make decisions related to the appointment and dismissal of accounting auditors. The Auditing Committee convened meetings on 14 occasions in fiscal 2005. Activities included supervising and examining internal control systems in collaboration with the Internal Audit Division and other internal control divisions, as well as making suggestions and requests as needed to Executive Officers for making substantial improvements in internal control systems.

Executive Committee

To support the decision-making process in the execution of operations, Resona Holdings has set up an Executive Committee as a body to deliberate and report on generally important management items and important matters in the execution of operations. This committee is composed of Representative Executive Officers and Executive Officers in charge of various operational areas, and its objectives include ensuring the transparency of decision-making on important matters by providing a venue for officers to proactively discuss business issues. The Executive Committee convened meetings on 42 occasions in fiscal 2005, where it deliberated and reported on important matters related to business execution.

Internal Auditing Council

As a body to deliberate and report on important matters related to internal audits, Resona Holdings has established an Internal Auditing Council that is independent from the Executive Committee, which serves as a body for the execution of business. The Internal Auditing Council is composed of all Representative Executive Officers, the Executive Officer in charge of the Internal Audit Division and a general manager of the Internal Audit Division. Contents of deliberations and reports are conveyed to both the Auditing Committee and the Board of Directors. The Internal Auditing Council convened meetings on 15 occasions in fiscal 2005. In addition to discussions on internal auditing plans and other issues, results of internal audits were also reported.

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 these subsidiaries and other companies, 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.

Items Related to the Corporate Governance Structure

Establishment of Standards for the Selection of Independent Director Candidates

With a view toward creating sustainable corporate value, Resona Holdings has brought independent Directors on board. In May 2006, the Appointments Committee established "Standards for the Selection of Independent Director Candidates," which clearly spells out standards and processes for the selection of personnel capable of overseeing management as candidates for the position of independent Directors who are put before the General Meeting of Shareholders.

Obtaining a Corporate Governance Score

Resona Holdings has obtained a Standard & Poor's Corporate Governance Score, which serves as a highly objective index to drive continual improvement in the quality of corporate governance. As of June 2006, Resona Holdings had obtained an Overall Corporate Governance Score of 7, indicating an exceptional level. We will continue to make every effort to enhance the quality of our corporate governance systems.

*Corporate Governance Scores are assessments by Standard & Poor's of how well a company is currently employing and adhering to high-caliber corporate governance regulations and guidelines that contribute to the benefit of financial stakeholders.

Internal Control Systems

Basic Stance on Internal Control

The Resona Group is striving to achieve its future vision of "becoming the community banking group with the strongest support of customers in the Osaka, Saitama and Tokyo regions." At the same time, Resona is implementing reforms with a view toward making a further leap forward, and aiming to maximize corporate value.

Moving toward the attainment of these business goals, Resona is working to secure greater efficacy and efficiency in its operations, and to clarify processes related to compliance in its business activities. We are aiming to construct internal control systems befitting the Resona Group—systems that are understood and followed by all directors and employees of the Group.

Basic Policies

The Board of Directors has determined the following basic principles in regards to Group Internal Control Systems, with the aim of constructing systems befitting the Resona Group.

■ Overview of Basic Policies on Group Internal Control Systems

I. Statement	Resona Holdings and Group companies sincerely regret having received capital reinforcement through an infusion of public funds. In order to prevent the reoccurrence of such a situation, the Resona Group shall establish basic policies in regards to internal control systems. Under these basic policies, we shall aim to establish internal control systems befitting the Resona Group, and will strive to manage and maintain such systems in optimal condition in order to ensure their efficacy, with a view toward enhancing the Group's corporate value.
II. Purpose of Internal Control Systems (Basic Principles)	In accordance with generally accepted evaluation standards for internal control systems, the Resona Group shall adopt as the Group's basic principles on internal controls the fulfilling of the following four goals. 1. Improve efficacy and efficiency of operations 2. Assure reliability of financial disclosure 3. Comply with legislation 4. Maintain the soundness of assets
III. Constructing Internal Control Systems (Basic Guidelines)	Resona shall develop internal control systems composed of the basic elements required for the systems to fulfill their purposes, including a control framework, risk evaluation and response system, internal control activities, information and communication systems, monitoring standards and IT systems. Upon establishment of a "Resona Group Management Philosophy" shared throughout the Group that is based upon these policies, Resona shall determine the following basic guidelines in constructing systems to ensure that the Group's operations are conducted in an appropriate manner. 1. Guidelines to ensure that business operations of executive officers and employees are executed in compliance with legislation and Group regulations 2. Guidelines to store and manage information related to the execution of operations by executive officers 3. Guidelines to govern the management of loss risk and related to other systems 4. Guidelines to ensure that executive officers' responsibilities are carried out effectively 5. Guidelines to ensure that operations of the Corporate Group, consisting of Resona Holdings and all Group companies, are conducted appropriately 6. Guidelines concerning assistants to the operations of the Audit Committee 7. Guidelines to ensure the independence of the assistants mentioned above in relation to executive officers 8. Guidelines concerning a system for executive officers and employees to report to the Group's Auditing Committee and other related reporting rules 9. Guidelines to ensure that audits by the Auditing Committee may be conducted effectively

Status of Development

The Resona Group is making every effort to properly develop and manage sound internal control systems, including an internal auditing system, compliance system and risk management system, in accordance with the provisions of the basic policies regarding the Group's internal control systems. The Resona Group is also working to ensure the efficacy of these systems.

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, provide their opinions and suggestions to operating units other than the ones they are auditing.

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 Officer in charge of internal auditing who is not in charge of operating 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.

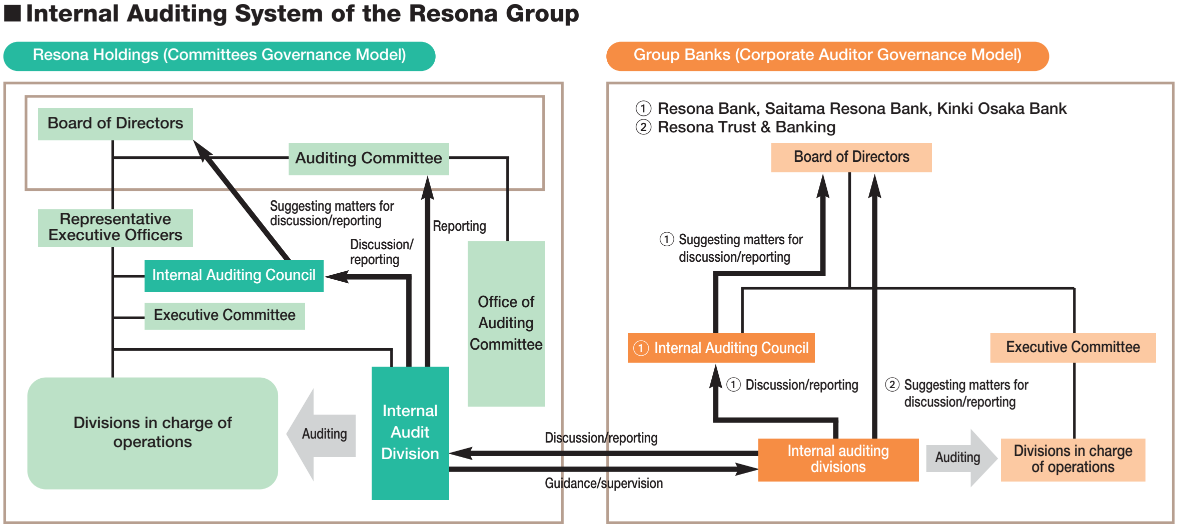
Roles and Functions

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 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

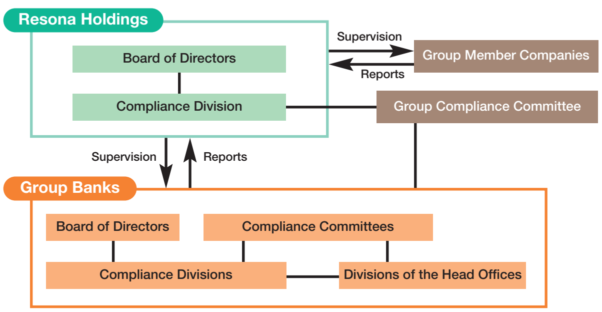


Compliance Systems of the Resona Group

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 consisting of the compliance divisions of Group banks 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.

Resona Standards (Resona Group Behavior Guideline)

To assure the sustainability of the Resona Group and increase its corporate value, the Resona Group *Corporate Mission*, *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 clarified internal rules and regulations to ensure that personnel, who utilize the aforementioned reporting systems may do so without disadvantage or fear of harassment. In this manner, we have taken steps to ensure that all systems are as user-friendly as possible.

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 our 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 aiming both to assure sound management and to become a financial service corporation rich in creativity.

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. The Policy lays out the Resona Group's basic risk management stance including the previously mentioned three basic principles, defines the various risks that must be managed, provides for organizations and systems to carry out appropriate risk management activities, clarifies the roles of such organizations and systems, establishes a risk management framework, and sets guidelines concerning education of personnel regarding risk management.

In addition, we have formed risk management divisions within Resona Holdings 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. In efforts to bolster risk management, we have also established Risk Management Division that serves as an integrated risk management body for the entire Group.

● 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.

We have established risk management policies at primary affiliated companies, and set up risk management systems including risk management divisions. Risk management initiatives are carried out while taking into account the nature of a company's activities, and policies establish that excessive risk shall not be taken outside of a company's primary business.

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

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."

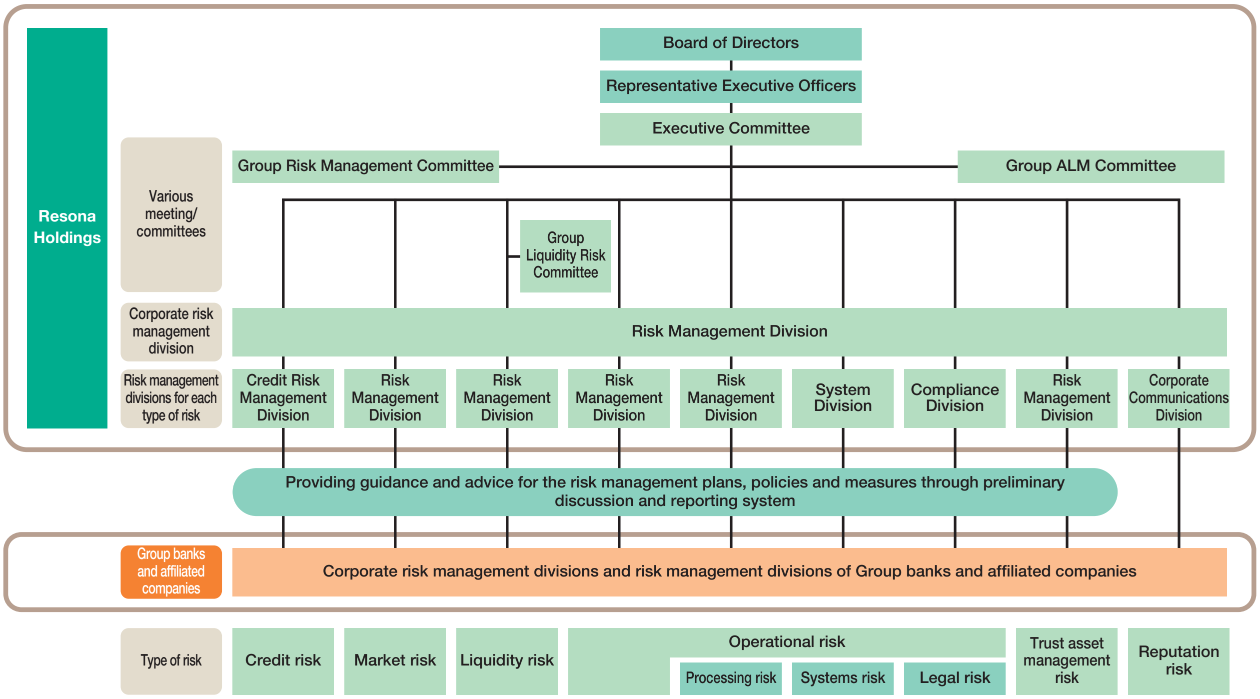
Resona Holdings has prepared the Group Risk Management Policy, which sets forth the basic approach of the Group toward risk management. In addition, in December 2003, the Group issued its Group Credit Policy, which states a standard set of basic principles for credit management for the Group as a whole.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

Reflecting its "Action Program to Strengthen Relationship Banking Functions," the Group is stepping up efforts in accountability to customers and to avoid excessive reliance on collateral and guarantees.

Group banks formulate their own credit policies based upon the Group Credit Policy, establish various regulations and standards for effective credit risk management, create a division of roles between business promotion and screening divisions, evaluate the creditworthiness of loan applicants through their own ratings and assessment sys-

■ **Outline of Group Risk Management Systems**



tems, introduce credit ceiling systems for the purpose of dispersing the extension of credit, and work to quantify credit risk.

Resona Holdings provides guidance and advice for the establishment of risk management systems at Group banks through preliminary discussions regarding risk management policies and regulations, as well as important credit management measures. Resona Holdings also provides monitoring of the status of credit risk management at Group banks, making reports to management.

Market Risk

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.

Each of the banks of the Resona Group is responsible 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.

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.

Group banks have reduced their outstanding stock holdings to a combined total of approximately ¥400 billion. In addition, Group banks currently retain a significant amount of unrealized gains owing to increases in stock market prices.

Group VaR Performance

The combined sum of VaR for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank in the period from April 1, 2005 to March 31, 2006 was as follows.

(Unit: Billions of yen)	Period end	Maximum	Minimum	Average
Trading transactions	0.4	0.8	0.0	0.3
Banking transactions	111.5	111.5	68.3	88.4

*Does not include cross-sharing stocks. Only banking transactions are counted for Kinki Osaka Bank.

Standards used for calculating VaR	Trading activities	Banking activities
1. Confidence interval	Unilateral 99%	Unilateral 99%
2. Holding period	10 days	20 days

Stress Testing Related to Group Trading Transactions

Stress testing, which strives to measure the maximum loss based on the largest fluctuations occurring over a period of five years, has resulted in a value of ¥0.9 billion (sum of period-end figures for Resona Bank and Saitama Resona Bank.)

Outlier Framework

The combined sum of calculated figures based upon an "outlier" framework related to banking transactions for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank are as follows.

(Standard as of March 31, 2006)

	Loss amount	Loss ratio to capital
Estimates under outlier framework	¥217.8 billion	9.1%

*Under Basel II (new set standards concerning capital adequacy requirements), losses arising from the banking book in hypothetical interest rate shock scenarios under certain stress conditions are estimated, and then compared with broadly defined capital (Tier I capital plus Tier II capital). If the interest rate risk in the banking book leads to an economic value decline of more than 20% of the sum of Tier I and Tier II capital, the bank will be deemed an "outlier" and may be required to reduce its risk or adopt other responses.

*Interest Rate Shock Scenario under the Outlier Framework:
1st and 99th percentile of observed interest rate changes using a one-year holding period and five years of observations.
The shortest maturity period is used as the maturity period for core deposits. The definition of core deposits is to be updated and redefined based upon a reasonable method in the future.

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 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.

To maintain control of their cash positions, Group banks utilize their own management indicators suited to liquidity risk conditions, and establish liquidity risk guidelines as necessary. Resona Holdings supervises the status of liquidity risks at Group banks, makes reports to management regarding that status, and provides guidance related to cash position management as needed.

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. Resona is working actively to upgrade its operational risk management systems, by collecting and analyzing loss data related to operational risks, quantifying risks, and introducing our own evaluation systems related to operational risks.

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 failures 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.

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.

Risk management divisions conduct checks to confirm legal compliance and provide guidance and advice to avoid and minimize the emergence of legal risks at Group banks. In addition, Group banks work to increase the level of awareness of compliance and legal risk among directors and employees through systematic legal training. Furthermore, risk management divisions compile 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.

Resona Holdings provides necessary guidance and advice regarding legal risk management systems through collaboration and reporting to Group banks. At the same time, Resona Holdings maintains oversight of the litigation at Group banks and the status of other legal risks confronting the Group.

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.

Responding to Basel II Regulations

The Basel Committee on Banking Supervision of the Bank for International Settlements has been considering the Basel II regulations and, currently, the regulatory 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 select the methods for computing the level of capital they need in accordance with their risk conditions and the level of sophistication in their risk management methods.

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.

Corporate Social Responsibility (CSR)

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 chairman of Resona Holdings heads the committee, and members are the presidents of Resona Holdings and Group banks.

● Efforts in the PFI Business

Saitama Resona Bank participated as the lead manager in "Plaza North," Saitama City's first private finance initiative (PFI) business. In addition, Kinki Osaka Bank participated in the financing foundation for the "First Initiative for Metropolitan Water and Greening" PFI business in the northern hill district of Minoh City, Osaka. We will continue actively contributing to the improvement of public services and expansion of employment opportunities that leverage local PFI businesses.

● Internships

Resona Bank and Saitama Resona Bank accept university students and students from local areas for internships as part of its local contribution activities. By offering experience in business planning and other areas, Resona helps students to clarify awareness regarding their future employment and entrepreneurship, aiming to create new businesses and cultivate capable human resources. We also introduce students to companies from among our clients that are positive toward receiving student interns. We will continue efforts in this area in order to help students formulate awareness about employment and select their fields of employment based upon their experiences working in the Resona Group.

● Hosting of Sai-no-Kuni Business Arena 2006

Saitama Resona Bank hosted the "Sai-no-Kuni Business Arena 2006" business exposition in February 2006. Approximately 400 companies, universities and research institutes, primarily from Saitama Prefecture and including clients of the Resona Group, presented exhibits. The event drew approximately 9,000 visitors over a two-day period.

● Comprehensive DC Products in Alliance with Regional Chambers of Commerce and Industry

With the goal of contributing to regional communities, Resona Trust & Banking has joined with the Osaka and Saitama Chambers of Commerce and Industry, as well as the Saitama Prefecture Federation of Societies of Commerce and Industry, to offer 401k defined contribution (DC) pension plans for these organizations. Our "Comprehensive DC Plans" help to lower costs and paperwork associated with taking out such plans by enabling multiple companies to participate in and manage one DC system. The "tax-qualified pension system" currently in use by a number of SMEs will be discontinued in the year 2012, and the Resona Group believes that its "Comprehensive DC Plans" are a beneficial option for companies reviewing their pension systems. Resona Trust & Banking offers a variety of products and plans in addition to those mentioned above to meet the diverse needs of customers considering DC systems.

● Osaka Prefecture Growth Potential Assessment Loans

Kinki Osaka Bank began accepting applications for Osaka Prefecture Growth Potential Assessment Loans from April 2006. These loans are part of Osaka Prefecture's "New Financial Strategy" aimed at facilitating the provision of funding for SMEs, and have been developed by an alliance between Osaka Prefecture, the Osaka Industrial Promotion Organization and regional financial institutions. Professional assessment committees evaluate business plans submitted by applicant SMEs and individual business owners for growth potential. Entrepreneurs who submit plans that are deemed to have sufficient growth potential are provided with loans requiring no collateral or third-party guarantors. The Resona Group aims to continue contributing to the invigoration of industry in the Osaka region.

Establishment of Corporate Rehabilitation Fund for Community SMEs

Resona Bank and Kinki Osaka Bank, together with financial institutions in Osaka Prefecture, the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ), as well as ORIX Corporation, established a corporate rehabilitation fund for community small and medium enterprises (SMEs).

In addition, Saitama Resona Bank also banded together with SMRJ and financial institutions in Saitama Prefecture to establish a corporate rehabilitation fund for community enterprises. Utilizing corporate rehabilitation funds for community SMEs, we aim to concentrate public and private business resources and know-how in order to give community SMEs a fresh start and to develop and reinvigorate local economies.

Testamentary Trusts and Liquidation of Inheritance Property Services

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, persons interested in making contributions to these various associations are introduced 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 tie-ups 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 customer wishes to "make socially meaningful use" of their assets.

Loans for the Purchase of Diesel Vehicles

Resona Bank and Kinki Osaka Bank are offering "Emergency Loans for the Purchase of Diesel Vehicles in Osaka Prefecture" in order to meet demand from SMEs looking to purchase diesel vehicles in accordance with enactment of regulations regarding vehicle emissions of nitrogen oxides (NOx) and particulate matter (PM). Resona Bank is offering similar loans in the Tokyo Metropolitan area, as regulations in Tokyo surrounding NOx and PM emissions grow more stringent. Furthermore, Saitama Resona Bank has established a special loans system in collaboration with the Saitama Trucking Association to meet the same sort of needs there.

