Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Building a better working world

# Independent Auditor's Report

The Board of Directors
Tokyo TY Financial Group, Inc.

We have audited the accompanying consolidated financial statements of Tokyo TY Financial Group, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo TY Financial Group, Inc. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Emphasis of Matter*

We draw attention to Note 30 to the consolidated financial statements. Following the resolution at the board of directors' meeting held on June 12, 2015, Tokyo TY Financial Group, Inc.(the "Company") signed a basic agreement for management integration between ShinGinko Tokyo, Limited. and the Company.

Both companies will consult and discuss implementation of a share exchange, targeted by April 1, 2016, in which the Company will become a wholly-owning parent company and ShinGinko Tokyo will become a wholly-owned subsidiary, subject to approval at the shareholders' meeting of both companies.

Our opinion is not qualified in respect of this matter.

*Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 26, 2015

## Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries

**Consolidated Financial Statements**
**Year Ended March 31, 2015**

**Contents:**

**Tokyo TY Financial Group Inc. and Consolidated Subsidiaries**
**Consolidated Balance Sheet**
**As of March 31, 2015**

| | *Millions of Yen* | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|
| | 2015 | 2015 |
| **Assets** | | |
| Cash and due from banks *(Notes 23 and 26)* | ¥ 298,834 | $ 2,486,761 |
| Call loans and bills bought | 28,938 | 240,811 |
| Monetary claims bought | 3,012 | 25,065 |
| Trading account securities *(Note 26)* | 607 | 5,053 |
| Securities *(Notes 3, 7 and 26)* | 1,236,834 | 10,292,375 |
| Loans and bills discounted *(Notes 4 and 26)* | 3,294,802 | 27,417,843 |
| Foreign exchanges *(Note 5)* | 7,731 | 64,339 |
| Other assets *(Note 7)* | 21,018 | 174,908 |
| Tangible fixed assets *(Note 6)* | 53,613 | 446,150 |
| Intangible fixed assets | 3,295 | 27,425 |
| Deferred assets | 74 | 618 |
| Net defined benefit asset *(Note 13)* | 10,777 | 89,686 |
| Deferred tax assets *(Note 18)* | 6,570 | 54,679 |
| Customers' liabilities for acceptances and guarantees | 6,630 | 55,178 |
| Reserve for loan losses | (28,913) | (240,607) |
| **Total assets** | ¥ 4,943,828 | $ 41,140,288 |
| **Liabilities** | | |
| Deposits *(Notes 7, 8 and 26)* | ¥ 4,491,306 | $ 37,374,604 |
| Negotiable certificates of deposit | 27,038 | 224,997 |
| Payables under securities lending transactions *(Notes 7 and 26)* | 140,876 | 1,172,312 |
| Borrowed money *(Notes 7 and 9)* | 7,409 | 61,660 |
| Foreign exchanges *(Note 5)* | 139 | 1,159 |
| Bonds payable *(Note 10)* | 25,600 | 213,031 |
| Bonds with subscription rights to shares *(Notes 10 and 11)* | 5,000 | 41,607 |
| Other liabilities *(Note 12)* | 30,012 | 249,748 |
| Reserve for employees' bonuses | 2,074 | 17,261 |
| Net defined benefit liability *(Note 13)* | 3,326 | 27,679 |
| Reserve for officers and directors' retirement benefits | 137 | 1,144 |
| Reserve for point card program | 51 | 424 |
| Reserve for losses on interest repayments | 14 | 124 |
| Reserve for losses from reimbursement of inactive accounts | 844 | 7,029 |
| Reserve for contingent losses | 740 | 6,160 |
| Deferred tax liabilities *(Note 18)* | 30 | 256 |
| Deferred tax liabilities on land revaluation *(Note 6)* | 15 | 127 |
| Acceptances and guarantees *(Note 14)* | 6,630 | 55,178 |
| **Total liabilities** | 4,741,248 | 39,454,509 |
| **Net assets** *(Notes 15, 16 and 19)* | | |
| Common stock | 20,000 | 166,430 |
| Capital surplus | 99,607 | 828,886 |
| Retained earnings | 73,245 | 609,514 |
| Treasury stock | (544) | (4,530) |
| **Total shareholders' equity** | 192,308 | 1,600,302 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities *(Note 17)* | 9,784 | 81,419 |
| Deferred gains or losses on hedges | 2 | 19 |
| Revaluation reserve for land *(Note 6)* | (210) | (1,749) |
| Foreign currency translation adjustments | 17 | 146 |
| Remeasurements of defined benefit plans | 432 | 3,599 |
| **Total accumulated other comprehensive income** | 10,026 | 83,435 |
| Minority interests | 245 | 2,042 |
| **Total net assets** | 202,580 | 1,685,779 |
| **Total liabilities and net assets** | ¥ 4,943,828 | $ 41,140,288 |

*See notes to consolidated financial statements.*

**Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries**
**Consolidated Statement of Income**
**For the Year Ended March 31, 2015**

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| | 2015 | 2015 |
| **Income** | | |
| Interest income: | | |
| Interest on loans and discounts | ¥ 37,879 | $ 315,216 |
| Interest and dividends on securities | 6,409 | 53,341 |
| Interest on call loans and bills bought | 145 | 1,210 |
| Interest on receivables under securities borrowing transactions | 9 | 75 |
| Interest on due from banks | 163 | 1,360 |
| Other interest income | 395 | 3,292 |
| Fees and commissions | 13,410 | 111,596 |
| Other operating income | 3,946 | 32,843 |
| Other income *(Note 20)* | 53,159 | 442,365 |
| **Total income** | 115,519 | 961,302 |
| **Expenses** | | |
| Interest expense: | | |
| Interest on deposits | 1,812 | 15,082 |
| Interest on negotiable certificates of deposit | 38 | 320 |
| Interest on call money | 0 | 3 |
| Interest on payables under securities lending transactions | 117 | 974 |
| Interest on borrowed money | 212 | 1,766 |
| Interest on bonds payable | 698 | 5,810 |
| Interest on bonds with subscription rights to shares | 53 | 447 |
| Other interest expense | 42 | 355 |
| Fees and commissions payments | 2,895 | 24,095 |
| Other operating expenses | 209 | 1,745 |
| General and administrative expenses | 43,749 | 364,066 |
| Other expenses *(Note 21)* | 3,483 | 28,987 |
| **Total expenses** | 53,314 | 443,655 |
| **Income before income taxes and minority interests** | 62,205 | 517,646 |
| Income taxes *(Note 18)*: | | |
| Current | 2,054 | 17,099 |
| Deferred | 2,815 | 23,429 |
| **Total income taxes** | 4,870 | 40,528 |
| **Net income before minority interests** | 57,335 | 477,118 |
| **Minority interests in net income** | 44 | 369 |
| **Net income** | ¥ 57,290 | $ 476,748 |

*See notes to consolidated financial statements.*

**Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries**
**Consolidated Statement of Comprehensive Income**
**For the Year Ended March 31, 2015**

| | *Millions of Yen* | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|
| | 2015 | 2015 |
| **Income before minority interests** | ¥ 57,335 | $ 477,118 |
| **Other comprehensive income** *(Note 22)*: | | |
| Valuation difference on available-for-sale securities | 7,966 | 66,294 |
| Deferred gains or losses on hedges | 2 | 19 |
| Revaluation reserve for land | 1 | 13 |
| Foreign currency translation adjustments | 6 | 55 |
| Remeasurements of defined benefit plans | 5,087 | 42,337 |
| Share of other comprehensive income of affiliate accounted for by the equity method | 100 | 832 |
| **Total other comprehensive income** | 13,164 | 109,552 |
| **Comprehensive income** | ¥ 70,500 | $ 586,670 |
| **Total comprehensive income attributable to:** | | |
| Shareholders of Tokyo TY Financial Group, Inc. | ¥ 70,465 | $ 586,382 |
| Minority interests | 34 | 287 |

*See notes to consolidated financial statements.*

## Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries
## Consolidated Statement of Changes in Net Assets
## For the Year Ended March 31, 2015

| | *Thousands* | *Millions of Yen* | | | | | |
|---|---|---|---|---|---|---|---|
| | | Shareholders' Equity | | | | | |
| | Issued number of shares of common stock | Common Stock | Capital Surplus | Stock Acquisition Rights | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
| **Balance, April 1, 2014** | 40,050 | ¥ 48,120 | ¥ 18,379 | ¥ 79 | ¥ 19,031 | ¥ (1,636) | ¥ 83,973 |
| Cumulative effect of changes in accounting policies | | | | | 260 | | 260 |
| **Restated balance, April 1, 2014** | 40,050 | 48,120 | 18,379 | 79 | 19,291 | (1,636) | 84,234 |
| Increase (decrease) due to share transfer | (10,822) | (28,120) | 81,089 | | | | 52,969 |
| Acquisition of shares of subsidiaries due to share transfer | | | 153 | | | | 153 |
| Cash dividends | | | | | (1,758) | | (1,758) |
| Net income | | | | | 57,290 | | 57,290 |
| Purchase of treasury stock | | | | | | (548) | (548) |
| Disposition of treasury stock | | | 0 | | (6) | 68 | 62 |
| Cancellation of treasury stock | | | (1,571) | | | 1,571 | - |
| Transfer from retained earnings to capital surplus | | | 1,571 | | (1,571) | | - |
| Change in interest in subsidiaries | | | (15) | | | | (15) |
| Net change in items other than those in shareholders' equity | | | | (79) | | | (79) |
| Total changes during the year | (10,822) | (28,120) | 81,227 | (79) | 53,953 | 1,092 | 108,073 |
| **Balance, March 31, 2015** | 29,227 | ¥ 20,000 | ¥ 99,607 | ¥ - | ¥ 73,245 | ¥ (544) | ¥ 192,308 |

| | *Millions of Yen* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Revaluation reserve for land | Foreign Currency Translation Adjustments | Remeasurements of defined benefit plans | Total Accumulated Other Comprehensive Income | Minority Interests | Total Net Assets |
| **Balance, April 1, 2014** | ¥ 1,707 | ¥ - | ¥ (211) | ¥ 10 | ¥ (4,655) | ¥ (3,148) | ¥ 248 | ¥ 81,073 |
| Cumulative effect of changes in accounting policies | | | | | | | | 260 |
| **Restated balance, April 1, 2014** | 1,707 | - | (211) | 10 | (4,655) | (3,148) | 248 | 81,334 |
| Increase (decrease) due to share transfer | | | | | | | | 52,969 |
| Acquisition of shares of subsidiaries due to share transfer | | | | | | | | 153 |
| Cash dividends | | | | | | | | (1,758) |
| Net income | | | | | | | | 57,290 |
| Purchase of treasury stock | | | | | | | | (548) |
| Disposition of treasury stock | | | | | | | | 62 |
| Cancellation of treasury stock | | | | | | | | - |
| Transfer from retained earnings to capital surplus | | | | | | | | - |
| Change in interest in subsidiaries | | | | | | | | (15) |
| Net change in items other than those in shareholders' equity | 8,076 | 2 | 1 | 6 | 5,087 | 13,174 | (2) | 13,092 |
| Total changes during the year | 8,076 | 2 | 1 | 6 | 5,087 | 13,174 | (2) | 121,245 |
| **Balance, March 31, 2015** | ¥ 9,784 | ¥ 2 | ¥ (210) | ¥ 17 | ¥ 432 | ¥ 10,026 | ¥ 245 | ¥ 202,580 |

*See notes to consolidated financial statements.*

*Thousands of U.S. Dollars (Note 1)*

| | Shareholders' Equity | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Capital Surplus | Stock Acquisition Rights | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
| **Balance, April 1, 2014** | $ 400,437 | $ 152,949 | $ 658 | $ 158,367 | $ (13,622) | $ 698,790 |
| Cumulative effect of changes in accounting policies | | | | 2,170 | | 2,170 |
| **Restated balance, April 1, 2014** | 400,437 | 152,949 | 658 | 160,538 | (13,622) | 700,961 |
| Increase (decrease) due to share transfer | (234,006) | 674,793 | | | | 440,787 |
| Acquisition of shares of subsidiaries due to share transfer | | 1,277 | | | | 1,277 |
| Cash dividends | | | | (14,637) | | (14,637) |
| Net income | | | | 476,748 | | 476,748 |
| Purchase of treasury stock | | | | | (4,560) | (4,560) |
| Disposition of treasury stock | | 0 | | (54) | 572 | 517 |
| Cancellation of treasury stock | | (13,080) | | | 13,080 | - |
| Transfer from retained earnings to capital surplus | | 13,080 | | (13,080) | | - |
| Change in interest in subsidiaries | | (133) | | | | (133) |
| Net change in items other than those in shareholders' equity | | | (658) | | | (658) |
| Total changes during the year | (234,006) | 675,937 | (658) | 448,976 | 9,091 | 899,340 |
| **Balance, March 31, 2015** | $ 166,430 | $ 828,886 | $ - | $ 609,514 | $ (4,530) | $ 1,600,302 |

*Thousands of U.S. Dollars (Note 1)*

| | Accumulated Other Comprehensive Income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Revaluation reserve for land | Foreign Currency Translation Adjustments | Remeasurements of defined benefit plans | Total Accumulated Other Comprehensive Income | Minority Interests | Total Net Assets |
| **Balance, April 1, 2014** | $ 14,210 | $ - | $ (1,762) | $ 91 | $ (38,737) | $ (26,198) | $ 2,067 | $ 674,659 |
| Cumulative effect of changes in accounting policies | | | | | | | | 2,170 |
| **Restated balance, April 1, 2014** | 14,210 | - | (1,762) | 91 | (38,737) | (26,198) | 2,067 | 676,829 |
| Increase (decrease) due to share transfer | | | | | | | | 440,787 |
| Acquisition of shares of subsidiaries due to share transfer | | | | | | | | 1,277 |
| Cash dividends | | | | | | | | (14,637) |
| Net income | | | | | | | | 476,748 |
| Purchase of treasury stock | | | | | | | | (4,560) |
| Disposition of treasury stock | | | | | | | | 517 |
| Cancellation of treasury stock | | | | | | | | - |
| Transfer from retained earnings to capital surplus | | | | | | | | - |
| Change in interest in subsidiaries | | | | | | | | (133) |
| Net change in items other than those in shareholders' equity | 67,208 | 19 | 13 | 55 | 42,337 | 109,633 | (24) | 108,950 |
| Total changes during the year | 67,208 | 19 | 13 | 55 | 42,337 | 109,633 | (24) | 1,008,949 |
| **Balance, March 31, 2015** | $ 81,419 | $ 19 | $ (1,749) | $ 146 | $ 3,599 | $ 83,435 | $ 2,042 | $ 1,685,779 |

