RESONA

Resona Holdings, Inc.

ANNUAL REPORT 2007

Corporate Profile

Company Name:	Resona Holdings, Inc.
Head Office:	(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
Chairman:	Eiji Hosoya (Concurrently serve as Chairman of Resona Bank, Ltd.)
President:	Seiji Higaki
Establishment:	December 12, 2001
Paid-in Capital:	¥327.2 billion (As of March 31, 2007. Non-consolidated basis.)
Line of Business:	Management and supervision of banking and other subsidiaries as well as other ancillary activities
Stock Exchange Listings: (Common Shares)	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section)

Shares Issued and Outstanding (As of June 30, 2007)

	(shares)
Common Stock	11,399,335.917
Class B No. 1 Preferred Stock	272,202
Class C No. 1 Preferred Stock	120,000
Class D No. 1 Preferred Stock	60
Class E No. 1 Preferred Stock	9,576
Class F No. 1 Preferred Stock	80,000
Class One No. 1 Preferred Stock	2,750,000
Class Two No. 1 Preferred Stock	2,817,807.861
Class Three No. 1 Preferred Stock	2,750,000
Class Four Preferred Stock	25,200
Class Nine Preferred Stock	100,000

Credit Ratings (As of June 30, 2007)

Credit ratings for Resona Holdings and Resona Group banks as of June 30, 2007 are as follows:

	Long-term	Short-term
(Resona Holdings)	Long-term	Short-term
R&I	A-	–
(Resona Bank)	Long-term	Short-term
Moody's	A1	P-1
S&P	A-	A-2
R&I	A	a-1
JCR	A-	J-1
(Saitama Resona Bank)	Long-term	Short-term
Moody's	A1	P-1
R&I	A	–
JCR	A-	J-1
(Kinki Osaka Bank)	Long-term	Short-term
Moody's	A1	P-1
(Resona Trust & Banking)	Long-term	Short-term
Moody's	A1	P-1
JCR	A-	–

This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors. Important factors that might cause such a material difference include, but are not limited to, those economic conditions referred to in this material as assumptions. In addition, the following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material: business conditions in the banking industry, the regulatory environment, new legislation, competition with other financial services companies, changing technology, and evolving banking industry standards and similar matters.

Corporate Mission

The Resona Group aims at becoming a true "financial services group full of creativity". Towards this goal, the Resona Group will:

1) live up to customers' expectations,
2) renovate its organization,
3) implement transparent management, and
4) develop further with regional societies.

The Resona Group's corporate name was derived from the Latin word *resonus* meaning "resonate" or "resound".

By adopting the corporate name Resona, we want to express our desire to build stronger ties with our customers by "resonating" or "resounding" with them.

We designed our Group logo to suggest the resonance between the "R" in Resona and the "R" in the Resona Group's key word "Regional". We then enclosed the two "Rs" inside a perfect circle to express a sense of security and trust. We chose green as our principal Group color because it suggests "gentleness" and "transparency" and orange as the Group's sub-color to create a sense of "familiarity" and "warmth".

Resona Way (Resona Group Corporate Promises)

Customers and "Resona"

Resona cherishes relationships with customers.

- The Resona Group offers its customers services with integrity for their joy and happiness, placing highest priority on winning their confidence in Resona.
- The Resona Group makes every effort to respond fully to the needs of customers by offering high-quality services.
- The Resona Group always welcomes customers with gratitude.

Shareholders and "Resona"

Resona cherishes relationships with shareholders.

- The Resona Group aims at maximizing its corporate value by implementing sound management based on a long-term perspective.
- The Resona Group returns an appropriate amount of sound profits to its shareholders.
- The Resona Group seeks to offer timely solutions to customer needs in all situations, endeavors for transparent management, and actively upgrades its disclosure.

Society and "Resona"

Resona places importance on its ties with society.

- The Resona Group makes every effort for an extensive number of citizens to acknowledge the significance of Resona's existence.
- The Resona Group observes every rule of society.
- The Resona Group contributes to regional societies as a good corporate citizen.

Employees and "Resona"

Resona highly regards employees' dignity and personality.

- The Resona Group creates a workplace where employees can take pride in being a member of Resona.
- The Resona Group thinks highly of its employees' mind-set and endeavors to make the Group's business atmosphere challenging and creative.
- The Resona Group cherishes each employee's dignity and personality and evaluates ability and achievement in a fair manner.

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Message from the Chairman

Thank you very much for your continued patronage of the Resona Group.

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". The "Hop" stage, a period of intensive revitalization, ended on March 31, 2005, with the completion of restructuring focused on financial reform. In the "Step" stage that followed, we engaged in various reforms aimed at advancement under the theme of strengthening capabilities to sell products and services. Fiscal 2006 (the year ended March 31, 2007) results, which represent the cumulative achievements of the "Step" stage, significantly outperformed our initial targets, with consolidated net income of ¥664.8 billion, which I believe clearly demonstrates that we have achieved profitable operations that are sustainable.

In November 2006, we unveiled our new Business Revitalization Plan, a plan for the "Jump" stage in which we will conclude the Resona reforms that have been carried out thus far. The new plan prioritizes the use of a thorough differentiation strategy to effect sustainable growth so that we can repay public funds early.

In January 2007, we took the first step for the full-scale repayment of public funds by repurchasing and canceling public fund preferred shares worth ¥532.7 billion on an infusion amount basis. Looking ahead, we are bolstering efforts aimed at the early repayment of public funds by accumulating retained earnings through steady improvements to profitability.

In the interest of easy-to-read and understandable disclosure information, we have revised the structure of our disclosure reporting. We hope that this is of some help in facilitating understanding of the Group's management direction, CSR initiatives, and results.

The Resona Group will engage in further reforms with an eye to becoming the favorite bank of customers. We would appreciate your continued support and encouragement.

July 2007

Eiji Hosoya

Chairman and Representative Executive Officer
Resona Holdings, Inc.

Message from the President

I would like extend my heartfelt thanks to everyone for their patronage of the Resona Group.

Four years have passed since our capital increase through the injection of public funds in June 2003.

In that time, we have engaged in bold restructuring centered on financial reform and have carried out various management reforms aimed at our evolution as a financial services company.

Specifically, we have introduced the Area Management System with the objective of developing relationship banking, adopted an alliance strategy that involves the external procurement of competitive products and services that meet our customers' needs, carried out a series of operational reforms that seek fulfillments of enhanced marketing capabilities and low-cost operations simultaneously, and engaged in service reforms with a view to gaining the support of our customers. These reforms have paid off, enabling us to exhibit commensurate ability in business areas where we are strong–such areas of personal banking business as investment product sales and housing loans–as well as real estate and pension trust operations.

As a result, in fiscal 2006 we raised our earnings for the third consecutive year, enabling us to take the first step of the full-scale repayment of public funds.

Moving forward, while keeping a priority on the repayment of public funds, we will further promote management reform that will result in a sound, strong bank group that has the high regard and trust of its customers. We look forward to having your continued support and encouragement.

July 2007

Seiji Higaki

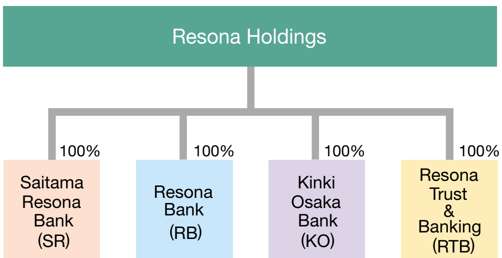
President and Representative Executive Officer

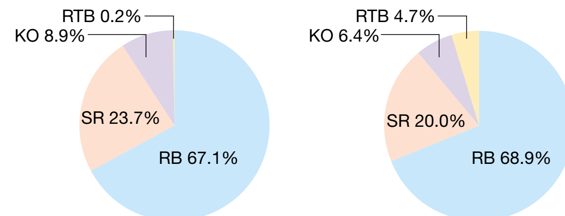
Resona Group at a Glance

Resona Group's Structure

The Resona Group, with Resona Holdings acting as the Group holding company, is a financial services group comprising three commercial banks and one trust bank.

Corporate Structure





Total Assets(1) ¥40.9 trillion

Actual net business profit(2) ¥382 billion

(1) Aggregate of 4 bank subsidiaries as of Mar. '07. Consolidated basis
(2) Aggregate of 4 bank subsidiaries as of Mar. '07. Non-consolidated basis

Competitive Strengths of Resona Group

(1) Franchise value

The Resona Group's key markets are the greater Tokyo metropolitan area and the Kansai region, where Japan's largest clusters of population and industry are concentrated. Our presence in the greater Tokyo metropolitan area and the Kansai region is solid, and our branch network rivals those of the megabanks in these two highly promising markets, thus positioning us well to continue to build our retail banking business. Our share of deposits and loans in Saitama Prefecture, in particular, is approximately 40%, and our share of deposits and loans in Osaka Prefecture is nearly 20%.

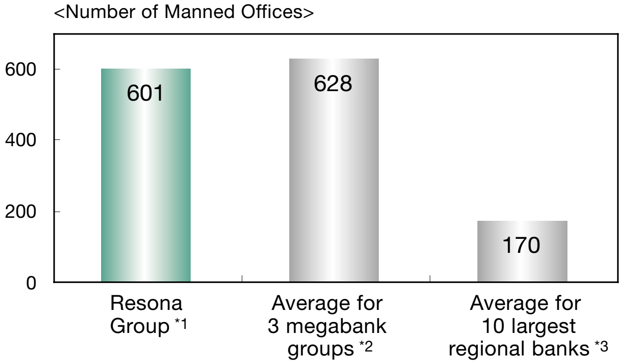
Franchise Value

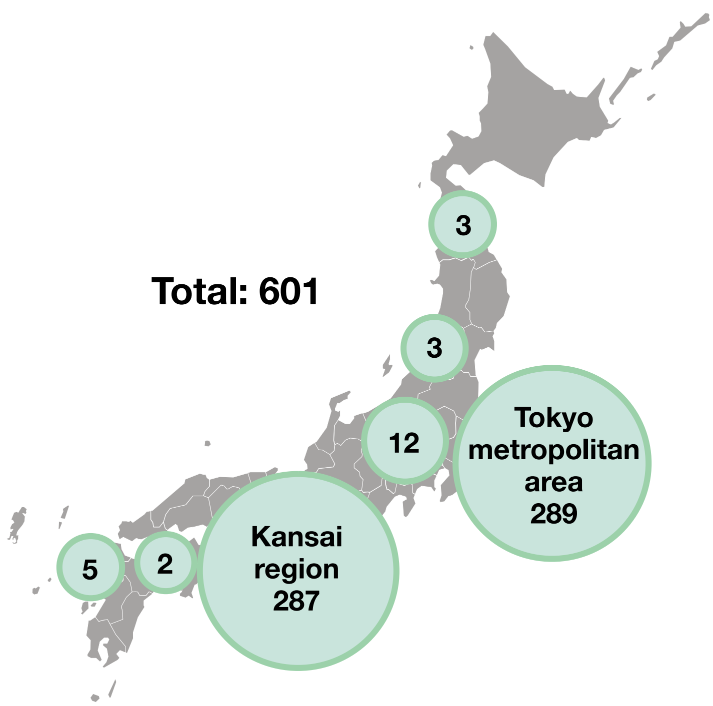
- Solid presence in the Tokyo metropolitan area and the Kansai region where economic activities, industries, and population are highly concentrated

	Deposit Share	Loan Share
Tokyo metropolis	5.1%	5.1%
Saitama Pref.	39.9%	43.0%
Kanagawa Pref.	4.1%	8.8%
Osaka Pref.	19.6%	19.2%
Nara Pref.	9.9%	15.1%

- Branch network comparable in size to megabanks

<Number of Manned Offices>





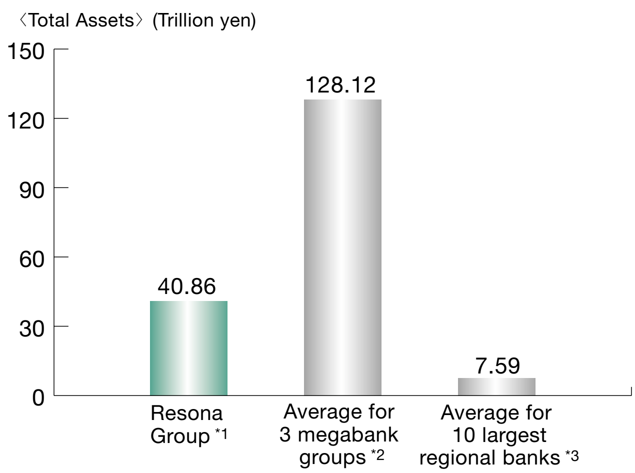
*1. Total of 4 Group banks (RB, SR, KO, and RTB)
*2. MUFG (BTMU + MUTB), Mizuho FG (Mizuho BK, Mizuho CBK), SMFG (SMBC)
*3. 10 largest regional banks in terms of non-consolidated total assets (Yokohama, Chiba, Shizuoka, Fukuoka, Joyo, Nishinihon City, Kyoto, Hiroshima, 82th, and Gunma)

(2) Economies of scale

With aggregate consolidated assets of around ¥40 trillion, the Resona Group ranks as Japan's fourth-largest financial group by asset size. Even though the Resona Group is closely focused on retail operations, its operational efficiency, as measured by using the cost income ratio, is comparable to those of the megabanks.

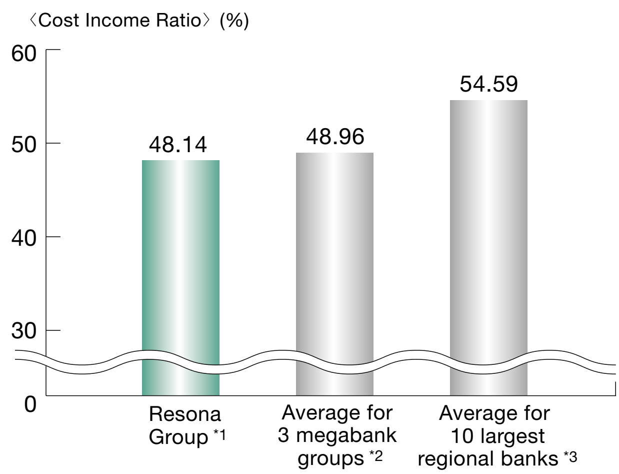
Scale Merit

- 4th largest banking group in Japan, with ¥40 trillion in assets



- Operational efficiency comparable to megabanks

Assets and operations sizeable enough to pursue economies of scale

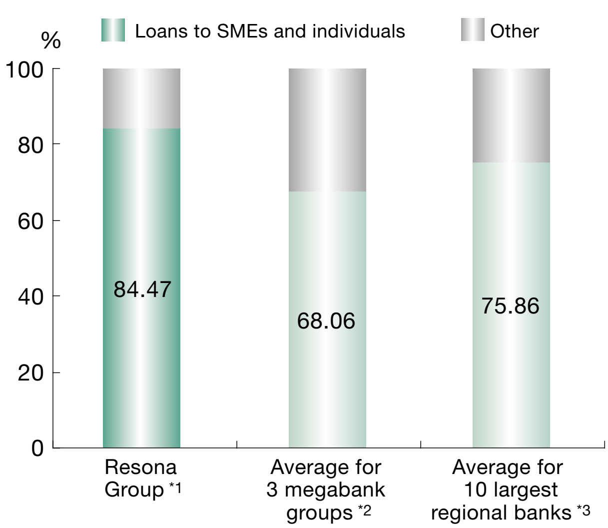


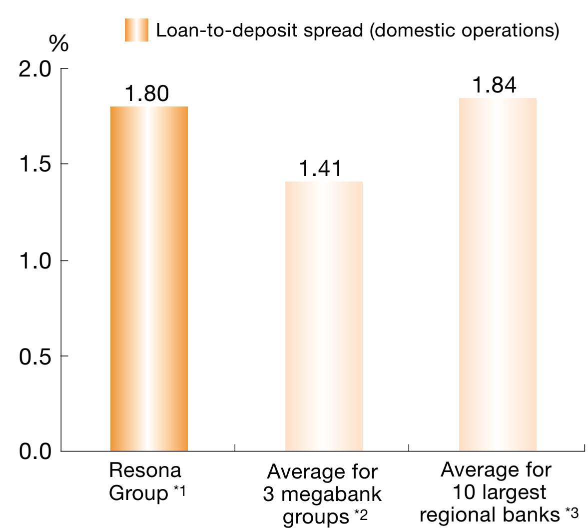
(3) Focus on retail banking business

More than 80% of our total loan portfolio consists of lending to small and medium-sized enterprises (SMEs) and individuals. We have achieved superior credit risk control and a favorable loan-to-deposit interest spread by systematically diversifying our loan portfolio over our broad retail customer base.

Focus on Retail Banking Business

- Lending to SMEs and individuals accounts for more than 80% of the entire loan portfolio
- Credit risk control and favorable loan-to-deposit spread realized through the loan portfolio diversified into small lots





Resona's Differentiation Strategy

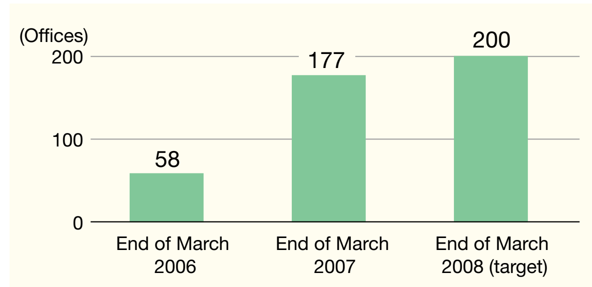
I. Operations Reforms

Rather than use conventional bank premises, Resona Bank is refurbishing its branch offices as next-generation branch offices that emphasize customer service and efficient clerical work processes. As of the fiscal 2006 year-end, 177 outlets had been transformed into a next-generation type, and we plan to raise that number to 200 by the end of March 2008.

Furthermore, we are steadily advancing the shift of employees to marketing activities through a review of our business processes and the consolidation of back-office operations and had 332 storefront fund management consultants as of the fiscal 2006 year-end.

Through these operational reforms, we aim to focus our energies on establishing a low-cost operations framework by promoting further efficiency in clerical operations at branch offices and minimizing processing errors by raising the ratio of the clerical processes done by computer systems.

Number of Next-Generation Branch Offices (Resona Bank)



1 Enhancing Responsiveness and Maximizing Profits of Branch Offices through Operational Reforms

Redefine branch offices as places for sales by detaching the back-office functions

Improvements in per-head productivity
- Next-generation branch offices
- Establishment of storefront fund management advisers
- Effective utilization of customer information (CRM system)

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Strengthen sales force

Surplus personnel created by operational reform will be shifted to sales divisions

→ **Maximization of profits at branch offices through enhanced marketing responsiveness**

2 Break Away from High-Cost Structure Inherent in Retail Banking Business

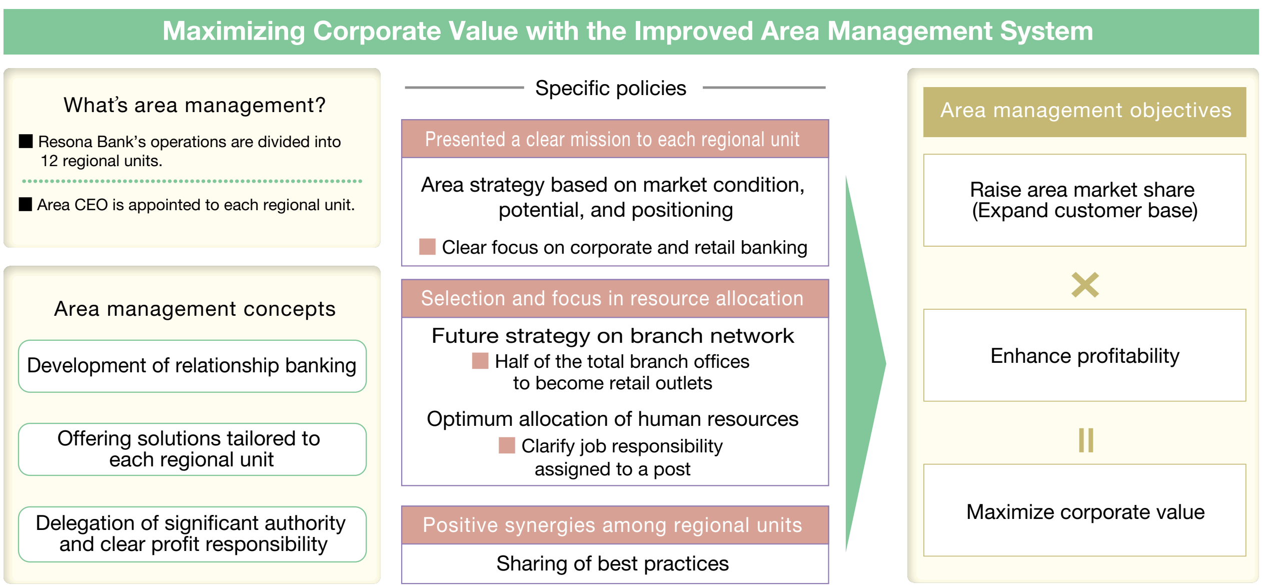
Enhance efficiency in clerical work flow
- Branch-office reform → Promotion of automatic processing, self-processing
- Back-office reform → Creation of regional centers for back-office work
- Communication reform → From paper-based to web-based communication

Objectives
- Shift to clerical processes based on bank cards, telephones, and the Internet → Processing without involvement of branch offices
- Minimizing processing errors by raising the ratio of automated processing utilizing IT systems

II. Area Management System

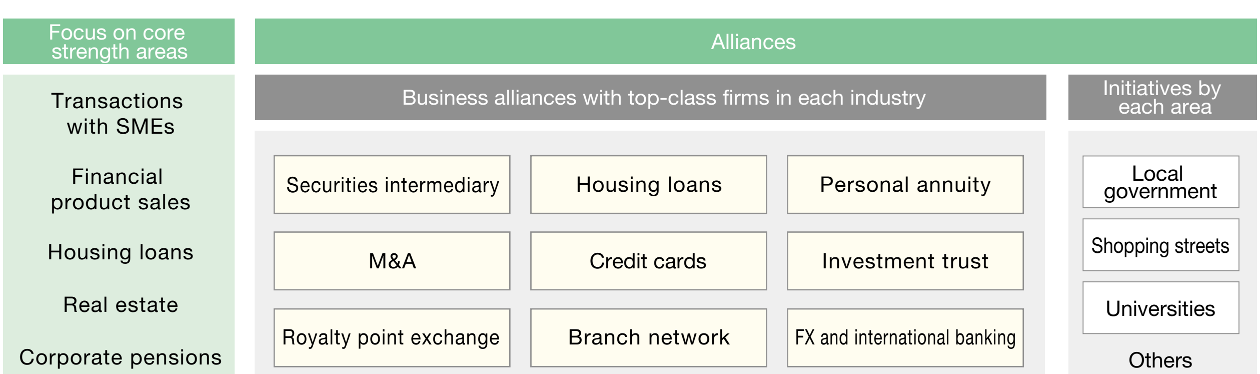
Resona Bank has an Area Management System, under which it has divided the country into 12 areas. Each area has a CEO, and significant decision-making authorities that had been traditionally held by the Head Office were delegated to the area CEOs. This framework enables each area to be autonomous and work independently, forming relationships with customers and offering solutions that are tailored to a particular area, enabling their steady success.

In this way, top management has become familiar with the characteristics of the 12 areas, and can more easily allocate management resources with these characteristics in mind. In fiscal 2007, we plan to clarify our mission in each of the areas based on their characteristics, potential, and positioning among all 12 areas. At present, outlets targeting individuals make up approximately one-third of all outlets; we aim to increase the number of individual-oriented outlets to half of all outlets within three years. With regard to processing, we will clarify all processes and actively promote the employment of a diverse range of people, including women and senior citizens, primarily for personal banking business.



III. Alliances

We are continuing to promote our existing alliance strategy. Principal alliances made in fiscal 2006 include a tie-up with Travelex on foreign exchange services as well as tie-ups with Korea Exchange Bank and State Bank of India for our corporate customers conducting business in Korea and India to receive international banking services from these banks.



Financial Review

Selected Financial Data (Consolidated)

Resona Holdings, Inc. and Consolidated Subsidiaries

Fiscal Years Ended March 31: Billions of Yen

	2007 (A)	2006 (B)	2005	2004	2003	Change (A) - (B)
Scope of consolidation and application of the equity method:						
Consolidated subsidiaries	**21**	36	36	49	64	(15)
Affiliated companies accounted for by the equity method	**2**	2	2	4	7	–
Total	**23**	38	38	53	71	(15)
Income statement data:						
Net interest income	**563.7**	549.8	542.3	561.2	599.1	13.8
Trust fees	**40.4**	36.6	35.1	32.7	37.7	3.7
Net fees and commissions	**157.0**	144.4	121.1	119.8	112.2	12.6
Net trading income	**21.5**	4.9	20.6	24.9	23.5	16.5
Net other operating income	**22.5**	32.7	43.8	36.1	129.1	(10.2)
Total operating income	**805.2**	768.6	763.1	775.0	901.8	36.5
General and administrative expenses	**384.6**	384.0	382.0	510.0	597.6	0.5
Net credit costs	**69.7**	6.2	62.8	1,396.2	547.0	63.4
Other gains (losses), net	**74.8**	24.1	70.1	(167.1)	(283.5)	50.7
Income (loss) before income taxes and minority interests	**426.0**	402.5	389.5	(1,293.9)	(524.1)	23.5
Income taxes-current	**12.4**	15.6	9.0	7.9	10.7	(3.2)
Income taxes-deferred	**(263.6)**	(9.1)	2.3	357.9	300.7	(254.5)
Minority interests in net income (loss) of subsidiaries	**12.3**	12.6	12.6	4.0	1.8	(0.2)
Net income (loss)	**664.8**	383.2	365.5	(1,663.9)	(837.6)	281.6
Balance sheet data:						
Trading assets	**370.8**	678.8	708.3	556.8	512.7	(307.9)
Securities	**7,595.2**	8,021.9	7,278.6	7,636.1	6,469.9	(426.7)
Loans and bills discounted	**26,252.8**	26,209.6	25,315.7	26,002.9	29,170.5	43.2
Deferred tax assets	**309.2**	3.5	45.5	52.9	522.9	305.7
Customers' liabilities for acceptances and guarantees	**1,075.5**	1,721.2	1,762.0	1,965.2	2,273.3	(645.6)
Reserve for possible loan losses	**(543.1)**	(538.4)	(627.0)	(1,020.5)	(801.3)	(4.6)
Total assets	**39,985.6**	40,399.5	39,563.3	39,841.8	42,891.9	(413.8)
Deposits, including negotiable certificates of deposit	**33,531.3**	33,320.9	33,003.5	33,344.9	35,310.6	210.3
Trading liabilities	**115.3**	71.0	39.0	45.5	44.0	44.2
Borrowed money	**993.2**	241.9	498.4	578.3	720.6	751.3
Corporate bonds	**866.1**	763.4	555.9	363.1	381.5	102.7
Deferred tax liabilities	**0.0**	25.0	2.2	0.3	0.6	(25.0)
Acceptances and guarantees	**1,075.5**	1,721.2	1,762.0	1,965.2	2,273.3	(645.6)
Total liabilities	**38,015.5**	38,585.6	38,090.5	38,732.1	42,280.2	(570.0)
Minority interests in subsidiaries	**/**	156.8	286.3	296.6	300.8	/
Capital stock	**327.2**	327.2	327.2	1,288.4	720.4	–
Total net assets	**1,970.1**	/	/	/	/	/
Total shareholders' equity	**/**	1,657.0	1,186.4	813.0	310.8	/
Per share date (yen): *4						
Net assets per share *1	**(23,676.18)**	(78,499.52)	(120,562.76)	(151,659.01)	(103,764.46)	54,823.34
Net income (loss) per share	**53,933.18**	31,943.14	30,403.15	(181,051.22)	(154,664.74)	21,990.04
Diluted net income per share *2	**34,237.60**	17,053.00	14,036.31	–	–	17,184.60
Capital adequacy data (%): *3						
Tier I capital ratio	**6.51**	5.95	5.27	3.92	1.91	0.56
Total capital adequacy ratio	**10.56**	9.97	9.74	7.74	3.78	0.59
Other data:						
Return on equity (%)	**38.3**	–	–	–	–	38.3
Price earnings ratio (×)	**5.87**	12.67	7.07	–	–	(6.80)
Cost income ratio (%)	**47.76**	49.96	50.06	65.81	66.27	(2.19)
Net deferred tax assets as a percentage of Tier I capital (%)	**19.93**	(1.51)	3.62	5.85	99.39	21.44
Number of employees	**16,245**	16,123	16,260	18,025	23,692	122
Trust assets under management and custody	**34,203.0**	30,041.3	27,435.4	25,719.8	25,154.8	4,161.6

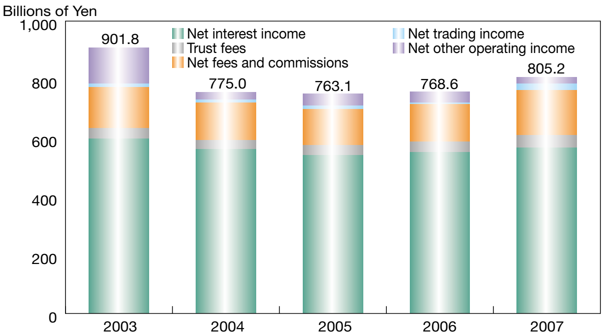
*1 In accordance with revisions to the Business Accounting Standards Implementation Guidance No. 4, from the fiscal year ended March 31, 2007, net assets per share include deferred gains or losses on derivatives qualified for hedge accounting.

*2 Diluted net income per share is not calculated for the accounting years in which the Company posted a consolidated net loss.

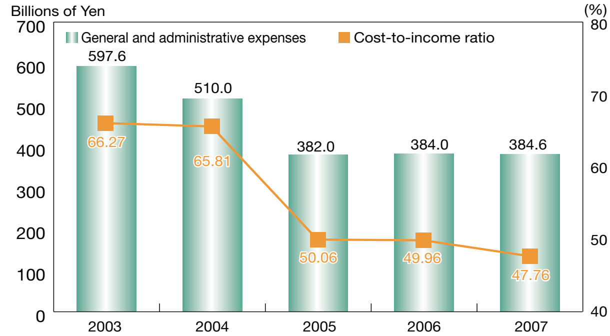
*3 Pursuant to the Basel II amended rules with respect to minimum capital requirements, new guidelines in Japan implementing the amended risk weight calculations of Basel II became effective from March 31, 2007. The new guidelines have changed the risk weight calculations by, among others, applying the risk weight according to external credit ratings of borrowers.

*4 On August 2, 2005, the Company implemented a reverse split of shares, consolidating every 1,000 shares into one share for all outstanding common and preferred stock shares. For the sake of comparability, per share information presented for the fiscal years ended March 31, 2003, 2004, and 2005 were multiplied by 1,000 times for the sake of comparability of the numbers before and after the reverse split.

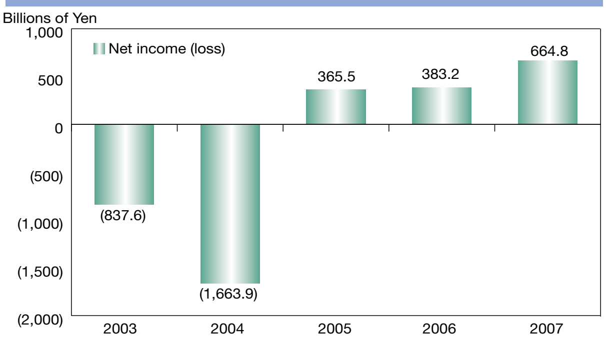
Five-Year Total Operating Income Trends



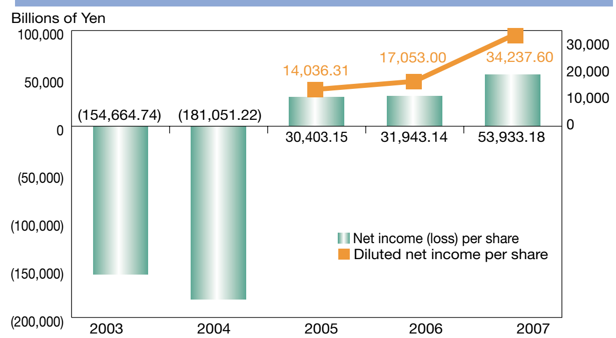
Five-Year G&A Expenses, Cost-to-Income Ratio Trends



Five-Year Net Income (Loss) Trends



Five-Year Net Income (Loss) per Share Trends



Total assets slipped ¥413.8 billion from the previous fiscal year-end, to ¥39,985.6 billion.

In assets, securities decreased ¥426.7 billion from the previous fiscal year-end, to ¥7,595.2 billion; however, loans and bills discounted rose ¥43.2 billion, to ¥26,252.8 billion. In addition, deferred tax assets rose ¥305.7 billion from the previous fiscal year-end, to ¥309.2 billion due to a change in the estimation period of future taxable income from one year to five years in relation to deferred tax assets to be stated on the consolidated balance sheet of the Company.

Customers' liabilities for acceptances and guarantees fell ¥645.6 billion from the previous fiscal year-end, to ¥1,075.5 billion, due to the fact that from the fiscal year under review, the customers' liabilities for acceptances and guarantees relating to private offerings of debentures by subsidiary banks' customers were offset with the corresponding acceptances and guarantees on the liabilities side.

Turning to the liabilities side of the balance sheets, deposits, which include negotiable certificates of deposit, rose ¥210.3 billion for a year-end balance of ¥33,531.3 billion. Corporate bonds and borrowed money increased ¥102.7 billion and ¥751.3 billion, respectively, for respective year-end balances of ¥866.1 billion and ¥993.2 billion.

Effective April 1, 2006, the Company adopted a new accounting standard for presentation of equity. Under the new standard, equity as of the end of March 2007 includes 1) shareholders' equity of ¥1,467.3 billion (which excludes certain items such as net unrealized gains on available-for-sale securities and foreign currency translation adjustments which had previously been included in shareholders' equity), 2) total valuation/translation adjustment of ¥344.4 billion (including those items referred to above which had previously been included in shareholders' equity, as well as deferred gains and losses on hedges which had previously been included in liabilities or assets), and 3) minority interests in consolidated subsidiaries of ¥158.3 billion (which had previously been presented as an item separate from liabilities and shareholders' equity), for total equity of ¥1,970.1 billion. The amount corresponding to the former shareholders' equity was ¥1,827.4 billion, up ¥170.4 billion from the previous fiscal year-end.

Looking at business performance, consolidated total operating income rose ¥36.5 billion, or 4.7%, from the previous fiscal year, to ¥805.2 billion. This breaks down into an increase in net interest income of ¥13.8 billion, or 2.5%, from the previous fiscal year; an increase in trust fees of ¥3.7 billion, or 10.2%; and a ¥12.6 billion, or 8.7%, rise in net fees and commissions. General and administrative (G&A) expenses were almost flat with the previous fiscal year, at ¥384.6 billion, and the cost to income ratio remained stable at a low 47.76%.

Net credit costs, gross credit expenses less gains from reversal of loan loss reserves, and gains from recoveries of written-off claims rose ¥63.4 billion from the previous fiscal year, to ¥69.7 billion. The increase was attributable to an increase in the provision for reserve for possible loan losses arising from the conservative policies adopted by subsidiary banks with regard to provision of loan loss reserves and write-offs. Decrease of gains from recoveries of written-off claims, a decline of ¥32.4 billion from a year earlier, also accounts for the increase in net credit costs. As a result of changing the period used to estimate future taxable income from one to five years in calculating deferred tax assets, income taxes-deferred declined ¥254.5 billion, to -¥263.6 billion (benefit), contributing to an increase in consolidated net income.

As a result of the aforementioned factors, consolidated net income rose ¥281.6 billion, or 73.4%, to ¥664.8 billion. Net income per share was ¥53,933.18.

Capital Adequacy Ratio (RHD Consolidated Basis)

Resona Holdings implemented the new Bank for International Settlements capital adequacy standards, known as Basel II, in fiscal 2006. The Resona Group has used the Standardized Approach to calculate its credit risk assets for the year ended March 31, 2007, the first year of transition to Basel II.

As the left side of the accompanying table shows, under the previous standards, we disclosed the factors that are responsible for the changes between the ratios as of March 31, 2006 and March 31, 2007. With respect to the increase in qualifying Tier I capital, Resona Holdings raised ¥63.0 billion through the issuance of Class Four Preferred Shares and retained earnings also rose, up ¥629.2 billion, due to healthy profits earned for the year. On the other hand Resona Holdings repurchased the existing public fund preferred shares at their estimated fair value of ¥570.0 billion in January 2007, and, as a result, retained earnings declined by the same amount. These factors combined resulted in a net increase of ¥122.2 billion in retained earnings, and total Tier I capital increased ¥138.8 billion from a year earlier.

Tier II capital increased ¥36.9 billion. Risk-weighted assets, the denominator in the capital adequacy ratio calculation, rose approximately ¥900 billion due to an increase in loans and stricter standards we newly adopted for risk-weighted asset calculations.

The right side of the accompanying table shows the differences resulting from the transition from Basel I to Basel II. As the numerator of the capital adequacy ratio calculation suggests, a gain on the sale of securitized housing loans has been deducted from Tier I capital, while ¥26.7 billion of securitization exposure has been deducted from total qualifying capital, for a total reduction in qualifying capital of ¥45.9 billion.

As for the risk-weighted assets, while an inclusion of operational risk accounts for an increase in risk-weighted

Capital Adequacy Ratio (Resona Holdings Consolidated Basis)

■Resona Holdings' consolidated capital adequacy ratio [Mar. 31, 2006] 9.97% (Basel Ⅰ) → [Mar. 31, 2007] 10.56% (Basel Ⅱ, SA)

YoY change based on the Basel I Std.

(¥ bn, %)

	Mar. 31, 2007 [Basel Ⅰ]	YoY change	Mar. 31, 2006 [Basel Ⅰ]
Capital adequacy ratio	10.31	+0.34	9.97
Tier I ratio	6.30	+0.35	5.95
Total qualifying capital	2,561.8	175.8	2,386.0
Tier I capital	1,564.5	138.8	1,425.7
Tier II capital	1,008.1	36.9	971.1
Deduction	10.8	(0.0)	10.9
Risk-weighted assets	24,831.2	900.5	23,930.7

Change due to a shift from Basel Ⅰ to Basel Ⅱ (Mar. 31, 2007)

(¥ bn, %)

	Mar. 31, 2007 [Basel Ⅱ(SA)]	Change	Mar. 31, 2007 [Basel Ⅰ]
Capital adequacy ratio	10.56	+0.25	10.31
Tier I ratio	6.51	+0.21	6.30
Total qualifying capital	2,515.8	(45.9)	2,561.8
Tier I capital	1,551.7	(12.8)	1,564.5
Tier II capital	1,001.7	(6.4)	1,008.1
Deduction	37.5	26.7	10.8
Risk-weighted assets	23,803.3	(1,027.8)	24,831.2

assets of approximately ¥1.4 trillion, reduction of risk weights applicable to housing loans and loans to SMEs and individuals has led to a decline of approximately ¥2.4 trillion. These factors combined have resulted in a net decline in risk-weighted assets of approximately ¥1 trillion.

As a result of the aforementioned factors, the Group's capital adequacy ratio rose from 9.97% a year earlier under the former Basel I standards to 10.56% under the new Basel II standards, and the Tier I ratio similarly increased from 5.95% to 6.51%.

Total of Non-Consolidated Results of Four Group Banks

(Billions of Yen)

Fiscal years ended March 31		Total of four banks 2007 [A]	[A]-[B]	2006 [B]
Gross operating profit	1	735.9	42.3	693.6
Net interest income	2	544.6	16.8	527.8
Trust fees (after disposal of problem loans in the trust account)	3	40.4	3.7	36.6
<Disposal of problem loans in the trust account>	4	0.3	0.2	0.0
Net fees and commissions	5	107.0	15.9	91.0
Net trading income	6	20.5	17.5	3.0
Net other operating income	7	23.2	(11.7)	35.0
Operating expenses (excluding non-recurring items)	8	354.3	5.7	348.5
Personnel expenses	9	120.7	3.5	117.2
Non-personnel expenses	10	212.7	2.5	210.2
Taxes	11	20.7	(0.2)	21.0
Provision for general reserve for possible loan losses	12	4.4	8.0	(3.6)
Net operating profit	13	377.2	28.4	348.7
Actual net operating profit*1	14	382.0	36.8	345.2
Core net operating profit*2	15	374.5	17.0	357.4
Other gains or losses	16	9.2	21.3	(12.1)
Net gains (losses) on stocks	17	69.1	15.1	53.9
Gains on sale	18	103.7	41.4	62.2
Losses on sale	19	27.0	20.1	6.8
Losses on devaluation	20	7.6	6.1	1.5
Expenses related to disposal of problem loans	21	72.1	14.4	57.6
Write-off of loans	22	33.0	(7.8)	40.8
Provision for specific reserve for possible loan losses	23	43.0	25.0	17.9
Provision for special reserve for certain overseas loans	24	(0.0)	(0.0)	0.0
Other disposal of problem loans	25	(3.9)	(2.7)	(1.2)
Other	26	12.2	20.6	(8.3)
Ordinary profit	27	386.5	49.8	336.6
Extraordinary gains, net	28	21.4	(43.3)	64.7
Gains from reversal of credit-related expenses	29	30.0	(38.5)	68.6
Gains from reversal of loan loss reserves	30	5.3	(6.1)	11.4
Gains from recoveries of written-off claims	31	24.7	(32.4)	57.1
Losses on sales of premises and equipment	32	(1.0)	1.8	(2.9)
Losses on impairment on fixed assets	33	7.7	6.7	0.9
Other	34	0.1	0.0	0.1
Income before income taxes	35	407.9	6.5	401.4
Income taxes−current	36	18.3	8.8	9.5
Income taxes−deferred	37	(225.0)	(226.1)	1.1
Net income	38	614.6	223.8	390.7
Credit-related expenses (4, 12, 21, 29)	39	46.8	61.3	(14.5)

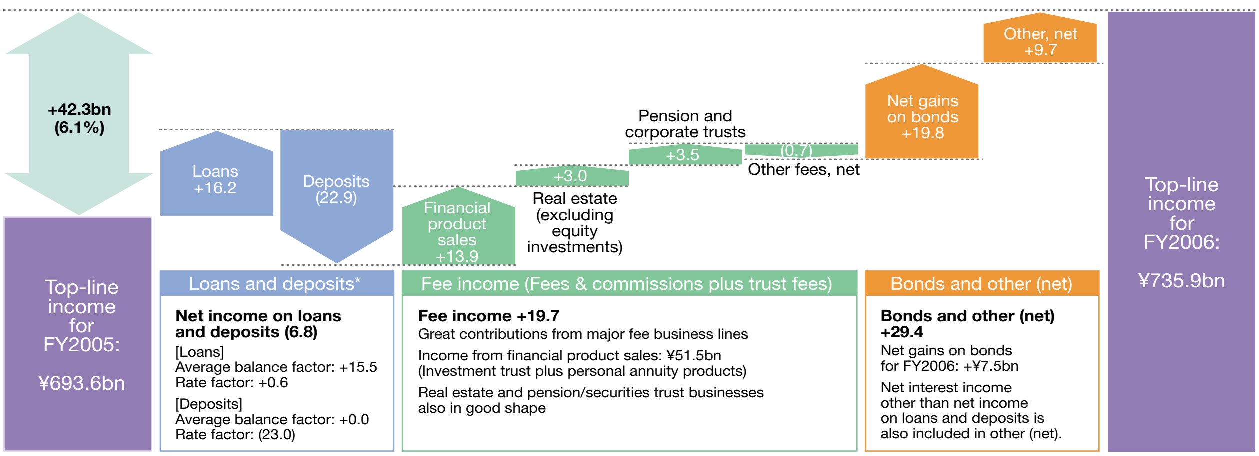
*1 Actual net operating profit: Net operating profit before provision for general reserve for possible loan losses and expenses related to problem loan disposal in the trust account.
*2 Core net operating profit: Actual net operating profit less bond-related income
*3 As for the total of general reserve for possible loan losses, specific reserve for possible loan losses and special reserve for certain overseas loans, if the amount of the reversal exceeds the amount of the addition during each period, the amount of such difference is accounted for as extraordinary gains.
*4 From the fiscal year ended March 31, 2007, income from certain trust assets is recognized on an accrual basis for the sake of more appropriate accounting of periodic profit and loss.

Principal Resona Group Business Trends

The sum of non-consolidated gross operating profit figures for the Resona Group's four banks increased ¥42.3 billion year on year, or 6.1%, in fiscal 2006. Below, we analyze factors with positive and negative impacts by principal business areas.

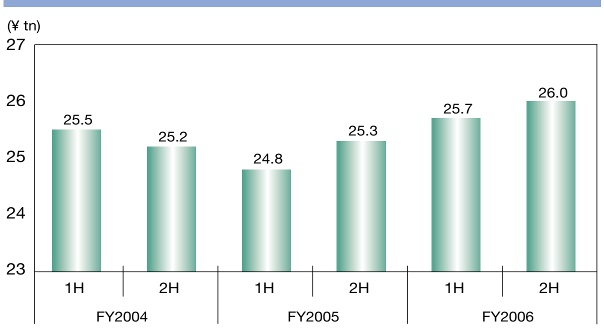
Analysis on Top-Line Income Growth (Total of Group Banks)

・Group banks' combined top-line income increased ¥42.3bn (+6.1%) from previous year



*Domestic operations (Deposits include NCDs.)

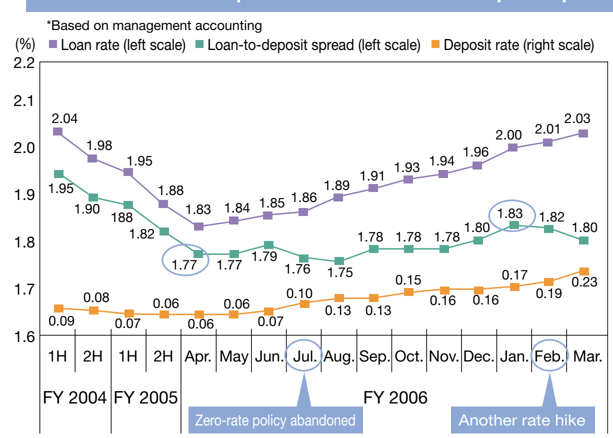
Trend of Loan Balance (Average Balance)



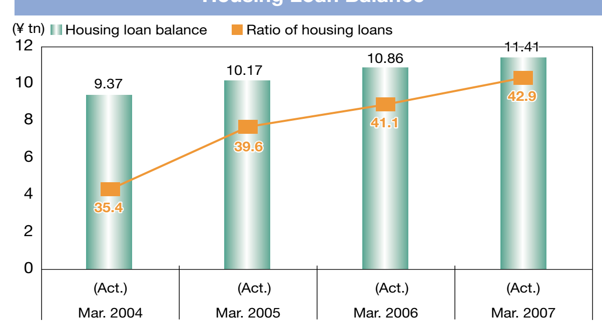
Net income from loans and deposits declined ¥6.8 billion from a year earlier. An increase in the average loan balance made a contribution, but was unable to offset an increase in deposit costs. This was because the subsidiary banks unanimously raised deposit rates first before they adjusted their lending rates when the Bank of Japan abandoned its zero interest rate policy and raised the policy rate by 0.25% in July 2006. In addition, it took some time for repricing for existing loans to take hold.

The year-end balance of housing loans, the Resona Group's biggest strength, increased ¥555.4 billion, or 5.1%, year on year, greatly outperforming other domestic bank averages, which have an annual growth rate of 2.5%. Furthermore, the Resona Group maintained a high level of

Trend of Loan and Deposit Rates and Loan-to-Deposit Spread



Housing Loan Balance



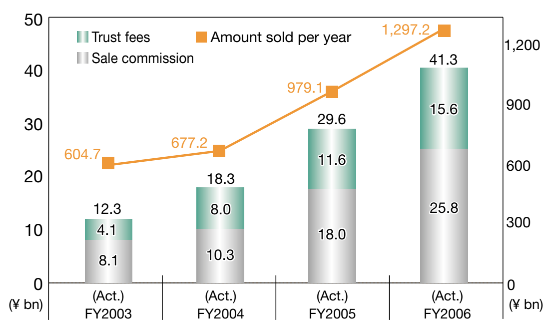
- Growth rate for year-end balance: 5.1% (domestic bank average: 2.5%)
- Origination of new loans sustained at high level: ¥1.66 trillion for fiscal 2006
- Ongoing market strength over the medium term
  Strong housing demand from second-generation baby boomers

business in this area, with new loans extended totaling ¥1.66 trillion for the year.

