# Resona Holdings, Inc.

ANNUAL REPORT 2008

## CORPORATE PROFILE

| | |
|---|---|
| **Company Name:** | Resona Holdings, Inc. |
| **Head Office:** | (Osaka Head Office)<br>2-1, Bingomachi 2-chome, Chuo-ku, Osaka 540-8608, Japan<br>(Tokyo Head Office)<br>1-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8107, Japan |
| **Chairman:** | Eiji Hosoya (Concurrently serves as Chairman of Resona Bank, Ltd.) |
| **President:** | Seiji Higaki |
| **Establishment:** | December 12, 2001 |
| **Paid-in Capital:** | ¥327,201 million (As of March 31, 2008, Non-consolidated) |
| **Lines 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)<br>Osaka Securities Exchange (First Section) |

### Shares Issued and Outstanding (As of June 30, 2008)

| | (shares) |
|---|---|
| Common Stock | 11,399,576.917 |
| Class B No.1 Preferred Stock | 272,202 |
| Class C No.1 Preferred Stock | 120,000 |
| 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 Five Preferred Stock | 40,000 |
| Class Nine Preferred Stock | 100,000 |

### Credit Ratings (As of June 30, 2008)

Credit ratings for Resona Holdings and Resona Group banks 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 |
| **Kink 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 | — |



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# 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.

RESONA

# 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.

***About "Resona"***

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."

# MESSAGE FROM THE CHAIRMAN

**Eiji Hosoya**

*Chairman and Representative Executive Officer*
*Resona Holdings, Inc.*

**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 the triple jump to define the major processes in the plan respectively as a “Hop,” “Step” and “Jump.” The “Hop” stage, a period of intensive revitalization, focused on financial restructuring with the disposal of nonperforming loans, reorganization of subsidiaries and affiliated companies, and realignment of our high-cost structure. In the “Step” stage that followed, we engaged in various reforms aimed at advancement and changed our focus from restructuring to strengthening our capabilities to sell products and services. Our cumulative achievements in these stages resulted in a return to profitability and a rebuilding of our tarnished brand.

From fiscal 2007, the year ended March 31, 2008, we entered the “Jump” stage, in which we will complete the “Hop, Step, Jump” series of our reform plan. Business conditions have become more challenging with turmoil in financial markets triggered by the subprime loan problem in the U.S. Against this headwind, the Resona Group was able to shore up its core businesses. We think this attests to our newfound strength.

Fiscal 2007 was also a year of considerable progress toward the early, full-scale repayment of public funds, especially in accumulation of funds available for repayments. With funds from the issuance of Class Nine and Class Five Preferred Shares combined with our retained earnings, we have amassed resources covering approximately 80% of the infusion amount of public fund preferred shares still outstanding. We continue our efforts to improve our profitability further and accumulate retained earnings down the road with a view toward early repayment of public funds.

From April 2008, we introduced a new marketing structure at Resona Bank, Ltd. By striving to enhance specialization and improve quality in our operations and services, we aim to strengthen our relationships with small- and medium-sized enterprises (SMEs) and individual customers. In creating unique services at Resona, we are moving toward our goal of becoming a true retail bank that is most favored by its customers.

The Resona Group will make every effort to maximize corporate value by taking on changes for the next stage of growth. We appreciate your continued support and encouragement.

July 2008

# MESSAGE FROM THE PRESIDENT



**Seiji Higaki**

*President and Representative Executive Officer*
*Resona Holdings, Inc.*

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

Fiscal 2007 was an extremely difficult year for financial services companies. Behind this situation were the slowdown in the Japanese economy attributable to an adjustment in the housing market and the adverse effects of surging energy and raw material prices, turmoil in the global financial market triggered by the U.S. subprime loan problem and the appreciation of the yen. Under such circumstances, the Resona Group has strengthened its focus on such core businesses as transactions with SMEs, loans to individuals, sale of financial products, the real estate brokerage business and corporate pension-related services. At the same time, we continued our patient approach in tackling management issues, including the strengthening of internal control, the enhancement of specialization toward meeting the ever-diversifying financial needs of customers and the promotion of low-cost operations. And through the implementation of specific initiatives consistent with these issues, we have striven to reinforce our business foundation and facilitate more effective and sophisticated management.

In fiscal 2008, ending March 31, 2009, the Resona Group plans to unify IT systems used by the Kinki Osaka Bank, one of the Resona Group's commercial banks, with those used by the other Resona Group banks. The renovation of the system will enable the Bank to provide a wider range of products and services. In addition, in April 2008, the Resona Group made a decision to sell its Tokyo Head Office building and transfer the head office functions to Tokyo's Fukagawa area in 2010. Through drastic corporate infrastructure reforms, including those mentioned above, we will aim to improve the quality of the services that we provide, while sharpening our competitiveness in the industry.

With strict observance of its key word "Regional," the Resona Group continues to maintain its stance as a community-based financial services company and strengthen its adherence to the policy of valuing the patronage of customers living in the communities in which it operates. We are committed to taking on the challenge of implementing effective reforms and achieving improvements, thereby becoming a true retail bank.

We look forward to your continued support and encouragement.

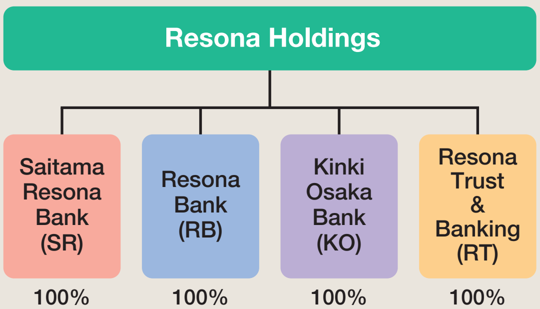
July 2008

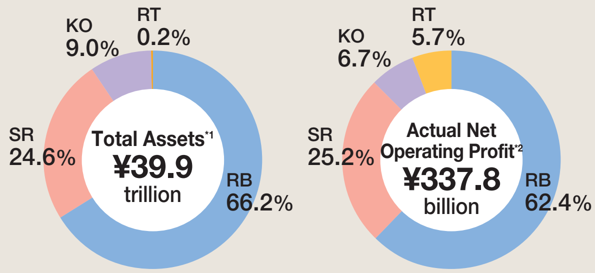
# RESONA GROUP AT A GLANCE

## 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. With aggregate consolidated assets of around ¥40 trillion, the Resona Group ranks as Japan's fourth-largest financial group by asset size.

### Corporate Structure




*1 Aggregate of 4 bank subsidiaries as of March 31, 2008, consolidated basis
*2 Aggregate of 4 bank subsidiaries for fiscal year 2007, non-consolidated basis

## Competitive Strengths of Resona Group

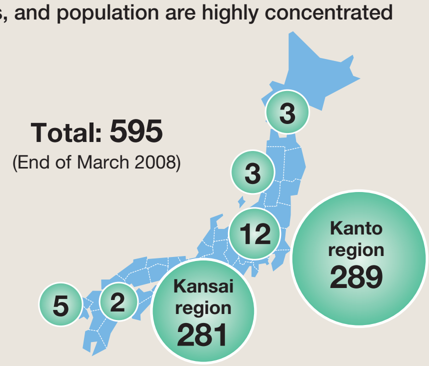
### (1) Strong franchise value

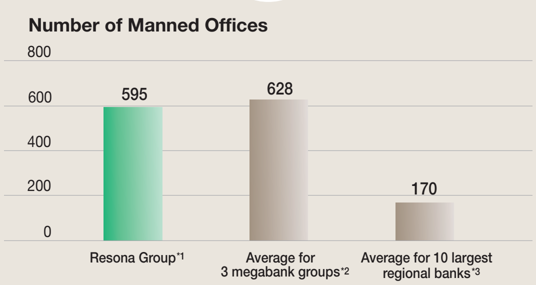
The Resona Group's key markets are the greater Tokyo metropolitan area and the Kansai region, where Japan's largest clusters of population and industry are concentrated.

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%.

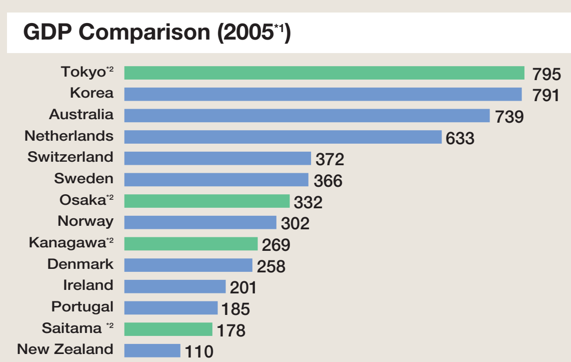
### Focus on Retail Banking Business

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

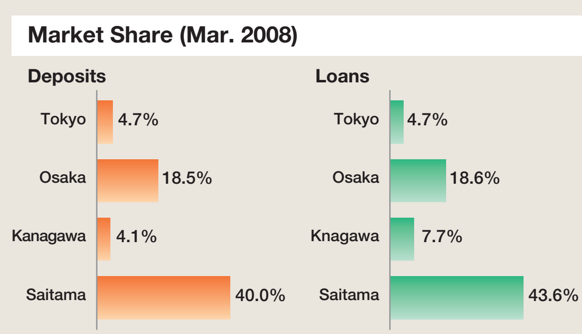



*1 Total of 4 group banks (RB, SR, KO and RTB), as of March 2008
*2 MUFG (BTMU + MUTB), Mizuho FG (Mizuho BK + Mizuho CBK), SMFG (SMBC), as of March 2007
*3 10 largest regional banks in terms of non-consolidated total assets (Yokohama, Chiba, Shizuoka, Fukuoka, Joyo, Nishinihon City, Kyoto, Hiroshima, Hachijuni and Gunma), as of March 2007




Source: OECD Annual National Accounts Database, Cabinet Office
*1 Tokyo, Osaka, Kanagawa and Saitama: Fiscal year, other countries: Calendar year
*2 $1 = 116 (Bank of Japan, as of March 2006)



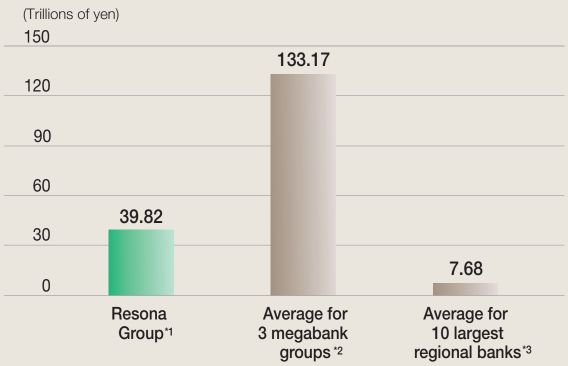
## (2) Economies of scale

Compared with regional banks in Japan, Resona, with aggregate consolidated assets of around ¥40 trillion, can pursue scale merits. Even though the Resona Group is closely focused on retail operations, its cost-to-income ratio is comparable to those of the megabanks.

### Economies of Scale

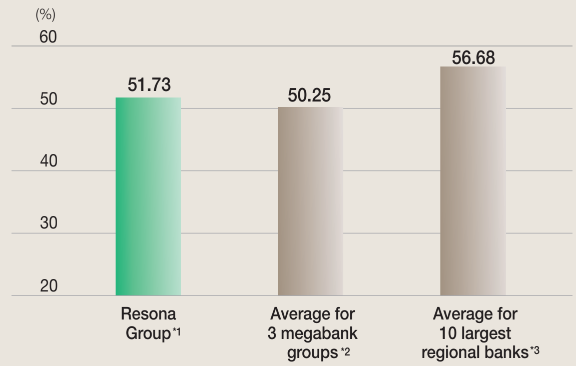
#### Total Assets (Mar. 2008)

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




#### Cost-to-Income Ratio (FY2007)

■ Operational efficiency comparable to magabanks

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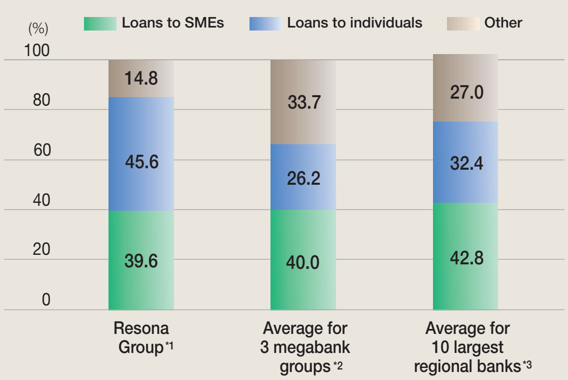
## (3) Focus on retail banking business

More than 85% 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 SMEs and Retail Banking Business

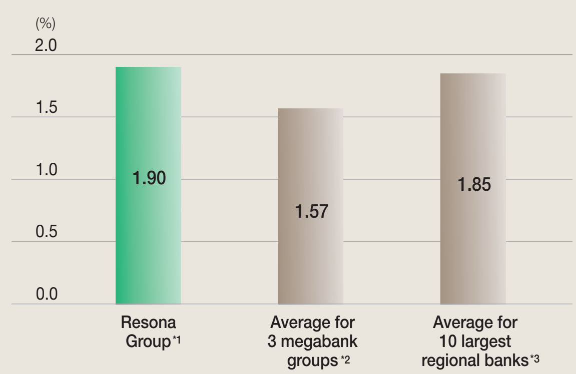
#### Comparison of Loan Portfolio
(Loans in the domestic account, as of Mar. 2008)

■ Lending to SMEs and individuals accounts for more than 85% of the entire loan portfolio




#### Comparison of Loan-to-Deposit Spread
(FY 2007)

■ Credit risk control and favorable loan-to-deposit spread realized through the loan portfolio diversified into small lots

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## Introduction of New Branch Office Management Structure

From April 1, 2008, Resona Bank has introduced a new branch office management structure to offer services of enhanced quality as well as to respond to customers with a higher level of reliability.

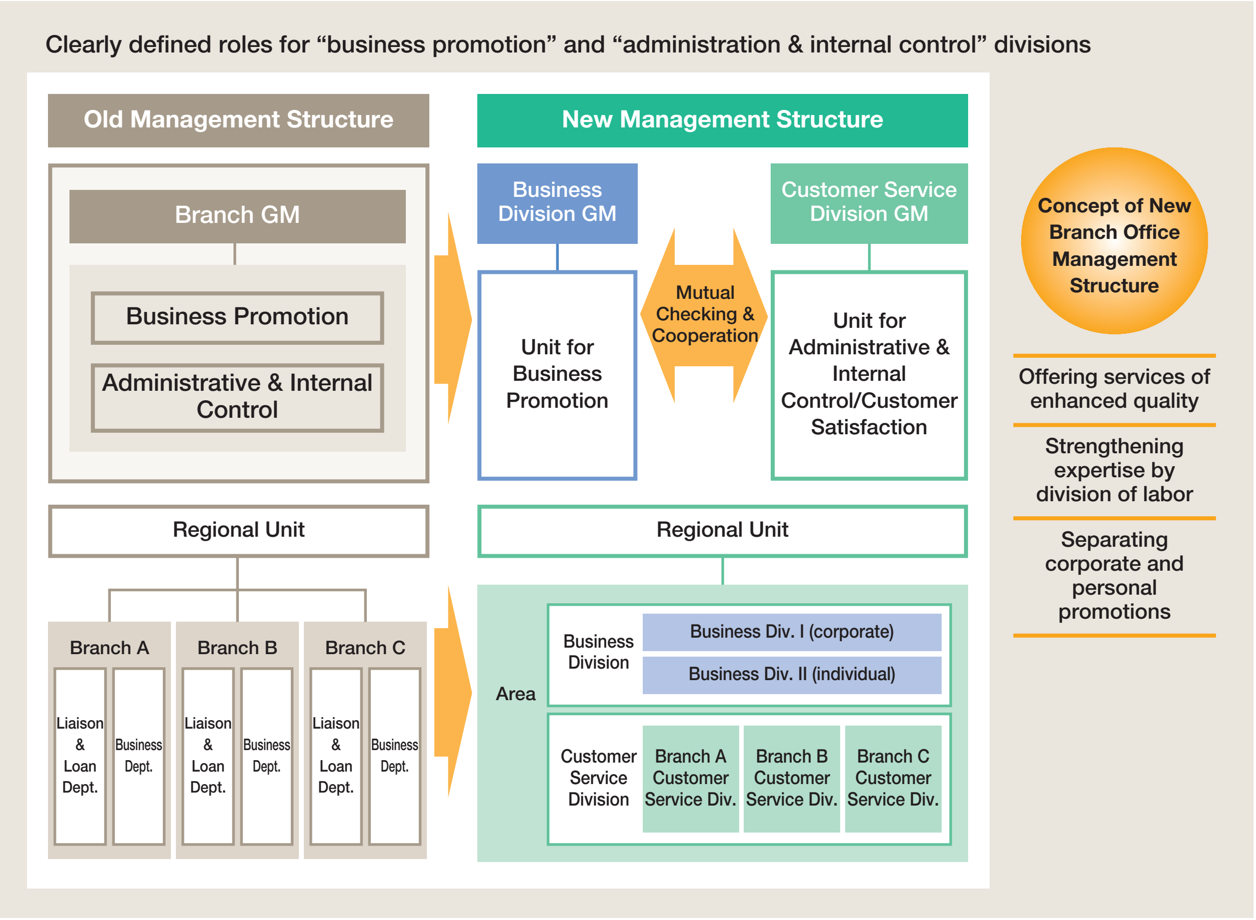
### Reorganization of Branch Offices

Traditionally, the organization of branch offices consisted of a pyramid structure, at the pinnacle of which was the branch general manager (GM) who supervised both the “business promotion” and “administration & internal control” divisions. However, with the diversification of customer needs and rising demands from society for customer protection, internal control and compliance, we have introduced a division of labor to create the Unit for Business Promotion and the Unit for Administration and Internal Control/Customer Service, respectively managed by the Business Promotion GM and Customer Service GM. In this way, each division elevates their area of expertise, offers customers a higher quality of services and strengthens business promotion capabilities.

### Introduction of Area System

Services to customers had previously been provided on a branch-office basis. However, under the newly introduced area system, branch offices located in one area form a regional marketing unit, offering customers various services according to type of business and market (individual or corporate) on an area basis. In this way, we will be able to form more finely tuned relationships with our customers.

**[New Branch Office Management Structure]**



## Reexamination of Area Management System (Resona Bank)

Resona Bank is implementing an Area Management System based on proprietary regional marketing units to swiftly provide financial services suited for each region's market characteristics. In the past, the Japanese market had been organized into twelve areas. However, in consideration of each area's unique characteristics, we have undertaken a reorganization to create ten areas, described as follows.

**[Reorganizing Resona Bank's Area Operations]**

| | [Before] | [After] |
|---|---|---|
| Tokyo/Chiba | Tokyo Central | Capital Central |
| | Tokyo West | Metropolitan |
| | Capital East | |
| | Tama | Tama |
| Kanagawa | Kanagawa | Kanagawa |
| Osaka | Osaka North | Osaka |
| | Osaka South | |
| Hyogo | Hyogo | Hyogo |
| Nara | Nara | Nara |
| Aichi | Tokai (RU) | Nagoya (RU) |
| Kyoto/Shiga | Kyoto/Shiga (RU) | Kyoto/Shiga (RU) |
| Kyushu | Kyushu (RU) | Kyushu (RU) |

Specifically, reorganization of Resona Bank's areas of management in the Tokyo and Kansai areas is as follows.

### ■ Metropolitan Tokyo

Metropolitan Area—The former areas covering Tokyo and Chiba prefectures were integrated into one area, primarily focusing on small- to medium-sized corporations and individuals. Three blocs were created within the integrated area.

Capital Central Area—Branch offices which have a high proportion of transactions with large corporations or large lot transactions were consolidated to create the Capital Central Area with a view to realizing higher efficiency.

### ■ Kansai

Osaka Area—Two areas that were formerly divided were consolidated to create a single area in order to establish a firm presence as a local bank serving the area. Four blocs were created within the integrated area.

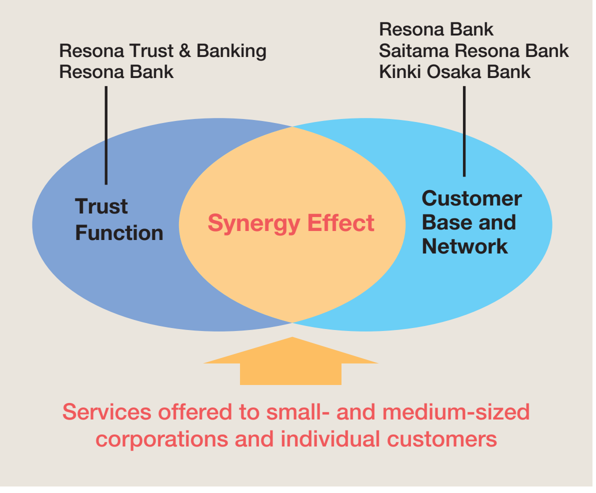
## Pursuing Group Synergy by Utilizing the Trust Functions

### Corporate Pension Business

The Resona Group demonstrates optimal synergies by organically connecting the trust functions held by Resona Bank and Resona Trust & Banking with the well-established customer base and branch networks held by the Group's three commercial banks. In this way, we offer small- and medium-sized enterprises, as well as individual customers, corporate pensions, testamentary trusts, real estate solutions and other services as we endeavor to reinforce our position as a retail bank.

This is reflected in our Corporate Pension Business, where Resona Trust & Banking offers corporate pension-related services to approximately 3,400 corporate clients of the Group's three commercial banks. However, on top of these existing corporate pension clients, we have approximately 4,000 prospective corporate customers that meet the transaction conditions for our corporate pension business. We intend to capture as many new business opportunities as possible from our vast and untapped client base by strengthening our sales force.

**[Pursuing Group Synergy by Utilizing the Trust Functions]**




### Inheritance Business

Driven by a rapidly aging society, assets are increasingly being transferred by baby boomers to their heirs, resulting in an expansion of the testamentary trust market. Resona Bank is capable of offering trust banking services along with its commercial banking services. In addition to this unique endowment in terms of available functions to offer, it also has a well-established customer base and network as a commercial bank. Resona Bank is in an advantageous position to apply the trust function to its broad customer base. Testamentary trust services are among the unique functions that Resona can offer and enable us to cross-sell products and services such as investment products, loans, real estate brokerage services, etc. In this manner, Resona Group banks will respond to the diverse needs of retail customers.

### Real Estate Business

In the real estate business field, which has a close affinity with the commercial banking business, the Resona Group intends to strengthen sales personnel further while attempts are made to capture and concentrate as many real estate transaction needs as possible and provide appropriate solutions.

## Responses to Other Management Issues

### Relocation of Tokyo Head Office

Resona Group has sold its Tokyo head office building, formerly owned by Resona Bank and used by the Resona Group companies. The Resona Group will relocate its Tokyo head office functions to offices in the Fukagawa Gatharia W2 Building in Koto-ku, Tokyo, now scheduled for completion in 2010. We will fundamentally renovate our office infrastructure as we endeavor to aggressively innovate for the purpose of raising productivity and creativity. Furthermore, we aim to deepen relationships with our individual and small- and medium-sized enterprise customers and to create a new corporate culture for the Group.

The approximately ¥130 billion in retained earnings to be secured through the sale of the current building will be utilized for strengthening the Group's capital base and strategic investments in the retail field.

**Relocation of the Tokyo Head Office**

- Sold the Tokyo Head Office at a price of ¥162.6 billion
- Plan to relocate Tokyo Head Office to the Fukagawa area in 2010
  - New Head Office: 1-chome, Kiba, Koto-ku, Tokyo Fukagawa Gatharia W2 Bldg.
  - Established the Tokyo Head Office Removal Project Office
  - Lease back the current head office building until completing the relocation

**New Corporate Culture**

- Head office location suitable for a retail bank
- Strengthen ties with local customers and create new corporate culture

**Head Office Reform**

- Renovate office infrastructure
- Enhance productivity and creativity

**Impact on Business Results and Retained Earnings**

| (Billions of Yen) | FY2007 | FY2008 | Cumulative Impact |
|---|---|---|---|
| Gain on sale of the Tokyo Head Office | — | +104.4 | +104.4 |
| Income tax-deferred (In relation to the sale) | +53.2 | (53.2) | — |
| Income tax-deferred (deferred tax liabilities on land revaluation) | — | +10.8 | +10.8 |
| Net income | +53.2 | +62.0 | +115.2 |
| Reversal of revaluation reserve for land | — | +15.8 | +15.8 |
| Retained earnings | +53.2 | +77.8 | +131.0 |

### Renovation of Kinki Osaka Bank's System

On July 22, 2008, Kinki Osaka Bank switched its former banking system to a system shared with the Resona Group. One advantage of this will be increased convenience for customers in the form of higher quality products and services. Another advantage exists with the enhanced efficiency available through the Group's shared infrastructure, acquired know-how in operational reforms and strengthened management realized through unification with the Group's systems infrastructure. Moreover, upgrading products and services to the Resona Group level will enable the Kinki Osaka Bank to further strengthen competitiveness in the market.

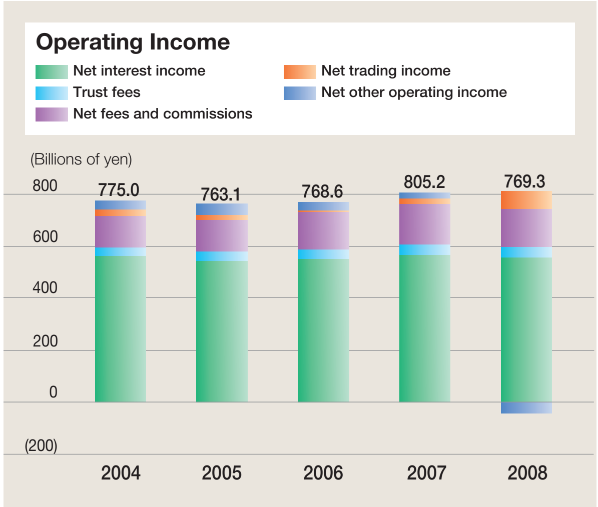
# FINANCIAL REVIEW

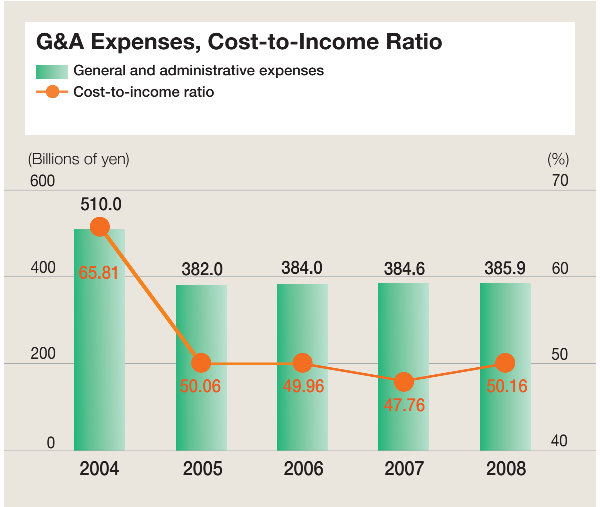


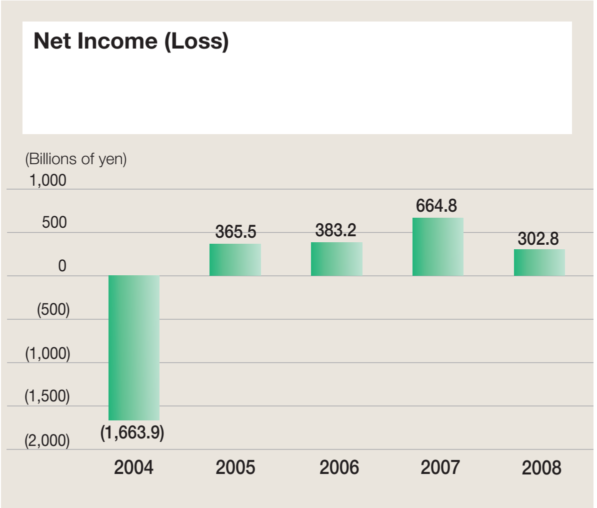
## Selected Financial Data (Consolidated)

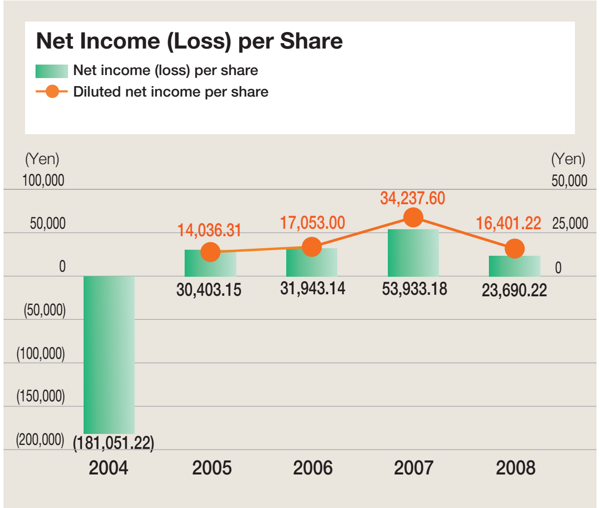
| Resona Holdings, Inc. and Consolidated Subsidiaries | Billions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | **FY2007 (A)** | FY2006 (B) | FY2005 | FY2004 | FY2003 | Change (A) – (B) |
| **Scope of consolidation and application of the equity method:** | | | | | | |
| Consolidated subsidiaries | **19** | 21 | 36 | 36 | 49 | (2) |
| Affiliated companies accounted for by the equity method | **2** | 2 | 2 | 2 | 4 | – |
| Total | **21** | 23 | 38 | 38 | 53 | (2) |
| **Income statement data:** | | | | | | |
| Net interest income | **555.3** | 563.7 | 549.8 | 542.3 | 561.2 | (8.3) |
| Trust fees | **41.3** | 40.4 | 36.6 | 35.1 | 32.7 | 0.9 |
| Net fees and commissions | **147.0** | 157.0 | 144.4 | 121.1 | 119.8 | (9.9) |
| Net trading income | **67.8** | 21.5 | 4.9 | 20.6 | 24.9 | 46.3 |
| Net other operating income | **(42.3)** | 22.5 | 32.7 | 43.8 | 36.1 | (64.8) |
| Total operating income | **769.3** | 805.2 | 768.6 | 763.1 | 775.0 | (35.9) |
| General and administrative expenses | **385.9** | 384.6 | 384.0 | 382.0 | 510.0 | 1.2 |
| Net credit costs (recoveries) | **58.4** | 69.7 | 6.2 | 62.8 | 1,396.2 | (11.2) |
| Other gains (losses), net | **(2.1)** | 74.8 | 24.1 | 70.1 | (167.1) | (76.9) |
| Income (loss) before income taxes and minority interests | **322.6** | 426.0 | 402.5 | 389.5 | (1,293.9) | (103.3) |
| Income taxes-current | **15.2** | 12.4 | 15.6 | 9.0 | 7.9 | 2.7 |
| Income taxes-deferred (benefit) | **(4.4)** | (263.6) | (9.1) | 2.3 | 357.9 | 259.1 |
| Minority interests in net income (loss) of subsidiaries | **9.1** | 12.3 | 12.6 | 12.6 | 4.0 | (3.2) |
| Net income (loss) | **302.8** | 664.8 | 383.2 | 365.5 | (1,663.9) | (362.0) |
| **Balance sheet data:** | | | | | | |
| Trading assets | **445.9** | 370.8 | 678.8 | 708.3 | 556.8 | 75.0 |
| Securities | **6,718.6** | 7,595.2 | 8,021.9 | 7,278.6 | 7,636.1 | (876.5) |
| Loans and bills discounted | **26,052.4** | 26,252.8 | 26,209.6 | 25,315.7 | 26,002.9 | (200.4) |
| Deferred tax assets | **371.8** | 309.2 | 3.5 | 45.5 | 52.9 | 62.5 |
| Customers' liabilities for acceptances and guarantees | **969.3** | 1,075.5 | 1,721.2 | 1,762.0 | 1,965.2 | (106.2) |
| Reserve for possible loan losses | **(490.8)** | (543.1) | (538.4) | (627.0) | (1,020.5) | 52.3 |
| Total assets | **39,916.1** | 39,985.6 | 40,399.5 | 39,563.3 | 39,841.8 | (69.5) |
| Deposits, including negotiable certificates of deposit | **32,997.5** | 33,531.3 | 33,320.9 | 33,003.5 | 33,344.9 | (533.7) |
| Trading liabilities | **139.3** | 115.3 | 71.0 | 39.0 | 45.5 | 23.9 |
| Borrowed money | **684.1** | 993.2 | 241.9 | 498.4 | 578.3 | (309.0) |
| Bonds | **892.1** | 866.1 | 763.4 | 555.9 | 363.1 | 25.9 |
| Deferred tax liabilities | **0.0** | 0.0 | 25.0 | 2.2 | 0.3 | 0.0 |
| Acceptances and guarantees | **969.3** | 1,075.5 | 1,721.2 | 1,762.0 | 1,965.2 | (106.2) |
| Total liabilities | **37,391.5** | 38,015.5 | 38,585.6 | 38,090.5 | 38,732.1 | (624.0) |
| Minority interests in subsidiaries | **/** | / | 156.8 | 286.3 | 296.6 | / |
| Capital stock | **327.2** | 327.2 | 327.2 | 327.2 | 1,288.4 | – |
| Total net assets | **2,524.6** | 1,970.1 | / | / | / | 554.5 |
| Total shareholders' equity | **/** | / | 1,657.0 | 1,186.4 | 813.0 | / |
| **Per share date (yen):** | | | | | | |
| Net assets per share | **(13,711.01)** | (23,676.18) | (78,499.52) | (120,562.76) | (151,659.01) | 9,965.17 |
| Net income (loss) per share | **23,690.06** | 53,933.18 | 31,943.14 | 30,403.15 | (181,051.22) | (30,243.12) |
| Diluted net income per share | **16,401.22** | 34,237.60 | 17,053.00 | 14,036.31 | – | (17,836.38) |
| **Capital adequacy data (%):** | | | | | | |
| Tier I capital ratio | **10.33** | 6.51 | 5.95 | 5.27 | 3.92 | 3.82 |
| Total capital adequacy ratio | **14.28** | 10.56 | 9.97 | 9.74 | 7.74 | 3.72 |
| **Other data:** | | | | | | |
| Return on equity (%) | **14.4** | 38.3 | – | – | – | (23.9) |
| Price earnings ratio (x) | **7.00** | 5.87 | 12.67 | 7.07 | – | 1.13 |
| Cost-to-income ratio (%) | **50.16** | 47.76 | 49.96 | 50.06 | 65.81 | 2.40 |
| Net deferred tax assets as a percentage of Tier I capital (%) | **16.50** | 19.93 | (1.51) | 3.62 | 5.85 | (3.43) |
| Number of employees | **16,343** | 16,245 | 16,123 | 16,260 | 18,025 | 98 |
| Trust assets under management and custody | **36,733.5** | 34,203.0 | 30,041.3 | 27,435.4 | 25,719.8 | 2,530.5 |

*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 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. Per share information presented for the fiscal years ended March 31, 2004 and 2005 were multiplied by 1,000 times for the sake of comparability of the numbers before and after the reverse split.




Total assets decreased ¥69.5 billion from the previous fiscal year-end, to ¥39,916.1 billion.

In assets, call loans and bills bought rose by ¥444.1 billion from the previous fiscal year-end, to ¥1,644.2 billion, while cash and due from banks increased ¥436.3 billion to ¥2,045.6 billion. However, securities decreased ¥876.5 billion to ¥6,718.6 billion, and loans and bills discounted declined ¥200.4 billion, to ¥26,052.4 billion.

In liabilities, call money and bills sold grew ¥304.2 billion to ¥428.3 billion, but negotiable certificates of deposit declined by ¥438.0 billion to ¥1,362.1 billion and borrowed money fell by ¥309.0 billion to ¥684.1 billion. Time deposits totaled ¥12,293.6 billion, up ¥435.8 billion from the end of the previous fiscal year.

Total shareholders' equity was ¥2,190.2 billion as of March 31, 2008, an increase of ¥722.8 billion from a year earlier, reflecting the recording of net income and an increase in capital surplus from the issuance of Class Five and Class Nine Preferred Shares. Owing to a decline in net unrealized gains on available-for-sale securities, total valuation and translation adjustments declined ¥146.1 billion to ¥198.2 billion, and minority interests in consolidated subsidiaries decreased ¥22.1 billion to ¥136.1 billion. As a result, total equity rose ¥554.5 billion to ¥2,524.6 billion. Equity per share, after an adjustment to exclude the equity related to preferred shares, was negative ¥13,711.1 as of the end of fiscal 2008.

Looking at business performance, consolidated total operating income declined ¥35.9 billion, or 4.5%, from the previous fiscal year to ¥769.3 billion. A breakdown shows that net interest income declined ¥8.3 billion from the previous fiscal year, as the decline in interest and dividends on securities was larger than the increase in interest income from loans and deposits, which is attributable to improvement in the loan-deposit spread. Despite an increase of ¥0.9 billion in trust fees from the previous fiscal year, net fees and commissions fell ¥9.9 billion on account of a deceleration in sales of financial products in the second half of the fiscal year under review, after a strong showing in the previous fiscal year. Net trading income rose ¥46.3 billion, but net other operating income dropped by ¥64.8 billion, primarily due to losses on foreign currency trading

At ¥385.9 billion, general and administrative expenses were mostly unchanged from the previous fiscal year, and the cost-to-income ratio remained stable at a low 50.16%.

Net credit costs, which is gross credit expenses less gains from the reversal of loan loss reserves and gains from recoveries of written-off claims, decreased by ¥11.2 billion to ¥58.4 billion. This was primarily due to the recording of extraordinary gains from recoveries of written-off claims that were ¥14.0 billion higher than the previous fiscal year.

Other gains (losses), net, declined ¥76.9 billion from the previous fiscal year to a loss of ¥2.1 billion, reflecting a decline in gains on the sale of stocks and other securities, which were at a high level last year, and an increase in losses on the sale and write-down of available-for-sale securities stemming from turmoil in stock markets caused by the subprime loan problem.

In the previous fiscal year, the Company had changed the period used to estimate future taxable income from one to five years in calculating deferred tax assets, resulting in income tax benefit of ¥263.6 billion. In the absence of such change in the estimation period, the income tax benefit was ¥4.4 billion, a decrease of ¥259.1 billion from the previous fiscal year.

As a result of the aforementioned factors, consolidated net income totaled ¥302.8 billion, a decrease of ¥362.0 billion from the previous fiscal year. Net income per share (Basic) was ¥23,690.06.

## Capital Adequacy Ratio (Resona Holdings, Consolidated Basis)

As of March 31, 2008, Resona Holdings' consolidated capital adequacy ratio was 14.28%, an increase of 3.72 percentage points from 10.56% a year earlier.

The Resona Group 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 under the new BIS regulations. From March 31, 2008, however, the Resona Group has transitioned over to the Foundation Internal Ratings-Based (F-IRB) approach.

The left side of the accompanying table shows the factors that are responsible for the changes between the ratios as of March 31, 2007 and March 31, 2008 under the previous standards. With respect to the increase in qualifying Tier I capital, Resona Holdings raised ¥350.0 billion through the issuance of Class Nine Preferred Shares and ¥100.0 billion through Class Five Preferred Shares, and the Resona Group registered a consolidated net income of ¥302.8 billion, for a total increase of ¥701.5 billion in Tier I capital.

However, there was a decrease of ¥34.1 billion in Tier II capital from the repayment of subordinated borrowings.

Risk-weighted assets, the denominator in the capital adequacy ratio calculation, declined ¥696.6 billion due to the sale of investment trusts held solely for investment purposes and a decline in loans and bills discounted.

The right side of the accompanying table shows the differences resulting from the transition from the Standardized Approach to the F-IRB approach. As a part of the numerator of the capital adequacy ratio calculation, Tier I capital saw no changes stemming from the different approaches. Under Tier II capital, the general reserve for possible loan losses eligible for inclusion declined ¥57.1 billion, while a deduction relating to securitization exposure has increased ¥23.0 billion, for a total reduction in qualifying capital of ¥80.6 billion based on the F-IRB approach, as opposed to the Standardized Approach.

As for the risk-weighted assets, while a change in the method for calculating the risk weighting of loans and bills discounted accounts for a decrease of ¥2,290 billion in risk-weighted assets, an increase in the risk weighting for equities and investment trusts led to an increase of ¥1,040 billion. These factors combined have resulted in a net decline in risk-weighted assets of ¥1,297.3 billion.

As a result of the aforementioned factors, the Resona Group's capital adequacy ratio rose by 0.45 percentage point due to the transition from the Standardized Approach to the F-IRB approach.