Internal Opportunity Announcements

Resona offers three systems for announcing internal opportunities, the Post Challenge System, the Career Entry System and the Free Agent (FA) 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 assigning of personnel to alternative fields and the recruiting of staff for work in the area of service reforms. 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. Introduced in fiscal 2004, the new Free Agent (FA) System enables employees who have performed exceptionally in the previous year to more actively seek a move to the type of position they desire. Utilizing these three systems provides greater chances for self-fulfillment among employees.

Resona Women's Council

The Resona Women's Council was formed in April 2005 as an advisory group to management in order that management decisions more fully reflect women's opinions. The council has 14 members who are already active in the Group. Regular meetings are held in Tokyo and Osaka, where, through exchanges of opinions with personnel, the council examines ways to create workplaces where women can continue to work over the long term, and ways to support women in career formation. By holding seminars and exchanges, as well as creating networks inside and outside the Resona Group, 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.

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.

The following risks do not necessarily represent all of the risks facing the Group. In addition, such risks do not necessarily occur in isolation, and the occurrence of one risk may lead to the occurrence or increase of other risks.

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) Increase in Credit-Related Costs

In order to strengthen its credit-risk management preparedness, the Group is stepping up its efforts in the areas of preventive maintenance and risk dispersal to counter the risk of degradation of its loan customers' financial condition and standing. Regarding NPLs, the Group provides a sufficient level of allowance based upon its precise independent assessment activities.

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 Condition of Borrowers

As of March 31, 2006, the Group's NPL ratio had declined to 2.56%, marking a significant improvement in the soundness of the Group's credit portfolio. However, the Group has a balance of claims disclosed under the criteria of the Financial Reconstruction Law of ¥710.8 billion (the total for the Group's three 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 borrowers in industries showing lackluster performance, as well as to borrowers who have received financial assistance from their correspondent banks, such as forfeiture of claims, debt-equity swaps, and underwriting 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. Though Japan's economy is showing signs of recovery, 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, other factors remain, including lackluster business conditions for semi-public and public-sector enterprises. 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 loan portfolio, the Group will continue to take early steps to restructure and support its customers and take prompt 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 Risks

The Group is engaged in trading of financial products including derivatives transactions that are subject to market movements, as well as in investments in bonds, stocks, funds and other outlets. 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 appropriately control these risks, 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 well as setting limits on loss amounts.

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 or significant declines in stock prices, the value of the Group's portfolio 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) Risks Related to Fluctuations in Foreign Exchange Markets

A portion of the Group's assets and liabilities are denominated in foreign currencies. The Group takes measures to control risks related to the holding of such foreign-denominated assets and liabilities, including working to balance fluctuations and conducting appropriate hedging activities as necessary. However, certain currencies may be adversely affected by liquidity problems, or certain legislation, in various nations applied to control local currencies, may hinder such hedging activities. In such events, adverse impacts from fluctuations in foreign exchange rates may be more significant 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.

(4) 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.

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 far larger-than-expected withdrawals of customer deposits. As a result of such circumstances, the Group may experience deterioration in its performance and financial position.

(5) Stockholding Risks

For the Group to eliminate the potential impact of stock price declines on its performance, the Group has reduced its holdings of stocks and significantly slashed its exposure to the risk of stock price fluctuations. 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.

(6) Risk of Impairment of Fixed Assets

The Group implemented an early introduction of fixed asset impairment accounting standards 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.

(7) Risk Associated with Intensifying Competition

As competition intensifies owing to deregulation in the finance industry and the growing entry of corporations from other industries into the finance industry, the Group is also striving to evolve from a conventional bank into a financial services company. Moreover, in order to meet diversifying customer needs, and to overcome competitors in its ability to provide appealing products and services, the Group is also implementing an array of strategies aimed at strengthening earnings capacity, including tie-ups with companies from other industries.

However, in the event that competition continues to intensify, income contributions may decline as a result of lower interest rates on loans, higher interest rates on deposits, and lower service fees. As a result of such circumstances, the Group may experience deterioration in its performance and financial position.

(8) 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, and Resona Trust & Banking—are required to maintain both consolidated and 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 Group and its domestic subsidiary banks. As a result, increases in capital procurement costs may have an adverse impact on the performance and financial position of the Group. In addition, in the event that the Group's capital ratios fall below the previously mentioned minimum requirements, the Group may be subject to an array of orders from the Director-General of the Financial Services Agency, including the partial or complete suspension of operations, for the purpose of promptly rectifying the situation. As a result, the Group's performance and financial position may be adversely impacted.

Moreover, capital ratio regulations applicable to the Group and its subsidiary banks are being significantly reviewed from the end of fiscal 2006. New capital ratio regulations to be introduced after the review are expected to incorporate major changes compared with previous regulations, and there is a possibility that the capital ratios of the Group and its domestic subsidiary banks may change substantially following the introduction of the new regulations.

(9) Risk Related to Public Funds

Since March 1998, the Group has received infusions of public funds amounting to ¥3,128.0 billion (¥296.4 billion in common stock, ¥2,531.6 billion in preferred stock, and ¥300 billion in subordinated loans). Accompanying this infusion 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.

Among the public funds infused, preferred stocks in Resona Holdings held by the Resolution and Collection Corporation, as well as by the Deposit Insurance Corporation of Japan, may be converted to common stock. An increase in the outstanding shares of the Company's common stock as a result of such preferred stocks being converted to common stock would dilute the value of existing common stock. Accordingly, the price of Resona Holdings common stock may decline.

(10) Risks Associated with Credit Ratings

Resona Holdings and its domestic subsidiary banks 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 domestic 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.

(11) Deferred Tax Assets

The Group makes conservative estimates of its future taxable income in computing the reported value of its deferred tax assets. However, this computation of deferred tax assets is based on many forecasts and assumptions other than 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.

(12) 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. In the event that such unrecognized liabilities arise, retirement benefit obligations may increase accordingly, and the Group's performance and financial position may be adversely affected.

(13) 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.

(14) 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 in certain jointly managed 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. As a result, the Group's performance and financial position may be adversely affected.

(15) Operational Risks

The Group handles a wide range of banking products, including deposits, foreign exchanges, loans, trusts and investment in securities. 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.

Furthermore, the Group identifies operational errors and misconduct, and comprehensively analyzes where operational risk may be found, as well as its causes and characteristics. Findings from such analysis are used to develop policies for preventing the recurrence and lessening the impact of such developments.

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

(16) Risks Associated with Outsourcing of Operations

The Resona Group consigns a variety of its banking operations to outsourcers. The Group makes every effort to develop and maintain its outsourcing system, including assuring that certain operations are appropriate to consign, confirming the qualifications of outsourcers, securing outsourcers who will continue through the duration of the consignment period, and formulating countermeasures for times when problems arise.

However, in the event that problems arise with the execution of outsourced operations, or in the event of a leak of important customer or other information, the Group's performance and financial position may be adversely affected.

(17) 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, as well as a serious detrimental effect on its operations. Based on this awareness, the Group has prepared an appropriate management system by determining risk management standards in the form of measures to prevent disruptions and breakdowns, as well as improper and fraudulent usage of systems. In addition, the Group has also prepared contingency plans to deal with system disruptions, and is working to minimize the impact of system risk.

In spite of such measures, however, if a major disruption of systems occurs that leads to a breakdown in customer services, there is a possibility that this may have a detrimental effect on the Group's performance and financial position.

(18) Risk of Major Litigation

The Group implements 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.

(19) Risk of Non-Compliance

The Resona Group conducts its business activities in compliance with banking laws, the Corporation Law and the Securities and Exchange Law. The Resona Group makes every effort to promote thorough compliance by all directors and employees with all applicable laws and regulations, and to develop a system of preventive measures to avoid improper activity.

However, in the event that directors and employees fail to comply with laws and regulations, or in the event that a director or employee acts in an unethical manner, the Group may be subject to administrative measures or punishments, and a loss of customer confidence. As a result of such circumstances, the Group may experience deterioration in its performance and financial position.

(20) 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 operating conditions 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.

(21) Risk of Difficulty in Securing Skilled Personnel

The Resona Group is engaged in business activities requiring a high degree of specialization, particularly in its banking operations, and works to secure and nurture skilled personnel that accomplish outstanding performance.

In the event that employing and maintaining skilled personnel becomes a difficult matter, however, or in the event that a large number of skilled personnel leave their positions, the Group's performance and financial position may be adversely affected.

(22) Risks Related to Fraudulent and Stolen Cards or other Crime

The Resona Group and its banking and banking-related subsidiaries issue a number of cash cards and credit cards. The Group makes every effort to implement broad-ranging measures to prevent damage or loss due to forged or stolen cards, and works tirelessly to strengthen its security measures.

However, if criminal acts of unforeseen magnitude should occur, costs for implementing countermeasures or compensation payments to customers who suffered damage may adversely affect the Group's performance and financial position.

(23) 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, and 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.

(24) 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, it has become much easier to spread inaccurate information and rumors via communication tools such as the Internet. The dissemination of such inaccurate information and rumors may have a detrimental impact on the Group's performance, financial position and stock price.

(25) Risk of Regulatory Changes

The Group conducts its activities in compliance with relevant laws and regulations current as of this writing. Accordingly, the Group's performance and financial position may be adversely impacted by developments beyond the Group's control, such as future changes in government policies, laws, business practices and their interpretations, or introduction of new regulations.

(26) Constructing an Internal Control System Related to Financial Reporting

The Sarbanes-Oxley Act was passed in the U.S. in 2002, ushering in stricter corporate disclosure standards. Disclosure legislation is becoming more stringent in Japan as well. With the passing of the Financial Product Transactions Law in June 2006, companies are also required to submit internal control reports related to financial reporting. Based upon disclosure regulations, company representatives must also confirm and certify the accuracy of financial statements.

In order to comply with new standards, the Resona Group recognizes the need to construct and maintain an effective internal control system to appropriately monitor and manage Group operations. Constructing and maintaining such an internal control system requires the investment of management resources, and may possibly require significant expenses.

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

Deloitte.

The Board of Directors
Resona Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Resona Holdings, Inc. (the "Company") and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2 to the consolidated financial statements, the Company and domestic consolidated subsidiaries changed their method of accounting for plan assets in excess of the projected benefit obligations in the fiscal year ended March 31, 2006.

Our audits 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.

Ernst & Young ShinNihon

June 28, 2006

Deloitte Touche Tohmatsu

June 28, 2006

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Consolidated Balance Sheets

Resona Holdings, Inc. and consolidated subsidiaries
March 31, 2006 and 2005

	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	**2006**
Assets:			
Cash and due from banks (Notes 3 and 11)	**¥ 1,691,016**	¥ 3,024,231	**$ 14,396**
Call loans and bills bought (Notes 4 and 11)	**986,886**	667,842	**8,401**
Deposits paid for bonds borrowing transactions	**47,565**	36,608	**404**
Monetary claims bought	**141,616**	105,089	**1,205**
Trading assets (Notes 5 and 11)	**678,848**	708,335	**5,779**
Securities (Notes 6 and 11)	**8,021,995**	7,278,662	**68,295**
Loans and bills discounted (Notes 7, 11 and 12)	**26,209,603**	25,315,798	**223,136**
Foreign exchange assets (Note 8)	**89,512**	80,729	**762**
Other assets (Notes 9 and 11)	**889,620**	690,929	**7,573**
Premises and equipment (Notes 10, 11 and 18)	**442,422**	452,994	**3,766**
Deferred tax assets (Note 24)	**3,509**	45,554	**29**
Goodwill	**28,804**	35,781	**245**
Customers' liabilities for acceptances and guarantees (Note 17)	**1,721,237**	1,762,069	**14,653**
Reserve for possible loan losses	**(538,454)**	(627,035)	**(4,584)**
Reserve for possible losses on investments	**(14,636)**	(14,231)	**(124)**
Total Assets	**¥40,399,547**	¥39,563,362	**$343,943**
Liabilities:			
Deposits (Notes 11 and 13)	**¥31,597,248**	¥31,975,170	**$269,004**
Negotiable certificates of deposit	**1,723,740**	1,028,390	**14,675**
Call money and bills sold (Notes 4 and 11)	**923,125**	823,174	**7,859**
Bills sold under repurchase agreements (Note 11)	**240,480**	351,291	**2,047**
Deposits received for bonds lending transactions (Note 11)	**154,458**	65,069	**1,314**
Trading liabilities (Note 5)	**71,090**	39,073	**605**
Borrowed money (Notes 11 and 14)	**241,907**	498,464	**2,059**
Foreign exchange liabilities (Note 8)	**5,485**	9,294	**46**
Bonds (Note 15)	**763,438**	555,999	**6,499**
Due to trust account	**426,112**	393,166	**3,627**
Other liabilities (Notes 11 and 16)	**641,039**	532,661	**5,457**
Reserve for employees' retirement benefits (Note 27)	**3,437**	5,626	**29**
Reserve for business restructuring	**171**	301	**1**
Reserve for reorganization of branch office channel	**2,731**	2,932	**23**
Deferred tax liabilities (Note 24)	**25,083**	2,291	**213**
Deferred tax liabilities on land revaluation (Note 18)	**44,844**	45,535	**381**
Acceptances and guarantees (Note 17)	**1,721,237**	1,762,069	**14,653**
Total Liabilities	**38,585,634**	38,090,511	**328,500**
Minority Interests:			
Minority interests in consolidated subsidiaries	**156,829**	286,387	**1,335**
Shareholders' Equity (Note 19):			
Capital stock	**327,201**	327,201	**2,785**
Capital surplus	**263,505**	263,492	**2,243**
Retained earnings	**749,118**	384,839	**6,377**
Revaluation reserve for land (Note 18)	**62,396**	63,406	**531**
Net unrealized gains on available-for-sale securities (Note 6)	**257,388**	149,916	**2,191**
Foreign currency translation adjustments	**(1,946)**	(2,331)	**(16)**
Treasury stock at cost	**(579)**	(60)	**(4)**
Total Shareholders' Equity	**1,657,084**	1,186,463	**14,107**
Total Liabilities, Minority Interests and Shareholders' Equity	**¥40,399,547**	¥39,563,362	**$343,943**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	**2006**
Income:			
Interest income (Note 20)	**¥ 609,931**	¥ 601,900	**$ 5,192**
Trust fees	**36,684**	35,186	**312**
Fees and commissions	**211,351**	184,258	**1,799**
Trading profits (Note 21)	**5,177**	20,650	**44**
Other operating income (Note 22)	**75,688**	67,258	**644**
Other income (Note 23)	**166,182**	216,340	**1,414**
Total Income	**1,105,016**	1,125,594	**9,407**
Expenses:			
Interest expenses (Note 20)	**60,128**	59,523	**511**
Fees and commissions	**66,914**	63,147	**569**
Trading losses	**202**	47	**1**
Other operating expenses (Note 22)	**42,925**	23,402	**365**
General and administrative expenses	**384,049**	382,081	**3,269**
Other expenses (Note 23)	**148,264**	207,861	**1,262**
Total Expenses	**702,484**	736,064	**5,980**
Income before income taxes and minority interests	**402,531**	389,530	**3,426**
Income taxes (Note 24):			
Current	**15,676**	9,035	**133**
Deferred	**(9,103)**	2,301	**(77)**
Total Income taxes	**6,573**	11,336	**56**
Minority interests in net income	**12,670**	12,600	**107**
Net income	**¥ 383,288**	¥ 365,592	**$ 3,263**

	Yen		U.S. dollars (Note 1)
Per common share information:			
Net income per share (Basic) (Note 28)	**¥31,943.14**	¥30,403.15	**$271.95**
Net income per share (Diluted) (Note 28)	**¥17,053.00**	¥14,036.31	**$145.18**
Cash dividends applicable to the year (Note 30)	**¥ 1,000.00**	¥ —	**$ 8.51**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2006 and 2005

			Millions of yen						
	Issued number of shares of common stock (Thousands)	Issued number of shares of preferred stock (Thousands)	Capital stock	Capital surplus	Retained earnings (Accumulated deficit)	Revaluation reserve for land	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock at cost
Balance as of April 1, 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 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)
Conversion of preferred stock into common stock	**23**	**(5)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Gain on sales of treasury stock	**—**	**—**	**—**	**12**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**—**	**383,288**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**(20,019)**	**—**	**—**	**—**	**—**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**—**	**1,009**	**(1,009)**	**—**	**—**	**—**
Net change in net unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**—**	**107,472**	**—**	**—**
Net change in foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**385**	**—**
Change in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(518)**
Reverse stock split (Note 28)	**(11,363,735)**	**(9,434,479)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance as of March 31, 2006	**11,399**	**9,437**	**¥ 327,201**	**¥ 263,505**	**¥ 749,118**	**¥62,396**	**¥257,388**	**¥(1,946)**	**¥(579)**

	Millions of U.S. dollars (Note 1)						
	Capital stock	Capital surplus	Retained earnings (Accumulated deficit)	Revaluation reserve for land	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock at cost
Balance as of March 31, 2005	$ 2,785	$ 2,243	$ 3,276	$ 539	$ 1,276	$ (19)	$ (0)
Gain on sales of treasury stock	**—**	**0**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**3,263**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**(170)**	**—**	**—**	**—**	**—**
Reversal of revaluation reserve for land	**—**	**—**	**8**	**(8)**	**—**	**—**	**—**
Net change in net unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**914**	**—**	**—**
Net change in foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**3**	**—**
Change in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(4)**
Balance as of March 31, 2006	**$2,785**	**$2,243**	**$6,377**	**$531**	**$2,191**	**$(16)**	**$(4)**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Millions of U.S. dollars (Note 1)
	2006	2005	**2006**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 402,531**	¥ 389,530	**$ 3,426**
Adjustments for:			
Depreciation and amortization	**15,353**	20,570	**130**
Impairment losses on premises and equipment	**1,018**	3,675	**8**
Amortization of goodwill	**6,881**	(562)	**58**
Equity in earnings of investments in affiliated companies	**(531)**	(452)	**(4)**
Decrease in reserve for possible loan losses	**(88,581)**	(392,485)	**(754)**
Increase in reserve for possible losses on investments	**404**	360	**3**
Decrease in reserve for specific borrowers under support	**—**	(1,925)	**—**
Decrease in reserve for business restructuring	**(129)**	(12,931)	**(1)**
Decrease in reserve for employees' retirement benefits	**(2,189)**	(3,330)	**(18)**
Interest income (accrual basis)	**(609,931)**	(601,900)	**(5,192)**
Interest expenses (accrual basis)	**60,128**	59,523	**511**
Net gains on securities	**(49,032)**	(115,981)	**(417)**
Net gains on money held in trust	**—**	(15)	**—**
Net foreign exchange gains	**(61,699)**	(18,366)	**(525)**
Net loss on sales of premises and equipment	**3,073**	206	**26**
Net (increase) decrease in trading assets	**19,268**	(169,823)	**164**
Net increase (decrease) in trading liabilities	**32,017**	(22,439)	**272**
Net (increase) decrease in loans and bills discounted	**(893,804)**	684,407	**(7,609)**
Net decrease in deposits	**(377,922)**	(576,833)	**(3,217)**
Net increase in negotiable certificates of deposit	**695,350**	235,423	**5,919**
Net decrease in borrowed money (excluding subordinated borrowed money)	**(6,557)**	(80,682)	**(55)**
Net (increase) decrease in due from banks (excluding deposits with the Bank of Japan)	**64,724**	(140,869)	**551**
Net increase in call loans, bills bought and monetary claims bought	**(355,571)**	(496,442)	**(3,027)**
Net increase in deposits paid for bonds borrowing transactions	**(10,956)**	(31,957)	**(93)**
Net decrease in call money, bills sold and bills sold under repurchase agreements	**(10,859)**	(66,763)	**(92)**
Net increase (decrease) in deposits received for bonds lending transactions	**89,388**	(4,827)	**761**
Net (increase) decrease in foreign exchange assets	**(8,782)**	25,208	**(74)**
Net increase (decrease) in foreign exchange liabilities	**(3,808)**	1,774	**(32)**
Net increase in bonds	**11,300**	80,000	**96**
Net increase (decrease) in due to trust account	**32,946**	(10,682)	**280**
Interest receipts (cash basis)	**626,777**	618,962	**5,336**
Interest payments (cash basis)	**(46,224)**	(64,488)	**(393)**
Other—net	**(11,603)**	148,067	**(98)**
Subtotal	**(477,021)**	(546,050)	**(4,061)**
Income taxes paid	**(7,627)**	(9,356)	**(64)**
Net cash used in operating activities	**(484,649)**	(555,407)	**(4,126)**
Cash flows from investing activities:			
Purchases of securities	**(18,118,677)**	(14,646,059)	**(154,254)**
Proceeds from sales of securities	**14,796,387**	13,007,475	**125,969**
Proceeds from maturities of securities	**2,788,189**	2,079,281	**23,737**
Proceeds from decrease in money held in trust	**—**	70,500	**—**
Purchases of premises and equipment	**(9,157)**	(9,233)	**(77)**
Proceeds from sales of premises and equipment	**2,186**	13,884	**18**
Proceeds from sales of equity investments in consolidated subsidiaries	**—**	28,951	**—**
Net cash provided by (used in) investing activities	**(541,071)**	544,800	**(4,606)**
Cash flows from financing activities:			
Proceeds from subordinated borrowed money	**—**	12,000	**—**
Repayment of subordinated borrowed money	**(253,250)**	(5,000)	**(2,156)**
Proceeds from issuance of subordinated bonds	**304,890**	160,030	**2,595**
Repayment of subordinated bonds	**(115,800)**	(51,276)	**(985)**
Proceeds from issuance of common stock to minority shareholders	**—**	1,100	**—**
Proceeds from issuance of preferred stock	**126,158**	—	**1,074**
Repayment of preferred stock	**(283,323)**	—	**(2,412)**
Dividends paid	**(20,019)**	—	**(170)**
Dividends paid to minority shareholders	**(24)**	(2,088)	**(0)**
Payments related to acquisition of treasury stock	**(563)**	(10,703)	**(4)**
Payments related to acquisition of stock from minority shareholders	**(1,060)**	(32,812)	**(9)**
Proceeds from sales of treasury stock	**57**	15	**0**
Net cash provided by (used in) financing activities	**(242,934)**	71,263	**(2,068)**
Effect of exchange rate on cash and cash equivalents	**116**	60	**0**
Increase (decrease) in cash and cash equivalents	**(1,268,537)**	60,717	**(10,799)**
Cash and cash equivalents at beginning of year	**2,744,227**	2,683,520	**23,363**
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	**—**	(10)	**—**
Cash and cash equivalents at the end of year (Note 3)	**¥ 1,475,689**	¥ 2,744,227	**$ 12,563**

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2006 and 2005

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 2005 financial statements to conform to the classifications used in 2006.

