

# Consolidated Balance Sheets

The Chuo Mitsui Trust and Banking Company, Limited, and Consolidated Subsidiaries  
As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>ASSETS</b>			
Cash and cash equivalents	¥ 130,863	¥ 272,998	\$ 1,306,156
Due from banks other than due from the Bank of Japan	60,326	194,459	602,118
Call loans and bills bought	204,862	111,121	2,044,735
Receivables under securities borrowing transactions	104,003	80,099	1,038,058
Monetary claims bought (Note 3)	111,422	104,146	1,112,111
Trading assets (Note 3)	42,886	52,803	428,051
Securities (Notes 3 and 10)	4,542,651	4,408,512	45,340,367
Money held in trust (Note 4)	2,463	2,710	24,587
Loans and bills discounted (Notes 5 and 10)	7,852,466	7,377,362	78,375,746
Foreign exchanges (Note 6)	811	940	8,100
Other assets (Notes 7 and 10)	351,346	309,973	3,506,800
Premises and equipment (Note 8)	131,871	203,055	1,316,212
Intangible fixed assets (Note 9)	39,104	41,178	390,298
Deferred tax assets (Note 28)	143,476	80,458	1,432,047
Customers' liabilities for acceptances and guarantees (Note 11)	584,076	711,121	5,829,689
Allowance for possible loan losses	(69,490)	(74,974)	(693,588)
<b>Total assets</b>	<b>¥14,233,141</b>	<b>¥13,875,967</b>	<b>\$142,061,494</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits (Notes 10 and 12)	¥ 8,970,236	¥ 8,564,017	\$ 89,532,253
Call money and bills sold (Note 10)	200,081	452,378	1,997,024
Payables under repurchase agreements (Note 10)	24,197	114,467	241,511
Payables under securities lending transactions (Note 10)	1,797,121	1,062,543	17,937,129
Trading liabilities	8,185	4,398	81,698
Borrowed money (Notes 10 and 13)	474,369	393,235	4,734,701
Foreign exchanges (Note 6)	10	48	105
Subordinated bonds (Note 14)	176,261	195,119	1,759,272
Subordinated convertible bonds (Note 14)	—	95	—
Payables to trust account	1,051,839	1,221,732	10,498,447
Other liabilities (Note 15)	177,973	122,261	1,776,356
Reserve for bonus payment	2,786	2,889	27,815
Reserve for retirement benefits for directors and corporate auditors	886	701	8,847
Reserve for employee retirement benefits (Note 16)	1,429	1,475	14,264
Reserve for contingent losses (Note 17)	12,859	9,934	128,355
Deferred tax liabilities (Note 28)	7,580	24,346	75,657
Acceptances and guarantees (Note 11)	584,076	711,121	5,829,689
<b>Total liabilities</b>	<b>13,489,895</b>	<b>12,880,766</b>	<b>134,643,130</b>
<b>Commitments and contingent liabilities (Note 18)</b>			
<b>Equity (Note 19):</b>			
Common stock and preferred stock (Note 20)	379,197	358,173	3,784,783
Capital surplus	128,511	107,488	1,282,682
Retained earnings	190,253	290,612	1,898,931
Net unrealized gains on available-for-sale securities	57,288	259,294	571,797
Deferred gains (losses) on derivatives under hedge accounting	413	(7,439)	4,132
Land revaluation difference	(15,532)	(15,532)	(155,031)
Foreign currency translation adjustments	(66)	53	(662)
<b>Total</b>	<b>740,066</b>	<b>992,649</b>	<b>7,386,633</b>
Minority interests	3,179	2,552	31,730
<b>Total equity</b>	<b>743,245</b>	<b>995,201</b>	<b>7,418,363</b>
<b>Total liabilities and equity</b>	<b>¥14,233,141</b>	<b>¥13,875,967</b>	<b>\$142,061,494</b>

See accompanying "Notes to Consolidated Financial Statements," which are an integral part of these statements.



# Consolidated Statements of Changes in Equity

The Chuo Mitsui Trust and Banking Company, Limited, and Consolidated Subsidiaries  
Fiscal 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	Common stock and preferred stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, March 31, 2006	1,245,570	270,156	¥356,437	¥105,751	¥203,124	¥213,559	¥ —	¥(15,527)	¥(539)	¥862,805	¥ —	¥862,805
Reclassified balance as of March 31, 2006 (Note 2q)											1,655	1,655
Net income					102,489					102,489		102,489
Cash dividends					(15,006)					(15,006)		(15,006)
Issuance of capital stock	10,000		1,700	1,700						3,400		3,400
Conversion of preferred stock into common stock	80,930	(20,000)										
Conversion of convertible bonds	65		36	36						72		72
Reversal of land revaluation difference					5			(5)		—		—
Net change in the year						45,735	(7,439)		592	38,887	896	39,784
Balance, March 31, 2007	1,336,567	250,156	358,173	107,488	290,612	259,294	(7,439)	(15,532)	53	992,649	2,552	995,201
Net income					64,657					64,657		64,657
Cash dividends					(165,016)					(165,016)		(165,016)
Issuance of capital stock	105,000		21,000	21,000						42,000		42,000
Conversion of preferred stock into common stock	82,222	(23,125)										
Conversion of convertible bonds	43		23	23						47		47
Net change in the year						(202,005)	7,853		(119)	(194,271)	627	(193,644)
<b>Balance, March 31, 2008</b>	<b>1,523,833</b>	<b>227,031</b>	<b>¥379,197</b>	<b>¥128,511</b>	<b>¥190,253</b>	<b>¥ 57,288</b>	<b>¥ 413</b>	<b>¥(15,532)</b>	<b>¥ (66)</b>	<b>¥740,066</b>	<b>¥3,179</b>	<b>¥743,245</b>

## Thousands of U.S. dollars (Note 1)

	Common stock and preferred stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, March 31, 2007	\$3,574,942	\$1,072,841	\$2,900,614	\$2,588,026	\$(74,257)	\$(155,031)	\$ 531	\$9,907,667	\$25,471	\$9,933,139
Net income			645,352					645,352		645,352
Cash dividends			(1,647,034)					(1,647,034)		(1,647,034)
Issuance of capital stock		209,601	209,601					419,203		419,203
Conversion of convertible bonds		239	239					478		478
Net change in the year				(2,016,228)	78,389		(1,194)	(1,939,033)	6,258	(1,932,775)
<b>Balance, March 31, 2008</b>	<b>\$3,784,783</b>	<b>\$1,282,682</b>	<b>\$1,898,931</b>	<b>\$ 571,797</b>	<b>\$ 4,132</b>	<b>\$(155,031)</b>	<b>\$ (662)</b>	<b>\$7,386,633</b>	<b>\$31,730</b>	<b>\$7,418,363</b>

See accompanying "Notes to Consolidated Financial Statements," which are an integral part of these statements.

# Consolidated Statements of Cash Flows

The Chuo Mitsui Trust and Banking Company, Limited, and Consolidated Subsidiaries  
Fiscal years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥ 113,864	¥ 153,568	\$ 1,136,483
Adjustments for:			
Income taxes paid	(8,598)	(4,674)	(85,822)
Depreciation and amortization	26,166	40,168	261,164
Amortization of consolidation goodwill	322	145	3,218
Equity in earnings of associated companies	(109)	(50)	(1,094)
(Decrease) increase in allowance for possible loan losses	(5,245)	14,944	(52,352)
(Decrease) increase in reserve for bonus payment	(26)	40	(260)
Increase in reserve for retirement benefits for directors and corporate auditors	234	701	2,343
Increase in reserve for employee retirement benefits	55	138	549
Increase in reserve for contingent losses	2,925	395	29,198
Net gain on securities	(12,043)	(14,316)	(120,209)
Net gain on money held in trust	—	(1,413)	—
Foreign exchange loss—net	86,966	2,875	868,015
Net (gain) loss on disposals of premises and equipment	(1,639)	520	(16,359)
Change in assets and liabilities:			
Decrease (increase) in trading assets	9,917	(7,920)	98,984
Increase (decrease) in trading liabilities	3,787	(2,547)	37,801
Increase in loans and bills discounted	(453,851)	(75,274)	(4,529,913)
Increase (decrease) in deposits	404,725	(278,793)	4,039,575
Increase in borrowed money (excluding subordinated borrowings)	131,507	232,289	1,312,582
Decrease (increase) in due from banks (excluding cash equivalents)	134,133	(115,152)	1,338,786
(Increase) decrease in call loans and bills bought	(101,027)	52,578	(1,008,363)
Increase in receivables under securities borrowing transactions	(23,904)	(5,856)	(238,587)
(Decrease) increase in call money and bills sold	(342,566)	233,948	(3,419,164)
Increase in payables under securities lending transactions	734,577	222,131	7,331,841
Decrease in foreign exchanges (assets)	128	36,658	1,282
(Decrease) increase in foreign exchanges (liabilities)	(38)	0	(381)
(Decrease) increase in payables to trust account	(169,892)	60,758	(1,695,707)
Other—net	22,131	(24,913)	220,893
Net cash provided by operating activities	552,498	520,953	5,514,502
<b>Investing activities:</b>			
Purchases of securities	(4,944,762)	(2,830,590)	(49,353,856)
Proceeds from sales of securities	3,749,135	757,344	37,420,253
Proceeds from redemption of securities	639,086	1,577,327	6,378,744
Decrease in money held in trust	—	5,349	—
Purchases of premises and equipment	(14,318)	(30,142)	(142,910)
Proceeds from sales of premises and equipment	3,901	3,184	38,940
Purchase of intangible fixed assets	(12,901)	(12,543)	(128,766)
Proceeds from sales of intangible fixed assets	26	1,020	263
Proceeds from sales of stocks of consolidated subsidiaries (Note 29)	12,107	—	120,845
Net cash used in investing activities	(567,725)	(529,047)	(5,666,484)
<b>Financing activities:</b>			
Proceeds from subordinated borrowings	—	2,500	—
Payment of subordinated borrowings	—	(7,000)	—
Redemption of subordinated bonds and subordinated convertible bonds	(3,660)	(17,000)	(36,532)
Issuance of common stock	42,000	3,400	419,203
Dividends paid	(165,016)	(15,006)	(1,647,034)
Dividends paid for minority interests	(113)	(226)	(1,129)
Net cash used in financing activities	(126,789)	(33,332)	(1,265,492)
Foreign currency translation adjustments on cash and cash equivalents	(118)	582	(1,180)
Net decrease in cash and cash equivalents	(142,135)	(40,844)	(1,418,655)
Cash and cash equivalents, beginning of year	272,998	313,843	2,724,812
Cash and cash equivalents, end of year	¥ 130,863	¥ 272,998	\$ 1,306,156

## Additional Cash Flows Information

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Non-cash investing and financing activities:</b>			
Capital stock increased by conversion of convertible bonds	¥ 23	¥ 36	\$ 239
Capital surplus increased by conversion of convertible bonds	23	36	239
Convertible bonds decreased by conversion into common stock	¥ 47	¥ 72	\$ 478

See accompanying "Notes to Consolidated Financial Statements," which are an integral part of these statements.

