MEASURES TO REDUCE THE IMPACT OF STOCK PRICE FLUCTUATIONS AND STRENGTHEN CAPITAL

The Resona Group is taking active measures to reduce the balance of its stock holdings with the objective of reducing the impact of fluctuations in stock prices. The Group sold ¥145 billion of stock holdings during the interim term out of the planned sales of ¥350 billion for the full fiscal year. Progress toward this objective is slightly behind the initial plan, but the Group is moving forward with measures to reduce its stock holdings in the second half of the current fiscal year. The amount of stock holdings the Group must sell under regulatory restrictions was approximately ¥500 billion as of September 30, 2002. The Group will make use of the Bank of Japan’s stock purchase scheme to meet regulatory requirements at an early date.

As a result of the rise in unrealized losses accompanying the decline in stock prices, the Group’s consolidated capital ratio, as of September 30, 2002, was 7.92%, or 0.81% lower than at March 31, 2002. However, Resona Holdings and the Resona Group banks are required to meet domestic capital requirements of 4% or more, and thus were in full compliance with these regulations.

From the perspective of management soundness, we believe that expanding the Group’s capital is an important issue, but as a financial group with close ties to the regions where we conduct our activities, we will not adopt unreasonable measures to reduce our loan portfolio for the sake of increasing our capital ratio. To the contrary, we will work to continue to supply funds smoothly to SMEs in the regions we serve, while devoting our fullest efforts to expanding capital by enhancing our earnings power through the realization of the benefits of restructuring and consolidation.

Book Value of Stock Holdings (Daiwa Bank and Asahi Bank)

As of March 31, 2000, March 31, 2001, March 31, 2002, and September 30, 2002, the balance of stocks held is the amount reported on the balance sheets (non-consolidated basis).