## [Resona Holdings' Consolidated Capital Adequacy Ratio]

March 31, 2007: 10.56% (Basel II, SA) → **March 31, 2008: 14.28% (Basel II, F-IRB)**

### YoY change based on the Standardized Approach

| | Mar. 31, 2007 (SA) | Mar. 31, 2008 (SA) | YoY change |
|---|---|---|---|
| Capital adequacy ratio | 10.56 | 13.83 | 3.27 |
| Tier I ratio | 6.51 | 9.75 | 3.24 |
| Total qualifying capital | 2,515.8 | 3,196.5 | 680.6 |
| Tier I capital | 1,551.7 | 2,253.3 | 701.5 |
| Tier II capital | 1,001.7 | 967.6 | (34.1) |
| Deduction | (37.5) | (24.3) | 13.1 |
| Risk-weighted assets | 23,803.3 | 23,106.6 | (696.6) |
| Credit risk | 22,389.3 | 21,698.6 | (690.7) |
| Operational risk | 1,414.0 | 1,408.0 | (5.9) |

### Change due to shift from SA to F-IRB (March 31, 2008)

| | Mar. 31, 2007 (SA) | Mar. 31, 2008 (F-IRB) | change |
|---|---|---|---|
| Capital adequacy retio | 13.83 | 14.28 | 0.45 |
| Tier I ratio | 9.75 | 10.33 | 0.58 |
| Total qualifying capital | 3,196.5 | 3,115.8 | (80.6) |
| Tier I capital | 2,253.3 | 2,253.3 | — |
| Tier II capital | 967.6 | 910.4 | (57.1) |
| Deduction | (24.3) | (47.8) | (23.4) |
| Risk-weighted assets | 23,106.6 | 21,809.3 | (1,297.3) |
| Credit risk | 21,698.6 | 20,401.2 | (1,297.3) |
| Operational risk | 1,408.0 | 1,408.0 | — |

## [Operating Results: Total of Non-consolidated Figures of Four Group Banks]

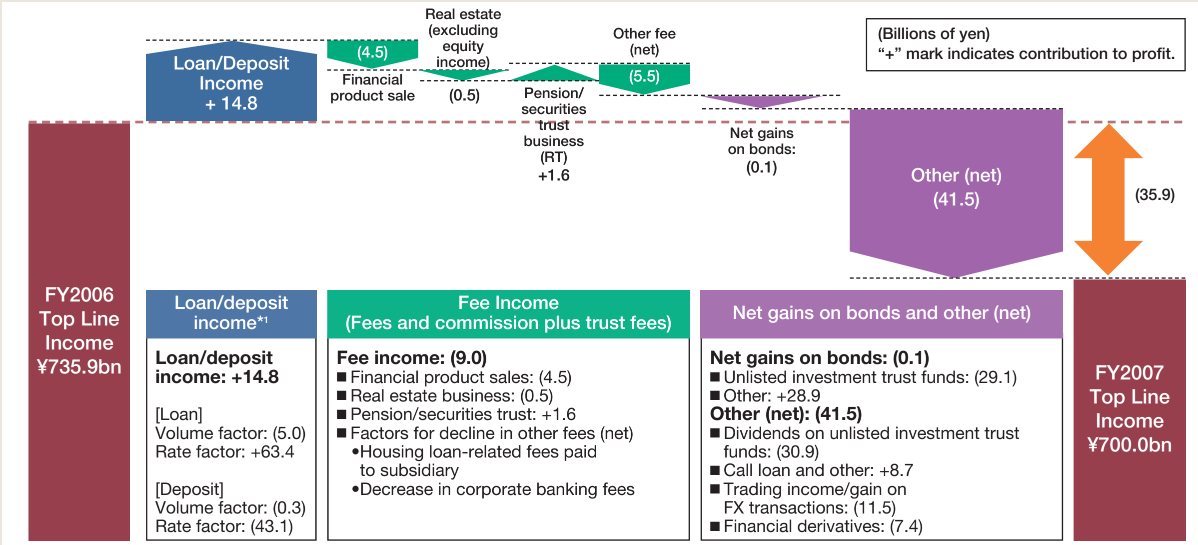
| | | Total of four banks | | |
|---|---|---|---|---|
| | | FY 2007 [A] | [A]-[B] | FY 2006 [B] |
| Gross operating profit | 1 | 700.0 | (35.9) | 735.9 |
| Gross operating profit from domestic operations | 2 | 669.2 | (10.2) | 679.4 |
| Interest income | 3 | 536.1 | 1.7 | 534.4 |
| Trust fees (after disposal of problem loans in the trust account) | 4 | 41.3 | 0.9 | 40.4 |
| <Disposal of problem loans in the trust account> | 5 | (0.1) | (0.4) | 0.3 |
| Fees and commissions | 6 | 93.9 | (9.8) | 103.7 |
| Trading income | 7 | 2.4 | 0.4 | 2.0 |
| Other operating income | 8 | (4.6) | (3.5) | (1.1) |
| Gross operating profit from international operations | 9 | 30.8 | (25.7) | 56.5 |
| Interest income | 10 | 1.0 | (9.1) | 10.2 |
| Fees and commissions | 11 | 3.0 | (0.1) | 3.2 |
| Trading income | 12 | 67.2 | 48.6 | 18.5 |
| Other operating income | 13 | (40.6) | (65.0) | 24.4 |
| Operating expenses (excluding non-recurring items) | 14 | 362.1 | 7.7 | 354.3 |
| Personnel expenses | 15 | 123.8 | 3.0 | 120.7 |
| Non-personnel expenses | 16 | 217.1 | 4.3 | 212.7 |
| Taxes | 17 | 21.1 | 0.3 | 20.7 |
| Provision to general reserve for possible loan losses | 18 | (0.0) | (4.4) | 4.4 |
| Actual net operating profit *1 | 19 | 337.8 | (44.1) | 382.0 |
| Core net operating profit *2 | 20 | 330.5 | (44.0) | 374.5 |
| Net operating profit | 21 | 337.9 | (39.2) | 377.2 |
| Other gains/(losses), net | 22 | (125.4) | (134.7) | 9.2 |
| Net gains/(losses) on stocks | 23 | (45.8) | (115.0) | 69.1 |
| Gains on sale | 24 | 20.8 | (82.9) | 103.7 |
| Losses on sale | 25 | 39.9 | 12.9 | 27.0 |
| Losses on devaluation | 26 | 26.7 | 19.0 | 7.6 |
| Expenses related to disposal of problem loans | 27 | 80.3 | 8.1 | 72.1 |
| Write-off of loans | 28 | 71.7 | 38.7 | 33.0 |
| Provision to specific reserve for possible loan losses | 29 | 5.5 | (37.5) | 43.0 |
| Provision to special reserve for certain overseas loans | 30 | — | 0.0 | (0.0) |
| Other disposal of problem loans | 31 | 3.0 | 7.0 | (3.9) |
| Other | 32 | 0.7 | (11.5) | 12.2 |
| Ordinary profit | 33 | 212.5 | (173.9) | 386.5 |
| Extraordinary profit/ (loss), net | 34 | 89.6 | 68.1 | 21.4 |
| Gains from reversal of credit-related expenses | 35 | 41.4 | 11.3 | 30.0 |
| Gains from reversal of loan loss reserves | 36 | 5.0 | (0.2) | 5.3 |
| Gains from recoveries of written-off claims | 37 | 36.3 | 11.6 | 24.7 |
| Gains/(losses) on sales of premises and equipment | 38 | (1.8) | (0.7) | (1.0) |
| Losses on impairment of fixed assets | 39 | 3.0 | (4.7) | 7.7 |
| Other | 40 | 52.9 | 52.8 | 0.1 |
| Income before income taxes | 41 | 302.1 | (105.8) | 407.9 |
| Income taxes-current | 42 | 9.6 | (8.6) | 18.3 |
| Income taxes-deferred | 43 | 32.3 | 257.3 | (225.0) |
| Net income | 44 | 260.1 | (354.4) | 614.6 |
| Credit-related expenses (5,18,27,35) | 45 | 38.7 | (8.1) | 46.8 |

*1 Actual net operating profit: Net operating profit before transfer to 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 reversal exceeds the amount of addition during each period, the amount of such difference is accounted for as extraordinary gains.

## Principal Resona Group Business Trends

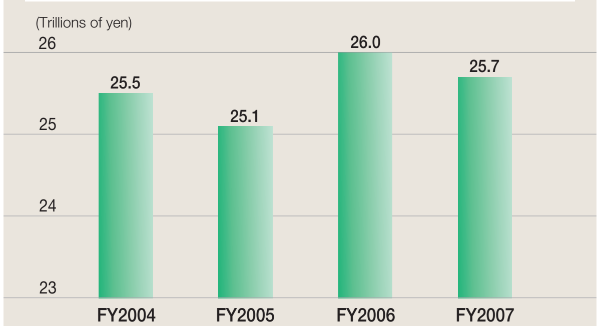
**[Gap Analysis on Top Line Income (Total of Group banks)]**

### Top line income declined ¥35.9bn primarily due to loss on sale of unlisted investment trust funds



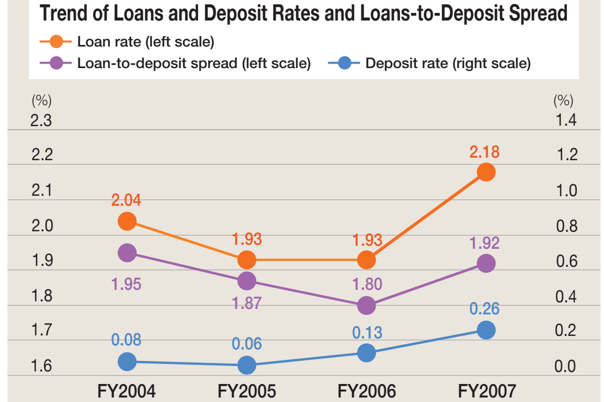

*1 Domestic operations (deposits include NCDs)

### Trend of Average Loan Balance




(Domestic banking account)

### Trend of Loans and Deposit Rates and Loans-to-Deposit Spread




(Domestic banking account)

Net income from loans and deposits grew by ¥14.8 billion from a year earlier underpinned by steady spread improvements. While the average loan balance declined, the sustained improvement in the loan to deposit interest spread more than fully offset the negative impact.

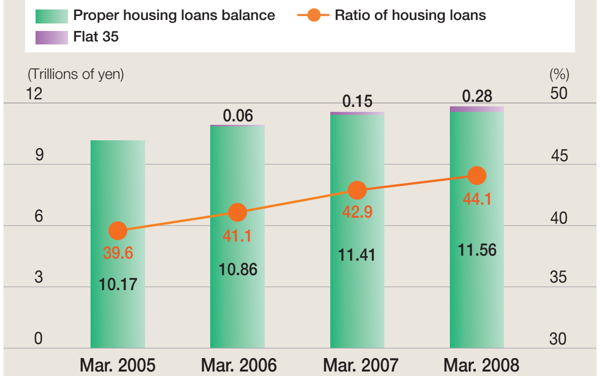
Fee income, which is defined as fees and commissions income plus trust fees, fell ¥9.0 billion from the previous year. Approximately half of this decline was on account of a deceleration in sales of investment trust funds in the second half of the fiscal year.

Other fee income (net) declined, with main factors being an increase in housing loan-related costs and a decrease in corporate banking fees.

Net gains on bonds, including the loss of ¥11.3 billion on the sale of unlisted investment trust funds which had been held for net investment purposes, remained almost flat compared to the previous year.

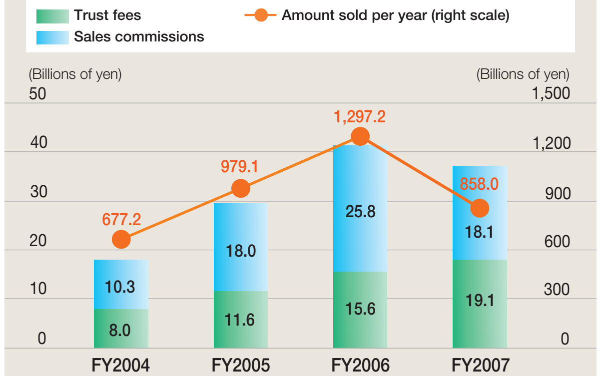
Other items not included in the categories mentioned above are listed under "Other (net)." Major factors include a large decrease of dividends on unlisted investment trust funds (FY06: approximately ¥30 billion) and a decline in derivative-related income

## Housing Loans



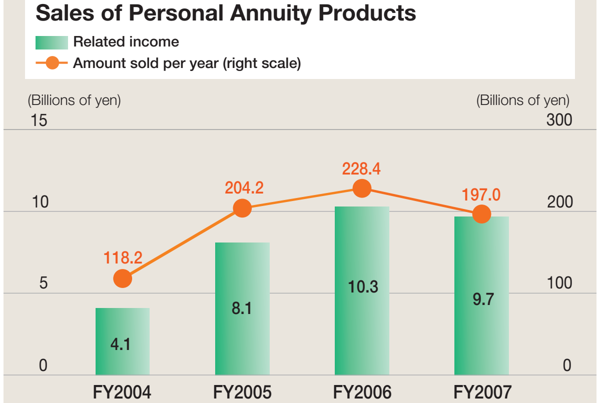

- **Favorable market environment in the medium term**
  - Housing demand from second-generation baby boomers
  - Origination of new loans sustained at high level: ¥1.39 trillion for FY2007
- **Resona's strength in housing loans**
  - Infrastructure supporting over ¥1 trillion new loan origination
  - Quick and accurate application screening

## Sales of Investment Trusts



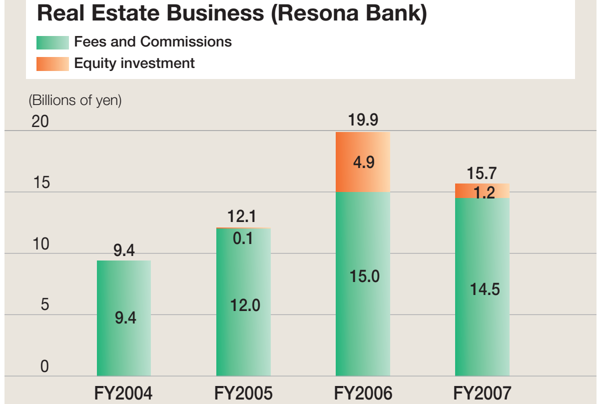

- **Annual sales amount comparable to megabanks**
- **Despite a temporary slowdown, mid- to long-term growth potential unchanged**
  - Inflow of money from retiring first baby boomers
  - Shift from savings to investments

## Sales of Personal Annuity Products



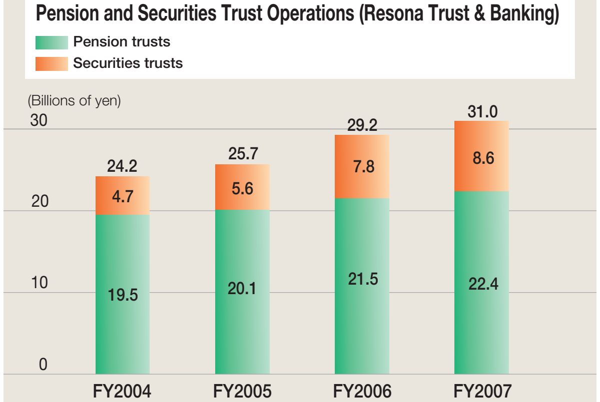

- **Enhanced product lineup through alliances with The Dai-ichi Mutual Life Insurance Company and Credit Agricole S.A.**
- **Plans to significantly bolster sales force**

## Real Estate Business (Resona Bank)




- **Realization of group synergies**
  - Greater income generated by branch offices in the Tokyo metropolitan area

## Pension and Securities Trust Operations (Resona Trust & Banking)




- **Trend of sustained and steady growth**

## Financial Soundness

### Claims Disclosure According to the Financial Reconstruction Law (Total of the Three Banks*)

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

| March 31 | | 2008 (1) | 2007 (2) | Change (1)-(2) |
|---|---|---|---|---|
| | | Billions of Yen | | |
| Unrecoverable or valueless claims | | **74.1** | 63.4 | 10.6 |
| Risk claims | | **342.8** | 356.4 | (13.6) |
| Claims in need of special attention | | **182.2** | 266.9 | (84.6) |
| Subtotal | (A) | **599.1** | 686.8 | (87.6) |
| Nonclassifed claims | | **26,662.0** | 27,140.8 | (478.8) |
| Total claims | (B) | **27,261.1** | 27,827.6 | (566.5) |
| Ratio of classified claims (%) | (A)/(B) | 2.19 | 2.47 | (0.27) |

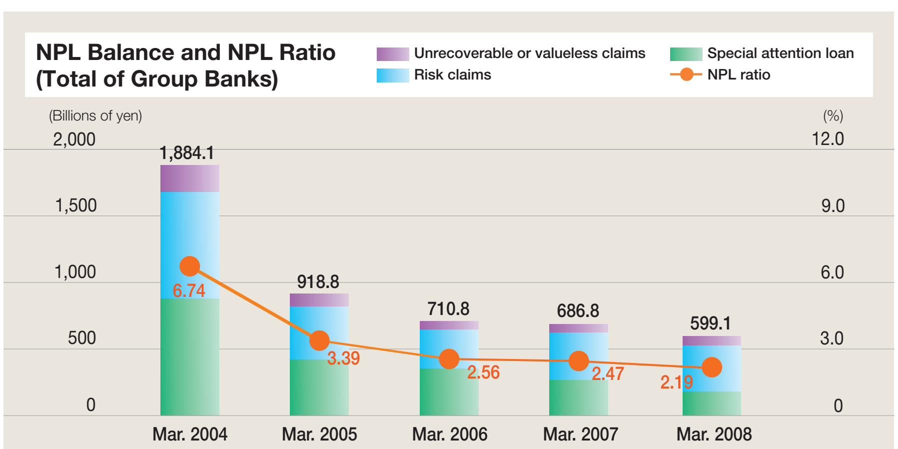
*Sum of non-consolidated figures for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank.

### Reserve for Possible Loan Losses (Total of the Three Banks*)

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

| March 31 | 2008 (1) | 2007 (2) | Change (1)-(2) |
|---|---|---|---|
| | Billions of Yen | | |
| General reserve for possible loan losses | **246.0** | 259.9 | (13.8) |
| Specific reserve for possible loan losses | **145.1** | 183.9 | (38.8) |
| Special reserve for certain overseas loans | **0.3** | 0.1 | 0.1 |
| Total reserve for possible loan losses | **391.4** | 444.0 | (52.5) |
| Reserve for write-off of loans in the trust account | **0.3** | 0.4 | (0.0) |

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

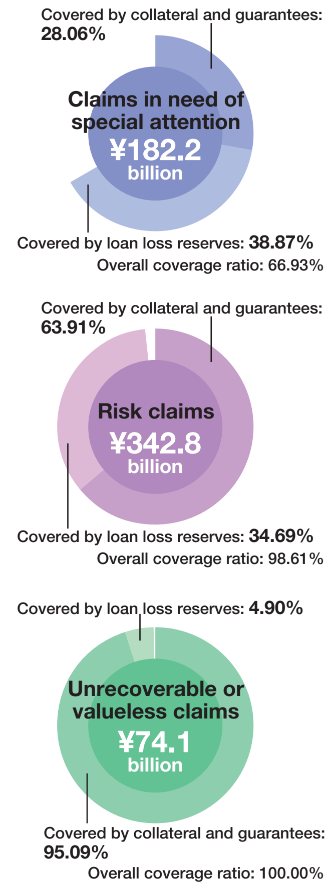



### Risk Management Loans (Consolidated)

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

| March 31 | 2008 (1) | 2007 (2) | Change (1)-(2) |
|---|---|---|---|
| | Billions of Yen | | |
| Loans to borrowers in legal bankruptcy | **22.1** | 20.4 | 1.6 |
| Past due loans | **414.3** | 407.6 | 6.6 |
| Loans past due three months or more | **8.1** | 12.0 | (3.9) |
| Restructured loans | **206.9** | 299.2 | (92.3) |
| Risk management loans | **651.5** | 739.5 | (87.9) |

**Coverage of Credit Exposure**
(as of March 31, 2008)




• Non-performing loan ratio for the three Group banks at fiscal 2007 year-end (Financial Reconstruction Law criteria) was 2.19%.

**Amortized Cost and Fair Value of Marketable Securities (Consolidated)**

| | Billions of Yen | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | | 2007 | | | | |
| March 31 | Amortized cost | Estimated fair value | Net unrealized gains (losses) | Gross unrealized gains | Gross unrealized losses | Amortized cost | Estimated fair value | Net unrealized gains (losses) | Gross unrealized gains | Gross unrealized losses |
| Securities being held to maturity: | | | | | | | | | | |
| Japanese local government bonds | **188.9** | **194.8** | **5.8** | **5.8** | **0.0** | 148.4 | 148.0 | (0.3) | 0.5 | 0.9 |
| Total | **188.9** | **194.8** | **5.8** | **5.8** | **0.0** | 148.4 | 148.0 | (0.3) | 0.5 | 0.9 |
| Securities available-for-sale: | | | | | | | | | | |
| Japanese stocks | **385.5** | **589.9** | **204.3** | **216.1** | **11.7** | 390.4 | 839.4 | 448.9 | 451.4 | 2.4 |
| Bonds | **5,104.4** | **5,074.4** | **(29.9)** | **7.6** | **37.6** | 4,951.7 | 4,913.5 | (38.1) | 1.4 | 39.6 |
| Japanese national government bonds | **4,184.4** | **4,151.6** | **(32.7)** | **3.2** | **36.0** | 3,927.6 | 3,894.7 | (32.9) | 0.8 | 33.7 |
| Japanese local government bonds | **250.7** | **253.2** | **2.5** | **3.0** | **0.5** | 311.5 | 308.7 | (2.8) | 0.3 | 3.1 |
| Japanese corporate bonds | **669.1** | **669.5** | **0.3** | **1.3** | **1.0** | 712.5 | 710.0 | (2.4) | 0.2 | 2.7 |
| Other | **451.8** | **449.1** | **(2.7)** | **8.0** | **10.8** | 1,054.4 | 1,076.5 | 22.1 | 49.6 | 27.4 |
| Total | **5,941.8** | **6,113.5** | **171.6** | **231.8** | **60.2** | 6,396.5 | 6,829.5 | 432.9 | 502.5 | 69.6 |

## Maintained Soundness of Securities Portfolio

**[Non-trading Marketable Securities Available for Sale]**


*1 JGB: Japanese national government bonds
*2 LGB: Japanese local government bonds

**Securitized products (Balance of direct investments: ¥323.9bn)**

- **Underlying assets for all products held are Japanese assets**

**Investment and loan exposure linked to U.S. sub-prime housing loans**

- **Direct investments in assets linked to the U.S. subprime housing loans: Zero**
- **Indirect investments via foreign FoFs in assets linked to the U.S. subprime mortgage loans: ¥30 million**

**■ Bonds: unrealized loss: ¥29.9 billion**
- Duration 1.7 years, BPV ¥0.9 billion
- JGB investments to earn stable interest income in the medium term
- Conservative management in light of interest rate normalization

**■ Stock: unrealized gain: +¥204.3 billion**
- Portfolio with minimized downside risks
- Loss on write-down of listed stocks for FY2007: ¥5.0 billion

**■ Other: unrealized loss: ¥2.7 billion**
- Diversification of investments with non-interest assets
- Unwinding of net investment position in response to deteriorating performance and poor visibility of markets (Net loss on sale for FY2007: ¥41.8 billion)

# PATHWAY TO EARLY REPAYMENT OF PUBLIC FUNDS



## 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

In fiscal 2007, in addition to the increase in retained earnings of ¥261.4 billion, Resona Holdings procured ¥450 billion as other capital surplus by issuing Class Nine Preferred Shares in June 2007 and Class Five Preferred Shares in August 2007. As a result of these efforts, the Resona Group secured total funds available for repayments in the amount of ¥1,615.8 billion as of the end of March, 2008.

The Class Five Preferred Shares are the non-convertible type, and there is no possibility of dilution in the future. The proceeds from the issuances of the Class Nine and Class Five Preferred Shares will be utilized for repurchasing the existing convertible public funds preferred shares with a view toward avoiding dilution.

In June 2007, the Resona Group repaid ¥35 billion of the perpetual subordinated loan which it borrowed under the Financial Function Early Strengthening Law. Also, in June 2008, the Deposit Insurance Corporation of Japan transferred a part of the common shares of Resona Holdings it owned to the Dai-ichi Mutual Life Insurance Company, in response to the request submitted by Resona Holdings. This transaction resulted in a partial repayment of common shares in the amount of ¥14.4 billion on an infusion amount basis. As a result of these repayments, the balance of public funds still outstanding as of the end of June 2008 is shown in the table below.

## Specific Approaches to Repayment of Public Funds

**1. Preferred shares: ¥1,998.8 billion (an infusion amount basis)**

The basic policy is to repurchase these preferred shares utilizing the accumulated retained earnings and the proceeds (other capital surplus) from the issuances of new preferred shares in the market. As of the end of March, 2008, the Resona Group as a whole secured ¥1,615.8 billion of funds available for repayments which cover approximately 80% of the public funds preferred shares still outstanding on an infusion amount basis.

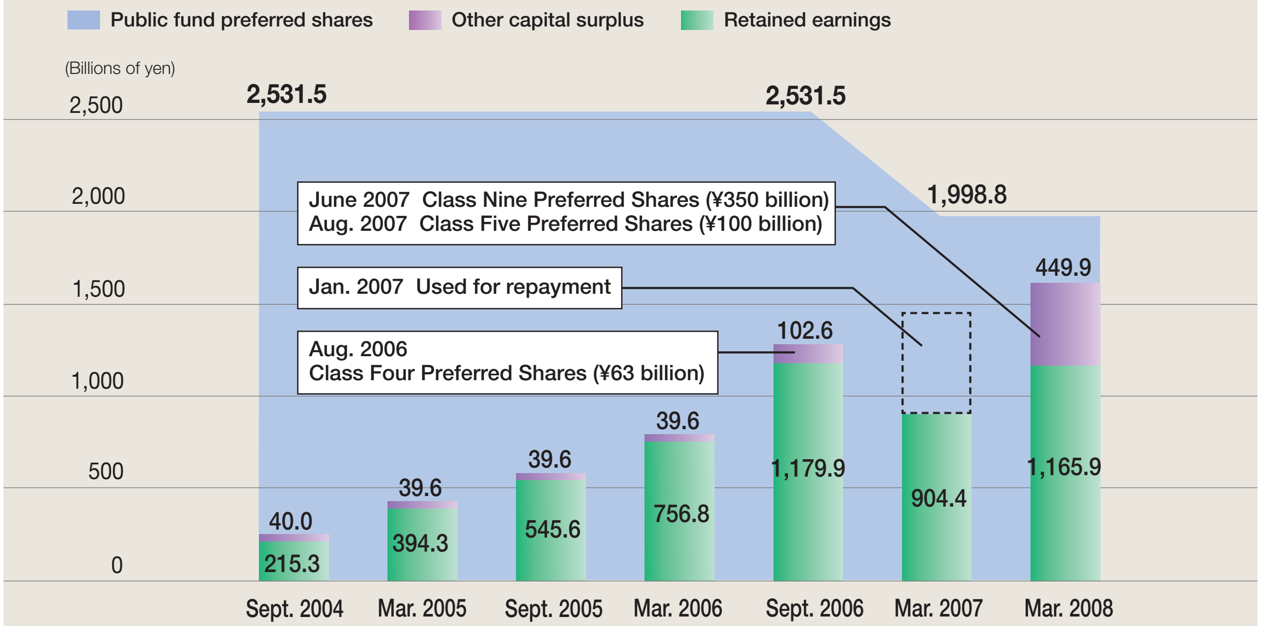
**[List of Public Funds Received]** (Billions of yen)

| | Amount Sept. 30, 2003 (1) | Amount June 30, 2008 (2) | Amount Repaid (2)-(1) |
|---|---|---|---|
| Total Public Funds Received | 3,128.0 | 2,323.1 | (804.8) |
| 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 Early Stabilization Law | 200.0 | — | (200.0) |
| Early Strengthening Law | 100.0 | 45.0 | (55.0) |
| Common Shares | 296.4 | 279.2 | (17.1) |

*Amounts less than ¥0.1 billion are rounded down.

## Repayment of Public Funds

■ Secure funds for repayments exceeding the infusion amount of remaining public funds preferred shares through accumulation of retained earnings and issuances of non-convertible preferred shares




Note: The amount necessary for actual repayment may differ from the balance of the public funds preferred shares based on their issue prices (original infusion amount) described above.

**2. Subordinated loan: ¥45.0 billion (an infusion amount basis)**

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

**3. Common shares: ¥279.2 billion (an infusion amount basis)**

Resona Holdings will assess prevailing market conditions and proceed with discussions with the relevant authorities regarding a repayment through sales in the market of some of the common shares subscribed with public funds.

### Response to Possible Dilution

Resona Holdings intends to repurchase the preferred shares issued under the Early Strengthening Law prior to their respective mandatory conversion dates, contingent on the approval of competent authorities. However, there is a possibility that Resona Holdings will not be able to make such repurchases under unfavorable market conditions. As a countermeasure to curtail the impact of dilution from mandatory conversion, Resona Holdings is considering the repurchase of its own common shares from the market. Resona Holdings intends to maintain its capital adequacy ratio and Tier I ratio above 9% and 5%, respectively, even after it repurchases its own common shares from the market.

# 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.

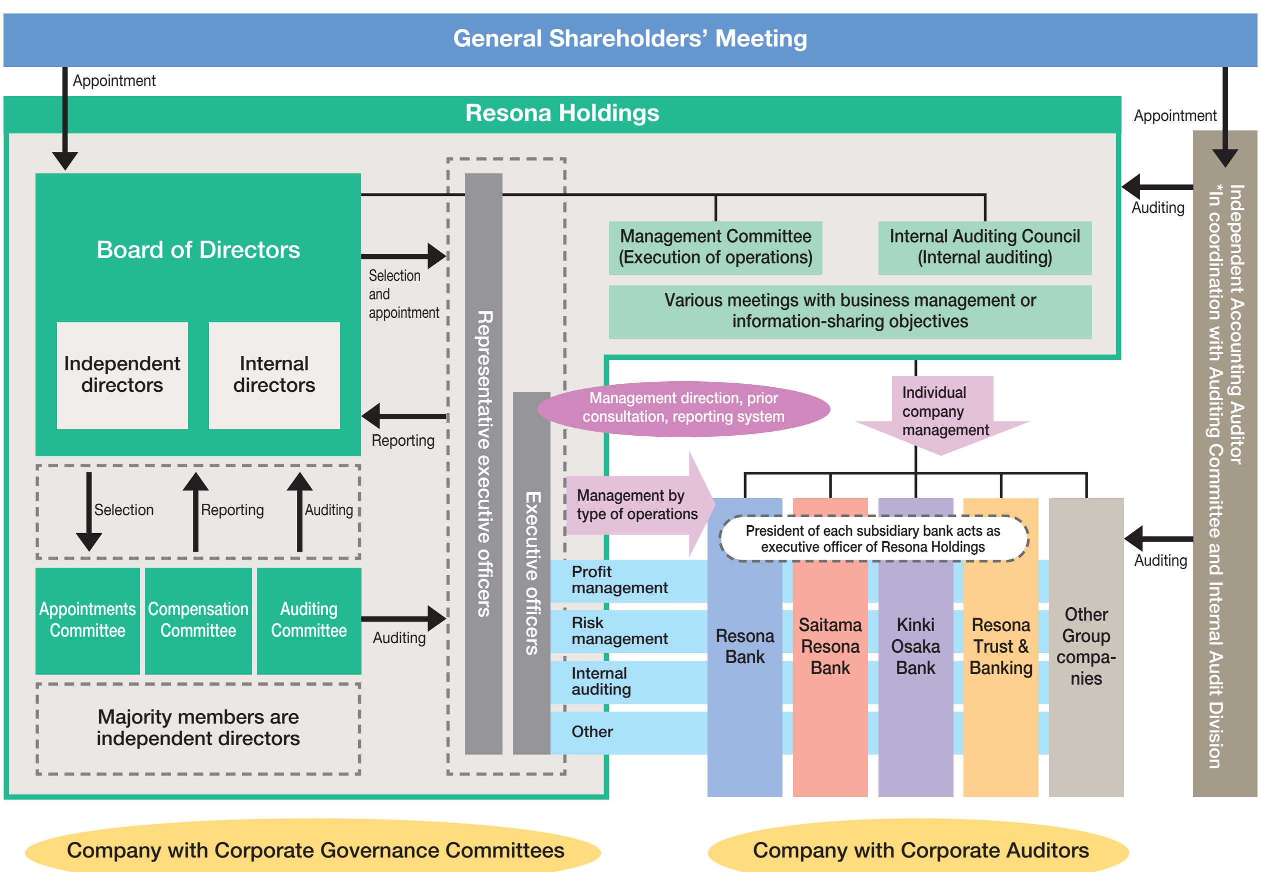
The subsidiary banks under Resona Holdings uniformly adopt the Auditors Governance Model. This governance framework at Group banks ensures consistency in the strengthening of Group-wide governance as a whole and the framework of subsidiary banks' governance structure that facilitates their autonomous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

**[Group Corporate Governance Framework]**



unique features of the Committees Governance Model is that while the Board of Directors makes decisions 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 18 times in fiscal 2007.

**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, as well as the Standards for Appointing Independent Director Candidates. In June 2007, The Appointments Committee decided to introduce a succession plan that serves as a mechanism to ensure that the most appropriate candidates fill top management roles and responsibilities. This committee met seven times in fiscal 2007.

**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. In addition, the committee considers the role a director compensation system should play in enhancing the Group's corporate value. In fiscal 2007, the committee met four 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 accounting 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 15 times in fiscal 2007.

**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 2007, this committee met 49 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 18 times in fiscal 2007 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 Corporate Auditors Meeting, which comprises the corporate 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 Established at Resona Bank, Saitama Resona Bank, and Kinki Osaka Bank
*1, *2 Established at Resona Bank as units for deliberation and reporting

## 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**

To enhance the Group's corporate value, 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.

**Corporate Governance Quotient (CGQ)**

The CGQ is a tool for evaluating corporate governance developed by a U.S.-based institutional Shareholder Services (ISS) and is the most widely used and respected measure in the corporate governance field. On August 10, 2008, ISS assessed Resona Holdings' corporate governance to stand at the top 0.8% of the Japanese companies listed in the MSCI/EAFE Index.*

**Corporate Governance Quotient (CGQ)** **August 10, 2008**

| Index Ranking | Country Ranking | Industry Ranking |
|---|---|---|
| 45.8% | 99.2% | 49.3% |

- Resona Holdings outperformed 45.8% of the companies in the MSCI/EAFE Index, 99.2% of the Japanese companies and 49.3% of the financial sector companies.

*The MSCI/EAFE index is a stock price index computed by Morgan Stanley Capital International, covering Europe, Australia and the Far East.

# COMPLIANCE SYSTEMS

The Resona Group is strongly aware of the responsibilities of banking institutions to society and to acting in the public interest. Under its basic principles of compliance, the Group defines compliance as the strict observance not only of laws and regulations but also social norms to strengthen the trust placed in the Group by society at large. Therefore, the Resona Group has positioned compliance as a key management issue and is working to implement effectively and enhance the compliance systems of the Group as a whole.

## Basic Activities

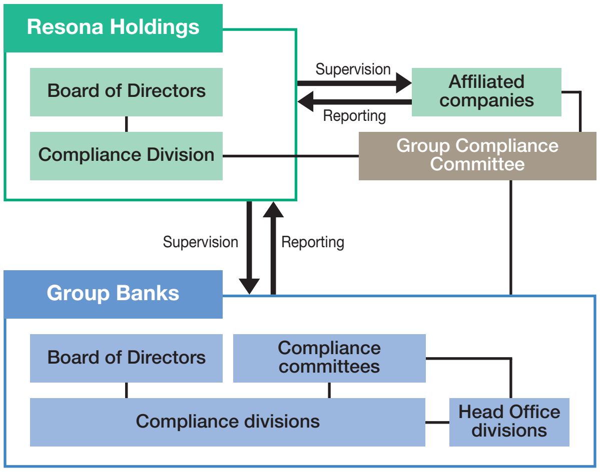
The Resona Group has established its *Corporate Mission*, which forms the basis for the judgments and behavior of directors and employees; the *Resona Way* (Resona Group Corporate Promises), which outlines the basic stance, based on the *Corporate Mission*, that directors and employees should take toward 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.

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 that is distributed to all 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.

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.

## Providing Customers with Appropriate Products and Services

These days, amid such challenging developments as 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 Financial Instruments and Exchange Law, and problems related to advertising, financial institutions must strive to provide customers with proper responses 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 providing better responses 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 responses to 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.

## Elimination of Anti-Social Forces

The Resona Group believes that preventing and eradicating transactions with anti-social forces are critically important to its public mission and social responsibility as a financial institution. Our basic approach is to intervene in and nullify transactions that would support anti-social forces through the corporate activities of Resona Holdings and Group companies.

The Resona Group has designated its compliance divisions as the departments responsible for countering anti-social forces and has set specific internal rules and regulations, as well as providing ongoing training and education on these compliance issues for directors and employees. To prevent and nullify transactions with anti-social forces, we have formed cooperative relationships with law-enforcement agencies, law firms and other professional organizations.

# RISK MANAGEMENT SYSTEMS



## RISK MANAGEMENT SYSTEMS

### Basic Approach to Risk Management

We deeply regret the serious concern and inconvenience that the injection of public funds in June 2003 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. Resona Holdings and other Resona Group companies conduct their risk management activities with an eye to securing the soundness of operations and enhancing profitability.

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 the *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, other than the banks, 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 their fundamental business areas. These 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 the worst case scenario in which risks triggered by disasters or systems failures, for example, go beyond the scope of usual risk management and reach a crisis proportion, Resona Holdings and 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, risk limits setting, etc. |
| Market risk | Risk limits, loss limits, position limits, etc. |
| Operational risk | Control self-assessments (CSAs), analysis of loss data, 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 common guidance and direction to all Group companies regarding risk management policies, standards, and systems.

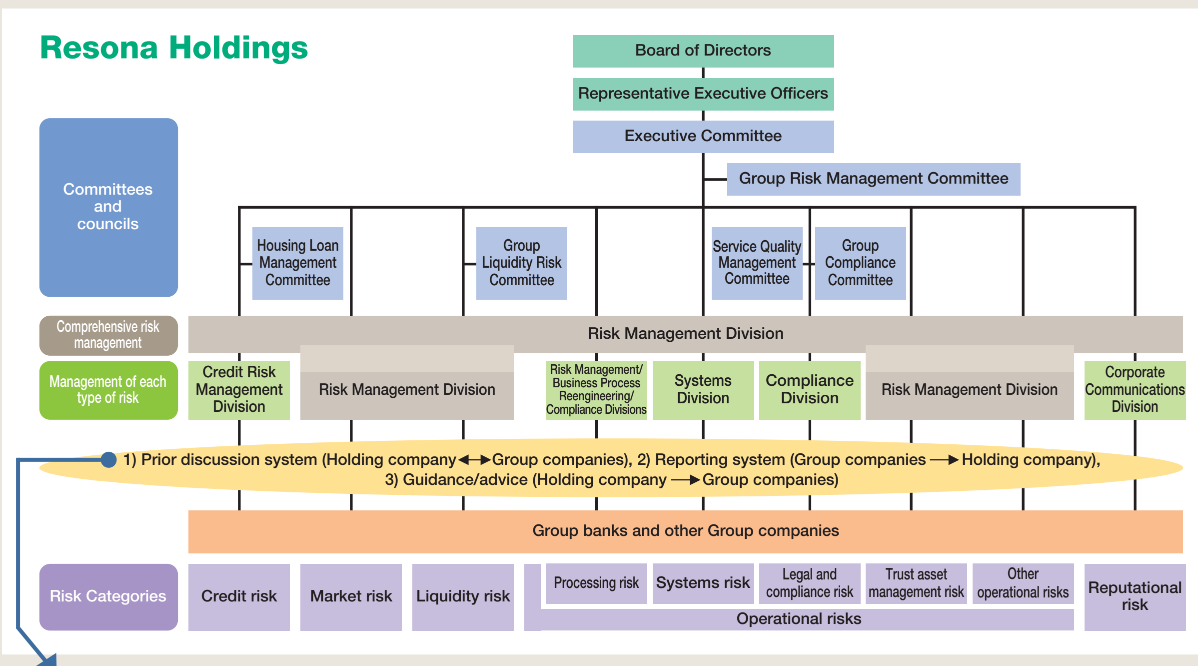
The Group management framework requires that Group companies confer with Resona Holdings in advance of making decisions on important matters related to risk management and base their decisions on those consultations.

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.<br>• When establishing or revising important risk management policies or rules<br>• When establishing all types of risk-related limits and guidelines<br>• 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.<br>• 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.<br>•Resona Holdings provides individual guidance and advice as necessary, based on reports from Group companies. |

## COMPREHENSIVE RISK MANAGEMENT

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. Based on VaR, all Resona Group banks establish risk limits (risk capital allocations) by periodically measuring credit risk, market risk (including price-fluctuation risk associated with investment securities), and operational risks (processing risk, systems risk, etc.) to control risks within acceptable limits.

