

**Disclaimer:** The Consolidated and Non-Consolidated Financial Statements and the Notes thereto in the following pages are provided for information purposes only. The Consolidated Financial Statements in the following pages are those included in the English translation of the summary of the financial results for Fiscal Year 2017 of Resona Holdings, Inc. (*Kessan Tanshin*) disclosed on May 11, 2018 in accordance with the rules of the Tokyo Stock Exchange, under the title "Consolidated Financial Results for Fiscal Year 2017 (April 1, 2017 – March 31, 2018 / Unaudited) <under Japanese GAAP>".

## 1. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Millions of yen)

	March 31, 2018
<b>Assets</b>	
Cash and due from banks	¥ 13,419,003
Call loans and bills bought	308,806
Monetary claims bought	337,705
Trading assets	270,639
Securities	5,278,544
Loans and bills discounted	28,755,172
Foreign exchange assets	160,226
Other assets	1,110,787
Tangible fixed assets	303,088
Buildings	98,404
Land	178,692
Leased assets	11,779
Construction in progress	3,537
Other tangible fixed assets	10,674
Intangible fixed assets	30,329
Software	9,519
Leased assets	15,654
Other intangible fixed assets	5,155
Net defined benefit asset	18,496
Deferred tax assets	1,692
Customers' liabilities for acceptances and guarantees	389,011
Reserve for possible loan losses	(139,668)
Reserve for possible losses on investments	(47)
<b>Total Assets</b>	<b>50,243,789</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Deposits	42,744,541
Negotiable certificates of deposit	1,060,650
Call money and bills sold	155,975
Payables under repurchase agreements	5,000
Payables under securities lending transactions	624,703
Trading liabilities	101,709
Borrowed money	675,975
Foreign exchange liabilities	4,071
Bonds	385,142
Due to trust account	1,056,058
Other liabilities	824,467
Reserve for employees' bonuses	15,634
Net defined benefit liability	10,120
Other reserves	44,312
Deferred tax liabilities	23,501
Deferred tax liabilities for land revaluation	19,976
Acceptances and guarantees	389,011
<b>Total Liabilities</b>	<b>48,140,853</b>
<b>Net Assets</b>	
Capital stock	50,472
Retained earnings	1,522,075
Treasury stock	(5,250)
Total stockholders' equity	1,567,297
Net unrealized gains on available-for-sale securities	486,665
Net deferred gains on hedges	33,462
Revaluation reserve for land	43,699
Foreign currency translation adjustments	(3,021)
Remeasurements of defined benefit plans	(42,956)
Total accumulated other comprehensive income	517,849
Noncontrolling interests	17,789
<b>Total Net Assets</b>	<b>2,102,936</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 50,243,789</b>

**(2) Consolidated Statement of Income**

(Millions of yen)

	<b>For the fiscal year ended March 31, 2018</b>
<b>Ordinary income</b>	¥ 742,927
Interest income	399,788
Interest on loans and bills discounted	305,971
Interest and dividends on securities	61,564
Interest on call loans and bills bought	1,947
Interest on due from banks	11,096
Other interest income	19,208
Trust fees	18,635
Fees and commissions	208,126
Trading income	7,146
Other operating income	28,096
Other ordinary income	81,133
Reversal of reserve for possible loan losses	18,441
Recoveries of written-off loans	13,350
Other	49,341
<b>Ordinary expenses</b>	525,150
Interest expenses	31,432
Interest on deposits	13,273
Interest on negotiable certificates of deposit	95
Interest on call money and bills sold	2,753
Interest on payables under repurchase agreement	0
Interest on payables under securities lending transactions	3,499
Interest on borrowed money	2,829
Interest on bonds	5,961
Other interest expenses	3,019
Fees and commissions	58,704
Other operating expenses	19,107
General and administrative expenses	360,674
Other ordinary expenses	55,231
Other	55,231
<b>Ordinary profits</b>	<b>217,777</b>
<b>Extraordinary gains</b>	1,278
Gains on disposal of fixed assets	1,278
<b>Extraordinary losses</b>	3,219
Losses on disposal of fixed assets	849
Impairment losses on fixed assets	2,370
<b>Income before income taxes</b>	<b>215,836</b>
Income taxes – current	11,852
Income taxes – deferred	(32,853)
Total income taxes	(21,000)
<b>Net income</b>	<b>236,836</b>
<b>Net income attributable to noncontrolling interests</b>	584
<b>Net income attributable to owners of parent</b>	<b>¥ 236,251</b>

**(3) Consolidated Statement of Changes in Net Assets**

For the fiscal year ended March 31, 2018

(Millions of yen)

	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at the beginning of the fiscal year	¥ 50,472	¥ -	¥1,436,150	¥ (1,181)	¥ 1,485,442
Changes during the fiscal year					
Dividends paid			(48,976)		(48,976)
Net income attributable to owners of parent			236,251		236,251
Purchase of treasury stock				(107,127)	(107,127)
Disposal of treasury stock		(0)		1,381	1,381
Cancellation of treasury stock		(101,676)		101,676	-
Transfer from retained earnings to capital surplus		101,676	(101,676)		-
Reversal of revaluation reserve for land			326		326
Net changes except for stockholders' equity during the fiscal year					
Total changes during the fiscal year	-	-	85,925	(4,069)	81,855
Balance at the end of the fiscal year	¥ 50,472	-	¥ 1,522,075	¥ (5,250)	¥ 1,567,297

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Net deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	¥ 414,750	¥ 40,447	¥ 44,032	¥ (3,143)	¥ (52,604)	¥ 443,482	¥ 17,854	¥ 1,946,779
Changes during the fiscal year								
Dividends paid								(48,976)
Net income attributable to owners of parent								236,251
Purchase of treasury stock								(107,127)
Disposal of treasury stock								1,381
Cancellation of treasury stock								-
Transfer from retained earnings to capital surplus								-
Reversal of revaluation reserve for land								326
Net changes except for stockholders' equity during the fiscal year	71,915	(6,985)	(333)	122	9,647	74,366	(64)	74,302
Total changes during the fiscal year	71,915	(6,985)	(333)	122	9,647	74,366	(64)	156,157
Balance at the end of the fiscal year	¥ 486,665	¥ 33,462	¥ 43,699	¥ (3,021)	¥ (42,956)	¥ 517,849	¥ 17,789	¥ 2,102,936

**(4) Notes to Consolidated Financial Statements**

Amounts of less than one million Japanese yen (“yen”) are rounded down.

Definitions of “subsidiaries” and “affiliates” are based on Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Enforcement Ordinance of the Banking Act.

**Significant Accounting Policies Applied in Preparing Consolidated Financial Statements**

## 1. Scope of consolidation

## (1) Number of consolidated subsidiaries: 15

Names of principal companies: Resona Bank, Ltd.  
Saitama Resona Bank, Ltd.  
Kansai Mirai Financial Group, Inc.  
The Kinki Osaka Bank, Ltd.

Resona Merchant Bank Asia Limited and Kansai Mirai Financial Group, Inc. are included in the scope of consolidation starting from this fiscal year due to the acquisition of shares and the new establishment, respectively.

Daiwa Guarantee Co., Ltd. ceased to exist due to the absorption-type merger with Resona Guarantee Co., Ltd. as the surviving company and therefore is excluded from the scope of consolidation from this fiscal year.

## (2) Non-consolidated subsidiaries

Name of principal company: Asahi Servicos e Representacoes Ltda.

