

# Annual Report 2017

Year Ended March 31, 2017



**The Tama Shinkin Bank**

## Profile

*The Tama Shinkin Bank was first established in 1933 as the Tachikawa Credit Cooperative (a limited liability entity). With the Shinkin Bank Law coming into effect in 1951, the Tachikawa Credit Cooperative became the Tama Chuo Shinkin Bank, a local financial institution. Through supporting business development and creating assets that form the economic foundation of society for people who reside and run businesses in the Tama region, the Bank has contributed to the local community's development and has grown into its leading bank.*

*On January 10, 2006, in an era of great change, the Tama Chuo Shinkin Bank, the Taihei Shinkin Bank, and the Hachioji Shinkin Bank merged. These three regional financial institutions had served the same region, and it was determined that the region would be better served, and its growth better supported, by a single, more capable financial institution.*

*The Tama Shinkin Bank, popularly known as "Tamashin" by the local community in which it has established its roots, is one of Japan's highest ranking shinkin banks. As of March 31, 2017, the Bank had total assets of ¥2,913.2 billion, net assets of ¥117.2 billion, and 2,005 employees. The Bank also had a service network of 78 branches, 4 branch offices, and 58 automatic teller facilities.*



# Non-Consolidated Financial Highlights

## Non-Consolidated Financial Highlights

The Tama Shinkin Bank  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>For the Fiscal Year:</b>			
Total Income	¥ 41,436	¥ 39,889	\$ 369,345
Total Expenses	37,412	35,059	333,471
Income Before Income Taxes	4,024	4,829	35,873
Net Income	2,898	3,535	25,833
<b>Business Profit</b>	<b>4,019</b>	<b>5,868</b>	<b>35,830</b>
<b>At Year-End:</b>			
Deposits	¥ 2,644,221	¥ 2,560,392	\$ 23,569,140
Loans and Bills Discounted	1,013,469	1,004,010	9,033,509
Securities	1,137,707	1,123,875	10,140,895
Total Assets	2,913,274	2,819,097	25,967,332
Total Net Assets	117,284	118,323	1,045,409

Notes: 1. Yen figures are rounded down to the nearest one million yen in this annual report.

2. Figures stated in U.S. dollars are translated solely for convenience at ¥112.19 to U.S.\$1, the rate prevailing on March 31, 2017.

3. "Business Profit" is obtained by adding the interest income, fees and commissions (income) and other operating income, subtracting interest expenses (excluding expenses on money held in trust), fees and commissions (expenses), other operating expenses, transfers to general reserves for bad debts and general and administrative expenses. Business profit is one of the indicators used by shinkin and other banks.

### **Management Philosophy**

*Tamashin is a business dedicated to the happiness of our customers*

*Tamashin's mission is to contribute to the happiness and well-being of our customers*

### **Basic Policies**

*Tamashin, as a public entity in society, and motivated by the spirit of cooperation among regional financial institutions:*

1. Is based on a system of cooperation among officers and employees.
2. Builds workplaces characterized by good faith, trust, enthusiasm, and reliability.
3. Expands operations and improves quality in the course of financial activities.

Through these efforts, Tamashin seeks to contribute to the prosperity of its home regions and the vitality of the Japanese economy.

### **Corporate Ethics at Tama Shinkin Bank**

1. Developing self-awareness and confidence as a socially responsible entity

Tamashin is building trust with its members, customers, and local communities through its basic policies, self-awareness of its public role, and sound management based on the self responsibility of management.

2. Putting customers first and contributing to local communities

Adhering to its management philosophy, Tamashin strives through its business activities to offer high-quality, premium services to its customers, and to contribute to the growth of local communities.

3. Adhering strictly to laws and regulations

Tamashin complies with both laws and regulations, does not violate social norms, and remains conscientious and fair in its corporate operations.

4. Eliminating anti-social forces

Tamashin takes a resolute stance against anti-social forces that put the order and safety of society at risk.

5. Disclosure of management information and cordial relations with local communities

Tamashin works for cordial relations with local communities through the vigorous and fair disclosure of management information, and the deepening of communication on a broad scale.

# Solving Problems with a Vision of the



We would like to extend our sincere appreciation for your continued patronage.

We are happy to send this “Tamashin Report 2017” to share our activities during the fiscal year ended March 2017. Please read about Tamashin’s initiatives and our results over this past year, foster better understanding about them, and feel free to share your honest opinions with us.

We are always eager to listen to our customers’ voices, and strive to incorporate this feedback into our business operations.

## **Economic Environment in Fiscal Year Ended March 2017**

Political and economic situations overseas have had a major impact on Japan, such as growing concern over the slowdown of the Chinese economy, the rise of nationalism represented by the UK’s exit from the EU, and the emergence of geopolitical risks. Although manufacturing and consumption trends remain stagnant, there are bright spots in the Tama region that indicate that the economy is slowly recovering, such as higher employment and fewer corporate bankruptcies and smaller losses.

## **Mid-term Management Plan 2015 Basic Policy**

In 2015, Tamashin started its new 3 year “Mid-term Management Plan 2015.” Tamashin will always serve as a kind of problem solving infrastructure in the region and by resolving problems that corporate clients, retail customers and the overall local community face, our main theme is to contribute to creation of “Hometown Tama” that will enable a sustainable and bright community.

### **“Mid-term Management Plan 2015”**

*“Co-Creation of the Future for the Region and Tamashin”*

*“Aiming for Attractive and Vigorous “the Tama Region’s Bright Future”-*

The following 3 points comprise the “Mid-term Management Plan 2015”

- 1. Further demonstrate our “Problem-Solving Capacity” toward community development and revitalization.**
- 2. Maintain and reinforce our “Business Infrastructure” to continuously provide solutions to community issues.**
- 3. Build a “Highly Motivating Workplace Environment” and cultivate “Human Resources Responsible for the Future of the Community.”**

We believe the role of Tamashin is to be a locally-rooted company that contributes to the development of the Tama community based on the basic policy above.

# Future of Tama

## Toward a brighter future of Tama

**T**amashin not only solves the pressing problems of our corporate clients and business customers, individual customers, and local communities, but has a long-term perspective for the future, and is always thinking of ways to support the Tama region and make it better than it is today.

In order to raise the value of our customers' businesses and improve the quality of life, Tamashin is creating a brighter future of Tama by offering "Problem Solving Platform TAMA" that supports new businesses and dispatches experts, and "Tamashin Smile Plaza," where customers can consult their problems in a relaxed manner on weekends.

In FY2016, the middle year of the "Mid-term Management Plan 2015," we introduced a business division system and built a new head office organizational structure in order to strengthen governance. We are building a sustainable and stable management foundation that enables us to achieve an even better compliance system and solve regional problems.

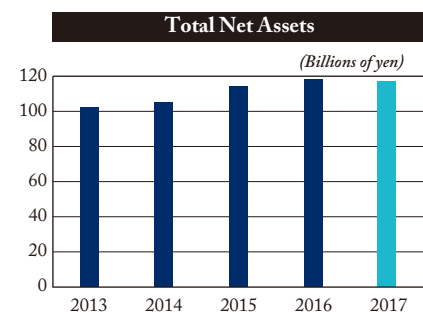
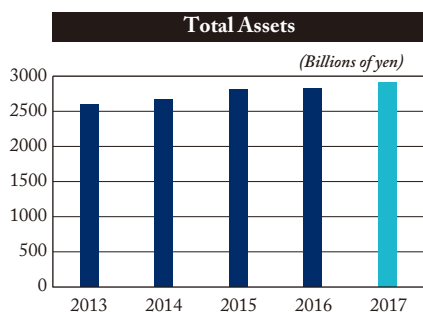
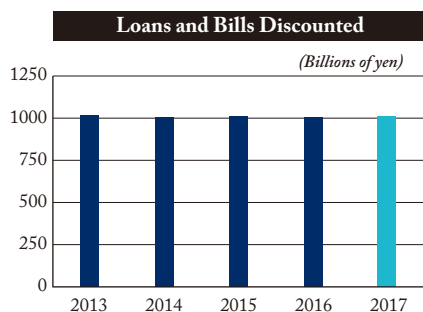
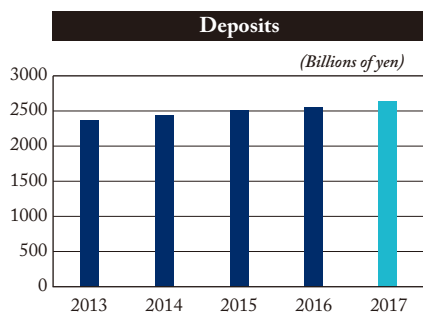
Despite an increase in deposits and outstanding loans, the Bank of Japan's negative interest rate policy reduced yields on loans and combined with other factors, resulted in lower revenues in FY2016. Although it is a tough financial environment, we will continue to work diligently to solve our customers' problems in order to realize our management philosophy.

And in FY2017 as well, all of our officers and employees are working together to engage in effort that will solve more of the problems our customers are facing, to overcome difficult times in tandem with our customers and to create value for our customers and local communities with the aim of creating a bright future for an attractive and vibrant Tama.

We would like to extend our appreciation for your patronage once again and ask for your continued support going forward as well.



Toshiro Yagi, President



## The Financial and Economic Environment

In the fiscal year ended March 2017, uncertainty over the future of the global economy increased in the first half of the year due to the concern over the stalling Chinese economy and the Brexit shock, and the rising yen affected corporate earnings adversely. Wages, the key driver of personal consumption, had grown at a sluggish pace and a sharp contraction in demand from inbound tourists from China made personal consumption slow down.

In the second half, the domestic economy was showing signs of recovering from the sluggish economic growth against the backdrop of higher exports due to the depreciation of the yen and strengthening US dollar created by recovery of foreign economy and rising policy expectations from the results of the US presidential election, and increasing domestic production.

The Nikkei Stock Average started the beginning of the fiscal year at the ¥16,000 range, but dropped more than ¥1,200 in a day on news of Brexit, temporarily falling below ¥15,000. The Nikkei Average recovered in the second half of the fiscal year, breaking through the ¥19,000 range on news of Donald Trump's victory in the US presidential election in November.

