

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Resona Holdings, Inc. (the "Company") and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

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

June 26, 2017

*Deloitte Touche Tohmatsu LLC*

**CONSOLIDATED BALANCE SHEET**  
**Resona Holdings, Inc. and consolidated subsidiaries**  
**March 31, 2017**

	<b>Millions of yen</b>		<b>Millions of U.S. dollars (Note 1)</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>Assets:</b>			
Cash and due from banks (Notes 3, 12 and 29)	¥ 12,641,987	¥ 13,514,516	\$ 112,693
Call loans and bills bought (Note 29)	156,529	191,938	1,395
Monetary claims bought (Note 29)	355,371	391,804	3,167
Trading assets (Notes 4, 12, 29 and 30)	348,599	475,382	3,107
Money held in trust (Note 5)	1,005	178	8
Securities (Notes 5, 12 and 29)	5,295,787	5,346,725	47,207
Loans and bills discounted (Notes 6, 12, 13 and 29 )	28,186,730	27,664,964	251,263
Foreign exchange assets (Notes 7 and 29)	95,455	68,866	850
Other assets (Notes 8, 12, 29 and 30)	770,601	872,845	6,869
Tangible fixed assets (Notes 9, 11, 20 and 28)	304,035	307,610	2,710
Intangible fixed assets (Notes 10, 11 and 28)	31,377	32,389	279
Net defined benefit asset (Note 31)	16,849	4,248	150
Deferred tax assets (Note 27)	1,776	25,664	15
Customers' liabilities for acceptances and guarantees (Notes 19 and 29)	418,574	431,439	3,731
Reserve for possible loan losses (Note 29)	(168,487)	(202,081)	(1,501)
Reserve for possible losses on investments	(62)	(57)	(0)
<b>Total Assets</b>	<b>¥ 48,456,133</b>	<b>¥ 49,126,435</b>	<b>\$ 431,949</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Deposits (Notes 12, 14 and 29)	¥ 40,675,397	¥ 38,228,820	\$ 362,590
Negotiable certificates of deposit (Note 29)	965,590	1,344,500	8,607
Call money and bills sold (Note 29)	709,383	606,916	6,323
Payables under repurchase agreements (Notes 12 and 29)	5,000	5,999	44
Payables under securities lending transactions (Notes 12 and 29)	429,272	145,107	3,826
Trading liabilities (Notes 4, 29 and 30)	184,809	291,639	1,647
Borrowed money (Notes 12, 15 and 29)	699,224	809,049	6,233
Foreign exchange liabilities (Notes 7 and 29)	2,471	1,991	22
Bonds (Notes 16 and 29)	456,336	624,812	4,067
Due to trust account (Note 29)	1,015,305	3,707,658	9,050
Other liabilities (Notes 15, 17, 29 and 30)	829,747	985,007	7,396
Reserve for employees' bonuses	16,106	16,908	143
Net defined benefit liability (Note 31)	12,699	32,534	113
Other reserves (Note 18)	44,597	40,276	397
Deferred tax liabilities (Note 27)	24,722	181	220
Deferred tax liabilities for land revaluation (Note 20)	20,114	20,120	179
Acceptances and guarantees (Notes 19 and 29)	418,574	431,439	3,731
<b>Total Liabilities</b>	<b>46,509,354</b>	<b>47,292,964</b>	<b>414,595</b>
<b>Net Assets (Notes 21, 33 and 35):</b>			
Capital stock	50,472	50,472	449
Retained earnings	1,436,150	1,399,576	12,802
Treasury stock	(1,181)	(1,902)	(10)
<b>Total stockholders' equity</b>	<b>1,485,442</b>	<b>1,448,147</b>	<b>13,241</b>
Net unrealized gains on available-for-sale securities (Note 5)	414,750	347,491	3,697
Net deferred gains on hedges	40,447	49,540	360
Revaluation reserve for land (Note 20)	44,032	44,025	392
Foreign currency translation adjustments	(3,143)	(3,012)	(28)
Remeasurements of defined benefit plans (Note 31)	(52,604)	(70,190)	(468)
<b>Total accumulated other comprehensive income</b>	<b>443,482</b>	<b>367,855</b>	<b>3,953</b>
Noncontrolling interests	17,854	17,468	159
<b>Total Net Assets</b>	<b>1,946,779</b>	<b>1,833,470</b>	<b>17,354</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 48,456,133</b>	<b>¥ 49,126,435</b>	<b>\$ 431,949</b>

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENT OF INCOME**  
**Resona Holdings, Inc. and consolidated subsidiaries**  
**For the fiscal year ended March 31, 2017**

	<b>Millions of yen</b>		<b>Millions of U.S. dollars (Note 1)</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>Income:</b>			
Interest income (Note 22)	¥ 406,328	¥ 443,549	\$ 3,622
Trust fees	17,928	21,295	159
Fees and commissions	200,556	203,144	1,787
Trading income (Note 23)	8,853	10,448	78
Other operating income (Note 24)	42,252	61,458	376
Other income (Note 26)	85,937	78,865	766
Total Income	761,857	818,761	6,791
<b>Expenses:</b>			
Interest expenses (Note 22)	28,422	42,200	253
Fees and commissions	57,845	55,727	515
Trading expenses	164	346	1
Other operating expenses (Note 24)	26,344	22,053	234
General and administrative expenses (Note 25)	362,497	347,513	3,231
Other expenses (Note 26)	58,372	100,389	520
Total Expenses	533,646	568,231	4,757
<b>Income before income taxes</b>	228,210	250,530	2,034
<b>Income taxes (Note 27):</b>			
Current	49,264	43,929	439
Deferred	16,642	21,800	148
Total income taxes	65,907	65,730	587
<b>Net income</b>	162,303	184,800	1,446
<b>Net income attributable to noncontrolling interests</b>	817	959	7
<b>Net income attributable to owners of parent</b>	¥ 161,485	¥ 183,840	\$ 1,439
	<b>Yen</b>		<b>U.S. dollars (Note 1)</b>
<b>Per common share information:</b>			
Net income per share (Basic) (Note 33)	¥ 66.89	¥ 75.73	\$ 0.59
Cash dividends per share applicable to the fiscal year (Notes 21 and 35)	19.00	17.00	0.16

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Resona Holdings, Inc. and consolidated subsidiaries**  
**For the fiscal year ended March 31, 2017**

	<b>Millions of yen</b>		<b>Millions of U.S. dollars (Note 1)</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>Net income</b>	¥ 162,303	¥ 184,800	\$ 1,446
<b>Other comprehensive income</b> (Note 32):			
Net unrealized gains (losses) on available-for-sale securities	67,287	(75,632)	599
Net deferred gains (losses) on hedges	(9,092)	16,382	(81)
Revaluation reserve for land	6	1,085	0
Foreign currency translation adjustments	(306)	(13,919)	(2)
Remeasurements of defined benefit plans	17,537	(21,107)	156
Share of other comprehensive income of affiliates accounted for using the equity method	(17)	(1)	(0)
Total other comprehensive income (loss)	75,414	(93,192)	672
<b>Total comprehensive income</b> (Note 32)	<u>¥ 237,718</u>	<u>¥ 91,607</u>	<u>\$ 2,119</u>
<b>Total comprehensive income attributable to</b> (Note 32):			
Owners of parent	¥ 237,112	¥ 103,168	\$ 2,113
Noncontrolling interests	605	(11,560)	5

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**Resona Holdings, Inc. and consolidated subsidiaries**  
**For the fiscal year ended March 31, 2017**

	Millions of yen												
	Stockholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on available-for-sale securities	Net deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
<b>Balance at April 1, 2015</b>	¥ 50,472	¥ 145,916	¥ 1,335,800	¥ (2,483)	¥ 1,529,706	¥ 423,076	¥ 33,158	¥ 43,485	¥ (1,542)	¥ (49,105)	¥ 449,072	¥ 164,600	¥ 2,143,379
Changes during the fiscal year													
Dividends paid- other capital surplus		(32,000)			(32,000)								(32,000)
Dividends paid			(74,660)		(74,660)								(74,660)
Net income attributable to owners of parent			183,840		183,840								183,840
Purchase of treasury stock				(159,842)	(159,842)								(159,842)
Disposal of treasury stock		(0)		587	587								587
Cancellation of treasury stock		(159,835)		159,835	—								—
Change in scope of consolidation			(29)		(29)								(29)
Transfer from retained earnings to capital surplus		45,919	(45,919)		—								—
Reversal of revaluation reserve for land			545		545								545
Net changes except for stockholders' equity during the fiscal year						(75,584)	16,382	540	(1,470)	(21,085)	(81,216)	(147,132)	(228,349)
<b>Total changes during the fiscal year</b>	—	(145,916)	63,776	581	(81,558)	(75,584)	16,382	540	(1,470)	(21,085)	(81,216)	(147,132)	(309,908)
<b>Balance at April 1, 2016</b>	50,472	—	1,399,576	(1,902)	1,448,147	347,491	49,540	44,025	(3,012)	(70,190)	367,855	17,468	1,833,470
Changes during the fiscal year													
Dividends paid			(49,204)		(49,204)								(49,204)
Net income attributable to owners of parent			161,485		161,485								161,485
Purchase of treasury stock				(75,712)	(75,712)								(75,712)
Disposal of treasury stock		(0)		726	726								726
Cancellation of treasury stock		(75,706)		75,706	—								—
Transfer from retained earnings to capital surplus		75,706	(75,706)		—								—
Net changes except for stockholders' equity during the fiscal year						67,258	(9,092)	6	(130)	17,586	75,627	386	76,013
<b>Total changes during the fiscal year</b>	—	—	36,573	721	37,295	67,258	(9,092)	6	(130)	17,586	75,627	386	113,308
<b>Balance at March 31, 2017</b>	¥ 50,472	—	¥ 1,436,150	¥ (1,181)	¥ 1,485,442	¥ 414,750	¥ 40,447	¥ 44,032	¥ (3,143)	¥ (52,604)	¥ 443,482	¥ 17,854	¥ 1,946,779

	Millions of U.S. dollars (Note1)												
	Stockholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on available-for-sale securities	Net deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
<b>Balance at April 1, 2016</b>	\$ 449	—	\$ 12,476	\$ (16)	\$ 12,909	\$ 3,097	\$ 441	\$ 392	\$ (26)	\$ (625)	\$ 3,279	\$ 155	\$ 16,344
Changes during the fiscal year													
Dividends paid			(438)		(438)								(438)
Net income attributable to owners of parent			1,439		1,439								1,439
Purchase of treasury stock				(674)	(674)								(674)
Disposal of treasury stock		(0)		6	6								6
Cancellation of treasury stock		(674)		674	—								—
Transfer from retained earnings to capital surplus		674	(674)		—								—
Net changes except for stockholders' equity during the fiscal year						599	(81)	0	(1)	156	674	3	677
<b>Total changes during the fiscal year</b>	—	—	326	6	332	599	(81)	0	(1)	156	674	3	1,010
<b>Balance at March 31, 2017</b>	\$ 449	—	\$ 12,802	\$ (10)	\$ 13,241	\$ 3,697	\$ 360	\$ 392	\$ (28)	\$ (468)	\$ 3,953	\$ 159	\$ 17,354

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Resona Holdings, Inc. and consolidated subsidiaries**  
**For the fiscal year ended March 31, 2017**

	Millions of yen		Millions of U.S. dollars (Note 1)
	2017	2016	2017
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 228,210	¥ 250,530	\$ 2,034
Adjustments for :			
Depreciation and amortization	25,434	26,288	226
Impairment losses on fixed assets	859	1,454	7
Equity in earnings of investments in affiliates	(130)	(116)	(1)
Decrease in reserve for possible loan losses	(33,594)	(7,500)	(299)
Increase (decrease) in reserve for possible losses on investments	5	(26)	0
Decrease in reserve for employees' bonuses	(801)	(3,094)	(7)
Increase in net defined benefit asset	(5,553)	(15,447)	(49)
Decrease in net defined benefit liability	(1,513)	(11,800)	(13)
Interest income	(406,328)	(443,549)	(3,622)
Interest expenses	28,422	42,200	253
Net gains on securities	(21,123)	(40,878)	(188)
Net foreign exchange gains	(16,627)	(33,828)	(148)
Net gains on disposal of fixed assets	(2,791)	(278)	(24)
Net decrease in trading assets	126,783	114,304	1,130
Net decrease in trading liabilities	(106,830)	(11,229)	(952)
Net increase in loans and bills discounted	(521,766)	(177,679)	(4,651)
Net increase in deposits	2,446,576	1,515,969	21,809
Net decrease in negotiable certificates of deposit	(378,910)	(786,140)	(3,377)
Net increase (decrease) in borrowed money (excluding subordinated borrowed money)	(109,824)	97,997	(978)
Net decrease in due from banks (excluding those deposited at Bank of Japan)	10,910	52,803	97
Net decrease (increase) in call loans and other	71,841	(104,494)	640
Net increase (decrease) in call money and other	101,466	(969,595)	904
Net increase in payables under securities lending transactions	284,165	120,985	2,533
Net decrease (increase) in foreign exchange assets	(26,588)	29,079	(237)
Net increase in foreign exchange liabilities	479	552	4
Net increase (decrease) in straight bonds	28,019	(3,038)	249
Net increase (decrease) in due to trust account	(2,692,353)	3,090,035	(24,000)
Interest receipts	405,973	447,677	3,618
Interest payments	(33,863)	(43,548)	(301)
Other - net	(125,727)	(13,920)	(1,120)
Subtotal	(725,178)	3,123,712	(6,464)
Income taxes paid	(32,275)	(57,984)	(287)
Net cash provided by (used in) operating activities	(757,454)	3,065,728	(6,752)
<b>Cash flows from investing activities:</b>			
Purchases of securities	(7,217,070)	(14,120,698)	(64,334)
Proceeds from sales of securities	6,825,911	14,632,322	60,847
Proceeds from redemption of securities	609,151	795,702	5,430
Increase in money held in trust	(827)	-	(7)
Purchases of tangible fixed assets	(10,197)	(12,106)	(90)
Proceeds from sales of tangible fixed assets	9,169	2,158	81
Purchases of intangible fixed assets	(3,331)	(3,488)	(29)
Proceeds from sales of intangible fixed assets	3	-	0
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	14	-
Other - net	(141)	(279)	(1)
Net cash provided by investing activities	212,667	1,293,625	1,895
<b>Cash flows from financing activities:</b>			
Repayment of subordinated borrowed money	-	(26,000)	-
Redemption of subordinated bonds	(192,662)	(172,761)	(1,717)
Dividends paid	(49,204)	(106,660)	(438)
Dividends paid to noncontrolling interests of consolidated subsidiaries	(219)	(293)	(1)
Purchases of treasury stock	(75,712)	(159,842)	(674)
Proceeds from sales of treasury stock	990	587	8
Net cash used in financing activities	(316,808)	(464,969)	(2,824)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(23)	(58)	(0)
<b>Net increase (decrease) in cash and cash equivalents</b>	(861,618)	3,894,326	(7,680)
<b>Cash and cash equivalents at the beginning of the fiscal year</b>	13,350,719	9,456,393	119,011
<b>Cash and cash equivalents at the end of the fiscal year (Note 3)</b>	¥ 12,489,100	¥ 13,350,719	\$ 111,330

See accompanying notes to the consolidated financial statements.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **Resona Holdings, Inc. and consolidated subsidiaries**

#### **Fiscal year ended March 31, 2017**

##### **1. BASIS OF PRESENTATION**

The accompanying consolidated financial statements have been prepared from the accounts maintained by Resona Holdings, Inc. (the "Company") and its consolidated subsidiaries (together, the "Group") in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations concerning preparation of consolidated financial statements, Ordinance for Enforcement of the Banking Act, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRSs").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

In addition, the notes to the consolidated financial statements include certain information, which is not required under Japanese GAAP, but is presented herein as additional information.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan and have been made at the rate of ¥112.18 to U.S. \$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2017. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

Amounts of less than one million yen and one million U.S. dollars have been rounded down to the nearest million in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

##### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

###### **(1) Use of estimates**

The preparation of consolidated financial statements in accordance with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

###### **(2) Principles of consolidation**

The Company defines its consolidation scope using the control and influence concept. Under the control and influence concept, those entities in which the Company, directly or indirectly, is able to exercise control over finance and operations through voting interest and/or other means are fully consolidated, and those entities over which the Group has the ability to exercise significant influence are accounted for by the equity method.

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

###### **(a) Scope of consolidation**

The number of consolidated subsidiaries as of March 31, 2017 and 2016 was fourteen.

The Group excludes accounts of certain subsidiaries from consolidation when the total assets, total income, net income or loss (applicable for the owned interest), retained earnings (applicable for the owned interest) and accumulated other comprehensive income (applicable for the owned interest) of these subsidiaries would not have a material effect on the consolidated financial statements.

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

The number of affiliates accounted for by the equity method as of March 31, 2017 and 2016 was one.

The equity method of accounting has not been applied to investments in certain non-consolidated subsidiaries and affiliates, as the net income or loss (applicable for the owned interest), retained earnings (applicable for the owned interest) and accumulated other comprehensive income (applicable for the owned interest) are immaterial in relation to the consolidated financial statements.