*See notes to consolidated financial statements.*

**Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries**
**Consolidated Statement of Cash Flows**
**For the Year Ended March 31, 2015**

| | *Millions of Yen* | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|
| | 2015 | 2015 |
| **Operating activities:** | | |
| Income before income taxes and minority interests | ¥ 62,205 | $ 517,646 |
| Depreciation and amortization | 2,508 | 20,873 |
| Retirement benefit expenses | 1,263 | 10,514 |
| Gain on negative goodwill *(Note 29)* | (50,476) | (420,039) |
| Loss on step acquisitions | 3 | 26 |
| Equity in earnings of investment in affiliate | (202) | (1,685) |
| Net decrease in reserve for loan losses | (4,104) | (34,159) |
| Net decrease in reserve for employees' bonuses | (50) | (422) |
| Net increase in retirement benefit asset | (8,207) | (68,296) |
| Net decrease in retirement benefit liability | (1,768) | (14,715) |
| Net increase in reserve for officers and directors' retirement benefits | 9 | 82 |
| Net increase in reserve for point card program | 4 | 35 |
| Net increase in reserve for losses on interest repayments | 3 | 28 |
| Net increase in reserve for losses from reimbursement of inactive accounts | 113 | 942 |
| Net decrease in reserve for contingent losses | (68) | (569) |
| Interest income | (45,003) | (374,497) |
| Interest expense | 2,975 | 24,760 |
| Net gains related to securities transactions | (2,389) | (19,882) |
| Net exchange gains | (9,010) | (74,985) |
| Net losses on disposition of fixed assets | 76 | 639 |
| Net increase in trading securities | (213) | (1,774) |
| Net increase in loans and bills discounted | (18,788) | (156,351) |
| Net increase in deposits | 7,587 | 63,138 |
| Net decrease in negotiable certificates of deposit | (5,127) | (42,664) |
| Net decrease in borrowed money (excluding subordinated borrowed money) | (119) | (996) |
| Net decrease in due from banks (excluding due from the Bank of Japan) | 7,878 | 65,562 |
| Net decrease in call loans and bills bought | 27,026 | 224,901 |
| Net increase in payables under securities lending transactions | 140,876 | 1,172,312 |
| Net decrease in money held in trust | 20 | 170 |
| Net decrease in foreign exchange-assets | 496 | 4,127 |
| Net increase in foreign exchange-liabilities | 17 | 149 |
| Interest received | 45,518 | 378,782 |
| Interest paid | (3,130) | (26,054) |
| Other-net | 8,112 | 67,504 |
| **Subtotal** | 158,035 | 1,315,103 |
| Income taxes paid | (1,208) | (10,058) |
| **Net cash provided by operating activities** | 156,827 | 1,305,045 |
| **Investing activities:** | | |
| Purchases of securities | (588,928) | (4,900,798) |
| Proceeds from sales of securities | 500,403 | 4,164,128 |
| Proceeds from maturity of securities | 13,998 | 116,490 |
| Purchases of tangible fixed assets | (18,332) | (152,556) |
| Payments for disposition of tangible fixed assets | (46) | (388) |
| Proceeds from sales of tangible assets | 0 | 0 |
| Purchases of intangible assets | (393) | (3,273) |
| **Net cash used in investing activities** | ¥ (93,299) | $ (776,398) |

**Tokyo TY Financial Group, Inc. and Consolidated Subsidiaries**
**Consolidated Statement of Cash Flows**
**For the Year Ended March 31, 2015**

| | *Millions of Yen* | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|
| | 2015 | 2015 |
| **Financing activities:** | | |
| Repayments of subordinated borrowings | ¥ (5,000) | $ (41,607) |
| Payments for redemption of subordinated bonds | (5,000) | (41,607) |
| Cash dividends paid | (1,755) | (14,611) |
| Cash dividends paid to minority interests | (0) | (5) |
| Payments for purchase of treasury stock | (55) | (463) |
| Proceeds from sales of treasury stock | 37 | 307 |
| Payments of lease obligations | (216) | (1,804) |
| **Net cash used in financing activities** | (11,992) | (99,792) |
| **Effect of exchange rate change on cash and cash equivalents** | 11 | 96 |
| **Net increase in cash and cash equivalents** | 51,546 | 428,949 |
| **Cash and cash equivalents at beginning of year** | 122,982 | 1,023,405 |
| **Increase in cash and cash equivalents resulting from share transfer** *(Note 24)* | 111,855 | 930,811 |
| **Cash and cash equivalents at end of year** *(Note 23)* | ¥ 286,385 | $ 2,383,166 |

(Concluded)

*See notes to consolidated financial statements.*

## 1. Summary of Significant Accounting Policies

### a. Basis of presentation

Tokyo TY Financial Group Inc. (the "Company") was established as a joint holding company through a share transfer between The Tokyo Tomin Bank, Limited ("Tokyo Tomin") and The Yachiyo Bank, Limited ("Yachiyo") on October 1, 2014. The share transfer was accounted for applying the purchase method stipulated in accounting standards relating to business combinations with Tokyo Tomin as the acquiring company and Yachiyo as the acquired company. Accordingly, the accompanying consolidated statement of income for the year ended March 31, 2015 was prepared by consolidating the consolidated business results of Yachiyo for the period from October 1, 2014 to March 31, 2015 into the consolidated business results of Tokyo Tomin for the year ended March 31, 2015.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, the Enforcement Regulation for the Banking Act and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

### b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its 12 subsidiaries (collectively, the "Group").

Under the control and influence concept, those companies which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence in terms of its operating and financial policies is accounted for by the equity method in the consolidated financial statements.

An investment in one affiliated company is accounted for by the equity method.

Upon the business combination, Tokyo Tomin and Yachiyo became wholly-owned subsidiaries of the Company and came within the scope of consolidation. As a result, the consolidated subsidiaries and affiliated company of Tokyo Tomin and Yachiyo are also included in the scope of consolidation and the equity method accounting.

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

The fiscal year end of one consolidated subsidiary of the Company is different from that of the Company. For consolidation purposes, the financial statements of the subsidiary as of the Company's fiscal year end were additionally prepared and used for consolidation.

### c. Trading account securities

Trading account securities are stated at fair value as of the balance sheet date. Cost of sales of trading account securities is determined using the moving average method.

### d. Securities

Held-to-maturity debt securities are carried at amortized cost (straight-line method) determined by the moving-average method.

Available-for-sale securities for which fair value is available are stated at the fair value at the fiscal year-end. Cost of sales of these available-for-sale securities is determined using the moving-average method. Available-for-sale

securities for which fair value is not readily determinable are stated at cost determined by the moving average method.
Valuation difference on available-for-sale securities, net of applicable taxes, is reported in a separate component of net assets.

**e. Derivative transactions**
Derivatives are stated at fair value.

**f. Depreciation and amortization of fixed assets**
Depreciation of tangible fixed assets (other than lease assets) of consolidated subsidiaries conducting banking business ("banking subsidiaries") is computed using the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is mainly applied to buildings.

The following is the ranges of useful lives of principal tangible fixed assets.

| | |
|---|---|
| Buildings: | 6 to 50 years |
| Other: | 2 to 20 years |

Depreciation of tangible fixed assets of other consolidated subsidiaries ("non-banking subsidiaries") is principally computed using the declining-balance method based on the estimated useful life of the assets.

Intangible fixed assets (other than lease assets) are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are amortized using the straight-line method for the estimated useful life of 5 years.

Lease assets under finance lease which do not transfer ownership of assets to lessees are depreciated using the straight-line method over the lease terms of the respective assets. Residual value of these lease assets is guaranteed residual value per the respective lease contracts or zero value.

**g. Treatment of deferred assets**
Organization costs and stock issuance costs are amortized using the straight-line method over 5 years and 3 years, respectively.

**h. Reserve for loan losses**
A reserve for loan losses is provided by consolidated banking subsidiaries in accordance with internally established standards for write-offs and provisions:

- For claims on borrowers who have entered into bankruptcy, special liquidation proceedings or similar legal proceedings under the Bankruptcy Law, Special Liquidation in the Commercial Law or other similar laws ("bankrupt borrowers"), and borrowers who are not legally or formally bankrupt but effectively in similar conditions ("effectively bankrupt borrowers"), a reserve is fully provided based on the amount of claims, net of the expected amount of recoveries from collateral and guarantees.
- For claims on borrowers who are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy ("potentially bankrupt borrowers"), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.
- For other claims, a reserve is provided based on the rates derived from default experiences for a certain period in the past and other factors.

For claims on borrowers who are effectively bankrupt borrowers or borrowers whose credit terms are rescheduled or reconditioned and exceed certain thresholds, if cash flows from collection of principal and interest can be reasonably estimated, the difference between the cash flows discounted by the original interest rate and the carrying value of the loan is provided as a reserve for loan losses (discounted cash flows method).

All claims are assessed by the Asset Assessment Department under the cooperation by credit origination department in accordance with the Group's policies and guidelines for the self-assessment of asset quality.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is written off against the total amount of the outstanding claims. These write-offs amounted to ¥3,854 million ($32,074 thousand) as of March 31, 2015.

For consolidated non-banking subsidiaries, a general reserve is provided based on the historical credit loss experience for normal claims and a specific reserve is provided at the amount deemed uncollectible based on an evaluation of potential losses for each claim other than normal claims.

**i. Reserve for employees' bonuses**

A reserve for employees' bonuses is recorded at the estimated amount attributed to the current fiscal year, to provide for the future bonus payments to employees.

**j. Reserve for officers' and directors' retirement benefits**

A reserve for officers' retirement benefits is recorded to provide future pension payments by certain consolidated banking subsidiaries and that for directors' by certain consolidated non-banking subsidiaries in the amount deemed accrued at the current fiscal year-end based on the estimated amount of benefits.

**k. Reserve for point card program**

A reserve for point card program is provided by certain consolidated subsidiaries at the amount considered necessary to cover the estimated future costs of credit points.

**l. Reserve for losses on interest repayments**

Certain consolidated subsidiaries account for the necessary amount to provide for possible losses on claims for repayments of interest on loans that exceed the maximum interest rate set by the Interest Limitation Law.

Estimated interest repayments to be applied to principals of loans amounted to ¥1 million ($12 thousand) and included in reserve for loan losses as of March 31, 2015.

**m. Reserve for losses from reimbursement of inactive accounts**

A reserve for losses from reimbursement of inactive accounts is provided by consolidated banking subsidiaries at the amount considered necessary for future payments of deposits which were derecognized from liabilities, owing to depositors request for reimbursements.

**n. Reserve for contingent losses**

A reserve for contingent losses is provided by consolidated banking subsidiaries at the amount considered necessary to cover possible contingent losses in accordance with the Joint Responsibility System of Credit Guarantee Corporations.

**o. Retirement benefits**

To provide for payments of retirement benefits to employees, an asset or liability is established at an amount of projected benefit obligation net of the fair value of plan assets based on the estimated amounts at the end of the fiscal year.

In determining the retirement benefit liability for consolidated banking subsidiaries, the benefit formula basis is adopted as the attribution method of the projected retirement benefit.

Prior service costs are charged to income using the straight-line method based on the average remaining service period of the employees (3 years or 12 to 13 years).

Actuarial differences are charged to income from the period following the period in which they arise mainly using the straight-line method based on the average remaining service period of the employees (11 to 15 years).

The effect of change in accounting policies in excess of the substitutional portion of obligation transferred to the Japanese government is charged to income using the straight-line method over 15 years. Net effect amounted to ¥11,663 million ($97,056 thousand) for the year ended March 31, 2015.

Simplified methods are applied by certain consolidated non-banking subsidiaries in calculating the retirement benefit obligation and expenses which allow them to determine based on the amount considered necessary upon voluntary resignation at the end of fiscal year.

**p. Stock options**

In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. This standard requires companies to recognize compensation expense for employee stock options based on the fair value of the stock options at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock options are presented as subscription tights to shares, a separate component of equity until exercised.

**q. Translation of assets and liabilities denominated in foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

**r. Hedge accounting**

For derivatives to hedge the interest rate risk associated with various financial assets and liabilities of the consolidated banking subsidiaries, the Group applies the deferred method which is stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Group assesses the effectiveness of such hedge for offsetting changes in interest rate, by classifying the hedge items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. The Group had not entered into new derivative transactions for the purpose of hedging against changes in interest rates related to deposits and loans during the fiscal year ended March 31, 2015.

Exceptional treatment is applied to interest rate swaps for certain financial assets.

Consolidated non-banking subsidiaries have no transactions to which hedge accounting is applied.

**s. Income taxes**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**t. Appropriation of retained earnings**

Under the Corporation Law, the appropriation of retained earnings with respect to a given financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Note 30.

**u. Cash and cash equivalents**

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and deposits with the Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet.

**v. Consumption taxes**

The Company and its domestic consolidated subsidiaries account for consumption taxes and local consumption taxes by the tax-exclusion method whereby receipts and payments of consumption taxes are not included in the transaction amounts and, accordingly, consumption tax amounts do not affect the measurement of profit or loss transactions. However, deducting off the subject to the consumption tax to tangible fixed assets are summed up to the cost in this fiscal year.

**w. Accounting changes**

***(Application of the accounting standard for retirement benefits)***

In the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No. 26, May 17, 2012, hereinafter the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015, hereinafter the "Guidance on Retirement Benefits"), the Group adopted the provisions set forth in Article 35 of the Accounting Standard for Retirement Benefits and in Article 67 of the Guidance on Retirement Benefits since the fiscal year ended March 31, 2015. The Group revised its calculation method of the retirement benefit obligation and service costs and changed its attribution method of the projected retirement benefit from the straight-line basis to the benefit formula basis. In addition, the Group changed its method of determining the discount rate from the method in which the discount rate is determined based on one-period interest rate corresponding to the expected average remaining service period to the method in which the discount rate is determined based on multiple interest rates set corresponding to each estimated benefit payment period.

Following Article 37 in the Accounting Standard for Retirement Benefits, which stipulates transitional treatment of the new standard, at the beginning of fiscal year ended March 31, 2015, the effect of the changed calculation method for the retirement benefit obligation and service costs is adjusted in retained earnings.

As a result, at the beginning of fiscal year ended March 31, 2015, defined benefit assets increased by ¥405 million ($3,372 thousand) and retained earnings increased by ¥260 million ($2,170 thousand),and income before income taxes for the year ended March 31, 2015 increased by ¥374 million ($3,119 thousand).