However, by the end of the fiscal year, the Nikkei Average fell down to the ¥18,000 range due to uncertainty in the Trump administration's management of policies and greater geopolitical risk.

## Operating Results

The fiscal year ended March 2017 was the second year of our 3-year management plan, “Mid-term Management Plan 2015,” and we have set forth the following policy under the theme of aiming for “Co-Creation of the Future for the Region and Tamashin”-enhance competence for our task and problem-solving capacity to create a bright future with confidence and pride,” and seek to build the bright future for the region and Tamashin according to the policy.

1. Further demonstrate our “Problem-Solving Capacity” toward community development and revitalization.
2. Maintain and reinforce our “Business Infrastructure” to continuously provide solutions to community issues.
3. Build a “Highly Motivating Workplace Environment” and cultivate “Human Resources Responsible for the Future of the Community.”

### Balance of Deposits and Loans

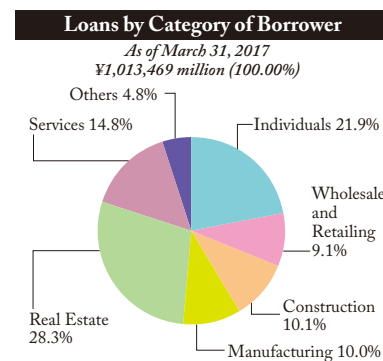
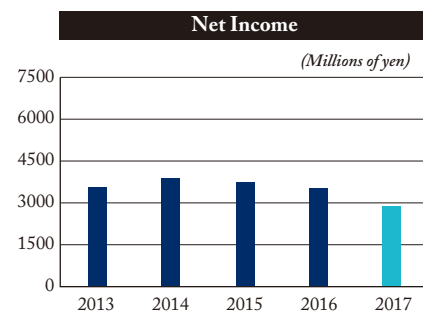
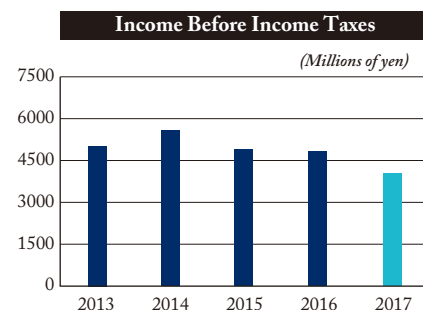
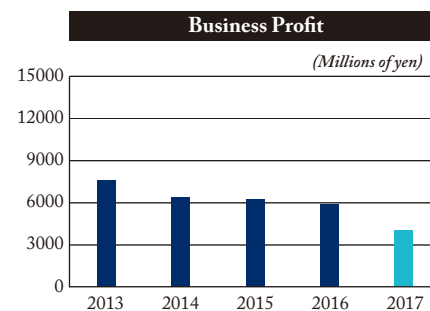
Thanks to the support of our customers in the community, deposits increased from the previous fiscal year by ¥83.8 billion (3.2% increase) to ¥2,644.2 billion. Loans increased slightly by ¥9.4 billion (0.9% increase) from the previous fiscal year for a total of ¥1,013.4 billion.

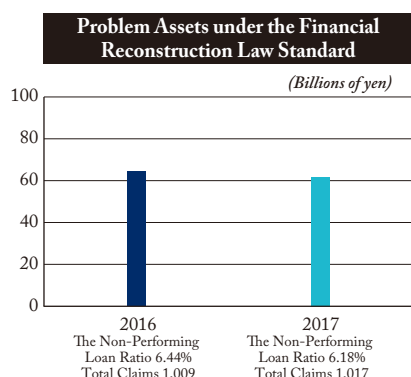
### Balance of Securities

The fiscal year-end balance of securities grew ¥13.8 billion over the previous fiscal year to ¥1,137.7 billion. The fiscal year-end balance of total assets amounted to ¥2,913.2 billion, up ¥94.1 billion, while the fiscal yearend balance of net assets was down ¥1.0 billion to ¥117.2 billion.

### Earnings

The Bank of Japan’s quantitative and qualitative monetary easing with a negative interest rate resulted in a ¥1.3 billion decrease in interest on loans from the previous fiscal year, a decrease in interest on deposits of ¥200 million from the previous fiscal year, and a ¥2.4 billion increase in interest and dividends on securities from the previous fiscal year. However, business profit was down ¥1.8 billion from the previous fiscal year (31.4% decrease) to ¥4 billion, mainly due to the fact that foreign exchange trading losses increased by ¥2.1 billion, which is the main foreign currency financing cost associated with managing foreign currency denominated foreign securities. Also, operating income decreased by ¥900 million from the previous fiscal year (18.5% decrease) to ¥4 billion, income before income taxes decreased by ¥800 million from the previous fiscal year (16.6% decrease) to ¥4 billion, and net income decreased by ¥600 million from the previous fiscal year (18.0% decrease) to ¥2.8 billion.





## Non-Performing Assets

Tamashin is disposing of non-performing loans in a manner to share and help solve difficulties and problems of customers constructively engaged in their business operations. Thanks to the effects of our efforts and the gradual improvement of customers' business operations, Tamashin's non-performing loans reported in according with the Financial Reconstruction Law's disclosure standards, excluding normal claims, declined by ¥2.2 billion from the fiscal year ended March 2016 to ¥62.8 billion, with the non-performing loan ratio falling by 0.26 percentage point to 6.18%. The total balance of claims, including normal claims, also increased from ¥1,009.5 billion to ¥1,017.1 billion.

In accordance with the Financial Reconstruction Law, Tamashin is striving to ensure a high level of transparency in disclosing our operations, including the results of self-assessment of our assets. The total balance of non-performing loans by category and the total coverage ratio, etc., computed in accordance with disclosure standards of the Financial Reconstruction Law and the Shinkin Bank Law, are stated below.

Tamashin's non-performing loans disclosed under the Financial Reconstruction Law amounted to ¥62.8 billion, and 77.13% of those are secured by collateral, guarantees and/or loan loss reserves. Tamashin covers the remaining ¥14.3 billion, or approximately 22.86%, with its equity capital (total net assets of ¥117.2 billion).

In addition, loans defined as risk-monitored under the Shinkin Bank Law's disclosure standards declined by ¥2.1 billion from the previous fiscal year to ¥62.7 billion. The total comprises ¥1.5 billion in loans to bankrupt borrowers and ¥61.2 billion in non-accrual delinquent loans. There are no outstanding claims on which loans past due for three months or more, or restructured loans. All loans outstanding to bankrupt borrowers are fully secured by collateral, guarantees and/or loan loss reserves. Of the balance of delinquent loans, 76.51% is secured, while 77.09% of the total risk-monitored loans are secured by collateral, guarantees and/or loan loss reserves.

Going forward, Tamashin will continue to proactively provide financial

## Glossary of Terms

### Bankrupt and Quasi-Bankrupt Assets

Loans to bankrupt borrowers, to those whose businesses are idle due to reorganization or negotiations in progress, and to those who are in a position similar to the aforesaid borrowers.

### Doubtful Assets

Loans to borrowers whose businesses are still operating, but whose financial position or business performance are deteriorating, and who are for that reason highly likely to find themselves unable to make required payments on principal and interest.

### Substandard Loans

Loans to customers identified as requiring caution under our self-assessment system. This figure represents those loans past due for three months or more, or restructured loans.

### Normal Assets

Loans to borrowers who display no particular problems with their financial position or performance, and who fall into none of the three categories above.

## Non-Performing Assets under the Financial Reconstruction Law

Years ended March 31, 2017 and 2016

	Millions of yen	
	2017	2016
Bankrupt and Quasi-Bankrupt Assets	¥ 7,424	¥ 8,219
Doubtful Assets	55,469	56,868
Substandard Loans	-	-
Normal Assets	954,214	944,491
Total	¥ 1,017,109	¥ 1,009,578

Note: Under the Shinkin Bank Law, claims subject to reporting are limited to loans and bills discounted. Under the Financial Reconstruction Law, in addition to loans and bills discounted, banks must also report a wide range of claims, including securities lending, foreign exchange, accrued income and advance payments on other assets, and customers' liabilities for acceptances and guarantees. In addition, the bank must analyze the status of the claim in light of the borrower's financial condition.

## Risk-Monitored Loans under the Shinkin Bank Law

Years ended March 31, 2017 and 2016

	Millions of yen	
	2017	2016
Total loans to bankrupt borrowers	¥ 1,541	¥ 1,147
Total non-accrual delinquent loans	61,205	63,764
Total loans past due for three months or more	-	-
Total Restructured loans	-	-
Total	¥ 62,746	¥ 64,911



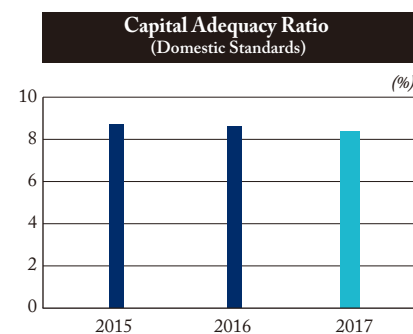
and non-financial support to customers in order to solve their problems and improve their business operations.

### Capital Adequacy Ratio

Tamashin's stance regarding the capital adequacy ratio is not simply to increase this ratio. Our policy is to place foremost priority on our role within the region, and to steadily retain the appropriate level of earnings obtained from serving customers in our home region, which may contribute to the soundness of our operations.

As for the capital adequacy ratio in the fiscal year ended March 2017, the "amount of total capital" (the numerator) increased by ¥1.7 billion over the previous fiscal year to ¥101.2 billion due in part to an increase in retained earnings, while the "amount of credit risk assets, etc." (the denominator) increased by ¥56.6 billion to ¥1,208.3 billion compared to the previous fiscal year, due to increases in other securities. As a result, Tamashin's capital adequacy ratio dipped by 0.26 percentage points compared to the prior year to 8.37%, which is far larger than the 4% standard for domestic banks. It ensured the soundness and stability of its operations.

