

Independent Auditor's Report

The Board of Directors
Tokyo Kiraboshi Financial Group, Inc.

We have audited the accompanying consolidated financial statements of Tokyo Kiraboshi Financial Group, Inc. (formerly, Tokyo TY Financial Group, Inc.) and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, 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 Kiraboshi Financial Group, Inc. (formerly, Tokyo TY Financial Group, Inc.) and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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 28, 2018
Tokyo, Japan

Tokyo Kiraboshi Financial Group, Inc. and Consolidated Subsidiaries

Consolidated Financial Statements Years Ended March 31, 2018 and 2017

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Tokyo Kiraboshi Financial Group Inc. and Consolidated Subsidiaries
Consolidated Balance Sheets
As of March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|---|------------------------|--------------------|---|
| | 2018 | 2017 | 2018 |
| Assets | | | |
| Cash and due from banks (Notes 3, 20 and 23) | ¥ 377,636 | ¥ 515,886 | \$ 3,554,564 |
| Call loans and bills bought | 1,264 | 3,987 | 11,900 |
| Monetary claims bought (Notes 3 and 23) | 55,650 | 45,724 | 523,821 |
| Trading account securities (Notes 3 and 23) | 707 | 794 | 6,655 |
| Securities (Notes 3, 6 and 23) | 1,208,629 | 1,281,164 | 11,376,407 |
| Loans and bills discounted (Notes 4, 6, 23 and 24) | 3,676,146 | 3,621,372 | 34,602,278 |
| Foreign exchanges | 13,556 | 7,584 | 127,605 |
| Other assets (Note 6) | 84,062 | 42,617 | 791,253 |
| Tangible fixed assets (Note 5) | 59,627 | 56,085 | 561,249 |
| Intangible fixed assets | 2,365 | 1,903 | 22,262 |
| Net defined benefit asset (Note 9) | 18,391 | 14,125 | 173,109 |
| Deferred tax assets (Note 14) | 5,184 | 7,823 | 48,801 |
| Customers' liabilities for acceptances and guarantees (Note 10) | 5,677 | 7,880 | 53,439 |
| Reserve for loan losses | (26,195) | (29,644) | (246,570) |
| Total assets | ¥ 5,482,704 | ¥ 5,577,306 | \$ 51,606,777 |
| Liabilities | | | |
| Deposits (Notes 6 and 23) | ¥ 4,652,109 | ¥ 4,717,562 | \$ 43,788,681 |
| Negotiable certificates of deposit | 9,540 | 21,340 | 89,796 |
| Call money and bills sold (Notes 6 and 23) | 58,937 | 40,706 | 554,758 |
| Payables under securities lending transactions (Notes 6 and 23) | 357,265 | 361,309 | 3,362,811 |
| Borrowed money (Notes 6, 7 and 23) | 73,558 | 103,416 | 692,375 |
| Foreign exchanges | 224 | 936 | 2,111 |
| Borrowed money from trust account | 53 | - | 505 |
| Other liabilities (Note 8) | 25,167 | 30,150 | 236,894 |
| Reserve for employees' bonuses | 2,140 | 2,213 | 20,149 |
| Net defined benefit liability (Note 9) | 2,845 | 4,453 | 26,783 |
| Reserve for officers and directors' retirement benefits | 67 | 110 | 631 |
| Reserve for point card program | 58 | 57 | 552 |
| Reserve for losses on interest repayments | 8 | 10 | 76 |
| Reserve for losses from reimbursement of inactive accounts | 1,185 | 1,010 | 11,162 |
| Reserve for losses on cancellation of system contracts | 200 | 200 | 1,882 |
| Reserve for losses on transfer of business | 194 | - | 1,833 |
| Reserve for contingent losses | 612 | 675 | 5,763 |
| Deferred tax liabilities (Note 14) | 1,837 | 1,902 | 17,298 |
| Deferred tax liabilities on land revaluation (Notes 5 and 14) | - | 14 | - |
| Acceptances and guarantees (Note 10) | 5,677 | 7,880 | 53,439 |
| Total liabilities | ¥ 5,191,683 | ¥ 5,293,949 | 48,867,507 |
| Net assets (Notes 11, 12 and 15) | | | |
| Shareholders' equity: | | | |
| Common stock | 27,500 | 27,500 | 258,847 |
| Capital surplus | 150,576 | 150,733 | 1,417,323 |
| Retained earnings | 106,206 | 104,574 | 999,682 |
| Treasury stock | (625) | (632) | (5,889) |
| Total shareholders' equity | 283,657 | 282,175 | 2,669,964 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities (Note 13) | 6,075 | 3,166 | 57,182 |
| Revaluation reserve for land (Note 5) | (242) | (209) | (2,280) |
| Foreign currency translation adjustments | 10 | 8 | 99 |
| Remeasurements of defined benefit plans | 1,146 | (2,216) | 10,788 |
| Total accumulated other comprehensive income | 6,989 | 748 | 65,789 |
| Stock acquisition rights | 101 | 95 | 957 |
| Non-controlling interests | 271 | 337 | 2,557 |
| Total net assets | 291,020 | 283,357 | 2,739,269 |
| Total liabilities and net assets | ¥ 5,482,704 | ¥ 5,577,306 | \$ 51,606,777 |

See notes to consolidated financial statements.

Tokyo Kiraboshi Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|---|------------------------|-----------------|---|
| | 2018 | 2017 | 2018 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 43,992 | ¥ 45,992 | \$ 414,081 |
| Interest and dividends on securities | 12,135 | 11,570 | 114,226 |
| Interest on call loans and bills bought | 36 | 77 | 345 |
| Interest on receivables under securities borrowing transactions | 0 | 0 | 0 |
| Interest on due from banks | 293 | 324 | 2,766 |
| Other interest income | 953 | 924 | 8,978 |
| Trust fees | 56 | 61 | 527 |
| Fees and commissions | 17,582 | 16,165 | 165,502 |
| Other operating income | 3,226 | 5,301 | 30,369 |
| Other income (Note 16) | 4,986 | 22,280 | 46,934 |
| Total income | 83,263 | 102,698 | 783,732 |
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 1,645 | 2,078 | 15,489 |
| Interest on negotiable certificates of deposit | 2 | 5 | 19 |
| Interest on call money and bills sold | 448 | 26 | 4,221 |
| Interest on payables under securities lending transactions | 1,140 | 1,219 | 10,738 |
| Interest on borrowed money | 88 | 128 | 829 |
| Interest on bonds payable | - | 225 | - |
| Interest on bonds with stock acquisition rights | - | 53 | - |
| Other interest expense | 61 | 55 | 580 |
| Fees and commissions payments | 3,473 | 3,540 | 32,694 |
| Other operating expenses | 2,935 | 1,815 | 27,630 |
| General and administrative expenses (Note 17) | 61,235 | 59,976 | 576,384 |
| Other expenses (Note 18) | 7,496 | 6,121 | 70,565 |
| Total expenses | 78,527 | 75,248 | 739,155 |
| Income before income taxes | 4,735 | 27,450 | 44,577 |
| Income taxes (Note 14): | | | |
| Current | 1,107 | 1,997 | 10,427 |
| Deferred | (61) | (120) | (582) |
| Total income taxes | 1,045 | 1,876 | 9,845 |
| Net income (Note 15) | 3,689 | 25,574 | 34,732 |
| Net income belonging to non-controlling shareholders | 12 | 38 | 115 |
| Net income belonging to parent company's shareholders | ¥ 3,677 | ¥ 25,535 | \$ 34,616 |

See notes to consolidated financial statements.

Tokyo Kiraboshi Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|---|------------------------|-----------------|---|
| | 2018 | 2017 | 2018 |
| Net Income | ¥ 3,689 | ¥ 25,574 | \$ 34,732 |
| Other comprehensive income (Note 19): | | | |
| Valuation difference on available-for-sale securities | 2,852 | (5,318) | 26,849 |
| Deferred gains or losses on hedges | - | (6) | - |
| Revaluation reserve for land | (32) | - | (309) |
| Foreign currency translation adjustments | 2 | (3) | 22 |
| Remeasurements of defined benefit plans | 3,362 | 3,005 | 31,647 |
| Share of other comprehensive income of affiliate accounted for by the equity method | 66 | 104 | 624 |
| Total other comprehensive income | <u>6,250</u> | <u>(2,218)</u> | <u>58,835</u> |
| Comprehensive income | <u>¥ 9,940</u> | <u>¥ 23,355</u> | <u>\$ 93,567</u> |
| Total comprehensive income attributable to: | | | |
| Parent company's shareholders | ¥ 9,918 | ¥ 23,306 | \$ 93,359 |
| Non-controlling shareholders | 22 | 48 | 208 |

See notes to consolidated financial statements.

Tokyo Kiraboshi Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2018 and 2017

| | Thousands | Millions of Yen | | | | |
|---|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | | Shareholders' Equity | | | | |
| | Issued number of shares of common stock | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
| Balance, March 31, 2016 | 29,227 | ¥ 20,000 | ¥ 99,585 | ¥ 80,913 | ¥ (594) | ¥ 199,905 |
| Issuance of new shares | | 7,500 | 7,500 | | | 15,000 |
| Increase by share exchanges | 1,422 | | 43,719 | | | 43,719 |
| Cash dividends | | | | (1,874) | | (1,874) |
| Net income belonging to parent company's shareholders | | | | 25,535 | | 25,535 |
| Purchase of treasury stock | | | | | (47) | (47) |
| Disposition of treasury stock | | | 0 | | 9 | 10 |
| Change in interest in subsidiaries | | | (72) | | | (72) |
| Net changes in items other than those in shareholders' equity | | | | | | |
| Total changes during the year | 1,422 | 7,500 | 51,147 | 23,660 | (37) | 82,270 |
| Balance, March 31, 2017 | 30,650 | ¥ 27,500 | ¥ 150,733 | ¥ 104,574 | ¥ (632) | ¥ 282,175 |
| Purchase of shares of consolidated subsidiaries | | | 7 | | | 7 |
| Cash dividends | | | | (2,078) | | (2,078) |
| Net income belonging to parent company's shareholders | | | | 3,677 | | 3,677 |
| Purchase of treasury stock | | | | | (38) | (38) |
| Disposition of treasury stock | | | (5) | | 44 | 38 |
| Change in interest in subsidiaries | | | (158) | | | (158) |
| Reversal of revaluation reserve for land | | | | 32 | | 32 |
| Net changes in items other than those in shareholders' equity | | | | | | |
| Total changes during the year | - | - | (157) | 1,631 | 6 | 1,481 |
| Balance, March 31, 2018 | 30,650 | ¥ 27,500 | ¥ 150,576 | ¥ 106,206 | ¥ (625) | ¥ 283,657 |

See notes to consolidated financial statements.

Millions of Yen

| | Accumulated Other Comprehensive Income | | | | | | | | | Total Net Assets |
|---|---|------------------------------------|------------------------------|--|---|--|--------------------------|---------------------------|---------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign Currency Translation Adjustments | Remeasurements of defined benefit plans | Total Accumulated Other Comprehensive Income | Stock Acquisition Rights | Non-controlling Interests | | |
| Balance, March 31, 2016 | ¥ 8,390 | ¥ 6 | ¥ (209) | ¥ 11 | ¥ (5,221) | ¥ 2,977 | ¥ 46 | ¥ 286 | ¥ 203,216 | |
| Issuance of new shares | | | | | | | | | 15,000 | |
| Increase by share exchanges | | | | | | | | | 43,719 | |
| Cash dividends | | | | | | | | | (1,874) | |
| Net income belonging to parent company's shareholders | | | | | | | | | 25,535 | |
| Purchase of treasury stock | | | | | | | | | (47) | |
| Disposition of treasury stock | | | | | | | | | 10 | |
| Change in interest in subsidiaries | | | | | | | | | (72) | |
| Net changes in items other than those in shareholders' equity | (5,224) | (6) | - | (3) | 3,005 | (2,229) | 49 | 50 | (2,129) | |
| Total changes during the year | (5,224) | (6) | - | (3) | 3,005 | (2,229) | 49 | 50 | 80,140 | |
| Balance, March 31, 2017 | ¥ 3,166 | ¥ - | ¥ (209) | ¥ 8 | ¥ (2,216) | ¥ 748 | ¥ 95 | ¥ 337 | ¥ 283,357 | |
| Purchase of shares of consolidated subsidiaries | | | | | | | | | 7 | |
| Cash dividends | | | | | | | | | (2,078) | |
| Net income belonging to parent company's shareholders | | | | | | | | | 3,677 | |
| Purchase of treasury stock | | | | | | | | | (38) | |
| Disposition of treasury stock | | | | | | | | | 38 | |
| Change in interest in subsidiaries | | | | | | | | | (158) | |
| Reversal of revaluation reserve for land | | | | | | | | | 32 | |
| Net changes in items other than those in shareholders' equity | 2,909 | - | (32) | 2 | 3,362 | 6,240 | 5 | (65) | 6,181 | |
| Total changes during the year | 2,909 | - | (32) | 2 | 3,362 | 6,240 | 5 | (65) | 7,662 | |
| Balance, March 31, 2018 | ¥ 6,075 | ¥ - | ¥ (242) | ¥ 10 | ¥ 1,146 | ¥ 6,989 | ¥ 101 | ¥ 271 | ¥ 291,020 | |

See notes to consolidated financial statements.