***(Application of the accounting standard for business combinations)***
The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) could be applied from the beginning of the consolidated accounting period beginning on or after April 1, 2014. Accordingly, the Company applied these accounting standards (excluding Article 39 of ASBJ Statement No. 22, revised on September 13, 2013) from the beginning of the consolidated accounting period of fiscal year ended March 31, 2015. Under these accounting standards, the Company recorded the differences caused by changes in the Company's equity shares in subsidiaries in which the Company continues to control as capital surplus. In addition, the Company recorded acquisition-related costs as expenses in the fiscal year in which the costs are incurred. Regarding business combinations, from the beginning of fiscal year ended March 31, 2015, the Company changed the method to reflect changes in the allocation of the acquisition costs arising from confirmation of the provisional accounting treatment on the consolidated financial statements of the fiscal year that includes the acquisition date.

The Company has adopted these accounting standards from the beginning of fiscal year ended March 31, 2015, following transitional treatment based on Article 58-2(4) of "Accounting Standard for Business Combinations," Article 44-5(4) of "Accounting Standard for Consolidated Financial Statements," and Article 57-4(4) of "Accounting Standard for Business Divestitures".

Adoption of these accounting standards did not have a material effect on profit or loss for the fiscal year ended March 31, 2015 and capital surplus as of March 31, 2015.

**x. Unapplied accounting standards**

***Accounting Standards for Business Combinations and Consolidated Financial Statements***
On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes under these revised accounting standards are as follows:

(1) Treatment of changes in ownership interests in its subsidiary when the parent retains control over its subsidiary
(2) Treatment of acquisition-related costs
(3) Provisional accounting treatment for business combinations
(4) Presentation of the consolidated balance sheet and the consolidated statement of income, which related to "net income" and changes from "minority interest" to "noncontrolling interest"

The Group has applied the revised accounting standards for (1) to (3) above from the beginning of fiscal year ended March 31, 2015 and expects to apply (4) above from the fiscal year ending March 31, 2016.
The changes are only in account descriptions and the effects of applying the revised accounting standards to the financial figures for the year ending March 31, 2016 are none.

## 2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.17 = $1, the approximate rate of exchange on March 31, 2015, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

## 3. Securities

Securities as of March 31, 2015 were as follows:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Japanese government bonds | ¥ 602,991 | $ 5,017,819 |
| Japanese local government bonds | 115,391 | 960,233 |
| Japanese corporate bonds | 350,272 | 2,914,805 |
| Equity securities | 45,803 | 381,158 |
| Foreign securities | 99,645 | 829,205 |
| Other securities | 22,730 | 189,153 |
| Total | ¥ 1,236,834 | $ 10,292,375 |

As of March 31, 2015, securities included equity investments in non-consolidated subsidiaries that amounted to ¥1,173 million ($9,769 thousand).

As of March 31, 2015, Japanese government bonds included bonds of ¥9,100 million ($75,726 thousand) which were being rented to third parties without collateral under lending contracts (securities lending transactions).

Japanese corporate bonds included bonds offered through private placement. The Group's guarantee obligation for such private-placement bonds was ¥24,020 million ($199,891 thousand) as of March 31, 2015.

In the following description, in addition to "Securities", also presented are negotiable certificates of deposit which are classified as "Trading account securities" and "Cash and due from banks" in the consolidated balance sheet and beneficiary claims on loan trusts which are classified as "Monetary claims bought" in the consolidated balance sheet.

Valuation gain or loss on trading securities included in income before income taxes and minority interests was ¥2 million ($21 thousand) as of March 31, 2015.

■ Held-to-maturity securities

The following tables summarize carrying values, fair values and differences of securities with available fair values as of March 31, 2015:

| | *Millions of Yen* | | |
|---|---|---|---|
| | Carrying value | Fair value | Net unrealized gains (losses) |
| Securities with fair value exceeding carrying value: | | | |
| Japanese government bonds | ¥ 361,096 | ¥ 371,236 | ¥ 10,139 |
| Japanese local government bonds | 69,846 | 70,182 | 336 |
| Japanese corporate bonds | 94,573 | 95,133 | 560 |
| Foreign securities | 12,997 | 13,194 | 196 |
| Subtotal | 538,514 | 549,747 | 11,232 |
| Securities with fair value not exceeding carrying value: | | | |
| Japanese government bonds | 3,519 | 3,518 | (1) |
| Japanese local government bonds | 2,008 | 2,008 | (0) |
| Japanese corporate bonds | 5,187 | 5,183 | (3) |
| Foreign securities | 5,056 | 4,927 | (128) |
| Subtotal | 15,771 | 15,638 | (133) |
| Total | ¥ 554,286 | ¥ 565,385 | ¥ 11,099 |

| | *Thousands of U.S. Dollars* | | |
|---|---|---|---|
| | Carrying value | Fair value | Net unrealized gains (losses) |
| Securities with fair value exceeding carrying value: | | | |
| Japanese government bonds | $ 3,004,884 | $ 3,089,258 | $ 84,373 |
| Japanese local government bonds | 581,232 | 584,030 | 2,797 |
| Japanese corporate bonds | 786,997 | 791,661 | 4,663 |
| Foreign securities | 108,159 | 109,795 | 1,636 |
| Subtotal | 4,481,273 | 4,574,745 | 93,472 |
| Securities with fair value not exceeding carrying value: | | | |
| Japanese government bonds | 29,288 | 29,278 | (9) |
| Japanese local government bonds | 16,716 | 16,716 | (0) |
| Japanese corporate bonds | 43,164 | 43,134 | (29) |
| Foreign securities | 42,076 | 41,006 | (1,070) |
| Subtotal | 131,246 | 130,135 | (1,110) |
| Total | $ 4,612,519 | $ 4,704,881 | $ 92,362 |

■ Available-for-sale securities

The following tables summarize carrying values, acquisition costs and differences of securities with available fair values as of March 31, 2015:

| | *Millions of Yen* | | |
|---|---|---|---|
| | Carrying value | Acquisition cost | Net unrealized gains (losses) |
| Securities with carrying value exceeding acquisition cost: | | | |
| Corporate stocks | ¥ 38,988 | ¥ 27,884 | ¥ 11,104 |
| Bonds: | | | |
| Japanese government bonds | 179,188 | 178,422 | 765 |
| Japanese local government bonds | 37,415 | 37,228 | 186 |
| Japanese corporate bonds | 199,312 | 198,681 | 631 |
| Total bonds | 415,916 | 414,332 | 1,583 |
| Other securities | 91,478 | 89,509 | 1,968 |
| Subtotal | 546,383 | 531,727 | 14,655 |
| Securities with carrying value not exceeding acquisition cost: | | | |
| Corporate stocks | 1,947 | 2,172 | (224) |
| Bonds: | | | |
| Japanese government bonds | 59,186 | 59,427 | (241) |
| Japanese local government bonds | 6,120 | 6,186 | (65) |
| Japanese corporate bonds | 51,198 | 51,452 | (253) |
| Total bonds | 116,506 | 117,066 | (560) |
| Other securities | 19,534 | 19,580 | (45) |
| Subtotal | 137,988 | 138,819 | (830) |
| Total | ¥ 684,371 | ¥ 670,546 | ¥ 13,825 |

| | *Thousands of U.S. Dollars* | | |
|---|---|---|---|
| | Carrying value | Acquisition cost | Net unrealized gains (losses) |
| Securities with carrying value exceeding acquisition cost: | | | |
| Corporate stocks | $ 324,447 | $ 232,041 | $ 92,405 |
| Bonds: | | | |
| Japanese government bonds | 1,491,121 | 1,484,754 | 6,366 |
| Japanese local government bonds | 311,350 | 309,797 | 1,553 |
| Japanese corporate bonds | 1,658,590 | 1,653,338 | 5,252 |
| Total bonds | 3,461,063 | 3,447,890 | 13,173 |
| Other securities | 761,240 | 744,860 | 16,379 |
| Subtotal | 4,546,750 | 4,424,792 | 121,958 |
| Securities with carrying value not exceeding acquisition cost: | | | |
| Corporate stocks | 16,207 | 18,075 | (1,868) |
| Bonds: | | | |
| Japanese government bonds | 492,525 | 494,530 | (2,005) |
| Japanese local government bonds | 50,933 | 51,477 | (544) |
| Japanese corporate bonds | 426,053 | 428,164 | (2,111) |
| Total bonds | 969,511 | 974,172 | (4,661) |
| Other securities | 162,561 | 162,943 | (382) |
| Subtotal | 1,148,280 | 1,155,191 | (6,911) |
| Total | $ 5,695,030 | $ 5,579,984 | $ 115,046 |

Securities with fair values (excluding securities held for trading purpose) that have substantially declined from the acquisition cost are valued at fair value and losses on devaluation of those securities are recognized in the consolidated statement of income unless the value is considered recoverable.

For the year ended March 31, 2015, no impairment loss was recognized.

Determining whether the fair value is "significantly declined" is based on the fair value declining by more than 50% or the criteria considering the trend of the fair value during a certain past period and credit risks of the issuers when the fair value declined between 30% and 50% of the acquisition cost.

The following table summarizes total available-for-sale securities sold and amounts of the related gains and losses for the year ended March 31, 2015:

| | *Millions of Yen* | | |
|---|---|---|---|
| | Sales proceeds | Realized gains | Realized losses |
| Corporate stocks | ¥ 2,444 | ¥ 232 | ¥ 27 |
| Bonds: | | | |
| Japanese government bonds | 358,465 | 1,238 | 76 |
| Japanese local government bonds | 13,165 | 37 | - |
| Japanese corporate bonds | 54,822 | 136 | 1 |
| Total bonds | 426,453 | 1,412 | 77 |
| Other securities | 61,368 | 608 | 29 |
| Total | ¥ 490,266 | ¥ 2,253 | ¥ 134 |

| | *Thousands of U.S. Dollars* | | |
|---|---|---|---|
| | Sales proceeds | Realized gains | Realized losses |
| Corporate stocks | $ 20,342 | $ 1,938 | $ 227 |
| Bonds: | | | |
| Japanese government bonds | 2,982,987 | 10,307 | 634 |
| Japanese local government bonds | 109,557 | 310 | - |
| Japanese corporate bonds | 456,209 | 1,132 | 11 |
| Total bonds | 3,548,754 | 11,750 | 646 |
| Other securities | 510,676 | 5,067 | 243 |
| Total | $ 4,079,773 | $ 18,756 | $ 1,117 |

## 4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2015 included the following loans:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Commercial bills discounted | ¥ 46,038 | $ 383,108 |
| Loans on bills | 95,849 | 797,619 |
| Loans on deeds | 2,957,071 | 24,607,402 |
| Overdrafts | 195,842 | 1,629,712 |
| Total | ¥ 3,294,802 | $ 27,417,843 |

Loans and bills discounted include loans to borrowers in bankruptcy, delinquent loans, loans past due for three months or more, and restructured loans. The amounts of these loans were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Loans to borrowers in bankruptcy | ¥ 4,032 | $ 33,559 |
| Delinquent loans | 104,109 | 866,349 |
| Loans past due for three months or more | 588 | 4,896 |
| Restructured loans | 4,063 | 33,811 |
| Total | ¥ 112,793 | $ 938,617 |

Loans are generally placed on non-accrual status when the ultimate collectability of either the principal or interest becomes doubtful because payments have been in arrears for a certain period of time or due to other reasons. Loans to borrowers in bankruptcy represent non-accrual loans to borrowers in legal bankruptcy as defined in the Corporation Tax Law. Delinquent loans represent non-accrual loans other than loans to borrowers in bankruptcy and restructured loans.

Loans past due for three months or more represent loans on which payments of principal or interest have been in arrears for three months or more, but do not meet the criteria for loans to borrowers in bankruptcy and delinquent loans.

Restructured loans are loans that have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.), and are not classified in any of the above categories.

These amounts represent the gross amounts before deduction of the reserve for loan losses.

Notes discounted are recorded as cash lending/borrowing transactions in accordance with "Accounting and Auditing Treatments of the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee, Report No. 24). The Group has a right to sell or collateralize such bills at its discretion. As of March 31, 2015, total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥46,683 million ($388,480 thousand).

As of March 31, 2015, loans and bills discounted included the portion of extended to original borrowers based on loan participation agreements, as permitted by the JICPA Accounting Committee Report No. 3, in the amount of ¥5,002 million ($41,626 thousand)

Line-of-credit agreements relating to overdrafts and loans are agreements which oblige the Group to lend funds up to a certain limit agreed to in advance. The Group makes the loan upon the request of an obligor to draw down funds under such a loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused line-of-credit balance relating to these overdrafts and loan agreements as of March 31, 2015 amounted to ¥873,529 million ($7,269,113 thousand). The amount related to overdrafts and loans with a term of one year or less or overdrafts and loans which permit unconditional cancellation at any time was ¥850,299 million ($7,075,804 thousand) as of March 31, 2015.

As many of these contracts expire undrawn, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Group. Many of these contracts have clauses that allow the Group to turn down a loan request or reduce the amounts of the credit line if there is a change in financial conditions, a need to establish increased securities, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the commitment contract is entered into, the Group assesses the condition of the customer's business operations, and analyzes other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

## 5. Foreign Exchanges

Foreign exchanges as of March 31, 2015 consisted of the following:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Assets: | | |
| Due from foreign banks | ¥ 4,431 | $ 36,877 |
| Foreign exchange bills bought | 769 | 6,406 |
| Foreign exchange bills receivable | 2,530 | 21,054 |
| Total | ¥ 7,731 | $ 64,339 |
| Liabilities: | | |
| Due to foreign banks | ¥ 1 | $ 14 |
| Foreign exchange bills sold | 52 | 435 |
| Foreign exchange bills payable | 85 | 710 |
| Total | ¥ 139 | $ 1,159 |

## 6. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2015 were as follows:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Land | ¥ 34,625 | $ 288,133 |
| Buildings | 33,909 | 282,180 |
| Lease assets | 1,914 | 15,930 |
| Construction in progress | 2,223 | 18,505 |
| Other | 18,393 | 153,063 |
| Subtotal | 91,066 | 757,813 |
| Accumulated depreciation | (37,452) | (311,663) |
| Total | ¥ 53,613 | $ 446,150 |

Land used for Tokyo Tomin's business activities has been revalued on the basis prescribed by the Law Concerning Land Revaluation (Proclamation No. 34 dated March 31, 1998). As for the revaluation difference, the income tax account corresponding to the revaluation difference amount is included in liabilities as "Deferred tax liabilities on land revaluation," and the revaluation difference, net of this deferred tax liability, is included in net assets as "Revaluation reserve for land."