Specifically, all Group banks are required not to take risks in excess of their management strength by establishing risk limits that are within the scope of their Tier I capital and other buffer.

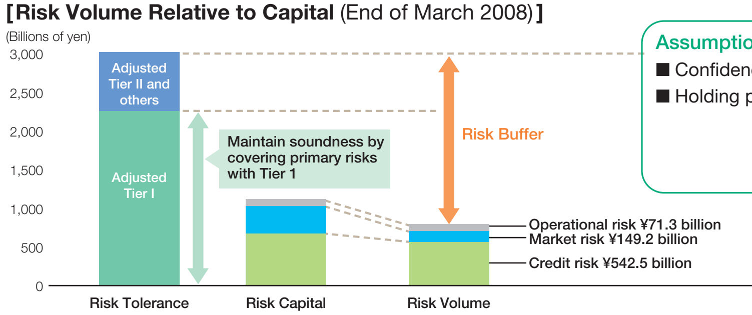
As part of its oversight and management of Group banks, Resona Holdings holds prior discussions with the banks to establish risk limits and verifies that they are within the limits of the banks' economic capital and do not threaten the banks' financial soundness. Furthermore, Resona Holdings ensures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

Although Resona Holdings is constantly working to improve the quality of risk measurement through various means, including the application of the VaR method, there are risks that cannot be quantified by statistical data compiled using such means. Based on this fact, Resona Holdings and Group banks strive to study and understand the incompleteness and specific weak points of the VaR method, thereby assessing and recognizing the impact of such limitations of their risk measurement. For risks that cannot be identified or quantified by the VaR method, Resona Holdings conducts qualitative assessment through various stress-testing and the use of risk-assessment mapping. In this way, Resona Holdings aims to enhance the quality of its integrated risk management.

**[Resona Group's Allocation of Risk Capital** (Establishment of Risk Limits)**]**

- Primary risks such as credit, market and operational risks are controlled within adjusted Tier I limit
- Risk buffers comprised of excess Tier I and Tier II are provided against the risk volume assumed under a stress scenario or the risks difficult to measure.

**[Risk Volume Relative to Capital** (End of March 2008)**]**




**Assumptions for measuring the VaR**

- Confidence Interval: 99%
- Holding period: Credit risk: 1 year; Market risk: 10 days to 6 months depending on the nature of assets; Operational risk: 1 year

## 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 profitable assets through appropriate credit analysis and management. At the same time, by promoting the thorough distribution of risk through accurate credit portfolio management and controlling credit risk within appropriate limits, we aim to maintain the soundness of our operations.

Positioning credit risk management as one of the most important management issues, Resona Holdings has formulated the *Group Risk Management Policy*. Based on this policy, the Resona Group establishes and upgrades its credit risk management systems and relevant procedures.

Among Resona Group banks, Resona Trust & Banking Co., Ltd. is not exposed to credit risk as it specializes in annuity and securities trust operations and does not engage in the loan business.

**Credit Risk Management Frameworks and Systems**

The Credit Risk Management Division is in charge of managing credit risk at Resona Holdings. This division collects information relating to credit and other risks from all Resona Group banks and controls Groupwide credit risk management while coordinating relevant activities through effective planning and strategy formulation. When the division identifies credit risk management issues through its operations, it collaborates with the Risk Management Division in charge of integrated risk management within the entire Group, on an as-required basis, to implement appropriate measures, such as instructing relevant Resona Group banks and divisions to solve the issues. In addition, the Credit Risk Management Division, regularly or on an as-required basis, monitors the status of Groupwide credit risk and Group banks' management. The results of such monitoring are reported to the management of Resona Holdings through the Executive Committee and other relevant committees.

With the aim of complementing the aforementioned

Groupwide structure and systems, Resona Group banks have in place effective credit risk management frameworks and systems consistent with the nature of their credit risk management. Organizations responsible for credit risk management at Resona Group banks are credit committees and credit risk management-related departments, which include divisions responsible for credit risk management, credit analysis, and administration of problem loans.

**Credit Policy**

The Resona Group, reflecting upon its experience of receiving a capital infusion with 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.

**Outline of Procedures for Credit Risk Management**

■ Identification and Assessment of Credit Risk

To accurately assess and measure credit risk, each Group bank assigns a credit rating to every obligor and reviews this rating 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 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.

■ 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 assigned 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.

■ 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 make appropriate provisions for potential credit losses and immediately take steps to revitalize the customer's business activities and recover credit to keep losses to an absolute minimum.

## Internal Credit Ratings

Resona Group banks assess the credit risk of their customers based on their financial position and other factors in accordance with established rules, assigning one of 12 notch ratings. 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 the results of self-assessments of asset quality, the internal credit rating system occupies an extremely important position as a basic indicator for self-assessments as well as write-offs and provision of loan loss reserves. Expected 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 taken.

Various models used in such internal credit ratings are verified at least once a year by the Credit Risk Management Division for adequacy. The results of such verification are reported to the management of Resona Holdings, and these risk models are subject to review and revision on an as-required basis.

**[Credit Rating Scale]**

| Obligor Ratings | Borrower Category | |
|---|---|---|
| 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 | |

### ■ LGD (Loss Given Default) Ratings

Resona Bank and Saitama Resona Bank adopt an LGD rating approach which assigns a rating to an individual credit. Together with the internal credit ratings, LGD ratings are used as criteria for decision-making in the assessment of individual credit while being applied in the monitoring of overall profitability for each customer account as well as in credit portfolio management. Individual credits are assigned with a rating in accordance with their estimated collectibility as measured in LGD. A high rating indicates low LGD, representing high collectibility at loan default, while a low rating indicates high LGD, representing low collectibility.

### ■ Parameter Estimates

Resona Bank and Saitama Resona Bank estimate and verify the probability of default (PD: probability of an obligor experiencing default within a year) for each internal credit rating category in accordance with the stipulation under the Notification on Capital Adequacy, based on their past data. Such estimates are used in the calculation of the two banks' capital adequacy ratios. These parameters are also used for decision-making concerning risk capital allocation and risk-adjusted asset management by major business lines.

**[Portfolio Classification and Internal Credit Ratings]**

| Asset Classification | | | Definition | Applicable Systems and Rules |
|---|---|---|---|---|
| Corporate and other Exposure | Corporate | Enterprises | Business with credit amount exceeding ¥100 million | Internal Credit and LGD Ratings |
| | | Self-employed Individuals | Self-employed individual with credit amount exceeding ¥100 million | Internal Credit and LGD Ratings |
| | | Specialized Lending | Project finance, object finance, loan for business-use real estate, loan for highly volatile business-use real estate | Internal Credit Ratings |
| | Sovereign | | Central governments, central banks, government affiliated institutions, local public organizations, certain public corporations, credit guarantee corporations, international institutions and others (Japan, overseas) | Internal Credit and LGD Ratings |
| | Financial Institution | | Banks and securities companies (Japan, overseas) | Internal Credit and LGD Ratings |
| Retail Exposure | Residential Mortgage | | Loan for individuals to acquire residential real estate | Rules for Retail Pool Management[*1] |
| | Qualifying Revolving Loans | | Unsecured card loan for individuals with a credit ceiling of less than ¥10 million | |
| | Other Retail Exposures | | Retail exposures (excluding exposures to those who are self-employed) other than loans to acquire residential real estate and qualifying revolving loans<br>Exposures other than the above having a credit amount less than ¥100 million | |
| Equity and Other Exposures | | | Cross-held stocks | Internal Credit Ratings |

*Internal credit ratings are applied to those enterprises classified as "other retail exposures."

## Portfolio Management

### Framework to Monitor and Eliminate Concentration Risks

Credit portfolio management, which involves management of the overall portfolio of loans and bills discounted, is one of the two pillars of credit risk management, with credit analysis being another pillar.

Excessive concentrations of loans and bills discounted to certain obligors resulted in substantial credit losses, and, in light of the Resona Group's experience in receiving a capital infusion with 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 strength to prevent the total credits they extend to a single obligor from exceeding the ceiling. Adherence by subsidiary banks to their respective ceilings is monitored on a regular basis.

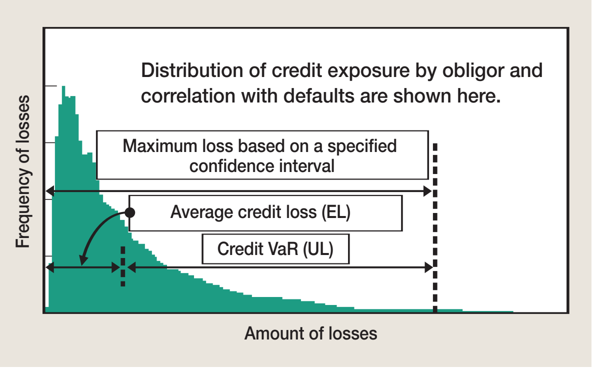
By analyzing the composition of our credit portfolio by such criteria as credit rating, industry, and regional classifications, we regularly monitor changes in the amount of credit exposure and credit costs as well as the state of risks and returns.

In particular, we have established a designated division for managing the housing loan portfolio, which is 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 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 category, 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.

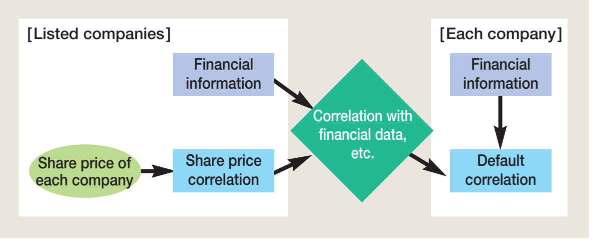
**[Distribution of Losses]**




### 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.

**[Default Correlation]**




### Method of Distributing Credit Risk by Segment

To promote the sophistication of risk management with such initiatives as credit portfolio analysis, it is necessary to calculate credit VaR for individual obligors as well as 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 entire credit portfolio. 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.

## Credit Analysis Management

### Individual Credit Assessments

Credit analysis entails case-by-case credit assessments, or the credit management of individual obligors. 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 Head Office divisions responsible for credit analysis and management of problem claims make decisions on the application. The credit analysis divisions use an assessment system that takes account of the potential obligor's size, industry, and the level of credit risk.

### Obligor Management

After credit has been granted, the Group banks 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.

Through the monitoring of the status of obligors' credit risk, the credit analysis divisions, on an as-required basis, formulate appropriate policies and specific measures. Based on these policies and measures, the credit analysis divisions provide necessary guidance to branch offices while monitoring their operations to assure that the guidance provided is closely observed. In particular, the credit analysis divisions monitor large obligors more strictly and frequently, compared with other obligors, due to the significant impact they could have on its management and performance. In addition, the credit analysis divisions conduct discussions with and make reports to the Credit Committees with regard to the status of credit risk management and relevant policies for such obligors.

Resona Group banks, in principle, manage problem loans in accordance with the significance of their credit risk. In more specific terms, such claims are separately managed depending on their internal ratings and obligor classification assigned to them. For obligors falling below a certain rating and obligor classification, the division responsible for problem loan management works to accurately monitor and manage their business status. After assessing their ability to recover their business in an appropriate manner, the problem loan management division makes a decision on business revitalization or liquidation and claim collection. For obligors whose business is deemed recoverable, the Group banks prioritize supporting their revitalization through such means as supervising them in the formulation of revitalization plans. This approach applies particularly for SMEs to which Resona Group banks proactively provide support through detailed management consultation and guidance.

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

### Self-Assessments of Asset Quality

Self-assessments of asset quality involve assessing the individual assets that Group banks hold and classifying them according to the degree of risk in their recovery and impairment with a view to fully understanding the condition of the banks' assets and increasing their financial soundness.

Self-assessments of asset quality are the means for credit risk management as well as a preparatory step for compiling objective and accurate financial statements which fully reflect the write-offs and provisions of loan loss reserves necessitated by the results of such self-assessments.

### Criteria for Write-Offs and Provisions of Reserves

The Resona Group banks have established *Criteria for Write-Offs and Provisions of 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.

**[Self-Assessment Ratings]**

| Rating | Borrower category | 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.

- 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 rate 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 rate 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.

## Securitization Exposure

In general, securitization is a financial technique to issue asset-backed securities (ABS) through the pooling and repackaging of cash-flow-producing financial assets. The characteristics of ABS transactions are: (1) credit risk involved depends on the financial performance of the underlying assets, not on the credibility of a company that serves as the seller of the underlying assets; and (2) there are multiple layers of transactions with different levels of credit risk. The Resona Group applies appropriate risk management as well as accounting treatments to these transactions.

As investments in securities, Resona Group banks own certain securitized products backed by such underlying assets as housing loans and similar claimable assets. Resona Group banks also utilize the securitization technique to control credit risk and interest-rate risk inherent in the assets they hold on their balance sheets.

Concerning the investments in securitized products, Resona Group banks have formulated risk management rules, including the establishment of investment criteria based on the ratings assigned by qualified rating agencies and limits on the amount of holdings aimed at containing risk exposure and enhancing diversification. The risk management divisions monitor the adherence to the aforesaid rules and assess the adequacy of the underlying assets as well as their transaction schemes.

In addition, when managing the assets held by Resona Group banks and/or responding to the needs of their customers for securitizing bills, accounts receivable and other claims held by them, Resona Group banks closely observe relevant laws and regulations while diligently assessing the effectiveness of risk transfer, the adequacy of transaction schemes, and the creditworthiness of the assets to be securitized. At the same time, Resona Group banks provide credit support services as a solution to satisfy the needs of certain customers.

As described above, the Resona Group is fully aware of the diversity of risks involved in securitization transactions, including credit risk, interest-rate risk and legal and compliance risk. Based on such understanding, the risk management divisions strive to appropriately measure and quantify risks and make reports to the management.

With that said, Resona Group banks have neither directly invested in nor have the balance of investments in residential mortgage-backed securities (RMBS) and collateralized debt obligations (CDO) related to subprime loans extended in the United States.

## Methods for Mitigation of Credit Risk

Resona Group banks conduct strict scrutiny of credit risk and appropriate obligor management. In tandem with this, we reduce credit risk with efforts to diversify portfolios. Strengthened collateral and guarantees make it possible to augment credit standing, upgrade credit quality and reduce credit risk.

Eligible collaterals include deposits held at Resona Group banks, Japanese Government Bonds and other bonds or stocks of listed companies and other marketable securities, commercial bills, real estate and other items. These pledged collaterals are retained under strict standards and properly managed by regular reevaluation of their values. Additionally, guarantees of all types, agreements on bank transactions that allow for a netting of unpledged deposits and loans obligations, and cross-netting contracts for derivatives transactions and repurchase agreements are among the methods for mitigation of credit risk. Resona Group considers profits and cash flows generated by an obligor to be the primary source for repayments and makes efforts not to depend too much on collaterals and guarantees for collecting and recovering credits.

## Derivatives

Regarding counterparty risk in derivatives transactions, the Group banks add this risk to the credit risk relating to loans and other transactions with the same counterparty to supervise and manage credit risk in a comprehensive manner. Group banks make proper credit judgments and establish credit lines based on the *Group 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 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 fair value and future risks (the "current exposure" method). 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 for derivatives transactions is included in the risk capital allocated to credit and market risks.

**Policies Regarding Collaterals and Calculation of Reserves**

In addition to the management of loans and other forms of credit, Resona Group banks adhere to the strict control of credit lines and the status of collaterals pledged. Furthermore, Resona Group banks calculate amounts of loan loss reserves based on their criteria for self-assessments of asset quality, write-offs and provisions of loan loss reserves.

**Impact of Additional Collateral Required Due to Deterioration of Own Credit Standing**

In its market-related business activities such as derivatives transactions with collateral agreements, the Resona Group works to manage counterparty risk through such means as establishing credit lines for individual counterparties. In the event that the Resona Group is forced to additionally pledge qualified financial assets as collateral due to a deterioration in its credit standing, or that transaction volumes exceed, or are expected to exceed, the credit lines established due to market and transaction conditions, it will review and adjust transactions with applicable counterparties or review and revise, if deemed necessary, policies relating to transactions of applicable financial products.

# MARKET RISK MANAGEMENT

## 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 risk capital, loss limit and sensitivity[*1] by types of instruments.

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.

*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.

**[Group VaR Performance]**

The VaR for Resona Bank, Saitama Resona Bank and Kinki Osaka Bank in the period from April 1, 2007 to March 31, 2008 was as follows.

**Resona Bank**

| (Billions of yen) | Period end | Maximum | Minimum | Average |
|---|---|---|---|---|
| Trading transactions | 0.88 | 1.29 | 0.11 | 0.60 |
| Banking transactions | 82.5 | 83.7 | 50.9 | 68.4 |

*Does not include cross-held stocks.

| | Trading transactions | Banking transactions |
|---|---|---|
| Confidence interval | 99% | 99% |
| Holding period | 10 business days | 20 business days |
| Observation period | One year | Five years |
| Risk measurement method | Historical Simulation Method | Historical Simulation Method |

**Saitama Resona Bank**

| (Billions of yen) | Period end | Maximum | Minimum | Average |
|---|---|---|---|---|
| Trading transactions | 0.02 | 0.07 | 0.01 | 0.02 |
| Banking transactions | 19.8 | 20.8 | 14.3 | 17.7 |

*Does not include cross-held stocks.

| | Trading transactions | Banking transactions |
|---|---|---|
| Confidence interval | 99% | 99% |
| Holding period | 10 business days | 20 business days |
| Historical observation period | One year | Five years |
| Risk measurement method | Historical Simulation Method | Historical Simulation Method |

**Kinki Osaka Bank**

| (Billions of yen) | Period end | Maximum | Minimum | Average |
|---|---|---|---|---|
| Banking transactions | 7.4 | 10.9 | 4.9 | 7.2 |

*Does not include cross-held stocks.

| | Banking transactions |
|---|---|
| Confidence interval | 99% |
| Holding period | 1st half of FY2007: 20 business days<br>2nd half of FY2007: 125 business days |
| Observation period | 500 business days |
| Risk measurement method | Variance-covariance Method |

## Investment/Equity Exposure in the Banking Account

For investments in funds in the banking account, which are held for investment purposes or for relationship purposes, and for investments in equities, which are held for relationship purposes and other strategic objectives, the Resona Group banks select, only after prior analysis of each issuer, such investments according to the rules and regulations set internally. In addition, to restrain excessive risk taking, the Group sets position limits in advance on such investments.

Also, the middle office, which is independent of the front office, supervises these investments by quantifying various risks on a portfolio basis. The Group banks calculate the risk of price fluctuations using the VaR method, employing a holding period of 125 business days with a confidence interval of 99%.

Furthermore, for non-marketable securities held by the Resona Group banks, risks in association with holding such securities are being measured in terms of credit risk, regardless of their type, such as available-for-sale securities and stocks of subsidiaries and affiliated companies.

## Interest-Rate Risk in the Banking Account

### Risk Management Policies and Procedural Overview

With the aim of stabilizing and maximizing earnings, Resona Group banks strive to manage interest-rate risk in the banking account in an appropriate manner through close observation of interest rate fluctuations and overall economic conditions and optimal risk diversification. In principle, Resona Group banks engage in derivative transactions primarily for the purpose of hedging risks. Detailed procedures are similar to those followed in the risk management of trading transactions and equity price-fluctuations: Resona Group banks allocate risk capital, establish loss limits to restrain excessive risk-taking, while the middle office, independent of the front office, monitors interest-rate and other risks, in principle, on a daily basis. In addition, the middle office monitors the status of risk limit observance and earnings. The results of such monitoring are regularly reported to the management to assure appropriate risk management.

In addition to ordinary risk measurement, Resona Group banks regularly conduct stress-testing to quantify the impact of sudden changes in market conditions. The Resona Group performs monitoring in conjunction with the quantified amounts while applying the results of such quantification in its integrated risk management.

### Outline of Methods Used by Resona Group to Measure Interest Rate Risk in the Banking Account

The methods used by Resona Group to measure interest-rate risk in the banking account for internal control purposes are outlined as follows:

- Holding period:
  Resona Bank, Saitama Resona Bank: 20 business days
  Kinki Osaka Bank: 20 business days (1H of FY2007), 125 business days (2H of FY2007)
- Confidence interval: 99%
- Periods for observations:
  Resona Bank, Saitama Resona Bank: 5 years
  Kinki Osaka Bank: 500 business days
- Risk measurement methods: Resona Bank and Saitama Resona Bank employ the historical simulation method, and Kinki Osaka Bank uses the variance-covariance method.

- Major assumptions in measurement of interest rate risk: Resona Bank and Saitama Resona Bank extract a portion of their housing loan portfolio with prepayments recorded in the past and examine the relationship between the elapsed period after origination and timing of past prepayments. The two banks anticipate future cash flows from their existing housing loan portfolio by carefully analyzing such a relationship. The two banks incorporate such prepayment factor in measuring interest rate risk in the banking account.

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.



## 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. 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, Resona Holdings convenes a meeting of the Group Liquidity Risk Committee. Each of the Resona Group banks deals with liquidity emergencies in a similar way by convening meetings of liquidity risk committees. Moreover, in the event that the emergency is a serious crisis or is likely to become one, a Crisis Response Headquarters—headed by the president—is formed to organize the response.

## OPERATIONAL RISK MANAGEMENT

### Operational Risk Management

#### Basic Policies and Procedures

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks encompass a wide range of risks, including processing, systems, legal, and compliance 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. In addition, to grasp the degree of the impact that potential operational risks might have on their businesses, we will quantify operational risks and use this information as a part of comprehensive risk management.

**[Definition of Operational Risk]**

| Risk Categories Adopted by Resona Group | | Specific Examples (Possible internal and external examples) |
|---|---|---|
| Processing risk | Fraud | Embezzlement or misappropriation of customer deposits or the banks' assets<br>Intentional unauthorized trading, fabrication |
| Processing risk | Processing errors | Clerical errors, mistakes in reporting, loss of documents, neglect or failure to meet deadline |
| Legal and compliance risks | | Failure to fulfill the duty of explanation, coerced sales, failure to fulfill fiduciary responsibility, sales of unauthorized products, inappropriate industry practices |
| System risk<br>•System failure and inadequacy, security breach | | System failure, hacking, infection with computer viruses |
| Other operational risks | Disasters | Cessation of business activities due to disaster or power outage |
| Other operational risks | External crime<br>•Crime in which the bank's products and services are misused<br>•Robbery, burglary, act of violence<br>•Phishing attempts targeting Resona Group banks' customers | Stolen passbook, forged bank cards<br>Robbery, theft<br>Fraud affecting the bank's customers |
| Other operational risks | Defects of facilities and equipment | Loss on assets due to natural disasters or terrorism<br>Compensation required due to breakdown of facilities and equipment |
| Other operational risks | Human resources management | Litigation over unpaid allowance for overtime work<br>Settlement package for sexual harassment lawsuit, etc. |

### Operational Risk Management Structure

Resona Holdings provides guidance and advice to all Resona Group banks on their risk management structure through prior consultations over their risk management policies, rules and regulations, and important measures for operational risk management. It also monitors conditions of operational risk with each Group bank and reports to the management.

Furthermore, Resona Holdings and each Group bank maintain a structure in which the Board of Directors, Executive Committee, divisions responsible for comprehensive risk management, divisions responsible for managing each category of risk, and internal auditing departments play their clearly defined roles and ensure collaboration as well as mutual checking.

### 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.

## 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.

For risks that have become of real concern, we collect data on clerical errors and operational mistakes, and conditions for occurrence and degree of impact are scrutinized and assessed. After understanding all factors through a multifaceted analysis, operational processes are reviewed and training to prevent recurrence is thoroughly implemented.

## 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 divisions 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.

For systems risks that occur as an actual system failure or flaw, Resona Group banks identify conditions for occurrence and degree of impact and scrutinize what has caused the failure. For inherent risks, Resona Group banks assess all systems risks on a regular basis so that they can detect any problems and implement countermeasures in accordance with the importance of each 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.

For risks that have become an actual concern, we specify and assess the status of occurrence and degree of impact, and after analysis, formulate measures to prevent reoccurrence. For inherent risks, assessment is conducted through compliance checks and compliance programs. After examination of control status, we reduce risk by developing countermeasures which are reflected in operations and compliance programs.

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.

### Efforts to Prevent Financial Crime

In recent years, incidence of financial crime has been on the rise.The Resona Group has taken action to strengthen identity verification to prevent disbursements with stolen passbooks, money laundering and the establishment of fraudulent accounts. We strive to protect the precious assets of our customers, and as countermeasures to forged and stolen bank cards, we have implemented a service where individuals can set limits on the amount of money that can be withdrawn from ATMs, a card lock service, and an IC card with a biometric verification function.

## 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 through the mass media, bad 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.

# CAPITAL MANAGEMENT SYSTEM



## 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.

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, Basel II 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. 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.

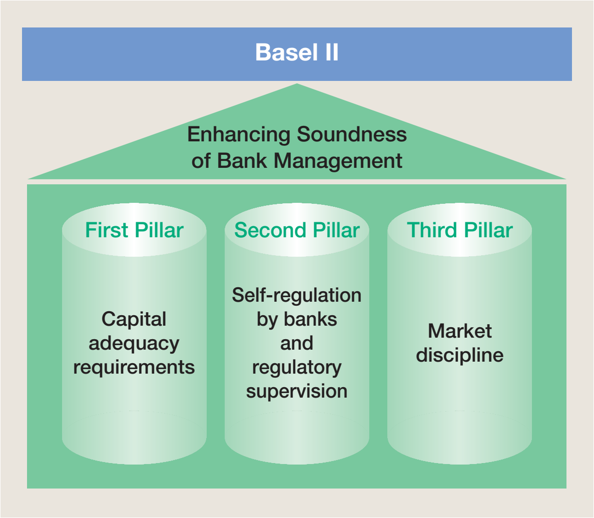
### (2) Capital Requirements for Operational Risk

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

As specified under the previous BIS regulation, the minimum requirement for banks engaged in international banking operations is to have a capital adequacy ratio of 8% or higher, while the domestic requirement is 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

Resona Holdings has formulated a "Basic Policy for Group Capital Management," while all Resona Group banks have formulated their own basic policies for capital management. These policies set 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, 2008.

| Company Name | Risk Categories | Methods |
|---|---|---|
| Resona Holdings, Inc.<br>Resona Bank, Ltd.<br>Saitama Resona Bank, Ltd. | Credit risk | F-IRB Approach |
| | Operational risk | The Standardized Approach (Note 2) |
| | Market risk | Exemption applicable under the Notification of the Consolidated Capital Adequacy |
| The Kinki Osaka Bank, Ltd. (Note 1)<br>Resona Trust & Banking Co., Ltd. | Credit risk | Standardized Approach |
| | Operational risk | The Standardized Approach (Note 2) |
| | Market risk | Exemption applicable under the Notification of the Consolidated Capital Adequacy |

Notes: (1) The Kinki Osaka Bank, Ltd. plans to adopt the F-IRB approach for the calculation of the amount of credit risk assets from the end of March 2010. (Stepwise application of the internal ratings approach)

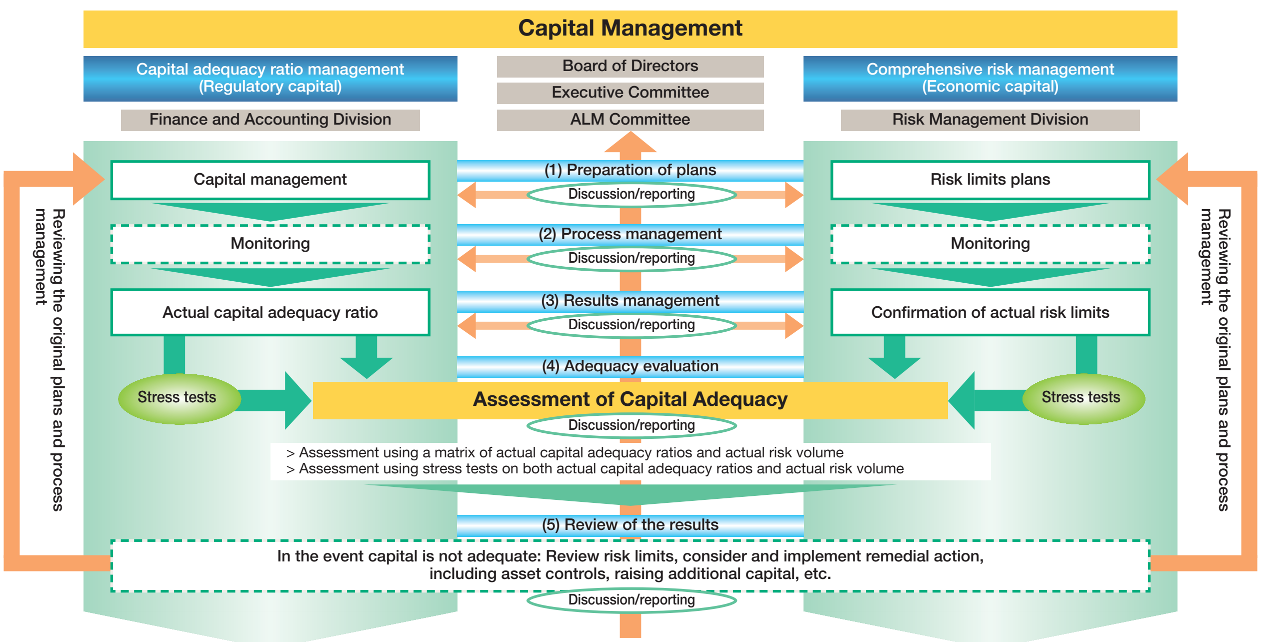
(2) Under the Standardized Approach, the amount equivalent to operational risk is calculated based on "gross profit" for the previous three years. This "gross profit" is defined under the Notification on Capital Adequacy and differs from "gross operating profit" that appears on Resona Group's financial statements.

## Resona's Capital Management System

Resona Holdings and all Group banks believes that, to maintain sound and stable business operations, securing sufficient capital appropriate to risk exposure is extremely important. Accordingly, 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.

**[Capital Management System]**




## Methods for Assessment of Capital Adequacy

Resona Holdings and Resona Group banks assess the "level of capital adequacy" from the two perspectives: 1) management of the capital adequacy ratio based on the Basel II regulations and 2) comprehensive risk management. In addition, to prepare for risks that may emerge under unforeseen conditions, we conduct 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 account, and other risks), we make comprehensive assessments of capital adequacy.

During the fiscal year ended March 31, 2008, Resona Holdings and Resona Group banks maintained sufficient capital to maintain the sound and stable operation of their business activities.

# 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 to gain social trust 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. According to the level of responsibility and size of operations, these banks have formed "auditing councils," which report directly to the board of directors of their banks to make decisions on important and fundamental matters related to internal auditing.

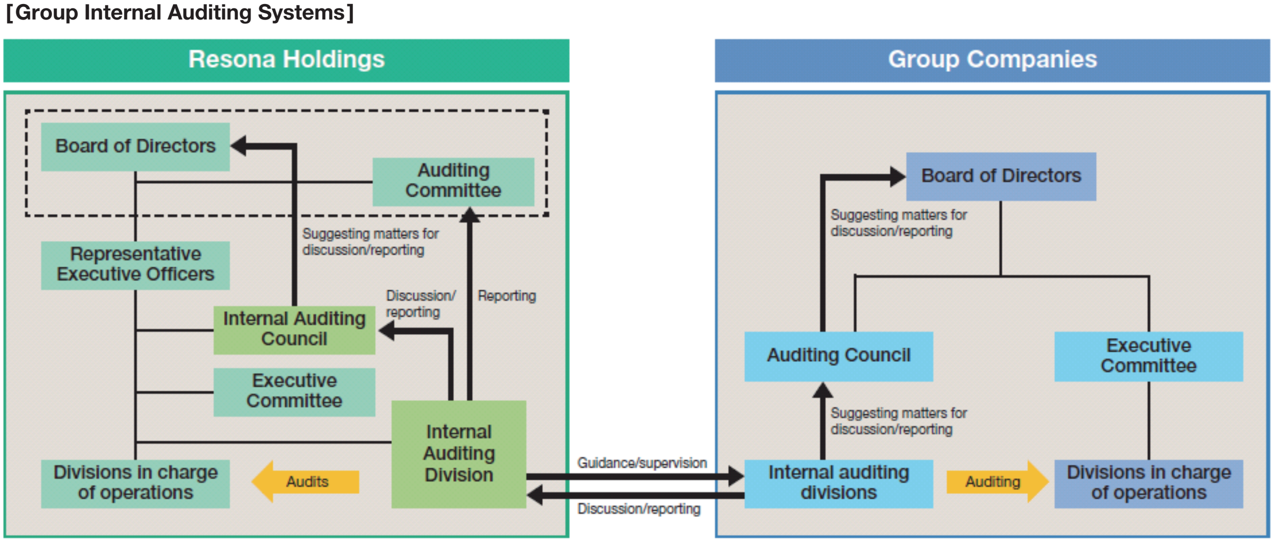
## Functions and Roles

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 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 Systems]**



# CORPORATE SOCIAL RESPONSIBILITY (CSR)

## Creation of a Group Environmental Policy to Clarify Environmental Efforts

In order to clarify its environmental efforts, the Resona Group has formulated the *Resona Group Environmental Policies* as a guide for corporate environmental activities and as a component of CSR. We have also been a participant in Team –6%, a Japanese government initiative to reduce greenhouse gas emissions, and the Cool Biz and Warm Biz campaigns in Japan to adjust thermostats in the office to save on energy consumption. We have proactively communicated issues about the environment to our customers by holding seminars on the topic. We are also strengthening our efforts to tackle environmental problems and energetically working to raise awareness about preserving the environment.

### Resona Group Environmental Policies

**1. Observance of Environment-related Laws and Regulations**
We abide by laws relating to environment conservation and to other requirements that we have subscribed

**2. Environmental Conservation through our Core Business**
We support environmental conservation activities by developing and providing environment-conscious products and services

**3. Environmental Load Reduction in Our Offices**
We work toward reducing the environmental load through resource-and-energy-saving activities in our offices.

**4. Environmental Communication**
We take active measures to communicate environment-related information inside and outside of the Group and promote environmental education activities

**5. In-house Education and Full Participation**
We ensure that all Group executives and employees are familiar with our environmental policies, and that all executives and employees act in an environmentally-responsible manner.

**6. Public Disclosure of Environmental Policies**
We disclose our environmental policies to all parties.

## Declaration of Support for International Principles Including the United Nations Global Compact and Principles for Responsible Investment

As a part of its CSR activities, in January 2008, Resona Holdings declared that it would participate in the Global Compact promulgated by the United Nations and support the Ten Principles related to human rights, labor standards, the environment and anti-corruption.

In March 2008, Resona Trust & Banking Co., Ltd. became a signatory to the Principles for Responsible Investment, which is a commitment to addressing environmental, social and governance issues in investment decision-making.

### Global Compact's Ten Principles

**Human Rights**

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
**Principle 2:** make sure that they are not complicit in human rights abuses.

**Labor Standards**

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
**Principle 4:** the elimination of all forms of forced and compulsory labor;
**Principle 5:** the effective abolition of child labour; and
**Principle 6:** the elimination of discrimination in respect of employment and occupation.

**Environment**

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;
**Principle 8:** undertake initiatives to promote greater environmental responsibility; and
**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

**Resona was recognized as a company that strongly supports women in the workplace.**

The Resona Group formed the Women's Council in 2005 to reflect the opinions of female employees in management. We have also provided support by creating a work environment where women can work extensively, holding career-building seminars and workshops for women and introducing role models.

In addition, we have taken an aggressive stance on promoting women with strong ambitions and abilities, as evidenced by an increase in the number of women in management positions, from seven as of March 2003 to 64 by April 2008.

These efforts and initiatives were recognized by the Japan Women's Innovative Network (J-Win), a nonprofit organization that supports and promotes diversity management, with an award in February 2008 for being a company that contributes to higher awareness of women's issues.

We will continue to do our best in nurturing a spirit throughout the Group that proactively supports women in the workplace.

**We periodically hold seminars where individual investors can communicate directly with management.**

The Resona Group holds seminars with Chairman Eiji Hosoya present to discuss the current and future Resona with women interested in investment and other individual investors. In March 2008, at investment fairs held by Resona Bank in Tokyo and Osaka, we discussed what banks need to do in the financial services sector with special guest Ms. Mari Matsunaga, the developer of i-Mode and currently a director at Bandai Co., Ltd. In total, 515 people came to the investment fairs and gave us their frank opinions on the repayment of public funds, ideas for products and services, and also complimented management issues on our forward-looking efforts at reform and focus on the customer. At Resona, we create opportunities for managers to communicate directly with customers and investors.

## We promote financial and economic education for children.

As a part of its community and social programs, the Resona Group offers the Resona Kids Money Academy as a way for children to learn about finance and economics.

For four years, the Academy has invited mainly elementary and junior high school students to learn more about finance and economics, such as the flow of money, the role of banks in society, and the importance of working.

In March 2008, as an event to commemorate the G8 Finance Ministers Meeting in Osaka, we held seminars on similar topics for junior high school students, encouraging them toward entrepreneurship in the future.

## As a world first, we set in motion "Table for Two" programs at employee cafeterias.

We currently offer the Table for Two program at the employee cafeterias of the Tokyo and Osaka head offices of Resona Bank, the head office of Saitama Resona Bank, and the head office of the Kinki Osaka Bank. Table for Two works like this: employees order a low-calorie healthy meal at the cafeteria, and ¥20 of the meal cost is donated toward school meals in developing countries. The program combines social contributions with employees' efforts to eat low-calorie meals and stay healthy. The concept was proposed by Young Global Leaders from Japan at the World Economic Forum (Davos Forum) in February 2007. The Resona Group was the first in the world to fully implement the program with a daily commitment over a long-term time horizon. The program has spread to the U.S., China and India, and it has attracted attention from around the world as a way of contributing to society that originated in Japan.

## Kinki Osaka Bank, Ltd. is tackling environmental problems as a part of its contributions to local communities.

Kinki Osaka Bank, Ltd. has launched an environmental project called "I love the earth! Let's go eco!!" that encourages participation by all employees. The project name was decided from ideas submitted by employees, and in March 2008, management and staff came together by volunteering to help the environment. These volunteer activities included planting cherry trees along with local volunteer organizations in the forests near Izumisano City.

Moreover, our internal environmental fund has raised more than ¥600,000 from about 2,500 managers and staff. We donated all of the money raised to the Osaka Green Trust and the Osaka Environmental Preservation Fund.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Resona Holdings, Inc. (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resona Holdings, Inc. and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 35.(2) to the consolidated financial statements, Resona Bank, Limited, a consolidated subsidiary of the Company, sold its Tokyo head office on April 30, 2008.

