



The Nomura Trust and Banking Co., Ltd.

2018

Annual Report

NOMURA



Corporate Data (As of August, 2018)

Name:	The Nomura Trust and Banking Co., Ltd.
Established:	August 24, 1993
Paid-in Capital:	35 billion yen
Outstanding Shares:	800,000 shares
Shareholder:	Nomura Holdings, Inc. (Number of shares held: 800,000 shares, holding ratio: 100%)
Head Office:	2-2-2, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan +81 (3) 5202-1600

Disclosure 2018

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Message from the CEO

We sincerely appreciate your continuing support for The Nomura Trust and Banking.

During the first half of the fiscal year, the Japanese economy faced the continuation of significant uncertainty due to factors including overseas political and geopolitical risks, while the BOJ's monetary easing measures centered on yield curve control were continued.

During the second half of the fiscal year, against a background of a favorable employment environment in Japan, as well as the strong economic growth of the United States and other countries around the world, the Japanese economy remained strong, with the Nikkei Stock Average rising to the 24,000 mark in January, and business sentiment, on the whole, reaching a favorable level.

Under these circumstances, we, as a member of the Nomura Group, have followed Nomura's basic philosophy of "placing clients at the heart of everything we do" and strengthened collaboration with other Group companies to offer high-quality products and services, while striving to expand our business.

The investment trust assets under custody exceeded 17.3 trillion yen at the end of March 2018, due to high-quality trust services, client expansion, and other sales promotion efforts; as a result, investment trust fees marked a new record high. Due to strengthened sales promotion and further increased collaboration with Nomura Securities, which is our banking agent, loan balance targeting individual clients increased, and total loan balance was 529.2 billion yen at the end of March 2018. Additionally, the volume of our inheritance-related services saw a steady increase. As a result of these business activities, for the fiscal year ended March 2018, we reported an ordinary profit of 1.804 billion yen and a net income of 1.083 billion yen.

As a member of the Nomura Group, we will further strengthen our relationship with other Nomura Group companies, and strive to create new value for our clients by quickly capitalizing on changes in markets and trends, in order to satisfy their increasingly sophisticated and diversified needs.

Furthermore, along with our efforts to promote opportunities for women in the workplace, we ensure that the individual abilities of our diverse employees, with varied backgrounds, values, and other unique characteristics, are demonstrated effectively in a variety of business settings.

As a bank with a trust business, we take the public nature of banking operation seriously, and contribute to the smooth operation of finance by maintaining client trust and protecting our depositors. We are committed to operating a sound and well-regarded business by fulfilling our responsibilities as a trust administrator. We appreciate your continuing support.

August 2018



Kenji Kimura
President and Chief Executive Officer

Overview of Our Business

Key Management Indicators

Changes in Key Management Indicators

(Millions of yen)

Item	FY2013	FY2014	FY2015	FY2016	FY2017
Profit and loss					
Ordinary income	31,769	29,576	26,288	26,597	25,907
Net business profit	2,665	2,217	3,107	2,857	1,949
Ordinary profit	2,785	2,129	3,049	2,138	1,804
Net income	1,619	1,228	1,893	1,755	1,083
Assets, liabilities and capital					
Capital stock	30,000	30,000	35,000	35,000	35,000
Issued stock (thousands)	600	600	800	800	800
Net assets	47,785	48,835	60,567	61,588	60,877
Total assets	1,256,196	1,202,925	2,552,876	1,381,347	1,289,563
Balance of deposits	469,520	517,881	1,846,875	751,084	818,364
Balance of loans	399,139	443,132	469,963	458,238	529,275
Balance of securities	784,832	684,982	646,137	561,279	511,829
Per share information					
Net assets per share (yen)	79,641	81,392	75,709	76,985	76,097
Annual dividends per share (yen)	—	—	—	1,090	670
Net income per share (yen)	2,698	2,048	3,145	2,194	1,354
Dividend payout ratio (%)	—	—	—	49.66%	49.47%
Number of employees	417	435	441	457	451
Non-consolidated capital adequacy ratio (%)	14.33%	12.95%	14.66%	16.51%	16.27%
Return on equity (%)	3.44%	2.54%	3.46%	2.87%	1.76%
Trust account					
Trust fees	7,595	8,107	8,785	8,651	8,932
Assets held in trust	17,765,319	20,705,461	20,886,696	21,259,975	21,474,240
Balance of loans and bills discounted	356,366	401,693	451,414	329,081	303,222
Balance of securities	2,231,379	2,362,352	2,552,740	2,987,123	2,617,141

1. Profit Performance

Regarding the state of profits, while trust fees increased by 280 million yen from the last fiscal year, net interest income decreased by 1,982 million yen from the last fiscal year, and net fees and commissions decreased by 268 million yen from the last fiscal year; therefore, gross operating profit decreased by 665 million yen from the last fiscal year.

As a result, ordinary profit decreased by 333 million yen year on year, to 1,804 million yen, and net income decreased by 672 million yen year on year, to 1,083 million yen.

Table of Profit Performance

(Millions of yen)

Item	FY2013	FY2014	FY2015	FY2016	FY2017	
						Net Increase (Decrease)
Gross operating profit	17,151	16,971	18,625	17,635	16,969	(665)
Trust fees	7,595	8,107	8,785	8,651	8,932	280
Net interest income	5,290	3,790	4,365	5,244	3,262	(1,982)
Net fees and commissions	1,494	1,140	3,245	2,271	2,003	(268)
Net trading income (loss)	9	9	5	2	0	(1)
Net other operating income	2,760	3,923	2,221	1,465	2,771	1,306
Provision of general allowance for loan losses (deduction)	—	—	429	—	134	134
General and administrative expenses (excluding non-recurring expenses)	14,485	14,753	15,087	14,778	14,885	107
Personnel expenses	5,089	4,888	5,218	5,213	5,282	69
Non-personnel expenses	9,035	9,337	9,222	8,857	8,975	117
Taxes	360	527	646	707	628	(78)
Net business profit	2,665	2,217	3,107	2,857	1,949	(907)
Non-recurring profit (loss)	120	(88)	(58)	(719)	(145)	573
Writing-off loans	—	—	—	(932)	—	932
Reversal of allowance for loan losses (deduction)	234	75	—	409	—	(409)
Provision of specific allowance for loan losses (deduction)	—	—	(2)	—	0	0
Ordinary profit	2,785	2,129	3,049	2,138	1,804	(333)
Extraordinary income	58	48	33	530	32	(497)
Other	58	48	33	530	32	(497)
Extraordinary loss	39	28	49	32	161	129
Loss on disposal of fixed assets	18	8	28	32	145	112
Impairment loss	—	—	—	—	16	16
Provision of contingency losses	19	19	20	—	—	—
Other	1	—	0	—	—	—
Income before income taxes	2,804	2,150	3,033	2,635	1,674	(960)
Income taxes-current	1,103	417	1,307	575	627	52
Income taxes-deferred (deduction)	82	503	(168)	304	(36)	(341)
Total income taxes	1,185	921	1,139	879	591	(288)
Net income	1,619	1,228	1,893	1,755	1,083	(672)

Overview of Our Business

2. Status of Trust Assets

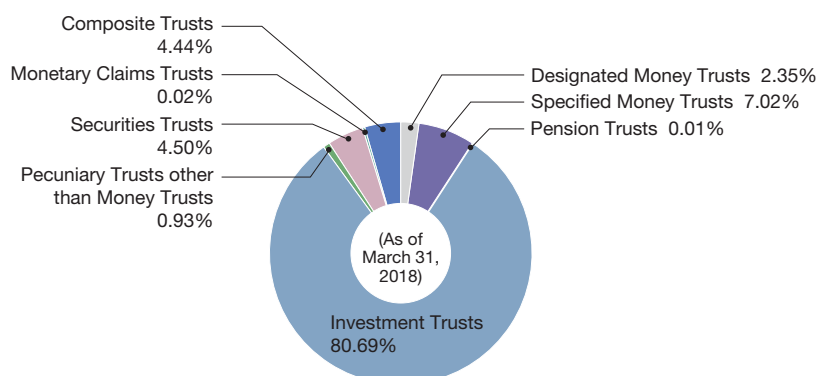
The balance of investment trusts remains over 17.3 trillion yen, as of the end of March 2018.
The total trust balance was 21.4 trillion yen.

Table of Balance of Trust Assets

(Millions of yen)

Liabilities	March 31,2014	March 31,2015	March 31,2016	March 31,2017	March 31,2018
Designated Money Trusts	765,793	759,433	792,270	621,927	505,746
Specified Money Trusts	912,715	1,052,514	1,324,153	1,599,972	1,509,603
Pension Trusts	128,642	105,551	77,294	57,350	2,150
Investment Trusts	13,701,092	16,555,603	16,625,358	16,639,438	17,328,641
Pecuniary Trusts other than Money Trusts	213,687	273,968	200,830	197,010	199,866
Securities Trusts	516,015	487,747	523,145	1,071,924	968,234
Monetary Claims Trusts	25,999	23,054	20,225	16,339	4,582
Composite Trusts	1,501,373	1,447,586	1,323,418	1,056,013	955,415
Total	17,765,319	20,705,461	20,886,696	21,259,975	21,474,240

Ratio of Trust Assets



3. Status of Capital Adequacy

The capital adequacy ratio at the end of March 2018 was 16.27% (domestic standard), maintaining a sound level.

■ Capital Adequacy Ratio on Non-consolidated Basis (Domestic Standard)

(Millions of yen)

Item	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Core capital: instruments [A]	56,156	56,318	59,641	60,116	60,798
Core capital: regulatory adjustments [B]	155	1,048	1,725	1,976	3,350
Capital amount [C] (= [A] – [B])	56,000	55,270	57,916	58,139	57,447
Risk assets					
On-balance sheet items	331,462	359,964	342,137	300,688	305,374
Off-balance sheet items	16,510	24,616	13,594	11,758	10,688
CVA risks (divided by multiplying the capital requirement by 12.5)	13,141	13,140	7,908	7,048	3,538
Operational risks (divided by multiplying the capital requirement by 12.5)	29,431	28,802	31,167	32,484	33,425
Total [D]	390,546	426,523	394,807	351,979	353,026
Capital adequacy ratio (domestic standard) (= [C]/[D] x 100)	14.33%	12.95%	14.66%	16.51%	16.27%

(Note) Capital adequacy ratios are calculated with the formula specified in Notification No. 19 of the 2006 Financial Services Agency, based on the provisions of Article 14:2 of the Banking Act.

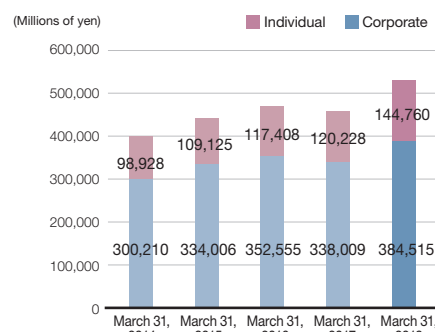
Results of Main Business

<Lending>

In addition to loans to corporate customers, we also extend loans broadly to individual customers through loans secured by securities called “Nomura Web Loan” which is offered via “Banking Service.”

The balance of loans as of the end of the current fiscal year stood at 529.2 billion yen.

■ Loan balance



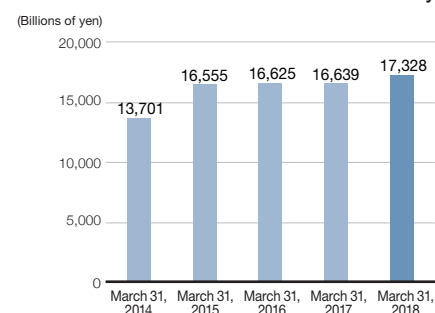
(Note) Corporate includes loans to the trust account.

<Investment Trust Administration Business>

The balance of investment trusts under custody rose by 689.2 billion yen from the end of the previous fiscal year to 17,328 billion yen due to stable fund inflows into the investment trust market.

We received a qualified opinion in accordance with the Statement on Standards for Attestation Engagements No.18 (SSAE 18) in an audit performance by an independent auditor, and we are working hard to further improve the quality of our administrative operations.

■ Balance of Investment trusts under custody



Internal Control System – Management

Management Structure

As a trust bank of Nomura Group, we are operating our business guided by the integrated strategy of Nomura Holdings, Inc. We have built a management structure which delivers efficient business operations in conformity with the business line of Nomura Group. Furthermore, by ensuring that our directors and employees comply with the “Code of Ethics of Nomura Group,” we are promoting company management which is appropriate considering the relevant laws and regulations.

We operate under the committee system in which the majority of members are outside directors, i.e. the Nomination Committee, the Audit Committee and the Compensation Committee, with the objective of strengthening our management supervisory functions and improving our managerial transparency.

We also established the Board of Directors as the body to decide on and to approve important management related matters. The Board of Directors makes decisions regarding our basic management policy, matters necessary for the Audit Committee to execute its duties, and the allotment of the duties and chain of command for executive officers etc. The Board also supervises the execution of duties of the executive officers. Moreover, we regularly convene the Board of Executive Officers as a body to make decisions regarding, and to approve, important matters and proposals related to business execution to facilitate the speedy execution of our business.

The Audit Committee audits the suitability, validity and efficiency of business operations and the execution of duties by the executive officers and directors by exercising its statutory authority and leveraging the external audit corporation as well as internal organizations. The methodology, progress of, and results of audits are reported to the Board of Directors on a regular basis. Our Audit Committee also collaborates with the Audit Committee of Nomura Holdings to audit our businesses as necessary. The range for the Audit Committee expanded due to the scale of the company and its expanding business.

We set up an Audit Committee Office, where the Audit Committee carries independent staffs for them to carry out its proper duties.

To enhance our internal control procedures, the following committees are established.

- Risk Management Committee: Deliberates and decides on important matters related to integrated risk management, based on risk appetite.
- ALM Committee: Deliberates and decides on matters related to formulation and approval of the basic strategies for fund management and procurement.
- New Products & Services Review Committee: Analyzes and evaluates the risks inherent in the provision of a new product or launch of a new business and gives necessary information to the Board of Executive Officers when it is making decisions on the provision of the new product or launch of the new business.
- Investment Management Committee: In addition to deliberating and deciding on investment management policies for trust assets for which the Bank has discretionary power, and the pros and cons of employing asset management companies or incorporating investment products into the investment product lineup, as well as individual management models, etc., also works to share data regarding performance and risk management conditions of investment products, etc.
- Investment Audit Committee: In order to ensure the appropriateness of the management of trust assets for which the Bank has discretionary power, this Committee regularly verifies the performance, risk management and status of interaction with customers. If necessary, it recommends and instructs the Investment Management Committee to make improvements and keep all related parties informed about matters.
- Compliance Committee: Deliberates and makes decisions on compliance with laws and other compliance-related corporate matters.
- Business Quality Improvement Committee: Carries out measures to improve overall quality of administration, such as departmental self-inspections, as part of efforts to build a highly effective internal control system and improve the quality of day-to-day operations and other business activities.
- Information Security Committee: Discusses and approves company-wide actions related to information security.
- Crisis Management Committee: Deliberates and makes decisions on the company’s crisis management measures.
- Operational Risk Committee: Deliberates and coordinates matters related to operational risks to facilitate appropriate and smooth control of operational risks.
- Customer Protection Committee: In order to protect legitimate interests and improve customer convenience we continue to enhance our customer explanation management, customer support management, customer information management conflicts of interest management, and outsourcing management.
- Specific Transaction Committee: It is composed of members other than current or ex-members of Nomura Group and including external experts. It verifies that the independence of bank management is secured when the Company management makes important decisions regarding its business operations and submits the findings to the person authorized to make a decision regarding related matters.

Internal Audit System

We have established the Internal Audit Department, which is independent of all other operational divisions, to review the effectiveness and adequacy of the internal control systems in business execution and risk management systems and to make recommendations for improvement.

In light of the guidelines set forth by the Institute of Internal Auditors for internal audits, the Internal Audit Department identifies the type and degree of risks, draws up an annual internal audit plan in consideration of the depth and frequency of audits, and performs effective audits in accordance with the “Nomura Group’s Internal Audit Missions” and our “Internal Audit Policy.”

The results of audits are promptly reported to company management and the Audit Committee. Any issues identified in the audits are communicated to the relevant operational divisions, so that follow-up for the corresponding situation actions can be taken, in an effort to further enhance the internal control system.

Internal Control System – Compliance

Compliance Management System

Constantly aware of the significance of our social responsibilities and public mission as a financial institution, we are determined to provide high quality financial services to customers in strict compliance with social norms as well as laws and regulations. We regard compliance as one of the foremost priority management tasks and the Board of Directors has established the “Compliance Policy,” laying out our basic stance regarding compliance. Furthermore, based on the above policy, the Board of Executive Officers established the “Compliance Regulations,” setting initiatives for specific actions taken to put compliance into action.

Compliance Policy

As a member of Nomura Group, we strive to foster a corporate culture and build corporate ethics focusing on compliance in conformity with the Code of Ethics of Nomura Group, and perform honest and fair corporate activities without violating social norms.

1. Basic Stance Regarding Compliance

Constantly aware of the significance of our social responsibilities and public mission as a financial institution, we regard the enhancement and establishment of a compliance system as one of our foremost priority tasks for securing the soundness and appropriateness of operations, and we take proactive steps to complete this task.

2. Individual Efforts for Compliance

Directors, executive officers and employees of the Company constantly strive to acquire extensive knowledge, not only of laws and regulations required in business, but also social norms, and act in conformity with a higher level of corporate ethics.

3. Establishment of Social Credibility

We demonstrate our intention to perform honest and fair corporate activities focusing on compliance through our accountability to stakeholders, thereby establishing credibility as a member of society.

In accordance with the “Compliance Regulations,” we have formed the Compliance Committee which, chaired by the representative executive officer and vice-chaired by the Compliance Officer appointed by the Board of Executive Officers, deliberates and makes decisions regarding compliance related matters in the company. The details of discussions are regularly reported by the Chairman to the Board of Directors, the Board of Executive Officers and the Audit Committee members. We draw up the “Compliance Program” setting out objectives and various measures as an annual compliance action plan. This plan is then deliberated and reviewed by the Compliance Committee and finally approved by the Board of Executive Officers. The progress and achievement status of the measures defined in the “Compliance Program” are regularly reported to the Compliance Committee and are also reported by the Chairman to the Audit Committee members.

In addition, the Compliance Officer convenes a compliance meeting, etc. for each division to review the progress and achievement status of compliance action plans drawn up by each department and discusses compliance-related issues with the responsible executive officer and the heads of departments.

The Compliance Officer and the Compliance Control Department collaborate to control and manage compliance-related matters of the Company, and each department appoints a Compliance Manager who promotes compliance activities. The Compliance Manager ensures that all employees pursue operations based on a compliance spirit and common sense and also monitors compliance activities of the department in charge and makes regular reports to the Compliance Officer.

Policy on Antisocial Forces (Organized Crime)

Nomura Group’s policy is “not to deal with any antisocial force or group” under the “Code of Ethics of Nomura Group.” We comply with this policy and have created a structure to eliminate antisocial forces. We promote efforts to block dealings with these forces.

Internal Control System – Risk Management

Risk Management System

We position enhancement of risk management as an important pillar of our management goals in order to ensure that our management is sound and appropriate.

By making disclosures in compliance with Basel III and building an integrated risk management system, we comprehensively look at various risks of the company and compare them against our management strength, thereby securing profits commensurate with risks and appropriate allocation of management resources.

Risk Appetite

Appropriate risks to take and risk management are discussed by the Board of Directors and the Board of Executive Officers, and qualitative and quantitative risk appetites are determined, based upon which business strategies are drawn up.

In addition, we share Nomura Group's basic philosophy of "placing clients at the heart of everything we do," and always work to operate our business by putting our customer-oriented perspective (fiduciary duty) into practice.

