

For the Fiscal Year Ended March 31, 2018

ANNUAL REPORT 2018

TOMONY Holdings, Inc.

Corporate Message

On behalf of TOMONY Holdings Group (the “Group”), we would like to express our sincere gratitude to everyone for your support.

TOMONY Holdings, Inc. (the “Company”) continued to work with local customers as a regional financial group affiliated with THE TOKUSHIMA BANK, LTD., THE KAGAWA BANK, LTD. and THE TAISHO BANK, LTD. and reached the eighth year in April 2018 since it was established.

Two years have passed since the third management plan that started from April 2016 as a three-year plan, and during this time, we were able to achieve steady results by implementing growth strategies in the Osaka area, through the development of the four basic strategies of “deepening relationships”, “strengthening group financial functions”, “strengthening group organization capabilities” and “strengthening earnings and financial base” with the cooperation and coordination of each Group company. Under these circumstances, Seiji Toyama became Representative Director and Chairman, and Takeshi Nakamura took office as Representative Director, President and CEO as a new organization for the fourth management plan to start from the next fiscal year.

Also, the bank subsidiaries THE TOKUSHIMA BANK, LTD. and THE TAISHO BANK, LTD. are preparing concrete examination and preparation for the merger by autumn next year.

We will continue to further evolve a regional financial group, and by utilizing wide area network, sharing and utilizing each strength and know-how, realize growth strategy and provide high value added financial services, we will contribute to regional creation the development of the regional economy.

We ask for your continued and undying support for the year ahead and beyond.

1. Summary of Selected Financial Data (Consolidated)

	7 th fiscal year As of March 31, 2017 and from April 1, 2016 to March 31, 2017	8 th fiscal year As of March 31, 2018 and from April 1, 2017 to March 31, 2018
Consolidated ordinary income (Millions of yen)	71,494	72,641
Consolidated ordinary profit (Millions of yen)	16,326	16,386
Profit attributable to owners of parent (Millions of yen)	25,810	11,158
Consolidated comprehensive income (Millions of yen)	25,294	8,446
Consolidated net assets (Millions of yen)	211,824	219,257
Consolidated total assets (Millions of yen)	3,620,611	3,812,417
Net assets per share (Yen)	1,284.39	1,320.23
Basic earnings per share (Yen)	159.31	68.60
Diluted earnings per share (Yen)	156.91	67.54
Capital adequacy ratio (%)	5.75	5.66
Consolidated return on equity (ROE) (%)	13.27	5.25
Consolidated price earnings ratio (PER) (Times)	3.70	6.89
Net cash provided by (used in) operating activities (Millions of yen)	(57,293)	47,239
Net cash provided by (used in) investing activities (Millions of yen)	73,524	16,182
Net cash provided by (used in) financing activities (Millions of yen)	(1,649)	(3,108)
Cash and cash equivalents at end of period (Millions of yen)	233,847	294,168
Number of employees [Separately, average number of temporary employees] (Persons)	2,403 [342]	2,412 [332]

Notes: 1. Consumption tax and local consumption tax of the Company and its consolidated subsidiaries are accounted for based on the tax exclusion method.

2. The consolidated capital adequacy ratio is calculated by dividing “(total net assets at end of period – subscription rights to shares at end of period – non-controlling interests at end of period)” by “total assets at end of period.”

2. Financial Statements

[TOMONY Holdings, Inc.]

(1) Consolidated Balance Sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Assets			
Cash and due from banks	245,944	299,777	2,821,704
Trading account securities	466	467	4,395
Money held in trust	5,429	3,437	32,359
Securities	786,480	765,066	7,201,301
Loans and bills discounted	2,525,015	2,677,784	25,205,051
Foreign exchanges	3,428	4,728	44,508
Lease receivables and investment assets	8,561	8,578	80,743
Other assets	23,084	28,117	264,659
Tangible fixed assets	32,290	33,490	315,236
Buildings, net	12,634	12,269	115,486
Land	16,501	16,355	153,945
Leased assets, net	830	724	6,820
Construction in progress	268	2,450	23,066
Other tangible fixed assets	2,054	1,691	15,917
Intangible fixed assets	3,679	3,189	30,021
Software	3,549	3,063	28,832
Leased assets	6	2	23
Other intangible fixed assets	123	123	1,166
Net defined benefit asset	2,478	3,184	29,978
Deferred tax assets	826	701	6,607
Customers' liabilities for acceptances and guarantees	6,866	7,250	68,244
Allowance for loan losses	(23,939)	(23,358)	(219,862)
Total assets	<u>3,620,611</u>	<u>3,812,417</u>	<u>35,884,950</u>
Liabilities			
Deposits	3,206,424	3,328,805	31,332,881
Negotiable certificates of deposit	56,143	70,931	667,655
Call money and bills sold	35,000	74,000	696,536
Borrowed money	70,976	88,340	831,519
Foreign exchanges	6	12	118
Other liabilities	26,368	17,002	160,037
Provision for bonuses	541	540	5,088
Provision for directors' bonuses	92	88	832
Net defined benefit liability	295	291	2,744
Provision for reimbursement of deposits	470	502	4,734
Provision for contingent loss	135	135	1,275
Deferred tax liabilities	4,553	4,360	41,045
Deferred tax liabilities for land revaluation	912	896	8,441
Acceptances and guarantees	6,866	7,250	68,244
Total liabilities	<u>3,408,787</u>	<u>3,593,159</u>	<u>33,821,155</u>