In addition, the notes to the consolidated financial statements include certain 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 ¥117.46 to U.S. $1.00, the rate of exchange prevailing in the Tokyo Foreign Exchange Market on March 31, 2006. 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 finance and operations through voting interest and/or other means are fully consolidated, and those entities over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Scope of consolidation

The number of consolidated subsidiaries as of March 31, 2006 and 2005 was 36. Changes in the number of consolidated subsidiaries for the years ended March 31, 2006 and 2005 were as follows:

	2006	2005
At beginning of year	**36**	49
Increase:		
Incorporation	**1**	—
Decrease:		
Merger	**1**	6
Sales of equity	**—**	5
Liquidation	**—**	2
At end of year	**36**	36

Decreases in consolidated subsidiaries are recorded by adjusting the retained earnings in the period of deconsolidation.

The Group excluded accounts of certain subsidiaries from consolidation when the total assets, total income, net income or loss 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, 2006 and 2005 was 2.

The equity method of accounting has not been applied to certain investments in non-consolidated subsidiaries and affiliates, as their accounts are immaterial in relation to the net income 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.

Balance sheet dates of consolidated subsidiaries

The balance sheet dates of the consolidated subsidiaries as of March 31, 2006 and 2005 were as follows:

	2006	2005
End of December:	**5 subsidiaries**	5 subsidiaries
End of March:	**31 subsidiaries**	31 subsidiaries

Subsidiaries have been consolidated based on their accounts at their respective balance sheet dates. Appropriate adjustments have been made for significant intervening transactions occurring during the period from the respective balance sheet dates of the above subsidiaries to the consolidated balance sheet date.

Goodwill

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 acquisition cost and the fair value of underlying net equity of investments in consolidated subsidiaries are presented as goodwill.

Goodwill is amortized by the straight-line method over a period of five years or if not significant, such amount is charged to income when incurred.

Eliminations of intercompany balances and 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,” as appropriate, in 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 the “if-settled” 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,” as appropriate, in the consolidated statements of income on a trade-date basis.

Trading profits and trading losses include interest received and paid during the year, net changes in the valuation gains and losses on securities, gains and losses on monetary claims and gains and losses on derivatives, as if the settlement had been made during the 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 determined by the moving-average method (the amortization/accretion is recorded by 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 determined 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 generally determined at the respective quoted market prices at the balance sheet date (the cost of securities sold is calculated by the moving-average method), otherwise, a reasonable estimate of fair values may be used.

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 the assessment 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 income.

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 instruments 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 income.

(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 such derivatives used for hedging purposes are generally deferred over the terms of the hedged items and are charged to income when gains and losses on the hedged item are recognized. Fair value hedge accounting can be applied for certain hedged items, including securities available-for-sale.

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, 2006 and 2005 amounted to ¥20,322 million ($173 million) and ¥49,487 million ($421 million), and ¥46,561 million and ¥31,281 million, respectively.

An exceptional accounting treatment is applicable to certain hedging relationships with interest rate swaps. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria, requiring certain critical terms of the swaps and the hedged items 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 income.

Generally, a specific hedging relationship is designated between a stand-alone derivative instrument and a single asset or liability (or a group of identical assets and liabilities) as a condition for the application of hedge accounting. However, certain industry-specific hedge accounting may be applied by banking subsidiaries as follows.

Hedges of interest rate risk

Consolidated domestic banking subsidiaries apply deferral hedge accounting to the 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 Japanese Institute of Certified Public Accountants ("JICPA Industry Audit Committee Report No. 24").

JICPA industry Audit Committee Report No.24 permits banks to designate a group of derivatives as a hedge of a group of financial assets or liabilities, taking into consideration the nature of derivative activities in the banking industry. Under 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 are designated as a hedge of a group of 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 analysis of the changes in interest rate factors affecting the respective fair values of the group of hedging instruments and hedged items instead of the assessment based on the accumulated changes in relevant fair values.

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 correlations between interest rate indices underlying the hedging instruments and hedged items to determine the effectiveness of the hedge. A hedge, however, is assumed to be effective and the assessment can be omitted when the underlying interest rate indices are the same for each of the hedging instruments and hedged items, and the repricing dates and intervals are substantially identical for the hedging instruments and hedged items.

Prior to April 1, 2003, consolidated domestic banking subsidiaries applied 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 JICPA 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 macro hedge accounting, gains and losses on the hedging 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 JICPA Industry Audit Committee Report No. 15, deferred hedge gains or losses recorded in the prior periods under macro hedges were charged to income as interest income or expense over a period not exceeding 10 years from the year ended March 31, 2004, based on the remaining terms and notional amounts of the hedging instruments. The remaining balances of deferred hedge gains and losses on macro hedges as of March 31, 2006 and 2005 were ¥15,939 million ($135 million) and ¥10,177 million ($86 million), and ¥35,380 million and ¥23,147 million, respectively.

Certain assets and liabilities were accounted for using deferral hedge accounting or fair value hedge accounting, designating a stand-alone derivative as a hedge of a specific asset (asset group) or a liability (liability group).

Hedges of foreign currency risk

Consolidated domestic banking subsidiaries apply deferral hedge accounting to the 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).

JICPA industry Audit Committee Report No. 25 prescribes practical guidelines for the application of foreign currency hedge, taking into consideration the foreign currency operations and exposures retained by banks. 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 including principals and the related accrued interest are expected to exceed the principal and related accrued interest on the hedging instruments over the terms of the hedging instruments. Hedges are assessed as effective when it is determined that a bank continues to hold foreign currency positions of the hedging derivatives corresponding to the positions of the hedged items denominated in the same foreign currencies.

For hedges of foreign-currency-denominated available-for-sales securities (other than bonds), consolidated domestic banking subsidiaries adopted deferral hedge accounting and fair value hedge accounting on a portfolio basis to hedge the foreign currency risk attributable to such securities. The hedging criteria include specific designation of hedged securities and the 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 currently recognize gains and losses on internal derivatives or defers them as assets or liabilities without elimination in accordance with JICPA Industry Audit Committee Reports No. 24 and No. 25, which permit a bank to retain the gains and losses on internal derivatives in the financial statements without elimination if the bank establishes and follows the strict hedging criteria for external transactions, requiring mirror-image derivative 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).

Long-lived assets

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 or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group 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 terms of the bonds or the period before the bonds are redeemable. Bond issuance costs are charged to income as incurred.

Dormant deposits

Consolidated domestic banking subsidiaries have a policy to 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 locate or identify claimants for the balances after reasonable efforts. However, the balance is generally redeemed if a legitimate claimant appears. Any payouts of the deposits in response to legitimate claims after the period of forfeiture are recognized as a charge against income.

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 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 the execution of 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") and certain identified claims subject to close watch, the discounted cash flow method (the "DCF method") is applied to determine the amount of reserve against such claim if the claim exceeds the pre-established thresholds in amount. The DCF method is applied on condition that future cash flows from collection of principal and interest are reasonably estimated. Under the DCF method, a reserve is provided for the difference between future cash flows discounted by 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 amount determined by considering the amount collectible from the disposal of collateral, execution of guarantees and the borrower's ability to repay.

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 with country risk exposure, a reserve is provided for the estimated losses determined by considering the political and economic situations of respective countries.

The operating divisions initially 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 their assessments. The reserves for possible loan losses are provided based on the results of these assessments of the operating divisions 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 (carrying value less the amounts collectible from the disposal of collateral and execution of guarantees) are directly written off. The uncollectible amounts for the years ended March 31, 2006 and 2005 were ¥474,088 million ($4,036 million) and ¥653,933 million, respectively.

Other consolidated subsidiaries mainly provide a general reserve against claims at the amount deemed necessary based on their 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

A reserve for employees' retirement benefits is 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 consolidated balance sheet date.

Prior service cost is charged to income as it is incurred.

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

In August 2004, the Group changed 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 change was to decrease income before income taxes and minority interests by ¥43,456 million for the year ended March 31, 2005.

In March 2005, the Accounting Standards Board of Japan ("ASBJ") issued Accounting Standard No. 3, "Partial Revision of Accounting Standard for Retirement Benefit" and the Accounting Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefit." This new accounting standard 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 accounting standard effectively nullified the provision in the Accounting Standard for Retirement Benefit 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 accounting standard, 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 projected benefit obligations in the fiscal years beginning on or after April 1, 2005.

The Company and domestic consolidated subsidiaries adopted the new accounting standard for the year ended March 31, 2006. The effect of the adoption was to increase prepaid pension cost and income before income taxes and minority interests by ¥21,116 million ($179 million).

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 trust under the initiative of structural reorganization during the intensive revitalization period.

Reserve for reorganization of branch office channel

A reserve for the reorganization of the branch office channel has been provided 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.

Translation of foreign currencies

The financial statements of foreign subsidiaries are translated into Japanese 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 Japanese 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 Japanese yen at the exchange rates at the respective balance sheet dates.

Income taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of income. 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. A valuation allowance reduces the carrying amount of deferred tax assets 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 valuation allowance 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 national income tax payments to be based on the combined profits or losses of the Company and its wholly owned domestic subsidiaries. Deferred taxes are 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 and are not capitalized in the balance sheet 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 profit or loss on transaction.

Appropriations of retained earnings

Appropriations of retained earnings 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 assumed exercise of the entire conversion rights outstanding.

For the years ended March 31, 2006 and 2005, diluted net income per share were 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 the related preferred dividends.

Cash dividends per share presented in the accompanying consolidated statements of income include dividends applicable to the years indicated.

New accounting pronouncements

Business combination and business separation

In October 2003, the Business Accounting Council issued a Statement of Opinion, “Accounting for Business Combinations,” and on December 27, 2005 ASBJ issued “Accounting Standard for Business Separations” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Separations.” These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(i) the consideration for the business combination consists solely of common shares with voting rights,

(ii) the ratio of voting rights of each predecessor shareholder group after the business combinations is nearly equal, and

(iii) there are no other factors that would indicate any control exerted by shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, ASBJ issued “Accounting Standard for Stock Options” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders’ equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Presentation of shareholders’ equity

On December 9, 2005, ASBJ published a new accounting standard for presentation of shareholders’ equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders’ equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

3. CASH FLOWS

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, 2006 and 2005 was as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Cash and due from banks	**¥1,691,016**	¥3,024,231	**$14,396**
Due from banks except for the Bank of Japan	**(215,326)**	(280,003)	**(1,833)**
Cash and cash equivalents	**¥1,475,689**	¥2,744,227	**$12,563**

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

	Millions of yen
	2005
Assets:	¥136,042
(Trading assets)	8,757
(Securities)	3,252
(Premises and equipment)	2,742
Liabilities:	¥101,038
(Trading liabilities)	3,579
(Borrowed money)	6,181

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

Call loans and bills bought as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Call loans	**¥939,586**	¥392,142	**$7,999**
Bills bought	**47,300**	275,700	**402**
Total	**¥986,886**	¥667,842	**$8,401**

Call money and bills sold as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Call money	**¥527,525**	¥406,674	**$4,491**
Bills sold	**395,600**	416,500	**3,367**
Total	**¥923,125**	¥823,174	**$7,859**

5. TRADING ASSETS AND TRADING LIABILITIES

Trading assets and liabilities as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Trading assets:			
Trading securities	**¥ 32,001**	¥ 19,937	**$ 272**
Trading-related financial derivatives	**91,046**	65,257	**775**
Commercial paper	**555,799**	623,140	**4,731**
Total	**¥678,848**	¥708,335	**$5,779**
Trading liabilities:			
Trading-related financial derivatives	**¥ 56,683**	¥ 39,053	**$ 482**
Trading securities sold for short sales	**14,360**	—	**122**
Derivatives of trading securities	**37**	—	**0**
Derivatives of securities related to trading transactions	**8**	19	**0**
Total	**¥ 71,090**	¥ 39,073	**$ 605**

6. SECURITIES

Securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Japanese government bonds	**¥3,627,524**	¥3,966,592	**$30,883**
Japanese local government bonds	**405,892**	303,827	**3,455**
Japanese corporate bonds	**1,633,736**	1,366,721	**13,908**
Japanese stocks	**1,052,167**	858,731	**8,957**
Other securities	**1,302,675**	782,789	**11,090**
Total	**¥8,021,995**	¥7,278,662	**$68,295**

Other securities as of March 31, 2006 and 2005 included equity investments in non-consolidated subsidiaries and affiliates, accounted for by the equity method or the cost method, of ¥18,540 million ($157 million) and ¥18,254 million, respectively, and capital subscriptions to entities such as limited liability companies of ¥11,100 million ($94 million) and ¥11,723 million, respectively.

The amortized costs and aggregate fair values of held-to-maturity debt securities as of March 31, 2006 and 2005, which are included in the above table, were as follows:

	Millions of yen				
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2006					
Held-to-maturity debt securities:					
Bonds:					
Japanese local government bonds	**¥107,470**	**¥104,912**	**¥(2,557)**	**¥9**	**¥2,567**
Total	**¥107,470**	**¥104,912**	**¥(2,557)**	**¥9**	**¥2,567**
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

	Millions of U.S. dollars				
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2006					
Held-to-maturity debt securities:					
Bonds:					
Japanese local government bonds	**$914**	**$893**	**$(21)**	**$0**	**$21**
Total	**$914**	**$893**	**$(21)**	**$0**	**$21**

The amortized costs, aggregate fair values and unrealized gains and losses of available-for-sale securities as of March 31, 2006 and 2005, which are included in the above table, were as follows:

	Millions of yen				
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2006					
Available-for-sale securities:					
Japanese stocks	**¥ 400,977**	**¥ 860,926**	**¥459,948**	**¥463,577**	**¥ 3,628**
Bonds:					
Japanese government bonds	**3,691,491**	**3,627,524**	**(63,967)**	**535**	**64,502**
Japanese local government bonds	**303,375**	**298,422**	**(4,952)**	**255**	**5,207**
Japanese corporate bonds	**1,024,816**	**1,018,370**	**(6,446)**	**351**	**6,798**
Total bonds	**5,019,683**	**4,944,316**	**(75,366)**	**1,142**	**76,509**
Other	**1,241,957**	**1,302,870**	**60,913**	**77,049**	**16,135**
Total	**¥6,662,618**	**¥7,108,114**	**¥445,495**	**¥541,768**	**¥96,272**
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

	Millions of U.S. dollars				
	Amortized cost	Estimated fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses
As of March 31, 2006					
Available-for-sale securities:					
Japanese stocks	**$ 3,413**	**$ 7,329**	**$3,915**	**$3,946**	**$ 30**
Bonds:					
Japanese government bonds	**31,427**	**30,883**	**(544)**	**4**	**549**
Japanese local government bonds	**2,582**	**2,540**	**(42)**	**2**	**44**
Japanese corporate bonds	**8,724**	**8,669**	**(54)**	**2**	**57**
Total bonds	**42,735**	**42,093**	**(641)**	**9**	**651**
Other	**10,573**	**11,092**	**518**	**655**	**137**
Total	**$56,722**	**$60,515**	**$3,792**	**$4,612**	**$819**

For the year ended March 31, 2006, no impairment loss was recorded with respect to available-for-sale securities with fair values.

For the year ended March 31, 2005, an impairment loss of ¥484 million was recorded with respect to available-for-sale securities with fair values. An impairment of securities is recognized if the decline in fair value is substantial and the decline is determined to be other than temporary. To assess whether or not a decline in fair value is substantial, the Company considers not only the severity and duration of the decline in value but also the classification of the security issuer which is used in the self-assessment of asset quality for loan loss reserving, as follows:

(i) 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 close watch: where the fair value declined by 30% or more compared to the carrying value.

(ii) Others: where the fair value declined by 50% or more compared to the carrying value.

Proceeds from sales of held-to-maturity debt securities, gross realized gains and gross realized losses for the years ended March 31, 2006 were as follows:

	Millions of yen		
	Proceeds from sales	Gross realized gains	Gross realized losses
For the year ended March 31, 2006			
Held-to-maturity debt securities:			
Other	**¥1,300**	**¥1,357**	**¥57**

	Millions of U.S. dollars		
	Proceeds from sales	Gross realized gains	Gross realized losses
For the year ended March 31, 2006			
Held-to-maturity debt securities:			
Other	**$11**	**$11**	**$0**

Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		
	Proceeds from sales	Gross realized gains	Gross realized losses
For the year ended March 31, 2006			
Available-for-sale securities	**¥14,662,455**	**¥ 92,043**	**¥40,047**
For the year ended March 31, 2005			
Available-for-sale securities	¥13,007,475	¥134,571	¥31,172

	Millions of U.S. dollars		
	Proceeds from sales	Gross realized gains	Gross realized losses
For the year ended March 31, 2006			
Available-for-sale securities	**$124,829**	**$783**	**$340**

Securities whose fair values were not readily determinable as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Held-to-maturity debt securities:			
Unlisted Japanese corporate bonds	**¥ 27,369**	¥ 12,089	**$ 233**
Available-for-sale securities:			
Unlisted Japanese corporate bonds	**587,996**	509,894	**5,005**
Unlisted Japanese corporate stocks	**184,837**	206,970	**1,573**

Transfer between categories of securities

In January 2006, the Nara Bank, Limited, a consolidated subsidiary was merged with and into the Resona Bank, Limited, another consolidated subsidiary. Upon the merger, the management reconsidered the holding purpose of the held-to-maturity portfolio of the former Nara Bank, Limited and the company sold a part of the portfolio and reclassified ¥1,099 million ($9 million) of outstanding balance of the portfolio to available-for-sale securities for the year ended March 31, 2006. The transfer did not have a material impact on its financial position or results of operations.

The carrying amounts of securities classified as available-for-sale by maturities as of March 31, 2006 and 2005 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, 2006				
Bonds:				
Japanese government bonds	**¥1,051,557**	**¥1,465,825**	**¥ 566,184**	**¥543,956**
Japanese local government bonds	**22,028**	**195,981**	**187,882**	**—**
Japanese corporate bonds	**341,834**	**1,234,594**	**38,633**	**18,673**
Subtotal	**1,415,421**	**2,896,401**	**792,700**	**562,629**
Other	**32,439**	**144,156**	**348,368**	**186,834**
Total	**¥1,447,860**	**¥3,040,558**	**¥1,141,069**	**¥749,464**
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

	Millions of U.S. dollars			
	One year or less	One to five years	Five to ten years	Over ten years
As of March 31, 2006				
Bonds:				
Japanese government bonds	**$ 8,952**	**$12,479**	**$4,820**	**$4,630**
Japanese local government bonds	**187**	**1,668**	**1,599**	**—**
Japanese corporate bonds	**2,910**	**10,510**	**328**	**158**
Subtotal	**12,050**	**24,658**	**6,748**	**4,789**
Other	**276**	**1,227**	**2,965**	**1,590**
Total	**$12,326**	**$25,885**	**$9,714**	**$6,380**

A reconciliation of net unrealized gains on available-for-sale securities to the amounts included in “Net unrealized gains on available-for-securities,” as a separate component of shareholders’ equity, on the consolidated balance sheets is as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Net unrealized gains on available-for-sale securities	**¥ 445,495**	¥ 260,259	**$ 3,792**
Embedded derivative gains credited to operations	**1,066**	(1,727)	**9**
Fair-value hedge (gains) losses (credited) charged to income	**(10,778)**	(3,730)	**(91)**
Deferred tax liabilities	**(176,805)**	(103,405)	**(1,505)**
Unrealized gains on available-for-sale securities (before adjustment)	**258,978**	151,396	**2,204**
Less: minority interests	**1,574**	1,471	**13**
Less: the Company’s portion of unrealized losses of affiliates	**15**	8	**0**
Amounts recorded in the consolidated balance sheets	**¥ 257,388**	¥ 149,916	**$ 2,191**

7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Bills discounted	**¥ 336,007**	¥ 297,621	**$ 2,860**
Loans on notes	**1,835,871**	1,762,953	**15,629**
Loans on deeds	**20,851,361**	20,424,496	**177,518**
Overdrafts	**3,186,362**	2,830,727	**27,127**
Total	**¥26,209,603**	¥25,315,798	**$223,136**

The following loans were included in loans and bills discounted as of March 31, 2006 and 2005.

