

Interim Financial Flash Report (Unconsolidated)  
<Under Japanese GAAP>  
for Fiscal Year Ending March 31,2008

11/30/2007

Company name: Citibank Japan Ltd. (“CJL”) URL <http://www.citibank.co.jp>  
Representative: (Title) President (Name) Sunil Kaul  
For Inquiry: (Title) Deputy President, CFO/CAO Japan (Name) Jun Kadoda  
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Trading account: Established

(Amounts less than one million yen have been omitted)  
(Following financial figures are unaudited.)

1. Financial Highlights for three months ended September 30, 2007

(1) Results of Operations

	Ordinary Income		Ordinary Profit		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%
Three Months Ended Sept. 30,2007	58,852	(-)	5,044	(-)	3,829	(-)
Six Months Ended Sept. 30,2006	—		—		—	
Fiscal year ended March 31,2007	—		—		—	

	Net Income per Share		Net Income per Share (Dilluted)	
	Yen		Yen	
Three Months Ended Sept. 30,2007	0.01		—	
Six Months Ended Sept. 30,2006	—		—	
Fiscal year ended March 31,2007	—		—	

Notes: 1. Equity in earnings of affiliate:

Three Months Ended Sept. 30,2007: - million yen

Six Months Ended Sept. 30,2006: - million yen

Fiscal year ended March 31,2007: - million yen

2. Percentage represents changes compared with the corresponding period of the previous fiscal year.

3. Citibank,N.A., Japan Branches transferred its businesses to CJL on July 1, 2007 and CJL started its operation on that date.

(2) Financial Conditions

	Total Assets	Total Net Assets	Shareholders' Equity Ratio	Total Net Assets per Share	Stand-alone Capital Adequacy Ratio
	Million Yen	Million Yen	%	Yen	%
Three Months Ended Sept. 30,2007	6,046,914	246,238	4.0	1.00	12.4
Six Months Ended Sept. 30,2006	—	—	—	—	—
Fiscal year ended March 31,2007	—	—	—	—	—

Notes: 1. Equity Capital:

As of September 30,2007: 246,238 million yen

As of September 30,2006: - million yen

As of March 31,2007: - million yen

2. Stand-alone Capital Adequacy Ratio (National Standards) has been calculated based on “the standards for Capital Adequacy Ratio Pursuant to Article 14-2 of the Banking Law (Financial Services Agency Ordinance Announcement No. 19, 2006) since the Term of March 2007.

(3) Conditions of Cash Flow

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financial Activities	Cash and Cash Equivalents at term end
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Three Months Ended Sept. 30,2007	11,223	10,155	—	21,355
Six Months Ended Sept. 30,2006	—	—	—	—
Fiscal year ended March 31,2007	—	—	—	—

2. State of Dividends

(Base date)	Dividend per Share				
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	Year end	FY total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31,2007	—	—	—	—	—
Fiscal year ended March 31,2008	—	—			—

3. Others

(1) Interim financial statements

- ① Changes pursuant to the amendment of accounting standards, etc.: None
- ② Changes other than ①: None

(2) Number of shares outstanding (common stocks)

- ① Number of shares outstanding as of term end (including common stock)
  - As of Septemer30,2007 : 244,200,000,001 shares
  - As of Septemer30,2006 : - shares
  - As of March31,2007 : - shares
- ② Number of treasury stocks as of term end
  - As of Septemer30,2007 : - shares
  - As of Septemer30,2006 : - shares
  - As of March31,2007 : - shares

## I Results of Operation

### (1) Analysis on Results of Operation

(Results of Operation for the current Interim Term)

In order for Citigroup to conduct its banking operations in Japan as a locally incorporated entity, all the businesses of Citibank, N.A., Japan Branches were transferred as of July 1, 2007, to Citibank Japan Ltd. ("CJL"), a newly established corporation, and CJL started its operation on that date. The establishment of a locally incorporated entity is intended to serve a significant future expansion of banking operations for retail and corporate customers, while ensuring an appropriate management control framework in Japan. This interim accounting period covers the time from July 1 to September 30, 2007.