As a regional financial institution, Tamashin will continue to place its contribution to regional customers above all else, while striving to further enhance the soundness of our operations.



### Capital Adequacy Ratio (Calculated under Basel III)

Year ended March 31, 2017 and 2016

	Millions of yen	
	2017	2016
Core capital basic items	¥ 101,999	¥ 100,067
Core capital adjustment items	(741)	(600)
Total Capital	¥ 101,258	¥ 99,467
Risk Assets		
Total amount of credit risk assets	¥ 1,145,265	¥ 1,086,969
Amount Obtained by Dividing Operational Risk Equivalent by 8%	63,074	64,757
Capital Adequacy Ratio	8.37%	8.63%

Note: The "standards for determining the adequacy of capital of shinkin banks and the Federation of Shinkin Banks in light of their holdings of assets, etc. under the provisions of Article 14-2 of the Banking Act applied mutatis mutandis in Article 89, paragraph 1 of the Shinkin Bank Law (Financial Services Agency Notification No. 21 of 2006)" provide for the method to calculate capital adequacy ratio. The revised notification became applicable on and after March 31, 2014. The Bank adopts the domestic standards for calculating its capital adequacy ratio.

Tamashin's capital mainly consists of "equity capital" provided by shareholders and "retained earnings" retained internally from past profits, and is computed by deducting an amount of adjustment items related to core capital from an amount of basic items related to core capital. Of Tamashin's capital, the balance of basic items related to core capital stood at ¥101 billion and the balance of adjustment items related to core capital stood at ¥741 million at the end of the fiscal year ended March 2017.

#### Method to calculate the capital adequacy ratio under Basel III

$$\frac{\text{Amount of basic items of core capital} - \text{Amount of adjustment items of core capital}}{\text{Amount of credit risk assets} + \text{Operational risk equivalent amount} \div 8\%} \geq 4\%$$

**Compliance-Related Efforts**

Tamashin is striving to strengthen our compliance (observance of laws and regulations, etc.) structure with the belief that it is our primary responsibility to observe laws and regulations, as well as the various rules and norms accepted by society that are based on such laws and regulations, in order to become truly trusted by customers in the region as a financial institution that advances with the region.

**1. Compliance Manual**

Tamashin has established a code of corporate ethics and a code of conduct, and distributed the Compliance Manual, which incorporates comments and explanations about these codes as well as laws, regulations and other rules, to all employees, and is making continuous efforts to ensure that employees thoroughly understand the content of the Compliance Manual.

**2. Compliance Management Structure**

In our compliance management structure, Tamashin positions the Compliance And Risk Management Department as the office responsible for oversight of compliance, providing it with the authority necessary to ensure the observance of laws and regulations, etc. and ensuring its independence from sales divisions, etc. to supervise other divisions, thereby strengthening the compliance structure for the entire Bank. Tamashin also assigns officials to be in charge of compliance at all departments of our headquarters and all branches to ensure thorough adherence to compliance.

**3. Compliance Program**

Tamashin formulates the “Compliance Program” each fiscal year, and provides a variety of training courses so that all the members of the bank fully understand compliance and implement a variety of measures for developing an environment fit for compliance in accordance with the Compliance Program.

**Compliance Declaration**

The Tama Shinkin Bank, in order to respond to the trust placed in the Bank by customers and society, shall execute business activities by constantly reminding ourselves of the social responsibility and public mission of a shinkin bank, maintaining deep insight and a strong sense of ethics, and placing compliance as one of the most important management priorities. In order to establish a corporate culture based on compliance, we hereby declare that the Tama Shinkin Bank shall formulate and abide by the “Compliance Declaration.”

**1. Establishment of Trust**

The Tama Shinkin Bank, fully conscious of its public mission and social responsibility, shall earn the trust of the local community and customers through sound management.

**2. Sincere and Fair Business Activities**

The Tama Shinkin Bank shall strictly abide by laws, regulations and rules, and execute sincere and fair business activities in accordance with the norms accepted by society.

**3. Contributions to the Local Community**

The Tama Shinkin Bank shall contribute to the local community by sharing and solving the problems of customers and the region.

**4. Fair and Appropriate Disclosure of Information**

The Tama Shinkin Bank shall realize transparent management by disclosing financial and other information in a fair and appropriate manner.

**5. Exclusion of Antisocial Forces**

The Tama Shinkin Bank shall resolutely exclude antisocial forces that pose a threat to social order and security.



# Financial Statements

Year Ended March 31, 2017

# Notes to Non-Consolidated Financial Statements

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>ASSETS</b>			
Cash	¥ 27,378	¥ 25,953	\$ 244,038
Due from Banks	670,360	608,079	5,975,222
Monetary Claims Purchased	12	25	113
Money Held in Trust	13,037	6,080	116,210
Trading Account Securities	40	10	359
Trading Account National Government Bonds	5	5	47
Trading Account Local Government Bonds	35	4	312
Securities	1,137,707	1,123,875	10,140,895
National Government Bonds	163,841	167,808	1,460,388
Local Government Bonds	244,653	213,487	2,180,710
Corporate Bonds	311,852	377,770	2,779,681
Stocks	26,553	23,591	236,685
Other Securities	390,805	341,217	3,483,429
Loans	1,013,469	1,004,010	9,033,509
Bills Discounted	11,251	11,339	100,292
Loans on Bills	22,397	24,667	199,638
Loans on Deeds	968,044	956,135	8,628,618
Overdrafts	11,775	11,867	104,959
Foreign Exchange	1,072	807	9,563
Due from Foreign Banks	1,053	749	9,388
Foreign Bills of Exchange Bought	0	17	0
Foreign Bills of Exchange Receivable	19	40	173
Other Assets	20,867	19,295	186,001
Outstanding Bank Transfer Advanced	389	381	3,467
Investment in the Shinkin Central Bank	11,265	11,265	100,417
Prepaid Expenses	15	17	138
Accrued Income	4,374	4,374	38,994
Gross Unrealized Gains from Derivative Transactions	2,428	909	21,650
Cash Collateral Advanced for Derivative Transactions	—	762	—
Others	2,393	1,584	21,333
Tangible Fixed Assets	32,482	32,229	289,532
Building	6,476	6,153	57,729
Land	21,633	21,490	192,831
Leased Assets	122	83	1,089
Construction in Progress	105	191	936
Other Tangible Fixed Assets	4,144	4,309	36,944
Intangible Fixed Assets	1,587	1,601	14,153
Software	970	970	8,652
Leased Assets	16	23	147
Others	600	607	5,353
Prepaid Pension Expense	126	479	1,123
Reverse against Debt Guarantee	3,003	4,820	26,768
Reserve for Possible Loan Losses	(7,871)	(8,171)	(70,160)
(Specific Reserve for Possible Loan Losses)	(6,320)	(6,551)	(56,335)
<b>Total Assets</b>	<b>¥ 2,913,274</b>	<b>¥ 2,819,097</b>	<b>\$ 25,967,332</b>

Notes: 1. Yen figures are rounded down to the nearest one million yen in this annual report.

2. Figures stated in U.S. dollars are translated solely for convenience at ¥112.19 to U.S.\$1, the rate prevailing on March 31, 2017

3. Based on the provisions of Article 15, paragraph 1, item 1 in the law regarding cooperative financial institution's preferred securities (No. 44; enacted on May 12, 1993), we cancelled the entire amount of preferred capital that had already been issued on December 22, 2011. After receiving this cancellation of preferred share, we transferred ¥5,350 million (US\$47,686 thousand) of preferred share in this current fiscal year and are recording the amount as other share.

## Non-Consolidated Balance Sheets

*The Tama Shinkin Bank*  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>LIABILITIES</b>			
Deposits	¥ 2,644,221	¥ 2,560,392	\$ 23,569,140
Current Deposits	58,701	55,204	523,234
Ordinary Deposits	1,320,471	1,233,223	11,769,954
Savings Deposits	9,442	9,701	84,169
Deposits at Notice	1,614	2,322	14,387
Time Deposits	1,150,498	1,146,047	10,254,912
Installment Savings	82,811	90,927	738,138
Other Deposits	20,681	22,965	184,343
Call Money	98,783	101,176	880,501
Cash Collateral Received for Repurchase Agreement	34,678	17,462	309,106
Foreign Exchange	11	6	100
Foreign Bills of Exchange Sold	10	6	89
Foreign Bills Payable	1	—	10
Other Liabilities	6,985	7,467	62,267
Outstanding Bank Transfer Received	652	613	5,820
Accrued Expenses	736	703	6,560
Reserve for Future Interest Payment of Installment Savings	73	97	656
Income Taxes Payable	812	1,424	7,246
Unearned Income	147	152	1,311
Unsettled Equity Refunds	61	56	550
Deposits from Employees	881	801	7,861
Gross Unrealized Losses from Derivative Transactions	305	54	2,724
Cash Collateral Received for Derivative Transactions	1,975	65	17,604
Lease Obligations	142	108	1,272
Asset Retirement Obligations	351	355	3,130
Other Liabilities	844	3,036	7,528
Reserve for Employee Bonuses	1,080	1,130	9,633
Reserve for Employee Retirement Benefits	31	27	283
Reserve for Director's Retirement Benefits	545	475	4,865
Reserve for Reimbursement of Deposits	310	288	2,763
Reserve for Contingencies	251	230	2,238
Deferred Tax Liabilities	3,007	4,210	26,811
Deferred Tax Liabilities for Land Revaluation	3,078	3,082	27,441
Debt Guarantee	3,003	4,820	26,768
<b>Total Liabilities</b>	<b>¥ 2,795,990</b>	<b>¥ 2,700,773</b>	<b>\$ 24,921,923</b>
<b>NET ASSETS</b>			
Paid-in Members' Capital	23,092	23,241	205,833
Common Share	17,742	17,891	158,146
Other Share	5,350	5,350	47,686
Capital Retained Earnings	766	766	6,830
Legal Capital Reserve	766	766	6,830
Retained Earnings	75,580	73,208	673,684
Legal Reserve	22,040	21,680	196,454
Voluntary Reserve	53,540	51,528	477,230
Reserve for Specific Purpose	49,500	46,500	441,215
Retained Earnings for the Current Term	4,040	5,028	36,014
Treasure Share	(2)	(1)	(25)
Total Members' Equity	99,436	97,215	886,323
Unrealized Gains on Available-for-sale Securities	15,725	19,269	140,166
Deferred Gains or Losses on Hedges	299	5	2,670
Land Revaluation Excess	1,822	1,833	16,247
<b>Total of Valuation and Translation Adjustments.</b>	<b>17,847</b>	<b>21,108</b>	<b>159,085</b>
<b>Total Net Assets</b>	<b>117,284</b>	<b>118,323</b>	<b>1,045,409</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 2,913,274</b>	<b>¥ 2,819,097</b>	<b>\$ 25,967,332</b>

# Non-Consolidated Balance Sheets

1. All yen figures have been rounded down to millions of yen by dropping the final six digits.

2. Trading account securities are recorded at fair value (the costs of such securities sold are computed using the moving-average method).