Date of revaluation:
March 31, 1998

Revaluation method as stated in Article 3-3 Law Concerning Land Revaluation:
The value of land is based on the official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119 dated March 31, 1998), after making reasonable adjustments. Difference between the revalued carrying amount and fair value of lands being revalued pursuant to the Article 10 of the law was ¥184 million ($1,531 thousand).

The accelerated depreciation entry for tangible fixed assets amounted to ¥216 million ($1,805 thousand) for the year ended March 31, 2015.

## 7. Pledged Assets

Assets pledged as collateral as of March 31, 2015 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Assets pledged as collateral: | | |
| Securities | ¥ 188,297 | $ 1,566,923 |
| Other assets | 18 | 153 |
| Liabilities corresponding to assets pledged as collateral: | | |
| Deposits | ¥ 10,714 | $ 89,160 |
| Payable under securities lending transactions | 140,876 | 1,172,312 |
| Borrowed money | 5 | 49 |

In addition to the assets presented above, securities totaling ¥95,540 million ($795,040 thousand) were pledged as collateral relating to transactions on exchange settlements, foreign exchange administration services, cooperative system settlements and derivative transactions or as substitutes for future transaction margins as of March 31, 2015.

Other assets included deposits of ¥5,544 million ($46,135 thousand) as of March 31, 2015.

## 8. Deposits

Deposits as of March 31, 2015 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Current deposits | ¥ 220,855 | $ 1,837,863 |
| Ordinary deposits | 2,042,268 | 16,994,825 |
| Savings deposits | 39,740 | 330,706 |
| Deposits at notice | 22,225 | 184,947 |
| Time deposits | 2,021,308 | 16,820,410 |
| Other deposits | 144,907 | 1,205,851 |
| Total | ¥ 4,491,306 | $ 37,374,604 |

## 9. Borrowed Money

Borrowed money as of March 31, 2015 included subordinated borrowings amounting to ¥7,000 million ($58,250 thousand).

Annual maturities of borrowed money as of March 31, 2015 were as follows:

| Year ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2016 | ¥ 272 | $ 2,270 |
| 2017 | 57 | 480 |
| 2018 | 43 | 364 |
| 2019 | 25 | 212 |
| 2020 | 8 | 74 |
| 2021 and thereafter | 7,000 | 58,257 |
| Total | ¥ 7,409 | $ 61,660 |

## 10. Bonds Payable

Bonds payable and bonds with subscription rights to shares as of March 31, 2015 consisted of the following:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Issued by the Company: | | |
| Unsecured subordinated bonds with subscription rights to shares, due September 2016, 2.15% interest | ¥ 5,000 | $ 41,607 |
| Issued by Tokyo Tomin: | | |
| Unsecured fixed and floating callable (subordinated) debenture bonds, due July 2020, 2.15% interest | 6,000 | 49,929 |
| Unsecured fixed and floating callable (subordinated) debenture bonds, due February 2021, 2.21% interest | 3,600 | 29,957 |
| Unsecured fixed and floating callable (subordinated) debenture bonds, due November 2021, 2.38% interest | 12,500 | 104,019 |
| Unsecured fixed and floating callable (subordinated) debenture bonds, due November 2021, 2.38% interest | 3,500 | 29,125 |
| Total | ¥ 30,600 | $ 254,639 |

Annual maturities of bonds payable and bonds with subscription rights to shares of March 31, 2015 were as follows:

| | Bonds with subscription rights to shares | | Bonds payable | |
|---|---|---|---|---|
| Year ending March 31 | *Millions of Yen* | *Thousands of U.S. Dollars* | *Millions of Yen* | *Thousands of U.S. Dollars* |
| 2016 | ¥ - | $ - | ¥ - | $ - |
| 2017 | 5,000 | 41,607 | - | - |
| 2018 | - | - | - | - |
| 2019 | - | - | - | - |
| 2020 | - | - | - | - |
| 2021 and thereafter | - | - | 25,600 | 213,031 |
| Total | ¥ 5,000 | $ 41,607 | ¥ 25,600 | $ 213,031 |

## 11. Issuance of Convertible Bonds

On October 1, 2014, the Company issued ¥5,000 million ($41,607 thousand) unsecured subordinated bonds due September 30, 2016. The bonds include subscription rights to shares which entitle bondholders to acquire common stock under certain circumstances, and exercisable on and after October 1, 2014 up to September 29, 2016. Initial conversion price of the bond is ¥3,741 ($31.13), subject to adjustment for certain events such as a stock split, consolidation of stock or issuance of stock at a consideration per share which is less than the current market price. Conversion ratio of the bond is 100%.

The bonds were not converted into shares of common stock during the year ended March 31, 2015.

## 12. Other Liabilities

Other liabilities as of March 31, 2015 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|---|---|---|---|---|
| Accrued expenses | ¥ | 3,227 | $ | 26,856 |
| Unearned revenue and other liabilities | | 26,784 | | 222,892 |
| Total | ¥ | 30,012 | $ | 249,748 |

Lease obligations of ¥1,216 million ($10,124 thousand) were included in "Unearned revenue and other liabilities" in the table above. The average interest rates on lease obligations as of March 31, 2015 with maturities dates subsequent to March 31, 2016 was 3.48%.

The aggregate annual maturities of lease obligations subsequent to March 31, 2015 were summarized as follows:

| Year ending March 31 | Millions of Yen | | Thousands of U.S. Dollars | |
|---|---|---|---|---|
| 2016 | ¥ | 367 | $ | 3,057 |
| 2017 | | 241 | | 2,010 |
| 2018 | | 199 | | 1,663 |
| 2019 | | 183 | | 1,526 |
| 2020 | | 146 | | 1,216 |
| 2021 and thereafter | | 78 | | 649 |
| Total | ¥ | 1,216 | $ | 10,124 |

## 13. Retirement Benefit Plans

(1) Outline of retirement benefit plans adopted
Tokyo Tomin maintains a corporate pension fund plan and a lump-sum payment plan. As of October 1, 2013, the retirement benefit system were revised and a switch was made from a defined benefit corporate pension plan to a cash balance-type pension plan using a point system. In some cases, premium severance may be paid when employees retire.

In 1987, for participants with the participating period of 20 years or more, approximately 20% of the retirement benefits was transferred from a lump-sum payment plan to a welfare pension fund plan.

Concerning the substitutional portion of the welfare pension fund plan, approval by the Minister of Health, Labor and Welfare on the exemption from the obligation to pay the future portion of funds was received on April 1, 2004 and approval on the return of the past portion was received on April 1, 2005.

Yachiyo maintains a corporate pension plan and a lump-sum payment plan. Concerning the corporate pension plan, a corporate pension fund was established as of March 1, 2004 as a result of an approved transfer from a welfare pension fund and, as of April 1, 2005, the corporate pension plan was transferred from a fund-type to a contract-type.

On March 31, 2004, a portion of retirement benefits was shifted to a defined contribution pension plan established as of March 1, 2004. The defined contribution pension plan adopted matching contributions as of January 1, 2013.

Certain domestic consolidated subsidiaries, other than the above mentioned two banks, maintain lump-sum payment plans and defined contribution pension plans.

Tokyo Tomin and Yachiyo have established retirement benefit trusts.

(2) Defined benefit plans

The changes in the benefit obligation during the fiscal year ended March 31, 2015 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Retirement benefit obligation as of April 1, 2014 | ¥ 32,526 | $ 270,672 |
| Cumulative effect of accounting change | (405) | (3,372) |
| Retirement benefit obligation as of April 1, 2014 after cumulative effect of accounting change | 32,121 | 267,300 |
| Increase due to share transfer | 23,934 | 199,172 |
| Service cost | 1,013 | 8,437 |
| Interest cost | 356 | 2,968 |
| Actuarial loss | 2,339 | 19,469 |
| Retirement benefits paid | (2,762) | (22,984) |
| Retirement benefit obligation as of March 31, 2015 | ¥ 57,004 | $ 474,364 |

The changes in plan assets during the fiscal year ended March 31, 2015 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Plan assets as of April 1, 2014 | ¥ 35,089 | $ 292,002 |
| Increase due to share transfer | 18,847 | 156,836 |
| Expected return on plan assets | 877 | 7,304 |
| Actuarial gain | 9,046 | 75,278 |
| Contributions by employers | 2,663 | 22,164 |
| Retirement benefits paid | (2,068) | (17,217) |
| Plan assets as of March 31, 2015 | ¥ 64,455 | $ 536,371 |

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Funded retirement benefit obligation | ¥ 56,932 | $ 473,764 |
| Plan assets | (64,455) | (536,371) |
| | (7,523) | (62,606) |
| Unfunded retirement benefit obligation | 72 | 600 |
| Net defined benefit asset in the consolidated balance sheet | ¥ (7,451) | $ (62,006) |

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Net defined benefit liability | ¥ 3,326 | $ 27,679 |
| Net defined benefit asset | (10,777) | (89,686) |
| Net defined benefit asset in the consolidated balance sheet | ¥ (7,451) | $ (62,006) |

The components of retirement benefit expenses for the fiscal year ended March 31, 2015 were as follows:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Service cost | ¥ 1,013 | $ 8,437 |
| Interest cost | 356 | 2,968 |
| Expected return on plan assets | (877) | (7,304) |
| Amortization of actuarial loss | 1,830 | 15,233 |
| Amortization of prior service cost | (1,147) | (9,545) |
| Amortization of transition difference due to a change in the accounting standards | 537 | 4,468 |
| Other | (1) | (8) |
| Retirement benefit expenses for defined benefit plans | ¥ 1,712 | $ 14,249 |

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the fiscal year ended March 31, 2015 were as follows:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Prior service cost | ¥ (1,147) | $ (9,545) |
| Actuarial loss | 8,537 | 71,043 |
| Transition difference due to a change in the accounting standards | 537 | 4,468 |
| Total | ¥ 7,927 | $ 65,966 |

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 were as follows:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Unrecognized prior service cost | ¥ (1,495) | $ (12,447) |
| Unrecognized actuarial loss | 2,032 | 16,916 |
| Total | ¥ 537 | $ 4,469 |

The plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 were as follows:

| | |
|---|---|
| Equity securities | 55.5% |
| Debt securities | 30.0% |
| Cash and due from banks | 5.7% |
| Other | 8.8% |
| Total | 100.0% |

Total plan assets included retirement benefit trusts of 31.8%, which were set for corporate pension plans.

The long-term expected rate of return on plan assets has been estimated based on the current and anticipated allocation of plan assets and the current and long-term expected return on plan assets composed of various assets.

The main assumptions used in accounting for the above plans for the fiscal year ended March 31, 2015 were as follows (presented in weighted average):

| | |
|---|---|
| Discount rate | 0.82% or 1.00% |
| Long-term expected rate of return on plan assets | 1.90% or 2.00% |
| Expected rate of salary increase | 4.5% or 5.00% |

(3) Defined contribution plans
The amount to be paid to defined contribution plans by consolidated subsidiaries was ¥51 million ($431 thousand).

## 14. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in this account. As a contra account, “Customers’ liabilities for acceptances and guarantees” are shown on the assets side, which represents the Group’s right of indemnity from the applicants.

In addition, the Group’s guarantees total ¥24,020 million ($199,891 thousand) for private placement Japanese corporate bonds held by the Group and included in Securities as of March 31, 2015. Relevant acceptances and guarantees and customers’ liabilities for acceptances and guarantees have been recorded in the net amount.

## 15. Shareholders’ Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

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

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury Stock and Treasury Stock Acquisition Rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available

for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

**16. Stock Options**

The stock options outstanding as of March 31, 2015 were as follows:

| Stock option | Grantees | Number of options granted (*) | Grant date | Vesting period | Exercise period |
|---|---|---|---|---|---|
| 2011 Stock Option | 7 directors | 35,500 shares | July 29, 2011 | Not defined | From July 29, 2011 to July 28, 2041 |
| 2012 Stock Option | 7 directors | 50,500 shares | July 27, 2012 | Not defined | From July 27, 2012 to July 26, 2042 |
| 2013 Stock Option | 7 directors | 34,000 shares | July 26, 2013 | Not defined | From July 26, 2013 to July 25, 2043 |

(*) Number of options granted is expressed in number of shares of common stock granted.

Conditions for the exercise of stock options are not defined.

The stock option activity for the year ended March 31, 2015 was as follows:

| | 2011 Stock Option | | 2012 Stock Option | | 2013 Stock Option | |
|---|---|---|---|---|---|---|
| | | | (Shares) (*1) | | | |
| Non-vested (Shares) (*1) | | | | | | |
| March 31, 2014 - Outstanding | | - | | - | | - |
| Granted | | - | | - | | - |
| Forfeited | | - | | - | | - |
| Vested | | - | | - | | - |
| March 31, 2015 - Outstanding | | - | | - | | - |
| Vested (Shares) (*1) | | | | | | |
| March 31, 2014 - Outstanding | | 21,500 | | 44,000 | | 34,000 |
| Vested | | - | | - | | - |
| Exercised | | 8,000 | | 10,000 | | 7,000 |
| Forfeited | | - | | - | | - |
| Cancelled (*2) | | 13,500 | | 34,000 | | 27,000 |
| March 31, 2015 - Outstanding | | - | | - | | - |
| Exercise price (Yen) | ¥ | 1 | ¥ | 1 | ¥ | 1 |
| Average stock price at exercise (Yen) | ¥ | 1,180 | ¥ | 1,180 | ¥ | 1,246 |
| Fair value price on grant date (Yen) | ¥ | 1,022 | ¥ | 692 | ¥ | 1,049 |
| Exercise price (U.S. Dollar) | $ | 0.00 | $ | 0.00 | $ | 0.00 |
| Average stock price at exercise (U.S. Dollar) | $ | 9.81 | $ | 9.81 | $ | 10.36 |
| Fair value price on grant date (U.S. Dollar) | $ | 8.50 | $ | 5.75 | $ | 8.72 |

(*1) Numbers of options granted are expressed in number of shares of common stock granted.
(*2) These subscription rights to shares as stock options were acquired and cancelled as of September 30, 2014.

Actual numbers of forfeited options are used to measure the number of vested options, considering the difficulty to reasonably estimate future forfeitures.