As to operating results, gross operating income totaled ¥22.7 billion. Among gross operating income, net interest income totaled ¥11.5 billion, which was due to higher interest rates and increased interest-bearing assets and interest-bearing liabilities. In fees and commissions, mainly loan related fees and investment trust related commissions totaled ¥7.0 billion. Operating expenses, meanwhile, totaled ¥17.8 billion including a ¥0.7 billion amortization charge related to ¥14.4 billion in goodwill recognized in connection with the assumption of banking operations mentioned above. As a result, operating income totaled ¥5.0 billion, and net income for the interim period was ¥3.8 billion.

### (2) Analysis on Financial Conditions

(Analysis on Assets, Debts, net Assets, and Cash Flow)

#### ① Assets, liabilities, and net assets

Total assets were ¥6,046.9 billion and net assets totaled ¥246.2 billion. Net assets increased by ¥26.2 billion since operations started on July 1. This increase reflects a combined ¥24.2 billion rise in capital and capital surplus, a ¥3.8 billion increase in retained earnings, and a ¥1.7 decline in valuation difference of available-for-sale securities.

As to the balances of important account titles, among asset accounts, deposits totaled ¥4,051.1 billion, due in large part to deposits made with foreign Citibank branches and head office operations. Outstanding loans totaled ¥376.7 billion, securities holdings were ¥871.8 billion, and trading assets were ¥68.7 billion. Among liabilities accounts, deposits totaled ¥5,097.7 billion.

#### ② Cash flow

Cash flows from operating activities in the period under review totaled ¥11.2 billion. Cash from investment activities was ¥10.1 billion. As a result, cash and cash equivalents as of the end of the period under review totaled ¥21.3 billion.

#### ③ Capital adequacy ratio

The capital adequacy ratio (National standards) at the end of the period under review was 12.4%.

## II Status of Corporate Group

Our group (we and our affiliate companies) provides financial services in Japan centering on banking business such as securities business, credit card business and trust business.

List of significant Citi's operating companies in Japan are as below.

- Citibank Japan Ltd.
- Citi Cards Japan, Inc.
- CFJ K.K.
- Citibank Securities (Japan) Limited
- Citigroup Principal Investments Japan Co., Ltd.
- Citigroup Global Investments Japan Ltd.
- Citigroup Venture Capital International Japan Co., Ltd.
- Citilease Company Ltd.
- Nikko Cordial Corporation
- Nikko Citigroup Limited
- NikkoCiti Trust and Banking Corporation

### III Management Policy

#### (1) Management Policy of the Company

##### **Citi's Corporate Philosophy and "Shared Responsibilities"**

Citi's goal is to be the most respected global financial services company. Each member of the Citi family has three Shared Responsibilities:

##### **We have a responsibility to OUR CLIENTS**

We must put our clients first, provide superior advice, products and services, and always act with the highest level of integrity.

##### **We have a responsibility to EACH OTHER**

We must provide outstanding people the best opportunity to realize their potential. We must treat our teammates with respect, champion our remarkable diversity, share the responsibility for our successes, and accept accountability for our failures.

##### **We have a responsibility to OUR FRANCHISE**

We must put Citi's long-term interests ahead of each unit's short-term gains, and provide superior results for our shareholders. We must respect the local culture and take an active role in the communities where we work and live. We must honor those who came before us and extend our legacy for those who will come after us.

##### **"Growth" and "Change"**

Citi, along with promoting the "shared responsibilities" stated above, will continue to pursue "growth" and "change" as our core tasks. We have also set the following goals throughout our global network and areas where we run our business.

##### **Balanced approach to growth**

Driven by both organic growth and strategic acquisitions, we will broaden our core business activities. We plan to cultivate and penetrate into new markets around the world as well as further develop existing markets.

##### **One face to the client**

We will serve our clients as one company by integrating our products and services and developing common client-facing systems. In so doing, as is obvious, we are committed to strict compliance with related laws and regulations.

##### **Increasingly international**

With continued international investments, we will expand our operating and revenue base from the U.S. market to markets outside the U.S. We will also attach more importance to the Japanese market than ever before.

##### **Greater efficiency in business**

We will further streamline our organization and operations to achieve greater efficiency in business management.

##### **Citibank Japan's Business Strategy**

We consider Japan as one of the most important business bases in our global strategy and will aggressively develop all the businesses we have currently in Japan. One of the pillars of the development strategy is to expand the scale of banking operations.