Thousands of U.S. Dollars (Note 2)

| | Shareholders' Equity | | | | |
|---|----------------------|---------------------|----------------------|-------------------|-------------------------------|
| | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
| Balance, April 1, 2017 | \$ 258,847 | \$ 1,418,801 | \$ 984,322 | \$ (5,950) | \$ 2,656,021 |
| Purchase of shares of consolidated subsidiaries | | 72 | | | 72 |
| Cash dividends | | | (19,565) | | (19,565) |
| Net income belonging to parent company's shareholders | | | 34,616 | | 34,616 |
| Purchase of treasury stock | | | | (358) | (358) |
| Disposition of treasury stock | | (55) | | 420 | 365 |
| Change in interest in subsidiaries | | (1,495) | | | (1,495) |
| Reversal of revaluation reserve for land | | | 309 | | 309 |
| Net changes in items other than those in shareholders' equity | | | | | |
| Total changes during the year | - | (1,477) | 15,359 | 61 | 13,943 |
| Balance, March 31, 2018 | <u>\$ 258,847</u> | <u>\$ 1,417,323</u> | <u>\$ 999,682</u> | <u>\$ (5,889)</u> | <u>\$ 2,669,964</u> |

Thousands of U.S. Dollars (Note 2)

| | Accumulated Other Comprehensive Income | | | | | | | | Total Net Assets |
|---|---|---|------------------------------------|---|---|--|--------------------------------|----------------------------------|---------------------|
| | Valuation difference on available-for- sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign Currency Translation Adjustments | Remeasurements of defined benefit plans | Total Accumulated Other Comprehensive Income | Stock Acquisition Rights | Non- controlling Interests | |
| Balance, April 1, 2017 | \$ 29,800 | \$ - | \$ (1,971) | \$ 76 | \$ (20,858) | \$ 7,046 | \$ 901 | \$ 3,172 | \$ 2,667,142 |
| Purchase of shares of consolidated subsidiaries | | | | | | | | | 72 |
| Cash dividends | | | | | | | | | (19,565) |
| Net income belonging to parent company's shareholders | | | | | | | | | 34,616 |
| Purchase of treasury stock | | | | | | | | | (358) |
| Disposition of treasury stock | | | | | | | | | 365 |
| Change in interest in subsidiaries | | | | | | | | | (1,495) |
| Reversal of revaluation reserve for land | | | | | | | | | 309 |
| Net changes in items other than those in shareholders' equity | 27,382 | - | (309) | 22 | 31,647 | 58,743 | 56 | (615) | 58,183 |
| Total changes during the year | 27,382 | - | (309) | 22 | 31,647 | 58,743 | 56 | (615) | 72,127 |
| Balance, March 31, 2018 | <u>\$ 57,182</u> | <u>\$ -</u> | <u>\$ (2,280)</u> | <u>\$ 99</u> | <u>\$ 10,788</u> | <u>\$ 65,789</u> | <u>\$ 957</u> | <u>\$ 2,557</u> | <u>\$ 2,739,269</u> |

See notes to consolidated financial statements.

Tokyo Kiraboshi Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|--|------------------------|------------------|---|
| | 2018 | 2017 | 2018 |
| Operating activities: | | | |
| Income before income taxes | ¥ 4,735 | ¥ 27,450 | \$ 44,577 |
| Depreciation and amortization | 3,254 | 3,023 | 30,629 |
| Retirement benefit expenses | 1,008 | 830 | 9,489 |
| Gain on negative goodwill | - | (19,443) | - |
| Equity in earnings of investment in affiliate | (35) | (78) | (329) |
| Net decrease in reserve for loan losses | (3,449) | (454) | (32,464) |
| Net (decrease) increase in reserve for employees' bonuses | (72) | 37 | (682) |
| Net increase in retirement benefit asset | (4,265) | (5,478) | (40,150) |
| Net decrease in retirement benefit liability | (1,607) | (1,215) | (15,132) |
| Net (decrease) increase in reserve for officers and directors' retirement benefits | (42) | 24 | (403) |
| Net increase in reserve for point card program | 1 | 4 | 10 |
| Net decrease in reserve for losses on interest repayments | (2) | (3) | (21) |
| Net increase in reserve for losses from reimbursement of inactive accounts | 175 | 21 | 1,649 |
| Net increase in reserve for losses on cancellation of system contracts | - | 200 | - |
| Net increase in reserve for losses on transfer of business | 194 | - | 1,833 |
| Net decrease in reserve for contingent losses | (63) | (5) | (593) |
| Interest income | (57,411) | (58,889) | (540,398) |
| Interest expense | 3,386 | 3,793 | 31,880 |
| Net gains related to securities transactions | (1,206) | (2,544) | (11,352) |
| Net exchange losses (gains) | 9,433 | (8,308) | 88,796 |
| Net (gains) losses on disposition of fixed assets | (202) | 272 | (1,909) |
| Gain on state subsidy and other grants | - | (156) | - |
| Net decrease (increase) in trading securities | 87 | (136) | 823 |
| Net increase in loans and bills discounted | (54,773) | (38,866) | (515,563) |
| Net decrease in deposits | (65,452) | (78,076) | (616,081) |
| Net decrease in negotiable certificates of deposit | (11,800) | (12,866) | (111,069) |
| Net decrease in borrowed money (excluding subordinated borrowed money) | (29,858) | (2,009) | (281,042) |
| Net decrease in due from banks (excluding due from the Bank of Japan) | 9,170 | 1,860 | 86,319 |
| Net (increase) decrease in call loans and bills bought | (7,203) | 29,819 | (67,800) |
| Net increase in call money | 18,230 | 40,706 | 171,600 |
| Net (decrease) increase in payables under securities lending transactions | (4,044) | 67,982 | (38,073) |
| Net increase in foreign exchange-assets | (5,972) | (1,053) | (56,214) |
| Net (decrease) increase in foreign exchange-liabilities | (711) | 867 | (6,701) |
| Net increase in borrowed money from trust account | 53 | - | 505 |
| Interest received | 57,753 | 60,717 | 543,613 |
| Interest paid | (3,413) | (4,354) | (32,126) |
| Other-net | (16,175) | (5,554) | (152,256) |
| Subtotal | (160,277) | (1,881) | (1,508,639) |
| Income taxes paid | (1,669) | (2,745) | (15,712) |
| Income taxes refunded | 379 | 350 | 3,575 |
| Net cash used in operating activities | ¥ (161,567) | ¥ (4,276) | \$ (1,520,776) |

(Continued)

Tokyo Kiraboshi Financial Group, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|---|------------------------|------------------|---|
| | 2018 | 2017 | 2018 |
| Investing activities: | | | |
| Purchases of securities | ¥ (473,425) | ¥ (556,723) | \$ (4,456,192) |
| Proceeds from sales of securities | 322,075 | 362,521 | 3,031,579 |
| Proceeds from maturity of securities | 192,296 | 291,314 | 1,810,017 |
| Purchases of tangible fixed assets | (5,809) | (4,467) | (54,679) |
| Payments for disposition of tangible fixed assets | (118) | (171) | (1,111) |
| Proceeds from sales of tangible assets | 1,199 | 42 | 11,289 |
| Purchases of intangible assets | (1,019) | (758) | (9,596) |
| Payments of investments in capital | - | (103) | - |
| Proceeds from state subsidy and other grants | - | 58 | - |
| Net cash provided by investing activities | 35,197 | 91,712 | 331,306 |
| Financing activities: | | | |
| Repayments of subordinated borrowings | - | (2,000) | - |
| Payments for redemption of subordinated bonds | - | (21,000) | - |
| Proceeds from issuance of shares | - | 14,881 | - |
| Cash dividends paid | (2,083) | (1,877) | (19,612) |
| Cash dividends paid to non-controlling interests | (35) | (54) | (334) |
| Payments for purchase of treasury stock | (38) | (47) | (358) |
| Proceeds from sales of treasury stock | 38 | 10 | 365 |
| Payments for acquisition of shares in subsidiaries that do not result in change in scope of consolidation | (213) | (52) | (2,005) |
| Proceeds from sales of shares in subsidiaries that do not result in change in scope of consolidation | - | 81 | - |
| Payments of lease obligations | (379) | (363) | (3,569) |
| Net cash used in financing activities | (2,710) | (10,421) | (25,515) |
| Effect of exchange rate change on cash and cash equivalents | 1 | 4 | 12 |
| Net (decrease) increase in cash and cash equivalents | (129,078) | 77,018 | (1,214,973) |
| Cash and cash equivalents at beginning of year | 504,444 | 393,056 | 4,748,162 |
| Increase in cash and cash equivalents resulting from share exchange (Note 21) | - | 34,369 | - |
| Cash and cash equivalents at end of year (Note 20) | ¥ 375,365 | ¥ 504,444 | \$ 3,533,188 |

(Concluded)

See notes to consolidated financial statements.

Tokyo Kiraboshi Financial Group, Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended March 31, 2018 and 2017

1. Summary of Significant Accounting Policies

a. Basis of presentation

Tokyo Kiraboshi Financial Group, Inc. (formerly, 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.

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 13 subsidiaries (collectively, the “Group”).

As of November 1, 2017, Kiraboshi Tech, Inc. was established as a 100% owned subsidiary of Tokyo Tomin, a consolidated subsidiary, and has been included in the scope of consolidation from the year ended March 31, 2018.

As of April 3, 2017, Tomin Management Research Institute Co., Limited changed its trade name to Kiraboshi Consulting Co., Limited.

As of May 1, 2018, Yachiyo, Tokyo Tomin and ShinGinko Tokyo, Limited (“ShinGinko Tokyo”) conducted an absorption-type merger, with Yachiyo as the surviving company, and Tokyo Tomin and ShinGinko Tokyo as the dissolving companies, and Yachiyo changed its trade name to Kiraboshi Bank, Ltd. (“Kiraboshi Bank”). See Note 26.

As of the same date, the following consolidated companies changed their trade names to the following:

| | |
|-------------------------------------|--------------------------------------|
| Yachiyo Service Co., Ltd.: | Kiraboshi Service Co., Ltd. |
| Yachiyo Business Service Co., Ltd.: | Kiraboshi Business Service Co., Ltd. |
| Yachiyo Credit Service Co., Ltd.: | Kiraboshi Credit Service Co., Ltd. |
| Tomin Card Co., Ltd.: | Kiraboshi JCB Co., Ltd. |

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.

Investments in two affiliated companies are accounted for by the equity method.

As of May 1, 2018, Tokyo TY Leasing Co., Ltd., an affiliated company accounted for by the equity method, changed its trade name to Tokyo Kiraboshi Leasing Co., Ltd.

Tokyo Kanagawa Innovation Support Series 1 Investment Limited Partnership, a subsidiary newly established during the fiscal year ended March 31, 2018, is not consolidated nor accounted for by the equity method but is

stated at cost, because it is insignificant in terms of the aggregated amount of its assets, ordinary income, net income, retained earnings and other accumulated comprehensive income and, thus, its impact on the consolidated financial statements is immaterial.

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 balance sheet dates of the consolidated subsidiaries at March 31, 2018 are as follows:

| | |
|------------------|----|
| December 31..... | 1 |
| March 31..... | 12 |

The subsidiary with the balance sheet date of December 31 is consolidated after the accounts are provisionally closed as of March 31 for the purpose of consolidation. The other subsidiaries are consolidated on the basis of their respective financial statements with the same balance sheet date as the consolidated balance sheet date.

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 range 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 lives 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 over the estimated useful life of 5 years.

Lease assets under finance leases 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 of part of the consolidated subsidiaries engaged in banking, the amount of the claims exceeding the estimated value of collateral and guarantees was deemed to be uncollectible and was written off against the total amount of the outstanding claims until the year ended March 31, 2015; however, from the year ended March 31, 2016, in line with the management integration, such amount is no longer written off directly but provided as a reserve. As of March 31, 2018 and 2017, the outstanding write-offs made before April 1, 2015 amounted to ¥1,173 million (\$11,050 thousand) and ¥1,615 million, respectively.

For part of the 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.

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 losses on cancellation of system contracts

A reserve for losses on cancellation of system contracts is provided at the amount considered necessary to cover the estimated future losses on early cancellation of the outsourcing service contracts for existing core systems as a result of integrating core systems used by a certain consolidated banking subsidiary to those used by another consolidated banking subsidiary in May 2018.

o. Reserve for losses on transfer of business

A reserve for losses on transfer of business is provided at the amount considered necessary to cover the estimated future losses on transfer of the business of a certain consolidated subsidiary.

p. 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.

q. Retirement benefits

In determining the retirement benefit liability for certain 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).

Actuarial differences are charged to income from the period following the period in which they arise using the straight-line method based on the average remaining service period of the employees (11 to 12 years, 14 to 15 years).

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

r. 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.

s. 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” (Japanese Institute of Certified Public Accountants (the “JICPA”) Industry Audit Committee Report No. 24, February 13, 2002). The Group assesses the effectiveness of such hedge for offsetting changes in interest rate, by classifying the hedged 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 years ended March 31, 2018 and 2017.