3. As for securities other than those in trading portfolio, debt securities that the Tama Shinkin Bank (hereafter, "the Bank") has the intent and ability to hold to maturity (held-to-maturity securities) are carried at amortized cost (straight-line basis) using the moving-average method. Investments in subsidiaries are carried at cost using the moving-average method.

Securities excluding those classified as trading securities, held-to-maturity or investments in subsidiaries are defined as available-for-sale securities. Available-for-sale securities are valued at market value as of the last day of the fiscal year. The costs of such securities sold are computed using the moving-average method. Other non-marketable securities, whose market values are extremely difficult to determine, are carried at cost using the moving-average method. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes as a component of net assets.

4. Securities that are held as trust assets in individually managed money trusts with the principal objective of securities portfolio management are stated at fair value.

5. Derivative transactions are evaluated using the market value method.

6. The depreciation of the Bank's tangible fixed assets (excluding leased assets) is computed by the declining balance method.

The estimated useful lives of major items are as follows:

Buildings	15 to 50 years
Others	3 to 20 years

7. The amortization of the Bank's intangible fixed assets except for leased assets is computed by the straight-line method. Capitalized software for internal use is amortized based on the Bank's estimate of useful life (mostly 5 years).

8. The depreciation and amortization of leased assets of "tangible fixed assets" and "intangible fixed assets" related to non-ownership-transfer finance lease transactions are computed by the straight-line method, using the lease periods as the useful lives. Residual value is stated as the amount of residual value guarantee of lease contracts which include guaranteed residual value and at zero for all other lease contracts.

9. The bank translates assets and liabilities in foreign currencies into yen at the year-end exchange rate.

10. Reserve for possible loan losses of the Bank has been established based on the Bank's internal rules for establishing a reserve for possible loan losses, described as follows.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("Bankrupt Borrowers"), or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("Effectively Bankrupt Borrowers"), an allowance is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt, but likely to become bankrupt in the future ("Potentially Bankrupt Borrowers"), an allowance 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, an allowance is provided based on the historical loan-loss ratio.

The operating divisions assess all claims in accordance with the guidelines for the self-assessment of asset quality, and the internal audit and inspection division, which is independent from the operating divisions, audits these assessments. The allowance for loan losses is provided based on the results of these assessments.

For collateralized or guaranteed claims on Bankrupt Borrowers and

Effectively Bankrupt Borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The cumulative write-off amount was ¥5,940 million.

11. Reserve for employee bonuses is provided for the payments of bonuses to employees, by the amount of estimated bonuses, which are attributable to this fiscal year.

12. Reserve for employee retirement benefits is provided for the payments of employee retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the pension assets as of the fiscal year end. In the calculation of retirement benefit obligations, we use a benefit formula for the period attribution method for estimated amounts of retirement benefit obligations. For the fiscal year, ¥126 million (US\$1,123 thousand) has been recorded as a prepaid pension expense in the balance sheet.

### Actuarial Differences

Unrecognized net actuarial differences are amortized from the next fiscal year by the straight-line basis over the prescribed years within the average remaining service period (10 years) of active employees.

Furthermore, in order to prepare for the payment of retirement benefits to participants in the lump-sum retirement benefit plan, we recorded an amount necessary at the fiscal year end under a compendium method set forth in Implementation Guidance No. 25 on Accounting Standard for Retirement Benefits (March 26, 2015).

The Bank participates in the corporate pension plan (an integrated corporate-type employees' pension scheme) set up by multiple other businesses, such as Shinkin banks, and as it is not possible to reasonably compute an amount of pension assets corresponding to our contributions, we treat our contributions to the pension scheme as retirement benefit expenses.

The most recent data on the reserves of the corporate pension plan and the Bank's share in total contributions to the plan and supplementary explanations about them are as follows:

a) Matters concerning the corporate pension plan's reserve (as of March 31, 2016)

	Millions of yen	Thousands of U.S. dollars
Amount of pension assets	¥ 1,605,568	\$ 14,311,152
Sum of amount of actuarial pension obligations amount of the minimum actuarial liability	1,782,403	15,887,362
Balance	¥ (176,835)	\$ (1,576,210)

b) Share of the Bank's premium contributions to the plan (as of March 31, 2016) was 2.0809%

c) Supplementary explanations

The main factor for the balance in 1) above is the balance of ¥229,190 million (US\$2,042,874 thousand) in past service liabilities. As the pension plan uses the equal payment fixed-rate method for amortizing past service costs over a period of 19 years and 0 months, the Bank charged ¥417 million (US\$3,725 thousand) in special premiums in the financial statements for the fiscal year ended March 2017.

As the amount of special premiums is computed by multiplying the amount of standard pay at the time of contributions by the predetermined premium rate, the percentage shown in 2) above does not correspond to the actual ratio of contributions by the Bank.

13. Reserve for retirement benefits to directors, which is provided for payment of retirement benefits to directors and auditors, is recorded in the amount deemed accrued at the fiscal year end date based on the estimated amount of benefits.

14. Reserve for reimbursement of deposits, which were derecognized from liabilities, is based on the possible losses on the future claims of withdrawal to prepare for depositor's needs of withdrawal.

15. Reserve for contingencies is provided for future payments to Credit Guarantee Corporation based on the amount reasonably calculated.

16. Finance lease transactions without transfer of ownership entered into before April 1, 2008 have been accounted for in accordance with accounting methods used for operating leases.

17. For the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets, the deferred hedge accounting method is applied as prescribed by the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants Industry Audit Committee Report No. 24, February 13, 2002) (Hereafter "Industry Audit Committee Report No. 24"). With respect to the hedge effectiveness testing, the Bank assesses the effectiveness of such hedges by monitoring the offsetting fluctuation of fair value by changes in interest rates, of the hedged bonds and hedging instruments, such as interest rate swaps.

18. The Bank applies the deferral hedge method of accounting to hedges of foreign currency risks associated with foreign-currency-denominated monetary assets and liabilities in accordance with "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry (the Japanese Institute of Certified Public Accountants Industry Audit Committee Report No.25, July 29, 2002). With respect to the hedge effectiveness testing, the Bank designates foreign exchange swap transactions as hedges against fluctuation in foreign currency exchange rates arising from foreign currency monetary claims and assesses the effectiveness of such hedges by verifying that the Bank holds foreign currency positions of the hedged items corresponding to the positions of the hedging instruments.

19. National and local consumption taxes are accounted for using the net of tax method.

20. Total monetary claims to directors and auditors as a result of transactions between directors and auditors were ¥0 million (US\$3 thousand)

21. Capitalization of subsidiaries was ¥1,719 million (US\$15,328 thousand)

22. Total monetary claims for subsidiaries were ¥668 million (US\$5,955 thousand)

23. Total monetary liabilities for subsidiaries were ¥3,249 million (US\$28,965 thousand)

24. Cumulative total depreciation of tangible fixed assets was ¥21,799 million (US\$194,307 thousand)

25. Reduction entry amount of tangible fixed assets was ¥289 million (US\$2,576 thousand)

26. In addition to fixed assets recorded on the balance sheet, communication and control devices are used according to non-ownership-transfer finance lease contracts.

1) Acquisition Cost Expenses

	Millions of yen	Thousands of U.S. dollars
Tangible fixed assets	¥ 299	\$ 2,668
Intangible fixed assets	10	92
<b>Total</b>	<b>¥ 309</b>	<b>\$ 2,761</b>

2) Accumulated Depreciation

	Millions of yen	Thousands of U.S. dollars
Tangible fixed assets	¥ 181	\$ 1,616
Intangible fixed assets	7	63
<b>Total</b>	<b>¥ 188</b>	<b>\$ 1,679</b>

3) Year-end Closing Balance

	Millions of yen	Thousands of U.S. dollars
Tangible fixed assets	¥ 118	\$ 1,052
Intangible fixed assets	3	28
<b>Total</b>	<b>¥ 121</b>	<b>\$ 1,081</b>

4) Future Lease Payments Year-end Closing Balance

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥ 56	\$ 507
Exceeding 1 year	78	699
<b>Total</b>	<b>¥ 135</b>	<b>\$ 1,207</b>

5) Lease Payments, Depreciation Expense and Interest Expense Payments

	Millions of yen	Thousands of U.S. dollars
Lease payments	¥ 85	\$ 765
Depreciation expense	67	605
Interest expense payments	¥ 20	\$ 180

6) Depreciation Expense Calculation Method

Calculated using the straight-line method over the useful lives of the respective leased assets with zero residual value.

7) Calculation Method for Interest Payments

The difference between the total lease fee and acquisition equivalent amount is assumed the interest portion and distributed each year through the interest method.

27. Of loans outstanding, loans to Bankrupt Borrowers amounted to ¥1,541 million (US\$13,737 thousand) and Non-accrual Delinquent loans amounted to ¥61,205 million (US\$545,553 thousand).