##### **Long-Term Outlook and Goals**

We will expand our presence in the market for retail and corporate banking operations, and improve the asset and liability balance. In addition, we will play a leadership role in the financial industry by recognizing ever-changing client needs or by offering innovative products and services that create client needs. Also, we will establish optimum standards for business management and internal control structures. We confront in a forceful and resolute manner the undue demands and

anti-social forces that threaten the social order and safety. At the same time, we continue to make an effort to be widely recognized as a “company people want to work for.”

**Retail Banking Division**

Recognizing intensifying competition over retail banking services, we will enhance business operations targeted at our core customers, the mass affluent, by expanding our sales network, upgrading the products we offer and enhancing partnerships with our group companies and affiliates. At the same time, we will add new product and service lineups that appeal to various customers— including a wider range of individuals and small and medium sized companies— in an effort to expand our customer base.

**Corporate Banking Division**

We will expand our corporate banking business by developing the corporate client base as well as reinforcing our operation through strengthened partnerships with our group companies and affiliates. By providing high-quality products/service, comprehending and understanding clients’ needs, and leveraging our strength of industry knowledge, we will utilize Citi’s global network to become a more competitive financial institution.

Citibank Japan Ltd.  
Interim Financial Report (FY2008)

IV Interim Financial Statements

(1) Balance Sheet

As of September 30, 2007  
(Millions of Yen)

Account Name	Amount	Account Name	Amount
Cash and due from banks	4,069,211	Deposits	5,097,709
Call loans	5,600	Negotiable certificates of deposit	49,000
Monetary claims bought	66,550	Call money	125,968
Trading assets	68,774	Trading liabilities	32,899
Securities	871,894	Foreign exchanges	135,622
Loans and bills discounted	376,710	Other liabilities	171,851
Foreign exchanges	156,437	Reserve for employees' bonus	3,389
Other assets	197,879	Reserve for bonus for directors and corporate auditors	192
Tangible fixed assets	29,016	Reserve for employee retirement benefits	2,921
Intangible fixed assets	16,413	Reserve for directors retirement benefits	1
Deferred tax assets	11,414	Reserve for others	2,878
Customers' liabilities for acceptances and guarantees	178,242	Acceptances and guarantees	178,242
Reserve for possible loan losses	△ 1,232	Total liabilities	5,800,675
		Common stock	123,100
		Capital surplus	121,100
		Capital surplus reserve	121,100
		Retained earnings	3,829
		Other retained earnings	3,829
		Earned surplus brought	3,829
		Total owners' equity	248,029
		Net unrealized gains (losses) on securities available for sale, net of taxes	△ 1,777
		Net deferred gains (losses) on hedging instruments, net of taxes	△ 13
		Total valuation and translation	△ 1,791
		Total net assets	246,238
Total assets	6,046,914	Total liabilities and net assets	6,046,914

(2) Statement of Income

For the Three Months ended September 30,2007  
(Millions of Yen)

Account Name	Amount	
Operating income		58,852
Interest income	45,105	
(Interest on loans and discounts)	(2,282)	
(Interest and dividends on securities)	(2,090)	
Fees and commissions	8,104	
Trading income	165	
Other operating income	5,051	
Other income	<u>424</u>	
Operating expenses		53,807
Interest expenses	33,550	
(Interest on deposits)	(32,875)	
Fees and commissions	1,049	
Trading expenses	1,060	
Other operating expenses	-	
General and administrative expenses	17,812	
Other expenses	<u>334</u>	
Operating profits		5,044
Extraordinary profits		831
Extraordinary losses		<u>44</u>
Income before income taxes and others		5,831
Provision for income taxes and others		<u>2,001</u>
Net income		3,829

(3) Statement of Changes in Net Assets

For the Three Months ended September 30,2007  
(Millions of Yen)