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

Deloitte Touche Tohmatsu

June 26, 2008

# CONSOLIDATED BALANCE SHEETS

Resona Holdings, Inc. and consolidated subsidiaries
March 31, 2008 and 2007



| | Millions of yen | | Millions of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Assets: | | | |
| Cash and due from banks (Notes 3 and 13) | **¥ 2,045,603** | ¥ 1,609,285 | **$ 20,421** |
| Call loans and bills bought (Notes 4 and 13) | **1,644,268** | 1,200,121 | **16,414** |
| Deposits paid for securities borrowing transactions | **101,250** | 114,451 | **1,010** |
| Monetary claims bought | **509,277** | 571,122 | **5,084** |
| Trading assets (Notes 5 and 13) | **445,962** | 370,899 | **4,452** |
| Money held in trust (Note 6) | **—** | 10,385 | **—** |
| Securities (Notes 6 and 13) | **6,718,651** | 7,595,212 | **67,072** |
| Loans and bills discounted (Notes 7,13,14 and 33) | **26,052,461** | 26,252,861 | **260,082** |
| Foreign exchange assets (Note 8) | **71,854** | 83,265 | **717** |
| Other assets (Notes 9 ,13 and 30) | **1,051,340** | 909,471 | **10,495** |
| Premises and equipment (Notes 10, 12, 21 and 35) | **391,423** | 401,302 | **3,907** |
| Intangible fixed assets (Note 11) | **33,664** | 40,382 | **336** |
| Deferred tax assets (Note 27) | **371,871** | 309,286 | **3,712** |
| Customers' liabilities for acceptances and guarantees (Note 20) | **969,346** | 1,075,585 | **9,677** |
| Reserve for possible loan losses | **(490,803)** | (543,137) | **(4,899)** |
| Reserve for possible losses on investments | **—** | (14,819) | **—** |
| Total Assets | **¥39,916,171** | ¥39,985,678 | **$398,484** |
| Liabilities and Equity: | | | |
| Deposits (Notes 13, 15 and 33) | **¥31,635,428** | ¥31,731,081 | **$315,817** |
| Negotiable certificates of deposit | **1,362,130** | 1,800,220 | **13,598** |
| Call money and bills sold (Notes 4 and 13) | **428,328** | 124,054 | **4,276** |
| Bills sold under repurchase agreements (Note 13) | **16,976** | 13,983 | **169** |
| Deposits received for securities lending transactions (Note 13) | **40,638** | 55,575 | **405** |
| Trading liabilities (Note 5) | **139,328** | 115,367 | **1,390** |
| Borrowed money (Notes 13, 16 and 33) | **684,186** | 993,227 | **6,830** |
| Foreign exchange liabilities (Note 8) | **2,896** | 3,199 | **28** |
| Bonds (Note 17) | **892,130** | 866,141 | **8,906** |
| Due to trust account | **367,996** | 417,715 | **3,673** |
| Other liabilities (Notes 13, 18 and 33) | **767,862** | 766,672 | **7,665** |
| Reserve for employees' bonuses | **16,965** | — | **169** |
| Reserve for employees' retirement benefits (Note 30) | **4,349** | 3,766 | **43** |
| Other reserves (Note 19) | **20,454** | 5,409 | **204** |
| Reserve under special laws | **0** | 0 | **0** |
| Deferred tax liabilities (Note 27) | **0** | 0 | **0** |
| Deferred tax liabilities on land revaluation (Note 21) | **42,494** | 43,536 | **424** |
| Acceptances and guarantees (Note 20) | **969,346** | 1,075,585 | **9,677** |
| Total Liabilities | **¥37,391,514** | ¥38,015,538 | **$373,280** |
| Equity (Notes 22 and 35): | | | |
| Capital stock | **¥ 327,201** | ¥ 327,201 | **$ 3,266** |
| Capital surplus | **673,764** | 223,810 | **6,726** |
| Retained earnings | **1,190,557** | 917,277 | **11,885** |
| Treasury stock at cost | **(1,280)** | (898) | **(12)** |
| Net unrealized gains on available-for-sale securities (Note 6) | **123,207** | 301,013 | **1,229** |
| Net deferred gains (losses) on hedges | **18,308** | (15,675) | **182** |
| Revaluation reserve for land (Note 20) | **58,961** | 60,484 | **588** |
| Foreign currency translation adjustments | **(2,252)** | (1,400) | **(22)** |
| Total | **2,388,467** | 1,811,812 | **23,844** |
| Minority interests in consolidated subsidiaries | **136,188** | 158,327 | **1,359** |
| Total Equity | **2,524,656** | 1,970,139 | **25,203** |
| Total Liabilities and Equity | **¥39,916,171** | ¥39,985,678 | **$398,484** |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2008 and 2007

| | Millions of yen | | Millions of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Income: | | | |
| Interest income (Note 23) | **¥ 703,122** | ¥ 665,223 | **$ 7,019** |
| Trust fees | **41,380** | 40,438 | **413** |
| Fees and commissions | **198,765** | 207,849 | **1,984** |
| Trading profits (Note 24) | **67,953** | 21,995 | **678** |
| Other operating income (Note 25) | **50,719** | 71,006 | **506** |
| Other income (Note 26) | **146,612** | 175,965 | **1,463** |
| Total Income | **1,208,552** | 1,182,478 | **12,065** |
| Expenses: | | | |
| Interest expenses (Note 23) | **147,772** | 101,520 | **1,475** |
| Fees and commissions | **51,666** | 50,811 | **515** |
| Trading losses | **107** | 455 | **1** |
| Other operating expenses (Note 25) | **93,090** | 48,505 | **929** |
| General and administrative expenses | **385,919** | 384,631 | **3,852** |
| Other expenses (Note 26) | **207,303** | 170,479 | **2,069** |
| Total Expenses | **885,860** | 756,403 | **8,843** |
| Income before income taxes and minority interests | **322,692** | 426,074 | **3,221** |
| Income taxes (Note 27): | | | |
| Current | **15,232** | 12,466 | **152** |
| Deferred | **(4,488)** | (263,686) | **(44)** |
| Total Income Taxes | **10,744** | (251,220) | **107** |
| Minority interests in net income | **9,129** | 12,396 | **91** |
| Net income | **¥ 302,818** | ¥ 664,899 | **$ 3,023** |

| | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| Per common share information: | | | |
| Net income per share (Basic) (Note 31) | **¥23,690.06** | ¥53,933.18 | **$236.49** |
| Net income per share (Diluted) (Note 31) | **16,401.22** | 34,237.60 | **163.73** |
| Cash dividends applicable to the year (Notes 22 and 35) | **1,000.00** | 1,000.00 | **9.98** |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2008 and 2007

| | Thousands | | 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 gains (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.(20)) | | | | | | | | | | | | ¥156,829 | 156,829 |
| Conversion of preferred stock into 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 |
| Purchase of treasury stock | | | | | | (570,345) | | | | | (570,345) | | (570,345) |
| Disposal 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 |
| 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 |
| Conversion of preferred stock into common stock | **0** | **(0)** | | | | | | | | | | | |
| Issuance of preferred stock | | **140** | | **450,000** | | | | | | | **450,000** | | **450,000** |
| Dividends paid | | | | | **(31,062)** | | | | | | **(31,062)** | | **(31,062)** |
| Net income | | | | | **302,818** | | | | | | **302,818** | | **302,818** |
| Purchase of treasury stock | | | | | | **(586)** | | | | | **(586)** | | **(586)** |
| Disposal of treasury stock | | | | **(46)** | | **203** | | | | | **157** | | **157** |
| Retirement of treasury stock | | | | **(0)** | | **0** | | | | | | | |
| Reversal of revaluation reserve for land | | | | | **1,523** | | | | | | **1,523** | | **1,523** |
| Net changes during the year | | | | | | | **(177,805)** | **33,984** | **(1,523)** | **(851)** | **(146,195)** | **(22,138)** | **(168,333)** |
| **Balance as of March 31, 2008** | **11,399** | **8,964** | **¥327,201** | **¥ 673,764** | **¥1,190,557** | **¥ (1,280)** | **¥ 123,207** | **¥ 18,308** | **¥58,961** | **¥(2,252)** | **¥2,388,467** | **¥136,188** | **¥2,524,656** |

| | 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 gains (losses) on hedges | Revaluation reserve for land | Foreign currency translation adjustments | Total | Minority interests in consolidated subsidiaries | Total equity |
| Balance as of March 31, 2007 | $3,266 | $2,234 | $ 9,157 | $ (8) | $ 3,005 | $(156) | $603 | $(13) | $18,087 | $1,580 | $19,667 |
| Conversion of preferred stock into common stock | | | | | | | | | | | |
| Issuance of preferred stock | | **4,492** | | | | | | | **4,492** | | **4,492** |
| Dividends paid | | | **(310)** | | | | | | **(310)** | | **(310)** |
| Net income | | | **3,023** | | | | | | **3,023** | | **3,023** |
| Purchase of treasury stock | | | | **(5)** | | | | | **(5)** | | **(5)** |
| Disposal of treasury stock | | **(0)** | | **2** | | | | | **1** | | **1** |
| Retirement of treasury stock | | **(0)** | | **0** | | | | | | | |
| Reversal of revaluation reserve for land | | | **15** | | | | | | **15** | | **15** |
| Net changes during the year | | | | | **(1,775)** | **339** | **(15)** | **(8)** | **(1,459)** | **(221)** | **(1,680)** |
| **Balance as of March 31, 2008** | **$3,266** | **$6,726** | **$11,885** | **$(12)** | **$ 1,229** | **$182** | **$588** | **$(22)** | **$23,844** | **$1,359** | **$25,203** |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2008 and 2007

| | Millions of yen | | Millions of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | **¥ 322,692** | ¥ 426,074 | **$ 3,221** |
| Adjustments for: | | | |
| Depreciation and amortization | **15,945** | 15,372 | **159** |
| Impairment losses on premises and equipment | **3,054** | 7,720 | **30** |
| Amortization of goodwill | **7,270** | 7,050 | **72** |
| Equity in earnings of investments in affiliated companies | **(409)** | (497) | **(4)** |
| Increase (decrease) in reserve for possible loan losses | **(52,334)** | 4,683 | **(522)** |
| Increase (decrease) in reserve for possible losses on investments | **(14,819)** | 182 | **(147)** |
| Increase in reserve for employees' bonuses | **16,965** | — | **169** |
| Decrease in reserve for business restructuring | **—** | (171) | **—** |
| Increase in reserve for employees' retirement benefits | **582** | 329 | **5** |
| Interest income (accrual basis) | **(703,122)** | (665,223) | **(7,019)** |
| Interest expenses (accrual basis) | **147,772** | 101,520 | **1,475** |
| Net gains on securities | **(11,639)** | (88,911) | **(116)** |
| Net gains on money held in trust | **(248)** | (385) | **(2)** |
| Net foreign exchange gains | **(58,341)** | (56,655) | **(582)** |
| Net losses on disposal of premises and equipment | **1,575** | 1,056 | **15** |
| Net decrease (increase) in trading assets | **(45,322)** | 297,986 | **(452)** |
| Net increase in trading liabilities | **46,424** | 44,276 | **463** |
| Net decrease (increase) in loans and bills discounted | **200,400** | (43,258) | **2,000** |
| Net increase (decrease) in deposits | **(95,653)** | 133,833 | **(954)** |
| Net increase (decrease) in negotiable certificates of deposit | **(438,090)** | 76,480 | **(4,373)** |
| Net increase (decrease) in borrowed money (excluding subordinated borrowed money) | **(237,609)** | 765,187 | **(2,372)** |
| Net increase in due from banks (excluding deposits with the Bank of Japan) | **(604,131)** | (88,960) | **(6,031)** |
| Net increase in call loans, bills bought and monetary claims bought | **(382,301)** | (642,367) | **(3,816)** |
| Net decrease (increase) in deposits paid for securities borrowing transactions | **13,200** | (66,885) | **131** |
| Net increase (decrease) in call money, bills sold and bills sold under repurchase agreements | **307,494** | (1,023,785) | **3,069** |
| Net decrease in deposits received for securities lending transactions | **(14,937)** | (98,882) | **(149)** |
| Net decrease in foreign exchange assets | **11,767** | 6,246 | **117** |
| Net decrease in foreign exchange liabilities | **(302)** | (2,286) | **(3)** |
| Net increase in straight bonds | **1,599** | 50,000 | **15** |
| Net decrease in due to trust account | **(49,718)** | (8,397) | **(496)** |
| Interest receipts (cash basis) | **711,900** | 672,222 | **7,106** |
| Interest payments (cash basis) | **(151,875)** | (94,903) | **(1,516)** |
| Other—net | **(90,212)** | 310,006 | **(900)** |
| Subtotal | **(1,142,424)** | 38,658 | **(11,404)** |
| Income taxes paid | **(11,357)** | (17,539) | **(113)** |
| Net cash provided by (used in) operating activities | **(1,153,782)** | 21,119 | **(11,518)** |
| **Cash flows from investing activities:** | | | |
| Purchases of securities | **(33,119,422)** | (22,743,109) | **(330,632)** |
| Proceeds from sales and redemptions of securities | **29,687,455** | 20,912,420 | **296,370** |
| Proceeds from maturities of securities | **4,023,801** | 2,216,224 | **40,169** |
| Increase in money held in trust | **—** | (10,000) | **—** |
| Decrease in money held in trust | **10,269** | — | **102** |
| Purchases of premises and equipment | **(9,201)** | (9,996) | **(91)** |
| Proceeds from disposal of premises and equipment | **2,362** | 1,841 | **23** |
| Purchases of intangible fixed assets | **(5,755)** | (6,291) | **(57)** |
| Proceeds from disposal of intangible fixed assets | **14** | 2,141 | **0** |
| Net cash provided by investing activities | **589,524** | 363,230 | **5,885** |
| **Cash flows from financing activities:** | | | |
| Proceeds from subordinated borrowed money | **27,000** | 10,000 | **269** |
| Repayment of subordinated borrowed money | **(106,000)** | (27,000) | **(1,058)** |
| Proceeds from issuance of subordinated bonds | **68,678** | 126,960 | **685** |
| Repayment of subordinated bonds | **(10,000)** | (108,743) | **(99)** |
| Proceeds from issuance of preferred stock | **448,367** | 62,147 | **4,476** |
| Dividends paid | **(31,062)** | (31,351) | **(310)** |
| Dividends paid to minority shareholders of consolidated subsidiaries | **(218)** | (236) | **(2)** |
| Payments related to acquisition of treasury stock | **(586)** | (570,345) | **(5)** |
| Proceeds from sales of treasury stock | **157** | 32 | **1** |
| Net cash provided by (used in) financing activities | **396,337** | (538,537) | **3,956** |
| **Effect of exchange rate changes on cash and cash equivalents** | **107** | 54 | **1** |
| **Decrease in cash and cash equivalents** | **(167,813)** | (154,132) | **(1,675)** |
| **Cash and cash equivalents at beginning of year** | **1,321,557** | 1,475,689 | **13,193** |
| **Cash and cash equivalents at end of year (Note 3)** | **¥ 1,153,744** | ¥ 1,321,557 | **$ 11,517** |

See accompanying notes to the consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Resona Holdings, Inc. and consolidated subsidiaries
Years ended March 31, 2008 and 2007

## 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 Financial Instruments and Exchange Law (or Securities and Exchange Law for the periods ended before April 1, 2007) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

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 ¥100.17 to U.S. $1.00, the rate of exchange prevailing in the Tokyo Foreign Exchange Market on March 31, 2008. 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.

In order to apply the control and influence criteria for certain collective investment vehicles, such as investment associations, limited partnerships, Tokumei Kumiai (silent partnership) structures and other entities with similar characteristics, the Group looks to the proportionate share of decision-making authority over such vehicles, together with other factors indicating substantial control and influence, in accordance with the guidance of Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," issued by the Accounting Standards Board of Japan (the "ASBJ").

#### (a) Scope of consolidation

The number of consolidated subsidiaries as of March 31, 2008 and 2007 was 19 and 21, respectively. The changes in the number of consolidated subsidiaries for the years ended March 31, 2008 and 2007 were as follows:

| | **2008** | 2007 |
|---|---|---|
| At beginning of year | **21** | 36 |
| Decrease: | | |
| Liquidation | **2** | 15 |
| At end of year | **19** | 21 |

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.

The Group excludes one special purpose securitization vehicle from the scope of consolidation pursuant to Article 8 Paragraph 7 of the Financial Statements Regulations for Terminology, Forms and Preparation of Financial Statements, which effectively permits a company to avoid consolidation of certain qualified special purpose entities which are established and are being operated for the purpose of asset securitizations. On March 29, 2007, the ASBJ issued ASBJ Implementation Guidance No. 15, "Implementation Guidance on Disclosures about Certain Special Purpose Entities," which was effective for fiscal years beginning on or after April 1, 2007 with early adoption permitted. This guidance requires a company to disclose the information regarding the nature, relationships, transactions and financial figures of a special purpose entity which would be determined to be a subsidiary in its substance but is excluded from the scope of consolidation in accordance with another accounting pronouncements. The Group adopted this guidance for the year ended March 31, 2008 and the information for such special purpose vehicle is disclosed in Note 34, "SPECIAL PURPOSE ENTITIES."

**(b) Application of equity method of accounting**

The number of affiliates accounted for by the equity method as of March 31, 2008 and 2007 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.

Non-consolidated subsidiaries and affiliates include investment funds in the form of an investment association (*Toshi Jigyo Kumiai*), an unincorporated entity similar to an investment partnership.

As of March 31, 2008, entities not accounted for as affiliates in which the Group owns voting interests of 20% or more (but not more than 50%) included 3 companies and one joint venture. These 3 companies are portfolio investees of a venture capital, one of the consolidated subsidiaries, and are invested in solely for operating purpose to nurture the venture businesses. The joint venture was established by the banks registered with the second associations of regional banks in Kinki region to guarantee residential mortgage loans, and its operation is administered by all those banks' discussion and unanimous vote. The Group does not have intent to control or exercise influence over them and they were not accounted for as affiliates.

**(c) Balance sheet dates of consolidated subsidiaries**

The balance sheet dates of the consolidated subsidiaries as of March 31, 2008 and 2007 were as follows:

| | **2008** | 2007 |
|---|---|---|
| End of December: | **4 subsidiaries** | 4 subsidiaries |
| End of March: | **15 subsidiaries** | 17 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.

**(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 dates.

**(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, net 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. 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 dates (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.

**(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 derivatives used for hedging purposes are generally deferred over the terms of the hedged items and are reclassified to income when gains and losses on the hedged items are recognized. Net deferred gains or losses on qualifying hedges are reported as a separate component of equity. Fair value hedge accounting can be applied for certain hedged items, including available-for-sale securities.

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 to be substantially the same, are not remeasured at fair value and the interest differentials paid or received are recognized over the term of the swap agreements and netted with the interest 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 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 hedging derivatives were deferred and amortized by the straight-line method over a defined period pursuant to their internal risk management policies.

In accordance with the transitional treatment in 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 recognized 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 were ¥2,651 million ($26 million) and ¥1,804 million ($18 million) as of March 31, 2008 and ¥6,257 million and ¥4,958million as of March 31, 2007, 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 adopt 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 defers them as assets or liabilities without elimination 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 in the financial statements 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

<Accounting change>

Premises and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporation tax law, which was effective April 1, 2007. The revision abolished the limitation on the depreciable amount for income tax purposes (generally 95% of the acquisition cost with 5% residual value), thereby allowing companies to depreciate the entire cost of the newly acquired premises and equipment, and changed the depreciation rate for the declining-balance method in line with such abolishment. The effect of this treatment was to increase depreciation expense and decrease income before income taxes and minority interests by ¥172 million ($1 million) for the year ended March 31, 2008.

Premises and equipment acquired on and before March 31, 2007 continue to be depreciated in the same manner as applied in the prior periods. However, in accordance with the revised corporation tax law which is effective for fiscal years beginning on and after April 1, 2007, 5% residual value is equally amortized over 5 years starting in the following year in which the carrying value of premises and equipment reaches 5% of the acquisition cost. The effect of this treatment was to increase depreciation expense and decrease income before income taxes and minority interests by ¥520 million ($5 million) for the year ended March 31, 2008.

With respect to the premises and equipment to be disposed of before the planned relocation of the Tokyo head office owned by Resona Bank, Limited (the "Bank") in 2010, the Bank revised its estimate of the useful lives and recorded additional depreciation expense to adjust the carrying amounts at the beginning of the year ended March 31, 2008. As a result, income before income taxes and minority interests decreased by ¥1,332 million ($13 million) for the year ended March 31, 2008.

**(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 (i.e., value in use) 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 center, computer center 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.

**(9) Deferred charges**

Discounts on bonds are presented as a deduction from bonds and amortized by the straight-line method over the terms of the bonds or the periods before the bonds are redeemable.

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 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 is accounted for as a charge against income.

The Company provides a reserve for losses on estimated reimbursements in responses 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 estimable. 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 amount deemed collectible from the disposal of collateral or execution of guarantees and the borrowers' 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 of respective countries.

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

For collateralized or guaranteed claims to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy, uncollectible amounts (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 as of March 31, 2008 and 2007 were ¥374,040 million ($3,734 million) and ¥340,314 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' bonuses**

A reserve for employees' bonuses is provided for the payment of performance bonuses to employees at estimated amount accrued on the balance sheet date.

As the amount of performance bonuses had been determined and resolved when the Company prepared the consolidated financial statements, the Company and its domestic consolidated subsidiaries recorded a bonus payable aggregating ¥16,035 million as other liabilities as of March 31, 2007. As of March 31, 2008, however, the estimated performance bonuses were presented as reserve for employees' bonuses because the amount was not determined or resolved before the preparation of the consolidated financial statements.

**(14) 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 dates.

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 employee.

**(15) Other reserves**

Other reserves are provided to cover future expenses and losses that can be reasonably estimated.

**(16) 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.

Consolidated domestic banking subsidiaries translate foreign-currency-denominated assets and liabilities into Japanese yen primarily at the exchange rates at the balance sheet dates, 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.

**(17) 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 an 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.

In addition to “Income”, the tax basis of the enterprise taxes includes “added value” and “amount of capital,” as defined in the Local Tax Law, 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 Transaction Portion of Enterprise Taxes on the Statement of Operations” issued by the ASBJ

**(18) 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.

**(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) Presentation of equity**

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

**(21) 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.

**(22) 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 any tax effect, and assumed exercise of all conversion options outstanding.

For the years ended March 31, 2008 and 2007, diluted net income per share was computed reflecting the potential dilutive effect of outstanding convertible preferred stock, which were 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.

**(23) 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 Japanese GAAP 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.

**(c) Financial instruments disclosures**

On March 10, 2008, the ASBJ revised ASBJ Statement No.10, "Accounting Standard for Financial Instruments," which was originally issued on January 22, 1999. The revision include, among other things, expanded disclosures for all classes of financial instruments, requiring information about fair values and certain quantitative and qualitative information. In addition, the ASBJ issued ASBJ Guidance No.19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" to provide guidance for the application of the disclosure requirements in the revised ASBJ Statement No.10.

According to the revised accounting standard and the implementation guidance, a company shall disclose qualitative information about financial instruments, including policies and objectives for using financial instruments; nature, types and risks (e.g., credit risk, market risk, liquidity risk) of financial instruments; and risk management system (e.g., policies, procedures, divisions, risk mitigation techniques or measurement methods). In connection with market risk management, quantitative disclosures for market risk, including value-at-risk, sensitivity analysis, etc., are also required for companies which hold significant financial assets and liabilities that are essential in view of the business purposes and activities and are sensitive to market risk exposures.

In addition, a company shall disclose information about carrying amounts and fair values of financial instruments according to the account classifications in the balance sheet, together with methodologies and assumptions used to estimate such fair values. If it is extremely difficult to estimate and disclose the fair value of a financial instrument, information about the nature and carrying amount of the financial instrument and the reason why it is extremely difficult to estimate and disclose the fair value shall be disclosed.

The revised accounting standard and the implementation guidance are first effective for the annual financial statements for the fiscal year ending on or after March 31, 2010 with early adoption permitted at the beginning of that fiscal year.

One year deferral is permitted for the quantitative disclosures for market risk; a company can first adopt the disclosure provisions for the fiscal year ending on or after March 31, 2011.

**(d) Asset retirement obligations**

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

## 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, 2008 and 2007 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Cash and due from banks | **¥2,045,603** | ¥1,609,285 | **$20,421** |
| Due from banks except for the Bank of Japan | **(891,858)** | (287,727) | **(8,903)** |
| Cash and cash equivalents | **¥1,153,744** | ¥1,321,557 | **$11,517** |

## 4. Call Loans and Bills Bought, and Call Money and Bills Sold

Call loans and bills bought as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Call loans | **¥1,414,268** | ¥1,200,121 | **$14,118** |
| Bills bought | **230,000** | — | **2,296** |
| Total | **¥1,644,268** | ¥1,200,121 | **$16,414** |

Call money and bills sold as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Call money | **¥428,328** | ¥124,054 | **$4,276** |
| Bills sold | **—** | — | **—** |
| Total | **¥428,328** | ¥124,054 | **$4,276** |

## 5. Trading Assets and Trading Liabilities

Trading assets and liabilities as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Trading assets: | | | |
| Trading securities | **¥ 34,858** | ¥ 55,213 | **$ 347** |
| Trading-related financial derivatives | **153,613** | 79,873 | **1,533** |
| Commercial paper | **257,490** | 235,812 | **2,570** |
| Total | **¥445,962** | ¥370,899 | **$4,452** |
| Trading liabilities: | | | |
| Trading securities sold for short sales | **¥ 14,660** | ¥ 68,097 | **$ 146** |
| Derivatives of trading securities | **101** | 64 | **1** |
| Derivatives of securities related to trading transactions | **46** | 13 | **0** |
| Trading-related financial derivatives | **124,520** | 47,191 | **1,243** |
| Total | **¥139,328** | ¥115,367 | **$1,390** |

## 6. Securities

Securities as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Japanese government bonds | **¥4,151,666** | ¥3,894,702 | **$41,446** |
| Japanese local government bonds | **442,263** | 457,195 | **4,415** |
| Japanese corporate bonds | **1,164,135** | 1,312,399 | **11,621** |
| Japanese stocks | **691,728** | 972,144 | **6,905** |
| Other securities | **268,856** | 958,770 | **2,683** |
| Total | **¥6,718,651** | ¥7,595,212 | **$67,072** |

As of March 31, 2008 and 2007, securities included equity investments in non-consolidated subsidiaries and affiliates, accounted for by the equity method or the cost method, of ¥19,047 million ($190 million) and ¥18,825 million, respectively, and capital subscriptions to entities such as limited liability companies of ¥11,857 million ($118 million) and ¥15,877 million, respectively.

The amortized costs, aggregate fair values and unrealized gains and losses of held-to-maturity debt securities as of March 31, 2008 and 2007, which are included in the above table, were as follows:

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Amortized cost | Estimated fair value | Net unrealized gains (losses) | Gross unrealized gains | Gross unrealized losses |
| **March 31, 2008** | | | | | |
| Held-to-maturity debt securities: | | | | | |
| Japanese local government bonds | **¥188,989** | **¥194,814** | **¥5,824** | **¥5,825** | **¥ 0** |
| March 31, 2007 | | | | | |
| Held-to-maturity debt securities: | | | | | |
| Japanese local government bonds | ¥148,451 | ¥148,074 | ¥ (377) | ¥ 588 | ¥966 |

| | Millions of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | Amortized cost | Estimated fair value | Net unrealized gains (losses) | Gross unrealized gains | Gross unrealized losses |
| **March 31, 2008** | | | | | |
| Held-to-maturity debt securities: | | | | | |
| Japanese local government bonds | **$1,886** | **$1,944** | **$58** | **$58** | **$0** |

The amortized costs, aggregate fair values and unrealized gains and losses of available-for-sale securities as of March 31, 2008 and 2007, which are included in the above table, were as follows:

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Amortized cost | Estimated fair value | Net unrealized gains (losses) | Gross unrealized gains | Gross unrealized losses |
| **March 31, 2008** | | | | | |
| Available-for-sale securities: | | | | | |
| Japanese stocks | **¥ 385,586** | **¥ 589,979** | **¥204,392** | **¥216,106** | **¥11,713** |
| Bonds: | | | | | |
| Japanese government bonds | **4,184,455** | **4,151,666** | **(32,788)** | **3,273** | **36,062** |
| Japanese local government bonds | **250,751** | **253,274** | **2,522** | **3,046** | **523** |
| Japanese corporate bonds | **669,194** | **669,506** | **312** | **1,346** | **1,034** |
| Total bonds | **5,104,401** | **5,074,447** | **(29,953)** | **7,666** | **37,619** |
| Other | **451,885** | **449,103** | **(2,782)** | **8,089** | **10,872** |
| Total | **¥5,941,874** | **¥6,113,531** | **¥171,656** | **¥231,862** | **¥60,205** |
| 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 |

| | Millions of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | Amortized cost | Estimated fair value | Net unrealized gains (losses) | Gross unrealized gains | Gross unrealized losses |
| **March 31, 2008** | | | | | |
| Available-for-sale securities: | | | | | |
| Japanese stocks | **$ 3,849** | **$ 5,889** | **$2,040** | **$2,157** | **$116** |
| Bonds: | | | | | |
| Japanese government bonds | **41,773** | **41,446** | **(327)** | **32** | **360** |
| Japanese local government bonds | **2,503** | **2,528** | **25** | **30** | **5** |
| Japanese corporate bonds | **6,680** | **6,683** | **3** | **13** | **10** |
| Total bonds | **50,957** | **50,658** | **(299)** | **76** | **375** |
| Other | **4,511** | **4,483** | **(27)** | **80** | **108** |
| Total | **$59,317** | **$61,031** | **$1,713** | **$2,314** | **$601** |

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:

(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 years ended March 31, 2008 and 2007, an impairment loss of ¥5,628 million ($56 million) and ¥6,261 million, respectively, were recorded with respect to available-for-sale securities with fair values.

Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses for the years ended March 31, 2008 and 2007 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, 2008** | | | | | | |
| Available-for-sale securities | **¥29,664,971** | **¥ 75,556** | **¥ 63,489** | **$296,146** | **$754** | **$633** |
| March 31, 2007 | | | | | | |
| Available-for-sale securities | ¥20,521,550 | ¥148,413 | ¥59,169 | | | |

Securities whose fair values were not readily determinable as of March 31, 2008 and 2007 were principally as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Held-to-maturity debt securities: | | | |
| Unlisted Japanese corporate bonds | **¥ 30,590** | ¥ 30,640 | **$ 305** |
| Available-for-sale securities: | | | |
| Unlisted Japanese corporate bonds | **464,038** | 571,668 | **4,632** |
| Unlisted Japanese corporate stocks | **82,705** | 122,077 | **825** |

For the years ended March 31, 2008 and 2007, there were no transfer between categories of securities.

The carrying amounts of securities classified as available-for-sale and held-to-maturity by maturities as of March 31, 2008 and 2007 were as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| | One year or less | One to five years | Five to ten years | Over ten years |
| **March 31, 2008** | | | | |
| Bonds: | | | | |
| Japanese government bonds | **¥2,739,498** | **¥ 320,309** | **¥518,381** | **¥573,473** |
| Japanese local government bonds | **52,857** | **135,084** | **254,322** | **—** |
| Japanese corporate bonds | **482,525** | **618,816** | **37,897** | **24,896** |
| Subtotal | **3,274,881** | **1,074,209** | **810,601** | **598,369** |
| Other | **15,212** | **62,902** | **90,446** | **214,070** |
| Total | **¥3,290,093** | **¥1,137,111** | **¥901,048** | **¥812,439** |
| 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 |

| | Millions of U.S. dollars | | | |
|---|---|---|---|---|
| | One year or less | One to five years | Five to ten years | Over ten years |
| **March 31, 2008** | | | | |
| Bonds: | | | | |
| Japanese government bonds | **$27,348** | **$ 3,197** | **$5,175** | **$5,724** |
| Japanese local government bonds | **527** | **1,348** | **2,538** | **—** |
| Japanese corporate bonds | **4,817** | **6,177** | **378** | **248** |
| Subtotal | **32,693** | **10,723** | **8,092** | **5,973** |
| Other | **151** | **627** | **902** | **2,137** |
| Total | **$32,845** | **$11,351** | **$8,995** | **$8,110** |

A reconciliation of net unrealized gains on available-for-sale securities to the amounts included in "Net unrealized gains on available-for-securities," presented as a separate component of equity as of March 31, 2008 and 2007, on the consolidated balance sheets is as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Net unrealized gains on available-for-sale securities | **¥171,656** | ¥432,921 | **$1,713** |
| Fair value hedge gains recognized as income | **(11,889)** | (12,281) | **(118)** |
| Deferred tax liabilities | **(36,722)** | (119,197) | **(366)** |
| Unrealized gains on available-for-sale securities (before adjustment) | **123,045** | 301,443 | **1,228** |
| Less: amounts attributable to minority interests | **(176)** | 407 | **(1)** |
| Less: the Company's portion of unrealized losses on available-for-sale securities of equity method investees | **13** | 22 | **0** |
| Amounts recorded in the consolidated balance sheets | **¥123,207** | ¥301,013 | **$1,229** |

For securities borrowed without collateral, securities purchased under resale agreements and securities received under bonds borrowing transactions collateralized with cash, which permit borrowers to sell or repledge such securities received, ¥86,492 million ($863 million) and ¥38,342 million of such securities were repledged, and ¥54 million ($0 million) and ¥7,263 million of such securities were held by the Group as of March 31, 2008 and 2007, respectively.

There were no loaned securities under securities lending agreements as of March 31, 2008 and 2007.

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

| | Millions of yen | |
|---|---|---|
| | Amount | Net unrealized gains recognized during the year |
| March 31, 2007 | | |
| Money held in trust for trading purpose | ¥10,385 | ¥385 |

There was no money held in trust for trading purpose as of March 31, 2008.

## 7. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Bills discounted | ¥ 258,070 | ¥ 334,276 | $ 2,576 |
| Loans on notes | 1,526,067 | 1,644,813 | 15,234 |
| Loans on deeds | 21,177,139 | 21,283,843 | 211,411 |
| Overdrafts | 3,091,182 | 2,989,927 | 30,859 |
| Total | ¥26,052,461 | ¥26,252,861 | $260,082 |

The following loans were included in loans and bills discounted as of March 31, 2008 and 2007.

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Loans to borrowers in legal bankruptcy | ¥ 22,057 | ¥ 20,401 | $ 220 |
| Past due loans | 394,291 | 403,396 | 3,936 |
| Accruing loans contractually past due three months or more | 8,147 | 11,911 | 81 |
| Restructured loans | 202,978 | 278,862 | 2,026 |
| Total | ¥627,474 | ¥714,572 | $6,264 |

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

Bills discounted are recorded as lending transactions in accordance with 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 ¥278,367 million ($2,778 million) and ¥357,553 million as of March 31, 2008 and 2007, respectively.

## 8. Foreign Exchange

Foreign exchange assets and liabilities as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Assets: | | | |
| Due from foreign banks | **¥24,156** | ¥27,850 | **$241** |
| Loans to foreign banks | **10** | 24 | **0** |
| Foreign bills of exchange bought | **20,296** | 23,276 | **202** |
| Foreign bills of exchange receivable | **27,390** | 32,114 | **273** |
| Total | **¥71,854** | ¥83,265 | **$717** |
| Liabilities: | | | |
| Due to foreign banks | **¥ 1,525** | ¥ 1,187 | **$ 15** |
| Foreign bills of exchange sold | **771** | 921 | **7** |
| Foreign bills of exchange payable | **598** | 1,090 | **5** |
| Total | **¥ 2,896** | ¥ 3,199 | **$ 28** |

## 9. Other Assets

Other assets as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Prepaid expenses | **¥ 4,934** | ¥ 4,043 | **$ 49** |
| Accrued income | **69,761** | 69,450 | **696** |
| Initial margins for futures transactions | **3,022** | 14,926 | **30** |
| Variation margins for futures transactions | **666** | 1,323 | **6** |
| Securities received as collateral | **14,660** | 68,097 | **146** |
| Financial derivatives, principally including option premiums and contracts under hedge accounting | **299,612** | 192,039 | **2,991** |
| Prepaid pension cost | **139,053** | 131,148 | **1,388** |
| Other | **519,629** | 428,443 | **5,187** |
| Total | **¥1,051,340** | ¥909,471 | **$10,495** |

## 10. Premises and Equipment

Premises and equipment as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Land, building and equipment | **¥ 600,546** | ¥ 607,203 | **$ 5,995** |
| Construction in progress | **1,389** | 1,767 | **13** |
| Subtotal | **601,936** | 608,970 | **6,009** |
| Accumulated depreciation | **(210,513)** | (207,668) | **(2,101)** |
| Total | **¥ 391,423** | ¥ 401,302 | **$ 3,907** |

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, 2008 and 2007, such deferred profit amounted to ¥61,870 million ($617 million) and ¥62,398million, respectively.

## 11. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Software | ¥13,602 | ¥13,208 | $135 |
| Goodwill | 14,484 | 21,754 | 144 |
| Other intangible fixed assets | 5,577 | 5,419 | 55 |
| Total | ¥33,664 | ¥40,382 | $336 |

## 12. Long Lived Assets

For the year ended March 31, 2008, the Group recognized impairment losses of ¥3,054 million ($30 million). For all assets on which impairment losses were recognized, the Group used an estimated net selling price as the recoverable amount, which was higher than the discounted value in use.

For the year ended March 31, 2007, the Group recognized impairment losses of ¥3,523 million on certain operating branches and ¥4,196 million on branches to be closed and unused facilities. Such impairment losses comprised ¥3,009 million on buildings, ¥2,081 million on land and ¥2,629 million on other tangible fixed assets for the year ended March 31, 2007. For certain assets whose value in use is higher than net selling price, the Group used the value in use as recoverable amount, which was calculated based on the present value of future cash flows, using a discount rate of 6.6%.

## 13. Assets Pledged as Collateral

Assets pledged as collateral and debt collateralized as of March 31, 2008 and 2007 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Assets pledged as collateral: | | | |
| Call loans and bills bought | ¥ 230,000 | ¥ — | $ 2,296 |
| Trading assets | 96,807 | 63,929 | 966 |
| Securities | 3,414,322 | 3,124,109 | 34,085 |
| Loans and bills discounted | 268,999 | 284,470 | 2,685 |
| Other assets | 4,028 | 3,960 | 40 |
| Debt collateralized: | | | |
| Deposits | ¥ 193,289 | ¥ 144,109 | $ 1,929 |
| Call money and bills sold | 250,000 | — | 2,495 |
| Bills sold under repurchase agreements | 16,976 | 13,983 | 169 |
| Deposits received for bonds lending transactions | 40,638 | 29,574 | 405 |
| Borrowed money | 555,600 | 776,300 | 5,546 |
| Other liabilities | 139 | 288 | 1 |

In addition to the pledged assets shown above, "Cash and due from banks," "Securities" and "Other assets," amounting to ¥80 million ($0 million), ¥882,434 ($8,809 million) and ¥89,155 ($890 million), respectively, were pledged as collateral for settlements of foreign exchanges, over-the-counter derivatives transactions or futures transactions as of March 31, 2008.

"Cash and due from banks," "Securities" and "Other assets," amounting to ¥436 million, ¥951,893 million and ¥3,340 million, respectively, were pledged as collateral for settlements of foreign exchanges, over-the-counter derivatives transactions or futures transactions as of March 31, 2007.

"Other assets" included the guarantee deposits of ¥22,477 million ($224 million) and ¥23,055 million as of March 31, 2008 and 2007, respectively.

"Other assets" included initial margins for futures transactions in the amount of ¥3,022 million ($30 million) and ¥14,926 million as of March 31, 2008 and 2007, 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 amounted to ¥9,049,701 million ($90,343 million) and ¥9,880,502 million as of March 31, 2008 and 2007, respectively, including ¥8,740,644 million ($87,258 million) and ¥9,556,809 million of agreements with original terms of one year or less or those that are unconditionally cancellable by the Group at any time without penalty as of March 31, 2008 and 2007, respectively.

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

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

## 15. Deposits

Deposits as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Current deposits | **¥ 2,454,714** | ¥ 2,323,655 | **$ 24,505** |
| Ordinary deposits | **15,343,439** | 16,170,941 | **153,173** |
| Savings deposits | **453,504** | 465,852 | **4,527** |
| Notice deposits | **107,676** | 128,319 | **1,074** |
| Time deposits | **12,293,642** | 11,858,816 | **122,727** |
| Other deposits | **982,451** | 783,495 | **9,807** |
| Total | **¥31,635,428** | ¥31,731,081 | **$315,817** |

## 16. Borrowed Money

As of March 31, 2008 and 2007, the weighted average annual interest rates applicable to borrowed money were 0.84% and 0.92%, respectively.

Borrowed money included borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings of ¥98,000 million ($978 million) and ¥167,000 million as of March 31, 2008 and 2007, respectively.

The following is summary of maturities of borrowed money subsequent to March 31, 2008:

| **Year Ending March 31** | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| 2009 | ¥578,423 | $5,774 |
| 2010 | 4,849 | 48 |
| 2011 | 1,556 | 15 |
| 2012 | 1,062 | 10 |
| 2013 | 216 | 2 |
| 2014 and thereafter | 98,077 | 979 |
| Total | ¥684,186 | $6,830 |

## 17. Bonds

Bonds as of March 31, 2008 and 2007 consisted of the following:

| | Rate | Maturity | Millions of yen | Millions of U.S. dollars |
|---|---|---|---|---|
| **As of March 31, 2008** | | | | |
| The Company: | | | | |
| Straight bond | 1.28% | August 12, 2009 | ¥ 50,000 | $ 499 |
| Straight bond | 0.84% | December 17, 2009 | 30,000 | 299 |
| Straight bond | 0.69% | June 24, 2010 | 30,000 | 299 |
| Straight bond | 0.65% | December 17, 2008 | 20,000 | 199 |
| Straight bond | 1.09% | December 17, 2010 | 30,000 | 299 |
| Straight bond | 1.32% | December 15, 2009 | 30,000 | 299 |
| Straight bond | 1.64% | December 15, 2011 | 20,000 | 199 |
| Resona Bank, Limited: | | | | |
| Subordinated bonds[1] | 1.20% to 5.986% | September 24, 2014 to perpetual | 575,531 | 5,745 |
| Saitama Resona Bank, Ltd.: | | | | |
| Subordinated bonds | 1.40875% to 2.08% | March 8, 2016 to Perpetual | 95,000 | 948 |
| Asahi Finance (Cayman) Ltd.[2]: | | | | |
| Subordinated bonds | 4.25% | Perpetual | 10,000 | 99 |
| P.T. Bank Resona Perdania[3]: | | | | |
| Straight bonds[4] | 9.6% | December 6, 2010 | 1,599 | 15 |
| Total | | | ¥892,130 | $8,906 |
| As of March 31, 2007 | | | | |
| 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 | |
| Straight bond | 1.32% | December 15, 2009 | 30,000 | |
| Straight bond | 1.64% | December 15, 2011 | 20,000 | |
| Resona Bank, Limited: | | | | |
| Subordinated bonds[1] | 0.95625% to 5.986% | September 24, 2014 to Perpetual | 596,141 | |
| Saitama Resona Bank, Ltd.: | | | | |
| Subordinated bonds | 1.11375% to 1.69% | March 8, 2016 to Perpetual | 40,000 | |
| Asahi Finance (Cayman) Ltd.[2]: | | | | |
| Subordinated bonds | 3.30% to 4.25% | March 31, 2013 to perpetual | 20,000 | |
| Total | | | ¥866,141 | |

Notes: (1) The amount includes the balances of foreign currency-denominated bonds originally issued at EUR 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) P.T.Bank Resona Perdania is a consolidated subsidiary of the Bank though its rate of voting rights is 43.4%.
(4) The amount includes the balance of foreign currency-denominated bonds originally issued at 132,162 million of Indonesian rupee.