Stock option expenses recognized in general and administrative expenses was ¥8 million ($74 thousand) for the year ended March 31, 2015.

### 17. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale securities as of March 31, 2015 consisted of the following:

| | *Millions of Yen* | | *Thousands of U.S. Dollars* | |
|---|---|---|---|---|
| Valuation difference on available-for-securities | ¥ | 14,984 | $ | 124,692 |
| Deferred tax liabilities applicable to valuation difference | | (5,392) | | (44,876) |
| Valuation difference on available-for-sale securities, net of the applicable income taxes before adjustment for minority interests | | 9,591 | | 79,815 |
| Amount attributable to minority interests | | (11) | | (91) |
| Share of valuation difference on available-for-sale securities held by affiliate accounted for by the equity method | | 203 | | 1,695 |
| Valuation difference on available-for-sale securities | ¥ | 9,784 | $ | 81,419 |

## 18. Income Taxes

The significant components of the deferred tax assets and liabilities as of March 31, 2015 were as follows:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Deferred tax assets: | | |
| Net losses carried forward | ¥ 2,316 | $ 19,280 |
| Items related to retirement benefits | 6,216 | 51,728 |
| Reserve for loan losses | 9,196 | 76,526 |
| Depreciation of securities | 1,003 | 8,351 |
| Depreciation expense | 1,032 | 8,592 |
| Other | 2,348 | 19,539 |
| Subtotal | 22,113 | 184,018 |
| Valuation allowance | (4,951) | (41,203) |
| Total | 17,162 | 142,815 |
| Deferred tax liabilities: | | |
| Items related to securities | (1,017) | (8,469) |
| Valuation difference on available-for-sale securities | (5,292) | (44,038) |
| Items related to asset retirement obligations | (34) | (284) |
| Valuation of assets | (4,277) | (35,594) |
| Other | (0) | (6) |
| Total | (10,622) | (88,391) |
| Net deferred tax assets | ¥ 6,540 | $ 54,423 |

Net deferred tax assets as of March 31, 2015 are included in the following accounts in the consolidated balance sheet.

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Deferred tax assets | ¥ 6,570 | $ 54,679 |
| Deferred tax liabilities | 30 | 256 |

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 35.64% for the fiscal year ended March 31, 2015.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for consolidated financial statement purposes for the fiscal year ended March 31, 2015.

| | |
|---|---|
| Statutory tax rate | 35.64% |
| Entertainment expenses and other items permanently excluded from deductible expenses | 0.18 |
| Dividend income and other items permanently excluded from reportable revenue | (0.39) |
| Per capita inhabitants' tax | 0.12 |
| Decrease in deferred tax assets due to tax rate changes | 2.37 |
| Change in valuation allowance | (0.34) |
| Gains on negative goodwill | (28.92) |
| Other | (0.83) |
| Effective tax rate | 7.83% |

**Adjustments to deferred tax assets and liabilities due to income tax rate change**
The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) was promulgated on March 31, 2015 and, as a result, the corporate tax rate, among others, will be reduced from the fiscal year beginning on or after April 1, 2015. As a result, the effective statutory tax rate used to measure the Group's deferred tax assets and liabilities was changed from the previous 35.64% to 33.10% for the temporary differences expected to be realized or settled for the year beginning on April 1, 2015, and to 32.34% for the temporary differences expected to be realized or settled for the year beginning on April 1, 2016 and thereafter. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets by ¥543 million ($4,525 thousand), decrease deferred tax liabilities by ¥1 million ($10 thousand), increase valuation difference on available-for-sale securities by ¥532 million ($4,434 thousand), decrease deferred gains or losses on hedges by ¥1 million ($8 thousand), decrease remeasurements of defined benefit plans by ¥58 million($485 thousand), increase income taxes-deferred by ¥1,053 million ($8,762 thousand), and to decrease deferred tax liabilities on land revaluation by ¥1 million ($13 thousand) and increase revaluation reserve for land by the same amount, as of and for the fiscal year ended March 31, 2015.

Furthermore, the system of deduction for losses carried forward has been revised. The limit of deduction from taxable income applicable to losses carried forward will be an amount equivalent to 65% of the income before loss carried forward effective from the fiscal year beginning on and after April 1, 2015, and 50% effective from the fiscal year beginning on and after April 1, 2017. The effect of this revision was immaterial for the fiscal year ended March 31, 2015.

**Subsequent change in the enterprise tax rates and its effect**
The "Tokyo Metropolitan Ordinance for Partial Amendment of the Ordinance for Partial Amendment of the Ordinance for Metropolitan Tax and the Ordinance for Metropolitan Tax" (Tokyo Metropolitan Ordinance No.93 of 2015) was promulgated on April 1, 2015 and, as a result, the effective statutory tax rate used to measure the Group's deferred tax assets and liabilities will be changed from the current 33.10% to 33.06% for the temporary differences expected to be realized or settled for the year beginning on April 1, 2015, and from 32.34% to 32.30% for the temporary differences expected to be realized or settled for the year beginning on April 1, 2016 and thereafter. The effect of this change was immaterial for the fiscal year ended March 31, 2015.

## 19. Amounts per Share

Amounts per share as of and for the fiscal year ended March 31, 2015 were as follows:

| | *Yen* | *U.S. Dollars* |
|---|---|---|
| Net income per share: | | |
| Basic | ¥ 2,638.39 | $ 21.95 |
| Diluted | 2,561.38 | 21.31 |
| Net assets per share | 6,959.92 | 57.91 |

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of subscription rights to shares.

Net assets per share are computed based on the net assets excluding minority interests and the number of shares of common stock outstanding at the year end.

The bases for calculation are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Basic net income per share: | | |
| Net income | ¥ 57,290 | $ 476,748 |
| Amount not belonging to shareholders of common stock | - | - |
| Net income in relation to common stock | 57,290 | 476,748 |
| Weighted average number of shares of common stock during the period | 21,714 thousand shares | |
| | | |
| Diluted net income per share: | | |
| Net income adjustment amount— | | |
| Interest on bonds with subscription rights to shares (net of applicable taxes) | ¥ 34 | $ 287 |
| Effect of dilutive securities— | | |
| Bonds with subscription rights to shares | 666 thousand shares | |
| Summary of residual securities not included in calculation of dilutive net income per share because they have no dilutive effects | - | |
| | | |
| Net assets per share: | | |
| Total of net assets | ¥ 202,580 | $ 1,685,779 |
| Amount deducted from total of net assets—Minority interests | 245 | 2,042 |
| Net asset amount for common stock at year end | 202,334 | 1,683,737 |
| Number of shares of common stock outstanding at year end for calculating net assets per share | 29,071 thousand shares | |

As the Company was established on October 1, 2014 through a joint share transfer, the weighted average number of shares of common stock outstanding during the fiscal year ended March 31, 2015 was calculated based on the weighted average number of shares of Tokyo Tomin multiplied by its share transfer ratio for the period from April 1, 2014 to September 30, 2014 prior to the establishment of the Company, and the weighted average number of shares of common stock of the Company for the period from October 1, 2014 to March 31, 2015.

As stated in Note 1.w., the Group adopted the provisions set forth in Article 35 of the Accounting Standard for Retirement Benefits and in Article 67 of the Guidance on Retirement Benefits since the fiscal year ended March 31, 2015, according to the transitional treatment set forth in Article 37 in the Accounting Standard for Retirement Benefits.

As a result, at the beginning of and for the fiscal year ended March 31, 2015, net assets per share increased by ¥18.17 ($0.15) and basic and diluted net income per share increased by ¥17.26 ($0.14) and ¥16.74 ($0.13), respectively.

**20. Other Income**

Other income for the year ended March 31, 2015 is as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Gain on sales of securities | ¥ 367 | $ 3,055 |
| Gain on sales of bonds | 556 | 4,634 |
| Equity in earnings of investment in affiliate | 202 | 1,685 |
| Gain on negative goodwill | 50,476 | 420,039 |
| Gain on recovery of write-offs of monetary claims | 210 | 1,749 |
| Other | 1,346 | 11,200 |
| Total | ¥ 53,159 | $ 442,365 |

## 21. Other Expenses

Other expenses for the year ended March 31, 2015 are as follows:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Write-offs of loans | ¥ 774 | $ 6,444 |
| Loss on sales of securities | 76 | 634 |
| Write-down of securities | 48 | 407 |
| Loss on sales of bonds | 141 | 1,174 |
| Loss on disposition of noncurrent assets | 76 | 640 |
| Provision for loan losses | 721 | 6,007 |
| Other | 1,643 | 13,680 |
| Total | ¥ 3,483 | $ 28,987 |

## 22. Comprehensive Income

Each component of other comprehensive income for the fiscal year ended March 31, 2015 was the following:

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Valuation difference on available-for-sale securities: | | |
| Amount arising during the year | ¥ 13,716 | $ 114,144 |
| Reclassification adjustments to profit or loss | (2,446) | (20,359) |
| Amount before income tax effect | 11,270 | 93,785 |
| Income tax effect | (3,303) | (27,490) |
| Total | 7,966 | 66,294 |
| Deferred gains or losses on hedges | | |
| Amount arising during the year | (0) | (1) |
| Reclassification adjustments to profit or loss | 4 | 37 |
| Amount before income tax effect | 4 | 36 |
| Income tax effect | (2) | (16) |
| Total | 2 | 19 |
| Revaluation reserve for land | | |
| Amount arising during the year | - | - |
| Reclassification adjustments to profit or loss | - | - |
| Amount before income tax effect | - | - |
| Income tax effect | 1 | 13 |
| Total | 1 | 13 |
| Foreign currency translation adjustments | | |
| Amount arising during the year | 6 | 55 |
| Reclassification adjustments to profit or loss | - | - |
| Amount before income tax effect | 6 | 55 |
| Income tax effect | - | - |
| Total | 6 | 55 |
| Remeasurements of defined benefit plans | | |
| Amount arising during the year | 6,663 | 55,452 |
| Reclassification adjustments to profit or loss | 1,263 | 10,514 |
| Amount before income tax effect | 7,927 | 65,966 |
| Income tax effect | (2,839) | (23,629) |
| Total | 5,087 | 42,337 |
| Share of other comprehensive income of affiliate accounted for by the equity method | | |
| Amount arising during the year | 100 | 832 |
| Reclassification adjustments to profit or loss | - | - |
| Amount before income tax effect | 100 | 832 |
| Income tax effect | - | - |
| Total | 100 | 832 |
| Total other comprehensive income | ¥ 13,164 | $ 109,552 |

## 23. Supplementary Cash Flow Information

The reconciliation of cash and due from banks in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2015 was as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Cash and due from banks | ¥ 298,834 | $ 2,486,761 |
| Time deposits | (2,039) | (16,969) |
| Negotiable certificates of deposit | (10,000) | (83,215) |
| Other deposits | (409) | (3,410) |
| Cash and cash equivalents | ¥ 286,385 | $ 2,383,166 |

## 24. Assets and Liabilities Held by Subsidiary Newly Consolidated through Share Transfer

Breakdown of assets and liabilities held by Yachiyo newly consolidated through share transfer at the time of the consolidation was as follows.

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Total assets | ¥ 2,260,320 | $ 18,809,354 |
| Including, loans and bills discounted | 1,444,364 | 12,019,347 |
| Including, securities | 622,404 | 5,179,364 |
| Including, reserve for loan losses | (12,460) | (103,687) |
| Total liabilities | 2,156,770 | 17,947,664 |
| Including, deposits | 2,122,129 | 17,659,395 |

## 25. Leases

**Finance leases**
As lessee of finance leases which do not transfer ownership of leased assets to lessees:
The leased assets primarily consist of computers, office machinery and equipment and software. See Note 1.f. for the depreciation method of the leased assets.

**Operating leases**
Total future lease payments under non-cancelable operating leases as of March 31, 2015 were as follows:

***As lessee***

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Within one year | ¥ 47 | $ 398 |
| Over one year | 177 | 1,475 |
| Total | ¥ 225 | $ 1,874 |

***As lessor***

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Within one year | ¥ 27 | $ 229 |
| Over one year | 20 | 170 |
| Total | ¥ 48 | $ 399 |

## 26. Financial Instruments

**Overview**

(1) Policy for financial instruments

The Group's operations center on the banking business such as deposits business and lending business, with financial services including credit card services and credit guarantee services. The Group raises funds mainly through local customer deposits and invests them in loans and bills discounted and securities. In this way, the Group principally holds financial assets and financial liabilities that are subject to interest rate fluctuations, and the Group conducts asset-liability management (ALM) to minimize the negative impact of interest rate fluctuations. ALM includes the use of derivative transactions.

(2) Primary details of financial instruments and their risk

The Group's financial assets mainly consists of loans and bills discounted extended to domestic corporate and private customers, and securities. Loans and bills discounted are subject to credit risk stemming from a borrower's failure to meet a contractual obligation.

Securities mainly consists of domestic debt and equity securities and investment funds. Debt securities are classified into held-to-maturity securities and available-for-sale securities. In addition, trading account securities are held for trading purposes. These securities are subject to issuers' credit risk and market fluctuation risk in interest rates and prices, respectively.

The Group's financial liabilities mainly consists of deposits raised from domestic corporate and private customers. Such deposits are subject to liquidity risk, which is the risk that the Group is unable to secure the funds required to honor these deposits because of certain conditions in the operating environment.

The Group is also engaged in derivative transactions with domestic corporate customers and financial institutions. Such derivative transactions are subject to credit risk stemming from a counterparty's failure to meet a contractual obligation and market fluctuation risk in interest rates and exchange rates.

(3) Risk management system for financial instruments

(a) Integrated risk management

The Group establishes an integrated risk management system that captures overall risks evaluated by risk category, compares them with the Group's strength and checks its management soundness.

(b) Management of credit risk

The Group manages credit risk appropriately, in accordance with rules and standards for credit risk management, mainly through credit screening of each proposal, credit rating of each borrower, self-assessment of loan assets, assistance efforts for business reconstruction and problem loan management. Credit portfolio is monitored for concentration level by industry and customer and is aimed to be developed eliminating concentration risk.

Credit risk management is handled by each branch office and the Credit Management Department and reported regularly to the Group Risk Management Committee. The audit function audits the status of credit risk management.

(c) Management of market risk

The Group manages market risk appropriately, in accordance with rules and standards for market risk management, through evaluating, monitoring and controlling market risk under the mutual checking structure of three departments, the Market Transaction Department (front office), the Market Operations Management Department (back office) and the Market Risk Management Department (middle office).