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.

t. Appropriation of retained earnings

Under the Companies Act of Japan (the “Companies Act”), 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. Therefore, the accounts for that period do not, reflect such appropriations. See Note 26.

u. Cash and cash equivalents

For purposes of the consolidated statements 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 sheets.

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, consumption taxes etc. relating to tangible fixed assets that are not tax-deductible are accounted for as an expense in the fiscal year in which they are incurred.

w. Accounting Standards and Guidance issued but not yet applied

1. Implementation Guidance on Tax Effect Accounting, etc.

- “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, revision on February 16, 2018)
- “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, final revision on February 16, 2018)

(1) Outline

The “Implementation Guidance on Tax Effect Accounting” and “Implementation Guidance on Recoverability of Deferred Tax Assets” adhere fundamentally to the previous contents and made the following revisions that were deemed necessary, on the occasion of transferring the practical guidelines on tax effect accounting from the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ).

(Major accounting treatments revised)

- The accounting treatment for taxable temporary differences related to investments in subsidiaries when an entity prepares separate financial statements
- The accounting treatment related to the recoverability of deferred tax assets in entities that qualify as Category 1

(2) Scheduled date of adoption

The Company expects to adopt the implementation guidance from the beginning of the fiscal year ending March 31, 2019.

(3) Impact of the adoption of implementation guidance

The Company is currently evaluating the effect of the adoption of this implementation guidance on its consolidated financial statements.

2. Accounting Standard for Revenue Recognition, etc.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Outline

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published the “Revenue from Contracts with Customers” (IFRS 15 for the IASB and Topic 606 for the FASB) in May 2014. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 and Topic 606 is effective for fiscal years beginning after December 15, 2017. Given these circumstances, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them with the implementation guidance thereon.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to set such accounting standards by adopting basic principles of IFRS 15 as a starting point, from the viewpoint of comparability among financial statements, which is one of benefits of ensuring consistency with IFRS 15, and to additionally provide for alternative accounting treatment to the extent that it would not impair comparability, if there is an item to be taken into consideration in practices that have been conducted in Japan.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.24 = \$1, the approximate rate of exchange on March 31, 2018, 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

As of March 31, 2018 and 2017, securities included equity investments in an affiliated company that amounted to ¥1,031 million (\$9,711 thousand) and ¥977 million, respectively.

As of March 31, 2018, Japanese government bonds included bonds of ¥2,999 million (\$28,232 thousand), which were being loaned 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 as of March 31, 2018 and 2017 were ¥46,131 million (\$434,222 thousand) and ¥32,246 million, respectively.

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 sheets and trust beneficiary rights which are classified as "Monetary claims bought" in the consolidated balance sheets.

As of March 31, 2018 and 2017, valuation gain on trading securities included in income before income taxes was ¥1 million (\$18 thousand) and ¥3 million, respectively.

■ Held-to-maturity securities

The following tables summarize carrying values, fair values and differences of securities with available fair values as of March 31, 2018 and 2017:

| | <i>Millions of Yen</i> | | |
|--|------------------------|------------|-------------------------------|
| | 2018 | | Net unrealized gains (losses) |
| | Carrying value | Fair value | |
| Securities with fair value exceeding carrying value: | | | |
| Japanese government bonds | ¥ 304,565 | ¥ 317,428 | ¥ 12,863 |
| Japanese local government bonds | 22,464 | 22,675 | 210 |
| Japanese corporate bonds | 69,312 | 70,052 | 740 |
| Foreign securities | 3,997 | 4,068 | 70 |
| Subtotal | 400,339 | 414,224 | 13,885 |
| Securities with fair value not exceeding carrying value: | | | |
| Japanese government bonds | - | - | - |
| Japanese local government bonds | 604 | 604 | (0) |
| Japanese corporate bonds | 10,623 | 10,563 | (60) |
| Foreign securities | 23,027 | 22,655 | (372) |
| Subtotal | 34,254 | 33,822 | (432) |
| Total | ¥ 434,594 | ¥ 448,047 | ¥ 13,453 |

| <i>Millions of Yen</i> | | | |
|--|----------------|------------|-------------------------------|
| 2017 | | | |
| | Carrying value | Fair value | Net unrealized gains (losses) |
| Securities with fair value exceeding carrying value: | | | |
| Japanese government bonds | ¥ 295,633 | ¥ 310,271 | ¥ 14,638 |
| Japanese local government bonds | 34,286 | 34,576 | 290 |
| Japanese corporate bonds | 83,007 | 83,962 | 955 |
| Foreign securities | 26,132 | 26,343 | 211 |
| Subtotal | 439,059 | 455,154 | 16,095 |
| Securities with fair value not exceeding carrying value: | | | |
| Japanese government bonds | 12,126 | 11,935 | (190) |
| Japanese local government bonds | - | - | - |
| Japanese corporate bonds | 11,877 | 11,772 | (105) |
| Foreign securities | 2,000 | 1,922 | (77) |
| Subtotal | 26,004 | 25,630 | (373) |
| Total | ¥ 465,063 | ¥ 480,785 | ¥ 15,722 |

| <i>Thousands of U.S. Dollars</i> | | | |
|--|----------------|--------------|-------------------------------|
| 2018 | | | |
| | Carrying value | Fair value | Net unrealized gains (losses) |
| Securities with fair value exceeding carrying value: | | | |
| Japanese government bonds | \$ 2,866,770 | \$ 2,987,847 | \$ 121,077 |
| Japanese local government bonds | 211,447 | 213,431 | 1,984 |
| Japanese corporate bonds | 652,412 | 659,383 | 6,971 |
| Foreign securities | 37,623 | 38,291 | 668 |
| Subtotal | 3,768,253 | 3,898,954 | 130,701 |
| Securities with fair value not exceeding carrying value: | | | |
| Japanese government bonds | - | - | - |
| Japanese local government bonds | 5,686 | 5,685 | (1) |
| Japanese corporate bonds | 99,993 | 99,426 | (567) |
| Foreign securities | 216,749 | 213,247 | (3,501) |
| Subtotal | 322,429 | 318,359 | (4,070) |
| Total | \$ 4,090,683 | \$ 4,217,314 | \$ 126,631 |

■ Available-for-sale securities

The following tables summarize carrying values, acquisition costs and differences of securities with available fair values as of March 31, 2018 and 2017:

| | <i>Millions of Yen</i> | | |
|--|------------------------|------------------|-------------------------------|
| | 2018 | | |
| | Carrying value | Acquisition cost | Net unrealized gains (losses) |
| Securities with carrying value exceeding acquisition cost: | | | |
| Corporate stocks | ¥ 23,904 | ¥ 14,478 | ¥ 9,426 |
| Bonds: | | | |
| Japanese government bonds | 115,857 | 115,607 | 250 |
| Japanese local government bonds | 18,878 | 18,696 | 181 |
| Japanese short-term corporate bonds | - | - | - |
| Japanese corporate bonds | 197,172 | 195,878 | 1,293 |
| Total bonds | 331,908 | 330,182 | 1,725 |
| Other securities | 109,885 | 107,184 | 2,700 |
| Subtotal | 465,698 | 451,846 | 13,852 |
| Securities with carrying value not exceeding acquisition cost: | | | |
| Corporate stocks | 10,232 | 11,185 | (953) |
| Bonds: | | | |
| Japanese government bonds | 28,250 | 28,642 | (391) |
| Japanese local government bonds | 12,703 | 12,863 | (159) |
| Japanese short-term corporate bonds | 9,999 | 9,999 | - |
| Japanese corporate bonds | 111,492 | 112,164 | (671) |
| Total bonds | 162,447 | 163,669 | (1,222) |
| Other securities | 161,603 | 165,207 | (3,603) |
| Subtotal | 334,282 | 340,061 | (5,779) |
| Total | ¥ 799,980 | ¥ 791,908 | ¥ 8,072 |

| | <i>Millions of Yen</i> | | |
|--|------------------------|------------------|-------------------------------|
| | 2017 | | |
| | Carrying value | Acquisition cost | Net unrealized gains (losses) |
| Securities with carrying value exceeding acquisition cost: | | | |
| Corporate stocks | ¥ 24,204 | ¥ 16,819 | ¥ 7,384 |
| Bonds: | | | |
| Japanese government bonds | 148,645 | 147,655 | 989 |
| Japanese local government bonds | 27,141 | 26,869 | 271 |
| Japanese short-term corporate bonds | - | - | - |
| Japanese corporate bonds | 209,327 | 207,669 | 1,658 |
| Total bonds | 385,114 | 382,194 | 2,920 |
| Other securities | 109,950 | 108,321 | 1,628 |
| Subtotal | 519,269 | 507,335 | 11,933 |
| Securities with carrying value not exceeding acquisition cost: | | | |
| Corporate stocks | 8,202 | 9,929 | (1,726) |
| Bonds: | | | |
| Japanese government bonds | 29,059 | 29,909 | (849) |
| Japanese local government bonds | 10,928 | 11,184 | (256) |
| Japanese short-term corporate bonds | 9,999 | 9,999 | - |
| Japanese corporate bonds | 117,576 | 118,415 | (839) |
| Total bonds | 167,563 | 169,509 | (1,945) |
| Other securities | 150,909 | 154,855 | (3,946) |
| Subtotal | 326,675 | 334,293 | (7,618) |
| Total | ¥ 845,944 | ¥ 841,629 | ¥ 4,315 |

| | <i>Thousands of U.S. Dollars</i> | | |
|--|----------------------------------|------------------|-------------------------------|
| | 2018 | | |
| | Carrying value | Acquisition cost | Net unrealized gains (losses) |
| Securities with carrying value exceeding acquisition cost: | | | |
| Corporate stocks | \$ 225,005 | \$ 136,279 | \$ 88,725 |
| Bonds: | | | |
| Japanese government bonds | 1,090,528 | 1,088,172 | 2,356 |
| Japanese local government bonds | 177,695 | 175,983 | 1,712 |
| Japanese short-term corporate bonds | - | - | - |
| Japanese corporate bonds | 1,855,916 | 1,843,739 | 12,177 |
| Total bonds | 3,124,140 | 3,107,895 | 16,245 |
| Other securities | 1,034,311 | 1,008,893 | 25,417 |
| Subtotal | 4,383,457 | 4,253,068 | 130,388 |
| Securities with carrying value not exceeding acquisition cost: | | | |
| Corporate stocks | 96,310 | 105,280 | (8,970) |
| Bonds: | | | |
| Japanese government bonds | 265,916 | 269,600 | (3,684) |
| Japanese local government bonds | 119,572 | 121,076 | (1,503) |
| Japanese short-term corporate bonds | 94,126 | 94,126 | - |
| Japanese corporate bonds | 1,049,441 | 1,055,763 | (6,322) |
| Total bonds | 1,529,057 | 1,540,567 | (11,509) |
| Other securities | 1,521,113 | 1,555,036 | (33,922) |
| Subtotal | 3,146,481 | 3,200,884 | (54,402) |
| Total | \$ 7,529,939 | \$ 7,453,953 | \$ 75,985 |

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 statements of income unless the value is considered recoverable.

For the year ended March 31, 2018, no impairment loss was recognized.

For the year ended March 31, 2017, impairment loss of ¥1 million for bonds was recognized.

Determining whether the fair value has “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 years ended March 31, 2018 and 2017:

| | <i>Millions of Yen</i> | | |
|-------------------------------------|------------------------|----------------|-----------------|
| | 2018 | | |
| | Sales proceeds | Realized gains | Realized losses |
| Corporate stocks | ¥ 10,268 | ¥ 2,599 | ¥ 106 |
| Bonds: | | | |
| Japanese government bonds | 76,871 | 162 | 14 |
| Japanese local government bonds | 11,444 | 92 | 36 |
| Japanese short-term corporate bonds | 4,000 | - | 0 |
| Japanese corporate bonds | 54,812 | 422 | 19 |
| Total bonds | 147,128 | 677 | 70 |
| Other securities | 170,232 | 419 | 2,412 |
| Total | ¥ 327,630 | ¥ 3,696 | ¥ 2,589 |

| | <i>Millions of Yen</i> | | |
|-------------------------------------|------------------------|----------------|-----------------|
| | 2017 | | |
| | Sales proceeds | Realized gains | Realized losses |
| Corporate stocks | ¥ 4,474 | ¥ 1,198 | ¥ 77 |
| Bonds: | | | |
| Japanese government bonds | 131,326 | 1,067 | 562 |
| Japanese local government bonds | 27,691 | 376 | 11 |
| Japanese short-term corporate bonds | - | - | - |
| Japanese corporate bonds | 28,888 | 448 | 150 |
| Total bonds | 187,905 | 1,892 | 723 |
| Other securities | 149,008 | 1,059 | 867 |
| Total | ¥ 341,388 | ¥ 4,149 | ¥ 1,669 |

| | <i>Thousands of U.S. Dollars</i> | | |
|-------------------------------------|----------------------------------|----------------|-----------------|
| | 2018 | | |
| | Sales proceeds | Realized gains | Realized losses |
| Corporate stocks | \$ 96,657 | \$ 24,471 | \$ 1,005 |
| Bonds: | | | |
| Japanese government bonds | 723,567 | 1,528 | 138 |
| Japanese local government bonds | 107,725 | 871 | 342 |
| Japanese short-term corporate bonds | 37,650 | - | 0 |
| Japanese corporate bonds | 515,927 | 3,976 | 181 |
| Total bonds | 1,384,871 | 6,376 | 662 |
| Other securities | 1,602,340 | 3,949 | 22,708 |
| Total | \$ 3,083,869 | \$ 34,797 | \$ 24,376 |

4. Loans and Bills Discounted

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 as of March 31, 2018 and 2017 were as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|---|------------------------|----------|--------------------------------------|
| | 2018 | 2017 | 2018 |
| Loans to borrowers in bankruptcy | ¥ 6,774 | ¥ 5,768 | \$ 63,770 |
| Delinquent loans | 75,862 | 83,620 | 714,070 |
| Loans past due for three months or more | 264 | 239 | 2,488 |
| Restructured loans | 2,541 | 3,253 | 23,926 |
| Total | ¥ 85,444 | ¥ 92,882 | \$ 804,255 |

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, 2018 and 2017, total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥42,645 million (\$401,408 thousand) and ¥40,944 million, respectively.