The following is a summary of the maturities of bonds subsequent to March 31, 2008:

| Year Ending March 31 | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| 2009 | ¥ 20,000 | $ 199 |
| 2010 | 110,000 | 1,098 |
| 2011 | 61,599 | 614 |
| 2012 | 20,000 | 199 |
| 2013 | — | — |
| 2014 and thereafter | 680,531 | 6,793 |
| Total | ¥892,130 | $8,906 |

## 18. Other Liabilities

Other liabilities as of March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Accrued income taxes | **¥ 14,016** | ¥ 10,292 | **$ 139** |
| Accrued expenses | **72,965** | 76,185 | **728** |
| Unearned income | **27,705** | 24,743 | **276** |
| Financial derivatives, principally including option premiums and contracts under hedge accounting | **199,549** | 131,013 | **1,992** |
| Other | **453,624** | 524,436 | **4,528** |
| Total | **¥767,862** | ¥766,672 | **$7,665** |

## 19. Other Reserves

Other reserves as of March 31, 2008 mainly include a reserve for losses on trust transactions, a reserve for losses on the reimbursement of dormant deposits, a reserve for losses on burden charged under the credit guarantee system and a reserve for losses on interest repayments.

(i) A reserve for losses on trust transactions is provided for the estimated future losses on the trust transactions without the principal indemnification which a certain consolidated domestic banking subsidiary as a trustee have been administrating and operating, and amounted to ¥10,686 million ($106 million) as of March 31, 2008.

(ii) A reserve for losses on reimbursement of dormant deposits is provided for the estimated future losses resulting from reimbursements of dormant deposits subsequent to the period of derecognition of the related liabilities, and amounted to ¥4,929 million ($49 million) as of March 31, 2008.

(iii) A reserve for losses on burden charged under the credit guarantee system is provided for the estimated future losses to be charged by the credit guarantee corporation under the burden sharing system for credit losses on loans to certain small- and medium-sized companies, and amounted to 3,958 million ($39 million) as of March 31, 2008.

(iv) A reserve for losses on interest repayments is provided for the future losses on interest repayment claims based on the historical experience for such repayments and amounted to ¥560 million ($5 million) as of March 31, 2008.

Other reserves as of March 31, 2007 mainly include a reserve for losses on the reimbursement of dormant deposits and a reserve for losses on interest repayments.

## 20. 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.

In addition to the acceptances and guarantees described above, a certain consolidated domestic banking subsidiary guarantee the principals on certain jointly managed trust products. The guaranteed principal amounts held in such trusts were ¥433,580 million ($4,328 million) and ¥516,755 million as of March 31, 2008 and 2007, respectively.

## 21. 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 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.

## 22. Equity

The Company Law, which became effective on May 1, 2006, reformed and replaced the Commercial Code of Japan (the “Code”) The significant provisions 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. Interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

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 Code, aggregate amount of additional paid-in capital and legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the shareholders after transferring such excess to retained earnings in accordance with the Code.

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 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**

The 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," clarify the 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).

Common stock and preferred stock as of March 31, 2008 were as follows:

| **March 31, 2008** | Number of shares | | Per share (Yen) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Class of stock | Authorized | Issued and outstanding | Interim cash dividend | Year-end cash dividend paid[1] | Liquidation value | Convertible or not | Convertible period | Voting right | Conversion ratio or price |
| Common stock | 73,000,000 | 11,399,576.9 | ¥— | ¥ 1,000 | ¥ — | No | Not applicable | Yes | Not applicable |
| Class B No. 1 preferred stock | 680,000[2] | 272,202 | — | 6,360 | 600,000 | Yes | December 12, 2001 to March 31, 2009 | No | 3.125 |
| Class C No. 1 preferred stock | 120,0000 | 120,000 | — | 6,800 | 500,000 | Yes | January 1, 2002 to March 31, 2015 | No | ¥199,200 |
| Class E No. 1 preferred stock | 240,000[3] | 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 | — | 2,564 | 200,000 | Yes | On or after July 1, 2006 | Yes | ¥299,700 |
| Class two No. 1 preferred stock | 2,817,808 | 2,817,807.8 | — | 2,564 | 200,000 | Yes | On or after July 1, 2008 | Yes | ¥187,200 |
| Class three No. 1 preferred stock | 2,750,000 | 2,750,000 | — | 2,564 | 200,000 | Yes | On or after July 1, 2010 | Yes | [4] |
| Class four No. 1 preferred stock | 100,000 | 25,200 | — | 99,250 | 2,500,000 | No | — | No | — |
| Class five No. 1 preferred stock | 100,000 | 40,000 | — | 54,622 | 2,500,000 | No | — | No | — |
| Class nine No. 1 preferred stock | 100,000 | 100,000 | — | 26,769 | 3,500,000 | Yes | On or after June 5, 2008 | No | [5] |

Notes: (1) The payment of year-end cash dividends was approved at the Board of Directors held on May 16, 2008.

(2) Based on the resolution of shareholders' meeting held on June 26, 2008, the authorized number of shares of Class B No. 1 preferred stock was changed to 272,202 shares.

(3) Based on the resolution of shareholders' meeting held on June 26, 2008, the authorized number of shares of Class E No. 1 preferred stock was changed to 9,576 shares.

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

(5) Class nine No.1 preferred stock became convertible on June 5, 2008, with an initial conversion price at ¥332,465 where the floor conversion price is ¥86,730.

(6) In addition to the above, the authorized number of the shares for Class six preferred stock, Class seven preferred stock, and Class eight preferred stock was 100,000 shares as of March 31, 2008.

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 and five 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 repurchase Class four preferred stock with cash at a price of ¥2,500,000 plus daily basis of annual dividends on or after August 31, 2013.

The Company may repurchase Class five preferred stock with cash at a price of ¥2,500,000 plus daily basis of annual dividends on or after August 28, 2014.

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

The Company repurchased preferred stock (Class D No.1 preferred stock) and fully retired them for the year ended March 31, 2008.

The Company issued Class five preferred stock and Class nine preferred stock on August 28 and June 5, 2007, respectively. The issued and outstanding number of the shares was 40,000 and 100,000, respectively, as of March 31, 2008.

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

| March 31, 2007 | Number of shares | | Per share (Yen) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Class of stock | Authorized | Issued and outstanding | Interim cash dividend | Year-end 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 No. 1 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 is determined based on the market prices of the Company's common stock on the Tokyo Stock Exchange on July 1, 2008, where the minimum initial conversion price is ¥20,000.

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

(3) In addition to the above, the authorized number of the shares for 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, respectively, 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 repurchase Class four preferred stock with cash at a price of ¥2,500,000 plus daily basis of annual dividends on or after August 31, 2013.

Holders of preferred stock (Class B No. 1 through Class F No. 1 preferred stocks and Class four preferred stock) are not entitled to vote at general shareholders' meeting except where the articles of incorporation entitle the holders 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 30, 2006. The issued and outstanding number of the shares was 25,200 shares as of March 31, 2007.

## 23. Interest Income and Expenses

Interest income and expenses for the years ended March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Interest income: | | | |
| Interest on loans and bills discounted | **¥571,529** | ¥515,486 | **$5,705** |
| Interest and dividends on securities | **61,523** | 94,290 | **614** |
| Interest on call loans and bills bought | **16,442** | 8,889 | **164** |
| Interest on bills bought under resale agreements | **—** | 0 | **—** |
| Interest on deposits paid for securities borrowing transactions | **683** | 122 | **6** |
| Interest on due from banks | **15,649** | 9,476 | **156** |
| Other interest income | **37,293** | 36,959 | **372** |
| Total | **¥703,122** | ¥665,223 | **$7,019** |
| Interest expenses: | | | |
| Interest on deposits | **¥ 88,856** | ¥ 51,834 | **$ 887** |
| Interest on negotiable certificates of deposit | **10,353** | 6,055 | **103** |
| Interest on call money and bills sold | **1,909** | 1,298 | **19** |
| Interest on bills sold under repurchase agreements | **874** | 309 | **8** |
| Interest on deposits received for securities lending transactions | **1,319** | 804 | **13** |
| Interest on borrowed money | **6,689** | 6,501 | **66** |
| Interest on bonds | **31,396** | 29,396 | **313** |
| Other interest expenses | **6,373** | 5,319 | **63** |
| Total | **¥147,772** | ¥101,520 | **$1,475** |

## 24. Trading Profits

Trading profits for the years ended March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Trading profits: | | | |
| Income from trading securities | ¥ 195 | ¥ 2,319 | $ 1 |
| Income from trading-related financial derivatives | 64,835 | 18,676 | 647 |
| Other trading profits | 2,922 | 999 | 29 |
| Total | ¥67,953 | ¥21,995 | $678 |

Income from trading securities included net valuation gain of ¥721 million ($7 million) for the year ended March 31, 2008 and ¥272 million for the year ended March 31, 2007.

## 25. Other Operating Income and Expenses

Other operating income and expenses for the years ended March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Other operating income: | | | |
| Gains on foreign exchange transactions | ¥ — | ¥31,164 | $ — |
| Gains on sales of Japanese government bonds and other | 50,576 | 39,578 | 504 |
| Other | 142 | 263 | 1 |
| Total | ¥50,719 | ¥71,006 | $506 |
| Other operating expenses: | | | |
| Losses on foreign exchange transactions | ¥28,183 | ¥ — | $281 |
| Losses on sales of Japanese government bonds and other | 23,357 | 32,042 | 233 |
| Losses on redemption of Japanese government bonds and other | 19,302 | 8 | 192 |
| Impairment losses on Japanese government bonds and other | 646 | 108 | 6 |
| Expenses for financial derivatives | 21,600 | 16,346 | 215 |
| Total | ¥93,090 | ¥48,505 | $929 |

## 26. Other Income and Expenses

Other income and expenses for the years ended March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Other income: | | | |
| Gains on sales of stocks and other securities | ¥ 24,421 | ¥108,420 | $ 243 |
| Gains on disposal of premises and equipment | 416 | 1,611 | 4 |
| Gains on sales of loans | 41,439 | 7,207 | 413 |
| Recoveries of written-off loans | 38,914 | 24,824 | 388 |
| Reversal of reserve for possible losses on investments | 14,779 | — | 147 |
| Reversal of reserve for reorganization of branch office channel | — | 2,625 | — |
| Other | 26,640 | 31,276 | 265 |
| Total | ¥146,612 | ¥175,965 | $1,463 |
| Other expenses: | | | |
| Write-offs of loans | ¥ 76,579 | ¥ 38,287 | $ 764 |
| Provision for reserve for possible loan losses | 15,643 | 58,447 | 156 |
| Losses on sales of stocks and other securities | 39,980 | 27,036 | 399 |
| Impairment losses on stocks and other securities | 28,271 | 8,669 | 282 |
| Losses on disposal of premises and equipment | 1,992 | 2,668 | 19 |
| Impairment losses on premises and equipment | 3,054 | 7,720 | 30 |
| Other | 41,782 | 27,648 | 417 |
| Total | ¥207,303 | ¥170,479 | $2,069 |

## 27. 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, 2008 and 2007, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Deferred tax assets: | | | |
| Tax loss carryforwards | **¥ 1,199,460** | ¥ 1,319,244 | **$ 11,974** |
| Write-downs of securities | **933,940** | 925,162 | **9,323** |
| Reserve for possible loan losses and write-offs of loans | **242,182** | 240,766 | **2,417** |
| Reserve for employees' retirement benefits | **43,218** | 44,530 | **431** |
| Unrealized losses on available-for-sale securities | **320** | 40 | **3** |
| Other | **117,372** | 126,553 | **1,171** |
| Gross deferred tax assets | **2,536,495** | 2,656,298 | **25,321** |
| Less: valuation allowance | **(2,083,590)** | (2,196,652) | **(20,800)** |
| Total deferred tax assets | **452,904** | 459,645 | **4,521** |
| Deferred tax liabilities: | | | |
| Unrealized gains on available-for-sale securities | **(37,042)** | (119,237) | **(369)** |
| Gains on securities transferred to employees' retirement benefit trust | **(19,360)** | (19,741) | **(193)** |
| Deferred gains on hedges | **(13,422)** | — | **(133)** |
| Dividends receivable | **(2,015)** | (2,483) | **(20)** |
| Other | **(9,192)** | (8,897) | **(91)** |
| Total deferred tax liabilities | **(81,033)** | (150,358) | **(808)** |
| Net deferred tax assets | **¥ 371,871** | ¥ 309,286 | **$ 3,712** |

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, 2008 and 2007 was as follows:

| | **2008** | 2007 |
|---|---|---|
| Normal effective statutory tax rate | 40.63% | 40.63% |
| Change in valuation allowance | (35.04) | (97.73) |
| Lower tax rates applicable to income of subsidiaries | (1.20) | (1.04) |
| Dividends exempted for income tax purpose | (1.42) | (1.45) |
| Other | 0.35 | 0.63 |
| Effective tax rate | 3.32% | (58.96)% |

## 28. Leases

### Finance leases

The Group leases certain equipment and other assets as lessee.

Total lease payments under finance lease agreements that do not transfer ownership of the leased property to the lessee were ¥2,786 million ($27 million) and ¥2,711 million for the years ended March 31, 2008 and 2007, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and obligations under finance leases as of March 31, 2008 and 2007, and the related depreciation expense and interest expense under finance leases for the years ended 31, 2008 and 2007, on an "as if capitalized" basis, were as follows:

Pro forma acquisition cost, accumulated depreciation and net book value of the leased assets as of March 31, 2008 and 2007:

| | Millions of yen | | | | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | 2007 | | | 2008 | | |
| | Equipment | Other | Total | Equipment | Other | Total | Equipment | Other | Total |
| Acquisition costs | **¥13,774** | **¥627** | **¥14,402** | ¥14,647 | ¥ 768 | ¥15,416 | **$137** | **$6** | **$143** |
| Accumulated depreciation | **7,934** | **302** | **8,237** | 6,759 | 458 | 7,217 | **79** | **3** | **82** |
| Net book value | **¥ 5,840** | **¥324** | **¥ 6,164** | ¥ 7,888 | ¥ 310 | ¥ 8,199 | **$ 58** | **$3** | **$ 61** |

Future minimum lease payments excluding interests as of March 31, 2008 and March 31, 2007:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Due within one year | **¥2,409** | ¥2,582 | **$24** |
| Due after one year | **4,235** | 5,996 | **42** |
| Total | **¥6,645** | ¥8,578 | **$66** |

Pro forma depreciation and interest expense for the years ended March 31, 2008 and 2007:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Depreciation | **¥2,683** | ¥2,521 | **$26** |
| Interest expense | **206** | 228 | **2** |

*Computation of pro forma depreciation:*

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

*Computation of pro forma interest expense:*

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

### Operating leases

As of March 31, 2008 and 2007, future minimum lease payments including interest expenses under non-cancellable operating leases were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2008 | 2007 | 2008 |
| Due within one year | **¥10** | ¥18 | **$0** |
| Due after one year | **3** | 9 | **0** |
| Total | **¥14** | ¥27 | **$0** |

## 29. Derivatives

### (1) Risk management policy

### (a) Overview of derivative activities

The Group transacts primarily in the following derivatives:

(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 derivatives

Derivative transactions are essential to satisfy sophisticated and diverse financial needs of customers and to manage various risks to which the Group is exposed. The Group's basic policy is to execute derivative transactions in line with its business strategy and resources and to accurately identify and monitor risks associated with to these transactions under the appropriate risk management system. The principal purposes of the derivative transactions are as follows:

(i) Customers' financial needs

Customers are exposed to various risks and, accordingly, their need to hedge these risks are essential and diverse. Therefore, one of the primary purposes of derivative transactions is to provide customers with financial products which enable them to achieve their objectives of hedging and mitigating risks. The Group develops a variety of derivatives and other financial products and offers sophisticated financial solutions to customers. Derivative transactions may, however, 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, structure, market risk and credit risk associated with the product are required to be included in the explanation documents.
- Customers are ready to take responsibility for the products fully, and are capable and willing to enter into the transactions based on their own judgement.
- Customers are provided with relevant fair value information (i.e., unrealized gains and losses on customers' positions) to assist them in evaluating the products and transactions, periodically or whenever considered necessary. Since the implementation of the Financial Instruments and Exchange Law in September 2007, the Group has introduced an internal qualification system and training program to ensure compliance and develop expertise for sellers of derivatives. The Group will make continuous efforts to improve its customer protection system.

(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 insure future cash flows from their variability. Hedges are conducted on an individual and portfolio basis in accordance with the relevant hedge accounting guidelines. In addition, the Group establishes guidelines to determine the effectiveness of hedges periodically. 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 an individual hedge, the hedge effectiveness is assessed individually.

(iii) Trading activities

The Group engages in trading activities to earn profits 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 the changes in values and earnings on assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors such as interest rates, foreign exchange rates and bond and stock prices. Market risk is managed in accordance with the "Basic Policies for Market Risk Management," which outlines overall risk management of the Group and approved by the Board of Directors in accordance with the "Group Risk Management Policy."

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

Credit risk refers to the risk of loss arising from the impairment of assets (including off-balance sheet items) due to deterioration of customers' financial conditions 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 operation divisions, is responsible for monitoring and managing the credit risk associated with derivative transactions. The division reviews transaction and credit limits applicable to each of the counterparties, on an on-going basis, in response to the changes in creditworthiness of the counterparties.

## (2) The notional principal or contract amounts, fair values and unrealized gains or losses on derivatives

The notional principal or contract amounts, fair values and unrealized gains or losses on derivatives as of March 31, 2008 and 2007 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, 2008** | | | | | | |
| Listed | Futures | | | | | |
| | | Sold | **¥ 183,880** | **¥ —** | **¥ (110)** | **¥ (110)** |
| | | Bought | **47,366** | **—** | **(9)** | **(9)** |
| Over-the-counter | Swaps | | | | | |
| | | Receive fixed/Pay floating | **9,204,457** | **6,172,329** | **117,422** | **116,573** |
| | | Receive floating/Pay fixed | **8,602,480** | **6,168,827** | **(84,910)** | **(84,516)** |
| | | Receive floating/Pay floating | **2,400,500** | **1,823,000** | **(3,050)** | **(3,050)** |
| | Caps | | | | | |
| | | Sold | **86,694** | **31,389** | **274** | **563** |
| | | Bought | **69,260** | **4,060** | **186** | **(73)** |
| | Floors | | | | | |
| | | Sold | **6,300** | **6,300** | **221** | **(66)** |
| | | Bought | **17,008** | **16,897** | **258** | **236** |
| | Swaptions | | | | | |
| | | Sold | **—** | **—** | **—** | **—** |
| | | Bought | **2,600** | **2,500** | **87** | **60** |
| Total | | | | | **¥ 29,377** | **¥ 29,607** |

| | | | 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 |

| | | | Millions of U.S. dollars | | | |
|---|---|---|---|---|---|---|
| | | | Notional or contract amount | | | |
| | | | Total | Maturity over 1 year | Fair value | Unrealized gains (losses) |
| **March 31, 2008** | | | | | | |
| Listed | Futures | | | | | |
| | | Sold | **$ 1,835** | **$ —** | **$ (1)** | **$ (1)** |
| | | Bought | **472** | **—** | **(0)** | **(0)** |
| Over-the-counter | Swaps | | | | | |
| | | Receive fixed/Pay floating | **91,888** | **61,618** | **1,172** | **1,163** |
| | | Receive floating/Pay fixed | **85,878** | **61,583** | **(847)** | **(843)** |
| | | Receive floating/Pay floating | **23,964** | **18,199** | **(30)** | **(30)** |
| | Caps | | | | | |
| | | Sold | **865** | **313** | **2** | **5** |
| | | Bought | **691** | **40** | **1** | **(0)** |
| | Floors | | | | | |
| | | Sold | **62** | **62** | **2** | **(0)** |
| | | Bought | **169** | **168** | **2** | **2** |
| | Swaptions | | | | | |
| | | Sold | **—** | **—** | **—** | **—** |
| | | Bought | **25** | **24** | **0** | **0** |
| Total | | | | | **$ 293** | **$ 295** |

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, 2008** | | | | | |
| Over-the-counter | Currency swaps | **¥3,341,157** | **¥3,009,776** | **¥ (5,684)** | **¥ 37,760** |
| | Forward contracts | | | | |
| | Sold | **283,084** | **65,130** | **9,187** | **9,187** |
| | Bought | **1,046,645** | **637,277** | **(17,277)** | **(17,277)** |
| | Currency options | | | | |
| | Sold | **1,307,289** | **981,962** | **69,810** | **9,157** |
| | Bought | **1,366,821** | **960,007** | **120,449** | **56,112** |
| Total | | | | **¥ 36,865** | **¥ 94,939** |
| 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 |

| | | Millions of U.S. dollars | | | |
|---|---|---|---|---|---|
| | | Notional or contract amount | | | |
| | | Total | Maturity over 1 year | Fair value | Unrealized gains (losses) |
| **March 31, 2008** | | | | | |
| Over-the-counter | Currency swaps | **$33,354** | **$30,046** | **$ (56)** | **$ 376** |
| | Forward contracts | | | | |
| | Sold | **2,826** | **650** | **91** | **91** |
| | Bought | **10,448** | **6,361** | **(172)** | **(172)** |
| | Currency options | | | | |
| | Sold | **13,050** | **9,802** | **696** | **91** |
| | Bought | **13,645** | **9,583** | **1,202** | **560** |
| Total | | | | **$ 368** | **$ 947** |

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 |
| Listed | Index options | | | | | |
| | | Sold | ¥100,127 | — | 656 | 297 |
| | | Bought | 93,150 | — | 149 | (107) |
| Total | | | | | ¥ (490) | ¥ 207 |

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, 2008** | | | | | | |
| Listed | Futures | | | | | |
| | | Sold | **¥105,041** | **¥ —** | **¥(457)** | **¥(457)** |
| | | Bought | **5,789** | **—** | **3** | **3** |
| Total | | | | | **¥(454)** | **¥(454)** |
| March 31, 2007 | | | | | | |
| Listed | Futures | | | | | |
| | | Sold | ¥71,158 | ¥ — | ¥ 59 | ¥ 59 |
| | | Bought | 30,524 | — | (81) | (81) |
| Total | | | | | ¥ (22) | ¥ (22) |

| | | | Millions of U.S. dollars | | | |
|---|---|---|---|---|---|---|
| | | | Notional or contract amount | | | |
| | | | Total | Maturity over 1 year | Fair value | Unrealized gains (losses) |
| **March 31, 2008** | | | | | | |
| Listed | Futures | | | | | |
| | | Sold | **$1,048** | **$ —** | **$(4)** | **$(4)** |
| | | Bought | **57** | **—** | **0** | **0** |
| Total | | | | | **$(4)** | **$(4)** |

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.

## 30. 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.

The reserve for employees' retirement benefits as of March 31, 2008 and 2007 is analyzed as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Projected benefit obligation | **¥ (350,094)** | ¥(345,576) | **$ (3,494)** |
| Pension plan assets at fair value | **600,815** | 601,754 | **5,997** |
| Plan assets in excess of projected benefit obligation | **250,721** | 256,178 | **2,502** |
| Unrecognized actuarial gain | **(116,017)** | (128,796) | **(1,158)** |
| Net retirement benefit obligation | **134,703** | 127,381 | **1,344** |
| Prepaid pension cost | **139,053** | 131,148 | **1,388** |
| Reserve for employees' retirement benefits | **¥ (4,349)** | ¥ (3,766) | **$ (43)** |

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

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Service costs | **¥ 9,215** | ¥ 9,034 | **$ 91** |
| Interest cost | **6,888** | 6,777 | **68** |
| Expected return on plan assets | **(6,452)** | (6,515) | **(64)** |
| Amortization of prior service cost | **—** | 25 | **—** |
| Amortization of actuarial gain | **(7,851)** | (1,782) | **(78)** |
| Others (such as supplemental retirement benefit) | **1,099** | 1,196 | **10** |
| Retirement benefit expenses | **2,899** | 8,736 | **28** |
| Gain on final cash settlement associated with the transfer of Substitutional Portion of the Japanese Government-Sponsored Welfare Pension Program | **—** | (524) | **—** |
| Total | **¥ 2,899** | ¥ 8,211 | **$ 28** |

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, 2008 and 2007 were as follows:

| | **2008** | 2007 |
|---|---|---|
| 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 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.

## 31. Per Common Share Information

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008 and 2007 were as follows:

| | Net income (Millions of yen) | Weighted-average shares (Thousands of shares) | EPS (Yen) | EPS (U.S. dollars) |
|---|---|---|---|---|
| **March 31, 2008** | | | | |
| Basic EPS: | | | | |
| Net income available to common shareholders | **¥269,963** | **11,395** | **¥23,690.06** | **$236.49** |
| Adjustments for the potential effect of dilutive securities | | | | |
| Convertible preferred stock | **28,168** | **6,781** | | |
| Diluted EPS: | | | | |
| Net income for computation | **¥298,132** | **18,177** | **¥16,401.22** | **$163.73** |
| March 31, 2007 | | | | |
| Basic EPS: | | | | |
| Net income available to common shareholders | ¥614,662 | 11,396 | ¥53,933.18 | |
| Adjustments for the potential effect of dilutive securities | | | | |
| Convertible preferred stock | 18,205 | 7,087 | | |
| Diluted EPS: | | | | |
| Net income for computation | ¥632,868 | 18,484 | ¥34,237.60 | |

## 32. 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 total of all segments. Therefore, business segment information for the years ended March 31, 2008 and 2007 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 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, 2008 and 2007 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, 2008 and 2007 is not presented.

## 33. Related Party Transactions

On October 17, 2006, the ASBJ issued ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures," which redefined the related parties and expanded the related party disclosures to include the information about transactions with close relatives of the directors and officers of the group companies and transactions with other group companies. The accounting standard and guidance were effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group early adopted the accounting standard and guidance in the year ended March 31, 2008. As a result, information relating to transactions with the Group's directors and officers and their close relatives was newly disclosed in addition to the existing disclosures.

Major transactions and major balances for the year ended and as of March 31, 2008 and 2007 with related parties are as follows:

| **March 31, 2008** | | | 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 a principal shareholder** | **Borrowing**(1) | **¥ —** | **$ —** | **Borrowed money** | **¥45,000** | **$449** |
| | | **Interest on borrowing** | **1,012** | **10** | **Other liabilities** | **2** | **0** |
| **The Group's directors and officers and their close relatives** | | **Loan**(2) (3) (4) (5) | **—** | **—** | **Loans and bills discounted** | **171** | **1** |
| | | **Deposit**(6) | **—** | **—** | **Deposits** | **60** | **0** |

Notes: (1) Transaction of borrowing is subordinated borrowed money; interest rates are substantially the same as for similar transactions with third parties.

(2) ¥17 million ($0 million) of the balance represents the apartment loan originated by Resona Bank, Limited with guarantee of Resona Guarantee Co., Ltd., which is thirty-year terms and monthly equal instalment of principal and interest. Interest rate is reasonably determined based on the market rate.

In relation to the above transaction, one of the directors of the Company has provided the equivalent amount of guarantee for Resona Guarantee Co., Ltd.

(3) ¥15 million ($0 million) of the balance represents a residential mortgage loan originated by Resona Bank, Limited with guarantee of Daiwa Guarantee Co., Ltd., which is fourteen-year terms and monthly equal instalment of principal and interest. Interest rate is reasonably determined based on the market rate.

(4) ¥23 million ($0 million) of the balance represents a residential mortgage loan originated by Resona Bank, Limited with guarantee of Resona Guarantee Co., Ltd., which is eighteen-year terms and monthly equal instalment of principal and interest. Interest rate is reasonably determined based on the market rate.

(5) ¥114 million ($1 million) of the balance, which consists of ¥85 million ($0 million) and ¥29 million ($0 million), represents loans on deed of Resona Bank, Limited with real estate collateral, which are eighteen-year terms and monthly equal instalment of principal and interest. Interest rate is reasonably determined based on the market rate.

(6) The balance consists of ¥50 million ($0 million) and ¥10 million ($0 million) of deregulated interest rate time deposits of Resona Bank, Limited. Interest rates are substantially the same as for similar transactions with third parties.

| March 31, 2007 | | | Transaction for the year | Balance at end of year | |
|---|---|---|---|---|---|
| Related party | Category | Description of the transactions | Millions of yen | Account name | Millions of yen |
| The Resolution and Collection Corporation | Subsidiary of the major stock holders | Borrowing(1) | ¥ — | Borrowed money | ¥80,000 |
| | | Interest on borrowing | 1,256 | Other liabilities | 7 |
| | | Purchase of treasury stock | 569,998 | | — |

Note: (1) Transactions of borrowing are substantially the same as for similar transactions with third parties.

## 34. Special Purpose Entities

The Group securitized its residential mortgage loans through special purpose entities, which were established in Cayman Islands, mainly to reduce credit risks on such loans. Under the securitization scheme, the Group transferred residential mortgage loans to the special purpose entities, the special purpose entities issued bonds backed by the transferred loans to third party investors and the proceeds from issuance of the bonds are paid to the Bank for the transferred loans.

As of March 31, 2008, one of the special purpose entities was excluded from the scope of consolidation pursuant to Article 8 Paragraph 7 of the Financial Statements Regulations for Terminology, Forms and Preparation of Financial Statements and was subject to the disclosure requirements in accordance with ASBJ Implementation Guidance No.15. Its total assets and liabilities as of its most recent balance sheet date were ¥7,008 million ($69 million) and ¥7,031 ($70 million), respectively. The Group had no investments with voting rights in the special purpose entity or dispatched no directors, officers or employees to the entity. The amounts of transactions with the special purpose entity in the year ended March 31, 2008 were as follows:

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| **March 31, 2008** | | |
| Transferred asset: | | |
| Residential mortgage loans | **¥5,075** | **$50** |
| Subordinated claims on assets transferred | **¥2,233** | **$22** |

Note: Profit and losses on the transactions such as trust fees and distribution profits are not presented due to immateriality.

## 35. Subsequent Event

### (1) Appropriation of retained earnings

On May 16, 2008, the board of Directors approved payment of cash dividends to shareholders of record on March 31, 2008:

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Year-end cash dividends: | | |
| Common stock, ¥1,000 ($9.98) per share | **¥11,395** | **$113** |
| Class B No.1 preferred stock, ¥6,360 ($63.49) per share | **1,731** | **17** |
| Class C No.1 preferred stock, ¥6,800 ($67.88) per share | **816** | **8** |
| Class E No.1 preferred stock, ¥14,380 ($143.55) per share | **137** | **1** |
| Class F No.1 preferred stock, ¥18,500 ($184.68) per share | **1,480** | **14** |
| Class one No.1 preferred stock, ¥2,564 ($25.59) per share | **7,051** | **70** |
| Class two No.1 preferred stock, ¥2,564 ($25.59) per share | **7,224** | **72** |
| Class three No.1 preferred stock, ¥2,564 ($25.59) per share | **7,051** | **70** |
| Class four preferred stock, ¥99,250 ($990.81) per share | **2,501** | **24** |
| Class five No.1 preferred stock, ¥54,622 ($545.29) per share | **2,184** | **21** |
| Class nine No.1 preferred stock, ¥26,769 ($267.23) per share | **2,676** | **26** |
| Total | **¥44,249** | **$441** |

### (2) Sale of Tokyo head office

On April 30, 2008, the Bank sold its ownership interests in the land and building which had been used for its Tokyo head office to Mitsubishi Estate Co., Ltd., a third party real estate company. Previously, the Bank, as the owner of the building, had leased office spaces in the building to the Company and some of subsidiaries. The Bank plans to relocate its Tokyo head office to Fukagawa area in Koto-ku, Tokyo in 2010 when the construction of a new head office building is completed. In the meantime, the Bank will lease the office space in the building back from the buyer. The carrying value of the ownership interests in the land and building was ¥58.1 billion ($0.58 billion) and the sale price was ¥162.6 billion ($1.62 billion).

### (3) Stock split and implementation of unit share system

Based on a resolution for stock split at the Board of Directors' meeting held on May, 16, 2008 and an approval for amendment of the articles of incorporation at the 7th general shareholders' meeting held on June 26, 2008, the Company will make a stock split, effective on the day before the enforcement date of the "Law for Partial Amendments to the Law concerning Book-Entry Transfer of Corporate Bonds and Other Securities (Law No.88 of 2004)" (the "Settlement Streamlining Law"), and implement the unit share system.

#### (a) Purpose of stock split and implementation of the unit share system

In accordance with the Settlement Streamlining Law, the electronic share certificate system will be implemented on January 2009. Because odd lot is not covered by the system, the Company will split the stocks to abolish the odd-lot stock system and implement the unit share system instead.

#### (b) Stock split

The Company will make a 100-for-1 stock split for the common stock and preferred stock.

#### (c) Implementation of unit share system

Under the unit share system, 100 shares constitute one "unit" of shares of the common stock and preferred stock in each case.

#### (d) Effective date of stock split and unit share system

The stock split and the implementation of the unit share system will be effective on the day before the enforcement date of the Settlement Streamlining Law. Pro forma "per share information", calculated, assuming that the stock split was implemented at the beginning of the previous year, is presented as follows.

| | Yen | U.S. dollars |
|---|---|---|
| **March 31, 2008** | | |
| Net income per share (Basic) | **¥236.90** | **$2.36** |
| Net income per share (Diluted) | **164.01** | **1.63** |
| March 31, 2007 | | |
| Net income per share (Basic) | ¥539.33 | |
| Net income per share (Diluted) | 342.37 | |

# SUPPLEMENTARY FINANCIAL INFORMATION OF THE GROUP

## CONTENTS

**Non-consolidated Balance Sheets**

**Resona Holdings, Inc.**

| March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Assets | | | |
| Current assets | **¥1,013,320** | ¥ 125,202 | **$10,116** |
| Cash and cash equivalents | **1,383** | 22,567 | **13** |
| Securities | **828,000** | — | **8,265** |
| Prepaid expenses | **1** | 347 | **0** |
| Deferred tax assets | **32,676** | 115 | **326** |
| Accrued income | **49** | 9 | **0** |
| Other receivables | **32,113** | 24,213 | **320** |
| Accrued income tax refunds | **119,096** | 77,950 | **1,188** |
| Non-current assets | **1,214,630** | 1,238,838 | **12,125** |
| Tangible fixed assets | **12** | 15 | **0** |
| Furniture and fixtures | **12** | 15 | **0** |
| Intangible fixed assets | **66** | 75 | **0** |
| Trademark | **53** | 65 | **0** |
| Software | **13** | 9 | **0** |
| Investments and other assets | **1,214,550** | 1,238,747 | **12,124** |
| Investment in subsidiaries and affiliates | **1,111,267** | 1,111,267 | **11,093** |
| Long-term loans to subsidiaries and affiliates | **70,000** | 95,000 | **698** |
| Deferred tax assets | **33,277** | 32,474 | **332** |
| Other | **5** | 5 | **0** |
| Total Assets | **¥2,227,950** | ¥1,364,041 | **$22,241** |
| Liabilities | | | |
| Current liabilities | **¥ 52,248** | ¥ 112,523 | **$ 521** |
| Short-term borrowings from subsidiaries | **—** | 80,000 | **—** |
| Bonds scheduled for repayment within one year | **20,000** | — | **199** |
| Long-term borrowings scheduled for repayment within one year | **—** | 17,000 | **—** |
| Other payable | **31,071** | 14,176 | **310** |
| Accrued expenses | **558** | 1,188 | **5** |
| Income tax payable | **22** | 61 | **0** |
| Consumption tax payable | **77** | 23 | **0** |
| Reserve for employees' bonuses | **404** | — | **4** |
| Other | **113** | 73 | **1** |
| Non-current liabilities | **235,000** | 354,000 | **2,346** |
| Bonds | **190,000** | 210,000 | **1,896** |
| Long-term debt | **45,000** | 94,000 | **449** |
| Long-term debt to subsidiaries | **—** | 50,000 | **—** |
| Total Liabilities | **287,248** | 466,523 | **2,867** |
| Equity | | | |
| Capital stock | **327,201** | 327,201 | **3,266** |
| Capital surplus | **777,155** | 327,201 | **7,758** |
| Capital reserve | **327,201** | 327,201 | **3,266** |
| Other capital surplus | **449,953** | — | **4,491** |
| Retained earnings | **837,626** | 244,014 | **8,362** |
| Less: Treasury stock | **1,280** | 898 | **12** |
| Total equity | **1,940,702** | 897,518 | **19,374** |
| Total liabilities and equity | **¥2,227,950** | ¥1,364,041 | **$22,241** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Non-consolidated Statements of Income

**Resona Holdings, Inc.**

| March 31, 2008 and 2007 | Millions of yen 2008 | 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Operating income | **¥600,477** | ¥395,828 | **$5,994** |
| Dividends from subsidiaries and affiliates | **593,813** | 389,448 | **5,928** |
| Fees from subsidiaries and affiliates | **4,828** | 4,652 | **48** |
| Interest on loans to subsidiaries and affiliates | **1,286** | 1,408 | **12** |
| Other | **549** | 320 | **5** |
| Operating expenses | **10,551** | 11,045 | **105** |
| Interest expenses | **3,392** | 4,572 | **33** |
| Interest on bonds | **2,284** | 1,766 | **22** |
| Bond issuance costs | **—** | 209 | **—** |
| General and administrative expenses | **4,324** | 4,176 | **43** |
| Other | **549** | 320 | **5** |
| Operating profit | **589,926** | 384,783 | **5,889** |
| Non-operating profit | **1,993** | 522 | **19** |
| Interest income | **—** | 305 | **—** |
| Interest and dividends on securities | **1,710** | — | **17** |
| Commission received | **130** | 134 | **1** |
| Interest on refunds | **22** | 70 | **0** |
| Other | **130** | 12 | **1** |
| Non-operating expenses | **1,633** | 862 | **16** |
| Stock issuance expenses | **1,632** | 852 | **16** |
| Other | **1** | 9 | **0** |
| Income before income taxes | **590,285** | 384,443 | **5,892** |
| Income taxes—current | **(1,024)** | (10,370) | **(10)** |
| Income taxes—deferred | **(33,364)** | (24,308) | **(333)** |
| Net income | **¥624,674** | ¥419,123 | **$6,236** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Statements of Trust Assets and Liabilities

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, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Assets | | | |
| Loans and bills discounted | **¥ 126,327** | ¥ 151,362 | **$ 1,261** |
| Securities | **9,059,990** | 7,981,453 | **90,446** |
| Trust beneficiary certificates | **26,115,140** | 24,594,659 | **260,708** |
| Securities held in custody account | **327** | 327 | **3** |
| Monetary claims | **374,501** | 400,072 | **3,738** |
| Tangible fixed assets | **632,020** | 591,401 | **6,309** |
| Intangible fixed assets | **4,165** | 3,321 | **41** |
| Other claims | **15,022** | 18,118 | **149** |
| Due from banking account | **367,996** | 417,715 | **3,673** |
| Cash and due from banks | **38,043** | 44,570 | **379** |
| Total assets | **¥36,733,534** | ¥34,203,001 | **$366,711** |
| Liabilities | | | |
| Money trusts | **¥16,025,426** | ¥14,341,253 | **$159,982** |
| Pension trusts | **4,761,549** | 4,729,693 | **47,534** |
| Asset formation benefit trusts | **1,272** | 1,656 | **12** |
| Securities investment trusts | **13,748,252** | 12,899,339 | **137,249** |
| Pecuniary trusts other than money trusts | **171,894** | 228,667 | **1,716** |
| Securities trusts | **523,695** | 529,774 | **5,228** |
| Monetary claim trusts | **398,201** | 416,893 | **3,975** |
| Real estate trusts | **121,327** | 159,371 | **1,211** |
| Land and fixtures lease trusts | **4,691** | 4,697 | **46** |
| Composite trusts | **977,222** | 891,654 | **9,755** |
| Total liabilities | **¥36,733,534** | ¥34,203,001 | **$366,711** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.
3. Consolidated subsidiaries included in the summation
Previous fiscal year-end: Resona Bank and Resona Trust and Banking
Fiscal year under review: Same
4. The trusts which were re-entrusted for asset management purposes were excluded.
5. Trust beneficiary certificates worth ¥26,115,140 million ($260,708 million) and ¥24,593,915 million on March 31, 2008 and 2007, respectively, were re-entrusted for asset administration purposes.
6. Co-managed trust funds under other trust banks' administration amounted to ¥2,332,136 million ($23,281 million) and ¥2,713,637 million on March 31, 2008 and 2007, respectively.