The Market Risk Management Department measures the volume of market risk for measurable market risk and, in order to control the market risk volume appropriately, sets limits to holdings and losses, monitors the status of compliance and reports to the Group Risk Management Committee on a monthly basis.

The Group's main financial instruments affected by market risk are "Due from banks," "Securities," "Loans and bills discounted," "Deposits," "Borrowed money," "Bonds payable" and "Derivative transactions."

The Group calculates VaR on these financial assets and financial liabilities (observation period of five years, holding period of six months for listed stocks other than those held for political reasons, Japanese government bonds, Japanese local government bonds, Japanese corporate bonds, investment funds, foreign securities, deposits, loans and bills discounted, interest rate swaps and other assets and liabilities that have interest rate sensitivity, and one year for listed stocks held for political reasons, confidence interval of 99%, variance-covariance method) and use it to capture and control the volume of market risk.

The Group's volume of market risk is managed as the sum of that of the consolidated subsidiaries, Tokyo Tomin and Yachiyo, and, as of March 31, 2015, the volume of market risk was ¥32,458 million ($270,108 thousand).

However, such volume is calculated using certain statistical probabilities based on historical market fluctuations. Consequently, this process may not capture risk in the event that market condition changes drastically in a manner that is unthinkable under normal circumstances.

The Group conducts back-testing with respect to each banking subsidiary to check the accuracy of market risk measurement model by comparing the VaR calculated by the model with actual gains or losses. As a result of such back-testing for the fiscal year ended March 31, 2015, the Group believes that the model being used captures market risk to an adequate degree of precision.

(d) Management of liquidity risk
In the Group, in accordance with rules and standards for liquidity risk management, the Liquidity Risk Management Department appropriately handles daily stable cash flow management, mainly through watching market environment and analyzing the status of financing and investments.

The status of cash flow management and status of financing and investments are monitored daily, including holding certain level or more of assets as liquidity reserve that are readily convertible into cash in a short time, and is reported to the Group Risk Management Committee.

(4) Supplementary explanations of the estimated fair value of financial instruments
The fair value of financial instruments is based on the market price or the reasonably calculated values with certain assumptions in case no market prices exist. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

**Fair values of financial instruments**
Carrying values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2015 were as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (See Note 2 below). Immaterial items are omitted.

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Carrying value | | Fair value | | Difference | |
| Assets: | | | | | | |
| (1) Cash and due from banks | ¥ | 298,834 | ¥ | 298,820 | ¥ | (13) |
| (2) Trading account securities: | | | | | | |
| Trading securities | | 607 | | 607 | | - |
| (3) Securities: | | | | | | |
| Held-to-maturity bonds | | 554,286 | | 565,385 | | 11,099 |
| Available-for-sale securities | | 671,359 | | 671,359 | | - |
| (4) Loans and bills discounted | | 3,294,802 | | | | |
| Reserve for loan losses (*1) | | (27,937) | | | | |
| | | 3,266,864 | | 3,296,364 | | 29,499 |
| Total | ¥ | 4,791,952 | ¥ | 4,832,537 | ¥ | 40,585 |
| Liabilities: | | | | | | |
| (1) Deposits | ¥ | 4,491,306 | ¥ | 4,491,127 | ¥ | (178) |
| (2) Payables under securities lending transactions | | 140,876 | | 140,876 | | - |
| Total | ¥ | 4,632,182 | ¥ | 4,632,004 | ¥ | (178) |
| Derivatives (*2): | | | | | | |
| Hedge accounting not applied | ¥ | 788 | ¥ | 788 | ¥ | - |
| Hedge accounting applied | | (17) | | (17) | | - |
| Total | ¥ | 770 | ¥ | 770 | ¥ | - |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | Carrying value | | Fair value | | Difference | |
| Assets: | | | | | | |
| (1) Cash and due from banks | $ | 2,486,761 | $ | 2,486,650 | $ | (111) |
| (2) Trading account securities: | | | | | | |
| Trading securities | | 5,053 | | 5,053 | | - |
| (3) Securities: | | | | | | |
| Held-to-maturity bonds | | 4,612,519 | | 4,704,881 | | 92,362 |
| Available-for-sale securities | | 5,586,750 | | 5,586,750 | | - |
| (4) Loans and bills discounted | | 27,417,843 | | | | |
| Reserve for loan losses (*1) | | (232,486) | | | | |
| | | 27,185,357 | | 27,430,840 | | 245,483 |
| Total | $ | 39,876,442 | $ | 40,214,177 | $ | 337,734 |
| Liabilities: | | | | | | |
| (1) Deposits | $ | 37,374,604 | $ | 37,373,117 | $ | (1,486) |
| (2) Payables under securities lending transactions | | 1,172,312 | | 1,172,312 | | - |
| Total | $ | 38,546,916 | $ | 38,545,429 | $ | (1,486) |
| Derivatives (*2): | | | | | | |
| Hedge accounting not applied | $ | 6,558 | $ | 6,558 | $ | - |
| Hedge accounting applied | | (145) | | (145) | | - |
| Total | $ | 6,412 | $ | 6,412 | $ | - |

(*1) General and specific reserve for loan losses on "Loans and bills discounted" are deducted.
(*2) Derivatives are included within the amounts indicated for "Other assets" and "Other liabilities." Net amounts of receivables and payables arising from derivative transactions are indicated. Parentheses indicate totals that

are net payable amounts.

Notes:
1. Primary method of calculating the fair value of financial instruments

Assets
(1) Cash and due from banks
With regard to cash and due from banks without maturities or with maturities within one year, the fair values and book values are similar, so the book values are assumed as the fair values. For due from banks with maturities over one year, the fair values are determined by the prices indicated by the financial institutions handling these transactions for the Group.

(2) Trading account securities
The fair values of bonds and other securities held for dealing operations are determined by the statistical reference prices released by the Japan Securities Dealers Association or the prices indicated by the financial institutions handling these transactions for the Group.

(3) Securities
The fair values of equity securities are determined by their prices on stock exchanges. The fair values of bonds are determined by the reference statistical prices released by the Japan Securities Dealers Association or the prices indicated by the financial institutions handling these transactions for the Group. For investment trusts, the fair values are determined by the publicly released base prices or base prices indicated by securities investment trust management companies. For private placement bonds guaranteed by the Group, the present values calculated by the discounted cash flow method are assumed as the fair values.

With regard to private placement bonds guaranteed by the Group issued by bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, the fair values are similar to the expected amounts of recoveries calculated based on guarantees, etc. at the consolidated balance sheet date, so those expected amounts are assumed as the fair values.

See Note 3 for the description of securities by classification.

(4) Loans and bills discounted
With regard to loans with floating interest rates, as they reflect market interest rates in the short term, the fair values of them are similar to the book values unless the credit status of the borrowers change significantly after execution, so the book values are assumed as the fair values. With regard to those with fixed interest rates, the present values are assumed as the fair values, being calculated by discounting the future cash flows by the appropriate index interest rates such as interest rate swap rates plus credit spread, etc., or by the assumed rates which would be applied if a similar new loan were entered into.

With regard to loans to bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, the reserve for loan losses is provided based on the expected amounts of recoveries from collateral and guarantees, and the fair values are similar to the amounts of claims less the reserve for loan losses on the consolidated balance sheet at the consolidated balance sheet date, so the net amounts are taken as the fair value.

For loans that have no specific repayment period because loan amounts are limited within the value of the assets securing them, the fair values are assumed to be similar to the book values based on their expected payment dates and interest rates, so the book values are taken as the fair value.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria for an exceptional treatment are accounted for as part of hedged loans. Their fair values are determined using discounted present values and included in the fair values of the hedged loans.

Liabilities
(1) Deposits
The fair values of demand deposits are determined as if the payment amounts (book values) were demanded on the consolidated balance sheet date. The fair values of time deposits and installment savings are calculated by

categorizing these deposits and savings by term, estimating their future cash flows and discounting them to their present values at the rate applied to new deposits (the actual rate for the last month of the fiscal year). For those with maturities within one year, the fair values and book values are similar, so the book values are assumed as the fair values.

(2) Payables under securities lending transactions
With regard to payables under securities lending transactions, the maturities are within one year and the fair values and book values are similar, so the book values are assumed as the fair values.

Derivatives
Fair value information for derivatives is included in Note 27.

2. Financial instruments for which it is extremely difficult to determine the fair value
Carrying values of financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2015 were as follows. These amounts are not included in “Assets, (3) Available-for-sale securities” in the above table.

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| | Carrying value | |
| Unlisted stocks (*1) (*3) | ¥ 4,867 | $ 40,503 |
| Unlisted REIT (*1) | 4,019 | 33,448 |
| Investments in limited partnerships (*2) (*3) | 2,301 | 19,153 |
| Total | ¥ 11,188 | $ 93,105 |

(*1) Unlisted stocks and unlisted REIT for which there are no quoted market price and it is extremely difficult to determine the fair value are not subject to disclosures of fair values.
(*2) Investments in limited partnerships whose assets comprise extremely difficult to determine fair values, such as unlisted stocks, are not subject to disclosures of fair values.
(*3) Impairment losses on unlisted stocks and investments in limited partnership for the fiscal year ended March 31, 2015 were ¥9 million ($80 thousand) and ¥39 million ($327 thousand), respectively.

3. Redemption schedule for receivables and securities with maturities

The redemption schedule for receivables and securities with maturities as of March 31, 2015 are summarized as follows:

| | *Millions of Yen* | | | | | |
|---|---|---|---|---|---|---|
| | Due in one year or less | Due after one year through three years | Due after three years through five years | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Due from banks | ¥ 251,557 | ¥ - | ¥ 2,000 | ¥ - | ¥ - | ¥ - |
| Securities: | | | | | | |
| Held-to-maturity bonds: | | | | | | |
| Japanese government bonds | 23,640 | 46,610 | 11,000 | 97,000 | 147,000 | 34,000 |
| Japanese local government bonds | 3,818 | 43,990 | 5,780 | 13,824 | 2,550 | 450 |
| Japanese corporate bonds | 5,300 | 29,705 | 8,493 | 37,612 | 15,758 | - |
| Foreign securities | 12,017 | 1,000 | - | 1,000 | 2,000 | 2,000 |
| Available-for-sale securities with maturities: | | | | | | |
| Japanese government bonds | 33,304 | 23,132 | 152,242 | - | 22,978 | 6,000 |
| Japanese local government bonds | 3,038 | 6,171 | 9,540 | 3,000 | 21,366 | - |
| Japanese corporate bonds | 15,477 | 73,383 | 110,378 | 28,617 | 18,503 | 2,855 |
| Other | 1,478 | 8,674 | 70,267 | 5,731 | 5,895 | 710 |
| Loans and bills discounted (*) | 685,871 | 672,180 | 411,452 | 267,249 | 334,908 | 621,047 |
| Total | ¥ 1,035,503 | ¥ 904,847 | ¥ 781,153 | ¥ 454,034 | ¥ 570,960 | ¥ 667,063 |

| | *Thousands of U.S. Dollars* | | | | | |
|---|---|---|---|---|---|---|
| | Due in one year or less | Due after one year through three years | Due after three years through five years | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Due from banks | $ 2,093,348 | $ - | $ 16,643 | $ - | $ - | $ - |
| Securities: | | | | | | |
| Held-to-maturity bonds: | | | | | | |
| Japanese government bonds | 196,721 | 387,867 | 91,536 | 807,189 | 1,223,267 | 282,932 |
| Japanese local government bonds | 31,771 | 366,064 | 48,098 | 115,037 | 21,219 | 3,744 |
| Japanese corporate bonds | 44,104 | 247,191 | 70,674 | 312,989 | 131,130 | - |
| Foreign securities | 100,000 | 8,321 | - | 8,321 | 16,643 | 16,643 |
| Available-for-sale securities with maturities: | | | | | | |
| Japanese government bonds | 277,146 | 192,498 | 1,266,888 | - | 191,218 | 49,929 |
| Japanese local government bonds | 25,288 | 51,360 | 79,387 | 24,964 | 177,798 | - |
| Japanese corporate bonds | 128,793 | 610,661 | 918,521 | 238,139 | 153,977 | 23,764 |
| Other | 12,300 | 72,181 | 584,732 | 47,693 | 49,061 | 5,910 |
| Loans and bills discounted (*) | 5,707,512 | 5,593,579 | 3,423,921 | 2,223,928 | 2,786,953 | 5,168,075 |
| Total | $ 8,616,987 | $7,529,727 | $6,500,405 | $3,778,265 | $4,751,269 | $5,551,000 |

(*) Loans do not include an estimated ¥107,846 million ($897,446 thousand) in uncollectible loans such as those to bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, and ¥194,245 million ($1,616,422 thousand) in loans that have no set term.

4. Repayment schedule for other interest-bearing liabilities
The repayment schedule for other interest-bearing liabilities as of March 31, 2015 are summarized as follows:

| | *Millions of Yen* | | | | | |
|---|---|---|---|---|---|---|
| | Due in one year or less | Due after one year through three years | Due after three years through five years | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Deposits (*) | ¥ 4,233,462 | ¥ 237,605 | ¥ 20,139 | ¥ 40 | ¥ 33 | ¥ 25 |
| Payables under securities lending transactions | 140,876 | - | - | - | - | - |
| Total | ¥ 4,374,339 | ¥ 237,605 | ¥ 20,139 | ¥ 40 | ¥ 33 | ¥ 25 |

| | *Thousands of U.S. Dollars* | | | | | |
|---|---|---|---|---|---|---|
| | Due in one year or less | Due after one year through three years | Due after three years through five years | Due after five years through seven years | Due after seven years through ten years | Due after ten years |
| Deposits (*) | $35,228,946 | $1,977,244 | $ 167,593 | $ 335 | $ 274 | $ 208 |
| Payables under securities lending transactions | 1,172,312 | - | - | - | - | - |
| Total | $36,401,259 | $1,977,244 | $ 167,593 | $ 335 | $ 274 | $ 208 |

(*) Within deposits, demand deposits are included in the column of "Due in one year or less."

## 27. Derivative Transactions

The Group has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in interest rates and foreign currency exchange rates.

The fair value and unrealized gain or loss on derivative transactions are estimates considered appropriate based on the market at the balance sheet date and, thus, fair value is not necessarily indicative of the actual amounts that may be realized or settled in the future. The notional amounts are not a direct measure of the Group's risk exposure in connection with the derivative transactions.

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2015, for which hedge accounting has not been applied.