As of March 31, 2018 and 2017, 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 ¥1,014 million (\$9,544 thousand) and ¥500 million, respectively.

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, 2018 and 2017 amounted to ¥881,307 million (\$8,295,438 thousand) and ¥923,915 million, respectively. 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 were ¥858,882 million (\$8,084,356 thousand) and ¥898,224 million, as of March 31, 2018 and 2017, respectively.

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. Tangible Fixed Assets

Tangible fixed assets were shown at net of the following accumulated depreciation:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|--------------------------|------------------------|----------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Accumulated depreciation | ¥ 35,700 | ¥ 38,204 | \$ 336,035 |

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), and “Revaluation reserve for land” has been recorded in net assets.

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 posted land price governed by the Law Concerning Public Notification of Land Prices and the standard land price governed by the Order for Enforcement of the National Land Use Planning Law, with making reasonable adjustments, as stipulated in Article 2-1 or 2-2 of the Order for Enforcement of the Law Concerning Land Revaluation (Cabinet Order No. 119 promulgated on March 31, 1998). Difference between the

revalued carrying amount and fair value of lands being revalued pursuant to the Article 10 of the law as of March 31, 2018 and 2017 were ¥273 million (\$2,569 thousand) and ¥153 million, respectively.

The advanced depreciation entry for tangible fixed assets amounted to ¥140 million (\$1,319 thousand) and ¥191 million for the years ended March 31, 2018 and 2017, respectively.

6. Pledged Assets

Assets pledged as collateral as of March 31, 2018 and 2017 consisted of the following:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|--|------------------------|-----------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Assets pledged as collateral: | | | 2018 |
| Securities | ¥ 496,122 | ¥ 505,717 | \$ 4,669,830 |
| Loan and bills discounted | 9,840 | 17,544 | 92,620 |
| Other assets | 16 | 36 | 155 |
| Liabilities corresponding to assets pledged as collateral: | | | |
| Deposits | ¥ 5,063 | ¥ 43,013 | \$ 47,658 |
| Call money and bills sold | 26,562 | 15,706 | 250,023 |
| Payable under securities lending transactions | 332,534 | 354,801 | 3,130,032 |
| Borrowed money | 68,000 | 98,000 | 640,060 |

In addition to the assets presented above, securities totaling ¥49,283 million (\$463,886 thousand) and ¥82,363 million 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, 2018 and 2017, respectively.

Other assets as of March 31, 2018 and 2017 included following:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|--|------------------------|---------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Deposits | ¥ 4,479 | ¥ 5,701 | \$ 42,160 |
| Cash collateral paid for financial instruments | 113 | - | 1,063 |
| Margin deposits to central counterparty clearing house | 37,319 | 10,236 | 351,277 |

7. Borrowed Money

Borrowed money as of March 31, 2018 and 2017 included subordinated borrowings amounting to ¥5,000 million (\$47,063 thousand) and ¥5,000 million, respectively.

Annual maturities of borrowed money as of March 31, 2018 were as follows:

| <u>Year ending March 31</u> | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|-----------------------------|------------------------|--------|---------------------|
| | | | <i>U.S. Dollars</i> |
| 2019 | ¥ 30,291 | | \$ 285,126 |
| 2020 | | 10,084 | 94,920 |
| 2021 | | 28,066 | 264,175 |
| 2022 | | 49 | 461 |
| 2023 | | 29 | 278 |
| 2024 and thereafter | | 5,037 | 47,413 |
| Total | ¥ 73,558 | | \$ 692,375 |

8. Other Liabilities

Lease obligations

Lease obligations of ¥1,939 million (\$18,256 thousand) were included in “Other liabilities”. The average interest rates on lease obligations as of March 31, 2018 with maturities dates subsequent to March 31, 2019 was 4.43%.

The aggregate annual maturities of lease obligations subsequent to March 31, 2018 were summarized as follows:

| <u>Year ending March 31</u> | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|-----------------------------|------------------------|--------------------------------------|
| 2019 | ¥ 463 | \$ 4,361 |
| 2020 | 421 | 3,970 |
| 2021 | 312 | 2,939 |
| 2022 | 250 | 2,353 |
| 2023 | 197 | 1,856 |
| 2024 and thereafter | 294 | 2,773 |
| Total | ¥ 1,939 | \$ 18,256 |

9. 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 was 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 were 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. For the lump-sum payment plans, the simplified method is applied in calculating the net defined benefit liability and retirement benefit expenses.

Tokyo Tomin and Yachiyo have established retirement benefit trusts.

(2) Defined benefit plans

The changes in the benefit obligation during the years ended March 31, 2018 and 2017 were as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|--|------------------------|----------|----------------------------------|
| | 2018 | 2017 | 2018 |
| Retirement benefit obligation at beginning of year | ¥ 57,637 | ¥ 58,717 | \$ 542,523 |
| Increase due to share exchange | - | 138 | - |
| Service cost | 1,543 | 1,575 | 14,529 |
| Interest cost | 236 | 205 | 2,227 |
| Actuarial difference | (139) | 485 | (1,308) |
| Retirement benefits paid | (3,576) | (3,485) | (33,665) |
| Other | 1,144 | - | 10,770 |
| Retirement benefit obligation at end of year | ¥ 56,846 | ¥ 57,637 | \$ 535,076 |

The changes in plan assets during the years ended March 31, 2018 and 2017 were as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|----------------------------------|------------------------|----------|----------------------------------|
| | 2018 | 2017 | 2018 |
| Plan assets at beginning of year | ¥ 67,310 | ¥ 61,833 | \$ 633,567 |
| Expected return on plan assets | 1,323 | 1,214 | 12,458 |
| Actuarial difference | 3,701 | 4,000 | 34,837 |
| Contributions by employers | 2,874 | 2,801 | 27,055 |
| Retirement benefits paid | (2,817) | (2,539) | (26,516) |
| Plan assets at end of year | ¥ 72,392 | ¥ 67,310 | \$ 681,402 |

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2017.

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|--|------------------------|-----------|----------------------------------|
| | 2018 | 2017 | 2018 |
| Funded retirement benefit obligation | ¥ 56,609 | ¥ 57,412 | \$ 532,848 |
| Plan assets | (72,392) | (67,310) | (681,402) |
| | (15,782) | (9,897) | (148,554) |
| Unfunded retirement benefit obligation | 236 | 224 | 2,227 |
| Net defined benefit asset in the consolidated balance sheets | ¥ (15,545) | ¥ (9,672) | \$ (146,326) |

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|--|------------------------|-----------|----------------------------------|
| | 2018 | 2017 | 2018 |
| Net defined benefit liability | ¥ 2,845 | ¥ 4,453 | \$ 26,783 |
| Net defined benefit asset | (18,391) | (14,125) | (173,109) |
| Net defined benefit asset in the consolidated balance sheets | ¥ (15,545) | ¥ (9,672) | \$ (146,326) |

The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 were as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|---|------------------------|---------|---------------------|
| | 2018 | 2017 | U.S. Dollars |
| Service cost | ¥ 1,543 | ¥ 1,575 | \$ 14,529 |
| Interest cost | 236 | 205 | 2,227 |
| Expected return on plan assets | (1,323) | (1,214) | (12,458) |
| Amortization of actuarial difference | 1,008 | 1,258 | 9,489 |
| Amortization of prior service cost | - | (427) | - |
| Other | 1,148 | 3 | 10,811 |
| Retirement benefit expenses for defined benefit plans | ¥ 2,613 | ¥ 1,400 | \$ 24,599 |

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 were as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|----------------------|------------------------|---------|---------------------|
| | 2018 | 2017 | U.S. Dollars |
| Prior service cost | ¥ - | ¥ (427) | \$ - |
| Actuarial difference | 4,848 | 4,772 | 45,636 |
| Total | ¥ 4,848 | ¥ 4,344 | \$ 45,636 |

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|-----------------------------------|------------------------|---------|---------------------|
| | 2018 | 2017 | U.S. Dollars |
| Unrecognized actuarial difference | ¥ (1,650) | ¥ 3,198 | \$ (15,533) |

The plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|--------|--------|
| Debt securities | 31.2% | 29.7% |
| Equity securities | 51.2% | 54.0% |
| Cash and due from banks (including call loans) | 13.5% | 8.9% |
| Life insurance general accounts | 0.9% | 4.1% |
| Other | 3.2% | 3.3% |
| Total | 100.0% | 100.0% |
| of total, retirement benefit trusts which were set for corporate pension plans | 33.2% | 32.3% |

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 years ended March 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|--|----------------|----------------|
| Discount rate | 0.34% or 0.41% | 0.36% or 0.68% |
| Long-term expected rate of return on plan assets | 1.90% or 2.00% | 1.90% or 2.00% |
| Expected rate of salary increase | 4.00% or 5.00% | 3.38% or 5.00% |

(3) Defined contribution plans

The amount to be paid to defined contribution plans by consolidated subsidiaries was ¥95 million (\$903 thousand) and ¥96 million for the years ended March 31, 2018 and 2017, respectively.

10. 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.

11. 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.

12. Stock Options

The stock options outstanding as of March 31, 2018 were as follows:

| Stock option | Grantees | Number of options granted (*) | Grant date | Vesting period | Exercise period |
|------------------|---|-------------------------------|----------------|----------------|---------------------------------------|
| 1st Stock Option | 8 directors 10 directors of subsidiaries | 12,000 shares | August 3, 2015 | Not defined | From August 3, 2015 to August 2, 2045 |
| 2nd Stock Option | 7 directors 11 directors of subsidiaries | 22,000 shares | August 1, 2016 | Not defined | From August 1, 2016 to July 31, 2046 |
| 3rd Stock Option | 9 directors 7 directors of subsidiaries | 15,100 shares | August 1, 2017 | Not defined | From August 1, 2017 to July 31, 2047 |

(*) 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 stock options for the year ended March 31, 2018 was as follows:

| | 1st Stock Option | 2nd Stock Option | 3rd Stock Option |
|--|------------------|------------------|------------------|
| Non-vested (Shares) (*1) | | | |
| March 31, 2017 – Outstanding | - | - | - |
| Granted | - | - | 15,100 |
| Forfeited | - | - | - |
| Vested | - | - | 15,100 |
| March 31, 2018 – Outstanding | - | - | - |
| Vested (Shares) (*1) | | | |
| March 31, 2017 – Outstanding | 9,400 | 22,000 | - |
| Vested | - | - | 15,100 |
| Exercised | 3,500 | 8,400 | - |
| Forfeited | - | - | - |
| March 31, 2018 – Outstanding | 5,900 | 13,600 | 15,100 |
| Exercise price (Yen) | ¥ 1 | ¥ 1 | ¥ 1 |
| Average stock price at exercise date (Yen) | ¥ 2,813 | ¥ 3,147 | ¥ - |
| Fair value price at grant date (Yen) | ¥ 3,881 | ¥ 2,695 | ¥ 2,795 |
| Exercise price (U.S. Dollar) | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Average stock price at exercise date (U.S. Dollar) | \$ 26.00 | \$ 29.00 | \$ - |
| Fair value price at grant date (U.S. Dollar) | \$ 36.00 | \$ 25.00 | \$ 26.00 |

(*1) Numbers of options granted are expressed in number of shares of common stock granted.

Fair value price of the 3rd Stock Option is estimated using the Black-Scholes model based on the following assumptions:

| | |
|--------------------------------|------------------------|
| Stock price volatility (*1) | 43.0% |
| Expected remaining period (*2) | 3.8 years |
| Expected dividend (*3) | ¥60 (\$0.56) per share |
| Risk free rate (*4) | -0.09% |

(*1) Calculated based on actual stock prices for 2.0 years, i.e., the expected remaining period.

(*2) Estimated by subtracting average term of office of current directors from that of past directors.

(*3) Actual dividend for the year ended March 31, 2017.

(*4) Interest rate of government bonds corresponding to the expected remaining period.

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 were ¥42 million (\$397 thousand) and ¥59 million for the years ended March 31, 2018 and 2017, respectively.