	Shareholders' equity								Total shareholders' equity
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total Retained earnings	
		Capital surplus reserve	Other capital surplus	Total Capital surplus	Earned surplus reserve	Other retained earnings Earned surplus brought forward			
Beginning Balance	111,000	109,000	-	109,000	-	-	-	-	220,000
Changes of items during the interim period									
Issuance of new shares	12,100	12,100		12,100					24,200
Net income						3,829	3,829		3,829
Net changes of items other than owners' equity									
Total changes of items during the interim period	12,100	12,100	-	12,100	-	3,829	3,829	-	28,029
Balance at the end of the current interim period	123,100	121,100	-	121,100	-	3,829	3,829	-	248,029

Valuation and translation adjustments				Subscription rights to shares	Total net assets
Net unrealized gains (losses) on other securities, net of taxes	Net deferred gains (losses) on hedging instruments, net of taxes	Land revaluation excess, net of taxes	Total valuation and translation adjustments		
-	-	-	-	-	220,000
					24,200
					3,829
△ 1,777	△ 13		△ 1,791		△ 1,791
△ 1,777	△ 13	-	△ 1,791	-	26,238
△ 1,777	△ 13	-	△ 1,791	-	246,238

(4) Statement of Cash Flows

For the Three Months ended September 30,2007  
(Millions of Yen)

Account Name	Amount
<b>I</b> Cash flows from operating activities:	
Income before income taxes and others	5,831
Depreciation	471
Impairment losses	720
Increase (decrease) in allowance for loan losses	△ 828
Increase (decrease) in reserve for bonus	1,226
Increase (decrease) in employee retirement	△ 40
Interest income recognized on statements of operations	△ 45,105
Interest expenses recognized on statements of operations	33,550
Losses (gains) on foreign exchange	2,473
Losses (gains) on dispositions of fixed assets	290
Net increase (decrease) in trading asset	172,357
Net increase (decrease) in trading liability	△ 7,797
Net decrease (increase) in loans and bills discounted	△ 25,294
Net increase (decrease) in deposits	△ 487,821
Net increase (decrease) in negotiable certificates of deposits	△ 1,000
Net increase (decrease) in due from banks (excluding from Bank of Japan)	343,935
Net increase (decrease) in call loan	15,678
Net increase (decrease) in call money	59,190
Net increase (decrease) in borrowed money	△ 4,185
Net increase (decrease) in foreign exchanges asset	8,916
Net increase (decrease) in foreign exchanges liability	△ 70,114
Interest income (cash basis)	43,688
Interest expenses (cash basis)	△ 36,127
Other, net	1,210
Sub-total	11,223
Income taxes	0
Net cash (used in) provided by operating activities	11,223
<b>II</b> Cash flows from investing activities:	
Purchases of investment securities	△ 103,561
Proceeds from sales of investment securities	56,160
Proceeds from sales of redemption of investment securities	34,100
Purchases of tangible fixed assets	△ 1,024
Proceeds from sales of tangible fixed assets	0
Purchases of intangible fixed assets	△ 116
Proceeds from business transfer	24,597
Net cash used in investing activities	10,155
<b>III</b> Cash flows from financing activities:	
Net cash provided by financing activities	-
<b>IV</b> Effect of foreign exchange rate changes on cash and cash equivalents	△ 24
<b>V</b> Net increase (decrease) in cash and cash equivalents	21,379
<b>VI</b> Cash and cash equivalents at the beginning of the fiscal year	-
<b>VII</b> Cash and cash equivalents at the end of the fiscal year	21,355

Notes:

(Notes to Balance Sheet)