(1) Interest-related transactions

| | *Millions of Yen* | | | |
|---|---|---|---|---|
| | Notional amount | | | |
| | Maturing within one year | Maturing after one year | Fair value | Unrealized gains (losses) |
| OTC interest rate swaps: | | | | |
| Receive/fixed and pay/floating | ¥ 126,990 | ¥ 111,375 | ¥ 1,265 | ¥ 1,265 |
| Receive/floating and pay/fixed | 125,525 | 109,890 | (296) | (296) |
| OTC interest rate swaptions: | | | | |
| Sell | 8,300 | 1,190 | (2) | 39 |
| Buy | 6,800 | 1,190 | 2 | 2 |
| OTC interest rate caps: | | | | |
| Sell | 2,711 | 2,465 | (3) | 69 |
| Buy | 2,711 | 2,465 | 3 | (13) |
| Total | | | ¥ 968 | ¥ 1,066 |

| | *Thousands of U.S. Dollars* | | | |
|---|---|---|---|---|
| | Notional amount | | | |
| | Maturing within one year | Maturing after one year | Fair value | Unrealized gains (losses) |
| OTC interest rate swaps: | | | | |
| Receive/fixed and pay/floating | $ 1,056,755 | $ 926,814 | $ 10,527 | $ 10,527 |
| Receive/floating and pay/fixed | 1,044,564 | 914,457 | (2,463) | (2,463) |
| OTC interest rate swaptions: | | | | |
| Sell | 69,068 | 9,902 | (24) | 327 |
| Buy | 56,586 | 9,902 | 17 | 17 |
| OTC interest rate caps: | | | | |
| Sell | 22,562 | 20,512 | (28) | 576 |
| Buy | 22,562 | 20,512 | 28 | (110) |
| Total | | | $ 8,057 | $ 8,875 |

Notes:
1. The above derivative transactions are stated at fair value with the valuation difference being included in the consolidated statement of income.
2. The fair values of the OTC transactions are determined using the discounted present values or option pricing model.

(2) Currency-related transactions

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Notional amount | | | |
| | Maturing within one year | Maturing after one year | Fair value | Unrealized gains (losses) |
| OTC currency swaps | ¥ 38,623 | ¥ 15,301 | ¥ 63 | ¥ 63 |
| OTC foreign exchange contracts: | | | | |
| Sell | 21,390 | 398 | (565) | (565) |
| Buy | 10,780 | 316 | 320 | 320 |
| OTC currency options: | | | | |
| Sell | 28,344 | 91 | (464) | 56 |
| Buy | 28,344 | 91 | 464 | 52 |
| Total | | | ¥ (180) | ¥ (70) |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | Notional amount | | | |
| | Maturing within one year | Maturing after one year | Fair value | Unrealized gains (losses) |
| OTC currency swaps | $ 321,408 | $ 127,331 | $ 531 | $ 531 |
| OTC foreign exchange contracts: | | | | |
| Sell | 178,001 | 3,315 | (4,702) | (4,702) |
| Buy | 89,710 | 2,631 | 2,668 | 2,668 |
| OTC currency options: | | | | |
| Sell | 235,866 | 760 | (3,861) | 473 |
| Buy | 235,866 | 760 | 3,861 | 440 |
| Total | | | $ (1,502) | $ (588) |

Notes:
1. The above derivative transactions are stated at fair value with the valuation difference being included in the consolidated statement of income.
2. The fair values of the OTC transactions are determined using the discounted present values or option pricing model.

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2015, for which hedge accounting has been applied.

(1) Interest-related transactions

| | | | *Millions of Yen* | | |
|---|---|---|---|---|---|
| | | | Notional amount | | |
| | Method of accounting | Hedged item | Maturing within one year | Maturing after one year | Fair value |
| Interest rate swaps: | | | | | |
| Receive/floating and pay/fixed | Basic method | Loans and bills discounted | ¥ 550 | ¥ 550 | ¥ (17) |
| Interest rate swaps: | | | | | |
| Receive/fixed and pay/floating | Exceptional treatment | Loans and bills discounted | 46,731 | 39,503 | (Note 3) |
| Total | | | | | ¥ (17) |

| | | | *Thousands of U.S. Dollars* | | |
|---|---|---|---|---|---|
| | | | Notional amount | | |
| | Method of accounting | Hedged item | Maturing within one year | Maturing after one year | Fair value |
| Interest rate swaps: | | | | | |
| Receive/floating and pay/fixed | Basic method | Loans and bills discounted | $ 4,576 | $ 4,576 | $ (145) |
| Interest rate swaps: | | | | | |
| Receive/fixed and pay/floating | Exceptional treatment | Loans and bills discounted | 388,880 | 328,728 | (Note 3) |
| Total | | | | | $ (145) |

Notes:
1. The Group basically applies the deferred method which is stipulated in “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24).
2. The fair values of the exchange-traded transactions are based on the closing/final price at Tokyo Financial Exchange. The fair values of the OTC transactions are determined using the discounted present values or option pricing model.
3. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria for an exceptional treatment are accounted for as part of hedged loans and their fair values are included in the fair values of the hedged loans.

**28. Segment Information**

The Group’s only reporting segment is the banking business. Note that the Group conducts businesses other than the banking business, including a computer-related service business, an information provision service business, and credit card services. This information has been omitted because the ratio of these businesses to all segments is not material.

(1) Information by service

| | *Millions of Yen* | | | | |
|---|---|---|---|---|---|
| | Lending | Securities investment | Service transactions | Other | Total |
| Ordinary income from external customers | ¥ 38,646 | ¥ 8,665 | ¥ 13,410 | ¥ 4,320 | ¥ 65,043 |

| | *Thousands of U.S. Dollars* | | | | |
|---|---|---|---|---|---|
| | Lending | Securities investment | Service transactions | Other | Total |
| Ordinary income from external customers | $ 321,600 | $ 72,109 | $ 111,596 | $ 35,956 | $ 541,263 |

Note: Ordinary income is presented as counterparts of sales of companies in other industries.

(2) Information by geographical area
(a) Ordinary income
Ordinary income from external customers by geographical area has been omitted as ordinary income from the domestic operations accounted for more than 90% of the consolidated ordinary income.

(b) Tangible fixed assets
Information about tangible fixed assets by geographical area has been omitted as tangible fixed assets in Japan accounted for more than 90% of the consolidated tangible fixed assets.

(3) Information by major customer
Information by major customer has been omitted as no single customer accounts for more than 10% of the consolidated ordinary income.

## 29. Business Combination

The Company was established through the joint share transfer of Tokyo Tomin and Yachiyo on October 1, 2014. The joint share transfer was treated as a purchase as stipulated in the applicable accounting standards for business combinations, with Tokyo Tomin as the acquiring company and Yachiyo as the acquired company.

1. Overview of the business combination

(1) Name and business content of the acquired company
Name of company: The Yachiyo Bank, Limited
Description of business: Banking business

(2) Main reasons for the business combination
In order to utilize the regional brands that both banks have fostered up until now and achieve prompt integration synergies from the perspective of maximizing corporate value, both banks selected the method of establishing a joint holding company through share transfer. With this new financial group, a business integration has been achieved that will contribute to the local community through the provision of an advanced consulting function, the development of products and services to support the needs of customers, further partnerships with local governments, the promotion of unified operations of redundant operations, and improved corporate value through the improvement of customer satisfaction, competitiveness, and management efficiency.

(3) Date of the business combination
October 1, 2014

(4) Legal form of the business combination
Establishment of a joint holding company through a share transfer

(5) Company name after the business combination
Tokyo TY Financial Group, Inc. (“Tokyo TY”)

(6) The acquired ratio of voting rights
100%

(7) Main basis for deciding on the acquiring company
Tokyo Tomin was designated as the acquiring company as a result of comprehensive consideration of factors including acquisition-deciding factors in the applicable accounting standards for business combinations and various other factors.

2. Period for which the acquired company's business results are included in the consolidated financial statements
From October 1, 2014 to March 31, 2015

3. The acquisition costs for the acquired company and breakdown

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Fair value at the business combination date of the shares of Tokyo TY common stock exchanged for the shares of Yachiyo common stock held immediately before the share transfer | ¥ 371 | $ 3,093 |
| Fair value of the shares of Tokyo TY common stock delivered at the business combination date | 52,594 | 437,667 |
| Acquisition cost | ¥ 52,966 | $ 440,760 |

4. Difference between acquisition cost of the acquired company and the sum of acquisition cost for each transaction leading to the acquisition
Loss on step acquisitions ¥3 million ($26 thousand)

5. Transfer ratio by type of stock, the calculation method, and number of shares delivered

(1) Transfer ratio by type of stock
(i) 0.37 share of Tokyo TY common stock for every 1 share of Tokyo Tomin common stock
(ii) 1 share of Tokyo TY common stock for every 1 share of Yachiyo common stock

(2) Calculation method
The calculation of the share transfer ratio was first commissioned to multiple financial advisors as third-party calculation institutions, and then, determined through consultation among the relevant parties based on the reports submitted by the advisors.

(3) Number of shares delivered
Common stock 29,227,826 shares

6. Major content and amount of acquisition related cost
Advisory fees and commissions ¥106 million ($888 thousand)

7. Amount and breakdown of assets received and liabilities assumed on the business combination date

(1) Assets

| | *Millions of Yen* | *Thousands of U.S. Dollars* |
|---|---|---|
| Total assets received | ¥ 2,260,320 | $ 18,809,354 |
| Including, loans | 1,444,364 | 12,019,347 |
| Including, securities | 622,404 | 5,179,364 |
| Including, reserve for loan losses | (12,460) | (103,687) |

(2) Liabilities

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Total liabilities assumed | ¥ 2,156,770 | $ 17,947,664 |
| Including, deposits | 2,122,129 | 17,659,395 |

8. The amount of gain on negative goodwill and the reason for recognizing a gain on negative goodwill

(1) The amount of gain on negative goodwill
¥50,476 million ($420,039 thousand)

(2) Reason for recognizing a gain on negative goodwill
The net amount allocated to the assets acquired and liabilities assumed exceeded the acquisition cost, and the excess amount is recognized as a gain on negative goodwill.

9. Approximate amounts and calculation method of the impact of the business combination on the consolidated statement of income for the fiscal year ended March 31, 2015 if the business combination had been completed at the beginning of the fiscal year

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Income | ¥ 19,898 | $ 165,584 |
| Net income | 3,604 | 29,995 |

The above estimated impact amounts were calculated by making adjustments believed to be necessary to the amounts on the consolidated statement of income of the acquired company Yachiyo for the period from April 1, 2014 to September 30, 2014.

Note that the estimated amounts have not been audited by Ernst & Young ShinNihon LLC.

**30. Subsequent Events**

1. Dividends
The following distribution of retained earnings of the Group, which has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2015, was approved at the board of directors' meeting held on May 15, 2015 and became effective on June 10, 2015:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Dividends on common stock of Tokyo TY (¥ 30 ($0.24) per share) | ¥ 872 | $ 7,257 |

2. Dissolution of consolidated subsidiary
At the board of directors' meeting held on April 30, 2015, the Company resolved to dissolve the Company's consolidated subsidiary, Tomingin Office Support Center Co., Ltd., as follows.

(1) Reason for dissolution
While the dissolved subsidiary had rendered administrative clerical services to the Company's subsidiary, Tokyo Tomin, the dissolution was resolved as part of efforts to improve the Group's management efficiency.

(2) Overview of the dissolved subsidiary

| | |
|---|---|
| 1. Trade name | Tomingin Office Support Center Co., Ltd. |
| 2. Business | Outsourcing of concentrated administrative services |
| 3. Establishment date | March 20, 1998 |
| 4. Location of the head office | 2-4-1 Roppongi, Minato-ku, Tokyo |
| 5. Representative | Ryuichi Tanahashi |
| 6. Capital—Issued and outstanding shares | ¥10 million ($83 thousand)—200 shares |
| 7. Ownership | Wholly-owned by The Tokyo Tomin Bank, Limited |
| 8. Number of employees | 107 as of April 1, 2015 |
| 9. Total net assets | ¥268 million ($2,233 thousand) |
| 10. Total assets | ¥321 million ($2,675 thousand) |
| 11. Net sales | ¥400 million ($3,334 thousand) |
| 12. Net income | ¥9 million ($76 thousand) |

(3) Timing of dissolution
Scheduled to be dissolved on June 30, 2015 and liquidated around the end of September 2015.

(4) The impact of the dissolution on income
The dissolution will not have a material effect on the Company's consolidated results for the fiscal year ending March 31, 2016.

(5) The impact of the dissolution on sales activities
The dissolution will not have a material effect on the Company's sales activities.

3. Introduction of stock option plan
Following the resolution at the general shareholders' meeting held on June 26, 2015 to introduce a stock option plan, the board of directors' meeting held on the said date resolved to grant subscription rights to shares as stock-compensation-type stock options to the directors (excluding outside directors) of the Company and its banking subsidiaries, in conformity with the Articles 236, 238 and 240 of the Companies Act.

The outline of the stock-compensation-type stock options is as follows:

| | |
|---|---|
| Grantees | 8 directors of the Company<br>4 directors of Tokyo Tomin<br>6 directors of Yachiyo |
| Type of stock to be issued upon exercise | Common stock |
| Number of shares to be issued upon exercise | 12,000 shares (*1) |
| Amount to be paid upon exercise | ¥1 ($0.00) per share |
| Exercise period | From August 3, 2015 to August 2, 2045 |
| Condition for exercise | (*2) |
| Transfer of subscription rights to shares | Acquiring the subscription rights to shares through transfer requires the approval of the Company's board of directors. |
| Grant of subscription rights to shares in case of restructuring | (*3) |

(*1) Numbers of shares to be issued upon exercise of the subscription rights to shares are subject to adjustment for certain events such as a stock split, consolidation of stock, merger, divestiture or capital decrease, as necessary.
(*2) The subscription right holders may exercise the subscription rights to shares, provided this is done on a lump-sum basis within 10 days from the day after losing their position as a director of either of Tokyo TY, Tokyo Tomin or Yachiyo. Notwithstanding the foregoing, the holders may exercise the subscription rights to shares on or after August 3, 2044, within one year before the expiration date, on other conditions defined in the agreement.

(*3) In case of any restructuring (merger, absorption, split, share exchange or share transfer), subscription rights to shares may be granted for new shares of the existing company, etc. applying the restructuring ratio, according to the conditions set forth in the restructuring agreement or plan.