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Loans to borrowers in legal bankruptcy	**¥ 13,375**	¥ 20,007	**$ 113**
Past due loans	**352,851**	486,520	**3,004**
Accruing loans contractually past due three months or more	**15,509**	25,913	**132**
Restructured loans	**386,646**	397,245	**3,291**
Total	**¥768,382**	¥929,688	**$6,541**

The above amounts are stated before the deduction of the reserve for possible 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;

(i) borrowers have filed a petition for procedures under the Corporate Reorganization Law, Civil Rehabilitation Law, Bankruptcy Law, liquidation under the Commercial Code, or liquidation under other legal provisions.

(ii) exchange of promissory 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.

"Accruing loans contractually past due three months or more" include accruing loans for which collection of principal or interest is past due three months or more.

"Restructured loans" are loans to borrowers in financial difficulty to whom the Group has provided financial support through modification of the lending terms to be more favorable to the borrower, including reduction of interest rates, suspension of repayment of principal and interest and debt forgiveness.

Bills discounted are recorded as lending transactions in accordance with JICPA Industry Audit Committee Report No. 24. Certain consolidated banking subsidiaries have a right to sell or repledge as collateral such discounted bills at its 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 ¥362,262 million ($3,084 million) and ¥320,900 million as of March 31, 2006 and 2005, respectively.

8. FOREIGN EXCHANGE

Foreign exchange assets and liabilities as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Assets:			
Due from foreign banks	**¥27,585**	¥22,722	**$234**
Loans to foreign banks	**21**	18	**0**
Foreign bills of exchange bought	**26,254**	23,278	**223**
Foreign bills of exchange receivable	**35,650**	34,710	**303**
Total	**¥89,512**	¥80,729	**$762**
Liabilities:			
Due to foreign banks	**¥ 3,238**	¥ 3,640	**$ 27**
Foreign bills of exchange sold	**1,276**	3,438	**10**
Foreign bills of exchange payable	**970**	2,214	**8**
Total	**¥ 5,485**	¥ 9,294	**$ 46**

9. OTHER ASSETS

Other assets as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Prepaid expenses	**¥ 4,399**	¥ 5,515	**$ 37**
Accrued income	**91,385**	78,954	**778**
Initial margins for futures transactions	**9,319**	1,890	**79**
Variation margins for futures transactions	**345**	1,820	**2**
Securities received as collateral	**10,964**	—	**93**
Financial derivatives, principally including option premiums and deferred hedge losses	**143,229**	114,520	**1,219**
Other	**629,976**	488,228	**5,363**
Total	**¥889,620**	¥690,929	**$7,573**

10. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Land, building and equipment	**¥ 623,740**	¥ 631,254	**$ 5,310**
Construction in progress	**808**	465	**6**
Guarantee deposit	**30,700**	34,425	**261**
Subtotal	**655,248**	666,145	**5,578**
Accumulated depreciation	**(212,826)**	(213,150)	**(1,811)**
Total	**¥ 442,422**	¥ 452,994	**$ 3,766**

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and debts collateralized as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Assets pledged as collateral:			
Call loans and bills bought	**¥ —**	¥ 25,700	**$ —**
Trading assets	**240,475**	351,277	**2,047**
Securities	**3,033,517**	3,296,598	**25,825**
Loans and bills discounted	**246,231**	340,667	**2,096**
Other assets	**191**	8	**1**
Debts collateralized:			
Deposits	**¥ 194,089**	¥ 81,477	**$ 1,652**
Call money and bills sold	**540,600**	402,400	**4,602**
Bills sold under repurchase agreements	**240,480**	351,291	**2,047**
Deposits received for bonds lending transactions	**154,458**	65,069	**1,314**
Borrowed money	**19,150**	19,270	**163**
Other liabilities	**443**	503	**3**

In addition to the pledged assets shown above, “Cash and due from banks,” “Securities” and “Other assets,” amounting to ¥433 million ($3 million), ¥913,194 million ($7,774 million) and ¥4,585 million ($39 million), respectively, were pledged as collateral for settlement of foreign exchanges, over-the-counter derivatives transactions or futures transactions as of March 31, 2006.

“Cash and due from banks,” “Securities” and “Other assets,” amounting to ¥921 million, ¥726,356 million and ¥36,079 million, respectively, were pledged as collateral for settlement of foreign exchanges, over-the-counter derivatives transactions or futures transactions as of March 31, 2005.

“Premises and equipment” included the guarantee deposits of ¥30,700 million ($261 million) and ¥34,425 million as of March 31, 2006 and 2005, respectively.

“Other assets” included initial margins for futures transactions in the amount of ¥9,319 million ($79 million) and ¥1,890 million as of March 31, 2006 and 2005, respectively.

12. COMMITMENT LINE AGREEMENTS

Overdraft agreements on current accounts and commitment-line agreements for loans are agreements to extend loans up to the prearranged amount at a quoted rate during a specific future period upon customers’ request, unless any terms or conditions in the agreement are violated.

Unused balances related to these agreements as of March 31, 2006 and 2005 amounted to ¥8,844,597 million ($75,298 million) and ¥8,628,824 million, respectively, including ¥8,721,975 million ($74,254 million) and ¥8,571,721 million of agreements with original terms of one year or less or those that are unconditionally cancellable by the Group at any time without penalty as of March 31, 2006 and 2005, respectively.

The unused balance does not necessarily affect future cash flow 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 conditions of the borrowers based on its internal rules and, if necessary, takes measures to ensure the security of the loans.

13. DEPOSITS

Deposits as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Current deposits	**¥ 2,715,497**	¥ 2,552,896	**$ 23,118**
Ordinary deposits	**15,495,934**	15,278,734	**131,925**
Savings deposits	**488,847**	521,994	**4,161**
Notice deposits	**135,836**	168,213	**1,156**
Time deposits	**11,882,425**	12,437,251	**101,161**
Other deposits	**878,707**	1,016,081	**7,480**
Total	**¥31,597,248**	¥31,975,170	**$269,004**

14. BORROWED MONEY

As of March 31, 2006 and 2005, the weighted average annual interest rates applicable to borrowed money were 1.82% and 2.31%, respectively.

Borrowed money included rediscounted bills and borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings of ¥184,000 million ($1,566 million) and ¥434,000 million as of March 31, 2006 and 2005, respectively.

The following is summary of maturities of borrowed money subsequent to March 31, 2006:

Year Ending March 31	Millions of yen	Millions of U.S. dollars
2007	¥ 31,508	$ 268
2008	37,359	318
2009	4,773	40
2010	890	7
2011	363	3
2012 and thereafter	167,014	1,421
Total	¥241,907	$2,059

15. BONDS

Bonds as of March 31, 2006 and 2005 consisted of the following:

	Rate	Maturity	Millions of yen	Millions of U.S. dollars
As of March 31, 2006				
The Company:				
Straight bond	1.28%	August 12, 2009	**¥ 50,000**	**$ 425**
Straight bond	0.84%	December 17, 2009	**30,000**	**255**
Straight bond	0.69%	June 24, 2010	**30,000**	**255**
Straight bond	0.65%	December 17, 2008	**20,000**	**170**
Straight bond	1.09%	December 17, 2010	**30,000**	**255**
Resona Bank, Limited:				
Subordinated bonds[1]	0.55% to 5.85%	May 31, 2011 to perpetual	**482,992**	**4,111**
Saitama Resona Bank, Ltd.:				
Subordinated bonds	1.44% to 1.52%	March 8, 2016 to March 9, 2016	**10,000**	**85**
Asahi Finance (Cayman) Ltd.:				
Subordinated bonds[2][3]	1.10% to 4.25%	June 1, 2011 to perpetual	**110,446**	**940**
Total			**¥763,438**	**$6,499**
As of March 31, 2005				
The Company:				
Straight bond	1.28%	August 12, 2009	¥ 50,000	
Straight bond	0.84%	December 17, 2009	30,000	
Resona Bank, Limited:				
Subordinated bonds[4]	0.55% to 3.75%	June 15, 2010 to April 15, 2015	205,060	
Straight bond	1.57%	September 12, 2005	34,900	
Straight bond	1.35%	December 19, 2005	33,800	
Daiwa PB Limited:				
Subordinated bonds[3]	1.07% to 5.10%	Perpetual	40,700	
Asahi Finance (Cayman) Ltd.:				
Subordinated bonds[2][3]	0.70% to 4.88%	May 10, 2010 to perpetual	161,539	
Total			¥555,999	

Notes: 1. The amount includes the balances of EUR 1,800 million and U.S.$1,300 million in original currency of the foreign currency bonds.
2. The amount includes the balance of U.S.$100 million in original currency of the foreign currency bonds.
3. Daiwa PB Limited and Asahi Finance (Cayman) Ltd. are wholly owned subsidiaries of the Company.
4. The amount includes the balances of EUR 1,000 million in original currency of the foreign currency bonds.
5. There was no collateral or guarantee for the above 2006 and 2005 transactions.

The following is a summary of the maturities of bonds subsequent to March 31, 2006:

Year Ending March 31	Millions of yen	Millions of U.S. dollars
2009	¥ 20,000	$ 170
2010	80,000	681
2011	60,000	510
2012 and thereafter	603,438	5,137
Total	¥763,438	$6,499

16. OTHER LIABILITIES

Other liabilities as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Unsettled exchange payables	**¥ 479**	¥ 383	**$ 4**
Accrued income taxes	**15,419**	7,227	**131**
Accrued expenses	**76,374**	76,232	**650**
Unearned income	**28,080**	27,455	**239**
Deposits for futures transactions	**527**	477	**4**
Financial derivatives, principally including option premiums and deferred hedge gains	**130,459**	86,788	**1,110**
Other	**389,698**	334,095	**3,317**
Total	**¥641,039**	¥532,661	**$5,457**

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 assets side of the consolidated balance sheets, representing the Company's right of indemnity from the applicants.

The Company guarantees the principals on certain jointly managed trust products. The principal guaranteed amounts held in such trusts were ¥528,222 million ($4,497 million) and ¥557,833 million as of March 31, 2006 and 2005, respectively.

18. REVALUATION RESERVE FOR LAND

Effective March 31, 1998, certain domestic consolidated 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 aggregate carrying value of the land after one-time revaluation exceeded the aggregate fair value of the land that was determined in accordance with Article 10 of the Law by ¥17,699 million ($150 million) and ¥42,919 million as of March 31, 2006 and 2005, respectively, which was not reflected in the consolidated balance sheets.

19. SHAREHOLDERS' EQUITY

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

The Code requires that all shares of common stock be issued with no pare value and at least 50% of the issue price of new shares is required to be recorded as capital stock and the remaining net proceeds are required to be presented 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 by way of 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 of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of capital stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the capital stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the capital stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased 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 that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥362,658 million ($3,087 million) and ¥84,140 million as of March 31, 2006, 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 end of the fiscal year to which the dividends are applicable. The Company is a company with board committees as stipulated in the Code. For companies with board committees, such dividends can be approved by the Board of Directors subsequent to the end of fiscal year. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (an appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Corporate Law, even though such companies have an audit committee instead of the Board of Corporate Auditors.

The Corporate Law permits companies to distribute dividends-in-kinds (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

Increases/decreases and transfer of capital stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged at the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of capital stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the capital stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

Common stock and preferred stock as of March 31, 2006 were as follows:

March 31, 2006	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	11,399,094.9	¥—	¥ 1,000	¥ —	No	Not applicable	Yes	Not applicable
Class B No. 1 preferred stock	680,000	680,000	—	6,360	600,000	Yes	December 12, 2001 to March 31, 2009	No	2.857
Class C No. 1 preferred stock	120,000	120,000	—	6,800	500,000	Yes	January 1, 2002 to March 31, 2015	No	¥381,600
Class D No. 1 preferred stock	146	120	—	10,000	2,000,000	Yes	March 1, 2002 to July 31, 2007	No	¥496,300
Class E No. 1 preferred stock	240,000	240,000	—	14,380	1,250,000	Yes	July 1, 2002 to November 30, 2009	No	¥359,700
Class F No. 1 preferred stock	80,000	80,000	—	18,500	1,250,000	Yes	July 1, 2003 to November 30, 2014	No	¥359,700
Class one No. 1 preferred stock	2,750,000	2,750,000	—	1,188	200,000	Yes	On or after July 1, 2006	Yes	(1)
Class two No. 1 preferred stock	2,817,807.8	2,817,807.8	—	1,188	200,000	Yes	On or after July 1, 2008	Yes	(2)
Class three No. 1 preferred stock	2,750,000	2,750,000	—	1,188	200,000	Yes	On or after July 1, 2010	Yes	(3)

Notes: (1) The initial conversion price of Class one No. 1 preferred stock is determined based on the market prices 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 is determined based on the market prices 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 is determined based on the market prices of the Company's common stock on the Tokyo Stock Exchange on July 1, 2010, where the minimum initial conversion price is ¥17,000.

Holders or registered pledges of preferred stocks are entitled to receive annual dividends and the 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 stock are not cumulative.

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.

Holders of preferred stocks (Class B No. 1 preferred stock to Class F No. 1 preferred stock) are not entitled to vote at general meeting of shareholders except where the articles of incorporation entitle holders of Preferred stocks to vote.

During the year ended March 31, 2006, 26 shares of Class D No. 1 preferred stock were converted to common stock at the option of the preferred shareholders.

All of Class A No. 1 preferred stock were converted to common stock on March 31, 2006.

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

March 31, 2005	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	11,375,110.1	¥—	¥ —	¥ —	No	Not applicable	Yes	Not applicable
Class A No. 1 preferred stock	5,970	5,970	—	24.75	1,000	Yes	December 12, 2001 to July 25, 2025	No	4.000
Class B No. 1 preferred stock	680,000	680,000	—	6.36	600	Yes	December 12, 2001 to March 31, 2009	No	2.956
Class C No. 1 preferred stock	120,000	120,000	—	6.80	500	Yes	January 1, 2002 to March 31, 2015	No	¥180,900
Class D No. 1 preferred stock	146	146	—	10.00	2,000	Yes	March 1, 2002 to July 31, 2007	No	¥496,300
Class E No. 1 preferred stock	240,000	240,000	—	14.38	1,250	Yes	July 1, 2002 to November 30, 2009	No	¥359,700
Class F No. 1 preferred stock	80,000	80,000	—	18.50	1,250	Yes	July 1, 2003 to November 30, 2014	No	¥359,700
Class one No. 1 preferred stock	2,750,000	2,750,000	—	1.178	200	Yes	On or after July 1, 2006	Yes	(4)
Class two No. 1 preferred stock	2,817,807.8	2,817,807.8	—	1.178	200	Yes	On or after July 1, 2008	Yes	(5)
Class three No. 1 preferred stock	2,750,000	2,750,000	—	1.178	200	Yes	On or after July 1, 2010	Yes	(6)

Notes: (4) The initial conversion price of Class one No. 1 preferred stock is determined based on the market prices of the Company's common stock on the Tokyo Stock Exchange on July 1, 2006, where the minimum initial conversion price is ¥28,000.
(5) The initial conversion price of Class two No. 1 preferred stock is determined based on the market prices of the Company's common stock on the Tokyo Stock Exchange on July 1, 2008, where the minimum initial conversion price is ¥20,000.
(6) The initial conversion price of Class three No. 1 preferred stock is determined based on the market prices of the Company's common stock on the Tokyo Stock Exchange on July 1, 2010, where the minimum initial conversion price is ¥17,000.
(7) Under the reverse stock split, each 1,000 shares are combined to one share for all issued common stock and preferred stock for the year ended March 31, 2005. Numbers of shares and Conversion ratio or price were amended by the reverse stock split in above table.

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

20. INTEREST INCOME AND EXPENSES

Interest income and expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Interest income:			
Interest on loans and bills discounted	**¥495,591**	¥525,808	**$4,219**
Interest and dividends on securities	**79,881**	57,514	**680**
Interest on call loans and bills bought	**2,194**	1,025	**18**
Interest on bonds borrowing transactions	**7**	—	**0**
Interest on due from banks	**7,228**	4,218	**61**
Other interest income	**25,027**	13,333	**213**
Total	**¥609,931**	¥601,900	**$5,192**
Interest expenses:			
Interest on deposits	**¥ 29,077**	¥ 32,857	**$ 247**
Interest on negotiable certificates of deposit	**650**	433	**5**
Interest on call money and bills sold	**632**	577	**5**
Interest on bills sold under repurchase agreements	**26**	26	**0**
Interest on bonds lending transactions	**481**	—	**4**
Interest on borrowed money	**9,031**	13,362	**76**
Interest on bonds	**17,606**	7,726	**149**
Other interest expenses	**2,620**	4,540	**22**
Total	**¥ 60,128**	¥ 59,523	**$ 511**

21. TRADING PROFITS

Trading profits for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Trading profits:			
Income from trading securities	**¥ 703**	¥ 911	**$ 5**
Income from trading-related financial derivatives	**4,332**	19,724	**36**
Other trading profits	**141**	14	**1**
Total	**¥5,177**	¥20,650	**$44**

Income from trading securities included net valuation loss of ¥3 million ($0 million) for the year ended March 31, 2006 and net valuation gain of ¥74 million for the year ended March 31, 2005.

22. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Other operating income:			
Gains on foreign exchange transactions	**¥37,564**	¥23,002	**$319**
Gains on sales of Japanese government bonds and other	**28,000**	37,058	**238**
Income from financial derivatives	**10,039**	—	**85**
Other	**83**	7,197	**0**
Total	**¥75,688**	¥67,258	**$644**
Other operating expenses:			
Losses on sales of Japanese government bonds and other	**¥40,271**	¥18,704	**$342**
Impairment losses on Japanese government bonds and other	**184**	971	**1**
Expenses for financial derivatives	**2,469**	3,680	**21**
Other	**0**	45	**0**
Total	**¥42,925**	¥23,402	**$365**

23. OTHER INCOME AND EXPENSES

Other income and expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Other income:			
Gains on sales of stocks and other securities	**¥ 62,667**	¥110,188	**$ 533**
Gains on negative change of employee benefits plan	**17,991**	—	**153**
Gains on dormant deposits	**9,610**	25,121	**81**
Gains on sales of premises and equipment	**475**	5,685	**4**
Recoveries of written-off loans	**57,286**	20,345	**487**
Reversal of reserve for possible loan losses	**—**	21,321	**—**
Other	**18,150**	33,680	**154**
Total	**¥166,182**	¥216,340	**$1,414**
Other expenses:			
Write-offs of loans	**¥ 45,955**	¥ 64,190	**$ 391**
Provision for reserve for possible loan losses	**18,152**	—	**154**
Losses on sales of loans	**6,936**	30,029	**59**
Losses on waiver of loans	**1**	5,984	**0**
Losses on sales of available-for-sale securities	**1,179**	12,513	**10**
Impairment losses on available-for-sale securities	**2,538**	6,190	**21**
Losses on sales of premises and equipment	**3,549**	5,892	**30**
Impairment losses on premises and equipment	**1,018**	3,675	**8**
Losses on settlements with certain beneficiaries due to negative change to the retirement benefits plan	**—**	43,456	**—**
Losses on redemption of preferred securities	**19,123**	—	**162**
Other	**49,810**	35,932	**424**
Total	**¥148,264**	¥207,861	**$1,262**

"Gains on dormant deposits" represents gains on forfeitures of certain customer deposits which have been dormant for a period of more than 5 years and have no identifiable legitimate claimants. Certain consolidated domestic banking subsidiaries segregate deposit accounts which have showed no activity for a long time from other deposit balances. For the year ended March 31, 2005, certain consolidated domestic banking subsidiaries changed the dormant period to five years from 10 years before crediting the outstanding balances of such deposits to operations as gains.