Loans to Bankrupt Borrowers are loans, after write offs, to bankrupt borrowers as defined in paragraph 1, item (3) (a) through (e) and paragraph 1, item (4) of Article 96 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) on which accrued interest income is not recognized, as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for some other reasons.

Also, non-accrual loans are other than Loans to Bankrupt Borrowers, and loans renegotiated at concessionary terms, which include reduction or deferral of interest for the purpose of supporting or helping business reconstruction of borrowers.

28. Of loans outstanding, there are no loans past due for three months or more.

Loans past due for three months or more are loans whose principal and/or interest payments have been past due for three months or more, excluding loans to bankrupt borrowers and past due loans.

29. Of loans outstanding, there are no restructured loans. Restructured loans are loans renegotiated at concessionary terms, including reduction or deferral of interest or principal and waiver of the claims, due to the borrower's weakened financial condition, excluding loans to bankrupt borrowers, non-accrual delinquent loans and loans past due for three months or more.

30. The total amount of loans to Bankrupt Borrowers, non-accrual delinquent loans, loans past due for three months or more, and restructured loans came to ¥62,746 million (US\$559,291 thousand). These amounts are stated before the reduction of reserve for possible loan losses.

31. Bills discounted are treated as financial transactions in accordance with JICPA Industry Audit Committee Report No.24.

Bills accepted by other banks, commercial bills, bills of exchange, and foreign bills bought are permitted to be sold or pledged and the total face value was ¥11,251 million (US\$100,292 thousand).

32. Assets pledged as collateral are as follows.

Assets pledged as collateral:

	Millions of yen	Thousands of U.S. dollars
Securities	¥ 1,637	\$ 14,591
Other Assets	10	90

Other liabilities corresponding to the above pledged assets are mainly those corresponding to national revenue and public money.

In addition to the above, due from banks totalling ¥165,000 million (US\$1,470,719 thousand), securities totalling ¥85,043 million (US\$758,026 thousand), and other assets totalling ¥3 million (US\$26 thousand) were pledged as collateral for exchange settlements, exchange yen settlements, forward exchange contracts, foreign currency yen settlements and call transactions, or in lieu of futures trading margin money. Securities lent out for cash-secured bond lending transactions amounted to ¥35,317 million (US\$314,797 thousand), while cash collateral accepted for bond lending transactions amounted to ¥34,678 million (US\$309,106 thousand).

33. In accordance with the Act on Revaluation of Land, promulgated on March 31, 1998, the Bank's business use real estate was revalued. The corresponding taxes on land revaluation are reported as "Deferred Tax Liabilities for Land Revaluation" in the liabilities section of the non-consolidated balance sheets. The excess of the revaluation over the related deferred tax liabilities is recorded as "Land Revaluation Excess."

Date of the revaluation:

The former Tama Chuo Shinkin Bank	March 31, 1999
The former Taihei Shinkin Bank	March 31, 1998
The former Hachioji Shinkin Bank	March 31, 1998

#### **Methods of real estate revaluation stipulated in Act on Revaluation of Land, Article 3, Section 3**

Namely, land revaluation was adjusted in accordance with valuation by road rating stipulated in Article 2, Section 4 of the Implementation Ordinance for the Act on Revaluation of Land (Government Ordinance No. 119 March 31, 1998) and for the land of which road rating price is not determined were adjusted based on the appraised value for the property tax stipulated in Article 2, Section 3 of the Act. In regards to road rating price, value correction by depth and in regards to fixed asset appraisal values is computed by reasonable adjustment of the value calculated.

The difference between the total fair value of the revalued business land as of March 31, 2017 as stipulated in Article 10 of the Land Revaluation Law, and the total book value after revaluation is △¥4,856 million (△US\$43,288 thousand).

34. Of the corporate bonds in "Securities," due to private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Law) the amount of the Bank's guaranteed debts corresponding to Corporate Bonds is ¥11 million (US\$102 thousand).

35. Net assets per investment unit is ¥330.57 (US\$2.94)

36. Concerning the situation of financial instruments

#### **1) Policy for dealing with financial instruments**

The Bank is involved in finance business including deposits, loans and also marketplace investments.

For the purpose of hedging against fluctuation in interest rates, the Bank entirely and efficiently manages the variety of risks incurred by holding financial assets and liabilities (ALM). Derivative transactions are also implemented as necessary as part of this management.

#### **2) Contents of financial instruments and their risk**

The main financial assets of the Bank are loans to customers within our business district. Also, the Bank holds securities, mainly bonds, investment trusts as well as stocks, for held-to-maturity purposes, passive investment purposes as well as business promotion purposes.

The major risks implied in these financial instruments are issuers' credit risk, interest rate fluctuation risk and market risk. Foreign currency securities are exposed to the risk of exchange rate fluctuations, but the Bank tries to avoid this risk as much as possible using forward exchange contracts and currency options. However, financial liabilities are mainly deposits received from customers, and are exposed to liquidity risk. The Bank conducts interest rate swap transactions as one aspect of ALM. Using these as hedging instruments, the interest rate fluctuation risk regarding the financial instruments that are hedged items is subject to hedge accounting at the Bank.

### **3) Risk management systems for financial instruments**

#### **A. Credit risk management**

In accordance with loan screening rules/procedures for credit risk management policy as well as for managing credit risk, the Bank has established a framework for credit management structures of its loan portfolio.

This framework covers such issues as screening of individual loans, credit limits, management of credit information, assignment of guarantees and collateral and measures against nonperforming loans.

Credit management is carried out by each of the Bank's branches as well as the Bank's Loan Department.

Senior management regularly participates in deliberations and receives reports concerning credit management at meetings of ALM Committee and Board of Directors.

Additionally, the Compliance And Risk Management Department checks on the credit management situation.

Credit risk related to securities issuers is managed by Treasury And Securities Department, which regularly monitors credit information and market price.

#### **B. Market risk management**

##### **i. Interest rate risk management**

The Bank uses ALM to manage interest rate risk.

Details of the risk management methods and procedures are clearly stipulated in the regulations and guidelines concerning ALM, and based on the risk management policies determined by ALM Committee, the Board of Directors monitors and confirms the implementation status and decides future responses through discussion.

Financial assets as well as liabilities' interest rates and periods are identified in the Compliance And Risk Management Department on a routine basis, and are subject to monitoring by gap analysis and interest rate sensitivity analysis.

Additionally, using ALM, the Bank conducts derivative transactions (interest rate swaps) to hedge against the risk of fluctuations in the interest rate.

##### **ii. Exchange rate risk management**

The Bank seeks to avoid exchange rate risk as much as possible using foreign currency forwards.

##### **iii. Market price fluctuation risk management**

Holdings of market investment instruments including securities are managed in accordance with the market risk management rules based on policies set by the ALM committee, under the supervision of the Board of Directors.

The Treasury And Securities Department conducts purchases of market investment instruments and tries to mitigate fluctuations risk through continuous monitoring in addition to pre-purchase screening and the setting of investment limits.

Most of the stocks held by the Treasury And Securities Department are held for passive investment purposes, and by inverse correlation with the bond's price, they are held with the purpose of reducing market price fluctuations risk for the securities overall.

The above-mentioned information is regularly reported to the ALM committee through the Treasury And Securities Department.

##### **iv. Derivative transactions**

The execution, assessment of hedging effectiveness and transaction administration are each handled by separate divisions to ensure proper internal control. Derivative transactions are conducted in accordance with specific rules on such transactions and guidelines for handling adoption of hedge accounting.

##### **v. Quantitative information regarding market risk**

The primary financial instruments that are subject to interest rate risk, which is one of the main risk variables in these operations, include "due from banks," bonds of "securities," loans, and "deposits." In regards to these financial assets and liabilities, the Bank recognizes the fluctuation margin of the changes in the market value of portfolios as market risk amount. The fluctuation margin is calculated by using the expected fluctuation margin of the interest rate, a holding period of 1 year, a confidence interval of 99% and an observation period of the last 5 years, and conducts quantitative analysis when managing the interest rate fluctuation risk.

When calculating changes in the market value of portfolios, the financial assets and liabilities are categorized according to the



interest due date and interest rate volatility used for each term.

As of the end of this fiscal year, presuming that all the risk factors except interest rates are unchanged, in the case of rising interest rates with the expected fluctuation margin of the interest rate above, the market value of portfolios, will be decreased by ¥18,596 million (US\$165,757 thousand).

The market value of portfolios, changes suppose that the risk factors except interest rates are unchanged, and it is not considered to be a correlation between the interest rates and other risk factors. Therefore, it is possible that the actual impact may exceed the calculated amount in the case that the interest rate fluctuation is not within the reasonably estimated range.

Also, as a statistical approach, we measure the market risk amount using VaR on a monthly basis, and ensure the acquired risk amount within the range of its risk limits.

The Bank's VaR is calculated according to the historical simulation method (holding period: 1 year, confidence interval: 99%, observation period: 5 years), and as of March 31, 2017 (fiscal year end) the Bank's amount of market risk (estimated value of loss) was ¥6,991 million (US\$62,317 thousand) overall.

The Bank executes backtesting which compares calculated VaR and the actual profit/loss to verify the effectiveness of the VaR measurement model. However, the VaR statistically figures the risk based on historical market fluctuation and may be sometimes unable to completely grasp the risk in the environment that the market unexpectedly changes beyond the estimation.

#### C. Management of liquidity risk related to fund-raising

Through ALM, the Bank manages liquidity risk through such activities as managing its cash position in a timely manner through ALM, diversifying fundraising methods and adjusting the balance between short- and long-term fundraising in line with market conditions.

#### 4) Supplementary explanation on fair values of financial instruments

The fair values of financial instruments, in addition to values based on market price, include values based on reasonable estimates when no market prices are available.

Since value estimates are predicted on certain assumptions, values may vary if the underlying assumptions change.

### 37. Matters Relating to the Market Values of Financial Instruments

The following are the carrying amount on the balance sheets, the fair value as of March 31, 2017, and net unrealized gains (losses between these amounts (see \*1 in regards to the calculation method for fair value, etc.). The amounts shown in the following table do not include financial instruments whose market values are extremely difficult to determine, such as unlisted stocks classified as available-for-sale securities (see \*2).