## Jointly Operated Designated Money Trusts (JOMTs)

**Resona Holdings, Inc.**

| March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Assets | | | |
| Loans and bills discounted | **¥126,144** | ¥151,062 | **$1,259** |
| Other | **308,320** | 366,619 | **3,077** |
| Total assets | **¥434,464** | ¥517,681 | **$4,337** |
| Liabilities | | | |
| Principal | **¥433,580** | ¥516,755 | **$4,328** |
| Reserve provided in preparation for write-offs in trust account | **380** | 456 | **3** |
| Other | **504** | 469 | **5** |
| Total liabilities | **¥434,464** | ¥517,681 | **$4,337** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.
3. Risk management loans (Trust account)

| March 31 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Loans to borrowers in legal bankruptcy | **¥ 104** | ¥ 86 | **$ 1** |
| Past due loans | **20,021** | 4,288 | **199** |
| Loans past due three months or more | **—** | 161 | **—** |
| Restructured loans | **3,963** | 20,430 | **39** |
| Total | **24,090** | 24,967 | **240** |
| Total loans and bills discounted | **¥126,144** | ¥151,062 | **$1,259** |

# FINANCIAL INFORMATION OF RESONA BANK, LTD.



**Non-consolidated Balance Sheets**

| **Resona Bank, Ltd.** | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| March 31, 2008 and 2007 | **2008** | 2007 | **2008** |
| Assets | | | |
| Cash and due from banks | **¥ 1,783,565** | ¥ 1,097,339 | **$ 17,805** |
| Call loans | **1,252,187** | 1,165,700 | **12,500** |
| Deposits paid for bonds borrowing transactions | **14,727** | 75,978 | **147** |
| Monetary claims bought | **47,829** | 53,086 | **477** |
| Trading assets | **413,988** | 362,802 | **4,132** |
| Money held in trust | **—** | 10,385 | **—** |
| Securities | **3,950,786** | 5,257,370 | **39,440** |
| Loans and bills discounted | **17,175,187** | 17,818,392 | **171,460** |
| Foreign exchange assets | **60,173** | 68,804 | **600** |
| Other assets | **894,351** | 744,454 | **8,928** |
| Tangible fixed assets | **298,197** | 307,353 | **2,976** |
| Intangible fixed assets | **8,335** | 8,224 | **83** |
| Deferred tax assets | **262,574** | 275,445 | **2,621** |
| Customers' liabilities for acceptances and guarantees | **513,724** | 565,570 | **5,128** |
| Reserve for possible loan losses | **(322,878)** | (370,825) | **(3,223)** |
| Reserve for possible losses on investment | **—** | (13,058) | **—** |
| Total Assets | **¥26,352,750** | ¥27,427,023 | **$263,080** |
| Liabilities | | | |
| Deposits | **¥19,284,738** | ¥19,493,511 | **$192,520** |
| Negotiable certificates of deposit | **2,281,440** | 1,823,690 | **22,775** |
| Call money | **996,231** | 1,495,929 | **9,945** |
| Bills sold under repurchase agreements | **16,976** | 13,983 | **169** |
| Deposits received for securities lending transactions | **10,626** | 26,001 | **106** |
| Trading liabilities | **140,361** | 117,821 | **1,401** |
| Borrowed money | **538,047** | 794,111 | **5,371** |
| Foreign exchange liabilities | **7,789** | 13,839 | **77** |
| Bonds | **692,730** | 734,306 | **6,915** |
| Due to trust account | **367,996** | 417,715 | **3,673** |
| Other liabilities | **379,472** | 393,588 | **3,788** |
| Reserve for employees' bonuses | **8,770** | — | **87** |
| Other reserves | **13,598** | 2,705 | **135** |
| Deferred tax liabilities on land revaluation | **43,146** | 44,213 | **430** |
| Acceptances and guarantees | **513,724** | 565,570 | **5,128** |
| Total Liabilities | **25,295,651** | 25,936,990 | **252,527** |
| Equity | | | |
| Capital stock | **279,928** | 279,928 | **2,794** |
| Capital surplus | **352,208** | 352,208 | **3,516** |
| Capital reserve | **279,928** | 279,928 | **2,794** |
| Other capital surplus | **72,280** | 72,280 | **721** |
| Retained earnings | **240,740** | 587,129 | **2,403** |
| Net unrealized gains on available-for-sale securities | **104,727** | 224,805 | **1,045** |
| Net deferred gains (losses) on hedges | **19,621** | (15,452) | **195** |
| Revaluation reserve for land | **59,872** | 61,412 | **597** |
| Total equity | **1,057,099** | 1,490,032 | **10,553** |
| Total liabilities and equity | **¥26,352,750** | ¥27,427,023 | **$263,080** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.
3. The distributable amount available for dividends which is defined under the Company Law was ¥313,020 million as of the end of March 2008. Of this amount, the Bank distributed ¥18,374 million as term-end dividends for its common and preferred stock shares.

## Non-consolidated Statements of Income

**Resona Bank, Ltd.**

| Years ended March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Income | | | |
| Interest income | **¥468,646** | ¥ 456,388 | **$4,678** |
| Interest on loans and bills discounted | **368,520** | 332,521 | **3,678** |
| Interest and dividends on securities | **38,564** | 72,658 | **384** |
| Other interest income | **61,560** | 51,208 | **614** |
| Trust fees | **8,637** | 8,227 | **86** |
| Fees and commissions | **114,184** | 120,041 | **1,139** |
| Trading income | **70,168** | 21,053 | **700** |
| Other operating income | **41,114** | 61,098 | **410** |
| Other income | **127,149** | 153,516 | **1,269** |
| Total Income | **829,900** | 820,325 | **8,284** |
| Expenses | | | |
| Interest expenses | **125,806** | 94,296 | **1,255** |
| Interest on deposits | **56,697** | 34,486 | **566** |
| Other interest expenses | **69,109** | 59,810 | **689** |
| Fees and commissions | **44,728** | 43,398 | **446** |
| Trading expenses | **464** | 455 | **4** |
| Other operating expenses | **87,452** | 36,060 | **873** |
| General and administrative expenses | **224,384** | 227,361 | **2,240** |
| Other expenses | **142,397** | 117,771 | **1,421** |
| Total Expenses | **625,235** | 519,345 | **6,241** |
| Income before income taxes | **204,664** | 300,980 | **2,043** |
| Income taxes—current | **(30,123)** | (12,357) | **(300)** |
| Income taxes—deferred | **36,048** | (233,532) | **359** |
| Net income | **¥198,739** | ¥ 546,871 | **$1,984** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Statements of Trust Assets and Liabilities

**Resona Bank, Ltd.**

| March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Assets | | | |
| Loans and bills discounted | **¥ 126,327** | ¥ 151,362 | **$1,261** |
| Securities | **0** | 0 | **0** |
| Trust beneficiary certificates | **—** | 744 | **—** |
| Securities held in custody account | **327** | 327 | **3** |
| Monetary claims | **374,501** | 400,072 | **3,738** |
| Tangible fixed assets | **632,020** | 591,401 | **6,309** |
| Intangible fixed assets | **4,165** | 3,321 | **41** |
| Other claims | **12,613** | 14,051 | **125** |
| Due from banking account | **367,996** | 417,715 | **3,673** |
| Cash and due from banks | **25,498** | 29,222 | **254** |
| Total assets | **¥1,543,450** | ¥1,608,218 | **$15,408** |
| Liabilities | | | |
| Money trusts | **¥ 470,264** | ¥ 555,739 | **$ 4,694** |
| Asset formation benefit trusts | **1,272** | 1,656 | **12** |
| Pecuniary trusts other than money trusts | **0** | 0 | **0** |
| Securities trusts | **327** | 327 | **3** |
| Monetary claim trusts | **398,201** | 416,893 | **3,975** |
| Real estate trusts | **121,327** | 159,371 | **1,211** |
| Land and fixtures lease trusts | **4,691** | 4,697 | **46** |
| Composite trusts | **547,364** | 469,533 | **5,464** |
| Total liabilities | **¥1,543,450** | ¥1,608,218 | **$15,408** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.
3. Co-managed trust funds under other trust banks' administration amounted to ¥66,632 million ($665 million) and ¥73,431 million on March 31, 2008 and 2007, respectively.
4. Loans and bills discounted funded by Jointly Operated Designated Money Trust account funds that the Bank guarantees the principal amounting to ¥126,144 million ($1,259 million) and ¥151,062 million on March 31, 2008 and 2007, respectively, included the following:

| March 31 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Loans to borrowers in legal bankruptcy | **¥ 104** | ¥ 86 | **$ 1** |
| Past due loans | **20,021** | 4,288 | **199** |
| Loans past due three months or more | **—** | 161 | **—** |
| Restructured loans | **3,963** | 20,430 | **39** |
| Total | **¥24,090** | ¥24,967 | **$240** |

### Deposits and Negotiable Certificates of Deposit (Non-consolidated)

| Resona Bank, Ltd. | Billions of yen | |
|---|---|---|
| March 31 | **2008** | 2007 |
| Liquid deposits | **¥11,387.6** | ¥12,089.7 |
| Time deposits | **7,141.3** | 6,818.2 |
| Other deposits | **3,037.1** | 2,409.2 |
| Total | **¥21,566.1** | ¥21,317.2 |

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 | **2008** | 2007 |
| Individuals | **¥11,165.0** | ¥10,844.0 |
| Corporations, Other | **8,098.4** | 8,614.5 |
| Total | **¥19,263.5** | ¥19,458.5 |

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 | **2008** | 2007 | **2008** | 2007 |
| Banking account | **¥14,295.3** | ¥14,604.7 | **83.2%** | 81.9% |
| Banking and trust accounts | **14,394.9** | 14,722.8 | **83.2%** | 81.9% |

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

| Resona Bank, Ltd. | Billions of yen | |
|---|---|---|
| March 31 | **2008** | 2007 |
| Consumer loans total | **¥7,304.9** | ¥7,266.8 |
| Housing loans | **7,089.0** | 7,042.1 |

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 2008 | 2007 |
|---|---|---|
| Manufacturing | **¥ 1,863.1** | ¥ 1,957.4 |
| | **10.85%** | 10.99% |
| Agriculture | **7.7** | 8.9 |
| | **0.05%** | 0.05% |
| Forestry | **3.2** | 3.3 |
| | **0.02%** | 0.02% |
| Fishing | **6.1** | 7.9 |
| | **0.04%** | 0.04% |
| Mining | **17.2** | 20.1 |
| | **0.10%** | 0.11% |
| Construction | **479.6** | 509.7 |
| | **2.79%** | 2.86% |
| Electric power, gas, heat supply, and water services | **49.8** | 50.9 |
| | **0.29%** | 0.29% |
| Information and communications | **235.9** | 244.7 |
| | **1.37%** | 1.37% |
| Transportation | **414.8** | 432.6 |
| | **2.42%** | 2.43% |
| Wholesale and retail | **1,897.8** | 1,992.9 |
| | **11.05%** | 11.18% |
| Financial services | **724.9** | 986.8 |
| | **4.22%** | 5.54% |
| Real estate | **1,901.5** | 1,978.9 |
| | **11.07%** | 11.11% |
| Services | **1,604.9** | 1,718.6 |
| | **9.34%** | 9.65% |
| Local governments | **330.5** | 317.6 |
| | **1.92%** | 1.78% |
| Other | **7,637.3** | 7,587.4 |
| | **44.47%** | 42.58% |
| Total | **¥17,175.1** | ¥17,818.3 |
| | **100.00%** | 100.00% |

**Risk Management Loans (Banking and Trust Accounts)**

| **Resona Bank, Ltd.**<br>Non-consolidated Basis<br>March 31 | Billions of yen | | |
|---|---|---|---|
| | **2008** | Change | 2007 |
| Loans to borrowers in legal bankruptcy | **¥ 13.0** | **¥ (0.3)** | ¥ 13.4 |
| Past due loans | **268.2** | **0.8** | 267.3 |
| Loans past due three months or more | **4.1** | **(1.4)** | 5.6 |
| Restructured loans | **141.8** | **(64.3)** | 206.2 |
| Total* | **¥ 427.3** | **¥ (65.3)** | ¥ 492.6 |
| Total loans and bills discounted | **¥17,301.3** | **¥(668.1)** | ¥17,969.4 |
| Ratio of risk management loans to total loans and bills discounted (%) | **2.46** | **(0.28)** | 2.74 |

* Amounts are net of partial direct write-offs

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

| **Resona Bank, Ltd.**<br>Non-consolidated Basis<br>March 31 | Billions of yen | | |
|---|---|---|---|
| | **2008** | Change | 2007 |
| Unrecoverable or valueless claims | **¥ 45.2** | **¥ 8.1** | ¥ 37.0 |
| Risk claims | **241.3** | **(14.7)** | 256.0 |
| Claims in need of special attention | **146.0** | **(65.8)** | 211.8 |
| Financial Reconstruction Law subtotal | **432.6** | **(72.3)** | 505.0 |
| Nonclassified claims | **17,823.8** | **(740.8)** | 18,564.6 |
| Financial Reconstruction Law total* | **¥18,256.5** | **¥(813.2)** | ¥19,069.7 |
| Coverage ratio (%) | **88.06** | **3.63** | 84.43 |

* Amounts are net of partial direct write-offs

**Reserve for Possible Loan Losses (Banking and Trust Accounts)**

| **Resona Bank, Ltd.**<br>Non-consolidated Basis<br>March 31 | Billions of yen | | |
|---|---|---|---|
| | **2008** | Change | 2007 |
| Reserves for possible loan losses | **¥322.8** | **¥(47.9)** | ¥370.8 |
| General reserve for possible loan losses | **209.9** | **(10.4)** | 220.3 |
| Specific reserve for possible loan losses | **112.6** | **(37.6)** | 150.2 |
| Special reserve for certain overseas loans | **0.3** | **0.1** | 0.1 |
| Reserve provided in preparation for write-offs in trust account | **0.3** | **(0.0)** | 0.4 |

**Securities**

| **Resona Bank, Ltd.**<br>Non-consolidated Basis<br>March 31 | Billions of yen | |
|---|---|---|
| | **2008** | 2007 |
| Japanese national and local government bonds | **¥2,535.8** | ¥2,921.5 |
| Japanese corporate bonds | **718.3** | 804.9 |
| Japanese corporate stocks | **531.9** | 732.5 |
| Other securities | **164.5** | 798.2 |
| Total book value | **¥3,950.7** | ¥5,257.3 |

## Capital Adequacy Ratio

(1) Consolidated Capital Adequacy Ratio (Japanese Domestic Standard)

**Resona Bank, Ltd.**

| March 31 | | | Billions of yen 2008 (Basel Ⅱ F-IRB) | 2007 (Basel Ⅱ SA) |
|---|---|---|---|---|
| Tier I capital | Capital stock | | **¥ 279.9** | ¥ 279.9 |
| | Capital surplus | | **404.4** | 404.4 |
| | Retained earnings | | **207.2** | 545.6 |
| | Less: Planned distribution of income | | **18.3** | 369.8 |
| | Less: Unrealized loss on available-for-sale securities | | **—** | — |
| | Foreign currency translation adjustments | | **(2.2)** | (1.4) |
| | Minority interests in consolidated subsidiaries | | **127.3** | 149.2 |
| | Preferred securities issued by overseas SPCs | | **115.1** | 135.8 |
| | Less: Goodwill | | **—** | (0.0) |
| | Less: Capital increase due to securitization transactions | | **6.1** | 6.4 |
| | Less: 50% of excess of expected losses relative to eligible reserves | | **—** | — |
| | Total of Tier I capital before deduction of deferred tax assets | | **992.2** | 1,001.5 |
| | Less: Deduction of deferred tax assets | | **64.6** | — |
| | Subtotal | (A) | **927.5** | 1,001.5 |
| | Preferred securities with a step-up interest rate provision | | **115.1** | 135.8 |
| Tier II capital | 45% of revaluation reserve for land | | **46.3** | 47.5 |
| | General reserve for possible loan losses | | **5.9** | 109.3 |
| | Excess of eligible reserves relative to expected losses | | **43.3** | — |
| | Hybrid debt capital instruments | | **590.5** | 625.1 |
| | Subtotal | | **686.2** | 782.0 |
| | Tier II capital included as qualifying capital | (B) | **686.2** | 782.0 |
| Deductions | Deductions for total risk-based capital | (C) | **61.7** | 95.0 |
| Total risk-based capital | (A)+(B)–(C) | (D) | **¥ 1,552.0** | ¥ 1,688.5 |
| Risk-weighted assets | On-balance-sheet items | | **¥13,290.4** | ¥15,295.2 |
| | Off-balance-sheet items | | **1,588.4** | 1,214.4 |
| | Credit risk assets | (E) | **14,878.9** | 16,509.6 |
| | Operational risk equivalent assets ((G)/8%) | (F) | **935.3** | 987.5 |
| | (For reference: Amount equivalent to operational risk) | (G) | **74.8** | 79.0 |
| Total risk-weighted assets | (E)+(F) | (H) | **¥15,814.2** | ¥17,497.2 |
| Capital adequacy ratio | (D)/(H) x 100% | | **9.81%** | 9.65% |

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

**Resona Bank, Ltd.**

| March 31 | | | Billions of yen 2008 (Basel Ⅱ F-IRB) | 2007 (Basel Ⅱ SA) |
|---|---|---|---|---|
| Tier I capital | Capital stock | | **¥ 279.9** | ¥ 279.9 |
| | Capital reserve | | **279.9** | 279.9 |
| | Other capital surplus | | **72.2** | 72.2 |
| | Other retained earnings | | **242.0** | 587.0 |
| | Other | | **119.5** | 142.5 |
| | Less: Planned distribution of income | | **18.3** | 369.8 |
| | Less: Unrealized loss on available-for-sale securities | | **—** | — |
| | Less: Capital increase due to securitization transactions | | **6.1** | 6.4 |
| | Less: 50% of excess of expected losses relative to eligible reserves | | **—** | — |
| | Total of Tier I capital before deduction of deferred tax assets | | **969.2** | 985.4 |
| | Deduction of deferred tax assets | | **68.8** | — |
| | Subtotal | (A) | **900.4** | 985.4 |
| | Preferred securities with a step-up interest rate provision | | **115.1** | 135.8 |
| Tier II capital | 45% of revaluation reserve for land | | **46.3** | 47.5 |
| | General reserve for possible loan losses | | **4.4** | 108.1 |
| | Excess of eligible reserves relative to expected losses | | **43.5** | — |
| | Hybrid debt capital instruments | | **590.5** | 625.1 |
| | Subtotal | | **684.8** | 780.8 |
| | Tier II capital included as qualifying capital | (B) | **684.8** | 780.8 |
| Deductions | Deductions for total risk-based capital | (C) | **60.9** | 98.0 |
| Total risk-based capital | (A)+(B)–(C) | (D) | **¥ 1,524.2** | ¥ 1,668.2 |
| Risk-weighted assets | On-balance-sheet items | | **¥13,219.0** | ¥15,191.8 |
| | Off-balance-sheet items | | **1,610.3** | 1,216.2 |
| | Credit risk assets | (E) | **14,829.4** | 16,408.1 |
| | Operational risk equivalent assets ((G)/8%) | (F) | **863.8** | 895.4 |
| | (For reference: Amount equivalent to operational risk) | (G) | **69.1** | 71.6 |
| Total risk-weighted assets | (E)+(F) | (H) | **¥15,693.2** | ¥17,303.5 |
| Capital adequacy ratio | (D)/(H) x 100% | | **9.71%** | 9.64% |

# 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, 2008 and 2007 | **2008** | 2007 | **2008** |
| Assets | | | |
| Cash and due from banks | **¥ 199,009** | ¥ 423,635 | **$ 1,986** |
| Call loans | **787,610** | 1,462,375 | **7,862** |
| Deposits paid for bonds borrowing transactions | **49,975** | — | **498** |
| Bills bought | **230,000** | — | **2,296** |
| Monetary claims bought | **87,917** | 105,442 | **877** |
| Trading securities | **34,676** | 8,955 | **346** |
| Securities | **2,102,859** | 1,642,822 | **20,992** |
| Loans and bills discounted | **6,181,769** | 5,921,348 | **61,712** |
| Foreign exchange assets | **8,682** | 14,213 | **86** |
| Other assets | **50,950** | 84,043 | **508** |
| Tangible fixed assets | **58,024** | 57,987 | **579** |
| Intangible fixed assets | **3,015** | 2,932 | **30** |
| Deferred tax assets | **13,628** | — | **136** |
| Customers' liabilities for acceptances and guarantees | **22,514** | 24,668 | **224** |
| Reserve for possible loan losses | **(39,313)** | (35,677) | **(392)** |
| Total Assets | **¥9,791,320** | ¥9,712,746 | **$97,747** |
| Liabilities | | | |
| Deposits | **¥9,071,612** | ¥8,941,264 | **$90,562** |
| Negotiable certificates of deposit | **91,990** | 152,230 | **918** |
| Call money | **44,050** | 40,067 | **439** |
| Borrowed money | **93,200** | 131,300 | **930** |
| Foreign exchange liabilities | **242** | 359 | **2** |
| Bonds | **95,000** | 40,000 | **948** |
| Other liabilities | **95,952** | 65,368 | **957** |
| Reserve for employees' bonuses | **2,945** | — | **29** |
| Reserve for employees' retirement benefits | **234** | — | **2** |
| Other reserves | **3,573** | 1,412 | **35** |
| Deferred tax liabilities | **—** | 18,299 | **—** |
| Acceptances and guarantees | **22,514** | 24,668 | **224** |
| Total Liabilities | **9,521,314** | 9,414,972 | **95,051** |
| Equity | | | |
| Capital stock | **70,000** | 70,000 | **698** |
| Capital surplus | **100,000** | 100,000 | **998** |
| Capital reserve | **100,000** | 100,000 | **998** |
| Retained earnings | **83,918** | 58,985 | **837** |
| Net unrealized gains on available-for-sale securities | **17,268** | 69,099 | **172** |
| Net deferred gains (losses) on hedges | **(1,180)** | (309) | **(11)** |
| Total equity | **270,005** | 297,774 | **2,695** |
| Total liabilities and equity | **¥9,791,320** | ¥9,712,746 | **$97,747** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Non-consolidated Statements of Income

**Saitama Resona Bank, Ltd.**

| Years ended March 31, 2008 and 2007 | Millions of yen 2008 | 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Income | | | |
| Interest income | **¥162,191** | ¥138,791 | **$1,619** |
| Interest on loans and bills discounted | **134,438** | 117,163 | **1,342** |
| Interest and dividends on securities | **16,473** | 14,188 | **164** |
| Other interest income | **11,278** | 7,439 | **112** |
| Fees and commissions | **41,016** | 43,864 | **409** |
| Other operating income | **9,314** | 7,659 | **92** |
| Other income | **8,799** | 6,455 | **87** |
| Total Income | **221,321** | 196,771 | **2,209** |
| Expenses | | | |
| Interest expenses | **26,349** | 14,432 | **263** |
| Interest on deposits | **20,716** | 10,874 | **206** |
| Other interest expenses | **5,632** | 3,558 | **56** |
| Fees and commissions | **19,439** | 18,574 | **194** |
| Other operating expenses | **8,669** | 10,076 | **86** |
| General and administrative expenses | **74,157** | 72,077 | **740** |
| Other expenses | **23,623** | 17,006 | **235** |
| Total Expenses | **152,238** | 132,167 | **1,519** |
| Income before income taxes | **69,082** | 64,604 | **689** |
| Income taxes—current | **29,349** | 20,431 | **292** |
| Income taxes—deferred | **(780)** | 8,520 | **(7)** |
| Net income | **¥ 40,513** | ¥ 35,653 | **$ 404** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

### Deposits and Negotiable Certificates of Deposit

| Saitama Resona Bank, Ltd. | Billions of yen | |
|---|---|---|
| March 31 | **2008** | 2007 |
| Liquid deposits | **¥5,483.7** | ¥5,528.3 |
| Time deposits | **3,401.7** | 3,240.0 |
| Other deposits | **278.0** | 325.0 |
| Total | **¥9,163.6** | ¥9,093.4 |

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 | **2008** | 2007 |
| Individuals | **¥7,075.5** | ¥6,836.6 |
| Corporations | **1,527.0** | 1,625.4 |
| Other | **469.0** | 479.2 |
| Total | **¥9,071.6** | ¥8,941.2 |

Note: Domestic depositors only and excluding negotiable certificates of deposit

### Loans to SMEs and Individuals

| Saitama Resona Bank, Ltd. | Billions of yen | | Ratio to total loans | |
|---|---|---|---|---|
| March 31 | **2008** | 2007 | **2008** | 2007 |
| Loans to SMEs and individuals | **¥5,429.2** | ¥5,255.3 | **87.8%** | 88.7% |

### Loans to Individuals

| Saitama Resona Bank, Ltd. | Billions of yen | |
|---|---|---|
| March 31 | **2008** | 2007 |
| Consumer loans total | **¥3,459.5** | ¥3,352.7 |
| Housing loans | **3,361.6** | 3,260.3 |

Note: Amount after securitization of housing loans

## Loans and Bills Discounted by Industry

**Saitama Resona Bank, Ltd.**

| March 31 | Billions of yen 2008 | 2007 |
|---|---|---|
| Manufacturing | **¥ 420.9** | ¥ 395.5 |
| | **6.81%** | 6.68% |
| Agriculture | **10.6** | 9.8 |
| | **0.17%** | 0.17% |
| Forestry | **0.4** | 0.4 |
| | **0.01%** | 0.01% |
| Fishing | **0** | — |
| | **0.00%** | — |
| Mining | **2.5** | 2.3 |
| | **0.04%** | 0.04% |
| Construction | **197.0** | 189.5 |
| | **3.19%** | 3.20% |
| Electric power, gas, and other public enterprises | **19.6** | 11.1 |
| | **0.32%** | 0.19% |
| Information and communications | **11.6** | 11.3 |
| | **0.19%** | 0.19% |
| Transportation | **135.3** | 125.1 |
| | **2.19%** | 2.11% |
| Wholesale and retail | **379.7** | 360.1 |
| | **6.14%** | 6.08% |
| Financial services | **22.5** | 22.5 |
| | **0.37%** | 0.38% |
| Real estate | **550.5** | 510.1 |
| | **8.91%** | 8.62% |
| Services | **461.3** | 461.4 |
| | **7.46%** | 7.79% |
| Local governments | **409.4** | 367.6 |
| | **6.62%** | 6.21% |
| Other | **3,559.7** | 3,453.7 |
| | **57.58%** | 58.33% |
| Total | **¥6,181.7** | ¥5,921.3 |
| | **100.00%** | 100.00% |

### Risk Management Loans

**Saitama Resona Bank, Ltd.**

| March 31 | 2008 | Change | 2007 |
|---|---|---|---|
| | Billions of yen | | |
| Loans to borrowers in legal bankruptcy | **¥ 4.1** | **¥ 1.0** | ¥ 3.0 |
| Past due loans | **66.3** | **8.7** | 57.5 |
| Loans past due three months or more | **2.2** | **(2.0)** | 4.3 |
| Restructured loans | **15.7** | **(6.3)** | 22.0 |
| Total* | **¥ 88.4** | **¥ 1.4** | ¥ 86.9 |
| Total loans and bills discounted | **¥6,181.7** | **¥260.4** | ¥5,921.3 |
| Ratio of risk management loans to total loans and bills discounted (%) | **1.43** | **(0.03)** | 1.46 |

* Amount is net of partial direct write-offs.

### Disclosure According to the Financial Reconstruction Law

**Saitama Resona Bank, Ltd.**

| March 31 | 2008 | Change | 2007 |
|---|---|---|---|
| | Billions of yen | | |
| Unrecoverable or valueless claims | **¥ 13.5** | **¥ 0.9** | ¥ 12.6 |
| Risk claims | **57.2** | **9.0** | 48.2 |
| Claims in need of special attention | **18.0** | **(8.4)** | 26.4 |
| Financial Reconstruction Law subtotal | **88.8** | **1.5** | 87.2 |
| Nonclassified claims | **6,172.8** | **246.1** | 5,926.7 |
| Financial Reconstruction Law total* | **¥6,261.7** | **¥247.6** | ¥6,014.0 |
| Coverage ratio (%) | **91.73** | **3.12** | 88.61 |

* Amount is net of partial direct write-offs.

### Reserve for Possible Loan Losses

**Saitama Resona Bank, Ltd.**

| March 31 | 2008 | Change | 2007 |
|---|---|---|---|
| | Billions of yen | | |
| Reserves for possible loan losses | **¥39.3** | **¥ 3.6** | ¥35.6 |
| General reserve for possible loan losses | **18.7** | **(0.0)** | 18.7 |
| Specific reserve for possible loan losses | **20.5** | **3.6** | 16.8 |

### Securities

**Saitama Resona Bank, Ltd.**

| March 31 | 2008 | 2007 |
|---|---|---|
| | Billions of yen | |
| Japanese national and local government bonds | **¥1,713.9** | ¥1,109.3 |
| Japanese corporate bonds | **215.4** | 257.0 |
| Japanese corporate stocks | **130.3** | 201.8 |
| Other securities | **43.0** | 74.4 |
| Total book value | **¥2,102.8** | ¥1,642.8 |

## Capital Adequacy Ratio

Non-consolidated Capital Adequacy Ratio (Japanese Domestic Standard)

**Saitama Resona Bank, Ltd.**

| March 31 | | | Billions of yen | |
|---|---|---|---|---|
| | | | **2008** (Basel II F-IRB) | 2007 (Basel II SA) |
| Tier I capital | Capital stock | | **¥ 70.0** | ¥ 70.0 |
| | Capital reserve | | **100.0** | 100.0 |
| | Legal reserve | | **20.0** | 20.0 |
| | Voluntary reserve | | **—** | — |
| | Other retained earnings | | **63.9** | 38.9 |
| | Less: Planned distribution of income | | **20.1** | 3.8 |
| | Less: Unrealized loss on available-for-sale securities | | **—** | — |
| | Less: Capital increase due to securitization transactions | | **6.2** | 6.4 |
| | Less: 50% of excess of expected losses relative to eligible reserves | | **7.9** | — |
| | Subtotal | (A) | **219.5** | 218.7 |
| Tier II capital | General reserve for possible loan losses | | **0.1** | 18.7 |
| | Excess of eligible reserves relative to expected losses | | **—** | — |
| | Hybrid debt capital instruments | | **177.0** | 157.0 |
| | Subtotal | | **177.1** | 175.7 |
| | Tier II capital included as qualifying capital | (B) | **177.1** | 175.7 |
| Deductions | Deductions for total risk-based capital | (C) | **11.8** | 6.0 |
| Total risk-based capital | (A)+(B)–(C) | (D) | **¥ 384.8** | ¥ 388.5 |
| Risk-weighted assets | On-balance-sheet items | | **¥3,458.8** | ¥4,029.1 |
| | Off-balance-sheet items | | **86.4** | 36.4 |
| | Credit risk assets | | **3,545.2** | 4,065.6 |
| | Operational risk equivalent assets ((E)/8%) | | **261.9** | 243.5 |
| | (For reference: Amount equivalent to operational risk) | (E) | **20.9** | 19.4 |
| Total risk-weighted assets | | (F) | **¥3,807.1** | ¥4,309.1 |
| Capital adequacy ratio | (D)/(F) x 100% | | **10.10%** | 9.01% |

# FINANCIAL INFORMATION OF THE KINKI OSAKA BANK, LTD.



**Non-consolidated Balance Sheets**

**The Kinki Osaka Bank, Ltd.**

| March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Assets | | | |
| Cash and due from banks | **¥ 69,091** | ¥ 89,450 | **$ 689** |
| Call loan | **16,000** | — | **159** |
| Monetary claims bought | **142,346** | 160,838 | **1,421** |
| Trading securities | **218** | 272 | **2** |
| Securities | **632,428** | 667,990 | **6,313** |
| Loans and bills discounted | **2,680,703** | 2,675,992 | **26,761** |
| Foreign exchange assets | **5,983** | 9,220 | **59** |
| Other assets | **13,208** | 13,516 | **131** |
| Tangible fixed assets | **31,889** | 32,339 | **318** |
| Intangible fixed assets | **877** | 1,586 | **8** |
| Deferred tax assets | **9,302** | 4,062 | **92** |
| Customers' liabilities for acceptances and guarantees | **25,114** | 28,181 | **250** |
| Reserve for possible loan losses | **(29,287)** | (37,576) | **(292)** |
| Total Assets | **¥3,597,876** | ¥3,645,873 | **$35,917** |
| Liabilities | | | |
| Deposits | **¥3,326,782** | ¥3,365,331 | **$33,211** |
| Deposits received for bonds lending transactions | **30,011** | 29,574 | **299** |
| Borrowed money | **81,456** | 74,411 | **813** |
| Foreign exchange liabilities | **143** | 138 | **1** |
| Other liabilities | **19,642** | 21,682 | **196** |
| Reserve for employees' bonuses | **2,337** | — | **23** |
| Reserve for employees' retirement benefits | **2,921** | 2,624 | **29** |
| Other reserve | **2,722** | 1,057 | **27** |
| Acceptances and guarantees | **25,114** | 28,181 | **250** |
| Total Liabilities | **3,491,132** | 3,523,002 | **34,852** |
| Equity | | | |
| Capital stock | **38,971** | 38,971 | **389** |
| Capital surplus | **55,439** | 55,439 | **553** |
| Capital reserve | **38,971** | 38,971 | **389** |
| Other capital surplus | **16,467** | 16,467 | **164** |
| Retained earnings | **10,915** | 22,282 | **108** |
| Net unrealized gains on available-for-sale securities | **1,418** | 6,178 | **14** |
| Total equity | **106,744** | 122,871 | **1,065** |
| Total liabilities and equity | **¥3,597,876** | ¥3,645,873 | **$35,917** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Non-consolidated Statements of Income

**The Kinki Osaka Bank, Ltd.**

| Years ended March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Income | | | |
| Interest income | **¥70,361** | ¥64,983 | **$702** |
| Interest on loans and bills discounted | **61,577** | 56,257 | **614** |
| Interest and dividends on securities | **6,349** | 7,765 | **63** |
| Other interest income | **2,434** | 960 | **24** |
| Fees and commissions | **14,740** | 15,660 | **147** |
| Other operating income | **1,589** | 2,660 | **15** |
| Other income | **6,585** | 14,746 | **65** |
| Total Income | **93,276** | 98,050 | **931** |
| Expenses | | | |
| Interest expenses | **11,950** | 6,833 | **119** |
| Interest on deposits | **9,767** | 5,085 | **97** |
| Other interest expenses | **2,182** | 1,747 | **21** |
| Fees and commissions | **6,856** | 7,580 | **68** |
| Other operating expenses | **1,204** | 2,009 | **12** |
| General and administrative expenses | **44,969** | 43,034 | **448** |
| Other expenses | **18,821** | 14,177 | **187** |
| Total Expenses | **83,803** | 73,634 | **836** |
| Income before income taxes | **9,473** | 24,416 | **94** |
| Income taxes—current | **2,564** | 2,916 | **25** |
| Income taxes—deferred | **(2,748)** | 60 | **(27)** |
| Net income | **¥ 9,657** | ¥21,439 | **$ 96** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Deposits and Negotiable Certificates of Deposit

| The Kinki Osaka Bank, Ltd. | Billions of yen | |
|---|---|---|
| March 31 | 2008 | 2007 |
| Liquid deposits | **¥1,535.0** | ¥1,543.4 |
| Time deposits | **1,754.2** | 1,799.4 |
| Other deposits | **37.5** | 22.3 |
| Total | **¥3,326.7** | ¥3,365.3 |

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

## Deposits by Type of Depositor

| The Kinki Osaka Bank, Ltd. | Billions of yen | |
|---|---|---|
| March 31 | 2008 | 2007 |
| Individuals | **¥2,625.1** | ¥2,665.7 |
| Corporations | **669.9** | 669.3 |
| Other | **31.6** | 30.1 |
| Total | **¥3,326.7** | ¥3,365.3 |

## Loans to SMEs and Individuals (Non-consolidated)

| The Kinki Osaka Bank, Ltd. | Billions of yen | | Ratio to total loans | |
|---|---|---|---|---|
| March 31 | 2008 | 2007 | 2008 | 2007 |
| Loans to SMEs and individuals | **¥2,463.8** | ¥2,463.3 | **91.9%** | 92.0% |

## Loans to Individuals (Non-consolidated)

| The Kinki Osaka Bank, Ltd. | Billions of yen | | |
|---|---|---|---|
| March 31 | 2008 | 2007 | Change |
| Consumer loans total | **¥1,170.4** | ¥1,181.5 | ¥(11.0) |
| Housing loans | **1,113.1** | 1,117.3 | (4.1) |

## Loans and Bills Discounted by Industry

**The Kinki Osaka Bank, Ltd.**

| March 31 | Billions of yen 2008 | 2007 |
|---|---|---|
| Manufacturing | **¥ 340.5** | ¥ 335.3 |
| | **12.70%** | 12.53% |
| Agriculture | **0.4** | 0.3 |
| | **0.02%** | 0.01% |
| Forestry | **0.1** | 0.0 |
| | **0.01%** | 0.00% |
| Fishing | **0.0** | 0.5 |
| | **0.00%** | 0.02% |
| Mining | **0.5** | 0.4 |
| | **0.02%** | 0.02% |
| Construction | **136.5** | 135.1 |
| | **5.09%** | 5.05% |
| Electric power, gas, heat supply, and water services | **0.0** | 4.9 |
| | **0.00%** | 0.19% |
| Information and communications | **14.3** | 14.0 |
| | **0.53%** | 0.52% |
| Transportation | **55.2** | 55.7 |
| | **2.06%** | 2.08% |
| Wholesale and retail | **352.1** | 333.0 |
| | **13.14%** | 12.45% |
| Financial services | **48.7** | 60.6 |
| | **1.82%** | 2.27% |
| Real estate | **277.9** | 280.9 |
| | **10.37%** | 10.50% |
| Services | **181.4** | 195.0 |
| | **6.77%** | 7.29% |
| Local governments | **76.3** | 55.9 |
| | **2.85%** | 2.09% |
| Other | **1,196.1** | 1,203.6 |
| | **44.62%** | 44.98% |
| Total | **¥2,680.7** | ¥2,675.9 |
| | **100.00%** | 100.00% |

### Risk Management Loans

| The Kinki Osaka Bank, Ltd.<br>Non-consolidated Basis<br>March 31 | Billions of yen | | |
|---|---|---|---|
| | 2008 | Change | 2007 |
| Loans to borrowers in legal bankruptcy | ¥ 3.3 | ¥ 0.7 | ¥ 2.5 |
| Past due loans | 54.6 | (6.8) | 61.5 |
| Loans past due three months or more | 1.6 | (0.3) | 1.9 |
| Restructured loans | 16.5 | (10.1) | 26.6 |
| Total* | ¥ 76.1 | ¥(16.5) | ¥ 92.6 |
| Total loans and bills discounted | ¥2,680.7 | ¥ 4.7 | ¥2,675.9 |
| Ratio of risk management loans to total loans and bills discounted (%) | 2.83 | (0.63) | 3.46 |

* Amounts are net of partial direct write-offs.

### Disclosure According to the Financial Reconstruction Law

| The Kinki Osaka Bank, Ltd.<br>Non-consolidated Basis<br>March 31 | Billions of yen | | |
|---|---|---|---|
| | 2008 | Change | 2007 |
| Unrecoverable or valueless claims | ¥ 15.3 | ¥ 1.5 | ¥ 13.7 |
| Risk claims | 44.1 | (7.9) | 52.1 |
| Claims in need of special attention | 18.1 | (10.4) | 28.6 |
| Financial Reconstruction Law subtotal | 77.6 | (16.8) | 94.5 |
| Nonclassified claims | 2,665.2 | 15.8 | 2,649.3 |
| Financial Reconstruction Law total* | ¥2,742.9 | ¥ (0.9) | ¥2,743.9 |
| Coverage ratio (%) | 92.26 | 2.04 | 90.22 |

* Amounts are net of partial direct write-offs.