Looking at fee income, which is defined as fees and commission income plus trust fees, income increased ¥19.7 billion, or 15.4%, from the previous fiscal year. Income from sales of financial products—such as investment trusts, income from real estate business primarily from brokerage of commercial real estate, and income from pension and securities trust operations handled by Resona Trust & Banking—was all solid and contributed to growth of our fee income.

Sale of Investment Trusts

■ **Related income for FY2006 amounted to ¥41.3bn**



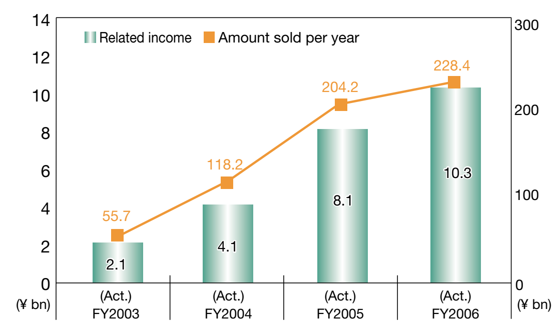
■ Introduced 29 new funds in FY2006
- Mega hit funds boosted up sales

■ Strengthen business infrastructure to promote sales
- Effective utilization of CRM system
- Redefine branch offices as places for sales activities
- Shift personnel from back office to front office

■ Compliance
- Adhere to Principle of Suitability, fulfill duty of explanation

Sale of Personal Annuity Products

■ **Grown to be an annual ¥10bn business**



■ Introduced 9 competitive products in FY2006
- New variable annuity products with specific return targets gained popularity

■ Continue introduction and abolition of products
- Expand competitive products toward lifting of the remaining ban on banks' sale of insurance products

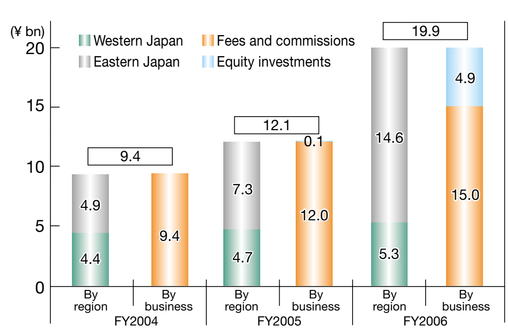
■ Strengthen sales staff
- Strengthen designated sales staff in cooperation with tie-up insurers

■ Compliance
- Adhere to Principle of Suitability, fulfill duty of explanation

Real Estate Business (Resona Bank)

■ Income from real estate business for FY2006: ¥19.9bn
(Highest record ever achieved by Resona Bank)

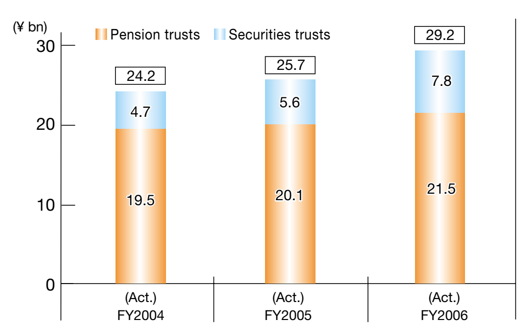
■ Branches in the Tokyo metropolitan area contributed greatly to the increase



Pension and Securities Trust Operations (Resona Trust & Banking)

■ Gross operating profits for FY2006: ¥29.2bn
- Pension trusts ¥21.5bn (+¥1.4bn)
- Securities trusts ¥7.8bn (+¥2.2bn)

■ Increase in entrusted assets contributed to an increase in revenue



Continued Improvements in Financial Soundness

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

(Includes Jointly Operated Designated Money Trusts, of which the principal is guaranteed by a Group bank)

		Billions of Yen		
March 31		2007 (1)	2006 (2)	Change (1)-(2)
Unrecoverable or valueless claims		**63.4**	63.4	0.0
Risk claims		**356.4**	292.6	63.8
Claims in need of special attention		**266.9**	354.7	(87.8)
Subtotal	(A)	**686.8**	710.8	(23.9)
Nonclassifed claims		**27,140.8**	27,088.5	52.2
Total claims	(B)	**27,827.6**	27,799.3	28.3
Ratio of classified claims (%)	(A)/(B)	**2.47**	2.56	(0.09)

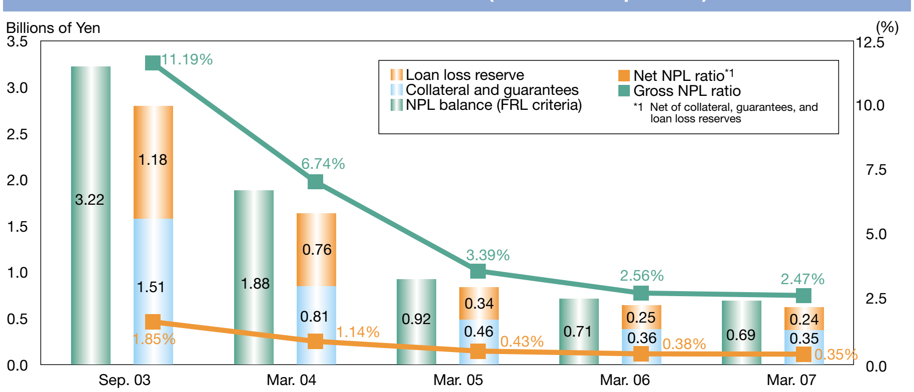
*Sum of non-consolidated figures for Resona Bank, Saitama Resona Bank, and Kinki Osaka Bank.

Reserve for Possible Loan Losses (Total of Group banks*)

	Billions of Yen		
March 31	2007 (1)	2006 (2)	Change (1)-(2)
General reserve for possible loan losses	**259.9**	263.9	(3.9)
Specific reserve for possible loan losses	**183.9**	176.4	7.5
Special reserve for certain overseas loans	**0.1**	0.1	(0.0)
Total reserve for possible loan losses	**444.0**	440.5	3.5
Reserve for write-off of loans in the trust account	**0.4**	0.5	(0.0)

*Sum of non-consolidated figures for Resona Bank, Saitama Resona Bank, and Kinki Osaka Bank.

NPL Balance and NPL Ratio (Total of Group banks)

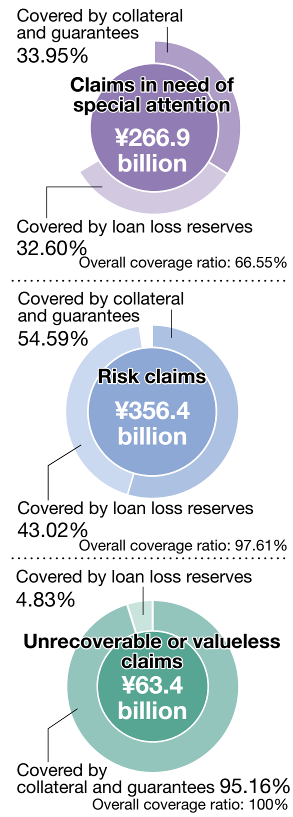


Risk Management Loans (Consolidated)

(Includes Jointly Operated Designated Money Trusts, of which the principal is guaranteed by a Group bank)

		Billions of Yen		
March 31		2007 (1)	2006 (2)	Change (1)-(2)
Loans to borrowers in legal bankruptcy		**20.4**	13.3	7.0
Past due loans		**407.6**	355.7	51.9
Loans past due three months or more		**12.0**	15.6	(3.5)
Restructured loans	(A)	**299.2**	407.6	(108.3)
Risk management loans	(B)	**739.5**	792.4	(52.8)

Coverage of Credit Exposure (as of March 31, 2007)

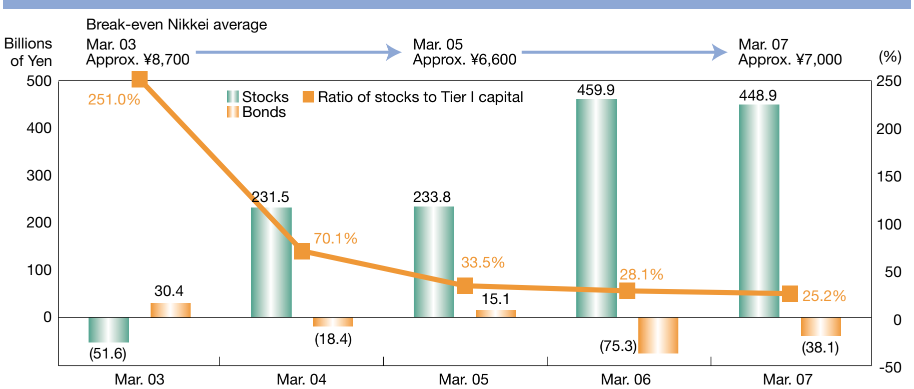


- Non-performing assets ratio for the three Group banks at fiscal 2006 year-end (Financial Reconstruction Law criteria) was 2.47%.
- Net non-performing assets ratio, net of loan loss reserves provided, pledged collateral, and guarantees was 0.35%.

Amortized Cost and Fair Value of Marketable Securities (Consolidated)

	Billions of Yen									
	2007					2006				
March 31	Amortized cost	Fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses	Amortized cost	Fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses
Securities being held to maturity:										
Japanese local government bonds	**148.4**	**148.0**	**(0.3)**	**0.5**	**0.9**	107.4	104.9	(2.5)	0.0	2.5
Total	**148.4**	**148.0**	**(0.3)**	**0.5**	**0.9**	107.4	104.9	(2.5)	0.0	2.5
Securities available-for-sale:										
Japanese stocks	**390.4**	**839.4**	**448.9**	**451.4**	**2.4**	400.9	860.9	459.9	463.5	3.6
Bonds	**4,951.7**	**4,913.5**	**(38.1)**	**1.4**	**39.6**	5,019.6	4,944.3	(75.3)	1.1	76.5
Japanese national government bonds	**3,927.6**	**3,894.7**	**(32.9)**	**0.8**	**33.7**	3,691.4	3,627.5	(63.9)	0.5	64.5
Japanese local government bonds	**311.5**	**308.7**	**(2.8)**	**0.3**	**3.1**	303.3	298.4	(4.9)	0.2	5.2
Japanese corporate bonds	**712.5**	**710.0**	**(2.4)**	**0.2**	**2.7**	1,024.8	1,018.3	(6.4)	0.3	6.7
Other	**1,054.4**	**1,076.5**	**22.1**	**49.6**	**27.4**	1,241.9	1,302.8	60.9	77.0	16.1
Total	**6,396.5**	**6,829.5**	**432.9**	**502.5**	**69.6**	6,662.6	7,108.1	445.4	541.7	96.2

Net Unrealized Gains (Losses) on Available-for-Sale Securities (Consolidated)

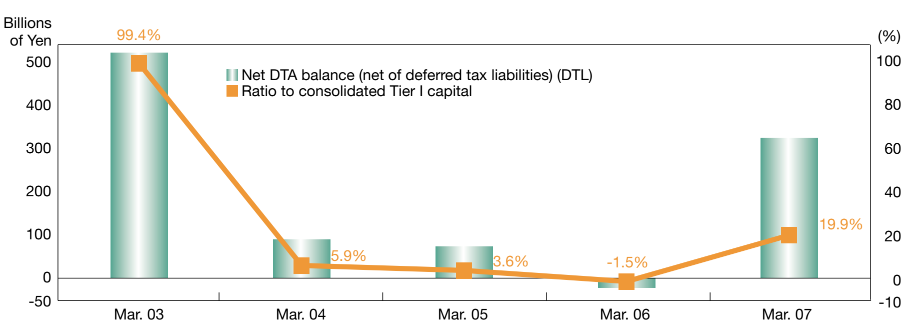


- Unrealized gains on stockholdings (available-for-sale category with market value) as of the end of March 2007 amounted to approximately ¥450 billion.
- Unrealized loss on bonds was approximately ¥40 billion.
- The ratio of stockholdings to consolidated Tier I capital declined to 25.2%.

Deferred Tax Assets (DTA) (Consolidated)

		Billions of Yen		
March 31		2007 (1)	2006 (2)	Change (1)-(2)
Deferred tax assets	(A)	**309.2**	3.5	305.7
Deferred tax liabilities	(B)	**0.0**	25.0	(25.0)
Net deferred tax assets	(C)=(A)-(B)	**309.2**	(21.5)	330.8
Consolidated Tier I capital	(D)	**1,551.7**	1,425.7	125.9
Ratio of net DTA to Tier I capital	(C) /(D) (%)	**19.9**	(1.5)	21.4

Net DTA Balance and Ratio to Tier I Capital



- Since stable profitability has been restored in the Resona Group's operations, Resona Group companies posted additional deferred tax assets on their balance sheets in fiscal 2006.
- Even after the inclusion of deferred tax assets, the ratio of deferred tax assets relative to Tier I capital was 19.9%, which satisfies the 20% cap regulation to be put in place from fiscal 2007 year-end.

Progress in Repayment of Public Funds and Direction of Future Capital Policies

I. Basic Policy toward Repayment of Public Funds

The Resona Group announced, on May 23, 2006, the following "Basic Policy toward Repayment of Public Funds".

(1) To secure a source of funds for repayment as soon as possible;

(2) To maintain an appropriate capital adequacy ratio; and

(3) To avoid dilution of common shares as much as possible.

II. Measures Taken for Early Repayment of Public Funds

1. Specific measures taken

Based upon the aforementioned basic policy, the Resona Group has defined fiscal 2006 as "a year to work toward full-scale implementation of repayment of public funds". To this end, the Group has endeavored to secure funds available for repayment as early as possible and has also commenced large-scale repayment as summarized below.

Date	Measures taken
May 23, 2006	Announcement of the "Basic Policy toward Repayment of Public Funds"
June 28, 2006	Approval of creation of the terms for new preferred shares (Classes Four to Nine) at the General Meeting of Shareholders
August 31, 2006	Issue of the Class Four Preferred Shares (total issue amount: ¥63 billion)
November 2, 2006	Partial repayment of the public fund perpetual subordinated loan (amount: ¥20 billion) borrowed under the Financial Function Early Strengthening Law
January 26, 2007	Repurchase and cancellation of the public fund preferred shares (total issue amount: ¥532.7 billion) issued under the Financial Function Early Strengthening Law
March 30, 2007	Request with respect to sale in the market of the public fund common shares issued under the Deposit Insurance Law
June 5, 2007	Issue of the Class Nine Preferred Shares (total issue amount: ¥350 billion)
June 13, 2007	Partial repayment of the public fund perpetual subordinated loan (amount: ¥35 billion) borrowed under the Financial Function Early Strengthening Law
July 20, 2007	Resolution to issue the Class Five Preferred Shares (total issue amount: ¥100 billion) (See page 18*)

During fiscal 2006, the Resona Group repaid ¥20 billion of the perpetual subordinated loan in November 2006 and repurchased and cancelled ¥532.7 billion (on the basis of issue prices) of the preferred shares in January 2007 (both of which were borrowed or issued under the Financial Function Early Strengthening Law). As a result of such repayments, the remaining balance of the public funds as of the end of March 2007 is as follows:

■List of Public Funds Received

(Billions of Yen)

	Amount Sept. 30, 2003 (1)	Amount June 30, 2007 (2)	Amount Repaid (2)-(1)
Total Public Funds Received	3,128.0	2,337.5	(790.4)
Preferred Shares	2,531.5	1,998.8	(532.7)
Early Strengthening Law	868.0	335.2	(532.7)
Class B No. 1	408.0	163.3	(244.6)
Class C No. 1	60.0	60.0	—
Class E No. 1	300.0	11.9	(288.0)
Class F No. 1	100.0	100.0	—
Deposit Insurance Law	1,663.5	1,663.5	—
Class One No. 1	550.0	550.0	—
Class Two No. 1	563.5	563.5	—
Class Three No. 1	550.0	550.0	—
Subordinated Loans	300.0	45.0	(255.0)
Financial Function Stabilization Law	200.0	—	(200.0)
Early Strengthening Law	100.0	45.0	(55.0)
Common Shares	296.4	293.7	(2.7)

*Amounts less than ¥0.1 billion are rounded down.

2. Progress in accumulation of funds available for repayment of public funds

Retained earnings on a Group-wide basis, which are considered to be the primary source of funds for repayment of public funds, amounted to ¥904.4 billion as of the end of March 2007, which exceeded the target under the Business Revitalization Plan by ¥74.8 billion (target under the Plan: ¥829.6 billion after adjustment to reflect the repurchase and cancellation of the preferred shares in January 2007).

Upon the issuance of the Class Nine Preferred Shares which were issued on June 5, 2007 (total issue amount: ¥350 billion), the Resona Group secured the total surplus funds (retained earnings plus other capital surplus) in the amount of ¥1,254.4 billion, which is equivalent to 62% of the remaining balance of the public fund preferred shares on the basis of their issue prices (¥1,998.8 billion).

[Class Nine Preferred Shares]

The Class Nine Preferred Shares are the only "convertible" preferred shares authorized to be issued under the Articles of Incorporation of Resona Holdings and have a number of features designed to limit the dilution of its common shares. Such features include those designed to limit the exercise of the Acquisition Rights by the holder thereof. In addition, when the common share price exceeds the prescribed threshold, the issuer (Resona Holdings) can exercise the Acquisition Clause (right to acquire the Class Nine Preferred Shares in exchange for a combination of cash and common shares).

III. Future Course of Capital Management

1. Target level of capital adequacy ratios

The targets of the consolidated capital adequacy ratio and the consolidated Tier 1 ratio of the Resona Group are 9% or more and 5% or more, respectively.

2. Quality of capital

Based on the issuance of the Class Nine Preferred Shares, Resona Holdings intends to maintain a high quality of capital primarily comprised of shareholders' equity even once it repurchases and cancels the existing public fund preferred shares.

3. Preferred dividends

Resona Holdings' basic approach toward the repayment of the public fund preferred shares is to repurchase and cancel them by utilizing accumulated retained earnings and to refinance them with new preferred shares to be issued. Resona Holdings will make efforts to ensure that total preferred dividends on such new preferred shares will not exceed the current level of preferred dividends.

IV. Measures to Restrain Dilution

With respect to dilution, as indicated in the "Basic Policy toward Repayment of Public Funds" above, the Resona Group intends to "avoid dilution of common shares as much as possible".

The only "convertible" preferred shares authorized to be issued under the current Articles of Incorporation of Resona Holdings are the Class Nine Preferred Shares (¥350 billion) which Resona Holdings issued on June 5, 2007. Hereafter, Resona Holdings will consider issuing the Classes Five to Eight Preferred Shares, which are authorized to be issued under the current Articles of Incorporation and which are all categorized as "bond-type" and therefore not convertible into common shares.

We will limit the dilution of common shares by the repayment of the public fund preferred shares which are "convertible" preferred shares, by utilizing retained earnings (accumulated profits) and other capital surplus secured through issuances of new preferred shares.

V. Specific Approaches to Repayment of Public Funds

1. Remaining public fund preferred shares (¥1,998.8 billion on the basis of issue prices)

The basic policy is to repurchase these by utilizing accumulated retained earnings and proceeds (other capital surplus) from issuances of new preferred shares in the market.

The Resona Group plans to accumulate an additional ¥513.0 billion of total retained earnings in the three-year period starting from April 2007 until the end of March 2010 under its Business Revitalization Plan. Together with proceeds from issuances of new "bond-type" preferred shares, the Resona Group intends to secure surplus funds in an amount exceeding the remaining balance of the public fund preferred shares.

2. Remaining public fund subordinated loan (¥45.0 billion on the basis of nominal amount)

The Resona Group intends to repay the entire remaining amount by the first call date falling on the end of March 2009.

3. Remaining public fund common shares (¥293.7 billion on the basis of issue price)

On March 30, 2007, the Resona Group submitted a request for sales in the market of some of the common shares subscribed with public funds to the relevant authorities. We plan to discuss further details including methods and timing with the relevant authorities as soon as circumstances permit.

■ How We Will Repay the Public Fund Preferred Shares

Public fund preferred shares (PS) (Convertible into ordinary shares)
Remaining amount: ¥1,998.8 billion (infusion amount basis)

Class Nine Preferred Shares (¥350.0 billion)	Retained earnings (End of March 2007) (¥904.4 billion)	Retained earnings to be accumulated in FY2007, FY2008 and FY2009 (¥513.0 billion)	Issuance of non-convertible PS and other

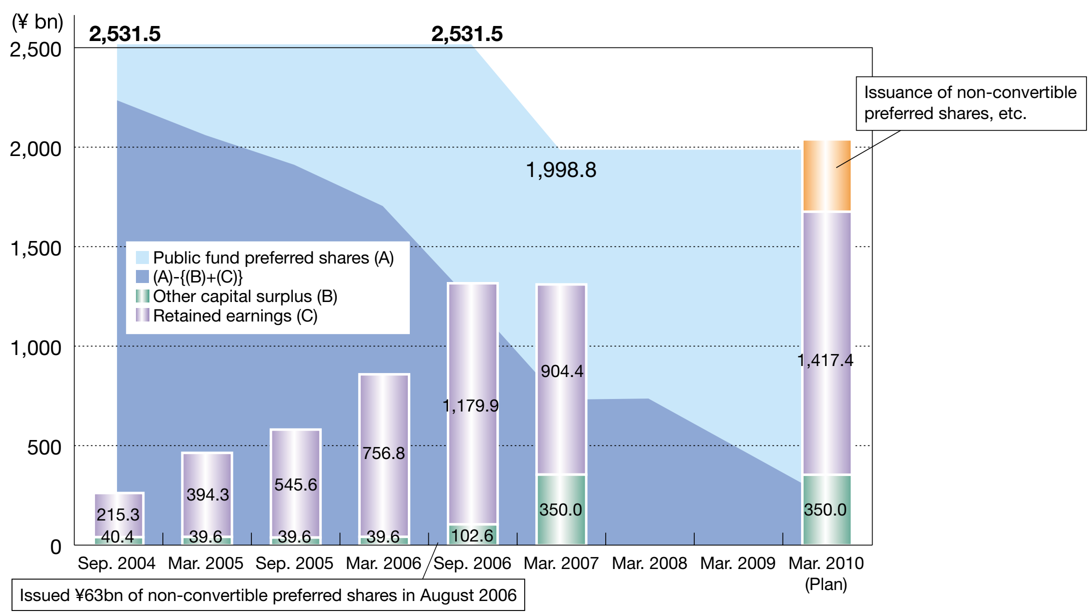
Class Nine are the only convertible preferred shares.

Total funds available for repayments as of the end of June 2007: ¥1,254.4bn

(*Amount necessary for actual repayments may differ from the infusion amount of public fund preferred shares)

Reference: Simulation of how we will accumulate funds available for repayment of public funds

The Resona Group intends to accumulate funds available for repayment in an amount exceeding the remaining balance of the public fund preferred shares through the accumulation of retained earnings, issuances of "bond-type" preferred shares, and other measures.



1. The issue proceeds of the Class Nine Preferred Shares are included in the surplus funds available as of the end of March 2007.
2. Retained earnings as of the end of March 2010 are based on the Business Revitalization Plan (after adjustment to reflect their use for repurchase and cancellation of the public fund preferred shares in January 2007 and excess profits for fiscal 2006).
3. The amount necessary for actual repayment of public funds may differ from the balance of the public fund preferred shares on the basis of the issue prices described above.

*Resolution to issue Class Five Preferred Shares and transfers of capital stock and capital surplus

On July 20, 2007, the Company resolved to issue 40,000 shares of non-voting, non-cumulative preferred stock through a third-party allotment and to transfer the capital stock and capital surplus simultaneously as described in the following:

(1)	Subscription price:	¥2,500,000 per share
(2)	Total issue amount:	¥100,000 million
(3)	Amount of capital to be increased:	¥1,250,000 per share
(4)	Amount of capital surplus (additional paid-in capital) to be increased:	¥1,250,000 per share
(5)	Payment date (scheduled):	August 28, 2007

The Company is entitled to acquire all or some of the Preferred Shares on or after August 28, 2014. In such a case, the Company will pay, in exchange for each share of the Preferred Shares, ¥2,500,000, plus the amount equal to the dividends accrued to the date of repurchase.

In accordance with Article 447-3 and Article 448-3 of the Company Law, the Company resolved to transfer the capital stock and capital surplus (additional paid-in capital) amounting to ¥50,000 million, respectively, to other capital surplus (capital surplus other than additional paid-in capital) in the aggregate amount of ¥100,000 million at the payment date described above.

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.

With the injection of public funds into Resona Bank in June 2003, Resona Holdings became the first banking institution to adopt the Committees Governance Model in the interest of realizing highly transparent as well as sound and efficient management. 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. In our quest for management that reflects the Resona Group's management philosophy, we have separated management oversight and operations functions, shifting certain responsibilities to the Executive Officers to enable quick decision making while bolstering the Board of Directors' supervisory function.

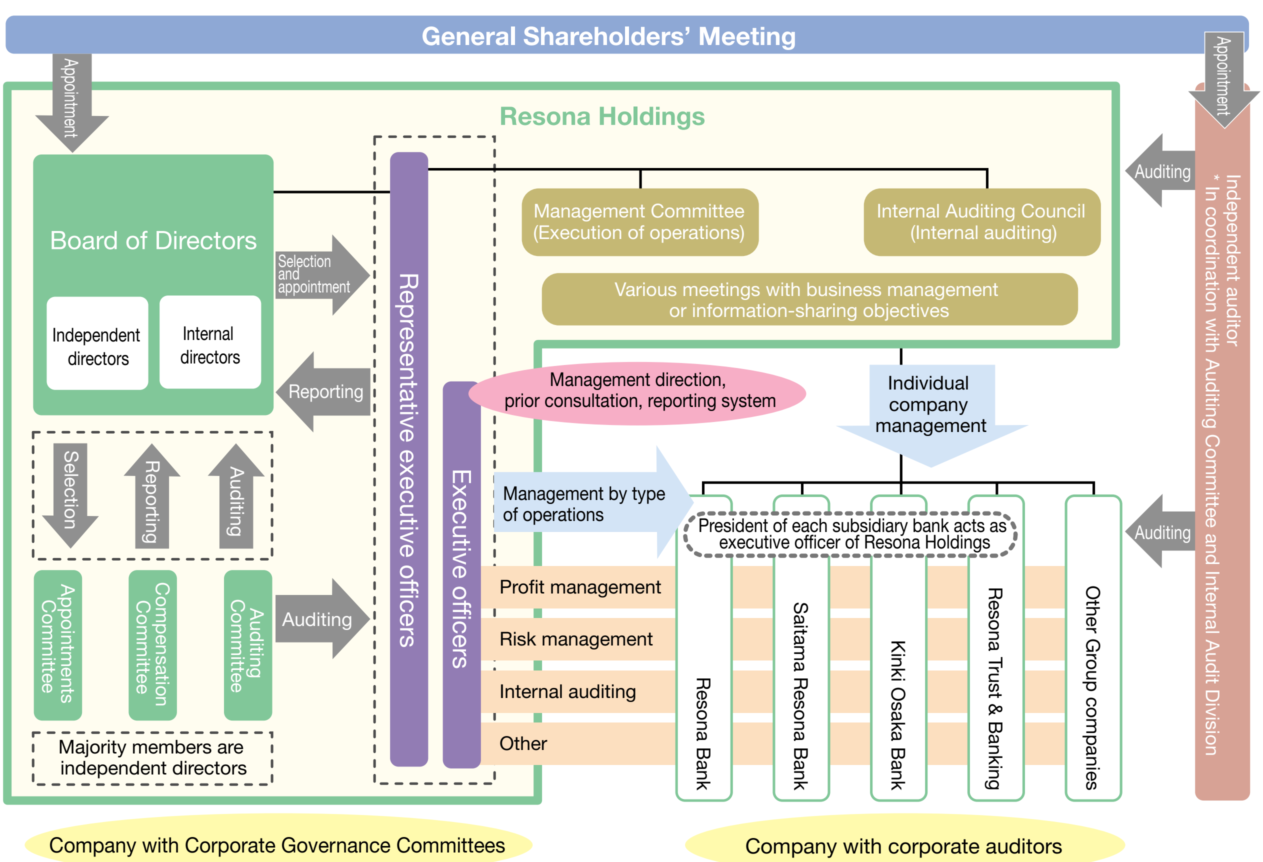
The subsidiary banks under Resona Holdings uniformly adopt the Auditors Governance Model. This governance framework at Group banks ensures consistency in the strengthening of Group-wide governance as a whole and the framework of subsidiary banks' governance structure that facilitates their autonomous management.

Activities at Resona Holdings

Board of Directors

The Board of Directors, with ten directors, seven of whom are independent directors, fully ensures that management engages in substantial discussion in fulfilling their responsibilities of making decisions about important Group management issues and supervising the execution of business activities by executive officers and directors. One of the unique features of the Committees Governance Model is that while the Board of Directors makes decisions

■ **Group Corporate Governance Framework**



regarding important management issues and supervises the execution of operations, clearly defined roles give executive officers responsibility for the execution of operations, thus strengthening the Board of Directors' supervisory function and accelerating the execution of operations. In June 2005, the presidents of all subsidiary banks became executive officers of Resona Holdings to create a system in which they periodically make reports, thereby ensuring enhanced supervisory functions of the holding company vis-à-vis subsidiary banks. The Board of Directors met 20 times in fiscal 2006.

Appointments Committee

The Appointments Committee comprises three directors, with the committee chairman and one other member being independent directors. The committee makes decisions regarding proposals for the selection and dismissal of directors that are submitted to the General Meeting of Shareholders, based on the specific qualities that the Group should seek in its directors discussed and decided at the committee's meetings in fiscal 2003. In May 2006, the committee established Standards for Appointing Independent Directors that clearly lay out the standards and process of selecting independent director candidates who are appropriate for a supervisory role in management. The committee also holds joint meetings with the Compensation Committee, engaging in lively debate on such topics as the ideal evaluation system for Group directors. This committee met seven times in fiscal 2006.

Compensation Committee

The Compensation Committee comprises three directors, including two independent directors, one of whom serves as the committee chairman. This committee makes decisions about policies regarding benefits for individual directors and executive officers as well as the actual benefits for specific individuals. It also holds joint meetings with the Appointments Committee, engaging in lively debate on such topics as the ideal evaluation system for Group directors. In fiscal 2006, the committee met five times. In fiscal 2004, the committee elected to eliminate the directors' retirement benefit system and introduced a performance-based benefits system.

Auditing Committee

The Auditing Committee comprises four directors, including three independent directors, one of whom chairs the committee. In addition to auditing the execution of duties by executive officers and directors, this committee makes decisions regarding proposals for the selection and dismissal of independent auditors. In addition, the committee works with the Internal Audit Division and other internal control departments to supervise and verify internal control systems and make the necessary responses, urging executive officers and other responsible persons to make necessary improvements. This committee met 13 times in fiscal 2006.

Executive Committee

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 to support the decision-making process in the execution of operations. The Executive Committee consists of representative executive officers as well as executive officers and employs serious debate to ensure the transparency of decisions regarding significant management issues. In fiscal 2006, this committee met 39 times.

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 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 council met 15 times in fiscal 2006 and, in addition to discussing the internal auditing plan, it reported on the results of internal audits.

Management Supervision of Group Companies

Resona Holdings, as the Group holding company, supervises the management of its subsidiary banks and other Group companies, with the objective of raising corporate value. The Company has established a system for managing and controlling Group companies, clearly identifying items for which prior discussion with Resona Holdings is necessary and items that require reporting.

Subsidiaries' corporate governance systems

Subsidiary banks, which are managed as Group members by Resona Holdings, work together to raise corporate value.

The Board of Directors, which includes independent directors, fully ensures that management employs thorough discussion in making decisions regarding the execution of duties and oversees the execution of duties by directors and executive officers.

The Auditors Meeting, which comprises the auditors, was established to carry out solid auditing functions in the Bank's operations.

In addition to this are the Executive Committee*1, a body that makes decisions, deliberates, and reports on generally important issues related to management as well as important issues related to the execution of operations; the Credit Committee*2, which makes decisions, deliberates, and reports on important items related to credit operations; and the Auditing Committee*3, which makes decisions, deliberates, and reports on important items related to internal auditing.

*1 Established at Resona Bank, Saitama Resona Bank, Kinki Osaka Bank, and Resona Trust & Banking
*2 and *3 Established at Resona Bank, Saitama Resona Bank, and Kinki Osaka Bank
*1, *2, and *3 Established at Resona Bank as units for deliberation and reporting

Issues Related to Internal Control

Basic stance

The Resona Group is striving to achieve its vision for the future of "becoming the community banking group with the strongest support of regions and customers". 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 the entire Group.

Basic policy

The Board of Directors has established a basic policy on internal control for Resona Holdings and all other Group companies, with the aim of realizing systems befitting the Resona Group.

Status of internal control systems

In accordance with its basic policy in Group internal control systems, the Resona Group is striving to ensure the efficacy of its internal control systems through appropriate development and operations of all internal control systems, including the Internal Auditing System, the Compliance System, and the Risk Management System.

Other Matters Related to Corporate Governance

Introduction of a succession plan

Resona Holdings has implemented a succession plan that will serve as a mechanism to ensure that the most appropriate candidates fill top management roles and responsibilities, with the aim of accelerating the Group's management reform and realizing sustainable improvements in corporate value.

Compliance Systems of the Resona Group

Basic Activities

The Resona Group has established its *Corporate Mission*, which forms the basis for the judgments and behavior of directors and employees; the *Resona Way* (*Resona Group Corporate Promises*), which outlines the basic stance, based on the *Corporate Mission*, that directors and employees should take toward all Group stakeholders; and the *Resona Standards* (the Resona Group's *Behavior Guidelines*), specific guidelines about behavior expected from directors and employees under the *Corporate Mission* and the *Resona Way*. The *Corporate Mission*, *Resona Way*, and *Resona Standards* apply to Resona Holdings, all Group banks, and all affiliated companies to produce uniformity across the Group.

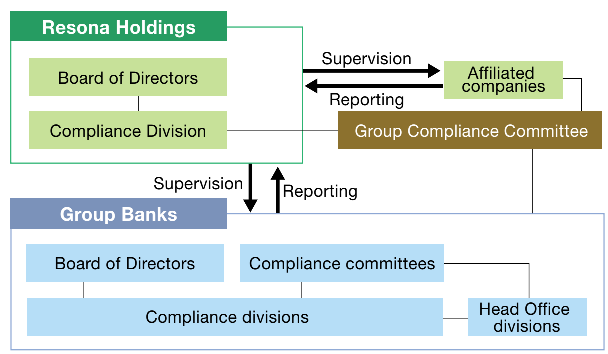
In our mission of becoming a financial services group that gives customers a feeling beyond satisfaction, we think it is essential that we respect the *Corporate Mission*, the *Resona Way*, and the *Resona Standards* as foundations for our judgment and actions. To ensure thorough Companywide dissemination, we have compiled the Resona Group's *Corporate Mission*, the *Resona Way*, and the *Resona Standards* into a booklet as well as a small, portable pamphlet that has simplified them in checklist form, and distribute them to all directors and other employees. Related training sessions are held at all workplaces. We conduct a survey of Group employees to measure awareness and familiarity with the *Corporate Mission*, the *Resona Way*, and the *Resona Standards*.

The introduction to the *Resona Standards* is "Aiming to Be a Good Company," a message from the chairman of Resona Holdings. It takes a clear stance on compliance at the *Resona Group*, stating that corporate ethics must be improved, and identifies the most important issues as 1) what the company can do for society as a member of society and 2) continuing to be a company that practices compliance.

Moreover, Resona Holdings and the Group banks have prepared a *Basic Compliance Policy*, which makes clear, from a compliance point of view, 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 practice, we have also prepared a *Compliance Manual* and distributed it to employees.

Group Management Systems

The Compliance Division at Resona Holdings controls Group compliance and works with compliance divisions at Group companies to strengthen compliance systems Groupwide. Resona Holdings, Group banks, and affiliated companies all have members on the Group Compliance Committee, which discusses and evaluates all problems related to Group compliance.



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.

Compliance Advisory Resources

We recognize an understanding of the issues and clear communication among all employees are essential to a strong compliance system; therefore, we have established Group compliance advice and reporting systems using the Resona Legal Counsel Hotline and the Resona Compliance Hotline.

We have clarified internal rules to ensure that employees who honestly utilize the reporting systems are not treated unfairly or subjected to harassment, thus making the systems easier for Group employees to use.

We actively promote the use of the systems, thoroughly publicizing their purpose at Group training sessions at all companies and distributing *Resona Standards* booklets and pamphlets that describe the systems and include their contact information.

Moving forward, we will make continuous efforts to ensure that the systems take root while working to detect compliance issues early and create a transparent corporate culture.

In accordance with the Whistleblower Protection Act, which went into effect in April 2006, we endeavor to protect whistleblowers with the previously mentioned hotlines as well as establish rules for internal reporting at Resona Holdings and all other Group companies.

Resona Accounting Audit Hotline

Resona Holdings has established the Resona Accounting Audit Hotline for reporting fraudulent or improper processing related to accounting or accounting-related internal controls and internal audits.

1. Items that should be reported
- Fraudulent or improper processing related to accounting or accounting-related internal controls and internal audits.

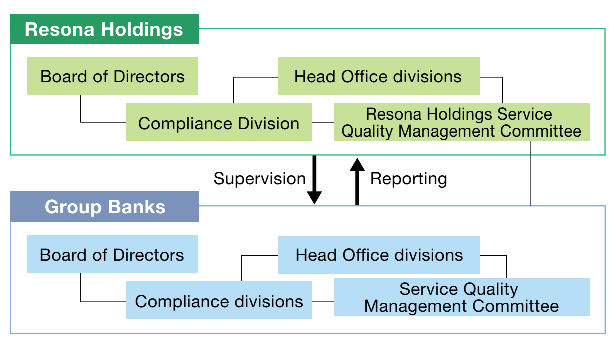
2. Reporting
- The hotline is located at an external law firm.
- Reports can be made via letters or email.
  (Midosuji Law Office)
  Address: Osaka: Room 208, Osakatoyota Bldg. 2F, 4-3-11 Minami-semba, Chuo-ku, Osaka 542-0081
  Tokyo: Room 2618, Kasumigaseki Bldg. 26F, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo 100-6026
  Email: resona-kaikeihotline@midosujilaw.gr.jp

3. Items to note
- Please describe the facts of the incident in detail.
- You may remain anonymous if you wish.
- In the event that detailed information is not provided, or the report is submitted anonymously, investigation may be subject to limitations.
- Information regarding whistleblowers is protected by law and will not be disclosed to third parties without a valid reason.
- Please make your report in Japanese or English.
- In the event that we judge a reported incident to warrant investigation, we will endeavor to respond to you with the results if you have expressed a wish to know; however, there are cases in which this is not possible.

Providing Customers with Appropriate Products and Services

These days, in light of increasing investment needs from customers, the sophistication of information management required of businesses, the development of such laws as the Act on the Protection of Personal Information and the Law on Sales of Financial Products, and problems related to advertising, financial institutions must strive to give customers proper explanations and improve user-friendliness, working harder than ever before to ensure that customers can use their services with peace of mind. Therefore, Resona Holdings and Group banks are working energetically to make improvements to their explanations to customers, responses to customer inquiries and complaints, the management of customer information, the management of outsourcers to which they have consigned operations, and other areas related to better explanations and user-friendliness for customers.

To fulfill our ambition of being the most trusted financial institution, we have clearly defined the departments and individuals responsible for improving explanations and user-friendliness for customers, and they sit on the Service Quality Management Committee, which discusses and deliberates initiatives for raising customer trust and improving user-friendliness.



Management of Customer Information

The protection of customer information is one of the most important factors in enabling customers to use the Resona Group with peace of mind. We strive to properly manage information in compliance with the Act on the Protection of Personal Information by publicizing the Promise to Protect Personal Information of All Group Companies, establishing a framework for protecting against leaks or the loss of personal information, and conducting ongoing and thorough employee education.

Risk Management Systems of the Resona Group

Risk Management Systems

Basic Approach to Risk Management

The trends toward financial liberalization, globalization, and securitization, along with progress in IT and financial technology have led to increasing diversity and complexity of the activities of financial institutions, thus raising the importance of risk management. Resona Holdings and other Resona Group companies conduct their risk management activities with an eye to securing the soundness of operations and enhancing profitability.

We deeply regret the serious concern and inconvenience that the infusion of public funds in the Resona Group caused the people of Japan, our customers, and other stakeholders. Consequently, we have established the risk management principles below to enhance our risk management systems and methods as well as control risk.

1. We will not assume levels of risk in excess of our economic capital.
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.

Risk Management Policies and Systems

Resona Holdings has established a Group Risk Management Policy that serves as the Group's basic risk management policy. Based on the Group Risk Management Policy, each Group bank has established its own risk management policy that is tailored to its operations, unique characteristics, and the risks it must address.

The risk management policies of Resona Holdings and Group banks create a basic framework for managing risk by defining the types of risk that must be managed and establishing organizations or systems that manage risk.

Resona Holdings and Group banks have established risk management departments for managing different types of risk, along with a Risk Management Division, to integrate the management and control of all types of risk. Principal risk categories are outlined below, and each risk is managed using a method that is tailored to its characteristics.

Principal Group companies have also established risk management policies that are tailored to their own operations, special characteristics, and risks. In addition to establishing risk management systems and frameworks, these policies establish guidelines for avoiding risks outside the fundamental business areas of Group companies. Group companies have also established risk management departments for managing different categories of risk and risk management divisions for integrated risk management.

To prepare for latent risks—disasters or systems failures, for example—that are beyond the scope of risk management, all Resona Group companies have established a Crisis Management Policy to respond quickly and achieve a fast recovery of operations through sustaining business activities or early rehabilitation of operations.

Risk Category	Risk Management Methods
	Comprehensive risk management (setting risk limits, assessing risk, allocation of risk capital, etc.)
Credit risk	Credit ratings, self-assessments, credit ceiling system, setting risk limits, etc.
Market risk	Position limits, loss limits, risk limits, etc.
Operational risk	Operational risk assessments (control self-assessments (CSAs)), analysis of loss data, risk indicators (key risk indicator (KRI)), etc.
Processing risk	Improvements in business processes, training and education, guidance for clerical operations, etc.
Systems risk	Control through systems risk management standards, preparation of contingency plans, etc.
Legal and compliance risks	Compliance checks, improvements through compliance programs, etc.
Other operational risk	Improvements in systems to minimize risks of natural disasters and financial crime by outsiders, strengthening procedures, etc.
Liquidity risk	Recognition of liquidity emergencies, response system for emergencies, guidelines for liquidity risk management indicators, etc.
Reputational risk	Dissemination of timely and appropriate information, monitoring of media, etc., preparation of crisis management systems.

Group Management by Resona Holdings

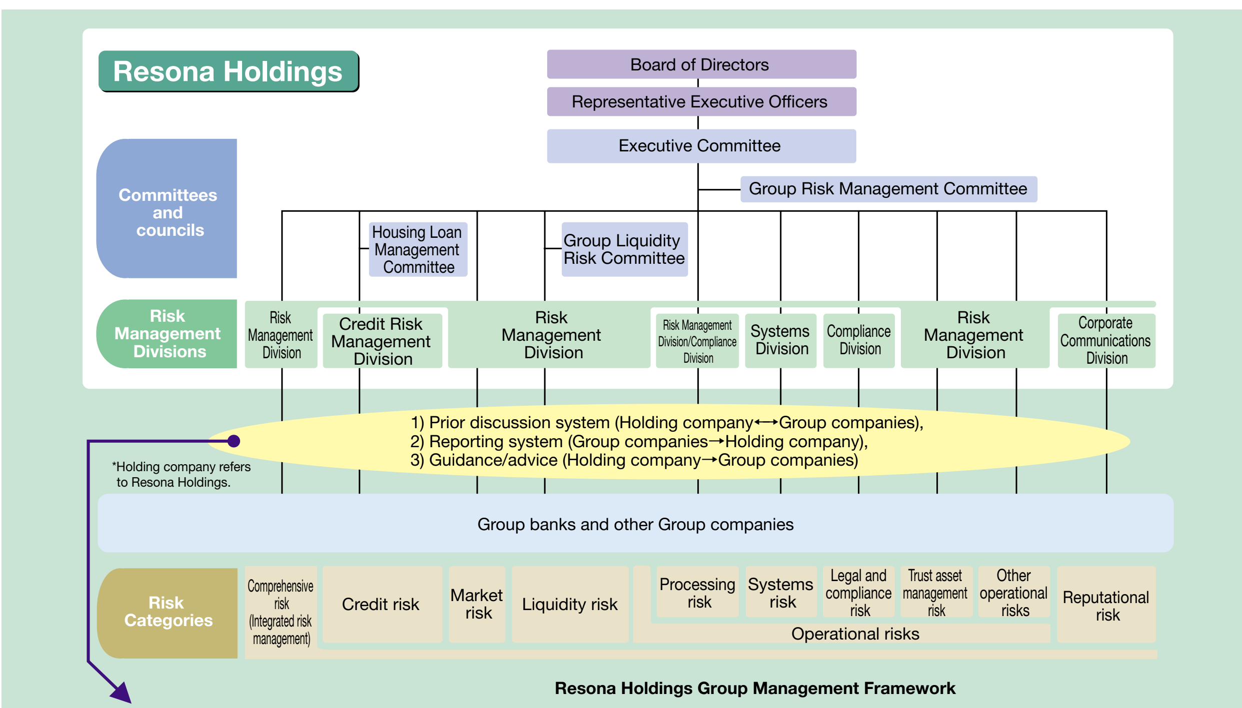
Resona Holdings provides guidance and direction to all Group companies regarding risk management policies, standards, and systems. The Group management framework requires that Group companies confer with Resona Holdings in advance of making decisions on important matters related to risk management and base their decisions on those consultations.

In addition to providing direction to Group companies regarding risk management policies as well as rules, standards, and systems, Resona Holdings verifies risk management policies, rules, standards, and systems at all Group companies through prior discussion, thus controlling the Group risk management framework.

Furthermore, Resona Holdings controls risk-taking by Group companies by requiring prior discussion of their limits and guidelines. Group companies must make reports to Resona Holdings regarding the risk conditions and their management on a regular and as-needed basis so that the holding company can provide guidance and direction where necessary.

As shown by the chart below, we have formed risk management divisions within Resona Holdings for managing each type of risk on a Groupwide basis.

■Group Risk Management Systems in Outline



Resona Holdings Group Management Framework

1)	Prior discussion system	Group companies must engage in prior discussion with Resona Holdings in the situations listed below. • When establishing or revising important risk management policies or rules. • When establishing all types of risk-related limits and guidelines. • When making decisions about other important risk management matters.
2)	Reporting system	• All Group companies must make periodic reports to Resona Holdings regarding the status of risks and risk management. • Reports are made as needed, for example, when critical risk management issues arise.
3)	Guidance and advice	• Resona Holdings presents such Groupwide risk management items as policies, standards, and systems to all Group companies. • Resona Holdings provides individual guidance and advice as necessary, based on reports from Group companies.

Comprehensive Risk Management

Establishment of Risk Limits by Subsidiary Banks

Value at Risk (VaR) is a method of uniformly measuring various types of risk. It applies statistical methods to calculate the possible amount of losses over a specified period, with a specified confidence level. All Resona Group banks establish risk limits (risk capital allocations) by periodically measuring credit risk, market risk (including risk associated with investment securities), and operational risks (processing risk, systems risk, etc.) to control risks within acceptable limits.