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Net assets			
Capital stock	25,000	25,000	235,316
Capital surplus	25,974	25,878	243,581
Retained earnings	136,321	146,217	1,376,289
Treasury shares	(500)	(152)	(1,437)
Total shareholders' equity	186,795	196,942	1,853,750
Valuation difference on available-for-sale securities	20,104	17,233	162,213
Deferred gains or losses on hedges	0	0	8
Revaluation reserve for land	1,590	1,553	14,626
Remeasurements of defined benefit plans	(6)	69	655
Total accumulated other comprehensive income	21,688	18,858	177,504
Subscription rights to shares	935	972	9,157
Non-controlling interests	2,404	2,484	23,382
Total net assets	211,824	219,257	2,063,794
Total liabilities and net assets	3,620,611	3,812,417	35,884,950

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Ordinary income	71,494	72,641	683,746
Interest income	51,024	51,227	482,188
Interest on loans and discounts	39,914	39,223	369,193
Interest and dividends on securities	10,882	11,761	110,704
Interest on call loans and bills bought	5	8	82
Interest on deposits with banks	198	199	1,879
Other interest income	23	34	327
Fees and commissions	7,946	8,544	80,426
Other ordinary income	8,443	6,956	65,481
Other income	4,080	5,912	55,651
Recoveries of written off claims	962	782	7,361
Other	3,117	5,130	48,290
Ordinary expenses	55,167	56,254	529,505
Interest expenses	2,563	2,100	19,773
Interest on deposits	2,220	1,918	18,059
Interest on negotiable certificates of deposit	44	31	292
Interest on call money and bills sold	75	0	5
Interest on borrowings and rediscounts	206	134	1,263
Other interest expenses	16	16	152
Fees and commissions payments	4,230	4,353	40,979
Other ordinary expenses	9,374	8,983	84,558
General and administrative expenses	35,897	35,760	336,604
Other expenses	3,101	5,055	47,589
Provision of allowance for loan losses	1,017	1,165	10,967
Other	2,084	3,890	36,622
Ordinary profit	<u>16,326</u>	<u>16,386</u>	<u>154,241</u>
Extraordinary income	14,880	16	152
Gain on disposal of non-current assets	30	16	152
Gain on bargain purchase	14,849	-	-
Extraordinary losses	347	235	2,217
Loss on disposal of non-current assets	56	103	973
Impairment loss	285	132	1,244
Other	5	-	-
Profit before income taxes	<u>30,859</u>	<u>16,167</u>	<u>152,175</u>
Income taxes - current	3,778	4,146	39,025
Income taxes - deferred	1,068	908	8,548
Total income taxes	<u>4,847</u>	<u>5,054</u>	<u>47,573</u>
Profit	<u>26,011</u>	<u>11,112</u>	<u>104,602</u>
Profit attributable to non-controlling interests	201	(45)	(426)
Profit attributable to owners of parent	<u>25,810</u>	<u>11,158</u>	<u>105,028</u>

Consolidated Statement of Comprehensive Income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Profit	26,011	11,112	104,602
Other comprehensive income	(716)	(2,666)	(25,101)
Valuation difference on available-for-sale securities	(1,212)	(2,743)	(25,824)
Deferred gains or losses on hedges	(0)	0	2
Remeasurements of defined benefit plans, net of tax	495	76	720
Comprehensive income	25,294	8,446	79,500
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	25,053	8,364	78,731
Comprehensive income attributable to non-controlling interests	241	81	768

(3) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,000	21,886	111,800	(776)	157,910
Changes of items during period					
Dividends of surplus			(1,322)		(1,322)
Profit attributable to owners of parent			25,810		25,810
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		5		277	283
Increase by share exchanges		3,760			3,760
Change in ownership interest of parent due to transactions with non-controlling shareholders		321			321
Reversal of revaluation reserve for land			32		32
Net changes of items other than shareholders' equity					
Total changes of items during period	-	4,087	24,520	276	28,884
Balance at end of current period	25,000	25,974	136,321	(500)	186,795

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	21,357	0	1,622	(502)	22,477	770	2,655	183,814
Changes of items during period								
Dividends of surplus								(1,322)
Profit attributable to owners of parent								25,810
Purchase of treasury shares								(1)
Disposal of treasury shares								283
Increase by share exchanges								3,760
Change in ownership interest of parent due to transactions with non-controlling shareholders								321
Reversal of revaluation reserve for land								32
Net changes of items other than shareholders' equity	(1,252)	(0)	(32)	495	(789)	165	(250)	(875)
Total changes of items during period	(1,252)	(0)	(32)	495	(789)	165	(250)	28,009
Balance at end of current period	20,104	0	1,590	(6)	21,688	935	2,404	211,824