1. Amounts less than one million yen have been omitted.
2. Transactions for trading purposes, such as seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets (hereinafter referred to as “Specified Trading Purposes”), are included in “Trading assets” or “Trading liabilities” on the balance sheet on a trade date basis.  
Securities and monetary claims purchased for trading purposes are stated at the fiscal year-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the balance sheet date.
3. Other securities that have market prices are carried at their balance sheet date market prices (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains/losses on other securities, net of income taxes, are included in “Net assets”.
4. Derivative transactions (excluding those for specified trading purposes) are carried at fair value.
5. Tangible fixed assets are depreciated using the declining-balance method. Plants and buildings (except for accessory equipment attached to the buildings) are depreciated using the straight-line method.  
The estimated useful lives of major items are as follows:  
Buildings: 38 years  
Equipment: 3 to 18 years
6. Capitalized software for internal use is depreciated over its estimated useful life (5 years).  
Goodwill is depreciated equally over 5 years
7. Assets and liabilities denominated in foreign currencies and accounts overseas branches are translated into Japanese yen at the exchange rate prevailing at the balance sheet date
8. Reserve for possible loan losses is provided as detailed below in accordance with the internal standards for write-offs and provisions.  
For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings (“bankrupt borrowers”) or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation (“effectively bankrupt borrowers”), a reserve is provided based on the amount of claims, after the write-off stated in the additional paragraph below, net of the expected amount of recoveries from collateral and guarantees. For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy, a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees. For other claims, a reserve is provided based on the historical loan-loss ratio. For claims originated in specific overseas countries, an additional reserve is provided in the amount of expected loss caused by various political and economic conditions.  
Marketing-related businesses assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these marketing-related businesses, audits their assessment. The reserves are provided based on the results of these assessments.
9. Reserves for bonuses are accounted for in preparation for the payment of bonuses to the employees at the amount estimated for the payment of bonuses to the employees during the fiscal year.
10. The reserves for the bonuses to directors are reported in preparation for the payment of bonuses to directors at the estimated amount to be paid to the directors during the term.  
(Supplemental information)  
Citibank,N.A., Japan Branches transferred its businesses to CJL on July 1, 2007 and CJL started its operation on that date. Since then directors and statutory auditors have been newly

inaugurated beginning with the period under review, new reserves for the bonuses to directors were reported beginning with the period under review.

11. Reserves for employee retirement allowance are reported in preparation for the payment of employee retirement allowance in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end. The unrecognized prior service cost and the actuarial differences are reported as expenses as follows

Actuarial differences:

Amortized using the straight-line method, primarily over 7 to 9 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

12. Reserves for director retirement allowance are reported in preparation for the payment of director retirement allowance out of directors' estimated allowance for the amount allocable to the period under review

(Supplemental information)

Citibank, N.A., Japan Branches transferred its businesses to CJL on July 1, 2007 and CJL started its operation on that date. Since then directors and statutory auditors have been newly inaugurated beginning with the period under review, newly reserves for the retirement allowance to directors were reported beginning with the period under review.

13. Finance leases, excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same method as operating leases (or sales transactions).
14. For the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets, CJL applies the deferred hedge accounting method.  
As for the portfolio hedges to offset market fluctuation, effectiveness of such hedges is assessed by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity.
15. National and Local Consumption Taxes are excluded from transaction amounts. Non-deductible portions of Consumption Taxes on the purchases of Tangible fixed assets are included in the other assets and depreciated equally over 5 years.
16. Accumulated depreciation on tangible fixed assets: 32,579 million yen
17. Deferred gain on real property deductible for tax purposes: - million yen
18. There were no Bankrupt loans and Non-accrual loans were 137 million yen, respectively  
"Bankrupt loans" are loans, after write-off, to legally bankrupt borrowers as defined in Article 96-1-3 (a) through (e) and 96-1-4 of the Enforcement Ordinance No.97 of the Japanese Corporate Tax Law (issued in 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.  
Non-accrual loans" are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
19. Past due loans (3 months or more) totaled 25 million yen.  
"Past due loans (3 months or more)" are loans on which the principal or interest is past due for three months or more, excluding "Bankrupt loans" and "Non-accrual loans."
20. Restructured loans totaled 1,186 million yen.  
"Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "Bankrupt loans," "Non-accrual loans" and Past due loans (3 months or more)."

21. The total amount of bankrupt loans, non-accrual loans, past due loans (3 months or more) and restructured loans was 1,349 million yen. Credit amounts shown from 18 to 21 are the amounts before the appropriate loan reserve.
22. In accordance with JICPA Accounting System Committee Report No.3 dated June 1, 1995 regarding Loan Participation:  
The amount of participation principal reported to the balance sheet, which was accounted for as the money borrowed by the original obligator, was 63,014 million yen.
23. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. CJL has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was 74,152 million yen.
24. Assets pledged as collateral are as follows:  
Assets pledged as collateral:  

Securities	19,935 million yen
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 Liabilities corresponding to assets pledged as collateral:  

Call money	18,987 million yen
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 In addition, Securities of 606,227 million yen and Trading securities of 37,058 million yen are pledged as collateral for exchange settlements.  
 Other assets include margin of future markets of 580 million yen and guarantee deposits of 4,129 million yen.  
 Rediscount of bills rediscounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24 and the face value of the bank acceptance, commercial bills, documentary bills and foreign exchanges bought without restrictions delivered is 1,501 million yen.