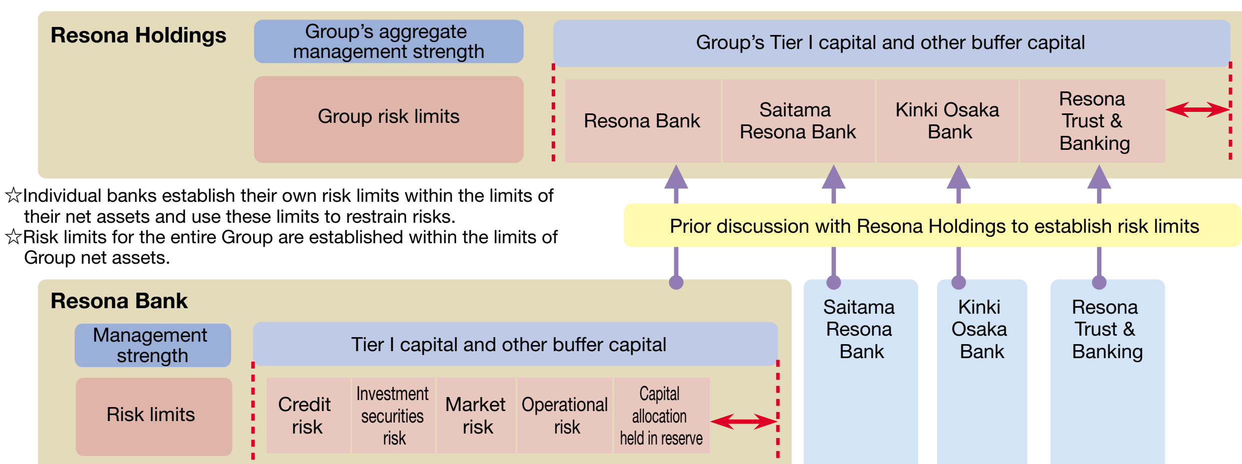
We strive to maintain the soundness of all Group banks by ensuring that risk taking does not exceed management strength by establishing risk limits that are within the scope of Tier I capital and other buffer capital.

Comprehensive Risk Management within the Group

As part of its oversight and management of Group banks, Resona Holdings holds prior discussions with the banks to establish risk limits and verifies that they are within the limits of the banks' economic capital and do not threaten the banks' financial soundness.

Furthermore, in addition to ensuring that the risk limits for the entire Group are within the scope of the Group's aggregate economic capital, Resona Holdings evaluates the sufficiency of the Group's economic capital, referring to the results of various stress tests and other qualitative tests for risks that are difficult to measure.

■Resona Group's Allocation of Risk Capital (Establishment of Risk Limits)



*Capital allocation held in reserve acts as a safety margin

Credit Risk Management

Credit Risk Management System

We define credit risk as "a risk that arises when the value of assets declines or is destroyed as a result of the deterioration of the financial position of obligors".

The Resona Group manages credit risk by maintaining appropriate earnings in relation to credit costs (average credit loss amount) by accumulating sound and highly profitable assets through appropriate credit analysis and management. At the same time, by promoting the thorough distribution of risk through accurate portfolio management and controlling credit risk within appropriate limits, we aim to maintain the soundness of our operations.

Credit Policy

The Resona Group, based on its experience as a bank that received a capital infusion from public funds, has established a unified Group Credit Policy, which lays out a standard set of basic principles for credit management for the Group as a whole. The Credit Policy describes in detail principles and rules for credit operations with the objective of building a sound portfolio of loans to SMEs and individuals that is well diversified and yielding appropriate returns. Group Credit Policy is frequently referred to in the daily operating procedures as well as on the occasions of internal training.

Credit Ratings

We have introduced a credit rating system, as the most important standard for evaluating credit risk, to ensure the objective evaluation of the credit risk of obligors based on their financial condition and other aspects, classifying them into 12 categories based on established rules.

The determination of an obligor's category under self-assessment is based on the obligor's credit rating. Moreover, probability of defaults for each credit rating category is used to calculate expected credit costs, manage loan pricing, and monitor profitability of specific loan customers.

Self-Assessments, Write-Offs, and Provisions of Reserves

Self-assessments involve assessing the individual assets that Group banks hold and classifying them according to the degree of their recovery as well as impairment risks to fully understand the condition of the banks' assets and increase the soundness of their loan portfolios.

Self-assessments can be used to manage credit risk and assist in the implementation of write-offs and making provisions to reserves for possible loan losses. Self-assessments can also be a step in preparing objective financial statements that reflect the true state of loan assets.

Internal credit ratings and their relationship with self-assessment as well as write-offs and provisions of reserves are shown below.

Rating	Obligor classification	Claims category	Write-offs/provisions of reserves
SA	Normal	I (unclassified)	Reserves are provided based on the expected credit loss rate
A			
B			
C			
D			
E			
F	Watch	II	Reserves are provided based on the expected credit loss rate*
G			
H	Special Attention		
I	Doubtful	III	Reserves are provided in the amount deemed necessary against the uncovered portion*
J	Effectively Bankrupt	IV	The uncovered portion is fully provided for with reserves or written off
K	Bankrupt		

* For certain large obligors, reserves are provided based on the discounted cash flow (DCF) method.

Credit Analysis and Portfolio Management

The two pillars of credit risk management are credit analysis and loan portfolio management. Credit analysis entails case-by-case credit assessments, or the credit management of individual obligors. Credit portfolio management involves management of the overall portfolio of lending assets.

(Credit Analysis)

In handling credit operations, to make highly accurate and reliable credit assessments, Group bank branches engage in comprehensive evaluations of such quantitative information as financial statements and such qualitative information as information about the business environment and the quality of the management, along with assessments of how the capital will be used and the adequacy of repayment sources.

In cases where potential obligors request credit above certain established levels, the credit analysis departments of the Head Office undertake an assessment and make decisions on the application. The credit analysis departments use an assessment system that takes account of the potential obligor's size, industry, and the level of credit risk.

After credit has been granted, to respond effectively, we monitor the use of loan proceeds and the fulfillment of lending conditions as well as periodically assess business conditions and the status of company plans.

(Credit Portfolio Management)

Excessive concentrations of loans to certain obligors resulted in substantial credit losses, and, in light of the Resona Group's experience in receiving a capital infusion of public funds, it has implemented a uniform credit ceiling system that prevents excessive concentration of credit risk. Under this system, subsidiary banks established an upper limit based on their respective financial condition to prevent the total credits extended to a single obligor from exceeding the ceiling. Adherence by subsidiary banks to their respective ceilings is monitored on a regular basis.

By analyzing the composition of our credit portfolio by such criteria as credit rating, industry, and regional classifications, we regularly monitor changes in the amount of credit exposure and credit costs as well as the state of risks and returns.

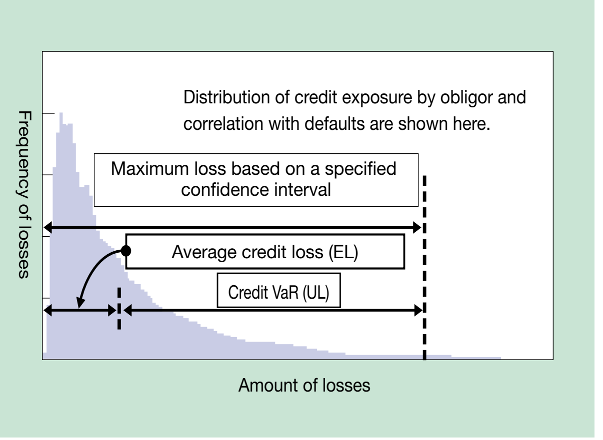
In particular, we have established a designated division for managing housing loans, which are becoming an increasingly large portion of our loan portfolio. Resona Holdings and Resona Bank periodically hold meetings of the Housing Loan Management Committee, a cross-Group organization, to promote the sophistication of credit risk management.

Quantifying Credit Risk

(Quantifying and Establishing Limits for Credit Risk)

The Resona Group calculates credit risk for its entire credit portfolio using a credit risk measurement model developed within the Group. Using the credit amount, degree of coverage by collateral and guarantees, probability of default for each credit rating, and default correlation, we calculate average credit loss (EL: expected loss) as well as credit VaR (UL: unexpected loss), establishing a limit on VaR to control quantified credit risk within fixed limits.

■Approximate Distribution of Losses when Measuring Credit Risk



(Default Correlation)

The method of estimating the default correlation is important when quantifying the credit risk of a portfolio. The Resona Group examines the relationship between credit losses and stock prices, available financial information, industries, and other factors of listed companies, and estimates the default correlation among all obligors by applying such observed relationships to unlisted obligors.

(Method of Distributing Credit Risk by Segment)

To promote the sophistication of risk management with such initiatives as portfolio analysis, it is necessary to calculate credit VaR for individual obligors and for individual business units. The Resona Group uses a concept of risk contribution to calculate credit risk for individual obligors. Risk contribution uses the marginal credit VaR* method to distribute credit VaR calculated for the entire credit portfolio into individual obligor units.

*Marginal credit VaR measures the effect of a specific obligor on the credit VaR of the credit portfolio as a whole. Specifically, the calculation involves determining the decrease (increase) in credit VaR when the credit extended to a specific obligor is removed from (added to) the credit portfolio.

Market Risk Management

Market Risk Management System

Since market-related business operations among Resona Group banks differ greatly from bank to bank, our approach to market risk management is matched to the scope and unique characteristics of the market operations of member banks.

However, mutual supervision and checking are essential in market risk management, and—depending on the size and special characteristics of their market operations—Group banks divide their market-related operations into three sections: namely, departments that handle transactions (front office), departments that handle risk management (middle office), and departments that handle processing operations (back office).

Market Risk Management Methods

All Group banks estimate the fair value of market transactions and establish sensitivity*1, position, and VaR limits in managing market risk.

*1 The amount of fluctuation in the fair value of a market transaction corresponding to a change in market price indices. An example of this is basis point value (BPV), which reflects a change in fair value based on a 0.01% change in interest rate.

We supervise the observance of these limits, monitoring most on a daily basis and some on a monthly basis, to ensure that limits are maintained and assess profits and losses. We also periodically calculate and make use of a loss amount based on stress scenarios in our risk management activities.

Liquidity Risk Management

Approach to Liquidity Risk Management

Rumors of uncertainty regarding cash flows can trigger a negative spiral, and quieting of these rumors can take a considerable amount of time. In some extreme cases, rumors may even result in business failures. To avoid potential liquidity risks that could have a significant effect on our business, we manage our cash position to ensure stability and, in the event that risks do materialize, we prevent the emergence of further issues by responding quickly and eliminating the problem.

Mutual supervision between the departments responsible for cash flow management and liquidity risk management forms the core of liquidity risk management systems at Group banks. Resona Holdings also has a division in charge of liquidity risk management.

Assessment of Liquidity Risk

In managing cash flows, the Resona Group and its banks classify the status of cash flows into Normal, Caution Required, Risk, and Emergency, and contingency plans have been prepared for all conditions but Normal.

In declaring an emergency, we will make a comprehensive evaluation, analyzing the situation by looking at both Groupwide external factors (the price of Resona Holdings stock, the Company's credit rating, reputational factors, the economic climate, and monetary policies) and internal factors (deposits and market borrowings that indicate cash flows at Group banks).

Liquidity Risk Management Indices

All Group banks establish essential liquidity risk indices based on their size and special characteristics as well as their liquidity condition, and use these to monitor liquidity. In addition, prior discussions are held with Resona Holdings as necessary to establish and manage guidelines for liquidity risk management indices. Group banks make daily reports to Resona Holdings on the status of principal liquidity risk indices.

Response System for Liquidity Emergencies

To deal with liquidity emergencies, we have formed and are prepared to convene our Group Liquidity Risk Committee at Resona Holdings. Each of the Group banks is also prepared to activate similar liquidity risk committees to respond to emergencies. Moreover, in the event that the emergency is a serious crisis or is likely to become one, a Crisis Response Headquarters–headed by the Company president–is formed to organize the response.

Operational Risk Management

Wide-Ranging Operational Risk

Operational risk is the risk of loss resulting from inadequacy or failure of internal processes, personnel, or systems or losses due to external events. Operational risks encompass a wide range of risks, including processing, systems, legal, and compliance risks. Furthermore, all of the products and services that we handle in our operations carry inherent risks or the potential to become operational risks.

In dealing with operational risks, the Resona Group works to manage and reduce risks by identifying and evaluating potential and inherent risks and discussing measures to prevent incidents that will have a major impact on business or result in losses or inconvenience for our customers. We also promote the full preparedness of our management systems by including outsourced operations within the scope of our operational risk management activities.

Collection and Use of Loss Data

The Resona Group uses unified Group standards to collect loss data related to operational risks. Based on this data, Group banks and Resona Holdings analyze potential operational risks. In addition, to grasp the degree of the impact that potential operational risks might have on their businesses, they use loss data to quantify operational risks and use this information as a part of comprehensive risk management.

Operational Risk Assessments

We conduct operational risk assessments (Operational Risk–Control Self-Assessment (OpR-CSA)) and evaluate the status of risks inherent in all operations (frequency and impact of potential risks) as well as the status of risk management (design of systems and their operating condition) to handle inherent risks.

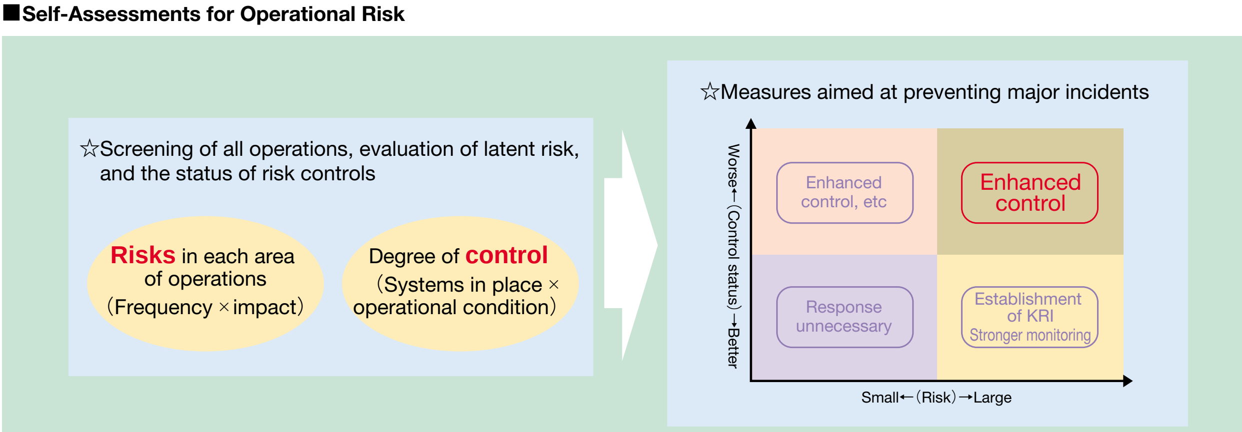
Based on operational risk assessments, we improve the operating condition of systems based on a management enhancement action plan to prevent major incidents and establish and monitor a risk index (key risk indicator (KRI)) to enable us to detect problems at an early stage.

Responding to Emerging Risks

If an incident happens at a Group bank that may give rise to significant operational risks, a system is in place that requires making an initial report to management teams at the respective bank and Resona Holdings as well as any other relevant parties. This system promotes information sharing regarding potential cases of operational risk by ensuring rapid reporting to management teams as well as relevant parties.

In the event that a risk materializes and has a substantial impact on the business, under this system, we can make a rapid and appropriate initial response to prevent further impact.

■Self-Assessments for Operational Risk



Processing Risks

Accurate and fast processing is necessary for banks to earn customer trust. To ensure that we accurately and quickly handle the high-volume, extremely time-sensitive transaction processing that arises in the wide spectrum of banking operations, we must have measures in place to control and minimize processing risks.

Responding to Processing Risks

To prevent processing errors, the Resona Group has processing procedures in place and conducts employee education and training. Furthermore, the Group is promoting systematization to reduce processing errors and carries out ongoing reviews of its work procedures and processing to make them simpler and concentrate handling in specific centers.

Clerical work processing that occurs at branch offices is verified to ensure that internal control functions are working to prevent processing errors and misconduct. Representatives from the Head Office's administration departments visit branch offices to provide advice.

Financial Crime Prevention Initiatives

In recent years, financial crimes have become increasingly sophisticated, and the Resona Group has adopted more rigorous identity verification procedures than before to prevent withdrawals using stolen passbooks, money laundering, and the opening of fraudulent accounts. In addition, as a measure to deal with counterfeit or stolen cards, it has implemented a service whereby customers can establish ATM usage limits by themselves, a card locking service, and an integrated circuit (IC) card that uses biometrics to protect our customers' important assets.

Systems Risk Management

The emergence of such systems risks as systems failures and flaws is not simply a technical problem but can inconvenience our customers, have an impact on society as a whole, and disrupt operations.

Resona Group banks have established systems risk management departments as the basis of their systems risk management. Under these management systems, Group banks work to improve information security by raising the quality of information systems to prevent failures, establishing measures to prevent the spread of risk when failures occur, and prevent the loss or leakage of customer information. Further, we have a contingency plan in place to handle such emergencies as systems failures or disasters.

We plan to integrate the Kinki Osaka Bank's systems into the systems adopted by other Resona Group banks. To ensure the smooth progress of this integration project, we are making preparations, by establishing a project management system.

Legal and Compliance Risks

Using the compliance checks as well as guidance and advice given by the legal and compliance departments that have been established at all Group banks, we are avoiding the emergence of legal and compliance risks by taking preventive measures. Furthermore, we use planned training programs to raise directors' and employees' awareness about respecting the law as well as other legal and compliance issues.

Additionally, legal and compliance risk departments centralize related information, including information about lawsuits, so that they can appropriately manage risks related to lawsuits and other such matters.

Fiduciary Responsibilities in Managing Trust Funds

Trust Fund Management at Resona Trust & Banking

In managing trust funds, we are required to fulfill our fiduciary responsibilities and provide valuable advice to customers. Resona Trust & Banking's principal business is managing important customer assets, including their pension funds, and we recognize that the fulfillment of fiduciary responsibility is an especially important role. Processing, systems, legal, and compliance risks can materialize owing to neglect of fiduciary responsibilities. We have a management system that recognizes these categories of risks associated with the management of trust funds as "Trust Fund Management Risks" and promotes the fulfillment of duties as a trustee.

Specifically, Resona Trust & Banking has established a middle office that regularly monitors the management of entrusted funds independently from its front office.

Implementation of External Audits at Resona Trust & Banking

In November 1998, Resona Trust & Banking became the first Japanese bank to conduct external audits in its trust fund management and administration divisions. In fiscal 1998 and fiscal 1999, we used U.S. auditing standard SAS70*1; from fiscal 2000 to fiscal 2005, we used the Japanese version of SAS70*2, and, since January 2006, we have reverted to the U.S. auditing standards to evaluate our operations.

*1 Auditing standards for assessing internal controls introduced at custody departments and client asset management departments in the United States.
*2 Based on the 18th report of the Auditing Standards Committee of the Japan Institute of Certified Public Accountants, *Evaluating the Effectiveness of Internal Controls Related to Entrusted Business* (revised in January 2003 to *Evaluating Control Risks Related to Entrusted Business*)

Reputational Risk Management

Characteristics of Reputational Risk

Reputational risk is linked to all other types of risk, and in the event that reputational issues arise, they can cause more damage than may be expected, including loss of trust, a fall in share prices, fewer transactions, and damage to the brand. These potential issues are the reason why we consider reputational risk to be an important area within risk management.

Managing Reputational Risk

The Resona Group takes preventive measures against the emergence of reputational risk by maintaining and enhancing trust through the timely and appropriate disclosure of information.

Given that reputational risk can materialize in the mass media, publicity, or rumors, we monitor all types of media for such risks as Internet rumors or speculative articles in the mass media to familiarize ourselves with potential risks early on.

When reputational risk materializes, we protect the profits of our stakeholders (shareholders, customers, and employees) with a quick and appropriate response to prevent further impact. If there is a possibility that Group operations will be affected, and there is a real crisis, the matter is quickly transferred to the Crisis Management System.

Responses to external inquiries are centralized at Resona Holdings, rather than at individual Group companies, so as to preserve the consistency of the Group's information disclosure to the media.

Internal Auditing Systems

Group Internal Auditing

The objective of internal auditing at the Resona Group is to serve the essential function of facilitating improvements in corporate value by verifying and evaluating progress as well as promoting improvements in all management activities to ensure sound and appropriate operations and social responsibility in the business management systems established by Resona Holdings and other Group companies.

To ensure that internal audits meet our objectives and serve their functions properly, we put internal auditing systems in place and make sure that they are effective, establishing independent internal auditing departments at Resona Holdings and its Group companies and clearly establishing their internal auditing responsibilities, including the authority to conduct audits, the authority to access information, and their obligation of confidentiality.

Organization

We believe that the role that 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 organization structure below for internal auditing.

In Resona Holdings, we have formed the Internal Audit Division, which reports to the Representative Executive Officers and the Executive Officer in charge of internal auditing. Moreover, we have formed an Internal Auditing Council, separate from the Executive Committee and made up of Representative Executive Officers, the Executive Officer in charge of internal auditing, and the general manager of the Internal Audit Division, to discuss matters related to internal auditing.

The Group's subsidiary banks have established independent internal audit divisions under the direction of their respective boards of directors. Of these subsidiaries, 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 to make decisions on important and fundamental matters related to internal auditing.

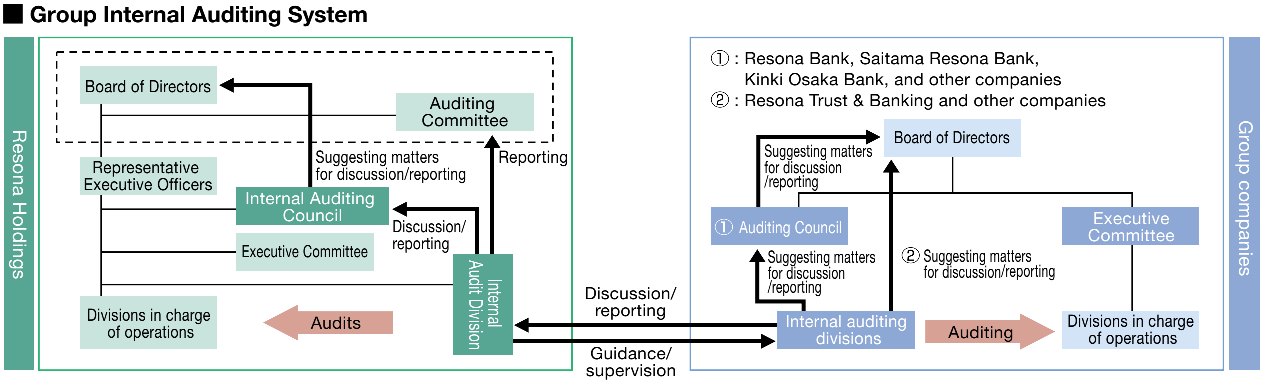
Functions and Roles

To guide the preparation of specific plans for internal auditing, the Internal Audit Division of Resona Holdings prepares 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 approved by the Board of Directors of Resona Holdings.

The internal auditing departments of each of the Group companies 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.

The internal auditing divisions at Resona Holdings and its Group companies conduct audits based on the *Basic Plan for Internal Auditing*. Resona Holdings reports the results of internal audits to its Board of Directors and the Auditing Committee. Group companies report results of internal audits to their respective boards of directors and auditors as well as Resona Holdings.

■ Group Internal Auditing System



Corporate Social Responsibility (CSR)

The basic elements of the Group's CSR management are contained in its *Corporate Mission* and *Resona Way*. 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.

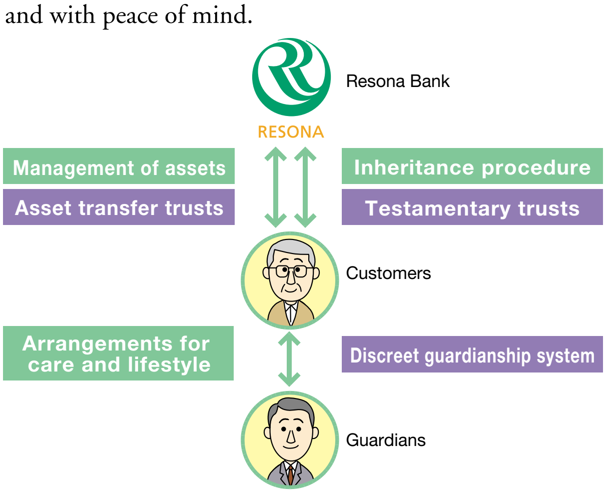
Launch of "Peace of Mind for Your Golden Years Plan" Trust Product for Japan's Aging Society

For Our Customers

In February 2007, Resona Bank began offering the Peace of Mind for Your Golden Years Plan, a trust product designed for customers who are concerned about the management of their assets and arrangements for their care and lifestyle in the event that they should not be able to make their own decisions in the future.

Combining a discreet guardianship system with asset transfer trusts and testamentary trusts, this product allows customers to plan for their own golden age.

Going forward, Resona Bank plans to continue to respond to various customer needs to ensure that its customers can enjoy longer post-retirement periods calmly and with peace of mind.



Establishment of Communication Boards for All Resona Bank Branches

For Our Customers

Since February 2006, Resona Bank has had communication boards in place for all of its branches. This is a tool that allows customers who visit our branches to communicate their businesses by pointing to the board's icons. English is provided along with Japanese to enable foreign customers to use this information source. The boards, which we introduced at the suggestion of a Tachikawa Branch employee, have generated interest not only from other banks, but from other industries.

Resona DB Plan 300

For Our Customers

In October 2006, Resona Trust & Banking began offering the defined benefit pension plan (uniform contract type) Resona DB Plan 300. This product was designed for companies using the tax-qualified pension system, which is set to be abolished on March 31, 2012, and provides companies with a package that combines the necessary components of a corporate pension system, making it less expensive than customized systems. Resona Trust & Banking determines a recommended plan (optimal plan) that customizes approximately 80 different features to the customer's pension system, with optional items (for an additional charge) that meet diverse needs. Furthermore, Resona Trust & Banking helps with the necessary government paperwork involved in transferring systems to lighten the customer's burden and ensure a smooth transition.

Enabling Investment in Environmental Conservation Fund Saitama Green Trust Fund

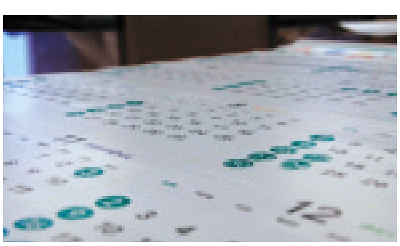
For Society

Saitama Resona Bank supports the Green Trust Movement, which Saitama Prefecture promotes with the aim of environmental conservation, and, in July 2006, it began handling the Saitama Green Trust Fund (with Resona Bank as the trustee) as part of its social contribution activities. This product meets the needs of customers who want to contribute to the local community, enabling them to contribute their assets held in trust to the Saitama Green Trust Fund after the trust expiry date or after inheritance of such assets takes place.

Braille Calendar

For Society

Aiming to increase the convenience of life for people with visual impairments, the Resona Group annually produces a Braille calendar and donates copies to more than 80 welfare associations, schools, and other organizations that serve people with visual handicaps throughout Japan. To help the visually impaired enjoy the calendar's design, Braille dots are used to make the illustrations tactilely perceptible. This Braille calendar has been highly evaluated by many users.



Cooperation with Universities

For Society

The Resona Group has concluded cooperation agreements with universities in different regions to contribute to the development of local communities. For example, Resona Bank has entered into a comprehensive agreement with Kansai University for exchanges of human and intellectual resources to jointly contribute to the Kansai region. Similarly, Saitama Resona Bank is moving forward with joint industry-academia activities with regional universities and, beginning with a comprehensive agreement with Saitama University signed in 2006, also exchanged memorandums of understanding in 2006 with Kagawa Educational Institute of Nutrition, Nippon Institute of Technology, and Toyo University.

Kinki Osaka Bank has signed a basic industry-academia-government agreement with Osaka Prefecture University to jointly support technological development and technology training projects in the area and to promote new business creation, thereby making a contribution to local industrial development.

In October 2006, Saitama Resona Bank concluded an "industry-academia cooperation memorandum of understanding" with Kagawa Educational Institute of Nutrition.

Investment Seminars for Women

For Women

The Resona Group offers various investment seminars for women, with the aim of inspiring them to support Resona as investors.

In addition to the twice-yearly, large-scale seminars we have held in the past, every month Resona employees hold seminars at the Nikkei Notio (Marunouchi Oazo Building, Tokyo) that offer advice on how to handle money and explain Resona's attractive features. Powerful and elegant Resona employees discuss relevant topics about financial knowledge that they want to impart, covering such themes as investing and life planning.

A seminar for women entitled "Money Recipe for Women"

Resona "My Strength" Project, a Project for Women Developed by Female Employees

For Women

The Resona Group consistently offers original financial products and information for women that recognize them as consumers, creators, and a factor in a vital economy. With such products as the *Love Me!* investment fund (which was the result of feedback from women), *Resona Life* (which compensates women for anti-stalker expenses), and *Canael Loan for Women's Futures* (which is based on our desire to "grant" women's wishes), the Resona Group is working to further enhance its products and services to meet its customers' various needs.

Financial and Economic Education for Children

For Children

The Resona Group offers bank tours and mock work experiences, off-site classes, and seminars across the country to give children an opportunity to learn about economics and finance by learning about the flow of money and the role of banks in society as well as the importance of work. Furthermore, we have a quiz about money on our website and offer e-learning developed with Tokyo Engineering University. Moving forward, we plan to continue to be active in various kinds of financial and economic education opportunities.

Children 110 Activities

For Children

Children 110 aims to prevent the involvement of children in crimes by providing them with a safe place where they can take refuge if they feel as if they are in danger from a stranger or for any other reason, and where someone will make a report to 110, the emergency number in Japan equivalent to 911 in the United States.

As part of its community and social contribution activities, since April 2005, staffed Resona Group branch offices (approximately 600) are involved in Children 110 activities. At present, most of our branch offices have extended business hours and can respond when children and students are returning home from school. Our hope is that such activities will help us to contribute to creating even better communities.

Further information on CSR initiatives is available from the Resona Holdings website (http://www.resona-gr.co.jp/holdings/english/csr/policy/index.html).

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Resona Holdings, Inc.:

We have audited the accompanying consolidated balance sheet of Resona Holdings, Inc. (the "Company") and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company and consolidated subsidiaries for the year ended March 31, 2006 were jointly audited by us and Ernst & Young ShinNihon whose report, dated June 28, 2006, expressed an unqualified opinion on those statements and included an explanatory paragraph that described a change in the method of accounting for plan assets in excess of the projected benefit obligations in the fiscal year ended March 31, 2006.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 33.(2) to the consolidated financial statements, the Company issued new preferred shares, amounting to ¥350,000 million ($2,963 million), through a third-party allotment on June 5, 2007. The Company transferred its capital stock and capital surplus (additional paid-in capital), amounting to ¥175,000 million ($1,481 million), respectively, to other capital surplus in the aggregate amount of ¥350,000 million ($2,963 million) on June 5, 2007.

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

Deloitte Touche Tohmatsu

June 27, 2007

Member of
Deloitte Touche Tohmatsu

Consolidated Balance Sheets

Resona Holdings, Inc. and consolidated subsidiaries
March 31, 2007 and 2006

	Millions of yen		Millions of U.S. dollars (Note 1)
	2007	2006	**2007**
Assets:			
Cash and due from banks (Notes 3 and 13)	**¥ 1,609,285**	¥ 1,691,016	**$ 13,627**
Call loans and bills bought (Note 4)	**1,200,121**	986,886	**10,162**
Deposits paid for bonds borrowing transactions	**114,451**	47,565	**969**
Monetary claims bought	**571,122**	141,616	**4,836**
Trading assets (Notes 5 and 13)	**370,899**	678,848	**3,140**
Money held in trust (Note 6)	**10,385**		**87**
Securities (Notes 6 and 13)	**7,595,212**	8,021,995	**64,317**
Loans and bills discounted (Notes 7, 13 and 14)	**26,252,861**	26,209,603	**222,312**
Foreign exchange assets (Note 8)	**83,265**	89,512	**705**
Other assets (Notes 9, 13 and 29)	**909,471**	889,620	**7,701**
Premises and equipment (Notes 10, 12 and 13)	**401,302**	442,422	**3,398**
Intangible fixed assets (Note 11)	**40,382**		**341**
Deferred tax assets (Note 26)	**309,286**	3,509	**2,619**
Goodwill		28,804	
Customers' liabilities for acceptances and guarantees (Note 19)	**1,075,585**	1,721,237	**9,108**
Reserve for possible loan losses	**(543,137)**	(538,454)	**(4,599)**
Reserve for possible losses on investments	**(14,819)**	(14,636)	**(125)**
Total Assets	**¥39,985,678**	¥40,399,547	**$338,603**
Liabilities:			
Deposits (Notes 13 and 15)	**¥31,731,081**	¥31,597,248	**$268,702**
Negotiable certificates of deposit	**1,800,220**	1,723,740	**15,244**
Call money and bills sold (Notes 4 and 13)	**124,054**	923,125	**1,050**
Bills sold under repurchase agreements (Note 13)	**13,983**	240,480	**118**
Deposits received for bonds lending transactions (Note 13)	**55,575**	154,458	**470**
Trading liabilities (Note 5)	**115,367**	71,090	**976**
Borrowed money (Notes 13, 16 and 32)	**993,227**	241,907	**8,410**
Foreign exchange liabilities (Note 8)	**3,199**	5,485	**27**
Bonds (Note 17)	**866,141**	763,438	**7,334**
Due to trust account	**417,715**	426,112	**3,537**
Other liabilities (Notes 13, 18 and 32)	**766,672**	641,039	**6,492**
Reserve for employees' retirement benefits (Note 29)	**3,766**	3,437	**31**
Reserve for business restructuring		171	
Reserve for reorganization of branch office channel		2,731	
Other reserves	**5,409**		**45**
Reserve for under special laws	**0**	0	**0**
Deferred tax liabilities (Note 26)	**0**	25,083	**0**
Deferred tax liabilities on land revaluation (Note 20)	**43,536**	44,844	**368**
Acceptances and guarantees (Note 19)	**1,075,585**	1,721,237	**9,108**
Total Liabilities	**38,015,538**	38,585,634	**321,920**
Minority Interests:			
Minority interests in consolidated subsidiaries		156,829	
Shareholders' Equity (Note 21):			
Capital stock		327,201	
Capital surplus		263,505	
Retained earnings		749,118	
Revaluation reserve for land (Note 20)		62,396	
Net unrealized gains on available-for-sale securities (Note 6)		257,388	
Foreign currency translation adjustments		(1,946)	
Treasury stock at cost		(579)	
Total Shareholders' Equity		1,657,084	
Total Liabilities, Minority Interests and Shareholders' Equity		¥40,399,547	
Equity (Notes 21 and 33):			
Capital stock	**327,201**		**2,770**
Capital surplus	**223,810**		**1,895**
Retained earnings	**917,277**		**7,767**
Treasury stock at cost	**(898)**		**(7)**
Net unrealized gains on available-for-sale securities (Note 6)	**301,013**		**2,549**
Net deferred losses on hedges	**(15,675)**		**(132)**
Revaluation reserve for land (Note 20)	**60,484**		**512**
Foreign currency translation adjustments	**(1,400)**		**(11)**
Total	**1,811,812**		**15,342**
Minority interests in consolidated subsidiaries	**158,327**		**1,340**
Total equity	**1,970,139**		**16,682**
Total Liabilities and Equity	**¥39,985,678**		**$338,606**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Millions of U.S. dollars (Note 1)
	2007	2006	**2007**
Income:			
Interest income (Note 22)	**¥ 665,223**	¥ 609,931	**$ 5,633**
Trust fees	**40,438**	36,684	**342**
Fees and commissions	**207,849**	211,351	**1,760**
Trading profits (Note 23)	**21,995**	5,177	**186**
Other operating income (Note 24)	**71,006**	75,688	**601**
Other income (Note 25)	**175,965**	166,182	**1,490**
Total Income	**1,182,478**	1,105,016	**10,013**
Expenses:			
Interest expenses (Notes 22 and 32)	**101,520**	60,128	**859**
Fees and commissions	**50,811**	66,914	**430**
Trading losses	**455**	202	**3**
Other operating expenses (Note 24)	**48,505**	42,925	**410**
General and administrative expenses	**384,631**	384,049	**3,257**
Other expenses (Note 25)	**170,479**	148,264	**1,443**
Total Expenses	**756,403**	702,484	**6,405**
Income before income taxes and minority interests	**426,074**	402,531	**3,608**
Income taxes (Note 26):			
Current	**12,466**	15,676	**105**
Deferred	**(263,686)**	(9,103)	**(2,232)**
Total Income Taxes	**(251,220)**	6,573	**(2,127)**
Minority interests in net income	**12,396**	12,670	**104**
Net income	**¥ 664,899**	¥ 383,288	**$ 5,630**

	Yen		U.S. dollars (Note 1)
Per common share information:			
Net income per share (Basic) (Note 30)	**¥53,933.18**	¥31,943.14	**$ 456.71**
Net income per share (Diluted) (Note 30)	**34,237.60**	17,053.00	**289.92**
Cash dividends applicable to the year (Notes 21 and 33)	**1,000.00**	1,000.00	**8.46**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders' Equity

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

	Thousands of shares		Millions of yen						
	Issued number of shares of common stock	Issued number of shares of preferred stock	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, 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 30)	(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)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

Resona Holdings, Inc. and consolidated subsidiaries
Year ended March 31, 2007

	Thousands of shares		Millions of yen										
	Issued number of shares of common stock	Issued number of shares of preferred stock	Capital stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized gains on available-for-sale securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total	Minority interests in consolidated subsidiaries	Total equity
Balance as of April 1, 2006	11,399	9,437	¥327,201	¥263,505	¥749,118	¥ (579)	¥257,388		¥62,396	¥(1,946)	¥1,657,084		¥1,657,084
Reclassified balance as of April 1, 2006 (Note 2. (24))												**¥156,829**	**156,829**
Conversion of preferred stock to common stock	**0**	**(0)**											
Issuance of preferred stock		**25**		**63,000**							**63,000**		**63,000**
Dividends paid*					**(31,351)**						**(31,351)**		**(31,351)**
Net income					**664,899**						**664,899**		**664,899**
Acquisition of treasury stock (Note 32)						**(570,345)**					**(570,345)**		**(570,345)**
Sales of treasury stock				**4**		**28**					**32**		**32**
Retirement of treasury stock		**(638)**		**(569,998)**		**569,998**							
Transfer from retained earnings to capital surplus				**467,300**	**(467,300)**								
Reversal of revaluation reserve for land					**1,912**						**1,912**		**1,912**
Net changes during the year							**43,624**	**¥(15,675)**	**(1,912)**	**545**	**26,582**	**1,498**	**28,080**
Total changes during the fiscal year				**(39,694)**	**168,159**	**(319)**	**43,624**	**(15,675)**	**(1,912)**	**545**	**154,727**	**1,498**	**156,225**
Balance as of March 31, 2007	**11,399**	**8,824**	**¥327,201**	**¥223,810**	**¥917,277**	**¥ (898)**	**¥301,013**	**¥(15,675)**	**¥60,484**	**¥(1,400)**	**¥1,811,812**	**¥158,327**	**¥1,970,139**

*The appropriation of retained earnings was approved at the Board of Directors meeting held on May 23, 2006.

	Millions of U.S. dollars (Note 1)										
	Capital stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized gains on available-for-sale securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total	Minority interests in consolidated subsidiaries	Total equity
Balance as of April 1, 2006	$2,770	$2,231	$6,343	$ (4)	$2,179		$528	$(16)	$14,032		$14,032
Reclassified balance as of April 1, 2006 (Note 2. (24))										**$1,328**	**1,328**
Conversion of preferred stock to common stock											
Issuance of preferred stock		**533**							**533**		**533**
Dividends paid*			**(265)**						**(265)**		**(265)**
Net income			**5,630**						**5,630**		**5,630**
Acquisition of treasury stock (Note 32)				**(4,829)**					**(4,829)**		**(4,829)**
Sales of treasury stock		**0**		**0**					**0**		**0**
Retirement of treasury stock		**(4,826)**		**4,826**							
Transfer from retained earnings to capital surplus		**3,957**	**(3,957)**								
Reversal of revaluation reserve for land			**16**						**16**		**16**
Net changes during the year					**369**	**$(132)**	**(16)**	**4**	**225**	**12**	**237**
Total changes during the fiscal year		**(336)**	**1,423**	**(2)**	**369**	**(132)**	**(16)**	**4**	**1,310**	**12**	**1,322**
Balance as of March 31, 2007	**$2,770**	**$1,895**	**$7,767**	**$ (7)**	**$2,549**	**$(132)**	**$512**	**$(11)**	**$15,342**	**$1,340**	**$16,683**

*The appropriation of retained earnings was approved at the Board of Directors meeting held on May 23, 2006.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Millions of U.S. dollars (Note 1)
	2007	2006	**2007**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **426,074**	¥ 402,531	$ **3,608**
Adjustments for:			
Depreciation and amortization	**15,372**	15,353	**130**
Impairment losses on premises and equipment	**7,720**	1,018	**65**
Amortization of goodwill	**7,050**	6,881	**59**
Equity in earnings of investments in affiliated companies	**(497)**	(531)	**(4)**
Increase (decrease) in reserve for possible loan losses	**4,683**	(88,581)	**39**
Increase in reserve for possible losses on investments	**182**	404	**1**
Decrease in reserve for business restructuring	**(171)**	(129)	**(1)**
Increase (decrease) in reserve for employees' retirement benefits	**329**	(2,189)	**2**
Interest income (accrual basis)	**(665,223)**	(609,931)	**(5,633)**
Interest expenses (accrual basis)	**101,520**	60,128	**859**
Net gains on securities	**(88,911)**	(49,032)	**(752)**
Net gains on money held in trust	**(385)**		**(3)**
Net foreign exchange gains	**(56,655)**	(61,699)	**(479)**
Net losses on disposal of premises and equipment	**1,056**	3,073	**8**
Net decrease in trading assets	**297,986**	19,268	**2,523**
Net increase in trading liabilities	**44,276**	32,017	**374**
Net increase in loans and bills discounted	**(43,258)**	(893,804)	**(366)**
Net increase (decrease) in deposits	**133,833**	(377,922)	**1,133**
Net increase in negotiable certificates of deposit	**76,480**	695,350	**647**
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	**765,187**	(6,557)	**6,479**
Net decrease (increase) in due from banks (excluding deposits with the Bank of Japan)	**(88,960)**	64,724	**(753)**
Net increase in call loans, bills bought and monetary claims bought	**(642,367)**	(355,571)	**(5,439)**
Net increase in deposits paid for bonds borrowing transactions	**(66,885)**	(10,956)	**(566)**
Net decrease in call money, bills sold and bills sold under repurchase agreements	**(1,023,785)**	(10,859)	**(8,669)**
Net increase (decrease) in deposits received for bonds lending transactions	**(98,882)**	89,388	**(837)**
Net decrease (increase) in foreign exchange assets	**6,246**	(8,782)	**52**
Net decrease in foreign exchange liabilities	**(2,286)**	(3,808)	**(19)**
Net increase in bonds	**50,000**	11,300	**423**
Net increase (decrease) in due to trust account	**(8,397)**	32,946	**(71)**
Interest receipts (cash basis)	**672,222**	626,777	**5,692**
Interest payments (cash basis)	**(94,903)**	(46,224)	**(803)**
Other–net	**310,006**	(11,603)	**2,625**
Subtotal	**38,658**	(477,021)	**327**
Income taxes paid	**(17,539)**	(7,627)	**(148)**
Net cash provided by (used in) operating activities	**21,119**	(484,649)	**178**
Cash flows from investing activities:			
Purchases of securities	**(22,743,109)**	(18,118,677)	**(192,591)**
Proceeds from sales of securities	**20,912,420**	14,796,387	**177,088**
Proceeds from maturity of securities	**2,216,224**	2,788,189	**18,767**
Purchases of money held in trust	**(10,000)**		**(84)**
Purchases of premises and equipment	**(9,996)**	(9,157)	**(84)**
Proceeds from disposal of premises and equipment	**1,841**	2,186	**15**
Purchases of intangible fixed assets	**(6,291)**		**(53)**
Proceeds from disposal of intangible fixed assets	**2,141**		**18**
Net cash provided by (used in) investing activities	**363,230**	(541,071)	**3,075**
Cash flows from financing activities:			
Proceeds from subordinated borrowed money	**10,000**		**84**
Repayment of subordinated borrowed money	**(27,000)**	(253,250)	**(228)**
Proceeds from issuance of subordinated bonds	**126,960**	304,890	**1,075**
Repayment of subordinated bonds	**(108,743)**	(115,800)	**(920)**
Proceeds from issuance of preferred stock	**62,147**	126,158	**526**
Repayment of preferred stock		(283,323)	
Dividends paid	**(31,351)**	(20,019)	**(265)**
Dividends paid to minority shareholders	**(236)**	(24)	**(1)**
Payments related to acquisition of treasury stock	**(570,345)**	(563)	**(4,829)**
Payments related to acquisition of stock from minority shareholders		(1,060)	
Proceeds from sales of treasury stock	**32**	57	**0**
Net cash used in financing activities	**(538,537)**	(242,934)	**(4,560)**
Effect of exchange rate changes on cash and cash equivalents	**54**	116	**0**
Decrease in cash and cash equivalents	**(154,132)**	(1,268,537)	**(1,305)**
Cash and cash equivalents at beginning of year	**1,475,689**	2,744,227	**12,496**
Cash and cash equivalents at end of year (Note 3)	¥ **1,321,557**	¥ 1,475,689	$ **11,191**

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2007 and 2006

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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under accounting principles generally accepted in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to the classifications used in 2007.

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 ¥118.09 to U.S.$1.00, the rate of exchange prevailing in the Tokyo Foreign Exchange Market on March 30, 2007. 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

(1) 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.

(2) Principles of consolidation

The Group defines its consolidation scope using the control and influence concept. 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.

<Accounting change>
On September 8, 2006, the ASBJ issued Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," which clarifies the practical application of the control and influence criteria for investment associations, *tokumei kumiai* (silent partnership) structures and similar investment vehicles in order to determine the scope of consolidation. PITF No. 20 requires companies to assess the control and influence over investment vehicles by means of the proportionate share of decision-making authority, together with other factors indicating substantial control and influence. PITF No. 20 is effective for the periods ending on and after the date of issuance. The Group adopted PITF No. 20 in the year ended March 31, 2007 but the effect of the adoption was not material.

(a) Scope of consolidation

The number of consolidated subsidiaries as of March 31, 2007 and 2006 was 21 and 36, respectively. The changes in the number of consolidated subsidiaries for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
At beginning of year	**36**	36
Increase:		
Incorporation	**—**	1
Decrease:		
Merger	**—**	1
Liquidation	**15**	—
At end of year	**21**	36

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

The Group excludes accounts of certain subsidiaries from consolidation when the total assets, total income, net income or loss, retained earnings, deferred gains or losses on hedges and other components of equity of these subsidiaries would not have a material effect on the consolidated financial statements.

(b) Application of the equity method of accounting

The number of affiliates accounted for by the equity method as of March 31, 2007 and 2006 was 2.

The equity method of accounting has not been applied to investments in certain non-consolidated subsidiaries and affiliates, as their net income or loss, retained earnings, deferred gains or losses on hedges and other components of equity of these subsidiaries and affiliates are immaterial in relation to 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.

(c) Balance sheet dates of consolidated subsidiaries

The balance sheet dates of the consolidated subsidiaries as of March 31, 2007 and 2006 were as follows:

	2007	2006
End of December	**4 subsidiaries**	5 subsidiaries
End of March	**17 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.

(d) 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 over a period of 5 years, using the straight-line method. Goodwill, however, is charged to income when incurred if the amount is not significant.

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestures." These new accounting standards are effective for fiscal years beginning on or after April 1, 2006 and require the cost of acquisition be allocated to identifiable assets and liabilities of the acquired company based on their fair values in a purchase business combination. The difference between the cost and the fair value of net assets acquired is reported as goodwill (or negative goodwill) and is systematically amortized over a period of 20 years or less. Goodwill is also subject to an impairment test. Retrospective application is not permitted and the Group continues to follow the previous accounting practices for the existing balance of goodwill reported in business combinations occurring before the effective date. The Group adopted these new accounting standards as of April 1, 2006 with no material impact.

(e) Eliminations of intercompany balances and transactions

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

(3) Trading assets and trading liabilities

Transactions whose purposes are to earn a profit by taking advantage of short-term fluctuations in the market or discrepancies in interest rates, currency exchange rates, share prices or other market indices on different markets ("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, etc. 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 "closed-out" value, assuming the respective contracts are closed-out at the consolidated balance sheet date.