Top Risk Management

The main types of risks that are considered highly influential in our business operations include

- Liquidity risk,
- Risk of portfolio damages with respect to banking accounts,
- Risk of trust business operations not being performed in proper accordance with established procedures and standards,
- System risk of cyber-attacks, and
- Financial crime risk including money laundering etc, among others.

These risks are discussed by the Board of Executive Officers and the Risk Management Committee to perform preventative risk management.

Integrated Risk Management

The Board of Directors has formulated the "Integrated Risk Management Policy" as our basic risk management policy to establish a proper management system of all risks. Based on this policy, the Board of Executive Officers has specified the "Regulations on Integrated Risk Management" to clearly define and classify various risks and also determined various risk management methodologies, thereby ensuring the effectiveness of the rules.

To monitor risks, the Corporate Risk Management Department is established as a division responsible for integrated risk management independent of the business promotion division. It is engaged in day-to-day integrated risk management activities under the guidance and approval of the manager of the integrated risk management division. The integrated risk management division regularly reports the status of risk management to the Board of Executive Officers, the Risk Management Committee and the Audit Committee members. In addition, the Internal Audit Department reviews the appropriateness, validity and efficiency of risk management. The risks defined by the company consist of credit risk, market risk, operational risk, liquidity risk and the banking account interest rate risk.

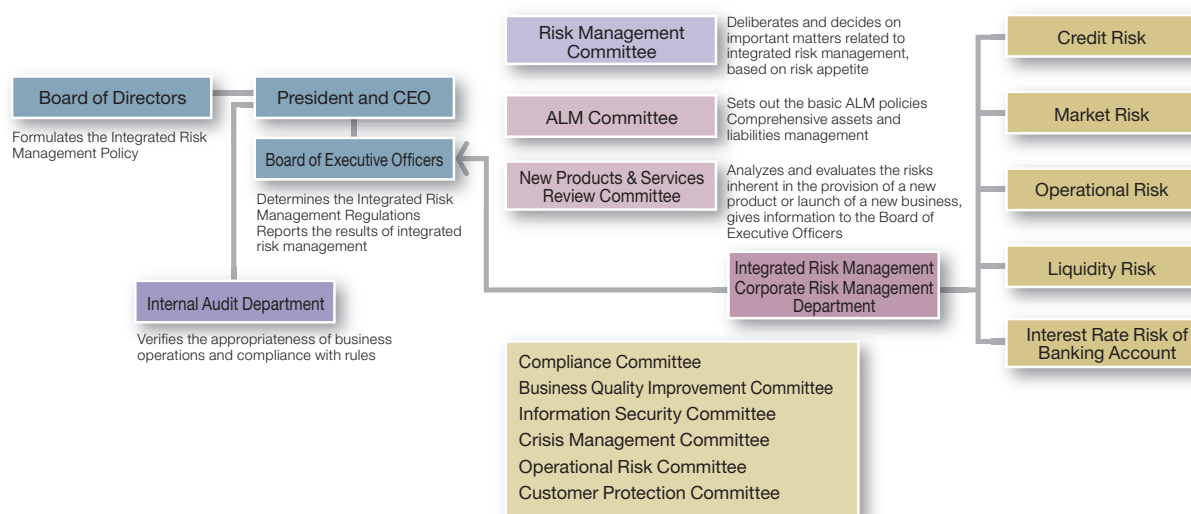
Stress Tests

We perform comprehensive stress tests based on scenarios built around the impacts of possible significant events, allowing us to perform integrated risk evaluations, informing the Risk Management Committee, etc. Additionally, we also perform stress tests as necessary using individual scenarios built around credit risk, market risk, and liquidity risk, in order to enhance our stress test-based risk management system.

Risk Management Classification

		Risk Classification	Responsible Department
Integrated Risk Management Risk Control Department	Credit Risk		Corporate Risk Management Department
	Market Risk	Interest rate risk	Corporate Risk Management Department
		Foreign exchange risk	
		Price fluctuation risk	
	Operational Risk	Administrative risk	Operations Planning and Administration Department
		System risk	IT Planning & Control Department
		Information security risk	Operations Planning and Administration Department
		Legal and compliance risk	Compliance Control Department
		Outsourcing risk	Operations Planning and Administration Department
		Human Risk	Human Resource and General Affairs Department
		Tangible Risk	Human Resource and General Affairs Department
		Other operational risks	Corporate Risk Management Department
	Liquidity Risk	Funding risk	Corporate Risk Management Department
		Market liquidity risk	
	Interest Rate Risk of Banking Account	Corporate Risk Management Department	

Risk Management Framework



Credit Risk

Credit risk is defined as the risk of incurring losses due to a decline or loss of the value of assets (including off-balance sheet assets) as a result of deterioration of the financial condition of debtors, etc. It also includes the risk of incurring losses due to a serious decline or loss of the value of assets (including off-balance sheet assets) as a result of a series of deteriorations of the financial conditions of debtors, etc., owing to a heavy concentration of credit on a certain debtor or a certain group which has close financial ties with a certain debtor in comparison to our equity or management strength. This is called credit concentration risk.

We have procedures and standards in place for controlling credit risks using risk diversification and portfolio management theories in accordance with the “Credit Risk Management Policy” and the “Credit Risk Management Regulations.” The Corporate Risk Management Department centrally controls credit risk management activities and regularly reports the status of credit risk management to the Risk Management Committee.

Credit Rating System

Credit ratings are determined not only by conducting scoring based on a rating model using the financial information of debtors, but also by utilizing the latest important information available including qualitative information on managerial risk, legal risk etc. which may affect the conditions of debtors and external credit ratings or the credit standing of associated companies. These ratings are classified into 20 levels.

Screening of Credit Proposals

Screening of each credit proposal is performed by the Credit Department I and II, which makes accurate and rigorous credit decisions based on the credit ratings, fully taking account of our public and social missions as a financial institution to maintain soundness of the bank’s assets.

Exposure (Credit Amount) Management

With the identification of exposure for each debtor or each group of debtors positioned as the core of credit risk management, we centrally and comprehensively control not only loans but also other on-balance and off-balance items. Off-balance sheet transactions are managed using the current exposure method. Based on the above, we measure and monitor credit risk.

Self-Assessment

As for self-assessment of assets involving credits, we implement self-assessments through strict classification of credits based on debtor categorization linked to credit ratings, in accordance with the “Asset Assessment Standard,” which is based on the Financial Inspection Manual etc., and carry out proper write-offs of credits and provide allowances using the accumulated default ratio for each credit rating, etc.

Internal Control System – Risk Management

Market Risk

Market risk is defined as a risk of incurring losses due to fluctuation of the value of assets and liabilities (including off-balance assets and liabilities) as a result of changes in market risk factors such as interest rates, foreign exchange rates and security prices. Market risks consist of interest rate risk, foreign exchange risk and price fluctuation risk.

To properly control market risks, the Risk Management Committee clarifies the basic concept of market risk management, and we set position limits, VaR limits, loss-cut rule etc. accordingly. In addition, we have established the Corporate Risk Management Department which, as an independent department responsible for company-wide market risk management, monitors the positions and profit and loss on a daily basis and reports the compliance status of limits etc.

Foreign Exchange Transactions

We operate our business guided by a policy of, whenever possible, avoiding taking market risks. Accordingly, we set the minimum required position limits and VaR limits.

Fund Transactions

For general banking transactions, we also measure the positions and VaR and monitor profit and loss on a daily basis.

Operational Risk

Operational risk is defined as a risk of incurring losses owing to inadequate business processes, activities of directors and employees or systems, or external events. As the department responsible for management of operational risks, the Corporate Risk Management Department plays a central role in defining the risk categories to be managed and conducting operational risk management through the Risk and Control Self Assessment (RCSA) activities and collection and analysis of loss data, etc.

Administrative Risk

Administrative risk is defined as the risk of incurring losses owing to directors or employees failing to perform accurate administration or committing errors or fraud. Both directors and employees of the company understand that administrative risk is present in all business activities, recognize the importance of mitigating administrative risks and take measures appropriate to mitigate this risk. Specifically, the Operations Planning and Administration Department plays a leadership role in ensuring consistent enhancement of the administrative procedures and systems, and each department provides guidance and training on administration to ensure proper administrative procedures.

In addition, the Business Quality Improvement Committee, which is comprised of members from each department, promotes departmental self-inspections and deliberates on and proposes actions to enhance business activities in general.

System Risk

System risk is defined as the risk of incurring losses due to system troubles such as a computer system breakdown or malfunction and the risk of incurring losses due to an unauthorized use of computers. Fully aware that risks arising from system troubles and cyber attacks etc. may affect not only our company but the entire market, we enhance investment procedures and define the actions to be taken in an emergency.

The IT Planning & Control Department assumes the responsibility for managing and controlling systems, and each department undertakes day-to-day system security management and administration.

Also, to secure continuous operation of business even in a time of emergency such as a disaster, we have built the Business Continuity Site (*) as an alternative office, and the Disaster Recovery Center (*) in a remote location, and have conducted drills on a regular basis. (* Refer to Page 12.)

Information Security Risk

Information security risk is defined as the risk of incurring losses due to a failure to maintain the confidentiality, integrity and availability of information assets and the environments for retaining and using information assets. We have established the "Information Security Basic Policy" to set clear policies on handling of information assets and information security as the guiding principles to be followed by directors and employees in their day-to-day activities. We try to reduce the information security risk by conducting proper management of information assets, taking actions according to the level of importance of information assets, imposing limits on the right of access to information assets and giving regular training etc. to both directors and employees.

Moreover, we have set up the Information Security Committee to discuss company-wide measures for information security, supervise the actions taken and their implementation status and make necessary improvements.

Legal and Compliance Risk

Legal and compliance risk is defined as the risk of incurring losses due to our failure to comply with required laws and regulations, internal rules, bylaws on business activities etc. and as the risk of incurring losses due to execution of business inappropriate for the protection of customers.

We have established the Compliance Control Department that specializes in management of legal and compliance risks etc. to ensure compliance with laws and regulations. The financial business has been becoming increasingly sophisticated and complicated in recent years. Accordingly, the risks to be dealt with by financial institutions are also becoming more diversified.

Amid such circumstances, confirming not only laws but also other regulations and social demands has come to play a significant role. At The Nomura Trust and Banking, potential legal issues that may arise in the course of business are dealt with properly, mainly by the Compliance Control Department.

Outsourcing Risk

Outsourcing risk, which exists when part of a company's businesses is outsourced, is defined as the risk of incurring losses by non-performance of outsourced companies from the viewpoint of customer protection and appropriate operation, such as not complying with the local legal requirements, etc. We have set standards for making decisions on whether or not to outsource our operations and the selection of outsourcing companies and have a system in place for ensuring proper management by regularly monitoring the status of business execution at the outsourcing companies.

Human Risk

We define human risk as the possibility of causing disadvantage through unequal, unfair, or discriminatory personnel management behavior. To manage human risks, our Human Resource and General Affairs Department takes a leading role in performing proper management and administration of human resources for matters such as employment status, as well as in providing education, training, and guidance in the workplace.

Tangible Asset Risk

We define tangible asset risk as the possibility of causing damage or loss of tangible assets through disasters or other phenomena. To manage tangible asset risks, our Human Resource and General Affairs Department takes a leading role in ascertaining the current states of the company's tangible assets, and works to prevent damage or loss caused by disasters or illegal conduct.

Other Operational Risks

We manage human risk, tangible asset risk, etc. as other operational risks. Of these risks, human risk is defined as the risk of incurring losses owing to unfair, inequitable and discriminatory acts in personnel administration, and tangible asset risk is defined as the risk of incurring losses owing to the damage or loss of tangible assets resulting from a disaster or other incidents. To manage human risks, we perform proper management and administration of human resources according to the employment style etc. of employees in principle, and also give education and training as well as guidance at the workplace. As for management of tangible asset risks, we identify the current status of the assets held by the company and prepare for potential losses resulting from disasters and illegal acts.

Liquidity Risk

Liquidity risk is defined as the risk of incurring losses when we have difficulty securing necessary funds or are forced to raise funds at an interest rate much higher than the usual rates due to a mismatch between investment and procurement periods or unexpected cash outflow, and as the risk of incurring losses when we are unable to execute trades due to a market disruption or forced to accept trades at an extremely unfavorable price.

We try to reinforce our liquidity management framework and upgrade our management approach, and at the same time, we operate business by paying adequate attention to liquidity. For example, the monthly Risk Management Committee and the ALM Committee checks the fund positions and the market trend etc. for each product we offer and then sets a policy for the future.

We also monitor the fund-raising status of both yen and foreign currencies and report to the ALM Committee which meets on a monthly basis. Furthermore, we set modes according to the market liquidity etc. and specify management standards for each mode, and manage fund positions accordingly.

Interest Rate Risk of Banking Accounts

Interest rate risk of banking accounts is defined as the risk of incurring losses owing to changes in asset values in the banking accounts as a result of interest rate fluctuations. We perform appropriate monitoring and management by reporting the risk status to the Risk Management Committee, etc.

Internal Control System – Risk Management

Business Continuity

We believe that to ensure sustainable development of the company, it is essential to deal appropriately with various disasters that may have a significant impact on company management.

Our mission is “to firmly protect assets entrusted by customers” and to continue to be a trust bank that earns the confidence and trust of customers.

To attain this purpose, we are making the following efforts to prepare for contingencies guided by the concept, “developing a business continuity plan for sustaining day-to-day operations and securing necessary data (market information and information on transactions and trades, settlement of funds and securities, social and economic condition, etc.)

Organizational Structure

We have established the Crisis Management Committee to review various measures for emergencies including disasters, cyberterrorism and serious accidents and give suggestions and make reports to the Board of Executive Officers.

The Crisis Management Committee discusses actions to be taken in a case where the offices or systems are not available for use due to a disaster or other events, and in the event of an emergency, the Committee is expected to play a central role as an emergency headquarters.

Formulation of a Business Continuity Plan

We have formulated a Business Continuity Plan to ensure the smooth implementation of measures when a disaster or a cyberterrorism has occurred.

In addition to a basic policy on disasters, definition of damage and disaster scenarios, the plan stipulates an organization to deal with emergencies, measures of securing safety of personnel and assets, and measures of securing communication tools, etc. to prepare for an emergency.

Each department defines priorities and alternative means for continuing business in an emergency, creates a checklist and reviews its effectiveness in a business resumption drill.

Enhancement of Infrastructure

We take the following actions to enhance facilities in accordance with the Business Continuity Plan:

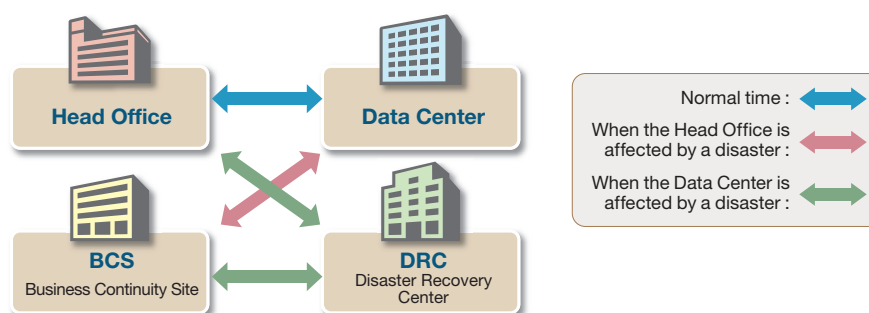
Establishment of a Business Continuity Site (BCS)

We built a BCS for sustaining the core businesses in a case where we are unable to continue operations at the Head Office of The Nomura Trust and Banking.

The location of the site was selected after taking into account a number of conditions including firmness of the ground, distance from the Head Office and being within a residential urban area.

Establishment of a Disaster Recovery Center (DRC)

The servers in the Data Center used in daily operation are made duplex, so if any server fails, it can be immediately switched within the Data Center. We established a DRC at a location sufficiently far from the Data Center as to back up the data in case the Data Center was affected by wide-scale disaster.



Business Resumption Drill Based on the Business Continuity Plan

We regularly conduct an evacuation drill to the BCS and a business resumption drill based on a disaster scenario created from the viewpoints of time, location and scope of the disaster. We also perform a drill of the process of switching functions to the DRC at least once a year.

Internal Control System – Customer Protection Management

Customer Protection Management

We have established the Management Policy for Customer Protection and the Management Policy for Conflicts of Interests as basic policies concerning customer protection in order to protect legitimate interests and improve customer convenience, and we strive to enhance and reinforce our customer protection management system. The manager in charge will be assigned for customer explanation management, customer support management, customer information management, outsourcing management, and conflict of interest management to ensure the effectiveness of internal procedure concerning customer protection.

We have also established the Customer Protection Committee, which reports the situation to the Board of Executive Officers regularly or as needed. The Board verifies the effectiveness of the customer protection management system of the company and reviews it if necessary.

Conflicts of Interest Management System

We have formulated the “Conflicts of Interest Management Policy” to properly manage transactions which may unduly undermine customers’ interests. The “Conflicts of Interest Management Policy” specifies and categorizes transactions involving conflicts of interest that need to be managed and provides rules on the conflicts of interest management system including methods of managing conflicts of interest.

For our “Conflicts of Interest Management Policy,” please visit our company Website at <https://www.nomura-trust.co.jp/>. (Japanese version only)

Solicitation Policy

We have established the “Solicitation Policy” in accordance with the “Law on Sales of Financial Products” and other applicable laws, and appropriately solicit customers for our financial products based on this Policy.

For details of the “Solicitation Policy,” please visit our website at <https://www.nomura-trust.co.jp/>. (Japanese version only)

Personal Information Protection Policy

We have established the “Personal Information Protection Policy” in accordance with the Act on the Protection of Personal Information, and based on this policy, we take various steps necessary to prevent leakage of personal information and to safely control personal information to pursue appropriate personal information management.

For details of the “Personal Information Protection Policy,” please visit our website at <https://www.nomura-trust.co.jp/>. (Japanese version only)

Basic Policy for the Handling of Specific Personal Information

We have established the Basic Policy for the Handling of Specific Personal Information in accordance with the Act on the Use of Number to Identify a Specific Individual in Administrative Procedures. We take various steps as necessary to prevent the leakage of personal information, and to safely control specific personal information to pursue appropriate personal information management.

For details on the Basic Policy for the Handling of Specific Personal Information, please visit our website at <https://www.nomura-trust.co.jp/>. (Japanese version only)

Best Execution Policy

When we have received an order for securities listed on domestic financial instruments exchanges as part of operations of a registered financial institution stipulated in the Article 33-2 of the Financial Instruments and Exchange Act, we make efforts to mediate the execution of trades in accordance with the “Best Execution Policy” in cases where no instruction regarding execution of trades is given by our customer.

For details of the “Best Execution Policy,” please visit our website at <https://www.nomura-trust.co.jp/>. (Japanese version only)

Policy on Customer-Oriented Business Conduct

We have established the Policy on Customer-Oriented Business Conduct, and, as a trust bank of Nomura Group, we strive to provide services that truly satisfy our customers, based on the dynamism generated through the fusion of banking, trust, and securities operations, and which are in accord with our basic philosophy of “placing clients at the heart of everything we do.”

For details of our Policy on Customer-Oriented Business Conduct, please visit our website at <https://www.nomura-trust.co.jp/>. (Japanese version only)

Internal Control System – Finance Facilitation

Status of efforts to improve management of small and medium-sized enterprises (SMEs) and to revitalize regional communities

(1) Our policy regarding efforts to support management of SMEs

Both Our directors and employees are aware of the public nature and social responsibility inherent in our operations and are committed to fully performing our financial intermediary function properly and actively while giving consideration to securing sound and appropriate operation of our business. When we receive applications for a new loan and a change in terms and conditions of loans etc. from SME customers, we examine them based on the financial condition etc. of these enterprises and give proper and adequate explanations to the customers. If necessary, we properly offer management consulting and guidance services and support their efforts to improve management.

In addition, with regard to personal guarantee of the president, we promote financings not dependent on personal guarantee of the president and take appropriate measures for the existence of guarantee agreements when reasonable.