Non-consolidated subsidiaries are immaterial with respect to assets, ordinary income, net income/loss (based on the owned interest) and retained earnings (based on the owned interest), accumulated other comprehensive income (based on the owned interest), etc. They are excluded from the consolidation as reasonable judgment on the financial conditions and operating results of the Group can still be expected even if they were not consolidated.

## 2. Application of the equity method

## (1) Number of non-consolidated subsidiaries accounted for by the equity method: None

## (2) Number of affiliates accounted for by the equity method: 3 companies

Name of the company: Japan Trustee Services Bank, Ltd.  
NTT DATA SOFIA Corporation and D&I Information Systems Inc. are included as affiliates accounted for by the equity method from this fiscal year due to the acquisition of shares.

## (3) Non-consolidated subsidiaries not accounted for by the equity method

Name of principal company: Asahi Servicos e Representacoes Ltda.

## (4) Number of affiliates not accounted for by the equity method: None

Non-consolidated subsidiaries and affiliates, which are not accounted for by the equity method, are not material to the consolidated financial statements with respect to net income/loss (based on the owned interest), retained earnings (based on the owned interest), accumulated other comprehensive income (based on owned interest), etc. and accordingly, the equity method is not applied to them.

## 3. Balance sheet dates of consolidated subsidiaries

## (1) Balance sheet dates of the consolidated subsidiaries are as follows:

End of December: 3 companies  
End of March: 12 companies

## (2) All subsidiaries have been consolidated based on their accounts at their respective balance sheet dates.

Appropriate adjustments have been made for significant transactions occurring during the period from the respective balance sheet dates of the above subsidiaries to the consolidated balance sheet date.

## 4. Amortization of goodwill

Goodwill is amortized in equal amounts for the duration of effectiveness of the goodwill up to 20 years.  
Goodwill of an insignificant amount is accounted as expenses in the fiscal year when it occurred.

## 5. Accounting policies

## (1) Trading assets/trading liabilities and trading income/trading expenses

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

purposes are included in "Trading income" and "Trading expenses" in the consolidated statements of income 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 as if they were closed out value assuming the respective contracts are closed-out at the consolidated balance sheet date.

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.

## (2) Securities

Held-to-maturity debt securities are stated at amortized cost determined by the moving average method (the amortization/accumulation is calculated by the straight-line method).

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.

Available-for-sale equity securities are stated at fair value based on the average quoted market prices in the last month of the fiscal year. Other marketable available-for-sale securities are stated at their respective market value and the cost of these securities sold is determined by the moving average method. Non-marketable available-for-sale securities whose fair value cannot be readily determined are stated at cost determined by the moving-average method.

Net unrealized gains or losses, net of applicable taxes, on available-for-sale securities are included as a component of net assets.

## (3) Derivative transactions

Derivative transactions (excluding "transactions for trading purposes") are stated at fair value.

## (4) Depreciation for fixed assets

### (i) Tangible fixed assets (except for leased assets)

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

- Buildings: 3 ~ 50 years
- Other: 2 ~ 20 years

### (ii) Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is computed by the straight-line method. Software for internal use is amortized over the estimated useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries.

### (iii) Leased assets

Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessee, which are included in tangible fixed assets or intangible fixed assets, are depreciated by a 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.

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

## (5) Deferred charges

Bond issuance costs are charged to expense as paid.

## (6) Reserve for possible loan losses

The principal consolidated subsidiaries have provided 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 or special liquidation, etc. (hereinafter, "bankrupt obligors") or who are in substantially the same deteriorating financial condition, although not yet in formal bankruptcy proceedings (hereinafter "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, which exceeds a certain threshold, the Discounted Cash Flows Method (the "DCF Method") is applied to determine the amount of reserve for individually large balances which exceeds 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 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.

For collateralized or guaranteed claims, etc. to bankrupt obligors and effectively bankrupt obligors, uncollectible amount (i.e., the carrying value less the amounts collectible from the disposal of collateral and execution of guarantees) are directly written-off. Such uncollectible amount is determined considering a valuation of the collateral and guarantees and is ¥139,080 million.

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.

(7) Reserve for possible losses on investments

Reserve for possible losses on investments is provided for possible losses on investments in securities based on assessment of the issuers' financial condition and other factors.

(8) Reserve for employees' bonuses

The reserve for employees' bonuses is provided for the payment of performance incentive bonuses to be paid to employees at an estimated amount accrued as of the consolidated balance sheet date.

(9) Other reserves

Other reserves are provided to cover future expenses and losses that can be reasonably estimated. Major components are as follows:

- (i) Reserve for losses on reimbursement of dormant deposits: ¥34,661 million  
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.
- (ii) Reserve for Resona Club points: ¥4,367 million  
A reserve for Resona Club points is provided for the estimated future losses by usage of the points awarded to the Resona Club members.
- (iii) Reserve for losses on burden charge under the credit guarantee system: ¥3,792 million  
A reserve for losses 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.

(10) Employees' retirement benefits

Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end. Prior service cost and unrecognized actuarial gains and losses are accounted for as follows:

Prior service cost:	charged to expense in the fiscal year it is incurred
Unrecognized actuarial gains and losses:	charged to income/expense from the next fiscal year of the incurrence by the straight-line method over a period defined within the average remaining service years of eligible employees (10 years).

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.

(11) Translation of assets and liabilities denominated in foreign currencies into Japanese yen

Assets and liabilities denominated in foreign currencies of consolidated domestic banking subsidiaries, except for the investments in affiliates on which historical foreign exchange rates are used, are translated into Japanese yen, primarily at the exchange rates on the consolidated balance sheet dates.

Assets and liabilities denominated in foreign currencies of other consolidated subsidiaries are translated into Japanese yen at the exchange rates on the respective balance sheet dates.

(12) Hedge accounting

- (i) Hedges of interest rate risk  
Consolidated domestic banking subsidiaries apply the deferral hedge accounting to the hedge of interest rate risk associated with their financial assets and liabilities in accordance with the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24 "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry."  
In assessment of effectiveness of fair value hedge, the hedged instruments such as loans and deposits and

hedging instruments such as interest swaps are specified as a group with similar remaining term. In assessing effectiveness of cash flow hedge, the correlation of the interest sensitivities of the hedged instruments and the hedging instruments are examined.

(ii) Hedges of foreign currency risk

Certain consolidated domestic banking subsidiaries apply the deferral hedge accounting to hedge of the foreign currency risk associated with their financial assets and liabilities denominated in foreign currencies in accordance with JICPA Industry Audit Committee Report No. 25 "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry."

Assessment of the effectiveness of these hedge transactions is conducted by confirming whether notional amount of hedging currency swaps, foreign exchange swaps, etc. is corresponding to hedged receivables or payables denominated in foreign currencies.

In addition, in application of the deferral hedge accounting or the fair value hedge accounting to hedges of foreign exchange risk of securities denominated in foreign currencies other than bonds, at the inception of each hedge, the hedge effectiveness is assessed by confirming whether the foreign currency payable amount of hedging spot or forward exchange contracts exceed the acquisition costs of the hedged securities denominated in foreign currencies.

(iii) Transaction among consolidated subsidiaries

Because internal interest swaps, currency swaps, and other derivative transactions specified as hedging instruments are strictly processed based on the appropriate market pricing and covered by corresponding external transactions as required by the JICPA Industry Audit Committee Reports No. 24 and No. 25, gains and losses on these internal derivative transactions within consolidated banking subsidiaries or with their trading accounts, are not eliminated, and are recognized as profit or deferred.