In addition, immaterial items were omitted from the table.

	Millions of yen		
	Carrying Amount	Fair Value	Net unrealized gains (losses)
1) Due from Banks	¥ 670,360	¥ 671,104	¥744
2) Securities	1,135,506	1,137,413	1,907
Securities Classified as Trading	40	40	—
Bonds Classified as Held-to-Maturity	190,347	192,255	1,907
Available-for-sale securities	945,117	945,117	—
3) Loans and Bills Discounted	1,013,469		
Reserve for Possible Loan Losses (*1)	(7,792)		
	1,005,676	1,013,138	7,461
<b>Total Financial Assets</b>	<b>¥ 2,811,543</b>	<b>¥ 2,821,656</b>	<b>¥10,113</b>
1) Deposits	2,644,221	2,644,262	(40)
2) Call Money	98,783	98,783	—
3) Bond Lending Transactions	34,678	34,678	—
<b>Total Financial Liabilities</b>	<b>¥ 2,777,683</b>	<b>¥ 2,777,724</b>	<b>¥ (40)</b>
Derivative Transactions (*2)			
to which hedge accounting is not applied	(1)	(1)	—
to which hedge accounting is applied	2,124	2,124	—
<b>Total Derivative Transactions</b>	<b>¥ 2,123</b>	<b>¥ 2,123</b>	<b>—</b>

	Thousands of U.S. dollars		
	Carrying Amount	Fair Value	Net unrealized gains (losses)
1) Due from Banks	\$ 5,975,222	\$ 5,981,859	\$ 6,636
2) Securities	10,121,276	10,138,279	17,003
Securities Classified as Trading	359	359	—
Bonds Classified as Held-to-Maturity	1,696,656	1,713,659	17,003
Available-for-sale securities	8,424,261	8,424,261	—
3) Loans and Bills Discounted	9,033,509		
Reserve for Possible Loan Losses (*1)	(69,459)		
	8,964,050	9,030,557	66,507
<b>Total Financial Assets</b>	<b>\$ 25,060,549</b>	<b>\$ 25,150,696</b>	<b>\$ 90,147</b>
1) Deposits	23,569,140	23,569,499	(358)
2) Call Money	880,501	880,501	—
3) Bond Lending Transactions	309,106	309,106	—
<b>Total Financial Liabilities</b>	<b>\$ 24,758,748</b>	<b>\$ 24,759,107</b>	<b>\$ (358)</b>
Derivative Transactions (*2)			
to which hedge accounting is not applied	(13)	(13)	—
to which hedge accounting is applied	18,938	18,938	—
<b>Total Derivative Transactions</b>	<b>\$ 18,925</b>	<b>\$ 18,925</b>	<b>—</b>

Notes: 1. General and specific reserves for possible losses corresponding to cash collateral received for bond repurchase agreement were deducted.

Notes: 2. Derivative transactions stated in other assets and liabilities are collectively stated. Net receivables or payables derived from derivatives are presented on a net basis. The item that is a net liability in total is presented in parentheses.

(Note.1) Accounting method of fair value of financial instruments

#### Financial assets

##### 1) Due from banks

For due from banks without maturity the carrying amount is presented at fair value because it approximates such fair value. The fair value of due from banks with maturity classified by its remaining maturity is estimated by discounting the value of new similar transactions. For due from banks with maturity that include derivative transactions, the fair value is the amount reasonably calculated by the bank.

##### 2) Investment securities

The fair values of equities are determined using their quoted market prices on the stock exchange, while the fair values of bonds are based on quoted market prices or quotes obtained from financial institutions. Investment trusts funds are valued at closing quotations at the exchange, or quotes obtained from the financial institutions.

The fair values of privately placed bonds guaranteed by the Bank are, in the same manner as with loans, estimated future cash flows based on the borrower's credit rating (internal rating/type of borrower), collateral, and guarantee, and fair value is calculated by discounting the market interest rate (National Government bonds interest rate).

Notes to securities classified by purpose for which they are held are listed in 38 through 40.

##### 3) Loans

The fair values of cash collateral received for a bond repurchase agreement with variable interest rates are presented using their carrying amounts as such fair values approximate such carrying amounts unless the creditworthiness of the borrower has changed significantly since the loan origination. Those with fixed interest rates reflect estimated future cash flows based on the borrower's credit rating (internal rating/type of borrower), collateral, and guarantee, and fair values are calculated by discounting the market interest rate (National Government bonds interest rate).

For bills discounted, loans on bills, and overdrafts with short remaining periods, their carrying amount is presented as the fair value since the fair value approximates such carrying amount.

Losses on claims against borrowers who are bankrupt, virtually bankrupt or potentially bankrupt are estimated based on the forecasted recoverable amounts of collateral and guarantees for such claims. The fair values of such claims approximate their carrying amounts as of the closing date after deduction of present estimated loan losses. Therefore, the Bank adopts the book values of such claims as fair values.

#### Financial liabilities

##### 1) Deposits

For on-demand deposits, the amount payable on demand as of the balance sheet date is considered to be the fair value.

The fair value of time deposits is estimated by discounting expected future cash flows using the discount rates that would be applied to newly accepted deposits. For short-term time deposits whose first transaction period is short term, their carrying amounts are presented at fair value as fair values thereof approximate the carrying amounts.

# Non-Consolidated Balance Sheets

## 2) Call Money, 3) Cash Collateral Received for Bond Repurchase Agreement

Because of their short term nature (less than 6 months), and since the fair value is approximately the same as the book value, they are stated at that book value.

### Derivative transactions

The Bank uses derivative transactions such as interest rate swaps and forward exchange contracts. An amount reasonably calculated by the derivative counterparties is used as the fair value for interest rate swap transactions, and a price calculated by the market prices and prescribed discount rate is used as the fair value for forward exchange contracts.

(Note.2) The balance sheet for financial instruments for which it is extremely difficult to obtain their fair values are as follows and are not included in fair value information for financial instruments.

	Thousands of U.S. dollars	
	Millions of yen	Carrying Amount
Subsidiaries' Stocks (*1)	¥ 1,719	\$ 15,328
Related Companies' Stocks (*1)	—	—
Unlisted Stocks(*2)(*3)	498	4,446
Investments in Partnerships (*4)	22	202
<b>Total</b>	<b>¥ 2,241</b>	<b>\$ 19,978</b>

Notes: 1. The above are deemed to be extremely difficult to determine fair values because there are no market prices. Therefore, their fair values are not disclosed.

Notes: 2. The above are deemed to be extremely difficult to determine fair values because there are no market prices. Therefore, their fair values are not disclosed.

Notes: 3. The Bank recognized ¥23 million (US\$205 thousand) as impairment loss for unlisted stocks in the current fiscal year.

Notes: 4. Partnership investments composed of unlisted stocks that do not have quoted market prices available and whose fair values are extremely difficult to be determined are not disclosed at fair value.

### (Note.3) Scheduled redemption amount of due from banks and securities with a maturity date after March 31, 2017

	Millions of yen			
	1 year or less	1 to 3 years	3 to 5 years	Over 5 years
Due from Banks	¥ 268,160	¥ 360,000	¥ —	¥ 42,200
Securities	115,644	304,086	197,365	455,538
Bonds Classified as Held-to-Maturity	5,925	29,300	17,724	137,397
Available-for-sale securities with Maturity Dates	109,718	274,785	179,641	318,141
Loans and Bills Discounted	227,736	217,417	155,356	412,959
<b>Total</b>	<b>¥ 611,540</b>	<b>¥ 881,503</b>	<b>¥ 352,722</b>	<b>¥ 910,698</b>

	Thousands of U.S. dollars			
	1 year or less	1 to 3 years	3 to 5 years	Over 5 years
Due from Banks	\$ 2,390,232	\$ 3,208,842	\$ —	\$ 376,147
Securities	1,030,787	2,710,458	1,759,211	4,060,419
Bonds Classified as Held-to-Maturity	52,815	261,167	157,989	1,224,684
Available-for-sale securities with Maturity Dates	977,971	2,449,291	1,601,222	2,835,734
Loans and Bills Discounted	2,029,914	1,937,935	1,384,761	3,680,897
<b>Total</b>	<b>\$ 5,450,934</b>	<b>\$ 7,857,236</b>	<b>\$ 3,143,972</b>	<b>\$ 8,117,464</b>

### (Note.4) Scheduled redemption amount of borrowings and other interest-bearing debt after March 31, 2017

	Millions of yen			
	1 year or less	1 to 3 years	3 to 5 years	Over 5 years
Deposits(*)	¥ 2,480,589	¥ 143,894	¥ 19,736	¥ 1
Call Money	98,783	—	—	—
Bond Lending Transactions	34,678	—	—	—
<b>Total</b>	<b>¥ 2,614,051</b>	<b>¥ 143,894</b>	<b>¥ 19,736</b>	<b>¥ 1</b>

	Thousands of U.S. dollars			
	1 year or less	1 to 3 years	3 to 5 years	Over 5 years
Deposits(*)	\$ 22,110,614	1,282,600	175,916	8
Call Money	880,501	—	—	—
Bond Lending Transactions	309,106	—	—	—
<b>Total</b>	<b>\$ 23,300,222</b>	<b>1,282,600</b>	<b>175,916</b>	<b>8</b>

(\*) Demand-on deposits contained within deposit reserves are stated as "1 year or less."

38. Matters related to the fair value and Gross unrealized gains (losses) of securities are as follows. Included in these are "National Government Bonds," "Local Government Bonds," "Corporate Bonds," "Stocks," "Available-for-sale securities," and also "trading account securities." The material up to 40. below is treated in the same manner.