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

The balance sheet dates of the consolidated subsidiaries as of March 31, 2017 and 2016 were as follows:

(Number of consolidated subsidiaries)

	<u>2017</u>	<u>2016</u>
End of December .....	2	2
End of March .....	12	12

Subsidiaries have been consolidated based on their accounts at their respective balance sheet dates. Appropriate adjustments have been made for significant intervening transactions occurring during the period from the respective balance sheet dates of the above subsidiaries to the consolidated balance sheet date.

**(d) Eliminations of intercompany balances and transactions**

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit or loss included in assets and liabilities resulting from transactions within the Group is also eliminated.

**(e) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements**

The accounting policies and procedures applied to the 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.

Financial statements prepared by foreign subsidiaries in accordance with either IFRSs or accounting principles generally accepted in the United States of America may be tentatively used for the consolidation process; however, the following items should be adjusted in the consolidation process so that net income or loss is accounted for in accordance with Japanese GAAP unless they are not material:

- (i) Amortization of goodwill
- (ii) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (iii) Expensing capitalization of intangible assets arising from development phases
- (iv) Cancellation of fair value accounting model for tangible fixed assets and investment properties and incorporation of the cost accounting model

**(3) Trading assets and trading liabilities**

Transactions whose purposes are to earn a profit by taking advantage of short-term fluctuations in the market or arbitrage opportunities in interest rates, currency exchange rates, share prices or other market indices on different markets ("transactions for trading purposes") are included in "trading assets" or "trading liabilities," as appropriate, on the consolidated balance sheets on a trade-date basis.

Securities and monetary claims, etc. held for trading purposes are stated at fair value as of the consolidated balance sheet date. Derivatives including swaps, futures and options, held for trading purposes are stated at the fair values, which are determined using the exit price as if the respective contracts were closed out at the consolidated balance sheet date.

**(4) Trading income and trading expenses**

Income and expenses on transactions for trading purposes are included in "trading income" or "trading expenses," as appropriate, in the consolidated statements of income on a trade-date basis.

Trading income and trading expenses include interest received and paid during the fiscal year, net changes in fair value of securities and monetary claims, etc., and changes in the close-out value of derivatives during the fiscal year.

**(5) Securities**

Securities other than investments in non-consolidated subsidiaries and affiliates which are accounted for by the equity method are classified and accounted for, depending on management's intent, as follows:



- (i) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity, are stated at amortized cost determined by the moving-average method (the amortization/accumulation is calculated by the straight-line method).
- (ii) investments in non-consolidated subsidiaries and affiliates which are not accounted for by the equity method are stated at cost determined by the moving-average method.
- (iii) marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable tax effects, reported in a separate component of net assets. The fair values of equity securities with quoted market prices are determined based on the average quoted market prices in the last month of the fiscal year. The fair values of securities other than equity securities with quoted market prices are generally determined based on their respective quoted market prices at the balance sheet dates (the cost of these securities sold is determined by the moving-average method).
- (iv) non-marketable available-for-sale securities whose fair value cannot be reliably determined are stated at cost. The cost of these securities sold is determined by the moving-average method.

Investment securities other than trading securities are written down to estimated fair value when the decline in fair value is determined to be other-than-temporary based on the assessment of the severity and duration of the decline in value, the issuers' credit standing and certain other factors. Impairment losses are recognized by a charge against income.

## **(6) Derivatives and hedge accounting**

Derivatives are classified and accounted for as follows:

- (i) all derivatives other than those used for hedging purposes are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized currently in the consolidated statements of income.
- (ii) derivatives used for hedging purposes, if they meet certain hedging criteria, including high correlation and effectiveness between the hedging instruments and the hedged items, are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivatives used for hedging purposes are generally deferred over the terms of the hedged items and are reclassified into income or expenses when gains and losses on the hedged items are recognized. Net deferred gains or losses on qualifying hedges are reported as a separate component of net assets. Fair value hedge accounting can be applied for certain hedged items, including available-for-sale securities.

A special accounting treatment is applicable to certain hedging relationships with interest rate swaps. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria, requiring certain critical terms of the swaps and the hedged items to be substantially the same, are not remeasured at fair value and the interest differentials paid or received are recognized over the term of the swap agreements and netted with the interest income or expenses of the hedged transactions in the consolidated statements of income.

Generally, a specific hedging relationship is designated between a stand-alone derivative and a single asset or liability (or a group of identical assets or liabilities) as a condition for the application of hedge accounting. However, bank industry-specific hedge accounting may be applied as follows:

### **(a) Hedges of interest rate risk**

Consolidated domestic banking subsidiaries apply deferral hedge accounting to the hedges of interest rate risk associated with financial assets and liabilities in accordance with the Industry Audit Committee Report No. 24, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," issued by the Japanese Institute of Certified Public Accountants (the "JICPA") on February 13, 2002 (the "JICPA Industry Audit Committee Report No. 24").

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

For fair value hedges, a group of hedging instruments are designated as a hedge of a group of assets or liabilities which are grouped by their maturities in the same manner as the group of hedging instruments. The assessment of hedge effectiveness is generally based on the analysis of the changes in interest rate factors affecting the respective fair values of the groups of hedging instruments and hedged items rather than the assessment based on the accumulated changes in relevant fair values.

For cash flow hedges, the hedging instruments and hedged items are grouped based on their index repricing dates and/or maturities. A regression analysis is employed to test the correlations between interest rate indices underlying the hedging instruments and hedged items to determine the effectiveness of the hedge. A hedge is, however, assumed to be effective and the assessment can be omitted when the

interest rate indices are the same for each of the hedging instruments and hedged items, and the repricing dates and intervals are substantially identical for the hedging instruments and hedged items.

Certain assets and liabilities were accounted for using deferral hedge accounting or fair value hedge accounting, designating a stand-alone derivative as a hedge of a specific asset (group of assets) or specific liability (group of liabilities).

**(b) Hedges of foreign currency risk**

Consolidated domestic banking subsidiaries apply deferral hedge accounting to the hedges of foreign currency risk associated with financial assets and liabilities denominated in foreign currencies in accordance with the Industry Audit Committee Report No. 25 "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry" issued by the JICPA on July 29, 2002 (the "JICPA Industry Audit Committee Report No. 25").

In accordance with the JICPA Industry Audit Committee Report No. 25, consolidated domestic banking subsidiaries designate certain currency swaps and foreign exchange swaps as hedges for the exposure to changes in foreign exchange rates associated with receivables or payables denominated in foreign currencies when the foreign currency positions of the hedged receivables or payables including principal and the related accrued interest are expected to exceed the principal and related accrued interest on the hedging instruments over the terms of the hedging instruments. Hedges are assessed as effective when it is determined that banking subsidiaries continue to hold foreign currency positions of the hedging derivatives corresponding to the positions of the hedged items denominated in foreign currencies.

For hedges of available-for-sale securities (other than bonds) denominated in foreign currencies, consolidated domestic banking subsidiaries adopt deferral hedge accounting and fair value hedge accounting on a portfolio basis to hedge the foreign currency risk attributable to such securities. The hedging criteria include specific designation of hedged securities and the on- and off-balance sheet liabilities denominated in foreign currencies positions covering the costs of the hedged securities denominated in the same foreign currencies.

**(c) Inter-company and intra-company derivative transactions**

For inter-company and intra-company derivative transactions ("internal derivatives"), including currency and interest rate swaps, consolidated domestic banking subsidiaries currently recognize gains and losses on internal derivatives or defer them as assets or liabilities without elimination in accordance with the JICPA Industry Audit Committee Reports No. 24 and No. 25, which permit a bank to retain the gains and losses on internal derivatives without elimination in the financial statements if the bank establishes and follows the strict hedging criteria for external transactions, requiring mirror-image transactions to be entered into within three business days with external parties after the designation of the internal derivatives as hedging instruments.

**(7) Depreciation and amortization**

**(a) Tangible fixed assets (except for leased assets)**

Depreciation of tangible fixed assets (except for leased assets) is mainly computed using the straight-line method for buildings and using the declining-balance method for equipment over the estimated useful lives. The estimated useful lives of major tangible fixed assets are as follows:

Buildings:	3 - 50 years
Equipment:	2 - 20 years

**(b) Intangible fixed assets (except for leased assets)**

Amortization of intangible fixed assets (except for leased assets) is computed using the straight-line method. Costs of software developed and obtained for internal use are capitalized and amortized using the straight-line method over the estimated useful lives (mainly five years).

**(c) Leased assets**

Leased assets other than those under finance lease transactions that are deemed to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the lease term. Residual value of those leased assets is zero unless any guaranteed amount is prescribed in the lease agreement.

Furthermore, depreciation of leased assets deemed to transfer ownership to the lessee is computed by the same method used for owned assets.

**(8) Deferred charges**

Bond issuance costs are charged to expense as incurred.

## **(9) Long-lived assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group (identified as a cash-generating unit) exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group (i.e., value in use) or the net selling price at disposition.

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

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

## **(10) Dormant deposits**

Consolidated domestic banking subsidiaries derecognize the balance of customer deposits in their balance sheets and recognize a gain when they determine that the deposit account has been dormant for a period of more than five years and they are not able to locate or identify claimants for the balance after reasonable efforts. However, the balance has generally been reimbursed subsequent to the period of derecognition if a legitimate claimant appears, and such reimbursement of deposit is accounted for as a charge against income.

The Company provides a reserve for future losses on estimated reimbursements in response to the legitimate claims subsequent to the period of derecognition of the related deposit liabilities.

## **(11) Reserve for possible loan losses**

The principal consolidated subsidiaries have provided a reserve for possible loan losses in accordance with their internal standards for write-offs and reserves as follows:

For claims to insolvent borrowers who are undergoing bankruptcy, special liquidation or bankrupt obligors ("bankrupt obligors") or who are in substantially the same deteriorating financial condition although not yet in formal bankruptcy proceedings ("effectively bankrupt obligors"), a reserve is provided at the full amount of claims after deducting any direct write-offs and excluding the amounts deemed collectible from the disposal of collateral and the amounts recoverable from the execution of guarantees.

For claims to borrowers who are not currently in the condition of bankruptcy or insolvency but with a high probability of becoming insolvent and certain identified claims subject to close watch, the discounted cash flow method (the "DCF method") is applied to determine the amount of reserve for individually large balances which exceed a certain pre-established threshold amount. The DCF method, however, is applied only when future cash flows from collection of principal and interest can be reasonably estimated. Under the DCF method, a reserve is provided for the difference between the present value of future cash flows discounted by the original interest rate and the carrying value of the claim.

For claims to other borrowers, a reserve is computed by using the loan loss ratios derived from the historical loss experience for a specified period.

For claims to certain foreign borrowers with country risk exposure, a reserve is provided for the estimated losses determined by considering the political and economic situation of respective countries.

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

For collateralized or guaranteed claims to bankrupt obligors and effectively bankrupt obligors, uncollectible amounts (i.e., the carrying value less the amounts collectible from the disposal of collateral and execution of guarantees) are directly written off. Such uncollectible amounts as of March 31, 2017 and 2016 were ¥161,277 million (\$1,437 million) and ¥184,764 million, respectively.

Other consolidated subsidiaries mainly provide a general reserve against claims at the amount deemed necessary based on their historical loan-loss experience, and a reserve for specific claims individually determined to be uncollectible such as those to bankrupt obligors.

**(12) Reserve for possible losses on investments**

A reserve for possible losses on investments is provided for the estimated losses on certain non-marketable equity securities based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in fair values of the investments.

**(13) Reserve for employees' bonuses**

A reserve for employees' bonuses is provided for the payment of performance bonuses to employees at an estimated amount accrued as of the consolidated balance sheet dates.

**(14) Employees' retirement benefits**

Net defined benefit liability and/or asset are provided for the payment of retirement benefits to employees in the amount deemed necessary based on the projected benefit obligation and the fair value of plan assets as of the consolidated balance sheet date.

Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the method of attributing expected benefit to the respective periods until this fiscal year end.

Prior service cost is charged to expense as incurred. Unrecognized actuarial gains and losses are amortized from the next year of incurrence by the straight-line method over a period (ten years) defined within the average remaining service period of eligible employees.

Certain consolidated subsidiaries estimated net defined benefit liability and retirement benefit costs using the simplified method whereby the retirement benefit obligations amount that would be payable if the eligible employees terminate the employment on the consolidated balance sheet date.

**(15) Other reserves**

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

**(16) Translation of foreign currencies**

Consolidated domestic banking subsidiaries translate assets and liabilities denominated in foreign currencies into Japanese yen primarily at the exchange rates at the consolidated balance sheet dates, with the exception of investments in affiliates which are translated at historical exchange rates.

The financial statements of foreign subsidiaries are translated into Japanese yen at the exchange rates as of the respective balance sheet dates, except for net assets accounts, which are translated at historical exchange rates. Differences arising from such translations are shown as "foreign currency translation adjustments" as a separate component of net assets.

Assets and liabilities denominated in foreign currency of domestic non-banking consolidated subsidiaries are translated into Japanese yen at the exchange rates at the respective balance sheet dates.

**(17) Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 amounts on consolidated balance sheet and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Group assesses the realizability of deferred tax assets based on an assessment of the available evidence, including future taxable income, future reversal of existing temporary differences and tax planning strategies. A valuation allowance reduces the carrying amount of deferred tax assets to the extent that it is not probable that sufficient taxable income will be available to allow the benefit of part or all of the deferred tax assets to be realized. Such valuation allowance may be reversed to the extent that it becomes probable that sufficient taxable income will be available and warrant the realization of tax benefits.

The Company has filed with the Japanese tax authorities a national income tax return under the consolidated corporate-tax system, which allows national income tax payments to be based on the combined profits or losses of the Company and its wholly owned domestic subsidiaries. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected combined profits or losses of eligible companies in accordance with the consolidated corporate-tax system. Consolidated corporate-tax amounts, once determined, are allocated to each of the subsidiaries and are used as a basis for the income taxes to be recorded in their separate financial statements.

**(18) Consumption taxes**

The Company and its domestic consolidated subsidiaries accounts for national and local consumption taxes by the tax-exclusion method whereby receipts and payments of consumption taxes are not included in the transaction amounts and, accordingly, consumption tax amounts do not affect the measurement of profit or loss transactions.

**(19) Cash and cash equivalents**

Cash and cash equivalents in the consolidated statements of cash flows include cash and the balances due from the Bank of Japan.

**(20) Per share information**

Basic net income per share of common stock is computed by dividing net income attributable to common stock by the weighted-average number of shares of common stock outstanding during the fiscal year, retroactively adjusted for any stock splits.

Net assets per share of common stock is computed by dividing net assets attributable to common stock by the number of common stock outstanding at the end of the fiscal year.

**(21) Accounting changes and error corrections**

The Group has adopted ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under these standard and guidance are as follows:

(i) Changes in accounting policies

When a new accounting policy is applied following revision of an accounting standard, a new policy is applied retrospectively unless the revised accounting standard includes specific transitional, in which case the entity shall comply with the specific transitional provisions.

(ii) Changes in presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(iii) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(iv) Corrections of prior period error

When a material error in prior period financial statements is discovered, those statements are restated.

**(22) Employee stock ownership plan (Stock Benefit Trust)**

The Company established the Employee stock ownership plan-type Stock Benefit Trust for the Employee Shareholdings Association ("ESOP Trust") on January 31, 2012, and completed the intended stock acquisitions by April 19, 2012. The acquisition and disposal of shares by the ESOP Trust were accounted for as if the Company and the ESOP Trust were a single entity since the Company guarantees the obligation of the ESOP Trust. Therefore, the stocks of the Company owned by the ESOP Trust are disclosed as treasury stocks on the consolidated balance sheet. In addition, all assets and liabilities as well as income and expenses of the ESOP Trust are reflected in the consolidated financial statements.

**(23) Accounting change for the fiscal year ended March 31, 2017**

***Practical solution on a change in depreciation method due to Tax Reform 2016***

Following the revision to the Corporation Tax Act, the Group applied ASBJ Practical Issues Task Force No. 32 "Practical Solution on a change in depreciation method due to Tax Reform 2016" issued on June 17, 2016, from the beginning of the fiscal year beginning on April 1, 2016.

Accordingly, the depreciation method for building facilities and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

Effects of this change are immaterial.

**(24) Additional Information**

***Implementation guidance on recoverability of deferred tax assets***

On March 28, 2016, the ASBJ issued the revised ASBJ Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets." This guidance takes over the treatment of the recoverability of deferred tax assets formerly defined in the Audit Committee Report No. 66, "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" issued by the JICPA and partially revised by the ASBJ.

The Group applied this guidance from the beginning of the fiscal year beginning on April 1, 2016.