"Write-off of loans" and "Losses on sales of loans" 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 ¥6,672 million ($56 million) and ¥73,451 million for the year ended March 31, 2006 and 2005, respectively.

24. INCOME TAXES

The Company and its consolidated 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 40.63% and 40.67% for the years ended March 31, 2006 and 2005, respectively.

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 non-income basis such as “added value” and “amount of capital,” as defined, effective for fiscal years beginning on or after April 1, 2004. As a result, for the years ended March 31, 2005 and thereafter, the enterprise taxes based on “added value” and “amount of capital” are included in “General and administrative expenses” in the consolidated statements of income in accordance with the Practical Issues No.12, “Practical Solution on Presentation for Corporate Size-Based Portion of Corporate Business Tax on Income Statement,” issued by ASBJ.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Tax loss carryforwards	**¥ 1,435,914**	¥ 1,490,500	**$ 12,224**
Reserve for possible loan losses and write-offs of loans	**270,201**	331,015	**2,300**
Write-downs of securities	**946,939**	984,217	**8,061**
Reserve for employees’ retirement benefits	**28,523**	29,359	**242**
Unrealized losses on available-for-sale securities	**2**	0	**0**
Other	**132,473**	74,533	**1,127**
Gross deferred tax assets	**2,814,053**	2,909,626	**23,957**
Less: valuation allowance	**(2,628,471)**	(2,733,593)	**(22,377)**
Total deferred tax assets	**185,582**	176,033	**1,579**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(176,807)**	(102,369)	**(1,505)**
Gains on securities transferred to employees’ retirement benefit trust	**(19,741)**	(20,268)	**(168)**
Dividends receivable	**(2,178)**	(1,703)	**(18)**
Other	**(8,429)**	(8,428)	**(71)**
Total deferred tax liabilities	**(207,157)**	(132,770)	**(1,763)**
Net deferred tax assets (liabilities)	**¥ (21,574)**	¥ 43,262	**$ (183)**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2005 is as follows:

	2006	2005
Normal effective statutory tax rate	40.63%	40.67%
Change in valuation allowance	(35.13)	(35.70)
Lower tax rates applicable to income of subsidiaries	(3.57)	(1.58)
Dividends exempted for income tax purpose	(0.67)	(1.15)
Other	0.37	0.67
Effective tax rate	1.63%	2.91%

25. LEASES

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 ¥4,413 million ($37 million) and ¥6,414 million for the years ended March 31, 2006 and 2005, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulation impairment loss and obligations under finance leases as of March 31, 2006 and 2005, and the related depreciation expense and interest expense under finance leases for the years ended 31, 2006 and 2005, on an "as if capitalized" basis, were as follows:

Pro forma acquisition cost, accumulated depreciation and net book value of the leased assets:

	Millions of yen						Millions of U.S. dollars		
	2006			2005			**2006**		
	Equipment	Other	Total	Equipment	Other	Total	Equipment	Other	Total
Acquisition costs	**¥13,595**	**¥878**	**¥14,474**	¥27,485	¥1,833	¥29,319	**$115**	**$7**	**$123**
Accumulated depreciation	**5,848**	**509**	**6,358**	12,231	948	13,180	**49**	**4**	**54**
Net book value	**¥ 7,746**	**¥369**	**¥ 8,115**	¥15,254	¥ 885	¥16,139	**$ 65**	**$3**	**$ 69**

Future minimum lease payments excluding interests:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥2,456**	¥ 5,012	**$20**
Due after one year	**5,992**	11,671	**51**
Total	**¥8,449**	¥16,684	**$71**

Pro forma depreciation and interest expense:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Depreciation	**¥4,017**	¥5,968	**$34**
Interest expense	**362**	490	**3**

Computation of pro forma depreciation:

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

Computation of pro forma interest expense:

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

Operating Leases

As of March 31, 2006 and 2005, future minimum lease payments including interest expenses under non-cancellable operating leases were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥85**	¥22	**$0**
Due after one year	**10**	6	**0**
Total	**¥96**	¥28	**$0**

26. DERIVATIVES

Risk management policy

Type of derivative instruments

The Group transacts primarily the following derivative instruments:

(i) Interest rate-related products, including 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 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 the proprietary portfolio of financial assets and liabilities. The Group executes derivative transactions under the risk management structure appropriately established in line with 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 risks and, accordingly, their need to hedge these risks are essential and diverse. One of the principal uses of derivative instruments is to provide financial products responding to the customers' financial needs. The Group offers a variety of high-quality financial products to respond to the financial 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 strict guidelines which ensure that:

- Customers are given sufficient explanation of 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 judgement.
- 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 derivatives 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 against 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 management. To manage 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 against the preestablished limits 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 the risk by the current exposure method, where replacement costs to replicate the cash flows arising from the derivative contracts in the current market and potential changes in such replacement costs affected by market fluctuations are considered.

The Loan and Credit Division, independent from market divisions and operation divisions, is responsible for monitoring and managing the credit risk associated with derivative transactions. The Division reviews transaction and credit limits applicable to each of the counterparties, on an on-going basis, in response to the changes in creditworthiness of the counterparties.

The notional principal or contract amounts, fair values and unrealized gains or losses on derivative financial instruments as of March 31, 2006 and 2005 were as follows:

Interest rate-related transactions

			Millions of yen			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
As of March 31, 2006						
Listed	Futures					
		Sold	**¥ 561,187**	**¥ 75,993**	**¥ 62**	**¥ 62**
		Bought	**468,931**	**7,430**	**(392)**	**(392)**
Over-the-counter	Swaps					
		Receive fixed/Pay floating	**4,907,173**	**4,163,203**	**(11,963)**	**(18,155)**
		Receive floating/Pay fixed	**4,800,208**	**4,101,123**	**44,570**	**50,958**
		Receive floating/Pay floating	**2,176,810**	**2,051,500**	**(4,498)**	**(4,498)**
	Caps					
		Sold	**184,102**	**132,709**	**(1,226)**	**1,134**
		Bought	**131,647**	**85,347**	**1,740**	**243**
	Floors					
		Sold	**400**	**400**	**0**	**2**
		Bought	**6,848**	**6,599**	**235**	**144**
	Swaptions					
		Sold	**42**	**—**	**0**	**(0)**
		Bought	**9,215**	**1,500**	**341**	**275**
Total					**¥ 31,322**	**¥ 29,773**
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

			Millions of U.S. dollars			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2006						
Listed	Futures					
		Sold	**$ 4,777**	**$ 646**	**$ 0**	**$ 0**
		Bought	**3,992**	**63**	**(3)**	**(3)**
Over-the-counter	Swaps					
		Receive fixed/Pay floating	**41,777**	**35,443**	**(101)**	**(154)**
		Receive floating/Pay fixed	**40,866**	**34,915**	**379**	**433**
		Receive floating/Pay floating	**18,532**	**17,465**	**(38)**	**(38)**
	Caps					
		Sold	**1,567**	**1,129**	**(10)**	**9**
		Bought	**1,120**	**726**	**14**	**2**
	Floors					
		Sold	**3**	**3**	**0**	**0**
		Bought	**58**	**56**	**2**	**1**
	Swaptions					
		Sold	**0**	**—**	**0**	**(0)**
		Bought	**78**	**12**	**2**	**2**
Total					**$ 266**	**$ 253**

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expense in the consolidated statements of income. 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 International Financial Futures Exchange and other exchanges. The fair value of over-the-counter contracts is determined using the discounted value of their future cash flows, quoted prices for similar contracts on option exchanges or option pricing models.

Currency-related transactions

			Millions of yen			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
As of March 31, 2006						
Over-the-counter	Currency swaps		**¥1,682,617**	**¥1,593,958**	**¥ 7,329**	**¥ (5,045)**
	Forward contracts					
		Sold	**667,386**	**26,960**	**28,937**	**28,937**
		Bought	**242,482**	**352,588**	**(4,195)**	**(4,195)**
	Currency options					
		Sold	**1,547,733**	**774,104**	**51,076**	**6,774**
		Bought	**1,725,361**	**799,837**	**35,218**	**(10,051)**
Total					**¥16,213**	**¥ 16,419**
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

		Millions of U.S. dollars			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
As of March 31, 2006					
Over-the-counter	Currency swaps	**$14,325**	**$13,570**	**$ 62**	**$ (42)**
	Forward contracts				
	Sold	**5,681**	**229**	**246**	**246**
	Bought	**2,064**	**3,001**	**(35)**	**(35)**
	Currency options				
	Sold	**13,176**	**6,590**	**434**	**57**
	Bought	**14,688**	**6,809**	**299**	**(85)**
Total				**$138**	**$139**

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expense in the consolidated statements of income.
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. The fair value is determined using the discounted value of future cash flows.
3. Currency swap transactions and other transactions, for which hedge accounting is applied in accordance with JICPA Industry Audit Committee Report No. 25, have been excluded from the above table.

Stock-related transactions

		Millions of yen			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
As of March 31, 2006					
Listed	Index options				
	Sold	**¥219,593**	**¥ —**	**¥ 2,191**	**¥ (550)**
	Bought	**48,600**	**—**	**60**	**(41)**
Total				**¥(2,131)**	**¥ (591)**

		Millions of U.S. dollars			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
As of March 31, 2006					
Listed	Index options				
	Sold	**$1,869**	**$ —**	**$ 18**	**$ (4)**
	Bought	**413**	**—**	**0**	**(0)**
Total				**$ (18)**	**$ (5)**

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expense in the consolidated statements of income. Derivative transactions under hedge accounting have been excluded from the above table.
2. The 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			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
As of March 31, 2006					
Listed	Futures				
	Sold	**¥87,852**	**¥ —**	**¥338**	**¥338**
	Bough	**17,113**	**—**	**(61)**	**(61)**
Total				**¥276**	**¥276**
As of March 31, 2005					
Listed	Futures				
	Sold	¥167,038	¥ —	¥(1,580)	¥(1,580)
Total				¥(1,580)	¥(1,580)

		Millions of U.S. dollars			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
As of March 31, 2006					
Listed	Futures				
	Sold	**$747**	**$ —**	**$ 2**	**$ 2**
	Bought	**145**	**—**	**(0)**	**(0)**
Total				**$ 2**	**$ 2**

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expense in the consolidated statements of income. Derivative transactions under hedge accounting have been excluded from the above table.
2. The 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 and certain consolidated domestic 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 Company maintains certain plan assets in a segregated retirement benefit trust established outside the Company to fund its lump-sum retirement benefit plans and defined pension plans.

In August 2004, the Company changed 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 on settlements at 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 change was to increase the retirement benefit expenses and decrease income before income taxes and minority interests by ¥43,456 million for the year ended March 31, 2005.

Also, as described in Note 2, the Company and domestic consolidated subsidiaries applied a new accounting standard for retirement benefits for the year ended March 31, 2006. The effect of adoption was to increase prepaid pension cost by ¥21,116 million ($179 million) and was reflected in amortization of prior service cost and amortization of actuarial loss in the tables below.

Reserve for employees' retirement benefits as of March 31, 2006 and 2005 is analyzed as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥ (339,756)**	¥(347,488)	**$(2,892)**
Pension plan assets at fair value	**534,008**	415,778	**4,546**
Projected benefit obligation in excess of plan assets at fair value	**194,252**	68,290	**1,653**
Unrecognized pension assets	**—**	(48,614)	**—**
Unrecognized actuarial loss	**(69,890)**	89,075	**(595)**
Net retirement benefit obligation	**124,362**	108,751	**1,058**
Prepaid pension cost	**127,800**	114,378	**1,088**
Reserve for employees' retirement benefits	**¥ (3,437)**	¥ (5,626)	**$ (29)**

Notes: 1. Supplemental benefits are not reflected in the actuarial calculation for the projected benefit obligation.
2. Certain consolidated subsidiaries estimated the projected benefit obligation using the simplified method whereby the amount that would be payable if the eligible employees terminate the employment and certain other alternative measure may be used without employing actuarial calculations in accordance with the Accounting Standard for Retirement Benefit.

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Service costs	**¥ 10,564**	¥ 12,020	**$ 89**
Interest cost	**6,934**	8,454	**59**
Expected return on plan assets	**(4,974)**	(5,731)	**(42)**
Amortization of prior service cost	**(18,067)**	(2,711)	**(153)**
Amortization of actuarial loss	**10,068**	15,018	**85**
Others (such as supplemental retirement benefit)	**—**	10	**—**
Retirement benefit expenses	**4,525**	27,060	**38**
Reversal of overamortized prior service cost with the negative changes of defined benefit pension plans	**—**	(497)	**—**
Amortization with the change in retirement benefit plan	**—**	43,456	**—**
Total	**¥ 4,525**	¥ 70,020	**$ 38**

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

The assumptions used in accounting for the plans in the years ended March 31, 2006 and 2005 were as follows:

	2006	2005
Discount rate	**2.0%**	2.0%
Long-term expected rate of return on plan assets	**2.5%**	2.5%
Method of attributing retirement benefits to periods of services	**Straight-line basis**	Straight-line basis
Amortization period of prior service cost	**1 year**	1 year
Amortization period of unrecognized actuarial gains/losses	**10 to 12 years**	10 to 12 years

Notes: 1. Prior service cost is charged to income as it is incurred.
2. Unrecognized actuarial gains and losses are charged to income commencing from the next fiscal year using the straight-line method for a period defined within the average remaining amortized service years of eligible employees at the time when the gains and losses were incurred.

28. PER COMMON SHARE INFORMATION

The reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006 and 2005 is 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, 2006				
Basic EPS:				
Net income available to common shareholders	**¥363,334**	**11,374**	**¥31,943.14**	**$271.94**
Adjustments for the potential effect dilutive securities				
Convertible preferred stock	**19,954**	**11,101**		
Diluted EPS:				
Net income for computation	**¥383,288**	**22,475**	**¥17,053.00**	**$145.18**
For the year ended March 31, 2005				
Basic EPS:				
Net income available to common shareholders	¥345,572	11,366	¥30,403.15	
Adjustments for the potential effect dilutive securities				
Convertible preferred stock	20,019	14,679		
Diluted EPS:				
Net income for computation	¥365,592	26,046	¥14,036.31	

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, 2005 and by the general shareholders at the meeting held on June 28, 2005.

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

Weighted-average shares and EPS for the year ended March 31, 2005 retroactively reflected the effect of the reverse stock split in the above table.

29. SEGMENT INFORMATION

Business segment information

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

The "ordinary income," "ordinary profits" and total assets of the "banking and trust banking" segment have accounted for more than 90% of the total of all segments. Therefore, business segment information for the years ended March 31, 2006 and 2005 is not presented.

Ordinary income and ordinary profits are defined as follows:

- "Ordinary profits" means "Ordinary income" less "Ordinary expenses."
- "Ordinary income" means total income less certain special income included in other income in the accompanying consolidated statements of income.
- "Ordinary expenses" means total expenses less certain special expenses included in other expenses in accompanying consolidated statements of income.

Geographic segment information

Since the ordinary income and total assets attributable to the "Japan" segment have accounted for more than 90% of the total of all geographic segments, geographical segment information for the years ended March 31, 2006 and 2005 is not presented.

Overseas ordinary income

Since overseas ordinary income has accounted for less than 10% of the total ordinary income, overseas ordinary income for the years ended March 31, 2006 and 2005 is not presented.

30. SUBSEQUENT EVENT

Appropriation of retained earnings:

The appropriation of retained earnings as of March 31, 2006 was approved at the Company's Board of Directors' meeting held on May 23, 2006 as follows:

	Millions of yen	Millions of U.S. dollars
Year-end cash dividends:		
Common stock, ¥1,000 ($8.51) per share	¥11,397	$ 97
Class B No.1 preferred stock, ¥6,360 ($54.14) per share	4,324	36
Class C No.1 preferred stock, ¥6,800 ($57.89) per share	816	6
Class D No.1 preferred stock, ¥10,000 ($85.13) per share	1	0
Class E No.1 preferred stock, ¥14,380 ($122.42) per share	3,451	29
Class F No.1 preferred stock, ¥18,500 ($157.50) per share	1,480	12
Class one No.1 preferred stock, ¥1,188 ($10.11) per share	3,267	27
Class two No.1 preferred stock, ¥1,188 ($10.11) per share	3,347	28
Class three No.1 preferred stock, ¥1,188 ($10.11) per share	3,267	27
Total	¥31,351	$266

Supplementary Financial Information of the Group

CONTENTS

Risk-Adjusted Capital Ratio (Consolidated, Domestic Standard)

Resona Holdings, Inc.

March 31			Billions of yen 2006	2005
Tier I capital	Capital stock		**¥ 327.2**	¥ 327.2
	Non-cumulative perpetual preferred stock (Note 1)		**—**	—
	Capital surplus		**263.5**	263.4
	Retained earnings		**717.7**	364.8
	Minority interests in consolidated subsidiaries		**148.6**	275.5
	Preferred securities issued by special-purpose company overseas		**135.0** *1	264.2 **2
	Unrealized loss on available-for-sale securities		**—**	—
	Treasury stock		**(0.5)**	(0.0)
	Foreign currency translation adjustments		**(1.9)**	(2.3)
	Goodwill		**—**	—
	Consolidation differences		**28.7**	(35.7)
	Total Tier I capital before deduction of deferred tax assets (Note 2)		**1,425.7**	—
	Deferred tax assets to be deducted from Tier I capital		**—**	—
	Total qualifying Tier I capital	(A)	**1,425.7**	1,192.8
	Preferred securities with interest step-up conditions (Note 3)		**135.0**	70.6
Tier II capital	45% of the difference between land after revaluation and the book value immediately before revaluation		**48.2**	49.0
	General reserve for possible loan losses		**149.5**	141.3
	Qualifying subordinated debt		**773.3**	831.0
	Perpetual subordinated bonds (Note 4)		**460.2**	476.1
	Subordinated bonds with maturity dates and preferred stocks with maturity dates (Note 5)		**313.1**	354.9
	Subtotal		**971.1**	1,021.4
	Tier II capital included as qualifying capital	(B)	**971.1**	1,021.4
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions (Note 6)	(C)	**10.9**	10.8
Total qualifying capital	(A)+(B)–(C)	(D)	**¥ 2,386.0**	¥ 2,203.4
Risk-adjusted assets	On-balance-sheet items		**¥22,903.4**	¥21,555.8
	Off-balance-sheet items		**1,027.2**	1,058.1
Total risk-adjusted assets		(E)	**¥23,930.7**	¥22,614.0
Risk-adjusted capital ratio	(D)/(E) x 100%		**9.97%**	9.74%

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. Since the amount of deferred tax assets on a net basis (deferred tax assets less deferred tax liabilities) is negative, there was no deduction as of the end of March 2006. The maximum amount of net deferred tax assets to be included in the Tier I capital was ¥570,312 million as of the end of March 2006.

3. 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).

4. 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.

5. 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.

6. 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*).

*1 Outline of Preferred Securities (Previous fiscal year)

The following preferred securities issued through the Company's special-purpose companies, details of which are provided on page 71 through 75, were reported as eligible Tier I capital in calculating the Company's consolidated capital adequacy ratio as of the end of March 2005. However, since the Company redeemed all of these securities on November 18, 2005, these securities are not included in the capital adequacy ratio calculation as of the end of March 2006.

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.

**2Outline of Preferred Securities (The year under review)

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 Global Securities (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 2015, subject to the prior approval of the Financial Services Agency.
Amount of issue	US$1.15 billion
Date for payment of the issue price	July 25, 2005
Dividend rate	Dividends on the preferred securities will be payable at a fixed rate through the dividend payment date in July 2015. After this date, the dividend rate will become variable and a step-up dividend will be added.
Dividend payment date	July 30 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. From July 2016, in the event that a dividend payment date falls on a day that is not a business day, and the next business day falls in the following month, the dividend payment date shall be the last business day before July 30.
Mandatory dividend payment	Provided that the conditions detailed below for mandatory suspension (limitation) or for optional suspension (limitation) of dividends are not fulfilled for any fiscal year, the full amount of dividends on preferred securities described here must be paid on the dividend payment date following the conclusion of such fiscal year.
Mandatory suspension (limitation) of dividend	Dividend payments may be suspended for reasons of liquidation, reorganization, insolvency, or government action (see note 1 below). In the event that a Preferred Stock Dividend Limitation or Distributable Profits Limitation is applied, dividends may be suspended or subject to limitation in accordance with such an application. Unpaid or reduced dividends shall not accrue to subsequent fiscal periods.
Preferred stock dividend limitation	If the dividends paid on the Company's preferred stock (See note 2 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 3 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.
Optional suspension (limitation) of dividend	The Company may, at its option, suspend or limit the dividends upon the occurrence of any of the following events. However, in the event that dividends are to be paid on other preferred securities, dividends shall also be paid at the same ratio on preferred securities described here, regardless of the order of their respective dividend payment dates. Unpaid or reduced dividends shall not accrue to subsequent fiscal periods. 1. When a "regulatory event" (See note 4 below) occurs 2. In the event that the Company has not paid dividends on the Company's common stock in the most recently concluded fiscal year.
Liquidation preference	The preferred securities rank *pari passu* with the Company's preferred shares as to liquidation preference.