(4) 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, changes in fair value of securities and monetary claims, etc., and changes in the close-out value of derivatives during the year.

(5) 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 equity in the year ended March 31, 2007 and reported in a separate component of shareholders' equity in the year ended March 31, 2006. The fair values of domestic equity securities with quoted market prices are determined based on the average quoted market prices in the last month of the year. The fair values of securities other than domestic equity securities with quoted market prices are generally determined based on their respective quoted market prices at the balance sheet date (the cost of securities sold is calculated by the moving-average method), otherwise, reasonable estimate of fair values would 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.

<Accounting change>

Inflation-indexed bonds were previously stated at fair value and related realized gains or losses were recognized in earnings, without separating the embedded inflation-related derivative from the host financial asset. On March 30, 2006, the ASBJ issued ASBJ Guidance No. 12, "Guidance on Accounting for Other Compound Financial Instruments," which is effective for fiscal years beginning on or after April 1, 2006. According to the new accounting standard, inflation-indexed bonds are stated at fair value; the carrying amount of the bond at the beginning of the year is deemed to be the initial amortized cost, and net unrealized gains or losses, net of taxes, are recorded in "Net unrealized gains on available-for-sale securities" as a separate component of equity.

The effect of adoption of the new accounting standard was to decrease net unrealized gains on available-for-sale securities by ¥808 million ($6 million) and increase deferred tax assets by ¥550 million ($4 million) as of March 31, 2007, and increase income before income taxes and minority interests by ¥1,358 million ($11 million) for the year ended March 31, 2007.

(6) Derivatives and hedge accounting

Derivatives 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 items 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 are reported as a separate component of equity in the year ended March 31, 2007. Such amounts, however, are included in "Other liabilities" or "Other assets," as appropriate, in the year ended March 31, 2006. Gross deferred hedge gains and losses as of March 31, 2006 amounted to ¥20,322 million and ¥49,487 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 income or expenses 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 or liabilities) as a condition for the application of hedge accounting. However, certain industry-specific hedge accounting may be applied as follows.

(a) 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 (the “JICPA Industry Audit Committee Report No. 24”).

The 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 financial liabilities, taking into consideration the nature of derivative activities in the banking industry. Under the JICPA Industry Audit Committee Report No. 24, hedges to offset changes in fair value of fixed rate instruments (such as loans or deposits) (“fair value hedges”) and changes in anticipated cash flows from variable rate instruments (“cash flow hedges”) are applied by grouping hedging instruments and hedged items by their maturities.

For fair value hedges, a group of hedging instruments 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 groups of hedging instruments and hedged items rather than 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 is, however, assumed to be effective and the assessment can be omitted when the 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 the 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” (the “JICPA Industry Audit Committee Report No. 15”). Under macro hedge accounting, gains and losses on the derivatives were deferred and amortized by the straight-line method over a defined period pursuant to their internal risk management policies.

In accordance with the transitional treatment in the JICPA Industry Audit Committee Report No. 24, which superseded the JICPA Industry Audit Committee Report No. 15, deferred hedge gains or losses recorded in the prior periods under macro hedges were charged to income as interest income or expenses over a period not exceeding 10 years from the fiscal year ended March 31, 2004, based on the remaining terms and notional amounts of the hedging instruments. The remaining balances of deferred hedge gains and losses on macro hedges as of March 31, 2007 and 2006 were ¥6,257 million ($52 million) and ¥4,958 million ($41 million), and ¥15,939 million and ¥10,177 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 (group of assets) or specific liability (group of liabilities).

(b) 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 the JICPA Industry Audit Committee Report No. 25, “Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry” (the “JICPA Industry Audit Committee Report No. 25”).

In accordance with the 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 banking subsidiaries continue to hold foreign currency positions of the hedging derivatives corresponding to the positions of the hedged items denominated in foreign currencies.

For hedges of foreign-currency-denominated available-for-sales securities (other than bonds), consolidated domestic banking subsidiaries have 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.

(c) 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 defer them as assets or liabilities without elimination in the financial statements in accordance with the JICPA Industry Audit Committee Reports No. 24 and No. 25, which permit a bank to retain the gains and losses on internal derivatives without elimination if the bank establishes and follows the strict hedging criteria for external transactions, requiring mirror-image transactions to be entered into within three business days with external parties after the designation of the internal derivatives as hedging instruments.

(7) Depreciation and amortization

(a) 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 ~ 50 years
Equipment:	2 ~ 20 years

(b) Intangible fixed assets

Amortization of intangible fixed assets is mainly computed by the straight-line method. 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).

(8) 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 (identified as a cash-generating unit) 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.

For the purpose of testing impairment, certain domestic banking subsidiaries recognize individual branch offices as cash-generating units for which they identify specific cash flows. Assets which do not have identifiable cash flows such as corporate headquarters, training centers, integrated computer centers and welfare facilities are treated as corporate assets as a whole. Branch offices to be closed and facilities not used in operations are individually assessed for impairment.

Recoverable amounts are generally measured by net realizable value, which is principally determined at appraisal values less estimated disposal costs. For certain branch offices used in operations, recoverable amounts are measured by value in use, which is calculated based on the present value of future cash flows using a reasonable discount rate.

<Accounting change>

Certain domestic banking subsidiaries previously grouped branch offices by "region," which was defined from the perspective of the business area and location of each branch office to identify cash-generating units for impairment testing. In the year ended March 31, 2007, such domestic banking subsidiaries changed the scope of unit from a defined "region" to individual "branch office" for which such domestic banking subsidiaries continue to manage and monitor revenue and expenses. As the domestic banking subsidiaries completed their reorganization of business centers in their banking business by eliminating overlapping of sales offices that existed within a single branch, after the merger of the predecessor banks, such domestic banking subsidiaries were able to more precisely identify the cash flows for each branch office which is a basic unit under their managerial accounting for banking business. The effect of this change was to increase impairment losses on premises and equipment and decrease income before income taxes and minority interests by ¥3,523 million ($29 million) as compared to what would have been reported under the previous grouping method.

(9) Deferred charges

Bond discounts which relate to bonds issued prior to May 1, 2006 are amortized by the straight-line method over the terms of the bonds or the periods before the bonds are redeemable. Bond discounts which relate to bonds issued on or after May 1, 2006 are amortized by the straight-line method over the terms of the bonds or the periods before the bonds are redeemable in accordance with the revised accounting standard for financial instruments. Such bond discounts, including those carried over from the previous years which were previously presented as other assets, are now presented as a deduction from bonds.

The Group adopted the revised accounting standard in the year ended March 31, 2007 and, as a result of the adoption, "Other assets" and "Bonds" decreased by ¥461 million ($3 million) compared to what would have been reported under the previous accounting standard.

Bond issuance costs are charged to income as incurred.

(10) Dormant deposits

Consolidated domestic banking subsidiaries derecognize the balance of customer deposits in their balance sheets 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 any claimants for the balance after reasonable efforts. However, the balance has generally been reimbursed subsequent to the period of derecognition if a legitimate claimant appears, and such reimbursement of deposit was accounted for as a charge against income.

Commencing in the year ended March 31, 2007, however, they provide a reserve for losses on estimated reimbursements in response to the legitimate claims subsequent to the period of derecognition of the related deposit liabilities.

(11) 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 deemed 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"), 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 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 the amount of 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 amounts deemed collectible from the disposal of collateral or execution of guarantees and the borrower's ability to repay.

For claims to other borrowers, a reserve is computed by using the loan-loss rates derived from the historical loss experience 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 in their 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 (i.e., the carrying value less the amounts collectible from the disposal of collateral and execution of guarantees) are directly written off. Such uncollectible amounts for the years ended March 31, 2007 and 2006 were ¥340,314 million ($2,881 million) and ¥474,088 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 such as those to borrowers under bankruptcy proceedings.

(12) 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.

(13) 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 next fiscal year after incurrence by the straight-line method over a period (10 years) within the average remaining service period of eligible employees.

<Accounting change>

In March 2005, the ASBJ issued ASBJ Statement No. 3, "Partial Revision of Accounting Standard for Retirement Benefit" and ASBJ Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefit." These revised accounting standards are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for the year ended March 31, 2005. The revised accounting standards 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 revised accounting standards, however, allow 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 revised accounting standards 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.

(14) 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.

(15) 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.

(16) Other reserves

Other reserves mainly include a reserve for losses on reimbursement of deposits and a reserve for losses on interest repayments. A reserve for losses on reimbursement of deposits has been provided for the future losses resulting from reimbursements of deposits subsequent to the period of derecognition of the related liabilities. A reserve for losses on interest repayments has been provided for the future losses on interest repayment claims based on the historical experience for such repayments.

(17) 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 equity for the year ended March 31, 2007 and shareholders' equity for the year ended March 31, 2006.

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.

(18) 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 the assessment 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 the 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 has filed with the Japanese tax authorities a national income tax return under the consolidated corporate-tax system, 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. Consolidated corporate-tax amounts, once determined, are allocated to each of the subsidiaries and are used as a basis for the income taxes to be recorded in their separate financial statements.

Under the current guidelines, the Group is allowed to recognize deferred tax assets as realizable based on the future taxable income projected for a period not longer than the next five years despite a significant amount of tax loss carryforwards as the tax loss carryforwards had been incurred due to certain non-recurring events. Previously, the Group used a one-year time horizon to project the future taxable income in assessing the realizability of deferred tax assets under the corporate-tax system because of the inherent uncertainty of the earnings forecast on the business operations in the deflationary economic environment. For the year ended March 31, 2007, the Group, however, extended the one-year time horizon to five years to project the future taxable income and reduced its valuation allowance, considering the improving operating results, stable business operations and increased certainty of future taxable income.

The tax basis of the enterprise taxes includes “added value” and “amount of capital,” as defined, and 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 PITF No. 12, “Practical Treatment of Presentation of External Standards Taxation Portion of Enterprise Taxes on the Statement of Operations,” issued by the ASBJ.

(19) 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.

(20) Accounting for consumption tax

The Company and its 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 transactions.

(21) 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.

(22) 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.

(23) 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, including convertible preferred stock, 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 securities 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 and dividends, net of tax, and assumed exercise of all conversion options outstanding.

For the years ended March 31, 2007 and 2006, diluted net income per share was computed reflecting the potential dilutive effect of outstanding convertible preferred stock, which was assumed to be fully converted into common stock at the beginning of the year, with an applicable adjustment for the related preferred dividends.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(24) Change in presentation

(a) Equity

On December 9, 2005, the ASBJ issued a new accounting standard for the presentation of equity. Under this accounting standard, certain items which were previously presented as assets, liabilities or a line item separate from shareholders' equity, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests and deferred gains or losses on derivatives qualified for hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

(b) Premises and equipment, intangible assets and other assets
The Enforcement Ordinance of the Banking Law and related guidelines were revised in May 2006, and are effective for fiscal years beginning on and after April 1, 2006. As a result, the Company changed its presentation of the consolidated financial statements for the year ended March 31, 2007 as follows:

(Consolidated Balance Sheet)
(i) Certain balances which had been included in "Premises and equipment" are now reclassified into "Intangible fixed assets" and "Other assets."
(ii) Software which had been included in "Other assets" is now included in "Intangible fixed assets."
(iii) "Goodwill" which had been presented separately or otherwise included in "Other assets" is now included in "Intangible fixed assets."
(Consolidated Statement of Income)
(iv) Amortization of goodwill which had been accounted for as "Other expenses" in "Expenses" is now accounted for as amortization of intangible fixed assets and included in "General and administrative expenses."
(Consolidated Statement of Cash Flows)
(v) In connection with the change in presentation of "Premises and equipment" in the consolidated balance sheet, certain amounts which had been included in "Purchases of premises and equipment" and "Proceeds from disposal of premises and equipment," in cash flows from investing activities are reclassified into "Purchases of intangible fixed assets" and "Proceeds from disposal of intangible fixed assets."

(25) New accounting pronouncements

(a) Lease accounting
On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized and is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements
Under accounting principles generally accepted in Japan, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with accounting principles generally accepted in their respective jurisdictions for its consolidation process unless they contain accounting treatments that are clearly unreasonable so as to require adjustments for the purpose of its consolidated financial statements. On May 17, 2006, the ASBJ issued PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, and (3) however, the following items should be adjusted in the consolidation process so that net income or loss is accounted for in accordance with accounting principles generally accepted in Japan unless they are not material:
(i) Amortization of goodwill
(ii) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(iii) Capitalization of intangible assets arising from development phases
(iv) Fair value measurement of investment properties and the revaluation model for property, plant and equipment, and intangible assets
(v) Retrospective application when accounting policies are changed
(vi) Accounting for net income attributable to a minority interest

PITF No. 18 is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. CASH AND CASH EQUIVALENTS

The reconciliation between "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and due from banks" in the consolidated balance sheets as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Cash and due from banks	**¥1,609,285**	¥1,691,016	**$13,627**
Due from banks except for the Bank of Japan	**(287,727)**	(215,326)	**(2,436)**
Cash and cash equivalents	**¥1,321,557**	¥1,475,689	**$11,191**

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

Call loans and bills bought as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Call loans	**¥1,200,121**	¥939,586	**$10,162**
Bills bought		47,300	
Total	**¥1,200,121**	¥986,886	**$10,162**

Call money and bills sold as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Call money	**¥124,054**	¥527,525	**$1,050**
Bills sold		395,600	
Total	**¥124,054**	¥923,125	**$1,050**

5. TRADING ASSETS AND TRADING LIABILITIES

Trading assets and liabilities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Trading assets:			
Trading securities	**¥ 55,213**	¥ 32,001	**$ 467**
Trading-related financial derivatives	**79,873**	91,046	**676**
Commercial paper	**235,812**	555,799	**1,996**
Total	**¥370,899**	¥678,848	**$3,140**
Trading liabilities:			
Trading-related financial derivatives	**¥ 47,191**	¥ 56,683	**$ 399**
Trading securities sold for short sales	**68,097**	14,360	**576**
Derivatives of trading securities	**64**	37	**0**
Derivatives of securities related to trading transactions	**13**	8	**0**
Total	**¥115,367**	¥ 71,090	**$ 976**

6. SECURITIES

Securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Japanese government bonds	**¥3,894,702**	¥3,627,524	**$32,980**
Japanese local government bonds	**457,195**	405,892	**3,871**
Japanese corporate bonds	**1,312,399**	1,633,736	**11,113**
Japanese stocks	**972,144**	1,052,167	**8,232**
Other securities	**958,770**	1,302,675	**8,118**
Total	**¥7,595,212**	¥8,021,995	**$64,317**

Securities as of March 31, 2007 and 2006 included equity investments in non-consolidated subsidiaries and affiliates, accounted for by the equity method or the cost method, of ¥18,825 million ($159 million) and ¥18,540 million, respectively, and capital subscriptions to entities such as limited liability companies of ¥15,877 million ($134 million) and ¥11,100 million, respectively.

The amortized costs, aggregate fair values and unrealized gains and losses of held-to-maturity debt securities as of March 31, 2007 and 2006, which are included in the above table, were as follows:

	Millions of yen				
	Amortized cost	Fair value	Net unrealized losses	Gross unrealized gains	Gross unrealized losses
March 31, 2007					
Held-to-maturity debt securities:					
Bonds:					
Japanese local government bonds	**¥148,451**	**¥148,074**	**¥(377)**	**¥588**	**¥966**
Total	**¥148,451**	**¥148,074**	**¥(377)**	**¥588**	**¥966**
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

	Millions of U.S. dollars				
	Amortized cost	Fair value	Net unrealized losses	Gross unrealized gains	Gross unrealized losses
March 31, 2007					
Held-to-maturity debt securities:					
Bonds:					
Japanese local government bonds	**$1,257**	**$1,253**	**$(3)**	**$4**	**$8**
Total	**$1,257**	**$1,253**	**$(3)**	**$4**	**$8**

The amortized costs, aggregate fair values and unrealized gains and losses of available-for-sale securities as of March 31, 2007 and 2006, which are included in the above table, were as follows:

	Millions of yen				
	Amortized cost	Fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses
March 31, 2007					
Available-for-sale securities:					
Japanese stocks	**¥ 390,466**	**¥ 839,411**	**¥448,944**	**¥451,428**	**¥ 2,483**
Bonds:					
Japanese government bonds	**3,927,606**	**3,894,702**	**(32,903)**	**814**	**33,718**
Japanese local government bonds	**311,550**	**308,743**	**(2,806)**	**376**	**3,183**
Japanese corporate bonds	**712,570**	**710,087**	**(2,483)**	**277**	**2,760**
Total bonds	**4,951,728**	**4,913,534**	**(38,193)**	**1,468**	**39,662**
Other	**1,054,405**	**1,076,576**	**22,171**	**49,626**	**27,455**
Total	**¥6,396,599**	**¥6,829,521**	**¥432,921**	**¥502,523**	**¥69,601**
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

	Millions of U.S. dollars				
	Amortized cost	Fair value	Net unrealized gains (losses)	Gross unrealized gains	Gross unrealized losses
March 31, 2007					
Available-for-sale securities:					
Japanese stocks	**$ 3,306**	**$ 7,108**	**$3,801**	**$3,822**	**$ 21**
Bonds:					
Japanese government bonds	**33,259**	**32,980**	**(278)**	**6**	**285**
Japanese local government bonds	**2,638**	**2,614**	**(23)**	**3**	**26**
Japanese corporate bonds	**6,034**	**6,013**	**(21)**	**2**	**23**
Total bonds	**41,931**	**41,608**	**(323)**	**12**	**335**
Other	**8,928**	**9,116**	**187**	**420**	**232**
Total	**$54,167**	**$57,833**	**$3,666**	**$4,255**	**$589**

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 Group 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:

(For the year ended March 31, 2007)

(i) For issuers who are classified as borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and borrowers with a high probability of becoming insolvent: where the fair value is lower than the carrying value.

(ii) For issuers who are classified as borrowers under close watch: where the fair value declines by 30% or more compared to the carrying value.

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

(For the year ended March 31, 2006)

(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.

For the years ended March 31, 2007, an impairment loss of ¥6,261 million ($53 million) was recorded with respect to available-for-sale securities with fair values. For the year ended March 31, 2006, no impairment loss was recorded with respect to available-for-sale securities with fair values.

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

	Millions of yen		
	Proceeds from sales	Gross realized gains	Gross realized losses
March 31, 2006			
Held-to-maturity debt securities	¥1,300	¥1,357	¥57

For the year ended March 31, 2007, there were no sales of held-to-maturity debt securities.

Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen			Millions of U.S. dollars		
	Proceeds from sales	Gross realized gains	Gross realized losses	Proceeds from sales	Gross realized gains	Gross realized losses
March 31, 2007						
Available-for-sale securities	**¥20,521,550**	**¥148,413**	**¥59,169**	**$173,778**	**$1,256**	**$501**
March 31, 2006						
Available-for-sale securities	¥14,662,455	¥ 92,043	¥40,047			

Securities whose fair values were not readily determinable as of March 31, 2007 and 2006 were principally as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Held-to-maturity debt securities:			
Unlisted Japanese corporate bonds	**¥ 30,640**	¥ 27,369	**$ 259**
Available-for-sale securities:			
Unlisted Japanese corporate bonds	**571,668**	587,996	**4,840**
Unlisted Japanese corporate stocks	**122,077**	184,837	**1,033**

Transfer between categories of securities

For the year ended March 31, 2007, there were no transfers 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 Resona Bank, Limited sold a part of the portfolio and reclassified ¥1,099 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 condition or results of operations.

The carrying amounts of securities classified as available-for-sale by maturities as of March 31, 2007 and 2006 were as follows:

	Millions of yen			
	One year or less	One to five years	Five to ten years	Over ten years
March 31, 2007				
Bonds:				
Japanese government bonds	**¥2,387,786**	**¥ 452,723**	**¥328,040**	**¥726,152**
Japanese local government bonds	**63,290**	**152,803**	**241,102**	
Japanese corporate bonds	**488,547**	**762,637**	**45,115**	**16,193**
Subtotal	**2,939,623**	**1,368,164**	**614,257**	**742,346**
Other	**11,400**	**85,151**	**240,849**	**232,712**
Total	**¥2,951,024**	**¥1,453,316**	**¥855,106**	**¥975,058**
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

	Millions of U.S. dollars			
	One year or less	One to five years	Five to ten years	Over ten years
March 31, 2007				
Bonds:				
Japanese government bonds	**$20,220**	**$ 3,833**	**$2,777**	**$6,149**
Japanese local government bonds	**535**	**1,293**	**2,041**	
Japanese corporate bonds	**4,137**	**6,458**	**382**	**137**
Subtotal	**24,893**	**11,585**	**5,201**	**6,286**
Other	**96**	**721**	**2,039**	**1,970**
Total	**$24,989**	**$12,306**	**$7,241**	**$8,256**

A reconciliation of net unrealized gains on available-for-sale securities to the amounts included in "Net unrealized gains on available-for-sale securities," presented as a separate component of equity as of March 31, 2007 and as a separate component of shareholders' equity as of March 31, 2006, on the consolidated balance sheets is as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Net unrealized gains on available-for-sale securities	**¥432,921**	¥445,495	**$3,666**
Embedded derivative losses charged to income		1,066	
Fair value hedge gains recognized as income	**(12,281)**	(10,778)	**(103)**
Deferred tax liabilities	**(119,197)**	(176,805)	**(1,009)**
Unrealized gains on available-for-sale securities (before adjustment)	**301,443**	258,978	**2,552**
Less: amounts attributable to minority interests	**407**	1,574	**3**
Less: the Company's portion of unrealized losses on available-for-sale securities of equity method investees	**22**	15	**0**
Amounts recorded in the consolidated balance sheets	**¥301,013**	¥257,388	**$2,549**

For securities received under bonds borrowing transactions collateralized with cash, which permit borrowers to sell or repledge such securities received, ¥38,342 million ($324 million) and ¥36,504 million of such securities were repledged, and ¥7,263 million ($61 million) and ¥0 million of such securities were held by the Group as of March 31, 2007 and 2006, respectively. There were no loaned securities under securities lending agreements as of March 31, 2007 and 2006.

Money held in trust as of March 31, 2007 was as follows:

	Millions of yen		Millions of U.S. dollars	
	Amount	Net unrealized gains recognized during the year	Amount	Net unrealized gains recognized during the year
March 31, 2007				
Money held in trust for trading purpose	**¥10,385**	**¥385**	**$87**	**$3**

7. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Bills discounted	**¥ 334,276**	¥ 336,007	**$ 2,830**
Loans on notes	**1,644,813**	1,835,871	**13,928**
Loans on deeds	**21,283,843**	20,851,361	**180,234**
Overdrafts	**2,989,927**	3,186,362	**25,319**
Total	**¥26,252,861**	¥26,209,603	**$222,312**

The following loans were included in loans and bills discounted as of March 31, 2007 and 2006.

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Loans to borrowers in legal bankruptcy	**¥ 20,401**	¥ 13,375	**$ 172**
Past due loans	**403,396**	352,851	**3,416**
Accruing loans contractually past due three months or more	**11,911**	15,509	**100**
Restructured loans	**278,862**	386,646	**2,361**
Total	**¥714,572**	¥768,382	**$6,051**

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

"Loans to borrowers in legal bankruptcy" are nonaccrual loans which are highly probable to become unrecoverable. Specific conditions for inclusion in this category are as follows:

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

(ii) Clearance 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 principal or interest is past due three months or more.

"Restructured loans" are loans to customers 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 the JICPA Industry Audit Committee Report No. 24. Certain consolidated banking subsidiaries have a right to sell or repledge as collateral such discounted bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, which were obtained at a discount, was ¥357,553 million ($3,027 million) and ¥362,262 million as of March 31, 2007 and 2006, respectively.

8. FOREIGN EXCHANGE

Foreign exchange assets and liabilities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Assets:			
Due from foreign banks	**¥27,850**	¥27,585	**$235**
Loans to foreign banks	**24**	21	**0**
Foreign bills of exchange bought	**23,276**	26,254	**197**
Foreign bills of exchange receivable	**32,114**	35,650	**271**
Total	**¥83,265**	¥89,512	**$705**
Liabilities:			
Due to foreign banks	**¥ 1,187**	¥ 3,238	**$ 10**
Foreign bills of exchange sold	**921**	1,276	**7**
Foreign bills of exchange payable	**1,090**	970	**9**
Total	**¥ 3,199**	¥ 5,485	**$ 27**

9. OTHER ASSETS

Other assets as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Prepaid expenses	**¥ 4,043**	¥ 4,399	**$ 34**
Accrued income	**69,450**	91,385	**588**
Initial margins for futures transactions	**14,926**	9,319	**126**
Variation margins for futures transactions	**1,323**	345	**11**
Securities received as collateral	**68,097**	10,964	**576**
Financial derivatives, principally including option premiums and contracts under hedge accounting	**192,039**	143,229	**1,626**
Prepaid pension cost	**131,148**	127,800	**1,110**
Other	**428,443**	502,176	**3,628**
Total	**¥909,471**	¥889,620	**$7,701**

10. PREMISES AND EQUIPMENT

Premises and equipment as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Land, buildings and equipment	**¥607,203**	¥623,740	**$5,141**
Construction in progress	**1,767**	808	**14**
Guarantee deposits		30,700	
Subtotal	**608,970**	655,248	**5,156**
Accumulated depreciation	**(207,668)**	(212,826)	**(1,758)**
Total	**¥401,302**	¥442,422	**$3,398**

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to effectively defer the recognition of taxable profit arising from such transactions by reducing the cost of the assets acquired. As of March 31, 2007 and 2006, such deferred profit was ¥62,398 million ($528 million) and ¥62,847 million, respectively.

11. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2007 consisted of the following:

	Millions of yen	Millions of U.S. dollars
	2007	**2007**
Software	**¥13,208**	**$111**
Goodwill	**21,754**	**184**
Others	**5,419**	**45**
Total	**¥40,382**	**$341**

12. LONG-LIVED ASSETS

The Group recognized impairment losses of ¥3,523 million ($29 million) on certain operating branches and ¥4,196 million ($35 million) on branches to be closed and unused facilities for the year ended March 31, 2007.

The impairment losses comprised ¥3,009 million ($25 million) on buildings, ¥2,081 million ($17 million) on land and ¥2,629 million ($22 million) on other tangible fixed assets for the year ended March 31, 2007.

For certain branch offices used in operations, recoverable amounts are measured by value in use which is calculated based on the present value of future cash flows, using a discount rate of 6.6%.

For the year ended March 31, 2006, the Group recognized impairment losses of ¥1,018 million.

13. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and debt collateralized as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Assets pledged as collateral:			
Trading assets	**¥ 63,929**	¥ 240,475	**$ 541**
Securities	**3,124,109**	3,033,517	**26,455**
Loans and bills discounted	**284,470**	246,231	**2,408**
Other assets	**3,960**	191	**33**
Debt collateralized:			
Deposits	**¥ 144,109**	¥ 194,089	**$ 1,220**
Call money and bills sold		540,600	
Bills sold under repurchase agreements	**13,983**	240,480	**118**
Deposits received for bonds lending transactions	**29,574**	154,458	**250**
Borrowed money	**776,300**	19,150	**6,573**
Other liabilities	**288**	443	**2**

In addition to the pledged assets shown above, “Cash and due from banks,” “Securities” and “Other assets,” amounting to ¥436 million ($3 million), ¥951,893 million ($8,060 million) and ¥3,340 million ($28 million), respectively, were pledged as collateral for settlement of foreign exchanges, over-the-counter derivatives transactions or futures transactions as of March 31, 2007.

“Cash and due from banks,” “Securities” and “Other assets,” amounting to ¥433 million, ¥913,194 million and ¥4,585 million, respectively, were pledged as collateral for settlement of foreign exchanges, over-the-counter derivatives transactions or futures transactions as of March 31, 2006.

“Other assets” included the guarantee deposits of ¥23,055 million ($195 million) as of March 31, 2007 and “Premises and equipment” included ¥30,700 million as of March 31, 2006, respectively.

“Other assets” included initial margins for futures transactions in the amount of ¥14,926 million ($126 million) and ¥9,319 million as of March 31, 2007 and 2006, respectively.

14. 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' requests, unless any terms or conditions in the agreements are violated.

Unused balances related to these agreements as of March 31, 2007 and 2006 amounted to ¥9,880,502 million ($83,669 million) and ¥8,844,597 million, respectively, including ¥9,556,809 million ($80,928 million) and ¥8,721,975 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.

The unused balances do 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 changes in the current financial conditions, changes in credit management policies, or 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 monitors the financial condition of the borrowers based on its internal rules and, if necessary, takes measures to ensure the security of the loans.

15. DEPOSITS

Deposits as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Current deposits	**¥ 2,323,655**	¥ 2,715,497	**$ 19,676**
Ordinary deposits	**16,170,941**	15,495,934	**136,937**
Notice deposits	**128,319**	135,836	**1,086**
Savings deposits	**465,852**	488,847	**3,944**
Time deposits	**11,858,816**	11,882,425	**100,421**
Other deposits	**783,495**	878,707	**6,634**
Total	**¥31,731,081**	¥31,597,248	**$268,702**

16. BORROWED MONEY

As of March 31, 2007 and 2006, the weighted average annual interest rates applicable to borrowed money were 0.92% and 1.82%, respectively.

Borrowed money included borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings of ¥167,000 million ($1,414 million) and ¥184,000 million as of March 31, 2007 and 2006, respectively.

The following is a summary of maturities of borrowed money subsequent to March 31, 2007:

Year Ending March 31	Millions of yen	Millions of U.S. dollars
2008	¥831,740	$7,043
2009	50,095	424
2010	16,008	135
2011	890	7
2012	363	3
2013 and thereafter	94,131	797
Total	¥993,227	$8,410

17. BONDS

Bonds as of March 31, 2007 and 2006 consisted of the following:

	Rate	Maturity	Millions of yen	Millions of U.S. dollars
March 31, 2007				
The Company:				
Straight bond	1.28%	August 12, 2009	**¥ 50,000**	**$ 423**
Straight bond	0.84%	December 17, 2009	**30,000**	**254**
Straight bond	0.69%	June 24, 2010	**30,000**	**254**
Straight bond	0.65%	December 17, 2008	**20,000**	**169**
Straight bond	1.09%	December 17, 2010	**30,000**	**254**
Straight bond	1.32%	December 15, 2009	**30,000**	**254**
Straight bond	1.64%	December 15, 2011	**20,000**	**169**
Resona Bank, Limited:				
Subordinated bonds[1]	0.95625% to 5.986%	September 24, 2014 to perpetual	**596,141**	**5,048**
Saitama Resona Bank, Ltd.:				
Subordinated bonds	1.11375% to 1.69%	March 8, 2016 to perpetual	**40,000**	**338**
Asahi Finance (Cayman) Ltd.:				
Subordinated bonds[2]	3.30% to 4.25%	March 31, 2013 to perpetual	**20,000**	**169**
Total			**¥866,141**	**$7,334**
March 31, 2006				
The Company:				
Straight bond	1.28%	August 12, 2009	¥ 50,000	
Straight bond	0.84%	December 17, 2009	30,000	
Straight bond	0.69%	June 24, 2010	30,000	
Straight bond	0.65%	December 17, 2008	20,000	
Straight bond	1.09%	December 17, 2010	30,000	
Resona Bank, Limited:				
Subordinated bonds[3]	0.55% to 5.85%	May 31, 2011 to perpetual	482,992	
Saitama Resona Bank, Ltd.:				
Subordinated bonds	1.44% to 1.52%	March 8, 2016 to March 9, 2016	10,000	
Asahi Finance (Cayman) Ltd.:				
Subordinated bonds[2][4]	1.10% to 4.25%	June 1, 2011 to perpetual	110,446	
Total			¥763,438	

Notes: 1. The amount includes the balances of foreign currency-denominated bonds originally issued at 1,797 million, U.S.$1,299 million and £400 million.
2. Asahi Finance (Cayman) Ltd. is a wholly owned subsidiary of the Company
3. The amount includes the balances of foreign currency-denominated bonds originally issued at 1,800 million and U.S.$1,300 million.
4. The amount includes the balance of foreign currency-denominated bonds originally issued at U.S.$100 million in original currency of the foreign currency bonds.
5. All the outstanding bonds are unsecured.

The following is a summary of the maturities of bonds subsequent to March 31, 2007:

Year Ending March 31	Millions of yen	Millions of U.S. dollars
2009	¥ 20,000	$ 169
2010	110,000	931
2011	60,000	508
2012	20,000	169
2013 and thereafter	656,141	5,556
Total	¥866,141	$7,334

18. OTHER LIABILITIES

Other liabilities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Unsettled exchange payables	**¥ 493**	¥ 479	**$ 4**
Accrued income taxes	**10,292**	15,419	**87**
Accrued expenses	**76,185**	76,374	**645**
Unearned income	**24,743**	28,080	**209**
Deposits for futures transactions	**41**	527	**0**
Financial derivatives, principally including option premiums and contracts under hedge accounting	**131,013**	130,459	**1,109**
Other	**523,901**	389,698	**4,436**
Total	**¥766,672**	¥641,039	**$6,492**

19. 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 Group's right of indemnity from the applicants.

Prior to April 1, 2006, guarantees for Japanese corporate bonds issued in a private offering (as defined in Article 2, Item 3 of the Securities and Exchange Law) were presented as "Acceptances and guarantees" with the corresponding balances in "Customers' liabilities for acceptances and guarantees" even if the underlying corporate bonds were retained in the balance sheets.

In the year ended March 31, 2007, the Group, however, offset "Customers' liabilities for acceptances and guarantees" against the corresponding "Acceptances and guarantees" associated with the privately-offered Japanese corporate bonds held by the consolidated domestic banking subsidiaries, in accordance with the amendments of the Enforcement Regulations of the Banking Law. As a result, "Customers' liabilities for acceptances and guarantees" and "Acceptances and guarantees" both decreased by ¥544,188 million ($4,608 million) as of March 31, 2007.

In addition to the acceptances and guarantees described above, a certain consolidated domestic banking subsidiary guarantees the principal on certain jointly managed trust products. The guaranteed principal amounts held in such trusts were ¥516,755 million ($4,375 million) and ¥528,222 million as of March 31, 2007 and 2006, respectively.

20. REVALUATION RESERVE FOR LAND

Effective March 31, 1998, certain domestic consolidated subsidiaries adopted a special one-time measure to revalue their 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 equity in the year ended March 31, 2007 and shareholders' equity in the year ended March 31, 2006 with the related income taxes included in "Deferred tax liabilities on land revaluation."

In accordance with Article 3, Item 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, Item 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 ¥4,261 million ($36 million) and ¥17,699 million as of March 31, 2007 and 2006, respectively, which was not reflected in the consolidated balance sheets.

21. EQUITY

The Company Law, which became effective on May 1, 2006, reformed and replaced the Commercial Code of Japan (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 Company Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Company 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 a Board of Directors, (2) having independent auditors, (3) having a 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) at any time during the fiscal year 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 Company Law, even though such companies have an audit committee instead of the Board of Corporate Auditors. The Company is organized as a company with board committees.

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

Semiannual interim dividends can also be paid once a year upon resolution by the Board of Directors because the articles of incorporation of the Company so stipulate in accordance with the Company Law. The Company Law 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.

(b) Increase/decrease and transfer of stated capital, reserve and surplus

The Company 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 upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock.

Under the Company Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Company Law also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus (capital surplus other than additional paid-in capital) and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders. In addition, the Company can do so without resolution of the shareholders when it meets certain other conditions under Article 447-3 and 448-3.

(c) Treasury stock and treasury stock acquisition rights

The Company 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 a specific formula.

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

The Company 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 equity or deducted directly from stock acquisition rights.

(d) Accounting standards for treasury shares and appropriation of legal reserve

On December 27, 2005 and August 11, 2006, the ASBJ revised ASBJ Statement No. 1, “Accounting Standards for Treasury Shares and Appropriation of Legal Reserve,” and ASBJ Guidance No. 2, “Guidance on Accounting Standards for Treasury Shares and Appropriation of Legal Reserve,” to conform to certain procedures for treasury stock and legal reserve as stipulated in the Company Law and related accounting rules.

Among others, the revised standards clarify th accounting treatment for retirement of treasury stock, requiring the cost of retired treasury stock be first deducted from other capital surplus (capital surplus other than additional paid-in capital). These standards also require that when the other capital surplus at the end of the year would become negative as a result of retirement of treasury stock, the negative balance of other capital surplus shall be zero and the negative balance shall be deducted from other earned surplus (retained earnings other than legal reserve).

The Company adopted these standards in the year ended March 31, 2007 and the application of the revised standards has no impact on the results of operations.

Common stock and preferred stock as of March 31, 2007 was as follows:

March 31, 2007	Number of shares		Per share (Yen)						
Class of stock	Authorized	Issued and outstanding	Interim cash dividend	Cash dividend paid	Liquidation value	Convertible or not	Convertible period	Voting right	Conversion ratio or price
Common stock	73,000,000	11,399,335.9	¥—	¥ 1,000	¥ —	No	Not applicable	Yes	Not applicable
Class B No. 1 preferred stock	680,000	272,202	—	6,360	600,000	Yes	December 12, 2001 to March 31, 2009	No	2.034
Class C No. 1 preferred stock	120,000	120,000	—	6,800	500,000	Yes	January 1, 2002 to March 31, 2015	No	¥338,400
Class D No. 1 preferred stock	120	60	—	10,000	2,000,000	Yes	March 1, 2002 to July 31, 2007	No	¥496,300
Class E No. 1 preferred stock	240,000	9,576	—	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	—	1,688	200,000	Yes	On or after July 1, 2006	Yes	¥348,100
Class two No. 1 preferred stock	2,817,808	2,817,807.8	—	1,688	200,000	Yes	On or after July 1, 2008	Yes	(1)
Class three No. 1 preferred stock	2,750,000	2,750,000	—	1,688	200,000	Yes	On or after July 1, 2010	Yes	(2)
Class four preferred stock	100,000	25,200	—	57,918	2,500,000	No	—	No	—

Notes: (1) The initial conversion price of Class two No. 1 preferred stock was 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.

(2) The initial conversion price of Class three No. 1 preferred stock was 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.

(3) In addition to the above, the authorized number of the shares (Class five preferred stock, Class six preferred stock, Class seven preferred stock, Class eight preferred stock, and Class nine preferred stock) was 100,000 shares as of March 31, 2007.

Holders or registered pledgees of preferred shares are entitled to receive annual dividends and the distribution of residual assets in priority to shareholders of common stock 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 except for Class four 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.

The Company may purchase Class four preferred stock by money which price is ¥2,500,000 plus calculated daily basis of annual dividends on or after August 31, 2013.

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

The Company repurchased preferred stock (Class B No. 1 preferred stock, Class D No. 1 preferred stock and Class E No. 1 preferred stock) and fully retired them for the year ended March 31, 2007. As a result, the number of outstanding shares for these preferred stocks decreased by 407,798 shares, 60 shares and 230,424 shares, respectively.

The Company issued Class four preferred stock on August 31, 2006. The issued and outstanding number of the shares was 25,200 shares as of March 31, 2007.

On June 5, 2007, the Company issued 100,000 shares of Class nine preferred shares (See Note 33. (2)).

Common stock and preferred stock as of March 31, 2006 was 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	(4)
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	(5)
Class three No. 1 preferred stock	2,750,000	2,750,000	—	1,188	200,000	Yes	On or after July 1, 2010	Yes	(6)

Notes: (4) The initial conversion price of Class one No. 1 preferred stock was 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 was 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 was 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 pledgees of preferred shares are entitled to receive annual dividends and the distribution of residual assets in priority to shareholders of common stock 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 the 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.

22. INTEREST INCOME AND EXPENSES

Interest income and expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Interest income:			
Interest on loans and bills discounted	**¥515,486**	¥495,591	**$4,365**
Interest and dividends on securities	**94,290**	79,881	**798**
Interest on call loans and bills bought	**8,889**	2,194	**75**
Interest on bills bought under resale agreements	**0**		**0**
Interest on deposits paid for bonds borrowing transactions	**122**	7	**1**
Interest on due from banks	**9,476**	7,228	**80**
Other interest income	**36,959**	25,027	**312**
Total	**¥665,223**	¥609,931	**$5,633**
Interest expenses:			
Interest on deposits	**¥ 51,834**	¥29,077	**$ 438**
Interest on negotiable certificates of deposit	**6,055**	650	**51**
Interest on call money and bills sold	**1,298**	632	**10**
Interest on bills sold under repurchase agreements	**309**	26	**2**
Interest on deposits received for bonds lending transactions	**804**	481	**6**
Interest on borrowed money	**6,501**	9,031	**55**
Interest on bonds	**29,396**	17,606	**248**
Other interest expenses	**5,319**	2,620	**45**
Total	**¥101,520**	¥60,128	**$ 859**

23. TRADING PROFITS

Trading profits for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Trading profits:			
Income from trading securities	**¥ 2,319**	¥ 703	**$ 19**
Income from trading-related financial derivatives	**18,676**	4,332	**158**
Other trading profits	**999**	141	**8**
Total	**¥21,995**	¥5,177	**$186**

Income from trading securities included net valuation gain of ¥272 million ($2 million) for the year ended March 31, 2007 and net valuation loss of ¥3 million for the year ended March 31, 2006.

24. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Other operating income:			
Gains on foreign exchange transactions	**¥31,164**	¥37,564	**$263**
Gains on sales of Japanese government bonds and other	**39,578**	28,000	**335**
Income from financial derivatives		10,039	
Other	**263**	83	**2**
Total	**¥71,006**	¥75,688	**$601**
Other operating expenses:			
Losses on sales of Japanese government bonds and other	**¥32,042**	¥40,271	**$271**
Impairment losses on Japanese government bonds and other	**108**	184	**0**
Expenses for financial derivatives	**16,346**	2,469	**138**
Other	**8**	0	**0**
Total	**¥48,505**	¥42,925	**$410**

25. OTHER INCOME AND EXPENSES

Other income and expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Other income:			
Gains on sales of stocks and other securities	**¥108,420**	¥ 62,667	**$ 918**
Gains on negative change of employee benefits plan		17,991	
Gains on disposal of premises and equipment	**1,611**	475	**13**
Recoveries of written-off loans	**24,824**	57,286	**210**
Reversal of reserve for reorganization of branch office channel	**2,625**		**22**
Other	**38,484**	27,760	**325**
Total	**¥175,965**	¥166,182	**$1,490**
Other expenses:			
Write-offs of loans	**¥ 38,287**	¥ 45,955	**$ 324**
Provision for reserve for possible loan losses	**58,447**	18,152	**494**
Losses on sales of loans		6,936	
Losses on waiver of loans		1	
Losses on sales of available-for-sale securities	**27,036**	1,179	**228**
Impairment losses on available-for-sale securities	**8,669**	2,538	**73**
Losses on disposal of premises and equipment	**2,668**	3,549	**22**
Impairment losses on premises and equipment	**7,720**	1,018	**65**
Losses on repayment of preferred stock		19,123	
Other	**27,648**	49,810	**234**
Total	**¥170,479**	¥148,264	**$1,443**

"Write-offs 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 for the year ended March 31, 2006.

26. 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% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Deferred tax assets:			
Tax loss carryforwards	**¥1,319,244**	¥1,435,914	**$11,171**
Write-downs of securities	**925,162**	946,939	**7,834**
Reserve for possible loan losses and write-offs of loans	**240,766**	270,201	**2,038**
Reserve for employees' retirement benefits	**44,530**	28,523	**377**
Unrealized losses on available-for-sale securities	**40**	2	**0**
Other	**126,553**	132,473	**1,071**
Gross deferred tax assets	**2,656,298**	2,814,053	**22,493**
Less: valuation allowance	**(2,196,652)**	(2,628,471)	**(18,601)**
Total deferred tax assets	**459,645**	185,582	**3,892**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(119,237)**	(176,807)	**(1,009)**
Gains on securities transferred to employees' retirement benefit trust	**(19,741)**	(19,741)	**(167)**
Dividends receivable	**(2,483)**	(2,178)	**(21)**
Other	**(8,897)**	(8,429)	**(75)**
Total deferred tax liabilities	**(150,358)**	(207,157)	**(1,273)**
Net deferred tax assets (liabilities)	**¥ 309,286**	¥ (21,574)	**$ 2,619**

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, 2007 and 2006 was as follows:

	2007	2006
Normal effective statutory tax rate	**40.63 %**	40.63%
Change in valuation allowance	**(97.73)**	(35.13)
Lower tax rates applicable to income of subsidiaries	**(1.04)**	(3.57)
Dividends exempted for income tax purposes	**(1.45)**	(0.67)
Other	**0.63**	0.37
Effective tax rate	**(58.96)%**	1.63%

27. 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 ¥2,711 million ($22 million) and ¥4,413 million for the years ended March 31, 2007 and 2006, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and obligations under finance leases as of March 31, 2007 and 2006, and the related depreciation expense and interest expenses under finance leases for the years ended March 31, 2007 and 2006, 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		
	Equipment	Other	Total	Equipment	Other	Total
March 31, 2007						
Acquisition costs	**¥14,647**	**¥768**	**¥15,416**	**$124**	**$6**	**$130**
Accumulated depreciation	**6,759**	**458**	**7,217**	**57**	**3**	**61**
Net book value	**¥ 7,888**	**¥310**	**¥ 8,199**	**$ 66**	**$2**	**$ 69**
March 31, 2006						
Acquisition costs	¥13,595	¥878	¥14,474			
Accumulated depreciation	5,848	509	6,358			
Net book value	¥ 7,746	¥369	¥ 8,115			

Future minimum lease payments excluding interests:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥2,582**	¥2,456	**$21**
Due after one year	**5,996**	5,992	**50**
Total	**¥8,578**	¥8,449	**$72**

Pro forma depreciation and interest expenses:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Depreciation	**¥2,521**	¥4,017	**$21**
Interest expenses	**228**	362	**1**

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 expenses. The effective interest method is used to allocate the interest over the lease term.

Operating Leases
As of March 31, 2007 and 2006, future minimum lease payments including interest expenses under non-cancellable operating leases were as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥18**	¥85	**$0**
Due after one year	**9**	10	**0**
Total	**¥27**	¥96	**$0**

28. DERIVATIVES

(1) Risk management policy

(a) 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

(b) 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 needs 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 on the nature of products and their risks in writing. A description of the product, mechanism, market risk and credit risk associated with the product is 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 of 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 risks such as interest rate fluctuations, and cash flow hedges to ensure future cash flows from their variability. Hedges are conducted on an individual and portfolio basis in accordance with the relevant hedge accounting guidelines. In addition, the Group establishes guidelines to determine the effectiveness of hedges periodically. For a portfolio hedge, the hedge effectiveness is assessed by grouping hedging instruments and hedged items according to their maturities to determine that certain critical conditions are satisfied, or confirming the high correlation between the changes in interest rate factors underlying the hedging instruments and hedged items by means of regression analyses. For a specific hedge, the hedge effectiveness is assessed individually.

(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.

(c) 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 the market with a given confidence interval. The Risk Management Division calculates the VaR daily, monitors market risk and reports to management.

Credit risk refers to the risk of loss arising from the counterparties' inability to fulfill their obligations due to bankruptcy or other reasons. The Group periodically measures the risk by the current exposure method, where replacement costs to replicate the cash flows arising from the derivative contracts in the market and potential changes in such replacement costs affected by market fluctuations are considered.

The Loan and Credit Division, independent from market divisions and operational 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.