### 3. CASH AND CASH EQUIVALENTS

The reconciliation between “Cash and cash equivalents” in the consolidated statements of cash flows and “Cash and due from banks” in the consolidated balance sheets as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Cash and due from banks .....	¥ 12,641,987	¥ 13,514,516	\$ 112,693
Less: Due from banks except for the Bank of Japan .....	(152,887)	(163,797)	(1,362)
Cash and cash equivalents .....	¥ 12,489,100	¥ 13,350,719	\$ 111,330

### 4. TRADING ASSETS AND TRADING LIABILITIES

Trading assets and liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Trading assets:			
Trading securities .....	¥ 156,743	¥ 174,547	\$ 1,397
Derivatives of trading securities .....	—	2	—
Trading-related financial derivatives .....	191,855	300,833	1,710
Total .....	¥ 348,599	¥ 475,382	\$ 3,107
Trading liabilities:			
Derivatives of trading securities .....	¥ 4	¥ —	\$ 0
Derivatives of securities related to trading transactions .....	11	—	0
Trading-related financial derivatives .....	184,793	291,639	1,647
Total .....	¥ 184,809	¥ 291,639	\$ 1,647

### 5. SECURITIES

Securities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Japanese government bonds .....	¥ 2,309,858	¥ 2,646,290	\$ 20,590
Japanese local government bonds .....	576,937	574,980	5,142
Japanese corporate bonds .....	820,054	858,833	7,310
Japanese stocks .....	964,869	851,599	8,601
Other securities .....	624,066	415,020	5,563
Total .....	¥ 5,295,787	¥ 5,346,725	\$ 47,207

As of March 31, 2017 and 2016, securities included equity investments in non-consolidated subsidiaries and affiliates, accounted for by the equity method or the cost method, of ¥19,698 million (\$175 million) and ¥19,633 million, respectively, and capital subscriptions to entities such as limited liability companies of ¥7,645 million (\$68 million) and ¥6,311 million, respectively.

The amounts on the consolidated balance sheet, estimated fair value and unrealized gains (losses) on held-to-maturity debt securities as of March 31, 2017 and 2016 were as follows:

Millions of yen			
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
<b>March 31, 2017</b>			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	¥ 1,765,086	¥ 1,819,860	¥ 54,773
Japanese local government bonds .....	424,952	438,904	13,951
Japanese corporate bonds .....	37,214	37,595	380
Total .....	¥ 2,227,253	¥ 2,296,359	¥ 69,106
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	¥ 6,088	¥ 5,875	¥ (212)
Japanese local government bonds .....	4,895	4,827	(68)
Japanese corporate bonds .....	39,474	38,145	(1,328)
Total .....	¥ 50,457	¥ 48,848	¥ (1,608)
Grand total .....	¥ 2,277,711	¥ 2,345,208	¥ 67,497

**March 31, 2016**

Fair value exceeding amount on consolidated balance sheet:

Held-to-maturity debt securities:			
Japanese government bonds .....	¥ 1,879,849	¥ 1,955,015	¥ 75,165
Japanese local government bonds .....	467,764	485,710	17,946
Japanese corporate bonds .....	34,799	35,338	538
Total .....	¥ 2,382,413	¥ 2,476,064	¥ 93,650

Fair value below amount on consolidated balance sheet:

Held-to-maturity debt securities:			
Japanese local government bonds .....	¥ 737	¥ 737	¥ (0)
Japanese corporate bonds .....	370	365	(4)
Total .....	¥ 1,107	¥ 1,102	¥ (5)
Grand total .....	¥ 2,383,521	¥ 2,477,166	¥ 93,645

Millions of U.S. dollars			
	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
<b>March 31, 2017</b>			
Fair value exceeding amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	\$ 15,734	\$ 16,222	\$ 488
Japanese local government bonds .....	3,788	3,912	124
Japanese corporate bonds .....	331	335	3
Total .....	\$ 19,854	\$ 20,470	\$ 616
Fair value below amount on consolidated balance sheet:			
Held-to-maturity debt securities:			
Japanese government bonds .....	\$ 54	\$ 52	\$ (1)
Japanese local government bonds .....	43	43	(0)
Japanese corporate bonds .....	351	340	(11)
Total .....	449	435	(14)
Grand total .....	\$ 20,304	\$ 20,905	\$ 601

The amounts on the consolidated balance sheet, acquisition or amortized cost and unrealized gains (losses) on available-for-sale securities as of March 31, 2017 and 2016 were as follows:

Millions of yen			
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
<b>March 31, 2017</b>			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese stocks .....	¥ 897,457	¥ 331,512	¥ 565,945
Bonds:			
Japanese government bonds .....	248,057	247,466	590
Japanese local government bonds .....	27,050	26,990	59
Japanese corporate bonds .....	575,022	570,854	4,168
Total bonds .....	850,130	845,312	4,818
Other .....	89,488	82,613	6,875
Total .....	¥ 1,837,076	¥ 1,259,438	¥ 577,638
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese stocks .....	¥ 14,969	¥ 17,168	¥ (2,199)
Bonds:			
Japanese government bonds .....	290,625	296,705	(6,079)
Japanese local government bonds .....	120,039	120,835	(796)
Japanese corporate bonds .....	168,343	168,953	(610)
Total bonds .....	579,008	586,494	(7,486)
Other .....	532,745	544,799	(12,054)
Total .....	¥ 1,126,723	¥ 1,148,462	¥ (21,739)
Grand total .....	¥ 2,963,800	¥ 2,407,901	¥ 555,899
<b>March 31, 2016</b>			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese stocks .....	¥ 762,964	¥ 312,910	¥ 450,054
Bonds:			
Japanese government bonds .....	731,029	724,788	6,241
Japanese local government bonds .....	71,374	70,603	771
Japanese corporate bonds .....	763,930	755,944	7,986
Total bonds .....	1,566,334	1,551,336	14,998
Other .....	175,399	165,358	10,040
Total .....	¥ 2,504,699	¥ 2,029,605	¥ 475,093
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese stocks .....	¥ 35,692	¥ 38,913	¥ (3,221)
Bonds:			
Japanese government bonds .....	35,412	35,456	(44)
Japanese local government bonds .....	35,104	35,162	(57)
Japanese corporate bonds .....	59,732	59,991	(258)
Total bonds .....	130,248	130,610	(361)
Other .....	252,275	263,143	(10,867)
Total .....	¥ 418,217	¥ 432,667	¥ (14,450)
Grand total .....	¥ 2,922,916	¥ 2,462,272	¥ 460,643



Millions of U.S. dollars			
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
<b>March 31, 2017</b>			
Amount on consolidated balance sheet exceeding acquisition or amortized cost:			
Japanese stocks .....	\$ 8,000	\$ 2,955	\$ 5,044
Bonds:			
Japanese government bonds .....	2,211	2,205	5
Japanese local government bonds .....	241	240	0
Japanese corporate bonds .....	5,125	5,088	37
Total bonds .....	7,578	7,535	42
Other .....	797	736	61
Total .....	\$ 16,376	\$ 11,226	\$ 5,149
Amount on consolidated balance sheet below acquisition or amortized cost:			
Japanese stocks .....	\$ 133	\$ 153	\$ (19)
Bonds:			
Japanese government bonds .....	2,590	2,644	(54)
Japanese local government bonds .....	1,070	1,077	(7)
Japanese corporate bonds .....	1,500	1,506	(5)
Total bonds .....	5,161	5,228	(66)
Other .....	4,749	4,856	(107)
Total .....	\$ 10,043	\$ 10,237	\$ (193)
Grand total .....	\$ 26,420	\$ 21,464	\$ 4,955

Proceeds from sales of available-for-sale securities, gains on sales and losses on sales for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen			Millions of U.S. dollars		
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
<b>March 31, 2017</b>						
Available-for-sale securities:						
Japanese stocks .....	¥ 10,827	¥ 7,416	¥ 55	\$ 96	\$ 66	\$ 0
Bonds:						
Japanese government bonds .....	3,837,128	9,986	7,512	34,205	89	66
Japanese local government bonds .....	161,317	1,027	14	1,438	9	0
Japanese corporate bonds .....	262,287	1,333	138	2,338	11	1
Total bonds .....	4,260,733	12,347	7,665	37,981	110	68
Other .....	2,484,400	34,954	24,490	22,146	311	218
Total .....	¥ 6,755,961	¥ 54,719	¥ 32,211	\$ 60,224	\$ 487	\$ 287
<b>March 31, 2016</b>						
Available-for-sale securities:						
Japanese stocks .....	¥ 25,708	¥ 16,456	¥ 165			
Bonds:						
Japanese government bonds .....	11,862,489	32,020	1,025			
Japanese local government bonds .....	195,319	4,065	2			
Japanese corporate bonds .....	353,363	3,837	24			
Total bonds .....	12,411,172	39,923	1,051			
Other .....	2,315,003	32,278	41,865			
Total .....	¥ 14,751,883	¥ 88,658	¥ 43,083			

For the fiscal years ended March 31, 2017 and 2016, the Group did not reclassify any securities.

An impairment of securities is recognized if the decline in fair values is substantial and the decline is determined to be other than temporary.

For the fiscal years ended March 31, 2017 and 2016, impairment losses of ¥63 million (\$0 million) and ¥2,782 million, respectively, were recorded with respect to securities with fair values except for trading securities.

To assess whether or not a decline in fair values is substantial, the Group considers not only the severity and duration of the decline in value but also the classification of the security issuer is used in the self-assessment of asset quality as follows:

- (i) For issuers who are classified as bankrupt obligors, effectively bankrupt obligors and doubtful obligors: where the fair value is lower than the amortized cost or acquisition cost.
- (ii) For issuers who are classified as watch obligors and for issuers who are not rated: where the fair value declines by 30% or more compared to the amortized cost or acquisition cost.
- (iii) Other: where the fair value declines by 50% or more compared to the amortized cost or acquisition cost.

The amount on the consolidated balance sheet, acquisition or amortized cost and unrealized gains (losses) on other money held in trust as of March 31, 2017 and 2016 were as follows:

Millions of yen					
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)	Amount on consolidated balance sheet exceeding acquisition or amortized cost	Amount on consolidated balance sheet below acquisition or amortized cost
<b>March 31, 2017</b>					
Other money held in trust	¥ 1,005	¥ 1,005	¥ —	¥ —	¥ —
<b>March 31, 2016</b>					
Other money held in trust	¥ 178	¥ 178	¥ —	¥ —	¥ —

Millions of U.S. dollars					
	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)	Amount on consolidated balance sheet exceeding acquisition or amortized cost	Amount on consolidated balance sheet below acquisition or amortized cost
<b>March 31, 2017</b>					
Other money held in trust	\$ 8	\$ 8	\$ —	\$ —	\$ —

There was no money held in trust for trading purpose or held for maturity as of March 31, 2017 and 2016.

Reconciliation of net unrealized gains on available-for-sale securities to the amounts included in “net unrealized gains on available-for-sale securities,” presented as a separate component of net assets as of March 31, 2017 and 2016 in the consolidated balance sheets, was as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Net unrealized gains before taxes on available-for-sale securities (*)	¥ 548,236	¥ 452,867	\$ 4,887
Deferred tax liabilities	(133,431)	(105,349)	(1,189)
Net unrealized gains on available-for-sale securities (before adjustment)	414,805	347,518	3,697
Amounts attributable to noncontrolling interests	(70)	(65)	(0)
The Company's portion of unrealized gains on available-for-sale securities of equity method investees	14	38	0
Amounts recorded in the consolidated balance sheets	¥ 414,750	¥ 347,491	\$ 3,697

Note: (\*) For the fiscal years ended March 31, 2017 and 2016, discontinued fair value hedge gains previously recognized as income of ¥7,662 million (\$68 million) and ¥7,775 million, respectively, were excluded from net unrealized gains before taxes on available-for-sale securities.

There were no securities loaned without collateral, securities borrowed without collateral, securities purchased under resale agreements or securities received under securities borrowing transactions collateralized with cash as of March 31, 2017 and 2016.

## 6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Bills discounted.....	¥ 98,691	¥ 113,291	\$ 879
Loans on notes.....	532,207	625,345	4,744
Loans on deeds.....	24,721,843	24,069,143	220,376
Overdrafts.....	2,833,988	2,857,183	25,262
Total .....	¥ 28,186,730	¥ 27,664,964	\$ 251,263

The following loans were included in loans and bills discounted as of March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Loans to borrowers in legal bankruptcy .....	¥ 21,549	¥ 28,494	\$ 192
Past due loans.....	297,029	314,305	2,647
Loans past due three months or more.....	2,410	3,823	21
Restructured loans .....	191,410	216,510	1,706
Total .....	¥ 512,400	¥ 563,133	\$ 4,567

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

“Loans to borrowers in legal bankruptcy” are loans on which accrued interest income is not recognized and which are highly probable to become unrecoverable. Specific conditions for inclusion in this category are as follows:

- (i) Borrowers have made application for procedures under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, liquidation under the Companies Act of Japan (the “Companies Act”), or liquidation under other legal provisions.
- (ii) Clearance of promissory notes or bills issued by the borrower is suspended.

“Past due loans” are loans on which accrued interest income is not recognized, excluding “loans to borrowers in legal bankruptcy” and loans on which interest payments are deferred in order to support the borrowers’ recovery from financial difficulties.

“Loans past due three months or more” include accruing loans for which principal or interest is past due three months or more.

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

Bills discounted are recorded as lending transactions in accordance with the JICPA Industry Audit Committee Report No. 24 issued on February 13, 2002. Certain consolidated banking subsidiaries have a right to sell or repledge as collateral such discounted bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, which were obtained at a discount, were ¥106,402 million (\$948 million) and ¥121,176 million as of March 31, 2017 and 2016, respectively.

For loan participations, the total outstanding amounts deducted from the principal of loans and bills discounted as of March 31, 2017 amounted to ¥3,000 million (\$26 million), which are deemed to be sold to other participant, in accordance with the Accounting System Committee Report No. 3, “Accounting Treatment and Representation of Loan Participation” issued by JICPA on November 28, 2014.

## 7. FOREIGN EXCHANGE

Foreign exchange assets and liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Assets:			
Due from foreign banks.....	¥ 56,319	¥ 30,372	\$ 502
Foreign bills of exchange bought .....	7,710	7,884	68
Foreign bills of exchange receivable.....	31,424	30,609	280
Total .....	¥ 95,455	¥ 68,866	\$ 850
Liabilities:			
Due to foreign banks.....	¥ 1,456	¥ 716	\$ 12
Foreign bills of exchange sold.....	254	364	2
Foreign bills of exchange payable.....	760	910	6
Total .....	¥ 2,471	¥ 1,991	\$ 22

## 8. OTHER ASSETS

Other assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Prepaid expenses.....	¥ 15,162	¥ 16,361	\$ 135
Accrued income.....	46,093	46,789	410
Initial margins for futures transactions .....	25,641	20,308	228
Financial derivatives, principally including option premiums and contracts under hedge accounting .....	270,590	401,581	2,412
Guarantee deposits .....	19,984	20,386	178
Cash collateral paid for financial instruments .....	80,020	83,254	713
Other receivable on sales of securities.....	121,840	195,304	1,086
Other .....	191,266	88,857	1,704
Total .....	¥ 770,601	¥ 872,845	\$ 6,869

## 9. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Land, buildings and leased assets.....	¥ 532,944	¥ 529,472	\$ 4,750
Construction in progress.....	2,200	4,370	19
Subtotal.....	535,144	533,842	4,770
Accumulated depreciation .....	(231,108)	(226,232)	(2,060)
Total .....	¥ 304,035	¥ 307,610	\$ 2,710

Under certain conditions such as exchanges of tangible fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to effectively defer the recognition of taxable profit arising from such transactions by reducing the cost of the assets acquired. Such deferred profit amounted to ¥49,884 million (\$444 million) and ¥50,979 million as of March 31, 2017 and 2016, respectively.

## 10. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Software .....	¥ 7,457	¥ 7,184	\$ 66
Leased assets .....	18,795	20,086	167
Other intangible fixed assets .....	5,124	5,118	45
Total .....	¥ 31,377	¥ 32,389	\$ 279

## 11. LONG-LIVED ASSETS

For the fiscal years ended March 31, 2017 and 2016, the Group recognized impairment losses on long-lived assets of ¥859 million (\$7 million) and ¥1,454 million, respectively. For all assets on which impairment losses were recognized, the Group used an estimated net selling price as the recoverable amount, which was higher than the discounted value in use.

## 12. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and debt collateralized as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Assets pledged as collateral:			
Cash and due from banks .....	¥ 5,910	¥ 10,682	\$ 52
Trading assets .....	4,999	6,000	44
Securities .....	2,433,698	2,569,098	21,694
Loans and bills discounted .....	73,762	117,731	657
Other assets .....	7,754	7,739	69
Debt collateralized:			
Deposits .....	¥ 195,318	¥ 203,109	\$ 1,741
Payables under repurchase agreements .....	5,000	5,999	44
Payables under securities lending transactions .....	429,272	145,107	3,826
Borrowed money .....	612,681	739,748	5,461

In addition to the pledged assets shown above, the following assets were pledged as collateral for settlements of domestic exchanges, or for futures transactions as of March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Assets pledged as collateral:			
Cash and due from banks .....	¥ 80	¥ 80	\$ 0
Securities .....	724,392	832,945	6,457
Other assets .....	108,543	613	967

In addition to the above, initial margins for futures transactions, cash collateral paid for financial instruments and guarantee deposits are included in other assets.

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Initial margins for futures transactions .....	¥ 25,641	¥ 20,308	\$ 228
Cash collateral paid for financial instruments .....	80,020	83,254	713
Guarantee deposits .....	19,984	20,386	178

## 13. COMMITMENT LINE AGREEMENTS

Overdraft agreements on current accounts and commitment line agreements for loans are agreements to extend loans up to the prearranged amount at a quoted rate during a specific future period upon customers' requests, unless any terms or conditions in the agreements are violated.