13. Valuation Difference on Available-for-sale Securities

Valuation difference on available-for-sale securities as of March 31, 2018 and 2017 consisted of the following:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|--|------------------------|---------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Valuation difference on available-for-securities | ¥ 8,425 | ¥ 4,437 | \$ 79,304 |
| Valuation difference on money held in trust | - | - | - |
| Deferred tax liabilities applicable to valuation difference | (2,586) | (1,451) | (24,349) |
| Valuation difference on available-for-sale securities, net of the applicable income taxes before adjustment for non-controlling interest | 5,838 | 2,985 | 54,954 |
| Amount attributable to non-controlling interests | (29) | (20) | (282) |
| Share of valuation difference on available-for-sale securities held by affiliate accounted for by the equity method | 266 | 200 | 2,509 |
| Valuation difference on available-for-sale securities | ¥ 6,075 | ¥ 3,166 | \$ 57,182 |

14. Income Taxes

The significant components of the deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|---|------------------------|----------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Deferred tax assets: | | | |
| Net losses carried forward | ¥ 8,418 | ¥ 13,131 | \$ 79,241 |
| Items related to retirement benefits | 3,640 | 5,399 | 34,269 |
| Reserve for loan losses | 7,065 | 8,422 | 66,507 |
| Depreciation of securities | 721 | 1,006 | 6,788 |
| Depreciation expense | 599 | 472 | 5,646 |
| Other | 3,761 | 3,385 | 35,402 |
| Subtotal | 24,207 | 31,816 | 227,856 |
| Valuation allowance | (12,517) | (17,725) | (117,821) |
| Total | 11,690 | 14,091 | 110,034 |
| Deferred tax liabilities: | | | |
| Items related to securities | (740) | (896) | (6,970) |
| Valuation difference on available-for-sale securities | (4,253) | (3,419) | (40,039) |
| Items related to asset retirement obligations | (60) | (23) | (572) |
| Valuation of assets | (3,288) | (3,830) | (30,950) |
| Total | (8,343) | (8,170) | (78,532) |
| Net deferred tax assets | ¥ 3,346 | ¥ 5,920 | \$ 31,502 |

Net deferred tax assets as of March 31, 2018 and 2017 are included in the following accounts in the consolidated balance sheets.

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|--------------------------|------------------------|---------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Deferred tax assets | ¥ 5,184 | ¥ 7,823 | \$ 48,801 |
| Deferred tax liabilities | 1,837 | 1,902 | 17,298 |

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.86% for the years ended March 31, 2018 and 2017.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for consolidated financial statement purposes for the years ended March 31, 2018 and 2017.

| | 2018 | 2017 |
|--|----------|---------|
| Statutory tax rate | 30.86% | 30.86% |
| Entertainment expenses and other items permanently excluded from deductible expenses | 6.62 | 0.41 |
| Dividend income and other items permanently excluded from reportable revenue | (4.88) | (0.30) |
| Per capita inhabitants' tax | 2.43 | 0.39 |
| Change in valuation allowance | (108.46) | (3.01) |
| Refund of income taxes | (1.35) | - |
| Gains on negative goodwill | - | (21.86) |
| Expiration of net operating loss carried forward | 97.65 | - |
| Other | (0.78) | 0.34 |
| Effective tax rate | 22.09% | 6.83% |

15. Amounts per Share

Amounts per share as of and for the years ended March 31, 2018 and 2017 were as follows:

| | <i>Yen</i> | | <i>U.S. Dollars</i> |
|-----------------------|------------|----------|---------------------|
| | 2018 | 2017 | 2018 |
| Net income per share: | | | |
| Basic | ¥ 112.94 | ¥ 830.61 | \$ 1.06 |
| Diluted | 77.25 | 511.40 | 0.72 |
| Net assets per share | 7,729.99 | 7,476.05 | 72.75 |

Basic net income per share is computed based on the average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the 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 stock acquisition rights.

Net assets per share are computed based on the net assets excluding stock acquisition rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

The bases for calculation are as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|---|------------------------|-----------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Basic net income per share: | | | 2018 |
| Net income belonging to parent company's shareholders | ¥ 3,677 | ¥ 25,535 | \$ 34,616 |
| Amount not belonging to shareholders of common stock— preferred dividends | 235 | 221 | 2,219 |
| Net income belonging to parent company's shareholders in relation to common stock | 3,441 | 25,314 | 32,397 |
| Average number of shares of common stock during the period (thousands of shares) | 30,472 | 30,476 | |
| Diluted net income per share: | | | |
| Adjustment to net income belonging to parent company's shareholders | ¥ 235 | ¥ 258 | \$ 2,219 |
| Including, interest on bonds with stock acquisition rights (net of applicable taxes) | - | 37 | - |
| Including, preferred dividends | 235 | 221 | 2,219 |
| Effect of dilutive securities (thousands of shares) | 17,131 | 19,527 | |
| Including, bonds with stock acquisition rights | - | 666 | |
| Including, preferred stock | 17,099 | 18,836 | |
| Including, stock acquisition rights | 32 | 24 | |
| 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 | ¥ 291,020 | ¥ 283,357 | \$ 2,739,269 |
| Amount deducted from total of net assets | 55,491 | 55,565 | 522,320 |
| Including, amount paid in for preferred stock | 55,000 | 55,000 | 517,695 |
| Including, preferred dividends | 117 | 132 | 1,109 |
| Including, stock acquisition rights | 101 | 95 | 957 |
| Including, non-controlling interests | 271 | 337 | 2,557 |
| Net asset amount for common stock at year end | 235,528 | 227,791 | 2,216,949 |
| Number of shares of common stock outstanding at year end for calculating net assets per share (thousands of shares) | 30,469 | 30,469 | |

16. Other Income

Other income for the years ended March 31, 2018 and 2017 is as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|---|------------------------|----------|--------------------------------------|
| | 2018 | 2017 | 2018 |
| Gain on sales of securities | ¥ 2,659 | ¥ 1,235 | \$ 25,035 |
| Gain on sales of monetary claims | 0 | 17 | 0 |
| Equity in earnings of investment in affiliate | 35 | 78 | 329 |
| Gain on negative goodwill | - | 19,443 | - |
| Gain on recovery of write-offs of monetary claims | 259 | 186 | 2,444 |
| Gain on disposition of fixed assets | 647 | 5 | 6,094 |
| Gain on state subsidy and other grants | - | 156 | - |
| Other | 1,384 | 1,156 | 13,029 |
| Total | ¥ 4,986 | ¥ 22,280 | \$ 46,934 |

17. General and Administrative Expenses

General and administrative expenses include following items for the years ended March 31, 2018 and 2017:

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|---------------------------------|------------------------|----------|--------------------------------------|
| | 2018 | 2017 | 2018 |
| Salaries and allowances | ¥ 26,576 | ¥ 26,983 | \$ 250,158 |
| Retirement benefit expenses | 2,709 | 1,497 | 25,506 |
| Operations consignment expenses | 6,006 | 6,065 | 56,536 |

18. Other Expenses

Other expenses for the years ended March 31, 2018 and 2017 are as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|--|------------------------|---------|--------------------------------------|
| | 2018 | 2017 | 2018 |
| Write-offs of loans | ¥ 104 | ¥ 242 | \$ 987 |
| Loss on sales of securities | 112 | 121 | 1,059 |
| Write-down of equity securities | 17 | - | 166 |
| Loss on sales of monetary claims | 172 | 156 | 1,623 |
| Loss on disposition of fixed assets | 444 | 278 | 4,185 |
| Provision for losses on transfer of business | 194 | - | 1,833 |
| Provision for losses on cancellation of system contracts | - | 200 | - |
| Provision for loan losses | 1,480 | 2,419 | 13,934 |
| Other | 4,969 | 2,703 | 46,776 |
| Total | ¥ 7,496 | ¥ 6,121 | \$ 70,565 |

19. Comprehensive Income

Each component of other comprehensive (loss) income for the years ended March 31, 2018 and 2017 was the following:

| | <i>Millions of Yen</i> | | <i>Thousands of</i> |
|---|------------------------|-----------|---------------------|
| | 2018 | 2017 | <i>U.S. Dollars</i> |
| Valuation difference on available-for-sale securities: | | | |
| Amount arising during the year | ¥ 4,486 | ¥ (5,301) | \$ 42,232 |
| Reclassification adjustments to profit or loss | (799) | (2,271) | (7,525) |
| Amount before income tax effect | 3,687 | (7,573) | 34,707 |
| Income tax effect | (834) | 2,255 | (7,857) |
| Total | 2,852 | (5,318) | 26,849 |
| Deferred gains or losses on hedges | | | |
| Amount arising during the year | - | 1 | - |
| Reclassification adjustments to profit or loss | - | (12) | - |
| Amount before income tax effect | - | (10) | - |
| Income tax effect | - | 4 | - |
| Total | - | (6) | - |
| Revaluation reserve for land | | | |
| Amount arising during the year | (47) | - | (445) |
| Reclassification adjustments to profit or loss | - | - | - |
| Amount before income tax effect | (47) | - | (445) |
| Income tax effect | 14 | - | 136 |
| Total | (32) | - | (309) |
| Foreign currency translation adjustments | | | |
| Amount arising during the year | 2 | (3) | 22 |
| Reclassification adjustments to profit or loss | - | - | - |
| Amount before income tax effect | 2 | (3) | 22 |
| Income tax effect | - | - | - |
| Total | 2 | (3) | 22 |
| Remeasurements of defined benefit plans | | | |
| Amount arising during the year | 3,840 | 3,514 | 36,146 |
| Reclassification adjustments to profit or loss | 1,008 | 830 | 9,489 |
| Amount before income tax effect | 4,848 | 4,344 | 45,636 |
| Income tax effect | (1,486) | (1,339) | (13,988) |
| Total | 3,362 | 3,005 | 31,647 |
| Share of other comprehensive income of affiliate accounted for by the equity method | | | |
| Amount arising during the year | 66 | 104 | 624 |
| Reclassification adjustments to profit or loss | - | - | - |
| Amount before income tax effect | 66 | 104 | 624 |
| Income tax effect | - | - | - |
| Total | 66 | 104 | 624 |
| Total other comprehensive income (loss) | ¥ 6,250 | ¥ (2,218) | \$ 58,835 |

20. Supplementary Cash Flow Information

The reconciliation of cash and due from banks in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2018 and 2017 was as follows:

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|------------------------------------|------------------------|-----------|--------------------------------------|
| | 2018 | 2017 | 2018 |
| Cash and due from banks | ¥ 377,636 | ¥ 515,886 | \$ 3,554,564 |
| Time deposits | (47) | (40) | (444) |
| Negotiable certificates of deposit | - | (10,000) | - |
| Other deposits | (2,223) | (1,400) | (20,931) |
| Cash and cash equivalents | ¥ 375,365 | ¥ 504,444 | \$ 3,533,188 |

21. Assets and Liabilities Held by Subsidiary Newly Consolidated through Share Exchange

For the year ended March 31, 2017, breakdown of assets and liabilities held by ShinGinko Tokyo newly consolidated through share exchange at the time of the consolidation was as follows.

| | <i>Millions of Yen</i> |
|---------------------------------------|------------------------|
| Total assets | ¥ 463,533 |
| Including, loans and bills discounted | 222,587 |
| Including, securities | 175,000 |
| Including, reserve for loan losses | (5,976) |
| Total liabilities | 400,370 |
| Including, deposits | 293,445 |

22. 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, 2018 and 2017 were as follows:

As lessee

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|-----------------|------------------------|-------|--------------------------------------|
| | 2018 | 2017 | 2018 |
| Within one year | ¥ 135 | ¥ 119 | \$ 1,272 |
| Over one year | 342 | 189 | 3,225 |
| Total | ¥ 477 | ¥ 309 | \$ 4,498 |

As lessor

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|-----------------|------------------------|------|--------------------------------------|
| | 2018 | 2017 | 2018 |
| Within one year | ¥ - | ¥ 26 | \$ - |
| Over one year | - | - | - |
| Total | ¥ - | ¥ 26 | \$ - |

23. 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 consist 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 consist 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 consist 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 with a perspective of future business prospects, 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 Company's 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" and "Derivative transactions."

The Group calculates Value at Risk (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 uses 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, Yachiyo and ShinGinko Tokyo, and, as of March 31, 2018 and 2017, the volume of market risk were ¥35,899 million (\$337,904 thousand) and ¥41,011 million, respectively.