(2) Enhancement of internal systems to support management of SMEs

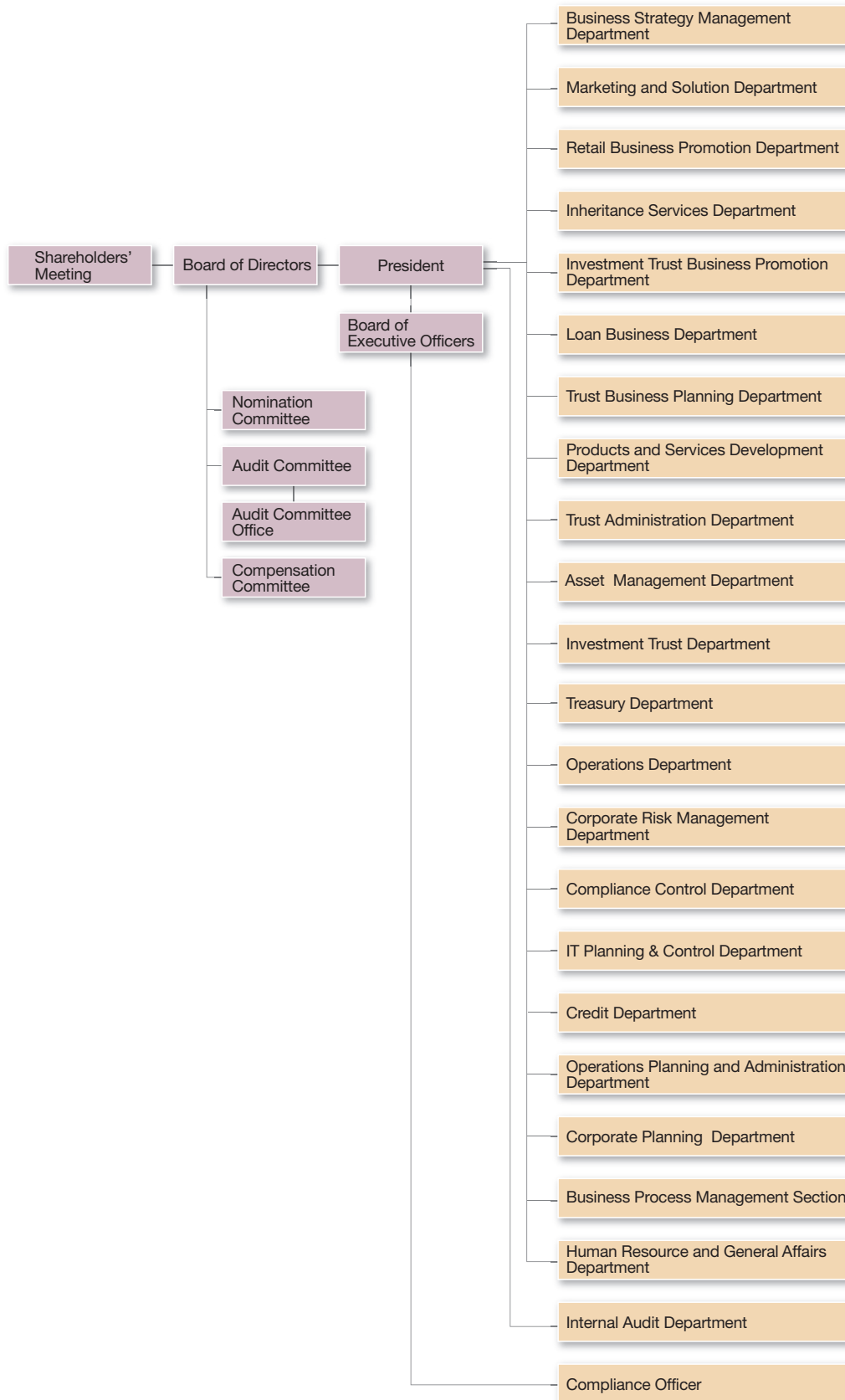
We have appointed the Finance Facilitation Manager who centrally controls our finance facilitation management system. The Finance Facilitation Manager offers management consultation and guidance services to SME customers in collaboration with the sales promotion division and the credit examination division to support their businesses and also assists in the preparation of management reorganization plans. As we support the management of SME customers, we properly collaborate with certified tax accountants, lawyers, certified public accountants and other outside experts and organizations while paying attention to our confidentiality obligation.

(3) Status of efforts to support management of SMEs and to revitalize regional communities

We deal with customer inquiries and consultations sincerely and honestly, and we contribute to revitalizing regional communities by offering the best possible solutions after assessing their life stages and the degree of sustainability of their businesses etc. both appropriately and carefully, actively leveraging our professional expertise as well as our network with outside experts and organizations as necessary.

Organizational Chart

■ Organizational Chart (As of August 1, 2018)



Directors, Executive Officers and Employees

■ Directors and Executive Officers (as of August. 1, 2018)

Directors	
Chairman of the Board of Directors	Hisato Miyashita
Director	Kenji Kimura
Director	Yoshihiro Namura
Director	Takehisa Yanai
Director	Hiroshi Matsutani
Director	Shoji Ogawa
Director	Chie Toriumi
Director	Toru Otsuka
Director	Masaharu Kambe

Executive Officers		
President & CEO	Kenji Kimura	
Senior Corporate Managing Director	Toshiyuki Ikeda	Marketing & Business Strategy
Executive Managing Director	Natsuki Gomi	Corporate
Executive Managing Director	Norihiko Nishino	Corporate
Executive Managing Director	Jun Yoshimura	IT, Investment Trust Business

■ Employees

	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Number of employees	417	435	441	457	451
Average length of service	4 years and 11 months	5 years and 6 months	5 years and 1 month	6 years and 0 month	6 years and 10 months
Average monthly salary (thousand yen)	555	552	545	535	549

■ Rating Information (as of August 1, 2018)

S&P		JCR	R&I
Long Term	Short Term	Long-Term Issuer Rating	Short-Term Debt
A	A-1	AA-	a-1

Business Description

■ Trust Business

- **Specified Money Trusts and Specified Pecuniary Trusts Other Than Money Trusts**
Trust in which the funds are managed and invested, mainly in securities, according to the instructions provided by the trustors.
- **Individually Operated Designated Money Trusts (“Shiteitan”) and Individually Operated Designated Pecuniary Trusts Other Than Money Trusts (“Fund Trust”).**
Trust in which the funds are managed and invested at the discretion of the trustees within the scope in which the type of investment assets and the investment method are designated by the trustors.
- **Jointly Operated Designated Money Trusts**
Money trusts in which the trust funds are managed and invested jointly with other trust funds on the basis of the same contract and provisions.
- **Composite Trusts**
Trust undertaken as a set of assets comprised of a number of properties including securities and money.
- **Investment Trusts**
Trust in which funds are invested in securities, real estate etc. based on the instructions provided by the trustors (investment trust management companies), with the beneficiary rights being divided and sold to investors. Investment trust administration service / business based on instructions given by the investment trust management companies, we conduct settlement by delivery and payment of securities, rights handling, custody and compute the daily net asset value and unit price of each fund. We follow the instructions of investment trust management companies in conducting delivery settlements for marketable securities, rights handling and custody operations. We also verify net asset value and unit price of each fund.
- **Securities Trusts**
Trust in which securities are used to set up a trust. There are three types of securities trusts depending on the purpose of the trustors; (1) securities administration trusts which are designed to administer securities, (2) securities management trusts for the purpose of management, and (3) securities disposition trusts for the purpose of securities disposition.

■ Inheritance Business

- **Testamentary Trust Business**
We perform management of notarized wills produced by testators, confirmation of inheritors and production of property inventories after execution of inheritance, execution of wills (changes in name registrations, cash conversion, etc.), and related tasks.
- **Inheritance Arrangement Business**
After confirming inheritors, we provide support in producing property inventories and agreements on division of inheritance, as well as inheritance arrangements (changes in name registrations, cash conversion, etc.), after being entrusted by all inheritors to perform inheritance arrangement matters.

■ Banking Business

- **Deposit Taking**
We handle ordinary deposits, current deposits, time deposits, foreign currency deposits, negotiable certificate of deposits, etc.
- **Lending**
We handle loans on deed, overdrafts, etc.
- **Domestic Exchange Business**
We handle remittance, money transfer, etc.
- **Foreign Exchange Business**
We handle foreign remittances and various operations concerning other foreign exchange transactions.

■ Securities Business

- **Investment Trust Over-the-Counter Sales and Account Administration Business**
Investment trust over-the-counter sales: we sell primarily private placement investment funds which are incorporated into fund-of-funds and/or prepared exclusively for a pension plan.
Account administration business: we provide account administration services for transferred investment trusts, playing the role of supporter for investment trust over-the-counter sales made by regional financial institutions, including regional banks and second-tier regional banks.
- **Corporate Bond Administration Business and Fiscal Agent for Corporate Bond**
Corporate bond administration business: we provide services as a corporate bond administrator, which must be designated from the viewpoint of investor protection at the time of bond issue by the Companies Act of Japan.
Fiscal agent for corporate bond: we handle fiscal matters as an agent of an issuer company for bonds without administrator, including issuance, premature redemption and redemption at maturity of bonds (disbursement of principal and interest).
- **Investment Advisory and Agency Business and Investment Management Business**
We, based on trust agreements and /or discretionary investment contracts, provide asset management services to clients.

Company History

History

August 1993	Established as The Nomura Trust and Banking Co., Ltd. (paid-in capital: 30 billion yen). <August 24>
October	Started business with 71 executives and employees. <October 1>
June 1994	Designated as a bond registered organization.
September 1995	Served as a Fiscal Agent for corporate bonds for the first time in Japan.
November	Joined Domestic funds transfer system.
October 1997	Obtained business approval of specified money trusts and designated money trusts.
November 1999	Obtained business approval of pension trusts and jointly operated designated money trusts.
October 2001	Nomura Securities Group (currently called "Nomura Group") moved to a holding company system.
January 2002	Accepted entrustment of asset management institution operations in defined contribution pension plan.
February	Obtained business approval of real estate trusts stock transfer agency and various agency operations.
June 2003	Moved to a "company with committees" management system.
July 2004	Moved Head Office in Tokyo from Nihonbashi, Chuo-Ward, Tokyo to Otemachi, Chiyoda-Ward, Tokyo.
March 2005	Started business by designating Nomura Securities as a trust contract agent.
June	Handled security interest trust and intellectual property right trust. Obtained approval for business including execution of wills and settlements of inheritance.
November	Balance of investment trust assets exceeded 5,000 billion yen.
February 2006	Started marketing and handling "Mochi-loan" (employee stock-ownership plans tie-up loan).
July	Obtained approval for the discretionary investment contract related business.
September	Started business by designating Nomura Securities as a bank agent. Started "Banking Service (internet banking)" services.
April 2007	Balance of investment trust assets exceeded 10,000 billion yen.
May	Opened Osaka representative office (Closed in July 2016).
August	Started marketing and handling "E-Ship" (trust-type employee stock-ownership incentive plan).
July 2008	Started servicing "Nomura Web Loan" (loans secured by securities) via "Banking Service."
October 2009	Made NikkoCiti Trust and Banking Corporation (trade name changed to NCT Trust and Banking Corporation in March 2010) a subsidiary.
July 2010	The Nomura Trust and Banking merged with NCT Trust and Banking Corporation (surviving company: The Nomura Trust and Banking Co., Ltd.) .
May 2011	Established the East Japan Restoration Support Fund jointly with Nomura Securities and Nomura Asset Management.
October 2012	"Banking Service" systems totally renewed.
October 2013	20th anniversary since starting business.
April 2015	Started inheritance services using Nomura Securities as an agent.
April 2016	Started a connection between "Banking Service" and "Nomura Net & Call," which is offered by Nomura Securities
January 2018	Started marketing and handling "Wrap Trust" (living trust as a will substitute) using Nomura Securities as an agent.

Financial Data

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Financial Statements

Balance Sheets

(Millions of yen)

Item	March 31,2017	March 31,2018
Assets:		
Cash and due from banks	324,984	219,110
Cash	0	1
Due from banks	324,984	219,109
Trading assets	270	—
Trading-related financial derivatives	270	—
Securities	561,279	511,829
Government bonds	171,612	122,112
Local government bonds	58,516	37,541
Corporate bonds	179,105	163,350
Other securities	152,045	188,825
Loans	458,238	529,275
Loans on bills	—	1,582
Loans on deeds	286,376	306,754
Overdrafts	171,862	220,938
Foreign exchanges	4,883	2,199
Due from foreign banks (our accounts)	4,880	2,162
Foreign bills receivable	2	37
Other assets	27,064	20,753
Prepaid expenses	135	162
Accrued income	3,758	3,768
Derivatives other than for trading-assets	20,091	15,345
Temporary payments	2,670	710
Other	408	765
Tangible fixed assets	634	720
Buildings	197	179
Other	436	541
Intangible fixed assets	4,663	6,027
Software	4,584	3,887
Software in progress	—	2,087
Goodwill	77	51
Other	1	1
Deferred tax assets	716	1,166
Allowance for loan losses	(1,388)	(1,521)
Total assets	1,381,347	1,289,563

Balance Sheets

(Millions of yen)

Item	March 31, 2017	March 31, 2018
Liabilities:		
Deposits	751,084	818,364
Current deposits	6,114	7,522
Ordinary deposits	253,818	260,579
Time deposits	405,019	437,802
Other deposits	86,131	112,459
Negotiable certificates of deposit	32,501	34,551
Call money	85,255	25,052
Trading liabilities	270	—
Trading-related financial derivatives	270	—
Borrowed money	130,909	142,331
Borrowings from others	130,909	142,331
Due to Trust Accounts	288,125	176,295
Other liabilities	29,636	29,948
Income taxes payable	180	241
Accrued expenses	2,160	2,087
Unearned revenue	566	606
Derivatives other than for trading-liabilities	24,689	18,165
Cash collateral received for financial instruments	1,783	7,261
Asset retirement obligations	126	129
Other	130	1,457
Provision for bonuses	1,012	1,052
Provision for retirement benefits	963	1,090
Total Liabilities	1,319,758	1,228,685
Net assets:		
Capital stock	35,000	35,000
Capital surplus	13,270	13,270
Legal capital surplus	5,000	5,000
Other capital surplus	8,270	8,270
Retained earnings	11,620	11,832
Legal retained earnings	1,147	1,321
Other retained earnings	10,473	10,510
Retained earnings brought forward	10,473	10,510
Total shareholders' equity	59,890	60,102
Valuation difference on available-for-sale securities	4,689	2,406
Deferred gains or losses on hedges	(2,992)	(1,631)
Total valuation and translation adjustments	1,697	775
Total net assets	61,588	60,877
Total liabilities and net assets	1,381,347	1,289,563

Financial Statements

Statements of Income

(Millions of yen)

Item	FY2016	FY2017
Ordinary Income	26,597	25,907
Trust fees	8,651	8,932
Interest income	10,282	10,535
Interest on loans	4,932	4,353
Interest and dividends on securities	3,920	4,073
Interest on call loans	8	47
Interest on due from banks	(298)	(82)
Interest on interest swaps	1,712	2,137
Other interest income	5	5
Fees and commissions	3,444	2,956
Fees and commissions on domestic and foreign exchanges	447	448
Other fees and commissions	2,996	2,507
Trading income	2	0
Income from trading-related financial derivatives transactions	2	0
Other operating income	3,803	3,482
Gains on foreign exchange transactions	3,230	1,547
Gains on sales of bonds	573	1,935
Other income	413	0
Reversal of allowance for loan losses (deduction)	409	—
Other	3	0
Ordinary expenses	24,459	24,102
Interest expenses	5,037	7,273
Interest on deposits	1,101	1,737
Interest on negotiable certificates of deposit	6	3
Interest on call money	176	329
Interest on borrowings	24	29
Interest on interest swaps	3,728	5,171
Other interest expenses	1	0
Fees and commissions payments	1,172	952
Fees and commissions on domestic and foreign exchanges	252	260
Other fees and commissions	920	692
Other operating expenses	2,338	710
Loss on sales of bonds	66	181
Expenses on derivatives other than for trading or hedging	2,272	529
General and administrative expenses	14,974	15,031
Other expenses	936	134
Provision of allowance for loan losses write-off of loan	—	133
Written-off of loans	932	—
Other	4	0
Ordinary profit	2,138	1,804

■ Statements of Income (Continued)

(Millions of yen)

Item	FY2016	FY2017
Extraordinary Income	530	32
Other	530	32
Extraordinary Loss	32	161
Loss on disposal of noncurrent assets	32	145
Impairment loss	—	16
Income before income taxes	2,635	1,674
Income taxes-current	575	627
Income taxes-deferred (deduction)	304	(36)
Total income taxes	879	591
Net income	1,755	1,083

■ Statements of Changes in Net Assets

(Millions of yen)

Item	FY2016	FY2017
Shareholders' equity:		
Capital stock:		
Balance at the beginning of the period	35,000	35,000
Changes of items during the period		
Issuance of capital stock	—	—
Total changes of items during the period	—	—
Balance at the end of the current period	35,000	35,000
Capital surplus:		
Legal capital surplus:		
Balance at the beginning of the period	5,000	5,000
Changes of items during the period		
Issuance of capital stock	—	—
Total changes of items during the period	—	—
Balance at the end of the current period	5,000	5,000
Other capital surplus		
Balance at the beginning of the period	8,270	8,270
Changes of items during the period	—	—
Total changes of items during the period	—	—
Balance at the end of the current period	8,270	8,270
Total capital surplus		
Balance at the beginning of the year	13,270	13,270
Changes of items during the period		
Issuance of capital stock	—	—
Total changes of items during the period	—	—
Balance at the end of the current period	13,270	13,270
Retained earnings:		
Legal retained earnings:		
Balance at the beginning of the period	1,147	1,147
Changes of items during the period		
Dividends from surplus	—	174
Total changes of items during the period	—	174
Balance at the end of the current period	1,147	1,321

Financial Statements

■ Statements of Changes in Net Assets (Continued)

(Millions of yen)

Item	FY2016	FY2017
Other retained earnings		
Legal retained earnings brought forward		
Balance at the beginning of the period	8,717	10,473
Changes of items during the period		
Dividends from surplus	—	(1,046)
Net income	1,755	1,083
Total changes of items during the period	1,755	36
Balance at the end of the current period	10,473	10,510
Total retained earnings		
Balance at the beginning of the period	9,864	11,620
Changes of items during the period		
Dividends from surplus	—	(872)
Net income	1,755	1,083
Total changes of items during the period	1,755	211
Balance at the end of the current period	11,620	11,832
Treasury stock:		
Balance at the beginning of the period	—	—
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current period	—	—
Total shareholders' equity:		
Balance at the beginning of the period	58,135	59,890
Changes of items during the period		
Dividends from surplus	—	(872)
Net income	1,755	1,083
Total changes of items during the period	1,755	211
Balance at the end of the current period	59,890	60,102
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities:		
Balance at the beginning of the period	6,832	4,689
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,142)	(2,283)
Total changes of items during the period	(2,142)	(2,283)
Balance at the end of the current period	4,689	2,406
Deferred gains or losses on hedges:		
Balance at the beginning of the period	(4,400)	(2,992)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,407	1,361
Total changes of items during the period	1,407	1,361
Balance at the end of the current period	(2,992)	(1,631)
Total valuation and translation adjustments:		
Balance at the beginning of the period	2,432	1,697
Total changes of items during the period		
Net changes of items other than shareholders' equity	(735)	(921)
Total changes of items during the period	(735)	(921)
Balance at the end of the current period	1,697	775
Total net assets:		
Balance at the beginning of the period	60,567	61,588
Total changes of items during the period		
Dividends from surplus	—	(872)
Net income	1,755	1,083
Net changes of items other than shareholders' equity	(735)	(921)
Total changes of items during the period	1,020	(710)
Balance at the end of the current period	61,588	60,877

Statements of Cash Flows (Non-Consolidated, Indirect Method)