The hedging of certain assets and liabilities are accounted for by the deferral hedge accounting, fair value hedge accounting and the special treatment of interest rate swaps.

(13) Consumption taxes

The Company and consolidated domestic subsidiaries account for consumption tax and local consumption tax with the tax-exclusion method.

(14) Consolidated corporate-tax system

The Company and certain consolidated domestic subsidiaries adopt consolidated corporate-tax system with the Company being a parent company under the system.

(Additional Information)

With the purpose of giving an incentive to enhance corporate value on a medium-to-long term basis, the Company effects transactions to deliver the Company's own shares to the Employee Shareholding Association through a trust (ESOP-type Stock Benefit Trust for the Employee Shareholding Association).

(1) Outline of transactions

The Company sets up a trust whose beneficiaries are the employees who belong to the Employee Shareholding Association of Resona Holdings, Inc. (hereinafter, "the Company's Shareholding Association") and fulfill certain conditions. The trust acquires the number of shares of the Company that the Company's Shareholding Association is expected to acquire during the trust period, within the purchase period determined in advance. Subsequently, the trust sells the shares of the Company to the Company's Shareholding Association at a certain date of every month. If as of the end of the trust period, a trust profit is recognized as a result of a rise in the stock price and other factors, the profit is distributed in cash to the employees who are beneficiaries of the trust in proportion to the number of shares purchased during the period and other factors. If a transfer loss arises due to a decline in the stock price and a liability on the trust assets remains, the Company is responsible for fully settling the liability based on the indemnity clause stipulated in the non-recourse loan agreement.

(2) Company's own shares remaining in the trust

The Company's own shares remaining in the trust are accounted as treasury stock in the net assets at their book value in the trust (excluding associated expenses). The book value and number of shares of such treasury stock are ¥4,570 million and 8,179 thousand shares, respectively.



## Notes to Consolidated Financial Statements

## (Notes to Consolidated Balance Sheet)

March 31, 2018

- Equity investments and capital subscriptions to subsidiaries and affiliates (excluding consolidated subsidiaries) amounted to ¥30,236 million in total.
- There is no stock lent under consumption agreements in "Securities." There is no portion of unsecured borrowed securities, securities purchased under resale agreements and securities borrowed with cash collateral.
- Loans to borrowers in legal bankruptcy amounted to ¥12,143 million, and past due loans amounted to ¥266,649 million.

Loans to borrowers in legal bankruptcy are loans for which payment of principals or interests has not been received for a substantial period or, for other reasons, there are no prospects for collection of principals or interests, and accordingly, no interest has been accrued (excluding balance already written off and hereinafter referred to as "nonaccrual loans") and also certain specific condition stated in the Implementation Ordinances for the Corporation Tax Act (Cabinet Order No. 97, 1965), (i) through (v) in Article 96, Paragraph 1, Item 3 or the circumstances stated in Article 96, Paragraph 1, Item 4 exists.

Past due loans are nonaccrual loans, other than loans to borrowers in legal bankruptcy and loans whose interest payments have been rescheduled in order to support the restructuring of the borrowers.

- Loans past due 3 months or more amounted to ¥3,433 million.  
Loans past due 3 months or more are loans on which payment of principal or interest is overdue for 3 months or more from the contract payment date. These loans do not include "loans to borrowers in legal bankruptcy" nor "past due loans."
- Restructured loans amounted to ¥171,240 million.  
Restructured loans are those which consolidated subsidiaries have provided special terms and conditions: - including reduction of the interest rates, reschedule of the interest and principal payments, or waiver of claims on the borrowers, all of which are more favorable to the borrowers than the corresponding terms in the original loan agreements. These loans do not include "loans to borrowers in legal bankruptcy", "past due loans" and "loans past due 3 months or more."
- Loans to borrowers in legal bankruptcy, past due loans, loans past due 3 months or more and restructured loans amounted to ¥453,467 million in the aggregate. The amounts presented in above 3. to 6. are stated at the amounts before net of the reserve for possible loan losses.
- Bills discounted are recorded as lending/borrowing transactions in accordance with the JICPA Industry Audit Committee Report No. 24. The Group has a right to sell or collateralize such bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, etc., which were obtained at a discount, was ¥114,019 million.
- For loan participations, the total outstanding amounts deducted from the principal of loans and bills discounted as of March 31, 2018 amounted to ¥3,000 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.

- Assets pledged as collateral were as follows:

Assets pledged as collateral:

• Trading assets	¥	5,000 million
• Securities		2,301,370 million
• Loans and bills discounted		31,807 million
• Other assets		7,877 million

Debt collateralized:

• Deposits	¥	111,793 million
• Payables under repurchase agreements		5,000 million
• Payables under securities lending transactions		624,703 million
• Borrowed money		59,814 million

Other than noted on the table, "Cash and due from banks", "Securities" and "Other assets", in the amount of ¥80 million, ¥507,129 million, and ¥455,258 million, respectively, were pledged as collateral for settlement of foreign exchange or futures transactions and others.

"Other assets" include the initial margins for future transactions in the amount of ¥50,575 million, cash collateral paid for financial instruments in the amount of ¥50,871 million and guarantee deposits in the amount of ¥19,370 million.

- Overdrafts agreements on current accounts and commitment line agreements for loans are agreements to extend loans up to the prearranged amount upon customers' requests, unless any terms or conditions in the agreements are violated. Unused balances related to these agreements amounted to ¥9,467,195 million

including ¥8,975,161 million of agreements with original terms of one year or less or those that are unconditionally cancellable by the Group at any time without penalty.

The unused balances do not necessarily affect future cash flows of the consolidated subsidiaries because most of those agreements are expected to expire without being exercised. In addition, most agreements contain provisions, which stipulate that the consolidated subsidiaries 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.

11. 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."

Revaluation date: March 31, 1998

The revaluation method as stated in Article 3, Item 3 of the Act Concerning Land Revaluation:

The revaluation was based on the official notice prices stated in the "Act of Public Notice of Land Prices (assessed 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: ¥14,867 million

12. Accumulated depreciation of tangible fixed assets: ¥240,307 million
13. Deferred profit on tangible fixed assets deducted for tax purposes: ¥49,844 million
14. Bonds include ¥236,000 million of subordinated bonds with a covenant that performance of the obligation is subordinated to that of other obligations.
15. The principal amount of trust with the principal indemnification agreement which a consolidated domestic banking subsidiary as a trustee has been administering and operating is ¥1,079,892 million.
16. Guarantees are provided on certain privately placed bonds, in accordance with Article 2, Item 3 of the Financial Instruments and Exchange Act, included in "Securities." The amount of the guarantees is ¥437,960 million.

**(Notes to Consolidated Statement of Income)**

For the fiscal year 2017

1. "Other ordinary income" includes gains on sales of stocks and other securities in the amount of ¥33,223 million.
2. "Other ordinary expenses" includes:
  - Write-offs of loans ¥ 16,735 million
  - Losses on sales of stocks and other securities 16,400 million
  - Impairment losses on stocks and other securities 33 million

**(Notes to Consolidated Statement of Changes in Net Assets)**

For the fiscal year 2017

1. The changes in the number and class of shares issued and treasury stock are as follows:

*(Shares in thousand)*

	Number of shares at the beginning of the fiscal year	During the fiscal year 2017		Number of shares at the end of the fiscal year	Remarks
		Number of shares increased	Number of shares decreased		
Issued stock					
Common stock	2,324,118	-	-	2,324,118	
Classified stock					
Class Five preferred stock	4,000	-	4,000	-	(*1)
Total	2,328,118	-	4,000	2,324,118	
Treasury stock					
Common stock	2,372	9,752	2,792	9,153	(*2)
Classified stock					
Class Five preferred stock	-	4,000	4,000	-	(*3)
Total	2,372	13,752	6,972	9,153	

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

(\*2) The increase represents acquisition of 11 thousand shares of the shares less than one unit and acquisition of 9,741 thousand shares of the Company's shares by ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company.