Notes: 1. Reasons of liquidation, reorganization, insolvency or government action

[Liquidation]

Adjudication to commence a liquidation proceeding, adjudication to commence a bankruptcy proceeding, approval to prepare a reorganization plan for liquidation, and submission of a rehabilitation plan for liquidation

[Reorganization]

Adjudication to commence a corporate reorganization proceeding under the Corporate Reorganization Law, adjudication to commence a civil rehabilitation proceeding under the Civil Rehabilitation Law

[Insolvency]

1) In the event of a default on obligations or the concern of such occurring, or in the event of a default on obligations due to payment of aforementioned dividends or the concern of such occurring

2) In the event of liabilities in excess of assets

ii) In the event of liabilities exceeding assets, or in the event of liabilities exceeding assets due to payment of aforementioned dividends

[Government action]

In the event that the responsible regulatory agency issues a proclamation: that the Company is insolvent or is in the condition of liabilities in excess of assets; to place the Company under state management; or to transfer the Company to a third party.

2. The Company's preferred stock: The Company's preferred stocks which have been issued directly by the Company and has the highest priority for the payment of dividends among preferred stock.
3. 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.
4. Regulatory event: A regulatory event occurs when the Company's shareholders' equity ratio or basic ratios fall below the minimum level as prescribed by banking regulations, or when such ratios will fall below required minimum levels due to payment of aforementioned dividends.

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.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Loans and bills discounted	**¥ 174,418**	¥ 205,527	**$ 1,484**
Securities	**5,471,344**	4,775,580	**46,580**
Trust beneficiary certificates	**23,064,583**	21,167,280	**196,361**
Securities held in custody account	**2**	28	**0**
Monetary claims	**405,248**	490,829	**3,450**
Premises and equipment	**442,651**	348,995	**3,768**
Land lease rights	**4,467**	1,857	**38**
Other claims	**16,339**	16,555	**139**
Due from banking account	**426,112**	393,166	**3,627**
Cash and due from banks	**36,143**	35,603	**307**
Total assets	**¥30,041,312**	¥27,435,424	**$255,757**
Liabilities			
Money trusts	**¥11,617,351**	¥10,981,673	**$98,904**
Pension trusts	**4,309,607**	4,438,919	**36,689**
Asset formation benefit trusts	**1,979**	1,989	**16**
Securities investment trusts	**12,274,419**	10,278,317	**104,498**
Pecuniary trusts other than money trusts	**155,070**	117,577	**1,320**
Securities trusts	**376,746**	312,874	**3,207**
Monetary claim trusts	**430,037**	514,155	**3,661**
Real estate trusts	**160,694**	192,486	**1,368**
Land lease trusts	**4,685**	4,926	**39**
Composite trusts	**710,720**	592,503	**6,050**
Total liabilities	**¥30,041,312**	¥27,435,424	**$255,757**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, 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 ¥23,063,063 million ($196,348 million) and ¥21,164,752 million on March 31, 2006 and 2005, respectively, were re-entrusted for asset administration purposes.
6. Co-managed trust funds under other trust banks' administration amounted to ¥3,228,323 million ($27,484 million) and ¥3,438,609 million on March 31, 2006 and 2005, respectively.

Jointly Operated Designated Money Trusts (JOMTs)

Resona Holdings, Inc.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Loans and bills discounted	**¥174,018**	¥200,989	**$1,481**
Securities	**—**	30,973	**—**
Other	**355,088**	326,735	**3,023**
Total assets	**¥529,106**	¥558,698	**$4,504**
Liabilities			
Principal	**¥528,222**	¥557,833	**$4,497**
Reserve provided in preparation for write-offs in trust account	**528**	605	**4**
Other	**356**	259	**3**
Total liabilities	**¥529,106**	¥558,698	**$4,504**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.
3. Risk management loans (Trust account)

March 31	2006	2005
Loans to borrowers in legal bankruptcy	**¥ 15**	¥ 41
Past due loans	**2,918**	3,276
Loans past due three months or more	**104**	120
Restructured loans	**20,991**	22,084
Total	**24,030**	25,532
Total loans and bills discounted	**¥174,018**	¥200,989

Non-consolidated Balance Sheets

Resona Holdings, Inc.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Current assets	**¥ 166,557**	¥ 15,851	**$ 1,417**
Cash and cash equivalents	**99,008**	3,987	**842**
Prepaid expenses	**345**	353	**2**
Accrued income	**4**	1,309	**0**
Other receivable	**3,776**	—	**32**
Accrued income tax refunds	**63,422**	—	**539**
Other	**—**	10,201	**—**
Non-current assets	**1,242,284**	1,413,462	**10,576**
Tangible fixed assets	**18**	23	**0**
Furniture and fixtures	**18**	23	**0**
Intangible fixed assets	**92**	112	**0**
Trademark	**77**	89	**0**
Software	**15**	22	**0**
Investments and other assets	**1,242,173**	1,413,326	**10,575**
Investment in subsidiaries and affiliates	**1,123,886**	1,113,319	**9,568**
Long-term loans to subsidiaries and affiliates	**110,000**	300,000	**936**
Deferred tax assets	**8,281**	—	**70**
Other	**6**	7	**0**
Deferred charges	**—**	114	**—**
Organization costs	**—**	114	**—**
Total Assets	**¥1,408,841**	¥1,429,428	**$11,994**
Liabilities			
Current liabilities	**¥ 780**	¥ 44,864	**$ 6**
Short-term debt	**—**	40,612	**—**
Other payable	**347**	—	**2**
Accrued expenses	**394**	4,151	**3**
Income tax payable	**13**	89	**0**
Consumption tax payable	**11**	—	**0**
Other	**14**	11	**0**
Non-current liabilities	**391,000**	646,020	**3,328**
Bonds	**160,000**	95,020	**1,362**
Long-term debt	**131,000**	331,000	**1,115**
Long-term debt to subsidiaries	**100,000**	220,000	**851**
Total Liabilities	**391,780**	690,884	**3,335**
Shareholders' Equity			
Capital stock	**327,201**	327,201	**2,785**
Capital surplus	**366,895**	366,883	**3,123**
Capital reserve	**327,201**	327,201	**2,785**
Other capital surplus	**39,694**	39,682	**337**
Deduction of capital and capital reserve	**39,682**	39,682	**337**
Gain from disposal of treasury stock	**12**	—	**0**
Retained earnings (Accumulated deficit)	**323,543**	44,519	**2,754**
Unappropriated profit	**323,543**	44,519	**2,754**
Treasury stock	**(579)**	(60)	**(4)**
Total Shareholders' Equity	**1,017,061**	738,543	**8,658**
Total Liabilities and Shareholders' Equity	**¥1,408,841**	¥1,429,428	**$11,994**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Non-consolidated Statements of Income

Resona Holdings, Inc.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Operating income	**¥317,582**	¥ 74,594	**$2,703**
Dividends from subsidiaries and affiliates	**309,067**	63,411	**2,631**
Fees from subsidiaries and affiliates	**4,662**	4,671	**39**
Interest on loans to subsidiaries and affiliates	**3,853**	6,512	**32**
Operating expenses	**15,504**	18,008	**131**
Interest expenses	**8,644**	12,922	**73**
Interest on bonds	**1,513**	1,013	**12**
Bond issuance costs	**435**	415	**3**
General and administrative expenses	**4,910**	3,656	**41**
Operating profit	**302,078**	56,586	**2,571**
Non-operating profit	**173**	148	**1**
Interest income	**22**	3	**0**
Commission received	**144**	143	**1**
Other	**6**	1	**0**
Non-operating expenses	**15,259**	12,211	**129**
Devaluation of investment in subsidiaries and affiliates	**12,048**	12,045	**102**
Loss on sales of investments in subsidiaries and affiliates	**3,087**	—	**26**
Amortization of organization cost	**114**	114	**0**
Attorney fee	**0**	37	**0**
Other	**8**	14	**0**
Income before income taxes	**286,992**	44,524	**2,443**
Income taxes—current	**(3,769)**	4	**(32)**
Income taxes—deferred	**(8,281)**	—	**(70)**
Net income	**299,043**	44,519	**2,545**
Profit (Loss) carried forward from previous year	**24,499**	(921,272)	**208**
Transfer from capital to cover deficit	**—**	921,272	**—**
Unappropriated profit at end of the year	**¥323,543**	¥ 44,519	**$2,754**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Financial Information of Resona Bank, Ltd.

Non-consolidated Balance Sheets

Resona Bank, Ltd.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Cash and due from banks	**¥ 1,169,691**	¥ 2,616,724	**$ 9,958**
Call loans and bills bought	**994,285**	613,886	**8,464**
Deposits paid for bonds borrowing transactions	**11,047**	—	**94**
Monetary claims bought	**17,857**	19,816	**152**
Trading assets	**651,839**	691,997	**5,549**
Securities	**5,657,135**	5,104,791	**48,162**
Loans and bills discounted	**17,993,501**	17,551,865	**153,188**
Foreign exchange assets	**75,717**	66,063	**644**
Other assets	**632,637**	511,309	**5,385**
Premises and equipment	**335,414**	341,342	**2,855**
Deferred tax assets	**—**	32,052	**—**
Customers' liabilities for acceptances and guarantees	**1,166,874**	1,195,694	**9,934**
Reserve for possible loan losses	**(356,459)**	(421,459)	**(3,034)**
Reserve for possible losses on investment	**(13,058)**	(13,058)	**(111)**
Total Assets	**¥28,336,485**	¥28,311,025	**$241,243**
Liabilities			
Deposits	**¥19,616,086**	¥19,832,385	**$167,002**
Negotiable certificates of deposit	**1,835,230**	1,099,450	**15,624**
Call money and bills sold	**2,553,722**	2,982,824	**21,741**
Bills sold under repurchase agreements	**240,480**	345,291	**2,047**
Trading liabilities	**74,383**	39,988	**633**
Borrowed money	**155,027**	505,955	**1,319**
Foreign exchange liabilities	**23,623**	20,594	**201**
Bonds	**620,420**	529,120	**5,281**
Due to trust account	**426,112**	393,166	**3,627**
Other liabilities	**299,028**	229,376	**2,545**
Reserve for possible losses on business restructuring	**156**	266	**1**
Reserve for reorganization of branch office channel	**2,731**	2,932	**23**
Other reserves	**0**	0	**0**
Deferred tax liabilities	**24,733**	—	**210**
Deferred tax liabilities on land revaluation	**45,549**	45,535	**387**
Acceptances and guarantees	**1,166,874**	1,195,694	**9,934**
Total Liabilities	**27,084,161**	27,222,582	**230,581**
Shareholders' Equity			
Capital stock	**279,928**	279,928	**2,383**
Capital surplus	**352,208**	352,208	**2,998**
Retained earnings	**355,670**	282,676	**3,028**
Revaluation reserve for land	**63,306**	63,406	**538**
Net unrealized gains on available-for-sale securities	**201,208**	110,223	**1,712**
Total Shareholders' Equity	**1,252,323**	1,088,443	**10,661**
Total Liabilities and Shareholders' Equity	**¥28,336,485**	¥28,311,025	**$241,243**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Non-consolidated Statements of Income

Resona Bank, Ltd.

Years ended March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Income			
Interest income	**¥413,846**	¥425,419	**$3,523**
Interest on loans and bills discounted	**321,823**	353,611	**2,739**
Interest and dividends on securities	**60,352**	55,612	**513**
Trust fees	**7,575**	7,297	**64**
Fees and commissions	**129,060**	110,991	**1,098**
Trading income	**3,238**	22,013	**27**
Other operating income	**63,442**	55,594	**540**
Other income	**144,190**	246,917	**1,227**
Total Income	**761,352**	868,233	**6,481**
Expenses			
Interest expenses	**63,287**	59,441	**538**
Interest on deposits	**19,192**	20,666	**163**
Fees and commissions	**62,608**	56,252	**533**
Trading expenses	**202**	47	**1**
Other operating expenses	**26,265**	17,924	**223**
General and administrative expenses	**234,323**	233,337	**1,994**
Other expenses	**74,409**	201,326	**633**
Total Expenses	**461,096**	568,330	**3,925**
Income before income taxes	**300,256**	299,903	**2,556**
Income taxes—current	**(10,927)**	681	**(93)**
Income taxes—deferred	**(6,144)**	(12,233)	**(52)**
Net income	**317,328**	311,455	**2,701**
Profit carried forward from previous year	**105,480**	—	**898**
Reversal of revaluation reserve for land	**1,010**	1,222	**8**
Interim dividend paid	**68,148**	30,001	**580**
Unappropriated profit at end of the year	**¥355,670**	¥282,676	**$3,028**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.
3. Unappropriated profit at the end of March 2006 was ¥355,670 million. Of this amount, the Bank decided to pay ¥210,048 million as dividends to its common and preferred stocks. As a result of the profit appropriation, the remainder of ¥145,622 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 ¥406,634 million as of March 31, 2006, based on the amount recorded in the Bank's general books of account.

Statements of Trust Assets and Liabilities

Resona Bank, Ltd.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Loans and bills discounted	**¥ 174,418**	¥ 205,527	**$ 1,484**
Securities	**0**	50,973	**0**
Trust beneficiary certificates	**1,520**	2,528	**12**
Securities held in custody account	**2**	28	**0**
Monetary claims	**405,248**	490,829	**3,450**
Premises and equipment	**442,651**	348,995	**3,768**
Land lease rights	**4,467**	1,857	**38**
Other claims	**14,504**	14,630	**123**
Due from banking account	**426,112**	393,166	**3,627**
Cash and due from banks	**26,373**	26,308	**224**
Total assets	**¥1,495,298**	¥1,534,845	**$12,730**
Liabilities			
Money trusts	**¥ 578,456**	¥ 617,028	**$ 4,924**
Asset formation benefit trusts	**1,979**	1,989	**16**
Pecuniary trusts other than money trusts	**0**	0	**0**
Securities trusts	**2**	28	**0**
Monetary claim trusts	**430,037**	514,155	**3,661**
Real estate trusts	**160,694**	192,486	**1,368**
Land lease trusts	**4,685**	4,926	**39**
Composite trusts	**319,443**	204,228	**2,719**
Total liabilities	**¥1,495,298**	¥1,534,845	**$12,730**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.
3. Co-managed trust funds under other trust banks' administration amounted to ¥76,258 million ($649 million) and ¥76,773 million on March 31, 2006 and 2005, respectively.
4. Loans and bills discounted funded by Jointly Operated Designated Money Trust account funds that the Bank guarantees the principal amounting to ¥174,018 million ($1,481 million) and ¥200,989 million on March 31, 2006 and 2005, respectively, included the following:

	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Loans to borrowers in legal bankruptcy	**¥ 15**	¥ 41	**$ 0**
Past due loans	**2,918**	3,276	**24**
Loans past due three months or more	**104**	120	**0**
Restructured loans	**20,991**	22,084	**178**
Total	**¥24,030**	¥25,532	**$204**

Deposits and Negotiable Certificates of Deposit (Non-consolidated)

Resona Bank, Ltd.	Billions of yen	
March 31	**2006**	2005
Liquid deposits	**¥12,156.2**	¥12,231.5
Time deposits	**6,819.2**	6,867.8
Other deposits	**2,475.8**	1,832.4
Total	**¥21,451.3**	¥20,931.8

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	**2006**	2005
Individuals	**¥10,754.6**	¥10,360.3
Corporations, other	**8,833.7**	9,465.0
Total	**¥19,588.3**	¥19,825.3

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	**2006**	2005	**2006**	2005
Banking account	**¥14,484.7**	¥13,903.3	**80.5%**	79.2%
Banking and trust accounts	**14,623.9**	14,066.9	**80.4%**	79.2%

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

Resona Bank, Ltd.	Billions of yen	
March 31	**2006**	2005
Consumer loans total	**¥6,883.6**	¥6,494.4
Housing loans	**6,652.7**	6,234.0

Note: Amount after securitization of housing loans

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

Resona Bank, Ltd.

March 31	Billions of yen 2006	2005
Domestic operations		
Manufacturing	**¥2,002.8**	¥ 2,090.7
	11.13%	11.92%
Agriculture	**8.2**	12.5
	0.05%	0.07%
Forestry	**3.1**	3.8
	0.02%	0.02%
Fishing	**8.0**	2.9
	0.04%	0.01%
Mining	**20.9**	22.2
	0.12%	0.12%
Construction	**577.5**	622.2
	3.21%	3.54%
Electric power, gas, and other public enterprises	**60.3**	65.2
	0.34%	0.37%
Information and communications	**279.2**	289.4
	1.55%	1.65%
Transportation	**479.7**	539.0
	2.67%	3.07%
Wholesale and retail	**2.183.9**	2,217.3
	12.13%	12.64%
Financial services	**1,043.5**	1,137.8
	5.80%	6.48%
Real estate	**1,884.0**	2,018.0
	10.47%	11.50%
Services	**1,841.5**	1,843.1
	10.23%	10.50%
Local governments	**353.6**	361.1
	1.97%	2.05%
Other	**7.246.5**	6,312.5
	40.27%	35.99%
Subtotal	**¥17,993.5**	¥17,538.4
	100.00%	100.00%
Japan Offshore Banking Account		
Governments	**¥ —**	¥ 3.8
	—%	28.35%
Financial institutions	**—**	6.0
	—%	44.77%
Other	**—**	3.5
	—%	26.11%
Subtotal	**¥ —**	¥ 13.4
	—%	100.00%
Total	**¥17,993.5**	¥17,551.8

Risk Management Loans (Banking and Trust Accounts)

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2006	Change	2005
Loans to borrowers in legal bankruptcy	**¥ 7.1**	**¥ (2.3)**	¥ 9.5
Past due loans	**221.9**	**(84.5)**	306.4
Loans past due three months or more	**8.5**	**(7.4)**	15.9
Restructured loans	**274.9**	**(19.0)**	293.9
Total*	**¥ 512.4**	**¥(113.4)**	¥ 625.9
Total loans and bills discounted	**¥18,167.5**	**¥(414.6)**	¥17,752.8
Ratio of risk management loans to total loans and bills discounted (%)	**2.82**	**(0.70)**	3.52

* 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		
	2006	Change	2005
Unrecoverable or valueless claims	**¥ 35.8**	**¥ (21.5)**	¥ 57.4
Risk claims	**200.2**	**(69.1)**	269.4
Claims in need of special attention	**283.4**	**(26.5)**	309.9
Financial Reconstruction Law subtotal	**519.5**	**(117.3)**	636.8
Nonclassified claims	**18,886.6**	**503.5**	18,383.1
Financial Reconstruction Law total*	**¥19,406.2**	**¥ 386.2**	¥19,019.9
Coverage ratio (%)	**83.34**	**(2.14)**	85.38

* 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		
	2006	Change	2005
Reserves for possible loan losses	**¥356.4**	**¥(65.0)**	¥421.4
General reserve for possible loan losses	**218.9**	**(5.3)**	224.2
Specific reserve for possible loan losses	**137.3**	**(59.7)**	197.0
Special reserve for certain overseas loans	**0.1**	**(0.0)**	0.1
Reserve provided in preparation for write-offs in trust account	**0.5**	**(0.0)**	0.6

Securities

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2006	2005
Japanese national and local government bonds	**¥2,804.3**	¥3,123.6
Japanese corporate bonds	**1,015.7**	781.4
Japanese corporate stocks	**810.7**	695.8
Other securities	**1,026.3**	503.7
Total book value	**¥5,657.1**	¥5,104.7

Risk-Adjusted Capital Ratio

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.