(Millions of yen)

Item	FY2016	FY2017
I Net cash provided by (used in) operating activities:		
Income before income taxes	2,635	1,674
Depreciation and amortization	2,935	2,474
Impairment loss	—	16
Increase (decrease) in allowance for loan losses	(409)	133
Increase (decrease) in provision for bonuses	(41)	40
Increase in provision for retirement benefits	143	126
Other extraordinary income	(530)	(32)
Interest income	(10,282)	(10,535)
Interest expenses	5,037	7,273
Loss (gain) related to securities	(507)	(1,753)
Foreign exchange losses (gains)	(557)	4,879
Gains (loss) on disposal of tangible fixed assets	32	145
Net decrease (increase) in trading assets	325	270
Net increase (decrease) in trading liabilities	(326)	(270)
Net decrease (increase) in derivative assets	(1,571)	4,745
Net increase (decrease) in derivative liabilities	1,523	(6,524)
Decrease (increase) in deferred losses on hedge	2,014	2,914
Increase (decrease) in deferred profits on hedge	302	(275)
Net decrease (increase) in loans	9,241	(71,037)
Net increase (decrease) in deposit	(1,095,790)	67,279
Net increase (decrease) in negotiable certificates of deposit	(24,200)	2,050
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	48,013	11,421
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)	1,999	(7)
Net decrease (increase) in call loans	8,380	—
Net decrease (increase) in cash collateral	1,847	5,447
Net increase (decrease) in call money	(157,050)	(60,202)
Net decrease (increase) in foreign exchanges-assets	(797)	2,683
Net increase (decrease) in due to trust accounts	59,769	(111,829)
Actual interest income	12,187	14,805
Actual interest expenses	(5,072)	(10,731)
Net decrease (increase) in temporary payment	(1,698)	2,090
Other	(335)	(991)
Sub total	(1,142,783)	(143,718)
Income taxes paid	(1,405)	(450)
Net cash provided by (used in) operating activities	(1,144,188)	(144,169)
II Net cash provided by (used in) investment activities:		
Purchase of securities	(226,141)	(161,836)
Proceeds from sales of securities	124,323	51,999
Proceeds from redemption of securities	182,855	153,246
Purchase of tangible fixed assets	(56)	(428)
Proceeds from sales of tangible fixed assets	—	—
Purchase of intangible fixed assets	(1,562)	(3,820)
Net cash provided by (used in) investing activities	79,417	39,160
III Net cash provided by (used in) financing activities:		
Proceeds from issuance of stocks	—	—
Purchase of treasury stock	—	—
Cash dividends paid	—	(872)
Net cash provided by (used in) financing activities	—	(872)
IV Effect of exchange rate change on cash and cash equivalents	—	—
V Net increase (decrease) in cash and cash equivalents	(1,064,770)	(105,881)
VI Cash and cash equivalent at the beginning of the period	1,389,752	324,981
VII Cash and cash equivalents at the end of the period	324,981	219,100

[Scope of Cash and Cash Equivalents]

Cash and cash equivalents consist of cash and due from the Bank of Japan included in "Cash and due from banks" on the balance sheets.

Financial Statements

■ Notes to Financial Statements

The amounts less than one million yen are rounded down.

Significant Accounting Policies

1. Trading Assets & Liabilities and Trading Income & Expenses

Trading transactions intended to capitalize on short-term fluctuations and arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments markets and related indices (hereinafter called "Trading Purposes") are recognized on a trade-date basis and recorded in "Trading assets" or "Trading liabilities" on the balance sheets. Income or expenses generated by the relevant trading transactions are recorded in "Trading income" or "Trading expenses" on the statements of income.

Trading assets and trading liabilities are stated at fair value on the balance sheet date, and derivatives, such as swaps, futures and options, are stated at their fair values, assuming that such transactions were terminated and settled on the balance sheet date.

Trading income and trading expenses include interests received and paid during the fiscal year, gains or losses resulting from any change in the value of securities and other monetary claims between the end of the preceding fiscal year and the end of the current fiscal year and gains or losses resulting from any change in the value of derivatives between the end of the preceding fiscal year and the end of the current fiscal year, assuming they were settled at the end of the fiscal year.

2. Evaluation for Securities

Held-to-maturity debt securities are stated at amortized cost determined by the moving average method (the straight-line method), and other available-for-sale securities are stated at the market value at the fiscal year end (with selling costs being calculated mainly by the moving average method) in principle. However, securities whose fair values cannot be reliably determined are stated at cost determined by the moving average method.

Unrealized gains and losses on other securities available for sale are included in net assets.

3. Basis and Methods of Derivatives

Derivatives are stated at fair value (excluding those for Trading Purposes).

4. Depreciation Method for Fixed Assets

(1) Tangible Fixed Assets

Tangible fixed assets are computed using the declining balance method (while the straight-line method is applied to buildings (except for facilities attached to the buildings) acquired on April 1, 1998 or later, as well as structures and facilities attached to the buildings acquired on April 1, 2016 or later).

Principal useful lives are as follows:

Buildings: 6 years to 45 years

Furniture and fixtures: 3 years to 20 years

(2) Intangible Fixed Assets

Depreciation for intangible fixed assets is computed using the straight-line method. Especially, depreciation for capitalized software for internal-use is computed using the straight-line method based on useful life determined by us (5 years).

5. Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen primarily at the exchange rate on the balance sheet date.

6. Allowances

(1) Allowance for Loan Losses

Allowance for loan losses is provided as below, in accordance with the internally established standards for write-offs and provisions.

Claims to debtors in special mention and ordinary category, which are prescribed in the "Guideline for Practice Related to the Verification of Internal Control with respect to the Self-Assessment of the Assets of Banks and Other Financial Institutions as well as the Audit of the Bad Debt Written Off and Allowance for Doubtful Accounts" (Report No. 4 of the Ad Hoc Committee for the Audit of Banks etc. of JICPA) <July 4, 2012>, are classified into specific categories, and the

allowance is provided on the basis of the accumulated default ratio released immediately before the assessment day by the external rating agency defined in the Company's guidelines. For claims to debtors who are possibly bankrupt, an allowance is provided in the amount deemed necessary, net of the expected amount of disposable collateral and the estimated amount of recoveries from guarantees. For claims to debtors who are legally bankrupt or virtually bankrupt, an allowance is provided for the full amount of such claims, net of the expected amount of disposable collateral and the estimated amount of recoveries from guarantees. There were no loans to restructuring countries.

All claims are assessed by asset assessment divisions, in cooperation with the operating divisions, in accordance with the guidelines for the self-assessment of asset quality.

(2) Provision for Bonuses

Provision for bonuses, which is provided for future bonus payments to employees, is maintained at the amount accrued at the end of the fiscal year, based on the estimated future payments.

(3) Provision for Retirement Benefits

Provision for retirement benefits, which are provided to ensure future benefit payments to employees, is recorded as the required amount based on the projected obligation at the end of the fiscal year.

7. Hedge Accounting

(1) Hedges of Interest Rate Risk

As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, we apply the deferral hedge accounting stipulated in the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24)<Feb 13, 2002>.

The method of assessing the effectiveness of hedging transactions is assumed to be effective, as the interest rate indices are the same for each of the hedging instruments, and the repricing dates and intervals are substantially identical for the hedging instruments and the hedged instruments. As a result, the assessment of effectiveness can be omitted.

In addition, the exceptional accrual method for interest rate swaps is applied in order to hedge interest rate risks arising from certain financial assets.

(2) Hedges of Foreign Currency Fluctuation Risk

As for the hedge accounting method applied to hedging transactions for foreign currency fluctuation risk arising from foreign-currency-denominated financial assets and liabilities, we apply the deferral hedge accounting stipulated in the "Treatment for Accounting and Auditing of Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25)<July 29, 2002>.

As for the method of assessing the effectiveness of hedging activities, we designate currency swap transactions and foreign exchange swap transactions as hedges against fluctuation in foreign currency exchange rates arising from monetary claims and liabilities denominated in foreign currencies, and assesses the effectiveness of such hedges by verifying that we hold the foreign currency positions of the hedging instruments corresponding to hedged monetary claims and liabilities denominated in foreign currency.

8. Consumption Taxes

Consumption tax and municipal consumption tax (hereinafter called "Consumption Taxes and Other") are accounted for using the tax-excluded method. However, non-deductible Consumption Taxes and Other related to tangible fixed assets are recorded in expenses for the current fiscal year.

Financial Statements

Notes to the Financial Statements

(Notes to the Balance Sheet)

1. We have the right to sell or repledge some securities borrowed with cash collateral. Among them, the total of securities neither repledged nor re-loaned was not applicable at the end of the current fiscal year.
2. Loans to debtors who are legally bankrupt were nil and there were no non-accrual delinquent loans.
Claims to debtors who are legally bankrupt represent loans whose accrued interests are not recorded as the principal and/or whose interest remains past due for some significant period of time and are not likely to be collectible or repayable (hereinafter called "Unrecorded Accrued Loans," excluding the write-off portion) and regarding which, events have occurred as defined in any of the provisions of (a) through (e) of Article 96, Paragraph 1, Item 3, or Item 4 of the same Paragraph of the Corporate Tax Law Enforcement Ordinance (Government Ordinance No. 97, 1965).
Non-accrual delinquent loans are Unrecorded Accrued Loans, which exclude claims to debtors who are legally bankrupt and loans in which the deferral of interest payments is granted in order to assist or facilitate the restructuring of debtors in financial difficulties.
3. There were no loans past due for three months or more.
Loans past due for three months or more are loans on which the principal and/or interest is three months or more past due but exclude claims to debtors who are legally bankrupt or non-accrual delinquent loans.
4. There were no restructured loans.
Restructured loans represent loans on which contracts were amended in favor of debtors (e.g., the reduction of or exemption from stated interest, the deferral of interest payments, the extension of maturity dates, or renunciation of claims) in order to assist or facilitate the restructuring of debtors in financial difficulties, excluding loans to debtors who are legally bankrupt, non-accrual delinquent loans or loans past due for three months or more.
5. There were no claims to debtors who are legally bankrupt, non-accrual delinquent loans, loans past due for three months or more and restructured loans.
6. With regard to participation loans, the principal amount of participation loans treated and presented in the balance sheet as loans to original debtors in accordance with the "Loan Participation Accounting Treatment and Representation" Report No. 3 issued on Nov 28, 2014 by the Accounting System Council of JICPA was 18,861 million yen. The principal amount of participation loans treated as sold to other banks was 5,522 million yen.
7. The following assets were pledged as collateral.
Assets pledged as collateral
Securities: 176,368 million yen
Liabilities collateralized by the above assets
Borrowings from others: 531 million yen
In addition to the above-mentioned assets, securities of 38,463 million yen were pledged as collateral for settlements of foreign exchange and securities transactions and as guarantee deposits for trust services, and so on.
Other assets included guarantee deposits of 98 million yen.
8. Contracts of overdraft and loan commitment limits are the contracts that we loan to customers up to the prescribed limits in response to customers' application for loans as long as there is no violation of any condition in the contracts. The unused amount within the limits related to these contracts total 19,476 million yen. The unused amount related to contracts whose original terms expire within one year is 14,891 million yen and the amount for contracts whose original terms expire more than one year to less than five years is 4,585 million yen, respectively. Since many of these commitments expire without being drawn down, the unused amount does not necessarily affect our future cash flows. Most of these contracts have conditions that allow us to refuse the customers' application for a loan or decrease the contract limits with proper reasons such as changes in financial conditions, preservation of credit and other reasons. At the inception of contracts, we obtain real estate, securities as collaterals if considered necessary. Subsequently, we conduct periodic reviews of the customers' business results based on internal rules and reconsider conditions in contracts and/or take necessary measures to preserve credit when it is necessary.

9. Accumulated depreciation on tangible fixed assets 2,756 million yen
10. There were no liabilities for guarantees on corporate bonds included in "Securities," which are issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Law).
11. There were no monetary claims for the directors and the executive officers arising from transactions with the directors and the executive officers.
12. There were no monetary liabilities for the directors and the executive officers arising from transactions with the directors and the executive officers.
13. Total amount of monetary claims for the affiliated companies 41 million yen
14. Total amount of monetary liabilities for the affiliated companies 1,193 million yen
15. We are subject to restrictions on the payment of dividends of surplus, pursuant to the provision of Article 18 of the Banking Act of Japan.
Notwithstanding the provision of Article 445, Paragraph 4 (Amounts of Capital and Amounts of Reserves) of the Companies Act of Japan, in the case where we pay dividends of surplus, it shall record the amount equivalent to one-fifth of the amount of the deduction from surplus as a result of the payments of such dividends of surplus as legal capital surplus or legal retained earnings.
The amount of legal retained earnings arising from payments of such dividends of surplus for the current fiscal year was 174 million yen.

(Notes to Statements of Income)

1. Income from transactions with subsidiaries and associated companies
- | | |
|-------------------------|----------------|
| Interest income: | —million yen |
| Fees and commissions: | 11 million yen |
| Other operating income: | —million yen |
| Other income: | —million yen |
- Expenses from transactions with subsidiaries and associated companies
- | | |
|---------------------------------|-----------------|
| Interest expenses: | 0 million yen |
| Fees and commissions payments : | —million yen |
| Other operating expenses: | 702 million yen |
| Other expenses: | —million yen |
2. Related party transactions
- (1) Notes to a parent company or major affiliated companies
Description omitted for lack of importance
- (2) Subsidiaries and affiliated companies, etc.
Not applicable
- (3) Transactions between our sister companies
Description omitted for lack of importance
- (4) Directors or major individual shareholders, etc.
Not applicable
3. "Other Expenses" includes 133 million yen of provision of allowance for loan losses write-off of loan.
4. "Interest on due from banks" includes negative-interest-rate transactions.

Financial Statements

(Notes to Statements of Changes in net assets)

1. Class of stock and number of shares issued and outstanding, and class of treasury stock and number of shares

(Thousands of shares)

	Number of Shares Outstanding at the Beginning of the Period	Increase	Decrease	Number of Shares Outstanding at the End of Current Period	Remarks
Issued shares	800	—	—	800	
Common stock	800	—	—	800	—

There were no treasury stocks.

2. There were no stock acquisition rights or treasury stock acquisition rights.

3. Matters relating to cash dividends

(1) Dividends paid during the fiscal year

Resolution	Type of stock	Total amount of cash dividends paid (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of directors held on May 11, 2017	Ordinary	872	1,090	March 31, 2017	June 1, 2017

(2) Dividends with a record date during the fiscal year, but whose effective date is after March 31, 2018

Resolution	Type of stock	Total amount of cash dividends paid (Millions of Yen)	Source	Per share amount (Yen)	Record date	Effective date
Board of directors held on May 11, 2018	Ordinary	536	Other retained earnings	670	March 31, 2018	June 1, 2018

(Notes to Financial Instruments)

1. The Condition of Financial Instruments

(1) Policy on Financial Instruments

We engage in the following three business areas as a trust bank of Nomura Group: "Banking business" which deals with deposits, loans, and foreign exchange; "Trust business" which involves managing the assets entrusted by our customers; and "Securities and asset management business" which includes securities transactions. Our agency business, which designates Nomura Securities as our bank agent and trust contract agent, provides deposits for individual customers through "Banking Service," an internet banking service, and yen-denominated derivative deposits for corporate customers. Our sources of finance include negotiable certificates of deposits and borrowed money in addition to deposits channeled through the agents.

By taking advantage of the competitive edge of Nomura's domestic sales infrastructure, we use the funds procured to provide loans to wealthy people, loan products with securities pledged as collateral such as "Nomura Web Loan" through our agency services, and loan products repackaged with securities, credit linked loan and to invest in securities focusing on JGB, local government bonds, agency bonds, corporate bonds and credit linked bonds.

Market risk and liquidity risk arising from these financial assets and liabilities are comprehensively managed by, in addition to the front office, the independent middle office and the ALM Committee.

(2) Nature and Extent of Risks Arising from Financial Instruments

We primarily invest in securities and loans, which are exposed to customer credit risk and issuer default risk, respectively. Loans secured by securities which account for some 50% of loan balance offer good security and have a limited credit risk. On the other hand, loans other than loans secured by securities are extended mainly to customers with high ratings on a short-term basis, but due to changes in the economic environment, it may be impossible for debtors to implement performance of obligations in accordance with the terms and conditions.

Securities mainly consist of government bonds, local government bonds, agency bonds, corporate bonds and credit link bonds, most of which are classified as "Available-for-sale securities." In addition, interest rate swaps are used to hedge interest rate risks for certain securities and hedge accounting is applied to these transactions.

Funding from the financial market such as call money is subject to possible difficulties preventing smooth funding due to shrinking market affected by financial environment, however, we hold securities deemed eligible collateral to keep liquidity risk at a certain level.

(3) Risk Management Framework for Financial Instruments

(a) Credit risk management

At The Nomura Trust and Banking, the Credit Department conducts credit risk assessment of loans and securities for each individual transaction and individual issuer in order to prevent a credit event as a result of deterioration of an obligor's financial position. In addition, we conduct daily exposure management for each individual obligor and individual obligor group and utilize statistical methods to periodically measure credit risk.

In loan products, we take initiative in promoting pricing management based on credit ratings and enhancing the sophistication of credit portfolio management including the introduction of guidelines for each industry to control credit concentration risk. In addition, we monitor the trading conditions of marketable securities of collateralized loans regularly in order to maintain collecting risks under a certain level.

(b) Market risk management

1) Market risk management framework

At The Nomura Trust and Banking, the Board of Executive Officers identifies the basic market risk management policy, accordingly, position limits, VaR limits and loss-cut rules are properly set to manage market risk. Foreign exchange transactions are, based on the policy of taking the least market risk, managed with the minimum necessary position limits and VaR limits. For loans, deposits, funds and securities transactions, we set position limits for each product and use interest rate swaps for hedge transactions to control risks arising from interest rate fluctuations within acceptable limits. These management plans in the banking account are discussed by the ALM Committee semiannually and approved by the Board of Executive Officers. The Corporate Risk Management Department reports daily position and profit-and-loss status to the executive officers and related departments each business day.

2) Quantitative information related to market risk

We use VaR with historical simulation model (confidence interval of 99% and holding period of 10 days for trading and 20 days for banking) to measure the market risk equivalent on securities, loans, deposits, negotiable certificates of deposit, call money, borrowed money, due to trust accounts and derivatives. As of March 31, 2018 our market risk equivalent of trading activities (estimated losses) was 6 million yen, whereas that of banking activities was 1,508 million yen.

We conduct back-testing on trading activities, comparing VaR calculated by the model with actual profit and loss. The back-testing conducted in FY 2017 showed that VaR was exceeded by actual profit and loss one time, which indicates that the model we use captures the market risk with satisfactory accuracy. However, since VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on historical market fluctuation data, there are cases in which VaR cannot capture risk under drastically changing conditions.

(c) Liquidity risk management

Our fundamental policy of liquidity risk management is to comprehensively grasp the nature of assets and liabilities, management plans, and fluctuations in the market, to ensure the required smooth cash flow, and prevent unexpected losses. The fund position and the market trend for each type of financial product are confirmed monthly at the ALM Committee which determines future policies.

Reports on the daily cash flow situation are submitted to the executive officers and related departments each trading day. We have established classifications for cash flow conditions, ranging from "normal," "caution" to "risky" and "critical," and have constructed a framework under which appropriate procedures for dealing with each case are taken in a timely manner.

(4) Supplementary Explanation of Fair Value of Financial Instruments

Fair values of financial instruments include the values based on market prices, and the values deemed as market prices obtained by reasonable estimates when the financial instruments do not have market prices. Since certain assumptions and others are adopted to calculate such values, they may differ when adopting different assumptions and others.