The decrease represents disposal of 0 thousand shares of the shares less than one unit and sale of 2,972 thousand shares held by ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company to the Employee Shareholding Association of the Company.

The number of shares at the beginning of the fiscal year and the end of the fiscal year include 1,410 thousand shares and 8,179 thousand shares, respectively, owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

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

2. Detail of cash dividend

- (1) Dividends paid in the fiscal year 2017

Resolution	Type of stock	Cash dividends	Dividend per share	Source of dividends	Dividend record date	Effective date
		Millions of yen	Yen			
The board of directors meeting held on May 12, 2017	Common stock	22,069	9.500	Retained earnings	March 31, 2017	June 8, 2017
	Classified stock					
	Class Five preferred stock	1,837	459.375			

Note: Total cash dividends for common stock include ¥13 million of dividends paid to ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

Resolution	Type of stock	Cash dividends	Dividend per share	Source of dividends	Dividend record date	Effective date
		<i>Millions of yen</i>	<i>Yen</i>			
The board of directors meeting held on November 10, 2017	Common stock	23,231	10.000	Retained earnings	September 30, 2017	December 6, 2017
	Classified stock					
	Class Five preferred stock	1,837	459.375			

Note: Total cash dividends for common stock include ¥89 million of dividends paid to ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

(2) Dividends with record dates on or before the fiscal year end and effective dates after the fiscal year end

The following dividends are proposed to the board of directors meeting held on May 11, 2018.

Type of stock	Cash dividends	Dividend per share	Source of dividends	Dividend record date	Effective date
	<i>Millions of yen</i>	<i>Yen</i>			
Common stock	23,231	10.000	Retained earnings	March 31, 2018	June 7, 2018

Note: Total cash dividends for common stock include ¥81 million of dividends paid to ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

**(Financial Instruments)**

For the fiscal year 2017

## 1. Conditions of financial instruments

## (1) Policies and objectives for using financial instruments

The Group aims to become a financial services group useful 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

## (i) 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.

## (ii) 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.

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.

## (iii) 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.

## (a) 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.

(b) 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.

(c) 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) (ii) Market risk management."

(iv) 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. These are exposed to liquidity risk and may be difficult to raise due to the fluctuation of the financial economic environment.

(v) 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.

(i) 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 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.

Under the foregoing organizational structure, each bank of the Group makes an effort to control and reduce credit risk. For instance, each bank of the Group applies strict control of credit concentration risk to a specific customer (or customer group) by measures such as establishing a credit limit (credit ceiling), as such risk may materially affect the operation of the Group.

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.

(ii) Market risk management

(a) 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 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 "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).

(b) 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, Ltd. ("Saitama Resona Bank") and The Kinki Osaka Bank, Ltd. ("Kinki Osaka Bank") which is under the umbrella of Kansai Mirai Financial Group.

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, 2018 is ¥139 million.

*(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, 2018 is ¥33,649 million.

*(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 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, 2018 is ¥6,542 million.

*(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.

(iii) 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 "2. 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.



## 2. Fair value of financial instruments

Amounts on consolidated balance sheet, fair value and difference between them as of March 31, 2018 were as follows. Non-marketable securities whose fair values cannot be reliably determined such as non-listed equity securities are not included in the next table. (Refer to Note 2)

(Millions of yen)

	Amount on consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 13,419,003	¥ 13,419,003	¥ -
(2) Call loans and bills bought	308,806	308,806	-
(3) Monetary claims bought (*1)	337,467	333,513	(3,953)
(4) Trading assets			
Trading securities	138,006	138,006	-
(5) Securities			
Held-to-maturity debt securities	2,046,787	2,098,780	51,992
Available-for-sale securities	3,154,478	3,154,478	-
(6) Loans and bills discounted	28,755,172		
Reserve for possible loan losses (*1)	(127,185)		
	28,627,986	28,767,825	139,838
(7) Foreign exchange assets (*1)	160,226	160,226	-
<b>Total assets</b>	<b>¥ 48,192,764</b>	<b>¥ 48,380,641</b>	<b>¥ 187,877</b>
(1) Deposits	¥ 42,744,541	¥ 42,744,724	¥ 183
(2) Negotiable certificates of deposit	1,060,650	1,060,644	(5)
(3) Call money and bills sold	155,975	155,975	-
(4) Payables under repurchase agreements	5,000	5,000	-
(5) Payables under securities lending transactions	624,703	624,703	-
(6) Borrowed money	675,975	675,975	-
(7) Foreign exchange liabilities	4,071	4,071	-
(8) Bonds	385,142	399,374	14,231
(9) Due to trust account	1,056,058	1,056,058	-
<b>Total liabilities</b>	<b>¥ 46,712,117</b>	<b>¥ 46,726,528</b>	<b>¥ 14,410</b>
Derivative transactions (*2)			
Hedge accounting not applied	34,241	34,241	-
Hedge accounting applied	54,113	53,992	(121)
<b>Total derivative transactions</b>	<b>¥ 88,355</b>	<b>¥ 88,234</b>	<b>¥ (121)</b>

	Contractual amounts	Fair values
Other		
Guarantee contract (*3)	¥ 389,011	¥ (7,593)

## Notes:

(\*1) General reserve for possible loan losses, specific reserve for possible loan losses and special reserve for certain overseas loans 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 sheets.

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

Assets

## (1) 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) and fair values of these items approximate carrying amounts, the Group deems the carrying amounts to be fair value.

## (2) Call loans and bills bought

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

## (3) 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 "(6) Loans and bills discounted" below).

## (4) 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.

(5) 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 “(Securities)” for the purpose of holding those securities.

(6) 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 are presented as fair values as the fair values approximate such carrying amounts, 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 with maturity within one year, the carrying amounts are presented as fair values as the fair values approximate such carrying amounts.

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 be fair value.

For fair values of the loans and bills discounted, for those without a fixed maturity due to loan characteristics such as loans limited to the value of pledged assets, the Group deems the carrying amounts to be fair value since fair values are expected to approximate carrying amounts based on the estimated loan periods, interest rates and other conditions.

(7) Foreign exchange assets

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 traveller's checks, etc. (purchased foreign bills), and loans on notes using import bills (foreign bills receivables), the carrying amounts are presented as fair values, as the fair values approximate such carrying amounts because these items are deposits without maturity or have short contract terms (one year or less).

Liabilities

(1) Deposits and (2) 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 presented as fair values as the fair values approximate such carrying amounts.

(3) Call money and bills sold, (4) payables under repurchase agreements and (5) payables under securities lending transactions

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

(6) Borrowed money

For fair values of borrowed money with floating interest rates reflecting the market interest rates in a short-term period, the carrying amounts are presented as fair values, as the fair values approximate such carrying amounts and the creditworthiness of the Company and its consolidated subsidiaries have not changed significantly since they made the borrowing. For fair values of 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 fair values of borrowed money with maturity within one year, the carrying amounts are presented as fair values as the fair values approximate such carrying amounts.

(7) 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 has short contract terms (one year or less). Thus, their carrying amounts are presented as fair values for these contracts as the fair values approximate such carrying amounts.