Unused balances related to these agreements as of March 31, 2017 and 2016 amounted to ¥8,978,881 million (\$80,039 million) and ¥8,669,077 million, respectively, including ¥8,497,074 million (\$75,744 million) and ¥8,221,779 million, respectively, of agreements with original terms of one year or less or those that are unconditionally cancellable by the Group at any time without penalty.

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

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

## 14. DEPOSITS

Deposits as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Current deposits .....	¥ 3,225,288	¥ 2,981,901	\$ 28,751
Ordinary deposits .....	24,946,621	22,619,349	222,380
Savings deposits .....	344,939	350,540	3,074
Notice deposits .....	121,014	122,952	1,078
Time deposits .....	10,728,843	10,903,441	95,639
Other deposits .....	1,308,690	1,250,634	11,665
Total .....	¥ 40,675,397	¥ 38,228,820	\$ 362,590

## 15. BORROWED MONEY AND LEASE OBLIGATIONS

### (1) Borrowed money

The weighted average annual interest rates applicable to borrowed money were 0.38% and 0.34% for the fiscal years ended March 31, 2017 and 2016, respectively.

Borrowed money included borrowings from the Bank of Japan and other financial institutions.

The following is a summary of maturities of borrowed money subsequent to March 31, 2017:

<b>Fiscal Year Ending March 31</b>	Millions of yen	Millions of U.S. dollars
2018 .....	¥ 138,159	\$ 1,231
2019 .....	81,177	723
2020 .....	163,728	1,459
2021 .....	278,533	2,482
2022 .....	4,564	40
2023 and thereafter .....	33,062	294
Total .....	¥ 699,224	\$ 6,233

### (2) Obligations under finance lease transactions

As of March 31, 2017 and 2016, the weighted average annual interest rates applicable to the finance lease obligations were 0.15% and 0.16%, respectively.

The following is a summary of maturities of the finance lease obligations subsequent to March 31, 2017:

<b>Fiscal Year Ending March 31</b>	Millions of yen	Millions of U.S. dollars
2018 .....	¥ 11,853	\$ 105
2019 .....	9,283	82
2020 .....	7,051	62
2021 .....	4,459	39
2022 .....	2,013	17
2023 and thereafter .....	728	6
Total .....	¥ 35,389	\$ 315

The finance lease obligations were included in other liabilities in the consolidated balance sheet.

## 16. BONDS

Bonds as of March 31, 2017 and 2016 consisted of the following:

	Rate	Maturity	Millions of Yen	Millions of U.S. dollars
<b>March 31, 2017</b>				
The Company:				
Straight bond.....	0.399%	December 13, 2017	¥ 50,000	\$ 445
Straight bond.....	0.05%	July 27, 2021	30,000	267
Straight bond.....	0.12%	January 24, 2022	25,000	222
Resona Bank, Limited:				
Subordinated bonds.....	1.32% to 5.85%	June 20, 2019 to Perpetuity	322,000	2,870
Saitama Resona Bank, Limited:				
Subordinated bonds.....	1.24% to 1.45%	October 19, 2021 to July 27, 2022	25,000	222
P.T. Bank Resona Perdania (*2):				
Straight bond (*4).....	10.50%	February 26, 2019	4,336	38
Total .....			¥ 456,336	\$ 4,067
<b>March 31, 2016</b>				
The Company:				
Straight bond.....	0.644%	September 20, 2016	¥ 30,000	
Straight bond.....	0.399%	December 13, 2017	50,000	
Resona Bank, Limited:				
Subordinated bonds (*1) .....	1.32% to 5.85%	June 20, 2019 to Perpetuity	468,496	
Saitama Resona Bank, Limited:				
Subordinated bonds.....	1.24% to 1.45%	October 19, 2021 to July 27, 2022	75,000	
P.T. Bank Resona Perdania (*2):				
Straight bond (*3).....	10.65%	November 12, 2016	1,316	
Total .....			¥ 624,812	

Notes: (\*1) The amount includes the balances of bonds denominated in foreign currency issued at U.S. \$1,299 million as of March 31, 2016.

(\*2) P.T. Bank Resona Perdania is a consolidated subsidiary of Resona Bank, Limited ("Resona Bank") which has 43.4% of its voting rights.

(\*3) The amount includes the balance of bonds denominated in foreign currency issued at IDR Rp 149,628 million as of March 31, 2016.

(\*4) The amount includes the balance of bonds denominated in foreign currency issued at IDR Rp 498,420 million as of March 31, 2017.

5 All of the outstanding bonds are unsecured.

The following is a summary of the maturities of bonds subsequent to March 31, 2017:

<b>Fiscal Year Ending March 31</b>	Millions of yen	Millions of U.S. dollars
2018 .....	¥ 50,000	\$ 445
2019 .....	—	—
2020 .....	104,336	930
2021 .....	40,000	356
2022 .....	115,000	1,025
2023 and thereafter .....	147,000	1,310
Total .....	¥ 456,336	\$ 4,067

Note: The above amounts are stated at carrying amounts.

## 17. OTHER LIABILITIES

Other liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Accrued income taxes .....	¥ 17,325	¥ 9,660	\$ 154
Accrued expenses .....	16,570	22,334	147
Unearned income .....	15,998	17,374	142
Cash collateral received for financial instruments.....	113,958	148,340	1,015
Lease obligations.....	35,389	33,470	315
Asset retirement obligations .....	1,500	1,360	13
Other payable on purchases of securities .....	20,906	33,660	186
Financial derivatives, principally including option premiums and contracts under hedge accounting .....	200,138	308,914	1,784
Other .....	407,959	409,891	3,636
Total .....	¥ 829,747	¥ 985,007	\$ 7,396

## 18. OTHER RESERVES

- (i) A reserve for losses on reimbursement of dormant deposits is provided for the estimated future losses resulting from reimbursements of dormant deposits subsequent to the period of derecognition of the related liabilities, and amounted to ¥32,570 million (\$290 million) and ¥28,775 million as of March 31, 2017 and 2016, respectively.
- (ii) A reserve for Resona Club points is provided for the estimated future expense by usage of the points awarded to the Resona Club members and amounted to ¥5,475 million (\$48 million) and ¥4,954 million as of March 31, 2017 and 2016, respectively.
- (iii) A reserve for expense on burden charge under the credit guarantee system is provided for the estimated future losses to be charged by the credit guarantee corporation under the burden sharing system for credit losses on loans to certain small and medium-sized companies, and amounted to ¥4,265 million (\$38 million) and ¥4,900 million as of March 31, 2017 and 2016, respectively.

## 19. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "acceptances and guarantees." As a contra account, "customers' liabilities for acceptances and guarantees" are shown on the assets side of the consolidated balance sheets, representing the Group's right of indemnity from the applicants.

In addition to the acceptances and guarantees described above, a consolidated domestic banking subsidiary guarantees the principals on certain jointly managed trust products. The guaranteed principal amounts held in such trusts were ¥1,031,738 million (\$9,197 million) and ¥3,728,256 million as of March 31, 2017 and 2016, respectively.

## 20. REVALUATION RESERVE FOR LAND

Effective March 31, 1998, certain domestic consolidated subsidiaries adopted a special one-time measure to revalue their land used in operations in accordance with the "Act Concerning Land Revaluation" (Act 34, announced on March 31, 1998). The land revaluation differences have been recorded in "revaluation reserve for land" as a separate component of net assets with the related income taxes included in "deferred tax liabilities for land revaluation."

In accordance with Article 3, Item 3 of the Act, the revaluation was based on the official notice prices stated in the "Act of Public Notice of Land Prices" (assessment date, January 1, 1998) as stipulated in Article 2, Item 1 of the "Ordinance for the Act Concerning Land Revaluation" (Government Ordinance No. 119, announced on March 31, 1998) after making reasonable adjustments for the location and quality of the sites.

The aggregate carrying value of the land after one-time revaluation exceeded its aggregate fair value that was determined in accordance with Article 10 of the Act by ¥19,790 million (\$176 million) and ¥23,505 million as of March 31, 2017 and 2016, respectively.



## 21. NET ASSETS

### **Capital requirement**

The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

#### (i) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all of the above criteria.

The Board of Directors of companies with a nominating committee, etc. can also declare dividends (except for dividends-in-kind) because such companies with corporate governance committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors. The Company is organized as a company with committees.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to a certain limitation and additional requirements. Interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

#### (ii) Increase, decrease and transfer of stated capital, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a capital reserve (a component of capital surplus) or as a legal reserve (a component of retained earnings) depending on the net assets account charged upon the payment of such dividends until the total of the aggregate amount of the capital reserve and the legal reserve equals 25% of stated capital.

Under the Companies Act, the total amount of the capital reserve and the legal reserve may be available for dividends upon resolution of the stockholders after transferring the amount to retained earnings without limitation. The Companies Act also provides that stated capital, the capital reserve, the legal reserve, other capital surplus (capital surplus other than the capital reserve) and other retained earnings (retained earnings other than the legal reserve) can be transferred among the accounts under certain conditions upon resolution of the stockholders. In addition, a company can do so without resolution of the stockholders when it meets certain other conditions under Articles 447-3 and 448-3.

#### (iii) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to acquire treasury stock and dispose such treasury stock by resolution of the Board of Directors. The amount of treasury stock acquired cannot exceed the amount available for distribution to the stockholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of net assets.

The Companies Act also provides that companies can acquire both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

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

The ASBJ Statement No. 1, "Accounting Standards for Treasury Shares and Appropriation of Legal Reserve," and the ASBJ Guidance No. 2, "Guidance on Accounting Standards for Treasury Shares and Appropriation of Legal Reserve," clarify the accounting treatment for retirement of treasury stock, requiring the cost of retired treasury stock to be first deducted from other capital surplus (capital surplus other than the capital reserve). These standards also require that when the other capital surplus at the end of the fiscal year would become negative as a result of retirement of treasury stock, the negative balance of other capital surplus shall be zero and the negative balance shall be deducted from other retained earnings (retained earnings other than the legal reserve).

### **Capital Stock-Changes during the Fiscal Year**

The changes in the number and class of shares issued and treasury stock for the fiscal year ended March 31, 2017 were as follows:

	(Shares in thousands)			
	As of April 1, 2016	Changes during the fiscal year		As of March 31, 2017
		Increase	Decrease	
Issued stock:				
Common stock.....	2,324,118	—	—	<b>2,324,118</b>
Preferred stock:				
Class Five preferred stock .....	4,000	—	—	<b>4,000</b>
Class Six preferred stock .....	3,000	—	3,000	— (*1)
Total.....	<b>2,331,118</b>	—	3,000	<b>2,328,118</b>
Treasury stock:				
Common stock.....	4,379	10	2,017	<b>2,372</b> (*2)
Preferred stock:				
Class Six preferred stock .....	—	3,000	3,000	— (*3)
Total.....	<b>4,379</b>	<b>3,010</b>	<b>5,017</b>	<b>2,372</b>

Notes: (\*1) The decrease represents cancellation of own common stock acquired pursuant to Article 16, paragraph (2) of the articles of incorporation of the Company.

(\*2) The increase represents acquisition of 10 thousand shares of the odd lot shares. The decrease represents disposal of 0 thousand shares of odd-lot shares and 2,016 thousand shares sold to ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company.

Number of shares at the beginning of the fiscal year and the end of the fiscal year include 3,427 thousand shares and 1,410 thousand shares, respectively, owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

(\*3) The increase represents acquisition of own common stock as described Note (\*1). Also, the decrease represents cancellation of own common stock pursuant to Article 178 of the Companies Act.

The changes in the number and class of shares issued and treasury stock for the fiscal year ended March 31, 2016 were as follows:

	(Shares in thousands)			
	As of April 1, 2015	Changes during the fiscal year		As of March 31, 2016
		Increase	Decrease	
Issued stock:				
Common stock.....	2,324,118	—	—	2,324,118
Preferred stock:				
Class C No.1 preferred stock.....	12,000	—	12,000	— (*1)
Class F No.1 preferred stock .....	8,000	—	8,000	— (*1)
Class Four preferred stock.....	2,520	—	2,520	— (*2)
Class Five preferred stock .....	4,000	—	—	4,000
Class Six preferred stock .....	3,000	—	—	3,000
Total.....	2,353,638	—	22,520	2,331,118
Treasury stock:				
Common stock.....	5,999	10	1,630	4,379 (*3)
Preferred stock: .....				
Class C No.1 preferred stock.....	—	12,000	12,000	— (*4)
Class F No.1 preferred stock .....	—	8,000	8,000	— (*4)
Class Four preferred stock.....	—	2,520	2,520	— (*5)
Total.....	5,999	22,530	24,150	4,379

Notes: (\*1) The decrease represents cancellation of own common stock acquired based on ceiling on total number of shares available for acquisition resolved at the board of directors' meetings held on May 12, 2015.

(\*2) The decrease represents cancellation of own common stock acquired pursuant to Article 19, paragraph (1) of the articles of incorporation of the Company.

(\*3) The increase represents acquisition of 10 thousand shares of the odd lot shares. The decrease represents disposal of 0 thousand shares of odd-lot shares and 1,629 thousand shares sold to ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company.

Number of shares at the beginning of the fiscal year and the end of the fiscal year include 5,057 thousand shares and 3,427 thousand shares, respectively, owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

(\*4) The increase represents acquisition of own common stock based on the ceiling on total number of shares available for acquisition as described Note (\*1). Also, the decrease represents cancellation of own common stock which acquired based on the ceiling on total number of shares available for acquisition as described Note (\*1).

(\*5) The increase represents acquisition of own common stock as described Note (\*2). Also, the decrease represents cancellation of own common stock pursuant to Article 178 of the Companies Act.

### Capital Stock-Summary of Stock Right

Common stock and preferred stock as of March 31, 2017 were as follows:

March 31, 2017 Class of stock	Number of shares		Liquidation value per share (Yen)	Convertible or not	Convertible period	Voting right	Conversion ratio or price
	Authorized	Issued					
Common stock .....	6,000,000,000	2,324,118,091	¥ —	No	Not applicable	Yes	Not applicable
Class Five preferred stock (*1)....	4,000,000	4,000,000	25,000	No	—	No	—

Notes: (\*1) The preferred stocks stated above will have voting right if the dividend becomes zero.

2 In addition to the above, the authorized numbers of shares for preferred stocks are as follows as of March 31, 2017:

First Series of Class Seven preferred stock: 10,000,000 shares  
 Second Series of Class Seven preferred stock: 10,000,000 shares  
 Third Series of Class Seven preferred stock: 10,000,000 shares  
 Fourth Series of Class Seven preferred stock: 10,000,000 shares  
 First Series of Class Eight preferred stock: 10,000,000 shares  
 Second Series of Class Eight preferred stock: 10,000,000 shares  
 Third Series of Class Eight preferred stock: 10,000,000 shares  
 Fourth Series of Class Eight preferred stock: 10,000,000 shares

The total number of authorized shares for the First through Fourth Series of Class Seven preferred stocks shall not exceed 10,000,000 shares in the aggregate. The total number of authorized shares for the First through Fourth Series of Class Eight preferred stocks shall not exceed 10,000,000 shares in the aggregate.

3 At the annual shareholders' meeting held on June 23, 2017, the agenda for a partial amendment to the articles of incorporation concerning preferred stocks was approved. As result of the amendment, the authorized numbers of shares decreased by 3,000,000 shares and become 6,024,000,000 shares.

The authorized numbers of shares for preferred stocks are as follows as of June 23, 2017:

Common stock: 6,000,000,000 shares  
 Class Five preferred stock: 4,000,000 shares  
 First Series of Class Seven preferred stock: 10,000,000 shares  
 Second Series of Class Seven preferred stock: 10,000,000 shares  
 Third Series of Class Seven preferred stock: 10,000,000 shares  
 Fourth Series of Class Seven preferred stock: 10,000,000 shares  
 First Series of Class Eight preferred stock: 10,000,000 shares  
 Second Series of Class Eight preferred stock: 10,000,000 shares  
 Third Series of Class Eight preferred stock: 10,000,000 shares  
 Fourth Series of Class Eight preferred stock: 10,000,000 shares

The total number of authorized shares for the First through Fourth Series of Class Seven preferred stocks shall not exceed 10,000,000 shares in the aggregate. The total number of authorized shares for the First through Fourth Series of Class Eight preferred stocks shall not exceed 10,000,000 shares in the aggregate.

Holders or registered pledges of preferred stocks are entitled to receive annual dividends and the distribution of residual assets in priority to stockholders of common stock but *pari passu* among themselves. The Company may pay up to one-half the annual dividends payable on each class of preferred stock as an interim dividend. Dividends on the preferred stock are not cumulative.

The Company may repurchase Class Five preferred stock with cash at a price of ¥25,000 plus a daily basis of annual dividends on or after August 28, 2014.