2. Matters Relating to Fair Value of Financial Instruments

The following are the balance sheet amounts, fair values and differences between them as of March 31, 2018. Unlisted stocks and others, the fair values of which are extremely difficult to determine, are excluded from the table below. (Refer to Note 2)

Financial Statements

(Millions of yen)

	Book Value	Fair Value	Difference
(1) Cash and due from banks	291,110	291,110	—
(2) Securities			
Held-to-maturity debt securities	36,261	39,875	3,614
Available-for-sale securities	474,559	474,559	—
(3) Loans and bills discounted	529,275		
Allowance for loan losses (*1)	(1,232)		
	528,043	528,336	322
(4) Foreign exchanges	2,199	2,199	—
Total assets	1,260,175	1,264,112	3,937
(1) Deposits	818,364	818,364	—
(2) Negotiable certificates of deposit	34,551	34,551	—
(3) Call money	25,052	25,052	—
(4) Borrowed money	142,331	142,331	—
(5) Due to trust accounts	176,295	176,295	—
Total liabilities	1,196,594	1,196,594	—
Derivatives (*2)			
Derivative transactions not qualifying for hedge accounting	984	984	—
Derivative transactions qualifying for hedge accounting	(3,803)	(6,947)	(3,144)
Total derivatives	(2,819)	(5,963)	(3,144)

(*1) General and specific allowances for possible losses on loans are excluded.

(*2) Net claims and debts that arose from derivatives are presented on a net basis and items which are net debts in total are presented in brackets.

(Note 1) Method of calculating fair value of financial instruments

Assets

(1) Cash Deposits

For deposits with no maturity period, current prices are extremely close to book value, so we are treating the book values concerned as the current prices. For deposits with a maturity period, for each division based on deposit period, we are calculating current values with discounts from applicable interest rates based on an assumption of new deposits.

(2) Securities

Fair values of bonds are based on the quote prices provided by the Japan Securities Dealers Association or correspondent financial institutions, and those of investment trusts are based on the publicly announced unit price.

The notes to Securities based on holding purpose are stated in "(Notes to Securities)."

(3) Loans and bills discounted

Of the loans, for those with variable rates, as long as the credit quality of the customer has not changed considerably since the loan was extended, because interest rates are reflected over a short period and fair values are expected to approximate book values, we deem book values to be fair values. Fair values of loans with fixed rates are, based on categories according to the types, internal ratings and terms of the loans, calculated by discounting the total amount of the principal and interest by the interest rates considered to be applicable to similar new loans. As for loans whose contractual terms are short (i.e., within one year), we deem the book values to be fair values as fair values of these items approximate book values.

In addition, regarding claims to debtors who are legally bankrupt, virtually bankrupt and possibly bankrupt, since the estimated amount of bad debts is calculated based on the present value of the expected future cash flows or the estimated amounts that we would be able to collect through the disposal of collateral or execution of guarantees, fair values approximate the value of the claims to debtors on the balance sheet as of the balance sheet date minus the amount of allowance for loan losses, and we thus deem such amount to be fair values.

For loans, due to loan characteristics such as limiting loans to within the value of pledged assets, we deem book values to be fair values since fair values are expected to approximate book values based on the estimated loan periods, interest rates and other conditions.

(4) Foreign Exchanges

Our foreign exchanges consist of foreign currency deposits with other banks (foreign bank deposits), foreign exchange-related short-term loans (foreign bank loans), and promissory note advances for import bills (foreign bills receivable). These are deposits with no maturity period, and the current prices for each are extremely close to book value, so we are treating the book values concerned as the current prices.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, we deem the payment amounts required on the balance sheet date (i.e., book values) to be fair values. In addition, fair values of long-term time deposits are calculated by classifying them based on their terms and by discounting the future cash flows. The discount rates for such calculations are the interest rates used in swap transactions on the balance sheet date. Since fair values of those whose deposit terms are short (i.e., within one year) approximate book values, we mainly deem the book values to be fair values.

(3) Call money

Since contractual terms of call money is short (i.e., up to twelve months) and fair values approximate book values, we deem the book values to be fair values.

(4) Borrowed money

Of borrowed money, for those with variable rates, as interest rates are reflected over a short period and our credit quality has not been considerably changed since the implementation, fair values are thought to approximate book values, so we deem book values to be fair values. Fair values of those with fixed rates are calculated by discounting the total amount of principal and interest of the borrowed money which is classified based on its terms (for those to which the exceptional accrual method for interest rate swaps are applied, the total amount of principal and interest of the borrowed money based on the rates as used in such interest rate swaps) by the interest rates used in swap transactions on the balance sheet date. Since fair values of those whose contractual terms are short (i.e., within one year) approximate book values, we mainly deem the book values to be fair values.

(5) Due to trust accounts

Since due to trust accounts is used to receive unused money without term limits and equivalent to demand deposits, we deem the payment amount requested to pay out on the balance sheet date (i.e., book values) to be fair values.

Derivatives

Derivatives include interest rate-related transactions (interest rate swaps and others), currency-related transactions (forward exchanges, currency options, currency swaps and others), and are based on the discounted value of future cash flows and option pricing models.

(Note 2) Financial instruments whose fair values are deemed to be extremely difficult to determine are indicated below, and are not included in "Assets (2) Available-for-sale securities" in fair value information of financial instruments.

(Millions of yen)

Item	Book Value
other securities (*)	1,008

(*) We do not treat other securities as being subject to disclosure of fair values as there are no market prices and they are deemed extremely difficult to determine fair values.

(Note 3) The amount of monetary claims and securities with contractual maturities to be redeemed after the balance sheet date

(Millions of yen)

	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Securities						
Held-to-maturity debt securities	10,125	—	—	—	25,000	—
Available-for-sale securities	78,272	221,663	103,238	2,903	3,942	27,671
Loans and bills discounted (*)	319,637	108,679	44,849	13,547	15,101	27,459
Total	408,036	330,342	148,088	16,451	44,043	55,131

(*) There was no money which is not expected to be recovered, such as claims to debtors who are legally bankrupt, virtually bankrupt, or possibly bankrupt.

Financial Statements

(Note 4) The amount of borrowed money and other interest bearing debts to be repaid after the balance sheet date

(Millions of yen)

	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits (*)	604,479	8,384	—	—	8,500	197,000
Negotiable certificates of deposit	34,551	—	—	—	—	—
Call money	25,052	—	—	—	—	—
Borrowed money	1,031	2,000	1,000	—	13,500	124,800
Due to trust accounts	176,295	—	—	—	—	—
Total	841,410	10,384	1,000	—	22,000	321,800

(*) Of the deposits, demand deposits are included in "Due in 1 year or less." There are no bonds payable.

(Note to Securities)

"Government bonds," "Local government bonds," "Corporate bonds" and "Other securities," in the balance sheet are included. There are no trading securities, subsidiary shares and subsidiary company's shares as well as affiliated company's shares, held-to-maturity debt securities sold during the fiscal year ended March 31, 2018, securities for which the holding purpose has been changed.

Other securities with fair value, which the fair value is significantly below the acquisition cost and a recovery to its fair value can not be foreseen, we disposition the fair value as the book value and process the valuation difference as loss of the fiscal year.

1. Held-to-Maturity Debt Securities (as of March 31, 2018)

(Millions of yen)

	Type	Book Value	Fair Value	Difference
Securities for which the fair value exceeds the book value	Government bonds	25,410	29,756	4,346
Securities for which the fair value does not exceed the book value	Foreign bonds	10,851	10,118	(732)
Total		36,261	39,875	3,614

2. Available-for-Sale Securities (as of March 31, 2018)

(Millions of yen)

	Type	Book Value	Acquisition Cost	Difference
Securities for which the book value exceeds the acquisition cost	Bonds	180,738	176,855	3,883
	Government bonds	94,702	91,391	3,310
	Local government bonds	13,204	13,157	47
	Corporate bonds	72,831	72,306	525
	Other securities	100,939	100,225	714
	Foreign bonds	85,097	84,465	632
	Others	15,841	15,760	81
	Subtotal		281,677	277,080
Securities for which the book value does not exceed the acquisition cost	Bonds	116,856	116,963	(107)
	Government bonds	2,000	2,001	(0)
	Local government bonds	24,336	24,358	(22)
	Corporate bonds	90,519	90,603	(84)
	Other securities	76,025	77,027	(1,001)
	Foreign bonds	60,292	60,977	(684)
	Others	15,732	16,050	(317)
Subtotal		192,882	193,991	(1,109)
Total		474,559	471,071	3,488

3. Available-for-Sale Securities Sold during the Fiscal Year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

Type	Amount Sold	Gain	Loss
Bonds	51,999	1,935	(180)
Government bonds	22,290	1,898	(28)
Corporate bonds	6,707	1	(2)
Foreign bonds	23,001	35	(150)
Total	51,999	1,935	(180)

(Notes to Money Held in Trust)

There is no money held in trust.

(Deferred Tax Accounting)

1. The deferred tax assets and liabilities are broken down by reason as follows:

Deferred tax assets:

Allowance for loan losses	373 million yen
Provision for retirement benefits	338 million yen
Provision for bonuses	326 million yen
Impairment loss	19 million yen
Accrued business tax	62 million yen
Credit reserve	76 million yen
Deferred consumption tax	56 million yen
Deferred gain or loss on hedges	732 million yen
Excess of depreciation	142 million yen
Others	184 million yen
Subtotal	2,311 million yen
Valuation allowance	(14) million yen
Deferred tax assets	2,296 million yen

Deferred tax liabilities:

Valuation difference on available-for-sale securities	1,081 million yen
Others	48 million yen
Deferred tax liabilities	1,130 million yen

Net deferred tax assets	1,166 million yen
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(Per Share Information)

Net assets per share	76,097.09 yen
Net income per share	1,354.21 yen

Status of Main Business

Breakdown of Profits and Losses by Division

(Millions of yen)

Type	FY2016	FY2017	
Trust fees	Domestic operations	8,120	8,513
	International operations	530	418
	Total	8,651	8,932
Net interest income	Domestic operations	3,967	1,882
	International operations	1,276	1,379
	Total	5,244	3,262
Net fees and commissions	Domestic operations	2,251	1,929
	International operations	20	74
	Total	2,271	2,003
Net trading income (loss)	Domestic operations	—	—
	International operations	2	0
	Total	2	0
Net other operating income (loss)	Domestic operations	419	1,868
	International operations	1,045	902
	Total	1,465	2,771
Gross operating profits	Domestic operations	14,759	14,193
	International operations	2,876	2,776
	Total	17,635	16,969
Provision of general allowance for loan losses (deduction)	—	134	
General and administrative expenses (excluding non-recurring expenses)	14,778	14,885	
Net business profit	2,857	1,949	
Non-recurring profit (loss)	(719)	(145)	
Ordinary profits	2,138	1,804	

(Note) Domestic operations are yen denominated transactions and international operations are foreign currency denominated transactions. Yen denominated transactions with non-residents and offshore accounts are included in international operations.

Breakdown of Net Interest Income

(Millions of yen)

Type	FY2016	FY2017	
Breakdown of investment			
Domestic operations	Average balance	1,244,824	943,363
	Interest rates	6,044	5,532
	Yield	0.49%	0.59%
International operations	Average balance	257,872 [32,714]	260,142 [37,267]
	Interest rates	4,254 [16]	5,020 [18]
	Yield	1.65%	1.93%
Total	Average balance	1,469,982	1,166,238
	Interest rates	10,282	10,535
	Yield	0.70%	0.90%
Breakdown of funding			
Domestic operations	Average balance	1,348,849 [32,714]	1,032,774 [37,267]
	Interest rates	2,076 [16]	3,650 [18]
	Yield	0.15%	0.35%
International operations	Average balance	103,117	124,984
	Interest rates	2,977	3,641
	Yield	2.89%	2.91%
Total	Average balance	1,419,252	1,120,491
	Interest rates	5,037	7,273
	Yield	0.35%	0.65%
Profit margin			
Domestic operations	0.34%	0.24%	
International operations	(1.24%)	(0.98%)	
Total	0.35%	0.25%	

(Note) 1. The figures in brackets ([]) are the average balance and interest (net) of fund transfers between domestic operations and international operations.
 2. The average balance of foreign currency denominated transactions in international operations is calculated by the daily current method (whereby the T.T.M. rate of the day is applied to the non-exchange transactions of the day).
 3. The average balance and interest of fund transfers between domestic operations and international operations are offset against each other in the total number.

■ Changes in Interest Income and Interest Expenses

(Millions of yen)

Type		FY2016	FY2017
Interest income			
	Change due to balance	709	(1,463)
Domestic operations (decrease)	Change due to interest rates	(2,294)	952
	Net change	(1,585)	(511)
International operations (decrease)	Change due to balance	436	43
	Change due to interest rates	904	722
	Net change	1,340	766
Subtotal		(244)	255
Interest expenses			
	Change due to balance	228	(486)
Domestic operations (decrease)	Change due to interest rates	(3,195)	2,060
	Net change	(2,967)	1,573
International operations (decrease)	Change due to balance	457	637
	Change due to interest rates	1,386	26
	Net change	1,844	663
Subtotal		(1,123)	2,237
Total		878	(1,982)

(Note) Regarding the reasons for change in the balance and the interest rates, when there is an overlap between the two, it is included in the reasons for "change due to balance."

■ Breakdown of Fees and Commissions

(Millions of yen)

Type		FY2016	FY2017
Fees and commissions	Domestic operations	3,331	2,827
	International operations	113	128
	Total	3,444	2,956
Deposits and loans related business	Domestic operations	369	385
	International operations	21	43
	Total	391	429
Exchange business	Domestic operations	357	364
	International operations	89	83
	Total	447	448
Securities related business	Domestic operations	579	620
	International operations	—	0
	Total	579	620
Agency business	Domestic operations	1,520	1,207
	International operations	0	0
	Total	1,521	1,208
Investment advisory business	Domestic operations	168	22
	International operations	—	—
	Total	168	22
Fees and commissions payments	Domestic operations	1,079	898
	International operations	92	54
	Total	1,172	952
Exchange business	Domestic operations	223	231
	International operations	29	28
	Total	252	260

Status of Main Business

■ Breakdown of Trading Income and Expenses

(Millions of yen)

Type	FY2016	FY2017
Gains (losses) on trading securities	Domestic operations	—
	International operations	—
	Total	—
Gains (losses) on trading financial derivatives	Domestic operations	—
	International operations	2
	Total	0
Other trading gains (losses)	Domestic operations	—
	International operations	—
	Total	—
Total (losses)	Domestic operations	—
	International operations	2
	Total	0

■ Breakdown of Other Operating Income and Expenses

(Millions of yen)

Type	FY2016	FY2017
Gains (losses) on foreign exchange transactions	Domestic operations	—
	International operations	3,230
	Total	1,547
Gains (losses) on bonds such as JGB	Domestic operations	385
	International operations	122
	Total	1,868
Gains (losses) on financial derivatives	Domestic operations	34
	International operations	(2,306)
	Total	(529)
Other (losses)	Domestic operations	—
	International operations	—
	Total	—
Total (losses)	Domestic operations	419
	International operations	1,045
	Total	2,771

■ Breakdown of General and Administrative Expenses

(Millions of yen)

Type	FY2016	FY2017
Salaries and allowances	4,429	4,494
Welfare expenses	801	805
Depreciation and amortization	2,935	2,474
Rent expenses on buildings and machinery	557	558
Supplies expenses	52	53
Communication expenses	454	475
Taxes and dues	707	628
Other	4,840	5,395
Subtotal	14,778	14,885
Non-recurring expenses	196	146
Total	14,974	15,031

Domestic and Foreign Exchange Transactions

Foreign Exchange Transactions

(Millions of U.S. dollars)

		FY2016	FY2017
Outgoing remittance	Foreign bills sold	22,055	18,351
	Foreign bills bought	—	—
Incoming remittance	Foreign bills payable	22,875	18,301
	Foreign bills receivable	3	3
Total		44,933	36,655

Foreign Currency Denominated Assets

(Millions of U.S. dollars)

	March 31, 2017	March 31, 2018
Balance of foreign-currency denominated assets	955	1,421

Domestic Exchange Transactions

(Billions of yen, thousands of units)

			FY2016	FY2017
Remittance	Paid to	Amount	11,207.9	9,084.8
		Unit	1,553	1,584
	Received from	Amount	12,271.2	11,561.6
		Unit	207	217
Collection	Paid to	Amount	—	—
		Unit	—	—
	Received from	Amount	—	—
		Unit	—	—

Deposits

Balance by Type of Deposits

(Millions of yen, proportion in brackets)

Type		March 31,2017	March 31,2018
Deposits			
	Domestic operations	259,933 (33.1%)	268,102 (31.4%)
Liquid deposits	International operations	— (—)	— (—)
	Total	259,933 (33.1%)	268,102 (31.4%)
	Domestic operations	217,797 (27.7%)	247,952 (29.0%)
Interest-bearing deposits	International operations	— (—)	— (—)
	Total	217,797 (27.7%)	247,952 (29.0%)
	Domestic operations	405,019 (51.6%)	437,802 (51.3%)
Time deposits	International operations	— (—)	— (—)
	Total	405,019 (51.6%)	437,802 (51.3%)
	Domestic operations	298,319 (38.0%)	330,302 (38.7%)
Fixed-rate time deposits	International operations	— (—)	— (—)
	Total	298,319 (38.0%)	330,302 (38.7%)
	Domestic operations	106,700 (13.6%)	107,500 (12.6%)
Variable-rate time deposits	International operations	— (—)	— (—)
	Total	106,700 (13.6%)	107,500 (12.6%)
	Domestic operations	198 (0.0%)	418 (0.0%)
Other	International operations	85,932 (10.9%)	112,040 (13.1%)
	Total	86,131 (10.9%)	112,459 (13.1%)
	Domestic operations	665,151 (84.8%)	706,323 (82.8%)
Total	International operations	85,932 (10.9%)	112,040 (13.1%)
	Total	751,084 (95.8%)	818,364 (95.9%)
	Domestic operations	32,501 (4.1%)	34,551 (4.0%)
Negotiable certificates of deposits	International operations	— (—)	— (—)
	Total	32,501 (4.1%)	34,551 (4.0%)
	Domestic operations	697,652 (89.0%)	740,874 (86.8%)
Grand total	International operations	85,932 (10.9%)	112,040 (13.1%)
	Total	783,585 (100.0%)	852,915 (100.0%)

■ Average Balance by Type of Deposits

(Millions of yen, proportion in brackets)

Type		FY2016	FY2017
Deposits			
	Domestic operations	333,625 (38.5%)	243,447 (29.3%)
Liquid deposits	International operations	— (—)	— (—)
	Total	333,625 (38.5%)	243,447 (29.3%)
	Domestic operations	221,524 (25.5%)	224,189 (26.9%)
Interest-bearing deposits	International operations	— (—)	— (—)
	Total	221,524 (25.5%)	224,189 (26.9%)
	Domestic operations	404,970 (46.7%)	437,450 (52.6%)
Time deposits	International operations	— (—)	— (—)
	Total	404,970 (46.7%)	437,450 (52.6%)
	Domestic operations	301,703 (34.8%)	336,913 (40.5%)
Fixed-rate time deposits	International operations	— (—)	— (—)
	Total	301,703 (34.8%)	336,913 (40.5%)
	Domestic operations	103,266 (11.9%)	100,536 (12.1%)
Variable-rate time deposits	International operations	— (—)	— (—)
	Total	103,266 (11.9%)	100,536 (12.1%)
	Domestic operations	11,767 (1.3%)	8,711 (1.0%)
Other	International operations	82,302 (9.5%)	101,242 (12.1%)
	Total	94,070 (10.8%)	109,953 (13.2%)
	Domestic operations	750,363 (86.7%)	689,609 (83.0%)
Total	International operations	82,302 (9.5%)	101,242 (12.1%)
	Total	832,666 (96.2%)	790,851 (95.2%)
	Domestic operations	32,685 (3.7%)	39,581 (4.7%)
Negotiable certificates of deposits	International operations	— (—)	— (—)
	Total	32,685 (3.7%)	39,581 (4.7%)
	Domestic operations	783,048 (90.4%)	729,191 (87.8%)
Grand total	International operations	82,302 (9.5%)	101,242 (12.1%)
	Total	865,351 (100.0%)	830,433 (100.0%)

Deposits

■ Time Deposits Balance by Remaining Period

(Millions of yen)

Classification	Period	March 31,2017	March 31,2018
Fixed-rate time deposits	Less than 3 months	56,195	75,138
	From 3 months to less than 6 months	52,123	52,809
	From 6 months to less than 1 year	88,219	95,969
	From 1 year to less than 2 years	9,835	5,416
	From 2 years to less than 3 years	2,043	2,967
	3 years or more	89,903	98,000
	Subtotal	298,319	330,302
Variable-rate time deposits	Less than 3 months	1,000	—
	From 3 months to less than 6 months	—	—
	From 6 months to less than 1 year	—	—
	From 1 year to less than 2 years	—	—
	From 2 years to less than 3 years	—	—
	3 years or more	105,700	107,500
Subtotal	106,700	107,500	
Other time deposits	Less than 3 months	—	—
	From 3 months to less than 6 months	—	—
	From 6 months to less than 1 year	—	—
	From 1 year to less than 2 years	—	—
	From 2 years to less than 3 years	—	—
3 years or more	—	—	
Subtotal	—	—	
Total		405,019	437,802

■ Balance by Depositor

(Millions of yen, proportion in brackets)

Classification	March 31,2017	March 31,2018
Individual	289,886 (38.5%)	333,195 (40.7%)
Corporate	444,866 (59.2%)	468,573 (57.2%)
Other	16,331 (2.1%)	16,595 (2.0%)
Total	751,084 (100.0%)	818,364 (100.0%)

(Note) Negotiable certificates of deposits are not included.