# Notes to Consolidated Financial Statements

The Chuo Mitsui Trust and Banking Company, Limited, and Consolidated Subsidiaries  
Fiscal years ended March 31, 2008 and 2007

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## 1. Basis of Presentation

The accompanying consolidated financial statements (banking account) have been prepared from the accounts maintained by The Chuo Mitsui Trust and Banking Company, Limited (“Chuo Mitsui”), and its consolidated subsidiaries under the umbrella of Chuo Mitsui Trust Holdings, Inc. (“Chuo Mitsui Trust Holdings”) in accordance with accounting principles generally accepted in Japan, and certain accounting and disclosure rules under the Financial Instruments and Exchange Law of Japan (formerly the Securities and Exchange Law of Japan) and the Banking Law of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to Chuo Mitsui’s consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the consolidated financial statements for the fiscal years ended March 31, 2007 to conform to classifications and presentations used in the consolidated financial statements for the fiscal year ended March 31, 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Chuo Mitsui is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to U.S.\$1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts less than one million Japanese yen and one thousand U.S. dollars have been truncated, except for per share information. As a result, the total may not be equal to the total of individual amounts.

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## 2. Summary of Significant Accounting Policies

### a. Consolidation

The consolidated financial statements include the amounts of Chuo Mitsui and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2008 was 17 (20 in 2007).

Under the control or influence concept, those companies in which Chuo Mitsui, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which Chuo Mitsui has the ability to exercise

significant influence are accounted for by the equity method, unless in either case the companies are immaterial.

Investments in two associated companies were accounted for by the equity method in the fiscal years ended March 31, 2008 and 2007.

Investments in unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these subsidiaries, the effect on the accompanying consolidated financial statements would not be material.

Any differences between the cost of an acquired subsidiary or associated company and the fair value of its net assets at the date of the acquisition are amortized over a period within 20 years, or charged to income as incurred if such differences are considered to be immaterial.

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

### b. Cash and Cash Equivalents

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

### c. Mark-to-Market Accounting for Trading Purpose Transactions

Transactions for trading purposes (that is, transactions which seek to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in trading assets and trading liabilities on a trade date basis. Trading securities and monetary claims bought for trading purposes recorded in these accounts are stated at market value and trading-related financial derivatives are at the amounts that would be settled if they were terminated at the end of the fiscal year.

Unrealized gains and losses on trading purpose transactions are recognized in the consolidated statements of income.

### d. Translation of Foreign Currency Accounts

Chuo Mitsui maintains its accounting records in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the exchange rate prevailing at each balance sheet date.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of equity.

#### *e. Securities*

Securities other than investments in unconsolidated subsidiaries and associated companies are classified and accounted for, depending on management's intent, as follows:

- i) Trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings;
- ii) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and
- iii) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average cost method.

For other than temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

Securities in money held in trust are classified and accounted for the same as securities described above.

#### *f. Derivative and Hedging Activities*

Derivative financial instruments are classified and accounted for as follows:

- i) Except as discussed below, all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income; and ii) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, Chuo Mitsui and certain domestic consolidated subsidiaries use the deferral hedge method or the fair value hedge method.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

#### *g. Premises and Equipment*

Premises and equipment are carried at cost less accumulated depreciation. Depreciation of premises and equipment owned by Chuo Mitsui is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 10 to 50 years for buildings, and from three to eight years for equipment.

Depreciation of premises and equipment owned by consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives of the respective assets.

#### *h. Software*

Capitalized software for internal use is amortized by the straight-line method over the estimated useful lives of the software (principally five years).

#### *i. Impairment of Fixed Assets*

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

#### *j. Land Revaluation*

Under the Law of Land Revaluation, The Mitsui Trust and Banking Company, Limited, elected the one-time revaluation for its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation difference represents unrealized appreciation of land and is stated as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities.

As of March 31, 2007, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥2,053 million.

#### *k. Stock and Bond Issue Costs*

Stock issue costs are amortized by the straight-line method over the effective period within three years.

Bond issue costs are amortized by the straight-line method over three years.

#### *l. Allowance for Possible Loan Losses*

Allowance for possible loan losses of Chuo Mitsui and major

consolidated subsidiaries is maintained in accordance with internally established standards for write-offs and allowances for loan losses.

1) For claims against borrowers that are legally bankrupt, such as borrowers under bankruptcy and special liquidation proceedings (“legal bankruptcy”), and against borrowers that are in substantially similarly adverse condition (“virtual bankruptcy”), allowances are maintained at 100% of amounts of claims net of expected amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.

2) For claims against borrowers that have not yet become legally or formally bankrupt but that are very likely to become bankrupt (“possible bankruptcy”), allowances are maintained at amounts deemed necessary to absorb losses on the amount of claims less expected amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees, based on the overall assessment of the borrowers’ repayment ability.

For claims against large borrowers that are classified as possible bankruptcy and close observation borrowers for which future cash flows could be reasonably estimated, allowances are provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claim.

3) For claims against other borrowers judged to be legal bankruptcy, virtual bankruptcy and possible bankruptcy borrowers, as mentioned above, allowances are maintained at rates derived from historical loan loss experiences, etc.

4) Allowance for possible losses on loans to restructuring countries is maintained in order to cover possible losses based on the political and economic climates of those countries.

All claims are assessed by the operating sections and each Credit Supervision Department based on the internal guidelines for self-assessment on asset quality. Subsequently, the Internal Audit Department, which is independent from the operating sections, reviews these self-assessments, and the allowances are provided based on the results of the self-assessments.

With respect to claims with collateral and/or guarantees extended to borrowers that are in legal bankruptcy or virtual bankruptcy borrowers, the unrecoverable amount is estimated by deducting from the amount of claims the realizable value of collateral or the amount likely to be recovered based on guarantees.

The outstanding amount thus determined is then directly written off from the amount of claims as the unrecoverable amount, which totaled ¥85,098 million (\$849,374 thousand) and ¥96,331 million as of March 31, 2008 and 2007, respectively.

Other consolidated subsidiaries provide for “allowance for possible loan losses” based on the past experience and management’s assessment of the loan portfolio.

#### *m. Reserve for Bonus Payment*

Reserve for bonus payment is provided for the payment of employees’ bonuses based on estimates of the future payments attributed to the current fiscal year.

#### *n. Reserve for Retirement Benefits for Directors and Corporate Auditors*

Reserve for retirement benefits for directors and corporate auditors is provided at the amount which would be required if all directors, corporate auditors and executive officers retired at the balance sheet date. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

#### *o. Reserve for Retirement Benefits and Pension Plans*

Chuo Mitsui has defined benefit plans (employee pension fund plans and tax qualified pension plans) and lump-sum severance indemnity plans.

Chuo Mitsui accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

#### *p. Reserve for Contingent Losses*

Reserve for contingent losses, which is provided for possible losses from contingent events related to off-balance sheet and other transactions is calculated by estimation of the impact of these contingent events.

##### *(1) Reserve for Reimbursement of Deposits*

Reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience. Formerly, deposits which were derecognized as liabilities were expensed when they were actually reimbursed. However, from the fiscal year ended March 31, 2008, such reserve is provided in the estimated amount as described above in accordance with the “Treatment for Auditing of Reserve under Special Taxation Measures Law. Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors” (the Japanese Institute of Certified Public Accountants (“JICPA”) Audit and Assurance Practice Committee Report No. 42) of April 13, 2007.

As a result, income before income taxes and minority interests decreased by ¥6,109 million (\$60,974 thousand) as compared with the former method.



(2) Reserve for Possible Losses Related to Land Trusts  
Reserve for possible losses related to land trusts is provided for estimated losses deemed necessary for potential damages to the compensation rights being acquired, when a liability for reimbursement, as a trustee of a land trust, is incurred due to the future business circumstances of the land trust.

*q. Presentation of Equity*

On December 9, 2005, the Accounting Standards Board of Japan (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 gains or losses on derivatives accounted for under hedge accounting. This standard is 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.

*r. Income Taxes*

The provision for income taxes is computed based on the pretax 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 laws to the temporary differences.

*s. Leases*

All leases are accounted for as operating leases. In accordance with Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as operating leases if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

*t. 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 period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds and preferred stock at the beginning of the year (or at the time of issuance) with an applicable adjustment for related expense and 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.

*u. New Accounting Pronouncements*

(1) Lease Accounting

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

*Lessee.* Under the former 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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

(2) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries that have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." The new standard prescribes that: 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; and 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, however, the following items should be adjusted in the consolidation process so that net income 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 minority interests
- The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

### 3. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Japanese government bonds	<b>¥2,038,178</b>	¥1,937,019	<b>\$20,343,129</b>
Japanese municipal bonds	<b>1,295</b>	3,085	<b>12,930</b>
Japanese corporate bonds	<b>343,880</b>	354,951	<b>3,432,285</b>
Japanese stocks	<b>774,481</b>	1,062,236	<b>7,730,124</b>
Other securities	<b>1,384,815</b>	1,051,218	<b>13,821,897</b>
Total	<b>¥4,542,651</b>	¥4,408,512	<b>\$45,340,367</b>

The carrying amounts and aggregate fair values of securities (including securities in trading assets and monetary claims bought) as of March 31, 2008 and 2007, were as follows:

March 31, 2008	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 30,005
Available-for-sale:				
Japanese equity securities	¥ 517,214	¥211,226	¥43,170	685,269
Japanese debt securities	1,510,376	864	36,665	1,474,576
Other	1,217,354	8,844	73,486	1,152,712
Held-to-maturity	781,174	7,236	3,006	785,403

March 31, 2007	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				¥ 40,864
Available-for-sale:				
Japanese equity securities	¥ 517,673	¥453,345	¥ 3,151	967,866
Japanese debt securities	1,438,317	81	54,728	1,383,671
Other	914,444	12,517	14,270	912,691
Held-to-maturity	696,031	792	1,883	694,940

March 31, 2008	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading				\$ 299,486
Available-for-sale:				
Japanese equity securities	\$ 5,162,331	\$ 2,108,261	\$430,888	6,839,703
Japanese debt securities	15,075,122	8,633	365,957	14,717,798
Other	12,150,459	88,279	733,470	11,505,267
Held-to-maturity	7,796,930	72,223	30,012	7,839,141

Note: Values in the consolidated balance sheets reflect fair market values calculated by using the average market prices during the final month of the fiscal year for Japanese stocks and securities investment trusts, and by using the market prices at the end of the fiscal year for securities other than Japanese stocks and securities investment trusts.