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,000	25,974	136,321	(500)	186,795
Changes of items during period					
Dividends of surplus			(1,299)		(1,299)
Profit attributable to owners of parent			11,158		11,158
Purchase of treasury shares				(364)	(364)
Disposal of treasury shares		(95)		711	615
Reversal of revaluation reserve for land			36		36
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(95)	9,895	347	10,146
Balance at end of current period	25,000	25,878	146,217	(152)	196,942

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	20,104	0	1,590	(6)	21,688	935	2,404	211,824
Changes of items during period								
Dividends of surplus								(1,299)
Profit attributable to owners of parent								11,158
Purchase of treasury shares								(364)
Disposal of treasury shares								615
Reversal of revaluation reserve for land								36
Net changes of items other than shareholders' equity	(2,870)	0	(36)	76	(2,830)	37	79	(2,713)
Total changes of items during period	(2,870)	0	(36)	76	(2,830)	37	79	7,433
Balance at end of current period	17,233	0	1,553	69	18,858	972	2,484	219,257

Fiscal year ended March 31, 2018

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	235,316	244,484	1,283,148	(4,706)	1,758,241
Changes of items during period					
Dividends of surplus			(12,228)		(12,228)
Profit attributable to owners of parent			105,028		105,028
Purchase of treasury shares				(3,426)	(3,426)
Disposal of treasury shares		(902)		6,696	5,793
Reversal of revaluation reserve for land			341		341
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(902)	93,141	3,269	95,508
Balance at end of current period	235,316	243,581	1,376,289	(1,437)	1,853,750

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	189,233	6	14,967	(64)	204,142	8,807	22,634	1,993,826
Changes of items during period								
Dividends of surplus								(12,228)
Profit attributable to owners of parent								105,028
Purchase of treasury shares								(3,426)
Disposal of treasury shares								5,793
Reversal of revaluation reserve for land								341
Net changes of items other than shareholders' equity	(27,019)	2	(341)	720	(26,638)	350	747	(25,540)
Total changes of items during period	(27,019)	2	(341)	720	(26,638)	350	747	69,968
Balance at end of current period	162,213	8	14,626	655	177,504	9,157	23,382	2,063,794

(4) Consolidated Statement of Cash Flows

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Cash flows from operating activities			
Profit before income taxes	30,859	16,167	152,175
Depreciation	2,224	2,070	19,488
Impairment loss	285	132	1,244
Gain on bargain purchase	(14,849)	-	-
Increase (decrease) in allowance for loan losses	(611)	(581)	(5,474)
Increase (decrease) in provision for bonuses	(6)	(0)	(5)
Increase (decrease) in provision for directors' bonuses	(0)	(4)	(38)
Increase (decrease) in net defined benefit asset	(483)	(535)	(5,037)
Increase (decrease) in net defined benefit liability	(320)	5	51
Increase (decrease) in provision for reimbursement of deposits	14	32	301
Increase (decrease) in provision for contingent loss	(42)	0	3
Gain on fund management	(51,024)	(51,227)	(482,188)
Financing expenses	2,563	2,100	19,773
Loss (gain) related to securities	(1,361)	(2,645)	(24,903)
Loss (gain) on money held in trust	106	123	1,166
Foreign exchange losses (gains)	359	3,066	28,868
Loss (gain) on disposal of non-current assets	25	87	821
Net decrease (increase) in loans and bills discounted	(131,095)	(152,769)	(1,437,962)
Net increase (decrease) in deposit	85,569	122,380	1,151,927
Net increase (decrease) in negotiable certificates of deposit	3,259	14,788	139,197
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	3,580	19,363	182,264
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	(4,675)	6,487	61,067
Net increase (decrease) in call money	(24,500)	39,000	367,093
Net decrease (increase) in foreign exchanges - assets	751	(1,300)	(12,238)
Net increase (decrease) in foreign exchanges - liabilities	(199)	6	56
Net decrease (increase) in lease receivables and investment assets	(167)	(17)	(160)
Proceeds from fund management	52,177	50,494	475,286
Payments for finance	(2,346)	(2,468)	(23,238)
Other, net	(3,848)	(13,530)	(127,360)
Subtotal	(53,755)	51,226	482,181
Income taxes paid	(3,538)	(3,987)	(37,528)
Net cash provided by (used in) operating activities	(57,293)	47,239	444,652