Loans

Balance by Type of Loans

(Millions of yen)

Type		March 31, 2017	March 31, 2018
Loans on bills	Domestic operations	—	—
	International operations	—	1,582
	Total	—	1,582
Loans on deeds	Domestic operations	244,885	249,434
	International operations	41,491	57,320
	Total	286,376	306,754
Overdrafts	Domestic operations	159,862	205,473
	International operations	12,000	15,464
	Total	171,862	220,938
Bills discounted	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total	Domestic operations	404,747	454,907
	International operations	53,491	74,368
	Total	458,238	529,275

Average Balance by Type of Loans

(Millions of yen)

Type		FY2016	FY2017
Loans on bills	Domestic operations	—	—
	International operations	—	1,196
	Total	—	1,196
Loans on deeds	Domestic operations	274,771	225,031
	International operations	47,157	44,587
	Total	321,929	269,618
Overdrafts	Domestic operations	131,361	176,212
	International operations	12,825	12,882
	Total	144,186	189,094
Bills discounted	Domestic operations	—	—
	International operations	—	—
	Total	—	—
Total	Domestic operations	406,132	401,244
	International operations	59,983	58,666
	Total	466,115	459,910

Balance of Loans by Type and Remaining Period

(Millions of yen)

Period		March 31, 2017	March 31, 2018
Fixed interest rates	1 year or less	257,302	319,637
	More than 1 year but less than 3 years	19,782	27,677
	More than 3 years but less than 5 years	8,503	15,565
	More than 5 years but less than 7 years	2,379	6,511
	More than 7 years	11,595	10,073
	With no maturity	—	—
	Subtotal	42,260	59,827
Variable interest rates	More than 1 year but less than 3 years	68,739	81,001
	More than 3 years but less than 5 years	45,296	29,284
	More than 5 years but less than 7 years	5,910	7,036
	More than 7 years	38,728	32,487
	With no maturity	—	—
Subtotal	158,675	149,810	
Total	458,238	529,275	

Loans

■ Balance of Loans by Type of Collateral

(Millions of yen)

Type	March 31,2017	March 31,2018
Securities	178,836	226,272
Claims	—	—
Commodities	—	—
Real estate	31,296	29,940
Other	5,299	7,385
Subtotal	215,432	263,598
Guarantees	26,218	23,800
Unsecured	216,587	241,876
Total	458,238	529,275
(Subordinated loans)	(560)	(531)

■ Balance of Customers' liabilities for acceptances and guarantees by Type of Collateral

There are no customers' liabilities for acceptances and guarantees.

■ Balance of Loans by Purpose of Use

(Millions of yen, proportion in brackets)

Type	March 31,2017	March 31,2018
Equipment fund	58,960 (12.8%)	53,825 (10.1%)
Working capital	399,278 (87.1%)	475,450 (89.8%)
Total	458,238 (100.0%)	529,275 (100.0%)

■ Breakdown of Loans by Industry

(Millions of yen, proportion in brackets)

Type	March 31,2017	March 31,2018
Manufacturing	2,184 (0.4%)	6,959 (1.3%)
Electricity, gas, heat supply and water	7,760 (1.6%)	9,131 (1.7%)
Communication and information services	2,358 (0.5%)	1,940 (0.3%)
Transport	6,952 (1.5%)	10,625 (2.0%)
Wholesale and retail	2,385 (0.5%)	3,685 (0.6%)
Finance and insurance	158,628 (34.6%)	92,547 (17.4%)
Real estate	62,157 (13.5%)	63,950 (12.0%)
Goods rental and leasing	14,500 (3.1%)	16,082 (3.0%)
Various services	34,776 (7.5%)	49,323 (9.3%)
Other	166,535 (36.3%)	275,029 (51.9%)
Total	458,238 (100.0%)	529,275 (100.0%)

■ Balance of Loans Regarding Small and Medium-Sized Enterprises

(Number of loans, millions of yen)

		March 31,2017	March 31,2018
Total loan balance (A)	Number of loans made	7,056	8,338
	Amount	458,238	529,275
Balance of loans to SMEs (B)	Number of loans made	7,032	8,316
	Amount	418,893	421,647
Ratio (%) (B/A)	Number of loans made	99.6%	99.7%
	Amount	91.4%	79.6%

(Note) Small and medium-sized enterprises means companies capitalized at 300 million yen or less (100 million yen or less for the wholesale industry and 50 million yen or less for the retail, food, service industries), or companies with full-time employees 300 or fewer (100 or fewer for the wholesale and service industries and 50 or fewer for the retail, food, service industry) and individuals.

Loans

■ Balance of Risk-Monitored Loans

(Billions of yen)

	March 31,2017	March 31,2018
Loans to bankrupt debtors	—	—
Non-accrual delinquent loans	0	—
Loans past due for three months or more	—	—
Restructured loans	—	—
Total	0	—

■ Amount of Assets Assessed in Accordance with the Financial Reconstruction Act

(Billions of yen)

	March 31,2017	March 31,2018
Claims against bankrupt and substantially bankrupt debtors	0	0
Doubtful claims	—	—
Substandard claims	—	—
Subtotal (A)	0	0
Normal claims (B)	459.2	530.2
Total (A+B)	459.2	530.2
Coverage amount by collateral and guarantees	—	—
Specific allowance for loan losses	0	0
Total amount of coverage (C)	0	0
Coverage ratio (C/A)	100%	100%

■ Allowance for Loan Losses and Their Changes during the Fiscal Year

(Millions of yen)

	FY2016	FY2017
General allowance for loan losses	1,097	1,232
Change from the previous year-end (decrease)	(409)	134
Specific allowance for loan losses	290	289
Change from the previous year-end (decrease)	0	0
Allowance for specific overseas loans	—	—
Change from the previous year-end (decrease)	—	—
Total	1,388	1,521

■ Written-Off of Loans

(Millions of yen)

	March 31,2017	March 31,2018
Written-Off of Loans	932	—

Securities

Balance of Securities by Type and Remaining Period

(Millions of yen)

Type	Remaining Period	March 31, 2017	March 31, 2018
Government bonds	1 year or less	36,085	2,000
	More than 1 year but less than 3 years	43,448	72,031
	More than 3 years but less than 5 years	36,859	5,214
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	30,484	25,410
	More than 10 years	24,734	17,456
	With no maturity	—	—
	Subtotal	171,612	122,112
Local government bonds	1 year or less	20,820	4,033
	More than 1 year but less than 3 years	13,512	18,362
	More than 3 years but less than 5 years	22,283	13,762
	More than 5 years but less than 7 years	1,032	1,032
	More than 7 years but less than 10 years	866	350
	More than 10 years	—	—
	With no maturity	—	—
	Subtotal	58,516	37,541
Short-term corporate bonds	1 year or less	—	—
	More than 1 year but less than 3 years	—	—
	More than 3 years but less than 5 years	—	—
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	—
	With no maturity	—	—
	Subtotal	—	—
Short-term corporate bonds	1 year or less	16,737	66,789
	More than 1 year but less than 3 years	96,071	60,449
	More than 3 years but less than 5 years	50,207	20,612
	More than 5 years but less than 7 years	2,883	2,891
	More than 7 years but less than 10 years	—	—
	More than 10 years	13,206	12,607
	With no maturity	—	—
	Subtotal	179,105	163,350
Stocks	1 year or less	—	—
	More than 1 year but less than 3 years	—	—
	More than 3 years but less than 5 years	—	—
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	—
	With no maturity	—	—
	Subtotal	—	—
Foreign bonds	1 year or less	54,755	16,892
	More than 1 year but less than 3 years	35,204	74,637
	More than 3 years but less than 5 years	49,221	64,276
	More than 5 years but less than 7 years	1,442	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	526	434
	With no maturity	—	—
	Subtotal	141,151	156,242
Foreign stocks	1 year or less	—	—
	More than 1 year but less than 3 years	—	—
	More than 3 years but less than 5 years	—	—
	More than 5 years but less than 7 years	—	—
	More than 7 years but less than 10 years	—	—
	More than 10 years	—	—
	With no maturity	14	15
	Subtotal	14	15
Other securities	1 year or less	2	—
	More than 1 year but less than 3 years	1	2
	More than 3 years but less than 5 years	—	6
	More than 5 years but less than 7 years	—	3
	More than 7 years but less than 10 years	—	2
	More than 10 years	—	0
	With no maturity	10,876	32,552
	Subtotal	10,879	32,567
Total		561,279	511,829

Securities

■ Balance of Securities by Type

(Millions of yen, proportion in brackets)

Type	March 31,2017	March 31,2018
	171,612	122,112
	(30.5%)	(23.8%)
Government bonds	—	—
	(—)	(—)
	171,612	122,112
	(30.5%)	(23.8%)
Local government bonds	58,516	37,541
	(10.4%)	(7.3%)
	—	—
	(—)	(—)
	58,516	37,541
	(10.4%)	(7.3%)
Short-term corporate bonds	—	—
	(—)	(—)
	—	—
	(—)	(—)
	—	—
	(—)	(—)
Corporate bonds	179,105	163,350
	(31.9%)	(31.9%)
	—	—
	(—)	(—)
	179,105	163,350
	(31.9%)	(31.9%)
Stocks	—	—
	(—)	(—)
	—	—
	(—)	(—)
	—	—
	(—)	(—)
Foreign bonds	—	—
	(—)	(—)
	141,151	156,242
	(25.1%)	(30.5%)
	141,151	156,242
	(25.1%)	(30.5%)
Foreign stocks	—	—
	(—)	(—)
	14	15
	(0.0%)	(0.0%)
	14	15
	(0.0%)	(0.0%)
Other securities	8,164	19,497
	(1.4%)	(3.8%)
	2,715	13,070
	(0.4%)	(2.5%)
	10,879	32,567
	(1.9%)	(6.3%)
Total	417,399	342,502
	(74.3%)	(66.9%)
	143,880	169,327
	(25.6%)	(33.0%)
Total	561,279	511,829
	(100.0%)	(100.0%)

■ Average Balance of Securities by Type

(Millions of yen, proportion in brackets)

Type	FY2016	FY2017
Government bonds	Domestic operations 220,276 (34.4%)	162,184 (29.5%)
	International operations — (—)	— (—)
	Total 220,276 (34.4%)	162,184 (29.5%)
Local government bonds	Domestic operations 69,206 (10.8%)	47,921 (8.7%)
	International operations — (—)	— (—)
	Total 69,206 (10.8%)	47,921 (8.7%)
Short-term corporate bonds	Domestic operations — (—)	— (—)
	International operations — (—)	— (—)
	Total — (—)	— (—)
Corporate bonds	Domestic operations 182,327 (28.5%)	168,362 (30.6%)
	International operations — (—)	— (—)
	Total 182,327 (28.5%)	168,362 (30.6%)
Stocks	Domestic operations — (—)	— (—)
	International operations — (—)	— (—)
	Total — (—)	— (—)
Foreign bonds	Domestic operations — (—)	— (—)
	International operations 151,020 (23.6%)	147,669 (26.8%)
	Total 151,020 (23.6%)	147,669 (26.8%)
Foreign stocks	Domestic operations — (—)	— (—)
	International operations 14 (0.0%)	15 (0.0%)
	Total 14 (0.0%)	15 (0.0%)
Other securities	Domestic operations 9,064 (1.4%)	15,160 (2.7%)
	International operations 7,584 (1.1%)	8,435 (1.5%)
	Total 16,649 (2.6%)	23,596 (4.2%)
Total	Domestic operations 480,875 (75.1%)	393,628 (71.6%)
	International operations 158,619 (24.8%)	156,120 (28.3%)
	Total 639,494 (100.0%)	549,749 (100.0%)

Fair Value of Securities

■ Trading Securities

Not applicable.

■ Held-to-Maturity Debt Securities with Fair Value

(Millions of yen)

Type		March 31,2017	March 31,2018
Government bonds	Book value	25,459	25,410
	Fair value	30,163	29,756
	Difference	4,704	4,346
	Gain	4,704	4,346
	Loss	—	—
Other securities	Book value	23,914	10,851
	Fair value	25,075	10,118
	Difference	1,160	(732)
	Gain	2,546	—
	Loss	1,385	732
Total	Book value	49,374	36,261
	Fair value	55,239	39,875
	Difference	5,865	3,614
	Gain	7,250	4,346
	Loss	1,385	732

(Note) Fair values are based on the market prices at the end of the fiscal year.

■ Available-for-Sale Securities with Fair Value

(Millions of yen)

Type		March 31,2017	March 31,2018	
Stocks	Acquisition cost	—	—	
	Book value	—	—	
	Valuation difference	—	—	
Bonds	Government bonds	Acquisition cost	140,056	93,393
		Book value	146,152	96,702
		Valuation difference	6,096	3,309
		Unrealized gain	6,143	3,310
		Unrealized loss	46	0
	Local government bonds	Acquisition cost	58,443	37,515
		Book value	58,516	37,541
		Valuation difference	72	25
		Unrealized gain	100	47
		Unrealized loss	27	22
Corporate bonds	Acquisition cost	178,680	162,909	
	Book value	179,105	163,350	
	Valuation difference	425	440	
	Unrealized gain	613	525	
	Unrealized loss	187	84	
Sub total	Acquisition cost	377,180	293,818	
	Book value	383,775	297,594	
	Valuation difference	6,594	3,775	
	Unrealized gain	6,856	3,883	
	Unrealized loss	261	107	
Other securities	Acquisition cost	127,700	177,252	
	Book value	127,903	176,965	
	Valuation difference	202	(287)	
	Unrealized gain	776	714	
	Unrealized loss	573	1,001	
Total	Acquisition cost	504,881	471,071	
	Book value	511,678	474,559	
	Valuation difference	6,797	3,488	
	Unrealized gain	7,632	4,597	
Unrealized loss	835	1,109		

(Note) Amounts on balance sheet are recorded at fair values based on the market prices at the end of the fiscal year.

■ Breakdown of Securities without Fair Value and Their Book Value

(Millions of yen)

Type	March 31,2017	March 31,2018
Held-to-maturity debt securities	—	—
Available-for-sale securities		
Unlisted foreign securities	14	15
Others	212	993

Derivatives Transaction

1. Derivatives Transactions Not Qualifying for Hedge Accounting

As for derivatives transactions not qualifying for hedge accounting, the contract amounts or notional principal, fair values and unrealized gains or losses as well as calculation method of fair values for each type of hedged transactions as of the balance sheet date are as follows:

Note that contract value amounts do not indicate the market risk related to derivatives transactions.

Interest Rate-Related Transactions

(Millions of yen)

			March 31,2017	March 31,2018	
Over-the-counter	Interest rate swaps	Receive-fixed interest rate	Contract amount	173,700	197,700
			Over one year	173,700	197,200
		Pay-floating interest rate	Fair value (losses)	(5,850)	(3,096)
			Unrealized gains (losses)	(5,850)	(3,096)
		Receive-floating interest rate	Contract amount	—	—
			Over one year	—	—
		Pay-fixed interest rate	Fair value (losses)	—	—
			Unrealized gains (losses)	—	—
		Receive-floating interest rate	Contract amount	150,200	150,100
			Over one year	149,200	150,100
		Pay-floating interest rate	Fair value (losses)	(3,278)	(3,955)
			Unrealized gains (losses)	(3,278)	(3,955)
		Receive-fixed interest rate	Contract amount	—	—
			Over one year	—	—
		Pay-fixed interest rate	Fair value (losses)	—	—
			Unrealized gains (losses)	—	—
Total fair value (losses)			(9,129)	(7,051)	
Total unrealized gains (losses)			(9,129)	(7,051)	

(Note) 1. Transactions above are marked to market, and unrealized gains (losses) are included in the statements of income.

2. Calculation of fair value

Fair values are based on the discounted present value.

3. Interest rate-related transactions

In addition to the abovementioned, the appraisal profit based on separate accounting of embedded derivatives of hybrid financial instruments was 7,051 million yen at the end of March, 2018, and 9,129 million yen at the end of March, 2017.

Currency-Related Transactions

(Millions of yen)

			March 31,2017	March 31,2018		
Over-the-counter	Swaps		Contract amount	91,080	38,638	
			Over one year	40,156	13,548	
			Fair value (losses)	1,820	1,059	
			Unrealized gains (losses)	1,820	1,059	
	Forwards	Sold		Contract amount	456,421	427,633
				Over one year	—	5,219
				Fair value (losses)	136	4,950
				Unrealized gains (losses)	136	4,950
		Bought		Contract amount	473,356	421,186
				Over one year	—	—
				Fair value (losses)	281	(4,564)
				Unrealized gains (losses)	281	(4,564)
	Options	Sold		Contract amount	2,985	19,501
				Over one year	—	—
				Fair value (losses)	(140)	92
		Bought		Contract amount	2,985	12,171
				Over one year	—	—
				Fair value (losses)	140	79
Unrealized gains (losses)			(30)	(57)		
Total fair value (losses)			2,238	1,618		
Total unrealized gains (losses)			2,222	1,506		

(Note) 1. Transactions above are marked to market, and unrealized gains (losses) are included in the statements of income.

2. Calculation of fair value: Fair values are based on the discounted present value.

■ Stock-Related Transactions

Not applicable.

■ Bond-Related Transactions

Not applicable.

■ Commodity-Related Transactions

Not applicable.

■ Credit Derivative Transactions

Not applicable.

■ Others

Not applicable.

2. Derivatives Transactions Qualifying for Hedge Accounting

As for derivatives transactions qualifying for hedge accounting, the contract amounts or notional principal, fair values and unrealized gains or losses as well as calculation method of fair values for each type of hedged transactions and by respective hedge accounting method as of the balance sheet date are as follows:

Note that contract value amounts do not indicate the market risk related to derivatives transactions.

■ Interest Rate-Related Transactions

(Millions of yen)

Hedge accounting method	Type	Primary hedged item	March 31, 2017			March 31, 2018		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Primary method	Interest rate swaps	Loans, available for-sale securities (bonds)	148,830	137,629	(6,458)	126,230	105,230	(3,803)
	Receive-floating interest rate Pay-fixed interest rate		148,830	137,629	(6,458)	126,230	105,230	(3,803)
Exceptional method for Interest rate swaps	Interest rate swaps	Securities	25,000	25,000	(4,044)	25,000	25,000	(3,701)
	Receive-floating interest rate Pay-fixed interest rate		25,000	25,000	(4,044)	25,000	25,000	(3,701)
Total			—	—	(10,502)	—	—	(7,504)

(Note) 1. Primarily, the deferred hedge method is applied under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Financial Instruments for Banks" (JICPA Industry Audit Committee Report No. 24).