## Cash Dividends Per Share

Cash dividends per share applicable to the fiscal years ended March 31, 2017 and 2016 and cash dividends per share paid during the fiscal years ended March 31, 2017 and 2016 were as follows:

Source of dividends / Class of stock	Cash dividends per share applicable to the fiscal year					
	Yen				U.S. dollars	
	2017		2016		2017	
	Interim cash dividend (*1)	Year-end cash dividend (*2)	Interim cash dividend	Year-end cash dividend (*3)	Interim cash dividend (*1)	Year-end cash dividend (*2)
Dividends from retained earnings:						
Common stock .....	¥ 9.500	¥ 9.500	¥ 8.500	¥ 8.500	\$ 0.084	\$ 0.084
Class Five preferred stock .....	459.375	459.375	459.375	459.375	4.094	4.094
Class Six preferred stock .....	618.750	—	618.750	618.750	5.515	—

Source of dividends / Class of stock	Cash dividends per share paid during the fiscal year					
	Yen				U.S. dollars	
	2017		2016		2017	
	Year-end cash dividend (*2)	Interim cash dividend (*1)	Year-end cash dividend (*3)	Interim cash dividend	Year-end cash dividend (*2)	Interim cash dividend (*1)
Dividends from capital surplus:						
Class C No.1 preferred stock .....	—	—	¥ 1,000.00	—	—	—
Class F No.1 preferred stock .....	—	—	2,500.00	—	—	—
Dividends from retained earnings:						
Common stock .....	¥ 8.500	¥ 9.500	¥ 17.00	¥ 8.500	\$ 0.075	\$ 0.084
Class C No.1 preferred stock .....	—	—	54.40	—	—	—
Class F No.1 preferred stock .....	—	—	148.00	—	—	—
Class Four preferred stock .....	—	—	992.50	—	—	—
Class Five preferred stock .....	459.375	459.375	918.75	459.375	4.094	4.094
Class Six preferred stock .....	618.750	618.750	1,237.50	618.750	5.515	5.515

Notes: (\*1) Interim cash dividends for the fiscal year ended March 31, 2017 were approved at the Board of Directors' meeting held on November 11, 2016.

(\*2) Year-end cash dividends for the fiscal year ended March 31, 2017 were approved at the Board of Directors' meeting held on May 12, 2017.

(\*3) Year-end cash dividends for the fiscal year ended March 31, 2016 were approved at the Board of Directors' meeting held on May 12, 2016.

## 22. INTEREST INCOME AND EXPENSES

Interest income and expenses for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Interest income:			
Interest on loans and bills discounted .....	¥ 323,169	¥ 353,242	\$ 2,880
Interest and dividends on securities .....	51,305	55,102	457
Interest on call loans and bills bought .....	1,208	776	10
Interest on receivables under securities borrowing transactions .....	0	5	0
Interest on due from banks .....	10,296	9,956	91
Other interest income .....	20,349	24,465	181
Total .....	¥ 406,328	¥ 443,549	\$ 3,622
Interest expenses:			
Interest on deposits .....	¥ 10,612	¥ 14,185	\$ 94
Interest on negotiable certificates of deposit .....	169	1,541	1
Interest on call money and bills sold .....	2,909	2,789	25
Interest on payables under repurchase agreements .....	0	55	0
Interest on payables under securities lending transactions .....	974	893	8
Interest on borrowed money .....	2,508	3,022	22
Interest on bonds .....	8,008	17,495	71
Other interest expenses .....	3,238	2,217	28
Total .....	¥ 28,422	¥ 42,200	\$ 253

## 23. TRADING INCOME

Trading income for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Trading income:			
Income from trading securities .....	¥ 312	¥ 782	\$ 2
Income from trading-related financial derivatives .....	8,495	9,476	75
Other trading income .....	45	189	0
Total .....	¥ 8,853	¥ 10,448	\$ 78

Income from trading securities included net valuation gain of ¥69 million (\$0 million) and ¥197 million for the fiscal years ended March 31, 2017 and 2016, respectively.

## 24. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Other operating income:			
Gains on foreign exchange transactions .....	¥ 8,755	¥ 7,789	\$ 78
Gains on sales of Japanese government bonds and other ..	23,460	53,363	209
Income from derivatives other than for trading or hedging...	9,632	—	85
Other .....	404	306	3
Total .....	¥ 42,252	¥ 61,458	\$ 376
Other operating expenses:			
Losses on sales of Japanese government bonds and other .....	¥ 26,282	¥ 3,814	\$ 234
Impairment losses on Japanese government bonds and other .....	62	398	0
Expenses for financial derivatives .....	—	17,837	—
Other .....	—	3	—
Total .....	¥ 26,344	¥ 22,053	\$ 234

## 25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the fiscal years ended March 31, 2017 and 2016 included following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Salaries and allowances .....	¥ 136,197	¥ 137,498	\$ 1,214

## 26. OTHER INCOME AND EXPENSES

Other income and expenses for the fiscal years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Other income:			
Gains on sales of stocks and other securities .....	¥ 31,144	¥ 35,101	\$ 277
Gains on disposal of fixed assets .....	3,902	1,353	34
Reversal of reserve for possible loan losses .....	16,531	—	147
Recoveries of written-off loans .....	14,971	15,317	133
Other .....	19,387	27,093	172
Total .....	¥ 85,937	¥ 78,865	\$ 766

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Other expenses:			
Expenses on derivatives other than for trading or hedging ..	¥ 21,910	¥ 271	\$ 195
Write-offs of loans .....	13,674	31,847	121
Losses on sales of stocks and other securities .....	5,928	39,268	52
Provision to reserve for possible loan losses .....	—	8,624	—
Impairment losses on stocks and other securities .....	13	2,437	0
Losses on disposal of fixed assets .....	1,110	1,074	9
Impairment losses on fixed assets .....	859	1,454	7
Other .....	14,875	15,411	132
Total .....	¥ 58,372	¥ 100,389	\$ 520

## 27. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.81% and 33.01% for the fiscal years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Write-downs of securities .....	¥ 658,750	¥ 659,351	\$ 5,872
Reserve for possible loan losses and write-offs of loans .....	72,839	91,247	649
Net defined benefit liability .....	41,623	50,006	371
Tax loss carryforwards .....	11,623	11,560	103
Other .....	68,726	69,063	612
Gross deferred tax assets .....	853,563	881,229	7,608
Less: valuation allowance .....	(714,202)	(717,746)	(6,366)
Total deferred tax assets .....	139,361	163,482	1,242
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities .....	(133,431)	(105,349)	(1,189)
Deferred gains on hedges .....	(17,788)	(21,812)	(158)
Gains on securities transferred to employees' retirement benefit trust .....	(2,896)	(2,908)	(25)
Dividends receivable .....	(2,551)	(2,389)	(22)
Other .....	(5,640)	(5,538)	(50)
Total deferred tax liabilities .....	(162,307)	(137,999)	(1,446)
Net deferred tax assets .....	¥ (22,946)	¥ 25,483	\$ (204)

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2017 and 2016 were as follows:

	2017	2016
Normal effective statutory tax rate .....	30.81%	33.01%
Change in valuation allowance .....	(1.54)	(9.38)
Lower tax rates applicable to income of subsidiaries .....	(0.08)	(0.57)
Dividends exempted for income tax purposes .....	(0.45)	(0.48)
Decrease in deferred tax assets due to change in tax rates .....	—	2.16
Other .....	0.15	1.51
Actual effective tax rate .....	28.88%	26.23%

## 28. LEASE TRANSACTIONS

### Lessee

#### (a) Finance lease transactions

The Group mainly leases electronic calculators, cash dispensers and software.

**(b) Operating lease transactions**

As of March 31, 2017 and 2016, future minimum lease payments including interest expense under non-cancellable operating lease transactions were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Due within one year.....	¥ 3,877	¥ 3,745	\$ 34
Due after one year.....	12,972	15,152	115
Total .....	¥ 16,849	¥ 18,897	\$ 150

**29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****I. Conditions of financial instruments****(1) Policies and objectives for using financial instruments**

As a financial services group comprising three commercial banks with consolidated assets of approximately ¥49 trillion, the Group aims to render useful financial services to customers and provide various financial instruments corresponding to customer needs. In addition, the Group utilizes financial instruments for risk-taking and risk-control in order to improve its profitability and secure sound operations.

The Group responds to customers' funding needs through providing credit such as lending, loans, undertaking private placement bonds and guarantees to individuals and corporate customers. It holds bonds such as Japanese government bonds as stable investments and securities such as stocks for maintaining strong relationship with customers. Recently the Group began providing interest rate-related and currency-related derivatives to meet sophisticated and diversified customer needs.

To provide these financial services, the Group raises funds by using financial instruments such as customer deposits, issuance of bonds and funding from the inter-bank market.

Asset and Liability Management (ALM) is in place to manage the interest rate gap between short-term and long-term and interest fluctuation risk resulting from its investment and funding activities, and to improve profitability management across business divisions. As part of ALM, the Group executes derivative transactions, which are designated to hedge the interest rate gap between short-term and long-term and interest fluctuation risks, as well as covering transactions related to customers' derivative contracts.

Certain consolidated subsidiaries and affiliates conduct domestic banking services such as credit guarantee, and foreign banking services under foreign regulations.

**(2) Type of and risks associated with financial instruments****(a) Type of and risks associated with loans and bills discounted**

The Group's primary geographical business area is the metropolitan areas of Tokyo and Saitama, and the Kansai region mainly Osaka. Loans to small-to-mid-size companies and individual mortgages comprise a significant portion of our credit portfolio. These loans are exposed to credit risks in which the Group may suffer losses due to a decline or the disappearance of an asset's value as a result of deterioration of the financial position of obligors.

**(b) Type of and risks associated with securities**

Securities, which each bank of the Group holds, are bonds, stocks, investment limited partnerships, investment trusts in partnership and specified purpose funds. The Group holds them to promote business in addition to generating investment income and capital appreciation, and smooth cash flow operation. Japanese government bonds represent 43% and 49% of securities as of March 31, 2017 and 2016, respectively.

Securities are exposed to market risks in which the Group may suffer losses due to changes in values of assets and liabilities or revenues generated from them by variance of risk factors such as interest rate, stock market and foreign exchange market, and credit risks in which the Group may suffer losses due to a decline or the disappearance of asset's value as a result of deterioration of the financial position of obligors.

**(c) Type of and risks associated with derivative transactions**

The Group utilizes derivative instruments such as interest rate-related products, currency-related products, stock-related products and bond-related products.

- Interest rate-related products: futures, future options, forward rate agreements, swaps and options
- Currency-related products: forward exchange contracts, swaps and options
- Stock-related products: index futures, index options and over-the-counter options

- Bond-related products: futures, future options and over-the-counter options

Derivative transactions are essential to satisfy the sophisticated and diverse financial needs of customers and to control various risks to which each bank of the Group is exposed. The Group's basic policy is to execute derivative transactions in line with its business strategy and resources under the appropriate risk management system after accurately identifying risks associated with the transactions.

Each bank of the Group executes derivative transactions in order to respond to customers' risk hedging needs, hedging risks of financial assets and liabilities, and for trading purposes as follows.

(i) Customers' risk hedging needs

Customers are exposed to various risks and, accordingly, their needs to hedge these risks are essential and diverse. One of the primary purposes of derivative transactions for each bank of the Group is to provide customers with financial products which enable them to achieve their objectives of hedging and mitigating risks. Each bank of the Group develops a variety of derivatives and makes an effort to increase its ability to provide those financial products in order to offer sophisticated financial solutions to customers.

Derivative transactions may, however, result in significant losses to customers depending upon the design and nature of the products. Accordingly, in offering such products to customers, each bank of the Group follows strict guidelines which ensure that:

- Sufficient explanation of the products and associated risks

Customers are given sufficient explanation on the nature of products and their risks in writing. A description of the product, structure, hedge effectiveness (including explanation of which customers would not be able to gain expected economic effects and which the economic effects from the hedge transactions would be against customers' interests), market risk and credit risk associated with the product are required to be included in the explanation documents (proposal, written explanation of derivative risks).

Customers are given explanation in accurate and simplified terms instead of difficult technical terms. Customers are given cooperation to confirm completeness of the explanation and full understanding by using designated documents with check column.

- Customers' responsibility and capability to enter into a transaction

Customers are ready to take responsibility for the products fully, and are capable and willing to enter into the transactions based on their own judgment.

Customers are not engaged in transactions which are recognized as improper from the points of transaction amount, term, and level of risk of view, according to customers' knowledge, experience, assets, purpose of transaction, capacity to meet loss and internal management systems.

- Providing relevant fair value information

Customers are provided with relevant fair value information (i.e., unrealized gains and losses on customers' positions) to assist them in evaluating the products and transactions, periodically or whenever considered necessary.

(ii) Hedging risks of financial assets and liabilities

Each bank of the Group uses derivatives to manage interest rate and foreign currency risks associated with various financial assets and liabilities, such as loans and deposits. Each bank of the Group uses fair value hedges to protect the fair value of assets and liabilities against risks such as interest rate fluctuations, and cash flow hedges to ensure future cash flows from their variability on an individual and a portfolio basis. As for foreign currency risks, each bank of the Group uses foreign currency hedges to protect future fair value of assets and liabilities against risks such as foreign currency fluctuations.

Derivative transactions designated as hedges are strictly monitored by assessing hedge effectiveness periodically in accordance with the relevant hedge accounting guidelines.

For a portfolio hedge of interest rate risks, hedge effectiveness is assessed by grouping hedging instruments and hedged items according to their maturities to determine that certain critical conditions are satisfied, or confirming high correlation between the changes in interest rate factors underlying the hedging instruments and hedged items by means of regression analyses. For an individual hedge, hedge effectiveness is assessed individually. For a foreign currency hedge, hedge effectiveness is assessed by confirming that the principal and interest amount of receivables and liabilities denominated in foreign currencies exceed the principal and interest amount of hedging instruments.

(iii) Trading activities

Each bank of the Group engages in trading activities to earn profits by taking advantage of short-term fluctuations in market indices or market gaps.



Risks associated with derivative transactions are credit risks and market risks. Each bank of the Group determines and monitors credit exposures by measuring credit risks based on the current exposure method periodically, adding the credit exposure together with the on-balance sheet transactions such as loans, and the Loan and Credit Division, independent from Market Divisions and Operation Divisions, establishing individual credit limits. The division reviews the transaction and credit limits applicable to each of the counterparties, on an on-going basis, in response to the changes in creditworthiness of the counterparties.

Refer to following (3) (b) "Market risk management."

**(d) Type of and risks associated with financial liabilities**

Each bank of the Group raises funds through acceptance of customer deposits, funding in the market and issuing bonds. Customer deposits comprise 87% and 80% of liabilities as of March 31, 2017 and 2016, respectively. Liabilities are exposed to liquidity risk and may be difficult to fund based on the fluctuation of the financial economic environment.

**(e) Type of and risks associated with non-banking subsidiaries and affiliates accounted for by the equity method**

Non-banking subsidiaries and affiliates accounted for by the equity method include Resona Guarantee Co., Ltd. which conducts a credit guarantee business and Resona Card Co., Ltd. which conducts a credit card administration and credit guarantee business. They are exposed to credit risk and market risk related to each business activity.

**(3) Risk management system related to financial instruments**

The Company has established the Group Risk Management Policy that serves as the basic risk management policy. Based on the policy and operational characteristics, each bank of the Group established its own risk management policy "Basic Policy for Risk Management," approved by the Board of Directors of each bank of the Group, including basic policies for credit risk management, market risk management and liquidity risk management. In accordance with the Basic Policy for Risk Management, each bank of the Group manages risks and establishes detailed rules over risk management activities.

Each bank of the Group plans and conducts internal audits depending on the degree of intrinsic risks and the risk management system.

**(a) Credit risk management**

In accordance with the Basic Policy for Risk Management, Credit Risk Management-related Departments, independent from sales promotion-related divisions, are responsible for determining and monitoring credit exposures at each bank of the Group. As an organization responsible for credit risk management, each bank of the Group sets up the Credit Committee and Credit Risk Management-related Departments, which include the Credit Risk Management Division, Credit Analysis Division and Administration of Problem Loans. The Credit Committee has been established to resolve, discuss and report significant credit matters as a whole. The Credit Risk Management Division is a division to propose policies and procedures over credit rating and a framework necessary for appropriate credit risk management such as credit analysis. The Credit Analysis Division is a division to review operational and financial conditions, qualitative factors, funding purpose, repayment plan, etc. of counterparties, and determine credit exposures by considering the nature of risks associated with the transaction appropriately. The Administration of Problem Loans is a division to understand the business condition of the counterparties with problems and engage in rehabilitation, resolution and correction of the business.

To reduce credit risks, each bank of the Group makes an effort to include "offsetting" provisions of credit claims (i.e., unsecured portion of loans) into debt obligations (i.e., non-collateralized deposits) in case of customers' insolvency under banking account agreements with customers. Collateral is composed of deposits with each bank of the Group, bonds such as Japanese government bonds and securities such as listed corporate stocks, commercial bills, and real estate. Other than the collateral, each bank of the Group reduces credit risks by utilizing guarantees, contracts to offset loans and deposits on each bank of the Group without collateral, and negotiated netting contracts of derivative transactions and repurchase transactions. Each bank of the Group controls credit risks within certain amounts by measuring credit risks from the perspective of managing the whole credit portfolio and setting credit limits.

**(b) Market risk management**

**(i) Market risk management system**

In accordance with the Basic Policy for Risk Management, each bank of the Group established the Risk Management Division (middle-office) and the Office Management Division (back-office

), independent from Transaction Divisions (front-office), to enable mutual checks and balances. The ALM Committee has been established to manage changes and conditions of funding, revenue, risk and cost, and to discuss and report corresponding actions to the circumstances.