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable as of March 31, 2008 and 2007, were mainly as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Available-for-sale:			
Unlisted Japanese stocks	¥ 88,678	¥ 93,878	\$ 885,106
Unlisted corporate bonds	283,821	299,259	2,832,827
Unlisted foreign securities	9,104	5,288	90,874
Subscription certificates	152,994	35,511	1,527,041
Held-to-maturity:			
Unlisted foreign securities	3,000	—	29,943
Total	<b>¥537,598</b>	<b>¥433,938</b>	<b>\$5,365,793</b>

Proceeds from sales of available-for-sale securities for the fiscal years ended March 31, 2008 and 2007, were ¥3,939,028 million (\$39,315,586 thousand) and ¥782,475 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average basis, were ¥31,525 million (\$314,657 thousand) and ¥1,384 million (\$13,822 thousand), respectively, for the fiscal year ended March 31, 2008, and ¥29,046 million and ¥1,302 million, respectively, for the fiscal year ended March 31, 2007.

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥ 100,788	¥ 70,640	\$ 1,005,974
Due after one year through five years	2,224,056	1,520,466	22,198,385
Due after five years through ten years	354,468	764,978	3,537,966
Due after ten years	976,763	669,847	9,749,111
Total	¥3,656,077	¥3,025,932	\$36,491,438

Securities in unconsolidated subsidiaries and associated companies totaled ¥532 million (\$5,313 thousand) and ¥102,705 million as of March 31, 2008 and 2007, respectively.

Guarantee obligations for privately offered corporate bonds (provided in accordance with the Article 2, Paragraph 3 of the Financial Instruments and Exchange Law) in “Securities” were ¥164,471 million (\$1,641,591 thousand) and ¥200,702 million as of March 31, 2008 and 2007, respectively.

#### 4. Money Held in Trust

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2008 and 2007, were as follows:

	Millions of yen		
	Cost	Unrealized gains	Fair value
March 31, 2008			
Money held in trust classified as:			
Available-for-sale	¥1,681	¥782	¥2,463
March 31, 2007			
Money held in trust classified as:			
Available-for-sale	¥1,673	¥1,037	¥2,710
	Thousands of U.S. dollars		
	Cost	Unrealized gains	Fair value
March 31, 2008			
Money held in trust classified as:			
Available-for-sale	\$16,779	\$7,808	\$24,587

#### 5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Bills discounted	¥ 7,477	¥ 9,551	\$ 74,635
Loans on notes	897,987	778,536	8,962,843
Loans on deeds	6,147,259	5,869,674	61,356,019
Overdrafts	799,741	719,600	7,982,247
Total	¥7,852,466	¥7,377,362	\$78,375,746

#### Loans to Borrowers in Bankruptcy and Non-Accrual Loans

Loans to borrowers in bankruptcy are included in loans and bills discounted, and totaled ¥10,982 million (\$109,619 thousand) and ¥7,683 million as of March 31, 2008 and 2007, respectively.

Loans are generally placed on non-accrual status when substantial doubt is judged to exist as to the ultimate collectibility of either principal or interest.

Loans to borrowers in bankruptcy represent non-accruing loans, after the partial write-off of claims deemed uncollectible, to debtors who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law.

Non-accrual loans are included in loans and bills discounted, and totaled ¥46,943 million (\$468,544 thousand) and ¥41,877 million as of March 31, 2008 and 2007, respectively.

Non-accrual loans are non-accruing loans other than loans to borrowers in bankruptcy and loans for which interest payment is deferred in order to assist the debtor's financial recovery from financial difficulties.

#### Loans Past Due Three Months or More

Loans past due three months or more are included in loans and bills discounted, and totaled ¥13 million (\$136 thousand) and ¥164 million as of March 31, 2008 and 2007, respectively. Loans classified as loans to borrowers in bankruptcy or non-accrual loans are excluded.

#### Restructured Loans

Restructured loans are included in loans and bills discounted, and totaled ¥69,804 million (\$696,719 thousand) and ¥70,601 million as of March 31, 2008 and 2007, respectively. Such restructured loans are loans on which Chuo Mitsui and major consolidated subsidiaries granted concessions (for example, reduction of the face amount or maturity amount of the debt or accrued interest) to debtors in financial difficulties to assist

them in their financial recovery and eventually enable them to pay their creditors. Loans classified as loans to borrowers in bankruptcy or non-accrual loans or loans past due three months or more are excluded.

Loans to borrowers in bankruptcy and non-accrual loans, loans past due three months or more and restructured loans totaled ¥127,744 million (\$1,275,018 thousand) and ¥120,326 million as of March 31, 2008 and 2007, respectively. These claims are those before deduction of the allowance for possible loan losses.

Bills discounted are accounted for as secured lending transactions in conformity with the Industry Audit Committee Report No. 24 "Treatment of Accounting and Auditing Concerning Accounting for Financial Products in the Banking Industry" issued by the JICPA on February 13, 2002. Bills discounted by Chuo Mitsui are permitted to be sold or pledged.

## 6. Foreign Exchanges

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Assets:</b>			
Due from foreign banks	¥ 811	¥ 940	\$ 8,100
Total	¥ 811	¥ 940	\$ 8,100
<b>Liabilities:</b>			
Due to foreign banks	¥ 9	¥ 28	\$ 91
Other	1	20	13
Total	¥ 10	¥ 48	\$ 105

## 7. Other Assets

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Prepaid expenses	¥ 832	¥ 1,279	\$ 8,308
Accrued income	35,406	37,735	353,393
Prepaid pension expenses	104,855	96,390	1,046,565
Receivables for securities transactions	13,017	373	129,926
Financial derivatives	44,455	13,771	443,711
Financial stabilization fund contribution	82,061	82,061	819,053
Other	70,718	78,362	705,841
Total	¥351,346	¥309,973	\$3,506,800

## 8. Premises and Equipment

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Land	¥ 82,008	¥ 83,116	\$ 818,528
Buildings	41,246	43,010	411,681
Equipment	8,592	8,642	85,766
Other	23	68,286	236
Total	¥131,871	¥203,055	\$1,316,212

Accumulated depreciation amounted to ¥86,356 million (\$861,922 thousand) and ¥218,570 million as of March 31, 2008 and 2007, respectively.

## 9. Intangible Fixed Assets

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Software	¥21,682	¥22,041	\$216,411
Goodwill	8,496	8,819	84,807
Other	8,924	10,317	89,079
Total	¥39,104	¥41,178	\$390,298

## 10. Collateral

The carrying amounts of assets pledged as collateral and the related collateralized debt as of March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Securities	¥2,504,675	¥1,763,501	\$24,999,258
Loans	54,535	68,879	544,316
Other assets	70	149	706
Total	¥2,559,281	¥1,832,529	\$25,544,281
Deposits	¥ 4,312	¥ 1,180	\$ 43,046
Call money and bills sold	40,000	44,000	399,241
Payables under repurchase agreements	24,197	114,467	241,511
Payables under securities lending transactions	1,797,121	1,062,543	17,937,129
Borrowed money	340,000	236,569	3,393,552
Total	¥2,205,630	¥1,458,760	\$22,014,481

In addition, securities pledged as collateral for exchange settlements, for derivative transactions and for certain other purposes as of March 31, 2008 and 2007 were ¥325,918 million

(\$3,253,007 thousand) and ¥232,168 million, respectively.

Also, securities deposits (included in other assets) as of March 31, 2008 and 2007 were ¥8,663 million (\$86,468 thousand) and ¥8,784 million, respectively.

### 11. 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 are shown as assets in the consolidated balance sheets representing Chuo Mitsui's right of indemnity from the applicant.

### 12. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current deposits	¥ 88,698	¥ 94,087	\$ 885,305
Ordinary deposits	1,317,291	1,250,522	13,147,937
Deposits at notice	7,989	10,668	79,739
Time deposits	6,825,996	6,696,554	68,130,516
Negotiable certificates of deposit	663,340	416,050	6,620,820
Other	66,920	96,135	667,934
Total	<u>¥8,970,236</u>	<u>¥8,564,017</u>	<u>\$89,532,253</u>

### 13. Borrowed Money

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Borrowed money	¥341,869	¥260,735	\$3,412,213
Subordinated borrowings	107,500	107,500	1,072,961
Perpetual subordinated borrowings	25,000	25,000	249,525
Total	<u>¥474,369</u>	<u>¥393,235</u>	<u>\$4,734,701</u>

The weighted-average rates calculated from the interest rates and the balances as of March 31, 2008 and 2007, were 1.29% and 1.43%, respectively.

Annual maturities of borrowed money as of March 31, 2008, for the next five years were as follows:

Fiscal year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥375,078	\$3,743,672
2010	202	2,016
2011	172	1,721
2012	1,116	11,138
2013	111	1,107
Total	<u>¥376,680</u>	<u>\$3,759,656</u>

### 14. Subordinated Bonds and Subordinated Convertible Bonds

Subordinated bonds and subordinated convertible bonds as of March 31, 2008 and 2007, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Issuer: Chuo Mitsui, Unsecured perpetual subordinated bonds, 2.32% (2.54% in 2007)	¥ 16,100	¥ 16,100	\$ 160,694
0.5% Japanese yen subordinated convertible bonds due 2007, issued to Chuo Mitsui Trust Holdings	—	47	—
2.03% unsecured subordinated bonds due 2015	40,000	40,000	399,241
1.27% unsecured subordinated callable bonds due 2015	30,000	30,000	299,431
5.506% USD unsecured perpetual subordinated notes	85,161	100,359	850,000
2.06% unsecured perpetual subordinated bonds	5,000	5,000	49,905
Issuer: MTI Capital (Cayman) Ltd., 0.5% Japanese yen subordinated convertible bonds due 2007	—	47	—
Issuer: MTI Finance (Cayman) Ltd., Subordinated bonds, due 2007 (5.34% to 5.36% in 2007)	—	3,660	—
Total	<u>¥176,261</u>	<u>¥195,214</u>	<u>\$1,759,272</u>

### 15. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Accrued expenses	¥ 44,720	¥ 38,650	\$ 446,360
Unearned income	1,749	2,508	17,464
Financial derivatives	45,915	25,801	458,286
Income taxes payable	4,226	7,914	42,189
Other	81,359	47,387	812,054
Total	<u>¥177,973</u>	<u>¥122,261</u>	<u>\$1,776,356</u>

## 16. Retirement and Pension Plans

Employees who terminate their services with Chuo Mitsui or certain domestic consolidated subsidiaries are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

Chuo Mitsui has defined benefit plans (employee pension fund plans and tax qualified pension plans) and lump-sum severance indemnity plans. Certain domestic consolidated subsidiaries have lump-sum severance indemnity plans and integrated contributory pension plans.