(1) Consolidated Capital Ratio (Domestic Standard)

Resona Bank, Ltd.			Billions of yen	
March 31			**2006**	2005
Tier I capital	Capital		¥ **279.9**	¥ 279.9
	Non-cumulative perpetual preferred stock		**—**	—
	Capital surplus		**404.4**	404.4
	Earned surplus		**98.3**	61.1
	Minority interests in consolidated subsidiaries		**140.9**	261.9
	Preferred securities issued by special-purpose company overseas		**135.0**	249.2
	Unrealized loss on available-for-sale securities		**—**	—
	Foreign currency translation adjustments		**(1.9)**	(2.3)
	Consolidation differences		**0**	0
	Total Tier I capital before deduction of deferred tax assets (Note)		**921.6**	—
	Deferred tax assets to be deducted from Tier I capital		**—**	—
	Total qualifying Tier I capital	(A)	**921.6**	1,005.0
	Preferred securities with interest step-up conditions		**135.0**	70.6
Tier II capital	45% of the difference between land after revaluation and the book value immediately before revaluation		**48.9**	49.0
	General reserve for possible loan losses		**108.7**	114.9
	Qualifying subordinated debt		**616.3**	694.3
	Subtotal		**774.0**	858.3
	Tier II capital included as qualifying capital	(B)	**774.0**	858.3
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	**115.9**	238.6
Total qualifying capital	(A)+(B)–(C)	(D)	**¥ 1,579.7**	¥ 1,624.7
Risk-adjusted assets	On-balance-sheet items		**¥16,606.0**	¥15,823.0
	Off-balance-sheet items		**787.5**	2,576.0
Total risk-adjusted assets		(E)	**¥17,393.6**	¥18,399.1
Risk-adjusted capital ratio	(D)/(E) x 100%		**9.08%**	8.83%

Note: Since the amount of deferred tax assets on a net basis (deferred tax assets less deferred tax liabilities) is negative, there was no deduction as of the end of March 2006. The maximum amount of net deferred tax assets to be included in the Tier I capital was ¥368.6 billion as of the end of March 2006.

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

Resona Bank, Ltd.			Billions of yen	
March 31			**2006**	2005
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		**146.1**	106.1
	Other		**135.2**	249.1
	Unrealized loss on available-for-sale securities		**—**	—
	Total Tier I capital before deduction of deferred tax assets (Note)		**913.5**	—
	Deferred tax assets to be deducted from Tier I capital		**—**	—
	Total qualifying Tier I capital	(A)	**913.5**	987.4
	Preferred securities with interest step-up conditions		**135.0**	70.6
Tier II capital	45% of the difference between land after revaluation and the book value immediately before revaluation		**48.9**	49.0
	General reserve for possible loan losses		**108.3**	102.4
	Qualifying subordinated debt		**616.3**	694.3
	Subtotal		**773.6**	845.7
	Tier II capital included as qualifying capital	(B)	**773.6**	845.7
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	**127.3**	255.1
Total qualifying capital	(A)+(B)–(C)	(D)	**¥ 1,559.8**	¥ 1,578.0
Risk-adjusted assets	On-balance-sheet items		**¥16,538.3**	¥15,558.1
	Off-balance-sheet items		**796.3**	829.1
Total risk-adjusted assets		(E)	**¥17,334.6**	¥16,387.2
Risk-adjusted capital ratio	(D)/(E) x 100%		**8.99%**	9.62%

Note: Since the amount of deferred tax assets on a net basis (deferred tax assets less deferred tax liabilities) is negative, there was no deduction as of the end of March 2006. The maximum amount of net deferred tax assets to be included in the Tier I capital was ¥365.4 billion as of the end of March 2006.

Financial Information of Saitama Resona Bank, Ltd.

Non-consolidated Balance Sheets

Saitama Resona Bank, Ltd.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Cash and due from banks	**¥ 372,357**	¥ 299,320	**$ 3,170**
Call loans and bills bought	**1,836,010**	2,501,449	**15,630**
Monetary claims bought	**92,159**	69,427	**784**
Trading assets	**28,117**	19,129	**239**
Securities	**1,396,964**	1,120,851	**11,893**
Loans and bills discounted	**5,683,503**	5,322,327	**48,386**
Foreign exchange assets	**10,273**	13,335	**87**
Other assets	**66,703**	52,976	**567**
Premises and equipment	**65,572**	65,924	**558**
Deferred tax assets	**—**	3,545	**—**
Customers' liabilities for acceptances and guarantees	**68,464**	65,845	**582**
Reserve for possible loan losses	**(35,368)**	(36,170)	**(301)**
Total Assets	**¥9,584,758**	¥9,497,962	**$81,600**
Liabilities			
Deposits	**¥8,714,281**	¥8,666,411	**$74,189**
Negotiable certificates of deposit	**154,810**	81,440	**1,317**
Call money and bills sold	**146,863**	254,171	**1,250**
Bills sold under repurchase agreements	**—**	5,999	**—**
Borrowed money	**137,000**	137,000	**1,166**
Foreign exchange liabilities	**303**	272	**2**
Bonds	**10,000**	—	**85**
Other liabilities	**72,099**	44,401	**613**
Deferred tax liabilities	**7,261**	—	**61**
Acceptances and guarantees	**68,464**	65,845	**582**
Total Liabilities	**9,311,083**	9,255,543	**79,270**
Shareholders' Equity			
Capital stock	**70,000**	70,000	**595**
Capital surplus	**100,000**	100,000	**851**
Retained earnings	**55,631**	43,510	**473**
Net unrealized gains on available-for-sale securities	**48,042**	28,908	**409**
Total Shareholders' Equity	**273,674**	242,419	**2,329**
Total Liabilities and Shareholders' Equity	**¥9,584,758**	¥9,497,962	**$81,600**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Non-consolidated Statements of Income

Saitama Resona Bank, Ltd.

Years ended March 31, 2006 and 2005	Millions of yen 2006	2005	Millions of U.S. dollars 2006
Income			
Interest income	**¥124,338**	¥115,869	**$1,058**
Interest on loans and bills discounted	**109,398**	105,518	**931**
Interest and dividends on securities	**11,610**	7,506	**98**
Fees and commissions	**39,390**	33,661	**335**
Other operating income	**9,004**	6,931	**76**
Other income	**9,279**	10,113	**78**
Total Income	**182,013**	166,576	**1,549**
Expenses			
Interest expenses	**8,657**	9,878	**73**
Interest on deposits	**5,936**	7,403	**50**
Fees and commissions	**18,118**	16,771	**154**
Other operating expenses	**10,117**	5,874	**86**
General and administrative expenses	**70,623**	72,516	**601**
Other expenses	**16,736**	20,304	**142**
Total Expenses	**124,252**	125,346	**1,057**
Income before income taxes	**57,761**	41,230	**491**
Income taxes—current	**26,890**	165	**228**
Income taxes—deferred	**(2,150)**	18,730	**(18)**
Net income	**33,021**	22,334	**281**
Profit carried forward from previous year	**8,678**	4,973	**73**
Interim dividend paid	**6,080**	3,810	**51**
Unappropriated profit at the end of the year	**¥ 35,619**	¥ 23,498	**$ 303**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Deposits and Negotiable Certificates of Deposit

Saitama Resona Bank, Ltd.

March 31	Billions of yen	
	2006	2005
Liquid deposits	**¥5,268.9**	¥4,907.4
Time deposits	**3,251.9**	3,520.9
Other deposits	**348.1**	319.5
Total	**¥8,869.0**	¥8,747.8

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

Deposits by Type of Depositor

Saitama Resona Bank, Ltd.

March 31	Billions of yen	
	2006	2005
Individuals	**¥6,647.2**	¥6,535.0
Corporations	**1,513.3**	1,501.1
Other	**553.6**	630.1
Total	**¥8,714.2**	¥8,666.4

Note: Domestic depositors only and excluding negotiable certificates of deposit

Loans to SMEs and Individuals (Non-consolidated)

Saitama Resona Bank, Ltd.

March 31	Billions of yen		Ratio to total loans	
	2006	2005	**2006**	2005
Loans to SMEs and individuals	**¥4,991.2**	¥4,575.1	**87.8%**	85.9%

Loans to Individuals (Non-consolidated)

Saitama Resona Bank, Ltd.

March 31	Billions of yen	
	2006	2005
Consumer loans total	**¥3,196.3**	¥2,942.4
Housing loans	**3,109.7**	2,859.8

Note: Amount after securitization of housing loans

Loans and Bills Discounted by Industry

Saitama Resona Bank, Ltd.

March 31	Billions of yen 2006	2005
Domestic operations		
Manufacturing	**¥ 370.4**	¥ 359.5
	6.52%	6.76%
Agriculture	**9.0**	7.7
	0.16%	0.15%
Forestry	**0.4**	0.4
	0.01%	0.01%
Mining	**2.9**	2.7
	0.05%	0.05%
Construction	**189.4**	179.8
	3.33%	3.38%
Electric power, gas, and other public enterprises	**9.4**	8.4
	0.17%	0.16%
Information and communications	**9.9**	9.8
	0.17%	0.18%
Transportation	**150.4**	132.5
	2.65%	2.49%
Wholesale and retail	**341.5**	334.6
	6.01%	6.29%
Financial services	**24.2**	17.4
	0.43%	0.33%
Real estate	**459.2**	418.7
	8.08%	7.87%
Services	**409.2**	387.0
	7.20%	7.27%
Local governments	**394.6**	412.1
	6.94%	7.74%
Other	**3,312.3**	3,050.8
	58.28%	57.32%
Total	**¥5,683.5**	¥5,322.3
	100.00%	100.00%

Risk Management Loans

Saitama Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2006	Change	2005
Loans to borrowers in legal bankruptcy	¥ 1.8	¥ (0.6)	¥ 2.4
Past due loans	51.1	(2.8)	54.0
Loans past due three months or more	5.0	(1.0)	6.0
Restructured loans	28.5	(14.8)	43.3
Total*	¥ 86.5	¥ (19.3)	¥ 105.8
Total loans and bills discounted	¥5,683.5	¥361.1	¥5,322.3
Ratio of risk management loans to total loans and bills discounted (%)	1.52	(0.46)	1.98

* 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		
	2006	Change	2005
Unrecoverable or valueless claims	¥ 11.2	¥ (1.1)	¥ 12.4
Risk claims	41.8	(2.4)	44.3
Claims in need of special attention	33.5	(15.8)	49.3
Financial Reconstruction Law subtotal	86.7	(19.5)	106.2
Nonclassified claims	5,680.1	380.0	5,300.0
Financial Reconstruction Law total*	¥5,766.8	¥360.5	¥5,406.3
Coverage ratio (%)	86.81	0.43	86.38

* 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		
	2006	Change	2005
Reserves for possible loan losses	¥35.3	¥(0.8)	¥36.1
General reserve for possible loan losses	17.7	(4.1)	21.9
Specific reserve for possible loan losses	17.5	3.3	14.1

Securities

Saitama Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2006	2005
Japanese national and local government bonds	¥ 838.1	¥ 675.4
Japanese corporate bonds	305.0	263.2
Japanese corporate stocks	193.5	139.0
Other securities	60.1	43.1
Total book value	¥1,396.9	¥1,120.8

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

Saitama Resona Bank, Ltd.

			Billions of yen	
			2006	2005
Tier I capital	Capital		**¥ 70.0**	¥ 70.0
	Non-cumulative perpetual preferred stock		**—**	—
	Capital reserve		**100.0**	100.0
	Legal reserve		**20.0**	20.0
	Voluntary reserve		**—**	—
	Earned surplus carried forward to the next year		**13.9**	8.6
	Other		**—**	—
	Unrealized loss on available-for-sale securities		**—**	—
	Total qualifying Tier I capital	(A)	**203.9**	198.6
Tier II capital	General reserve for possible loan losses		**17.7**	21.9
	Qualifying subordinated debt		**147.0**	137.0
	Subtotal		**164.7**	158.9
	Tier II capital included as qualifying capital	(B)	**164.7**	158.9
Amount to be deducted	Certain stocks and other debt instruments issued by other financial institutions	(C)	**—**	—
Total qualifying capital	(A)+(B)–(C)	(D)	**¥ 368.7**	¥ 357.6
Risk-adjusted assets	On-balance-sheet items		**¥4,412.5**	¥4,223.8
	Off-balance-sheet items		**84.3**	90.1
Total risk-adjusted assets		(E)	**¥4,496.9**	¥4,313.9
Risk-adjusted capital ratio	(D)/(E) x 100%		**8.20%**	8.29%

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.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Cash and due from banks	**¥ 151,578**	¥ 101,065	**$ 1,290**
Monetary claims bought	**44,543**	30,070	**379**
Trading assets	**345**	239	**2**
Securities	**939,509**	1,019,865	**7,998**
Loans and bills discounted	**2,555,153**	2,484,226	**21,753**
Foreign exchange assets	**8,586**	7,529	**73**
Other assets	**25,817**	14,153	**219**
Premises and equipment	**36,546**	37,711	**311**
Deferred tax assets	**3,806**	10,620	**32**
Customers' liabilities for acceptances and guarantees	**59,944**	48,462	**510**
Reserve for possible loan losses	**(48,676)**	(76,131)	**(414)**
Total Assets	**¥3,777,154**	¥3,677,813	**$32,156**
Liabilities			
Deposits	**¥3,326,062**	¥3,368,496	**$28,316**
Call money and bills sold	**36,343**	—	**309**
Deposits received for bonds lending transactions	**154,458**	65,069	**1,314**
Borrowed money	**50,180**	40,263	**427**
Foreign exchange liabilities	**121**	99	**1**
Other liabilities	**15,935**	13,835	**135**
Reserve for employees' retirement benefits	**2,432**	4,123	**20**
Reserve for possible losses on business restructuring	**15**	35	**0**
Acceptances and guarantees	**59,944**	48,462	**510**
Total Liabilities	**3,645,493**	3,540,385	**31,036**
Shareholders' Equity			
Capital stock	**38,971**	38,971	**331**
Capital surplus	**55,439**	55,439	**471**
Retained earnings (Accumulated deficit)	**32,644**	34,586	**277**
Net unrealized gains on available-for-sale securities	**4,606**	8,431	**39**
Total Shareholders' Equity	**131,661**	137,427	**1,120**
Total Liabilities and Shareholders' Equity	**¥3,777,154**	¥3,677,813	**$32,156**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Non-consolidated Statements of Income

The Kinki Osaka Bank, Ltd.

Years ended March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Income			
Interest income	**¥ 63,827**	¥ 68,302	**$ 543**
Interest on loans and bills discounted	**55,165**	59,484	**469**
Interest and dividends on securities	**7,950**	8,242	**67**
Fees and commissions	**14,642**	12,754	**124**
Other operating income	**2,746**	4,329	**23**
Other income	**20,451**	23,171	**174**
Total Income	**101,668**	108,557	**865**
Expenses			
Interest expenses	**4,562**	5,479	**38**
Interest on deposits	**3,289**	4,374	**28**
Fees and commissions	**8,254**	8,819	**70**
Other operating expenses	**3,837**	962	**32**
General and administrative expenses	**41,777**	41,418	**355**
Other expenses	**14,490**	15,487	**123**
Total Expenses	**72,923**	72,167	**620**
Income before income taxes	**28,744**	36,389	**244**
Income taxes—current	**(12,567)**	70	**(106)**
Income taxes—deferred	**9,431**	(7,270)	**80**
Net income	**31,880**	43,589	**271**
Profit carried forward from previous year	**15,317**	—	**130**
Interim dividend paid	**14,553**	9,003	**123**
Unappropriated profit at the end of the year	**¥ 32,644**	¥ 34,586	**$ 277**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Deposits and Negotiable Certificates of Deposit

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen	
	2006	2005
Liquid deposits	**¥1,471.0**	¥1,370.6
Time deposits	**1,816.3**	1,955.3
Other deposits	**38.6**	42.4
Total	**¥3,326.0**	¥3,368.4

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.

March 31	Billions of yen	
	2006	2005
Individuals	**¥2,663.8**	¥2,716.6
Corporations	**635.4**	623.8
Other	**26.7**	28.0
Total	**¥3,326.0**	¥3,368.4

Loans to SMEs and Individuals (Non-consolidated)

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen		Ratio to total loans	
	2006	2005	**2006**	2005
Loans to SMEs and individuals	**¥2,351.1**	¥2,309.2	**92.0%**	92.9%

Loans to Individuals (Non-consolidated)

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen		
	2006	2005	Change
Consumer loans total	**¥1,174.6**	¥1,115.6	¥59.0
Housing loans	**1,101.7**	1,032.4	69.2

Loans and Bills Discounted by Industry

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen 2006	2005
Domestic operations		
Manufacturing	**¥ 316.1**	¥ 318.3
	12.37%	12.81%
Agriculture	**0.4**	0.4
	0.02%	0.02%
Forestry	**0.1**	0.2
	0.01%	0.01%
Fishing	**0.5**	0.6
	0.02%	0.03%
Mining	**0.4**	0.5
	0.02%	0.02%
Construction	**124.2**	116.9
	4.86%	4.71%
Electric power, gas, and other public enterprises	**4.9**	0.0
	0.19%	0.00%
Information and communications	**11.7**	10.5
	0.46%	0.43%
Transportation	**55.0**	53.9
	2.15%	2.17%
Wholesale and retail	**298.7**	289.5
	11.69%	11.65%
Financial services	**68.1**	72.3
	2.67%	2.91%
Real estate	**242.1**	241.8
	9.48%	9.74%
Services	**203.8**	212.5
	7.98%	8.56%
Local governments	**26.6**	19.1
	1.04%	0.77%
Other	**1,201.9**	1,146.7
	47.04%	46.17%
Subtotal	**¥2,555.1**	¥2,484.0
	100.00%	100.00%
Japan Offshore Banking Account		
Other	**¥ —**	¥ 0.1
	—%	100.00%
Subtotal	**¥ —**	¥ 0.1
	—%	100.00%
Total	**¥2,555.1**	¥2,484.2

Risk Management Loans

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2006	Change	2005
Loans to borrowers in legal bankruptcy	**¥ 2.6**	**¥ (2.4)**	¥ 5.0
Past due loans	**63.0**	**(38.8)**	101.9
Loans past due three months or more	**1.9**	**(1.8)**	3.8
Restructured loans	**35.8**	**(19.3)**	55.1
Total*	**¥ 103.4**	**¥(62.5)**	¥ 165.9
Total loans and bills discounted	**¥2,555.1**	**¥ 70.9**	¥2,484.2
Ratio of risk management loans to total loans and bills discounted (%)	**4.04**	**(2.63)**	6.68

* Amounts are net of partial direct write-offs.

Disclosure according to the Financial Reconstruction Law

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2006	Change	2005
Unrecoverable or valueless claims	**¥ 16.3**	**¥ (9.5)**	¥ 25.8
Risk claims	**50.4**	**(32.9)**	83.4
Claims in need of special attention	**37.7**	**(21.2)**	59.0
Financial Reconstruction Law subtotal	**104.5**	**(63.7)**	168.3
Nonclassified claims	**2,521.6**	**146.7**	2,374.9
Financial Reconstruction Law total*	**¥2,626.2**	**¥ 82.9**	¥2,543.2
Coverage ratio (%)	**91.66**	**(3.54)**	95.20

* Amounts are net of partial direct write-offs.

Reserve for Possible Loan Losses

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2006	Change	2005
Reserves for possible loan losses	**¥48.6**	**¥(27.4)**	¥76.1
General reserve for possible loan losses	**27.2**	**(14.1)**	41.3
Specific reserve for possible loan losses	**21.4**	**(13.2)**	34.7

Securities

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2006	2005
Japanese national and local government bonds	**¥375.8**	¥ 432.4
Japanese corporate bonds	**312.2**	314.8
Japanese corporate stocks	**25.9**	24.4
Other securities	**225.4**	248.2
Total book value	**¥939.5**	¥1,019.8

Risk-Adjusted Capital Ratio

(1) Consolidated Capital Ratio (Domestic Standard)

The Kinki Osaka Bank, Ltd.

March 31			Billions of yen 2006	2005
Tier I capital	Capital		**¥ 38.9**	¥ 38.9
	Non-cumulative perpetual preferred stock		**—**	—
	Additional payment for unissued share		**—**	—
	Capital reserve		**—**	—
	Capital surplus		**55.4**	55.4
	Earned surplus		**13.7**	15.3
	Minority interests in consolidated subsidiaries		**0.0**	0.0
	Unrealized loss on available-for-sale securities		**—**	—
	Foreign currency translation adjustments		**—**	—
	Goodwill		**—**	—
	Consolidation differences		**—**	—
	Total qualifying Tier I capital	(A)	**108.1**	109.7
Tier II capital	General reserve for possible loan losses		**33.5**	48.9
	Qualifying subordinated debt		**50.0**	40.0
	Subtotal		**83.5**	88.9
	Tier II capital included as qualifying capital	(B)	**63.0**	52.4
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)	**¥ 171.2**	¥ 162.1
Risk-adjusted assets	On-balance-sheet items		**¥2,073.5**	¥1,962.8
	Off-balance-sheet items		**22.1**	24.6
Total risk-adjusted assets		(E)	**¥2,095.6**	¥1,987.5
Risk-adjusted capital ratio	(D)/(E) x 100%		**8.17%**	8.15%

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

The Kinki Osaka Bank, Ltd.