(2) The notional principal or contract amounts, fair values and unrealized gains or losses on derivatives as of March 31, 2007 and 2006 were as follows:

(a) Interest rate-related transactions

			Millions of yen			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2007						
Listed	Futures					
		Sold	**¥1,542,958**		**¥ (1,251)**	**¥(1,251)**
		Bought	**560,675**		**(33)**	**(33)**
Over-the-counter	Swaps					
		Receive fixed/Pay floating	**7,461,498**	**¥6,005,969**	**31,834**	**29,390**
		Receive floating/Pay fixed	**8,466,696**	**5,486,603**	**(4,258)**	**(1,812)**
		Receive floating/Pay floating	**2,642,500**	**2,350,500**	**(2,530)**	**(2,530)**
	Caps					
		Sold	**146,064**	**85,542**	**810**	**880**
		Bought	**86,971**	**70,610**	**598**	**0**
	Floors					
		Sold	**6,400**	**6,300**	**174**	**(8)**
		Bought	**12,961**	**12,885**	**140**	**128**
	Swaptions					
		Sold				
		Bought	**11,190**	**1,100**	**148**	**59**
Total					**¥23,662**	**¥24,824**
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

			Millions of U.S. dollars			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2007						
Listed	Futures					
		Sold	**$13,065**		**$ (10)**	**$ (10)**
		Bought	4,747		(0)	(0)
Over-the-counter	Swaps					
		Receive fixed/Pay floating	**63,184**	**$50,859**	**269**	**248**
		Receive floating/Pay fixed	**71,696**	**46,461**	**(36)**	**(15)**
		Receive floating/Pay floating	**22,377**	**19,904**	**(21)**	**(21)**
	Caps					
		Sold	**1,236**	**724**	**6**	**7**
		Bought	**736**	**597**	**5**	**0**
	Floors					
		Sold	**54**	**53**	**1**	**(0)**
		Bought	**109**	**109**	**1**	**1**
	Swaptions					
		Sold				
		Bought	**94**	**9**	**1**	**0**
Total					**$200**	**$210**

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 Financial Exchange and other exchanges. The fair value of over-the-counter contracts is determined using the discounted value of their future cash flows, option pricing models, etc.

(b) Currency-related transactions

			Millions of yen			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2007						
Over-the-counter	Currency swaps		**¥3,100,807**	**¥2,952,341**	**¥ 5,289**	**¥(7,808)**
	Forward contracts					
		Sold	**473,393**	**62,485**	**(6,007)**	**(6,007)**
		Bought	**1,188,156**	**555,675**	**48,259**	**48,259**
	Currency options					
		Sold	**1,547,564**	**879,258**	**59,121**	**8,705**
		Bought	**1,630,292**	**880,092**	**40,040**	**(13,995)**
Total					**¥28,460**	**¥29,153**
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

		Millions of U.S. dollars			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2007					
Over-the-counter	Currency swaps	**$26,257**	**$25,000**	**$ 44**	**$(66)**
	Forward contracts				
	Sold	**4,008**	**529**	**(50)**	**(50)**
	Bought	**10,061**	**4,705**	**408**	**408**
	Currency options				
	Sold	**13,104**	**7,445**	**500**	**73**
	Bought	**13,805**	**7,452**	**339**	**(118)**
Total				**$241**	**$246**

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.

(c) Stock-related transactions

		Millions of yen			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2007					
Listed	Index futures				
	Sold	**¥ 6,868**		**¥ (56)**	**¥(56)**
	Bought	**6,793**		**72**	**72**
	Index options				
	Sold	**100,127**		**656**	**297**
	Bought	**93,150**		**149**	**(107)**
Total				**¥(490)**	**¥207**

		Millions of yen			
		Notional or contract amount			
		Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
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)
March 31, 2007					
Listed	Index futures				
	Sold	**$ 58**		**$(0)**	**$(0)**
	Bought	**57**		**0**	**0**
	Index options				
	Sold	**847**		**5**	**2**
	Bought	**788**		**1**	**(0)**
Total				**$(4)**	**$ 1**

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.

(d) Bond-related transactions

			Millions of yen			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2007						
Listed	Futures					
		Sold	**¥71,158**		**¥ 59**	**¥ 59**
		Bought	**30,524**		**(81)**	**(81)**
Total					**¥(22)**	**¥(22)**
March 31, 2006						
Listed	Futures					
		Sold	¥87,852		¥338	¥338
		Bought	17,113		(61)	(61)
Total					¥276	¥276

			Millions of U.S. dollars			
			Notional or contract amount			
			Total	Maturity Over 1 year	Fair value	Unrealized gains (losses)
March 31, 2007						
Listed	Futures					
		Sold	**$602**		**$ 0**	**$ 0**
		Bought	**258**		**(0)**	**(0)**
Total					**$(0)**	**$(0)**

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.

29. 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.

As described in Note 2, the Company and domestic consolidated subsidiaries adopted a revised 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.

The reserve for employees' retirement benefits as of March 31, 2007 and 2006 is analyzed as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Projected benefit obligation	**¥(345,576)**	¥(339,756)	**$(2,926)**
Pension plan assets at fair value	**601,754**	534,008	**5,095**
Plan assets in excess of projected benefit obligation	**256,178**	194,252	**2,169**
Unrecognized actuarial loss	**(128,796)**	(69,890)	**(1,090)**
Net retirement benefit obligation	**127,381**	124,362	**1,078**
Prepaid pension cost	**131,148**	127,800	**1,110**
Reserve for employees' retirement benefits	**¥ (3,766)**	¥ (3,437)	**$ (31)**

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 measures 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, 2007 and 2006 were as follows:

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Service cost	**¥9,034**	¥10,564	**$76**
Interest cost	**6,777**	6,934	**57**
Expected return on plan assets	**(6,515)**	(4,974)	**(55)**
Amortization of prior service cost	**25**	(18,067)	**0**
Amortization of actuarial (gain) loss	**(1,782)**	10,068	**(15)**
Others (such as supplemental retirement benefits)	**1,196**	1,208	**10**
Retirement benefit expenses	**8,736**	5,733	**73**
Gain on final cash settlement associated with the transfer of Substitutional Portion of the Japanese Welfare Pension Program	**(524)**		**(4)**
Total	**¥8,211**	¥ 5,733	**$69**

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, 2007 and 2006 were as follows:

	2007	2006
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 or losses	**10 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 year using the straight-line method for a period defined within the average remaining service years of eligible employees at the time when the gains and losses were incurred.

30. PER COMMON SHARE INFORMATION

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 was as follows:

	(Millions of yen) Net income	(Thousands of shares) Weighted-average shares	(Yen) EPS	(Dollars) EPS
March 31, 2007				
Basic EPS:				
Net income available to common shareholders	**¥614,662**	**11,396**	**¥53,933.18**	**$456.71**
Adjustments for the potential effect dilutive securities:				
Convertible preferred stock	**18,205**	**7,087**		
Diluted EPS:				
Net income for computation	**¥632,867**	**18,483**	**¥34,237.60**	**$289.92**
March 31, 2006				
Basic EPS:				
Net income available to common shareholders	¥363,334	11,374	¥31,943.14	
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	

For the purpose of maintaining an appropriate number of issued shares, the Company revised its 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 in May 2005 and by the shareholders at the general meeting held on June 28, 2005.

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

31. SEGMENT INFORMATION

(1) 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 totals of all segments. Therefore, business segment information for the years ended March 31, 2007 and 2006 is not presented.

Ordinary income and ordinary profits are defined as follows:

- "Ordinary profits (losses)" means "Ordinary income" less "Ordinary expenses."
- "Ordinary income" means total income less certain special income included in "Other income" in the accompanying consolidated statements of income.
- "Ordinary expenses" means total expenses less certain special expenses included in "Other expenses" in the accompanying consolidated statements of income.

(2) 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, 2007 and 2006 is not presented.

(3) 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, 2007 and 2006 is not presented.

32. RELATED PARTY TRANSACTIONS

Major transactions and major balances for the year ended and as of March 31, 2007 with related parties are as follows:

			Transaction for the year			Balance at end of year	
Related party	Category	Description of the transactions	Millions of yen	Millions of U.S. dollars	Account name	Millions of yen	Millions of U.S. dollars
The Resolution and Collection Corporation	Subsidiary of the major stockholders	Borrowing			Borrowed money	¥80,000	$677
		Interest on borrowing	¥ 1,256	$ 10	Other liabilities	7	0
		Purchase of treasury stock	569,998	4,826			

There were no major transactions and major balances for the year ended and as of March 31, 2006 with related parties.

33. SUBSEQUENT EVENTS

(1) Appropriation of retained earnings

The appropriation of retained earnings as of March 31, 2007 was approved at the Company's Board of Directors' meeting held on May 18, 2007 as follows:

	Millions of yen	Millions of U.S. dollars
Year-end cash dividends:		
Common stock, ¥1,000 ($8.46) per share	¥11,396	$ 96
Class B No. 1 preferred stock, ¥6,360 ($53.85) per share	1,731	14
Class C No. 1 preferred stock, ¥6,800 ($57.58) per share	816	6
Class D No. 1 preferred stock, ¥10,000 ($84.68) per share	0	0
Class E No. 1 preferred stock, ¥14,380 ($121.77) per share	137	1
Class F No. 1 preferred stock, ¥18,500 ($156.66) per share	1,480	12
Class one No. 1 preferred stock, ¥1,688 ($14.29) per share	4,642	39
Class two No. 1 preferred stock, ¥1,688 ($14.29) per share	4,756	40
Class three No. 1 preferred stock, ¥1,688 ($14.29) per share	4,642	39
Class four preferred stock, ¥57,918 ($490.45) per share	1,459	12
Total	¥31,059	$263

(2) Issuance of class nine preferred stock and transfers of capital stock and capital surplus

Following a resolution of the Company on April 25, 2007, the Company issued 100,000 shares of non-voting, non-cumulative preferred stock through a third-party allotment on June 5, 20007 as follows.

(1) Subscription price:	¥3,500,000 per share
(2) Total issue amount:	¥350,000 million
(3) Amount of capital increase:	¥1,750,000 per share
(4) Amount of capital surplus (additional paid-in capital) increase:	¥1,750,000 per share

Holders or registered pledgees of the Preferred Shares are entitled to receive annual dividends and the distribution of residual assets, prior to shareholders of common stock. The Preferred Shares rank *pari passu* in terms of the priority of the preferred dividends, the preferred interim dividends and distribution of remaining assets with each other class of preferred stock of the Company. The Company may pay up to one-half of the annual dividends payable on each class of preferred stock as an interim dividend.

The Preferred Shares are convertible into common shares of the Company, at the option of the holder under certain conditions on or after June 5, 2008. The initial exchange price for the Preferred Shares was determined at ¥332,465 and is subject to certain reset provisions.

On or after June 5, 2012, the Company may, if certain conditions are met, acquire the Preferred Shares, in whole or in part, in exchange for payment of cash equal to the subscription price of the Preferred Share and delivery of the number of its common shares calculated in accordance with the predetermined rules as described in the articles of incorporation.

In accordance with Article 447-3 and Article 448-3 of the Company Law, the Company transferred its capital stock and capital surplus (additional paid-in capital) amounting to ¥175,000 million ($1,481 million), respectively, to other capital surplus (capital surplus other than additional paid-in capital) in the aggregate amount of ¥350,000 million ($2,963 million) on June 5, 2007.

Supplementary Financial Information of the Group

CONTENTS

Non-consolidated Balance Sheets

Resona Holdings, Inc.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Assets			
Current assets	**¥ 125,202**	¥ 166,557	**$ 1,060**
Cash and cash equivalents	**22,567**	99,008	**191**
Prepaid expenses	**347**	345	**2**
Deferred tax assets	**115**	—	**0**
Accrued income	**9**	4	**0**
Other receivables	**24,213**	3,776	**205**
Accrued income tax refunds	**77,950**	63,422	**660**
Non-current assets	**1,238,838**	1,242,284	**10,490**
Tangible fixed assets	**15**	18	**0**
Furniture and fixtures	**15**	18	**0**
Intangible fixed assets	**75**	92	**0**
Trademark	**65**	77	**0**
Software	**9**	15	**0**
Investments and other assets	**1,238,747**	1,242,173	**10,489**
Investment in subsidiaries and affiliates	**1,111,267**	1,123,886	**9,410**
Long-term loans to subsidiaries and affiliates	**95,000**	110,000	**804**
Deferred tax assets	**32,474**	8,281	**274**
Other	**5**	6	**0**
Total Assets	**¥1,364,041**	¥1,408,841	**$11,550**
Liabilities			
Current liabilities	**¥ 112,523**	¥ 780	**$ 952**
Short-term borrowings from subsidiaries	**80,000**	—	**677**
Long-term borrowings scheduled for repayment within one year	**17,000**	—	**143**
Other payables	**14,176**	347	**120**
Accrued expenses	**1,188**	394	**10**
Income tax payable	**61**	13	**0**
Consumption tax payable	**23**	11	**0**
Other	**73**	14	**0**
Non-current liabilities	**354,000**	391,000	**2,997**
Bonds	**210,000**	160,000	**1,778**
Long-term debt	**94,000**	131,000	**796**
Long-term debt to subsidiaries	**50,000**	100,000	**423**
Total Liabilities	**466,523**	391,780	**3,950**
Shareholders' equity:			
Capital stock	**—**	327,201	**—**
Capital surplus	**—**	366,895	**—**
Capital reserve	**—**	327,201	**—**
Retained earnings	**—**	323,543	**—**
Treasury stock		(579)	
Total shareholders' equity	**—**	1,017,061	**—**
Total liabilities and shareholders' equity	**—**	1,408,841	**—**
Equity:			
Capital stock	**327,201**	—	**2,770**
Capital surplus	**327,201**	—	**2,770**
Capital reserve	**327,201**	—	**2,770**
Retained earnings	**244,014**	—	**2,066**
Treasury stock	**(898)**	—	**(7)**
Total equity	**897,518**	—	**7,600**
Total liabilities and equity	**¥1,364,041**	¥ —	**$11,550**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Non-consolidated Statements of Income

Resona Holdings, Inc.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Operating income	**¥395,828**	¥317,582	**$3,351**
Dividends from subsidiaries and affiliates	**389,448**	309,067	**3,297**
Fees from subsidiaries and affiliates	**4,652**	4,662	**39**
Interest on loans to subsidiaries and affiliates	**1,408**	3,853	**11**
Other	**320**	—	**2**
Operating expenses	**11,045**	15,504	**93**
Interest expenses	**4,572**	8,644	**38**
Interest on bonds	**1,766**	1,513	**14**
Bond issuance costs	**209**	435	**1**
General and administrative expenses	**4,176**	4,910	**35**
Other	**320**	—	**2**
Operating profit	**384,783**	302,078	**3,258**
Non-operating profit	**522**	173	**4**
Interest income	**305**	22	**2**
Commission received	**134**	144	**1**
Interest on refunds	**70**	—	**0**
Other	**12**	6	**0**
Non-operating expenses	**862**	15,259	**7**
Devaluation of investment in subsidiaries and affiliates	**—**	12,048	**—**
Loss on sales of investments in subsidiaries and affiliates	**—**	3,087	**—**
Amortization of organization cost	**—**	114	**—**
Amortization of stock issuance expenses	**852**	—	**7**
Other	**9**	8	**0**
Income before income taxes	**384,443**	286,992	**3,255**
Income taxes—current	**(10,370)**	(3,769)	**(87)**
Income taxes—deferred	**(24,308)**	(8,281)	**(205)**
Net income	**¥419,123**	¥299,043	**$3,549**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

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, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Assets			
Loans and bills discounted	**¥ 151,362**	¥ 174,418	**$ 1,281**
Securities	**7,981,453**	5,471,344	**67,587**
Trust beneficiary certificates	**24,594,659**	23,064,583	**208,270**
Securities held in custody account	**327**	2	**2**
Monetary claims	**400,072**	405,248	**3,387**
Premises and equipment	**—**	442,651	**—**
Tangible fixed assets	**591,401**	—	**5,008**
Land lease rights	**—**	4,467	**—**
Intangible fixed assets	**3,321**	—	**28**
Other claims	**18,118**	16,339	**153**
Due from banking account	**417,715**	426,112	**3,537**
Cash and due from banks	**44,570**	36,143	**377**
Total assets	**¥34,203,001**	¥30,041,312	**$289,635**
Liabilities			
Money trusts	**¥14,341,253**	¥11,617,351	**$121,443**
Pension trusts	**4,729,693**	4,309,607	**40,051**
Asset formation benefit trusts	**1,656**	1,979	**14**
Securities investment trusts	**12,899,339**	12,274,419	**109,233**
Pecuniary trusts other than money trusts	**228,667**	155,070	**1,936**
Securities trusts	**529,774**	376,746	**4,486**
Monetary claim trusts	**416,893**	430,037	**3,530**
Real estate trusts	**159,371**	160,694	**1,349**
Land lease trusts	**—**	4,685	**—**
Land and fixtures lease trusts	**4,697**	—	**39**
Composite trusts	**891,654**	710,720	**7,550**
Total liabilities	**¥34,203,001**	¥30,041,312	**$289,635**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.
3. Consolidated subsidiaries included in the summation:
Previous fiscal year-end: Resona Bank and Resona Trust & Banking
Fiscal year under review: Same
4. The trusts which were re-entrusted for asset management purposes were excluded.
5. Trust beneficiary certificates worth ¥24,593,915 million ($208,264 million) and ¥23,063,063 million on March 31, 2007 and 2006, respectively, were re-entrusted for asset administration purposes.
6. Co-managed trust funds under other trust banks' administration amounted to ¥2,713,637 million ($22,979 million) and ¥3,228,323 million on March 31, 2007 and 2006, respectively.

Jointly Operated Designated Money Trusts (JOMTs)

Resona Holdings, Inc.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Assets			
Loans and bills discounted	**¥151,062**	¥174,018	**$1,279**
Other	**366,619**	355,088	**3,104**
Total assets	**¥517,681**	¥529,106	**$4,383**
Liabilities			
Principal	**¥516,755**	¥528,222	**$4,375**
Reserve provided in preparation for write-offs in trust account	**456**	528	**3**
Other	**469**	356	**3**
Total liabilities	**¥517,681**	¥529,106	**$4,383**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.
3. Risk management loans (Trust account)

March 31	2007	2006
Loans to borrowers in legal bankruptcy	**¥ 86**	¥ 15
Past due loans	**4,288**	2,918
Loans past due three months or more	**161**	104
Restructured loans	**20,430**	20,991
Total	**24,967**	24,030
Total loans and bills discounted	**¥151,062**	¥174,018

Financial Information of Resona Bank, Ltd.

Non-consolidated Balance Sheets

Resona Bank, Ltd.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Assets			
Cash and due from banks	**¥ 1,097,339**	¥ 1,169,691	**$ 9,292**
Call loans and bills bought	**1,165,700**	994,285	**9,871**
Deposits paid for bonds borrowing transactions	**75,978**	11,047	**643**
Monetary claims bought	**53,086**	17,857	**449**
Trading assets	**362,802**	651,839	**3,072**
Money held in trust	**10,385**	—	**87**
Securities	**5,257,370**	5,657,135	**44,520**
Loans and bills discounted	**17,818,392**	17,993,501	**150,888**
Foreign exchange assets	**68,804**	75,717	**582**
Other assets	**744,454**	632,637	**6,304**
Premises and equipment	**—**	335,414	**—**
Tangible fixed assets	**307,353**	—	**2,602**
Intangible fixed assets	**8,224**	—	**69**
Deferred tax assets	**275,445**	—	**2,332**
Customers' liabilities for acceptances and guarantees	**565,570**	1,166,874	**4,789**
Reserve for possible loan losses	**(370,825)**	(356,459)	**(3,140)**
Reserve for possible losses on investment	**(13,058)**	(13,058)	**(110)**
Total Assets	**¥27,427,023**	¥28,336,485	**$232,255**
Liabilities			
Deposits	**¥19,493,511**	¥19,616,086	**$165,073**
Negotiable certificates of deposit	**1,823,690**	1,835,230	**15,443**
Call money and bills sold	**1,495,929**	2,553,722	**12,667**
Bills sold under repurchase agreements	**13,983**	240,480	**118**
Deposits received for securities lending transactions	**26,001**	—	**220**
Trading liabilities	**117,821**	74,383	**997**
Borrowed money	**794,111**	155,027	**6,724**
Foreign exchange liabilities	**13,839**	23,623	**117**
Bonds	**734,306**	620,420	**6,218**
Due to trust account	**417,715**	426,112	**3,537**
Other liabilities	**393,588**	299,028	**3,332**
Reserve for possible losses on business restructuring	**—**	156	**—**
Reserve for reorganization of branch office channel	**—**	2,731	**—**
Other reserves	**2,705**	—	**22**
Deferred tax liabilities	**—**	24,733	**—**
Deferred tax liabilities on land revaluation	**44,213**	45,549	**374**
Acceptances and guarantees	**565,570**	1,166,874	**4,789**
Total Liabilities	**25,936,990**	27,084,161	**219,637**
Shareholders' equity:			
Capital stock	**—**	279,928	**—**
Capital surplus	**—**	352,208	**—**
Capital reserve	**—**	279,928	**—**
Other capital surplus	**—**	72,280	**—**
Retained earnings	**—**	355,670	**—**
Revaluation reserve for land	**—**	63,306	**—**
Net unrealized gains on available-for-sale securities	**—**	201,208	**—**
Total shareholders' equity	**—**	1,252,323	**—**
Total liabilities and shareholders' equity	**—**	28,336,485	**—**
Equity:			
Capital stock	**279,928**	—	**2,370**
Capital surplus	**352,208**	—	**2,982**
Capital reserve	**279,928**	—	**2,370**
Other capital surplus	**72,280**	—	**612**
Retained earnings	**587,129**	—	**4,971**
Net unrealized gains on available-for-sale securities	**224,805**	—	**1,903**
Net deferred gains (losses) on hedges	**(15,452)**	—	**(130)**
Revaluation reserve for land	**61,412**	—	**520**
Total equity	**1,490,032**	—	**12,617**
Total liabilities and equity	**¥27,427,023**	¥ —	**$232,255**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.
3. The distributable amount available for dividends which is defined under the Company Law was ¥659,409 million as of the end of March 2007. Of this amount, the Bank distributed ¥363,271 million as term-end dividends for its common and preferred stock shares.

Non-consolidated Statements of Income

Resona Bank, Ltd.

Years ended March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Income			
Interest income	**¥456,388**	¥413,846	**$3,864**
Interest on loans and bills discounted	**332,521**	321,823	**2,815**
Interest and dividends on securities	**72,658**	60,352	**615**
Trust fees	**8,227**	7,575	**69**
Fees and commissions	**120,041**	129,060	**1,016**
Trading income	**21,053**	3,238	**178**
Other operating income	**61,098**	63,442	**517**
Other income	**153,516**	144,190	**1,299**
Total Income	**820,325**	761,352	**6,946**
Expenses			
Interest expenses	**94,296**	63,287	**798**
Interest on deposits	**34,486**	19,192	**292**
Fees and commissions	**43,398**	62,608	**367**
Trading expenses	**455**	202	**3**
Other operating expenses	**36,060**	26,265	**305**
General and administrative expenses	**227,361**	234,323	**1,925**
Other expenses	**117,771**	74,409	**997**
Total Expenses	**519,345**	461,096	**4,397**
Income before income taxes	**300,980**	300,256	**2,548**
Income taxes—current	**(12,357)**	(10,927)	**(104)**
Income taxes—deferred	**(233,532)**	(6,144)	**(1,977)**
Net income	**¥546,871**	¥317,328	**$4,630**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Statements of Trust Assets and Liabilities

Resona Bank, Ltd.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Assets			
Loans and bills discounted	**¥ 151,362**	¥ 174,418	**$ 1,281**
Securities	**0**	0	**0**
Trust beneficiary certificates	**744**	1,520	**6**
Securities held in custody account	**327**	2	**2**
Monetary claims	**400,072**	405,248	**3,387**
Premises and equipment	**—**	442,651	**—**
Tangible fixed assets	**591,401**	—	**5,008**
Land lease rights	**—**	4,467	**—**
Intangible fixed assets	**3,321**	—	**28**
Other claims	**14,051**	14,504	**118**
Due from banking account	**417,715**	426,112	**3,537**
Cash and due from banks	**29,222**	26,373	**247**
Total assets	**¥1,608,218**	¥1,495,298	**$13,618**
Liabilities			
Money trusts	**¥ 555,739**	¥ 578,456	**$ 4,706**
Asset formation benefit trusts	**1,656**	1,979	**14**
Pecuniary trusts other than money trusts	**0**	0	**0**
Securities trusts	**327**	2	**2**
Monetary claim trusts	**416,893**	430,037	**3,530**
Real estate trusts	**159,371**	160,694	**1,349**
Land lease trusts	**—**	4,685	**—**
Land and fixtures lease trusts	**4,697**	—	**39**
Composite trusts	**469,533**	319,443	**3,976**
Total liabilities	**¥1,608,218**	¥1,495,298	**$13,618**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.
3. Co-managed trust funds under other trust banks' administration amounted to ¥73,431 million ($621 million) and ¥76,258 million on March 31, 2007 and 2006, respectively.
4. Loans and bills discounted funded by Jointly Operated Designated Money Trust account funds that the Bank guarantees the principal amounting to ¥151,062 million ($1,279 million) and ¥174,018 million on March 31, 2007 and 2006, respectively, included the following:

March 31	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Loans to borrowers in legal bankruptcy	**¥ 86**	¥ 15	**$ 0**
Past due loans	**4,288**	2,918	**36**
Loans past due three months or more	**161**	104	**1**
Restructured loans	**20,430**	20,991	**173**
Total	**¥24,967**	¥24,030	**$211**

Deposits and Negotiable Certificates of Deposit (Non-consolidated)

Resona Bank, Ltd.	Billions of yen	
March 31	**2007**	2006
Liquid deposits	**¥12,089.7**	¥12,156.2
Time deposits	**6,818.2**	6,819.2
Other deposits	**2,409.2**	2,475.8
Total	**¥21,317.2**	¥21,451.3

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	**2007**	2006
Individuals	**¥10,844.0**	¥10,754.6
Corporations, Other	**8,614.5**	8,833.7
Total	**¥19,458.5**	¥19,588.3

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	**2007**	2006	**2007**	2006
Banking account	**¥14,604.7**	¥14,484.7	**81.9%**	80.5%
Banking and trust accounts	**14,722.8**	14,623.9	**81.9%**	80.4%

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

Resona Bank, Ltd.	Billions of yen	
March 31	**2007**	2006
Consumer loans total	**¥7,266.8**	¥6,883.6
Housing loans	**7,042.1**	6,652.7

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 2007	2006
Manufacturing	**¥ 1,957.4**	¥ 2,002.8
	10.99%	11.13%
Agriculture	**8.9**	8.2
	0.05%	0.05%
Forestry	**3.3**	3.1
	0.02%	0.02%
Fishing	**7.9**	8.0
	0.04%	0.04%
Mining	**20.1**	20.9
	0.11%	0.12%
Construction	**509.7**	577.5
	2.86%	3.21%
Electric power, gas, heat supply, and water services	**50.9**	60.3
	0.29%	0.34%
Information and communications	**244.7**	279.2
	1.37%	1.55%
Transportation	**432.6**	479.7
	2.43%	2.67%
Wholesale and retail	**1,992.9**	2,183.9
	11.18%	12.13%
Financial services	**986.8**	1,043.5
	5.54%	5.80%
Real estate	**1,978.9**	1,884.0
	11.11%	10.47%
Services	**1,718.6**	1,841.5
	9.65%	10.23%
Local governments	**317.6**	353.6
	1.78%	1.97%
Other	**7,587.4**	7,246.5
	42.58%	40.27%
Total	**¥17,818.3**	¥17,993.5
	100.00%	100.00%

Risk Management Loans (Banking and Trust Accounts)

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2007	Change	2006
Loans to borrowers in legal bankruptcy	**¥ 13.4**	**¥ 6.3**	¥ 7.1
Past due loans	**267.3**	**45.4**	221.9
Loans past due three months or more	**5.6**	**(2.8)**	8.5
Restructured loans	**206.2**	**(68.6)**	274.9
Total*	**¥ 492.6**	**¥ (19.7)**	¥ 512.4
Total loans and bills discounted	**¥17,969.4**	**¥(198.0)**	¥18,167.5
Ratio of risk management loans to total loans and bills discounted (%)	**2.74**	**(0.08)**	2.82

* 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		
	2007	Change	2006
Unrecoverable or valueless claims	**¥ 37.0**	**¥ 1.2**	¥ 35.8
Risk claims	**256.0**	**55.8**	200.2
Claims in need of special attention	**211.8**	**(71.5)**	283.4
Financial Reconstruction Law subtotal	**505.0**	**(14.4)**	519.5
Nonclassified claims	**18,564.6**	**(322.0)**	18,886.6
Financial Reconstruction Law total*	**¥19,069.7**	**¥(336.5)**	¥19,406.2
Coverage ratio (%)	**84.43**	**1.09**	83.34

* 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		
	2007	Change	2006
Reserves for possible loan losses	**¥370.8**	**¥14.3**	¥356.4
General reserve for possible loan losses	**220.3**	**1.4**	218.9
Specific reserve for possible loan losses	**150.2**	**12.9**	137.3
Special reserve for certain overseas loans	**0.1**	**(0.0)**	0.1
Reserve provided in preparation for write-offs in trust account	**0.4**	**(0.0)**	0.5

Securities

Resona Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2007	2006
Japanese national and local government bonds	**¥2,921.5**	¥2,804.3
Japanese corporate bonds	**804.9**	1,015.7
Japanese corporate stocks	**732.5**	810.7
Other securities	**798.2**	1,026.3
Total book value	**¥ 5,257.3**	¥5,657.1

Capital Adequacy Ratio

Beginning from March 31, 2007, the capital ratios have been calculated on a consolidated and non-consolidated basis according to the formulas specified in the standards (contained in Notification No. 19, issued by the Financial Services Agency) for judging the appropriateness of capital adequacy ratios in light of assets, etc., held by banks, pursuant to Article 14-2 of the Banking Law of Japan. The consolidated and non-consolidated capital ratios as of March 31, 2006, were calculated according to the formula specified in the previous standards (contained in Notification No. 55 issued in 1993 by the former Ministry of Finance) pursuant to Article 14-2 of the Banking Law of Japan. The Company calculates its capital adequacy ratio in accordance with the Japanese domestic standard and has adopted the Standardized Approach in calculating credit risk assets.

(1) Consolidated Capital Ratio (Japanese Domestic Standard)

Resona Bank, Ltd.			Billions of yen	
March 31			**2007**	2006
Tier I capital	Capital		**¥ 279.9**	¥ 279.9
	Capital surplus		**404.4**	404.4
	Retained earnings		**545.6**	98.3
	Planned distribution of income		**369.8**	—
	Unrealized loss on available-for-sale securities		**—**	—
	Foreign currency translation adjustments		**(1.4)**	(1.9)
	Minority interests in consolidated subsidiaries		**149.2**	140.9
	Preferred securities issued by special-purpose company overseas		**135.8**	135.0
	Goodwill		**(0.0)**	—
	Consolidation differences		**—**	(0.0)
	Increase in capital resulting from a securitization exposure		**(6.4)**	—
	Total qualifying Tier I capital	(A)	**1,001.5**	921.6
	Preferred securities with interest step-up conditions		**135.8**	135.0
Tier II capital	45% of the difference between land after revaluation and the latest book value		**47.5**	48.9
	General reserve for possible loan losses		**109.3**	108.7
	Hybrid debt capital instruments		**625.1**	616.3
	Subtotal		**782.0**	774.0
	Tier II capital included as qualifying capital	(B)	**782.0**	774.0
Amount to be deducted		(C)	**95.0**	115.9
Total eligible capital	(A)+(B)–(C)	(D)	**¥ 1,688.5**	¥ 1,579.7
Risk-weighted assets	On-balance-sheet items		**¥15,295.2**	¥16,606.0
	Off-balance-sheet items		**1,214.4**	787.5
	Credit risk assets	(E)	**16,509.6**	17,393.6
	Assets for operational risk ((G)/8%)	(F)	**987.5**	—
	(For reference: Amount of operational risk)	(G)	**79.0**	—
Total risk-weighted assets	(E)+(F)	(H)	**¥16,509.6**	¥17,393.6
Capital adequacy ratio	(D)/(H) × 100%		**9.65%**	9.08%

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

Resona Bank, Ltd.			Billions of yen	
March 31			**2007**	2006
Tier I capital	Capital		**¥ 279.9**	¥ 279.9
	Capital reserve		**279.9**	279.9
	Other capital surplus		**72.2**	72.2
	Surplus profit carried forward to the next year		**—**	146.1
	Other retained earnings		**587.0**	—
	Other		**142.5**	135.2
	Planned distribution of income		**(369.8)**	—
	Unrealized loss on available-for-sale securities		**—**	—
	Increase in capital resulting from a securitization exposure		**(6.4)**	—
	Total qualifying Tier I capital	(A)	**985.4**	913.5
	Preferred securities with interest step-up conditions		**135.8**	135.0
Tier II capital	45% of the difference between land after revaluation and the latest book value		**47.5**	48.9
	General reserve for possible loan losses		**108.1**	108.3
	Hybrid debt capital instruments		**625.1**	616.3
	Subtotal		**780.8**	773.6
	Tier II capital included as qualifying capital	(B)	**780.8**	773.6
Amount to be deducted		(C)	**98.0**	127.3
Total eligible capital	(A)+(B)–(C)	(D)	**¥ 1,668.2**	¥ 1,559.8
Risk-weighted assets	On-balance-sheet items		**¥15,191.8**	¥16,538.3
	Off-balance-sheet items		**1,216.2**	796.3
	Credit risk assets	(E)	**16,408.1**	17,334.6
	Assets for operational risk ((G)/8%)	(F)	**895.4**	—
	(For reference: Amount of operational risk)	(G)	**71.6**	—
Total risk-weighted assets	(E)+(F)	(H)	**¥17,303.5**	¥17,334.6
Capital adequacy ratio	(D)/(H) × 100%		**9.64%**	8.99%

Financial Information of Saitama Resona Bank, Ltd.

Non-consolidated Balance Sheets

Saitama Resona Bank, Ltd.	Millions of yen		Millions of U.S. dollars
March 31, 2007 and 2006	**2007**	2006	**2007**
Assets			
Cash and due from banks	**¥ 423,635**	¥ 372,357	**$ 3,587**
Call loans and bills bought	**1,462,375**	1,836,010	**12,383**
Monetary claims bought	**105,442**	92,159	**892**
Trading assets	**8,955**	28,117	**75**
Securities	**1,642,822**	1,396,964	**13,911**
Loans and bills discounted	**5,921,348**	5,683,503	**50,142**
Foreign exchange assets	**14,213**	10,273	**120**
Other assets	**84,043**	66,703	**711**
Tangible fixed assets	**57,987**	—	**491**
Intangible fixed assets	**2,932**	—	**24**
Premises and equipment	**—**	65,572	**—**
Customers' liabilities for acceptances and guarantees	**24,668**	68,464	**208**
Reserve for possible loan losses	**(35,677)**	(35,368)	**(302)**
Total Assets	**¥9,712,746**	¥9,584,758	**$82,248**
Liabilities			
Deposits	**¥8,941,264**	¥8,714,281	**$75,715**
Negotiable certificates of deposit	**152,230**	154,810	**1,289**
Call money and bills sold	**40,067**	146,863	**339**
Borrowed money	**131,300**	137,000	**1,111**
Foreign exchange liabilities	**359**	303	**3**
Bonds	**40,000**	10,000	**338**
Other liabilities	**65,368**	72,099	**553**
Other reserves	**1,412**	—	**11**
Deferred tax liabilities	**18,299**	7,261	**154**
Acceptances and guarantees	**24,668**	68,464	**208**
Total Liabilities	**9,414,972**	9,311,083	**79,727**
Shareholders' equity:			
Capital stock	**—**	70,000	**—**
Capital surplus	**—**	100,000	**—**
Capital reserve	**—**	100,000	**—**
Retained earnings	**—**	55,631	**—**
Net unrealized gains on available-for-sale securities	**—**	48,042	**—**
Total shareholders' equity	**—**	273,674	**—**
Total liabilities and shareholders' equity	**—**	9,584,758	**—**
Equity:			
Capital stock	**70,000**	—	**592**
Capital surplus	**100,000**	—	**846**
Capital reserve	**100,000**	—	**846**
Retained earnings	**58,985**	—	**499**
Net unrealized gains on available-for-sale securities	**69,099**	—	**585**
Net deferred gains (losses) on hedges	**(309)**	—	**(2)**
Total equity	**297,774**	—	**2,521**
Total liabilities and equity	**¥9,712,746**	¥ —	**$82,248**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Non-consolidated Statements of Income

Saitama Resona Bank, Ltd.

Years ended March 31, 2007 and 2006	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Income			
Interest income	**¥138,791**	¥124,338	**$1,175**
Interest on loans and bills discounted	**117,163**	109,398	**992**
Interest and dividends on securities	**14,188**	11,610	**120**
Fees and commissions	**43,864**	39,390	**371**
Other operating income	**7,659**	9,004	**64**
Other income	**6,455**	9,279	**54**
Total Income	**196,771**	182,013	**1,666**
Expenses			
Interest expenses	**14,432**	8,657	**122**
Interest on deposits	**10,874**	5,936	**92**
Fees and commissions	**18,574**	18,118	**157**
Other operating expenses	**10,076**	10,117	**85**
General and administrative expenses	**72,077**	70,623	**610**
Other expenses	**17,006**	16,736	**144**
Total Expenses	**132,167**	124,252	**1,119**
Income before income taxes	**64,604**	57,761	**547**
Income taxes—current	**20,431**	26,890	**173**
Income taxes—deferred	**8,520**	(2,150)	**72**
Net income	**¥ 35,653**	¥ 33,021	**$ 301**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Deposits and Negotiable Certificates of Deposit

Saitama Resona Bank, Ltd.	Billions of yen	
March 31	**2007**	2006
Liquid deposits	**¥5,528.3**	¥5,268.9
Time deposits	**3,240.0**	3,251.9
Other deposits	**325.0**	348.1
Total	**¥9,093.4**	¥8,869.0

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

Deposits by Type of Depositor

Saitama Resona Bank, Ltd.	Billions of yen	
March 31	**2007**	2006
Individuals	**¥6,836.6**	¥6,647.2
Corporations	**1,625.4**	1,513.3
Other	**479.2**	553.6
Total	**¥8,941.2**	¥8,714.2

Note: Domestic depositors only and excluding negotiable certificates of deposit

Loans to SMEs and Individuals (Non-consolidated)

Saitama Resona Bank, Ltd.	Billions of yen		Ratio to total loans	
March 31	**2007**	2006	**2007**	2006
Loans to SMEs and individuals	**¥5,255.3**	¥4,991.2	**88.7%**	87.8%

Loans to Individuals (Non-consolidated)

Saitama Resona Bank, Ltd.	Billions of yen	
March 31	**2007**	2006
Consumer loans total	**¥3,352.7**	¥3,196.3
Housing loans	**3,260.3**	3,109.7

Note: Amount after securitization of housing loans

Loans and Bills Discounted by Industry

Saitama Resona Bank, Ltd.

March 31	Billions of yen 2007	2006
Manufacturing	**¥ 395.5**	¥ 370.4
	6.68%	6.52%
Agriculture	**9.8**	9.0
	0.17%	0.16%
Forestry	**0.4**	0.4
	0.01%	0.01%
Mining	**2.3**	2.9
	0.04%	0.05%
Construction	**189.5**	189.4
	3.20%	3.33%
Electric power, gas, and other public enterprises	**11.1**	9.4
	0.19%	0.17%
Information and communications	**11.3**	9.9
	0.19%	0.17%
Transportation	**125.1**	150.4
	2.11%	2.65%
Wholesale and retail	**360.1**	341.5
	6.08%	6.01%
Financial services	**22.5**	24.2
	0.38%	0.43%
Real estate	**510.1**	459.2
	8.62%	8.08%
Services	**461.4**	409.2
	7.79%	7.20%
Local governments	**367.6**	394.6
	6.21%	6.94%
Other	**3,453.7**	3,312.3
	58.33%	58.28%
Total	**¥5,921.3**	¥5,683.5
	100.00%	100.00%

Risk Management Loans

Saitama Resona Bank, Ltd.
Non-consolidated Basis
March 31

	Billions of yen		
	2007	Change	2006
Loans to borrowers in legal bankruptcy	**¥ 3.0**	**¥ 1.1**	¥ 1.8
Past due loans	**57.5**	**6.3**	51.1
Loans past due three months or more	**4.3**	**(0.6)**	5.0
Restructured loans	**22.0**	**(6.5)**	28.5
Total*	**¥ 86.9**	**¥ 0.4**	¥ 86.5
Total loans and bills discounted	**¥5,921.3**	**¥237.8**	¥5,683.5
Ratio of risk management loans to total loans and bills discounted (%)	**1.46**	**(0.06)**	1.52

* 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		
	2007	Change	2006
Unrecoverable or valueless claims	**¥ 12.6**	**¥ 1.3**	¥ 11.2
Risk claims	**48.2**	**6.3**	41.8
Claims in need of special attention	**26.4**	**(7.1)**	33.5
Financial Reconstruction Law subtotal	**87.2**	**0.5**	86.7
Nonclassified claims	**5,926.7**	**246.6**	5,680.1
Financial Reconstruction Law total*	**¥6,014.0**	**¥247.1**	¥5,766.8
Coverage ratio (%)	**88.61**	**1.80**	86.81

* 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		
	2007	Change	2006
Reserves for possible loan losses	**¥35.6**	**¥0.3**	¥35.3
General reserve for possible loan losses	**18.7**	**1.0**	17.7
Specific reserve for possible loan losses	**16.8**	**(0.6)**	17.5

Securities

Saitama Resona Bank, Ltd.
Non-consolidated Basis
March 31

	Billions of yen	
	2007	2006
Japanese national and local government bonds	**¥1,109.3**	¥ 838.1
Japanese corporate bonds	**257.0**	305.0
Japanese corporate stocks	**201.8**	193.5
Other securities	**74.4**	60.1
Total book value	**¥1,642.8**	¥1,396.9

Capital Adequacy Ratio

Beginning from March 31, 2007, the capital adequacy ratio has been calculated according to the formula specified in the standards (contained in Notification No. 19 issued in 2006 by the Financial Services Agency) for judging the appropriateness of capital adequacy ratios in light of assets, etc., held by banks pursuant to Article 14-2 of the Banking Law of Japan. The capital ratio as of March 31, 2006, was calculated according to the formula specified in the previous standards (contained in Notification No. 55 issued in 1993 by the former Ministry of Finance) pursuant to Article 14-2 of the Banking Law of Japan. The Company calculates its capital adequacy ratio in accordance with the Japanese domestic standard and has adopted the Standardized Approach in calculating credit risk assets.

Non-consolidated Capital Ratio (Japanese Domestic Standard)

Saitama Resona Bank, Ltd.			Billions of yen	
March 31			**2007**	2006
Tier I capital	Capital		**¥ 70.0**	¥ 70.0
	Capital reserve		**100.0**	100.0
	Legal reserve		**20.0**	20.0
	Voluntary reserve		**—**	—
	Surplus profit carried forward to the next year		**—**	13.9
	Other retained earnings		**38.9**	—
	Planned distribution of income		**3.8**	—
	Unrealized loss on available-for-sale securities		**—**	—
	Increase in capital resulting from a securitization exposure		**6.4**	—
	Total qualifying Tier I capital	(A)	**218.7**	203.9
Tier II capital	General reserve for possible loan losses		**18.7**	17.7
	Hybrid debt capital instruments		**157.0**	147.0
	Subtotal		**175.7**	164.7
	Tier II capital included as qualifying capital	(B)	**175.7**	164.7
Amount to be deducted		(C)	**6.0**	—
Total eligible capital	(A)+(B)–(C)	(D)	**¥ 388.5**	¥ 368.7
Risk-weighted assets	On-balance-sheet items		**¥4,029.1**	¥4,412.5
	Off-balance-sheet items		**36.4**	84.3
	Credit risk assets	(E)	**4,065.6**	4,496.9
	Assets for operational risk ((G)/8%)	(F)	**243.5**	—
	(For reference: Amount of operational risk)	(G)	**19.4**	—
Total risk-weighted assets	(E)+(F)	(H)	**¥4,065.6**	¥4,496.9
Capital adequacy ratio	(D)/(H) × 100%		**9.01%**	8.20%

Financial Information of The Kinki Osaka Bank, Ltd.

Non-consolidated Balance Sheets

The Kinki Osaka Bank, Ltd.

March 31, 2007 and 2006

	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Assets			
Cash and due from banks	**¥ 89,450**	¥ 151,578	**$ 757**
Monetary claims bought	**160,838**	44,543	**1,361**
Trading securities	**272**	345	**2**
Securities	**667,990**	939,509	**5,656**
Loans and bills discounted	**2,675,992**	2,555,153	**22,660**
Foreign exchange assets	**9,220**	8,586	**78**
Other assets	**13,516**	25,817	**114**
Tangible fixed assets	**32,339**	—	**273**
Intangible fixed assets	**1,586**	—	**13**
Premises and equipment	**—**	36,546	**—**
Deferred tax assets	**4,062**	3,806	**34**
Customers' liabilities for acceptances and guarantees	**28,181**	59,944	**238**
Reserve for possible loan losses	**(37,576)**	(48,676)	**(318)**
Total Assets	**¥3,645,873**	¥3,777,154	**$30,873**
Liabilities			
Deposits	**¥3,365,331**	¥3,326,062	**$28,498**
Call money and bills sold	**—**	36,343	**—**
Deposits received for bonds lending transactions	**29,574**	154,458	**250**
Borrowed money	**74,411**	50,180	**630**
Foreign exchange liabilities	**138**	121	**1**
Other liabilities	**21,682**	15,935	**183**
Reserve for employees' retirement benefits	**2,624**	2,432	**22**
Reserve for possible losses on business restructuring	**—**	15	**—**
Other reserve	**1,057**	—	**8**
Acceptances and guarantees	**28,181**	59,944	**238**
Total Liabilities	**3,523,002**	3,645,493	**29,833**
Shareholders' equity:			
Capital stock	**—**	38,971	**—**
Capital surplus	**—**	55,439	**—**
Capital reserve	**—**	38,971	**—**
Other capital surplus	**—**	16,467	**—**
Retained earnings	**—**	32,644	**—**
Net unrealized gains on available-for-sale securities	**—**	4,606	**—**
Total shareholders' equity	**—**	131,661	**—**
Total liabilities and shareholders' equity	**—**	3,777,154	**—**
Equity:			
Capital stock	**38,971**	—	**330**
Capital surplus	**55,439**	—	**469**
Capital reserve	**38,971**	—	**330**
Other capital surplus	**16,467**		**139**
Retained earnings	**22,282**	—	**188**
Net unrealized gains on available-for-sale securities	**6,178**	—	**52**
Total equity	**122,871**	—	**1,040**
Total liabilities and equity	**¥3,645,873**	¥ —	**$30,873**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Non-consolidated Statements of Income

The Kinki Osaka Bank, Ltd.

Years ended March 31, 2007 and 2006	Millions of yen		Millions of U.S. dollars
	2007	2006	**2007**
Income			
Interest income	**¥64,983**	¥ 63,827	**$550**
Interest on loans and bills discounted	**56,257**	55,165	**476**
Interest and dividends on securities	**7,765**	7,950	**65**
Fees and commissions	**15,660**	14,642	**132**
Other operating income	**2,660**	2,746	**22**
Other income	**14,746**	20,451	**124**
Total Income	**98,050**	101,668	**830**
Expenses			
Interest expenses	**6,833**	4,562	**57**
Interest on deposits	**5,085**	3,289	**43**
Fees and commissions	**7,580**	8,254	**64**
Other operating expenses	**2,009**	3,837	**17**
General and administrative expenses	**43,034**	41,777	**364**
Other expenses	**14,177**	14,490	**120**
Total Expenses	**73,634**	72,923	**623**
Income before income taxes	**24,416**	28,744	**206**
Income taxes—current	**2,916**	(12,567)	**24**
Income taxes—deferred	**60**	9,431	**0**
Net income	**¥21,439**	¥31,880	**$181**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Deposits and Negotiable Certificates of Deposit

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen	
	2007	2006
Liquid deposits	**¥1,543.4**	¥1,471.0
Time deposits	**1,799.4**	1,816.3
Other deposits	**22.3**	38.6
Total	**¥3,365.3**	¥3,326.0

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	
	2007	2006
Individuals	**¥2,665.7**	¥2,663.8
Corporations	**669.3**	635.4
Other	**30.1**	26.7
Total	**¥3,365.3**	¥3,326.0

Loans to SMEs and Individuals (Non-consolidated)

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen		Ratio to total loans	
	2007	2006	**2007**	2006
Loans to SMEs and individuals	**¥2,463.3**	¥2,351.1	**92.0%**	92.0%

Loans to Individuals (Non-consolidated)

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen		
	2007	2006	Change
Consumer loans total	**¥1,181.5**	¥1,174.6	¥ 6.9
Housing loans	**1,117.3**	1,101.7	15.5

Loans and Bills Discounted by Industry

The Kinki Osaka Bank, Ltd.