Chuo Mitsui contributed certain available-for-sale securities with a fair value to the employee retirement benefit trust for their pension plans. The securities held in this trust are qualified as plan assets.

The funded status for employees' retirement benefits as of March 31, 2008 and 2007, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥(152,514)	¥(148,693)	\$(1,522,251)
Fair value of plan assets	191,759	239,810	1,913,957
Unrecognized actuarial loss	64,181	3,798	640,594
Net amount accrued on the consolidated balance sheets	103,426	94,915	1,032,300
Prepaid pension expenses (included in other assets)	104,855	96,390	1,046,565
Reserve for retirement benefits	¥ (1,429)	¥ (1,475)	\$ (14,264)

The components of net periodic benefit costs (income) for the fiscal years ended March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 2,946	¥ 3,045	\$ 29,412
Interest cost	2,809	2,798	28,040
Expected return on plan assets	(12,221)	(20,978)	(121,986)
Amortization of prior service cost	—	(786)	—
Recognized actuarial loss	3,124	605	31,190
Other	347	980	3,472
Net periodic benefit costs (income)	¥ (2,992)	¥(14,335)	\$ (29,870)

Assumptions used for the fiscal years ended March 31, 2008 and 2007, were as follows:

	2008	2007
Discount rate	1.9%	1.9%
Expected rate of return on plan assets	5.1%	8.0%
Method of attributing the projected benefits to periods of services	Mainly point basis	Mainly point basis
Amortization period of prior service cost	—	5 years
Recognition period of actuarial loss	9 years	9 years

## 17. Reserve for Contingent Losses

Reserve for contingent losses as of March 31, 2008 and 2007 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Reserve for reimbursement of deposits	¥ 6,109	¥ —	\$ 60,974
Reserve for possible losses related to land trust	6,750	9,934	67,381
Total	¥12,859	¥9,934	\$128,355

## 18. Commitments and Contingent Liabilities

a. Chuo Mitsui and certain consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts by making agreements to meet the financing needs of their customers. The total balance of unused commitment lines as of March 31, 2008 and 2007, was ¥2,376,336 million (\$23,718,301 thousand) and ¥2,252,130 million, respectively, of which commitment lines whose maturities are less than one year were ¥2,193,004 million (\$21,888,459 thousand) and ¥2,107,241 million, respectively.

Many of these commitment lines expire without being drawn. As such, the total balance of unused commitment lines does not necessarily impact future cash flows of Chuo Mitsui and certain consolidated subsidiaries. Furthermore, many commitment lines contain provisions that allow Chuo Mitsui and certain consolidated subsidiaries to refuse to advance funds to the customers or reduce the contract amount of the commitment lines under certain conditions.

Chuo Mitsui and certain consolidated subsidiaries may also request customers to provide collateral, if necessary, such as real estate or securities on the execution date of the contract. After the execution date, Chuo Mitsui and certain consolidated subsidiaries periodically monitor the customers' credit-worthiness over the term of the contracts in accordance with internal policies, and take measures to manage the credit exposures such as by revising the terms of the contracts, if necessary.

b. Under certain trust agreements, repayments of the principal of the customers' trust assets are guaranteed by Chuo Mitsui. Regarding guaranteed trusts, Chuo Mitsui guaranteed the principal amount of ¥1,061,263 million (\$10,592,510 thousand) and ¥1,184,681 million for certain money trusts as of March 31, 2008 and 2007, respectively, and ¥862,381 million (\$8,607,463 thousand) and ¥1,065,084 million for loan trusts as of March 31, 2008 and 2007, respectively.

## 19. Equity

Since May 1, 2006, Japanese companies have been subject to the Company Law of Japan (the "Company Law"), which reformed and replaced the Commercial Code of Japan. 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) where the term of service of the directors under the company's article of incorporation is prescribed as one year rather than two years for a normal term, the Board of Directors may declare dividends (except for dividends in kind) at any time during fiscal year if the company has so prescribed in its articles of incorporation. However, Chuo Mitsui cannot do so because it does not meet all the above criteria.

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

### (b) Increases/decreases and transfer of capital stock, reserve and surplus

The Banking Law of Japan requires that an amount equal to 20% 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 100% of the capital stock. The Company Law also provides that capital stock, legal reserve,

additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### (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.

## 20. Common Stock and Preferred Stock

Common stock and preferred stock as of March 31, 2008, consisted of the following:

Class of stock	Number of shares (Thousands)		Per share (Yen)
	Authorized	Issued	Fiscal year-end cash dividend
Common stock	3,911,104	1,523,833	¥98.44
Class I convertible preferred stock:			
Second series		93,750	—
Third series		133,281	—
Total	362,941	227,031	

Chuo Mitsui issued non-voting, non-cumulative and non-participating preferred stock to Chuo Mitsui Trust Holdings. This preferred stock is convertible into common stock at the specific convertible price. The preferred shareholder shall be entitled, in priority to any payment of dividends on or in respect of any other class of share, to the specific annual dividend.

Preferred shareholders receive liquidation at ¥1,600 per share and do not have the right to participate in any further liquidation distribution.

The preferred stock is convertible for a fixed period of time at the option of the shareholder. Unless previously converted by the preferred shareholder, all outstanding preferred shares will be mandatorily exchanged for fully paid shares of common stock on a specific day, at the number of common shares calculated by the market price per share on the day, following each conversion date.

Issue terms of each preferred stock are as follows:

	Class I preferred stock	
	Second series	Third series
Annual dividend	¥14.40	¥20.00
Convertible due	July 31, 2009	July 31, 2009
Convertible price	¥552.00	¥552.00

## 21. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Interest on due from banks	¥3,591	¥1,876	\$35,851
Interest on interest rate swaps	—	1,165	—
Interest on monetary claims bought	1,603	1,569	16,008
Other	811	434	8,100
Total	¥6,007	¥5,047	\$59,960

## 22. Trust Fees

Chuo Mitsui receives fees for controlling and managing trust properties held under trust agreements between it and its clients.

## 23. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Gain on foreign exchange	¥ —	¥ 890	\$ —
Gains on sales and redemption of bonds	15,199	4,154	151,704
Other	519	1,446	5,184
Total	¥15,718	¥6,491	\$156,889

## 24. Other Income

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Gains on sales of stocks and other securities	¥21,794	¥24,728	\$217,533
Gains on money held in trust	145	286	1,448
Lease-related income	14,470	29,673	144,432
Gains on return of securities from employee retirement benefit trust	—	15,814	—
Other	18,452	17,724	184,177
Total	¥54,863	¥88,228	\$547,592

## 25. Other Interest Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Interest on subordinated bonds	¥ 7,241	¥ 8,168	\$ 72,274
Interest on subordinated convertible bonds	0	0	2
Interest on interest rate swaps	2,182	—	21,783
Interest on payables under repurchase agreements and payables under securities lending transactions	23,577	13,447	235,325
Other	7,651	4,984	76,372
Total	¥40,652	¥26,601	\$405,757

## 26. Other Operating Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Losses on foreign exchange	¥1,077	¥ —	\$10,753
Losses on sales and redemption of bonds	2,437	4,464	24,332
Losses on derivatives	4,316	—	43,086
Other	1,288	1,382	12,859
Total	¥9,120	¥5,846	\$91,032



## 27. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net provision of allowance for possible loan losses	¥ —	¥20,355	\$ —
Losses on sales of loans	1,597	1,888	15,941
Write-off of loans	9,706	7,228	96,884
Losses on sales of stocks and other securities	1,265	2,393	12,634
Losses on devaluation of stocks and other securities	12,899	6,333	128,748
Losses on money held in trust	—	0	—
Lease-related expenses	13,480	27,594	134,549
Provision for contingent losses	4,150	395	41,430
Losses on disposal of premises and equipment	843	523	8,414
Other	26,315	16,104	262,658
Total	<u>¥70,259</u>	<u>¥82,816</u>	<u>\$701,261</u>

## 28. Income Taxes

Chuo Mitsui and its domestic consolidated 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 fiscal years ended March 31, 2008 and 2007.

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		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Allowance for possible loan losses	¥ 37,799	¥ 20,708	\$ 377,281
Tax loss carryforwards	122,263	171,766	1,220,315
Securities	35,709	30,779	356,420
Reserve for retirement benefits	590	1,475	5,891
Other	45,047	45,674	449,619
Valuation allowance	(68,053)	(54,365)	(679,240)
Total deferred tax assets	<u>173,357</u>	<u>216,039</u>	<u>1,730,286</u>
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(12,210)	(139,661)	(121,875)
Other	(25,250)	(20,265)	(252,021)
Total deferred tax liabilities	<u>(37,460)</u>	<u>(159,927)</u>	<u>(373,896)</u>
Net deferred tax assets	<u>¥135,896</u>	<u>¥ 56,112</u>	<u>\$1,356,389</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2007 was as follows:

	2007
Normal effective statutory tax rate	40.63%
Valuation allowance	(8.86)
Other, net	0.90
Actual effective tax rate	<u>32.67%</u>

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 fiscal year ended March 31, 2008 was not required to be disclosed under Japanese accounting standards due to immaterial differences (less than 5% of the normal effective statutory tax rate).

## 29. Transaction Related Cash Flows

For the fiscal year ended March 31, 2008, Chuo Mitsui Leasing Co., Ltd. and two other subsidiaries were excluded from Chuo Mitsui's consolidated subsidiaries as a result of the sale of all of the shares of its common stock. Assets and liabilities of the subsidiaries at the time of disposal, cash received by selling the stock and proceeds from sales of consolidated subsidiaries were as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Premises and equipment	¥ 65,321	\$ 651,972
Intangible fixed assets	6,204	61,929
Borrowed money	(50,373)	(502,780)
Other assets and liabilities, net	(13,749)	(137,236)
Net gain on sales of stock	4,705	46,967
Cash received by selling the stock	12,108	120,853
Cash and cash equivalents of consolidated subsidiaries	(0)	(7)
Proceeds from sales of consolidated subsidiaries	<u>¥ 12,107</u>	<u>\$ 120,845</u>

## 30. Leases

### Lessee

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥35 million (\$352 thousand) and ¥20 million for the fiscal years ended March 31, 2008 and 2007, respectively.