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 year ended March 31, 2018, 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 regularly to the Company's 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 sheets as of March 31, 2018 and 2017 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.

| | <i>Millions of Yen</i> | | |
|--|------------------------|--------------------|-----------------|
| | 2018 | | |
| | Carrying value | Fair value | Difference |
| Assets: | | | |
| (1) Cash and due from banks | ¥ 377,636 | ¥ 377,636 | ¥ - |
| (2) Monetary claims bought | 55,390 | 55,390 | - |
| (3) Trading account securities: | | | |
| Trading securities | 707 | 707 | - |
| (4) Securities: | | | |
| Held-to-maturity bonds | 434,594 | 448,047 | 13,453 |
| Available-for-sale securities | 752,698 | 752,698 | - |
| (5) Loans and bills discounted | 3,676,146 | | |
| Reserve for loan losses (*1) | (25,207) | | |
| | <u>3,650,938</u> | <u>3,673,039</u> | <u>22,101</u> |
| Total | <u>¥ 5,271,965</u> | <u>¥ 5,307,519</u> | <u>¥ 35,554</u> |
| Liabilities: | | | |
| (1) Deposits | ¥ 4,652,109 | ¥ 4,652,121 | ¥ 11 |
| (2) Call money and bills sold | 58,937 | 58,937 | - |
| (3) Payables under securities lending transactions | 357,265 | 357,265 | - |
| (4) Borrowed money | 73,558 | 73,558 | - |
| Total | <u>¥ 5,141,870</u> | <u>¥ 5,141,881</u> | <u>¥ 11</u> |
| Derivatives (*2): | | | |
| Hedge accounting not applied | ¥ 1,787 | ¥ 1,787 | ¥ - |
| Hedge accounting applied | - | - | - |
| Total | <u>¥ 1,787</u> | <u>¥ 1,787</u> | <u>¥ -</u> |
| | | | |
| | <i>Millions of Yen</i> | | |
| | 2017 | | |
| | Carrying value | Fair value | Difference |
| Assets: | | | |
| (1) Cash and due from banks | ¥ 515,886 | ¥ 515,886 | ¥ - |
| (2) Monetary claims bought | 45,211 | 45,211 | - |
| (3) Trading account securities: | | | |
| Trading securities | 794 | 794 | - |
| (4) Securities: | | | |
| Held-to-maturity bonds | 465,063 | 480,785 | 15,722 |
| Available-for-sale securities | 798,197 | 798,197 | - |
| (5) Loans and bills discounted | 3,621,372 | | |
| Reserve for loan losses (*1) | (28,431) | | |
| | <u>3,592,940</u> | <u>3,618,333</u> | <u>25,392</u> |
| Total | <u>¥ 5,418,094</u> | <u>¥ 5,459,208</u> | <u>¥ 41,114</u> |

| | <i>Millions of Yen</i> | | |
|--|------------------------|-------------|--------|
| Liabilities: | | | |
| (1) Deposits | ¥ 4,717,562 | ¥ 4,717,519 | ¥ (42) |
| (2) Call money and bills sold | 40,706 | 40,706 | - |
| (3) Payables under securities lending transactions | 361,309 | 361,309 | - |
| (4) Borrowed money | 103,416 | 103,429 | 13 |
| Total | ¥ 5,222,994 | ¥ 5,222,965 | ¥ (29) |
| Derivatives (*2): | | | |
| Hedge accounting not applied | ¥ 1,179 | ¥ 1,179 | ¥ - |
| Hedge accounting applied | - | - | - |
| Total | ¥ 1,179 | ¥ 1,179 | ¥ - |

| | <i>Thousands of U.S. Dollars</i> | | |
|--|----------------------------------|---------------|------------|
| | 2018 | | |
| | Carrying value | Fair value | Difference |
| Assets: | | | |
| (1) Cash and due from banks | \$ 3,554,564 | \$ 3,554,564 | \$ - |
| (2) Monetary claims bought | 521,373 | 521,373 | - |
| (3) Trading account securities: | | | |
| Trading securities | 6,655 | 6,655 | - |
| (4) Securities: | | | |
| Held-to-maturity bonds | 4,090,683 | 4,217,314 | 126,631 |
| Available-for-sale securities | 7,084,885 | 7,084,885 | - |
| (5) Loans and bills discounted | 34,602,278 | | |
| Reserve for loan losses (*1) | (237,273) | | |
| Total | \$ 49,623,168 | \$ 49,957,829 | \$ 334,661 |
| Liabilities: | | | |
| (1) Deposits | \$ 43,788,681 | \$ 43,788,793 | \$ 111 |
| (2) Call money and bills sold | 554,758 | 554,758 | - |
| (3) Payables under securities lending transactions | 3,362,811 | 3,362,811 | - |
| (4) Borrowed money | 692,375 | 692,375 | - |
| Total | \$ 48,398,627 | \$ 48,398,738 | \$ 111 |
| Derivatives (*2): | | | |
| Hedge accounting not applied | \$ 16,822 | \$ 16,822 | \$ - |
| Hedge accounting applied | - | - | - |
| Total | \$ 16,822 | \$ 16,822 | \$ - |

(*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 and with short-term remaining 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) Monetary claims bought

With regard to trust beneficiary rights in trust of receivables for public works, the fair values and book values are similar, so the book values are assumed as the fair values. For the other trust beneficiary rights, the fair values are determined by the prices indicated by the financial institutions handling these transactions for the Group. With regard to those other than trust beneficiary rights, the maturities remain short-term (within one year) and the fair values and book values are similar, so the book values are assumed as the fair values.

(3) 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.

(4) 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.

(5) 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. For those with short-term remaining maturities (within one year), the fair values and book values are similar, so the book values are assumed as the fair values.

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 short-term remaining maturities (within one year), the fair values and book values are similar, so the book values are assumed as the fair values.

(2) Call money and bills sold

With regard to call money and bills sold, the maturities remain short-term (within one year) and the fair values and book values are similar, so the book values are assumed as the fair values.

(3) Payables under securities lending transactions

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

(4) Borrowed money

With regard to borrowed money with floating interest rates, as they reflect market interest rates in the short term, and the credit status of the Company and the consolidated subsidiaries has not changed significantly since the execution, the fair values of them are similar to the book values, 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 for the sum of the principal and interest categorized by the remaining period to the maturity, by discounting by the assumed rates which would be applied if a new similar borrowing were made. For those with short-term remaining maturities (within one year), 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 24.

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, 2018 and 2017 were as follows. These amounts are not included in the items of “Assets - (2) Monetary claims bought” or “Assets - (4) Available-for-sale securities” in the above table.

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars</i> |
|--|------------------------|----------|----------------------------------|
| | 2018 | 2017 | 2018 |
| | Carrying value | | |
| Monetary claims bought (*1) | ¥ 260 | ¥ 513 | \$ 2,447 |
| Unlisted stocks (*2) (*3) | 4,463 | 5,056 | 42,016 |
| Investments in limited partnerships (*1) | 16,873 | 12,846 | 158,821 |
| Total | ¥ 21,597 | ¥ 18,416 | \$ 203,285 |

(*1) Monetary claims bought and investments in limited partnerships whose underlying assets or partnership assets consist of those extremely difficult to determine fair values, are not subject to disclosures of fair values.

(*2) Unlisted stocks are not subject to disclosures of fair values because there are no quoted market price and it is extremely difficult to determine the fair value.

(*3) For the year ended March 31, 2018, impairment losses were ¥17 million (\$166 thousand) on unlisted stocks. For the year ended March 31, 2017, impairment losses were not recorded.

3. Redemption schedule for receivables and securities with maturities

The redemption schedule for receivables and securities with maturities as of March 31, 2018 and 2017 are summarized as follows:

| | <i>Millions of Yen</i> | | | | | |
|--|-------------------------------|---|---|---|--|------------------------|
| | 2018 | | | | | |
| | 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 | ¥ 340,532 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Monetary claims bought | 10,580 | 3,922 | 2,198 | 859 | 1,291 | 35,730 |
| Securities: | | | | | | |
| Held-to-maturity bonds: | | | | | | |
| Japanese government bonds | 5,600 | 68,600 | 133,000 | 48,000 | - | 44,000 |
| Japanese local government bonds | 3,530 | 5,000 | 12,124 | 1,500 | 150 | 300 |
| Japanese corporate bonds | 5,643 | 18,132 | 35,198 | 7,290 | 9,600 | 2,550 |
| Foreign securities | - | 10,624 | 10,624 | 1,000 | 1,000 | 4,000 |
| Available-for-sale securities with maturities: | | | | | | |
| Japanese government bonds | 114,030 | 10,100 | 2,000 | - | - | 16,000 |
| Japanese local government bonds | 3,228 | 5,776 | 3,390 | 3,576 | 11,123 | 4,244 |
| Japanese short-term corporate bonds | 10,000 | - | - | - | - | - |
| Japanese corporate bonds | 35,245 | 90,856 | 56,539 | 33,095 | 56,954 | 33,821 |
| Other | 7,254 | 20,928 | 79,089 | 38,062 | 33,524 | 12,158 |
| Loans and bills discounted (*) | 773,422 | 710,230 | 466,704 | 265,761 | 325,375 | 797,613 |
| Total | ¥ 1,309,067 | ¥ 944,169 | ¥ 800,868 | ¥ 399,144 | ¥ 439,020 | ¥ 950,419 |

Millions of Yen

| 2017 | | | | | | |
|--|-------------------------------|---|---|---|--|------------------------|
| | 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 | ¥ 475,564 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Monetary claims bought | 9,069 | 2,176 | 2,771 | 807 | 475 | 29,380 |
| Securities: | | | | | | |
| Held-to-maturity bonds: | | | | | | |
| Japanese government bonds | 2,470 | 11,100 | 97,100 | 147,000 | - | 44,000 |
| Japanese local government bonds | 10,980 | 5,780 | 13,824 | 1,500 | 1,150 | 350 |
| Japanese corporate bonds | 16,565 | 9,693 | 39,012 | 14,758 | 9,800 | 2,971 |
| Foreign securities | - | - | 16,828 | 5,609 | 2,000 | 4,000 |
| Available-for-sale securities with maturities: | | | | | | |
| Japanese government bonds | 24,000 | 130,130 | 5,000 | - | - | 16,000 |
| Japanese local government bonds | 2,283 | 8,159 | 2,927 | 5,533 | 14,638 | 3,960 |
| Japanese short-term corporate bonds | 10,000 | - | - | - | - | - |
| Japanese corporate bonds | 40,829 | 81,301 | 100,528 | 29,262 | 40,637 | 28,776 |
| Other | 2,531 | 14,167 | 62,962 | 24,983 | 66,744 | 10,701 |
| Loans and bills discounted (*) | 763,687 | 726,049 | 451,302 | 288,381 | 313,907 | 752,795 |
| Total | ¥ 1,357,980 | ¥ 988,557 | ¥ 792,256 | ¥ 517,836 | ¥ 449,352 | ¥ 892,935 |

Thousands of U.S. Dollars

| 2018 | | | | | | |
|--|-------------------------------|---|---|---|--|------------------------|
| | 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 | \$ 3,205,317 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Monetary claims bought | 99,592 | 36,919 | 20,694 | 8,086 | 12,156 | 336,320 |
| Securities: | | | | | | |
| Held-to-maturity bonds: | | | | | | |
| Japanese government bonds | 52,710 | 645,707 | 1,251,882 | 451,807 | - | 414,156 |
| Japanese local government bonds | 33,226 | 47,063 | 114,118 | 14,118 | 1,411 | 2,823 |
| Japanese corporate bonds | 53,115 | 170,670 | 331,306 | 68,618 | 90,361 | 24,004 |
| Foreign securities | - | 100,000 | 100,000 | 9,412 | 9,412 | 37,650 |
| Available-for-sale securities with maturities: | | | | | | |
| Japanese government bonds | 1,073,324 | 95,067 | 18,825 | - | - | 150,602 |
| Japanese local government bonds | 30,386 | 54,372 | 31,913 | 33,664 | 104,699 | 39,953 |
| Japanese short-term corporate bonds | 94,126 | - | - | - | - | - |
| Japanese corporate bonds | 331,755 | 855,198 | 532,183 | 311,513 | 536,096 | 318,351 |
| Other | 68,284 | 196,989 | 744,443 | 358,266 | 315,554 | 114,447 |
| Loans and bills discounted (*) | 7,279,954 | 6,685,146 | 4,392,930 | 2,501,519 | 3,062,650 | 7,507,658 |
| Total | \$12,321,794 | \$ 8,887,135 | \$ 7,538,299 | \$ 3,757,005 | \$ 4,132,343 | \$ 8,945,969 |

(*) As of March 31, 2018 and 2017, loans do not include an estimated ¥83,879 million (\$789,531 thousand) and ¥90,033 million, respectively, in uncollectible loans such as those to bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, and ¥253,158 million (\$2,382,887 thousand) and ¥235,215 million, respectively, 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, 2018 and 2017 are summarized as follows:

| | <i>Millions of Yen</i> | | | | | |
|--|-------------------------|--|--|--|---|---------------------|
| | 2018 | | | | | |
| | 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 (*) | ¥ 4,445,776 | ¥ 191,605 | ¥ 14,671 | ¥ 23 | ¥ 18 | ¥ 13 |
| Call money and bills sold | 58,937 | - | - | - | - | - |
| Payables under securities lending transactions | 357,265 | - | - | - | - | - |
| Borrowed money | 30,291 | 38,150 | 78 | 5,037 | - | - |
| Total | ¥ 4,892,271 | ¥ 229,755 | ¥ 14,750 | ¥ 5,060 | ¥ 18 | ¥ 13 |

| | <i>Millions of Yen</i> | | | | | |
|--|-------------------------|--|--|--|---|---------------------|
| | 2017 | | | | | |
| | 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 (*) | ¥ 4,433,756 | ¥ 244,949 | ¥ 38,785 | ¥ 27 | ¥ 25 | ¥ 17 |
| Call money and bills sold | 40,706 | - | - | - | - | - |
| Payables under securities lending transactions | 361,309 | - | - | - | - | - |
| Borrowed money | 30,278 | 40,104 | 28,033 | - | 5,000 | - |
| Total | ¥ 4,866,051 | ¥ 285,053 | ¥ 66,819 | ¥ 27 | ¥ 5,025 | ¥ 17 |

| | <i>Thousands of U.S. Dollars</i> | | | | | |
|--|----------------------------------|--|--|--|---|---------------------|
| | 2018 | | | | | |
| | 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 (*) | \$41,846,544 | \$ 1,803,513 | \$ 138,099 | \$ 218 | \$ 174 | \$ 131 |
| Call money and bills sold | 554,758 | - | - | - | - | - |
| Payables under securities lending transactions | 3,362,811 | - | - | - | - | - |
| Borrowed money | 285,126 | 359,096 | 739 | 47,413 | - | - |
| Total | \$46,049,240 | \$ 2,162,609 | \$ 138,839 | \$ 47,631 | \$ 174 | \$ 131 |

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

24. 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 contract or notional amount is not a direct measure of the Group's risk exposure in connection with the derivative transactions.