25. Net assets per share was 1.00 yen.

26. The following are the issues related to the market value of securities and the valuation gains/losses.

Other securities with market value			
	Acquisition cost (mil. yen)	Balance sheet amount (mil. yen)	Valuations gains/losses (mil. yen)
Bonds			
Japanese government bond	596,632	594,540	△2,092
Bonds	214,526	214,239	△286
Others	63,384	63,114	△269
Total	874,542	871,894	△2,648

The amount (△1,439 million yen) obtained by adding deferred tax assets of 1,208 million yen to the valuations losses above is included in the Other Securities Valuation Gains/Losses.

27. As for the unsecured borrowed securities, which provide the right to sell or pledge and the securities which were purchased under resale agreements (bond loan transactions), that are permitted to be sold or pledged without restrictions, 25,900 million yen of securities are pledged and there were no securities that were held in hand as of the balance sheet date.
28. Commitment line contracts on overdrafts and loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts.  
 The amount of unused commitments was 835,527 million yen and the amount of those with remaining period within one year was 748,054 million yen.  
 Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which we can reject an application from customers or reduce the contract amounts in the event that economic

conditions change, we need to secure claims, or other events occur. In addition, we may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when need arises and securing claims after contracts are made on a periodic basis.

29. The main causes for the deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	
Goodwill	9,683 Million Yen
Buildings	1,765
Denied accrual expenses	1,318
Reserve for others	1,229
Reserve for employees' bonus	953
Others	<u>2,225</u>
Deferred tax assets total	17,175
Deferred tax liabilities	
Unrealized gain/loss on securities available for sale	2,067
Reserve for employee retirement plan	1,907
Land	<u>1,784</u>
Deferred tax liabilities total	5,760
Net deferred tax assets	<u>11,414 Million Yen</u>

30. Regulations concerning the scope of marketable securities such as in the Accounting Standards for Financial Instruments (Financial Accounting Standard No. 10) and the Practical Guidelines for Accounting for Financial Instruments (Report No. 14 of the Accounting System Committee at the Japanese Institute of Certified Public Accountants) have been partly revised (respectively dated June 15 and July 4, 2007). Along with the coming into force of these revisions for fiscal years and interim accounting periods ending after the enactment date of the Financial Instruments and Exchange Law, CJL applies the revised standards and implementation guidelines beginning with the period under review.

31. Matters concerning business combinations stipulated in Article 5-12 of the Regulations regarding Terminology, Format and Method of Preparation of Interim Financial Statements, etc. are as follows.

(1) Corporate name and business line at the time of the business combination, legal form of the business combination, corporate name after the combination, and outline and purpose of the transaction

① Corporate name and business line at the time of the business combination

Combining corporation: Citibank Japan Ltd.

Business line: Banking operations

Combined corporation: Citibank, N.A., Japan Branches

Business line: Banking operations

② Legal form of the business combination

Assignment of operations

③ Corporate name after the combination

Citibank Japan Ltd.

④ Outline and purpose of the transaction

In order for Citigroup to conduct its banking operations in Japan as a locally incorporated entity, the banking operations of Citibank, N.A., Japan Branches were transferred as of July 1, 2007, to CJL, a newly established corporation.

The establishment of a locally incorporated entity is intended to serve a significant future expansion of banking operations for retail and corporate customers while ensuring an appropriate management control framework in Japan.

As consideration for the business transfer, CJL issued 24,200 million shares of CJL (worth 24,200 million Yen) to Citibank, N.A..

(2) Implemented accounting treatment

The business combination was accounted for as stipulated in "Accounting Standards for Business Combinations; III. Accounting Standards for Business Combinations; 4. Accounting for Transactions under Joint Control."

(Notes to Statement of Income)

1. Less than one million yen have been omitted.
2. Net income per share (or net loss) 0.01yen
3. Profits and losses on trading-purpose transactions are recognized on a trading date basis, and recorded as "Trading profits" and "Trading losses."  
Both accounts include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and money claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.
4. Concerning the cost of adjustments to net deferred income tax in the period under review, since CJL applies the simplified method of tax effect accounting, adjustments are included in current income taxes.