Pro forma information on leased property such as acquisition cost and 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 fiscal years ended March 31, 2008 and 2007, on an “as if capitalized” basis were as follows:

	Millions of yen		
	2008		
	Equipment	Other	Total
Acquisition cost	<b>¥109</b>	¥—	<b>¥109</b>
Accumulated depreciation	<b>70</b>	—	<b>70</b>
Net leased property	<b>¥ 38</b>	¥—	<b>¥ 38</b>

	Millions of yen		
	2007		
	Equipment	Other	Total
Acquisition cost	¥56	¥—	¥56
Accumulated depreciation	26	—	26
Net leased property	¥29	¥—	¥29

	Thousands of U.S. dollars		
	2008		
	Equipment	Other	Total
Acquisition cost	<b>\$1,091</b>	\$—	<b>\$1,091</b>
Accumulated depreciation	<b>704</b>	—	<b>704</b>
Net leased property	<b>\$ 386</b>	\$—	<b>\$ 386</b>

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Obligations under finance leases:		
Due within one year	<b>¥19</b>	¥10	<b>\$199</b>
Due after one year	<b>19</b>	19	<b>197</b>
Total	<b>¥39</b>	¥29	<b>\$397</b>

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Depreciation expense	<b>¥30</b>	¥18
Interest expense	<b>2</b>	0	<b>29</b>
Total	<b>¥33</b>	¥18	<b>\$335</b>

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases as of March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Due within one year	<b>¥ 8</b>	¥10
Due after one year	<b>16</b>	14	<b>161</b>
Total	<b>¥24</b>	¥24	<b>\$245</b>

#### Lessor

For the fiscal year ended March 31, 2008, Chuo Mitsui Leasing Co., Ltd. was excluded from Chuo Mitsui's consolidated subsidiaries as a result of the sale of all of the shares of its common stock. Therefore, the notes related to lease transactions for lessor include only income information.

Total leases receipts under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥13,602 million (\$135,763 thousand) and ¥27,913 million for the fiscal years ended March 31, 2008 and 2007, respectively.

Information on leased property that does not transfer ownership of the leased property to the lessee as of March 31, 2007, was as follows:

	Millions of yen		
	2007		
	Equipment	Other	Total
Acquisition cost	¥128,335	¥13,002	¥141,338
Accumulated depreciation	59,999	6,452	66,452
Accumulated impairment losses	29	—	29
Net leased property	¥ 68,306	¥ 6,549	¥ 74,856

Receivables under finance leases as of March 31, 2007 were as follows:

	Millions of yen	
	2007	
	Due within one year	¥23,292
Due after one year	48,538	
Total	¥71,831	

Depreciation expense and interest income under finance leases for the fiscal years ended March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Depreciation expense	<b>¥12,583</b>	¥25,798
Interest income	<b>765</b>	1,501	<b>7,636</b>
Total	<b>¥13,348</b>	¥27,300	<b>\$133,233</b>

Interest income, which is not reflected in the accompanying consolidated statements of income, was computed by the interest method.

The minimum rental commitments under noncancellable operating leases as of March 31, 2007 were as follows:

	Millions of yen	
	2007	
	Due within one year	¥114
Due after one year	203	
Total	¥317	

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## 31. Derivatives Information

### Derivative Transactions

#### a. Instruments

The primary derivative transactions undertaken by Chuo Mitsui are listed below.

- Interest rate derivatives: interest futures, interest rate future options, interest rate swaps, caps, floors, swaptions
- Currency derivatives: foreign exchange contracts, currency swaps, currency options
- Stock derivatives: stock index futures, stock index options
- Bond derivatives: bond futures, bond future options, over-the-counter bond options
- Other: credit derivatives

#### b. Purposes and Policies for Derivative Transactions

Chuo Mitsui employs derivative transactions as a vital tool to meet the increasingly sophisticated and diversified financial needs of clients, to keep the market risk exposure on its own assets and liabilities to a level commensurate with its risk management capacity and to seek to capture gains primarily through price fluctuations. Derivative transactions involve various risks, including market risk, which arises through changing interest rates and price fluctuations. Chuo Mitsui must be aware of the characteristics and volume of such risk and enforce strict risk management processes to hedge the risks inherent in derivative transactions.

#### c. Contents of Risks for Derivative Transactions

##### (1) Market Risk

Market risk is the potential for loss caused by fluctuations in the fair value of financial products or portfolios, owing to changes in market volatility on the market prices of traded products, such as interest rates, foreign exchange rates and marketable securities. Chuo Mitsui measures risk volume through such means as basis point value (“BPV”)\* and value at risk (“VaR”)\*\*.

\* BPV shows the change in fair value of transactions when interest rates change by one basis point (0.01%).

\*\* VaR is a method to statistically gauge the maximum portfolio loss at a certain probability during a given holding period, thereby facilitating standardized measurement of risk across different products, including interest rates, foreign exchange rates and bonds.

##### (2) Credit Risk

Credit risk is the possibility of reduction or complete elimination of fair value on transactions, owing to such adverse developments as the worsening financial position of a borrower. In the case of derivative transactions, credit risk is not the loss of the assumed principal but the cost, or reconstruction cost, extended to conclude an agreement with a third party having

cash flow equivalent to the amount at the time the original counterparty defaulted.

Chuo Mitsui's credit equivalent, determined on a consolidated basis according to Bank for International Settlements (BIS) capital adequacy standards, comprises latent credit exposure plus reconstruction costs.

#### d. Risk Management System for Derivative Transactions

In accordance with the Rules for Risk Management Chuo Mitsui Trust Holdings has established for Chuo Mitsui Trust Group, Chuo Mitsui assumes risk only within strategic objectives and risk-hedging capabilities, based on suitable risk management, and adheres to a basic risk management policy to secure appropriate returns on investment.

With regard to market risk, Chuo Mitsui maintains a basic policy through its Rules for Market Risk Management and follows Regulations for Market Risk Management to reinforce and control accurate hedging techniques and risk. A cross-check structure has been established whereby the divisions that execute transactions are clearly separate from the divisions that process the transactions, and overall management of market risk is consolidated under the Risk Management Department, which is independent of both the front and back offices and pinpoints the status of activities undertaken by both office categories.

This department identifies and analyzes groupwide risk, tracks compliance of risk limits and reports to the director in charge on a daily basis and to the Executive Committee on a monthly basis.

With regard to hedge transactions, Chuo Mitsui has prepared Rules for Hedge Transactions to maintain suitable control of hedge transactions.

For credit risk, Chuo Mitsui follows its Rules for Credit Risk Management, which provide direction for regulating credit risk on loans, fund transactions, derivative transactions and other credit-related risks, and works to forge a stronger credit risk management structure.

Credit lines for derivative and other transactions are established through strict procedures, in accordance with trading standards provided separately. The compliance status of such credit lines and other conditions are appropriately monitored.

#### Fair Value of Transactions

The following transactions are stated at fair value and unrealized gains (losses) are reflected in the consolidated statements of income. Transactions which qualify for hedge accounting are excluded from the following table.

### Interest rate transactions

	Millions of yen			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Interest rate futures contracts:				
Buying	¥ 1,196	¥ —	¥ 21	¥ 21
Over-the-counter:				
Interest rate swaps:				
Fixed rate receipt, floating rate payment	5,818,440	4,490,219	104,493	104,493
Floating rate receipt, fixed rate payment	5,709,145	4,356,431	(101,200)	(101,200)
Floating rate receipt, floating rate payment	32,200	32,200	3,184	3,184
Interest rate swaptions:				
Selling	95,400	21,200	(498)	718
Buying	89,592	13,951	411	(27)
Others:				
Selling	51,934	42,693	(18)	205
Buying	50,897	41,680	15	(95)
<b>Total</b>			<b>¥ 6,408</b>	<b>¥ 7,301</b>

	Millions of yen			
	2007			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Interest rate futures contracts:				
Selling	¥ 9,920	¥ —	¥ (11)	¥ (11)
Over-the-counter:				
Interest rate swaps:				
Fixed rate receipt, floating rate payment	4,828,250	3,961,747	11,066	11,066
Floating rate receipt, fixed rate payment	4,774,173	3,782,728	(5,662)	(5,662)
Floating rate receipt, floating rate payment	32,200	32,200	3,290	3,290
Interest rate swaptions:				
Selling	234,200	42,750	(1,369)	2,150
Buying	194,858	28,065	1,456	77
Others:				
Selling	65,985	63,082	(68)	335
Buying	59,721	57,481	61	(132)
<b>Total</b>			<b>¥ 8,763</b>	<b>¥ 11,115</b>

	Thousands of U.S. dollars			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Interest rate futures contracts:				
Buying	\$ 11,946	\$ —	\$ 218	\$ 218
Over-the-counter:				
Interest rate swaps:				
Fixed rate receipt, floating rate payment	58,074,060	44,817,046	1,042,951	1,042,951
Floating rate receipt, fixed rate payment	56,983,188	43,481,697	(1,010,088)	(1,010,088)
Floating rate receipt, floating rate payment	321,389	321,389	31,786	31,786
Interest rate swaptions:				
Selling	952,190	211,597	(4,977)	7,173
Buying	894,226	139,245	4,106	(271)
Others:				
Selling	518,360	426,124	(183)	2,054
Buying	507,713	416,009	155	(948)
<b>Total</b>			<b>\$ 63,966</b>	<b>\$ 72,875</b>

Note: Fair value of listed transactions is calculated according to closing market prices on the Tokyo International Financial Futures Exchange and other exchanges. Fair value of over-the-counter transactions is calculated according to discounted present value, the option pricing model and other valuation techniques.

### Currency transactions

	Millions of yen			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Over-the-counter:				
Currency rate swaps	¥ 5,009	¥5,009	¥ 25	¥ 25
Foreign exchange contracts:				
Selling	1,454,328	4,268	36,371	36,371
Buying	1,619,135	5,074	(36,186)	(36,186)
Currency options:				
Selling	15,133	—	(1,032)	(580)
Buying	37,280	—	1,384	849
<b>Total</b>			<b>¥ 561</b>	<b>¥ 478</b>

	Millions of yen			
	2007			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Over-the-counter:				
Currency rate swaps	¥ 5,903	¥5,903	¥ 38	¥ 38
Foreign exchange contracts:				
Selling	1,548,332	—	(2,722)	(2,722)
Buying	1,748,664	—	1,376	1,376
Currency options:				
Selling	4,722	—	(43)	3
Buying	4,722	—	43	(11)
Total			¥(1,308)	¥(1,317)

	Thousands of U.S. dollars			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Over-the-counter:				
Currency rate swaps	\$ 50,000	\$50,000	\$ 254	\$ 254
Foreign exchange contracts:				
Selling	14,515,704	42,600	363,022	363,022
Buying	16,160,652	50,645	(361,182)	(361,182)
Currency options:				
Selling	151,050	—	(10,306)	(5,796)
Buying	372,096	—	13,821	8,476
Total			\$ 5,608	\$ 4,774

Note: Fair value is calculated according to discounted present value, the option pricing model and other valuation techniques.