Summarized below are the contract or notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2018 and 2017, for which hedge accounting has not been applied.

(1) Interest-related transactions

| | <i>Millions of Yen</i> | | | |
|---|-----------------------------|--|----------------|---------------------------|
| | 2018 | | | |
| | Contract or notional amount | Contract or notional amount due after one year | Fair Value | Unrealized gains (losses) |
| Over-the-counter (OTC) interest rate swaps: | | | | |
| Receive/fixed and pay/floating | ¥ 110,272 | ¥ 100,720 | ¥ 1,342 | ¥ 1,342 |
| Receive/floating and pay/fixed | 110,436 | 100,821 | (226) | (226) |
| OTC interest rate swaptions: | | | | |
| Sell | 420 | - | (0) | 1 |
| Buy | 420 | - | 0 | 0 |
| OTC interest rate caps: | | | | |
| Sell | 3,801 | 3,681 | - | 96 |
| Buy | 3,878 | 3,743 | - | (20) |
| Total | | | <u>¥ 1,115</u> | <u>¥ 1,194</u> |

| | <i>Millions of Yen</i> | | | |
|--------------------------------|-----------------------------|--|----------------|---------------------------|
| | 2017 | | | |
| | Contract or notional amount | Contract or notional amount due after one year | Fair value | Unrealized gains (losses) |
| OTC interest rate swaps: | | | | |
| Receive/fixed and pay/floating | ¥ 128,913 | ¥ 110,763 | ¥ 1,484 | ¥ 1,484 |
| Receive/floating and pay/fixed | 128,054 | 110,838 | (324) | (324) |
| OTC interest rate swaptions: | | | | |
| Sell | 1,070 | 420 | (1) | 6 |
| Buy | 1,070 | 420 | 1 | 1 |
| OTC interest rate caps: | | | | |
| Sell | 2,208 | 1,924 | - | 65 |
| Buy | 2,337 | 2,053 | - | (16) |
| Total | | | <u>¥ 1,159</u> | <u>¥ 1,215</u> |

Thousands of U.S. Dollars

| | 2018 | | | |
|--------------------------------|-----------------------------------|---|------------------|------------------------------|
| | Contract or notional amount | Contract or notional amount due after one year | Fair value | Unrealized gains (losses) |
| OTC interest rate swaps: | | | | |
| Receive/fixed and pay/floating | \$ 1,037,955 | \$ 948,050 | \$ 12,633 | \$ 12,633 |
| Receive/floating and pay/fixed | 1,039,496 | 948,996 | (2,132) | (2,132) |
| OTC interest rate swaptions: | | | | |
| Sell | 3,953 | - | (4) | 18 |
| Buy | 3,953 | - | 4 | 4 |
| OTC interest rate caps: | | | | |
| Sell | 35,778 | 34,649 | - | 910 |
| Buy | 36,503 | 35,233 | - | (192) |
| Total | | | <u>\$ 10,500</u> | <u>\$ 11,241</u> |

Notes:

1. The above derivative transactions are stated at fair value with the valuation difference being included in the consolidated statements 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

| | 2018 | | | |
|---------------------------------|-----------------------------------|---|--------------|------------------------------|
| | Contract or notional amount | Contract or notional amount due after one year | Fair value | Unrealized gains (losses) |
| OTC currency swaps | ¥ 5,985 | ¥ 1,733 | ¥ 3 | ¥ 3 |
| OTC foreign exchange contracts: | | | | |
| Sell | 63,330 | 406 | 829 | 829 |
| Buy | 26,214 | 182 | (161) | (161) |
| OTC currency options: | | | | |
| Sell | 11,402 | 3,167 | (226) | 90 |
| Buy | 11,402 | 3,167 | 226 | (10) |
| Total | | | <u>¥ 671</u> | <u>¥ 751</u> |

Millions of Yen

| 2017 | | | | |
|---------------------------------|-----------------------------------|---|-------------|------------------------------|
| | Contract or notional amount | Contract or notional amount due after one year | Fair value | Unrealized gains (losses) |
| OTC currency swaps | ¥ 10,830 | ¥ 6,151 | ¥ 12 | ¥ 12 |
| OTC foreign exchange contracts: | | | | |
| Sell | 43,658 | 446 | (162) | (162) |
| Buy | 24,196 | 280 | 169 | 169 |
| OTC currency options: | | | | |
| Sell | 24,799 | 2,289 | (420) | 108 |
| Buy | 24,799 | 2,289 | 420 | 26 |
| Total | | | <u>¥ 19</u> | <u>¥ 154</u> |

Thousands of U.S. Dollars

| 2018 | | | | |
|---------------------------------|-----------------------------------|---|-----------------|------------------------------|
| | Contract or notional amount | Contract or notional amount due after one year | Fair value | Unrealized gains (losses) |
| OTC currency swaps | \$ 56,337 | \$ 16,317 | \$ 35 | \$ 35 |
| OTC foreign exchange contracts: | | | | |
| Sell | 596,110 | 3,826 | 7,809 | 7,809 |
| Buy | 246,750 | 1,716 | (1,522) | (1,522) |
| OTC currency options: | | | | |
| Sell | 107,329 | 29,811 | (2,134) | 852 |
| Buy | 107,329 | 29,811 | 2,133 | (102) |
| Total | | | <u>\$ 6,322</u> | <u>\$ 7,072</u> |

Notes:

1. The above derivative transactions are stated at fair value with the valuation difference being included in the consolidated statements 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 contract or notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2018 and 2017, for which hedge accounting has been applied.

(1) Interest-related transactions

| | | | <i>Millions of Yen</i> | | |
|--------------------------------|--------------------------|----------------------------------|-----------------------------------|---|------------|
| | | | 2018 | | |
| | Method of accounting | Hedged item | Contract or notional amount | Contract or notional amount due after one year | Fair value |
| Interest rate swaps: | | | | | |
| Receive/fixed and pay/floating | Exceptional treatment | Loans and bills discounted | 30,000 | 27,770 | (Note 2) |
| Total | | | | | <u>¥ -</u> |

| | | | <i>Millions of Yen</i> | | |
|--------------------------------|--------------------------|----------------------------------|-----------------------------------|---|------------|
| | | | 2017 | | |
| | Method of accounting | Hedged item | Contract or notional amount | Contract or notional amount due after one year | Fair value |
| Interest rate swaps: | | | | | |
| Receive/fixed and pay/floating | Exceptional treatment | Loans and bills discounted | 32,849 | 32,539 | (Note 2) |
| Total | | | | | <u>¥ -</u> |

| | | | <i>Thousands of U.S. Dollars</i> | | |
|--------------------------------|--------------------------|----------------------------------|-----------------------------------|---|-------------|
| | | | 2018 | | |
| | Method of accounting | Hedged item | Contract or notional amount | Contract or notional amount due after one year | Fair value |
| Interest rate swaps: | | | | | |
| Receive/fixed and pay/floating | Exceptional treatment | Loans and bills discounted | 282,387 | 261,397 | (Note 2) |
| Total | | | | | <u>\$ -</u> |

Notes:

1. 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.
2. 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.

25. Segment Information

The Group's only reporting segment is the banking business. Note that the Group operates businesses outside 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

| | <i>Millions of Yen</i> | | | | |
|---|------------------------|------------------------------|-----------------------------|--------------|--------------|
| | 2018 | | | | |
| | <u>Lending</u> | <u>Securities investment</u> | <u>Service transactions</u> | <u>Other</u> | <u>Total</u> |
| Ordinary income from external customers | ¥ 44,251 | ¥ 15,954 | ¥ 17,582 | ¥ 4,827 | ¥ 82,616 |

| | <i>Millions of Yen</i> | | | | |
|---|------------------------|------------------------------|-----------------------------|--------------|--------------|
| | 2017 | | | | |
| | <u>Lending</u> | <u>Securities investment</u> | <u>Service transactions</u> | <u>Other</u> | <u>Total</u> |
| Ordinary income from external customers | ¥ 46,196 | ¥ 15,708 | ¥ 16,165 | ¥ 5,021 | ¥ 83,092 |

| | <i>Thousands of U.S. Dollars</i> | | | | |
|---|----------------------------------|------------------------------|-----------------------------|--------------|--------------|
| | 2018 | | | | |
| | <u>Lending</u> | <u>Securities investment</u> | <u>Service transactions</u> | <u>Other</u> | <u>Total</u> |
| Ordinary income from external customers | \$ 416,526 | \$ 150,174 | \$ 165,502 | \$ 45,435 | \$ 777,637 |

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 customers

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

26. Subsequent Events

a. Dividends

The following distribution of retained earnings of the Group, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2018, was approved at the board of directors' meeting held on May 15, 2018 and became effective on June 11, 2018:

| | <i>Millions of Yen</i> | <i>Thousands of U.S. Dollars</i> |
|--|------------------------|--------------------------------------|
| Dividends on common stock (¥ 30 (\$0.28) per share) | ¥ 914 | \$ 8,603 |
| Dividends on 1st tranche class 1 preferred stock (¥123 (\$1.15) per share) | 92 | 868 |
| Dividends on class 2 preferred stock (¥12.818 (\$0.12) per share) | 25 | 241 |

b. Merger of wholly-owned subsidiaries and change of trade name

Effective May 1, 2018, the Company's wholly-owned subsidiaries of Tokyo Tomin, Yachiyo and ShinGinko Tokyo have merged in accordance with the resolution of the Extraordinary General Meeting of Shareholders held on March 2, 2018 to approve the merger agreement, and effective of the same date, changed its trade name to Kiraboshi Bank, Ltd.

1. Summary of the business combination

(1) Name and business of the merging companies

(Surviving company in the absorption-type merger)

Name: Yachiyo

Nature of business: Banking

(Dissolving companies in the absorption-type merger)

Name: Tokyo Tomin

Nature of business: Banking

Name: ShinGinko Tokyo

Nature of business: Banking

(2) Date of the business combination

May 1, 2018

(3) Legal form of the business combination

Absorption-type merger with Yachiyo as the surviving company, and Tokyo Tomin and ShinGinko Tokyo as the dissolving companies.

(4) Name of company after the business combination

Kiraboshi Bank

(5) Other matters relating to the outline of the transaction

The objective of the merger is to use the "strengths" and "features" of Tokyo Tomin, Yachiyo and ShinGinko Tokyo that have been cultivated over the years, to maximize the integration effect by proceeding from business integration to merger, to enhance competitiveness and further develop management efficiency, and thereby establish a solid management foundation that can further demonstrate the Group's presence in the Tokyo Metropolitan Area, with a focus on Tokyo and the northeast area of Kanagawa Prefecture. By demonstrating the true value as a mainstay of regional financial sector, the Group will still strive to become the No. 1 regional bank most loved by customers in the Tokyo Metropolitan Area.

2. Outline of the accounting treatment applied

The transaction is treated as a transaction under common control pursuant to the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

The Tokyo Moin Bank, Limited
Non-consolidated Balance Sheets (Unaudited)
As of March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|--|------------------------|--------------------|---|
| | 2018 | 2017 | 2018 |
| Assets | | | |
| Cash and due from banks | ¥ 325,382 | ¥ 316,026 | \$ 3,062,712 |
| Call loans | 11,264 | 987 | 106,026 |
| Monetary claims bought | 5,025 | 2,004 | 47,298 |
| Trading account securities | 32 | 32 | 307 |
| Securities | 468,546 | 543,504 | 4,410,259 |
| Loans and bills discounted | 1,860,166 | 1,837,946 | 17,509,093 |
| Foreign exchanges | 3,450 | 3,329 | 32,477 |
| Other assets | 59,427 | 24,694 | 559,365 |
| Tangible fixed assets | 37,035 | 34,477 | 348,598 |
| Intangible fixed assets | 1,508 | 1,099 | 14,202 |
| Prepaid pension cost | 16,790 | 16,221 | 158,043 |
| Deferred tax assets | 2,645 | 3,629 | 24,902 |
| Customers' liabilities for acceptances and guarantees | 2,508 | 3,078 | 23,614 |
| Reserve for loan losses | (12,589) | (13,725) | (118,498) |
| Total assets | ¥ 2,781,193 | ¥ 2,773,306 | \$ 26,178,403 |
| Liabilities | | | |
| Deposits | ¥ 2,315,952 | ¥ 2,312,237 | \$ 21,799,253 |
| Negotiable certificates of deposit | 6,740 | 18,740 | 63,441 |
| Call money | 26,000 | - | 244,728 |
| Payables under securities lending transactions | 306,073 | 312,048 | 2,880,959 |
| Borrowed money | 5,358 | 5,216 | 50,432 |
| Foreign exchanges | 223 | 935 | 2,106 |
| Bonds payable | - | - | - |
| Other liabilities | 8,847 | 13,924 | 83,273 |
| Reserve for employees' bonuses | 1,026 | 1,087 | 9,658 |
| Reserve for officers and directors' retirement benefits | 46 | 75 | 441 |
| Reserve for point card program | 2 | 2 | 24 |
| Reserve for losses from reimbursement of inactive accounts | 515 | 397 | 4,850 |
| Reserve for losses on cancellation of system contracts | 85 | 85 | 800 |
| Reserve for contingent losses | 214 | 280 | 2,022 |
| Deferred tax liabilities on land revaluation | - | 14 | - |
| Acceptances and guarantees | 2,508 | 3,078 | 23,614 |
| Total liabilities | 2,673,594 | 2,668,124 | 25,165,610 |
| Net assets | | | |
| Shareholders' equity: | | | |
| Common stock | 55,620 | 55,620 | 523,536 |
| Capital surplus | 25,583 | 25,583 | 240,806 |
| Retained earnings | 21,431 | 20,387 | 201,729 |
| Total shareholders' equity | 102,635 | 101,590 | 966,072 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 5,205 | 3,800 | 49,001 |
| Revaluation reserve for land | (242) | (209) | (2,280) |
| Total accumulated other comprehensive income | 4,963 | 3,591 | 46,720 |
| Total net assets | 107,599 | 105,182 | 1,012,793 |
| Total liabilities and net assets | ¥ 2,781,193 | ¥ 2,773,306 | \$ 26,178,403 |

See notes to consolidated financial statements.