### Reserve for Possible Loan Losses

| The Kinki Osaka Bank, Ltd.<br>Non-consolidated Basis<br>March 31 | Billions of yen | | |
|---|---|---|---|
| | 2008 | Change | 2007 |
| Reserves for possible loan losses | ¥29.2 | ¥(8.2) | ¥37.5 |
| General reserve for possible loan losses | 17.3 | (3.3) | 20.7 |
| Specific reserve for possible loan losses | 11.9 | (4.8) | 16.8 |

### Securities

| The Kinki Osaka Bank, Ltd.<br>Non-consolidated Basis<br>March 31 | Billions of yen | |
|---|---|---|
| | 2008 | 2007 |
| Japanese national and local government bonds | ¥324.1 | ¥305.9 |
| Japanese corporate bonds | 230.0 | 249.8 |
| Japanese corporate stocks | 18.2 | 23.7 |
| Other securities | 59.9 | 88.3 |
| Total book value | ¥632.4 | ¥667.9 |

**Capital Adequacy Ratio**

(1) Consolidated Capital Adequacy Ratio (Japanese Domestic Standard)

**The Kinki Osaka Bank, Ltd.**

| March 31 | | | Billions of yen 2008 (Basel II SA) | 2007 (Basel II SA) |
|---|---|---|---|---|
| Tier I capital | Capital stock | | **¥ 38.9** | ¥ 38.9 |
| | Capital surplus | | **55.4** | 55.4 |
| | Retained earnings | | **16.8** | 26.0 |
| | Less: Planned distribution of income | | **4.7** | 13.8 |
| | Less: Unrealized loss on available-for-sale securities | | **—** | — |
| | Foreign currency translation adjustments | | **—** | — |
| | Minority interests in consolidated subsidiaries | | **—** | 0.0 |
| | Subtotal | (A) | **106.5** | 106.6 |
| Tier II capital | General reserve for possible loan losses | | **22.2** | 26.7 |
| | Hybrid debt capital instruments | | **65.0** | 65.0 |
| | Subtotal | | **87.2** | 91.7 |
| | Tier II capital included as qualifying capital | (B) | **77.1** | 77.2 |
| Deductions | Deductions for total risk-based capital | (C) | **—** | — |
| Total risk-based capital | (A)+(B)–(C) | (D) | **¥ 183.6** | ¥ 183.8 |
| Risk-weighted assets | On-balance-sheet items | | **¥1,793.3** | ¥1,804.3 |
| | Off-balance-sheet items | | **27.4** | 28.9 |
| | Credit risk assets | (E) | **1,820.8** | 1,833.3 |
| | Operational risk equivalent assets ((G)/8%) | (F) | **119.9** | 121.4 |
| | (For reference: Amount equivalent to operational risk) | (G) | **9.5** | 9.7 |
| Total risk-weighted assets | (E)+(F) | (H) | **¥1,940.7** | ¥1,954.8 |
| Capital adequacy ratio | (D)/(H) x 100% | | **9.46%** | 9.40% |

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

**The Kinki Osaka Bank, Ltd.**

| March 31 | | | Billions of yen 2008 (Basel II SA) | 2007 (Basel II SA) |
|---|---|---|---|---|
| Tier I capital | Capital stock | | **¥ 38.9** | ¥ 38.9 |
| | Capital reserve | | **38.9** | 38.9 |
| | Other capital surplus | | **16.4** | 16.4 |
| | Other retained earnings | | **10.9** | 22.2 |
| | Less: Planned distribution of income | | **4.7** | 13.8 |
| | Less: Unrealized loss on available-for-sale securities | | **—** | — |
| | Subtotal | (A) | **100.6** | 102.8 |
| Tier II capital | General reserve for possible loan losses | | **17.3** | 20.7 |
| | Hybrid debt capital instruments | | **65.0** | 65.0 |
| | Subtotal | | **82.3** | 85.7 |
| | Tier II capital included as qualifying capital | (B) | **77.0** | 77.1 |
| Deductions | Deductions for total risk-based capital | (C) | **—** | — |
| Total risk-based capital | (A)+(B)–(C) | (D) | **¥ 177.6** | ¥ 177.9 |
| Risk-weighted assets | On-balance-sheet items | | **¥1,791.6** | ¥1,804.1 |
| | Off-balance-sheet items | | **22.2** | 23.0 |
| | Credit risk assets | (E) | **1,813.9** | 1,827.2 |
| | Operational risk equivalent assets ((G)/8%) | (F) | **115.1** | 116.1 |
| | (For reference: Amount equivalent to operational risk) | (G) | **9.2** | 9.2 |
| Total risk-weighted assets | (E)+(F) | (H) | **¥1,929.0** | ¥1,943.3 |
| Capital adequacy ratio | (D)/(H) x 100% | | **9.20%** | 9.26% |

### Non-consolidated Balance Sheets

**Resona Trust & Banking Co., Ltd.**

| March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Assets | | | |
| Cash and due from banks | **¥ 4,565** | ¥ 6,147 | **$ 45** |
| Deposits paid for bonds borrowing transactions | **36,547** | 38,473 | **364** |
| Securities | **19,945** | 14,976 | **199** |
| Other assets | **17,188** | 17,477 | **171** |
| Tangible fixed assets | **134** | 109 | **1** |
| Intangible fixed assets | **5,198** | 4,458 | **51** |
| Deferred tax assets | **823** | 654 | **8** |
| Total Assets | **¥84,403** | ¥82,296 | **$842** |
| Liabilities | | | |
| Deposits | **¥ 3,118** | ¥ 3,121 | **$ 31** |
| Call money | **30,000** | 29,000 | **299** |
| Other liabilities | **12,853** | 13,184 | **128** |
| Reserve for employees' bonuses | **730** | — | **7** |
| Total Liabilities | **46,702** | 45,306 | **466** |
| Equity | | | |
| Capital stock | **10,000** | 10,000 | **99** |
| Capital surplus | **14,969** | 14,969 | **149** |
| Capital reserve | **14,969** | 14,969 | **149** |
| Retained earnings | **12,728** | 12,023 | **127** |
| Net unrealized gains on available-for-sale securities | **2** | (2) | **0** |
| Total equity | **37,701** | 36,990 | **376** |
| Total liabilities and equity | **¥84,403** | ¥82,296 | **$842** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Non-consolidated Statements of Income

**Resona Trust & Banking Co., Ltd.**

| Years ended March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Income | | | |
| Interest income | **¥ 187** | ¥ 84 | **$ 1** |
| Trust fees | **32,743** | 32,211 | **326** |
| Fees and commissions | **7,453** | 6,760 | **74** |
| Other income | **3** | 4 | **0** |
| Total Income | **40,387** | 39,060 | **403** |
| Expenses | | | |
| Interest expenses | **43** | 20 | **0** |
| Fees and commissions | **9,327** | 9,767 | **93** |
| General and administrative expenses | **11,856** | 11,302 | **118** |
| Other expenses | **255** | 13 | **2** |
| Total Expenses | **21,483** | 21,103 | **214** |
| Income before income taxes | **18,903** | 17,956 | **188** |
| Income taxes—current | **7,870** | 7,364 | **78** |
| Income taxes—deferred | **(172)** | (47) | **(1)** |
| Net income | **¥11,205** | ¥10,640 | **$111** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.

## Statements of Trust Assets and Liabilities

**Resona Trust & Banking Co., Ltd.**

| March 31, 2008 and 2007 | Millions of yen 2008 | Millions of yen 2007 | Millions of U.S. dollars 2008 |
|---|---|---|---|
| Assets | | | |
| Securities | **¥ 9,059,990** | ¥ 7,981,453 | **$ 90,446** |
| Trust beneficiary certificates | **26,115,140** | 24,593,915 | **260,708** |
| Other claims | **2,409** | 4,066 | **24** |
| Cash and due from banks | **12,544** | 15,347 | **125** |
| Total Assets | **¥35,190,084** | ¥32,594,783 | **$351,303** |
| Liabilities | | | |
| Money trusts | **¥15,555,161** | ¥13,785,514 | **$155,287** |
| Pension trusts | **4,761,549** | 4,729,693 | **47,534** |
| Securities investment trusts | **13,748,252** | 12,899,339 | **137,249** |
| Pecuniary trusts other than money trusts | **171,894** | 228,667 | **1,716** |
| Securities trusts | **523,368** | 529,447 | **5,224** |
| Composite trusts | **429,857** | 422,121 | **4,291** |
| Total Liabilities | **¥35,190,084** | ¥32,594,783 | **$351,303** |

Notes: 1. Amounts of less than one million yen have been rounded down.
2. The rate of ¥100.17=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008, has been used.
3. Trust beneficiary certificates worth ¥26,115,140 million ($260,708 million) and ¥24,593,915 million on March 31, 2008 and 2007, respectively, were re-entrusted for asset administration purposes.
4. Co-managed trust funds under other trust banks' administration amounted to ¥2,265,503 million ($22,616 million) and ¥2,640,206 million on March 31, 2008 and 2007, respectively.

## Capital Adequacy Ratio

**Resona Trust & Banking Co., Ltd.**

| March 31 | | | Billions of yen 2008 (Basel II SA) | Billions of yen 2007 (Basel II SA) |
|---|---|---|---|---|
| Tier I capital | Capital stock | | **¥10,000** | ¥10,000 |
| | Capital reserve | | **14,969** | 14,969 |
| | Other retained earnings | | **12,728** | 12,023 |
| | Less: Planned distribution of income | | **5,500** | 7,000 |
| | Less: Unrealized loss on available-for-sale securities | | **—** | 2 |
| | Subtotal | (A) | **32,198** | 29,990 |
| Tier II capital | | (B) | **—** | — |
| Deductions | Deductions for total risk-based capital | (C) | **—** | — |
| Total risk-based capital | (A)+(B)–(C) | (D) | **¥32,198** | ¥29,990 |
| Risk-weighted assets | On-balance-sheet items | | **¥16,913** | ¥15,816 |
| | Off-balance-sheet items | | **—** | — |
| | Credit risk assets | (E) | **16,913** | 15,816 |
| | Operational risk equivalent assets ((G)/8%) | (F) | **60,138** | 56,391 |
| | (For reference: Amount equivalent to operational risk) | (G) | **4,811** | 4,511 |
| Total risk-weighted assets | (E)+(F) | (H) | **¥77,051** | ¥72,208 |
| Capital adequacy ratio | (D)/(H) x 100% | | **41.78%** | 41.53% |

# BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

## CONTENTS

# SCOPE OF CONSOLIDATION



■ **Differences between those companies belonging to the Corporate Group (hereinafter, Holding Company Group) for which capital adequacy ratios are calculated and those companies that are included in the scope of consolidation based on the Regulations for Preparation of Consolidated Financial Statements are as follows.**

**Companies belonging to Holding Company Group are provided 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: 19
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 Adequacy

### ■ Consolidated Capital Adequacy Ratio (Japanese Domestic Standard)

(Millions of yen)

| March 31 | | | 2008 (Basel Ⅱ F-IRB) | 2007 (Basel Ⅱ SA) |
|---|---|---|---|---|
| Tier I capital | Capital stock | | **327,201** | 327,201 |
| | Non-cumulative perpetual preferred stock (Note 1) | | **—** | — |
| | Advance payment for new shares | | **—** | — |
| | Capital surplus | | **673,764** | 223,810 |
| | Retained earnings | | **1,190,559** | 917,279 |
| | Less: Treasury stock | | **1,280** | 898 |
| | Advance payment for treasury stock | | **—** | — |
| | Less: Planned distribution of income | | **44,249** | 37,599 |
| | Less: Unrealized loss on available-for-sale securities | | **—** | — |
| | Foreign currency translation adjustments | | **(2,252)** | (1,400) |
| | Rights to acquire new shares | | **—** | — |
| | Minority interests in consolidated subsidiaries | | **136,364** | 157,919 |
| | Preferred securities issued by overseas SPCs | | **115,195** | 135,803 |
| | Less: Goodwill | | **14,453** | 21,728 |
| | Less: Intangible fixed assets recognized as a results of a merger | | **—** | — |
| | Less: Capital increase due to securitization transactions | | **12,347** | 12,862 |
| | Less: 50 % of excess of expected losses relative to eligible reserves | | **—** | — |
| | Total of Tier I capital before deduction of deferred tax assets | | **2,253,306** | 1,551,722 |
| | Less: Deduction of deferred tax assets (Note 2) | | **—** | — |
| | Subtotal | (A) | **2,253,306** | 1,551,722 |
| | Preferred securities with a step-up interest rate provision (Note 3) | (B) | **115,195** | 135,803 |
| Tier II capital | 45% of revaluation reserve for land | | **45,655** | 46,809 |
| | General reserve for possible loan losses | | **33,782** | 148,770 |
| | Excess of eligible reserves relative to expected losses | | **53,436** | — |
| | Hybrid debt capital instruments | | **777,531** | 806,141 |
| | Perpetual subordinated bonds (Note 4) | | **457,638** | 493,045 |
| | Subordinated bonds with maturity dates and preferred stocks with maturity dates (Note 5) | | **319,893** | 313,095 |
| | Subtotal | | **910,406** | 1,001,722 |
| | Tier II capital included as qualifying capital | (C) | **910,406** | 1,001,722 |
| Deductions | Deductions for total risk-based capital (Note 6) | (D) | **47,875** | 37,573 |
| Total risk-based capital | (A)+(C)–(D) | (E) | **3,115,836** | 2,515,871 |
| Risk-weighted assets | On-balance-sheet items | | **18,553,929** | 20,937,751 |
| | Off-balance-sheet items | | **1,847,366** | 1,451,599 |
| | Credit risk assets | (F) | **20,401,296** | 22,389,350 |
| | Operational risk equivalent assets (H)/8% | (G) | **1,408,060** | 1,414,001 |
| | (For reference: Amount equivalent to operational risk) | (H) | **112,644** | 113,120 |
| | Total (F)+(G) | (I) | **21,809,356** | 23,803,352 |
| Capital adequacy ratio (Japanese domestic standard) (E)/(I) x 100% | | | **14.28** | 10.56 |
| Consolidated Tier I capital ratio (A)/(I) x 100% | | | **10.33** | 6.51 |
| Percentage of preferred securities with conditions for interest-rate step-ups in consolidated Tier I capital = (B)/(A) x 100% | | | **5.11** | 8.75 |
| Total consolidated regulatory capital required | | | **1,744,748** | 952,134 |

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 of net deferred tax assets at March 31, 2008 was ¥371,960 million; the maximum amount of deferred tax assets allowable for capital inclusion was the lower of ¥450,661 million and ¥371,960 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.

4. Instruments for raising capital that have the characteristics of liabilities, as stipulated in Article 18-1-3 of the Notification on Consolidated Capital Adequacy, having all of 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 Holding Company Group 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. 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 through Article 20-1-6 of the Notification on Consolidated Capital Adequacy. 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 Holding Company Group and the amount of investments as stipulated in Article 20-1-2 of the said Notification.
7. Japanese domestic capital adequacy standard is applicable to the Holding Company Group. However, since it adopted the F-IRB approach to calculate the capital adequacy ratio as of March 31, 2008, a ratio of 8% is used to calculate the required regulatory capital. A ratio of 4% is used in the case of the required regulatory capital as of March 31, 2007 since the Holding Company Group adopted the Standardized Approach then.

### 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.<br>1. When a "regulatory event" (See Note 4 below.) occurs.<br>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.

## ■ Capital Requirements for Credit Risk

Following disclosure is limited to a single fiscal period since the Company adopted the F-IRB approach for the first time in the fiscal period under review.

(Millions of yen)

| | March 31, 2008 |
|---|---|
| Capital requirements for credit risk (excluding equity exposures in the Internal Ratings-based (IRB) Approach, exposures relating to funds) | **2,145,127** |
| Standardized Approach (Note 1) | **207,131** |
| IRB Approach (Note 2) | **1,882,084** |
| Corporate exposures (Note 3) | **1,359,700** |
| Sovereign exposures | **17,536** |
| Bank exposures | **40,197** |
| Residential mortgage exposures | **298,241** |
| Qualified revolving retail exposures | **12,094** |
| Other retail exposures | **82,885** |
| Other IRB exposures (Note 4) | **71,429** |
| Securitization exposures | **55,910** |
| Capital requirements for credit risk of equity exposures in the IRB Approach | **50,304** |
| Market-Based Approach (Simple Risk Weight Method) | **8,581** |
| Market-Based Approach (Internal Models Method) | **—** |
| PD/LGD Approach | **2,686** |
| Exposures subject to transitional grandfathering provisions (Article 13 of the Supplementary Provisions of Notification on Consolidated Capital Adequacy) | **39,035** |
| Capital requirements for exposures relating to funds | **65,268** |
| Total | **2,260,701** |

Notes: 1. Capital requirement for portfolios under the Standardized Approach at the end of March 2008 is calculated as "credit risk-weighted asset amount x 8%."
2. Capital requirement for portfolios under the IRB Approach is calculated as "credit risk-weighted asset amount (multiplied by the scaling factor of 1.06) x 8% + expected losses + Deduction for total risk-based capital."
3. Corporate exposures include specialized lending and exposures to SMEs.
4. Other IRB exposures include purchased receivables assets and other assets.

## ■ Capital Requirements for Market Risk

Since an exceptional treatment is applicable, the Company does not include the amount equivalent to market risk in its calculation of required regulatory capital.

## ■ Capital Requirements for Operational Risk

(Millions of yen)

| | March 31, 2008 | March 31, 2007 |
|---|---|---|
| The Standardized Approach | **112,644** | 56,560 |

Note: The capital requirement for operational risk is calculated in accordance with the following formula; Amount equivalent to operational risk x 12.5 x 8%

Capital requirement for operational risk is calculated using the Standardized Approach. Resona does not adopt the Basic Indicator Approach and Advanced Measurement Approach.

# 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 (Note 1) |
| 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 (Notes 2, 3) |

Notes: 1. All Class D Preferred Shares were converted to common shares (60 shares on February 16, 2007 and remaining 60 shares on July 31, 2007.)

2. The Articles of Incorporation of the Company were amended as approved at the Ordinary General Meeting of Shareholders held on June 26, 2008. The authorized number of shares has been revised as follows.
The total authorized number of shares is 82,399,586 shares and the authorized number of shares for each class is as described below:

| | |
|---|---|
| Common Stock: | 73,000,000 shares |
| Class B Preferred Stock: | 272,202 |
| Class C Preferred Stock: | 120,000 |
| Class E Preferred Stock: | 9,576 |
| 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 |

3. At a meeting of the Board of Directors held on May 16, 2008, it was resolved to implement the division of shares of the Company's common stock and each class of preferred stock so that one share of each will become 100 shares. Amendments to the Articles of Incorporation to this effect was duly approved at the Ordinary General Meeting of Shareholders held on June 26, 2008. This division of shares is to be effective the day immediately preceding the implementation date of the Law for Partial Amendments to the Law Concerning Book-Entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement for Trades of Stocks and Other Securities (Law No. 88 of 2004). On the same day, the authorized number of shares will be as follows.
The total authorized number of shares is 8,239,958,600 shares and the authorized number of shares of each class will be as described below:

| | |
|---|---|
| Common Stock: | 7,300,000,000 shares |
| Class B Preferred Stock: | 27,220,200 |
| Class C Preferred Stock: | 12,000,000 |
| Class E Preferred Stock: | 957,600 |
| Class F Preferred Stock: | 8,000,000 |
| Class One Preferred Stock: | 275,000,000 |
| Class Two Preferred Stock: | 281,780,800 |
| Class Three Preferred Stock: | 275,000,000 |
| Class Four Preferred Stock: | 10,000,000 |
| Class Five Preferred Stock: | 10,000,000 |
| Class Six Preferred Stock: | 10,000,000 |
| Class Seven Preferred Stock: | 10,000,000 |
| Class Eight Preferred Stock: | 10,000,000 |
| Class Nine Preferred Stock: | 10,000,000 |

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

| Class of stock | Number of shares issued and outstanding (March 31, 2008) | Name of stock exchange or securities dealers association | Voting rights and other matters |
|---|---|---|---|
| Common stock | 11,399,576.917 | Osaka Securities Exchange, First Section<br>Tokyo Stock Exchange, First Section | Voting rights |
| Class B No. 1 Preferred Stock | 272,202 | — | (Note 1) |
| Class C No. 1 Preferred Stock | 120,000 | — | (Note 2) |
| Class E No. 1 Preferred Stock | 9,576 | — | (Note 3) |
| Class F No. 1 Preferred Stock | 80,000 | — | (Note 4) |
| Class One No. 1 Preferred Stock | 2,750,000 | — | Voting rights (Note 5) |
| Class Two No. 1 Preferred Stock | 2,817,807.861 | — | Voting rights (Note 6) |
| Class Three No. 1 Preferred Stock | 2,750,000 | — | Voting rights (Note 7) |
| Class Four Preferred Stock | 25,200 | — | (Note 8) |
| Class Five Preferred Stock | 40,000 | — | (Note 9) |
| Class Nine Preferred Stock | 100,000 | — | (Note 10) |
| Total | 20,364,362.778 | — | — |

Notes:

1. 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
   3.125 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.
2. 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 ¥199,200.
(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.

3. 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.

4. 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, 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 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 ¥175,300.

(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.

6. 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 exchange price is ¥187,200.

(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.

7. 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.

8. 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).

(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.

(7) When the Company effects any of the acts described in each sub-paragraph of Article 322-1 of the Company Law, no approval by a meeting of holders of shares of Class Four Preferred Stock shall be required.

9. The details regarding Class Five 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 3.675% per annum (¥91,875 per ¥2,500,000 subscription price); provided that 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 ¥54,622 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 28, 2014, 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.

(7) When the Company effects any of the acts described in each sub-paragraph of Article 322-1 of the Company Law, no approval by a meeting of holders of shares of Class Five Preferred Stock shall be required.

10. 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 Subparagraph (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 prorate 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) x 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.

(9) When the Company effects any of the acts described in each sub-paragraph of Article 322-1 of the Company Law, no approval by a meeting of holders of shares of Class Nine Preferred Stock shall be required.

At a meeting of the Board of Directors held on May 16, 2008, it was resolved to implement the division of shares of the Company's common stock and each class of preferred stock so that one share of each will become 100 shares. Amendments to the Articles of Incorporation to this effect was duly approved at the Ordinary General Meeting of Shareholders held on June 26, 2008. This division of shares is to be effective the day immediately preceding the implementation date of the Law for Partial Amendments to the Law Concerning Book-Entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement for Trades of Stocks and Other Securities (Law No. 88 of 2004).



## 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) |
|---|---|---|---|---|---|---|
| June 27, 2003 (Note 2) | — | 6,784,899 | — | 720,499 | (731,916) | — |
| August 7, 2003 (Note 3) | 14,018,546 | 20,803,446 | 980,000 | 1,700,499 | 829,829 | 829,829 |
| August 12, 2003 (Note 4) | — | 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 5) | 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 2) | — | 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 4) | — | 20,819,034 | (961,272) | 327,201 | — | 327,201 |
| August 2, 2005 (Note 6) | (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 5) | 17 | 20,837 | — | 327,201 | — | 327,201 |
| August 31, 2006 (Note 7) | 25 | 20,862 | 31,500 | 358,701 | 31,500 | 358,701 |
| August 31, 2006 (Note 8) | — | 20,862 | (31,500) | 327,201 | (31,500) | 327,201 |
| January 26, 2007 (Note 9) | (638) | 20,224 | — | 327,201 | — | 327,201 |
| February 16, 2007 (Note 10) | 0 | 20,224 | — | 327,201 | — | 327,201 |
| March 30, 2007 (Note 11) | (0) | 20,224 | — | 327,201 | — | 327,201 |
| June 5, 2007 (Note 12) | 100 | 20,324 | 175,000 | 502,201 | 175,000 | 502,201 |
| June 5, 2007 (Note 13) | — | 20,324 | (175,000) | 327,201 | (175,000) | 327,201 |
| July 31, 2007 (Note 10) | 0 | 20,324 | — | 327,201 | — | 327,201 |
| August 28, 2007 (Note 14) | 40 | 20,364 | 50,000 | 377,201 | 50,000 | 377,201 |
| August 28, 2007 (Note 15) | — | 20,364 | (50,000) | 327,201 | (50,000) | 327,201 |
| September 28, 2007 (Note 11) | (0) | 20,364 | — | 327,201 | — | 327,201 |
| March 31, 2008 (End of the fiscal period under review) | — | 20,364 | — | 327,201 | — | 327,201 |

Notes: 1. Conversion of Class D No. 1 Preferred Shares to Common Shares

2. Appropriated to cover undisposed loss
3. 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
4. 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.
5. Conversion of Class A No. 1 Preferred Shares to Common Shares

6. At the Ordinary 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.
7. 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
8. 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.
9. 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)
10. Issuance of common shares following the exercise of acquisition rights to have the Company acquire outstanding Class D No. 1 Preferred Shares
11. Retirement of treasury stock (Class D No. 1 Preferred Shares)
12. Paid-in placement to a third party (100,000 shares of Class Nine Preferred Stock), issue price of ¥3,500,000 per share, with ¥1,750,000 included in paid-in capital
13. Transfer to other capital surplus through a reduction in capital and capital reserve, accompanying the issuance of Class Nine Preferred Shares, based on Article 447-3 and Article 448-3 of the Company Law of Japan.
14. Paid-in placement to a third party (40,000 shares of Class Five Preferred Stock), issue price of ¥2,500,000 per share, with ¥1,250,000 included in paid-in capital
15. Transfer to other capital surplus through a reduction in capital and capital reserve, accompanying the issuance of Class Five Preferred Shares, based on Article 447-3 and Article 448-3 of the Company Law of Japan.

## 3. Ownership of Common Stock and Preferred Stock

(1) Common stock

| | Ownership | | | | | | | | Fractional shares |
|---|---|---|---|---|---|---|---|---|---|
| | National and local government entities | Financial institutions | Securities companies | Other corporations | Foreign corporations, etc.: Owners other than individuals | Foreign corporations, etc.: Individuals | Individuals and others | Total | |
| Number of shareholders | 11 | 148 | 117 | 11,803 | 444 | 1 | 283,838 | 296,362 | — |
| Number of shares held | 1,261 | 1,446,433 | 176,753 | 6,837,761 | 951,662 | 1 | 1,967,676 | 11,381,547 | 18,029.917 |
| Ownership percentage | 0.01 | 12.71 | 1.55 | 60.08 | 8.36 | 0.00 | 17.29 | 100.00 | — |

Notes: 1. In the above table, the item "Individuals and others" contains 4,388 treasury shares, and the item "Fractional shares" contains 0.153 treasury shares.
2. In the above table, the item "Other corporations" contains 1,462 shares held in the name of the Japan Securities Depository Center.
3. There are 27,760 shareholders who hold only fractional shares.

(2) Class B No. 1 Preferred Stock

| | Ownership | | | | | | | | Fractional shares |
|---|---|---|---|---|---|---|---|---|---|
| | National and local government entities | Financial institutions | Securities companies | Other corporations | Foreign corporations, etc.: Owners other than individuals | Foreign corporations, etc.: Individuals | Individuals and others | Total | |
| 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

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

(4) Class E No. 1 Preferred Stock

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

(5) Class F No. 1 Preferred Stock

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

(6) Class One No. 1 Preferred Stock

| | Ownership | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | National and local government entities | Financial institutions | Securities companies | Other corporations | Foreign corporations, etc. | | Individuals and others | Total | Fractional shares |
| | | | | | 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 | — |

(7) Class Two No. 1 Preferred Stock

| | Ownership | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | National and local government entities | Financial institutions | Securities companies | Other corporations | Foreign corporations, etc. | | Individuals and others | Total | Fractional shares |
| | | | | | 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 | — |

(8) Class Three No. 1 Preferred Stock

| | Ownership | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | National and local government entities | Financial institutions | Securities companies | Other corporations | Foreign corporations, etc. | | Individuals and others | Total | Fractional shares |
| | | | | | 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 | — |

(9) Class Four Preferred Stock

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

(10) Class Five Preferred Stock

| | Ownership | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | National and local government entities | Financial institutions | Securities companies | Other corporations | Foreign corporations, etc. | | Individuals and others | Total | Fractional shares |
| | | | | | Owners other than individuals | Individuals | | | |
| Number of shareholders | — | 1 | — | — | — | — | — | 1 | — |
| Number of shares held | — | 40,000 | — | — | — | — | — | 40,000 | — |
| Ownership percentage | — | 100.00 | — | — | — | — | — | 100.00 | — |

(11) Class Nine Preferred Stock

| | Ownership | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | National and local government entities | Financial institutions | Securities companies | Other corporations | Foreign corporations, etc. | | Individuals and others | Total | Fractional shares |
| | | | | | Owners other than individuals | Individuals | | | |
| Number of shareholders | — | — | — | 1 | — | — | — | 1 | — |
| Number of shares held | — | — | — | 100,000 | — | — | — | 100,000 | — |
| 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 |
| The Dai-ichi Mutual Life Insurance Company | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo | 274,642.250 | 2.40 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo | 149,252.000 | 1.30 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 8-11, Harumi 1-chome, Chuo-ku, Tokyo | 143,476.000 | 1.25 |
| RBC Dexia Investor Services Trust London Client Account | 71 Queen Victoria Street, London EC4V 4DE, United Kingdom | 124,181.000 | 1.08 |
| Japan Trustee Services Bank, Ltd. (Trust Account 4) | 8-11, Harumi 1-chome, Chuo-ku, Tokyo | 110,557.000 | 0.96 |
| Nomura Holdings, Inc. | 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo | 79,049.000 | 0.69 |
| Daido Life Insurance Company | 2-1, Edobori 1-chome, Nishi-ku, Osaka | 70,000.000 | 0.61 |
| Goldman Sachs International | 133 Fleet Street London EC4A 2BB, United Kingdom | 68,951.000 | 0.60 |
| Chase Manhattan Bank GTS Clients Account Escrow | 5th Floor, Trinity Tower 9, Thomas More Street London, E1W 1YT, United Kingdom | 57,194.064 | 0.50 |
| Total | — | 6,725,541.314 | 58.99 |

Note: 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, 2008; 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 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 |

(5) 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 |

(6) 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 |

(7) 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 |

(8) 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 |

(9) 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 |

(10) Class Five Preferred Stock

| Shareholder | Address | Number of shares owned | Ownership percentage of total shares |
|---|---|---|---|
| The Dai-ichi Mutual Life Insurance Company | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo | 40,000 | 100.00 |
| Total | — | 40,000 | 100.00 |

(11) Class Nine Preferred Stock

| Shareholder | Address | Number of shares owned | Ownership percentage of total shares |
|---|---|---|---|
| Merrill Lynch Japan Finance Co., Ltd. | 4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo | 100,000 | 100.00 |
| Total | — | 100,000 | 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<br>Class C No. 1 Preferred Stock 120,000<br>Class E No. 1 Preferred Stock 9,576<br>Class F No. 1 Preferred Stock 80,000<br>Class Four Preferred Stock 25,200<br>Class Five Preferred Stock 40,000<br>Class Nine Preferred Stock 100,000 | — | 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" |
| 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)<br>Common stock 4,388 | — | — |
| Stock with full voting rights (other types) | Common stock 11,377,159<br>Class One No. 1 Preferred Stock 2,750,000<br>Class Two No. 1 Preferred Stock 2,817,807<br>Class Three No. 1 Preferred Stock 2,750,000 | Common stock 11,377,159<br>Class One No. 1 Preferred Stock 2,750,000<br>Class Two No. 1 Preferred Stock 2,817,807<br>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"<br>(Note 1)<br>(Note 2) |
| Fractional shares | Common stock 18,029.917<br>Class Two No. 1 Preferred Stock 0.861 | | (Note 3) |
| Total number of shares issued and outstanding | 20,364,362.778 | — | — |
| Number of voting rights for total shareholder | — | 19,694,966 | — |

Notes: 1. In the table above, the entry "Stock with full voting rights (other types)" includes 1,462 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 1 share (1 voting right) for the Kinki Osaka Bank and 5 shares (5 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 0.153 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)<br>Resona Holdings, Inc. | 2-1, Bingo-machi 2-chome, Chuo-ku, Osaka | 4,388 | — | 4,388 | 0.03 |
| Total | — | 4,388 | — | 4,388 | 0.03 |

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 1 share (1 voting right) for the Kinki Osaka Bank and 5 shares (5 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 | 115,195 | — |
| Total | 115,195 | — |

## ■ Subordinated Loans and Bonds

| Item | Outstanding at fiscal year-end (Millions of yen) | Date of repayment or maturity |
|---|---|---|
| Perpetual subordinated loans and bonds (Note) | 458,638 | — |
| Subordinated loans | 46,000 | — |
| Subordinated bonds | 412,638 | — |
| Subordinated loans and bonds with maturity dates | 319,893 | — |
| Subordinated loans | 52,000 | September 2014 to March 2021 |
| Subordinated bonds | 267,893 | September 2014 to February 2018 |
| Total | 778,531 | — |

Note: Of this amount, ¥457,638 million was included as Tier II capital.

## Credit Risk

### ■ 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, 2008, 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<br>Bank for International Settlements, etc.<br>Local governments in Japan<br>Foreign non-central government public sector entities<br>International development banks<br>Government-affiliated organizations in Japan<br>Local public corporations<br>Financial institutions<br>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<br>Structured finance | Same as the above |
| Other than the above | 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) |

## Credit Risk-related Data

### ■ Credit Risk Exposure at Fiscal Year-End: By Region and Industry, Including Claims Past Due Three Months or More

(Millions of yen)

| | March 31, 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Total | Loans and bills discounted, foreign exchange, etc | Securities | Off-balance sheet transactions | Derivatives | Past due three months or more |
| By Region | | | | | | |
| Japan | 41,474,587 | 31,476,122 | 7,345,034 | 1,986,838 | 700,473 | 243,277 |
| Overseas | 63,372 | 57,796 | — | 2,883 | 68 | 582 |
| Total | 41,537,961 | 31,533,919 | 7,345,034 | 1,989,722 | 700,542 | 243,859 |
| By Industry | | | | | | |
| Manufacturing | 3,604,865 | 2,930,023 | 448,411 | 140,072 | 86,294 | 22,157 |
| Agriculture | 94,452 | 93,279 | 501 | 618 | 43 | 380 |
| Forestry | 4,512 | 4,462 | 50 | — | — | — |
| Fishing | 11,238 | 8,581 | 878 | 1,763 | 6 | 10 |
| Mining | 27,072 | 23,635 | 2,555 | 727 | 155 | 16 |
| Construction | 1,057,445 | 924,476 | 86,264 | 43,929 | 2,742 | 4,521 |
| Wholesale and retail | 3,293,008 | 2,827,214 | 227,313 | 65,229 | 172,280 | 15,389 |
| Financial services | 5,414,450 | 4,359,377 | 224,137 | 402,496 | 402,250 | 296 |
| Real estate | 3,614,695 | 3,454,835 | 88,035 | 62,553 | 9,143 | 17,269 |
| Transportation | 673,333 | 577,913 | 58,649 | 29,088 | 7,669 | 1,347 |
| Information and telecommunications | 324,527 | 273,944 | 30,857 | 15,672 | 4,045 | 1,350 |
| Electric power, gas, heat supply, and water | 106,275 | 78,767 | 24,510 | 2,676 | 322 | 12 |
| Services | 2,767,947 | 2,577,783 | 95,318 | 79,111 | 15,525 | 24,815 |
| Individuals | 10,726,704 | 10,636,575 | 217 | 89,858 | 11 | 69,989 |
| Japanese central and local governments, government-affiliated organizations, and local public corporations, etc. | 7,964,466 | 1,996,998 | 4,968,706 | 880,724 | 46 | — |
| Foreign central governments and central banks, etc. | 132,541 | 18,405 | 114,117 | — | — | 7 |
| Others | 1,720,357 | 747,633 | 974,500 | 175,189 | — | 86,294 |
| Total | 41,537,961 | 31,533,919 | 7,345,034 | 1,989,722 | 700,542 | 243,859 |
| By Time to Maturity | | | | | | |
| One year or less | 10,211,631 | 6,617,138 | 2,942,344 | 608,168 | 42,519 | / |
| One year to three years | 3,552,094 | 2,568,948 | 714,465 | 129,185 | 139,496 | / |
| Three years to five years | 3,483,373 | 2,619,042 | 655,190 | 37,326 | 171,816 | / |
| Five years to seven years | 1,628,140 | 1,351,791 | 89,872 | 40,479 | 145,998 | / |
| Over seven years | 15,447,344 | 13,649,377 | 1,455,975 | 141,284 | 200,708 | / |
| Exposures with no maturity dates | 7,215,355 | 4,727,617 | 1,487,185 | 1,033,273 | — | / |
| Total | 41,537,961 | 31,533,919 | 7,345,034 | 1,989,722 | 700,542 | / |

Notes: 1. Figures presented refer to the credit risk exposure to which the Standardized Approach is applied. (Securitization exposure is not included.)
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. "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).
4. "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.
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.
6. Securities in "Others"category of the by-industry segment include investment trust, investments and contributions.

(Millions of yen)

| | March 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Total | | | | | |
| | | Loans and bills discounted, foreign exchange, etc | Securities | Off-balance sheet transactions | Derivatives | Past due three months or more, or default |
| By Region | | | | | | |
| Japan | 37,271,432 | 27,255,597 | 5,668,254 | 2,601,113 | 895,460 | 925,345 |
| Overseas | — | — | — | — | — | — |
| Exposure to which the Standardized Approach is applied | 4,974,716 | 3,376,823 | 828,020 | 205,974 | 698 | 52,064 |
| Total | 42,246,149 | 30,632,420 | 6,496,275 | 2,807,088 | 896,158 | 977,410 |
| By Industry | | | | | | |
| Manufacturing | 3,104,834 | 2,302,627 | 391,350 | 274,874 | 133,318 | 132,558 |
| Agriculture | 83,707 | 82,437 | 300 | 920 | 40 | 2,626 |
| Forestry | 4,206 | 4,203 | — | 2 | — | 470 |
| Fishing | 7,627 | 6,263 | 758 | 600 | 4 | — |
| Mining | 24,599 | 22,215 | 2,075 | 212 | 95 | 3,679 |
| Construction | 736,525 | 595,263 | 61,854 | 72,729 | 3,309 | 75,646 |
| Wholesale and retail | 2,696,307 | 2,179,589 | 169,578 | 81,114 | 262,209 | 168,092 |
| Financial services | 4,047,212 | 2,951,788 | 286,983 | 356,637 | 447,732 | 15,388 |
| Real estate | 3,228,706 | 3,046,583 | 51,182 | 118,857 | 11,748 | 194,433 |
| Transportation | 564,292 | 460,785 | 46,628 | 45,686 | 10,852 | 62,755 |
| Information and telecommunications | 292,583 | 241,241 | 25,767 | 18,418 | 6,085 | 22,507 |
| Electric power, gas, heat supply, and water | 109,162 | 75,032 | 24,426 | 9,211 | 491 | 0 |
| Services | 2,263,709 | 2,048,510 | 84,847 | 105,412 | 19,003 | 124,106 |
| Individuals | 9,879,487 | 9,759,947 | — | 119,476 | 10 | 122,855 |
| Japanese central and local governments, government-affiliated organizations, and local public corporations, etc. | 8,813,348 | 2,957,374 | 4,459,727 | 1,395,687 | 558 | — |
| Foreign central governments and central banks, etc. | 24,700 | 2,131 | 22,568 | — | — | 7 |
| Others | 1,390,422 | 519,601 | 40,202 | 1,270 | — | 216 |
| Exposure to which the Standardized Approach is applied | 4,974,716 | 3,376,823 | 828,020 | 205,974 | 698 | 52,064 |
| Total | 42,246,149 | 30,632,420 | 6,496,275 | 2,807,088 | 896,158 | 977,410 |
| By Time to Maturity | | | | | | |
| One year or less | 9,485,204 | 5,469,772 | 3,166,524 | 783,368 | 46,924 | / |
| One year to three years | 2,881,155 | 2,118,317 | 436,161 | 144,701 | 181,974 | / |
| Three years to five years | 2,642,892 | 2,186,997 | 220,668 | 48,231 | 186,995 | / |
| Five years to seven years | 1,554,462 | 1,171,663 | 172,984 | 27,572 | 182,242 | / |
| Over seven years | 14,115,263 | 12,409,767 | 1,203,769 | 204,402 | 297,323 | / |
| Exposures with no maturity dates | 6,592,454 | 3,899,078 | 468,145 | 1,392,836 | — | / |
| Exposure to which the Standardized Approach is applied | 4,974,716 | 3,376,823 | 828,020 | 205,974 | 698 | / |
| Total | 42,246,149 | 30,632,420 | 6,496,275 | 2,807,088 | 896,158 | / |

Notes: 1. Figures presented refer to the credit risk exposure to which the F-IRB Approach is applied.
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, monetary claims bought, trading account securities included in trading assets, money held in trust, loans and bills discounted, and foreign exchanges.
3. "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).
4. "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.
5. Securities in "Others" category of the by-industry segment include investments and contributions.

## ■ General Reserve for Possible Loan Losses and Special Reserve for Certain Overseas Loans

(Millions of yen)

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Balance at beginning of fiscal year | Increase/ (decrease) during the fiscal year | Balance at end of fiscal year | Balance at beginning of fiscal year | Increase/ (decrease) during the fiscal year | Balance at end of fiscal year |
| General reserve for possible loan losses | **350,714** | **(14,802)** | **335,912** | 354,112 | (3,398) | 350,714 |
| Special reserve for certain overseas loans | **42** | **34** | **76** | 62 | (19) | 42 |

Note: The Company does not prepare the breakdown of general reserve for possible loan losses by region and industry.