	(Millions of yen)	(Thousands of U.S. dollars)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Cash flows from investing activities			
Purchase of securities	(217,078)	(199,562)	(1,878,412)
Proceeds from sales of securities	127,550	68,454	644,335
Proceeds from redemption of securities	164,843	148,398	1,396,824
Increase in money held in trust	(90)	(2,189)	(20,611)
Decrease in money held in trust	-	4,000	37,650
Purchase of tangible fixed assets	(1,766)	(2,973)	(27,988)
Proceeds from sales of tangible fixed assets	135	149	1,408
Payments for retirement of tangible fixed assets	-	(84)	(790)
Purchase of intangible assets	(70)	(10)	(97)
Net cash provided by (used in) investing activities	73,524	16,182	152,318
Cash flows from financing activities			
Repayment of subordinated loans	(300)	(2,000)	(18,825)
Cash dividends paid	(1,325)	(1,299)	(12,230)
Dividends paid to non-controlling interests	(7)	(2)	(21)
Purchase of treasury shares	(1)	(364)	(3,426)
Proceeds from disposal of treasury shares	254	711	6,699
Purchase of treasury stock of subsidiaries in consolidation	(62)	-	-
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	(101)	-	-
Repayments of lease obligations	(106)	(154)	(1,450)
Net cash provided by (used in) financing activities	(1,649)	(3,108)	(29,254)
Effect of exchange rate change on cash and cash equivalents	7	6	62
Net increase (decrease) in cash and cash equivalents	14,588	60,320	567,779
Cash and cash equivalents at beginning of period	167,836	233,847	2,201,128
Increase in cash equivalents newly	51,422	-	-
Cash and cash equivalents at end of period	233,847	294,168	2,768,907

[THE TOKUSHIMA BANK, LTD.]

(1) Balance Sheets

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Assets			
Cash and due from banks	120,726	135,200	1,272,593
Cash	13,959	14,349	135,065
Due from banks	106,766	120,850	1,137,527
Trading account securities	251	301	2,836
Trading government bonds	142	162	1,526
Trading local government bonds	109	139	1,310
Money held in trust	4,436	436	4,111
Securities	435,324	425,454	4,004,654
Government bonds	59,283	54,890	516,666
Local government bonds	34,618	45,766	430,783
Corporate bonds	127,159	95,758	901,344
Stocks	20,755	23,255	218,891
Other securities	193,507	205,783	1,936,968
Loans and bills discounted	987,761	1,065,019	10,024,659
Bills discounted	5,940	6,896	64,910
Loans on bills	96,184	108,613	1,022,339
Loans on deeds	783,237	830,054	7,813,008
Overdrafts	102,398	119,456	1,124,400
Foreign exchanges	1,449	1,024	9,641
Due from foreign banks (our accounts)	967	741	6,983
Foreign bills bought	174	161	1,518
Foreign bills receivable	307	121	1,139
Other assets	10,525	14,173	133,409
Prepaid expenses	18	15	144
Accrued income	1,665	2,170	20,425
Derivatives other than for trading-assets	2,200	1,068	10,056
Other	6,640	10,919	102,781
Tangible fixed assets	17,191	16,681	157,017
Buildings, net	7,367	7,060	66,453
Land	8,615	8,542	80,408
Lease assets, net	337	281	2,645
Construction in progress	0	57	537
Other tangible fixed assets	870	740	6,971
Intangible fixed assets	64	64	611
Other intangible fixed assets	64	64	611
Prepaid pension cost	1,566	1,689	15,905
Deferred tax assets	164	–	–
Customers' liabilities for acceptances and guarantees	2,638	3,273	30,812
Allowance for loan losses	(12,744)	(11,466)	(107,926)
Total assets	1,569,358	1,651,854	15,548,326

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Liabilities			
Deposits	1,394,428	1,461,659	13,758,092
Current deposits	38,191	46,959	442,017
Ordinary deposits	578,972	628,503	5,915,882
Saving deposits	21,993	21,965	206,758
Deposits at notice	1,186	1,046	9,847
Time deposits	722,533	722,871	6,804,132
Installment savings	5,845	5,891	55,450
Other deposits	25,704	34,422	324,003
Negotiable certificates of deposit	38,063	33,911	319,199
Call money	35,000	54,000	508,283
Borrowed money	3,039	1,022	9,624
Borrowings from other banks	3,039	1,022	9,624
Foreign exchanges	6	12	118
Foreign bills sold	6	12	118
Other liabilities	11,838	7,105	66,878
Income taxes payable	1,150	887	8,349
Accrued expenses	1,237	1,229	11,574
Unearned revenue	709	434	4,086
Reserve for interest on installment savings	1	0	8
Derivatives other than for trading-liabilities	1,424	951	8,956
Cash collateral received for financial instruments	2,412	1,605	15,107
Lease obligations	354	295	2,778
Asset retirement obligations	35	35	329
Other	4,514	1,666	15,686
Provision for directors' bonuses	29	27	256
Provision for reimbursement of deposits	219	226	2,130
Provision for contingent loss	62	67	634
Deferred tax liabilities	-	1,169	11,009
Deferred tax liabilities for land revaluation	912	896	8,441
Acceptances and guarantees	2,638	3,273	30,812
Total liabilities	1,486,237	1,563,372	14,715,482
Net assets			
Capital stock	11,036	11,036	103,879
Capital surplus	9,514	9,514	89,554
Legal capital surplus	9,514	9,514	89,554
Retained earnings	53,417	58,136	547,222
Legal retained earnings	2,280	2,280	21,466
Other retained earnings	51,136	55,856	525,755
General reserve	34,638	34,638	326,037
Retained earnings brought forward	16,498	21,218	199,718
Total shareholders' equity	73,968	78,687	740,656
Valuation difference on available-for-sale securities	7,561	8,239	77,552
Deferred gains or losses on hedges	0	0	8
Revaluation reserve for land	1,590	1,553	14,626
Total valuation and translation adjustments	9,152	9,793	92,187
Total net assets	83,120	88,481	832,844
Total liabilities and net assets	1,569,358	1,651,854	15,548,326