The Tokyo Momin Bank, Limited
Non-consolidated Statements of Income (Unaudited)
For the Years Ended March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|---|------------------------|----------------|---|
| | 2018 | 2017 | 2018 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 22,139 | ¥ 22,785 | \$ 208,387 |
| Interest and dividends on securities | 6,535 | 7,466 | 61,512 |
| Interest on call loans | 20 | 59 | 191 |
| Interest on receivables under securities borrowing transactions | 0 | 0 | 0 |
| Interest on due from banks | 236 | 228 | 2,224 |
| Other interest income | 162 | 131 | 1,526 |
| Fees and commissions | 8,955 | 8,431 | 84,294 |
| Other operating income | 1,839 | 2,692 | 17,318 |
| Other income | 3,128 | 1,659 | 29,445 |
| Total income | <u>43,016</u> | <u>43,455</u> | <u>404,901</u> |
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 428 | 574 | 4,030 |
| Interest on negotiable certificates of deposit | 1 | 4 | 13 |
| Interest on call money | (0) | 13 | (1) |
| Interest on payables under securities lending transactions | 1,138 | 1,215 | 10,712 |
| Interest on borrowed money | 83 | 103 | 788 |
| Interest on bonds payable | - | 225 | - |
| Other interest expense | 47 | 41 | 446 |
| Fees and commissions payments | 2,403 | 2,583 | 22,621 |
| Other operating expenses | 2,151 | 923 | 20,252 |
| General and administrative expenses | 30,889 | 29,418 | 290,750 |
| Other expenses | 3,171 | 3,908 | 29,850 |
| Total expenses | <u>40,314</u> | <u>39,013</u> | <u>379,465</u> |
| Income before income taxes | 2,702 | 4,442 | 25,435 |
| Income taxes: | | | |
| Current | 161 | 231 | 1,517 |
| Deferred | 349 | 1,440 | 3,286 |
| Total income taxes | <u>510</u> | <u>1,672</u> | <u>4,803</u> |
| Net income | <u>¥ 2,191</u> | <u>¥ 2,770</u> | <u>\$ 20,632</u> |

See notes to consolidated financial statements.

The Yachiyo Bank, Limited
Non-consolidated Balance Sheets (Unaudited)
As of March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|--|------------------------|--------------------|---|
| | 2018 | 2017 | 2018 |
| Assets | | | |
| Cash and due from banks | ¥ 70,287 | ¥ 173,743 | \$ 661,595 |
| Call loans | 20,000 | - | 188,253 |
| Monetary claims bought | 8,675 | 3,787 | 81,658 |
| Trading account securities | 674 | 762 | 6,348 |
| Securities | 567,201 | 566,529 | 5,338,871 |
| Loans and bills discounted | 1,605,223 | 1,552,605 | 15,109,405 |
| Foreign exchanges | 10,106 | 4,255 | 95,127 |
| Other assets | 20,167 | 13,146 | 189,830 |
| Tangible fixed assets | 30,967 | 30,253 | 291,488 |
| Intangible fixed assets | 667 | 583 | 6,285 |
| Deferred tax assets | 5,223 | 5,727 | 49,162 |
| Customers' liabilities for acceptances and guarantees | 1,504 | 2,766 | 14,164 |
| Reserve for loan losses | (9,674) | (10,227) | (91,066) |
| Total assets | ¥ 2,331,024 | ¥ 2,343,931 | \$ 21,941,123 |
| Liabilities | | | |
| Deposits | ¥ 2,117,183 | ¥ 2,149,113 | \$ 19,928,310 |
| Negotiable certificates of deposit | 6,210 | 6,730 | 58,452 |
| Call money | 32,937 | 15,706 | 310,029 |
| Payable under securities lending transactions | 51,191 | 49,260 | 481,852 |
| Borrowed money | - | - | - |
| Foreign exchanges | 0 | 0 | 4 |
| Other liabilities | 4,407 | 4,416 | 41,485 |
| Reserve for employees' bonuses | 825 | 855 | 7,766 |
| Reserve for officers and directors' retirement benefits | 2,308 | 2,575 | 21,725 |
| Reserve for losses from reimbursement of inactive accounts | 670 | 613 | 6,311 |
| Reserve for losses on cancellation of system contracts | 85 | 85 | 800 |
| Reserve for contingent losses | 374 | 370 | 3,529 |
| Deferred tax liabilities on land revaluation | 2,356 | 2,481 | 22,176 |
| Acceptances and guarantees | 1,504 | 2,766 | 14,164 |
| Total liabilities | 2,220,055 | 2,234,975 | 20,896,608 |
| Net assets | | | |
| Shareholders' equity: | | | |
| Common stock | 43,734 | 43,734 | 411,660 |
| Capital surplus | 32,922 | 32,922 | 309,890 |
| Retained earnings | 32,582 | 30,496 | 306,686 |
| Total shareholders' equity | 109,239 | 107,154 | 1,028,237 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 1,397 | 1,184 | 13,156 |
| Revaluation reserve for land | 331 | 616 | 3,121 |
| Total accumulated other comprehensive income | 1,729 | 1,801 | 16,277 |
| Total net assets | 110,969 | 108,956 | 1,044,515 |
| Total liabilities and net assets | ¥ 2,331,024 | ¥ 2,343,931 | \$ 21,941,123 |

See notes to consolidated financial statements.

The Yachiyo Bank, Limited
Non-consolidated Statements of Income (Unaudited)
For the Years Ended March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|--|------------------------|----------------|---|
| | 2018 | 2017 | 2018 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 18,695 | ¥ 19,773 | \$ 175,974 |
| Interest and dividends on securities | 6,985 | 6,300 | 65,751 |
| Interest on call loans | 20 | 31 | 191 |
| Interest on due from banks | 44 | 71 | 423 |
| Other interest income | 345 | 359 | 3,252 |
| Fees and commissions | 6,386 | 5,901 | 60,113 |
| Other operating income | 689 | 2,198 | 6,490 |
| Other income | 1,922 | 1,129 | 18,092 |
| Total income | 35,090 | 35,766 | 330,291 |
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 730 | 770 | 6,877 |
| Interest on negotiable certificates of deposit | 0 | 1 | 9 |
| Interest on call money | 461 | 29 | 4,339 |
| Interest on payables under securities lending transactions | 2 | 3 | 26 |
| Interest on borrowed money | 0 | 53 | 0 |
| Interest on interest swaps | - | 9 | - |
| Other interest expense | 9 | 12 | 92 |
| Fees and commissions payments | 1,759 | 1,719 | 16,564 |
| Other operating expenses | 454 | 586 | 4,281 |
| General and administrative expenses | 24,676 | 25,312 | 232,272 |
| Other expenses | 3,644 | 3,043 | 34,301 |
| Total expenses | 31,740 | 31,541 | 298,765 |
| Income before income taxes | 3,349 | 4,225 | 31,526 |
| Income taxes: | | | |
| Current | 336 | 1,185 | 3,163 |
| Deferred | 319 | (760) | 3,003 |
| Total income taxes | 655 | 425 | 6,166 |
| Net income | ¥ 2,694 | ¥ 3,799 | \$ 25,359 |

See notes to consolidated financial statements.

ShinGinko Tokyo, Limited
Non-consolidated Balance Sheets (Unaudited)
As of March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|---|------------------------|------------------|---|
| | 2018 | 2017 | 2018 |
| Assets | | | |
| Cash and due from banks | ¥ 21,889 | ¥ 56,045 | \$ 206,036 |
| Call loans | - | 3,000 | - |
| Monetary claims bought | 41,950 | 39,932 | 394,864 |
| Securities | 164,685 | 160,968 | 1,550,130 |
| Loans and bills discounted | 210,842 | 230,567 | 1,984,583 |
| Other assets | 868 | 858 | 8,176 |
| Tangible fixed assets | 47 | 23 | 446 |
| Intangible fixed assets | 136 | 148 | 1,288 |
| Customers' liabilities for acceptances and guarantees | 1,663 | 2,035 | 15,660 |
| Reserve for loan losses | (2,674) | (4,091) | (25,173) |
| Total assets | ¥ 439,410 | ¥ 489,488 | \$ 4,136,012 |
| Liabilities | | | |
| Deposits | ¥ 269,832 | ¥ 297,580 | \$ 2,539,841 |
| Call money | 30,000 | 25,000 | 282,379 |
| Borrowed money | 68,000 | 98,000 | 640,060 |
| Borrowed money from trust account | 53 | - | 505 |
| Other liabilities | 2,433 | 2,060 | 22,908 |
| Reserve for employees' bonuses | 131 | 132 | 1,239 |
| Reserve for employees' retirement benefits | 164 | 156 | 1,546 |
| Reserve for losses on cancelation of system contracts | 30 | 30 | 282 |
| Reserve for contingent losses | 22 | 24 | 211 |
| Deferred tax liabilities | 1,149 | 1,113 | 10,822 |
| Acceptances and guarantees | 1,663 | 2,035 | 15,660 |
| Total liabilities | 373,482 | 426,133 | 3,515,457 |
| Net assets | | | |
| Shareholders' equity: | | | |
| Common stock | 20,000 | 20,000 | 188,253 |
| Capital surplus | 32,046 | 32,046 | 301,646 |
| Retained earnings | 10,389 | 8,203 | 97,789 |
| Total shareholders' equity | 62,436 | 60,250 | 587,689 |
| Accumulated other comprehensive income- | | | |
| Valuation difference on available-for-sale securities | 3,491 | 3,104 | 32,865 |
| Total net assets | 65,927 | 63,354 | 620,555 |
| Total liabilities and net assets | ¥ 439,410 | ¥ 489,488 | \$ 4,136,012 |

See notes to consolidated financial statements.

ShinGinko Tokyo, Limited
Non-consolidated Statements of Income (Unaudited)
For the Years Ended March 31, 2018 and 2017

| | <i>Millions of Yen</i> | | <i>Thousands of U.S. Dollars (Note 2)</i> |
|--------------------------------------|------------------------|----------------|---|
| | 2018 | 2017 | 2018 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 3,112 | ¥ 3,398 | \$ 29,297 |
| Interest and dividends on securities | 3,337 | 2,700 | 31,414 |
| Interest on call loans | 0 | 0 | 0 |
| Interest on due from banks | 31 | 30 | 292 |
| Other interest income | 556 | 539 | 5,235 |
| Trust fees | 56 | 61 | 527 |
| Fees and commissions | 277 | 194 | 2,608 |
| Other operating income | 155 | 215 | 1,461 |
| Other income | 934 | 1,839 | 8,793 |
| Total income | <u>8,459</u> | <u>8,979</u> | <u>79,629</u> |
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 508 | 743 | 4,787 |
| Interest on call money | (8) | (1) | (77) |
| Interest on borrowed money | - | 20 | - |
| Other interest expense | 0 | 0 | 0 |
| Fees and commissions payments | 157 | 144 | 1,482 |
| Other operating expenses | 36 | - | 342 |
| General and administrative expenses | 4,207 | 4,142 | 39,602 |
| Other expenses | 1,205 | 785 | 11,350 |
| Total expenses | <u>6,107</u> | <u>5,835</u> | <u>57,486</u> |
| Income before income taxes | 2,352 | 3,144 | 22,143 |
| Income taxes: | | | |
| Current | 151 | 116 | 1,427 |
| Deferred | (135) | (11) | (1,273) |
| Total income taxes | <u>16</u> | <u>105</u> | <u>153</u> |
| Net income | <u>¥ 2,336</u> | <u>¥ 3,039</u> | <u>\$ 21,989</u> |

See notes to consolidated financial statements.