### Stock transactions

There was no contract or notional amount of stock transactions as of March 31, 2007.

	Millions of yen			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Stock index futures:				
Selling	¥ 2,507	¥—	¥ 9	¥ 9
Stock index options:				
Buying	29,000	—	14	(125)
Total			¥24	¥(115)

	Thousands of U.S. dollars			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Stock index futures:				
Selling	\$ 25,027	\$—	\$ 95	\$ 95
Stock index options:				
Buying	289,450	—	145	(1,251)
Total			\$241	\$(1,156)

Note: Fair value is calculated according to closing market prices on the stock exchanges, such as the Tokyo Stock Exchange.

### Bond transactions

	Millions of yen			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Bond futures:				
Selling	¥1,143	¥—	¥1	¥1
Buying	1,139	—	2	2
Total			¥3	¥3

	Millions of yen			
	2007			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Bond futures:				
Selling	¥1,466	¥—	¥3	¥3

	Thousands of U.S. dollars			
	2008			
	Contract or notional amount		Fair value	Unrealized gains (losses)
Total	Over one year			
Listed:				
Bond futures:				
Selling	\$11,410	\$—	\$10	\$10
Buying	11,378	—	21	21
Total			\$32	\$32

Note: Fair value is calculated according to closing market prices on the stock exchanges, such as the Tokyo Stock Exchange.

## Credit derivative transactions

	Millions of yen			
	2008			
	Contract or notional amount	Over one year	Fair value	Unrealized gains (losses)
Over-the-counter:				
Credit default swaps:				
Selling	¥10,000	¥10,000	¥(5,011)	¥(5,011)

	Millions of yen			
	2007			
	Contract or notional amount	Over one year	Fair value	Unrealized gains (losses)
Over-the-counter:				
Credit default swaps:				
Selling	¥1,000	¥—	¥2	¥2

	Thousands of U.S. dollars			
	2008			
	Contract or notional amount	Over one year	Fair value	Unrealized gains (losses)
Over-the-counter:				
Credit default swaps:				
Selling	\$99,810	\$99,810	\$(50,014)	\$(50,014)

- Notes: 1. Fair value is calculated according to discounted present value and the prices offered by brokers.  
2. "Selling" refers to acceptance transactions on credit risk.

## 32. Segment Information

Information about business segments, geographic segments and ordinary income from international operations for the fiscal years ended March 31, 2008 and 2007, was as follows:

### (1) Business Segment Information

	Millions of yen			
	2008			
	Trust and banking business	Other finance-related operations	Eliminations/corporate	Consolidated
Ordinary income:				
External customers	¥ 369,655	¥ 40,629	¥ —	¥ 410,285
Intersegment	5,515	2,916	(8,432)	—
Total ordinary income	375,170	43,546	(8,432)	410,285
Ordinary expenses	278,706	35,649	(7,544)	306,811
Ordinary profit	¥ 96,464	¥ 7,897	¥ (887)	¥ 103,473
Assets, depreciation and capital expenditures:				
Total assets	¥14,207,421	¥ 70,316	¥ (44,597)	¥14,233,141
Depreciation	12,775	13,390	—	26,166
Capital expenditures	16,651	608	—	17,259

	Millions of yen			
	2007			
	Trust and banking business	Other finance-related operations	Eliminations/corporate	Consolidated
Ordinary income:				
External customers	¥ 339,116	¥ 60,570	¥ —	¥ 399,686
Intersegment	12,164	6,713	(18,878)	—
Total ordinary income	351,281	67,283	(18,878)	399,686
Ordinary expenses	219,088	57,504	(10,550)	266,042
Ordinary profit	¥ 132,192	¥ 9,779	¥ (8,327)	¥ 133,644
Assets, depreciation and capital expenditures:				
Total assets	¥13,817,233	¥161,853	¥(103,118)	¥13,875,967
Depreciation	13,152	27,016	—	40,168
Capital expenditures	17,339	28,008	—	45,347

	Thousands of U.S. dollars			
	2008			
	Trust and banking business	Other finance-related operations	Eliminations/corporate	Consolidated
Ordinary income:				
External customers	\$ 3,689,542	\$ 405,529	\$ —	\$ 4,095,071
Intersegment	55,049	29,112	(84,161)	—
Total ordinary income	3,744,591	434,641	(84,161)	4,095,071
Ordinary expenses	2,781,780	353,818	(75,303)	3,062,295
Ordinary profit	\$ 962,810	\$ 78,823	\$ (8,857)	\$ 1,032,776
Assets, depreciation and capital expenditures:				
Total assets	\$141,804,790	\$ 701,830	\$(445,126)	\$142,061,494
Depreciation	127,508	133,655	—	261,164
Capital expenditures	166,195	6,069	—	172,264

- Notes: 1. Ordinary income represents total income less certain special income, and ordinary expenses represents total expenses less certain special expenses.  
2. "Other finance-related operations" mainly consists of credit guarantee services, leasing and credit card services.  
3. Reserve for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience. Formerly, deposits that were derecognized as liabilities were expensed when they were actually reimbursed. However, from the fiscal year ended March 31, 2008, such reserve is provided in the estimated amount as described above in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007. The effect of this change was decrease ordinary profit for "Trust and banking business" for the fiscal year ended March 31, 2008 by ¥6,109 million (\$60,974 thousand).  
4. Chuo Mitsui Leasing Co., Ltd. and two other subsidiaries are not included in capital expenditures for the fiscal year ended March 31, 2008 because Chuo Mitsui Leasing Co., Ltd. and two other subsidiaries were excluded from Chuo Mitsui's consolidated subsidiaries as a result of the sale of all of the shares of its common stock.

## (2) Geographic Segment Information

Since domestic (Japan) total ordinary income and total assets by geographic segment for the fiscal years ended March 31, 2008 and 2007, represented more than 90% of the consolidated total ordinary income and total assets of each respective year, geographic segment information was not required to be disclosed.

## (3) Ordinary Income from International Operations

	Millions of yen, except percentage data		Thousands of U.S. dollars, except percentage data
	2008	2007	2008
Ordinary income from international operations (A)	¥ 55,090	¥ 33,014	\$ 549,860
Consolidated ordinary income (B)	410,285	399,686	4,095,071
(A)/(B) (%)	13.4%	8.2%	13.4%

Note: Ordinary income from international operations represents ordinary income arising from international operations both in and outside Japan.

## 33. Per Share Information

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

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Fiscal year ended March 31, 2008		Weighted- average shares	EPS	EPS
Net income				
Basic EPS				
Net income available to common shareholders	¥64,657	1,398,776	¥46.22	\$0.46
Effect of dilutive securities				
Convertible bonds	0	21		
Preferred stock	—	833,281		
Diluted EPS				
Net income for computation	¥64,657	2,230,080	¥28.96	\$0.28

Fiscal year ended  
March 31, 2007

Basic EPS				
Net income available to common shareholders	¥ 98,010	1,301,086	¥75.33	
Effect of dilutive securities				
Convertible bonds	0	102		
Preferred stock	4,478	915,386		
Diluted EPS				
Net income for computation	¥102,489	2,216,575	¥46.23	

## Independent Auditors' Report

To the Board of Directors of  
The Chuo Mitsui Trust and Banking Company, Limited:

We have audited the accompanying consolidated balance sheets (banking account) of The Chuo Mitsui Trust and Banking Company, Limited (the "Bank") 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 Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank 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.

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.



June 17, 2008



## Non-Consolidated Balance Sheets (Supplemental Information—Unaudited)

The Chuo Mitsui Trust and Banking Company, Limited  
As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>ASSETS</b>			
Cash and cash equivalents	¥ 123,781	¥ 266,385	\$ 1,235,468
Due from banks other than due from the Bank of Japan	60,326	194,459	602,118
Call loans	203,000	110,000	2,026,150
Receivables under securities borrowing transactions	104,003	80,099	1,038,058
Monetary claims bought	111,422	104,146	1,112,111
Trading assets	42,886	52,803	428,051
Securities	4,577,514	4,435,668	45,688,335
Loans and bills discounted	7,847,314	7,378,063	78,324,325
Foreign exchanges	811	940	8,100
Other assets	349,473	298,123	3,488,111
Premises and equipment	104,994	106,559	1,047,954
Intangible fixed assets	27,950	24,740	278,972
Deferred tax assets	136,592	74,050	1,363,329
Customers' liabilities for acceptances and guarantees	47,864	56,679	477,732
Allowance for possible loan losses	(64,017)	(69,506)	(638,963)
<b>Total assets</b>	<b>¥13,673,917</b>	<b>¥13,113,211</b>	<b>\$136,479,858</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits	¥ 8,994,152	¥ 8,586,023	\$ 89,770,958
Call money	200,081	452,378	1,997,024
Payables under repurchase agreements	24,197	114,467	241,511
Payables under securities lending transactions	1,797,121	1,062,543	17,937,129
Trading liabilities	8,185	4,398	81,698
Borrowed money	474,369	365,359	4,734,701
Foreign exchanges	10	48	105
Subordinated bonds	176,261	191,459	1,759,272
Subordinated convertible bonds	—	47	—
Payables to trust account	1,051,839	1,221,732	10,498,447
Other liabilities	146,211	85,501	1,459,338
Reserve for bonus payment	1,998	1,967	19,945
Reserve for retirement benefits for directors and corporate auditors	643	608	6,427
Reserve for contingent losses	12,859	9,934	128,355
Acceptances and guarantees	47,864	56,679	477,732
<b>Total liabilities</b>	<b>12,935,796</b>	<b>12,153,150</b>	<b>129,112,648</b>
<b>Equity:</b>			
Common stock and preferred stock	379,197	358,173	3,784,783
Capital surplus	128,511	107,488	1,282,682
Retained earnings	217,720	316,269	2,173,076
Net unrealized gains on available-for-sale securities	27,809	201,102	277,566
Deferred gains (losses) on derivatives under hedge accounting	413	(7,439)	4,132
Land revaluation difference	(15,532)	(15,532)	(155,031)
<b>Total equity</b>	<b>738,120</b>	<b>960,060</b>	<b>7,367,209</b>
<b>Total liabilities and equity</b>	<b>¥13,673,917</b>	<b>¥13,113,211</b>	<b>\$136,479,858</b>