Each bank of the Group establishes policies such as the “Market Risk Management Policy” to manage market risk appropriately and strictly in accordance with the Basic Policy for Risk Management.

As for market risks resulting from fair market valuation of transactions or changes in risk factors such as interest, market prices, and foreign currency exchange, each bank of the Group measures risk exposures by Value at Risk (“VaR”), establishes limits of risk exposure, limits of loss and limits of sensitivity by product, and monitors those observance conditions. In addition, each bank of the Group regularly measures potential loss amounts based on stress-scenario testing.

Each bank of the Group monitors and reports to management about risk exposures and profit/loss conditions, including observance of the conditions of the credit limits. It also leads checks and balances by the Risk Management Division (middle-office) to the Transaction Divisions (front-office).

(ii) Quantitative information on market risk

Each bank of the Group measures VaR of market risks based on the purpose of holding financial instruments: trading, banking and securities held for the purpose of strategic investment. Market risk exposure of the Group is measured by simply aggregating VaR of Resona Bank, Saitama Resona Bank, Limited. (“Saitama Resona Bank”) and The Kinki Osaka Bank, Limited. (“Kinki Osaka Bank”).

Risk exposures of certain products and affiliated companies are excluded from the market risk exposure of the Group, as the effect is confirmed to be immaterial.

*(Trading)*

The Group adopts a historical simulation method (holding period is 10 business days, confidence interval is 99%, observation period is 250 business days) in order to measure VaR associated with securities held for trading and derivative instruments. The market risk exposure of the Group in the trading operation as of March 31, 2017 and 2016 is ¥274 million (\$2 million) and ¥1,521 million, respectively.

*(Banking)*

In the banking operation, each bank of the Group deals with financial instruments other than those held for trading and securities held for the purpose of strategic investment, and any other assets and liabilities. The Group adopts a historical simulation method (holding period is 20 or 125 business days, confidence interval is 99%, observation period is 1,250 business days) in order to measure VaR associated with the banking operation. The market risk exposure of the Group in the banking operation as of March 31, 2017 and 2016 is ¥37,325 million (\$332 million) and ¥31,090 million, respectively.

*(Securities held for the purpose of strategic investment)*

Each bank of the Group measures VaR or manages risks associated with securities held for the purpose of strategic investment separately from the trading and the banking operation. The Group adopts a historical simulation method (holding period is 125 business days, confidence interval is 99%, observation period is 250 and 1,250 business days) in order to measure VaR associated with securities held for the purpose of strategic investment, and measures risk exposure by considering impairment risks. The market risk exposure of the Group on the securities held for the purpose of strategic investment as of March 31, 2017 and 2016 is ¥9,934 million (\$88 million) and ¥23,594 million, respectively.

*(Verification system of VaR)*

Each bank of the Group performs a backtesting which reconciles VaR measured by the model for each measurement unit with actual market fluctuations in order to verify reliability and effectiveness of the risk measurement model.

VaR represents a risk exposure under a certain probability calculated statistically based on the historical market movements. In the case that the actual market fluctuates over the ranges anticipated by the historical market movements, fair market values may fluctuate over VaR.

**(c) Liquidity risk management**

In accordance with the Basic Policy for Risk Management, each bank of the Group has established the Cash Management Division and the Liquidity Risk Management Division, to enable mutual checks and balances. The ALM Committee and the Liquidity Risk Management Committee monitor and report to management timely and appropriately.

Each bank of the Group establishes policies such as the “Liquidity Risk Management Policy” to manage liquidity risk appropriately and strictly in accordance with the Basic Policies for Risk Management.

For cash flow management, each bank of the Group establishes liquidity risk phases (normal and 3 levels under emergency condition) and carries out corresponding actions at each phase determined in advance.

Each bank of the Group monitors liquidity risks by defining a key indicator for liquidity risk management based on its size and nature of the business and circumstances over a liquidity risk. Each bank of the Group establishes guidelines of a key indicator for liquidity risk management as necessary.

As for market liquidity risks in which each bank of the Group may suffer losses because it cannot make transactions on market or is forced to make significantly unfavorable transactions due to market turmoil, each bank of the Group monitors conditions of the market liquidity risk on a regular basis.

#### (4) Supplementary explanation relating to fair value of financial instruments and other

The fair value of financial instruments includes, in addition to the value determined based on the market price, a value calculated on a reasonable basis if no market price is available. Certain assumptions are used for the calculation of such amount. Accordingly, the result of such calculation may vary if different assumptions are used. Refer to "(Note 1) Calculation method of fair value of financial instruments" on "II. Fair value of financial instruments" for certain assumptions. Fair value of financial instruments does not include transactions not recognized on the consolidated balance sheet, such as an investment trust sold to a customer.

## II. Fair value of financial instruments

Amount on consolidated balance sheet, fair values and differences between them as of March 31, 2017 and 2016 were as follows. The below table does not include non-marketable securities whose fair values cannot be reliably determined such as non-listed equity securities (Refer to (Note 2) "Financial instruments whose fair values cannot be reliably determined"):

	Millions of yen		
	Amount on consolidated balance sheet	Fair value	Difference
<b>March 31, 2017</b>			
Cash and due from banks .....	¥ 12,641,987	¥ 12,641,987	¥ —
Call loans and bills bought .....	156,529	156,529	—
Monetary claims bought (*1) .....	355,032	352,188	(2,844)
Trading assets:			
Trading securities .....	156,743	156,743	—
Securities:			
Held-to-maturity debt securities .....	2,277,711	2,345,208	67,497
Available-for-sale securities .....	2,943,412	2,943,412	—
Loans and bills discounted .....	28,186,730		
Reserve for possible loan losses (*1) .....	(152,975)		
	<u>28,033,754</u>	<u>28,194,721</u>	<u>160,966</u>
Foreign exchange assets (*1) .....	95,455	95,455	—
Total assets .....	<u>¥ 46,660,627</u>	<u>¥ 46,886,246</u>	<u>¥ 225,619</u>
Deposits .....	¥ 40,675,397	¥ 40,675,966	¥ 569
Negotiable certificates of deposit .....	965,590	965,583	(6)
Call money and bills sold .....	709,383	709,383	—
Payables under repurchase agreements .....	5,000	5,000	—
Payables under securities lending transactions .....	429,272	429,272	—
Borrowed money .....	699,224	699,224	—
Foreign exchange liabilities .....	2,471	2,471	—
Bonds .....	456,336	474,742	18,406
Due to trust account .....	1,015,305	1,015,305	—
Total liabilities .....	<u>¥ 44,957,981</u>	<u>¥ 44,976,949</u>	<u>¥ 18,968</u>
Derivative transactions (*2):			
Hedge accounting not applied .....	¥ 14,957	¥ 14,957	¥ —
Hedge accounting applied .....	62,737	62,552	(185)
Total derivative transactions .....	<u>¥ 77,694</u>	<u>¥ 77,509</u>	<u>¥ (185)</u>
Millions of yen			
Other:	Contractual amount	Fair value	
	<u>¥ 418,574</u>	<u>¥ (8,218)</u>	

Millions of yen			
	Amount on consolidated balance sheet	Fair value	Difference
<b>March 31, 2016</b>			
Cash and due from banks .....	¥ 13,514,516	¥ 13,514,516	¥ —
Call loans and bills bought.....	191,938	191,938	—
Monetary claims bought (*1).....	391,507	388,959	(2,547)
Trading assets:			
Trading securities.....	174,547	174,547	—
Securities:			
Held-to-maturity debt securities .....	2,383,521	2,477,166	93,645
Available-for-sale securities .....	2,892,234	2,892,234	—
Loans and bills discounted .....	27,664,964		
Reserve for possible loan losses (*1).....	(185,420)		
	<u>27,479,543</u>	<u>27,736,811</u>	<u>257,267</u>
Foreign exchange assets (*1).....	68,866	68,866	—
Total assets .....	<u>¥ 47,096,674</u>	<u>¥ 47,445,040</u>	<u>¥ 348,365</u>
Deposits .....	¥ 38,228,820	¥ 38,230,269	¥ 1,448
Negotiable certificates of deposit.....	1,344,500	1,344,518	18
Call money and bills sold.....	606,916	606,916	—
Payables under repurchase agreements .....	5,999	5,999	—
Payables under securities lending transactions.....	145,107	145,107	—
Borrowed money .....	809,049	809,049	—
Foreign exchange liabilities .....	1,991	1,991	—
Bonds .....	624,812	649,290	24,477
Due to trust account .....	3,707,658	3,707,658	—
Total liabilities .....	<u>¥ 45,474,857</u>	<u>¥ 45,500,801</u>	<u>¥ 25,944</u>
Derivative transactions (*2):			
Hedge accounting not applied.....	¥ 16,804	¥ 16,804	¥ —
Hedge accounting applied .....	85,076	84,793	(283)
Total derivative transactions .....	<u>¥ 101,881</u>	<u>¥ 101,598</u>	<u>¥ (283)</u>

Millions of yen		
	Contractual amount	Fair value
Other:		
Guarantee contract (*3) .....	<u>¥ 431,439</u>	<u>¥ (8,995)</u>

Millions of U.S. dollars			
	Amount on consolidated balance sheet	Fair value	Difference
<b>March 31, 2017</b>			
Cash and due from banks .....	\$ 112,693	\$ 112,693	\$ —
Call loans and bills bought.....	1,395	1,395	—
Monetary claims bought (*1).....	3,164	3,139	(25)
Trading assets:			
Trading securities.....	1,397	1,397	—
Securities:			
Held-to-maturity debt securities .....	20,304	20,905	601
Available-for-sale securities .....	26,238	26,238	—
Loans and bills discounted .....	251,263		
Reserve for possible loan losses (*1).....	(1,363)		
	<u>249,899</u>	<u>251,334</u>	<u>1,434</u>
Foreign exchange assets (*1).....	850	850	—
Total assets .....	<u>\$ 415,944</u>	<u>\$ 417,955</u>	<u>\$ 2,011</u>

	Millions of U.S. dollars		
	Amount on consolidated balance sheet	Fair value	Difference
<b>March 31, 2017</b>			
Deposits .....	\$ 362,590	\$ 362,595	\$ 5
Negotiable certificates of deposit .....	8,607	8,607	(0)
Call money and bills sold .....	6,323	6,323	—
Payables under repurchase agreements .....	44	44	—
Payables under securities lending transactions .....	3,826	3,826	—
Borrowed money .....	6,233	6,233	—
Foreign exchange liabilities .....	22	22	—
Bonds .....	4,067	4,231	164
Due to trust account .....	9,050	9,050	—
Total liabilities .....	\$ 400,766	\$ 400,935	\$ 169
Derivative transactions (*2):			
Hedge accounting not applied .....	\$ 133	\$ 133	\$ —
Hedge accounting applied .....	559	557	(1)
Total derivative transactions .....	\$ 692	\$ 690	\$ (1)

	Millions of U.S. dollars	
	Contractual amount	Fair value
Other:		
Guarantee contract (*3) .....	\$ 3,731	\$ (73)

Notes: (\*1) Reserve for possible loan losses corresponding to loans and bills discounted are deducted. Specific reserve for possible loan losses corresponding to monetary claims bought and foreign exchange assets are excluded from the amount on consolidated balance sheet directly due to immateriality.

(\*2) Derivative financial instruments included in trading assets/liabilities and other assets/liabilities are presented in total. Assets (positive amount) and liabilities (negative amount) arising from derivative transactions are presented on a net basis.

(\*3) Contractual amount of guarantee contract is equal to acceptances and guarantees in the consolidated balance sheet.

## (Note 1) Calculation method of fair value of financial instruments

### Assets

#### Cash and due from banks

For due from banks which have no maturity, since fair values of these items approximate carrying amounts, the Group deems the carrying amounts to be fair values. For due from banks with contractual maturity, since contractual terms of these items are short (i.e., within one year), the Group deems the carrying amounts to approximate fair value.

#### Call loans and bills bought

Since contractual terms of these items are short (i.e., within one year), the Group deems the carrying amounts to approximate fair value.

#### Monetary claims bought

Fair values for deed of beneficiary certificate of loan trust are based on the values provided by third parties (brokers) or calculated by a similar method used for loans and bills discounted (Refer to "Loans and bills discounted" below).

#### Trading assets

Fair values of bonds held for trading are based on the values calculated by statistics of over-the-counter bonds released from the Japan Securities Dealers Association, and fair values of short-term bonds are based on present values determined by discounting face values with market interest rate.

### Securities

Fair values of stocks are based on the one month weighted average of the market prices prior to the end of the fiscal year. Fair values of bonds (excluding private placement bonds) are based on the values calculated by statistics released from the Japan Securities Dealers Association or prices provided by financial institutions. Fair values of investment trusts are based on the disclosed net asset value. Fair values of private placement bonds are, in principle, determined by discounting the principal and interest amount with the interest rate used for new issuances for each category based on the internal rating. Refer to Note 5 "Securities" for the purpose of holding those securities.

#### Loans and bills discounted

For fair values of loans with floating interest rates reflecting the market interest rates in a short-term period, the carrying amounts approximate fair value, unless creditworthiness of borrowers has changed significantly since the loan was executed. For fair values of loans with fixed interest rates, fair values are determined by discounting the principal and interest amount with the interest rate used for new loans for each category of loan, internal rating and loan period. For fair values of loans by maturity within one year, the carrying amounts approximate fair value.

For fair values of loans to bankrupt obligors, effectively bankrupt obligors and borrowers with high probability of becoming insolvent, reserve for possible loan losses is estimated based on the present value of future cash flow and recoverable amount of collateral or guarantees. Since fair values of such loans approximate carrying amounts after deducting reserve for possible loan losses at the end of the fiscal year, the Group deems the carrying amounts to approximate fair value.

For the loans and bills discounted without a fixed maturity due to loan characteristics such as limiting loans to within the value of pledged assets, the Group deems the carrying amounts to approximate fair value since the estimated loan periods, interest rates and other conditions.

#### Foreign exchange assets

Fair values of foreign exchanges consist of foreign currency deposits with other banks (due from other foreign banks), short-term loans involving foreign currencies (loans to other foreign banks), export bills and traveler's checks, etc. (purchased foreign bills), and loans on notes using import bills (foreign bills receivables), the carrying amounts approximate fair value because these items are deposits without maturity or have short contract terms (one year or less).

#### Liabilities

##### Deposits and negotiable certificates of deposit

For fair values of demand deposits, the Group deems the payment amounts required on the consolidated balance sheet date (i.e., carrying amounts) to be fair values. Fair values of time deposits and negotiable certificates of deposit are calculated by classifying them based on their terms and discounting the future cash flows. Discount rates used in such calculations are the interest rates that would be applied to newly accepted deposits. For fair values of deposits with maturity within one year, the carrying amounts are considered to approximate fair value due to the short maturity.

##### Call money and bills sold, payables under repurchase agreements and payables under securities lending transactions

Since contractual terms of these items are short (i.e., within one year), the Group deems the carrying amounts to approximate fair value.

##### Borrowed money

For borrowed money with floating interest rates reflecting the market interest rates in a short-term period, the carrying amounts are considered to approximate fair value when the creditworthiness of the Company and its consolidated subsidiaries have not changed significantly since they made the borrowing. For borrowed money with fixed interest rates, fair values are determined by discounting the principal and interest amount with the interest rate expected for similar borrowed money. For borrowed money with maturity within one year, the carrying amounts are considered to approximate fair value due to the short maturity.

##### Foreign exchange liabilities

Among foreign exchange contracts, foreign currency deposits accepted from other banks and non-resident yen deposits are deposits without maturity (due to other foreign banks). Foreign currency short-term borrowed money have short contract terms (one year or less). Thus, their carrying amounts are considered to approximate fair value.

##### Bonds

Fair values of corporate bonds issued by the Company and its consolidated subsidiaries are based on the values calculated by statistics released from the Japan Securities Dealers Association, prices provided by financial institutions or values determined by discounting the principal and interest amount with the interest rate expected for use of new bond issuance.

##### Due to trust account

Due to trust account represents short-term fundings by accepting surplus in trust account and unused principal, the carrying amounts are considered to approximate fair value.

#### Derivative transactions

Refer to Note 30 "Derivatives" on derivative transactions.

## Other

### Guarantee contracts

For guarantee contracts, the Group deems the difference between future cash flow of the contractual guarantee fee and future cash flow of the expected guarantee fee if it executes a new guarantee contract, to be fair values.

For the guarantee to bankrupt obligors, effectively bankrupt obligors and borrowers with high probability of becoming insolvent, the Group deems the present values, which is calculated based on the estimated future cash flow or recoverable amounts from collateral and guarantee, as fair values.

### (Note 2) Financial instruments whose fair values cannot be reliably determined

Financial instruments are not included in "Securities" in (Note 1) above "Calculation method of fair value of financial instruments."

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Unlisted stocks (*1) (*2) .....	¥ 52,862	¥ 53,365	\$ 471
Investments in partnerships (*2) (*3) .....	21,801	17,605	194
Total .....	¥ 74,663	¥ 70,970	\$ 665

Notes: (\*1) Unlisted stocks do not carry quoted market prices. Since the fair values of these securities cannot be reliably determined, their fair values are not disclosed.

(\*2) For the fiscal year ended March 31, 2017, impairment losses of unlisted stocks were ¥12 million (\$0 million). For the fiscal year ended March 31, 2016, impairment losses of unlisted stocks and investment limited partnerships were ¥51 million and ¥3 million, respectively.