March 31	Billions of yen 2007	2006
Manufacturing	**¥ 335.3**	¥ 316.1
	12.53%	12.37%
Agriculture	**0.3**	0.4
	0.01%	0.02%
Forestry	**0.0**	0.1
	0.00%	0.01%
Fishing	**0.5**	0.5
	0.02%	0.02%
Mining	**0.4**	0.4
	0.02%	0.02%
Construction	**135.1**	124.2
	5.05%	4.86%
Electric power, gas, heat supply, and water services	**4.9**	4.9
	0.19%	0.19%
Information and communications	**14.0**	11.7
	0.52%	0.46%
Transportation	**55.7**	55.0
	2.08%	2.15%
Wholesale and retail	**333.0**	298.7
	12.45%	11.69%
Financial services	**60.6**	68.1
	2.27%	2.67%
Real estate	**280.9**	242.1
	10.50%	9.48%
Services	**195.0**	203.8
	7.29%	7.98%
Local governments	**55.9**	26.6
	2.09%	1.04%
Other	**1,203.6**	1,201.9
	44.98%	47.04%
Total	**¥2,675.9**	¥2,555.1
	100.00%	100.00%

Risk Management Loans

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen		
	2007	Change	2006
Loans to borrowers in legal bankruptcy	¥ 2.5	¥ (0.0)	¥ 2.6
Past due loans	61.5	(1.4)	63.0
Loans past due three months or more	1.9	(0.0)	1.9
Restructured loans	26.6	(9.1)	35.8
Total*	¥ 92.6	¥(10.7)	¥ 103.4
Total loans and bills discounted	¥2,675.9	¥120.8	¥2,555.1
Ratio of risk management loans to total loans and bills discounted (%)	3.46	(0.58)	4.04

* 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		
	2007	Change	2006
Unrecoverable or valueless claims	¥ 13.7	¥ (2.6)	¥ 16.3
Risk claims	52.1	1.7	50.4
Claims in need of special attention	28.6	(9.1)	37.7
Financial Reconstruction Law subtotal	94.5	(10.0)	104.5
Nonclassified claims	2,649.3	127.7	2,521.6
Financial Reconstruction Law total*	¥2,743.9	¥117.7	¥2,626.2
Coverage ratio (%)	90.22	(1.44)	91.66

* 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		
	2007	Change	2006
Reserves for possible loan losses	¥37.5	¥(11.1)	¥48.6
General reserve for possible loan losses	20.7	(6.4)	27.2
Specific reserve for possible loan losses	16.8	(4.6)	21.4

Securities

The Kinki Osaka Bank, Ltd. Non-consolidated Basis March 31	Billions of yen	
	2007	2006
Japanese national and local government bonds	¥305.9	¥375.8
Japanese corporate bonds	249.8	312.2
Japanese corporate stocks	23.7	25.9
Other securities	88.3	225.4
Total book value	¥667.9	¥939.5

Capital Adequacy Ratio

Beginning from March 31, 2007, the capital adequacy ratio has been calculated on both a consolidated and non-consolidated basis according to the formula specified in the standards (contained in Notification No. 19 issued in 2006 by the Financial Services Agency) for judging the appropriateness of capital adequacy ratios in light of assets, etc., held by banks pursuant to Article 14-2 of the Banking Law of Japan. The consolidated and non-consolidated capital adequacy ratios as of March 31, 2006, were calculated according to the formulas specified in the previous standards (contained in Notification No. 55 issued in 1993 by the former Ministry of Finance) pursuant to Article 14-2 of the Banking Law of Japan. The Company calculates its capital adequacy ratio in accordance with the Japanese domestic standard and has adopted the Standardized Approach in calculating credit risk assets.

(1) Consolidated Capital Ratio (Japanese Domestic Standard)

The Kinki Osaka Bank, Ltd.			Billions of yen	
March 31			**2007**	2006
Tier I capital	Capital		**¥ 38.9**	¥ 38.9
	Capital surplus		**55.4**	55.4
	Retained earnings		**26.0**	13.7
	Planned distribution of income		**(13.8)**	—
	Unrealized loss on available-for-sale securities		**—**	—
	Foreign currency translation adjustments		**—**	—
	Minority interests in consolidated subsidiaries		**0.0**	0.0
	Total qualifying Tier I capital	(A)	**106.6**	108.1
Tier II capital	General reserve for possible loan losses		**26.7**	33.5
	Hybrid debt capital instruments		**65.0**	50.0
	Subtotal		**91.7**	83.5
	Tier II capital included as qualifying capital	(B)	**77.2**	63.0
Amount to be deducted		(C)	**—**	0.0
Total eligible capital	(A)+(B)–(C)	(D)	**¥ 183.8**	¥ 171.2
Risk-weighted assets	On-balance-sheet items		**¥1,804.3**	¥2,073.5
	Off-balance-sheet items		**28.9**	22.1
	Credit risk assets	(E)	**1,833.3**	2,095.6
	Assets for operational risk ((G)/8%)	(F)	**121.4**	—
	(For reference: Amount of operational risk)	(G)	**9.7**	—
Total risk-weighted assets	(E)+(F)	(H)	**¥1,954.8**	¥2,095.6
Capital adequacy ratio	(D)/(H) × 100%		**9.40%**	8.17%

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

The Kinki Osaka Bank, Ltd.			Billions of yen	
March 31			**2007**	2006
Tier I capital	Capital		**¥ 38.9**	¥ 38.9
	Capital reserve		**38.9**	38.9
	Other capital surplus		**16.4**	16.4
	Surplus profit carried forward to the next year		**—**	11.3
	Other retained earnings		**22.2**	—
	Planned distribution of income		**(13.8)**	—
	Unrealized loss on available-for-sale securities		**—**	—
	Total qualifying Tier I capital	(A)	**102.8**	105.7
Tier II capital	General reserve for possible loan losses		**20.7**	27.2
	Hybrid debt capital instruments		**65.0**	50.0
	Subtotal		**85.7**	77.2
	Tier II capital included as qualifying capital	(B)	**77.1**	63.0
Amount to be deducted		(C)	**—**	0.0
Total eligible capital	(A)+(B)–(C)	(D)	**¥ 179.9**	¥ 168.7
Risk-weighted assets	On-balance-sheet items		**¥1,804.1**	¥2,072.8
	Off-balance-sheet items		**23.0**	19.6
	Credit risk assets	(E)	**1,827.2**	2,092.4
	Assets for operational risk ((G)/8%)	(F)	**116.1**	—
	(For reference: Amount of operational risk)	(G)	**9.2**	—
Total risk-weighted assets	(E)+(F)	(H)	**¥1,943.3**	¥2,092.4
Capital adequacy ratio	(D)/(H) × 100%		**9.26%**	8.06%

Financial Information of Resona Trust & Banking Co., Ltd.

Non-consolidated Balance Sheets

Resona Trust & Banking Co., Ltd.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Assets			
Cash and due from banks	**¥ 6,147**	¥ 5,851	**$ 52**
Deposits paid for bonds borrowing transactions	**38,473**	36,517	**325**
Securities	**14,976**	15,023	**126**
Other assets	**17,477**	22,154	**147**
Tangible fixed assets	**109**	—	**0**
Intangible fixed assets	**4,458**	—	**37**
Premises and equipment	**—**	587	**—**
Deferred tax assets	**654**	606	**5**
Total Assets	**¥82,296**	¥80,741	**$696**
Liabilities			
Deposits	**¥ 3,121**	¥ 3,094	**$ 26**
Call money	**29,000**	32,000	**245**
Other liabilities	**13,184**	11,297	**111**
Total Liabilities	**45,306**	46,392	**383**
Shareholders' equity:			
Capital stock	**—**	10,000	**—**
Capital surplus	**—**	14,969	**—**
Capital reserve	**—**	14,969	**—**
Retained earnings	**—**	9,382	**—**
Net unrealized gains on available-for-sale securities	**—**	(2)	**—**
Total shareholders' equity	**—**	34,349	**—**
Total liabilities and shareholders' equity	**—**	80,741	**—**
Equity:			
Capital stock	**10,000**	—	**84**
Capital surplus	**14,969**	—	**126**
Capital reserve	**14,969**	—	**126**
Retained earnings	**12,023**	—	**101**
Net unrealized gains on available-for-sale securities	**(2)**	—	**0**
Total equity	**36,990**	—	**313**
Total liabilities and equity	**¥82,296**	¥ —	**$696**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Non-consolidated Statements of Income

Resona Trust & Banking Co., Ltd.

Years ended March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Income			
Interest income	¥ 84	¥ 2	$ 0
Trust fees	32,211	29,109	272
Fees and commissions	6,760	6,433	57
Other income	4	128	0
Total Income	39,060	35,674	330
Expenses			
Interest expenses	20	2	0
Fees and commissions	9,767	9,812	82
General and administrative expenses	11,302	10,744	95
Other expenses	13	51	0
Total Expenses	21,103	20,610	178
Income before income taxes	17,956	15,063	152
Income taxes—current	7,364	6,124	62
Income taxes—deferred	(47)	7	(0)
Net income	¥10,640	¥ 8,932	$ 90

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.

Statements of Trust Assets and Liabilities

Resona Trust & Banking Co., Ltd.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Millions of U.S. dollars 2007
Assets			
Securities	**¥ 7,981,453**	¥ 5,471,343	**$ 67,587**
Trust beneficiary certificates	**24,593,915**	23,063,063	**208,264**
Other claims	**4,066**	1,835	**34**
Cash and due from banks	**15,347**	9,770	**129**
Total Assets	**¥32,594,783**	¥28,546,013	**$276,016**
Liabilities			
Money trusts	**¥13,785,514**	¥11,038,895	**$116,737**
Pension trusts	**4,729,693**	4,309,607	**40,051**
Securities investment trusts	**12,899,339**	12,274,419	**109,233**
Pecuniary trusts other than money trusts	**228,667**	155,070	**1,936**
Securities trusts	**529,447**	376,744	**4,483**
Composite trusts	**422,121**	391,276	**3,574**
Total Liabilities	**¥32,594,783**	¥28,546,013	**$276,016**

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥118.09=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used.
3. Trust beneficiary certificates worth ¥24,593,915 million ($208,264 million) and ¥23,063,063 million on March 31, 2007 and 2006, respectively, were re-entrusted for asset administration purposes.
4. Co-managed trust funds under other trust banks' administration amounted to ¥2,640,206 million ($22,357 million) and ¥3,152,064 million on March 31, 2007 and 2006, respectively.

Capital Adequacy Ratio (Non-consolidated, Japanese Domestic Standard)

Beginning from March 31, 2007, the capital adequacy ratio has been calculated according to the formula specified in the standards (contained in Notification No. 19 issued in 2006 by the Financial Services Agency) for judging the appropriateness of capital adequacy ratios in light of assets, etc., held by banks pursuant to Article 14-2 of the Banking Law of Japan. The capital ratio as of March 31, 2006, was calculated according to the formula specified in the previous standards (contained in Notification No. 55 issued in 1993 by the former Ministry of Finance) pursuant to Article 14-2 of the Banking Law of Japan. The Company calculates its capital adequacy ratio in accordance with the Japanese domestic standard and has adopted the Standardized Approach in calculating credit risk assets.

Resona Trust & Banking Co., Ltd.

March 31			Millions of yen 2007	Millions of yen 2006
Tier I capital	Capital		**¥10,000**	¥10,000
	Capital reserve		**14,969**	14,969
	Surplus profit carried forward to the next year		**—**	3,882
	Other retained earnings		**12,023**	—
	Planned distribution of income		**(7,000)**	—
	Unrealized loss on available-for-sale securities		**(2)**	(2)
	Goodwill		**—**	(17)
	Total qualifying Tier I capital	(A)	**29,990**	28,831
Tier II capital		(B)	**—**	—
Amount to be deducted		(C)	**—**	—
Total eligible capital	(A)+(B)–(C)	(D)	**¥29,990**	¥28,831
Risk-weighted assets	On-balance-sheet items		**¥15,816**	¥23,099
	Off-balance-sheet items		**—**	—
	Credit risk assets	(E)	**15,816**	23,099
	Assets for operational risk ((G)/8%)	(F)	**56,391**	—
	(For reference: Amount of operational risk)	(G)	**4,511**	—
Total risk-weighted assets	(E)+(F)	(H)	**¥72,208**	¥23,099
Capital adequacy ratio	(D)/(E) × 100%		**41.53%**	124.81%

Basel Ⅱ Pillar Ⅲ (Market Discipline) Disclosure

CONTENTS

Introduction

■ Basel II Defined

In July 1988, the G10 nations accepted and began to implement the first of the Basel Accords, which set capital adequacy standards for financial institutions engaged in international operations (commonly known as the "Bank for International Settlements (BIS) Capital Adequacy Standards). Subsequently, there was movement toward reviewing these standards internationally, and in June 2004, the Basel Committee on Banking Supervision made public a final version of a new set of capital adequacy standards (referred to here as "Basel II"). In Japan, the Basel II capital adequacy standards were applied from the fiscal year ended March 31, 2007.

■ Features of Basel II

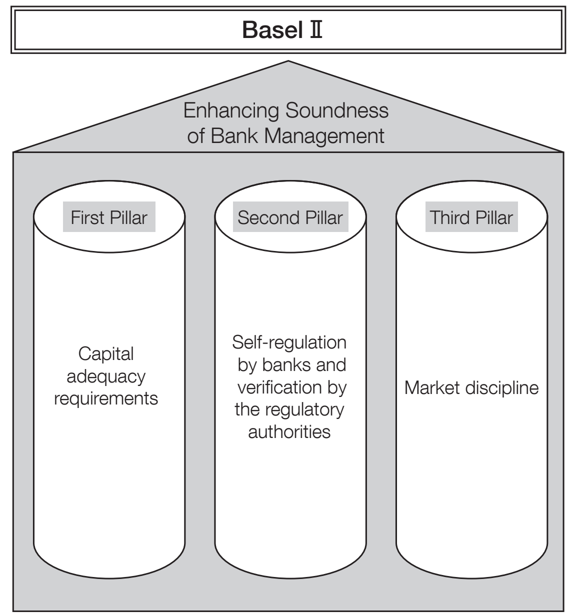
The three principal features of Basel II are: (1) calculation of risk-weighted assets based on a more-detailed grasp of credit risk, (2) additional capital required for operational risk, and (3) "self-regulation on the part of banks and regulatory supervision" combined with "market discipline."

(1) More-Detailed Grasp of Credit Risk
Compared with the previous BIS standards, the Standardized Approach of Basel II provides a broad asset classification that enables banks to gain a more-precise and detailed grasp of credit risk. In addition, Basel II requires a proper understanding of the assets included in funds and investment trusts. On the other hand, for securitized products, Basel II requires more-sophisticated credit management than before and recommends securing a senior right to cash flows from the underlying assets and obtaining ratings from external agencies, thus making due caution for a level of possible capital charges that the intended securitized product requires.

(2) Capital Requirements for Operational Risk
The previous standards did not take account of economic losses that may arise from clerical errors, misconduct, and similar circumstances. In Basel II, these losses have been defined as operational risk, and 12.5 times the amount corresponding to operational risk is included in the denominator in calculating the capital adequacy ratio.

(3) Self-Regulation of Banks and Regulatory Supervision Combined with Market Discipline
Under the previous BIS regulation, the key element was to maintain the capital adequacy ratio above a specified level. In other words, the only absolute requirement for banks engaged in international banking operations was to have a capital adequacy ratio of 8% or higher, while the domestic requirement was to have a ratio of 4% or higher. In contrast, under Basel II, banks are required to give sufficient consideration to having enough capital to cover risks not reflected in the computation of the capital adequacy ratio. These risks include interest-rate risk in the banking account, concentration of risks in lending, liquidity risk, reputational risk, and business strategy risk ("Second Pillar" in the Basel II framework). Moreover, Basel II strongly requires a more-proactive attitude toward information disclosure than in the past, requiring self-assessments of capital adequacy by banks themselves and the prompt, accurate disclosure of useful information related to risk management systems and related matters to gain the proper evaluation and the confidence of the market. ("Third Pillar" in the Basel II framework)

[The Basel II Framework]



■ Resona Group's Response to Basel II

The Resona Group has prepared a "Basic Policy for Group Capital Management" that sets forth (1) implementation of policies for maintaining a sufficient level of capital, (2) the proper assessment of capital adequacy, and (3) initiatives for the accurate computation of the capital adequacy ratio. The Group is also moving forward with initiatives to increase the sophistication of risk management activities. Please note that the following methods were employed in calculating the capital adequacy ratio for the year ended March 31, 2007.

Applicable Items	Methods
Credit risk	Standardized Approach
Operational risk	The Standardized Approach
Market risk	Exemption applicable under the Notification on the Consolidated Capital Adequacy

Also, based on the policies for appropriate information disclosure contained in the "Basic Policy for Group Capital Management," we have included this section, Basel II Pillar III (Market Discipline) Disclosure, in this year's annual report. Beginning on the following page, we present information on the composition of the Bank's capital and methods for assessing capital adequacy as well as information on policies regarding the management of various categories of risk and quantitative data on these risks.

*Contents of explanations and data, etc., are for March 31, 2007.

Scope of Consolidation

■ Differences between the scope of consolidation, based on the Regulations for Preparation of Consolidated Financial Statements, and the companies that belong to the Corporate Group (hereinafter, Holding Company Group) for which capital adequacy ratios are calculated according to the method indicated in Article 15 of the Standards for Determining the Adequacy of Capital (issued by the Financial Services Agency on March 27, 2006; hereinafter, Notification on Consolidated Capital Adequacy) based on the examination of the assets, etc., held by the Bank Holding Company and its subsidiaries, as provided for in Article 52-25 of the Banking Law.

Asahi Servicos e Representacoes Ltda. is not included in the scope of consolidation under the provisions of Article 5-2 of the Regulations for Preparation of Consolidated Financial Statements, but, based on Article 15 of the Notification on Consolidated Capital Adequacy, this company is included in the Holding Company Group for calculation of the consolidated capital adequacy ratio.

■ Number, names, and principal business activities of the major consolidated subsidiaries in the Holding Company Group

Number of consolidated subsidiaries: 22

Names and principal business activities of consolidated subsidiaries: As shown below

Company Name	Principal Business Activities
Resona Bank, Ltd.	Banking and trust banking business
Saitama Resona Bank, Ltd.	Banking business
The Kinki Osaka Bank, Ltd.	Banking business
Resona Trust & Banking Co., Ltd.	Trust and banking business
Resona Guarantee Co., Ltd.	Credit guarantee
Daiwa Guarantee Co., Ltd.	Credit guarantee
Kinki Osaka Shinyo Hosho Co., Ltd.	Credit guarantee
Resona Kessai Service Co., Ltd.	Collection of bills and receivables, and factoring
Resona Servicer Co., Ltd.	Credit administration and servicer functions
Resona Card Co., Ltd.	Credit card administration and credit guarantee
Resona Capital Co., Ltd.	Private equity business
Resona Research Institute Co., Ltd.	Business consulting services
Resona Business Service Co., Ltd.	Subcontracted operations
Resona HR Support Co., Ltd.	Temporary staffing, welfare benefits
P.T. Bank Resona Perdania	Banking business
P.T. Resona Indonesia Finance	Leasing
TD Consulting Co., Limited	Investment consulting
Asahi Finance (Cayman), Ltd.	Financing
Resona Preferred Global Securities (Cayman) Limited	Financing

■ Names and principal business activities of affiliated companies engaging in financial services businesses as specified in Article 21 of the Notification on Consolidated Capital Adequacy

Company Name	Principal Business Activities
Japan Trustee Services Bank, Ltd.	Trust and banking business

Capital

Capital Structure

The capital structure is shown below. Please note that, as of March 31, 2007, the capital adequacy ratio was calculated on a consolidated basis according to the formula specified in the Notification on Consolidated Capital Adequacy. The capital adequacy ratio as of March 31, 2006, was calculated according to the standards for the calculation of capital adequacy ratios (Notification No. 62 of the (former) Ministry of Finance, 1998; hereinafter, Previous Notification on Consolidated Capital Adequacy) under the stipulations of Article 52-25 of the Banking Law.

■ Consolidated Capital Adequacy Ratio (Japanese Domestic Standard)

(Millions of yen)

			As of March 31, 2007	As of March 31, 2006
Tier I capital	Capital stock		327,201	327,201
	Non-cumulative perpetual preferred stock (Note 1)		—	—
	Suspense receipts on capital subscription		—	—
	Capital surplus		223,810	263,505
	Retained earnings		917,279	717,768
	Treasury stock		(898)	(579)
	Planned distribution of income		(37,599)	—
	Valuation loss on available-for-sale securities		—	—
	Foreign currency translation adjustments		(1,400)	(1,946)
	Share purchase warrants		—	—
	Minority interests in consolidated subsidiaries		157,919	148,616
	Preferred securities issued by special-purpose company overseas		135,803	135,079
	Goodwill		(21,728)	—
	Consolidation differences		—	(28,784)
	Increase in capital resulting from a securitization exposure		(12,862)	—
	Subtotal of Tier I capital before deduction of deferred tax assets		1,551,722	1,425,781
	Deduction of deferred tax assets (Note 2)		—	—
	Total qualifying Tier I capital	(A)	1,551,722	1,425,781
	Preferred securities with conditions for interest rate step-ups (Note 3)	(B)	135,803	135,079
Tier II capital	45% of the difference between land after revaluation and the latest book value		46,809	48,258
	General reserve for possible loan losses		148,770	149,567
	Hybrid debt capital instruments		806,141	773,356
	Perpetual subordinated bonds (Note 4)		493,045	460,247
	Subordinated bonds with maturity dates and preferred stocks with maturity dates (Note 5)		313,095	313,109
	Subtotal		1,001,722	971,182
	Tier II capital included as qualifying capital	(C)	1,001,722	971,182
Deduction	Amount to be deducted (Note 6)	(D)	37,573	10,908
Total eligible capital	(A)+(C)–(D)	(E)	2,515,871	2,386,055
Risk-weighted assets, etc.	On-balance-sheet items		20,937,751	22,903,450
	Off-balance-sheet items		1,451,599	1,027,296
	Credit risk assets	(F)	22,389,350	23,930,747
	Assets for operational risk (G)=((H)/8%)	(G)	1,414,001	—
	(For reference: Amount of operational risk)	(H)	113,120	—
	Subtotal (I)=((F)+(G))	(I)	23,803,352	23,930,747
Capital adequacy ratio (Japanese domestic standard) (E)/(I) x 100%			10.56	9.97
(For reference: Tier I capital ratio = (A)/(I) x 100%)			6.51	5.95
Percentage of preferred securities with conditions for intererst-rate step-ups in consolidated Tier I capital = (B)/(A) x 100%			8.75	9.47

Notes:
1. Since the holding company's capital stock cannot be classified by types of shares issued, the amount of non-cumulative, perpetual preferred stock is not shown.
2. The amount corresponding to net deferred tax assets at March 31, 2007, was ¥309,393 million; the maximum amount of such assets that could be included as of that date was ¥465,516 million.
3. These are stocks and other securities with conditions for interest rate step-ups, for which there is a possibility of call and amortization (including preferred securities issued through overseas special-purpose companies), as stipulated in Article 17-2 of the Notification on Consolidated Capital Adequacy Ratios (Article 13-2 of the Previous Notification on Consolidated Capital Adequacy Ratios).
4. These are instruments for raising capital that have the characteristics of liabilities, as stipulated in Article 18-1-3 of the Notification on Consolidated Capital Adequacy Ratios (Article 14-1-3 of the Previous Notification on Consolidated Capital Adequacy Ratios). All these securities have the following characteristics:
   (1) Uncollateralized, lower in seniority than other liabilities and already paid in,
   (2) Except under specified conditions, these securities cannot be called or amortized,
   (3) Proceeds from these securities may be used to cover losses as the Bank continues its operations, and
   (4) Interest payments on these securities may be postponed.
5. These securities are specified in Article 18-1-4 and Article 18-1-5 of the Notification on Consolidated Capital Adequacy Ratios (Article 14-1-4 and Article 14-1-5 of the Previous Notification on Consolidated Capital Adequacy Ratios). However, these subordinated bonds with maturity dates are limited to those with maturity dates of over five years at the time of their respective contracts.
6. These securities are specified in Article 20-1-1 to Article 20-1-6 of the Notification on Consolidated Capital Adequacy Ratios (Article 15-1 of the Previous Notification on Consolidated Capital Adequacy Ratios). These figures include the amounts of securities or other financial instruments for raising capital issued by other financial institutions that are held deliberately by the Company and the amount of investments as stipulated in Article 20-1-2 of the Notification on Consolidated Capital Adequacy Ratios (Article 15-1-2 of the Previous Notification on Consolidated Capital Adequacy Ratios).

Based on JIPCA Industry Audit Committee Report No. 30, the Company was audited by Shin Nihon & Co., an external, independent auditing firm, regarding the computation of its capital adequacy ratio. This external audit was not performed under the special provisions of the Commercial Code of Japan for audits, etc., of corporations or as part of a corporate audit as stipulated under Article 193-2 of the Securities and Exchange Law of Japan. This audit was performed as an agreed-upon computation and confirmation of the capital adequacy ratio as part of internal control systems. Accordingly, the external accounting firm did not issue an opinion regarding the capital adequacy ratio.

Outline of Preferred Securities

The holding company's consolidated subsidiary Resona Bank, Ltd. (hereinafter, the Company), has issued the preferred securities outlined below through its overseas special-purpose company. The securities are included in calculation of the holding company's consolidated capital adequacy ratio (Japanese domestic standard) as eligible Tier I capital.

Issuer	Resona Preferred Global Securities (Cayman) Limited
Type of Securities	Non-cumulative perpetual preferred securities (hereinafter, 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 coupon 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 date 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 optional suspension (limitation) of dividends are not met for any fiscal year, the full amount of dividends on the 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 will be suspended upon the occurrence of a liquidation event, reorganization event, insolvency event, or government action (See Note 1 below.). In the event that a Preferred Stock Dividend Limitation or Distributable Profits Limitation is applied, dividends will be suspended or subject to limitation in accordance with such an application. Unpaid dividends shall not accrue to subsequent periods.
Preferred Stock Dividend Limitation	If the dividends paid on the Company's preferred stock (See Note 2 below.) are reduced, dividends on the preferred securities will be reduced by the same percentage.
Distributable Profits Limitation	If there are insufficient Available Distributable Profits (See Note 3 below.) (i.e. in the case where the Available Distributable Profits are less than the total amount of dividends to be paid), dividends on the 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 the preferred securities described here, regardless of the order of their respective dividend payment dates. Unpaid dividends shall not accrue to subsequent 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 for the most recently concluded fiscal year.
Liquidation Preference	The preferred securities rank effectively *pari passu* with the Company's preferred shares as to liquidation preference.

Notes:

1. Liquidation event, reorganization event, insolvency event, or government action
   (Liquidation event)
   Commencement of 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 event)
   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 event)
   (1) In the event of inability to pay debts, or in the event of inability to pay debts upon the payment of aforementioned dividends or the concern of such occurring
   (2) In the event of liabilities exceeding assets, or in the event of liabilities exceeding assets upon the 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 having 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 stock which has 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 Distributable Profits for the fiscal year immediately prior to the current year less the sum of the amount of dividends paid or to be paid on the Company's preferred stock for such immediately prior year. (However, the interim dividend to be 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 ranking for their issuer as these preferred securities do to their issuer, adjustments are made to Available Distributable Profits.
4. Regulatory event: A regulatory event occurs when the Company's capital adequacy ratio or Tier Ⅰ ratio fall below the minimum level as prescribed by banking regulations, or when such ratios fall below required minimum levels upon the payment of aforementioned dividends.

Outline of Instruments for Raising Capital

The financial instruments the Holding Company uses for raising capital are as listed below:

■ Common and Preferred Stock

1. Number of Common and Preferred Stock Shares and Related Matters

(1) Number of Authorized Common and Preferred Stock Shares

Class of stock	Authorized number of shares
Common Stock	73,000,000
Class B Preferred Stock	680,000
Class C Preferred Stock	120,000
Class D Preferred Stock	120
Class E Preferred Stock	240,000
Class F Preferred Stock	80,000
Class One Preferred Stock	2,750,000
Class Two Preferred Stock	2,817,808
Class Three Preferred Stock	2,750,000
Class Four Preferred Stock	100,000
Class Five Preferred Stock	100,000
Class Six Preferred Stock	100,000
Class Seven Preferred Stock	100,000
Class Eight Preferred Stock	100,000
Class Nine Preferred Stock	100,000
Total	83,037,928

(2) Number of Common and Preferred Stock Shares Issued and Outstanding

Class of stock	Number of shares issued and outstanding (March 31, 2007)	Number of shares as of the submission date (Note 1)	Name of stock exchange or securities dealers association	Voting rights and other matters
Common stock	11,399,335.917	Same as on the left	Osaka Securities Exchange, First Section Tokyo Stock Exchange, First Section	Voting rights
Class B No. 1 Preferred Stock	272,202	Same as on the left	—	(Note 2)
Class C No. 1 Preferred Stock	120,000	Same as on the left	—	(Note 3)
Class D No. 1 Preferred Stock	60	Same as on the left	—	(Note 4)
Class E No. 1 Preferred Stock	9,576	Same as on the left	—	(Note 5)
Class F No. 1 Preferred Stock	80,000	Same as on the left	—	(Note 6)
Class One No. 1 Preferred Stock	2,750,000	Same as on the left	—	Voting rights (Note 7)
Class Two No. 1 Preferred Stock	2,817,807.861	Same as on the left	—	Voting rights (Note 8)
Class Three No. 1 Preferred Stock	2,750,000	Same as on the left	—	Voting rights (Note 9)
Class Four Preferred Stock	25,200	Same as on the left	—	(Note 10)
Class Nine Preferred Stock	—	100,000	—	(Note 11)
Total	20,224,181.778	20,324,181.778	—	—

Notes:
1. "Number of shares as of the submission date" refers to the date of submission of the Securities Report (*Yuka Shoken Hokokusho*), and the number of preferred shares converted to common shares between June 1, 2007, and the date of submission of the Securities Report is not included.
2. The details regarding Class B No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.
   (1) Dividends on the Preferred Shares
      (a) Dividends on the Preferred Shares
         When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
         The total amount of Preferred Dividends to be paid per share will be ¥6,360.
      (b) Non-cumulative dividends
         In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.
      (c) Non-participatory dividends
         The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.
      (d) Preferred Interim Dividends on the Preferred Shares
         In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.
   (2) Distribution of remaining assets
      When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥600,000 per share, prior to any such payments to holders of Common Shares. No additional distribution of remaining assets will be made to the Preferred Shareholders.
   (3) Seniority
      The Preferred Shares rank *pari passu* with Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.
   (4) Right to request acquisition
      (a) Period for making requests

Up to March 31, 2009. However, periods from the day following a record date for determining the shareholders who can exercise their rights at a General Meeting of Shareholders through the day when the General Meeting of Shareholders is concluded will be excluded.

(b) Exchange rate

2.034 Common Shares will be issued in exchange for one Preferred Share.

(c) Reset of the exchange rate

The exchange rate will be reset annually on June 30 through June 30, 2008 (hereinafter, the Reset Date) according to the following formula (hereinafter, Exchange Rate after Reset). In calculating the Exchange Rate after Reset, figures will be carried to four decimal places, then rounded off.

$$\text{Exchange Rate after Reset} = \frac{¥600{,}000}{\text{Market Price} \times 1.020}$$

However, when values of less than ¥1,000 result from calculating the Market Price times 1.020, such amounts will be rounded up.

When the Exchange Rate after Reset exceeds 3.429, the rate 3.429 will be employed.

The Market Price to be used in the foregoing formula will be the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).

(d) Adjustments in the exchange rate

Certain adjustments will be made in the exchange rate under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.

(5) Acquisition clause

When no requests have been made through March 31, 2009 for the exchange of the Preferred Shares, on April 1, 2009, the Company will deliver Common Shares to holders of the Preferred Shares in exchange for the Preferred Shares according to the following formula. The paid-in amount per share of the Preferred Shares (¥600,000) will be divided by the average of the closing prices (including the indicative prices)(regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc., on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding April 1, 2009. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If the average so calculated is less than ¥100,000, the number of Common Shares calculated by dividing the paid-in amount per share of the Preferred Shares (¥600,000) by ¥100,000 will be delivered.

(6) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders

When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.

(7) Voting rights clause

The Preferred Shareholders will not be entitled to exercise voting rights with respect to any matter at the General Meetings of Shareholders; provided, however, that the Preferred Shareholders will have voting rights (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a resolution to pay the full amount of the Preferred Dividends is not made at a resolution of the Board of Directors under Article 436-3 of the Company Law) from the time of such resolution, (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are not effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a proposal for payment of the full amount of the Preferred Dividends is not submitted to an Ordinary General Meeting of Shareholders) from such Ordinary General Meeting of Shareholders and (if a proposal for payment of the full amount of the Preferred Dividends is submitted but disapproved at an Ordinary General Meeting of Shareholders) from the close of such Ordinary General Meeting of Shareholders, until a resolution of the Board of Directors made pursuant to the provisions of Article 43 of the Articles of Incorporation of the Company in the circumstances where such provisions are effective by virtue of Article 459-2 and Article 460-2 of the Company Law or a resolution of an Ordinary General Meeting of Shareholders to pay the full amount of the Preferred Dividends is made.

(8) Rights to new shares and other matters

Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

3. The details regarding Class C No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.

(1) Dividends on the Preferred Shares

(a) Dividends on the Preferred Shares

When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.

The total amount of Preferred Dividends to be paid per share will be ¥6,800.

(b) Non-cumulative dividends

In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to subsequent business years.

(c) Non-participatory dividends

The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount for the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.

(d) Preferred Interim Dividends on the Preferred Shares

In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.

(2) Distribution of remaining assets

When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥500,000 per share, prior to any such payments to holders of Common Shares. No additional distribution of remaining assets will be made to the Preferred Shareholders.

(3) Seniority

The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.

(4) Right to request acquisition

(a) Period for making requests

Up to March 31, 2015. However, periods from the day following a record date for determining the shareholders who can exercise their rights at a General Meeting of Shareholders through the day when the General Meeting of Shareholders is concluded will be excluded.

(b) Exchange price

The exchange price is ¥338,400.

(c) Reset of the exchange price

The exchange price will be reset on January 1 of each year, up to January 1, 2015 (hereinafter, the Reset Date) to the Market Price as of the Reset Date (the Exchange Price after Reset). Provided that if the Exchange Price after Reset would fall below ¥166,700 (the Floor Price), the Exchange Price after Reset will be the Floor Price. Market Price for this purpose will mean the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).

(d) Adjustments in the exchange price

Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.

(5) Acquisition clause

When no requests have been made through March 31, 2015 for the exchange of the Preferred Shares, on April 1, 2015, the Company will deliver Common Shares to the Preferred Shareholders in exchange for the Preferred Shares according to the following formula. The paid-in amount per share of the Preferred Shares (¥500,000) will be divided by the average of the closing prices (including the indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc., on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding April 1, 2015. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If the average so calculated is less than ¥166,700, the number of Common Shares calculated by dividing the paid-in amount per share of the Preferred Shares (¥500,000) by ¥166,700 will be delivered.

(6) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders

When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.

(7) Voting rights clause

The Preferred Shareholders will not be entitled to exercise voting rights with respect to any matter at the General Meetings of Shareholders; provided, however, that the Preferred Shareholders will have voting rights (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a resolution to pay the full amount of the Preferred Dividends is not made at a resolution of the Board of Directors under Article 436-3 of the Company Law) from the time of such resolution, (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are not effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a proposal for payment of the full amount of the Preferred Dividends is not submitted to an Ordinary General Meeting of Shareholders) from such Ordinary General Meeting of Shareholders and (if a proposal for payment of the full amount of the Preferred Dividends is submitted but disapproved at an Ordinary General Meeting of Shareholders) from the close of such Ordinary General Meeting of Shareholders, until a resolution of the Board of Directors made pursuant to the provisions of Article 43 of the Articles of Incorporation of the Company in the circumstances where such provisions are effective by virtue of Article 459-2 and Article 460-2 of the Company Law or a resolution of an Ordinary General Meeting of Shareholders to pay the full amount of the Preferred Dividends is made.

(8) Rights to new shares and other matters

Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

4. The details regarding Class D No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.

(1) Dividends on the Preferred Shares

(a) Dividends on the Preferred Shares

When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.

The total amount of Preferred Dividends to be paid per share will be ¥10,000.

(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.
(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.
(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.
(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥2,000,000, prior to any such payments to Common Shareholders. No additional distribution of remaining assets will be made to the Preferred Shareholders.
(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.
(4) Right to request acquisition
(a) Period for making requests
Up to July 31, 2007. However, periods from the day following a record date for determining the shareholders who can exercise their rights at a General Meeting of Shareholders through the day when the General Meeting of Shareholders is concluded will be excluded.
(b) Exchange price
The exchange price is ¥496,300.
(c) Reset of the exchange price
The exchange price will be reset on October 1 of each year, up to October 1, 2006 (hereinafter, the Reset Date) to the Market Price as of the Reset Date (the Exchange Price after Reset). Provided that if the Exchange Price after Reset would fall below ¥496,300 (the Floor Price), the Exchange Price after Reset will be the Floor Price. Market Price for this purpose will mean the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).
(d) Adjustments in the exchange price
Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.
(5) Acquisition clause
When no requests have been made through July 31, 2007 for the exchange of the Preferred Shares, on August 1, 2007, the Company will deliver Common Shares to holders of the Preferred Shares in exchange for the Preferred Shares according to the following formula. The paid-in amount per share of the Preferred Shares (¥2,000,000) will be divided by the average of the closing prices (including the indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc., on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding August 1, 2007. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If the average so calculated is less than ¥500,000, the number of Common Shares calculated by dividing the paid-in amount per share of the Preferred Shares (¥2,000,000) by ¥500,000 will be delivered.
(6) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders
When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.
(7) Voting rights clause
The Preferred Shareholders will not be entitled to exercise voting rights with respect to any matter at the General Meetings of Shareholders; provided, however, that the Preferred Shareholders will have voting rights (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a resolution to pay the full amount of the Preferred Dividends is not made at a resolution of the Board of Directors under Article 436-3 of the Company Law) from the time of such resolution, (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are not effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a proposal for payment of the full amount of the Preferred Dividends is not submitted to an Ordinary General Meeting of Shareholders) from such Ordinary General Meeting of Shareholders and (if a proposal for payment of the full amount of the Preferred Dividends is submitted but disapproved at an Ordinary General Meeting of Shareholders) from the close of such Ordinary General Meeting of Shareholders, until a resolution of the Board of Directors made pursuant to the provisions of Article 43 of the Articles of Incorporation of the Company in the circumstances where such provisions are effective by virtue of Article 459-2 and Article 460-2 of the Company Law or a resolution of an Ordinary General Meeting of Shareholders to pay the full amount of the Preferred Dividends is made.
(8) Rights to new shares and other matters
Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

5. The details regarding Class E No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.
(1) Dividends on the Preferred Shares
(a) Dividends on the Preferred Shares
When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
The total amount of Preferred Dividends to be paid per share will be ¥14,380.
(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.
(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.
(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.
(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥1,250,000 per share, prior to any such payments to holders of Common Shares. No additional distribution of remaining assets will be made to the Preferred Shareholders.
(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.
(4) Right to request acquisition
(a) Period for making requests
Up to November 30, 2009. However, periods from the day following a record date for determining the shareholders who can exercise their rights at a General Meeting of Shareholders through the day when the General Meeting of Shareholders is concluded will be excluded.
(b) Exchange price
The exchange price is ¥359,700.
(c) Reset of the exchange price
The exchange price will be reset on July 1 of each year, up to July 1, 2009 (hereinafter, the Reset Date) to the Market Price as of the Reset Date (the Exchange Price after Reset). Provided that if the Exchange Price after Reset would fall below ¥359,700 (the Floor Price), the Exchange Price after Reset will be the Floor Price. Market Price for this purpose will mean the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).
(d) Adjustments in the exchange price
Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.
(5) Acquisition clause
When no requests have been made through November 30, 2009 for the exchange of the Preferred Shares, on December 1, 2009, the Company will deliver Common Shares to holders of the Preferred Shares in exchange for the Preferred Shares according to the following formula. The paid-in amount per share of the Preferred Shares (¥1,250,000) will be divided by the average of the closing prices (including the indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc., on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding December 1, 2009. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If the average so calculated is less than ¥359,800, the number of Common Shares calculated by dividing the paid-in amount per share of the Preferred Shares (¥1,250,000) by ¥359,800 will be delivered.
(6) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders
When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.
(7) Voting rights clause
The Preferred Shareholders will not be entitled to exercise voting rights with respect to any matter at the General Meetings of Shareholders; provided, however, that the Preferred Shareholders will have voting rights (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a resolution to pay the full amount of the Preferred Dividends is not made at a resolution of the Board of Directors under Article 436-3 of the Company Law) from the time of such resolution, (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are not effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a proposal for payment of the full amount of the Preferred Dividends is not submitted to an Ordinary General Meeting of Shareholders) from such Ordinary General Meeting of Shareholders and (if a proposal for payment of the full amount of the Preferred Dividends is submitted but disapproved at an Ordinary General Meeting of Shareholders) from the close of such Ordinary General Meeting of Shareholders, until a resolution of the

Board of Directors made pursuant to the provisions of Article 43 of the Articles of Incorporation of the Company in the circumstances where such provisions are effective by virtue of Article 459- 2 and Article 460- 2 of the Company Law or a resolution of an Ordinary General Meeting of Shareholders to pay the full amount of the Preferred Dividends is made.

(8) Rights to new shares and other matters
Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

6. The details regarding Class F No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.

(1) Dividends on the Preferred Shares

(a) Dividends on the Preferred Shares
When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
The total amount of Preferred Dividends to be paid per share will be ¥18,500.

(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.

(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.

(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.

(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥1,250,000 per share, prior to any such payments to holders of Common Shares. No additional distribution of remaining assets will be made to the Preferred Shareholders.

(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.

(4) Right to request acquisition

(a) Period for making requests
Up to November 30, 2014. However, periods from the day following a record date for determining the shareholders who can exercise their rights at a General Meeting of Shareholders through the day when the General Meeting of Shareholders is concluded will be excluded.

(b) Exchange price
The exchange price is ¥359,700.

(c) Reset of the exchange price
The exchange price will be reset on July 1 of each year, up to July 1, 2014 (hereinafter, the Reset Date) to the Market Price as of the Reset Date (the Exchange Price after Reset). Provided that if the Exchange Price after Reset would fall below ¥359,700 (the Floor Price), the Exchange Price after Reset will be the Floor Price. Market Price for this purpose will mean the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).

(d) Adjustments in the exchange price
Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.

(5) Acquisition clause
When no requests have been made through November 30, 2014 for the exchange of the Preferred Shares, on December 1, 2014, the Company will deliver Common Shares to holders of the Preferred Shares in exchange for the Preferred Shares according to the following formula. The paid-in amount per share of the Preferred Shares (¥1,250,000) will be divided by the average of the closing prices (including the indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc., on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding December 1, 2014. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If the average so calculated is less than ¥359,800, the number of Common Shares calculated by dividing the paid-in amount per share of the Preferred Shares (¥1,250,000) by ¥359,800 will be delivered.

(6) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders
When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.

(7) Voting rights clause
The Preferred Shareholders will not be entitled to exercise voting rights with respect to any matter at the General Meetings of Shareholders; provided, however, that the Preferred Shareholders will have voting rights (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a resolution to pay the full amount of the Preferred Dividends is not made at a resolution of the Board of Directors under Article 436-3 of the Company Law) from the time of such resolution, (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are not effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a proposal for payment of the full amount of the Preferred Dividends is not submitted to an Ordinary General Meeting of Shareholders) from such Ordinary General Meeting of Shareholders and (if a proposal for payment of the full amount of the Preferred Dividends is submitted but disapproved at an Ordinary General Meeting of Shareholders) from the close of such Ordinary General Meeting of Shareholders, until a resolution of the Board of Directors made pursuant to the provisions of Article 43 of the Articles of Incorporation of the Company in the circumstances where such provisions are effective by virtue of Article 459-2 and Article 460-2 of the Company Law or a resolution of an Ordinary General Meeting of Shareholders to pay the full amount of the Preferred Dividends is made.

(8) Rights to new shares and other matters
Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

7. The details regarding Class One No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.

(1) Dividends on the Preferred Shares

(a) Dividends on the Preferred Shares
When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Share during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
An amount per share equal to the paid-in amount per share of the Preferred Shares (¥200,000) multiplied by the annual rate of Preferred Dividends for the business year immediately preceding the payment of Preferred Dividends (as provided below) (which will be calculated down to one-tenth of one yen and then rounded to the nearest whole yen, ¥0.5 rounded upward) will be paid. The annual rate of Preferred Dividends will be the rate per annum, which will be calculated in accordance with the following formula, for each business year starting on or after April 1, 2004 and ending on the day immediately preceding the next date of revision of the annual rate of Preferred Dividends:
Annual rate of Preferred Dividends = Euro Yen LIBOR (one-year) plus 0.5%
The annual rate of Preferred Dividends will be calculated down to the fourth decimal place below one percent and then rounded to the nearest one-thousandth of one percent, 0.0005% rounded upward.
The dates of revision of the annual rate of Preferred Dividends will be each April 1 on and after April 1, 2004.
Euro Yen LIBOR (one-year) will mean the rate published by the British Bankers' Association (BBA) as the one-year Euro Yen London Interbank Offered Rate (one-year Euro Yen LIBOR (360-day basis)) at 11:00 a.m., London time, on April 1, 2004 or each date of revision of the annual rate of dividends (or, if any such date falls on a non-business day, the immediately preceding business day). If Euro Yen LIBOR (one-year) is not published, the rate published by the Japanese Bankers Association as the one-year Japanese Yen Tokyo Interbank Offered Rate (Japanese Yen TIBOR) at 11:00 a.m., Japan time, on the immediately following business day, or the rate which will be deemed comparable to such rate, will be used in lieu of the Euro Yen LIBOR (one-year).
The term "business day" will mean a day on which banks are open for foreign currency and foreign exchange business in London and Tokyo.

(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.

(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.

(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.

(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥200,000 per share, prior to any such payments to Common Shareholders. No additional distribution of remaining assets will be made to the Preferred Shareholders.

(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.

(4) Right to request acquisition

(a) Period for making requests
Requests for acquisition of the Preferred Shares can be made at any time after July 1, 2006.

(b) Exchange price
The exchange price is ¥348,100.

(c) Reset of the exchange price
The exchange price will be reset on August 1 of each year, from August 1, 2006 (hereinafter, the Reset Date) to the Market Price as of the Reset Date (the

Exchange Price after Reset). Provided that if the Exchange Price after Reset would fall below ¥28,000 (the Floor Price), the Exchange Price after Reset will be the Floor Price. Market Price for this purpose will mean the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).

(d) Adjustments in the exchange price
Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.

(5) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders
When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.

(6) Voting rights clause
The Preferred Shareholders have voting rights at the Company's General Meeting of Shareholders.

(7) Rights to new shares and other matters
Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

8. The details regarding Class Two No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.

(1) Dividends on the Preferred Shares

(a) Dividends on the Preferred Shares
When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
An amount per share equal to the paid-in amount per share of the Preferred Shares (¥200,000) multiplied by the annual rate of Preferred Dividends for the business year immediately preceding the payment of Preferred Dividends (as provided below) (which will be calculated down to one-tenth of one yen and then rounded to the nearest whole yen, ¥0.5 rounded upward) will be paid. The annual rate of Preferred Dividends will be the rate per annum, which will be calculated in accordance with the following formula, for each business year starting on or after April 1, 2004 and ending on the day immediately preceding the next date of revision of annual rate of Preferred Dividends:
Annual rate of Preferred Dividends = Euro Yen LIBOR (one-year) plus 0.5%
The annual rate of Preferred Dividends will be calculated down to the fourth decimal place below one percent and then rounded to the nearest one-thousandth of one percent, 0.0005% rounded upward.
The dates of revision of the annual rate of Preferred Dividends will be each April 1 on and after April 1, 2004.
Euro Yen LIBOR (one-year) will mean the rate published by the British Bankers' Association (BBA) as the one-year Euro Yen London Interbank Offered Rate (one-year Euro Yen LIBOR (360-day basis)) at 11:00 a.m., London time, on April 1, 2004 or each date of revision of the annual rate of dividends (or, if any such date falls on a non-business day, the immediately preceding business day). If Euro Yen LIBOR (one-year) is not published, the rate published by the Japanese Bankers Association as the one-year Japanese Yen Tokyo Interbank Offered Rate (Japanese Yen TIBOR) at 11:00 a.m., Japan time, on the immediately following business day, or the rate which will be deemed comparable to such rate, will be used in lieu of the Euro Yen LIBOR (one-year).
The term "business day" will mean a day on which banks are open for foreign currency and foreign exchange business in London and Tokyo.