## Non-Consolidated Statements of Income (Supplemental Information—Unaudited)

The Chuo Mitsui Trust and Banking Company, Limited  
Fiscal years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Income:</b>			
Interest income:			
Interest on loans and bills discounted	¥114,840	¥ 83,311	\$1,146,228
Interest and dividends on securities	85,401	77,771	852,399
Interest on call loans and bills bought	1,735	980	17,325
Other interest income	5,738	4,852	57,274
Trust fees	24,934	30,929	248,870
Fees and commissions	96,694	107,825	965,111
Trading gains	2,063	3,291	20,593
Other operating income	15,383	5,617	153,538
Other income	29,603	43,334	295,471
<b>Total income</b>	<b>376,395</b>	<b>357,914</b>	<b>3,756,813</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	43,619	26,891	435,371
Interest on call money and bills sold	8,856	4,334	88,399
Interest on borrowings	5,780	4,874	57,697
Other interest expenses	40,489	25,843	404,126
Fees and commissions	17,774	18,168	177,409
Trading losses	23	118	234
Other operating expenses	9,158	5,846	91,412
General and administrative expenses	100,009	85,799	998,195
Other expenses	41,674	40,619	415,959
<b>Total expenses</b>	<b>267,387</b>	<b>212,496</b>	<b>2,668,806</b>
<b>Income before income taxes</b>	<b>109,007</b>	<b>145,417</b>	<b>1,088,007</b>
<b>Income taxes:</b>			
Current	539	447	5,384
Deferred	42,000	42,600	419,203
<b>Net income</b>	<b>¥ 66,467</b>	<b>¥102,370</b>	<b>\$ 663,419</b>
		Yen	U.S. dollars
	2008	2007	2008
<b>Per share of common stock:</b>			
Basic net income	¥47.51	¥75.23	\$0.47
Diluted net income	29.77	46.18	0.29

## Non-Consolidated Balance Sheets (Supplemental Information—Unaudited)

Chuo Mitsui Asset Trust and Banking Company, Limited (Formerly, Mitsui Asset Trust and Banking Company, Limited)  
As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>ASSETS</b>			
Cash and cash equivalents	¥ 21,319	¥ 30,591	\$ 212,791
Due from banks other than due from the Bank of Japan	375	503	3,752
Securities	85,094	84,096	849,331
Other assets	39,354	38,701	392,794
Premises and equipment	701	618	7,000
Intangible fixed assets	3,249	3,367	32,432
Deferred tax assets	1,063	1,892	10,615
<b>Total assets</b>	<b>¥151,158</b>	<b>¥159,771</b>	<b>\$1,508,717</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits	¥ 76	¥ 84	\$ 763
Call money	91,500	95,000	913,264
Payables to trust account	—	861	—
Other liabilities	10,655	11,382	106,348
Reserve for bonus payment	337	309	3,372
Reserve for retirement benefit for directors and corporate auditors	141	158	1,407
<b>Total liabilities</b>	<b>102,710</b>	<b>107,795</b>	<b>1,025,156</b>
<b>Equity:</b>			
Common stock	11,000	11,000	109,791
Capital surplus	21,246	21,246	212,057
Retained earnings	16,223	19,757	161,926
Net unrealized losses on available-for-sale securities	(21)	(28)	(214)
<b>Total equity</b>	<b>48,447</b>	<b>51,975</b>	<b>483,561</b>
<b>Total liabilities and equity</b>	<b>¥151,158</b>	<b>¥159,771</b>	<b>\$1,508,717</b>

## Non-Consolidated Statements of Income (Supplemental Information—Unaudited)

Chuo Mitsui Asset Trust and Banking Company, Limited (Formerly, Mitsui Asset Trust and Banking Company, Limited)  
Fiscal years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Income:</b>			
Interest income:			
Interest and dividends on securities	¥ 524	¥ 286	\$ 5,233
Trust fees	43,744	44,672	436,615
Fees and commissions	10,499	9,055	104,793
Other operating income	—	0	—
Other income	49	56	492
<b>Total income</b>	<b>54,817</b>	<b>54,070</b>	<b>547,133</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on borrowings	0	0	0
Other interest expenses	524	265	5,230
Fees and commissions	12,668	12,453	126,441
General and administrative expenses	15,562	14,171	155,328
Other expenses	51	287	516
<b>Total expenses</b>	<b>28,806</b>	<b>27,178</b>	<b>287,515</b>
<b>Income before income taxes</b>	<b>26,011</b>	<b>26,892</b>	<b>259,618</b>
<b>Income taxes:</b>			
Current	9,720	10,096	97,024
Deferred	824	748	8,232
<b>Net income</b>	<b>¥15,465</b>	<b>¥16,047</b>	<b>\$154,361</b>
		Yen	U.S. dollars
	2008	2007	2008
<b>Per share of common stock:</b>			
Net income	¥25,775.78	¥26,745.43	\$257.26

## Financial Statements of Subsidiary Banks (Trust Account—Unaudited)

Chuo Mitsui Trust Holdings, Inc. (Formerly, Mitsui Trust Holdings, Inc.)  
As of March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
<b>Assets:</b>			
Loans (Note 2)	¥ 676,854	¥ 779,689	\$ 6,755,712
Securities (Note 3)	8,306,969	7,662,339	82,912,164
Beneficiary rights	30,578,599	28,750,022	305,206,105
Securities held in custody accounts	267	261	2,671
Monetary claims	1,728,752	1,789,974	17,254,742
Premises and equipment	5,418,211	4,600,238	54,079,360
Intangible fixed assets	17,658	7,472	176,250
Other claims	121,752	79,490	1,215,212
Due from banking account	1,051,839	1,222,593	10,498,447
Cash and due from banks	270,806	261,981	2,702,927
<b>Total assets</b>	<b>¥48,171,712</b>	<b>¥45,154,063</b>	<b>\$480,803,595</b>
<b>Liabilities:</b>			
Money trusts (Note 4)	¥18,601,563	¥17,336,251	\$185,662,879
Pension trusts	6,894,844	6,657,593	68,817,693
Property formation benefit trusts	15,424	16,349	153,952
Loan trusts (Note 5)	664,185	835,890	6,629,254
Securities investment trusts	11,729,584	11,022,731	117,073,409
Money in trust other than money trusts	432,521	418,794	4,317,011
Securities in trust	1,270,058	1,104,875	12,676,502
Money claims in trust	1,757,133	1,823,661	17,538,009
Equipment in trust	—	70	—
Real estate in trust	80,993	80,689	808,402
Composite trusts	6,725,052	5,857,153	67,122,987
Other trusts	349	—	3,490
<b>Total liabilities</b>	<b>¥48,171,712</b>	<b>¥45,154,063</b>	<b>\$480,803,595</b>

See Notes to Financial Statements of Subsidiary Banks (Trust Account—Unaudited).

# Notes to Financial Statements of Subsidiary Banks (Trust Account—Unaudited)

Chuo Mitsui Trust Holdings, Inc. (Formerly, Mitsui Trust Holdings, Inc.)  
Fiscal years ended March 31, 2008 and 2007

## 1. Trust Accounts

Under the Trust Law of Japan, trust activities must be administered separately from a commercial banking business. As a result, assets accepted in trust must be segregated from other assets. Within the general category of trust accounts, each trust account is segregated from other trust assets. Accordingly, the financial statements of Chuo Mitsui Trust Holdings, Inc. (“Chuo Mitsui Trust Holdings”), do not reflect Chuo Mitsui Trust Holdings’ records as to the assets accepted in trust, which are maintained separately under the trust account.

Under certain trust agreements, repayments of the principal of the customers’ trust assets are guaranteed by The Chuo Mitsui Trust and Company, Limited, and such guaranteed principal as of March 31, 2008 and 2007, was ¥1,923,645 million (\$19,199,974 thousand) and ¥2,249,766 million, respectively.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to U.S.\$1, the approximate rate of exchange as of March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts less than one million Japanese yen and one thousand U.S. dollars have been truncated. As a result, the total may not be equal to the total of individual amounts.

## 2. Loans

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

	Millions of yen		Thousands of
	2008	2007	U.S. dollars
Loans on deeds	<b>¥644,898</b>	¥735,175	<b>\$6,436,751</b>
Loans on notes	<b>31,956</b>	44,514	<b>318,961</b>
Total	<b>¥676,854</b>	¥779,689	<b>\$6,755,712</b>

Under certain trust agreements, repayments of the principal of the customers’ trust assets are guaranteed by banking subsidiaries, and loans on such guaranteed trust assets as of March 31, 2008 and 2007, included the following:

	Millions of yen		Thousands of
	2008	2007	U.S. dollars
Loans to borrowers in bankruptcy	<b>¥ 48</b>	¥ 263	<b>\$ 480</b>
Non-accrual loans	<b>16,101</b>	10,890	<b>160,705</b>
Loans past due three months or more	<b>51</b>	104	<b>515</b>
Restructured loans	<b>10,332</b>	12,840	<b>103,126</b>
Total	<b>¥26,533</b>	¥24,098	<b>\$264,827</b>

## 3. Securities

Securities are stated at market price or at cost by each trust agreement.

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

	Millions of yen		Thousands of
	2008	2007	U.S. dollars
Japanese government bonds	<b>¥4,276,535</b>	¥3,934,505	<b>\$42,684,255</b>
Japanese municipal bonds	<b>413,766</b>	353,068	<b>4,129,820</b>
Japanese corporate bonds	<b>1,328,034</b>	1,113,325	<b>13,255,159</b>
Japanese stocks	<b>2,197,104</b>	2,169,817	<b>21,929,380</b>
Foreign securities	<b>91,270</b>	91,324	<b>910,973</b>
Other securities	<b>257</b>	298	<b>2,574</b>
Total	<b>¥8,306,969</b>	¥7,662,339	<b>\$82,912,164</b>

#### 4. Balance of Money Trusts

The principal amounts of certain money trusts are guaranteed and the balance of these accounts is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets:			
Loans	¥ 271,015	¥ 264,089	\$ 2,705,016
Securities	2,812	16,337	28,071
Other	787,489	904,215	7,859,956
Total	<u>¥1,061,317</u>	<u>¥1,184,642</u>	<u>\$10,593,043</u>
Liabilities:			
Principal	¥1,061,263	¥1,184,681	\$10,592,510
Allowance for the impairment of guaranteed trust principal	47	13	478
Other	5	(52)	54
Total	<u>¥1,061,317</u>	<u>¥1,184,642</u>	<u>\$10,593,043</u>

In the case of certain money trusts, the principal amount is guaranteed and, as the above table indicates, allowance for the impairment of guaranteed trust principal is set aside by banking subsidiaries. The figures of the table include funds reinvested from the other trusts managed by a banking subsidiary.