(\*3) Investments in partnerships contain assets such as unlisted stocks which do not carry quoted market prices. Since the fair values of these securities cannot be reliably determined, their fair values are not disclosed.

### (Note 3) Maturity analysis for financial assets and liabilities with contractual maturities

As of March 31, 2017	Millions of yen					
	One year or less	One to three years	Three to five years	Five to seven years	Seven to ten years	Over ten years
Due from banks .....	¥ 12,153,985	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought .....	156,529	—	—	—	—	—
Monetary claims bought .....	260,940	28,278	14,426	7,200	4,408	38,246
Securities:						
Held-to-maturity debt securities .....	255,880	578,880	773,124	151,311	449,556	69,560
Japanese government bonds .....	205,300	486,300	667,900	50,000	350,000	12,100
Japanese local government bonds .....	43,974	82,957	100,010	100,005	98,000	4,900
Japanese corporate bonds .....	6,606	9,623	5,214	1,306	1,556	52,560
Available-for-sale securities .....	369,156	313,869	224,254	125,337	717,324	135,900
Japanese government bonds .....	172,000	—	60,000	—	243,000	63,000
Japanese local government bonds .....	12,864	4,696	13,484	4,272	111,809	—
Japanese corporate bonds .....	177,078	280,273	124,610	95,682	27,229	31,837
Loans and bills discounted (*1) .....	6,182,592	4,348,142	3,274,314	2,259,359	2,906,790	9,123,417
Foreign exchange assets .....	95,455	—	—	—	—	—
Total assets .....	¥ 19,474,539	¥ 5,269,171	¥ 4,286,120	¥ 2,543,208	¥ 4,078,079	¥ 9,367,125
Deposits (*2) .....	¥ 38,110,381	¥ 2,076,516	¥ 488,499	¥ —	¥ —	¥ —
Negotiable certificates of deposit .....	877,990	87,600	—	—	—	—
Call money and bills sold .....	709,383	—	—	—	—	—
Payables under repurchase agreement .....	5,000	—	—	—	—	—
Payables under securities lending transactions .....	429,272	—	—	—	—	—
Borrowed money .....	138,159	244,905	283,097	11,353	21,708	—
Foreign exchange liabilities .....	2,471	—	—	—	—	—
Bonds .....	50,000	104,350	155,000	111,000	36,000	—
Due to trust account .....	1,015,305	—	—	—	—	—
Total liabilities .....	¥ 41,337,963	¥ 2,513,371	¥ 926,597	¥ 122,353	¥ 57,708	¥ —

As of March 31, 2016	Millions of yen					
	One year or less	One to three years	Three to five years	Five to seven years	Seven to ten years	Over ten years
Due from banks.....	¥13,018,933	¥ 6,117	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought.....	191,938	—	—	—	—	—
Monetary claims bought.....	270,335	36,800	18,672	9,438	5,170	48,736
Securities:						
Held-to-maturity debt securities.....	166,243	382,118	1,039,170	231,462	549,589	15,531
Japanese government bonds.....	118,000	284,300	945,200	130,000	400,000	3,000
Japanese local government bonds.....	43,500	88,231	88,700	100,015	148,000	—
Japanese corporate bonds.....	4,743	9,587	5,270	1,447	1,589	12,531
Available-for-sale securities.....	389,399	689,008	294,026	117,107	361,816	108,484
Japanese government bonds.....	240,000	289,200	80,000	—	128,000	17,500
Japanese local government bonds.....	7,004	22,703	15,635	8,564	50,786	—
Japanese corporate bonds.....	134,255	359,638	186,512	68,381	52,503	10,340
Loans and bills discounted (*1).....	6,281,036	4,332,627	3,191,433	2,145,599	2,753,571	8,873,071
Foreign exchange assets.....	68,866	—	—	—	—	—
Total assets.....	¥20,386,754	¥ 5,446,672	¥ 4,543,302	¥ 2,503,607	¥ 3,670,148	¥ 9,045,823
Deposits (*2).....	¥35,419,431	¥ 2,307,110	¥ 502,279	¥ —	¥ —	¥ —
Negotiable certificates of deposit.....	1,322,860	21,640	—	—	—	—
Call money and bills sold.....	606,916	—	—	—	—	—
Payables under repurchase agreement.....	5,999	—	—	—	—	—
Payables under securities lending transactions.....	145,107	—	—	—	—	—
Borrowed money.....	426,302	158,596	194,657	11,009	18,483	—
Foreign exchange liabilities.....	1,991	—	—	—	—	—
Bonds (*3).....	31,320	50,000	140,000	221,000	—	36,000
Due to trust account.....	3,707,658	—	—	—	—	—
Total liabilities.....	¥41,667,588	¥ 2,537,347	¥ 836,936	¥ 232,009	¥ 18,483	¥ 36,000

As of March 31, 2017	Millions of U.S. dollars					
	One year or less	One to three years	Three to five years	Five to seven years	Seven to ten years	Over ten years
Due from banks.....	\$ 108,343	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought.....	1,395	—	—	—	—	—
Monetary claims bought.....	2,326	252	128	64	39	340
Securities:						
Held-to-maturity debt securities.....	2,280	5,160	6,891	1,348	4,007	620
Japanese government bonds.....	1,830	4,334	5,953	445	3,119	107
Japanese local government bonds.....	391	739	891	891	873	43
Japanese corporate bonds.....	58	85	46	11	13	468
Available-for-sale securities.....	3,290	2,797	1,999	1,117	6,394	1,211
Japanese government bonds.....	1,533	—	534	—	2,166	561
Japanese local government bonds.....	114	41	120	38	996	—
Japanese corporate bonds.....	1,578	2,498	1,110	852	242	283
Loans and bills discounted (*1).....	55,113	38,760	29,188	20,140	25,911	81,328
Foreign exchange assets.....	850	—	—	—	—	—
Total assets.....	\$ 173,600	\$ 46,970	\$ 38,207	\$ 22,670	\$ 36,352	\$ 83,500
Deposits (*2).....	\$ 339,725	\$ 18,510	\$ 4,354	\$ —	\$ —	\$ —
Negotiable certificates of deposit.....	7,826	780	—	—	—	—
Call money and bills sold.....	6,323	—	—	—	—	—
Payables under repurchase agreements.....	44	—	—	—	—	—
Payables under securities lending transactions.....	3,826	—	—	—	—	—
Borrowed money.....	1,231	2,183	2,523	101	193	—
Foreign exchange liabilities.....	22	—	—	—	—	—
Bonds (*3).....	445	930	1,381	989	320	—
Due to trust account.....	9,050	—	—	—	—	—
Total liabilities.....	\$ 368,496	\$ 22,404	\$ 8,259	\$ 1,090	\$ 514	\$ —

Notes: (\*1) Loans and bills discounted, for which it is difficult to estimate the redemption amount, amounted to ¥92,113 million (\$821 million) and ¥87,625 million as of March 31, 2017 and 2016, respectively, are excluded from the above table. The estimated uncollectable amount, which is deducted from loans directly, is excluded.

(\*2) Demand deposits are included and presented in "one year or less" in the above table.

(\*3) Bonds without maturity dates, which amounted to ¥146,497 million as of March 31, 2016 are excluded from the above table.



### 30. DERIVATIVES

#### (1) Derivative transactions to which hedge accounting is not applied

The notional principal or contract amounts, fair values and unrealized gains or losses on derivative transactions to which hedge accounting is not applied as of March 31, 2017 and 2016 were as follows:

##### (a) Interest rate-related transactions

				Millions of yen			
				Notional or contract amount		Fair value	Unrealized gains (losses)
				Total	Maturity over 1 year		
<b>March 31, 2017</b>							
Over-the-counter Swaps		Receive fixed/pay floating.....		¥15,023,596	¥12,081,056	¥ 280,642	¥ 280,642
		Receive floating/pay fixed.....		14,840,780	12,087,343	(262,632)	(262,632)
		Receive floating/pay floating....		5,760,400	4,701,100	887	887
	Caps	Sold.....		17,324	15,563	(194)	301
		Bought .....		2,500	2,500	11	(14)
	Floors	Sold.....		—	—	—	—
		Bought .....		23,731	18,714	446	406
	Swaptions	Sold.....		42,900	41,900	1,662	(559)
		Bought .....		37,900	35,900	1,339	791
Consolidated related party	Swaps	Receive fixed/pay floating.....		14,000	10,500	185	185
Total .....						¥ 19,413	¥ 20,008
<b>March 31, 2016</b>							
Listed	Futures	Sold.....		¥ —	¥ —	¥ —	¥ —
		Bought .....		19,756	—	3	3
Over-the-counter Swaps		Receive fixed/pay floating.....		18,441,485	14,823,663	467,675	467,675
		Receive floating/pay fixed.....		18,001,703	14,421,274	(454,592)	(454,592)
		Receive floating/pay floating....		5,862,900	5,110,900	5,711	5,711
	Caps	Sold.....		28,859	23,426	(387)	517
		Bought .....		1,500	1,500	2	(20)
	Floors	Sold.....		—	—	—	—
		Bought .....		37,949	32,316	796	730
	Swaptions	Sold.....		55,800	45,800	869	164
		Bought .....		267,800	47,800	1,278	258
Consolidated related party	Swaps	Receive fixed/pay floating.....		17,000	12,000	283	283
Total .....						¥ 20,676	¥ 20,730

				Millions of U.S. dollars			
				Notional or contract amount		Fair value	Unrealized gains (losses)
				Total	Maturity over 1 year		
<b>March 31, 2017</b>							
Over-the-counter Swaps		Receive fixed/pay floating.....		\$ 133,924	\$ 107,693	\$ 2,501	\$ 2,501
		Receive floating/pay fixed.....		132,294	107,749	(2,341)	(2,341)
		Receive floating/pay floating....		51,349	41,906	7	7
	Caps	Sold.....		154	138	(1)	2
		Bought .....		22	22	0	(0)
	Floors	Sold.....		—	—	—	—
		Bought .....		211	166	3	3
	Swaptions	Sold.....		382	373	14	(4)
		Bought .....		337	320	11	7
Consolidated related party	Swaps	Receive fixed/pay floating.....		124	93	1	1
Total .....						\$ 173	\$ 178

- Notes:
1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expenses in the consolidated statements of income.
  2. The fair value of listed contracts is based on the closing price on Tokyo Financial Exchange Inc. and other exchanges. The fair value of over-the-counter contracts and contracts between consolidated related parties is determined using the discounted value of their future cash flows, option pricing models, etc.

**(b) Currency-related transactions**

		Millions of yen			
		Notional or contract amount		Unrealized gains (losses)	
		Total	Maturity over 1 year	Fair value	
<b>March 31, 2017</b>					
Over-the-counter	Currency swaps .....	¥ 700,543	¥ 358,436	¥ (13,354)	¥ 836
	Forward contracts Sold .....	544,348	38,511	(7,582)	(7,582)
	Bought.....	522,916	64,500	24,295	24,295
	Currency options Sold .....	145,135	51,709	11,882	(5,034)
	Bought.....	134,702	37,990	3,589	(2,922)
Total				¥ (4,934)	¥ 9,592
<b>March 31, 2016</b>					
Over-the-counter	Currency swaps .....	¥ 840,262	¥ 569,897	¥ (13,993)	¥ (111)
	Forward contracts Sold .....	557,485	48,273	(3,816)	(3,816)
	Bought.....	615,123	90,300	31,168	31,168
	Currency options Sold .....	256,576	82,730	26,789	(12,329)
	Bought.....	257,689	78,293	9,682	(2,790)
Total .....				¥ (3,748)	¥ 12,119

		Millions of U.S. dollars			
		Notional or contract amount		Unrealized gains (losses)	
		Total	Maturity over 1 year	Fair value	
<b>March 31, 2017</b>					
Over-the-counter	Currency swaps .....	\$ 6,244	\$ 3,195	\$ (119)	\$ 7
	Forward contracts Sold .....	4,852	343	(67)	(67)
	Bought.....	4,661	574	216	216
	Currency options Sold .....	1,293	460	105	(44)
	Bought.....	1,200	338	31	(26)
Total .....				\$ (43)	\$ 85

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expenses in the consolidated statements of income.  
2. The fair value is determined using the discounted value of future cash flows.

**(c) Stock-related transactions**

			Millions of yen			
			Notional or contract amount		Unrealized gains (losses)	
			Total	Maturity over 1 year	Fair value	
<b>March 31, 2017</b>						
Listed	Index futures	Sold .....	¥ 37,964	¥ —	¥ 334	¥ 334
		Bought .....	—	—	—	—
	Index options	Sold .....	3,700	—	23	(3)
		Bought .....	30,837	—	222	(266)
Total					¥ 534	¥ 64
<b>March 31, 2016</b>						
Listed	Index futures	Sold .....	¥ 1,406	¥ —	¥ (18)	¥ (18)
		Bought .....	—	—	—	—
	Index options	Sold .....	—	—	—	—
		Bought .....	6,000	—	3	(18)
Total .....					¥ (14)	¥ (37)

			Millions of U.S. dollars			
			Notional or contract amount		Unrealized gains (losses)	
			Total	Maturity over 1 year		
<b>March 31, 2017</b>						
Listed	Index futures	Sold .....	\$ 338	\$ —	\$ 2	\$ 2
		Bought .....	—	—	—	—
	Index options	Sold .....	32	—	0	(0)
		Bought .....	274	—	1	(2)
Total .....					\$ 4	\$ 0

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expenses in the consolidated statements of income.  
2. The fair value of listed contracts is based on the closing prices on Osaka Exchange, Inc. and other exchanges.

**(d) Bond-related transactions**

			Millions of yen				
			Notional or contract amount				Unrealized gains (losses)
			Total	Maturity over 1 year	Fair value		
<b>March 31, 2017</b>							
Listed	Futures	Sold .....	¥ 419,885	¥ —	¥ (9)	¥ (9)	
		Bought .....	—	—	—	—	
	Future options	Sold .....	11,218	—	47	(0)	
		Bought .....	—	—	—	—	
	Total .....					¥ (56)	¥ (10)
<b>March 31, 2016</b>							
Listed	Futures	Sold .....	¥ 64,296	¥ —	¥ (175)	¥ (175)	
		Bought .....	—	—	—	—	
	Future options	Sold .....	—	—	—	—	
		Bought .....	15,150	—	67	21	
	Total .....					¥ (108)	¥ (153)

			Millions of U.S. dollars			
			Notional or contract amount		Unrealized gains (losses)	
			Total	Maturity over 1 year	Fair value	
<b>March 31, 2017</b>						
Listed	Futures	Sold .....	\$ 3,742	\$ —	\$ (0)	\$ (0)
		Bought .....	—	—	—	—
	Future options	Sold .....	100	—	0	(0)
		Bought .....	—	—	—	—
	Total .....				\$ (0)	\$ (0)

Notes: 1. The above transactions are stated at fair value and unrealized gains or losses are charged to income or expenses in the consolidated statements of income.  
2. The fair value of listed contracts is based on the closing prices on Osaka Exchange, Inc. and other exchanges.

**(2) Derivative transactions to which hedge accounting is applied**

The notional principal or contract amounts, fair values and unrealized gains or losses on derivative transactions to which hedge accounting is applied as of March 31, 2017 and 2016, were as follows:

**(a) Interest rate-related transactions**

			Millions of yen		
Accounting method for hedge	Hedging instruments	Hedged items	Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2017</b>					
Deferral hedge accounting	Swaps				
	Receive fixed/pay floating	Financial assets and liabilities with interests	¥ 1,975,000	¥ 1,600,000	¥ 62,883
	Receive floating/pay fixed	(e.g., loans and deposits)	1,451,912	1,111,001	(1,691)
Special treatment of interest rate swaps	Swaps				
	Receive floating/pay fixed	Loans	14,000	10,500	(185)
Total .....					¥ 61,007
<b>March 31, 2016</b>					
Deferral hedge accounting	Swaps				
	Receive fixed/pay floating	Financial assets and liabilities with interests	¥ 2,275,000	¥ 1,825,000	¥ 95,818
	Receive floating/pay fixed	(e.g., loans and deposits)	634,141	548,507	(21,080)
Special treatment of interest rate swaps	Swaps				
	Receive floating/pay fixed	Loans	17,000	12,000	(283)
Total .....					¥ 74,454

Accounting method for hedge	Hedging instruments	Hedged items	Millions of U.S. dollars		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2017</b>					
Deferral hedge accounting	Swaps				
	Receive fixed/pay floating	Financial assets and liabilities with interests (e.g., loans and deposits)	\$ 17,605	\$ 14,262	\$ 560
	Receive floating/pay fixed		12,942	9,903	(15)
Special treatment of interest rate swaps	Swaps				
	Receive floating/pay fixed	Loans	124	93	(1)
<b>Total</b>					<b>\$ 543</b>

Note: The fair value is determined using the discounted value of future cash flows.