## ■ Specific Reserve for Possible Loan Losses: By Region and Industry

(Millions of yen)

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Balance at beginning of fiscal year | Increase/ decrease during the fiscal year | Balance at end of fiscal year | Balance at beginning of fiscal year | Increase/ decrease during the fiscal year | Balance at end of fiscal year |
| By Region | | | | | | |
| Japan | **192,380** | **(37,566)** | **154,814** | 184,279 | 8,101 | 192,380 |
| Overseas | **—** | **—** | **—** | — | — | — |
| Total | **192,380** | **(37,566)** | **154,814** | 184,279 | 8,101 | 192,380 |
| By Industry | | | | | | |
| Manufacturing | **28,380** | **(8,544)** | **19,836** | 27,385 | 995 | 28,380 |
| Agriculture | **510** | **(40)** | **470** | 1,070 | (560) | 510 |
| Forestry | **—** | **—** | **—** | — | — | — |
| Fishing | **—** | **22** | **22** | — | — | — |
| Mining | **1,407** | **965** | **2,372** | — | — | 1,407 |
| Construction | **7,922** | **1,107** | **9,029** | 5,855 | 2,067 | 7,922 |
| Wholesale and retail | **38,566** | **(22,227)** | **16,339** | 32,098 | 6,468 | 38,566 |
| Financial services | **641** | **7,867** | **8,508** | 1,726 | (1,085) | 641 |
| Real estate | **18,997** | **7,764** | **26,761** | 24,952 | (5,955) | 18,997 |
| Transportation | **9,173** | **(7,637)** | **1,536** | 8,092 | 1,081 | 9,173 |
| Information and telecommunications | **4,066** | **(602)** | **3,464** | 5,057 | (991) | 4,066 |
| Electric power, gas, heat supply, and water | **—** | **—** | **—** | 2 | (2) | — |
| Services | **36,836** | **(8,154)** | **28,682** | 28,439 | 8,397 | 36,836 |
| Individuals | **12,082** | **(2,990)** | **9,092** | 9,910 | 2,172 | 12,082 |
| Japanese central and local governments, government-affiliated organizations, and local public corporations, etc. | **457** | **(66)** | **391** | 464 | (7) | 457 |
| Foreign central governments and central banks, etc. | **5** | **(5)** | **—** | 6 | (1) | 5 |
| Others | **33,326** | **(5,018)** | **28,308** | 39,207 | (5,881) | 33,326 |
| Total | **192,380** | **(37,566)** | **154,814** | 184,279 | 8,101 | 192,380 |

Note: By-industry breakdown is for the specific reserves provided for the exposures held by Resona Bank, Saitama Resona Bank, Kinki Osaka Bank and Resona Trust & Banking. "Others" category of the by-industry segment includes the specific reserves provided for the exposures held by subsidiaries other than the aforementioned banking subsidiaries.

## ■ Write-Offs of Claims: By Industry

(Millions of yen)

| | 2008 | 2007 |
|---|---|---|
| Manufacturing | **10,918** | 5,629 |
| Agriculture | **19** | 60 |
| Forestry | **—** | — |
| Fishing | **—** | — |
| Mining | **12** | (14) |
| Construction | **5,687** | 1,741 |
| Wholesale and retail | **22,736** | 11,859 |
| Financial services | **743** | (185) |
| Real estate | **10,644** | 692 |
| Transportation | **606** | 881 |
| Information and telecommunications | **5,044** | 3,927 |
| Electric power, gas, heat supply, and water | **—** | — |
| Services | **12,683** | 6,042 |
| Individuals | **2,586** | 1,931 |
| Japanese central and local governments, government-affiliated organizations, and local public corporations, etc. | **—** | — |
| Foreign central governments and central banks, etc. | **—** | — |
| Others | **4,896** | 5,724 |
| Total | **76,579** | 38,287 |

Note: By-industry breakdown is for the write-offs made for the exposures held by Resona Bank, Saitama Resona Bank, Kinki Osaka Bank and Resona Trust & Banking. "Others" category includes the write-offs made for the exposures held by subsidiaries other than the aforementioned banking subsidiaries.

## [Exposure Subject to the Standardized Approach]

### ■ Exposure by Risk Weight Category

(Millions of yen)

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | **With credit rating** | **Without credit rating** | With credit rating | Without credit rating |
| 0% | **4,411** | **931,926** | 115,301 | 8,032,559 |
| 10% | **—** | **474,714** | — | 1,820,510 |
| 20% | **494,609** | **3,746** | 3,146,844 | 56,525 |
| 35% | **—** | **789,969** | — | 7,140,514 |
| 50% | **83,562** | **1,790** | 680,554 | 55,241 |
| 75% | **—** | **421,204** | — | 3,379,029 |
| 100% | **34,242** | **1,703,142** | 745,297 | 14,874,898 |
| 150% | **—** | **61,718** | — | 142,085 |
| 350% | **—** | **—** | — | — |
| Others | **—** | **—** | — | — |
| Total | **616,825** | **4,388,213** | 4,687,997 | 35,501,365 |
| Deduction from capital | **—** | **—** | — | 38,155 |

Note: Credit ratings are those provided by qualified credit rating agencies. Exposures by risk weight categories are reported as the balance after taking into account the effect of credit risk mitigation. Credit risk assets as of the end of March 2008 are calculated based on the F-IRB approach.

## [Exposure Subject to the IRB Approach]

### ■ Specialized Lending Exposure under Slotting Criteria by Risk Weight Category

(1) Specialized Lending Exposure Excluding High Volatility Commercial Property Loans

(Millions of yen)

| Slotting criteria | Residual term | Risk weights | 2008 |
|---|---|---|---|
| Strong | Under 2 and half years | 50% | **11,289** |
| | Over 2 and half years | 70% | **3,868** |
| Good | Under 2 and half years | 70% | **22,377** |
| | Over 2 and half years | 90% | **43,693** |
| Satisfactory | No term | 115% | **29,943** |
| Weak | No term | 250% | **13,726** |
| Defaulted | No term | 0% | **300** |
| Total | | | **125,198** |

(2) High Volatility Commercial Property Loans

(Millions of yen)

| Slotting criteria | Residual term | Risk weights | 2008 |
|---|---|---|---|
| Strong | Under 2 and half years | 70% | **—** |
| | Over 2 and half years | 95% | **—** |
| Good | Under 2 and half years | 95% | **11,476** |
| | Over 2 and half years | 120% | **3,000** |
| Satisfactory | No term | 140% | **19,884** |
| Weak | No term | 250% | **1,450** |
| Defaulted | No term | 0% | **—** |
| Total | | | **35,811** |

### ■ Equity Exposure under Simple Risk Weight Method by Risk Weight Category

(Millions of yen)

| Risk weights | 2008 |
|---|---|
| 300% | **36,547** |
| 400% | **64,653** |
| Total | **101,200** |

## ■ Corporate Exposures

(Millions of yen)

| Credit rating | 2008 | | | | |
|---|---|---|---|---|---|
| | PD* (Estimated) | LGD* (Estimated) | Weighted average RW | On balance sheet EAD | Off balance sheet EAD |
| SA, A | **0.23%** | **40.72%** | **36.82%** | **2,418,374** | **387,645** |
| B–E | **1.27%** | **42.02%** | **78.86%** | **7,906,549** | **959,385** |
| F, G | **13.02%** | **40.73%** | **175.82%** | **1,281,643** | **92,307** |
| Default | **100.00%** | **43.55%** | / | **713,328** | **67,670** |
| Total | / | / | / | **12,319,896** | **1,507,008** |

Notes: 1. Weighted average of estimated amounts
2. Specialized lending exposure under Slotting Criteria is not included.

## ■ Sovereign Exposures

(Millions of yen)

| Credit rating | 2008 | | | | |
|---|---|---|---|---|---|
| | PD* (Estimated) | LGD* (Estimated) | Weighted average RW | On balance sheet EAD | Off balance sheet EAD |
| SA, A | **0.00%** | **45.00%** | **1.38%** | **7,400,518** | **1,394,678** |
| B–E | **3.42%** | **45.00%** | **125.18%** | **28,513** | **1,201** |
| F, G | **17.51%** | **44.83%** | **221.12%** | **12,761** | **464** |
| Default | **100.00%** | **45.00%** | / | **7** | **—** |
| Total | / | / | / | **7,441,800** | **1,396,344** |

Note: Weighted average of estimated amounts

## ■ Financial Institution Exposures

(Millions of yen)

| Credit rating | 2008 | | | | |
|---|---|---|---|---|---|
| | PD* (Estimated) | LGD* (Estimated) | Weighted average RW | On balance sheet EAD | Off balance sheet EAD |
| SA, A | **0.11%** | **45.10%** | **14.94%** | **2,400,855** | **176,798** |
| B–E | **0.74%** | **41.25%** | **54.29%** | **55,181** | **13,694** |
| F, G | **17.19%** | **44.55%** | **236.67%** | **1,058** | **9,318** |
| Default | **—** | **—** | / | **—** | **—** |
| Total | / | / | / | **2,457,094** | **199,811** |

Note: Weighted average of estimated amounts

## ■ Retail Exposures

(Millions of yen)

| | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | PD* (Estimated) | LGD* (Estimated) | Weighted average RW | On balance sheet EAD | Off balance sheet EAD | Amounts of undrawn commitments | Weighted average CCF on undrawn commitments |
| Residential mortgage | / | / | / | **7,552,539** | **40,604** | **—** | **—** |
| Normal | **0.95%** | **45.74%** | **37.07%** | **7,479,046** | **39,197** | **—** | **—** |
| Default | **100.000%** | **46.81%** | / | **73,493** | **1,406** | **—** | **—** |
| Qualifying revolving retail exposure | / | / | / | **110,013** | **37,499** | **434,576** | **8.63%** |
| Normal | **3.47%** | **78.70%** | **60.94%** | **109,389** | **37,455** | **434,352** | **8.62%** |
| Default | **100.000%** | **78.63%** | / | **624** | **44** | **223** | **19.77%** |
| Other retail exposure | / | / | / | **1,933,880** | **48,660** | **51,068** | **22.10%** |
| Normal | **1.61%** | **31.84%** | **28.71%** | **1,866,746** | **47,560** | **50,990** | **22.09%** |
| Default | **100.000%** | **38.64%** | / | **67,133** | **1,099** | **78** | **26.40%** |

Note: Weighted average of estimated amounts

## ■ Equity Exposures under PD/LGD Approach

(Millions of yen)

| Credit rating | 2008 | | |
|---|---|---|---|
| | PD* (Estimated) | Weighted average RW | Balance |
| SA, A | **0.09%** | **207.93%** | **3,683** |
| B–E | **0.55%** | **198.92%** | **4,529** |
| F, G | **15.27%** | **497.18%** | **187** |
| Default | **100.00%** | / | **462** |
| Total | / | / | **8,862** |

Note: Weighted average of estimated amounts

## Methods for Credit Risk Mitigation

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, qualifying real estate collateral, the provision of guarantees, and the use of credit derivatives.

### ■ Exposure to which Credit Risk Mitigation Method Is Applied

(Millions of yen)

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Qualified financial collaterals | Other qualified collaterals | Guarantees | Credit derivatives | Total |
| Internal Ratings-based Approach | **502,594** | **2,310,177** | **1,245,429** | **—** | **4,058,201** |
| Corporate exposures | **470,015** | **2,308,910** | **496,348** | **—** | **3,275,274** |
| Sovereign exposures | **50** | **—** | **238,153** | **—** | **238,203** |
| Financial institution exposures | **32,528** | **1,266** | **33,399** | **—** | **67,194** |
| Residential mortgage exposures | / | / | **—** | **—** | **—** |
| Qualifying revolving retail exposures | / | / | **—** | **—** | **—** |
| Other retail exposures | / | / | **477,529** | **—** | **477,529** |
| Standardized Approach | **128,655** | / | **—** | **—** | **128,655** |
| Total | **631,249** | **2,310,177** | **1,245,429** | **—** | **4,186,856** |

## Derivatives

### ■ Derivatives Transactions

(Millions of yen)

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Notional or contract amount | Fair value | Gross replacement cost | Gross add-ons | Amount equivalent to credit exposures |
| Interest-rate related | | | | | |
| Interest-rate swaps | **22,894,932** | **71,983** | **182,495** | **131,162** | **313,658** |
| Interest-rate options | **88,868** | **505** | **514** | **253** | **768** |
| Subtotal | **22,983,800** | **72,489** | **183,010** | **131,416** | **314,426** |
| Currency-related | | | | | |
| Currency swaps | **3,819,866** | **14,715** | **67,838** | **227,730** | **330,837** |
| Currency options | **1,366,821** | **120,449** | **120,449** | **60,232** | **180,682** |
| Forward contracts | **1,195,392** | **(8,236)** | **24,825** | **45,385** | **70,211** |
| Subtotal | **6,382,080** | **126,929** | **213,114** | **333,348** | **581,731** |
| Subtotal (prior to netting) | **29,365,881** | **199,418** | **396,124** | **464,765** | **896,158** |
| Credit risk mitigation under comprehensive netting contracts | | | | | **274,211** |
| Credit risk mitigation from pledged collateral (Note 4) | | | | | **(37,800)** |
| Total (after netting) | | | | | **659,748** |

(Millions of yen)

| | 2007 | | | | |
|---|---|---|---|---|---|
| | 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 |

## Securitization Exposure

### ■ Securitization Exposures Held by the Holding Company Group

(Millions of yen)

| Classification | By Product Type | | By Account Headings | | By Basel Ⅱ Disclosure Items | |
|---|---|---|---|---|---|---|
| Amount of exposure | Asset backed commercial paper (ABCP) | 18,635 | Monetary claims bought | 277,357 | Securitization exposure | 380,918 |
| | Assets based lending (ABL) | 44,266 | Trading assets | 18,635 | Purchased receivables | 37,889 |
| | Assets backed Securities (ABS) | 47,648 | Securities | 52,677 | Corporate exposure | 60 |
| | Commercial mortgage backed securities (CMBS) | 25,748 | Loans and bills discounted | 77,265 | Retail exposure | 4,866 |
| | Residential mortgage backed securities (RMBS) | 289,637 | | | Specialized lending exposure | 2,200 |
| | Total | ¥425,935 | Total | ¥425,935 | Total | ¥425,935 |

| | |
|---|---|
| EAD of securitization exposure | ¥427,885 |
| Required capital | 8,443 |
| Deduction from capital | 44,849* |

Notes: 1. Securitized products are entirely held in the banking account.
2. Total securitization products reported above amounts to ¥425.9 billion and is equivalent to 1.06% of the total assets on the consolidated balance sheet.
3. In addition to the deduction from capital mentioned above, the amount of capital increase resulting from securitization exposure (¥12.347 million) is also deducted from capital.
4. Resona Group has no direct investments in securitized products linked with the U.S. subprime housing loans and securitized products guaranteed by the U.S. monolines.

## ■ Securitization Exposures Originated by the Holding Company Group

### 1. Securitization Exposure Retained or Purchased

(Millions of yen)

| | 2008 | | | | | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Amount | Required capital |
| **Retained securitization exposures** | **—** | **13,016** | **74,401** | **—** | **—** | **—** | **—** | **—** | **—** | **3,627** | **91,044** | **12,300** |
| Risk weight: | | | | | | | | | | | | |
| To 20% | **—** | **2,600** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **2,600** | **39** |
| Over 20% to 100% | **—** | **5,075** | **74,401** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **79,476** | **3,292** |
| Over 100% to 1250% | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Deduction from capital | **—** | **5,340** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **3,627** | **8,967** | **8,967** |
| Capital increase due to securitization transactions | **—** | **6,240** | **6,106** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **12,347** | **12,347** |

Credit risk-weighted assets calculated pursuant to Article 15 of
Supplementary Provisions of the Notification on Consolidated Capital Adequacy:

Not applicable

(Millions of yen)

| | 2007 | | | | | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Amount | Required capital |
| Retained securitization exposures | 323 | 17,854 | 23,409 | — | — | — | — | — | — | 3,712 | 45,299 | 9,702 |
| Risk weight: | | | | | | | | | | | | |
| To 20% | — | — | — | — | — | — | — | — | — | — | — | — |
| Over 20% to 100% | — | 2,600 | — | — | — | — | — | — | — | — | 2,600 | 52 |
| Over 100% to 1250% | — | 9,895 | 23,409 | — | — | — | — | — | — | 3,627 | 36,932 | 3,882 |
| Deduction from capital | 323 | 5,358 | — | — | — | — | — | — | — | 85 | 5,767 | 5,767 |
| Capital increase due to securitization transactions | — | 6,401 | 6,460 | — | — | — | — | — | — | — | 12,862 | 12,862 |

*Required capital = Credit risk-weighted assets x 4% (in case of capital deduction: capital deduction x 100%) < Standardized Approach >

Credit risk-weighted assets calculated pursuant to Article 15 of
Supplementary Provisions of the Notification on Consolidated Capital Adequacy:

¥97,062

## 2. Underlying Assets

(Millions of yen)

| | 2008 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Total |
| Amount of underlying assets | **—** | **108,411** | **74,402** | **—** | **—** | **—** | **—** | **—** | **—** | **11,881** | **194,695** |
| Asset transfer- type securitizations | **—** | **108,411** | **74,402** | **—** | **—** | **—** | **—** | **—** | **—** | **11,881** | **194,695** |
| Past due three months or more | **—** | **1,837** | **127** | **—** | **—** | **—** | **—** | **—** | **—** | **236** | **2,201** |
| Losses during the year | **—** | **264** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **264** |
| Synthetic securitizations | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Past due three months or more | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Losses during the year | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Amount of exposures securitized during the year | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

(Millions of yen)

| | 2007 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Total |
| Amount of underlying assets | 3,423 | 173,388 | 83,100 | — | — | — | — | — | — | 14,821 | 274,733 |
| Asset transfer- type securitizations | 3,423 | 173,388 | 83,100 | — | — | — | — | — | — | 14,821 | 274,733 |
| Past due three months or more | — | 1,650 | — | — | — | — | — | — | — | 274 | 1,924 |
| Losses during the year | — | 155 | — | — | — | — | — | — | — | — | 155 |
| Synthetic securitizations | — | — | — | — | — | — | — | — | — | — | — |
| Past due three months or more | — | — | — | — | — | — | — | — | — | — | — |
| Losses during the year | — | — | — | — | — | — | — | — | — | — | — |
| Amount of exposures securitized during the year | — | — | — | — | — | — | — | — | — | — | — |

## ■ Securitization Exposure as Sponsor of Securitization Programs (ABCP)

### 1. Securitization Exposure Retained or Purchased

(Millions of yen)

| | 2008 | | | | | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Amount | Required capital |
| **Retained securitization exposures** | **—** | **—** | **—** | **—** | **20,280** | **—** | **—** | **33,767** | **653** | **7,563** | **62,264** | **29,902** |
| Risk weight: | | | | | | | | | | | | |
| To 20% | **—** | **—** | **—** | **—** | **20,280** | **—** | **—** | **—** | **—** | **2,866** | **23,146** | **392** |
| Over 20% to 100% | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **9,691** | **—** | **280** | **9,971** | **363** |
| Over 100% to 1250% | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Deduction from capital | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **24,076** | **653** | **4,417** | **29,146** | **29,146** |
| Capital increase due to securitization transactions | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

Credit risk-weighted assets calculated pursuant to Article 15 of Supplementary Provisions of the Notification on Consolidated Capital Adequacy: Not applicable

(Millions of yen)

| | 2007 | | | | | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Amount | Required capital |
| Retained securitization exposures | — | — | — | — | — | — | — | 26,116 | 700 | 5,958 | 32,774 | 10,960 |
| Risk weight: | | | | | | | | | | | | |
| To 20% | — | — | — | — | — | — | — | — | 700 | 1,342 | 2,042 | 10 |
| Over 20% to 100% | — | — | — | — | — | — | — | 8,745 | — | 280 | 9,025 | 361 |
| Over 100% to 1250% | — | — | — | — | — | — | — | 10,136 | — | 1,692 | 11,828 | 709 |
| Deduction from capital | — | — | — | — | — | — | — | 7,234 | — | 2,644 | 9,878 | 9,878 |
| Capital increase due to securitization transactions | — | — | — | — | — | — | — | — | — | — | — | — |

*Required capital = Credit risk-weighted assets x 4% (in case of capital deduction: capital deduction x 100%) < Standardized Approach >

Credit risk-weighted assets calculated pursuant to Article 15 of Supplementary Provisions of the Notification on Consolidated Capital Adequacy: Not applicable

## 2. Underlying Assets

(Millions of yen)

| | 2008 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Total |
| **Amount of underlying assets** | **—** | **—** | **—** | **—** | **25,688** | **—** | **—** | **47,958** | **1,328** | **13,604** | **88,579** |
| Asset transfer- type securitizations | **—** | **—** | **—** | **—** | **25,688** | **—** | **—** | **47,958** | **1,328** | **13,604** | **88,579** |
| Past due three months or more | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **32** | **32** |
| Losses during the year | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **147** | **344** | **1,281** | **1,773** |
| Synthetic securitizations | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Past due three months or more | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Losses during the year | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Amount of exposures securitized during the year | **—** | **—** | **—** | **—** | **24,332** | **—** | **—** | **71,475** | **7,512** | **6,635** | **109,956** |

(Millions of yen)

| | 2007 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Total |
| Amount of underlying assets | — | — | — | — | — | — | — | 44,837 | 1,362 | 12,038 | 58,238 |
| Asset transfer- type securitizations | — | — | — | — | — | — | — | 44,837 | 1,362 | 12,038 | 58,238 |
| Past due three months or more | — | — | — | — | — | — | — | — | — | 185 | 185 |
| Losses during the year | — | — | — | — | — | — | — | 91 | — | 1,138 | 1,230 |
| Synthetic securitizations | — | — | — | — | — | — | — | — | — | — | — |
| Past due three months or more | — | — | — | — | — | — | — | — | — | — | — |
| Losses during the year | — | — | — | — | — | — | — | — | — | — | — |
| Amount of exposures securitized during the year | — | — | — | — | — | — | — | 58,170 | 700 | 800 | 59,670 |

## ■ Securitization Exposures in which the Holding Company Group Invests

(Millions of yen)

| | 2008 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Total Amount | Total Required capital |
| Retained securitization exposures | 19,420 | 231,929 | 19,225 | 10,575 | 3,445 | 11,194 | 4,030 | 1,745 | — | 17,859 | 319,426 | 11,089 |
| Risk weight: | | | | | | | | | | | | |
| To 20% | 8,982 | 183,059 | 19,225 | 9,371 | 3,445 | 9,124 | 4,030 | 1,097 | — | 10,202 | 248,539 | 2,865 |
| Over 20% to 100% | 10,437 | 48,870 | — | 1,203 | — | 2,070 | — | — | — | 1,570 | 64,151 | 1,489 |
| Over 100% to 1250% | — | — | — | — | — | — | — | — | — | — | — | — |
| Deduction from capital | — | — | — | — | — | — | — | 647 | — | 6,086 | 6,734 | 6,734 |

Credit risk-weighted assets calculated pursuant to Article 15 of Supplementary Provisions of the Notification on Consolidated Capital Adequacy: **¥22,764**

(Millions of yen)

| | 2007 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General loan claims | Housing loan claims | Apartment/ condominium loan claims | Credit cards claims | Lease receivables | Consumer loan claims | Auto loan claims | Bills | Medical service fee claims | Other claims | Total Amount | Total Required capital |
| Retained securitization exposures | 36,400 | 259,665 | 18,234 | 13,944 | 9,427 | 22,756 | 4,340 | — | — | 40,517 | 405,286 | 14,684 |
| Risk weight: | | | | | | | | | | | | |
| To 20% | 20,360 | 208,044 | 18,234 | 12,902 | 9,427 | 19,732 | 3,000 | — | — | 9,044 | 300,746 | 2,405 |
| Over 20% to 100% | 16,039 | 51,621 | — | 1,042 | — | 3,024 | 900 | — | — | 21,552 | 94,180 | 2,530 |
| Over 100% to 1250% | — | — | — | — | — | — | 440 | — | — | 272 | 712 | 100 |
| Deduction from capital | — | — | — | — | — | — | — | — | — | 9,647 | 9,647 | 9,647 |

*Required capital = Credit risk-weighted assets x 4% (in case of capital deduction: capital deduction x 100%) < Standardized Approach >

Credit risk-weighted assets calculated pursuant to Article 15 of Supplementary Provisions of the Notification on Consolidated Capital Adequacy: ¥27,350

## Equity Exposures in the Banking Account

### ■ Equity Exposure on the Balance Sheets

(Millions of yen)

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Balance sheet amount | Market value | Balance sheet amount | Market value |
| Listed stocks and other similar investment/equity exposure | **609,832** | **609,832** | 1,096,314 | 1,096,314 |
| Investment/equity exposure other than the above | **129,494** | **129,494** | 419,010 | 419,010 |
| Total | **739,326** | **739,326** | 1,515,324 | 1,515,324 |

### ■ Gain (Loss) on Sale or Depreciation of Equity Exposure

(Millions of yen)

| | 2008 | 2007 |
|---|---|---|
| Gain on sale | **24,421** | 108,420 |
| Loss on sale | **39,980** | 27,036 |
| Loss on depreciation | **28,271** | 8,669 |
| Net gains/(losses) | **(43,830)** | 72,713 |

### ■ Unrealized Gain Recognized on the Balance Sheet but Not on the Statement of Income

(Millions of yen)

| | 2008 | 2007 |
|---|---|---|
| Unrealized gain | **193,576** | 463,807 |

### ■ Unrealized Gain (Loss) Not Recognized Either on the Balance Sheet or on the Statement of Income

None

### ■ Equity Exposure Portfolio

| | 2008 |
|---|---|
| Market-based approach (Simple Risk Weight Method) | **28,345** |
| Market-based approach (Internal Models Approach) | **—** |
| PD/LGD Approach | **8,862** |
| Transitional measure applied | **442,915** |
| Exposure to those enterprises assigned 0% risk weight under the Standardized Approach | **1** |
| Total | **480,125** |

## Exposures Relating to Funds

### ■ Exposures Relating to Funds

(Millions of yen)

| | 2008 |
|---|---|
| Exposures to relating to funds | **640,459** |

## Interest-Rate Risk in the Banking Account

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

(Billions of yen, %)

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | Decline in economic value | Percentage of Tier I plus Tier II capital | Decline in economic value | Percentage of Tier I plus Tier II capital |
| Resona Bank | **¥190.4** | **12.1%** | ¥137.5 | 7.8% |
| Saitama Resona Bank | **48.5** | **12.3%** | 35.8 | 9.1% |
| Kinki Osaka Bank | **9.4** | **5.4%** | 10.7 | 6.0% |
| Resona Trust & Banking | **0.0** | **0.2%** | 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.

# CORPORATE DATA SECTION

## CONTENTS

# DIRECTORS AND EXECUTIVE OFFICERS

As of July 1, 2008



## ■ Directors

| Post | Name | Concurrent Post |
|---|---|---|
| Director, Chairman and Representative Executive Officer<br>Member of Appointments Committee<br>Member of Compensation Committee | Eiji Hosoya[*1] | Representative Director and Chairman of Resona Bank, Ltd. |
| Director, President and Representative Executive Officer | Seiji Higaki | |
| Director<br>Member of Auditing Committee | Takuji Watanabe | |
| Independent Director<br>Head of Auditing Committee | Noboru Yanai | Representative and President of Arrow Consulting |
| Independent Director<br>Member of Appointments Committee | Shotaro Watanabe[*1] | Independent Director of Resona Bank, Ltd.<br>Independent Auditor of Fujicco Co., Ltd. |
| Independent Director<br>Head of Compensation Committee | Kunio Kojima | Vice Chairman and President of KEIZAI DOYUKAI (Japan Association of Corporate Executives)<br>Independent Director of Mitsui O.S.K. Lines, Ltd.<br>Independent Director of JBIS Holdings, Inc. |
| Independent Director<br>Member of Auditing Committee | Hideo Iida | Lawyer<br>Independent Auditor of Eco's Co., Ltd.<br>Independent Auditor of Bunka Shutter Co., Ltd. |
| Independent Director<br>Member of Compensation Committee | Tsutomu Okuda | President, Representative Director and CEO of J. Front Retailing Co., Ltd.<br>Chairman and CEO of The Daimaru, Inc.<br>Independent Director of the Osaka Securities Exchange Co., Ltd. |
| Independent Director<br>Member of Auditing Committee | Yuko Kawamoto | Professor of Waseda Graduate School of Finance, Accounting and Law<br>Independent Director of Osaka Securities Exchange Co., Ltd.<br>Independent Director of Monex Group, Inc.<br>Independent Auditor of Tokio Marine Holdings, Inc. |
| Independent Director<br>Head of Appointments Committee | Shusai Nagai[*2] | Independent Director of Saitama Resona Bank, Ltd.<br>Dean & Professor, Faculty of Business Administration, Toyo Gakuken University |

Notes: The seven independent directors—Noboru 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.

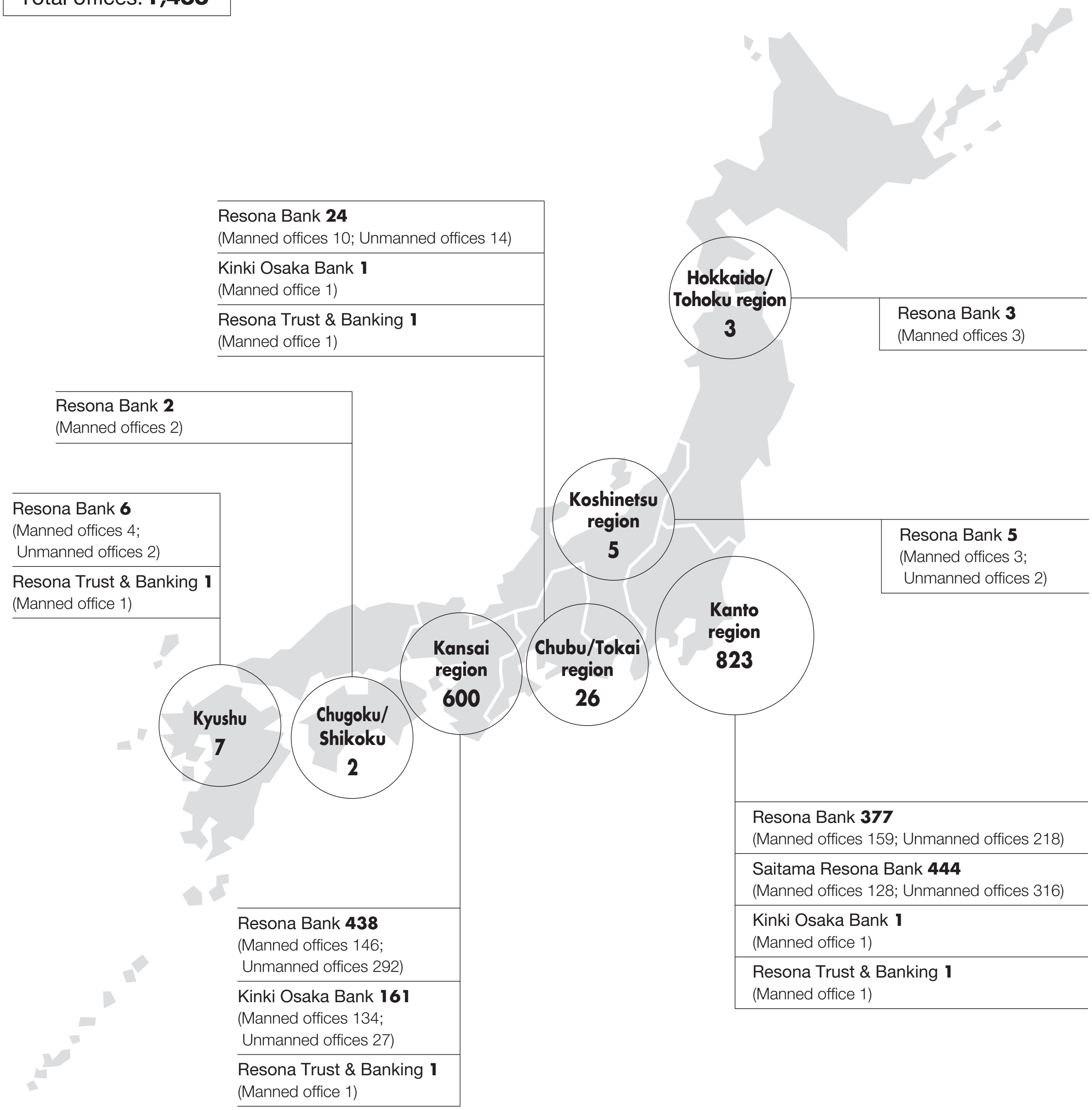
## ■ Executive Officers

| 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, President and Executive Officer 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 | Representative Director, Deputy President and Executive Officer of Resona Bank, Ltd. |
| Executive Officer | Hiroyuki Kizawa | 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.<br>Director of Resona Trust & Banking Co., Ltd. |
| Executive Officer | Kaoru Isono | Director of The Kinki Osaka Bank, Ltd. |
| Executive Officer | Naoki Iwata | Director and Senior Managing Executive Officer of Resona Bank, Ltd.<br>Director of Saitama Resona Bank, Ltd. |
| Executive Officer | Kazuyoshi Ikeda | |
| Executive Officer | Masatoshi Noguchi | |

# DOMESTIC NETWORK

As of March 31, 2008

Total offices: **1,466**




**Domestic Branches**

(As of March 31, 2008)

| | Resona Bank | Saitama Resona Bank | Kinki Osaka Bank | Resona Trust & Banking | Total of the four banks | Including Kanto region | Including Kansai region |
|---|---|---|---|---|---|---|---|
| Manned offices | 327 | 128 | 136 | 4 | 595 | 289 | 281 |
| Unmanned offices | 528 | 316 | 27 | 0 | 871 | 534 | 319 |
| Total offices | 855 | 444 | 163 | 4 | 1,466 | 823 | 600 |

# INTERNATIONAL NETWORK

As of July 1, 2008

## Resona Bank, Ltd.

### ■ASIA

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

**Singapore Representative Office**
15 Queen Street,
#03-06 Tan Chong Tower,
Singapore 188537,
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 Blok 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/

## Resona Trust & Banking Co., Ltd.

### ■JAPAN

**Head Office**
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8112, Japan
Phone: 81-3-5223-2040

**West Japan Office**
2-1, Bingomachi 2-chome,
Chuo-ku, Osaka 540-8607, Japan
Phone: 81-6-6263-9500

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

## Saitama Resona Bank, Ltd.

### ■JAPAN

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

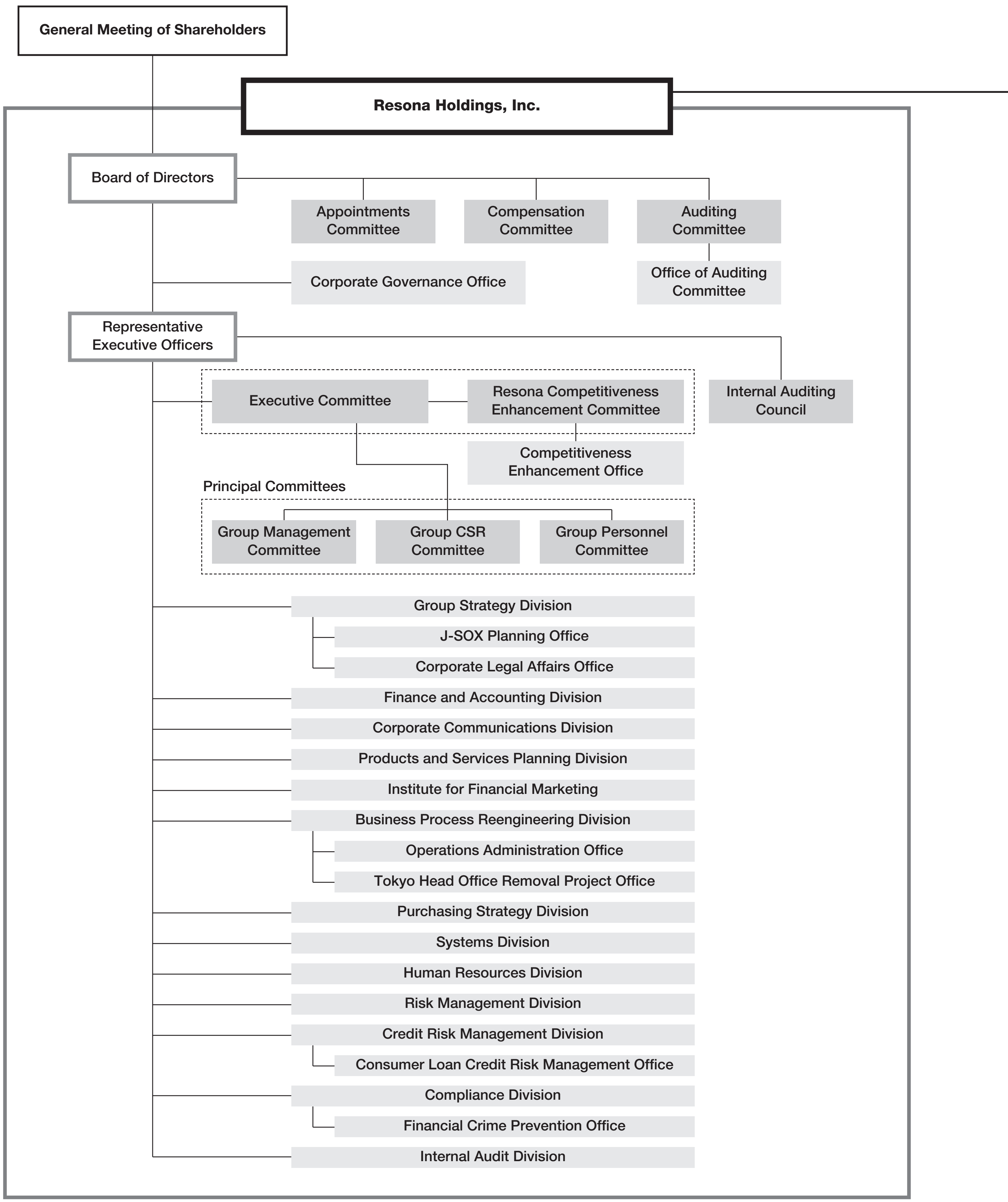
**Tokyo Office**
1-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8106, Japan

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 July 1, 2008



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

**Principal Subsidiaries and Affiliates**

| Name | Address | Capital (Millions) | Operations | Established | Equity ownership by Group companies (%) |
|---|---|---|---|---|---|
| **Banking and trust banking business** | | | | | |
| ■ Resona 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 | 100.0 |
| ■ 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 |
| ■ P.T. 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<br>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
▲ Affiliates accounted for by the equity method

# INVESTOR INFORMATION

As of March 31, 2008



**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)
296,362

**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**
16,344 (Consolidated)
474 (Non-consolidated)

**Common Stock/Preferred Stock**

(Number of shares)

| | Authorized (End of June 2008) | Issued (End of June 2008) |
|---|---|---|
| Common Stock | 73,000,000 | 11,399,576.917 |
| Class B No. 1 Preferred Stock | 272,202 | 272,202 |
| Class C No. 1 Preferred Stock | 120,000 | 120,000 |
| Class E No. 1 Preferred Stock | 9,576 | 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 | 40,000 |
| 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 |
| | 82,399,586 | 20,364,362.778 |

**Stock Price Range on the Tokyo Stock Exchange**

(First Section) (Yen)

| | 2007 | | | | | | 2008 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June |
| High | 297,000 | 261,000 | 241,000 | 232,000 | 223,000 | 221,000 | 194,000 | 189,000 | 183,000 | 205,000 | 204,000 | 197,000 |
| Low | 252,000 | 212,000 | 163,000 | 173,000 | 175,000 | 189,000 | 150,000 | 152,000 | 152,000 | 165,000 | 173,000 | 160,000 |

**Major Shareholders**

| | Number of shares held | Percentage of total shares issued |
|---|---|---|
| Deposit Insurance Corporation of Japan | 5,648,239.000 | 49.54 |
| The Dai-ichi Mutual Life Insurance Company | 274,642.250 | 2.40 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 149,252.000 | 1.30 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 143,476.000 | 1.25 |
| RBC Dexia Investor Services Trust London Client Account | 124,181.000 | 1.08 |
| Japan Trustee Services Bank (Trust Account 4) | 110,557.000 | 0.96 |
| Nomura Holdings, Inc. | 79,049.000 | 0.69 |
| Daido Life Insurance Company | 70,000.000 | 0.61 |
| Goldman Sachs International | 68,951.000 | 0.60 |
| Chase Manhattan Bank GTS Clients Account Escrow | 57,194.064 | 0.50 |
| Total | 6,725,541.314 | 58.99 |

## 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**

Resona Holdings

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