#### 5. Balance of Loan Trusts

The balance of loan trusts is as follows (the figures of the table include funds reinvested from the other trusts managed by a banking subsidiary):

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets:			
Loans	¥385,196	¥ 490,894	\$3,844,662
Securities	499	9,141	4,989
Other	485,740	573,373	4,848,192
Total	<u>¥871,437</u>	<u>¥1,073,409</u>	<u>\$8,697,845</u>
Liabilities:			
Principal	¥862,381	¥1,065,084	\$8,607,463
Allowance for the impairment of guaranteed trust principal	4,743	5,753	47,345
Other	4,311	2,571	43,035
Total	<u>¥871,437</u>	<u>¥1,073,409</u>	<u>\$8,697,845</u>

As in certain money trusts, the principal amount of loan trusts is guaranteed and, as the above table indicates, allowance for the impairment of guaranteed trust principal is set aside by banking subsidiaries.

# Consolidated Five-Year Summary

## Chuo Mitsui Trust Holdings

	Billions of yen				
	2008	2007	2006	2005	2004
<b>Banking account</b> (As of March 31)					
<b>Total assets</b>	<b>¥14,472.8</b>	¥14,090.5	¥13,808.7	¥13,431.4	¥12,753.7
Cash and due from banks	212.5	498.0	431.5	509.8	521.8
Call loans and bills bought	204.8	111.1	164.5	12.0	17.0
Securities	4,647.9	4,511.7	3,835.7	4,006.2	3,585.9
Loans and bills discounted	7,852.0	7,377.3	7,292.0	7,144.5	7,189.9
Foreign exchanges	0.8	0.9	37.5	1.8	6.7
Customers' liabilities for acceptances and guarantees	584.0	711.1	1,023.3	771.7	376.5
<b>Total liabilities</b>	<b>¥13,453.6</b>	¥12,953.1	¥12,843.3	¥12,718.3	¥12,182.0
Deposits	8,830.5	8,529.7	8,806.9	8,937.5	9,116.0
Call money and bills sold	291.5	547.3	394.0	325.2	318.0
Borrowed money	474.3	393.2	165.4	174.0	341.9
Foreign exchanges	0.0	0.0	0.0	0.0	0.0
Acceptances and guarantees	584.0	711.1	1,023.3	771.7	376.5
<b>Total equity</b>	<b>¥ 1,019.2</b>	¥ 1,137.3	¥ 858.8	¥ 606.6	¥ 463.3
<b>Trust account*</b> (As of March 31)					
<b>Total assets</b>	<b>¥48,171.7</b>	¥45,154.0	¥42,457.3	¥37,288.5	¥35,498.5
Loans	676.8	779.6	1,185.9	1,502.1	1,867.7
Securities	8,306.9	7,662.3	6,484.4	5,762.3	4,657.1
Beneficiary rights	30,578.5	28,750.0	28,284.2	24,975.6	24,815.0
<b>Total liabilities</b>	<b>¥48,171.7</b>	¥45,154.0	¥42,457.3	¥37,288.5	¥35,498.5
Money trusts	18,601.5	17,336.2	16,873.2	16,009.6	15,793.9
Pension trusts	6,894.8	6,657.5	6,194.2	5,999.5	6,659.4
Property formation benefit trusts	15.4	16.3	16.8	18.8	18.9
Loan trusts	664.1	835.8	1,078.8	1,392.5	1,778.0
Securities investment trusts	11,729.5	11,022.7	8,858.9	6,115.6	4,585.1
<b>Statements of income</b> (Fiscal years ended March 31)					
<b>Total income</b>	<b>¥ 468.5</b>	¥ 468.0	¥ 484.4	¥ 513.8	¥ 553.9
<b>Total expenses</b>	<b>332.7</b>	288.3	344.5	363.6	426.7
<b>Income before income taxes and minority interests</b>	<b>135.7</b>	179.6	139.9	150.1	127.2
<b>Net income</b>	<b>¥ 71.8</b>	¥ 112.7	¥ 119.6	¥ 94.0	¥ 50.7

Note: All figures are based on the consolidated financial statements.

\* All figures are combined totals from The Chuo Mitsui Trust and Banking Company, Limited, and Chuo Mitsui Asset Trust and Banking Company, Limited.



# Definitions of Self-Assessment System, Disclosure of Assets Based on the Financial Revitalization Law and Risk-Monitored Loans

## Self-Assessment System

### *What Is the Self-Assessment System?*

Self-assessment of asset quality requires a financial institution to examine the quality of its own assets and group assets, according to the degree of risk for default on loans or the potential irrecoverability of invested value.

Assets subject to self-assessment are loans and loan equivalents, such as loan receivables in securities, foreign currency, accrued interest, accounts due, provisional payments equivalent to loans, and acceptances and guarantees.

### *Basic Concept in Self-Assessment*

In principle, the process of asset assessment assigns credit ratings to borrowers, then groups the borrowers according to these rating assignments. Each borrower is viewed individually, based on such details as the application of funds, and the status of collateral and guarantees is ascertained to facilitate further classification, according to the degree of risk inherent in the recovery of the loan or the potential for the invested value to erode.

### *Credit Ratings*

Credit ratings correspond to a client's credit risk, a status based on financial position, ratings by rating agencies, information from credit bureaus, and other sources. A credit rating must be consistent with borrower categories.

### *Borrower Categories*

A borrower's ability to repay loans is determined by such factors as financial status, cash flow and profitability, and this ability will place a borrower into one of five categories: normal, caution, possible bankruptcy, virtual bankruptcy and legal bankruptcy.

1. Normal: Borrowers whose business prospects are favorable and whose financial position exhibits no particular problems.
2. Caution: Borrowers with problematic lending conditions, such as reduced or suspended interest payments, borrowers with non-accrual repayment schedules, wherein principal or interest payments are in arrears, and borrowers which may require special measures in the future because business prospects are sluggish or unstable, or because financial positions are uncertain.

3. Possible bankruptcy: Borrowers for whom bankruptcy is not currently imminent but for whom the eventuality of failure in the future is high because financial difficulty exists and a sufficient boost through a business improvement plan, for example, is not expected. This category includes borrowers receiving support from a financial institution or other backer.
4. Virtual bankruptcy: Borrowers that face severe operating difficulties and while they have not been declared legally bankrupt they are essentially insolvent because they lack any hope of restructuring.
5. Legal bankruptcy: Borrowers whose legal bankruptcy is substantiated by a declaration of bankruptcy, liquidation, reorganization, composition or civil reconstruction, or for whom clearinghouse transactions have been halted.

### *Claim Categories*

Under the self-assessment system, claims are grouped into "categories"—II, III and IV—and the respective assets are called "category assets." Claims that do not fall into categories II, III and IV are called "no category," and the assets that fall outside these classifications are deemed "no category assets."

## Disclosure of Assets Based on the Financial Revitalization Law

### *Borrower Classification*

1. Claims under bankruptcy and virtual bankruptcy: Loans and loan equivalents granted to borrowers that have succumbed to legal business failure by reason of declared bankruptcy, reorganization, composition proceedings or other officially recognized end to operations.
2. Claims under high risk: Loans to borrowers that have not yet reached a state of legal bankruptcy but are highly unlikely to repay the principal and interest according to contractual obligations because of worsening financial position and business performance.
3. Claims under close observation: Loans three months past due—i.e., loans for which payment of principal or interest has fallen more than three months behind, counting from the day following the contractual payment day—and restructured loans—i.e., loans for which the contractual conditions have been revised, for example, with a specific concession in favor of the

borrower to facilitate the restructuring of a business that has been economically disadvantaged, or to support such a business, and thereby promote repayment of the outstanding loan.

4. Normal claims: Loans to borrowers with no particular problems affecting financial position or business performance, thereby excluding them from the three classifications described above.

#### *Relationship with Borrower Classifications in the Self-Assessment System*

1. Claims under bankruptcy and virtual bankruptcy: Corresponds to the sum of loans to borrowers that are in legal bankruptcy or virtual bankruptcy under self-assessment standards.
2. Claims under high risk: Equivalent to loans to borrowers classified as in possible bankruptcy under self-assessment standards.
3. Claims under close observation: Represents the sum of loans to borrowers in the caution category of self-assessment standards that are either more than three months past due or restructured.
4. Normal claims: Identified with loans to healthy borrowers under self-assessment standards, as well as loans other than claims under the close observation category of loans to borrowers requiring caution.

#### **Risk-Monitored Loans**

##### *What are risk-monitored loans?*

1. Loans to borrowers in bankruptcy: Of loans for which no accrued interest is recorded because the recovery of principal or interest is unlikely due to a prolonged delay in payment of principal or interest (excludes the portion written off; hereafter referred to as “loans for which accrued interest is not recorded”), loans to borrowers in bankruptcy are those for which the reason is found in the provisions of the Corporate Tax Law (Ordinance 97, 1965), Article 96, Paragraph 1, Sub-Paragraph 3, Points a) through e), or Article 4 of the same law.
2. Non-accrual loans: Of loans for which accrued interest is not recorded, non-accrual loans are loans other than those to borrowers in bankruptcy and loans for which interest has been waived to facilitate business restructuring.

3. Loans past due three months or more: This category comprises loans for which payment of principal or interest has fallen more than three months behind, counting from the day following the contractual payment day, but excludes loans to borrowers in bankruptcy and non-accrual loans.
4. Restructured loans: This category covers loans for which payment of interest is reduced or suspended, payment of principal is extended, the claim is waived, or another measure advantageous to the borrower is granted to facilitate business restructuring. Loans to borrowers in bankruptcy, non-accrual loans and loans past due three months or more are not included in this category.

#### *Relationship between Self-Assessment Assets and Disclosure of Assets Based on the Financial Revitalization Law*

Assets classified under self-assessment standards and disclosure of assets based on the Financial Revitalization Law are loans and loan equivalents. These loans differ primarily from risk-monitored loans in that risk-monitored loans exclude loan equivalents.

1. Loans to borrowers in bankruptcy: These are loans to legally bankrupt borrowers.
2. Non-accrual loans: These are loans to virtually bankrupt borrowers and borrowers for which the possibility of bankruptcy exists.
3. Loans past due three months or more: Of loans to borrowers requiring caution, loans past due three months or more are those for which the payment of principal or interest has fallen three months behind, counting from the day following the contractual payment day.
4. Restructured loans: Of loans to borrowers requiring caution, restructured loans are those for which payment of interest is reduced or suspended, payment of principal is extended, the claim is waived or another measure advantageous to the borrower is granted to facilitate business restructuring.