#### (b) Currency-related transactions

Accounting method for hedge	Hedging instruments	Hedged items	Millions of yen		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2017</b>					
Deferral hedge accounting	Currency swaps	Financial assets and liabilities denominated in foreign currency (e.g., loans and deposits)	¥ 627,085	¥ 48	¥ 1,544
March 31, 2016 Deferral hedge accounting	Currency swaps	Financial assets and liabilities denominated in foreign currency (e.g., loans and deposits)	¥ 745,601	¥ 636	¥ 10,339

Accounting method for hedge	Hedging instruments	Hedged items	Millions of U.S. dollars		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2017</b>					
Deferral hedge accounting	Currency swaps	Financial assets and liabilities denominated in foreign currency (e.g., loans and deposits)	\$ 5,589	\$ 0	\$ 13

Note: The fair value is determined using the discounted value of future cash flows.

### 31. RETIREMENT BENEFIT PLANS

#### (1) Outline of the plans

Certain consolidated domestic subsidiaries have lump-sum retirement benefit plans, originally unfunded plans but substantive funded plans after setting up a segregated retirement benefit trust, contributory funded defined benefit pension plans and defined contribution retirement plan. Upon an employees' retirement, supplemental benefits which are not subject to the actuarial calculation required by accounting standards may be provided. Some of the consolidated domestic subsidiaries, included in the above, maintain certain plan assets in a segregated retirement benefit trust established at a third party trustee to fund their retirement benefit plans.

The Company does not have a retirement benefit plan.

Certain consolidated subsidiaries estimated net defined benefit liability and retirement benefit costs using the simplified method whereby the retirement benefit obligations amount that would be payable if the eligible employees terminate the employment on the consolidated balance sheet date.

**(2) Defined benefit plan (including the plan using the simplified method)**

**(a) The changes in defined benefit obligation for the fiscal years ended March 31, 2017 and 2016**

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Balance at the beginning of the fiscal year .....	¥ 437,118	¥ 404,050	\$ 3,896
Current service cost .....	12,951	12,165	115
Interest cost .....	1,565	4,102	13
Actuarial losses .....	(14,538)	37,275	(129)
Benefits paid .....	(20,353)	(20,952)	(181)
Other .....	(56)	477	(0)
Balance at the end of the fiscal year .....	¥ 416,687	¥ 437,118	\$ 3,714

Note: (\*) Retirement benefit expenses for the consolidated subsidiaries which adopt the simplified method are all included in current service cost.

**(b) The changes in plan assets for the fiscal years ended March 31, 2017 and 2016**

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Balance at the beginning of the year .....	¥ 408,832	¥ 402,368	\$ 3,644
Expected return on plan assets .....	5,900	5,415	52
Actuarial gains .....	(5,978)	3,288	(53)
Contribution from the employer .....	10,712	18,934	95
Partial refund from the segregated retirement benefit trust .....	—	(24,618)	—
Set up segregated retirement benefit trust .....	—	5,800	—
Contribution to segregated retirement benefit trust .....	14,803	10,900	131
Benefit paid .....	(13,427)	(13,666)	(119)
Other .....	(5)	410	(0)
Balance at the end of the fiscal year .....	¥ 420,837	¥ 408,832	\$ 3,751

**(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2017 and 2016**

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Funded plans benefit obligation .....	¥ 414,963	¥ 435,491	\$ 3,699
Plan assets .....	(420,837)	(408,832)	(3,751)
Subtotal .....	(5,874)	26,658	(52)
Unfunded defined benefit obligation .....	1,724	1,627	15
Net liability for defined benefit obligation .....	¥ (4,150)	¥ 28,285	\$ (36)
Net defined benefit liability .....	12,699	32,534	113
Net defined benefit asset .....	(16,849)	(4,248)	(150)
Net liability for defined benefit obligation .....	¥ (4,150)	¥ 28,285	\$ (36)

**(d) The components of net periodic benefit costs for the fiscal years ended March 31, 2017 and 2016**

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Service cost .....	¥ 12,951	¥ 12,165	\$ 115
Interest cost .....	1,565	4,102	13
Expected return on plan assets .....	(5,900)	(5,415)	(52)
Recognized actuarial gains .....	16,710	1,849	148
Other (Supplemental benefits which are not subject to defined benefit obligation) .....	831	1,110	7
Net periodic benefit costs .....	¥ 26,157	¥ 13,811	\$ 233

**(e) The components of remeasurements of defined benefit plans for the fiscal years ended March 31, 2017 and 2016**

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Actuarial gains or (losses).....	¥ 25,269	¥ (32,278)	\$ 225

**(f) Accumulated other comprehensive income (before tax effect) on defined retirement benefit plans as of March 31, 2017 and 2016**

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Unrecognized actuarial losses .....	¥ 75,825	¥ 101,095	\$ 675

**(g) Plan assets as of March 31, 2017 and 2016**

(i) Components of plan assets

	2017	2016
Bonds.....	67%	62%
Stocks .....	7%	4%
Cash and Deposits and other.....	26%	34%
Total.....	100%	100%

Note: Total plan assets include 32% and 31% for the fiscal years ended March 31, 2017 and 2016, respectively, of a segregated retirement benefit trust which is set up for corporate pension fund and lump-sum retirement benefit plans.

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

**(h) Assumptions used for the fiscal years ended March 31, 2017 and 2016**

	2017	2016
Discount rate (weighted average) .....	0.55%	0.35%
Expected rate of return on plan assets.....	0.30 - 2.00%	2.00%

Note: Expected salary increase rate is determined by the age-specific salary increase index calculated with a reference date of March 31, 2014.

**(3) Defined contribution retirement plan**

Contribution paid to the defined contribution plan of certain consolidated domestic subsidiaries were ¥943 million (\$8 million) and ¥912 million for the fiscal years ended March 31, 2017 and 2016, respectively.

**32. COMPREHENSIVE INCOME**

Reclassification adjustment and tax effect of other comprehensive income for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Net unrealized gains (losses) on available-for-sale securities			
Amount incurred during the fiscal year.....	¥ 116,252	¥ (70,533)	\$ 1,036
Reclassification adjustment .....	(20,883)	(42,288)	(186)
Prior to deducting tax effect .....	95,369	(112,822)	850
Tax effect .....	(28,081)	37,190	(250)
Net unrealized gains (losses) on available-for-sale securities .....	¥ 67,287	¥ (75,632)	\$ 599

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Net deferred gains (losses) on hedges			
Amount incurred during the fiscal year .....	¥ (640)	¥ 42,430	\$ (5)
Reclassification adjustment .....	(12,476)	(20,004)	(111)
Prior to deducting tax effect .....	(13,117)	22,425	(116)
Tax effect .....	4,024	(6,043)	35
Net deferred gains (losses) on hedges .....	¥ (9,092)	¥ 16,382	\$ (81)
Revaluation reserve for land			
Amount incurred during the fiscal year .....	¥ —	¥ —	\$ —
Reclassification adjustment .....	—	—	—
Prior to deducting tax effect .....	—	—	—
Tax effect .....	6	1,085	0
Revaluation reserve for land .....	¥ 6	¥ 1,085	\$ 0
Foreign currency translation adjustments			
Amount incurred during the fiscal year .....	¥ (306)	¥ (14,134)	\$ (2)
Reclassification adjustment .....	—	215	—
Prior to deducting tax effect .....	(306)	(13,919)	(2)
Tax effect .....	—	—	—
Foreign currency translation adjustments .....	¥ (306)	¥ (13,919)	\$ (2)
Remeasurements of defined benefit plans			
Amount incurred during the fiscal year .....	¥ 8,559	¥ (34,127)	\$ 76
Reclassification adjustment .....	16,710	1,849	148
Prior to deducting tax effect .....	25,269	(32,278)	225
Tax effect .....	(7,732)	11,171	(68)
Remeasurements of defined benefit plans .....	¥ 17,537	¥ (21,107)	\$ 156
Share of other comprehensive income of affiliates accounted for using equity method			
Amount incurred during the fiscal year .....	¥ (22)	¥ (1)	\$ (0)
Reclassification adjustment .....	5	(0)	0
Share of other comprehensive income of affiliates accounted for using equity method .....	(17)	(1)	(0)
Total other comprehensive income (loss) .....	¥ 75,414	¥ (93,192)	\$ 672

### 33. PER COMMON SHARE INFORMATION

#### (1) Net income per share of common stock

Basic net income per share of common stock ("EPS") for the fiscal years ended March 31, 2017 and 2016 was as follows:

	Net income (Millions of yen)	Weighted average shares (Thousands of shares)	EPS (Yen)	EPS (U.S. dollars)
<b>March 31, 2017</b>				
Basic EPS:				
Net income attributable to owners of parent for common stock	¥ 155,247	2,320,770	¥ 66.89	\$ 0.59
<b>March 31, 2016</b>				
Basic EPS:				
Net income attributable to owners of parent for common stock	¥ 175,616	2,318,808	¥ 75.73	

Notes: 1. Average number of common shares during the period is after deductions of 1) the number of shares of the treasury stock and 2) the number of shares held by the ESOP Trust (2,391 thousands shares and 4,361 thousands shares as of March 31, 2017 and 2016, respectively).

2. Diluted EPS per share is not disclosed because there are no potentially dilutive common shares for the fiscal years ended March 31, 2017 and 2016.

## (2) Net assets per share of common stock

Net assets per share of common stock as of March 31, 2017 and 2016 were as follows:

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share of common stock.....	¥ 786.94	¥ 705.81	\$ 7.01

Net assets per share of common stock as of March 31, 2017 and 2016 were calculated based on the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Total net assets.....	¥ 1,946,779	¥ 1,833,470	\$ 17,354
Deductions from total net assets:			
Noncontrolling interests.....	17,854	17,468	159
Preferred stock.....	100,000	175,000	891
Preferred dividends.....	1,837	3,693	16
Net assets attributable to common stock at the end of the fiscal year.....	¥ 1,827,087	¥ 1,637,308	\$ 16,287

Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share of common stock (shares in thousand) .....	2,321,745	2,319,738
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Notes: (\*) The number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share of common stock is after deductions of 1) the number of treasury shares and 2) the number of shares held by ESOP-type Stock Benefit Trust for the Employee Shareholding Association (1,410 thousands shares and 3,427 thousands shares as of March 31, 2017 and 2016, respectively).

## 34. SEGMENT INFORMATION

### (1) Description of segments

#### (a) General information about segments

Segments are components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision maker, the Board of Directors in the case of the Company, to make decisions about resources to be allocated to the segment and assess its performance.

Under the management accounting by group business line, which unifying management accounting of three subsidiary banks; Resona Bank, Saitama Resona Bank and the Kinki Osaka Bank, group business line is classified into Consumer banking, Corporate banking and Market trading. The Group assesses them as reportable segments.

Principal operating activities of the segments are as follows:

Segment	Principal operating activity
Consumer banking	Mainly for individual customers, provide consulting services regarding consumer loan, asset management and asset succession
Corporate banking	Mainly for corporate customers, support their business growth by providing services regarding corporate loan, trust asset management, real estate business, corporate pension and asset succession
Market trading	In financial markets, transact in short term lending, borrowing, bond purchase and sale, and derivatives trading

#### (b) Overview of segment profit and loss

##### (i) Gross operating profit

Gross operating profit includes "net interest income" representing net interest income on deposits, loans and securities and "fees and commissions" representing various net commission fees. It is equal to the amount of "income" except "other income," such as gain on sales of securities, less "expenses" except "general and administrative expenses" and "other expenses," such as provision to reserve for possible loan losses, in the consolidated statements of income.



- (ii) General and administrative expenses  
General and administrative expenses are personnel and other operating expenses for the banking business. They are equal to the amount of "general and administrative expenses" less a part of "retirement benefit expenses" in the consolidated statements of income.
- (iii) Actual net operating profit  
Actual net operating profit is equal to the amount of gross operating profit (before credit costs for trust accounts) less general and administrative expenses. It represents the primary operating profit from the banking business.
- (iv) Credit cost  
Credit cost is the amount of credit-related expenses included in "other expenses," such as provision to reserve for possible loan losses and write-off of loans, less credit-related gains included in "other income," such as gain on recovery of written-off loans, in the consolidated statements of income.
- (v) Net operating profit less credit cost  
Net operating profit less credit cost is equal to the amount of actual net operating profit less credit cost. It represents segment net income of the Group.

## (2) Basis for measurement of segment profit and loss

Accounting policies and methods used to determine profit and loss of the segments are the same as those applied to the consolidated financial statements, described in Note 2 "Summary of significant accounting policies".

In cases where funds are raised by the market trading segment and are utilized in the consumer banking or the corporate banking segments, certain profit and loss determined by internal accounting rule is allocated to each operating segment for performance measurement purpose.

Disclosure of segment assets is omitted because the Group does not allocate assets to each segment.

## (3) Information about profit and loss of each segment

Profit and loss of each segment for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen					
	Consumer banking (*2)	Corporate banking (*3)	Market trading (*4)	Subtotal	Other (*5)	Total (*1)
<b>March 31, 2017</b>						
Gross operating profit.....	¥ 210,667	¥ 255,125	¥ 74,063	¥ 539,856	¥ (1,008)	¥ 538,847
General and administrative expenses (*6) ..	(167,158)	(150,342)	(12,496)	(329,997)	—	(329,997)
Actual net operating profit .....	43,508	104,760	61,567	209,836	(1,008)	208,827
Credit cost .....	2,048	17,601	—	19,649	—	19,649
Net operating profit less credit cost.....	¥ 45,556	¥ 122,361	¥ 61,567	¥ 229,485	¥ (1,008)	¥ 228,477
<b>March 31, 2016</b>						
Gross operating profit.....	¥ 242,258	¥ 275,836	¥ 66,999	¥ 585,094	¥ (2,362)	¥ 582,731
General and administrative expenses (*6) ..	(167,872)	(150,515)	(11,024)	(329,413)	—	(329,413)
Actual net operating profit .....	74,385	125,303	55,974	255,664	(2,362)	253,301
Credit cost .....	1,121	(22,731)	—	(21,609)	—	(21,609)
Net operating profit less credit cost.....	¥ 75,507	¥ 102,572	¥ 55,974	¥ 234,055	¥ (2,362)	¥ 231,692

  

	Millions of U.S. dollars					
	Consumer banking (*2)	Corporate banking (*3)	Market trading (*4)	Subtotal	Other (*5)	Total (*1)
<b>March 31, 2017</b>						
Gross operating profit.....	\$ 1,877	\$ 2,274	\$ 660	\$ 4,812	(8)	\$ 4,803
General and administrative expenses (*6) ..	(1,490)	(1,340)	(111)	(2,941)	—	(2,941)
Actual net operating profit .....	387	933	548	1,870	(8)	1,861
Credit cost .....	18	156	—	175	—	175
Net operating profit less credit cost.....	\$ 406	\$ 1,090	\$ 548	\$ 2,045	(8)	\$ 2,036

Notes: (\*1) Total amount is aggregated by the figures of three consolidated subsidiary banks and three consolidated credit guarantee subsidiaries.

(\*2) The consumer banking unit and the corporate banking unit contain operating results of the three credit guarantee subsidiaries.

(\*3) Gross operating profit of corporate banking unit does not include credit costs incurred in trust accounts amounting to ¥22 million (\$0 million) and ¥16 million of gain for the fiscal years ended March 31, 2017 and 2016, respectively.

(\*4) Gross operating profit of the market trading unit contains some portion of gains/losses on equity securities.

(\*5) "Other" includes all other departments, such as management office, which are not operating segments.

(\*6) Depreciation expense is included in general and administrative expenses.

#### (4) Reconciliation between the segment information and the consolidated financial statements

Reconciliation between the segment information and the consolidated financial statements for the fiscal years ended March 31, 2017 and 2016 was as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Total amount of segments .....	¥ 229,485	¥ 234,055	\$ 2,045
Net losses of "Other" .....	(1,008)	(2,362)	(8)
Net non-recurring gains (losses) other than credit cost (*1) .....	(5,329)	15,068	(47)
Net extraordinary losses (*2) .....	1,844	(1,149)	16
Net other reconciliation items .....	3,218	4,918	28
Income before income taxes .....	¥ 228,210	¥ 250,530	\$ 2,034

Notes: (\*1) Non-recurring gains (losses) other than credit cost include some portion of gains/losses on securities and retirement benefit expenses.

(\*2) Net extraordinary losses other than credit cost include impairment loss.

#### (5) Additional information

##### (a) Information on services for the fiscal years ended March 31, 2017 and 2016

Information on services has been omitted because the Group classifies operating segments by service.

##### (b) Geographic information for the fiscal years ended March 31, 2017 and 2016

Since the ordinary income and total tangible fixed assets attributable to the "Japan" segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented.

##### (c) Information on major customers for the fiscal years ended March 31, 2017 and 2016

Since there has been no specific customer to which the Group sells more than 10% of total ordinary income in the consolidated statements of income, information on major customers has not been presented.

### 35. SUBSEQUENT EVENTS

#### Appropriation of retained earnings

On May 12, 2017, the Board of Directors approved payment of cash dividends to stockholders of record on March 31, 2017 as follows:

	Millions of yen	Millions of U.S. dollars
Year-end cash dividends of which dividends source were retained earnings:		
Common stock, ¥9.500 (\$0.084) per share (*) .....	¥ 22,069	\$ 196.72
Class Five preferred stock, ¥459.375 (\$4.095) per share .....	1,837	16.37
Total .....	¥ 23,907	\$ 213.11

Note: (\*) Year-end cash dividends for the fiscal year ended March 31, 2017 included ¥13 million (\$0 million) of dividends paid to ESOP-type Stock Benefit Trust for the Employee Shareholding Association.