### 1) Securities Classified as Trading

Securities Classified as Trading	Gains (Losses) include in profit/loss for the Current Fiscal Year	
	Millions of yen	U.S. dollars
	¥ 0	\$ 1,634

### 2) Held-to-maturity bonds

	Type	Millions of yen		
		Carrying Amount	Market Value	Gross unrealized gains (losses)
Unrealized gain	National Government Bonds	¥ 9,457	¥ 9,558	¥ 100
	Local Government Bonds	77,885	79,355	1,469
	Corporate Bonds	42,281	43,666	1,384
	Other	6,900	7,073	173
	<b>Subtotal</b>	<b>136,524</b>	<b>139,653</b>	<b>3,128</b>
Unrealized loss	National Government Bonds	—	—	—
	Local Government Bonds	39,179	38,130	(1,048)
	Corporate Bonds	6,449	6,402	(47)
	Other	8,194	8,068	(125)
<b>Subtotal</b>	<b>53,823</b>	<b>52,601</b>	<b>(1,221)</b>	
<b>Total</b>	<b>¥ 190,347</b>	<b>¥ 192,255</b>	<b>¥ 1,907</b>	

	Type	Thousands of U.S. dollars		
		Carrying Amount	Market Value	Gross unrealized gains (losses)
Unrealized gain	National Government Bonds	\$ 84,297	\$ 85,196	\$ 899
	Local Government Bonds	694,230	707,332	13,102
	Corporate Bonds	376,875	389,217	12,341
	Other	61,502	63,048	1,546
	<b>Subtotal</b>	<b>1,216,905</b>	<b>1,244,795</b>	<b>27,890</b>
Unrealized loss	National Government Bonds	—	—	—
	Local Government Bonds	349,223	339,878	(9,344)
	Corporate Bonds	57,485	57,065	(419)
	Other	73,041	71,919	(1,122)
<b>Subtotal</b>	<b>479,750</b>	<b>468,863</b>	<b>(10,886)</b>	
<b>Total</b>	<b>\$ 1,696,656</b>	<b>\$ 1,713,659</b>	<b>\$ 17,003</b>	

Notes: 1. Market value is based on the market price at the end of the fiscal year.

Notes: 2. The fair values of privately placed bonds guaranteed by the Bank are, in the same manner as with loans, estimated future cash flows based on the borrower's credit rating (internal rating/type of borrower), collateral, and guarantee, and fair value is calculated by discounting the market interest rate (National Government bonds interest rate).

### 3) Available-for-sale securities

	Type	Millions of yen		
		Carrying Amount	Acquisition Cost	Gross unrealized gains (losses)
Unrealized gain	Stocks	¥ 21,870	¥ 12,832	¥ 9,038
	Bonds	517,284	505,479	11,805
	National Government Bonds	143,360	138,199	5,160
	Local Government Bonds	127,252	124,372	2,880
	Corporate Bonds	246,671	242,907	3,764
	Other	198,539	193,658	4,880
	<b>Subtotal</b>	<b>737,695</b>	<b>711,971</b>	<b>25,724</b>
Unrealized loss	Stocks	2,464	2,676	(212)
	Bonds	27,809	28,394	(584)
	National Government Bonds	11,023	11,323	(299)
	Local Government Bonds	336	346	(10)
	Corporate Bonds	16,449	16,723	(274)
	Other	177,149	180,283	(3,134)
<b>Subtotal</b>	<b>207,422</b>	<b>211,354</b>	<b>(3,932)</b>	
<b>Total</b>	<b>¥ 945,117</b>	<b>¥ 923,325</b>	<b>¥ 21,791</b>	

Type	Thousands of U.S. dollars		
	Carrying Amount	Acquisition Cost	Gross unrealized gains (losses)
Stocks	\$ 194,944	\$ 114,383	\$ 80,560
Bonds	4,610,792	4,505,567	105,224
Unrealized gain			
National Government Bonds	1,277,835	1,231,837	45,998
Local Government Bonds	1,134,260	1,108,588	25,671
Corporate Bonds	2,198,696	2,165,141	33,555
Other	1,769,672	1,726,168	43,504
Subtotal	6,575,410	6,346,119	229,290
Unrealized loss			
Stocks	21,965	23,859	(1,894)
Bonds	247,876	253,088	(5,212)
National Government Bonds	98,256	100,929	(2,673)
Local Government Bonds	2,997	3,091	(94)
Corporate Bonds	146,623	149,067	(2,444)
Other	1,579,009	1,606,951	(27,942)
Subtotal	1,848,851	1,883,899	(35,048)
Total	\$ 8,424,261	\$ 8,230,019	\$ 194,241

Notes1. Carrying amount is calculated by using market prices at fiscal year-end.

Notes2. The ¥15,725 million (US\$140,166 thousand) is calculated by deducting the deferred tax liabilities amount of ¥6,066 million (US\$54,075 thousand) from the evaluation excess amount of ¥21,791 million (US\$194,241 thousand) and is included in "Unrealized gains on available-for-sale securities."

39. There are no held-to-maturity bonds sold during the fiscal year.

40. Available-for-sale securities sold during the fiscal year under review

	Millions of yen		
	Proceeds from sales	Gain on Sales	Loss on Sales
Equity securities	¥ 3,110	¥ 1,244	¥ 65
Bonds	61,081	299	38
National Government Bonds	4,317	5	21
Local Government Bonds	400	0	—
Corporate Bonds	56,363	292	16
Other	45,101	516	357
Total	¥ 109,293	¥ 2,060	¥ 462

	Thousands of U.S. dollars		
	Proceeds from sales	Gain on Sales	Loss on Sales
Equity securities	\$ 27,725	\$ 11,097	\$ 584
Bonds	544,450	2,668	345
National Government Bonds	38,484	49	195
Local Government Bonds	3,571	8	—
Corporate Bonds	502,394	2,610	150
Other	402,009	4,600	3,188
Total	\$ 974,185	\$ 18,365	\$ 4,118

41. Assets held in trust for investment

	Millions of yen	
	Value on Balance Sheet	Gains/Losses for the Fiscal Year Under Review
Assets Held in Trust for Investment	¥ 13,037	¥ 197

	Thousands of U.S. dollars	
	Value on Balance Sheet	Gains/Losses for the Fiscal Year Under Review
Assets Held in Trust for Investment	\$ 116,210	\$ 1,763

42. Matters regarding real estate for lease

The Bank leases a part of its land/buildings owned in Tachikawa City and other locations for use as a parking lot. The disclosure of this market value is omitted due to the immateriality of the total amount of the investment and rental property.

43. Securities lent under unsecured securities lending agreements (bond borrowing and lending transactions) are included in "National Government Bonds" for a total of ¥82,263 million (US\$733,249 thousand).

44. Overdraft facilities contracts and loan commitment limits are contracts under which the Bank lends to customers up to prescribed limits. Under these contracts, funds can be drawn based on customers' application for a loan as long as there is no violation of any condition in the contracts. The unused amount within the limits relating to these contracts was ¥52,121 million (US\$464,580 thousand). Of these contracts, those where the remaining period on the contract is 1 year or less amount to ¥41,794 million (US\$372,529 thousand). Since many of these commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank to refuse the customers' application for loans or to decrease the contract limits for proper reasons such as changes in financial situation, deterioration in customers' creditworthiness, or other reasonable grounds. Not only does the Bank obtain real estate, securities and/or other collateral if considered to be necessary at the inception of contracts, the Bank performs periodic reviews of the customer's business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.

45. Details of deferred tax assets and liabilities as of March 31, 2017 are as follows.

	Millions of yen	Thousands of U.S. dollars
	Proceeds from sales	
Deferred Tax Assets		
Reserve for Possible Loan Losses	¥ 2,680	\$ 23,896
Reserve for Bonuses	301	2,688
Depreciation	235	2,102
Reserve for Director's Retirement Benefits	152	1,357
Other	1,263	11,258
Gross deferred tax assets	4,633	41,303
Less: Valuation allowance	(1,410)	(12,572)
Total Deferred Tax Assets	¥ 3,223	\$ 28,731
Deferred Tax Liabilities		
Net unrealized gains on available-for-sale securities	6,066	54,075
Prepaid Pension Expenses	35	313
Other	129	1,153
Total Deferred Tax Liabilities	6,231	55,542
Net Deferred Tax Liabilities	¥ 3,007	\$ 26,811

46. Subsequent Event

The following appropriation of retained earnings applicable to the year ended March 31, 2017, was approved at the members' meeting held on June 22, 2017.

	yen	Thousands of U.S. dollars	
	Unappropriated Retained Earnings for the Current Term		¥ 4,040,437,974
Retained Earnings Carried Forward (Beginning Balance)		1,131,526,467	10,085
Reversal amount of Land Revaluation Excess		10,694,116	95
Current Net Income		2,898,217,391	25,833
Amount of Retained Earnings Appropriated		2,822,274,307	25,156
Legal Reserve		290,000,000	2,584
Dividends for Common Share (Yearly 3.0%)		532,274,307	4,744
Specific Reserve		2,000,000,000	17,826
Retained Earnings Carried Forward (Term-end Balance)		¥ 1,218,163,667	\$ 10,858

47. Additional information

Guidance No. 26, Implementation Guidance on Recoverability of Deferred Tax Assets (March 28, 2016) applies to the Bank's current fiscal year.

In accordance with the provisions of Article 15, paragraph 1, item 1 in the law regarding cooperative financial institution's preferred shares (No. 44; enacted on May 12, 1993), we cancelled the entire amount of preferred shares, and, after this cancellation, transferred the amount of ¥5,350 million (US\$47,686 thousand) of preferred shares to other shares in this current fiscal year.