(Notes to Statement of Changes in Net Assets)

1. The types and number of our shares outstanding are as follows:

(Unit : Thousands of shares)

	No. of stocks at the Beginning of the current FY	No. of stocks increased during the current FY	No. of stocks decreased during the current FY	No. of stocks at the end of the current FY	Memo
Common stock	220,000,000	24,200,000	—	244,200,000	Note 1
Classified stock	—	—	—	—	
Total	220,000,000	24,200,000	—	244,200,000	

Note 1: CJL issued new shares to be paid as an in-kind consideration for the business transfer.

(Notes to Statement of Cash Flows)

1. Cash and Cash Equivalents consist of cash and due from central banks included in Cash and Due from Banks on the balance sheet.  
As of September 30,2007
 

Cash and Due from Banks	4,069,211 million yen
Due from Banks excluding central banks	<u>△4,047,856 million yen</u>
Cash and Cash Equivalents	21,355 million yen
2. Assets and Liabilities that are increased due to the business combination  
Relations among the amount of assets, liabilities, and revenues increased by business transfer from the Japan branches of Citibank, N.A.
 

Assets	6,373,832 million yen
Liabilities	△6,369,460 million yen
Goodwill	14,404 million yen
Net unrealized gains on securities available for sale	5,407 million yen
Net deferred gains on hedging instruments	<u>16 million yen</u>
Purchasing price	24,200 million yen
Cash and Cash Equivalents	24,597 million yen
accounts payable	<u>△24,200 million yen</u>
Remain: Gain from business transfer	24,597 million yen

Additional Data for Interim Financial Report (FY2008)

1. Capital Adequacy

(JPY MM, %)

( 1 ) Capital Adequacy	12.4%
Tier I Ratio	12.3%
( 2 ) Tier I	231,831
( 3 ) Tier II	914
( 4 ) Deductable item	—
( 5 ) Capital ( 2 ) + ( 3 ) + ( 4 )	232,746
( 6 ) Risk Exposure	1,873,751
( 7 ) Minimum Required capital ( 6 ) × 4 %	74,950

Stand-alone Capital Adequacy Ratio (National Standards) has been calculated based on “the standards for Capital Adequacy Ratio Pursuant to Article 14-2 of the Banking Law (Financial Services Agency Ordinance Announcement No. 19, 2006) since the Term of March 2007.

2. Computation of Deferred Tax Assets

(1) Determination of Recoverability of Deferred Tax Assets and estimation period of future taxable income

Citibank,N.A.,Japan Branches transferred its businesses to CJL on July 1, 2007 and CJL started its operation on that date. Therefore, CJL used Citibank, N.A. Japan branches' data for determining the recoverability of deferred tax assets.

Illustrated Segment under Practical Guidelines : 1

Estimation periods for future taxable amount : —

Note: “Auditing Treatment concerning Determination of Recoverability of Deferred Tax Assets (JICPA Audit Committee Report, No. 66)”

(2) Historical information

(JPY MM)

	2003/03	2004/03	2005/03	2006/03	2007/03
Net operating income (Before general reserve cost)	48,610	40,256	25,043	18,869	30,165
Income before income taxes and others	46,226	36,729	▲15,878	37,641	32,588
Taxable income	47,374	37,119	27,628	2,101	31,037

Note: Citibank,N.A., Japan Branches transferred its businesses to CJL on July 1, 2007 and CJL started its operation on that date. Therefore, Citibank, N.A. Japan branches' data are used in the chart above.

(3) Estimated future taxable income

The information is not required do to illustrated segment is "1" under Practical Guidelines.

(4) A description of the types of deferred tax assets and liabilities

(JPY MM)

Deferred tax assets	17,175
Write-off of loans	—
Specific reserve for bad loans	—
General reserve for bad loans	834
Reserve for retirement benefits	—
Net loss carry forward	—
Others	16,340

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Deferred tax liabilities	5,760
Reserve for retirement benefits	1,907
Others	3,852
Net deferred tax assets	11,414