(2) Statements of Income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Ordinary income	26,184	27,672	260,472
Interest income	21,248	21,942	206,532
Interest on loans and discounts	15,584	15,504	145,938
Interest and dividends on securities	5,549	6,321	59,499
Interest on call loans	0	0	0
Interest on deposits with banks	102	100	948
Other interest income	12	15	146
Fees and commissions	2,596	2,843	26,765
Fees and commissions on domestic and foreign exchanges	697	690	6,500
Other fees and commissions	1,898	2,152	20,264
Other ordinary income	948	166	1,564
Gains on sales of bonds	948	166	1,564
Other ordinary income	0	-	-
Other income	1,391	2,720	25,610
Reversal of allowance for loan losses	-	45	430
Recoveries of written off claims	346	262	2,474
Gain on sales of stocks and other securities	724	1,791	16,861
Gain on money held in trust	-	57	540
Other	321	563	5,304
Ordinary expenses	19,992	19,616	184,647
Interest expenses	850	718	6,764
Interest on deposits	682	663	6,244
Interest on negotiable certificates of deposit	25	13	131
Interest on call money	76	3	32
Interest on borrowings and rediscounts	63	36	340
Other interest expenses	2	1	15
Fees and commissions payments	1,620	1,680	15,819
Fees and commissions on domestic and foreign exchanges	131	129	1,214
Other fees and commissions	1,489	1,551	14,604
Other ordinary expenses	2,194	2,149	20,228
Loss on foreign exchange transactions	1,398	1,982	18,665
Loss on trading account securities transactions	2	1	16
Loss on sales of bonds	774	143	1,351
Other	19	20	196
General and administrative expenses	13,688	13,448	126,581
Other expenses	1,639	1,620	15,251
Provision of allowance for loan losses	579	-	-
Written-off of loans	414	996	9,382
Losses on sales of stocks and other securities	384	440	4,144
Losses on devaluation of stocks and other securities	-	3	31
Loss on money held in trust	8	-	-
Other	253	179	1,693
Ordinary profit	6,191	8,055	75,825

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Extraordinary income	5	-	-
Gain on disposal of non-current assets	5	-	-
Extraordinary loss	80	66	622
Loss on disposal of non-current assets	2	10	96
Impairment loss	77	55	526
Profit before income taxes	6,115	7,989	75,203
Income taxes-current	1,463	1,742	16,399
Income taxes-deferred	197	869	8,186
Total income taxes	1,660	2,612	24,586
Profit	4,454	5,377	50,617

[THE KAGAWA BANK, LTD.]

(1) Balance Sheets

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Assets			
Cash and due from banks	85,922	128,129	1,206,041
Cash	15,148	14,542	136,886
Due from banks	70,774	113,587	1,069,155
Trading account securities	215	165	1,559
Trading government bonds	215	165	1,559
Money held in trust	992	3,001	28,247
Securities	308,445	287,323	2,704,473
Government bonds	84,275	67,986	639,936
Local government bonds	15,096	17,306	162,902
Corporate bonds	87,872	75,109	706,977
Stocks	30,616	30,834	290,234
Other securities	90,584	96,085	904,422
Loans and bills discounted	1,162,411	1,221,345	11,496,100
Bills discounted	9,624	10,951	103,078
Loans on bills	67,744	73,135	688,397
Loans on deeds	1,016,412	1,060,555	9,982,640
Overdrafts	68,629	76,703	721,984
Foreign exchanges	1,978	3,704	34,867
Due from foreign banks (our accounts)	1,960	3,691	34,744
Foreign bills bought	–	1	15
Foreign bills receivable	18	11	106
Other assets	1,711	1,837	17,292
Prepaid expenses	18	16	156
Accrued income	1,118	1,075	10,126
Derivatives other than for trading-assets	10	42	402
Other	563	701	6,607
Tangible fixed assets	23,984	25,460	239,646
Buildings, net	4,162	4,130	38,877
Land	18,096	17,825	167,788
Lease assets, net	482	441	4,160
Construction in progress	267	2,393	22,528
Other tangible fixed assets	975	668	6,292
Intangible fixed assets	46	46	438
Other intangible fixed assets	46	46	438
Prepaid pension cost	1,037	1,171	11,028
Customers' liabilities for acceptances and guarantees	3,696	3,465	32,623
Allowance for loan losses	(8,621)	(8,391)	(78,988)
Total assets	1,581,822	1,667,259	15,693,331