(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.

(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of a surplus will be made to the Preferred Shareholders in excess thereof.

(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.

(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥200,000 per share, prior to any such payments to Common Shareholders. No additional distribution of remaining assets will be made to the Preferred Shareholders.

(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.

(4) Right to request acquisition

(a) Period for making requests
Requests for acquisition of the Preferred Shares can be made at any time after July 1, 2008.

(b) Exchange price
The initial exchange price will be the Market Price of a Common Share of the Company as of July 1, 2008 (the Acquisition Start Date); provided, however, that if the initial exchange price would fall below ¥20,000 (subject to adjustment as described in paragraph (d) below) (the Floor Price), the initial exchange price will be the Floor Price. "Market Price" for this purpose will mean the average of the closing prices (including the indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the Acquisition Start Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).

(c) Reset of the exchange price
The exchange price will be reset on November 1 of each year, from November 1, 2008 (hereinafter, the Reset Date) to the Market Price as of the Reset Date (the Exchange Price after Reset). Provided that if the Exchange Price after Reset would fall below the Floor Price, the Exchange Price after Reset will be the Floor Price. Market Price for this purpose will mean the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).

(d) Adjustments in the exchange price
Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.

(5) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders
When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.

(6) Voting rights clause
The Preferred Shareholders have voting rights at the Company's General Meeting of Shareholders.

(7) Rights to new shares and other matters
Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will also not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

9. The details regarding Class Three No. 1 Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.

(1) Dividends on the Preferred Shares

(a) Dividends on the Preferred Shares
When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Share during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
An amount per share equal to the paid-in amount per share of the Preferred Shares (¥200,000) multiplied by the annual rate of Preferred Dividends for the business year immediately preceding the payment of Preferred Dividends (as provided below) (which will be calculated down to one-tenth of one yen and then rounded to the nearest whole yen, ¥0.5 rounded upward) will be paid. The annual rate of Preferred Dividends will be the rate per annum, which will be calculated in accordance with the following formula, for each business year starting on or after April 1, 2004 and ending on the day immediately preceding the next date of revision of annual rate of Preferred Dividends:
Annual rate of Preferred Dividends = Euro Yen LIBOR (one-year) plus 0.5%
The annual rate of Preferred Dividends will be calculated down to the fourth decimal place below one percent and then rounded to the nearest one-thousandth of one percent, 0.0005% rounded upward.
The dates of revision of the annual rate of Preferred Dividends will be each April 1 on and after April 1, 2004.
Euro Yen LIBOR (one-year) will mean the rate published by the British Bankers' Association (BBA) as the one-year Euro Yen London Interbank Offered Rate (one-year Euro Yen LIBOR (360-day basis)) at 11:00 a.m., London time, on April 1, 2004 or each date of revision of the annual rate of dividends (or, if any such date falls on a non-business day, the immediately preceding business day). If Euro Yen LIBOR (one-year) is not published, the rate published by the Japanese Bankers Association as the one-year Japanese Yen Tokyo Interbank Offered Rate (Japanese Yen TIBOR) at 11:00 a.m., Japan time, on the immediately following business day, or the rate which will be deemed comparable to such rate, will be used in lieu of the Euro Yen LIBOR (one-year).
The term "business day" will mean a day on which banks are open for foreign currency and foreign exchange business in London and Tokyo.

(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.

(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.

(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.

(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥200,000 per share, prior to any such payments to Common Shareholders. No additional distribution of remaining assets will be made to the Preferred Shareholders.
(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Four Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.
(4) Right to request acquisition
(a) Period for making requests
Requests for acquisition of the Preferred Shares can be made at any time after July 1, 2010.
(b) Exchange price
The initial exchange price will be the Market Price of a Common Share of the Company as of July 1, 2010 (the Acquisition Start Date); provided, however, that if the initial exchange price would fall below ¥17,000 (subject to adjustment as described in paragraph (d) below) (the Floor Price), the initial exchange price will be the Floor Price. "Market Price" for this purpose will mean the average of the closing prices (including the indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the Acquisition Start Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).
(c) Reset of the exchange price
The exchange price will be reset on May 1 of each year, from May 1, 2011 (hereinafter, the Reset Date) to the Market Price as of the Reset Date (the Exchange Price after Reset). Provided that if the Exchange Price after Reset would fall below the Floor Price, the Exchange Price after Reset will be the Floor Price. Market Price for this purpose will mean the average of the closing prices (including indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on each of the 30 consecutive trading days (excluding the number of days on which no closing price exists) commencing on the 45th trading day immediately preceding the relevant Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward).
(d) Adjustments in the exchange price
Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.
(5) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders
When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.
(6) Voting rights clause
The Preferred Shareholders have voting rights at the Company's General Meeting of Shareholders.
(7) Rights to new shares and other matters
Except when specific legal provisions indicate otherwise, the Preferred Shares will not be consolidated or split. In addition, the Preferred Shareholders will not receive free distributions of shares, as provided for under Article 185 of the Company Law or free rights to receive new shares under Article 277 of the said law. The Preferred Shareholders will not be granted rights to distributions of shares under Article 202-1 or granted rights to receive rights to new shares under Article 241-1 of the said law.

10. The details regarding Class Four Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.
(1) Dividends on the Preferred Shares
(a) Dividends on the Preferred Shares
When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
Dividends per share of the Preferred Shares will be equal to the subscription price per share multiplied by the rate of Preferred Dividends described below.
The rate of Preferred Dividends will be 3.970% per annum (¥99,250 per ¥2,500,000 subscription price); provided that no Preferred Dividends will be paid during the business year ending March 31, 2007, and the amount of the Preferred Dividends to be paid in the business year ending March 31, 2008 will be ¥57,918 per ¥2,500,000 subscription price.
(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.
(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.
(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.
(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥2,500,000 per share, prior to any such payments to Common Shareholders. No additional distribution of remaining assets will be made to the Preferred Shareholders.
(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, and Class Nine Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.
(4) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders
When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.
(5) Acquisition clause
The Company may, on one or more days to be determined separately by the Representative Executive Officer pursuant to the provisions of Article 168-1 of the Company Law which will be dates on or after August 31, 2013, acquire all or some of the Preferred Shares, and in such case the Company will pay, in exchange for each share of the Preferred Shares, the amount of money equal to ¥2,500,000, plus the amount equal to the accrued dividends (which will mean the amount of the Preferred Dividends prorated for the period from the first day of the business year in which the acquisition takes place through the date of acquisition (including such first day and the date of acquisition), less the amount of the Preferred Interim Dividends if the same was paid during the same business year).
When the Company acquires only some of the Preferred Shares, the Representative Executive Officer will select shares to be acquired by drawing lots.
(6) Voting rights clause
The Preferred Shareholders will not be entitled to exercise voting rights with respect to any matter at the General Meetings of Shareholders; provided, however, that the Preferred Shareholders will have voting rights (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are effective by virtue of Article 459-2 and Article 460- 2 of the Company Law, a resolution to pay the full amount of the Preferred Dividends is not made at a resolution of the Board of Directors under Article 436- 3 of the Company Law) from the time of such resolution, (if, where the provisions of Article 43 of the Articles of Incorporation of the Company are not effective by virtue of Article 459-2 and Article 460-2 of the Company Law, a proposal for payment of the full amount of the Preferred Dividends is not submitted to an Ordinary General Meeting of Shareholders) from such Ordinary General Meeting of Shareholders and (if a proposal for payment of the full amount of the Preferred Dividends is submitted but disapproved at an Ordinary General Meeting of Shareholders) from the close of such Ordinary General Meeting of Shareholders, until a resolution of the Board of Directors made pursuant to the provisions of Article 43 of the Articles of Incorporation of the Company in the circumstances where such provisions are effective by virtue of Article 459-2 and Article 460-2 of the Company Law or a resolution of an Ordinary General Meeting of Shareholders to pay the full amount of the Preferred Dividends is made.

11. The details regarding Class Nine Preferred Stock (referred to in this section as the "Preferred Shares") are as follows.
(1) Dividends on the Preferred Shares
(a) Dividends on the Preferred Shares
When the Company makes distribution of surplus, the Company will pay to the holders of the Preferred Shares (the "Preferred Shareholders") of record as of March 31 of each year, prior to the payment of dividends on its Common Shares, cash dividends in the amount described below (the "Preferred Dividends"). However, when Preferred Interim Dividends have been paid on the Preferred Shares during the immediately preceding business year, the amount of the Preferred Dividends will be reduced by the amount of such Preferred Interim Dividends.
Preferred Dividends per share of the Preferred Shares will be ¥32,550. No Preferred Dividends will be paid during the business year ending March 31, 2008, and the amount of the Preferred Dividends to be paid in the business year ending March 31, 2009 will be ¥26,769 per ¥3,500,000 subscription price.
(b) Non-cumulative dividends
In the event that the total amount of distribution of surplus that is paid to the Preferred Shareholders in any business year falls short of the amount of the Preferred Dividends, the amount of the shortage will not accrue to the subsequent business years.
(c) Non-participatory dividends
The total amount of distribution of surplus to be paid to the Preferred Shareholders in a business year will be limited to the amount of the Preferred Dividends, and no distribution of surplus will be made to the Preferred Shareholders in excess thereof.
(d) Preferred Interim Dividends on the Preferred Shares
In the event that the Company declares the interim dividends, the Company will pay to the Preferred Shareholders of record as of September 30 of each year, prior to the payment to the Common Shareholders, Preferred Interim Dividends in the amount up to one-half of the amount per share of the Preferred Dividends.
(2) Distribution of remaining assets
When the remaining assets of the Company are to be distributed, the Preferred Shareholders will be paid ¥3,500,000 per share, prior to any such payments to Common Shareholders. No additional distribution of remaining assets will be made to the Preferred Shareholders.
(3) Seniority
The Preferred Shares rank *pari passu* with Class B No. 1 Preferred Shares, Class C No. 1 Preferred Shares, Class D No. 1 Preferred Shares, Class E No. 1 Preferred Shares, Class F No. 1 Preferred Shares, Class One No. 1 Preferred Shares, Class Two No. 1 Preferred Shares, Class Three No. 1 Preferred Shares, and Class Four Preferred Shares of the Company in terms of the payment of Preferred Dividends, Preferred Interim Dividends, and the distribution of remaining assets.
(4) Right to request acquisition
(a) Period for making requests
Requests for acquisition of the Preferred Shares can be made at any time after June 5, 2008.
(b) Assets to be delivered in exchange for acquisition
If a Preferred Shareholder exercises its rights to request acquisition, the Company will, in exchange for acquisition of one Preferred Share held by such Preferred Shareholder, deliver to such Preferred Shareholder such number of Common Shares of the Company as to be calculated by dividing the amount of the subscription price of the Preferred Shares by the Exchange Price. If a fraction of less than one whole share results from calculation of the number of Common Shares to be delivered in exchange for acquisition of the Preferred Shares, such fraction will be disregarded and no cash adjustment will be made in respect thereof.

(c) Condition to exercise rights to request acquisition

Prior to (and including) June 4, 2012, if a Preferred Shareholder intends to exercise its rights to request acquisition of the Preferred Shares held by such Preferred Shareholder on any day during a period from (and including) the first day to (and including) the last day of any calendar quarter (being the three-month period commencing on each of January 1, April 1, July 1 and October 1 of each year; hereinafter the same), such Preferred Shareholder may not exercise its rights to request acquisition, unless the closing prices (including the indicative prices) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on any 20 Trading Days (as defined below) falling within the period of 30 consecutive Trading Days ending on the last Trading Day in the calendar quarter immediately preceding such calendar quarter exceed the amount calculated by multiplying the Exchange Price in effect on the last Trading Day of the calendar quarter immediately preceding the calendar quarter in which such rights to request acquisition are to be exercised, by 1.15.

On and after June 5, 2012, if the closing price (including the indicative price) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on any Trading Day exceeds the amount calculated by multiplying the Exchange Price in effect on such Trading Day by 0.3, any Preferred Shareholder may, on and after such Trading Day, exercise its rights to request acquisition of the Preferred Shares.

"Trading Day" will mean any day on which Tokyo Stock Exchange, Inc. is open for trading, but excluding any day(s) on which no VWAP (as defined in Paragraph (5)(c) below) is reported (hereinafter the same).

Notwithstanding the foregoing, if (i) a merger in which the Company is not the surviving entity, (ii) a transfer of all or substantially all of the Company's business, or a company split *(kaisha bunkatsu)* of the Company in which all or substantially all of the Company's business is to be transferred, or (iii) a statutory share exchange (*kabushiki-kokan*) or a statutory share transfer (*kabushiki-iten*) or any other corporate reorganization action resulting in the Company becoming a wholly-owned subsidiary of another company (each such event, hereinafter referred to as a "Non-Surviving Reorganization") takes place, the conditions to exercise the rights to request acquisition set forth in this Paragraph (c) will not be applicable during the period commencing on the date on which the Company first gives notice of the relevant Non-Surviving Reorganization to the Common Shareholders pursuant to laws and regulations (or, if no such notice to the Common Shareholders is required under laws and regulations, the date of the first disclosure of the relevant Non-Surviving Reorganization made by the Company, pursuant to laws and regulations or rules of stock exchanges), and ending on the date immediately preceding the effective date of such Non-Surviving Reorganization. If the Company gives notice to the Common Shareholders, or makes disclosure, of a Non-Surviving Reorganization as described above, or if a proposed Non-Surviving Reorganization is approved or disapproved at a General Meeting of Shareholders of the Company, the Company will forthwith give written notice thereof to the Preferred Shareholders. If the relevant proposed Non-Surviving Reorganization is disapproved at a General Meeting of Shareholders of the Company, the conditions to exercise the rights to request acquisition set forth in this Paragraph (c) will resume to be applicable as from two days after the Company's dispatch of notice to such effect to the Preferred Shareholders.

Furthermore, the conditions to exercise the rights to request acquisition set forth in this Paragraph (c) will not be applicable on or after the date on which a person other than the Company or its subsidiary (excluding any entity established under special laws), pursuant to the Securities and Exchange Law, files a Large Holding Report or an Amendment to Large Holding Report stating that the ratio of holding of share certificates, etc. (as defined in the Securities and Exchange Law) with respect to the Company held by such person is 50 percent or more.

(5) Acquisition clause

(a) Acquisition of all or part of the Preferred Shares

The Company may, on any Acquisition Date, set forth in Paragraph (b) below, acquire the Preferred Shares in whole or in part, upon obtaining prior approval of the Financial Services Agency to meet either of the cases that (i) it is expected that the Company will be able to maintain a sufficient capital adequacy ratio after such acquisition, or (ii) the Company will procure equity capital in an amount greater than or equal to the amount of cash payable to the Preferred Shareholders in exchange for such acquisition through issuance of securities ranking *pari passu* with, or junior to, the Preferred Shares in respect of distribution of remaining assets. In such a case, the Company will, in exchange for acquisition of the Preferred Shares, deliver assets described in Paragraph (c) below to the Preferred Shareholders.

When the Company acquires the Preferred Shares in part, the Representative Executive Officer of the Company will select the Preferred Shares to be acquired by drawing lots.

(b) Events for acquisition

(i) The event for the Company's acquisition of all or part of the Preferred Shares will be the arrival of the date to be separately determined by the Representative Executive Officer pursuant to Article 168-1 of the Company Law (which will be a day that is not a Non-Acquisition Date under Sub-paragraph (ii) below) (hereinafter referred to as the "Initial Acquisition Date"). If the Company is to acquire all or part of the Preferred Shares remaining outstanding on any day after the Initial Acquisition Date, the event for the Company's acquisition of all or part of such Preferred Shares will be the arrival of the date after the Initial Acquisition Date to be separately determined by the Representative Executive Officer pursuant to Article 168-1 of the Company Law (which will be a day that is not a Non-Acquisition Date under Sub-paragraph (ii) below) (together with the Initial Acquisition Date, hereinafter referred to as the "Acquisition Date"), and the same will apply thereafter. The Company will dispatch a prior notice (hereinafter referred to as the "Acquisition Notice") to the effect that the Company will acquire the Preferred Shares, at least 45 Trading Days but not more than 60 Trading Days prior to the relevant Acquisition Date, to the Preferred Shareholders holding the Preferred Shares to be acquired on such Acquisition Date.

(ii) "Non-Acquisition Date" referred to in Sub-paragraph (i) above will mean any day other than a day that can be an Acquisition Date in accordance with the following provision:

If, on each Trading Day during a period of any 30 consecutive Trading Days, the closing price (including the indicative price) (regular way) of a Common Share of the Company equals to or exceeds the amount calculated by multiplying the initial Mandatory Exchange Price (adjusted in accordance with Paragraph (6)(c) below, in the event that the Mandatory Exchange Price is adjusted pursuant to Paragraph (6)(c) below) by 1.3, the Company may dispatch an Acquisition Notice on any day on or after June 4, 2012 which falls within 30 days from the last day of such 30-Trading Day period in accordance with Sub-paragraph (i) above, and the Acquisition Date in such case will be the date described as the Acquisition Date in such Acquisition Notice.

(c) Assets to be delivered in exchange for acquisition

The Company will, in exchange for acquisition of one Preferred Share, deliver to the Preferred Shareholder (i) cash in an amount equal to the subscription price of the Preferred Share and (ii) (if the Acquisition Time Market Value (as defined below) exceeds the Mandatory Exchange Price set forth in Paragraph (6) below in effect as of the last Trading Day of the 30 Trading Days which will be taken into account in calculating the Acquisition Time Market Value) such number of Common Shares of the Company as to be calculated by dividing the excess of the Mandatory Acquisition Parity Price (as defined below) over the amount equal to the subscription price of the Preferred Share, by the Acquisition Time Market Value.

"Mandatory Acquisition Parity Price" will mean the amount calculated by dividing the Acquisition Time Market Value by the Mandatory Exchange Price set forth in Paragraph (6) below in effect as of the last Trading Day of the 30 Trading Days which will be taken into account in calculating the Acquisition Time Market Value, and then multiplying the resultant amount by the amount equal to the subscription price of the Preferred Share.

"Acquisition Time Market Value" will mean the average of the daily VWAPs of regular trading of Common Shares of the Company on Tokyo Stock Exchange, Inc. for the 30 consecutive Trading Days (excluding any day (hereinafter each referred to as a "Non-Calculation Day") on which (i) regular trading of Common Shares of the Company on Tokyo Stock Exchange, Inc. is executed only through the pro-rata based distribution or (ii) the total number of Common Shares of the Company traded in regular trading on Tokyo Stock Exchange, Inc., as reported by such stock exchange, is less than 25 percent of the daily average of the total number of Common Shares of the Company traded in regular trading for the five Trading Days (excluding any Non-Calculation Days) ending on the Trading Day in question) commencing on the fifth Trading Day following the date of dispatch of the Acquisition Notice; provided, however, that such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If any event described in Paragraph (6)(c) below occurs during the 30 Trading Days mentioned above, the price mentioned above will be adjusted in accordance with Paragraph (6)(c) below.

"VWAP" will mean the price that is calculated and displayed by Tokyo Stock Exchange, Inc. as the volume weighted average price of Common Shares of the Company on a given Trading Day, which is calculated by dividing the total sale prices in regular trading of Common Shares of the Company on such Trading Day by the total number of shares traded in regular trading of Common Shares of the Company on such Trading Day; provided that if Tokyo Stock Exchange, Inc. does not display such price, the VWAP will mean the price displayed on the 8308 JT Equity AQR screen (or on any other screen or service replacing it) provided by Bloomberg L.P. on such Trading Day, and, further, if the 8308 JT Equity AQR screen (nor any screen or service replacing it) displays such price, the VWAP will mean the closing price (including the indicative price) (regular way) of a Common Share of the Company on Tokyo Stock Exchange, Inc. on such Trading Day. The term "VWAP" will have the same meaning hereinbelow.

(6) Exchange price and mandatory exchange price

(a) Initial exchange price and initial mandatory exchange price

The initial Exchange Price and the initial Mandatory Exchange Price (collectively referred to as the "Exchange Price" in this Paragraph (6)) will be calculated as follows:

Initial Exchange Price (¥332,465) = Base Price (¥289,100) × 1.15

The Base Price will mean the average of the daily VWAPs of regular trading of Common Shares of the Company on Tokyo Stock Exchange, Inc. for 30 consecutive Trading Days (excluding the Non-Calculation Days) commencing on April 26, 2007. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If any event described in Paragraph (c) below occurs during the 30 Trading Days mentioned above, the Base Price will be adjusted in accordance with Paragraph (c) below.

(b) Reset of the exchange price

The Exchange Price will be reset on June 5, 2012, June 5, 2013, June 5, 2014 and June 5, 2015 (each referred to as a "Reset Date" and collectively as the "Reset Dates"), to the market price of Common Shares of the Company as of the relevant Reset Date; provided that (i) if such market price is higher than the Exchange Price before Reset, the Exchange Price after Reset will be the Exchange Price before Reset, and (ii) if such market price is lower than the Floor Exchange Price (as defined below) in effect on such Reset Date, the Exchange Price after Reset will be such Floor Exchange Price.

The market price of Common Shares of the Company as of the Reset Date to be used for the purpose of reset of the Exchange Price will be the average of the daily VWAPs of regular trading of Common Shares of the Company on Tokyo Stock Exchange, Inc. for 30 consecutive Trading Days (excluding the Non-Calculation Days) commencing on the 45th Trading Day preceding such Reset Date. Such average will be calculated down to tens of yen and then rounded to the nearest hundreds of yen (¥50 rounded upward). If any event described in Paragraph (c) below occurs during the 45 Trading Days mentioned above, the market price mentioned above will be adjusted in accordance with Paragraph (c) below.

"Floor Exchange Price" will mean the amount calculated by multiplying the Base Price by 0.3 (¥86,730), but subject to adjustment in accordance with Paragraph (c) below.

(c) Adjustment of the exchange price

Certain adjustments will be made in the exchange price under certain specific circumstances as when issuing new Common Shares or disposing of its Common Shares held as treasury shares in exchange for payments less than market value or when Common Shares are issued as part of a stock split or allotment of shares without consideration.

(7) Acquisition of the Preferred Shares under agreement with the Preferred Shareholders

When the decision to acquire the Preferred Shares is made under the provisions of Article 160-1 of the Company Law, the provisions of Article 160-2 and Article 160-3 will not apply.

(8) Voting rights clause

The Preferred Shareholders will not be entitled to exercise voting rights with respect to any matter at the General Meeting of Shareholders.

2. Number of Shares Issued and Outstanding, Trends in Paid-in Capital, and Capital Reserve

Date	Changes in number of total shares issued and outstanding (1,000 shares)	Number of total shares issued and outstanding (1,000 shares)	Increase/ (decrease) in paid-in capital (Millions of yen)	Paid-in capital (Millions of yen)	Increase/ (decrease) in capital reserve (Millions of yen)	Capital reserve (Millions of yen)
July 9, 2002 (Note 1)	6	6,766,266	—	720,000	—	731,417
August 15, 2002 (Note 1)	15	6,766,281	—	720,000	—	731,417
September 24, 2002 (Note 1)	90	6,766,372	—	720,000	—	731,417
January 28, 2003 (Note 1)	27	6,766,399	—	720,000	—	731,417
March 29, 2003 (Note 2)	18,500	6,784,899	499	720,499	499	731,916
June 27, 2003 (Note 3)	—	6,784,899	—	720,499	(731,916)	—
August 7, 2003 (Note 4)	14,018,546	20,803,446	980,000	1,700,499	829,829	829,829
August 12, 2003 (Note 5)	—	20,803,446	(412,025)	1,288,473	—	829,829
September 25, 2003 (Note 1)	6	20,803,452	—	1,288,473	—	829,829
November 17, 2003 (Note 1)	284	20,803,737	—	1,288,473	—	829,829
January 8, 2004 (Note 6)	15,000	20,818,737	—	1,288,473	—	829,829
February 25, 2004 (Note 1)	266	20,819,003	—	1,288,473	—	829,829
May 24, 2004 (Note 3)	—	20,819,003	—	1,288,473	(502,627)	327,201
July 6, 2004 (Note 1)	30	20,819,034	—	1,288,473	—	327,201
August 10, 2004 (Note 5)	—	20,819,034	(961,272)	327,201	—	327,201
August 2, 2005 (Note 7)	(20,798,214)	20,819	—	327,201	—	327,201
September 16, 2005 (Note 1)	0	20,819	—	327,201	—	327,201
December 12, 2005 (Note 1)	0	20,819	—	327,201	—	327,201
March 27, 2006 (Note 6)	17	20,837	—	327,201	—	327,201
August 31, 2006 (Note 8)	25	20,862	31,500	358,701	31,500	358,701
August 31, 2006 (Note 9)	—	20,862	(31,500)	327,201	(31,500)	327,201
January 26, 2007 (Note 10)	(638)	20,224	—	327,201	—	327,201
February 16, 2007 (Note 11)	0	20,224	—	327,201	—	327,201
March 30, 2007 (Note 12)	(0)	20,224	—	327,201	—	327,201

Notes:

1. Conversion of Class D No. 1 Preferred Shares to Common Shares
2. Paid-in placement to a third party (18,500 thousand common shares), issue price of ¥54 per common share, with ¥27 included in capital
3. Appropriated to cover undisposed loss
4. Share exchange with Resona Bank, Ltd.
   Shares issued:
   Common Stock: 5,700,739 thousand shares
   Class One No. 1 Preferred Stock: 2,750,000 thousand shares
   Class Two No. 1 Preferred Stock: 2,817,807 thousand shares
   Class Three No. 1 Preferred Stock: 2,750,000 thousand shares
5. Draw down from paid-in capital to cover loss carried forward from previous period and make transfer to other capital surplus, as provided for under Article 375-1 of the previous Commercial Code of Japan.
6. Conversion of Class A No. 1 Preferred Shares to Common Shares
7. At the regular General Meeting of Shareholders held on June 28, 2005, shareholders voted in favor of proposals to consolidate shares (to combine 1,000 shares of the Company's Common Stock into one common share and 1,000 shares of various issues of the Company's preferred stock into one preferred share) and abolish the stipulation regarding the number of shares in one trading unit as well as change a portion of the Company's Articles of Incorporation to adopt the fractional share system (with one fraction equivalent to one-thousandth of a share). The consolidation of shares became effective on August 2, 2005, and the change in the Articles of Incorporation became effective at the time of the consolidation of shares.
8. Paid-in placement to a third party (25,000 shares of Class Four Preferred Stock), issue price of ¥2,500,000 per share, with ¥1,250,000 included in paid-in capital
9. Transfer to other capital surplus through a reduction in capital and capital reserve, accompanying the issuance of Class Four Preferred Shares, based on Article 447-3 and Article 448-3 of the Company Law of Japan.
10. Retirement of treasury stock (407,798 shares of Class B No. 1 Preferred Stock and 230,424 shares of Class E No. 1 Preferred Stock)
11. Issuance of common shares following the exercise of acquisition rights to have the Company acquire outstanding Class D No. 1 Preferred Shares
12. Retirement of treasury stock (Class D No. 1 Preferred Shares)
13. As a result of the issuance of Class Nine Preferred Shares on June 5, 2007, the number of such shares issued and outstanding increased by 100,000, and, as a result, capital and the capital reserve each increased ¥175,000 million. However, as a result of reductions in capital and the capital reserve accompanying the issue, the balance of capital and the capital reserve declined ¥175,000 million, respectively.

3. Ownership of Common Stock and Preferred Stock

(1) Common stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	11	174	120	12,010	516	2	272,460	285,293	—
Number of shares held	1,261	1,287,056	240,139	6,836,665	1,243,191	9	1,769,838	11,378,159	21,176.917
Ownership percentage	0.01	11.31	2.11	60.09	10.93	0.00	15.55	100.00	—

Notes:
1. In the above table, the item “Individuals and others” contains 2,820 treasury shares, and the item “Fractional shares” contains 0.330 treasury shares.
2. In the above table, the item “Other corporations” contains 988 shares held in the name of the Japan Securities Depository Center.

(2) Class B No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	1	—	—	—	1	—
Number of shares held	—	—	—	272,202	—	—	—	272,202	—
Ownership percentage	—	—	—	100.00	—	—	—	100.00	—

(3) Class C No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	1	—	—	—	1	—
Number of shares held	—	—	—	120,000	—	—	—	120,000	—
Ownership percentage	—	—	—	100.00	—	—	—	100.00	—

(4) Class D No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	—	1	—	—	1	—
Number of shares held	—	—	—	—	60	—	—	60	—
Ownership percentage	—	—	—	—	100.0	—	—	100.00	—

(5) Class E No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	1	—	—	—	1	—
Number of shares held	—	—	—	9,576	—	—	—	9,576	—
Ownership percentage	—	—	—	100.00	—	—	—	100.00	—

(6) Class F No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	1	—	—	—	1	—
Number of shares held	—	—	—	80,000	—	—	—	80,000	—
Ownership percentage	—	—	—	100.00	—	—	—	100.00	—

(7) Class One No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	1	—	—	—	1	—
Number of shares held	—	—	—	2,750,000	—	—	—	2,750,000	—
Ownership percentage	—	—	—	100.00	—	—	—	100.00	—

(8) Class Two No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	1	—	—	—	1	—
Number of shares held	—	—	—	2,817,807	—	—	—	2,817,807	0.861
Ownership percentage	—	—	—	100.00	—	—	—	100.00	—

(9) Class Three No. 1 Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	—	—	1	—	—	—	1	—
Number of shares held	—	—	—	2,750,000	—	—	—	2,750,000	—
Ownership percentage	—	—	—	100.00	—	—	—	100.00	—

(10) Class Four Preferred Stock

Item	Ownership								Fractional shares
	National and local government entities	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Owners other than individuals	Individuals			
Number of shareholders	—	1	—	—	—	—	—	1	—
Number of shares held	—	25,200	—	—	—	—	—	25,200	—
Ownership percentage	—	100.00	—	—	—	—	—	100.00	—

4. Major Shareholders

(1) Common stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
Deposit Insurance Corporation of Japan	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	5,648,239.000	49.54
Japan Trustee Services Bank, Ltd.	8-11, Harumi 1-chome, Chuo-ku, Tokyo	341,688.660	2.99
Bank of New York GCM Client Accounts EISG (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	170,959.000	1.49
The Master Trust Bank of Japan, Ltd.	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	125,217.900	1.09
The Dai-ichi Mutual Life Insurance Company	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	99,692.250	0.87
Trust & Custody Services Bank, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	85,954.000	0.75
Nomura Holdings, Inc.	9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	79,049.250	0.69
RBC Dexia Investor Services Trust London Client Account (Standing proxy: Standard Chartered Bank)	71 Queen Victoria Street, London EC4V 4DE, United Kingdom (11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo)	75,479.000	0.66
Daido Life Insurance Company	2-1, Edobori 1-chome, Nishi-ku, Osaka	70,501.000	0.61
UBS AG London Account IPB Non-seg Account (Standing proxy: Citibank NA)	Aeschenvorstadt 48, CH-4002 Basel, Switzerland (3-14, Higashi Shinagawa 2-chome, Shinagawa-ku, Tokyo)	62,255.000	0.54
Total	—	6,759,035.060	59.29

Notes:

1. Of the common shares held by trust banks referred to above, the number of shares held in their trust accounts is as follows:
   Japan Trustee Services Bank, Ltd. 341,688.660 shares
   The Master Trust Bank of Japan, Ltd. 125,217.900 shares
   Trust & Custody Services Bank, Ltd. 85,954.000 shares
2. According to the reports on changes in large shareholders submitted by the Deposit Insurance Corporation of Japan and three other shareholders, the Deposit Insurance Corporation of Japan held 5,726,008 common shares as of January 26, 2007 (representing 50.23% of the total number of the Company's common shares issued and outstanding). However, the Company has not been able to confirm the actual holdings as of March 31, 2007; accordingly, the number of shares shown on the Company's Registry of Shareholders has been shown here.

(2) Class B No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
The Resolution and Collection Corporation	46-1, Honcho 2-chome, Nakano-ku, Tokyo	272,202	100.00
Total	—	272,202	100.00

(3) Class C No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
The Resolution and Collection Corporation	46-1, Honcho 2-chome, Nakano-ku, Tokyo	120,000	100.00
Total	—	120,000	100.00

(4) Class D No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
AB International Cayman Trust acting through its trustee Queensgate Bank and Trust Company Limited (Standing proxy: Resona Bank, Ltd.)	Ugland House, South Church St., Grand Cayman, Cayman Islands, B.W.I., England (1-2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo)	60	100.00
Total	—	60	100.00

(5) Class E No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
The Resolution and Collection Corporation	46-1, Honcho 2-chome, Nakano-ku, Tokyo	9,576	100.00
Total	—	9,576	100.00

(6) Class F No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
The Resolution and Collection Corporation	46-1, Honcho 2-chome, Nakano-ku, Tokyo	80,000	100.00
Total	—	80,000	100.00

(7) Class One No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
Deposit Insurance Corporation of Japan	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	2,750,000	100.00
Total	—	2,750,000	100.00

(8) Class Two No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
Deposit Insurance Corporation of Japan	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	2,817,807.861	100.00
Total	—	2,817,807.861	100.00

(9) Class Three No. 1 Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
Deposit Insurance Corporation of Japan	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	2,750,000	100.00
Total	—	2,750,000	100.00

(10) Class Four Preferred Stock

Shareholder	Address	Number of shares owned	Ownership percentage of total shares
Shinkin Trust Bank, Ltd.	14-1, Kyobashi 2-chome, Chuo-ku, Tokyo	25,200	100.00
Total	—	25,200	100.00

5. Status of Voting Rights

(1) Stock issued and outstanding

Type of stock	Number of shares	Number of voting rights	Comments
Non-voting stock	Class B No. 1 Preferred Stock 272,202 Class C No. 1 Preferred Stock 120,000 Class D No. 1 Preferred Stock 60 Class E No. 1 Preferred Stock 9,576 Class F No. 1 Preferred Stock 80,000 Class Four Preferred Stock 25,200	—	The details regarding various types of stock are covered in the section "Common and Preferred Stock" "1. Number of Common and Preferred Stock Shares and Related Matters"
Stock with restricted voting rights (treasury stock, etc.)	—	—	—
Stock with restricted voting rights (other types)	—	—	—
Stock with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 2,820	—	—
Stock with full voting rights (other types)	Common stock 11,375,339 Class One No. 1 Preferred Stock 2,750,000 Class Two No. 1 Preferred Stock 2,817,807 Class Three No. 1 Preferred Stock 2,750,000	Common stock 11,375,339 Class One No. 1 Preferred Stock 2,750,000 Class Two No. 1 Preferred Stock 2,817,807 Class Three No. 1 Preferred Stock 2,750,000	The details regarding various types of stock are covered in the section "Common and Preferred Stock" "1. Number of Common and Preferred Stock Shares and Related Matters" (Note 1) (Note 2)
Fractional shares	Common stock 21,176.917 Class Two No. 1 Preferred Stock 0.861	—	(Note 3)
Total number of shares issued and outstanding	20,224,181.778	—	—
Number of voting rights for total shareholders	—	19,693,146	—

Notes:
1. In the table above, the entry "Stock with full voting rights (other types)" includes 988 shares (all shares with voting rights) in the name of Japan Securities Depository Center.
2. On the Registry of Shareholders, the Kinki Osaka Bank, Ltd., and the former Asahi Bank, Ltd., are listed as shareholders even though they do not actually own these shares. The number of such shares on the Registry is 6 shares (all shares with voting rights) for the Kinki Osaka Bank and 5 shares (all shares with voting rights) for Asahi Bank. These shares are included in the entry "Stock with full voting rights (other types)."
3. In the table above, shares under "Fractional shares" included 0.330 share held by the Company as treasury stock.

(2) Treasury Stock

Shareholder	Address	Shares held in own name	Shares held under other name(s)	Number of shares owned	Percentage ownership of total shares
(Treasury stock) Resona Holdings, Inc.	2-1, Bingo-machi 2-chome, Chuo-ku, Osaka	2,820	—	2,820	0.02
Total	—	2,820	—	2,820	0.02

Notes:
1. On the Registry of Shareholders, the Kinki Osaka Bank, Ltd., and the former Asahi Bank, Ltd., are listed as shareholders even though they do not actually own these shares. The number of such shares on the Registry is 6 shares (all shares with voting rights) for the Kinki Osaka Bank and 5 shares (all shares with voting rights) for Asahi Bank. These shares are included in the entry "Stock with full voting rights (other types)" in the preceding table.
2. The number of shares issued and outstanding used in the computation of "Percentage ownership of total shares" is the total number of common shares issued and outstanding.

■ Preferred Securities

Item	Outstanding at fiscal year-end (Millions of yen)	Date of repayment or maturity
Preferred securities	135,803	—
Total	135,803	—

■ Subordinated Loans and Bonds

Item	Outstanding at fiscal year-end (Millions of yen)	Date of repayment or maturity
Perpetual subordinated loans and bonds	493,045	—
Subordinated loans	81,000	—
Subordinated bonds	412,045	—
Subordinated loans and bonds with maturity dates	330,095	—
Subordinated loans	86,000	April 2007 to March 2017
Subordinated bonds	244,095	March 2013 to September 2016
Total	823,141	—

Assessment of Capital Adequacy

■ Resona's Capital Management System

The Company believes that, to maintain sound and stable business operations, securing sufficient capital appropriate to risk exposure is extremely important. Accordingly, based on its Basic Policy for Group Capital Management, the Company manages the capital of the Resona Group to maintain the appropriate level of capital adequacy ratio.

Specifically, we have developed a system in which specific departments in charge of managing the capital adequacy ratio and departments in charge of comprehensive risk management play their respective rolls and work together organically. Each department in charge implements dynamic and responsive management processes that include preparing plans for capital adequacy and risk limits, monitoring compliance with these plans, analyzing and assessing the actual results, evaluating the level of capital adequacy, and implementing policies in response when necessary. Departments in charge also make timely reports to management.

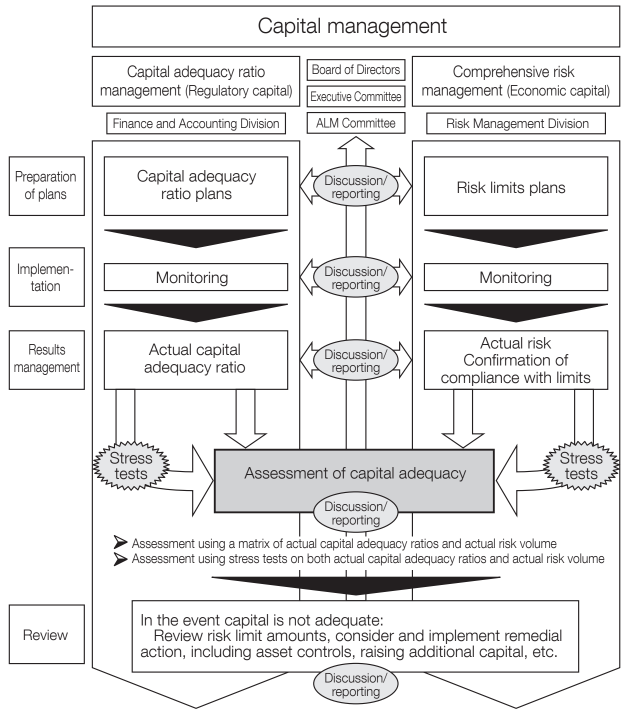
■ Methods for Assessment of Capital Adequacy

The Company assesses the "level of capital adequacy" from the two perspectives of the management of the capital adequacy ratio based on the Basel Ⅱ regulations and comprehensive risk management.

In addition, to prepare for risks that may emerge under unforeseen conditions, the Company conducts stress tests to measure the impact of various scenarios, and, by taking account of the principal risks that are not included in the Basel Ⅱ capital adequacy calculations (such as credit concentration risk, interest rate risk in the banking accounts, and other risks), the Company makes comprehensive assessments of capital adequacy.

During the fiscal year ended March 31, 2007, the Company maintained sufficient capital to maintain the sound and stable operation of its business activities.

[Process for Assessing Capital Adequacy]



■ Total Required Capital, Capital Adequacy Ratio, and Tier I Ratio (Consolidated)

(Millions of yen)

	Capital requirements
(1) Capital requirements for credit risk	947,966
Portfolio applying Standardized Approach	912,620
Securitization exposures	35,346
(2) Capital requirements for operational risk	56,560
The Standardized Approach	56,560
(3) Total capital requirements (consolidated)	1,004,526
(4) Consolidated capital adequacy ratio	10.56%
(5) Consolidated Tier I capital ratio	6.51%

■ Amount of Capital Required for Credit Risk (On-Balance Sheet Items)

(Millions of yen)

	(For reference) Risk weights stipulated in the Notification on Consolidated Capital Adequacy	Required capital amount
1. Cash	0	—
2. Claims on Japanese central government and central bank	0	—
3. Claims on foreign central governments and central banks	0~100	748
4. Claims on Bank for International Settlements, etc.	0	—
5. Claims on local governments in Japan	0	—
6. Claims on foreign non-central government public sector entities	20~100	100
7. Claims on international development banks	0~100	5
8. Claims on government-affiliated organizations in Japan	10~20	2,596
9. Claims on joint public-private ventures in Japan	20	367
10. Claims on financial institutions and securities companies	20~100	23,912
11. Claims on corporates	20~100	370,372
12. Claims on SMEs and individuals	75	99,251
13. Mortgage-backed housing loans	35	99,664
14. Business loans for real estate acquisition, etc.	100	123,277
15. Loans past due three months or more, etc.	50~150	8,979
16. Notes uncollected	20	2
17. Obligations guaranteed by credit guarantee associations, etc.	10	4,937
18. Obligations guaranteed by Industrial Revitalization Corporation of Japan	10	—
19. Investments, etc.	100	41,059
20. Other exposures not included above	100	54,961
21. Securitization exposures (in capacity of originator)	20~100	1,530
22. Securitization exposures (non-originator)	20~350	6,119
23. Assets backed up with underlying investments in multiple assets (so-called funds) for which individual assets are difficult to identify	—	437
24. Deductions from capital	—	50,435
Total	—	889,270

Note: Required capital has been calculated as follows: Amount of credit risk assets x 4% + Deductions from capital

■ Amount of Capital Required for Credit Risk (Off-Balance Sheet Items)

(Millions of yen)

	(For reference) Risk weights stipulated in the Notification on Consolidated Capital Adequacy	Required capital
1. Commitments that can be cancelled unconditionally at any time or automatically cancelled	0	—
2. Commitments of one year or less under the original contract	20	2,897
3. Short-term trade-related contingencies	20	323
4. Certain transaction-related contingent items	50	1,074
(Including trust contracts with guarantees of principal to which transitional arrangements are applicable)	50	—
5. Note issuance facilities (NIFs) or revolving underwriting facilities (RUFs)	50 <75>	—
6. Commitments over one year under the original contract	50	6,112
7. Commitments under the internal ratings approach	<75>	—
8. Direct credit substitutes	100	30,027
(Including guarantees of borrowings)	100	21,788
(Including guarantees of securities)	100	85
(Including acceptance of notes)	100	—
(Including trust contracts with guarantees of principal to which transitional arrangements are not applicable)	100	4,294
(Including provision of protection by credit derivatives)	100	—
9. Sale and repurchase agreements and asset sales with recourse (after deductions)	—	—
Sale and repurchase agreements and asset sales with recourse (before deductions)	100	—
Deductions	—	—
10. Forward asset purchases, forward deposits and partly paid shares and securities	100	45
11. Lending of securities, provision of cash or securities as collateral, sales of securities on repurchase conditions, and purchases with sell-back conditions	100	2
12. Derivatives	—	15,811
(1) Foreign currency related	—	14,071
(2) Interest rate related	—	4,761
(3) Gold related	—	—
(4) Equity related	—	—
(5) Precious metal related (excluding gold)	—	—
(6) Other commodity related	—	—
(7) Credit derivatives (counterparty risk)	—	—
Credit mitigation under comprehensive netting contracts	—	3,021
13. Transactions with long settlement periods	—	—
14. Unsettled transactions	—	—
15. Eligible liquidity facilities related to securitization exposures and eligible servicer cash advance facilities	0~100	—
16. Off-balance sheet securitization exposures other than the above	100	2,405
17. Deductions from capital	—	—
Total	—	58,696

Note: Required capital has been calculated as follows: Amount of credit risk assets x 4% + Deductions from capital

Risk Management

Credit Risk

Outline of Procedures for Credit Risk Management

■ Outline of Procedures for Credit Risk Management

1. Identification and Assessment of Credit Risk

To accurately assess and measure credit risk, each obligor is assigned a credit rating, and this rating is reviewed at least once a year. Also, in cases where claims are past due or the business performance of obligors deteriorates, timely and appropriate reviews are conducted.

Moreover, to accurately assess and measure the credit risk of the Group's credit risk portfolio, Group companies measure exposure and credit costs (average loan loss amount) and use statistical methods, such as value at risk (VaR), to quantify risk volume.

<Credit Rating System>

- Resona Group banks assess the credit quality of their credit customer base and, based on established rules, assign one of 12 ratings.

[Credit Rating Scale]

Rating	Meaning (Obligor classification)	
SA	Normal	Outstanding
A		Superior
B		Good
C		Above average
D		Average
E		Below average
F	Watch	Watch I
G		Watch II
H		Special attention
I	Doubtful	
J	Effectively bankrupt	
K	Bankrupt	

- These credit ratings reflect the obligor's credit risk standing, and they are used as one important criterion in making judgments regarding the extension of credit.
- Assignment of customers to the obligor classification is based on their credit ratings. Since necessary write-offs and loan loss reserves are estimated based on self-assessments, credit ratings occupy an extremely important position as basic indicators for self-assessments as well as write-offs and reserves.
- Estimated credit costs are calculated based on the probability of default for each credit rating category, and such estimated credit costs are used to measure and manage the profitability of individual customer accounts. As a result, the Group works to obtain earnings that are commensurate with the credit risk.

2. Monitoring of Credit Risk

Group companies monitor the credit risk standing of their customers by monitoring their fulfillment of contractual repayment schedules, their business performance, financial position, qualitative factors, and other indicators. Especially for customers to which the Group has major credit exposure and may have a major impact on the Group's management, monitoring is carried out more strictly and on a continuing basis.

To monitor the credit risk of the Group's portfolio, related data is classified according to credit rating, industry, region, and other criteria. Based on this classification, Group companies calculate credit risk exposure, credit cost, credit VaR, and other indicators and follow carefully and analyze changes in credit risk, concentrations of credit risk, and risk versus return conditions.

3. Control and Mitigation of Credit Risk

When screening applications for credit, Group companies examine and gain a firm grasp of the applicant's financial position, uses of funds, resources for the repayment of obligations, and other related matters, and, then taking account of special risk characteristics or other issues, perform appropriate credit analyses.

To deal with concentrations of exposure to specific customers or groups of customers, in view of possible repercussions for the Group's management, Group companies set credit limits, or credit ceilings, and adopt other measures to manage such circumstances.

When we determine that certain customers need to be given special attention because of deterioration in performance or other circumstances, Group companies adopt suitable financial measures and immediately take steps to revitalize the customer's business activities and recover exposure to keep losses to an absolute minimum.

■ Criteria for Write-Offs and Reserves

The Resona Group banks have established Criteria for Write-Offs and Reserves, and, based on the results of their self-assessments of asset quality, Group banks make write-offs of exposure and provisions to loan loss reserves.

- For exposure to obligors classified as normal, Group banks set aside provisions to loan loss reserves based on expected losses calculated using the historical loan loss ratio for a specified period in the past. The amount of expected losses over the coming one-year period is added to the general reserve for possible loan losses.
- For exposure to watch obligors, Group banks set aside provisions to loan loss reserves based on expected losses calculated using the historical loan loss ratio calculated for a specified period in the past. The amount of expected losses over the coming one-year period (or over the coming three-year period in the case of watch obligors requiring special attention) is added to the general reserve for possible loan losses.
- For exposure to doubtful obligors, Group banks subtract the amount deemed recoverable based on the value of collateral upon disposal and the value of guarantees, and then make an overall judgment regarding the collectibility of the remainder and add the necessary amount to the specific reserve for possible loan losses.
- For exposure to effectively bankrupt and bankrupt obligors, Group banks subtract the amount deemed recoverable based on the value of collateral upon disposal and the value of guarantees and then either write off the unrecoverable amount or add such amount to the specific reserve for possible loan losses.