(8) 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 to be used in new bond issuance.

(9) Due to trust account

Due to trust account represents short-term funding by accepting surplus in trust account and unused principal. The carrying amounts are presented as fair values which approximate such carrying amounts.

Derivative transactions

Derivative transactions represent interest rate-related transactions (interest futures, interest options, and interest swaps and other transactions), currency-related transactions (forward contracts, currency options, currency swaps and other transactions) and stock-related transactions (index futures, index options and other transactions). Fair values of these transactions are based on the values calculated by the exchange prices, the discounted values of future cash flows and option pricing models, etc.

OtherGuarantee 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 whose fair values cannot be reliably determined as of March 31, 2018 were as follows. These financial instruments are not included "Assets (5) Securities" of above table 1.

*(Millions of yen)*

Classification	Amount on consolidated balance sheet
Unlisted stocks (*1)(*2)	¥ 51,624
Investments in partnerships (*2) (*3)	25,653
<b>Total</b>	<b>¥ 77,278</b>

## 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. Unlisted stocks are amount before reserve for possible losses on investments and the total of both domestic and foreign securities.
- (\*2) For the fiscal year 2017, impairment losses of unlisted stocks amounted to ¥15 million.
- (\*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. Investments in partnerships are the total of both domestic and foreign assets.

**(Securities)**

For the fiscal year 2017

“Securities” in the consolidated balance sheet, negotiable certificates of deposit in “Cash and due from banks”, trust beneficiary certificate in “Monetary claims bought”, and trading securities and short-term bonds in “Trading assets” were included in the following tables.

## 1. Trading securities (As of March 31, 2018)

*(Millions of yen)*

	Net unrealized gains (losses) recorded in the consolidated statement of income during the fiscal year
Trading securities	¥ 10

## 2. Held-to-maturity debt securities (As of March 31, 2018)

*(Millions of yen)*

	Type	Amount on consolidated balance sheet	Estimated fair Value	Net unrealized gains (losses)
Fair value exceeding amount on consolidated balance sheet	Japanese government bonds	¥ 1,559,444	¥ 1,600,218	¥ 40,773
	Japanese local government bonds	383,173	393,887	10,714
	Japanese corporate bonds	71,549	72,513	964
	Total	2,014,167	2,066,619	52,452
Fair value below amount on consolidated balance sheet	Japanese government bonds	6,083	6,051	(32)
	Japanese local government bonds	4,214	4,176	(37)
	Japanese corporate bonds	22,322	21,932	(389)
	Total	32,620	32,160	(459)
Grand Total		¥ 2,046,787	¥ 2,098,780	¥ 51,992

## 3. Available-for-sale securities (As of March 31, 2018)

*(Millions of yen)*

	Type	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
Amount on consolidated balance sheet exceeding acquisition or amortized cost	Japanese stocks	¥ 1,076,048	¥ 402,106	¥ 673,941
	Bonds	500,760	496,837	3,923
	Japanese government bonds	36,155	36,074	80
	Japanese local government bonds	12,972	12,961	10
	Japanese corporate bonds	451,633	447,801	3,832
	Other	192,782	187,016	5,765
	Total	1,769,591	1,085,960	683,630
Amount on consolidated balance sheet below acquisition or amortized cost	Japanese stocks	41,904	46,369	(4,464)
	Bonds	714,700	717,640	(2,939)
	Japanese government bonds	176,953	178,264	(1,311)
	Japanese local government bonds	155,203	155,716	(512)
	Japanese corporate bonds	382,543	383,659	(1,116)
	Other	643,300	661,326	(18,026)
	Total	1,399,905	1,425,335	(25,430)
Grand Total		¥ 3,169,497	¥ 2,511,296	¥ 658,200

## 4. Held-to-maturity debt securities sold during the fiscal year (from April 1, 2017 to March 31, 2018)

None

## 5. Available-for-sale securities sold during the fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

Type	Proceeds from sales	Gains on sales	Losses on sales
Japanese stocks	¥ 17,257	¥ 10,973	¥ 27
Bonds	4,838,386	4,923	4,186
Japanese government bonds	4,520,494	4,256	4,128
Japanese local government bonds	153,106	239	21
Japanese corporate bonds	164,785	427	36
Other	2,940,526	30,178	31,102
Total	¥ 7,796,171	¥ 46,074	¥ 35,316

## 6. Impairment of securities

Securities except trading securities (excluding whose fair values cannot be reliably determined), of which market values substantially declined in comparison with acquisition cost and the market value rarely recovers to the acquisition cost, are recorded at the market value on the consolidated balance sheet and the valuation difference is recognized as an impairment loss.

For the fiscal year 2017, an impairment loss amounted to ¥219 million.

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 which is used in the self-assessment of asset quality as follows:

- (i) For issuers who are classified as bankrupt obligors, effectively bankrupt obligors, and borrowers with a high probability of becoming insolvent:  
where the fair value is lower than the amortized cost or acquisition cost.
- (ii) For issuers who are classified as borrowers under close watch or issuers who are not rated:  
where the fair value declined by 30% or more compared to the amortized cost or acquisition cost.
- (iii) Other: where the fair value declined by 50% or more compared to the amortized cost or acquisition cost.

**(Per Share Information)**

1. Net assets per share of common stock 900.72 yen
2. Net income attributable to owners of parent per share 100.91 yen

(\*) Diluted net income per share of common stock is not disclosed because there are no potentially dilutive common shares.

**(Significant Subsequent Event)**

Business Integration between Kansai Urban Banking Corporation, The Kinki Osaka Bank, Ltd. and The Minato Bank, Ltd.

The Company came to own voting rights of Kansai Urban Banking Corporation ("Kansai Urban") and The Minato Bank, Ltd. ("Minato"), by implementing the tender offers subject of which were the respective shares of common stock of Kansai Urban and Minato (both tender offer period was from December 27, 2017 to February 14, 2018) and purchasing all shares of Class 1 preferred stock of Kansai Urban owned by Sumitomo Mitsui Banking Corporation on February 20, 2018.

In addition, pursuant to the Share Exchange Agreement dated November 14, 2017, under which share exchanges which make (i) Kansai Mirai Financial Group, Inc. ("Kansai Mirai FG"), a consolidated subsidiary of the Company, as the wholly-owning parent company and Kansai Urban as the wholly-owned subsidiary of Kansai Mirai FG and (ii) Kansai Mirai FG as the wholly-owning parent company and Minato as a wholly-owned subsidiary of Kansai Mirai FG, became effective on April 1, 2018. The Company was allotted shares of common stock of Kansai Mirai FG in exchange for shares of Class 1 preferred stock and common stock of Kansai Urban, and shares of common stock of Minato. As a result of the share exchanges, Kansai Urban and Minato became wholly-owned subsidiaries of Kansai Mirai FG.

Consequently, Kansai Urban and Minato became subsidiaries of the Company on April 1, 2018.

## 1. Overview of the business combination

## (1) Name and business of acquired companies

- (i) Name of the acquired company: Kansai Urban Banking Corporation  
Business of the acquired company: Banking
- (ii) Name of the acquired company: The Minato Bank, Ltd.  
Business of the acquired company: Banking

## (2) Main reason of the business combination

Kansai Urban, The Kinki Osaka Bank, Ltd. ("Kinki Osaka") and Minato (collectively, the "Integrating Parties" and individually, the "Integrating Party") essentially believe that contributing to the further stimulation and vigorous growth of the Kansai economy, while making the best use of the strengths and characteristics of each Integrating Party, is the most important mission for financial institutions whose primary market is the Kansai region and will eventually contribute to the sustainable growth of the Japanese economy. Based on this recognition, the Integrating Parties have proceeded with a discussion and consideration on governance, management policy, business model and integrated form, etc. aiming at creating a "New Retail Financial Services Model that is in Step with the Future of the Kansai Region" based on the relationships with customers and local communities that each Integrating Party has fostered for many years. As a result, the Integrating Parties have determined that the Integrating Parties are able to realize improvement of the corporate value more than when each Integrating Party solely exists as separate entity, by implementing the business integration where the Integrated Parties gather together under Kansai Mirai FG.