4. Basic agreement for management integration between ShinGinko Tokyo, Limited and the Company

Following the resolution at the board of directors' meeting held on June 12, 2015, the Company signed a basic agreement for management integration between ShinGinko Tokyo, Limited (representative director and president, Hidenori Tsunehisa, hereinafter, "ShinGinko Tokyo") and the Company (the "Integration"), as summarized below.

(1) Basic policy of the Integration

ShinGinko Tokyo and the Company ("both companies") aim to become the top local banking group admired by customers in the Tokyo metropolitan area through achieving synergies.

(a) As the largest local financial institution headquartered in Tokyo, through nurturing and supporting small and medium-sized enterprises (SMEs) in Tokyo in collaboration with the Tokyo metropolitan government and thereby contributing regional development, both companies will establish a far-sighted sustainable business model as local financial institutions and strengthen competitiveness in the Tokyo metropolitan area market as urban local banks.

(b) Through connecting the Company's branch network and broad SME customer base in the Tokyo metropolitan area with the ShinGinko Tokyo's know-how in SME support in collaboration with the Tokyo metropolitan government, both companies will enhance and expand the financial service functions to meet diversified and sophisticated customer needs.

(c) On the back of high profitability and soundness, both companies will motivate employees and challenge the growth strategy with sense of unity based on the spirit of mutual trust.

In addition, to promote nurturing and supporting SMEs in Tokyo, both companies will discuss extensively, including conclusion of arrangements, collaboration with the Tokyo metropolitan government for SME support measures, for example, promoting financing facilities for SMEs, venture support, business reconstruction support and overseas expansion support.

(2) Form of the Integration

Both companies will consult and discuss implementation of a share exchange, targeted by April 1, 2016, in which the Company will become a wholly-owning parent and ShinGinko Tokyo will become a wholly-owned subsidiary (the "Share Exchange"), subject to approval at the shareholders' meeting of both companies and permission by the relevant authorities required for the Integration.

After the Integration, to achieve synergies, both companies will discuss inter-group reorganization, including merger, etc. among the Company's banking subsidiaries and ShinGinko Tokyo.

(3) Content of allotment for the Share Exchange

The content of allotment for the Share Exchange will be determined based on discussions by both companies, taking into consideration the results of due diligence and the results of calculation by third-party calculation institutions, both to be carried out in the future.

(4) Future time schedule

| | |
|---|---|
| September 2015 (scheduled) | Conclusion of the final agreement on the Integration (including the Share Exchange agreement) |
| November 2015 (scheduled) | Extraordinary shareholders' meeting and class shareholders' meeting of both companies (resolution to approve the Share Exchange agreement) |
| April 1, 2016 (scheduled) | Effective date of the Share Exchange |

(5) Overview of ShinGinko Tokyo

(as of March 31, 2015, except for the representative which is as of June 26, 2015)

| | |
|---|---|
| 1. Establishment date | April 1, 2004 (*) |
| 2. Location of the head office | Meiho building, 1-21-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo |
| 3. Representative | Representative director and president, Hidenori Tsunehisa |
| 4. Business | Banking and trust services |
| 5. Capital | ¥20,000 million ($166,430 thousand) |
| 6. Number of shares issued and outstanding | 5,926,207 shares (common stock)<br>2,000,000 shares (class A preferred stock) |
| 7. Total assets | ¥431,456 million ($3,590,380 thousand) |
| 8. Total net assets | ¥55,057 million ($458,159 thousand) |
| 9. Deposits | ¥261,534 million ($2,176,366 thousand) |
| 10. Loans and bills discounted | ¥200,706 million ($1,670,183 thousand) |
| 11. Closing date | March 31 |
| 12. Number of employees | 163 persons |
| 13. Number of branch offices | 1 office |

(*) This is the date of establishment as ShinGinko Tokyo by the Tokyo metropolitan government acquiring all the shares of BNP Paribas Trust Bank. The date of establishment as a corporation was April 5, 1999.

**The Tokyo Tomin Bank, Limited**
**Non-consolidated Balance Sheets (Unaudited)**
**As of March 31, 2015 and 2014**

| | *Millions of Yen* | | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| **Assets** | | | |
| Cash and due from banks | ¥ 213,293 | ¥ 133,105 | $ 1,774,933 |
| Call loans | 3,442 | 22,290 | 28,650 |
| Monetary claims bought | 65 | 192 | 543 |
| Trading account securities | 177 | 45 | 1,476 |
| Securities | 586,219 | 513,166 | 4,878,248 |
| Loans and bills discounted | 1,828,147 | 1,831,521 | 15,213,008 |
| Foreign exchanges | 5,544 | 4,750 | 46,142 |
| Other assets | 12,483 | 13,781 | 103,880 |
| Tangible fixed assets | 32,259 | 14,868 | 268,452 |
| Intangible fixed assets | 1,850 | 2,133 | 15,402 |
| Prepaid pension cost | 11,607 | 9,803 | 96,588 |
| Deferred tax assets | 5,597 | 11,669 | 46,583 |
| Customers' liabilities for acceptances and guarantees | 3,133 | 4,234 | 26,077 |
| Reserve for loan losses | (16,508) | (19,749) | (137,376) |
| **Total assets** | ¥ 2,687,314 | ¥ 2,541,812 | $ 22,362,610 |
| **Liabilities** | | | |
| Deposits | ¥ 2,379,799 | ¥ 2,368,778 | $ 19,803,611 |
| Negotiable certificates of deposit | 25,838 | 28,207 | 215,012 |
| Payables under securities lending transactions | 140,876 | - | 1,172,312 |
| Borrowed money | 7,209 | 12,226 | 59,996 |
| Foreign exchanges | 138 | 118 | 1,155 |
| Bonds payable | 25,600 | 30,600 | 213,031 |
| Other liabilities | 13,757 | 14,247 | 114,485 |
| Reserve for employees' bonuses | 1,076 | 1,101 | 8,960 |
| Reserve for officers' retirement benefits | 101 | 100 | 847 |
| Reserve for point card program | 2 | 2 | 21 |
| Reserve for losses from reimbursement of inactive accounts | 236 | 164 | 1,965 |
| Reserve for contingent losses | 302 | 369 | 2,514 |
| Deferred tax liabilities on land revaluation | 15 | 16 | 127 |
| Acceptances and guarantees | 3,133 | 4,234 | 26,077 |
| **Total liabilities** | 2,598,089 | 2,460,167 | 21,620,120 |
| **Net assets** | | | |
| Common stock | 48,120 | 48,120 | 400,437 |
| Capital surplus | 18,083 | 18,083 | 150,481 |
| Stock acquisition rights | - | 79 | - |
| Retained earnings | 15,369 | 15,641 | 127,895 |
| Treasury stock | - | (1,602) | - |
| **Total shareholders' equity** | 81,573 | 80,322 | 678,814 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 7,862 | 1,534 | 65,425 |
| Revaluation reserve for land | (210) | (211) | (1,749) |
| **Total accumulated other comprehensive income** | 7,651 | 1,323 | 63,676 |
| **Total net assets** | 89,225 | 81,645 | 742,490 |
| **Total liabilities and net assets** | ¥ 2,687,314 | ¥ 2,541,812 | $ 22,362,610 |

*See notes to consolidated financial statements.*

**The Tokyo Tomin Bank, Limited**
**Non-consolidated Statements of Income (Unaudited)**
**For the Years Ended March 31, 2015 and 2014**

| | *Millions of Yen* | | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| **Income** | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 26,720 | ¥ 28,090 | $ 222,355 |
| Interest and dividends on securities | 4,398 | 3,493 | 36,599 |
| Interest on call loans | 86 | 129 | 720 |
| Interest on receivables under securities borrowing transactions | 9 | 4 | 75 |
| Interest on due from banks | 121 | 63 | 1,013 |
| Other interest income | 190 | 196 | 1,582 |
| Fees and commissions | 9,221 | 8,394 | 76,734 |
| Other operating income | 2,177 | 2,636 | 18,121 |
| Other income | 1,552 | 1,469 | 12,919 |
| **Total income** | 44,477 | 44,479 | 370,122 |
| **Expenses** | | | |
| Interest expense: | | | |
| Interest on deposits | 1,163 | 1,359 | 9,681 |
| Interest on negotiable certificates of deposit | 38 | 21 | 317 |
| Interest on call money | 0 | - | 3 |
| Interest on payables under securities lending transactions | 109 | 4 | 911 |
| Interest on borrowed money | 207 | 264 | 1,727 |
| Interest on bonds payable | 698 | 704 | 5,810 |
| Other interest expense | 27 | 29 | 230 |
| Fees and commissions payments | 2,834 | 2,838 | 23,584 |
| Other operating expenses | 16 | 18 | 136 |
| General and administrative expenses | 30,016 | 31,198 | 249,780 |
| Other expenses | 2,606 | 3,365 | 21,687 |
| **Total expenses** | 37,717 | 39,806 | 313,871 |
| **Income before income taxes** | 6,759 | 4,672 | 56,250 |
| **Income taxes:** | | | |
| Current | 255 | 20 | 2,129 |
| Deferred | 3,021 | 429 | 25,143 |
| **Total income taxes** | 3,277 | 450 | 27,273 |
| **Net income** | ¥ 3,482 | ¥ 4,222 | $ 28,977 |

*See notes to consolidated financial statements.*

**The Yachiyo Bank, Limited**
**Non-consolidated Balance Sheets (Unaudited)**
**As of March 31, 2015 and 2014**

| | *Millions of Yen* | | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| **Assets** | | | |
| Cash and due from banks | ¥ 85,467 | ¥ 62,140 | $ 711,221 |
| Call loans | 25,495 | 44,661 | 212,161 |
| Monetary claims bought | 2,946 | 2,438 | 24,521 |
| Trading account securities | 429 | 342 | 3,577 |
| Money held in trust | - | 27 | - |
| Securities | 637,916 | 628,693 | 5,308,447 |
| Loans and bills discounted | 1,466,028 | 1,427,267 | 12,199,621 |
| Foreign exchanges | 2,186 | 3,145 | 18,196 |
| Other assets | 4,690 | 4,680 | 39,029 |
| Tangible fixed assets | 30,176 | 30,476 | 251,118 |
| Intangible fixed assets | 1,265 | 1,860 | 10,533 |
| Deferred tax assets | 4,551 | 6,615 | 37,871 |
| Customers' liabilities for acceptances and guarantees | 3,497 | 4,215 | 29,100 |
| Reserve for loan losses | (10,139) | (11,870) | (84,372) |
| **Total assets** | ¥ 2,254,512 | ¥ 2,204,692 | $ 18,761,029 |
| **Liabilities** | | | |
| Deposits | ¥ 2,122,761 | ¥ 2,079,102 | $ 17,664,650 |
| Negotiable certificates of deposit | 3,930 | 3,050 | 32,703 |
| Borrowed money | 5,000 | 170 | 41,607 |
| Foreign exchanges | 0 | 7 | 4 |
| Bonds with subscription rights to shares | - | 5,000 | - |
| Other liabilities | 6,447 | 5,300 | 53,651 |
| Reserve for employees' bonuses | 869 | 877 | 7,238 |
| Reserve for officers' retirement benefits | 3,546 | 4,712 | 29,512 |
| Reserve for losses from reimbursement of inactive accounts | 608 | 566 | 5,063 |
| Reserve for contingent losses | 438 | 508 | 3,645 |
| Deferred tax liabilities on land revaluation | 2,687 | 2,961 | 22,362 |
| Acceptances and guarantees | 3,497 | 4,215 | 29,100 |
| **Total liabilities** | 2,149,786 | 2,106,472 | 17,889,540 |
| **Net assets** | | | |
| Common stock | 43,734 | 43,734 | 363,941 |
| Capital surplus | 32,922 | 32,922 | 273,968 |
| Retained earnings | 23,574 | 20,899 | 196,177 |
| Treasury stock | - | (1,759) | - |
| **Total shareholders' equity** | 100,232 | 95,797 | 834,088 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 3,891 | 2,098 | 32,384 |
| Deferred gains or losses on hedges | (12) | (16) | (103) |
| Revaluation reserve for land | 615 | 341 | 5,120 |
| **Total accumulated other comprehensive income** | 4,494 | 2,422 | 37,400 |
| **Total net assets** | 104,726 | 98,220 | 871,488 |
| **Total liabilities and net assets** | ¥ 2,254,512 | ¥ 2,204,692 | $ 18,761,029 |

*See notes to consolidated financial statements.*

## The Yachiyo Bank, Limited
## Non-consolidated Statements of Income (Unaudited)
## For the Years Ended March 31, 2015 and 2014

| | *Millions of Yen* | | *Thousands of U.S. Dollars (Note 1)* |
|---|---|---|---|
| | 2015 | 2014 | 2015 |
| **Income** | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 22,356 | ¥ 23,069 | $ 186,038 |
| Interest and dividends on securities | 5,861 | 6,191 | 48,777 |
| Interest on call loans | 116 | 144 | 971 |
| Interest on due from banks | 75 | 23 | 631 |
| Other interest income | 435 | 494 | 3,623 |
| Fees and commissions | 5,537 | 4,792 | 46,076 |
| Other operating income | 2,980 | 3,264 | 24,801 |
| Other income | 3,649 | 2,448 | 30,368 |
| **Total income** | 41,012 | 40,427 | 341,288 |
| **Expenses** | | | |
| Interest expense: | | | |
| Interest on deposits | 1,304 | 1,341 | 10,856 |
| Interest on negotiable certificates of deposit | 1 | 1 | 9 |
| Interest on call money | 0 | 0 | 0 |
| Interest on payables under securities lending transactions | 12 | 1 | 107 |
| Interest on borrowed money | 55 | 4 | 459 |
| Interest on bonds with subscription rights to shares | 53 | 107 | 447 |
| Interest on interest swaps | 9 | 8 | 75 |
| Other interest expense | 15 | 6 | 126 |
| Fees and commissions payments | 2,196 | 2,173 | 18,278 |
| Other operating expenses | 74 | 24 | 621 |
| General and administrative expenses | 26,077 | 26,753 | 217,006 |
| Other expenses | 1,857 | 2,218 | 15,455 |
| **Total expenses** | 31,658 | 32,641 | 263,446 |
| **Income before income taxes** | 9,354 | 7,786 | 77,842 |
| **Income taxes:** | | | |
| Current | 2,142 | 1,107 | 17,832 |
| Deferred | 1,144 | 553 | 9,519 |
| **Total income taxes** | 3,286 | 1,660 | 27,352 |
| **Net income** | ¥ 6,067 | ¥ 6,125 | $ 50,489 |

*See notes to consolidated financial statements.*