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Liabilities			
Deposits	1,393,449	1,445,574	13,606,688
Current deposits	43,836	47,839	450,296
Ordinary deposits	581,163	615,149	5,790,190
Saving deposits	23,469	23,297	219,287
Deposits at notice	5,237	6,047	56,919
Time deposits	720,954	730,274	6,873,822
Installment savings	9,991	9,934	93,514
Other deposits	8,796	13,031	122,658
Negotiable certificates of deposit	18,080	17,200	161,897
Call money	–	20,000	188,253
Borrowed money	38,507	59,478	559,846
Borrowings from other banks	38,507	59,478	559,846
Other liabilities	9,725	4,663	43,897
Income taxes payable	724	699	6,586
Accrued expenses	1,508	1,208	11,378
Unearned revenue	856	680	6,409
Reserve for interest on installment savings	1	1	13
Derivatives other than for trading-liabilities	0	26	254
Lease obligations	210	176	1,664
Other	6,423	1,868	17,591
Provision for bonuses	299	297	2,796
Provision for directors' bonuses	31	28	271
Provision for reimbursement of deposits	234	237	2,233
Provision for contingent loss	53	55	521
Deferred tax liabilities	3,554	1,973	18,573
Deferred tax liabilities for land revaluation	3,701	3,600	33,890
Acceptances and guarantees	3,696	3,465	32,623
Total liabilities	1,471,333	1,556,574	14,651,493
Net assets			
Capital stock	12,014	12,014	113,086
Capital surplus	9,339	9,339	87,908
Legal capital surplus	9,339	9,339	87,908
Retained earnings	69,591	73,548	692,284
Legal retained earnings	2,674	2,674	25,178
Other retained earnings	66,916	70,873	667,105
Reserve for reduction entry	27	26	249
General reserve	43,436	43,436	408,853
Retained earnings brought forward	23,451	27,410	258,001
Total shareholders' equity	90,944	94,901	893,279
Valuation difference on available-for-sale securities	12,573	9,015	84,863
Deferred gains or losses on hedges	(0)	(0)	(0)
Revaluation reserve for land	6,970	6,766	63,694
Total valuation and translation adjustments	19,544	15,782	148,558
Total net assets	110,489	110,684	1,041,837
Total liabilities and net assets	1,581,822	1,667,259	15,693,331

(2) Statements of Income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Ordinary income	29,024	28,326	266,626
Interest income	21,630	20,657	194,445
Interest on loans and discounts	16,961	16,575	156,016
Interest and dividends on securities	4,587	3,990	37,563
Interest on call loans	5	8	82
Interest on deposits with banks	69	68	644
Other interest income	6	14	138
Fees and commissions	3,888	4,122	38,802
Fees and commissions on domestic and foreign exchanges	906	895	8,425
Other fees and commissions	2,982	3,227	30,377
Other ordinary income	1,105	620	5,839
Gains on foreign exchange transactions	85	7	71
Gains on sales of bonds	711	457	4,305
Gains on redemption of bonds	41	33	319
Income from derivatives other than for trading or hedging	11	-	-
Other	255	121	1,142
Other income	2,399	2,925	27,539
Recoveries of written off claims	584	504	4,753
Gain on sales of stocks and other securities	1,289	1,916	18,043
Gain on money held in trust	-	1	10
Other	525	502	4,732
Ordinary expenses	21,423	21,805	205,248
Interest expenses	978	796	7,493
Interest on deposits	935	774	7,292
Interest on negotiable certificates of deposit	18	16	155
Interest on call money	(0)	(2)	(26)
Interest on borrowings and rediscounts	19	0	2
Other interest expenses	5	7	69
Fees and commissions payments	2,227	2,276	21,427
Fees and commissions on domestic and foreign exchanges	167	166	1,564
Other fees and commissions	2,060	2,110	19,862
Other ordinary expenses	1,548	1,150	10,831
Loss on trading account securities transactions	3	2	22
Loss on sales of bonds	1,276	1,032	9,720
Expenses on derivatives other than for trading or hedging	-	26	245
Other	268	89	842
General and administrative expenses	15,124	15,265	143,687
Other expenses	1,544	2,316	21,808
Provision of allowance for loan losses	625	89	838
Written-off of loans	454	1,640	15,439
Losses on sales of stocks and other securities	269	303	2,856
Losses on devaluation of stocks and other securities	0	-	-
Loss on money held in trust	98	182	1,716
Other	96	101	956
Ordinary profit	7,600	6,520	61,377

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Extraordinary income	25	16	152
Gain on disposal of non-current assets	25	16	152
Extraordinary loss	412	495	4,660
Loss on disposal of non-current assets	7	96	911
Impairment loss	404	398	3,748
Profit before income taxes	7,214	6,041	56,869
Income taxes-current	1,970	1,759	16,564
Income taxes-deferred	363	(152)	(1,436)
Total income taxes	2,333	1,607	15,128
Profit	4,880	4,434	41,741

[THE TAISHO BANK, LTD.]