- (3) Date of the business combination  
April 1, 2018
  - (4) Legal form of the business combination  
Share exchanges which make (i) Kansai Mirai FG as the wholly-owning parent company and (ii) Kansai Urban and Minato as the wholly-owned subsidiaries of Kansai Mirai FG.
  - (5) Company name after the combination  
Kansai Mirai Financial Group, Inc.
  - (6) Acquired voting rights ratio
    - (i) Kansai Urban  
Voting rights ratio owned immediately preceding the business combination: 15.07%  
Voting rights ratio additionally acquired on the date of the business combination: 84.92%  
Voting rights ratio after acquisition: 100.00%  
(including indirect ownership: 100.00%)
    - (ii) Minato  
Voting rights ratio owned immediately preceding the business combination: 15.08%  
Voting rights ratio additionally acquired on the date of the business combination: 84.91%  
Voting rights ratio after acquisition: 100.00%  
(including indirect ownership: 100.00%)

As a result of the share exchanges, the Company owns 51.41% of voting rights of Kansai Mirai FG, including 0.21% of indirect ownership.
  - (7) Main reason to determine the acquiring company  
Kansai Mirai FG is the acquiring company because it acquires all of voting rights of the acquired companies.
2. Share exchange ratios by class of shares, valuation methodologies of share exchange ratios by class of shares, and number of the shares delivered
- (1) Share exchange ratios by class of shares
    - (i) Share exchange ratio for common stock between Kansai Mirai FG and Kansai Urban: 1:1.60
    - (ii) Share exchange ratio for Class 1 preferred stock between Kansai Mirai FG and Kansai Urban: 1:1.30975768.
    - (iii) Share exchange ratio for common stock between Kansai Mirai FG and Minato: 1:2.37
  - (2) Valuation methodologies of share exchange ratios  
In order to ensure the fairness and appropriateness of the determination of the share exchange ratios, the Company selected Merrill Lynch Japan Securities Co., Ltd., Kansai Urban selected PwC Advisory LLC, and Minato selected Ernst & Young Transaction Advisory Services Co., Ltd., respectively, as a third-party appraiser for calculation of the share exchange ratios, and requested to analyze the economic conditions and calculate the share exchange ratios. The relevant parties carefully and repeatedly discussed and negotiated the share exchange ratios by comprehensively taking into consideration various factors, including the financial conditions, asset conditions and future prospects, etc. of each of the Integrating Parties, and by the Company's examining the terms and conditions of the sequence of the business integrations as a whole, by reference to the results of the analysis and calculation by such third-party appraisers, and reached the conclusion that the share exchange ratios stated above are appropriate. Therefore, the relevant parties determined and agreed on the share exchange ratio in the share exchanges.
  - (3) Number of the shares delivered  
310,456,594 shares

**2. Non-Consolidated Financial Statements**  
**(1) Non-Consolidated Balance Sheet**

(Millions of yen)

	<b>March 31, 2018</b>
<b>Assets</b>	
Current assets	175,078
Cash and due from banks	50,922
Securities	57,000
Prepaid expenses	7
Deferred tax assets	19,136
Suspense payments	1,497
Accrued income	2,591
Other receivable	21,048
Accrued income taxes refund	22,875
Non-current assets	1,236,246
Tangible fixed assets	3
Tools, furniture and fixtures, net	3
Intangible fixed assets	3
Software	3
Investments and other assets	1,236,239
Investments in securities	112,630
Investments in subsidiaries and affiliates	1,077,947
Long-term loans to subsidiaries and affiliates	24,500
Deferred tax assets	22,931
Other	27
Reserve for possible losses on investments	(1,797)
<b>Total Assets</b>	<b>¥ 1,411,324</b>
<b>Liabilities</b>	
Current liabilities	4,080
Other payable	2,255
Accrued expenses	425
Income taxes payable	12
Consumption taxes payable	70
Reserve for employees' bonuses	551
Other	764
Non-current liabilities	389,486
Bonds	145,000
Long-term debts to subsidiaries and affiliates	244,462
Reserve for share compensation for officers	23
<b>Total Liabilities</b>	<b>393,566</b>
<b>Net Assets</b>	
Stockholder's equity	1,012,031
Capital stock	50,472
Capital surplus	50,472
Capital reserve	50,472
Retained earnings	916,336
Other retained earnings	916,336
Retained earnings carried forward	916,336
Treasury stock	(5,250)
Revaluation and translation adjustments	5,726
Net unrealized gains on available-for-sale securities	5,726
<b>Total Net Assets</b>	<b>1,017,757</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 1,411,324</b>

**(2) Non-Consolidated Statement of Income***(Millions of yen)*

	<b>For the fiscal year ended March 31, 2018</b>
<b>Operating income</b>	74,689
Dividends from subsidiaries and affiliates	68,747
Fees from subsidiaries and affiliates	5,239
Interest on loans to subsidiaries and affiliates	702
<b>Operating expenses</b>	7,382
Interest on debts	1,521
Interest on bonds	265
Bond issuance cost	362
General and administrative expenses	5,232
<b>Operating profits</b>	<u>67,307</u>
<b>Non-operating income</b>	2,967
Interest income on securities	7
Dividends received	2,587
Fees and commissions	86
Reversal of reserve for possible losses on investments	208
Gain on forfeiture of unclaimed dividends	69
Other	7
<b>Non-operating expenses</b>	<u>105</u>
<b>Ordinary profits</b>	<u>70,168</u>
<b>Extraordinary gains</b>	<u>24,344</u>
Gains on disposal of shares in affiliates	24,344
<b>Extraordinary losses</b>	<u>12,328</u>
Losses on disposal of shares in affiliates	12,328
<b>Income before income taxes</b>	<u>82,184</u>
Income taxes – current	(28,520)
Income taxes – deferred	(44,451)
Total income taxes	<u>(72,971)</u>
<b>Net income</b>	<u>¥ 155,156</u>



**(3) Non-Consolidated Statement of Changes in Net Assets**

For the fiscal year ended March 31, 2018

	Stockholders' equity				
	Capital stock	Capital surplus			Retained earnings
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward
Balance at the beginning of the fiscal year	¥ 50,472	¥ 50,472	—	¥ 50,472	¥ 911,832
Changes during the fiscal year					
Dividends paid					(48,976)
Net income					155,156
Purchase of treasury stock					
Disposal of treasury stock			(0)	(0)	
Cancellation of treasury stock			(101,676)	(101,676)	
Transfer from retained earnings to capital surplus			101,676	101,676	(101,676)
Net changes except for stockholders' equity during the fiscal year					
Total changes during the fiscal year	—	—	—	—	4,503
Balance at the end of the fiscal year	¥ 50,472	¥ 50,472	—	¥ 50,472	¥ 916,336

	Stockholders' equity		Revaluation and translation adjustments		Total net assets
	Treasury stock	Total stockholders' equity	Net unrealized gains on available-for-sale securities	Total revaluation and translation adjustments	
Balance at the beginning of the fiscal year	¥ (1,181)	¥ 1,011,597	—	—	¥ 1,011,597
Changes during the fiscal year					
Dividends paid		(48,976)			(48,976)
Net income		155,156			155,156
Purchase of treasury stock	(107,127)	(107,127)			(107,127)
Disposal of treasury stock	1,381	1,381			1,381
Cancellation of treasury stock	101,676	—			—
Transfer from retained earnings to capital surplus		—			—
Net changes except for stockholders' equity during the fiscal year			5,726	5,726	5,726
Total changes during the fiscal year	(4,069)	434	5,726	5,726	6,160
Balance at the end of the fiscal year	¥ (5,250)	¥ 1,012,031	¥ 5,726	¥ 5,726	¥ 1,017,757

**(4) Notes to Non-Consolidated Financial Statements****(Significant Accounting Policies)**

## 1. Securities

(1) Held-to-maturity debt securities are stated at amortized cost determined by the moving average method.