2. Calculation of fair value

Fair values are based on the discounted present value.

■ Currency-Related Transactions

(Millions of yen)

Hedge accounting Method	Type	Primary hedged item	March 31, 2017			March 31, 2018		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Appropriation method	Currency swaps	Foreign currency denominated securities	25,657	—	(1,228)	10,125	—	556
Total			—	—	(1,228)	—	—	556

(Note) 1. Primarily, the deferred hedge method is applied under "Accounting and Auditing Treatment Relating to Adoption of Accounting Standards for Foreign Currency Transactions for Banks" (JICPA Industry Audit Committee Report No. 25).

2. Calculation of fair value

Fair values are based on the discounted present value.

■ Stock - Related Transactions

Not applicable.

■ Bond - Related Transactions

Not applicable.

Trust Business

■ Statement of Trust Account

(Millions of yen)

	March 31,2017	March 31,2018
Assets:		
Loans	329,081	303,222
Loans on deeds	329,081	303,222
Securities	2,987,123	2,617,141
Government bonds	425,699	318,451
Local government bonds	50,424	52,983
Corporate bonds	275,010	240,605
Stocks	520,669	485,992
Foreign securities	1,158,582	909,032
Other securities	556,736	610,076
Securities held for investment trusts	9,463,261	9,337,499
Foreign investments held for investment trusts	5,621,176	6,434,049
Beneficiary rights	26,531	26,479
Securities held in custody accounts	772,966	838,195
Money claims	48,279	39,068
Money claims on life insurance policies	8,826	9,136
Other money claims	39,453	29,931
Other claims	317,362	172,931
Call loans	1,133,969	1,338,997
Due from banking account	288,125	176,295
Cash and due from banks	271,996	190,336
Due from banks	271,996	190,336
Other assets	100	22
Other	100	22
Total	21,259,975	21,474,240
Liabilities:		
Designated money trusts	621,927	505,746
Specified money trusts	1,599,972	1,509,603
Pension trusts	57,350	2,150
Investment trusts	16,639,438	17,328,641
Pecuniary trusts other than money trusts	197,010	199,866
Securities trusts	1,071,924	968,234
Money claims trusts	16,339	4,582
Composite trusts	1,056,013	955,415
Total	21,259,975	21,474,240

(Note) 1. We do not handle employees' property formation benefit trusts or loan trusts.

2. No trust assets are entrusted to other trust banks for asset administration.

■ Breakdown of Trusts in Which Repayments of the Principal Are Guaranteed

Jointly Operated Designated Money Trusts

(Millions of yen)

	March 31,2017	March 31,2018
Assets:		
Loans	—	—
Securities	—	—
Due from banking account	212,730	93,896
Other	—	—
Total	212,730	93,896
Liabilities:		
Principal	212,728	93,896
Reserve for possible impairment of principal	—	—
Other	1	0
Total	212,730	93,896

■ Balance of Securities (by Type) Held in Money Trusts and Pension Trusts by Type

(Millions of yen)

Type		March 31,2017	March 31,2018
Money trusts	Government bonds	410,783	274,211
	Local government bonds	220	1,120
	Short-term corporate bonds	—	—
	Corporate bonds	144,780	115,547
	Stocks	43,877	39,532
	Other securities	1,008,391	1,047,537
	Balance of assets under management at the end of period	1,608,053	1,477,950
Pension trusts	Government bonds	—	—
	Local government bonds	—	—
	Short-term corporate bonds	—	—
	Corporate bonds	—	—
	Stocks	—	—
	Other securities	1,650	650
	Balance of assets under management at the end of period	1,650	650
Total	Government bonds	410,783	274,211
	Local government bonds	220	1,120
	Short-term corporate bonds	—	—
	Corporate bonds	144,780	115,547
	Stocks	43,877	39,532
	Other securities	1,010,041	1,048,187
	Balance of assets under management at the end of period	1,609,703	1,478,600

(Note) We do not handle employees' property formation benefit trusts or loan trusts.

■ Balance of Principal of Money Trusts by Trust Period

(Millions of yen)

Period		March 31,2017	March 31,2018
Money trusts	Less than 1 year	337,913	549,989
	From 1 year to less than 2 years	394,342	103,074
	From 2 years to less than 5 years	1,835	3,690
	5 years or more	561,236	495,640
	Others	—	—
	Total	1,295,328	1,152,394

■ Balance of Loans Related to Money Trusts and Pension Trusts (by Category)

(Millions of yen, proportion in brackets)

Type	March 31,2017	March 31,2018
Loans on deeds	324,810 (100.0%)	298,951 (100.0%)
Loans on bills	— (—)	— (—)
Bills discounted	— (—)	— (—)
Total	324,810 (100.0%)	298,951 (100.0%)

(Note) This is the balance of loans under trust account related to money trusts and pension trusts. The same applies to the tables of balance of loans (by Category), (by Contract Term), (by Type of Collateral), (by Industry) and (by Purpose of Use) and the tables for Loans to Small and Medium-Sized Enterprises.

Trust Business

■ Balance of Loans Related to Money Trusts and Pension Trusts (by Contract Term)

(Millions of yen)

Period	March 31,2017	March 31,2018
1 year or less	292,500	279,800
More than 1 year but less than 3 years	—	—
More than 3 years but less than 5 years	—	—
More than 5 years but less than 7 years	12,253	—
7 years or more	20,056	19,151
Total	324,810	298,951

■ Balance of Loans Related to Money Trusts and Pension Trusts (by Type of Collateral)

(Millions of yen)

Type	March 31,2017	March 31,2018
Securities	292,500	279,800
Claims	—	—
Commodities	—	—
Real estate	—	—
Other	—	—
Subtotal	292,500	279,800
Guarantees	—	—
Unsecured	32,310	19,151
Total	324,810	298,951

■ Balance of Loans Related to Money Trusts and Pension Trusts (by Industry)

(Millions of yen, proportion in brackets)

Type	March 31,2017	March 31,2018
Finance and insurance	292,500 (90.0%)	279,800 (93.5%)
Local governments	32,310 (9.9%)	19,151 (6.4%)
Total	324,810 (100.0%)	298,951 (100.0%)

■ Balance of Loans Related to Money Trusts and Pension Trusts (by Purpose of Use)

(Millions of yen)

Type	March 31,2017	March 31,2018
Equipment fund	—	—
Working capital	324,810	298,951
Total	324,810	298,951

Loans to Small and Medium-Sized Enterprises Related to Money Trusts and Pension Trusts

(Millions of yen)

	March 31,2017	March 31,2018
Total loan balance (A)	324,810	298,951
Balance of loans to SMEs (B)	—	—
Ratio (%) (B/A)	—	—

(Note) Small and medium-sized enterprises means companies capitalized at 300 million yen or less (100 million yen or less for the wholesale industry and 50 million yen or less for the retail, food, service industries), or companies with full-time employees 300 or fewer (100 or fewer for the wholesale and service industries and 50 or fewer for the retail, food, service industry) and individuals.

Balance of Loans and Securities (by Type) Held in Money Trusts and Pension Trusts by Type

(Millions of yen)

Type		March 31,2017	March 31,2018
Money trusts	Loans	324,810	298,951
	Securities	1,608,053	1,477,950
	Total	1,932,863	1,776,901
Pension trusts	Loans	—	—
	Securities	1,650	650
	Total	1,650	650
Total loans		324,810	298,951
Total securities		1,609,703	1,478,600
Total loans and securities		1,934,513	1,777,551

(Note) We do not handle employees' property formation benefit trusts or loan trusts.

Management Indices

Overall Profit Margin

(%)

		FY2016	FY2017
Yield on investments	Domestic operations	0.49	0.59
	International operations	1.65	1.93
	Total	0.70	0.90
Funding cost	Domestic operations	1.17	1.69
	International operations	3.88	3.75
	Total	1.39	1.98
Overall profit margin	Domestic operations	(0.68)	(1.10)
	International operations	(2.23)	(1.82)
	Total	(0.69)	(1.08)

Profit Ratio

(%)

		FY2016	FY2017
Return on assets (ROA)	Net business profit to assets ratio	0.18	0.16
	Ordinary profit to assets ratio	0.14	0.14
	Net income to assets ratio	0.11	0.08
Return on equity (ROE)	Net business profit to equity ratio	4.66	3.18
	Ordinary profit to equity ratio	3.49	2.94
	Net income to equity ratio	2.86	1.76

Gross Operating Profit Ratio

(%)

		FY2016	FY2017
Gross operating profit ratio	Domestic operations	1.18	1.50
	International operations	1.11	1.06
	Total	1.19	1.45

Loan-To-Deposit Ratio

(%)

		FY2016	FY2017
Balance at the end of the period	Domestic operations	58.0	61.4
	International operations	62.2	66.3
	Total	58.4	62.0
Average balance during the period	Domestic operations	51.8	55.0
	International operations	72.8	57.9
	Total	53.8	55.3

Security-To-Deposit Ratio

(%)

		FY2016	FY2017
Balance at the end of the period	Domestic operations	59.8	46.2
	International operations	167.4	151.1
	Total	71.6	60.0
Average balance during the period	Domestic operations	61.4	53.9
	International operations	192.7	154.2
	Total	73.8	66.2

■ Deposits, Loans and Trust Assets per Branch

(Millions of yen)

	March 31,2017	March 31,2018
Deposits	783,585	852,915
Loans	458,238	529,275
Amount of funds in trust account	2,279,249	2,017,500

(Note) Deposits include negotiable certificates of deposit.

■ Deposits, Loans and Trust Assets per Employee

(Millions of yen)

	March 31,2017	March 31,2018
Deposits	1,714	1,891
Loans	1,002	1,173
Amount of funds in trust account	4,987	4,473

(Note) Deposits include negotiable certificates of deposit.

Disclosure based on Pillar III of Basel III – Composition of Capital

Disclosure based on Pillar III of Basel III

This section describes the information such as the capital adequacy situation specified by the Financial Services Agency Commissioner, based on Article 19-2, Paragraph 1, Item 5, Subsection 2, etc., of the Ordinance for Enforcement of Banking Act.

Composition of Capital Disclosure

(Millions of yen)

Items	March 31, 2017		March 31, 2018	
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Core capital: instruments and reserves				
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	59,018		59,566	
of which: capital and capital surplus	48,270		48,270	
of which: retained earnings	11,620		11,832	
of which: treasury stock	—		—	
of which: earning to be distributed (—)	872		536	
of which: other than above	—		—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	—		—	
Total of reserves included in Core capital: instruments and reserves	1,097		1,232	
of which: general allowance for loan losses included in Core capital	1,097		1,232	
of which: eligible provision included in Core capital	—		—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—		—	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—		—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—		—	
Core capital: instruments and reserves (A)	60,116		60,798	
Core capital: regulatory adjustments				
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	1,976	1,265	3,350	824
of which: goodwill (including those equivalent)	77	—	51	—
of which: other intangibles other than goodwill and mortgage servicing rights	1,898	1,265	3,298	824
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—	—
Shortfall of eligible provisions to expected losses	—	—	—	—
Gain on sale of securitization	—	—	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
Prepaid pension cost	—	—	—	—
Investments in own shares (excluding those reported in the net assets section)	—	—	—	—
Reciprocal cross-holdings in common equity	—	—	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (“Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	—	—

(Millions of yen)

Items	March 31, 2017		March 31, 2018	
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Amount exceeding the 10% threshold on specific items	—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
of which: mortgage servicing rights	—	—	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
Amount exceeding the 15% threshold on specific items	—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
of which: mortgage servicing rights	—	—	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
Core capital: regulatory adjustments (B)	1,976		3,350	
Capital				
Capital ((A) – (B)) (C)	58,139		57,447	
Risk-weighted assets				
Total amount of credit risk-weighted assets	319,494		319,601	
of which: total amount included in risk-weighted assets by transitional arrangements	1,265		824	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	1,265		824	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—		—	
of which: prepaid pension cost	—		—	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	—		—	
of which: other than above	—		—	
Market risk (divided by multiplying the capital requirement by 12.5)	—		—	
Operational risk (divided by multiplying the capital requirement by 12.5)	32,484		33,425	
Credit risk adjustments	—		—	
Operational risk adjustments	—		—	
Total amount of Risk-weighted assets (D)	351,979		353,026	
Capital ratio				
Capital ratio ((C) / (D))	16.51%		16.27%	

Disclosure based on Pillar III of Basel III – Qualitative Disclosure

Qualitative Disclosure

- I . Summary of method of raising capital (refers to the method of raising capital where all or part of the amount is included in the amount of basic items related to the core capital specified in the formula in the Notification about capital adequacy No. 37).

At The Nomura Trust and Banking, we aim to maintain sufficient capital, mainly common stock, which is stipulated in Article 40 of the Financial Services Agency Notification No. 19 (Notification on Capital Adequacy), “the standard for which banks determine whether they hold adequate capital in light of assets they hold based upon Article 14-2 of the Banking Act of Japan.” Other than raising capital by issuing common stock, we reserve a portion of annual earnings as legally retained earnings or other retained earnings.

- II . Outlines of the Capital Adequacy Assessment Method

As for credit risks and operational risks, we evaluate capital adequacy by comparing the amount equivalent to 8% of risk assets with the amount of capital, as stipulated in the Notification on Capital Adequacy.

We evaluate credit risks using the Standardized Approach, a method of calculating the non-consolidated capital adequacy ratio in accordance with the Basel requirements based on the Notification on Capital Adequacy. Also, we have adopted the Standardized Approach to measure the operational risk amount.

As for risk capital, we set a planned amount compared with the regulatory capital (core capital), and then monitor the actual amount of risk capital and give monthly reports accompanied by a comparison with the regulatory capital (core capital) to the Risk Management Committee. We recognize the current capital level as adequate.

- III . Matters Relating to Credit Risk Management

- A. Outlines of Credit Risk Management Policies and Procedures

The Nomura Trust and Banking strictly reviews and manages credit risks based on the Credit Risk Management Policy, the Credit Risk Management Regulations, the Credit Authorization Management Regulations, and the Collaterals Regulations and the like. At the same time, we carefully pay attention to diversification of risks and portfolios, and comprehensively manage both on- and off-balance sheet transactions in pursuit of appropriate management of credit risks. The state of portfolio diversification is reported to the Risk Management Committee and then reviewed on a monthly basis.

1. Credit rating system

Credit ratings are determined not only by conducting scoring based on a rating model using the financial information of debtors but also by utilizing the latest important information available including qualitative information on managerial risk, legal risk etc. which may affect the certainty of debt assumption, external credit ratings or the credit standing of associated companies . These ratings are classified into 20 levels.

To perform credit screening, we strictly manage credit risks based on credit ratings to maintain soundness of the bank's assets, fully taking into account our public and social missions as a financial institution.

2. Exposure (credit amount) management

With the identification of exposure for each debtor or each group of debtors positioned as the core of credit risk management, we centrally control not only loans but also other on-balance and off-balance items in a comprehensive manner. Off-balance sheet transactions are managed by the current exposure method. Based on the above, we perform measurement and monitoring of credit risk quantity by quantitatively analyzing past default rates by credit rating.

3. Self-assessment

To make a self-assessment of assets involving credits, we implement self-assessments through strict classification of credits based on obligor categorization linked to credit ratings, in accordance with the “Asset Assessment Regulations” which is based on the Financial Inspection Manual.

4. Allowance for loan losses

Allowance for loan losses is provided as follows, pursuant to the rules regarding write-offs/allowances for loan losses: For claims to normal debtors and debtors requiring caution, the provision for allowance is calculated by multiplying the amount of claims less the amount secured by eligible collateral or guarantees or expected to be collected through their disposal or execution, by an accumulated default rate reflecting remaining years by credit rating.

For claims to possibly bankrupt debtors, the expected loss amount is calculated by multiplying the amount of claims classified as Category III by an expected rate of losses for each debtor, and then providing such amount as allowance for loan losses.

For claims to virtually bankrupt debtors and bankrupt debtors, the total amount of claims classified as Category III and Category IV for each debtor is regarded as the expected loss amount, and then an amount equivalent to the expected loss amount is provided as allowance for loan losses or such amount is directly written off.

B. Matters Relating to Portfolios to Which the Standardized Approach Is Applied

1. Names of qualified rating agencies, etc. (defined as qualified rating agencies, OECD, and export credit agencies; the same definition applies below.) used to determine the risk weight (including reasons if qualified rating agencies were changed) In order to determine the risk weight, we use the following four rating agencies as qualified rating agencies for all exposures. Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and S&P Global Ratings (S&P)
2. Names of qualified rating agencies used to determine the risk weight of each type of exposures In order to determine the risk weight of each type of exposure, we use the following four rating agencies as qualified rating agencies for all exposures. Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and S&P Global Ratings (S&P)

IV. Outlines of Credit Risk Mitigation Techniques

From the standpoint of risk management, we take measures to provide coverage for credit exposure by collateral and guarantees to mitigate counterparty credit risk.

In accordance with the Notification on Capital Adequacy, we use (1) eligible financial asset collateral, (2) guarantees or credit derivatives, and (3) netting of loans and deposits held at our bank.

To treat financial assets as collateral against credit such as loans, the credit risk mitigation effect is reflected in a comprehensive approach, calculating credit risk exposure after making adjustments to portions covered by collateral and deducting them from the credit amount. Eligible financial assets include cash, deposits held at our bank, debt securities issued by the sovereigns (governments, central banks, public sector entities), bonds rated BBB- and above by external rating bodies, listed stocks, investment trusts, and other items.

In the case of guarantees and credit derivatives, the credit risk mitigation effect is reflected in the replacement approach whereby the risk weight of exposures to the obligor is replaced with the risk weight of the guarantee or the protection provider. Eligible guarantors and protection providers include central governments, Japanese local authorities and government related organizations, foreign non-central government public sector entities, multilateral development banks, banks and securities companies with a lower risk weight than the original obligors, and companies which are rated by the appropriate rating agencies.

A netting of loans and deposits held at our bank shall be required to meet the following conditions; netting of loans and deposits held at our bank is legally valid, loans and deposits under netting contracts with the same counterparty are always identifiable, the possibility that deposits may not be further maintained at our bank is monitored and managed, and the netted amount is monitored and controlled.

V. Outlines of Policies and Procedures for Counterparties of Derivatives and Transactions with a Long-Horizon Settlement Period

In the case of derivatives, we calculate the amount of credit risk assets of counterparties by multiplying the credit-equivalent amount by the risk weight. We employ the current exposure method to calculate the credit-equivalent amount.

1. Policies regarding measures to secure transactions by collateral and allowance calculations We take appropriate credit enhancement measures according to the creditworthiness of counterparties. We have entered into the ISDA Credit Support Annex (CSA) and the like with some counterparties. As for allowances, we calculate the credit reserves according to the amount of claims, depending on the creditworthiness of counterparties.
2. Possibility providing additional collaterals due to deterioration of our creditworthiness As for the transactions with ISDA Credit Support Annex (CSA) and the like, an obligation to provide additional collaterals may arise due to deterioration of our creditworthiness, such as a downgrade of our credit rating.

VI. Matters Relating to Securitization Exposures

A. Outlines of Risk Management Policies and Procedure

The Nomura Trust and Banking acts as an "investor" in securitization products, but we do not act as an "originator" or as a

Disclosure based on Pillar III of Basel III – Qualitative Disclosure

“servicers.”

When we engage in securitization transaction as an “investor,” the Risk Management Committee must analyze the investment, assessing the investment policy as well as the associated risks of the investment products and set investment limit. Also reviewing in new investment products or new investment techniques, we will consult with the New Products & Services Review Committee and the Risk Management Committee.