■ Ratings Applied to Portfolio Covered by the Standardized Approach

1. Rating Agencies Used in Making Judgments on Risk Weights

When making judgments regarding risk weights, the Group banks make use of ratings prepared by the following five agencies: Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P), and Fitch Ratings Limited. These rating agencies are those specified by Japan's Financial Services Agency, as of March 31, 2007, and are "qualified rating agencies" for purposes of Basel Ⅱ.

2. Types of Exposure and Qualified Rating Agencies Used

Resona Holdings has specified the use of the following rating agencies for certain obligors and types of exposure as shown below. In all cases, when there are two or more ratings available from qualified rating agencies and these ratings differ, the second smallest risk weight counting from the smallest risk weight is employed. (When one smallest risk weight is corresponding to two or more ratings, the smallest risk weight is employed.)

Types of Obligor and Exposure	Rating Agency Used
Central governments and central banks Bank for International Settlements, etc. Local governments in Japan Foreign non-central government public sector entities International development banks Government-affiliated organizations in Japan Joint public-private ventures Financial institutions Securities companies	Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR) Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P), and Fitch Ratings Limited
Funds (assets backed up with underlying investments in multiple assets)	Same as the above
Securitized products Structured finance	Same as the above
Other than the above	Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR)

Credit Risk Related Data

■ Credit Risk Exposure at Fiscal Year-End (Consolidated)

(Millions of yen, %)

	Balance at fiscal year-end	
Loans and bills discounted, foreign exchange, etc.	31,533,919	(75.9)
Securities	7,345,034	(17.7)
Off-balance sheet transactions	1,989,722	(4.8)
Derivatives	700,542	(1.7)
Total	41,537,961	(100.0)

Notes:
1. Figures in parentheses are the percentage composition.
2. "Loans and bills discounted, foreign exchange, etc." includes the following transactions: cash and due from banks, call loans, bills bought, receivables under resale agreements, receivables under securities borrowing transactions, monetary claims bought, trading account securities included in trading assets, money held in trust, loans and bills discounted, and foreign exchanges.
3. "Loans and bills discounted, foreign exchange, etc." and "Securities" are the simple sum of the corresponding figures for Resona Bank (consolidated), Saitama Resona Bank, Kinki Osaka Bank (consolidated), and Resona Trust & Banking.
4. "Off-balance sheet transactions" include customers' liabilities for acceptances and guarantees, commitments, and the amount equivalent to credit risk exposure in relation to loans in the trust account (after taking account of credit conversion factor (CCF)).
5. "Total" includes other assets, tangible fixed assets, intangible fixed assets, and deferred tax assets. Also, since the figures presented are after set-off of internal transactions, the totals may not coincide with a sum of the shown items.

■ Credit Risk Exposure at Fiscal Year-End: By Region, Including Claims Past Due Three Months or More (Consolidated)

(Millions of yen, %)

		Total		Loans and bills discounted, foreign exchange, etc.		Securities		Off-balance sheet transactions		Derivatives	
Japan	Balance	41,530,401	(100.0)	31,529,312	(100.0)	7,345,034	(100.0)	1,986,838	(99.9)	700,473	(100.0)
	Past due three months or more	243,277	(99.8)	182,158	(99.7)	26,106	(100.0)	27,207	(100.0)	238	(100.0)
Over-seas	Balance	7,558	(0.0)	4,607	(0.0)	—	(—)	2,883	(0.1)	68	(0.0)
	Past due three months or more	582	(0.2)	582	(0.3)	—	(—)	—	(—)	—	(—)
Total	Balance	41,537,961	(100.0)	31,533,919	(100.0)	7,345,034	(100.0)	1,989,722	(100.0)	700,542	(100.0)
	Past due three months or more	243,859	(100.0)	182,740	(100.0)	26,106	(100.0)	27,207	(100.0)	238	(100.0)

Notes:
1. Figures in parentheses are the percentage composition.
2. "Loans and bills discounted, foreign exchange, etc." includes the following transactions: cash and due from banks, call loans, bills bought, receivables under resale agreements, receivables under securities borrowing transactions, monetary claims bought, trading account securities included in trading assets, money held in trust, loans and bills discounted, and foreign exchanges.
3. "Loans and bills discounted, foreign exchange, etc." and "Securities" are the simple sum of the corresponding figures for Resona Bank (consolidated), Saitama Resona Bank, Kinki Osaka Bank (consolidated), and Resona Trust & Banking.
4. "Off-balance sheet transactions" include customers' liabilities for acceptances and guarantees, commitments, and the amount equivalent to credit risk exposure in relation to loans in the trust account (after taking account of CCF).
5. "Total" includes other assets, tangible fixed assets, intangible fixed assets, and deferred tax assets. Also, since the figures presented are after set-off of internal transactions, the totals may not coincide with a sum of the shown items.

■ Credit Risk Exposure at Fiscal Year-End: By Industry, Including Claims Past Due Three Months or More (Consolidated)

(Millions of yen, %)

			Total		Loans and bills discounted, foreign exchange, etc.		Securities		Off-balance sheet transactions		Derivatives	
Business corporations and individuals	Manufacturing	Balance at fiscal year-end	3,604,865	(8.7)	2,930,023	(9.3)	448,411	(6.1)	140,072	(7.0)	86,294	(12.3)
		Past due three months or more	22,157	(9.1)	21,658	(11.9)	278	(1.1)	13	(0.0)	149	(62.6)
	Agriculture	Balance at fiscal year-end	94,452	(0.2)	93,279	(0.3)	501	(0.0)	618	(0.0)	43	(0.0)
		Past due three months or more	380	(0.2)	370	(0.2)	–	(–)	–	(–)	–	(–)
	Forestry	Balance at fiscal year-end	4,512	(0.0)	4,462	(0.0)	50	(0.0)	–	(–)	–	(–)
		Past due three months or more	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
	Fishing	Balance at fiscal year-end	11,238	(0.0)	8,581	(0.0)	878	(0.0)	1,763	(0.1)	6	(0.0)
		Past due three months or more	10	(0.0)	–	(–)	–	(–)	–	(–)	–	(–)
	Mining	Balance at fiscal year-end	27,072	(0.1)	23,635	(0.1)	2,555	(0.0)	727	(0.0)	155	(0.0)
		Past due three months or more	16	(0.0)	16	(0.0)	–	(–)	–	(–)	–	(–)
	Construction	Balance at fiscal year-end	1,057,445	(2.5)	924,476	(2.9)	86,264	(1.2)	43,929	(2.2)	2,742	(0.4)
		Past due three months or more	4,521	(1.9)	4,497	(2.5)	0	(0.0)	–	(–)	1	(0.4)
	Wholesale and retail	Balance at fiscal year-end	3,293,008	(7.9)	2,827,214	(9.0)	227,313	(3.1)	65,229	(3.3)	172,280	(24.6)
		Past due three months or more	15,389	(6.3)	14,145	(7.7)	708	(2.7)	216	(0.8)	54	(22.7)
	Financial services	Balance at fiscal year-end	1,130,330	(2.7)	627,707	(2.0)	4,622	(0.1)	376,763	(18.9)	121,230	(17.3)
		Past due three months or more	296	(0.1)	96	(0.1)	–	(–)	197	(0.7)	–	(–)
	Real estate	Balance at fiscal year-end	3,614,695	(8.7)	3,454,835	(11.0)	88,035	(1.2)	62,553	(3.1)	9,143	(1.3)
		Past due three months or more	17,269	(7.1)	17,035	(9.3)	0	(0.0)	133	(0.5)	–	(–)
	Transportation	Balance at fiscal year-end	673,333	(1.6)	577,913	(1.8)	58,649	(0.8)	29,088	(1.5)	7,669	(1.1)
		Past due three months or more	1,347	(0.6)	1,232	(0.7)	100	(0.4)	–	(–)	–	(–)
	Information and communications	Balance at fiscal year-end	324,527	(0.8)	273,944	(0.9)	30,857	(0.4)	15,672	(0.8)	4,045	(0.6)
		Past due three months or more	1,350	(0.6)	1,330	(0.7)	0	(0.0)	10	(0.0)	0	(0.0)
	Electric power, gas, heat supply, and water	Balance at fiscal year-end	106,275	(0.3)	78,767	(0.2)	24,510	(0.3)	2,676	(0.1)	322	(0.0)
		Past due three months or more	12	(0.0)	12	(0.0)	–	(–)	–	(–)	–	(–)
	Services	Balance at fiscal year-end	2,767,947	(6.7)	2,577,783	(8.2)	95,318	(1.3)	79,111	(4.0)	15,525	(2.2)
		Past due three months or more	24,815	(10.2)	23,799	(13.0)	250	(1.0)	621	(2.3)	32	(13.4)
	Individuals	Balance at fiscal year-end	10,726,704	(25.8)	10,636,575	(33.7)	217	(0.0)	89,858	(4.5)	11	(0.0)
		Past due three months or more	69,989	(28.7)	64,624	(35.4)	–	(–)	5,322	(19.6)	–	(–)
	Other	Balance at fiscal year-end	43,588	(0.1)	–	(–)	24,256	(0.3)	4,708	(0.2)	–	(–)
		Past due three months or more	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
		Balance at fiscal year-end	27,480,043	(66.2)	25,039,207	(79.4)	1,092,448	(14.9)	912,781	(45.9)	419,474	(59.9)
		Past due three months or more	157,557	(64.6)	148,820	(81.4)	1,336	(5.1)	6,515	(23.9)	238	(100.0)
Financial institutions and securities companies		Balance at fiscal year-end	4,284,120	(10.3)	3,731,670	(11.8)	219,515	(3.0)	25,733	(1.3)	281,020	(40.1)
		Past due three months or more	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Japanese central and local governments, government-affiliated organizations, and local public-private ventures, etc.		Balance at fiscal year-end	7,964,466	(19.2)	1,996,998	(6.3)	4,968,706	(67.6)	880,724	(44.3)	46	(0.0)
		Past due three months or more	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Foreign central governments and central banks, etc.		Balance at fiscal year-end	132,541	(0.3)	18,405	(0.1)	114,117	(1.6)	–	(–)	–	(–)
		Past due three months or more	7	(0.0)	7	(0.0)	–	(–)	–	(–)	–	(–)
Other		Balance at fiscal year-end	1,676,769	(4.0)	747,633	(2.4)	950,244	(12.9)	170,481	(8.6)	–	(–)
		Past due three months or more	86,294	(35.4)	33,912	(18.6)	24,769	(94.9)	20,691	(76.1)	–	(–)
Total		Balance at fiscal year-end	41,537,961	(100.0)	31,533,919	(100.0)	7,345,034	(100.0)	1,989,722	(100.0)	700,542	(100.0)
		Past due three months or more	243,859	(100.0)	182,740	(100.0)	26,106	(100.0)	27,207	(100.0)	238	(100.0)

Notes:

1. Figures in parentheses are the percentage composition.
2. "Loans and bills discounted, foreign exchange, etc." includes the following transactions: cash and due from banks, call loans, bills bought, receivables under resale agreements, receivables under securities borrowing transactions, monetary claims bought, trading account securities included in trading assets, money held in trust, loans and bills discounted, and foreign exchanges.
3. "Loans and bills discounted, foreign exchange, etc." and "Securities" are the simple sum of the corresponding figures for Resona Bank (consolidated), Saitama Resona Bank, Kinki Osaka Bank (consolidated), and Resona Trust & Banking.
4. "Off-balance sheet transactions" include customers' liabilities for acceptances and guarantees, commitments, the amount equivalent to credit risk exposure in relation to loans in the trust account (after taking account of CCF).
5. "Securities" under the "Other" segment includes investment trusts, investments, and contributions.
6. "Financial institutions and securities companies" includes exposure to financial institutions defined under the Article 41 of Notification on Consolidated Capital Adequacy and exposure to securities companies defined by Article 42 of the said Notification. The "Financial services" segment includes exposure other than the above.
7. "Total" includes other assets, tangible fixed assets, intangible fixed assets, and deferred tax assets. Also, since the figures presented are after set-off of internal transactions, the totals may not coincide with a sum of the shown items.

■ Credit Risk Exposure at Fiscal Year-End: By Time to Maturity (Consolidated)

(Millions of yen, %)

Time to maturity	Total		Loans and bills discounted, foreign exchange, etc.		Securities		Off-balance sheet transactions		Derivatives	
One year or less	10,211,631	(24.6)	6,617,138	(21.0)	2,942,344	(40.1)	608,168	(30.6)	42,519	(6.1)
One year to three years	3,552,094	(8.6)	2,568,948	(8.1)	714,465	(9.7)	129,185	(6.5)	139,496	(19.9)
Three years to five years	3,483,373	(8.4)	2,619,042	(8.3)	655,190	(8.9)	37,326	(1.9)	171,816	(24.5)
Five years to seven years	1,628,140	(3.9)	1,351,791	(4.3)	89,872	(1.2)	40,479	(2.0)	145,998	(20.8)
Over seven years	15,447,344	(37.2)	13,649,377	(43.3)	1,455,975	(19.8)	141,284	(7.1)	200,708	(28.7)
Exposures with no maturity dates	7,215,355	(17.4)	4,727,617	(15.0)	1,487,185	(20.2)	1,033,273	(51.9)	—	(—)
Total	41,537,961	(100.0)	31,533,919	(100.0)	7,345,034	(100.0)	1,989,722	(100.0)	700,542	(100.0)

Notes:
1. Figures in parentheses are the percentage composition.
2. “Loans and bills discounted, foreign exchange, etc.” includes the following transactions: cash and due from banks, call loans, bills bought, receivables under resale agreements, receivables under securities borrowing transactions, monetary claims bought, trading account securities included in trading assets, money held in trust, loans and bills discounted, and foreign exchanges.
3. “Loans and bills discounted, foreign exchange, etc.” and “securities” are the simple sum of the corresponding figures for Resona Bank (consolidated), Saitama Resona Bank, Kinki Osaka Bank (consolidated), and Resona Trust & Banking.
4. “Off-balance sheet transactions” include customers’ liabilities for acceptances and guarantees, commitments, and the amount equivalent to credit risk exposure in relation to loans in the trust account (after taking account of CCF).
5. “Total” includes other assets, tangible fixed assets, intangible fixed assets, and deferred tax assets. Also, since the figures presented are after set-off of internal transactions, the totals may not coincide with a sum of the shown items.

■ General Reserve for Possible Loan Losses (Consolidated)

(Millions of yen)

	Balance at beginning of fiscal year	Increase during the fiscal year	Decrease during the fiscal year: Used for specified purpose	Decrease during the fiscal year: Other	Balance at end of fiscal year
Total	354,112	350,714	1,926	352,185	350,714

Note: The portion of the decrease in the reserve labeled “Other” is due to adding back the credited reserve amount in full to the income in the following period, etc.
The Company does not prepare the breakdown by region and industry.

■ Specific Reserve for Possible Loan Losses: By Region (Consolidated)

(Millions of yen)

	Balance at beginning of fiscal year	Increase during the fiscal year	Decrease during the fiscal year: Used for specified purpose	Decrease during the fiscal year: Other	Balance at end of fiscal year
Japan	184,279	192,380	68,447	115,831	192,380
Overseas	—	—	—	—	—
Total	184,279	192,380	68,447	115,831	192,380

Note: The portion of the decrease in the reserve labeled “Other” is due to adding back the credited reserve amount in full to the income in the following period, etc.

■ Special Reserve for Certain Overseas Loans: By Region (Consolidated)

(Millions of yen)

	Balance at beginning of fiscal year	Increase during the fiscal year	Decrease during the fiscal year: Used for specified purpose	Decrease during the fiscal year: Other	Balance at end of fiscal year
Japan	62	42	—	62	42
Overseas	—	—	—	—	—
Total	62	42	—	62	42

Note: The portion of the decrease in the reserve labeled “Other” is due to adding back the credited reserve amount in full to the income in the following period, etc.

■ Specific Reserve for Possible Loan Losses: By Industry (Consolidated)

(Millions of yen, %)

		Balance at beginning of fiscal year	Increase during the fiscal year	Decrease during the fiscal year		Balance at end of fiscal year
				Used for specified purpose	Other	
Business corporations, individuals, etc.	Manufacturing	27,385	28,380	7,036	20,348	28,380
	Agriculture	1,070	510	826	243	510
	Forestry	—	—	—	—	—
	Fishing	—	—	—	—	—
	Mining	—	1,407	—	—	1,407
	Construction	5,855	7,922	1,167	4,687	7,922
	Wholesale and retail	32,098	38,566	8,637	24,460	38,566
	Financial services	1,726	641	1,027	697	641
	Real estate	24,952	18,997	5,323	19,629	18,997
	Transportation	8,092	9,173	810	7,281	9,173
	Information and telecommunications	5,057	4,066	3,933	1,123	4,066
	Electric power, gas, heat supply, and water	2	—	—	2	—
	Services	28,439	36,836	5,324	23,114	36,836
	Individuals	9,910	12,082	1,637	8,273	12,082
	Other	3	4	3	0	4
		144,605	158,593	35,731	108,872	158,593
Financial institutions and securities companies		—	—	—	—	—
Japanese central and local governments, government-affiliated organizations, and local public-private ventures, etc.		464	457	—	464	457
Foreign central governments and central banks, etc.		6	5	—	6	5
Other		39,204	33,322	32,715	6,494	33,322
Total		184,279	192,380	68,447	115,831	192,380

Notes:
1. The portion of the decrease in the reserve labeled “Other” is due to adding back the credited reserve amount in full to the income in the following period, etc.
2. “Financial institutions and securities companies” includes exposure to financial institutions defined under Article 41 of Notification on Consolidated Capital Adequacy and exposure to securities companies defined by Article 42 of the said Notification. The “Financial services” segment includes exposure other than the above.

■ Special Reserve for Certain Overseas Loans: By Industry (Consolidated)

(Millions of yen, %)

		Balance at beginning of fiscal year	Increase during the fiscal year	Decrease during the fiscal year		Balance at end of fiscal year
				Used for specified purpose	Other	
Business corporations, individuals, etc.	Manufacturing	8	7	—	8	7
	Agriculture	—	—	—	—	—
	Forestry	—	—	—	—	—
	Fishing	—	—	—	—	—
	Mining	—	—	—	—	—
	Construction	—	—	—	—	—
	Wholesale and retail	—	—	—	—	—
	Financial services	—	—	—	—	—
	Real estate	—	—	—	—	—
	Transportation	—	—	—	—	—
	Information and telecommunications	—	—	—	—	—
	Electric power, gas, heat supply, and water	3	—	—	3	—
	Services	—	—	—	—	—
	Individuals	—	—	—	—	—
	Other	—	—	—	—	—
		12	7	—	12	7
Financial institutions and securities companies		5	4	—	5	4
Japanese central and local governments, government-affiliated organizations, and local public-private ventures, etc.		—	—	—	—	—
Foreign central governments and central banks, etc.		44	30	—	44	30
Other		—	—	—	—	—
Total		62	42	—	62	42

Notes:
1. The portion of the decrease in the reserve labeled “Other” is due to adding back the credited reserve amount in full to the income in the following period, etc.
2. “Financial institutions and securities companies” includes the exposures to financial institutions defined under Article 41 of Notification on Consolidated Capital Adequacy and the exposures to securities companies defined by Article 42 of the said Notification. The “Financial services” segment includes exposure other than the above.

■ Write-Offs of Claims: By Industry (Consolidated)

(Millions of yen, %)

Business corporations, individuals, etc.	Manufacturing	5,629	(14.7)
	Agriculture	60	(0.2)
	Forestry	—	(—)
	Fishing	—	(—)
	Mining	-14	(-0.0)
	Construction	1,741	(4.5)
	Wholesale and retail	11,859	(31.0)
	Financial services	-187	(-0.5)
	Real estate	692	(1.8)
	Transportation	881	(2.3)
	Information and telecommunications	3,927	(10.3)
	Electric power, gas, heat supply, and water	—	(—)
	Services	6,042	(15.8)
	Individuals	1,931	(5.0)
	Other	14	(0.0)
		32,952	(86.1)
Financial institutions and securities companies		2	(0.0)
Japanese central and local governments, government-affiliated organizations, and local public-private ventures, etc.		—	(—)
Foreign central governments and central banks, etc.		—	(—)
Other		5,323	(13.9)
Total		38,287	(100.0)

Notes:
1. Figures in parentheses are the percentage composition.
2. "Financial institutions and securities companies" includes exposure to financial institutions defined under Article 41 of Notification on Consolidated Capital Adequacy and exposure to securities companies defined by Article 42 of the said Notification. The "Financial services" segment includes exposure other than the above.

■ Credit Risk Exposure by Risk Weight Classification (Consolidated)

(Millions of yen, %)

	Obligors with ratings	Obligors without ratings
0%	115,301	8,032,559
10%	—	1,820,510
20%	3,146,844	56,525
35%	—	7,140,514
50%	680,554	55,241
75%	—	3,379,029
100%	745,297	14,874,898
150%	—	142,085
350%	—	—
Other	—	—
Directly deducted from capital	—	25,236
Total	4,687,997	35,526,601

Note: Ratings are limited to those assigned by qualifying rating agencies. Exposure by risk-weight category is shown after taking account of measures for the mitigation of credit risk.

Methods for Mitigation of Credit Risk

In calculating its capital adequacy ratio, the Resona Group applies "the comprehensive approach" as a method for mitigation of credit risk which is stipulated in the Notification on Consolidated Capital Adequacy. "Credit risk mitigation methods" are approaches for reducing the level of credit risk borne by the Group and include the pledging of qualified financial assets as collateral, offsetting loans with deposits held with the Group banks, the provision of guarantees, and the use of credit derivatives.

■ Exposure to which Credit Risk Mitigation Method Is Applied

(Millions of yen, %)

	Balance at fiscal year-end	
Cash	19,471	(1.7)
Deposits	502,892	(44.1)
Foreign currency deposits	5,434	(0.5)
Equities	153,877	(13.5)
Jointly operated money trusts	1,721	(0.2)
Guarantees	455,204	(40.0)
Total	1,138,601	(100.0)

Note: Figures in parentheses indicate percentage composition. The figures shown above have been compiled for collateral in the form of qualified financial assets and for guarantees.

Derivatives

■ Policy for Credit Lines and Risk Capital Allocation Methods

Regarding counterparty credit risk in derivatives transactions, the Group banks add this risk to the credit risk of loans and other transactions to supervise and manage overall credit risk. Group banks make proper credit judgments and establish credit lines based on the Group's Credit Policy, which established the principles, rules, and guidelines for actions related to credit risk management. Unlike risk arising from loans and other credit-providing activities, the credit risk amount arising from derivatives transactions fluctuates according to market trends. For this reason, the credit risk amount after transactions have been conducted is monitored periodically according to a method that takes account of the market price and future risks (the "current exposure" method). Please note that, in transactions with financial institutions, Group banks set credit lines based on the credit rating of such financial institutions, the level of their capital, and other considerations.

In addition, the risk capital allocated to derivatives transactions is included in the capital allocations for credit and market risks.

■ Derivatives Transactions (Consolidated)

(Millions of yen)

	Notional or contract amount	Fair value	Gross replacement cost	Gross add-ons	Amount equivalent to credit exposures
Interest-rate related					
Interest-rate swaps	21,390,061	18,198	76,217	121,449	197,666
Interest-rate options	111,122	767	776	518	1,295
Subtotal	21,501,184	18,966	76,993	121,967	198,961
Currency-related					
Currency swaps	3,656,750	53,718	83,770	228,140	311,910
Currency options	1,630,292	40,040	40,040	58,009	98,049
Forward contracts	1,268,424	43,618	49,318	42,300	91,620
Subtotal	6,555,467	137,377	173,129	328,450	501,580
Subtotal (prior to netting)	28,056,651	156,343	250,122	450,418	700,541
Credit risk mitigation under comprehensive netting contracts					137,492
Credit risk mitigation from pledged collateral (Note 4)					19,471
Total (after netting)					543,578

Notes:
1. When calculating the equivalent credit exposure amounts, the following methods are used based on the Notification on Consolidated Capital Adequacy:
   (1) Foreign currency related transactions for which the original contract is for a period of 14 days or less is excluded from calculation of equivalent credit exposure amounts.
   (2) Amounts equivalent to credit exposures shown in the table above are calculated using the current exposure method, which takes account of the gross replacement costs (but includes only positive replacement costs) plus a gross add-on that takes account of the risk of market fluctuations during the remaining period of the transaction.
2. The Group companies had no credit derivatives as of March 31, 2007.
3. The figures shown in the table above do not include the equivalent credit exposure amounts relating to equity derivatives and credit derivatives transactions which are included in funds in a look-through basis.
4. Credit risk mitigation effects related to derivatives transactions with pledged collateral are as follows. The collateral pledged was cash in all cases.
   Collateral provided: ¥3,296 million
   Collateral received: ¥22,768 million
   Received less provided: ¥19,471 million

Securitization Exposure

■ Securitization Exposure for Which the Holding Company Group Is Originator (Consolidated)

(Millions of yen)

(1) Securitization exposure held and principal types of underlying assets	Amount of securitization exposure held	45,299
	Principal types of underlying assets	
	General loan claims	323
	Housing loan claims	17,854
	Apartment/condominium loan claims	23,409
	Other claims	3,712
(2) Increase in capital accompanying securitization transactions and breakdown of principal underlying assets	Increase in capital accompanying securitization transactions	12,862
	Principal types of underlying assets	
	General loan claims	—
	Housing loan claims	6,401
	Apartment/condominium claims	6,460
	Other claims	—
(3) Amount of securitization exposure deducted from capital under Article 225 of the Notification on Consolidated Capital Adequacy and breakdown of principal underlying assets	Amount of securitization exposure deducted from capital	5,767
	Principal types of underlying assets	
	General loan claims	323
	Housing loan claims	5,358
	Apartment/condominium claims	—
	Other claims	85
(4) Exposure securitized during the fiscal year	Exposure securitized during the fiscal year	—

■ Securitization Exposure Where the Holding Company Group Is Investor (Consolidated)

(Millions of yen)

(1) Securitization exposure held and principal types of underlying assets	Total amount of securitization exposure held	438,061
	Principal types of underlying assets	
	General loan claims	36,400
	Housing loan claims	259,665
	Apartment/condominium loan claims	18,234
	Credit card claims	13,944
	Lease receivables	9,427
	Consumer loan claims	22,756
	Auto loan claims	4,340
	Bills	26,116
	Claims on remuneration for medical services	700
	Other claims	46,476

(2) Amount of securitization exposure deducted from capital under Article 225 of the Notification on Consolidated Capital Adequacy and breakdown of principal underlying assets	Amount of securitization exposure deducted from capital	19,525
	Principal types of underlying assets	
	General loan claims	—
	Housing loan claims	—
	Bills	7,234
	Other claims	12,291

Operational Risk

■ Outline of Policies and Procedures for Management of Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk covers a wide range of risks inherent in business operations, products, and services and includes processing risk, systems risk, legal and compliance risk, and other forms of risk. In managing operational risk, the Resona Group identifies, assesses, and fully understands risks that have already emerged as well as inherent risks and works to avoid accidents that could have a major impact on the Group's management. The Group also works to prevent the occurrence or the recurrence of accidents to eliminate any losses to Group customers, with the objectives of controlling and eliminating operational risk.

■ Method Used to Calculate the Amount Corresponding to Operational Risk

The Resona Group has employed the Standardized Approach, which refers to annual gross income over the previous three years, to calculate the amount corresponding to operational risk.

Note: "Gross income" refers to the concept of gross income as defined in Article 282 and Article 283-1 of the Notification on Consolidated Capital Adequacy and does not refer to the concept of "gross operating profit" used in the accounts.
The calculation based on the gross income allocation method is implemented in accordance with the Notification on Consolidated Capital Adequacy, Japan's Banking Law, and other related ordinances and regulations.

Investment/Equity Exposure in the Banking Account

For investments in funds in the banking account, which are held solely for investment purposes, and for investments in equities, which are held for relationship purposes and other strategic objectives, the Resona Group selects, only after prior analysis of each issuer, such investments with extreme care. In addition, to restrain excessive risk taking, the Group sets position limits in advance on such investments, and a middle office, which is independent of the front office for these investments, supervises these investments by calculating price fluctuation risk on a portfolio basis and takes other appropriate risk control measures. The Group banks calculate the risk of price fluctuations using the value at risk (VaR) method, employing a holding period of 125 business days with a confidence interval of 99%. In addition, the results of these analyses are reported periodically to management, and other appropriate risk management measures are taken.

■ Investment/Equity Exposure Stated on the Balance Sheets

(Millions of yen)

	Consolidated
Listed stocks and other similar investment/equity exposure	1,096,314
Investment/equity exposure other than the above	419,010
Total	1,515,324

■ Gain (Loss) on Sale or Depreciation of Investment/Equity Exposure

(Millions of yen)

	Consolidated
Gain on sale	126,196
Loss on sale	(27,345)
Loss on depreciation	(8,596)
Total	90,255

Note: Does not include gain (loss) on investment/equity exposure included in funds subject to a look-through approach.

■ Unrealized Gain Recognized on the Balance Sheet but Not on the Statement of Income

(Millions of yen)

	Consolidated
Unrealized gain	463,807

■ Unrealized Gain (Loss) Not Recognized Neither on the Balance Sheet nor on the Statement of Income

None

Interest-Rate Risk in the Banking Account

■ Market Risk Conditions

The simple sum of VaR for Resona Bank, Saitama Resona Bank, Kinki Osaka Bank, and Resona Trust & Banking is shown below. (The figures for Kinki Osaka Bank and Resona Trust & Banking are for banking transactions only.)

VaR Performance (April 2006 to March 2007) (Billions of yen)

	March 31, 2007	High	Low	Mean Average
Trading transactions	0.66	1.19	0.14	0.62
Banking transactions	133.8	141.8	73.3	106.3

Note:
Trading transactions:
For a holding period of 10 business days with a confidence interval of 99%
Banking transactions:
For a holding period of 20 business days with a confidence interval of 99% (excludes stock held for customer relationship purposes)

■ Outlier Framework

Under Basel Ⅱ, a decline in economic value arising in the banking account under a hypothetical interest rate shock scenario, or stress conditions, is estimated and compared with broadly defined capital (Tier I plus Tier II capital). If the decline in economic value is more than 20% of broadly defined capital, the bank is considered an “outlier” and may be required to reduce its risk or take other corrective measures.

The corresponding figures for the Group (Resona Bank, Saitama Resona Bank, Kinki Osaka Bank, and Resona Trust & Banking) are shown in the following table. According to these data, none of the Group banks is classified as an outlier.

Results of Estimates under the Outlier Framework (As of March 31, 2007) (Billions of yen, %)

	Decline in economic value	Percentage of Tier I plus Tier II capital
Resona Bank	137.5	7.8
Saitama Resona Bank	35.8	9.1
Kinki Osaka Bank	10.7	6.0
Resona Trust & Banking	0.0	0.2

Note: The parameters for estimating the decline in economic value according to the outlier framework are as follows: Interest-rate scenarios assume interest-rate fluctuations in the 99th percentile (periods of rising interest rates) over an observation period of five years and a holding period of one year.

■ Outline of Methods Used by the Holding Company Group for Estimating Interest-Rate Risk for Internal Control Purposes

An outline of the methods used for estimating interest-rate risk in the banking account for internal control purposes is as follows:

- ➢ Holding period: 20 business days
- ➢ Confidence interval: 99%
- ➢ Periods for observations: Depends on the criteria set individually by Group banks
- ➢ Risk measurement methods: Resona Bank and Saitama Resona Bank employ the historical simulation method, and Kinki Osaka Bank uses the variance-covariance method.
- ➢ For liquid deposits without maturity dates, estimates are made of the portion of such deposits (so-called core deposits) that are left in accounts for prolonged periods and are deemed unresponsive to market interest rates. Such deposits are assumed to have a maximum term of five years and an average term of 2.5 years.

Corporate Data Section

CONTENTS

Directors and Executive Officers

As of August 1, 2007

■ Directors

Post	Name	Concurrent Post
Director, Chairman and Representative Executive Officer Member of Appointments Committee Member of Compensation Committee	Eiji Hosoya*1	Representative Director and Chairman of Resona Bank, Ltd.
Director President and Representative Executive Officer	Seiji Higaki	
Director Member of Auditing Committee	Takuji Watanabe	
Independent Director Head of Auditing Committee	Noboru Yanai	President of Arrow Consulting
Independent Director Member of Appointments Committee	Shotaro Watanabe*1	Director of Resona Bank, Ltd. (Independent) Director of Isetan Company Limited
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. Director of JBIS Holdings, Inc.
Independent Director Member of Auditing Committee	Hideo Iida	Lawyer Auditor of Eco's Co., Ltd. Auditor of Bunka Shutter Co., Ltd.
Independent Director Member of Compensation Committee	Tsutomu Okuda	Chairman and CEO of The Daimaru, Inc. Director of the Osaka Securities Exchange Co., Ltd.
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. Director of EMOBILE Ltd. Auditor of Millea Holdings, Inc.
Independent Director Head of Appointments Committee	Shusai Nagai*2	Director of Saitama Resona Bank, Ltd. (Independent) Professor of Asia-Pacific Management at Ritsumeikan Asia-Pacific University

Notes: The seven independent directors—Noburu Yanai, Shotaro Watanabe, Kunio Kojima, Hideo Iida, Tsutomu Okuda, Yuko Kawamoto, and Shusai Nagai—meet the conditions for independent directors set forth in Article 2-15 of the Company Law of Japan.
*1: Holds concurrent position with Resona Bank, Ltd.
*2: Holds concurrent position with Saitama Resona Bank, Ltd.

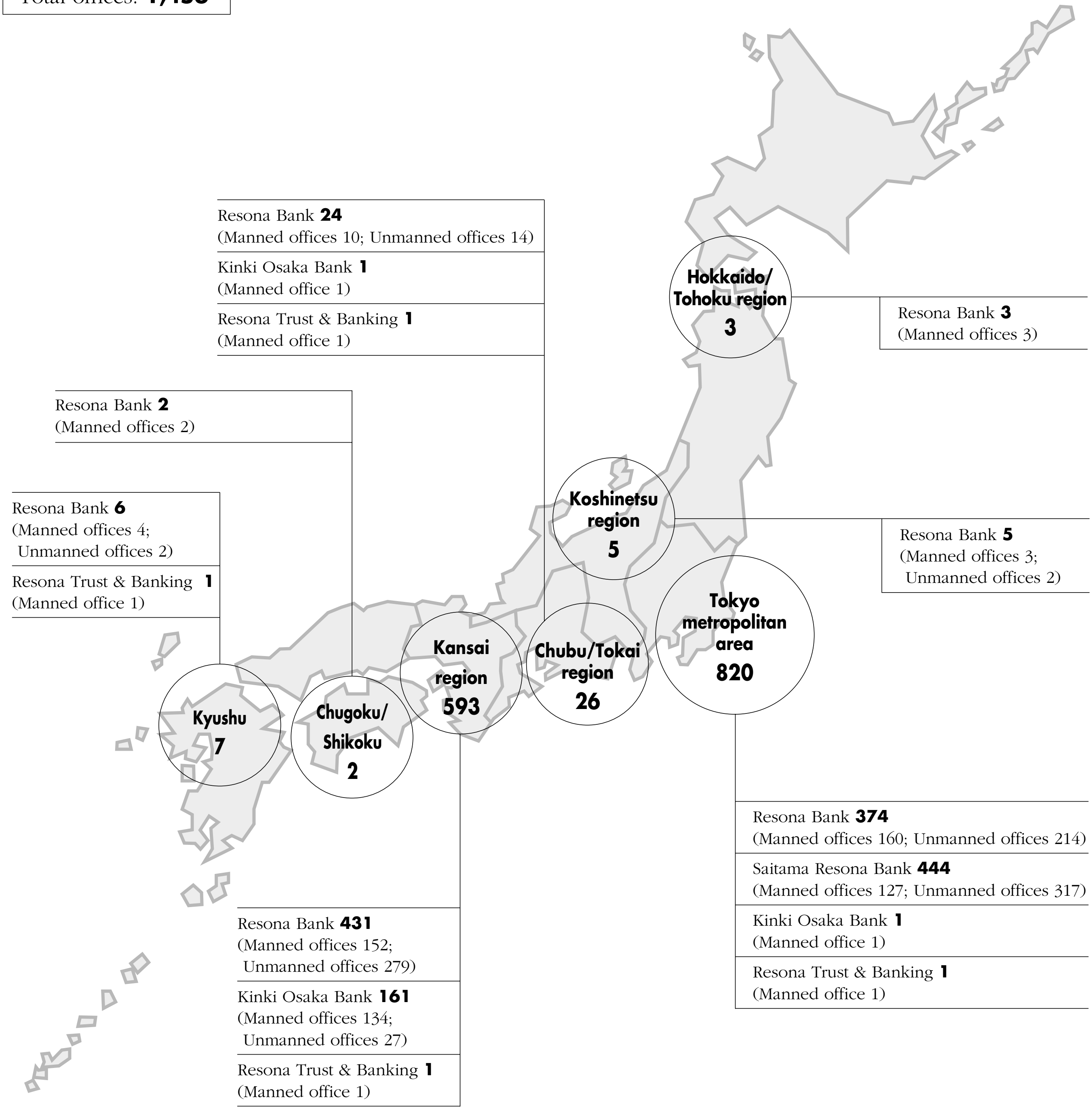
■ Executive Officers

Post	Name	Concurrent Post
Executive Officer	Hiroyuki Mizuta	Representative Director and President 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	Shigeharu Nakamura	Director and Senior Managing Executive Officer of Resona Bank, Ltd.
Executive Officer	Makoto Fukai	Executive Officer of Resona Bank, Ltd.
Executive Officer	Yasuhiro Tamura	Managing Executive Officer of Resona Bank, Ltd.
Executive Officer	Kazuhiro Higashi	Managing Executive Officer of Resona Bank, Ltd. Director of Resona Trust & Banking Co., Ltd.
Executive Officer	Kaoru Isono	Director of The Kinki Osaka Bank, Ltd.
Executive Officer	Naoki Iwata	Managing Executive Officer of Resona Bank, Ltd. Director of Saitama Resona Bank, Ltd.
Executive Officer	Kazuyoshi Ikeda	
Executive Officer	Masatoshi Noguchi	

Domestic Network

As of March 31, 2007

Total offices: **1,456**



Domestic Branches

(As of March 31, 2007)

	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	334	127	136	4	601	289	287
Unmanned offices	511	317	27	0	855	531	306
Total offices	845	444	163	4	1,456	820	593

International Network

As of August 1, 2007

Resona Bank, Ltd.

■ ASIA

Hong Kong Representative Office
Unit 01, 6/F.,
Tower 1, 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

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

■ JAPAN

Osaka Head Office
2-1, Bingomachi 2-chome,
Chuo-ku, Osaka 540-8610,
Japan
Phone: 81-6-6271-1221
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: 81-6-6945-2121
SWIFT: OSABJPJS

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

Saitama Resona Bank, Ltd.

■ JAPAN

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

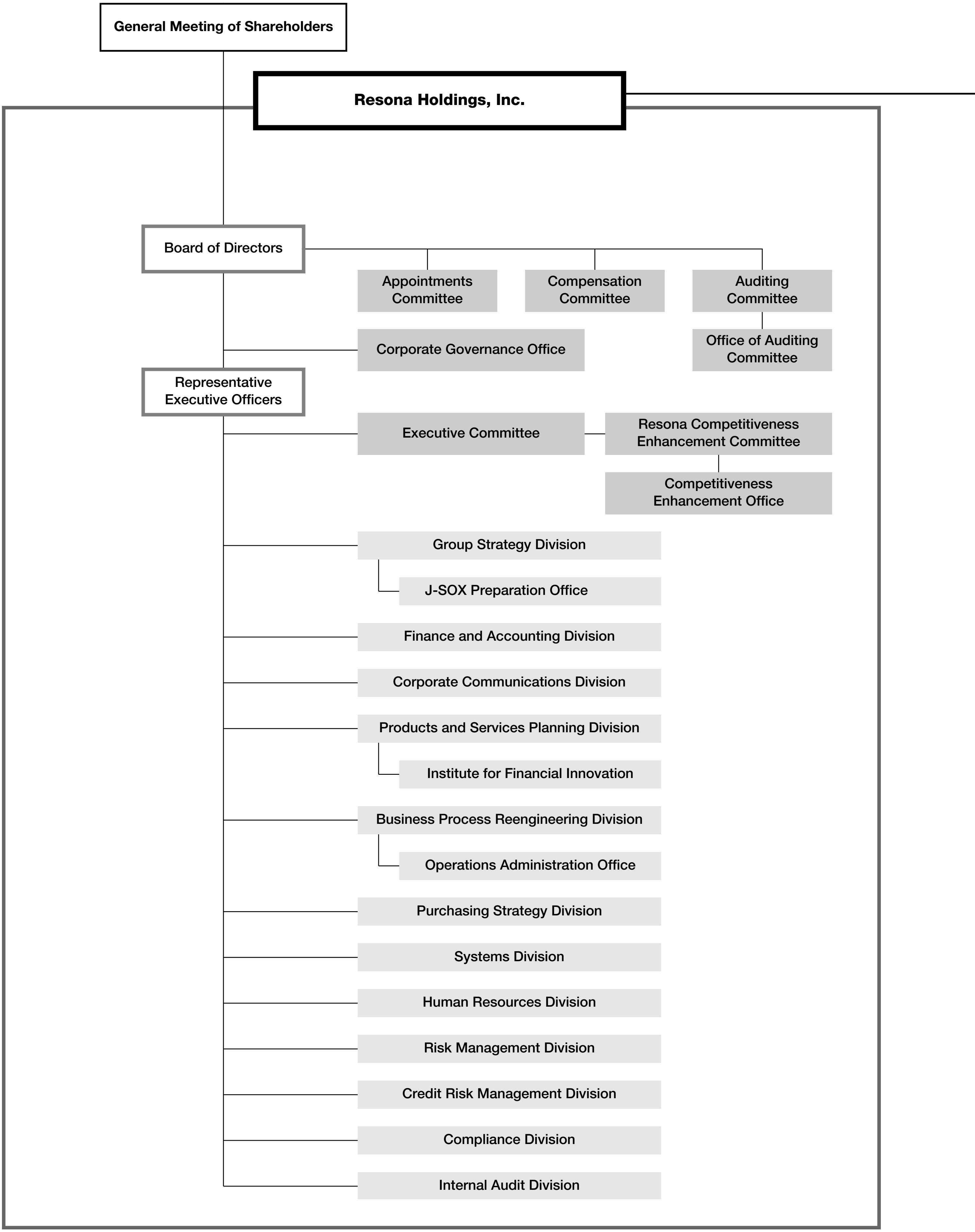
Tokyo Office
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8106, Japan

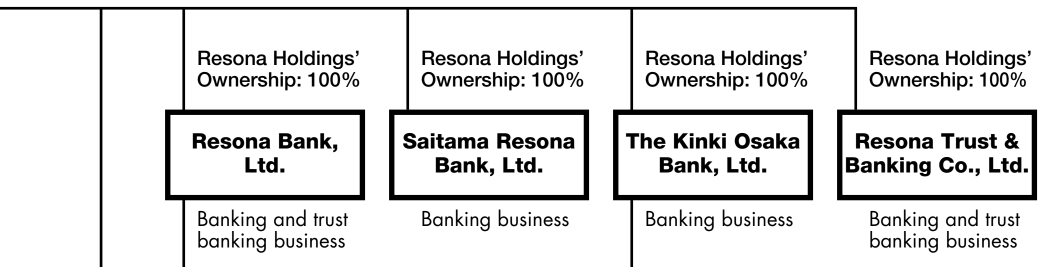
Phone: 81-48-824-2411
SWIFT: SAIBJPJT

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

Organization Chart and Outline of the Group

As of August 1, 2007





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	¥14,000	Credit guarantee	May 8, 1975	100.0
■ Daiwa Guarantee Co., Ltd.	Chuo-ku, Osaka-shi	¥6,000	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 Credit guarantee	Feb. 12, 1983	58.2
■ Resona Capital Co., Ltd.	Chuo-ku, Tokyo	¥4,500	Private equity business	Mar. 29, 1988	82.2
■ Resona Kessai Service Co., Ltd.	Chuo-ku, Tokyo	¥1,000	Factoring	Oct. 25, 1978	100.0

■ Consolidated subsidiaries
▲ Affiliate accounted for by the equity method

Investor Information

As of March 31, 2007

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)
285,293

Stock Exchange Listings
Tokyo Stock Exchange, Inc. (1st Section)
Osaka Securities Exchange Co., Ltd.
(1st Section)

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

Independent Auditor
Deloitte Touche Tohmatsu

Number of Employees
16,245 (Consolidated)
427 (Non-consolidated)

Common Stock/Preferred Stock

(Number of shares)

	Authorized (End of June 2007)	Issued (End of June 2007)
Common Stock	73,000,000	11,399,335.917
Class B No. 1 Preferred Stock	680,000	272,202
Class C No. 1 Preferred Stock	120,000	120,000
Class D No. 1 Preferred Stock	120	60
Class E No. 1 Preferred Stock	240,000	9,576
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 Preferred Stock	100,000	25,200
Class Five Preferred Stock	100,000	—
Class Six Preferred Stock	100,000	—
Class Seven Preferred Stock	100,000	—
Class Eight Preferred Stock	100,000	—
Class Nine Preferred Stock	100,000	100,000
	83,037,928	20,324,181.778

Stock Price Range on the Tokyo Stock Exchange

(First Section) (Yen)

	2006						2007					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
High	383,000	393,000	378,000	373,000	367,000	344,000	347,000	359,000	338,000	325,000	304,000	320,000
Low	341,000	356,000	331,000	337,000	310,000	319,000	320,000	322,000	296,000	267,000	267,000	290,000

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.	341,688.660	2.99
Bank of New York GCM Client Accounts EISG	170,959.000	1.49
The Master Trust Bank of Japan, Ltd.	125,217.900	1.09
The Dai-ichi Mutual Life Insurance Company	99,692.250	0.87
Trust & Custody Services Bank, Ltd.	85,954.000	0.75
Nomura Holdings, Inc.	79,049.250	0.69
RBC Dexia Investor Services Trust London Client Account	75,479.000	0.66
Daido Life Insurance Company	70,501.000	0.61
UBS AG London Account IPB Non Seg Account	62,255.000	0.54
Total	6,759,035.060	59.29

Note: Of the common shares held under the names of the aforementioned trust banks, the number of shares held in their trust accounts is as follows:
Japan Trustee Services Bank, Ltd. 341,688.660 shares
The Master Trust Bank of Japan, Ltd. 125,217.900 shares
Trust & Custody Services Bank, Ltd. 85,954.000 shares

Contact:

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

EUROMONEY 2007 Awards for excellence

Resona Holdings Selected as Best Bank in Japan by *EUROMONEY*

EUROMONEY **chose Resona Holdings to receive its award for best bank in Japan because of its strong net income performance among Japanese banks for the fiscal year ended March 31, 2007. Resona reported strong growth in retail operations and fee-based income and posted the highest ROA of any major Japanese bank.**

Resona Holdings, the country's fourth-largest banking group, bucked the trend. Net profits for the financial year were up an astonishing 74%, admittedly as much because of a change in taxation accounting methods as because of growth in its retail operations and fee-based income. The Group offers the highest return on assets ratio of any big Japanese bank–just over 1.5%–and has worked hard to reform its image after catastrophic losses resulted in a government bailout in 2003.

Resona still owes taxpayers two-thirds of the ¥3 trillion ($24.27 billion) it borrowed but Chairman Eiji Hosoya says the Bank will hope to repay much of that total ahead of schedule. In April, the Group announced that Merrill Lynch would buy ¥350 billion of convertible preferred shares from it in order to fund repayment. In another disappointing year for Japanese banks, Resona's strong financial results and ability to attract foreign investment win it the award for best bank.

(*EUROMONEY* July 2007)

Resona Holdings

Printed on recycled paper in Japan