(2) Investments in subsidiaries are stated at cost determined by the moving-average method.

(3) Available-for-sale securities are stated at fair value based on the average quoted market prices in the last month of the fiscal year. Net unrealized gains or losses, net of applicable taxes, on available-for-sale securities are included as a component of net assets.

## 2. Depreciation for fixed assets

## (1) Tangible fixed assets (except for leased assets)

Depreciation of tangible fixed assets is computed by the declining-balance method. The estimated useful lives of major tangible fixed assets are as follows:

- Tools, furniture and fixtures: 2 ~ 20 years

## (2) Intangible fixed assets (except for leased assets)

- Software: Amortization of software for internal use is computed by the straight-line method over the estimated useful lives (mainly 5 years) determined by the Company.

## 3. Deferred charges

Bond issuance costs are charged to expense as paid.

## 4. Basis for reserves

## (1) Reserve for possible losses on investments

Reserve for possible losses on investments is provided for possible losses on investments in subsidiaries based on assessment of the subsidiaries' financial condition and other factors.

## (2) Reserve for employees' bonuses

The reserve for employees' bonuses is provided for the payment of performance incentive bonuses to be paid to employees at an estimated amount accrued as of the balance sheet date.

## (3) Reserve for share compensation for officers

The reserve for share compensation for officers is provided for the payment of compensation under share compensation scheme for officers of the Company at an estimated amount of compensation for officers that are deemed to have accrued as of the balance sheet date.

## 5. Consumption taxes

The Company accounts for consumption tax and local consumption tax with the tax-exclusion method.

## 6. Consolidated corporate-tax system

The Company adopts consolidated corporate-tax system with the Company being a parent company under the system.

**(Additional Information)**

With the purpose of giving an incentive to enhance corporate value on a medium-to-long term basis, the Company effects transactions to deliver the Company's own shares to the Employee Shareholding Association through a trust (ESOP-type Stock Benefit Trust for the Employee Shareholding Association).

## (1) Outline of transactions

The Company sets up a trust whose beneficiaries are the employees who belong to the Employee Shareholding Association of Resona Holdings, Inc. (hereinafter, "the Company's Shareholding Association") and fulfill certain conditions. The trust acquires the number of shares of the Company that the Company's Shareholding Association is expected to acquire during the trust period, within the purchase period determined in advance. Subsequently, the trust sells the shares of the Company to the Company's Shareholding Association at a certain date of every month. If as of the end of the trust period, a trust profit is recognized as a

result of a rise in the stock price and other factors, the profit is distributed in cash to the employees who are beneficiaries of the trust in proportion to the number of shares purchased during the period and other factors. If a transfer loss arises due to a decline in the stock price and a liability on the trust assets remains, the Company is responsible for fully settling the liability based on the indemnity clause stipulated in the non-recourse loan agreement.

(2) Company's own shares remaining in the trust

The Company's own shares remaining in the trust are accounted as treasury stock in the net assets at their book value in the trust (excluding associated expenses). The book value and number of shares of such treasury stock are ¥4,570 million and 8,179 thousand shares, respectively.

**(Notes to Non-Consolidated Balance Sheet)**

March 31, 2018

1. Amounts of less than one million Japanese yen are rounded down.
2. Accumulated depreciation of tangible fixed assets: ¥ 38 million
3. Monetary claims and monetary debts to subsidiaries and affiliates
 

Short-term monetary claims to subsidiaries and affiliates:	¥ 128,582 million
Long-term monetary claims to subsidiaries and affiliates:	24,516 million
Short-term monetary debts to subsidiaries and affiliates:	1,414 million
Long-term monetary debts to subsidiaries and affiliates:	244,462 million
4. Long-term loans to subsidiaries and affiliates are subordinated loans with a covenant that performance of the obligation is subordinated to that of other obligations.

**(Notes to Non-Consolidated Statement of Income)**

For the fiscal year 2017

1. Amounts of less than one million Japanese yen are rounded down.
2. Transactions with subsidiaries and affiliates
 

Operating income	¥ 74,689 million
Operating expenses	1,612 million
Non-operating transactions	36,708 million

**(Notes to Non-Consolidated Statement of Changes in Net Assets)**

For the fiscal year 2017

- Amounts of less than one million Japanese yen are rounded down.
- The changes in the number and class of shares issued are as follows:

*(Shares in thousand)*

	Number of shares at the beginning of the fiscal year	During the fiscal year 2017		Number of shares at the end of the fiscal year	Remarks
		Number of shares increased	Number of shares decreased		
Issued stock					
Common stock	2,372	9,752	2,972	9,153	(*1)
Classified stock					
Class Five preferred stock	–	4,000	4,000	–	(*2)
Total	2,372	13,752	6,972	9,153	

Notes: (\*1) The increase represents acquisition of 11 thousand shares of the shares less than one unit and acquisition of 9,741 thousand shares of the Company's shares by ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company.

The decrease represents disposal of 0 thousand shares of the shares less than one unit and sale of 2,972 thousand shares held by ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company to the Employee Shareholding Association of the Company.

The number of shares at the beginning of the fiscal year and the end of the fiscal year include 1,410 thousand shares and 8,179 thousand shares, respectively, owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

(\*2) The increase represents acquisition of own shares pursuant to Article 16, paragraph 1 of the articles of incorporation of the Company. Also, the decrease represents cancellation of own shares pursuant to Article 178 of the Companies Act.

**(Notes to Deferred Tax Accounting)**

March 31, 2018

Breakdown of deferred tax assets and liabilities with respect to each significant cause

Deferred tax assets:	
Write-downs of equity investments to subsidiaries and affiliates	¥ 489,478 million
Tax loss carryforwards	67,958 million
Reserve for possible losses on investments	549 million
Other	206 million
Gross deferred tax assets	558,192 million
Valuation allowance	(512,803 million)
Total deferred tax assets	45,389 million
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(2,522 million)
Other	(798 million)
Total deferred tax liabilities	(3,321 million)
Net deferred tax assets	42,068 million