(1) Balance Sheets

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Assets			
Cash and due from banks	59,110	56,410	530,973
Cash	5,724	5,198	48,929
Due from banks	53,386	51,212	482,043
Securities	40,799	49,994	470,577
Government bonds	7,021	–	–
Local government bonds	22,164	26,947	253,651
Corporate bonds	503	2,818	26,531
Stocks	4,525	6,180	58,176
Other securities	6,585	14,046	132,217
Loans and bills discounted	382,807	399,247	3,757,974
Bills discounted	177	416	3,917
Loans on bills	60,831	70,052	659,378
Loans on deeds	271,597	269,981	2,541,236
Overdrafts	50,201	58,797	553,440
Other assets	566	557	5,242
Prepaid expenses	52	51	488
Accrued income	146	169	1,599
Other	367	335	3,153
Tangible fixed assets	2,660	2,567	24,169
Buildings, net	1,065	1,041	9,807
Land	1,338	1,338	12,600
Lease assets, net	3	1	14
Other tangible fixed assets	253	185	1,747
Intangible fixed assets	3,559	3,073	28,925
Software	3,549	3,063	28,831
Other intangible fixed assets	10	10	94
Prepaid pension cost	444	428	4,033
Deferred tax assets	552	618	5,821
Customers' liabilities for acceptances and guarantees	531	510	4,807
Allowance for loan losses	(1,720)	(2,274)	(21,406)
Total assets	489,311	511,133	4,811,118

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
Liabilities			
Deposits	442,113	445,833	4,196,476
Current deposits	10,521	11,289	106,268
Ordinary deposits	122,469	139,855	1,316,407
Saving deposits	178	163	1,537
Deposits at notice	174	236	2,224
Time deposits	305,911	291,943	2,747,962
Installment savings	1,976	1,795	16,900
Other deposits	882	549	5,174
Negotiable certificates of deposit	–	19,820	186,558
Borrowed money	23,600	21,300	200,489
Borrowings from other banks	23,600	21,300	200,489
Other liabilities	1,733	1,694	15,952
Income taxes payable	52	363	3,417
Accrued expenses	486	467	4,398
Unearned revenue	378	335	3,161
Reserve for interest on installment savings	0	0	2
Derivatives other than for trading-liabilities	13	11	104
Lease obligations	3	1	14
Asset retirement obligations	113	115	1,086
Other	685	400	3,767
Provision for bonuses	210	210	1,976
Provision for directors' bonuses	15	15	150
Provision for retirement benefits	232	238	2,242
Provision for reimbursement of deposits	17	39	370
Provision for contingent loss	19	12	119
Deferred tax liabilities for land revaluation	184	184	1,732
Acceptances and guarantees	531	510	4,807
Total liabilities	468,657	489,859	4,610,876
Net assets			
Capital stock	2,689	2,689	25,314
Capital surplus	1,973	1,973	18,574
Legal capital surplus	1,973	1,973	18,574
Retained earnings	15,099	15,654	147,346
Legal retained earnings	716	716	6,740
Other retained earnings	14,383	14,938	140,606
General reserve	5,509	5,509	51,859
Reserve for advanced depreciation of noncurrent assets	126	122	1,155
Retained earnings brought forward	8,747	9,305	87,590
Total shareholders' equity	19,762	20,316	191,235
Valuation difference on available-for-sale securities	620	685	6,451
Revaluation reserve for land	271	271	2,555
Total valuation and translation adjustments	891	956	9,006
Total net assets	20,654	21,273	200,242
Total liabilities and net assets	489,311	511,133	4,811,118

(2) Statements of Income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Ordinary income	9,169	9,316	87,689
Interest income	7,977	8,014	75,433
Interest on loans and discounts	7,387	7,164	67,439
Interest and dividends on securities	548	808	7,612
Interest on deposits with banks	40	40	379
Other interest income	0	0	0
Fees and commissions	722	810	7,626
Fees and commissions on domestic and foreign exchanges	134	133	1,259
Other fees and commissions	587	676	6,367
Other ordinary income	62	7	73
Gains on sales of bonds	51	4	46
Income from derivatives other than for trading or hedging	11	2	26
Other income	408	484	4,556
Reversal of allowance for doubtful accounts	165	–	–
Recoveries of written off claims	31	12	121
Gain on sales of stocks and other securities	90	371	3,495
Other	121	99	939
Ordinary expenses	8,073	8,223	77,401
Interest expenses	706	560	5,275
Interest on deposits	617	490	4,616
Interest on negotiable certificates of deposit	–	0	5
Interest on call money	–	(0)	(1)
Interest on borrowings and rediscounts	83	65	617
Other interest expenses	5	3	36
Fees and commissions payments	434	470	4,426
Fees and commissions on domestic and foreign exchanges	25	25	236
Other fees and commissions	409	445	4,189
Other ordinary expenses	21	0	0
Loss on foreign exchange transactions	0	0	0
Loss on sales of bonds	21	–	–
General and administrative expenses	6,574	6,399	60,235
Other expenses	335	793	7,465
Provision of allowance for loan losses	–	686	6,465
Written-off of loans	0	–	–
Losses on sales of stocks and other securities	302	35	333
Other	32	70	666
Ordinary profit	1,096	1,093	10,288