We invest in securitized products with underlying assets such as loan claims and claims on lease payments. The securitized products we held carries credit risk and interest rate risk, but this risk is no different from the risk from loan and securities trading. Also there is risk in changing fair value by changes in credit rating and default ratio.

- B. Matters relating to management system and operation status stipulated in the Provision of article No.249-4-3 to 6 of the Notification on Capital Adequacy “including when modifications on Provision of article No.254-2 and No. 302-4-1 of the Notification on Capital Adequacy”

We analyze and evaluate the underlying assets, degree of dispersion and the scheme etc and make a prudent investment decisions when investing in individual securitization products. After the investment the rating agency we appointed will continue monitoring, checking fair value and report to the Risk Management Committee regularly.

- C. Policy for securitization transaction used as credit risk mitigation techniques
Not applicable

- D. Calculation methods for determining the amount of credit risk asset with regard to securitization exposure
In accordance with the Notification on Capital Adequacy, we evaluate credit risk asset with regard to securitization exposure using the Standardized Approach.

- E. Calculation methods for determining the amount of market risk with regard to securitization exposure
We apply exceptional accrual method into the market risk equivalent

- F. If conducting securitization transaction relating to a third party’s assets by using a special purpose entity by bank, the type of the special purpose entity and whether the bank possesses securitization exposures by such securitization transactions.
Not applicable

- G. Names of Bank’s subsidiary companies (excluding consolidated subsidiary) or affiliate companies possessing securitization exposures executed by the Bank (including securitization transaction carried out using special purpose entity)
Not applicable

- H. Accounting Policies for Securitization Transactions
Each financial asset is treated according to the Accounting Standards for Financial Instruments.

- I. Names of eligible external credit assessment institutions used to determine the risk weight by each type of securitization exposure (including reasons if eligible external credit assessment institutions were changed)
In order to determine the risk weight, we use the following four rating agencies as eligible external credit assessment institutions.
Rating and Investment Information, Inc (R&I), Japan Credit Rating Agency (JCR), Moody’s Investor Service, Inc (Moody’s), and S&P Global Ratings (S&P)

- J. Any significant changes to the Internal ratings-based approach for securitization exposures
Not applicable

- K. Any significant changes to the quantitative information
Not applicable

- VII . Matters Relating to Market Risk
Not applicable

- VIII . Matters Relating to Operational Risk

- A. Outlines of Risk Management Policies and Procedures
Operational risk is defined as the risk of incurring losses owing to inadequate business processes, activities of directors and employees or systems, or external events. Based on the Integrated Risk Management Regulations, we manage administrative risk, system risk, information security risk, legal and compliance risk, outsourcing risk,

human risk and tangible risk and in association with these risks, set out the Administrative Risk Management Regulations, the System Risk Management Regulations, the Basic Policies for Information Security, the Legal and Compliance Risk Management Regulations, the Outsourcing Risk Management Regulations.

Furthermore, the Corporate Risk Management Department manages operational risk comprehensively, while each specialized department manages specific risks in its jurisdiction.

■ Departments in Charge of Each Operational Risk

Operational Risk	Administrative risk	Operations Planning and Administration Department
	System risk	IT Planning & Control Department
	Information security risk	Operations Planning and Administration Department
	Legal and compliance risk	Compliance Control Department
	Outsourcing risk	Operations Planning and Administration Department
	Human Risk	Human Resource and General Affairs Department
	Tangible Risk	Human Resource and General Affairs Department
	Other operational risk	Corporate Risk Management Department

B. Methods Used to Calculate the Operational Risk Amount

To measure the operational risk amount under Basel requirements, we have used the Standardized Approach since the beginning of the period ended March 2011. Under this approach, in accordance with the Notification on Capital Adequacy, we measure the amount of operational risk by first allocating annual gross profit (calculated as “gross operating profit” minus “gains on sales of bonds” and “gains on redemption of bonds,” and plus “loss on sales of bonds” and “loss on redemption of bonds,” “loss on devaluation of bonds,” and “fees and commissions payments”) into eight categories, and then multiplying gross income for each category by the ratio designated to each operational category (ranging from 12% to 18%) accordingly (gross profit of business that cannot be allocated to one of the eight categories will be multiplied by an 18% ratio), and the amounts as a result for all the categories are aggregated for a year. The average of the aggregated amounts for the last three years is the operational risk amount.

IX. Outlines of Risk Management Policies and Methods Regarding Investments and Other Related Exposures (“Investments”) or Equity Exposures in Banking Account as Stipulated in the Article 4-6-3 of the Order for Enforcement of Banking Act (Order No. 40 of 1982)

Decisions to hold investments and equities exposures are made after approved by the Board of Executive Officers or agreed upon through consultation, depending on their purpose and amount, etc., based on the Approval Authorization Regulations, the Credit Authorization Management Regulations and the like.

As for an individual investment, we recognize and manage its risk using the VaR Approach, Net Asset Approach or the like, depending on the investment attributes and the style.

In the accounting procedures, we follow the Companies Act, the Banking Act of Japan, the Corporate Accounting Principles, “Ordinance on Accounting of Companies,” “Accounting Guidelines for Banks” announced by the Japanese Bankers Association, and other generally-accepted standards.

Since we adopt the Standardized Approach to measure the amount of credit risks under Basel requirements, a risk weight of 100% is applied to equity exposures of the stocks, etc. which are not material investments.

X. Matters Relating to Interest Rate Risk in the Banking Account

A. Outlines of Risk Management Policies and Procedures

As for the interest rate risk, we calculate this based on the Notification on Capital Adequacy, in accordance with the Capital Management Regulations and the Market Risk Management Regulations. As for the risk management procedures for interest-sensitive assets and liabilities in the banking account, the status of interest risk and the like are reported to the Risk Management Committee and the future management policies for assets and liabilities as well as other related issues are reviewed and determined.

B. Outlines of Methods Used to Calculate Interest Rate Risks in the Banking Account for Internal Management Purposes

We manage interest rate risk in the banking account to maintain the amount of decline of the present value as a result of interest shocks not greater than 20% of the capital, with considering core deposits. This amount is calculated based on a 99.0% confidence interval, a 1-year holding period, and a 10-year observation period.

The state of interest rate risk control in the banking account is reported to the Risk Management Committee and the Board of Executive Officers on a monthly basis.

Disclosure based on Pillar III of Basel III – Quantitative Disclosure

Quantitative Disclosure

Under the Notification of the Financial Services Agency, The Nomura Trust and Banking calculates the non-consolidated capital adequacy ratio based on the domestic standard. We use the Standardized Approach to measure credit risks. To measure the operational risk amount we use the Standardized Approach.

I. Matters Relating to Capital Adequacy

A. Amount of Required Capital against Credit Risk and Breakdown by Portfolio to Which the Standardized Approach Is Applied

(Millions of yen)

Breakdown by Portfolio		Required Capital	Required Capital
		March 31, 2017	March 31, 2018
The Standardized Approach	Claims on foreign central governments and central banks	96	138
	Claims on foreign non-central government public sector entities	249	76
	Claims on Japan Finance Organization for Municipalities	80	57
	Claims on Japanese government-affiliated organizations	180	176
	Claims on financial institutions and Type I financial instruments business operators	897	658
	Claims on corporations	8,470	8,220
	Claims on small and medium enterprises and individuals	1,002	949
	Claims on projects including acquisition of real estate properties	898	937
	Past due loans for three months or more	0	—
	Other	497	1,120
	Securitization (other than originating bank)	73	109
	Out of assets with multiple underlying assets (so-called “funds”), the assets whose underlying assets are difficult to measure individually	50	195
	CVA risk	563	283
Total	13,061	12,925	

B. Amount of Required Capital against Credit Risk Concerning Equity Exposures to Which the IRB Approach Is Applied and the Breakdown by Category

Not applicable as of March 31, 2017 and 2018

C. Amount of Required Capital against Credit Risk Concerning Exposures to Which the Related-Method Are Applied

Not applicable as of March 31, 2017 and 2018

D. Amount of Required Capital against Market Risk and Breakdown by Approach

Not applicable as of March 31, 2017 and 2018

E. Amount of Required Capital against Operational Risk

(Millions of yen)

Required Capital	March 31, 2017	March 31, 2018
	2,598	2,674

F. Non-Consolidated Total Required Capital (Domestic Standard)

(Millions of yen)

Non-Consolidated Total Required Capital	March 31, 2017	March 31, 2018
	14,079	14,121

II. Matters Relating to Credit Risk

- A. Balance of Exposures Related to Credit Risk and Breakdown by Type
- B. Breakdown of Amount by Category and Breakdown of Exposure by Type

■ Balances of Exposures Related to Credit Risk

(By area, industry, and duration)

(Millions of yen)

		March 31, 2018				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Manufacturing	13,976	6,959	—	19	20,955
	Construction	3,800	—	—	1	3,801
	Electricity, gas, heat supply and water	1,514	9,131	—	403	11,049
	Communication and information services	326	1,940	—	0	2,266
	Transport	31,412	10,625	—	43	42,081
	Wholesale and retail	4,353	3,685	—	4	8,043
	Finance and insurance	34,620	79,352	10,887	99,333	224,193
	Real estate	10,523	63,950	—	572	75,047
	Goods rental and leasing	5,799	16,082	—	646	22,528
	Various services	700	49,323	—	85	50,109
	Government and local authorities	255,792	70,340	—	219,473	545,605
	Other	14,803	140,860	—	9,117	164,781
	Domestic		377,622	452,251	10,887	329,702
Overseas		130,284	63,828	3,940	5,264	203,317
Total		507,906	516,080	14,828	334,966	1,373,781
By duration	Due in 1 year or less	89,722	319,637	12,371	329,984	751,716
	Due over 1 year to 3 years	223,672	108,675	380	2,292	335,021
	Due over 3 years to 5 years	104,010	42,121	43	—	146,175
	Due over 5 years to 7 years	3,929	7,099	54	—	11,083
	Due over 7 years	53,766	38,545	1,977	—	94,289
	With no maturity	32,805	—	—	2,689	35,495
	Total	507,906	516,080	14,828	334,966	1,373,781

(By area, industry, and duration)

(Millions of yen)

		March 31, 2017				
		Securities	Loans	Derivatives	Others	Total
By area and industry	Manufacturing	11,882	2,184	—	1,018	15,085
	Construction	3,300	—	—	0	3,300
	Electricity, Gas, Heat Supply and Water	2,332	7,760	—	632	10,725
	Communication and information services	—	2,358	—	0	2,359
	Transport	45,578	6,952	—	73	52,603
	Wholesale and retail	2,100	2,385	—	1	4,486
	Finance and insurance	109,294	149,999	15,761	220,160	495,216
	Real estate	6,890	62,157	—	676	69,723
	Goods rental and leasing	5,796	14,500	43	629	20,970
	Various services	700	34,776	—	74	35,550
	Government and local authorities	223,959	—	—	325,236	549,196
	Other	6,916	118,317	—	8,193	133,426
	Domestic		418,750	401,391	15,805	556,698
Overseas		135,204	48,218	2,722	7,004	193,149
Total		553,955	449,609	18,527	563,703	1,585,795
By duration	Due in 1 year or less	128,219	257,302	15,684	557,825	959,033
	Due over 1 year to 3 years	187,019	88,522	980	4,196	280,718
	Due over 3 years to 5 years	157,141	53,432	173	—	210,747
	Due over 5 years to 7 years	5,285	5,983	30	—	11,299
	Due over 7 years	65,309	44,369	1,658	—	111,337
	With no maturity	10,978	—	—	1,680	12,659
	Total	553,955	449,609	18,527	563,703	1,585,795

Disclosure based on Pillar III of Basel III – Quantitative Disclosure

C. Balances of Exposure Overdue for More Than Three Months or at Default and Breakdown by Category

(By area and industry) (Millions of yen)

		March 31, 2018				Total
		Securities	Loans	Derivatives	Others	
By area and industry	Other	—	—	—	—	—
	Domestic	—	—	—	—	—
	Overseas	—	—	—	—	—
	Total	—	—	—	—	—

(Millions of yen)

		March 31, 2017				Total
		Securities	Loans	Derivatives	Others	
By area and industry	Other	—	0	—	—	0
	Domestic	—	0	—	—	0
	Overseas	—	—	—	—	—
	Total	—	0	—	—	0

D. General Allowance for Credit Losses, Specific Allowance for Credit Losses and Allowance for Loans to Specific Foreign Borrowers

■ Balances of General Allowance for Loan Losses

(Millions of yen)

March 31, 2017		March 31, 2018	
	Against March 31, 2016		Against March 31, 2017
1,097	(409)	1,232	134

■ Balances of Specific Allowance for Loan Losses

(By area and industry)

(Millions of yen)

		March 31, 2017		March 31, 2018	
			Against March 31, 2016		Against March 31, 2017
By area and industry	Other	290	0	289	0
	Domestic	290	0	289	0
	Overseas	—	—	—	—
	Total	290	0	289	0

Allowance for loans to specific foreign borrowers is not applicable.

E. Amount of Write-Offs Loans by Industry or Counterparty

(Millions of yen)

	FY2016	FY2017
Finance and insurance	483	—
Domestic	483	—
Overseas	448	—
Total	932	—

- F. Balance of Exposures to which the Standardized Approach Is Applied after Allowing for the Credit Risk Mitigation Effect by Risk Weight Category and Amounts of Exposures for Which 1250% Risk Weight Is Applied in Accordance with the Notification on Capital Adequacy

(Millions of yen)

Risk Weight	March 31, 2017		March 31, 2018	
	Rating Available	Rating Not Available	Rating Available	Rating Not Available
0%	776,460	79,101	632,583	21,722
10%	60,033	—	52,767	—
20%	164,109	6,791	131,509	10,177
40%	—	—	2,642	—
50%	150,675	—	118,062	95
70%	5,000	—	3,860	—
75%	—	33,432	—	31,660
100%	75,610	83,840	50,663	125,191
120%	4,706	—	5,708	—
150%	—	—	—	7,016
1250%	—	1	—	1
Other than the above	—	1,308	—	7,729

- ※ In the above table, the columns corresponding to the risk weights of 40%, 70% and 120% are the results of combining risk weight of 20% with that of 20%, 50% and 100%, respectively.
- ※ “Other than the above” partly includes funds with which we measure credit risk assets using the look-through method.

- G. Among the Exposures to Which the IRB Approach Is Applied, Balances of Specialized Lending Exposures Subject to Supervisory Slotting Criteria and Equity Exposures Subject to the Market-Based Simplified Approach by Risk Weight Category in the Case Where the Risk Weight as Stipulated in the Article 153-3, Article 153-5, and Article 166-4 of the Notification on Capital Adequacy Is Applied
Not applicable as of March 31, 2017 and 2018
- H. Matters Relating to Portfolio to Which the IRB Approach Is Applied
Not applicable as of March 31, 2017 and 2018
- I. Actual Credit Losses in the Current Period and Year On Year Change and Its Factors by Corporate, Sovereign and Bank Exposures under the IRB Approach and Equity, Residential Mortgage, Qualified Revolving Retail and other Retail Exposures under the PD/LGD Approach
Not applicable as of March 31, 2017 and 2018
- J. Estimated and actual Credit losses over Long Periods by Corporate, Sovereign and Bank Exposures under the IRB Approach and Equity, Residential Mortgage, Qualified Revolving Retail and other Retail Exposures under the PD/LGD Approach
Not applicable as of March 31, 2017 and 2018

Disclosure based on Pillar III of Basel III – Quantitative Disclosure

III . Matters Relating to Credit Risk Mitigation Techniques

- A. For a Portfolio under the Standardized Approach, Amount of Exposures to Which Credit Risk Mitigation Techniques by Eligible Financial Asset Collaterals Are Applied

(Millions of yen)

March 31, 2017	March 31, 2018
153,880	187,231

- B. For a Portfolio under the Standardized Approach or the IRB Approach, Amount of Exposures to Which the Guarantees or Credit Derivatives Are Applied

For a portfolio under the Standardized Approach, amounts of exposures to which the guarantees were applied were 39,016 million yen for March 31, 2018 and 23,597 million yen for March 31, 2017. These amounts were calculated based on the replacement approach.

IV . Items Pertaining to Counterparty Risk on Derivative Transactions and Long-Settlement Transactions

(Millions of yen)

	March 31, 2017			March 31, 2018		
	Gross Replacement Cost	Gross Add-On	Credit-Equivalent Amount	Gross Replacement Cost	Gross Add-On	Credit-Equivalent Amount
Gross Credit-Equivalent Amount (Before Credit Risk Mitigating Effect is Recognized)	12,415	17,381	29,797	8,811	14,956	23,767
Derivative Transactions	12,415	17,381	29,797	8,811	14,956	23,767
Forex Related	11,692	11,229	22,922	8,666	8,643	17,310
Interest Rate-Related	722	6,152	6,875	144	6,312	6,457
Long-Settlement Transactions	—	—	—	—	—	—
Credit-Equivalent Amount Reduction Effect Through Close-Out Netting Agreement	(5,243)	(6,025)	(11,269)	(3,038)	(5,901)	(8,939)
Net Credit-Equivalent Amount (Before Credit Risk Mitigating Effect is Recognized)			18,527			14,828
Eligible Financial Collateral Associated			—			6,050
Cash and own bank deposits			—			5,821
Bonds			—			229
Net Credit-Equivalent Amount (After Credit Risk Mitigating Effect is Recognized)			18,527			8,777

(Note) 1. The credit-equivalent amount is calculated by applying the current-exposure method.
2. Does not apply to credit derivatives trading

V. Matters Relating to Securitization Transactions

- A. Matters Relating to Securitization Exposures Originated by the Bank
Not applicable as of March 31, 2017 and 2018

- B. Matters Relating to Securitization Exposures in Which the Bank Invests

1. Amount of securitization exposures held and breakdown of major underlying assets by type

(Millions of yen)

Type of Underlying Assets	Amounts of Exposures			
	March 31, 2017		March 31, 2018	
	Balance	Re-Securitization	Balance	Re-Securitization
Loan claims	7,686	—	9,785	—
Claims on lease payments	1,469	—	3,843	—
Others	1	—	1	—
Total	9,157	—	13,630	—

2. Balance and amount of required capital of securitization exposures held by appropriate risk weight category

(Millions of yen)

Risk Weight	March 31, 2018			
	Balance		Required Capital	
	Balance	Re-Securitization	Balance	Re-Securitization
20%	13,629	—	109	—
1250%	1	—	0	—
Total	13,630	—	109	—

(Millions of yen)

Risk Weight	March 31, 2017			
	Balance		Required Capital	
	Balance	Re-Securitization	Balance	Re-Securitization
20%	9,156	—	73	—
1250%	1	—	0	—
Total	9,157	—	73	—

3. A breakdown of the amount of securitization exposures, for which 1250% of risk weight is applied in accordance with Article 247, Section 1 of the Notification on Capital Adequacy, and by types of categories of original asset

(Millions of yen)

Securities	March 31, 2017	March 31, 2018
		1

4. Breakdown of re-securitization exposure to apply for credit risk mitigation technique and to apply for Guarantor or appropriate guarantor
Not applicable as of March 31, 2017 and 2018

Disclosure based on Pillar III of Basel III – Quantitative Disclosure

- C. Matters relating to calculate the market risk amount regard to securitization exposure in which the Bank originates
Not applicable as of March 31, 2017 and 2018
- D. Matters relating to calculate the market risk amount regard to securitization exposure in which the Bank invests
Not applicable as of March 31, 2017 and 2018

VI . Matters Relating to Market Risk
Not applicable as of March 31, 2017 and 2018

VII . Matters Relating to Capital Subscriptions or Equity Exposures in the Banking Account
Not applicable as of March 31, 2017 and 2018

VIII . Amount of Regarded Exposures Relating to Funds
Not applicable as of March 31, 2017 and 2018

IX . For the Interest Rate Risk in the Banking Account, Gains and Losses or Changes in Economic Values Due to Interest Rate Shocks under the Internal Control Management

(Millions of yen)

March 31, 2017	March 31, 2018
3,313	3,228