# Non-Consolidated Statements of Income and Retained Earnings

	Thousands of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>OPERATING REVENUE</b>	<b>¥ 41,389,931</b>	<b>¥ 39,880,715</b>	<b>\$ 368,927</b>
Interest Income	34,263,663	33,342,657	305,407
Loans	19,858,168	21,225,591	177,004
Deposits in other banks	1,067,290	1,321,567	9,513
Investment securities	12,793,086	10,305,791	114,030
Interest Rate Swaps	65,975	202	588
Others	479,142	489,503	4,270
Fees and Commissions Received	3,693,955	3,757,058	32,925
Exchange Commissions Received	1,842,501	1,838,517	16,423
Others	1,851,454	1,918,541	16,502
Other Operating Income	920,368	862,354	8,203
Net Gain on trading	98	150	0
Net Gain on Sales of Bonds such as National Government Bonds	399,916	552,258	3,564
Net Gain on Redemption of Bonds such as National Government Bonds	3,900	2,775	34
Net Gain on Derivative Transaction	26,760	352	238
Others	489,692	306,816	4,364
Other Income	2,511,944	1,918,645	22,390
Gain on Bad Debts Recovered	370,572	519,255	3,303
Gains on Sales of Stocks	1,660,515	878,360	14,800
Gains on Money Held in Trust	166,385	217,370	1,483
Others	314,471	303,658	2,803
<b>OPERATING EXPENSE</b>	<b>¥ 37,293,841</b>	<b>¥ 34,851,981</b>	<b>\$ 332,416</b>
Interest Expense	1,180,828	1,237,865	10,525
Deposits	565,704	944,641	5,042
Provisions for Future Interest Payment of Installment Savings	34,976	45,497	311
Interest on Borrowings	24	1,199	0
Interest on Call Money	161,604	108,043	1,440
Interest Payment on Bond Lease Transactions	405,612	129,699	3,615
Others	12,905	8,783	115
Fees and Commissions Paid	1,520,321	1,528,348	13,551
Exchange Commissions Paid	708,802	697,777	6,317
Others	811,518	830,570	7,233
Other Operating Expenses	4,011,515	1,446,513	35,756
Net Loss on Foreign Exchange Trading	3,178,193	1,065,501	28,328
Net Loss on Sales of Bonds such as National Government Bonds	390,410	159,489	3,479
Bond Redemption Loss such as on National Government Bonds	354,394	150,910	3,158
Others	88,515	70,610	788

## Non-Consolidated Statements of Income and Retained Earnings

	Thousands of yen		Thousands of U.S. dollars
	2017	2016	2017
General and Administrative Expenses	28,325,592	28,156,706	252,478
Salaries and Employee benefits	16,682,209	16,570,013	148,696
Other General and Administrative expenses	11,138,455	11,122,667	99,282
Tax	504,927	464,025	4,500
Other Expense	2,255,585	2,482,548	20,105
Provisions of Reserve for Possible Loan Losses	1,602,848	1,763,436	14,286
Write - off of Loans	82,257	61,208	733
Loss on Sale of Stocks	72,225	165,750	643
Amortization of Stocks	23,045	1,145	205
Loss on Money Held in Trust	70,307	76,041	626
Amortization of Other Assets	1,800	—	16
Others	403,100	414,967	3,593
OPERATING INCOME	¥ 4,096,089	¥ 5,028,733	\$ 36,510
EXTRAORDINARY INCOME	46,933	8,658	418
Gain on Disposal of Fixed Assets	—	8,658	—
Other Extraordinary Income	46,933	—	418
EXTRAORDINARY LOSS	118,352	207,512	1,054
Loss on Disposal of Fixed Assets	100,375	168,935	894
Losses on Impairment of Fixed Assets	17,977	38,576	160
INCOME BEFORE INCOME TAXES	¥ 4,024,671	¥ 4,829,879	\$ 35,873
INCOME TAXES CURRENT	1,073,427	1,586,272	9,567
INCOME TAXES DEFERRED	53,026	(292,205)	472
TOTAL INCOME TAXES	1,126,453	1,294,067	10,040
NET INCOME	¥ 2,898,217	¥ 3,535,811	\$ 25,833
RETAINED EARNINGS AT BEGINNING OF YEAR	1,131,526	1,882,415	10,085
Reversal of Land Revaluation Excess	10,694	(389,951)	95
RETAINED EARNINGS AT END OF YEAR	¥ 4,040,437	¥ 5,028,274	\$ 36,014

Notes: 1. Fractions of amounts stated which are smaller than a thousand yen omitted.

Notes: 2. Total earnings by transactions with subsidiaries ¥ 64,133 thousand (US\$571,654)

Total expenses by transactions with subsidiaries ¥1,780,968 thousand (US\$15,874,571)

Notes: 3. Net Income per share ¥ 8.15 (US\$0.072)

Notes: 4. Following premises were written down to recoverable amount and the losses are stated as "Losses on Impairment of Fixed Assets" in extraordinary loss.

Area	Purpose of Use	Type	Thousands of yen
			Impairment Loss
Kodaira City	Office	Buidings and equipment	¥ 593
Higashikurume City	Office	Buidings and equipment	1,138
Sagamihara City	Office	Buidings and equipment	16,055
Ome City	Warehouses	Land	190
Total			¥ 17,977

The recoverable amount is a consequence of net realizable value, determined based on prices obtained from an appraiser by less estimated costs of disposal.

# Five-Year Summary

## Five-Year Summary (Non-Consolidated Basis)(Unaudited)

The Tama Shinkin Bank  
Years ended March 31, 2017, 2016, 2015, 2014 and 2013

	Millions of yen					Thousands of U.S. dollars
	2017	2016	2015	2014	2013	2017
<b>For the Years Ended March 31</b>						
Total Income	¥ 41,436	¥ 39,889	¥ 39,698	¥ 40,897	¥ 41,618	\$ 369,345
Interest on Loans and Bills Discounted	20,925	22,547	23,898	24,673	24,051	186,518
Interest and Dividends on Securities	12,793	10,305	9,345	9,043	8,883	114,030
Total Expenses	37,412	35,059	34,792	35,335	36,597	333,471
Business Profit	4,019	5,868	6,252	6,389	7,574	35,830
Income Before Income Taxes	4,024	4,829	4,905	5,562	5,020	35,873
Net Income	2,898	3,535	3,743	3,879	3,575	25,833
<b>As of March 31</b>						
Total Assets	¥ 2,913,274	¥ 2,819,097	¥ 2,810,317	¥ 2,665,366	¥ 2,603,369	\$ 25,967,332
Securities	1,137,707	1,123,875	1,104,955	995,369	940,038	10,140,895
Loans and Bills Discounted	1,013,469	1,004,010	1,014,363	1,005,420	1,015,745	9,033,509
Total Liabilities	2,795,990	2,700,773	2,695,916	2,560,222	2,500,926	24,921,923
Deposits	2,644,221	2,560,392	2,514,941	2,441,232	2,375,672	23,569,140
Total Net Assets	117,284	118,323	114,400	105,143	102,442	1,045,409
Number of Branches	82	81	80	80	80	
Number of Employees and Officers	2,005	2,006	2,001	1,981	1,977	
<b>Deposits</b>						
Per Branch	¥ 32,246	¥ 31,609	¥ 31,436	¥ 30,515	¥ 29,695	\$ 287,428
Per Employee and Officer	1,318	1,276	1,256	1,232	1,201	11,755
<b>Loans and Bills Discounted</b>						
Per Branch	12,359	12,395	12,679	12,567	12,696	110,164
Per Employee and Officer	505	500	506	507	513	4,505

Note: U.S. dollar amounts are converted, solely for convenience, at the prevailing rate on March 31, 2017 of ¥112.19=US\$1.

# Supplemental Consolidated Financial Information

## Supplemental Consolidated Financial Information (Unaudited)

The Tama Shinkin Bank and Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>For the Fiscal Year:</b>			
Total Income	¥ 46,446	¥ 45,588	\$ 414,001
Total Expenses	41,750	40,197	372,144
Income Before Income Taxes and Others	4,695	5,391	41,856
Net Income	3,306	3,909	29,471
Profit attributable to owners of parent	¥ 3,228	¥ 3,839	\$ 28,776
<b>At Year-End:</b>			
Deposits	¥ 2,640,972	¥ 2,557,526	\$ 23,540,172
Loans and Bills Discounted	1,013,647	1,004,096	9,035,092
Securities	1,136,442	1,122,660	10,129,619
Total Assets	2,924,589	2,830,807	26,068,178
Total Net Assets	122,732	123,418	1,093,965
<b>Per Share Data (par value ¥50):</b>			
	Yen		U.S. dollars
Net Assets	347.00	345.99	3.092
Net Income	¥ 9.09	¥ 10.73	\$ 0.081

Notes: 1. The Bank consolidated three subsidiaries for the years ended March 31, 2017 and 2016.

Notes: 2. U.S. dollar amounts are converted, solely for convenience, at the prevailing rate on March 31, 2017 of ¥112.19=US\$1.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Tama Shinkin Bank

We have audited the accompanying non-consolidated financial statements of The Tama Shinkin Bank, which comprise the balance sheet as at March 31, 2017, and the non-consolidated statement of income and retained earnings 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 Non-consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the requirements of Shinkin Bank Law, Ordinance for Enforcement of Shinkin Law and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-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 non-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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Tama Shinkin Bank as at March 31, 2017, and the results of its operations for the year then ended in accordance with the requirements of Shinkin Bank Law, Ordinance for Enforcement of Shinkin Law and accounting principles generally accepted in Japan.

**Emphasis of Matter**

As described in "Notes to Non-Consolidated Balance Sheet", retained earnings applicable to the year ended March 31, 2017, was approved at the members' meeting held on June 22, 2017.

**Convenience Translation**

The United States dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated Balance Sheets.

September 28, 2017  
Tokyo, Japan



Member of Grant Thornton International Ltd

Board of Directors  
and Auditors  
As of June 30, 2017

**Chairman**  
*Koji Sato*

**President**  
*Toshiro Yagi*

**Senior Managing Director**  
*Katsutoshi Omata*

**Managing Directors**  
*Hiroyuki Fukuda*  
*Kuniyoshi Tani*  
*Satoshi Sorimachi*

**Directors**  
*Hiroyuki Saito*  
*Tetsuo Fusa*  
*Hideyuki Maekawa*  
*Masahiko Kanai*  
*Naoko Takahashi*  
*Nobutoshi Tsuji*  
*Nobuaki Sakai*

**Standing Auditor**  
*Kiyoshi Fukushima*

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