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Extraordinary income	–	–	–
Extraordinary loss	51	3	28
Loss on disposal of non-current assets	46	3	28
Other	5	–	–
Profit before income taxes	1,045	1,089	10,259
Income taxes-current	243	529	4,979
Income taxes-deferred	148	(95)	(894)
Total income taxes	391	434	4,085
Profit	653	655	6,173

3. Company Information / Stock Information

Company Information (as of March 31, 2018)

Trade name:	TOMONY Holdings, Inc.	THE TOKUSHIMA BANK, LTD.
Date of establishment:	April 2010	March 1918
Listing date:	April 2010	December 1990 to March 2010
Business year:	From April 1 to March 31	From April 1 to March 31
Paid-in capital:	¥25,000 million	¥11,036 million
Number of employees:	2,412 (excluding contract and temporary employees)	893 (excluding contract and temporary employees)
Head office:	7-1 Kamei-cho, Takamatsu-shi, Kagawa	1-41 Tomidahama, Tokushima-shi, Tokushima
Telephone:	+81-87-812-0102	+81-88-623-3111
Consolidated subsidiaries:	THE TOKUSHIMA BANK, LTD. THE KAGAWA BANK, LTD. THE TAISHO BANK, LTD. TOMONY System Service, Inc. Tokugin Business Service Co., Ltd. Kagawa Business Service Co., Ltd. TOMONY Lease, Inc. TOMONY Card, Inc. Tokugin Capital Co., Ltd. Taisho Shinyo Hosho Co., Ltd.	Tokugin Business Service Co., Ltd. TOMONY Card, Inc. Tokugin Capital Co., Ltd.
Trade name:	THE KAGAWA BANK, LTD.	THE TAISHO BANK, LTD.
Date of establishment:	February 1943	April 1922
Listing date:	October 1988 to March 2010	—
Business year:	From April 1 to March 31	From April 1 to March 31
Paid-in capital:	¥12,014 million	¥2,689 million
Number of employees:	1,004 (excluding contract and temporary employees)	343 (excluding contract and temporary employees)
Head office:	7-9 Kamei-cho, Takamatsu-shi, Kagawa	2-5-8 Imabashi, Chuo-ku, Osaka-shi, Osaka
Telephone:	+81-87-861-3121	+81-6-6205-8400
Consolidated subsidiaries:	TOMONY Lease, Inc. Kagawa Business Service Co., Ltd.	Taisho Shinyo Hosho Co., Ltd.

Officers (as of July 1, 2018)

Directors (except the Audit and Supervisory Committee Members):

Representative Director and Chairman	Seiji Toyama
Representative Director, President and CEO	Takeshi Nakamura
Director and Vice President	Noritaka Honda
Director and Vice President	Hiromi Yoshioka
Director and Vice President	Masaaki Yoshida
Managing Director	Masaya Kakuda
Managing Director	Hitomi Fujii
Managing Director	Keizo Shirazami
Director	Toshio Yokote

Audit and Supervisory Committee Members:

Director*	Katsura Tada
Director (Non-standing)*	Toshiya Onishi
Director (Non-standing)*	Noboru Ohira

*Outside Director

Stock Information (as of March 31, 2018)

Total number of authorized shares:	476,000,000 shares
Total number of shares issued:	163,728,911 shares
Number of shareholders:	10,148
Major shareholders (Top 10)	

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	11,159	6.82
TOMONY Holdings Employee Shareholding Association	5,216	3.19
Nichia Corporation	4,938	3.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,610	2.82
DFA INTL SMALL CAP VALUE PORTFOLIO	3,593	2.19
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,251	1.98
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,108	1.90
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3,050	1.86
Sompo Japan Nipponkoa Insurance Inc.	2,643	1.61
NH Foods Ltd.	2,556	1.56
Total	44,127	26.99

* The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. on April 1, 2018.

* The financial statements in this Annual Report are stated in Japanese yen with amounts of less than one million yen omitted. As a result, the totals shown do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of investors outside Japan. Such translation is carried out at the rate of ¥106.24 = U.S. \$1, the approximate rate of exchange at March 31, 2018, and the resultant amounts are shown with amounts of less than 1,000 U.S. dollars omitted.

* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.