March 31			Billions of yen 2006	2005
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**	16.4
	Legal reserve		**—**	—
	Earned surplus carried forward to the next year		**11.3**	15.3
	Unrealized loss on available-for-sale securities		**—**	—
	Goodwill		**—**	—
	Total qualifying Tier I capital	(A)	**105.7**	109.7
Tier II capital	General reserve for possible loan losses		**27.2**	41.3
	Qualifying subordinated debt		**50.0**	40.0
	Subtotal		**77.2**	81.3
	Tier II capital included as qualifying capital	(B)	**63.0**	52.3
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)	**¥ 168.7**	¥ 162.0
Risk-adjusted assets	On-balance-sheet items		**¥2,072.8**	¥1,961.2
	Off-balance-sheet items		**19.6**	21.4
Total risk-adjusted assets		(E)	**¥2,092.4**	¥1,982.7
Risk-adjusted capital ratio	(D)/(E) x 100%		**8.06%**	8.17%

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 Resona Trust & Banking Co., Ltd.

Non-consolidated Balance Sheets

Resona Trust & Banking Co., Ltd.

March 31, 2006 and 2005	Millions of yen		Millions of U.S. dollars
	2006	2005	**2006**
Assets			
Cash and due from banks	**¥ 5,851**	¥ 4,840	**$ 49**
Deposits paid for bonds borrowing transaction	**36,517**	36,608	**310**
Securities	**15,023**	20,027	**127**
Other assets	**22,154**	21,174	**188**
Premises and equipment	**587**	562	**4**
Deferred tax assets	**606**	612	**5**
Total Assets	**¥80,741**	¥83,826	**$687**
Liabilities			
Deposits	**¥ 3,094**	¥ 3,222	**$ 26**
Call money	**32,000**	32,000	**272**
Other liabilities	**11,297**	14,184	**96**
Total Liabilities	**46,392**	49,407	**394**
Shareholders' Equity			
Capital stock	**10,000**	10,000	**85**
Capital surplus	**14,969**	14,969	**127**
Retained earnings	**9,382**	9,450	**79**
Net unrealized losses on available-for-sale securities	**(2)**	(0)	**(0)**
Total Shareholders' Equity	**34,349**	34,419	**292**
Total Liabilities and Shareholders' Equity	**¥80,741**	¥83,826	**$687**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Non-consolidated Statements of Income

Resona Trust & Banking Co., Ltd.

Years ended March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Income			
Interest income	**¥ 2**	¥ 1	**$ 0**
Trust fees	**29,109**	27,889	**247**
Fees and commissions	**6,433**	5,944	**54**
Other income	**128**	5	**1**
Total Income	**35,674**	33,841	**303**
Expenses			
Interest expenses	**2**	3	**0**
Fees and commissions	**9,812**	9,623	**83**
General and administrative expenses	**10,744**	10,091	**91**
Other expenses	**51**	27	**0**
Total Expenses	**20,610**	19,746	**175**
Income before income taxes	**15,063**	14,095	**128**
Income taxes—current	**6,124**	5,857	**52**
Income taxes—deferred	**7**	(323)	**0**
Net income	**8,932**	8,560	**76**
Profit carried forward from previous year	**3,450**	889	**29**
Interim dividend paid	**3,000**	—	**25**
Unappropriated profit at end of the year	**¥ 9,382**	¥ 9,450	**$ 79**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.

Statements of Trust Assets and Liabilities

Resona Trust & Banking Co., Ltd.

March 31, 2006 and 2005	Millions of yen 2006	Millions of yen 2005	Millions of U.S. dollars 2006
Assets			
Securities	**¥ 5,471,343**	¥ 4,724,606	**$ 46,580**
Trust beneficiary certificates	**23,063,063**	21,164,752	**196,348**
Other claims	**1,835**	1,924	**15**
Cash and due from banks	**9,770**	9,294	**83**
Total Assets	**¥28,546,013**	¥25,900,579	**$243,027**
Liabilities			
Money trusts	**¥11,038,895**	¥10,364,645	**$ 93,980**
Pension trusts	**4,309,607**	4,438,919	**36,689**
Securities investment trusts	**12,274,419**	10,278,317	**104,498**
Pecuniary trusts other than money trusts	**155,070**	117,577	**1,320**
Securities trusts	**376,744**	312,846	**3,207**
Composite trusts	**391,276**	388,274	**3,331**
Total Liabilities	**¥28,546,013**	¥25,900,579	**$243,027**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥117.46=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used.
3. Trust beneficiary certificates worth ¥23,063,063 million ($196,348 million) and ¥21,164,752 million on March 31, 2006 and 2005, respectively, were re-entrusted for asset administration purposes.
4. Co-managed trust funds under other trust banks' administration amounted to ¥3,152,064 million ($26,835 million) and ¥3,361,835 million on March 31, 2006 and 2005, respectively.

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

Resona Trust & Banking Co., Ltd.

			Millions of yen 2006	Millions of yen 2005
Tier I capital	Capital		**¥10,000**	¥10,000
	Capital surplus		**14,969**	14,969
	Earned surplus carried forward to the next year		**3,882**	3,450
	Unrealized loss on available-for-sale securities		**(2)**	(0)
	Goodwill		**(17)**	(35)
	Total qualifying Tier I capital	(A)	**28,831**	28,383
Tier II capital		(B)	**—**	—
Amount to be deducted		(C)	**—**	—
Total qualifying capital	(A)+(B)–(C)	(D)	**¥28,831**	¥28,383
Risk-adjusted assets	On-balance-sheet items		**¥23,099**	¥22,184
	Off-balance-sheet items		**—**	—
Total risk-adjusted assets		(E)	**¥23,099**	¥22,184
Risk-adjusted capital ratio	(D)/(E) x 100%		**124.81%**	127.94%

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.

Corporate Data Section

CONTENTS

Directors and Executive Officers

As of August 1, 2006

■ 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	Hiroyuki Mizuta	Director of The Kinki Osaka Bank, Ltd.
Director Member of Auditing Committee	Seiji Higaki	
Independent Director Head of Auditing Committee	Noboru Yanai	President of Arrow Consulting
Independent Director Member of Appointments Committee	Shotaro Watanabe	Director of Isetan Company Limited Director of Resona Bank, Ltd. (Independent)
Independent Director Head of Compensation Committee	Kunio Kojima	Vice Chairman and President of KEIZAI DOYUKAI (Japan Association of Corporate Executives) Executive Advisor of Japan Securities Finance Co., Ltd. Director of Mitsui O.S.K. Lines, Ltd.
Independent Director Member of Auditing Committee	Hideo Iida	Professor of Kanto Gakuin University College of Law
Independent Director Member of Compensation Committee	Tsutomu Okuda	Chairman and CEO of The Daimaru, Inc.
Independent Director Member of Auditing Committee	Yuko Kawamoto	Professor of Waseda Graduate School of Finance, Accounting and Law Member of the Board, Osaka Securities Exchange Co., Ltd. Director of Monex Beans Holdings, Inc.
Independent Director Head of Appointments Committee	Shusai Nagai	Corporate Auditor of Nippon Soda Co., Ltd. Director of Saitama Resona Bank, Ltd. (Independent)

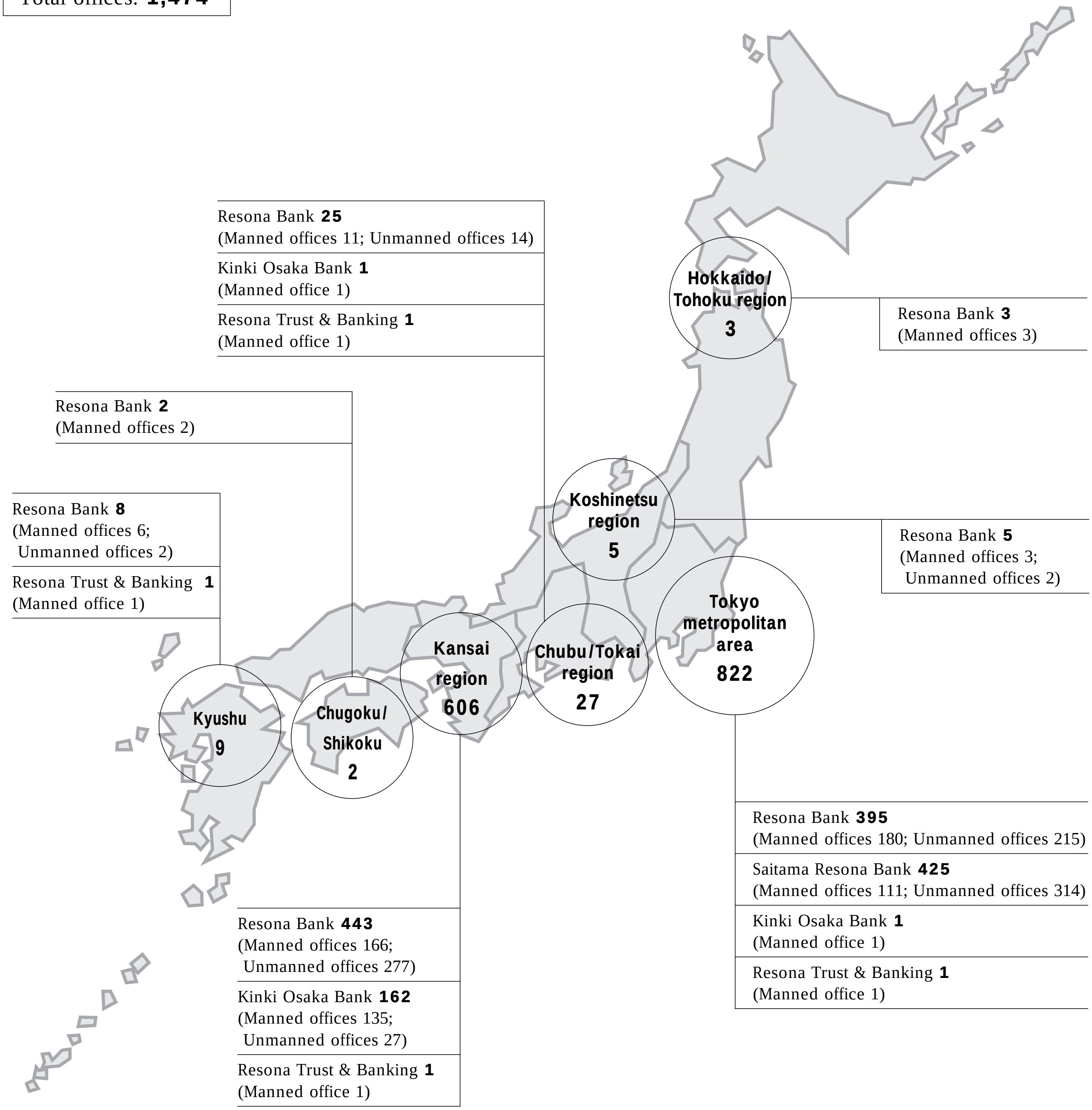
■ Executive Officers

Post	Name	Concurrent Post
Executive Officer	Masaaki Nomura	Representative Director, President and Executive Officer of Resona Bank, Ltd.
Executive Officer	Kenji Kawada	Representative Director and President of Saitama Resona Bank, Ltd.
Executive Officer	Yoshihito Kikyo	Representative Director and President of The Kinki Osaka Bank, Ltd.
Executive Officer	Takashi Tanaka	Representative Director, President and Executive Officer of Resona Trust & Banking Co., Ltd.
Executive Officer	Shinya Watanabe	Managing Executive Officer of Resona Bank, Ltd. Representative Director and President of Resona Research Institute Co., Ltd.
Executive Officer	Susumu Ishii	Representative Director, President of Resona Business Service Co., Ltd.
Executive Officer	Shigeharu Nakamura	Director and Senior Management Executive Officer of Resona Bank Ltd.
Executive Officer	Makoto Fukai	
Executive Officer	Kazuma Yamaoka	Managing Executive Officer of Resona Bank, Ltd. Director of Saitama Resona Bank, Ltd. (part-time) Representative Director and President of Resona HR Support Co., Ltd.
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	Naoki Iwata	Managing 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 March 31, 2006

Total offices: **1,474**



Domestic Branches

(As of March 31, 2006)

	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	Resona Trust & Banking	Total of the four banks	Including: Tokyo metropolitan area	Including: Kansai region
Manned offices	371	111	137	4	623	293	302
Unmanned offices	510	314	27		851	529	304
Total offices	881	425	164	4	1,474	822	606

International Network

As of August 1, 2006

Resona Bank, Ltd.

■ ASIA

Hong Kong Representative Office
Unit 01, 6/F.,
Tower1, Lippo Centre
89 Queensway Admiralty,
Hong Kong, S.A.R.,
The People's Republic of China
Phone: 852-2532-0500
Fax: 852-2522-5378

Singapore Representative Office
137 Market Street,
#07-01 Bank of East Asia Building,
Singapore 048943,
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
Fax: 62-21-5701936
SWIFT: BPIAIDJA

Cikarang Sub-Branch
2nd Floor,
EJIP Center Building,
EJIP Industrial Park Plot 3A,
Cikarang Selatan,
Bekasi, West Java, 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

MM 2100 Sub-Branch
Ruko Mal Bekasi Fajar Block D
No. 8, MM2100 Industrial Town,
Cikarang Barat, Bekasi,
West Java, Indonesia
Phone: 62-21-89982151
Fax: 62-21-89982943

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

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2-1, Bingomachi 2-chome,
Chuo-ku, Osaka 540-8610, Japan
Phone: 81-6-6271-1221
SWIFT: DIWAJPJT

Tokyo Head Office
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8106,
Japan
Phone: 81-3-3287-2111
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
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Urawa-ku, Saitama 330-9088, Japan

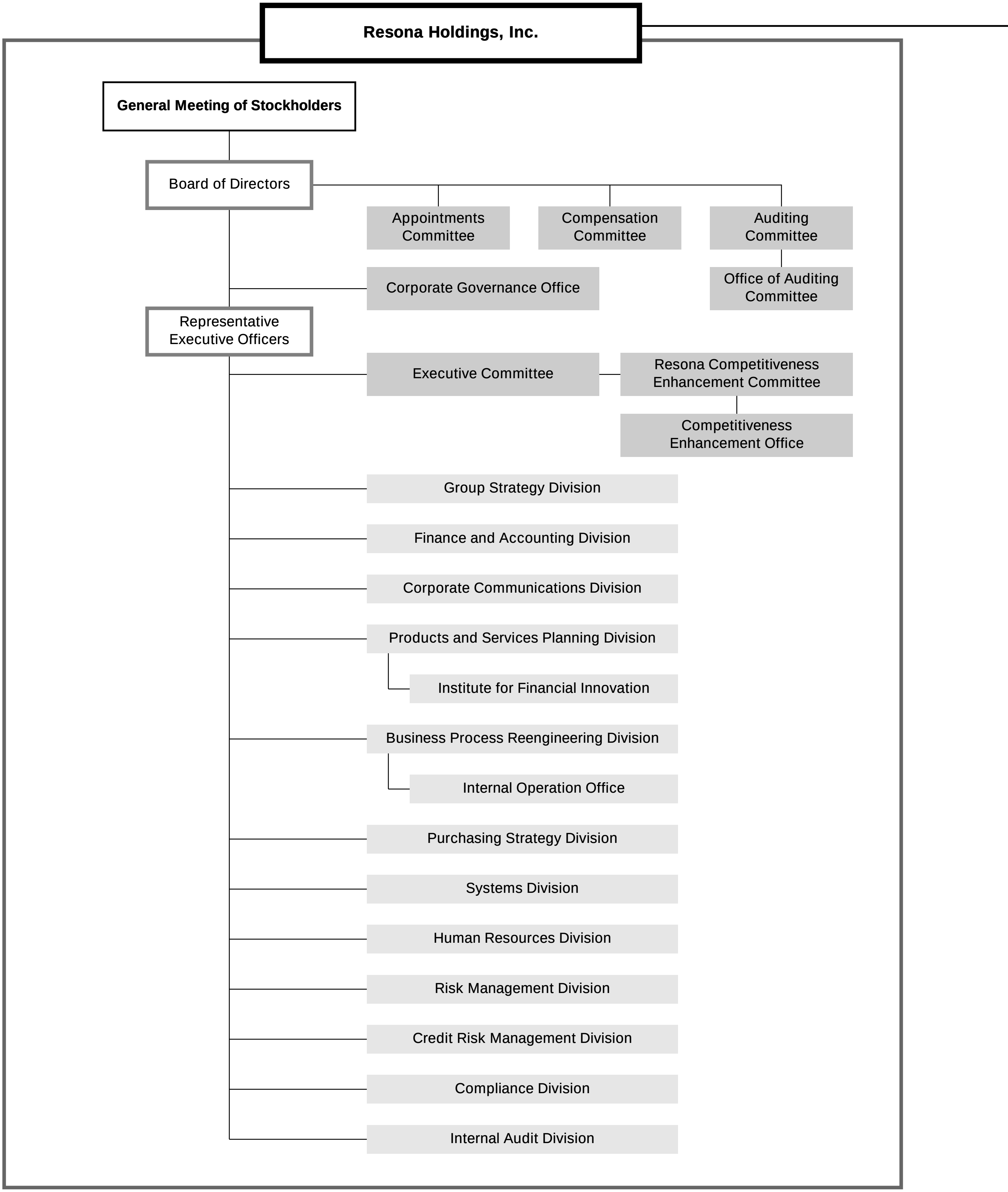
Tokyo Office
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8106, Japan

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, 2006



Resona Holdings' Ownership: 100%
Resona Bank, Ltd.
Banking and trust banking business

Resona Holdings' Ownership: 100%
Saitama Resona Bank, Ltd.
Banking business

Resona Holdings' Ownership: 100%
The Kinki Osaka Bank, Ltd.
Banking business

Resona Holdings' Ownership: 100%
Resona Trust & Banking Co., Ltd.
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 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
■ Kinki Osaka Shinyo Hosho Co., Ltd.	Chuo-ku, Osaka-shi	¥6,397	Credit guarantee	Mar. 17, 1995	99.9
■ Resona Research Institute Co., Ltd.	Chuo-ku, Osaka-shi	¥100	Business consulting services	Oct. 1, 1986	92.4
▲ 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	43.4
Finance-related business					
■ Resona Card Co., Ltd.	Chuo-ku, Tokyo	¥1,000	Credit card administration	Feb. 12, 1983	58.2
■ Resona Capital Co., Ltd.	Chuo-ku, Tokyo	¥4,500	Venture capital business	Mar. 29, 1988	82.2
■ Resona Kessai Service Co., Ltd.	Chuo-ku, Tokyo	¥1,000	Factoring	Oct. 25, 1978	100.0

■ Consolidated subsidiaries
▲ Affiliates accounted for by the equity method

Investor Information

As of March 31, 2006

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)
295,795

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 ShinNihon
Deloitte Touche Tohmatsu

Number of Employees
16,123 (Consolidated)
381 (Non-consolidated)

Common Stock/Preferred Stock

(Number of shares)

	Authorized (End of June 2006)	Issued (End of June 2006)
Common Stock	73,000,000	11,399,094.917
Class B No. 1 Preferred Stock	680,000	680,000
Class C No. 1 Preferred Stock	120,000	120,000
Class D No. 1 Preferred Stock	120	120
Class E No. 1 Preferred Stock	240,000	240,000
Class F No. 1 Preferred Stock	80,000	80,000
Class one No. 1 Preferred Stock	2,750,000	2,750,000
Class two No. 1 Preferred Stock	2,817,808	2,817,807.861
Class three No. 1 Preferred Stock	2,750,000	2,750,000
Class four No. 1 Preferred Stock	100,000	—
Class five No. 1 Preferred Stock	100,000	—
Class six No. 1 Preferred Stock	100,000	—
Class seven No. 1 Preferred Stock	100,000	—
Class eight No. 1 Preferred Stock	100,000	—
Class nine No. 1 Preferred Stock	100,000	—
	83,037,928	20,837,022.778

Stock Price Range on the Tokyo Stock Exchange

(First Section) (Yen)

	2005				2006						
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
High	¥305,000	¥339,000	¥406,000	¥499,000	¥484,000	¥463,000	¥421,000	¥430,000	¥399,000	¥362,000	¥383,000
Low	229,000	266,000	343,000	385,000	374,000	370,000	371,000	383,000	314,000	318,000	341,000

Major Shareholders

	Number of shares held	Percentage of total shares issued
Deposit Insurance Corporation of Japan	5,648,239.000	49.54
Japan Trustee Services Bank, Ltd.	370,323.660	3.24
The Master Trust Bank of Japan, Ltd.	165,858.900	1.45
Japan Securities Finance Co., Ltd.	101,352.000	0.88
Trust & Custody Services Bank, Ltd.	98,829.000	0.86
The Dai-ichi Mutual Life Insurance Company	98,313.250	0.86
Nomura Holdings, Inc.	79,049.250	0.69
Daido Life Insurance Company	70,432.000	0.61
Nippon Life Insurance Company	58,374.953	0.51
Tokio Marine & Nichido Fire Insurance Co., Ltd.	55,656.000	0.48
Total	6,746,428.013	59.18

Contact:

Corporate Communications Division
Resona Holdings, Inc.
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Resona Holdings

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