**(Notes to Related Party Transactions)**

For the fiscal year 2017

Type	Name	Voting Rights Holding or Held (%)	Relation with the Party	Transactions	Transaction Amount (Millions of yen)	Account	Balance as of March 31, 2018 (Millions of yen)
Subsidiary	Resona Bank, Ltd.	(Holding) Directly 100.00%	Business management, Deposit transactions, Monetary loans, Interlocking directors	Deposit of current account	32,235	Cash and due from banks	50,604
				Deposit of negotiable certificates of deposit	140,780	Securities	57,000
				Interest income on securities	4	Accrued income	0
				Borrowing of funds	5,444	Long-term debts to subsidiaries and affiliates	244,462
				Interest expense on debts	1,521	Accrued expenses	372
Subsidiary	Saitama Resona Bank, Ltd.	(Holding) Directly 100.00%	Business management, Deposit transactions, Monetary loans, Interlocking directors	Deposit of negotiable certificates of deposit	46,254	Securities	—
				Interest income on securities	1	Accrued income	—
				Lending of funds	—	Long-term loans to subsidiaries and affiliates	24,500
				Interest income on loans	635	Accrued income	3
Subsidiary	Kinki Mirai Financial Group, Inc.	(Holding) Directly 100.00%	Interlocking directors	Incorporation and subscription for additional shares	59,179	—	—
				Sale of shares in affiliates Sale price Losses on sale	86,079 12,328	—	—
Subsidiary	The Kinki Osaka Bank, Ltd.	(Holding) Indirectly 100.00%	Business management, Deposit transactions, Interlocking directors	Deposit of Negotiable certificates of deposit	32,767	Securities	—
				Interest income on securities	0	Accrued income	—
Subsidiary	Resona Guarantee Co., Ltd.	(Holding) Directly 100.00%	Business management, Interlocking directors	Sale of shares in affiliates Sale price Gains on sale	25,648 24,344	—	—

Notes: (1) Transaction amounts for deposit of current account and deposit of negotiable certificates of deposit represent average balance during the fiscal year.

(2) Negotiable certificate of deposit is mainly one-month period transaction and the interest rate is determined rationally based on actual market rate for the transaction period.

(3) Debts are non-collateralized with a lump-sum repayment at maturity and the interest rate was determined rationally based on actual market rate.

(4) Loans are subordinated loans and the interest rate was determined rationally based on actual market rate.

(5) The sale prices of shares in affiliates were determined considering valuation reports by independent third parties.

**(Notes to Per Share Information)**

- Net assets per share of common stock 439.64 yen
- Net income attributable to owners of parent per share 65.49 yen

**(Significant Subsequent Event)**

Business Integration between Kansai Urban Banking Corporation, The Kinki Osaka Bank, Ltd. and The Minato Bank, Ltd.

The Company came to own voting rights of Kansai Urban Banking Corporation (“Kansai Urban”) and The Minato Bank, Ltd. (“Minato”), by implementing the tender offers subject of which were the respective shares of common stock of Kansai Urban and Minato (both tender offer period was from December 27, 2017 to February 14, 2018) and purchasing all shares of Class 1 preferred stock of Kansai Urban owned by Sumitomo Mitsui Banking Corporation on

February 20, 2018.

In addition, pursuant to the Share Exchange Agreement dated November 14, 2017, under which share exchanges which make (i) Kansai Mirai Financial Group, Inc. ("Kansai Mirai FG"), a consolidated subsidiary of the Company, as the wholly-owning parent company and Kansai Urban as the wholly-owned subsidiary of Kansai Mirai FG and (ii) Kansai Mirai FG as the wholly-owning parent company and Minato as a wholly-owned subsidiary of Kansai Mirai FG, became effective on April 1, 2018. The Company was allotted shares of common stock of Kansai Mirai FG in exchange for shares of Class 1 preferred stock and common stock of Kansai Urban, and shares of common stock of Minato. As a result of the share exchanges, Kansai Urban and Minato became wholly-owned subsidiaries of Kansai Mirai FG.

Consequently, Kansai Urban and Minato became subsidiaries of the Company on April 1, 2018.

### 3. Overview of the business combination

#### (1) Name and business of acquired companies

- (i) Name of the acquired company: Kansai Urban Banking Corporation  
Business of the acquired company: Banking
- (ii) Name of the acquired company: The Minato Bank, Ltd.  
Business of the acquired company: Banking

#### (2) Main reason of the business combination

Kansai Urban, The Kinki Osaka Bank, Ltd. ("Kinki Osaka") and Minato (collectively, the "Integrating Parties" and individually, the "Integrating Party") essentially believe that contributing to the further stimulation and vigorous growth of the Kansai economy, while making the best use of the strengths and characteristics of each Integrating Party, is the most important mission for financial institutions whose primary market is the Kansai region and will eventually contribute to the sustainable growth of the Japanese economy. Based on this recognition, the Integrating Parties have proceeded with a discussion and consideration on governance, management policy, business model and integrated form, etc. aiming at creating a "New Retail Financial Services Model that is in Step with the Future of the Kansai Region" based on the relationships with customers and local communities that each Integrating Party has fostered for many years. As a result, the Integrating Parties have determined that the Integrating Parties are able to realize improvement of the corporate value more than when each Integrating Party solely exists as separate entity, by implementing the business integration where the Integrated Parties gather together under Kansai Mirai FG.

#### (3) Date of the business combination

April 1, 2018

#### (4) Legal form of the business combination

Share exchanges which make (i) Kansai Mirai FG as the wholly-owning parent company and (ii) Kansai Urban and Minato as the wholly-owned subsidiaries of Kansai Mirai FG.

#### (5) Company name after the combination

Kansai Mirai Financial Group, Inc.

#### (6) Acquired voting rights ratio

- (i) Kansai Urban  
Voting rights ratio owned immediately preceding the business combination: 15.07%  
Voting rights ratio additionally acquired on the date of the business combination: 84.92%  
Voting rights ratio after acquisition: 100.00%  
(including indirect ownership: 100.00%)
- (ii) Minato  
Voting rights ratio owned immediately preceding the business combination: 15.08%  
Voting rights ratio additionally acquired on the date of the business combination: 84.91%  
Voting rights ratio after acquisition: 100.00%  
(including indirect ownership: 100.00%)

As a result of the share exchanges, the Company owns 51.41% of voting rights of Kansai Mirai FG, including 0.21% of indirect ownership.

#### (7) Main reason to determine the acquiring company

Kansai Mirai FG is the acquiring company because it acquires all of voting rights of the acquired companies.

### 4. Share exchange ratios by class of shares, valuation methodologies of share exchange ratios by class of shares, and number of the shares delivered

#### (1) Share exchange ratios by class of shares

- (i) Share exchange ratio for common stock between Kansai Mirai FG and Kansai Urban: 1:1.60
- (ii) Share exchange ratio for Class 1 preferred stock between Kansai Mirai FG and Kansai Urban: 1:1.30975768.
- (iii) Share exchange ratio for common stock between Kansai Mirai FG and Minato: 1:2.37

#### (2) Valuation methodologies of share exchange ratios

In order to ensure the fairness and appropriateness of the determination of the share exchange ratios, the Company selected Merrill Lynch Japan Securities Co., Ltd., Kansai Urban selected PwC Advisory LLC, and Minato selected Ernst & Young Transaction Advisory Services Co., Ltd., respectively, as a third-party

appraiser for calculation of the share exchange ratios, and requested to analyze the economic conditions and calculate the share exchange ratios. The relevant parties carefully and repeatedly discussed and negotiated the share exchange ratios by comprehensively taking into consideration various factors, including the financial conditions, asset conditions and future prospects, etc. of each of the Integrating Parties, and by the Company's examining the terms and conditions of the sequence of the business integrations as a whole, by reference to the results of the analysis and calculation by such third-party appraisers, and reached the conclusion that the share exchange ratios stated above are appropriate. Therefore, the relevant parties determined and agreed on the share exchange ratio in the share exchanges.

- (3) Number of the shares delivered  
310,456,594 shares